



Performance update: Q1-FY2020

July 24, 2019

Agenda

- Company strategy and performance
- Opportunity
- Industry overview

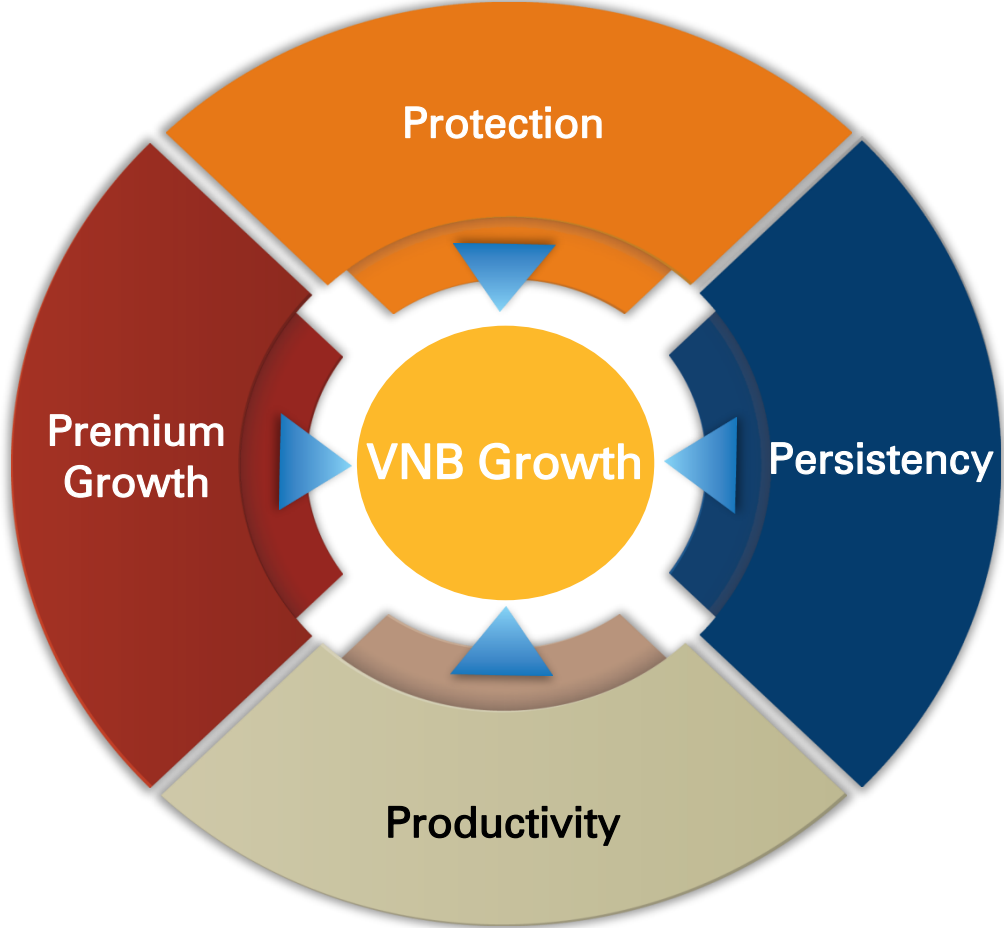


Agenda

- **Company strategy and performance**
- Opportunity
- Industry overview



Key strategic elements



**Customer centricity
continues to be at the core**

Aspiration to double FY2019 VNB in 3 - 4 years

VNB growth

₹ billion	Q1-FY2019	FY2019	Q1-FY2020
Value of New Business (VNB) ¹	2.44	13.28	3.09
VNB margin	17.5%	17.0%	21.0%

Strategic elements (1/4)

Premium growth

- Deepen penetration in under-served customer segments
- Enhance current distribution
- Create new distribution
- Augment capability in Health and Protection
- Increase focus on Pension and Annuity

₹ billion	FY2019	Q1-FY2020
APE ¹	77.99	14.70
YoY growth	0.1%	5.3%

Strategic elements (2/4)

Protection
focus

Continue to grow both retail and group lines of business

₹ billion	FY2019	Q1-FY2020
Protection APE	7.22	2.14
YoY growth	61.9%	87.7%
Protection mix	9.3%	14.6%

Strategic elements (3/4)

Persistence

Improve persistence across all cohorts

Persistence ¹	FY2019	2M-FY2020
13 th month	84.6%	84.4%
25 th month	75.6%	75.7%
37 th month	69.3%	69.8%
49 th month	63.8%	64.2%
61 st month	56.8%	57.3%

Strategic elements (4/4)

Productivity

Continue to leverage technology for process re-engineering and to drive productivity

₹ billion	Q1-FY2019	FY2019	Q1-FY2020
Cost/TWRP ¹	17.5%	15.0%	17.0%
Cost/TWRP (savings LOB)	13.7%	11.5%	11.3%

Key strategic elements



**Customer centricity
continues to be at the core**

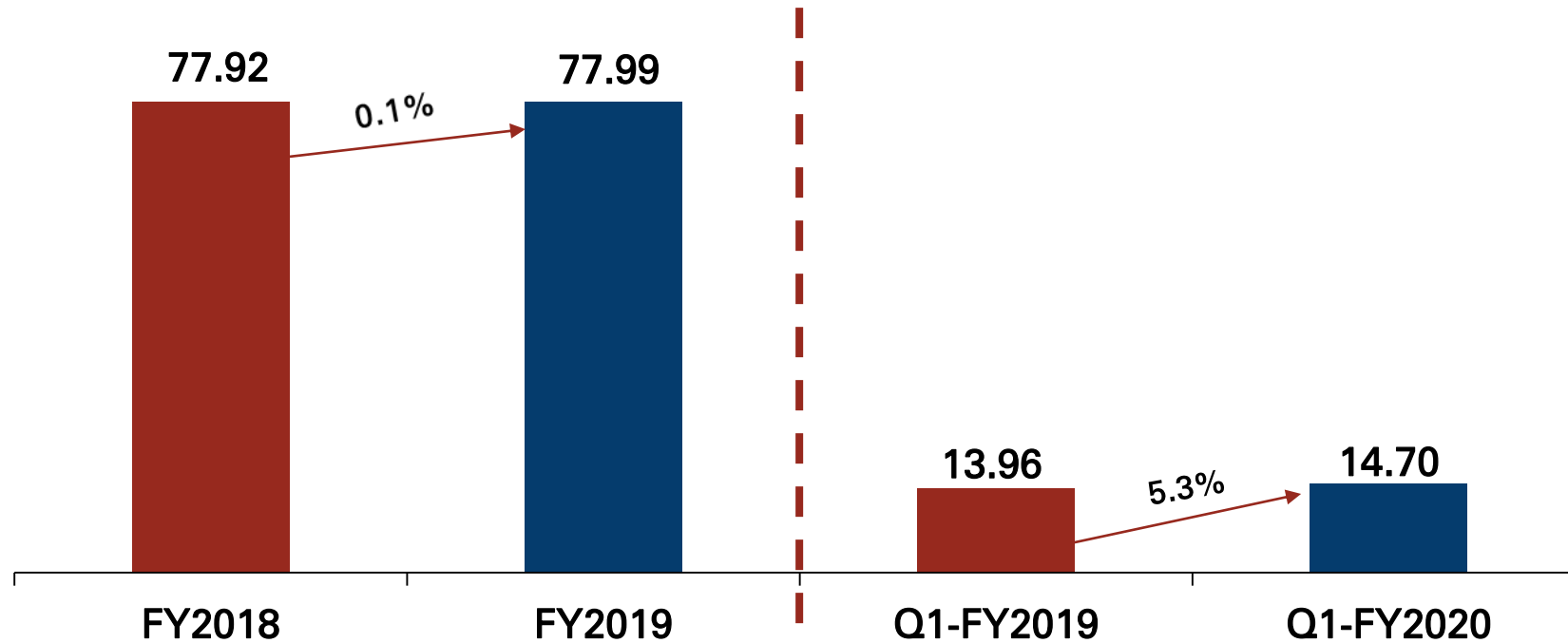
4P: Premium

Premium growth

Premium growth

- Deepen penetration in under-served customer segments
- Enhance current distribution
- Create new distribution
- Augment capability in Health and Protection
- Increase focus on Pension and Annuity

APE (₹ billion)



Retail constitutes more than 90% of new business

Product segments

Premium growth

- Deepen penetration in under-served customer segments
- Enhance current distribution
- Create new distribution
- Augment capability in Health and Protection
- Increase focus on Pension and Annuity

Segments	APE (₹ billion)			Mix	
	Q1-FY2019	FY2019	Q1-FY2020	FY2019	Q1-FY2020
Savings	12.82	70.77	12.55	90.7%	85.4%
ULIP	11.14	62.10	10.46	79.6%	71.2%
Par	1.36	6.72	1.42	8.6%	9.7%
Annuity	0.12	0.69	0.20	0.9%	1.3%
Others	0.20	1.27	0.48	1.6%	3.2%
Protection ¹	1.14	7.22	2.14	9.3%	14.6%
Total APE	13.96	77.99	14.70	100.0%	100.0%

Annuity premium grew more than 70% in Q1-FY2020

Distribution channels

Premium growth

- Deepen penetration in under-served customer segments
- Enhance current distribution
- Create new distribution
- Augment capability in Health and Protection
- Increase focus on Pension and Annuity

