MAX FINANCIAL SERVICES

MAX LIFE INSURANCE

Max Financial Performance Update

Investor Release FY19

May 28, 2019

Claims Paid Ratio 98.26% FY 17-18 *As per IRDAI Annual Report 2017-18 #BharoseKaNumber

India's Best Companies To Work For 2018
A study by The Economic Times
Great Place to Work.

A Max Financial Services and MS Joint Venture

SECTION I

- Max Financial Services : FY19 Key Highlights

Max Financial Services : FY19 Key Highlights

1. Group Revenue* at **Rs 17,538 Cr,** grows **17%.** Group PBT at **Rs 391** Cr, down **30%**, due to one off expenses related to acquisition, reversible expense on Axis Bank Put Option, expense for distribution expansion & change in product mix

2. **MCEV** (Post dividend payout) as at 31st March 2019 **at Rs. 8,938 Cr;** Operating RoEV **21.9%**

3. **Structural NBMs** expands 230 bps to **22.5%** and **Actual NBMs** (post cost overrun) expands 150 bps to **21.7%.** Value of New Business (post overrun) grows **30%** to **Rs. 856 Cr**

4. Max Life **Individual Adjusted sales** grows by **22%** to **Rs 3,917 Cr** in FY19, compared to Private Players growth of **12%. Market share** improved by **65 bps** to **~10%**

5. Enhanced productivity and Investment in **Proprietary** channels led to a **30%** growth in FY19, relative to Banca growth of **18%**. Strategic knowledge partnership with **New York Life** to further enhance productivity of proprietary channel

6. Protection sales (including Individual & Group) grew **57% y-o-y**, resulting in improvement in protection mix by **220 bps** from **8%** in **FY18** to **10%** in **FY19**

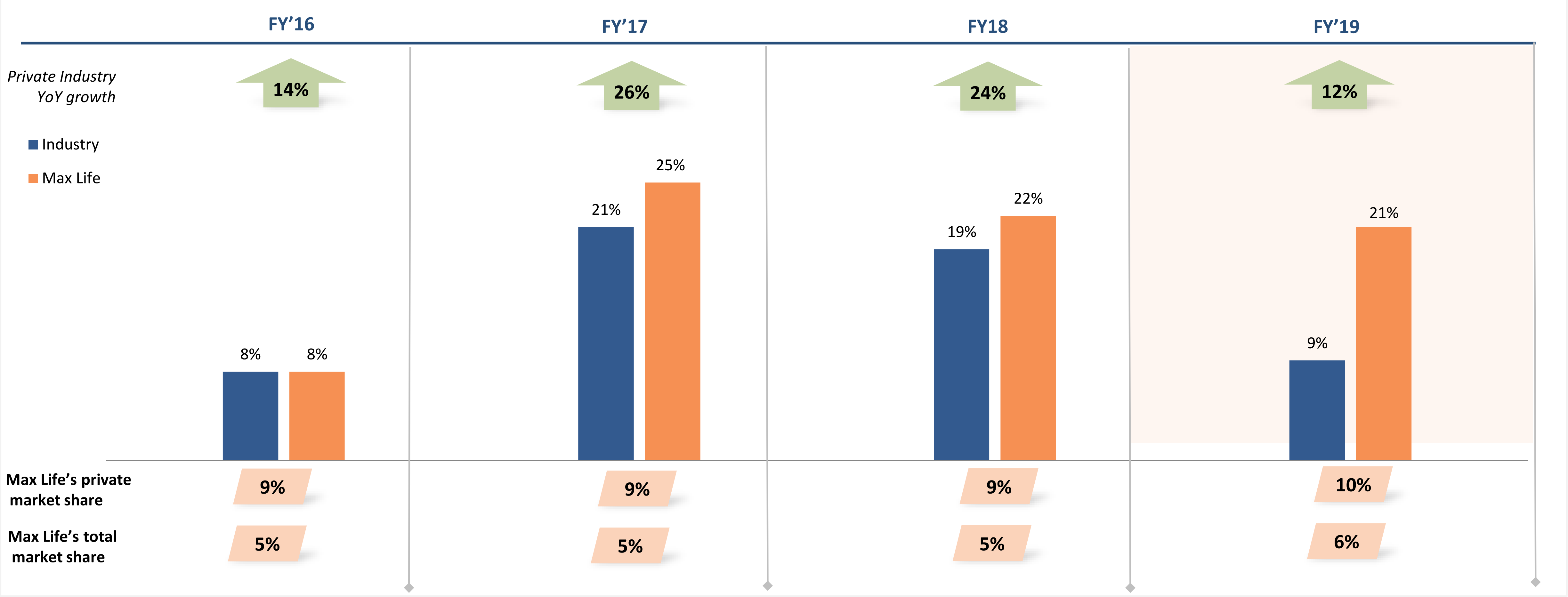
* Excludes MLIC Unit Investment income

SECTION II

- Max Life Insurance – Business Overview

Industry Landscape (FY'19): Total Industry grew by 9%, while Pvt. players grew by 12% and LIC by 5%)… Max Life has outperformed industry growth year after year

YoY Growth basis Individual Adjusted FYP

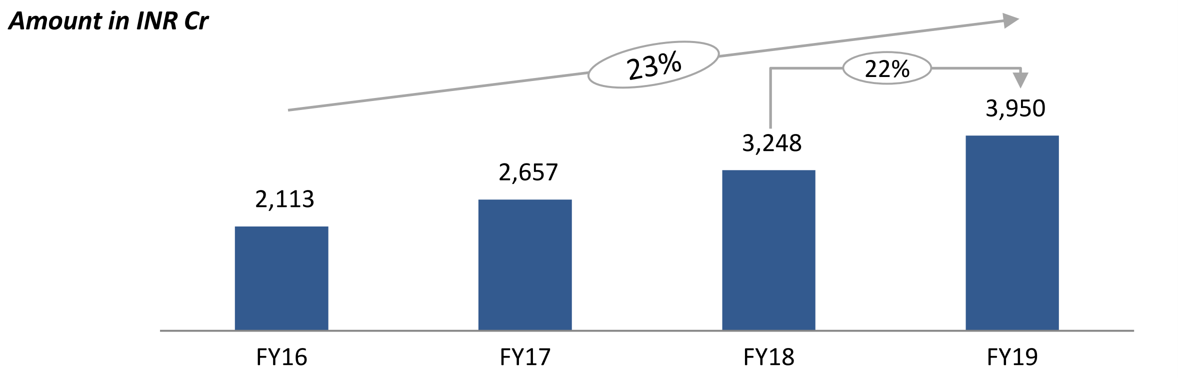


Max life sustained its high growth rate trajectory while maintaining its balanced product mix, even though the Industry registered only a 9% growth. This led to expansion in its total market share from 5% to 6%.

Source: Life Insurance Council | IRDAI

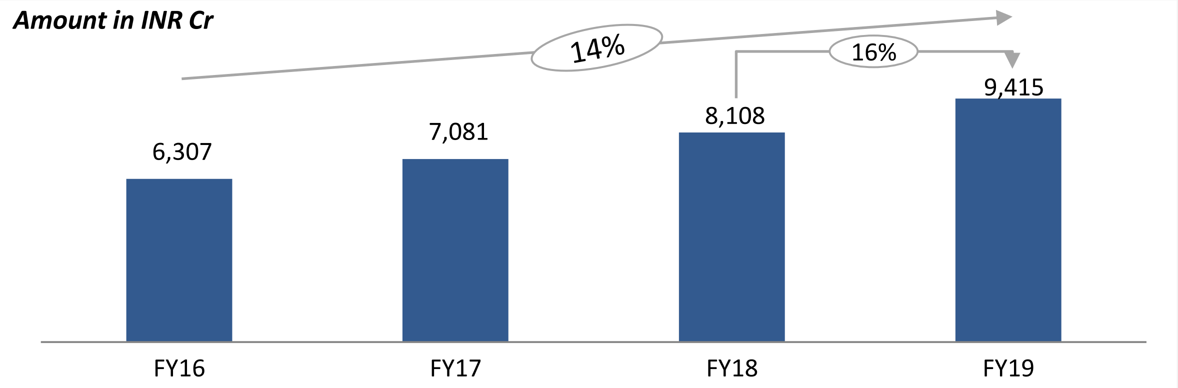
Max Life has delivered strong performance on both new business and renewal business; Maintained 4th rank in the private industry

New Business Premiums (on APE basis)

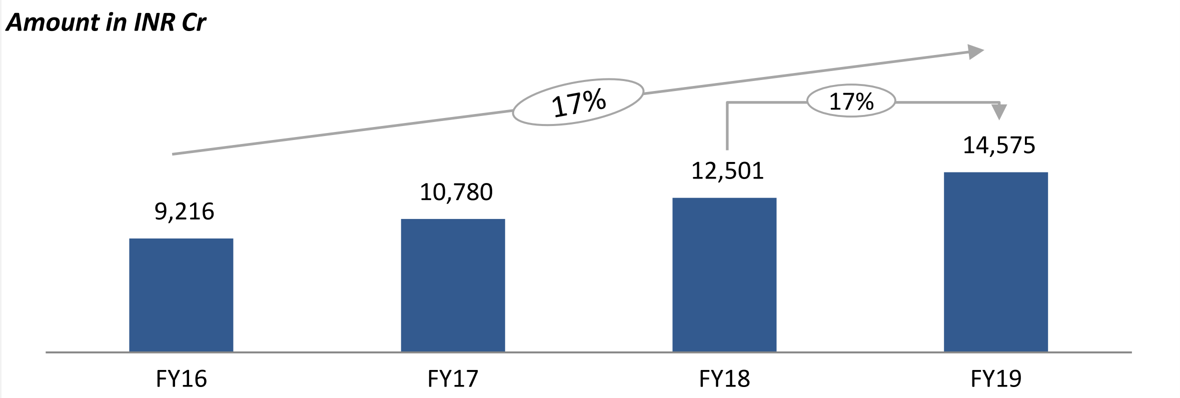


	FY16	FY17	FY18	FY19
Mkt Share#	**9.3%**	**9.2%**	**9.0%**	**9.7%**
Pvt Ind Rank	**4**	**4**	**4**	**4**

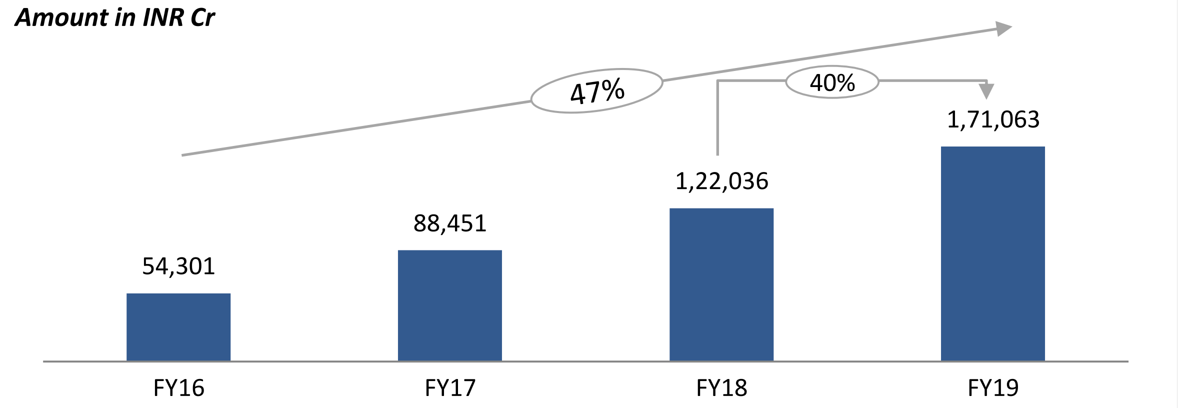
Renewal Income



Gross Written Premium



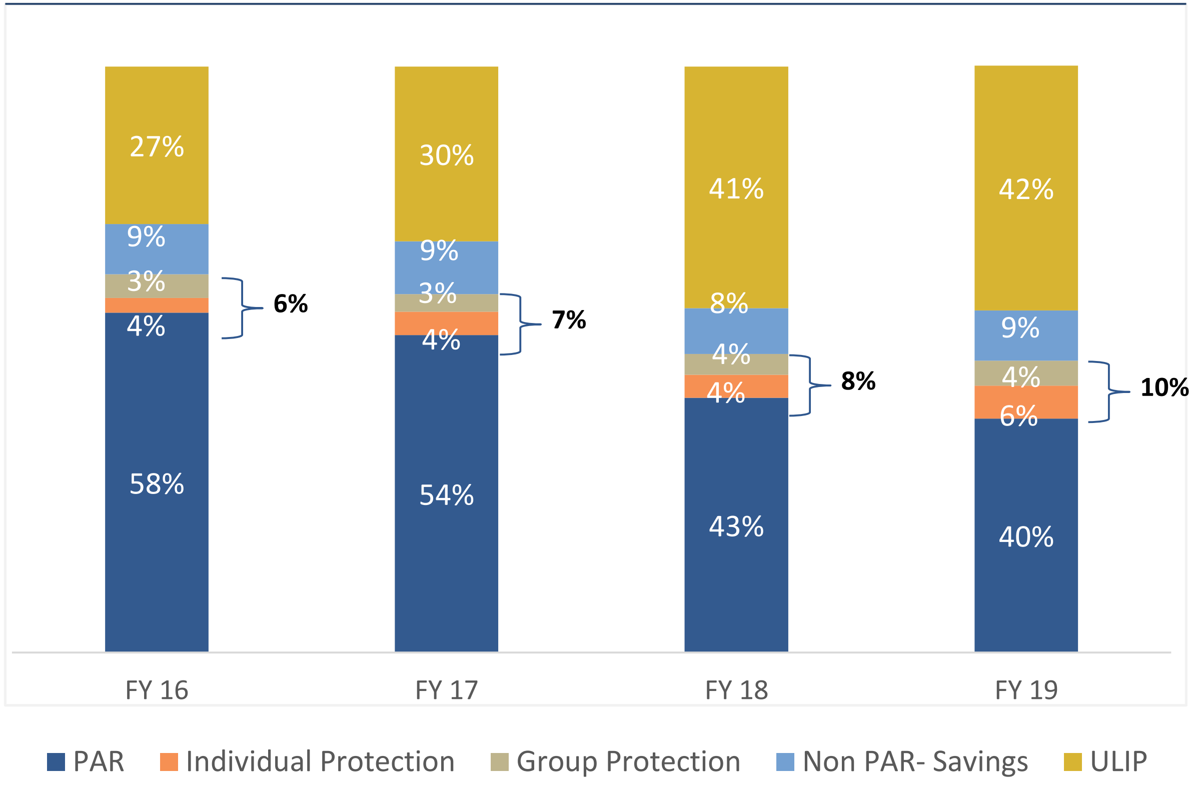
Individual Sum Assured of New business – Outpaced growth in new business due to focus on protection



