

Max Financial Performance Update

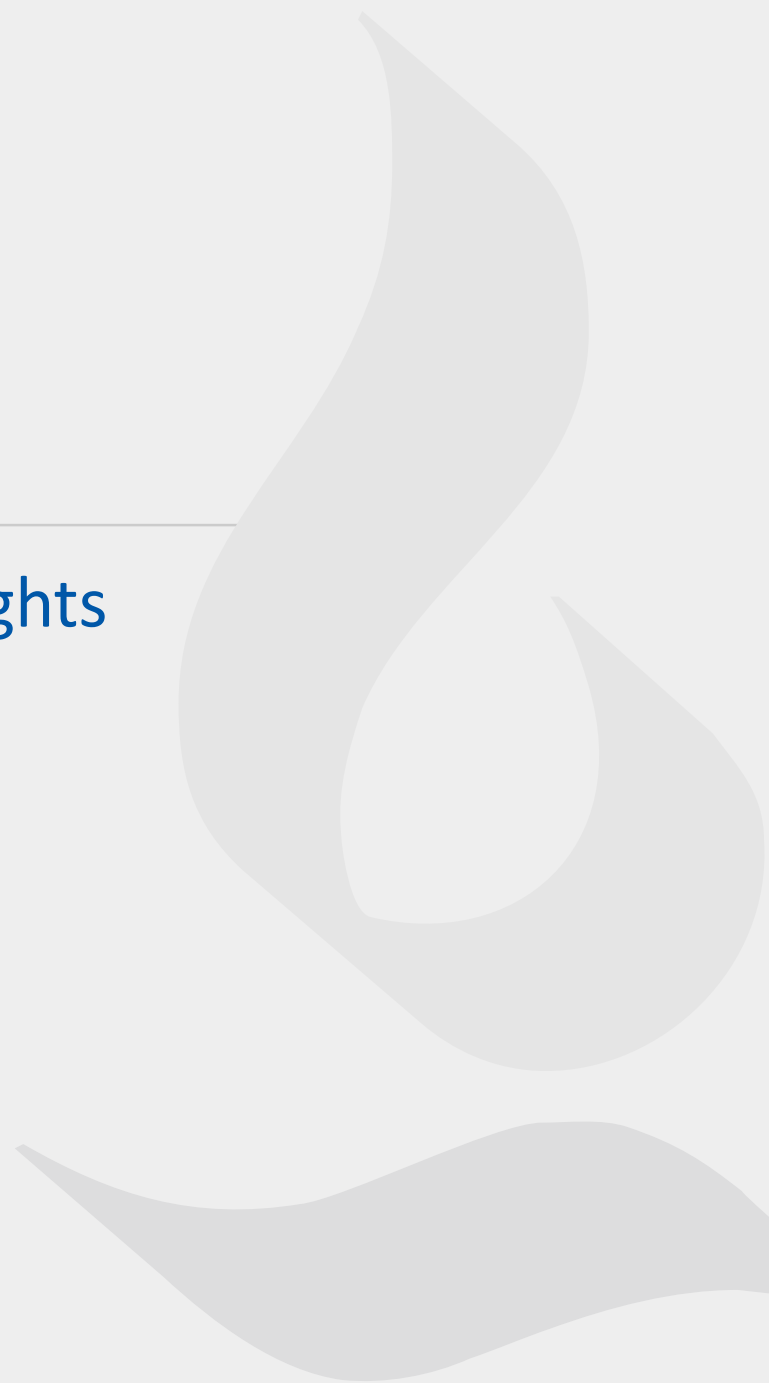
Investor Release H1 FY22

November 9, 2021





SECTION I

- ▶ Max Financial Services : Q2FY22 Key Highlights
- 

1	Consolidated Revenue^ at Rs 15,271 Cr , grows 21% in H1FY22 . Consolidated PBT at Rs 134 Cr , down 45% in H1FY22 , 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	Appointed as "Sponsor" of Pension Fund 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 Top 100 in the India's Best Workplaces for Women 2021 study by Great Place to Work® Institute, India

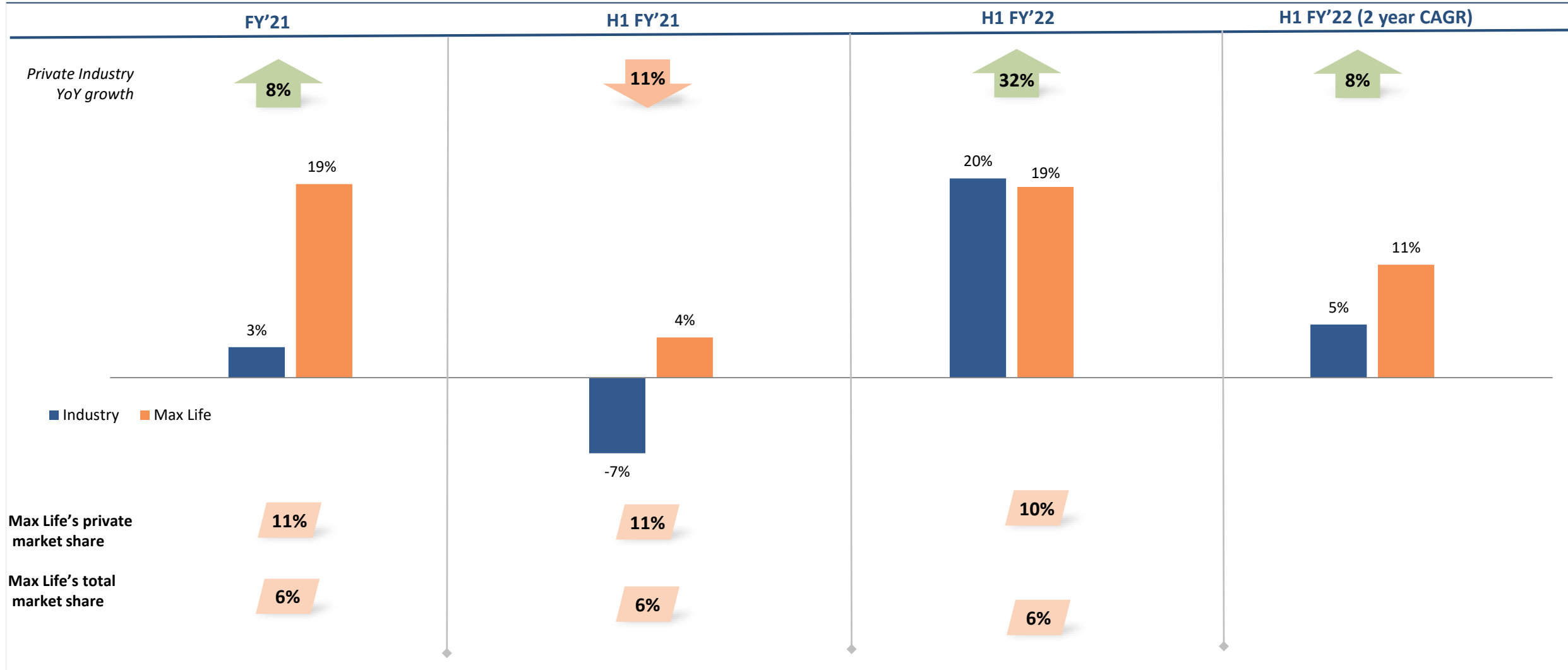


SECTION II

- ▶ Max Life Insurance – Business Overview
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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

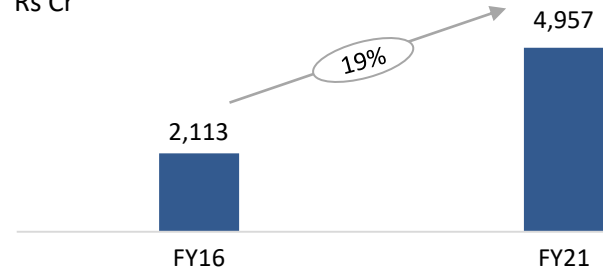


Max Life 5 year journey- Consistent performance across key parameters

Consistent Sales growth

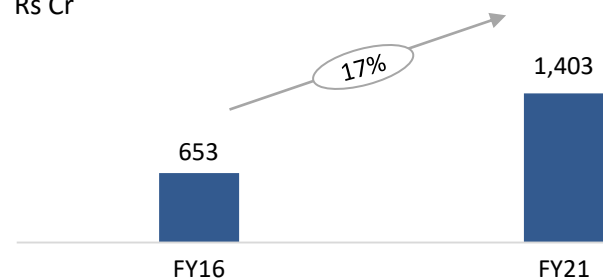
Total APE

Rs Cr



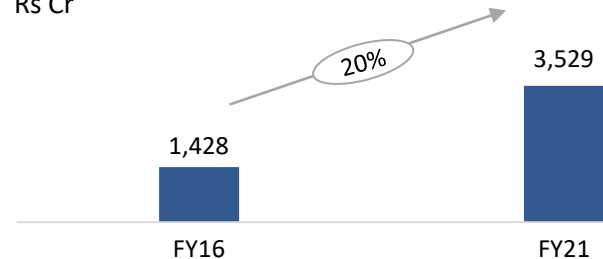
Proprietary APE

Rs Cr



Banca APE

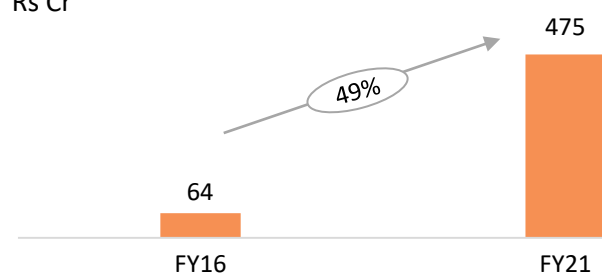
Rs Cr



Protection Focus

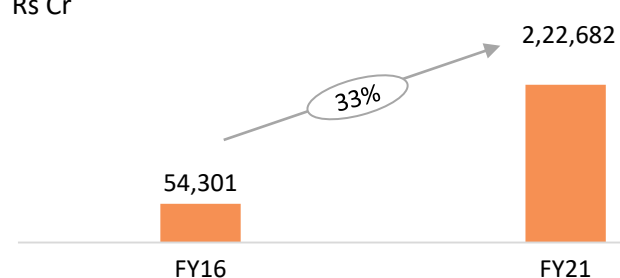
Individual Protection APE

Rs Cr



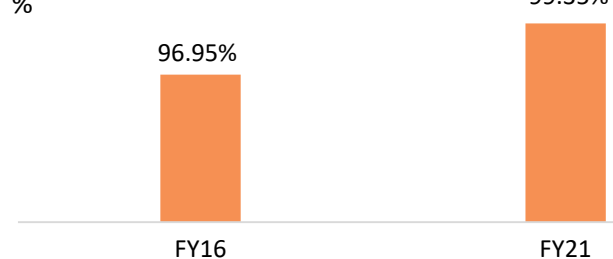
Individual New Business Sum assured

Rs Cr



Individual Claims Paid Ratio

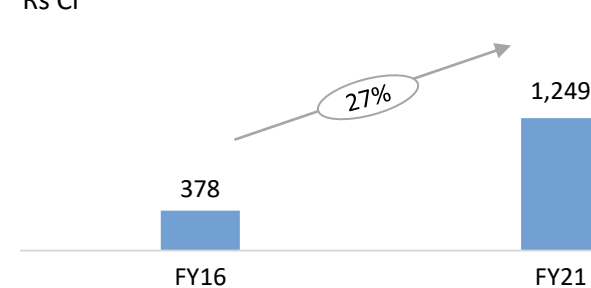
%



Fastest VNB growth

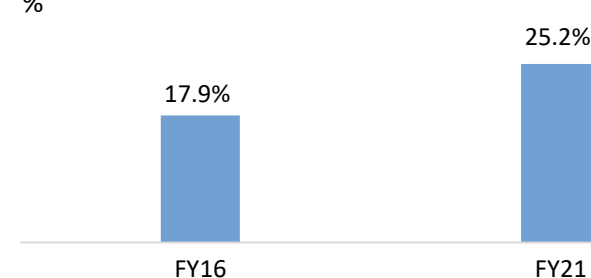
VNB

Rs Cr



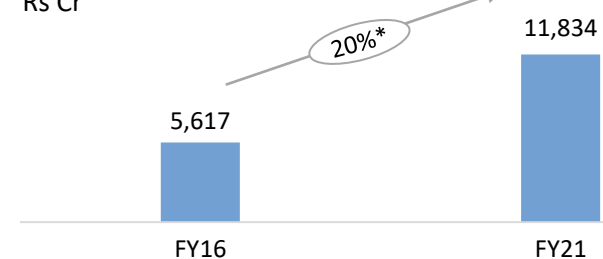
NBM

%



EV

Rs Cr



Financial Performance Summary H1FY22

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

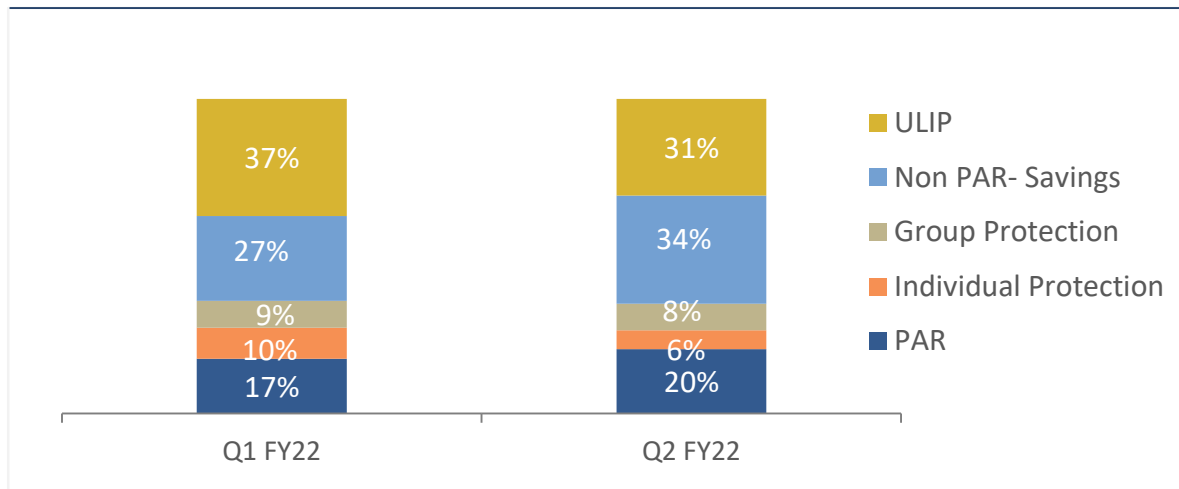
Figures in [brackets] are for previous year numbers.

