

## **Public disclosure requirement (March 31, 2019)**

### **1. Data**

Policy data is extracted from policy administration systems and checks are carried out to ensure completeness and accuracy of data.

### **2. Treatment of valuation parameters**

The liability valuation calculations have been carried out using an actuarial software. Assumptions for each plan are updated in the model. Specific characteristics of each policy such as age at entry, sum assured, term, etc. are either directly obtained from data or calculated within the model.

### **3. Treatment of future premiums**

The premiums are assumed to be received when due. For linked business, premium income is recognized when the associated units are allocated. Fees on linked policies are recognized when due. For the purpose of projections in the actuarial models, future premiums are assumed to be received when due. As premiums are taken to be received when due, no adjustment is required for non-annual plans.

### **4. Valuation method –Methods adopted in the determination of mathematical reserves**

In general the method of valuation is the gross premium valuation. The reserve held represents the net present value of benefits and expenses less premiums. Following is the broad basis of the valuation:

- The cash flows are projected assuming zero lapses.
- The reserves are calculated on a per policy basis.
- Any negative reserves are zeroised, so that a policy is not treated as an asset.
- The minimum value of reserves is the higher of guaranteed surrender value, non guaranteed surrender value, and zero.

The following sections contain specific details about reserving for different lines of business.

## Non-participating business

Contract status	Category	Applicability	Method
In-force	Individual products	Base plan	Higher of the gross premium valuation (GPV) reserve and surrender value (if applicable) and zero
		Riders	Higher of GPV reserve and unearned premium reserve (UPR) on a policy basis
	Group products – non-participating	All group risk products except Group Term, Group Term Plus and Group Micro one year renewable term assurance (OYRTA)	Higher of GPV reserve and Surrender value
		Group Term, Group Term Plus, Group Micro OYRTA and riders	Unearned premium plus an IBNR reserve
Reduced paid up	Individual products	Base plan	Higher of GPV reserve or surrender value on reduced benefit with no future premiums payable
Lapse reserve	Individual products	Base plan	Reserve for expenses till the end of the revival period
Lapsed/reduced paid up, in respect of those that are expected to revive	Individual products	Reinstatement reserve	<p>Reinstatement rate is applied to the difference between (A) &amp; (B) where,</p> <p>(A) = the reserve assuming contract is In force and            (B) = the revival premiums minus commissions payable plus the paid-up/lapsed reserve,</p> <p>Subject to a floor of zero.</p>
Additional reserves	Individual products Cost of guarantee (if applicable)		In addition, we hold a reserve in respect of cost of guarantee (CoG) calculated on a risk neutral basis.

## Participating business

Contract status	Category	Applicability	Method
In-force	Individual products	Base plan	Higher of the GPV reserve and surrender value (if applicable) and zero, with allowance for future bonus and associated tax and transfers to shareholders
		Riders - excluding accident benefit riders	Higher of GPV reserve and UPR on a policy basis
		Riders - accident benefit riders	UPR
	Group products – participating		Higher of the GPV reserve with allowance for future bonus and associated tax and transfers to shareholders and face value of liability
Reduced paid up (all)	Individual products	Base plan	Higher of GPV reserve or surrender value on reduced benefit with no future premiums payable
Lapse reserve (all)	Individual products	Base plan	Reserve for expenses till the end of the maximum revival period
Lapsed or reduced paid up, in respect of those that are expected to revive	Individual products	Reinstatement reserve	<p>Reinstatement rate is applied to the difference between (A) &amp; (B) where,</p> <p>(A) = the reserve assuming contract is In force and            (B) = the revival premiums minus commissions payable plus the paid-up/lapsed reserve,</p> <p>Subject to a floor of zero.</p>

## Unit linked business

Contract status	Category	Applicability	Method
In-force premium paying/ premium holiday	Unit reserves	Unit fund	The unit reserve is the number of units held by the policyholder multiplied by the NAV at the valuation date.
	Non-unit reserves – except for group linked	Life cover, rider benefits and adequacy of charges to cover expenses	For base policy and associated mortality benefit we take the higher of the unearned risk benefit charges and all the projected cash flows.  We allow for zeroisation under all contracts at a policy level, so that credit is taken for future positive cash flows only to the extent that they offset subsequent negative cash flows. For riders a higher of GPV reserve and UPR on a policy basis
Lapsed	Unit reserves	Unit fund	Paid up/surrender value to the credit of the policyholders
		Reinstatement reserve	A reinstatement rate is applied to the difference between the full unit value and the paid up/surrender value. We adjust this reserve for death benefits payable prior to revival or foreclosure. The balance of the unit fund forms the linked FFA. (This does not apply to ULIPs sold since September 2010.)
	Non-unit reserves	Adequacy of charges to cover expenses during the maximum revival period.  Reinstatement reserve	Projected cash flows as for in-force contracts allowing for zeroisation. The cash flows do not include cost of insurance charges and claims outgo.  For pre-September 2010 policies Reinstatement rate is applied to the difference between the reserve assuming contract is in force and the charges on outstanding premiums and non-unit reserve.  For post-September 2010 policies the reinstatement reserve is calculated by allowing for refund of surrender penalty, levy of back charges, release of lapsed non-unit reserve and setting up of in-force non-unit reserve, all multiplied by probability of revival, subject to a floor of zero.

