

Current Issues of Life Insurance

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Managing Participating Business (Context Setting)

Ranabir Ghosh
Member of Life Insurance Advisory Group



Key Considerations



- ❖ ALSM Regulations for Liability Valuation
- ❖ Non-Linked Product Regulations - With Profit Committee (WPC)
- ❖ APS5 for Benefit Illustration
- ❖ GN6 for Asset share Calculation

- PRE and Equity between Policyholders

- Distribution of Investment profits
- Allocation of Expenses – Acquisition and Maintenance
- Type of Bonus: RB/ TB/ Cash bonus/ Special bonus and considerations for each of them
- Surrender benefit and treatment of surrender surplus, if any
- FFA and Smoothing considerations
- Capital requirement and Solvency Management
- Guarantee, cost of capital, taxation
- Policyholder IRR

With Profit Committee (WPC)



WPC shall be constated with at least:

- One Independent Director of Board, the CEO, the CFO, the Appointed Actuary and Independent Actuary

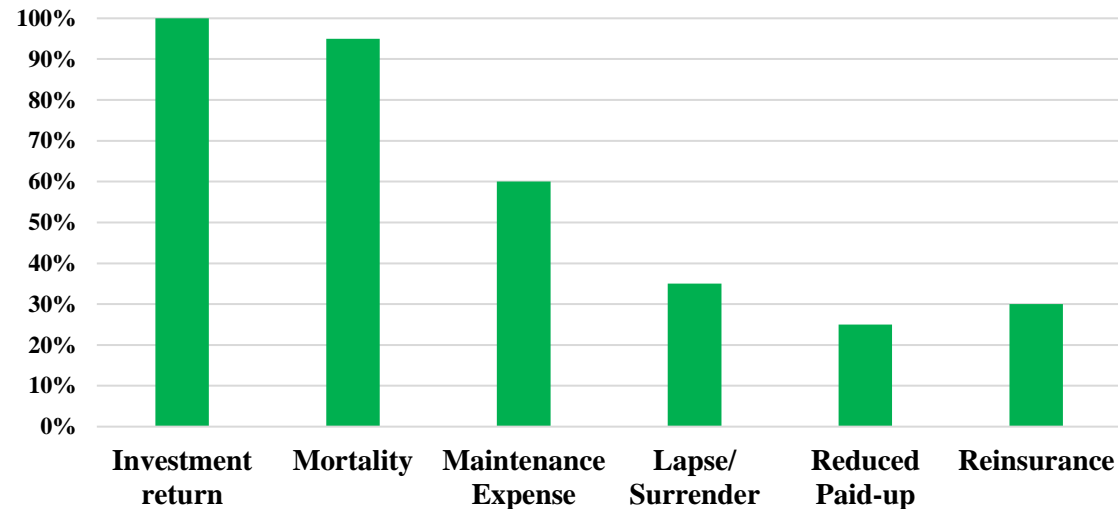
WPC Report should contain

- Appropriateness of the Methodology and basis used in calculation of asset share and justification for any change
- Bonus earning capacity including its calculation
- Sensitivity analysis of bonus rates and basis as appropriate
- A Brief note on how Policyholders' Reasonable Expectations (PRE) is met
- Any change in special surrender value with justification
- Treatment of Fund for Future Appropriation
- The expenses debited to the With Profit fund and its appropriateness.

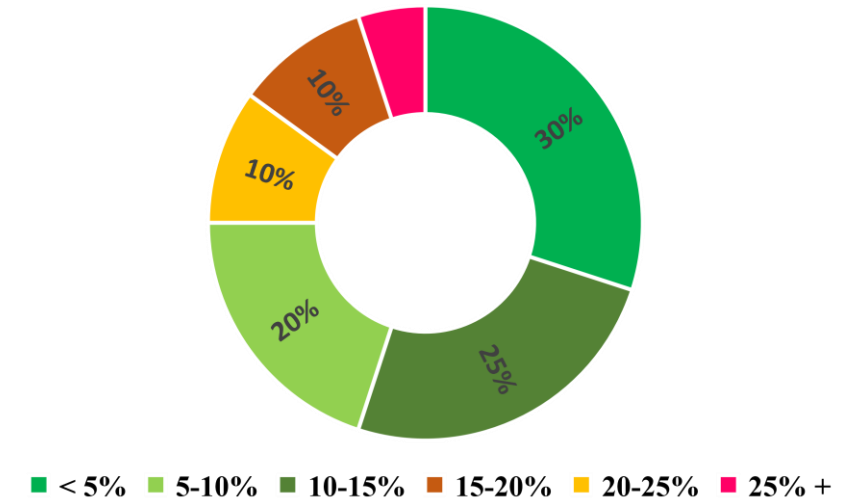
India: Participating business management and asset shares
2020 Survey Extract
Participants: 20 Insurers

