

Max Financial Performance Update

Investor Release FY21

June 8, 2021





SECTION I

- ▶ Max Financial Services : FY21 Key Highlights
- 

Max Financial Services : FY'21 Key Highlights

1

Axis Bank entities become **Co-Promoter** of **Max Life** with **12.99%** stake. Right to acquire another **7%** stake

Application filed with **IRDAI** for acquiring residual stake ~**5.17%** from **MSI** in **Max Life**, transaction completion expected by **Q2FY22**

2

Consolidated Revenue excluding investment income at **Rs 18,815 Cr**, grows **18%**. Consolidated PAT at **Rs 560 Cr**, Up **105%**, growth in profits was aided by reversal of provision for impairment on financial assets, lower tax expense and a partial offset by new business strain due to shift in product mix towards Non-Par business

3

MCEV as at 31st Mar 2021 at **Rs. 11,834 Cr**; Operating RoEV at **18.5%**, impacted by COVID-19 provisions, Including non-operating variances RoEV is **22.4%**.

4

NBMs (post cost overrun) at **25.2%**, **360 bps** improvement y-o-y primarily driven by increase in non-par and protection business; **VNB** at **Rs 1,249 Cr** grew by **39%** y-o-y, almost doubled in three years

5

Max Life market share improved by **107 bps** to **10.8%** ... growth of **19%** against **Private Players** growth of **8%**. **15.6%** market share based on **Sum Assured**, **3rd** rank.

6

Individual Protection sales grew **40% y-o-y**, Individual protection mix improved from **8%** in PY to **9%**



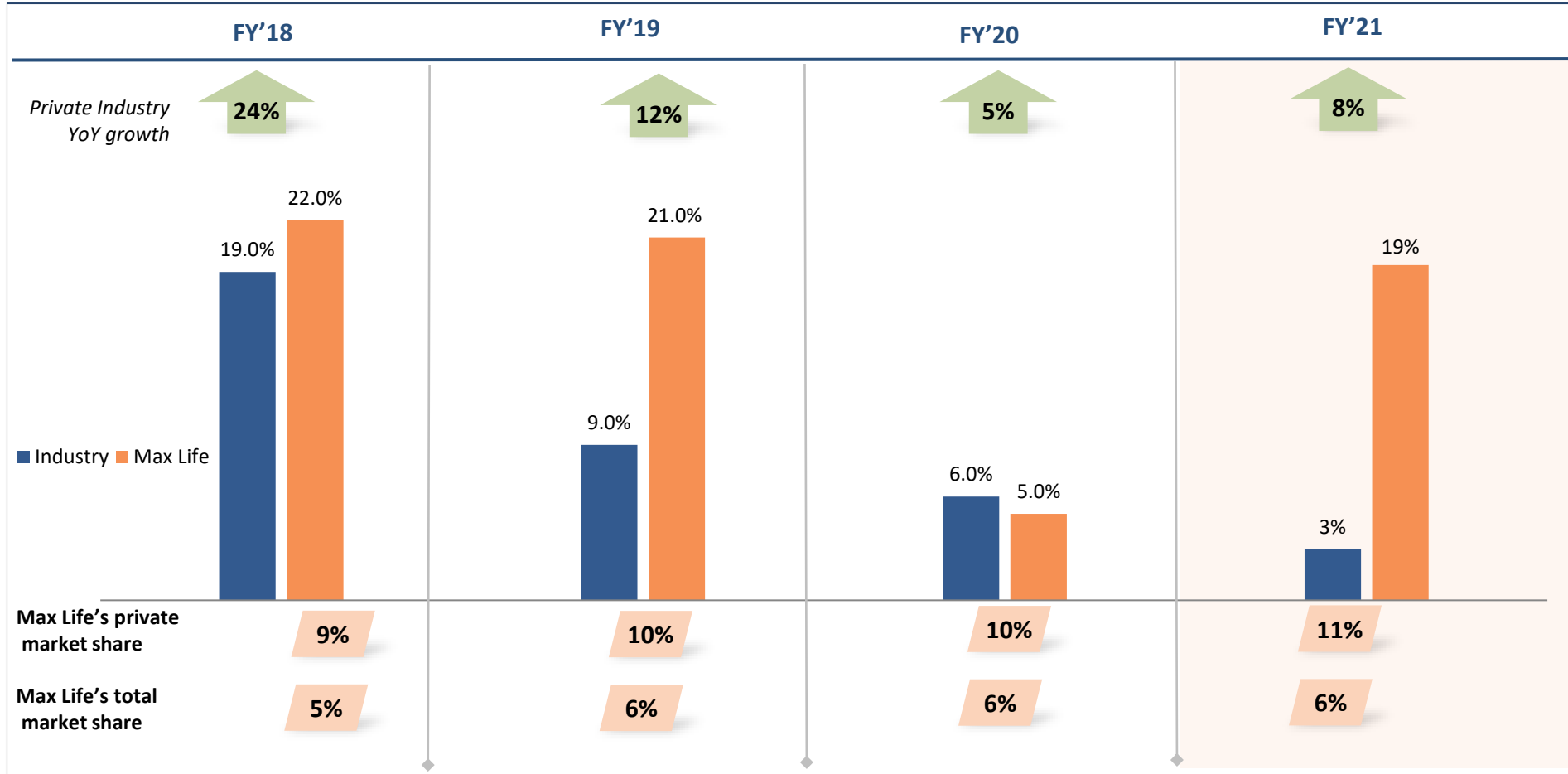
SECTION II

- ▶ Max Life Insurance – Business Overview
- 

Industry Landscape: Despite COVID-19 challenges, Max Life performed better than industry and recorded market share of 11% (gaining 107 bps)



YoY Growth basis Individual Adjusted FYP

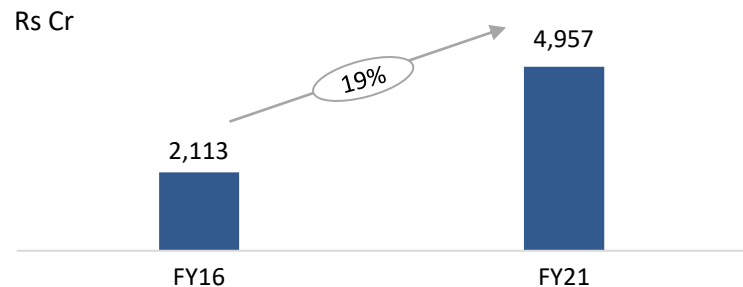


- Max Life outperformed the private industry in FY21. Max Life grew 19%, while top 10 private players grew by 8%
- Max Life's market share improved in FY21 to 10.8% (YoY: 107 bps)
- **Individual new business sum assured at Rs 2.2 Lac Cr; 22% growth in FY21 –private market share of 15.6% and 3rd rank**

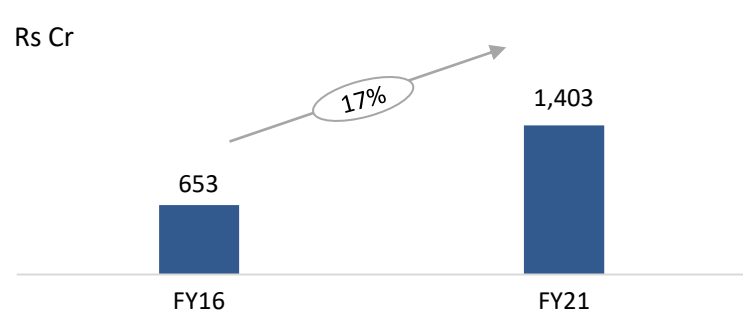
Max Life 5 year journey- Consistent performance across key parameters

Consistent Sales growth

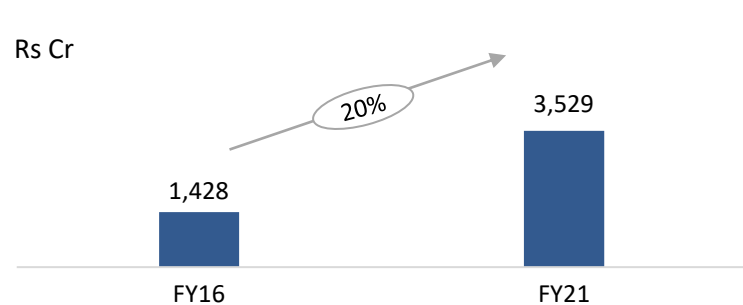
Total APE



Proprietary APE

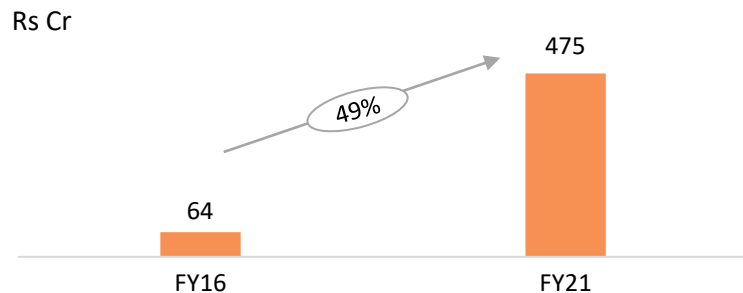


Banca APE

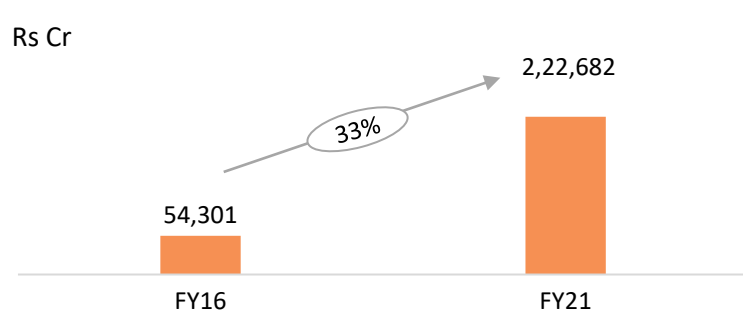


Protection Focus

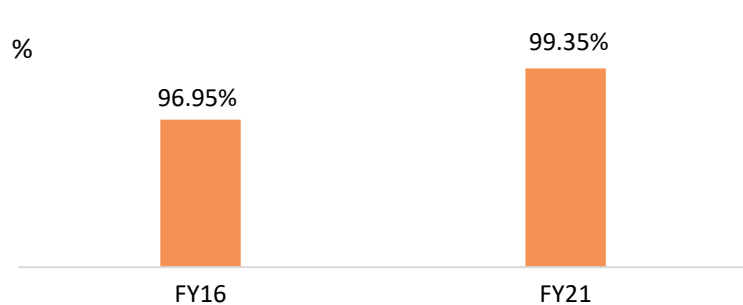
Individual Protection APE



Individual New Business Sum assured

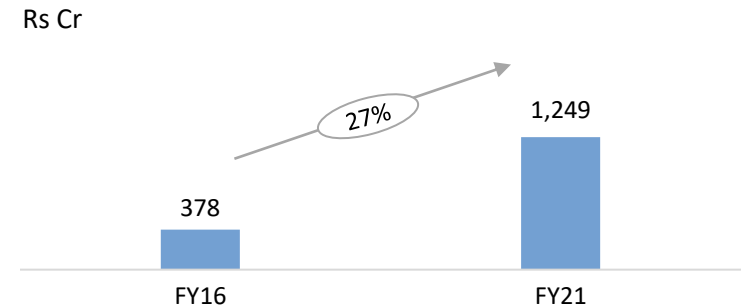


Individual Claims Paid Ratio

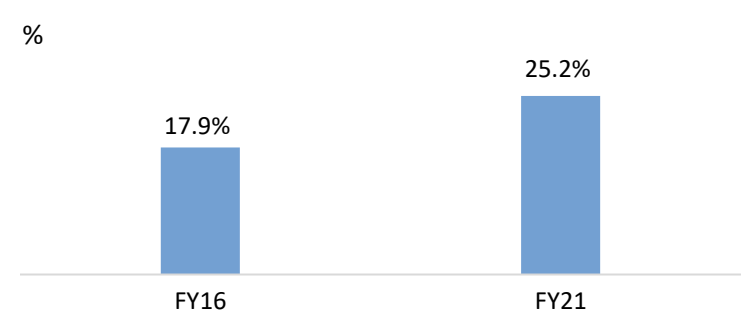


Fastest VNB growth

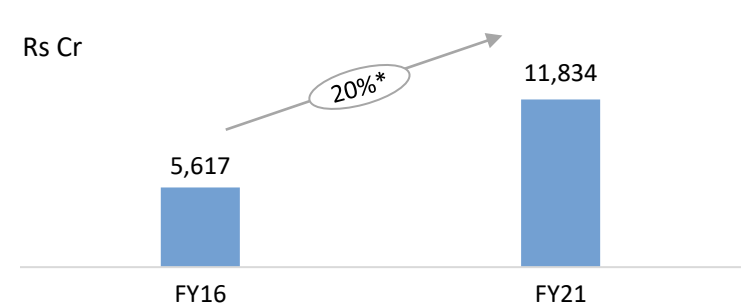
VNB



NBM



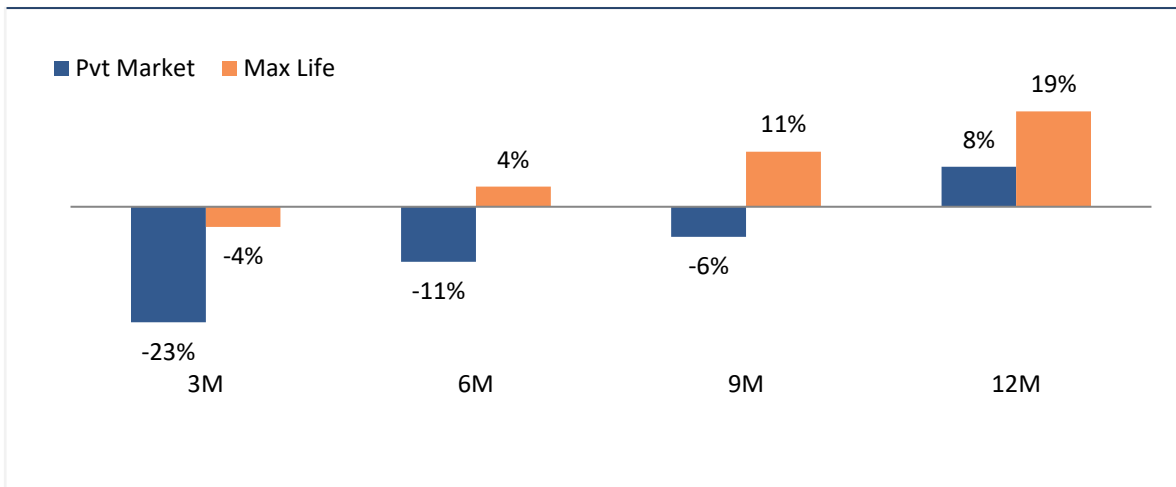
EV



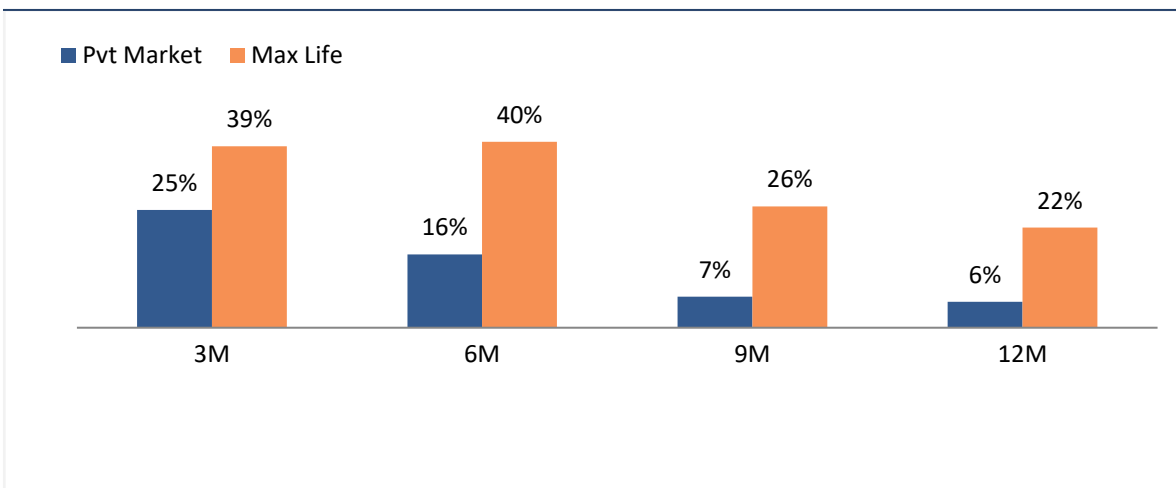
*Return on EV represents cumulative annualized operating ROEV

Summary FY21 performance (1/3): Number of milestones achieved as we progressed in the year

