



# Max Financial Performance Update

**Investor Release H1 FY22** 

November 9, 2021















## **SECTION I**

► Max Financial Services : Q2FY22 Key Highlights

## Max Financial Services: Q2 & H1FY22 Key Highlights



1	Consolidated Revenue <sup>^</sup> at <b>Rs 15,271 Cr,</b> grows <b>21%</b> in <b>H1FY22.</b> Consolidated PBT at <b>Rs 134</b> Cr, down <b>45%</b> in <b>H1FY22</b> , primarily due to recovery in investment value in last year.
2	Robust VNB growth at 24% YoY; achieved highest ever quarterly margin of 29.1% in Q2 vs 19.7% in Q1 by driving balanced product mix. MCEV as at Sep'21 end at Rs. 12,988 Cr; Operating RoEV at (without/with COVID impact) 18.0%/16.5%
3	Assets under Management (AUM) crossed 1 Lakh Cr in Q2FY22. AUM as at Sep'21 end was Rs 1,00,090 Cr, grew 29% y-o-y
4	Application filed with IRDAI for acquiring residual ~5.17% stake from MSI in Max Life
5	<b>Appointed as "Sponsor" of Pension Fund</b> for managing assets under National Pension Scheme (NPS); Pension Fund subsidiary formation underway. Max Life has sought IRDAI's permission to set up a new company "PFM" in line with the regulatory requirements
6	Recognized amongst the <b>Top 100</b> in the <b>India's Best Workplaces for Women 2021</b> study by Great Place to Work® Institute, India

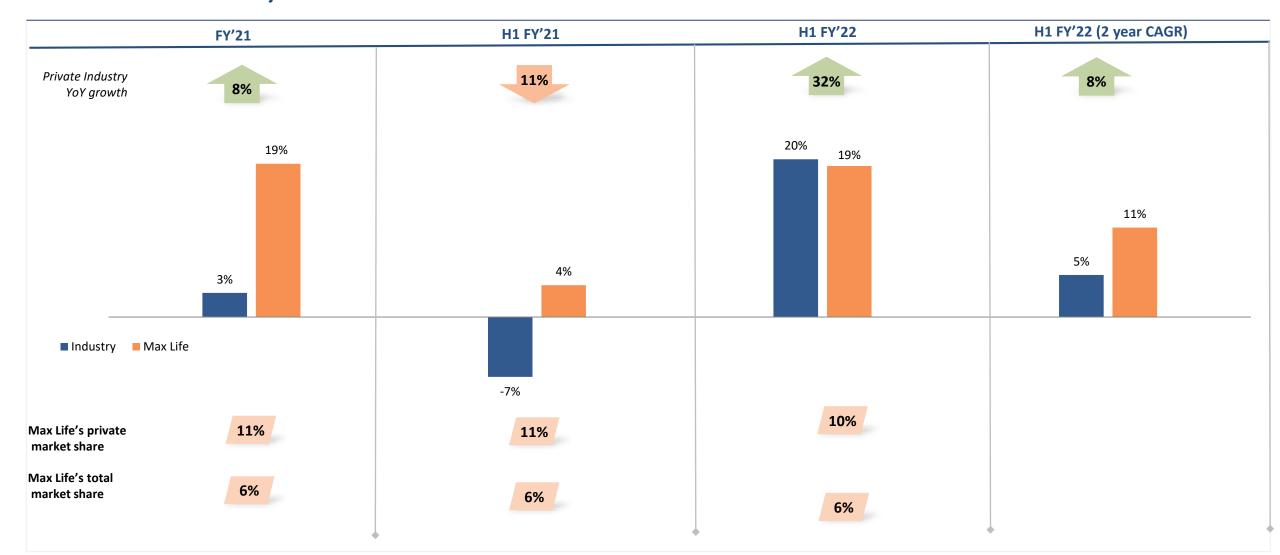
## **SECTION II**

► Max Life Insurance – Business Overview

# Industry Landscape (H1 FY22): Max Life grew by 19% Y-o-Y in H1 FY22. On 2 Year CAGR, Max Life grew by 11% while private industry grew by 8%



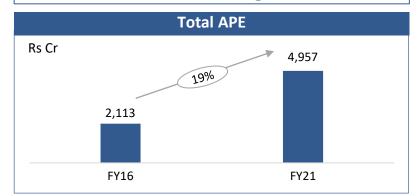
### **YoY Growth basis Individual Adjusted FYP**

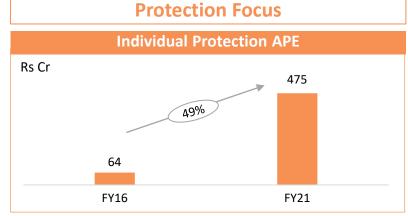


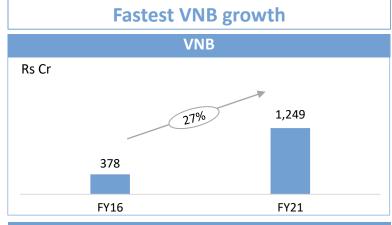
### Max Life 5 year journey- Consistent performance across key parameters

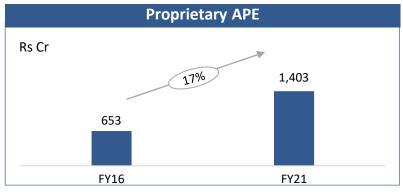


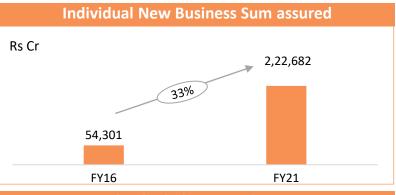
### **Consistent Sales growth**

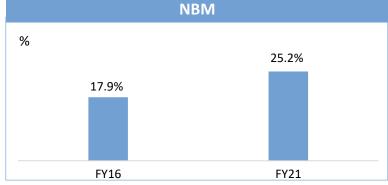


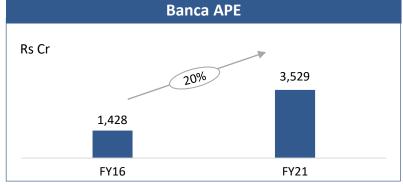


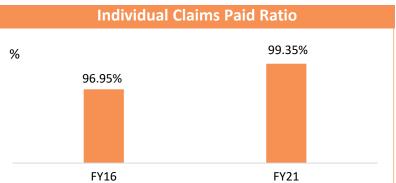


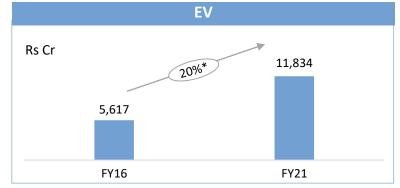












## **Financial Performance Summary H1FY22**



Individual APE	Gross Written Premium	Renewal Premium	AUM
Rs 2,127 Cr 18% [Rs 1,804 Cr]	Rs 8,815 Cr 21% [Rs 7,283 Cr]	Rs 5,706 Cr 19% [Rs 4,789 Cr]	Rs 100,090 Cr 29% [Rs 77,764 Cr]
Profit Before tax*  Rs 148 Cr [Rs 165 Cr]	Net Worth  Rs 2,969 Cr [Rs 2,834 Cr]  5%  1	Policyholder Cost to GWP Ratio 21.7% 5 bps [21.6%]	Policyholder Expense to GWP Ratio  15.5%  11 bps  [15.4%]
New business margin  25.3% [24.2%]	Operating RoEV <sup>#</sup> 18.0% / 16.5%  [17.5%]  50 bps  17.5%	Embedded Value^  12,988  [11,047]  18%	211% 4% [207%]
VNB  546 [438]  24%	Policies Sold ('000)  259 [284]	New business Sum assured  88,187 -20%  [110,305]   -20%	Protection Mix** Individual Group Total  8% 9% 16% 375 bps  [12%] [8%] [20%]