Consideration for Asset Share

Experience Surplus/ Deficit Considered in Asset shares

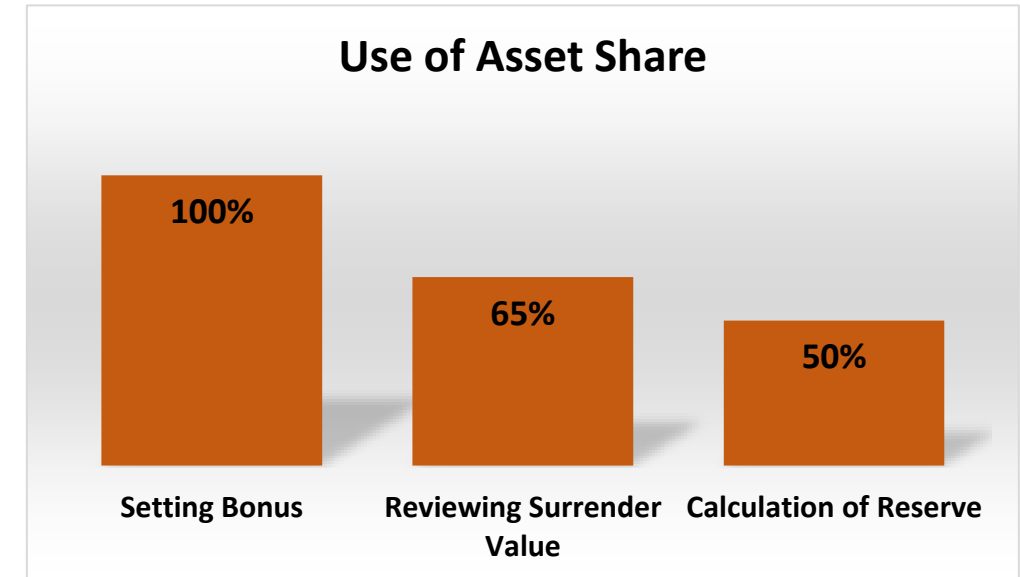
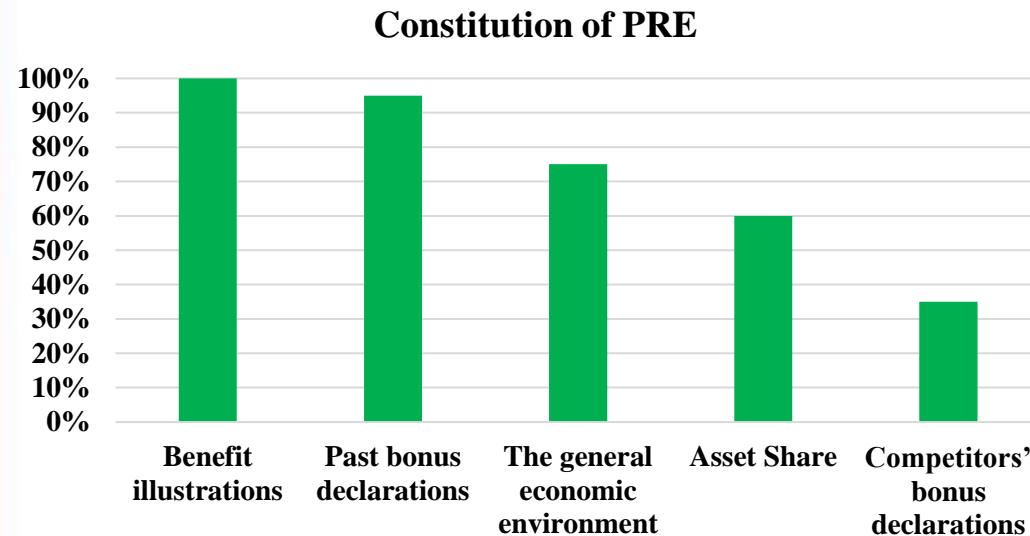


Share of fund in equity/property



- Experience of lapse/ surrender/ paid-up surplus/deficit are not considered by all insurers
- Around 50% of the participating funds have equity/property allocation of 10% or more.

PRE and Use of Asset Share

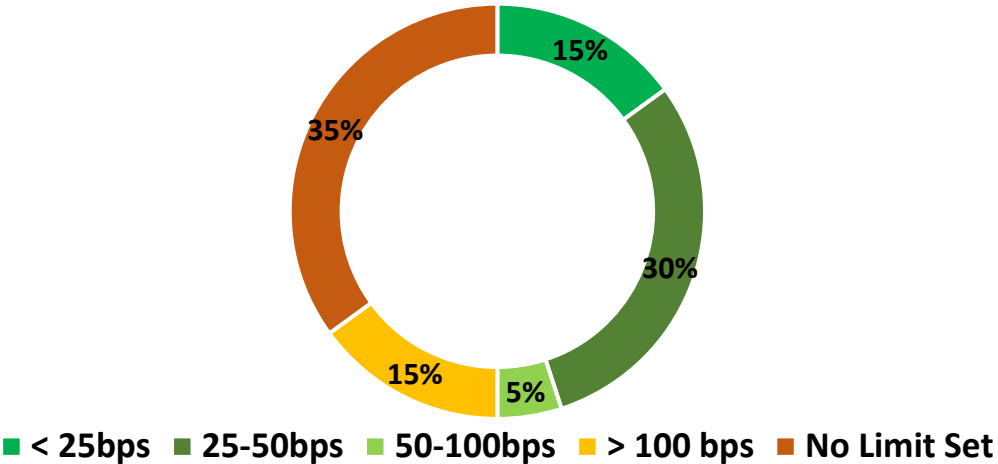


- Benefit Illustration is most widely used as PRE followed by past declared bonus rates
- More than 50% of the insurers consider asset share to review surrender value

