

Max Financial Services Limited

Investor Presentation

August 2019





SECTION I

- ▶ Max Financial Services
- 

“To be the most admired corporate for service excellence”



Sevabhav

- Positive social impact
- Helpfulness
- Culture of Service
- Mindfulness



Excellence

- Expertise
- Dependability
- Entrepreneurship
- Business performance



Credibility

- Transparency
- Integrity
- Respect
- Governance

Max Way as an underlying ethos

courtesy
transparency

respect/dignity
performance orientation

progressiveness
ethicality

Max Group - Sponsors



* MHC to merge with Radiant to create 3rd largest Hospital chain

** True North to acquire Max's stake(51%) in Max Bupa for 517 Cr

Ventured into Manufacturing & trading businesses

- **Pharma:** Penicillin-based drug
- **Packaging Films:** Max Speciality Films
- **Electronics:** Partnered with Avnet
- **Cellular services:** JV with Hutchison
- **Paging services:** Tie-up with Motorola
- **Communication & Satellite:** Comsat JV
- **Printed Circuit Board:** JV with Atotech
- **Divestment:** Divested 40% stake in Telecom business for a gain of 488 Cr

First wave: Early years,
Started with Manufacturing
Businesses (1982 – 2000)

Group reinvented itself ... Shifted from B2B to B2C businesses:

- **Life Insurance:** JV with NYL in 2001, monetized Rs 938 Cr by replacing JV partner MSI in 2012
- **Health Insurance:** JV with Bupa in 2009
- **Healthcare:** JV with LHC in 2012, LHC equalize stake in 2014, invested 766 Cr
- **Senior Living:** Launched first community in Doon in 2013
- **Fund Raised:** Warburg invested 340 Cr in 2005; QIP - 1000 Cr in 2007; IFC invested 450 Cr in 2007/09; Goldman Sachs invested Rs 522 Cr in 2010

Second wave: Group reinvented from a
B2B manufacturing conglomerate
to a B2C company
(2000 – 2014)

Acquisitions, Demerger, Wider world of businesses through MVIL & Portfolio rebalancing :

- **Acquisitions:** 2 landmark acquisitions acquires Vaishali & Saket city hospital
- **Demerger:** Spilt into 3 entities, Max Financial, Max India & Max Ventures
- **Wider world of businesses :** MVIL forays into Real Estate; NYL acquires 22.5% stake in MVIL; Toppan inducted as JV partner in Max Speciality Films
- **Re-balancing Portfolio:** MHC to merge with Radiant to create 3rd largest Hospital chain; True North to acquire Max's stake(51%) in Max Bupa for 517 Cr

Third wave: Corporate restructuring to
unlock value; Focus on wider world of
businesses through MVIL
and Rebalancing of portfolio
(2015 – 2019)

Current JV Partners



Past JV Partners



Marquee Investors





Mohit Talwar

- Vice-Chairman, Max Group
- Managing Director, Max India Limited
- Managing Director, Max Financial Services
- Vice-Chairman, Max Ventures and Industries Ltd
- Chairman, Max Specialty Films



Prashant Tripathy

- Managing Director & CEO, Max Life Insurance



Sahil Vachani

- MD & CEO, Max Ventures and Industries Limited
- Director in Max Financial & Max Life Insurance



Tara Singh Vachani

- Executive Chairman, Antara Senior Living
- Director in Max India & Max Healthcare



Rajit Mehta

- Managing Director & CEO, Antara Senior Living
- Group role to oversee Max India New Growth Initiatives and Advisor for Max Group's Human Capital



Ashish Mehrotra

- MD & CEO, Max Bupa Health Insurance



Rajender Sud

- CEO, Max Skill First Limited



Ramneek Jain

- CEO, Max Specialty Films

1

USD 3.2 billion Revenues... 11 Mn Customers... 27,500 Employees... ~82,500 Agents

2

Strong growth trajectory even in challenging times; a resilient & diversified business model

3

Steady revenue growth and cost rationalization leads to strong financial performance

4

Well established board governance....internationally acclaimed domain experts inducted

5

Diversified ownership.....marquee investor base

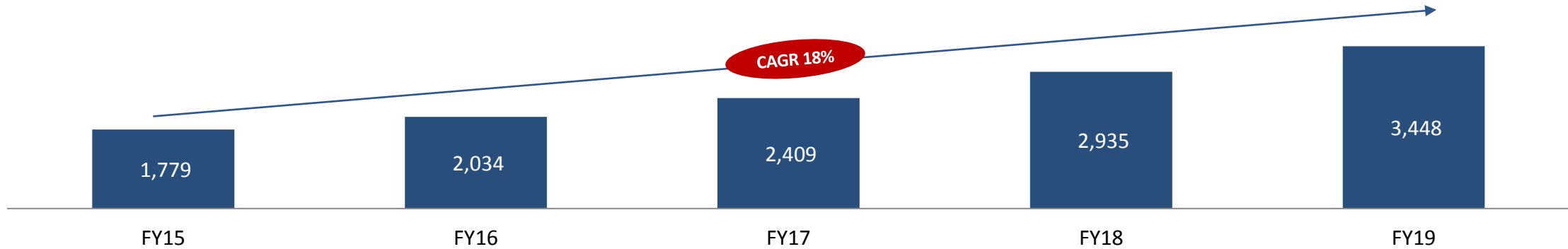
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Superior brand recall with a proven track record of service excellence

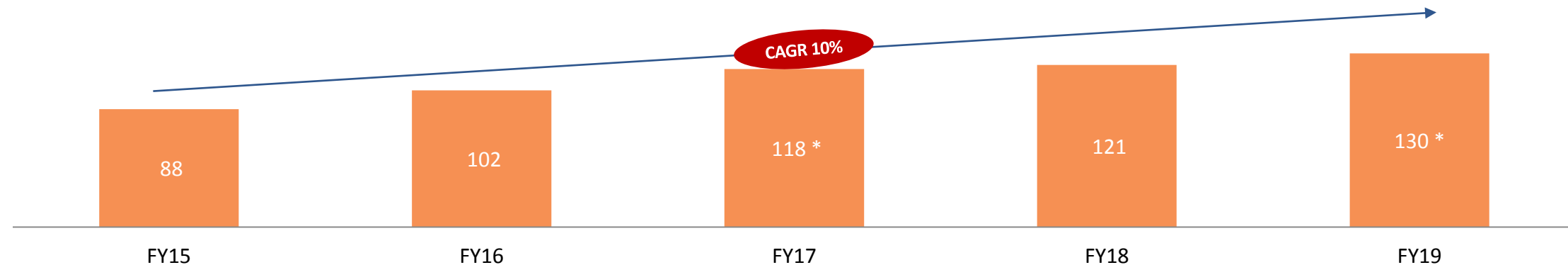
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Strong history of entrepreneurship and nurturing successful business partnerships

Group Revenue (USD mn)



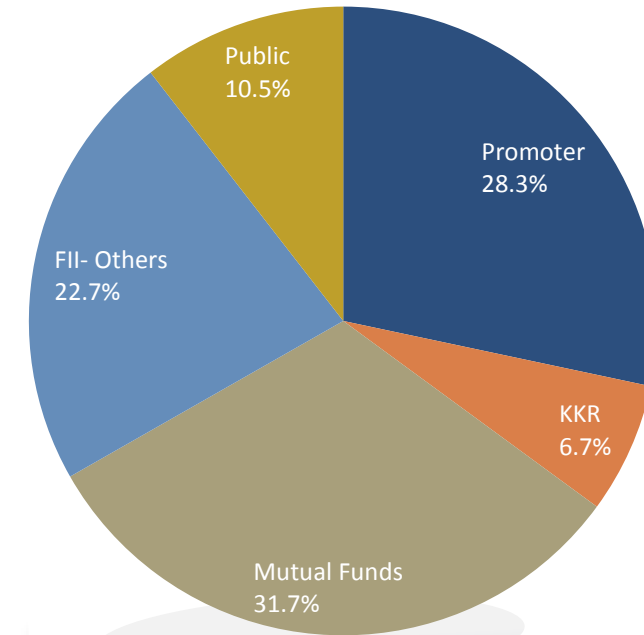
Group EBITDA (USD mn)



Shareholding concentrated with Marquee Investors

- KKR
- Baron Emerging Market Fund
- Norway Government Pension Fund
- New York Life
- Vanguard
- Aberdeen
- Jupiter
- TVF (First Voyager)
- Eastspring
- Reliance Mutual Fund
- ICICI Prudential Mutual Fund
- HDFC Mutual Fund
- Motilal Oswal Mutual Fund
- Mirae Mutual Fund
- Aditya Birla Sunlife Mutual Fund
- Kotak Mutual Fund
- Sundaram Mutual Fund

Shareholding Pattern
as on 30th Jun 19



Number of outstanding shares: 26.94 Cr.

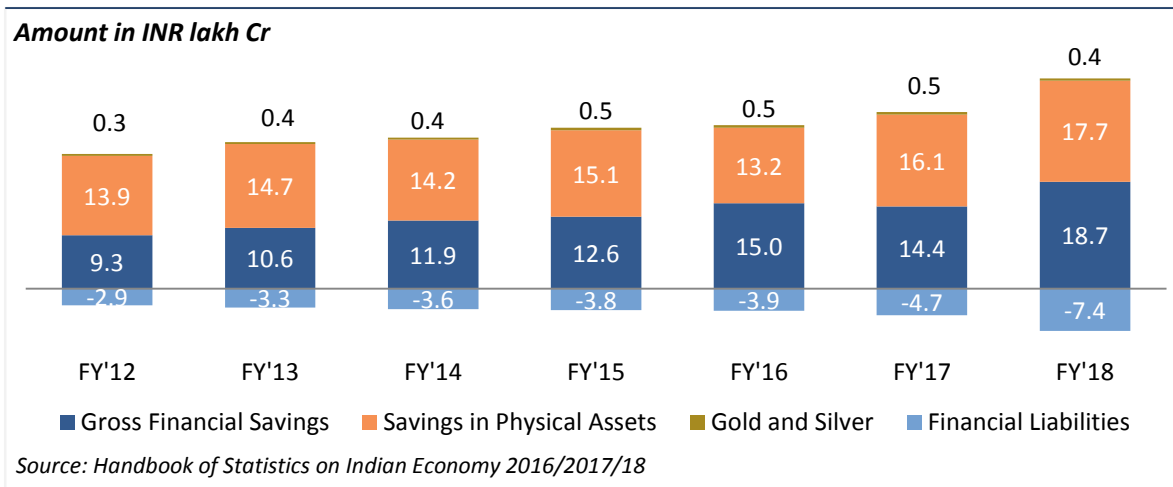


SECTION II

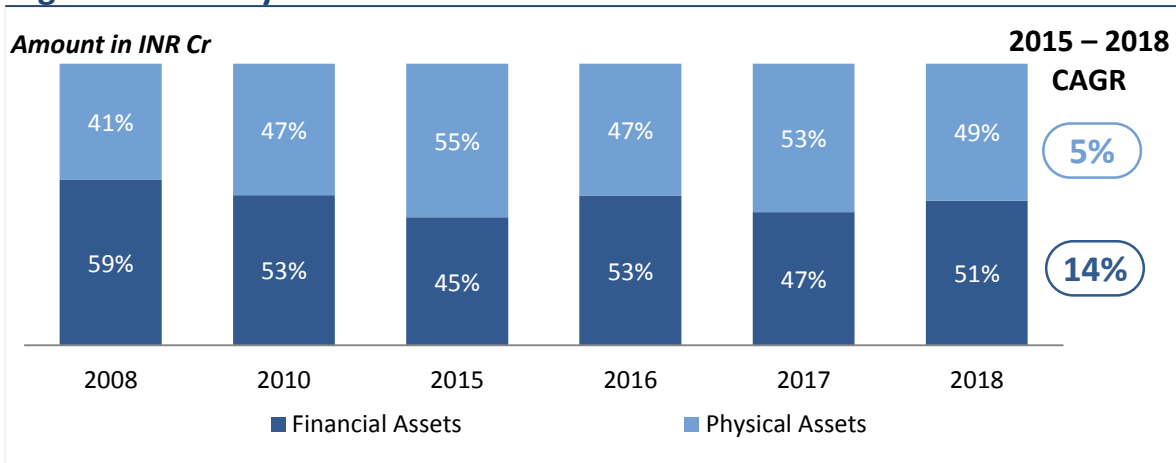
- ▶ Max Life Insurance – Insurance Opportunity
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Sustained policy support along with macro economic fundamentals aids growth of financial savings pool; Life Insurance at INR 35 Lakh Cr* of AUM is among preferred asset class in India

High Savings Culture.....

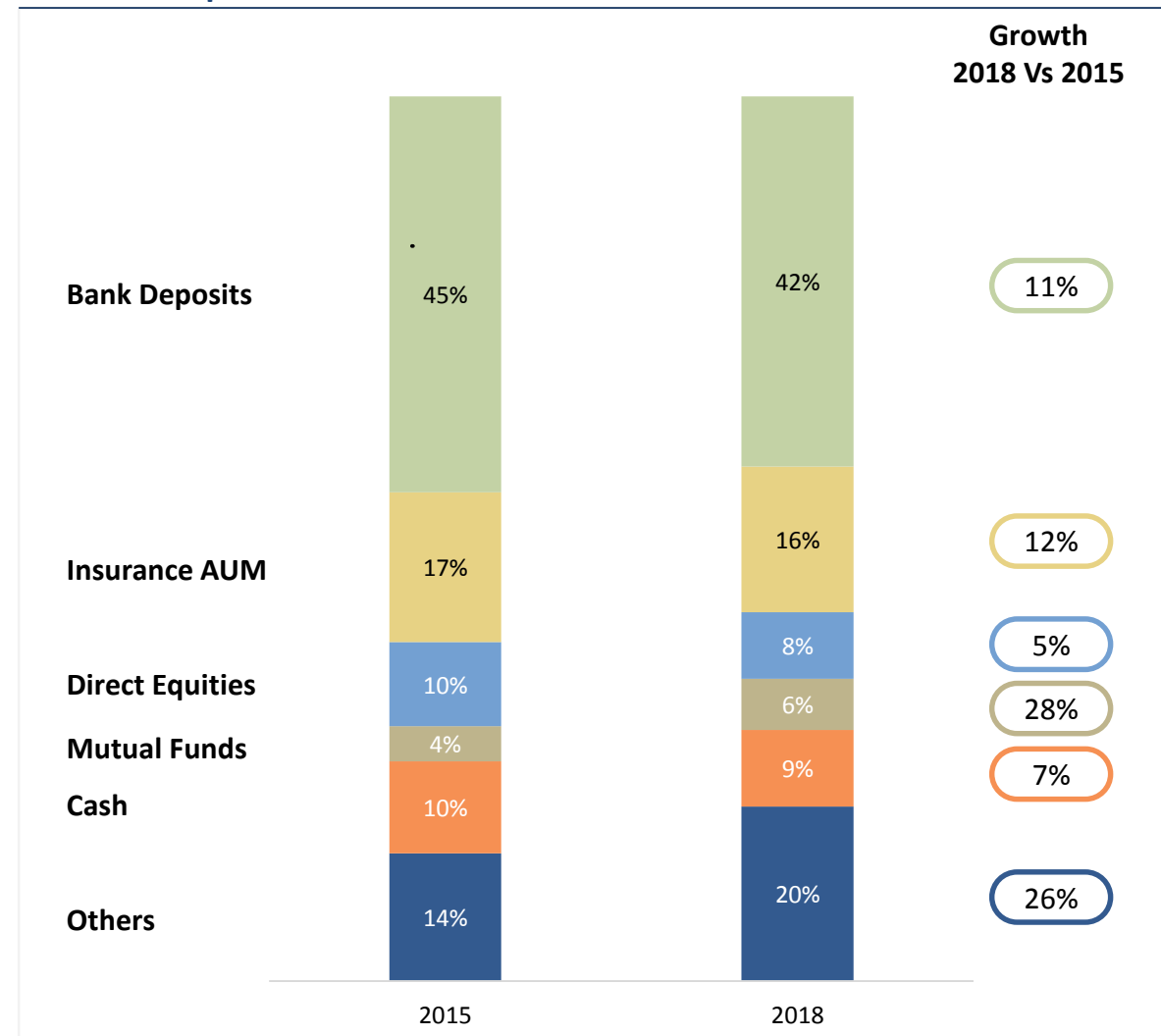


Household Savings flow - ~30% growth in financial assets flow in 2018 - Highest in last 5 years



Source: Handbook of Statistics on Indian Economy 2016/2017/18

Retail wealth in India - Increasing preference for avenues other than cash and bank deposits

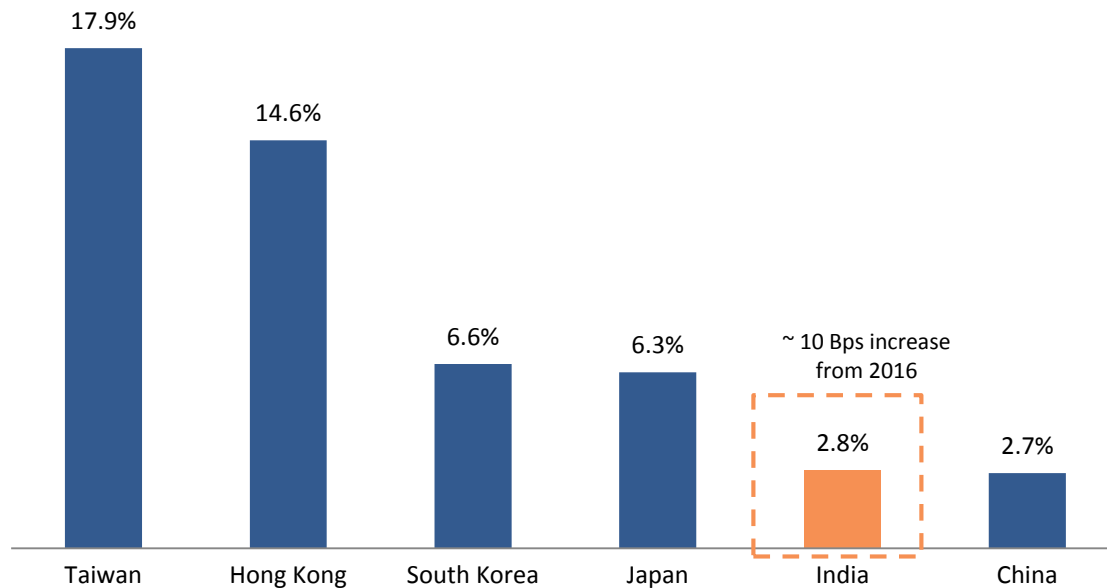


Source: Karvy India Wealth Report 2015/2016/2017/2018
Direct Equities excludes promoter holdings

Significant opportunity for Life Insurance to grow in India on the plank of ensuring disciplined savings over a long term – Only asset class which is effective in addressing the gap

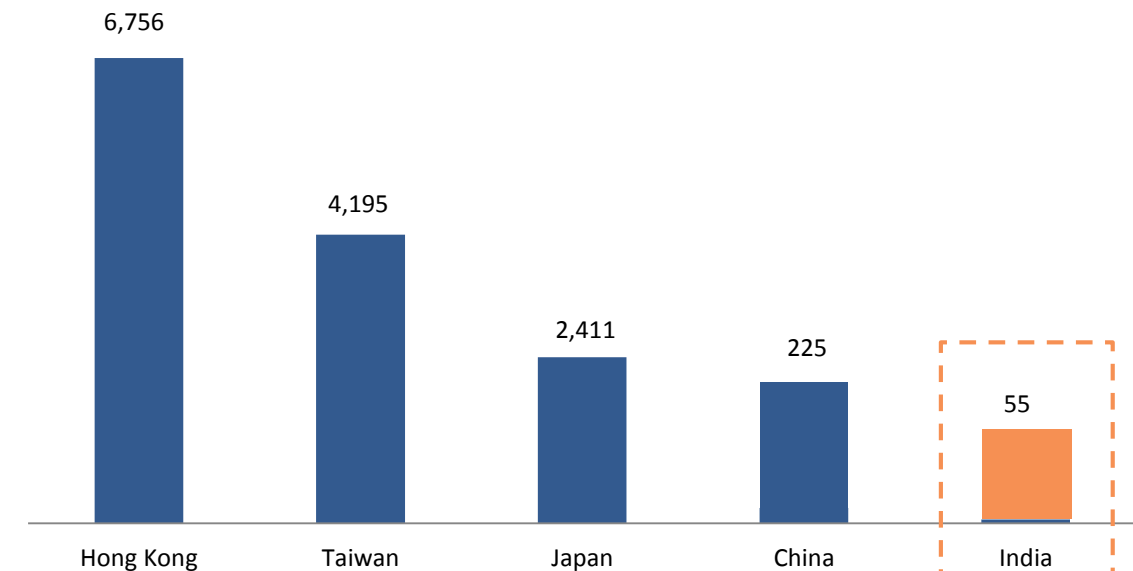
India lags behind other developed countries on Life Insurance penetration

