

ICICI Prudential Life Insurance Company Ltd.

L-42- Valuation Basis

Data

Policy data is maintained on the following administration systems,

Life Asia	Individual retail products inc individual annuities
	Group bancassurance products
WEGA	Group Gratuity
	Group Term Insurance
	Superannuation
	Employer Deposit Linked Insurance (EDLI)
Leave Encashment Spreadsheet	Leave Encashment
Compulsory Annuity Management System (CAMS)	Group annuities (run in parallel with Excel spreadsheets until end of Mar 2009 and thereafter CAMS will exist on own)
Comprehensive Reinsurance Management System (CRMS)	Administration, premium calculations for life, group and health products
Claims Automated Processing System (CAPS)	Health and non-par Health claims, standalone CI, crisis cover
Claims Management System (CMS)	Managing death claims and living benefits for individual policies (not health claims)

The key considerations from the statutory valuation perspective are to ensure the completeness and accuracy of data.

There are a series of validation checks based on product rules built into the new business systems for retail business. Data is then uploaded into the Life Asia system for policy issue. Besides this, the Actuarial Department has its own product rules validations (of boundary conditions of premium, age, sum assured etc.) to identify deviations.

In addition, the key checks that are carried out by the Actuarial department to check completeness and accuracy are given below.

- Comparison with MIS data on new business and in force book
- Reconciliation of movements over the period i.e. IF (at the end) = IF (at the beginning) + on movements (new business, revivals, etc) - off movements (deaths, lapses, etc.)

- Comparison of expected premium income from valuation data to actual premium income
- Basic validations such as 0 premium, 0 sum assured, 0 term etc.
- Average checks on data – trend over period

In addition to the above, in the 2008-09 financial year we have started conducting some more tests on the data. For the Life Asia system we take two separate extracts based on very simple queries (which do not require any complicated logic).

Test A - Policy number, status, product code and valid flag

Test B - Policy number, status, component code, premium, sum assured, rider number and valid flag

We then use this as the base data and compare it with the data provided for valuation. The main objective behind these tests is to ensure that the data used for valuation is complete.

Treatment of Valuation Parameters

The liability valuation calculations have been carried out using actuarial software called "Prophet". The assumptions for each plan are fed manually into a spreadsheet. This is independently checked. After this verification, a DCS (Data Conversion System) Program is used to make a "Prophet" readable table from the spreadsheet. Uploading of assumption into "Prophet" is therefore automated. Monthly cash flows are then projected by Prophet to determine the reserves using the specific characteristics of each policy such as age at entry, sum assured, term, etc. The calculations are exact and no approximations are made.

The valuation parameters were calculated as mentioned below.

- Age at Entry was taken as age nearer birthday at the commencement of date of policy. This extracted from LifeAsia.
- Valuation Age was calculated by summing Age nearer birthday at entry with curtate duration, i.e. the age would change only on policy anniversaries.
- Premium Paying Term under the plan is extracted from Life Asia.
- Maturity Date is obtained by summing up the date of commencement and policy term extracted from LifeAsia.
- Period from Valuation date to maturity is calculated in Prophet as the difference between the maturity date and the valuation date

Treatment of Future Premiums

Incident of premiums income

The premiums are assumed to be received when due.

For linked business, premium income is recognized when the associated units are allocated. Fees on linked policies are recognized when due. For the purpose of projections in the actuarial models, future premiums are assumed to be received when due.

Premiums payable otherwise than annually

As premiums are taken to be received when due, no adjustment is required for non-annual plans.

Valuation Method – Non Linked Business

The valuation methods are described below.

Methods adopted in the determination of mathematical reserves

The prescribed method of valuation is the Gross Premium Valuation. The reserve held represents the net present value of benefits and expenses less premiums. Following is the broad basis of the valuation.

- The cash flows are projected assuming zero lapses.
- The reserves are calculated on a per policy basis.
- Any negative reserves are zeroised, so that they are not treated as an asset.
- The minimum value of reserves is the Surrender Value if applicable or zero.

Paid up par policies are not valued as par policies but are valued using non-par valuation discount rates.

Valuation parameters are set prudently and include MAD in accordance to GN7.

