

**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	2012-13: Qtr ending 31.12.2012	
	Max	Min
1. Life- Participating policies	8.50% p.a.	6.90% p.a.
2. Life- Non-participating Policies	6.90% p.a.	6.90% p.a.
3. 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.
<b>II) Mortality Rates : the mortality rates used for each segment</b>		
2012-13: Qtr ending 31.12.2012		
1. Life- Participating policies	IALM(1994-96) mod. Ult. rated up by 2 years	
2. Life- Non-participating Policies	IALM(1994-96) mod. Ult. rated up by 2 years	
3. Annuities- Participating policies		
During Deferment	IALM(1994-96) mod. Ult. rated up by 1 year	
After Vesting	LIC a (1996-98) Ult. rated down by 1 year	
4. Annuities – Non-participating policies		
During Deferment	IALM(1994-96) mod. Ult. rated up by 1 year	
After Vesting	LIC a (1996-98) Ult. rated down by 1 year	
5. Annuities- Individual Pension Plan		
During Deferment	IALM(1994-96) mod. Ult. rated up by 1 year	
After Vesting	LIC a (1996-98) Ult. rated down by 1 year	
6. Non-linked Health (Mortality Rate)	IALM(1994-96) mod. Ult. rated up by 2 years	
(Morbidity Rates)	HCB & MSB: 135% of Swiss Re Incidence Rates	
7. Unit Linked		
Under Plans 191,193, 194 & 197	125% of IALM (1994-96) mod. Ult.	
All linked plans except above	IALM(1994-96) mod. Ult. rated up by 2 years	
8. Linked Health (Mortality Rate)	NIL	
(Morbidity Rates)	HCB & MSB: 135% of Munich Re Incidence Rates	

		2012-13: Qtr ending 31.12.2012
<b>III) Expense :</b>		
1. Life- Participating policies		
Premium Related		6.25% of premium
Policy Related		
For premium paying		₹ 400/- per policy
For reduced & fully paid-up		₹200/- per policy
2. Life- Non-participating Policies		
Premium Related		6.25% of premium
Policy Related		
For premium paying		₹ 400/- per policy
For reduced & fully paid-up		₹200/- per policy
3. Annuities- Participating policies		
Annuities in payment		₹ 80/- per policy p.a. & ₹ 120 for claim payments
During deferment		2.25% of premium, ₹ 400/- per policy for premium paying and ₹ 200/- per policy 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
During deferment		2.25% of premium, ₹ 400/- per policy for premium paying and ₹ 200/- per policy for reduced paid up, fully paid & single premium policies
5. Annuities- Individual Pension Plan		
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		
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	₹ 590/- per policy
	For reduced paid-up & SP policies	₹ 295/- per policy
**Per policy inflation rate is 3% p.a. for all 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 31.03.2012 - 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.
<b>V) Policyholders Reasonable Expectations :</b>		Future bonuses valued at the current declared rates.
<b>VI) Taxation and Shareholder Transfers</b>		<b>2012-13: Qtr ending 31.12.2012</b>
	1. Life- Participating policies	14.1625% & 5%
	2. Life- Non-participating Policies	-----
	3. Annuities- Participating policies	14.1625% & 5%
	4. Annuities – Non-participating policies	-----
	5. Annuities- Individual Pension Plan	Exempted from tax.
	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>2012-13: Qtr ending 31.12.2012</b>
<b>1. Individuals Assurances</b>		
<b>A. Life Participating Policies</b>		
	a. Interest	No Change
	b. Expenses	No Change
	Premium Related	No change
	Policy Related	
	For premium paying	Increased by ₹ 20/-
	For reduced & fully paid-up	Increased by ₹ 10/-
	c. Inflation	No Change
<b>B. Life- Non-Participating policies</b>		
	a. Interest	Increase by 10 basis points
	b. Expenses	Increase by 10 basis points
	Premium Related	No change
	Policy Related	
	For premium paying	Increased by ₹ 20/-
	For reduced & fully paid-up	Increased by ₹ 10/-
	c. Inflation	No Change
<b>2. Annuities &amp; Pension</b>		
<b>A. Participating Policies</b>		
	a. Interest	No change
	b. Expenses	No change
	Annuities in payment	No Change

During deferment	Premium related - No change Policy related - Increase by ₹140/- for premium paying & ₹ 70/- for reduced paid-up, fully paid-up & single premium policies	
c. Inflation	No Change	
<b>B. Non-Participating Policies</b>		
a. Interest	No change	No change
b. Expenses		
Annuities in payment	No change	
During deferment	Premium related - No change Policy related - Increase by ₹140/- for premium paying & ₹ 70/- 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	No Change	
During deferment	Premium related - No change Policy related - Increase by ₹ 140/- for premium paying & ₹ 70/- for reduced paid-up, fully paid-up & single premium policies	
c. Inflation	No Change	
<b>3. Non-linked Health</b>		
a. Interest	Not applicable	
b. Expenses		
Premium related		
New Business	Not applicable	
Renewal	Not applicable	
Policy related		
For premium paying	Not applicable	
For reduced paid-up & SP policies	Not applicable	
c. Inflation	Not applicable	
<b>4. Unit Linked</b>		
a. Interest	Increase by 10 basis points	Increase by 10 basis points
b. Expenses		
Premium Related	No Change	
Policy Related		
For inforce plans	Increase of ₹ 50/-	
For reduced paid up and SP plans	Increase of ₹ 25/-	
NB policy related	Increase by ₹ 300 for plans 802 & 803	
c. Inflation	No Change	
<b>5. Linked Health</b>		
a. Interest	Increase by 10 basis points	
b. Expenses		
Premium related		
New Business	No Change	
Renewal	No Change	
Policy related		
For premium paying	Increase of ₹ 40/- per policy	
For reduced paid-up & SP policies	Increase of ₹ 20/- per policy	
c. Inflation	No Change	