Life Insurance Penetration
(Premium as % of GDP), CY 2017



Gap between other countries and India is significant for Life Insurance density

Life Insurance Density
(Premium per capita – USD), CY 2017

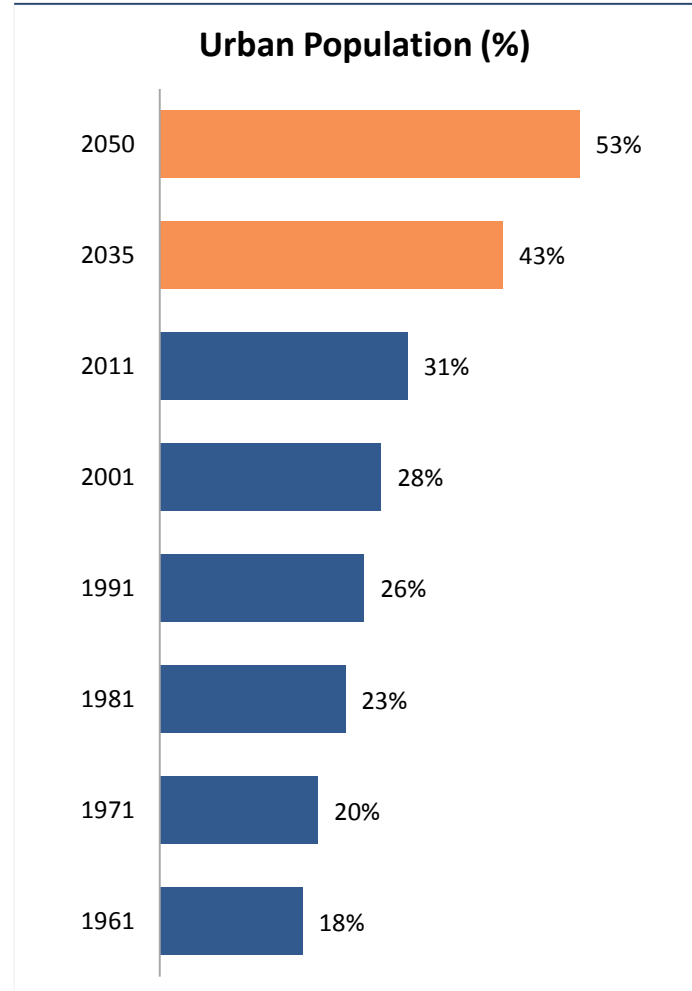


Long Term Nature of Savings

- Life Insurance inculcates disciplined savings mindset which help retain AUM for longer
 - For the **mutual fund industry**, only **40-45%[^] of the assets are more than 2 years old**
 - For better Asset Liability management, Banks preference remains for shorter tenure deposits
 - Investment in direct equities impacted by performance of stock market and does not ensure discipline

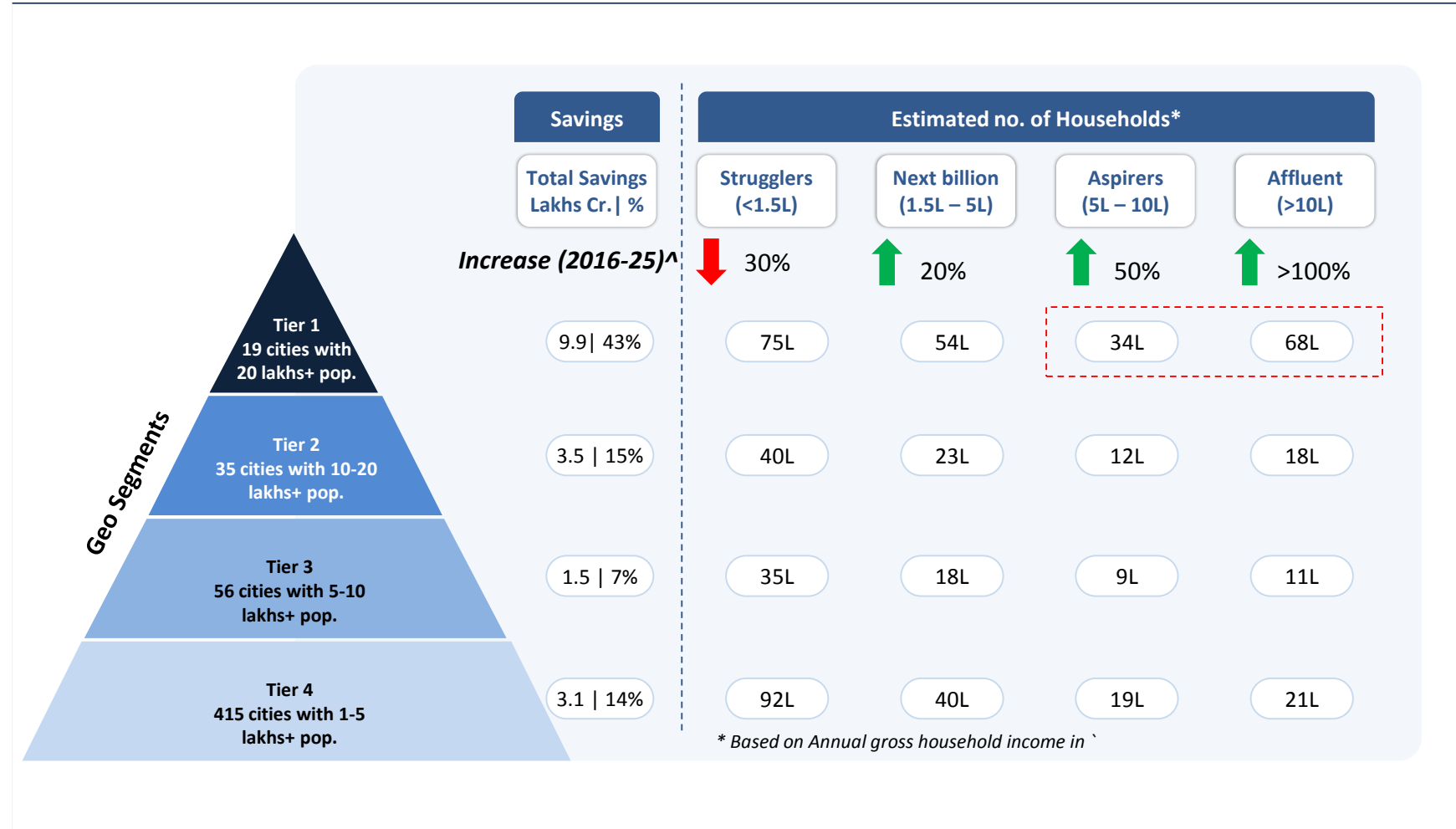
Urbanization, improving affluence, emergence of nuclear families will continue providing impetus to the Life Insurance industry

India has witnessed rapid urbanization, aids affluence and emergence of nuclear families



Source: World Urbanization Prospects: The 2018 Revision, United Nations

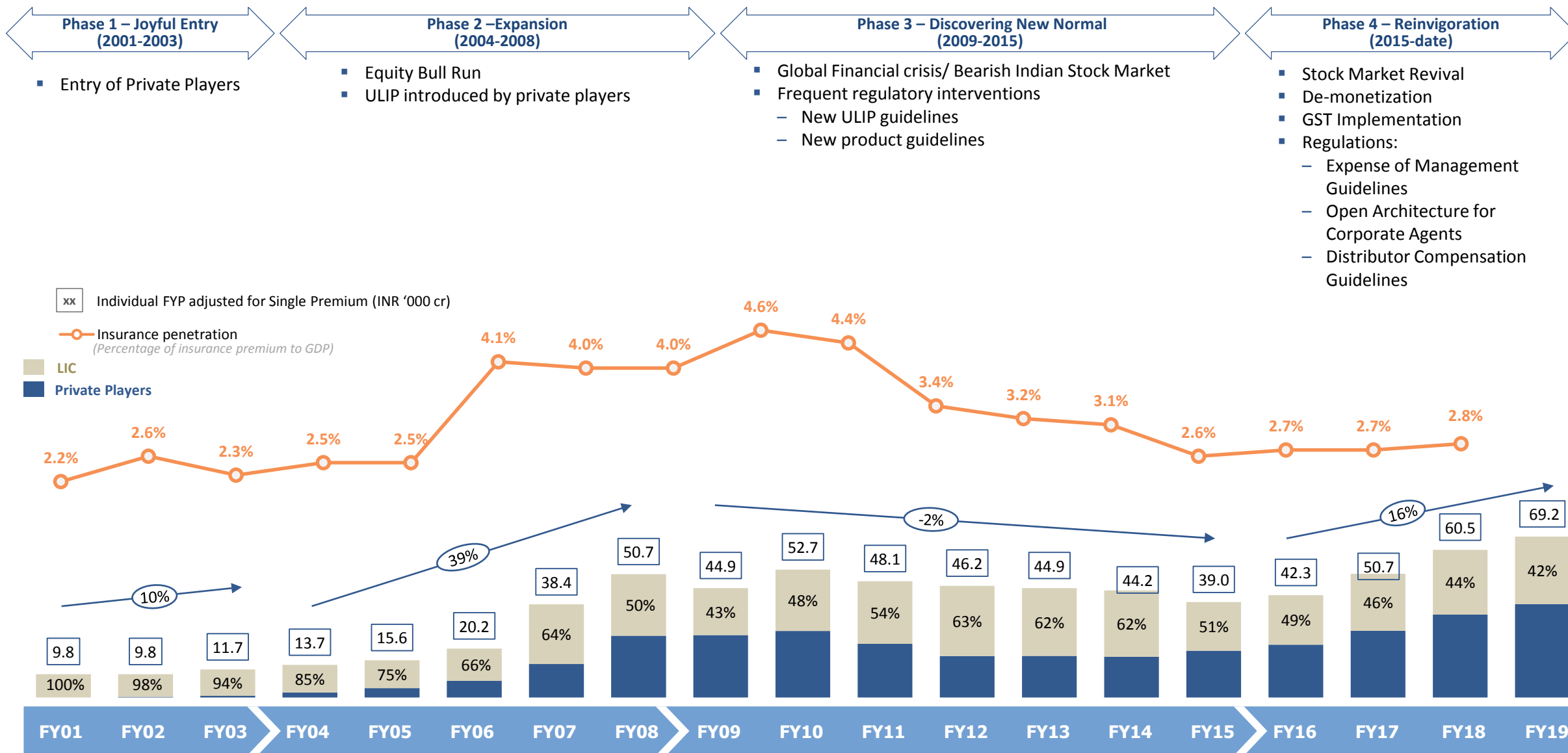
Middle class is likely to increase rapidly, especially in Top 150 cities; Top 19 cities continue to hold bulk of household savings as well affluent households



Source: Nielsen Analytics, Mumbai, India. MME: Metro, Town & Rural Skyline of India 2015-16

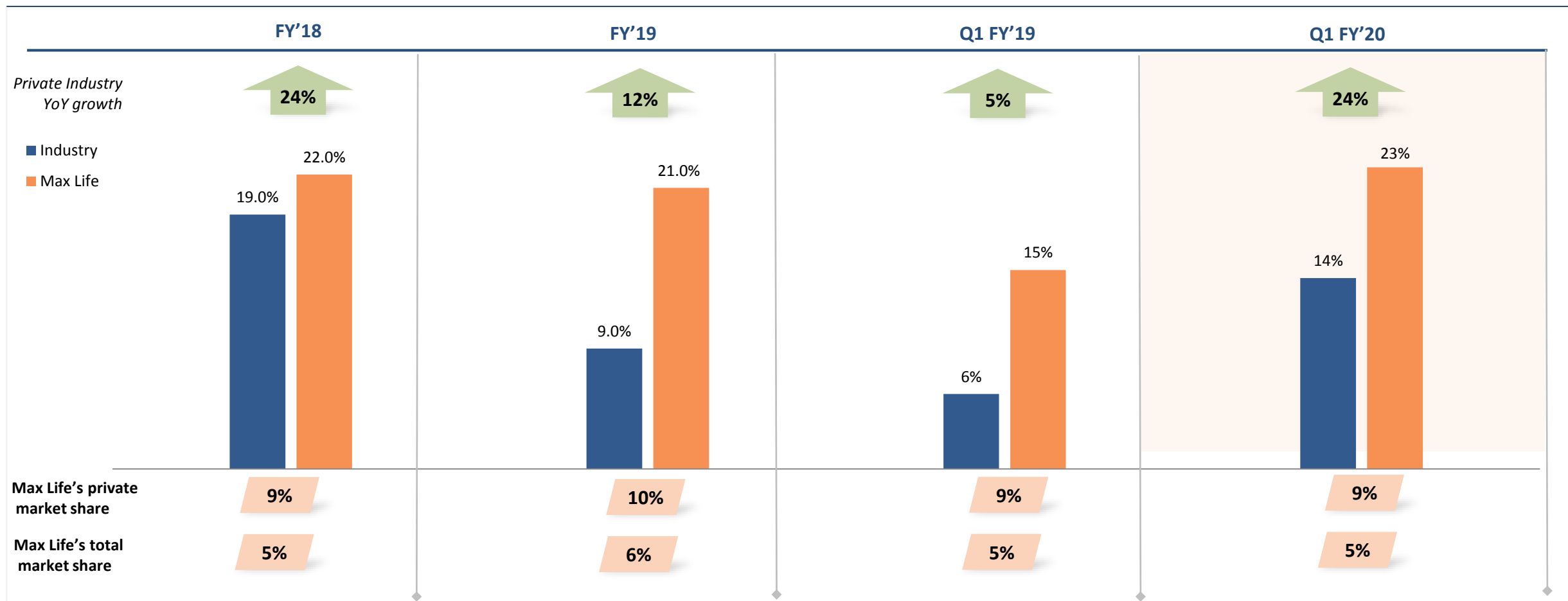
^ Source: BCG: The New Indian

Life insurance industry has seen multiple cycles since 2001. Recent structural changes in the economy have resulted in positive flow towards financial assets aiding the insurance industry



Industry Landscape (Q1 FY'20): Total Industry grew by 14%, while Pvt. players grew by 24% and LIC by 3%)

YoY Growth basis Individual Adjusted FYP



Max life continues to demonstrate steady growth rate trajectory, in line with private industry growth rate.



SECTION III

- ▶ Max Life Insurance – Business Overview
- 

Max Life has an extensive presence across India through its own offices and distribution partners
and is the 4th largest private Life Insurance player in the country

Max Life has more ~6500 Point of Sales
across the country



4th Largest
Private Life Insurer[^]

~10% Private Market Share[^]

#1 Claims Paid ratio in industry



322 Own Branch Units

6000+ Partner
Branches

~50K Agents

~60 Distribution
Partners



~63K Cr
Assets Under
Management

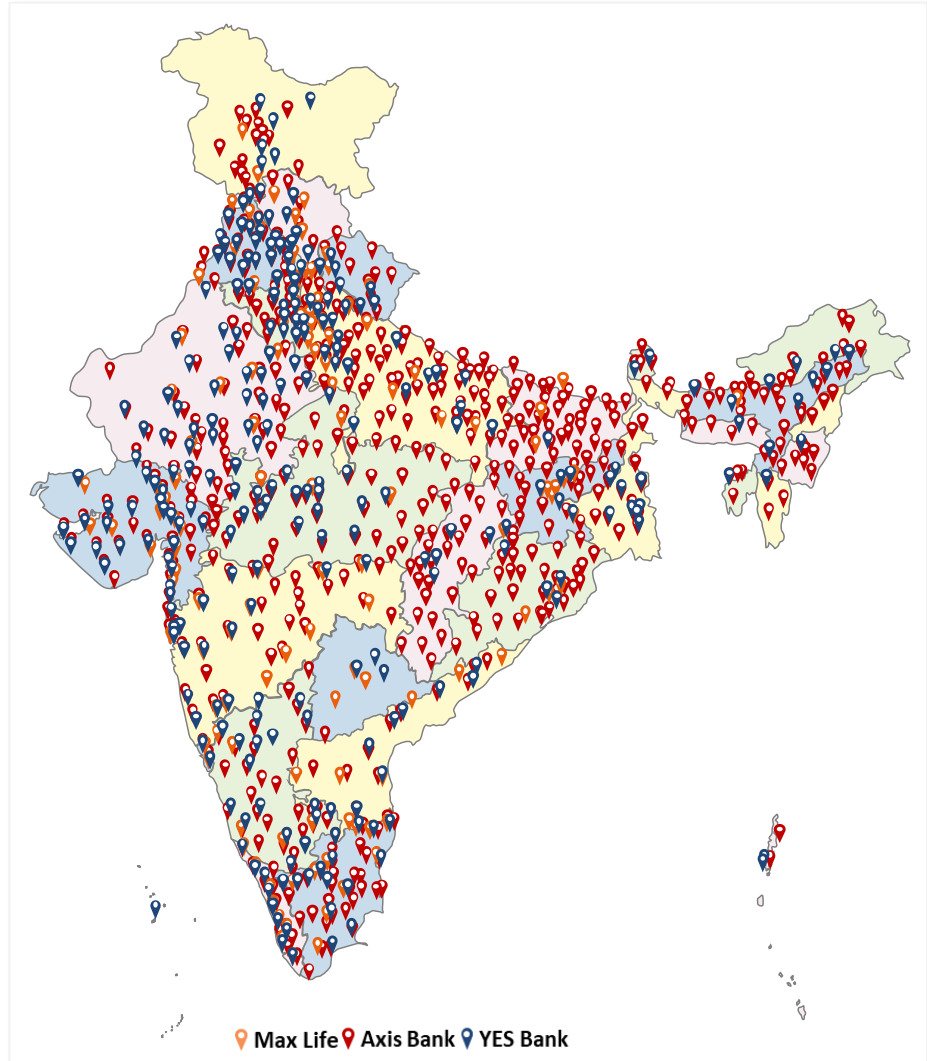
4th Largest AUM



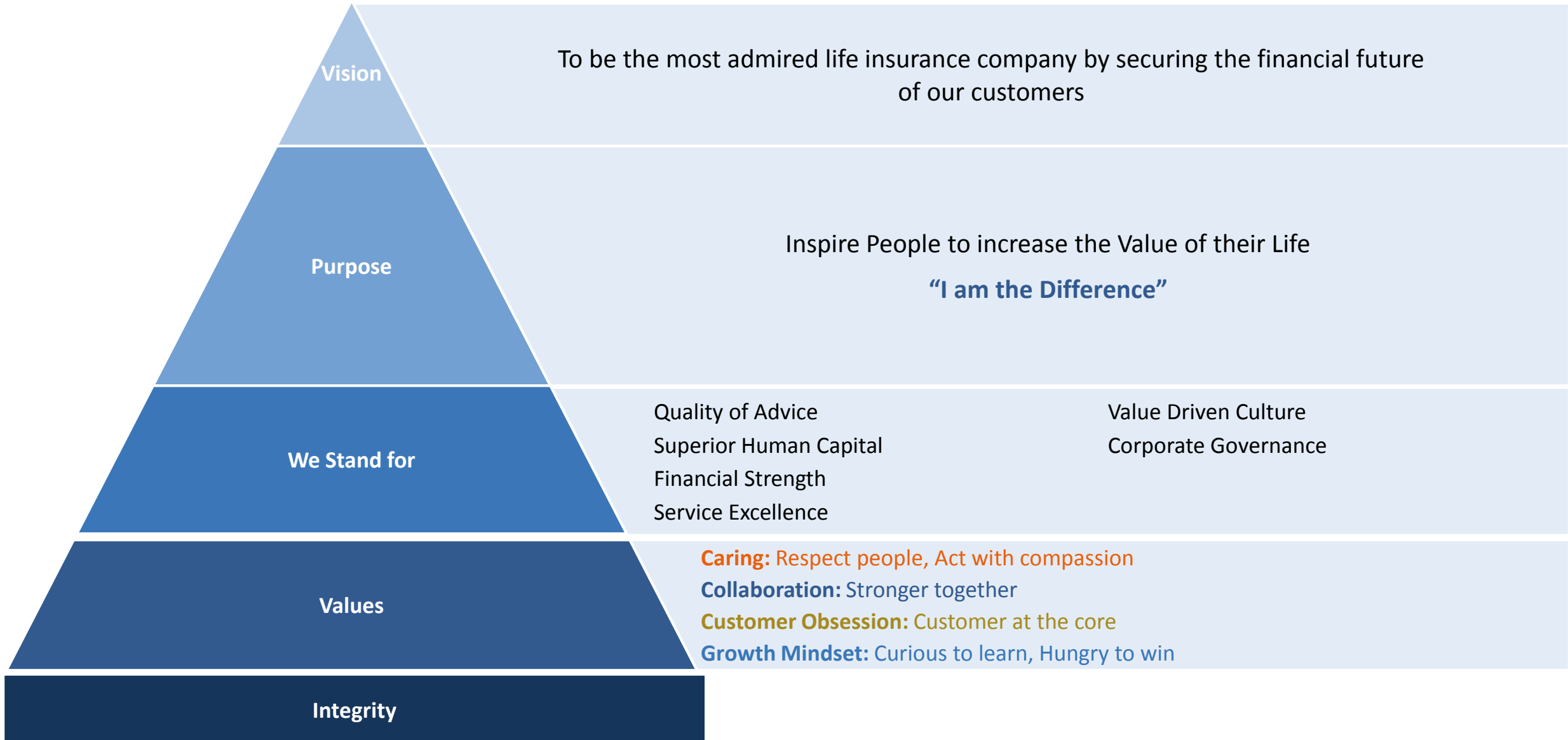
~7L Crores
Sum Assured

~1 Cr+ Lives Insured** Till Date

35 Lacs+ Active Customers**



Max Life Insurance's road map to becoming India's most admired life insurance company



Highly experienced and versatile Board of Directors providing strong and secure foundation



Chairman and Founder
Mr. Analjit Singh

Founder and Chairman of Max India. Awarded with highest civilian honor, the Padma Bhushan



Director
Mr. K. Narasimha Murthy

Serving on the Board of ONGC, LIC Housing, STCI, Infiniti Retail, APSFC, Max Bupa and NABARD



Managing Director and CEO
Mr. Prashant Tripathy

A seasoned professional with over two decades of experience. Appointed as Managing Director and CEO in January 2019



Deputy Managing Director
Mr. V Viswanand

An industry veteran with a dynamic presence in the financial services sector.



