

Max Financial Performance Update

Investor Release Q1 FY22

August 10, 2021





SECTION I

- ▶ Max Financial Services : Q1FY22 Key Highlights
- 

Max Financial Services : Q1FY'22 Key Highlights

1

Application filed with **IRDAI** for acquiring residual ~**5.17%** stake from **MSI** in **Max Life**, at **Rs 85/ share**. Significant value creation for shareholders on completion of transaction

2

Consolidated Revenue excluding investment income at **Rs 3,420 Cr**, grows **27%**. Consolidated PAT at **Rs 36 Cr**, down **80%**, owing to one-off tax refund, lower operating expenses and lower death claims due to COVID-19 induced lockdown

3

VNB at **Rs 172 Cr** grew **53%** y-o-y; **NBMs** (post cost overrun) at **19.7%**, **260 bps** improvement y-o-y, due to change in business mix

4

MCEV as at 30th Jun 2021 at **Rs. 12,290 Cr**; Operating RoEV at **13.5%**, Including non-operating variances RoEV is **16.3%**

5

Max Life market share improved by **63 bps** to **11%** ... growth of **34%** against **Private Players** growth of **26%**

6

Max Life raised **Rs 496 Cr** through non-convertible debentures (NCDs), solvency margin strengthens by **17%** to **214%**

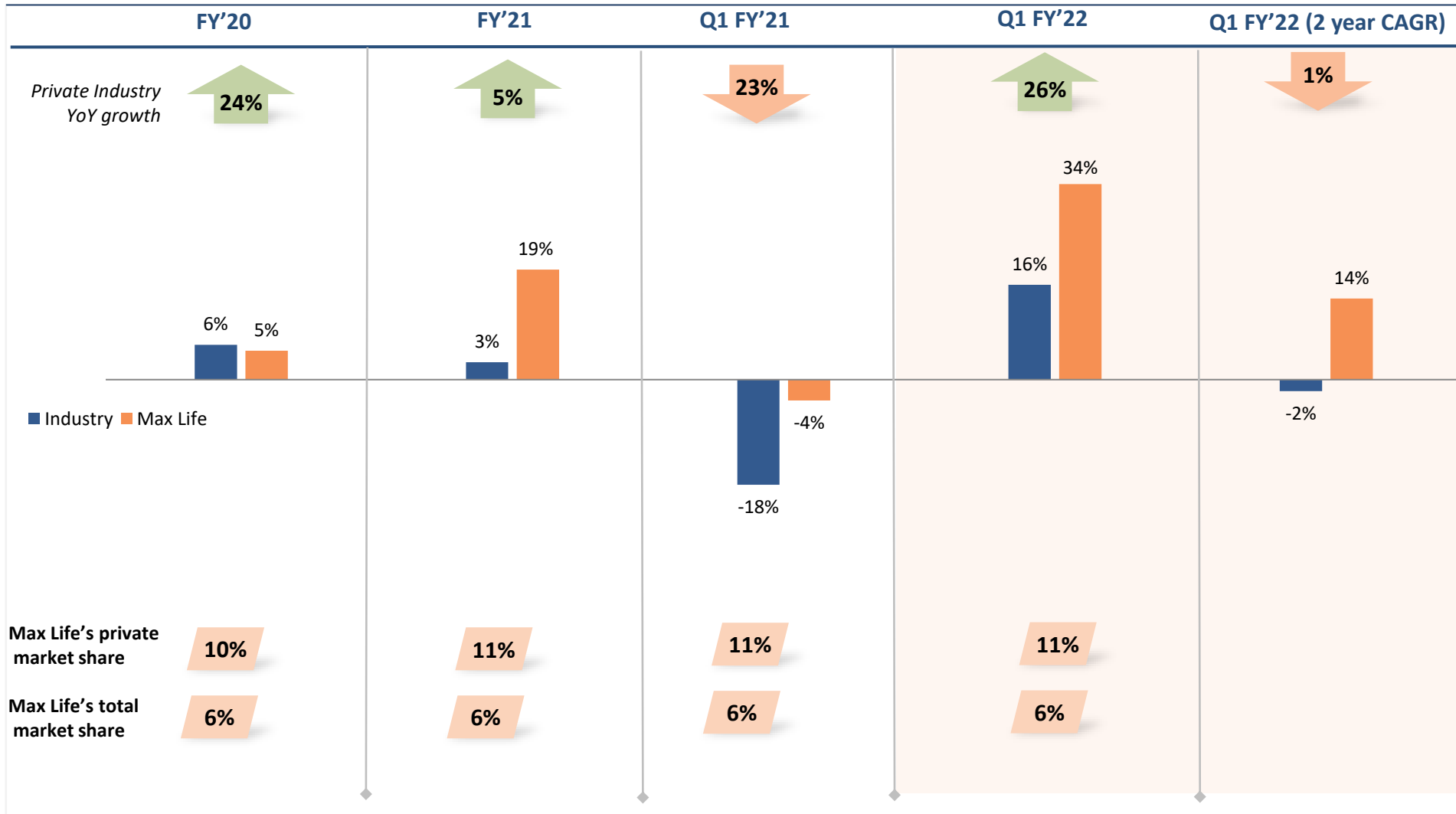


SECTION II

- ▶ Max Life Insurance – Business Overview
- 

Industry Landscape (Q1 FY22): Total Industry grew by 16%, while Pvt. players grew by 26% and LIC by 4%. Max Life not only grew at 34% but also outperformed industry on 2-Yr CAGR basis as well

YoY Growth basis Individual Adjusted FYP



- Max life grew by 14% on 2-year CAGR basis while private industry de-grew by 1%
- Claims paid ratio 99.35% at the end of FY21, one of the best in the industry and best ever ratio reached
- Ranked 18th amongst 'India's Best Companies to Work For' in 2021 and Ranked 55 amongst 'Asia's Best Companies to Work For' in 2021
- #2 rank in customer grievances incidence rate in FY21

Financial Performance Summary Q1FY22

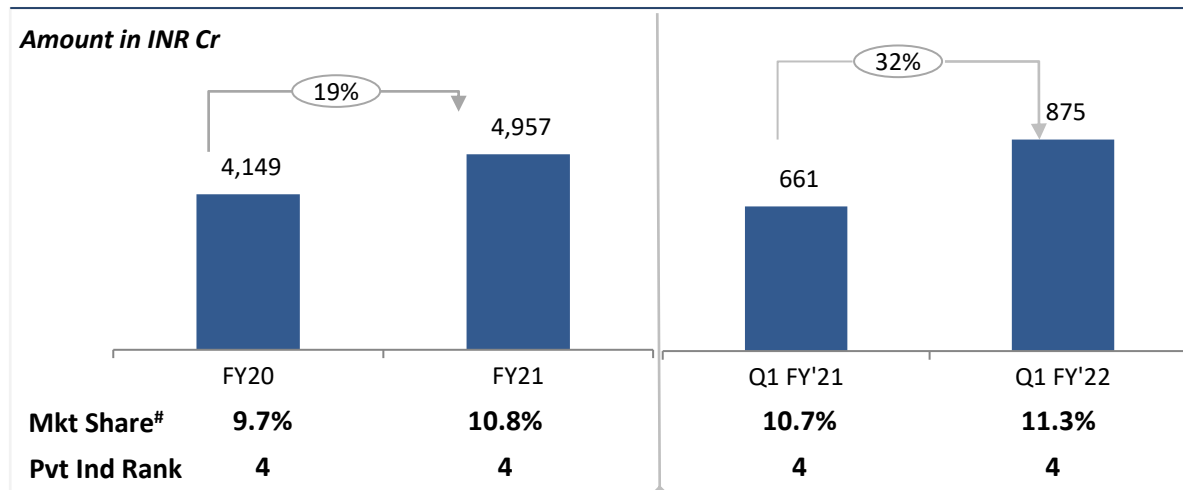
Pvt Market Share 11% [11%] 63 bps ↑	APE Rs 875 Cr [Rs 661 Cr] 32% ↑	Gross Written Premium Rs 3,484 Cr [Rs 2,751Cr] 27% ↑	AUM Rs 93,697 Cr [Rs 73,239 Cr] 28% ↑
Profit Before tax* Rs 77 Cr [Rs 138 Cr] -44% ↓	Net Worth Rs 2,930 Cr [Rs 2,781 Cr] 5% ↑	Policyholder Cost to GWP Ratio 23.4% [21.9%] 147 bps ↑	Policyholder Expense to GWP Ratio 17.4% [16.2%] 115 bps ↑
New business margin 19.7% [17.1%] 260 bps ↑	Operating RoEV 13.5% [15.9%] 240 bps ↓	Embedded Value^ 12,290 [10,670] 13.5% ↑	Solvency 197% [212%] -15% ↓
VNB 172 [113] 53% ↑	Policies Sold ('000) 111 [123] -10% ↓	New business Sum assured 43,530 [50,030] -13% ↓	Protection Mix** Individual Group Total 10% 9% 18% [14%] [11%] [25%] 680 bps ↓

Figures in [brackets] are for previous year numbers.

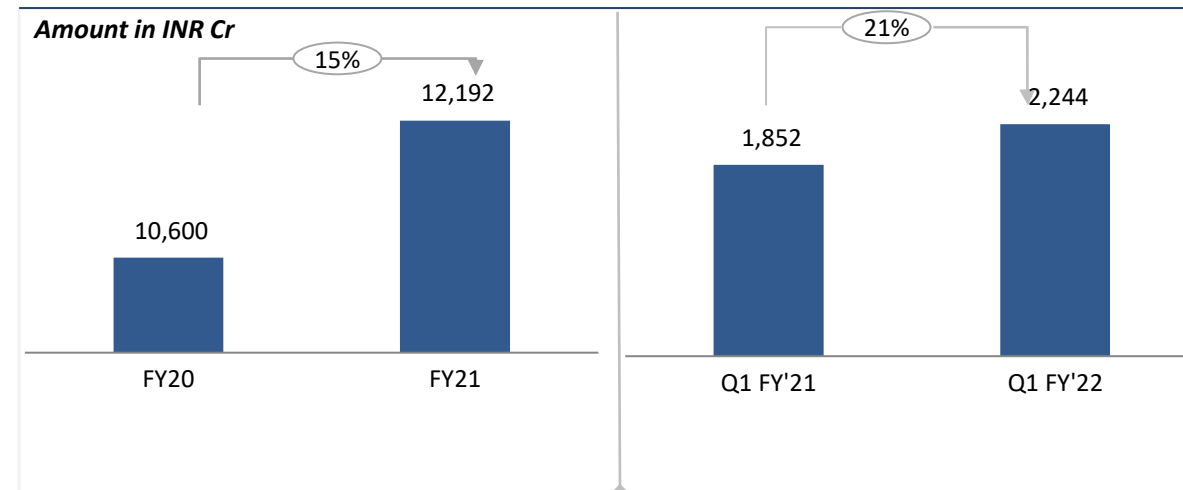
^Growth on Embedded value is operating RoEV, * Profit is lower compared to last year due to higher operating expenses (effect of lower base) and lower death claims reporting last year due to lockdown**Group protection (incl. Group credit life adjusted for 10% for single premium and term business);

Max Life has delivered strong performance on new business ; Maintained 4th rank in the private industry and increased market share by 63 bps

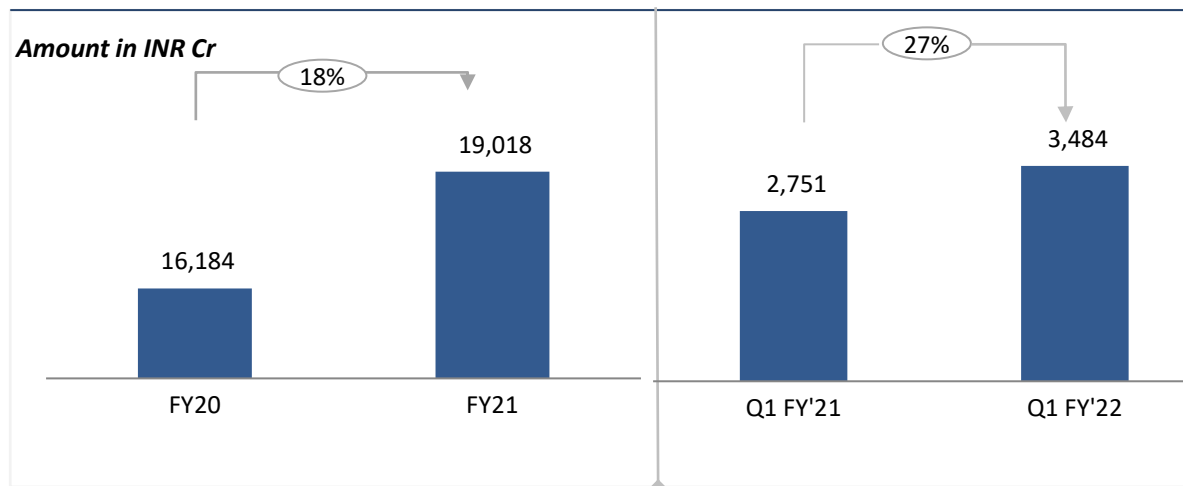
New Business Premiums (on APE basis)