## Unit Linked business (continued)

Contract status	Category	Applicability	Method
Additional reserves	CoG	Linked plans with capital guarantee	In addition, we hold a reserve in respect of cost of guarantee (CoG) calculated on a risk neutral basis.
	NNCA	For applicable linked products	A reserve is held for the cost of Non Negative claw back additions to the unit fund to comply with the applicable RIY requirements calculated on a stochastic basis
Group linked	Non-unit reserves		No reserves are held on account of expenses as charges are currently higher than expenses and expected to remain so.  In case of mortality benefits, unexpired risk premium is held.

## Non-participating Variable Insurance Products

Contract status	Category	Applicability	Method
In-force	Non-unit reserves	Non participating variable life and pension	Policy account value is held in addition to general fund reserve.

### 5. Bonus rates for participating policies

The current year declared reversionary and terminal bonuses and historical reversionary bonus rates given in Annexure I.

#### 5.1. Policyholders' reasonable expectations (PRE)

Due consideration is given to the reasonable expectations of policyholders when making a distribution of surplus. "Reasonable" is not explicitly defined in the regulations and is left to the interpretation of the Appointed Actuary. Our interpretation of "Reasonable" refers to a well-informed, financially literate policyholder.

The main drivers of PRE are currently our point of sale material, the bonus rates declared last year and past communication with policyholders.

#### 5.2. Taxation and shareholder transfers

The gross premium reserve (GPV) includes reserve for transfer and tax. Tax is provided on surplus emerging under participating products. For the current valuation, we have assumed that the participating pension business is tax exempt. However, our interpretation of PRE would be that future bonuses would in any case reflect the taxes charged to the fund. As a result, the reserves would not be changed even if taxes came to be charged.

## 6. Valuation assumptions

Valuation parameters are set prudently and include MAD as required under APS7 issued by Institute of Actuaries of India.

### 6.1. Interest Rate

The valuation discount rates for the various lines of business are set out below:

Valuation Discount rate (%)	Mar-18		Mar-19	
	Minimum	Maximum	Minimum	Maximum
<b>(a) Individual Business</b>				
(a.1) Life - Participating policies	4.66	5.51	4.44	5.37
(a.2) Life - Non-participating policies	4.96	6.13	4.63	6.48
(a.3) Annuities - Participating policies	NA	NA	NA	NA
(a.4) Annuities – Non-participating policies	5.52	5.52	5.64	5.64
(a.5) Annuities - Individual pension plan	NA	NA	NA	NA
(a.6) Unit Linked	5.15	5.15	4.81	4.81
(a.7) Health insurance	5.54	5.54	5.66	5.66
<b>(b) Group Business</b>				
Life - Non-participating policies	4.66	4.66	4.94	4.94

### 6.2. Expense Inflation

The inflation assumption is 4.19% at March 31, 2019. The inflation assumption at March 31, 2018 was 4.38%.

### 6.3. Mortality and morbidity assumptions

The mortality assumptions for different products expressed as a percentage of Standard table are as below:

<b>Plan</b>	<b>Valuation basis at March 31, 2018</b>	<b>Valuation basis at March 31, 2019</b>
Retail		
Participating (Life and Pension)	90% to 125% of IALM 06-08 rated up by 1 year for males and rated down 1 year for females	90% to 130% of IALM 06-08 rated up by 1 year for males and rated down 1 year for females
Non Participating	45% to 155% of IALM 06-08 rated up by 1 year for males and rated down by 1 year for females depending on products	45% to 220% of IALM 06-08 rated up by 1 year for males and rated down by 1 year for females depending on products
Linked	10% to 190% of IALM 06-08 rated up by 1 year for males and rated down by 1 year for females depending on products	10% to 190% of IALM 06-08 rated up by 1 year for males and rated down by 1 year for females depending on products
Rural	200% of IALM 06-08	200% of IALM 06-08
Health	35% to 60% of IALM 06-08 rated up by 1 year for males, rated down by 1 year for females	35% to 60% of IALM 06-08 rated up by 1 year for males, rated down by 1 year for females
Annuity	25% to 65% of LIC 96-98 for males, rated down by 4 years for females with appropriate mortality improvement	20% to 50% of LIC 96-98 for males, rated down by 4 years for females with appropriate mortality improvement
Group		
Non Participating Group	140% of IALM 06-08 rated up by 1 year for males and rated down by 1 year for females depending on products	70% to 325% of IALM 06-08 rated up by 1 year for males and rated down by 1 year for females depending on products
Group Term	Unearned premium basis	Unearned premium basis

Morbidity rates used are based on CIBT 93 table, adjusted for expected experience, or on risk rates provided by reinsurers.