^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);

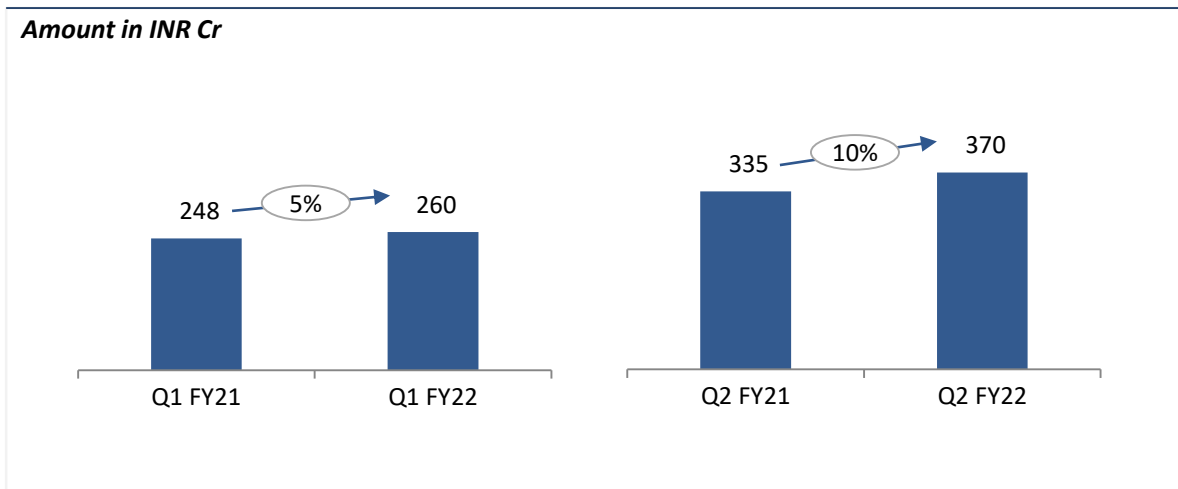
#Operating RoEV is without/with COVID impact

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

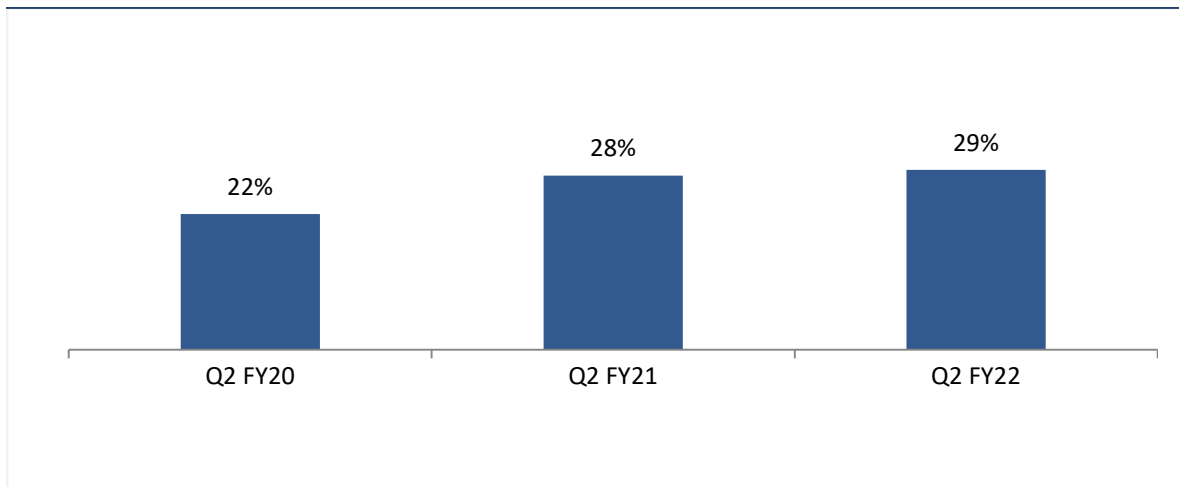
Product Mix- Q2 focused on product rebalancing, higher non-par savings



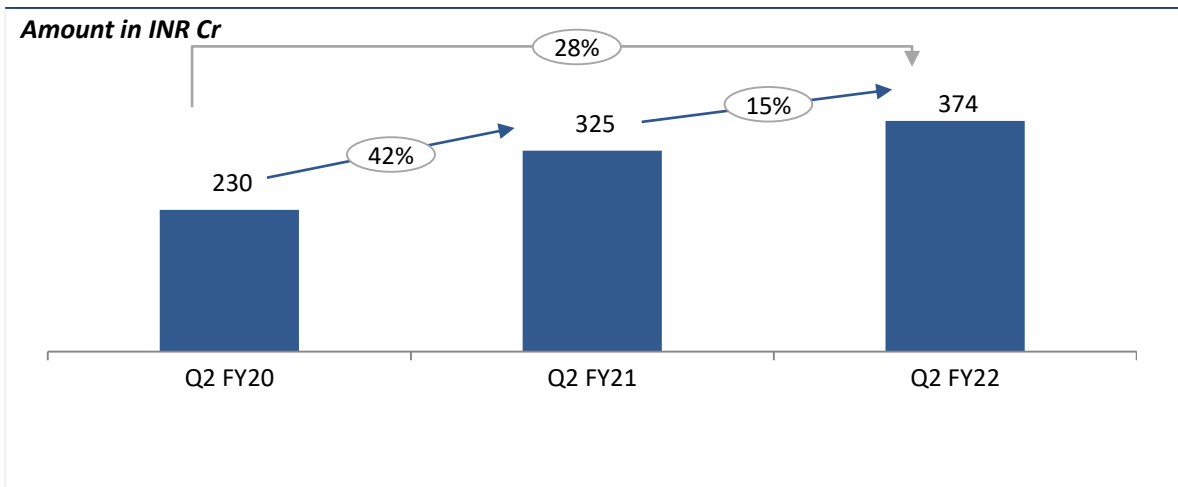
Proprietary Channel APE- Q2 sales growth back to double digits



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

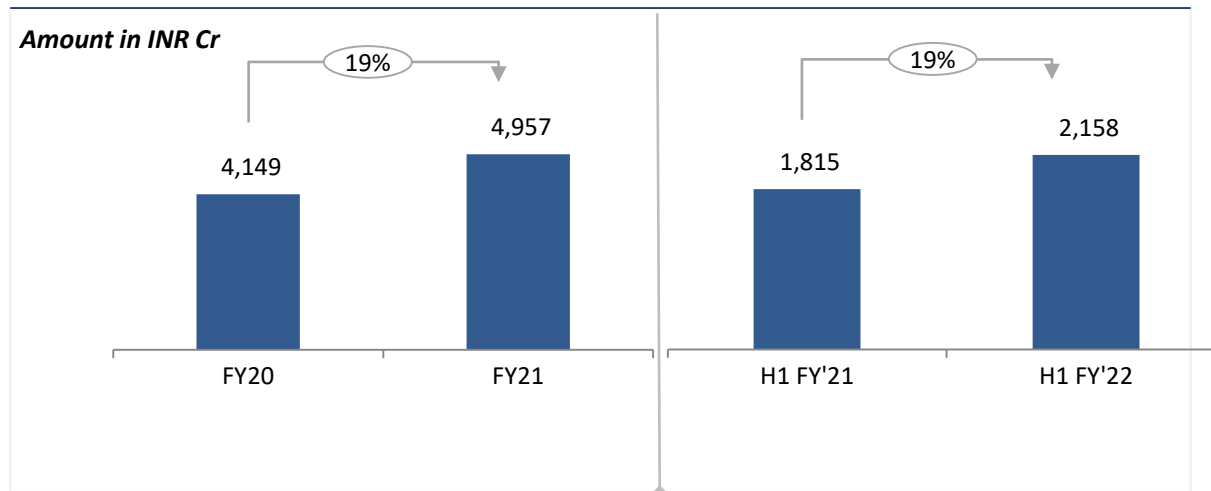


VNB - 2 year growth at 28%

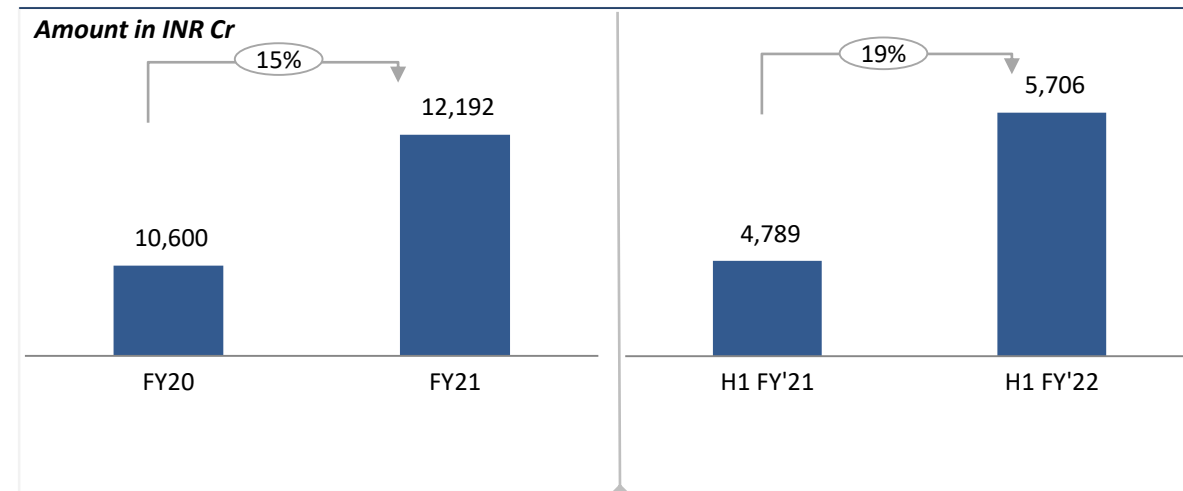


Max Life has delivered strong performance on new business ; Maintained 4th rank in the private industry

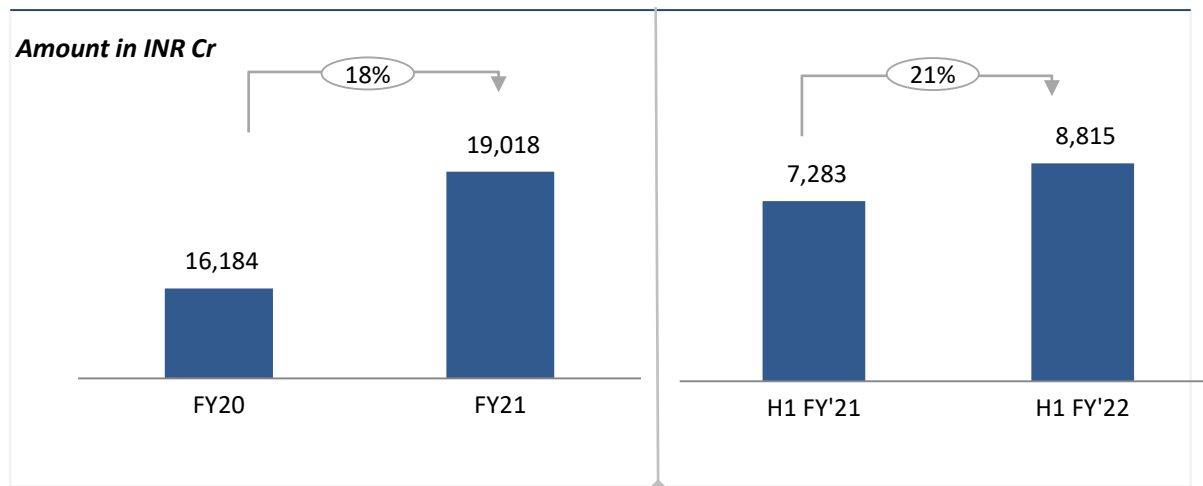
New Business Premiums (on APE basis)



