MAX FINANCIAL SERVICES

MAX LIFE INSURANCE

Max Financial Performance Update

Investor Release Q1 FY21

July 30, 2020

A Max Financial Services and MS Joint Venture

SECTION I

- Max Financial Services : Q1FY21 Key Highlights

Max Financial Services : Q1 FY’21 Key Highlights

1

Axis transaction update:
- **RBI** and **IRDAI** application under progress; **Shareholders** approval received
- **MSI transaction update: Shareholders, CCI** & **Stock exchanges** approval received; **DEA** & **IRDAI** application under progress

2

Consolidated Revenue***** at **Rs 5,517 Cr,** grows **40%.** Consolidated PAT* at **Rs 182** Cr, Up **235%**, growth in profits was aided by higher investment income, lower claims and tax refunds

3

MCEV as at 30th June 2020 **at Rs. 10,670 Cr,** grows **15%** y-o-y**;** Operating RoEV at **16%,** Up **110 bps** vs previous year

4

NBMs (post cost overrun) at **17.1%,** 250 bps lower than PY. NBMs declined due to lower interest rates and higher cost overrun due to lower volumes and business mix shift. Protection products repriced effective Q2 to mitigate interest rate

5

Max Life outperforms competition … de-growth of **4%,** whereas **Private Players** de-grew by **23%**. **Proprietary channel** delivered **8%** growth faster than **Banca** de-growth of **9%.** Market share improved **217 bps** to **10.7%**

6

Individual Protection sales grew **103% y-o-y**, Individual protection mix doubled to **14%** in **Q1FY21**

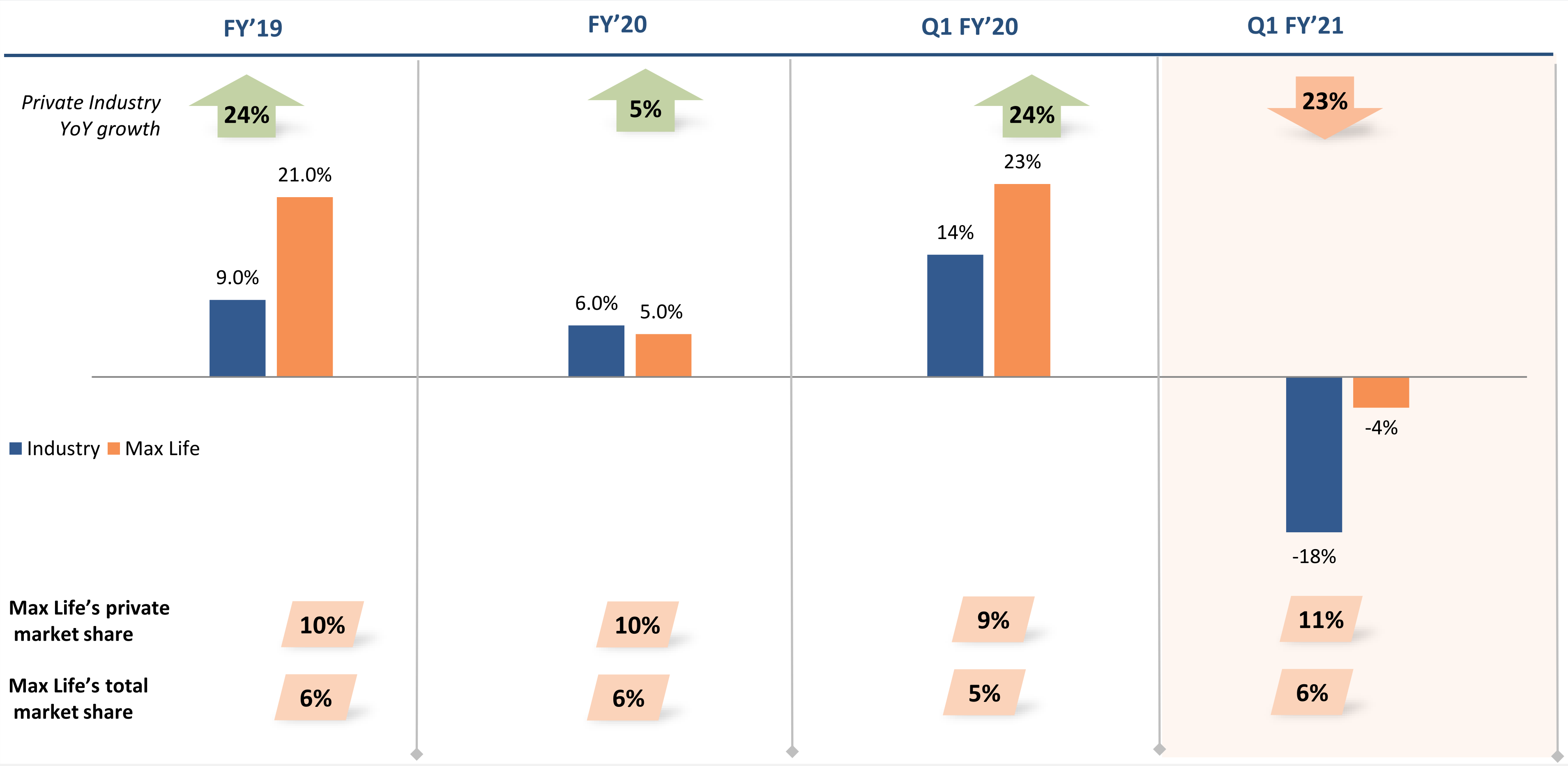
* Consolidated numbers are reported on IND-AS basis

SECTION II

- Max Life Insurance – Business Overview

Industry Landscape (Q1 FY'21): Total Industry de-grew by 18%, while Pvt. players de-grew by 23% and LIC by 11%, Max Life de-grew only by 4%

YoY Growth basis Individual Adjusted FYP



- Despite all COVID-19 challenges, Max life outperformed industry and gained more than 2% share in private market
- Claims paid ratio 99.22% at the end of FY20, one of the best in the industry and best ever ratio reached
- Rank 24 in Great Places to Work, the only insurer among India's top 100 Companies to Work for

Source: Life Insurance Council | IRDAI

Financial Performance Summary Q1FY21

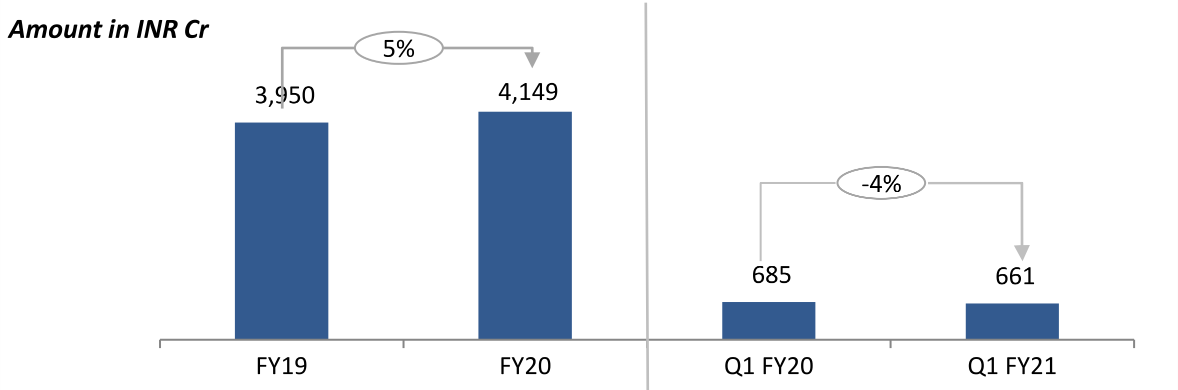
Metric	Q1FY21	[Previous year]	Change
Pvt Market Share	11%	[9%]	217 bps ↑
Individual APE	Rs 660 Cr	[Rs 679 Cr]	-3% ↓
Gross Written Premium	Rs 2,751 Cr	[Rs 2,651Cr]	4% ↑
AUM	Rs 73,239 Cr	[Rs 63,877 Cr]	15% ↑
Profit Before tax	Rs 138 Cr	[Rs 77 Cr]	80% ↑
Net Worth	Rs 2,781 Cr	[Rs 2,518 Cr]	10% ↑
Policyholder Cost to GWP Ratio	21.9%	[24.7%]	274 bps ↓
Policyholder Expense to GWP Ratio	16.2%	[18.7%]	243 bps ↓
New Business Margins – Structural	24.5%	[24.9%]	
New Business Margins – Actual	17.1%	[19.6%]	250 bps ↓
RoEV	15.9%	[14.8%]	110 bps ↑
Embedded Value	10,670	[9,314]	15.9% ↑
Solvency	212%	[225%]	-13% ↓
VNB	113	[134]	-16% ↓
Policies Sold ('000)	123	[114]	8% ↑
New business Sum Assured	50,030	[35,922]	39% ↑
Protection Mix** – Individual	14%	[7%]	
Protection Mix** – Group	11%	[8%]	
Protection Mix** – Total	25%	[15%]	990 bps ↑

Figures in [brackets] are for previous year numbers.

Growth on Embedded value is operating RoEV, **Group protection (incl. Group credit life adjusted for 10% for single premium and term business);

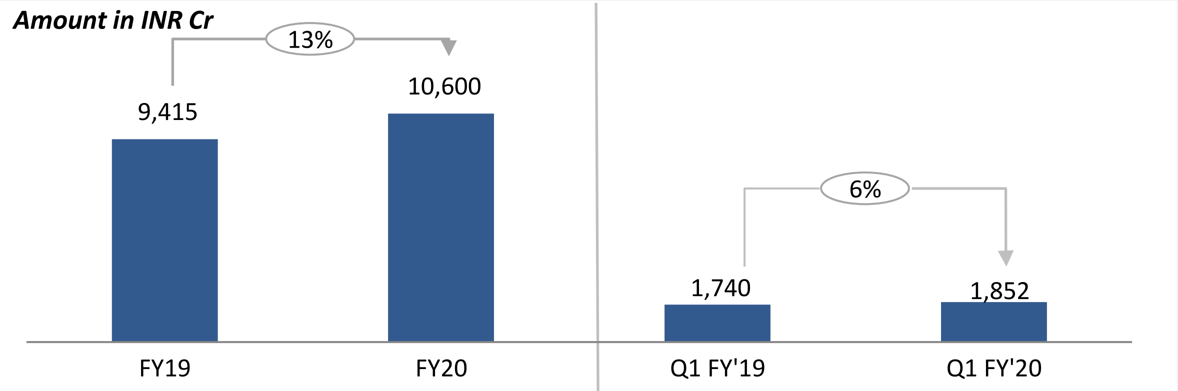
Max Life has delivered strong performance on new business ; Maintained 4th rank in the private industry and increased market share by 217 bps

New Business Premiums (on APE basis)

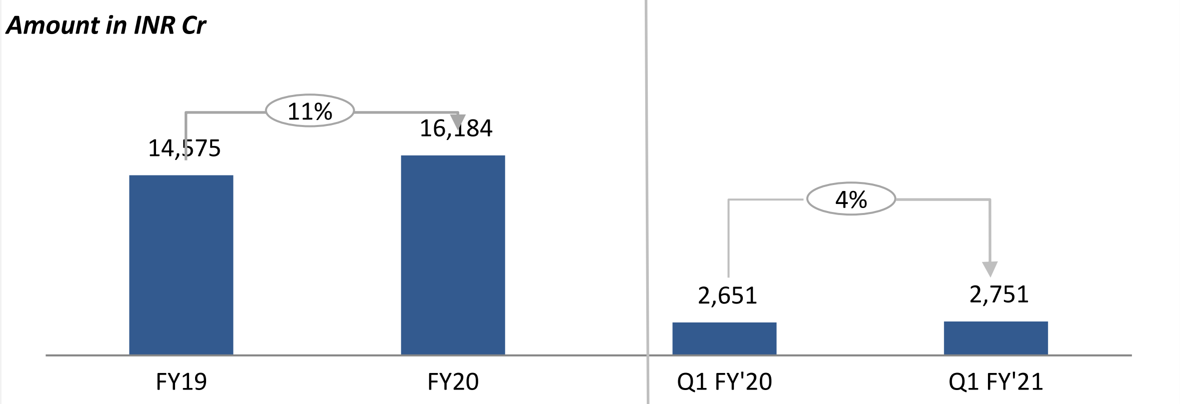


	FY19	FY20	Q1 FY20	Q1 FY21
Mkt Share#	**9.7%**	**9.7%**	**8.5%**	**10.7%**
Pvt Ind Rank	**4**	**4**	**4**	**4**

