HDFC Standard Life Insurance

HDFC STANDARD LIFE
Sar Utha Ke Jiyo

Financial highlights 2009-10

Strong growth in premium income and assets under management

- Total premium grew by 25.9 percent to Rs. 70.1 bn. (2008-09: Rs. 55.6 bn.)
- New business received premium – including first year and single premiums – grew by 20.5 percent to Rs. 32.6 bn. (2008-09: Rs. 27.0 bn.)
  - First year regular premiums increased by 17.5 percent to Rs. 29.8 bn. (2008-09: Rs. 25.4 bn.)
  - Single premiums, including single premium top-ups, increased by 65.6 percent to Rs. 2.7 bn. (2008-09: Rs. 1.6 bn.)
- Renewal premium constituted 53.5 percent of total premiums (2008-09: 51.4 percent) and grew by 31.0 percent to Rs. 37.5 bn. (2008-09: Rs. 28.6 bn.)
- Our weighted received premium (10 percent weightage for single premium) growth during the year at 27.5 percent was higher than the growth for the private sector (13.0 percent) and the overall industry (20.5 percent)
- Assets under management of Rs. 207.7 bn. as on March 31, 2010 nearly doubled from Rs. 106.0 bn. as on March 31, 2009

Consolidation of the distribution network and the increasing share of Bancassurance

- The number of branches / spokes stood at 568
- The total number of licensed agents stood at 197,688
- The share of new business effective premium income (EPI) of the alternate channels of distribution viz. banks, brokers and other corporate agents increased to 54.7 percent (2008-09: 46.7 percent)
- For our bank partners, brokers and other corporate agents EPI grew by 17.6 percent to Rs. 14.0 bn. (2008-09: Rs. 11.9 bn.)
- For the tied agency channel EPI de-grew by 15.9 percent to Rs. 11.1 bn. (2008-09: 13.2 bn.)

Move towards creating a strong platform for profitable growth

- Commission ratio was stable at 7.5 percent (2008-09: 7.6 percent)
- Operating expense ratio down to 19.7 percent (2008-09: 29.2 percent)
- Operating expenses were lower by 15.0 percent at Rs. 13.8 bn. (2008-09: Rs. 16.2 bn.)
- Considerable improvement in conservation ratio on individual business of 71.6 percent (2008-09: 65.0 percent)
- Indian GAAP loss down to Rs. 2.8 bn. (2008-09: Rs. 5.0 bn.)

Post tax new business profits – individual business

- The new business post tax profit based on loaded acquisition expenses was Rs. 6.6 bn.
- The new business profit translates to a new business margin of 25.8 percent pre acquisition expense overrun calculated on an MCEV basis

Market consistent embedded value (MCEV) and analysis of change in MCEV

- The market consistent embedded value (MCEV) as at March 31, 2010 was Rs. 33.8 bn. (March 31, 2009: 22.3 bn.); and comprised shareholder's adjusted net worth of Rs. 6.7 bn. and value of in force business of Rs. 27.1 bn.

Capital infusion and solvency ratio

- The paid up capital as on March 31, 2010 stood at Rs. 19.7 bn. with an infusion of Rs. 1.7 bn. during the year (March 31, 2009: Rs. 18.0 bn., with an infusion of Rs. 5.3 bn.)
- With the objective of achieving higher capital efficiency our solvency ratio as on March 31, 2010 stood at 180 percent (March 31, 2009: 258 percent), which was above the minimum regulatory requirement of 150 percent

HDFC Standard Life's focus in 2009-10

In what was expected to be a challenging year for new business our three-fold strategic focus was on:

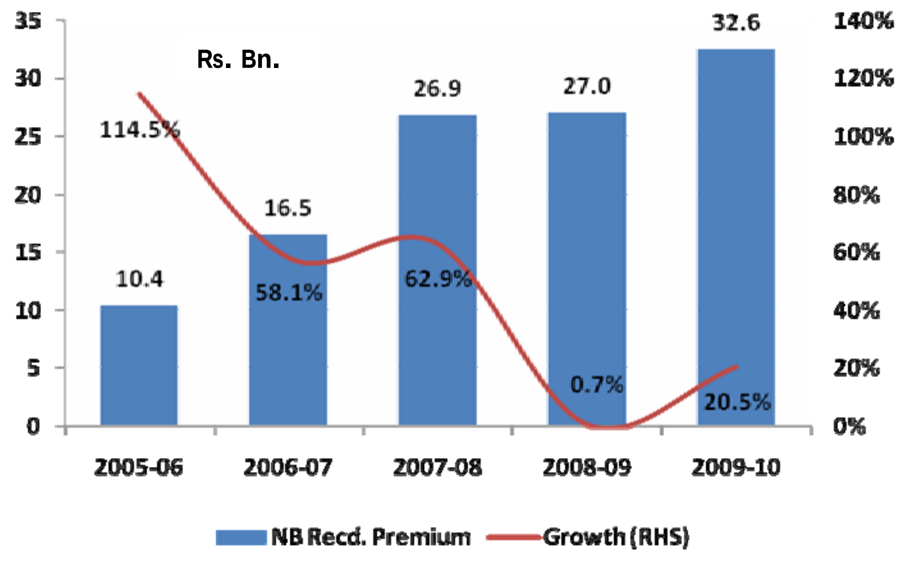
i) new business growth
ii) operational efficiencies to bring down our operating expenses; and
iii) customer retention to improve the persistency of the in force policies.

The year also witnessed regulatory changes that imposed a cap on the charges levied by unit linked products. We responded to this requirement by re-launching our entire range of products ensuring compliance with the changes from January 2010 onwards. The numbers reported are after giving effect to this regulatory change.

1. New business growth

The slowdown in new business growth that was experienced by the life insurance sector in the aftermath of the global financial crisis in 2008-09 continued well into 2009-10. While customers continued to be wary of investing in the stock markets, they were also reluctant to commit funds for the long term. There was also a marked preference for government backed institutions. The private sector turned the corner into positive growth territory only in December 2009 as did HDFC Standard Life.

In a year marked by consolidation and a consequent loss of market share for the private sector, we ended the year with a strong growth of new business received premium, including individual and group, of 20.5 percent i.e. from Rs. 27.0 bn. to Rs. 32.6 bn.



1a. New business market share

During the year we were successful in striking a balance between building operational efficiencies and pursuing growth to retain our market share. We had a private sector received premium market share of 8.5 percent in 2009-10. In terms of weighted received premium, our market share was 8.6 percent in the private sector in 2009-10 compared to 7.6 percent in 2008-09. Consequently, our WRP ranking in the private sector improved to 5th in 2009-10 from 6th in 2008-09.

2. Product trends

Our product mix covers all the life stage needs of our customers. At a broad level our major "lines of business" catering to unique customer needs are life and pensions. We have since last year introduced standalone health insurance products to add to our range of product offerings in the life insurance space. We also re-launched 16 products in compliance with the unit linked cap on the charges imposed by the IRDA.

