



October 31, 2023

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 021

National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (East)
Mumbai – 400 051

Scrip Code: 500271

Scrip Code: MFSL

Dear Sir/Madam,

Sub: **Investor Release– Q2 FY 24**

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing Investor Release – Q2 FY24 being issued by the Company on the outcome of its Board meeting held on October 31, 2023.

You are requested to kindly take the aforesaid on record.

Thanking you,

Yours faithfully

for **Max Financial Services Limited**

Piyush Soni
Company Secretary & Compliance Officer

Encl: As above

MAX FINANCIAL SERVICES LIMITED

CIN: L24223PB1988PLC008031

Corporate Office: L20M, Max Towers, Plot No. C-001/A/1, Sector 16B, Noida 201301 | P 0120 4696000 | www.maxfinancialservices.com

Regd. Office: 419, Bhai Mohan Singh Nagar, Village Railmajra, Tehsil Balachaur, Dist. Nawanshahr, Punjab - 144 533, India

Max Financial Performance Update

Investor Release 6M FY24

October 31, 2023



i LEAD
I AM THE
DIFFERENCE



India Ke
Bharose Ka
Number
99.51%^A
Death Claims Paid Ratio



₹ 1 LAKH
CRORE
ASSETS UNDER
MANAGEMENT
WINNING TRUST
EVERYDAY



Ranked
18th
in India



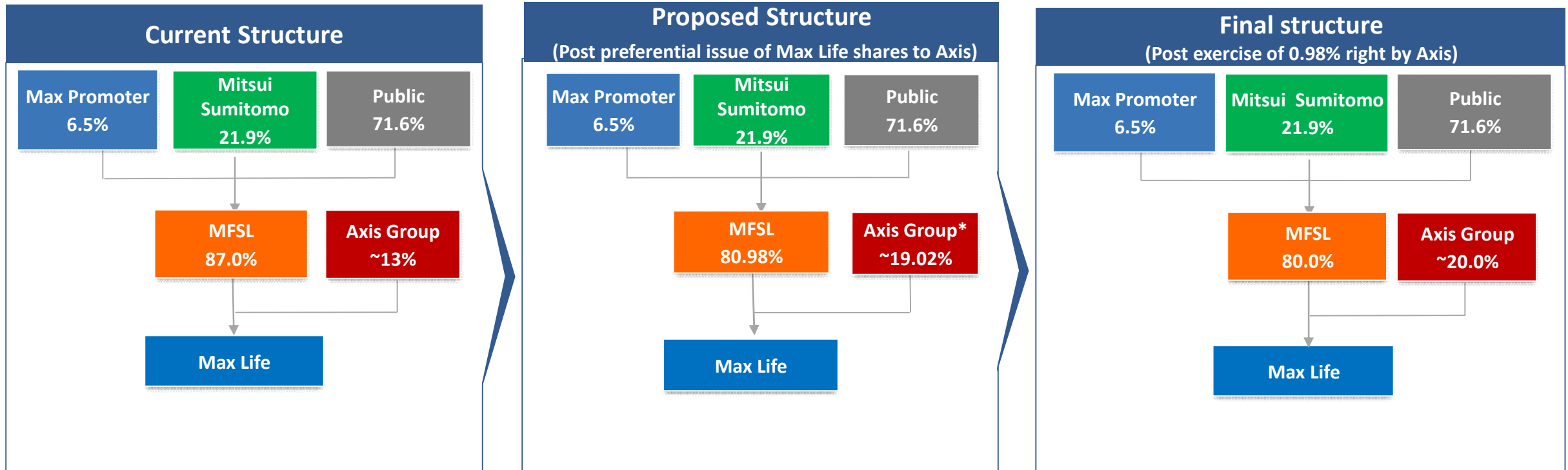
Great
Place
To
Work.
Certified



SECTION I

- ▶ Max Financial Services and Max Life Insurance :
6M FY'24 Key Highlights
- 

Transaction Update



- Pursuant to the approval of the MFSL and Max Life Boards and subject to regulatory approvals, Axis Bank will be infusing **Rs 1,612 Cr** by subscribing to **14.26 Cr** equity shares of Max Life, at **fair market value ~ Rs 113.06 per share** (determined basis DCF methodology). Upon completion of the Proposed Infusion, Axis entities will collectively hold **19.02%** of the equity share capital of Max Life
- This capital infusion will help Max Life to support its future growth ambitions, to augment its capital position and to improve solvency margins
- Additionally, Axis Entities would have right to purchase shares of Max Life equivalent to **0.98%** from MFSL.
- Shareholder’s approval for the proposed transaction has been received and applications have been filed for regulatory approvals

Max Financial Services: 6M FY'24 Key Highlights

Revenue	Consolidated Revenue excluding investment income at Rs 11,221 Cr , grows 16% in H1 FY24. Consolidated PAT at Rs 271 Cr , Up 109% y-o-y .
	In H1 FY24, Individual Adjusted first year Premium grew by 20% to Rs 2,525 Cr driven by robust NOP growth of 20% in H1 FY'24.
Profitability	Max Life Insurance's Profit before Tax grew by 81% to 260 Cr in H1 FY'24
	VNB grew by 13% YoY from Rs 586 Cr in H1 FY'23 to Rs 663 Cr in H1 FY'24, New Business Margin at 24% for H1 FY'24. FY23 operating RoEV at 17.5% . MCEV as at Sept'23 end at Rs 17,911 Cr
Distribution Strength	Banca channel grew by 30% in Q2 and 15% in H1 FY'24 on YoY basis. Proprietary channels grew by 50% in Q2 and 42% in H1 FY'24 on YoY basis. E-commerce secured leadership position in total online sales (including Protection & Savings)
	Expanded distribution capability by signing 1 new bank partner – AU Small Finance Bank (Digital Partnership) – along with 7 new partners
Product Innovation	Ventured into Health space by launching Max Life " Secure Earnings and Wellness Advantage Plan " (SEWA), an industry first proposition with a customized wellness ecosystem (Max Fit App) , and a NOP contribution of >5% in the month of September 2023.
	Launched an industry first index fund focusing on small cap and tied to Nifty Small cap 250 quality 50 Index to cater E-commerce and Banca customers . This fund crossed a significant milestone of Rs. 100 crs AUM within just 40 days of launch.
Focus on Protection, Health & Retirement	Consistent growth momentum in Annuity business; Successfully posted YoY growth of ~217% in Annuity business on APE basis; Max Life PFM Asset Under Management (AUM) stand at Rs ~409 cr
	Retail Protection and Health segment grew by 70% YoY in Q2 and 55% YoY in H1 FY'24
	Maintained Rank 3 in Individual Sum Assured with a growth of 44% H1 FY'24.



SECTION II

- ▶ Max Life Insurance – Business Overview and Financials Update
- 

Key Highlights* for Max Life FY18-23 (1/2)



5-Yr CAGR¹ of 13% on Individual new business
vs
10% for life insurance industry



Asset Under Management at **Rs 1.23 lac cr**, CAGR of **19%** over last 5 years



Consistent **leadership** position in **online protection & Health**



5-Yr CAGR of 21% in Prop channels



5-Yr CAGR of 11% in Banca Channel



Retail Protection tripled in 5 years



VNB CAGR of 24% in 5 years



New Business Margin expansion from 20.2% in FY18 to **31.2%** in FY23



5-Yr EV[#] CAGR of 20%

Consistent growth

Value generation

Key Highlights for Max Life FY18-23 (2/2)

Employee metrics



Great Places to Work rank #18 in FY21



Rank #55 among **Great Places to Work in Asia** in FY21



Experienced leadership¹ with almost half the leadership's **tenure with Max Life of more than a decade**



Employee engagement² score of **>95%** for last 4 years

Customer metrics



#2 rank in customer loyalty³ in FY23



Company NPS at 52– 17 points improvement in 4 years⁴



Claims paid ratio at 99.51% in FY23

Brand metrics



Strategic partnership with Axis Bank



Highest Share of Voice in the industry in FY23 at **40% share⁶**



Brand Consideration score⁵ improved by **8%** in FY23 Vs FY22

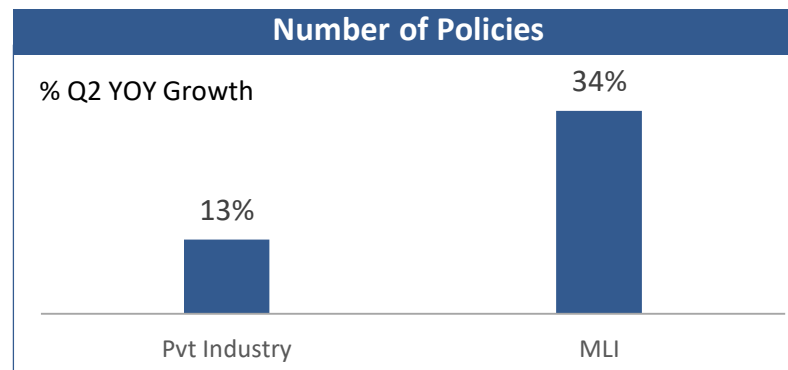
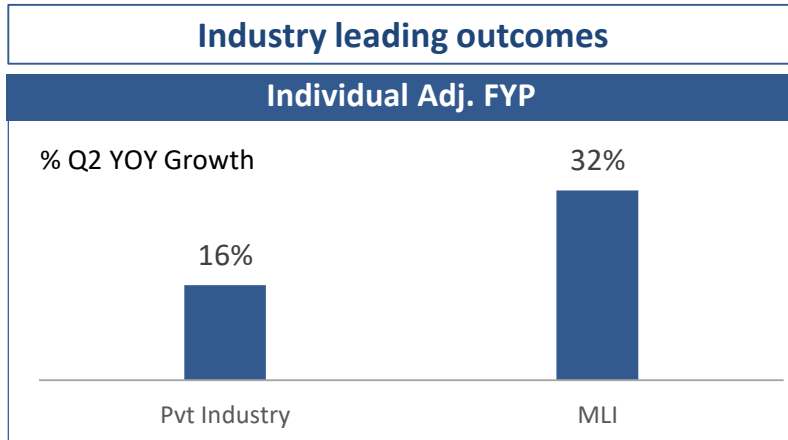
Financial Performance Summary H1 FY24

Total APE# Rs 2,766 Cr [Rs 2,200 Cr] 26% ↑	Gross Written Premium Rs 11,496 Cr [Rs 9,904 Cr] 16% ↑	Renewal Premium Rs 7,215 Cr [Rs 6,526 Cr] 11% ↑	AUM Rs 1,34,161 Cr [Rs 1,13,352 Cr] 18% ↑						
Profit Before tax Rs 260 Cr [Rs 144 Cr] 81% ↑	Net Worth Rs 3 855 Cr [Rs 3,272 Cr] 18% ↑	Policyholder Cost to GWP Ratio 22.8% [21.0%] 181 bps ↑	Policyholder Expense to GWP Ratio 15.4% [15.1%] 29 bps ↑						
New business margin 24.0% [26.7%] 270 BPS ↓	Operating RoEV 17.5% [15.7%] 180 bps ↑	Embedded Value^ 17,911 cr [14,704 cr] 17.5% ↑	Solvency 184% [196%] -12% ↓						
VNB 663 Cr [586 Cr] 13% ↑	Policies Sold ('000) 290 [241] 20% ↑	Ind. New business Sum assured 1,22,917 cr [85,330 cr] 44% ↑	Protection & Health Mix** <table border="1"> <thead> <tr> <th>Individual</th> <th>Group</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>9% [7%]</td> <td>8% [8%]</td> <td>17% [15%]</td> </tr> </tbody> </table>	Individual	Group	Total	9% [7%]	8% [8%]	17% [15%]
Individual	Group	Total							
9% [7%]	8% [8%]	17% [15%]							

Figures in [brackets] are for previous year numbers. Totals may not match due to rounding

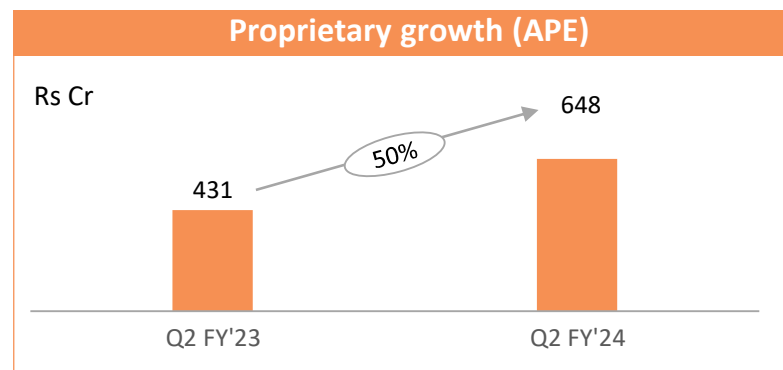
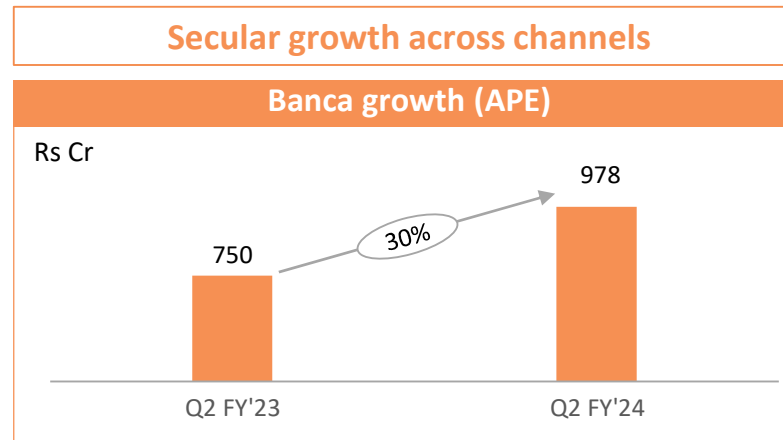
^Growth on Embedded value is operating RoEV, **Group protection (incl. Group credit life adjusted for 10% for single premium and term business) #Excluding Group Term Life

Q2 Update: Industry best outcomes led by robust growth across channels driven by unwavering commitment towards our strategic thrust areas and product innovations



Smart Wealth Advantage Plan Par (SWAG Par)

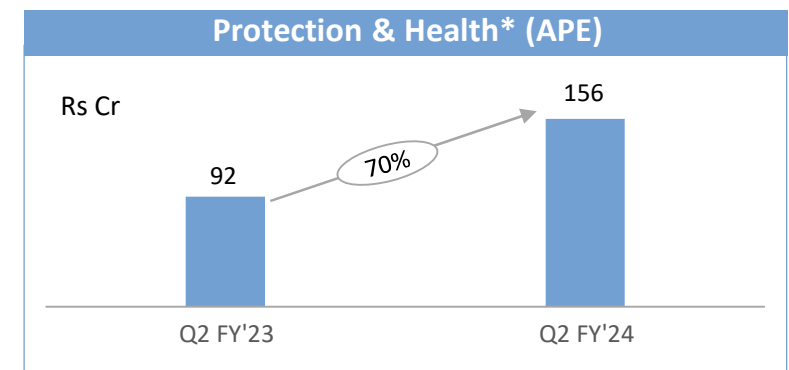
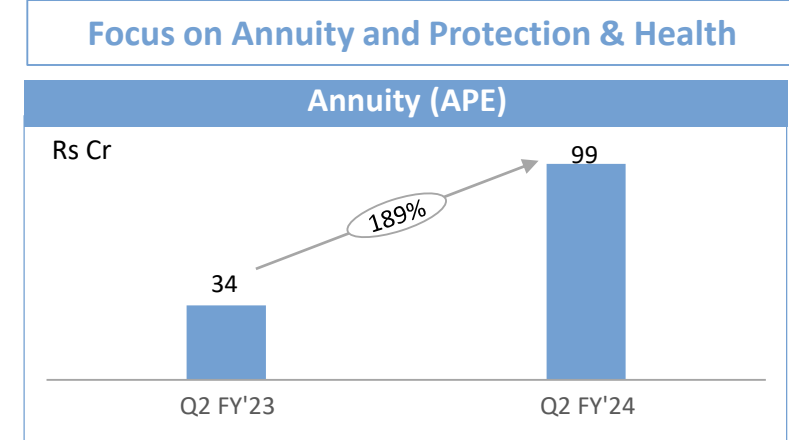
- Income streams (Cash Bonus + Guaranteed)
- Enhanced protection through riders and Policy Continuance Benefit (PCB)
- Flexible Plan Options and multiple term options



Secure Earnings And Wellness Advantage Plan (SEWA)

Industry first Features

- 100% ROP Guarantee even if any claim is availed;
- Health & Wellness Booster;
- Partial Withdrawals allowed (Elite Variant);
- Fixed Benefit Pay-out (For Hospitalization & Surgery);



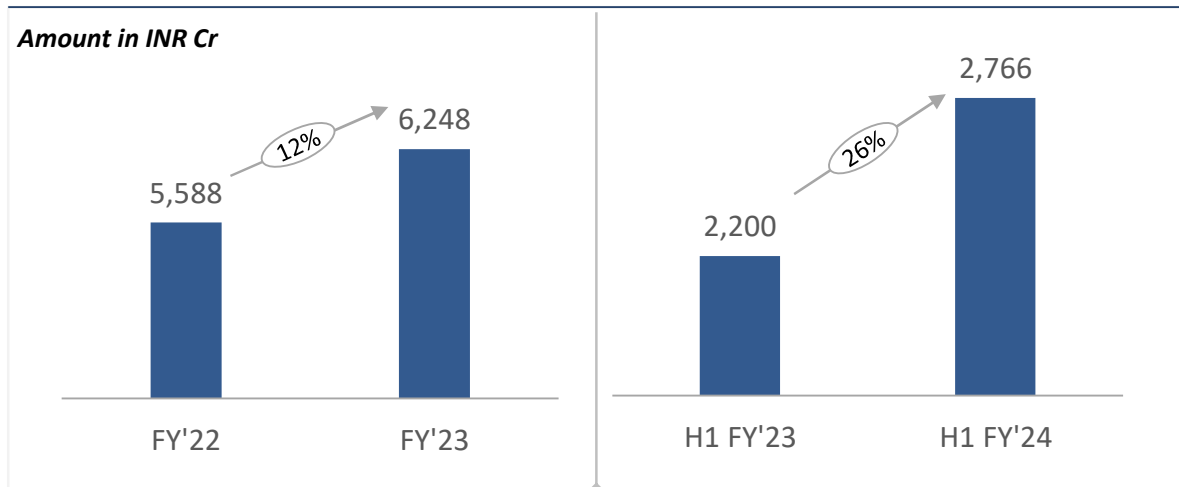
New NFO Launch

- Industry first index fund focusing on small cap;
- Tied To NIFTY Small cap 250 Quality Index;
- Achieved 100 Cr AUM within 40 days

