

Max Financial Services Limited

Investor Presentation

November 2019





SECTION I

- ▶ Max Financial Services
- 

“To be the most admired corporate for service excellence”



Sevabhav

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



Excellence

- Expertise
- Dependability
- Entrepreneurship
- Business performance



Credibility

- Transparency
- Integrity
- Respect
- Governance

Max Way as an underlying ethos

courtesy
transparency

respect/dignity
performance orientation

progressiveness
ethicality

Max Group - Sponsors

Holding Companies

Operating Companies



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

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

Ventured into Manufacturing & trading businesses

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

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

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

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

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

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

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

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

Current JV Partners



Past JV Partners



Marquee Investors





Mohit Talwar

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



Prashant Tripathy

- Managing Director & CEO, Max Life Insurance



Sahil Vachani

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



Tara Singh Vachani

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



Rajit Mehta

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



Ashish Mehrotra

- MD & CEO, Max Bupa Health Insurance



Rajender Sud

- CEO, Max Skill First Limited



Ramneek Jain

- CEO, Max Specialty Films

1

USD 3.2 billion Revenues... 12 Mn Customers... 30,000 Employees... ~80,000 Agents

2

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

3

Steady revenue growth and cost rationalization leads to strong financial performance

4

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

5

Diversified ownership.....marquee investor base

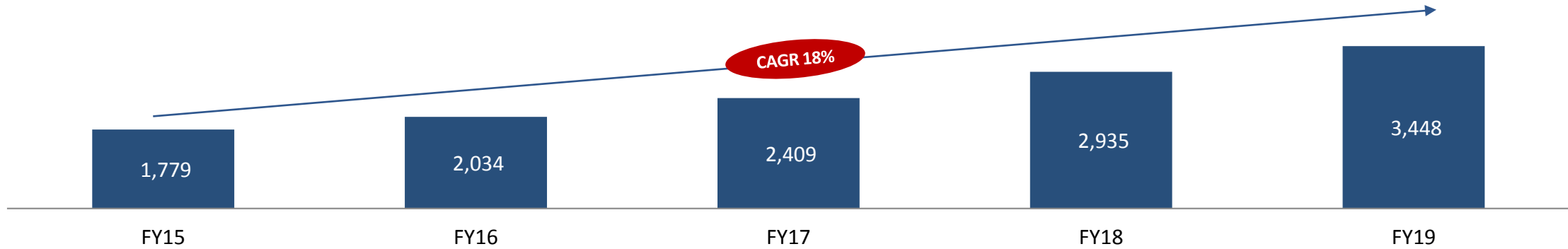
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Superior brand recall with a proven track record of service excellence

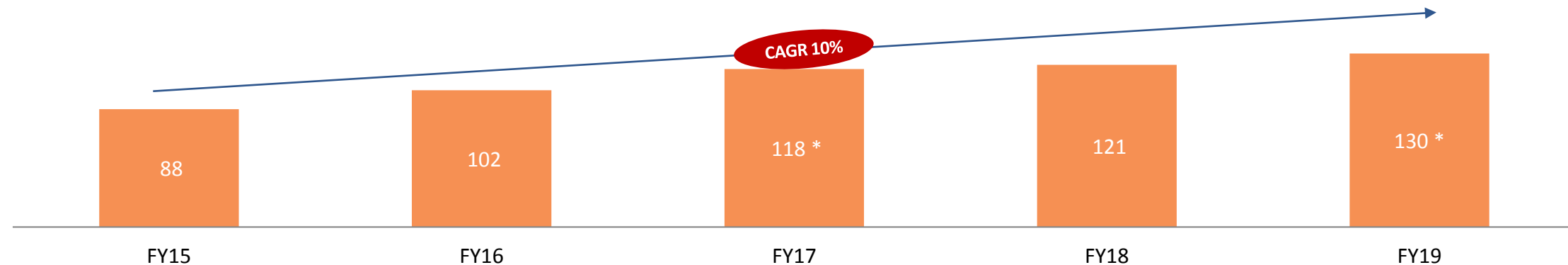
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Strong history of entrepreneurship and nurturing successful business partnerships

Group Revenue (USD mn)



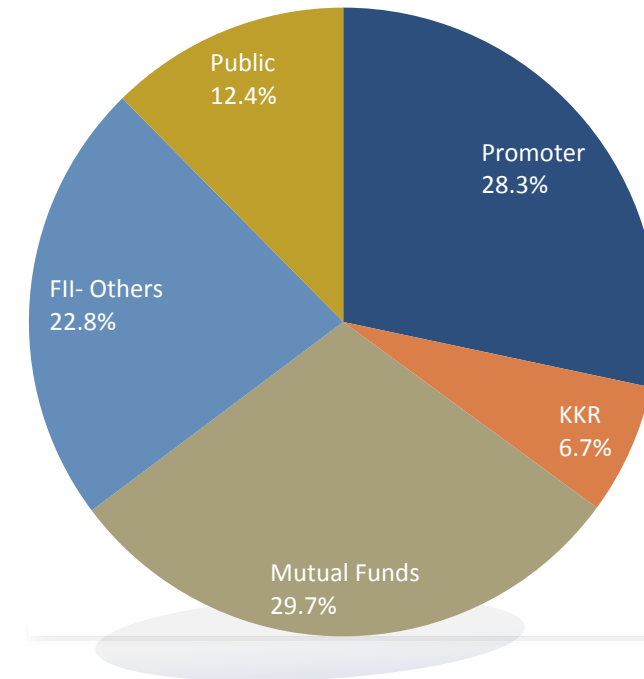
Group EBITDA (USD mn)



Shareholding concentrated with Marquee Investors

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

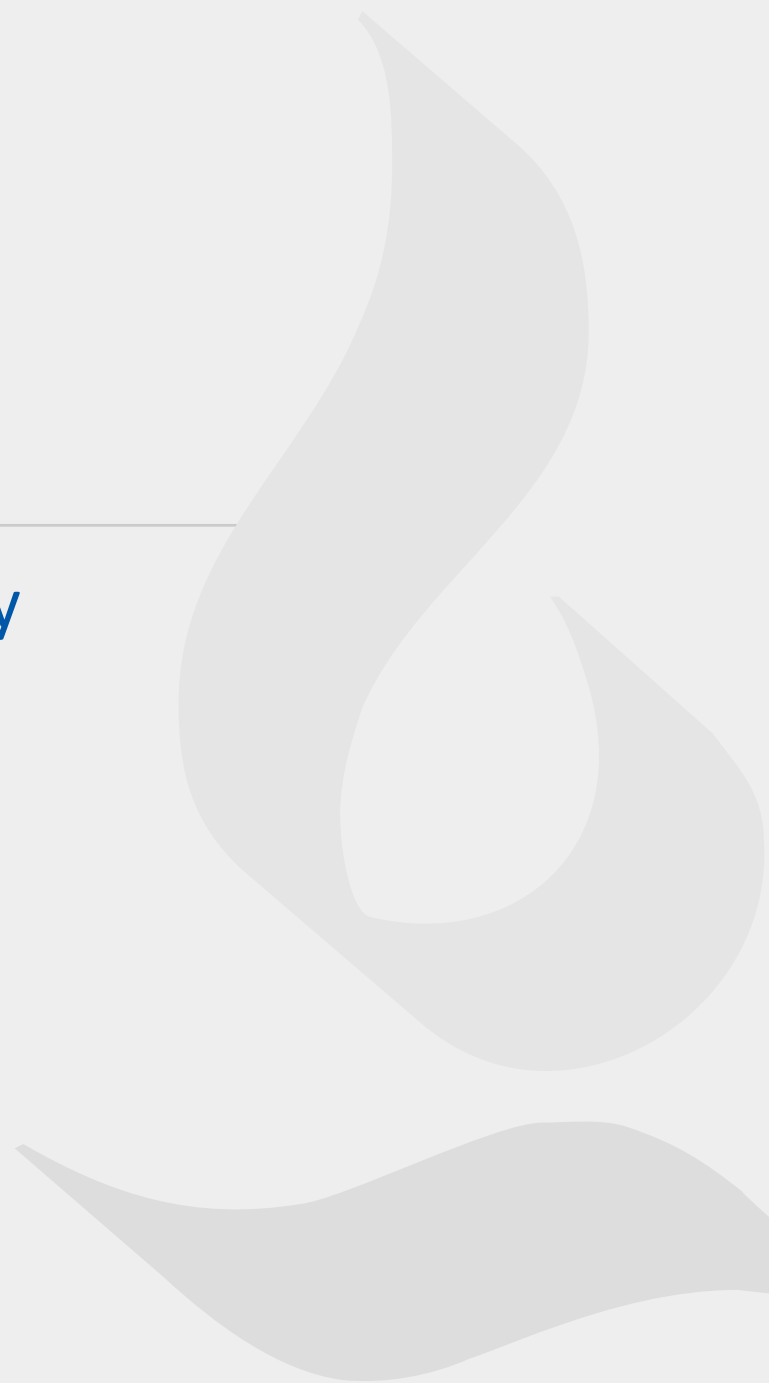
Shareholding Pattern
as on 30th Sep 19



Number of outstanding shares: 26.94 Cr.

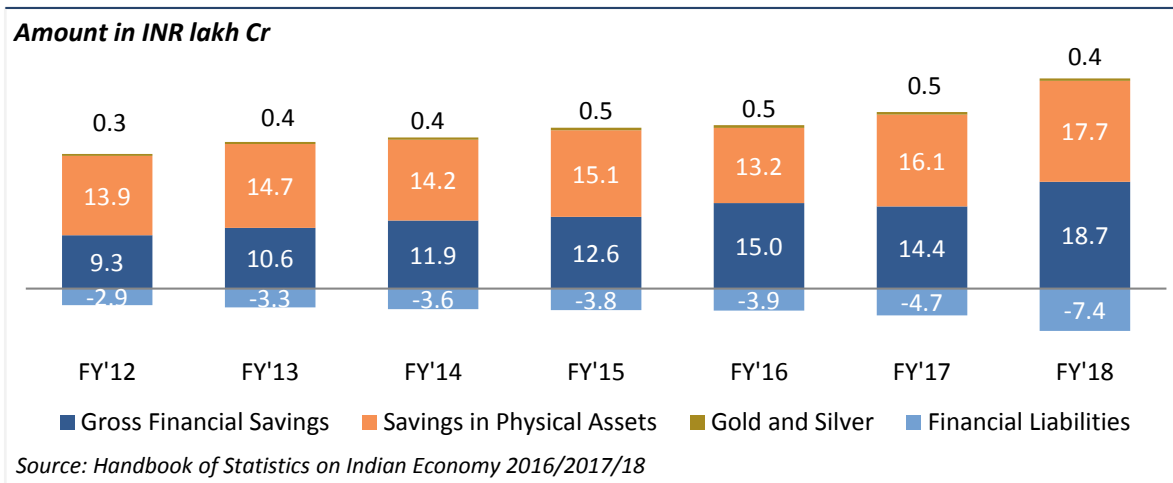


SECTION II

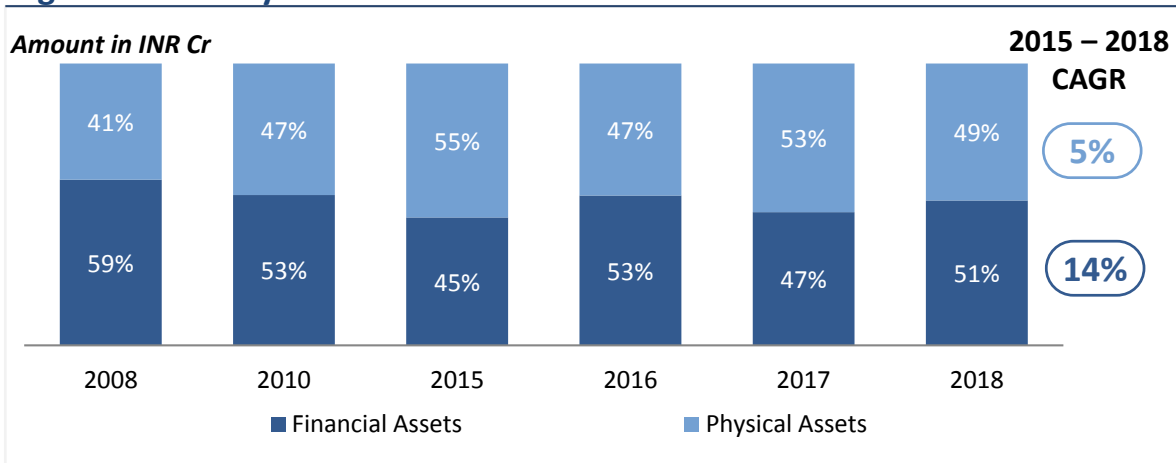
- ▶ Max Life Insurance – Insurance Opportunity
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Sustained policy support along with macro economic fundamentals aids growth of financial savings pool; Life Insurance at INR 35 Lakh Cr* of AUM is among preferred asset class in India

High Savings Culture.....

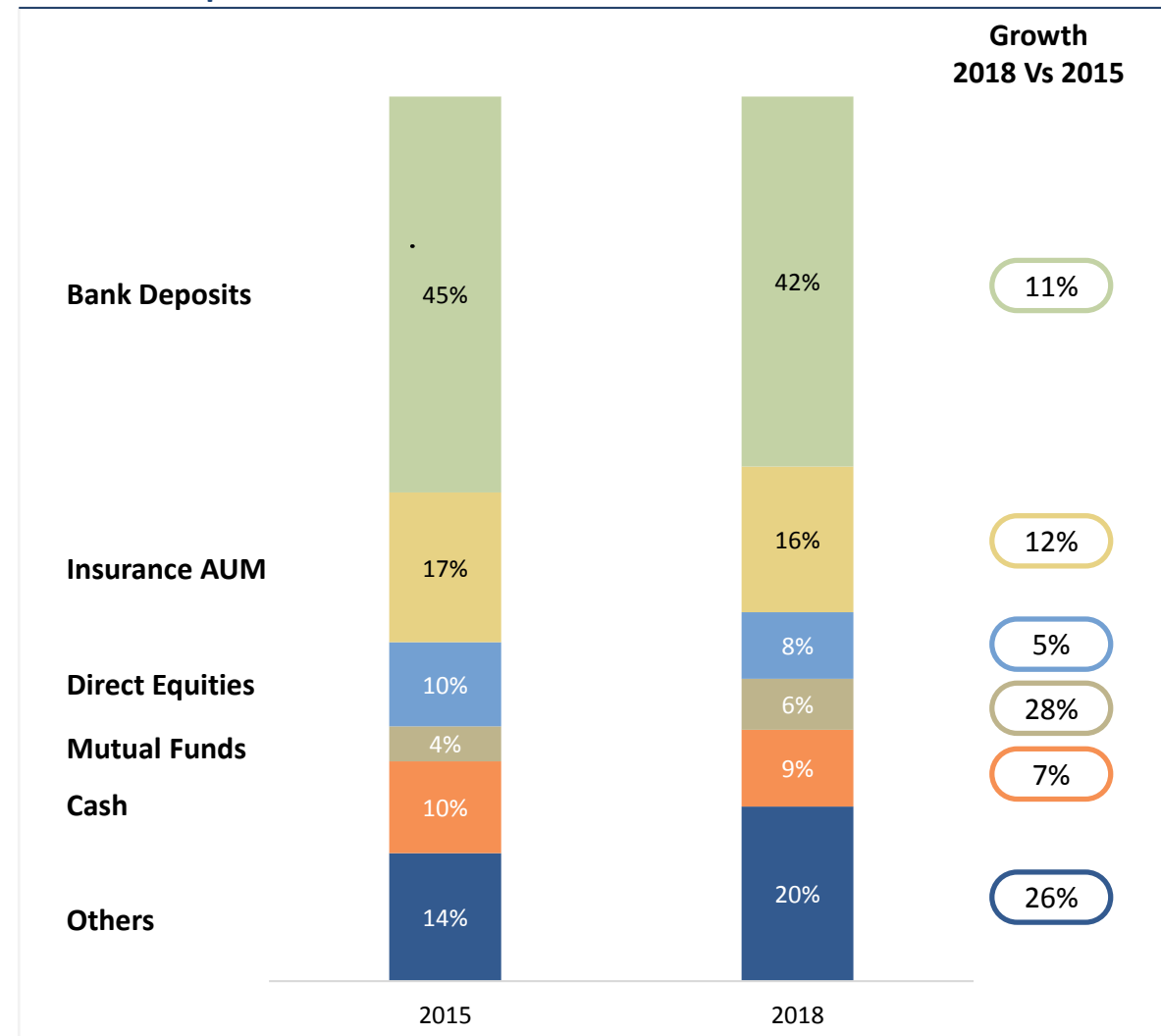


Household Savings flow - ~30% growth in financial assets flow in 2018 - Highest in last 5 years



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

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

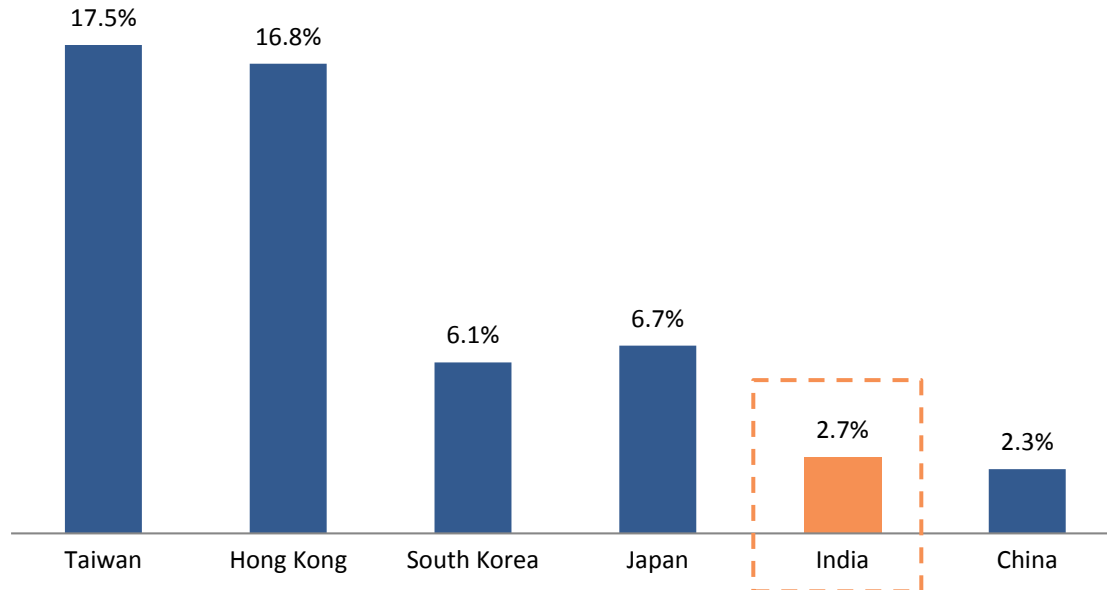


Source: Karvy India Wealth Report 2015/2016/2017/2018
Direct Equities excludes promoter holdings

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

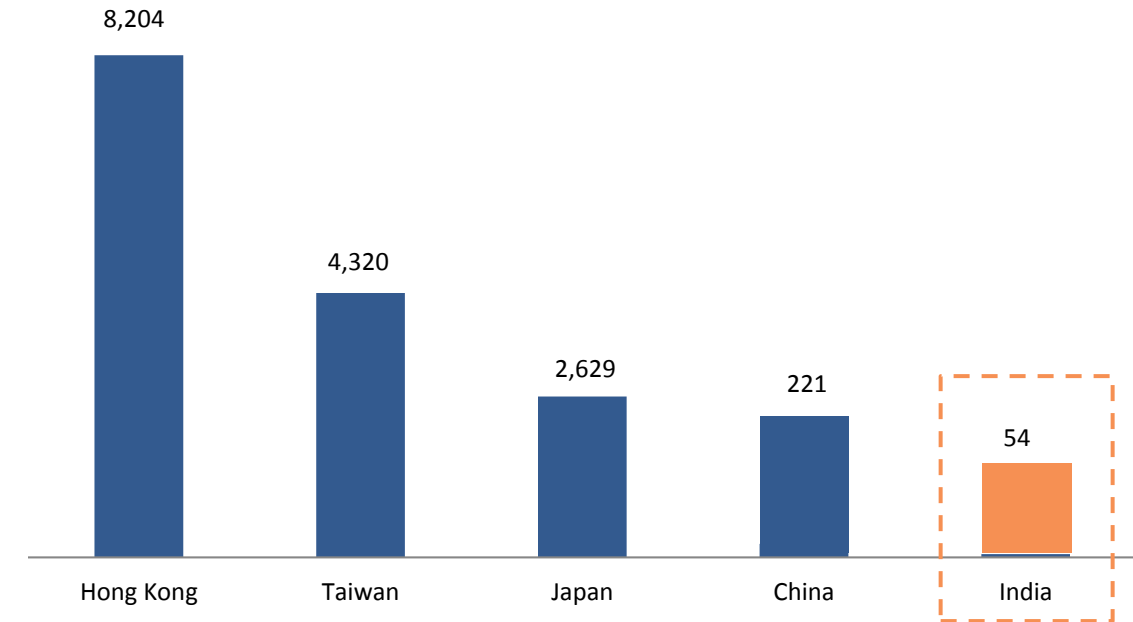
India lags behind other developed countries on Life Insurance penetration