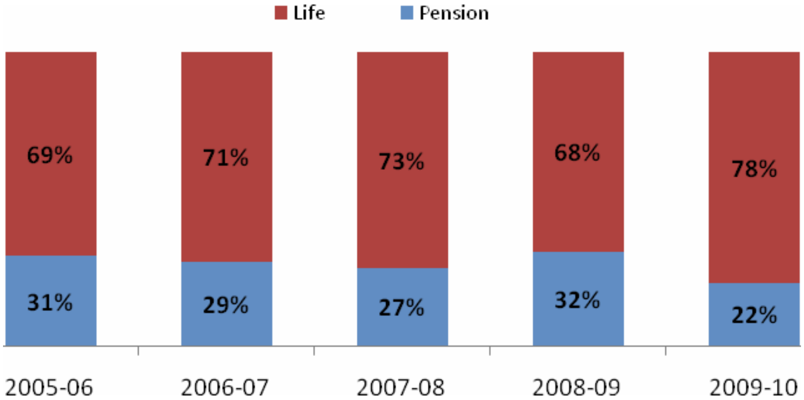
Amongst the key product trends during the year was the balance in our product mix between life and pension products on one hand and unit linked and conventional products on the other. We believe that this balance lends us an advantage in the private life insurance space which is skewed towards unit linked life products.

2a. Life and pensions - EPI contribution

The life segment, which comprises products that cover the savings and protection needs of our customers, constituted 78 percent of individual business notching up a 10 percent increase over 2008-09. Within this segment, the products that have been designed to cater to our customers' need to save for their children's future have retained their immense popularity.

Over the counter savings product, the Savings Assurance Plan (SAP) and the Suvidha range, also contributed significantly to the life segment during the year.

The pensions segment, on the other hand, is largely deferred annuity with a small immediate annuity component. We continue to be a significant player in the pension segment in the Indian market. In fact, we were the second largest private insurer in the pensions segment in 2008-09.

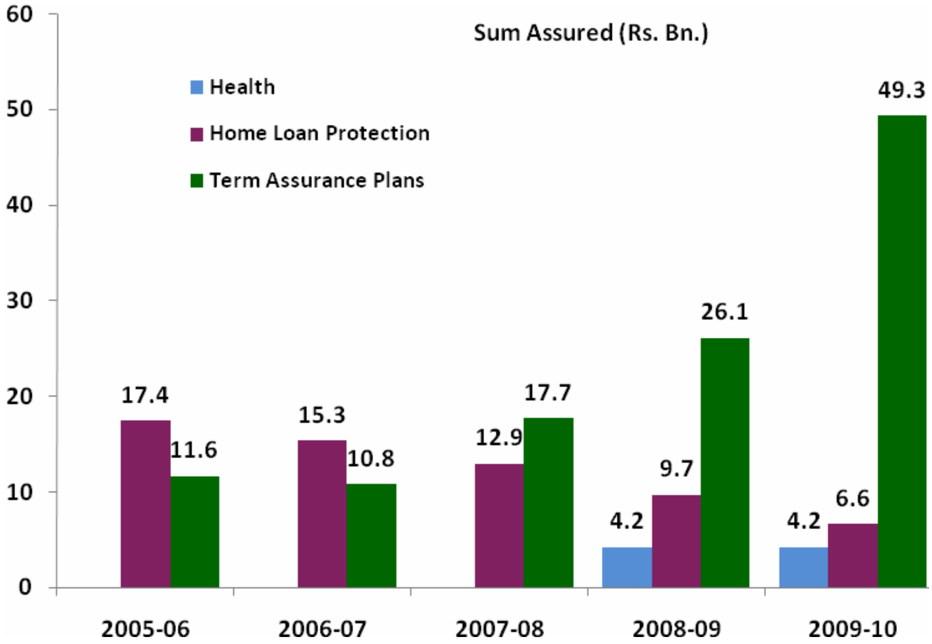


2b. Life and pensions – Unit Linked vs. conventional split

On an overall basis unit linked products contributed to 79 percent of effective premium income and conventional products contributed 21 percent during the year.

2c. Protection

An important part of our product offering is our range of protection products within the life segment which provide income protection for the family in the unfortunate event of death or critical illness. These include our term assurance plans, home loan protection plans and health plans besides the riders available with our savings products. The sum assured chart below shows an increasing trend in the coverage offered by such plans over the years.



2d. Group business

The total group business received premium (new business and renewals) during the year was Rs. 6.2 bn. During the year we received new business premium income from our corporate customers of Rs. 5.0 bn. which constituted 15.5 percent of our total first year premiums during the year. We offer different products for the varying needs of employers ranging from term insurance plans for pure protection to voluntary plans such as superannuation and leave encashment.

Our corporate customers chose our group unit linked plan as investment solutions that provided them a funding vehicle to manage corpuses with gratuity, defined benefit and defined contribution superannuation and leave encashment schemes. These plans contributed Rs. 4.9 bn. of received premium income during the year.

3. Increasing insurance coverage in an underinsured market

Our primary responsibility towards our customers in the Indian life insurance market is to ensure that they have adequate life cover in the event of unforeseen circumstances. While our pure protection products do that exclusively, our savings products also have a life cover built in.

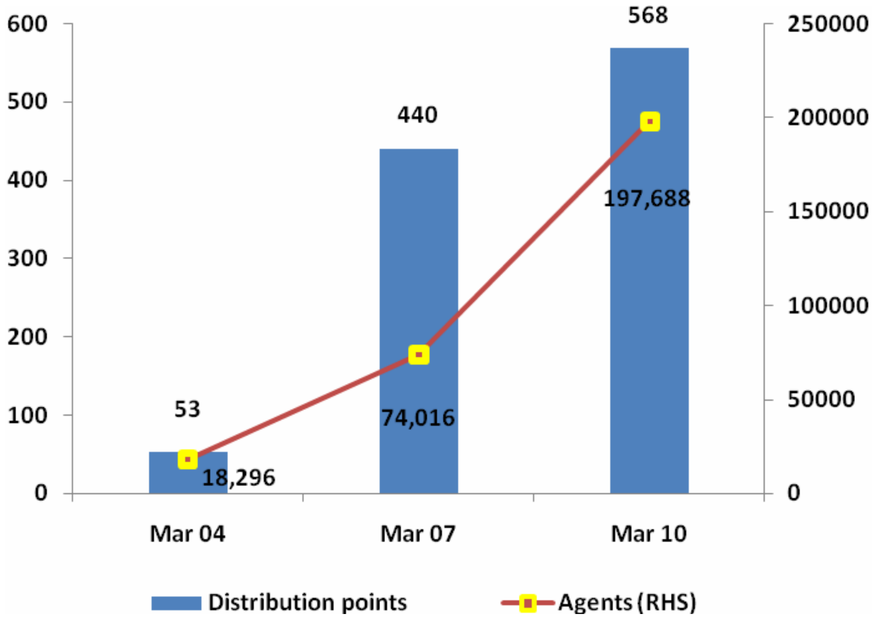
The table below shows the in force sum assured and death benefit as on March, 31 2010 across all individual and group unit linked products.