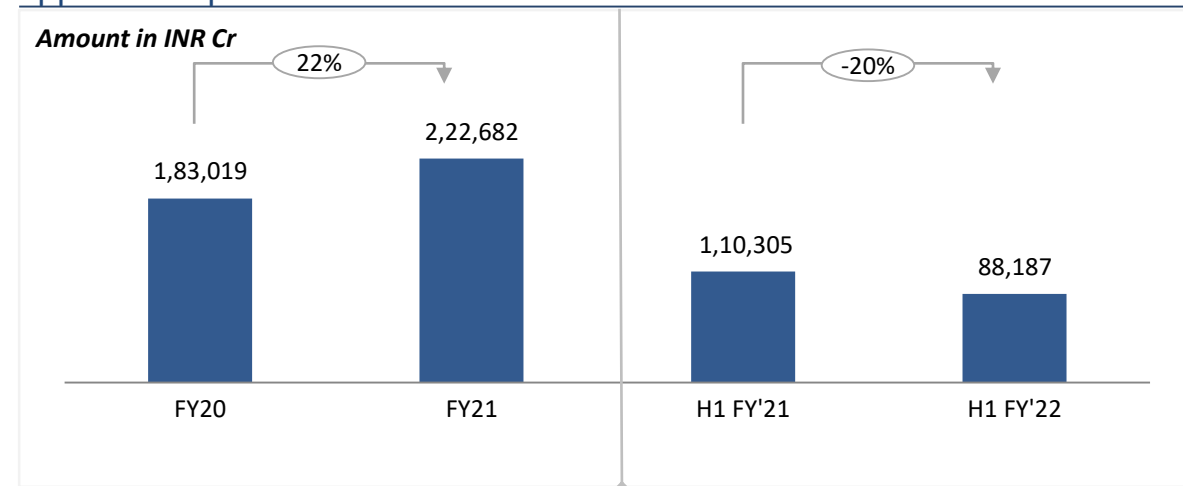
Renewal Income



Gross Written Premium

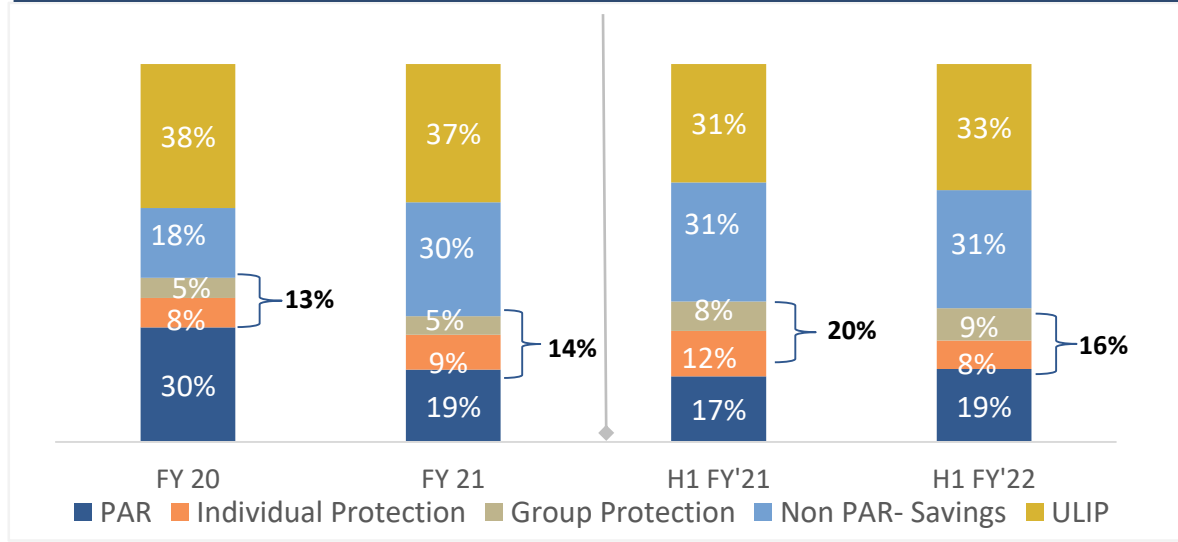


Individual Sum Assured of New business- 20% decline in H1FY22 cautious approach in protection business

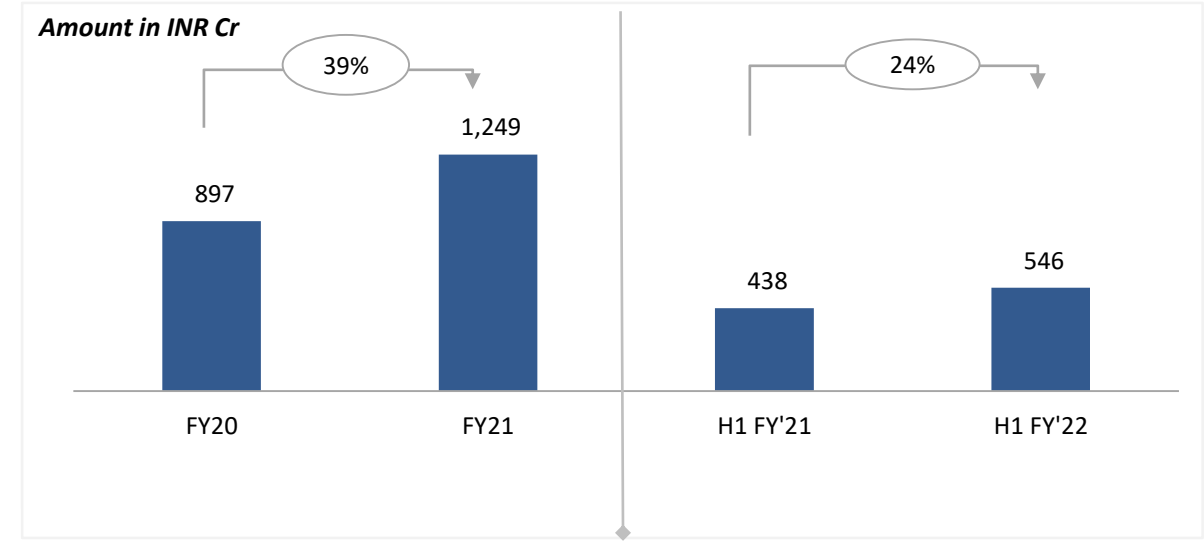


VNB increased by 24% over last year aided by increase in YoY margins by 110 bps, sequential QnQ margin up by 940 bps

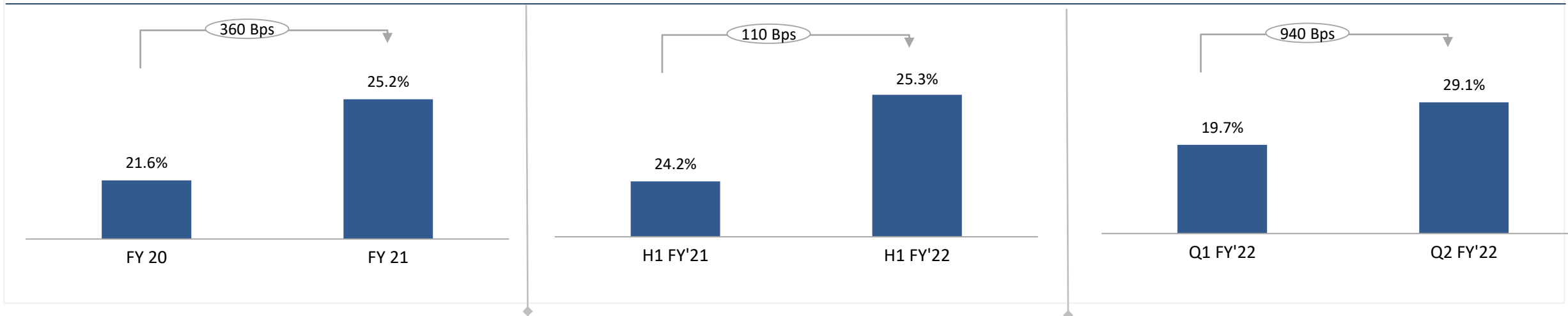
Product Mix – Increasing in NPAR savings while maintaining balance



Value of New Business

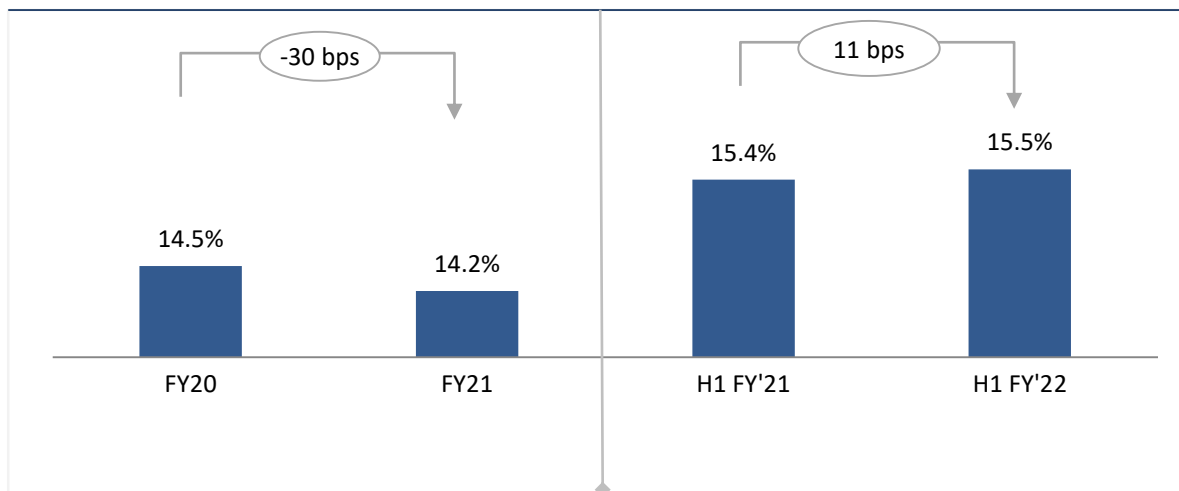


New Business Margin

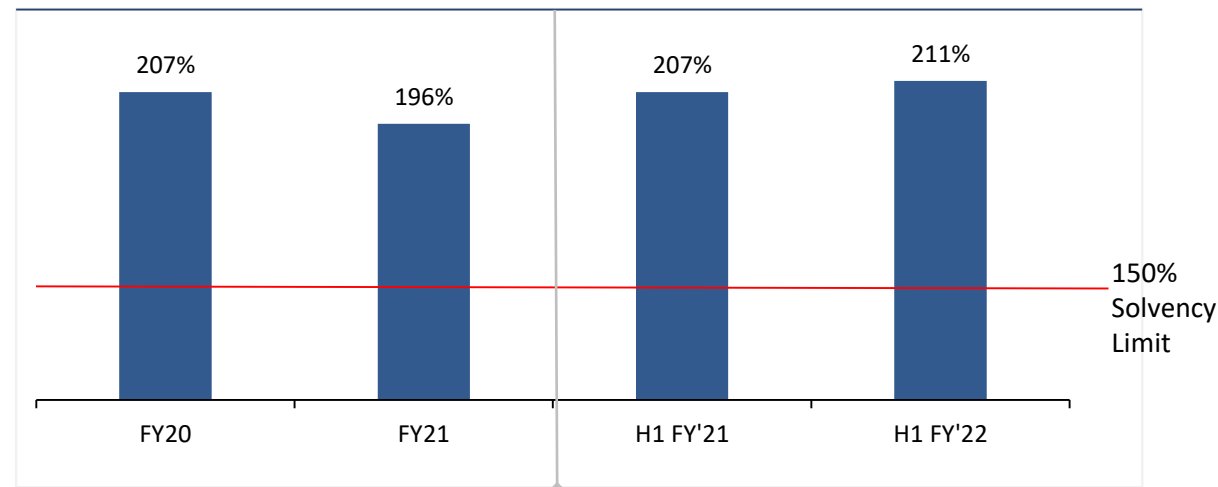


Efficient capital management with consistent returns

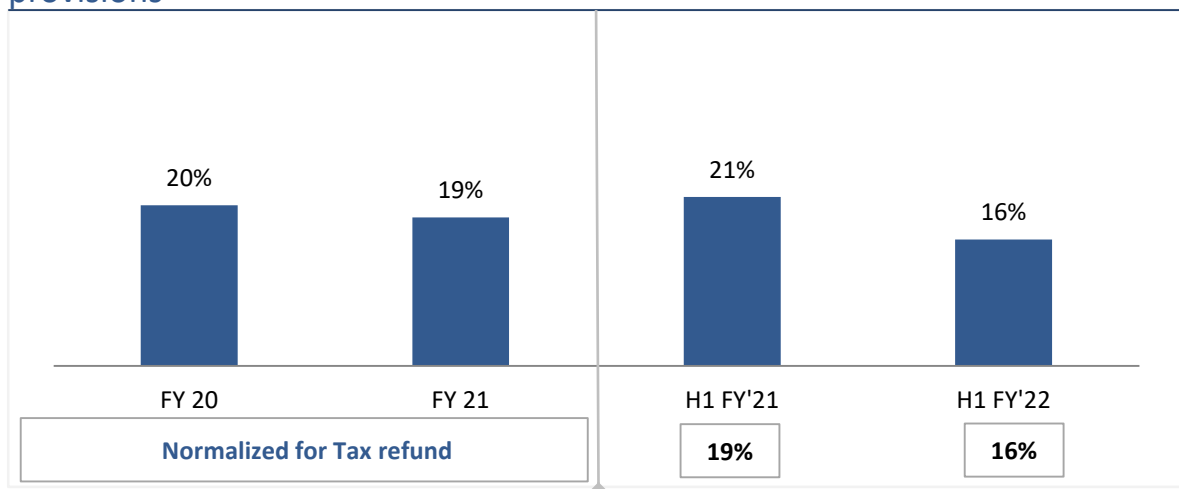
Opex to GWP*



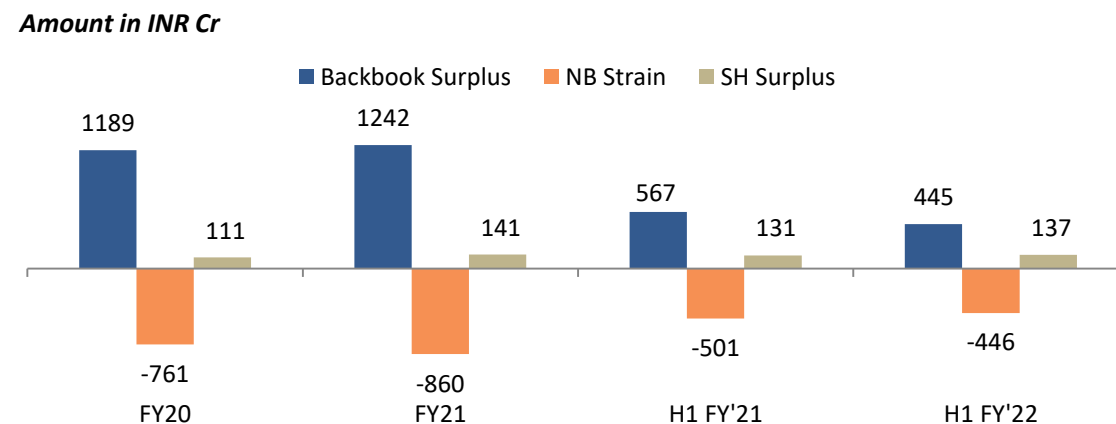
Solvency Ratio (pre dividend)



