

L-42 Valuation Basis (Life Insurance)

As on 31st Dec, 2011

- a. How the Policy data needed for valuation is accessed.
Policy data is supplied by the I.T. Department.
- b. How the valuation bases are supplied to the system
Manually the basis is supplied to the system.
- c. Valuation Basis

1) Interest : Maximum and Minimum interest rate taken for each segment

i. Individual Business

- | | | |
|---|---|------------|
| 1. Life- Participating policies | - | 6.25% p.a. |
| 2. Life –Non Participating Policies | - | 6.25% p.a. |
| 3. Annuities-Participating policies | - | NA |
| 4. Annuities- Non Participating policies- | | 6.25% p.a. |
| 5. Annuities-Individual Pension Plan | - | NA |
| 6. Unit Linked | - | 6.25% p.a. |
| 7. Health Insurance | - | NA |

ii. Group Business

- | | | |
|-------------------------------------|---|------------|
| 1. Life –Non Participating Policies | - | 6.25% p.a. |
|-------------------------------------|---|------------|

2) Mortality Rates: the mortality rates used for each segment

i. Individual Business

- | | | |
|---|---|----------------------------|
| 1. Life- Participating policies | - | 125% of IALM (94-96) |
| 2. Non Participating Policies | - | 125% -225% of IALM (94-96) |
| 3. Annuities-Participating policies | - | NA |
| 4. Annuities- Non Participating policies- | | LIC a(96-98) |
| 5. Annuities-Individual Pension Plan | - | NA |
| 6. Unit Linked | - | 100% of IALM(94-96) |
| 7. Health Insurance | - | NA |

iii. Group Business

- | | | |
|-------------------------------------|---|----------------------|
| 1. Life –Non Participating Policies | - | 125% of IALM (94-96) |
|-------------------------------------|---|----------------------|

3) Expenses

- i. Individual Business(per Policy)
 1. Life- Participating policies - Rs.450/- p.a.
 2. Life –Non Participating Policies - Rs.450/- p.a.
 3. Annuities-Participating policies - NA
 4. Annuities- Non Participating policies- Rs. 50 P.a.
 5. Annuities-Individual Pension Plan - NA
 6. Unit Linked - Rs. 450/-p.a. for R.P
Rs. 375/- p.a. for S.P
 7. Health Insurance - NA
 - ii. Group Business
 1. Life –Non Participating Policies - Rs.150 p.a.
 2. Shriram Credit Shield - Rs.50 per member
- 4) Bonus Rates
- | | | |
|-------------|---|--------------------------|
| -Shri Life | - | Rs.20/- per Thousand SA |
| Shri Nidhi | - | Rs. 22/- per Thousand SA |
| Shri Raksha | - | Rs.30/- per Thousand SA |
| Shri Vidya | - | Rs. 22/- per Thousand SA |
| Shri Vivah | - | Rs. 22/- per Thousand SA |
| Shri Laabh | - | Rs.20/-per Thousand SA |
- 5) Policyholders Reasonable Expectations: Policyholders expectations are met by declaring Reversionary Bonuses at the end of financial year.
- 6) Taxation and shareholder Transfers
- Allowance has been made on surplus to an extent of 13.8406% towards tax and the provision is made in the Revenue Account. The maximum amount of transfer to the shareholders is 1/9th of the policyholder's surplus in case of Participating policies and 100% of surplus in case of Non Participating policies.
- 7) Basis of Provisions for Incurred But Not Reported-NIL
- 8) Change in Valuation Methods or Bases
- i. Individual Assurances
 1. Interest NIL
 2. Expenses For Non-Participating policies, expenses were increased from Rs. 250 to Rs.450
 3. Inflation - increased from 5.4% to 5.94%

- ii. Annuities
 - 1. Interest
 - a. Annuity in payment NIL
 - b. Annuity during deferred period NIL
 - c. Pension: All Plans NIL
 - 2. Expenses NIL
 - 3. Inflation increased from 3% to 5.94%
- iii. Unit Linked
 - 1. Interest increased from 6% to 6.25%
 - 2. Expenses Decreased from Rs.475 p.a. to Rs.450 p.a.in case of Regular premium and increased from Rs.350 to Rs.375 in case of Single premium..
 - 3. Inflation - Increased from 5.4% p.a.to 5.94%p.a.
- iv. Health
 - 1. Interest NIL
 - 2. Expenses NIL
 - 3. Inflation NIL
- v. Group
 - 1. Interest NIL
 - 2. Expenses NIL
 - 3. Inflation Increased from 5.4% p.a.to 5.94%p.a.