Life Insurance Penetration
(Premium as % of GDP), FY 2018



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

Life Insurance Density
(Premium per capita – USD), FY 2018

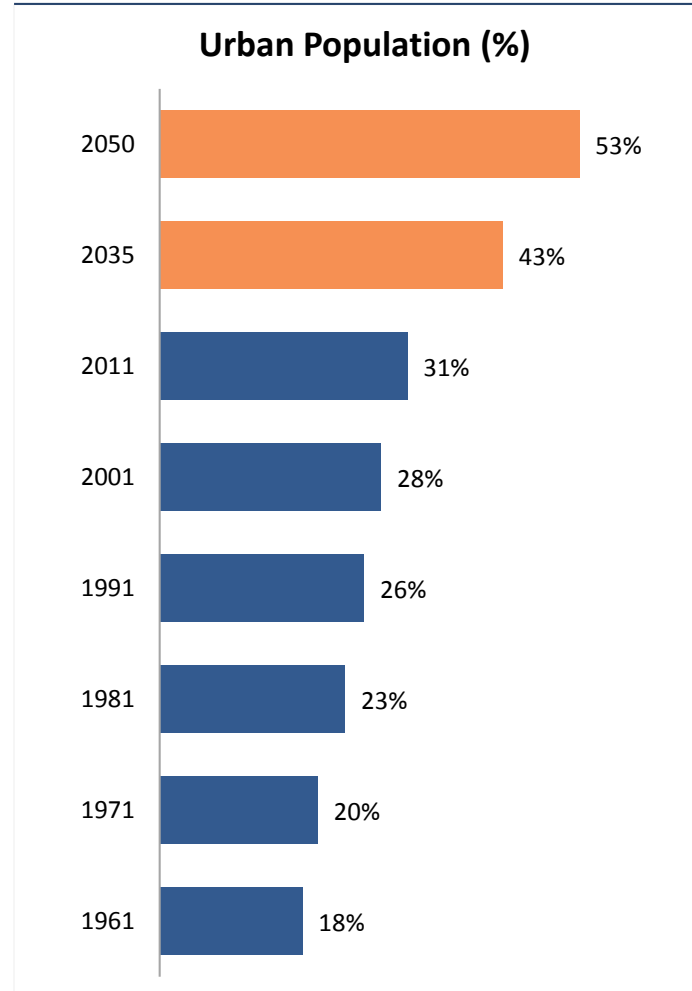


Long Term Nature of Savings

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

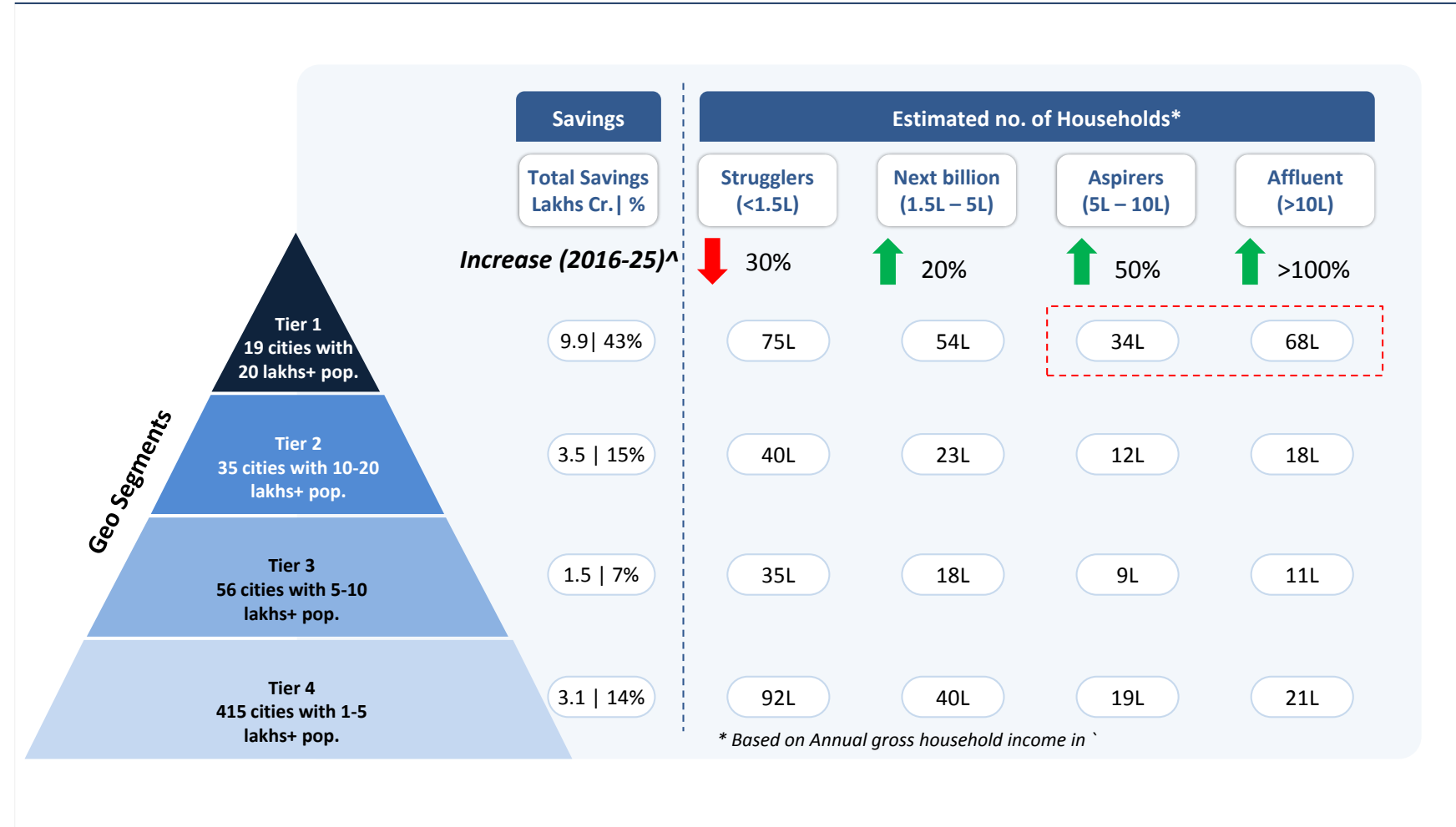
Urbanization, improving affluence, emergence of nuclear families will continue providing impetus to the Life Insurance industry

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



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

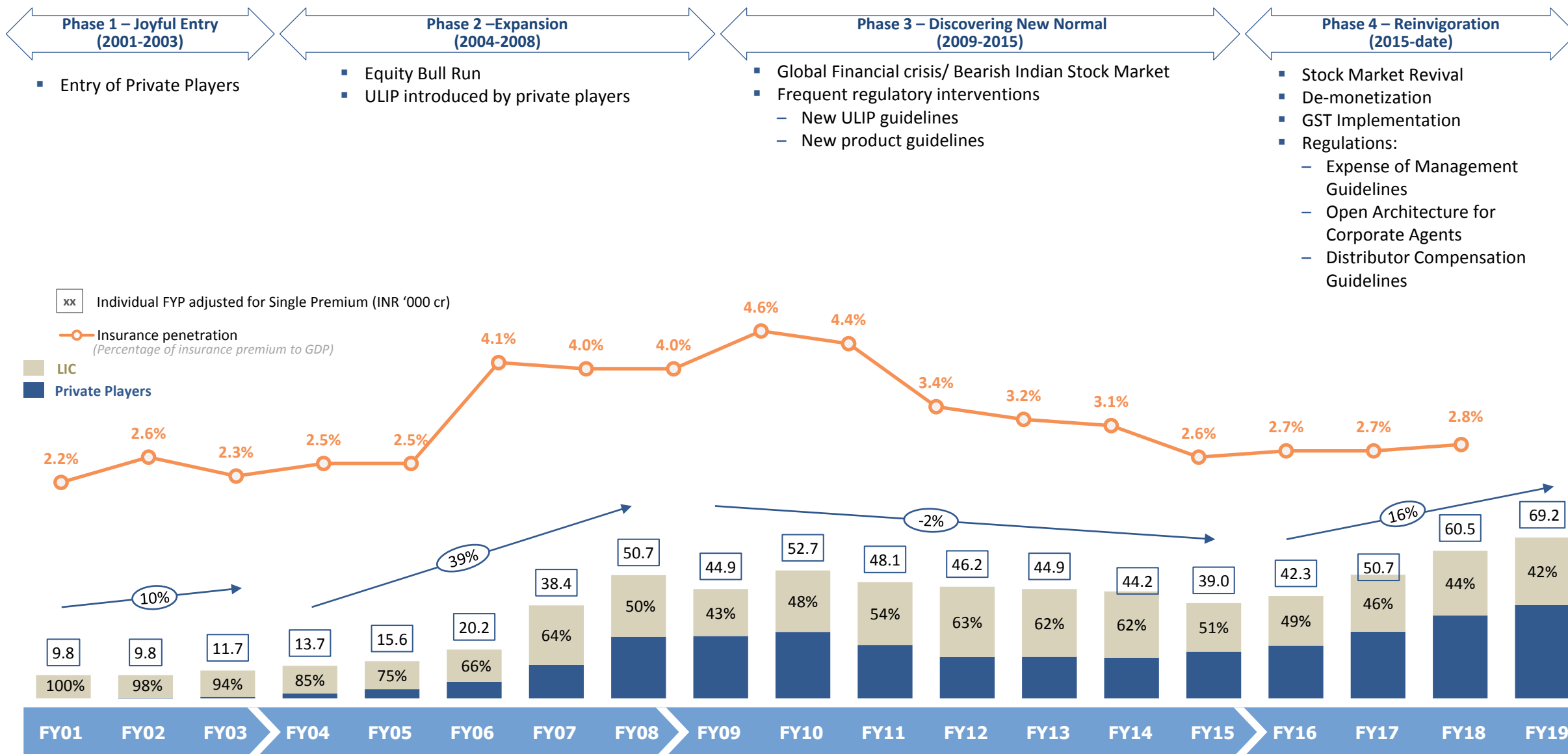
Middle class is likely to increase rapidly, especially in Top 150 cities; Top 19 cities continue to hold bulk of household savings as well affluent households



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

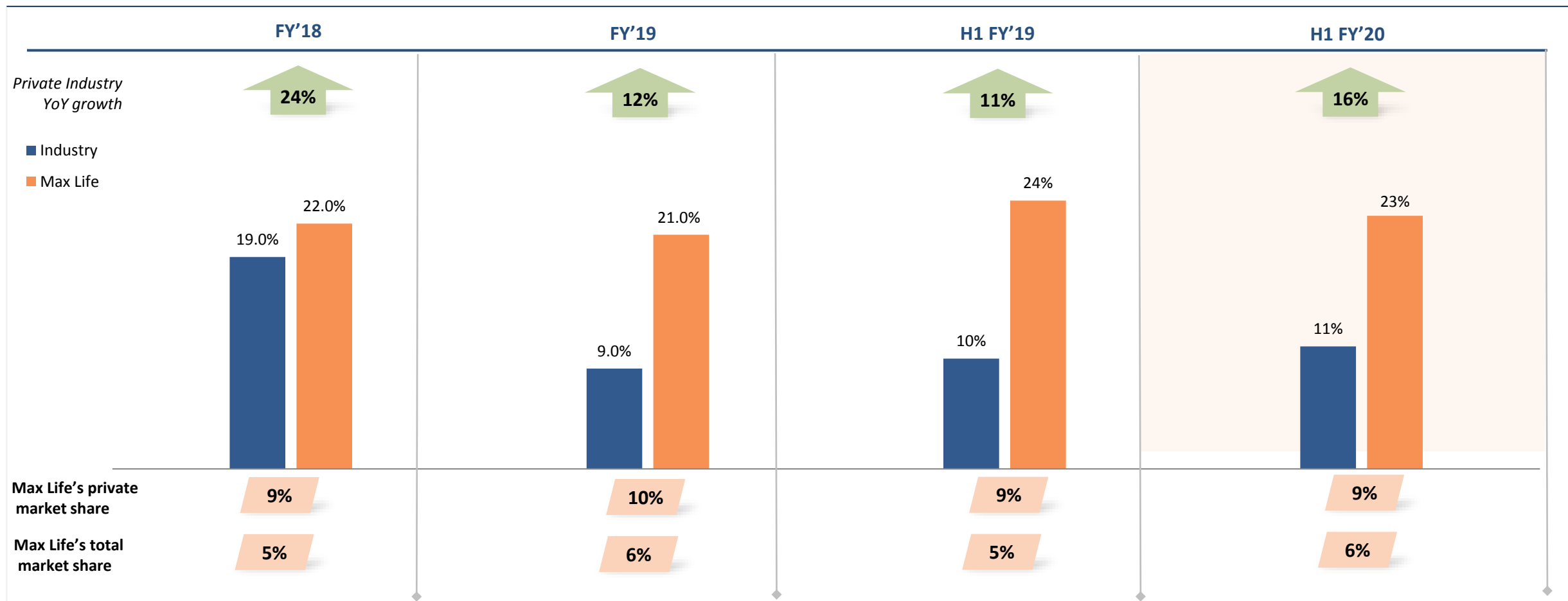
^ Source: BCG: The New Indian

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



Industry Landscape (H1 FY'20): Total Industry grew by 11%, while Pvt. players grew by 16% and LIC by 5%)

YoY Growth basis Individual Adjusted FYP



Max life continues to demonstrate predictable and sustainable growth rate trajectory in line with our strategy.



SECTION III

- ▶ Max Life Insurance – Business Overview
- 

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



4th Largest
Private Life Insurer[^]

9.3% Private Market Share[^]



337 Own Branch Units

6000+ Partner
Branches

~46K Agents

~60 Distribution
Partners



~65K Cr
Assets Under
Management

4th Largest AUM

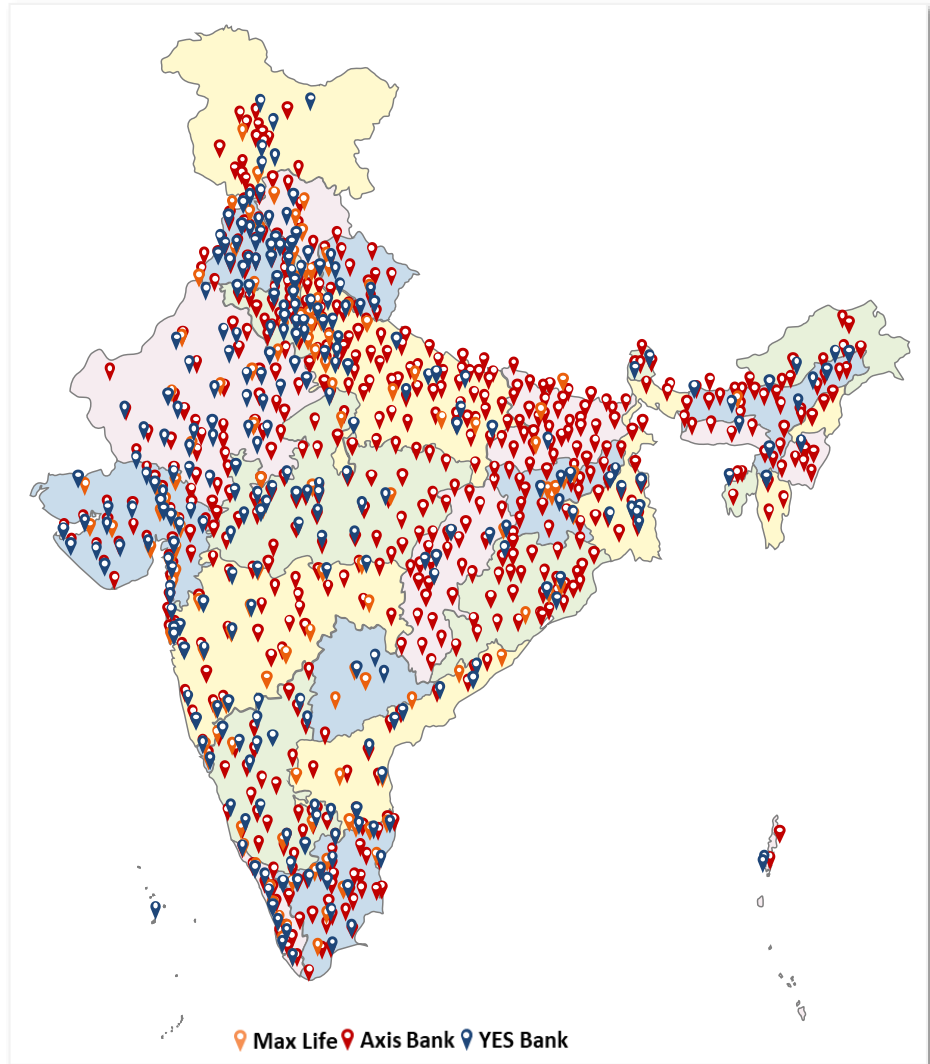


~8L Crores
Sum Assured

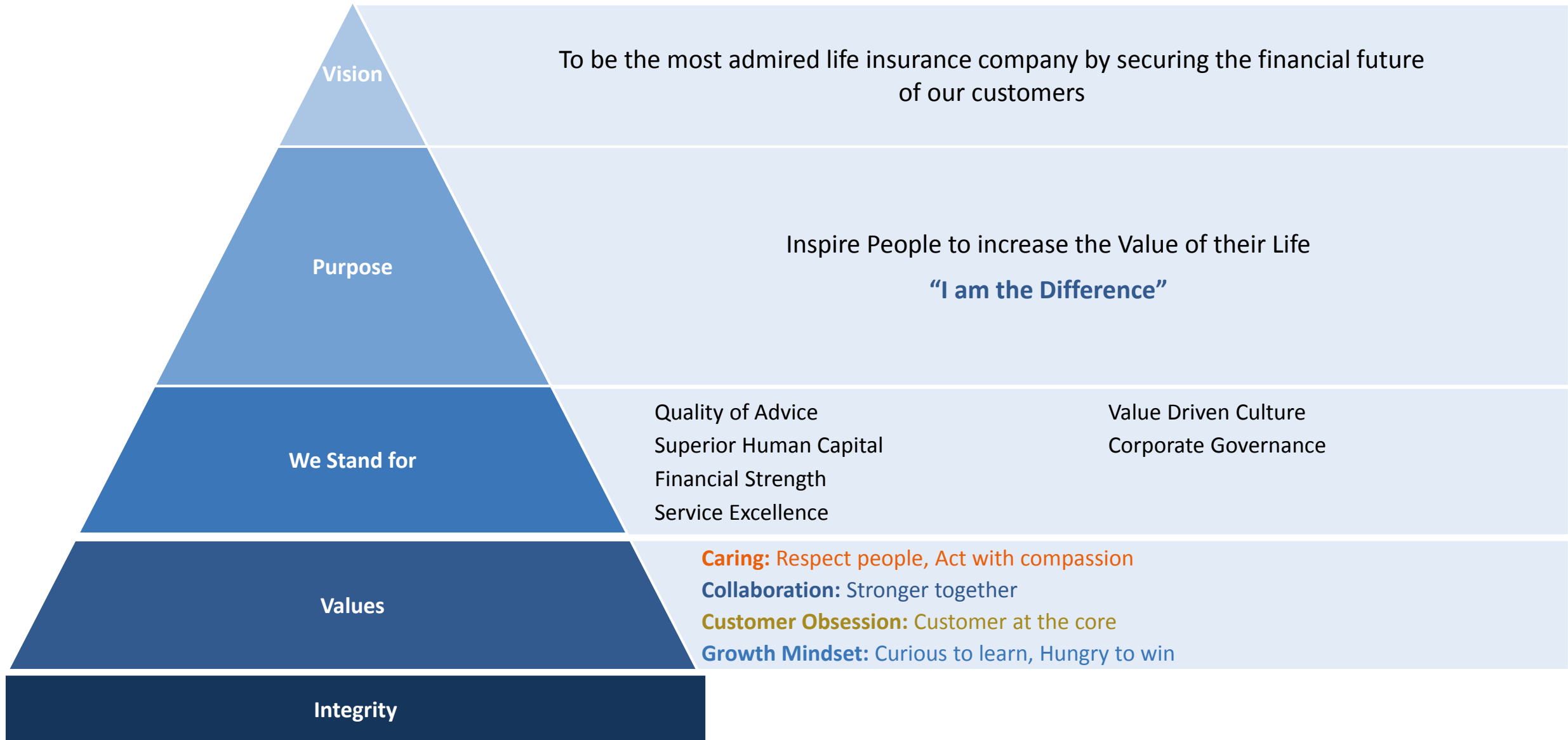
~1 Cr+ Lives Insured** Till Date

35 Lacs+ Active Customers**

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



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



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



Chairman and Founder
Mr. Analjit Singh

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



Director
Mr. K. Narasimha Murthy

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



Managing Director and CEO
Mr. Prashant Tripathy

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



Deputy Managing Director
Mr. V Viswanand

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



Director
Ms. Marielle Theron

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



Director
Mr. Mohit Talwar

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



Director
Mr. D. K. Mittal

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



Director
Mr. Rajit Mehta

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



Director
Mr. Hideaki Nomura

Seasoned professional with 29 years experience in financial industries



Director
Mr. Pradeep Pant

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



Director
Mr. Sahil Vachani

Responsible for the overall strategic vision and direction of the company



Director
Mr. Deepak Bhattasali

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

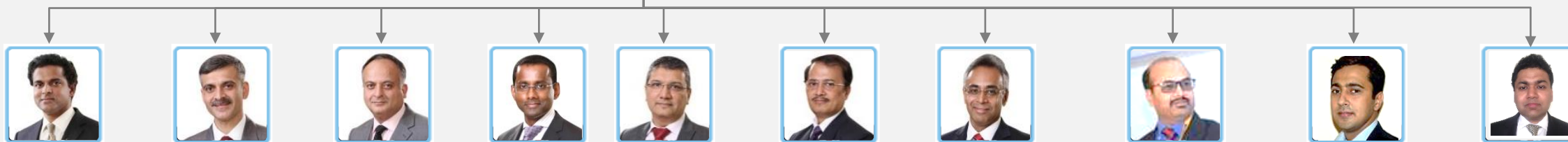
Executive Management Team has rich insurance experience and spent ~100 years at Max Life combined