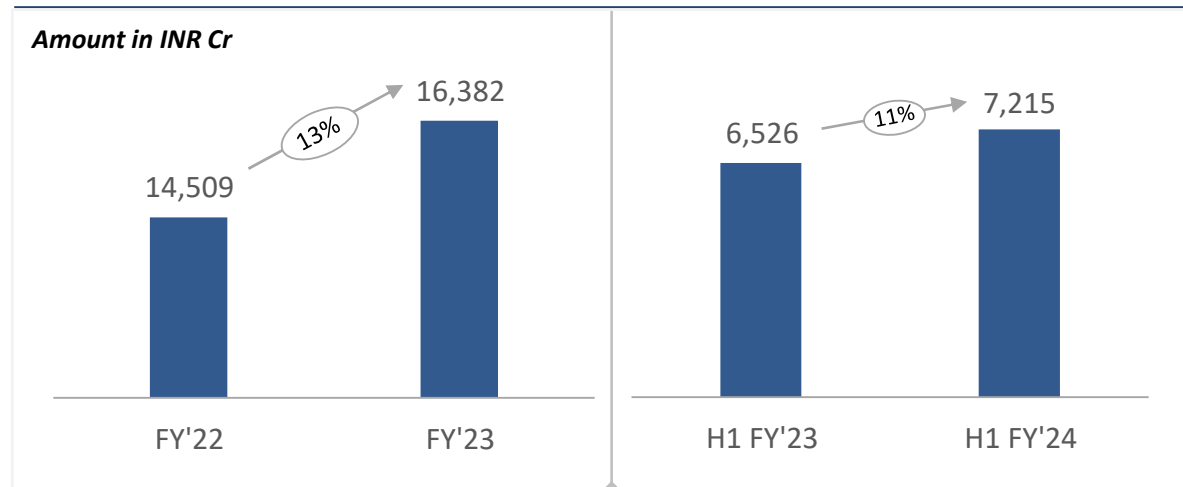
* Health segment represents sales from new SEWA product

Max Life has delivered strong performance on new business

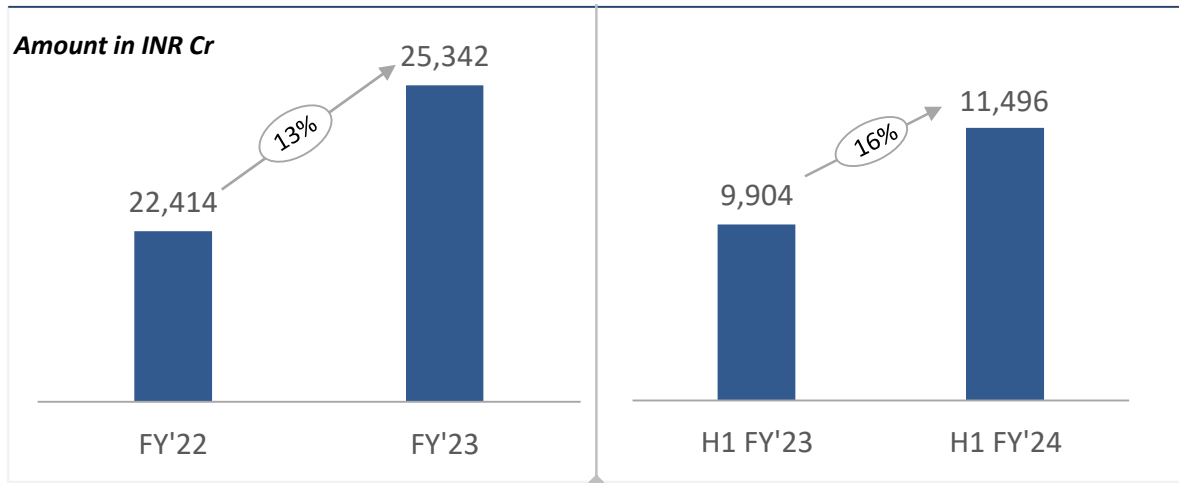
New Business Premiums (on APE basis) – Driven by strong growth in across channels



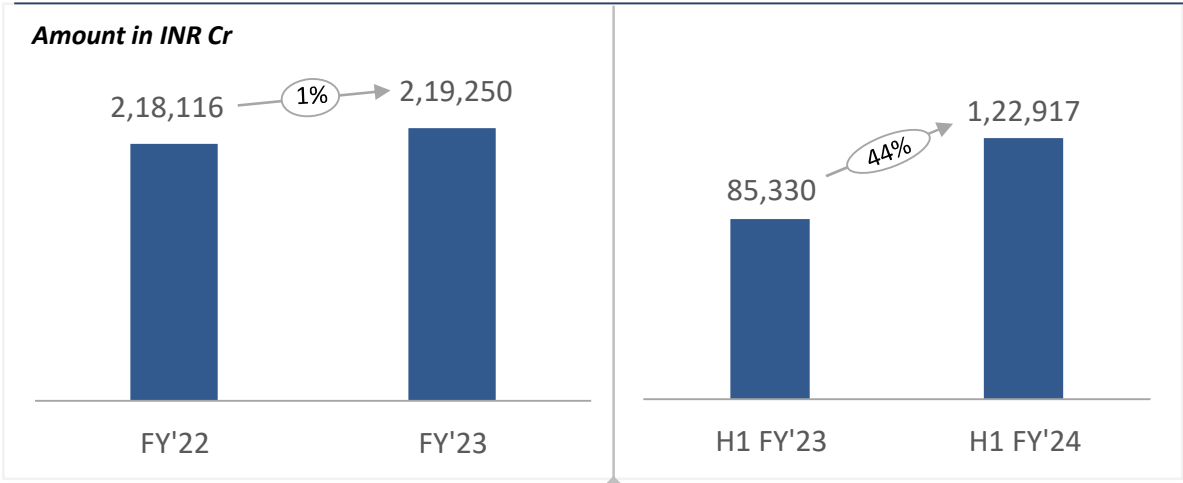
Renewal Income – Delivering consistent growth



Gross Written Premium – 16% growth in H1 FY24

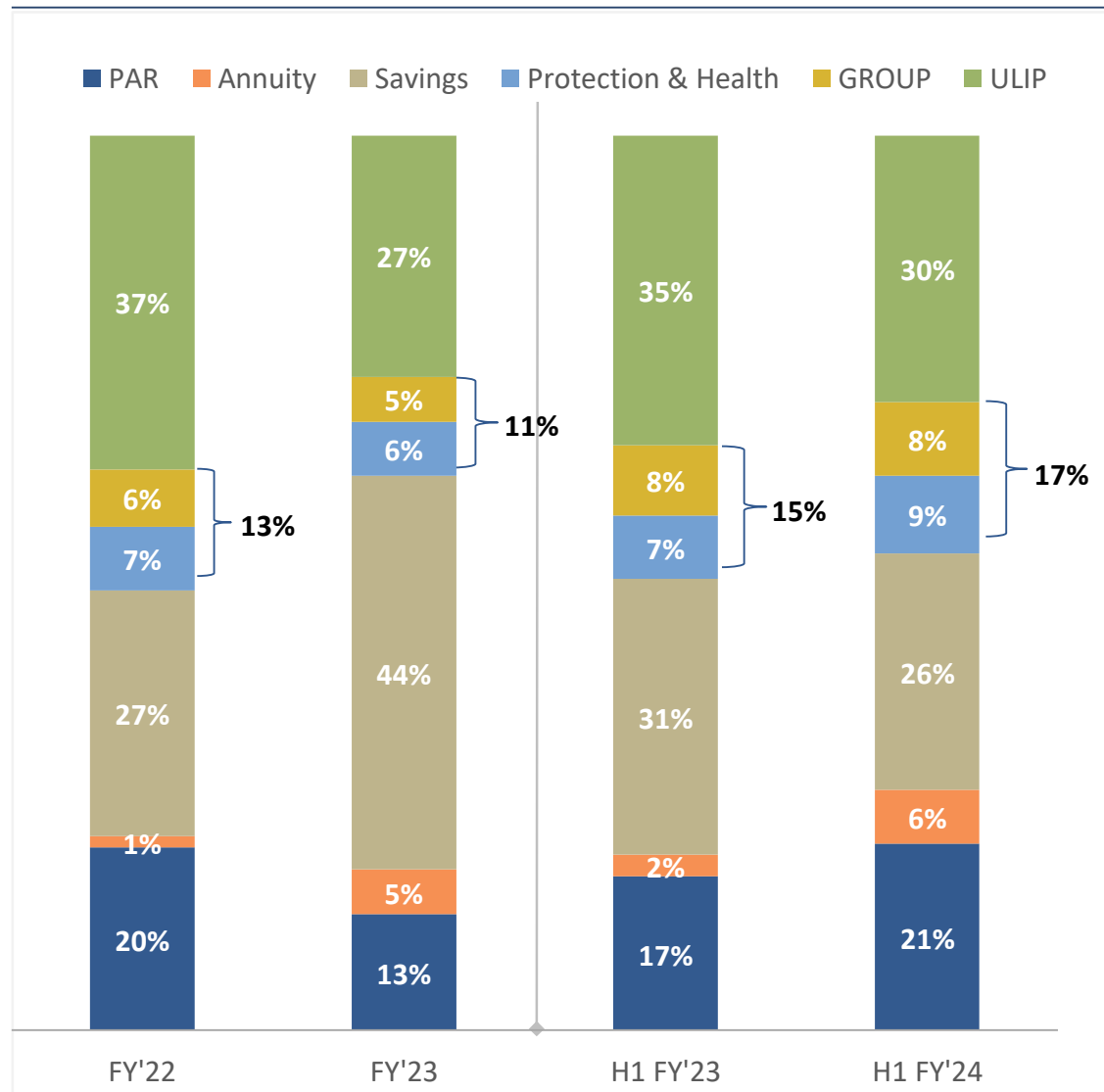


Individual Sum Assured of New business- Rank 3 in individual sum assured in H1 FY24

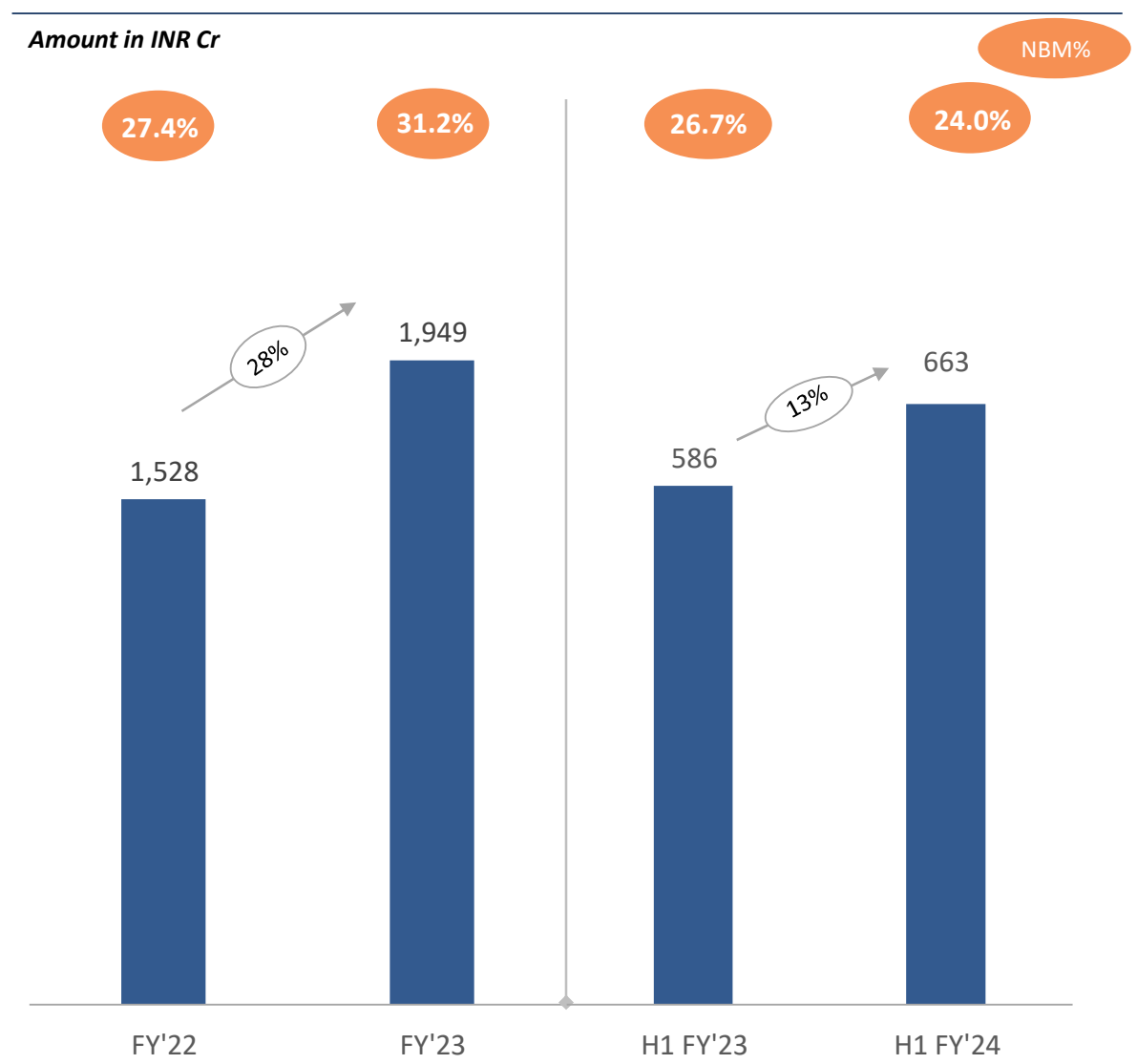


Consistent VNB growth supported by strong product mix, profitable products and APE growth

Product Mix: Focus on Annuity and Protection & Health

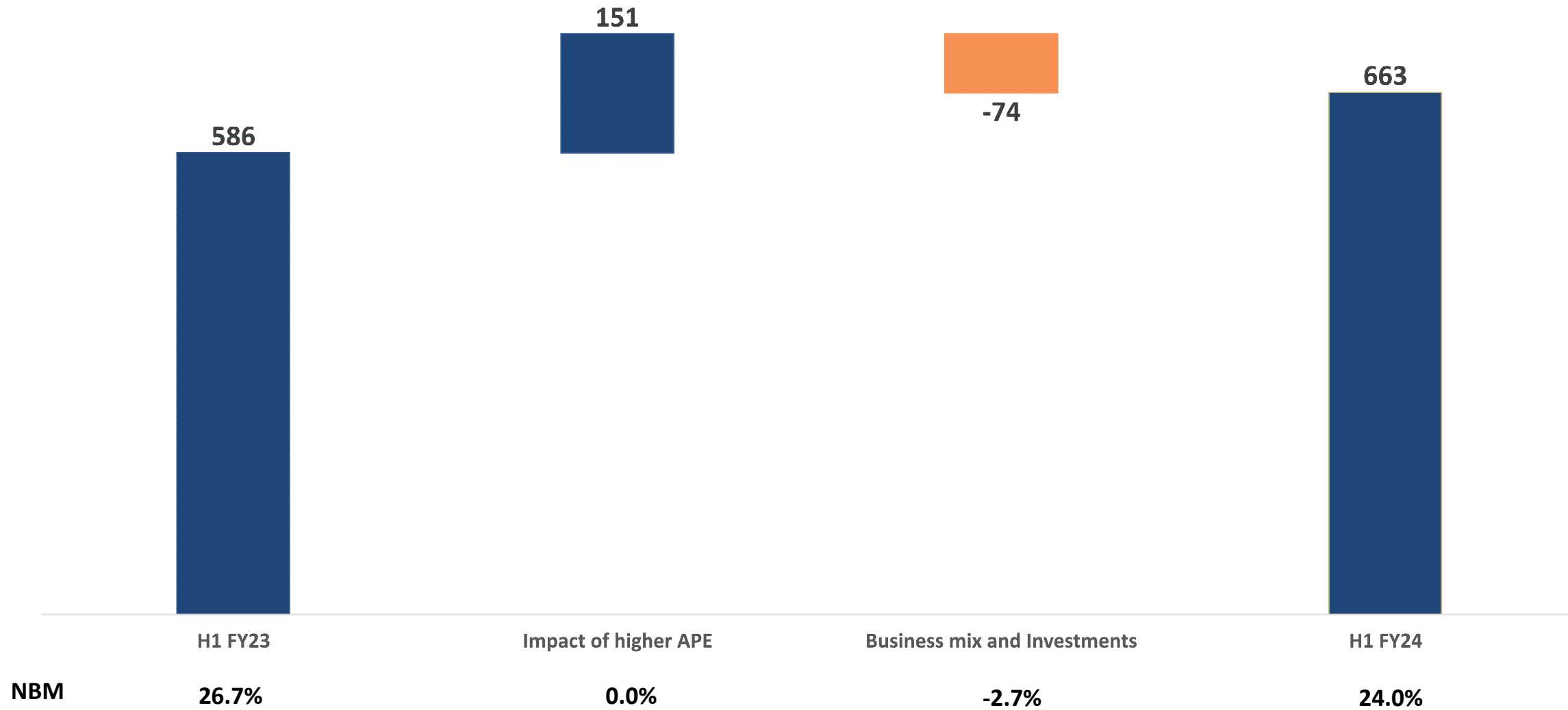


Value of New Business: Consistent growth in VNB



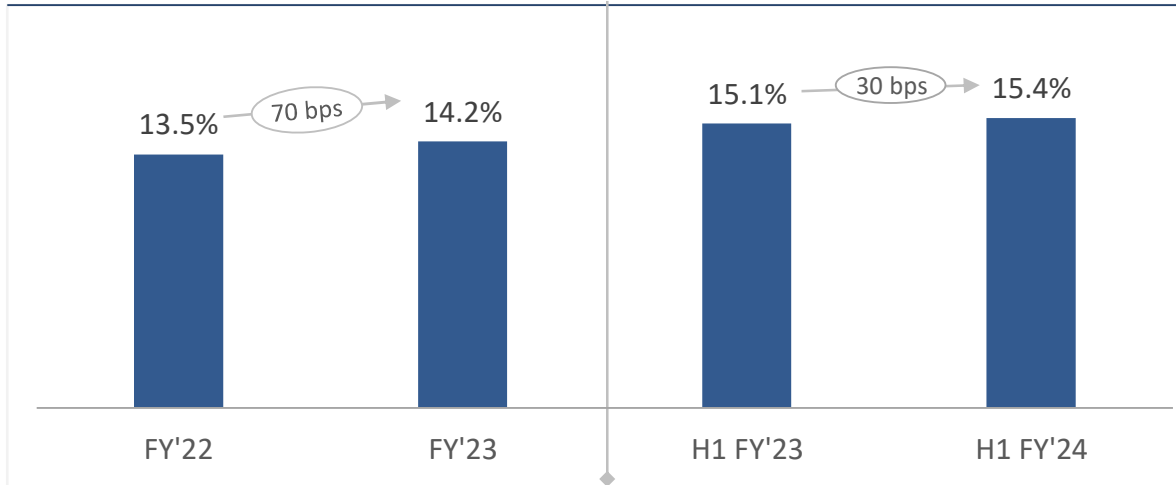
Note: Numbers may not add up to 100% due to rounding off, Group protection including Group credit life adjusted for 10% for single premium and term business

