



Max Financial Performance Update

Investor Release FY20

May 26, 2020





SECTION I

- ▶ Max Financial Services : FY20 Key Highlights
- 

Max Financial Services : FY'20 Key Highlights

- 1 **Axis transaction update:**
 - **Axis Bank** to acquire **29% stake** in Max Life; Post completion of series of transactions **Max Life** will be a **70:30 JV**
 - Postal ballot notice issued to **Shareholders**; **RBI** and **IRDAI** application filed; **CCI** filing shortly**MSI transaction update:** Postal ballot results on May 27; CCI approval received; DEA & IRDAI approval expected in Jun'20
- 2 Consolidated Revenue at **Rs 18,242 Cr**, 7% down, due to volatility in capital markets in Mar'20 caused by COVID, causing a mark-to-market loss on debt and equity portfolio. Consolidated PAT of **Rs. 273 Cr**, 34% down, largely due to shift in product mix towards Non-Par products, investments in proprietary channel, provision for impairment and one-time tax expense on settlement of tax dispute under The Direct Tax Vivad Se Vishwas Scheme
- 3 **MCEV** (Post dividend payout) as at 31st Mar 2020 at **Rs. 9,977 Cr**; Operating RoEV at **20.3%**
- 4 **Structural NBMs** (pre cost overrun) have expanded by **180 bps** to **24.3%**, however **Actual NBMs** (post cost overrun) at **21.6%** in line with PY. **VNB** (post overrun) has grown **5%** to **Rs 897 Cr** driven by increase in proportion of Non-Par savings business but partly offset by lower new sales growth and acquisition cost overrun
- 5 **Individual APE** grew by **5%** to **Rs 4,116 Cr** with market share maintained at **10%**. **Proprietary channel** delivered **10%** growth in **FY20** faster than **Banca** growth of **3%**
- 6 **Individual Protection** sales grew **49% y-o-y**, resulting in improvement in protection mix by **200 bps** to **8%** in **FY20**

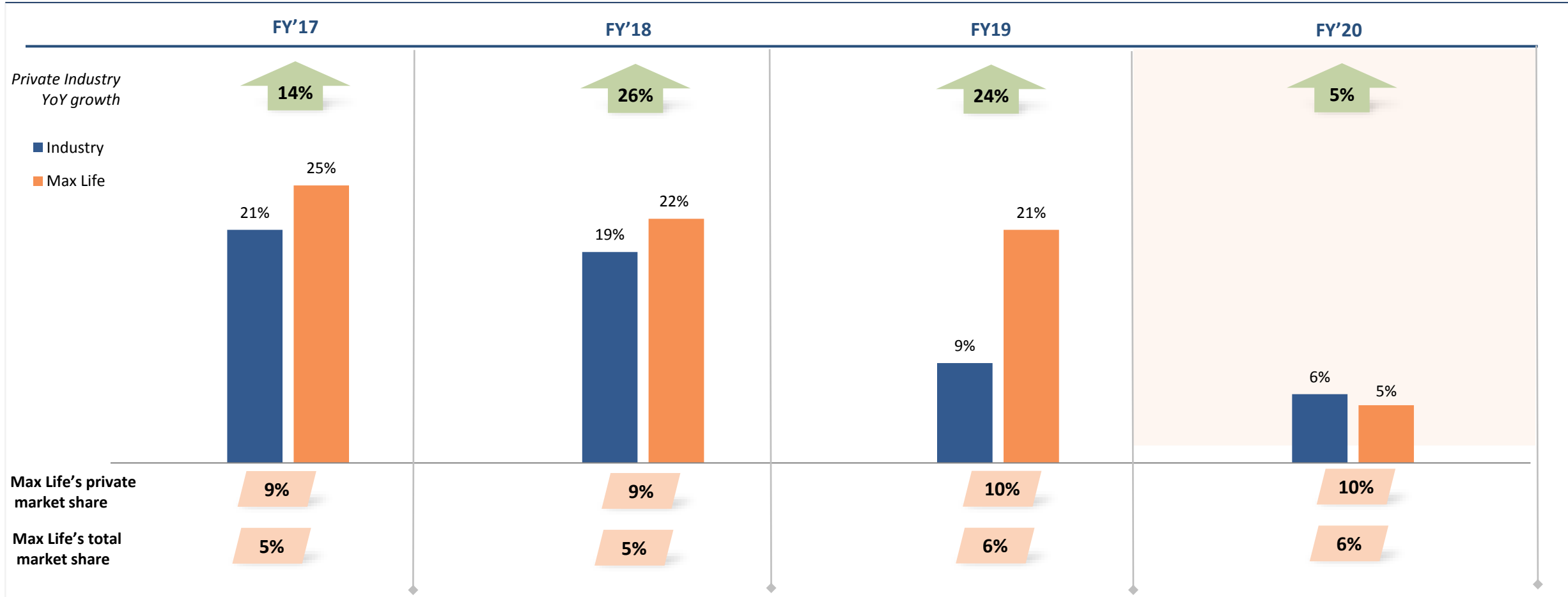


SECTION II

- ▶ Max Life Insurance – Business Overview
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Industry Landscape (FY'20): Total Industry grew by 6%, while Pvt. players grew by 5% and LIC by 8%)

YoY Growth basis Individual Adjusted FYP



Max Life grew at 17% till YTD Feb, more than the private industry growth rate of 14%. Full year growth impacted by COVID-19 in Mar'20

Financial Performance Summary FY20

Pvt Market Share 10% [10%] 4 bps ↑	Individual APE Rs 4,116 Cr [Rs 3,917 Cr] 5% ↑	Gross Written Premium Rs 16,184 Cr [Rs 14,575 Cr] 11% ↑	AUM Rs 68,471 Cr [Rs 62,798 Cr] 9% ↑
Profit Before tax Rs 595 Cr [Rs 623 Cr] -4% ↓	Net Worth Rs 2,570 Cr [Rs 2,761 Cr] -7% ↓	Policyholder Cost to GWP Ratio 20.8% [20.0%] 80 bps ↑	Policyholder Expense to GWP Ratio 14.5% [13.2%] 126 bps ↑
New Business Margins Structural Actual 24.3% 21.6%# [22.5%] [21.7%] 10 bps ↓	RoEV 20.3% [21.9%] 160 bps ↓	Embedded Value* 9,977 [8,938] 20.3% ↑	Solvency 207% [242%] 35% ↓
VNB 897# [856] 5% ↑	Policies Sold ('000) 597 [645] -8% ↓	Claim Settlement Ratio 99.22% [98.74%] 48 bps ↑	Protection Mix** Individual Group Total 8% 5% 13% [6%] [4%] [10%] 340 bps ↑

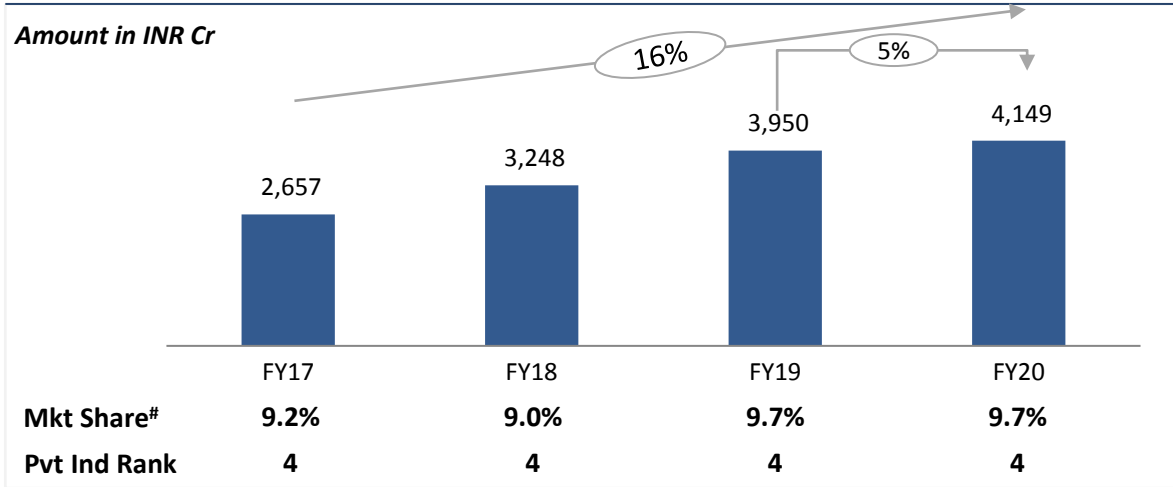
Figures in [brackets] are for previous year numbers # VNB and Margins are post adjustment for effective tax rate

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

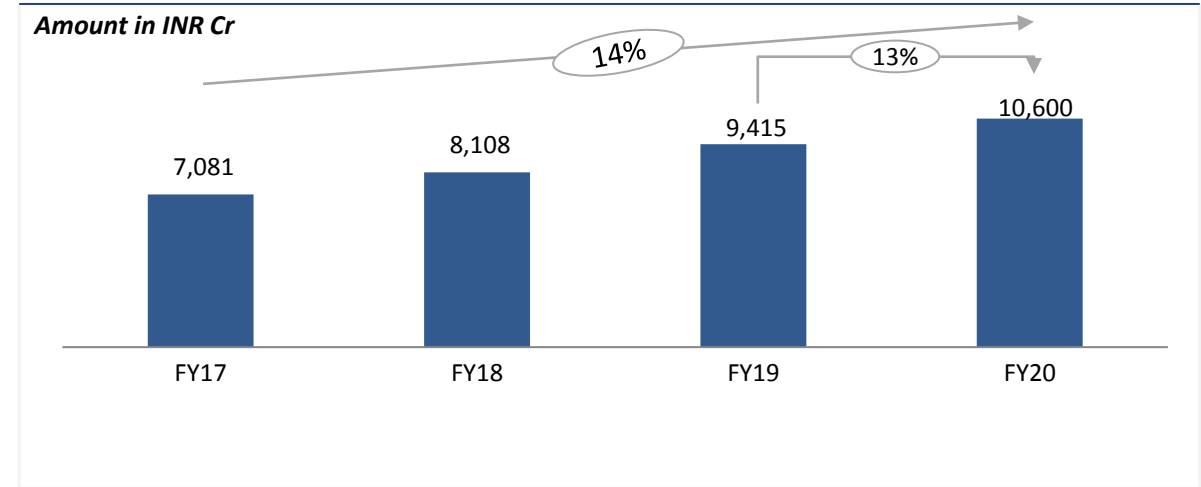
Max Life has delivered strong performance on both new business and renewal business; Maintained 4th rank in the private industry



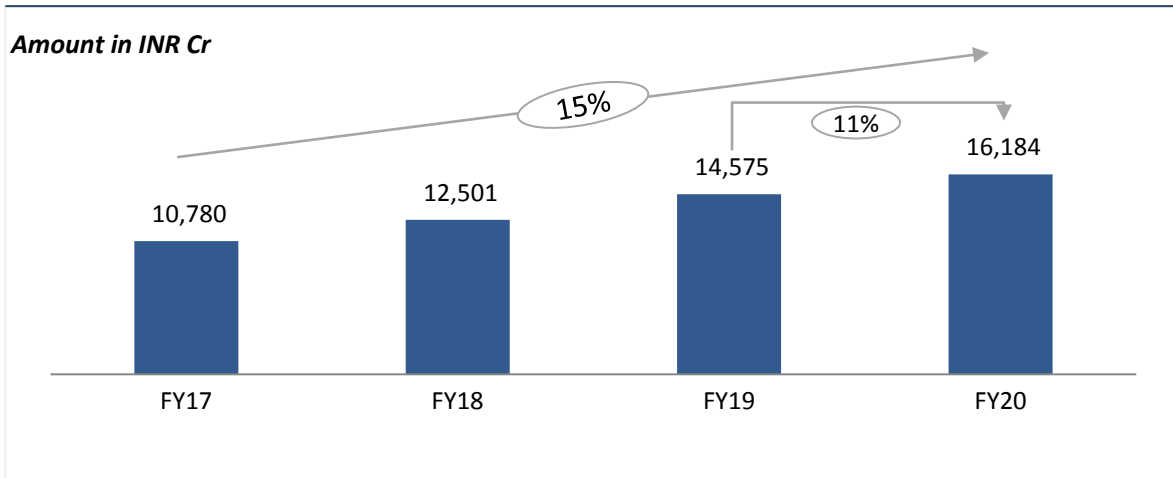
New Business Premiums (on APE basis)



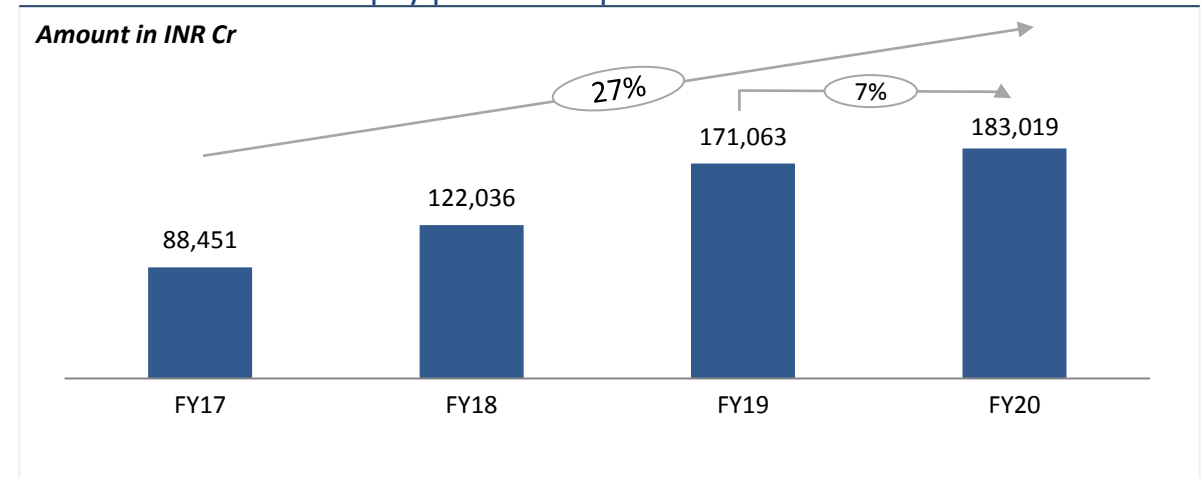
Renewal Income



Gross Written Premium



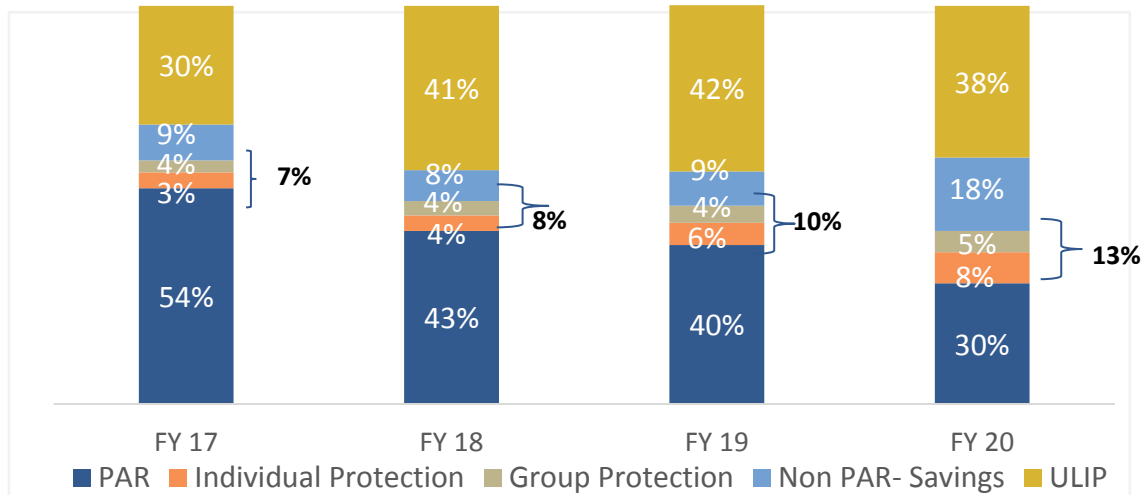
Individual Sum Assured of New business- 7% growth in FY20 is lower due to introduction of limited pay protection products