The tables below summarise the specific methods used to value liabilities under each type of product.

Non Participating Business

Contract Status	Category	Applicability	Method
In Force	Individual Products	Base Plan	Higher of the Gross Premium Reserve or Surrender Value (if applicable) or zero
		Riders – Excluding Accident Benefit Riders	Higher of Gross Premium Reserve and Unearned Premium Reserve
		Riders – Accident Benefit Riders	Unearned Premium Reserve
	Group Products	All group risk products and riders	Higher of Gross Premium Reserve or Surrender Value for Mortgage and Auto Loans dependent term assurances and Unearned Premium Reserve for others.(The single premium MRTA has a surrender value.)
Reduced Paid up	Individual Products	Base Plan	Higher of Gross Premium Reserve or Surrender Value on reduced benefit with no future premiums payable,
Lapsed / Reduced Paid up	Individual Products	Lapse Reinstatement Reserve	Reinstatement rate is applied to the difference between the reserve assuming policy is in force and premium paying minus the outstanding premiums and the paid-up reserve, subject to a floor of zero.

Participating Business

For participating business, the methods applicable are the same as above but with allowance for future bonus and associated tax and transfers to shareholders funds.

For participating plans, the liability is set to prospective Bonus Reserve Valuation (BRV). But the BRV is equated to the Asset Share by solving for supportable bonus. The guaranteed part of the reserve is increased to exhaust the asset share. Thus the reserve includes a provision for future bonuses at a rate consistent with the valuation rate of interest along with a provision for associated tax and transfer to shareholders. These bonus rates are set keeping in mind the PRE.

Bonus rates for each product

Year	Product	Rate YE09	Rate YE08
2008-09	All Par Assurance	2.25%	2.75%
	All Par Pension	2.50%	2.75%

Policyholder Reasonable Expectations (PRE)

Due consideration must be given to the reasonable expectations of policyholders when making a distribution of surplus. "Reasonable" is not explicitly defined in the regulations and is left to the interpretation of the Appointed Actuary. Our interpretation of "Reasonable" refers to a well-informed, financially literate policyholder.

PRE can be formed with respect to many areas including the following.

- Nature of Bonus
- Reversionary (added each year) vs. Terminal (added only on claim)
- Type of Reversionary bonus
- Simple vs. compound vs. super compound
- Level of bonus
- Level of guarantees implicit in the declaration

The main drivers of PRE are currently our point of sale material, the level of guaranteed addition rates, the bonus rates declared last year and past communication with policyholders. We interpret our point of sale material as having created the expectation that bonuses would be compound reversionary.

PRE ultimately needs to be set to the principle that each customer should receive a fair return on the premiums he has paid, allowing for the insurance protection and guarantees provided over the duration of his policy. The basic reference point for this, and therefore PRE, will be the asset share under the policy.

Policyholders enjoy the benefits and protection of both guarantees and smoothing for which they may be charged appropriately. However, the Company will not seek to make any systematic profit through these charges over generations of policies.

PRE will be shaped and actively managed through appropriate communication to the policyholder. The tools that will be used for this purpose are Sales Brochures, Policy Illustrations and annual communications of bonus rates.

Early duration surrender benefits will be established at a level that enables the Company to recover the cost of acquisition and capital support provided subject to the minimum surrender values written into the contracts.

Tax Rate

Tax is provided on surplus emerging under participating products. The current rate of tax is 14.1625%, which is a base rate of 12.50%, a surcharge of 10% and education cess of 3%.

Valuation Method – Linked Business

The valuation methods are described below.

Methods adopted in the determination of mathematical reserves

For linked business, unit liabilities are fully matched. A non-unit reserve is also held which includes provision for the cost of any guarantee.

Further details are mentioned below.

