

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,2015

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 2015 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)	Interest Rates	Minimum	Maximum
	A. Individual Business		
	A.1. Life- Participating policies	6.25%	6.25%
	A.2. Life- Non-participating Policies	5.50%	6.00%
	A.3. Pension Non Participating Policies	5.50%	5.50%
	A.4. Annuities- Participating policies	NA	NA
	A.5. Annuities – Non-participating policies	5.50%	5.50%
	A.6. Annuities- Individual Pension Plan	NA	NA
	A.7. Unit Linked	5.50%	5.50%
	A.8. Health Insurance	5.50%	5.50%
	B. Group Business*		
	B.1. Non-Linked	5.50%	5.50%
	B.2. Linked	5.50%	5.50%

2) Mortality Rates

A. Individual Business (other than Annuity & Health)	36.36% to 416.6% of IALM 2006-08
B. Individual – Annuity	60% of LIC (96-98) Annuitant Table with mortality improvement factor
C. Individual – Health	90% to 112.5% of IALM 2006-08
D. Group Business*	111.1% to 416.6% of IALM 2006-08

3) Expenses (Per Policy)	Regular Premium	Single Premium/Fully Paid-Up/ Reduced Paid-Up
A. Individual – Simple Term Plan Group – Jan Samriddhi Plan, Jan Samriddhi Suraksha Plan and Sarv Samriddhi Plan	Rs. 81	NA
B. Individual other than Simple Term Plan	Rs. 655	437
C. Group Credit Assure Plan	Rs. 110	110
D. Group other than Jan Samriddhi Plan, Jan Samriddhi Suraksha Plan , Sarv Samriddhi Plan, Group Savings Linked Insurance Plan and Group Credit Assure*	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 4%. 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:**

Tax Rate	14.42%
Shareholder Share of Profits:	
(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 Business provision of total claims paid during the last four months has been kept as IBNR reserve.

8) **Change in Valuation Methods or Basis (since March 2014)**

(i) Individual Assurance	
(i.1) Interest	For participating business the rate changed from 6.75% to 6.25% whereas for non-participating policies the rate has changed from 6.0% p.a. to 5.5% p.a. (Except for Traditional Super Invest Assure Plan and Traditional Reliance Investment Plan for which the rates changed from 6.25%p.a to 6%p.a)
(i.2) Expenses	Per policy expense increased from Rs. 572 to Rs. 655 on regular premium policies and per policy expense increased from Rs. 374 to Rs.437 on single premium paying policies/fully paid up/ reduced paid up policies.
(i.3) Inflation	No change

(ii) Annuities	
(ii.1) Interest	
(a) Annuity in Payment	Changed from 6.0% p.a. to 5.5% p.a.
(b) Annuity during deferred period	NA
(c) Pension: All Plans	NA
(ii.2) Expenses	Per policy expense increased from Rs. 374 to Rs.437.
(ii.3) Inflation	No Change

(iii) Unit Linked	
(iii.1) Interest	Changed from 6.0% p.a. to 5.5% p.a.
(iii.2) Expenses	Per policy expense increased from Rs. 572 to Rs. 655 on regular premium policies and per policy expense increased from Rs. 374 to Rs.437 on single premium paying policies/fully paid up/ reduced paid up policies.
(iii.3) Inflation	No Change

(iv) Health-Linked	
(iv.1) Interest	Changed from 6.0% p.a. to 5.5% p.a.
(iv.2) Expenses	Per policy expense increased from Rs. 572 to Rs. 655 on regular premium policies and per policy expense increased from Rs. 374 to Rs.437 on single premium paying policies/fully paid up/ reduced paid up policies.
(iv.3) Inflation	No Change

(v) Group*	
(v.1) Interest	Changed from 6.0% p.a. to 5.5% p.a.
(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.