Embedded Value Report

The Indian Embedded Value (IEV) as on March 31, 2021 have been prepared by the Company and the methodology, assumptions and the results have been reviewed by Willis Towers Watson Actuarial Advisory LLP.

1. BASIS OF PREPARATION

Embedded Value is a measure of the consolidated value of shareholders' interest in the covered life insurance business. The embedded value has been determined by following a market consistent methodology, as per the requirements and principles set forth by the IAI within the APS10.

2. KEY HIGHLIGHTS

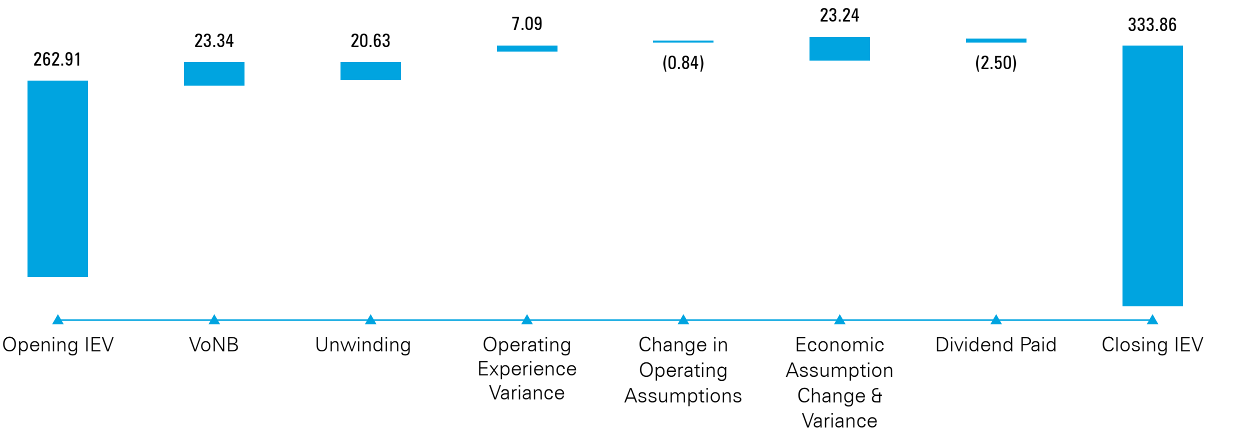
2.1 Value of New Business (VoNB)

Details in ₹ billion	FY 2021	FY 2020	Growth / Change
Annualised Premium Equivalent (APE) for the year	**114.48**	107.37	7%
Value of New Business (VoNB)	**23.34**	20.12	16%
New Business Margin	**20.4%**	18.7%	
Embedded Value	**333.86**	262.91	27%
Value of New Business (VoNB)#	**26.60**	22.20	20%
New Business Margin#	**23.2%**	20.7%	
Embedded Value#	**364.02**	276.36	32%

#Estimated using effective tax rate; effective tax rate assumes that a proportion of the projected profits are tax exempt on account of tax deductions available on income from dividends and tax free bonds.

2.2 Analysis of Movement in IEV for FY 2021

(₹ billion)



IEV grew by 19% CAGR from FY 17 to FY 21.

(₹ billion)

IEV movement Analysis - Components	FY 2021	FY 2020
Opening IEV	**262.91**	224.02
Expected return on existing business		
At Reference Rate	**12.08**	13.43
At expected real-world return in excess of reference rate	**8.55**	5.61
Operating Assumptions Change	**(0.84)**	1.18
VoNB added during the period	**23.34**	20.12
Operating Experience Variance - Persistency	**3.20**	2.37
Operating Experience Variance - Expenses	**0.32**	0.14
Operating Experience Variance - Mortality and Morbidity	**(0.21)**	1.14
Operating Experience Variance - Others	**3.78**	1.94
IEV Operating Earnings (EVOP)	**50.21**	45.94
Economic Assumption Changes and Investment Variances	**23.24**	(7.05)
IEV Total Earnings	**73.45**	38.89
Capital Contributions / Dividends paid out	**(2.50)**	-
Closing IEV	**333.86**	262.91