Director
Ms. Marielle Theron

Fellow of the Society of Actuary (FSA). She is a Principal of Erlen Street Corporation, Switzerland



Director
Mr. Mohit Talwar

Seasoned professional with 24 years of experience in Corporate Finance and Investment Banking



Director
Mr. D. K. Mittal

Former IAS officer of 1977 batch and has served the government of India in various capacities



Director
Mr. Rajit Mehta

Currently the CEO and MD of Max Healthcare Institute and also the founding member of Max Life



Director
Mr. Hideaki Nomura

Seasoned professional with 29 years experience in financial industries



Director
Mr. Pradeep Pant

Seasoned business leader with experience in leading FMCG companies like Mondelez, Gillette and Nestle



Director
Mr. Sahil Vachani

Responsible for the overall strategic vision and direction of the company



Director
Mr. Deepak Bhattasali

An academic associated with Georgetown University and has also worked extensively with the World Bank

Executive Management Team has rich insurance experience and spent ~100 years at Max Life combined

Max Life Management Team



Prashant Tripathy
Managing Director & CEO

- Stint in Max : 12+ years
- Total Experience: 23+ years
- Previous Organizations: Tata Steel, GE



V Viswanand
Deputy Managing Director



Manik Nangia
Director & Chief Operations Officer



Aalok Bhan
Director & Chief Marketing Officer



Jose John
Director & Appointed Actuary



Mihir Vora
Director & Chief Investment Officer



Shailesh Singh
Director & Chief People Officer



Amitabh Lal Das
Director - Legal - Compliance & Regulatory Affairs



Mandeep Mehta
EVP & Deputy Chief Financial Officer



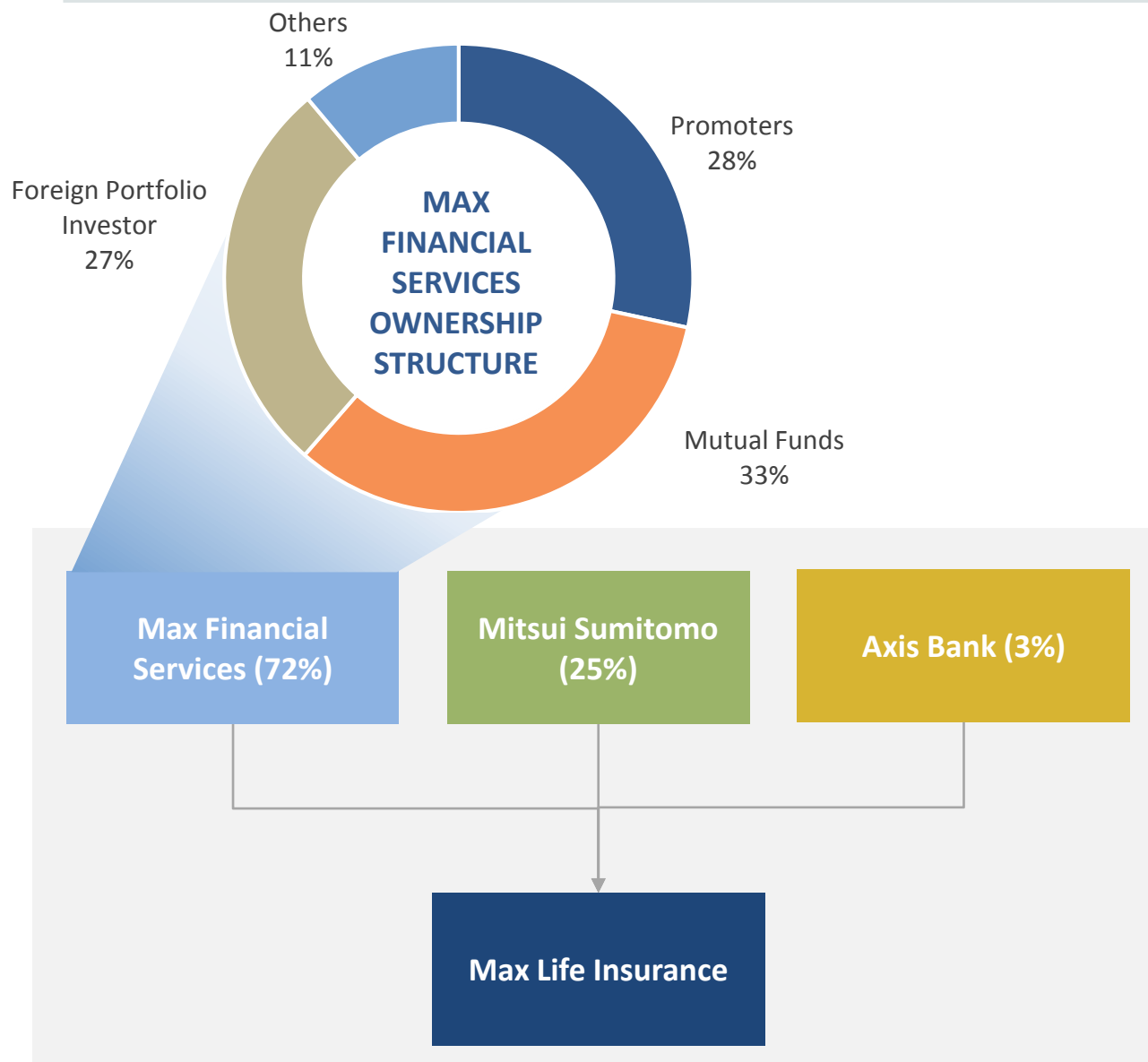
Amrit Singh
SVP & Head – Strategy, Analytics & Investor Relations



Sachin Saxena
SVP & Chief Risk Officer

| | | | | | | | | | | |
|----------------------|--------------------|--|--|--------------------------|--|----------------------------------|----------------|--|------------------------------------|--|
| Stint in Max | 18+ years | 15+ years | 5+ years | 10+ years | 5 years | 7+ years | 5+ years | 3+ years | 5+ years | 12+ years |
| Total Exp. | 27 years | 21+ years | 28+ years | 19+ years | 25+ years | 28+ years | 23+ years | 24+ years | 15+ years | 17+ years |
| Previous Org. | ANZ Grindlays Bank | ABN AMRO, ICICI Bank, ICICI Prudential | Standard Chartered Bank, ABN AMRO, RBS | Prudential UK Metlife UK | HSBC Global Asset Management, ICICI Prudential, Birla Sun Life AMC | GE, SRF Finance, Eicher Tractors | Yahoo, Sapient | Global Logic, MetLife, paternoster, JLT, Aviva Life, DCM | PwC, Infosys, Religare Enterprises | Accenture, Cognizant, ICICI Prudential |

Leading Indian and foreign investors have reposed their faith in Max Life Insurance

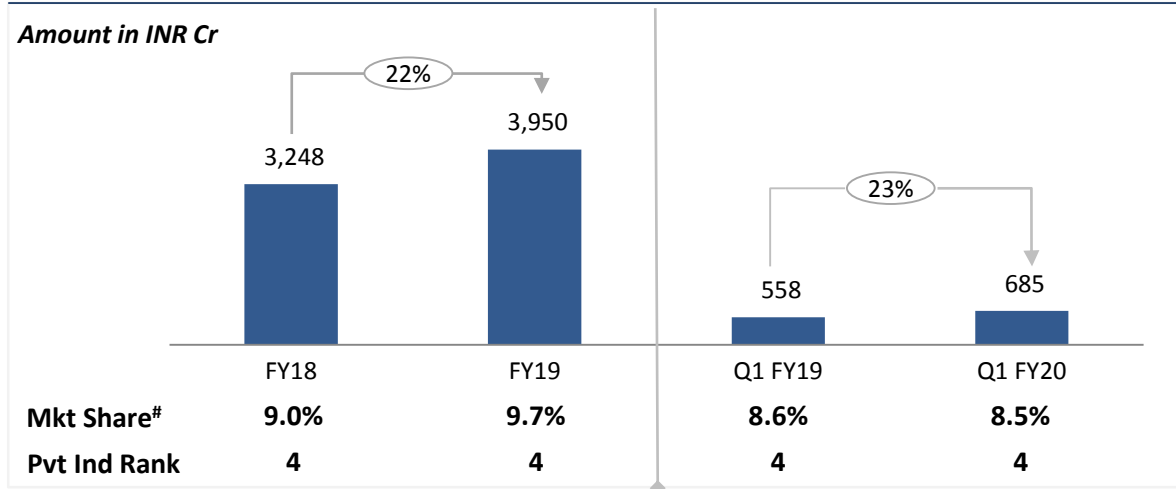


KEY INVESTORS of Max Financial Services

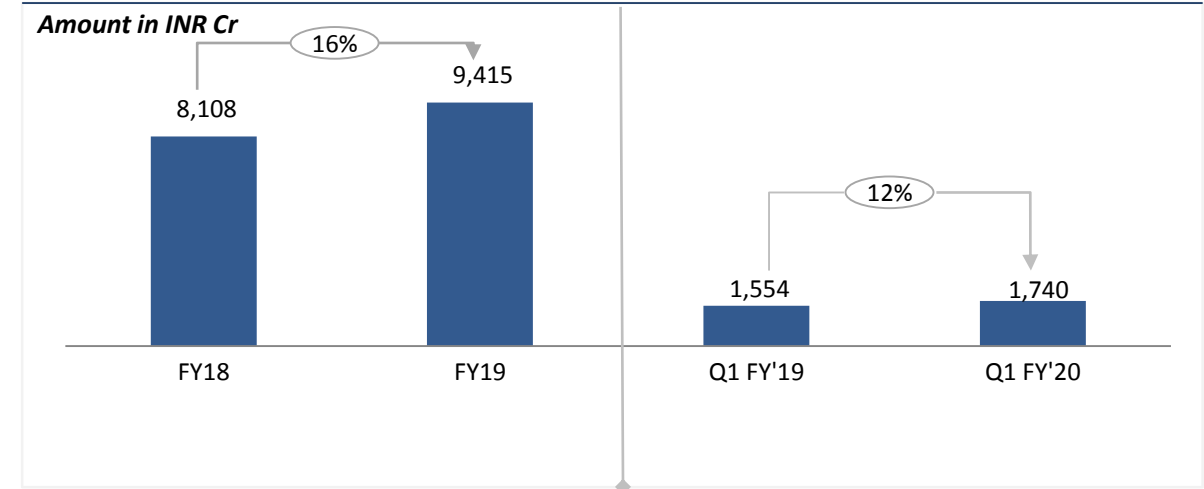
| | |
|---|---|
|  | Moneyline Portfolio Investments Limited |
|  | Baron Emerging Markets Fund |
|  | New York Life Insurance |
|  | TVF Fund Ltd |
|  | Jupiter India Fund |
|  | HDFC Fund |
|  | Reliance Mutual Fund |
|  | ICICI Prudential Mutual Fund |
|  | Motilal Oswal Mutual Fund |
|  | DSP Blackrock |

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

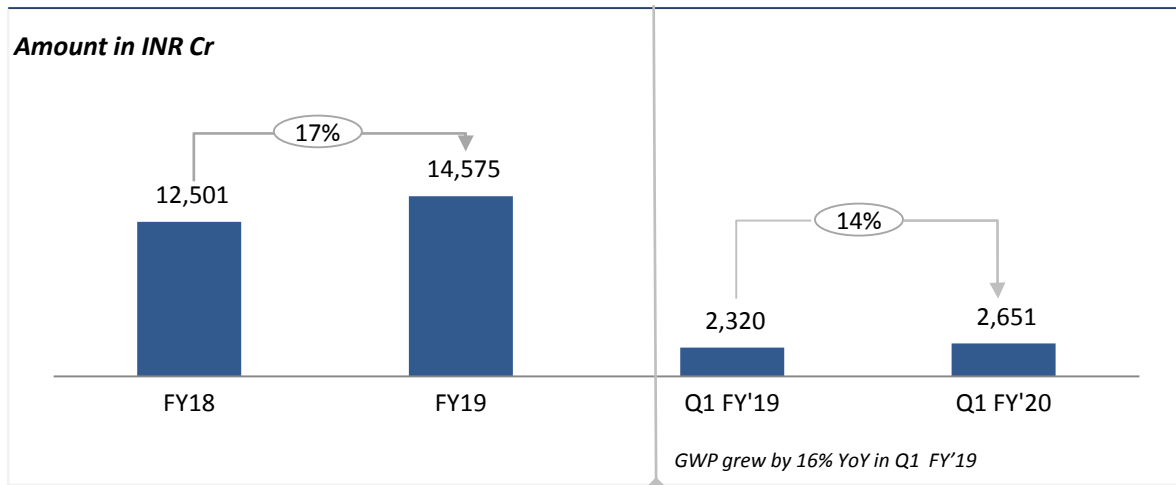
New Business Premiums (on APE basis)



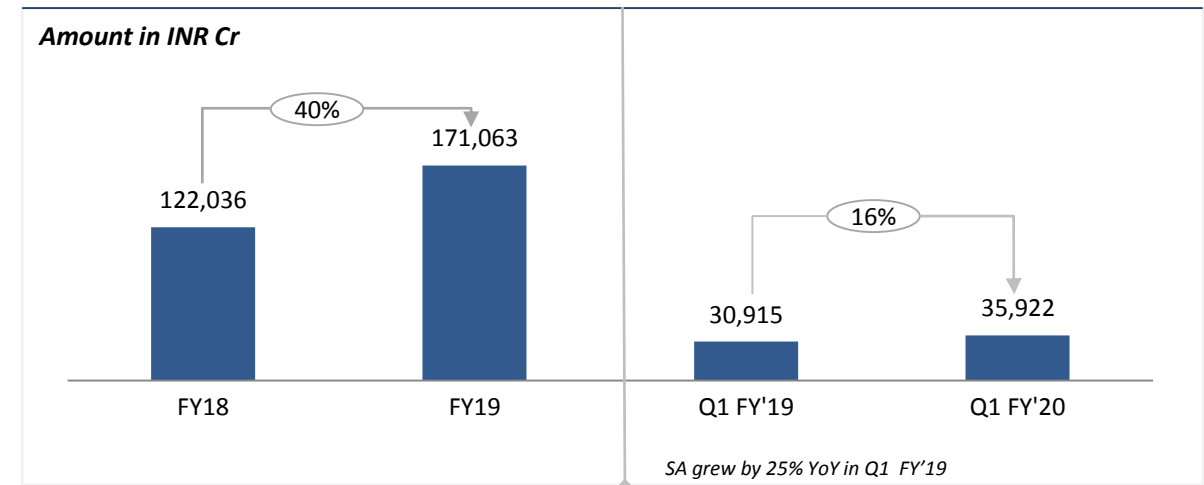
Renewal Income



Gross Written Premium

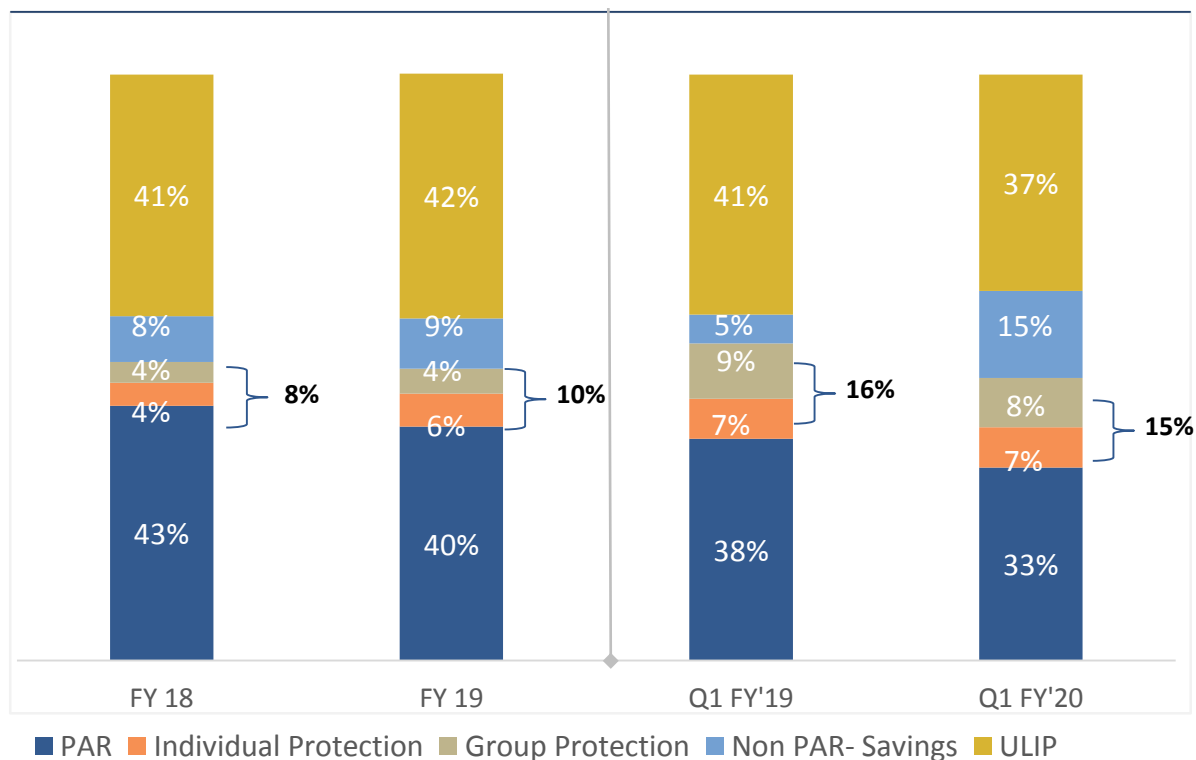


Individual Sum Assured of New business



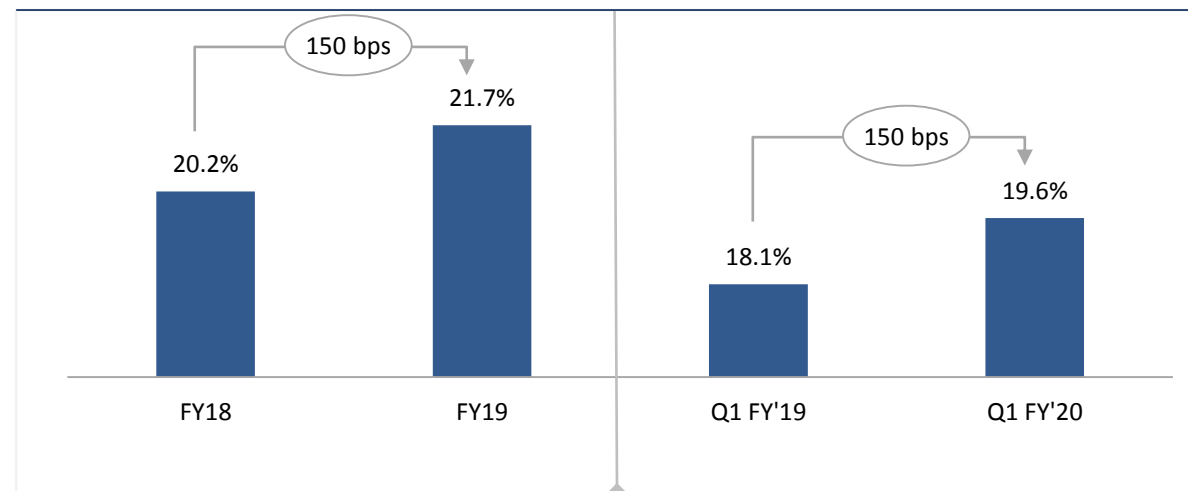
33% growth in VNB with Q1 margins at ~19.6% driven by increased focus on Non Par Savings

Product Mix – Shifting towards a balanced product mix, NPAR savings mix increased by 1000 bps. Individual Protection mix grew by 10 bps, while the Group Protection mix shrunk by 110 bps

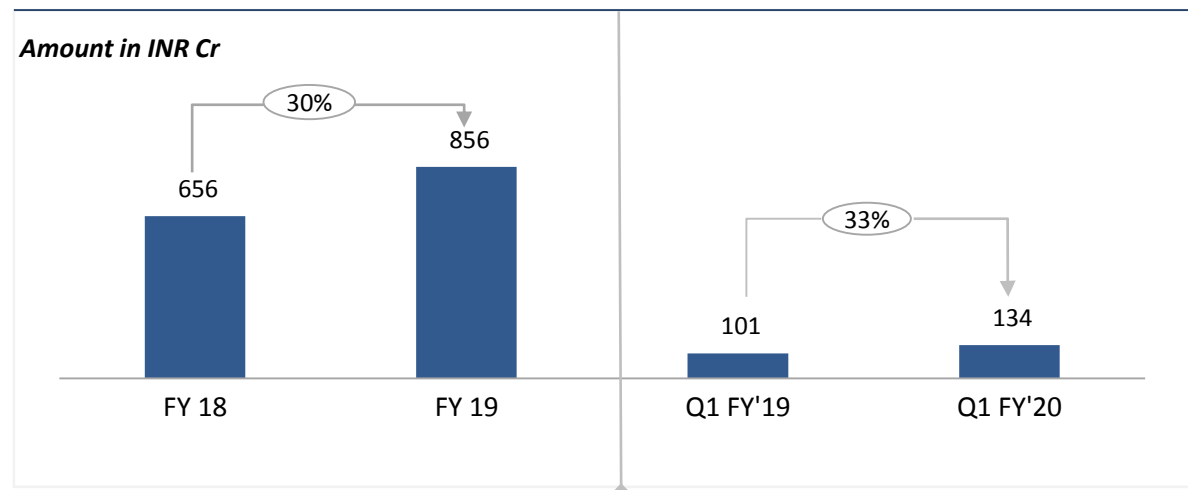


~90% of the NPAR Savings in Q1FY20 was derived from short pay.