Channels	APE (₹ billion)			Mix	
	Q1-FY2019	FY2019	Q1-FY2020	FY2019	Q1-FY2020
Bancassurance	7.76	43.53	7.70	55.8%	52.4%
Agency	3.04	16.89	3.11	21.7%	21.2%
Direct	1.64	9.34	1.88	12.0%	12.8%
Corporate agents and brokers	0.91	4.59	1.00	5.9%	6.8%
Group	0.61	3.65	1.00	4.7%	6.8%
Total APE	13.96	77.99	14.70	100.0%	100.0%

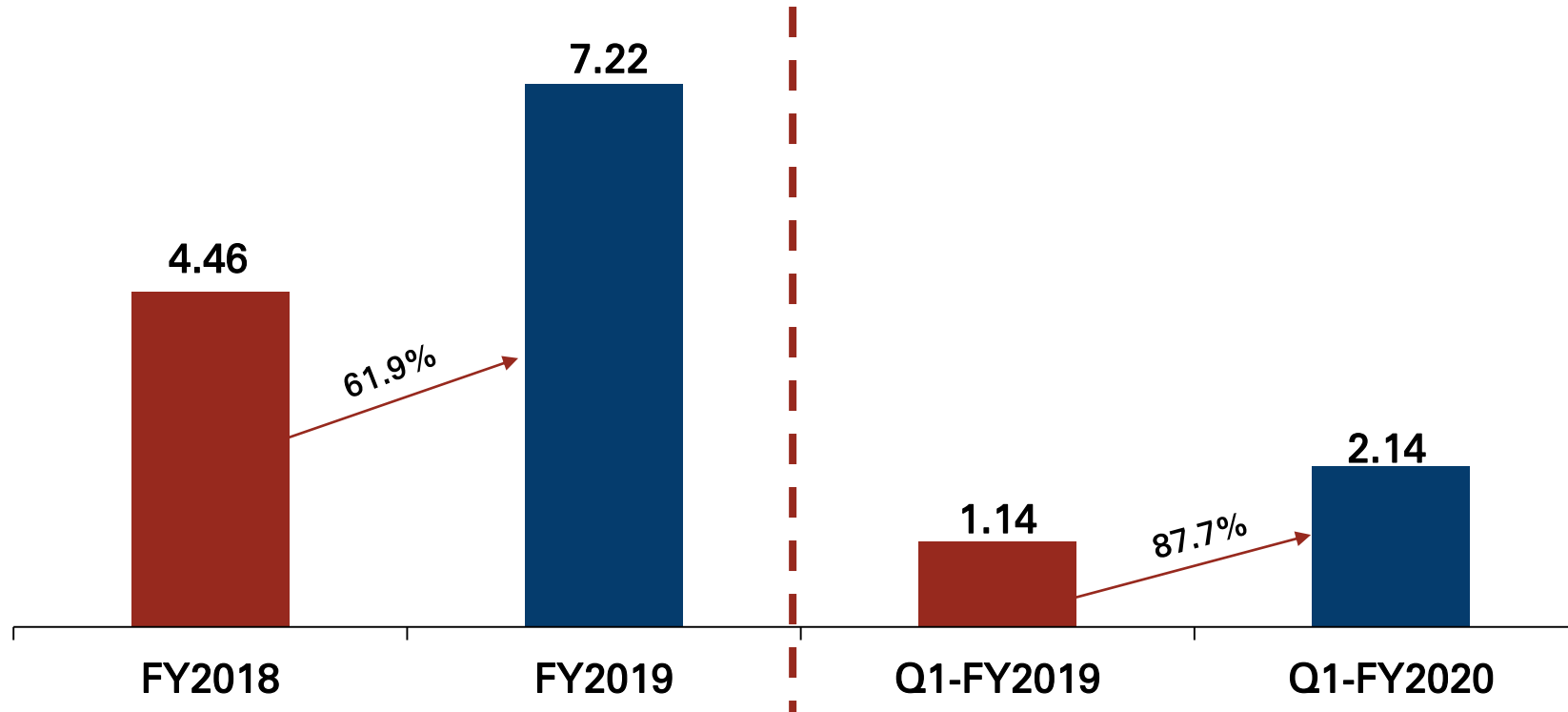
4P: Protection

Protection growth

Protection
growth

- Continue to grow both retail and group lines of business

APE (₹ billion)



Protection growth continues to be robust

4P: Persistency

Persistency (retail excluding single premium)

Month	FY2019	2M-FY2020
13 th month	84.6%	84.4%
25 th month	75.6%	75.7%
37 th month	69.3%	69.8%
49 th month	63.8%	64.2%
61 st month	56.8%	57.3%

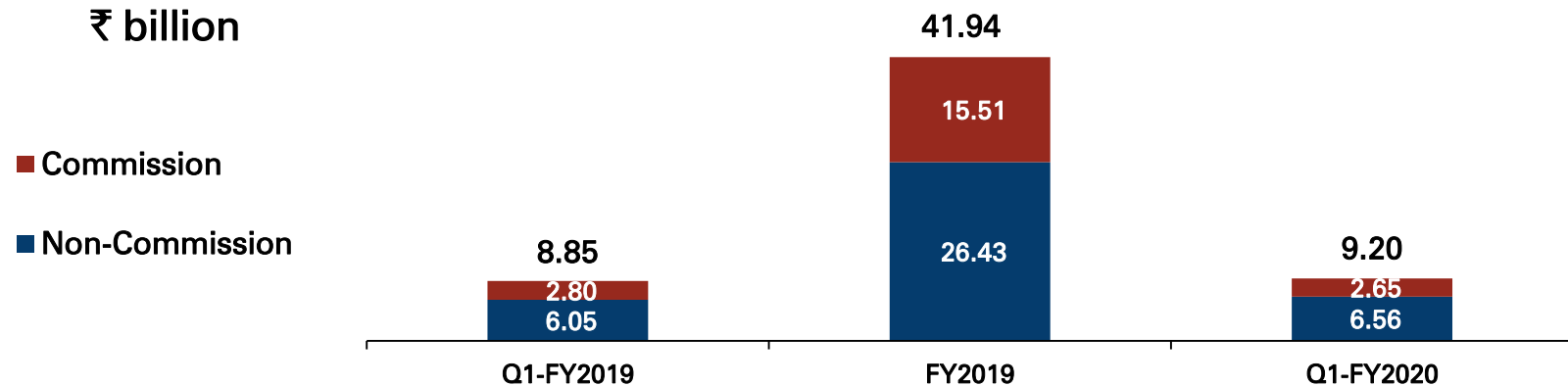
Persistency (retail including single premium)

Month	FY2019	2M-FY2020
13 th month	86.2%	86.1%
25 th month	77.4%	77.4%
37 th month	71.0%	71.7%
49 th month	65.0%	65.4%
61 st month	58.1%	58.7%

4P: Productivity

Productivity: Cost efficiency

	Q1-FY2019	FY2019	Q1-FY2020
Expense ratio (excl. commission) ¹	12.0%	9.5%	12.1%
Commission ratio ²	5.5%	5.6%	4.9%
Cost/TWRP ³	17.5%	15.0%	17.0%
Cost/Average AUM ⁴	2.5%	2.8%	2.3%
Cost/TWRP (Savings LOB)	13.7%	11.5%	11.3%



- 67% of new business policies issued within 2 days
- 92% of new business applications initiated via digital platform

VNB growth levers update (4P's)

₹ billion	Q1-FY2019	FY2019	Q1-FY2020
Value of New Business (VNB) ¹	2.44	13.28	3.09
VNB margin	17.5%	17.0%	21.0%

₹ billion	FY2019	Q1-FY2020	Growth
Premium growth (APE)	77.99	14.70	5.3%
Protection growth (APE)	7.22	2.14	87.7%
Persistency (13 th month) ²	84.6%	84.4%	
Persistency (49 th month) ²	63.8%	64.2%	
Productivity (Cost/TWRP: Savings) ³	11.5%	11.3%	

Financial update

Financial metrics

₹ billion	Q1-FY2019	FY2019	Q1-FY2020	Growth
Retail new business premium	14.91	81.40	15.33	2.8%
Retail renewal premium	36.25	202.25	39.76	9.7%
Group premium	4.01	25.65	8.20	104.5%
Total premium	55.18	309.30	63.29	14.7%
Value of New Business (VNB) ¹	2.44	13.28	3.09	
Profit after Tax	2.82	11.41	2.85	
Solvency ratio	235%	215%	217%	
AUM	1,426.63 ³	1,604.10 ²	1,640.24 ³	