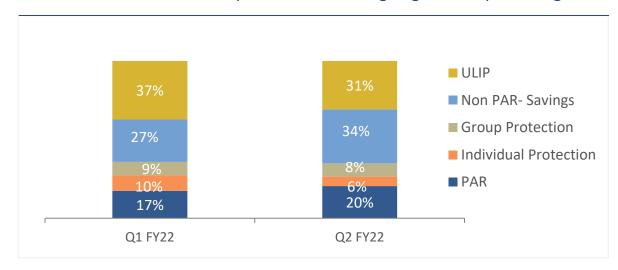
Figures in [brackets] are for previous year numbers.

^Growth on Embedded value is operating RoEV, \* Profit is lower compared to last year due to covid related provision \*\*Group protection (incl. Group credit life adjusted for 10% for single premium and term business);

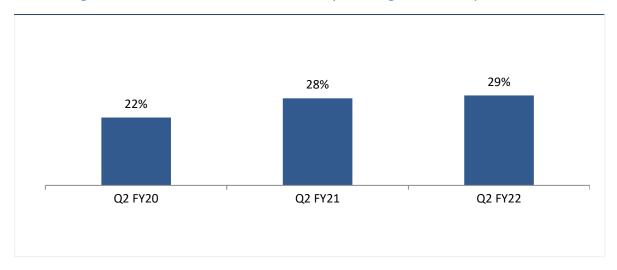
### Max Life focussed on product rebalancing leading to growth in margins in Q2'FY22



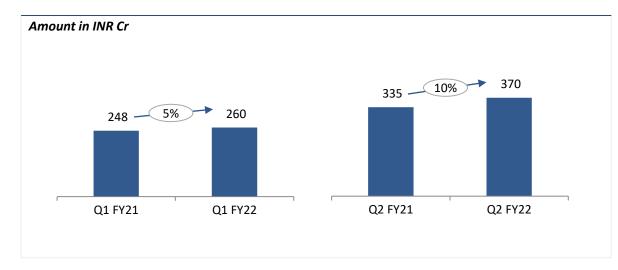
### **Product Mix-** Q2 focused on product rebalancing, higher non-par savings



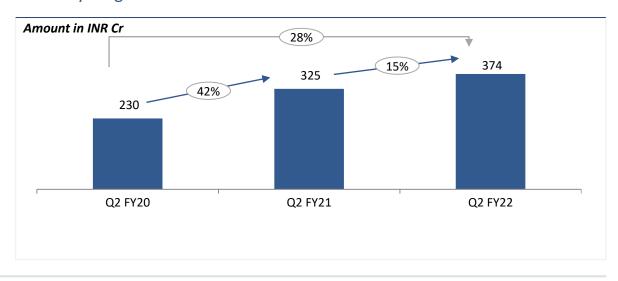
**NBM-** Highest ever NBM achieved in Q2 by driving balanced product mix



### Proprietary Channel APE- Q2 sales growth back to double digits



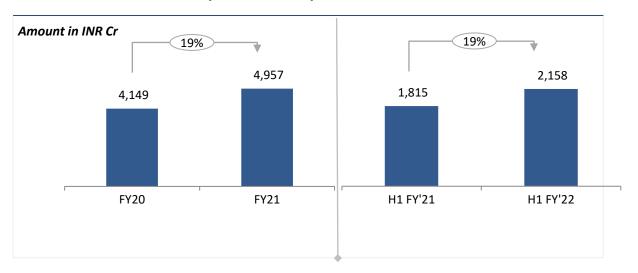
**VNB** - 2 year growth at 28%



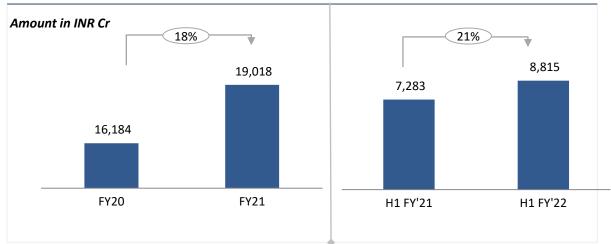
# Max Life has delivered strong performance on new business; Maintained 4<sup>th</sup> rank in the private industry



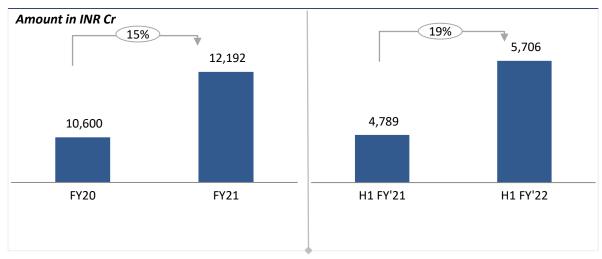
### **New Business Premiums (on APE basis)**



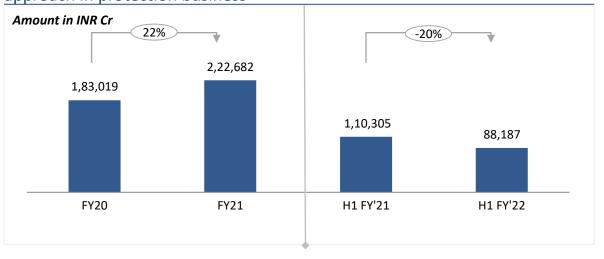
#### **Gross Written Premium**



#### Renewal Income



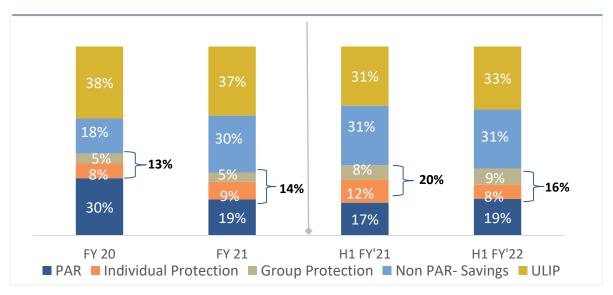
**Individual Sum Assured of New business-** 20% decline in H1FY22 cautious approach in protection business



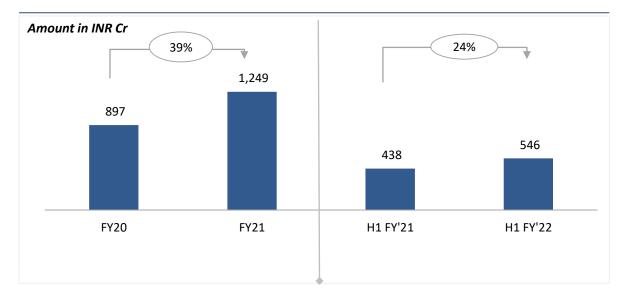
# VNB increased by 24% over last year aided by increase in YoY margins by 110 bps, sequential QnQ margin up by 940 bps