#### 6.4. Expense Assumptions

Type of expense (₹)	Valuation basis at March 31, 2018	Valuation basis at March 31, 2019
<b>Renewal expense per policy</b>		
All conventional and unit linked (includes in-force premium paying, paid up policies, lapsed/premium discontinuance state within revival period policies)	130 to 570	140 to 570
Rural	50	55
<b>Renewal expense per premium</b>		
All conventional and unit linked in force, paid up and lapsed policies (% of annual premium)	0.83% to 2.40%	0.83% to 2.40%
<b>Claim expenses per policy</b>	190 to 14,030	205 to 14,945

#### 6.5. Future bonus rate assumptions for participating policies

Supportable future reversionary bonus rates are calculated at a product level. These bonus rates are consistent with the other valuation assumptions, subject to a floor of zero, and with PRE, and is targeted to exhaust the asset shares at valuation date.

#### 6.6 Reserves for incurred but not reported (IBNR) claims

IBNR reserves are required for claims which may have been incurred at the valuation date but which have not been reported to the company.

For Group One year renewable term assurance (OYRTA) policies we hold an IBNR reserve based on annual premium of these policies. For other group short term micro insurance products, the IBNR reserve is based on expected claim cost net of reinsurance recovery.



## Annexure I

### Retail Participating Life

#### Historical Bonus Rates

Financial year	Products	Compound reversionary
FY 2017-18	Save 'n' Protect Series I and II Cashbak Series I and II Smartkid Series I and II Save 'n' Protect Mass	2.00%
FY 2016-17		2.00%
FY 2015-16		2.25%
FY 2014-15		2.50%
FY 2013-14		2.25%
FY 2012-13		2.25%
FY 2011-12		2.25%
FY 2010-11		2.50%
FY 2009-10		2.50%
FY 2008-09		2.25%
FY 2007-08		3.00%
FY 2006-07		3.25%
Financial year		Products
FY 2017-18	Cash Advantage	4.75%
FY 2016 -17		4.75%
FY 2015 -16		5.00%
FY 2014-15		5.25%
FY 2013-14		5.25%
FY 2017-18	Saving Suraksha LP	3.00%
FY 2016 -17		3.00%
FY 2015 -16		3.25%
FY 2014-15		3.50%
FY 2013-14		3.50%
FY 2017-18	Saving Suraksha RP	1.75%
FY 2016-17		1.75%
FY 2015-16		2.00%
FY 2014-15		2.25%
FY 2013-14		2.25%
FY 2017-18	Anmol Bachat RP	0.90%
FY 2016-17		0.90%
FY 2015-16		1.15%
FY 2014-15		1.40%
FY 2013-14		Not Applicable
FY 2017-18	Future Perfect	2.25%
FY 2016-17		2.00%
FY 2017-18	Anmol Bachat II	1.25%
FY 2016-17		1.25%

<b>Financial year</b>	<b>Products</b>	<b>Simple Reversionary Bonus</b>
FY 2017-18	Whole Life	Premium Payment Term Up to 15 years      3.00% 16 to 20 years      3.40% 21 to 25 years      4.20% 26 years and above      4.60%
	Future Secure	Policy term: up to 15 years      3.10% 16 years and above      3.50%
FY 2016-17	Whole Life	Premium Payment Term Up to 15 years      3.00% 16 to 20 years      3.40% 21 to 25 years      4.20% 26 years and above      4.60%
	Future Secure	Policy term: up to 15 years      3.10% 16 years and above      3.50%
FY 2015-16	Whole Life	Premium Payment Term Up to 15 years      3.25% 16 to 20 years      3.65% 21 to 25 years      4.45% 26 years and above      4.85%
	Future Secure	Policy term: up to 15 years      3.35% 16 years and above      3.75%
FY 2010-11 till FY2014-15	Whole Life	Premium Payment Term Up to 15 years      3.50% 16 to 20 years      3.90% 21 to 25 years      4.70% 26 years and above      5.10%
	Future Secure	Policy term: up to 15 years      3.60% 16 years and above      4.00%