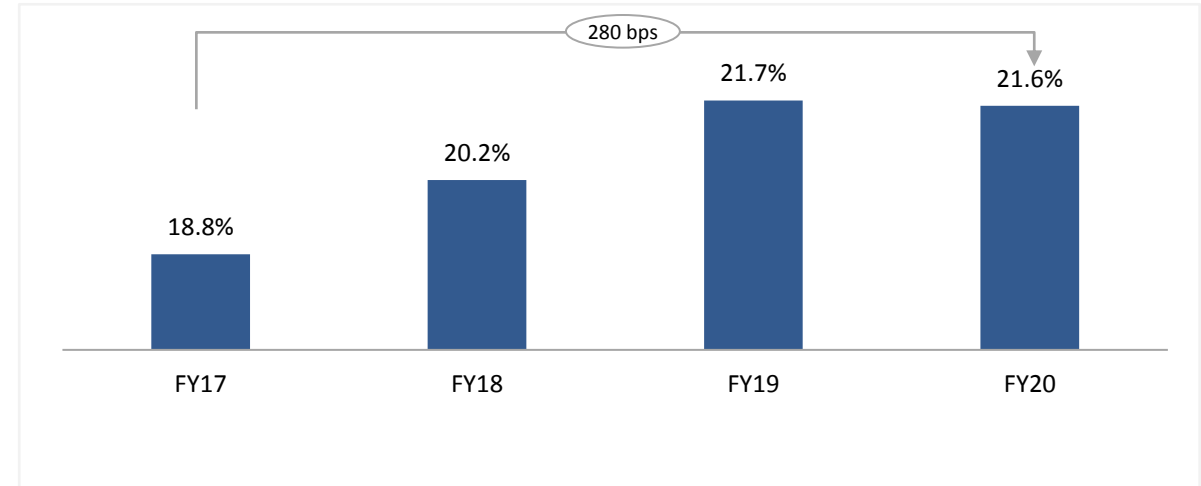
Shift in product mix towards NPAR resulted in 180 bps improvement in structural margin; Current cost VNB growth in line with the sales growth owing to investments in growth and COVID impact



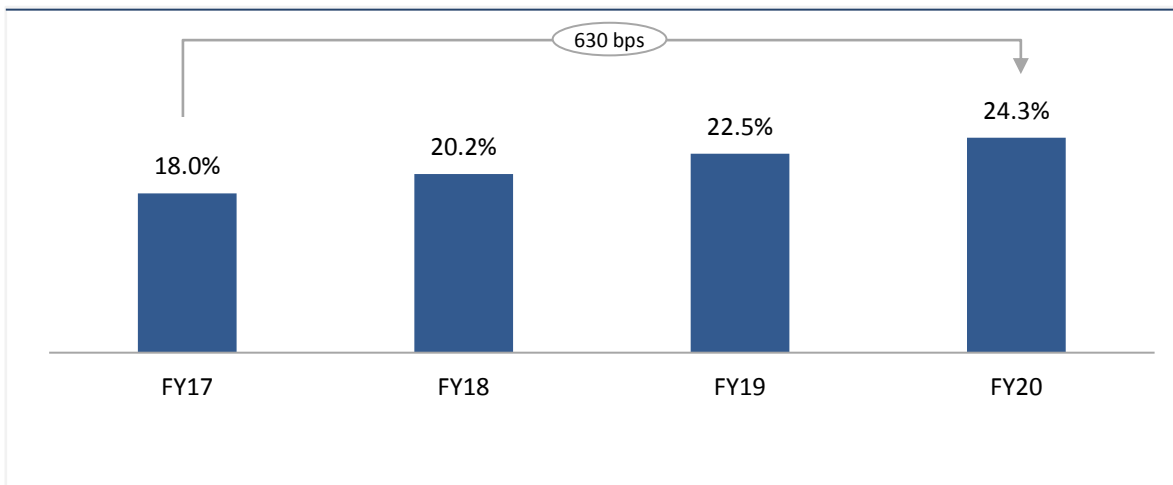
Product Mix – Shifting towards a balanced product mix



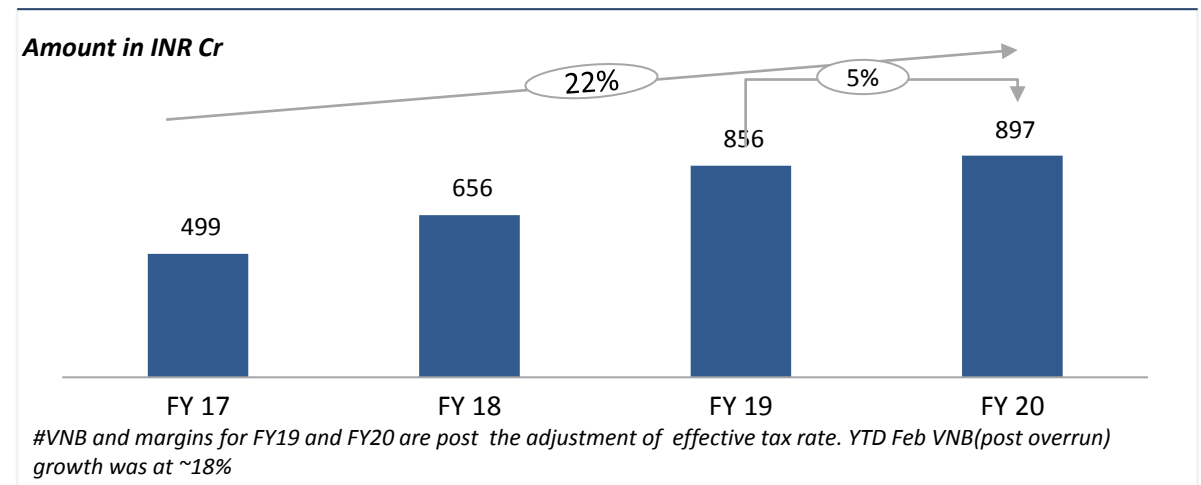
Margins (post-overrun)#



Margins (Structural)

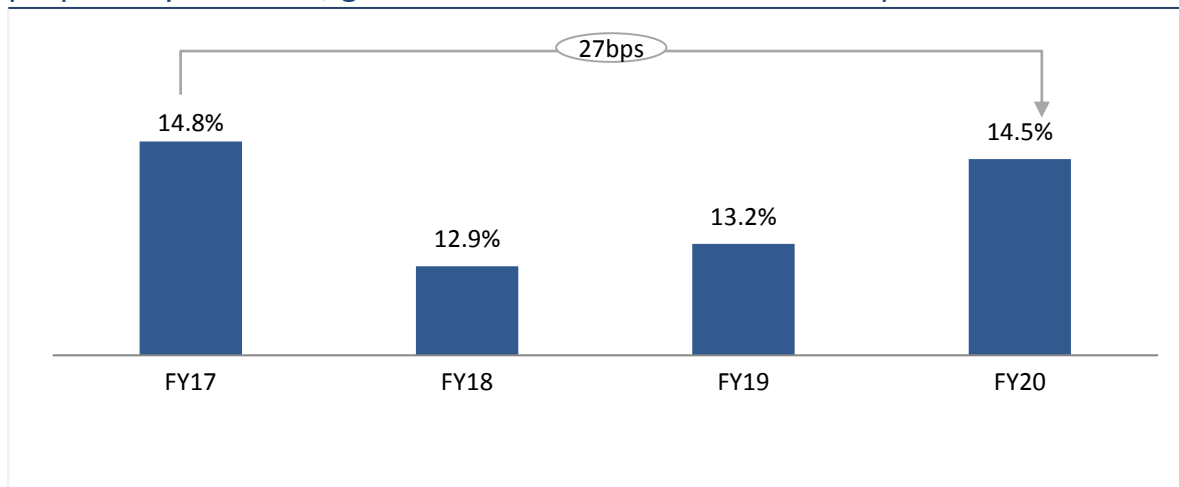


VNB (post over-run)#

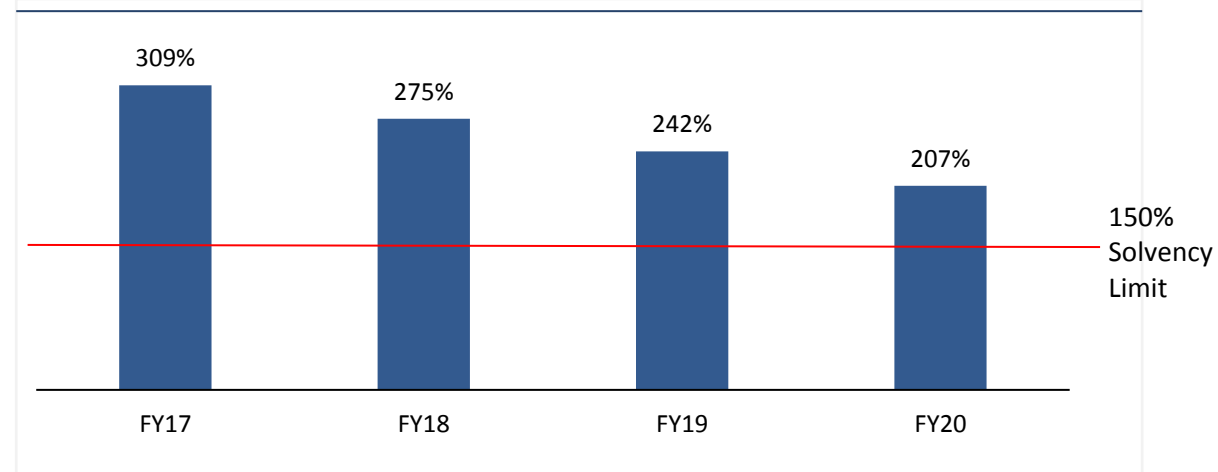


Efficient capital management with consistent RoE of 20%+... best in class among financial services

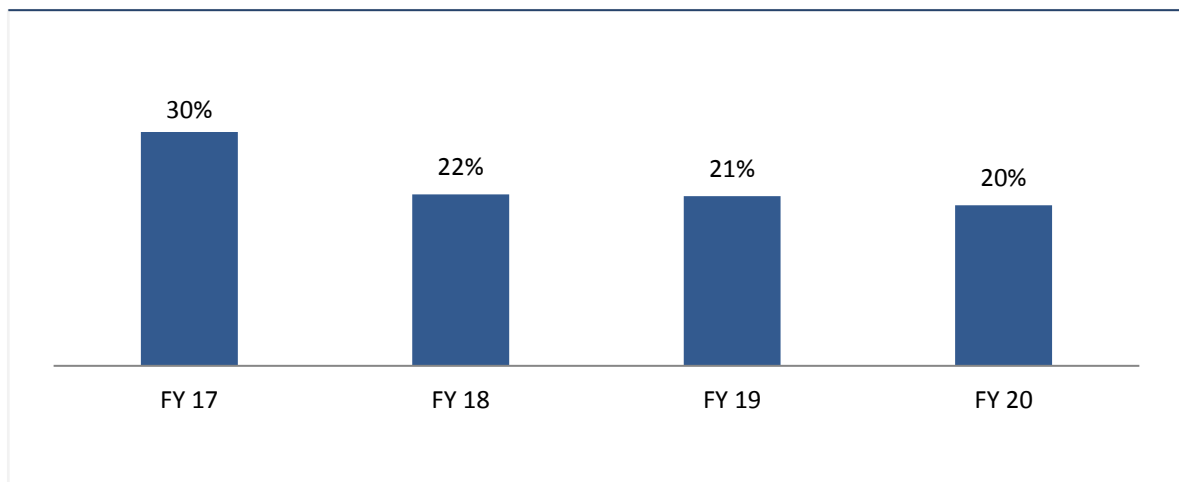
Opex to GWP*- Increase in FY20 ratio largely on account of investments in proprietary channels, growth initiatives and slowdown impact of COVID



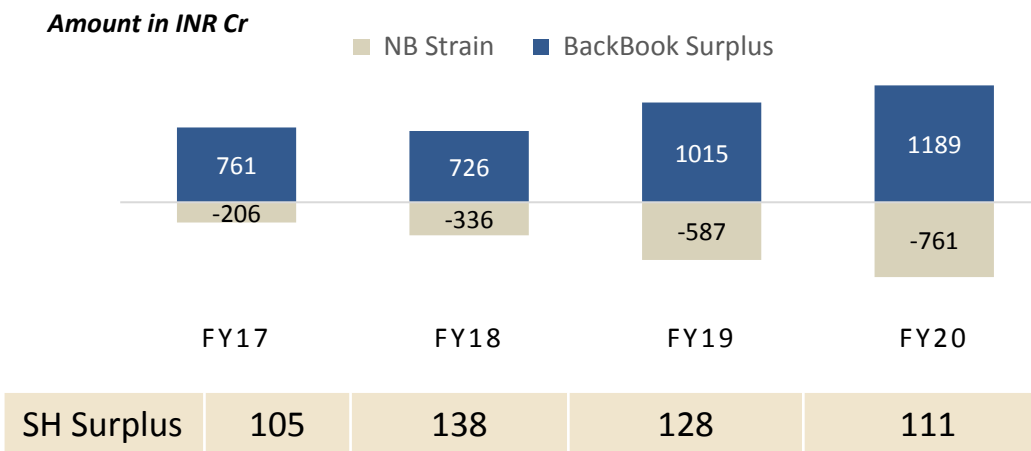
Solvency Ratio (pre dividend) - maintained well above the regulatory requirement



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



Underwriting Profits - Growth in FY20 inforce profits surpassed strain net of overruns

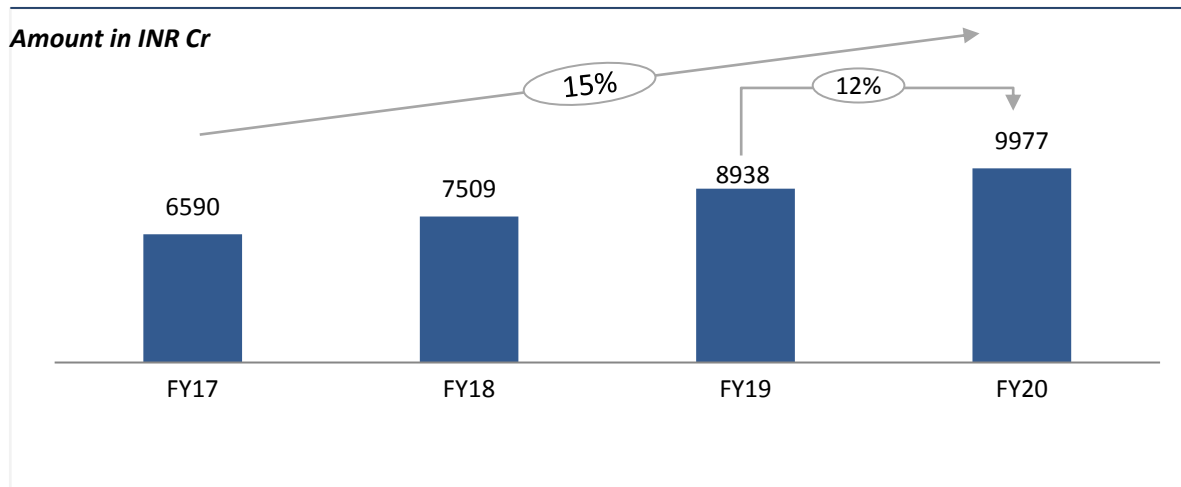


SH Surplus	FY17	FY18	FY19	FY20
	105	138	128	111

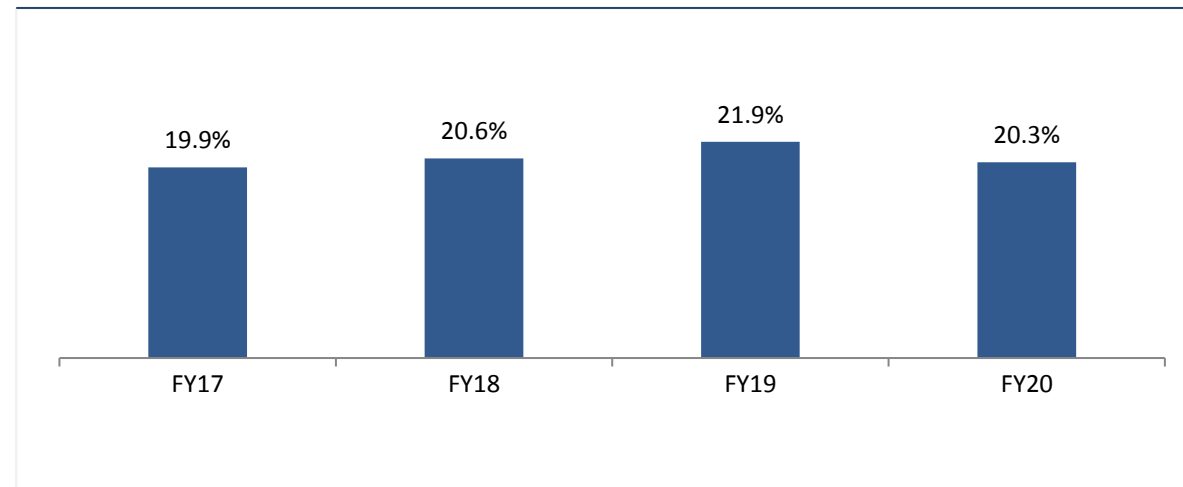
* Refers to the policyholder expense to GWP ratio; # ROE is PAT as a ratio of average Net worth during the year