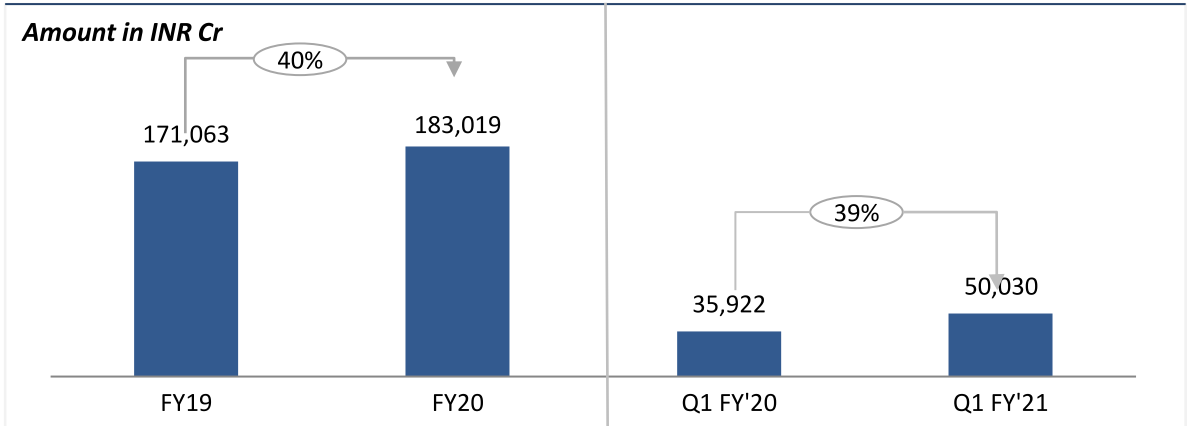
Renewal Income



Gross Written Premium



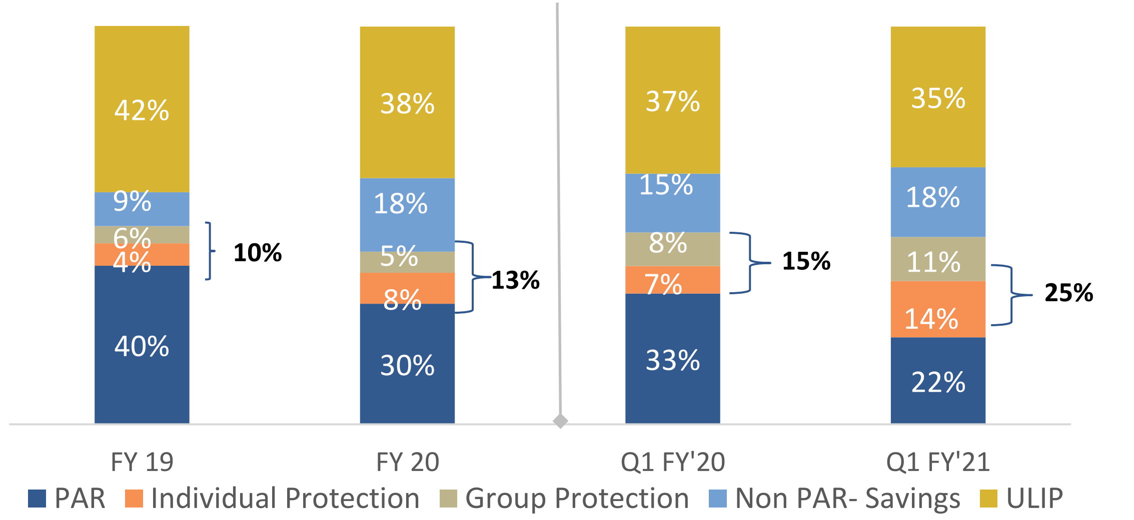
Individual Sum Assured of New business- 39% growth in Q1FY21 due to strong growth in protection business



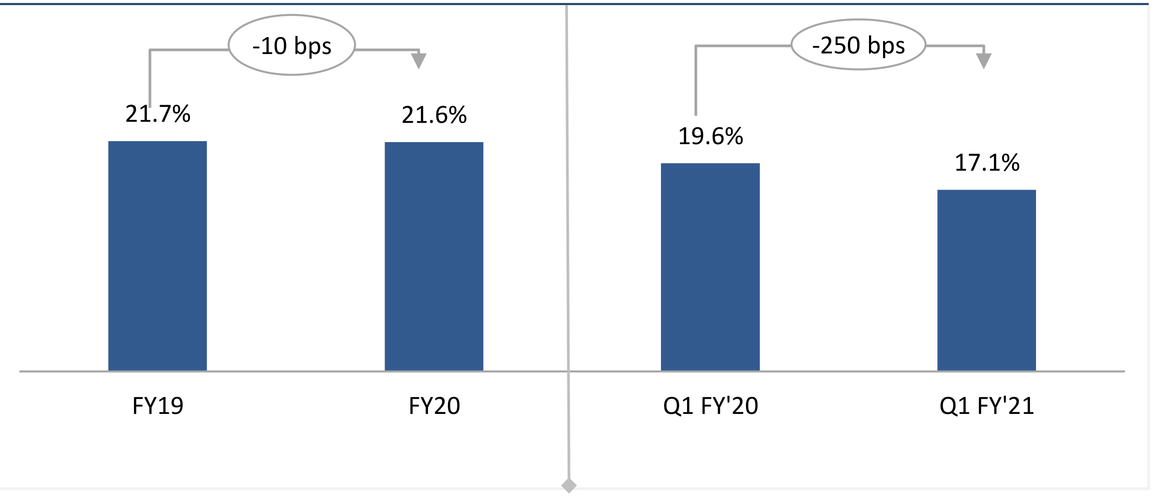
Total APE includes Individual and Group Credit Life APE. It excludes Group term Loan # on Adj FYP basis

Individual protection penetration doubled; NBM declined due to interest rates

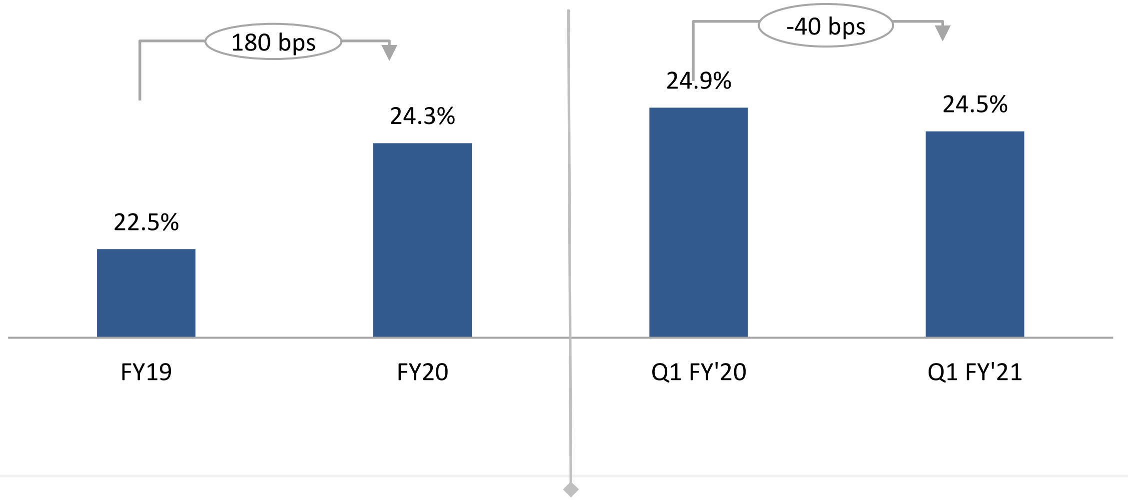
Product Mix – Increasing protection contribution while maintaining balance



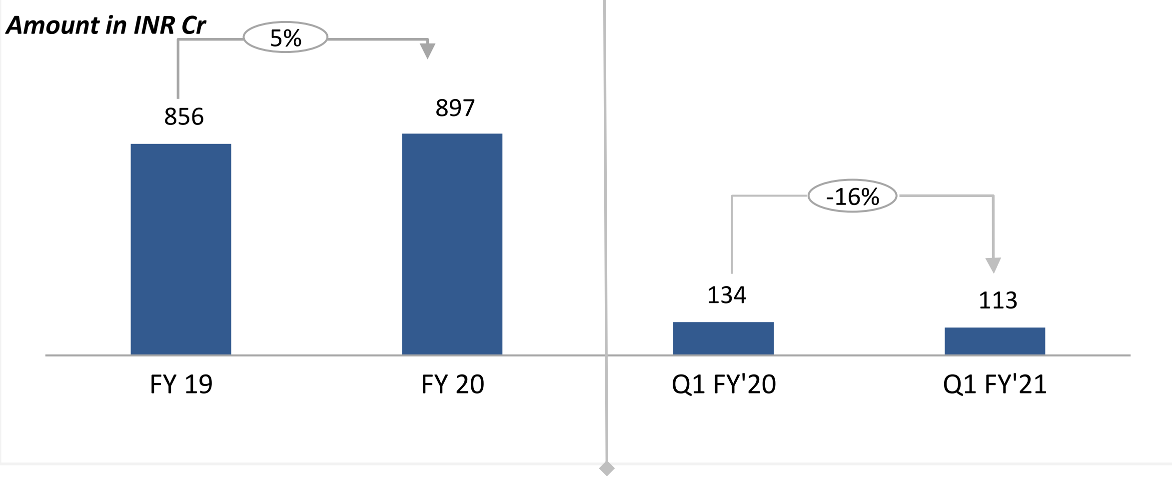
Margins (post-overrun)



Margins (Structural)

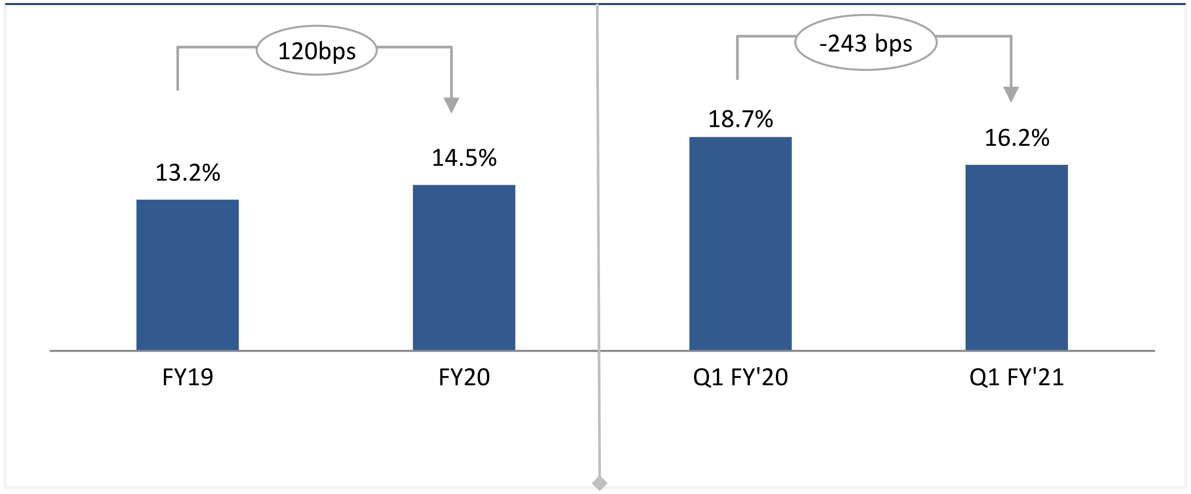


VNB (post over-run)

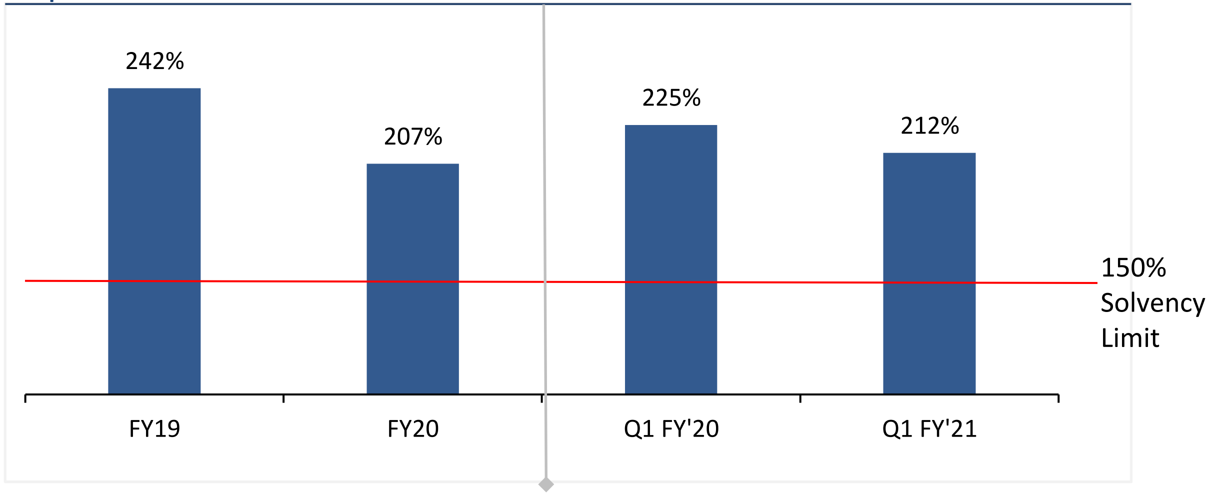


Efficient capital management with consistent RoE of 20%+… best in class among financial services