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

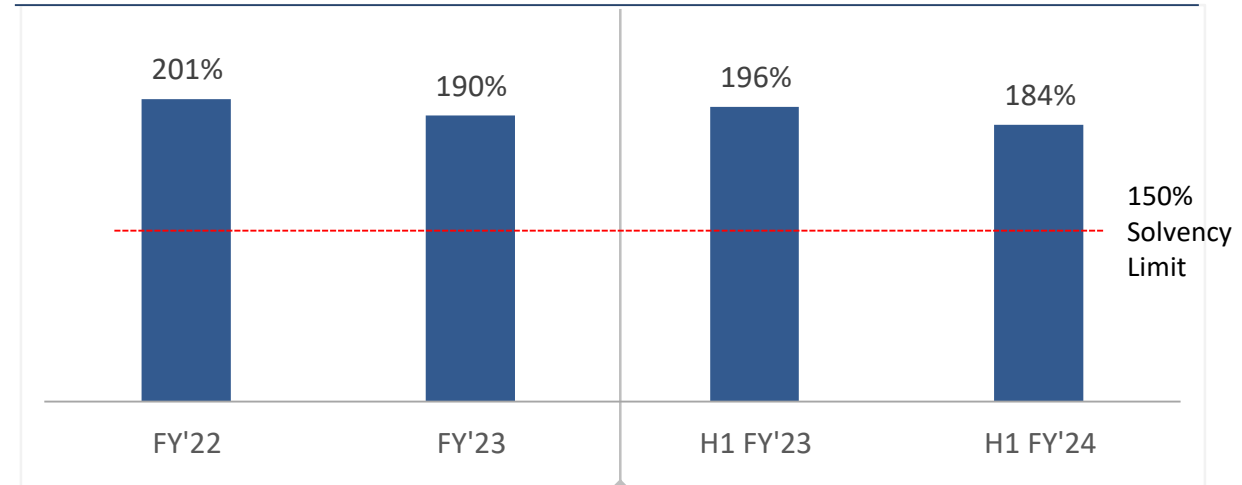


Efficient capital management with profitable growth

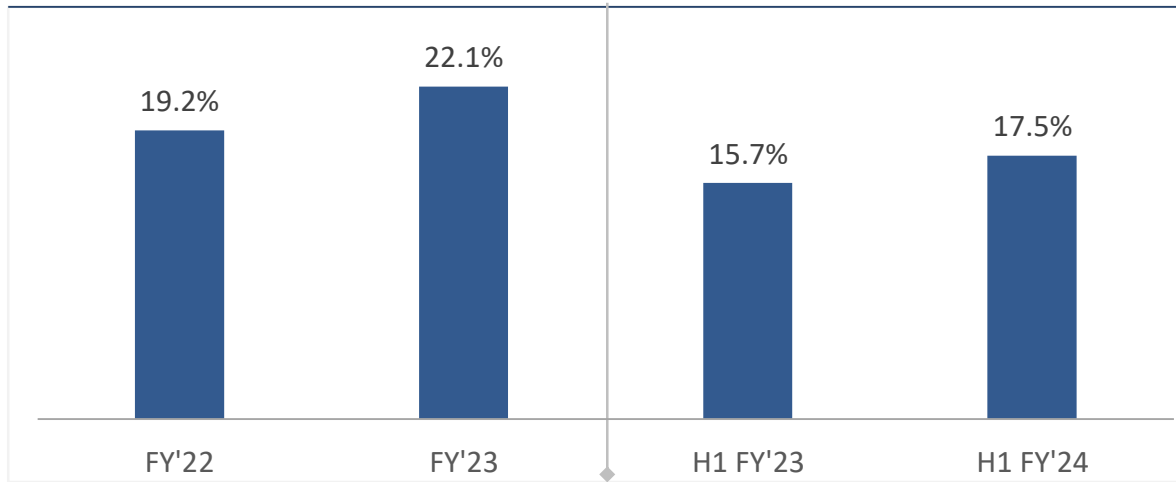
Opex to GWP: Investing towards building distribution



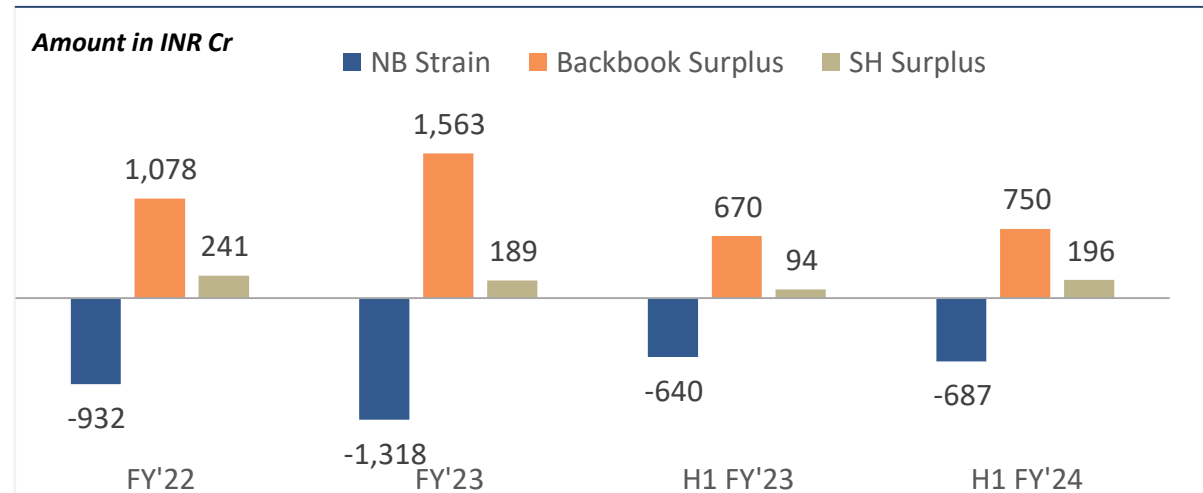
Solvency Ratio (pre dividend)



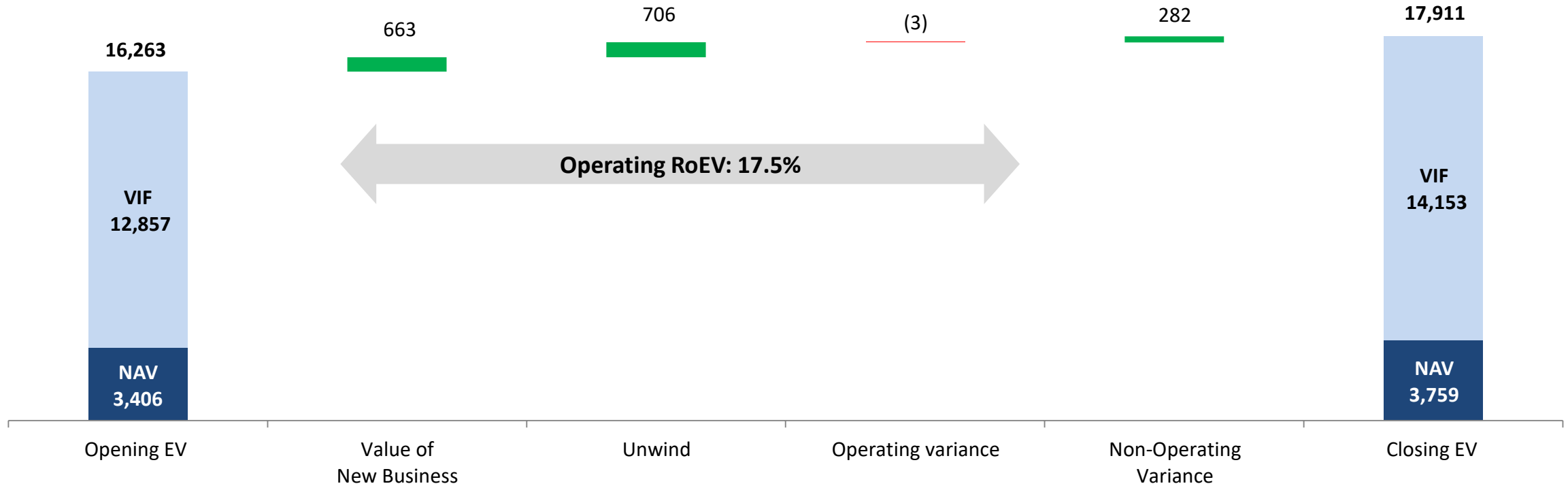
Operating Return on EV (RoEV): Delivering consistent healthy returns



Underwriting Profits



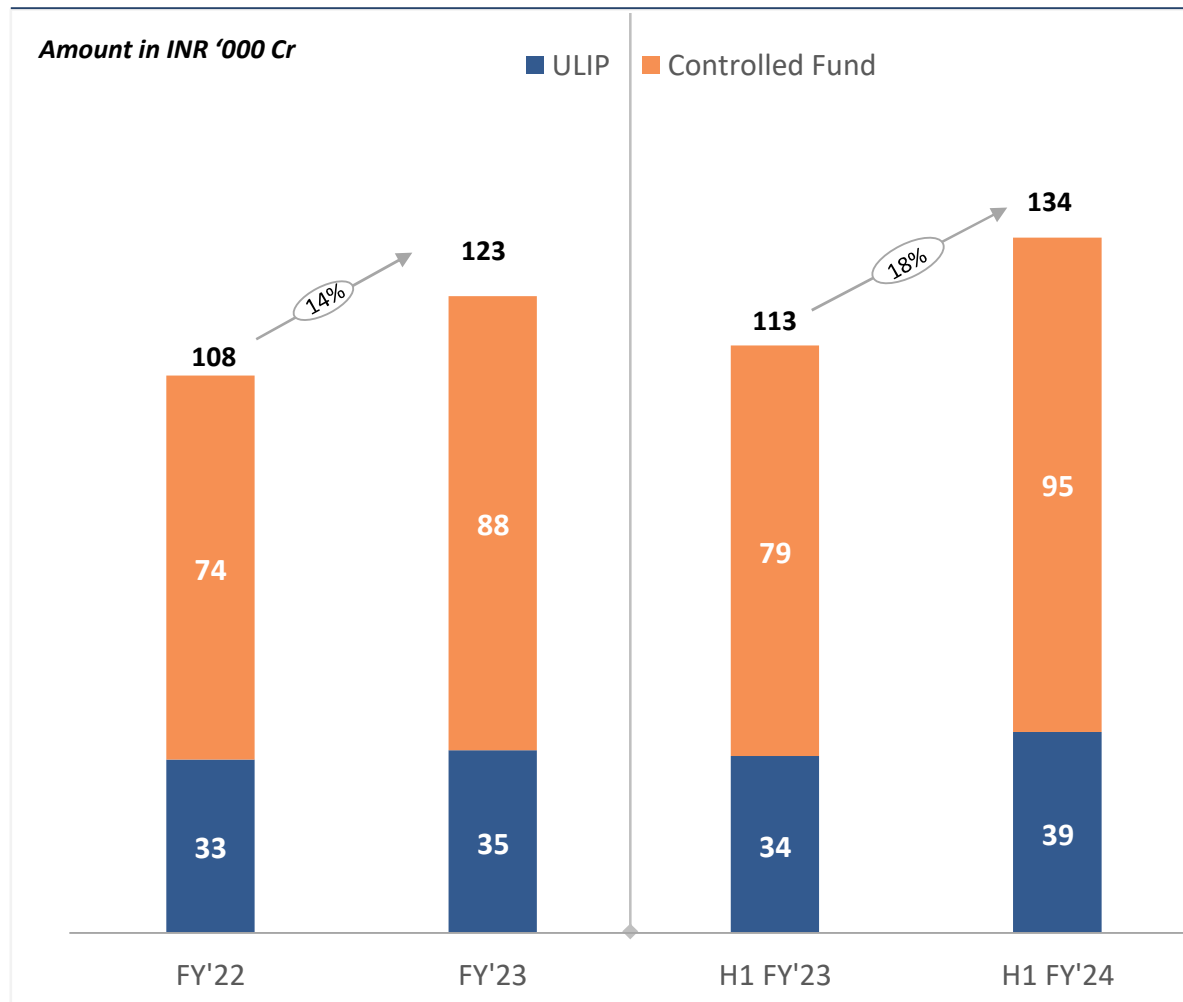
EV movement analysis: March 2023 to September 2023



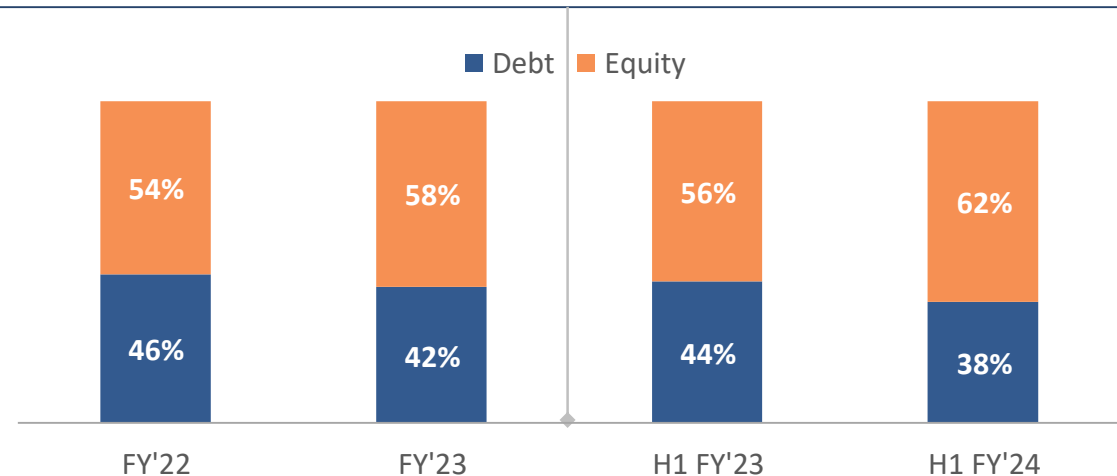
- The Operating Return on EV (RoEV) over H1 FY24 is **17.5%**.
- Operating return on EV is mainly driven by new business growth and unwind.
- Non-operating variances are mainly driven by positive economic variances during the period.