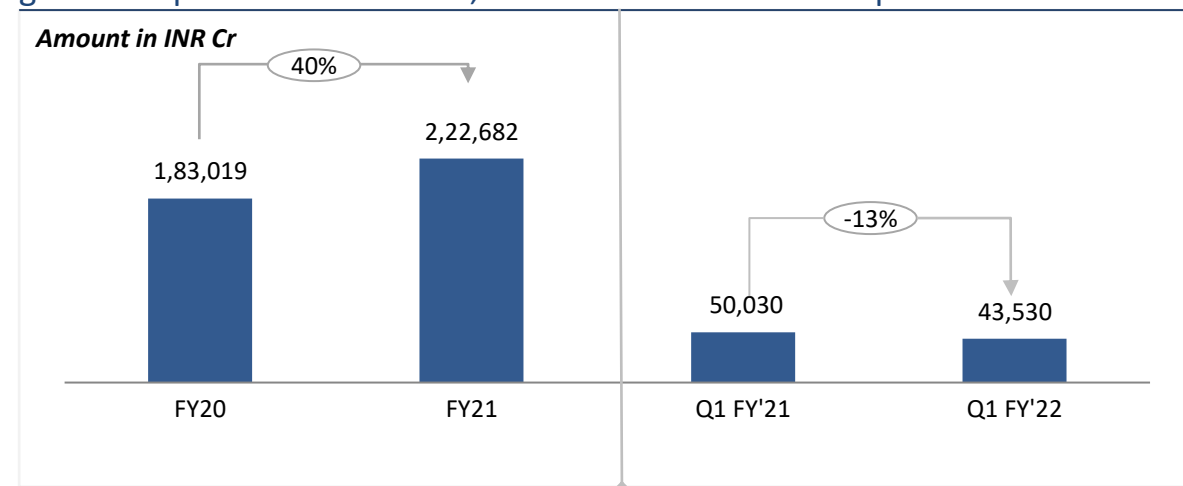
Renewal Income



Gross Written Premium

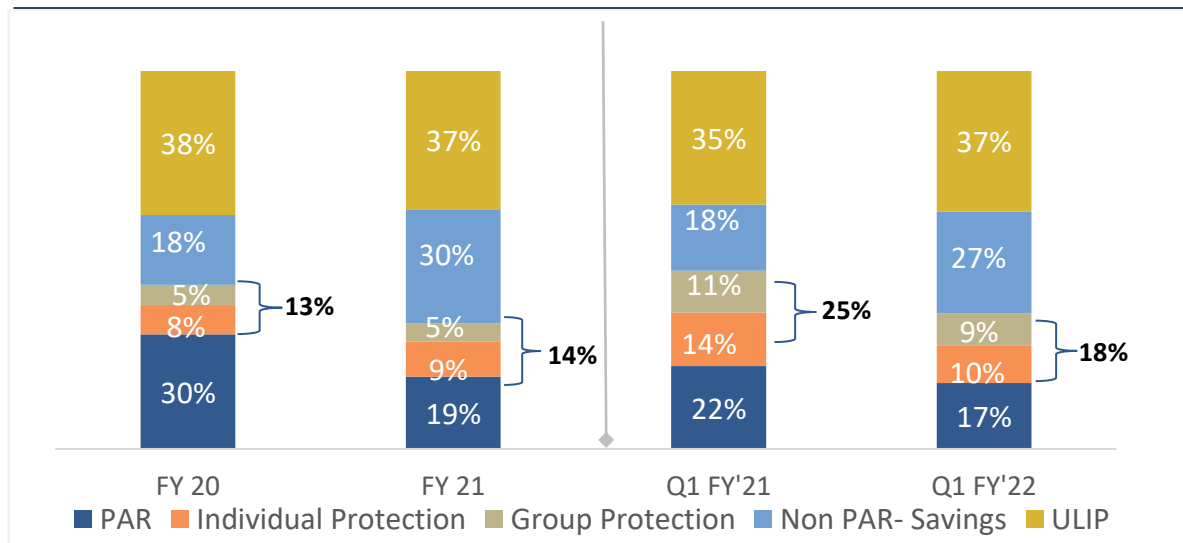


Individual Sum Assured of New business- 13% decline in Q1FY22 due to de-growth in protection business, however market share improved to 16.1%

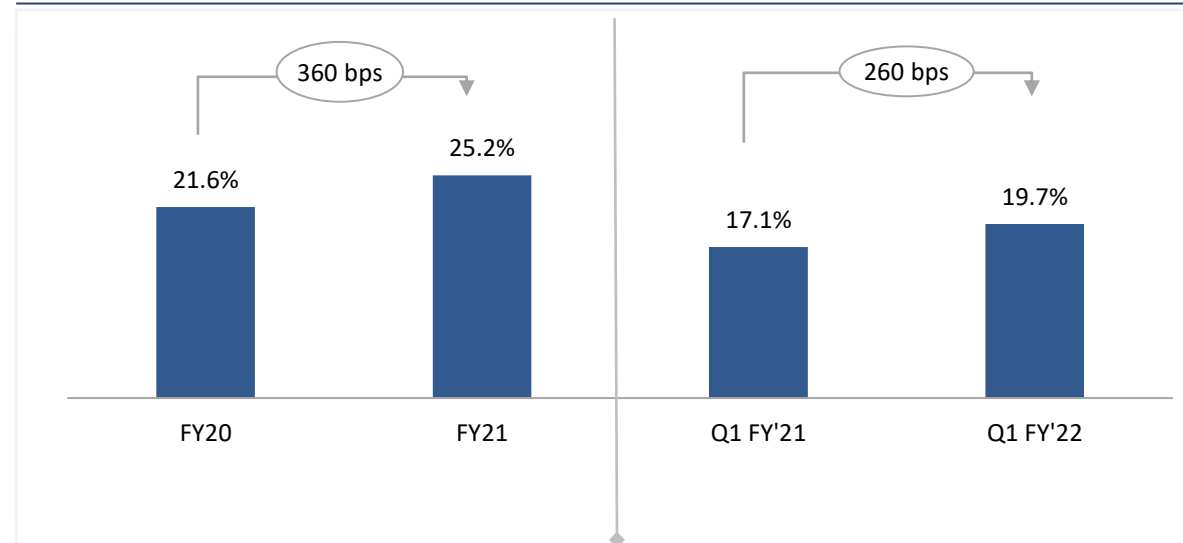


VNB increased by 53% over last year aided by increase in margins by 260 bps

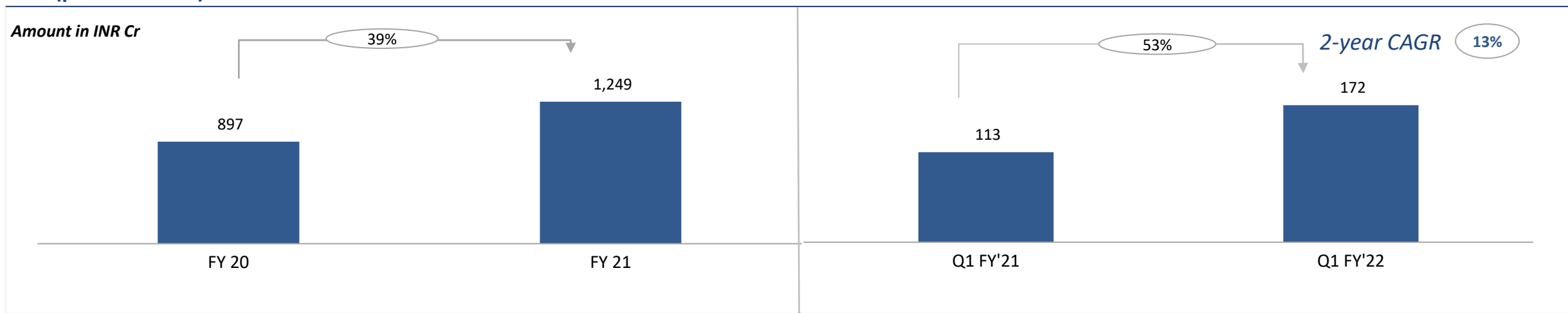
Product Mix – Increasing in NPAR savings while maintaining balance



Margins (post-overrun)- Improved by 260 bps due to change in business mix

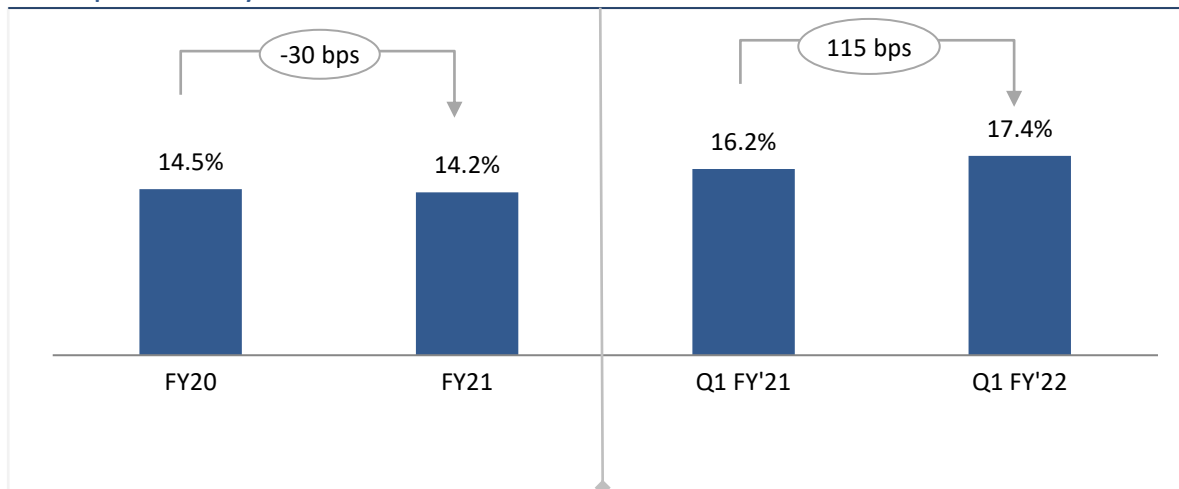


VNB (post over-run)

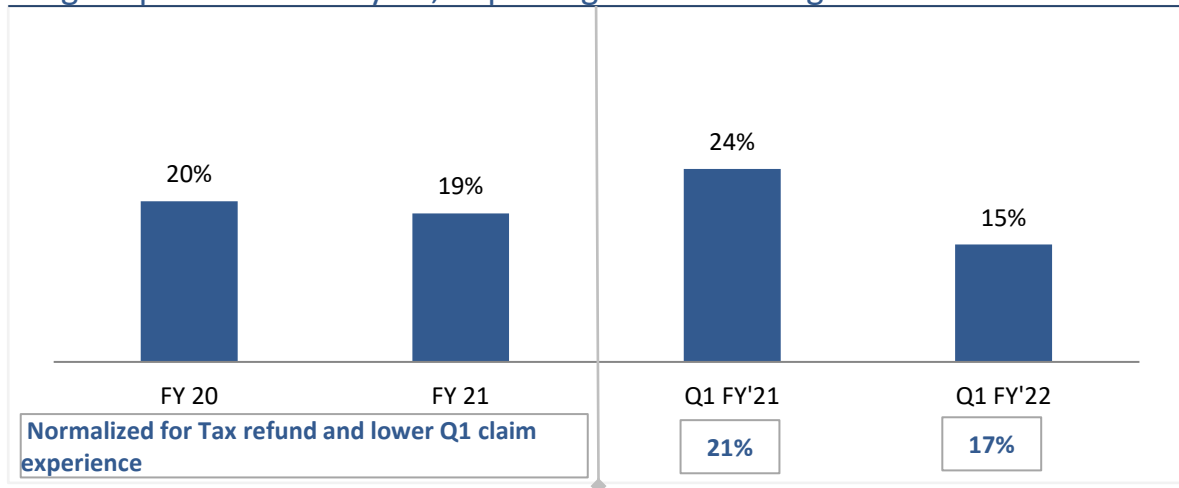


Efficient capital management with consistent returns, best in class among financial services

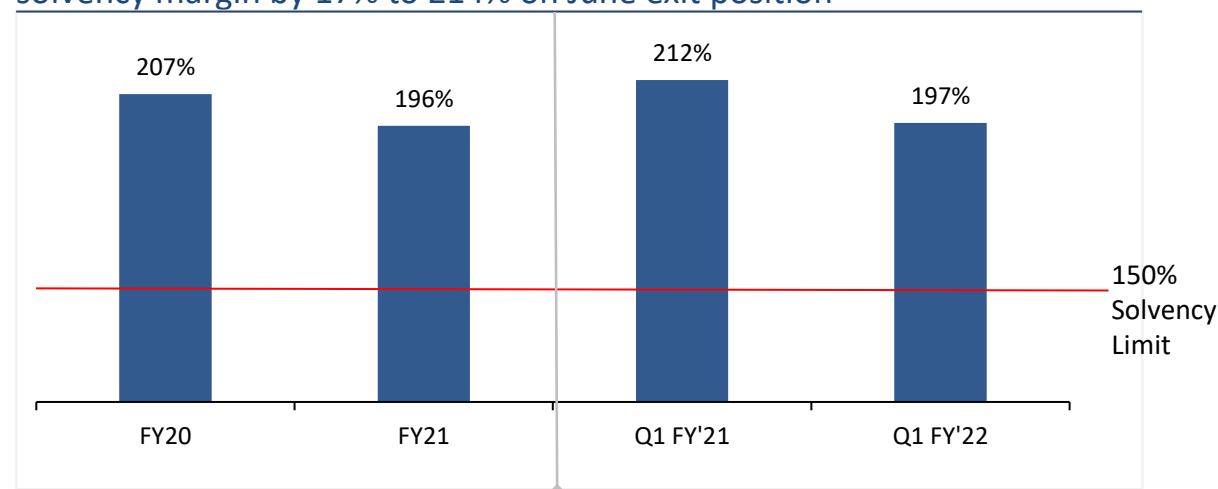
Opex to GWP*- Higher opex in Q1 due to lower base effect, improvement of 130 bps over 2-year



Return on Equity (RoE)#- Lower Q1 FY21 claim experience owing to lockdown caught up in rest of the year, impacting ROE of trailing 12 months

