

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 | 2020-21: Qtr ending 30.06.2020 | |
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| | Max | Min |
| 1. Life- Participating policies | 7.40% p.a. | 6.90% p.a. |
| 2. Life- Non-participating Policies | 6.80% p.a. | 6.80% p.a. |
| 3. Annuities- Participating policies | 6.30% p.a. | 6.30% p.a. |
| 4. Annuities – Non-participating policies | 6.80% p.a. | 6.80% p.a. |
| 5. Annuities- Individual Pension Plan | 7.20% p.a. | 7.20% p.a. |
| 6. Unit Linked | 6.80% p.a. | 6.80% p.a. |
| 7. Linked Health | 6.80% p.a. | 6.80% p.a. |
| 8. Non-linked Health | 6.10% p.a. | 6.10% p.a. |
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| II) Mortality Rates : the mortality rates used for each segment | 2020-21: Qtr ending 30.06.2020 | |
| 1. Life- Participating policies | 145% (150% for Plans 843 & 943) of IALM (2012-14) Ult. | |
| 2. Life- Non-participating Policies | 145% of IALM (2012-14) Ult. | |
| 3. Annuities- Participating policies | | |
| During Deferment | 115% of IALM (2012-14) Ult. | |
| After Vesting | LIC a (1996-98) Ult. rated down by 6 years | |
| 4. Annuities – Non-participating policies | | |
| During Deferment | 115% of IALM (2012-14) Ult. | |
| After Vesting | LIC a (1996-98) Ult. rated down by 6 years | |
| 5. Annuities- Individual Pension Plan | | |
| During Deferment | 115% of IALM (2012-14) Ult. | |
| After Vesting | LIC a (1996-98) Ult. rated down by 6 years | |
| 6. Non-linked Health (Mortality Rate) | 115% of IALM (2012-14) Ult. | |
| (Morbidity Rates) | HCB & MSB: 135% of Swiss Re Incidence Rates for Plan 903 & 904 Plan 905: Male - 130% of RGA reinsurates rates upto age 40 years & 145% for 41 years & above, Female - 130% of RGA reinsurance rates | |
| 7. Unit Linked | 145% of IALM (2012-14) Ult. | |

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| 8.Linked Health (Mortality Rate) | 115% of IALM (2012-14) Ult. |
| (Morbidity Rates) | HCB & MSB: 135% of Munich Re Incidence Rates |
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| III) Expense : | 2020-21: Qtr ending 30.06.2020 |
| 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, 843, 844, 845, 847, 848, 853,914,915,920,921,932,933,934,936,943,944,945,947,948 & 1.65% for plans 851,951 |
| Renewal | 0.03% for plans 807, 814, 815, 820, 821, 827, 830, 832, 833, 834, 836, 838, 841, 843,844, 845, 847, 848,853,914,915,920,921,932,933,934,936,943,944,945,947,948 0.03% for micro plans 182,810,851,951 2.30% for others |
| Policy Related | |
| For micro insurance plans | ₹ 465/- per policy for premium paying ₹ 232.50 per policy for paid-up and fully paid-up policies |
| For other plans | ₹ 835/- per policy for premium paying ₹ 417.50 per policy for paid-up, fully paid-up and single premium policies |
| 2. Life- Non-participating Policies | |
| Premium Related | Actual Commission Rates & for |
| NB | 16% for plans 822,823,825,854,855 1.65% for micro plan 839,840,939,940 |
| Renewal | 0.03% for plans 822,823,825,854,855 0.03% for micro plan 198,819,829,839,840,939,940 18.03% for other Term Assurance Plans 43,52,153,164,177,190 2% for Bima Account plans (805,806) 2.30% for others |
| Policy Related | |
| For micro insurance plans (198,819,829,839,840,939,940) | ₹ 300/- per policy for premium paying ₹ 150/- per policy for Paid-up & fully paid-up policies |
| For other plans including Bima Account I & II | ₹ 835/- per policy for premium paying ₹ 417.50 per policy for paid-up, fully paid-up and single premium policies |
| 3. Annuities- Participating policies | |
| Annuities in payment | ₹ 175/- per policy p.a. & ₹ 155/- for claim payments |
| During deferment | |
| Premium related | Actual Commission Rates & 2.30% of the premium |
| Policy related | ₹ 835/- per policy for premium paying ₹ 417.50 per policy for paid-up, fully paid-up and single premium policies |

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| 4. Annuities – Non-participating policies | | |
| Annuities in payment | | ₹ 175/- per policy p.a. & ₹ 155/- for claim payments |
| During deferment | | |
| Premium related | | Actual Commission Rates & 2.30% of the premium |
| Policy related | | ₹ 835/- per policy for premium paying ₹ 417.50 per policy for paid-up, fully paid-up and single premium policies |
| 5. Annuities- Individual Pension Plan | | |
| Annuities in payment | | ₹ 175/- per policy p.a. & ₹ 155/- for claim payments |
| During deferment | | |
| Premium Related | | Actual Commission Rates & for |
| NB | | 5% of the premium |
| Renewal | | 0.03% of the premium for plan 812 & 818 2.30% of the premium for other plans except 812 & 818 |
| Policy related | | ₹ 835/- per policy for premium paying ₹ 417.50 per policy for paid-up, fully paid-up and single premium policies |
| 6. Non-linked Health | | |
| Premium related | | Actual Commission Rates & for |
| NB | | 20% for plan 904 & 905 |
| Renewal | | 18.03% of premium for plan 903 & 0.03% for plan 904 & 905 |
| Policy related | | |
| Renewal | | For 903 & 904: ₹ 1070/- p.a. for Principal Insured & ₹ 535/- p.a. for others For 905: ₹ 805/- p.a. per policy Claim expense - ₹ 500/- p.a. per claim, Income benefit expense - ₹ 180/- p.a. |
| 7. Unit Linked | | |
| Premium related | | Actual Commission Rates & for |
| NB | | 7% for Plan 835,852,935 |
| Renewal | | 0.03% for all plans |
| Policy Related | | |
| For first year of the policies | | ₹ 3800/- per policy |
| For inforce policies | | ₹ 1060/- per policy |
| For reduced paid up and SP policies | | ₹ 530/- per policy |
| 8. Linked Health | | |
| Premium related | | |
| Renewal | | Actual Commission & 0.03% of premium |
| Policy related | | |
| For premium paying (including claim related expenses) | | ₹ 1090/- per policy |
| For reduced paid-up & SP policies (including claim related expenses) | | ₹ 545/- per policy |
| **Per policy inflation rate is 3% p.a. for all plans | | |
| ***Tax rates are as applicable for the plans | | |
| IV) Bonus Rates : | | In respect of with profit policies, wherever applicable, future reversionary bonuses have been valued at the current declared level as at 31.03.2020 - bonus rates valued allow for tax and Government Share of surplus as applicable on the date of valuation i.e. as at 31st March 2020. |

