## 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.

Interest : Maximum and minimum interest rate taken for each segment	2012-13: Qtr ending 30.06.2012		
	Max	Min	
Life- Participating policies	8.50% p.a.	6.90% p.a.	
Life- Non-participating Policies	6.90% p.a.	6.90% p.a.	
Annuities- Participating policies	9.10% p.a.	7.10% p.a.	
4. Annuities – Non-participating policies	7.10% p.a.	7.10% p.a.	
5. Annuities- Individual Pension Plan	7.60% p.a.	7.60% 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	6.90% p.a.	6.90% p.a.	
II) Mortality Rates : the mortality rates used for each segment	2012-13: Qtr ending 30.06.2012		
	IALM(1994-96) mod. Ult.		
1. Life- Participating policies	rated up by 2 years		
1 01	IALM(1994-96) mod. Ult.		
2. Life- Non-participating Policies	rated up by 2 years		
Annuities- Participating policies	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1		
<u> </u>	IAI M/10	994-96) mod. Ult.	
During Deferment		rated up by 1 year	
		8) Ult. rated down by 1	
After Vesting	Ι Είο α (1550 5	year	
4. Annuities – Non-participating policies		your	
	ΙΔΙ Μ/10	994-96) mod. Ult.	
During Deferment		d up by 1 year	
After Vesting	LIC a (1996-98) Ult. rated down by 1		
		year	
5. Annuities- Individual Pension Plan			
During Deferment		994-96) mod. Ult.	
	rated up by 1 year		
After Vesting	LIC a (1996-9	B) Ult. rated down by 1	
Autor Vosting		year	
	IALM(1994-96) mod. Ult.		
6.Non-linked Health (Mortality Rate)	rated up by 2 years		
	HCB & MSE	3: 135% of Swiss Re	
(Morbidity Rates)	Inci	dence Rates	
7. Unit Linked			
Under Plans 191,193, 194 & 197	125% of IALM (1994-96) mod. Ult.		
All linked plans avesat shave	IALM(1994-96) mod. Ult.		
All linked plans except above	rated up by 2 years		
8.Linked Health (Mortality Rate)		NIL	
\	HCB & MSB	HCB & MSB: 135% of Munich Re	
(Morbidity Rates)	Incidence Rates		
(initiality riation)	incluence nates		

III) Expense :	2012-13: Qtr ending 30.06.2012	
Life- Participating policies		
Premium Related	6.25% of premium	
Policy Related	·	
For premium paying	₹ 400/- per policy	
For reduced & fully paid-up		
Life- Non-participating Policies	·	
Premium Related	6.25% of premium	
Policy Related	•	
For premium paying	₹ 400/- per policy	
For reduced & fully paid-up	· · · · ·	
3. Annuities- Participating policies		
Annuities in payment	₹ 80/- per policy p.a. & ₹ 120 for claim payments	
	2.25% of premium, ₹ 400/- per policy for	
During deferment	premium paying and ₹ 200/- per policy	
burning determent	for reduced paid up, fully paid & single	
	premium policies	
4. Annuities – Non-participating policies		
Annuities in payment	₹ 80/- per policy p.a. & ₹ 120 for claim payments	
	2.25% of premium, ₹ 400/- per policy for	
During deferment	premium paying and ₹ 200/- per policy	
g	for reduced paid up, fully paid & single	
5. Annuities- Individual Pension Plan	premium policies	
5. Affiluities- Individual Pension Plan	<b>3.00</b> / II 0	
Annuities in payment	₹ 80/- per policy p.a. & ₹ 120 for claim payments	
During deferment	5% of premium for endowment & 2.25% of premium for other options. ₹ 400/- per policy for premium paying and ₹ 200/- per policy for reduced paid up, fully paid up and single premium.	
6. Non-linked Health		
Premium related	00.000/ -1.000/	
New Business	80.00% of premium	
Renewal	6.25% of premium	
Policy related		
Renewal	₹ 590/- per policy & ₹ 295/- for each life other than principal insured	
7. Unit Linked		
Premium Related	1.5% to 4.0% of premium depending on plan, 7% NB related for plans 802 & 803	
Policy Related		
For inforce plans	₹ 530/- per policy	
For reduced paid up and SP plans	₹ 265/- per policy	
NB policy related	₹ 1200 per policy for plans 802 & 803	

8. Linked Health			
Premium related			
New Business	35.00% of premium		
Renewal	6.25% of premium		
Policy related			
For premium paying			
For reduced paid-up & SP policies			
**Per policy inflation rate is 3%	o.a. for all plans		
		a	
IV) Bonus Rates :	In respect of with profit policies, wherever applicable, future reversionary		
	bonuses have been		
		level as at 31.03.2012 -	
	bonus rates valued allow for tax and		
	Government Share of surplus as		
	applicable on the date of valuation i.e.		
	as at 31st March 2012.		