(Rs. Bn.)	Sum assured	Death benefit*
1. Individual unit linked		
Life	348.7	568.2
Pension	0.1	52.3
Total individual unit linked	**348.8**	**620.5**
2. Group unit linked		
Life	0.8	14.1
Pension		4.5
Total group unit linked	**0.8**	**18.6**
Total unit linked	**349.6**	**639.1**

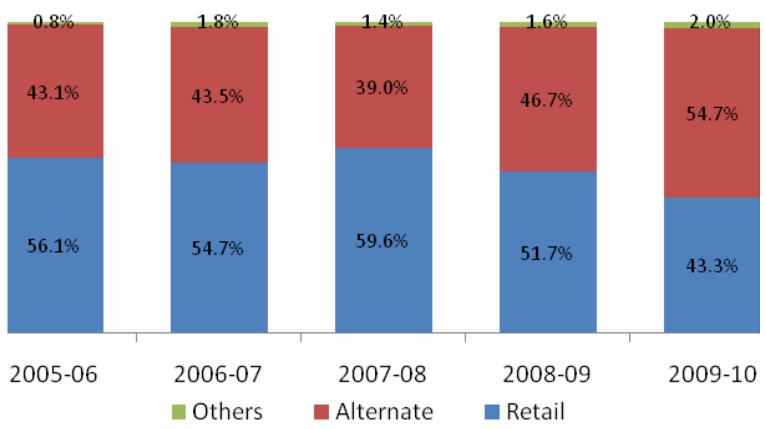
* Death benefit includes accidental death benefit sum assured and waiver of future premium benefit on the Young star policies and the fund value for pension

4. Consolidation of the distribution network and the increasing share of Bancassurance

We ended the year with 568 distribution points across the country and through the network of these offices our Financial Consultants, Corporate Agents and Brokers were able to service customers in over approximately 700 cities and towns across the country.

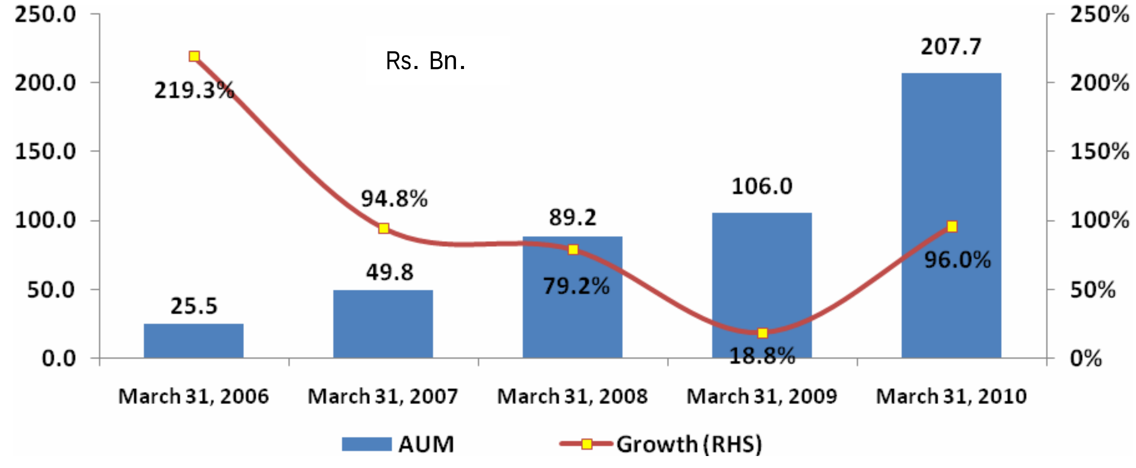


Our distribution mix witnessed a change in the share of new business EPI. The share of alternate channels of distribution viz. banks, brokers and other corporate agents increased to 54.7 percent from 46.7 percent in 2008-09. The alternate channel's EPI grew by 17.6 percent to Rs. 14.0 bn. from Rs. 11.9 bn. in 2008-09. The retail (tied agency) channel de-grew by 15.9 percent to Rs. 11.1 bn. from 13.2 bn. in 2008-09.



5. Assets under management

Assets under management of Rs. 207.7 bn. as on Mar 31, 2010 increased by 97.3 percent from Rs. 105.3 bn. from the previous year and contributed to covering our maintenance expenses. Over the last five years, our assets under management have grown at a compounded annual growth rate of 91.8 percent.



Fund wise break-up of assets under management (Rs. Bn.)

As on March 31, 2010

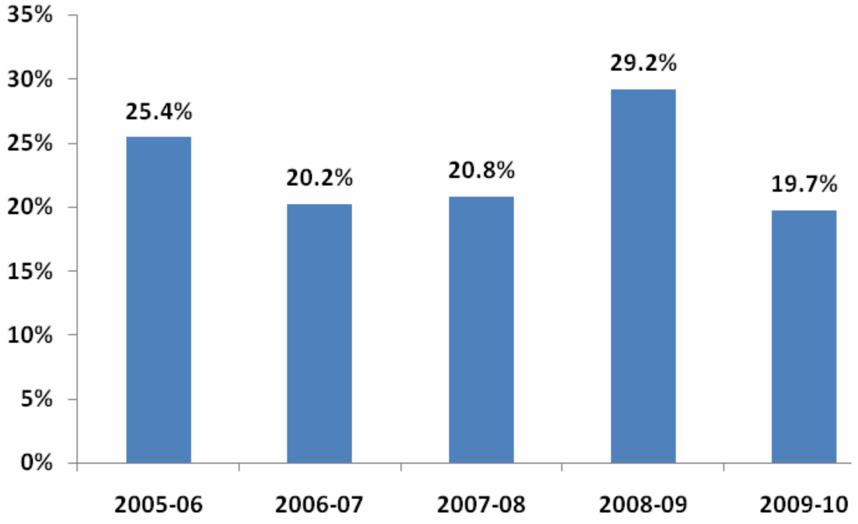
	Debt	Equity	Others	Total
Conventional funds	42.6	1.9	0.2	44.7
Shareholder's funds	4.9	0.5	0.8	6.3
Unit linked funds	44.8	113.2	-1.4	156.6
Total	**92.4**	**115.7**	**-0.4**	**207.7**

The conventional funds constituted 25.0 percent of the assets under management as on March 31, 2010.

6. Operational efficiency

6a. Operating expense ratio

The operating expense ratio* was brought back on track to 19.7 percent during the year from 29.2 percent in the previous year. This decline was achieved by both a strong drive to improve efficiencies during the year as well as an increase in total premiums.



Operating expenses* were brought down by 15.0 percent from Rs. 16.2 bn. in 2008-09 to Rs. 13.8 bn. in 2009-10. The following table highlights some of the key expense heads and change over the previous year.

	Percentage of total operating expenses*	**Percentage change over 2008-09#**
Employees' remuneration & welfare benefits	44.3	8.1
Advertisement and publicity	20.1	29.7
Business Development Expenses	4.7	24.2
Legal & professional charges	4.9	21.5
Rent, rates & taxes	7.5	-10.0
Others	18.5	16.0
Total	**100.0**	**15.3**

** Excluding service tax*
#Positive numbers indicate an improvement in the expense head

Some of the measures initiated in 2008-09 and continued during the current year that brought about greater operational efficiencies were:

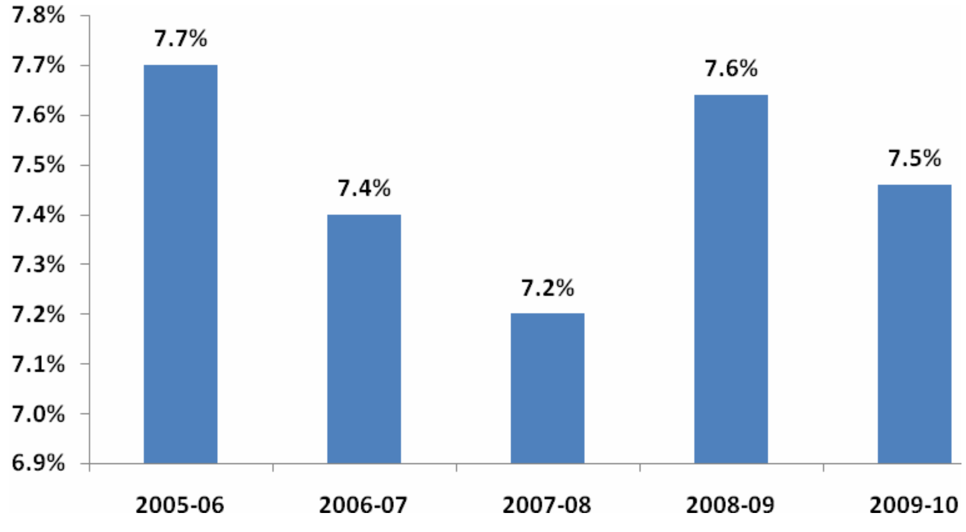
- Renegotiations of all major lease agreements related to office space to avail of better rates

- Active negotiation of all significant contracts with vendors and focus on bulk purchases to ensure cost-effective rates

- Savings of 20 to 40 percent realized across different commodities by:
  - Category Management (through Value Analysis / Value Engineering) to identify better / alternate ways of spend
  - Using best in class sourcing techniques including reverse auctions so as to source commodities at the most competitive rates
  - Minimizing scope for non-compliant / wasteful spends by incorporating a workflow process
  - Significant savings in terms of delivered costs through well negotiated contracts.

6b. Commission ratio

The trend of a stabilized commission ratio (total commissions to total premiums) to a level below 8 percent also continued during the year.



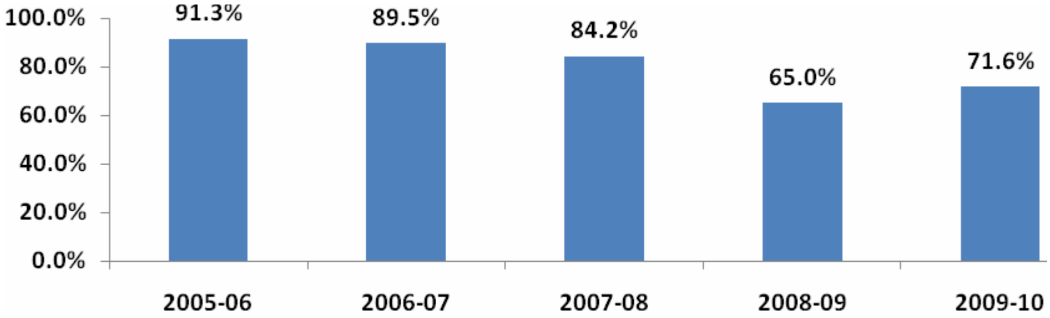
A break up of the commissions into first year, single and renewal commissions shows that:

- Our first year commission ratio (first year commissions to first year premium income) was at 15.1 percent in 2009-10 compared to 14.1 percent in the previous year.
- Single premium commission to single premium income ratio was 0.4 percent in 2009-10 compared to 0.7 percent in the previous year.
- Renewal commission to renewal premium income ratio was 2.0 percent in 2009-10 compared to 2.3 percent in the previous year.

7. Focus on customer retention / persistency

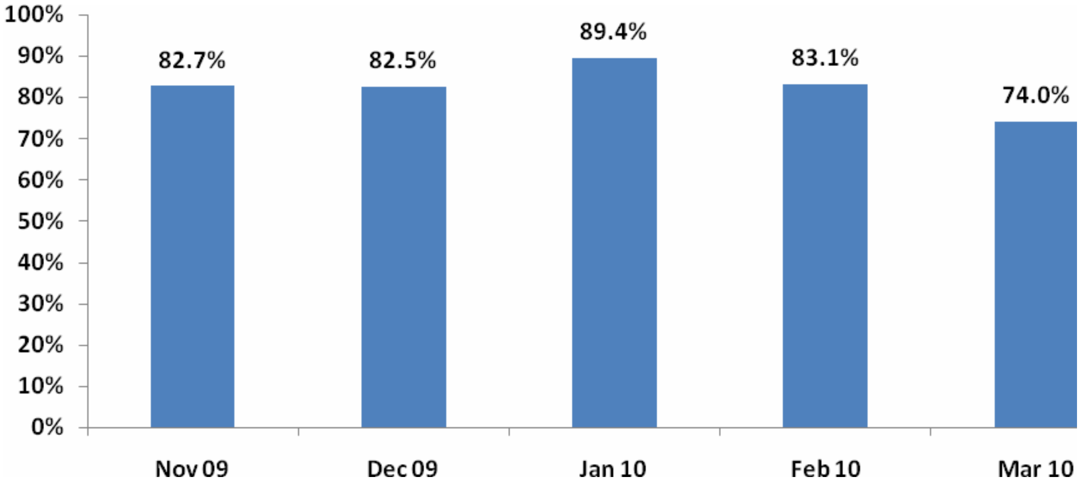
With a share of 53.5 percent of total premiums for the year renewal premiums grew by 31.0 percent to Rs. 37.5 bn. from Rs. 28.6 bn. in 2008-09. Our individual business conservation ratio, which had taken a hit in 2008-09, improved considerably to 71.6 percent.

Individual business conservation ratio



The dip in the conservation ratio in 2008-09 was due to the impact of the premium reduction feature, which was built into our version 4 unit linked products and saw most customers opting for it in the backdrop of turmoil in the stock markets during the period. While we discontinued the product in 2008, its impact ran its course till the end of 2009 and as its effect wore off in the last two quarters of 2009-10 our conservation ratio for the year improved. Excluding the products with the premium reduction option, our individual business conservation ratio was 73.0 percent in 2008-09 and 74.7 percent in 2009-10.

Individual business conservation ratio – monthly trends



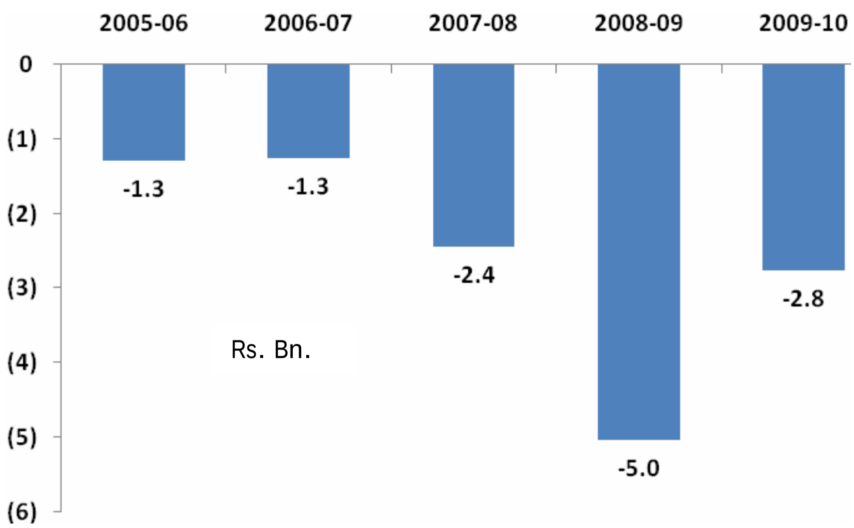
The other key decrements to our conservation ratio are lapses, surrenders and paid-ups. Lapses occur within a 24 month period of policy conversion and we identify a policy as lapsed immediately after the grace period for renewal premiums due is over. We have processes for preventive measures as well as revival measures to minimize the impact of lapsations. To prevent lapsation we make welcome calls to the customers to ensure that the customer understands the product features and it suits his/her needs. We also run campaigns to revive lapsed policies.