Non Participating Unit Linked Business

Contract Status	Category	Applicability	Method
In-Force	Unit Reserves	Unit Fund	The unit reserve is number of units held by the policyholder multiplied by the NAV at the valuation date.
	Non-unit Reserves	Life Cover, Rider Benefits and Adequacy of charges to cover expenses	For base policy and associated mortality benefit we take the higher of the unearned risk benefit charges and all the projected cash flows allowing for zeroisation under all contracts at a policy level. For riders where the premium is taken by deduction of units, a UPR method is used. For riders where an additional on top premium is paid, the maximum of GPV and UPR is taken at a product level.
Reduced Paid up / Lapsed	Unit Reserves	Unit Fund	Paid up / Surrender Value to the credit of the policyholders
		Reinstatement Reserve	A reinstatement rate is applied to the difference between the full unit value and the paid up / surrender value. Full value of units of PremierLife are held as reserve.

	Non-unit Reserves	Life Cover and Rider Benefits and adequacy of charges to cover expenses	Where benefit continues by cancellation of units, for mortality benefit the higher of the unearned risk benefit charges and the projected cash flows at a policy level.
		Reinstatement Reserve	Reinstatement rate is applied to the difference between the reserve assuming contract is in force and the outstanding premiums.

Valuation assumptions

Interest Rate

In general, the valuation discount rate has been by reference to the YTM on the 2008-09 investment portfolio for the relevant fund as well as the expected asset class returns and long term best estimate expectations. This assumption is set in accordance with IRDA (ALSM) Regulations 2000 and GN1, and includes a margin for adverse deviation.

For the purpose of calculating the asset shares on the participating business as on the valuation date, we have used the book value return so as to be consistent with the reported value of assets. The prospective gross premium reserve is equated to the book value asset share by choice of supportable future bonus rates at a fund level viz. participating life and participating pension.

The valuation interest rates for the various lines of business along with the details of the previous year are set out below.

Line of Business	Valuation Rate		Inflation rate	
	YE09	YE08	YE09	YE08
Par Assurance	6.69%	7.90%	4.14%	5.50%
Par Pension	6.83%	7.85%	4.14%	5.50%
Non Par	5.29%	6.65%	4.14%	5.50%
ULIP	5.08%	6.65%	4.14%	5.50%
Non Par Annuity	6.81%	7.00%	5.66%	5.50%
SP Bond	6.55%	4.7%-10%	5.40%	5.50%
Health	5.66%	6.65%	4.14%	5.50%

For paid up policies in the non-par fund we use the non-par valuation discount rate.

Inflation

As at 31st March, 2008, we were using an inflation assumption of 5.5% and non-par valuation discount rate of 6.65% i.e. a margin of 115bp. If we apply a 10% MAD to the above 133bp we would have a prudent 120bp margin. Given the need for no arbitrary changes from year to year and maintaining consistency in assumptions, and the expectation that over the long term GSEC yield curve would be upward sloping and so we are in any case adding a measure of prudence, we intend to maintain the lower 115bp differential between the inflation assumption and the non-par valuation discount rate. We use this same inflation rate for par and par pension business though the valuation discount rates are different from non-par business. The difference is effectively the impact of the equity risk premium and so consistent.

For annuities the valuation yield is based on book yields and as the regulations require consistency between the valuation discount rate and the inflation assumption we use inflation for annuities as 115bp less than the annuity valuation discount rate.

Similarly for single premium bonds, the inflation rate is 115bp less than the SP bond valuation discount rate.

Medical Inflation

Mercer's have indicated in a press release dated 14th July, 2008, that UK medical inflation since 1999 had averaged 6% pa compared to the Retail Price Index of 2.75% and National Average Earnings of 4% pa. Over the previous year medical inflation had been 10%. In the US over the past 5 years the Health Care Inflation index has been broadly 2% above CPI.

In India we would expect greater medical inflation; given the UK has a universal health system (NHS) whereas India's public health system is less well developed. In the US when medical inflation soared cost controls were applied.

As such an estimate for medical inflation is a matter of judgment and we use expense inflation + 5% as a best estimate and a further 5% for a MAD i.e. 14.14%.