Remained ahead of Private industry's Sales growth*



Remained ahead of Private industry's Individual Sum assured growth

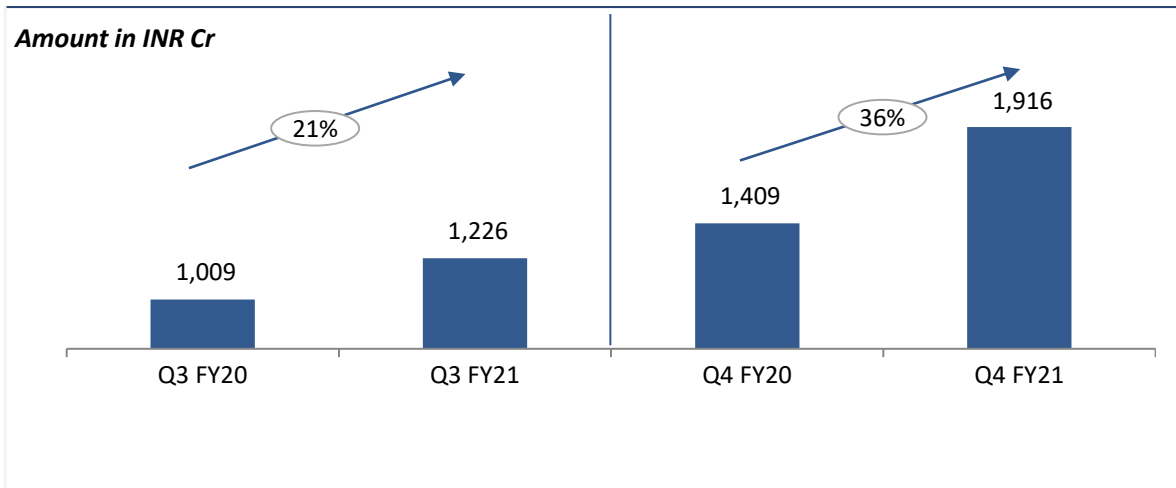


A year of records, resolves and achievements

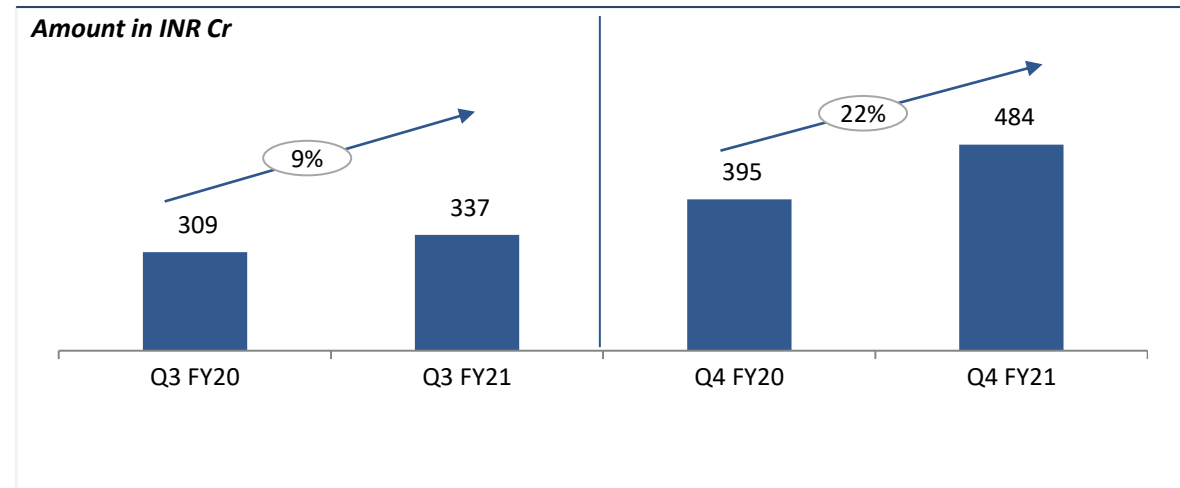
- ✓ **Successful closure of Axis transaction and renewal of Yes Bank partnership for 5 years**
- ✓ **Decade high new business market share at 10.8%**
- ✓ **Highest Ever GPTW rank #24**
- ✓ **Highest ever Individual Sum Assured sold at 2.2L cr- Individual new business Sum Assured grew 22% vs. 6% pvt sector growth, touch 15.6% market share in Individual sum assured.**
- ✓ **#2 rank in customer grievances incidence rate (Q3 public disclosures), with decade-low mis-selling count and incidence rate**
- ✓ **#1 rank in customer loyalty (annual syndicated survey of policyholders by Kantar)**
- ✓ **Achieved one of the industry leading VNB growth of 39% by navigating product mix and cost management efforts**

Summary FY21 performance (2/3): Momentum regained in Q3 and Q4 FY21

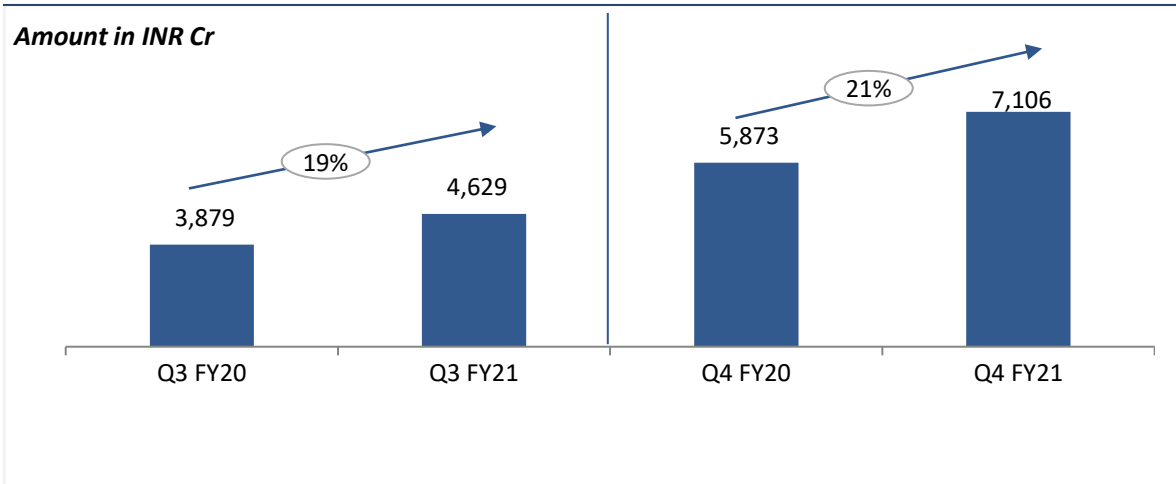
APE- Q4 sales grew by 36% driven both by proprietary and partnership channels



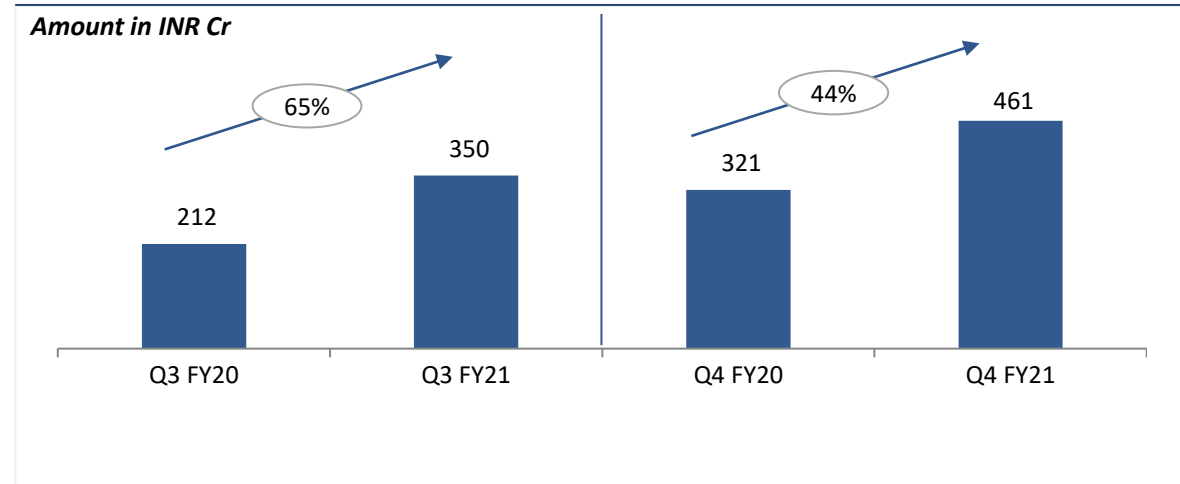
Proprietary Channel APE- Growth momentum back in proprietary channels



















Gross Written Premium grew by 21% in Q4 led by both new business and renewal income



Value of New Business (VNB) in Q4 grew by healthy 44% due to strong margin profile and healthy product mix



Summary FY21 performance (3/3): Overall Financial Performance Summary

Pvt Market Share 11% [10%] 107 bps 	Individual APE Rs 4,907 Cr [Rs 4,116 Cr] 19% 	Gross Written Premium Rs 19,018 Cr [Rs 16,184 Cr] 18% 	AUM Rs 90,407 Cr [Rs 68,471 Cr] 32% 
Profit After tax Rs 523 Cr [Rs 539 Cr] -3% 	Net Worth Rs 3,008 Cr [Rs 2,574 Cr] 17% 	Policyholder Cost to GWP Ratio 20.7% [20.8%] 15 bps 	Policyholder Expense to GWP Ratio 14.2% [14.5%] 27 bps 
New business margin 25.2% [21.6%] 360 bps 	Operating RoEV 18.5% [20.3%] 180 bps 	Embedded Value 11,834 [9,977] 18.5% 	Solvency 196% [207%] 11% 
VNB 1,249 [897] 39% 	Policies Sold ('000) 646 [597] 8% 	Claim Settlement Ratio 99.35% [99.22%] 13 bps 	Protection Mix** Individual Group Total 9% 5% 14% [8%] [5%] [13%] 110 bps 

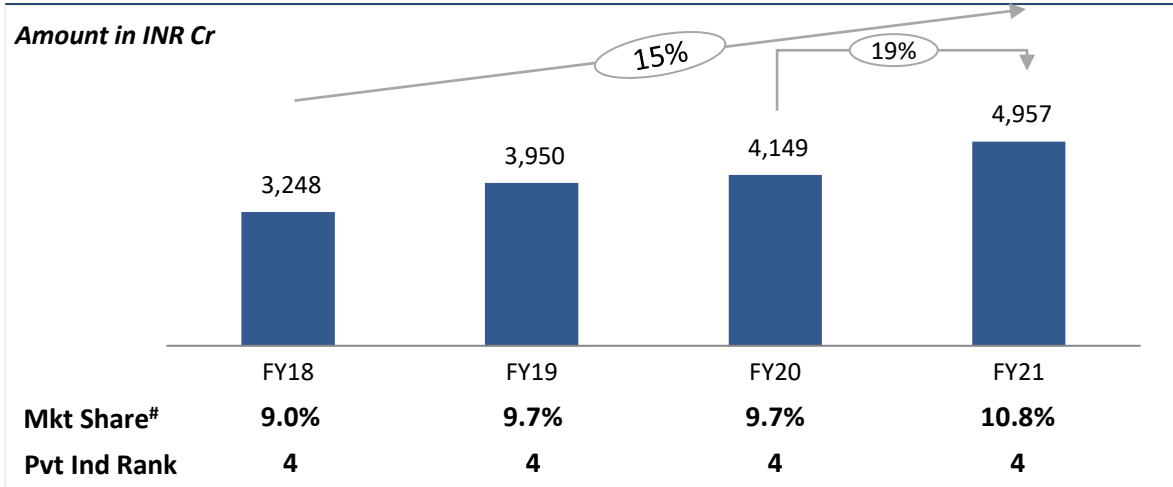
Figures in [brackets] are for previous year numbers

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

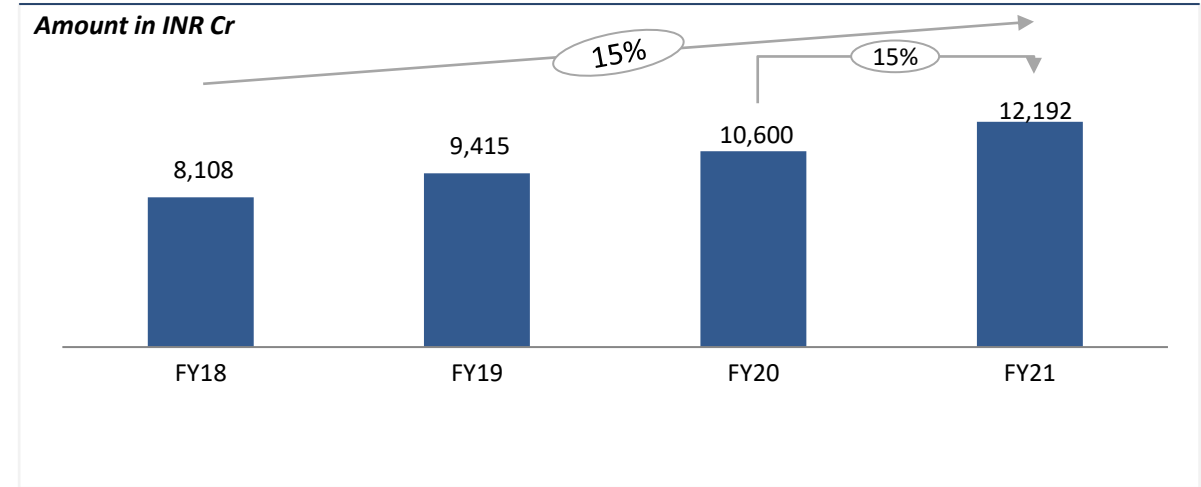
Max Life has delivered strong performance on both new business and renewal business; Maintained 4th rank in the private industry



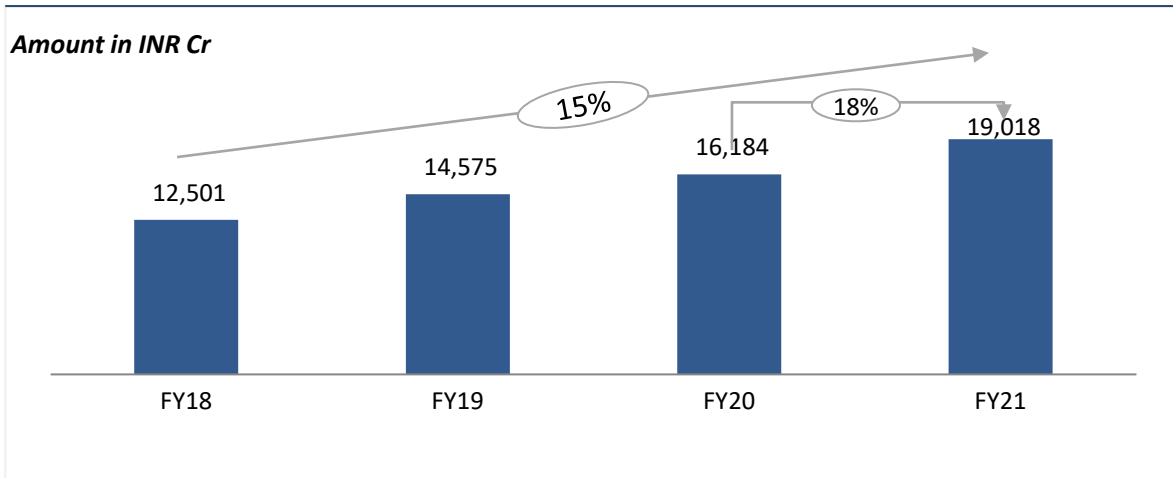
New Business Premiums (on APE basis)



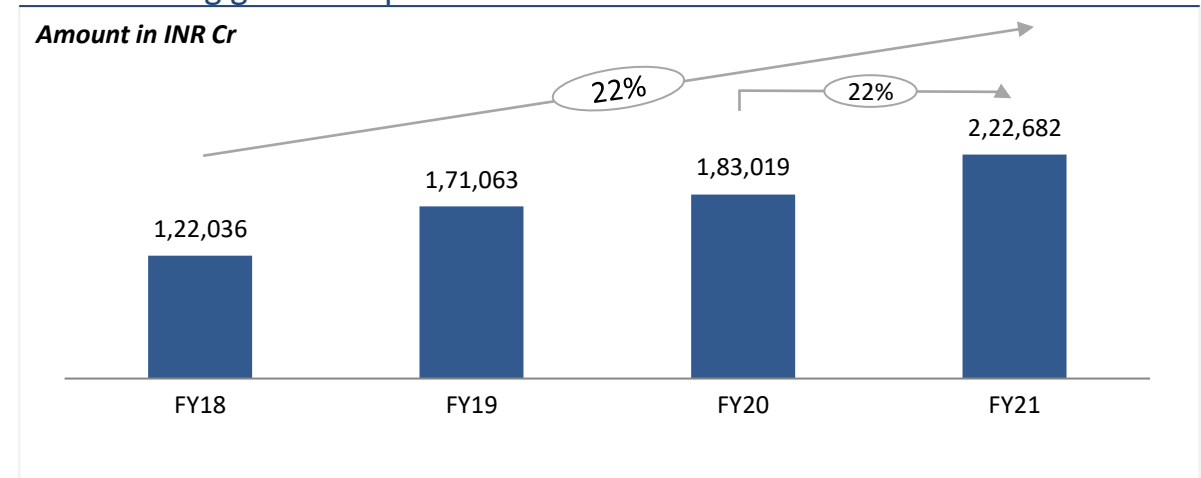
Renewal Income



Gross Written Premium

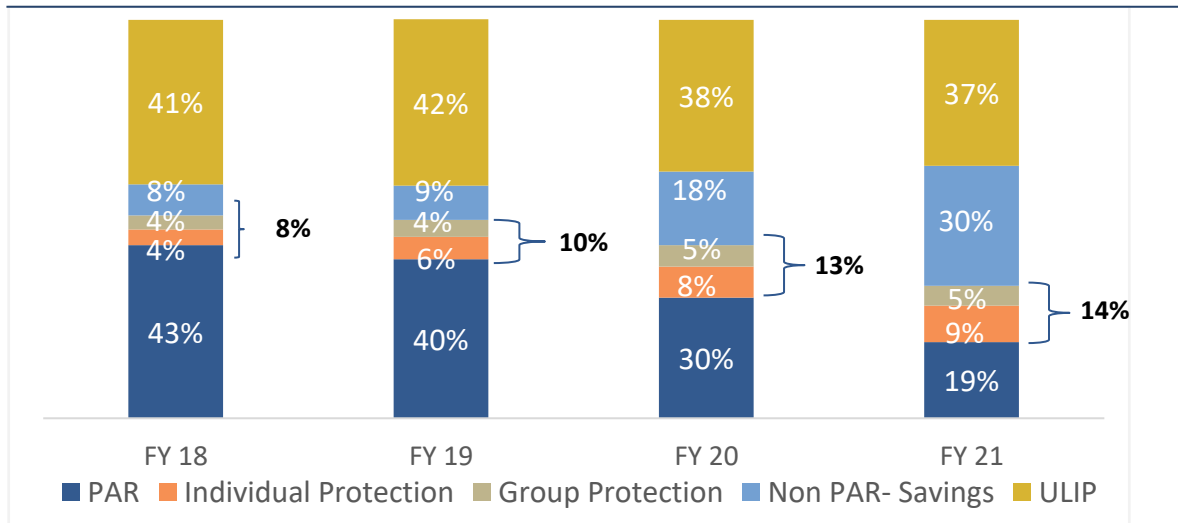


Individual Sum Assured of New business- 22% CAGR over last three years due to strong growth in protection business