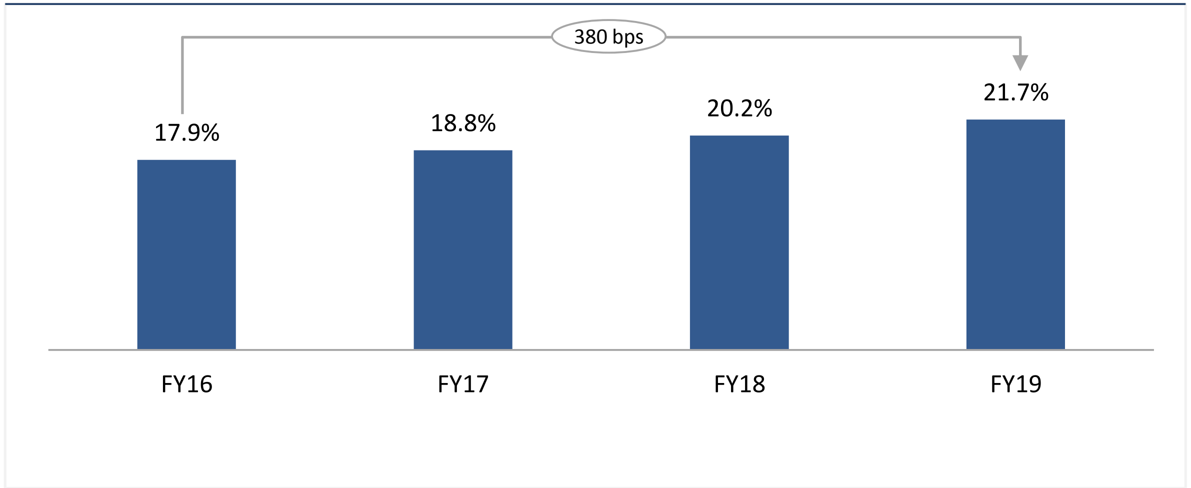
X% *CAGR* *Total APE includes Individual and GCL APE. It excludes Group term Loan # on Adj FYP basis*

30% growth in VNB with margins expanding to 21.7% driven by increased focus on Protection

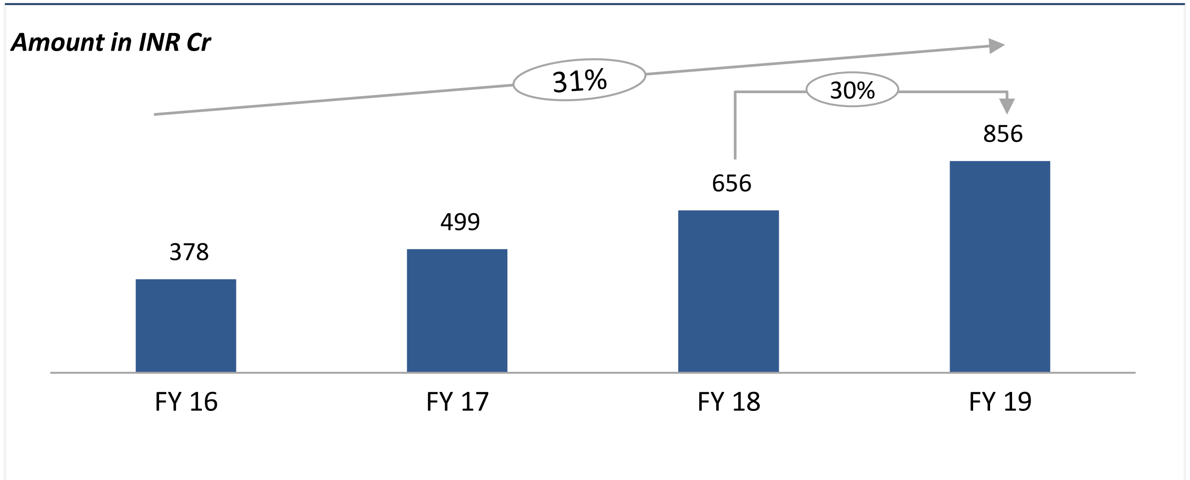
Product Mix – Shifting towards a balanced product mix



Margins (post-overrun)#



VNB (post over-run)#

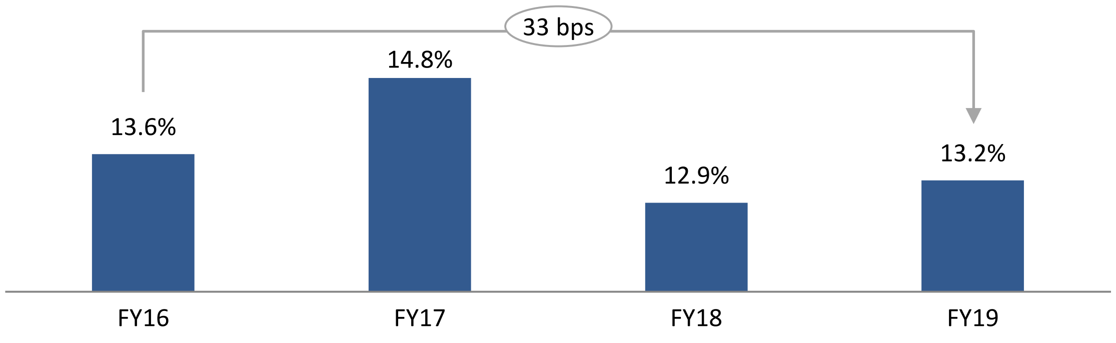


X% *CAGR*

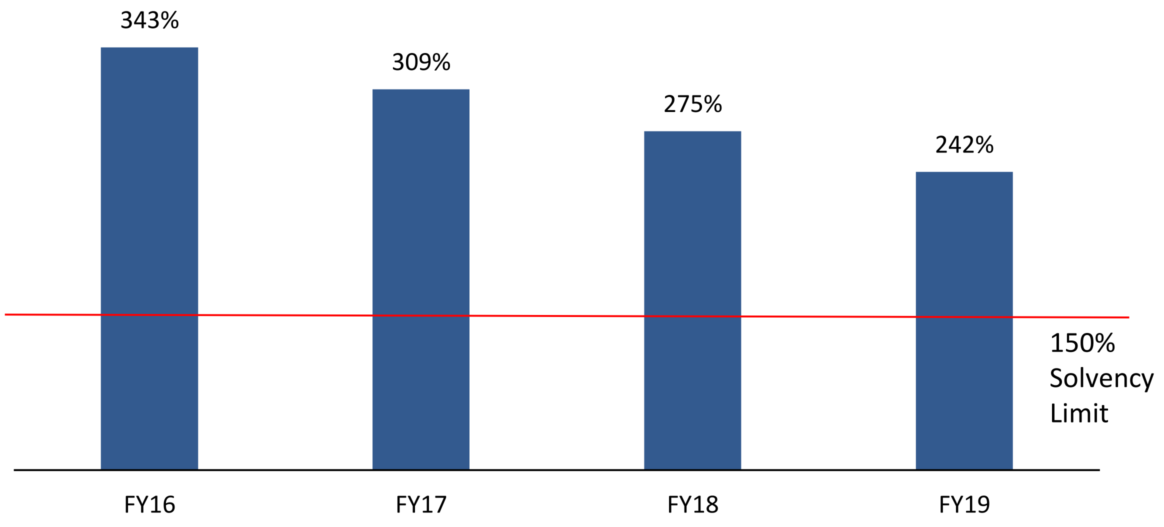
#VNB and margins for FY19 are post the adjustment of effective tax rate

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

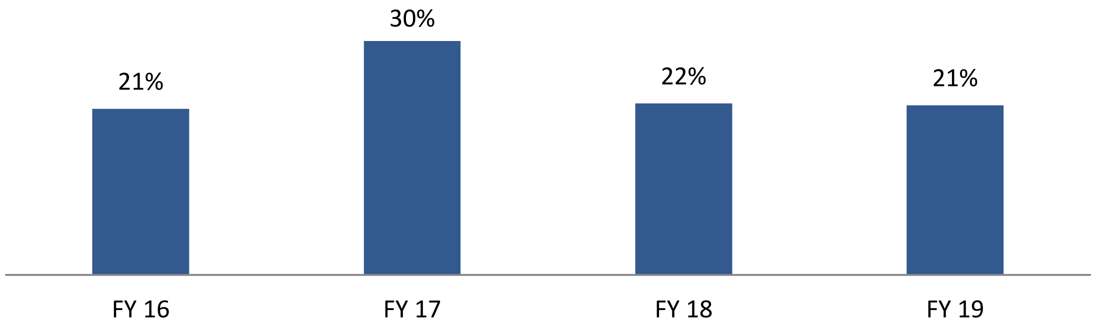
Opex to GWP* - Positive trend due to increase in operational efficiency; Increase in FY19 due to investment in proprietary channels



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



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

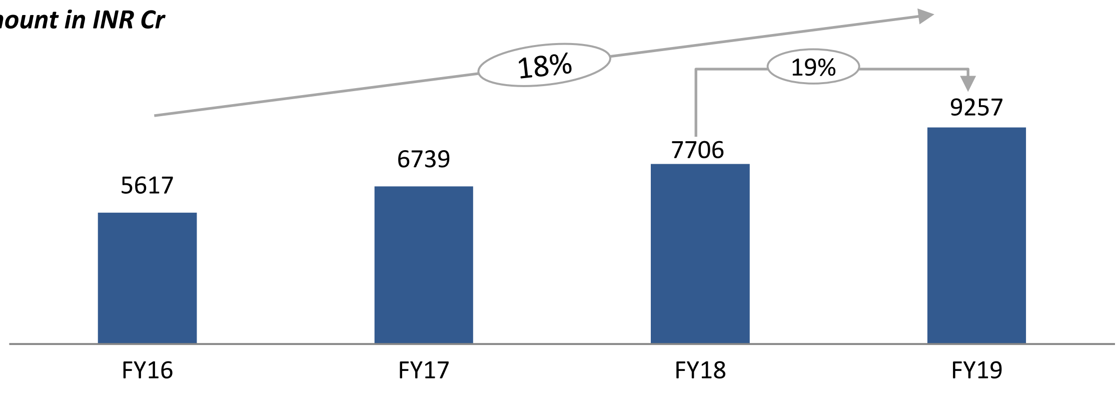


** Refers to the policyholder expense to GWP ratio; FY17 opex ratio is high due to one-off expenses # ROE is PAT as a ratio of average Net worth during the year*

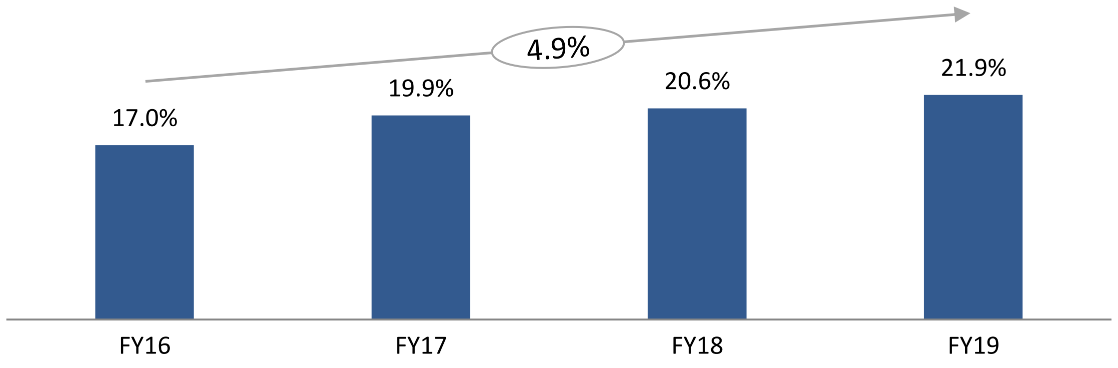
Embedded value compounds at 18% with operating RoEV for FY19 at 21.9%

Embedded Value (EV) - EV** has grown at CAGR of 18% driven by growth in value of new business and quality of inforce business

Amount in INR Cr

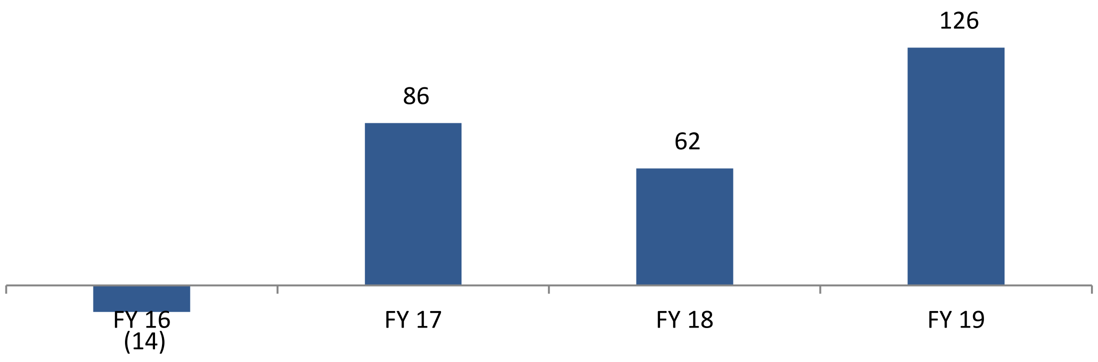


Operating Return on Embedded Value - RoEV has increased to 21.9%



Operating Variance - has been generally positive over the years

Amount in INR Cr



Sensitivity – Least among competition due to balanced product mix

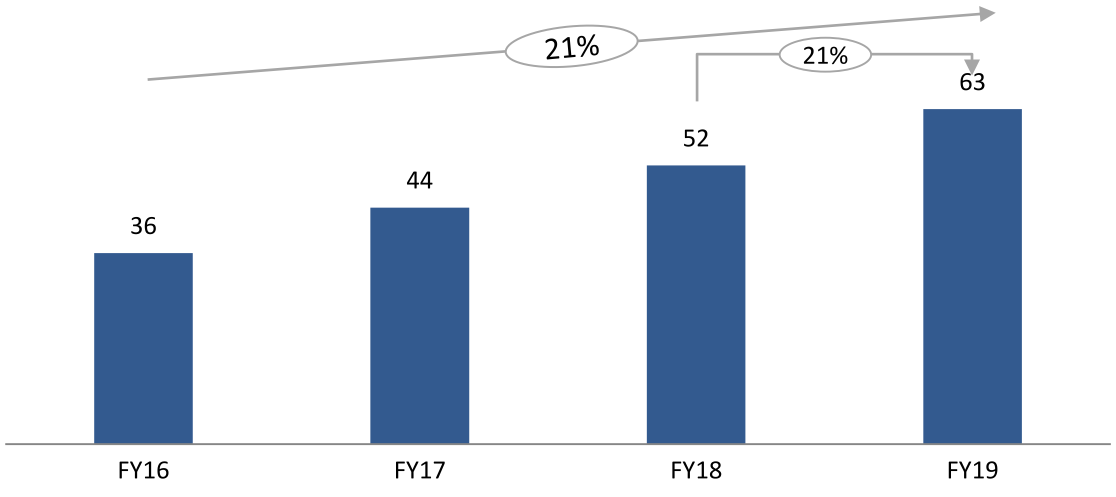
Item	Embedded Value		Value of New Business	
	-10%	10%	-10%	10%
Lapse / Surrender	-2%	2%	4%	-4%
Mortality	-1%	1%	4%	-4%
Expense	-1%	1%	6%	-6%

