THE SECOND SCHEDULE

(*See* section 35)

PRINCIPLES FOR DETERMINING THE VALUE OF LIABILITIES IN CERTAIN CASES

The total amount of the liabilities of an insurer incorporated outside India for the purposes of sub-section (*2*) of section 35 shall be the sum of the amounts computed in accordance with the following provisions:—

(*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 the liabilities calculated in accordance with method B below or the mean of the liabilities calculated in accordance with method A and method B below, whichever is greater.

Method A.—Actuarial liability calculated on the same bases as adopted by the insurer at the last actuarial investigation as at a date earlier than the 1st of January, 1955.

Method B.—Actuarial liability calculated on the methods known as the modified net premium method of valuation, the mortality table to be used being the Oriental (25-35) ultimate mortality table, an interest rate of 21/2 per cent. per annum being assumed and the allowance for first year expenses being Rs.40 per thousand rupees of the sum assured by the policy.

Explanation 1.—Before ascertaining the liability under method A and method B, there shall be added to each with-profit policy in force on the 31st day of December, 1955 (unless such addition has already been made) bonus at the same rate as declared at the said last actuarial investigation in respect of each year or part of a year the policy had been in force since the date as at which the said last actuarial investigation was made.

Explanation 2.—In calculating the liabilities in accordance with method A or method B,—

(*i*) in respect of policies other than whole-life assurance and endowment assurance, such actuarial basis determined by the actuary making the valuation as may be consistent with the basis specified in the method shall be employed; and

(*ii*) 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.