ICICI PRUDENTIAL LIFE INSURANCE

January 23, 2019

General Manager
Listing Department
BSE Limited,
Phiroze Jeejeebhoy Tower,
Dalal Street,
Mumbai 400 001

Vice President
Listing Department
National Stock Exchange of India Limited
'Exchange Plaza',
Bandra-Kurla Complex,
Bandra (East), Mumbai 400 051

Dear Sir/Madam,

Subject: Earnings call

This is in furtherance to our Letter dated January 18, 2019 on the captioned subject.

Please find enclosed the business presentation and opening remarks for the earnings call held on January 22, 2019 to discuss the performance of the Company for nine months period ended December 31, 2018.

The same has also been uploaded on the Company's website and can be accessed at https://www.iciciprulife.com/about-us/investor-relations.html

Thanking you.

Yours sincerely,

For ICICI Prudential Life Insurance Company Limited

VVManek

Vyoma Manek
Company Secretary
ACS 20384

Encl.: As above

Performance update: 9M-FY2019

January 22, 2019

Agenda

- Company strategy and performance
- Opportunity
- Industry overview

Agenda

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

Strategic elements

Customer centricity continues to be at the core

Strategic elements (1/4)

Premium growth

- Focus on retail for long term sustainability
- Diversification of distribution
- Customer centric products
- Unmatched on-boarding experience

- APE[1] declined by 4.2% in 9M-FY2019
  - Q3-FY2019 APE declined by 2.1%
- Market share of 10.8%[2] for 9M-FY2019

1. Annualized premium equivalent
2. Retail weighted received premium (RWRP) basis,

Source: Life Insurance Council

Premium growth

₹ billion	H1-FY2018	H1-FY2019	Oct-FY2019	Nov-FY2019	Dec-FY2019	9M-FY2018	9M-FY2019
APE	35.74	33.81	5.09	6.87	7.66	55.79	53.43
YoY growth	36.8%	(5.4%)	(11.8%)	0.3%	3.0%	25.1%	(4.2%)
RWRP	34.42	31.48	4.69	5.11	6.88	54.01	48.15
YoY growth	38.8%	(8.5%)	(17.2%)	(23.9%)	(4.7%)	26.3%	(10.8%)

Strategic elements (2/4)

Protection focus

- Meeting the needs of both income replacement and liability cover
- Comprehensive suite of products
- New partnerships
- Leveraging technology for risk calibrated superior underwriting

9M-FY2019 update:

- Protection APE growth of 100.4%
- Growth across all segments of protection

Partnered with CNBC-TV18: “Mission Insure India” campaign

ICICI PRUDENTIAL LIFE INSURANCE

Strategic elements (3/4)

Persistency

- Drive renewal premium with the same rigor as new business
- Offer convenience of multiple payment options
- The single most important indicator of business quality

9M-FY2019 update:

- Total premium growth of 13.2%
- Retail renewal premium growth of 18.5%
- Decline in 13th month persistency; improvement in other durations
- Retail linked surrenders reduced by 30.3%

ICICI PRUDENTIAL LIFE INSURANCE

Strategic elements (4/4)

Productivity

- Leverage technology for process re-engineering and drive productivity
- Tablet as a virtual office
- Derive value from every rupee spent

9M-FY2019 update:

- Cost/TWRP (savings LOB) at 12.0%

- Technology initiative
  - First life insurance company to have verified business account on Whatsapp
  - AI[1] powered OCR[2] for instant classification and verification of documents

ICICI PRUDENTIAL LIFE INSURANCE

1. Artificial Intelligence
2. Optical Character Reader

VNB growth

₹ billion	FY2017	FY2018	9M-FY2018	9M-FY2019
Value of New Business (VNB)[1]	6.66	12.86	7.67	9.10
VNB margin	10.1%	16.5%	13.7%	17.0%
VNB growth	61.7%	93.1%	82.2%	18.6%

ICICI PRUDENTIAL LIFE INSURANCE

1. For full year, based on actual cost; 9M: based on management forecast of full year cost

Outlook

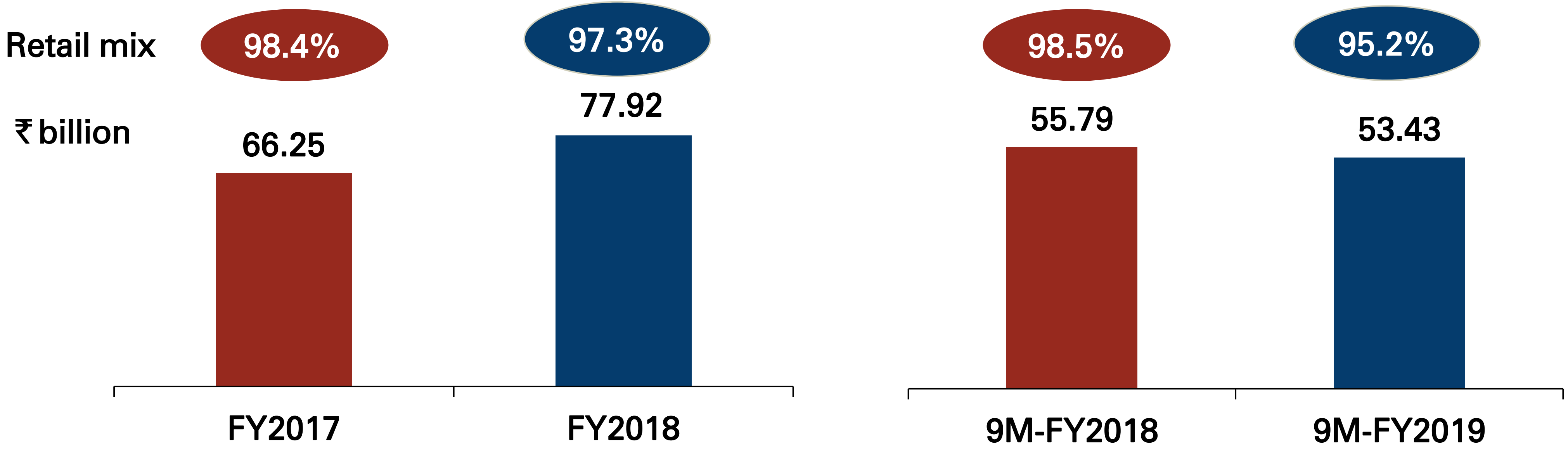
Premium growth	• Strong growth potential for industry • Savings premium growth expected to be higher than nominal GDP growth
Protection	• Protection business can grow at a higher rate than savings
Persistency	• Continued improvement in persistency and quality parameters
Productivity	• Productivity improvement through digital initiatives

ICICI PRUDENTIAL LIFE INSURANCE

Strategic elements

Customer centricity continues to be at the core

Premium growth[1]



Market share (RWRP)	FY2018	9M-FY2019
Total industry	11.8%	10.8%
Private sector	20.9%	18.7%

- APE declined by 2.1% for Q3-FY2019
- Retail AUM at 89.3% of total AUM[2]

ICICI PRUDENTIAL LIFE INSURANCE

1. Based on APE
2. At December 31, 2018

Premium growth

₹ billion	H1-FY2018	H1-FY2019	Oct-FY2019	Nov-FY2019	Dec-FY2019	9M-FY2018	9M-FY2019
APE	35.74	33.81	5.09	6.87	7.66	55.79	53.43
YoY growth	36.8%	(5.4%)	(11.8%)	0.3%	3.0%	25.1%	(4.2%)
RWRP	34.42	31.48	4.69	5.11	6.88	54.01	48.15
YoY growth	38.8%	(8.5%)	(17.2%)	(23.9%)	(4.7%)	26.3%	(10.8%)

Customer centric products

₹ billion	FY2017	FY2018	9M-FY2018	9M-FY2019
Savings	**63.64**	**73.45**	**53.49**	**48.82**
ULIP	55.69	63.81	46.25	43.25
Par	6.38	8.46	6.43	4.43
Non Par	0.72	0.40	0.21	0.41
Group	0.86	0.78	0.60	0.73
Protection[1]	**2.60**	**4.46**	**2.30**	**4.61**
Total APE	**66.25**	**77.92**	**55.79**	**53.43**

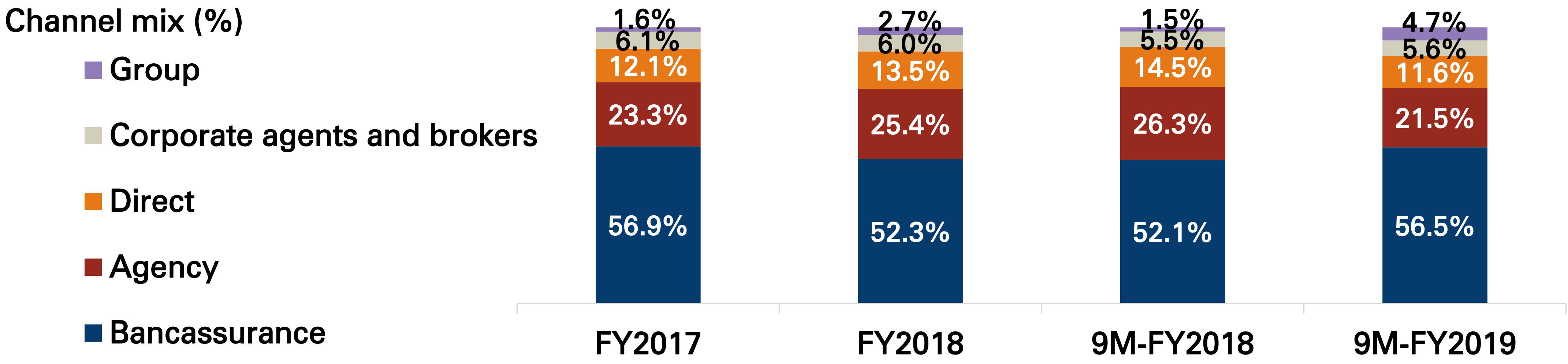
Protection mix at 8.6%

1. Protection includes retail and group protection products

Components may not add up to the totals due to rounding off

Multi-channel distribution[1]