** EV is pre dividend adjustment

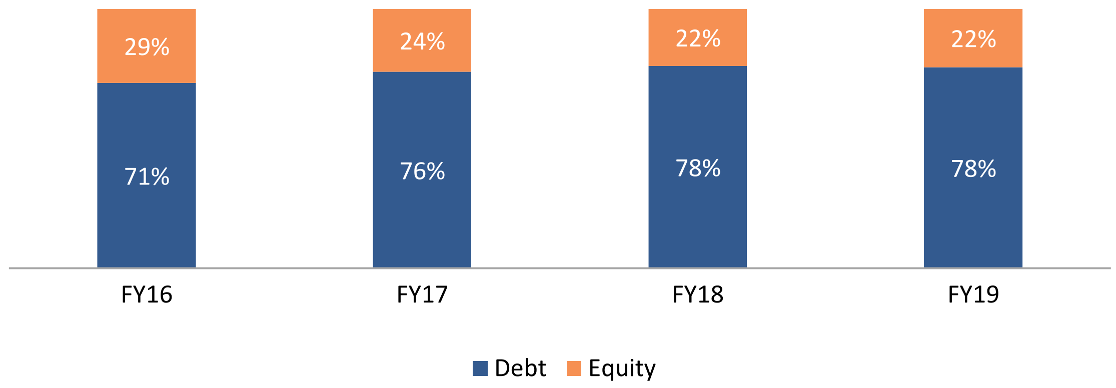
Max Life has consistently grown its Asset Under Management by more than 20%

Assets Under Management - Grown consistently since FY16 and MLI is now the 4th largest manager LI AUMs, including retail AUM of MFs, ranked 8th*

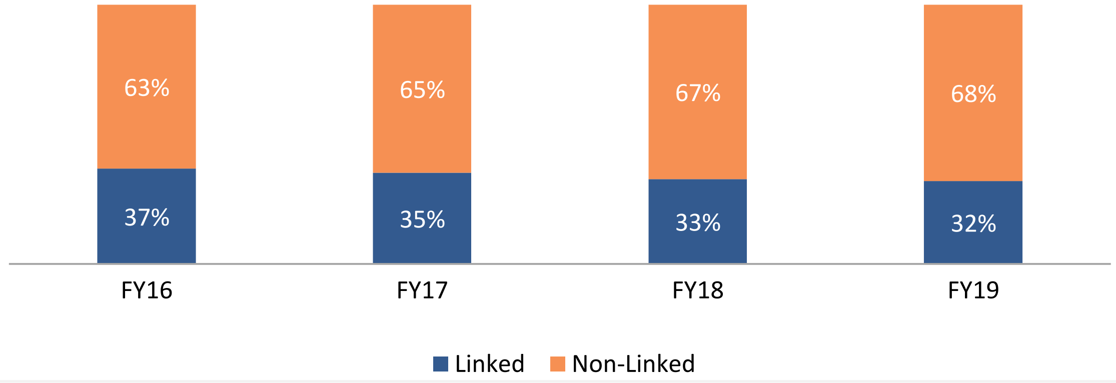
Amount in INR '000 Cr



Debt-Equity Mix - Healthy mix of Debt and Equity on an overall level



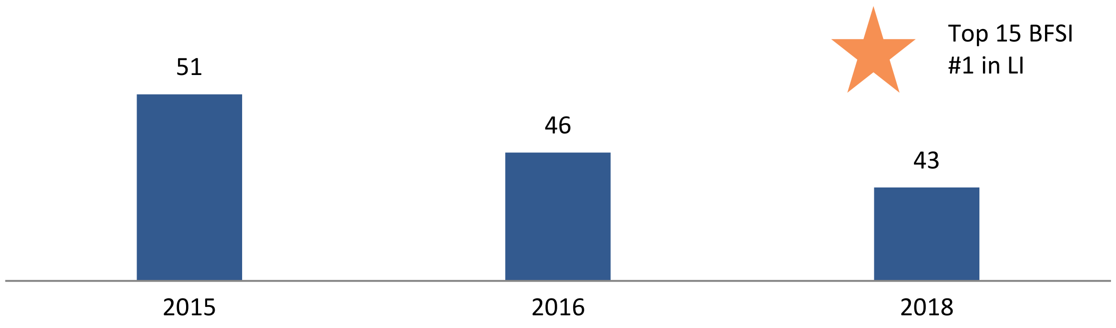
Fund Type (Linked vs Non-linked)



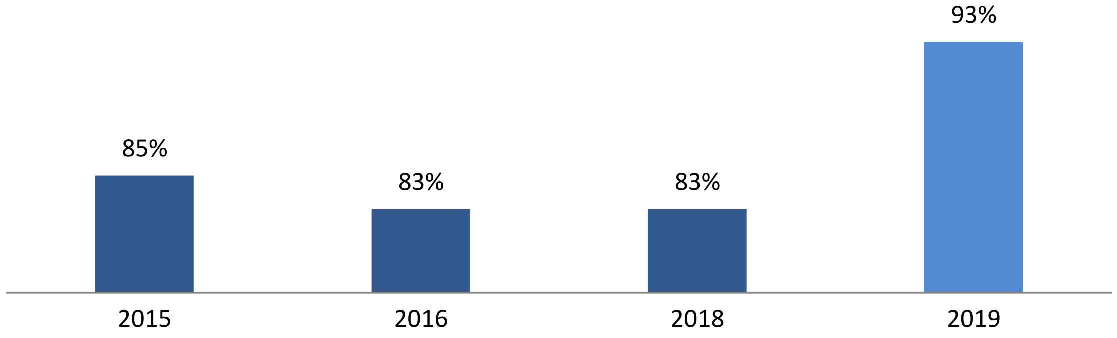
** Retail portion of AMCs and AUMs of Private Life Insurers considered for ranking*

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 2018; rank improved since 2016

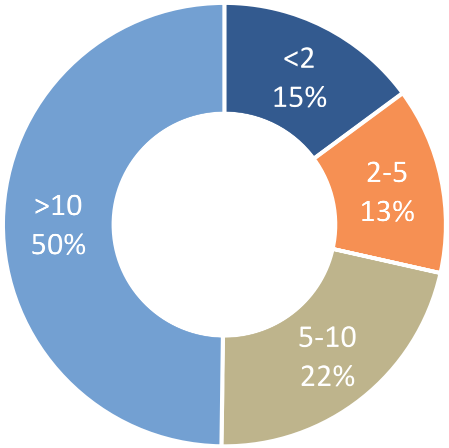


Employee Engagement^ - Consistently amongst top decile

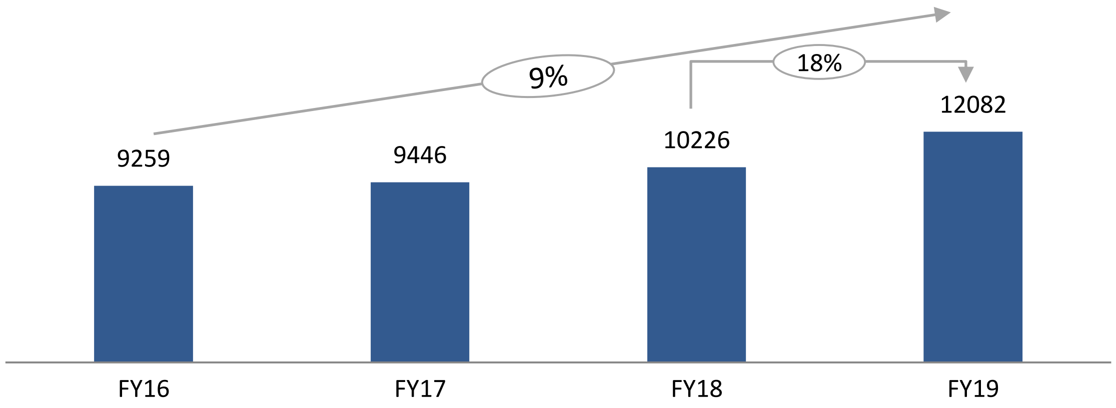


Leadership Experience - More than half the leadership has been with the company for more than a decade*

Total leadership count is 237



Headcount - In line with the growth aspirations, headcount has been ramped up by 18% in FY19



** Leadership defined as Vice President and above, Data as of Mar 31, 2019 ^ Conducted by IBM Kenexa till FY18 and Willis Tower Watson in FY19*

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** for Best Life Insurer
- Most Admired Brand By White Paper International
- Economic Times Best Brands 2016
- Golden Peacock award for Corporate Governance
- Silver Award at the ACEF 8th Global Customer Engagement Awards 2019 in the BTL Activities Category.

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 the 12th QCI-DL Shah Quality Awards for Enhancing S2R Conversion% Select 60 offices in Agency.

Focus on People

- Ranked 46th - India's Best Companies to Work for in 2016, Best in Insurance industry
- Ranked 43rd – India's Best Companies to work for in 2018. Best in Insurance industry
- Employee Engagement Leadership Award for "Best use of the Employee Award"
- Employee Engagement Leadership Award for "Best Social Responsibility"

SECTION III

- Max Life Insurance – Strategy FY19-22

Max Life embarked on its journey of 25%+ VNB growth, 25% NBM and 25% ROEV aspirations by FY22. Key strategic elements to achieve the vision

A — Predictable & Sustainable growth

INITIATIVES

- Deepen Bancassurance partnerships
- On-board new distribution partners
- Scale up existing proprietary channels
- Opportunistic play for inorganic growth

ASPIRATIONS FY22

- Achieve 25%+ VNB growth rate
- Increase share of proprietary channels sales to ~35%
- Continue growing highly productive agents (premium >10 lakhs per annum) by 20%+ CAGR

B — Product innovation to drive margins

INITIATIVES

- Increase protection penetration
- Drive Non PAR saving
- Tap into new growth opportunities like health and retirements
- Enhanced investment and mortality risk management

ASPIRATIONS FY22

- Achieve ~25% new business margin and consequently ~25% RoEV
- Achieve protection penetration of 14%+ and NPAR savings penetration of 13%+

C — Customer centricity across the value chain

INITIATIVES

- #1 position in 13M and 61M persistency
- Highest Relationship Net Promoter Score (NPS) in the industry

ASPIRATIONS FY22

- Improve 13M persistency to 88%+ and 61M Persistency to 58%+
- Leaders in NPS in the sector

D — Digitization for efficiency and intelligence

INITIATIVES

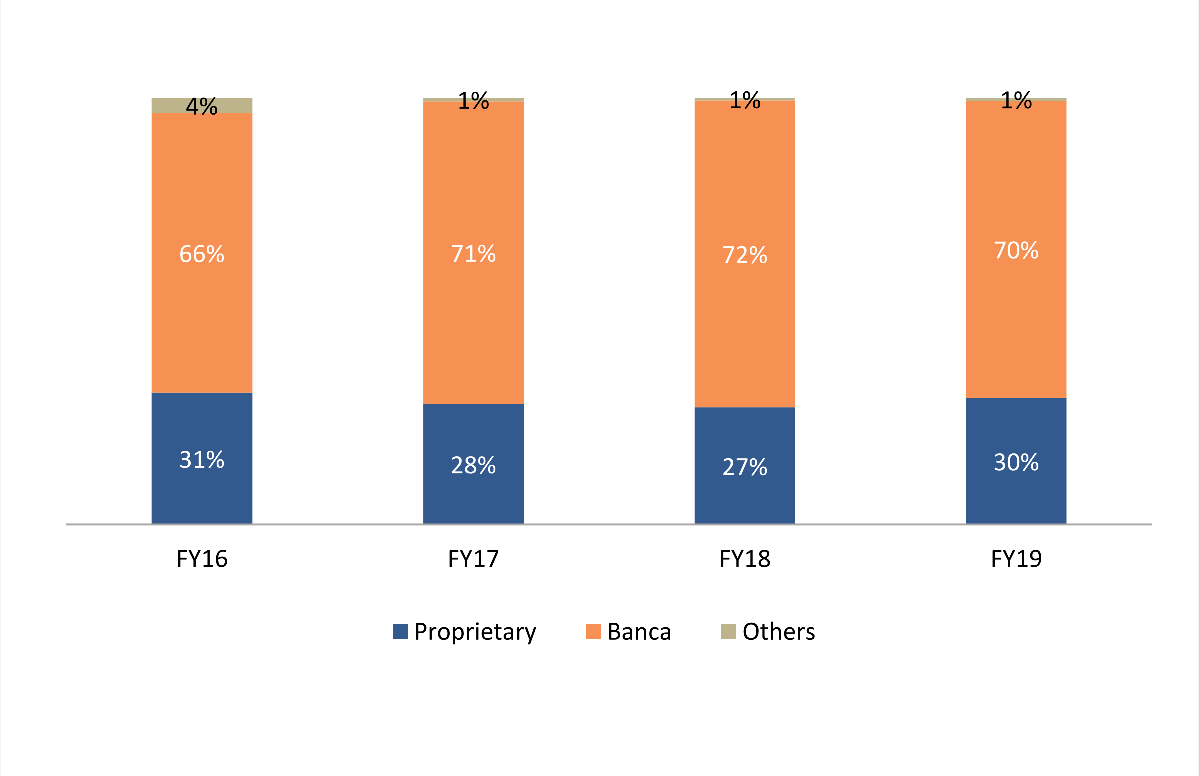
- Continue with digitization agenda across the organisation
- Build intelligence (AI) in all digital assets
- Minimize back-office costs