Margins (post-overrun)*#

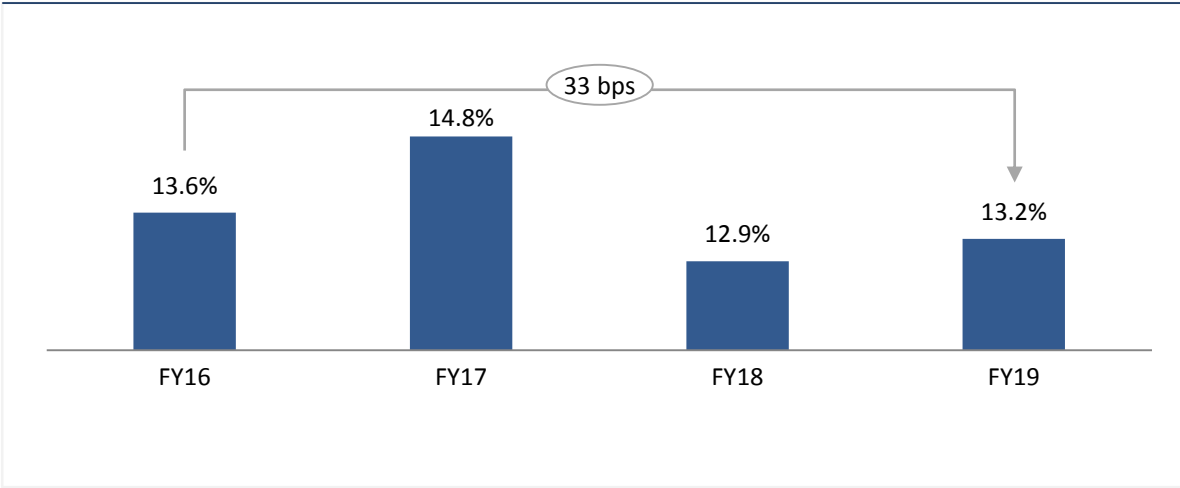


VNB (post over-run)*#

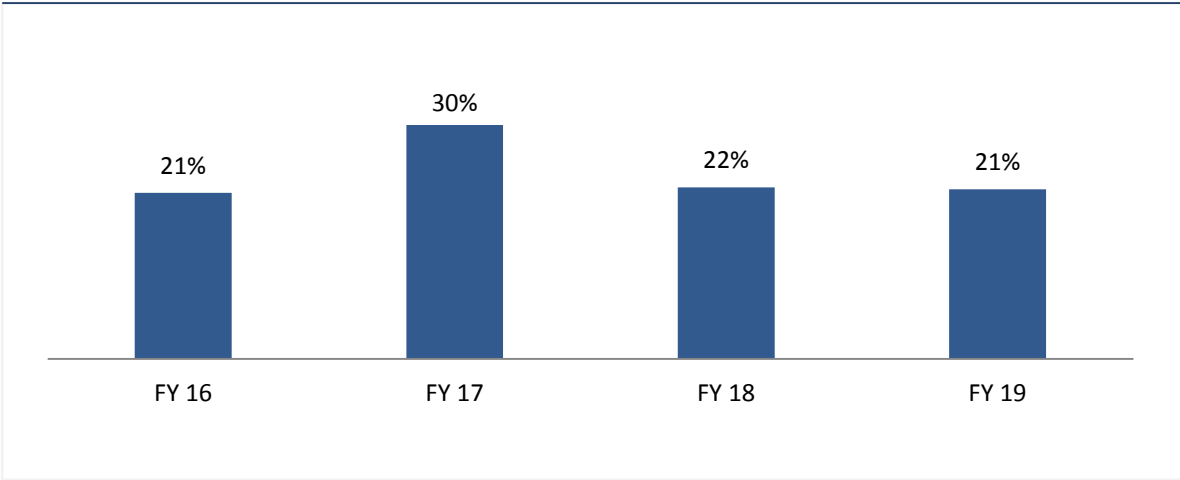


Efficient capital management with consistent RoE of 20%+... best in class among financial services

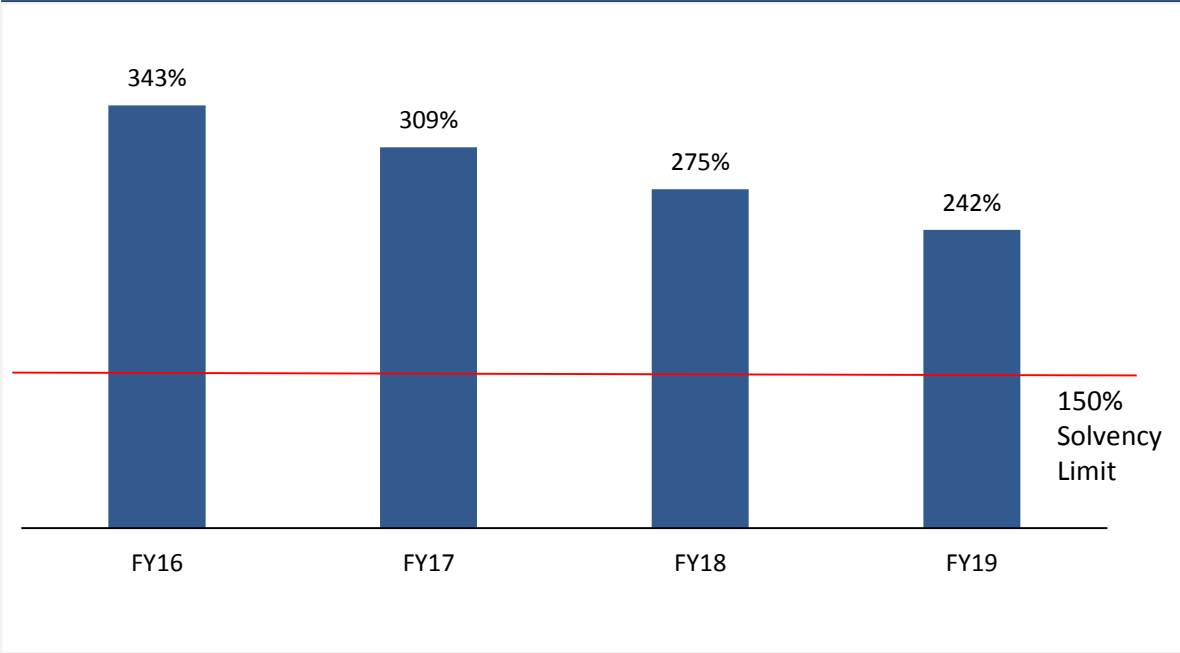
Opex to GWP* - Positive trend due to increase in operational efficiency;
Increase in FY19 due to investment in proprietary channels



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



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

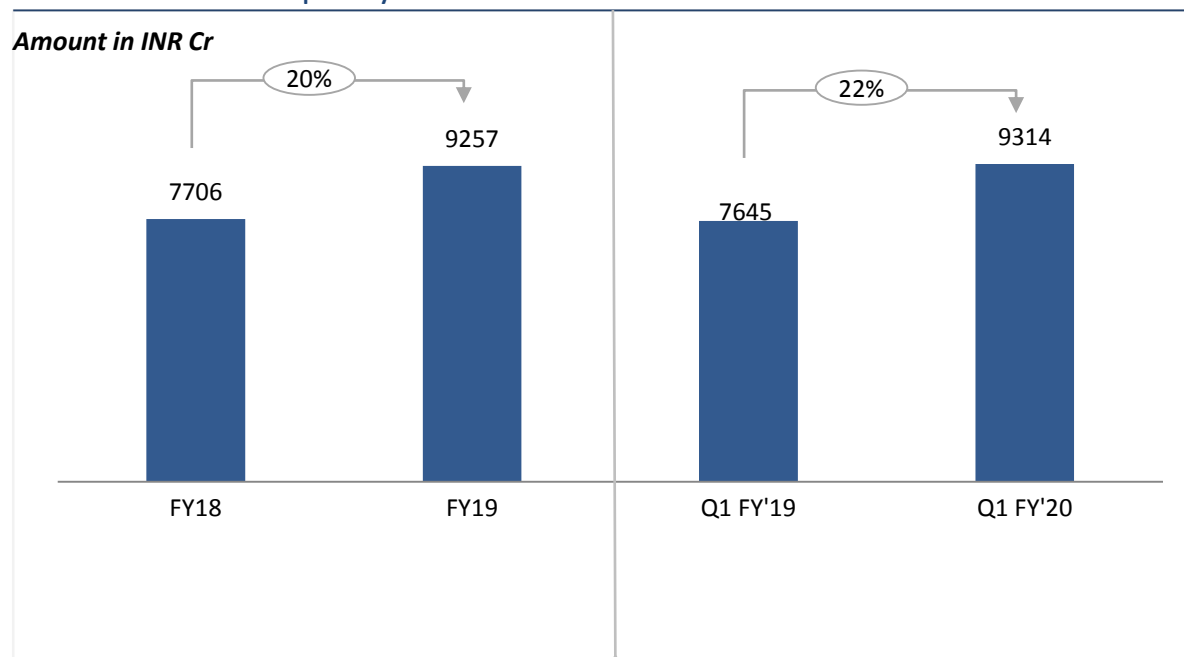


* Refers to the policyholder expense to GWP ratio; FY17 opex ratio is high due to one-off expenses # ROE is PAT as a ratio of average Net worth during the year

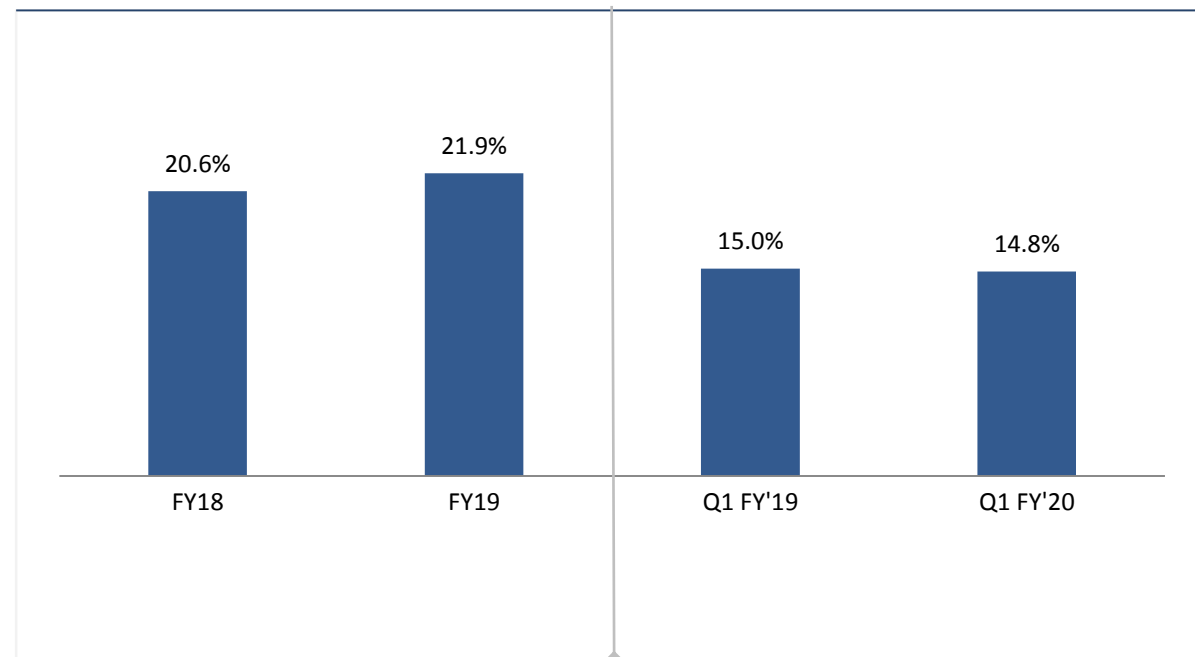
Embedded value grew at 22%, while operating RoEV for Q1FY20 at 14.8%

Embedded Value (EV) - EV has grown at 22% driven by growth in value of new business and quality of inforce business

Amount in INR Cr



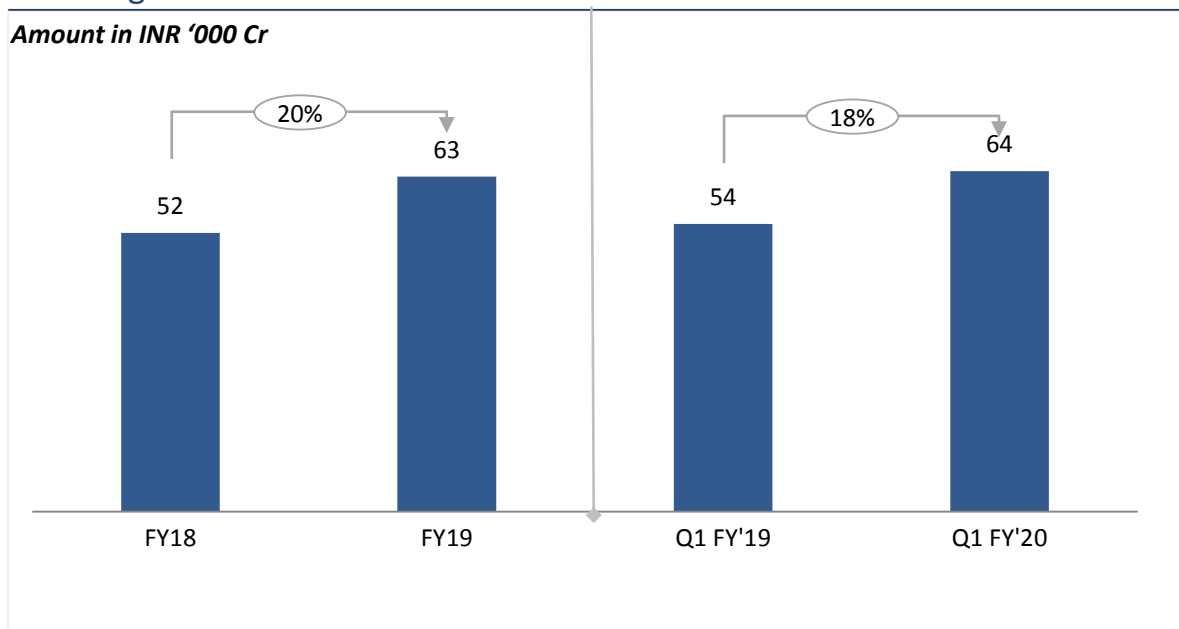
Operating Return on Embedded Value - RoEV has been consistent at ~15% in Q1FY20



Max Life has consistently grown its Asset Under Management

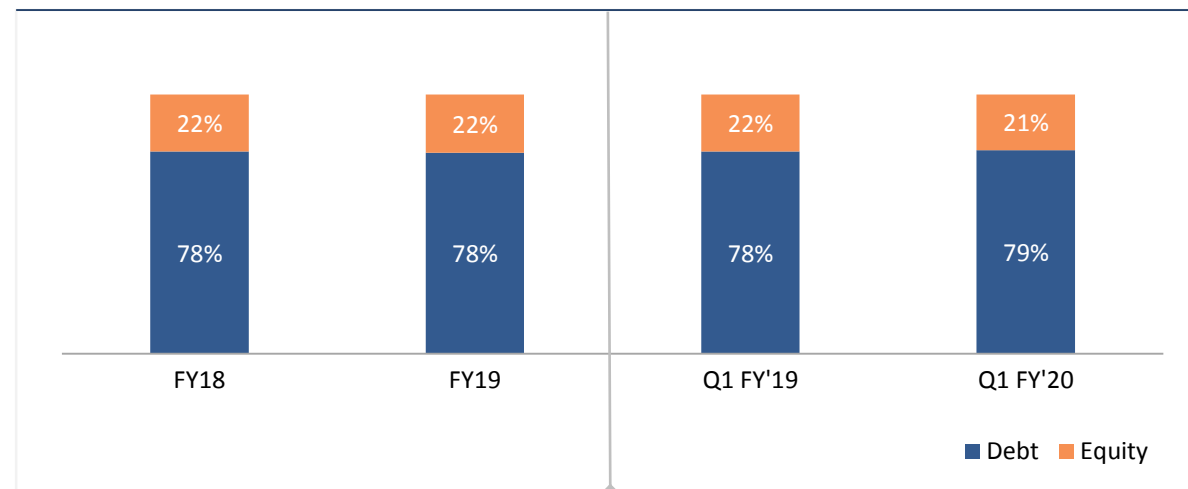
Assets Under Management - MLI is now the 4th largest manager LI AUMs, including retail AUM of MFs.

Amount in INR '000 Cr

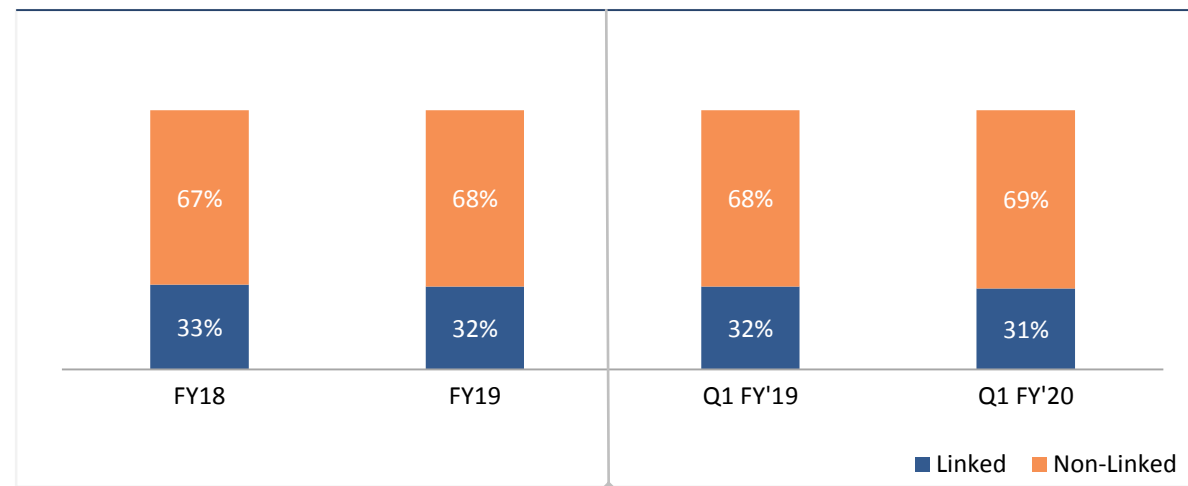


With PAR AUM at ~34,000 Cr. (Jun'19), Max Life has the highest PAR AUM in the private industry.