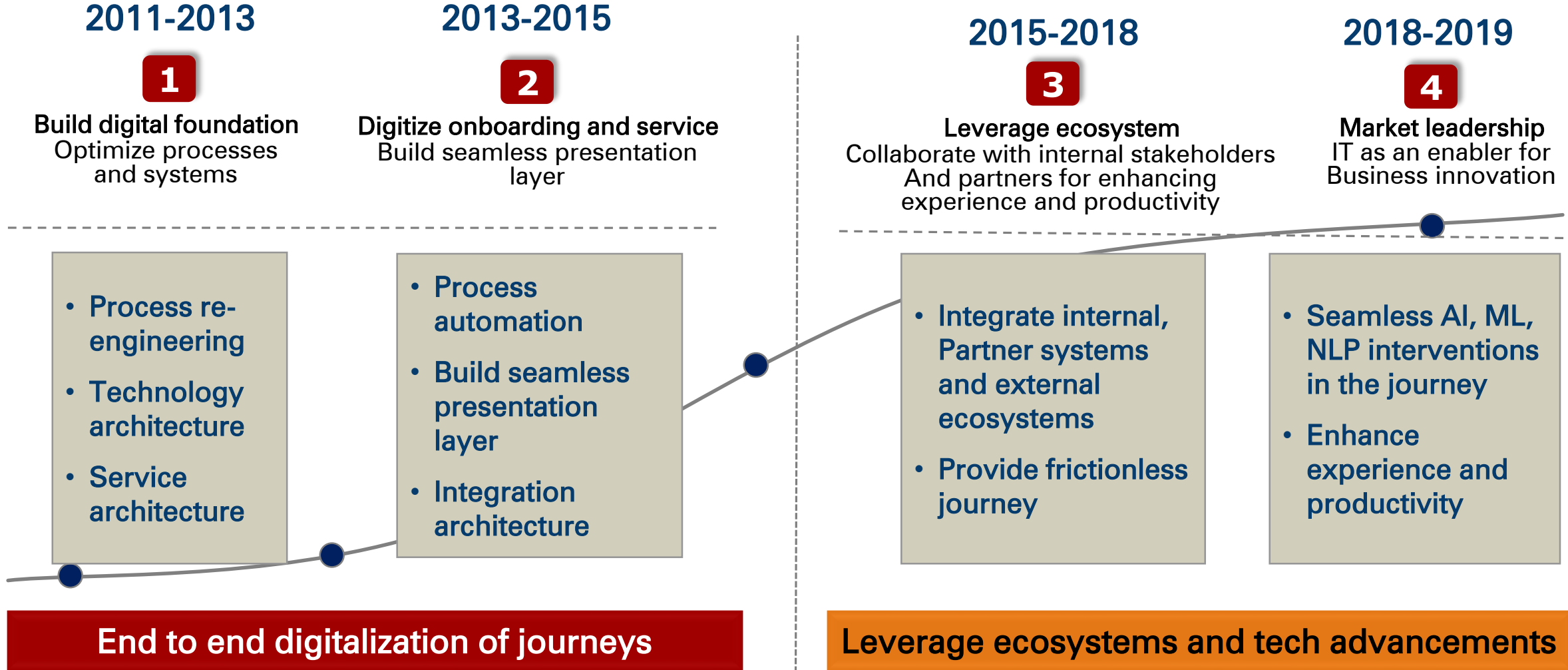
1. For full year: based on actual cost; Q1: based on management forecast of full year cost
2. At March 31, 2019
3. At June 30 of respective years

Technology

Objectives



Digital evolution path to maturity



AI : Artificial Intelligence | ML : Machine Learning
NLP : Natural Language Processing

Pre sales



Need Analysis

Product recommendation based on customer's life stage, goal, risk appetite



Lead Management System

Enhanced with voice capability and geo tagging



Customer Profiler

Know customer better through social platforms



Nudge Engines

Prompt for appropriate action



Cognitive BOTs

24x7 query resolution using chat bots



Learners Box

On-the-go e-learning modules and video based sales pitches

Onboarding and issuance



**Flexible
on-boarding**

Platform agnostic and
available for all channels



**Paperless
on-boarding**

End to end digital and
seamless onboarding



**Instant document
verification (OCR)**

Real time identification
and verification of
documents



**Robotic enabled
issuance**

Robotic processing for
faster issuance



Tele underwriting

Improves efficiency and
reduces issuance TAT



**AI assisted
underwriting**

Empowers underwriters
with comprehensive
insights

Customer servicing and claims



Anytime..
..Anywhere

76% transactions self
serviced, omni channel
experience



Premium payment

Over 60% renewal
premium through
electronic modes



Intuitive IVR

50% navigation time
saved



Service bots (LiGo)