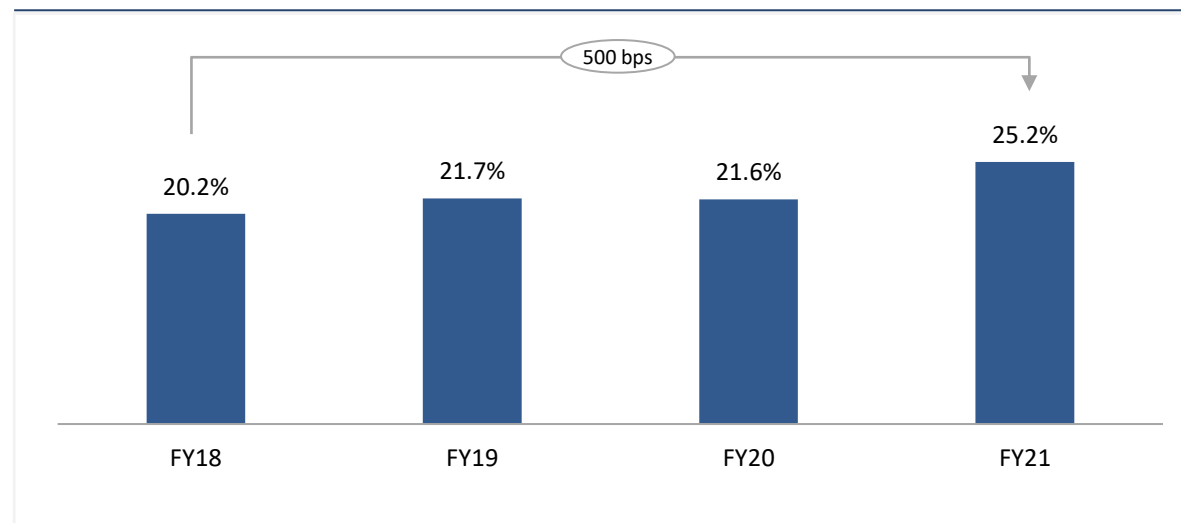


NBM expanded by 360 bps by navigating product mix

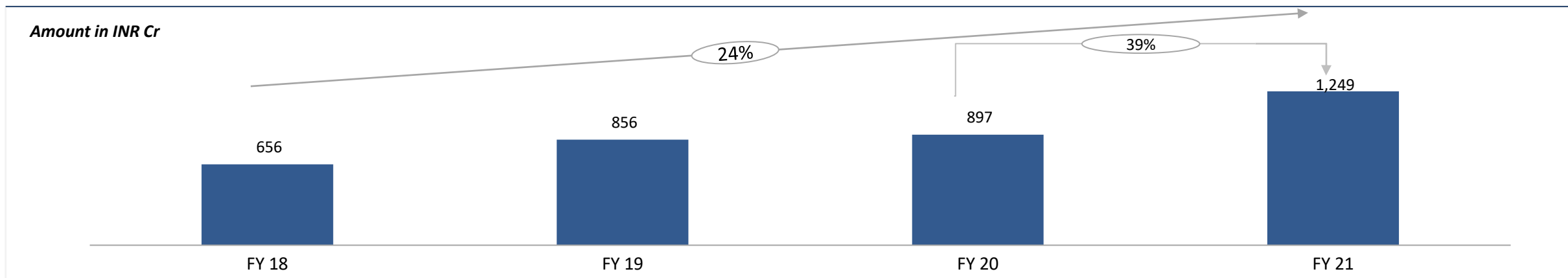
Product Mix – Increase in NPAR savings owing to launch of new non par product



Margins: Expanded by 500 bps over last three years

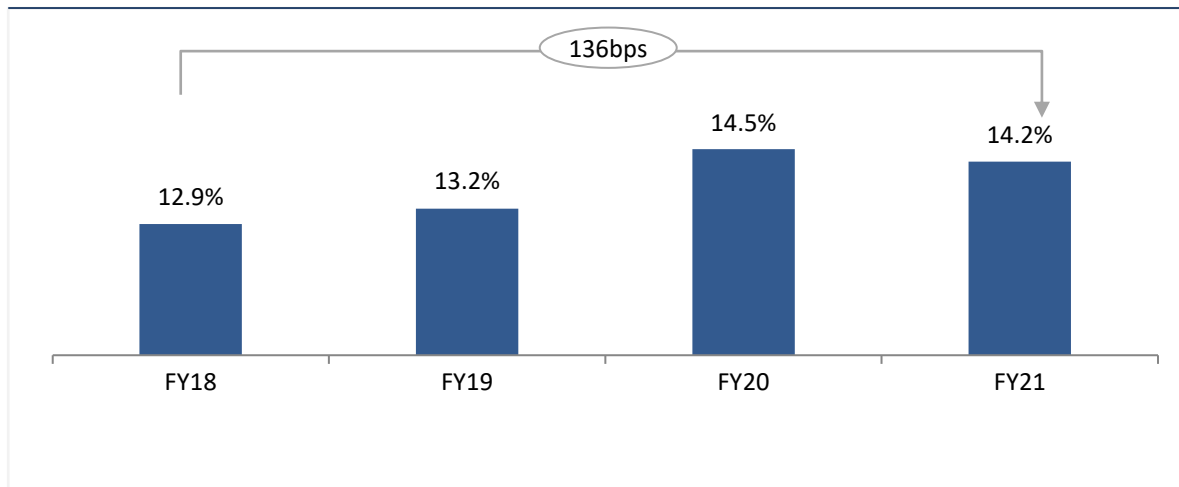


VNB – grew by 39% in FY21, almost doubled in three years

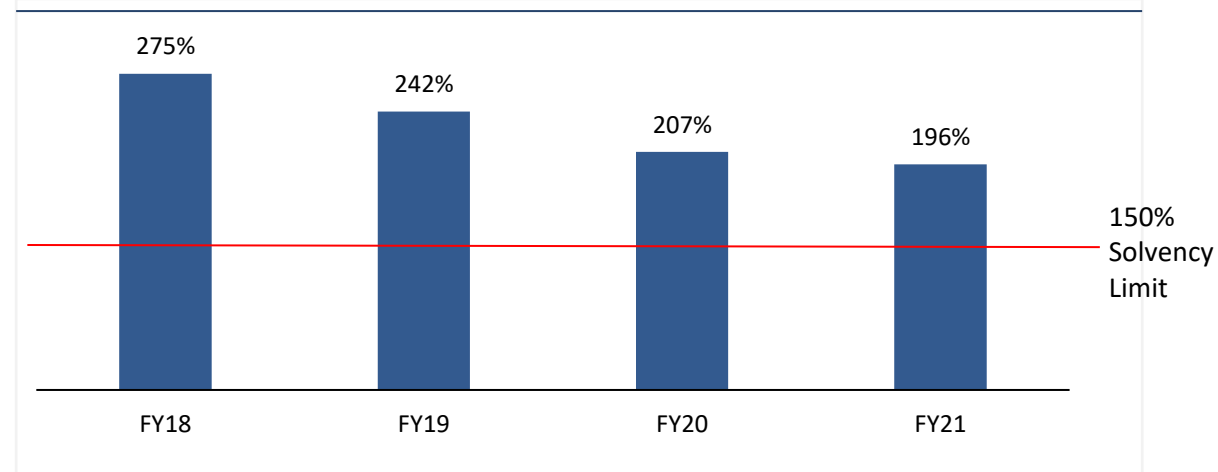


Efficient capital management with consistent RoE of ~20%, best in class among financial services

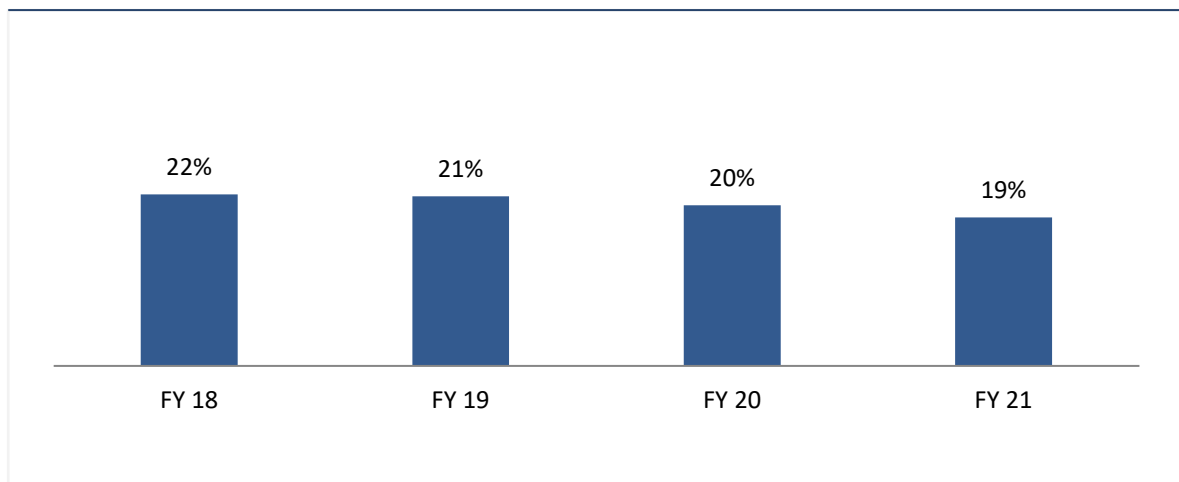
Opex to GWP* - Cost management actions improved Opex to GWP by ~27 bps



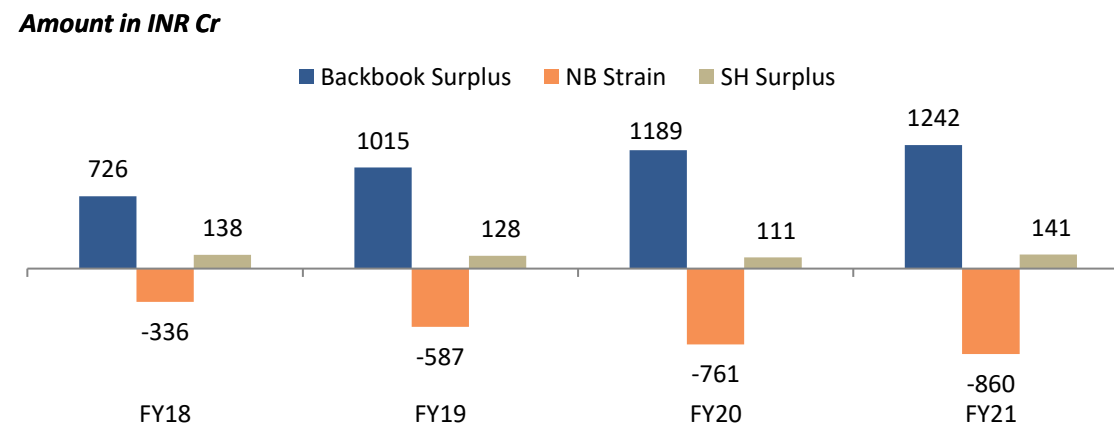
Solvency Ratio (pre dividend) - maintained well above the regulatory requirement



Return on Equity (RoE)#



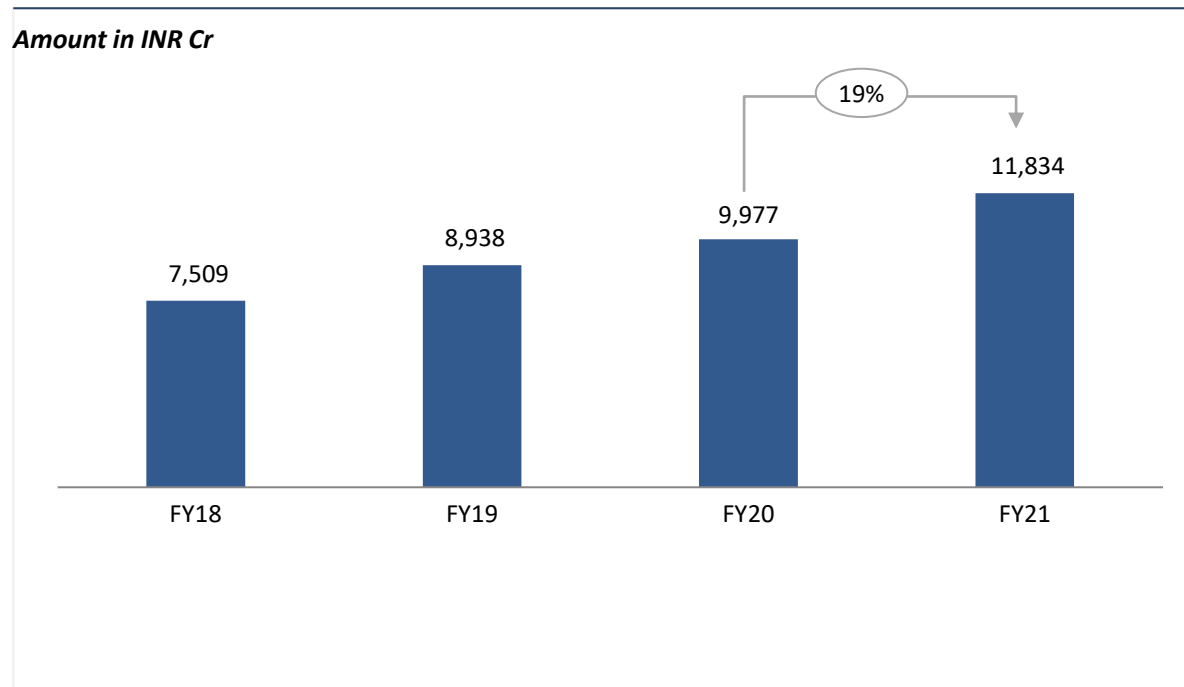
Underwriting Profits



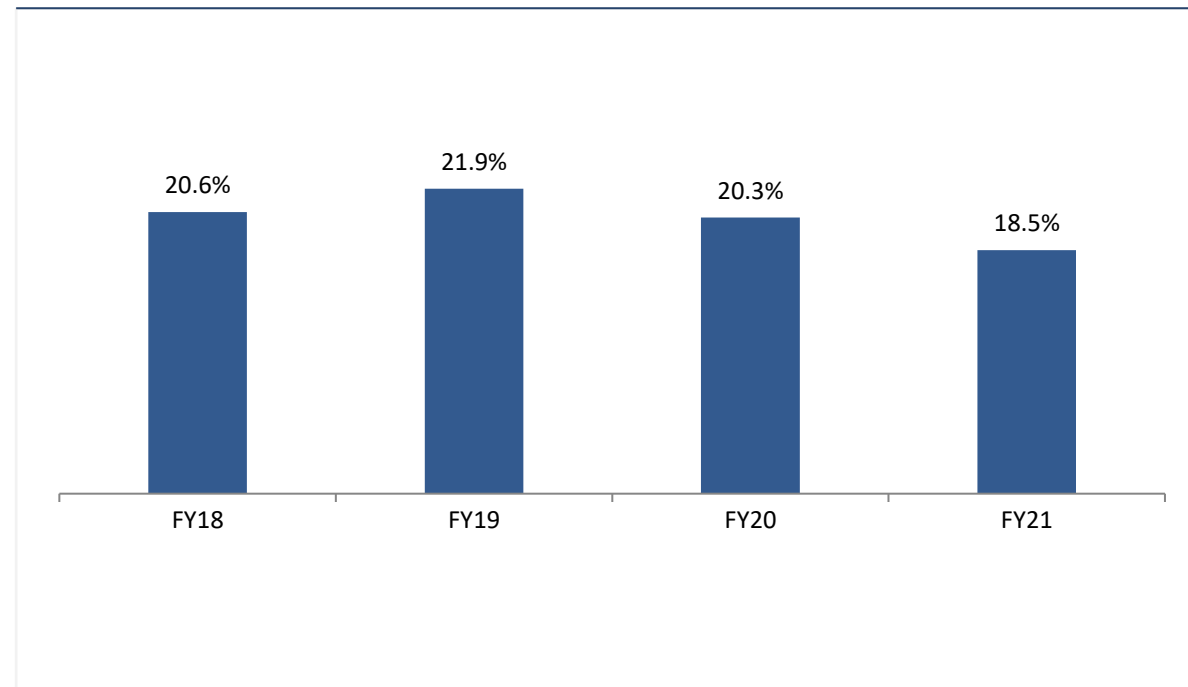
* Refers to the policyholder expense to GWP ratio; # ROE is PAT as a ratio of average Net worth during the year

Embedded value grew by 19% in FY21 with operating RoEV of 18.5%

Embedded Value (EV)- EV driven by growth in value of new business and quality of inforce business

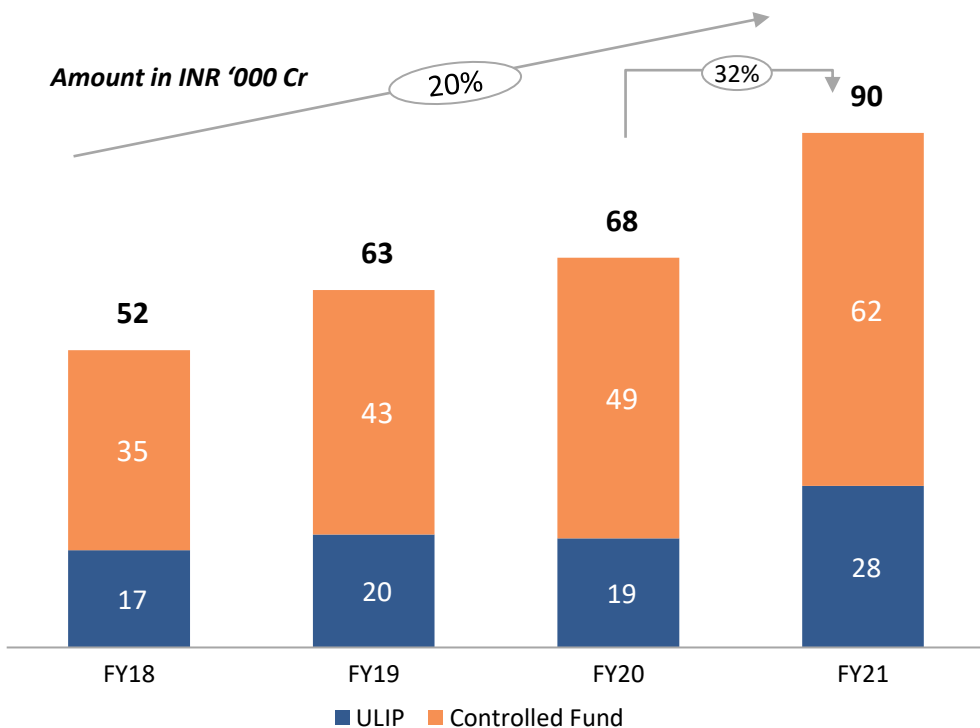


Operating Return on Embedded Value- Continue to deliver robust RoEV at 18.5%

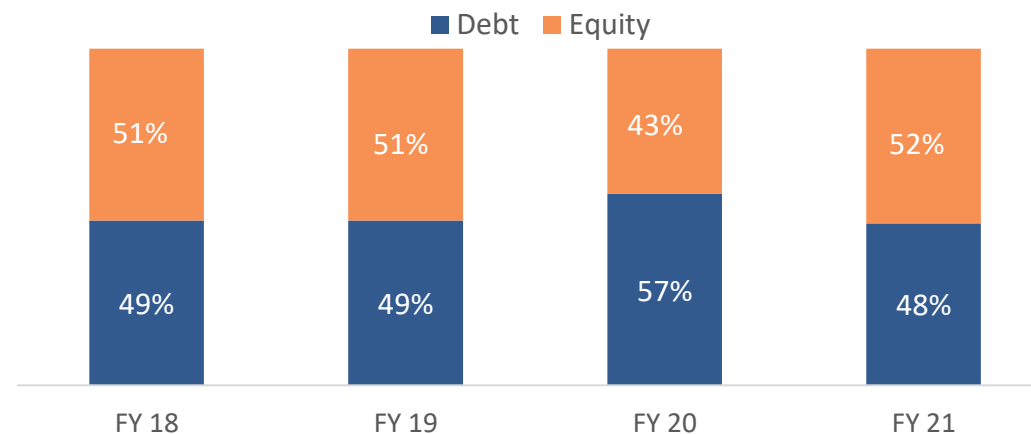


Max Life has consistently grown its Asset Under Management

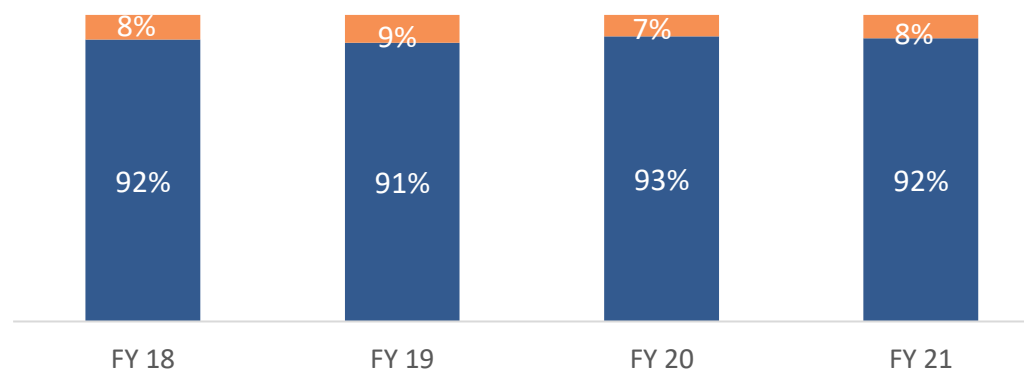
Assets Under Management - MLI is the 4th largest manager of private LI AUMs, Par fund size ~47K