Max Life Management Team



Prashant Tripathy
Managing Director & CEO

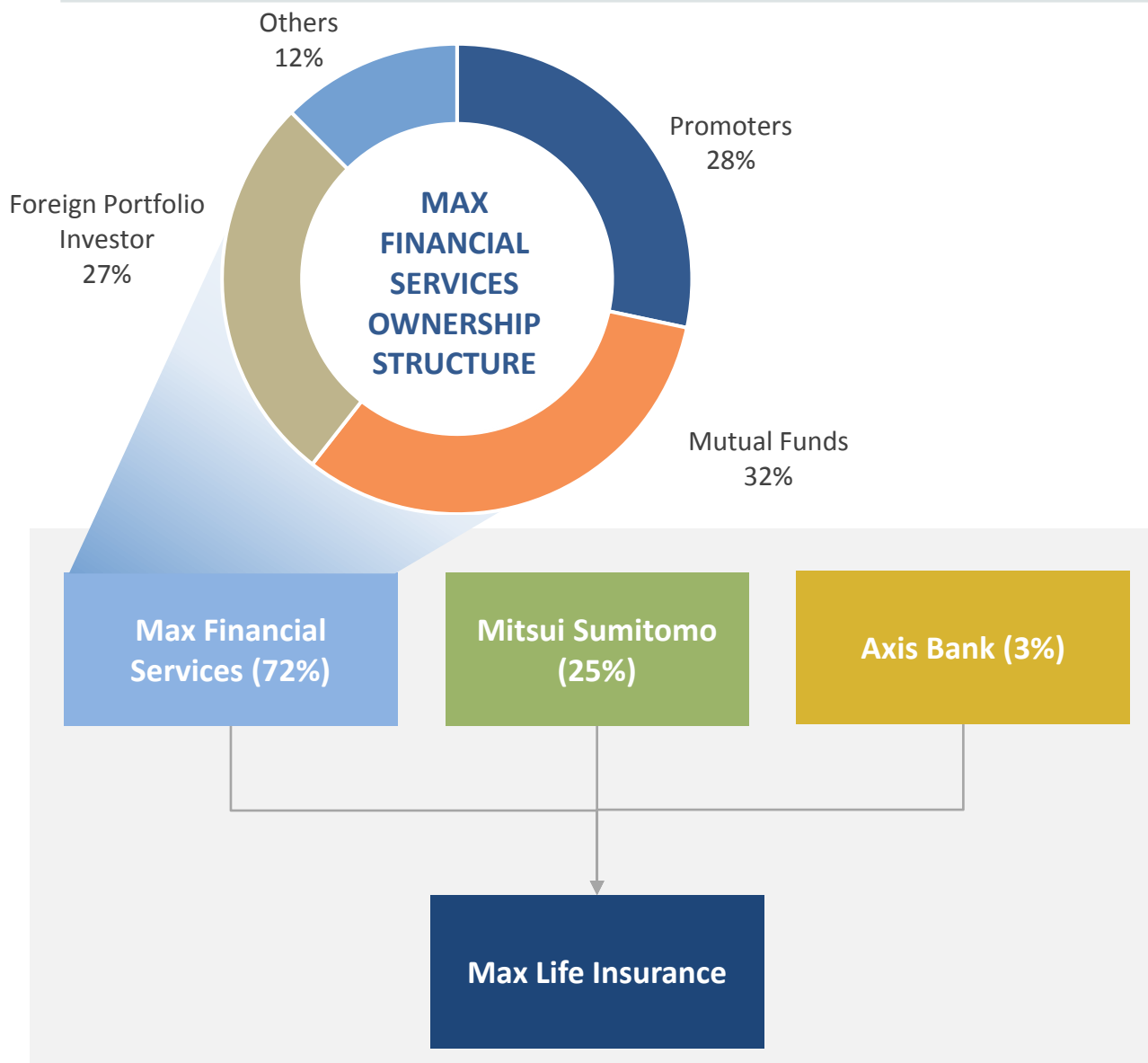
- Stint in Max : 12+ years
- Total Experience: 23+ years
- Previous Organizations: Tata Steel, GE



V Viswanand	Manik Nangia	Aalok Bhan	Jose John	Mihir Vora	Shailesh Singh	Amitabh Lal Das	Mandeep Mehta	Amrit Singh	Sachin Saxena
Deputy Managing Director	Director & Chief Operations Officer	Director & Chief Marketing Officer	Director & Appointed Actuary	Director & Chief Investment Officer	Director & Chief People Officer	Director - Legal - Compliance & Regulatory Affairs	EVP & Deputy Chief Financial Officer	SVP & Head – Strategy, Analytics & Risk Officer	SVP & Chief Investor Relations

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

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

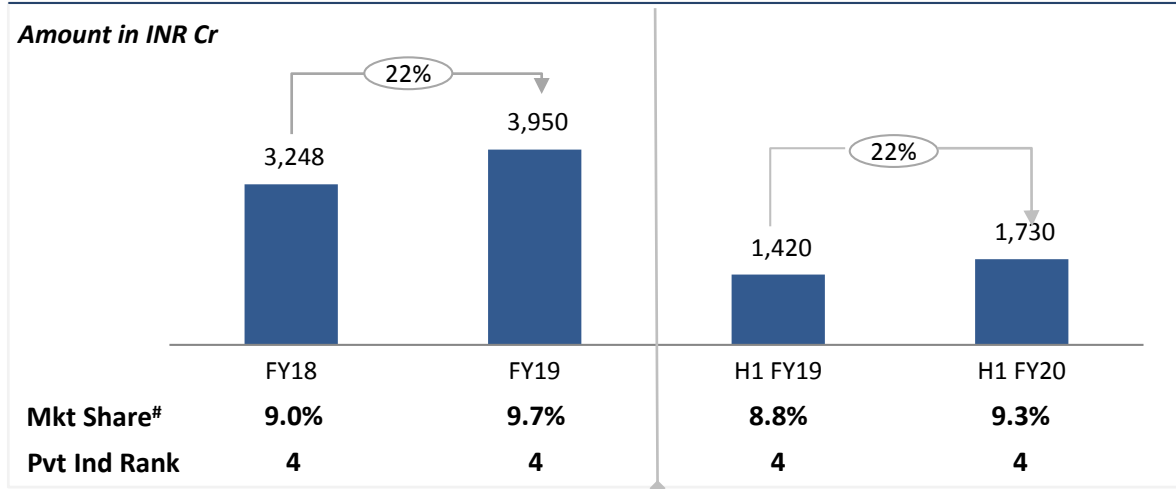


KEY INVESTORS of Max Financial Services

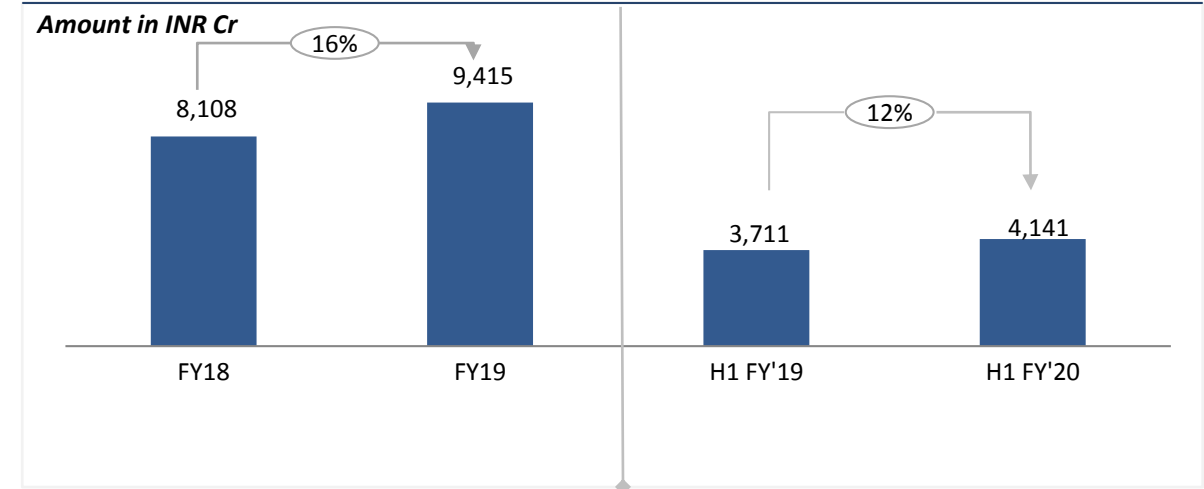
	Moneyline Portfolio Investments Limited
	Baron Emerging Markets Fund
	New York Life Insurance
	TVF Fund Ltd
	Jupiter India Fund
	HDFC Fund
	Reliance Mutual Fund
	ICICI Prudential Mutual Fund
	Motilal Oswal Mutual Fund
	DSP Blackrock

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

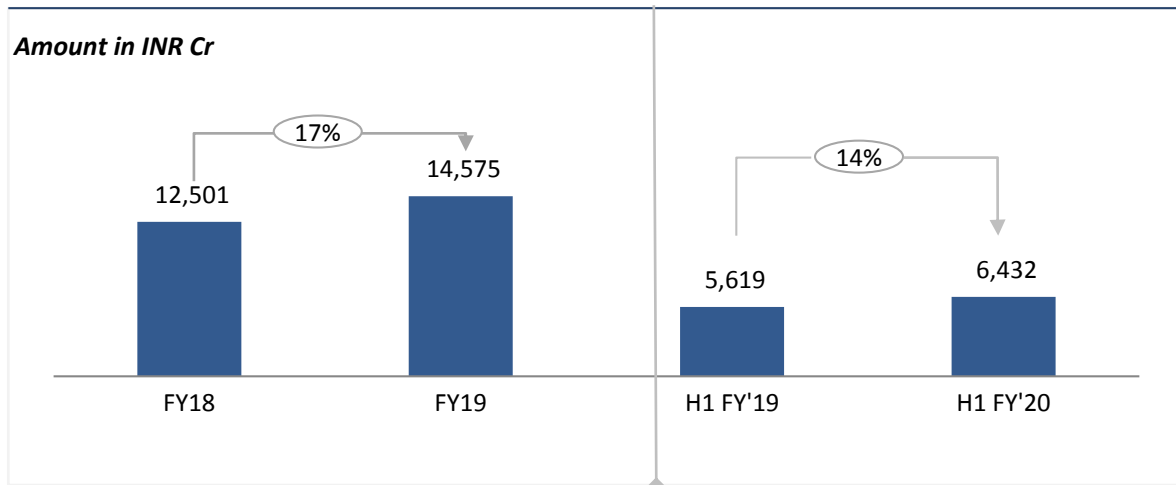
New Business Premiums (on APE basis)



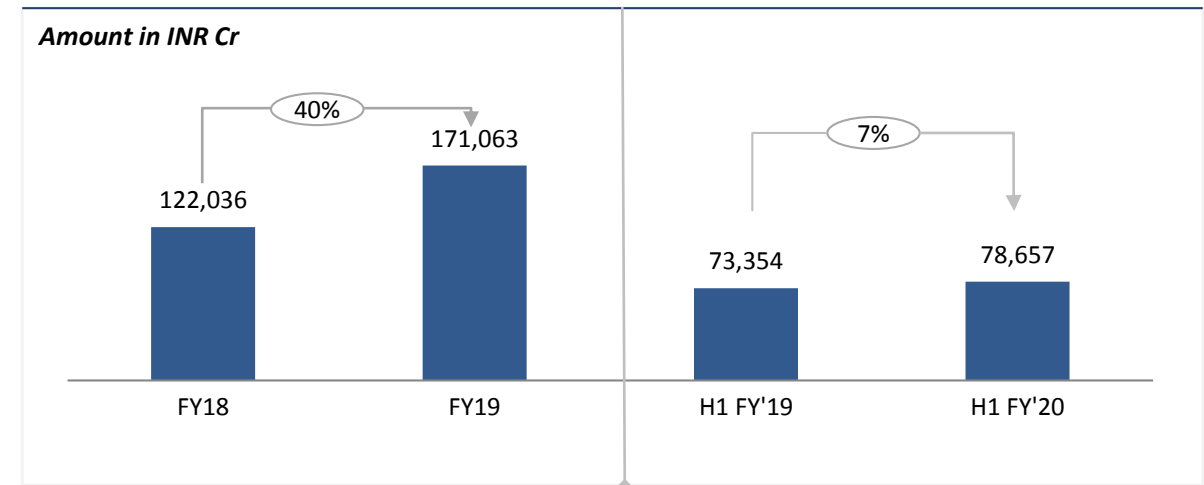
Renewal Income



Gross Written Premium

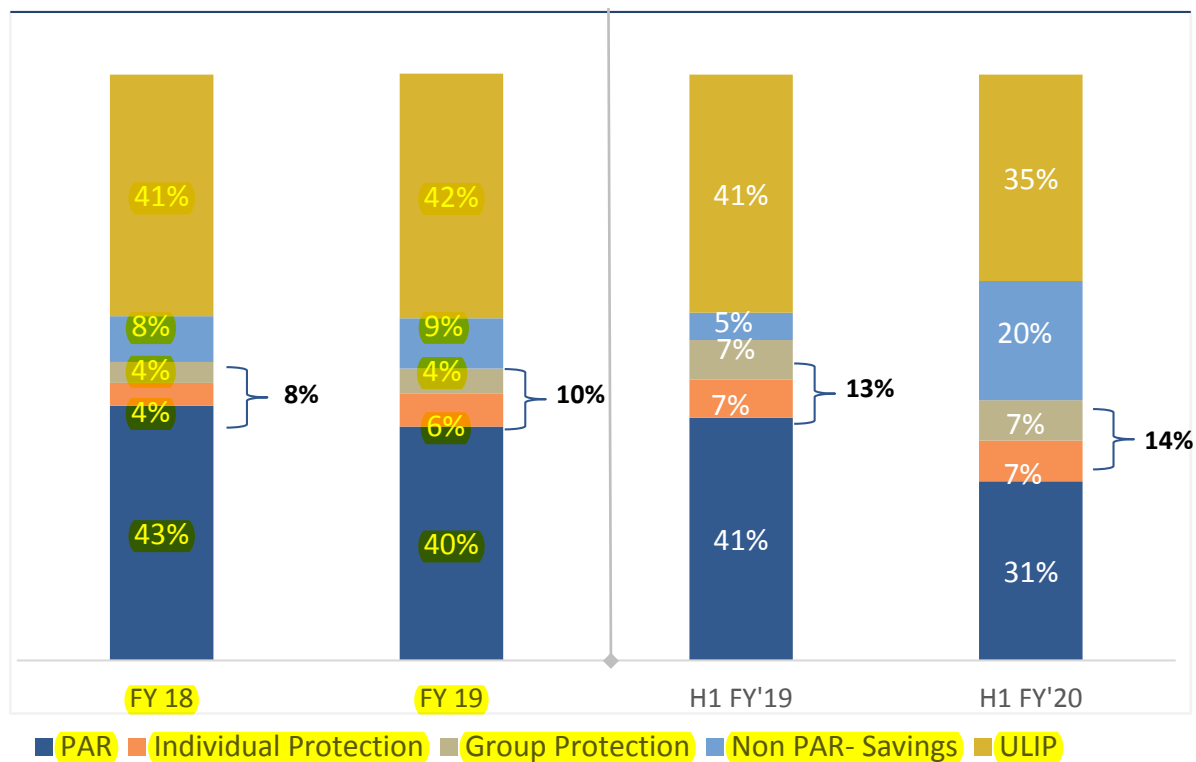


Individual Sum Assured of New business

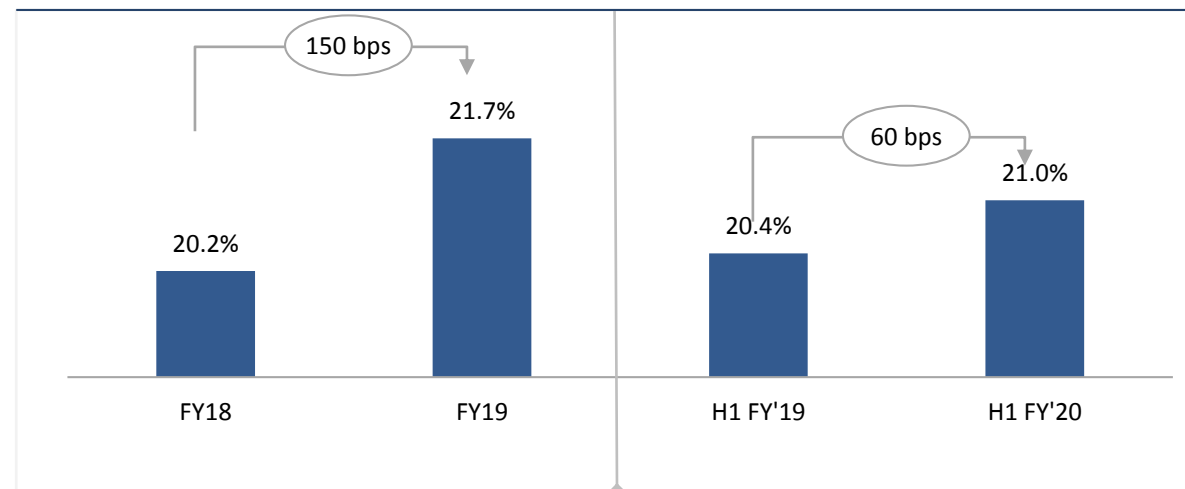


25% growth in VNB with H1 margins at ~21% driven by increased focus on Non Par Savings

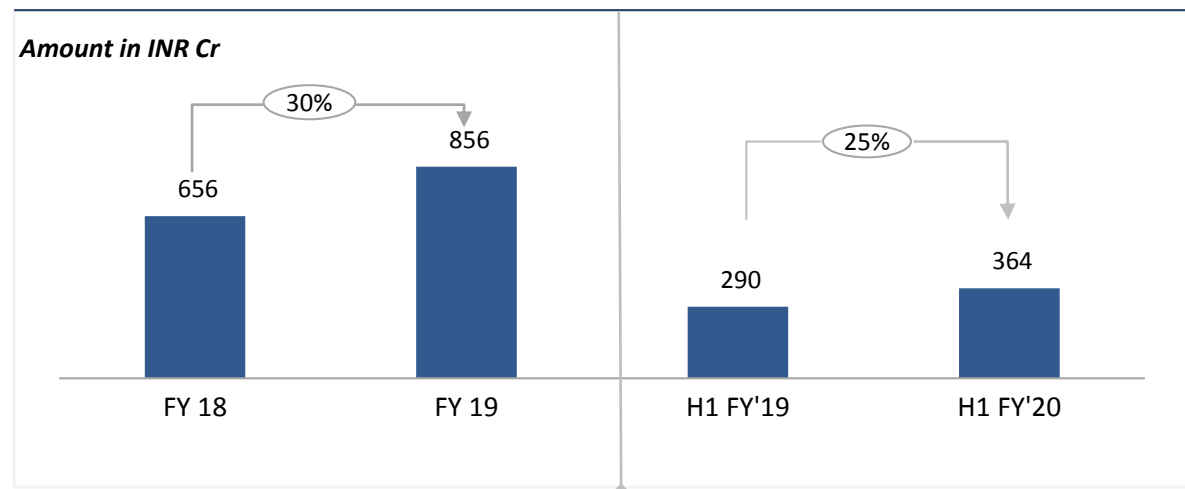
Product Mix – Shift towards NPAR savings mix increased by 1500 bps to drive margin expansion. Individual Protection mix grew by 44 bps, while the Group Protection mix grew by 14 bps



