L-42- Valuation Basis (Life Insurance) – For the financial year 2006-07.

A chapter on Valuation basis covering the following minimum criteria should also be displayed on the web-site of the Insurers.

a.	**How the policy data needed for valuation is accessed.**		The valuation data is extracted from the policy administration system RLS for individual business. Data for Rural individual and Group Social is maintained in spreadsheets.
b.	**How the valuation bases are supplied to the system**		Bases are supplied through tables of Actuarial Software (Prophet). The valuation is performed using Prophet system.

1)	**Interest : Maximum and minimum interest rate taken for each segment**		
	i. Individual Business		
1.	**Life- Participating policies**		NA
2.	**Life- Non-participating Policies**		
		Targeted to mass market	6.20% p.a. for the first five years and 5.40% p.a. thereafter
		Targeted to Rural Market	5.45%p.a.
3.	**Annuities- Participating policies**		NA
4.	**Annuities – Non-participating policies**		NA
5.	**Annuities- Individual Pension Plan**		NA
6.	**Unit Linked**		6.20% p.a. for the first five years and 5.40% p.a. thereafter
7.	**Health Insurance**		NA
	ii. Group Business	For Social Sector	5.0% p.a.

2)	**Mortality Rates : the mortality rates used for each segment (Please see note below for definition of IAM table)**		
	i. Individual Business		
1.	**Life- Participating policies**		NA
2.	**Life- Non-participating Policies**		Depends on the target market
		Targeted to mass market	90% of IAM Table
		Targeted to Rural Market	300% of IAM Table
3.	**Annuities- Participating policies**		NA
4.	**Annuities – Non-participating policies**		NA
5.	**Annuities- Individual Pension Plan**		NA
6.	**Unit Linked**		100% of IAM Table
7.	**Health Insurance**		NA
	ii. Group Business (Social Sector)		175% of IAM Table

3) Expense :

	i) Individual Business		Premium %	Per Policy (INR)
1.	**Life- Participating policies**		NA	NA
2.	**Life- Non-participating Policies**			
		Targeted to mass market	1st year: 11% p.a. , 2nd year : 2.2% p.a.	Maintenance :385 p.a. (Increasing with inflation at 5% p.a. at the start of each calendar year)
		Targeted to Rural Market	2nd year+: Nil	Maintenance :27.5 p.a. (Increasing with inflation at 5% p.a. at the start of each calendar year)
3.	**Annuities- Participating policies**		NA	NA
4.	**Annuities – Non-participating policies**		NA	NA
5.	**Annuities- Individual Pension Plan**		NA	NA
6.	**Unit Linked**			
		Unit Linked (Non Pension)	Regular Premium 1st year: 11% p.a. , 2nd year : 2.2% p.a. Single Premium 2nd year : Nil	Maintenance: Fixed expense of 550p.a. (Increasing with inflation at 5% p.a. at the start of each calendar year) Investment expense (% of Unit Fund) : 0.425% p.a.
7	**Health Insurance**		NA	NA
	ii) Group Business (Social Sector) -- Single Premium		Nil	Nil

Note : The fixed expense increase with inflation (5% p.a.) every year.

4)	**Bonus Rates :**	NA
5)	**Policyholders Reasonable Expectations**	NA
6)	**Taxation and Shareholder Transfers**	NA
7)	**Basis of provisions for Incurred But Not Reported (IBNR)**	2 months expected cost of claims.
8)	**Change in Valuation Methods or Bases**	
	i. Individuals Assurances	
1.	**Interest**	No
2.	**Expenses**	No
3.	**Inflation**	No
	ii. Annuities	
1.	**Interest**	No
a.	**Annuity in payment**	No
b.	**Annuity during deferred period**	No
c.	**Pension : All Plans**	No
2.	**Expenses**	No
3.	**Inflation**	No
	iii. Unit Linked	
1.	**Interest**	No
2.	**Expenses**	No
3.	**Inflation**	No
	iv. Health	
1.	**Interest**	No
2.	**Expenses**	No
3.	**Inflation**	No
	v. Group	
1.	**Interest**	No
2.	**Expenses**	No
3.	**Inflation**	No

Note: Indian Assured Lives(IAM) Table -- Indian Assured Lives Mortality (1994-96) (Modified) Ult Table.