ULIP: Healthy mix of Debt and Equity



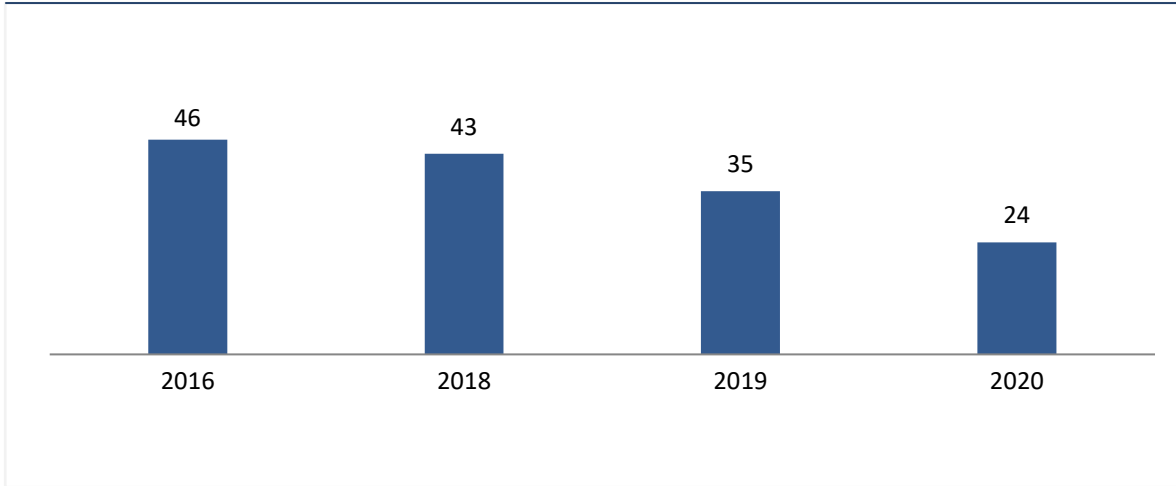
Controlled: Healthy mix of Debt and Equity



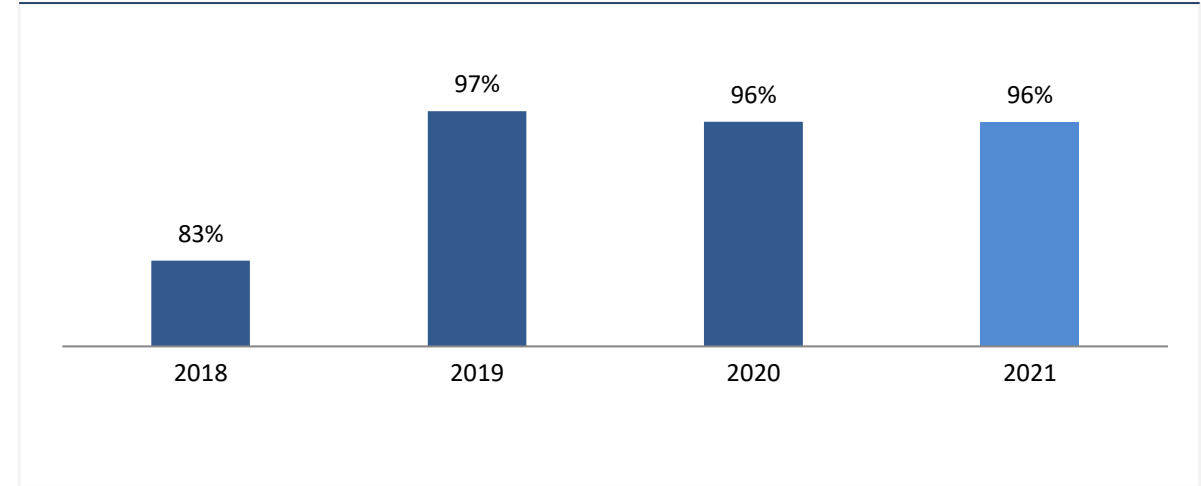
More than 95% of debt investments is in sovereign papers and AAA rated securities

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

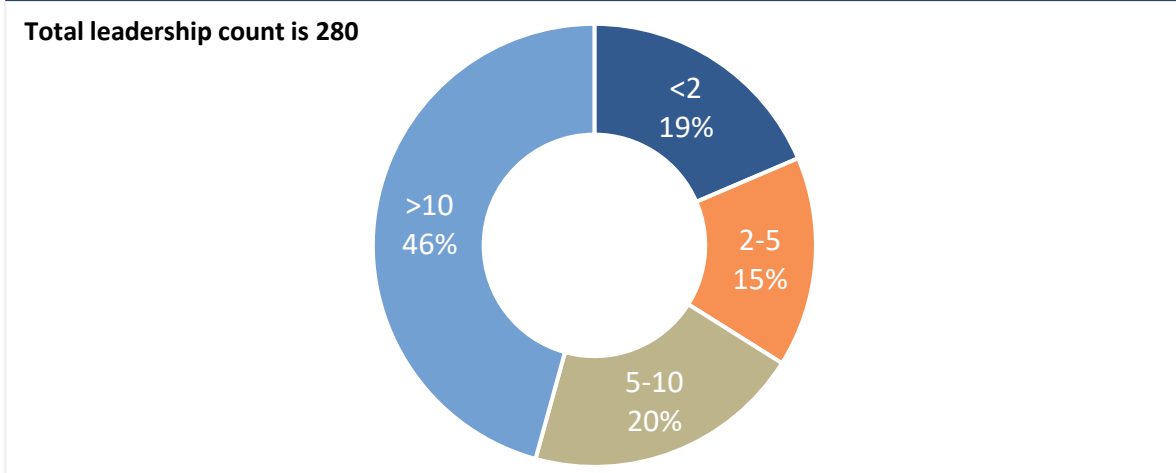
Great Place to Work Survey - Max Life recognized in India's Best Workplaces in BFSI 2021. Only insurer to feature in Top 100 in 2020



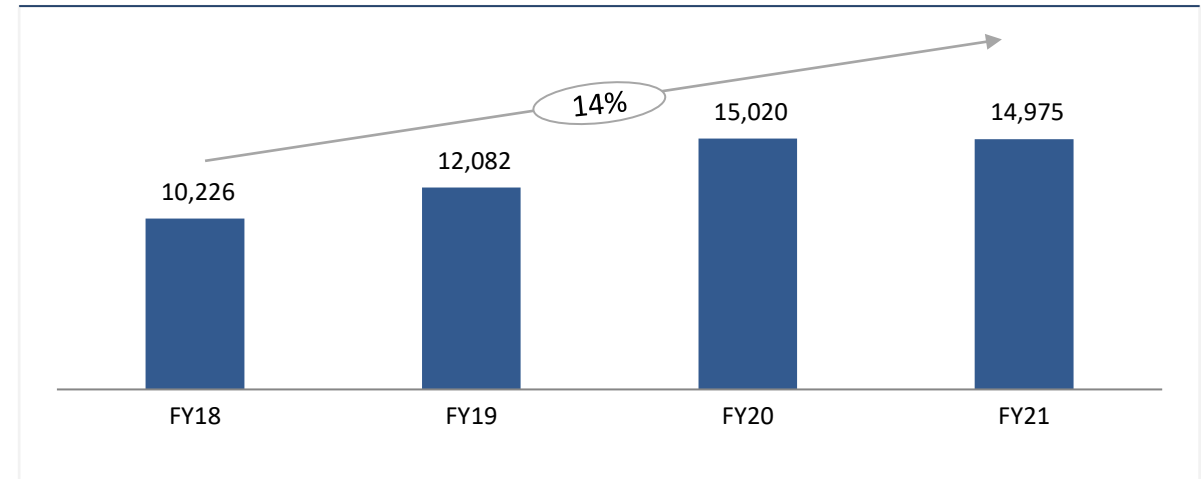
Employee Engagement[^] - Consistently amongst top decile



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



Headcount



*Leadership defined as Vice President and above, Data as of Mar 31, 2021

[^] Conducted by IBM Kenexa till 2018 and Willis Tower Watson from 2019 onwards. 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



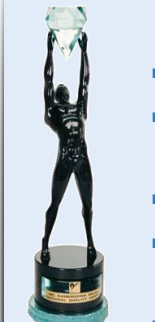
Business Excellence



- Won 3 awards for Best use of use of Relationship Marketing in Loyalty Program, Best use of Gamification to enhance Loyalty and Best Use of Data in Marketing Analytics at the Customer Fest Awards 2021
- Won 7 awards across various categories including Television, BTL activities, Mobile marketing and Customer service at the 10th ACEF Global Customer Engagement Awards
- Winner of CII Industry Innovation Award
- Most Admired Brand By White Paper International
- BFSI Smart Tech Awards 2019 - IPQ won the Best Use of Data and Analytics
- 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
- Won 'Excellence in Digital Sales - Life Category' at FICCI Insurance Industry Awards 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



- Max Life recognized in India's Best Workplaces in BFSI 2021
- Ranked 24th – India's Best Companies to work for in 2020. Best in Insurance industry
- Employee Engagement Leadership Award for "Best use of the Employee Award"
- Employee Engagement Leadership Award for "Best Social Responsibility"
- MD and CEO, featured in Impact Digital Power 100: Business Leaders List 2020
- Director and CMO, featured in Impact Digital Power 100 : Marketing Leaders List 2020



SECTION III

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

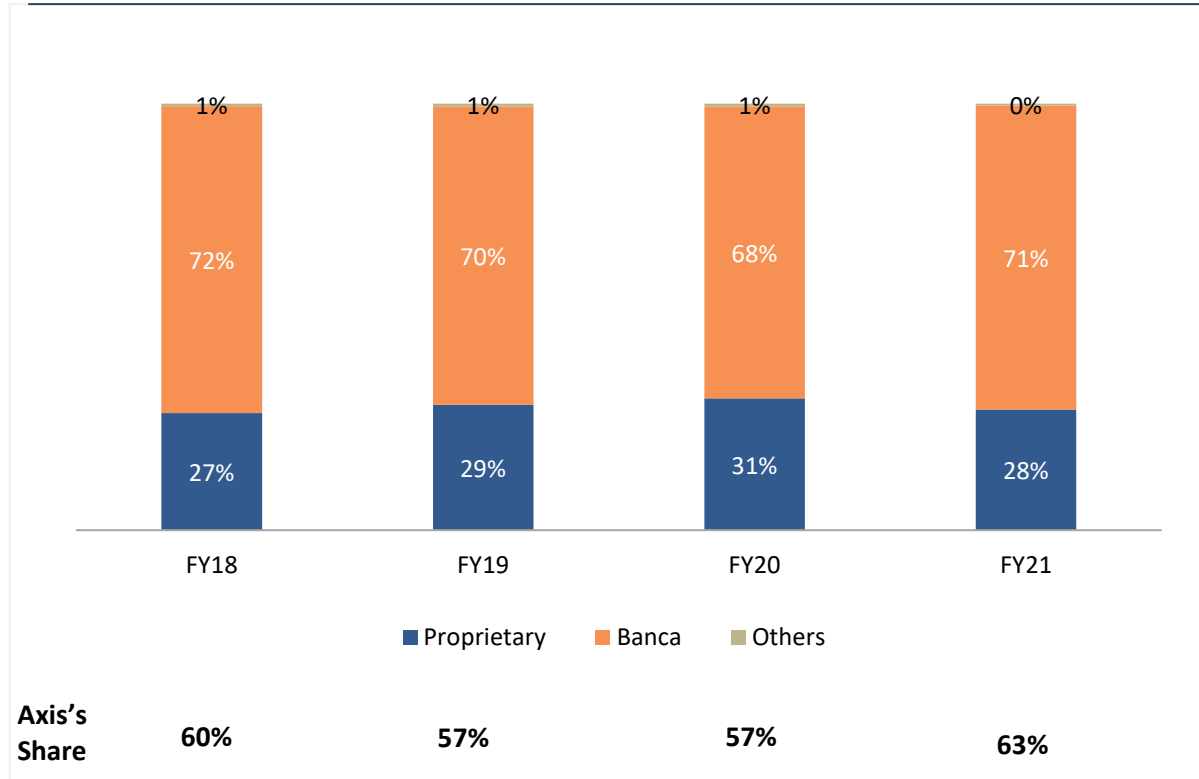
INITIATIVES

Progress achieved

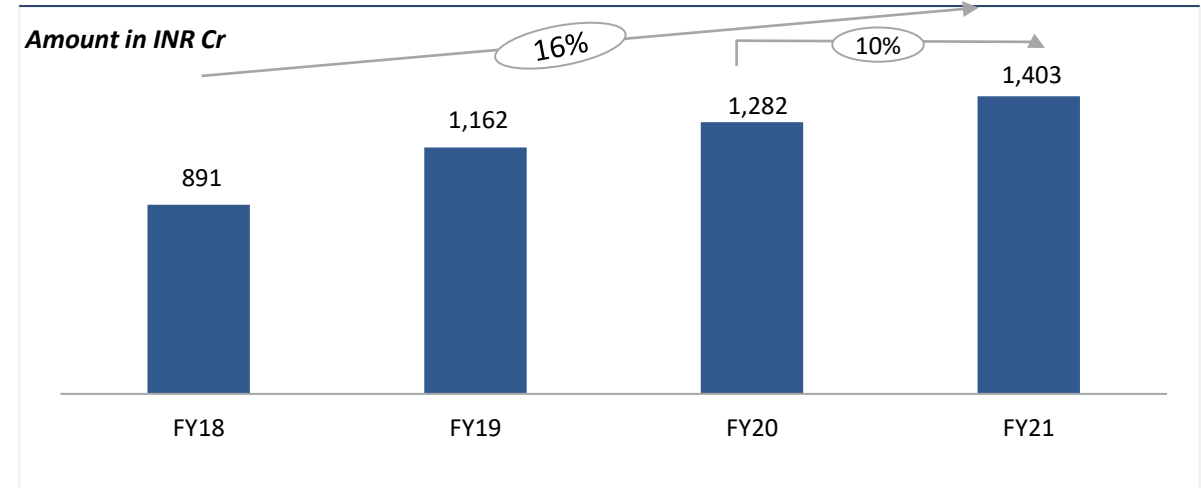
 A	 B	 C	 D
<p>Predictable & Sustainable growth</p>	<p>Product innovation to drive margins</p>	<p>Customer centricity across the value chain</p>	<p>Digitization for efficiency and intelligence</p>
<ul style="list-style-type: none"> Deepen Bancassurance partnerships On-board new distribution partners Scale 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"> Improve position in 13M and 61M persistency ranking 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"> Successful closure of Axis transaction and renewal of Yes Bank partnership for 5 years Strong growth in proprietary channels in second half of FY21 Leadership in protection sales across web aggregators and in Direct purchase Tied up with 26 new partners in FY21 Key Partnerships: PayTM, L&T Finance, Satin Creditcare, Taraashna, Bajaj Housing finance, Tata Capital, Providence, Manappuram, Zerodha 	<ul style="list-style-type: none"> Achieved industry leading VNB growth of 39% by navigating product mix Retail protection business grew by 40% Driven Non Par segment by launching Smart Wealth Plan and ULIP segment with launch of Flexi Invest Tapped into health segment through launch of Critical Illness & Disability rider with a wellness app - covers 64 CI Executed FRA contracts to augment non-par appetite 	<ul style="list-style-type: none"> Improvement in 13M and 61M persistency 84.1% (+80bps) and 54% (+190bps) respectively Claim paid ratio at 99.35% at the end of FY21, among the best in the industry #1 rank in pvt. sector on NPS and Customer Loyalty scores, as per Kantar study, 2020. Grievance Incidence Rate improved to 31 vs 48 LY. MLI ranked 2 within private industry (9M FY21). Achieved 10 Yr-low mis-selling count and incidence rate Brand consideration^ improved from 47 to 63 with “Always On” strategy 	<ul style="list-style-type: none"> 100% of all policies digitally sourced - Achieved 72%+ Insta-issuance 100% recruitment enabled through digital 83% requests enabled through digital self service means Launched Max Life Innovations Lab 2.0 – 140 applications received; 7 use cases shortlisted for POC Progressing well on AI and modernizing IT journey

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

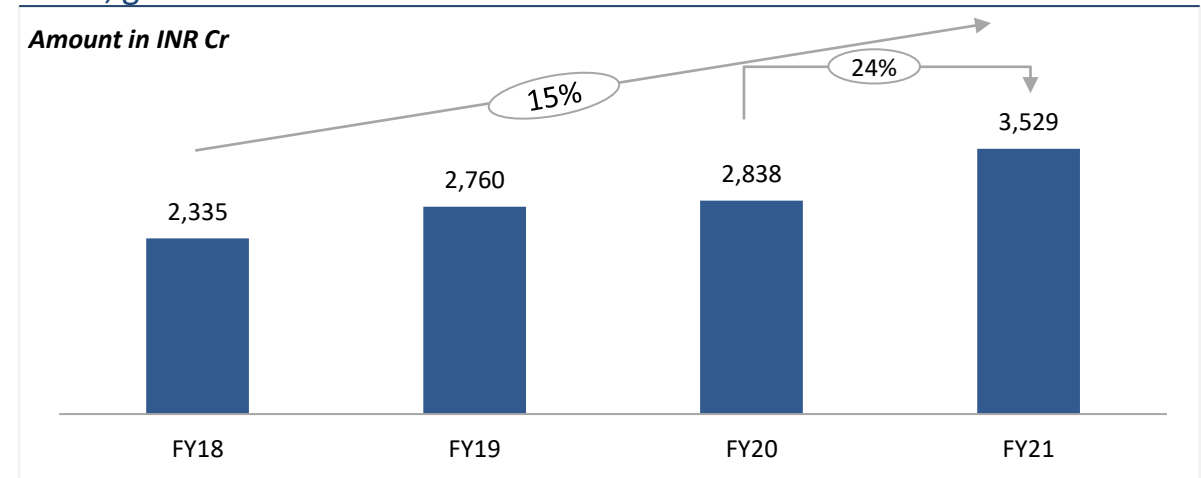
Channel Mix - Max Life has focused on maintaining a balanced distribution mix



