

**INSURANCE BUSINESS SERVICE PRICE INDEX: EXPERIMENTAL INDICES**  
**METHODOLOGY**

**Product Basket:** The Insurance sector is grouped into broad categories, viz. Life Insurance and Non-Life (General) Insurance (including health insurance). Under each of these, a large number of products are available with various rider options available with them. All products in different lines of business for the purpose of computing price index have been considered. The quarterly indices for the Life Insurance and Non-Life (General) Insurance are computed and then the two indices are combined to obtain the composite index for the overall sector.

**Prices:** The Absolute price for both Life and Non-Life (General) insurance is calculated as,

$$\text{Absolute Price} = \frac{(\text{Operating expenses} + \text{Profits} + \text{Commission})}{\text{Premium} + \text{Investment Income}}$$

where,

Operating Expenses, is all the revenue expenses which are incurred wholly and exclusively for carrying out insurance business and which have been charged to revenue account.

Premium, is the amount charged on policies and contracts issued, renewed or reinsured by an insurance company.

**Weighting Diagram:** The Weightage between Life and Non-Life (General) Insurance businesses is based on the Gross Value Added (GVA) weightage computed by National Accounts Division (NAD), MoSPI as follows;

<b>Weights</b>		
<b>Life</b>	<b>Non-Life (General)</b>	<b>Overall Insurance</b>
61.91	38.09	100

**Data Source:** Data on the following parameters was provided by Insurance Regulatory and Development Authority of India (IRDAI) on quarterly basis:

- Operating Expenses
- Profits
- Commission Expenses
- Premium
- Investment Income