July 24, 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 July 24, 2019 on the captioned subject.

Please find enclosed the business presentation and opening remarks for the earnings call held on July 24, 2019 to discuss the performance of the Company for Q1-FY2020.

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

VManek

Vyoma Manek
Company Secretary
ACS 20384

Encl.: As above

Performance update: Q1-FY2020

July 24, 2019

Agenda

- Company strategy and performance
- Opportunity
- Industry overview

Agenda

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

Key strategic elements

Customer centricity continues to be at the core

Aspiration to double FY2019 VNB in 3 - 4 years

VNB growth

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

ICICI PRUDENTIAL LIFE INSURANCE

1. For full year, based on actual cost; Q1: based on management forecast of full year cost

Strategic elements (1/4)

Premium growth

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

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

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1. Annualized premium equivalent

Strategic elements (2/4)

Protection focus

Continue to grow both retail and group lines of business

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

Strategic elements (3/4)

Persistency | **Improve persistency across all cohorts**

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

1. Retail excluding SP computed as per IRDAI circular dated January 23, 2014

Strategic elements (4/4)

Productivity

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

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

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1. Total cost including commission/(Total premium- 90% of single premium)

Key strategic elements

Customer centricity continues to be at the core

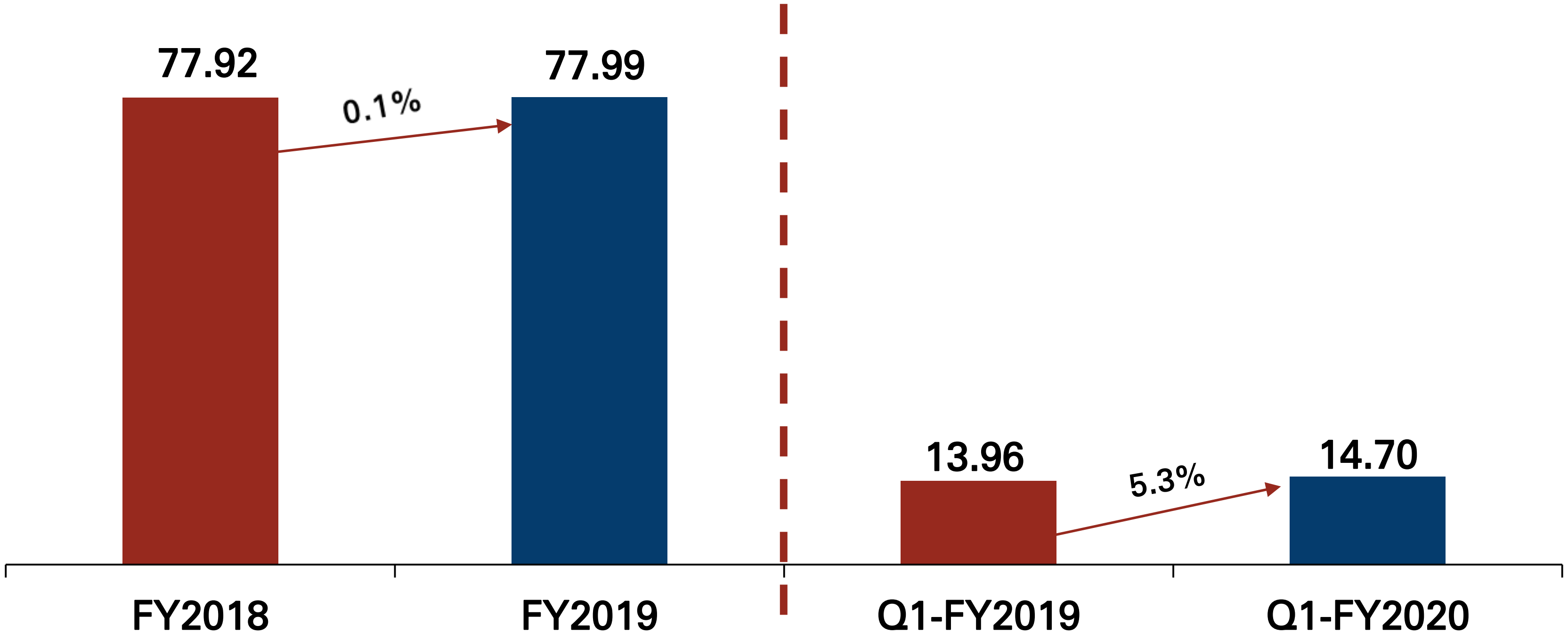
4P: Premium

Premium growth

Premium growth

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

APE (₹ billion)



Retail constitutes more than 90% of new business

Product segments

Premium growth

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

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

Annuity premium grew more than 70% in Q1-FY2020

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1. Protection includes retail and group protection products