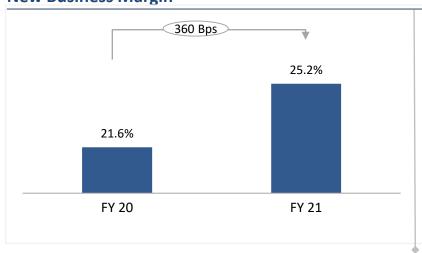
### **Product Mix** – Increasing in NPAR savings while maintaining balance



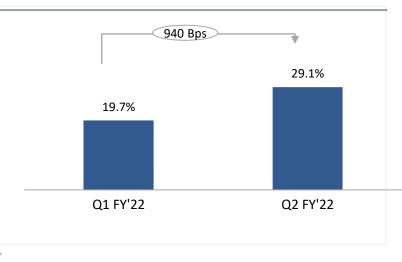
#### **Value of New Business**



#### **New Business Margin**



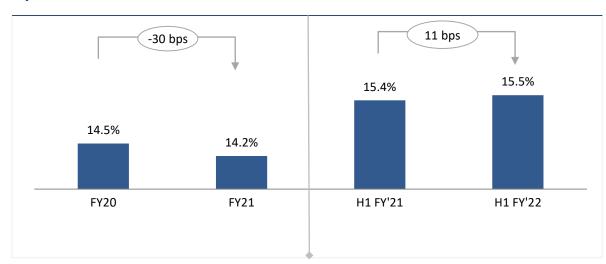




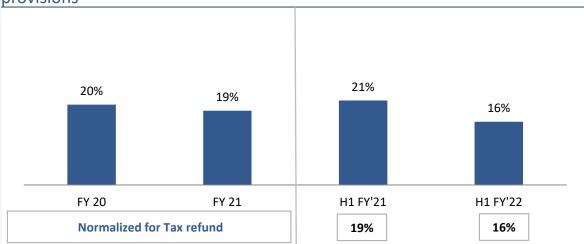
### **Efficient capital management with consistent returns**



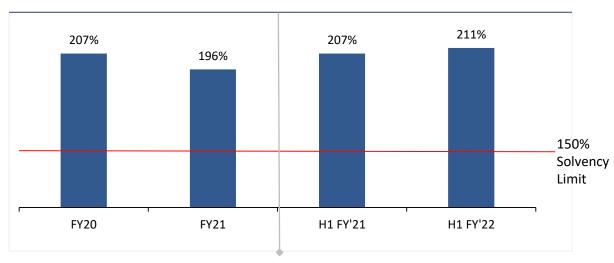
### **Opex to GWP\***



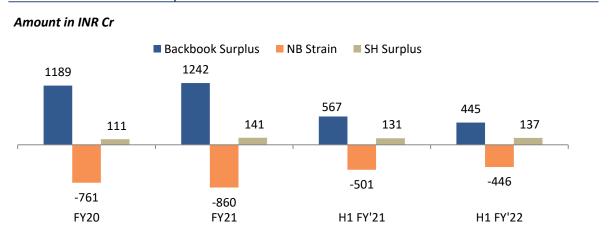
## **Return on Equity (RoE)**# H1 FY'22 profits lower due to COVID related provisions



### **Solvency Ratio (pre dividend)**



## **Underwriting Profits-** H1 FY'22 backbook surplus lower than previous year due to COVID related provision

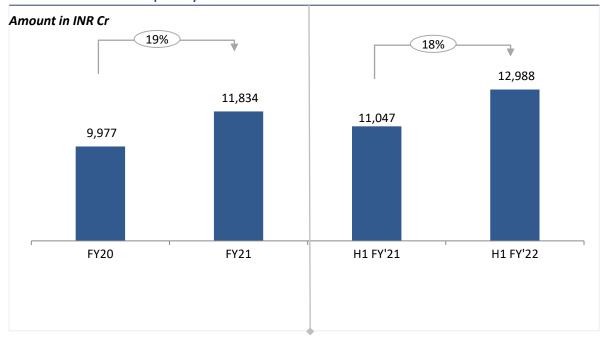


<sup>\*</sup> Refers to the policyholder expense to GWP ratio; # ROE is trailing 12 months PAT as a ratio of average Net worth for trailing 12 months

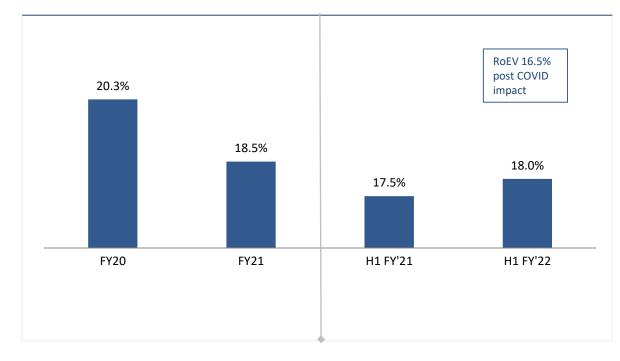




## **Embedded Value (EV)** - EV has grown at 18% driven by growth in value of new business and quality of inforce business



### **Operating Return on Embedded Value**

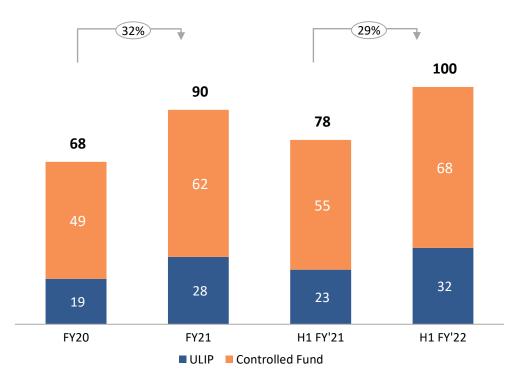


### **Asset Under Management crossed 1 Lakh Cr in Q2'FY22**

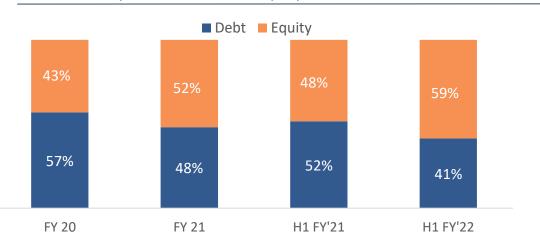


**Assets Under Management** - MLI is the 4<sup>th</sup> largest manager of private LI AUMs, Par fund size ~50K

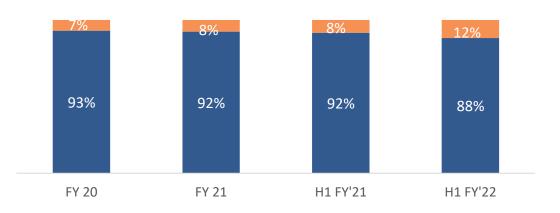
#### Amount in INR '000 Cr



### **ULIP**: Healthy mix of Debt and Equity



### Controlled: Healthy mix of Debt and Equity

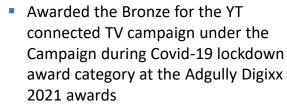


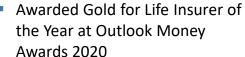
More than 95% of debt investments is in sovereign papers and AAA rated securities