2.3 Sensitivity Analysis

Scenario	Change in IEV%	Change in VoNB%
Reference Rate +100 bps	(2.4%)	(0.6%)
Reference Rate -100 bps	2.7%	0.1%
Decrease in Equity Value 10%	(1.5%)	(0.3%)
Proportionate change in lapse rate +10%	(1.1%)	(4.1%)
Proportionate change in lapse rate -10%	1.4%	5.3%
Mortality / Morbidity +10%	(1.7%)	(6.2%)
Mortality / Morbidity -10%	1.7%	6.2%
Maintenance Expense +10%	(0.6%)	(2.0%)
Maintenance Expense -10%	0.6%	2.0%
Mass Lapse for ULIPs in the year after the surrender penalty period of 25%*	(2.7%)	(8.7%)
Mass Lapse for ULIPs in the year after the surrender penalty period of 50%*	(6.3%)	(19.8%)
Tax Rate Change to 25% on Normal Tax basis	(8.6%)	(12.7%)

* Mass lapse sensitivity (of 25% or 50%) for ULIP business is applied at the end of surrender penalty period as defined by APS 10, which is taken to be the beginning of 5th policy year for current generation of our ULIP products.

1. VoNB sensitivity: New Business sensitivities assumes that the scenario arises after the point of sale; and consider impacts on both new business liability cash-flows and the asset backing the reserves at the respective month ends.
2. The sensitivities are being calculated without any lag from Q3 FY21.

3. METHODOLOGY AND APPROACH

IEV is calculated as the sum of Adjusted Net Worth (ANW) and Value of In-Force business (VIF).

ANW comprises Free Surplus (FS) and Required Capital (RC).

VIF consists of the following components:

Present Value of Future Profits (PVFP) expected to emerge from the covered business;

Less Frictional Cost of Capital (FCoC);

Less Time Value of Financial Options and Guarantees (TVFOG);

Less Cost of Residual Non-Hedgeable Risks (CRNHR).

3.1 Components of Adjusted Net Worth (ANW):

This is the value of all assets allocated to the covered business that are not required to back the liabilities of the covered business.

Free Surplus (FS): Free Surplus represents the market value of any assets in excess of liabilities and Required Capital which is potentially distributable to shareholders immediately. Free Surplus has been calculated as the excess of ANW over the Required Capital.

Required Capital (RC): Required Capital is the amount of assets attributed to the covered business over and above that required to back liabilities for the covered business whose distribution to shareholders is restricted. Required Capital has been set at 180% of the Required Solvency Margin (RSM), based on the Company's internal capital target. RSM has been projected by applying the solvency margin factors prescribed by the IRDAI appropriate to each line of business.

3.2 Components of Value of Inforce (VIF) business:

Present Value of Future Profits (PVFP): PVFP represents the present value of future post taxation shareholder cash-flows projected to emerge from the in-force covered business and the assets backing liabilities of the in-force covered business. The PVFP incorporates an allowance for the intrinsic value of financial options and guarantees.

Frictional Cost of Capital (FCoC): FCoC reflects the impact of taxation on investment returns and investment costs on the assets backing required capital. FCoC has been estimated as the present value of:

- tax on investment earnings on assets backing the required capital; and
- investment expenses (after tax) incurred in holding such assets.

Required Capital is assumed to be maintained throughout the lifetime of the underlying liabilities, at the internal target level of 180% of the RSM, calculated based on the prescribed factors.

Time Value of Financial Options and Guarantees (TVFOG): Allowance is made for asymmetric impact on shareholder value due to any financial options and guarantees within the covered business.

Cost of Residual Non-Hedgeable Risks (CRNHR): A bottom-up assessment of risks has been undertaken to allow for

Embedded Value Report (Contd.)

the cost of residual non-hedgeable risks not already allowed for elsewhere. CRNHR has been estimated using a cost of capital approach.

