L-42- Valuation Basis (Life Insurance - Individual)

A chapter on Valuation basis covering the following minimum criteria should also be displayed on the web-site of the Insurers.

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

The policy data is extracted from policy masters maintained at branch level. The data is consolidated first at the Divisional level and then at Zonal level. The summary files are created for every zone and sent to Corporate office where they are merged after verification for purity and consistency.

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	I) Interest : Maximum and minimum interest rate 2010-2011 for the quarter		
taken for each segment	ending as at 30.09.2010		
	Max	Min	
1. Life- Participating policies	8.5% p.a.	6.8% p.a.	
2. Life- Non-participating Policies	6.8% p.a.	6.8% p.a.	
Annuities- Participating policies	9.00% p.a.	7.00% p.a.	
 Annuities – Non-participating policies 	7.00% p.a.	7.00% p.a.	
5. Annuities- Individual Pension Plan	7.50% p.a.	7.50% p.a.	
6. Unit Linked	6.8% p.a.	6.8% p.a.	
7. Health Insurance	6.80% p.a.	6.80% p.a.	
II) Mortality Rates : the mortality rates used for each	2010-2011	for the quarter	
segment	ending a	s at 30.09.2010	
	IALM(1994-96) mod. Ult.		
1. Life- Participating policies	rated	up 2 years	
	IALM(199	94-96) mod. Ult.	
2. Life- Non-participating Policies	rated	up 2 years	
3. Annuities- Participating policies			
During Deforment	IALM(1994-96) mod. Ult.		
During Deferment	rated up 1 year		
	LIC a (1996-98) Ult. rated down 1		
After Vesting	year		
4. Annuities – Non-participating policies		, ,	
	IALM(1994-96) mod. Ult.		
During Deferment	rated up 1 year		
		· ·	
After Vesting	LIC a (1996-98) Ult. rated down 1 year		
5. Annuities- Individual Pension Plan			
During Deferment	IALM(1994-96) mod. Ult.		
g _ = ======	rated up 1 year		
After Vesting	LIC a (1996-98) Ult. rated down 1		
	year		
6. Unit Linked			
Under Plans 191,193 & 194	125% of IALM (1994-96)		
	IALM(1994-96) mod. Ult.		
All linked plans except above	rated up 2 years		
7.Health Insurance (Mortality Rate)	NIL		
	HCB & MSB	135% of Munich Re	
(Morbidity Rates)	Incidence Rates		
	1		

0			IRDA Public Di
		2010-2011 for the quarter	
	III) Expense :	ending as	at 30.09.2010
	1. Life- Participating policies		
ľ	Premium Related	6.25%	of premium
Ì	Policy Related		
ľ	For premium paying	Rs 260	/- per policy
ŀ	For reduced & fully paid-up		/- per policy
ŀ		KS.130	- per policy
	2. Life- Non-participating Policies		
	Premium Related	6.25%	of premium
	Policy Related		
	For premium paying	Rs.260/- per policy	
ľ	For reduced & fully paid-up	Rs.130	/- per policy
Ì	3. Annuities- Participating policies		
ľ		Rs 80/- ne	er policy p.a. &
	Annuities in payment		claim payments
ŀ			
			um, Rs. 260/- per
		policy for premi	
		Rs.130/- per pc	licy for reduce paid
			single premium
ļ	During deforment	policies	Surgio promium
ļ	During deferment	policies	
ļ	 Annuities – Non-participating policies 		
	Annuities in payment	Rs.80/- pe	er policy p.a. &
	Annulles in payment	Rs.120 for	claim payments
Ì			um, Rs. 260/- per
		policy for premi	
		Rs.130/- per pc	licy for reduce paid
		up fully paid &	single premium
ļ	During deferment	policies	
	5. Annuities- Individual Pension Plan		
	Annuition in nourment	Rs.80/- pe	er policy p.a. &
	Annuities in payment		claim payments
ŀ			
		5% of premium	for endowment &
		2.25% of premi	um for other
		options.	
	During deferment		licy for premium
			130 per reduce
		paid up, fully paid up and single	
ļ		premium.	
ļ	6. Unit Linked		
	Dramium Dalatad	1.5% to 4.0	0% of premium
	Premium Related		ding on plan
ł	Policy Related	aopon	
ŀ	ו טווטי ולפומנכט	Do 200	/- per policy
	<u> </u>	RS.300	- per policy
	For inforce plans		
	For reduced paid up and SP plans	Rs.150)/- per policy
	i or reduced paid up and SP plans		
ľ	7. Health Insurance		
ł	Premium related		
ł	New Business	35 00%	of premium
ł			
	Renewal	6.25% of premium	
ļ	Policy related		
ļ	For premium paying	Rs.360/- per policy	
	For reduced sets on 0 OD reliated	Rs.180/- per policy.	
	For reduced paid-up & SP policies	KS.180/	- per policy.
ł		for all sta	
	**Per policy inflation rate is 3% p.a.	tor all plans	
ľ			
ا د ا			Pa