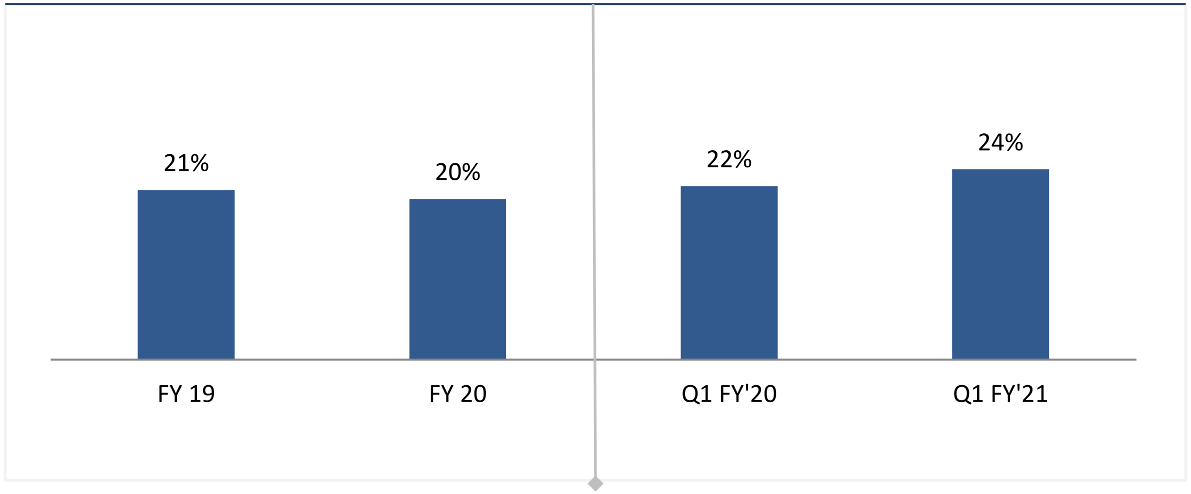
Opex to GWP*- Cost management actions improved Opex to GWP by ~243 bps



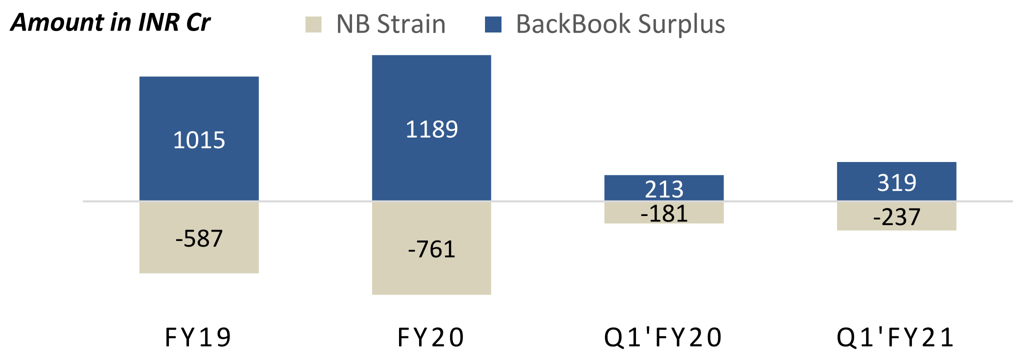
Solvency Ratio (pre dividend) - maintained well above the regulatory requirement



Return on Equity (RoE)# - maintained at consistently more than 20%



Underwriting Profits

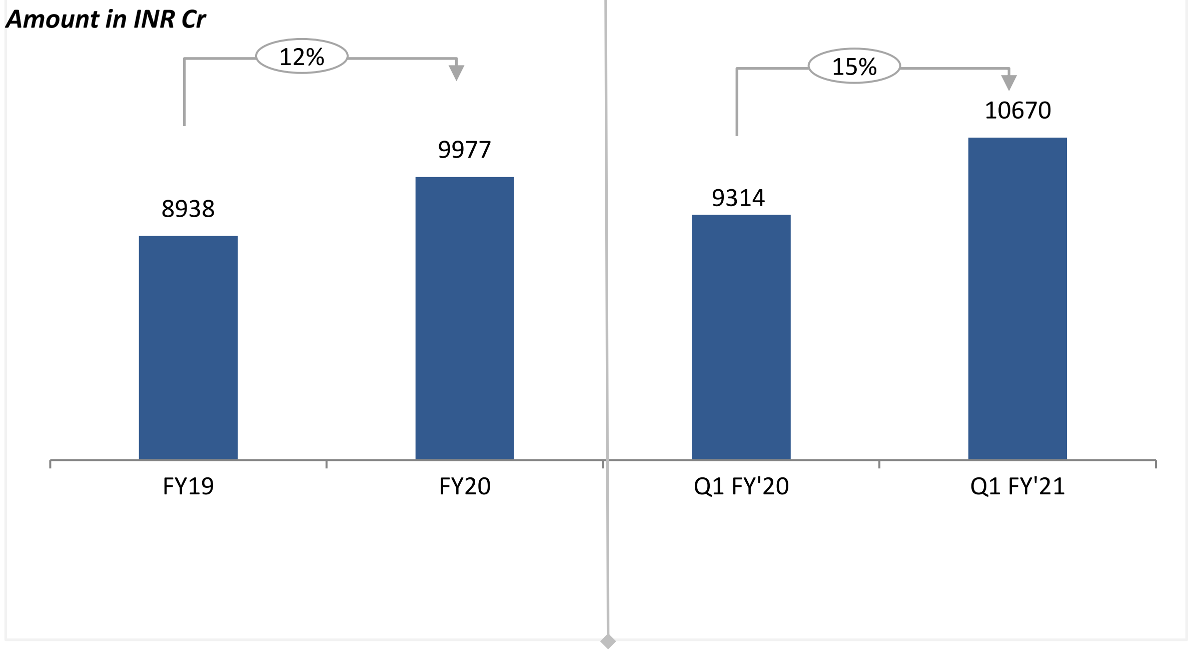


SH Surplus	128	111	34	89

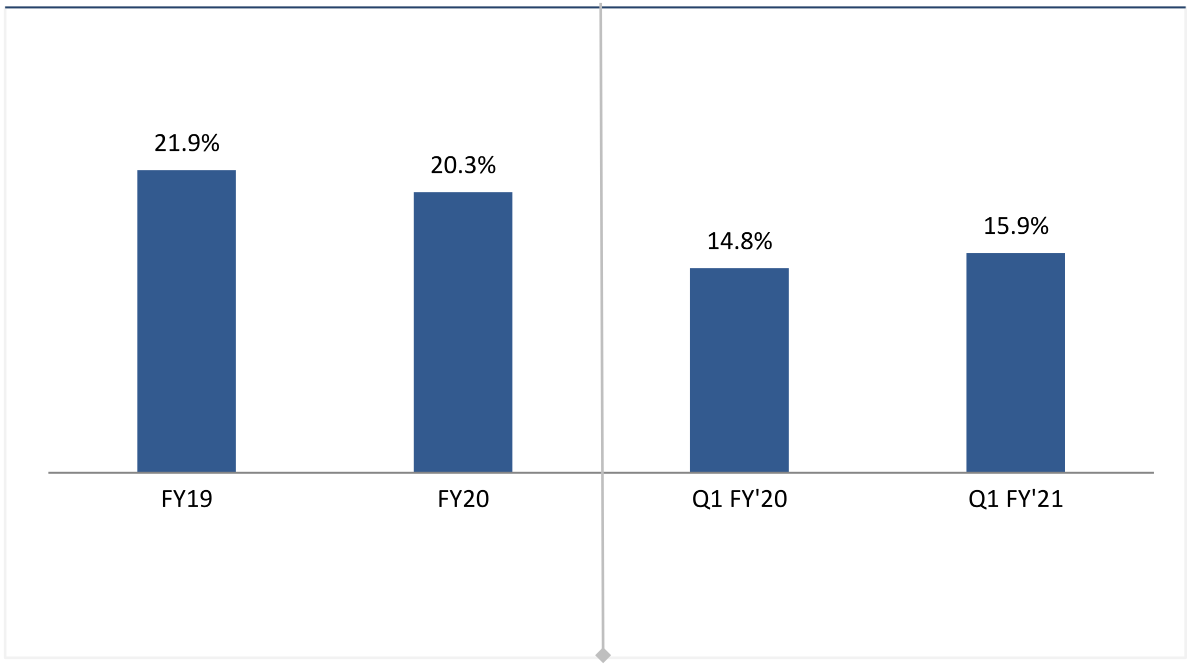
* *Refers to the policyholder expense to GWP ratio; # ROE is PAT as a ratio of average Net worth during the year*

Embedded value grew at 15%, while operating RoEV for Q1FY21 at 15.9%

Embedded Value (EV) - EV has grown at 15% driven by growth in value of new business and quality of inforce business*



Operating Return on Embedded Value - RoEV has increased to 15.9% in Q1FY21*

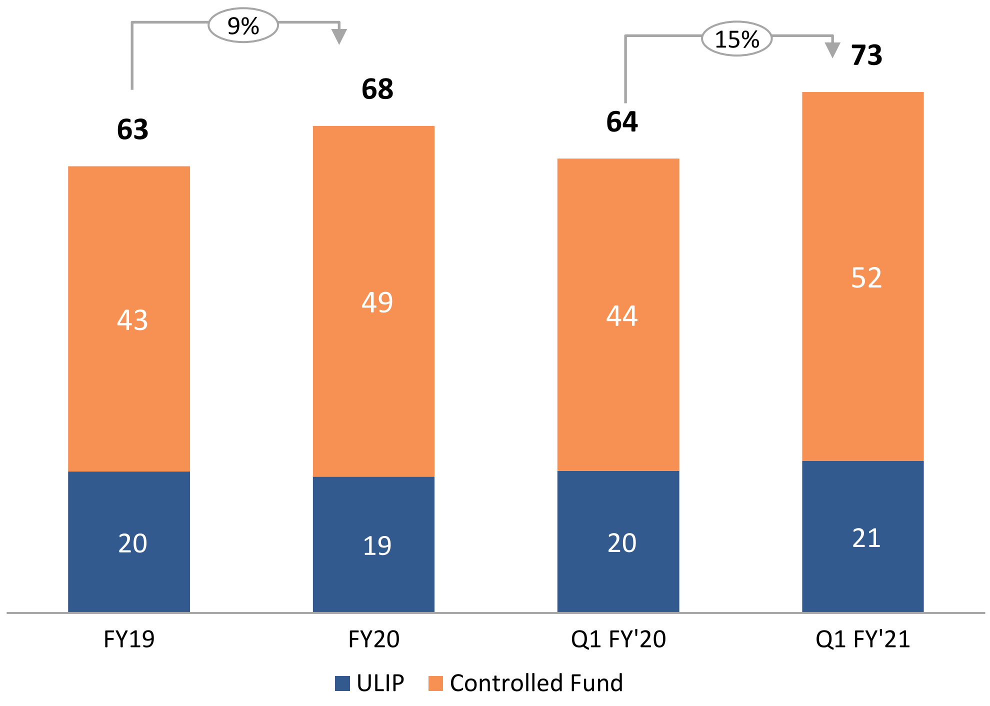


*EV includes Rs 63 Cr on account of Income Tax Refund for previous years

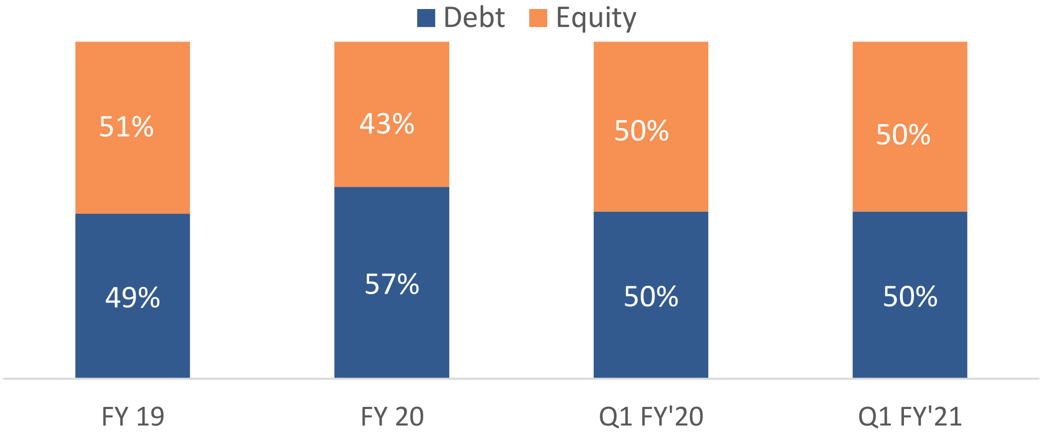
Max Life has consistently grown its Asset Under Management

Assets Under Management - MLI is the 4th largest manager of private LI AUMs, Par fund size ~40K