3.3 Assumptions used for IEV Calculation:

The expense assumptions used in the IEV (Indian Embedded Value) estimation represent the unit costs arising out of actual experience of the FY 2021 and makes no allowance for any productivity gains/cost efficiencies beyond what is achieved up to the valuation date. Allowance has been made for future inflation on the expenses. Further, any one-off costs incurred during FY 2021 and development expenditure have not been identified separately or excluded when determining the unit cost assumptions.

The Required Capital is taken at 180% of the Statutory RSM, which is the internally approved norm for the Company.

The rate of income tax applied to the surplus is set at 14 .56%. Tax deductions available by way of dividend income from equity etc. are not taken into consideration. Rate of taxation applied to individual pension business is zero.

The zero coupon government bond yield curve published by FIMMDA-PDAI was used as the assumed reference rates.

Independent Actuary's Opinion

3 May 2021
The Board of Directors
SBI Life Insurance Company Limited
Natraj, M.V. Road and Western Express Highway Junction
Andheri (East), Mumbai - 400 069

Dear Sirs,

WILLIS TOWERS WATSON OPINION ON EMBEDDED VALUE AS AT 31 MARCH 2021

Willis Towers Watson Actuarial Advisory LLP ("Willis Towers Watson", "we", "us" or "our") has been engaged by SBI Life Insurance Company Limited ("SBI Life" or "the Company") to review and provide an independent actuarial opinion on the embedded value results prepared by SBI Life.

The review covered the embedded value as at 31 March 2021 and the value of one year's new business written during the period 1 April 2020 to 31 March 2021 of INR 333.9 billion (together, "embedded value results").

Scope of work

Our scope of work covered:

- A review of the methodology and assumptions used to determine the embedded value results;
- A review of the results of SBI Life's calculation of the embedded value results;
- A review of the analysis of movement in embedded value from 31 March 2020 to 31 March 2021; and
- A review of select sensitivities as defined by the Company.

OPINION

Willis Towers Watson has concluded that the methodology and assumptions used to determine the embedded value results of SBI Life comply with the standards issued by the Institute of Actuaries of India within the Actuarial Practice Standard 10 ("Indian Embedded Value Principles"), and in particular that:

- the economic assumptions used are internally consistent and result in the projected cash-flows being valued in line with the prices of similar cash-flows that are traded on the capital markets;
- the operating assumptions have been set with appropriate regard to the past, current and expected future experience;
- the Required Capital has been determined and projected on the basis of SBI Life's internal capital target of 180% of the Required Solvency Margin and has been assessed from a shareholders' perspective;
- allowance has been made for the Cost of Residual Non-Hedgeable Risks; and
- for participating business, the assumed bonus rates, and allocation of profit between policyholders and shareholders, are consistent with the projection assumptions, established company practice and local market practice.

Willis Towers Watson has also performed a number of checks on the models, processes and results of the calculations performed by SBI Life. On the basis of this review, Willis Towers Watson has confirmed that no issues have been discovered that have a material impact on the disclosed embedded value as at 31 March 2021, the value of one year's new business written during the period 1 April 2020 to 31 March 2021, the analysis of movement in embedded value for FY2020-21 and the sensitivity analysis as at 31 March 2021.

In arriving at these conclusions, Willis Towers Watson has relied on data and information provided by SBI Life. This Opinion is made solely to SBI Life in accordance with the terms of Willis Towers Watson's engagement letter dated 25 September 2020. To the fullest extent permitted by applicable law, Willis Towers Watson does not accept or assume any responsibility, duty of care or liability to anyone other than SBI Life for or in connection with its review work, the opinions it has formed or for any statements set forth in this opinion.

COVID-19 is an ongoing and continuously evolving issue which has and will continue to have significant effects on global economic activity and insurance experience. The actual effects of COVID-19 could have an unexpected material impact on our findings. The level of uncertainty affecting our conclusions and the underlying volatility of actual outcomes is increased because of the emergence and contingent evolution of COVID-19.