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



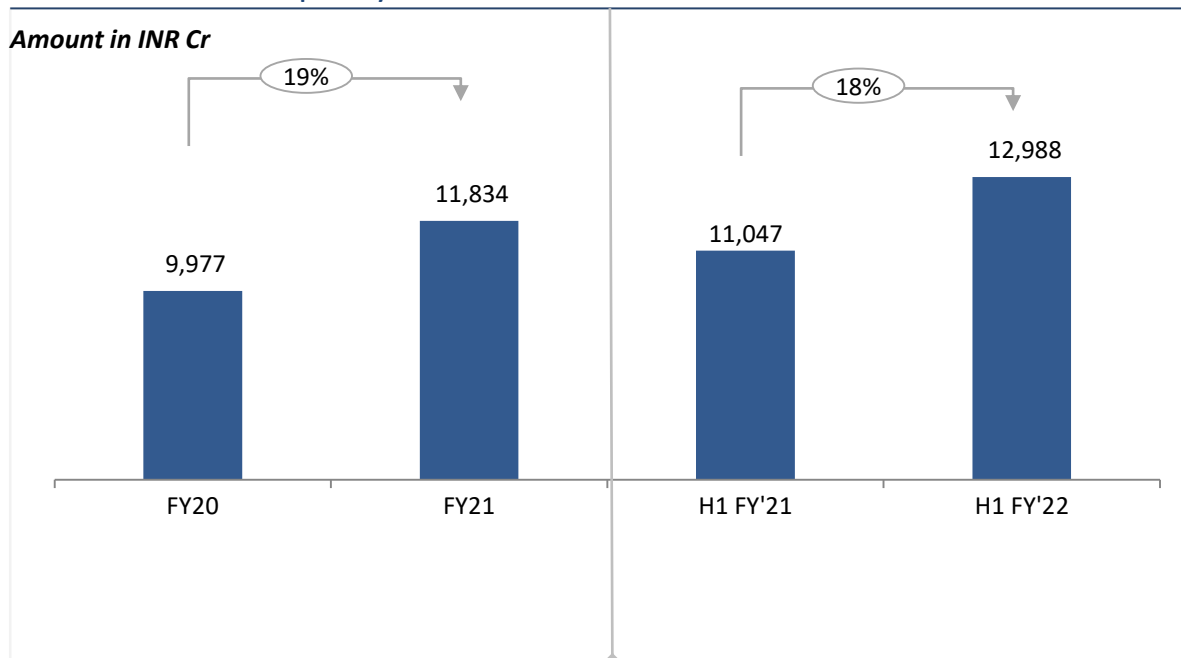
Underwriting Profits- H1 FY'22 backbook surplus lower than previous year due to COVID related provision



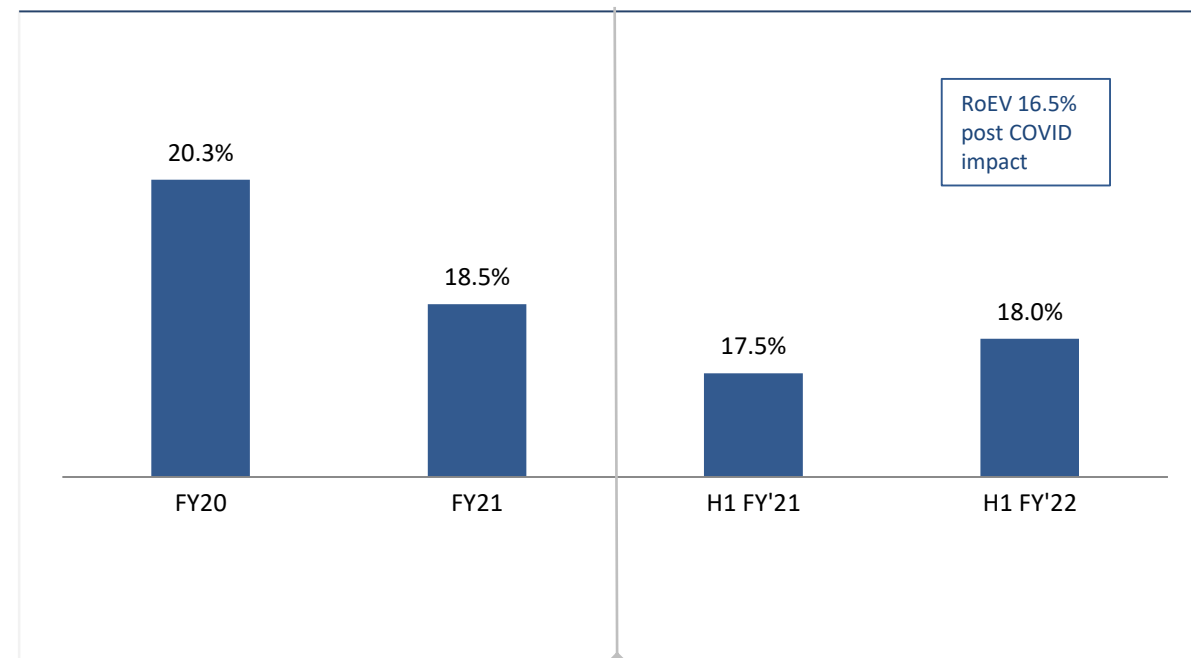
* Refers to the policyholder expense to GWP ratio; # ROE is trailing 12 months PAT as a ratio of average Net worth for trailing 12 months

Operating RoEV for H1 FY22 at 18.0%, post COVID impact operating RoEV is 16.5%

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



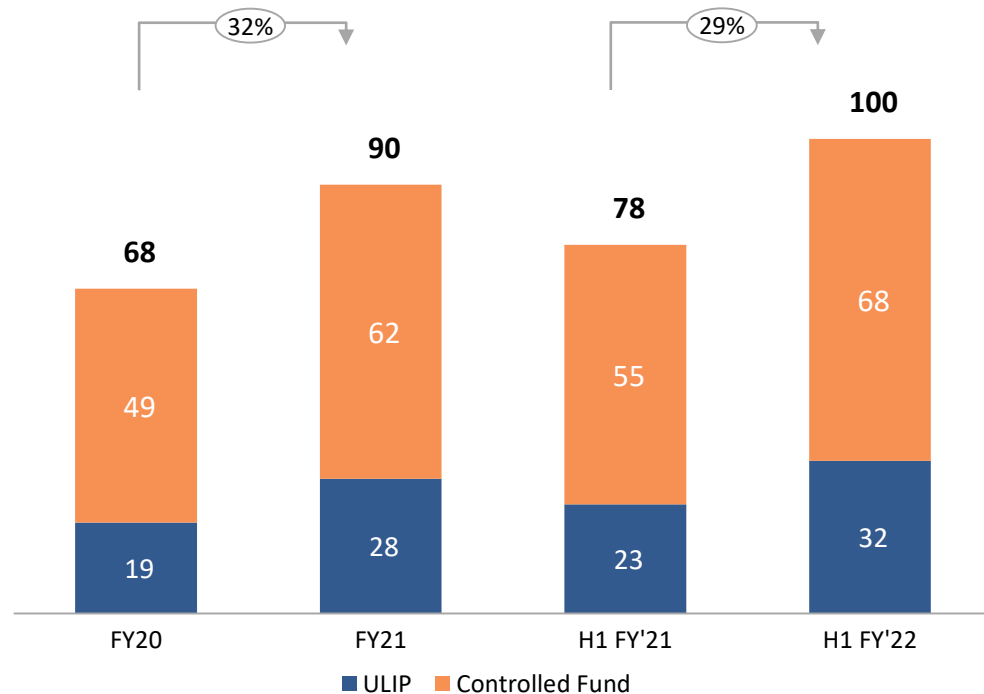
Operating Return on Embedded Value



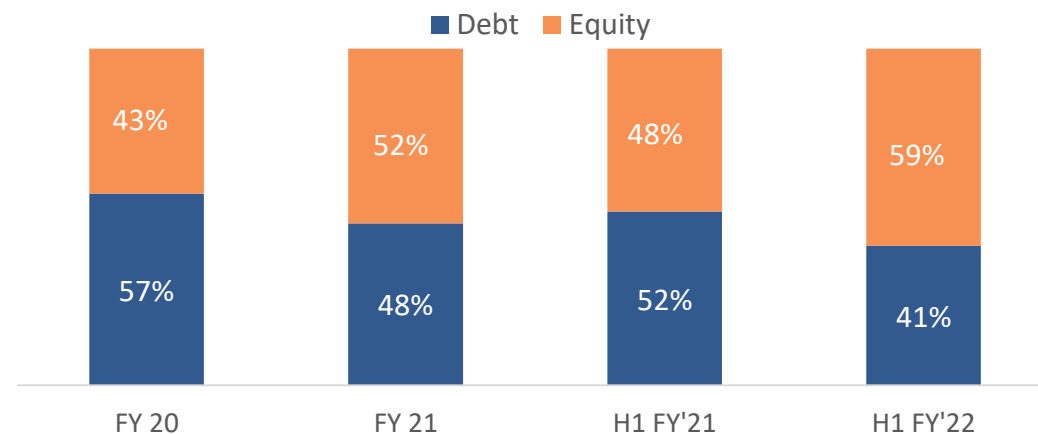
Asset Under Management crossed 1 Lakh Cr in Q2'FY22

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

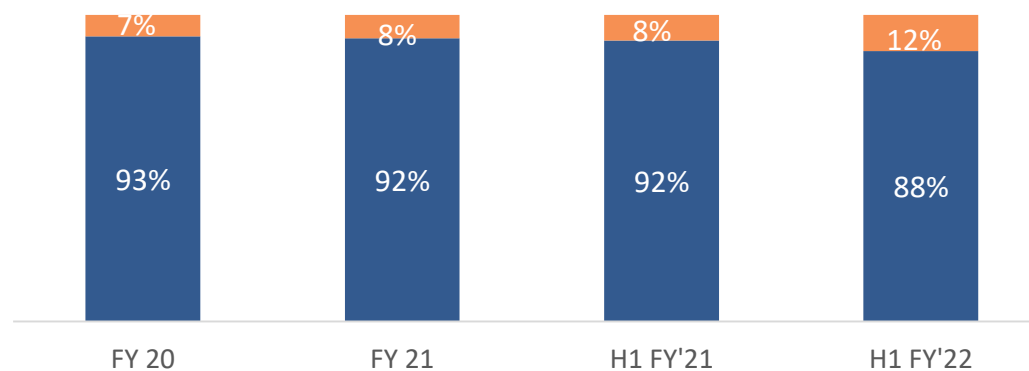
Amount in INR '000 Cr



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

- 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
- 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

- 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
- Max Life awarded recognized as 'Challenger' by NASSCOM AI Gamechangers awards 2021



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
- 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
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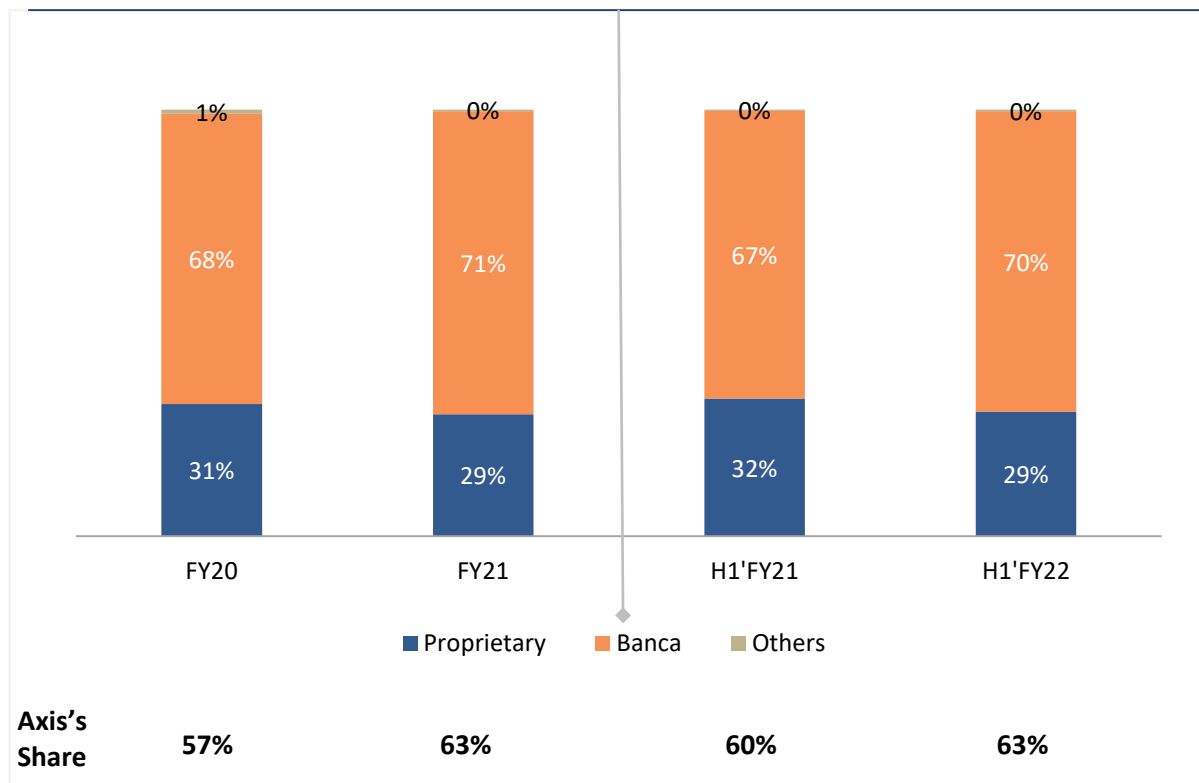
Significant progress made across key strategic priorities

INITIATIVES

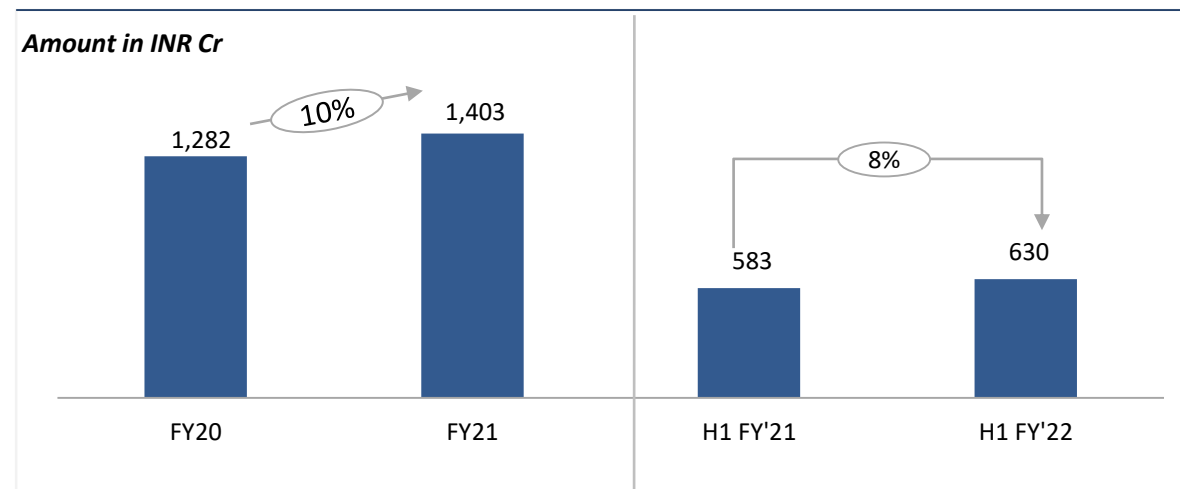
Progress achieved

A 	B 	C 	D 
Predictable & Sustainable growth	Product innovation to drive margins	Customer centricity across the value chain	Digitization for efficiency and intelligence
- Deepen Bancassurance partnerships - On-board new distribution partners - Scale up existing proprietary channels - Opportunistic play for inorganic growth	- Increase protection penetration - Drive Non PAR saving - Tap into new growth opportunities like health and retirements - Enhanced investment and mortality risk management	- Improve position in 13M and 61M persistency ranking - Highest Relationship Net Promoter Score (NPS) in the industry	- Continue with digitization agenda across the organisation - Build intelligence (AI) in all digital assets - Minimize back-office costs
- 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	- 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	- 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	- 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

