

**L-42- Valuation Basis (Life Insurance - Individual )**  
**Chapter on Valuation Basis**

**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 taken for each segment	2011-12 for the quarter ending as at 30.06.2011	
	Max	Min
1. Life- Participating policies	8.5% p.a.	6.9% p.a.
2. Life- Non-participating Policies	6.8% p.a.	6.8% 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	6.8% 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 segment	2011-12 for the quarter ending as at 30.06.2011	
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. 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	
7. Health Insurance (Mortality Rate)	NIL	
(Morbidity Rates)	HCB & MSB: 135% of Munich Re Incidence Rates	

<b>III) Expense :</b>	<b>2011-12 for the quarter ending as at 30.06.2011</b>
1. Life- Participating policies	
Premium Related	6.25% of premium
Policy Related	
For premium paying	₹ 380/- per policy
For reduced & fully paid-up	₹190/- per policy
2. Life- Non-participating Policies	
Premium Related	6.25% of premium
Policy Related	
For premium paying	₹ 380/- per policy
For reduced & fully paid-up	₹190/- per policy
3. Annuities- Participating policies	
Annuities in payment	₹ 80/- per policy p.a. & ₹ 120 for claim payments
During deferment	2.25% of premium, ₹ 260/- per policy for premium paying and ₹ 130/- 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, ₹ 260/- per policy for premium paying and ₹ 130/- 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. ₹ 260/- per policy for premium paying and ₹ 130/- per policy for reduced paid up, fully paid up and single premium.
6. Unit Linked	
Premium Related	1.5% to 4.0% of premium depending on plan, 7% NB related for plans 802, 803 & 804
Policy Related	
For inforce plans	₹ 480/- per policy
For reduced paid up and SP plans	₹ 240/- per policy

7. Health Insurance		
Premium related		
	New Business	35.00% of premium
	Renewal	6.25% of premium
Policy related		
	For premium paying	₹ 550/- per policy
	For reduced paid-up & SP policies	₹ 275/- per policy
**Per policy inflation rate is 3% p.a. for all plans		
<b>IV) Bonus Rates :</b>		<a href="#">Bonus Rates</a>
<b>V) Policyholders Reasonable Expectations :</b>		<b>Future bonuses valued at the current declared rates</b>
<b>VI) Taxation and Shareholder Transfers</b>		<b>2011-12 for the quarter ending as at 30.06.2011</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. Health Insurance		-----
<b>VII) Basis of provisions for Incurred But Not Reported (IBNR)</b>		-----
<b>VIII) Change in Valuation Methods or Bases</b>		<b>2011-12 for the quarter ending as at 30.06.2011</b>
<b>1. Individuals Assurances</b>		
<b>A. Life Participating Policies</b>		
a. Interest		No Change   Increase by 1.47%
b. Expenses		
Premium Related		No change
Policy Related		
For premium paying		Increased by ₹ 120/-
For reduced & fully paid-up		Increased by ₹ 60/-
c. Inflation		No Change
<b>B. Life- Non-Participating policies</b>		
a. Interest		No Change   No Change
b. Expenses		
Premium Related		No change
Policy Related		
For premium paying		Increased by ₹ 120/-
For reduced & fully paid-up		Increased by ₹ 60/-
c. Inflation		No Change
<b>2. Annuities &amp; Pension</b>		
<b>A. Participating Policies</b>		
a. Interest		Increase by 1.11%   Increase by 1.43%
b. Expenses		
Annuities in payment		No Change
During deferment		No change