Vivek Jalan, FIAI
Partner

Kunj Behari Maheshwari, FIAI
Partner

Willis Towers Watson Actuarial Advisory LLP
Registered Office:
A-210, Pioneer Urban Square
Sector- 62
Golf Course Extension Road
Gurugram-122003, India

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Dinesh Kumar Khara,
Chairman

Mr. Ashwini Kumar Tewari,
Nominee Director

Mr. Deepak Amin,
Independent Director

Mr. Narayan K. Seshadri,
Independent Director

Mr. Shobinder Duggal,
Independent Director

Dr. Tejendra Mohan Bhasin,
Independent Director

Ms. Joji Sekhon Gill,
Independent Director

Mr. Mahesh Kumar Sharma,
Managing Director and Chief Executive Officer

STATUTORY AUDITORS

M/s S.K.Patodia & Associates
Chartered Accountants

M/s S.C. Bapna & Associates
Chartered Accountants

Company Secretary
Mr. Vinod Koyande

Compliance Officer
Mr. Pranay Raniwala

REGISTRAR & SHARE TRANSFER AGENTS

KFin Technologies Private Limited
Karvy Selenium Tower B, Plot 31-32,
Financial District Nanakramguda,
Serilingampally, Hyderabad, Rangareddi,
Telangana – 500 032

EXECUTIVE COMMITTEE

Mr. Mahesh Kumar Sharma,
Managing Director and Chief Executive Officer

Mr. Anand Pejawar,
President – Operations, Information Technology and International Business

Mr. Ravi Krishnamurthy,
President – Marketing (Zone I)

Mr. M. Anand,
President – Marketing (Zone II)

Mr. Ravindra Kumar,
President – Marketing (Zone III)

Mr. Abhijit Gulanikar,
President – Business Strategy

Mr. Sangramjit Sarangi,
President and Chief Financial Officer

Mr. Subhendu Kumar Bal,
Chief Actuary & Chief Risk Officer

Mr. Prithesh Chaubey,
Appointed Actuary

Ms. Seema Trikannad
EVP & Chief of HR & Management Services

BANKERS

State Bank of India
BNP Paribas Bank
HDFC Bank Ltd.
Karur Vysya Bank
Kotak Mahindra Bank
Lakshmi Vilas Bank
Punjab & Sind Bank
South Indian Bank
Federal Bank
Indian Bank
Bank of Baroda
City Union Bank
UCO Bank
Yes Bank Ltd.
Canara Bank

REGISTERED AND CORPORATE OFFICE

'Natraj' M. V. Road & Western Express Highway Junction, Andheri (East), Mumbai – 400 069 Maharashtra
Tel.: +91 22 6191 0000 Fax: +91 22 6191 0517
Website: www.sbilife.co.in
CIN: L99999MH2000PLC129113

Glossary of Terms

ACQUISITION COST

Costs that vary with and are primarily related to the acquisition of insurance contracts.

AFFILIATED INVESTMENTS

Investments made in parties related to the insurer.

AMORTISATION OF PREMIUM/ACCRETION OF DISCOUNT

Premium/discount refers to the price paid for a bond as against the par value of the bond. This premium/discount is spread over the remaining life of the bond and is called amortisation of premium/accretion of discount respectively.

ANNUITY BENEFITS

A series of payments payable at regular intervals in return of a certain sum paid up front, under an annuity contract.

A deferred annuity is a contract to pay out regular amounts of benefit provided to the annuitant at the end of the deferred period (the vesting date) when annuity payment commences for a specified period of time such as number of years or for life.

An immediate annuity is a contract to pay out regular amounts of benefit wherein the contract commences payments, immediately after the contract is concluded.

ASSET-LIABILITY MANAGEMENT (ALM)

It is an ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities to achieve an insurer's financial objectives, given the insurer's risk appetite, risk tolerances and business profile.

ASSETS UNDER MANAGEMENT (AuM)

AuM refers to the carrying value of investments managed by the Company and includes loans against policies and net current assets pertaining to investments.

BANCASSURANCE OR BANCA

An arrangement entered into by a bank and an insurance company, through which the insurance company sells or markets its products to the bank's customer base.

BONUS

The non-guaranteed benefits added to the participating life insurance policies and are the way in which policyholders receive their share of the profits of the policies. Bonus includes terminal and reversionary bonus.

BOOK VALUE PER SHARE

Shareholders' Funds divided by outstanding number of equity shares.