92% good understanding
with 75% service
coverage



WhatsApp

First life insurer to get
business verified account



Automated
Claims Processing

AI based pre-claim
assessment & claim
processing

Marketing and lead generation



**Rank high on
online searches**

Machine learning used to
rank us higher when
customers search



**Segmented
targeting**

Reaching the customer by
mapping their interests
and affinities



**Hyper
personalisation**

Personalized messaging
to engage customers
throughout journey



Selfie quote

AI backed quote based on
facial recognition



**Truecaller
integration**

Facilitate auto form fill



Co-browsing

Instant screen share
available for assistance in
form fill

Partner integration



Process simplification

Superior customer experience



Flexible integration

Modular integration as per the choice of partners



Web portal

Self service module for Group business



Easy UI

Pre-coded pages for quicker integration



Customer service

Enabling customer service on partner portals

Analytics



Actionable insights

Accelerate sales, enhance customer experience & personalization



Data modelling

Customer interaction based segmentation, propensity, nudges



Smart solutions

Pre approved life cover; provide best offer to customer



Google Big Query, Hadoop, Python

Using best technology available to process the data



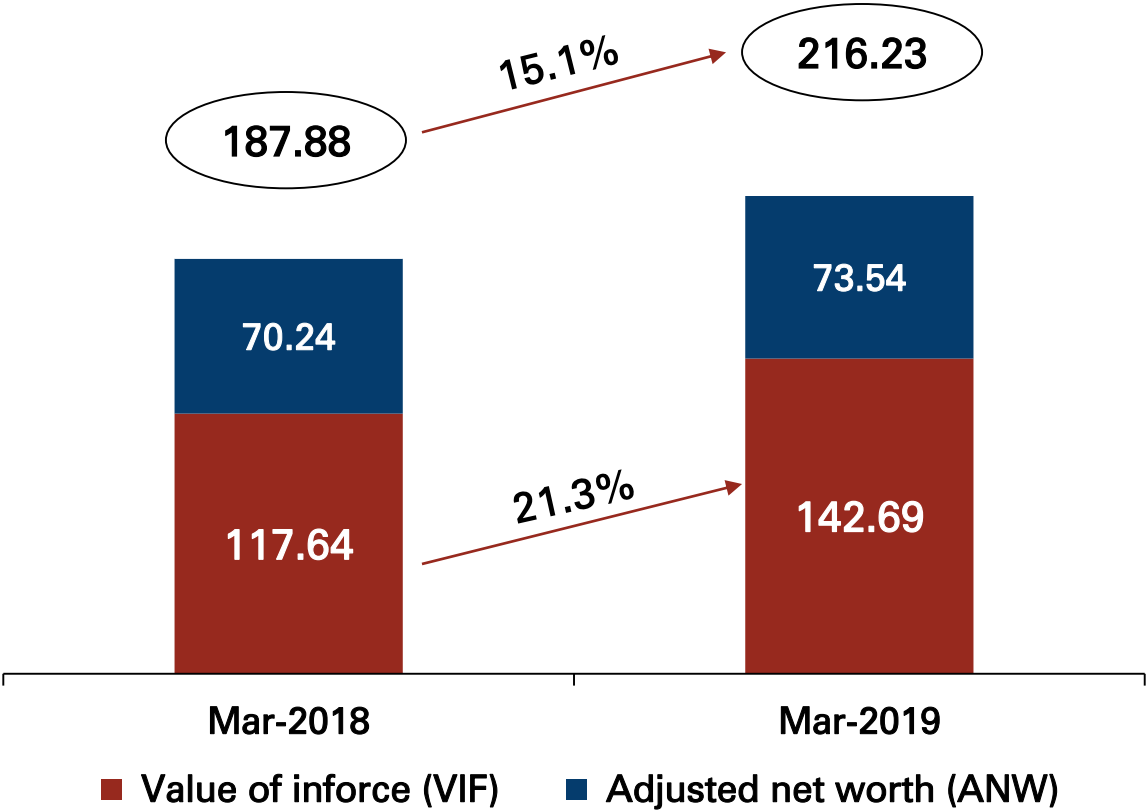
Data lake solution

Use of AI & ML to analyse structured & unstructured data

Embedded Value

Embedded Value (EV)¹

₹ billion



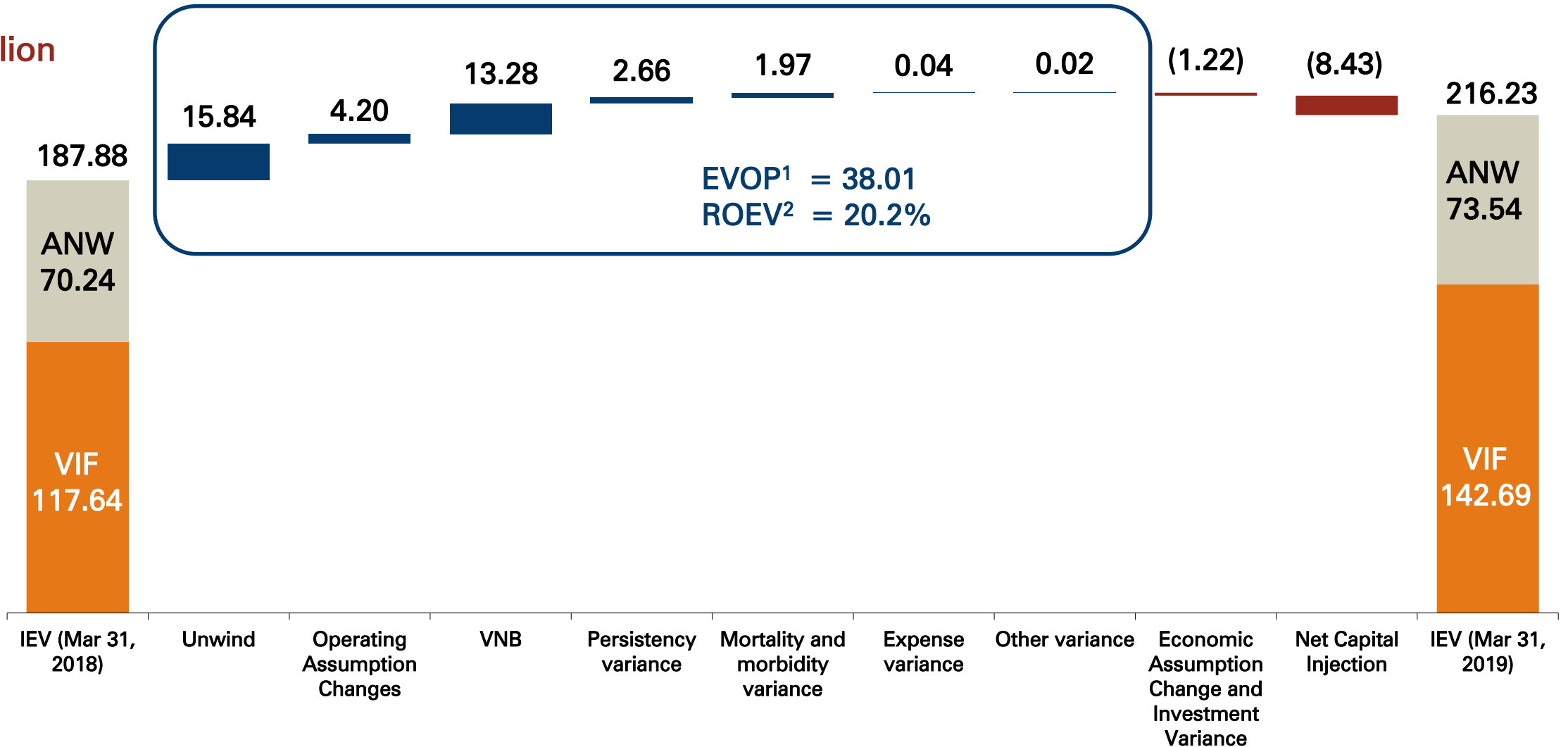
Pre dividend EV growth of 19.6%



1. As per Indian Embedded value (IEV) method
Components may not add up to the totals due to rounding off

Analysis of movement in EV

₹ billion



1: EVOP is the embedded value operating profit net of tax

2: ROEV is the return on embedded value net of tax

EV results prepared as per APS 10 and reviewed by Milliman Advisors LLP
Components may not add up to the total due to rounding off

Analysis of movement in EV¹

₹ billion	FY2017	FY2018	FY2019
Opening EV	139.39	161.84	187.88
Unwind	12.21	13.72	15.84
Value of New Business (VNB)	6.66	12.86	13.28
Operating assumption changes	1.00	7.64	4.20
Persistency variance	0.99	1.53	2.66
Mortality and morbidity variance	0.98	0.78	1.97
Expense variance	0.35	0.27	0.04
Other variance	0.76	0.00	0.02
EVOP	22.95	36.80	38.01
Return on embedded value (ROEV)	16.5%	22.7%	20.2%
Economic assumption change and investment variance	5.82	1.13	(1.22)
Net capital injection	(6.32)	(11.88)	(8.43)
Closing EV	161.84	187.88	216.23

Agenda

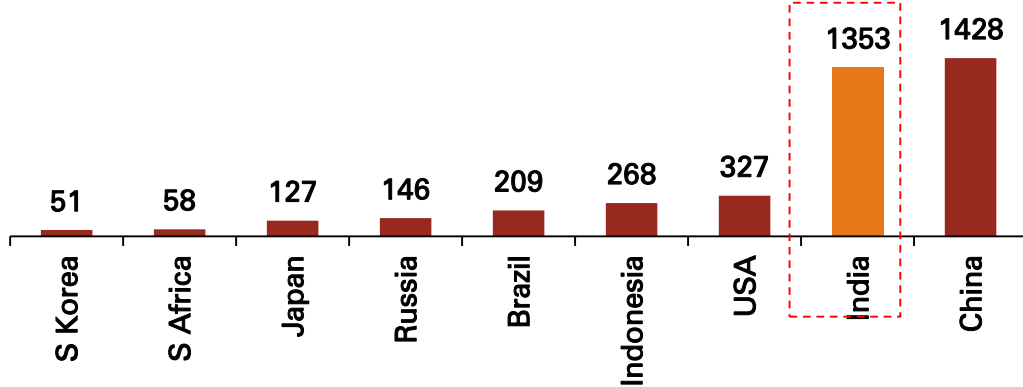
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- **Opportunity**
- Industry overview



Favorable demography

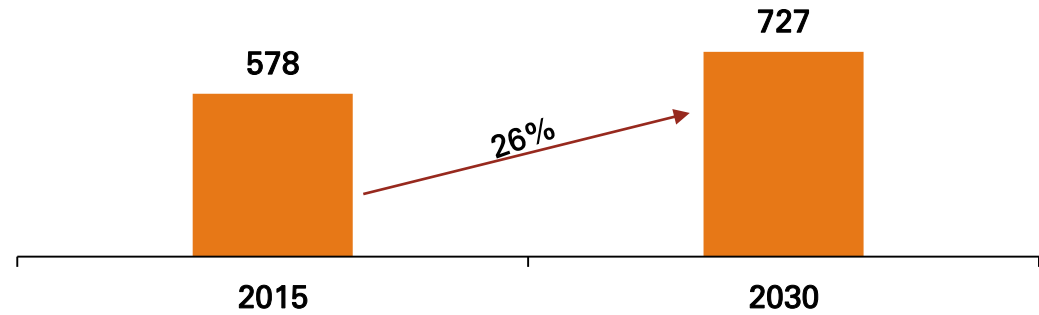
Large and growing population base¹

2018 Population (mn)

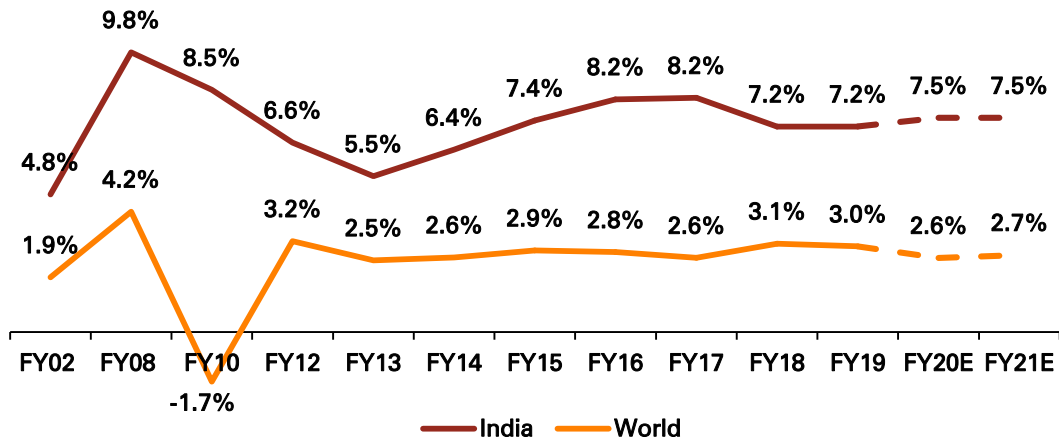


High share of working population¹

Population of age 25-59 years (in mn)

