

**L-42- Valuation Basis (Life Insurance - Individual )**  
**Chapter on Valuation Basis**

**a. How the policy data needed for valuation is accessed ?**

The required data for valuation in respect of each policy is extracted Branch-wise from policy masters maintained at each Divisional Office. The data extracted in respect of individual policies is checked for consistency and validated by a software developed for this purpose. The validated data is consolidated at Divisional Office level itself and further consolidated at Zonal Office level for offices under its jurisdiction. All such files are sent to Corporate Office for further processing.

**b. How the valuation bases are supplied to the system ?**

Once the valuation parameters are decided they are keyed in to the system to create explicit parameter file, in a form compatible to the system. The program for calculating reserves takes input from two files, viz. parameter file and policy data file.

I) Interest : Maximum and minimum interest rate taken for each segment	2017-18: Qtr ending 30.09.2017	
	Max	Min
1. Life- Participating policies	8.00% p.a.	6.90% p.a.
2. Life- Non-participating Policies	6.90% p.a.	6.90% p.a.
3. Annuities- Participating policies	8.60% p.a.	6.90% p.a.
4. Annuities – Non-participating policies	7.00% p.a.	7.00% p.a.
5. Annuities- Individual Pension Plan	7.70% p.a.	7.70% p.a.
6. Unit Linked	6.90% p.a.	6.90% p.a.
7. Linked Health	6.90% p.a.	6.90% p.a.
8. Non-linked Health	6.50% p.a.	6.50% p.a.
II) Mortality Rates : the mortality rates used for each segment	2017-18: Qtr ending 30.09.2017	
1. Life- Participating policies	135% of IALM (2006-08) Ult.	
2. Life- Non-participating Policies	135% of IALM (2006-08) Ult.	
3. Annuities- Participating policies		
During Deferment	110% of IALM (2006-08) Ult.	
After Vesting	LIC a (1996-98) Ult. rated down by 5 years	
4. Annuities – Non-participating policies		
During Deferment	110% of IALM (2006-08) Ult.	
After Vesting	LIC a (1996-98) Ult. rated down by 5 years	
5. Annuities- Individual Pension Plan		
During Deferment	110% of IALM (2006-08) Ult.	
After Vesting	LIC a (1996-98) Ult. rated down by 5 years	
6. Non-linked Health (Mortality Rate)	110% of IALM (2006-08) Ult.	
(Morbidity Rates)	HCB & MSB: 135% of Swiss Re Incidence Rates	
7. Unit Linked	135% of IALM (2006-08) Ult.	

8. Linked Health (Mortality Rate)	110% of IALM (2006-08) Ult.
(Morbidity Rates)	HCB & MSB: 135% of Munich Re Incidence Rates
<b>III) Expense :</b>	<b>2017-18: Qtr ending 30.09.2017</b>
1. Life- Participating policies	
Premium Related	Actual Commission Rates & for
NB	15% for plans 814,815,820,821,827,830,832,833,834,836,838,841
Renewal	0.03% for plans 807,814,815,820,821,827,830,832,833,834,836, 838,841 0.03% for micro plans 182,810 2% for others
Policy Related	
For micro insurance plans	₹ 420/- per policy for premium paying ₹ 210/- per policy for paid-up and fully paid-up policies
For other plans	₹ 580/- per policy for premium paying ₹ 290/- per policy for paid-up and fully paid-up policies
2. Life- Non-participating Policies	
Premium Related	Actual Commission Rates & for
NB	15% for plans 822,823,825 1.65% for micro plan 819,829,839,840
Renewal	0.03% for plans 822,823,825 0.03% for micro plan 198,819,829,839,840 15.03% for Term Assurance Plans 43,52,153,164,177,190 2% for Bima Account plans (805,806) 2% for others
Policy Related	
For micro insurance plans (198,819,829,840)	₹ 270/- per policy for premium paying ₹ 135/- per policy for Paid-up & fully paid-up policies
For other plans including Bima Account I & II	₹ 580/- per policy for premium paying ₹ 290/- per policy for Paid-up & fully paid-up policies
3. Annuities- Participating policies	
Annuities in payment	₹ 150/- per policy p.a. & ₹ 140/- for claim payments
During deferment	
Premium related	Actual Commission Rates & 2% of the premium
Policy related	₹ 580/- per policy for premium paying and ₹ 290/- per policy for reduced paid up, fully paid up & single premium policies