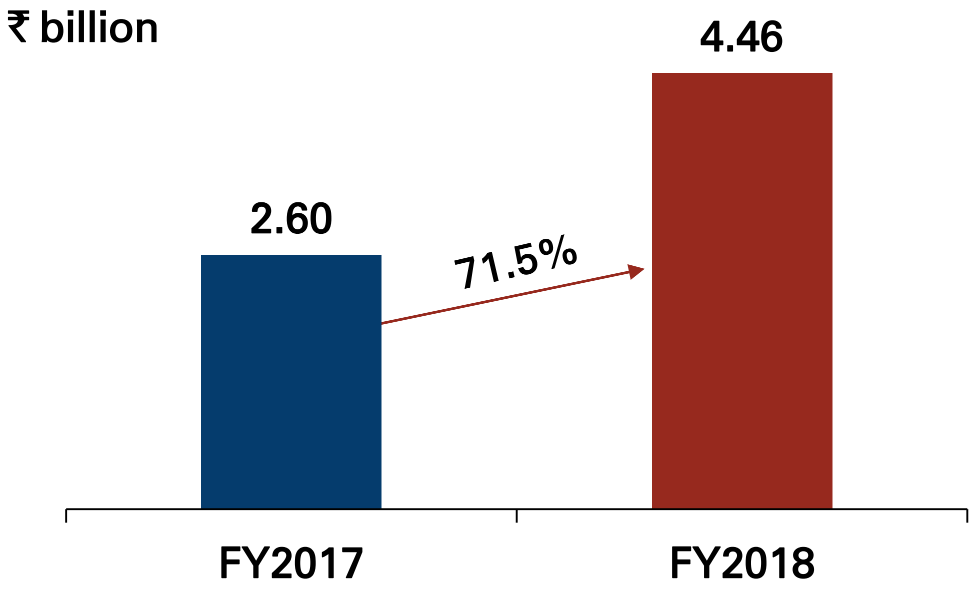
₹ billion	FY2017	FY2018	9M-FY2018	9M-FY2019
Bancassurance	37.72	40.75	29.07	30.20
Agency	15.41	19.79	14.70	11.48
Direct	7.98	10.54	8.08	6.20
Corporate agents and brokers	4.07	4.70	3.09	3.01
Group[2]	1.07	2.13	0.85	2.54

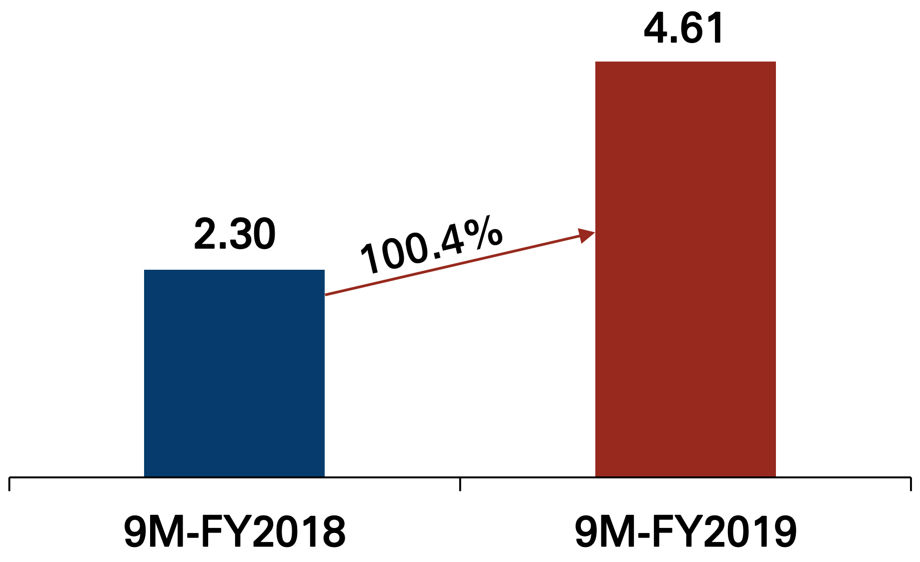


Diversified multi-channel distribution

1. Based on APE
2. Including group protection

Protection[1]





- 42.9% of retail new business policies are protection
- New business sum assured grew by 38.7% to ₹ 3,009.89 billion

1. Based on APE

Persistency[1] (retail excluding single premium)

Month	FY2017	FY2018	9M-FY2018	8M-FY2019
13th month	84.7%	85.8%	85.5%	84.1%
25th month	73.0%	77.0%	75.4%	76.7%
37th month	65.5%	67.6%	66.6%	68.7%
49th month	58.3%	62.8%	61.1%	63.2%
61st month	53.8%	53.7%	53.6%	55.6%
₹ billion	**FY2017**	**FY2018**	**9M-FY2018**	**9M-FY2019**
Retail renewal premium	142.19	174.97	114.89	136.09
YOY growth	18.5%	23.1%	23.9%	18.5%
Retail surrender (linked)	105.35	116.86	89.67	62.48

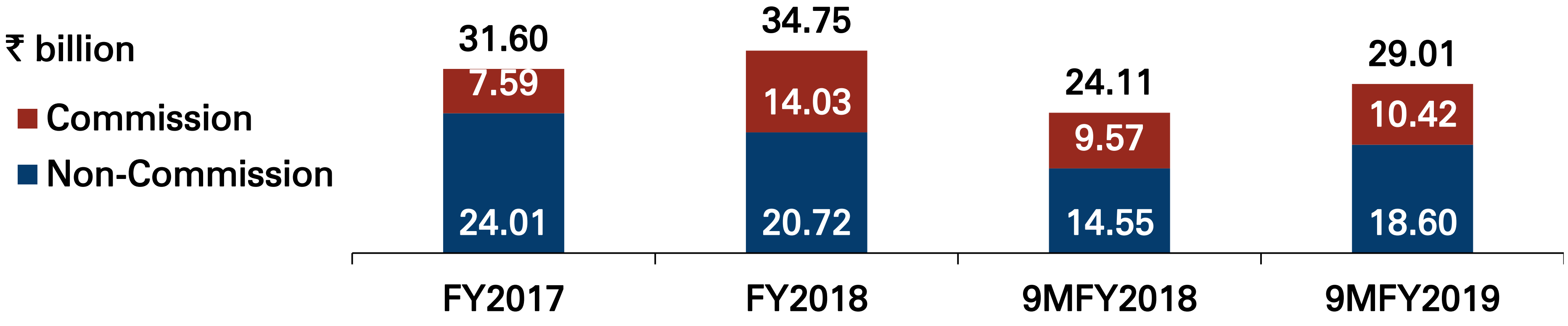
- Linked surrenders reduced by 30.3%
- 63.6% of renewal premium receipted through electronic mediums[2]

ICICI PRUDENTIAL LIFE INSURANCE

1. As per IRDA circular dated January 23, 2014
2. Transactions processed through online, direct debit and ECS

Productivity: Cost efficiency

₹ billion	FY2017	FY2018	9M-FY2018	9M-FY2019
Expense ratio (excl. commission)[1]	11.4%	8.2%	8.5%	9.9%
Commission ratio[2]	3.6%	5.5%	5.6%	5.5%
Cost/TWRP[3]	15.1%	13.7%	14.0%	15.4%
Cost/Average AUM[4]	2.8%	2.6%	2.5%	2.7%
Cost/TWRP (Savings LOB)	13.3%	11.8%	12.3%	12.0%



- 65% of new business policies issued within 2 days
- 94% of new business applications initiated via digital platform

1. Expense ratio: All insurance expenses (excl. commission)/(Total premium- 90% of single premium)
2. Commission ratio: Commission/(Total premium- 90% of single premium)
3. Cost/(Total premium- 90% of single premium)
4. Annualized cost/Average assets under management during the period

Financial update

Financial metrics

₹ billion	FY2017	FY2018	9M-FY2018	9M-FY2019	Growth
Retail new business premium	70.66	84.02	59.97	54.77	(8.7%)
Retail renewal premium	142.19	174.97	114.89	136.09	18.5%
Group premium	10.69	11.70	8.54	16.80	96.7%
Total premium	**223.54**	**270.69**	**183.40**	**207.66**	**13.2%**
Value of New Business (VNB)[1]	6.66	12.86	7.67	9.10	18.6%
Profit after Tax	16.82	16.20	12.79	8.79	(31.3%)
Solvency ratio	281%	252%	252%	224%	
AUM	1,229.19	1,395.32	1,383.04	1,499.81	

1. For full year: based on actual cost; 9M: based on management forecast of full year cost

VNB growth levers update (4P's)

₹ billion	FY2017	FY2018	9M-FY2018	9M-FY2019	Growth
Premium growth (APE)[1]	66.25	77.92	55.79	53.43	(4.2%)
Protection APE	2.60	4.46	2.30	4.61	100.4%
Persistency[2] (13th month excluding single premium)	84.7%	85.8%	85.5%	84.1%	NA
Productivity (Cost/TWRP – Savings LOB)	13.3%	11.8%	12.3%	12.0%	NA
VNB[3]	6.66	12.86	7.67	9.10	18.6%
VNB Margin[3]	10.1%	16.5%	13.7%	17.0%	NA