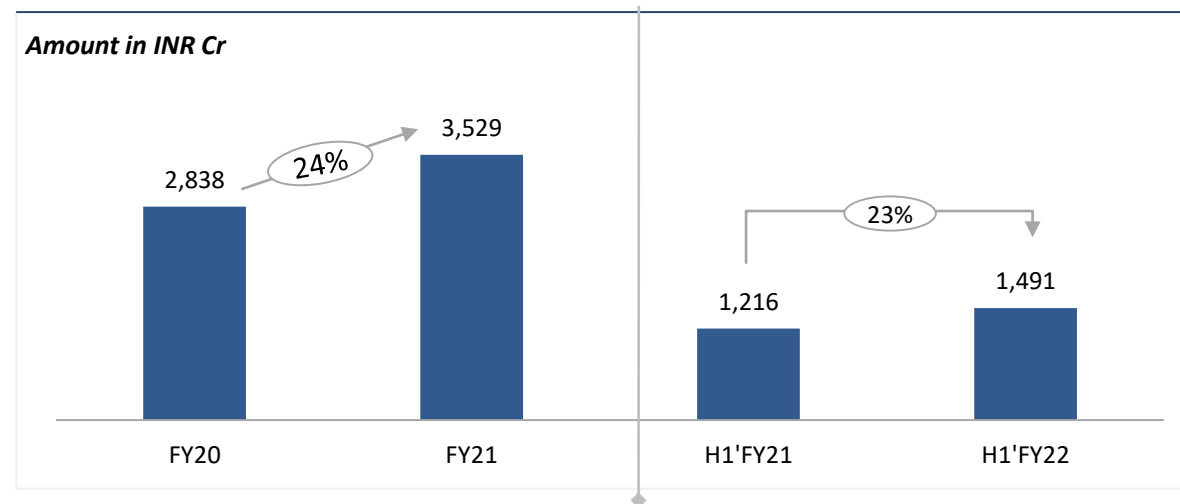
Channel Mix - Max Life has focused on maintaining a balanced distribution mix



Proprietary Channels New Business (APE)

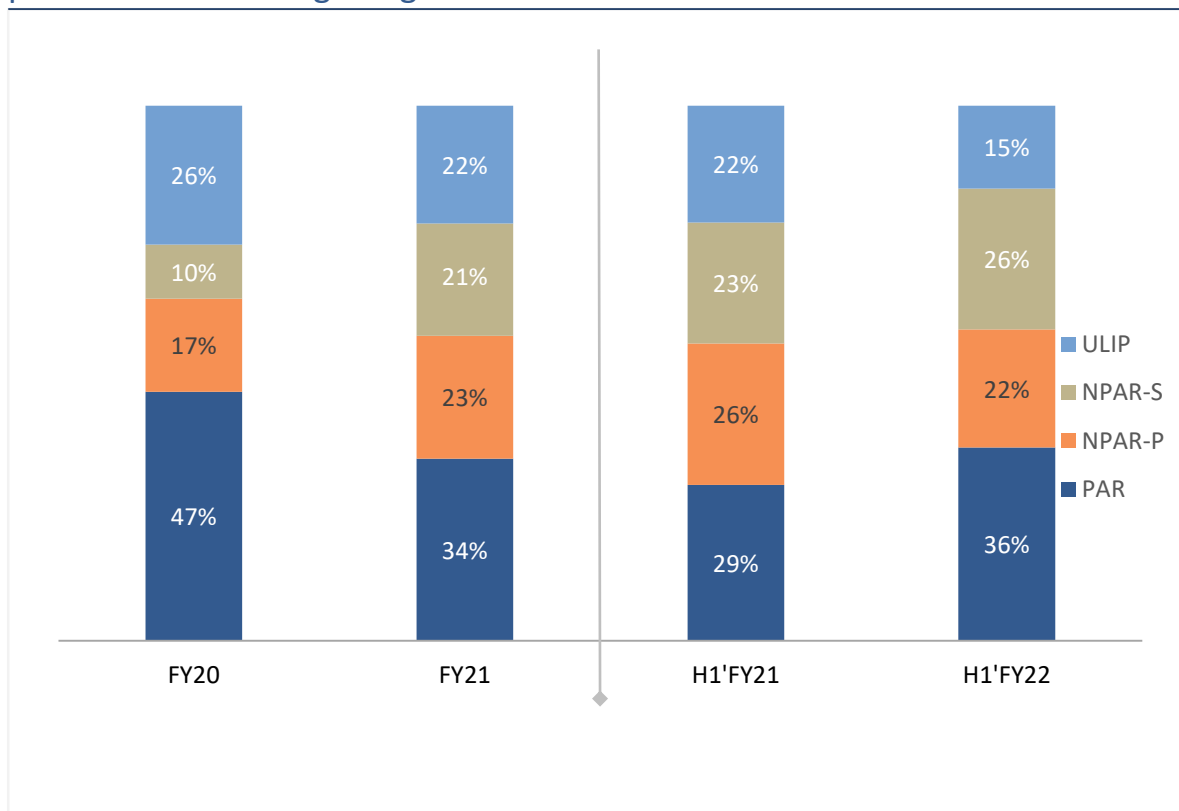


Bancassurance Channel (APE)

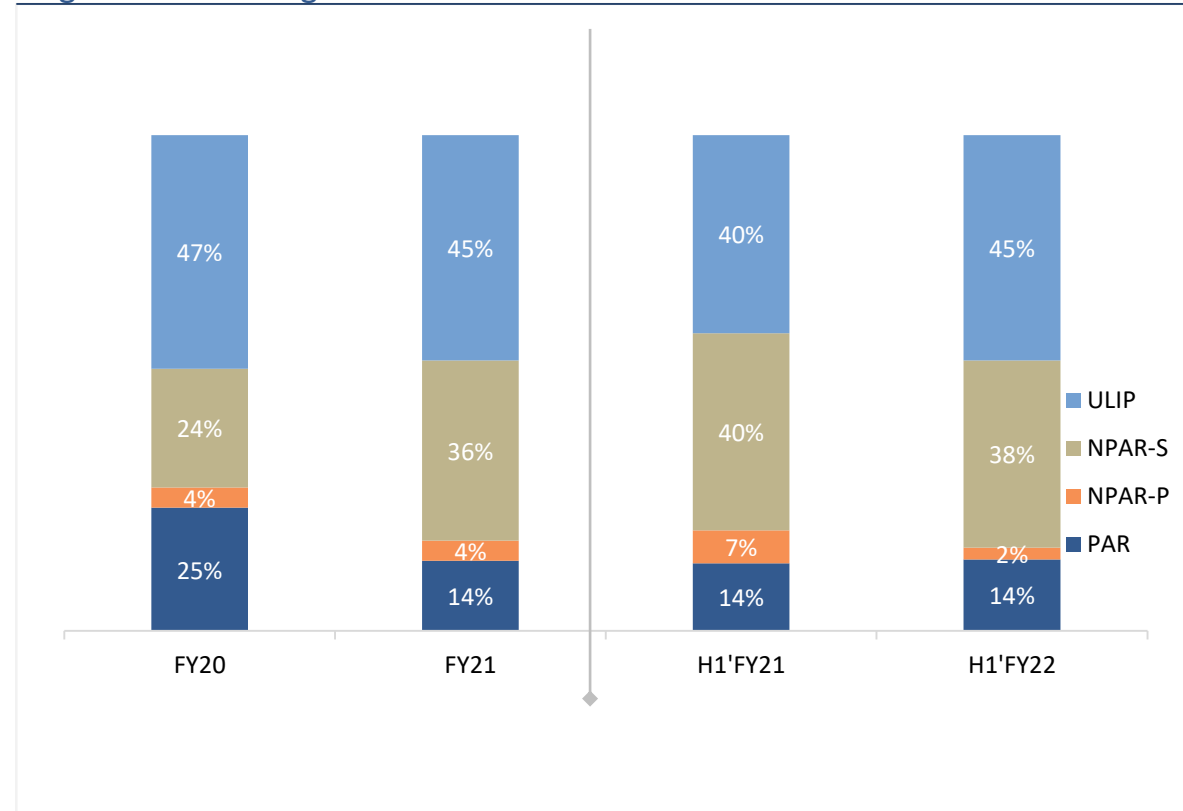


Product mix in proprietary and Bancassurance channels aligned to customer needs; Protection driven across all channels

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

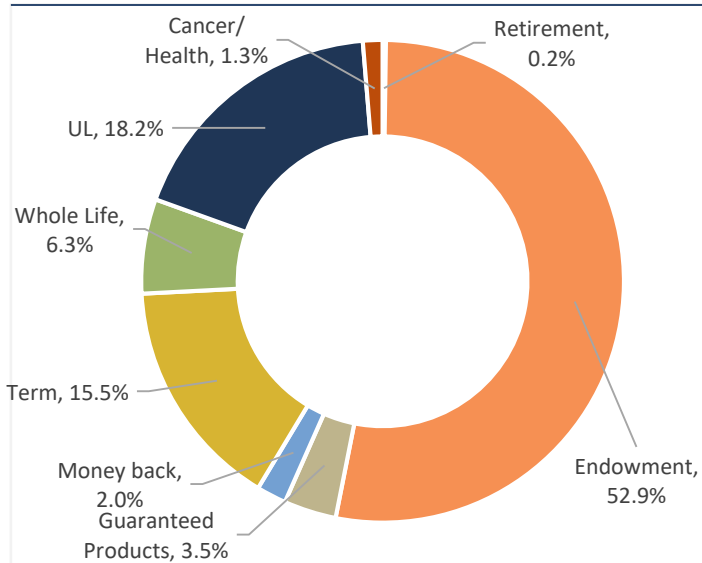


Max Life has a complete suite of products and focus is on selling longer term products along with improving penetration of pure protection offerings

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 Sep 2021

36

Average

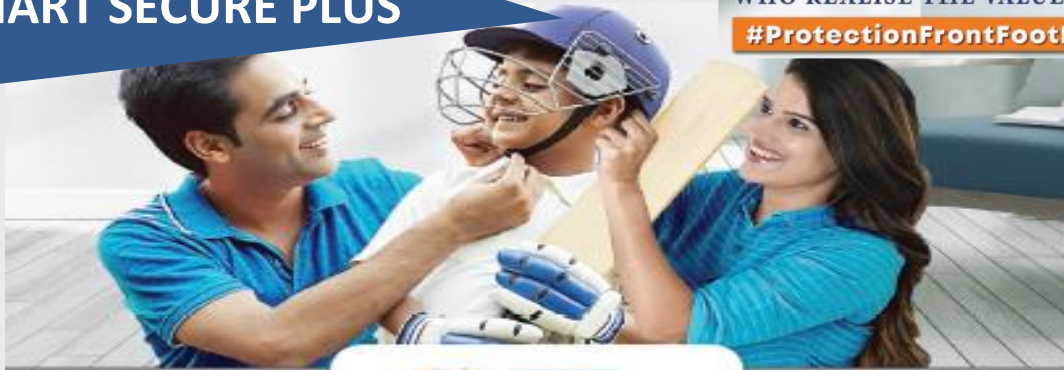
25

Average

16

Average

SMART SECURE PLUS



MADE FOR THOSE
WHO REALISE THE VALUE OF
#ProtectionFrontFootPe



A TERM PLAN that financially protects the dreams of your loved ones, because for them #YouAreTheDifference™

Key Features

-  **Return of Premium**
-  **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**

CRITICAL ILLNESS AND DISABILITY RIDER



Key Features

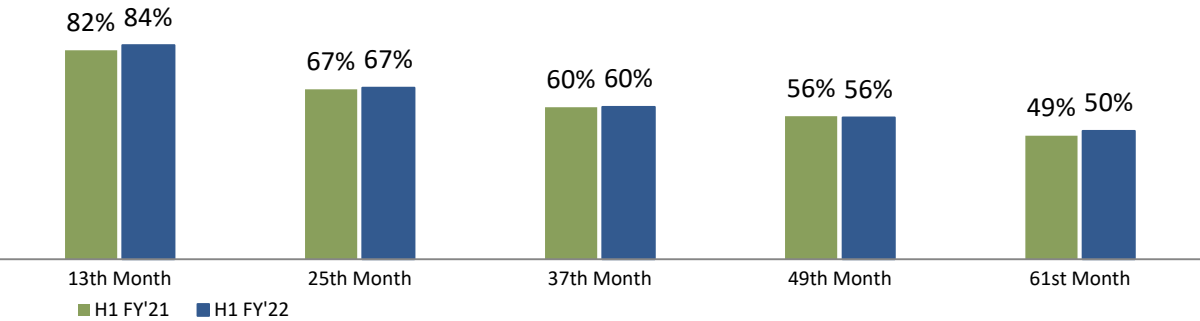
-  **Comprehensive Critical Illness Cover** (covering upto 64 illnesses)
-  **Total and Permanent Disability Variant**
-  **Flexible Payment Option** (regular pay or limited pay option)
-  **Extended Cover**
-  **Max Fit Program** (wellness benefit)