Mortality rates for each product

Plan	As at 31 March 2009 Valuation Basis	As at 31 March 2008 Valuation Basis
NonPar Assurance, Non Par Investment, Par Pension, Par Assurance	For ages less than equal to 30: 80% LIC 94-96 rated up by 1 year for males, rated down by 1 year for females For ages greater than 30: 70% LIC 94-96 rated up by 1 year for males, rated down by 1 year for females	80% of LIC 94-96 (+1 for males and -1 females)
Linked Business (Assurance, Pension)	For ages less than equal to 30: 80% LIC 94-96 rated up by 1 year for males, rated down by 1 year for females For ages greater than 30: 70% LIC 94-96 rated up by 1 year for males, rated down by 1 year for females	80% of LIC 94-96 (+1 for males and -1 females)
Home Assure	For ages less than equal to 30: 80%LIC 94-96 rated up by 1 year for males, rated down by 1 year for females For ages greater than 30: 70%LIC 94-96 rated up by 1 year for males, rated down by 1 year for females	80% of LIC 94-96(+1 for males and -1 females)

Plan	As at 31 March 2009 Valuation Basis	As at 31 March 2008 Valuation Basis
Credit Assure	<p>Base: 100% of LIC 94-96 up to age 30 rated up by 1 year for males, rated down by 1 year for females and 90% of LIC 94-96 rated up by 1 year for males, rated down by 1 year for females for higher ages</p> <p>4 wheeler (Reducing Cover) – 100% of LIC 94-96 up to age 30 rated up by 1 year for males, rated down by 1 year for females and 90% of LIC 94-96 rated up by 1 year for males, rated down by 1 year for females for higher ages</p> <p>2 wheeler (Level Cover) – 120% of LIC 94-96 up to age 30 rated up by 1 year for males, rated down by 1 year for females and 100% of LIC 94-96 rated up by 1 year for males, rated down by 1 year for females for higher ages</p> <p>Personal Loan (Reducing and Level Cover) – 145% of LIC 94-96 up to age 30 rated up by 1 year for males, rated down by 1 year for females and 135% of LIC 94-96 rated up by 1 year for males, rated down by 1 year for females for higher ages</p> <p>Commercial Vehicle Loan (Reducing Cover) – 110% of LIC 94-96 up to age 30 rated up by 1 year for males, rated down by 1 year for females and 100% of LIC 94-96 rated up by 1 year for males, rated down by 1 year for females for higher ages</p> <p>Education Loan (Level Cover) – 110% of LIC 45-96 up to age 30 rated up by 1 year for males, rated down by 1 year for females and 100% of LIC 94-96 rated up by 1 year for males, rated down by 1 year for females for higher ages</p>	<p>Base: 90% of LIC 95-96 (+ 1 for males and -1 for females)</p> <p>4 wheeler (Reducing Cover) – 90%</p> <p>2 wheeler (Level Cover) – 110%</p> <p>Personal Loan (Reducing and Level Cover) – 135%</p> <p>N/A</p> <p>Education Loan (Level Cover) – 100%</p>

Plan	As at 31 March 2009 Valuation Basis	As at 31 March 2008 Valuation Basis
Crisis Cover	80% of LIC 94-96 up to age 30 , rated up by 1 year for males, and down by 1 year for females and 70% of LIC 94-96 after age 30 , rated up by 1 year for males, and down by 1 year for females	80% of LIC 94-96, rated up by 1 year for males, and down by 1 year for females
Cancer Care	70% of LIC 94-96 up to age 30 , rated up by 1 year for males, and down by 1 year for females and 60% of LIC 94-96 after age 30 , rated up by 1 year for males, and down by 1 year for females	70% of LIC 94-96, rated up by 1 year for males, and down by 1 year for females
Cancer Care Plus	70% of LIC 94-96 up to age 30 , rated up by 1 year for males, and down by 1 year for females and 60% of LIC 94-96 after age 30 , rated up by 1 year for males, and down by 1 year for females	70% of LIC 94-96, rated up by 1 year for males, and down by 1 year for females
Health Assure Plus	80% of LIC 94-96 up to age 30 , rated up by 1 year for males, and down by 1 year for females and 70% of LIC 94-96 after age 30 , rated up by 1 year for males, and down by 1 year for females	80% of LIC 94-96, rated up by 1 year for males, and down by 1 year for females

