

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
<b>Linked Business</b>		
<b>Individual Business</b>		
<b>Life Business</b>		
11: With guarantees	1.8%	0.2%
12: Without guarantees	0.8%	0.2%
<b>General Annuity</b>		
13: With guarantees	1.8%	0.0%
14: Without guarantees	0.8%	0.0%
<b>Pension</b>		
15: With guarantees	1.8%	0.0%
16: Without guarantees	0.8%	0.0%
<b>Group Business</b>		
<b>Life Business</b>		
11: With guarantees	1.8%	0.2%
12: Without guarantees	0.8%	0.2%
<b>General Annuity</b>		
13: With guarantees	1.8%	0.0%
14: Without guarantees	0.8%	0.0%
<b>Pension</b>		
15: With guarantees	1.8%	0.0%
16: Without guarantees	0.8%	0.0%
<b>Health Insurance</b>		
<b>Individual Business</b>		
Linked business		
21: With guarantees	1.8%	0.0%
22: Without guarantees	0.8%	0.0%
<b>Group Business</b>		
Linked business		
24: With guarantees	1.8%	0.0%
25: Without guarantees	0.8%	0.0%



(R. Kannan)