ASPIRATIONS FY22

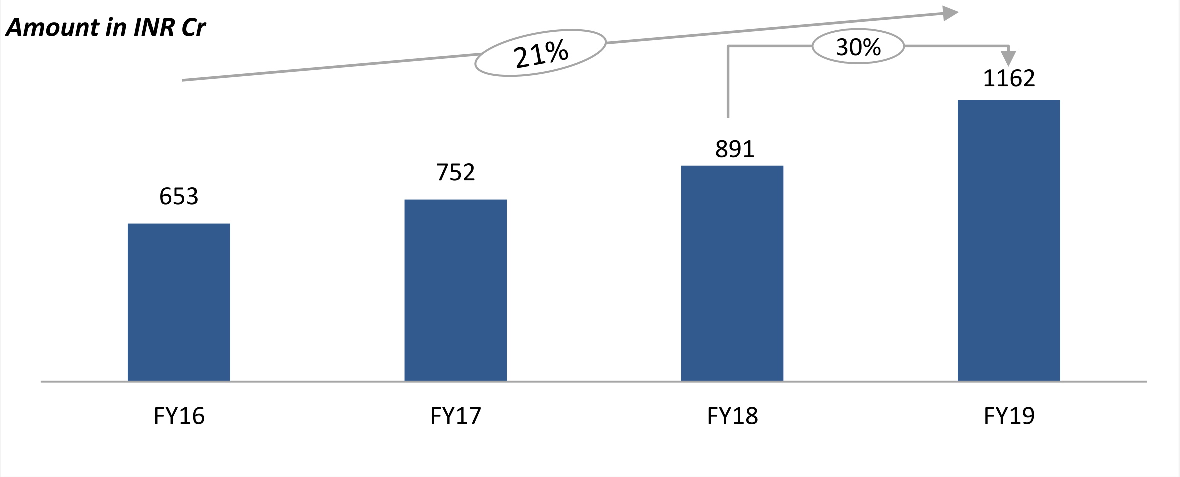
- Achieve 90%+ Insta-issuance
- Self-service transactions to exceed 90%

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

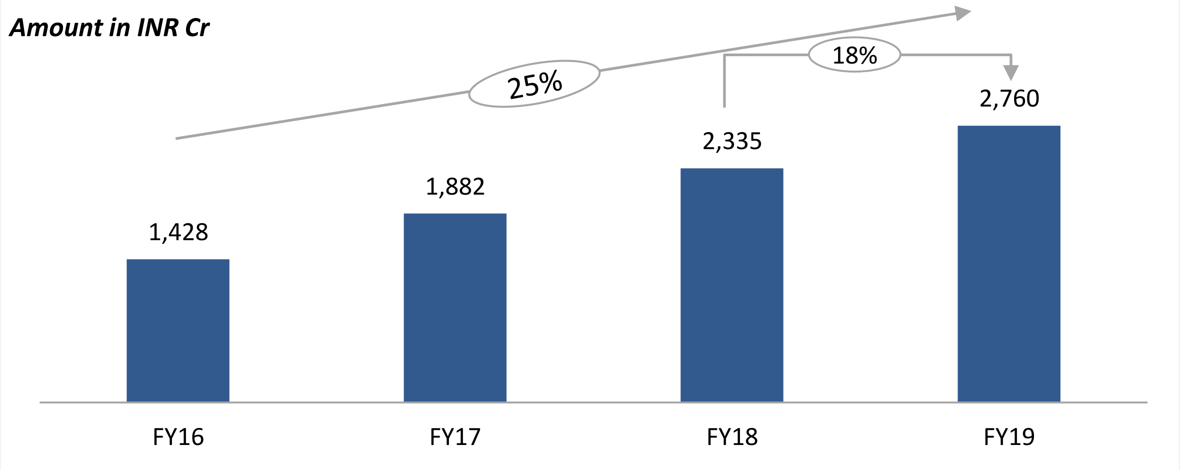
Channel Mix - Max Life has focused on maintaining a balanced distribution mix



Proprietary Channels New Business (APE) - Sales have grown at 21% CAGR since FY16

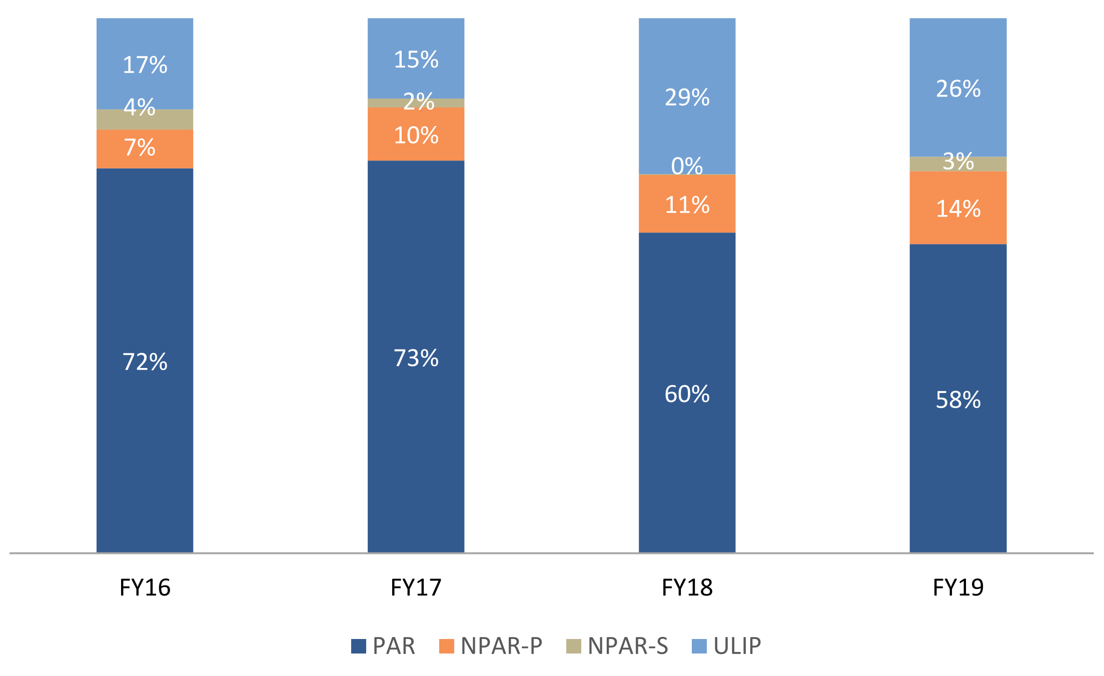


Bancassurance Channel (APE) - Growth in Banca channels has been ~25%

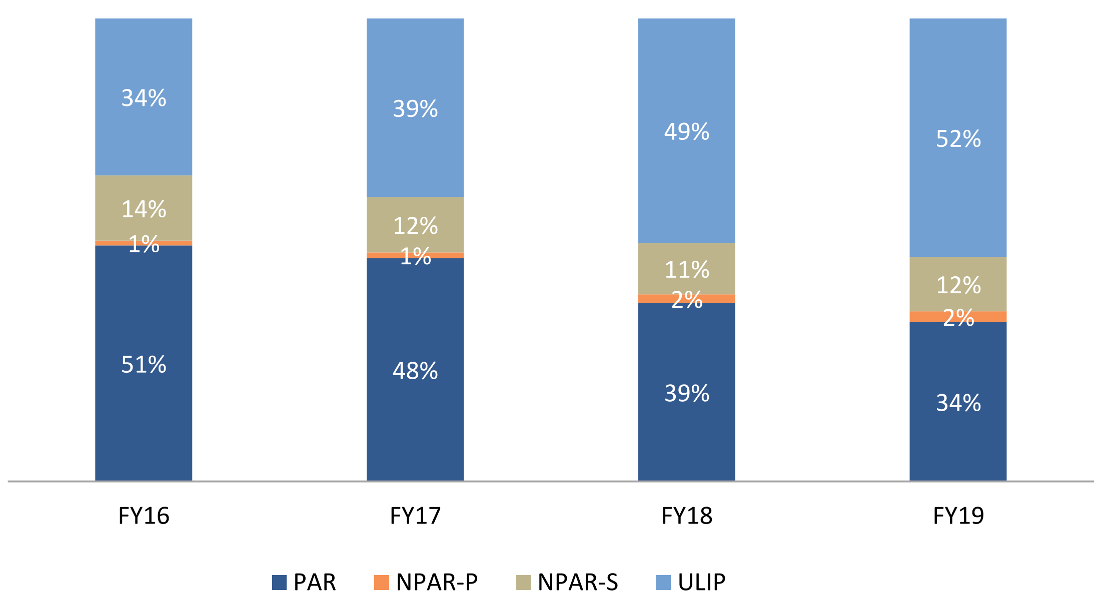


A Product mix proprietary and Bancassurance channels aligned to customer needs; future focus to be on increasing proportion of Non-PAR

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



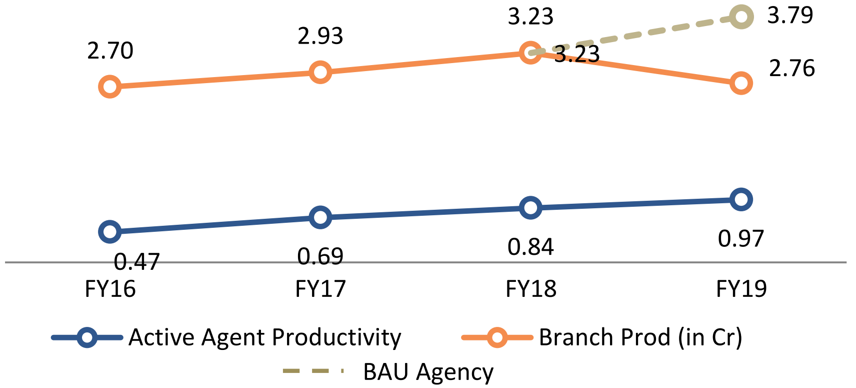
Bancassurance Product Mix - has been biased towards ULIPs to cater to target customer segments



A Agency: Strategic focus on increasing agent productivity and retention; deployment of new business models and geographic expansion to be key priorities till FY22

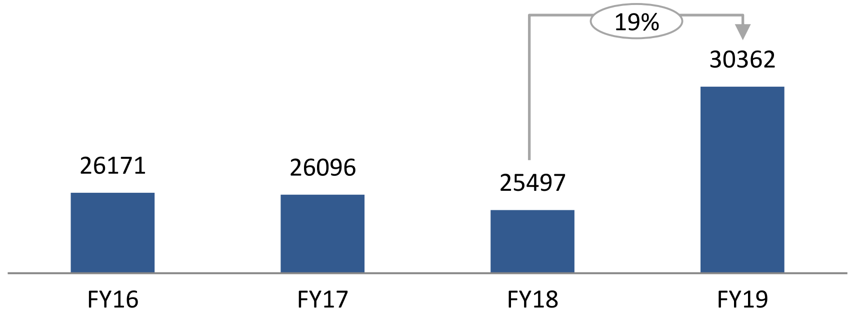
Active agent and branch productivity increasing year on year; dip in FY19 due to new offices

ADM and Active agent productivity in INR Lacs per month



Recruitment increased sharply in FY19 to facilitate growth

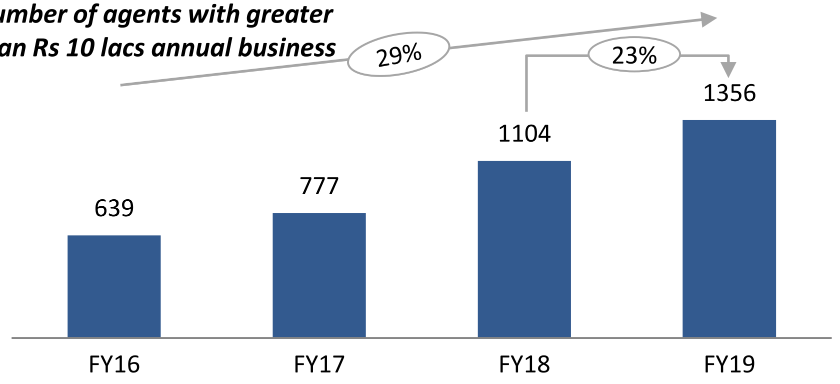
Number of agents recruited



	FY16	FY17	FY18	FY19
Branch Units	**205**	**205**	**203**	**322**

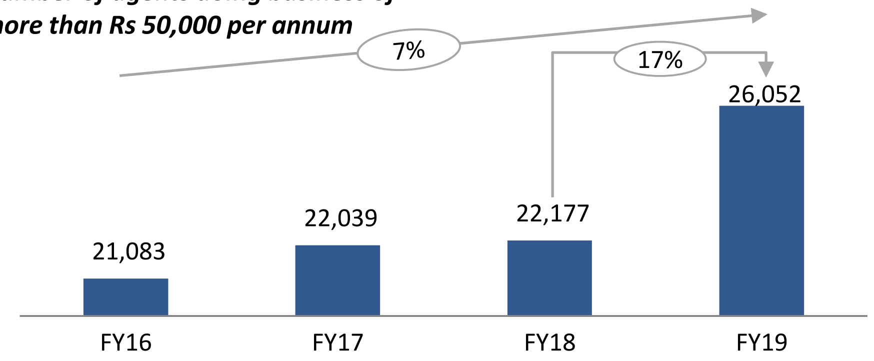
Consistent focus on increasing the number of agents doing business of more than INR 10 lacs per annum