Plan	As at 31 March 2009 Valuation Basis	As at 31 March 2008 Valuation Basis
Health Assure	70% of LIC 94-96 up to age 30 , rated up by 1 year for males, and down by 1 year for females and 60% of LIC 94-96 after age 30 , rated up by 1 year for males, and down by 1 year for females	70% of LIC 94-96, rated up by 1 year for males, and down by 1 year for females
Hospital Care	70% of LIC 94-96 up to age 30 , rated up by 1 year for males, and down by 1 year for females and 60% of LIC 94-96 after age 30 , rated up by 1 year for males, and down by 1 year for females	70% of LIC 94-96, rated up by 1 year for males, and down by 1 year for females
Diabetes Assure	230% of LIC 94-96 up to age 30 , rated up by 1 year for males, and down by 1 year for females and 220% of LIC 94-96 after age 30 , rated up by 1 year for males, and down by 1 year for females	230% of LIC 94-96, rated up by 1 year for males, and down by 1 year for females
Diabetes Care	<p>Base: LIC 94-96 rated up by 1 year for males, and down by 1 year for females up to age 30</p> <p>Males 0 Class 140%</p> <p>Males 1 Class 175%</p> <p>Males 2 Class 230%</p> <p>Males 3 Class 285%</p> <p>Males 4 Class 370%</p> <p>Females 0 Class 150%</p> <p>Females 1 Class 190%</p> <p>Females 2 Class 245%</p> <p>Females 3 Class 330%</p> <p>Females 4 Class 415%</p> <p>Above form for ages above 30 but with a reduction in mortality</p>	<p>Base: LIC 94-96 rated up by 1 year for males, and down by 1 year for females</p> <p>Males 0 Class 140%</p> <p>Males 1 Class 175%</p> <p>Males 2 Class 230%</p> <p>Males 3 Class 285%</p> <p>Males 4 Class 370%</p> <p>Females 0 Class 150%</p> <p>Females 1 Class 190%</p> <p>Females 2 Class 245%</p> <p>Females 3 Class 330%</p> <p>Females 4 Class 415%</p>

Plan	As at 31 March 2009 Valuation Basis	As at 31 March 2008 Valuation Basis
	corresponding to 10% of the LIC 94-96 table	
Diabetes Care Plus	<p>Base: LIC 94-96 rated up by 1 year for males, and down by 1 year for females up to age 30</p> <p>Males 0 Class 170%</p> <p>Males 1 Class 210%</p> <p>Males 2 Class 280%</p> <p>Males 3 Class 350%</p> <p>Males 4 Class 450%</p> <p>Females 0 Class 185%</p> <p>Females 1 Class 230%</p> <p>Females 2 Class 300%</p> <p>Females 3 Class 375%</p> <p>Females 4 Class 475%</p> <p>For ages above 30 a 10% reduction in mortality corresponding to 10% of the LIC 94-96 table</p>	<p>Base: LIC 94-96 rated up by 1 year for males, and down by 1 year for females</p> <p>Males 0 Class 170%</p> <p>Males 1 Class 210%</p> <p>Males 2 Class 280%</p> <p>Males 3 Class 350%</p> <p>Males 4 Class 450%</p> <p>Females 0 Class 185%</p> <p>Females 1 Class 230%</p> <p>Females 2 Class 300%</p> <p>Females 3 Class 375%</p> <p>Females 4 Class 475%</p>
Diabetes Care Active	<p>280% of LIC 94-96 rated up by 1 year for males and 300% of LIC 94-96 rated down by 1 year for females up to age 30 and for ages above 30 270% of LIC 94-96 rated up by 1 year for males and 290% of LIC 94-96 rated down by 1 year for females</p>	<p>280% of LIC 94-96 rated up by 1 year for males and 300% of LIC 94-96 rated down by 1 year for females</p>
Death Benefit Rider	<p>280% of LIC 94-96 rated up by 1 year for males and 300% of LIC 94-96 rated down by 1 year for females up to age 30 and for ages above 30 270% of LIC 94-96 rated up by 1 year for males and 290% of LIC 94-96 rated down by 1 year for females</p>	N/A