We undertook several measures to improve the management of our back book during the year:

- Persistency vertical set up to improve customer retention – proactive, direct contact with customers to urge them to continue paying premiums
- Lapse prediction model developed to predict lapse propensity which is being used to run customer retention campaigns
- Products with a premium reduction option which impacted persistency were discontinued in 2008-09.
- Incentivized sales of lower frequency modes of premium payment – primarily annual mode
- Strong emphasis on needs based selling
- First life insurer to introduce and continue with commission claw backs in the event of lapsation
- Customer welcome calls to ensure understanding of the product bought

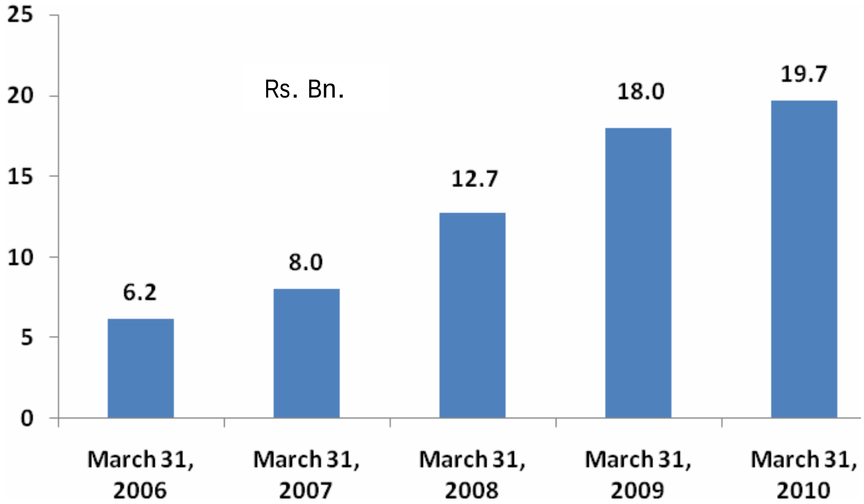
8. Indian GAAP results

With the focus on operational efficiencies to reduce our acquisition cost, Indian GAAP loss was brought down to Rs. 2.8 bn. during the year from a loss of Rs. 5.0 bn. in 2008-09.

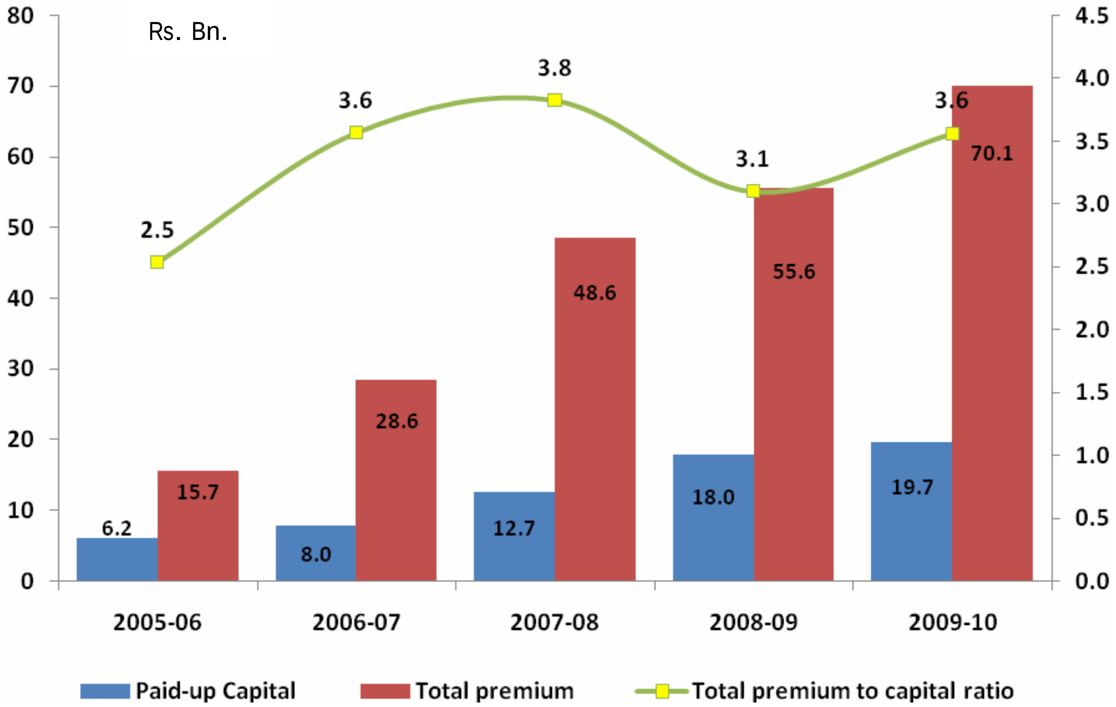


9. Capital infusion and solvency ratio

The paid up capital as on March 31, 2010 was at Rs. 19.7 bn. with a lower infusion of Rs. 1.7 bn. during the year compared to an infusion of Rs. 5.3 bn. in 2008-09.



Our total premium to capital ratio has also improved in 2009-10 over the previous year as the chart below shows.



With an available solvency margin of Rs. 6.0 bn. and a required solvency margin of Rs. 3.3 bn., our solvency ratio as on March 31, 2010 stood at 180 percent, which was well above the minimum regulatory requirement of 150 percent.