c. Inflation	No Change	
<b>B. Non-Participating Policies</b>		
a. Interest	Increase by 1.43%	Increase by 1.43%
b. Expenses		
Annuities in payment	No change	
During deferment	No change	
c. Inflation	No change	
<b>C. Individual Pension Plan</b>		
a. Interest	Increase by 1.33%	Increase by 1.33%
b. Expenses		
Annuities in payment	No Change	
During deferment	No change	
c. Inflation	No Change	
<b>3. Unit Linked</b>		
a. Interest	No change	No change
b. Expenses		
Premium Related	No Change	
Policy Related		
For inforce plans	Increase of ₹ 180/-	
For reduced paid up and SP plans	Increase of ₹ 90/-	
c. Inflation	No Change	
<b>4. Health</b>		
a. Interest	No change	
b. Expenses		
Premium related		
New Business	No Change	
Renewal	No Change	
Policy related		
For premium paying	Increase of ₹ 190/- per policy	
For reduced paid-up & SP policies	Increase of ₹ 95/- per policy	
c. Inflation	No Change	

**Bonus Rates**

SI No.	Plan	Term*	Bonus Rates (Per ₹ 1000/- Sum Assured)**
			2011
1	Whole Life Type Plans (2,5,6,8,10,28 - before conversion,35,36,37,38,49,77,78,85 & 86)		70
2	Endowment Type Plans (14,17,27 - after conversion, 28 -after conversion,34,39,40,41,42,50,54,79,80,81,84,87,90,91,92,95,101,102,103,109,110 & 121)	< 11	34
		11 to 15	38
		16 to 20	42
		>20	48
3	Money Back & Anticipated Endowment Assurances Plans (24,25,26,73,74,75,76 & 93)	12 & 15	32
		20	39
		25	44
4	Jeevan Surabhi Plans (106,107 & 108)	15	34
		20	41
		25	50
5	Jeevan Mitra (Double Cover Plan), Jeevan Saathi, Limited Premium Endowment Plan (88,89,48)	< 16	40
		16 to 20	44
		> 20	48
6	Jeevan Mitra (Triple Cover Plan) (133)	< 16	40
		16 to 20	45
		> 20	50
7	Jeevan Anand Plan (149)	5	36
		6 to 10	36
		11 to 15	39
		16 to 20	43
8	Jeevan Rekha Plan (152)	> 20	47
		< 11	49
		11 to 15	44
		16 to 20	40
9	Jeevan Anurag Plan (168)	> 20	34
		< 11	38
		11 to 15	40
		16 to 20	42
10	New Jeevan Suraksha - I Plan (147)	> 20	44
		< 6	21
		6 to 10	27
		11 to 15	31
		> 15	35

SI No.	Plan	Term*	Bonus Rates (Per ₹ 1000/- Sum Assured)**
			2011
11	New Jeevan Dhara - I Plan (148)	< 6	20
		6 to 10	25
		11 to 15	28
		> 15	32
12	Jeevan Tarang Plan (178)	10	46
		15	46
		20	48
13	Jeevan Madhur Plan (182)	< 11	21
		11 to 15	26
14	Child Career Plan (184)	11 to 15	34
		16 to 20	38
		> 20	40
15	Child Future Plan (185)	11 to 15	38
		16 to 20	42
		> 20	44
16	Jeevan Bharti Plan (160)	15	38
		20	40
17	Jeevan Shree - I Plan (162)	10 & 15	42
		20	46
		25	50
18	Jeevan Nidhi Plan (169)	< 11	32
		11 to 15	34
		16 to 20	36
		> 20	38
19	Jeevan Pramukh Plan (167)	10 & 15	44
		20	48
		25	52
20	Jeevan Amrit Plan (186)	10 to 15	30
		16 to 20	30
		> 20	30
21	Jeevan Bharti - I (192)	15	29
		20	31

Note:

- \* Plan - 149 & 152 : Premium Paying Term in place of Term
- Plan - 178: Accumulation Period in place of Term
- Plan - 147,148 & 169: Deferment Period in place of Term
- \*\* Plan - 147 & 148: Bonus rates are per thousand Notional Cash Option
- Plan - 182: Bonus rates are per thousand Death Benefit Sum Assured
- Plan - 186: Bonus rates are per thousand premium paid