

A chapter on valuation basis covering the following minimum criteria should also be displayed on the web-site of the Insurers.

a. How the policy data needed for valuation is accessed:  
 The IT department provides the data required for performing the valuation. It extracts the data from the Policy Administration System by means of a query. Fields that are necessary for the purpose of valuation are extracted. Validation checks are performed on the data received from the Policy Administration system. The download contains details of both base policies and riders. The data is then converted into the requisite format, used for valuation purpose, using a Data Conversion System (DCS) package. The actual valuation process is done by means of the actuarial software – Prophet.

b. How the valuation bases are supplied to the system:  
 The valuation parameters are classified as:  
 Global: These are common across businesses and do not vary according to product, e.g., tax on surplus, inflation, etc.  
 Input: These are product-specific, e.g., expenses, commission, etc.  
 The non-variants are classified as constants and the individual modal points are generated from the policy download after validation checks. These inputs are fed into the Prophet System for generating the valuation output.

- 1) Interest: Maximum and minimum interest rate taken for each segment
1. Individual Business
  2. Life - Participating policies
  3. Life - Non-participating Policies
  4. Annuities - Participating policies
  5. Annuities - Non-participating policies
  6. Unit Linked
  7. Health Insurance
  8. Group Business
- 2) Mortality Rates: the mortality rates used for each segment \*\*
1. Life - Participating policies
  2. Life - Non-participating Policies
  3. Annuities - Participating policies
  4. Annuities - Non-participating policies
  5. Annuities - Individual Pension Plan
  6. Unit Linked
  7. Health Insurance
  8. Group Business (Term Assurance)
- 3) Expense : (all are per policy unless otherwise mentioned)
1. Life - Participating policies
  2. Life - Non-participating Policies
  3. Annuities - Participating policies
  4. Annuities - Non-participating policies
  5. Annuities - Individual Pension Plan
  6. Unit Linked
  7. Health Insurance
  8. Group Business (Term Assurance)

The Valuation Bases:

	2004-05		2005-06		2006-07		2007-08		2008-09		2009-10		2010-11		2011-12	
	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max
1. Interest	7%	7%	7%	7%	7%	7%	7%	7%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
2. Mortality Rates	100%	120%	100%	120%	100%	120%	90%	120%	90%	120%	90%	130%	90%	130%	90%	130%
3. Expense	31.2	52.0	34.0	52.0	35.4	54.0	35.4	54.0	34.0	54.0	36.8	56.2	37.1	56.3	37.5	57.3

\*\* In addition to this in respect of UL policies additional expense varying from 0.3% to 0.8% based on type of fund was also allowed. In respect of traditional paid up policies expense @ 200 per policy upto 2005-06 and 208 per policy thereafter was also allowed for in valuation. For financial year 2009-10 this was changed to 216 per policy and to 220 in Sept 2010. In case of Individual Pension Plan where premium discontinued beyond a year, expense @ 405 has been used for valuation with effect from 2007-08 which was changed to 421 in 2009-10 valuation and to 429 in Sept 2010.

\*\* The percentages shown above refer to the adjustments made to the base tables. The base table used for Non-participating annuity products was "Mortality for Annuities - LC (a) (1996-98) Ultimate Rates" and for all other assurance products Indian Assured Lives Mortality (1994-96) (modified) UL (effective 01/01/2005) mortality table was used.

- 4) Bonus Rates:
- 5) Policyholders Reasonable Expectations
  - 6) Taxation and Shareholder Transfers
  - 7) Basis of provisions for Incurred But Not Reported (IBNR)
  - 8) Change in Valuation Methods or Bases

Bonus rates declared were above the bonus rates illustrated 85% and below that illustrated 810% (the lower and higher rates prescribed by Life Council)

Allowed in case of participating portfolio at 12.5% Base Rate + applicable Surcharge + Education Costs

Set up assumed 2 month reporting delay in respect of death claims

	2004-05		2005-06		2006-07		2007-08		2008-09		2009-10		2010-11		2011-12	
	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max
1. Interest	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
2. Expenses	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
3. Inflation	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

Bonus Rates

Product name	Reversionary bonus for year ended 31-3-2010 for policies in force	Interim Bonus rate for claims occurring during inter valuation period
Mutual Fund Endowment Plan with cash bonus	1% of unutilized premium payable on 1st Policy anniversary and thereafter increasing @ 15% p.a.	0% of annualized premium payable on 1st Policy anniversary and thereafter increasing @ 14.75% p.a.
Mutual Fund Money Back Plan (Cash Bonus)	1% of unutilized premium payable on 1st Policy anniversary and thereafter increasing @ 12% p.a.	0% of annualized premium payable on 1st Policy anniversary and thereafter increasing @ 10.75% p.a.
Colling Life Anticipated Whole Life Plan	0.75% p.a. simple reversionary bonus	0.75% p.a. simple reversionary bonus
Reversionary Life Whole of Life Plan	1% p.a. compound reversionary bonus	1.0% p.a. compound reversionary bonus
Reversionary Life Endowment Plan with reversionary bonus	1% p.a. compound reversionary bonus	1.0% p.a. compound reversionary bonus
Overseas Life Limited Premium Endowment Plan	7.75% p.a. simple reversionary bonus	6.75% p.a. simple reversionary bonus
Overseas Life Child Protection Plan	7% p.a. compound reversionary bonus	7.0% p.a. compound reversionary bonus
Overseas Life Chequer Plan	7% p.a. compound reversionary bonus	7.0% p.a. compound reversionary bonus
New Pathing Life Anticipated Whole Life Plan	7.75% p.a. simple reversionary bonus	6.75% p.a. simple reversionary bonus
Overseas Life Money Back Plan	1% p.a. simple reversionary bonus	1.0% p.a. simple reversionary bonus
Cash Assured Money Back Plan	1% p.a. compound reversionary bonus	1.0% p.a. compound reversionary bonus
Prudential Life	0.75% p.a. simple and above the guaranteed bonus rate of 0%	None
Overseas Life	11.25% p.a.	8.75% p.a.