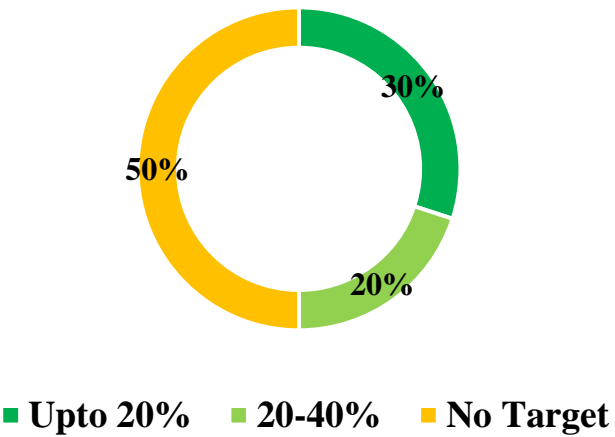
Considerations for Bonus



Limits on changes in RB in a year

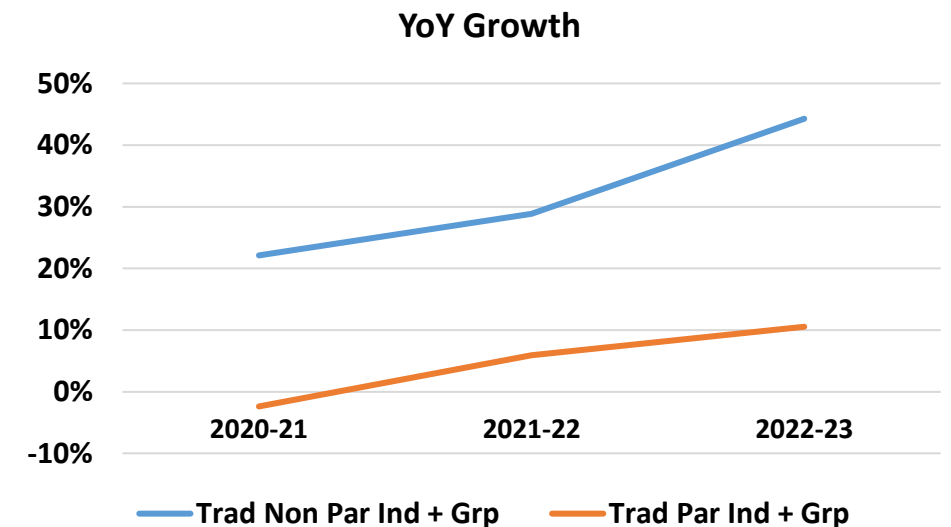
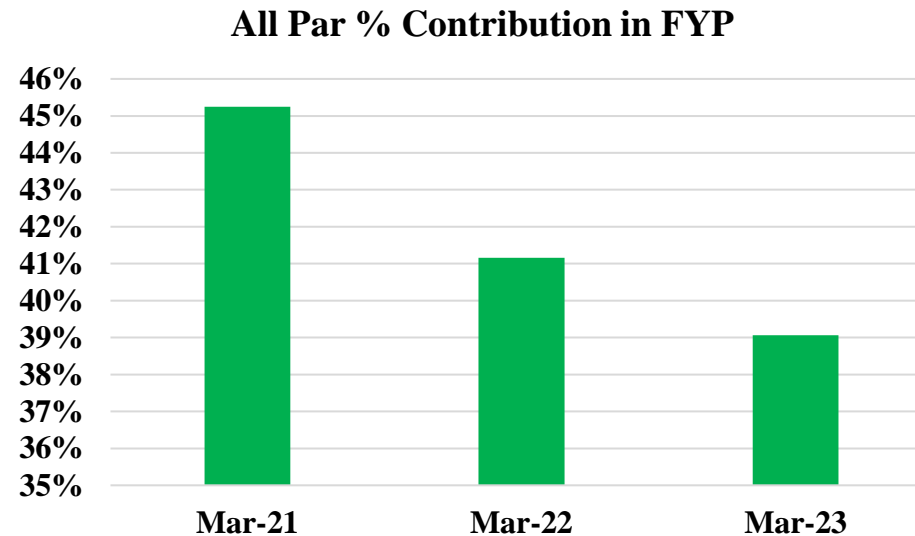


Target for TB as % of Maturity Benefit



- Around 50% of the insurers keeps the year-on-year RB movement within 100 bps.
- Around 50% of the insurers do not have any specific target for TB rate as percentage of maturity benefit

Par New Business Growth



- The contribution of Par in Industry First Year new business is falling
- Traditional Non-Par segment has shown higher growth rate as compared to Par