L-42- Valuation Basis (Life Insurance) – September 2013

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

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| a. | How the policy data needed for valuation is accessed. | | The valuation data is extracted from the policy administration system RLS for individual business and Health business(other than Easy Health). Ashima Life system is being used for maintaining data for Group business & Easy Health product. 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 | | 6.20% p.a. for the first five years and 5.40% p.a. thereafter |
| 2. | Pension- Participating policies | | 6.20% p.a. for the first five years and 5.40% p.a. thereafter |
| 3. | 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 | 5.35% p.a. |
| | | Micro Insurance type | 7% p.a. |
| 4. | Annuities- Participating policies | | NA |
| 5. | Annuities – Non-participating policies | | 6.64% p.a. for the first five years and 5.78% p.a. therafter |
| 6. | Annuities- Individual Pension Plan | | NA |
| 7. | Unit Linked | | 6.20% p.a. for the first five years and 5.40% p.a. thereafter |
| 8. | Health Insurance | | 4.9% to 6.20% p.a. for the first five years and 5.40% p.a. thereafter |
| | ii. Group Business | Targeted to mass market | 6.20% p.a. for the first five years and 5.40% p.a. thereafter |
| | | For Social Sector | 5% p.a. |
| | | Micro Insurance | 7.25% 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 | 80 to 101% of IAM Table | |
| 2. | Pension- Participating policies | | 67% of IAM Table |
| 3. | Life- Non-participating Policies | | Depends on the target market |
| | | Targeted to mass market | 30% to101% of IAM Table |
| | | Targeted to Rural Market | 300% of IAM Table |
| | | Micro Insurance type | 200% of IAM Table |
| 4. | Annuities- Participating policies | | NA |
| 5. | Annuities – Non-participating policies | | 110% of LIC(96-98) Annuitant mortality with improvement of 4% p.a. |
| 6. | Annuities- Individual Pension Plan | | NA |
| 7. | Unit Linked | | Depends on the target market |
| | | Single Premium & Pension | 73% to 101% of IAM Table |
| | | Regular Premium (Non Pension & Normal underwriting) | 84% to 101% of IAM Table |
| | | Simplified Underwriting products | 135% of IAM Table |
| | | Semi-Urban & rural markets | 252% of IAM Table |
| 8. | Health Insurance | | 55 % to101% of IAM Table |
| | ii. Group Business | | |
| | | Targeted to mass market (Credit Life & CI) | 60% to 140% of IAM Table |
| | | Credit Life new version | Factor based on the type of financial institution |
| | | For Social Sector | 175% of IAM Table |
| | | Micro Insurance | 150% of IAM |

| 3) Expense : | | |
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| i) Individual Business | Premium % | Per Policy (INR) |
| **1. Life- Participating policies** | 1st year: 11% to 22%p.a. ,<br>2 to 5 year : 0 to 2.2%p.a. (either for entire term or specified number of years)<br>6 to 15 year :0 to 2.2% p.a.<br>16+ year : 0 to 2.2% p.a. | Maintenance :542 p.a<br>(Increasing with inflation at 5% p.a. at the start of each calendar year) |
| **2. Pension- Participating policies** | 1st year: 22% p.a. ,<br>2+ year : 2.2% p.a. | Maintenance :542 p.a<br>(Increasing with inflation at 5% p.a. at the start of each calendar year) |
| **3. Life- Non-participating Policies** | | |
| Targeted to mass market | 1st year: 11% to 33% p.a. ,<br>2nd year :0% to 2.2% p.a. (either for entire term or specified number of years) | Maintenance: 265 to 542 p.a<br>(Increasing with inflation at 5% p.a. at the start of each calendar year) |
| Targeted to Rural Market | 2nd year+: Nil | Maintenance 39.4 p.a.<br>(Increasing with inflation at 5% p.a. at the start of each calendar year) |
| Micro Insurance type | | |
| **3. Annuities- Participating policies** | NA | NA |
| **4. Annuities – Non-participating policies** | NA | Maintenance 441 p.a.<br>(Increasing with inflation at 5% p.a. at the start of each calendar year) |
| **5. Annuities- Individual Pension Plan** | NA | NA |
| **6. Unit Linked** | | |
| Unit Linked (Non Pension -- Normal Underwriting) | Regular Premium<br>1st year:3.3% to 22% p.a. ,<br>2 to 3rd year :0 to 2.2% p.a.<br>3+ year: 0% | Maintenance:<br>Fixed expense of 774 p.a.<br>(Increasing with inflation at 5% p.a. at the start of each calendar year)<br><br>Investment expense (% of Unit Fund) : Varies from 0.3% p.a. to 0.425% p.a. |
| Unit Linked (Non Pension -- Simplified Underwriting) | 1 st year: 11% p.a. ,<br>2nd - 5th year : 2.2% p.a.(either for entire term or specified number of years)<br>6th year onwards: Varies from 0% to 1.1% p.a. | Maintenance:<br>Fixed expense of 774 p.a.<br>(Increasing with inflation at 5% p.a. at the start of each calendar year)<br><br>Investment expense (% of Unit Fund) : Varies from 0.3% to 0.425%. |
| Unit Linked (Pension) | Regular Premium<br>1st year :11% p.a.<br>2nd year+: 0% | Maintenance :<br>Fixed expense of 774 p.a.<br>(Increasing with inflation at 5% p.a. at the start of each calendar year)<br><br>Investment expense (% of Unit Fund) : 0.425% p.a. |
| **7 Health Insurance** | 1 st year+: 22%<br>2nd - 3 rd year: 0% to2.2%<br>3+ year: 0% | Maintenance :<br>Fixed expense of 160 p.a.<br>(Increasing with inflation at 5% p.a. at the start of each calendar year) |
| 8 **ii ) Group Business**<br>Targeted to mass market<br>Social Sector<br>Micro Insurance | 2nd year+: 0.25% p.a<br><br>1st year: 18% p.a.<br>2nd year :0% | Maintenance:Varies betweeen 0 p.a. to 9.25 p.a.<br>(Increasing with inflation at 5% p.a. at the start of each calendar year) |

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| 4) Bonus Rates : | The declared bonus rates are as follows:<br>For Par Life :2.75% p.a. on Sum Assured plus vested bonus<br>For Par Pension:For policy benefit term to age 60- 2.75% of Guaranteed Retirement Amount. For policy benefit term of 10yrs - 2% of Guaranteed Retirement Amount.<br>The furture bonus rates are discretionary in nature. |
| 5) Policyholders Reasonable Expectations | The illustrated bonus rate are in the range of 2.30% to 4.15% of (Sum Assured plus Vested Bonus,Guaranteed Retirement Amount) based on benefit illustration of the product at illustrated gross investment return of 6% & 10% p.a. respectively. |
| 6) Taxation and Shareholder Transfers | No tax is assumed for Non par products. However 14.1625% p.a. is assumed while valuing the reserves for participating products.<br>Share holder tax rate is 32.45% p.a. |
| 7) Basis of provisions for Incurred But Not Reported (IBNR) | Expected cost of claims for 'n' months, where 'n' is based on the actual experience by product line. |
| 8) Change in Valuation Methods or Bases | |
| i. Individuals Assurances | |
| 1. Interest | Yes |
| 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 | Yes |
| 2. Expenses | No |
| 3. Inflation | No |
| iv. Health | |
| 1. Interest | Yes |
| 2. Expenses | No |
| 3. Inflation | No |
| v. Group | |
| 1. Interest | Yes |
| 2. Expenses | Yes |
| 3. Inflation | No |

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