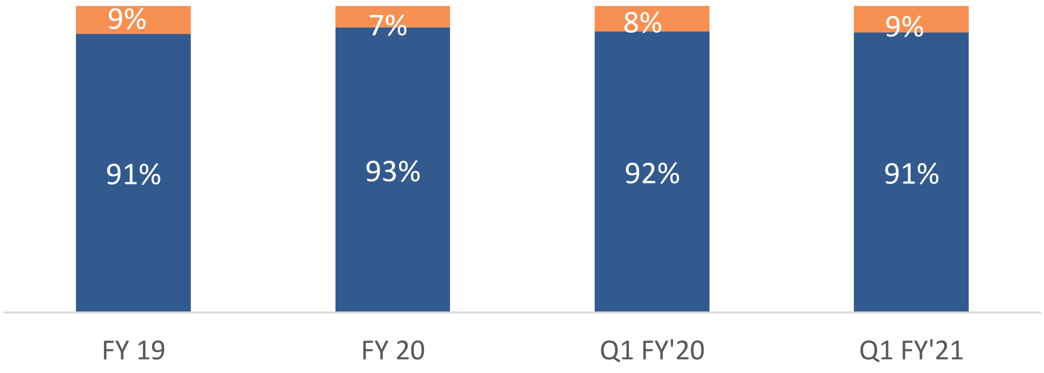
Amount in INR '000 Cr



ULIP: Healthy mix of Debt and Equity



Controlled: Healthy mix of Debt and Equity



More than 95% of debt investments is in sovereign papers and AAA rated securities

Max Life has been recognised by a number of Indian and foreign business bodies for its excellence in business, customer service and focus on people

Business Excellence

- Winner of CII Industry Innovation Award
- Outlook Money Award- Best Life Insurer
- Most Admired Brand
  By White Paper International
- BFSI Smart Tech Awards 2019 - IPQ won the Best Use of Data and Analytics
- Golden Peacock award for Corporate Governance
- 3 Gold and 6 silver awards at the ACEF 9th Global Customer Engagement Awards 2020
- Best Use Innovation In Loyalty Marketing - Virtual Reality at Customer Fest Show 2020
- Smart Term Plan as Product of the Year award under the Term Life Insurance category, Nielsen Survey 2020
- Won 3 awards with our agency partners at DigiXX 2020 Awards

Leaders in Quality

- No. 1 in Customer Loyalty survey by IMRB
- Gold at ASQ World Conference
- Winner of IMC Ramkrishna Bajaj National Quality Award
- Winner of CII Industry Innovation Award
- Asia Pacific Quality Organization (APQO) award for global performance excellence
- Silver Award in ASQ ITEA 2019 for Sell Right for Customer Delight at Axis Bank
- Silver Award in the 12th QCI-DL Shah Quality Awards for Enhancing S2R Conversion% Select 60 offices in Agency.
- At CMO Asia Awards , won Best Term Plan Company of the Year

Focus on People

- **Ranked 24th – India's Best Companies to work for in 2020. Best in Insurance industry**
- Top 25 BFSI companies to work for by Great Place to Work Institute, India in 2020
- India's Top 75 Workplaces for Women by Great Place to Work Institute
- Employee Engagement Leadership Award for "Best use of the Employee Award"
- Employee Engagement Leadership Award for "Best Social Responsibility"

SECTION III

- Max Life Insurance – Strategy

COVID Response: Significant progress made in key programs initiated to navigate through current situation and emerge stronger

	1 Digital Sales	2 Products and Underwriting	3 Cost rationalization	4 Close to customer	5 Furthering Human capital
Initiatives	▪ 100% digitized selling, onboarding & governance ▪ 100% digitized training. ~30K agent advisors and sellers trained on digital tools. ▪ Manifold Increase in digital marketing content ~50+ self help videos, weekly expert calls, digital repository ▪ Cross-selling and virtual engagement with prospects	▪ Distribution enablement for remote protection selling – increased Tele-medical limit, profile-based sourcing and PASA campaigns for high propensity customers ▪ Enablement of Medical diagnostic network - 2300+ centers functional now in 700+ cities. ▪ Product innovations for new opportunities - Launched 3 new products – Flexi and Smart Wealth Plan. Group Micro Insurance Product	▪ Tactical and structural long term cost take out – reduction in discretionary expenses ▪ Reimagine the futuristic operating model ▪ Digitization for efficient backend operations	▪ Proactive communication around reassuring customers ▪ Enablement of service / request types on self-service / digital modes (non-physical)/ robo-calling ▪ Customer enablers for premium payment ▪ Voice payment bot for renewal payment convenience	▪ Engagement initiatives to keep employee morale high ▪ Infrastructure enablement and collaboration tools for work form home option ▪ Leverage existing virtual learning platforms for continuous learning
Impact	▪ **Sales:** 8% growth in no. of policies vs 14% de-growth for private industry in Q1 ▪ **Meetings:** # of meetings increased to 2.4x of pre-COVID ▪ **Agent recruitment:** 100% leads generated digitally vs <1% pre-COVID ▪ **Cross-sell:** ~550 bps increase compared to pre-COVID	▪ **# of medicals / day:** ~30% increase compared to pre-COVID ▪ **Protection penetration by # of policies:** 50% vs 30% - 35% post/ pre-COVID	▪ **Opex to GWP:** 243 bps reduction in Q1 FY21 compared to Q1 FY20	▪ **34 COVID claims** received in Q1 ▪ **90% branches** operational ▪ 1200 bps improvement in self servicing post-COVID ▪ >24 premium payment options – ~2.5x increase in online payments	▪ **Employee engagement:** Continuous pulse surveys with favorable scores ▪ Enhanced usage of **online learning platform**

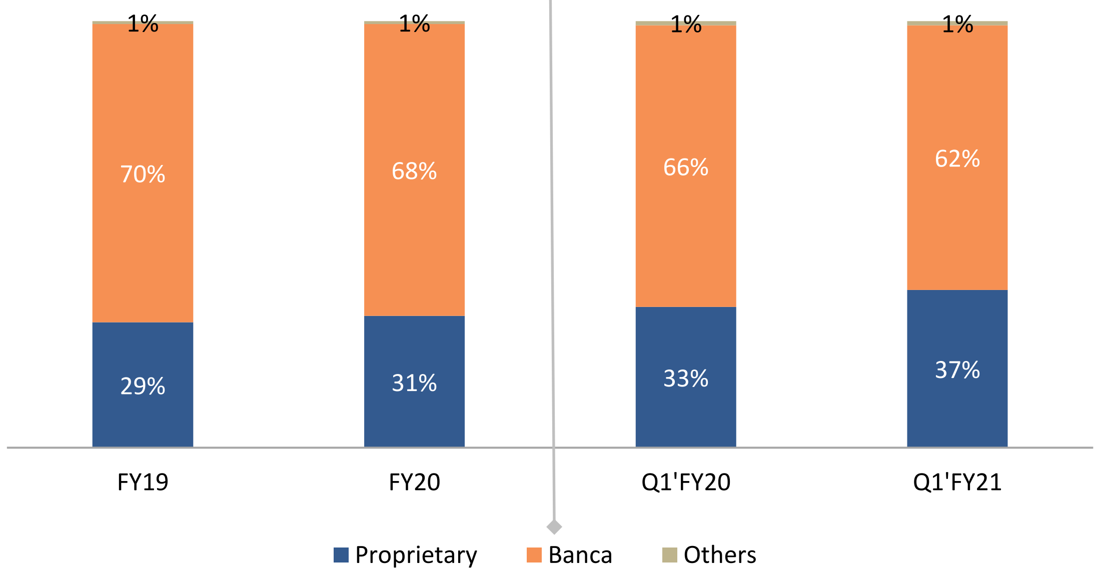
Significant progress made across key strategic priorities

	A. Predictable & Sustainable growth	B. Product innovation to drive margins	C. Customer centricity across the value chain	D. Digitization for efficiency and intelligence
INITIATIVES	▪ Deepen Bancassurance partnerships ▪ On-board new distribution partners ▪ Scale up existing proprietary channels ▪ Opportunistic play for inorganic growth	▪ Increase protection penetration ▪ Drive Non PAR saving ▪ Tap into new growth opportunities like health and retirements ▪ Enhanced investment and mortality risk management	▪ Improve position in 13M and 61M persistency ranking ▪ Highest Relationship Net Promoter Score (NPS) in the industry	▪ Continue with digitization agenda across the organisation ▪ Build intelligence (AI) in all digital assets ▪ Minimize back-office costs
Progress achieved	▪ Entered into definitive agreements with Axis Bank* - Approached regulators for approval, deal on track ▪ Extended corporate agency agreement with **Yes Ban**k for 5 years ▪ Proprietary channels grew by 8% in Q1 FY21 and hence increase in share of proprietary channels ▪ Working with over 28 partners – Signed up with PayTM for retail, Xiomi and Mjunction for Group during the quarter	▪ Protection business grew by 64% in Q1. Product mix well balanced. Focus remains on driving Protection and NPAR savings contribution ▪ Launched ULIP product in Q1, and new non-par in July ▪ Continue to further retirement segment through 'immediate & deferred annuity designs' – Empanelled as a NPS annuity service provider ▪ Executed FRA contracts to augment non-par appetite	▪ Claim paid ratio at 99.22% at the end of FY20, among the best in the industry ▪ Persistency for Q1 impacted due to lockdown. Expected to show improvement during the year due to initiatives implemented ▪ Improved brand consideration score to 61 as of June (22 point improvement over same period last year) ▪ Launched IPQ Express, in association with Kantar, revealing dominant consumer sentiment towards protection in times of COVID	▪ 100% of all policies digitally sourced - Achieved 71%+ Insta-issuance ▪ 100% recruitment enabled through digital ▪ 80% requests enabled through digital self service means ▪ Max Life Innovations Lab – Concluded PoC with 7 startups ▪ Progressing well on AI and modernizing IT journey

**subject to regulatory approvals*

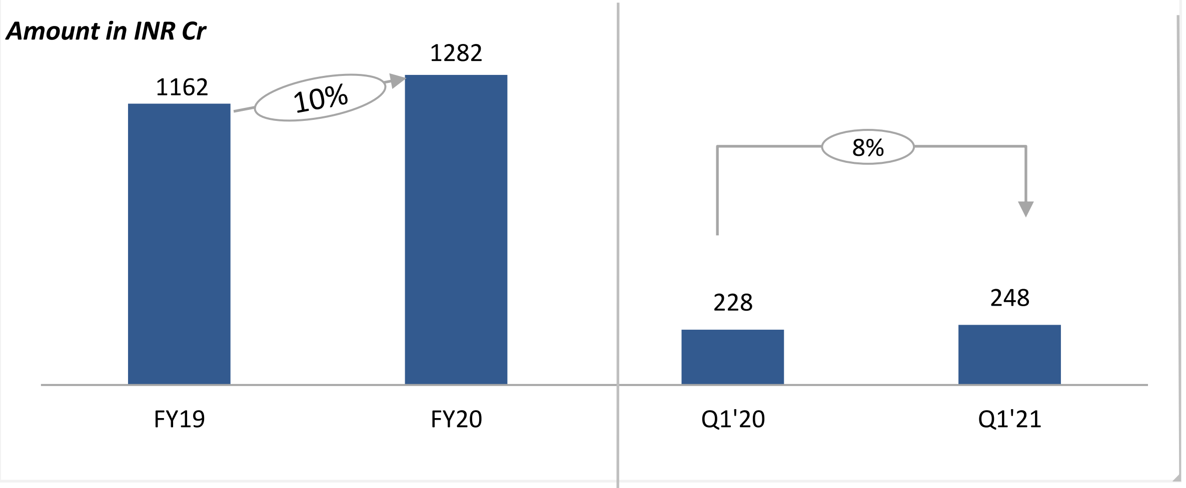
A Max Life has focused on ensuring growth in both its Proprietary and Bancassurance channels