Proprietary Channels New Business (APE)



Bancassurance Channel (APE) - Growth in Banca channels has been ~15% CAGR, grew 24% in FY21

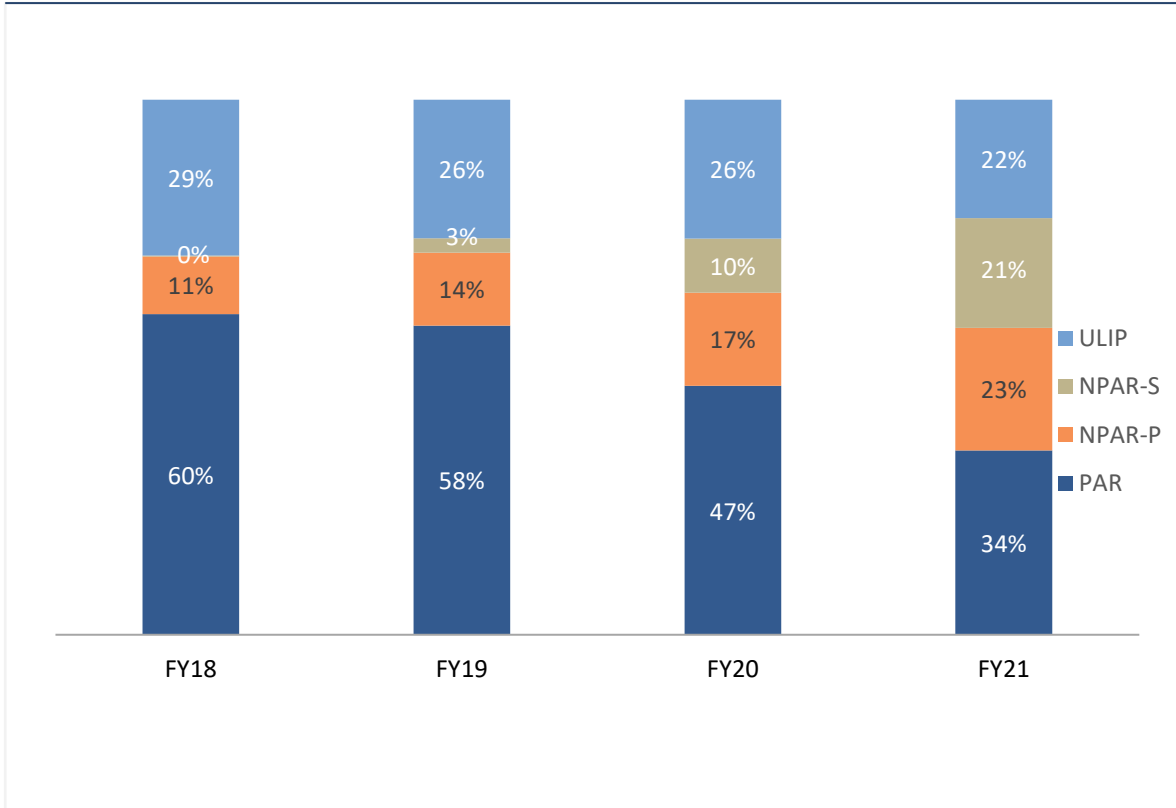


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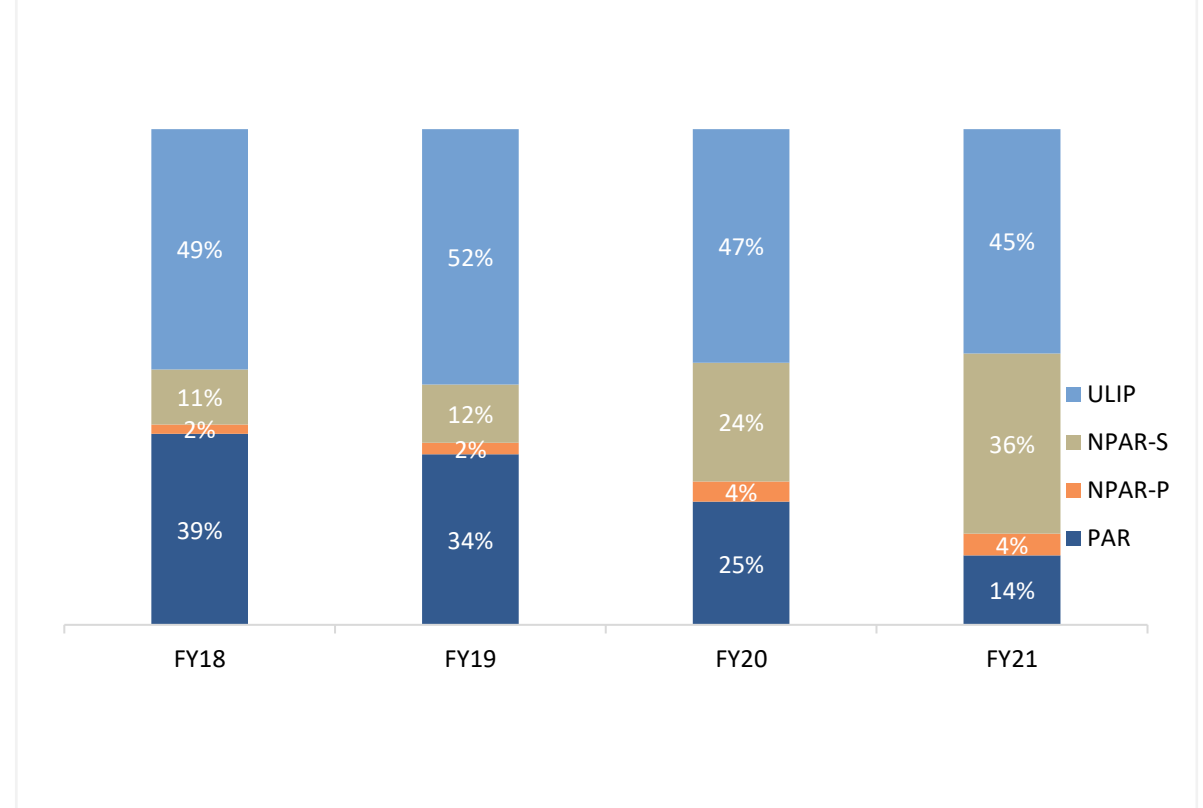
Product mix in proprietary and Bancassurance channels aligned to customer needs; Strategic focus on NPAR share increase to further strengthen the balanced mix



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





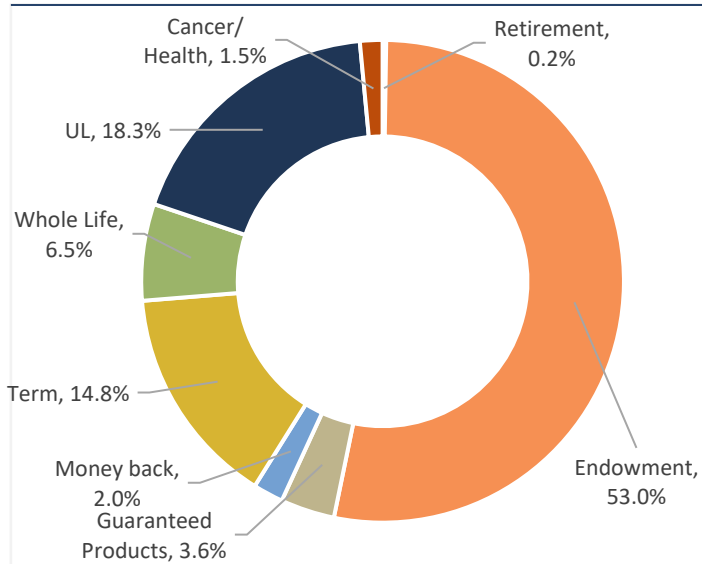
Max Life has a complete suite of products and focus is on selling longer term products along with improving penetration of pure protection offerings



Max Life has products across all categories

- 4** Protection plans
- 4** Income plans
- 4** Endowment plans
- 4** 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	10
ULIP	38	14	9
Whole Life	36	64	52
Money back	27	17	17
Pure Term	35	36	33
Guaranteed products	43	19	9
Health	38	20	20
Cancer Insurance	37	30	30
Pension	33	23	23
Annuity	62	58	1

As on 31st Mar 2021

36

Average

25

Average

16

Average

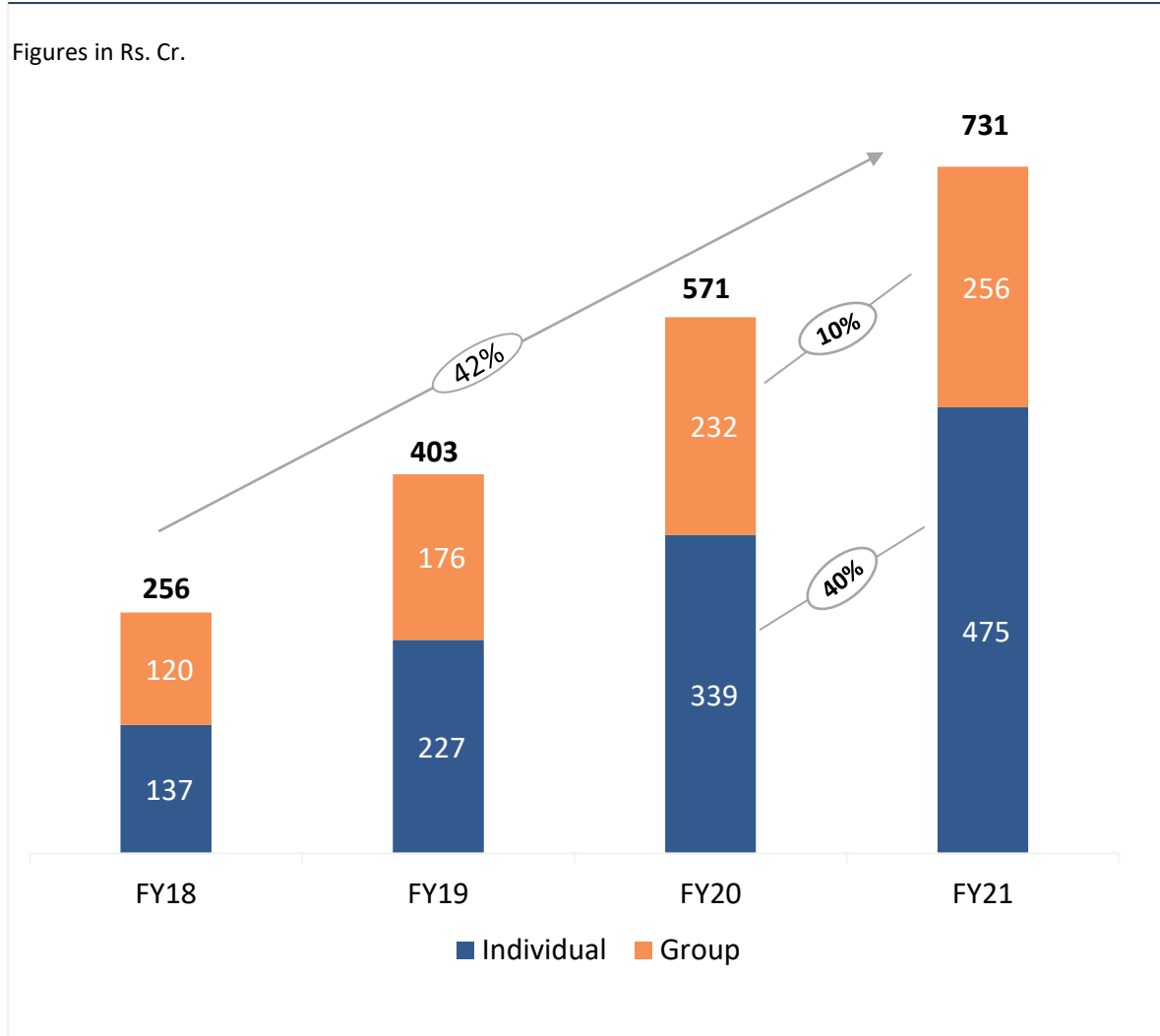
(1) Based on all policies sold till date

B

Focus on Protection: 40% increase in individual protection APE and 34% of total individual policies are pure protection

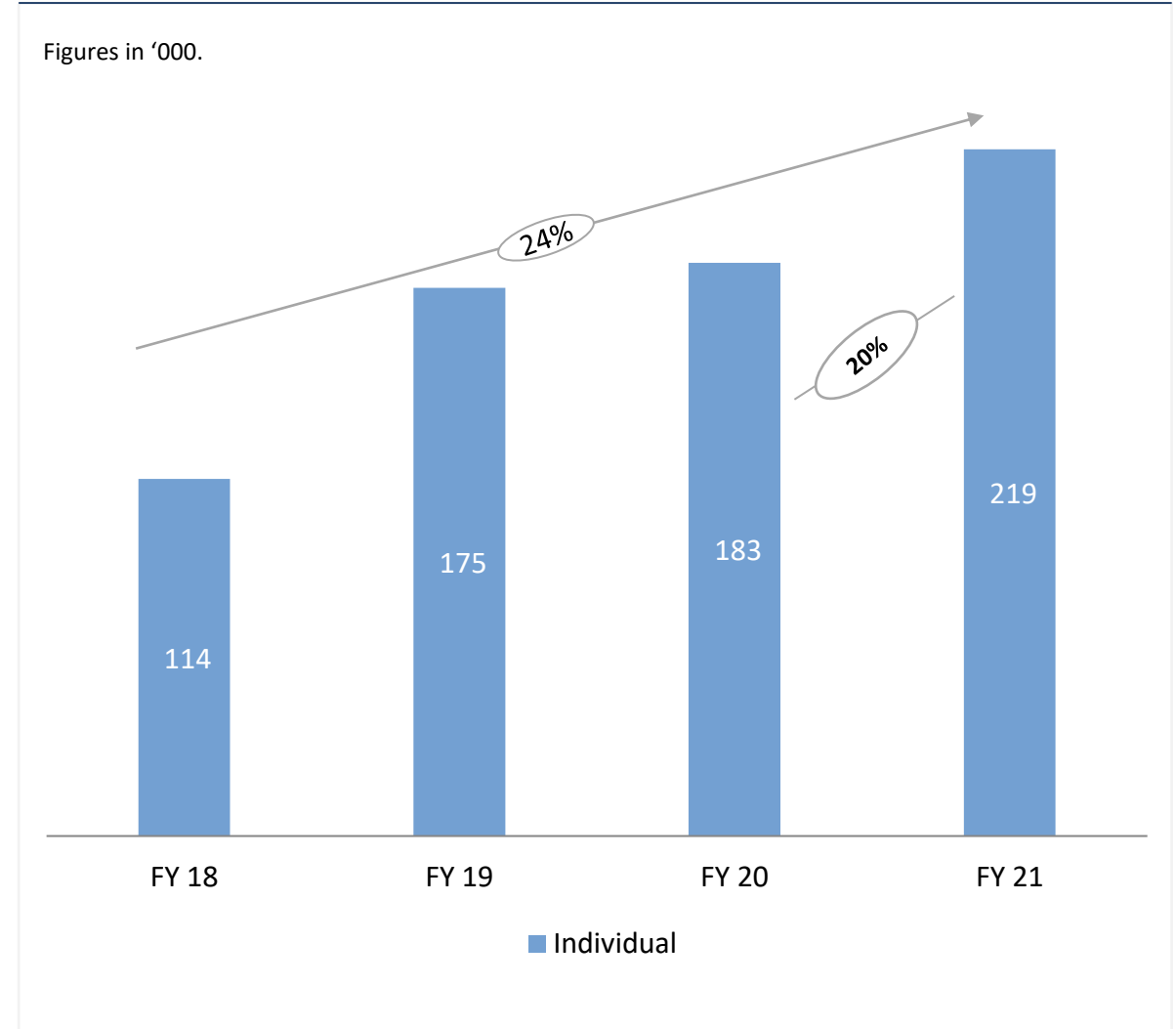
Total APE (Individual + Group)

Figures in Rs. Cr.



No of Protection Policies (Individual)

Figures in '000.