ICICI PRUDENTIAL LIFE INSURANCE

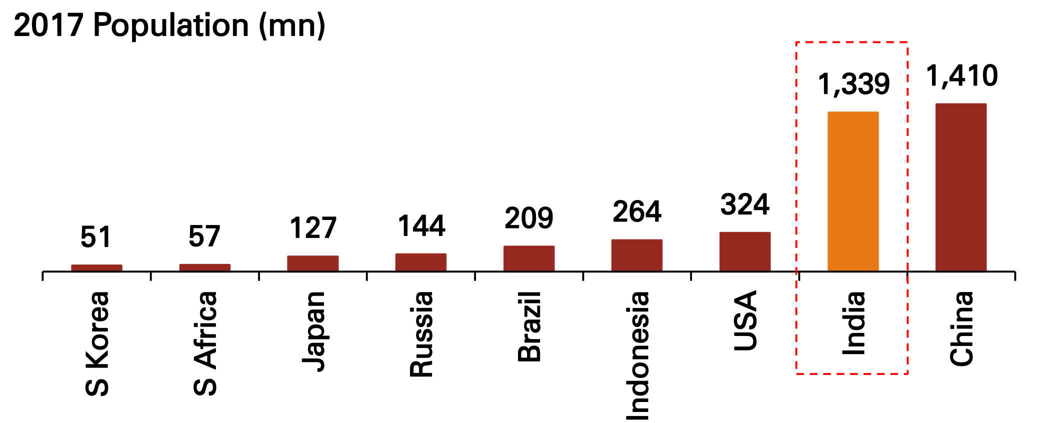
1. Annualized premium equivalent
2. As per IRDA circular dated January 23,2014 ; excluding group and single premium policies
3. For full year: based on actual cost; 9M: based on management forecast of full year cost

Agenda

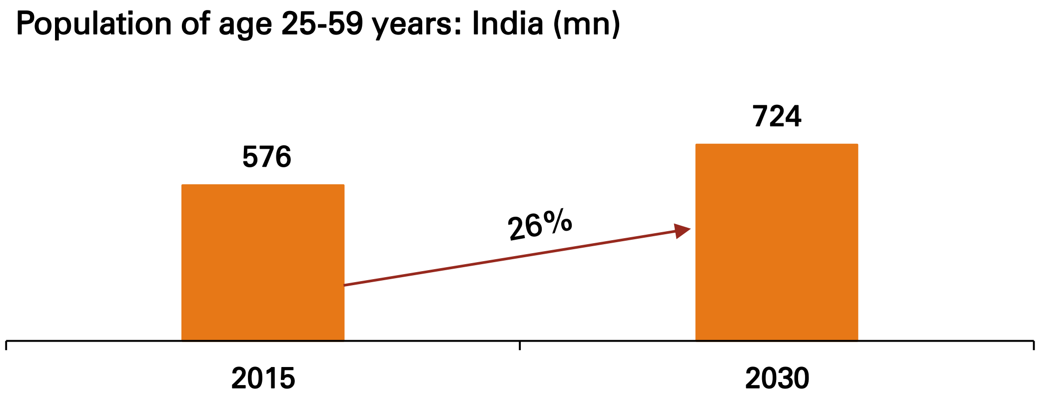
- Company strategy and performance
- **Opportunity**
- Industry overview

Favorable demography

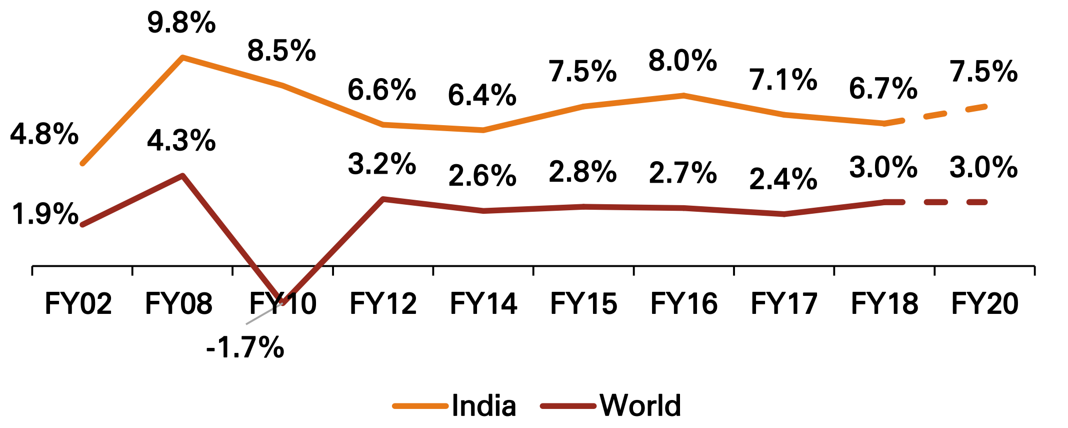
Large and growing population base[1]



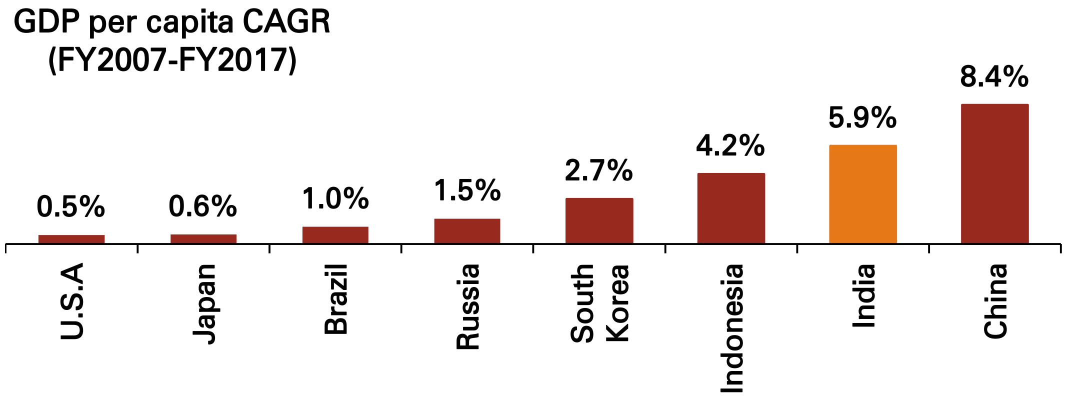
High share of working population[1]



Driving GDP growth [2]



Rising affluence[2]

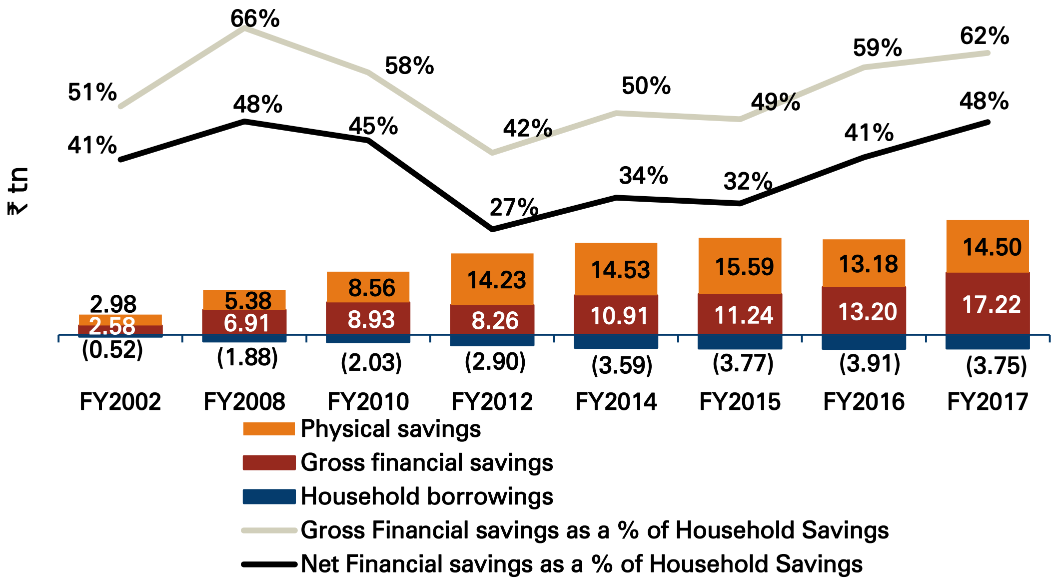


ICICI PRUDENTIAL LIFE INSURANCE

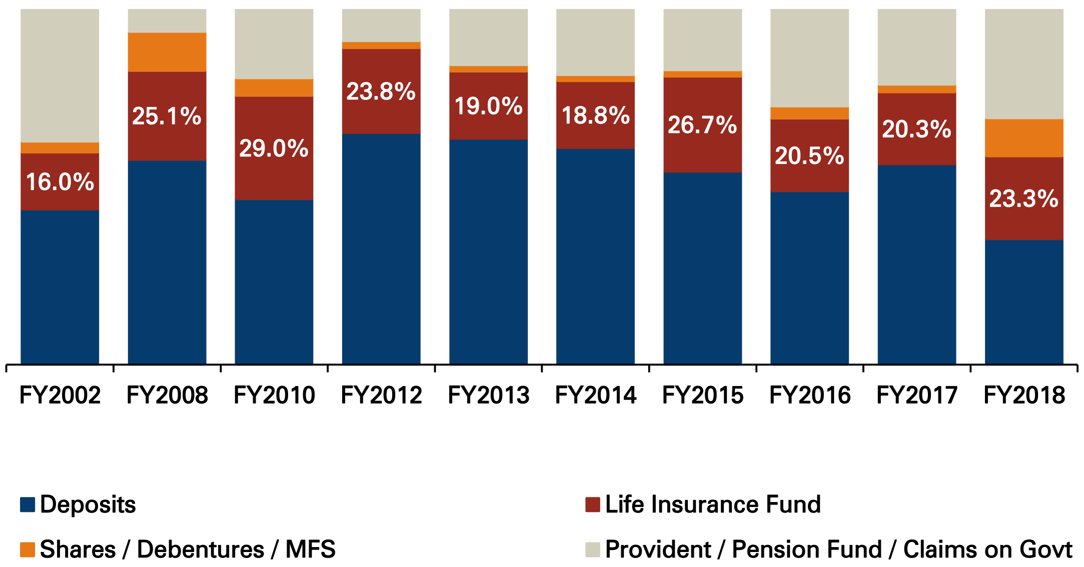
1. Source: UN population division
2. Source: World bank