Embedded value compounds at 15% with operating RoEV for FY20 at 20.3%

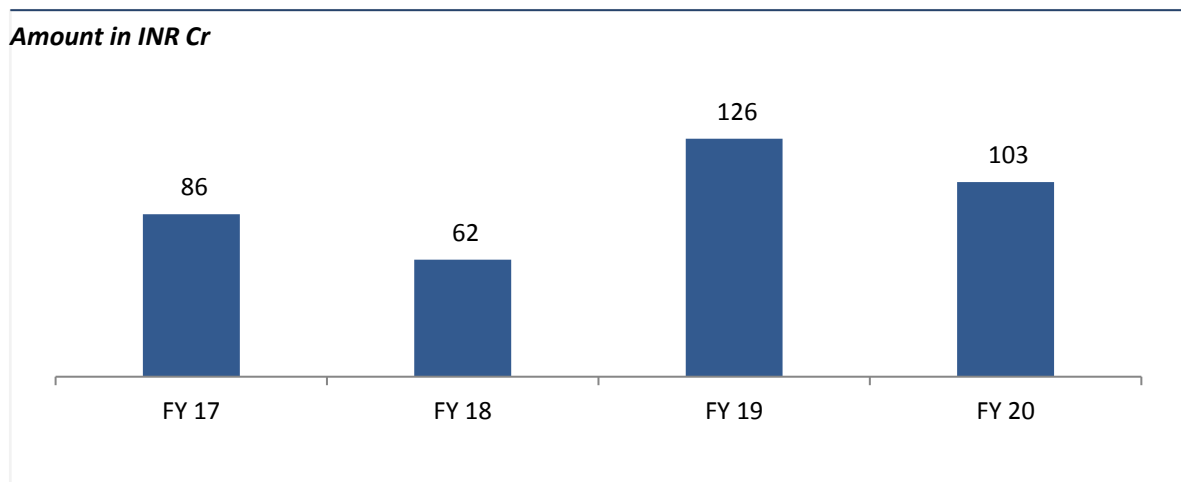
Embedded Value (EV)



Operating Return on Embedded Value



Operating Variance - has been generally positive over the years

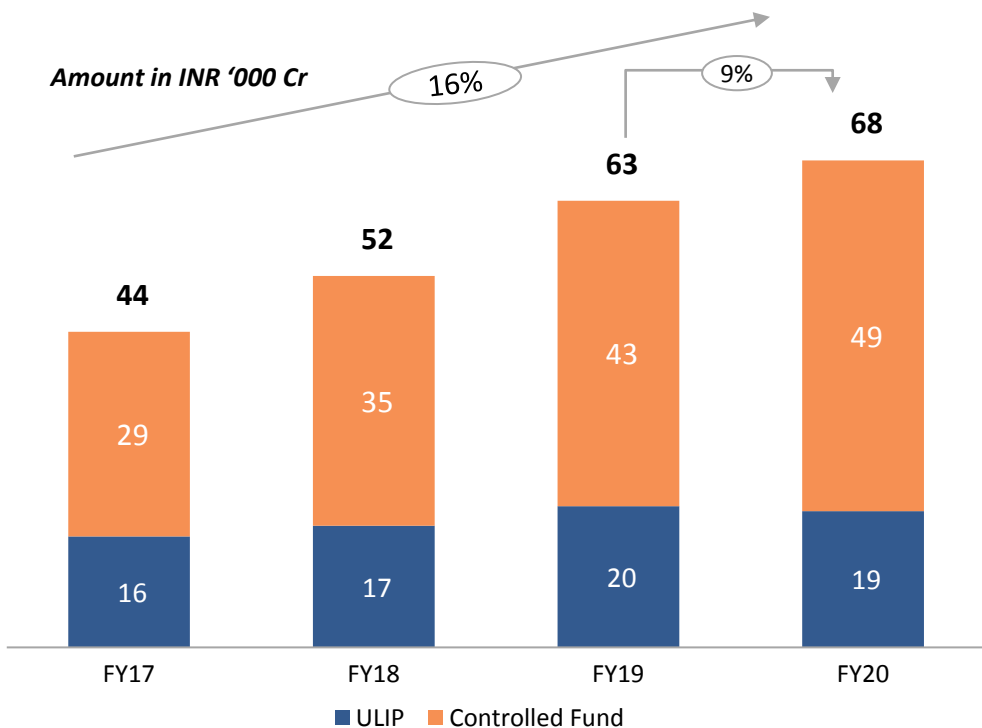


Sensitivity

Item	Embedded Value		Value of New Business	
	-10%	10%	-10%	10%
Lapse / Surrender	1%	-1%	4%	-4%
Mortality	2%	-2%	5%	-5%
Expense	1%	-1%	7%	-7%

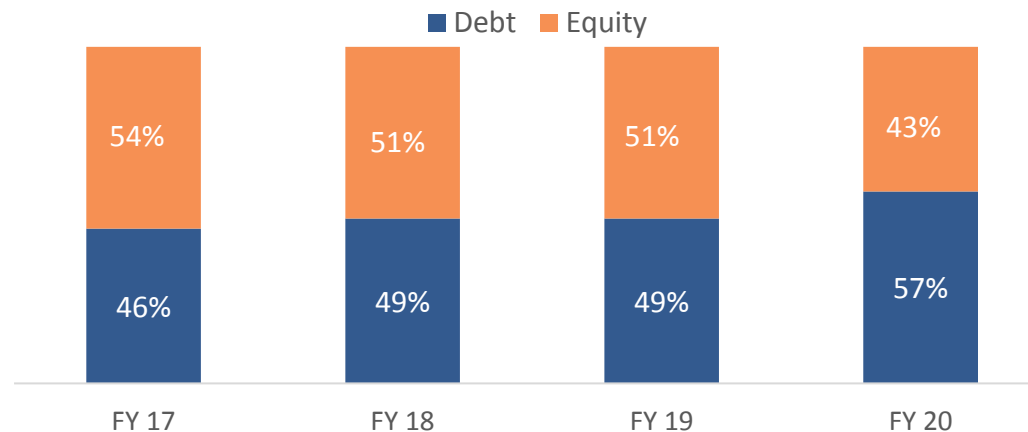
Max Life has consistently grown its Asset Under Management

Assets Under Management - MLI is the 4th largest manager of private LI AUMs*

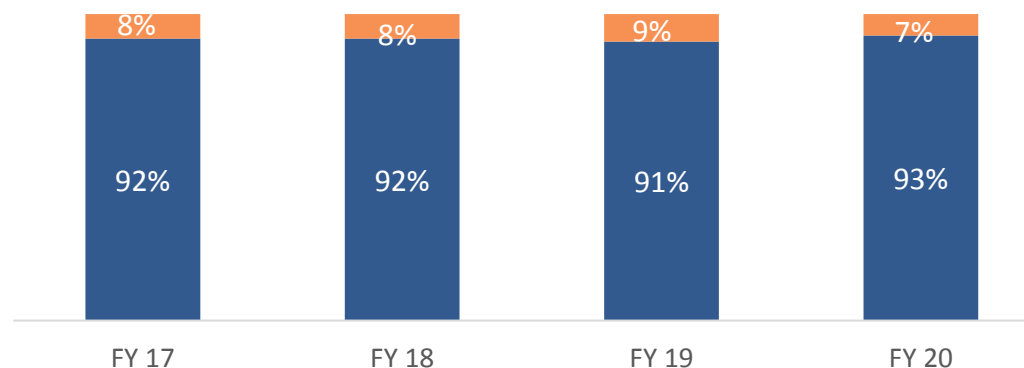


Par fund size ~38K and controlled fund crossed 50K as on 30th April

ULIP: Healthy mix of Debt and Equity



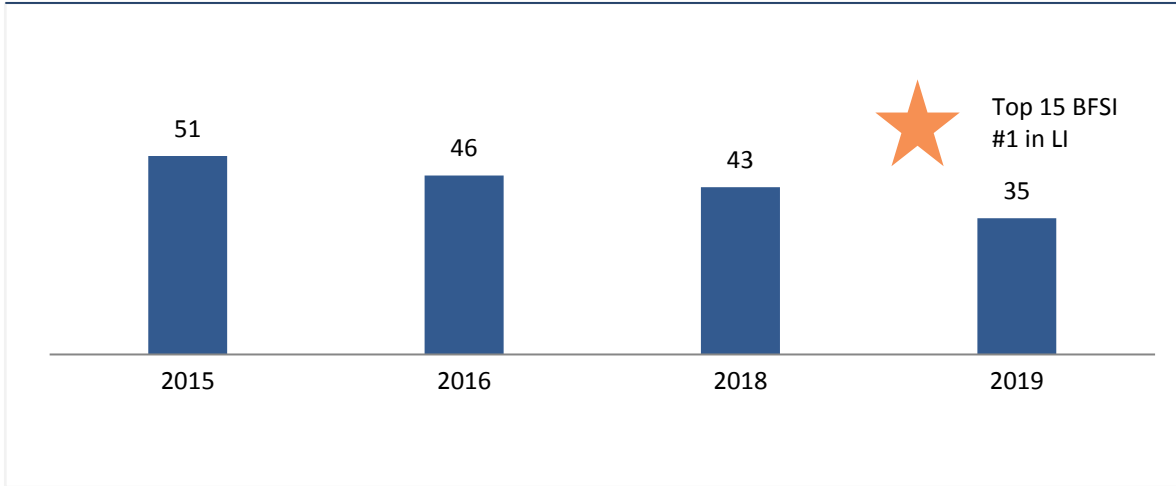
Controlled: Healthy mix of Debt and Equity



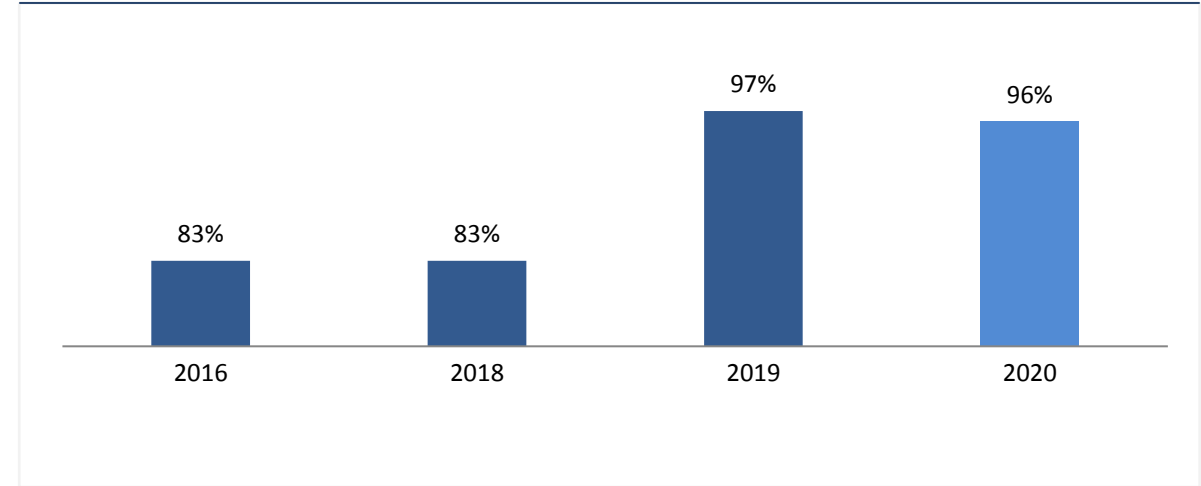
More than 95% of debt investments is in sovereign papers and AAA rated securities

Unwavering focus on leadership strength and has a vintage employee pool, both of which are critical for success in long term businesses such as Life Insurance

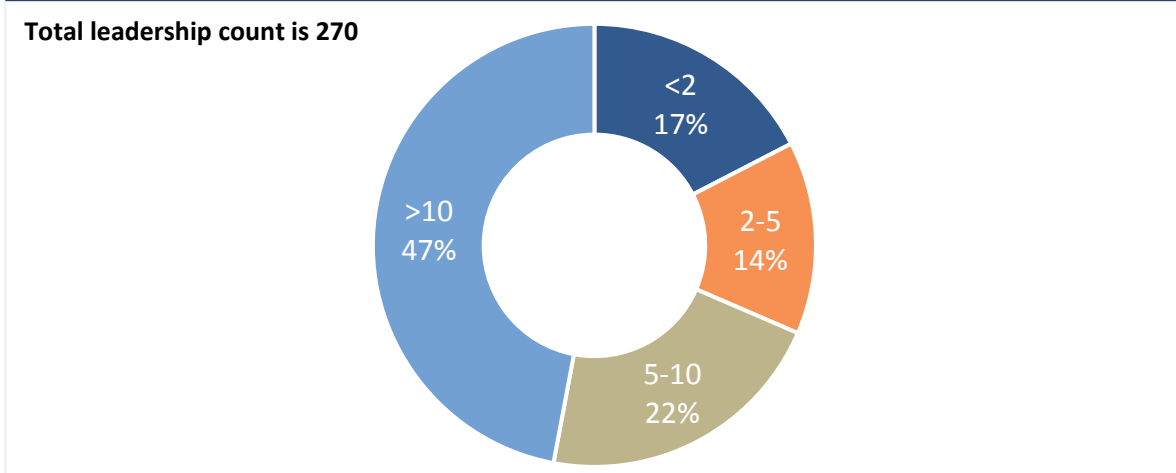
Great Place to Work Survey - Only Life insurance Company amongst Top 100 India's best place to work for in 2019; rank improved since 2015



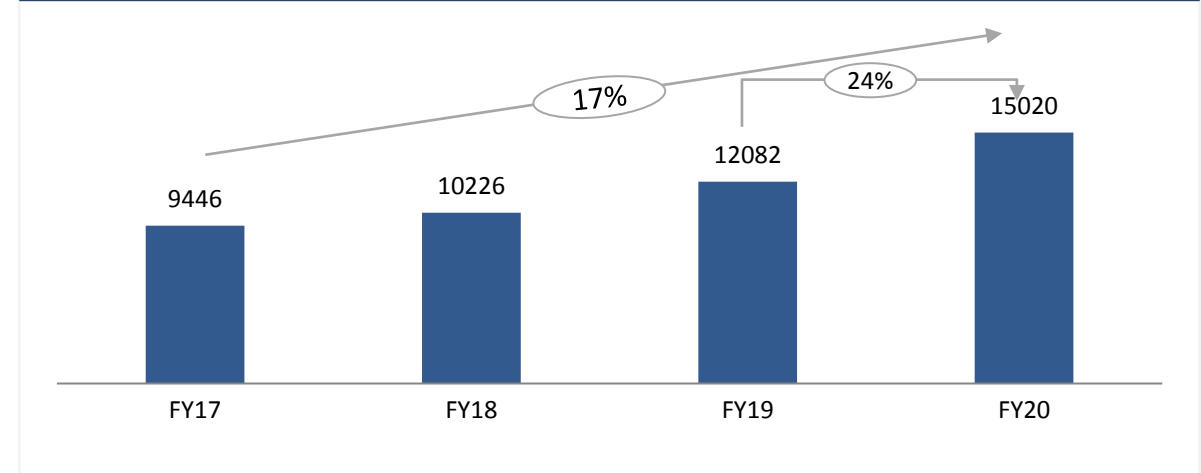
Employee Engagement[^] - Consistently amongst top decile



Leadership Experience – Almost half of the leadership has been with the company for more than a decade*



Headcount - In line with the growth aspirations, headcount has been ramped up by 24% in FY20, largely towards distribution buildup



*Leadership defined as Vice President and above, Data as of Mar 31, 2020

[^] Conducted by IBM Kenexa till 2018 and Willis Tower Watson in 2019 and 2020. 2019 score is adjusted for methodology change done in 2020

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
- Silver Award at the ACEF 8th Global Customer Engagement Awards 2019 in the BTL Activities Category.
- 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



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 35th – India's Best Companies to work for in 2019. 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”