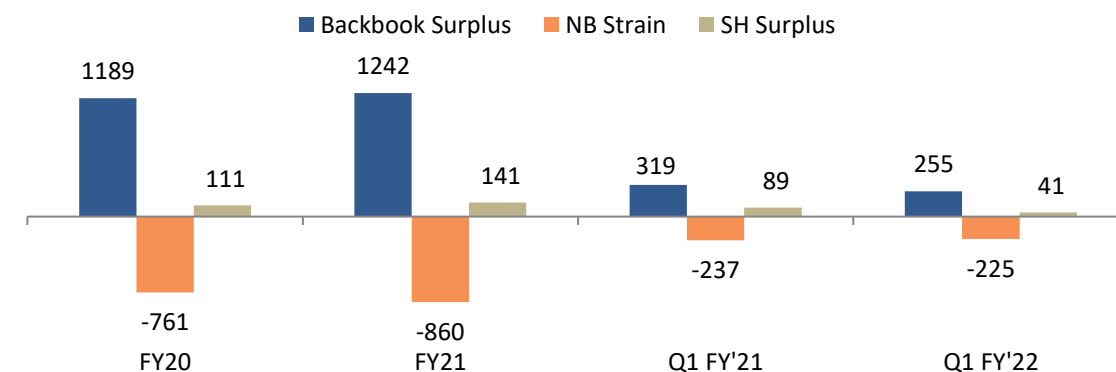


Solvency Ratio (pre dividend) - Raised 496 Cr in July, strengthening solvency margin by 17% to 214% on June exit position



Underwriting Profits- Q1 FY21 profits were higher than run rate due to one offs like lower claims owing to lockdown and Tax refund

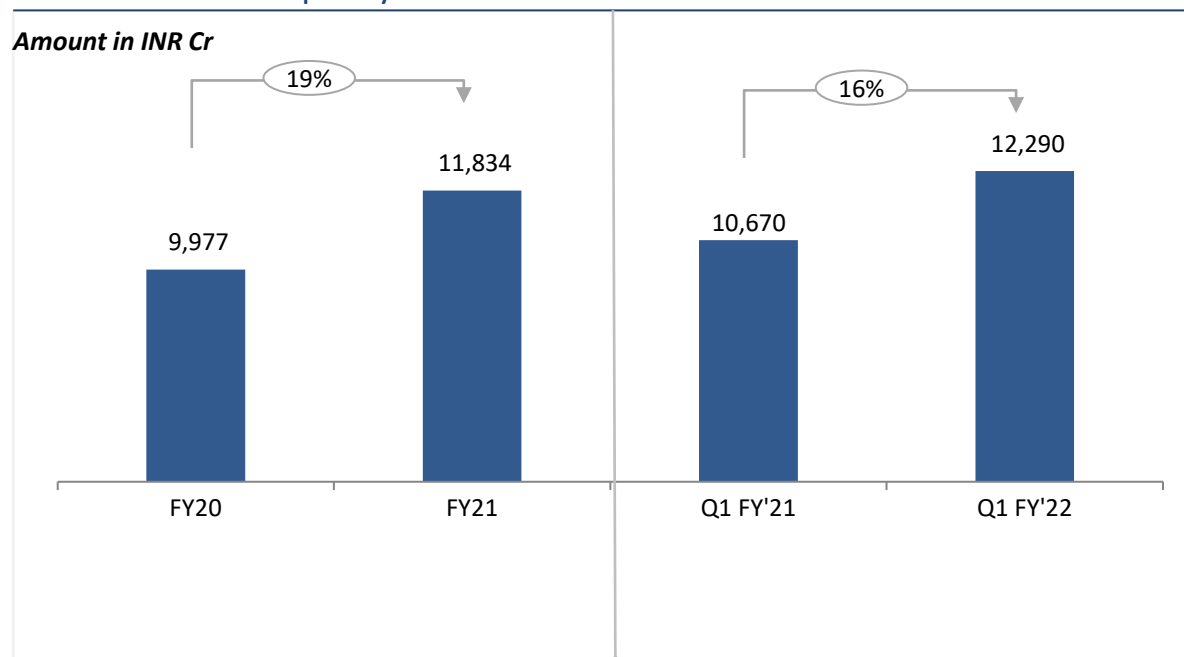
Amount in INR Cr



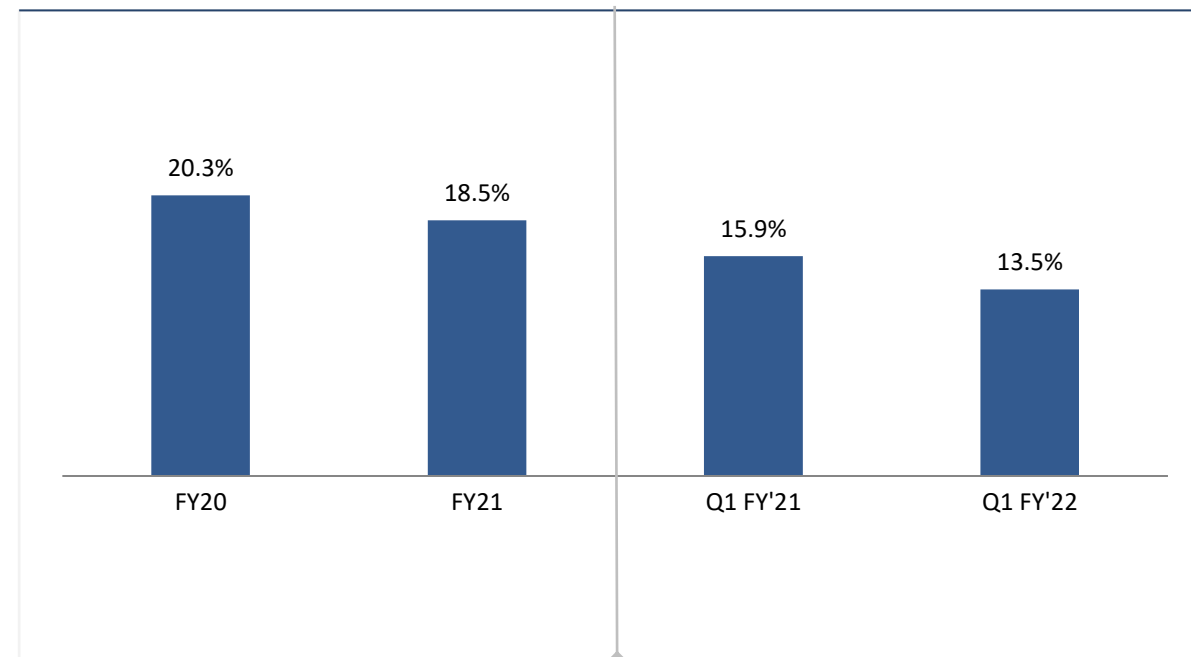
Embedded value grew at 16%, while operating RoEV for Q1 FY22 at 13.5%

Embedded Value (EV) - EV has grown at 16% driven by growth in value of new business and quality of inforce business

Amount in INR Cr



Operating Return on Embedded Value*

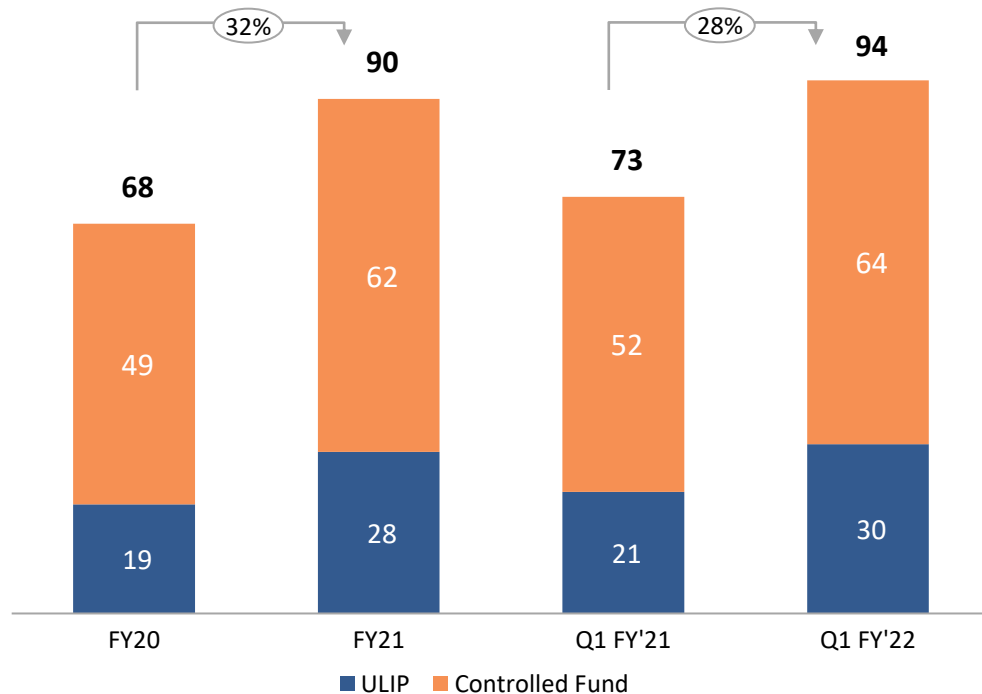


*The operating RoEV for Q1 FY21 was relatively higher due to positive operating variances in form of tax refund (~Rs 63 Cr) and due to delay in reporting of claims in lockdown

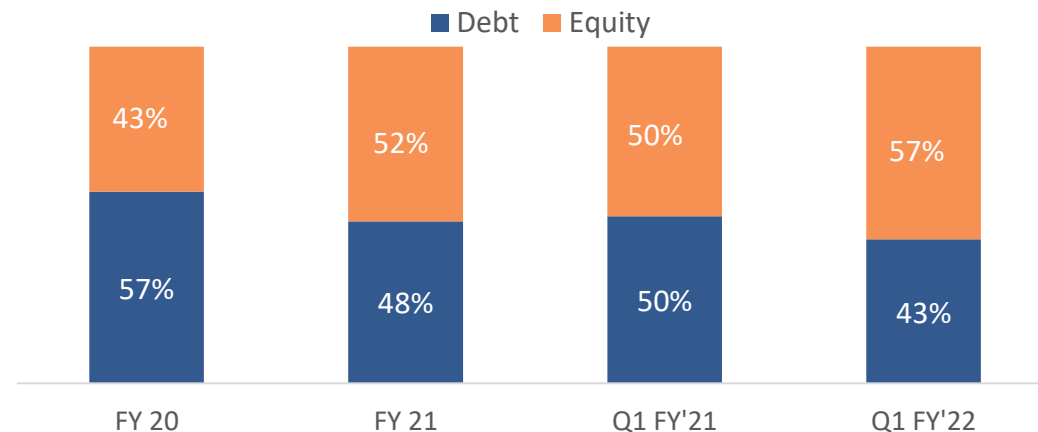
Max Life has consistently grown its Asset Under Management

Assets Under Management - MLI is the 4th largest manager of private LI AUMs, Par fund size ~48K

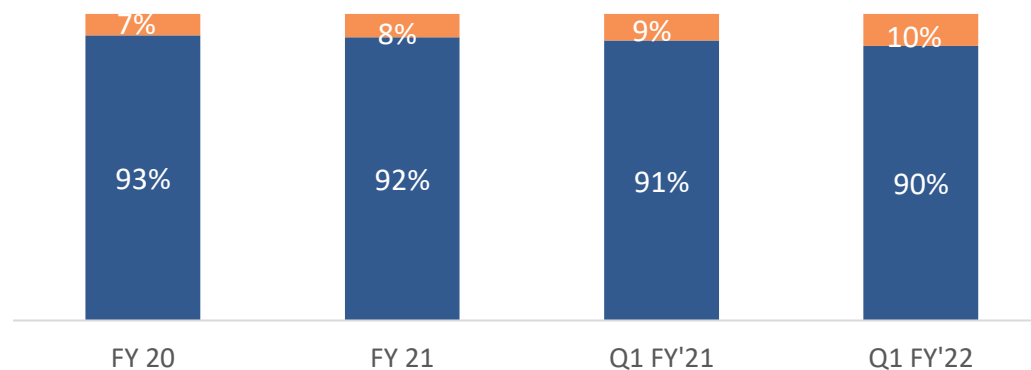
Amount in INR '000 Cr



ULIP: Healthy mix of Debt and Equity



Controlled: Healthy mix of Debt and Equity



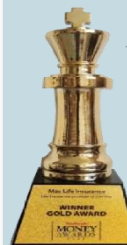
More than 95% of debt investments is in sovereign papers and AAA rated securities

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 the Bronze for the YT connected TV campaign under the Campaign during Covid-19 lockdown award category at the Adgully Digixx 2021 awards
- Awarded Gold for Life Insurer of the Year at Outlook Money Awards 2020
- Won 3 awards for Best use of use of Relationship Marketing in Loyalty Program, Best use of Gamification to enhance Loyalty and Best Use of Data in Marketing Analytics at the Customer Fest Awards 2021
- Won 7 awards across various categories including Television, BTL activities, Mobile marketing and Customer service at the 10th ACEF Global Customer Engagement Awards
- BFSI Smart Tech Awards 2019 - IPQ won the Best Use of Data and Analytics
- Won 'Excellence in Digital Sales - Life Category' at FICCI Insurance Industry Awards 2020



Leaders in Quality

- No. 1 in Customer Loyalty survey by IMRB
- Gold at ASQ World Conference
- Winner of IMC Ramkrishna Bajaj National Quality Award
- Winner of CII Industry Innovation Award
- Asia Pacific Quality Organization (APQO) award for global performance excellence
- Silver Award in ASQ ITEA 2019 for Sell Right for Customer Delight at Axis Bank
- Silver Award in the 12th QCI-DL Shah Quality Awards for Enhancing S2R Conversion% Select 60 offices in Agency.
- At CMO Asia Awards , won Best Term Plan Company of the Year



