

**L-42- Valuation Basis (Life Insurance)**  
**Reliance Life Insurance Company Limited**  
**Registration with IRDA : 121 dated 03 January 2002**

**VALUATION BASIS FOR THE YEAR ENDED 31st MARCH,2016**

**A Chapter on Valuation basis covering the following minimum criteria.**

**a. How the policy data needed for valuation is accessed.**

The policy details under Individual and Group policies are maintained in the policy administration system. The details of the policies as at 31 March 2016 were frozen and backed-up after the close of the business.

**b. How the valuation basis are supplied to the system**

Majority of the policy liabilities under Individual Par and Individual Non Par Business (excluding unit liabilities and accumulation account) are valued using PROPHET actuarial software. Valuation basis are fed to this software using tables. A small proportion of the policy liabilities are valued using the excel spreadsheets. The valuation basis is supplied in the excel template.

1)

<b>Interest Rates</b>	<b>Minimum</b>	<b>Maximum</b>
<b>A. Individual Business</b>		
<b>A.1. Life- Participating policies</b>	6.25%	6.25%
<b>A.2. Life- Non-participating Policies</b>	5.50%	6.00%
<b>A.3. Pension Non Participating Policies</b>	5.50%	5.50%
<b>A.4. Annuities- Participating policies</b>	NA	NA
<b>A.5. Annuities – Non-participating policies</b>	5.50%	5.50%
<b>A.6. Annuities- Individual Pension Plan</b>	NA	NA
<b>A.7. Unit Linked</b>	5.50%	5.50%
<b>A.8. Health Insurance</b>	5.50%	5.50%
<b>B. Group Business*</b>		
<b>B.1. Non-Linked</b>	5.50%	5.50%
<b>B.2. Linked</b>	5.50%	5.50%

2) **Mortality Rates**

<b>A. Individual Business (other than Annuity &amp; Health)</b>	33.33% to 416.6% of IALM 2006-08
<b>B. Individual – Annuity</b>	45% of LIC (96-98) Annuitant Table with mortality improvement factor
<b>C. Individual – Health</b>	90% of IALM 2006-08
<b>D. Group Business*</b>	111.1% to 416.6% of IALM 2006-08

3) Expenses (Per Policy)	Regular Premium	Single Premium/Fully Paid-Up/ Reduced Paid-Up
<b>A. Individual – Simple Term Plan Group – Jan Samridhi Plan, Jan Samridhi Suraksha Plan and Sarv Samridhi Plan</b>	Rs. 81	NA
<b>B. Individual other than Simple Term Plan</b>	Rs. 655	437
<b>C. Group Credit Assure Plan</b>	Rs. 110	110
<b>D. Group other than Jan Samridhi Plan, Jan Samridhi Suraksha Plan , Sarv Samridhi Plan, Group Savings Linked Insurance Plan and Group Credit Assure*</b>	NA	NA

4) **Bonus Rates:**

Policy liabilities under Par Business are valued using bonus rates consistent with the current experience and expected investment yields. Current Reversionary bonus rates vary between 1.8% and 5.5%. Future reversionary bonus rates are consistent with the valuation interest rate.

5) **Policyholders Reasonable Expectations:**

Most of the company's business relates to unit linked and non-par business. Under both these segments the policy benefits are not under the discretion of the company. The expectations of policies under Par Business is allowed through provision of future bonus in line with the current experience.

6) **Taxation and Shareholder Transfers:**

<b>Tax Rate</b>	14.42%
<b>Shareholder Share of Profits:</b>	
(i) Par Business	10%
(ii) Non Par Business	100%

7) **Basis of provisions for Incurred But Not Reported (IBNR):**

An explicit provision for IBNR was made based on the total claims paid during the last six months for Individual Non Linked business and total of last six months mortality charges collected for Individual Linked business. For Group Non Linked business a total provision of total claims paid during the last four months and for Group Linked business a total of last six months mortality charges collected has been kept as IBNR reserve.

8) **Change in Valuation Methods or Basis (since March 2015)**

<b>(i) Individual Assurance</b>	
(i.1) Interest	No change
(i.2) Expenses	No change
(i.3) Inflation	No change

<b>(ii) Annuities</b>	
(ii.1) Interest	
(a) Annuity in Payment	No Change
(b) Annuity during deferred period	NA
(c) Pension: All Plans	NA
(ii.2) Expenses	No Change
(ii.3) Inflation	No Change

<b>(iii) Unit Linked</b>	
(iii.1) Interest	No Change
(iii.2) Expenses	No Change
(iii.3) Inflation	No Change

<b>(iv) Health-Linked</b>	
(iv.1) Interest	No Change
(iv.2) Expenses	No Change
(iv.3) Inflation	No Change

<b>(v) Group*</b>	
(v.1) Interest	No Change
(v.2) Expenses	No change
(v.3) Inflation	No change

\*The assumptions for Group Business, as given above, are used for computing reserve using cash flow method (known as Gross Premium Valuation). The reserve, however, for group business is taken as higher of reserve computed using unexpired premium method (UPR) or cash flow method. No assumptions are required for calculating reserves using UPR method.