Financialisation of savings: Opportunity for insurance

Household savings (excl. currency)[1]



Distribution of financial savings (excl. currency)[2]

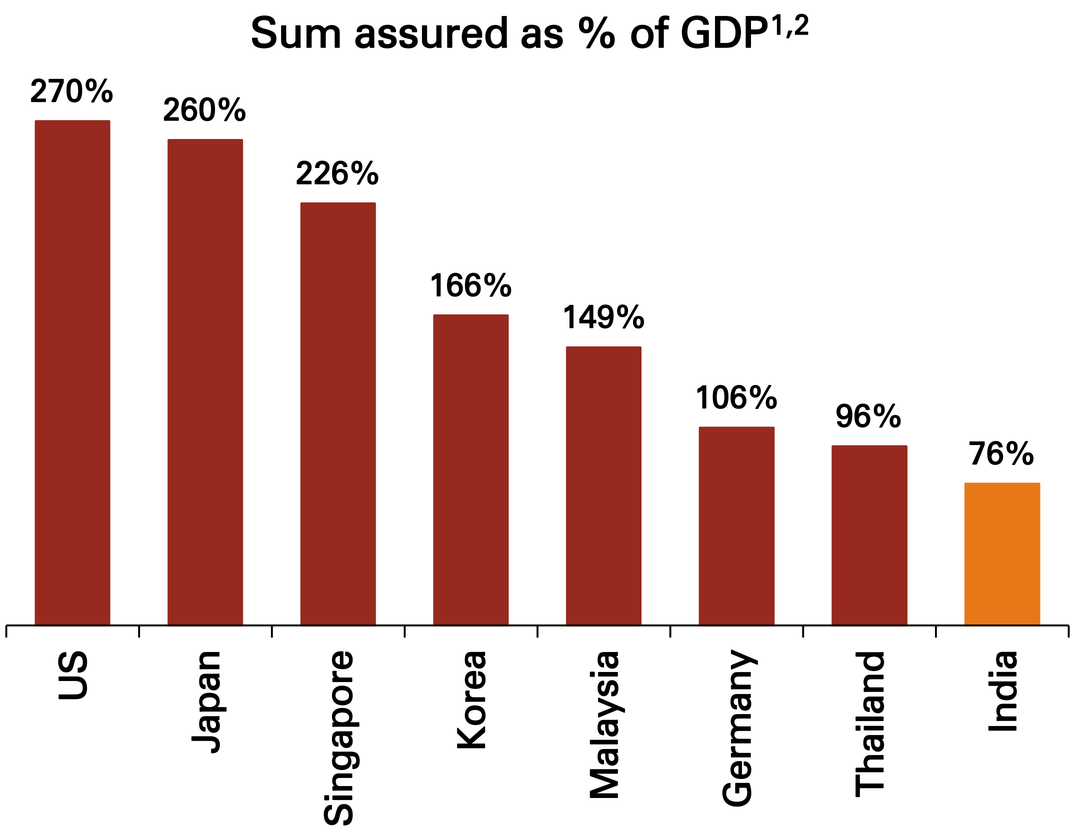


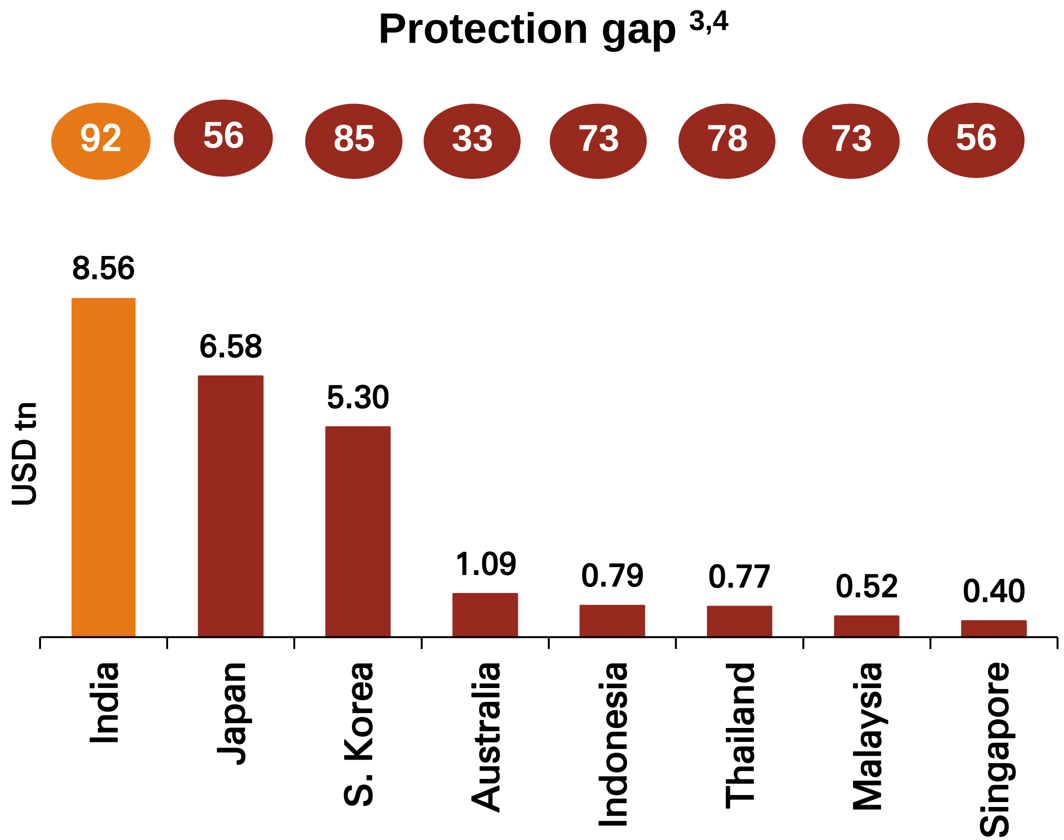
₹ billion	FY2002	FY2008	FY2010	FY2012	FY2014	FY2015	FY2017	FY2018
Life insurance premium[3] as % of GDP	2.1%	4.0%	4.1%	3.3%	2.8%	2.6%	2.7%	2.7%

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

1. Source: RBI and CSO
2. Source: RBI
3. Total life insurance industry premium including renewal; Source: IRDAI

Protection opportunity: Income replacement



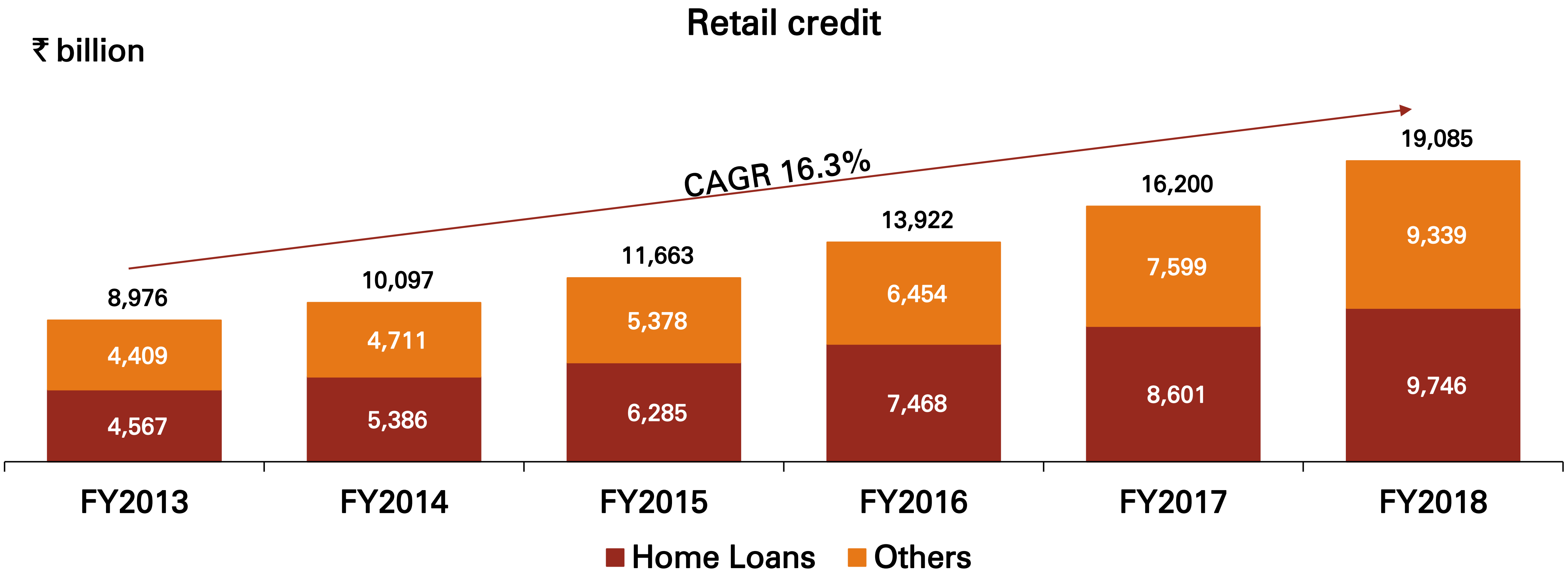


- **Sum assured as % of GDP low compared to other countries**
- **Protection gap for India US $ 8.56 trillion**

ICICI PRUDENTIAL LIFE INSURANCE

1. As of FY2018 for India and FY2015 for others
2. Source: McKinsey analysis 2015, CIRC Annual report 2015, Life Insurance Council, CSO
3. Protection gap (%): Ratio of protection lacking/protection needed
4. Source: Swiss Re, Economic Research and Consulting 2015

Protection opportunity: Liability cover



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

Source: RBI
Components may not add up to the totals due to rounding off

Protection opportunity

Gross direct premium (₹ billion)	FY2008	FY2018	CAGR
Health	**50.45**	**378.97**	**22.3%**
Motor	**130.63**	**593.14**	**16.3%**
- Motor Own Damage (OD)	84.19	263.59	12.1%
- Motor Third Party (TP)	46.44	329.55	21.6%