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

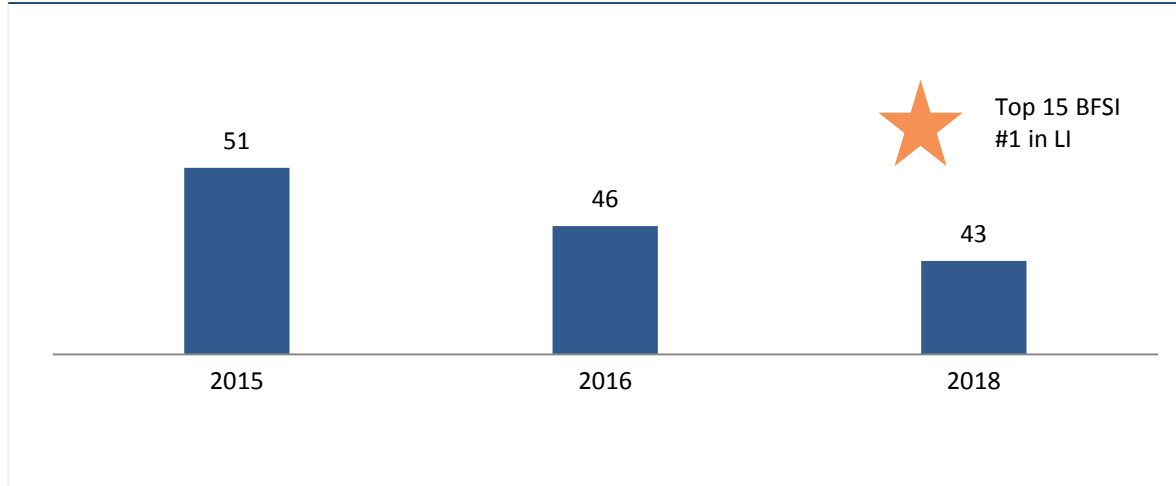


Fund Type (Linked vs Non-linked)

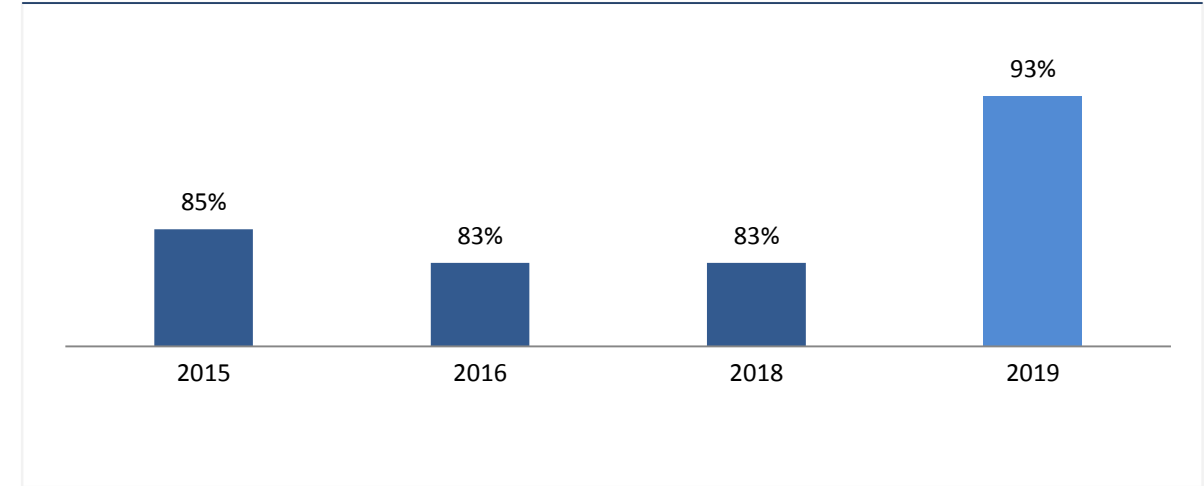


Unwavering focus on leadership strength and has a vintage employee pool, both of which are critical for success in long term businesses such as Life Insurance

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

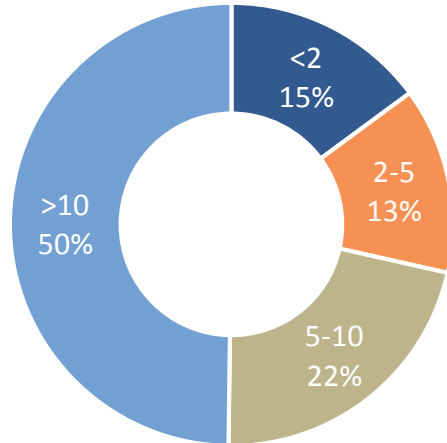


Employee Engagement[^] - Consistently amongst top decile

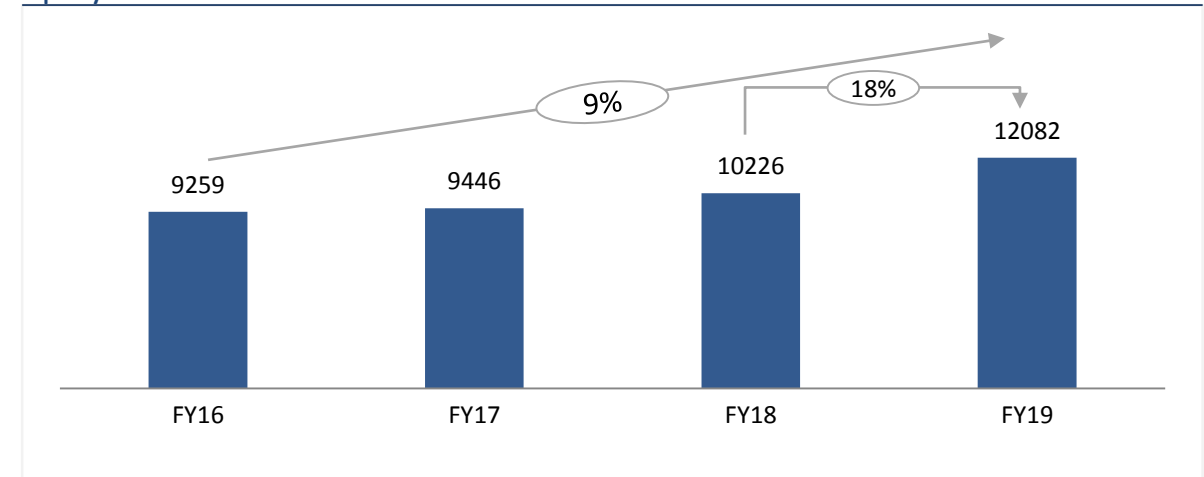


Leadership Experience - More than half the leadership has been with the company for more than a decade*

Total leadership count is 237



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



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"



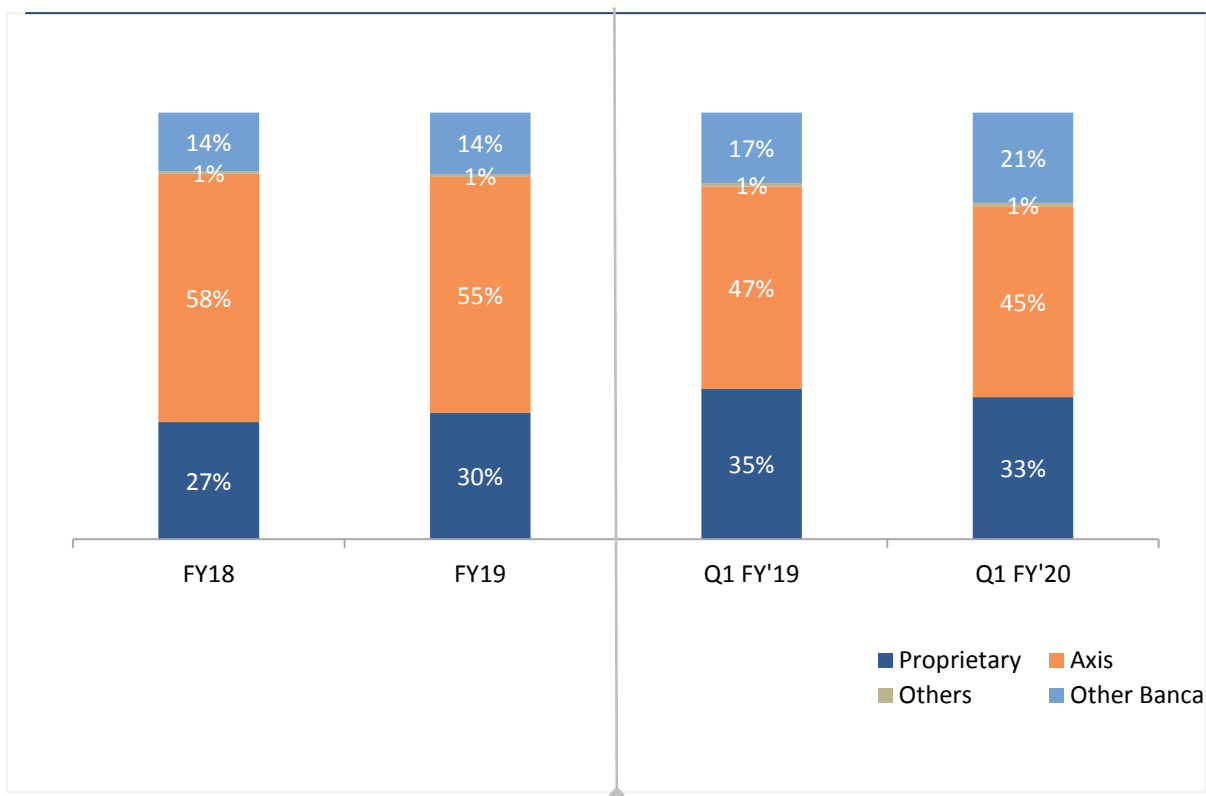
SECTION IV

- ▶ Max Life Insurance – Strategy FY19-22
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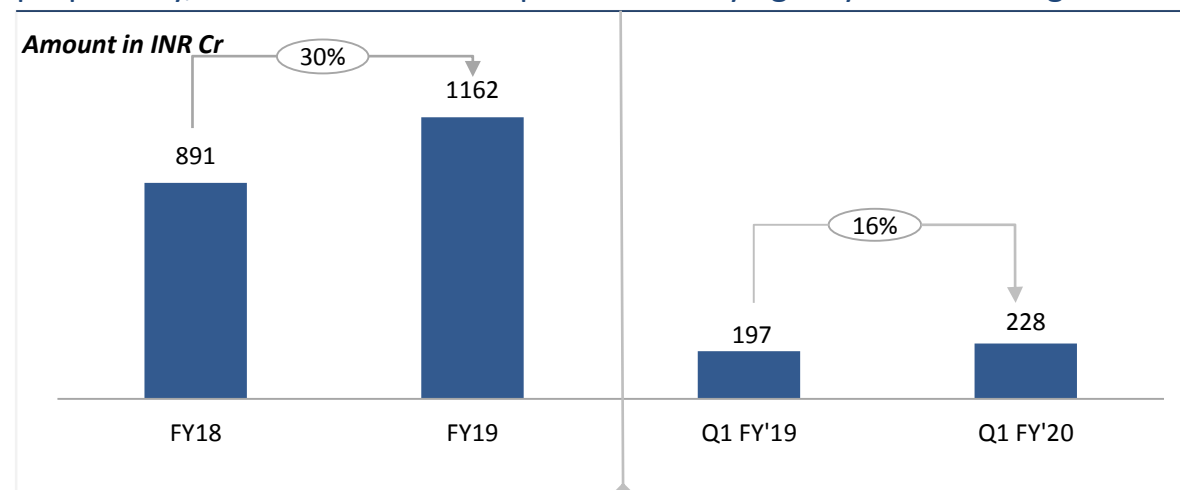
Max Life embarked on its journey of 25%+ VNB growth, 25% NBM and 25% ROEV aspirations by FY22. Key strategic elements to achieve the vision

| <div>A</div> <div></div> | <div>B</div> <div></div> | <div>C</div> <div></div> | <div>D</div> <div></div> |
|---|---|---|--|
| Predictable & Sustainable growth | Product innovation to drive margins | Customer centricity across the value chain | Digitization for efficiency and intelligence |
| <ul style="list-style-type: none"> Deepen Bancassurance partnerships On-board new distribution partners Scale up existing proprietary channels Opportunistic play for inorganic growth | <ul style="list-style-type: none"> Increase protection penetration Drive Non PAR saving Tap into new growth opportunities like health and retirements Enhanced investment and mortality risk management | <ul style="list-style-type: none"> #1 position in 13M and 61M persistency Highest Relationship Net Promoter Score (NPS) in the industry | <ul style="list-style-type: none"> Continue with digitization agenda across the organisation Build intelligence (AI) in all digital assets Minimize back-office costs |
| <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> Achieve ~25% new business margin and consequently ~25% RoEV Achieve protection penetration of 14%+ and NPAR savings penetration of 13%+ | <ul style="list-style-type: none"> Improve 13M persistency to 88%+ and 61M Persistency to 58%+ Leaders in NPS in the sector | <ul style="list-style-type: none"> Achieve 90%+ Insta-issuance Self-service transactions to exceed 90% |

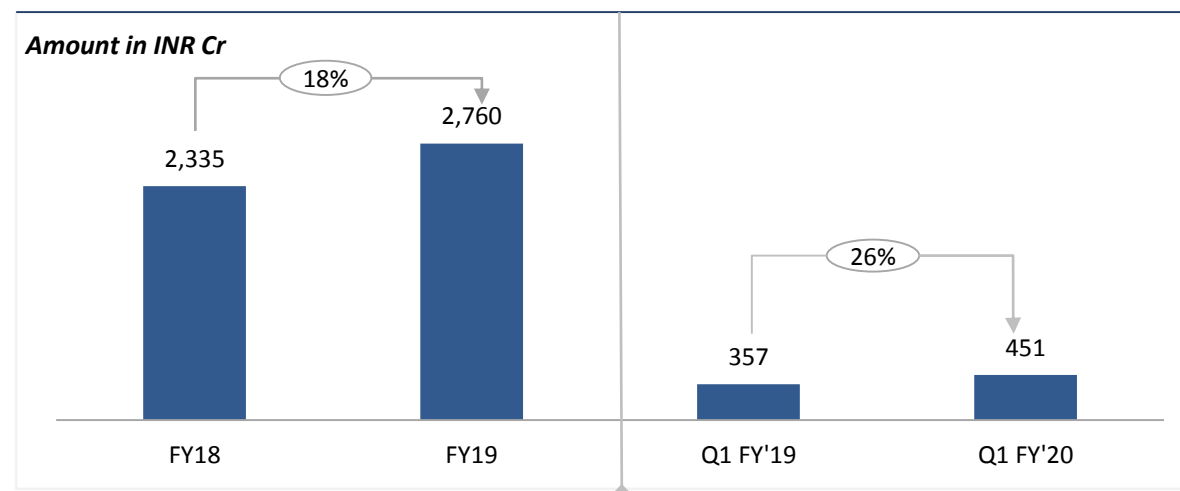
Channel Mix - Max Life has focused on maintaining a balanced distribution mix



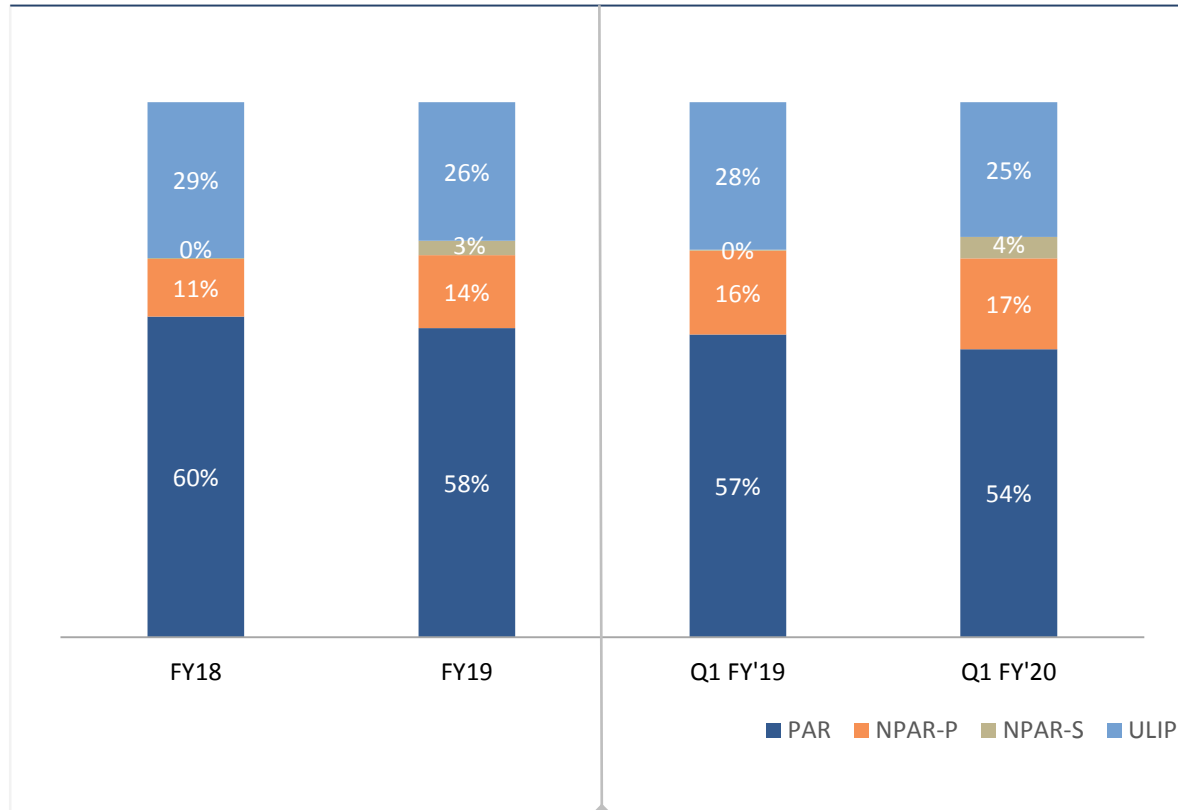
Proprietary Channels New Business (APE) – Lower sales growth in proprietary, due to a transient impact caused by agency restructuring.



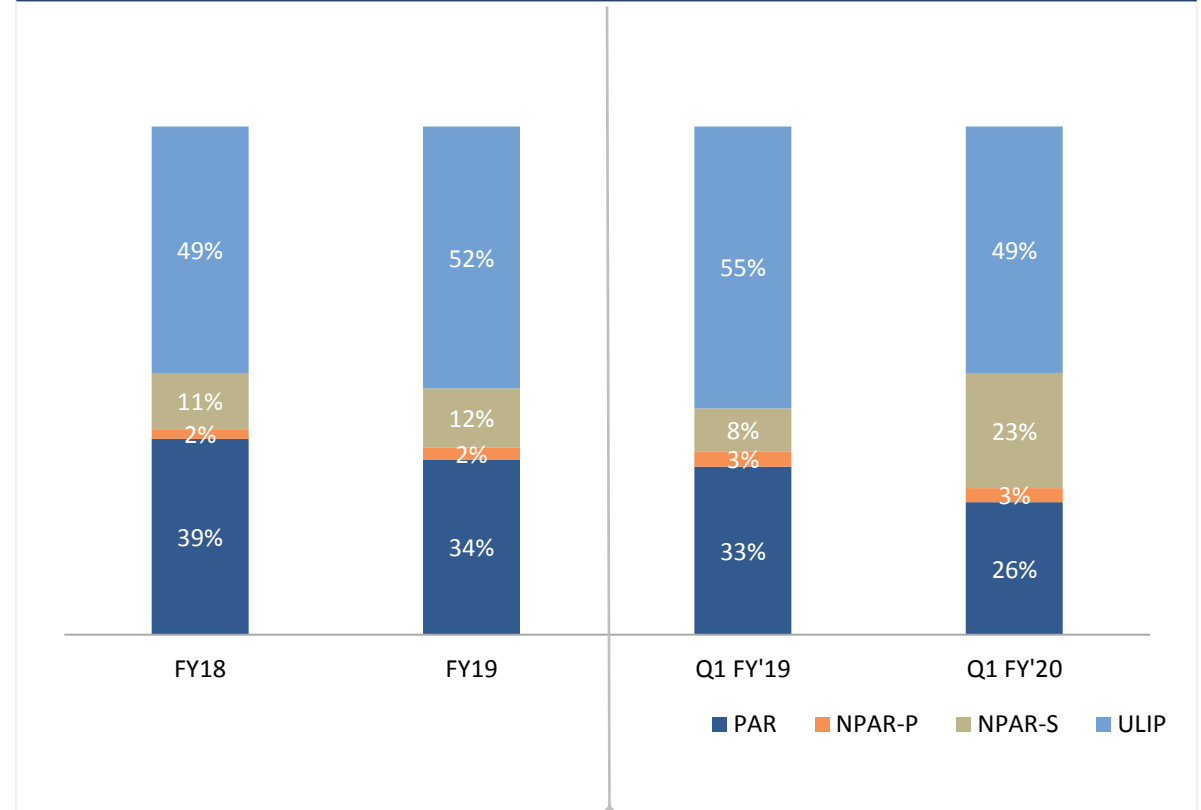
Bancassurance Channel (APE) - Growth in Banca channels has been 26%