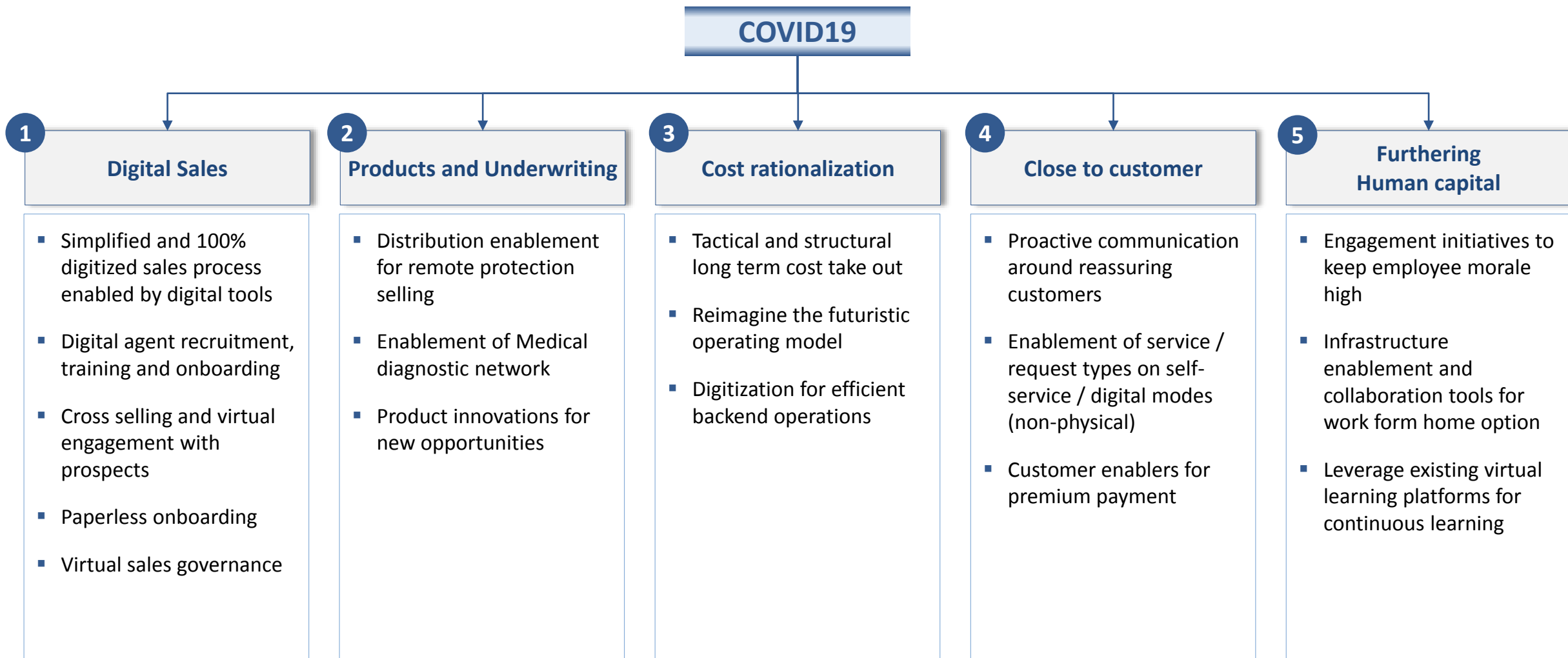
SECTION III

- ▶ Max Life Insurance – COVID Response
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Max Life responded immediately to COVID situation across key dimensions; All key processes were functional within 4 days of lock down initiation

	Employees	Customers	Distributors
Guiding principles	<ul style="list-style-type: none"> Health and safety paramount 	<ul style="list-style-type: none"> Proactive customer communication No disruption in customer service 	<ul style="list-style-type: none"> Health and safety paramount Adequate support to Agents Enable distribution to continue working remotely
Immediate action taken	<ul style="list-style-type: none"> Established BCP protocols across organization HR guidelines on Do's and Don'ts, continuous communication, facility readiness for PPEs and sanitization Almost all employees enabled for work from home ~2k users enabled on VDI\VPN since Work from home kick-off Most outsourced vendors operating now at pre-covid efficiency 	<ul style="list-style-type: none"> Continuous communication with customers to provide reassurance regarding claims & existing policies 14% YoY increase in website customer service traffic in April, 37% decline in inbound calls at customer service helpline; website transactions up by 50%+ YoY for online payment in April More than 24 different mechanisms exist for paying premiums Enabled new liquidity options on website to strengthen customer retention Significantly increased digital touchpoints and work types to service customer 	<ul style="list-style-type: none"> 100% enabled end to end digital selling across all distribution channels <ul style="list-style-type: none"> Frictionless journey 100% paperless, signature free journey Enhanced telemedicals grids and currently 1400+ functional diagnostic centers for physical medicals Overcame barriers to new agent licensing through innovative means – Top of the funnel interest up by ~50% 'Max Life Suraksha Kavach' launched for Agents to support on mortality, morbidity & liquidity during COVID

Key programs initiated to navigate through current situation and emerge stronger



Risk monitoring framework for emerging operational and IT risk, credit risk, liquidity risk

We also assessed how the current situation will effect our financial strength and asset portfolio; no immediate and medium term stress expected

Key areas	Results
Solvency	<ul style="list-style-type: none"> Strong solvency position at 207% as on March 31st, 2020. Stressed solvency in a 1-in-100 year event is also above internal thresholds. No immediate and medium term concerns on solvency given PAR & UL heavy portfolio
Interest rate risk & Asset Liability Management	<ul style="list-style-type: none"> Non-par savings products were assessed on lower interest rates and current FRA rates Even with the volatile market conditions, no material impact foreseen on the ALM position given there are sufficient net investments (based on in-force projections) expected over the long period
Credit risk	<ul style="list-style-type: none"> Manageable credit risk given high credit quality of bonds held; 95% & 99% exposure in AA+ and above bonds in PH & SH funds respectively (excl. YBL and Fixed-deposits) Limited exposure to sectors which may see stress over next 6-12 months from COVID19 No securities being impaired in the debt portfolio
Market risk	<ul style="list-style-type: none"> Unit Linked: Robust performance both against the benchmark as well as that relative to the peers, on back of timely asset allocation bets along with high quality securities Controlled Fund: No equity securities qualifying for impairment, as of Mar'20 as well as Apr'20; increased frequency of monitoring impairment to fortnightly given current volatility
Liquidity risk	<ul style="list-style-type: none"> Comfortable liquidity position in Policyholder funds (as on 31st Mar'20) over both short and medium term. Extreme stress testing of liquidity also depicts no concerns with >100% liquidity ratio given high level of investments in G-sec bonds Reasonable liquidity in the Shareholder fund (as on 31st Mar'20) to manage business expenses even with no renewal or new business



SECTION IV

- ▶ Max Life Insurance – Strategy
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Significant progress made across key strategic priorities

INITIATIVES

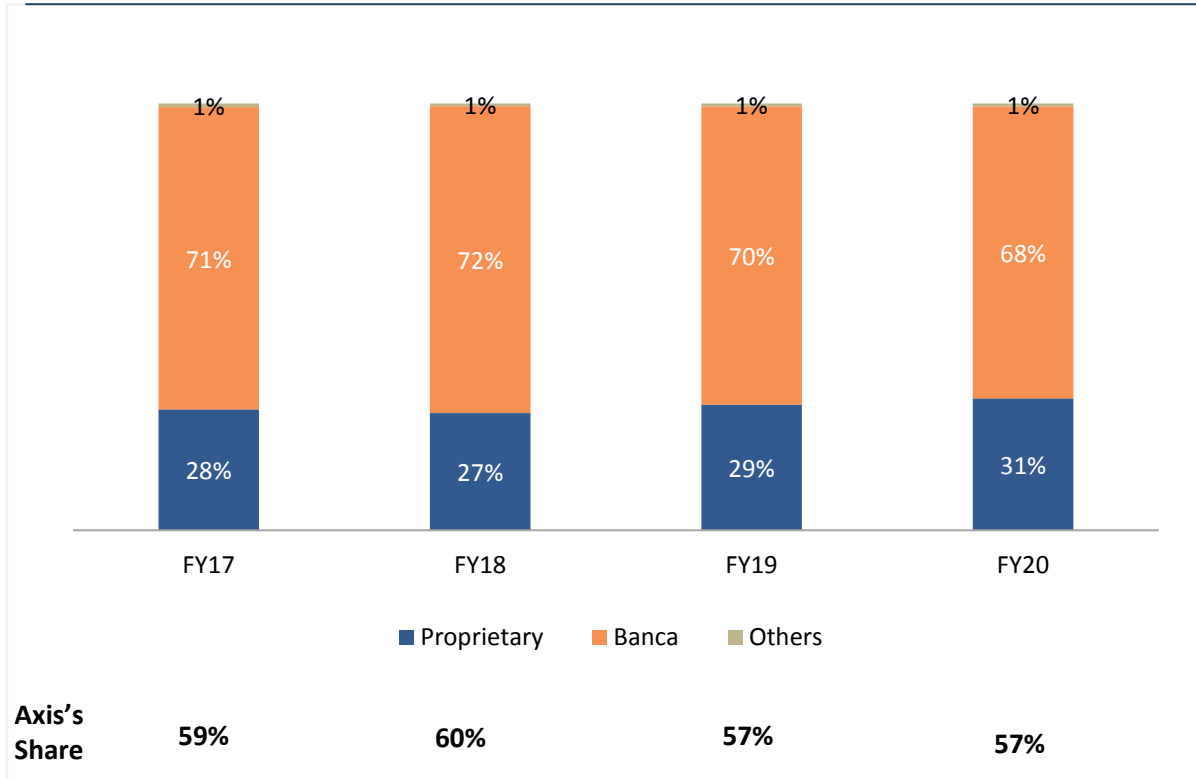
Progress in FY20

A		B		C		D	
Predictable & Sustainable growth		Product innovation to drive margins		Customer centricity across the value chain		Digitization for efficiency and intelligence	
<ul style="list-style-type: none"> Deepen Bancassurance partnerships On-board new distribution partners Scale up existing proprietary channels Opportunistic play for inorganic growth 		<ul style="list-style-type: none"> Increase protection penetration Drive Non PAR saving Tap into new growth opportunities like health and retirements Enhanced investment and mortality risk management 		<ul style="list-style-type: none"> #1 position in 13M and 61M persistency Highest Relationship Net Promoter Score (NPS) in the industry 		<ul style="list-style-type: none"> Continue with digitization agenda across the organisation Build intelligence (AI) in all digital assets Minimize back-office costs 	
<ul style="list-style-type: none"> Entered into definitive agreements with Axis Bank* Extended corporate agency agreement with Yes Bank for 5 years Increase share of proprietary channels sales to ~31% from 29% Signed up with 28 new partners 		<ul style="list-style-type: none"> Focus on increasing Protection penetration and NPAR savings contributed to increase structural margins from 22.5% to 24.3% Supplement retirement offering through 'deferred annuity' Executed FRA contracts to augment non-par appetite 		<ul style="list-style-type: none"> Claim paid ratio at 99.22% among the best in class Continued Improvement in NPS and among the best in class Focus required on persistency measures Improved brand consideration score 		<ul style="list-style-type: none"> 98% of all policies digitally sourced - Achieved 71%+ Insta-issuance Revamped customer service website – 80% requests enabled through digital self service means Launch of Max Life Innovations Lab – Working with 7 startups Among the best website page load time in the industry Progressing well on AI and modernizing IT journey 	

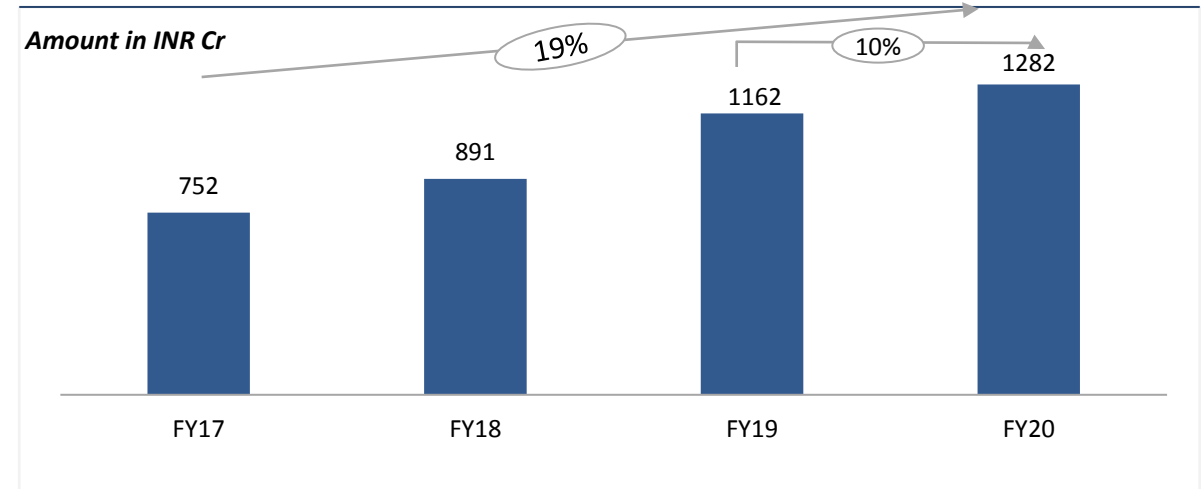
*subject to regulatory approvals

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

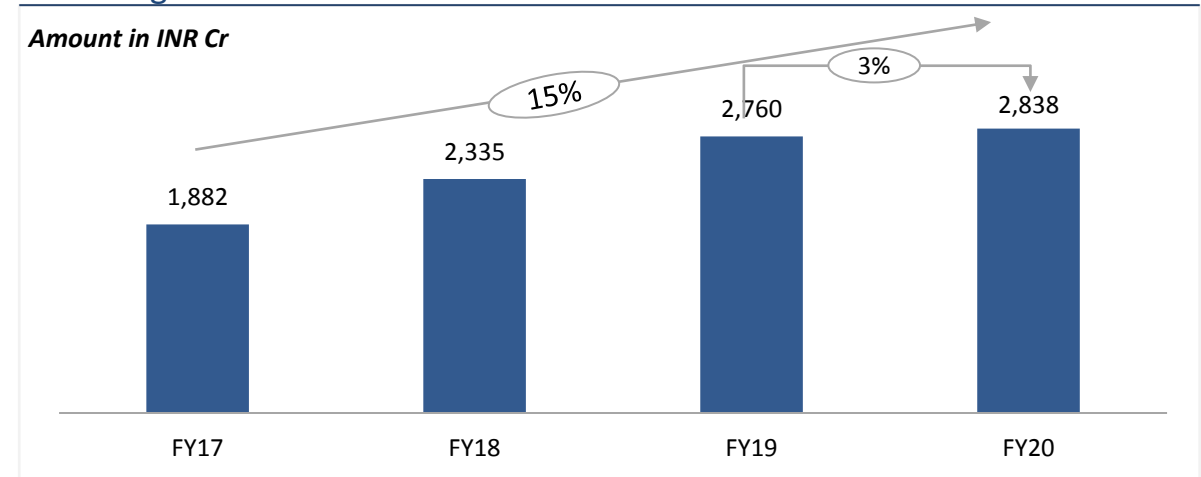
Channel Mix - Max Life has focused on maintaining a balanced distribution mix



Proprietary Channels New Business (APE) - Sales has grown at 19% CAGR since FY17, YTD Feb growth was ~20%



Bancassurance Channel (APE) - Growth in Banca channels has been ~15%, YTD Feb growth was ~16%