CERTIFICATE OF INSURANCE (COI)

A document issued by the insurance company which confirms the existence of insurance coverage under specific conditions granted to an individual under a Group policy.

CERTIFIED INSURANCE FACILITATORS (CIFs)

CIF refers to those employees of a corporate agent designated as Specified Person under applicable regulation.

Specified Person is an employee of a Corporate Agent who is responsible for soliciting and procuring insurance business on behalf of a corporate agent and have fulfilled the requirements of qualification, training and passing of examination as specified applicable regulations.

COMMON SERVICE CENTERS

Centers established under National e-Governance Plan by CSC e-Governance Services India Limited. Front-end delivery points for government, private and social sector services to citizens of India.

COMMISSION RATIO

The ratio of Commission to Total gross premium

CONSERVATION RATIO

The ratio of renewal premium of the current financial year to the total of first year premium and renewal premium of the previous financial year.

CONTRIBUTION FROM SHAREHOLDERS' ACCOUNT

The amount transferred from Shareholders' Account to Policyholders' Account to make good the deficit arising in the Non Participating funds as per requirement of the Insurance Regulatory and Development Authority of India (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002.

CREDIT RISK

The risk of loss if the other party fails to meet its obligations or fails to do so in timely fashion.

DEATH CLAIMS OR MORTALITY CLAIMS

Amount of benefit payable on death as specified in the policy document. This is stated at the inception of the contract.

DEATH CLAIMS SETTLEMENT RATIO

Ratio of death claims settled to death claims reported to the Company and outstanding at the beginning of the year.

EMBEDDED VALUE

The measure of the consolidated value of shareholders' interest in the covered life insurance business, which is all life insurance business written by the Company since

Glossary of Terms (Contd.)

inception and in-force as on the valuation date (including lapsed business which have the potential of getting revived).

The Embedded Value of the Company has been determined on the basis of the Indian Embedded Value (IEV) Methodology.

EMBEDDED VALUE OPERATING PROFIT (EVOP) AND OPERATING RETURN ON EMBEDDED VALUE

Embedded value operating profit is a measure of the increase in the Embedded Value during a specified period due to matters that can be influenced by management. It excludes changes in the Embedded Value due to external factors like changes in economic variables and shareholder-related actions like capital injection or dividend pay-outs. Operating Return on embedded value is the ratio of EVOP for a specified period to the Embedded Value at the beginning of that period.

ENDOWMENT BUSINESS

It is a contract to pay benefit on the life assured surviving the stipulated date or on death of the life assured before maturity.

EXPENSE RATIO

The percentage of insurance premiums used to pay for an insurer's expenses including overheads, marketing, commission, expenses, costs etc. Expense ratio is money used in acquiring, writing and servicing an insurance policy.

FAIR VALUE CHANGE ACCOUNT

Unrealised gains/losses arising due to changes in the fair value of investment assets including listed equity shares, mutual funds, debt securities and derivative instruments.

FIRST YEAR PREMIUM

Insurance premium that is due in the first policy year of a life insurance contract.

FREE-LOOK PERIOD

A period of 15 days or 30 days, allowed to a new policyholder, from the date of receipt of policy documents, to enable him to review the terms and conditions of the policy and cancel the policy, if it does not meet his requirement.

FUNDS FOR DISCONTINUED POLICIES

The liability of the discontinued policies is held in this fund till the end of the lock in period of five years from the date of issue or till the expiry of revival period, whichever is later. A segregated fund of the insurer that is set aside and is constituted by the fund value of all discontinued policies determined in accordance with the applicable regulation.

FUNDS FOR FUTURE APPROPRIATIONS (FFA)

The Funds for Future Appropriation (the "FFA"), comprise funds which have not been explicitly allocated either to policyholders or to shareholders at the valuation date.

FUND MANAGEMENT CHARGES

Charges deducted towards meeting expenses related to fund management. These are charged as a percentage of the fund value and deducted before arriving at the net asset value (NAV) of the fund.

FUND VALUE

It is also known as policy value. It is the total value of units that a policyholder holds in funds.