Focus on People

- 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 202
- Employee Engagement Leadership Award for "Best use of the Employee Award"
- Employee Engagement Leadership Award for "Best Social Responsibility"
- MD and CEO, featured in Impact Digital Power 100: Business Leaders List 2020
- Director and CMO, featured in Impact Digital Power 100 : Marketing Leaders List 2020





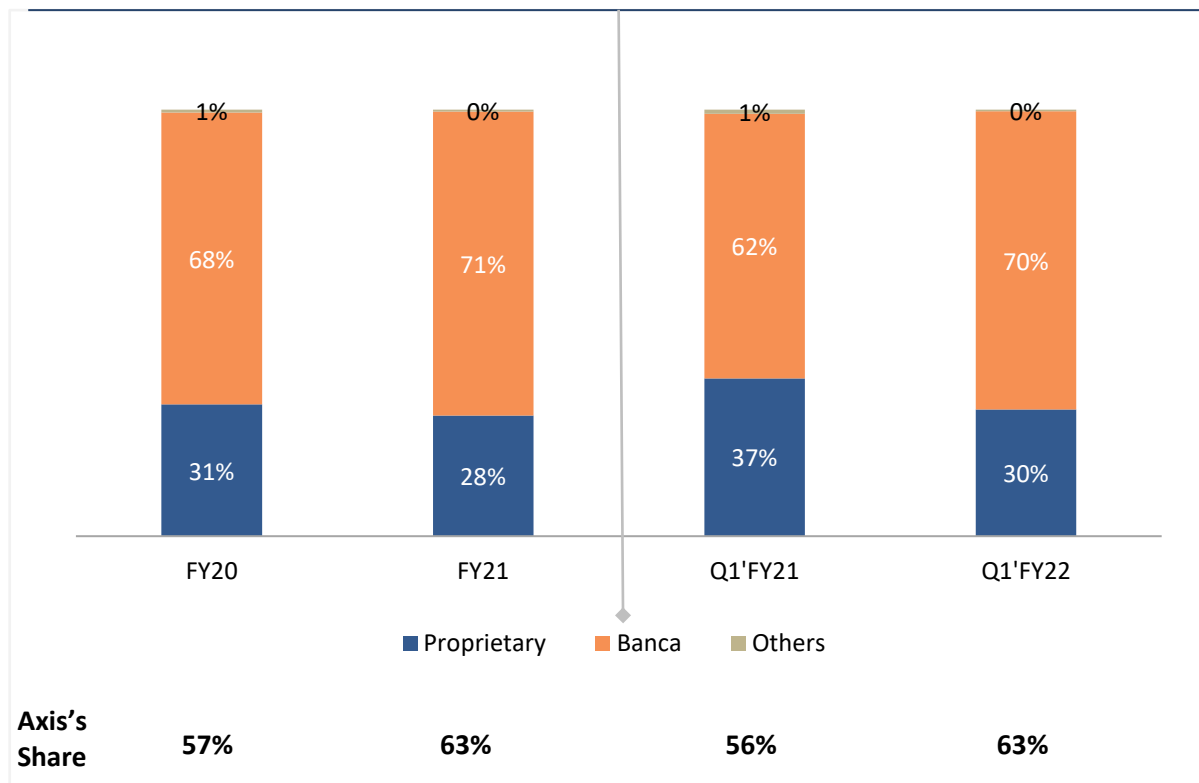
SECTION III

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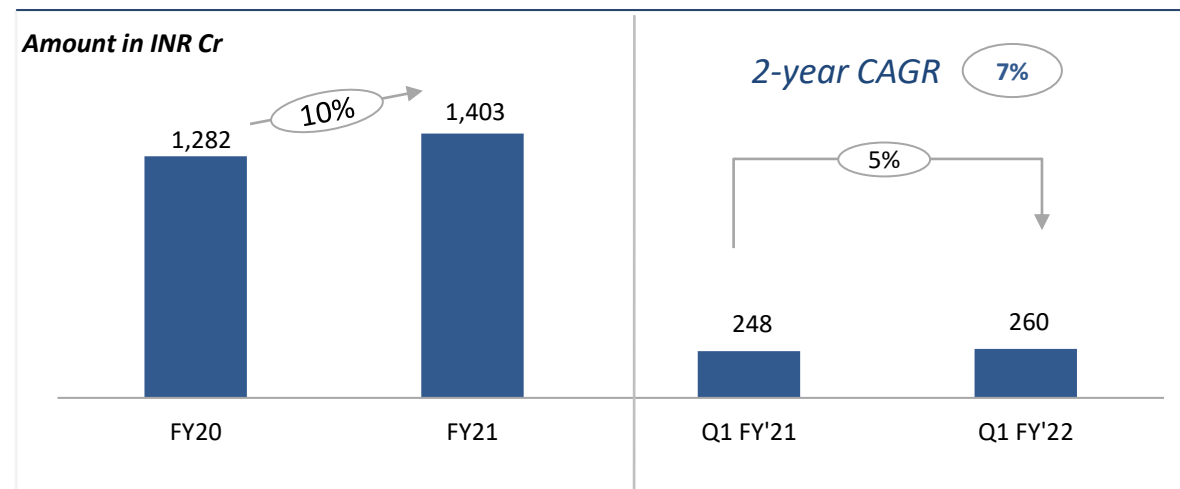
Significant progress made across key strategic priorities

	A	B	C	D
INITIATIVES	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"> Improve position in 13M and 61M persistency ranking Highest Relationship Net Promoter Score (NPS) in the industry 	<ul style="list-style-type: none"> Continue with digitization agenda across the organisation Build intelligence (AI) in all digital assets Minimize back-office costs
Progress achieved	A	B	C	D
	<ul style="list-style-type: none"> Proprietary sales grew only by 5% due to COVID related restrictions Strong growth of 49% in Banca channels Leadership in protection sales across web aggregators and in Direct purchase Key Partnerships: Ind Wealth, Ditto, Tata Motors Insurance Broking, Policy Bachat 	<ul style="list-style-type: none"> VNB Grew by 53% New protection product (Smart Secure) launched in Q1 with cautious approach in underwriting Launched Anniversary Edition of Smart wealth plan Annuity grew 88% YoY for Q1 FY22 	<ul style="list-style-type: none"> Improvement in 13M and 61M persistency 85.1% (+320bps) and 54% (+160bps) respectively Claim paid ratio at 99.35% at the end of FY21, among the best in the industry Grievance Incidence Rate of MLI ranked 2 within private industry in FY21 (GIR 31) Highest ever Brand Consideration^ at 67 (YoY: +7) for Q1 with “always-on” strategy 	<ul style="list-style-type: none"> 100% of all policies digitally sourced – 100% recruitment enabled through digital 85% requests enabled through digital self service means Max Life Innovations Lab 2.0 – 213 applications received; 4 start-ups were selected to work on different use cases. Currently in POC stage Progressing well on AI and modernizing IT journey

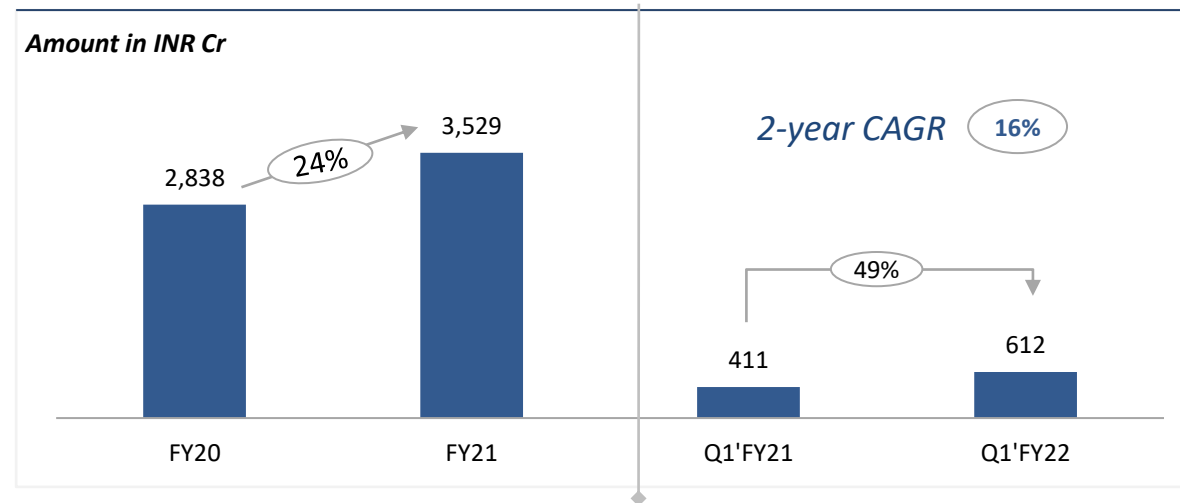
Channel Mix - Max Life has focused on maintaining a balanced distribution mix



Proprietary Channels New Business (APE)

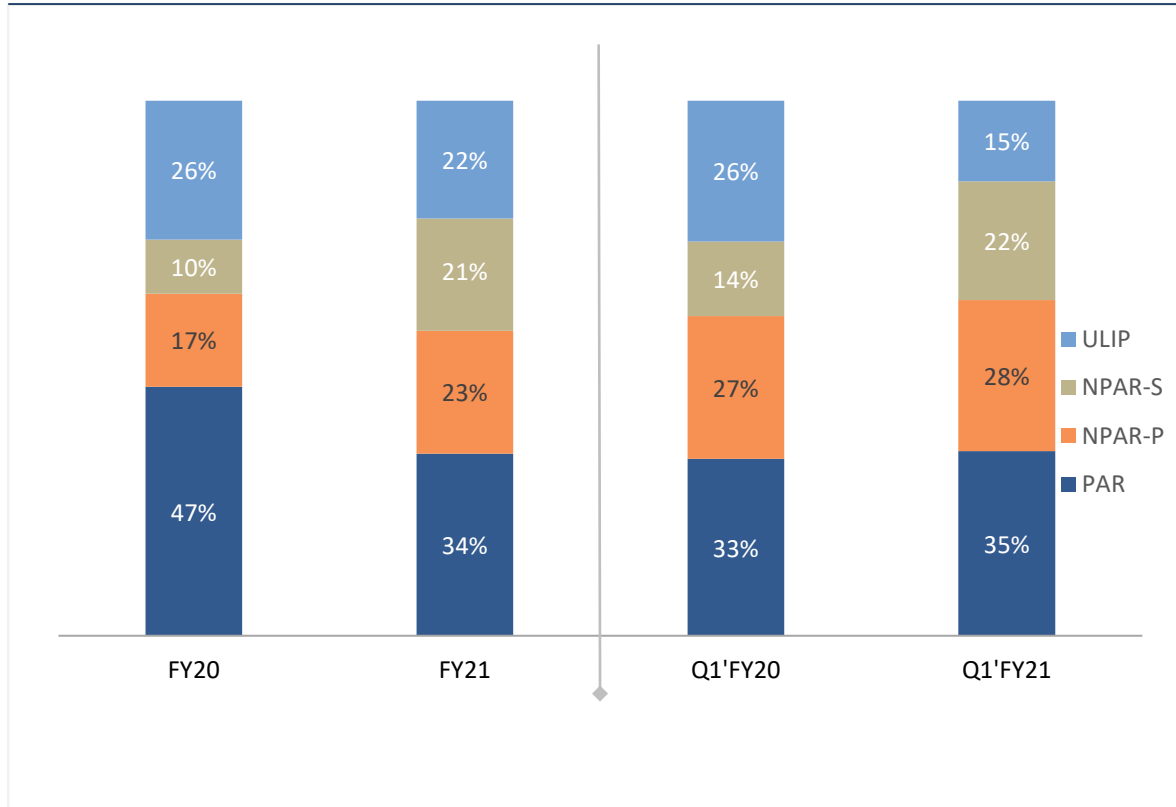


Bancassurance Channel (APE)

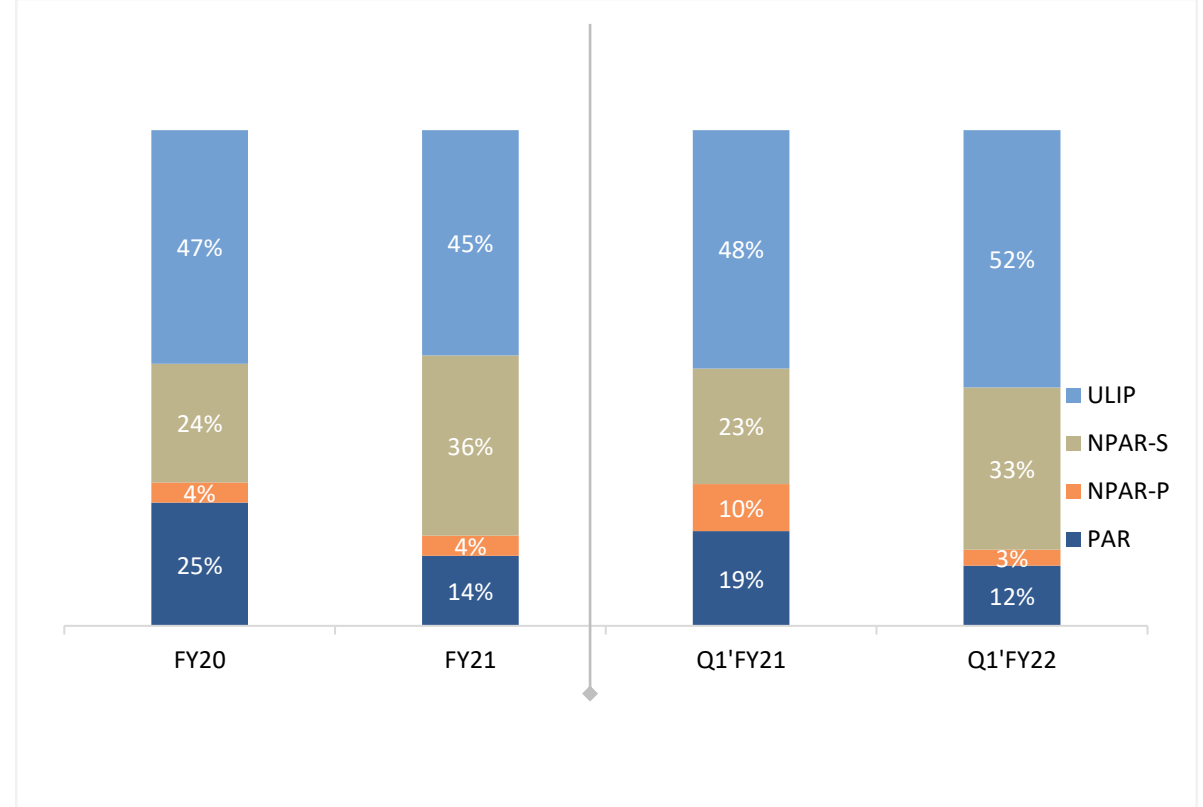


Product mix in proprietary and Bancassurance channels aligned to customer needs; Protection driven across all channels