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

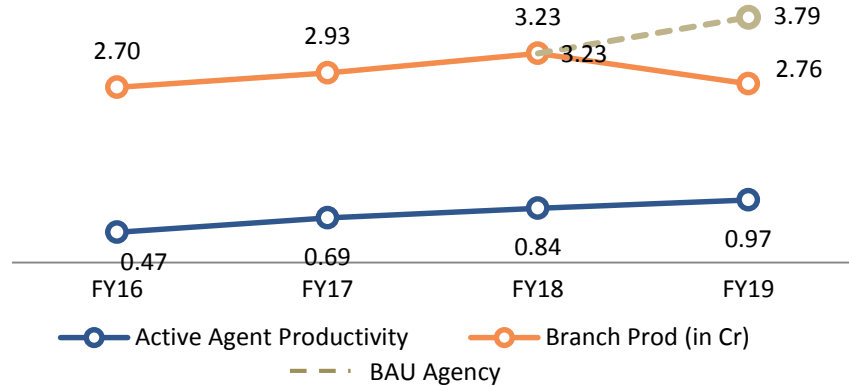


Bancassurance Product Mix – focused on increasing NPAR Savings to drive margins



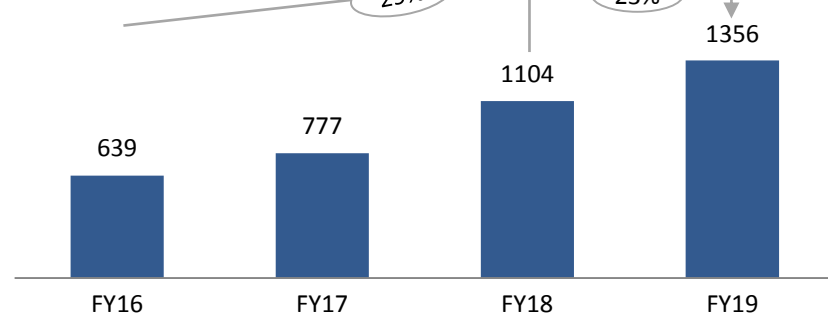
Active agent and branch productivity increasing year on year; dip in FY19 due to new offices

Active agent productivity in INR Lacs per month



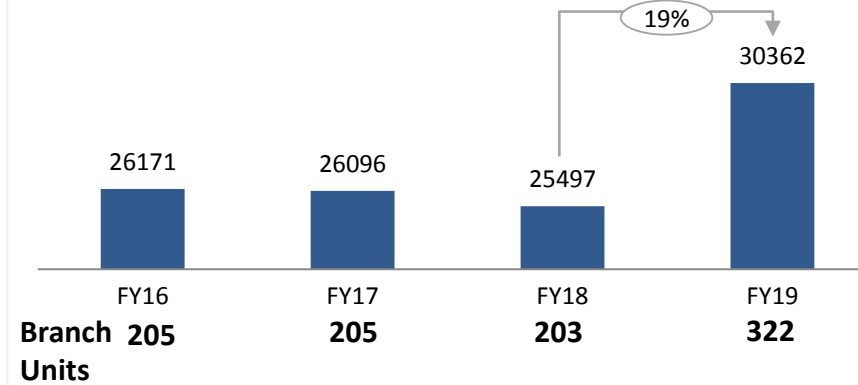
Consistent focus on increasing the number of agents doing business of more than INR 10 lacs per annum

Number of agents with greater than Rs 10 lacs annual business



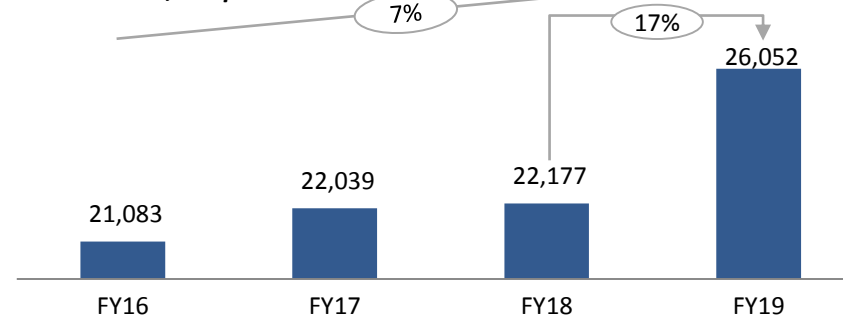
Recruitment increased sharply in FY19 to facilitate growth

Number of agents recruited



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

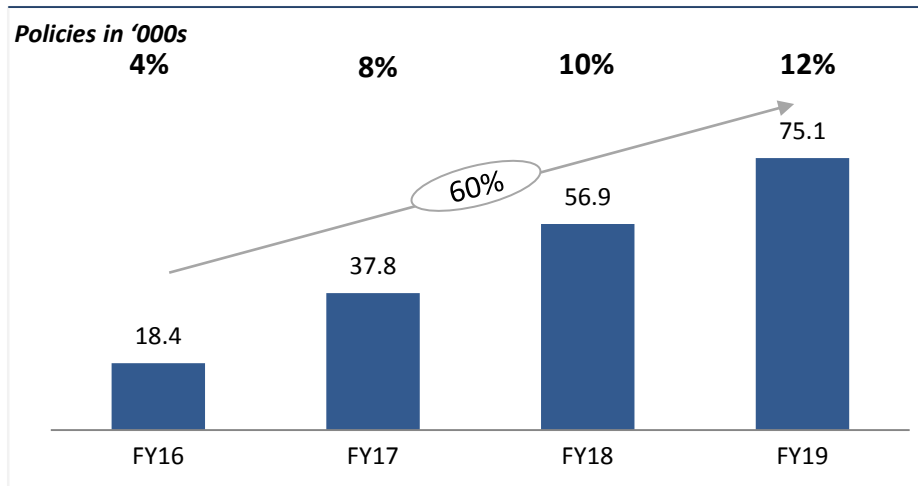
Number of agents doing business of more than Rs 50,000 per annum



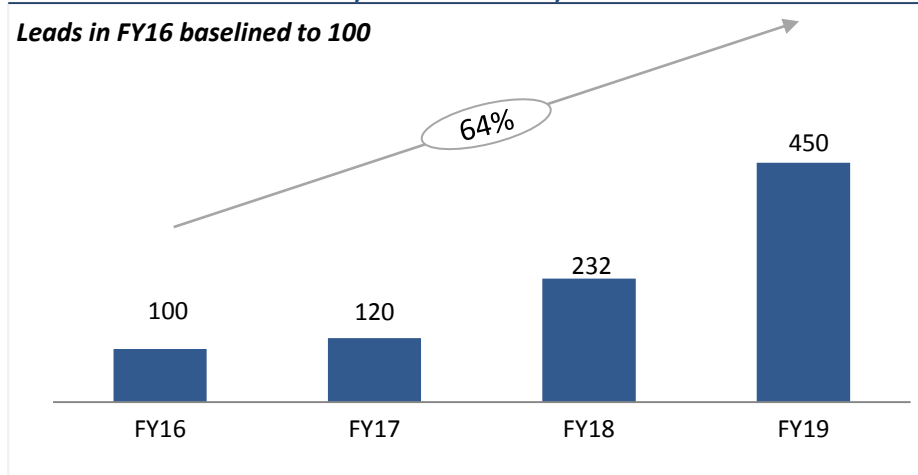
Focus for FY20 and beyond:

- **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

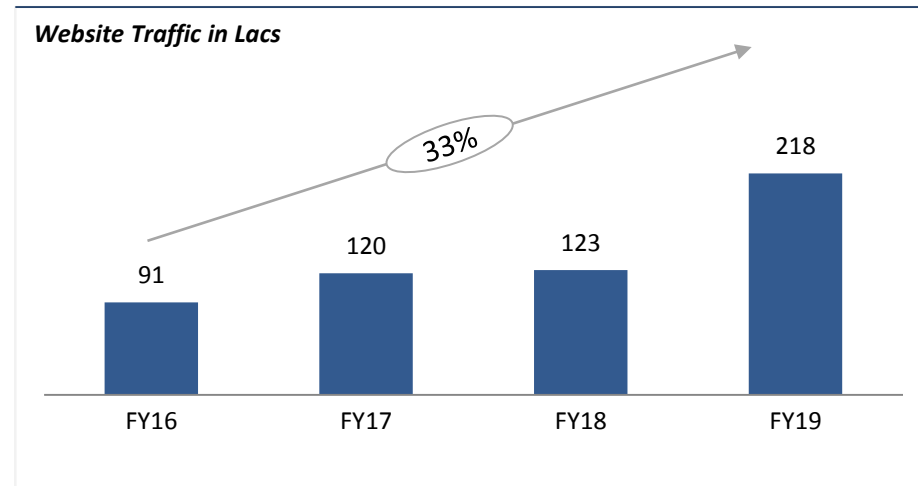
Policies - Contribution of policies from E-commerce channel have increased to 12% in FY19 from 4% in FY16



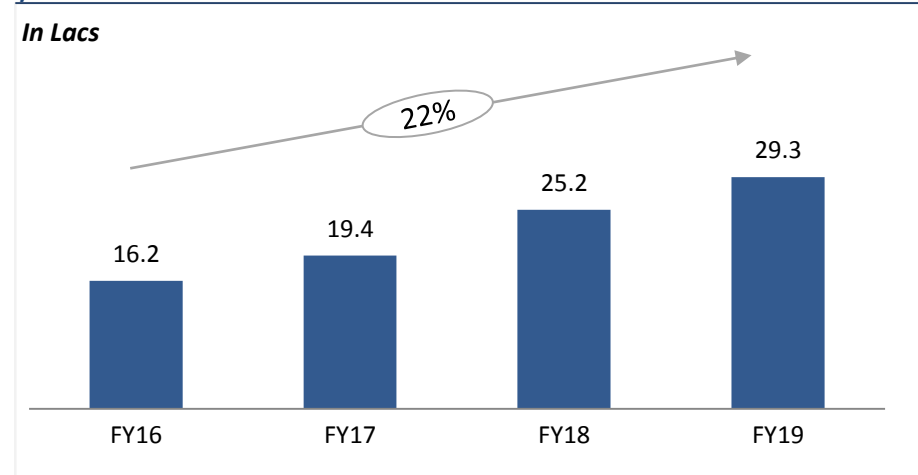
Online Leads - Due to deployment of technology smarts, leads have increased by ~350% in 4 years



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



Brand Search Queries - have increased significantly over the years



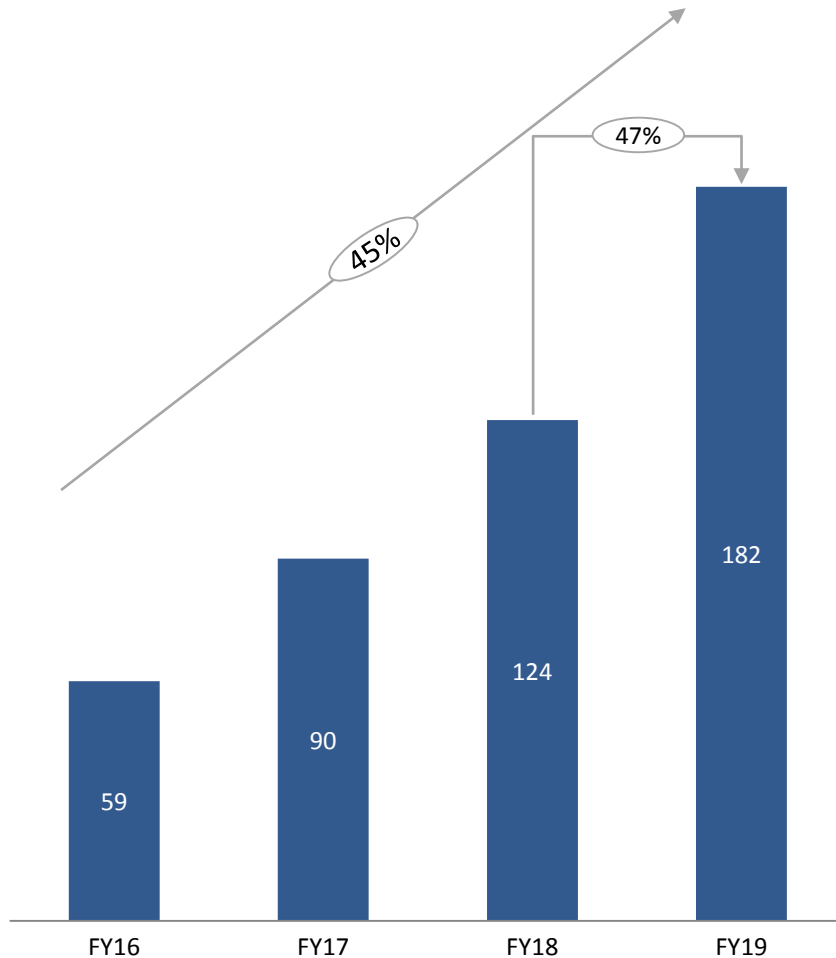
Focus for FY20 and beyond:

- **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

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

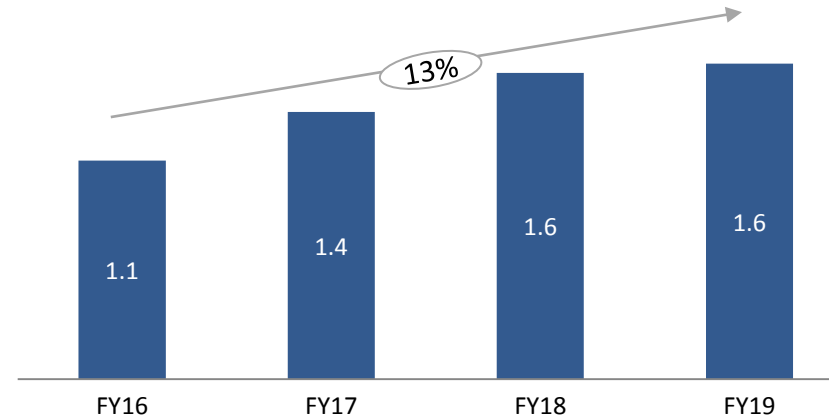
New Business Premium from direct channels

Amount in INR Cr



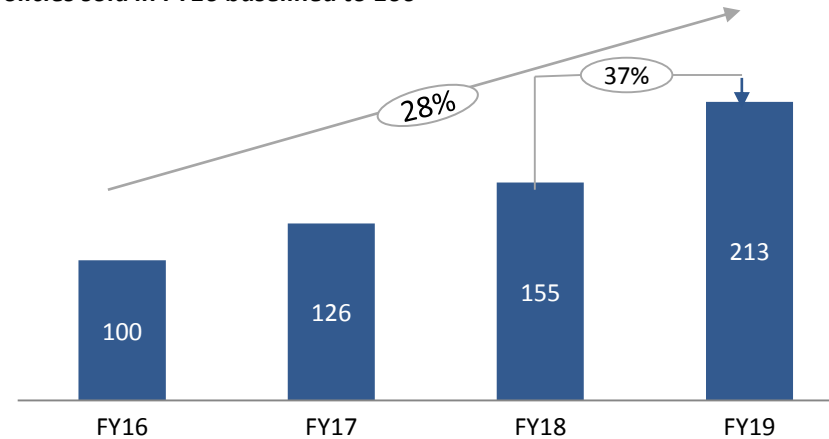
Frontline Productivity

Productivity in INR Lacs per month



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

Policies sold in FY16 baselined to 100

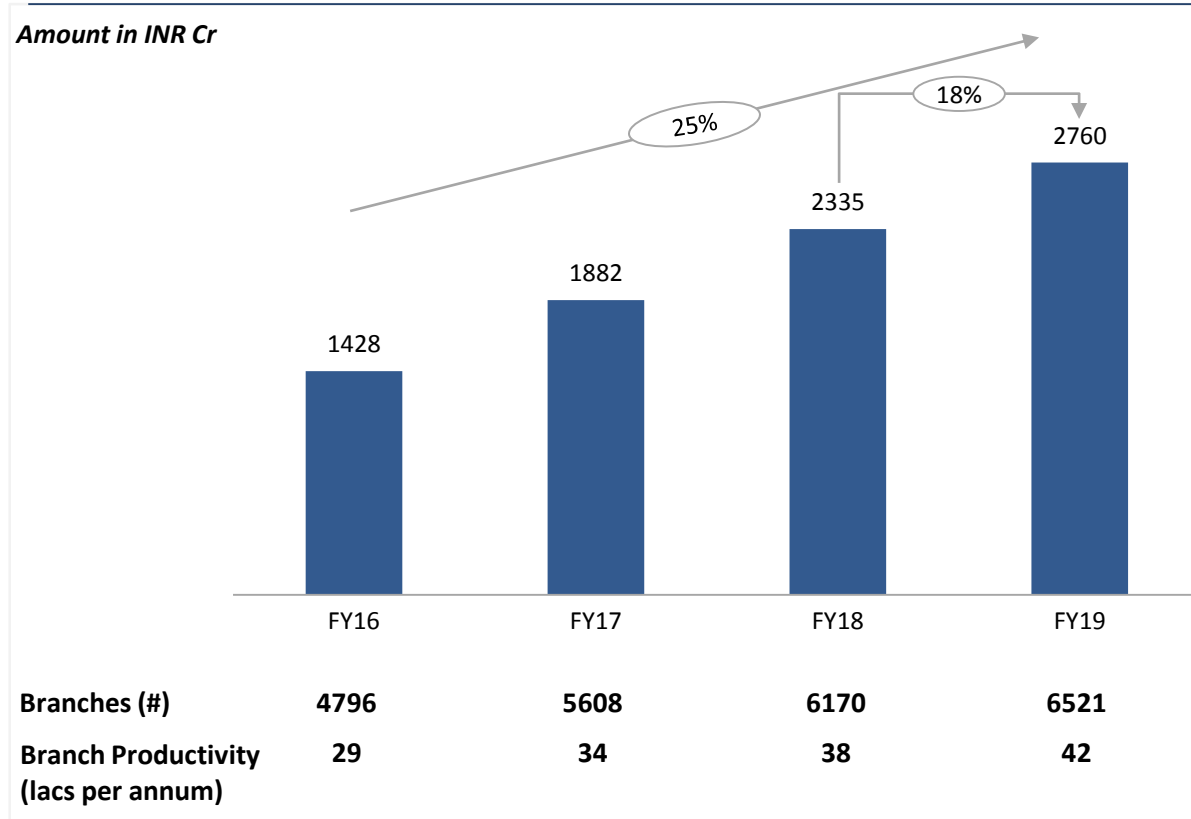


Focus for FY20 and beyond:

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

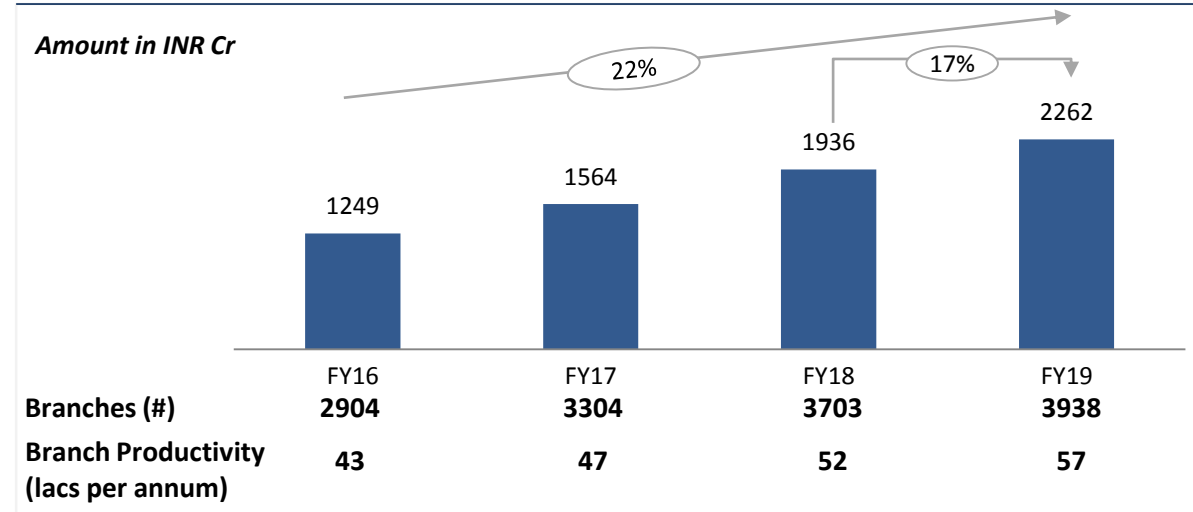
Banca channels have grown at CAGR of 26% while increasing branch productivity