Channel Mix - Max Life has focused on maintaining a balanced distribution mix

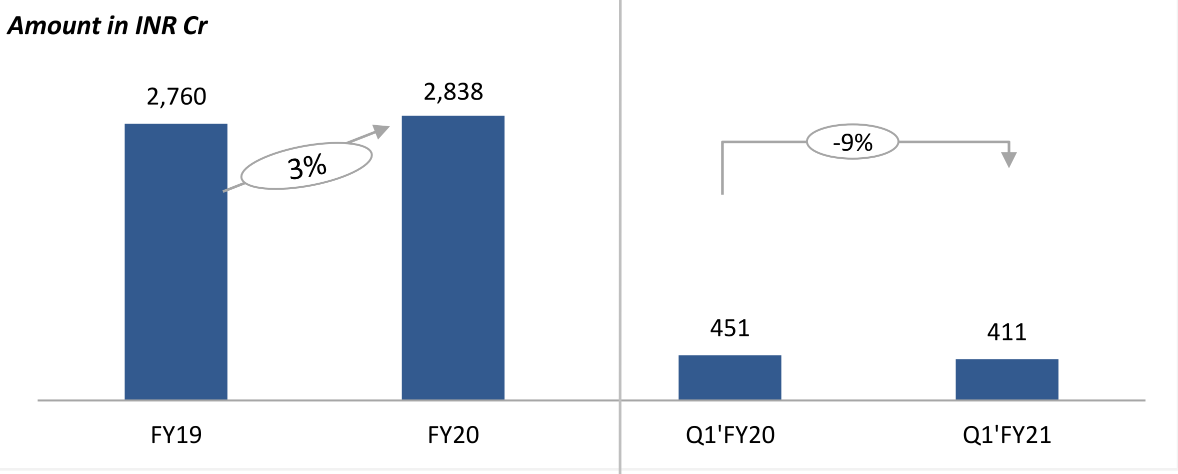


Axis's Share	**57%**	**57%**	**50%**	**56%**

Proprietary Channels New Business (APE) -

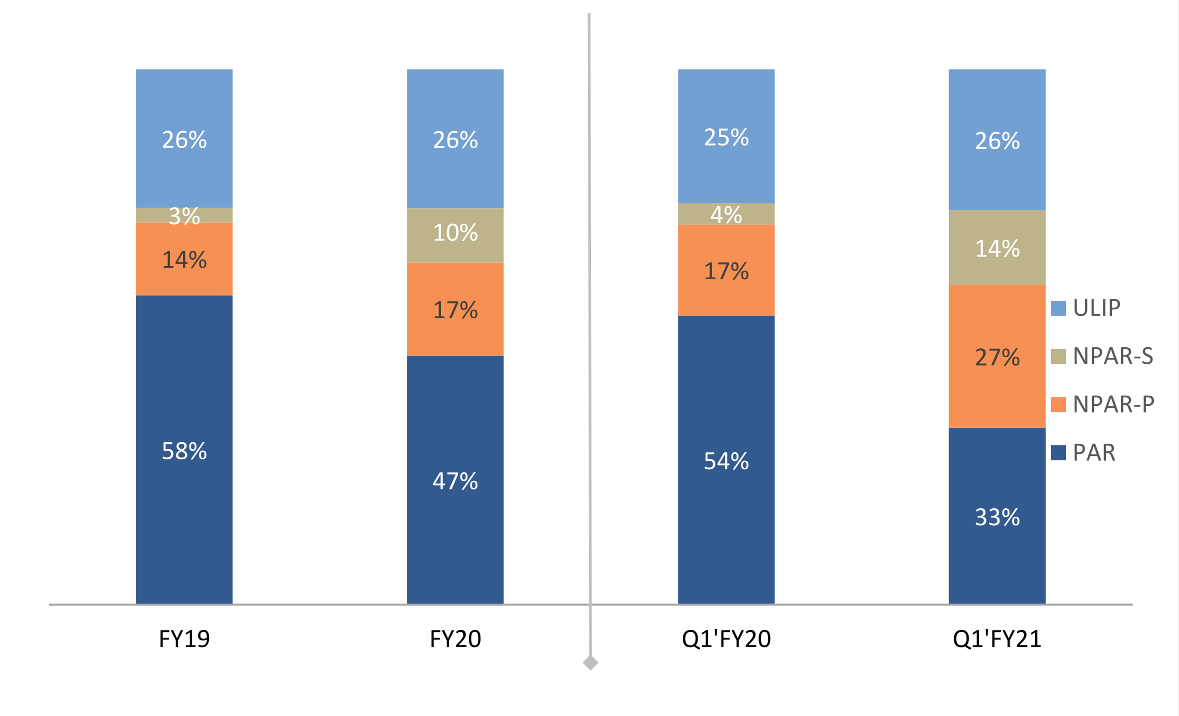


Bancassurance Channel (APE)

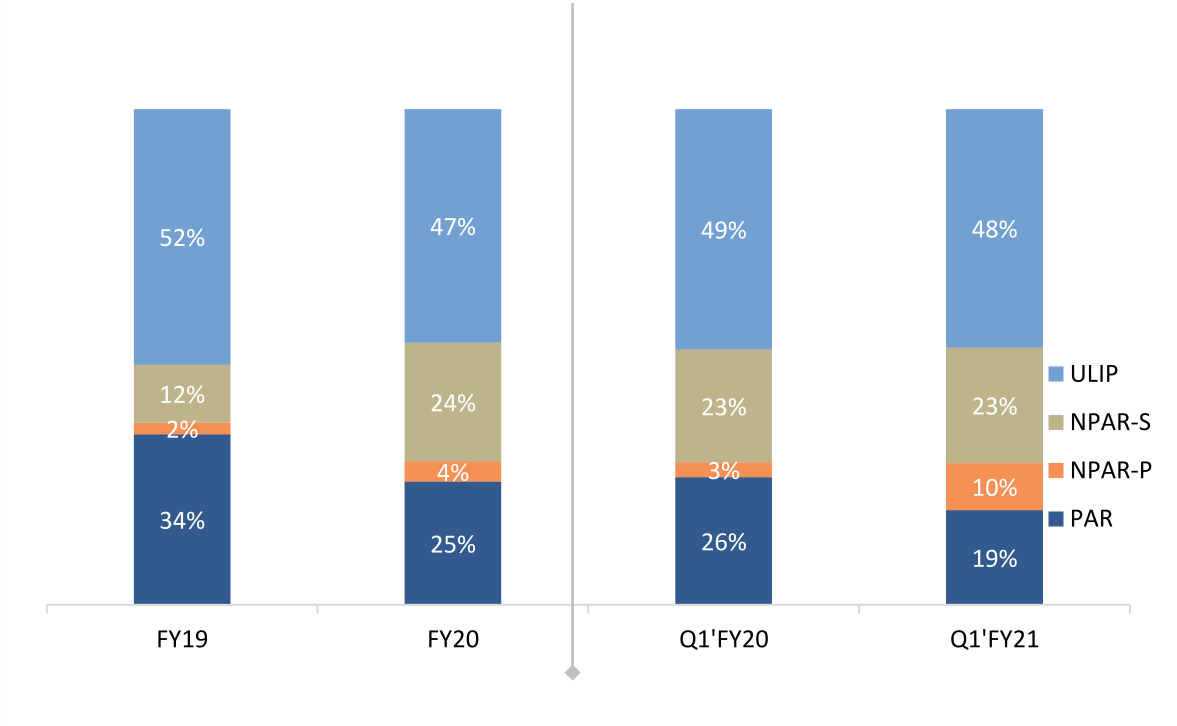


Product mix in proprietary and Bancassurance channels aligned to customer needs; Protection driven across all channels

Proprietary Channels Product mix - biased towards traditional products and protection for driving margins



Bancassurance Product Mix - has been biased towards ULIPs to cater to target customer segments

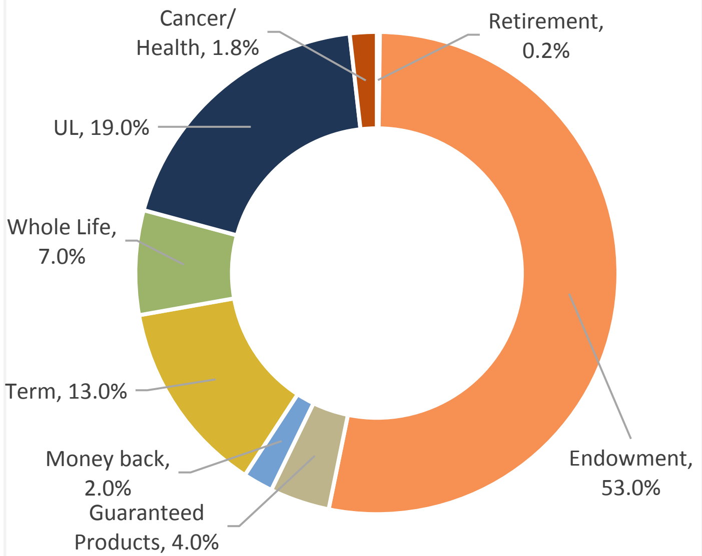


Max Life has a complete suite of products and focus is on selling longer term products along with improving penetration of pure protection offerings

Max Life has products across all categories

4 Protection plans	1 Health plan
3 Income plans	1 Annuity plan
3 Endowment plans	1 Retirement ULIP
4 ULIP plans	1 Whole life
2 Child plans	4 Riders

Current portfolio[1] biased towards traditional products

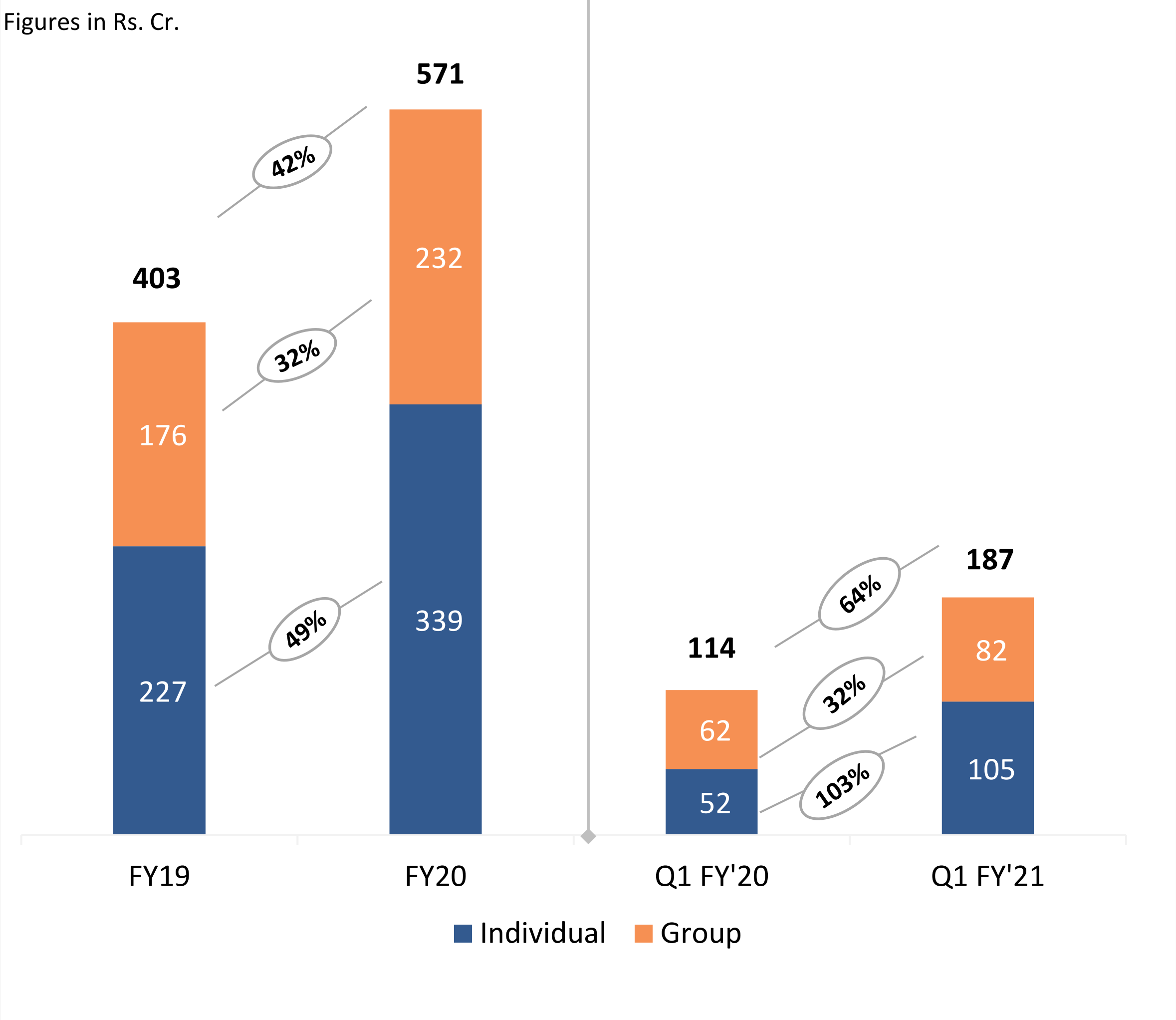


Product Type	Average Policyholder Age (Years)	Average Policy Term (Years)	Average PPT (Years)
Endowment	35	22	10
ULIP	38	14	10
Whole Life	36	64	51
Money back	28	17	16
Pure Term	35	36	34
Guaranteed products	43	19	9
Health	39	19	19
Cancer Insurance	37	29	29
Pension	33	23	23
Annuity	63	57	1
As on 30th June 2020	36 Average	25 Average	16 Average

