

L-42- Valuation Basis (Life Insurance)

Reliance Nippon Life Insurance Company Limited (formerly known as Reliance Life Insurance Company Ltd)

Registration with IRDA : 121 dated 03 January 2002

VALUATION BASIS FOR THE YEAR ENDED 31st MARCH, 2020**A Chapter on Valuation basis covering the following minimum criteria.****a. How the policy data needed for valuation is accessed.**

The policy details under Individual and Group policies are maintained in the policy administration system. The details of the policies as at 31st March 2020 were frozen and backed-up after the close of the business.

b. How the valuation basis are supplied to the system

Majority of the policy liabilities under Individual Par and Individual Non Par Business (excluding unit liabilities and accumulation account) are valued using PROPHET actuarial software. Valuation basis are fed to this software using tables. A small proportion of the policy liabilities are valued using the excel spreadsheets. The valuation basis is supplied in the excel template.

1)	Interest Rates	Minimum	Maximum
	A. Individual Business		
	A.1. Life- Participating policies	6.25%	6.25%
	A.2. Pension- Participating Policies	5.52%	5.52%
	A.3. Life- Non-participating Policies	5.04%	5.30%
	A.4. Pension Non Participating Policies	4.50%	4.50%
	A.5. Annuities- Participating policies	NA	NA
	A.6. Annuities – Non-participating policies	6.13%	6.13%
	A.7. Annuities- Individual Pension Plan	NA	NA
	A.8. Unit Linked	5.30%	5.30%
	A.9. Health Insurance	4.875%	5.30%
	B. Group Business*		
	B.1. Non-Linked	4.66%	5.30%
	B.2. Linked	5.30%	5.30%

2) Mortality Rates ⁽¹⁾

A. Individual Business (other than Annuity & Health)	27.5% to 486.2% of IALM 2012-14
B. Individual – Annuity	45% of LIC (96-98) Annuitant Table with mortality improvement factor
C. Individual – Non Linked Health/ Linked Health	90%-99.9% /110% of IALM 2012-14
D. Group Business*	55% to 517% of IALM 2012-14

⁽¹⁾ For Aids Reserve, mortality is increased by a fixed percentage wherever applicable. For Non Standard Age proof (NSAP) reserve, different set of assumptions are used.

3) Expenses (Per Policy/Per Member)	Regular Premium	Single Premium/Fully Paid-Up/ Reduced Paid-Up
A. Individual - Non Linked Par	Rs. 550	Rs. 368.5
B. Individual - Other than Non Linked Par	Fixed expense - Rs.165-687.5 % of Renewal premium - 0% - 2.2%	Rs. 129 - 456.5
C. Group	Rs. 0-431	Rs. 0-288

4) **Bonus Rates:**

Policy liabilities under Par Business are valued using bonus rates consistent with the current experience and expected investment yields. Current Reversionary bonus rates vary between 1.8% and 5.5%. Cash Bonus rate for Reliance Whole Life Income product is 5.8%. Future reversionary bonus rates are consistent with the valuation interest rate.

5) **Policyholders Reasonable Expectations:**

Most of the company's business relates to unit linked and non-par business. Under both these segments the policy benefits are not under the discretion of the company. The expectations of policies under Par Business is allowed through provision of future bonus in line with the current experience.

6) **Taxation and Shareholder Transfers:**

Tax Rate	14.56%
Shareholder Share of Profits:	
(i) Par Business	10%
(ii) Non Par Business	100%

7) **Basis of provisions for Incurred But Not Reported (IBNR):**

For Individual business, IBNR is calculated Chain ladder method. For Group Non-Linked Business, provision for IBNR reserve has been held using Chain Ladder Method and for Group Linked Business total of last six months mortality charges collected.

8) **Change in Valuation Methods or Basis (since March 2019)**

(i) Individual Assurance	
(i.1) Interest	Interest rate for Non linked Par Pension reduced from 5.7% to 5.52%, for Non linked Variable life it reduced from 5.5% to 5.04% and for Non linked Variable Pension it reduced from 5.5% to 4.5%
(i.2) Expenses	For Non Participating business, expenses for regular premium paying policies increased by Rs.10.5 and for other than regular premium paying policies it increased by Rs.5.5. For Participating business, expenses for regular premium paying policies reduced by Rs.55 and for other than regular premium paying policies by Rs.35.5
(i.3) Inflation	No change

(ii) Annuities	
(ii.1) Interest	Interest rate reduced from 6.25% to 6.13%
(a) Annuity in Payment	No change
(b) Annuity during deferred period	NA
(c) Pension: All Plans	NA
(ii.2) Expenses	Expenses for single premium paying policies increased by Rs.5.5
(ii.3) Inflation	No change

(iii) Unit Linked	
(iii.1) Interest	No change
(iii.2) Expenses	Expenses for regular premium paying policies increased by Rs.10.5 and for other than regular premium paying policies it increased by Rs.5.5.
(iii.3) Inflation	No change

(iv) Health-Linked	
(iv.1) Interest	No change
(iv.2) Expenses	Expenses for regular premium paying policies increased by Rs.10.5 and for other than regular premium paying policies it increased by Rs.5.5.
(iv.3) Inflation	No change

(v) Group*	
(v.1) Interest	For Non linked Variable(long term) the interest rate was 5.5%. However, now it varies for each product ranging from 4.66% to 4.92%.
(v.2) Expenses	Expenses has been increased by 5% inflation
(v.3) Inflation	No change

*The assumptions for Group Business, as given above, are used for computing reserve using cash flow method (known as Gross Premium Valuation). The reserve, however, for group business is taken as higher of reserve computed using unearned premium method (UPR) and cash flow method. No assumptions are required for calculating reserves using UPR method.

Effective 1st April 2019, prescribed mortality table has been changed from Indian Assured Life Mortality table 2006-08 (IALM 2006-08) to Indian Assured Life Mortality table 2012-14 (IALM 2012-14) as per the regulatory and actuarial practice standard requirement.