Amount in INR Cr



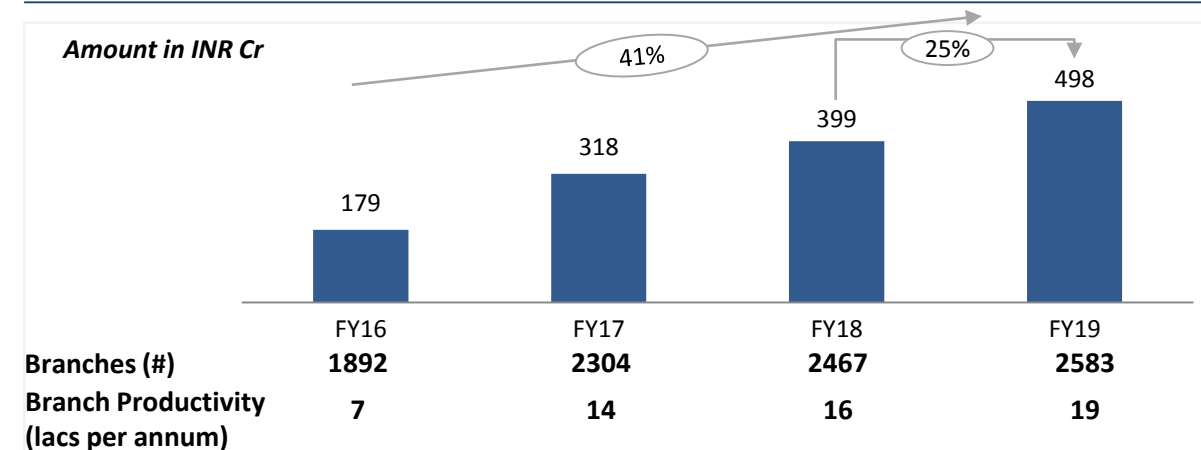
Axis Bank: New business (APE)

Amount in INR Cr



Other Bancassurance Partnerships: New Business (APE)

Amount in INR Cr

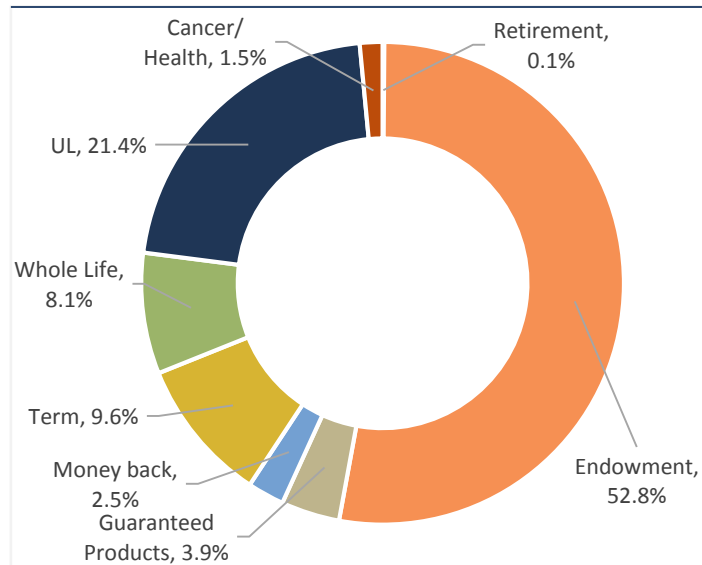


Max Life has a complete suite of products and focus is on selling longer term products along with improving penetration of pure protection offerings

Max Life has products across all categories

- 3** Protection plans **1** Health plan
- 3** Income plans **1** Annuity plan
- 2** Endowment plans **1** Retirement ULIP
- 3** ULIP plans **1** Whole life
- 2** 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 | 23 | 10 |
| ULIP | 38 | 14 | 10 |
| Whole Life | 36 | 64 | 51 |
| Money back | 28 | 17 | 16 |
| Pure Term | 35 | 35 | 34 |
| Guaranteed products | 43 | 19 | 9 |
| Health | 39 | 18 | 18 |
| Cancer Insurance | 38 | 29 | 29 |
| Pension | 34 | 22 | 22 |
| Annuity | 63 | 57 | 1 |

As on 30th Jun 2019

36

Average

25

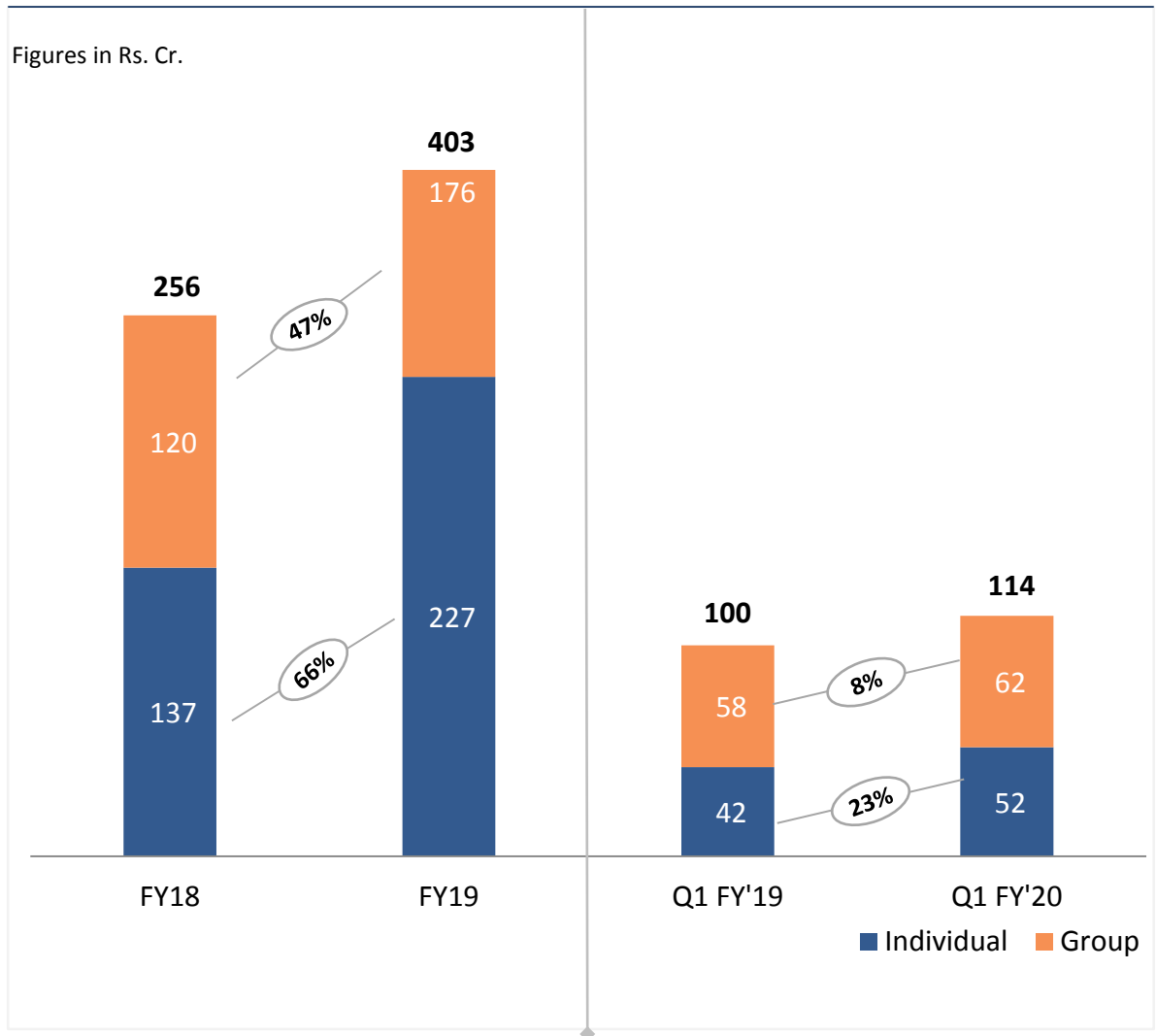
Average

16

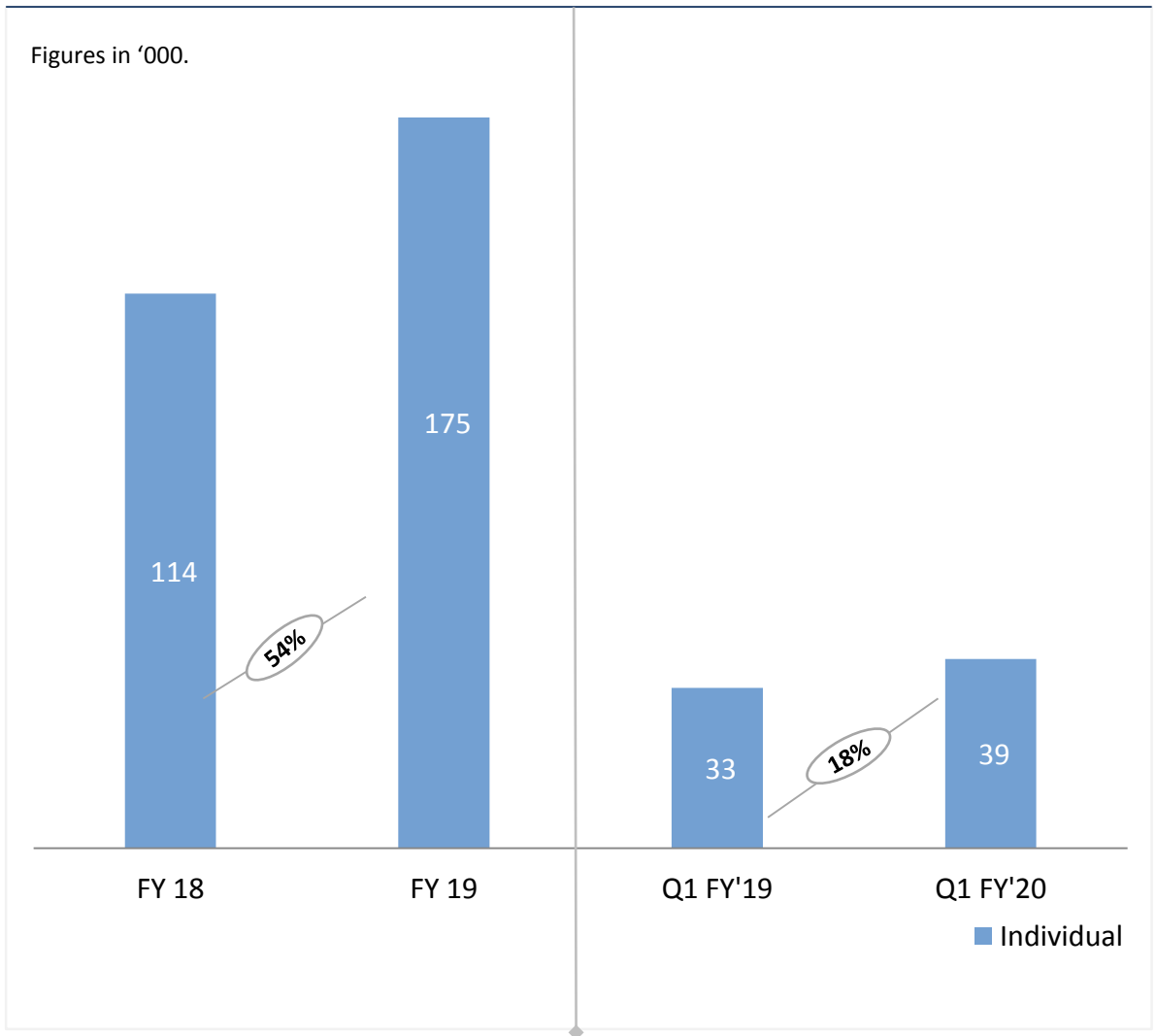
Average

Focus on Protection: 23% increase in individual protection APE and 18% increase in individual protection policies, 34% of total individual policies are pure protection

Total APE (Individual + Group)



No of Protection Policies (Individual)

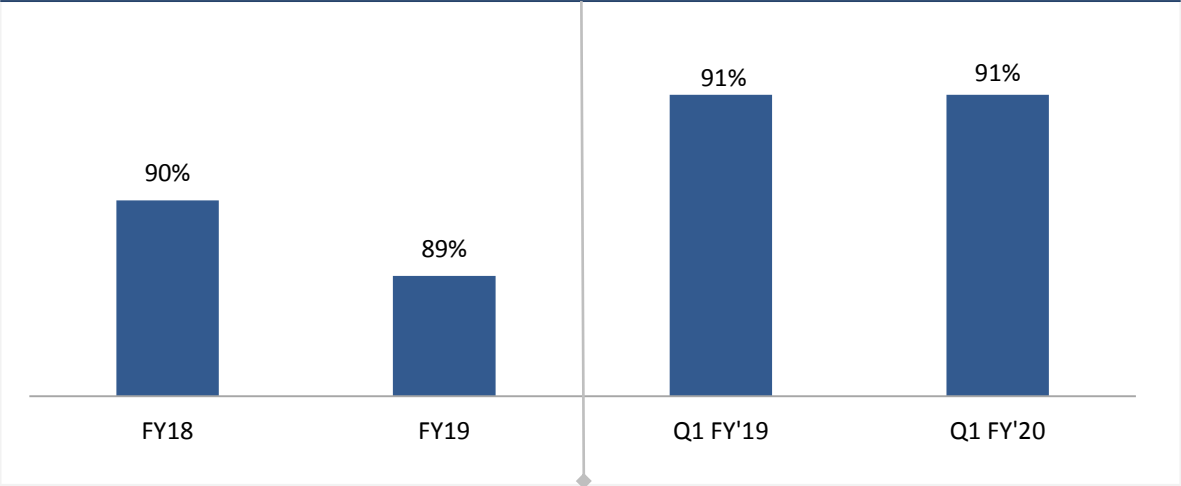




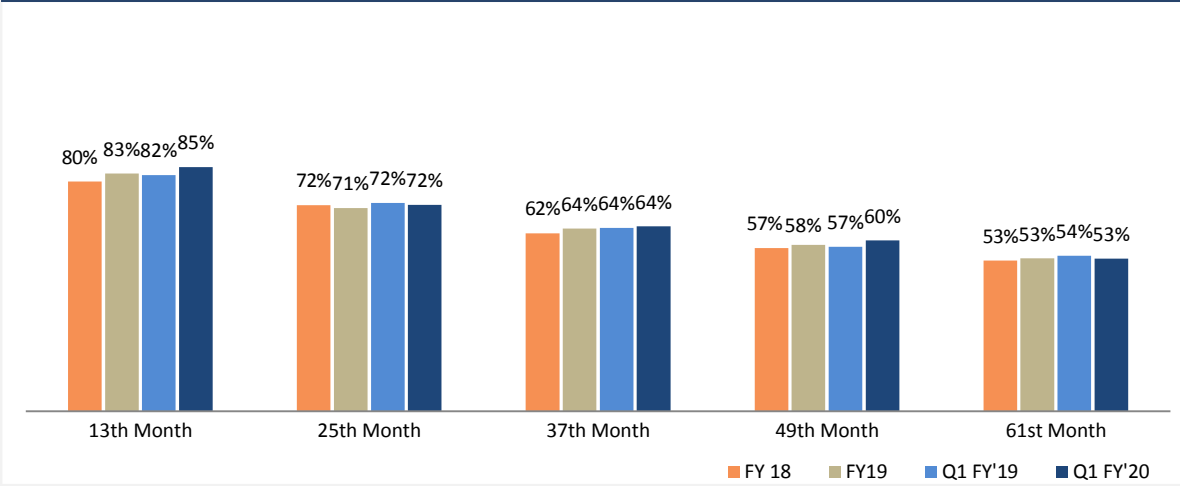
Strong focus towards customer measures has helped deliver superior performance across health parameters and will continue to remain an important priority



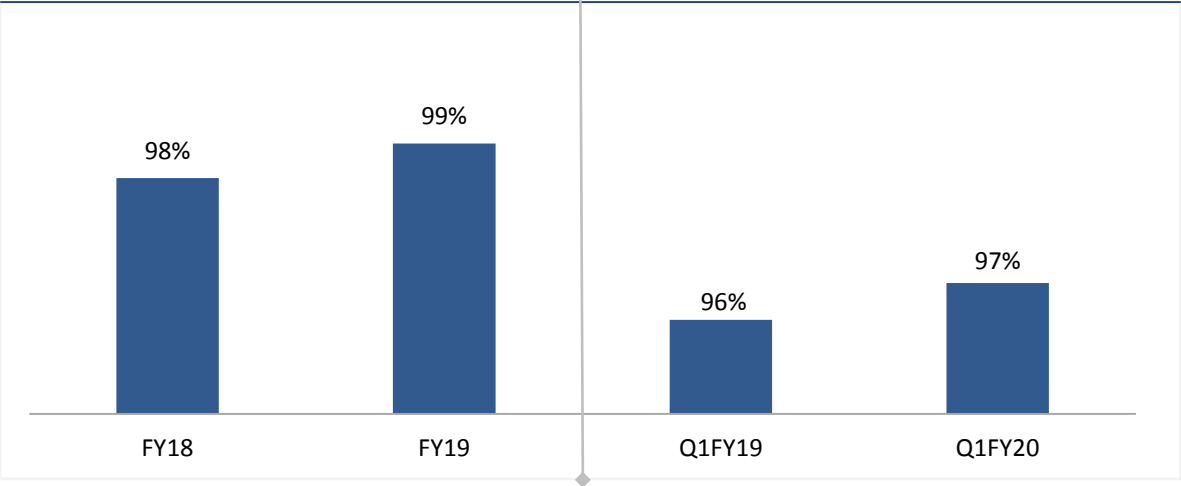
Conservation Ratio



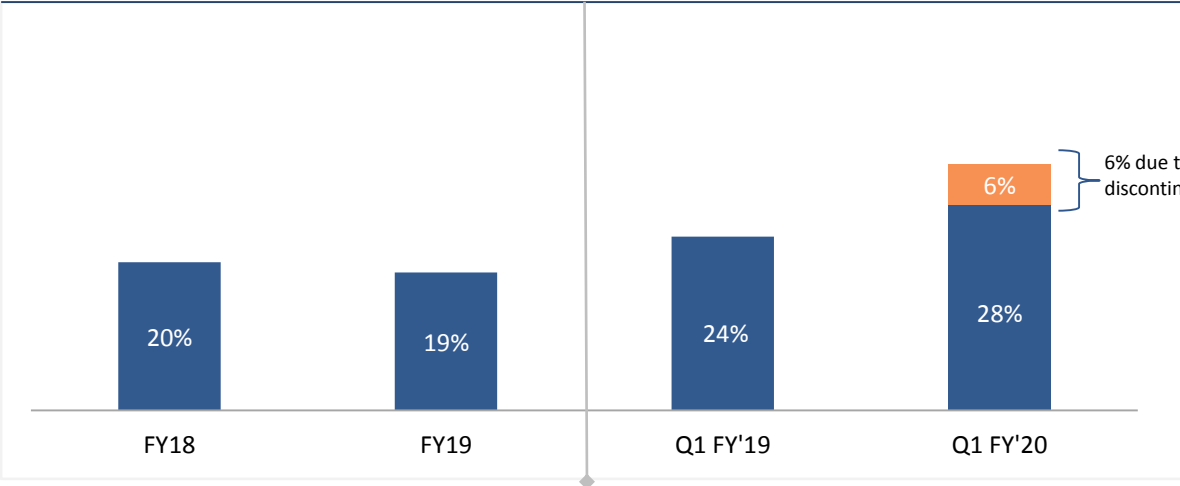
Persistency



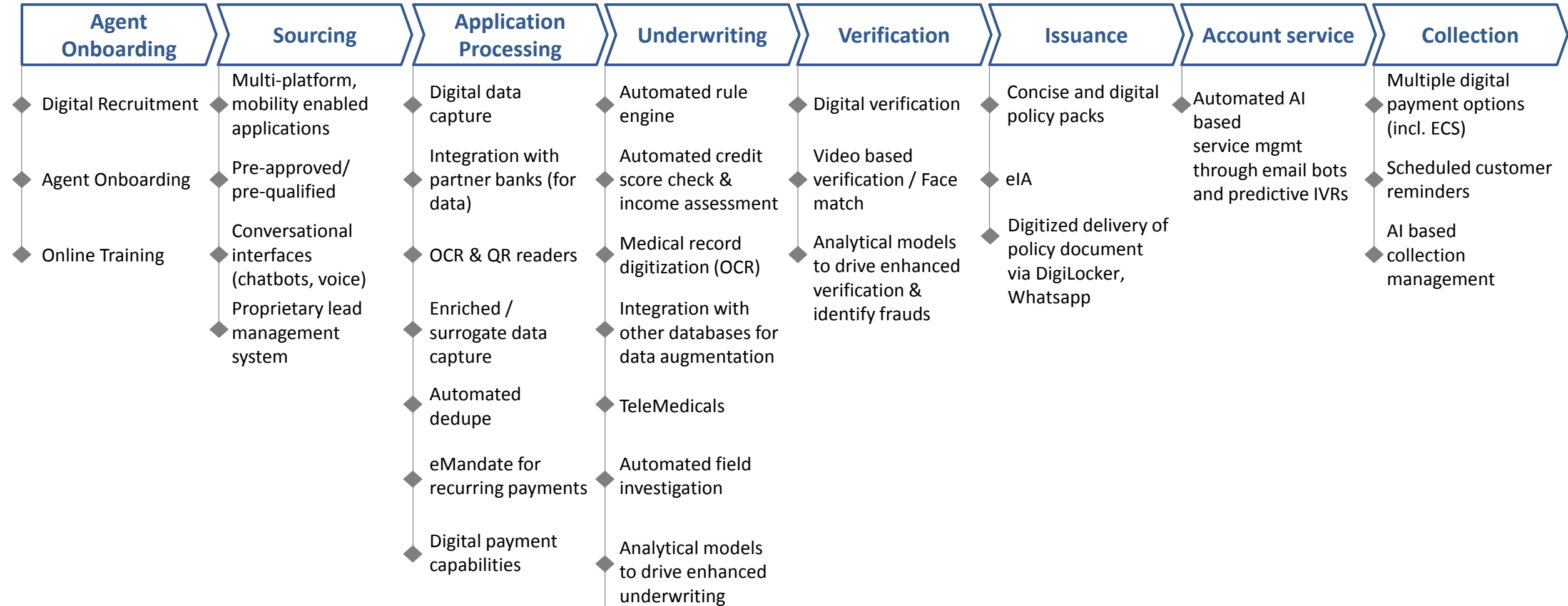
Claims Paid Ratio



Surrender to GWP- Higher Surrenders due to higher payouts w.r.t. UL surrenders due to discontinuance