## Retail Participating Pension

Products	Financial Year	Bonus Rates
Forever Life Regular Premium Series I and II	FY 2017- 18	2.75%
	FY 2016- 17	2.75%
	FY 2015- 16	2.75%
	FY 2014-15	3.00%
	FY 2013-14	2.75%
	FY 2012-13	2.75%
	FY 2011-12	2.75%
	FY 2010-11	3.00%
	FY 2009-10	2.75%
	FY 2008-09	2.50%
	FY 2007-08	3.00%
FY 2006-07	3.25%	

Special bonuses were declared in FY2010 of the following rates:

Financial Year	Retail Participating Life	Retail Participating Pension
2010-11	1.50%	1.25%

**Reversionary bonus rates (as a percentage of sum assured, vested guaranteed additions and vested reversionary bonus) for the current year:**

Line of business	Product	Bonus type	Bonus rate
Life	Save 'n' Protect Series I and II	Compound	2.00%
Life	Cashbak Series I and II	Compound	2.00%
Life	Smartkid Series I and II	Compound	2.25%
Life	Save 'n' Protect Mass	Compound	2.00%
Life	Cash Advantage <sup>1</sup>	Compound	4.75%
Life	Savings Suraksha LP <sup>1</sup>	Compound	3.00%
Life	Savings Suraksha RP <sup>1</sup>	Compound	1.75%
Life	Anmol Bachat RP <sup>1</sup>	Compound	0.90%
Life	Future Perfect <sup>1</sup>	Compound	2.25%
Life	Anmol Bachat II <sup>1</sup>	Compound	1.25%
Life	Whole Life	Simple	Premium payment term: Less than 16      3.00% 16 to 20 years      3.40% 21 to 25 years      4.20% 26 years and above      4.60%
Life	Future Secure	Simple	Policy term: Less than 16      3.10% 16 years and above      3.50%

<sup>1</sup> The reversionary bonus rates for these products are applicable on the Guaranteed Maturity Benefit and vested reversionary bonus, if any.

Line of business	Product	Bonus type	Bonus rate
Pension	Forever Life Regular Premium Series I and II	Compound	3.00%

**Terminal bonus rates (as a percentage of sum assured) for the current year (Participating life):**

Product	UIN	Term (in years)	Terminal Bonus Rate
Save 'n' Protect Series I	105N004V01	10	15%
Save 'n' Protect Series I	105N004V01	11 to 15	30%
Save 'n' Protect Series I	105N004V01	16 to 18	35%
Save 'n' Protect Series I	105N004V01	19 and above	45%
Save 'n' Protect Series II	105N004V02	10 & 11	20%
Save 'n' Protect Series II	105N004V02	12	25%
Save 'n' Protect Series II	105N004V02	13 to 16	30%
Save 'n' Protect Series II	105N004V02	17 and above	35%
Smartkid Series I	105N014V01	17 and above	50%
Smartkid Series II	105N014V02	10	15%
Smartkid Series II	105N014V02	11	20%
Smartkid Series II	105N014V02	12	25%
Smartkid Series II	105N014V02	13 to 14	35%
Smartkid Series II	105N014V02	15	35%
Smartkid Series II	105N014V02	16 and above	45%
Cashbak Series II	105N005V02	15	25%
Anmol Bachat Series I <sup>2</sup>	105N139V01	5	10%

<sup>2</sup> The terminal bonus rate for this product is applicable on the Guaranteed Maturity Benefit

**Terminal bonus rates (as a percentage of sum assured) for the current year (Participating pension):**

<b>Product</b>	<b>UIN</b>	<b>Term (in years)</b>	<b>Terminal Bonus Rate</b>
Forever Life Regular Premium Series I	105N001V01	15 and above	35%
Forever Life Regular Premium Series II	105N001V02	7 to 9	20%
Forever Life Regular Premium Series II	105N001V02	10 to 11	25%
Forever Life Regular Premium Series II	105N001V02	12 and above	35%

**Group Business**

**Historical Bonus rates :**

<b>Financial year</b>	<b>Bonus rate for group participating life products</b>	<b>Bonus rate for group participating pension products</b>
FY 2017-18	6.75%	7.75%
FY 2016-17	7.25%	8.25%
FY 2015-16	7.50%	8.50%
FY 2014-15	8.50%	8.50%
FY 2013-14	9.00%	9.00%
FY 2012-13	9.10%	9.10%
FY 2011-12	9.85%	9.85%
FY 2010-11	7.50%	8.50%

Special bonuses were declared in FY2010 of the following amounts

<b>Financial Year</b>	<b>Group Participating Life</b>	<b>Group Participating Pension</b>
2010-11	3.50%	2.50%

**Bonus rates for the current financial year:**

<b>Product</b>	<b>Bonus rate</b>
Group Gratuity Suraksha	6.50%
Group Leave Encashment Suraksha	6.50%
Group Superannuation Suraksha	7.50%