

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

**VALUATION BASIS FOR THE QUARTER ENDED 31st DECEMBER,2013**

**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 December 2013 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
	<b>A. Individual Business</b>		
	<b>A.1. Life- Participating policies</b>	6.75%	6.75%
	<b>A.2. Life- Non-participating Policies</b>	6.00%	6.25%
	<b>A.3. Pension Non Participating Policies</b>	6.00%	6.00%
	<b>A.4. Annuities- Participating policies</b>	NA	NA
	<b>A.5. Annuities – Non-participating policies *</b>	NA	NA
	<b>A.6. Annuities- Individual Pension Plan</b>	NA	NA
	<b>A.7. Unit Linked</b>	6.00%	6.00%
	<b>A.8. Health Insurance*</b>	NA	NA
	<b>B. Group Business**</b>		
	<b>B.1. Non-Linked</b>	NA	NA
	<b>B.2. Linked</b>	NA	NA

\*These products relate to a small proportion of the liabilities. The reserves are calculated such that they are higher than the reserves to be held vis-à-vis using "Gross Premium Method" therefore no assumption on interest rates are required.

**2) Mortality Rates**

<b>A. Individual – Simple Term Plan Group – Jan Samriddhi Plan</b>	580% of IALM (06-08) for first two policy years, 460% of IALM (06-08) for subsequent policy years
<b>B. . Individual other than Simple Term Plan</b>	220% of IALM (06-08) for first two policy years, 100% of IALM (06-08) for subsequent policy years
<b>C. Group other than Jan Samriddhi Plan**</b>	NA

3) Expenses (Per Policy)	Regular Premium	Single Premium/Fully Paid-Up/ Reduced Paid-Up
<b>A. Individual – Simple Term Plan Group – Jan Samriddhi Plan</b>	Rs. 60	NA
<b>B. Individual other than Simple Term Plan</b>	Rs. 440	Rs. 275
<b>C. Group other than Jan Samriddhi Plan**</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. Future reversionary bonus rates vary between 1.8% and 4.1%

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 December 2013, only 12% 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:**

<b>Tax Rate</b>	14.1625%
<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 twelve months.

8)

**Change in Valuation Methods or Basis (since March 2013)**

<b>(i) Individual Assurance</b>	
(i.1) Interest	No change for participating business whereas for non-participating policies (except for Traditional Super Invest Assure Plan and Traditional Reliance Investment Plan), the rate has changed from 5.75% to 6.0%
(i.2) Expenses	No change in per policy expense on regular premium policies whereas per policy expense increased from Rs. 150 to Rs. 275 on single premium paying policies/fully paid up/ reduced paid up policies
(i.3) Inflation	No change
<b>(ii) Annuities</b>	
(ii.1) Interest	NA
(a) Annuity in Payment	No change
(b) Annuity during deferred period	NA
(c) Pension: All Plans	NA
(ii.2) Expenses	NA
(ii.3) Inflation	NA
<b>(iii) Unit Linked</b>	
(iii.1) Interest	For linked business the rate has changed from 5.75% to 6.0%
(iii.2) Expenses	No change in per policy expense on regular premium policies whereas per policy expense increased from Rs. 150 to Rs. 275 on single premium paying policies/fully paid up/ reduced paid up policies
(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) 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), the non unit reserve is based on the assumptions as used under Individual non par linked business.