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 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 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 into parameter tables within 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 change 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	6.80%	7.23%	5.95%	6.59%
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	6.80%	8.50%	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	80% - 95% of IALM 94-96 Table	78% - 192% of IALM 94-96 Table
3. Annuities-Participating policies	NA	NA
4. Annuities – Non-participating policies	NA	NA
5. Annuities- Individual Pension Plan	NA	NA

6. Unit Linked	88% - 171% 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	Fixed expense per policy: Rs. 390 p.a. to Rs.520 p.a. Premium related: 0% Claims Expense per policy: Rs. 880 – Rs. 1300 Reserve Related Expense: Rs. 0 - 0.44% p.a.	Fixed expense per policy: Rs. 86 p.a. to Rs. 110 p.a. Claims Expense per policy Rs. 110 to: Rs. 230 Reserve Related Expense: Rs. 0 - 0.11% p.a.
3. Annuities-Participating policies	NA	NA
4. Annuities – Non-participating policies	NA	NA
5. Annuities- Individual Pension Plan	NA	NA
6. Unit Linked	Fixed expense per policy: Rs. 330 p.a. – 550 p.a. Premium related: 0% Claims Expenses per policy: Rs 550 to 1100 Investment Expense – 0.38% - 0.44% p.a.	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

Not Applicable.

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

The Company has analyzed the pattern of delay in reporting of claims over the past few months. It has used run-off triangle approach to come up with IBNR factors. The factors have been used to estimate the IBNR reserves.

8) Change in Valuation Methods or Bases during the quarter ending December 2011

(i) Individual Assurance

1	Interest	The interest rate has changed from 4.6% - 6.4% to 6.8 % - 7.23%.
2	Expenses	No change
3	Inflation	The inflation has changed from 5.9% to 6.4%

(ii) Unit linked

1	Interest	The interest rate has changed from 6.3% - 7.7% to 6.8 % - 8.5%.
2	Expenses	No change
3	Inflation	The inflation has changed from 5.9% to 6.4%

(iii) Group

1	Interest	The interest rate has changed from 6.4% to 5.95 % - 6.59%.
2	Expenses	No change
3	Inflation	The inflation has changed from 5.9% to 6.4%