Max Life has consistently grown its Asset Under Management

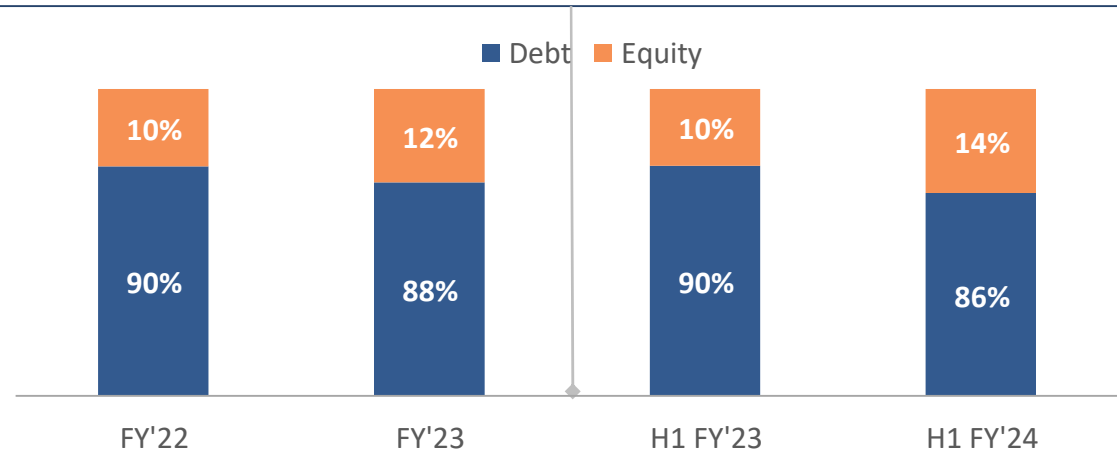
Assets Under Management - MLI is the 4th largest* manager of private LI AUMs, Par fund size ~63K Cr



ULIP: Healthy mix of Debt and Equity



Controlled: Consistent mix of Debt and Equity

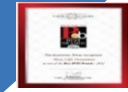


More than 95% of debt investments is in sovereign papers and AAA rated securities

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



Business Excellence



- Awarded at **The Economic Times Insurance Summit and Awards 2022** under the Swift and Prompt insurer category for Life Insurance (Large)



- Awarded Excellence in driving distribution through Digital at the FICCI Insurance industry awards 2022



- Recognized by ICAI for **excellence in financial reporting**



- Awarded Gold for Lead Generation campaign under BFSI services at Adgully Digixx Awards 2022



- Max Life bagged the Advisors Initiative of the Year for India at the Insurance Asia Awards 2022
- Gold for e-scw under the best brand loyalty program at the **ACEF Awards for Brand, Marketing & CSR 2022**



- Max Life awarded at Cypher 2022 as **top domestic firm using AI / ML**



- Winner for Super Customer Week at the Pitch BFSI Marketing Awards 2023 for the **Most Effective Customer Engagement** in the Insurance - Marketing Strategies category



- Awarded Best Performance Marketing Campaign (Gold) and Best SEO/SEM Campaign (Silver) at Afaqs Digies 2023



- Awarded Legal department of the year at **Biz Asia legal award 2022**



- 1st Indian firm to win **Celent Global Model Insurer award**

- SWAG voted as **'Product of the Year 2023'** in the Life Insurance Guaranteed Savings Plan category

Leaders in Quality



- No. 2 in Customer Loyalty survey by Hansa Research
- Adjudged the Best fraud prevention company at the **Fraud Risk Management Summit and Awards 2023**



- Awarded **making quality happen trophy in the service category** at the MQH best practices competition at Chamber of Commerce and Industry



- Awarded **Gold for Excellence in app content and social media integration** for IATD Seller App In Agency; **Silver for Most admired B2C marketing initiative** for Super Customer Week and another Silver for Excellence in consumer insights and market research for IPQ 5.0 at ACEF Asian Leaders Summit and Awards



- Platinum Award for P2P investment project** and for Project SEWA (Reducing Customer Grievance) at CII Annual Quality Awards



- Awarded **Finance Transformation Award** at the 10th Finance Transformation India Summit & Awards 2022



- Awarded under **Best Claims Settlement** at the **InsureNext Conference and Awards 2023**



- Recognized at **e4m Pride of India Brands – North conference and awards 2023**



- Awarded in Excellence for **Claims Service and Best Product Innovation (SFRD)** at World BFSI Congress

- Awarded Silver for **Super Customer Week** at Indian Marketing Awards 2023



- Awarded Gold In Effective use of Market Research, Best Use of Celebrity Endorsement, Innovation, Innovative Loyalty Program and Silver in effectiveness at the 12th ACEF Global Customer Engagement Awards

Focus on People



- Ranked **55th amongst '2021 Best Workplaces in Asia'** by Great Place to Work®



- Ranked **18th amongst 'India's Great Places to Work For'** in 2021



- Max Life recognized in India's Best Workplaces in BFSI 2021**



- Max Life has been awarded "Excellence in Gender Diversity"** at the 4th D&I Summit and Awards by Transformance Forums



- Awarded Gold for Internal Communications campaign and Best Corporate Communications Team of the Year



- Awarded Gold an Silver at the ASQ International Team Excellence Awards 2022



- Max Life awarded Silver for Best use of Internal Communications at Fulcrum Awards 2022



- Awarded Legal department of the year at **Biz Asia legal award 2022**



- Best Corporate Communications Team of the Year at Economic Times Kaleido awards

- Winners Award for IPQ 5.0 at DMA Trailblazer Awards 2023

- Best Banking and Financial Services Communications Campaign for IRIS (India Retirement Index Study) 2.0** at Fulcrum Award



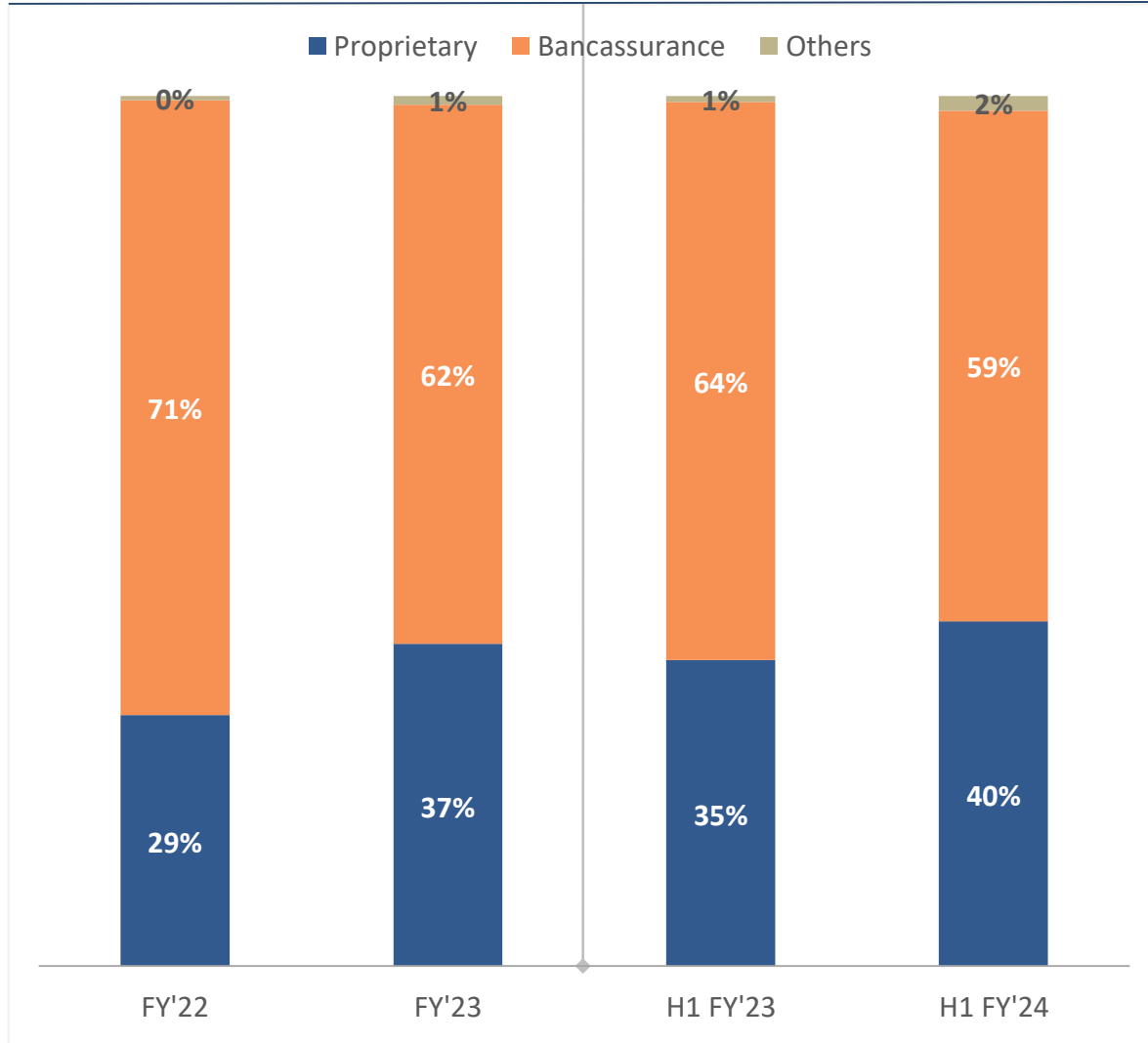
SECTION III

- ▶ Max Life Insurance – Strategy
- 

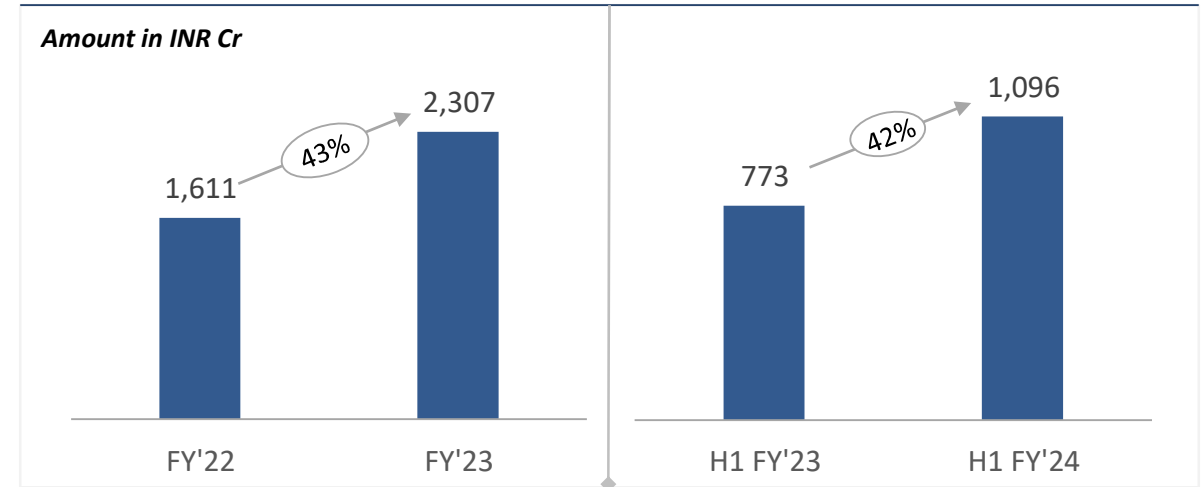
Max Life's Strategic Thrust Areas and progress made

	 A Predictable & Sustainable growth	 B Product innovation to drive margins	 C Customer centricity across the value chain	 D Digitization for efficiency and intelligence
Aspirations	<ul style="list-style-type: none"> Fastest growing profitable proprietary distribution Leader in Online Acquisition Inorganic Expansion Deepen Bancassurance partnerships 	<ul style="list-style-type: none"> Leader in Protection + Health & Wellness proposition Leader in Retirement Drive Non PAR saving 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
Progress achieved	<ul style="list-style-type: none"> Robust growth of 170% in online sales in Q2 FY'24 aided by scale up in savings; Proprietary grew by 50% and Banca grew by 30% in Q2 FY'24 Secured leadership in overall online sales including protection & savings Partnered with 2 new Bank, AU Small Finance Bank (Digital Partnership) & South Indian Bank, along with 13 new Partners in H1 FY24 	<ul style="list-style-type: none"> Individual Protection & Health grew by 55% YoY in H1 FY'24. Annuity grew by 217% in H1 FY'24, Launched Industry first all in one product Max Life Secure Earnings and Wellness Advantage Plan, "SEWA" for Health, Wellness, Life & Savings Individual Sum assured rank #3 in H1 FY'24 Introduced Industry first Small cap NFO tied to NIFTY 250 quality 50 Index 	<ul style="list-style-type: none"> Claim paid ratio at 99.51% at the end of FY23, best in the industry Continued leadership[#] in NOP based 13th month persistency* at 85% improved by 208 bps. 25th month persistency* at 72% improved by 461 bps. Company NPS scores Improved by 3 point from 52 in Mar23 to 55 in Sep 23 Brand Consideration[^] grew by 2 points since last quarter 	<ul style="list-style-type: none"> Ranked 13th best place for data scientists to work for within India by Analytics India Magazine Core system on Cloud OCI live – only 2nd company in the world to do so (provides resilience & scalability) Gen AI based SEWA BoT pilot launched for customer service team query resolution Launched an PFM industry first servicing AI enabled WhatsApp bot

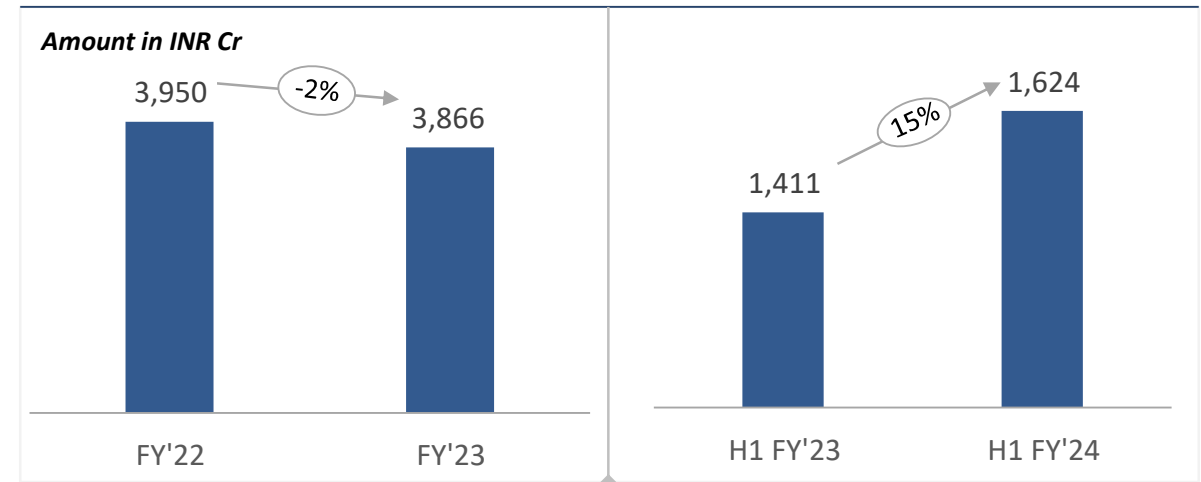
Channel Mix - Focused on maintaining a balanced distribution mix



Proprietary Channels New Business (APE)*



Bancassurance Channel (APE)



*Proprietary channel sales include individual and group premium sold by direct team

A

Max Life has been augmenting distribution capability by expanding both traditional and emerging ecosystems



Ecosystems

Key partners On-boarded

Bancassurance



Offline Partners

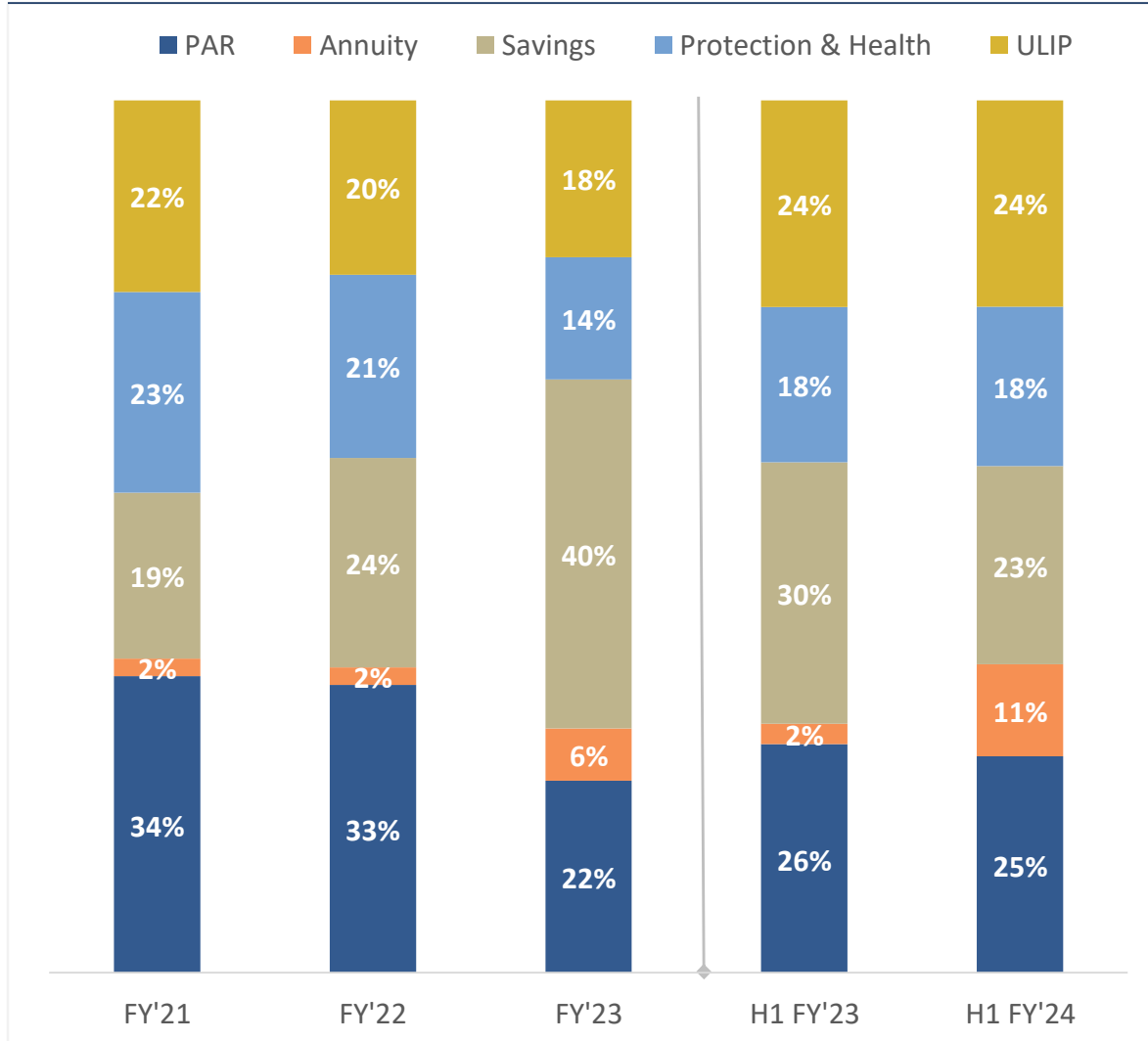


Online Partners

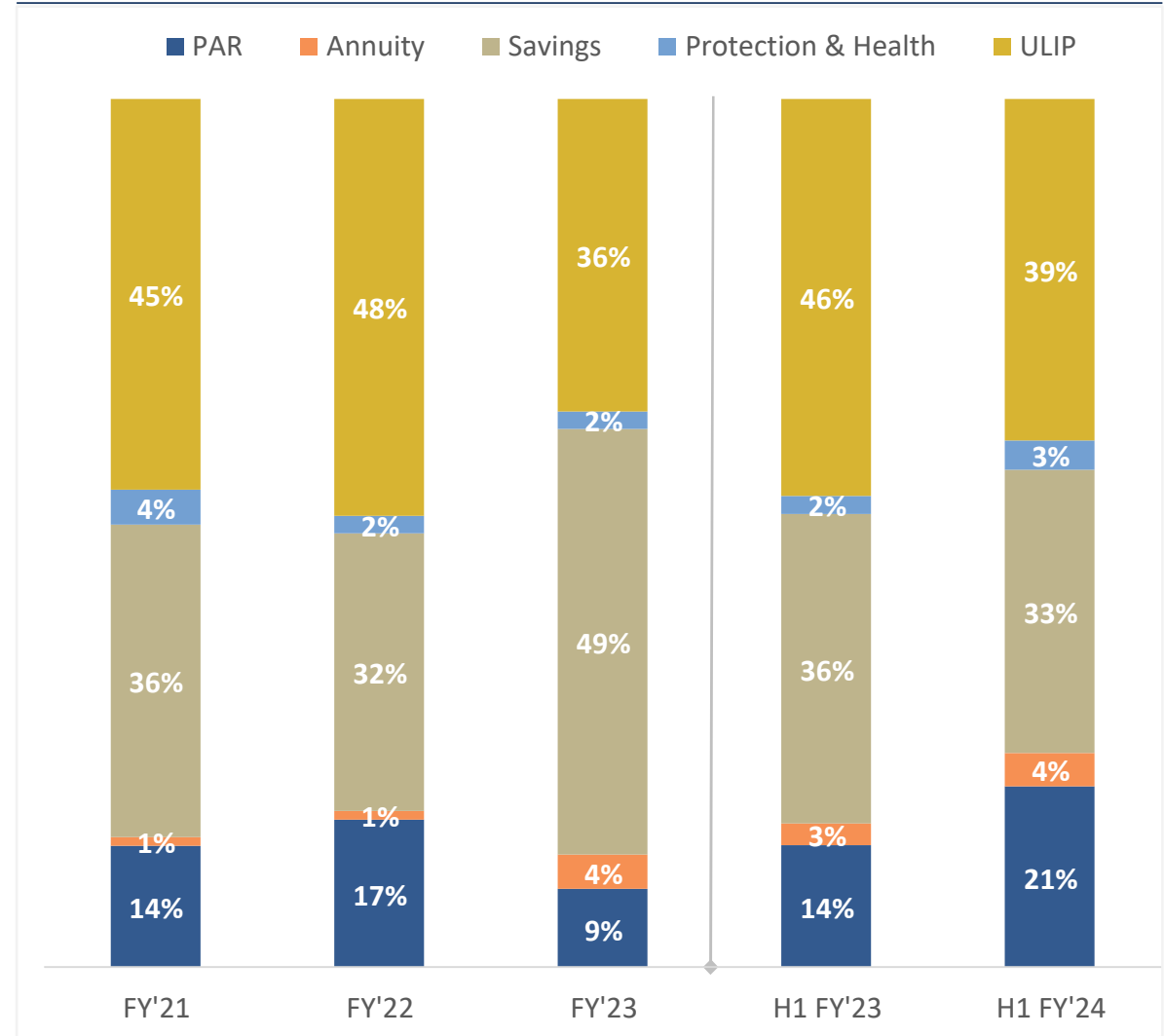


Product mix in proprietary and Bancassurance channels aligned to customer needs

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



Bancassurance Product Mix - has been biased towards Savings & ULIP to cater to target customer segments