# 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



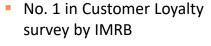
### **Business Excellence**

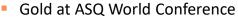


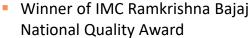


- Won 3 awards for Best use of use of Relationship Marketing in Loyalty Program, Best use of Gamification to enhance Loyalty and Best Use of Data in Marketing Analytics at the Customer Fest Awards 2021
- Won 7 awards across various categories including Television, BTL activities, Mobile marketing and Customer service at the 10<sup>th</sup> ACEF Global Customer Engagement Awards
- Won 'Excellence in Digital Sales Life Category' at FICCI Insurance Industry Awards 2020
- Max Life awarded Best Financial team at the 5th Annual Edition of BW Best CFO & Finance Strategy Summit & Awards 2021

### **Leaders in Quality**

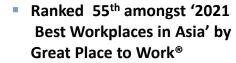






- Winner of CII Industry Innovation Award
- Asia Pacific Quality Organization (APQO) award for global performance excellence
- Silver Award in ASQ ITEA 2019 for Sell Right for Customer Delight at Axis Bank
- Silver Award in the 12<sup>th</sup> QCI-DL Shah Quality Awards for Enhancing S2R Conversion% Select 60 offices in Agency.
- At CMO Asia Awards , won Best Term
   Plan Company of the Year
- Max Life awarded recognized as 'Challenger' by NASSCOM AI Gamechangers awards 2021

### Focus on People





- Ranked 18<sup>th</sup> amongst 'India's Great Places to Work For' in 2021
- Max Life recognized in India's Best Workplaces in BFSI 202





Max Life won Gold in Best Use of Internal Communications for 'Harnessing the Power of Connect, Conviction and Confidence for Employee well-being' campaign at Fulcrum Awards 2021



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

### Significant progress made across key strategic priorities











drive margins









### **Predictable & Sustainable** growth

- Deepen Bancassurance partnerships
- On-board new distribution partners
- Scale up existing proprietary channels
- Opportunistic play for inorganic growth
- Strong growth of 23% in Banca channels
- Continued leadership in protection sales in ecommerce
- Key Partnerships: Renewbuy.com, Scriptbox, InsuranceDekho, Ind Wealth, Ditto, Tata Motors Insurance Broking, Policy Bachat

## **Product innovation to**

- Increase protection penetration
- Drive Non PAR saving
- Tap into new growth opportunities like health and retirements
- Enhanced investment and mortality risk management
- Achieved highest ever VNB margin of 29% in Q2 by driving balanced product mix
- New protection product (Smart Secure) launched in Q1
- Launched Anniversary Edition of Smart Wealth Plan (NPAR-Savings)
- Rider attachment at 24% for H1 FY22; proprietary channels leading with 40% rider attachment rates
- Critical Illness & Disability Secure Rider (CIDSR), a comprehensive rider covering up to 64 illnesses, launched with ULIP
- Annuity grew 61% YoY for H1 FY22

### **Customer centricity across the value** chain

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

- Improvement in 13M and 61M persistency 85.2% (+270bps) and 54.6% (+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 68 for Q2 with "always-on" strategy

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

- First life insurer to join Account Aggregator system to access customer's financial information in a seamless and secure manner; reducing issuance time
- First life insurance partner to go live on Axis Bank marketplace to ensure seamless customer onboarding
- Adopted a "Cloud First Approach" for all new workloads; partnered with AWS and Azure as our cloud service providers
- Max Life Innovations Lab 2.0 213 applications received; 4 start-ups were selected to work on different use cases. Currently in POC stage

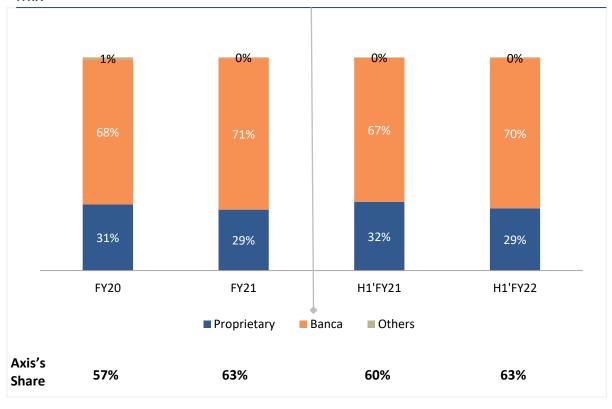
**Investor Release** ^as per Nielsen Brand Track Study



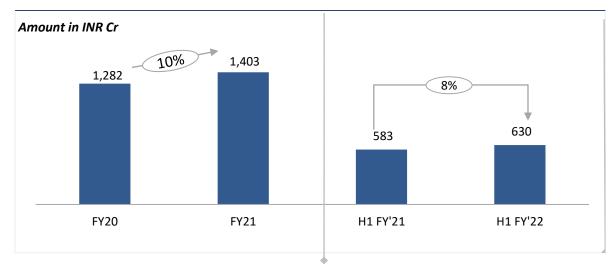




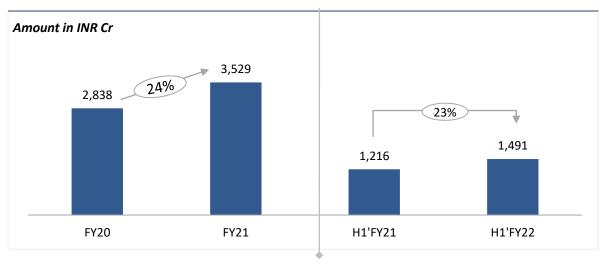
## **Channel Mix** - Max Life has focused on maintaining a balanced distribution mix



### **Proprietary Channels New Business (APE)**



### **Bancassurance Channel (APE)**

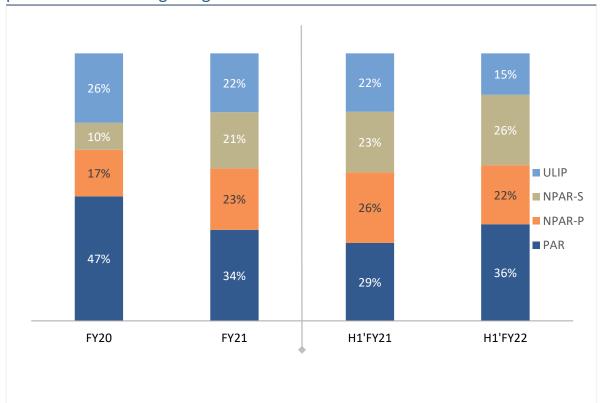




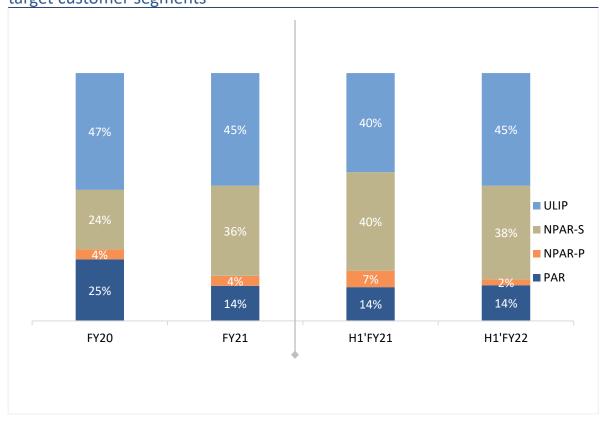
## Product mix in proprietary and Bancassurance channels aligned to customer needs; Protection driven across all channels