Number of agents with greater than Rs 10 lacs annual business



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

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

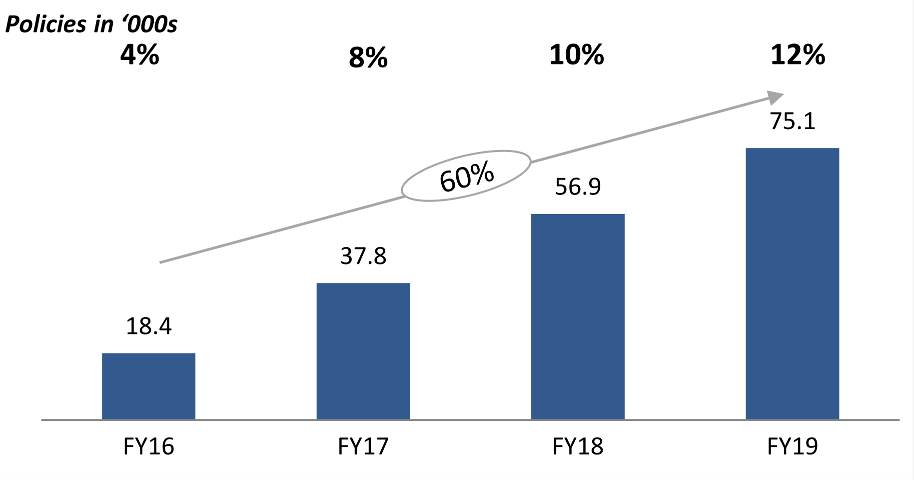


Focus for FY20 and beyond:

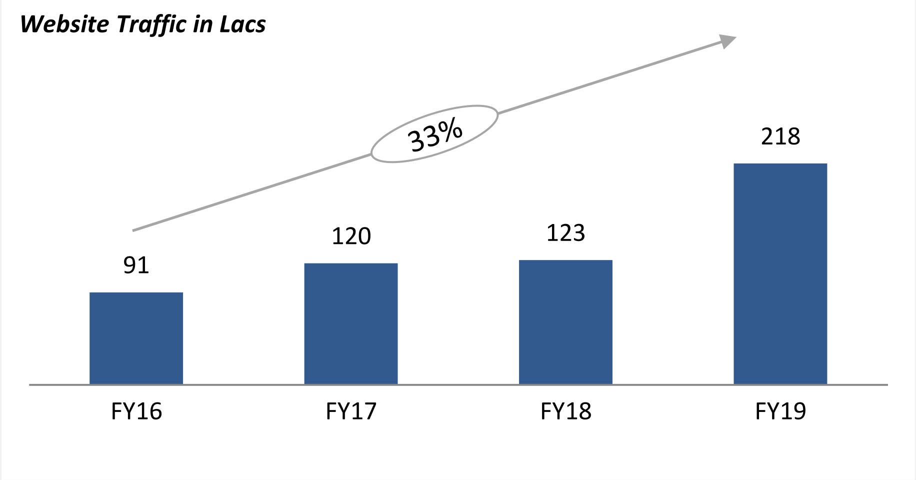
- **Make core productive** by focusing on increasing number of productive agents
- **Increase activity at the base**
- **Expand channel through:**
  - Tapping into Independent Financial Advisors ecosystem
  - Deploying a variable model
  - Target captive customer bases like defence personnel

A E-commerce: Max Life has focused on growing its online business which has been a major contribution to its protection business; focus in future to be on online savings products as well

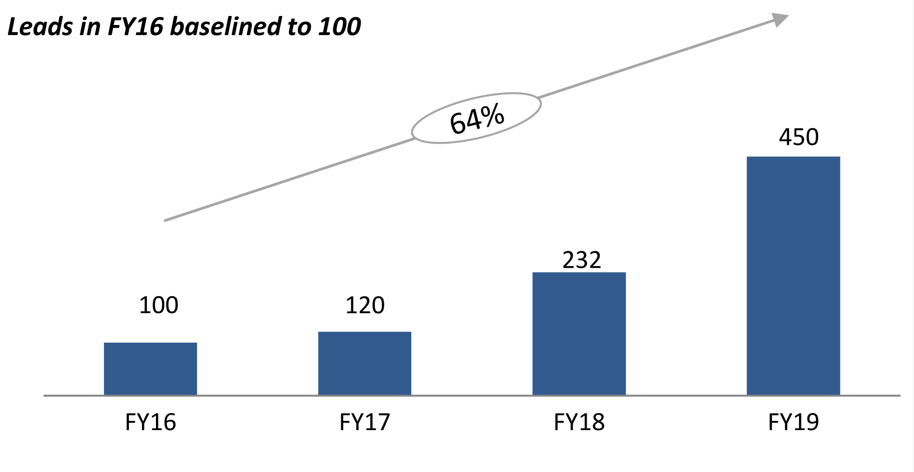
Policies - Contribution of policies from E-commerce channel have increased to 12% in FY19 from 4% in FY16



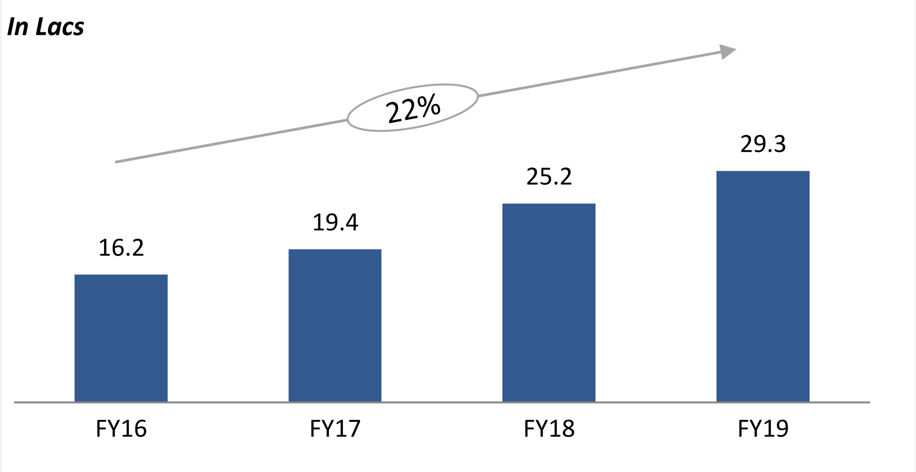
Website Traffic - Annual traffic to Max Life's website has seen a significant increase over the last 4 years



Online Leads - Due to deployment of technology smarts, leads have increased by ~350% in 4 years



Brand Search Queries - have increased significantly over the years



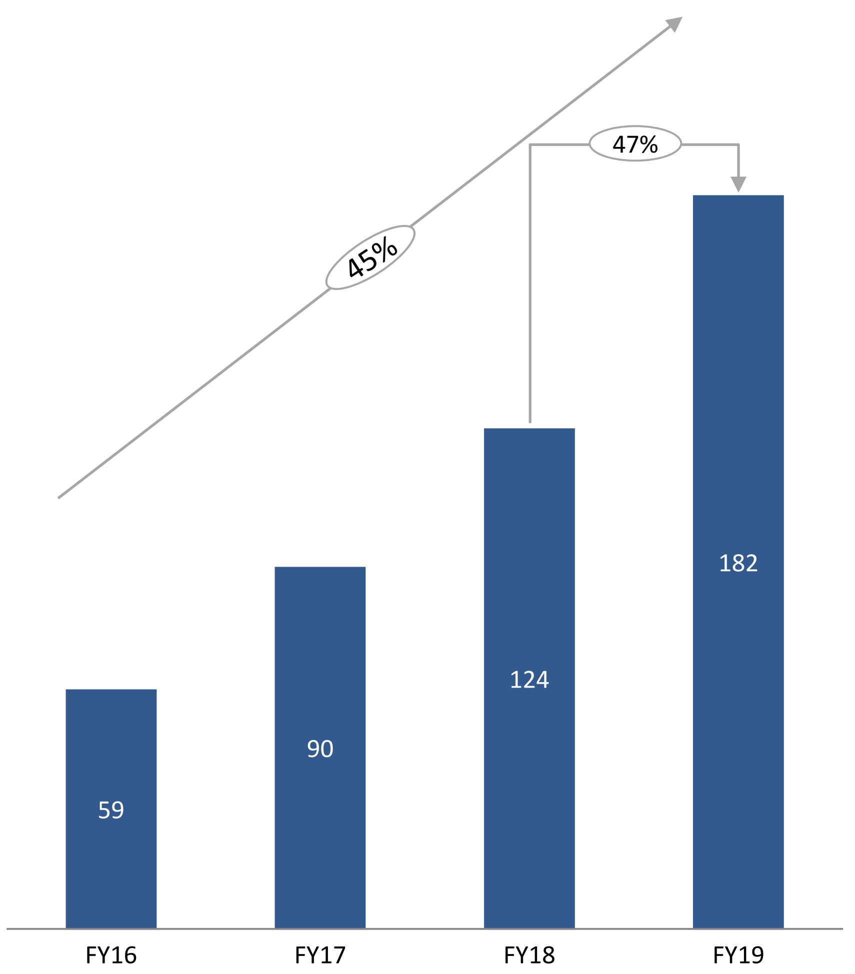
Focus for FY20 and beyond:

- **Leadership in Protection:** Maintain leadership protection in the online protection space
- **Continue investing in driving traffic towards digital assets and smarts for effective lead chase and closure**
- **Experiment with savings space:** Online unit linked product & Online journeys for traditional products

A Direct Channels: Max Life has a channel focused on cross-selling and upselling

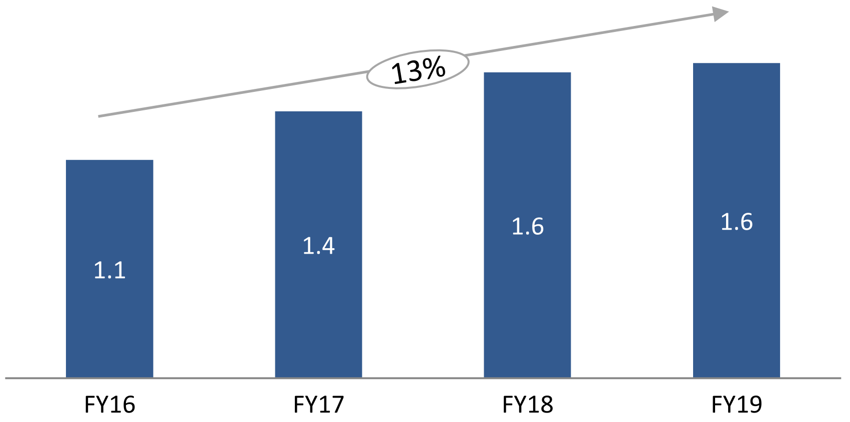
New Business Premium from direct channels

Amount in INR Cr



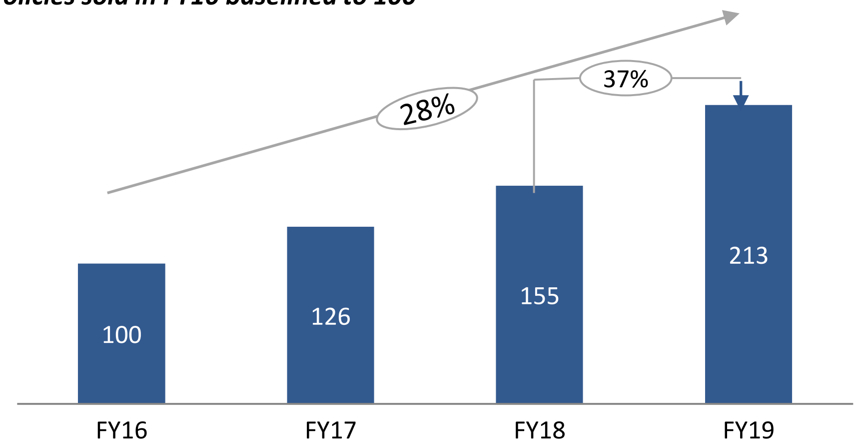
Frontline Productivity

Productivity in INR Lacs per month



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

Policies sold in FY16 baselined to 100



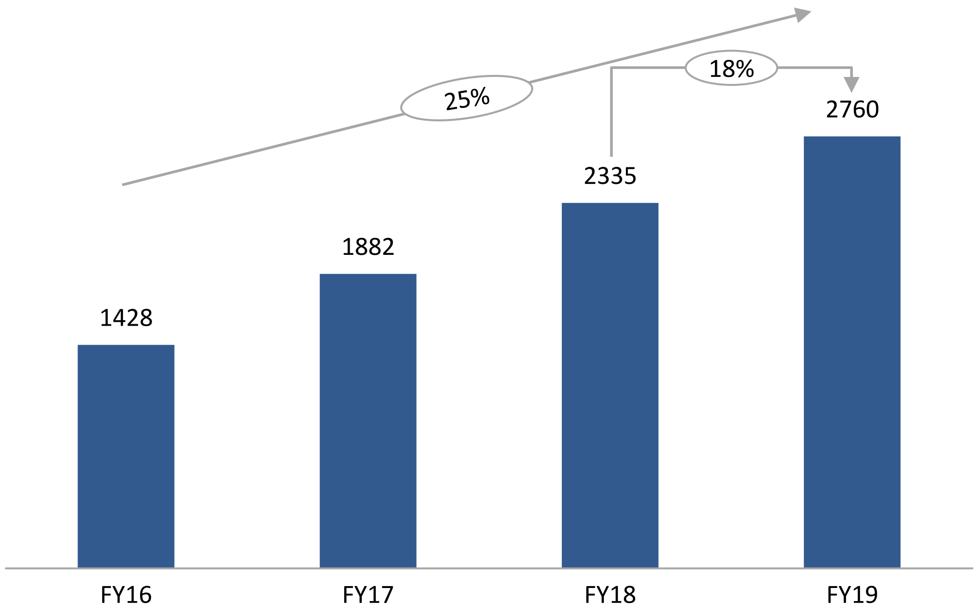
Focus for FY20 and beyond:

- **Scale up of tele-sales channel:** Cross-sell on inbound service calls using pre-approved offers
- **Enhance the Virtual Relationship Model**

A Strong growth in Bancassurance partnerships since FY16 driven through both productivity improvement and footprint expansion