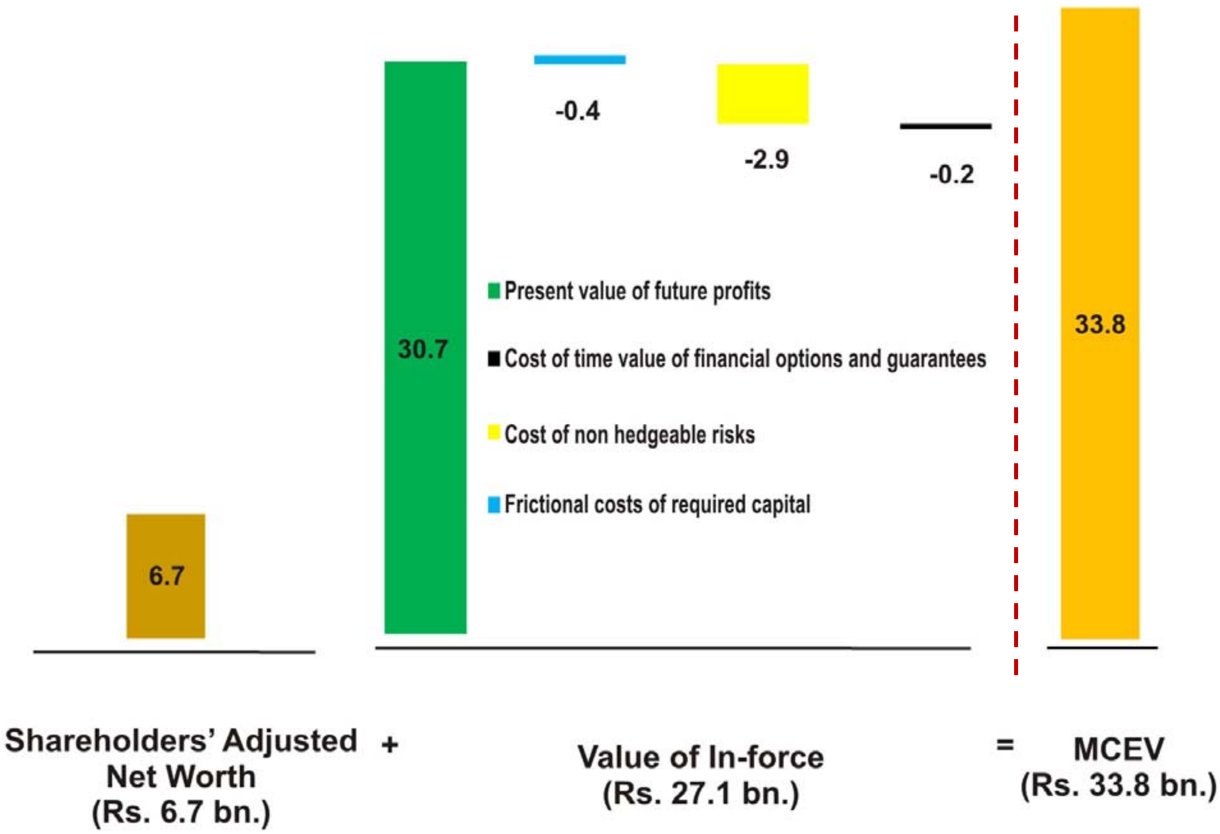
The table below shows the movement of solvency ratio between March 31, 2009 and March 31, 2010.

	Mar-09	**Mar-10**
Available solvency margin	5.7	6.0
Required solvency margin	2.2	3.3
Capital infused	5.3	1.7
Solvency ratio	258%	180%

10. MCEV, new business profitability and the analysis of movements in MCEV

10a. Market consistent embedded value (MCEV)

The unaudited market consistent embedded value (MCEV) as at March 31, 2010 was Rs. 33.8 bn. and comprised of shareholder adjusted net worth of Rs. 6.7 bn. and value of in force business of Rs. 27.1 bn.



MCEV - Methodology and approach

The calculations of embedded value and new business profits have been done using a market consistent embedded value ("MCEV") approach. This approach differs from a traditional EV approach primarily in respect of the way in which allowance for risk is made. Within the traditional EV approach, allowance is made for risk through an increase in the risk discount rate used to value future shareholder cash flows, whilst within the MCEV calculation explicit separate allowances are made for risk.

There are two components to the MCEV:

i. Shareholder adjusted net worth - this component represents the market value of assets attributable to shareholders. This amount is derived from the Indian GAAP balance sheet adjusted to allow for assets on a market value basis, elimination of intangible assets and to allow for shareholder attributable assets residing within the unit-linked and non par policyholder funds.

ii. Value of inforce - this component represents the discounted value of after tax shareholder attributable cashflows expected on the business as at the valuation date. No allowance is made for future new business. This amount has been adjusted to deduct allowances for non hedgeable risk, frictional costs of required capital and the time value associated with financial options and guarantees.

MCEV - Components of Value of in force (VIF)

Present value of future profits (PVFP)

- This component has been calculated by discounting the projected future after tax shareholder attributable cashflows expected to arise on in-force business at the valuation date.
- The cashflows have been projected on a deterministic basis using the company's best estimate view of future persistency, mortality and expenses. Future investment returns and the risk discount rate have been set equal to the returns from the risk free yield curve at the closing balance sheet date.

Cost of non-hedgeable risk (CNHR)

- A deduction from the PVFP is required in order to make appropriate allowance for non hedgeable and non economic risks. Within a traditional EV calculation this would be allowed for by an increase to the risk discount rate, but within MCEV an explicit separate deduction is made.
- The CNHR has been derived using a cost of capital approach whereby an annual charge is applied to projected risk bearing capital associated with 99.5^{th} percentile stress events for non economic assumptions over a 1 year time horizon.
- 99.5^{th} percentile stress events have been taken from the EU Solvency II, QIS 4 framework. In order to allow for the greater risks associated with emerging markets, the risk bearing capital has been uplifted by 50 percent.
- The CNHR has been calculated as the discounted value of a 4%p.a. charge applied to the projected risk bearing capital.
- The stress events, uplifts to NHR and annual charge are reviewed and modified if necessary on an annual basis.

Time value of financial options and guarantees (TVFOG)

- The MCEV incorporates an allowance for risks associated with asymmetric shareholder returns associated with the Participating ("Par") Funds by deducting a cost for the TVFOG. This asymmetry primarily arises due to the fact that if in deficit the Par Funds have to be funded 100% by the Shareholder Fund whereas if the funds have surpluses only 10% of these are attributable to the Shareholder Fund. The PVFP is calculated using a deterministic basis and therefore does not capture the risk that in certain possible circumstances the Par Funds may have deficits.
- The TVFOG has been calculated by assessment of the shareholder attributable cash flows (both transfers out of the funds and injections into the funds) on a large number of stochastic simulations derived on a risk neutral basis.
- In each simulation the value of the shareholder attributable cash flows have been discounted back to the balance sheet date with the TVFOG then being set equal to the difference between the average of the discounted value of these cash flows and the equivalent figure calculated on a deterministic basis.
- The calculation of the TVFOG incorporates a number of approximations and is being progressively developed and refined. The key areas of approximation include the

selection of implied equity and swaption volatilities, the treatment of future management actions and the apportionment of TVFOG associated with new as opposed to in-force business.

Frictional cost of required capital (FCRC)

- An allowance has been made within the MCEV for the frictional costs of holding required capital ("FCRC"). Required capital has been set equal to the amount of shareholder attributable assets required to back local regulatory solvency requirements. The FCRC has been calculated as the discounted value of investment costs and taxes on shareholder attributable assets backing the required capital over the lifetime of the in-force business.

<u>MCEV - Key assumptions</u>

- **Economic:** An MCEV approach is used – projected earned and discount rates are equivalent and are based on the risk free (government bond) yield curve at the relevant balance sheet date. No allowance for any illiquidity premia is made within the earned rates. The risk free rates used are given below.

	Risk free spot rates	
Term	As at 31st March 2009	As at 31st March 2010
1	4.9%	5.1%
5	6.6%	7.5%
10	7.4%	8.0%
15	7.7%	8.1%
20	7.9%	8.2%

- **Expenses:** Maintenance expenses have been based on actual expense levels currently being incurred and make no allowance for future productivity improvements. The maintenance expenses are assumed to increase each year at an expense inflation rate of 7.5%.

  Acquisition expenses, for the purposes of new business profitability reporting have been based on levels the company expects to achieve by FY2012-2013 based on its business plan. Actual acquisition expenses are currently higher than these assumptions and therefore any excess acquisition expense over the assumption is recognised in the period and the shareholder attributable component, net of tax, deducted from the value of new business for that period.