**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





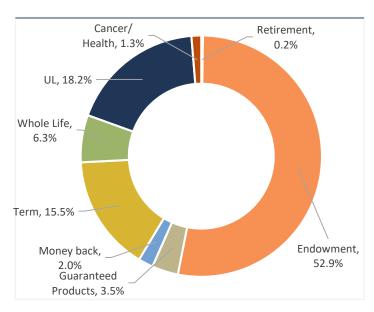
## Max Life has a complete suite of products and focus is on selling longer term products along with improving penetration of pure protection offerings



### Max Life has products across all categories

5 Protection plans	<b>1</b> Health plan
4 Income plans	<b>1</b> Annuity plan
4 Endowment plans	1 Retirement ULIP
4 ULIP plans	<b>1</b> Whole life
2 Child plans	4 Riders

## **Current portfolio<sup>1</sup> biased towards traditional products**





(1) Based on all policies sold till date Investor Release 19



# Launched Smart Secure Plus (new term plan) and introduced Critical Illness & Disability Secure Rider (CIDSR) for ULIP attachment





### **Key Features**



- **Premium Break:** Option of premium break/ holiday post ten years of policy tenure; available twice during premium payment term
- Special Exit Value: One-time option to exit the policy with an exit benefit of Return of Premiums (for policy term >= 40 years)
- Voluntary Sum Assured Top-Up



### **Key Features**

- Comprehensive Critical Illness Cover (covering upto 64 illnesses)
- Total and Permanent Disability Variant
- Flexible Payment Option (regular pay or limited pay option)
- **Extended Cover**
- Max Fit Program (wellness benefit)



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

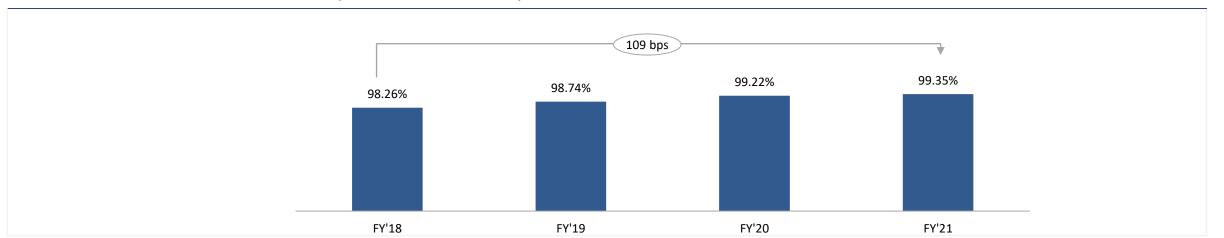


### Persistency Individual policies excluding single pay/fully paid up policies

### Persistency- Individual policies including single pay/fully paid up policies



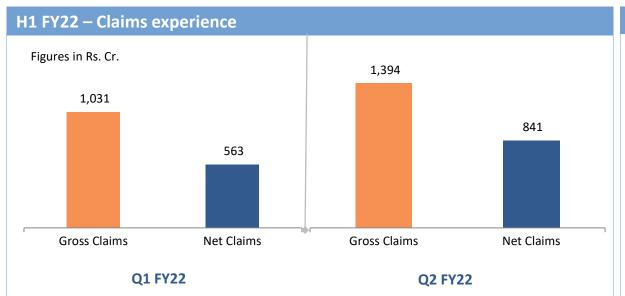
### Claims Paid Ratio- One of the best claims paid ratio in the industry

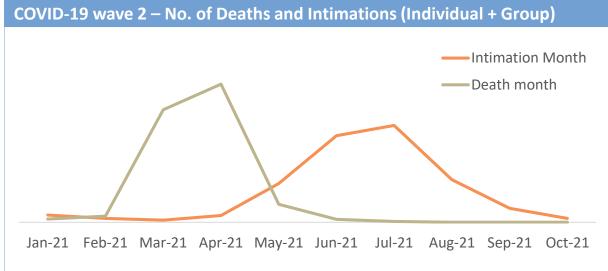






## Claim experience on account of COVID-19. Provisions allowed for probable future claims





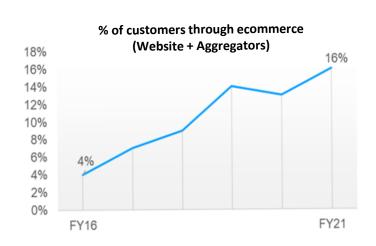
- Q2 witnessed highest number of claims, however claims tapered off in September and October compared to month of June and July
- >93% customers (~1.4L sample customers) across all sum assured vaccinated with at least 1 dose#
- 98% of all eligible employees vaccinated with first dose of Covid-19 vaccine
- In view of easing COVID conditions, cautious relaxation in UW guidelines being considered (Relaxation in sum assured cap). However structural changes have been brought to improve mortality experience (new and inforce policies) such as tech integration with IIB, enhanced risk scoring model, automated field verification process, audit to curb medical frauds etc.
- Unutilized reserves of ~Rs 235 cr stands at the end of Q2 FY22



# 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 –56%
  - Top 100 keywords Top 5 Search Results –45%

### Personalization Never Ask Again



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

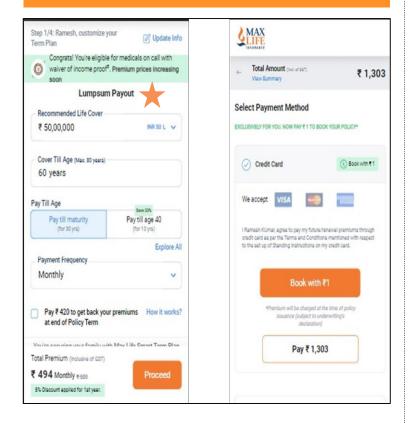
Source: Webmaster Console



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



### **B2C On-boarding Platform**



<\$ Secs
Page Load Time

**Top 3**SEO Ranking



Al enabled Personalized Sales offers

## Smarter Chase Talk to Customer the way they like





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

#### **Frictionless Onboarding**













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

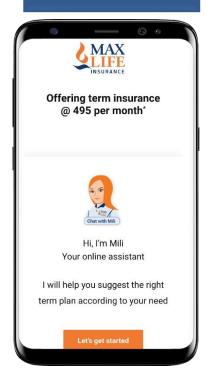


## Omni-channel Customer Servicing Experience; services simplified through 24\*7 digital



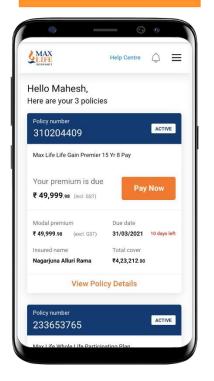
### **Chatbot- MILI**

offerings



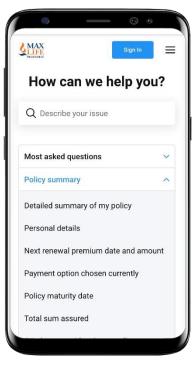
**Chatbot for servicing** 

### 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



36L+ self-service transactions annually 83% adoption



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



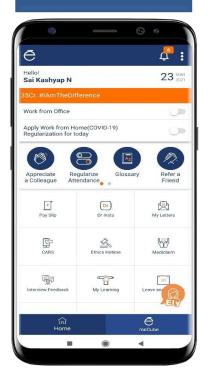
350k+ transactions on conversational interfaces