Banca channels have grown at CAGR of 26% while increasing branch productivity

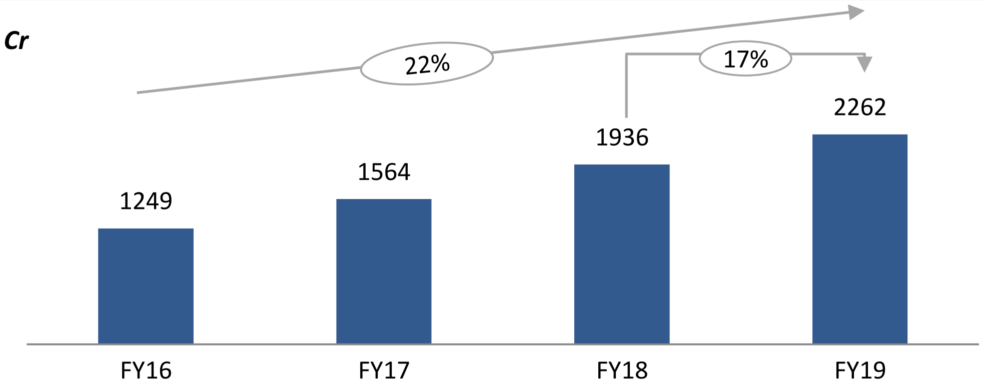
Amount in INR Cr



	FY16	FY17	FY18	FY19
Branches (#)	**4796**	**5608**	**6170**	**6521**
Branch Productivity (lacs per annum)	**29**	**34**	**38**	**42**

Axis Bank: New business (APE)

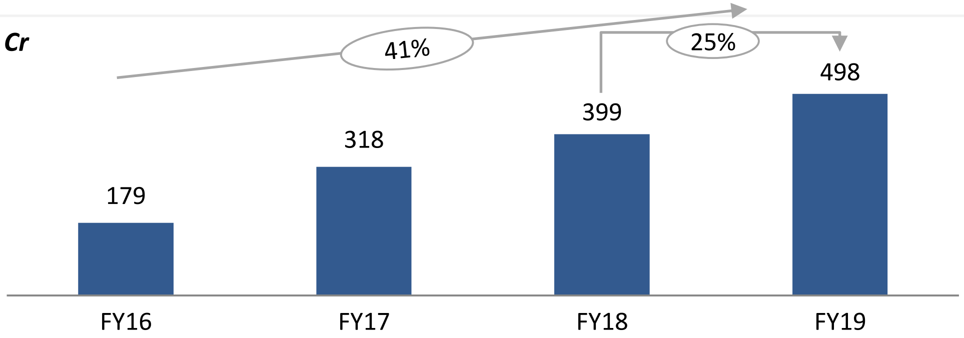
Amount in INR Cr



	FY16	FY17	FY18	FY19
Branches (#)	**2904**	**3304**	**3703**	**3938**
Branch Productivity (lacs per annum)	**43**	**47**	**52**	**57**

Other Bancassurance Partnerships: New Business (APE)

Amount in INR Cr



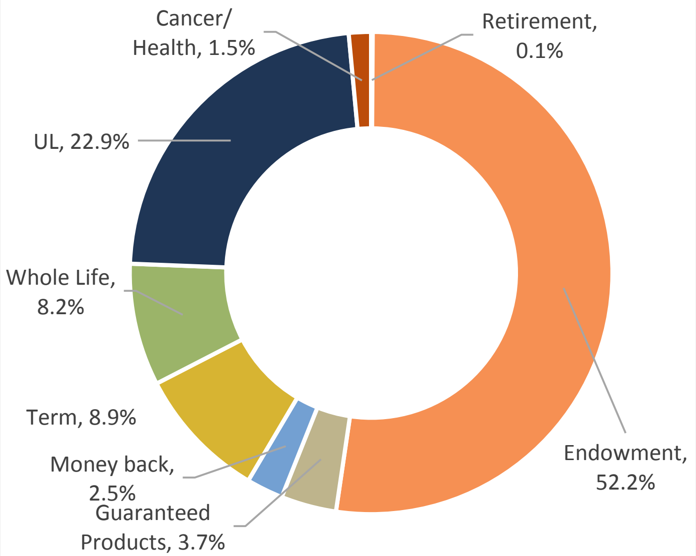
	FY16	FY17	FY18	FY19
Branches (#)	**1892**	**2304**	**2467**	**2583**
Branch Productivity (lacs per annum)	**7**	**14**	**16**	**19**

B 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

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

Current portfolio[1] biased towards traditional products



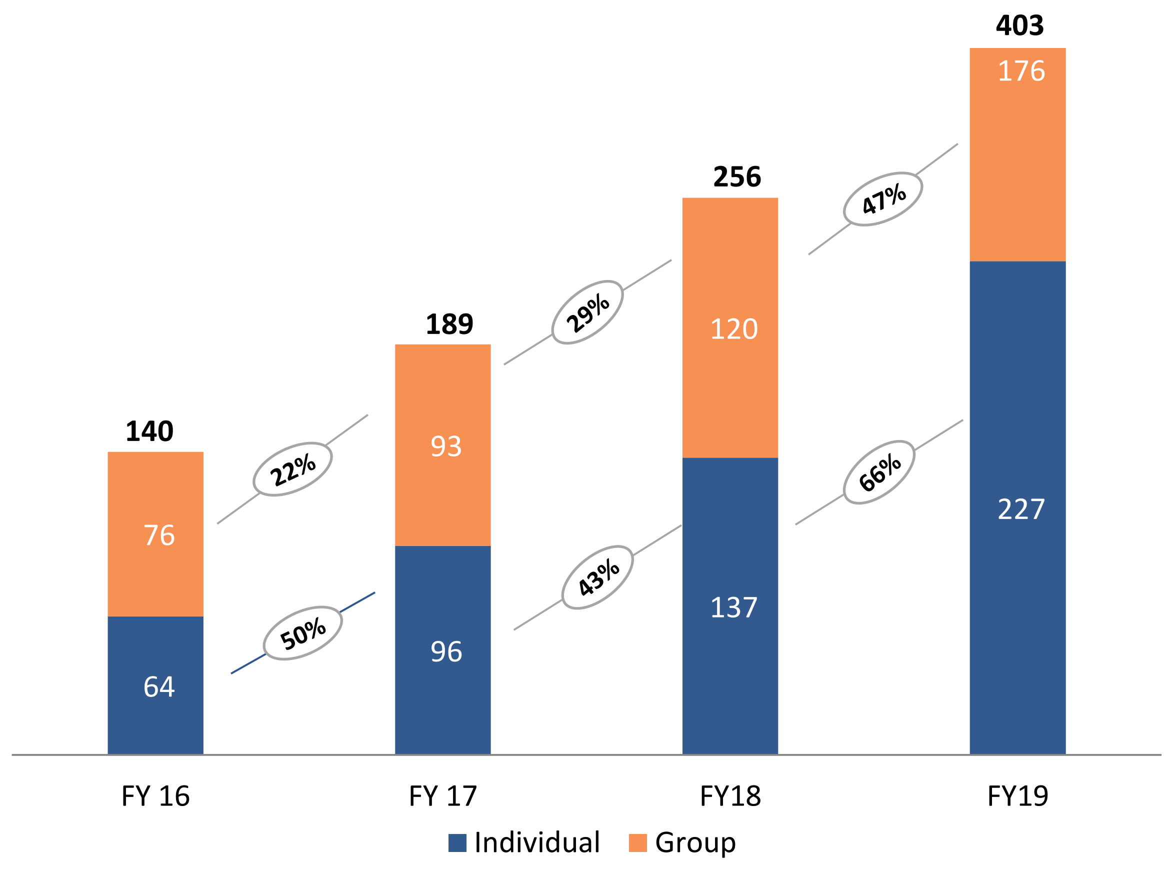
Product Type	Average Policyholder Age (Years)	Average Policy Term (Years)	Average PPT (Years)
Endowment	35	23	10
ULIP	38	14	10
Whole Life	36	64	51
Money back	28	17	16
Pure Term	35	34	34
Guaranteed products	43	19	9
Health	39	17	17
Cancer Insurance	38	29	29
Pension	34	22	22
Annuity	63	57	1
As on 31st Mar 2019 — Average	36	25	16

(1) Based on all policies sold till date

B Focus on Protection: 66% increase in individual protection APE and 54% increase in individual protection policies, 27% of total individual policies are pure protection

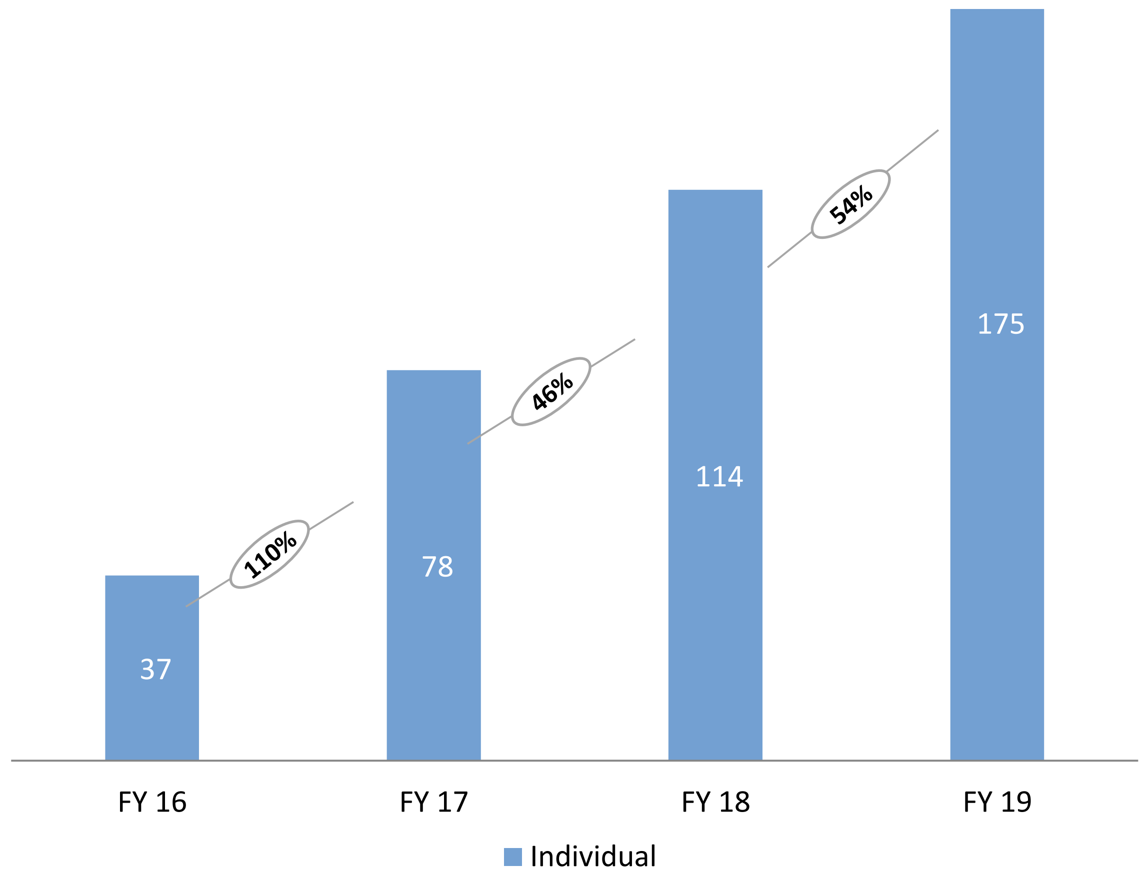
Total APE (Individual + Group)

Figures in Rs. Cr.



No of Protection Policies (Individual)

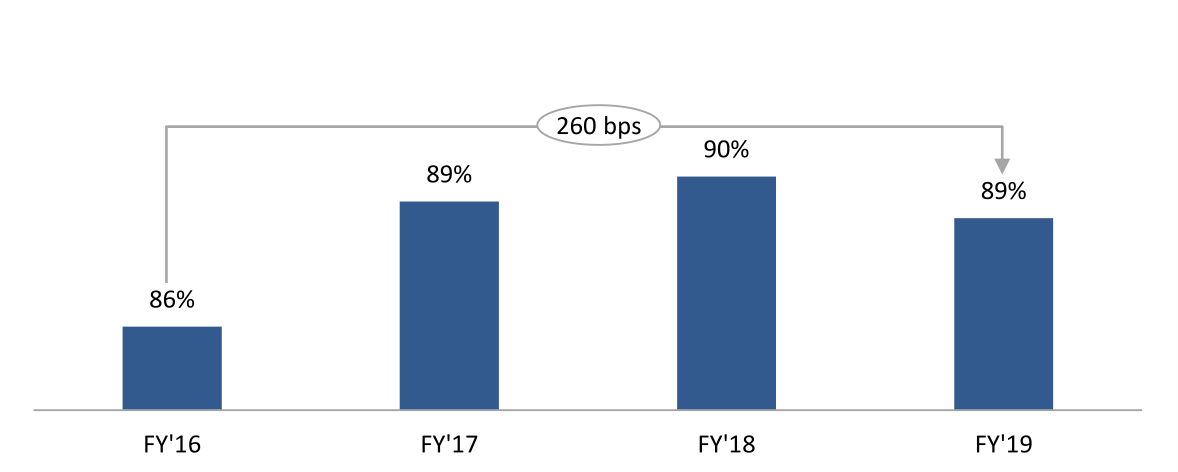
Figures in '000.