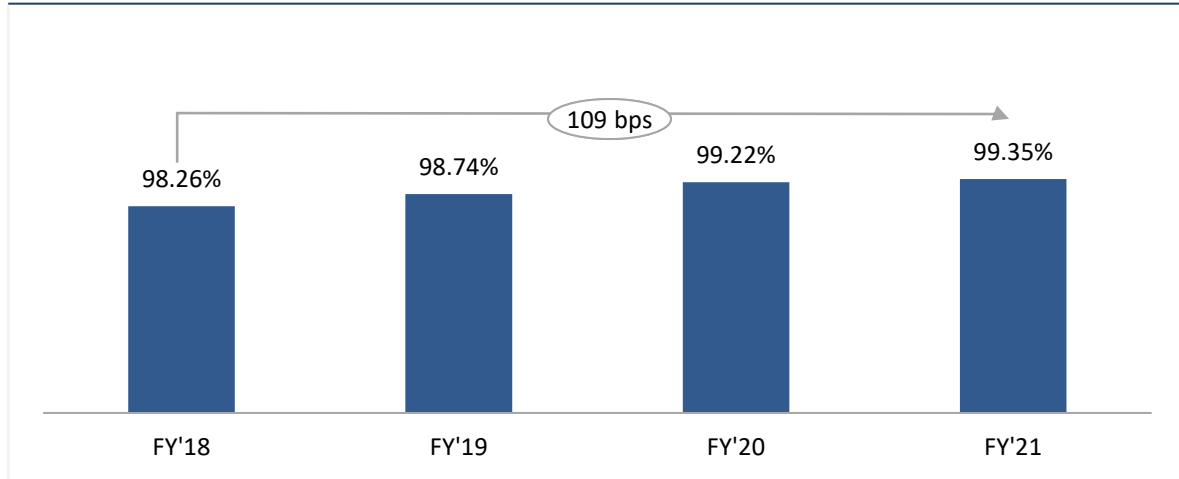




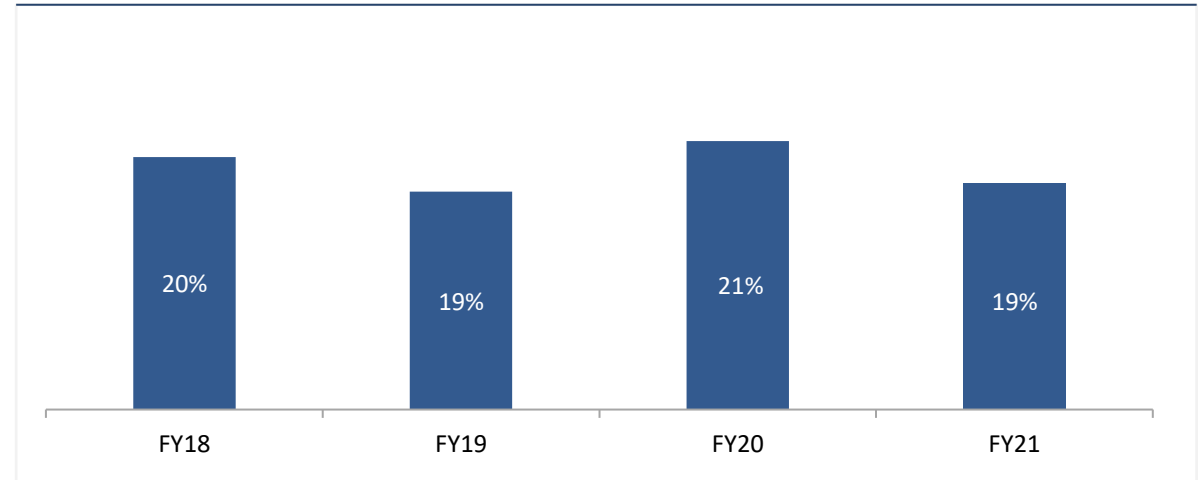
Strong focus towards customer measures has helped deliver superior performance across health parameters and will continue to remain an important priority



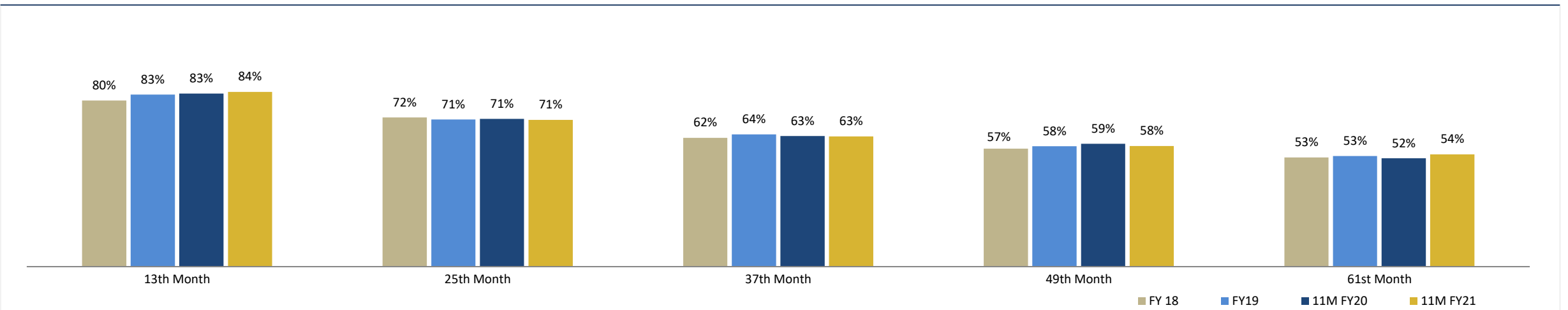
Claims Paid Ratio- One of the best claims paid ratio in the industry



Surrender to GWP



Persistency*

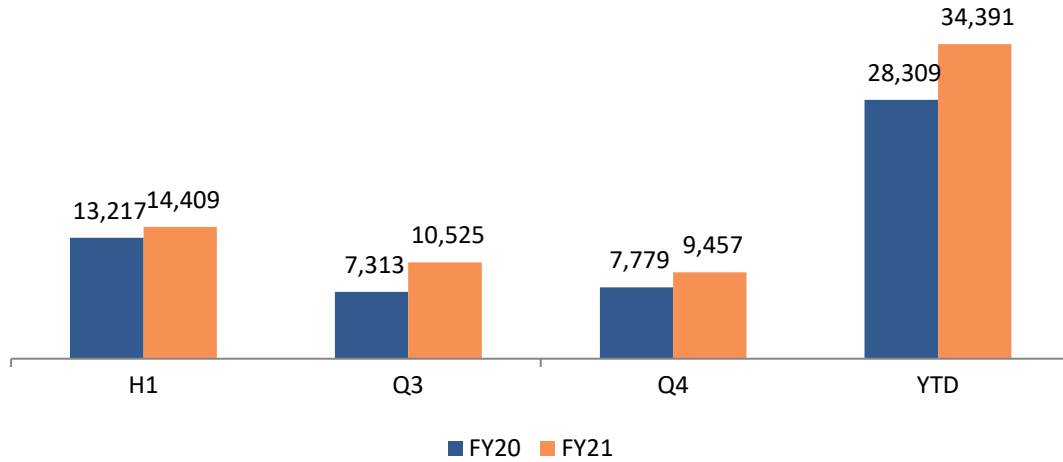


*FY 20 persistency is reported for 11M as full year reporting accounts for grace period extension which may not be appropriate for comparison from last year
 Full year persistency disclosure for FY20 as follows: 13th month- 87%, 25th month- 73%, 37th month- 64%, 49th month- 60%, 61th month- 53%



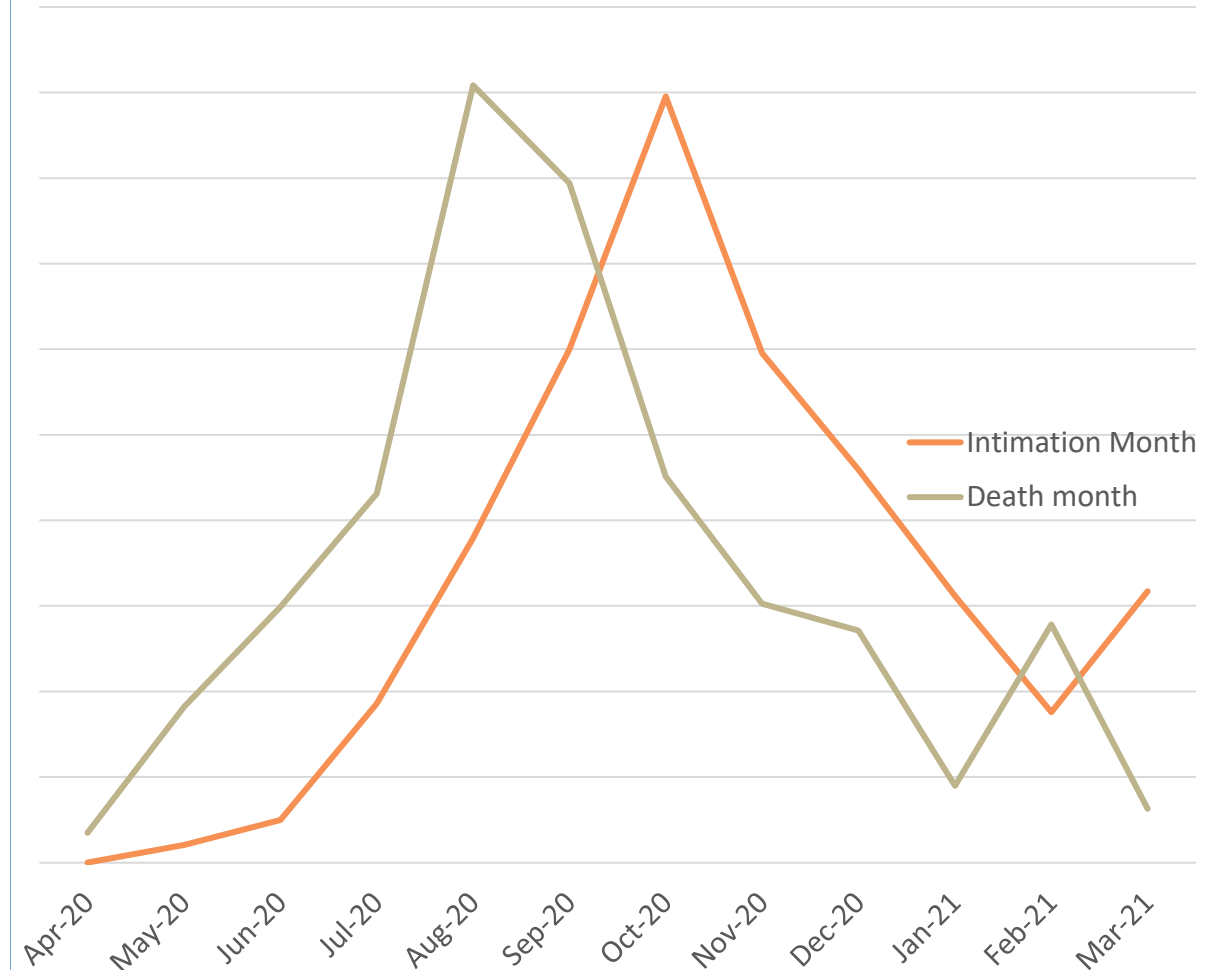
Claim experience on account of COVID-19. Impact of second wave under watch. Provisions allowed for, on account of likely adverse experience in FY22

No of death claims reported (Individual + Group)

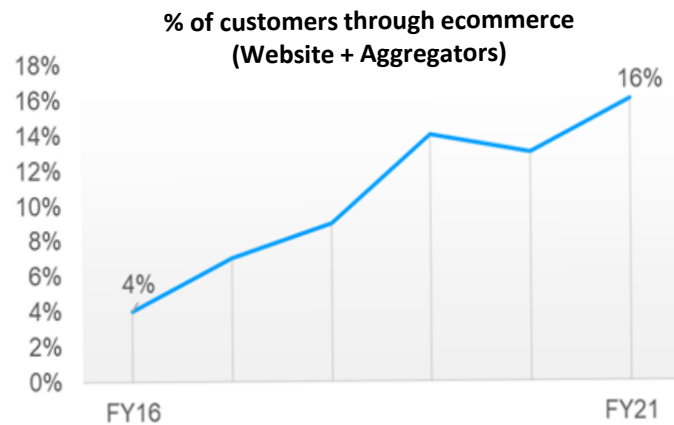


- During FY21 company experienced Rs. 121 Cr of net claims on account of COVID-19 which were neutralized by provisions held at the start of the year
- Provisions in excess of Rs. 500 Cr exist to neutralize any adverse impact of COVID in wave 2 during FY22.
- We are actively reviewing the emerging situation and taking appropriate actions, including strengthening our underwriting and risk control measures to control/minimize the adverse impact of ongoing pandemic.

COVID-19 mortality based on death month and intimations



Growth and Awards



- **8x growth** over 4 years
- Won the coveted **FICCI Insurance Industry award 2020** for **Excellence in Digital Sales in Life Category**
- Multiple Case Studies with **Google** (3), **Facebook** (1) and **Adobe** (1) across **Digital Advertising and Digital Experience**

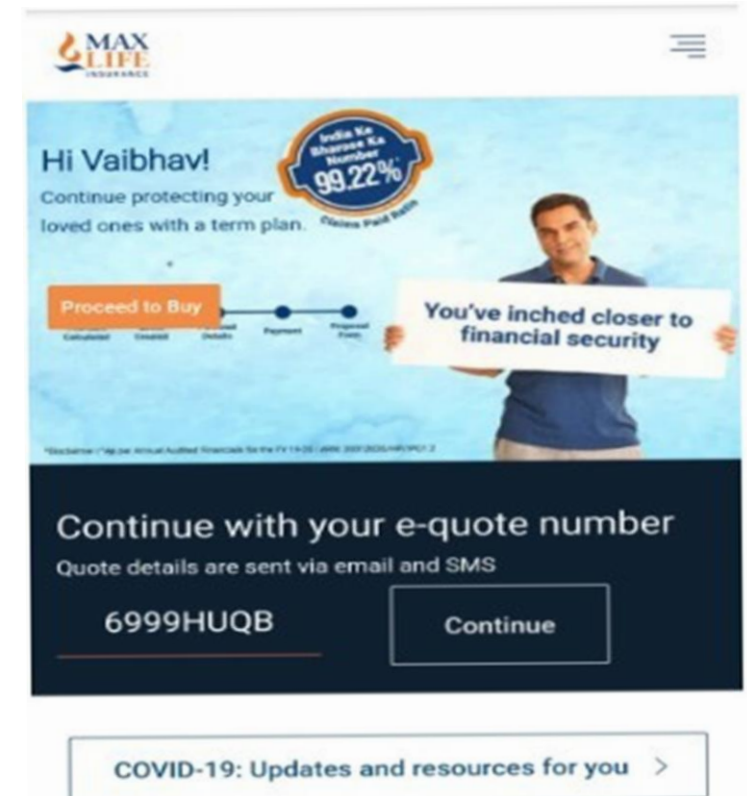
Sharper Prospecting Chase VALUE not Traffic



- Advertising **Optimization signals** based on **Customer Lifetime Value**
- **SEO expertise:** 15 most searched Category (Term) Keywords (Google)
 - Top 3 Search Results – **27%**
 - Top 5 Search Results – **100%**

Source: Webmaster Console

Personalization Never Ask Again



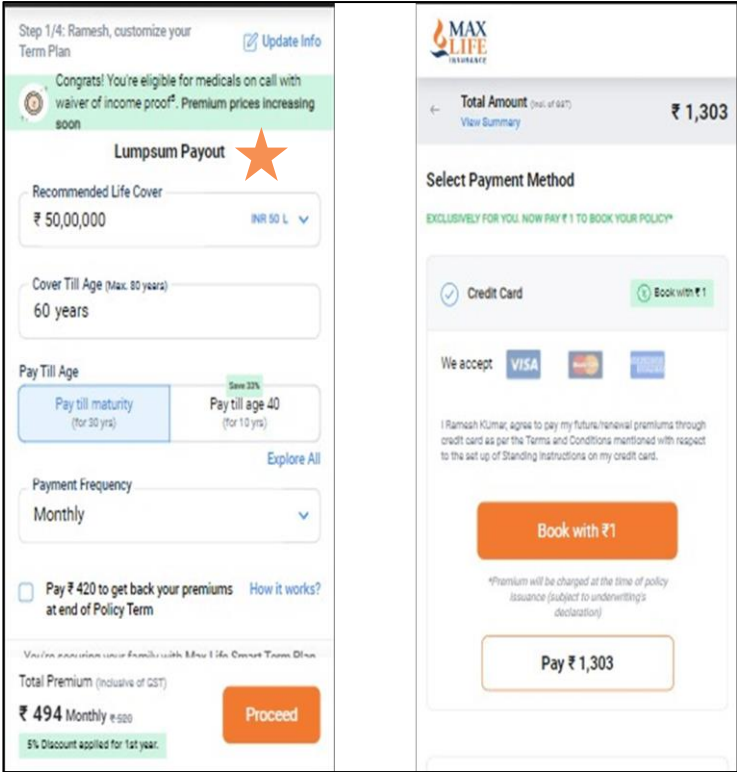
- Home Page **Personalized** for **every user** basis the **last action** by the user



Seamless on-boarding of customers through Best-in-Class On-boarding Platform (mPRO); leveraging integration with Bank partners for customer data



B2C On-boarding Platform

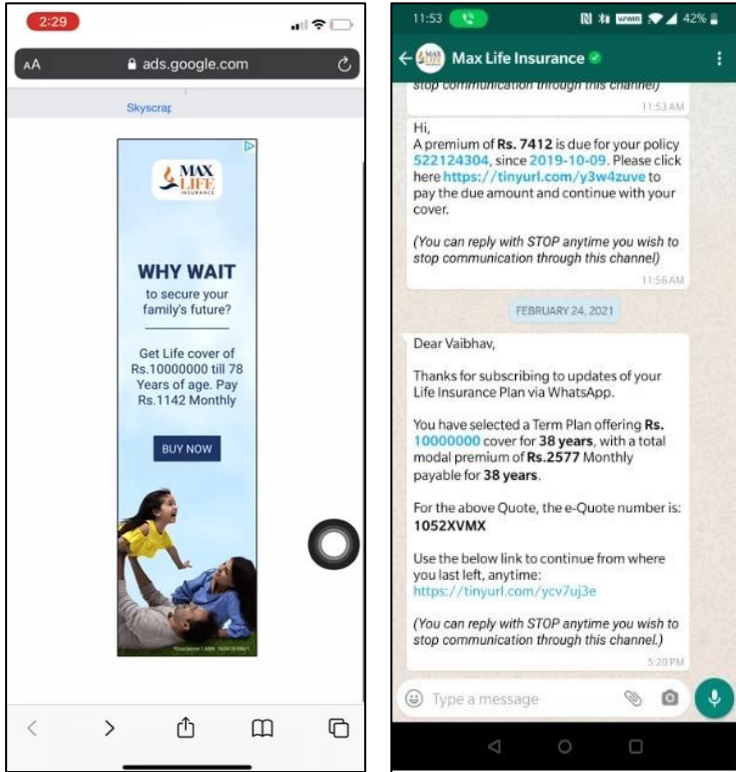


<\$ Secs
Page Load Time

Top 2
SEO Ranking

★ AI enabled Personalized
Sales offers

Smarter Chase Talk to Customer the way they like



- Remarketing to Customers with an Ad Click direct landing on journey (First in Category)
- Leverage Whatsapp for Business to chase in-funnel prospects