- **Protection premium ~ ₹ 100 billion for life insurance industry in FY2018**

ICICI PRUDENTIAL LIFE INSURANCE

Source: General Insurance Council and company estimate

Agenda

- Company strategy and performance
- Opportunity
- Industry overview

Evolution of life insurance industry in India

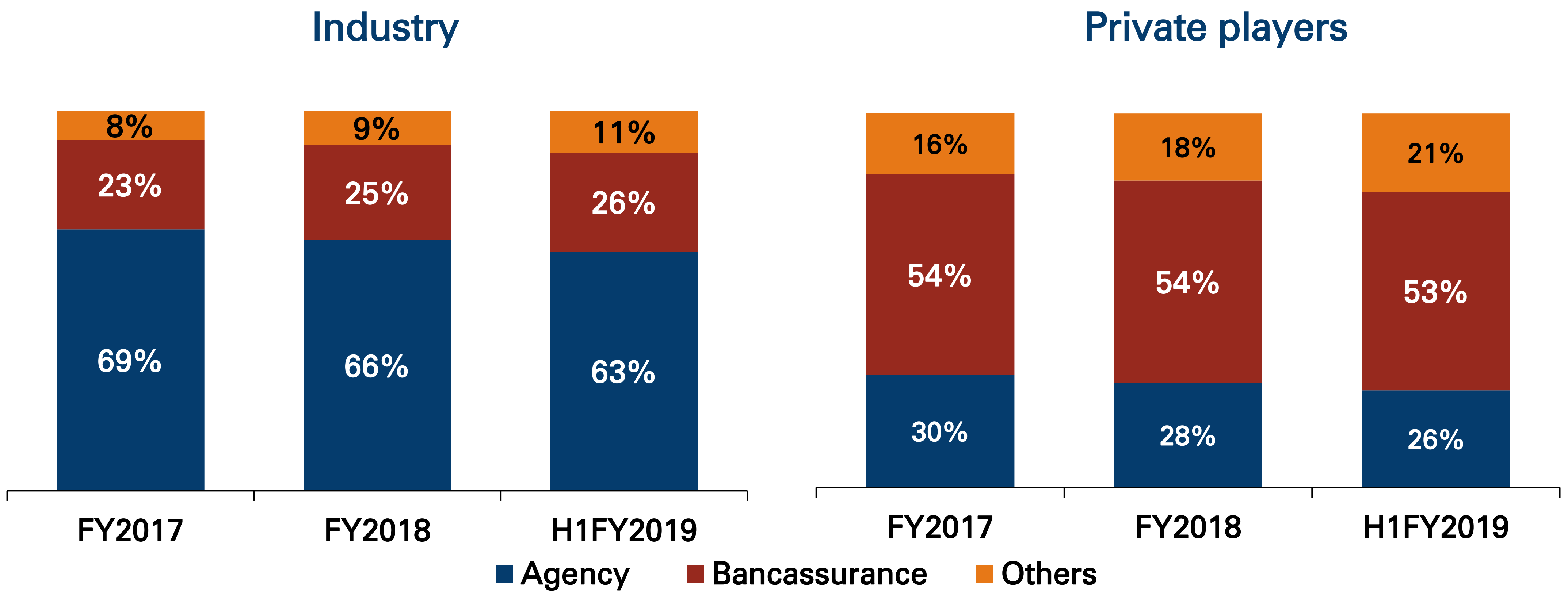
	FY2002		FY2010		FY2015		FY2018
New business premium[1] (₹ bn)	116	21.5%	550	-5.8%	408	15.9%	635
Total premium (₹ bn)	501	23.2%	2,654	4.3%	3,281	11.8%	4,583
Penetration (as a % to GDP)	2.1%		4.1%		2.6%		2.7%
Assets under management (₹ bn)	2,304	24.0%	12,899	12.6%	23,361	12.4%	33,130
In-force sum assured[2] (₹ 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

1. Retail weighted received premium (RWRP)
2. Individual and Group in-force sum assured

Source: IRDAI, CSO, Life Insurance Council, *Company estimate

Channel mix[1]

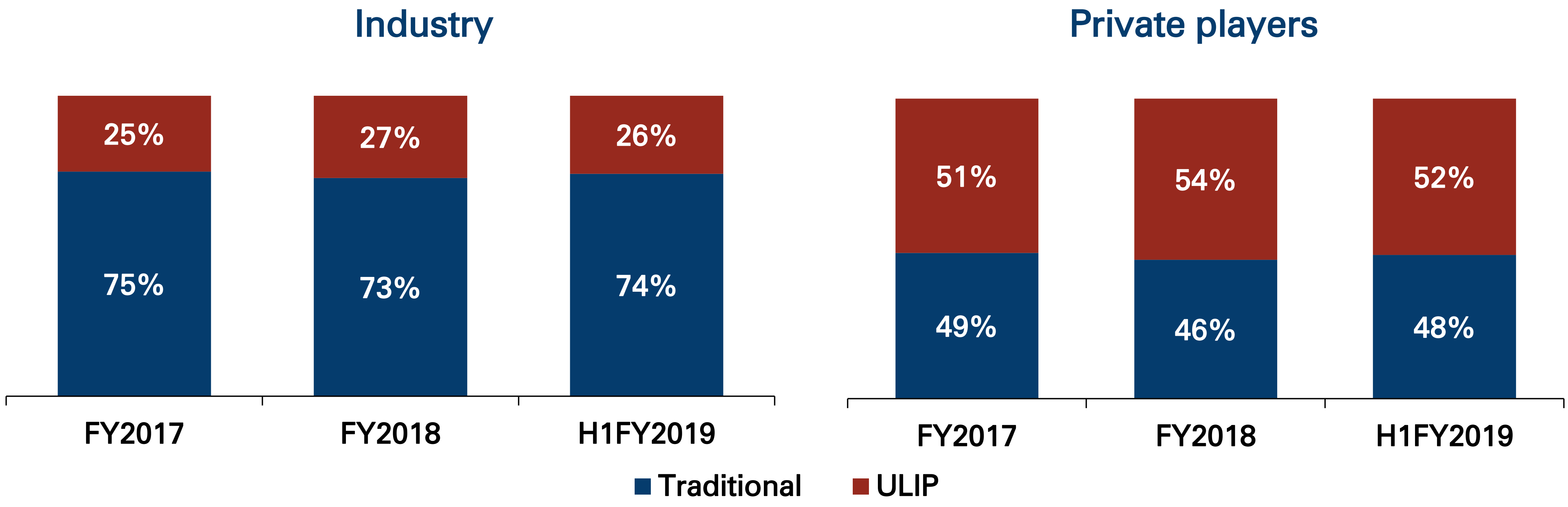


Given a well developed banking sector, bancassurance continues to be the largest channel for private players

1. Individual new business premium basis

Source: Life Insurance Council

Product mix[1]



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

1. New business weighted premium basis;
Source: IRDAI, Life Insurance Council

Annexures

Categories of products

Savings	
Linked	• Transparent • Choice of asset class • Low charges and minimum lapse risk for customers
Par	• Return upside through segment surplus[1] i.e. income net expense/ reserve • High lapse risk for customers
Non-Par Savings	• Guaranteed returns • High lapse risk for customers

Protection	
Individual life/health	• Pure mortality/morbidity risk cover
Credit cover	• Pure mortality/morbidity cover to borrowers
Group life	• Pure mortality cover for formal/informal groups

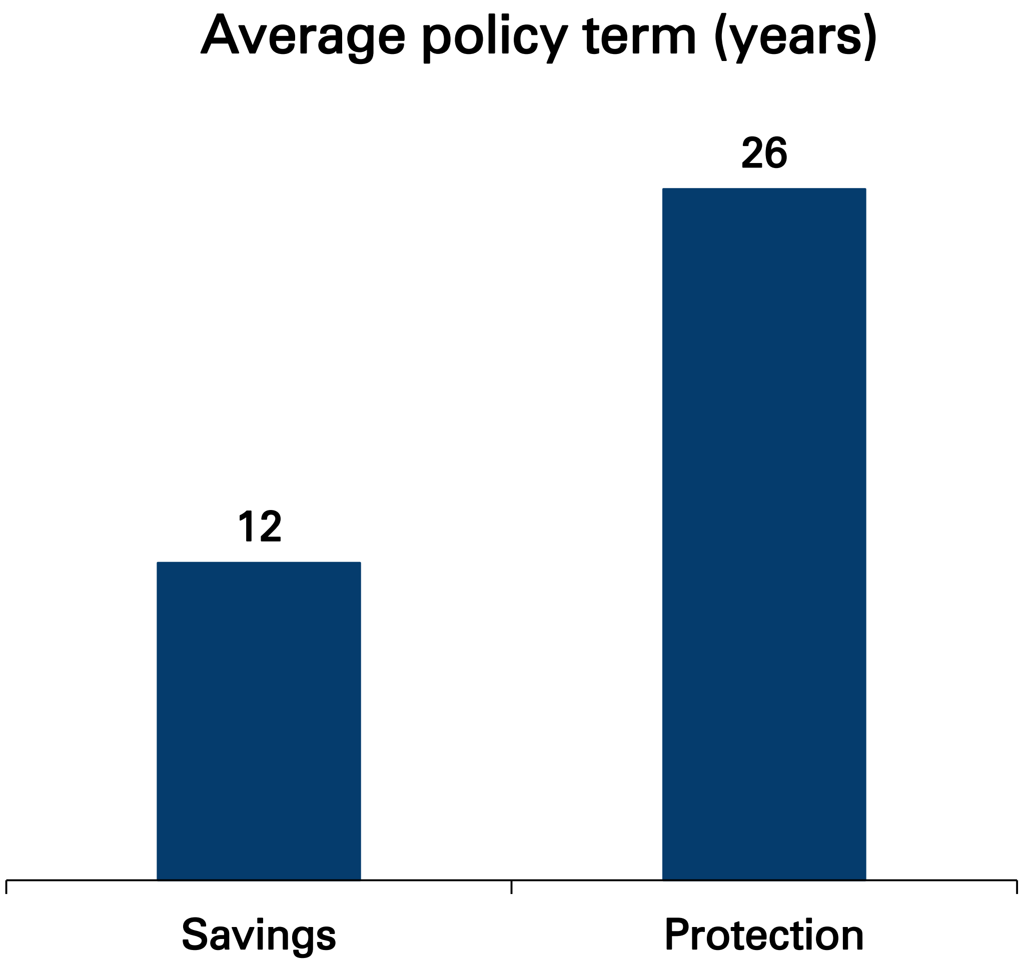
1. 90% of segment surplus belongs to customers