V) Policyholders Reasonable Expectations :	Future bonuses valued at the current		
	declared rates.		
VI) Taxation and Shareholder Transfers	2012-13: Qtr ending 30.06.2012		
Life- Participating policies	14.1625% & 5%		
2. Life- Non-participating Policies			
Annuities- Participating policies	14.1625	5% & 5%	
4. Annuities – Non-participating policies			
5. Annuities- Individual Pension Plan	Exempted	d from tax.	
6. Unit Linked			
7.Linked Health			
8.Non-linked Health			
VID Back of consistency (as because I Back Not			
VII) Basis of provisions for Incurred But Not			
Reported (IBNR) VIII)Change in Valuation Methods or Bases	2012-13: Qtr ending 30.06.2012		
1. Individuals Assurances	2012-13. Qti en	unig 50.00.2012	
A. Life Participating Policies			
a. Interest	No Change		
l. F		No Change	
I p. Expenses		No Change	
b. Expenses  Premium Related	No cl		
	No cl	No Change nange	
Premium Related			
Premium Related Policy Related	Increased Increased	nange d by ₹ 20/- d by ₹ 10/-	
Premium Related Policy Related For premium paying For reduced & fully paid-up c. Inflation	Increased Increased	nange d by ₹ 20/-	
Premium Related Policy Related For premium paying For reduced & fully paid-up	Increased Increased No C	nange d by ₹ 20/- d by ₹ 10/-	
Premium Related Policy Related For premium paying For reduced & fully paid-up c. Inflation B. Life- Non-Participating policies	Increased Increased No C	nange d by ₹ 20/- d by ₹ 10/- hange Increase by 10	
Premium Related Policy Related For premium paying For reduced & fully paid-up c. Inflation	Increased Increased No C	nange d by ₹ 20/- d by ₹ 10/- hange	
Premium Related Policy Related For premium paying For reduced & fully paid-up c. Inflation B. Life- Non-Participating policies a. Interest b. Expenses	Increased Increased No C Increase by 10 basis points	nange  d by ₹ 20/- d by ₹ 10/- hange  Increase by 10 basis points	
Premium Related Policy Related For premium paying For reduced & fully paid-up c. Inflation B. Life- Non-Participating policies a. Interest b. Expenses Premium Related	Increased Increased No C Increase by 10 basis points	nange d by ₹ 20/- d by ₹ 10/- hange Increase by 10	
Premium Related Policy Related For premium paying For reduced & fully paid-up c. Inflation B. Life- Non-Participating policies a. Interest b. Expenses Premium Related Policy Related	Increased Increased No C Increase by 10 basis points	nange d by ₹ 20/- d by ₹ 10/- hange Increase by 10 basis points nange	
Premium Related Policy Related For premium paying For reduced & fully paid-up c. Inflation B. Life- Non-Participating policies a. Interest b. Expenses Premium Related Policy Related For premium paying	Increased No C Increase by 10 basis points No cl	nange d by ₹ 20/- d by ₹ 10/- hange Increase by 10 basis points nange	
Premium Related Policy Related For premium paying For reduced & fully paid-up c. Inflation  B. Life- Non-Participating policies  a. Interest b. Expenses Premium Related Policy Related For premium paying For reduced & fully paid-up	Increased No C Increase by 10 basis points  No cl Increased Increased Increased	nange d by ₹ 20/- d by ₹ 10/- hange  Increase by 10 basis points  nange d by ₹ 20/- d by ₹ 20/-	
Premium Related Policy Related For premium paying For reduced & fully paid-up c. Inflation  B. Life- Non-Participating policies  a. Interest b. Expenses Premium Related Policy Related For premium paying For reduced & fully paid-up c. Inflation	Increased No C Increase by 10 basis points  No cl Increased Increased Increased	nange d by ₹ 20/- d by ₹ 10/- hange Increase by 10 basis points nange	
Premium Related Policy Related For premium paying For reduced & fully paid-up c. Inflation  B. Life- Non-Participating policies  a. Interest b. Expenses Premium Related Policy Related For premium paying For reduced & fully paid-up c. Inflation  2. Annuities & Pension	Increased No C Increase by 10 basis points  No cl Increased Increased Increased	nange d by ₹ 20/- d by ₹ 10/- hange  Increase by 10 basis points  nange d by ₹ 20/- d by ₹ 20/-	
Premium Related Policy Related For premium paying For reduced & fully paid-up c. Inflation B. Life- Non-Participating policies  a. Interest b. Expenses Premium Related Policy Related For premium paying For reduced & fully paid-up c. Inflation 2. Annuities & Pension A. Participating Policies	Increased No C  Increase by 10 basis points  No cl  Increased Increased Increased No C	nange  by ₹ 20/- by ₹ 10/- hange  Increase by 10 basis points  hange  by ₹ 20/- by ₹ 10/- hange	