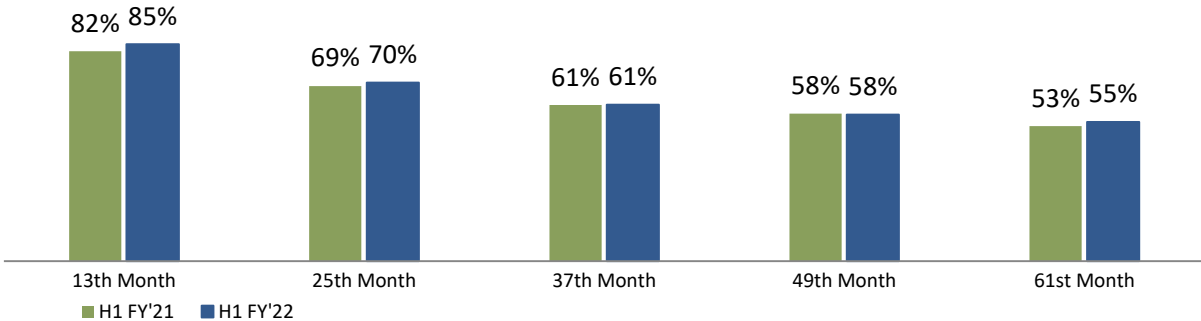
Strong focus towards customer measures has helped deliver superior performance across health parameters and will continue to remain an important priority



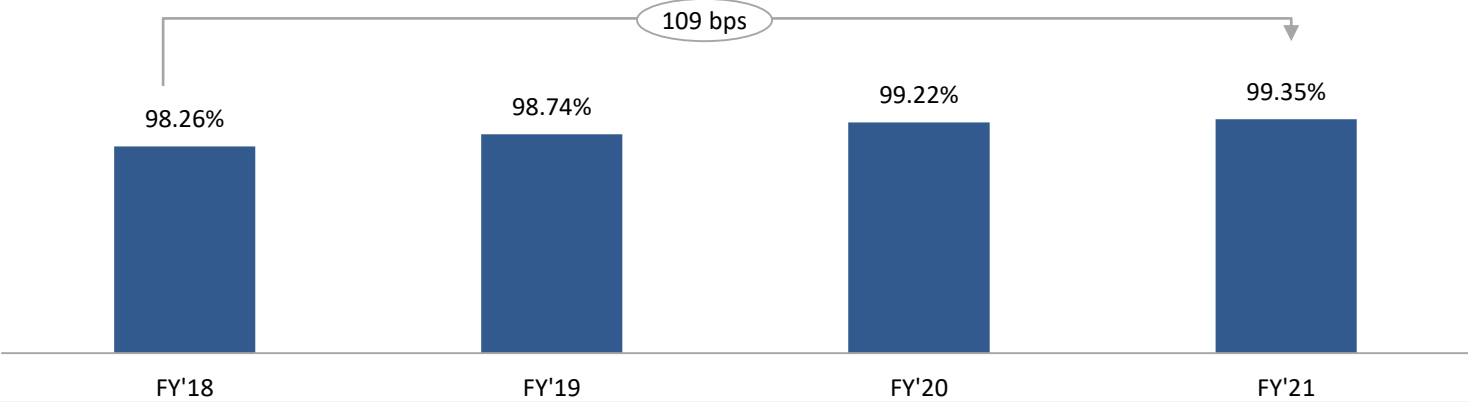
Persistency- Individual policies excluding single pay/fully paid up policies



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



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

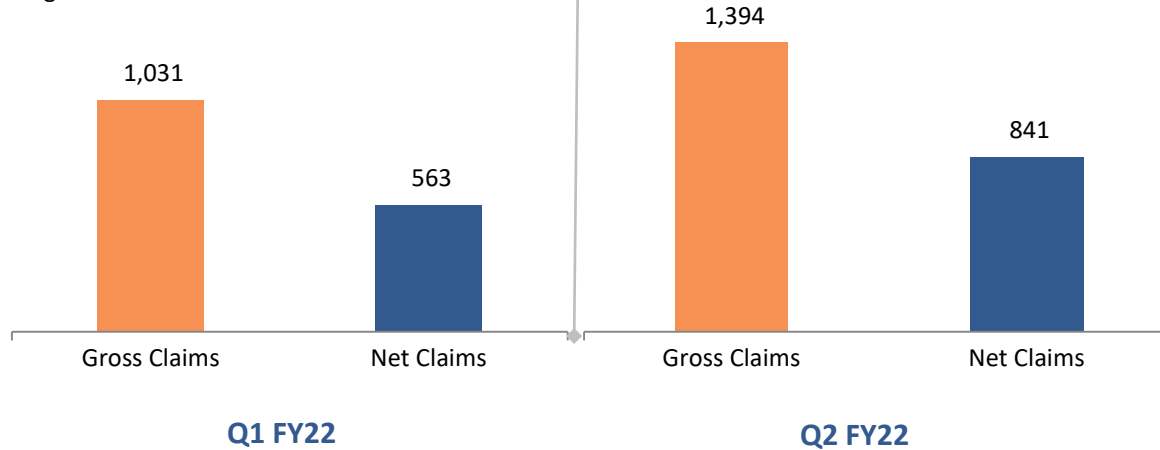




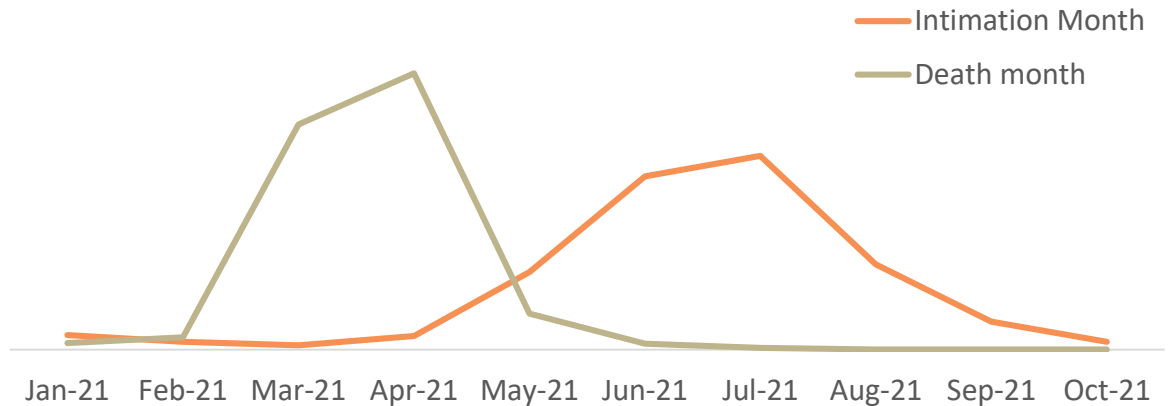
Claim experience on account of COVID-19. Provisions allowed for probable future claims

H1 FY22 – Claims experience

Figures in Rs. Cr.



COVID-19 wave 2 – No. of Deaths and Intimations (Individual + Group)



- 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 enforce 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

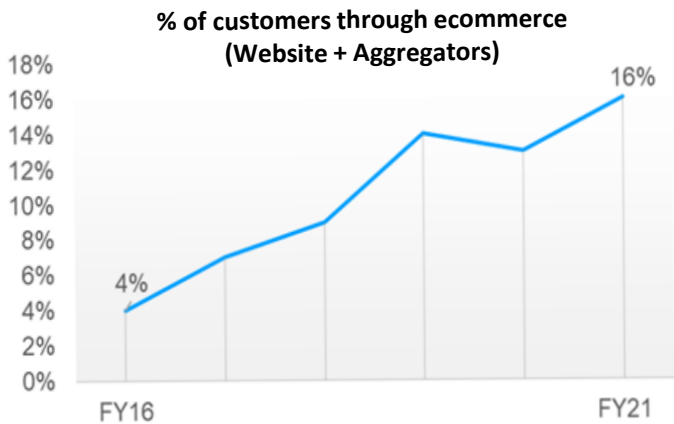
[#]Customers were reached out over calls during the period of Aug and Sept'21. Questions asked – if customer is vaccinated, if yes, then number of doses taken. Customer responses were recorded basis self declaration by customers



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**

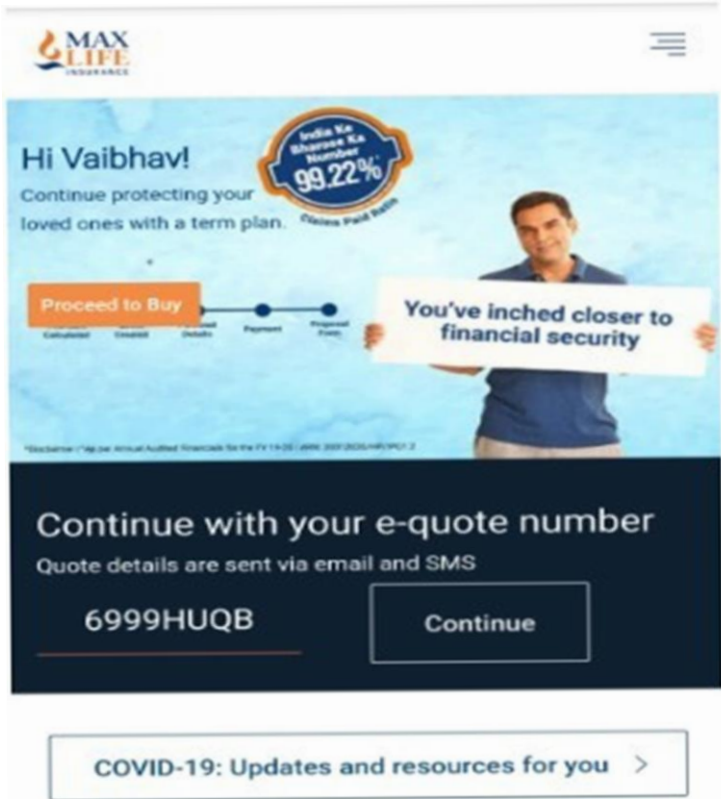
Sharper Prospecting Chase VALUE not Traffic



- 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%**

Source: Webmaster Console

Personalization Never Ask Again



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



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

Step 1/4: Ramesh, customize your Term Plan

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

Cover Till Age (Max: 80 years)
60 years

Pay Till Age
Pay till maturity (for 30 yrs) | Pay till age 40 (for 10 yrs)

Payment Frequency
Monthly

Pay ₹ 420 to get back your premiums at end of Policy Term

Total Premium (inclusive of GST)
₹ 494 Monthly e-550

5% Discount applied for 1st year.

Proceed

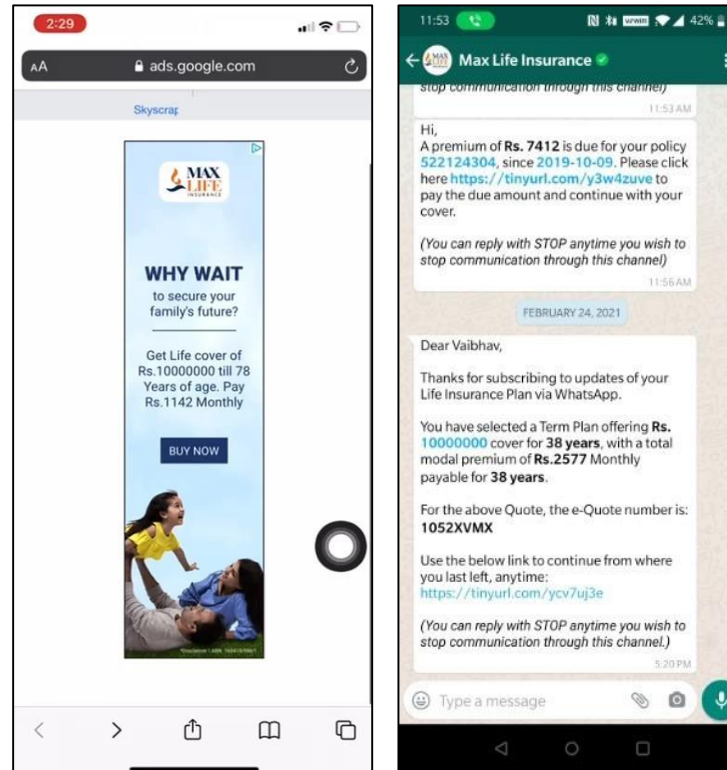
<\$ Secs
Page Load Time

Top 3
SEO Ranking



AI 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 in-funnel prospects

Frictionless Onboarding



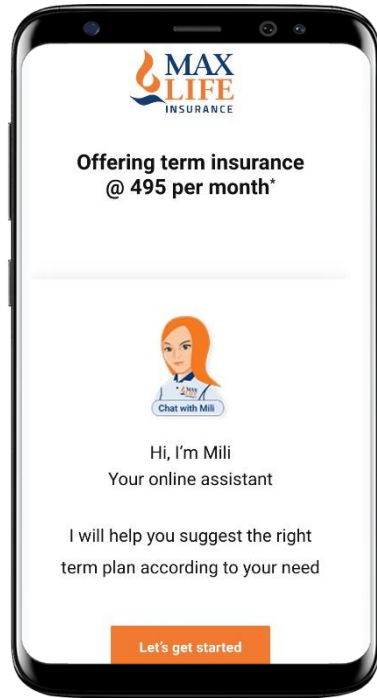
- State of the art Integration stack with third parties ensures ~70% of B2C Term customers are on-boarded without any document requirement



