THE FIRST SCHEDULE

(*See* section 16)

PRINCIPLES FOR DETERMINING COMPENSATION

PART A

The compensation to be given by the Corporation to an insurer having a share capital on which dividend or bonus is payable, who has allocated as bonus to policy-holders the whole or any part of the surplus as disclosed in the abstracts prepared in accordance with Part II of the Fourth Schedule to the Insurance Act in respect of the last actuarial investigation relating to his controlled business as at a date earlier than the 1st day of January, 1955, shall be computed in accordance with the provisions contained in paragraph 1 or paragraph 2, whichever is more advantageous to the insurer.

Paragraph 1.—Twenty times the annual average of the share of the surplus allocated to share-holders as disclosed in the abstracts aforesaid in respect of the relevant actuarial investigations multiplied by a figure which represents the proportion that the average business in force during the calendar years 1950 to 1955 bears to the average business in force during the calendar years comprised in the period between the date as at which the actuarial investigation immediately preceding the earliest of the relevant actuarial investigations was made and the date as at which the last of such investigations was made.

Paragraph 2.—Half the amount payable under paragraph 1 plus the paid-up capital or assets equivalent thereto, or, in the case of a composite insurer, that part of the paid-up capital or assets equivalent thereto which has or been transferred to and vested in the Corporation under this Act less the amount, if any of expenses or losses or both capitalised by the insurer for the purposes of Form A in the First Schedule to the Insurance Act.

Explanation 1.—For the purposes of paragraph 1,—

(*a*) "relevant actuarial investigations" means such minimum number of latest actuarial investigations as at dates earlier than the 1st day of January, 1955 (not being less than two in any case), as would leave the period intervening between the date as at which the actuarial investigation immediately preceding the first of such investigations was made and the date as at which the last of such investigations was made, to be not less than four years;

(*b*) "average business in force" means the average of total sums assured by the insurer (including any bonus) in respect of his controlled business as on the 31st day of December of each of the relevant calendar years.

Explanation 2.—For the purposes of paragraph 1, where an insurer has allocated to share-holders more than 5 per cent, of any such surplus as is referred to therein, the insurer shall be deemed to have allocated only 5 per cent, of the surplus and where an insurer has not allocated any such surplus to share-holders or has allocated to share-holders less than 31/2 per cent, of any such surplus, the insurer shall be deemed to have allocated 31/2 per cent, of the surplus.

Explanation 3.—In the case of any insurer incorporated outside India, the annual average of the share of the surplus allocated to share-holders for the purposes of paragraph 1 shall be deemed to be the annual average of the surplus as disclosed in the abstracts prepared in accordance with Part II of the Fourth Schedule to the Insurance Act in respect of the relevant actuarial investigations multiplied by a figure which is the average of the two figures mentioned below:—

(*i*) a figure representing the proportion which the share allocated to share-holders out of the surplus in respect of the world business of the insurer (such share being computed subject to the provisions of Explanation 2) bears to the whole of such surplus as ascertained with reference to the last actuarial investigation relating to such business as at a date earlier than the 1st day of January, 1955; and (*ii*) a figure representing the proportion which the share allocated to share-holders out of the surplus in respect of the world business of the insurer (such share being computed subject to the provisions of Explanation 2) bears to the whole of such surplus as ascertained with reference to the actuarial investigation relating to such business immediately preceding the actuarial investigation referred to in clause (*i*):

Provided that in the case of any such insurer in respect of whom an order has been made under section 35 the amount computed as follows shall be deemed to be the annual average of the surplus:—

(*a*) there shall be deducted from the annual average of the surplus, interest at 31/2 per cent. per annum for one year calculated on the assets specified in any order made under sub-section (*2*) of section 35;

(*b*) with respect to the balance arrived at under clause (*a*), there shall be computed an amount that bears the same proportion to the said balance as the liability on policies appertaining to the controlled business of the insurer, other than those expressed in any foreign currency issued on the lives of persons who are citizens of India, bears to the liability in respect of all policies appertaining to such business, the liabilities on policies being computed as at the 31st day of December, 1955, in accordance with the provisions contained in clause (*b*) of the Second Schedule:

Provided further that—

(*a*) in any case where the order made under section 35 is with reference to sub-section (*2*) only, the preceding proviso shall have effect as if clause (*b*) had been omitted therefrom; and

(*b*) in any case where the order made under section 35 is with reference to sub-section (*3*) only, the preceding proviso shall have effect as if—

(*i*) clause (*a*) has been omitted;

(*ii*) in clause (*b*), the words, brackets and letter "with respect to the balance arrived at under clause (*a*)" had been omitted; for the words "the said balance" the words "annual average of the surplus" had been substituted; and for the words, brackets and letter "with the provisions contained in clause (*b*) of", the words and letter "with method a specified in" had been substituted.

Explanation 4.—Where an insurer incorporated outside India whose paid-up capital is outside India—

(*a*) the provisions contained in paragraph 1 shall have effect as if the words "less a sum equal to that part of the paid-up capital of the insurer as may be determined by the Central Government to be allocable to the controlled business of the insurer" were inserted at the end of that paragraph; and

(*b*) the provisions contained in paragraph 2 shall have effect as if,—

(*i*) the words "without making the deduction referred to in clause (*a*) of *Explanation* 4" had been inserted after the words "half the amount payable under paragraph 1"; and

(*ii*) the words beginning with "plus the paid-up capital" and ending with "in the First Schedule to the Insurance Act" had been omitted.