Premium Related Policy Related For premium paying For reduced & fully paid-up c. Inflation B. Life- Non-Participating policies  a. Interest b. Expenses Premium Related Policy Related For premium paying For reduced & fully paid-up c. Inflation 2. Annuities & Pension A. Participating Policies a. Interest	Increased No C Increase by 10 basis points  No cl Increased Increased Increased	nange d by ₹ 20/- d by ₹ 10/- hange  Increase by 10 basis points  nange d by ₹ 20/- d by ₹ 20/-	
Premium Related Policy Related For premium paying For reduced & fully paid-up c. Inflation  B. Life- Non-Participating policies  a. Interest b. Expenses Premium Related Policy Related For premium paying For reduced & fully paid-up c. Inflation  2. Annuities & Pension A. Participating Policies	Increased No C  Increase by 10 basis points  No cl  Increased Increased Increased No C  No C	nange  by ₹ 20/- by ₹ 10/- hange  Increase by 10 basis points  hange  by ₹ 20/- by ₹ 10/- hange	

	Premium related - No change	
	Policy related - Increase by ₹140/- for	
During deferment	premium paying & ₹	70/- for reduced
	paid-up, fully paid-up & single premium policies	
c. Inflation	No Change	
B. Non-Participating Policies	110 0	lango
a. Interest	No change	No change
b. Expenses	140 change	140 change
Annuities in payment	No ch	nange
, amoutoo iii payiiisiii	Premium related - N	·
During deferment	Policy related - Increase by ₹140/- for premium paying & ₹ 70/- for reduced paid-up, fully paid-up & single premium policies	
During determent		
	'	
c. Inflation	No change	
C. Individual Pension Plan	No showed No shows	
a. Interest	No change No change	
b. Expenses	11.01	
Annuities in payment		nange
	Premium related - N	
	Policy related - Incre	
During deferment	premium paying & ₹	
	paid-up, fully paid-up & single premium	
	policies	
c. Inflation	No C	nange
3. Non-linked Health		<u> </u>
a. Interest	Not ap	plicable
b. Expenses		
Premium related		
New Business	Not ap	plicable
Renewal	Not ap	olicable
Policy related		
For premium paying	Not ap	olicable
For reduced paid-up & SP policies	Not ap	olicable
c. Inflation	Not applicable	
4. Unit Linked		
a. Interest	Increase by 10	Increase by 10
	basis points	basis points
b. Expenses		
Premium Related	No Cl	nange
Policy Related		(7.50/
For inforce plans		
For reduced paid up and SP plans		
For reduced paid up and SP plans NB policy related	Increase by ₹ 300 f	for plans 802 & 803
For reduced paid up and SP plans  NB policy related c. Inflation	Increase by ₹ 300 f	
For reduced paid up and SP plans  NB policy related  c. Inflation  5. Linked Health	Increase by ₹ 300 f No C	for plans 802 & 803 nange
For reduced paid up and SP plans NB policy related c. Inflation 5. Linked Health a. Interest	Increase by ₹ 300 f No C	for plans 802 & 803
For reduced paid up and SP plans  NB policy related  c. Inflation  5. Linked Health  a. Interest  b. Expenses	Increase by ₹ 300 f No C	for plans 802 & 803 nange
For reduced paid up and SP plans  NB policy related c. Inflation  5. Linked Health a. Interest b. Expenses  Premium related	Increase by ₹ 300 No C	for plans 802 & 803 hange 0 basis points
For reduced paid up and SP plans  NB policy related c. Inflation  5. Linked Health a. Interest b. Expenses  Premium related  New Business	Increase by ₹ 300 f No C Increase by 1	for plans 802 & 803 hange 0 basis points hange
For reduced paid up and SP plans  NB policy related c. Inflation  5. Linked Health a. Interest b. Expenses  Premium related  New Business Renewal	Increase by ₹ 300 f No C Increase by 1	for plans 802 & 803 hange 0 basis points
For reduced paid up and SP plans NB policy related c. Inflation 5. Linked Health a. Interest b. Expenses Premium related New Business Renewal Policy related	Increase by ₹ 300 f No C Increase by 1	for plans 802 & 803 hange  0 basis points hange hange
For reduced paid up and SP plans  NB policy related  c. Inflation  5. Linked Health  a. Interest  b. Expenses  Premium related  New Business  Renewal  Policy related  For premium paying	Increase by ₹ 300 f  No C  Increase by 1  No C  No C  Increase of ₹	for plans 802 & 803 hange  0 basis points hange hange 40/- per policy
For reduced paid up and SP plans  NB policy related  c. Inflation  5. Linked Health  a. Interest  b. Expenses  Premium related  New Business  Renewal  Policy related	Increase by ₹ 300 f  No C  Increase by 1  No C  No C  Increase of ₹  Increase of ₹	for plans 802 & 803 hange 0 basis points hange hange