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



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

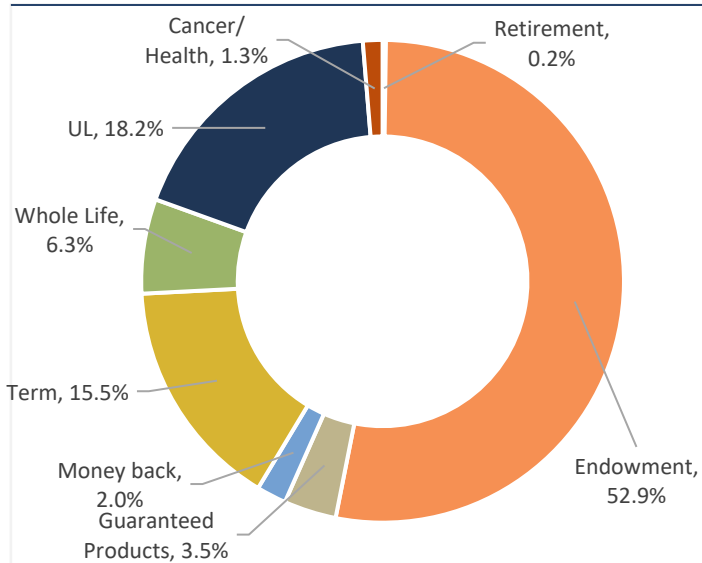


Max Life has a complete suite of products and focus is on selling longer term products along with improving penetration of pure protection offerings

Max Life has products across all categories

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

Current portfolio¹ biased towards traditional products



Product Type	Average Policyholder Age (Years)	Average Policy Term (Years)	Average PPT (Years)
Endowment	35	22	10
ULIP	38	14	9
Whole Life	36	64	52
Money back	27	17	17
Pure Term	35	37	33
Guaranteed products	43	19	9
Health	38	20	20
Cancer Insurance	38	29	29
Pension	33	23	23
Annuity	62	58	1

As on 30th June 2021

36

Average

25

Average

16

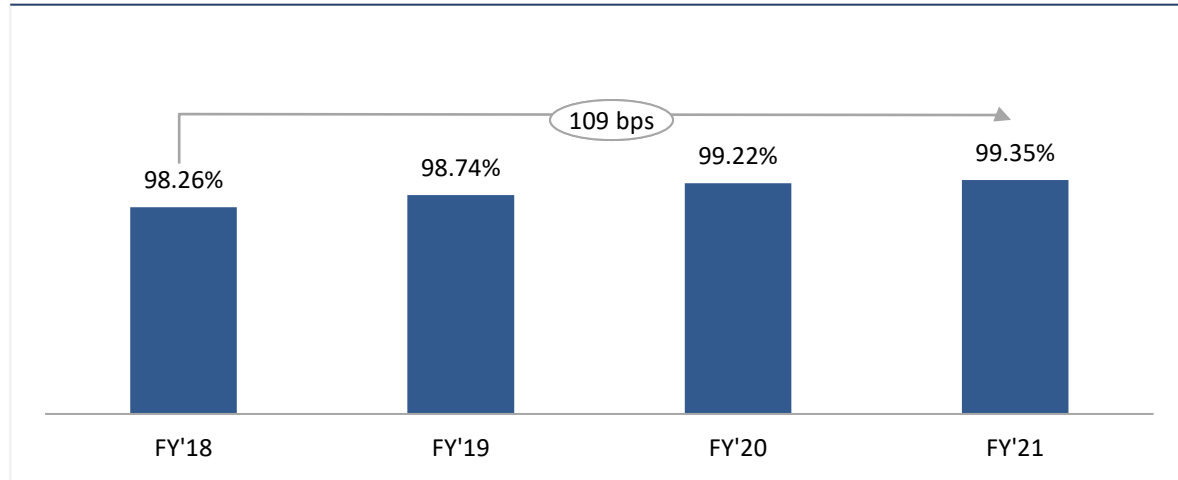
Average



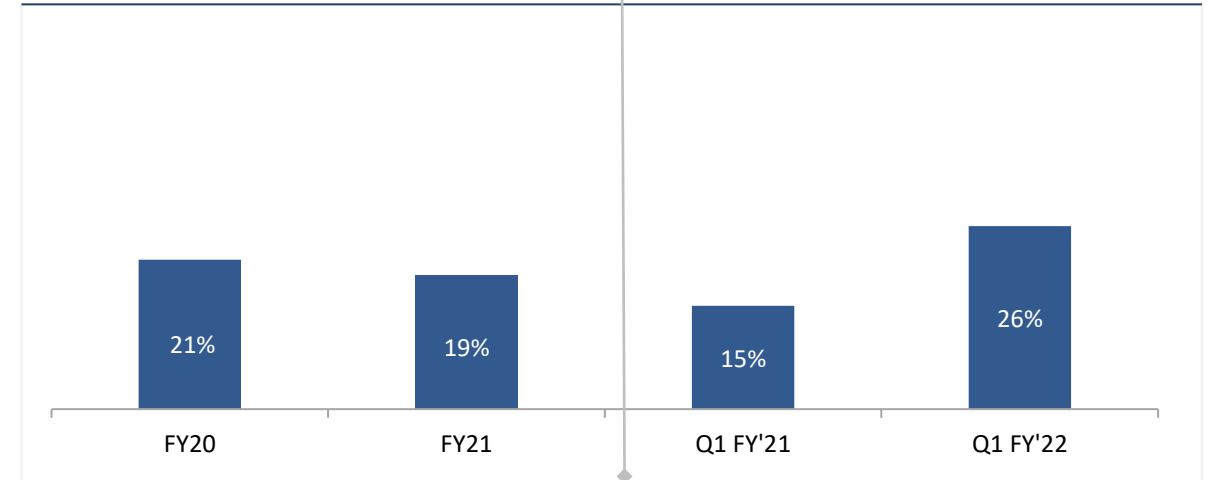
Strong focus towards customer measures has helped deliver superior performance across health parameters and will continue to remain an important priority



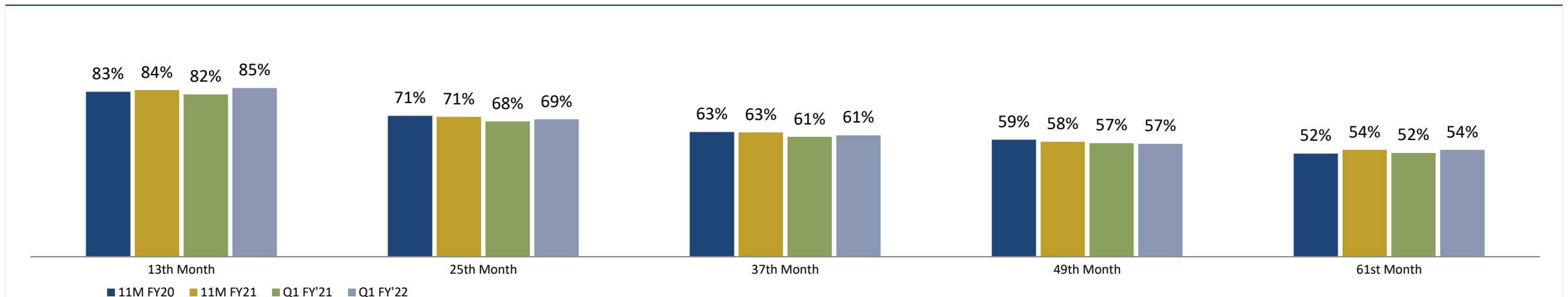
Claims Paid Ratio- One of the best claims paid ratio in the industry



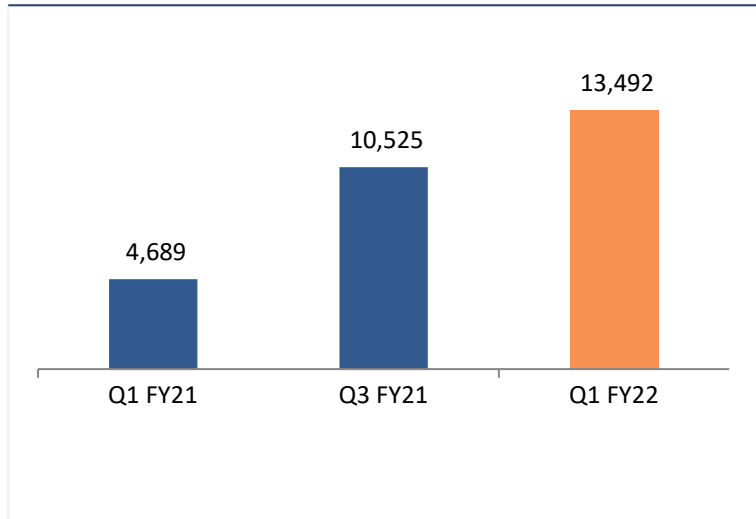
Surrender to GWP- Higher surrenders in ULIP



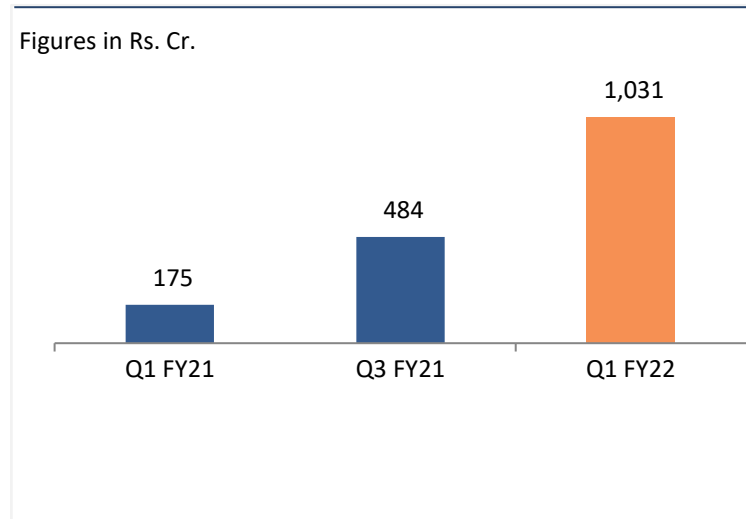
Persistency*-



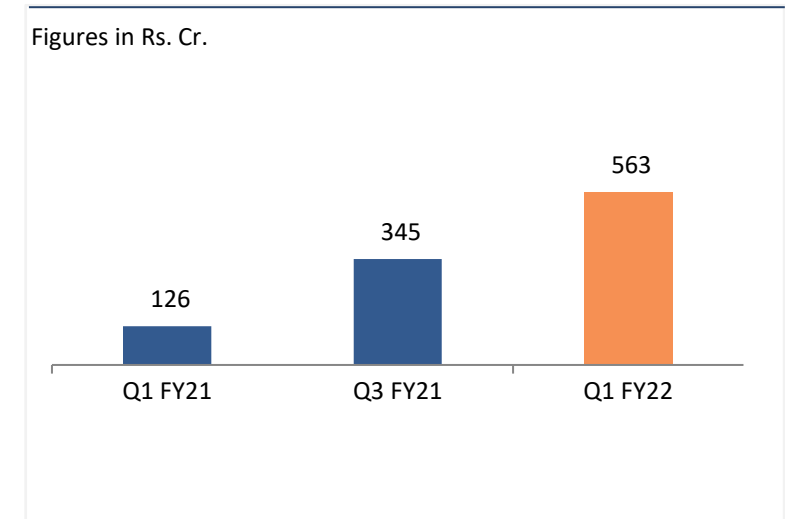
No of claims- 1.3X from first peak in Q3 FY21