- **Persistency** assumptions are set by product line, payment mode and duration in-force, based on past experience and expectations of future experience. Separate decrements are modeled for lapses, surrenders and paid-ups.

Due to the age of the industry, minimal experience exists on long-term persistency assumptions and therefore these assumptions are reviewed on an active basis and updated when experience suggests a significant difference from the assumptions used.

- **Tax** assumptions are based on interpretation of existing tax legislation, where appropriate supported by legal opinion.

  No allowance is made for future changes to taxation such as the Direct Tax Code. These changes will be incorporated only once materially enacted.

- **Mortality and morbidity** assumptions are set by product line and are based on past experience. The mortality assumptions for the individual unit linked business are given below.

Products	Best estimate rates as a % of IALM 94-96	
	Males	Females
Individual UL Life products	55.0%-75.0%	35.0%-55.0%
Individual UL pension products	50.0%	40.0%

10b. Analysis of change in MCEV and post tax new business profits

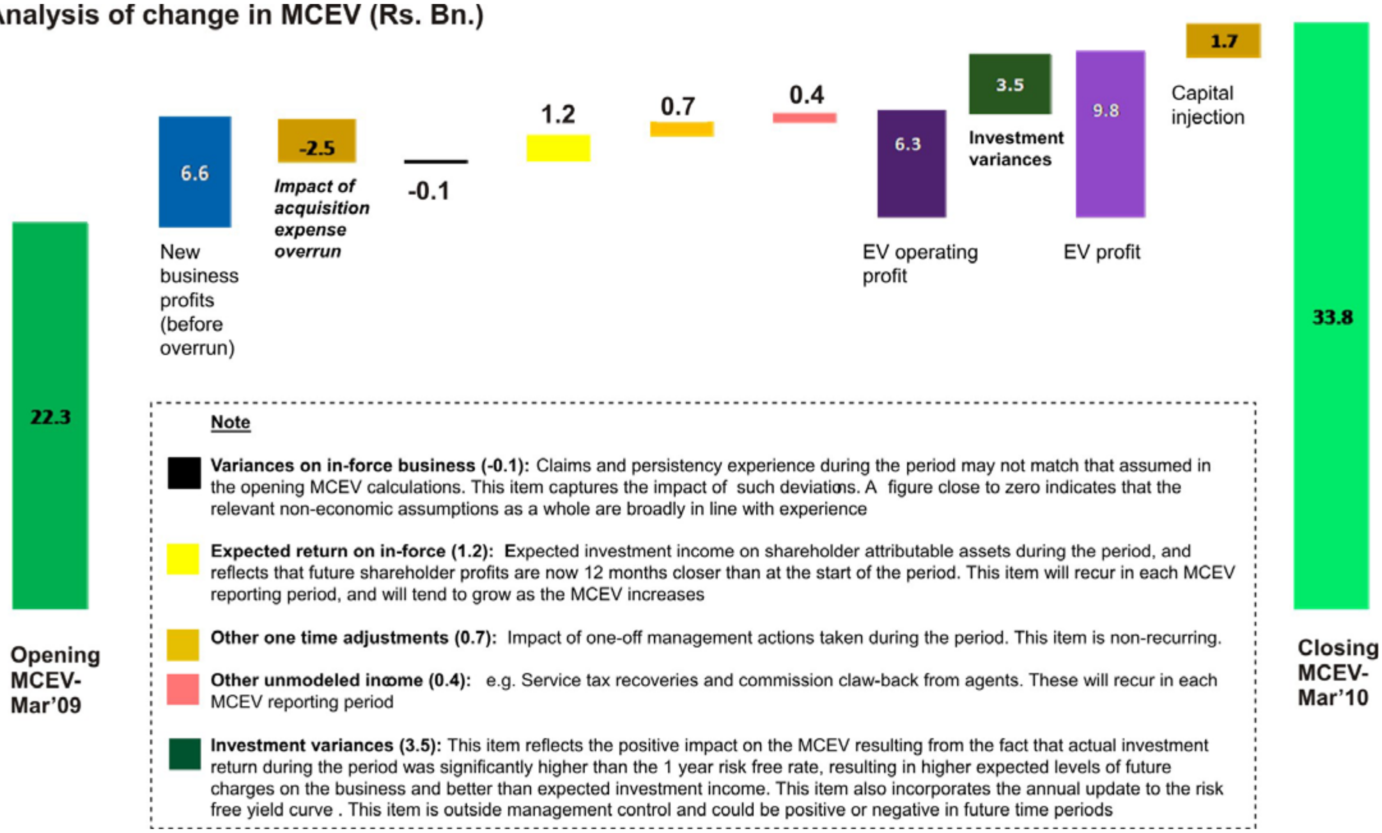
The analysis of change in MCEV identifies the main drivers that have caused the MCEV to move over the financial year. The value of new business written in the year is normally the most significant driver for increases in value shown in the analysis of change.

	Rs. Bn.
New business profits (based on loaded acquisition expenses)	6.6
Impact of acquisition expense overrun	-2.5
New business EPI for the FY*	25.6
New business margin (based on loaded acquisition expenses)*	25.8%

** Margins and EPI are shown for individual business only*

The new business margin after expense overruns was 16.2 percent. This included the impact of acquisition expense overrun of Rs. 2.5 bn. incurred during FY ending Mar 31, 2010. The acquisition expense overrun is expected to reduce significantly in the current financial year and be eliminated by 2012-13. The reduction will be driven through cost containment and continued focus on sales efficiency and growth.

Analysis of change in MCEV (Rs. Bn.)



In presenting the analysis of change, the following approach has been adopted:

i) Impact of changes in assumptions and methodology

The impacts from updates to assumptions and methodology are allowed for as follows:

- Updates to non economic assumptions and methodology are made at the start of the period, and the subsequent analysis of change calculated using these revisions
- Updates to economic assumptions including revisions to the economic scenarios used for the TVFOG calculation are made at the end of period and incorporated as a closing adjustment.

ii) Experience variances

- The impact on the MCEV from variations between the assumptions and actual experience are determined and recognised in the period for non economic assumptions and at the end of the period for economic assumptions.

- The impact on the variations for non economic assumptions are separately attributed to new and in-force business.

iii) Value of new business

- New business profits are calculated as at end of period, using the opening (i.e. 31st March 2009) yield curve and incorporate allowance for variations on non economic assumptions during the period.

- The TVFOG associated with new business written during the year has been approximated by apportioning the overall closing TVFOG (before changes to the end period economic assumptions) on the basis of guaranteed benefits associated with the new and inforce business. This TVFOG is incorporated as a deduction from the new business profits.

- The new business profits are calculated before and after acquisition expense overruns.

iv) EV profits

- EV profits are calculated as the movement in EV during the period less capital injections.

v) EV Operating profit ("EVOP")

- EV operating profit ("EVOP") is calculated as the movement in EV during the period less capital injections and the impact of economic variances and economic assumption changes.