Plan	As at 31 March 2009 Valuation Basis	As at 31 March 2008 Valuation Basis
Major Surgical Benefit rider	80% of LIC 94-96 up to age 30 , rated up by 1 year for males, and down by 1 year for females and 70% of LIC 94-96 after age 30 , rated up by 1 year for males, and down by 1 year for females	80% of LIC 94-96, rated up by 1 year for males, and down by 1 year for females
Critical Illness Accelerated and Standalone rider	Accelerated - Unearned Premium Standalone - 80% of LIC 94-96 up to age 30 , rated up by 1 year for males, and down by 1 year for females and 70% of LIC 94-96 after age 30 , rated up by 1 year for males, and down by 1 year for females	Accelerated - Unearned Premium Standalone - 80% of LIC 94-96, rated up by 1 year for males, and down by 1 year for females
MediAssure	80% of LIC 94-96 up to age 30 , rated up by 1 year for males, and down by 1 year for females and 70% of LIC 94-96 after age 30 , rated up by 1 year for males, and down by 1 year for females	NA
Health Saver (Linked product)	For ages less than equal to 30: 70% LIC 94-96 rated up by 1 year for males, rated down by 1 year for females.	NA

Plan	As at 31 March 2009 Valuation Basis	As at 31 March 2008 Valuation Basis
	For ages greater than 30: 60% LIC 94-96 rated up by 1 year for males, rated down by 1 year for females	
Diabetes Rider	70% of LIC 94-96 up to age 30 , rated up by 1 year for males, and down by 1 year for females and 60% of LIC 94-96 after age 30 , rated up by 1 year for males, and down by 1 year for females	70% of LIC 94-96, rated up by 1 year for males, and down by 1 year for females
Diabetes Rider (Modified)	70% of LIC 94-96 up to age 30 , rated up by 1 year for males, and down by 1 year for females and 60% of LIC 94-96 after age 30 , rated up by 1 year for males, and down by 1 year for females	70% of LIC 94-96, rated up by 1 year for males, and down by 1 year for females
Waiver of Premium Benefit	70% of LIC 94-96 up to age 30 , rated up by 1 year for males, and down by 1 year for females and 60% of LIC 94-96 after age 30 , rated up by 1 year for males, and down by 1 year for females	70% of LIC 94-96, rated up by 1 year for males, and down by 1 year for females

Plan	As at 31 March 2009 Valuation Basis	As at 31 March 2008 Valuation Basis	
Group Term	Unearned Premium	Unearned Premium	
Rural products - Mitr, Suraksha (RP) and Suraksha (SP)	377% of LIC 94-96 Ultimate table upto age 31 and 280% of LIC 94-96 Ultimate rated up by 5 years thereafter.	312% of LIC 94-96 Ultimate table upto age 31 and 312% of LIC 94-96 Ultimate rated up by 5 years thereafter.	
Suraksha Kavach (Individual)	% of LIC 94-96 Ultimate Mortality Table		
	Age Groups	Male	Female
	18-20	435%	580%
	21-25	508%	653%
	26-30	609%	624%
	31-35	616%	560%
	36-40	560%	448%
	41-45	560%	364%
	46-50	490%	350%
	51-55	462%	350%
	56-60	462%	322%
Sarv Jan Suraksha	% of LIC 94-96 Ultimate Mortality Table		
	Age Groups	Male	Female
	18-20	300%	400%
	21-25	350%	450%
	26-30	420%	430%
	31-35	418%	380%
	36-40	380%	304%
	41-45	380%	247%
	46-50	333%	238%
	51-55	314%	238%
Social Product – SurakshaKavach (Group)	Unearned Premium	Unearned Premium	

Plan	As at 31 March 2009 Valuation Basis	As at 31 March 2008 Valuation Basis		
Annuity	Up to and including age 60: 40% (LIC 96-98 for males, rated down by 4 years for females; with 1 year's improvement applied.	Up to and including age 60: 45% LIC 96-98 for males, rated down by 4 years for females.		
	From age 61: 65% LIC 96-98 for males, rated down by 4 years for females; with 1 year's improvement applied.	From age 61: 70% LIC 96-98 for males, rated down by 4 years for females.		
	The mortality improvement is set as	The future mortality improvement is set as		
	Age at entry	Rate	Age at entry	Rate
	< 35	4.50%	< 35	4.50%
	< 55	3.50%	< 55	3.50%
	< 65	2.00%	< 65	2.00%
	≥ 65	1.75%	≥ 65	1.25%

