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Ref: CO/CRM/814/23

JANUARY 5, 2011

To,
All Zonal Managers,
All Regional Managers (CRM)
All Sr/Divisional Managers,
M.D.C., Audit & Inspection

Re: CLARIFICATION ON RESULTS OF VALUATION AS ON 31/3/2010

The results of valuation as at 31/3/2010 have been declared by the corporation vide circulars Nos :- co/act/ val/2189/4 dt. 29/10/2010 and co/act/2191/4 dt 22/12/2010. We have received some queries in respect of valuation from various offices. We have referred the same to Act Dept and now received the clarification from them which is reproduced below:-

- 1) Loyalty addition rates are declared as per table 7 (b) for different plans. In case of death claim, for referring the rate of loyalty addition, duration of the policy will be taken into account. It is now clarified that in case of regular premium policies duration should be taken as number of completed years up to next policy anniversary following the date of death, provided premiums have been fully recovered/ received for the year of death. In case of single premium policies and fully paid up policies, duration of policy should be taken as number of completed years upto next policy anniversary following the date of death.
- 2) As a result of valuation as on 31/3/2010, Loyalty additions rates under Jeevan Shree plan no 112 for single premium polices for each policy terms between 10 to 25 years were declared separately vide circular dt 22/12/2010 ref: co/act/val/2191/4. We wish to clarify that loyalty addition rates for different durations for policy term of 10, 15, 20 and 25 years will be as per rates declared vide circular dt 29/10/2010 ref: co/avt/val/2189/4.
- 3) **Calculation of vested bonus under New Janaraksha plan- 91 where death claim is considered under special provision of extended claim cover :-** As per special provisions of extended claim cover under plan 91, If premiums have been paid for at least 2 full years and any further premium has not been paid within days of grace and policy results into death claim within the period of 3 years from first unpaid premium, then full sum assured as death claim is payable. If death occurs after paying at least 3 years premiums, then bonus will be allotted with reference to the number of years for which the premiums have been actually paid. If the number of years premiums paid is in proportion of months then some doubts were raised about payment of bonus for such proportionate months. It is now clarified that bonus for such proportionate months is payable if policy is in force as on the date of valuation. In short, policy will be treated as paid up for calculation of bonus during extended cover period. This is explained by way of following examples :-

	Example 1	Example 2
Date of commencement	1/10/1990	1/1/1990
Plan and term	91-30	91-30
Sum assured	1,00,000	1,00,000
Mode	Qly	Qly
FUP	1/2009	7/2009
Date of death	1/5/2010	1/5/2010
Vested bonus payable	$1183.00 \times 100 =$ 118300	$1275.00 \times 100 =$ 127500.
Reason	Under this policy, premiums have been paid for 18 years and 3 months. Since policy is not in force as on 3/2009's valuation, vested bonus is payable as per 3/2008's valuation. See bonus chart for 3/2008's valuation.	Under this policy, premiums have been paid for 19 years and 6 months. Since policy is in force as on 3/2009's valuation, vested bonus is payable as per 3/2009's valuation. However, number of premiums has not been paid for 20 years but only for 19 years and 6 months. Hence proportionate bonus for 6 months will be deducted. Bonus amount will be $1299.00 - 24.00 = 1275.00$ for 1000 sum assured.

- 4) **Payment of Final additional bonus in case of Death claim under New Janaraksha plan -91** → When death claim is considered under new Janaraksha plan - 91 under extended claim cover period, then Final additional bonus is also payable provided stipulated number of years premiums required for payment of FAB have also been paid. The duration to be considered for payment of FAB will be the same for which vested bonus is payable. For deciding rate for paying the final additional bonus, the valuation year will be the same for which the vested bonus is payable. If vested bonus is paid for proportionate month/s, then final additional bonus will be calculated by linear interpolation. In example no-1 above, Final additional bonus is payable for 18 years at the rate of Rs. 80/- per 1000 sum assured of 3/2008's valuation. i.e Rs.8000/-. In example no 2 above, final additional bonus is payable for 19 years and 6 months at the rate of Rs. 155/- per 1000 sum assured of 3/2009's valuation i.e Rs 15500. Here, FAB rate for 19 years will be 110 and for 6 months, by interpolation of 20 years rate and 19 years rate which is $= 200 - 110 = 90$ which is further divided by 2 for finding out for 6 months. Hence, total will be Rs. $110.00 + 45.00 = 155$.
Needless to add that, if maturity claim is being paid in extended claim cover period, then what is payable is paid up value + vested bonus only and question of payment of FAB will not arise.

Kindly, bring this clarification to the notice of all the offices under your control.

S.S. Dikshak

Executive Director (CRM)