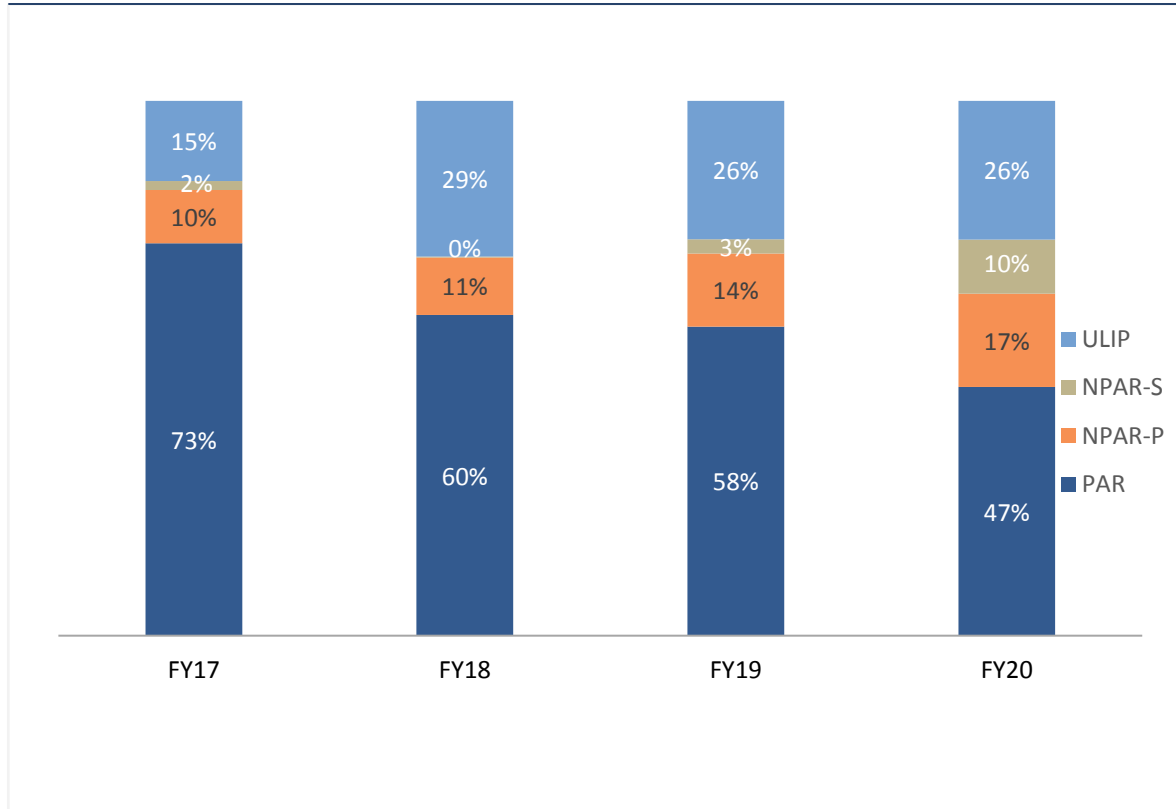


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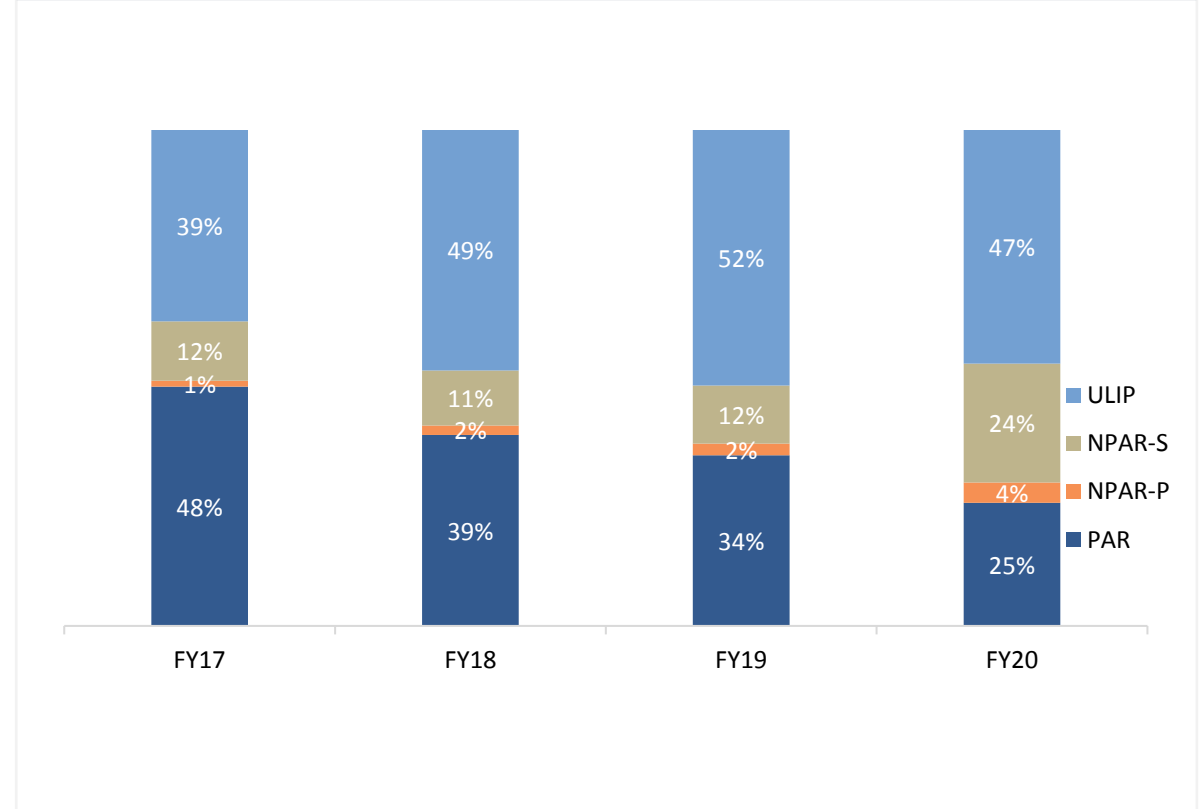
Product mix in proprietary and Bancassurance channels aligned to customer needs; Strategic focus on NPAR share increase to further strengthen the balanced mix



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

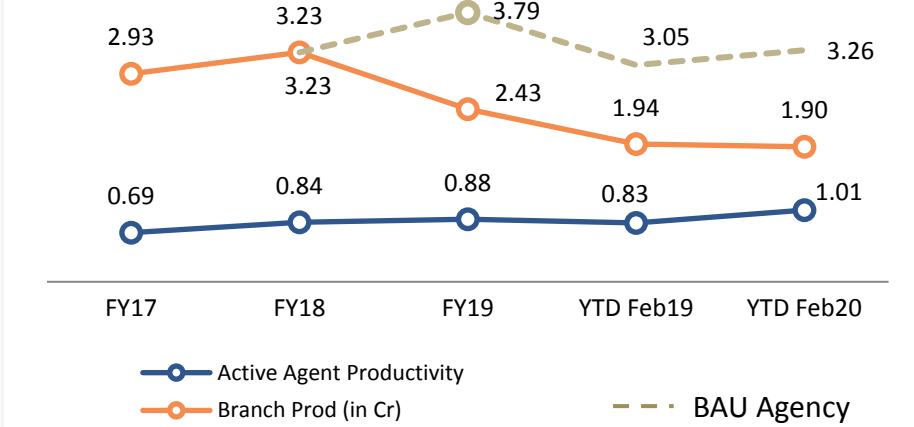


Bancassurance Product Mix - has been biased towards ULIPs to cater to target customer segments



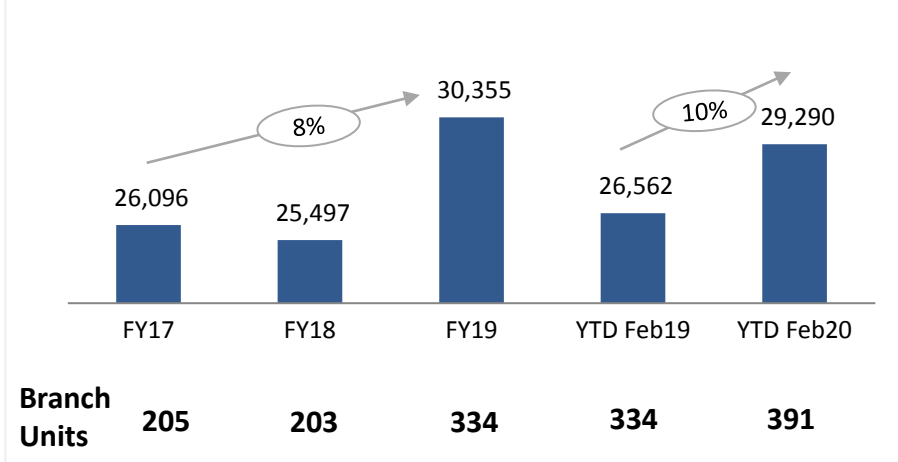
Active agent productivity increasing year on year; dip in FY19 due to new offices

Branch and Active agent productivity in INR Lacs per month



Recruitment growth rate, FY20 impacted due to COVID

Number of agents recruited



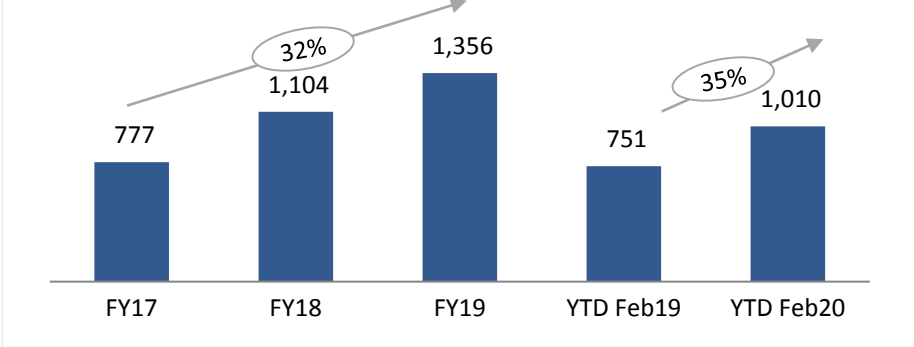
Branch Units	FY17	FY18	FY19	YTD Feb19	YTD Feb20
	205	203	334	334	391

FY20 Progress

- Engaged with **consultants (ex-New York Life (NYL))** to drive Agency Transformation Program
- Continued **focus to increase top agent count**
- Investment in **alternate Agency models yielding results**
 - 2-3x growth in all initiatives

Consistent focus on increasing the number of agents doing business of more than INR 10 lacs per annum

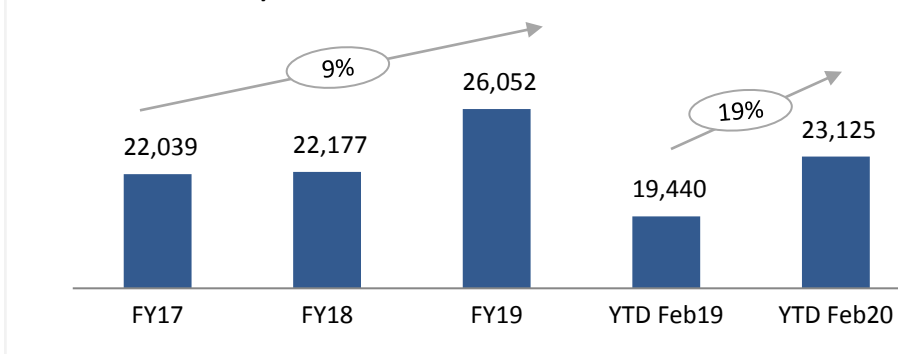
Number of agents with greater than Rs 10 lacs annual business*



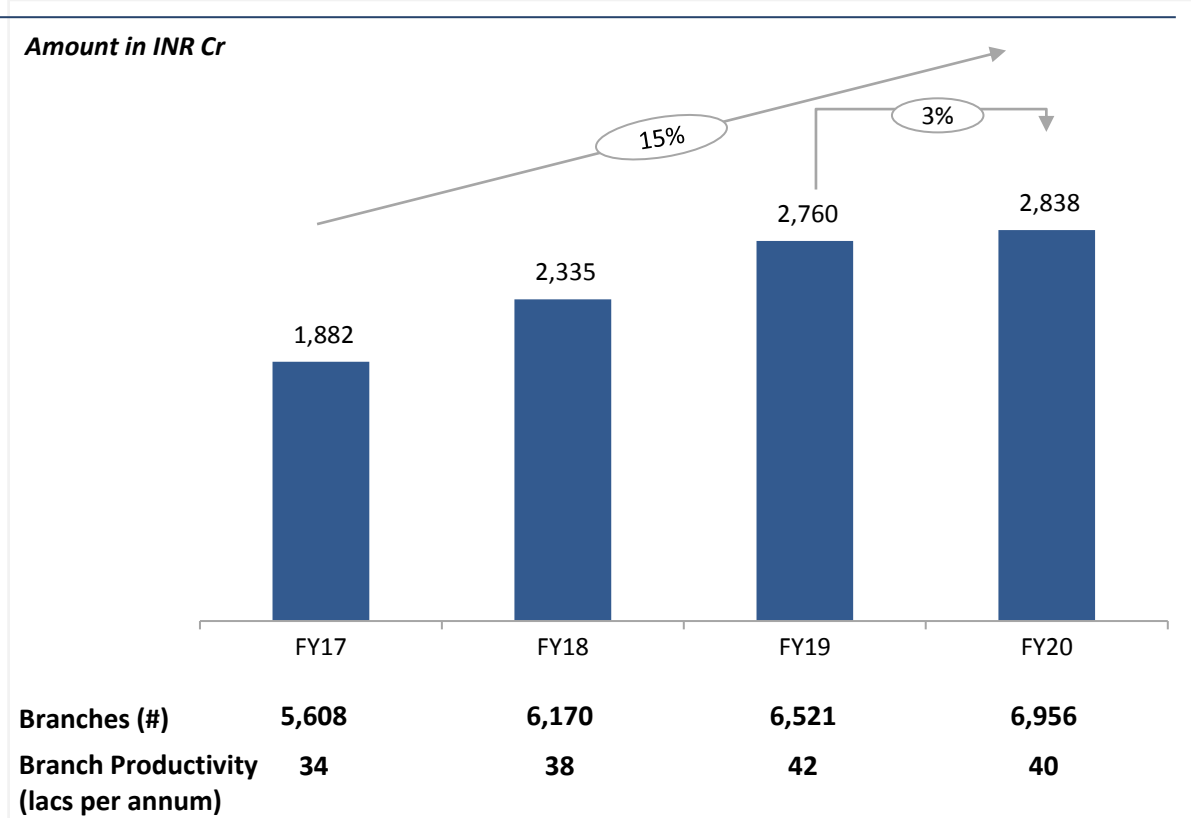
Total Adj. MFYP by an agent in the same store offices

Focus has also been on ensuring that agents contribute atleast INR 50K per annum

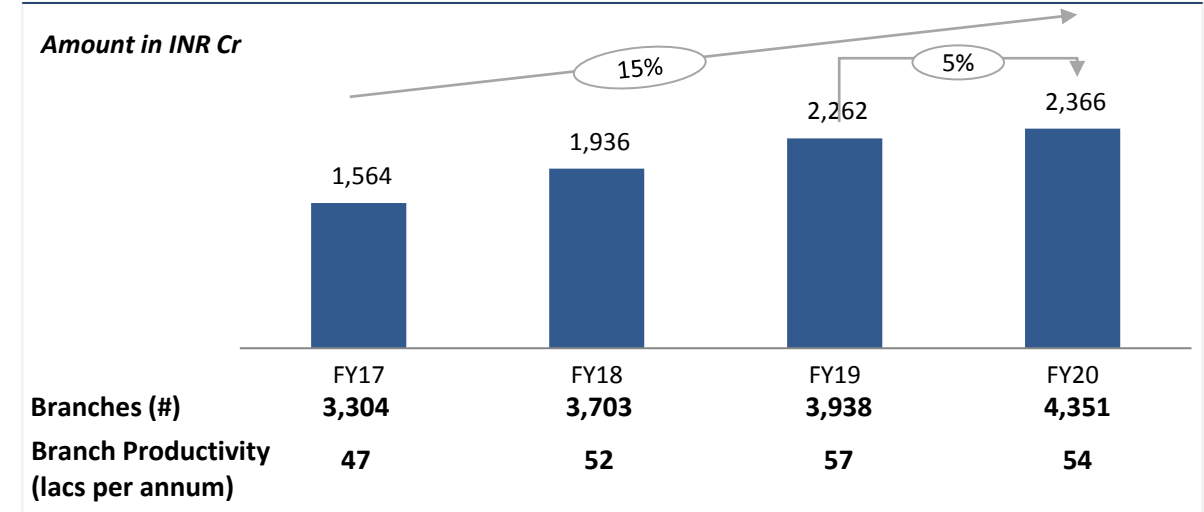
Number of agents doing business of more than Rs 50,000 per annum*



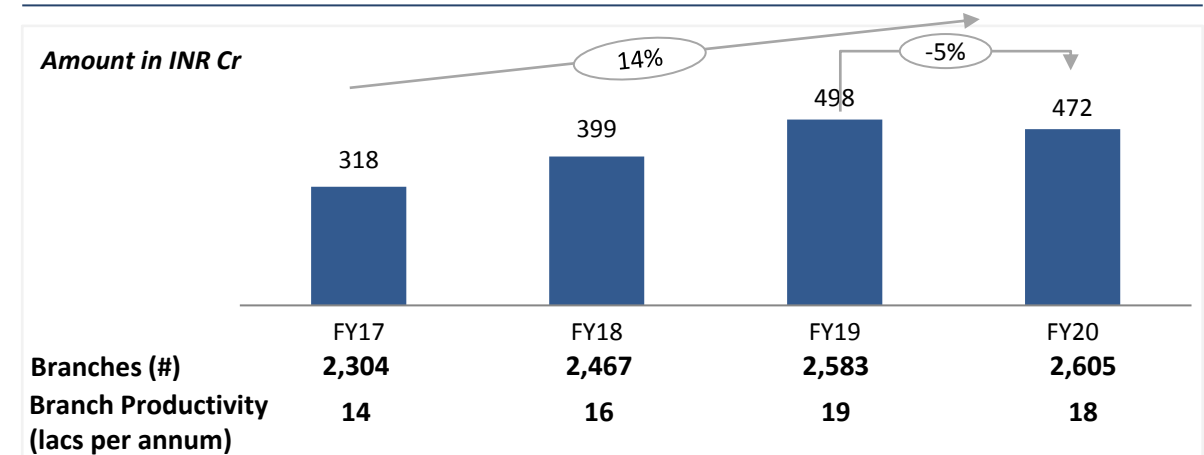
Banca channels have grown at CAGR of 15% while increasing branch productivity, YTD Feb growth was ~16%