Margins (post-overrun)*



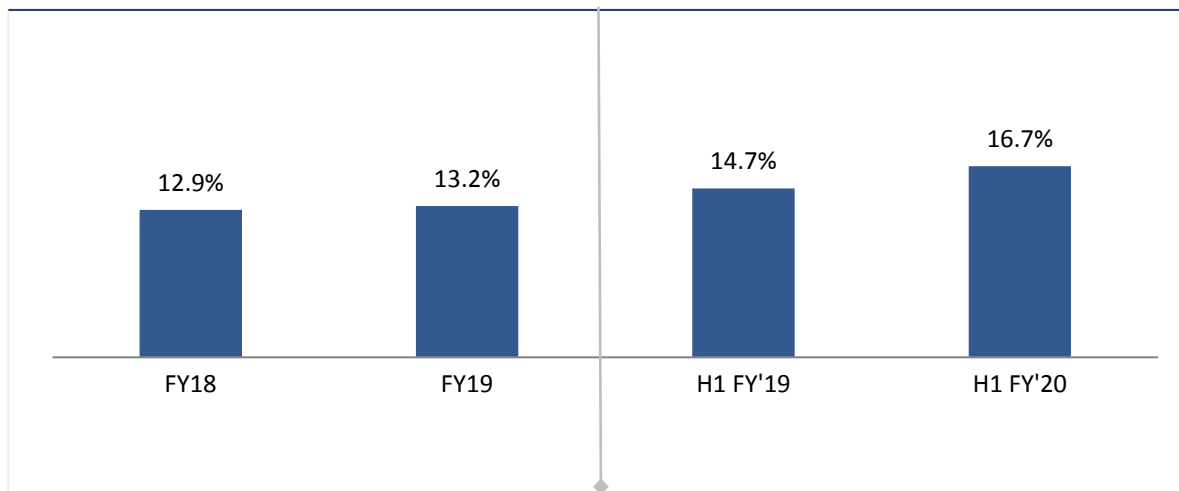
VNB (post over-run)*



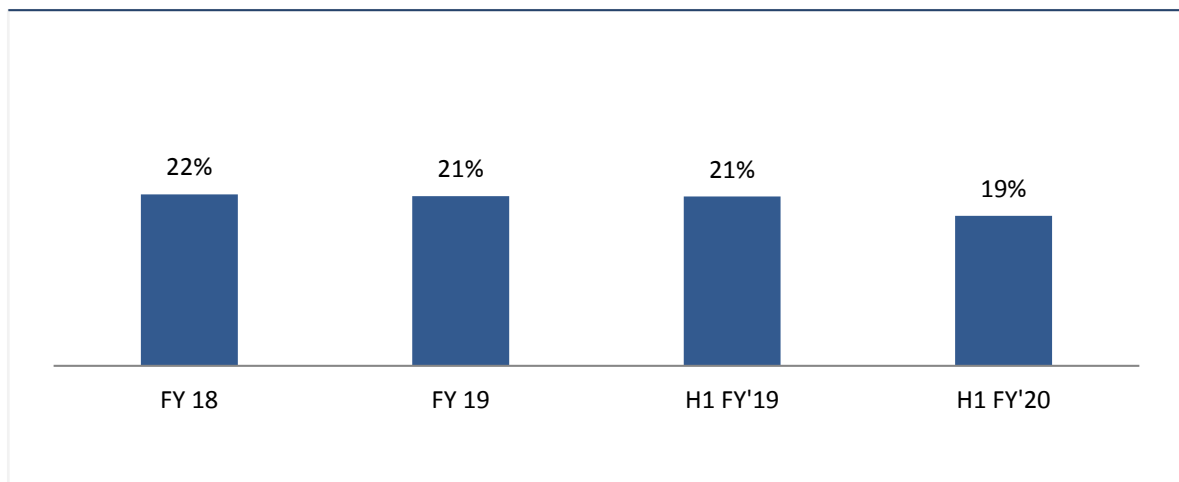
*VNB and margins for FY19 & H1 FY20 are calculated using effective tax rate; # For H1FY20 VNB & margins, cost of capital charge (used to compute CRNHR) was reduced from 5.0 % to 4.0 %

Efficient capital management with consistent RoE of ~20%... among the best in financial services

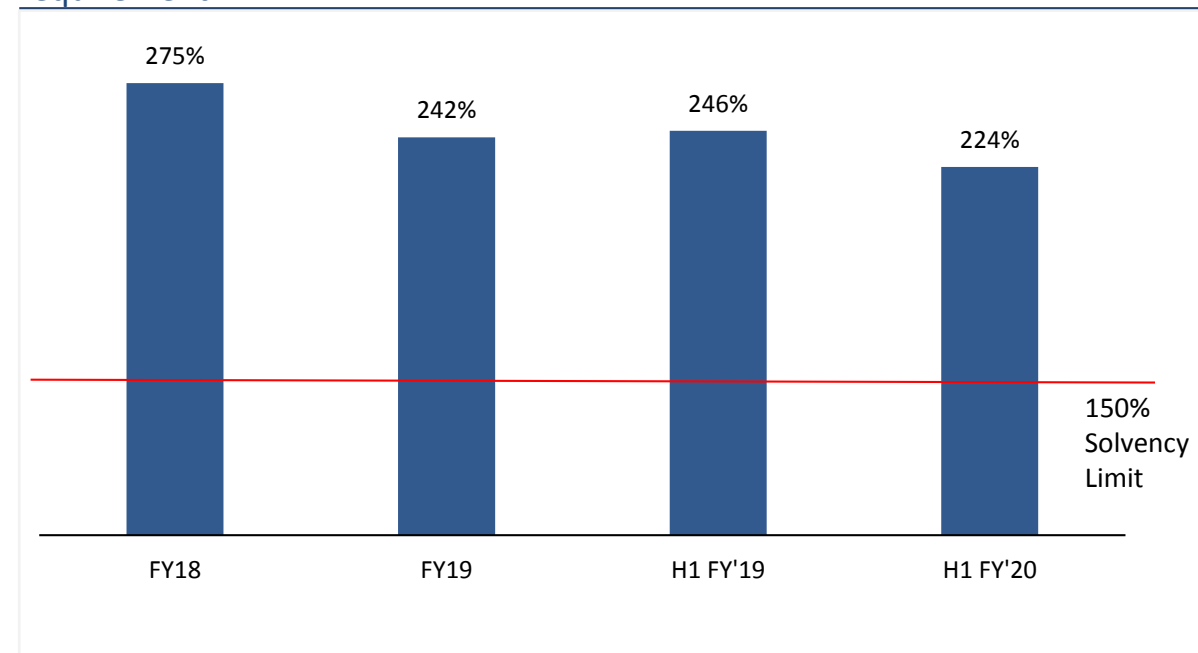
Opex to GWP* - Increase due to investment in proprietary channels



Return on Equity (RoE)[#] - Consistent ROE



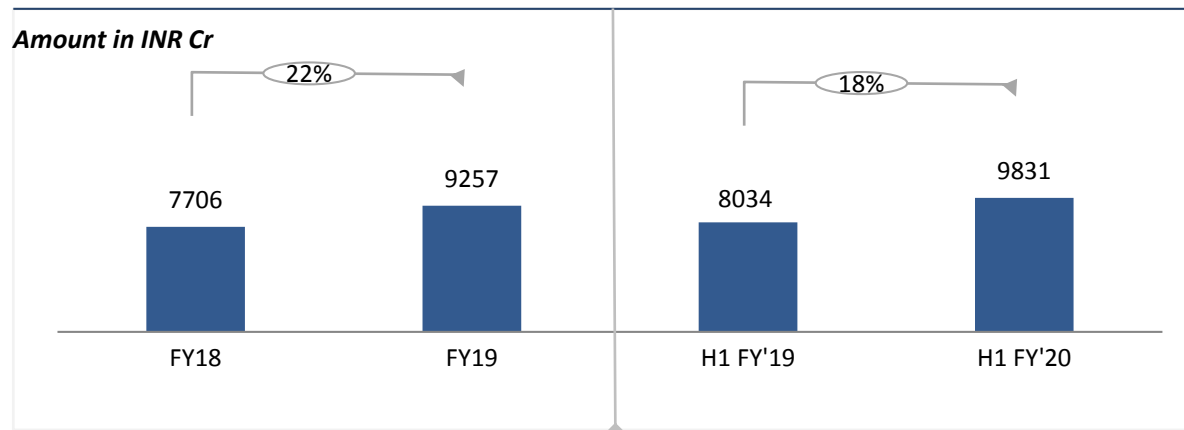
Solvency Ratio (pre dividend) - maintained well above the regulatory requirement



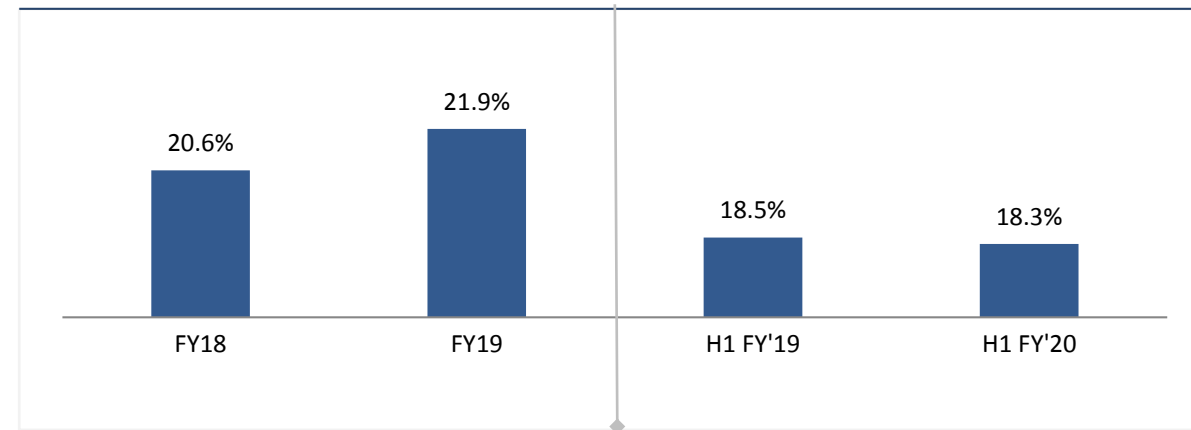
* Refers to the policyholder expense to GWP ratio; # ROE is PAT as a ratio of average Net worth during the year

Operating RoEV for H1FY20 at 18.3%(annualised) in line with H1FY19

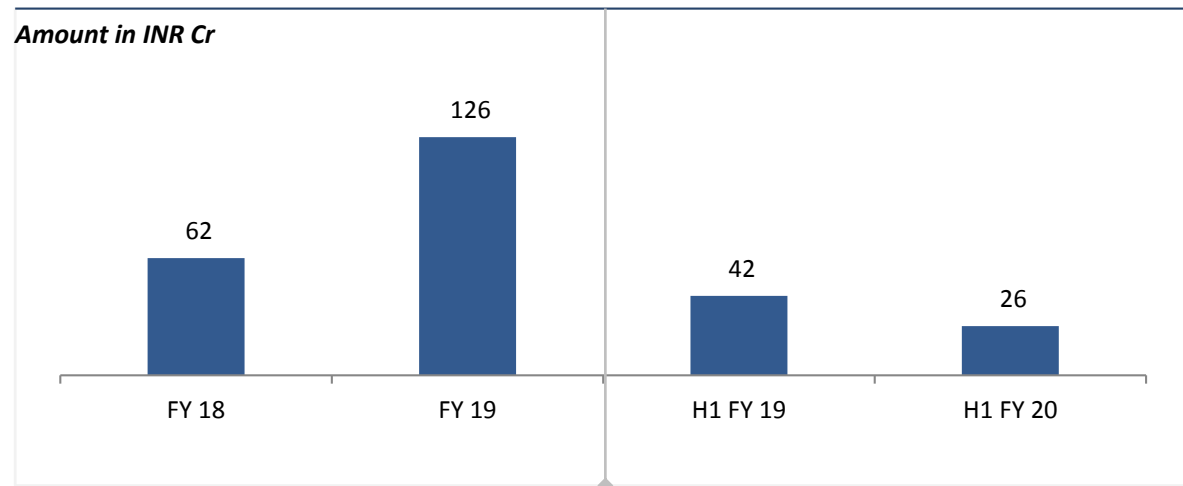
Embedded Value (EV)* - EV has grown at 18% driven by growth in value of new business and quality of inforce business



Operating Return on Embedded Value - RoEV at ~18.3% in H1FY20



Operating Variance - has been generally positive over the years

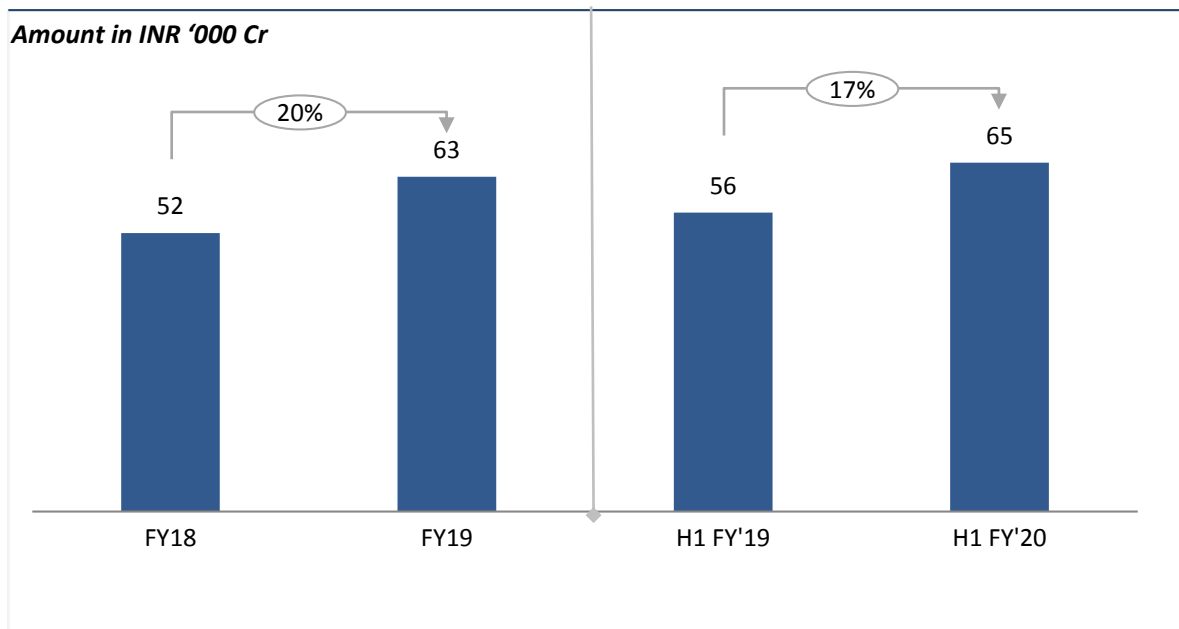


Sensitivity – One of the least among competition due to balanced product mix

Item	Embedded Value		Value of New Business	
	-10%	10%	-10%	10%
Lapse / Surrender	-1%	2%	4%	-4%
Mortality	-2%	2%	5%	-5%
Expense	-1%	1%	7%	-7%

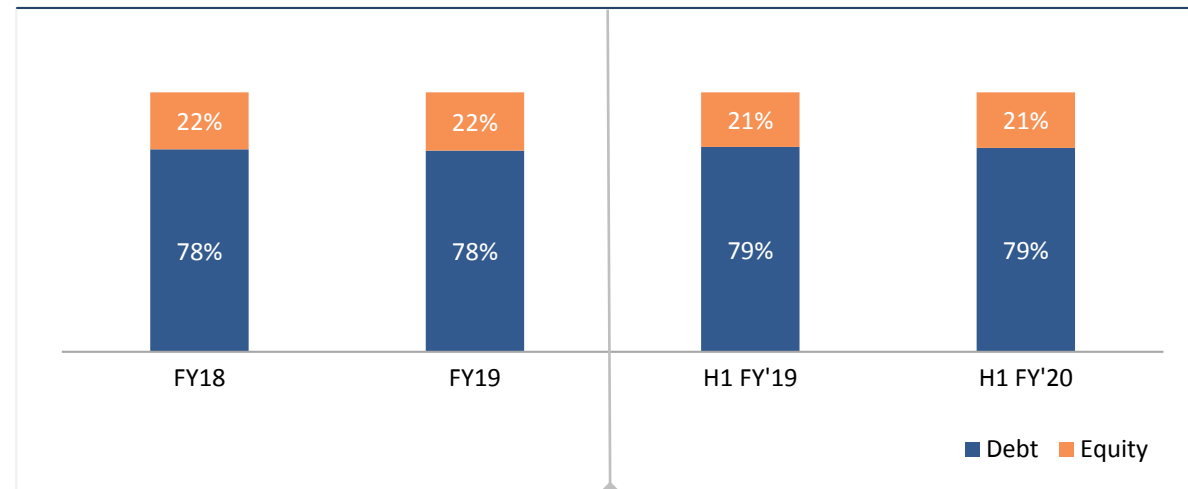
Max Life has consistently grown its Asset Under Management

Assets Under Management - MLI is the 4th largest manager of LI AUMs

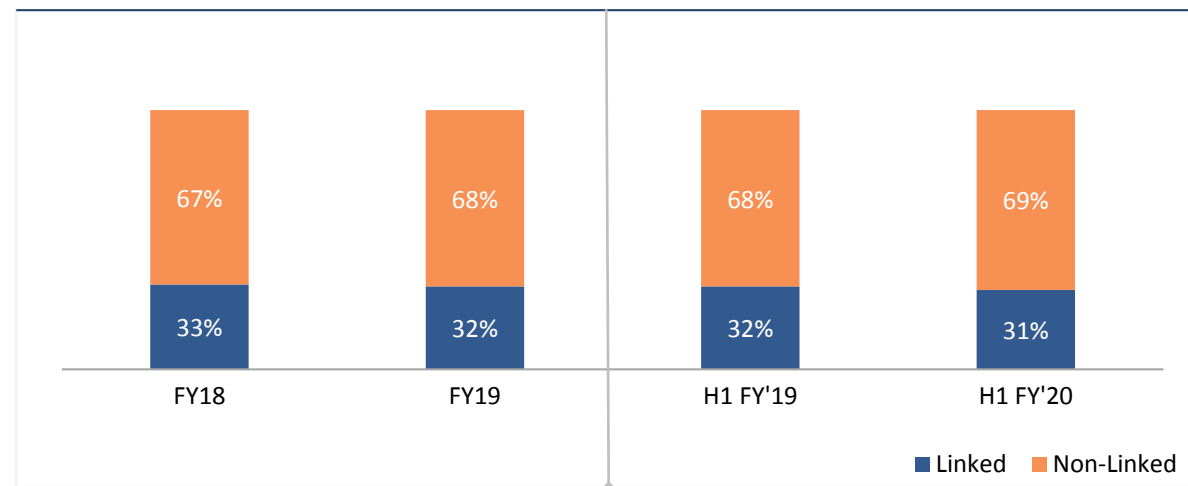


With PAR AUM at ~35,000 Cr. (Sep'19), Max Life has the highest PAR AUM in the private industry. ULIP's Debt : Equity share is 49:51