4. Annuities – Non-participating policies		
Annuities in payment		₹ 150/- per policy p.a. & ₹ 140 for claim payments
During deferment		
Premium related	Actual Commission Rates & 2% of the premium	
Policy related	₹ 580/- per policy for premium paying and ₹ 290/- per policy for reduced paid up, fully paid up & single premium policies	
5. Annuities- Individual Pension Plan		
Annuities in payment		₹ 150/- per policy p.a. & ₹ 140 for claim payments
During deferment		
Premium Related		Actual Commission Rates & for
NB		5% of the premium
Renewal	0.03% of the premium for plan 818 2% of the premium for other plans except 818	
Policy related	₹ 580/- per policy for premium paying and ₹ 290/- per policy for reduced paid up, fully paid up & single premium policies	
6. Non-linked Health		
Premium related		Actual Commission Rates & for
NB		20% for plan 904
Renewal		15.03% of premium for plan 903 & 0.03% for plan 904
Policy related		
Renewal		₹ 770/- p.a. for Principal Insured & ₹ 385/- p.a. for others
7. Unit Linked		
Premium related		Actual Commission Rates & for
NB		7% for Plan 835
Renewal		0.03% for all plans
Policy Related		
For first year of the policies		₹ 3000/- per policy
For inforce policies		₹ 760/- per policy
For reduced paid up and SP policies		₹ 380/- per policy
8. Linked Health		
Premium related		
Renewal		Actual Commission & 0.03% of premium
Policy related		
For premium paying (including claim related expenses)		₹ 810/- per policy
For reduced paid-up & SP policies (including claim related expenses)		₹ 405/- per policy
**Per policy inflation rate is 3% p.a. for all plans		
***Tax rates are as applicable for the plans		
<b>IV) Bonus Rates :</b>		In respect of with profit policies, wherever applicable, future reversionary bonuses have been valued at the current declared level as at 31.03.2017 - bonus rates valued allow for tax and Government Share of surplus as applicable on the date of valuation i.e. as at 31st March 2017.

<b>V) Policyholders Reasonable Expectations :</b>	Future bonuses valued at the current declared rates.	
<b>VI) Taxation and Shareholder Transfers</b>	<b>2017-18: Qtr ending 30.09.2017</b>	
1. Life- Participating policies	14.42% & 5%	
2. Life- Non-participating Policies	-----	
3. Annuities- Participating policies	14.42% & 5%	
4. Annuities – Non-participating policies	-----	
5. Annuities- Individual Pension Plan	Exempted from tax & 5%	
6. Unit Linked	-----	
7. Linked Health	-----	
8. Non-linked Health	-----	
<b>VII) Basis of provisions for Incurred But Not Reported (IBNR)</b>	-----	
<b>VIII) Change in Valuation Methods or Bases</b>	<b>2017-18: Qtr ending 30.09.2017</b>	
<b>1. Individuals Assurances</b>		
<b>A. Life Participating Policies</b>		
a. Interest	No Change	No Change
b. Expenses		
Premium Related		
NB	No Change	
Renewal	No Change	
Policy Related		
For premium paying	No change in micro insurance plans & Increase by ₹ 35/- in others	
For reduced & fully paid-up	No change in micro insurance plans & Increase by ₹ 17.50/- in others	
c. Inflation	No Change	
<b>B. Life- Non-Participating policies</b>		
a. Interest	No Change	No Change
b. Expenses		
Premium Related		
NB	No Change	
Renewal	Not applicable (method change) for Bima Account plans and no change for other plans	
Policy Related		
For premium paying	Increase by ₹ 25/- for micro plans & Increase by ₹ 35/- for other plans	
For reduced & fully paid-up	Increase by ₹ 12.50 for micro plans & Increase by ₹ 17.50/- for other plans	
c. Inflation	No Change	
<b>2. Annuities &amp; Pension</b>		
<b>A. Annuities - Participating Policies</b>		
a. Interest	No change	No Change
b. Expenses		
Annuities in payment	Increase by ₹ 10 for per policy & increase by ₹ 20 in claim payment expenses	
During deferment	Premium related - Not Applicable (Method Change) Policy related - Increase by ₹ 35/- for premium paying & ₹ 17.50/- for reduced paid-up, fully paid-up & single premium policies	
c. Inflation	No Change	

<b>B. Annuities - Non-Participating Policies</b>			
a. Interest		No change	No Change
b. Expenses			
Annuities in payment		Increase by ₹ 10 for per policy & increase by ₹ 20 in claim payment expenses	
During deferment		Premium related - Not Applicable (Method Change) Policy related - Increase by ₹ 35/- for premium paying & ₹ 17.50/- for reduced paid-up, fully paid-up & single premium policies	
c. Inflation		No change	
<b>C. Individual Pension Plan</b>			
a. Interest		No change	No Change
b. Expenses			
Annuities in payment		Increase by ₹ 10 for per policy & increase by ₹ 20 in claim payment expenses	
During deferment			
Premium related - NB		Not Applicable (Method Change)	
Premium related - Renewal		Not Applicable (Method Change)	
Policy related		Increase by ₹ 35/- for premium paying & ₹ 17.50/- for reduced paid-up, fully paid-up & single premium policies	
c. Inflation		No change	
<b>3. Non-linked Health</b>			
a. Interest		No Change	No Change
b. Expenses			
Premium related			
New Business		Not Applicable (Method Change)	
Renewal		Not Applicable (Method Change)	
Policy related		Increase by ₹ 50 for principal insured and increase by ₹ 25 for others	
c. Inflation		No change	
<b>4. Unit Linked</b>			
a. Interest		No Change	No Change
b. Expenses			
Premium Related		Not Applicable (Method Change)	
Policy Related			
For first year of the policies		Not Applicable (Introduced first time)	
For inforce policies		Increase of ₹ 50/-	
For reduced paid up and SP policies		Increase of ₹ 25/-	
c. Inflation		No Change	
<b>5. Linked Health</b>			
a. Interest		No Change	No Change
b. Expenses			
Premium related			
Renewal		Not Applicable (Method Change)	
Policy related			
For premium paying		Increase of ₹ 30/- per policy	
For reduced paid-up & SP policies		Increase of ₹ 15/- per policy	
c. Inflation		No Change	