IV) Bonus Rates :				Bonus Rates	
			Future bonu	ses valued at the	
V) Policyholders Reasonable Expectations		current d	current declared rates.		
				for the quarter	
VI) Taxation and Sharehold	er Transfers		ending as	at 30.09.2010	
1. Life- Participating policies	6		14.16	25% & 5%	
2. Life- Non-participating Po	licies				
3. Annuities- Participating po	olicies		14.1625% & 5%		
4. Annuities – Non-participa					
5. Annuities- Individual Pens	sion Plan		Exempted from tax.		
6. Unit Linked					
7. Health Insurance					
VII) Basis of provisions for Reported (IBNR)	Incurred But Not				
				for the quarter	
VIII)Change in Valuation Me	ethods or Bases		ending as	at 30.09.2010	
1. Individuals Assurances		1			
A. Life Participating Polic	ies				
a. Interest			No Change	No Change	
b. Expenses				1 0 700/	
Premium			Decreas	se by 0.50%	
Policy R					
	For premium		Increase	ed by Rs 50/-	
	For reduced & fully p	aid-up	Increased by Rs.25/-		
c. Inflation			No Change		
B. Life- Non-Participating	policies				
a. Interest			No Change	No Change	
b. Expenses					
Premium			Decreas	se by 0.50%	
Policy F					
	For premium				
	For reduced & fully p	aid-up			
c. Inflation			No Change		
2. Annuities & Pension					
A. Participating Policies					
a. Interest			No Change	No Change	
b. Expenses					
Annuities ir	Annuities in payment		No Change		
During de	eferment		Reduce by 1.25% and Increase in policy related expenses by 260/- and 130/- per policy for premium paying term and fully paid up, reduced paidup and SP respectively		
c. Inflation			No Change		
B. Non-Participating Policie	es				
a. Interest			No change	No change	
b. Expenses					
			No change		

			Reduce by 1.25% and Increase in			
				policy related expenses by 260/-		
			and 130/- per policy for premium			
	During determent			paying term and fully paid up,		
			reduced paidup	and SP		
			respectively			
c. Inflation					change	
C. Individual Pens	sion P	lan				
a. Interest				No change	No change	
b. Expenses				_		
Annuities in payment		No Change				
	Durir	ng deferment		Increase by 0.25% pa for other options; Increase by 260/- and 130/- per policy for premium paying policies and fully paidup, reduced paidup and SP respectively; Decrease by 1 per 1000 NCO per policy		
c. Inflation				No Change		
3. Unit Linked					-	
a. Interest				Decrease by 0.20% p.a.	Increase by 1.30% pa	
b. Expenses						
	Prem	nium Related		Increase by 0.5% pa depending on the plan		
	Pol	icy Related				
		For inforce pl		Increase of Rs.60/-		
	Fo	or reduced paid up and SP pl	lans			
c. Inflation				No Change		
4. Health						
a. Interest			Increase by 0.80% p.a.			
b. Expenses	Dron	nium related				
	FIE	New Busin	000	No	Change	
		Rene		No Change Decrease by 0.25%		
	Po	licy related	,			
		For premium page	yina	Increase of F	Rs.100/- per policy	
	Fo	or reduced paid-up & SP poli				
c. Inflation		· · · ·		No Change		