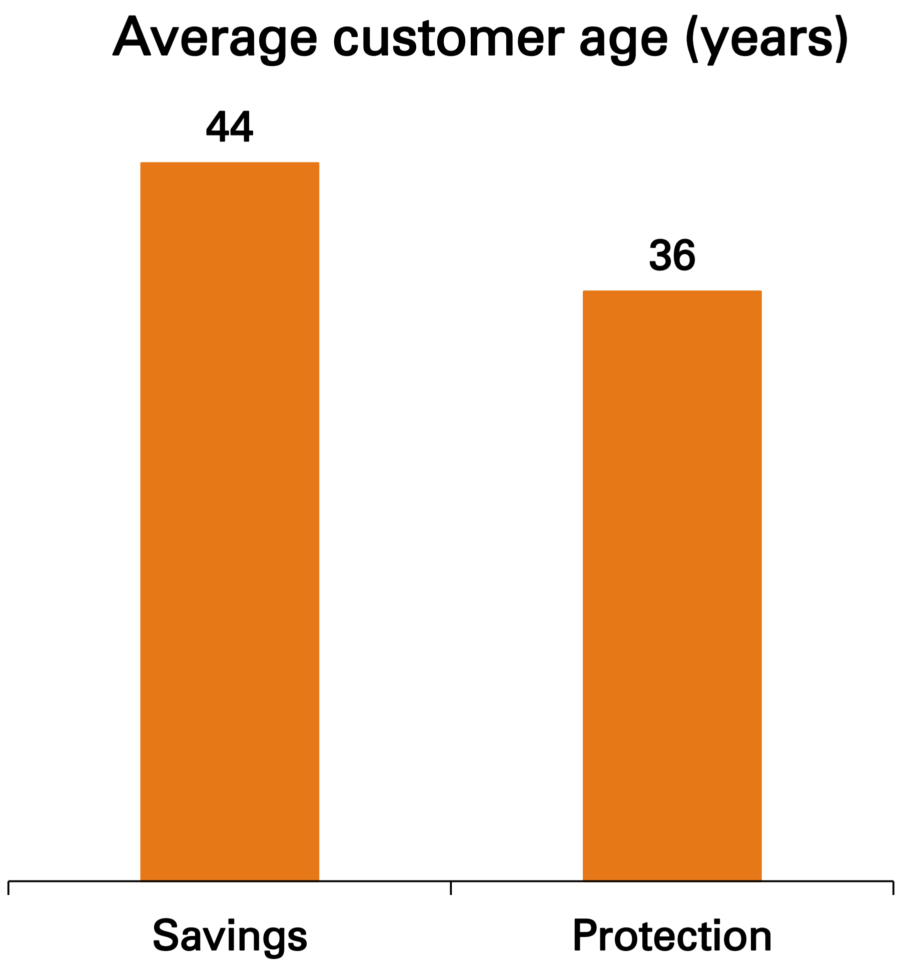
Average APE by product categories

Average retail APE per policy (₹)	FY2015	FY2016	FY2017	FY2018
ULIP	129,087	149,777	169,701	180,746
Par	38,480	44,533	56,325	62,379
Non Par	25,233	23,656	39,153	54,187
Protection	4,408	10,284	9,815	9,123
Total	**73,047**	**87,194**	**92,735**	**90,620**

ICICI PRUDENTIAL LIFE INSURANCE

Policy term and customer age[1]





1. For FY2018; protection excludes credit life

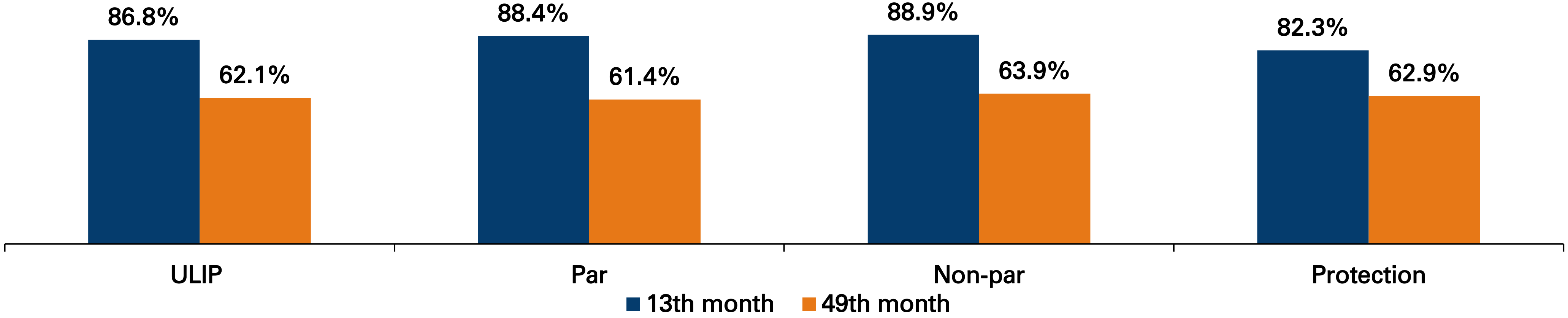
Channel wise product mix[1]

Channel category	Product category	FY2015	FY2016	FY2017	FY2018
Bancassurance	ULIP	88.4%	88.9%	92.1%	89.8%
	Par	10.0%	9.1%	5.3%	7.3%
	Non par	0.0%	0.0%	0.4%	0.1%
	Protection	1.5%	2.0%	2.2%	2.7%
	Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Agency	ULIP	78.5%	76.4%	79.5%	81.8%
	Par	19.2%	19.6%	14.2%	13.5%
	Non par	1.0%	0.8%	2.0%	0.4%
	Protection	1.3%	3.2%	4.3%	4.3%
	Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Direct	ULIP	90.5%	84.3%	85.3%	88.0%
	Par	2.8%	7.7%	5.0%	4.3%
	Non par	4.7%	3.6%	3.1%	2.4%
	Protection	2.0%	4.4%	6.5%	5.3%
	Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Corporate agents and brokers	ULIP	62.0%	47.4%	46.5%	36.8%
	Par	34.4%	49.0%	44.1%	49.9%
	Non par	2.4%	0.5%	0.4%	0.5%
	Protection	1.2%	3.1%	9.0%	12.8%
	Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

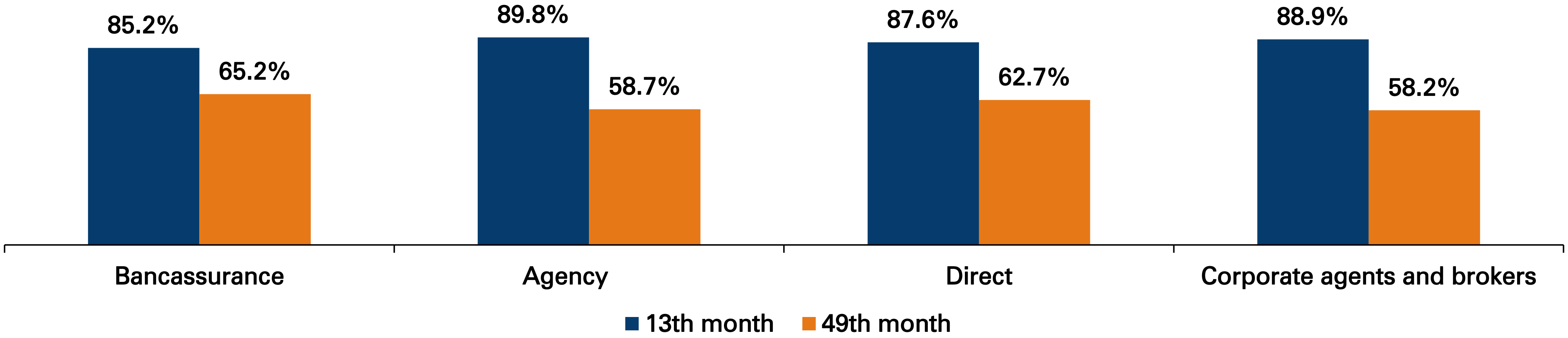
1. Retail Annualized Premium Equivalent (APE) basis

Retail persistency excluding single premium[1]

