

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,2014

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 2014 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 are valued using PROPHET actuarial software. Valuation basis are fed to this software using tables. A small proportion of the policy liabilities (8%) 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	6.75%	6.75%
	A.2. Life- Non-participating Policies	6.00%	6.25%
	A.3. Pension Non Participating Policies	6.00%	6.00%
	A.4. Annuities- Participating policies	NA	NA
	A.5. Annuities – Non-participating policies	NA	NA
	A.6. Annuities- Individual Pension Plan	6.00%	6.00%
	A.7. Unit Linked	6.00%	6.00%
	A.8. Health Insurance	6.00%	6.00%
	B. Group Business*		
	B.1. Non-Linked	NA	NA
	B.2. Linked	NA	NA

2)	Mortality Rates	
	A. Individual – Simple Term Plan Group – Jan Samriddhi Plan	585.8% of IALM (06-08) for first two policy years, 464.6% of IALM (06-08) for subsequent policy years
	B. Individual – Annuity	60% of LIC (96-98) Annuitant Table for all policy years with mortality improvement factor as per F&U
	C. Individual other than Simple Term Plan Group - Group Savings Linked insurance	222.2% of IALM (06-08) for first two policy years, 111% of IALM (06-08) for subsequent policy years
	C. Group other than Jan Samriddhi Plan and Group Savings Linked Insurance Plan*	NA

3)	Expenses (Per Policy)	Regular Premium	Single Premium/Fully Paid-Up/ Reduced Paid-Up
	A. Individual – Simple Term Plan Group – Jan Samriddhi Plan	Rs. 81	NA
	C. Individual other than Simple Term Plan Group - Group Savings Linked insurance	Rs. 572	374
	C. Group other than Jan Samriddhi Plan and Group Savings Linked Insurance Plan*	NA	NA

4) **Bonus Rates:**

Policy liabilities under Par Business are valued using bonus rates consistent with the current experience and expected investment yields. Future reversionary bonus rates vary between 1.1% and 3.7%

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. As on 31 March 2014, only 14% of the policy liabilities were under Par Business. The expectations of these policyholders are managed by declaration of bonus in line with the current experience under Par policies. Around 7% of the policy liabilities were under Non Linked Non Par Business where Company declares the Accumulation Rate at the start of the Financial Year. The expectations of these policyholders are managed by declaration of Accumulation Rate in line with expected investment return during the financial year.

6) **Taxation and Shareholder Transfers:**

Tax Rate	14.1625%
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 twelve months.

8)

Change in Valuation Methods or Basis (since March 2013)

(i) Individual Assurance	
(i.1) Interest	No change for participating business whereas for non-participating policies the rate has changed from 5.75% to 6.0% (except for Traditional Super Invest Assure Plan and Traditional Reliance Investment Plan).
(i.2) Expenses	Per policy expense increased from Rs. 440 to Rs. 572 on regular premium policies and per policy expense increased from Rs. 150 to Rs. 374 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	The interest rate assumed as at 31 March 2014 is 6.00%
(b) Annuity during deferred period	NA
(c) Pension: All Plans	NA
(ii.2) Expenses	The expense assumed as at 31 March 2014 is Rs. 374 per policy
(ii.3) Inflation	The inflation rate assumed as at 31 March 2014 is 4%

** Reserve as at 31 March 2013 was held as 1.5 times of single premium whereas reserve as at 31 March 2014 is calculated using Gross Premium Valuation Method.

(iii) Unit Linked	
(iii.1) Interest	For linked business the rate has changed from 5.75% to 6.0%
(iii.2) Expenses	Per policy expense increased from Rs. 440 to Rs. 572 on regular premium policies and per policy expense increased from Rs. 150 to Rs. 374 on single premium paying policies/fully paid up/ reduced paid up policies.
(iii.3) Inflation	No change

(iv) Health-Linked ***	
(iv.1) Interest	The interest rate assumed as at 31 March 2014 is 6.00%
(iv.2) Expenses	The expense assumed as at 31 March 2014 is Rs. 374 per policy
(iv.3) Inflation	The inflation rate assumed as at 31 March 2014 is 4%

*** Reserve as at 31 March 2013 was held as twice of hospitalization charges whereas reserve as at 31 March 2014 is calculated using Gross Premium Valuation Method.

(v) Group*	
(v.1) Interest	No change
(v.2) Mortality	No change
(v.3) Expenses	No change
(v.4) Inflation	No change

*The reserve under Group business is based on unexpired premium method or one month mortality charges, therefore no assumptions are required. However, for a small insignificant part of Group business (Group Saving Linked Insurance Plan and Jan Samriddhi Plan), the non unit reserve is based on the assumptions as used under Individual non par linked business.