



Circular No: IRDA/Cir/Act/068/Jan 05

25 January 2005

Sub:- Mortality & Morbidity Data and analysis

1. Application:-

This circular is applicable to all life insurers carrying on life insurance business in India, registered in accordance with section 3 of the Insurance Act, 1938, and is related to pricing and valuation under liabilities of Critical Illness Stand-alone products or Critical Illness Riders-Accelerated or Lump Sum.

2. Purpose:-

2.1: Regulation 5 sub regulation 2 & 3 of IRDA (Assets, Liabilities and Solvency margin of Insurers) Regulations 2000 requires Mortality rates/ Morbidity Rates to be used, shall be by reference to a published table, unless the insurer has constructed a separate table based on his own experience and such table to be made available to the insurance industry by the Actuarial Society of India (ASI), with the concurrence of the Authority.

2.2: Under Regulation 5 sub regulation 2 of IRDA (Assets, Liabilities and Solvency margin of Insurers) Regulations 2000, ASI in concurrence with IRDA had prescribed a mortality table LIC (1994-96) Ult. Table to be used as Base Table for pricing the Life Assurance Products and LIC a(1996-98) Annuitants' Table for pricing the Annuity or Pension Business and for calculating the liabilities under these products. But there was no benchmark table prescribed for pricing or valuing the liabilities of the Health products as regards the critical illnesses under Regulation 5 sub regulation 3 of IRDA (Assets, Liabilities and Solvency margin of Insurers) Regulations 2000.

2. 3: With no prescribed Benchmark Morbidity Table, the Life Insurers are using the critical illness rates provided by their Reinsurers based on experience of another country/ region with adjustments as may be necessary. In this process consistency was lacking with attendant issues like rationale for adjustments made and linkage to underwriting standards not being clear.



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2.4: IRDA referred the issue to the professional body- Actuarial Society of India (ASI) to examine and recommend reference table which can serve as a Standard reference table until Indian lives morbidity table based on experience of Insurers becomes a possibility.

2.5: ASI after the process of examination by a committee of actuaries has suggested **CIBT 93** to be used as the Standard reference Critical Illness rates table to be used under sub regulation 3 of regulation 5 of IRDA (Assets, Liabilities and Solvency margin of Insurers) Regulations 2000 for pricing and valuing the liabilities of Critical Illness Standalone products or Critical Illness Riders-Accelerated or Lump Sum.

2.6: IRDA gave its concurrence to the same which has been communicated to all Life Insurers by ASI.

2.7: Though the prescribed table is not based on the Indian experience, this is an attempt to prescribe the Critical Illness rate table to be used by all the Life Insurers at present in terms of requirement of the Regulations mentioned in Para 2.1. It is necessary to develop in course of time, a table of rates based on Indian experience.

2.8: To meet the purpose stated in para 2.7 above, you are requested to maintain suitable data of policies and claims experience on a continuous basis, analyze the experience periodically at least once in a year at the time of valuation of liabilities and furnish the results to the Authority. Steps may be taken to compile data in suitable format and make available for preparing industry experience table.

2.9: The requirement stated in para 2.8 also applies as regards mortality investigation.

3. The circular comes into force with immediate effect.

4. Acknowledgement: You are requested to acknowledge the receipt of this and confirm compliance.

(C.S.Rao)
25.1.05
(C.S.Rao)
Chairman