

L-42 Valuation Basis (Life Insurance)

As on 31st March ,2007

- 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
Valuation is done through excel sheets .So 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% p.a. |
| 2. Life –Non Participating Policies | - | |
| 3. Annuities-Participating policies | - | |
| 4. Annuities- Non Participating policies- | | 6% p.a. |
| 5. Annuities-Individual Pension Plan | - | |
| 6. Unit Linked | - | 6% p.a. |
| 7. Health Insurance | - | |

ii. Group Business

- | | | |
|-------------------------------------|---|---------|
| 1. Life –Non Participating Policies | - | 6% p.a. |
|-------------------------------------|---|---------|

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

i. Individual Business

- | | | |
|---|---|--------------------------|
| 1. Life- Participating policies | - | LIC (94-96) Ultimate mod |
| 2. Life –Non Participating Policies | - | |
| 3. Annuities-Participating policies | - | |
| 4. Annuities- Non Participating policies- | | LIC a(96-98) |
| 5. Annuities-Individual Pension Plan | - | |
| 6. Unit Linked | - | LIC(94-96) Ultimate mod |
| 7. Health Insurance | - | |

iii. Group Business

- | | | |
|-------------------------------------|---|--|
| 1. Life –Non Participating Policies | - | LIC (94-96) Ultimate mod rated up by 25% |
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3) Expenses

- i. Individual Business
 - 1. Life- Participating policies - Premium Related - 6%p.a.
Per Policy - Rs.200 p.a.for
one year and Rs.150 p.a. thereafter.
 - 2. Life –Non Participating Policies -
 - 3. Annuities-Participating policies -
 - 4. Annuities- Non Participating policies- Per Policy -Rs. 50 P.a.
 - 5. Annuities-Individual Pension Plan -
 - 6. Unit Linked - Rs. 25/-p.m for Regular
premium and Rs. 20/- p.m. for Single Premium
 - 7. Health Insurance -
- ii. Group Business
 - 1. Life –Non Participating Policies - Rs.150 p.a.
- 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: The Company has completed just one full year of operations as on 31st March 2007. The reasonable expectations of the policyholder are met by granting bonuses at the above rates.
- 6) Taxation and shareholder Transfers-
Allowance has been made on surplus to an extent of 14.025% towards tax and the provision is made in the Revenue Account. The maximum amount of transfer to the shareholders is 10% of the surplus.
- 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 Increased from Rs. 150 p.a. to Rs.200 p.a. for the First Year
and Rs. 150 p.a thereafter
 - 3. Inflation 3%

- 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 NIL
- iii. Unit Linked
 - 1. Interest NIL
 - 2. Expenses NIL
 - 3. Inflation NIL
- iv. Health
 - 1. Interest NIL
 - 2. Expenses NIL
 - 3. Inflation NIL
- v. Group
 - 1. Interest NIL
 - 2. Expenses NIL
 - 3. Inflation NIL