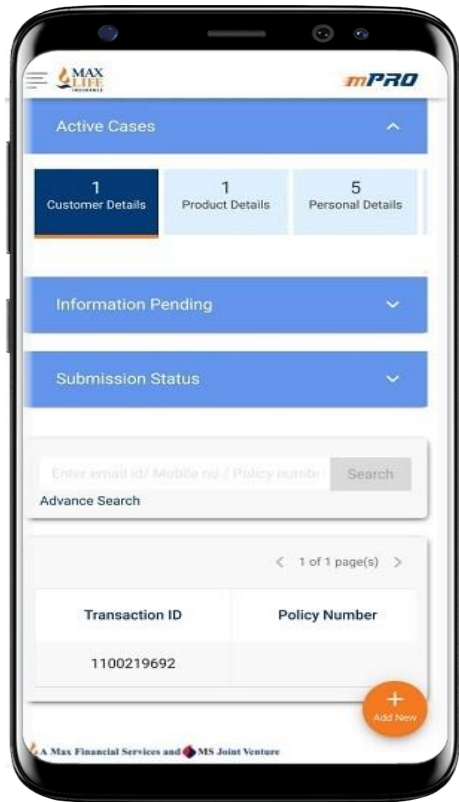
Frictionless Onboarding



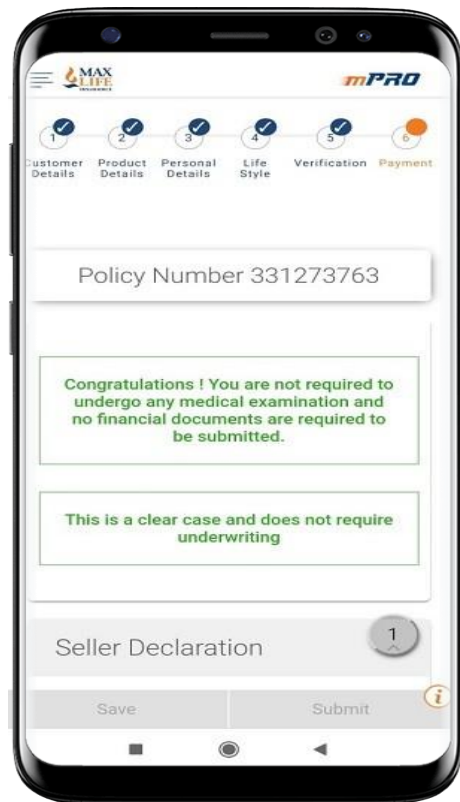
- State of the art Integration stack with third parties ensures 70% of B2C Term customers are on-boarded without any document requirement

D

Customer on-boarding platform (mPRO) facilitating end to end digital on-boarding, smart document upload, instant OCR, automated underwriting and post sales verification

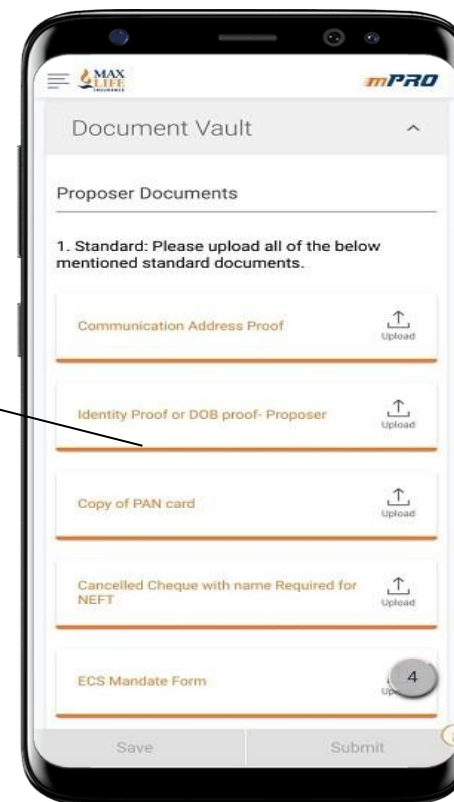


100% Digital Journey powered by ecosystem integrations like CRIF etc.

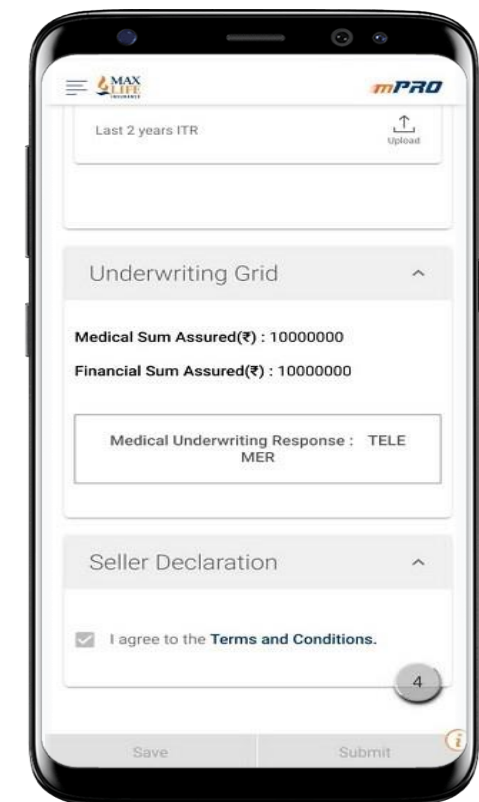


100% paper less, 6 Step Digital onboarding process

Intuitive Document upload journeys, OCR enablement by Q1



Centralized Document upload



Real time Dedupe & Underwriting



38% Insta COI



Human-less U/W



80% reduction in QC TAT



100% Adoption



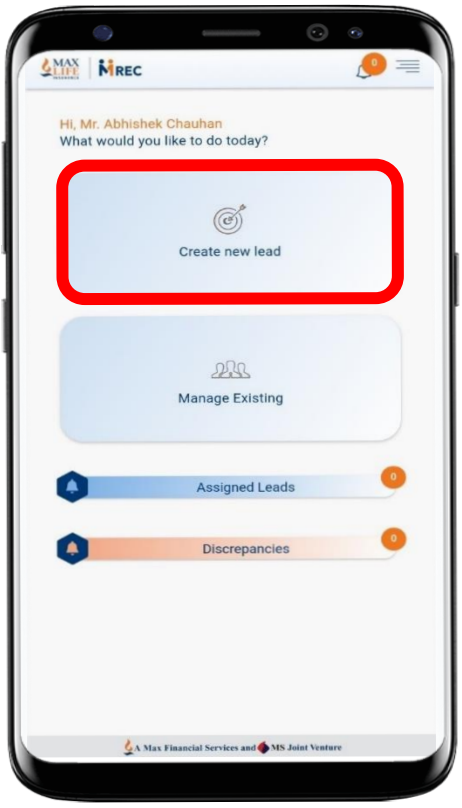
~67% FTR



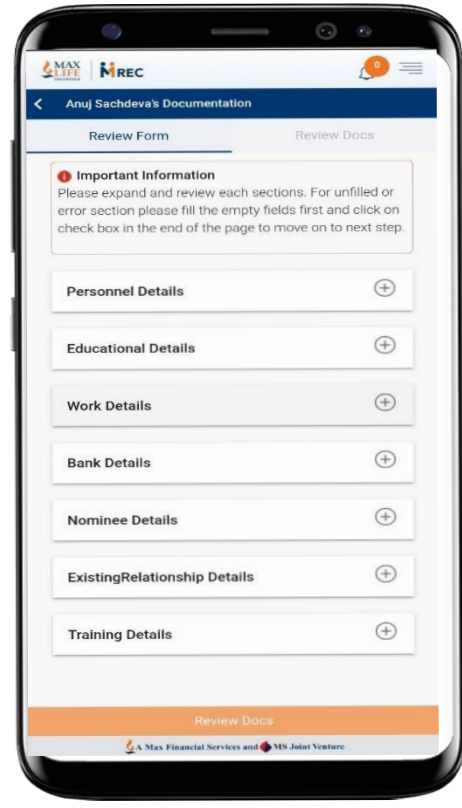
Highly Configurable Rule Engine

D

Industry first Digital ecosystem to drive agent Recruitment agenda at scale (mREC); end-to-end agent recruitment platform facilitating faster agent prospecting and on-boarding



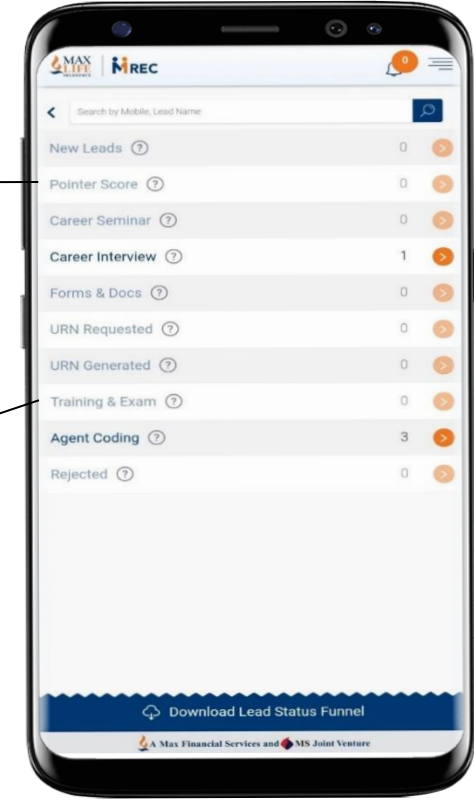
New Age responsive web app for digital recruitment with seamless integration with MLI Core systems



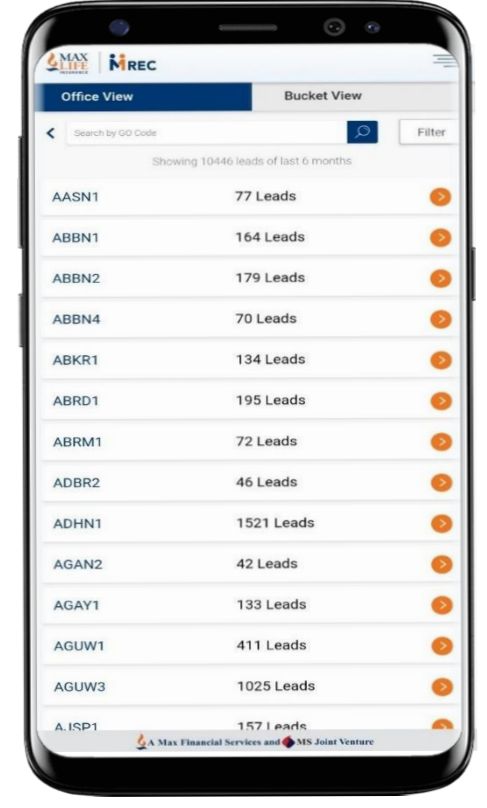
100% Digital Journey powered by ecosystem integrations like CRIF etc.

AI/ML Enabled auto screening of profile

Digital Webinar



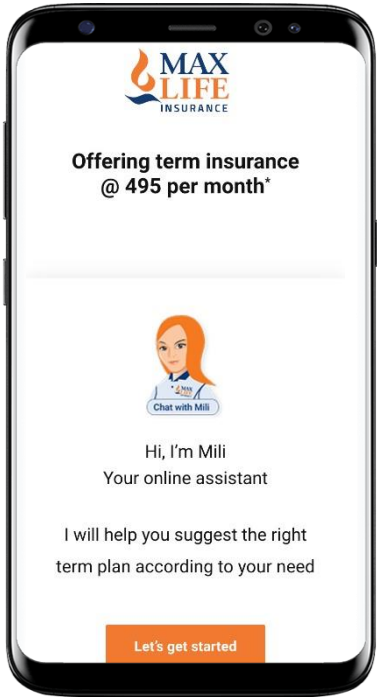
Intuitive Dashboard for Funnel Tracking



Inbuilt supervisory views for Real time governance

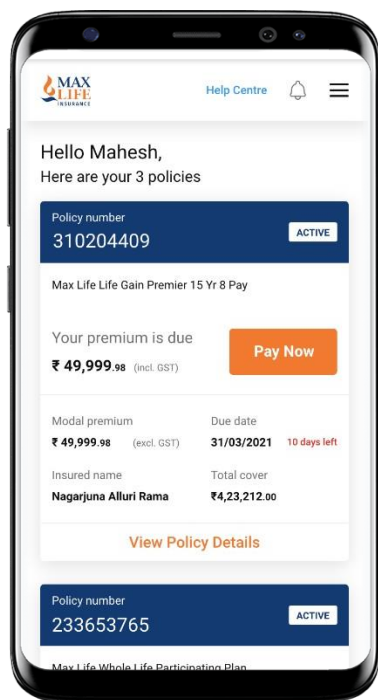
 <p>Avg campaign leads- approx. 3k every month</p>	 <p>50% reduction in TAT</p>	 <p>Web Recruitment 1.1K</p>	 <p>40% efficiency in Cost</p>	 <p>Avg new Leads every month- 40-45k Leads</p>
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Chatbot- MILI



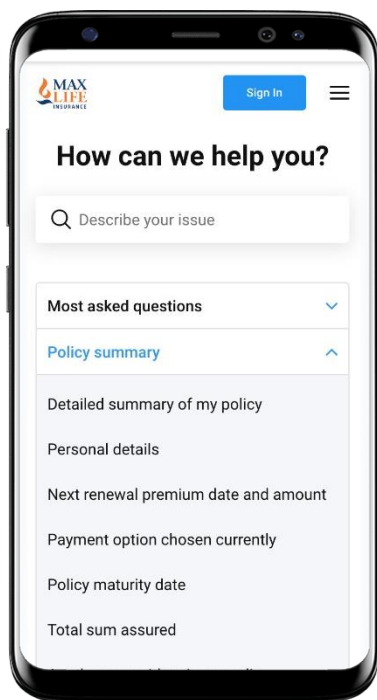
Chatbot for servicing

Website- Self Servicing



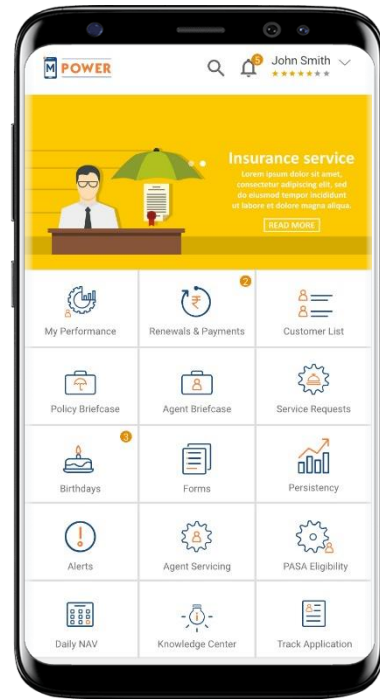
Website allowing customers to self-serve

Website Help Center



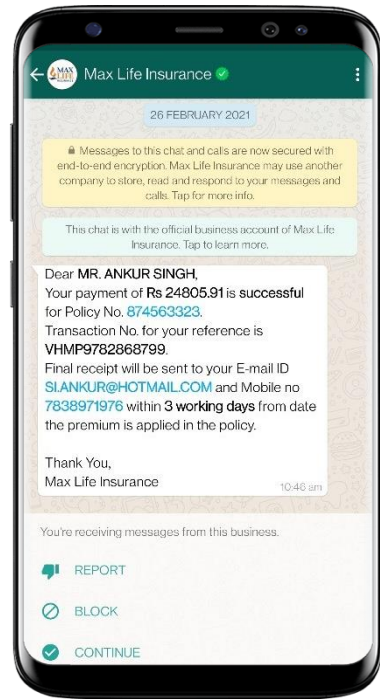
Extensive personalized guide for all queries

Servicing for Sellers



All servicing options available to sellers

WhatsApp



Servicing options available on WhatsApp



60L+ self-service transactions annually
83% adoption



3X increase in number of work types available digitally in 12 months

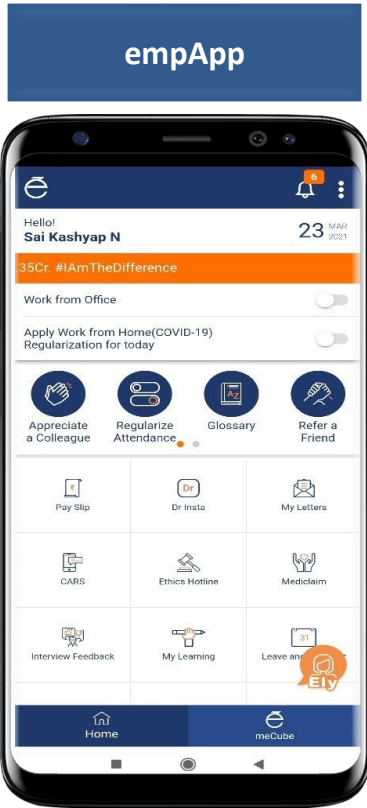


100k+ transactions on conversational interfaces



1.5L+ Cross-Sell leads generated through digital channels annually

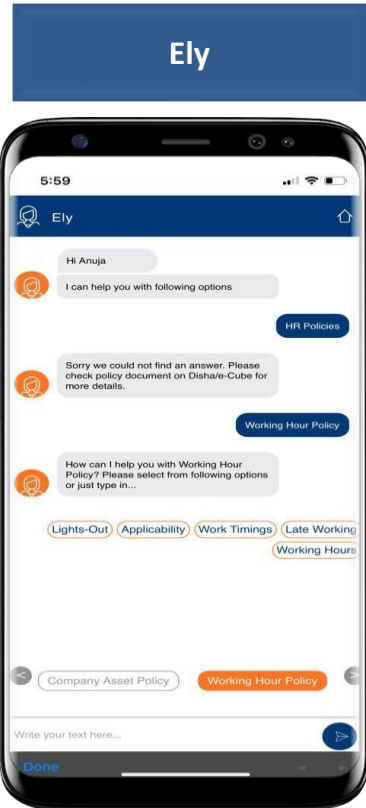
Leveraging Digital & AI to augment employee experience and productivity



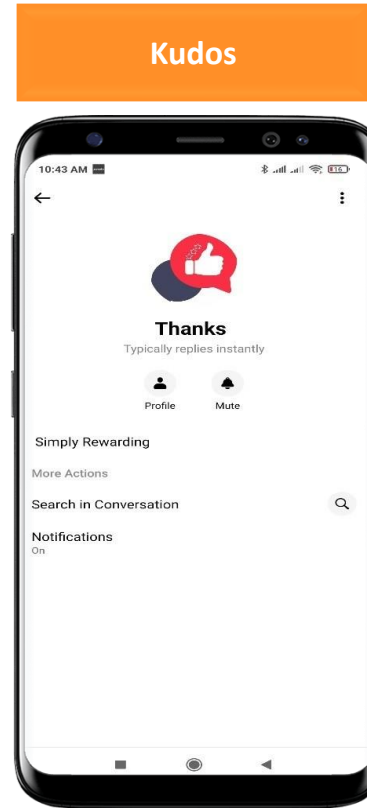
Employee App with self service modules for Leave management, Employee Letters



Workplace for organizational engagement, surveys, polls, celebrate achievements





Empowering Employees



Kudos platform to appreciate/ recognize co workers



Mobile based search to access the MLI policies, SOP library

 <p>~1L self-service transactions 90% adoption</p>	 <p>Facebook Case Study on Engagement and Adoption</p>	 <p>~16K employee requests self-served through Bot</p>	 <p>2.5K e-recognitions/month</p>
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D

AI smarts delivering intelligence to enhance customer experiences and risk selection

Business First Integrated AI

AI integration across Max Life

Applied cognitive AI technology

Machine Learning & Deep Learning

New Business



Customized customer offers with propensity & Product recommendation

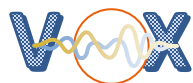
Speech AI (ASR & STT)