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

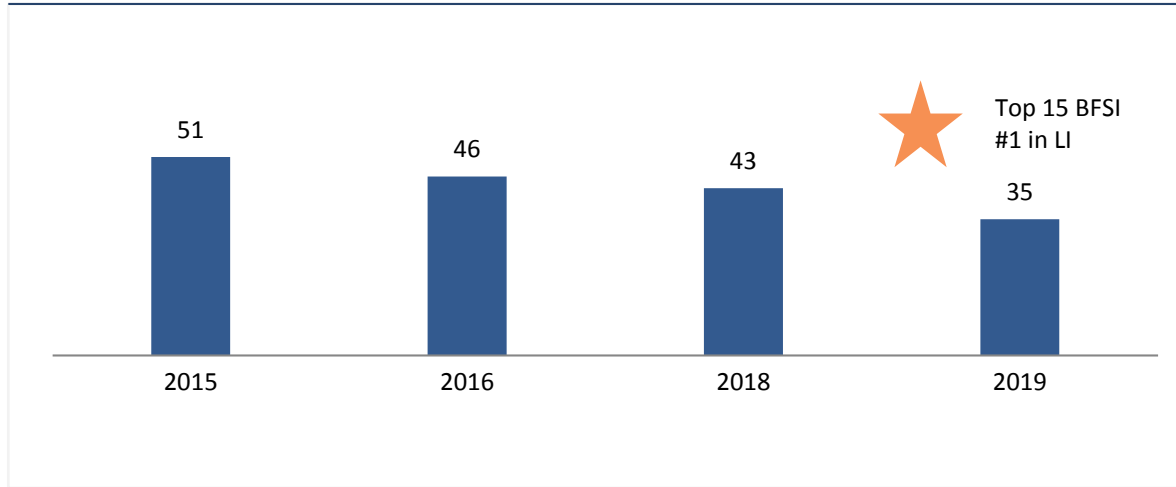


Fund Type (Linked vs Non-linked)

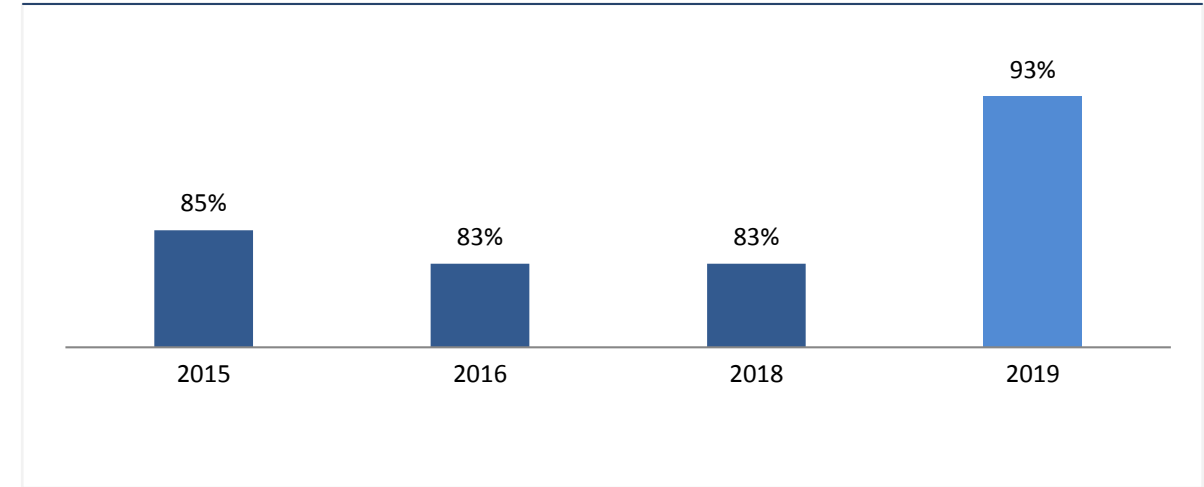


Unwavering focus on leadership strength and has a vintage employee pool, both of which are critical for success in long term businesses such as Life Insurance

Great Place to Work Survey - Only Life insurance Company amongst Top 100 India's best place to work for in 2019; rank improved since 2015

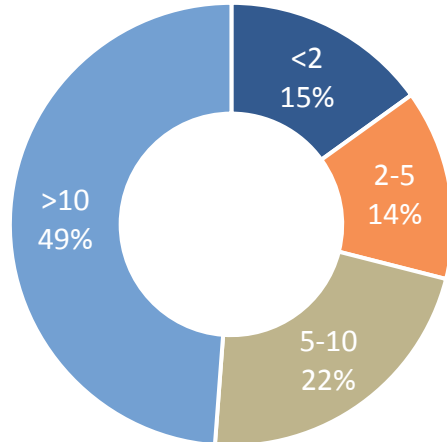


Employee Engagement[^] - Consistently amongst top decile

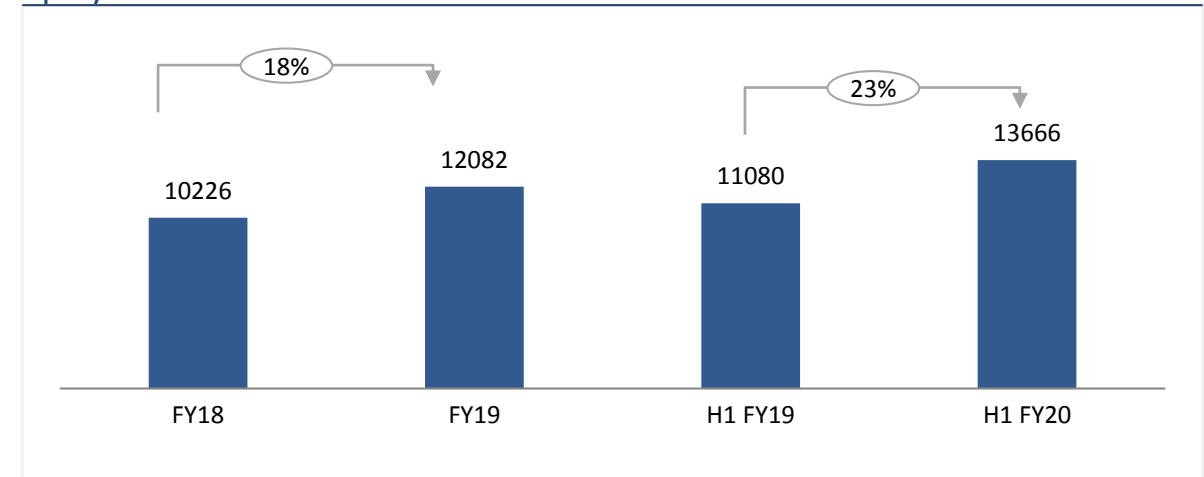


Leadership Experience - Almost half the leadership has been with the company for more than a decade*

Total leadership count is 252



Headcount - In line with the growth aspirations, headcount has been ramped up by 23% in H1 FY20



Max Life has been recognised by a number of Indian and foreign business bodies for its excellence in business, customer service and focus on people



Business Excellence



- Winner of **CII Industry Innovation Award**
- **Outlook Money Award** for Best Life Insurer
- Most Admired Brand By White Paper International
- Economic Times Best Brands 2016
- Golden Peacock award for Corporate Governance
- Silver Award at the ACEF 8th Global Customer Engagement Awards 2019 in the BTL Activities Category.



Leaders in Quality



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



Focus on People



- Ranked 35th – India's Best Companies to work for in 2019. Best in Insurance industry
- Top 20 BFSI companies to work for by Great Place to Work Institute
- India's Top 75 Workplaces for Women by Great Place to Work Institute
- Employee Engagement Leadership Award for "Best use of the Employee Award"
- Employee Engagement Leadership Award for "Best Social Responsibility"



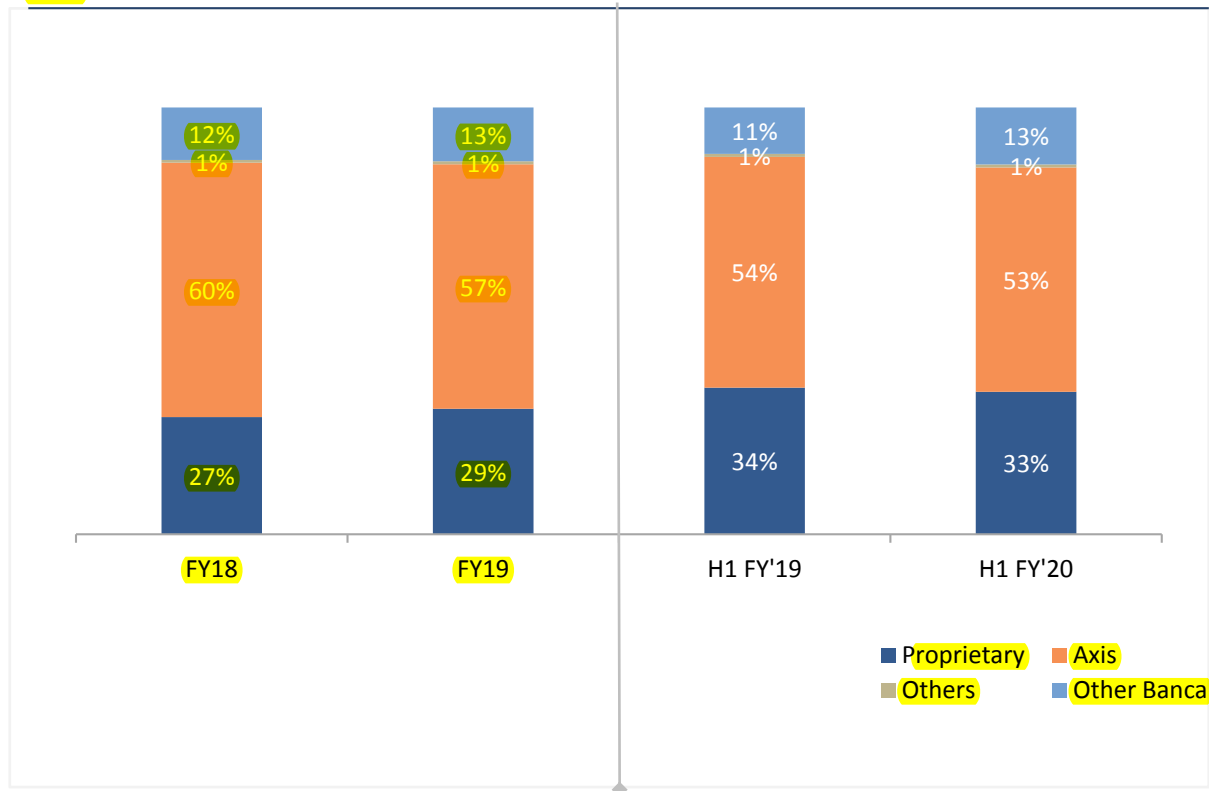
SECTION IV

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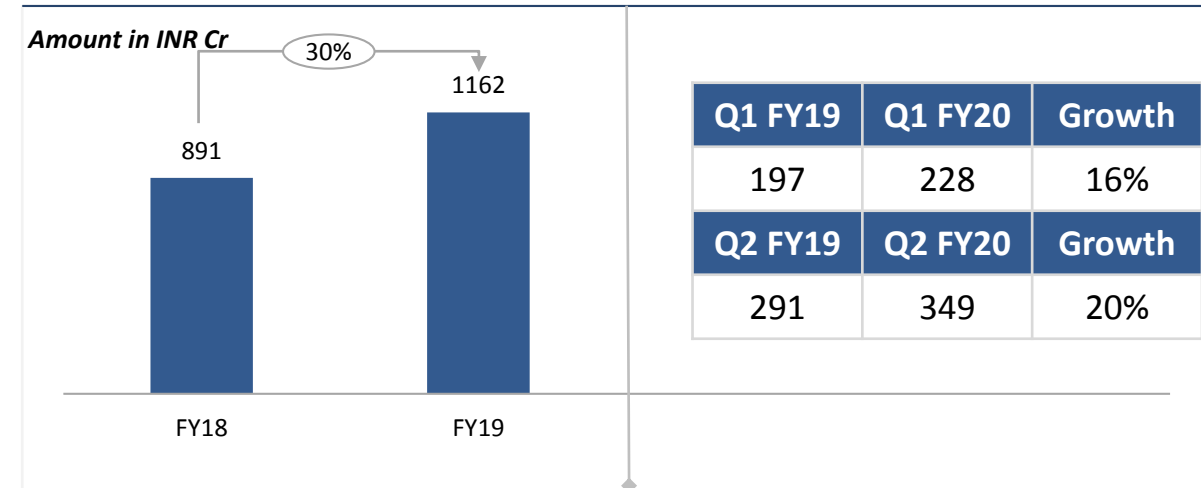
Max Life embarked on its journey of 25%+ VNB growth, 25% NBM and 25% ROEV aspirations by FY22. Key strategic elements to achieve the vision

A  Predictable & Sustainable growth	B  Product innovation to drive margins	C  Customer centricity across the value chain	D  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	#1 position in 13M and 61M persistency - 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
- Achieve 25%+ VNB growth rate - Increase share of proprietary channels sales to ~35% - Continue growing highly productive agents (premium >10 lakhs per annum) by 20%+ CAGR	- Achieve ~25% new business margin and consequently ~25% RoEV - Achieve protection penetration of 14%+ and NPAR savings penetration of 13%+	- Improve 13M persistency to 88%+ and 61M Persistency to 58%+ - Leaders in NPS in the sector	- Achieve 90%+ Insta-issuance - Self-service transactions to exceed 90%

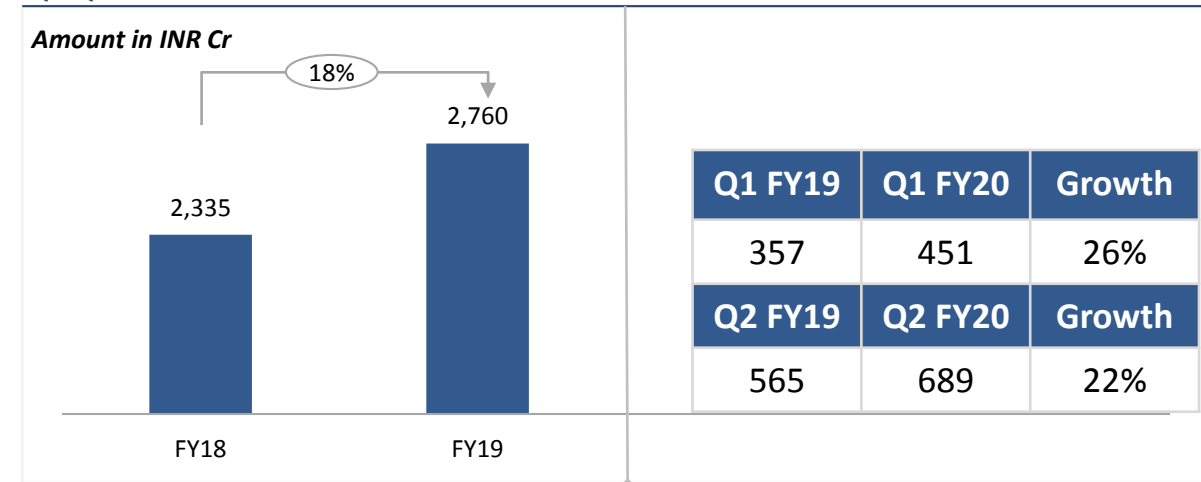
Channel Mix - Max Life has focused on maintaining a balanced distribution mix



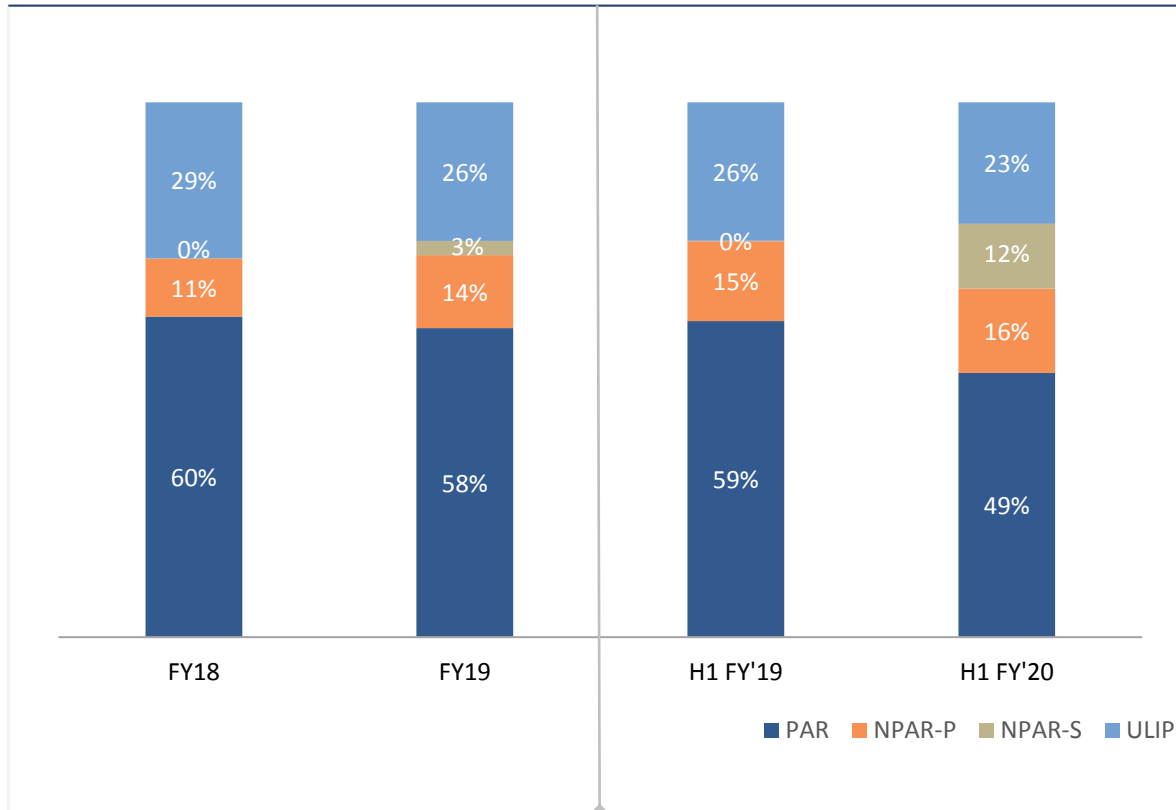
Proprietary Channels New Business (APE) – Higher sales growth in proprietary in Q2 as a result of agency restructuring.