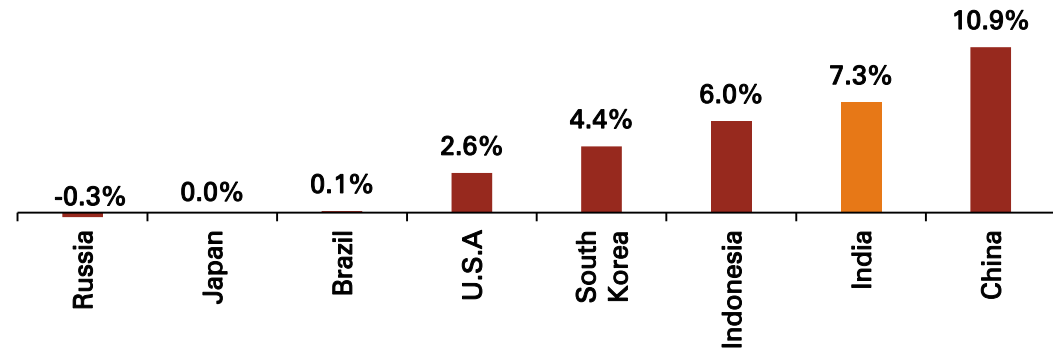


Driving GDP growth²



Rising affluence²

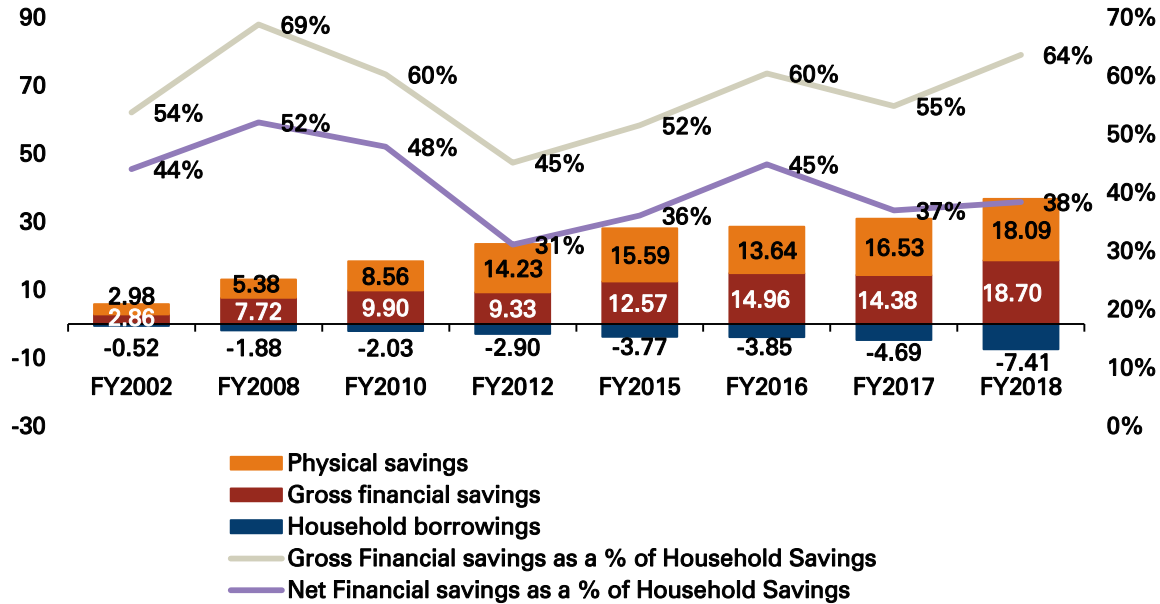
GDP per capita CAGR (FY2009-FY2019)



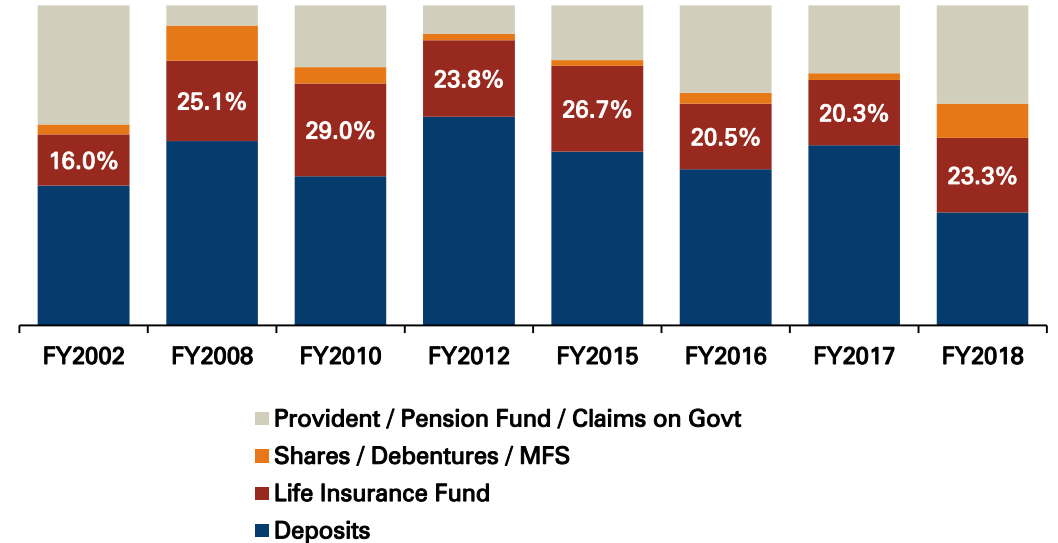
1. Source: UN population division
2. Source: World bank

Financialisation of savings: Opportunity for insurance

Household savings¹



Distribution of financial savings(excluding currency)²



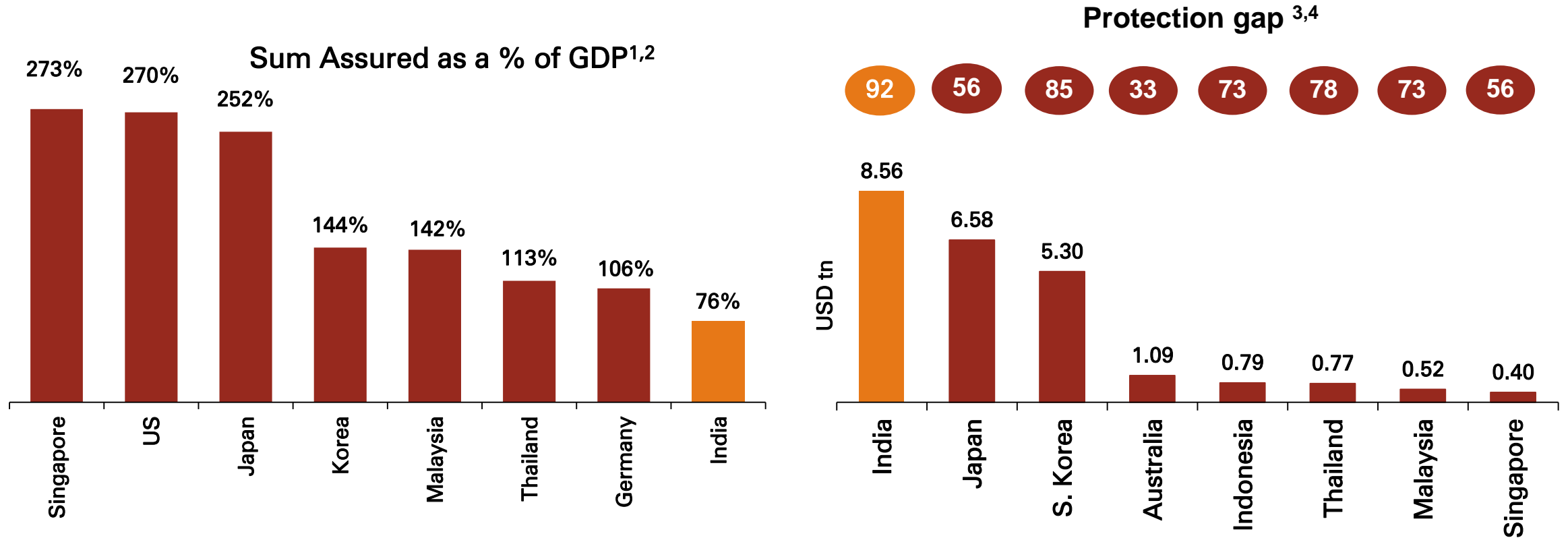
₹ billion	FY2002	FY2008	FY2010	FY2012	FY2014	FY2015	FY2017	FY2018
Life insurance premium ³ as % of GDP	2.1%	4.0%	4.1%	3.3%	2.8%	2.6%	2.7%	2.8%

- Financialisation of savings aided by Direct Benefit Transfer, RERA and GST



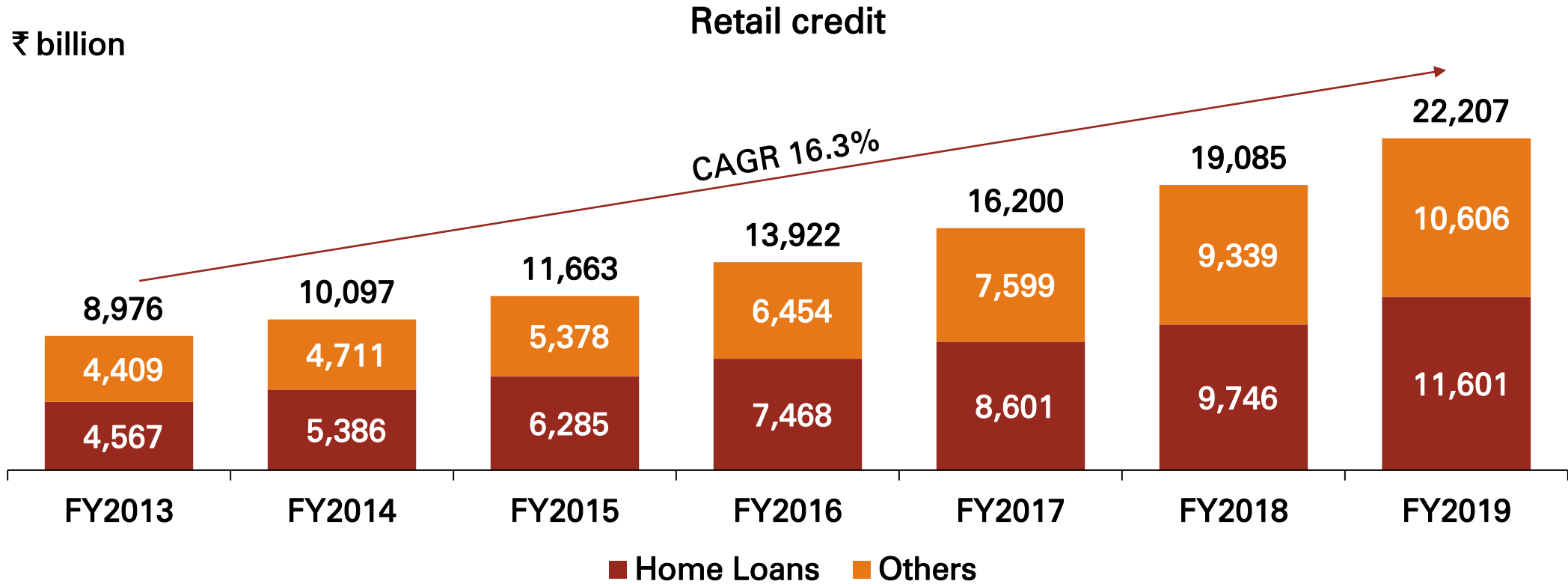
- Source: RBI and CSO
- Source: RBI
- Total life insurance industry premium including renewal; Source: IRDAI