Axis Bank: YTD Feb growth was ~16%

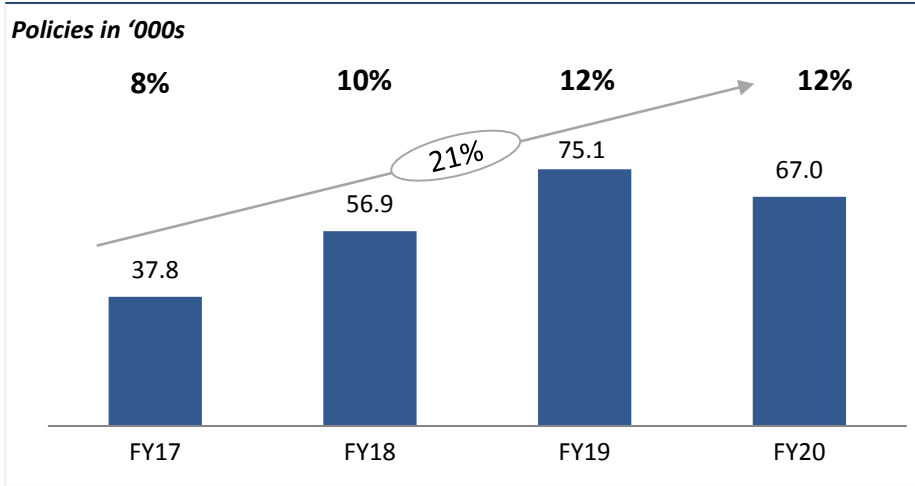


Other Bancassurance Partnerships: YTD Feb growth was ~16%

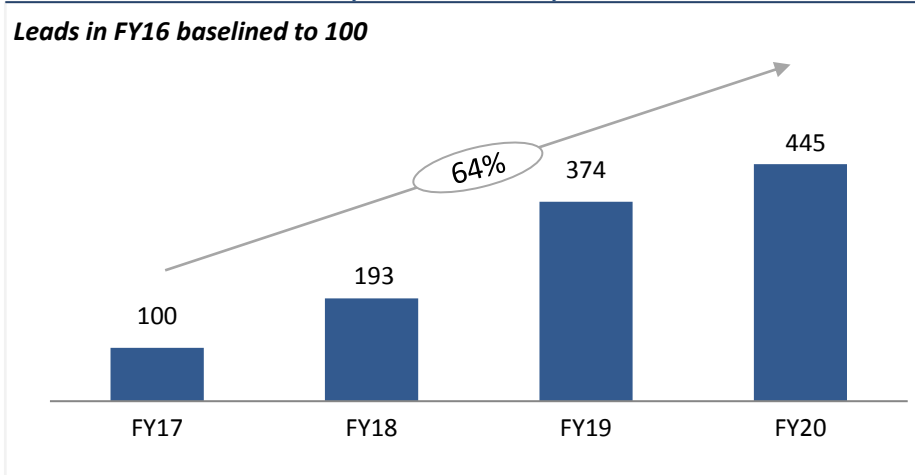


E-commerce: Max Life has focused its efforts in online towards driving protection

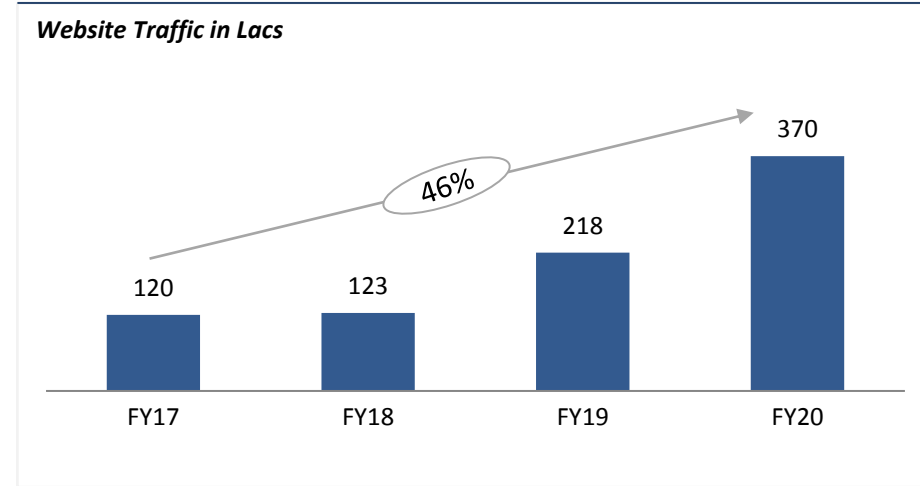
Policies – Steady growth in NOP contribution, drop in FY20 is driven by limited pay protection launch



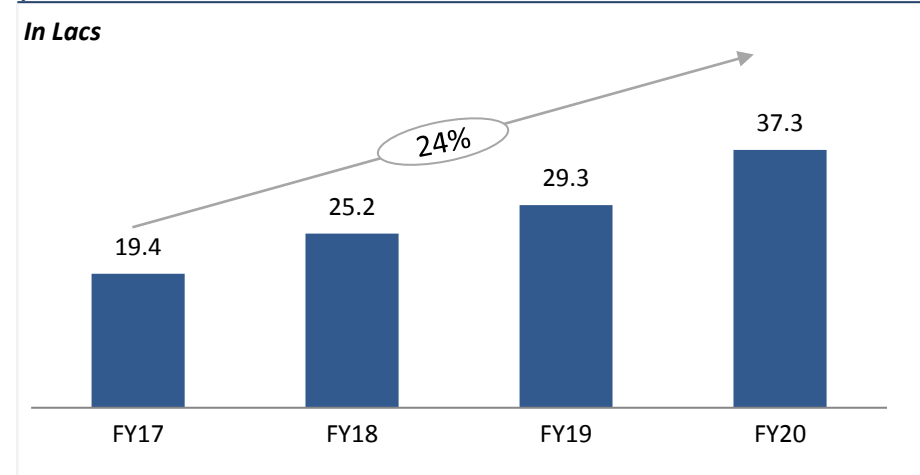
Online Leads - Due to deployment of technology smarts, leads have increased by ~350% in 3 years



Website Traffic - Annual traffic to Max Life’s website has seen a significant increase over the last 4 years



Brand Search Queries - have increased significantly over the years



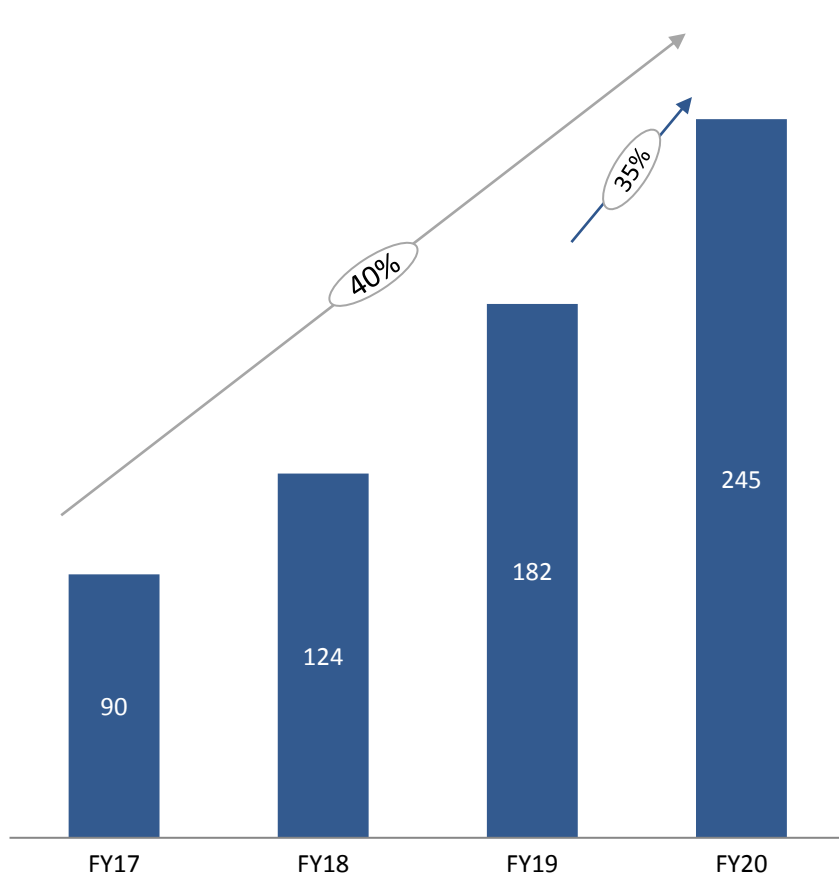
FY20 Progress

- Robust **growth in Direct business** on back of Brand Search Queries
- Deployed frictionless journey with **no document requirement** for over 40% of B2C customers
- Increased **contribution from affluent** customer segments
- Launched industry-first initiative - **“Buy Now Pay Later”**

Cross-selling Direct Channels: Max Life has set up a channel focused exclusively on cross-selling

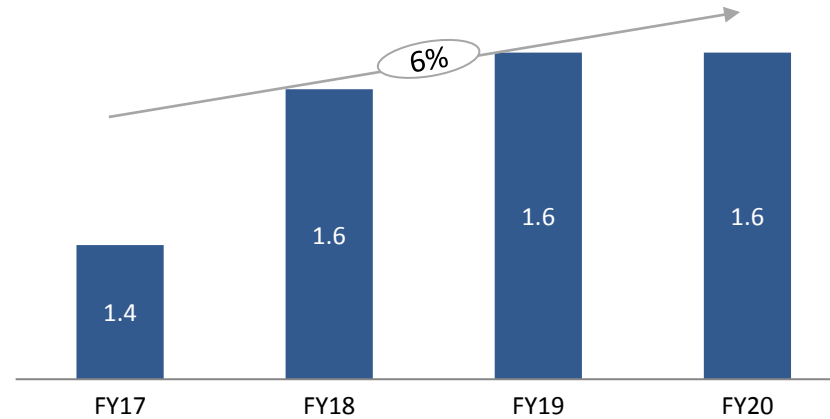
New Business Premium from direct channels

Amount in INR Cr



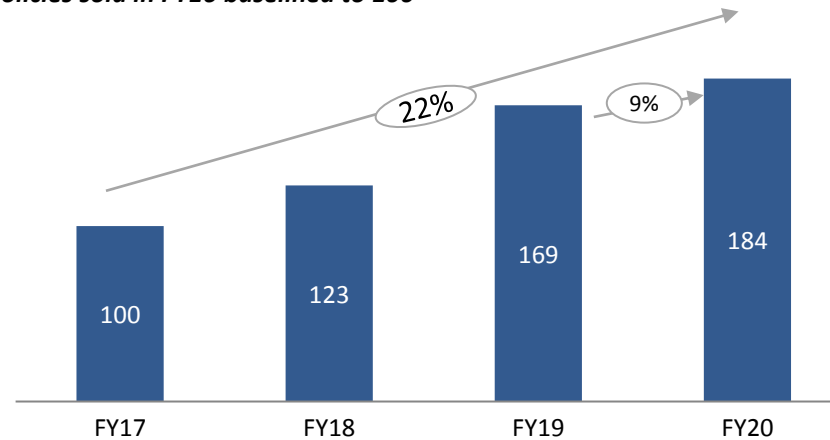
Frontline Productivity

Productivity in INR Lacs per month



Cross-sell Policies - Strong growth in number of cross-sell policies

Policies sold in FY16 baselined to 100



FY20 Progress

- Launched various digital assets and 100% adoption of tools increased efficiency
- Contribution of affluent customers increased in both in value and number of policies terms
- High focus on protection led to significant increase in protection penetration
- Launched alternate models like Business Insurance



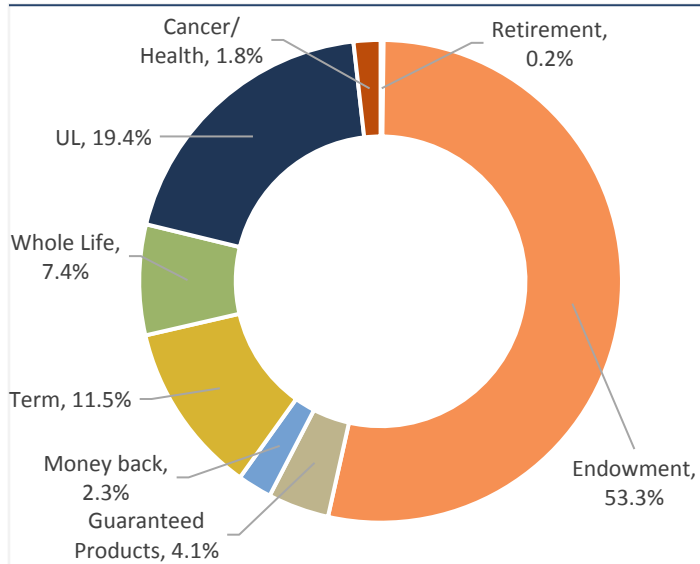
Max Life has a complete suite of products and focus is on selling longer term products along with improving penetration of pure protection offerings



Max Life has products across all categories

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

Current portfolio¹ biased towards traditional products



Product Type	Average Policyholder Age (Years)	Average Policy Term (Years)	Average PPT (Years)
Endowment	35	22	11
ULIP	38	14	10
Whole Life	36	64	51
Money back	27	17	16
Pure Term	35	35	34
Guaranteed products	43	19	9
Health	39	19	19
Cancer Insurance	38	29	29
Pension	34	23	23
Annuity	63	57	1

As on 31st Mar 2020

36

Average

25

Average

16

Average

(1) Based on all policies sold till date

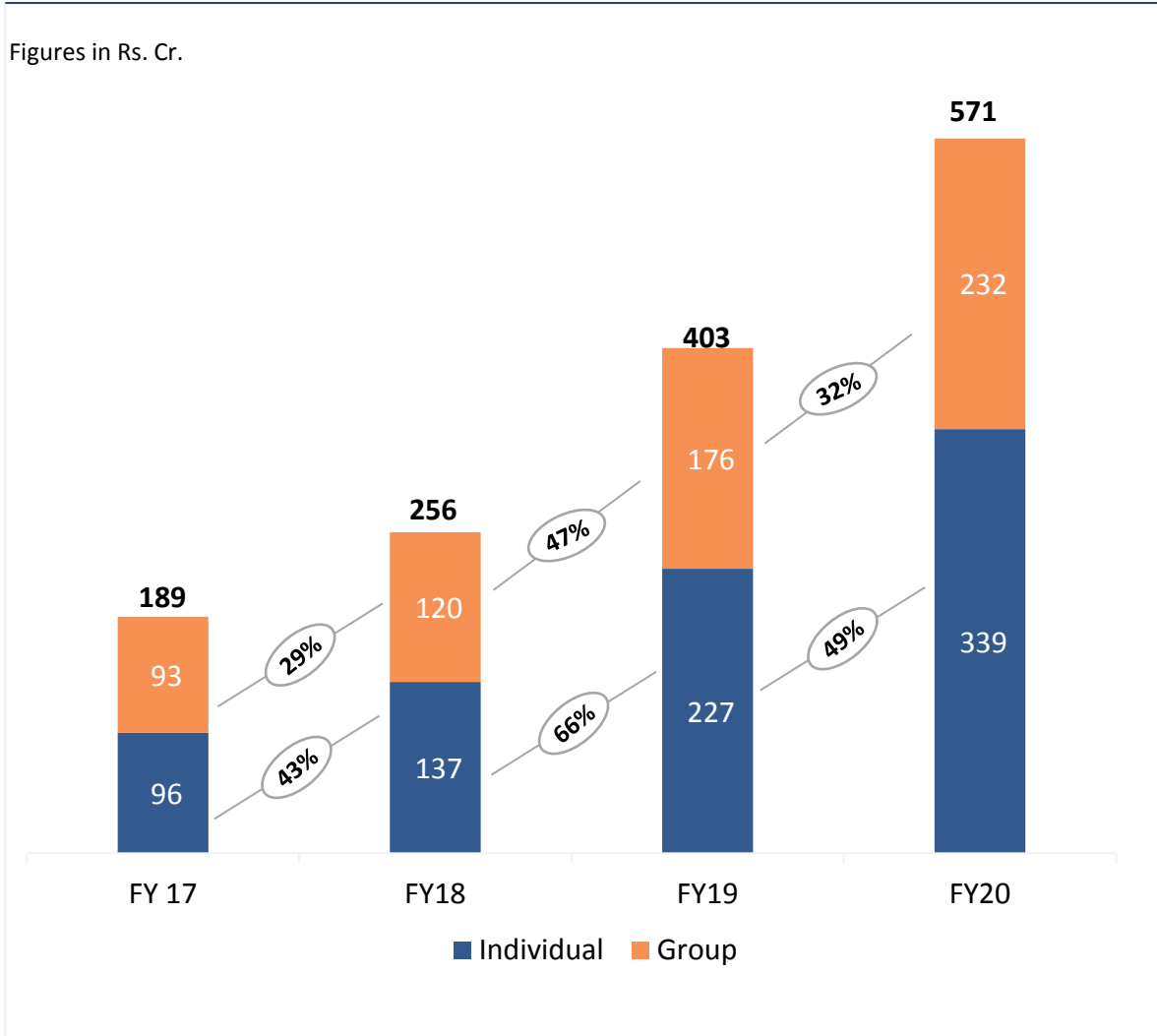


Focus on Protection: 49% increase in individual protection APE and 31% of total individual policies are pure protection