### Leveraging Digital & AI to augment employee experience and productivity



### empApp



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

### Workplace



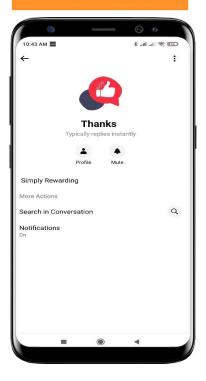
Workplace for organizational engagement, surveys, polls, celebrate achievements

### Ely



**Empowering Employees** 

### Kudos



Kudos platform to appreciate/ recognize co workers

#### meCube



Mobile based search to access the MLI policies, SOP library



3.5L self-service transactions 96% adoption



Facebook Case Study on Engagement and Adoption



80K employee requests self-served through Bot



6.4K e-recognitions/month



**Vision Al** 

**Computer Vision** 

& OCR

Deep

Learning

Speech Al

**ASR & NLP** 

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



#### **New Business**

**Purchase & Issuance** 

### **Servicing & Retention**



**Conversational Al** 

**NLP & Bots** 

Machine

Learning

**Solutions** 

chain

across value

ΑI

**Capabilities** 

**Speech Analytics** engine for Customer insights, call sentiment, call effectiveness Agent performance analysis



Shield Early Claim & Fraud risk prediction Engine

Upfront Persistency

Risk Prediction and

recommendation

Engagement



Deep Learning Customer Engagement, Retention & Persistency Prediction



Customized customer offers with propensity prediction & Product recommendation engine

prediction and

monitoring



**QCheck** 

**Computer Vision** based Photo and liveliness verification



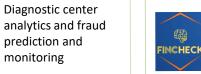
Automated document



**Upfront Query** Resolution with unified intent prediction and auto response bot



Machine Learning based Renewal Income & Persistency Forecasting & Real time monitoring



verification & Financial analysis with OCR

90%

**VOX-Transcription & NLP** Accuracy (Hindi, English, Hinglish)

**3X** 

12i engine- 3X Conversion **Rate in High Propensity** Leads

100%

Real time Risk prediction

40k

Core Converse – monthly email volume automatically handled by Bot

NLP: Natural Language Processing ASR: Automatic Speech Recognition



### Max Life is aggressively modernising core and data foundations leveraging cloud and has taken a "Cloud First Approach" for all new workloads





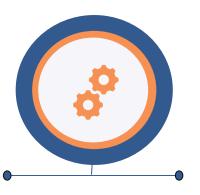
**Cloud Data & Analytics Platform** 

- Data Lake Foundation & **Customer 360**
- Data Catalogue
- AI/ML based Intent **Prediction & Cross-sell**



**Cloud Foundation** 

- Lift & Shift and Transform
- All customer journey facing assets already on cloud



**Legacy Modernization** 

Treasury, HR, Contact Center, Communications, AML



Google Cloud







**DR 100% for application** migrated



Real-time Backup



**Provisioning from** 8 weeks to 2-3 Days



## **Building Digital Muscle through Innovation Labs**



# INNOVATION

**Partners** 

### **Use cases Shortlisted for POC**



**Partners** 

### **POC Outcome**













Selected POCs are in progress and under scaleup phase

>400 Applications received for Innovation Labs 1.0 & 2.0

## **SECTION IV**

► Max Life Insurance – ESG





Four Pillars of Approach to Sustainability



Work Ethically & Sustainably **0** 

Care for People & Community

- Robust Corporate Governance
- Ethics & Compliance

Health & Wellness programs

**Employee Development** 

Diversity & Inclusion

- Digital Initiatives
- Ethical usage of Data
- **Green Operations**

Financial Empowerment

CSR Initiatives

- Waste Management
- Water Management
- Energy efficiency

Customer feedback integration

Product responsibility Sustainable Investing

- **Emissions control**

## Key Areas: Work Sustainably & Ethically | Care for People & Society



### Work Sustainably & Ethically





### **Board Composition**

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



### **Data Privacy & Security**

Information security and cyber security compliant with ISO guidelines



### **Legal, Ethics & Compliance policies**

- Platforms, mechanisms, channels in place for grievance addresses, incident investigations and corrective actions and policies
- Dedicated whistle-blower platform managed by independent external partner
- 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

## Care for People & Community



#### **Diversity Inclusion**



- Max Life recognized amongst the Top 100 Great Place to Work for Women in the Large Companies category
- Gender diversity at Max Life is currently at 24%
- Launched e-learning awareness and sensitization programs on D&I for the organization



### **Employee Development**

- In FY'21 employees underwent close to ~34000 digital learning hours
- Max life ranked as the 18th Best Company to work by GPTW

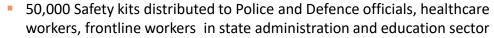


### **Health & Well-being**

- We provide Counselling & Mental Well-Being sessions to employees & family members through third party health services partnerships
- Supported surgeries of 7 underprivileged children in Mewat, Haryana with congenital heart disease. Conducted live virtual event with the beneficiaries and their parents

#### **Community Programs**







- 150+ employees led volunteering initiatives under "Joy of Giving" that benefitted 3400 people through education, Defense Personnel Support, Poverty alleviation
- 30+ employees delivered sessions on health, Covid awareness & financial independence

### **Key Areas: Financial Responsibility | Green Operations**



### **Financial Responsibility**





### **Responsible Product Offerings**

- Specially designed micro insurance products cater to socially and economically weaker sections. In FY21, we covered ~18 lakh lives
- Lower premiums offered to women policyholders
- Introduced a wellness app encouraging our customers to be active



### **Responsible Investments**

- As per our responsible investment approach, we only invest in companies with the best governance structure and policies
- We are initiating discussions with investee companies on their ESG practices, as part of our goal to be fully ESG compliant in our investment decision making process
- We have a comprehensive stewardship policy and disclose a detailed summary of our voting actions on a quarterly basis.



### **Integrating Customer Feedback**

 We continuously focus on integrating feedback from policyholders in our services. That is reflected in our NPS ratings, as per Kantar studies.
 Company NPS improved from 26 in FY18 to 45 in FY21

### **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
- 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 . 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.
- 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
- Beautification & greening project ongoing at MG Road in Gurugram.
   Engaged with an NGO partner for greening and maintenance of the central verge of the 4.5 Km GMDA stretch

## Key strategic shifts in our ESG journey



	Indicators	Key Metric for ESG Indicators	Key Targets
<b>O</b> <sub>0</sub>	Digital Operations	Digital enablement (Self Servicing) in Business transactions	90% of all self servicing operations to be digital by FY25
roji Coji	Diversity & Inclusion	Overall Gender Diversity Ratio	Achieve 30% gender diversity ratio by FY25 (23% in FY21)
roit	Workforce Training	Number of Digital Learning hours to upskill and reskill employees	Improve total training hours by ~3X by FY25
	CSR activities	Number of beneficiaries due to our CSR activities under Pehal and Max Foundation	Target 5 Lakh+ beneficiaries by FY25 (1 Lakh+ in FY21)
	Responsible Investments	ESG integration* & Compliance^ in Investment Decision Making	100% ESG integration in all investment research and decision making by FY23   75% of equity portfolio to be ESG compliant at all times from FY23
	Carbon Neutrality	Reduce carbon footprint and achieve Carbon Neutrality	To achieve carbon neutrality by FY28

<sup>\*</sup>ESG Integration refers to evaluation of ESG risks and opportunities for each company in the portfolio

<sup>^</sup>ESG compliance refers to all ESG rating categories excluding severe risk category , as per rating agency scores

## **SECTION V**

► Max Life Insurance – MCEV Disclosures: H1 FY'22

### **Key Results**



The Embedded Value<sup>1</sup> (EV) as at 30<sup>th</sup> September 2021 is **Rs 12,988 Cr.** 

The Operating Return on EV (RoEV) over H1 FY22 is **16.5%**, which increases to **18.0%** after excluding one-off impact of COVID19. Including non-operating variances, the total RoEV is **20.5%**<sup>2</sup>.