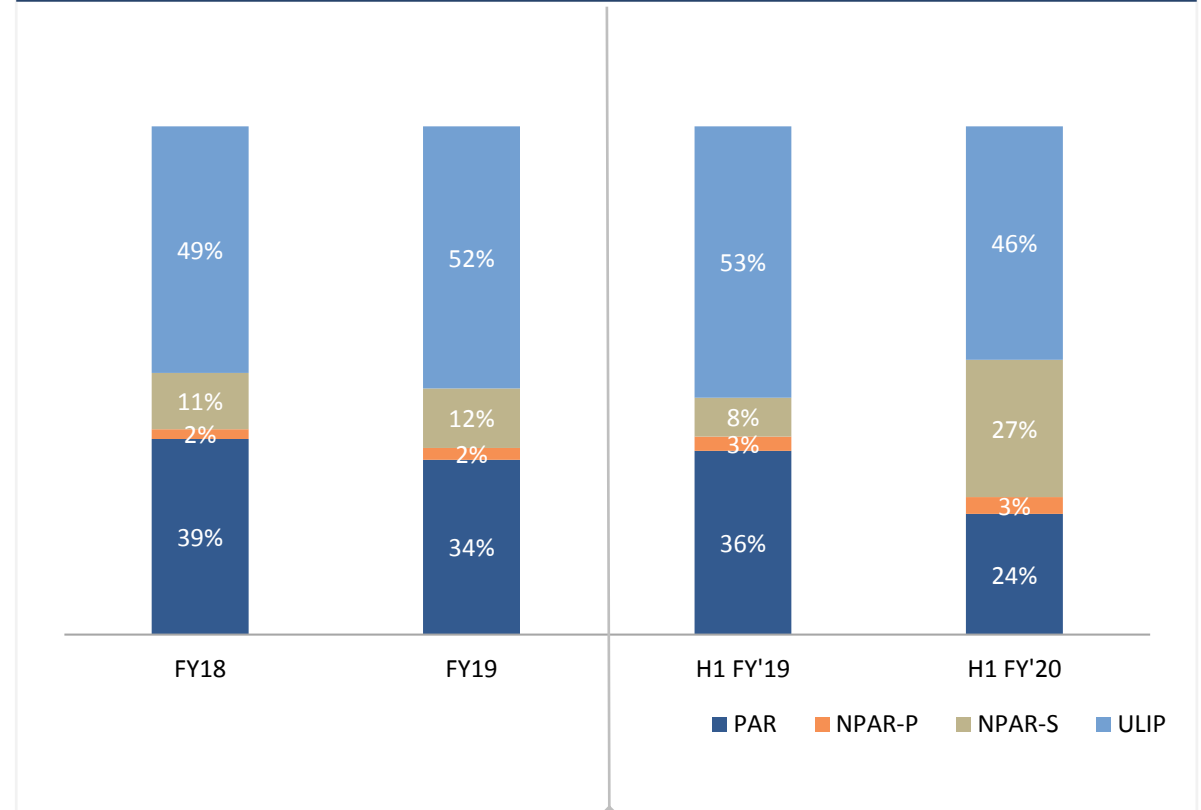
Bancassurance Channel (APE) – Maintaining around 20% growth in Banca QoQ



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

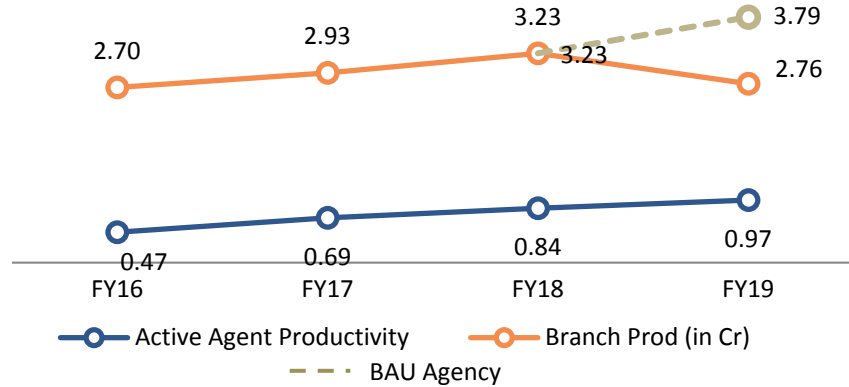


Bancassurance Product Mix – focused on increasing NPAR Savings to drive margins



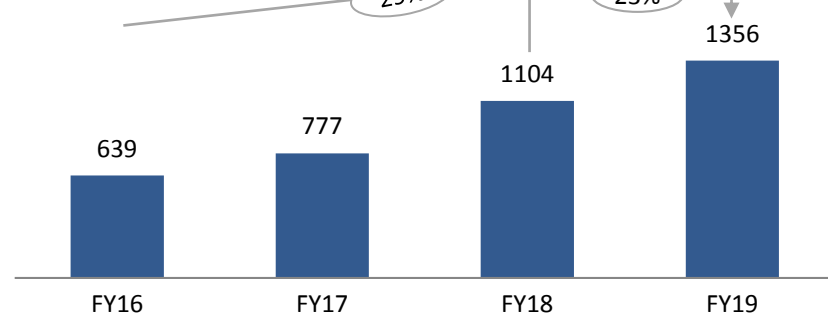
Active agent and branch productivity increasing year on year; dip in FY19 due to new offices

Active agent productivity in INR Lacs per month



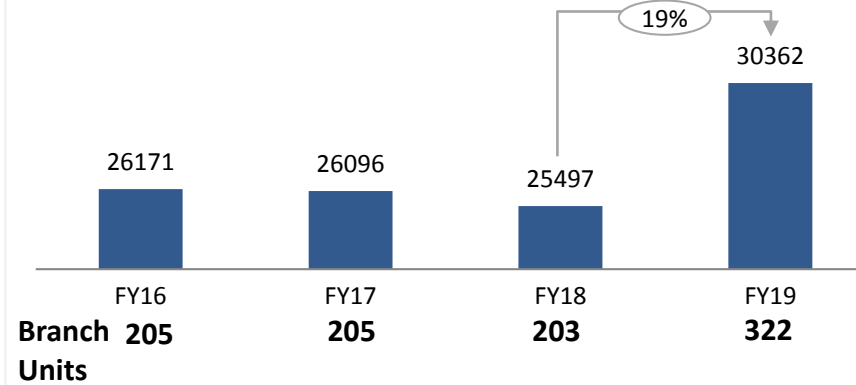
Consistent focus on increasing the number of agents doing business of more than INR 10 lacs per annum

Number of agents with greater than Rs 10 lacs annual business



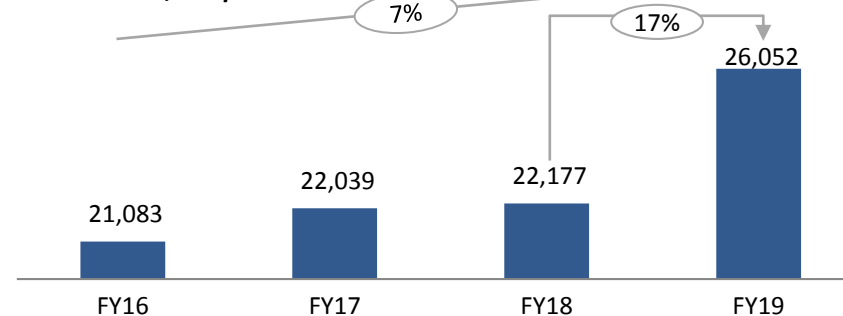
Recruitment increased sharply in FY19 to facilitate growth

Number of agents recruited



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

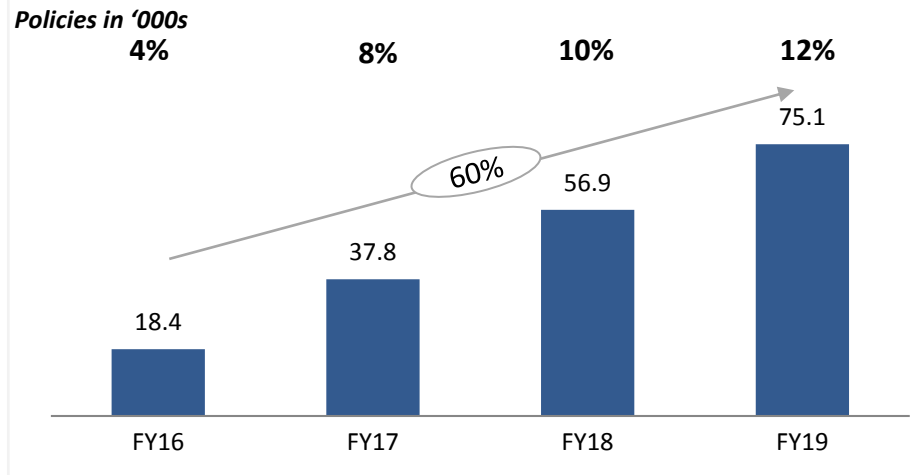
Number of agents doing business of more than Rs 50,000 per annum



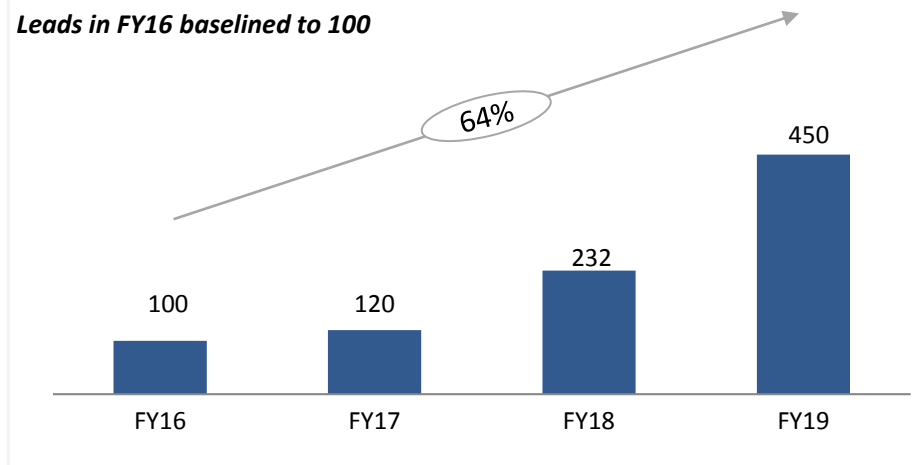
Focus for FY20 and beyond:

- **Make core productive** by focusing on increasing number of productive agents
- **Increase activity at the base**
- **Expand channel through:**
 - Tapping into Independent Financial Advisors ecosystem
 - Deploying a variable model
 - Target captive customer bases like defence personnel

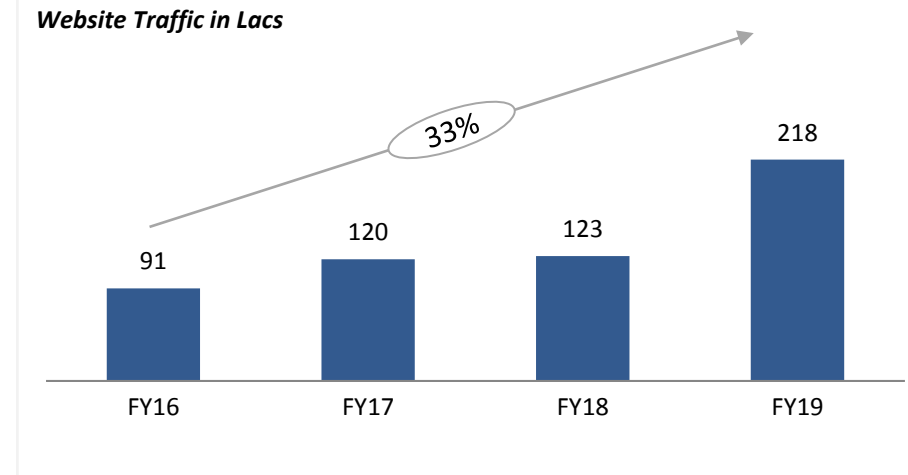
Policies - Contribution of policies from E-commerce channel have increased to 12% in FY19 from 4% in FY16



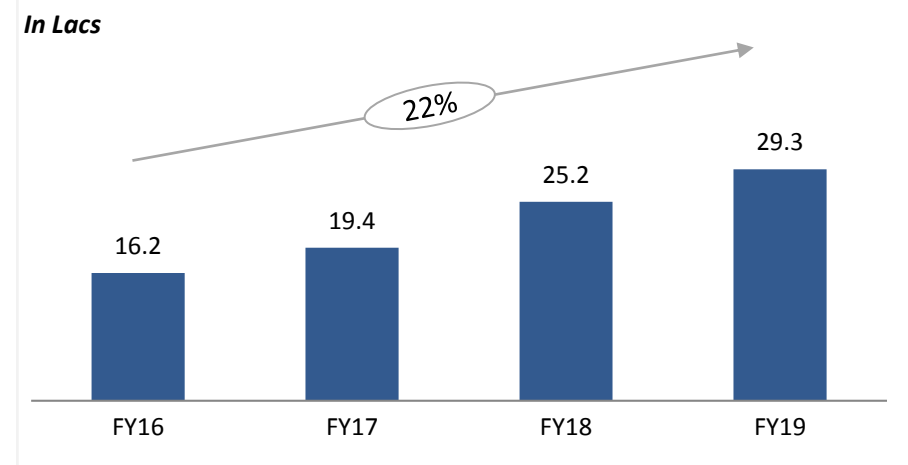
Online Leads - Due to deployment of technology smarts, leads have increased by ~350% in 4 years



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



Brand Search Queries - have increased significantly over the years

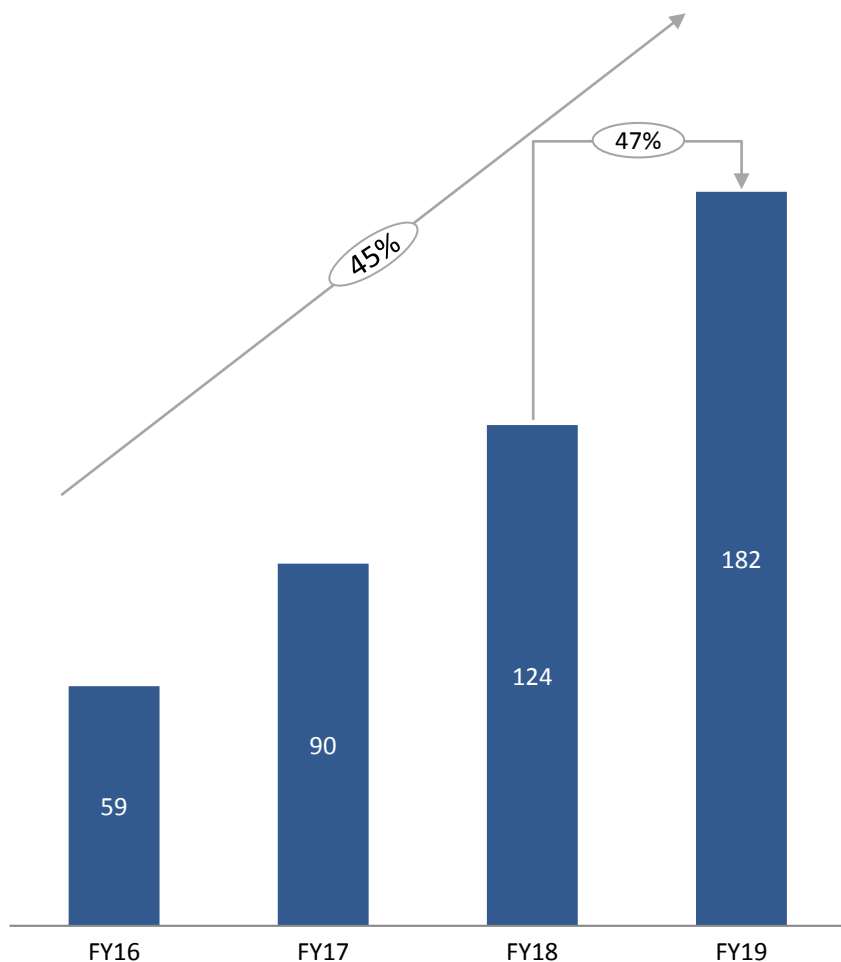


Focus for FY20 and beyond:

- **Leadership in Protection:** Maintain leadership protection in the online protection space
- **Continue investing in driving traffic towards digital assets and smarts for effective lead chase and closure**
- **Experiment with savings space:** Online unit linked product & Online journeys for traditional products

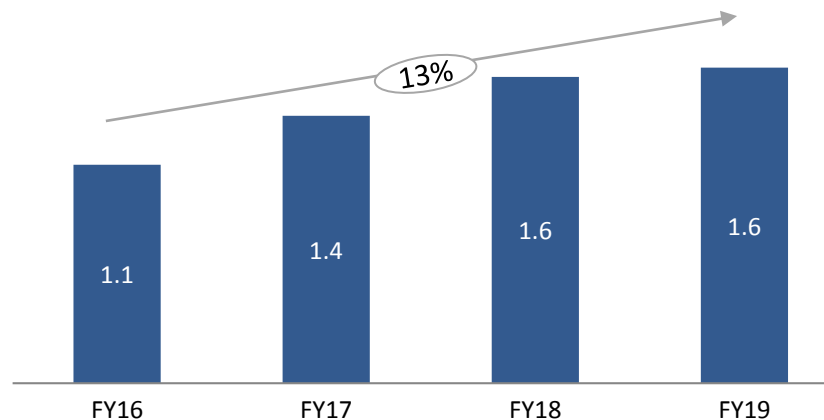
New Business Premium from direct channels

Amount in INR Cr



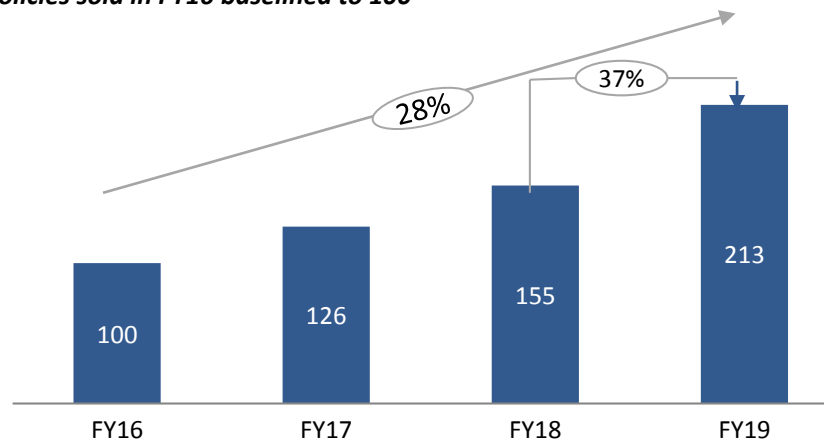
Frontline Productivity

Productivity in INR Lacs per month



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

Policies sold in FY16 baselined to 100

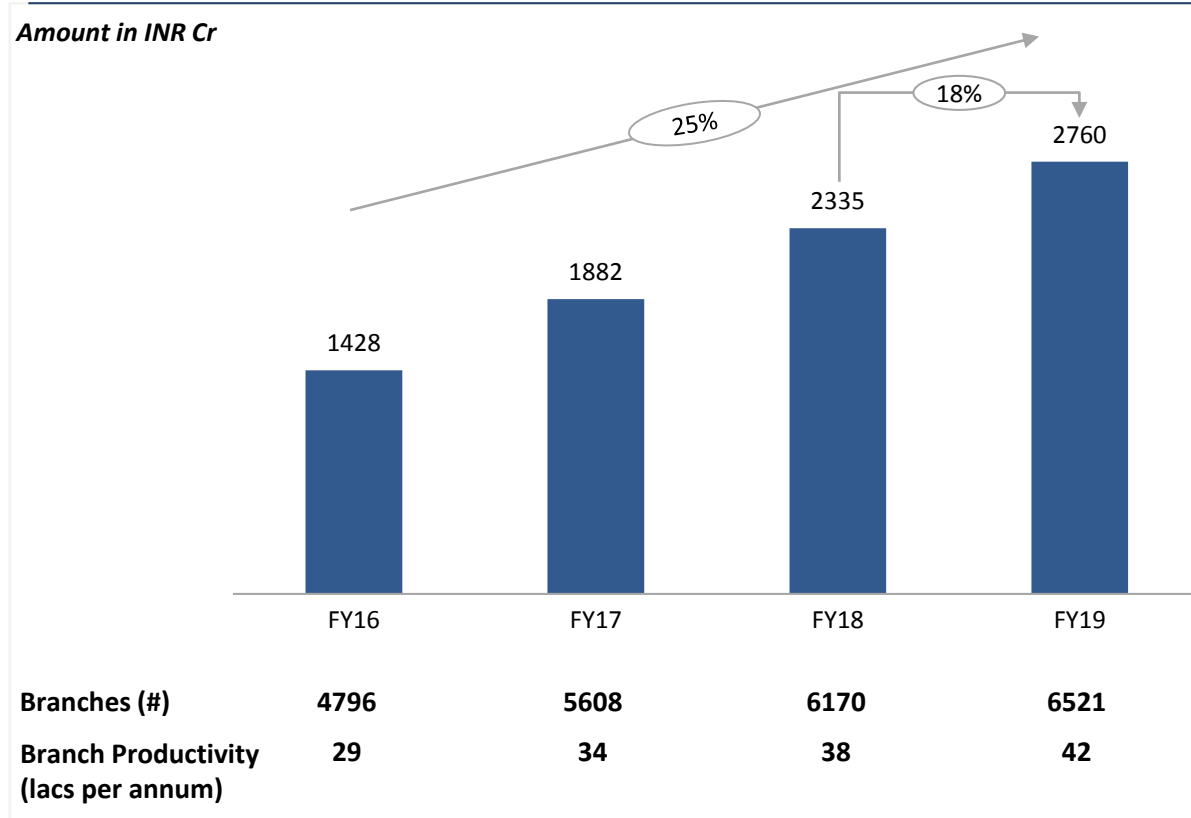


Focus for FY20 and beyond:

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

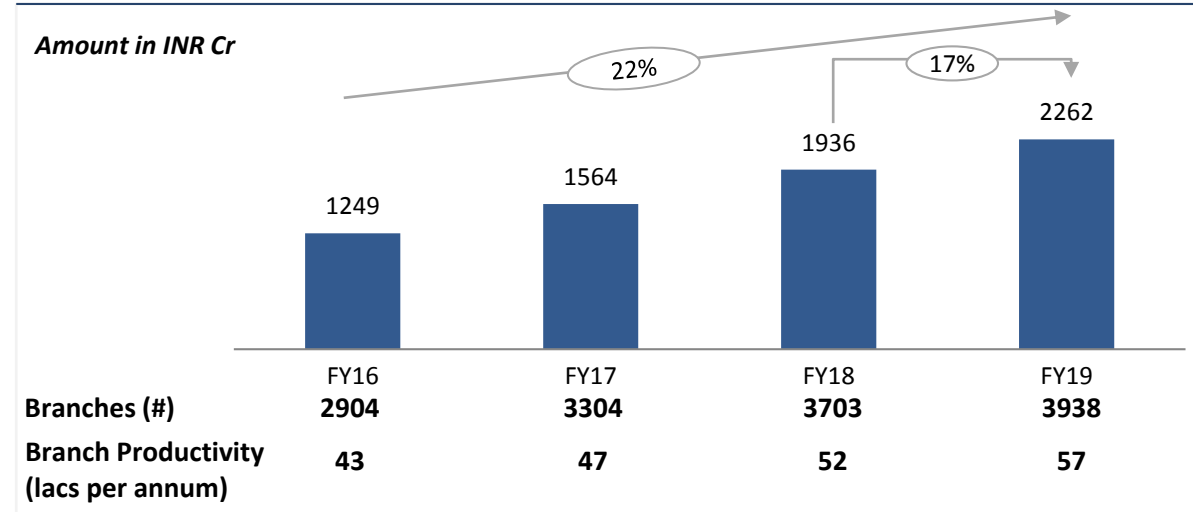
Banca channels have grown at CAGR of 26% while increasing branch productivity