Persistency across product categories



Persistency across channel categories



1. 11M-FY2018 persistency

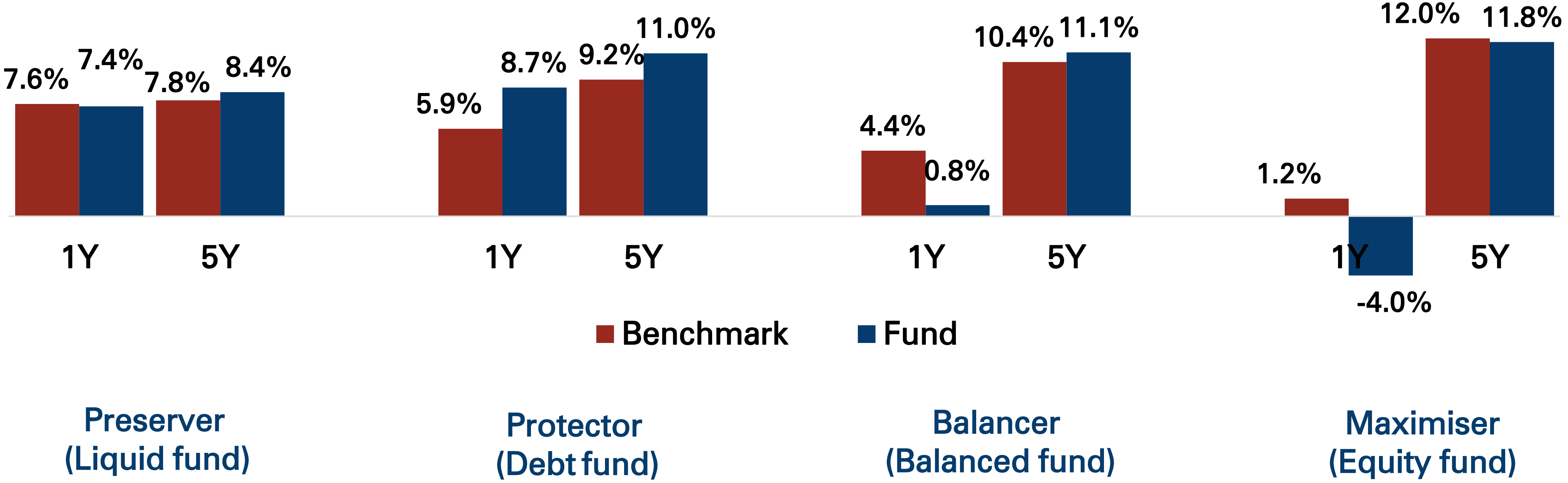
As per IRDA circular dated January 23,2014; excluding group and single premium policies

Retail persistency (including single premium)

Month	FY2016	FY2017	FY2018	8M-FY2019
13th month	82.4%	85.7%	86.8%	85.4%
25th month	71.2%	73.9%	78.3%	78.4%
37th month	61.6%	66.8%	68.8%	69.9%
49th month	62.2%	59.3%	64.2%	64.6%
61st month	46.0%	56.2%	54.5%	56.6%

As per IRDA circular dated January 23, 2014

Fund performance



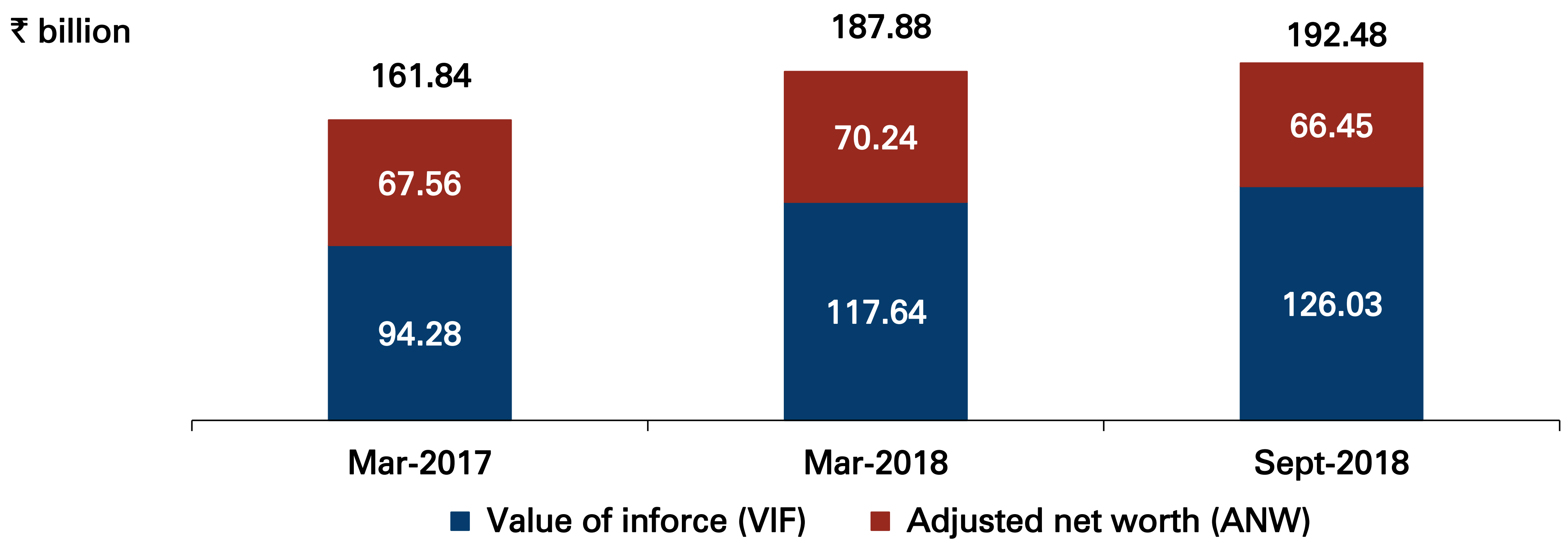
83.9% of linked portfolio out performed benchmark indices since inception

ICICI PRUDENTIAL LIFE INSURANCE

At December 31, 2018

Embedded value

Embedded Value (EV)[1]



VIF grew by 7.1% in H1-FY2019

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

Embedded value growth

₹ billion	FY2015	FY2016	FY2017	FY2018
Value of In force (VIF)	82.88	84.25	94.28	117.64
Adjusted Net worth	54.33	55.14	67.56	70.24
Embedded value[1]	**137.21**	**139.39**	**161.84**	**187.88**
Return on Embedded Value (ROEV)[2]	15.4%	16.2%	16.5%	22.7%
EV growth-pre dividend	24.8%	12.1%	20.6%	23.4%
EV growth-post dividend	16.5%	1.6%	16.1%	16.1%
VNB as % of opening EV[2]	2.3%	3.0%	4.8%	7.9%
Operating assumption changes and variance as % of opening EV[2]	3.2%	4.0%	2.9%	6.3%

1. As per Indian Embedded Value (IEV) method
2. Difference of FY2015 closing EV and FY2016 opening EV shown as operating assumption changes in FY2016 Components may not add up to the totals due to rounding off

Analysis of movement in EV[1]

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

ICICI PRUDENTIAL LIFE INSURANCE

1. As per Indian Embedded Value (IEV) method
2. Difference of FY2015 closing EV and FY2016 opening EV shown as operating assumption changes in FY2016;Components may not add up to the totals due to rounding off
3. Includes persistency, mortality and morbidity, expense and other variance

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

ICICI PRUDENTIAL LIFE INSURANCE

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

ICICI PRUDENTIAL LIFE INSURANCE

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

ICICI PRUDENTIAL LIFE INSURANCE

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 FY2018 with no anticipation for productivity gains or cost efficiencies
  - Commission rates are based on the actual commission payable to the distributors

ICICI PRUDENTIAL LIFE INSURANCE

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

Sensitivity analysis (FY2018)

Scenario	% change in EV	% change in VNB
Increase in 100 bps in the reference rates	(2.1)	(4.9)
Decrease in 100 bps in the reference rates	2.2	5.2
10% increase in the discontinuance rates	(1.3)	(8.6)
10% decrease in the discontinuance rates	1.4	9.1
10% increase in mortality/morbidity rates	(1.0)	(5.4)
10% decrease in mortality/morbidity rates	1.0	5.5
10% increase in acquisition expenses	Nil	(9.2)
10% decrease in acquisition expenses	Nil	9.2
10% increase in maintenance expenses	(1.0)	(3.5)
10% decrease in maintenance expenses	1.0	3.5
Tax rates increased to 25%	(4.6)	(7.9)

ICICI PRUDENTIAL LIFE INSURANCE

Economic assumptions underlying EV

Tenor (years)	References Rates		
	March 31, 2017	March 31, 2018	December 31, 2018
1	6.35%	6.57%	6.94%
5	7.78%	8.21%	7.87%
10	8.02%	8.31%	7.97%
15	8.03%	8.11%	7.90%
20	8.03%	7.97%	7.89%
25	8.03%	7.91%	7.92%
30	8.03%	7.88%	7.98%

ICICI PRUDENTIAL LIFE INSURANCE

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.

ICICI PRUDENTIAL
LIFE INSURANCE

Thank you

ICICI Prudential Life Insurance Company

Earnings conference call – Quarter ended December 31, 2018

(9M-FY2019)

January 22, 2018

NS Kannan:

Good evening and welcome to the results call of ICICI Prudential Life Insurance Company for 9M-FY2019.

I have with me here: Puneet Nanda, Deputy Managing Director and Satyan Jambunathan, CFO. We will walk you through the developments during the quarter as well as the presentation on the performance for 9M-FY2019. We have put up the results presentation on our website. You can refer to it as we walk you through the performance.

At the outset, as we had informed the stock exchanges, Ms. Vibha Paul Rishi has been appointed as an Independent director of the Company from January 1, 2019. She is a marketing expert and her competencies includes product rebranding and launch, entering new international markets, strategic planning and human resources. She has been in leadership roles across areas of marketing, with entities like PepsiCo for 17 years and Tata Administrative Service - as a part of its start-up team of Titan Watches. She currently serves on the boards of various companies including Asian Paints, Tata Chemicals, Indian Hotels, Philips Lighting India and Escorts Limited and has been a director of PNB Metlife Insurance. She has also been an executive director of Max India.

I will now highlight our performance for 9M-FY2019 along with our key strategic imperatives. Thereafter, Satyan will discuss the performance in greater detail. At the end, Puneet, Satyan and I will be happy to take any questions you may have.

Strategy & performance

Our primary focus continues to be to grow the absolute Value of New Business (VNB) while ensuring that our customer is at the core of everything we do. We have previously highlighted the strategic elements in the form of 4P's, namely, premium growth, protection, persistency and productivity improvement; and we believe that these 4 P's continue to be core to the path of delivering our objective of VNB growth.