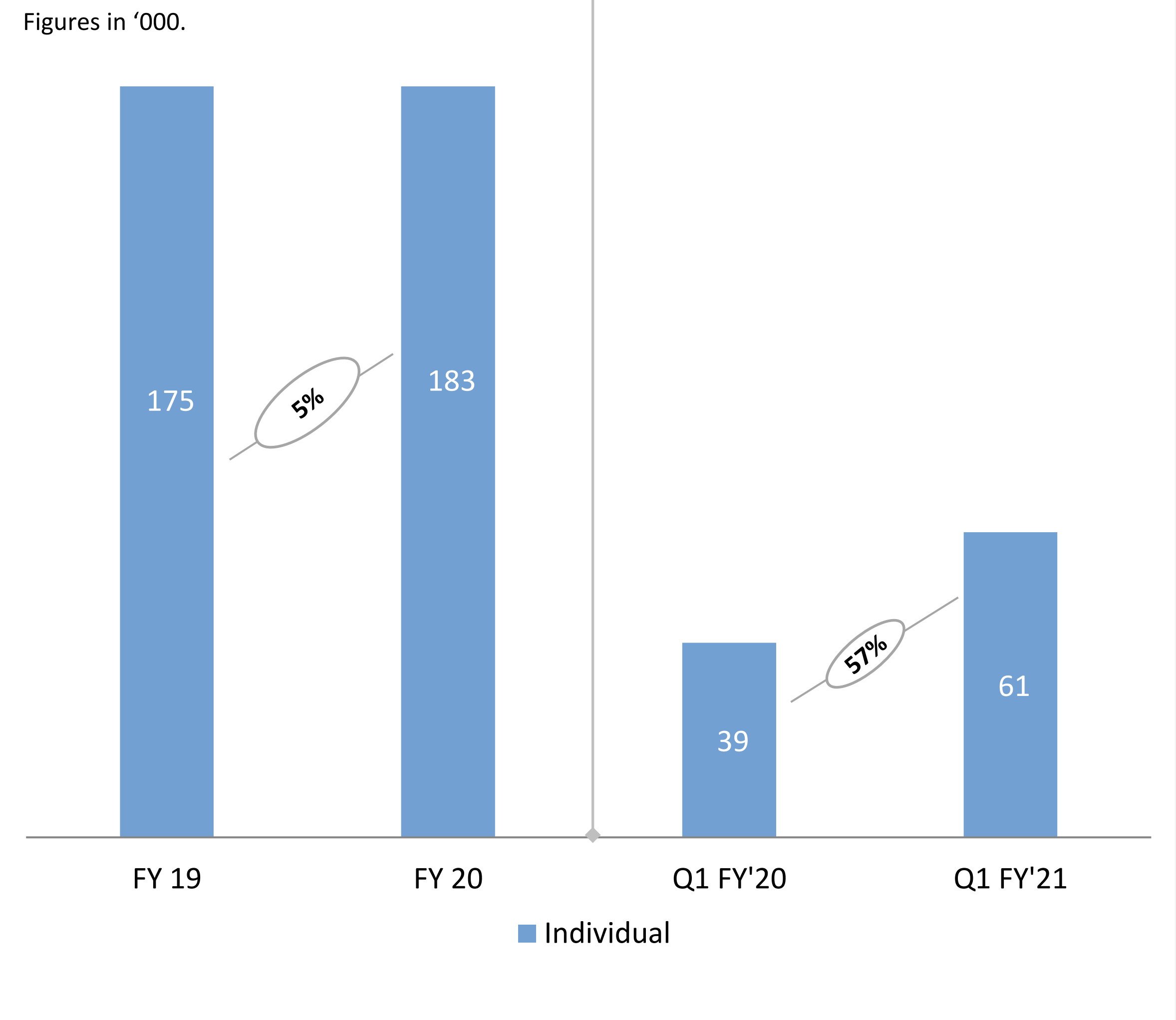
(1) Based on all policies sold till date

B Focus on Protection: Half the policies underwritten in Q1 were Pure Protection, led to >100% growth in APE YoY

Total APE (Individual + Group)



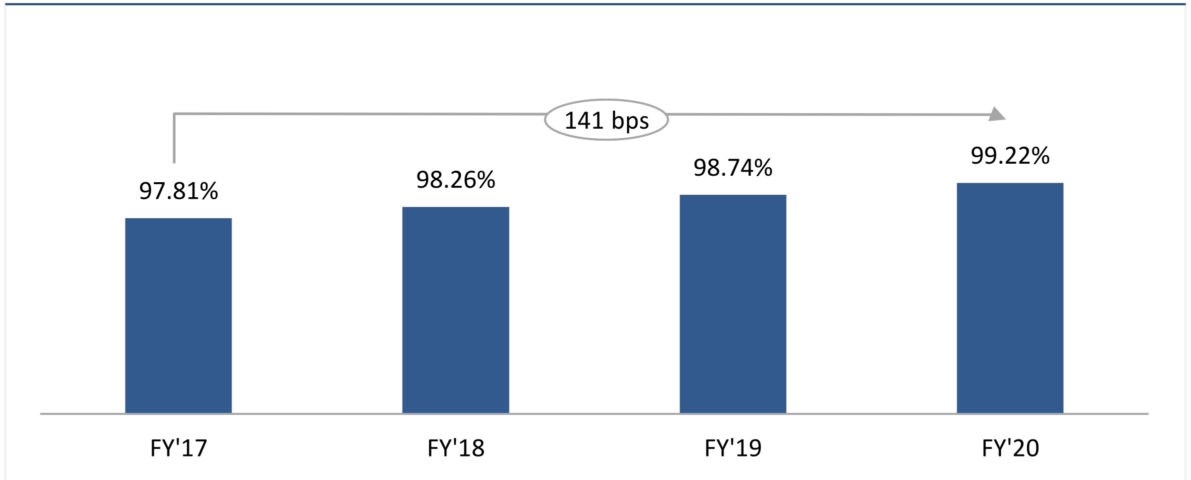
No of Protection Policies (Individual)



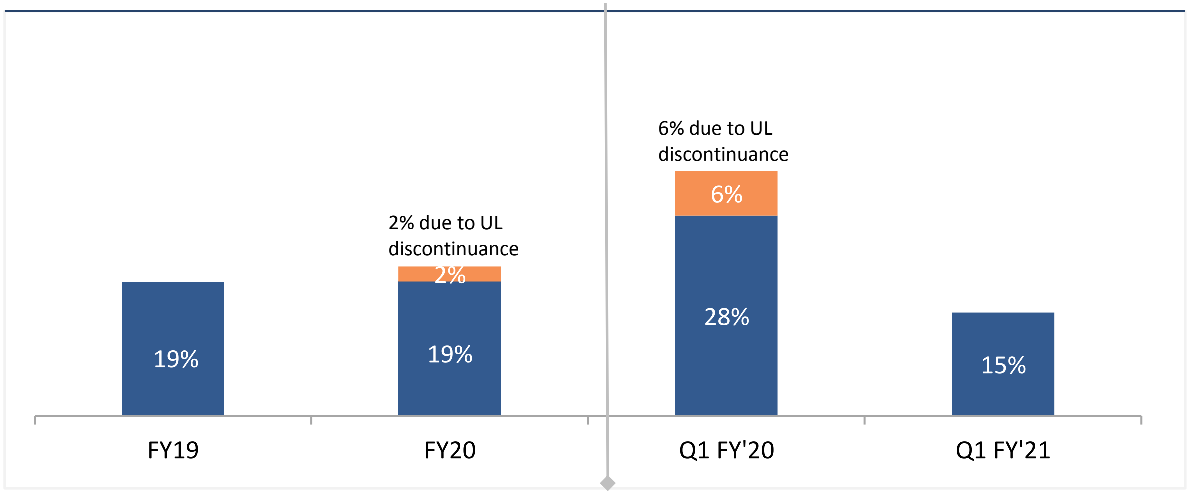
Total APE (incl. Group credit life adjusted for 10% for single premium and term business)

Strong focus towards customer measures has helped deliver superior performance across health parameters and will continue to remain an important priority

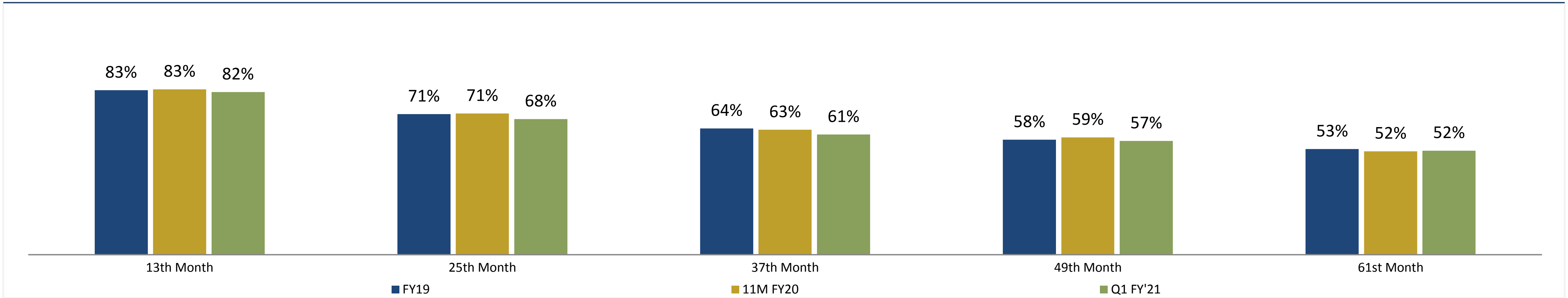
Claims Paid Ratio- One of the best claims paid ratio in the industry



Surrender to GWP



Persistency*- Improving and expected to be back on track soon



XX *Change in persistency (in bps) *FY 20 persistency is reported for 11M as full year reporting accounts for grace period extension which may not be appropriate for comparison from last year*
Full year persistency disclosure as follows: 13th month- 87%, 25th month- 73%, 37th month- 64%, 49th month- 60%, 61st month- 53%

D Significant progress in driving adoption of digital assets & embedding intelligence across insurance value chain aiding in effectiveness and efficiency (1/2)

	Recruitment	Prospecting			Fulfilment	
Digital Assets	MREC: End-to-end agent recruitment platform facilitating faster agent prospecting and onboarding	mQuote: Products illustration generation tool	CSG: CSG/one CRM – Sales CRM tool for lead management	MPOWER: Cross sell and up sell tool	mPRO: Form filling, document collection and post sales verification in a seamless manner	Integration with Bank partners for customer data
Embedded intelligence	Psychometric based scoring and selection	Predictive sales propensity models AI based pre-approved sum assured engines to generate customized offers for customers			OCR for document parsing to enable real time identification and verification of documents to reduce discrepancies	Upfront persistency risk model- integration with various Bureaus & external databases to identify risk of lapsation Fraud checks on customer photographs
Impact	**100%** recruitment digitally	**100%** need analysis digitally			**100%** Policies issued digitally; **75%** FTR	**71%** Insta issuance (1 day)

Significant progress in driving adoption of digital assets & embedding intelligence across insurance value chain aiding in effectiveness and efficiency (2/2)

	Underwriting	Renewal	Servicing
Digital Assets	Dolphin: Rule-based underwriting engine for policy issuance	CRM system for One view of customer; Multiple digital payment options; Easy revival options on website; Click to call and Robo call functionality; Scheduled customer reminders	Customer Servicing tool (mPOWER); Milli – chatbot for query resolution; Self service options on website; Whatsapp for customer query and servicing
Embedded intelligence	Model to identify early mortality risk - highlights risky policies and reduces overall issuance time; Integration with fraud database to identify and flag risky customers	Propensity to lapse model using Deep Learning; Early warning system to enable upfront persistency check	Email Bot for customer queries; Linguistic speech analyzer to extract meaningful information from customer calls; Smart Conversational IVR
Impact	Automated Underwriting: **65%** clear cases	**70%** digital payments	**80%** Digital self-service adoption; **>50 Lac** Self-service transactions; **24x7** Query resolution using chat-bot

SECTION IV

- Max Life Insurance – ESG

ESG Framework: Setting benchmarks for inclusivity and sustainability

Environmental

Replace
- End to end digital solutions for our business activities
- Live plants to improve air quality; 2,600 live plants placed in Head Office

Reduce
- Energy reduction by using energy efficient cooling and lighting across branches
- Water conservation through sensor based taps and urinals; 100% water gets recycled in Head Office
- >1 lac water saving nozzles distributed
- Managed print services and stationery
- Food wastage awareness drive in Head Office; food wastage reduced to half

Reuse & Recycle
- Waste management: segregation of waste
- E-waste disposal through certified vendors
- Saved 2 lacs paper cups in 6 months in Head Office by using ceramic cups

Social

Community Service
- Plantation Drive: >35,000 trees planted in FY20 across offices
- Joy of Giving: Provided sanitizers and masks to police officials during Covid 19 outbreak, provided soaps and ration to underprivileged families, blood donation and health check-up camps
- Financial Literacy: >5,400 employee volunteers; ~3 lac people connected

Customers
- Digital enablers provide 24x7 service
- COVID-19: Un-interrupted service & claims

Employees
- Diversity & Inclusion: 22% women employees overall, 31% women employees in non-distribution roles
- Employee health and wellbeing - flexi working hours, paid paternity leave, paid maternity leave, 100% Work from home

Governance

Supervisory Board
- Diverse Board composition
- 30% Independent Directors
- Corporate Governance Policy; code of conduct policy
- Average board experience > 30 years

Risk Management
- Risk management policy and enterprise risk management (ERM) framework
- Sensitivity analysis and stress testing - conducted periodically