Protection opportunity: Income replacement



- Sum assured as % of GDP low compared to other countries
- Protection gap for India US \$ 8.56 trillion

Protection opportunity: Liability cover



- Retail credit has been growing at a healthy pace
- Credit life is voluntary

Protection opportunity

Gross direct premium (₹ billion)	FY2009	FY2019	CAGR
Health	66.23	346.95	18.0%
Motor	138.21	644.55	16.6%
- Motor Own Damage (OD)	87.56	264.73	11.7%
- Motor Third Party (TP)	50.65	379.82	22.3%

- Protection premium ~ ₹ 125 billion for life insurance industry in FY2019

Agenda

- Company strategy and performance
- Opportunity
- **Industry overview**



Evolution of life insurance industry in India

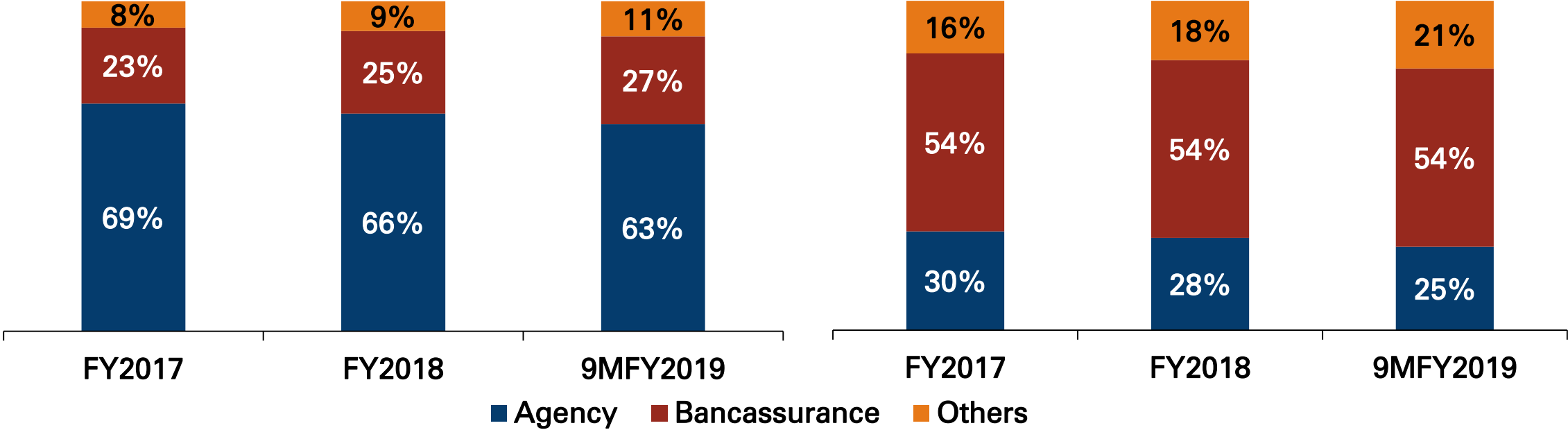
	FY2002		FY2010		FY2015		FY2018
New business premium ¹ (₹ bn)	116	21.5%	550	-5.8%	408	15.9%	635
Total premium (₹ bn)	501	23.2%	2,654	4.3%	3,281	11.8%	4,583
Penetration (as a % to GDP)	2.1%		4.1%		2.6%		2.8%
Assets under management (₹ bn)	2,304	24.0%	12,899	12.6%	23,361	12.4%	33,130
<hr/>							
In-force sum assured ² (₹ bn)	11,812*	15.5%	37,505	15.8%	78,091	17.6%	126,989
In-force sum assured (as % to GDP)	50.1%		57.9%		62.7%		75.7%

Industry is back to growth trajectory

Channel mix¹

Industry

Private players

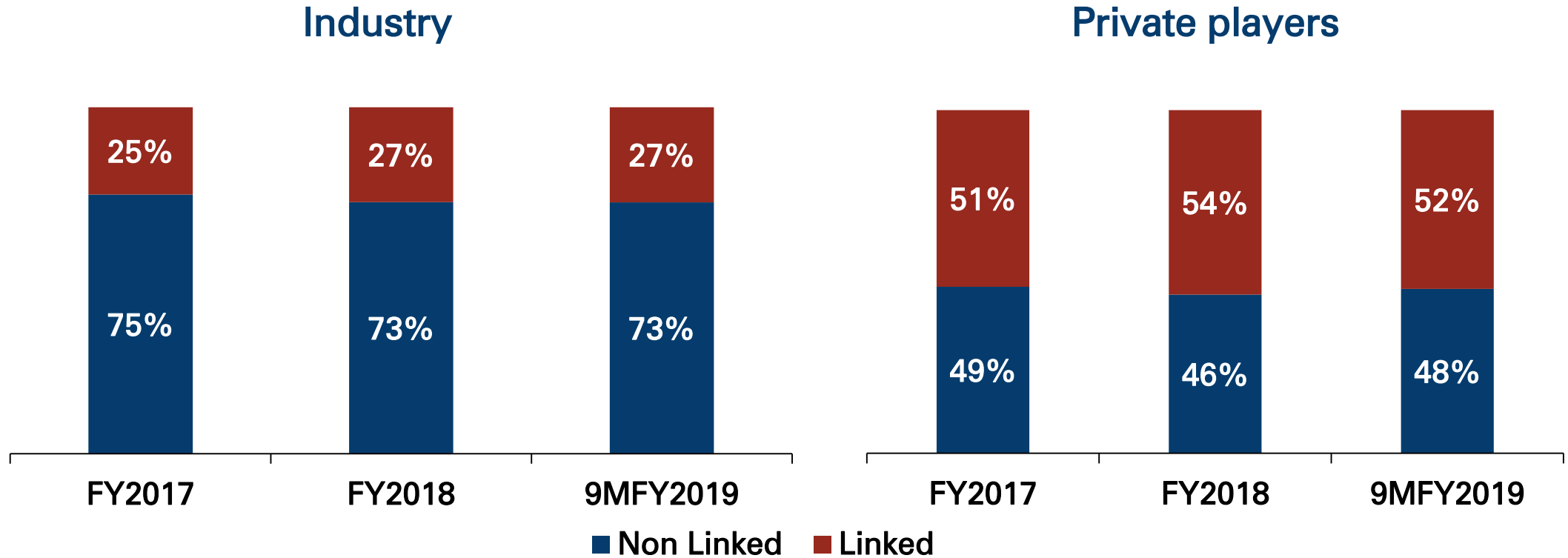


Given a well developed banking sector, bancassurance continues to be the largest channel for private players



1. Individual new business premium basis
Source: Life Insurance Council

Product mix¹



- Strong customer value proposition of ULIPs
 - Transparent and low charges
 - Lower discontinuance charges compared to other savings products
 - Choice and flexibility of asset allocation

