

## **ABSTRACT**

This paper deals with how to build a simplified stochastic Asset Liability Model (ALM) for an Endowment & Money Back Product Portfolio of an Indian Life Insurance Company. Firstly, the Motivation for building a simplified ALM is discussed. Next, we use a Hypothetical Endowment and Money Back Plan with fictional data for modeling Liability cash flows. Then, we use asset classes namely cash, short term bond, long term bond and equity to model Asset cash flows. Finally, the liability cash flows and the asset cash flows are combined and the results of the stochastic simulation are presented as balance sheet and profit and loss statement using the mean portfolio investment return. The paper also discusses the Duration Method of measuring the Interest Rate Risk by calculation of Duration Report Gap of the Assets and Liabilities.

The assumptions and liability data used in building the ALM are fictional and do not represent any actual fund.