Plan	As at 31 March 2009 Valuation Basis	As at 31 March 2008 Valuation Basis
ADD and AD Riders	Unearned Premium Basis	Unearned Premium Basis
Level Term Rider	For ages less than equal to 30: 80% LIC 94-96 rated up by 1 year for males, rated down by 1 year for females; For ages greater than 30: 70% LIC 94-96 rated up by 1 year for males, rated down by 1 year for females.	80% of LIC 94-96 (+1 for males and -1 females)

Plan	As at 31 March 2009 Valuation Basis	As at 31 March 2008 Valuation Basis
Income Benefit Rider	For ages less than equal to 30: 80%LIC 94-96 rated up by 1 year for males, rated down by 1 year for females; For ages greater than 30: 70%(LIC 94-96 rated up by 1 year for males, rated down by 1 year for females.	80% of LIC 94-96 (+1 for males and -1 females)

IBNR

Late reported claims are analysed periodically and are allowed in the experience analysis for setting the valuation bases.

Expense Assumption

The best estimate per policy renewal expense assumptions have been set to take into account the latest expense studies for existing products and at pricing levels for products launched this year.

Continuing with last year's approach, we have decided against taking credit for future cost savings in the valuation basis. The expense assumption therefore will be the actual expenses for the continuous 12 month period (March 2008-February 2009) less Rs 20 service tax plus a margin of Rs 24 to make Rs 550 plus future inflation. The best estimate will continue taking credit for future cost efficiencies as per the business plan. The absence of future efficiencies, plus the margin of Rs 24, comprises the MAD for the valuation basis.

The renewal per policy expenses have been further split into per policy overheads and operations cost. For the conventional single premium policies, Credit Assure and Home Assure, we plan to reserve for only the overheads, and the best estimate is Rs 193 less Rs 6 service tax plus a margin of Rs 13 to make Rs 200 as the valuation expense.

Expense assumption for product

Renewal Expenses (Rs)	2007-08	2008-09
Conventional Single premium, Credit Assure, Home Assure, Conventional paid up	235	200
Annuity	Annual – min (180 +0.02*annual annuity payment,480) Semi-annual -- min (180 +0.02*annual annuity payment,480) Quarterly - min (180 +0.02*annual annuity payment,540) Monthly - min (180 +0.02*annual annuity payment,720)	Annual – min (180 +0.02*annual annuity payment,480) Semi-annual -- min (180 +0.02*annual annuity payment,480) Quarterly - min (180 +0.02*annual annuity payment,540) Monthly - min (180 +0.02*annual annuity payment,720)
Riders	35	0
Mitr, Suraksha (SP, RP), Suraksha Kavach	70	73.5
Sarv Jan Suraksha	N/A	50
All other policies including paid up unit linked and single premium unit linked	650	550

Claim Expenses per Policy (Rs)	2007-08	2008-09
Cancer Care	5,000	5,250
Cancer Care Plus	5,000	5,250
Crisis Cover	3,000	3,150
Diabetes Care	1,500	1,575
Diabetes Care Plus	1,500	1,575
Diabetes Assure	1,500	1,575
Diabetes Care Active	N/A	1,575
Heath Assure	3,000	3,150
Heath Assure Plus	3,000	3,150
Hospital Care	135 p.a.	110pa
Health Saver	N/A	110 p.a.
MediAssure	N/A	110 p.a.
Suraksha Kavach (SP)	25	26.25
Disability Claims	100	100
Screening Expense per policy (Rs)	2007-08	2008-09
Diabetes Care	300 quarterly and 2,100 annually	315 quarterly and 2,205 annually
Diabetes Care Plus	300 quarterly and 2,100 annually	315 quarterly and 2,205 annually
Cancer Care Plus		
Males (20 to 50 yrs)	350	350
Males (above 51 yrs)	1070	1070
Females (20 to 50 yrs)	770	770
Females (above 51 yrs)	2090	2090