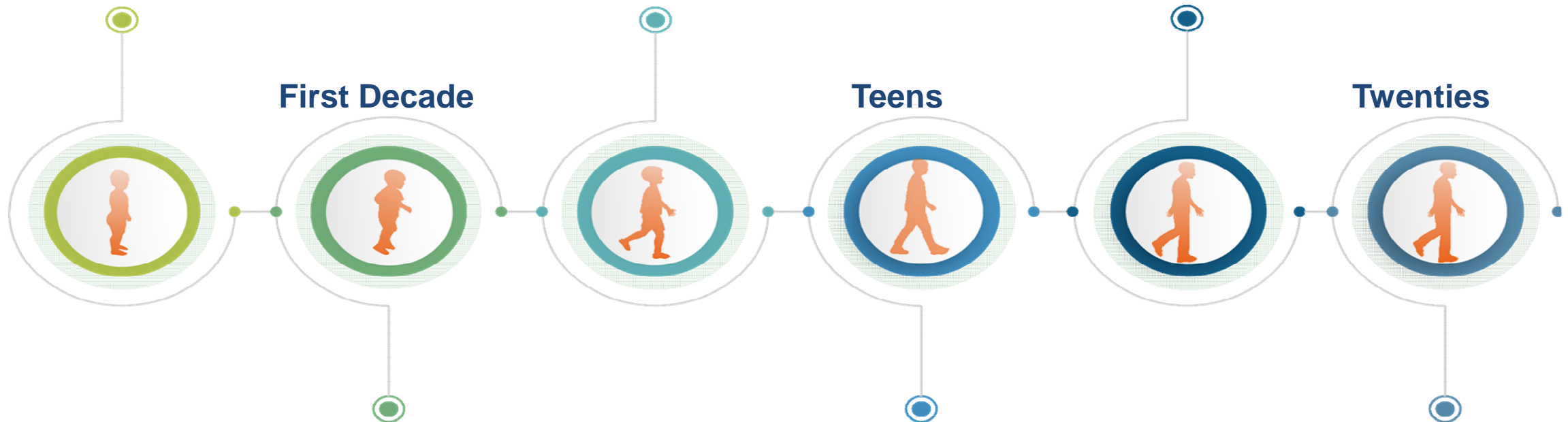


Max Life has been at the forefront of driving Products Innovation by creating first-in-industry propositions

1. Break the endowments category clutter with Industry **First Whole Life plan**
2. Provide **liquidity & flexibility through First Cash & Premium Offset Bonus** options
3. **First PAR Top Up** option

6. Enabled transparent customer participation in Bonds with **First Index-Linked Non PAR plan**

10. **Hedged Guarantees with Derivatives**
11. Launched industry **First COVID-19 Rider** (diagnosis & death benefit)



4. Enable Customer Obsession **through First "Freelook Period"**, became Regulation later
5. **Created Universal Life product** – Enable transparent customer participation in Debt market

7. **Scaled "Monthly Income" category** first on Non PAR and then on PAR platforms

12. **Differentiated Term plan** with industry firsts (Special exit value, Premium holiday option)
13. **Strengthened PAR proposition** (guarantees under early income variant)
14. Launched new savings proposition **Smart Fixed-return Digital Plan**
15. Ventured into **health segment** with **Secure Earnings and Wellness**

B

Accelerating product innovation agenda through experiments and creating new customer segments



Benefits to cater to need of death, Health & Savings

Secure Earnings & Wellness Advantage Plan

Income streams (Cash Bonus + Guaranteed).

Smart Wealth Advantage Growth Par Plan

Industry 1st Index fund focusing on Small cap segment

NIFTY Small Cap Quality Index Fund

Limited and Regular Pay Deferred Annuity for near retiree segment

Guaranteed Lifetime Income Plan

Millennials preferring FD/RD like deposits

Smart Fixed-return Digital Plan

Guaranteed savings with enhanced flexibility, liquidity and protection

Smart Wealth Advantage Guarantee

AN INDUSTRY FIRST: "ALL IN ONE PRODUCT"

Max Fit App: Customized Wellness Offering



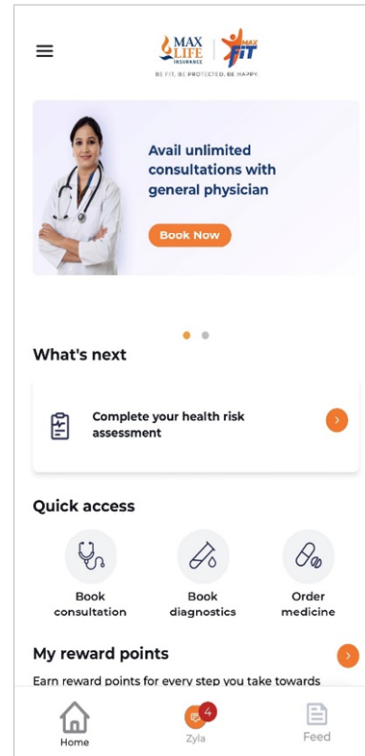
Industry First Features

100% ROP Guarantee even if any claim is availed

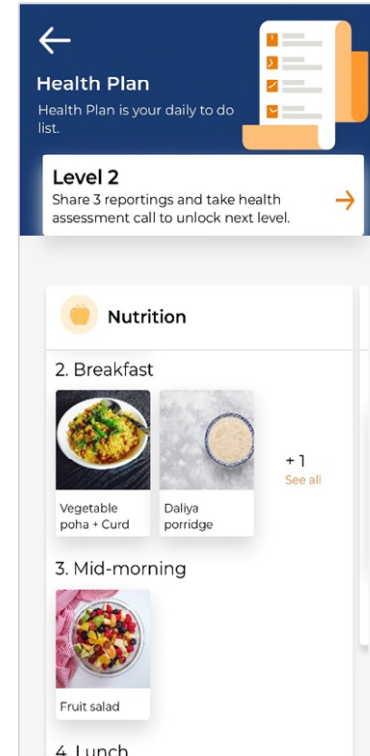
Partial Withdrawals allowed (Elite Variant)

Fixed Benefit Pay-out (For Hospitalization & Surgery)

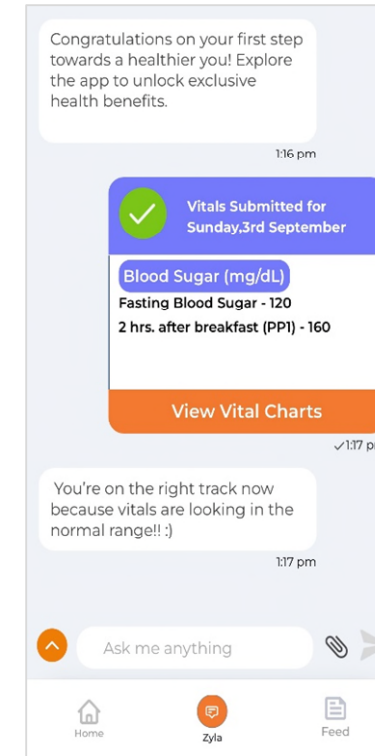
Health & Wellness Booster (To increase savings)



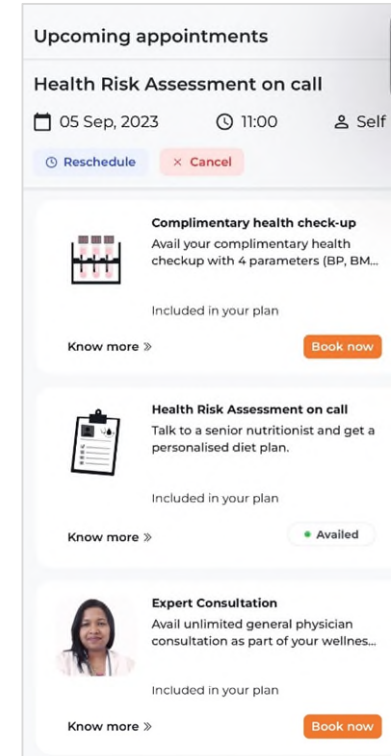
App experience customized basis your health needs



Diet Plan post Health Risk Assessment with Nutritionist



24*7 chat care support



Avail Health services for customers & their family



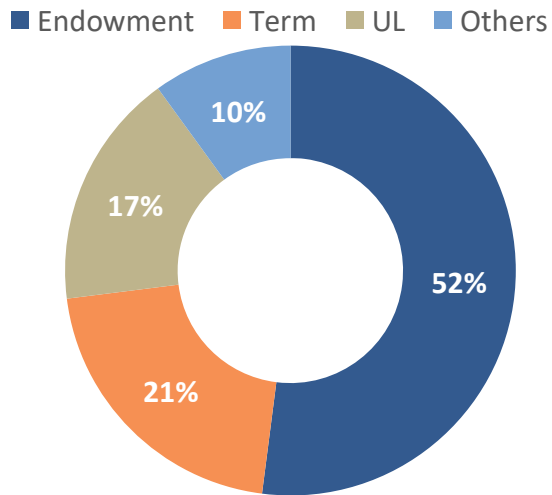
Max Life has a complete suite of products and focus is on selling longer term products along with improving penetration of pure protection & Health offerings



Max Life has products across all categories

- 3** Protection & Health plans **2** Health plan
- 6** Income plans **3** Annuity plan
- 5** Endowment plans **1** Retirement ULIP
- 5** ULIP plans **1** Whole life
- 5** Child plans **5** 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	8
Whole Life	36	64	52
Money back	27	17	17
Pure Term	34	38	31
Guaranteed products	43	19	9
Health	38	23	23
Cancer Insurance	38	30	30
Pension	31	25	25
Annuity	62	58	3

As on 30st Sept 2023

36

Average

27

Average

16

Average

(1) Based on all policies sold till date; (2) Others include Money back, Whole life, Guaranteed products, Health, Cancer Insurance, Pension & Annuity.

Life stage & Objective	Age: 25-45 yrs Accumulate funds	Age: 45-60 yrs Plan for retirement	Age: 60+ yrs Cover the risk of living too long
Needs	<ul style="list-style-type: none"> ▪ Tax Saving ▪ Savings for future 	<ul style="list-style-type: none"> ▪ Tax Saving ▪ Lumpsum req. for big events (child's education, buy home, child's marriage) ▪ Savings for retirement 	<ul style="list-style-type: none"> ▪ Regular income stream until death ▪ Legacy planning
Max Life's solutions	<ul style="list-style-type: none"> ▪ NPS account (Pension Fund Management - PFM) ▪ Pension plan 	<ul style="list-style-type: none"> ▪ Long Term Income (Smart Wealth Plan) ▪ NPS account (PFM) ▪ Pension plan ▪ Annuity 	<ul style="list-style-type: none"> ▪ Annuity



Max Life Pension Fund Management

- New corporates on-boarded**
- Launched industry first servicing AI enabled WhatsApp bot**
- Garnered INR ~409 Cr AUM**
- Improvement in investment returns ranking due to prudent investment practices**

Smart Guaranteed Pension Plan

- Guaranteed Income** to cater to your needs as long as you live
- Advance Annuity Amount** option to take in advance, your next 5 years annuities
- Option for Life-long income:** option to choose a single life or a joint life annuity
- Available for Group members who want to purchase annuities**
- Available for National Pension System(NPS) customers**

Guaranteed Life Time Income Plan

- Guaranteed Lifelong income** with Single Life & Joint Life Option
- Option to choose between Immediate & Deferred Annuity**
- Flexibility to choose how long you want to pay premiums** - Single Pay and Limited Pay Options
- Easier on-boarding with Zero Medical Underwriting**
- Option to get Return of Premium as minimum Death Benefit³**

Customer Profiling and Selection

- AI based risk models, Credit Bureaus, IIB Database deployed in underwriting risk assessments
- Stringent medical and financial underwriting controls deployed

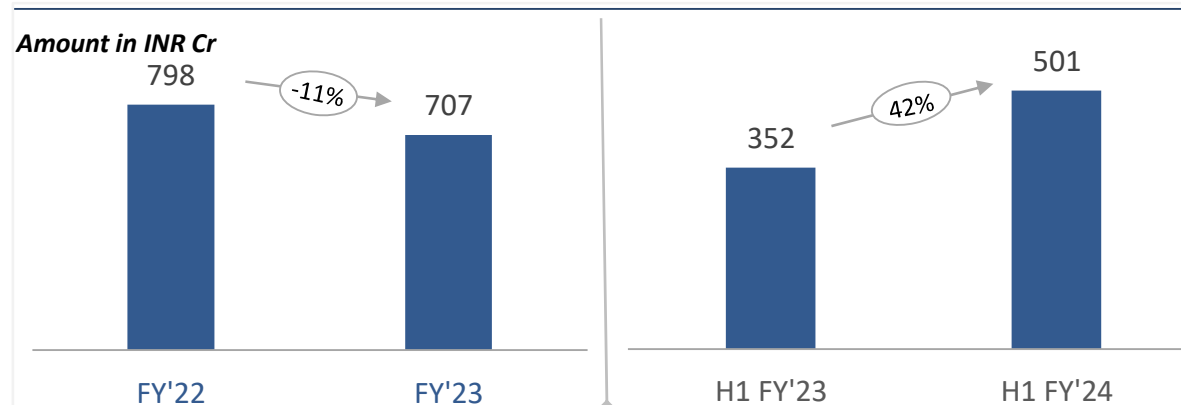
Experience monitoring

- Regular portfolio review/ Post issuance verification
- AI models leveraged to monitor and forecast experience
- Early warning framework for early course correction
- Industry collaboration against organized frauds

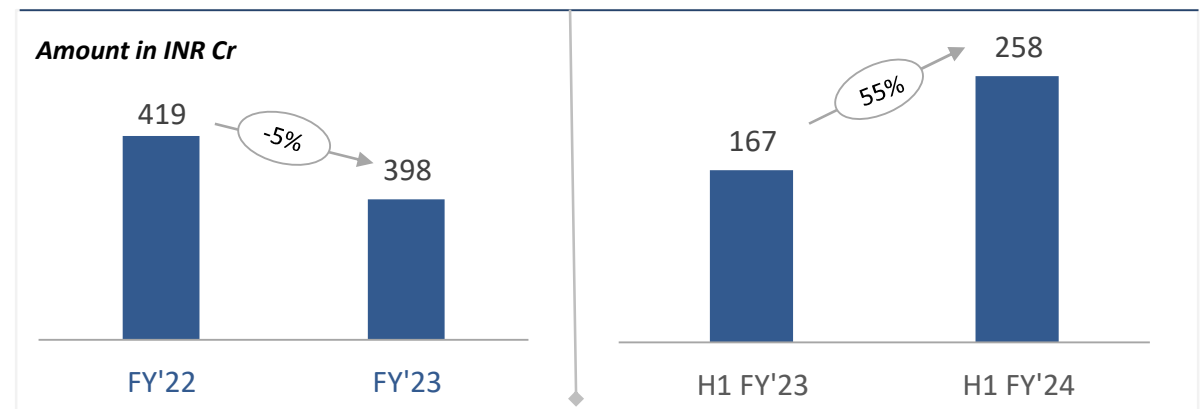
Profitability & Risk Management

- Regular repricing of products
- Product boundaries based on geography, income and channel
- Adequacy of reserve to minimize P&L volatility – Building up provisions for catastrophic events
- Adequate reinsurance (Individual and Catastrophic) to protect against claims volatility

Total Protection and Health APE



Retail Protection and Health APE



Interest Rate Risks

Robust Asset Liability

Management Framework:

- Cash flow and duration matching
- Comprehensive hedging program
- Natural hedge
- Limit on non-par sales
- Active policyholder bonus management for Par business

Focused Product

Management:

- Repricing to align benefits with current rates
- Variant and channel level granular monitoring

Resilience and Expert

Validation:

- Direct Board oversight
- Stress testing
- Sensitivity tracking
- Peer review of liabilities
- Periodic external review of Derivatives

Investment Risks

Front Office – Led by CIO:

- Differential strategy as per the fund characteristics
- Ensuing diversification and credit quality across portfolio, minimize credit and concentration risks

Middle Office – Led by CRO:

- Independent credit review of portfolio and all new investment proposals
- Derivative risk management
- Early Warning Framework
- Consequence management of stressed assets

Back Office – Led by CFO:

- Ensuring implementation of cash flow matching requirement of ALM
- Valuation, Collateral and Margin management of Derivatives
- Appropriate provisioning for stressed assets

Information Security and Business Continuity Risks

- **Cyber DARE framework for managing security goals:**
- Robust framework based on **ISO 27001**

Internal and External Validation:

- Dedicated CISO, internal security team and external security partner(s)
- Independent external benchmarking (Bit Sight) to keep abreast with emerging security trends

Business Continuity :

- Robust framework based on **ISO 22301**
- Business continuity plans reviewed annually
- Annual BCP drill
- Alternate Disaster Recovery (DR site) and regular data backups with movement to DR site
- Crisis Action Manual

Operational Risks

Preventive Programs:

- Multi-tier governance and automation for highest impact areas
- Quantified risk appetite for
 - Operational errors
 - Product set up errors
- Comprehensive Vendor due diligence

Detective Programs:

- Customized Incident Management program
- Enterprise-wide tool for incident disclosures
- Risk certifications for critical processes

Corrective programs:

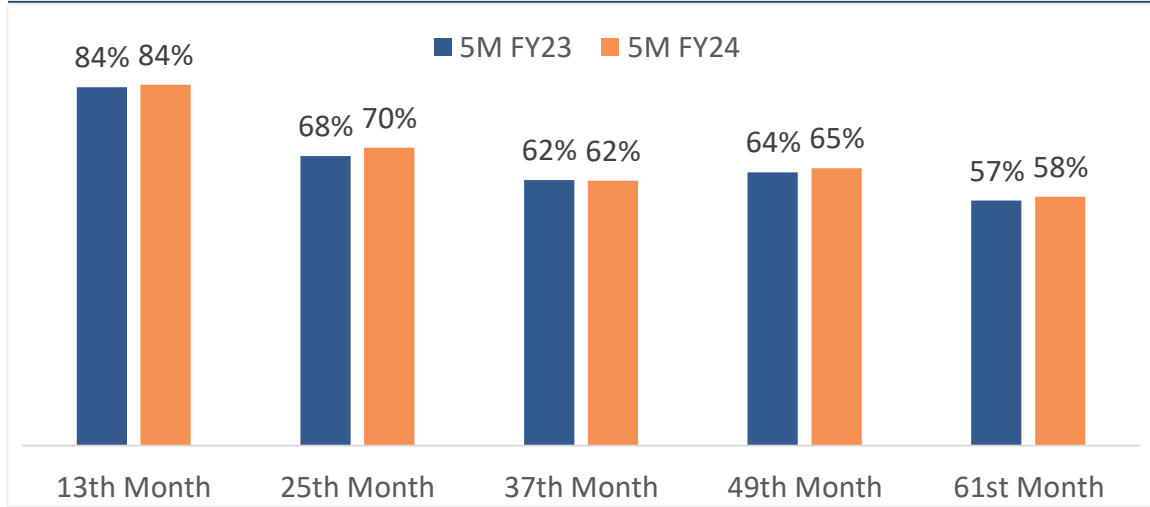
- Revenue Assurance model for concurrent checks
- Cross functional forum for system gaps



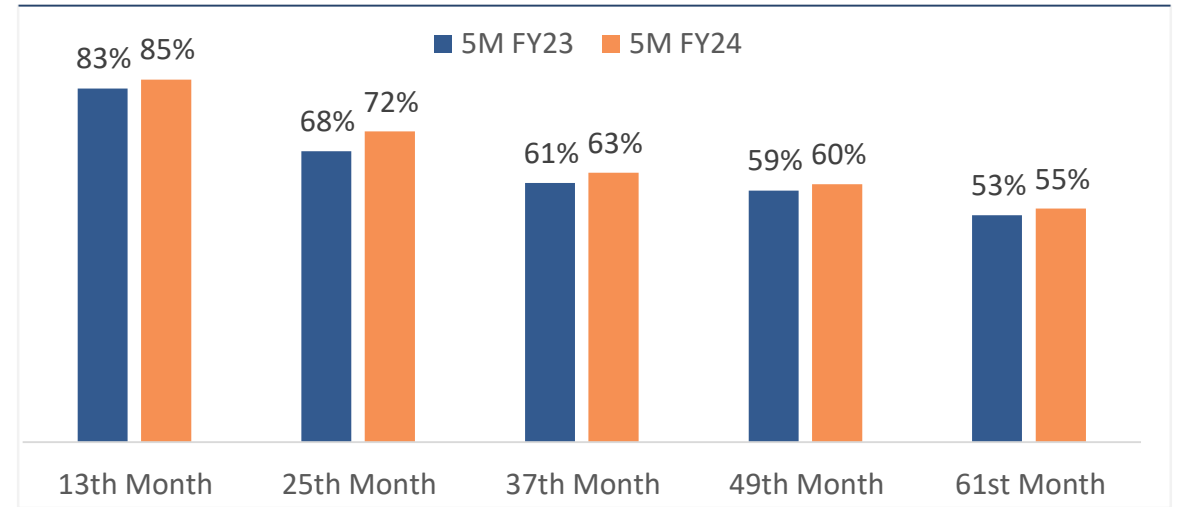
Strong focus towards customer measures has helped deliver superior performance across health parameters and will continue to remain an important priority



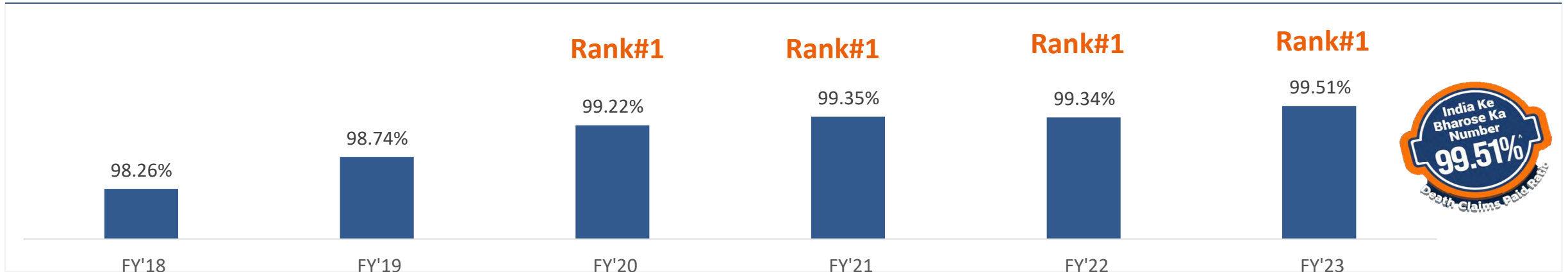
Persistency# (Premium)- 25th month persistency improved by 188 BPS



Persistency#(NOP)- Market leader on 13th month NOP persistency



Claims Paid Ratio



Note: The persistency ratios are calculated in accordance with IRDA/ACT/CIR/GEN/21/02/2010 dated February 11, 2010 and IRDAI circular no. IRDAI/F&A/CIR/MISC/256/09/2021 dated September 30, 2021

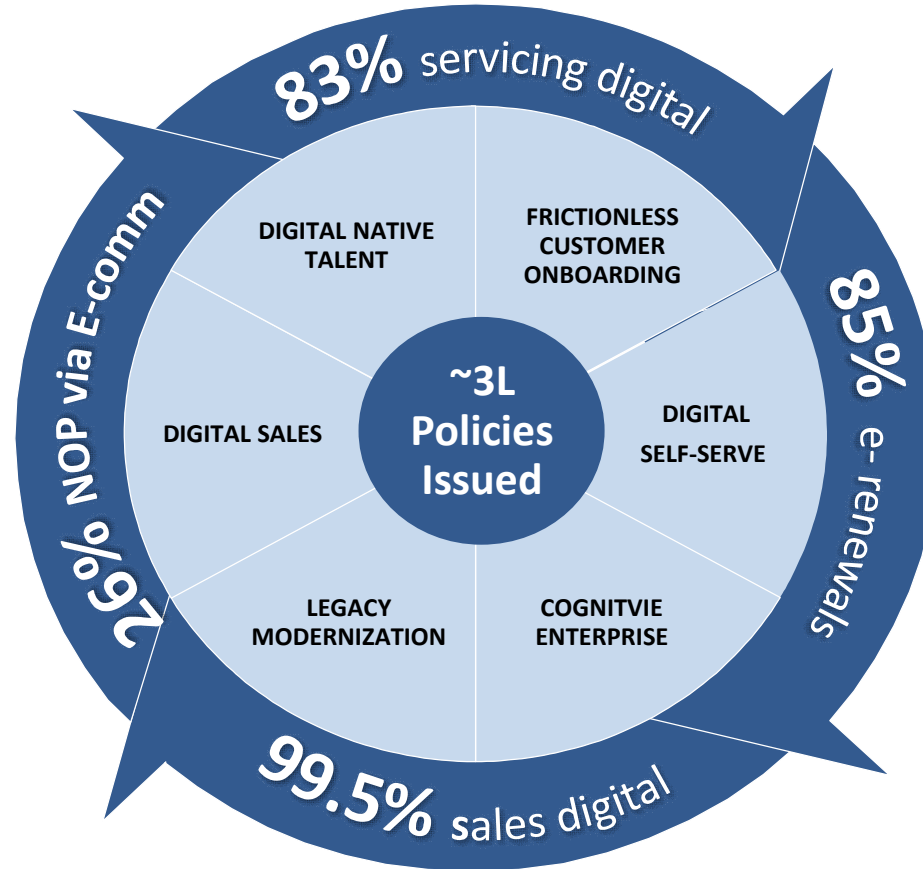
We had made significant progress on our Digital Journey

76.0%
Automated Underwriting (Retail)

63
Website NPS

<3 seconds
Page load time

99.51%
Claims settlement %



80+
Partners

65%
Infra on Cloud

24%
Insta COI (Axis)

125K+
Bot queries per month



Max Life's Digital Strategy is based on 9 Key Pillars



Scale eCommerce Business 1

- Digital Marketing Muscle (**Sharper prospecting**)
- **Mobile first** purchase journey
- **Personalized** experience
- **WhatsApp** chase journeys

Digital Sales 2

- Intelligent & Integrated **LEAD management**
- Integrated **Recruitment Funnel**
- Digital **Native Training & Content Mgt** solution
- **Smart Assistant** for seller productivity
- Digital standardized **sales governance**

Onboarding / Issuance 3

- Digital Native Onboarding platform – **SEO**
- **Frictionless Onboarding** experience leveraging eco system partnerships
- **Smart U/W** - embedded AI Models
- **Legacy Modernization** – Insta Issuance

Customer Service 4

- **Omni Channel** customer experience (Customer 360)
- Help Center / conversational BOTS for **self service**
- **Continuous customer engagement** by Leveraging Ecosystem
- Digital **Agent Servicing**
- Integration with **Social platforms**

Enterprise 5

- **Mobile First Employee Experience** – HR Self Service
- **Digital Engagement & Collaboration**
- **Back-office transformation** – Treasury, AML
- **Enhanced Security** – cloud, threat monitoring, vulnerability Mgt
- **Intelligent Automation**

Pervasive Intelligence 6

(AI /ML, Analytics embedded in all key processes)

Cloud Enabled Legacy Modernization & Enterprise Data Hub 7

Workloads on Cloud

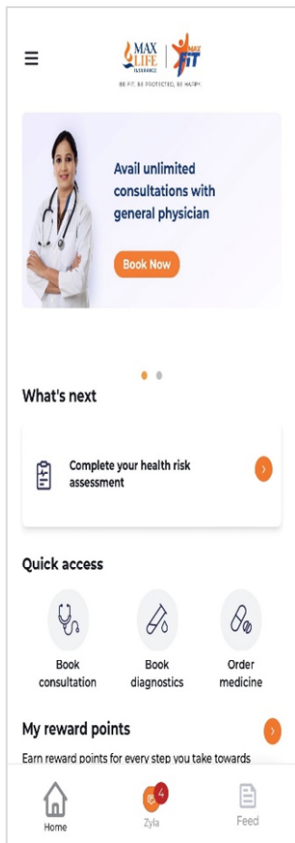
Employer of Choice for Top Digital Talent 8

300+ Engineers

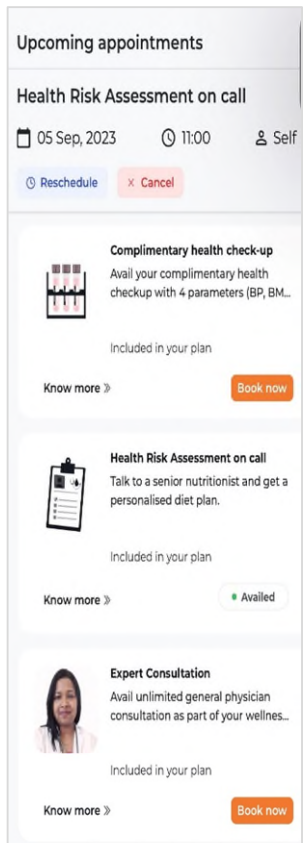
Digital Culture 9

InsureTech ecosystem

Max Fit App

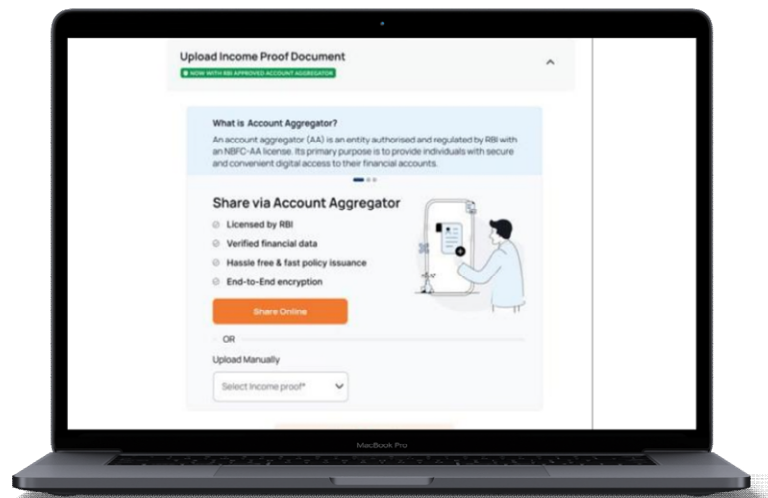


App experience customized basis your health needs



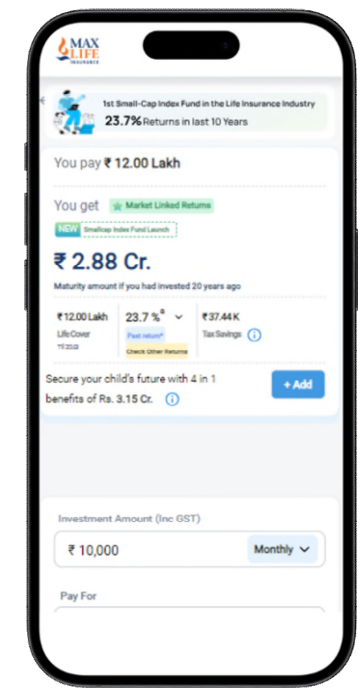
Avail Health services for customers & their family

Account Aggregator Native



- **22%** adoption rate on the eligible base
- **90%** fetch rate of financial data
- **91%** Accuracy

NFO - Launch – Small Cap Fund



- Industry first Small cap NFO Launch
- Category Building Capital Guarantee solution
- 100Cr + Business in single month

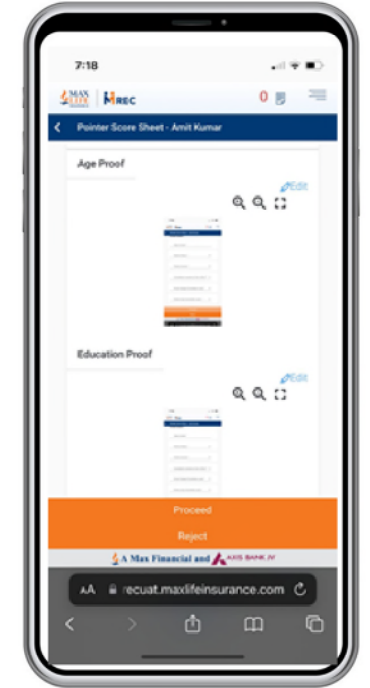
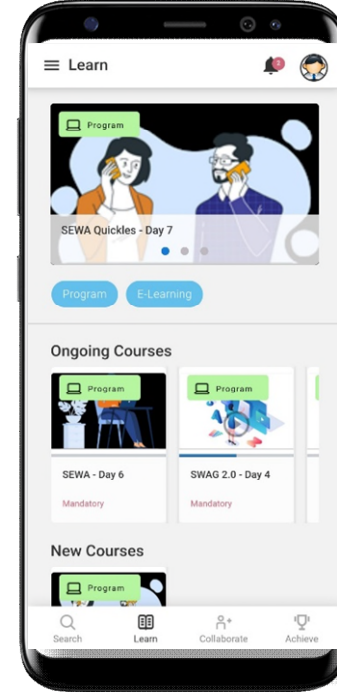
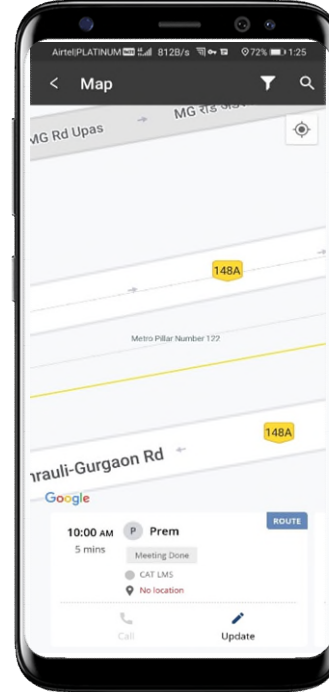
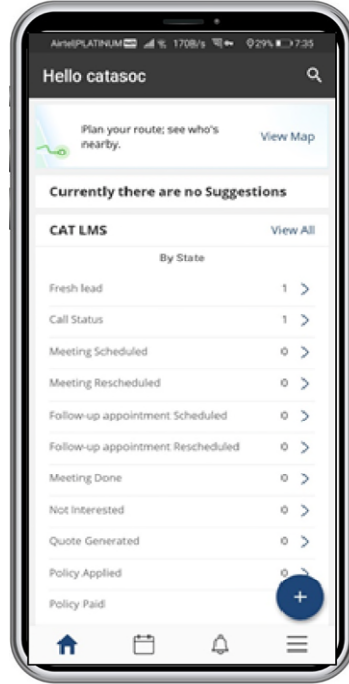
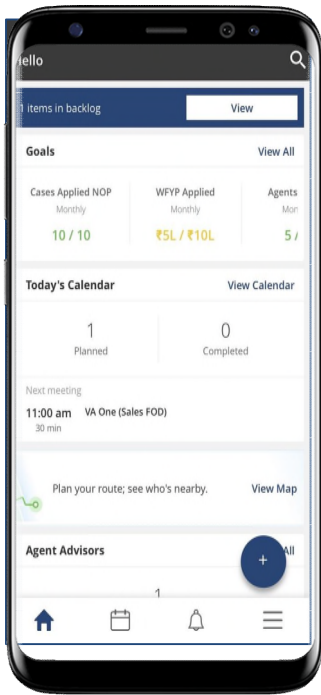


