

L-42- Valuation Basis (Life Insurance)

a. How the policy data needed for valuation is accessed

The policy administration system holds details for policies issued up to the date of valuation. A list of data fields required for the actuarial valuation is pre-defined with the IT department. The IT department extracts this data from the policy administration system and provides it to the Actuarial team in the form of policy-by-policy consolidated reports for each of the three blocks of business that the company writes (Group, Non-Linked & Unit-Linked). The policy data is then run through a number of validation and sensitivity checks by the Actuarial team (designed to verify the accuracy and completeness of the data) before being used to calculate policy reserves.

b. How the valuation bases are supplied to the system

The valuation is carried out using a widely-used third-party developed actuarial software. The valuation bases are first approved by the Appointed Actuary and then input by a member of the Actuarial team onto parameter tables within by the actuarial software. The input bases are then checked by another member of the team prior to the calculation of policy reserves. The software is designed in such a way so as to automatically look up the appropriate valuation basis items from the parameter tables whilst undertaking the calculation of policy reserves. Any changes to parameter table values is strictly controlled through proper testing and verification processes, including restricted user access.

1) Interest : Maximum and minimum interest rate taken for each segment

	Individual Business		Group Business	
	Minimum pa	Maximum pa	Minimum pa	Maximum pa
1. Life-Participating policies	NA	NA	NA	NA
2. Life-Non-participating Policies	4.5%	4.5%	NA	NA
3. Annuities-Participating policies	NA	NA	NA	NA
4. Annuities – Non-participating policies	NA	NA	NA	NA
5. Annuities- Individual Pension Plan	NA	NA	NA	NA
6. Unit Linked	4.5%	4.5%	NA	NA
7. Health Insurance	NA	NA	NA	NA

2) **Mortality Rates : the mortality rates used for each segment**

	Individual Business	Group Business
1. Life-Participating policies	NA	NA
2. Life-Non-participating Policies	95% of IALM 94-96 Table	NA
3. Annuities-Participating policies	NA	NA
4. Annuities – Non-participating policies	NA	NA
5. Annuities- Individual Pension Plan	NA	NA
6. Unit Linked	88% - 170% of IALM 94-96 Table	NA
7. Health Insurance	NA	NA

3) **Expense :**

	Individual Business	Group Business
1. Life-Participating policies	NA	NA
2. Life-Non-participating Policies	Renewal Fixed: Rs. 390 to Rs.520pa Renewal premium related: 0% to 3.25%pa Claims Expenses per policy: Rs. 1300	NA
3. Annuities-Participating policies	NA	NA
4. Annuities – Non-participating policies	NA	NA
5. Annuities- Individual Pension Plan	NA	NA
6. Unit Linked	Renewal Fixed: Rs. 440pa Renewal premium related: 0% - 2.75%pa Claims Expenses per policy: Rs. 880 – 1100 Investment Expense – 0.4%pa	NA
7. Health Insurance	NA	NA

4) **Bonus Rates :**

The company does not have any Participating business currently in its portfolio. So this section is not applicable.

5) **Policyholders Reasonable Expectations**

Presently the company does not have any participating business. Hence PRE around the bonus rates is not applicable.

6) **Taxation and Shareholder Transfers**

The tax rate (inclusive of service tax) assumed in the calculation is taken at 14.2%.

7) Basis of provisions for Incurred But Not Reported (IBNR)

This being the first year of Company operations, only 16 claims have been reported up to 31 March 2009. Therefore, the Company does not have sufficient data to undertake an explicit calculation of IBNR reserves and holds a significant Global Reserves component instead..

However it is the Company's intention to introduce an explicit IBNR provision as soon as sufficient data on claim reporting delays becomes available.

8) Change in Valuation Methods or Bases

This being the first year of Company operations, this section is currently not applicable