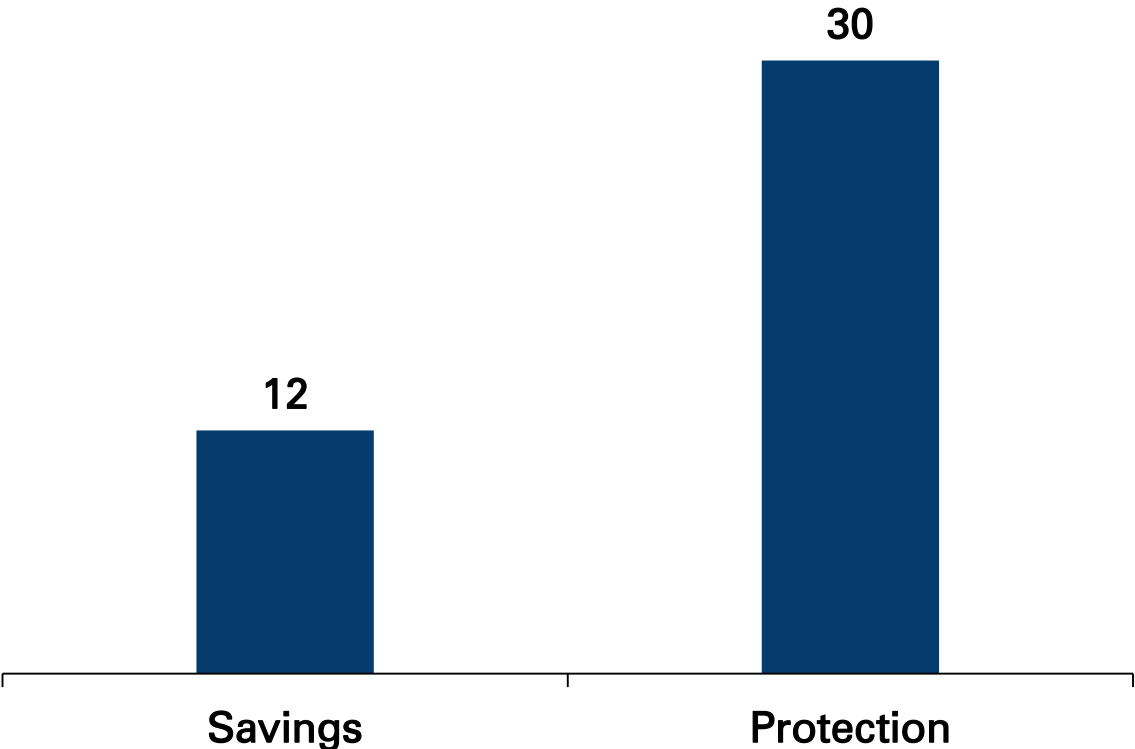
Annexures

Average APE by product categories

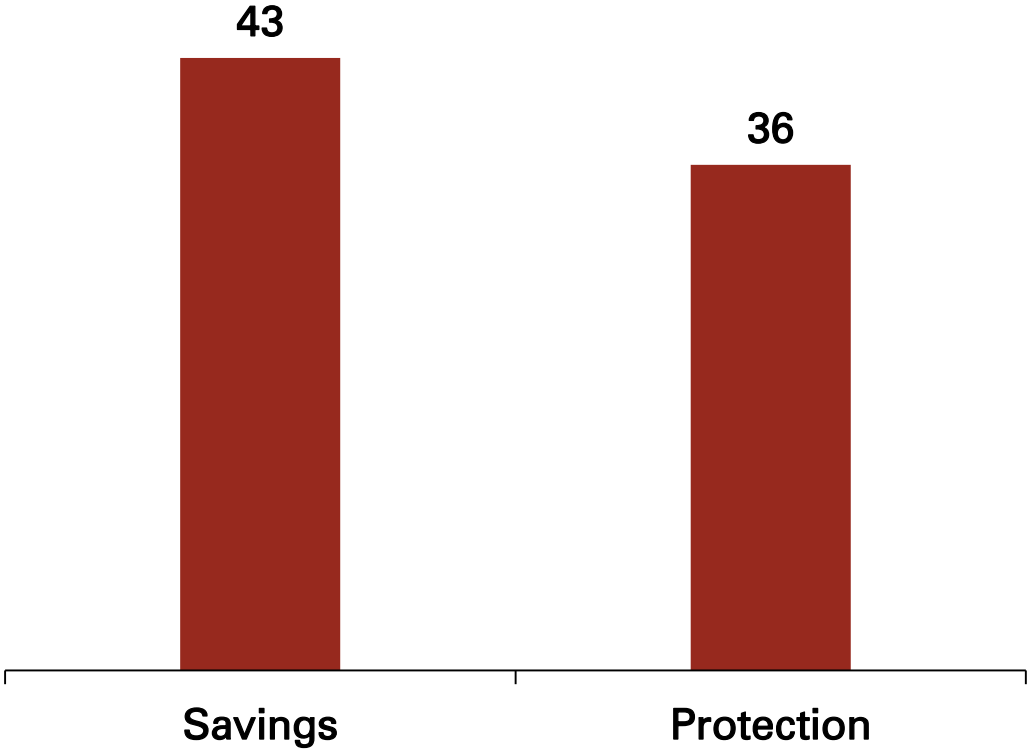
Average retail APE per policy (₹)	FY2017	FY2018	FY2019
ULIP	169,701	180,746	159,329
Par	56,325	62,379	60,308
Non Par	39,153	54,187	76,468
Protection	9,815	9,123	12,048
Total	92,735	90,620	83,309

Policy term and customer age¹

Average policy term (years)



Average customer age (years)



1. For FY2019; protection excludes credit life

Channel wise product mix¹

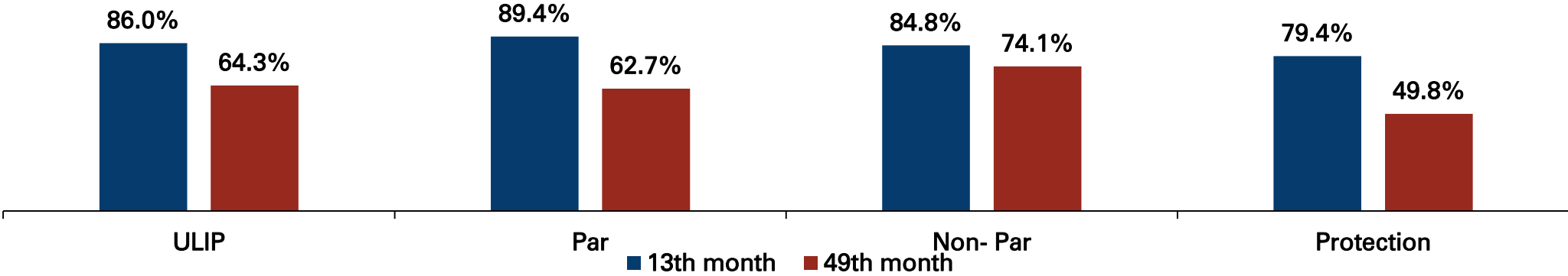
Channel category	Product category	FY2017	FY2018	FY2019
Bancassurance	ULIP	92.1%	89.8%	93.4%
	Par	5.3%	7.3%	2.1%
	Non par	0.4%	0.1%	0.6%
	Protection	2.2%	2.7%	3.9%
	Total	100.0%	100.0%	100.0%
Agency	ULIP	79.5%	81.8%	75.3%
	Par	14.2%	13.5%	18.1%
	Non par	2.0%	0.4%	0.5%
	Protection	4.3%	4.3%	6.1%
	Total	100.0%	100.0%	100.0%
Direct	ULIP	85.3%	88.0%	79.3%
	Par	5.0%	4.3%	5.3%
	Non par	3.1%	2.4%	6.4%
	Protection	6.5%	5.3%	9.1%
	Total	100.0%	100.0%	100.0%
Corporate agents and brokers	ULIP	46.5%	36.8%	28.2%
	Par	44.1%	49.9%	49.5%
	Non par	0.4%	0.5%	0.6%
	Protection	9.0%	12.8%	21.8%
	Total	100.0%	100.0%	100.0%

Product wise channel mix¹

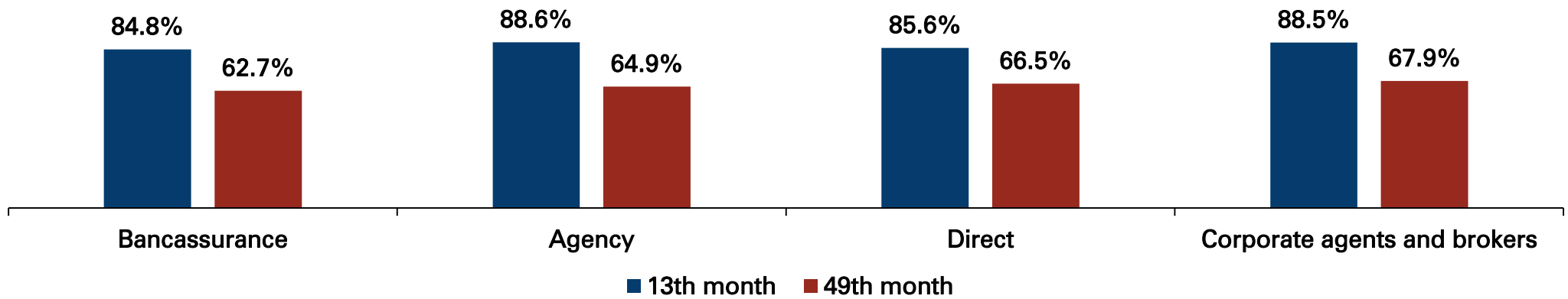
Channel category	Product category	FY2017	FY2018	FY2019
ULIP	Bancassurance	62.4%	57.4%	65.5%
	Agency	22.0%	25.4%	20.5%
	Direct	12.2%	14.5%	12.0%
	Corporate agents and brokers	3.4%	2.7%	2.1%
	Total	100.0%	100.0%	100.0%
Par	Bancassurance	31.3%	35.4%	13.8%
	Agency	34.3%	31.5%	45.4%
	Direct	6.3%	5.3%	7.4%
	Corporate agents and brokers	28.1%	27.7%	33.3%
	Total	100.0%	100.0%	100.0%
Non par	Bancassurance	22.8%	15.9%	27.4%
	Agency	49.0%	24.5%	8.0%
	Direct	25.6%	52.8%	62.0%
	Corporate agents and brokers	2.6%	6.8%	2.6%
	Total	100.0%	100.0%	100.0%
Protection	Bancassurance	35.2%	35.2%	36.9%
	Agency	27.9%	27.6%	22.8%
	Direct	21.6%	17.9%	18.7%
	Corporate agents and brokers	15.3%	19.3%	21.7%
	Total	100.0%	100.0%	100.0%