The New Business Margin (NBM) at actual cost for H1 FY22 is 25.3%, with Value of New Business (VNB) written over the period being Rs 546 Cr.

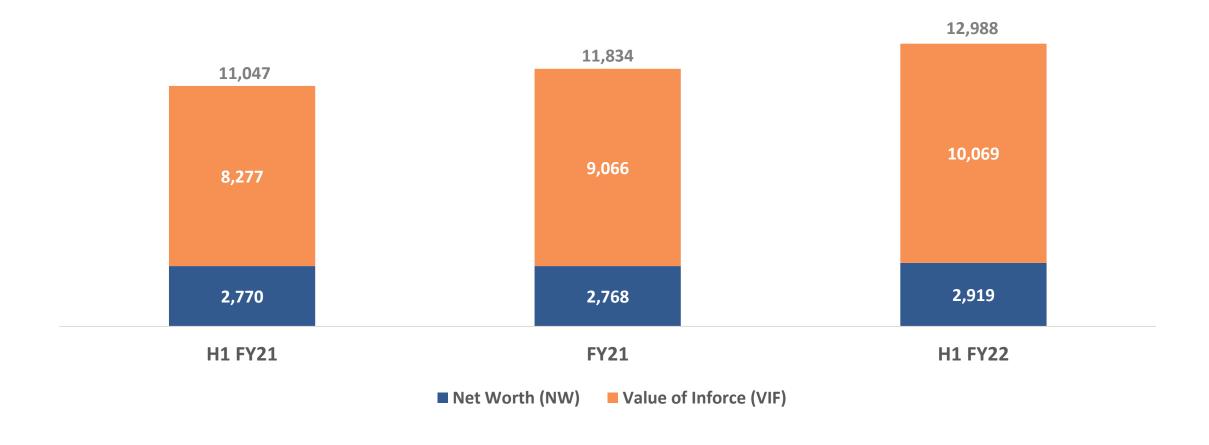
#### Notes:

<sup>&</sup>lt;sup>1</sup> 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.

<sup>&</sup>lt;sup>2</sup> The return on EV over H1 FY22 is calculated as 9.8% (growth in EV) annualized to 20.5%.

## **Progression of Embedded Value**



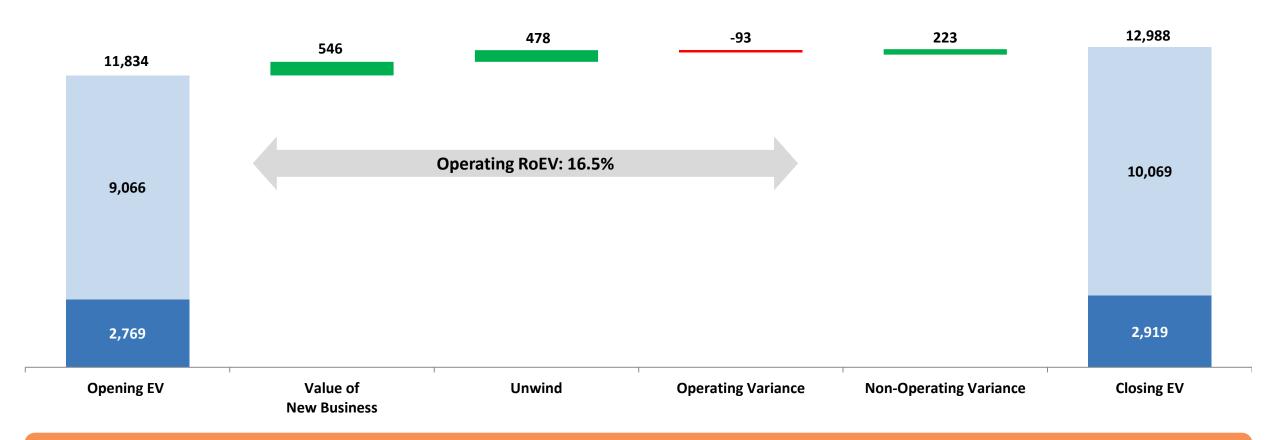


- 1. EV as at H1 FY22 represents an increase of Rs 1,154 Cr from the EV of Rs 11,834 Cr as at FY21; implying a growth of 9.8% (annualized to 20.5%) over the period.
- 2. EV as at FY21 is post allowing for final shareholder dividend of Rs 177 Cr for FY21.

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- The Operating Return on EV (RoEV) over H1 FY22 is 16.5%, which increases to 18.0% after excluding one-off impact of COVID19.
- Operating return on EV is mainly driven by new business growth and unwind.
- Non-operating variances are mainly driven by positive economic variances during the period.



## Value of New Business and New Business Margins as at 30th September 2021

Description	H1 FY21	H1 FY22	Y-o-Y growth
APE <sup>1</sup>	1,815	2,158	19%
New Business Margin (NBM) (post cost overrun)	24.2%	25.3%	+110 bps
Value of New Business (VNB) (post cost overrun)	438	546	24%

- The New Business Margin (NBM) has increased by circa 110 bps to 25.3% for H1 FY22 as compared to 24.2% for H1 FY21.
- The increase in margins is primarily driven by favorable change in business mix.

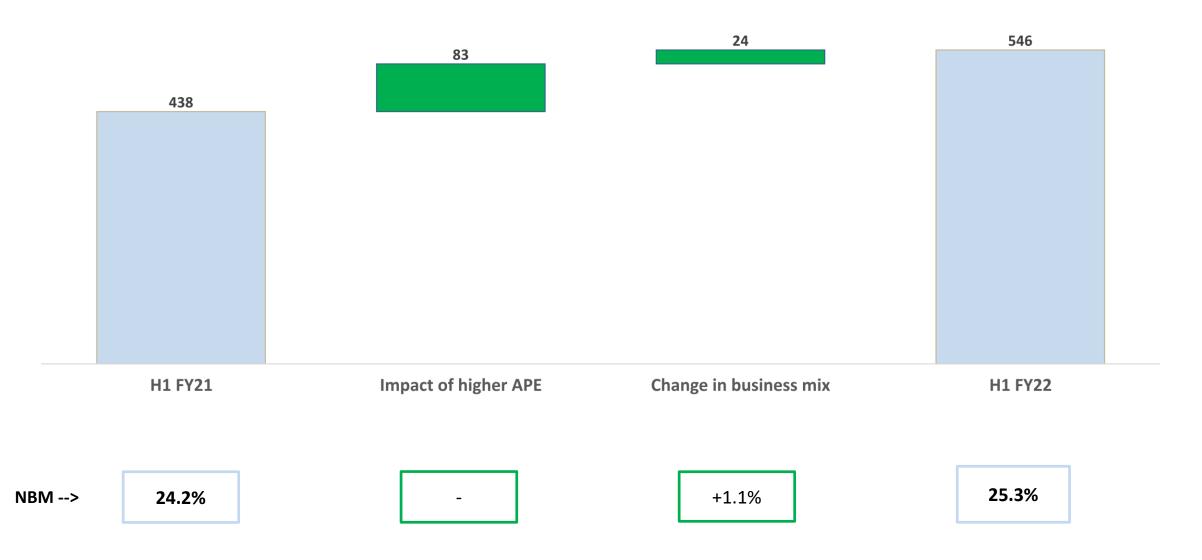
Note: Figures in Rs Cr. and may not add up due to rounding