Compliance
- Information security and cyber security compliant with ISO guidelines
- Data privacy policy

Ethical Practices
- Policies on AML, whistleblower, POSH, anti-bribery, corruption, gifts acceptance

SECTION V

- Max Life Insurance – MCEV Disclosures: Q1 FY’21

Key Results

The Embedded Value[1] (EV) as at 30th June 2020 is **Rs 10,670 Cr.**

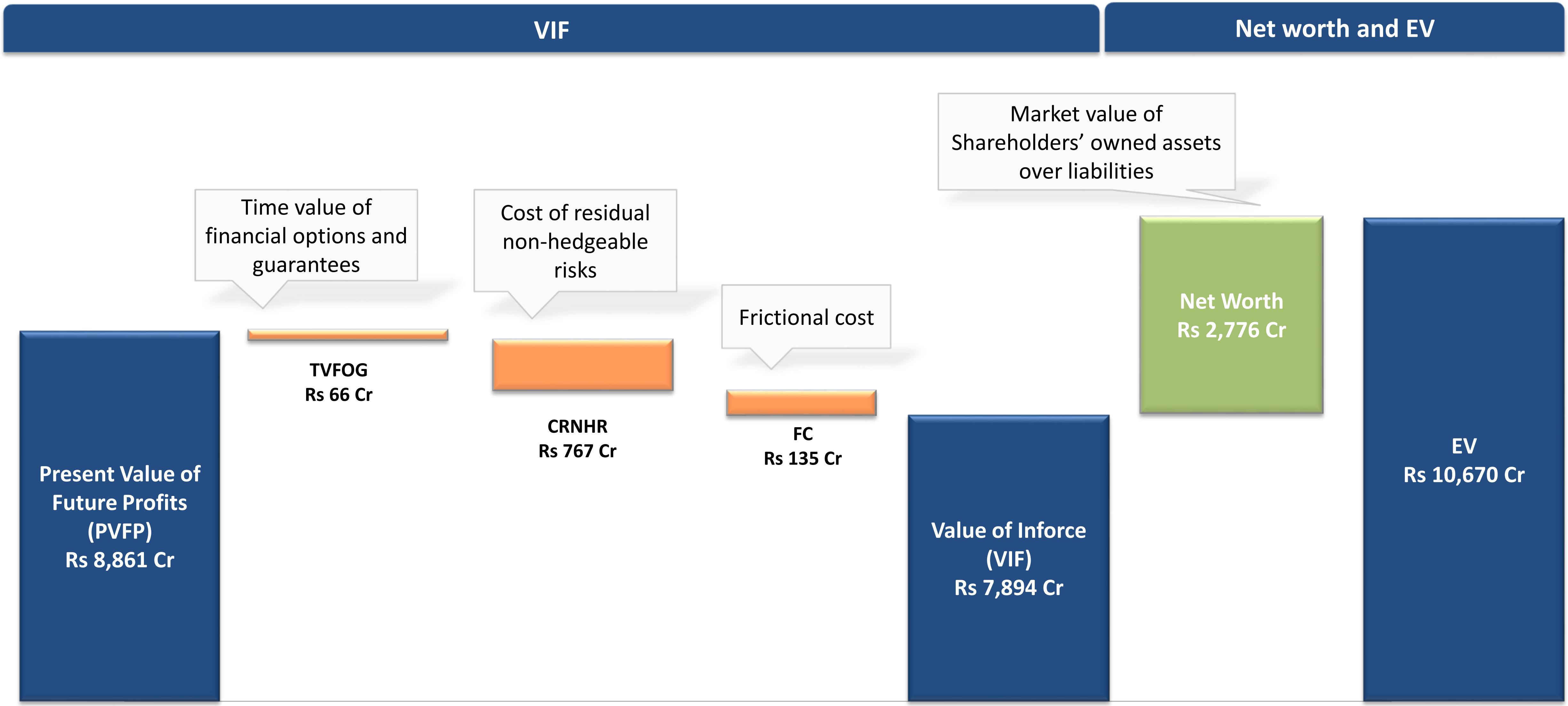
The annualized Operating Return on EV (RoEV) over Q1 FY21 is **15.9%**. Including non-operating variances, the annualized RoEV is **30.8%**. Due to the sales being skewed towards later part of the year, the impact of cost overrun is higher for Q1 FY 21 leading to lower RoEV than full year level.

The New Business Margin (NBM) for 3M FY21 is **24.5%** (before allowing for acquisition operating cost overrun) and **17.1%** (post overrun), with Value of New Business (VNB) written over the period being **Rs 113 Cr** (post overrun).

Notes:

[1] Max Life's Embedded Value (EV) is based on a market consistent methodology. However, they are not intended to be compliant with the MCEV Principles issued by the Stitching CFO Forum Foundation (CFO Forum) or the Actuarial Practice Standard 10 (APS10) as issued by the Institute of Actuaries of India.

Overview of the components of the EV as at 30th June 2020



Note: Figures in Rs Cr. may not add up due to rounding

Value of New Business and New Business Margins as at 30th June 2020

Description	3M FY20	3M FY21	Y-o-Y growth
APE [1]	685	661	(4%)
New Business Margin (NBM) (before cost overrun)	24.9%	24.5%	-40 bps
New Business Margin (NBM) (post cost overrun)	19.6%	17.1%	-250 bps
Value of New Business[2] (VNB) (before cost overrun)	171	162	(5%)
Value of New Business (VNB) (post cost overrun)	134	113	(16%)

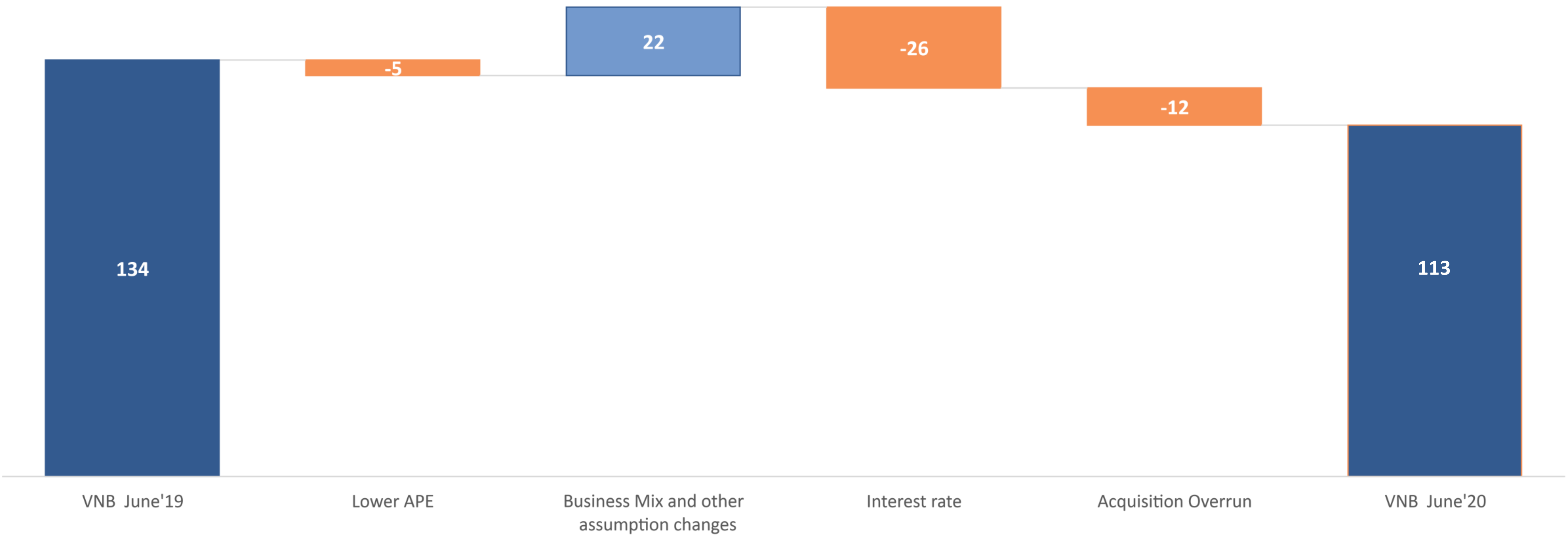
- The New Business Margin (NBM) before cost overrun of 24.5% for 3M FY21 has remained broadly similar to margin of 24.9% for 3M FY20.
- Post allowing for acquisition operating cost overrun chargeable to shareholders, the NBM reduces to 17.1% for 3M FY21 compared to 19.6% for 3M FY20.

[1] Annual Premium Equivalent (APE) is calculated as 100% of regular premium + 10% of single premium.
[2] The VNB is accumulated from the point of sale to the end of the reporting period (i.e. 30th June 2020), using the beginning of quarters' risk free yield curve.

Note: Figures in Rs Cr.

Value of New Business (VNB) and New Business Margin (NBM) Walk

Figures in Rs Cr.



NBM* →	19.6%	-	3.2%	-3.9%	-1.8%	17.1%

Note: *NPAR savings and protection products have been repriced to mitigate interest rate impact going forward. Acquisition overrun are higher in Q1'21 due to lower volume owing to lockdown

Sensitivity analysis as at 31st March 2020

Figures in Rs Cr.

Sensitivity	EV		New business	
	Value (Rs Cr)	% change	VNB (Rs Cr) | NBM	% change
Base Case	**9,977**	**-**	**897 | 21.6%**	-
Lapse/Surrender - 10% increase	9,854	(1%)	864 | 20.8%	(4%)
Lapse/Surrender - 10% decrease	10,103	1%	930 | 22.4%	4%
Mortality - 10% increase	9,800	(2%)	852 | 20.5%	(5%)
Mortality - 10% decrease	10,154	2%	942 | 22.7%	5%
Expenses - 10% increase	9,880	(1%)	831 | 20.0%	(7%)
Expenses - 10% decrease	10,073	1%	963 | 23.2%	7%
Risk free rates - 1% increase	9,728	(2%)	911 | 22.0%	2%
Risk free rates - 1% reduction	10,154	2%	847 |20.4%	(6%)
Equity values - 10% immediate rise	10,040	1%	897 | 21.6%	Negligible
Equity values - 10% immediate fall	9,914	(1%)	897 | 21.6%	Negligible
Corporate tax Rate - 2% increase	9,793	(2%)	871 | 21.0%	(3%)
Corporate tax Rate - 2% decrease	10,161	2%	923 | 22.3%	3%
Corporate tax rate increased to 25%	8,762	(12%)	722 | 17.4%	(20%)

1. Reduction in interest rate curve leads to an increase in the value of assets which offsets the loss in the value of future profits.
2. Risk free rate sensitivities under new business allow for the change in the value of assets as at the date of valuation.

ANNEXURES

Delivering consistent growth in top line and renewals coupled with driving cost efficiencies

Financial Performance

	FY19		FY20	Q1 FY'20		Q1 FY'21
Individual APE	3,917	5%	4,116	679	-3%	660
Renewal Premium	9,415	13%	10,600	1,740	6%	1,852
Gross Premium	14,575	11%	16,184	2,651	4%	2,751
Policyholder expense to GWP Ratio	13.2%	126 bps	14.5%	18.7%	243 bps	16.2%
Policyholder Cost to GWP Ratio	20.0%	80 bps	20.8%	24.7%	274 bps	21.9%
Expense to average AUM (Policyholder)	3.6%	21 bps	3.8%	3.5%		3.5%

Note: Figures in Rs Cr.

Healthy and consistent profitability creating value to all the stakeholders while maintaining solvency above required levels

Financial Performance

Financial Performance	FY19		FY20	Q1 FY'20		Q1 FY'21
Profit(before Tax)	623	4%	598	77	80%	138
AUM	62,798	9%	68,471	63,877	15%	73,239
New Business Margin (Post Overrun)	21.7%	10 bps	21.6%	19.6%	250 bps	17.1%
MCEV (pre dividend)^	9,257	20%	10,433	9,314	16%	10670
Operating RoEV	21.9%	160 bps	20.3%	14.8%	110 bps	15.9%
Solvency Ratio	242%	35%	207%	225%	13%	212%

Figures in Rs. Cr.