We are digitizing the sales Force by driving capability and Productivity

mSMART – Activity & lead Management ; RMS - Renewal Lead Management System

mSaarathi – New Learning Management System

mREC



Enables ADM/RA's to track and create activities, goals and PRP

Smart Dashboards

Lead Management and Renewal Management bucket wise view

Geo Fencing enabled

mSaarathi App View

Leader hiring for APC/Agency enabled



4.14 Lac+ activities in a month



~90K Sales FODs & ~89K+ Recruitment FODs in a month



~95%+ adoption in Proprietary channel
~80% adoption in Banca LMS
90% RMS Adoption in Banca

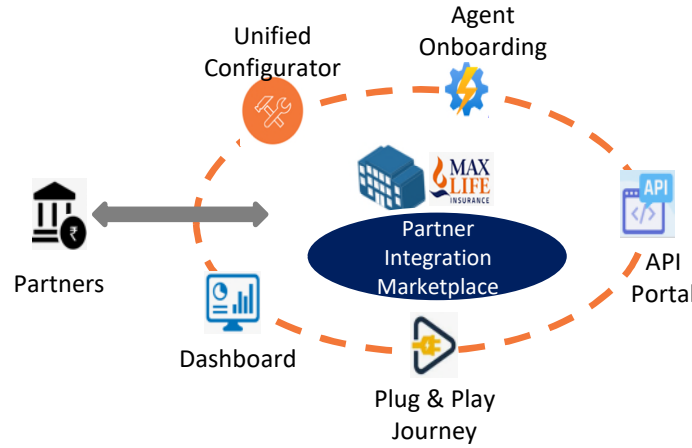
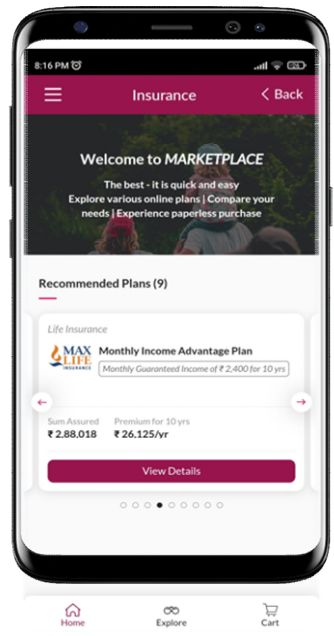
~76% adoption in 4-5 days of the launch of new mSaarathi App.

All the new leaders hiring is being done through automated tool only

New partner Onboarding



Integration with Market Places & creating Max Life Partner Integration



Max life –Partner Integration Market place

End to end integration from lead generation to policy issuance – Single pane view for Axis Bank & MLI seller

Plug & play APIs framework
Integration with Insutech
(Zopper, Turtlemint and One silver bullet)

Eco-system Integration

For KYC details and document waivers

Waiver of Financial Document

Integration with TPA for Medical scheduling and digital report



5 new Brokers on-boarded



5 new Banks on-boarded



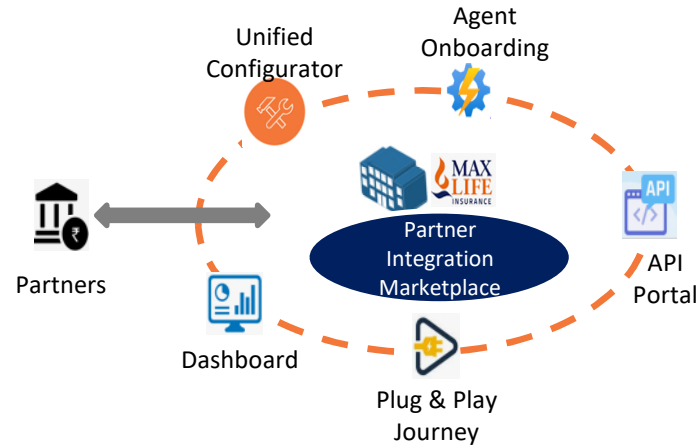
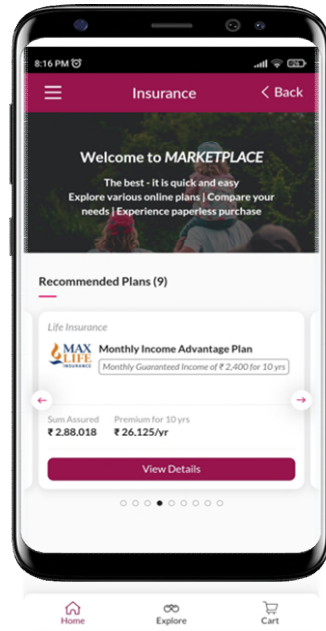
Clear Case – 76% (Retail)

New partner Onboarding



6 new brokers on boarded within 2 weeks.
2 New bank on boarded within 3 weeks.

Integration with Market Places & creating Max Life Partner Integration



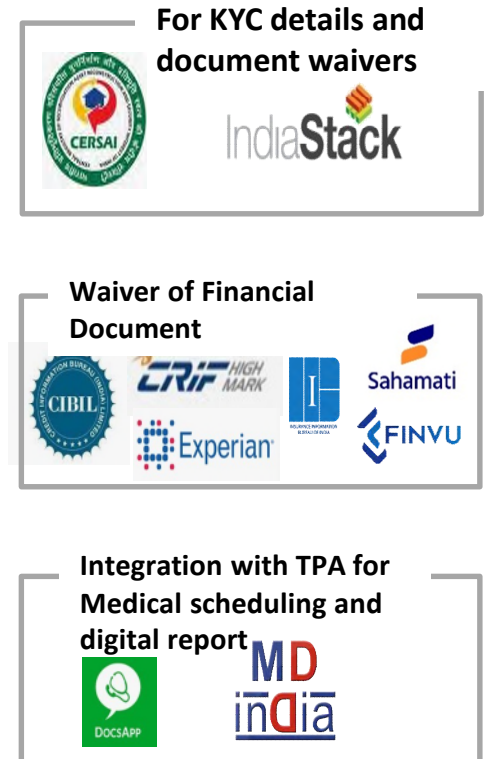
Max life –Partner Integration Market place

End to end integration from lead generation to policy issuance – Single pane view for Axis Bank & MLI seller

Plug & play APIs framework basis different possible journeys & Single Sign-on.

Integration with Insutech (Zopper, turtlemint and One silver bullet) To have presence on all marketplaces

Eco-system Integration



For KYC details and document waivers

Waiver of Financial Document

Integration with TPA for Medical scheduling and digital report



6 new brokers on-boarded within 2 weeks.



4 New Banks on-boarded within 3 weeks
1 Corporate Agent non Banker within 3 weeks



Clear Case – 81% (Retail)

We are leveraging the ecosystems built on the India Stack to simplify the customer journey. We have integrated with the AA Ecosystem for sharing financial documents with customer consent

4



Eco-system Integration

For KYC details and document waivers

Waiver of Financial Document

Integration with NHA -ABDM

Sharing of Bank Statement using the Account Aggregator for Financial U/W

- Customer registers on AA with Phone Number & OTP
- Connects a/c with AA ecosystem and discovery of linked a/c
- Provides consent for Data Sharing
- 6 months Bank A/c Statement shared with MLI

FIU Integrations*



FIP Integrations*

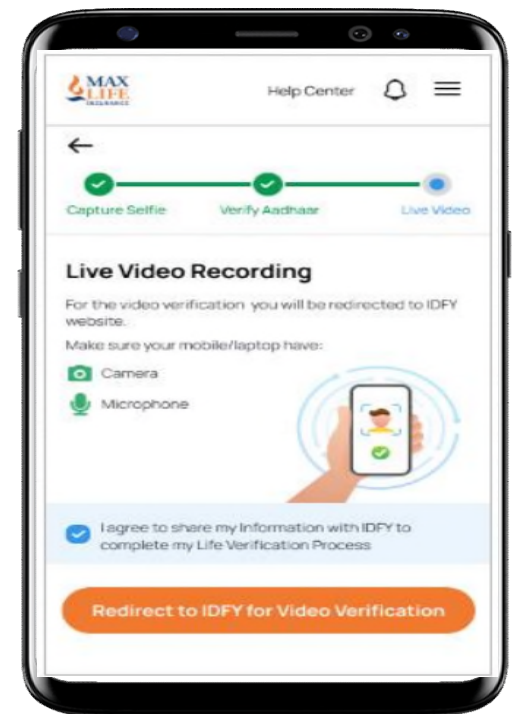


- 9% adoption
- 90% fetch rate of financial data
- 91% Accuracy

The ecosystem is being leveraged for predictive modelling & scoring, automation and cross sell. Current adoption rate on e-commerce journey is ~9%

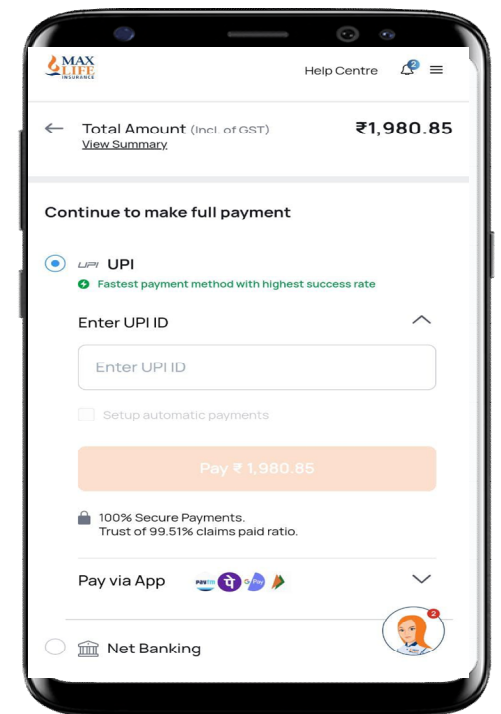
* Includes live and in discussions

Website



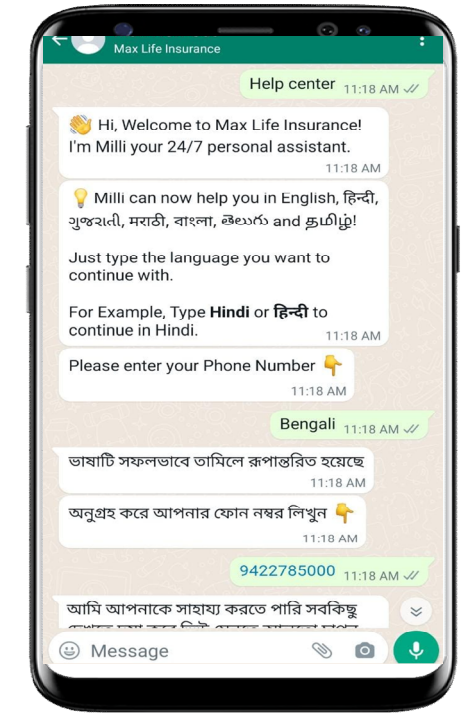
Digital Living Certificate – Annuity customers can digitally submit proof of living via eKYC

Unified Payment Platform



Robust & scalable payment platform
Paytm router - Multi Switch PG capability

Revamped - WhatsApp Bot (Beta launch)



New Help center approach with Live Agent chat, native journeys and vernacular capability



90% Self-service Penetration
NPS Q1 FY'24 – 60 , Q2 FY'24 - 63



75% success rate for online renewal payment
all time high
33% adoption of UPI payment mode

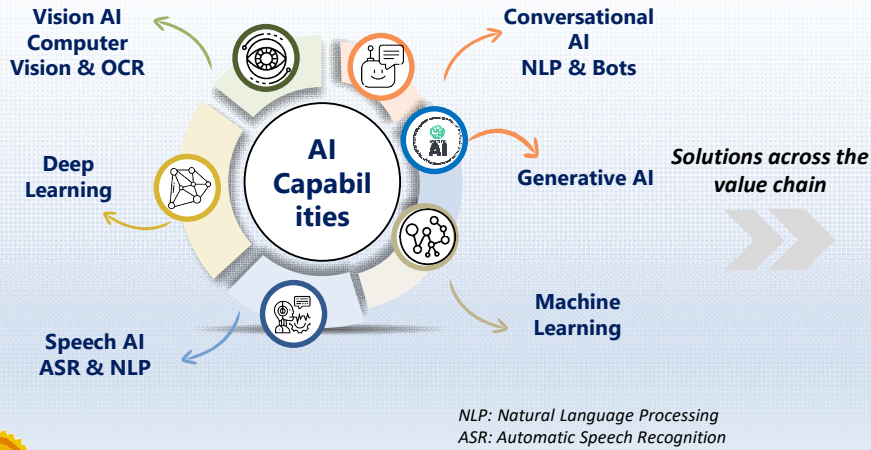


13% Higher user engagement

Max Life has implemented cutting edge AI application at scale enabling superior business outcomes across the customer touchpoints

6

AI Works In-house Capabilities



AI Industry Recognition

<p>Celent Global Model Insurer (Data Analytics & AI)</p> <p>Ranked 13 in Top 50 firms for Data Scientists to work for</p>	<p>CYPHER – Top Domestic Firms using AI/ML</p> <p>ETBFSI AI excellence Awards</p>	<p>Nasscom AI Game Changers Award</p> <p>Best Data Science Project Award</p>	<p>Top 40 Under 40 data scientists Award</p> <p>Books & Publications</p>
--------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------

New Business

<p>Personalized actionability scorecards on WhatsApp for field-force to enable higher sales productivity</p>	<p>AI driven sales nudge engine for on ground sales force effectiveness</p>	<p>Machine Learning based Sales Leakage prediction</p>	<p>Speech Analytics suite for Customer insights & Agent performance analysis</p>	<p>Customized customer offers with propensity prediction</p>	<p>Generative AI driven virtual sales trainer bot</p>
--------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------	--------------------------------------------------------	--------------------------------------------------------------------------------------	--------------------------------------------------------------	-------------------------------------------------------

Purchase & Issuance

<p>Shield Early Claim & Fraud risk prediction Engine</p>	<p>13M & 25M Upfront Persistency Risk Prediction and Engagement recommendation</p>	<p>Computer Vision based Photo and liveness verification in PoSV</p>	<p>Diagnostic center analytics and fraud prediction & monitoring</p>	<p>UW decision anomaly identification suite to enhance decisional accuracy</p>	<p>Computer vision based Adhaar Masking Suite</p>	<p>Mortality Insights & Analytics hub</p>
--------------------------------------------------------------	----------------------------------------------------------------------------------------	----------------------------------------------------------------------	--------------------------------------------------------------------------	--------------------------------------------------------------------------------	---------------------------------------------------	-----------------------------------------------

Servicing, Retention & Others

<p>Deep Learning Customer Engagement, Retention & Persistency Prediction</p>	<p>Upfront Query Resolution with unified intent prediction and auto response bot</p>	<p>Machine Learning based Renewal Income & Persistency Forecasting & monitoring</p>	<p>Machine Learning based Detractor & NPS prediction model</p>	<p>Machine Learning based Surrender prediction and Surrender retention</p>	<p>Investment Risk Identification by flagging probable dealer misconduct</p>	<p>Profitability (VNB) Insights & Projections</p>
----------------------------------------------------------------------------------	--------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------	--------------------------------------------------------------------	----------------------------------------------------------------------------	------------------------------------------------------------------------------	-------------------------------------------------------

<p>100% Real time Risk prediction</p>	<p>400+ Diagnostic Centers delisted basis Mediceck</p>	<p>10K Daily personalized input performance being triggered for Axis RA & supervisors</p>	<p>22 Cr Historical documents processed for Aadhar masking</p>
--------------------------------------------------	-------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------

D Our investments in cloud and system modernization is helping us scale business in an agile way...

7



Cloud Data & Analytics Platform

- Data Lake Foundation build with data availability @ 60% & accessibility from 3hrs. to real-time, agent servicing asset migrated to lake
- Data stores (CDC, ETL,SIC, EDW) consolidation on Datalake in-flight
- Real-time reporting. Eagle Eye Go, CXO Dashboard
- AI/ML – Speech to Text, Claims Risk Insight Engine.



Compliance & Security

- Industry best Tools & process to monitor & mitigate vulnerabilities.
- 24/7 Matured SOC & Next Gen Ransomware detection & prevention Tool in place
- Tool to continuous monitor Cloud Security controls and Optimization score. Continuous Improvement in Progress



Cloud Foundation

- Agility in operations support for 4X volume on peak days with response time <1sec
- Multi Cloud Adoption to achieve best of breed cloud native services, Cost optimization & avoid vendor locking.
- Infra Footprint increase from 18% to ~65%.



Legacy Modernization

- Modernized Treasury, HR, Contact Center, Communications, AML, Agent customer servicing & Illustration platforms
- Centralized Product Configurator as a single source of truth for all applications
- Transformation of Core “Policy System Administration” on Oracle Cloud to meet Resiliency, On demand capacity, enhanced performance & BCP Posture.