Amount in INR Cr



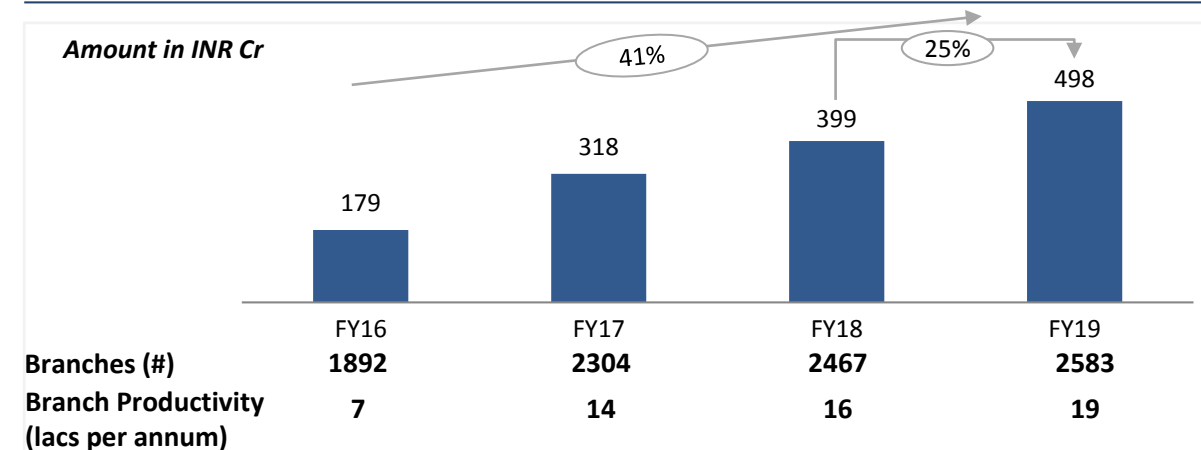
Axis Bank: New business (APE)

Amount in INR Cr



Other Bancassurance Partnerships: New Business (APE)

Amount in INR Cr





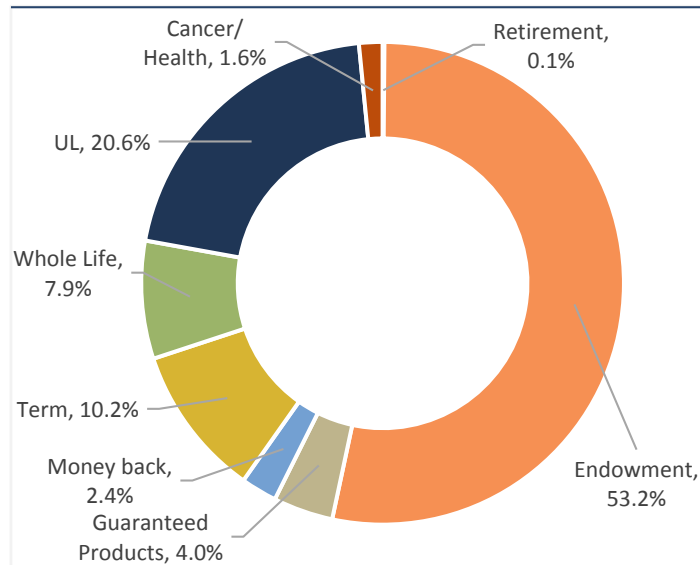
Max Life has a complete suite of products and focus is on selling longer term products along with improving penetration of pure protection offerings



Max Life has products across all categories

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

Current portfolio¹ biased towards traditional products

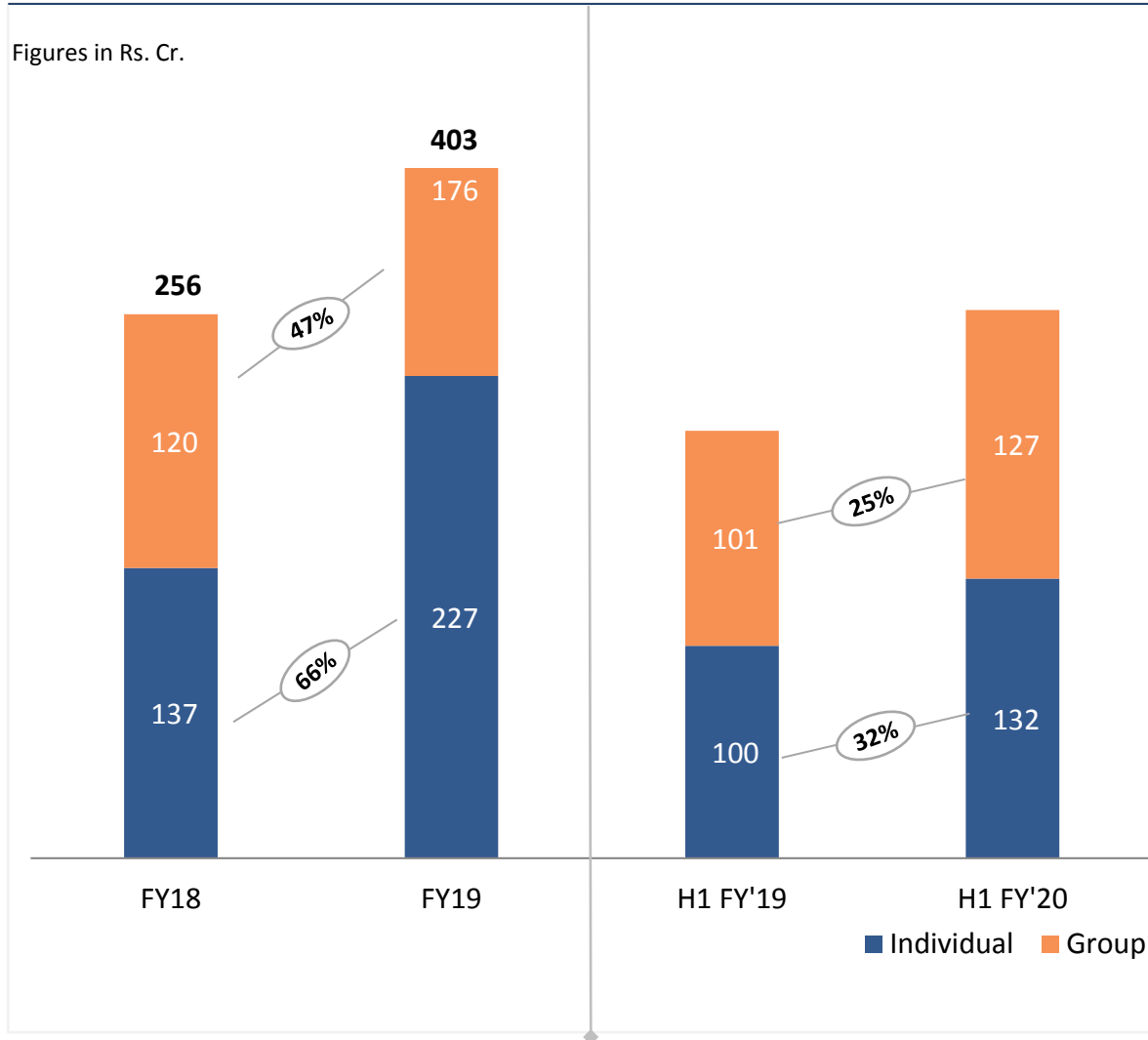


Product Type	Average Policyholder Age (Years)	Average Policy Term (Years)	Average PPT (Years)
Endowment	35	23	11
ULIP	38	14	10
Whole Life	36	64	51
Money back	28	17	16
Pure Term	35	35	34
Guaranteed products	43	19	9
Health	39	18	18
Cancer Insurance	38	29	29
Pension	34	22	22
Annuity	63	57	1
As on 30 th Sep 2019	36	25	16
	Average	Average	Average

(1) Based on all policies sold till date

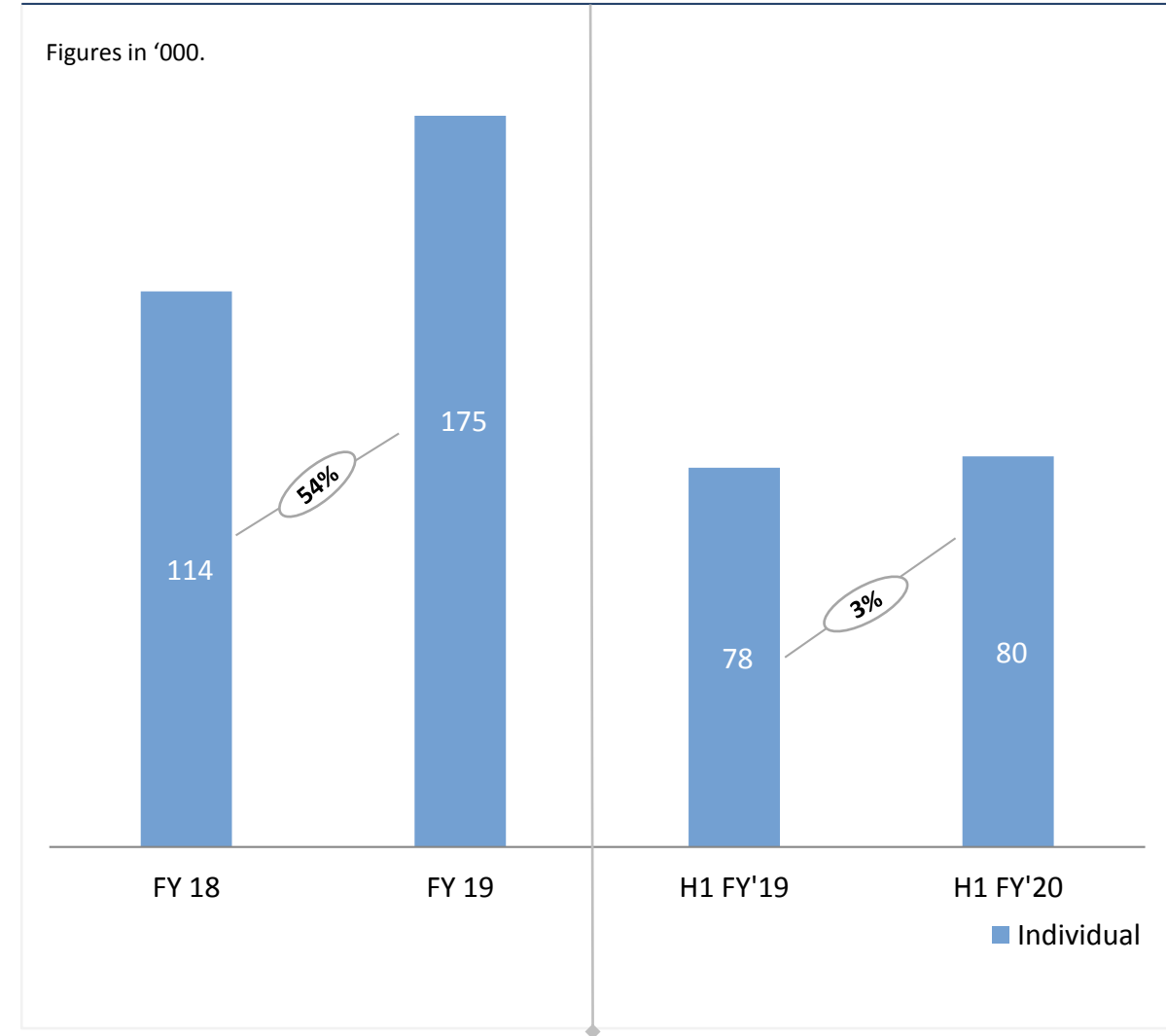
Total APE (Individual + Group)

Figures in Rs. Cr.



No of Protection Policies (Individual)- Lower NoP growth in H1 FY 20 due to introduction of limited pay term

Figures in '000.



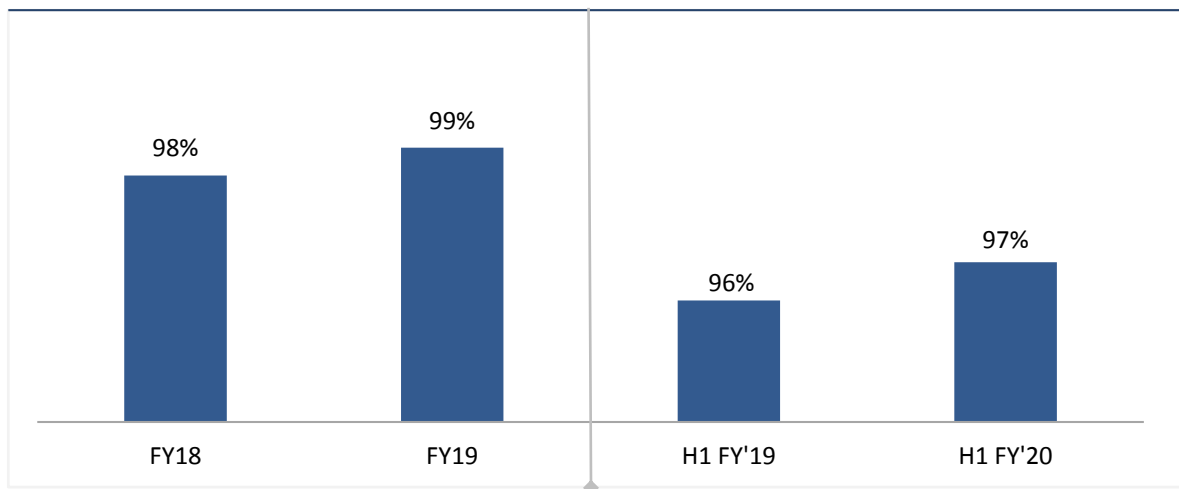


Strong focus towards customer measures has helped deliver superior performance across health parameters and will continue to remain an important priority

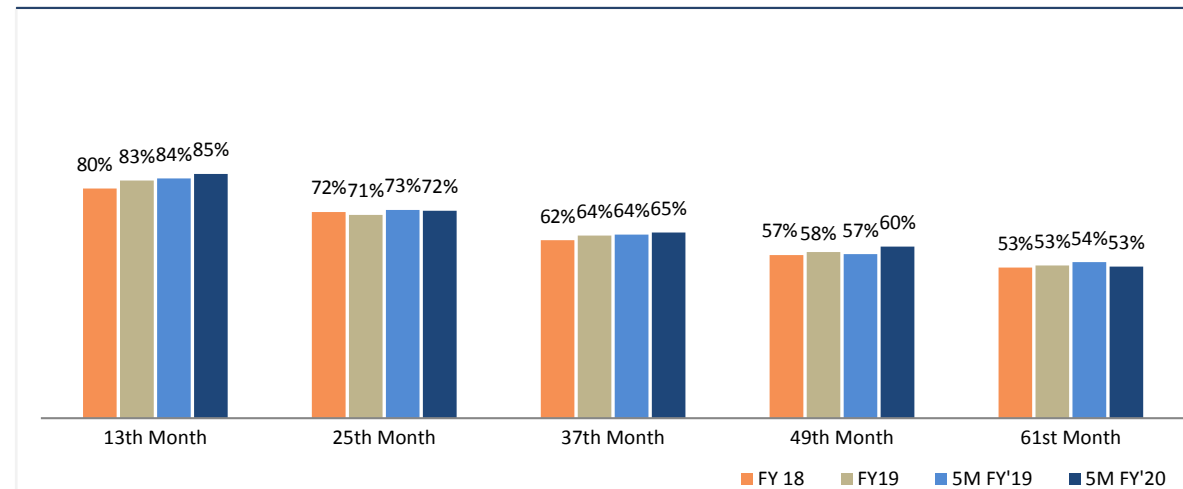
Conservation Ratio



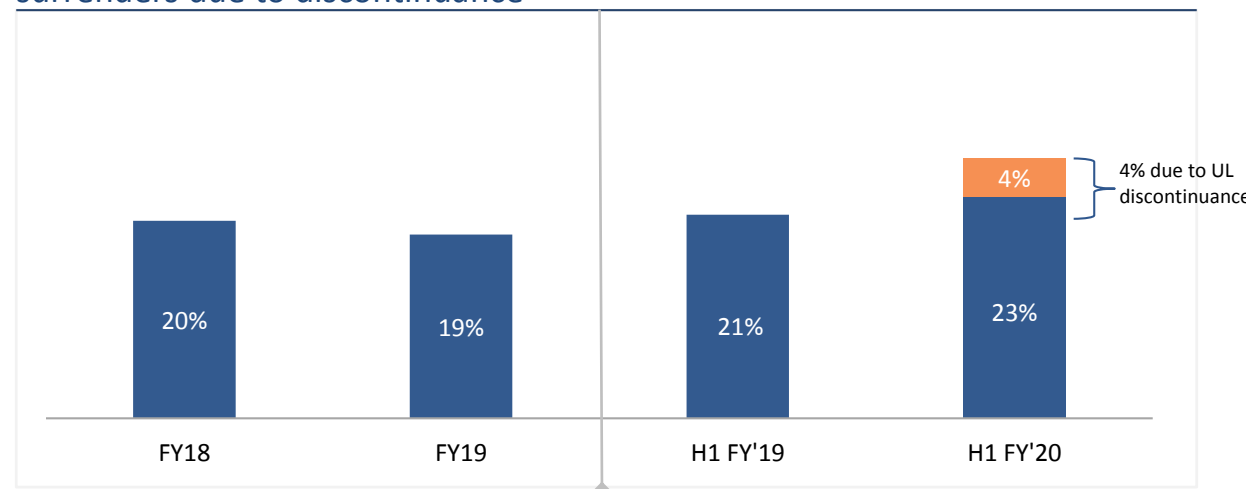
Claims Paid Ratio



Persistency[^]



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

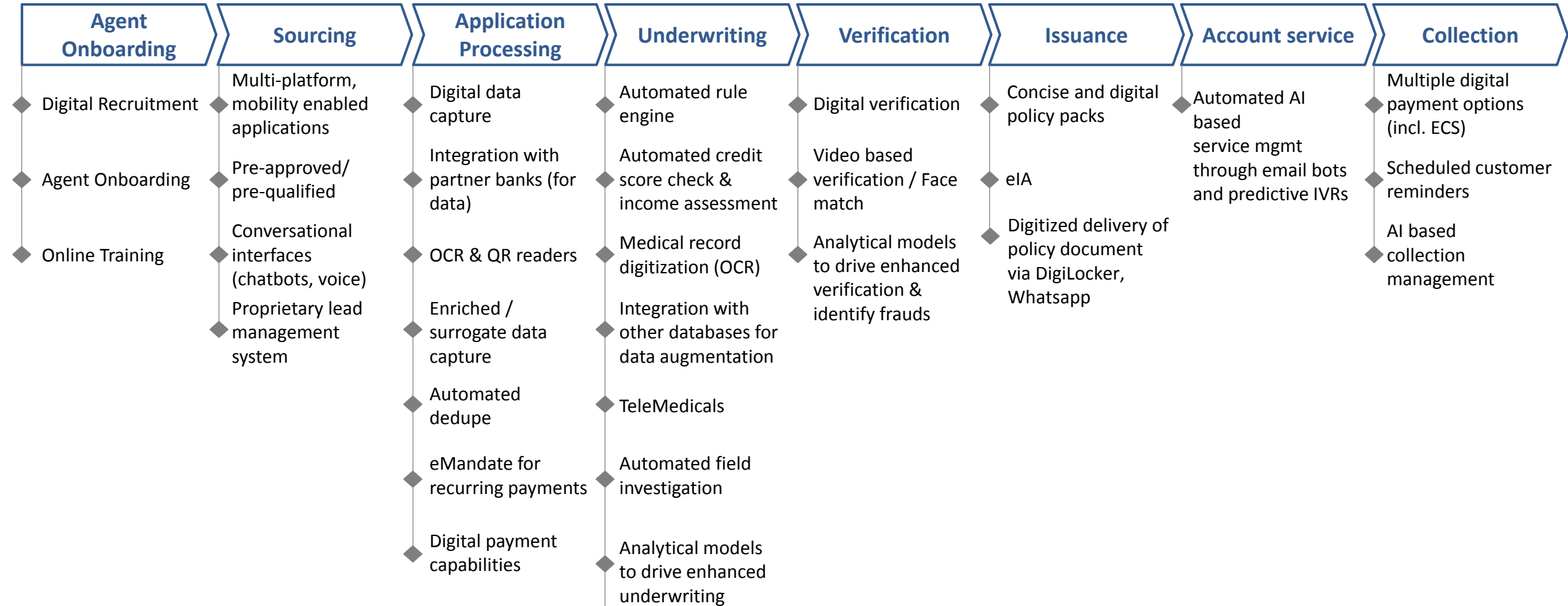


[^]Persistency disclosure is based on 5M FY20 and compared with 5M FY19 while for FY 19 and FY 18, persistency disclosure is for full 12 months