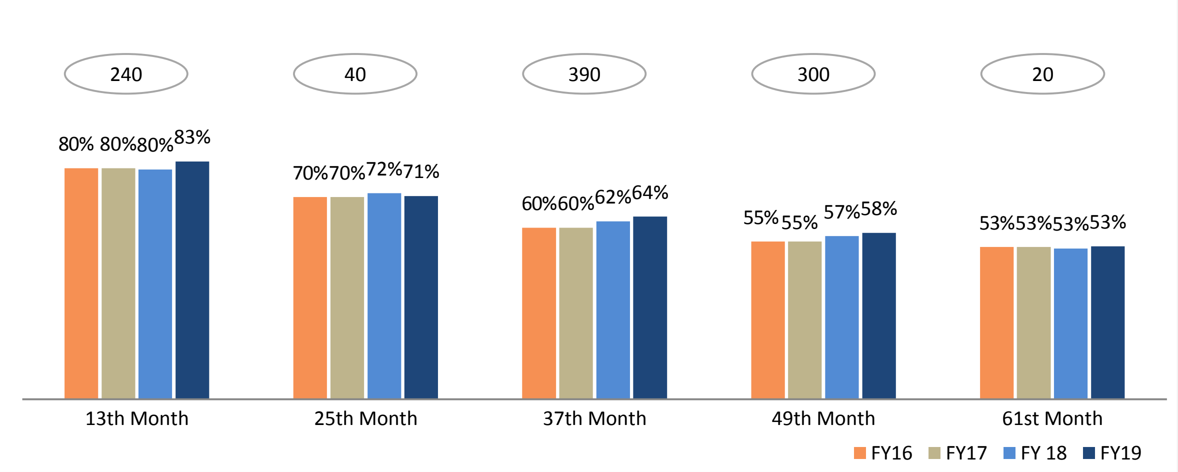
Total APE (incl. Group credit life adjusted for 10% for single premium and term business)

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

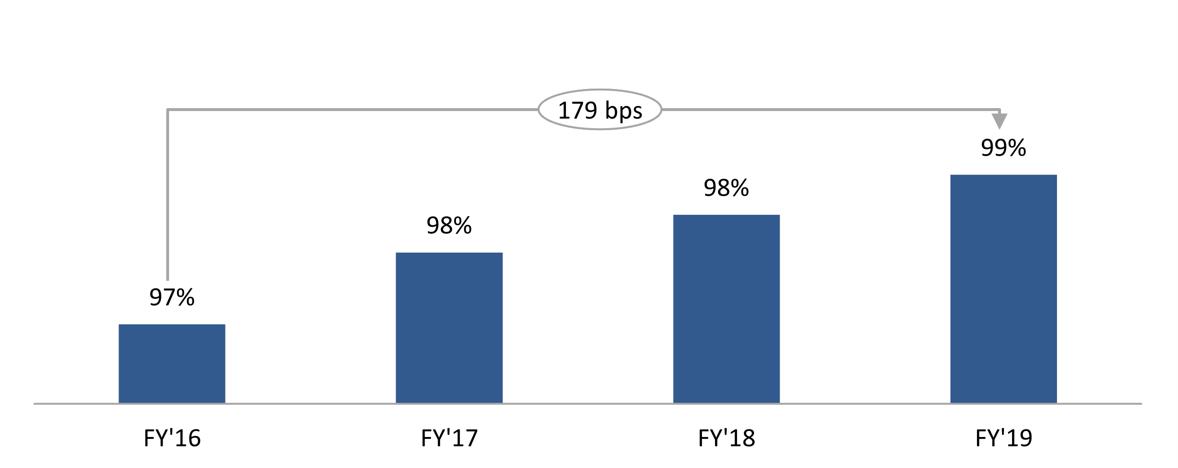
Conservation Ratio



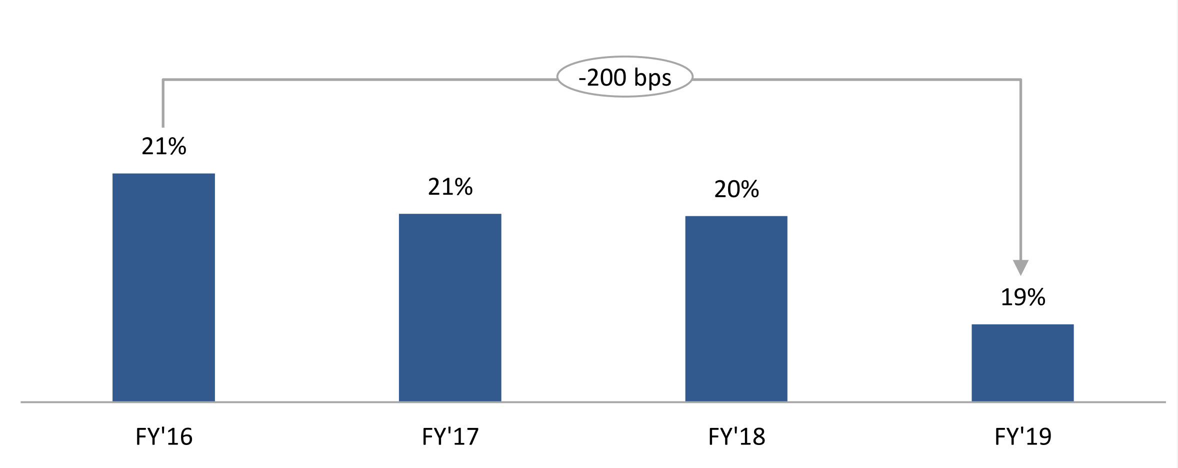
Persistency



Claims Paid Ratio



Surrender to GWP



XX *Change in persistency from FY16 to FY19 (in bps)*

Significant elements of the value chain digitized, focus remains to leverage digitization & AI for augmenting efficiencies

Digital building blocks in end-to-end customer journey deployed at Max Life

Agent Onboarding	Sourcing	Application Processing	Underwriting	Verification	Issuance	Account service	Collection
Digital Recruitment	Multi-platform, mobility enabled applications	Digital data capture	Automated rule engine	Digital verification	Concise and digital policy packs	Automated AI based service mgmt through email bots and predictive IVRs	Multiple digital payment options (incl. ECS)
Agent Onboarding	Pre-approved/ pre-qualified	Integration with partner banks (for data)	Automated credit score check & income assessment	Video based verification / Face match	eIA		Scheduled customer reminders
Online Training	Conversational interfaces (chatbots, voice)	OCR & QR readers	Medical record digitization (OCR)	Analytical models to drive enhanced verification & identify frauds	Digitized delivery of policy document via DigiLocker, Whatsapp		AI based collection management
	Proprietary lead management system	Enriched / surrogate data capture	Integration with other databases for data augmentation				
		Automated dedupe	TeleMedicals				
		eMandate for recurring payments	Automated field investigation				
		Digital payment capabilities	Analytical models to drive enhanced underwriting				

On track to deliver 2-3x improvement in TATs across processes along with spend base rationalisation of 15-20%; All the above initiatives expected to go-live in FY 20

D

Digitization has led to a positive impact across number of key processes

	FY16	FY19
Agent Onboarding TAT[1]	~20 Days	~5 Days
Need Analysis	Paper based	Tool enabled
KYC	Paper based with TAT of 3 days	Paperless, instant verification
Form Filling	Physical	95% policies applied digitally
Online Policies Sold	4%	12%
Self servicing transactions	8 Lakhs (<20%)	32 Lakhs (~50%)
Insta-Issuance	Not Measured	54%
Fintech Partnerships	5	19

- **Mobility**, a key cornerstone; more than 15 key tools fully mobile enabled
- Increase in number of **digital tools** from **4 to 19** from FY16 to FY19
- **Integration** with credit bureaus, partner banks, OCR to reduce documentation and discrepancies
- Rule based **automated underwriting**
- **Plans Ahead:**
  - AI / ML algorithms proliferation across assets

1. TAT: turnaround time

D

Continue to invest in technology transformation agenda across 4 key dimensions

FLUID ARCHITECTURE

Progress till FY19

- All new customer & seller engagement applications built on **cloud**
- Transition to **modular applications** for agility & flexibility
- **API enablement** to facilitate easier integration

FY22 Target

- Migration to **Open Source technology**
- All applications to be on **cloud**
- **Omni-channel enterprise**

BUY FOR EFFICIENCY, BUILD FOR DIFFERENTIATION

Progress till FY19

- Roadmap for applications to be developed in-house with seller facing applications being prioritised
- Key business platforms migrated to off the shelf applications

FY22 Target

- Migration of all identified processes to in-house applications
- Phasing out of all proprietary business platforms to off the shelf packages

COGNITIVE ENTERPRISE

Progress till FY19

- **Cognitive** web-chat Interfaces for customers
- Deployment of **analytical models** for customer retention, propensity, risk assessment

FY22 Target

- **AI enabled cognitive workflows** across the value chain
- 360 degree view of customer
- Open source based analytics architecture

MODERNIZING LEGACY

Progress till FY19

- API Management platform with multi-partner integration like Policy Bazaar, DocsApp (TeleMER) Digilocker etc.
- More than 75% of business functionalities available as APIs

FY22 Target

- Modernize all lines of business
- Adapt critical legacy systems to provide partners with the facilities and services the require

In Summary, Max Life made significant progress in FY19 towards its journey of 25%+ VNB growth , ~25% NBM and ~25% ROEV aspirations by FY22

	A. Predictable & Sustainable growth	B. Product innovation to drive margins	C. Customer centricity across the value chain	D. Digitization for efficiency and intelligence
ASPIRATIONS FY22	• Achieve 25%+ VNB growth rate • Increase share of proprietary channels sales to ~35% • Continue growing highly productive agents by 20%+ CAGR	• Achieve ~25% new business margin and consequently a ~25% RoEV • Achieve protection penetration of 14%+ and NPAR savings penetration of 13%+	• Improve 13M persistency to 88%+ and 61M Persistency to 58%+ • Leaders in NPS in the sector	• Achieve 90%+ Insta-issuance • Self-service transactions to exceed 90%
FY19 ACHIEVEMENTS	• Achieved 22% growth, outperforming market by 1200 bps • Share of proprietary channel improved to 30% • Acquired 23 new relationships • Highly productive agents (premium >10 lakhs per annum) grew by 23%	• Achieved 21.7% NBMs and 21.9% of RoEV. • 57% growth in protection business with protection penetration at 10% penetration improved by 200 bps • Individual Protection business grew by 66%	• Achieved #1 claim paid position in the Industry • Improved 13M Persistency to 83% and 61M Persistency stands at 53%	• Insta-issuance: 54% • Self service transactions: 50%

SECTION IV

- Max Life Insurance – MCEV Disclosures: FY’19

Key Results

- The Embedded Value[1] (EV) as at 31st March 2019 (post allowing for proposed final shareholder dividend) is **Rs 8,938 Cr.** Before allowing for proposed final shareholder dividend, the EV is **Rs 9,257 Cr**.

- The Operating Return on EV[2] (RoEV) over FY19 is **21.9%**. Including non-operating variances, the RoEV is **27%**.

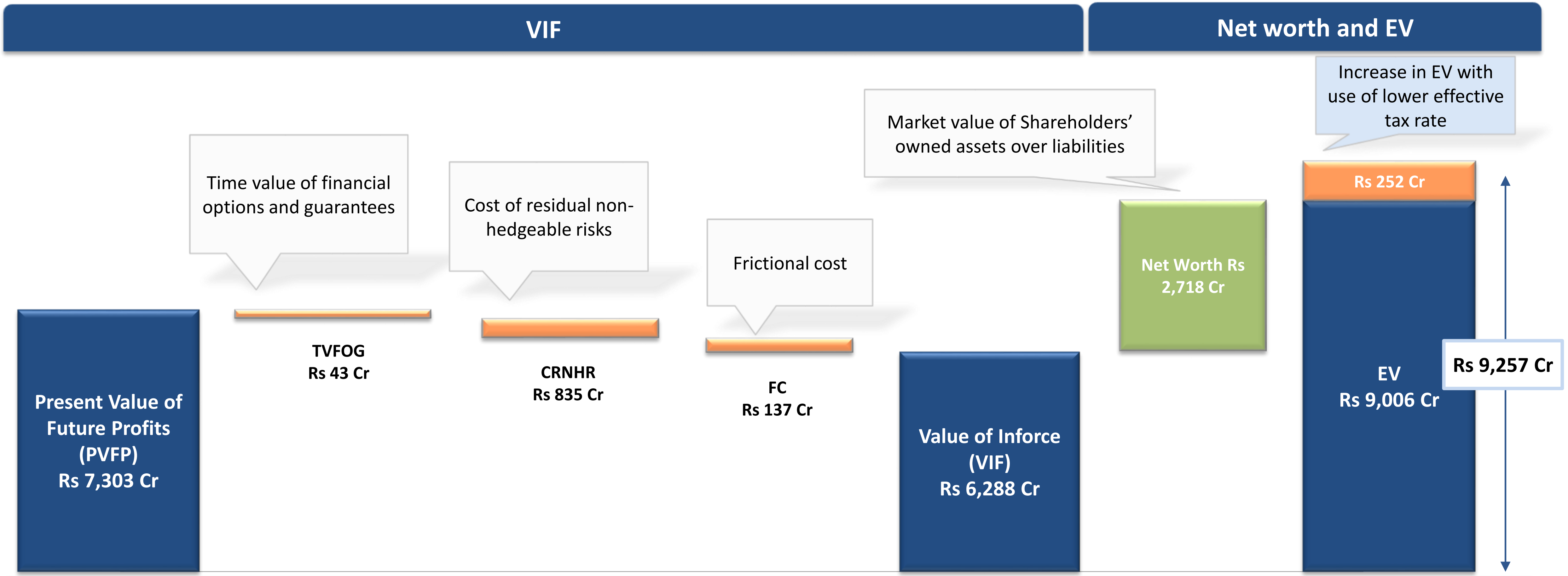
- The New Business Margin (NBM) for FY19 is **22.5%** (before allowing for acquisition operating cost overrun) and **21.7%** (post overrun). The Value of New Business (VNB) written over the period is **Rs 856 Cr** (post overrun), representing annual growth of **30%**.

- The EV and VNB have been estimated using effective tax rate post allowing for tax exemption on dividend income. This has led to increase in EV of **Rs 252 Cr** and VNB of **Rs 33 Cr** (NBM uplift of circa 90 bps). These have been classified as non-operating variance for RoEV estimation.

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.
[3]In the current financial year, Max Life started claiming tax exemption on dividend income basis the favorable order from Income-tax Appellate Tribunal ("ITAT") in this matter and positive opinions from tax counsels.

Corporate tax rate is effective tax rate post allowing for tax exemption on dividend income

Overview of the components of the EV as at 31st March 2019



1. The deductions for risks to arrive at the VIF represent a reduction of ~14% in the PVFP, in line with last year's deduction. The largest deduction is in respect of CRNHR.
2. Within CRNHR, persistency risk constitutes the largest risk component.
3. Use of lower effective tax rate, has led to increase in EV of Rs 252 Cr.