Total may not add up due to rounding off

Distribution channels

Premium growth

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

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

Total may not add up due to rounding off

4P: Protection

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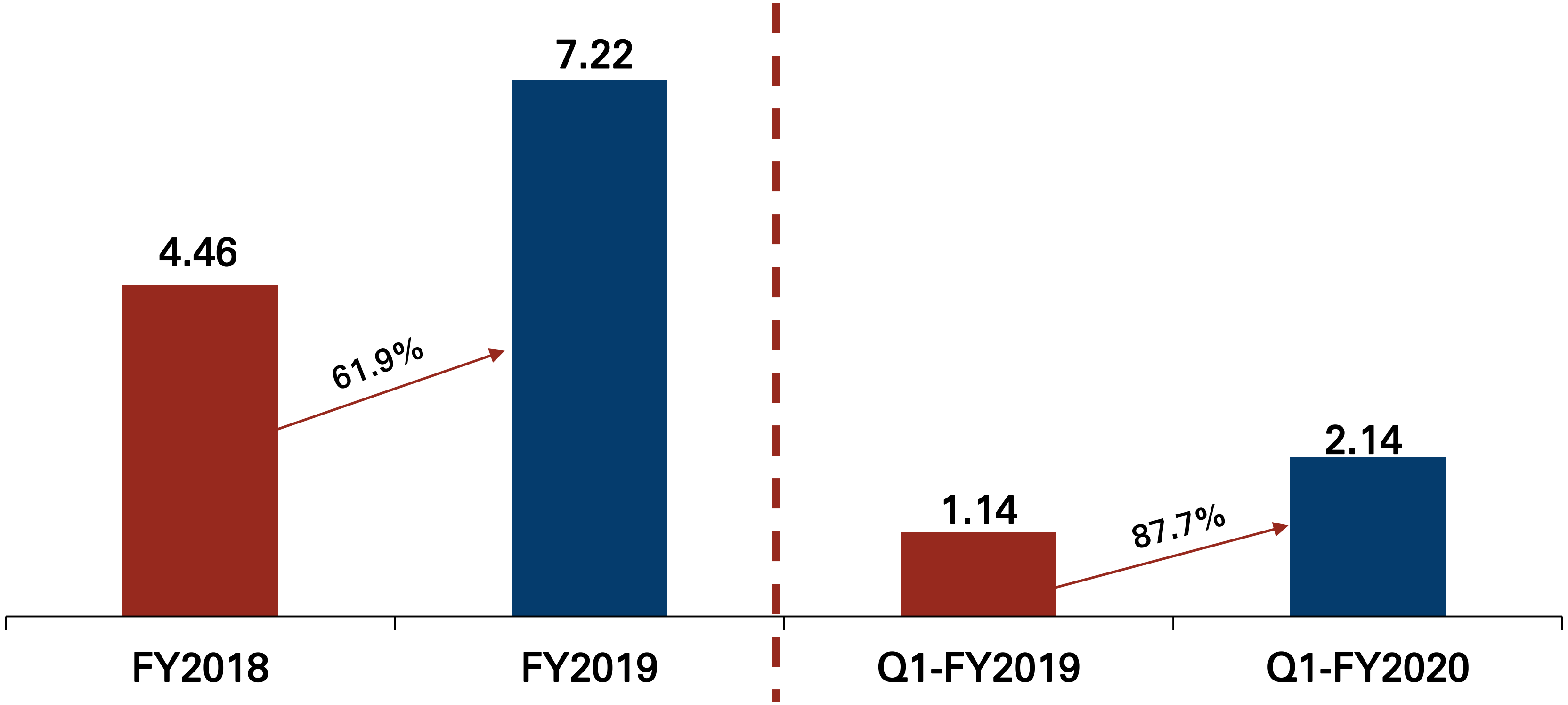
Protection growth

Protection growth

- Continue to grow both retail and group lines of business

APE (₹ billion)



Protection growth continues to be robust

4P: Persistency

Persistency (retail excluding single premium)

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

As per IRDAI circular dated January 23, 2014;

Persistency (retail including single premium)