Fund Value = Number of Units x Net Asset Value.

GRIEVANCE RATIO

Number of grievances reported to the Company divided by number of policies issued

by the Company in the same period (per 1,000)

GROUP BUSINESS

Insurance contracts that cover a defined group of people.

GROSS WRITTEN PREMIUM

The total premium written by the Company before deductions for reinsurance ceded.

HEALTH INSURANCE BUSINESS

The effecting of contracts which provide for sickness benefits or medical, surgical or hospital expense benefits, whether in-patient or out-patient travel cover and personal accident cover.

INDEPENDENT ACTUARY

Vivek Jalan, FIAI, a Willis Towers Watson empanelled actuary.

INDIAN EMBEDDED VALUE METHODOLOGY

Embedded value determined as per the requirements and principles set forth by the Institute of Actuaries of India, in accordance with Actuarial Practice Standard 10.

INDIVIDUAL BUSINESS

Insurance contracts that cover the life of an individual.

INDIVIDUAL LIVING BENEFIT CLAIMS

Amount of benefit which is payable on survival as specified in the policy document for individual policies. This is stated at the inception of the contract. This includes maturity and survival benefits claims.

INDIVIDUAL NEW BUSINESS PREMIUM

Insurance premium that is due in the first policy year of an individual life insurance contract.

INDIVIDUAL RATED PREMIUM

Premiums written by the Company under individual products and weighted at the rate of ten percent for single premiums.

IN-FORCE

In-force policies are policies for which the premiums are being paid regularly or have been fully paid.

INSURANCE AGENT OR INDIVIDUAL AGENT

An individual appointed by an insurer for the purpose of soliciting or procuring insurance business including business relating to the continuance, renewal or revival of policies of insurance.

INSURANCE PENETRATION AND DENSITY

The measure of insurance penetration and density reflects the level of development of insurance sector in a country.

Insurance penetration is defined as the percentage of premium underwritten in a given year to Gross Domestic Product.

Insurance density is calculated as the ratio of premium underwritten in a given year to the total population (per capita premium).

INSURANCE MARKETING FIRM

Entity registered by IRDAI to solicit or procure insurance products as specified under applicable regulations to undertake insurance service activities, and to distribute other financial products by employing individuals licensed to market, distribute and service such other financial products.

INTERIM BONUS

Bonus paid under a policy which becomes payable to policy holders when the policy results into a claim either by death, surrender or maturity for the period from the last declared bonus date and is paid to provide for the fact that the policy will not be eligible for bonus at the next bonus declaration.

INVESTMENT YIELD

A measure of the income received from an investment compared to the price paid for the investment. Normally expressed as a percentage.

MATHEMATICAL RESERVES

Mathematical reserves mean the provision made by an insurer to cover liabilities (excluding liabilities which have fallen due and liabilities arising from deposit back arrangement in relation to any policy whereby an amount is deposited by re-insurer with the cedant) arising under or in connection with policies or contracts for life insurance business. Mathematical reserves also include specific provision for adverse deviations of the bases, such as mortality and morbidity rates, interest rates, and expense rates, and any explicit provisions made, in the valuation of liabilities, in accordance with the regulations made by the Authority for this purpose.

MATURITY BENEFIT

The contractual amount, as specified in the policy documents, which is payable at the end of the term of policy. This is stated at the inception of the contract.

MICRO-AGENTS

Entities or individuals appointed as micro insurance agents as per the applicable regulations for distribution of micro-insurance products.

MIS-SELLING OR UNFAIR BUSINESS PRACTICES RATIO

Number of grievances with respect to unfair business practice that are reported to the Company divided by policies issued by the Company in the same period represented as a percentage.

MORBIDITY RATE

It is a measure of the number of persons belonging to a particular group, categorised according to age or some other factors such as occupation, that are expected to suffer a disease, illness, injury, or sickness.

MORTALITY CHARGES

The risk charges that are levied on the life cover part to provide the protection benefits to the policyholders.

MORTALITY RATE

A measure of the number of deaths, varying by such parameters as age, gender and health, used in pricing and computing liabilities for future policyholders of life and annuity products, which contain mortality risks.

