

Circular No:029/IRDA/ACTL/RSM/2008-09

1st January, 2009

To
CEOs of Life Insurance Companies

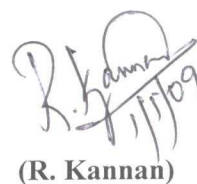
Sub: Determination of Required Solvency Margin under Life Insurance Business

This is further to our recent circular no. 25/IRDA/ACTL/RSM/2008-09 dated December 17, 2008 on the above subject.

Given the macroeconomic environment and risk parameters there is a need to utilize the capital optimally with affordable cost so that insurance penetration increases.

The Authority has reviewed the solvency margin requirement for the linked business and proposes the following first factor and second factor with respect to linked business in working out the required solvency margin. These factors shall come into effect for the business as on December 31, 2008 and onwards.

Category of business	First factor	Second factor
Linked Business		
Individual Business		
Life Business		
11: With guarantees	1.8%	0.2%
12: Without guarantees	0.8%	0.2%
General Annuity		
13: With guarantees	1.8%	0.0%
14: Without guarantees	0.8%	0.0%
Pension		
15: With guarantees	1.8%	0.0%
16: Without guarantees	0.8%	0.0%
Group Business		
Life Business		
11: With guarantees	1.8%	0.2%
12: Without guarantees	0.8%	0.2%
General Annuity		
13: With guarantees	1.8%	0.0%
14: Without guarantees	0.8%	0.0%
Pension		
15: With guarantees	1.8%	0.0%
16: Without guarantees	0.8%	0.0%
Health Insurance		
Individual Business		
Linked business		
21: With guarantees	1.8%	0.0%
22: Without guarantees	0.8%	0.0%
Group Business		
Linked business		
24: With guarantees	1.8%	0.0%
25: Without guarantees	0.8%	0.0%



(R. Kannan)