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| V) Policyholders Reasonable Expectations : | Future bonuses valued at the current declared rates. | |
| VI) Taxation and Shareholder Transfers | 2020-21: Qtr ending 30.06.2020 | |
| 1. Life- Participating policies | 14.56% & 5% | |
| 2. Life- Non-participating Policies | ----- | |
| 3. Annuities- Participating policies | 14.56% & 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 | ----- | |
| VII) Basis of provisions for Incurred But Not Reported (IBNR) | ----- | |
| VIII) Change in Valuation Methods or Bases | 2020-21: Qtr ending 30.06.2020 | |
| 1. Individuals Assurances | | |
| A. Life Participating Policies | | |
| a. Interest | Decrease by 20 basis points | No Change |
| b. Expenses | | |
| Premium Related | | |
| | NB | No Change |
| | Renewal | No Change |
| Policy Related | | |
| For premium paying | Increase by ₹ 15/- in micro insurance plans & Increase by ₹ 110/- in others | |
| For reduced & fully paid-up | Increase by ₹ 7.50/- in micro insurance plans & Increase by ₹ 55/- in others | |
| c. Inflation | No Change | |
| B. Life- Non-Participating policies | | |
| a. Interest | Decrease by 10 basis points | Decrease by 10 basis points |
| b. Expenses | | |
| Premium Related | | |
| | NB | No Change |
| | Renewal | No Change |
| Policy Related | | |
| For premium paying | Increase by ₹ 10/- for micro plans & Increase by ₹ 110/- for other plans | |
| For reduced & fully paid-up | Increase by ₹ 5/- for micro plans & Increase by ₹ 55/- for other plans | |
| c. Inflation | No Change | |
| 2. Annuities & Pension | | |
| A. Annuities - Participating Policies | | |
| a. Interest | Decrease by 120 basis points | Decrease by 60 basis points |
| b. Expenses | | |
| Annuities in payment | Increase by ₹ 10/- for per policy & increase by ₹ 5/- in claim payment expenses | |
| During deferment | Premium related - No Change Policy related - Increase by ₹ 110/- for premium paying & ₹ 55/- for reduced paid-up, fully paid-up & single premium policies | |
| c. Inflation | No Change | |

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| B. Annuities - Non-Participating Policies | | |
| a. Interest | Decrease by 10 basis points | Decrease by 10 basis points |
| b. Expenses | | |
| Annuities in payment | Increase by ₹ 10/- for per policy & increase by ₹ 5/- in claim payment expenses | |
| During deferment | Premium related - No Change Policy related - Increase by ₹ 110/- for premium paying & ₹ 55/- for reduced paid-up, fully paid-up & single premium policies | |
| c. Inflation | No change | |
| C. Individual Pension Plan | | |
| a. Interest | Decrease by 30 basis points | Decrease by 30 basis points |
| b. Expenses | | |
| Annuities in payment | Increase by ₹ 10/- for per policy & increase by ₹ 5/- in claim payment expenses | |
| During deferment | | |
| Premium related - NB | No change | |
| Premium related - Renewal | No change | |
| Policy related | Increase by ₹ 110/- for premium paying & ₹ 55/- for reduced paid-up, fully paid-up & single premium policies | |
| c. Inflation | No change | |
| 3. Non-linked Health | | |
| a. Interest | No Change | No Change |
| b. Expenses | | |
| Premium related | | |
| New Business | No Change | |
| Renewal | No Change | |
| Policy related | Plan 903 & 904: Increase by ₹ 120/- for principal insured and increase by ₹ 60/- for others Plan 905: Increase by ₹ 90 No change in claim & income benefit expense | |
| c. Inflation | No change | |
| 4. Unit Linked | | |
| a. Interest | Decrease by 10 basis points | Decrease by 10 basis points |
| b. Expenses | | |
| Premium Related | No change | |
| Policy Related | | |
| For first year of the policies | Increase by ₹ 300/- | |
| For inforce policies | Increase of ₹ 125/- | |
| For reduced paid up and SP policies | Increase of ₹ 62.50 | |
| c. Inflation | No Change | |
| 5. Linked Health | | |
| a. Interest | Decrease by 10 basis points | Decrease by 10 basis points |
| b. Expenses | | |
| Premium related | | |
| Renewal | No change | |
| Policy related | | |
| For premium paying | Increase of ₹ 130/- per policy | |
| For reduced paid-up & SP policies | Increase of ₹ 65/- per policy | |
| c. Inflation | No Change | |