P-Track



Upfront policy issuance visibility with issuance probability & TAT

Vision AI Computer Vision & OCR



Customer insights and sentiment for sales effectiveness with Speech Analytics

Conversational AI NLP & BOTs

Purchase & Issuance



360 Risk assessment with Persistency, Fraud & Mortality risk prediction



Fincheck

Automated document verification & Financial analysis with OCR



Computer Vision based Auto verification

Servicing & Retention



Proactive Customer Engagement & Retention with DL based recommendations



Upfront Query Resolution with unified intent prediction and response bot



Renewal Income & Persistency Forecasting & Real time monitoring

AI Foundations

1 Dedicated AI Team (AI works) with talent from top institutes (IIT/ISB)

2 AI Accelerator program for partnerships & Investment with new Age AI startups

3 Getting Data Rich with partnerships with bureaus to better understand customer needs & fuel AI

4 Data Lake & Cloud Strategy with AWS to enable advance AI use cases



SECTION IV

- ▶ Max Life Insurance – ESG
- 

Environmental

Replace

- End to end digital solutions

Reduce

- 70,000 low cost water nozzles distributed to condominiums and Government offices under Water Conservation drive
- 56000 saplings planted across a 4.25 km stretch in partnership with GMDA for air quality improvement. A green park is created with 12 solar operated outdoor lamps and outdoor fitness equipment and installed 6 Modular toilets for public sanitation
- Energy reduction by using energy efficient cooling and lighting across branches

Reuse & Recycle

- E-waste disposal through certified vendors
- 100% water gets recycled in Head Office

Social

Community Service

- Max Life contributed 20,000 Personal Protective Equipment (PPE) kits to doctors & healthcare workers, 36,300 safety kits to police officials, 6,000 safety kits to security guards of 120 RWAs of Delhi/NCR, 5,000 kits for recovering patients of Government hospitals and 5,500 Antigen testing kits
- Provided food and ration to over 4,350 affected underprivileged sections

Customers

- Among the Industry leader in individual claims settlement ratio in FY21
- Un-interrupted service & claims provided during Covid -19 pandemic

Employees

- Gender diversity increased from 22.1% in FY20 to 23.3% in FY21
- Employee health and wellbeing - flexi working hours, paid paternity leave, paid maternity leave, 100% Work from home

Governance

Supervisory Board

- Diverse Board composition
- Independent Directors in Board (50%- MFSL; 30% - Max Life Insurance)
- Average board experience > 30 years

Risk Management

- 'Three lines of Defence' model to manage risks with business managers, risk management and internal audit functions
- Periodic stress testing & sensitivity analysis

Compliance

- Compliance policies in accordance with ISO guidelines
- Grievance redressal mechanisms in place for employees across the organization

Governing Policies

- Policies on AML, Whistleblower, POSH, Anti-bribery & Corruption, Conflict of interest, Business code of conduct, Data privacy, Social media, Gifts, Relative hiring



SECTION V

- ▶ Max Life Insurance – MCEV Disclosures: FY'21
- 

Key Results

The Embedded Value¹ (EV) as at 31st March 2021 (post allowing for the proposed final shareholder dividend) is **Rs 11,834 Cr.**
Before allowing for proposed final shareholder dividend, the EV is **Rs 12,010 Cr.**

The Operating Return on EV (RoEV) over FY21 is **18.5%**. Including non-operating variances, the total RoEV² is **22.4%**.

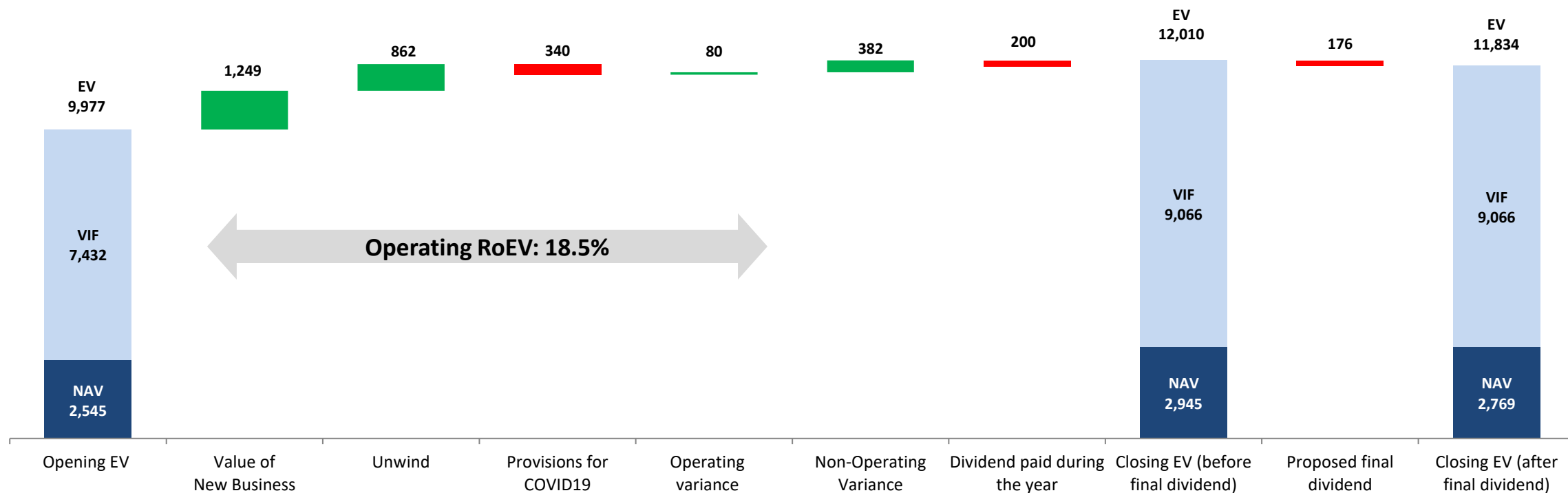
The New Business Margin (NBM) at actual cost for FY21 is **25.2%**, with Value of New Business (VNB) written over the period being **Rs 1,249 Cr.**

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 e.g. dividends.

EV movement analysis: March 2020 to March 2021



- Operating return on EV (RoEV) of 18.5% is mainly driven by new business growth and unwind.
- Provisions equal to Rs 340 Cr allowed for on account of likely adverse experience in FY22, driven by impact of COVID19 pandemic. This is in addition to Rs 88 Cr allowed for in the Value of New Business of Rs. 1,249 Cr.
- Non-operating variances are mainly driven by positive economic variance during the year.

Value of New Business and New Business Margins as at 31st March 2021

Description	FY20	FY21	Y-o-Y growth
APE ¹	4,149	4,957	19%
New Business Margin (NBM) (post cost overrun)	21.6%	25.2%	+360 bps
Value of New Business (VNB) (post cost overrun)	897	1,249	39%

- The New Business Margin (NBM) has increased by circa 360 bps to 25.2% for FY21 as compared to 21.6% for FY20.
- The increase in margins is primarily driven by increase in proportion of non-par business during the year.
- The VNB as at 31st March 2021 allows for provision of Rs 88 Cr on account of likely adverse impact of COVID19 pandemic in FY22.

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 2021), using the beginning of quarters' risk free yield curve.

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



Sensitivity analysis as at 31st March 2021

Sensitivity	EV		New business	
	Value (Rs Cr)	% change	VNB (Rs Cr) NBM	% change
Base Case	12,010	-	1,249 25.2%	-
Lapse/Surrender - 10% increase	11,886	(1%)	1,232 24.9%	(1%)
Lapse/Surrender - 10% decrease	12,135	1%	1,263 25.5%	1%
Mortality - 10% increase	11,812	(2%)	1,197 24.1%	(4%)
Mortality - 10% decrease	12,210	2%	1,300 26.2%	4%
Expenses - 10% increase	11,896	(1%)	1,165 23.5%	(7%)
Expenses - 10% decrease	12,124	1%	1,332 26.9%	7%
Risk free rates - 1% increase	11,800	(2%)	1,309 26.4%	5%
Risk free rates - 1% reduction	12,175	1%	1,158 23.4%	(7%)
Equity values - 10% immediate rise	12,112	1%	1,249 25.2%	Negligible
Equity values - 10% immediate fall	11,908	(1%)	1,249 25.2%	Negligible
Corporate tax Rate - 2% increase	11,779	(2%)	1,210 24.4%	(3%)
Corporate tax Rate - 2% decrease	12,242	2%	1,287 26.0%	3%
Corporate tax rate increased to 25%	10,484	(13%)	938 18.9%	(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 2021. The VNB is calculated using the beginning of respective quarter's risk free yield curve (i.e. 31st March 2020, 30th June 2020, 30th September 2020 and 31st December 2020 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 2021 and 31st March 2020 spot rate (semi annualized) yield curves used are:

Year	1	2	3	4	5	10	15	20	25	30	40
Mar-21	3.83%	4.22%	5.17%	5.58%	6.10%	6.46%	6.99%	7.09%	6.92%	6.93%	6.23%
Mar-20	4.82%	5.16%	5.40%	5.72%	6.24%	6.95%	6.97%	6.81%	6.95%	6.68%	6.93%
Change	-0.99%	-0.94%	-0.23%	-0.14%	-0.14%	-0.49%	0.01%	0.28%	-0.03%	0.25%	-0.70%

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:

- Demographic assumptions are set to reflect the expected long term experience.
- Any one-off impacts expected, including those due to COVID19, are allowed through additional provisions/allowances.

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)

	FY18		FY19		FY20		FY21
Individual APE	3,217	22% ↑	3,917	5% ↑	4,116	19% ↑	4,907
Renewal Premium	8,152	15% ↑	9,415	13% ↑	10,600	15% ↑	12,192
Gross Premium	12,501	17% ↑	14,575	11% ↑	16,184	18% ↑	19,018
Policyholder expense to GWP Ratio	12.9%	34 bps ↑	13.2%	126 bps ↑	14.5%	27 bps ↓	14.2%
Policyholder Cost to GWP Ratio	20.0%	↔	20.0%	80 bps ↑	20.8%	15 bps ↓	20.7%
Expense to average AUM (Policyholder)	3.6%	↔	3.6%	21 bps ↑	3.8%	20 bps ↓	3.6%

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

Financial Performance

➤ Profit(after Tax)

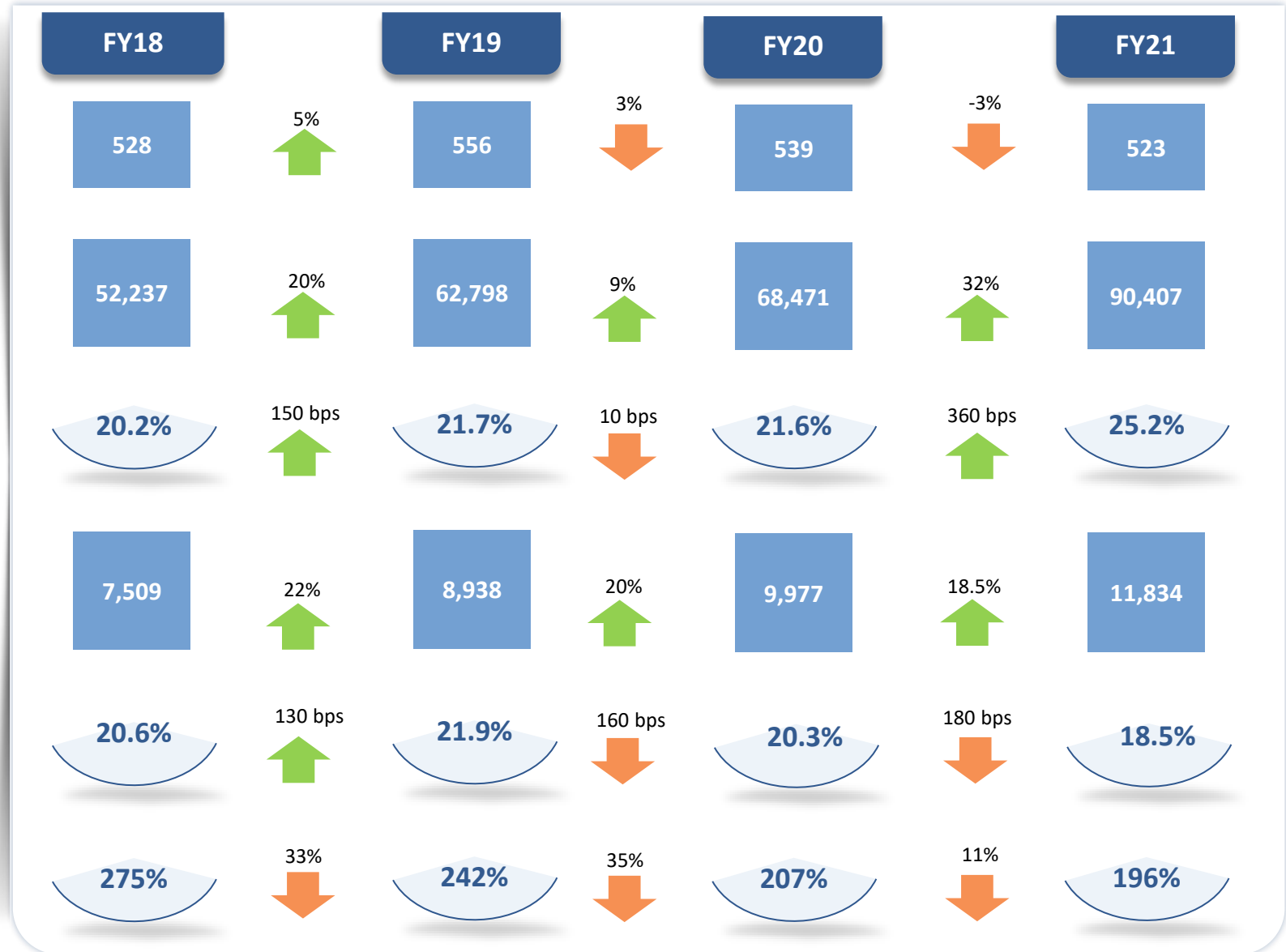
➤ AUM

➤ New Business Margin

➤ MCEV (post dividend)^

➤ Operating RoEV

➤ Solvency Ratio



Figures in Rs. Cr.

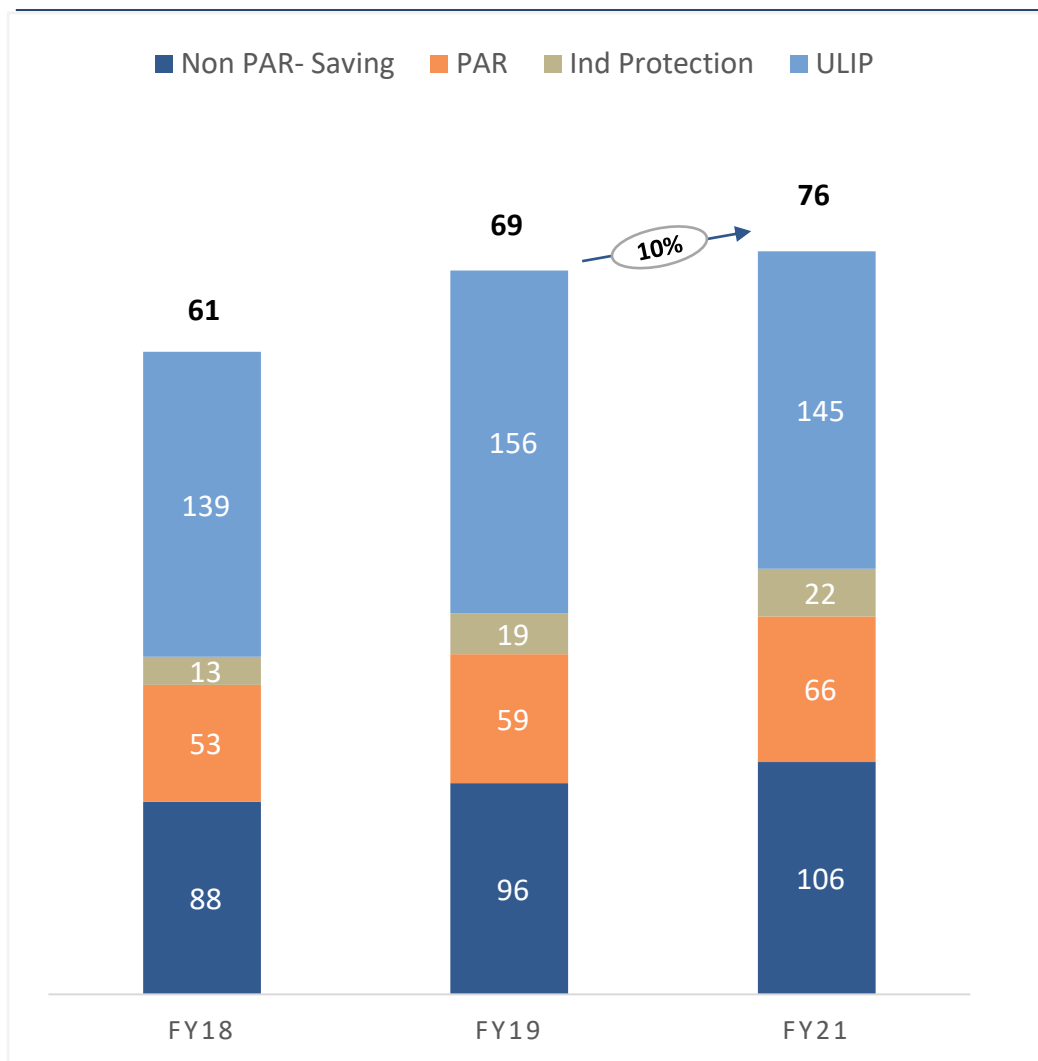
^Arrow represents growth in Operating RoEV

Performance update- Q4'FY21 and FY21

Key Business Drivers	Unit	Quarter Ended		Q-o-Q Growth	Year Ended		Y-o-Y Growth
		Mar'20	Mar'21		FY20	FY21	
a) Individual APE	Rs. Crore	1,398	1,893	35%	4,116	4,907	19%
b) Gross written premium income	Rs. Crore	5,873	7,106	21%	16,184	19,018	18%
First year premium	Rs. Crore	1,391	1,886	36%	4,088	4,833	18%
Renewal premium	Rs. Crore	3,983	4,523	14%	10,600	12,192	15%
Single premium	Rs. Crore	499	697	40%	1,495	1,993	33%
c) Shareholder Profit (Post Tax)	Rs. Crore	231	106	-54%	539	523	-3%
d) Policy Holder Expense to Gross Premium	%	11.4%	12.2%	-83 bps	14.5%	14.2%	27 bps
e) Share Capital	Rs. Crore				1,919	1,919	0%
f) Individual Policies in force	No. Lacs				43.90	45.86	4%
g) Sum insured in force	Rs. Crore				9,13,660	10,87,987	19%
h) Grievance Ratio	Per Ten thousand				48	31	-35%

Expansion in both NOPs and Case Size

Case Size (INR'000)



NoPs (INR'000)