NET ASSET VALUE (NAV)

The market value of each unit of a fund. NAV is declared on all business days, reflecting the combined market value of the investments/securities (as reduced by allowable expenses and charges) held by a fund on any particular day.

NAV in the context of equity shares is computed as the closing net worth of a company, divided by the closing outstanding number of fully paid up equity share. In the context of the unit-linked business of the Company and the investments made in mutual funds by the Company, it represents the value of one unit held by the policyholder/ us and is computed as total assets of the fund/ scheme divided by number of units outstanding.

NET PREMIUM

The total premium written by the Company after deductions for reinsurance ceded.

NET WORTH

Net worth represents the shareholders' funds and is computed as sum of share capital and reserves including share premium share application money and fair value change account net of debit balance in profit and loss account.

NEW BUSINESS ANNUALIZED PREMIUM EQUIVALENT (APE)

The sum of annualized first year premiums on regular premium policies, and ten percent of single premiums, written by the Company during the fiscal year from both retail and group customers.

Glossary of Terms (Contd.)

NEW BUSINESS PREMIUM

Insurance premium that is due in the first policy year of a life insurance contract or a single lump sum payment from the policyholder.

NEW BUSINESS REGULAR PREMIUM OR REGULAR PREMIUM

Insurance premium that is due in the first policy year of a life insurance contract excluding single premium.

NON LINKED BUSINESS

Life or Health Insurance contracts other than unit linked business. Also called as Conventional / Traditional business.

NON PARTICIPATING BUSINESS

Policies without participation in profits, means policies which are not entitled to any share in surplus (profits) during the term of the policy. Examples include pure risk policies such as fixed annuities, term insurance, critical illness etc.

OPERATING EXPENSE RATIO

Operating expenses (excluding commission) divided by Gross Written Premium.

PAID UP VALUE

It is one of the non-forfeiture options given to the policyholder in case of premium default. In this option, the sum assured is proportionately reduced to an amount which bears the same ratio to the full sum assured as the number of premiums actually paid bears to the total number originally payable in the policy.

PARTICIPATING BUSINESS

A life insurance policy where the policyholder is entitled to at least a ninety percent share of the surplus emerging in the participating fund and the remaining belongs to the shareholders.

PENSION BUSINESS

Pension plans are offered by life insurance companies to help individuals build a retirement corpus. On maturity, this corpus is invested for generating a regular income stream, which is referred to as pension or annuity.

PERSISTENCY RATIO

The ratio of life insurance policies remaining in force to all policies issued in a fixed period. Persistency can be measured in terms of number of policies or in terms of premium.

POLICY LAPSE

A life insurance contract lapses if the policyholder does not pay premium within the grace period as prescribed under the applicable regulations.

POLICY LIABILITIES

The policy liabilities under an insurance contract are the benefits an insurance company has contractually agreed to pay to the policyholders, plus its future expenses less future premiums.

PREMIUM

The consideration the policyholder will have to pay in order to secure the benefits offered by the insurance policy

PRIVATE LIFE INSURERS

All Indian life insurance companies other than the Life Insurance Corporation of India.

PROTECTION GAP

Ratio of sum assured to GDP

REINSURANCE

Reinsurance contract is an insurance contract between one insurance company (cedant) and another insurance company (reinsurer) to indemnify against losses on one or more contracts issued by the cedant in exchange for a consideration (the premium). The consideration paid/received is termed as reinsurance ceded/accepted. The intent of reinsurance is for an insurance company to reduce the risks associated with underwritten policies by spreading risks across alternative institutions.

REINSURANCE CLAIMS

Claim amount received or receivable by the insurance company from a reinsurance company on occurrence of a reinsured event.

REINSURANCE PREMIUM CEDED

Premium paid or payable by the insurance company to a reinsurance company in lieu of reinsurance protection.

RENEWAL PREMIUM

Life insurance premiums falling due in the years subsequent to the first year of the policy.

RETURN ON EQUITY

The ratio of profit after tax to average net worth for the period.