Retail persistency excluding single premium¹

Persistency across product categories



Persistency across channel categories



1. 11M-FY2019 persistency
As per IRDA circular dated January 23,2014; excluding group and single premium policies

Embedded value

Analysis of movement in EV¹

₹ billion	FY2015	FY2016	FY2017	FY2018	FY2019
Opening EV	117.75	137.21²	139.39	161.84	187.88
Unwind	11.70	12.58	12.21	13.72	15.84
Value of New Business (VNB)	2.70	4.12	6.66	12.86	13.28
Operating assumption changes	1.60	1.04 ²	1.00	7.64	4.20
Persistency variance		2.01	0.99	1.53	2.66
Mortality and morbidity variance		0.79	0.98	0.78	1.97
Expense variance	2.12 ³	0.59	0.35	0.27	0.04
Other variance		1.09	0.76	0.00	0.02
EVOP	18.12	22.23	22.95	36.80	38.01
Return on embedded value (ROEV)	15.4%	16.2%	16.5%	22.7%	20.2%
Economic assumption change and investment variance	11.11	(5.64)	5.82	1.13	(1.22)
Net capital injection	(9.77)	(14.41)	(6.32)	(11.88)	(8.43)
Closing EV	137.21	139.39	161.84	187.88	216.23

Embedded value

₹ billion	FY2017	FY2018	FY2019
Value of In force (VIF)	94.28	117.64	142.69
Adjusted Net worth	67.56	70.24	73.54
Embedded value¹	161.84	187.88	216.23
Return on Embedded Value (ROEV)	16.5%	22.7%	20.2%
EV growth-pre dividend	20.6%	23.4%	19.6%
EV growth-post dividend	16.1%	16.1%	15.1%
VNB as % of opening EV	4.8%	7.9%	7.1%
Operating assumption changes and variance as % of opening EV	2.9%	6.3%	4.7%

EV methodology

- EV results prepared based on the Indian Embedded Value (IEV) methodology and principles as set out in Actuarial Practice Standard 10 (APS10) issued by the Institute of Actuaries of India (IAI)
- EV consists of Adjusted Net Worth (ANW) and Value of in-force covered business (VIF)
 - ANW is market value of assets attributable to shareholders, consisting of
 - Required capital
 - Free surplus
 - Value of in-force covered business (VIF) is
 - Present value of future profits; adjusted for
 - Time value of financial options and guarantees;
 - Frictional costs of required capital; and
 - Cost of residual non-hedgeable risks

Components of ANW

- Required capital (RC)
 - The level of required capital is set equal to the amount required to be held to meet supervisory requirements.
 - It is net of the funds for future appropriation (FFAs)
- Free surplus (FS)
 - Market value of any assets allocated to, but not required to support, the in-force covered business

Components of VIF (1/2)

- Present value of future profits (PVFP)
 - Present value of projected distributable profits to shareholders arising from in-force covered business
 - Projection carried out using 'best estimate' non-economic assumptions and market consistent economic assumptions
 - Distributable profits are determined by reference to statutory liabilities
- Frictional Cost of required capital (FC)
 - FCs represent investment management expenses and taxation costs associated with holding the Required capital
 - Investment costs reflected as an explicit reduction to the gross investment return

Components of VIF (2/2)

- Time value of financial options and guarantees (TVFOG)
 - Represents additional cost to shareholders that may arise from the embedded financial options and guarantees
 - Stochastic approach is adopted with methods and assumptions consistent with the underlying embedded value
- Cost of residual non-hedgeable risk (CRNHR)
 - An allowance for risks to shareholder value to the extent not already allowed for in the TVFOG or the PVFP
 - Allowance for asymmetric risks of operational, catastrophe mortality/morbidity and mass lapsation risk
 - Determined using a cost-of-capital approach
 - Allowance for diversification benefits among the non-hedgeable risks, other than the operational risk
 - 4% annual charge applied to capital required

Components of EV movement (1/2)

- Expected return on existing business (unwind)
 - Expected investment income at opening reference rate on VIF and ANW
 - Expected excess 'real world' investment return over the opening reference rate on VIF and ANW
- Operating assumption changes
 - Impact of the update of non-economic assumptions both on best estimate and statutory bases to those adopted in the closing EV
- Value of new business
 - Additional value to shareholders created through new business during the period

Components of EV movement (2/2)

- Operating experience variance
 - Captures impact of any deviation of actual experience from assumed in the opening EV during the inter-valuation period
- Economic assumption changes and Investment variance
 - Impact of the update of the reference rate yield curve, inflation and valuation economic assumptions from opening EV to closing EV
 - Captures the difference between the actual investment return and the expected 'real world' assumed return
- Net capital injection
 - Reflects any capital injected less any dividends paid out

Key assumptions underlying EV (1/2)

- Discount rate and Fund earning rates
 - Set equal to reference rates which is proxy for risk free rates
 - Reference rates derived on the basis of zero coupon yield curve published by the Clearing Corporation of India Limited
- Expenses and commission
 - Based on the Company's actual expenses during FY2019 with no anticipation for productivity gains or cost efficiencies
 - Commission rates are based on the actual commission payable to the distributors

Key assumptions underlying EV (2/2)

- Mortality and morbidity
 - Based on company's experience with an allowance for future improvements in respect of annuities
- Persistency
 - Based on company's experience
- Taxation
 - Taxation costs reflect the reduction in costs due to dividend income being tax exempt

Economic assumptions underlying VNB and EV

Tenor (years)	References Rates		
	March 31, 2018	March 31, 2019	June 30, 2019
1	6.57%	6.66%	6.28%
5	8.21%	7.83%	7.31%
10	8.31%	8.35%	7.61%
15	8.11%	8.35%	7.63%
20	7.97%	8.22%	7.62%
25	7.91%	8.11%	7.60%
30	7.88%	8.05%	7.60%

Sensitivity analysis (FY2019)

Scenario	% change in VNB	% change in EV
Increase in 100 bps in the reference rates	(4.3)	(2.0)
Decrease in 100 bps in the reference rates	4.4	2.0
10% increase in the discontinuance rates	(8.5)	(1.3)
10% decrease in the discontinuance rates	8.9	1.4
10% increase in mortality/morbidity rates	(9.4)	(1.4)
10% decrease in mortality/morbidity rates	9.4	1.4
10% increase in acquisition expenses	(13.0)	Nil
10% decrease in acquisition expenses	13.0	Nil
10% increase in maintenance expenses	(3.6)	(0.9)
10% decrease in maintenance expenses	3.6	0.9
Tax rates increased to 25%	(7.5)	(4.0)

Glossary

- **Annualized Premium Equivalent (APE)** – Annualized Premium Equivalent (APE) is the sum of the annualized first year premiums on regular premium policies, and ten percent of single premiums, from both individual and group customers
- **Assets under management (AUM)** - AUM refers to the carrying value of investments managed by the company and includes loans against policies and net current assets pertaining to investments
- **Embedded Value (EV)** - Embedded Value (EV) represents the present value of shareholders' interests in the earnings distributable from the assets allocated to the business after sufficient allowance for the aggregate risks in the business
- **Embedded Value Operating Profit (EVOP)** - Embedded Value Operating Profit (EVOP) is a measure of the increase in the EV during any given period due to matters that can be influenced by management
- **Retail Weighted Received Premium (RWRP)** - Premiums actually received by the insurers under individual products and weighted at the rate of ten percent for single premiums
- **Total weighted received premium (TWRP)** - Measure of premiums received on both retail and group products and is the sum of first year and renewal premiums on regular premium policies and ten percent of single premiums received during any given period
- **Persistency Ratio** - Persistency ratio is the percentage of policies that have not lapsed and is expressed as 13th month, 49th month persistency etc. depicting the persistency level at 13th month (2nd year) and 49th month (5th year) respectively, after issuance of contract

Safe harbor

Except for the historical information contained herein, statements in this release which contain words or phrases such as 'will', 'would', 'indicating', 'expected to' etc., and similar expressions or variations of such expressions may constitute 'forward-looking statements'. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to our ability to successfully implement our strategy, our growth and expansion in business, the impact of any acquisitions, technological implementation and changes, the actual growth in demand for insurance products and services, investment income, cash flow projections, our exposure to market risks, policies and actions of regulatory authorities; impact of competition; experience with regard to mortality and morbidity trends, lapse rates and policy renewal rates; the impact of changes in capital, solvency or accounting standards, tax and other legislations and regulations in the jurisdictions as well as other risks detailed in the reports filed by ICICI Bank Limited, our holding company, with the United States Securities and Exchange Commission. ICICI Prudential Life Insurance undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date thereof.



Thank you