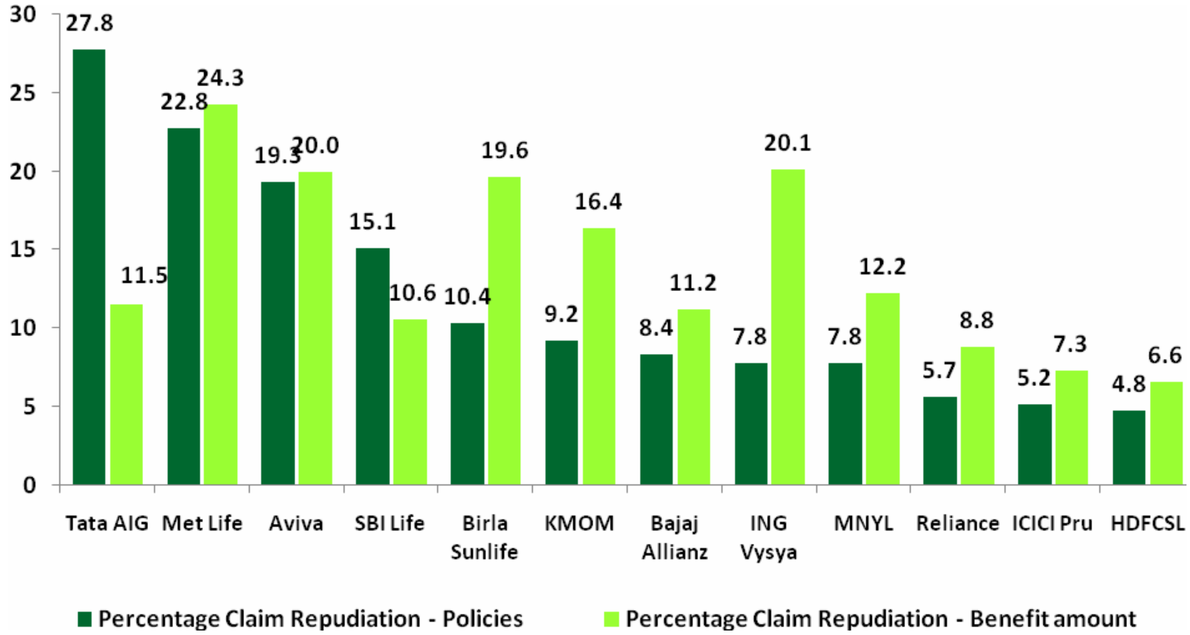
- The EVOP represents the impact on the MCEV from performance that is considered within management control.

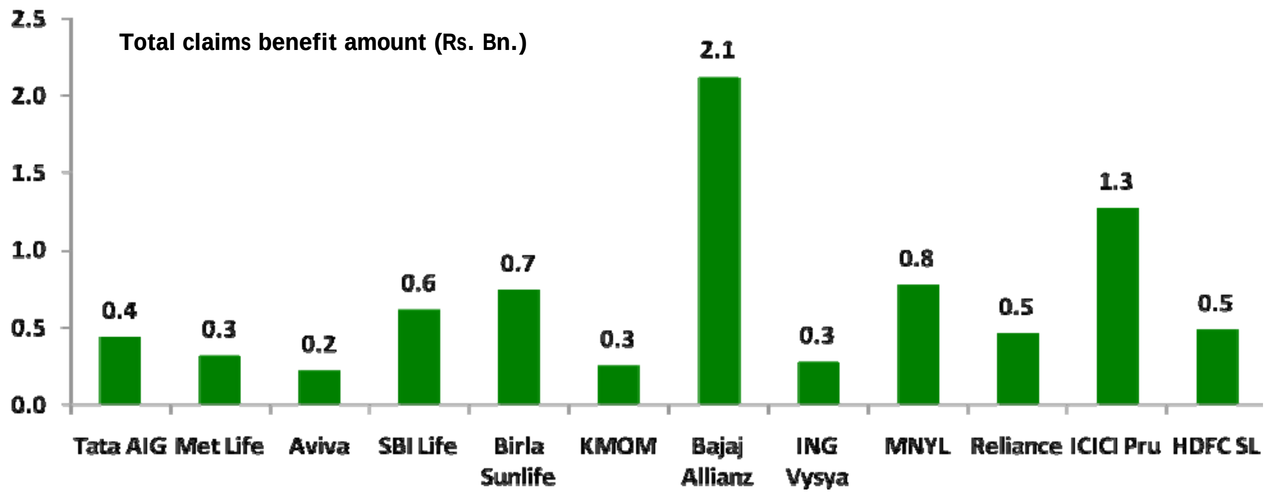
11. Best practices

11a. Underwriting standards

We continued to set the standards in the industry on underwriting best practices. Our claims repudiation ratio was the lowest in the industry in 2008-09 at 4.8 percent of total number of claims and 6.6 percent of benefit amount.

Financial year 2008-09 was the second consecutive year that our ratios were the lowest in the industry. We continued with our "profitability with values" approach to growth during the year.





Source: IRDA Annual Report

11b. Accolades and awards

The year also witnessed recognition from consumers of our ability to innovate and create insurance solutions that suit their needs.

Our children's plan YoungStar Super was voted 'Product of the Year 2010' in the 'Insurance' category by more than 30,000 consumers nationwide across 36 markets. The consumer study on product innovation in India was conducted by A C Nielsen. "Product of the Year" is an internationally recognized standard that celebrates and rewards the best innovations in consumer products and services.

11c. Technology and processes

A key initiative during the year was the implementation of SAP ERP for the Financial Accounting & Controls (FICO) and Human Resources (HR) modules to adopt global best practices in technology driven processes within our operations.

Some of the awards that we received during the year relating to our technology initiatives were:

- CIO 'Ingenious 100 - 2009 Award,' for our workflow system ATLAS (Agency Training Licensing and Servicing System)
- CIO 100 'Security Award 2009' for pioneering LANDesk Management and Security Suite security implementation and taking its security to a higher level of technological excellence. We received the CIO 100 Award for the third consecutive year
- Diamond EDGE Award 2009 for our mobile workforce portal - Consultant Corner

Glossary of terms

1. Total premiums – Total received premiums during the year including first year, single and renewal premiums for individual and group business

2. First year premiums – Regular premiums received during the year for all modes of payments chosen by the customer which are still in the first year. For e.g. for a monthly mode policy sold in March 2009 the first installment would fall into first year premiums for 2008-09 and the remaining 11 installments in the first year would be first year premiums in 2009-10

3. New business received premium – The sum of first year premium and single premium

4. Weighted received premium – The sum of first year premium and 10 percent weighted single premiums and single premium top-ups

5. Renewal premiums – Regular recurring premiums received after the first year

6. Effective premium income (EPI) - 10 percent weight-age for single premiums and annualized for regular premiums – e.g. monthly installment premium x 12

7. Commission ratio – Ratio of total commissions paid out on first year, single and renewal premiums to total premiums

8. Operating expense ratio – Ratio of operating expenses excluding service tax to total premiums

9. Conservation ratio – Ratio of current year renewal premiums to previous year's renewal premium and first year premium

10. Solvency ratio – Ratio of required solvency margin to available solvency margin

11. Claims repudiation ratio – Ratio of claims paid to total claims received during the period

Disclaimer

This release is a compilation of unaudited financial and other information and is not a statutory release. This may also contain statements that are forward looking. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially from our expectations and assumptions. We do not undertake any responsibility to update any forward looking statements nor should this be constituted as a guidance of future performance.

These disclosures are subject to the prevailing regulatory and policy framework as on March 31, 2010 and do not reflect any subsequent changes.