Gross claims- 2.1X from first peak in Q3 FY21



Net claims- 1.6X from first peak in Q3 FY21



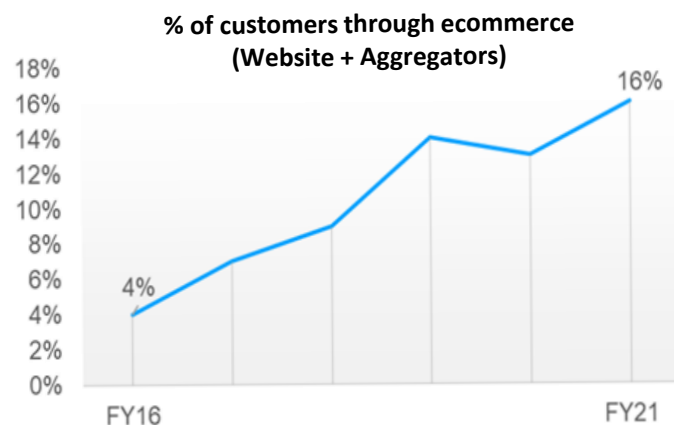
- Provisions of ~Rs 500 cr are being used to neutralize the excess COVID claims.
- 91% of eligible employees received first dose of vaccination
- Action on Group portfolio:
 - ✓ Group Term Life (GTL): Cautious approach – discontinued sourcing new accounts, selective price adjusted renewals of profitable accounts
 - ✓ Group Credit: Non-medical limits reduced; re-negotiation & exit from select Group credit accounts
- Range of actions in place to control mortality such as stringent underwriting measures (Restrictions around large sum assureds, higher age and extra mortality for sub standard lives, six-sigma analysis on current UW quality check process, re-evaluation of the underwritten base), mandatory physical medicals - blood tests including HbA1C, TMT
- Increase in premium rates from July'21 on Individual protection plans, group cases are monitored case to case basis



Max Life Leader in E-Commerce Protection Sales enabled by higher adoption of digital assets and embedded intelligence in the entire operating model



Growth and Awards



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

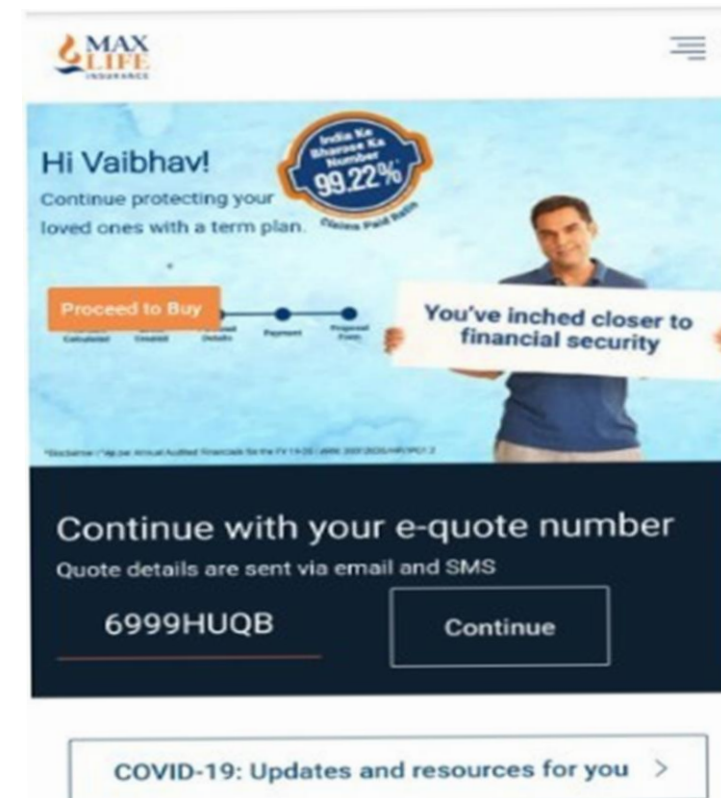
Sharper Prospecting Chase VALUE not Traffic



- Advertising **Optimization signals** based on **Customer Lifetime Value**
- **SEO expertise:** Share of focus keywords in top3/top5 ranking
 - Top 15 keywords Top 3 Search Results – **53%**
 - Top 100 keywords Top 5 Search Results – **45%**

Source: Webmaster Console

Personalization Never Ask Again



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

B2C On-boarding Platform

Step 1/4: Ramesh, customize your Term Plan [Update Info](#)

Congrats! You're eligible for medicals on call with waiver of income proof*. Premium prices increasing soon

Lumpsum Payout ★

Recommended Life Cover
₹ 50,00,000 INR 50 L ▼

Cover Till Age (Max: 80 years)
60 years

Pay Till Age

Pay till maturity (for 30 yrs) Save 32% Pay till age 40 (for 10 yrs)

Payment Frequency
Monthly ▼

☐ Pay ₹ 420 to get back your premiums at end of Policy Term [How it works?](#)

Total Premium (inclusive of GST)
₹ 494 Monthly ₹ 589

5% Discount applied for 1st year.

[Proceed](#)

MAX LIFE INSURANCE

Total Amount (incl. of GST) ₹ 1,303

Select Payment Method

EXCLUSIVELY FOR YOU. NOW PAY ₹ 1 TO BOOK YOUR POLICY*

☒ Credit Card [Book with ₹ 1](#)

We accept

I Ramesh Kumar, agree to pay my future/renewal premiums through credit card as per the Terms and Conditions mentioned with respect to the set up of Standing Instructions on my credit card.

[Book with ₹ 1](#)

*Premium will be charged at the time of policy issuance (subject to underwriting's declaration)

[Pay ₹ 1,303](#)

<\$ Secs
Page Load Time



AI enabled Personalized
Sales offers

Top 3
SEO Ranking

Frictionless Onboarding



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

mPRO

MAX LIFE INSURANCE mPRO

Active Cases

1 Customer Details 1 Product Details 5 Personal Details

Information Pending ▼

Submission Status ▼

Enter email id / Mobile no / Policy number [Search](#)

Advance Search

Transaction ID 1100219692 Policy Number

Policy Number 331273763

Congratulations! You are not required to undergo any medical examination and no financial documents are required to be submitted.

This is a clear case and does not require underwriting

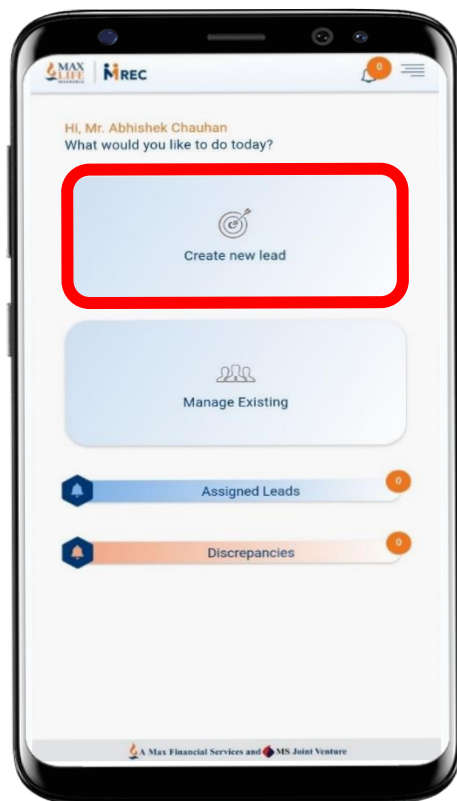
Seller Declaration 1

[Save](#) [Submit](#)

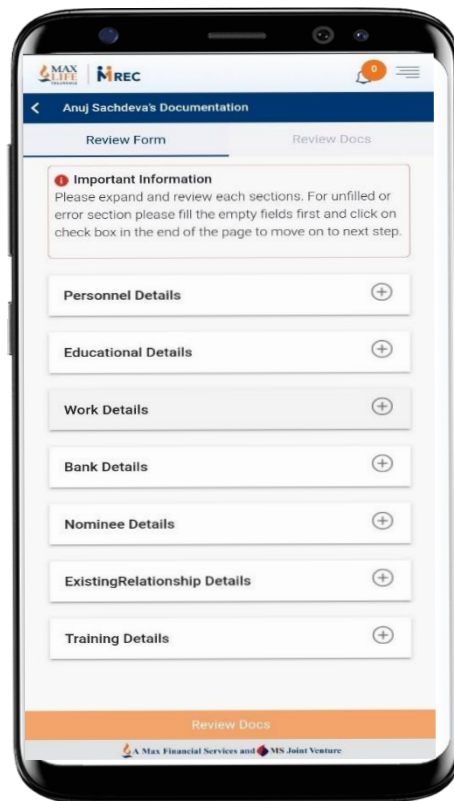
A Max Financial Services and MS Joint Venture

- **100% Digital journey**, centralized document upload and real time dedupe & underwriting
- **100% adoption**
- **75% reduction in QC TAT** and **~72% FTR**

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



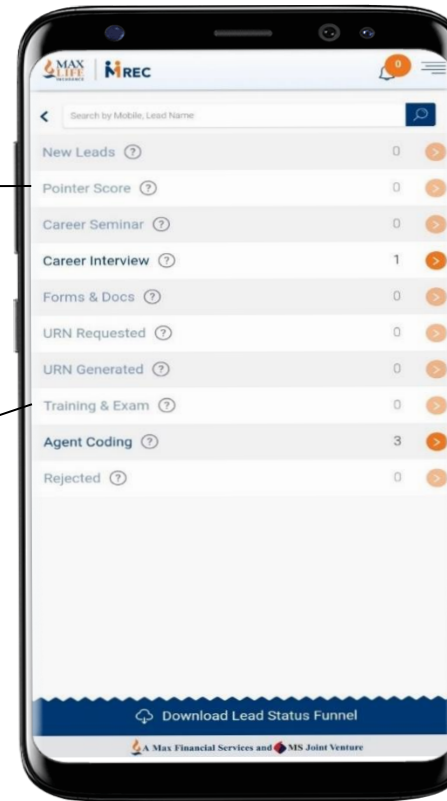
New Age responsive web app for digital recruitment with seamless integration with MLI Core systems



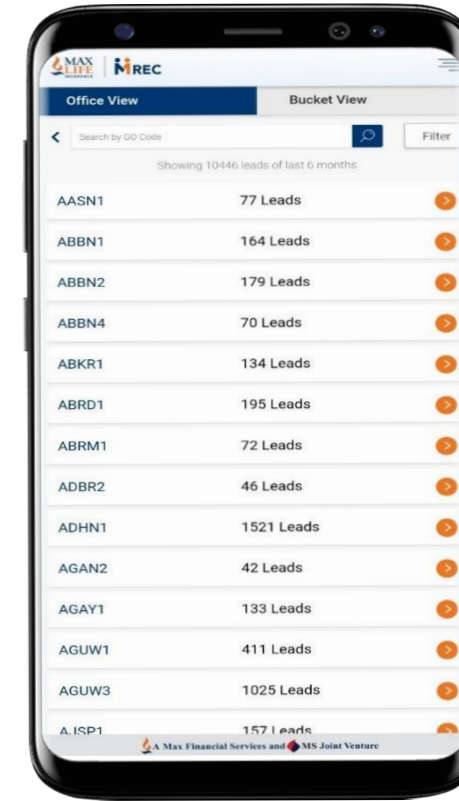
100% Digital Journey powered by ecosystem integrations like CRIF etc.

AI/ML Enabled
auto screening
of profile

Digital
Webinar



Intuitive Dashboard for Funnel Tracking



Inbuilt supervisory views for Real time governance



Avg campaign leads-
approx. 3.3k every month



50% reduction
in TAT



Avg. Web Recruitment
3K/month

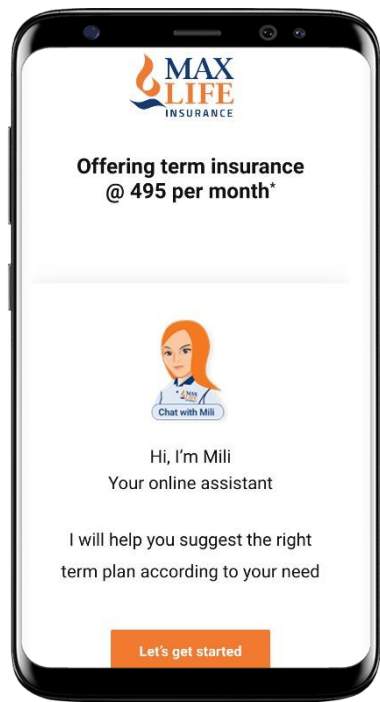


40% efficiency
in Cost



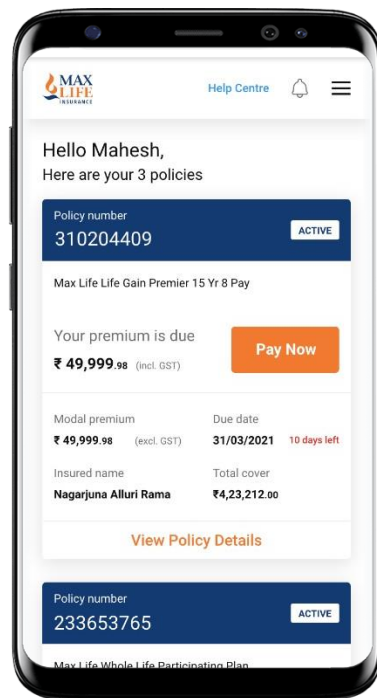
Avg new leads every
month- ~24k Leads

Chatbot- MILI



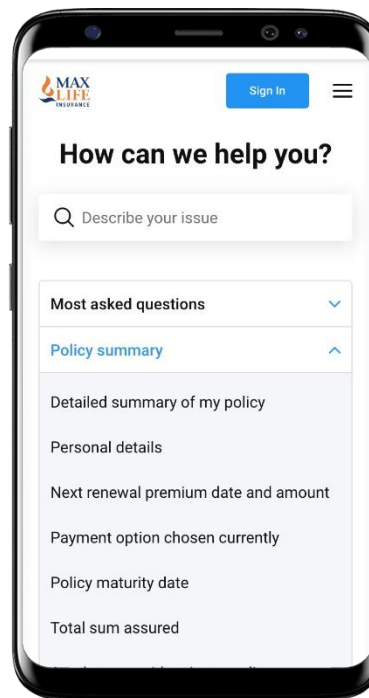
Chatbot for servicing

Website- Self Servicing



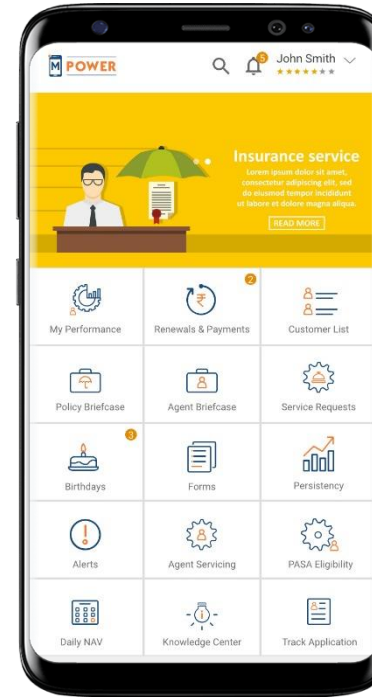
Website allowing customers to self-serve