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

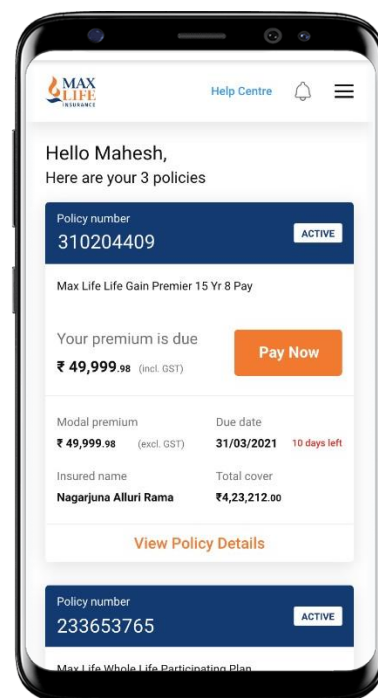


Chatbot- MILI



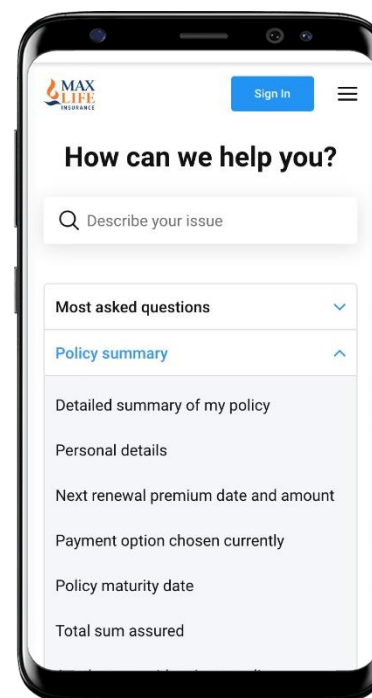
Chatbot for servicing

Website- Self Servicing



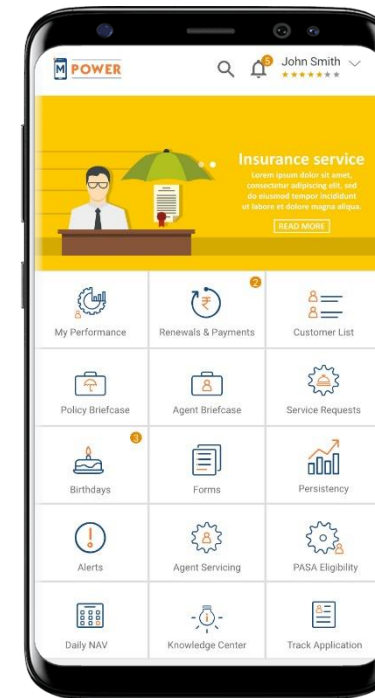
Website allowing customers to self-serve

Website Help Center



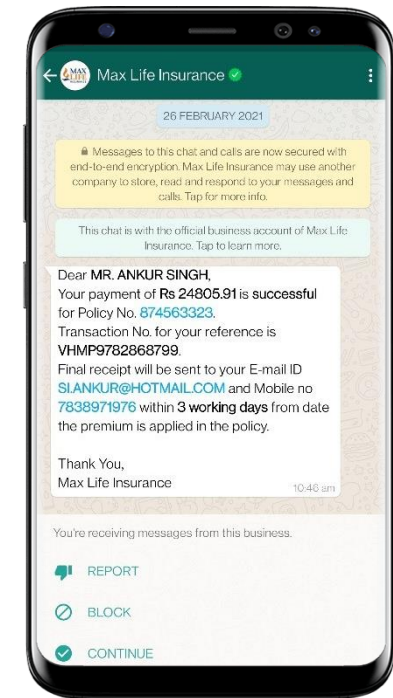
Extensive personalized guide for all queries

Servicing for Sellers



All servicing options available to sellers

WhatsApp



Servicing options available on WhatsApp



36L+ self-service transactions annually
83% adoption



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

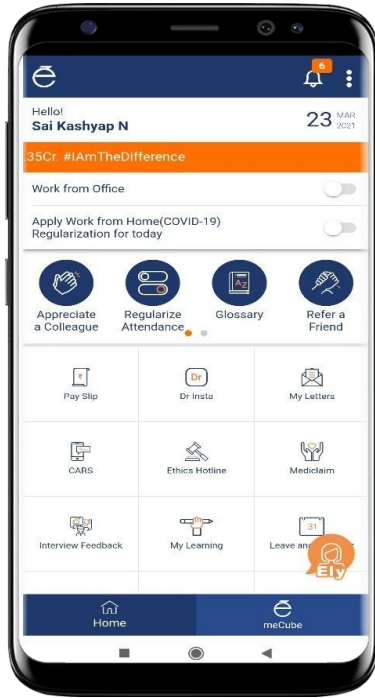


350k+ transactions on
conversational interfaces



Leveraging Digital & AI to augment employee experience and productivity

empApp



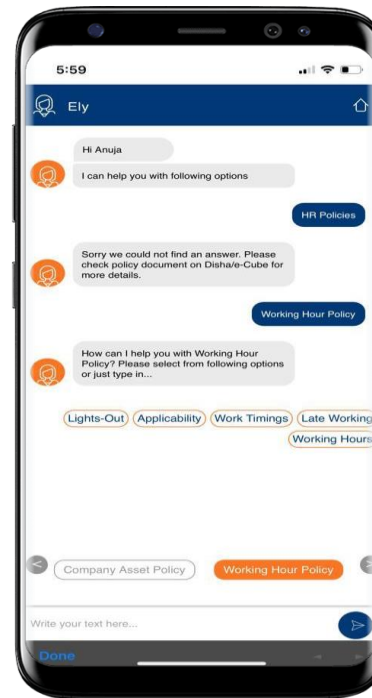
Employee App with self service modules for Leave management, Employee Letters

Workplace



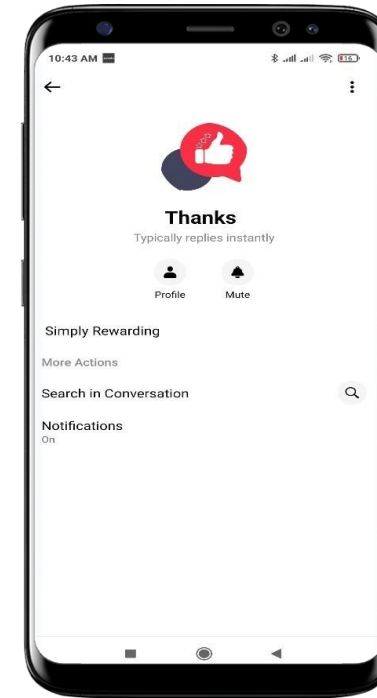
Workplace for organizational engagement, surveys, polls, celebrate achievements

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

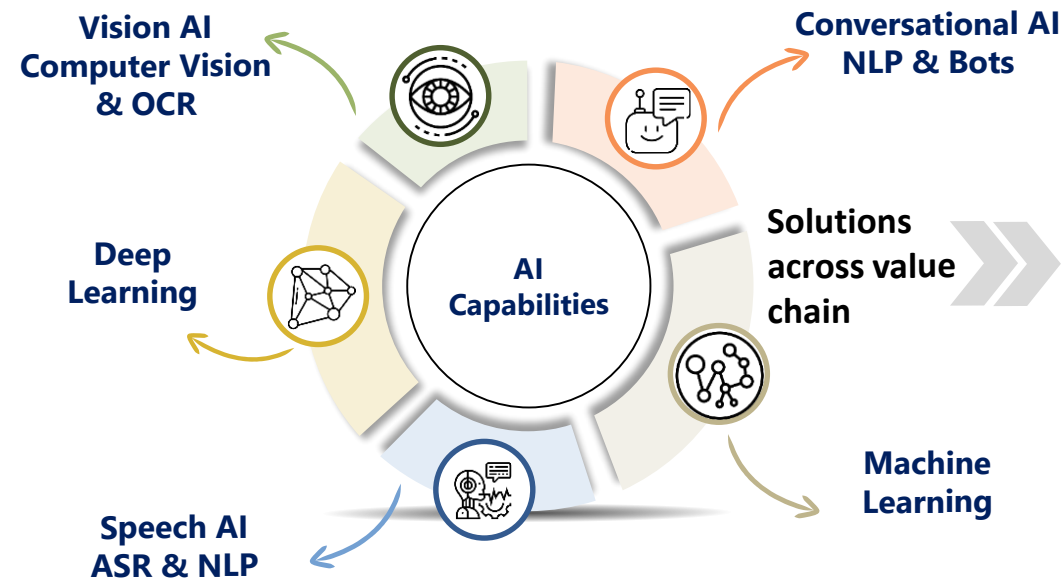


80K employee requests
self-served through Bot

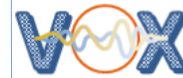


6.4K
e-recognitions/month

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



New Business



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



Customized customer offers with propensity prediction & Product recommendation engine



Diagnostic center analytics and fraud prediction and monitoring

Purchase & Issuance



Shield Early Claim & Fraud risk prediction Engine



Upfront Persistency Risk Prediction and Engagement recommendation



Computer Vision based Photo and liveness verification



Automated document verification & Financial analysis with OCR

Servicing & Retention



Deep Learning Customer Engagement, Retention & Persistency Prediction



Upfront Query Resolution with unified intent prediction and auto response bot



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

90%

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

3X

I2i engine- 3X Conversion Rate in High Propensity Leads

100%

Real time Risk prediction

40k

Core Converse – monthly email volume automatically handled by Bot



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

Partners



Use cases Shortlisted for POC



Speech Recognition



Smart Underwriting



Smart hiring / training of Agents / Sales force



Document Parsing



Health & Wellness



Personalized Videos for Customers



Group Policy Admin Portal



Non/Minimally Invasive Medical Testing



Digital Twin



Online Digital Ecosystem

Partners



SCANBO



POC Outcome

Selected POCs are in progress and under scale-up phase

>400 Applications received for Innovation Labs 1.0 & 2.0



SECTION IV

- ▶ Max Life Insurance – ESG
- 

Four Pillars of Approach to Sustainability



Care for People & Community

- Diversity & Inclusion
- Employee Development
- Health & Wellness programs
- CSR Initiatives
- Financial Empowerment

Work Ethically & Sustainably

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

Financial Responsibility

- Sustainable Investing
- Product responsibility
- Customer feedback integration

Green Operations

- Waste Management
- Water Management
- Energy efficiency
- 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

- 50,000 Safety kits distributed to Police and Defence officials, healthcare workers, frontline workers in state administration and education sector
- 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
	Digital Operations	Digital enablement (Self Servicing) in Business transactions	90% of all self servicing operations to be digital by FY25
	Diversity & Inclusion	Overall Gender Diversity Ratio	Achieve 30% gender diversity ratio by FY25 (23% in FY21)
	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

*ESG Integration refers to evaluation of ESG risks and opportunities for each company in the portfolio

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



SECTION V

- ▶ Max Life Insurance – MCEV Disclosures: H1 FY'22
- 

Key Results

The Embedded Value¹ (EV) as at 30th 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%**².

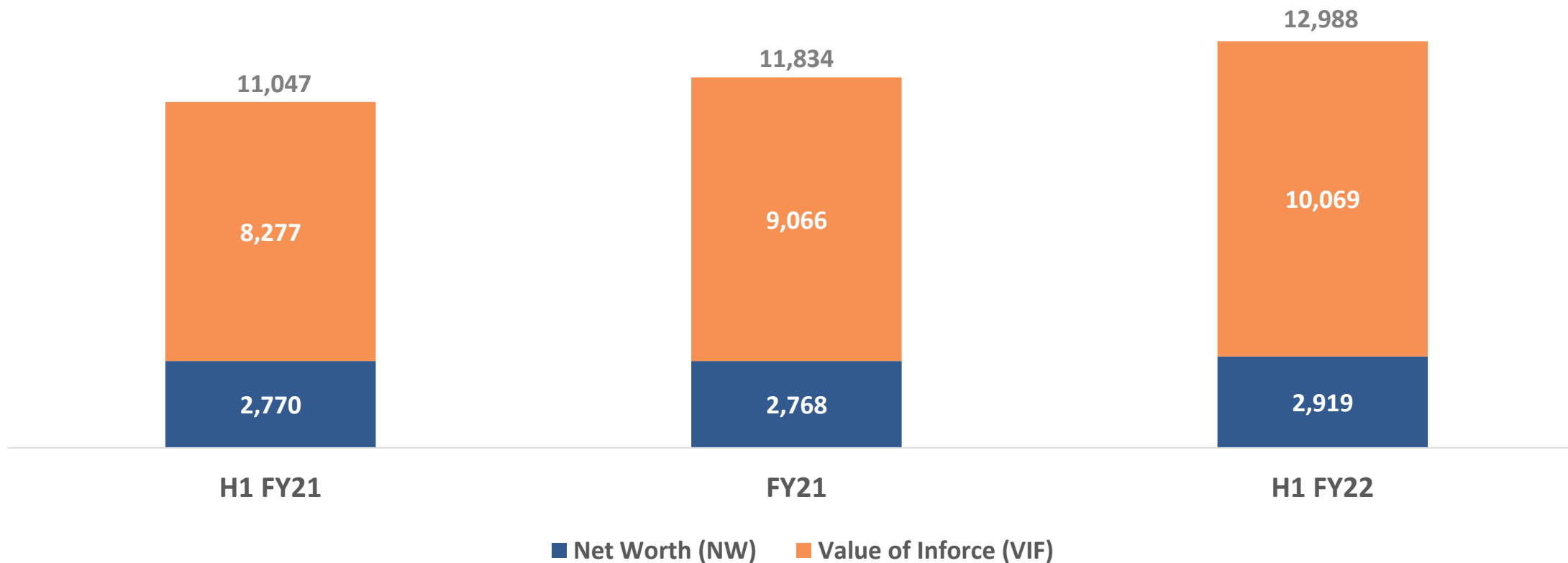
The New Business Margin (NBM) at actual cost for H1 FY22 is **25.3%**, with Value of New Business (VNB) written over the period being **Rs 546 Cr.**

Notes:

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.