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

Value of New Business and New Business Margins as at 31st March 2019

Description	FY18	FY19	Y-o-Y growth
APE [1]	3,248	3,950	22%
New Business Margin (NBM) (before cost overrun)	20.2%	22.5%	+230 bps
New Business Margin (NBM) (post cost overrun)	20.2%	21.7%	+150 bps
Value of New Business[2] (VNB) (post cost overrun)	656	856	30%

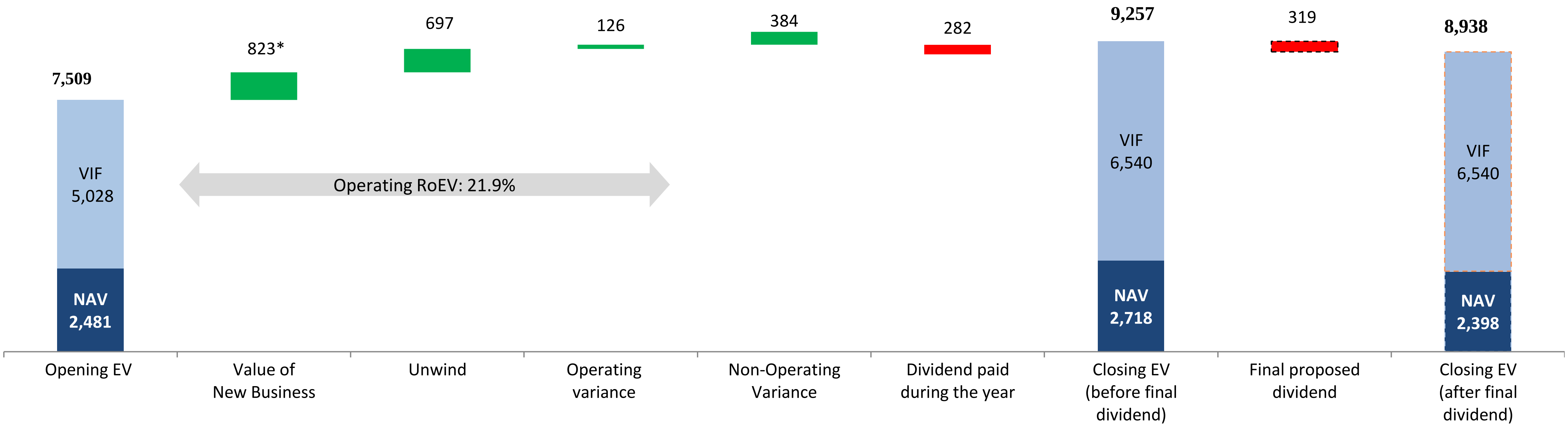
- The New Business Margin (NBM) before cost overrun has increased by circa 230 bps to 22.5% for FY19 compared to 20.2% for FY18. The increase in margins is on account of increasing proportion of high margin non-par protection and non-par savings products along with the upside from use of lower effective tax rate.
- Use of lower effective tax rate, has led to increase in NBM of 90 bps and VNB of Rs 33 Cr.
- Post allowing for acquisition operating cost overrun chargeable to Shareholders, the NBM reduces to 21.7% for FY19 compared to 20.2% for FY18.

[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 2019), using the beginning of quarters' risk free yield curve.

Note: Figures in Rs Cr.

EV movement analysis: March 2018 to March 2019

Figures in Rs Cr.

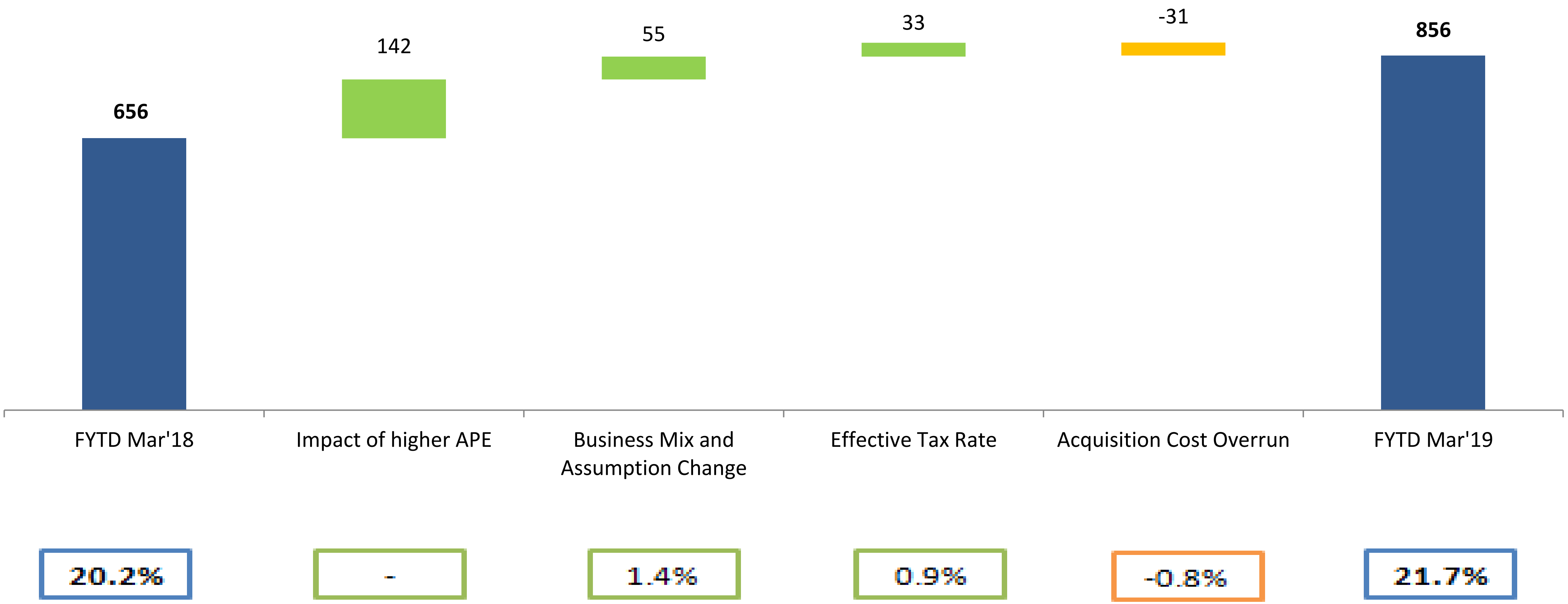


- Operating return on EV of 21.9% is mainly driven by new business growth and unwind.
- Operating variances are mainly driven by positive demographic experience variance (better persistency and mortality) and change in demographic assumptions.
- Non-operating variances are mainly driven by uplift in EV and VNB as a result of use of effective tax rate and interest rate movements since March 2018.
- The proposed final shareholder dividend of Rs 319 Cr for second half of FY19 will be accounted post 31st March 2019. Post the payment of the dividend, the closing EV will be Rs 8,938 Cr.

**VNB after excluding impact of lower effective tax rate of Rs 33 Cr, which is part of non-operating variances.*

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

Figures in Rs Cr.



Sensitivity analysis as at 31st March 2019

Figures in Rs Cr.

Sensitivity	EV		New business	
	Value (Rs Cr)	% change	VNB (Rs Cr) | NBM	% change
Base Case (before final SH dividends)	**9,257**	**-**	**856 | 21.7%**	-
Lapse/Surrender - 10% increase	9,103	(2%)	821 | 20.8%	(4%)
Lapse/Surrender - 10% decrease	9,420	2%	893 | 22.6%	4%
Mortality - 10% increase	9,126	(1%)	826 | 20.9%	(4%)
Mortality - 10% decrease	9,390	1%	887 | 22.5%	4%
Expenses - 10% increase	9,177	(1%)	808 | 20.4%	(6%)
Expenses - 10% decrease	9,338	1%	905 | 22.9%	6%
Risk free rates - 1% increase	9,102	(2%)	914 | 23.1%	7%
Risk free rates - 1% reduction	9,403	2%	779 | 19.7%	(9%)
Equity values - 10% immediate rise	9,330	1%	856 | 21.7%	Negligible
Equity values - 10% immediate fall	9,185	(1%)	856 | 21.7%	Negligible
Corporate tax Rate – 2% increase	9,091	(2%)	834 | 21.1%	(3%)
Corporate tax Rate – 2% decrease	9,423	2%	878 | 22.2%	3%
Corporate tax rate increased to 25%	8,157	(12%)	682 | 17.3%	(17%)

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 allow for the change in cost of hedging due to derivative arrangements. The cost of hedging reduces under the risk free rate reduction sensitivity and increases under the risk free rate increase sensitivity.

MAX
LIFE
INSURANCE

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.[1]
- 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.

1 The EV as at March 2015 was reviewed by external consultant (Milliman) and their opinion was shared along with the disclosure at March 2015. This disclosure follows the same methodology.

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 5% 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 1,000 stochastic scenarios provided by Moody's Analytics.
- Given that the shareholder payout is likely to be symmetrical for guaranteed non-participating products in both positive and negative scenarios, the TVFOG for these products is taken as zero.
- The cost associated with investment guarantees in the interest sensitive life non-participating products are allowed for in the PVFP calculation and hence an explicit TVFOG allowance has not been calculated.
- For all unit-linked products with investment guarantees, extra statutory reserves have been kept for which no release has been taken in PVFP and hence an explicit TVFOG allowance has not been calculated.

Frictional Cost (FC)

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

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

Economic Assumptions

- The EV is calculated using risk free (government bond) spot rate yield curve taken from FBIL[1] as at 31st March 2019. The VNB is calculated using the beginning of respective quarter's risk free yield curve (i.e. 31st March 2018, 30th June 2018, 30th September 2018 and 31st December 2018).
- 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 2019 and 31st March 2018 spot rate yield curves used are:

Year	1	2	3	4	5	10	15	20	25	30
Mar 19	6.43%	6.56%	6.66%	6.87%	6.99%	7.40%	7.83%	7.78%	7.73%	7.72%
Mar 18	6.53%	6.83%	7.09%	7.26%	7.43%	7.41%	7.69%	7.85%	7.72%	7.51%
Change	-0.10%	-0.27%	-0.43%	-0.39%	-0.44%	-0.01%	0.14%	-0.07%	0.01%	0.21%

Demographic Assumptions

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

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

[1] Financial Benchmark India Pvt. Ltd.

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

Expense and Inflation

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

Tax

- The corporate tax rate is the effective tax rate post allowing for tax exemption on dividend income for life business and 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.

Financial Performance Summary FY19

Pvt Market Share	Individual APE	Gross Written Premium	AUM
10% [9%] — 65 bps	Rs 3,917 Cr [Rs 3,217 Cr] — 22%	Rs 14,575 Cr [Rs 12,501 Cr] — 17%	Rs 62,798 Cr [Rs 52,237 Cr] — 20%

Profit Before tax	Net Worth	Policyholder Cost to GWP Ratio	Policyholder Expense to GWP Ratio
Rs 623 Cr [Rs 615 Cr] — 1%	Rs 2,761 Cr [Rs 2,699 Cr] — 2%	20.0% [20.0%]	13.2% [12.9%] — 34 bps

New Business Margins		RoEV	Embedded Value*	13th Month Persistency
Structural	Actual			
22.5% [20.2%]	21.7%# [20.2%] — 150 bps	21.9% [20.6%] — 130 bps	9,257 [7,706] — 21.9%	83% [80%] — 300 bps

VNB	Policies Sold ('000)	Claim Settlement Ratio	Protection Mix**		
			Individual	Group	Total
856# [656] — 30%	645 [561] — 15%	98.7% [98.3%] — 48 bps	6% [4%]	4% [4%]	10% [8%] — 220 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);

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

Financial Performance

	FY16		FY 17		FY18		FY19
Individual APE	2,103	26%	2,657	21%	3,217	22%	3,917
Renewal Premium	6,334	12%	7,114	15%	8,152	15%	9,415
Gross Premium	9,216	17%	10,780	16%	12,501	17%	14,575
Policyholder expense to GWP Ratio	13.6%	120 bps	14.8%	187 bps	12.9%	34 bps	13.2%
Policyholder Cost to GWP Ratio	22.5%	94 bps	23.5%	341 bps	20.0%		20.0%
Expense to average AUM (Policyholder)	4.0%	23 bps	4.3%	70 bps	3.6%		3.6%

Note: Figures in Rs Cr.

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

Financial Performance

	FY16		FY 17		FY18		FY19
Profit(before Tax)	511	50% ↑	768	20% ↓	615	1% ↑	623
AUM	35,824	24% ↑	44,370	18% ↑	52,237	20% ↑	62,798
New Business Margin (Post Overrun)	17.9%	90 bps ↑	18.8%	140 bps ↑	20.2%	150 bps ↑	21.7%
MCEV (pre dividend)^	5,617	20% ↑	6,739	14% ↑	7,706	22% ↑	9,257
Operating RoEV	17.0%	290 bps ↑	19.9%	70 bps ↑	20.6%	130 bps ↑	21.9%
Solvency Ratio	343%	34% ↓	309%	Abs 34% ↓	275%	33% ↓	242%

Figures in Rs. Cr.

^Arrow represents growth in Operating RoEV

Performance update- Q4'FY19 and FY19

Key Business Drivers	Unit	Quarter Ended		Q-o-Q Growth	Year Ended		Y-o-Y Growth
		Mar'18	Mar'19		FY18	FY19	
a) Individual Adj FYP	Rs. Crore	1,339	1,634	22%	3,215	3,880	21%
b) Gross written premium income	Rs. Crore	**4,648**	**5,521**	19%	**12,501**	**14,575**	17%
First year premium		1,339	1,631	22%	3,192	3,873	21%
Renewal premium		2,938	3,459	18%	8,152	9,415	15%
Single premium		372	431	16%	1,157	1,287	11%
c) Shareholder Profit (Pre Tax)	Rs. Crore	220	225	3%	615	623	1%
d) Policy Holder Expense to Gross Premium	%	9.8%	11.2%	139 bps	12.9%	13.2%	34 bps
e) Conservation ratio	%	91.4%	86.6%	-482bps	89.6%	88.6%	-102 bps
f) Average case size(Agency)	Rs.	60,053	57,873	-4%	55,495	56,007	1%
g) Share Capital	Rs. Crore				1,919	1,919	0%
h) Individual Policies in force	No. Lacs				40.85	43.20	6%
i) Sum insured in force	Rs. Crore				511,541	703,972	38%
j) Grievance Ratio	Per Ten thousand				93	59	NA