

L-42 Valuation Basis (Life Insurance)

As on 31st March, 2020

- a. How the Policy data needed for valuation is accessed.
Policy data is extracted from the policy administration system and supplied by the I.T. Department
- b. How the valuation bases are supplied to the system
Individual and Group Single Premium business: The basis is updated in tables used in the valuation software, PROPHET.
Annuity and OYRGTA business: The basis is updated in MS excel spread sheets.
- c. Valuation Basis
 - 1) Interest : Maximum and Minimum interest rate taken for each segment
 - i. Individual Business
 1. Life- Participating - First five years from valuation date: 6.25% p.a.
After five years from valuation date: 5.75% p.a.
 2. Life –Non Participating - First five years from valuation date: 6.5% p.a.
After five years from valuation date: 6.0% p.a.
 3. Annuities-Participating - NA
 4. Annuities- Non Participating - First five years from valuation date : 6.5% p.a.
After five years from valuation date: 6.0% p.a.
 5. Annuities-Individual Pension - NA
 6. Unit Linked - 6.0% p.a. throughout
 7. Health Insurance - First five years from valuation date: 6.5% p.a.
After five years from valuation date: 6.0% p.a.
 - ii. Group Business
 1. Life –Non Participating - First five years from valuation date : 6.5% p.a.
After five years from valuation date: 6.0% p.a.
 - 2) Mortality Rates: The mortality rates used for each segment (as % of IALM 2012-2014)
 - i. Individual Business
 1. Life- Participating - 0-2 years: 160%-300%

			2+ years: 140%- 300%
2.	Non-Participating	-	0-2 years: 65%-300% 2+ years: 40%-300%
3.	Annuities-Participating	-	NA
4.	Annuities- Non Participating	-	40% of LIC a(96-98)
5.	Annuities-Individual Pension Plan	-	NA
6.	Unit Linked	-	0-1 years: 110%-240% 1+ years: 110%-135%
7.	Health Insurance	-	80%
ii.	Group Business		
1.	Life –Non Participating	-	45% -290%

3) Expenses

i.	Individual Business(per Policy)		
	Regular premium	-	Rs. 525/- p.a.
	Single premium	-	Rs. 475/- p.a.
	Annuities	-	Rs. 475/- p.a.
ii.	Group Business		
1.	Life –Non Participating	-	Rs.50 per member
2.	Micro Insurance	-	Rs.10 per member

4) Bonus Rates:

Life participating policies: The future reversionary bonus rates vary between Rs 20/- per thousand SA to Rs. 49/- per thousand SA, the rates may differ by product as well as premium paying term.

5) Policyholders Reasonable Expectations:

PRE are currently mainly formed by sales material and the bonus rates declared for the previous financial year. To this extent the company manages reasonable benefit expectations through sales material, annual communications of bonus rates and the smoothing of bonuses.

6) Taxation and shareholder Transfers:

Tax allowance is made on cost of bonus being declared to policyholders and shareholders transfers @ 14.56% in the policy liabilities.

The maximum amount of transfer to the shareholders is 1/9th of the policyholder's cost of bonus in case of participating business and 100% of surplus in case of non-participating business.

7) Basis of Provisions for Incurred But Not Reported claims:

Individual Business: IBNR reserve is based on past claim experience.

Group Business: IBNR reserve equal to the three months' earned premium under OYRGTA schemes. For other than OYRGTA business the IBNR reserve is provisioned taking in to consideration the past claims experience.

8) Change in Valuation Methods or Bases

i. Individual Assurances

1. Interest

Participating:

Previous year: Throughout	: 6.25% p.a.
Current year: First five years from valuation date	: 6.25% p.a
After five years from valuation date	: 5.75% p.a.

Non-participating:

Previous year: Throughout	: 6.25% p.a.
Current year: First five years from valuation date	: 6.5% p.a
After five years from valuation date	: 6.0% p.a.

2. Expenses No change

3. Inflation

Previous year	: 5.5%
Current year	: 5.0%

ii. Annuities

1. Interest

a. Annuity in payment

Previous year: Throughout	: 6.25% p.a.
Current year: First five years from valuation date	: 6.5% p.a
After five years from valuation date	: 6.0% p.a.

b.	Annuity during deferred period	NA
c.	Pension: All Plans	NA
2.	Expenses	No change
3.	Inflation	
	Previous year	5.5%
	Current year	5.0%
iii.	Unit Linked	
1.	Interest	No Change
2.	Expenses	No Change
3.	Inflation	
	Previous year	5.5%
	Current year	5.0%
iv.	Health	
1.	Interest	
	Previous year: Throughout	: 6.25% p.a.
	Current year: First five years from valuation date	: 6.5% p.a
	After five years from valuation date	: 6.0% p.a.
2.	Expenses	No Change
3.	Inflation	
	Previous year	5.5%
	Current year	5.0%
v.	Group	
1.	Interest	
	Previous year: Throughout	: 6.25% p.a.
	Current year: First five years from valuation date	: 6.5% p.a
	After five years from valuation date	: 6.0% p.a.
2.	Expenses	No Change
3.	Inflation	
	Previous year	5.5%
	Current year	5.0%