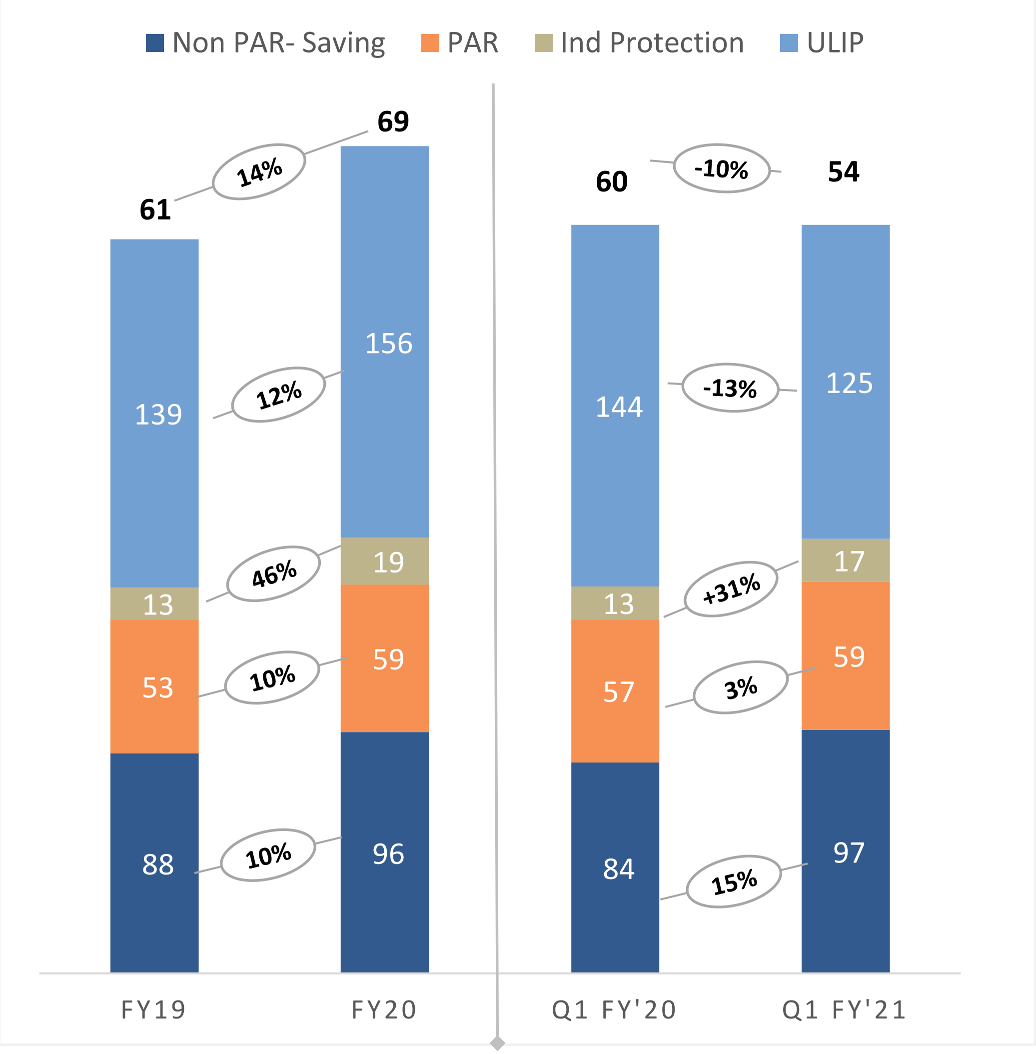
^Arrow represents growth in Operating RoEV

Performance update- Q1’FY21

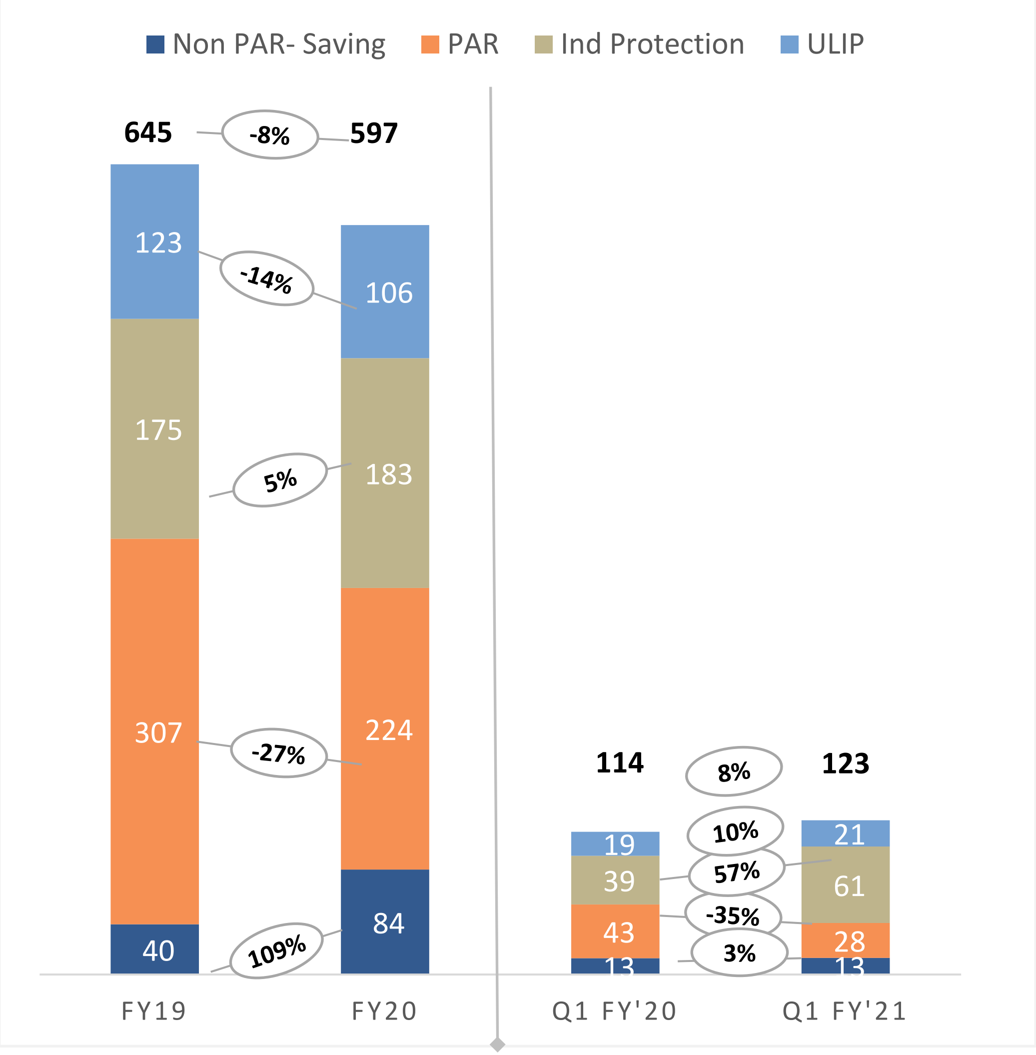
Key Business Drivers	Unit	Year Ended		Y-o-Y Growth
		Q1 FY’20	Q1 FY’21	
a) Individual APE	Rs. Crore	679	660	-3%
b) Gross written premium income	Rs. Crore	**2,651**	**2,751**	4%
First year premium		646	621	-4%
Renewal premium		1,740	1,852	6%
Single premium		265	278	5%
c) Shareholder Profit (Pre Tax)^	Rs. Crore	77	138	80%
d) Policy Holder Expense to Gross Premium	%	18.7%	16.2%	243 bps
e) Average case size(Agency)	Rs.	58,406	68,182	17%
f) Share Capital	Rs. Crore	1,919	1,919	0%
g) Individual Policies in force	No. Lacs	42.76	44.20	3%
h) Sum insured in force	Rs. Crore	731,592	962,127	32%
i) Grievance Ratio	Per Ten thousand	92	34	-63%

Protection – Expansion in both case size and number of policies sold

Case Size (INR’000)



NoPs (INR’000)



Definitions of the EV and VNB

Market consistent methodology

- The EV and VNB have been determined using a market consistent methodology which differs from the traditional EV approach in respect of the way in which allowance for the risks in the business is made.
- For the market consistent methodology, an explicit allowance for the risks is made through the estimation of the Time Value of Financial Options and Guarantees (TVFOG), Cost of Residual Non-Hedgeable Risks (CRNHR) and Frictional Cost (FC) whereas for the traditional EV approach, the allowance for the risk is made through the Risk Discount Rate (RDR).

Components of EV

The EV is calculated to be the sum of:

- Net Asset value (NAV) or Net Worth: It represents the market value of assets attributable to shareholders and is calculated as the adjusted net worth of the company (being the net shareholders' funds as shown in the audited financial statements adjusted to allow for all shareholder assets on a market value basis, net of tax).
- Value of In-force (VIF): This component represents the Present Value of Future expected post-tax Profits (PVFP) attributable to shareholders from the in-force business as at the valuation date, after deducting allowances for TVFOG, CRNHR and FC. Thus, VIF = PVFP – TVFOG – CRNHR – FC.

Covered Business

- All business of Max Life is covered in the assessment except one-year renewable group term business and group fund business which are excluded due to their immateriality to the overall EV.

Components of VIF (1/2)

Present Value of Future Profits (PVFP)

- Best estimate cash flows are projected and discounted at risk free investment returns.
- PVFP for all lines of business except participating business is derived as the present value of post-tax shareholder profits from the in-force covered business.
- PVFP for participating business is derived as the present value of shareholder transfers arising from the policyholder bonuses *plus* one-tenth of the present value of future transfers to the participating fund estate and one-tenth of the participating fund estate as at the valuation date.
- Appropriate allowance for mark-to-market adjustments to policyholders' assets (net of tax) have been made in PVFP calculations to ensure that the market value of assets is taken into account.
- PVFP is also adjusted for the cost of derivative arrangements in place as at the valuation date.

Cost of Residual Non-Hedgeable Risks (CRNHR)

- The CRNHR is calculated based on a cost of capital approach as the discounted value of an annual charge applied to the projected risk bearing capital for all non-hedgeable risks.
- The risk bearing capital has been calculated based on 99.5 percentile stress events for all non-hedgeable risks over a one-year time horizon. The cost of capital charge applied is 4% per annum. The approach adopted is approximate.
- The stress factors applied in calculating the projected risk capital in the future are based on the latest EU Solvency II directives recalibrated for Indian and Company specific conditions.

Components of VIF (2/2)

Time Value Of Options and Guarantees (TVFOG)

- The TVFOG for participating business is calculated using stochastic simulations which are based on 5,000 stochastic scenarios.
- Given that the shareholder payout is likely to be symmetrical for guaranteed non-participating products in both positive and negative scenarios, the TVFOG for these products is taken as zero.
- The cost associated with investment guarantees in the interest sensitive life non-participating products are allowed for in the PVFP calculation and hence an explicit TVFOG allowance has not been calculated.
- For all unit-linked products with investment guarantees, extra statutory reserves have been kept for which no release has been taken in PVFP and hence an explicit TVFOG allowance has not been calculated.

Frictional Cost (FC)

- The FC is calculated as the discounted value of tax on investment returns and dealing costs on assets backing the required capital over the lifetime of the in-force business. Required capital has been set at 170% of the Required Solvency Margin (RSM) which is the internal target level of capital, which is higher than the regulatory minimum requirement of 150%.
- While calculating the FC, the required capital for non-participating products is funded from the shareholders' fund and is not lowered by other sources of funding available such as the excess capital in the participating business (i.e. participating fund estate).

Key Assumptions for the EV and VNB (1/2)

Economic Assumptions

- The EV is calculated using risk free (government bond) spot rate yield curve taken from FBIL[1] as at 30th Jun 2020. The VNB is calculated using the beginning of respective quarter's risk free yield curve (i.e. 31st March 2020).
- No allowance has been made for liquidity premium because of lack of credible information on liquidity spreads in the Indian market.
- Samples from 30th June 2020 and 31st March 2020 spot rate yield curves used are:

Year	1	2	3	4	5	10	15	20	25	30
June 20	3.71%	4.05%	4.54%	4.89%	5.45%	6.01%	6.67%	6.86%	6.98%	6.65%
Mar 20	4.82%	5.16%	5.40%	5.72%	6.24%	6.95%	6.97%	6.81%	6.95%	6.68%
Change	-1.11%	-1.11%	-0.87%	-0.83%	-0.79%	-0.94%	-0.30%	0.04%	0.03%	-0.03%

Demographic Assumptions

The lapse and mortality assumptions are approved by Board committee and are set by product line and distribution channel on a best estimate basis, based on the following principles:

- Assumptions are based on last one year experience and expectations of future experience given the likely impact of current and proposed management actions on such assumptions.
- Aims to avoid arbitrary changes, discontinuities and volatility where it can be justified.
- Aims to exclude the impacts of non-recurring factors.

[1] Financial Benchmark India Pvt. Ltd.

Key Assumptions for the EV and VNB (2/2)

Expense and Inflation

- Maintenance expenses are based on the recent expense studies performed internally by the Company. The VIF is reduced for the value of any maintenance expense overrun in the future. The overrun represents the excess maintenance expenses expected to be incurred by the Company over the expense loadings assumed in the calculation of PVFP.
- Future CSR related expenses have been taken to be 2% of post tax (risk adjusted) profits emerging each year.
- Expenses denominated in fixed rupee terms are inflated at 6.0% per annum.
- The commission rates are based on the actual commission payable, if any.

Tax

- The Corporate tax rate is the effective tax rate, post allowing for exemption available on dividend income. Tax rate is nil for pension business.
- For participating business, the transfers to shareholders resulting from surplus distribution are not taxed as tax is assumed to be deducted before surplus is distributed to policyholders and shareholders.
- Goods and Service tax is assumed to be 18%.
- The mark to market adjustments are also adjusted for tax.