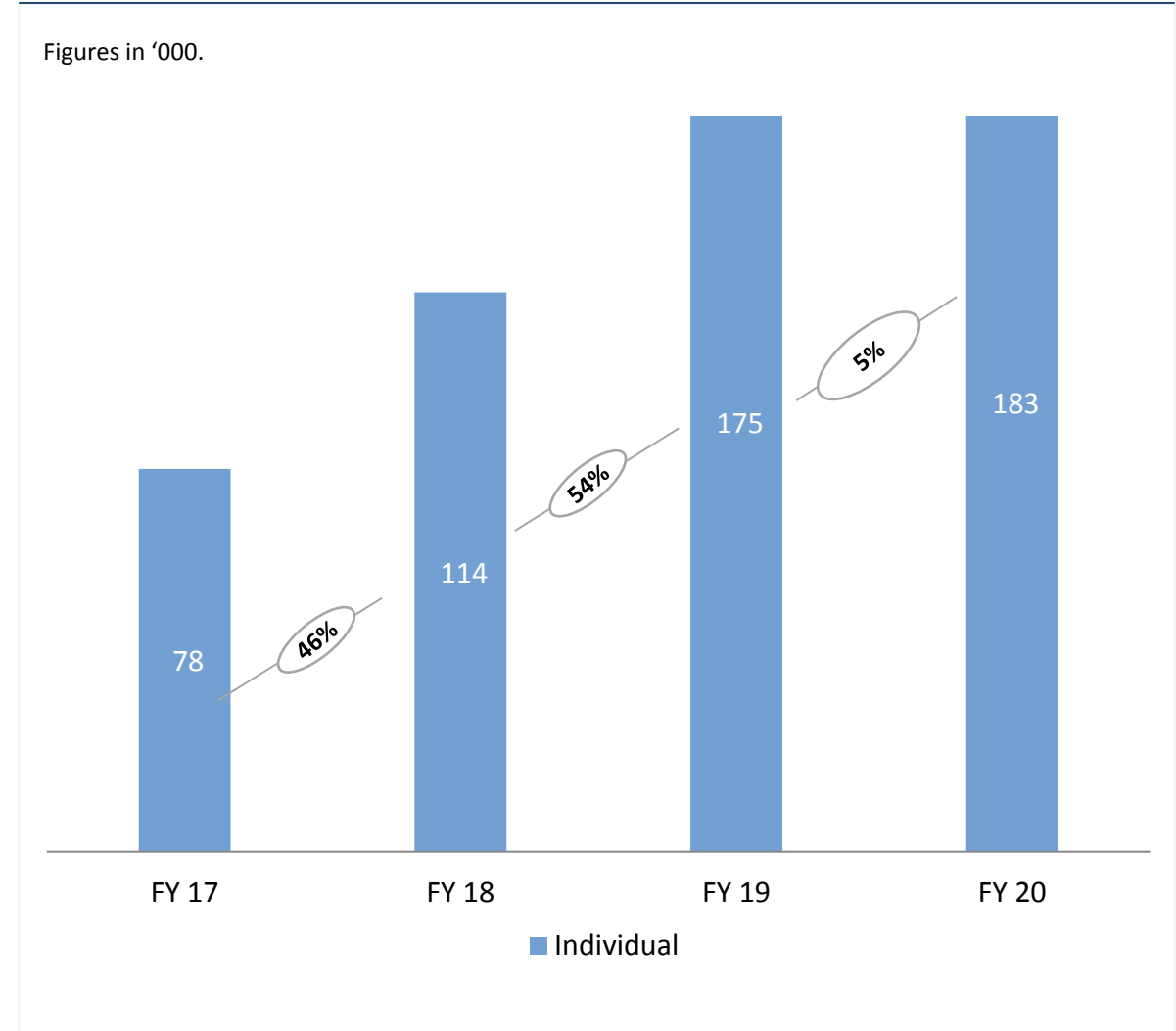
Total APE (Individual + Group)

Figures in Rs. Cr.



No of Protection Policies (Individual)- limited growth in FY20 policies, protection growth led by introduction of limited pay

Figures in '000.

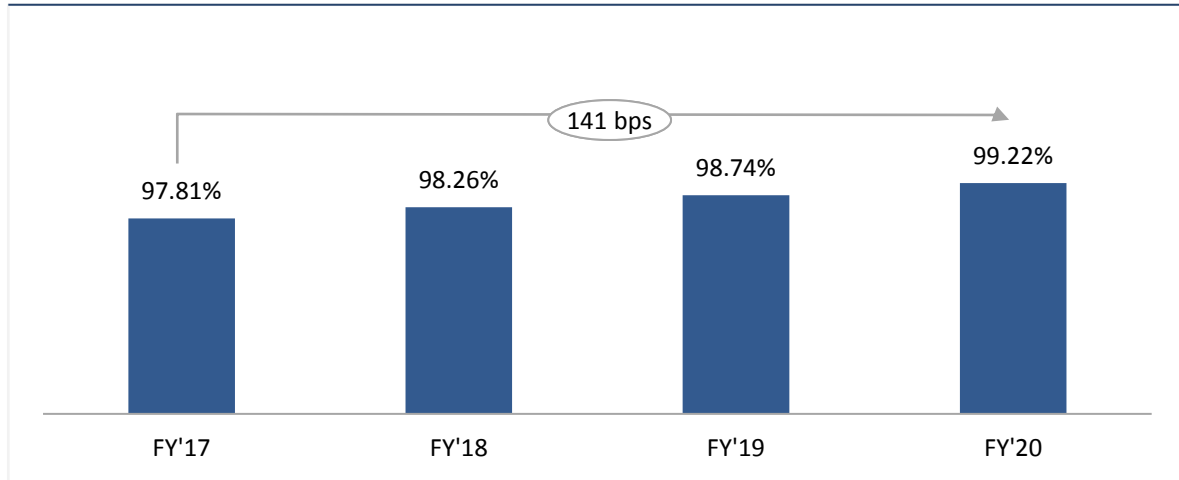




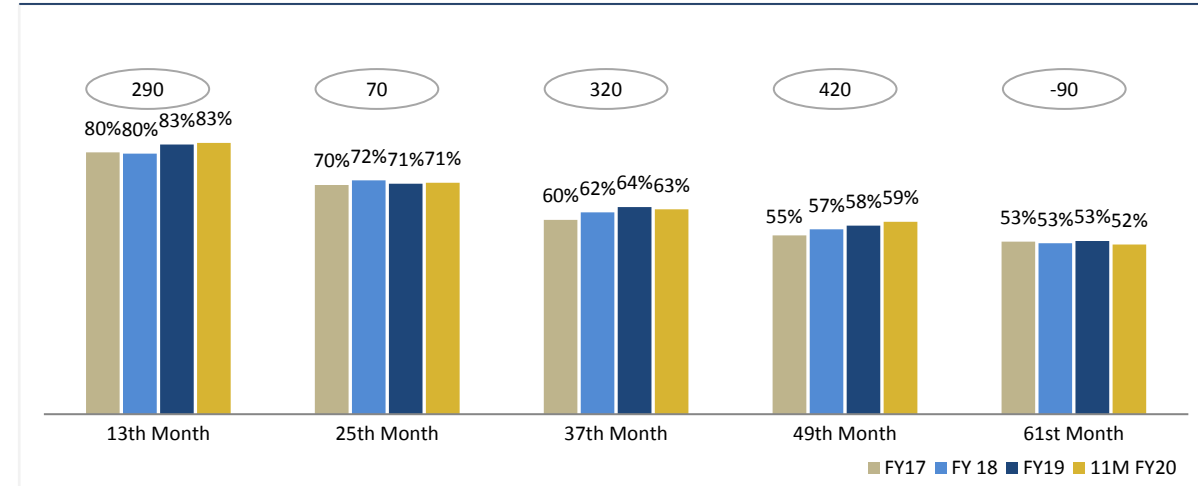
Strong focus towards customer measures has helped deliver superior performance across health parameters and will continue to remain an important priority



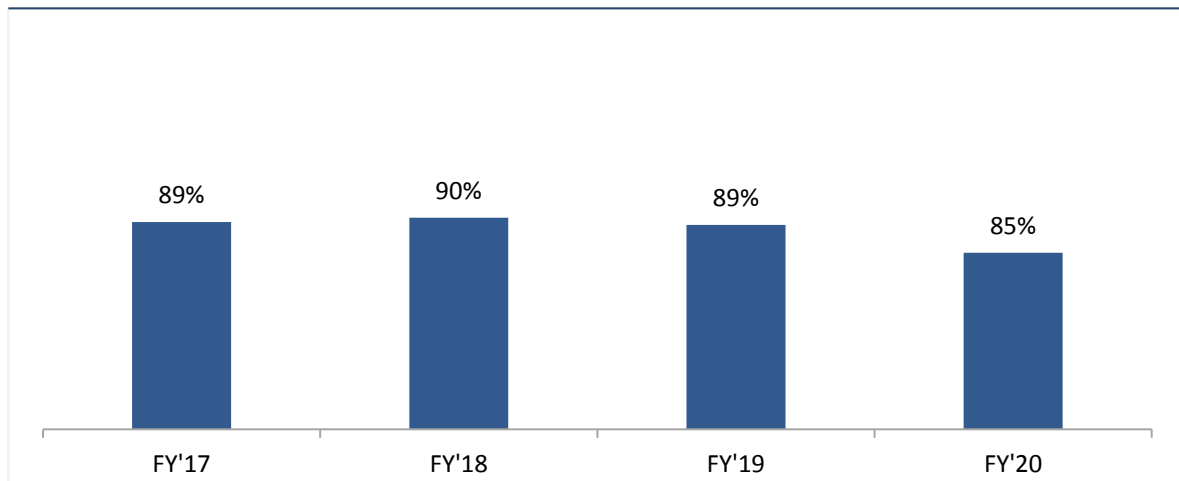
Claims Paid Ratio- One of the best claims paid ratio in the industry



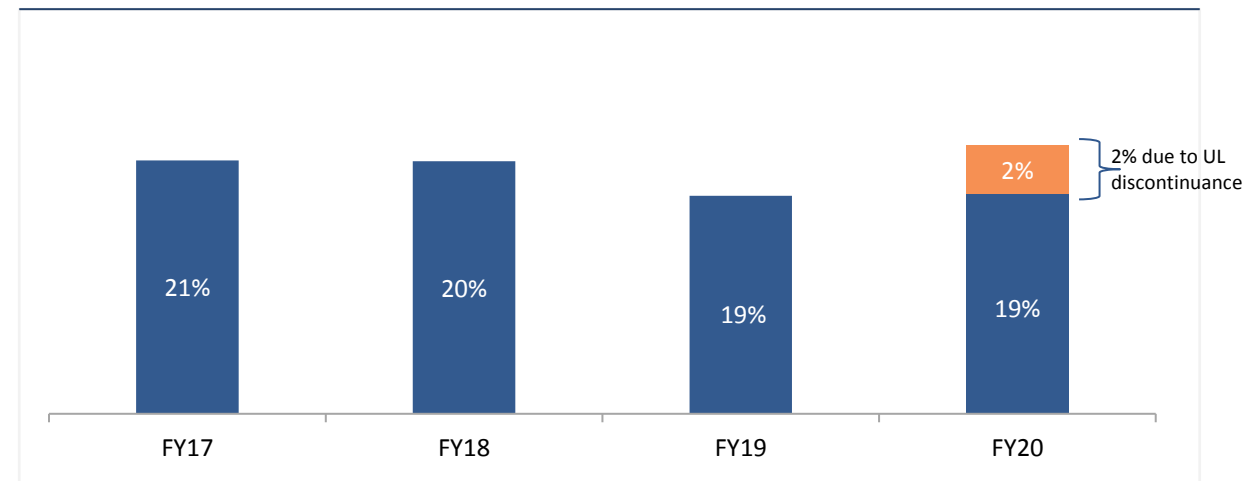
Persistency*



Conservation Ratio



Surrender to GWP



XX Change in persistency from FY17 to FY20 (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%, 61th 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



End-to-end agent recruitment platform facilitating faster agent prospecting and onboarding



Products illustration generation tool

CSG/one CRM – Sales CRM tool for lead management



Cross sell and up sell tool



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)

Underwriting

Renewal

Servicing

Digital Assets



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

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 serve adoption
- **> 50 lacs** self service transactions
- **24X7 query resolution** using chatbot

		FY22 Target	Progress in FY 20
<p>FLUID ARCHITECTURE</p>		<ul style="list-style-type: none"> Migration to Open Source technology All applications to be on cloud Omni-channel enterprise 	<ul style="list-style-type: none"> Moved to cloud native, modular architecture customer onboarding solutions Moving underwriting and New Business platform to modern scalable architecture
<p>BUY FOR EFFICIENCY, BUILD FOR DIFFERENTIATION</p>		<ul style="list-style-type: none"> Migration of all identified processes to in-house applications Phasing out of all proprietary business platforms to off the shelf packages 	<ul style="list-style-type: none"> Replacing proprietary UW platform with differentiated modular solution Building Intelligent lead management system for E-Comm fulfilment
<p>COGNITIVE ENTERPRISE</p>		<ul style="list-style-type: none"> AI enabled cognitive workflows across the value chain 360 degree view of customer Open source based analytics architecture 	<ul style="list-style-type: none"> Internal AI Works teams aiding development of cognitive intelligence across Vision – Speech – Conversations in addition to multiple Deep Learning and Machine learning algorithms
<p>MODERNIZING LEGACY</p>		<ul style="list-style-type: none"> Modernize all lines of business Adapt critical legacy systems to provide partners with the facilities and services the require 	<ul style="list-style-type: none"> Building a modern Data Lake based Enterprise Data Architecture for scaling analytics 83% of business processes enabled through API



SECTION V

- ▶ Max Life Insurance – ESG
- 

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 VI

- ▶ Max Life Insurance – MCEV Disclosures: FY'20
- 

Key Results

The Embedded Value¹ (EV) as at 31st March 2020 (post allowing for the total shareholder dividend payout for FY20) is **Rs 9,977 Cr.**

The Operating Return on EV (RoEV²) over FY20 is **20.3%**. Including non-operating variances, the RoEV is **16.7%**.

The New Business Margin (NBM) for FY20 is **24.3%** (before allowing for acquisition operating cost overrun) and **21.6%** (post overrun), with Value of New Business (VNB) written over the period being **Rs 897 Cr** (post overrun).

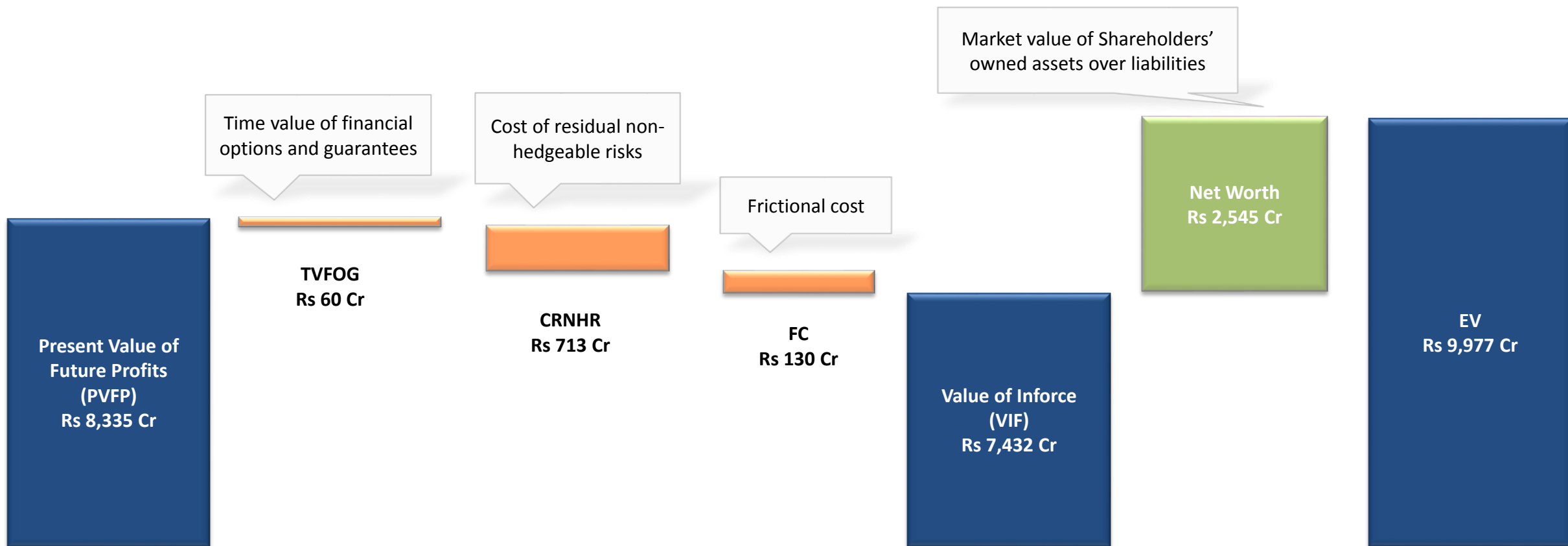
Notes:

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.

² The Return on EV is calculated before capital movements during the year, example dividends.

Overview of the components of the EV as at 31st March 2020

VIF
Net worth and EV



1. The deductions for risks to arrive at the VIF represent a reduction of ~11% in the PVFP. The largest deduction is in respect of CRNHR.
2. Within CRNHR, persistency risk constitutes the largest risk component.

