

L-42 Valuation Basis (Life Insurance)

As on 31st March, 2012

- a. How the Policy data needed for valuation is accessed.
Individual: Policy data is extracted from the policy administration system and supplied by the I.T. Department
Group: Policy data is currently maintained and supplied in Microsoft Excel Files.
- b. How the valuation bases are supplied to the system
Individual and Credit Shield: The basis is updated in various tables used by the valuation software, Prophet.
Group, other than Credit Shield: The basis is updated in excel sheets.
- 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 - 6.0% 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% and 250% of IALM (94-96)
 2. Non Participating Policies - 125%, 200% and 250% of IALM (94-96)
 3. Annuities-Participating policies - NA
 4. Annuities- Non Participating policies- 40% of LIC a(96-98)
 5. Annuities-Individual Pension Plan - NA
 6. Unit Linked - 100% and 125% of IALM (94-96)
 7. Health Insurance - NA

- ii. Group Business
 1. Life –Non Participating Policies - 125% and 225% of IALM (94-96)
- 3) Expenses
 - i. Individual Business(per Policy)

Regular premium policies	-	Rs. 475/- p.a.
Single premium policies	-	Rs. 375/- p.a.
Paid-up policies	-	Rs. 237.5/- p.a.
Annuities	-	Rs. 450/- p.a.
 - ii. Group Business
 1. Life –Non Participating Policies - Rs.500 per claim
 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:
 Reasonable benefit expectations are currently mainly formed by sales material and the bonus rates declared for the previous financial year. To this extent the company aims to manage reasonable benefit expectations through sales material, annual communications of bonus rates and the smoothing of bonuses.
- 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 cost of bonus in case of participating policies and 100% of surplus in case of non-participating policies.
- 7) Basis of Provisions for Incurred But Not Reported:
 IBNR reserve equal to the two months' earned premium under OYRGTA schemes. Under credit shield an IBNR reserve is maintained based on past claims experience.

8) Change in Valuation Methods or Bases

i. Individual Assurances

1. Interest: No change
2. Expenses

For Non-Participating policies, expenses were increased from Rs. 250 to Rs.475. For participating policies, expenses were increased from Rs.450 to Rs.475. For paid-up policies, expenses were increased from Rs. 225 to Rs. 237.5.

3. Inflation increased from 5.4% to 6.05%

ii. Annuities

1. Interest

- | | |
|-----------------------------------|-----|
| a. Annuity in payment | NIL |
| b. Annuity during deferred period | NIL |
| c. Pension: All Plans | NIL |

2. Expenses increased from Rs.50 & 2% of claim to Rs.450 per policy
3. Inflation increased from 3% to 6.05%

iii. Unit Linked

1. Interest

NIL

2. Expenses increased from Rs.350 to Rs.375 in case of single premiums
3. Inflation increased from 5.4% p.a. to 6.05% p.a.

iv. Health

1. Interest

NIL

2. Expenses

NIL

3. Inflation

NIL

v. Group

1. Interest

NIL

2. Expenses increased from Rs.150 per policy to Rs.500 per claim under Shri Sahay Plan

3. Inflation increased from 5.4% p.a. to 6.05% p.a.