Website Help Center



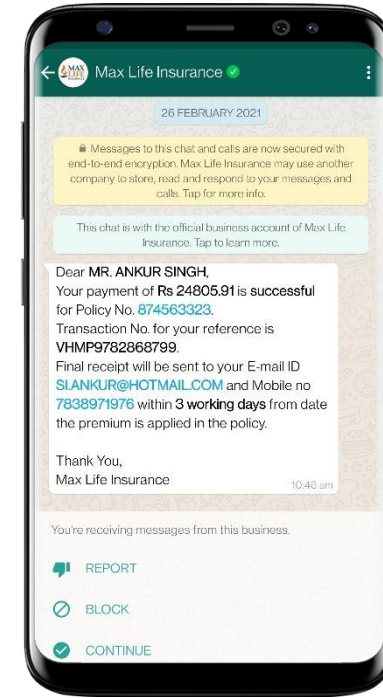
Extensive personalized guide for all queries

Servicing for Sellers



All servicing options available to sellers

WhatsApp



Servicing options available on WhatsApp



60L+ self-service transactions annually
85% adoption



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



200k+ transactions on
conversational interfaces



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

Business First Integrated AI

AI integration across Max Life

Machine Learning
& Deep Learning

Speech AI
(ASR & STT)

Vision AI
Computer Vision
& OCR

Conversational AI
NLP & BOTs

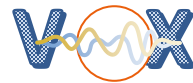
New Business



Customized customer offers with propensity & Product recommendation



Upfront policy issuance visibility with issuance probability & TAT



Customer insights and sentiment for sales effectiveness with Speech Analytics

Purchase & Issuance



360 Risk assessment with Persistency, Fraud & Mortality risk prediction



Fincheck

Automated document verification & Financial analysis with OCR



Computer Vision based Auto verification

Servicing & Retention



Proactive Customer Engagement & Retention with DL based recommendations



Upfront Query Resolution with unified intent prediction and response bot



Renewal Income & Persistency Forecasting & Real time monitoring

AI Foundations

1

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

2

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

3

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

4

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



SECTION IV

- ▶ Max Life Insurance – ESG
- 

Our Sustainability Strategy revolves around four pillars

Engaged with external and internal stakeholders to discuss on ESG parameters and developed Max Life's Sustainability Framework

Identified key focus areas and material issues pertaining to Max Life

Four Pillars of Approach to Sustainability

ESG Focus Areas



A

Work Ethically & Sustainably

- **Robust Corporate Governance**
- **Ethics & Compliance**
- **Digital Initiatives**
- **Ethical usage of Data**



B

Care for People & Society

- **Diversity & Inclusion**
- **Employee Development**
- **Health & Wellness programs**
- **CSR Initiatives**



C

Financial Responsibility

- **Sustainable Investing**
- **Financial Empowerment**
- **Product responsibility**
- **Customer feedback integration**



D

Green Operations

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



Key Focus Areas: Work Sustainably & Ethically



Working Sustainably
& Ethically

- Diverse Board composition with Independent Directors in Board (50%- MFSL; 30%- Max Life Insurance)
- Average board experience > 30 years
- Information security and cyber security compliant with ISO guidelines
- Platforms, mechanisms, channels in place for grievance addresses, incident investigations and corrective actions, for example - MyVoice, Ethics Hotline & Disciplinary Action policy (for agents and employees).
- Ethics Hotline is a dedicated whistle-blower platform, which is managed by an independent external partner
- Max life has management approved policy as defined in the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (“POSH Act”)
- The company has Board/board committee approved Business Code of Conduct, Anti Bribery, Gifts and Meals policies, along with certain other policies to drive the Ethical culture at workplace. The Company has laid down its Business code of conduct by adopting the following practices and policies:
 - I. Employment conduct
 - II. Compliance to Laws, Rules, and Regulations
 - III. Compliance Self-Certification
 - IV. Framework for Managing Conflict of Interest
 - V. Whistle-blower Policy
 - VI. Anti-Bribery and Anti-Corruption Policy
 - VII. Anti-Money Laundering/Counter – Financing of Terrorism Policy
 - VIII. Information Security Policy
 - IX. Gifts, Meals, and Entertainment Policy



Key Focus Areas: Care for People & Society



Care for People

Diversity Inclusion

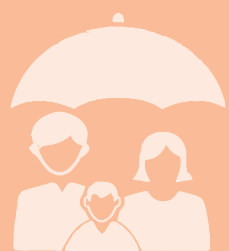
- Gender diversity at Max Life improved to 23.3% as on FY21
- Initiatives and programs launched to develop women employees for future career development roles
- Awareness and sensitization programs launched on D&I initiatives

Employee Development

- In FY'21 employees underwent close to 29000 training man days across 50 training programs
- We promote internal talent mobility and in FY'21, 45% of our mid to senior roles were closed internally
- In June 2021, Max life was ranked as the 18th Best Company to work for in India by Great Places to Work Institute

Health & Well-being

- We provide Counselling & Mental Well-Being sessions to employees & family members through third party health services partnerships
- Tied up with hospitals for Vaccination camps for employees across India
- During Covid, a dedicated support helpdesk was set up with 8-employees and 22 regional Covid Response Officers across states for 24/7 support to employees
- Direct empanelment of Doctors and Health service providers to ensure all employees and their families have access to doctors, required pathology tests conducted at home, ambulance services on call, etc



Care for Society

- 4 virtual CSR volunteering sessions conducted in Q1 FY22 on financial literacy, health, hygiene & Covid Safety with a participation of 400 beneficiaries
- Conducted food distribution drives in Jamshedpur and desktop installation drives in schools for Kids (Asha School, Birpur) in Q1 FY22
- 600 migrant workers in Siliguri were distributed ration
- Continue to impact society through specific initiatives on environmental preservation (56000+ trees planted in FY21), Financial Literacy sessions, malnutrition curbing programs, Joy of Giving, etc



Key Focus Areas: Financial Responsibility



Financial
Responsibility

Responsible Product Offerings

- Specially designed micro insurance products cater to socially and economically weaker sections. In FY21, we covered ~18 lakh lives (sum assured of 4,563 crores)
- Lower premiums offered to women policyholders. Currently, 28% of our individual life policies cover women
- Launched a Critical Illness rider to cover up to 64 critical illness in FY21. A lump sum payout on diagnosis under this policy complements any existing health insurance
- Introduced a wellness app which encourages our customers to be active

Responsible Investments

- As part of current investment decision process, we look at the Governance aspects of the investee company in great detail, actively vote on resolutions and engage with investee companies on important matters. We will continue to follow the current rigorous emphasis on Governance and include the social and environmental aspects in our research and analysis
- As a responsible investor, post-investment, MLI monitors the financial performance as well the governance practices of investee companies on a regular basis
- Implemented a stewardship policy and also disclose a detailed summary of our voting actions under the stewardship code on a quarterly basis. The Audit Committee maintains oversight on the voting mechanism

Customer Feedback Integration

- Focus on integrating customer feedback through Net Promoter Score - improvement in Net Promoter Score continued in Q1 FY22



Key Focus Areas: Green Operations



Energy Efficiency

- Home Office (HO) building is a LEED Platinum certified building with “5 star rating” in health and safety by British safety council
- Home Office building (Fulfilment center) initiated double glazing tinted glass material for building façade for maximum use of natural daylight
- Solar systems are installed in Home Office building



Waste Management

- Dry and wet waste segregation process is implemented in HO
- Replaced disposable cups with ceramic cups and saved ~9 lacs paper cups in Home Office in FY21
- Saved 800 Kgs of plastic garbage bags at HO in FY21 due to replacement of plastic dustbins with steel dustbins and Garbage bags savings



Water Conservation

- 100% water is recycled in HO
- Saved 60% water by installing Sensor based taps in washrooms at HO
- Water aerators are installed to help conserve water by 60%

Emissions Control

- To keep environmental health and air quality, placed ~2100 indoor plants in HO in FY21

Green
Operations





SECTION V

- ▶ Max Life Insurance – MCEV Disclosures: Q1 FY'22
- 

Key Results

The Embedded Value¹ (EV) as at 30th June 2021 is **Rs 12,290 Cr.**

The Operating Return on EV (RoEV) over 3M FY22 is **13.5%**. Including non-operating variances, the total RoEV² is **16.3%**.

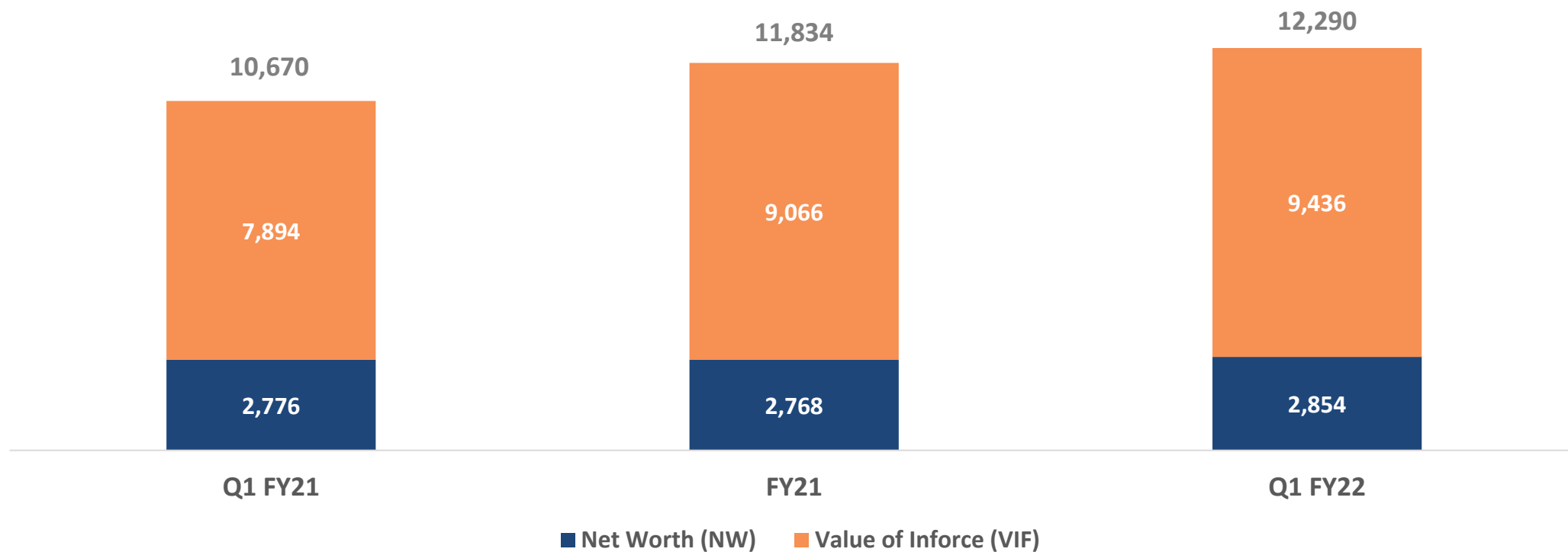
The New Business Margin (NBM) at actual cost for 3M FY22 is **19.7%**, with Value of New Business (VNB) written over the period being **Rs 172 Cr.**

Notes:

¹ Max Life's Embedded Value (EV) is based on a market consistent methodology. However, they are not intended to be compliant with the MCEV Principles issued by the Stitching CFO Forum Foundation (CFO Forum) or the Actuarial Practice Standard 10 (APS10) as issued by the Institute of Actuaries of India.

² The Return on EV for 3M FY22 is calculated as 3.9% (growth in EV) annualized to 16.3%.

Progression of Embedded Value



1. EV as at 3M FY22 represents an increase of Rs 456 Cr from the EV of Rs 11,834 Cr as at FY21; implying a growth of 3.9% (annualized to 16.3%) over the period.
2. EV as at FY21 is post allowing for final shareholder dividend of Rs 177 Cr for FY21.

Value of New Business and New Business Margins as at 30th June 2021

Description	Q1 FY21	Q1 FY22	Y-o-Y growth
APE ¹	661	875	32%
New Business Margin (NBM) (post cost overrun)	17.1%	19.7%	+260 bps
Value of New Business (VNB) (post cost overrun)	113	172	53%

- The New Business Margin (NBM) has increased by circa 260 bps to 19.7% for Q1 FY22 as compared to 17.1% for Q1 FY21.
- The increase in margins is primarily driven by favorable change in business mix.

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

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



Sensitivity analysis as at 31st March 2021

Sensitivity	EV		New business	
	Value (Rs Cr)	% change	VNB (Rs Cr) NBM	% change
Base Case	12,010	-	1,249 25.2%	-
Lapse/Surrender - 10% increase	11,886	(1%)	1,232 24.9%	(1%)
Lapse/Surrender - 10% decrease	12,135	1%	1,263 25.5%	1%
Mortality - 10% increase	11,812	(2%)	1,197 24.1%	(4%)
Mortality - 10% decrease	12,210	2%	1,300 26.2%	4%
Expenses - 10% increase	11,896	(1%)	1,165 23.5%	(7%)
Expenses - 10% decrease	12,124	1%	1,332 26.9%	7%
Risk free rates - 1% increase	11,800	(2%)	1,309 26.4%	5%
Risk free rates - 1% reduction	12,175	1%	1,158 23.4%	(7%)
Equity values - 10% immediate rise	12,112	1%	1,249 25.2%	Negligible
Equity values - 10% immediate fall	11,908	(1%)	1,249 25.2%	Negligible
Corporate tax Rate - 2% increase	11,779	(2%)	1,210 24.4%	(3%)
Corporate tax Rate - 2% decrease	12,242	2%	1,287 26.0%	3%
Corporate tax rate increased to 25%	10,484	(13%)	938 18.9%	(20%)

1. Reduction in interest rate curve leads to an increase in the value of assets which offsets the loss in the value of future profits.
2. Risk free rate sensitivities under new business allow for the change in the value of assets as at the date of valuation.