Google Cloud



~100% Resiliency for Cloud & Critical Apps



BitSight Security Maturity Score- 810 (Best in Industry)



Auto Scaling Design to support peak volume



Provisioning from 8 weeks to 1-2 Days

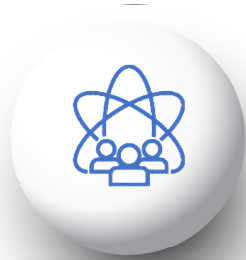


SECTION IV

- ▶ Max Life Insurance – ESG
- 

Four pillars of our sustainability framework





Work Ethically & Sustainably

-  Corporate Governance
-  Ethics & Compliance
-  Digital Initiatives
-  Ethical usage of Data
-  Operational Risk Management






Care for People

-  Diversity & Inclusion
-  Employee Development
-  Health & Wellness programs
-  CSR (with Financial Empowerment)







Financial Responsibility

-  Sustainable Investing
-  Product responsibility
-  Customer feedback integration



Green Operations

-  Waste Management
-  Water Management
-  Energy efficiency
-  Emissions control



Governance

- Dedicated **ESG Management Committee**
- Diverse Board composition with optimum no. of Independent Directors** (>50% - MFSL; ~30% - Max Life Insurance)
- Average Board experience > **30 years**
- Charters of Board and Committees** in place which define roles and responsibilities of the Board and respective Committees
- Framework for evaluation of the performance of the Board, Committees of the Board and Individual Directors adopted by the Company



Data Privacy & Security

- MLI received the DSCI Excellence Award for Best Security Practices in India in 2021
- BitSight rating of 810, which is best in financial services
- Certified on International standards **ISO 27001 and ISO 22301**
- Data privacy policy and practices in place
- Board approved Information security policy in line with **Aadhar Act, I-T Act** and other regulatory guidelines
- Dedicated CISO reporting to CRO for independence and better governance



Risk Management

- Max Life has a **robust governance framework with Board risk committee (REALMC)** supported by domain expertise committees (MRC, ALCO, DMC, ORG, IS BCM etc.)
- Risk Appetite and Risk Management** framework in place
- Robust derivative program as well as an ALM framework
- Detailed review process of Business Plan in place by CRO with focus on solvency risk and capital management



Compliance & Policies

- Platforms, mechanisms, channels** in place for grievance addresses, incident investigations and corrective actions and policies
- Dedicated **whistle-blower platform** managed by independent external partner
- Approved **Business Code of Conduct, Anti-bribery and anti corruption, Gifts and Meals policies, POSH, Anti-fraud.**

Care for People and Community



Diversity & Inclusion

- 🔥 Gender diversity ratio at 26.4% at Max Life
- 🔥 Capability building program for women's leadership – 'She Leads' culminated successfully
- 🔥 Capability building program for women at Band 5B – ROAR, launched in Axis Partnership Channel
- 🔥 Max WIN (Women in Network) circles launched for all women in leadership with 5 regional circles.
- 🔥 Creche Assistance Program Launched for all working parents at Max Life Insurance
- 🔥 Same sex partner coverage introduced in medical insurance for all employees



Well-being of Employees

- 🔥 Launched the Visit Health app as part of the holistic employee wellness campaign, (free - doctor consultations, counselling sessions, financial advisory, water intake tracking, daily step goals, etc.)
- 🔥 Launched the Health and wellness campaign #MaxThrive (Yoga sessions, health camps, counsellor visits, eye and dental check up camps, breast cancer awareness, Dietician visits)
- 🔥 Hobby Clubs launched to promote Intergenerational inclusion : Bikers, Yoga, Poetry, Music and Cricket



Employee Development & Policies

- 🔥 **200+ OTRs** have been completed, all with the focus on performance, values, and potential. These reviews are not only driving business growth but also fortifying our leadership pool and fostering gender diversity across all levels.
- 🔥 Introduced Empuls, a cutting-edge employee recognition platform designed to provide a seamless digital experience for appreciating and acknowledging org-wide
- 🔥 We are amongst a very few organizations to assess employees on Organization Values






CSR Initiatives

- 🔥 **Joy of Giving: 21000+ beneficiaries positively impacted** through virtual and physical volunteering initiatives by employees
- 🔥 **Financial literacy and insurance awareness:** project continues in partnership with United Way Chennai and Haqdarshak in Haridwar and Purbi Singhbhum. Varanasi added as a new location under the State Insurance Awareness Plan in partnership with Saaras Foundation
- 🔥 **Education:** 106.82 lac children positively impacted, 23,168 children directly benefited through the education initiatives in partnership with Max India Foundation
- 🔥 **Environment preservation:** 10,000 trees planted in Bhondsi village on the outskirts of Gurugram in partnership with GMDA. Maintenance & plantation continues on MG Road, Gurugram.

Financial Responsibility





Committed to responsible investments

-  **100% ESG integration** will be ensured in all equity investment research and decision making
-  **75%** of equity portfolio to be ESG compliant at all times
-  **100%** compliance for equity portions of shareholders fund to be adhered to










Responsible Investments

-  Comprehensive stewardship policy in place and a detailed summary of MLI's voting actions are disclosed on a quarterly basis.
-  Max Life looks at governance closely for its investee companies.





Product Responsibility

-  Benefits for females/transgenders for financial inclusion :
 -  Under Smart Wealth Income Plan, we provide a preferential discount for women
 -  Under SWAG and SWAG Par Plan, higher returns for female lives and discount is available for transgenders
 -  Annuity plan improved to increase female rates
-  Max Life annuity plans, Smart Wealth Advantage Guarantee Plan and Smart Wealth Plan offer senior customers guaranteed income throughout their life
-  Additional health protection through our Rider Suite. Critical Illness and Disability Rider can be attached to almost the entire product portfolio; offers protection against 64 critical illnesses and disabilities.
-  Launched Pure Growth Fund for ULIPs, where the investment exclude sectors such as alcohol, gambling, contest, entertainment.



Integrating Customer Feedback

-  Consistent focus on integrating feedback from policyholders in our services, reflected in our NPS ratings, as per Kantar Studies.
-  NPS in Q2 FY 23-24 : 55

Green Operations



Holistic approach

- Conducted a **carbon footprint assessment** of our pan-India offices.
- Measurement of **GHG emissions** of DLF Square and 90C for FY 2022-23
- To reduce carbon emissions by 80% by 2028



Energy Management

- Home Office HO-DLF building is a LEED Platinum certified building with “5 star rating” in health and safety by British safety council & HO - 90C is Platinum certified by Indian Green Building Council
- Replacement of CFL with LED lights ongoing in all offices to reduce energy consumption : Replacement concluded at 15 locations in first two quarters of FY 2023-24.
- Replacement of old air-conditioners ongoing: Plan to replace 500 ton of AC in FY23 – ~358 Ton AC replaced in 2 Quarters (Q1 & Q2) of FY’24



Water Conservation






- Water is recycled with the help of STP: ~1419 KL of STP water recycled in 2 quarter (Q1&Q2) of FY’24
- 100% tap sensors and water aerators in place in HO. ~70% water consumption is reduced.
- 10,000 Tree plantation. Plantation drive has been successfully completed in Jul’23.



Waste Management

- Dry and wet waste segregation process is being followed at HO
- Installed sanitary pad disposal at HO for sustainable menstrual hygiene management ~137 kg carbon equivalent conserved in first two quarters of FY 2023-24.

Accomplishments in our key strategic shifts identified in our ESG journey

Indicators	Key Metric for ESG Indicators	Key Targets	Current Status
 Digital Operations	Digital enablement (Self Servicing) in Business transactions	90% of all self- servicing operations to be digital by FY25	95% self-service enablement by Sept'23
 Diversity & Inclusion	Overall Gender Diversity Ratio	Achieve 30% gender diversity ratio by FY25	26.4% gender diversity ratio in Sept'23
 Workforce Training	Number of Learning hours to upskill and reskill employees	Improve total training hours by ~3X by FY25	16,810 training hours till Sept'23
 Responsible Investments	ESG integration* & Compliance^ in Investment Decision Making	100% ESG integration in equity investment research and decision making 75% of equity portfolio to be ESG compliant at all times	External Consultant on-boarded for ESG integration process. Tracking for ESG compliance: on-going
 Carbon Neutrality	Reduce carbon footprint and achieve Carbon Neutrality	To achieve 80% carbon neutrality by FY28	Exploring pathway to decarbonization and for effective waste management

*ESG Integration refers to evaluation of ESG risks and opportunities for each company in the portfolio
 ^ESG compliance refers to all ESG rating categories excluding severe risk category, as per rating agency scores

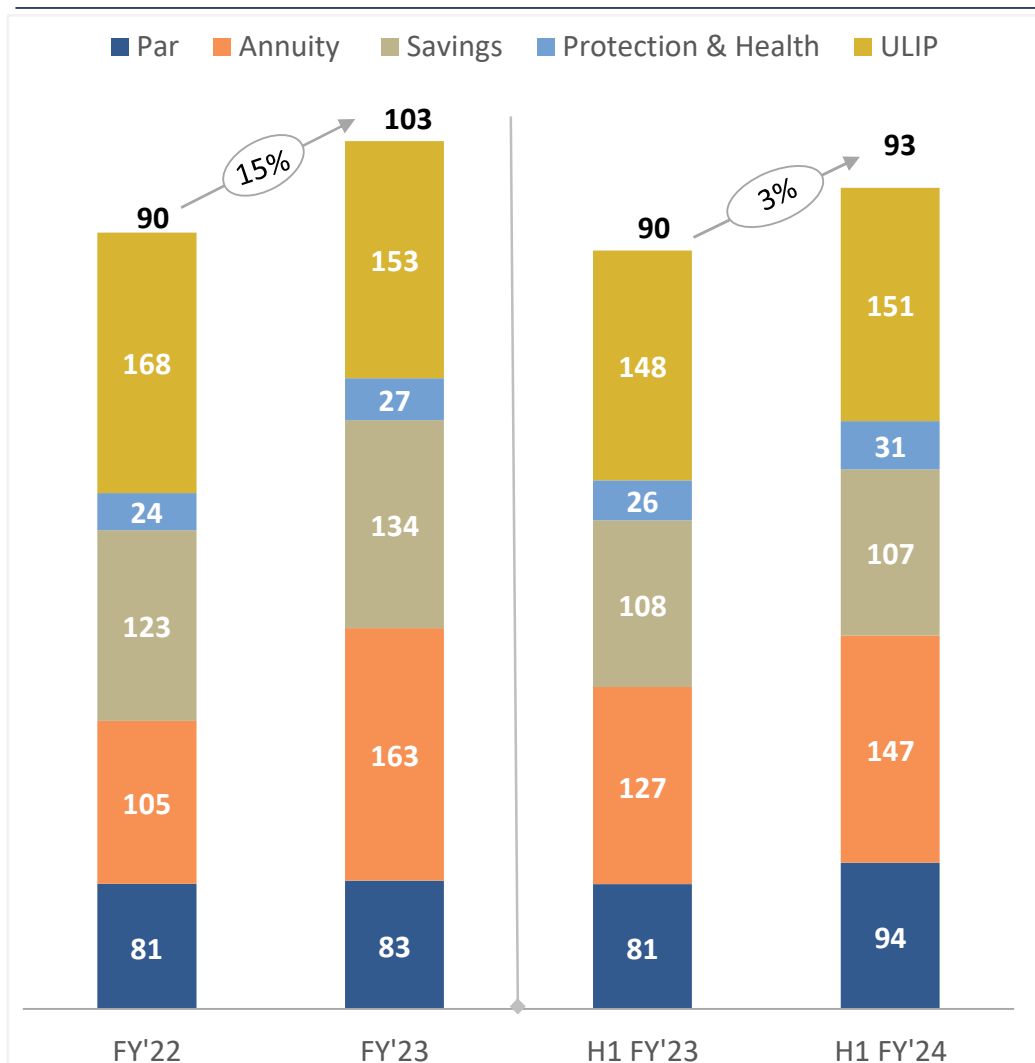


ANNEXURES

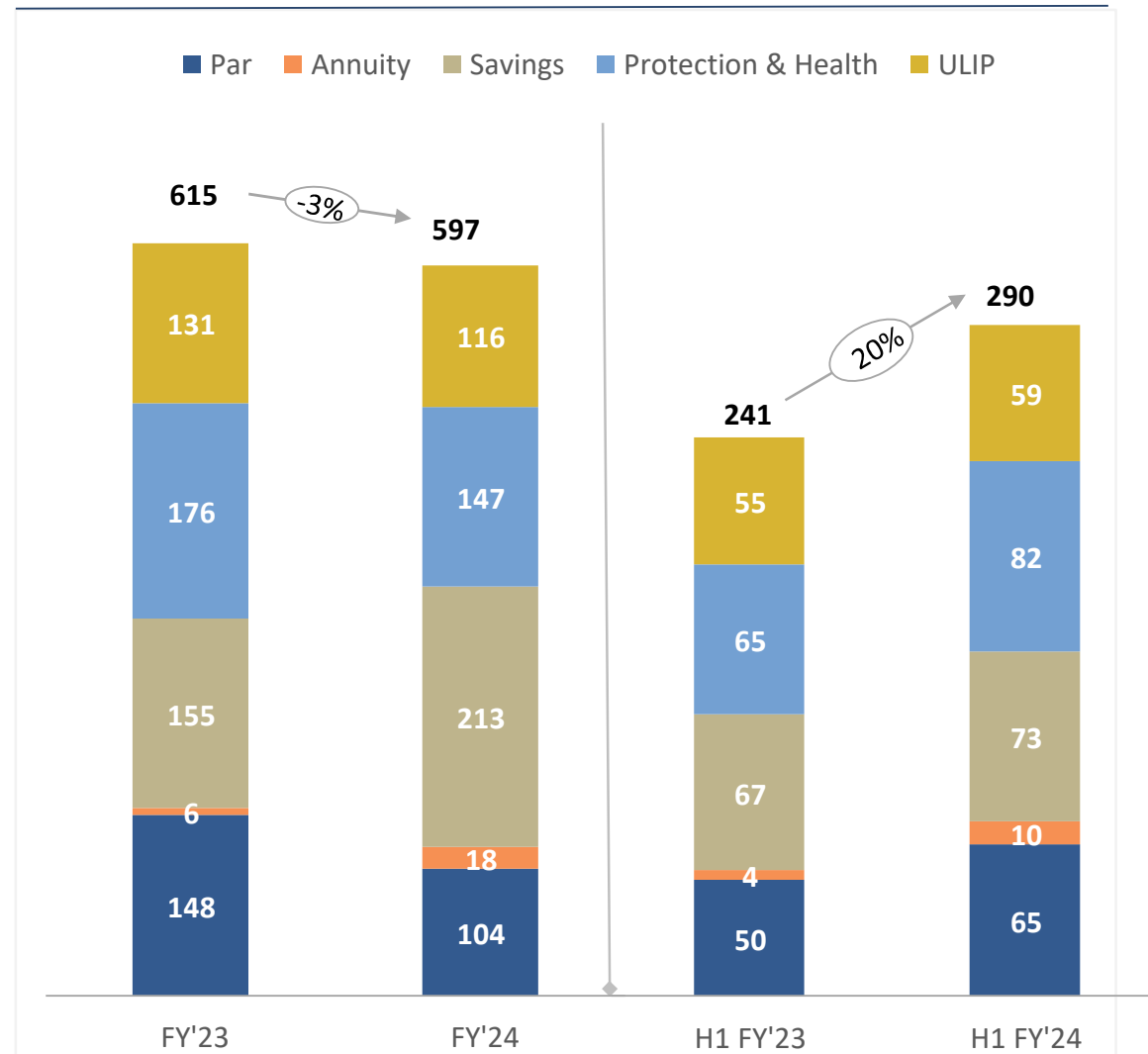


Expansion in both case size and number of policies sold in 6M FY24

Case Size* (INR'000)



NoP's (000's)



*Based on APE

Sensitivity analysis as at 30th September 2023

Sensitivity	EV		New business	
	Value (Rs Cr)	% change	VNB (Rs Cr) NBM	% change
Base Case	17,911	-	663 24.0%	-
Lapse/Surrender - 10% increase	17,960	0.3%	665 24.1%	0.3%
Lapse/Surrender - 10% decrease	17,845	(0.4%)	659 23.8%	(0.6%)
Mortality - 10% increase	17,520	(2.2%)	620 22.4%	(6.5%)
Mortality - 10% decrease	18,306	2.2%	706 25.5%	6.5%
Expenses - 10% increase	17,752	(0.9%)	604 21.9%	(8.9%)
Expenses - 10% decrease	18,071	0.9%	722 26.1%	8.9%
Risk free rates - 1% increase	17,700	(1.2%)	696 25.2%	4.9%
Risk free rates - 1% reduction	18,027	0.6%	608 22.0%	(8.3%)
Equity values - 10% immediate rise	18,149	1.3%	663 24.0%	Negligible
Equity values - 10% immediate fall	17,674	(1.3%)	663 24.0%	Negligible
Corporate tax Rate - 2% increase	17,506	(2.3%)	640 23.2%	(3.5%)
Corporate tax Rate - 2% decrease	18,316	2.3%	686 24.8%	3.5%
Corporate tax rate increased to 25%	16,133	(9.9%)	563 20.3%	(15.2%)

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.

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 180% 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 September 2023. The VNB is calculated using the beginning of respective quarter's risk free yield curve (i.e. 31st March 2023 and 30th June 2023).
- No allowance has been made for liquidity premium because of lack of credible information on liquidity spreads in the Indian market.
- Samples from 30th September 2023 and 31st March 2023 spot rate (semi annualized) yield curves used are:

Year	1	2	3	4	5	10	15	20	25	30	40
Sept-23	7.02%	7.14%	7.29%	7.24%	7.25%	7.20%	7.38%	7.40%	7.42%	7.48%	7.59%
Mar-23	7.16%	7.07%	7.17%	7.19%	7.17%	7.34%	7.38%	7.40%	7.45%	7.45%	7.45%
Change	-0.14%	0.07%	0.12%	0.05%	0.08%	-0.14%	0.00%	0.00%	-0.03%	0.03%	0.14%

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.
- 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.
- Future CSR related expenses have been taken to be 2% of post tax (risk adjusted) profits emerging each year.
- 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.