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



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





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

Continue to invest in technology transformation agenda across 4 key dimensions

| | | Progress till FY19 | FY22 Target |
|---|---|--|---|
| FLUID ARCHITECTURE |  | <ul style="list-style-type: none"> All new customer & seller engagement applications built on cloud Transition to modular applications for agility & flexibility API enablement to facilitate easier integration | <ul style="list-style-type: none"> Migration to Open Source technology All applications to be on cloud Omni-channel enterprise |
| BUY FOR EFFICIENCY, BUILD FOR DIFFERENTIATION |  | <ul style="list-style-type: none"> Roadmap for applications to be developed in-house with seller facing applications being prioritised Key business platforms migrated to off the shelf applications | <ul style="list-style-type: none"> Migration of all identified processes to in-house applications Phasing out of all proprietary business platforms to off the shelf packages |
| COGNITIVE ENTERPRISE |  | <ul style="list-style-type: none"> Cognitive web-chat Interfaces for customers Deployment of analytical models for customer retention, propensity, risk assessment | <ul style="list-style-type: none"> AI enabled cognitive workflows across the value chain 360 degree view of customer Open source based analytics architecture |
| MODERNIZING LEGACY |  | <ul style="list-style-type: none"> API Management platform with multi-partner integration like Policy Bazaar, DocsApp (TeleMER) Digilocker etc. More than 75% of business functionalities available as APIs | <ul style="list-style-type: none"> Modernize all lines of business Adapt critical legacy systems to provide partners with the facilities and services they 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

ASPIRATIONS FY22

FY19 ACHIEVEMENTS

| A | | B | | C | | D | |
|---|--|--|--|---|--|---|--|
| Predictable & Sustainable growth | Product innovation to drive margins | Customer centricity across the value chain | Digitization for efficiency and intelligence | | | | |
| <ul style="list-style-type: none"> Achieve 25%+ VNB growth rate Increase share of proprietary channels sales to ~35% Continue growing highly productive agents by 20%+ CAGR | <ul style="list-style-type: none"> Achieve ~25% new business margin and consequently a ~25% RoEV Achieve protection penetration of 14%+ and NPAR savings penetration of 13%+ | <ul style="list-style-type: none"> Improve 13M persistency to 88%+ and 61M Persistency to 58%+ Leaders in NPS in the sector | <ul style="list-style-type: none"> Achieve 90%+ Insta-issuance Self-service transactions to exceed 90% | | | | |
| <ul style="list-style-type: none"> 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% | <ul style="list-style-type: none"> 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% | <ul style="list-style-type: none"> Achieved #1 claim paid position in the Industry Improved 13M Persistency to 83% and 61M Persistency stands at 53% | <ul style="list-style-type: none"> Insta-issuance: 54% Self service transactions: 50% | | | | |



SECTION V

- ▶ Max Life Insurance – MCEV Disclosures: FY'19
- 

Key Results

The Embedded Value¹ (EV) as at 30th June 2019 is **Rs 9,314 Cr.**

The annualized Operating Return on EV (RoEV) over Q1 FY20 is 14.8%. Due to the sales being skewed towards later part of the year and investments being made by the Company in expansion of proprietary channels, the impact of cost overrun is higher for Q1 FY20 leading to lower RoEV than full year level.

The New Business Margin (NBM) for Q1 FY20 is 24.9% (before allowing for operating cost overrun) and 19.6% (post overrun). The Value of New Business (VNB) written over the period is Rs 134 Cr (post overrun), representing year on year growth of 33%.

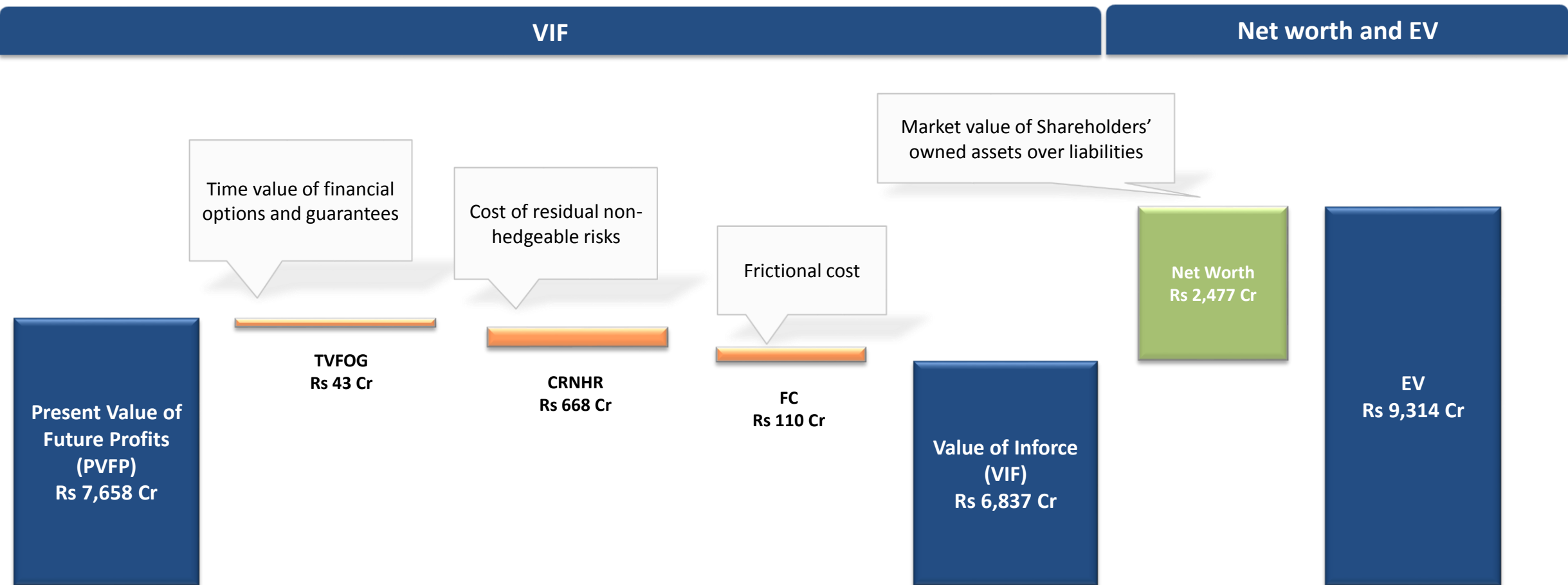
The cost of capital charge used to compute Cost of Residual Non Hedgeable Risks (“CRNHR”) was reviewed and reduced from 5.0 per cent to 4.0 per cent. This has led to increase in EV of Rs. 165 Cr and VNB of Rs 11 Cr (NBM uplift of circa 160 bps). These have been classified as non-operating variance for 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.

Overview of the components of the EV as at 30th June 2019



1. Base The cost of capital charge used to compute Cost of Residual Non Hedgeable Risks ("CRNHR") was reviewed and reduced from 5.0 per cent to 4.0 per cent. This has led to increase in EV of Rs 165 Cr.
2. The deductions for risks to arrive at the VIF represent a reduction of ~11% in the PVFP. The largest deduction is in respect of CRNHR.
3. Within CRNHR, persistency risk constitutes the largest risk component.

Value of New Business and New Business Margins as at 30th June 2019

| Description | Q1 FY'19 | Q1 FY'20 | Y-o-Y growth |
|---|----------|----------|--------------|
| APE ¹ | 558 | 685 | 23% |
| New Business Margin (NBM) (before cost overrun) | 23.5% | 24.9% | +150 bps |
| New Business Margin (NBM) (post cost overrun) | 18.1% | 19.6% | +150 bps |
| Value of New Business ² (VNB) (post cost overrun) | 101 | 134 | 33% |

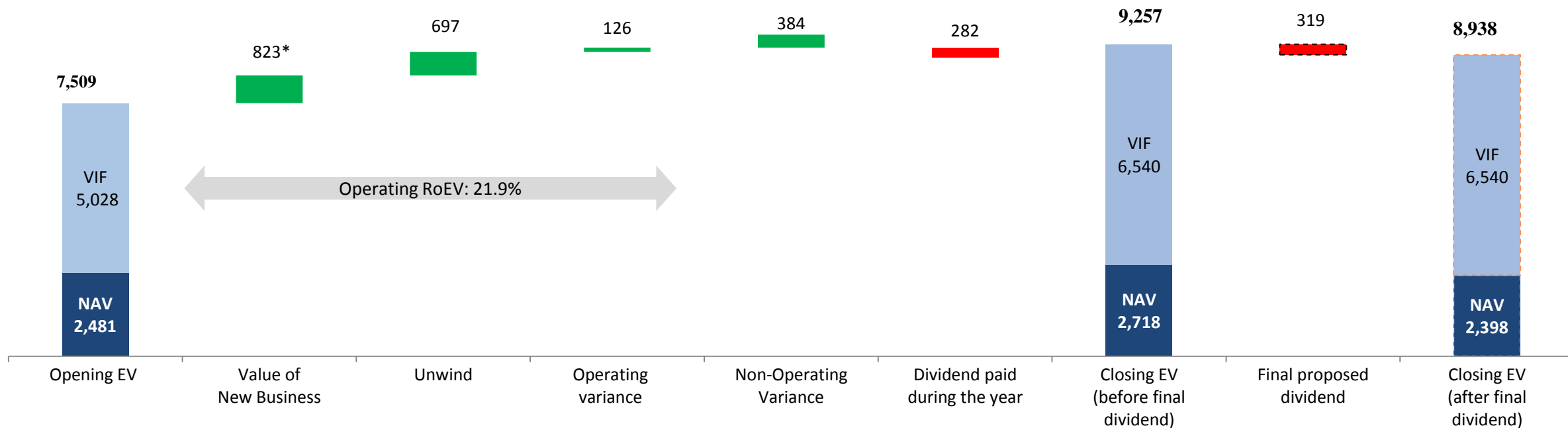
- The New Business Margin (NBM) before operating cost overrun is 24.9% for Q1 FY20 compared to 23.5% for Q1 FY'19.
- The increase in margin is primarily driven by increase in proportion of non-par saving and protection business along with upside from use of lower cost of capital charge in estimating CRNHR (+160 bps) and lower effective tax rate (+80 bps).
- Post allowing for operating cost overrun chargeable to Shareholders, the NBM reduces to 19.6% for Q1 FY'20 compared to 18.1% for Q1 FY'19

¹ Annual Premium Equivalent (APE) is calculated as 100% of regular premium + 10% of single premium.

² The VNB is accumulated from the point of sale to the end of the reporting period (i.e. 30th June 2019), using the beginning of quarters' risk free yield curve.

EV movement analysis: March 2018 to March 2019

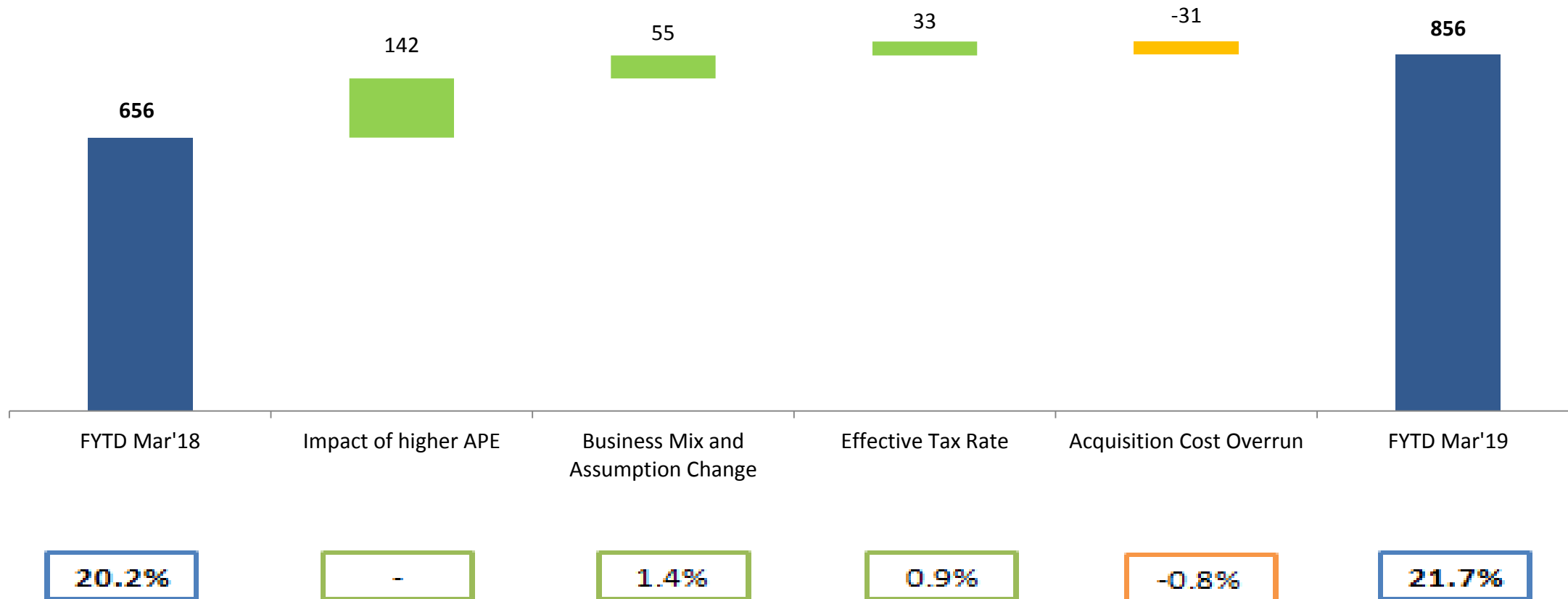
Figures in Rs Cr.



- 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.

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.



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 FBIL¹ 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.

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 10% [9%] 65 bps ↑ | Individual APE Rs 3,917 Cr [Rs 3,217 Cr] 22% ↑ | Gross Written Premium Rs 14,575 Cr [Rs 12,501 Cr] 17% ↑ | AUM Rs 62,798 Cr [Rs 52,237 Cr] 20% ↑ |
| Profit Before tax Rs 623 Cr [Rs 615 Cr] 1% ↑ | Net Worth Rs 2,761 Cr [Rs 2,699 Cr] 2% ↑ | Policyholder Cost to GWP Ratio 20.0% ↔ [20.0%] | Policyholder Expense to GWP Ratio 13.2% 34 bps ↑ [12.9%] |
| New Business Margins Structural Actual 22.5% 21.7%# 150 bps ↑ [20.2%] [20.2%] | RoEV 21.9% 130 bps ↑ [20.6%] | Embedded Value* 9,257 21.9% ↑ [7,706] | 13th Month Persistency 83% 300 bps ↑ [80%] |
| VNB 856# 30% ↑ [656] | Policies Sold ('000) 645 15% ↑ [561] | Claim Settlement Ratio 98.7% 48 bps ↑ [98.3%] | Protection Mix** Individual Group Total 6% 4% 10% 220 bps ↑ [4%] [4%] [8%] |

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);

Financial Performance Summary Q1 FY'20

| | | | |
|--|--|---|--|
| Pvt Market Share 9% [9%] <div>7 bps</div> | Individual APE Rs 679 Cr [Rs 552 Cr] <div>23%</div> | Gross Written Premium Rs 2,651 Cr [Rs 2,320 Cr] <div>14%</div> | AUM Rs 63,877 Cr [Rs 53,940 Cr] <div>18%</div> |
| Profit Before tax Rs 77 Cr [Rs 91 Cr] <div>16%</div> | Net Worth Rs 2,518 Cr [Rs 2,581 Cr] <div>2%</div> | Policyholder Expense to GWP Ratio 18.7% [17.3%] <div>>100 bps</div> | Policyholder Cost to GWP Ratio 24.7% [23.6%] <div>>100 bps</div> |
| New Business Margins Structural Actual 24.9% 19.6%# [23.5%] [18.1%] <div>150 bps</div> | RoEV 14.8% [15.0%] <div>20 bps</div> | Embedded Value* 9,314 [7,645] <div>14.8%</div> | 13th Month Persistency 85% [83%] <div>>100 bps</div> |
| VNB 134# [101] <div>33%</div> | Policies Sold ('000) 114 [104] <div>9%</div> | Claim Settlement Ratio 96.8% [96.3%] <div>51 bps</div> | Protection Mix** Individual Group Total 7% 8% 15% [7%] [9%] [16%] <div>98 bps</div> |

Figures in [brackets] are for previous year numbers # VNB and Margins are post effective tax rate and reduction of CRNHR from 5% to 4%

*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

➤ Individual APE

➤ Renewal Premium

➤ Gross Premium

➤ Policyholder expense to GWP Ratio

➤ Policyholder Cost to GWP Ratio

➤ Expense to average AUM (Policyholder)

| FY18 | | FY19 | | Q1 FY'19 | | Q1 FY'20 |
|--------|----------|--------|--|----------|-----------|----------|
| 3,217 | 22% ↑ | 3,917 | | 552 | 23% ↑ | 679 |
| 8,152 | 15% ↑ | 9,415 | | 1,554 | 12% ↑ | 1,740 |
| 12,501 | 17% ↑ | 14,575 | | 2,320 | 14% ↑ | 2,651 |
| 12.9% | 34 bps ↑ | 13.2% | | 17.3% | 139 bps ↑ | 18.7% |
| 20.0% | ↔ | 20.0% | | 23.6% | 111 bps ↑ | 24.7% |
| 3.6% | ↔ | 3.6% | | 3.3% | 25 bps ↑ | 3.5% |

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

Financial Performance

➤ Profit(before Tax)

➤ AUM

➤ New Business Margin (Post Overrun)

➤ MCEV (pre dividend)^

➤ Operating RoEV

➤ Solvency Ratio

| FY18 | | FY19 | | Q1 FY'19 | | Q1 FY'20 |
|--------|-----------|--------|--|----------|-----------|----------|
| 615 | ↑ 1% | 623 | | 91 | ↓ -16% | 77 |
| 52,237 | ↑ 20% | 62,798 | | 53,940 | ↑ 18% | 63,877 |
| 20.2% | ↑ 150 bps | 21.7% | | 18.1% | ↑ 150 bps | 19.6% |
| 7,706 | ↑ 22% | 9,257 | | 7,645 | ↑ 15% | 9,314 |
| 20.6% | ↑ 130 bps | 21.9% | | 15.0% | ↓ 20 bps | 14.8% |
| 275% | ↓ 33% | 242% | | 262% | ↓ 37% | 225% |

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 | 225 | 247 | 10% | 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 |

| Key Business Drivers | Unit | Quarter Ended | | Q-o-Q Growth |
|---|------------------|---------------|--------------|--------------|
| | | Jun'18 | Jun'19 | |
| a) Individual APE | Rs. Crore | 552 | 679 | 23% |
| b) Gross written premium income | Rs. Crore | 2,320 | 2,651 | 14% |
| First year premium | | 536 | 646 | 21% |
| Renewal premium | | 1,554 | 1,740 | 12% |
| Single premium | | 230 | 265 | 15% |
| c) Shareholder Profit (Pre Tax) | Rs. Crore | 91 | 77 | -16% |
| d) Policy Holder Expense to Gross Premium | % | 17.3% | 18.7% | -139 bps |
| e) Conservation ratio | % | 90.8% | 90.8% | -4 bps |
| f) Average case size(Agency) | Rs. | 56,235 | 58,406 | 4% |
| g) Share Capital | Rs. Crore | 1,919 | 1,919 | 0% |
| h) Individual Policies in force | No. Lacs | 40.81 | 42.76 | 5% |
| i) Sum insured in force | Rs. Crore | 538,956 | 731,592 | 36% |
| j) Grievance Ratio | Per Ten thousand | 87 | 92 | NA |

