

L-42 Valuation Basis (Life Insurance)

As on 31st December, 2017

- 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 other than OYRGTA: The basis is updated in various tables used in the valuation software, PROPHET.
OYRGTA: The basis is updated in excel sheets.

c. Valuation Basis

1) Interest : Maximum and Minimum interest rate taken for each segment

i. Individual Business

1. Life- Participating Policies	-	6.25% p.a.
2. Life –Non Participating Policies	-	6.25% p.a.
3. Annuities-Participating Policies	-	NA
4. Annuities- Non Participating Policies	-	6.25% p.a.
5. Annuities-Individual Pension Plan	-	NA
6. Unit Linked	-	6.0% p.a.
7. Health Insurance	-	6.25% p.a.

ii. Group Business

1. Life –Non Participating Policies	-	6.25% p.a.
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2) Mortality Rates: the mortality rates used for each segment

i. Individual Business

1. Life- Participating policies	-	0-2 years: 150% and 275% of IALM (2006-2008)
	-	2+ years: 130%, 150% and 275% of IALM (2006-2008)
2. Non Participating Policies	-	0-2 years: 150%, 220% and 275% of IALM (2006-2008)
		2+ years: 130%, 190% and 275% of IALM (2006-2008)

- | | | |
|---|---|---|
| 3. Annuities-Participating Policies | - | NA |
| 4. Annuities- Non Participating Policies- | | 40% of LIC a(96-98) |
| 5. Annuities-Individual Pension Plan | - | NA |
| 6. Unit Linked | - | 0-1 years: 100% and
225% of IALM (2006-2008)
1+ years: 100% and 110% of
IALM (2006-2008) |
| 7. Health Insurance | - | 90% of IALM(2006-2008) |
- ii. Group Business
- | | | |
|-------------------------------------|---|----------------------------------|
| 1. Life –Non Participating Policies | - | 70% -375% of
IALM (2006-2008) |
|-------------------------------------|---|----------------------------------|
- 3) Expenses
- i. Individual Business(per Policy)
- | | | |
|--------------------------|---|----------------|
| Regular premium policies | - | Rs. 525/- p.a. |
| Single premium policies | - | Rs. 475/- p.a. |
| Annuities | - | Rs. 475/- p.a. |
- ii. Group Business
- | | | |
|-------------------------------------|---|------------------|
| 1. Life –Non Participating Policies | - | Rs.50 per member |
|-------------------------------------|---|------------------|

4) Bonus Rates:

Life participating policies: The future reversionary bonus rates vary between Rs 20/- per thousand SA to Rs. 45 per thousand SA, which vary 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 @ 14.42% 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 policies and 100% of surplus in case of non-participating policies.

7) Basis of Provisions for Incurred But Not Reported:

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

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

8) Change in Valuation Methods or Bases

i.	Individual Assurances	
1.	Interest	No change
2.	Expenses	No change
3.	Inflation	No change.
ii.	Annuities	
1.	Interest	
a.	Annuity in payment	No change
b.	Annuity during deferred period	NIL
c.	Pension: All Plans	NIL
2.	Expenses	No change
3.	Inflation	No Change
iii.	Unit Linked	
1.	Interest	No Change
2.	Expenses:	No Change
3.	Inflation	No Change
iv.	Health	
1.	Interest	NIL
2.	Expenses	NIL
3.	Inflation	NIL
v.	Group	
1.	Interest	No Change
2.	Expenses	No Change
3.	Inflation	No Change