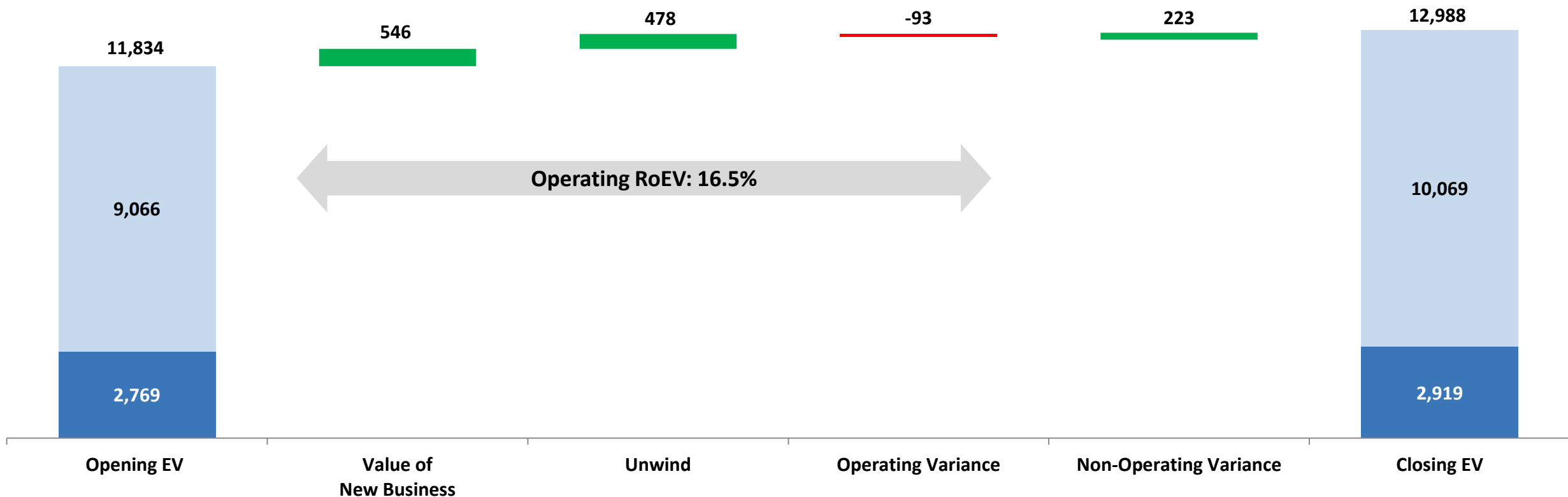
² The return on EV over H1 FY22 is calculated as 9.8% (growth in EV) annualized to 20.5%.

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.

EV movement analysis: March 2021 to September 2021



- 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

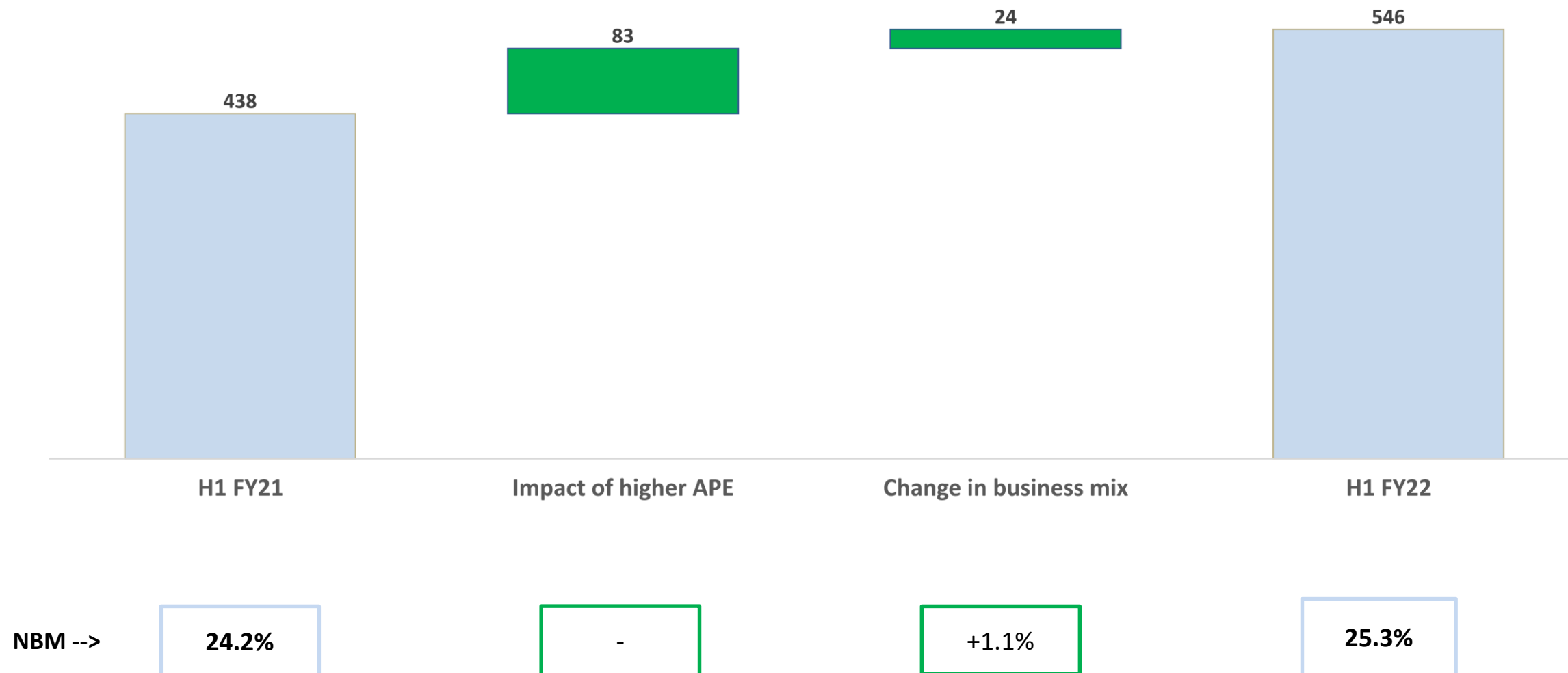
Description	H1 FY21	H1 FY22	Y-o-Y growth
APE ¹	1,815	2,158	19%
New Business Margin (NBM) (post cost overrun)	24.2%	25.3%	+110 bps
Value of New Business (VNB) (post cost overrun)	438	546	24%

- 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.

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 September 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 30th September 2021

Sensitivity	EV		New business	
	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



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

Financial Performance

➤ Individual APE

FY20

4,116

19%



FY21

4,907

H1 FY'21

1,804

18%



H1 FY'22

2,127

➤ Renewal Premium

10,600

15%



12,192

4,789

19%



5,706

➤ Gross Premium

16,184

18%



19,018

7,283

21%



8,815

➤ Policyholder expense to GWP Ratio

14.5%

27 bps



14.2%

15.4%

11 bps



15.5%

➤ Policyholder Cost to GWP Ratio

20.8%

15 bps



20.7%

21.6%

5 bps



21.7%

➤ Expense to average AUM (Policyholder)

3.8%

20 bps



3.6%

3.5%

21 bps



3.7%

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		H1 FY'21		H1 FY'22
598	-15% ↓	510		165	-11% ↓	148
68,471	32% ↑	90,407		77,764	29% ↑	100,090
21.6%	360 bps ↑	25.2%		24.2%	110 bps ↑	25.3%
9,977	19% ↑	11,834		11,047	18% ↑	12,988
20.3%	180 bps ↓	18.5%		17.5%	50 bps ↑	18.0%
207%	11% ↓	196%		207%	4% ↑	211%

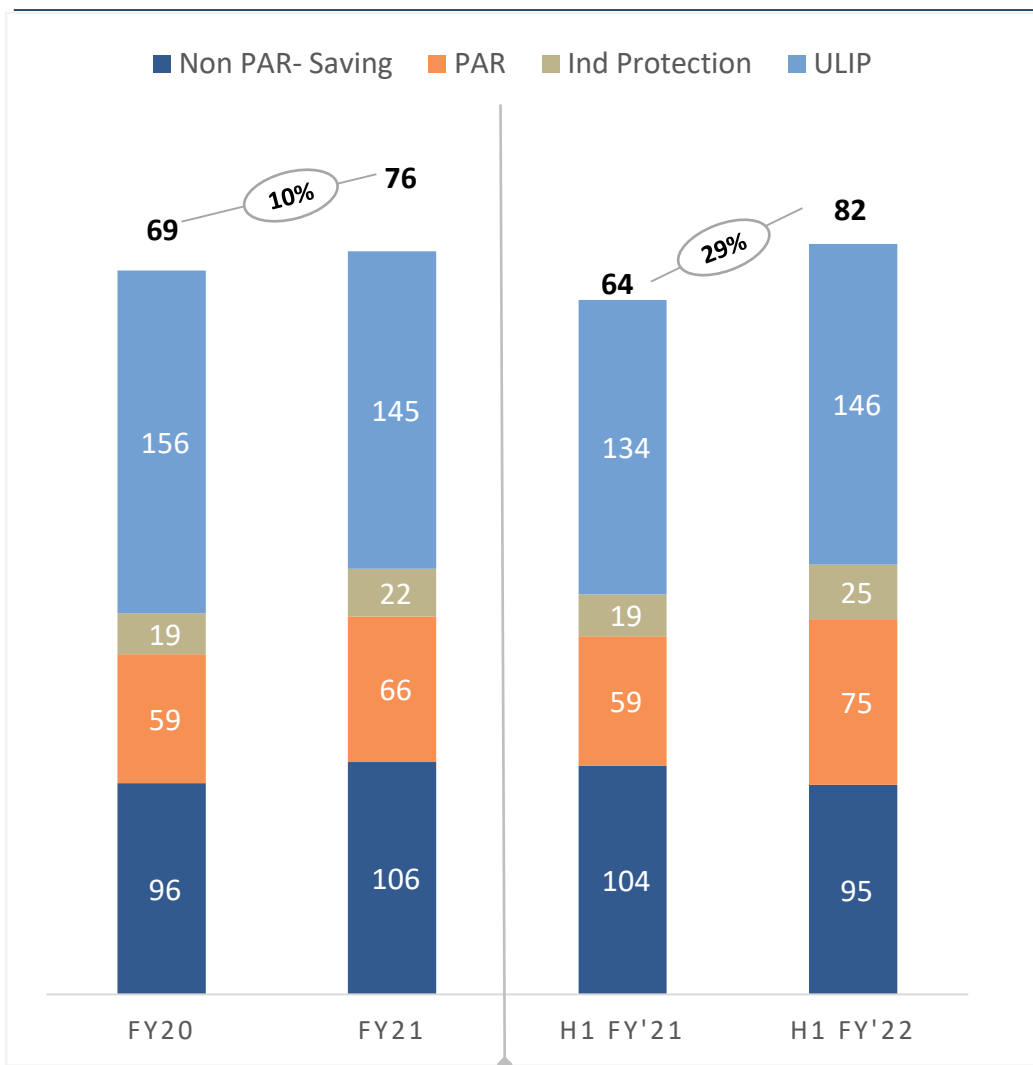
Figures in Rs. Cr.

^Arrow represents growth in Operating RoEV

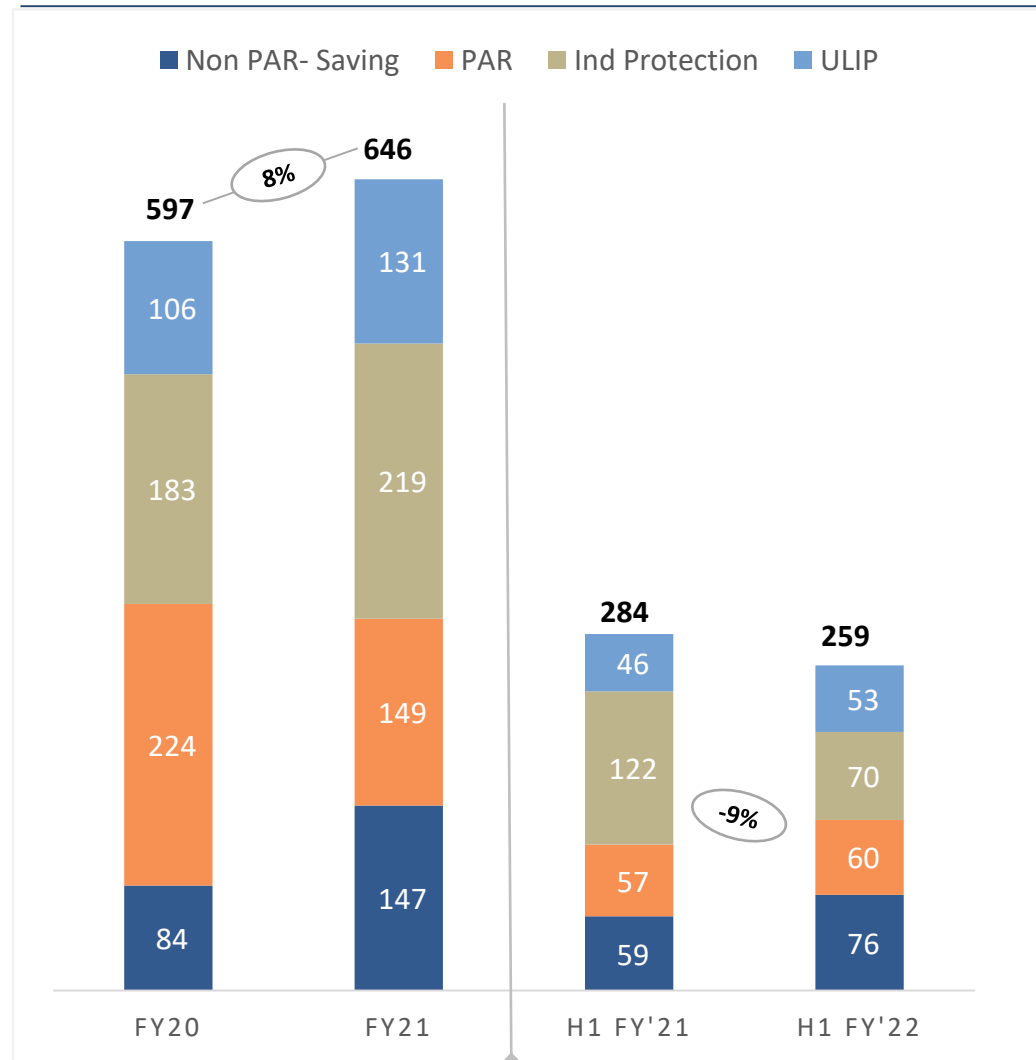
Key Business Drivers	Unit	Quarter Ended		Q-o-Q Growth	Period Ended		Y-o-Y Growth
		Q2 FY'21	Q2 FY'22		H1 FY'21	H1 FY'22	
a) Individual APE	Rs. Crore	1,145	1,263	10%	1,804	2,127	18%
b) Gross written premium income	Rs. Crore	4,532	5,331	18%	7,283	8,815	21%
First year premium		1,127	1,228	9%	1,749	2,032	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%

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 September 2021. The VNB is calculated using the beginning of respective quarter's risk free yield curve (i.e. 31st March 2021 and 30th 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 30th September 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
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.

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.