Value of New Business and New Business Margins as at 31st March 2020

Description	FY19	FY20	Y-o-Y growth
APE ¹	3,950	4,149	5%
New Business Margin (NBM) (before cost overrun)	22.5%	24.3%	+180 bps
New Business Margin (NBM) (post cost overrun)	21.7%	21.6%	-10 bps
Value of New Business ² (VNB) (before cost overrun)	887	1,010	14%
Value of New Business (VNB) (post cost overrun)	856	897	5%

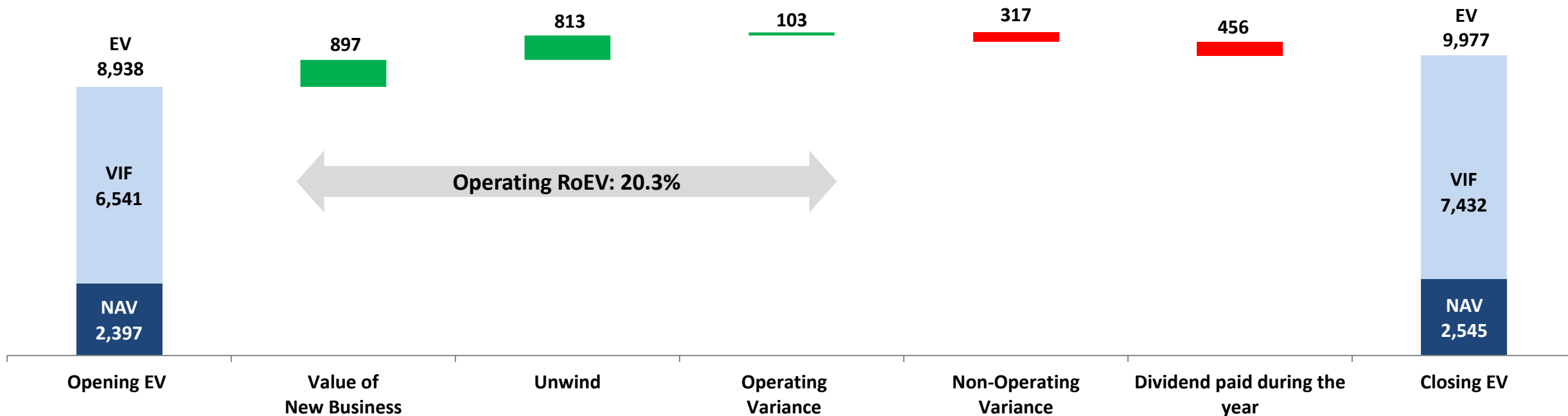
- The New Business Margin (NBM) before cost overrun has increased by circa 180 bps to 24.3% for FY20 compared to 22.5% for FY19.
- The increase in margins (before cost overrun) is primarily driven by increase in proportion of non-par business.
- Post allowing for acquisition operating cost overrun chargeable to shareholders, the NBM reduces to 21.6% for FY20 compared to 21.7% for FY19.

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. 31st March 2020), using the beginning of quarters' risk free yield curve.

EV movement analysis: March 2019 to March 2020

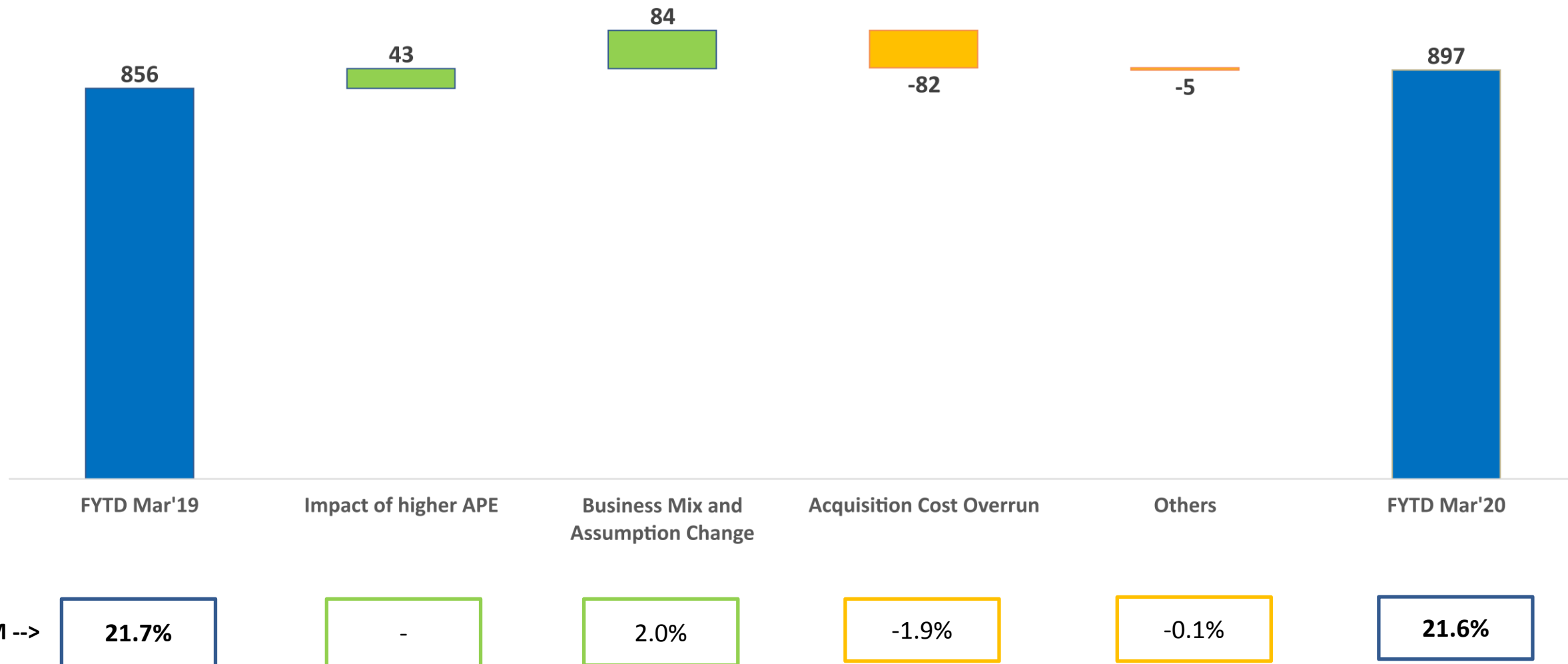
Figures in Rs Cr.



- Operating return on EV of 20.3% is mainly driven by new business growth and unwind.
- Non-operating variances are mainly driven by negative economic variance during the year.

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

Figures in Rs Cr.



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



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 FBIL¹ as at 31st March 2020. The VNB is calculated using the beginning of respective quarter's risk free yield curve (i.e. 31st March 2019, 30th June 2019, 30th September 2019 and 31st December 2019 respectively).
- No allowance has been made for liquidity premium because of lack of credible information on liquidity spreads in the Indian market.
- Samples from 31st March 2020 and 31st March 2019 spot rate yield curves used are:

Year	1	2	3	4	5	10	15	20	25	30
Mar 20	4.82%	5.16%	5.40%	5.72%	6.24%	6.95%	6.97%	6.81%	6.95%	6.68%
Mar 19	6.43%	6.56%	6.66%	6.87%	6.99%	7.40%	7.83%	7.78%	7.73%	7.72%
Change	-1.61%	-1.40%	-1.26%	-1.15%	-0.75%	-0.45%	-0.86%	-0.96%	-0.78%	-1.04%

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.

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.

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

Financial Performance

- Individual APE
- Renewal Premium
- Gross Premium
- Policyholder expense to GWP Ratio
- Policyholder Cost to GWP Ratio
- Expense to average AUM (Policyholder)

	FY 17		FY18		FY19		FY20
Individual APE	2,657	21% ↑	3,217	22% ↑	3,917	5% ↑	4,116
Renewal Premium	7,114	15% ↑	8,152	15% ↑	9,415	13% ↑	10,600
Gross Premium	10,780	16% ↑	12,501	17% ↑	14,575	11% ↑	16,184
Policyholder expense to GWP Ratio	14.8%	187 bps ↓	12.9%	34 bps ↑	13.2%	126 bps ↑	14.5%
Policyholder Cost to GWP Ratio	23.5%	341 bps ↓	20.0%	↔	20.0%	80 bps ↑	20.8%
Expense to average AUM (Policyholder)	4.3%	70 bps ↓	3.6%	↔	3.6%	21 bps ↑	3.8%

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

Financial Performance

➤ Profit(before Tax)

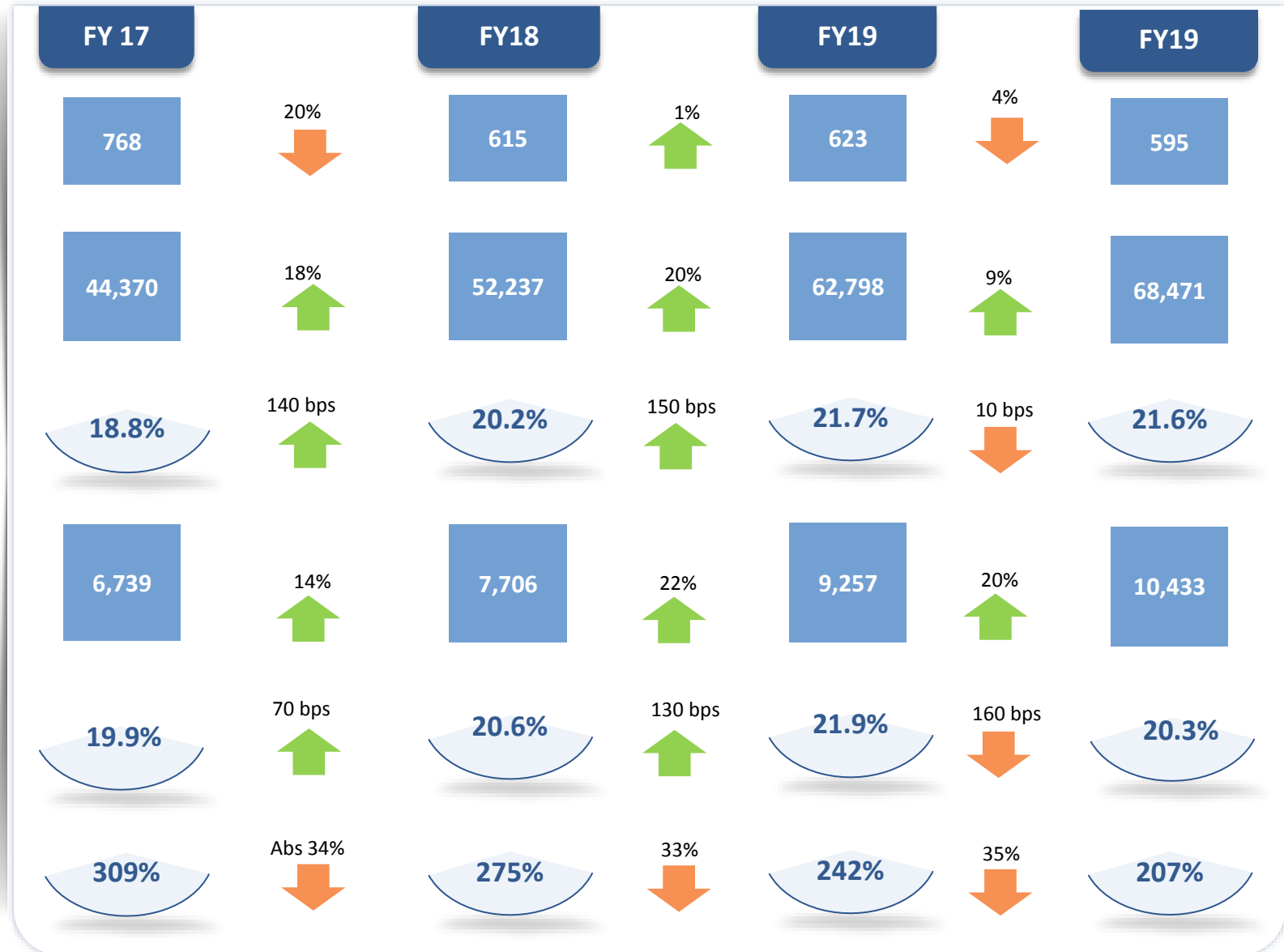
➤ AUM

➤ New Business Margin (Post Overrun)

➤ MCEV (pre dividend)^

➤ Operating RoEV

➤ Solvency Ratio



Figures in Rs. Cr.

^Arrow represents growth in Operating RoEV

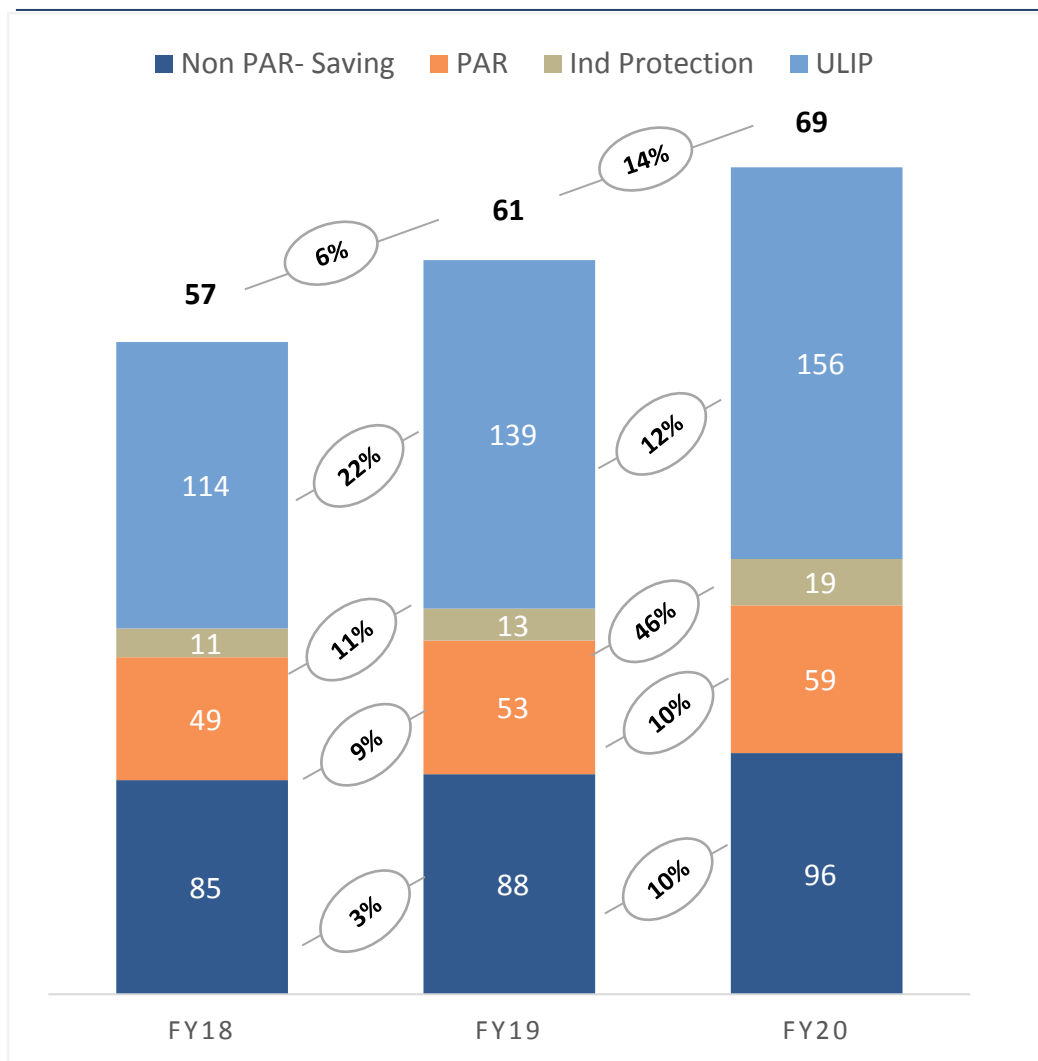
Performance update- Q4'FY20 and FY20

Key Business Drivers	Unit	Quarter Ended		Q-o-Q Growth	Year Ended		Y-o-Y Growth
		Mar'19	Mar'20		FY19	FY20	
a) Individual APE	Rs. Crore	1,634	1,398	-15%	3,917	4,116	5%
b) Gross written premium income	Rs. Crore	5,521	5,873	6%	14,575	16,184	11%
First year premium		1,631	1,391	-15%	3,873	4,088	6%
Renewal premium		3,459	3,983	15%	9,415	10,600	13%
Single premium		431	499	16%	1,287	1,495	16%
c) Shareholder Profit (Pre Tax)^	Rs. Crore	247	242	-2%	623	595	-4%
d) Policy Holder Expense to Gross Premium	%	11.2%	11.4%	-18 bps	13.2%	14.5%	-126 bps
e) Conservation ratio	%	86.6%	86.4%	-18 bps	88.6%	84.7%	-394 bps
f) Average case size(Agency)	Rs.	57,873	70,415	22%	56,007	65,815	18%
g) Share Capital	Rs. Crore				1,919	1,919	0%
h) Individual Policies in force	No. Lacs				43.20	43.90	2%
i) Sum insured in force	Rs. Crore				703,972	913,660	30%
j) Grievance Ratio	Per Ten thousand				59	48	-19%

^Profit declined from previous year due to increase in new business strain from higher NPAR (protection and savings), however offset to some extent by gains from introducing FRA and unwinding of IRS

Case size continues to expand across the board; Almost 50% growth in Protection Plans

Case Size (INR'000)



NoPs (INR'000)