ANNEXURES



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

Financial Performance

➤ Individual APE

FY20

4,116

19%



FY21

4,907

Q1 FY'21

660

31%



Q1 FY'22

864

➤ Renewal Premium

10,600

15%



12,192

1,852

21%



2,244

➤ Gross Premium

16,184

18%



19,018

2,751

27%



3,484

➤ Policyholder expense to GWP Ratio

14.5%

27 bps



14.2%

16.2%

115 bps



17.4%

➤ Policyholder Cost to GWP Ratio

20.8%

15 bps



20.7%

21.9%

147 bps



23.4%

➤ Expense to average AUM (Policyholder)

3.8%

20 bps



3.6%

3.5%

6 bps



3.6%

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 (post dividend)^
- Operating RoEV
- Solvency Ratio

FY20		FY21		Q1 FY'21		Q1 FY'22
598	-15% ↓	510		138	-44% ↓	77
68,471	32% ↑	90,407		73,239	28% ↑	93,697
21.6%	360 bps ↑	25.2%		17.1%	260 bps ↑	19.7%
9,977	19% ↑	11,834		10,670	14% ↑	12,290
20.3%	180 bps ↓	18.5%		15.9%	240 bps ↓	13.5%
207%	11% ↓	196%		212%	15% ↓	197%

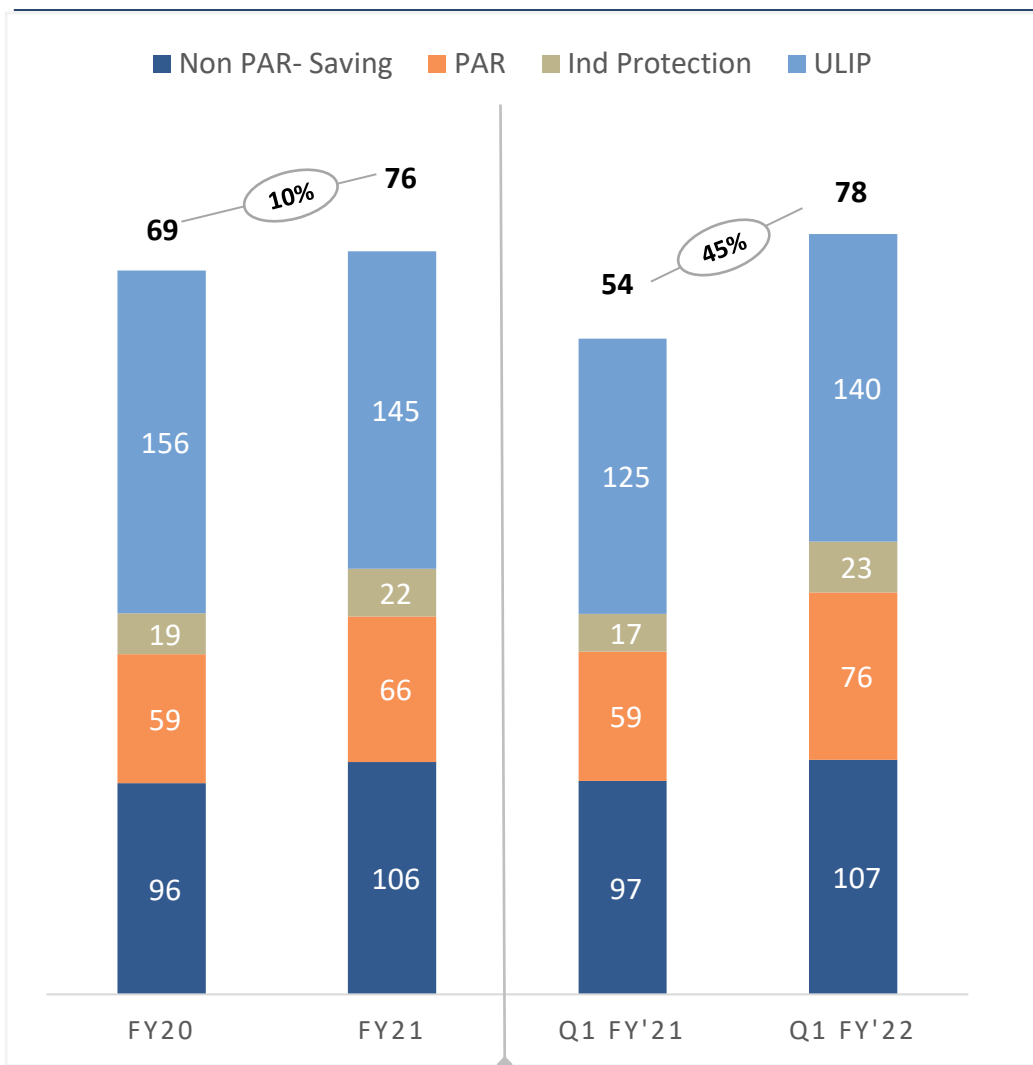
Figures in Rs. Cr.

^Arrow represents growth in Operating RoEV

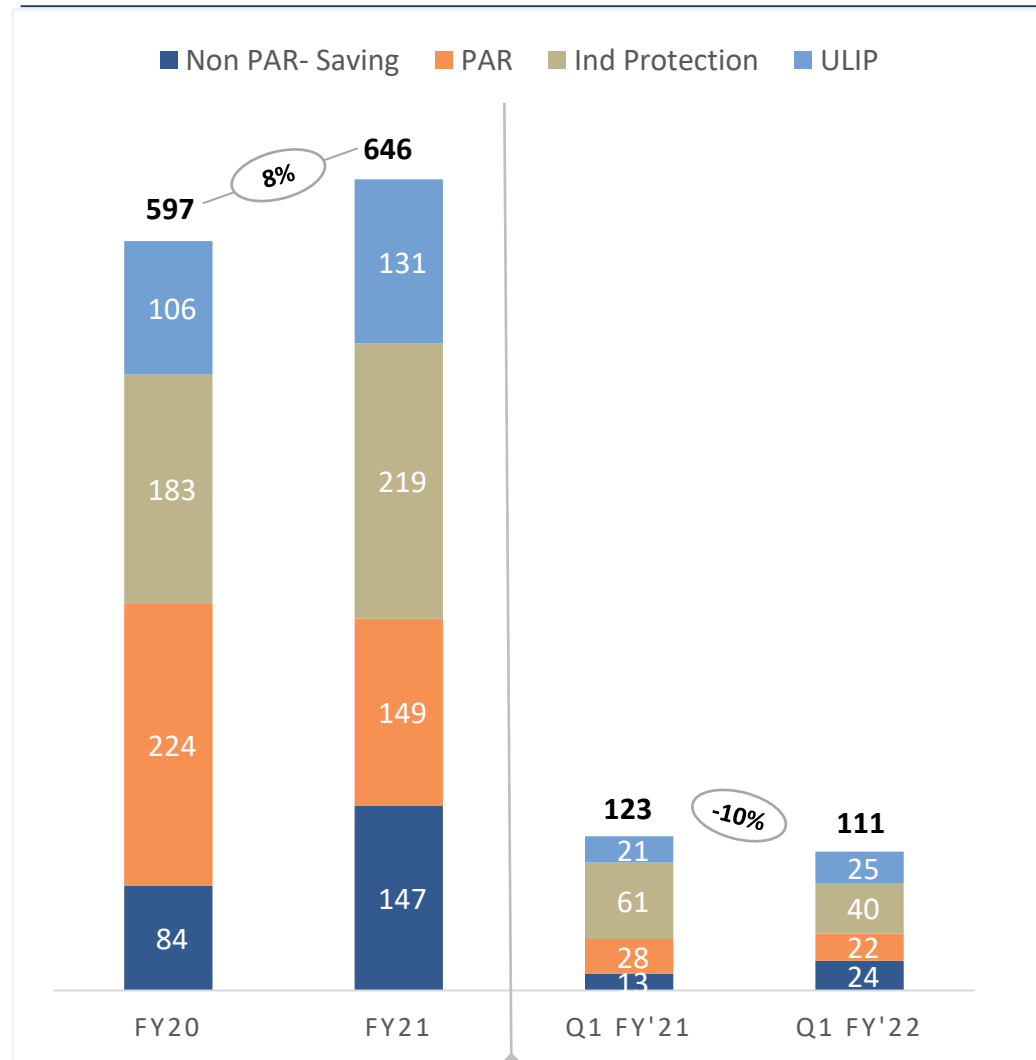
Key Business Drivers	Unit	Year Ended		Y-o-Y Growth
		Q1 FY'21	Q1 FY'22	
a) Individual APE	Rs. Crore	660	864	31%
b) Gross written premium income	Rs. Crore	2,751	3,484	27%
First year premium		621	804	29%
Renewal premium		1,852	2,244	21%
Single premium		278	435	57%
c) Shareholder Profit (Pre Tax)	Rs. Crore	138	77	-44%
d) Policy Holder Expense to Gross Premium	%	16.2%	17.4%	-115 bps
f) Share Capital	Rs. Crore	1,919	1,919	0%
g) Individual Policies in force	No. Lacs	44.20	45.95	4%
h) Sum insured in force	Rs. Crore	9,62,127	10,91,320	13%
i) Grievance Ratio	Per Ten thousand	34	31	-9%

Protection – Expansion in both case size and number of policies sold

Case Size (INR'000)



NoPs (INR'000)



Definitions of the EV and VNB

Market consistent methodology

- The EV and VNB have been determined using a market consistent methodology which differs from the traditional EV approach in respect of the way in which allowance for the risks in the business is made.
- For the market consistent methodology, an explicit allowance for the risks is made through the estimation of the Time Value of Financial Options and Guarantees (TVFOG), Cost of Residual Non-Hedgeable Risks (CRNHR) and Frictional Cost (FC) whereas for the traditional EV approach, the allowance for the risk is made through the Risk Discount Rate (RDR).

Components of EV

The EV is calculated to be the sum of:

- Net Asset value (NAV) or Net Worth: It represents the market value of assets attributable to shareholders and is calculated as the adjusted net worth of the company (being the net shareholders' funds as shown in the audited financial statements adjusted to allow for all shareholder assets on a market value basis, net of tax).
- Value of In-force (VIF): This component represents the Present Value of Future expected post-tax Profits (PVFP) attributable to shareholders from the in-force business as at the valuation date, after deducting allowances for TVFOG, CRNHR and FC. Thus, $VIF = PVFP - TVFOG - CRNHR - FC$.

Covered Business

- All business of Max Life is covered in the assessment except one-year renewable group term business and group fund business which are excluded due to their immateriality to the overall EV.

Components of VIF (1/2)

Present Value of Future Profits (PVFP)

- Best estimate cash flows are projected and discounted at risk free investment returns.
- PVFP for all lines of business except participating business is derived as the present value of post-tax shareholder profits from the in-force covered business.
- PVFP for participating business is derived as the present value of shareholder transfers arising from the policyholder bonuses *plus* one-tenth of the present value of future transfers to the participating fund estate and one-tenth of the participating fund estate as at the valuation date.
- Appropriate allowance for mark-to-market adjustments to policyholders' assets (net of tax) have been made in PVFP calculations to ensure that the market value of assets is taken into account.
- PVFP is also adjusted for the cost of derivative arrangements in place as at the valuation date.

Cost of Residual Non-Hedgeable Risks (CRNHR)

- The CRNHR is calculated based on a cost of capital approach as the discounted value of an annual charge applied to the projected risk bearing capital for all non-hedgeable risks.
- The risk bearing capital has been calculated based on 99.5 percentile stress events for all non-hedgeable risks over a one-year time horizon. The cost of capital charge applied is 4% per annum. The approach adopted is approximate.
- The stress factors applied in calculating the projected risk capital in the future are based on the latest EU Solvency II directives recalibrated for Indian and Company specific conditions.

Components of VIF (2/2)

Time Value Of Options and Guarantees (TVFOG)

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

Frictional Cost (FC)

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

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

Economic Assumptions

- The EV is calculated using risk free (government bond) spot rate yield curve taken from FBIL¹ as at 30th June 2021. The VNB is calculated using the beginning of respective quarter's risk free yield curve (i.e. 31st March 2021).
- No allowance has been made for liquidity premium because of lack of credible information on liquidity spreads in the Indian market.
- Samples from 30th June 2021 and 31st March 2021 spot rate (semi annualized) yield curves used are:

Year	1	2	3	4	5	10	15	20	25	30	40
Jun-21	4.05%	4.65%	5.17%	5.60%	5.89%	6.49%	6.98%	7.43%	7.61%	7.35%	7.51%
Mar-21	3.83%	4.22%	5.17%	5.58%	6.10%	6.46%	6.99%	7.09%	6.92%	6.93%	6.23%
Change	0.22%	0.43%	0.00%	0.01%	-0.21%	0.03%	-0.01%	0.34%	0.69%	0.43%	1.28%

Demographic Assumptions

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

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

¹ Financial Benchmark India Pvt. Ltd.

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

Expense and Inflation

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

Tax

- The Corporate tax rate is the effective tax rate, post allowing for 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.