PART B

The compensation to be given by the Corporation to an insurer having a share capital on which dividend or bonus is payable who has not made any such allocation as is referred to in Part A in respect of the last actuarial investigation as at a date earlier than the 1st day of January, 1955, shall be an amount equal to the value of the assets of the insurer appertaining to his controlled business in existence, on the 19th day of January, 1956, computed as at that date in accordance with the provisions of paragraph 3 less the amount of liabilities of the insurer appertaining to such business in existence on the 19th day of January, 1956, computed as at that date in accordance with the provisions of paragraph 4.

Paragraph 3.—**Assets**.—(*a*) The market value of any land or buildings.

(*b*) The market value of any shares, securities or other investments held by the insurer.

(*c*) The total amount of the premiums paid by the insurer in respect of all leasehold properties reduced in the case of each such premium by an amount which bears to such premium the same proportion as the expired term of the lease in respect of which such premium shall have been paid bears to the total term of the lease.

(*d*) The amount of debts due to the insurer, whether secured or unsecured, to the extent to which they are reasonably considered to be recoverable.

(*e*) The amount of premiums which have fallen due to the insurer on policies of life Insurance but have not been paid and the days of grace for payment of which have not expired.

(*f*) The amount of cash held by the insurer whether in deposit with a bank or otherwise.

(*g*) The value of all tangible assets other than those falling within any of the preceding clauses.

Paragraph 4.—**Liabilities.**—(*a*) The total amount of liabilities of the insurer to holders of policies in respect of his controlled business on account of matured claims on which payment has to be made.

(*b*) The total amount of liabilities of the insurer to holders of policies in respect of his controlled business which have not matured for payment, the liabilities in respect thereof being calculated on the following actuarial bases:—

(*i*) in respect of whole-life assurances and endowment assurances, the mortality table to be used shall be the Oriental (25-35) ultimate mortality table, and an interest rate of 31/4 per cent. per annum shall be assumed and for expenses 20 per cent. of office premiums in the case of with-profit policies and 15 per cent. of office premiums in the case of non-profit policies shall be reserved;

(*ii*) in respect of other policies such actuarial bases determined by the actuary making the valuation as may be consistent with the basis specified in clause (*i*); and

(*iii*) in determining the liabilities of insurers under clause (*b*) the actuary shall make all the usual provisions and reserves as are ordinarily done in such cases.

(*c*) The total amount of all other liabilities of the insurer.

(*d*) Where, as a result of the actuarial valuation of policy liabilities made under clause, (*b*) the life insurance fund is shown to be in surplus, a sum equal to 96 per cent of such surplus shall be deemed to be a liability under this paragraph.

Explanation.—For the purposes of this Part, in the case of an insurer incorporated outside India in respect whom an order under section 35 has been made, the assets or the assets and liabilities as the case may be, specified in the order shall be excluded.

Paragraph 5.—If the insurer to whom compensation is to be given under this part is a displaced insurer, the compensation to be given shall be computed in accordance with following provisions:—

Firstly, there shall be ascertained the losses incurred by the displaced insurer in respect of claims arising by deaths established by the displaced insurer to have been caused by the civil disturbances which took place on the occasion of the setting up of the Dominions of India and Pakistan, the total loss being taken as the difference between the amounts paid as claims in respect of such deaths and the total amount of the actuarial reserve in respect of the relevant policies;

Secondly, there shall be ascertained the difference between the market value as at the 15th day of August 1947, of any immovable property in West Pakistan belonging to the displaced insurer and the market value thereof determined under *Paragraph* 3 of this part, or, where any such immovable property has been sold before the 19th day of January, 1956, the difference between the market value thereof as at the 15th day of August 1947, and the sale price;

Thirdly, there shall be ascertained the amount of deposits held by the displaced insurer in banks which could not be withdrawn on account of a moratorium declared under any law for the time being in force, to the extent to which such deposits have become losses;

Fourthly, there shall be ascertained the difference between the market value as at the 15th day of August, 1947, of any shares in any company now carrying on business in West Pakistan held by the displaced insurer and which had been acquired before the 15th day of August, 1947, and the market value of such shares as at the 19th day of January, 1956.

The amount of compensation to be given to the displaced insurer under this part shall be—

(*a*) the amount which would have to be given to him if this Paragraph had not been enacted, *plus*

(*b*) an amount which represents one-half of the difference between the compensation which would have to be given to him if to the value of the assets referred to in Paragraph 3 there had been added the sum of the four items referred to in this Paragraph and with respect to the liabilities referred to in Paragraph 4, the life insurance fund had been increased by a like sum, and the compensation which would have to be given to him if this Paragraph had not been enacted.

Or

one half of the paid-up capital of the displaced insurer whichever is less.

Explanation.—For the purposes of this Paragraph "displaced insurer" means an insurance company whose registered office during any part of the year 1947 was in any area now forming part of West Pakistan and whose registered office is now in India.

PART C

The compensation to be given by the Corporation to an insurer—

(*a*) having no share capital; or

(*b*) having a share capital on which a dividend or bonus is not payable;

shall be in the form of an addition at the rate of rupee one per thousand in respect of the sum assured (excluding bonuses) under each with-profit policy, and in the case of an insurer falling under clause (*b*), such compensation shall also include a sum equivalent to the paid-up capital of the insurer to be paid to him.