Significant elements of the value chain digitized, focus remains to leverage digitization & AI for augmenting efficiencies

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



On track to deliver 2-3x improvement in TATs across processes along with spend base rationalisation of 15-20%; All the above initiatives expected to go-live in FY 20



Digitization has led to a positive impact across number of key processes

	FY16	FY19
Agent Onboarding TAT ¹	~20 Days	~5 Days
Need Analysis	Paper based	Tool enabled
KYC	Paper based with TAT of 3 days	Paperless, instant verification
Form Filling	Physical	95% policies applied digitally
Online Policies Sold	4%	12%
Self servicing transactions	8 Lakhs (<20%)	32 Lakhs (~50%)
Insta-Issuance	Not Measured	54%
Fintech Partnerships	5	19

- **Mobility**, a key cornerstone; more than 15 key tools fully mobile enabled
- Increase in number of **digital tools** from **4 to 19** from FY16 to FY19
- **Integration** with credit bureaus, partner banks, OCR to reduce documentation and discrepancies
- Rule based **automated underwriting**
- **Plans Ahead:**
 - AI / ML algorithms proliferation across assets

1. TAT: turnaround time

Continue to invest in technology transformation agenda across 4 key dimensions

		Progress till FY19	FY22 Target
FLUID ARCHITECTURE		- All new customer & seller engagement applications built on cloud - Transition to modular applications for agility & flexibility API enablement to facilitate easier integration	- Migration to Open Source technology - All applications to be on cloud Omni-channel enterprise
BUY FOR EFFICIENCY, BUILD FOR DIFFERENTIATION		- Roadmap for applications to be developed in-house with seller facing applications being prioritised - Key business platforms migrated to off the shelf applications	- Migration of all identified processes to in-house applications - Phasing out of all proprietary business platforms to off the shelf packages
COGNITIVE ENTERPRISE		Cognitive web-chat Interfaces for customers - Deployment of analytical models for customer retention, propensity, risk assessment	AI enabled cognitive workflows across the value chain 360 degree view of customer - Open source based analytics architecture
MODERNIZING LEGACY		- API Management platform with multi-partner integration like Policy Bazaar, DocsApp (TeleMER) Digilocker etc. - More than 75% of business functionalities available as APIs	- Modernize all lines of business - Adapt critical legacy systems to provide partners with the facilities and services they require

In Summary, Max Life made significant progress in FY19 towards its journey of 25%+ VNB growth , ~25% NBM and ~25% ROEV aspirations by FY22

ASPIRATIONS FY22

FY19 ACHIEVEMENTS

A		B		C		D	
Predictable & Sustainable growth	Product innovation to drive margins	Customer centricity across the value chain	Digitization for efficiency and intelligence				
- Achieve 25%+ VNB growth rate - Increase share of proprietary channels sales to ~35% - Continue growing highly productive agents by 20%+ CAGR	- Achieve ~25% new business margin and consequently a ~25% RoEV - Achieve protection penetration of 14%+ and NPAR savings penetration of 13%+	- Improve 13M persistency to 88%+ and 61M Persistency to 58%+ - Leaders in NPS in the sector	- Achieve 90%+ Insta-issuance - Self-service transactions to exceed 90%				
- Achieved 22% growth, outperforming market by 1200 bps - Share of proprietary channel improved to 30% - Acquired 23 new relationships - Highly productive agents (premium >10 lakhs per annum) grew by 23%	- Achieved 21.7% NBMs and 21.9% of RoEV. 57% growth in protection business with protection penetration at 10% penetration improved by 200 bps - Individual Protection business grew by 66%	- Achieved #1 claim paid position in the Industry - Improved 13M Persistency to 83% and 61M Persistency stands at 53%	- Insta-issuance: 54% - Self service transactions: 50%				



SECTION IV

- ▶ Max Life Insurance – MCEV Disclosures: H1 FY'20
- 

Key Results

The Embedded Value¹ (EV) as at 30th September 2019 (post allowing for proposed interim shareholder dividend) is **Rs 9,745 Cr.** Before allowing for proposed interim shareholder dividend, the EV is **Rs 9,831 Cr.**

The annualized Operating Return on EV² (RoEV) over H1 FY20 is **18.3%**. Including non-operating variances, the RoEV is **21.0%**.

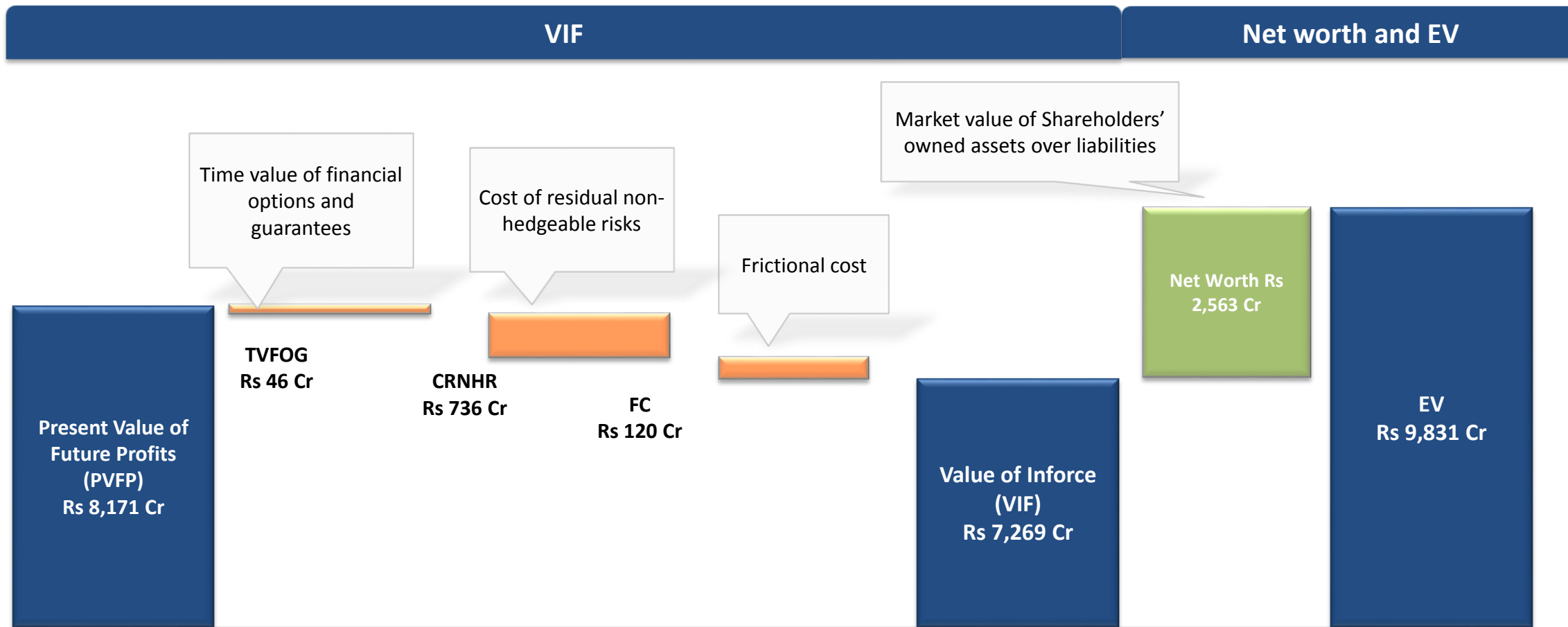
The New Business Margin (NBM) for H1 FY20 is **24.6%** (before allowing for acquisition operating cost overrun) and **21.0%** (post overrun). The Value of New Business (VNB) written over the period is **Rs 364 Cr** (post overrun), representing year on year growth of **25%**.

Notes:

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

² The Return on EV is calculated before capital movements during the year e.g. dividends.

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



1. The deductions for risks to arrive at the VIF represent a reduction of ~11% in the PVFP. The largest deduction is in respect of CRNHR.
2. Within CRNHR, persistency risk constitutes the largest risk component.

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

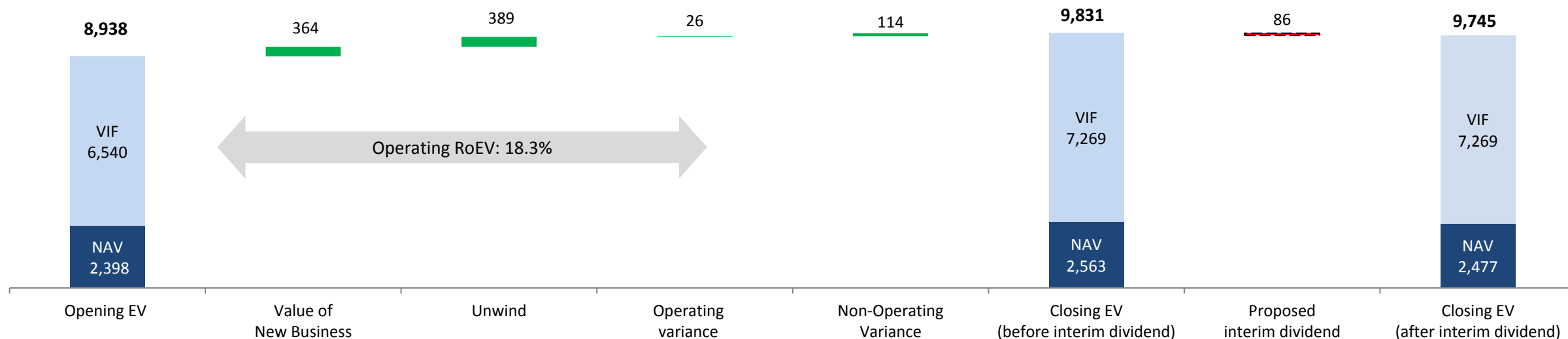
Description	H1 FY19	H1 FY20	Y-o-Y growth
APE ¹	1,420	1,730	22%
New Business Margin (NBM) (before cost overrun)	22.9%	24.6%	+170 bps
New Business Margin (NBM) (post cost overrun)	20.4%	21.0%	+60 bps
Value of New Business ² (VNB) (post cost overrun)	290	364	25%

- The New Business Margin (NBM) before cost overrun has increased by circa 170 bps to 24.6% for H1 FY20 compared to 22.9% for H1 FY19.
- The increase in margins is primarily driven by increase in proportion of non-par business.
- Post allowing for acquisition operating cost overrun chargeable to shareholders, the NBM reduces to 21.0%.

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 2019), using the beginning of quarters' risk free yield curve.

EV movement analysis: March 2019 to Sep 2019



- Operating return on EV of 18.3% is mainly driven by new business growth and unwind.
- Non-operating variances are mainly driven by positive variance as a result of use of lower cost of capital charge in estimating CRNHR and economic variances.
- The proposed interim shareholder dividend of Rs 86 Cr will be accounted post 30th September 2019. Post the payment of interim dividend, the closing EV will be Rs 9,745 Cr.

Sensitivity analysis as at 30th September 2019

Figures in Rs Cr.

Sensitivity	EV		New business	
	Value (Rs Cr)	% change	VNB (Rs Cr) NBM	% change
Base Case (before final SH dividends)	9,831	-	364 21.0%	-
Lapse/Surrender - 10% increase	9,691	(1%)	351 20.3%	(4%)
Lapse/Surrender - 10% decrease	9,979	2%	378 21.8%	4%
Mortality - 10% increase	9,677	(2%)	346 20.0%	(5%)
Mortality - 10% decrease	9,987	2%	382 22.1%	5%
Expenses - 10% increase	9,741	(1%)	338 19.5%	(7%)
Expenses - 10% decrease	9,923	1%	390 22.6%	7%
Risk free rates - 1% increase	9,690	(1%)	373 21.6%	3%
Risk free rates - 1% reduction	9,903	1%	334 19.3%	(8%)
Equity values - 10% immediate rise	9,905	1%	364 21.0%	Negligible
Equity values - 10% immediate fall	9,648	(1%)	364 21.0%	Negligible
Corporate tax Rate - 2% increase	9,651	(2%)	353 20.4%	(3%)
Corporate tax Rate - 2% decrease	10,012	2%	375 21.6%	3%
Corporate tax rate increased to 25%	8,611	(12%)	293 16.9%	(20%)

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



ANNEXURES



Market consistent methodology

- The EV and VNB have been determined using a market consistent methodology which differs from the traditional EV approach in respect of the way in which allowance for the risks in the business is made.¹
- For the market consistent methodology, an explicit allowance for the risks is made through the estimation of the Time Value of Financial Options and Guarantees (TVFOG), Cost of Residual Non-Hedgeable Risks (CRNHR) and Frictional Cost (FC) whereas for the traditional EV approach, the allowance for the risk is made through the Risk Discount Rate (RDR).

Components of EV

The EV is calculated to be the sum of:

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

Covered Business

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

¹ The EV as at March 2015 was reviewed by external consultant (Milliman) and their opinion was shared along with the disclosure at March 2015. This disclosure follows the same methodology.

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.

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

Frictional Cost (FC)

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

Economic Assumptions

- The EV is calculated using risk free (government bond) spot rate yield curve taken from FBIL¹ as at 30th September 2019. The VNB is calculated using the beginning of respective quarter's risk free yield curve (i.e. 31st March 2019, 30th June 2019 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 2019 and 31st March 2019 spot rate yield curves used are:

Year	1	2	3	4	5	10	15	20	25	30
Sep 19	5.72%	5.89%	6.09%	6.38%	6.59%	6.96%	7.26%	7.40%	7.30%	7.09%
Mar 19	6.43%	6.56%	6.66%	6.87%	6.99%	7.40%	7.83%	7.78%	7.73%	7.72%
Change	-0.70%	-0.66%	-0.57%	-0.49%	-0.40%	-0.44%	-0.57%	-0.38%	-0.43%	-0.64%

Demographic Assumptions

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

- Assumptions are based on last one year experience and expectations of future experience given the likely impact of current and proposed management actions on such assumptions.
- Aims to avoid arbitrary changes, discontinuities and volatility where it can be justified.
- Aims to exclude the impacts of non-recurring factors.

¹ Financial Benchmark India Pvt. Ltd.

Expense and Inflation

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

Tax

- The corporate tax rate is the effective tax rate post allowing for tax exemption on dividend income for life business and nil for pension business.
- For participating business, the transfers to shareholders resulting from surplus distribution are not taxed as tax is assumed to be deducted before surplus is distributed to policyholders and shareholders.
- Goods and Service tax is assumed to be 18%.
- The mark to market adjustments are also adjusted for tax.

Financial Performance Summary FY19

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

Figures in [brackets] are for previous year numbers # VNB and Margins are post adjustment for effective tax rate

*Embedded Value is pre-dividend, Growth on Embedded value is operating RoEV, **Group protection (incl. Group credit life adjusted for 10% for single premium and term business);

Financial Performance Summary H1 FY'20

Pvt Market Share 9.3% [8.8%] 51 bps ↑	Individual APE Rs 1,730 Cr [Rs 1,420 Cr] 22% ↑	Gross Written Premium Rs 6,432 Cr [Rs 5,619 Cr] 14% ↑	AUM Rs 65,425 Cr [Rs 56,070 Cr] 17% ↑
Profit Before tax Rs 170 Cr [Rs 276 Cr] 39% ↓	Net Worth Rs 2,563 Cr [Rs 2,633 Cr] 3% ↓	Policyholder Expense to GWP Ratio 16.7% [14.7%] >100 bps ↑	Policyholder Cost to GWP Ratio 23.0% [21.3%] >100 bps ↑
New Business Margins Structural Actual 24.6% 21.0%# [22.9%] [20.4%] 60 bps ↑	RoEV 18.3% [18.5%] 20 bps ↓	Embedded Value* 9,831 [8,034] 18.3% ↑	13th Month Persistency 85% [84%] >100 bps ↑
VNB 364# [290] 25% ↑	Policies Sold ('000) 265 [258] 3% ↑	Claim Settlement Ratio 96.8% [96.1%] 70 bps ↑	Protection Mix** Individual Group Total 7% 7% 14% [7%] [7%] [13%] 60 bps ↑

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

*Growth on Embedded value is operating RoEV, **Group protection (incl. Group credit life adjusted for 10% for single premium and term business);

Delivering consistent growth in top line and investing for future growth

Financial Performance

➤ Individual APE

➤ Renewal Premium

➤ Gross Premium

➤ Policyholder expense to GWP Ratio

➤ Policyholder Cost to GWP Ratio

➤ Expense to average AUM (Policyholder)

FY18		FY19		H1 FY'19		H1 FY'20
3,217	22% ↑	3,917		1,405	22% ↑	1,717
8,152	15% ↑	9,415		3,711	12% ↑	4,141
12,501	17% ↑	14,575		5,619	14% ↑	6,432
12.9%	34 bps ↑	13.2%		14.7%	193 bps ↑	16.7%
20.0%	↔	20.0%		21.3%	174 bps ↑	23.0%
3.6%	↔	3.6%		3.5%	29 bps ↑	3.8%

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

Financial Performance

- Profit(before Tax)
- AUM
- New Business Margin (Post Overrun)
- MCEV (pre dividend)^
- Operating RoEV
- Solvency Ratio

	FY18		FY19		H1 FY'19		H1 FY'20
Profit(before Tax)	615	↑ 1%	623		276	↓ -39%	170
AUM	52,237	↑ 20%	62,798		56,070	↑ 17%	65,425
New Business Margin (Post Overrun)	20.2%	↑ 150 bps	21.7%		20.4%	↑ 60 bps	21.0%
MCEV (pre dividend)^	7,706	↑ 22%	9,257		8,034	↑ 18%	9,831
Operating RoEV	20.6%	↑ 130 bps	21.9%		18.5%	↓ 20 bps	18.3%
Solvency Ratio	275%	↓ 33%	242%		246%	↓ 22%	224%

Figures in Rs. Cr.

^Arrow represents growth in Operating RoEV

Performance update- Q4'FY19 and FY19

Key Business Drivers	Unit	Quarter Ended		Q-o-Q Growth	Year Ended		Y-o-Y Growth
		Mar'18	Mar'19		FY18	FY19	
a) Individual Adj FYP	Rs. Crore	1,339	1,634	22%	3,215	3,880	21%
b) Gross written premium income	Rs. Crore	4,648	5,521	19%	12,501	14,575	17%
First year premium		1,339	1,631	22%	3,192	3,873	21%
Renewal premium		2,938	3,459	18%	8,152	9,415	15%
Single premium		372	431	16%	1,157	1,287	11%
c) Shareholder Profit (Pre Tax)	Rs. Crore	225	247	10%	615	623	1%
d) Policy Holder Expense to Gross Premium	%	9.8%	11.2%	139 bps	12.9%	13.2%	34 bps
e) Conservation ratio	%	91.4%	86.6%	-482bps	89.6%	88.6%	-102 bps
f) Average case size(Agency)	Rs.	60,053	57,873	-4%	55,495	56,007	1%
g) Share Capital	Rs. Crore				1,919	1,919	0%
h) Individual Policies in force	No. Lacs				40.85	43.20	6%
i) Sum insured in force	Rs. Crore				511,541	703,972	38%
j) Grievance Ratio	Per Ten thousand				93	59	NA

Performance update- Q2'FY20 and H1'FY20

Key Business Drivers	Unit	Quarter Ended		Q-o-Q Growth	Period Ended		Y-o-Y Growth
		Sep'18	Sep'19		Sep'18	Sep'19	
a) Individual APE	Rs. Crore	853	1,038	22%	1,405	1,717	22%
b) Gross written premium income	Rs. Crore	3,299	3,781	15%	5,619	6,432	14%
First year premium		846	1,053	24%	1,382	1,699	23%
Renewal premium		2,157	2,401	11%	3,711	4,141	12%
Single premium		296	328	11%	526	592	13%
c) Shareholder Profit (Pre Tax)*	Rs. Crore	185	93	-50%	276	170	-39%
d) Policy Holder Expense to Gross Premium	%	9.8%	11.2%	-139 bps	14.7%	16.7%	-193 bps
e) Conservation ratio	%	90.9%	86.8%	-406 bps	90.9%	88.5%	-242 bps
f) Average case size(Agency)	Rs.	53,322	69,772	31%	54,482	65,106	20%
g) Share Capital	Rs. Crore				1,919	1,919	0%
h) Individual Policies in force	No. Lacs				41.50	43.04	4%
i) Sum insured in force	Rs. Crore				616,528	8,25,875	34%
j) Grievance Ratio	Per Ten thousand				72	65	

* Profit before tax is lower compared to previous year due to increase in NPAR savings business from 5% in H1 FY19 to 20% in H1 FY20 and investments in future growth