REVERSIONARY BONUS

Reversionary bonus is expressed as a percentage of basic sum assured. Simple reversionary bonuses once vested become guaranteed.

RIDER

The add-on benefits which are in addition to the benefits under a basic policy.

RISK REINSURED

The proportion of risk underwritten by an insurance company which it transfers to a reinsurance company for which a stated risk premium would be paid.

RISK RETAINED

The proportion of risk underwritten by an insurance company that is retained by an insurance company in its own books after ceding a portion of risk to the reinsurance company.

RURAL SECTOR

Any place as per the latest census which meets the following criteria:

a) a population of less than five thousand;

b) a density of population of less than four hundred per square kilometre;

c) more than twenty-five per cent of the male working population is engaged in agricultural pursuits.

SINGLE PREMIUM

Those contracts that require only a single lump sum payment from the policyholder. Single premium include top up premium.

SOCIAL SECTOR

Social sector includes unorganised sector, informal sector, economically vulnerable or backward classes and other categories of persons, both in rural and urban areas.

SOLVENCY RATIO, REQUIRED SOLVENCY MARGIN AND AVAILABLE SOLVENCY MARGIN

Solvency Ratio means ratio of the amount Available Solvency Margin to the amount of Required Solvency Margin.

Every insurer is required to maintain an excess of the value of admissible assets over the amount of liabilities of not less than an amount prescribed by the IRDAI, which is referred to as a Required Solvency Margin. The actual excess of admissible assets over liabilities maintained by the insurer is termed as Available Solvency Margin.

SUM ASSURED

An absolute amount of benefit which is guaranteed to become payable on death/ maturity of the policy in accordance with the terms and conditions of the policy.

SURPLUS

The excess of the value placed on a life insurance company's assets over the value placed on its liabilities.

SURRENDERS

The termination of a life insurance policy at the request of the policyholder after which the policyholder receives the cash surrenders value, if any, of the contract.

SURRENDER RATIO

Total surrender divided by the average AuM of policyholders during the year.

SURVIVAL BENEFIT

The amount of benefit which is payable at specific interval, on survival to that period during the period of contract as specified in the policy document. This is stated at the inception of the contract.

TERMINAL BONUS

Bonus declared under the policy in the year when the policy results into a claim either by death, surrender or maturity.

TERM INSURANCE

It is a contract to pay benefits on death of the life assured during the specified period.

TOP-UP PREMIUM

This is an additional amount of premium over and above the contractual basic premiums charged at the commencement of the contract.

TOTAL COST RATIO

Operating expenses including commission, provision for doubtful debts and bad debts written off divided by Gross Written Premium.

TRANSFER TO SHAREHOLDERS' ACCOUNT

The amount of surplus transferred from Policyholders' Account to Shareholders' Account based on the recommendation by the Appointed Actuary.

UNDERWRITING

The process by which an insurance company determines whether or not and on what basis it will accept an application for insurance.

UNIT-LINKED FUND

A unit-linked fund pools together the premiums paid by policyholders and invests in a portfolio of assets to achieve the fund(s) objective. The price of each unit in a fund depends on how the investments in that fund perform.

UNIT LINKED BUSINESS/PRODUCT

A life insurance contract or health insurance contract under which benefits are wholly or partly to be determined by reference to the value of underlying assets or any approved index.

VALUE OF NEW BUSINESS / VNB / VoNB

VoNB is the present value of expected future earnings from new policies written during a specified period and it reflects the additional value to shareholders expected to be generated through the activity of writing new policies during a specified period.

Glossary of Terms (Contd.)

VALUE OF NEW BUSINESS MARGIN / VoNB MARGIN / MARGIN AS A PERCENTAGE OF NEW BUSINESS ANNUALIZED PREMIUM EQUIVALENT

VoNB Margin is the ratio of VoNB to APE for a specified period and is a measure of the expected profitability of new business.

VARIABLE BUSINESS/PRODUCT

Products where the benefits are partially or wholly dependent on the performance of an approved external index/ benchmark which is linked to the product.

VESTED BONUS

Bonus already accrued, which is declared and attached to a policy. Once vested it becomes guaranteed.