<sup>&</sup>lt;sup>1</sup> Annual Premium Equivalent (APE) is calculated as 100% of regular premium + 10% of single premium.

<sup>&</sup>lt;sup>2</sup> The VNB is accumulated from the point of sale to the end of the reporting period (i.e. 30<sup>th</sup> September 2021), using the beginning of quarters' risk free yield curve.







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

Investor Release





	E	V	New business			
Sensitivity	Value (Rs Cr)	% change	VNB (Rs Cr)   NBM	% change		
Base Case	12,988	-	546   25.3%	-		
Lapse/Surrender - 10% increase	12,865	(1%)	537   24.9%	(2%)		
Lapse/Surrender - 10% decrease	13,125	1%	553   25.6%	1%		
Mortality - 10% increase	12,773	(2%)	524   24.3%	(4%)		
Mortality - 10% decrease	13,178	1%	567   26.3%	4%		
Expenses - 10% increase	12,875	(1%)	512   23.7%	(6%)		
Expenses - 10% decrease	13,125	1%	580   26.9%	6%		
Risk free rates - 1% increase	12,817	(1%)	568   26.3%	4%		
Risk free rates - 1% reduction	13,108	1%	529   24.5%	(3%)		
Equity values - 10% immediate rise	13,129	1%	546   25.3%	Negligible		
Equity values - 10% immediate fall	12,846	(1%)	546   25.3%	Negligible		
Corporate tax Rate - 2% increase	12,730	(2%)	530   24.5%	(3%)		
Corporate tax Rate - 2% decrease	13,246	2%	562   26.0%	3%		
Corporate tax rate increased to 25%	11,288	(13%)	439   20.4%	(19%)		

- 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





#### **Financial Performance**

- Individual APE
- Renewal Premium
- Gross Premium
- Policyholder expense to GWP Ratio
- Policyholder Cost to GWP Ratio
- Expense to average AUM (Policyholder)



Note: Figures in Rs Cr. Investor Release 43

## 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



Figures in Rs. Cr.



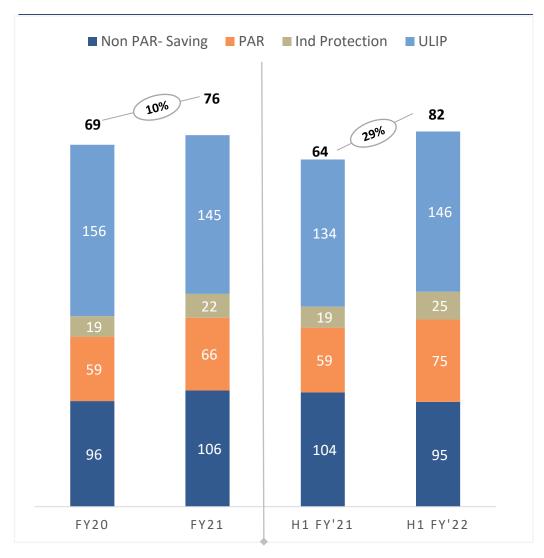


Key Business Drivers	Unit	Quarter Ended		Q-o-Q Growth	Period Ended		Y-o-Y Growth
		Q2 FY'21	Q2 FY'22		H1 FY'21	H1 FY'22	
a) Individual APE	Rs. Crore	1,145	1,263	10%	1,804	2,127	18%
b) Gross written premium income	Rs. Crore	4,532	5,331	18%	7,283	8,815	21%
First year premium		1,127	1,228	9%	1,749	2,032	16%
Renewal premium		2,937	3,461	18%	4,789	5,706	19%
Single premium		468	642	37%	746	1,078	44%
c) Shareholder Profit (Pre Tax)	Rs. Crore	27	71	160%	165	148	-11%
d)Policy Holder Expense to Gross Premium	%	14.9%	14.3%	60 bps	15.4%	15.5%	-11 bps
e) Share Capital	Rs. Crore				1,919	1,919	0%
f) Individual Policies in force	No. Lacs				44.55	46.28	4%
g) Sum insured in force	Rs. Crore				1,098,156	1,109,313	1%
h) Grievance Ratio	%				31	41	32%

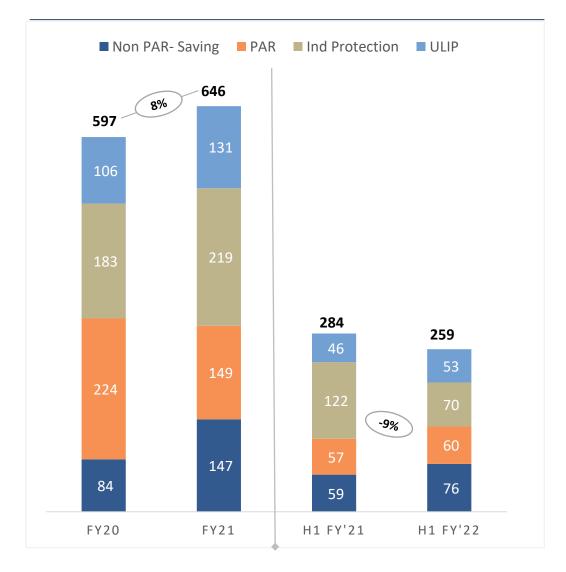




## Case Size (INR'000)



## **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).





## **Economic Assumptions**

- The EV is calculated using risk free (government bond) spot rate yield curve taken from FBIL<sup>1</sup> as at 30<sup>th</sup> September 2021. The VNB is calculated using the beginning of respective quarter's risk free yield curve (i.e. 31<sup>st</sup> March 2021 and 30<sup>th</sup> June 2021 respectively).
- No allowance has been made for liquidity premium because of lack of credible information on liquidity spreads in the Indian market.
- Samples from 30<sup>th</sup> September 2021 and 31<sup>st</sup> March 2021 spot rate (semi annualized) yield curves used are:

Year	1	2	3	4	5	10	15	20	25	30	40
Sep-21	3.90%	4.40%	4.96%	5.55%	5.91%	6.34%	7.02%	7.16%	7.26%	7.36%	7.27%
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	0.07%	0.18%	-0.21%	-0.03%	-0.19%	-0.12%	0.03%	0.07%	0.34%	0.43%	1.04%

## **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.

<sup>1</sup> Financial Benchmark India Pvt. Ltd. Investor Release

## 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.