The first "P" of "Premium growth"

Before we discuss our growth during the quarter, I would like to give you some context. The average annual premium of our business for FY2018 was ~ ₹ 90 thousand and for the unit linked segment it was ~₹180 thousand. On the back of our customer centric product portfolio, simplified on-boarding process and macro factors, we were able to penetrate the affluent segment quite well and establish our strength in that segment.

During the quarter, there were multiple concerns around macro factors both on the international and the domestic front such as high prices of crude oil, tariff wars, certain corporates and the Indian NBFC sector. All of these created conditions for weak sentiments and volatility in the capital markets. This impact was particularly seen in the behaviour of affluent customers who seem to have deferred investment decisions during the period.

At the same time, we identified the need to also focus on pools of opportunity in the form of customer segments other than just the affluent segment. During this quarter, we took significant steps to extend our distribution into these other customer segments while simultaneously working on protecting our strength in the affluent segment. We believe that broadening the customer base is necessary for long term sustainable growth.

Our APE for Q3-FY2019 declined by ~2% year on year, as against the H1-FY2019 decline of ~5%. For 9M-FY2019, the APE declined by ~4% year on year. While we began the quarter with a decline of ~12% for October, the month of December saw a growth of 3%. As we go into the seasonally peak quarter, it would be important for us to carry this momentum forward.

For 9M-FY2019, we had a market share of 10.8% based on RWRP.

The second "P" of "Protection focus"

While we saw some challenges on the growth of the savings business, the protection business continued to grow during the quarter. For 9M-FY2019, our protection APE grew ~100% year on year. This growth was led by both retail and group protection business. The growth of group protection business is an outcome of our focus on building partnerships over the past two years.

As a part of our protection strategy, we have also partnered with CNBC-TV18 in the Mission Insure India campaign, which is a thought leadership initiative to highlight the need of insurance cover for customers.

The third "P" of "Persistency improvement"

We believe customer retention is probably the most effective indicator of the quality of sale and is a barometer of customer experience. During this year, we continued our efforts in this direction which resulted in ~13% growth of total premium and ~19% growth of retail renewal premium on a year on year basis. With the exception of the 13th month, persistency at other durations has improved compared to the same time last year. During 9M-FY2019 our retail linked surrenders have reduced by ~30% as compared to the corresponding period last year. I would like to re-iterate that our persistency and surrender experience continues to be well within the assumptions in our VNB and EV.

The fourth "P" of "Productivity gains reflecting in reduced cost ratios"

Technology and process re-engineering have been at the centre of our efforts to improve expense ratios. Continuing this journey, we are the first life insurance company in India to have direct integration with WhatsApp for a verified business account. We have also launched an AI powered instant Optical Character Reader for instant classification and verification of documents.

While our overall expense ratios for the savings business was flat on account of the robust renewal premium growth, the decline in our new business has meant that our new business cost ratios have worsened this year.

VNB growth: Outcome of strategic elements

The outcome of our focus on these 4 Ps has resulted in our Value of New Business for 9M-FY2019 of ₹ 9.10 billion, compared to ₹ 7.67 billion for the same period last year.

The VNB margin for 9M-FY2019 is 17.0% as compared to 16.5% for FY2018 and 17.5% for H1-FY2019. The current margin is lower than the margin declared in H1-FY2019 of 17.5%, only on account of revised forecast of new business expense ratio keeping in mind the lower growth seen in Q3.

I would like to conclude with my view for the coming quarter.

With respect to our savings line of business, we will look to protect our strong position in the affluent segment while continuing to extend our distribution into other segments to improve the long term sustainability of the business. As we enter the seasonally peak quarter, our performance will determine the full year growth as well.

At the same time, we will continue the thrust on building the protection proposition and to deliver growth in that segment.

With this, I thank you for your attention and now hand over to Satyan to discuss the results in greater detail.

Satyan Jambunathan: Thank you Kannan. Good evening. I will now go into greater detail on the elements of the Company's performance.

As mentioned earlier, our focus is to grow the absolute Value of New Business (VNB) while ensuring that our customer is at the core of everything we do. In doing so, we believe in a long term strategy focused on retail business through our multi-channel distribution, customer centric products and relentless effort to deliver superior business quality; with technology as a business enabler in each of these aspects.

Premium growth

The retail segment contribution continues to be significant at ~ 95% of new business APE for 9M-FY2019. Out of the overall AUM of ~ ₹ 1.50 trillion, the retail AUM of ₹ 1.34 trillion constitutes more than 89% and this share has continued to be strong during the year.

As Kannan mentioned, within the retail business, our immediate focus is to broaden our customer base in other segments while protecting our strength in the affluent customer segment. One of the initiatives we took was to encourage regular monthly savings, similar to what is seen in other savings instruments. The monthly premium option allows customers to pay premiums through the year. The relatively higher mix of monthly premium business in our portfolio has resulted in some difference between the retail weighted received premium (RWRP), and annualised premium equivalent (APE). As you can see on slide 14, the difference is evident from the month-wise APE numbers already disclosed.

Customer centric products

Customer centricity continues to be at the core of our product strategy. In the savings segment, unit linked products offer transparency, lower cost and minimal persistency risk to the customer. They can compete effectively across the wider financial savings space in both offline and online environments. In protection products, benefits are paid only on mortality/morbidity events and typically there is no maturity or surrender value. For 9M-FY2019, unit linked products continued to be our mainstay category in savings and the protection mix stood at 8.6% of APE.

Multi-channel distribution

We have invested across various distribution channels such as agency, bancassurance partnerships, proprietary sales force, corporate agents and brokers including web aggregators. For 9M-FY2019, non-promoter channels have contributed ~47% of our APE, providing us with diversification in the distribution mix. During Q3-FY2019, bancassurance APE grew by ~4%. The growth in group APE has been driven by protection products.

Protection

With rising affluence of Indian families and their aspirations for a better standard of living, the need to protect their dependents from losing their family income is on the rise. This need is further accentuated by the trend of nuclear families becoming the norm. Further, to fuel the aspirations, people are taking more loans and liabilities, thereby exposing themselves and their families to financial risks. It is in this context that our approach of providing products and solutions to meet this need of the customer sharpens our focus on this business segment.

During 9M-FY2019, our protection APE grew ~100%, with the mix of protection at 8.6% of APE. In terms of volume, ~43% of retail new business policies came from protection products for 9M-FY2019. New business sum assured for 9M-FY2019 grew by ~39% over the corresponding period last year. We continue to focus on the three segments of protection i.e. Individual life/health, Credit cover and Group life. All protection segments including retail protection have witnessed significant growth during 9M-FY2019.

Persistency

While sales effort is normally directed towards acquisition of customers, it is the retention of these customers that delivers the full intended benefit to the customer and profitability to the Company.

To reiterate, we continue to exclude group premium and single premium in the calculation of persistency. 13th month persistency of 84.1% for 8M-FY2019 is lower as compared to 9M-FY2018. This decline is seen more in the high premium cases. In the recent past, with weak sentiments dominating the market and institutional fund managers' performance lagging the market, confidence of the affluent customers has been somewhat impacted, as can be observed from the persistency trend for that segment. Persistency at other durations has improved compared to the same time last year. We would like to highlight that our persistency rates continues to be one of the best in industry and are better than the assumptions used in the VNB and EV.

As on date, the 13th month persistency for the same group of policies has improved from 84.1% to 84.8%. We continue to focus on building the confidence of our policyholders and encourage them to pay the renewal premiums.

Beyond the premium payment term, containing surrenders are key and retail linked surrenders have reduced by 30% as compared to the corresponding period last year.

Our retail renewal premium grew by ~19%, with ~64% of renewal premium received through electronic mediums.

Productivity

Improving productivity of all parts of the organisation from sales to service to support has resulted in our cost ratios coming down over the years. As we redouble our focus on protection, we are also conscious that we will have to invest in this segment resulting in some increase in cost ratios.

Our cost to TWRP ratio was 15.4% for the nine months as compared to 14.0% for corresponding period last year. This is on account of investments made in growing the protection business. The cost ratio for protection products is significantly higher than saving products while it is margin accretive.

As mentioned by Kannan, the improvement in expense ratio is a result of growth in retail renewal premium while there has been increase in the new business expense ratio.

As you are aware, during the year, we compute the VNB based on projected costs for the year, which at the year end are the actual costs for the year. As we progress during the year, we have a greater visibility of both the projected costs and the expected new business for the year. Now that we are 9 months into the year, we have revised the cost assumptions upwards to reflect the weakness in new business growth during the last quarter.

The commission ratio of 5.5% is stable on a sequential basis.

Financial update

Value of New Business for 9M-FY2019 was at ₹ 9.10 billion at a margin of 17.0% compared to the margin of 16.5% for FY2018. As mentioned earlier, the margin of 17.0% is lower than the margin declared in H1-FY2019 of 17.5% on account of the revised forecast of the new business expense ratio. We would like to once again emphasize that the change in margin from H1-FY2019 is due to the expense ratio alone and other operating parameters remain unchanged.

The profit after tax for 9M-FY2019 was ₹ 8.79 billion as compared to ₹ 12.79 billion during the same period last year. The drop in PAT is primarily on account of the new business strain arising from the increased protection and annuity business. Amongst the expense items, you will notice that the most significant increase in expenses has been with respect to advertisement and publicity on a year-on-year basis. Looking at the profit across segments, the drop in profit is explained by a reduction of surplus mainly in the non-par life and annuity segment. Surplus of non-par life and annuity declined on account of higher new business strain resulting from strong growth in both the protection and the annuity business.

Solvency ratio continues to be strong at 224%.

To summarize, we monitor ourselves on the 4P framework of "Premium growth", "Protection business growth", "Persistency improvement" and "Productivity improvement to improve expense ratios". Our performance on these dimensions is what we expect to feed into our VNB growth over time. Value of New Business for the nine months was ₹ 9.10 billion as compared to ₹ 7.67 billion in the same period last year.

Thank you and we are now happy to take any questions that you may have.