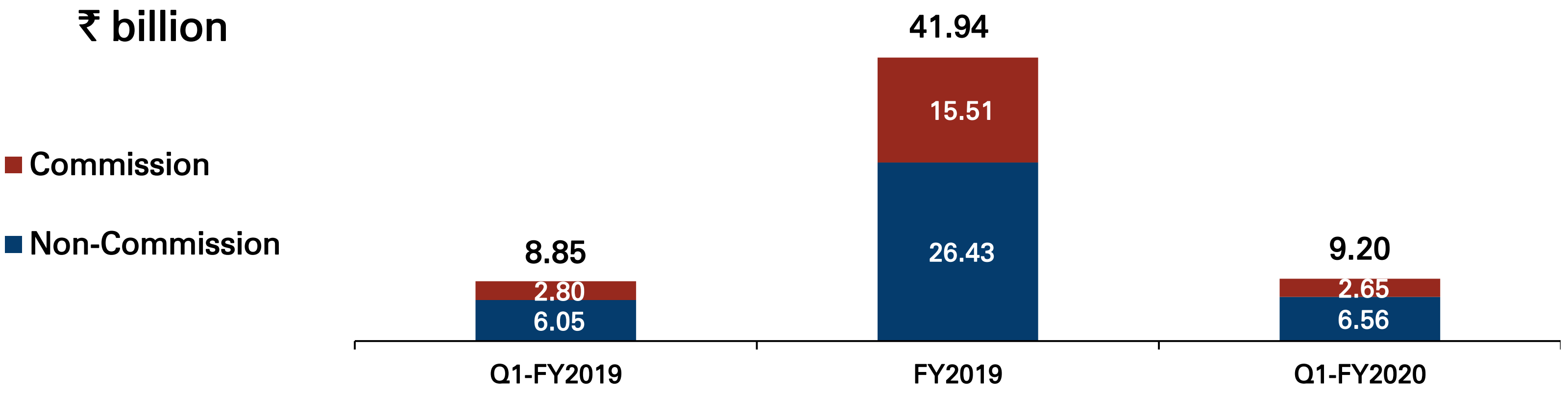
Month	FY2019	2M-FY2020
13th month	86.2%	86.1%
25th month	77.4%	77.4%
37th month	71.0%	71.7%
49th month	65.0%	65.4%
61st month	58.1%	58.7%

As per IRDA circular dated January 23, 2014

4P: Productivity

Productivity: Cost efficiency

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



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

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

Total may not add up due to rounding off

VNB growth levers update (4P's)

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

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

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1. For full year, based on actual cost; Q1: based on management forecast of full year cost
2. Retail excluding SP computed as per IRDA circular dated January 23, 2014
3. Total Cost including commission / (Total premium – 90% of single premium)

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

Financial update

Financial metrics

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

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

Technology

Objectives

Strengthening the core

+

Be future ready

+

Support new growth engines

Digital evolution path to maturity

2011-2013

1

Build digital foundation
Optimize processes and systems

- Process re-engineering
- Technology architecture
- Service architecture

2013-2015

2

Digitize onboarding and service
Build seamless presentation layer

- Process automation
- Build seamless presentation layer
- Integration architecture

2015-2018

3

Leverage ecosystem
Collaborate with internal stakeholders And partners for enhancing experience and productivity

- Integrate internal, Partner systems and external ecosystems
- Provide frictionless journey

2018-2019

4

Market leadership
IT as an enabler for Business innovation

- Seamless AI, ML, NLP interventions in the journey
- Enhance experience and productivity

End to end digitalization of journeys

Leverage ecosystems and tech advancements

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

Pre sales

Need Analysis

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

Lead Management System

Enhanced with voice capability and geo tagging

Customer Profiler

Know customer better through social platforms

Nudge Engines

Prompt for appropriate action

Cognitive BOTs

24x7 query resolution using chat bots

Learners Box

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

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Onboarding and issuance

Flexible on-boarding

Platform agnostic and available for all channels

Paperless on-boarding

End to end digital and seamless onboarding

Instant document verification (OCR)

Real time identification and verification of documents

Robotic enabled issuance

Robotic processing for faster issuance

Tele underwriting

Improves efficiency and reduces issuance TAT

AI assisted underwriting

Empowers underwriters with comprehensive insights

OCR : Optical Character Reader
AI : Artificial Intelligence

Customer servicing and claims

Anytime.. ..Anywhere

76% transactions self serviced, omni channel experience

Premium payment

Over 60% renewal premium through electronic modes

Intuitive IVR

50% navigation time saved

Service bots (LiGo)

92% good understanding with 75% service coverage

WhatsApp

First life insurer to get business verified account

Automated Claims Processing

AI based pre-claim assessment & claim processing

IVR : Interactive Voice Response

Marketing and lead generation

Rank high on online searches

Machine learning used to rank us higher when customers search

Segmented targeting

Reaching the customer by mapping their interests and affinities

Hyper personalisation

Personalized messaging to engage customers throughout journey

Selfie quote

AI backed quote based on facial recognition

Truecaller integration

Facilitate auto form fill

Co-browsing

Instant screen share available for assistance in form fill

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Partner integration

Process simplification

Superior customer experience

Flexible integration

Modular integration as per the choice of partners

Web portal

Self service module for Group business

Easy UI

Pre-coded pages for quicker integration

Customer service

Enabling customer service on partner portals

UI : User Interface

Analytics

Actionable insights

Accelerate sales, enhance customer experience & personalization

Data modelling

Customer interaction based segmentation, propensity, nudges

Smart solutions

Pre approved life cover; provide best offer to customer

Google Big Query, Hadoop, Python

Using best technology available to process the data

Data lake solution

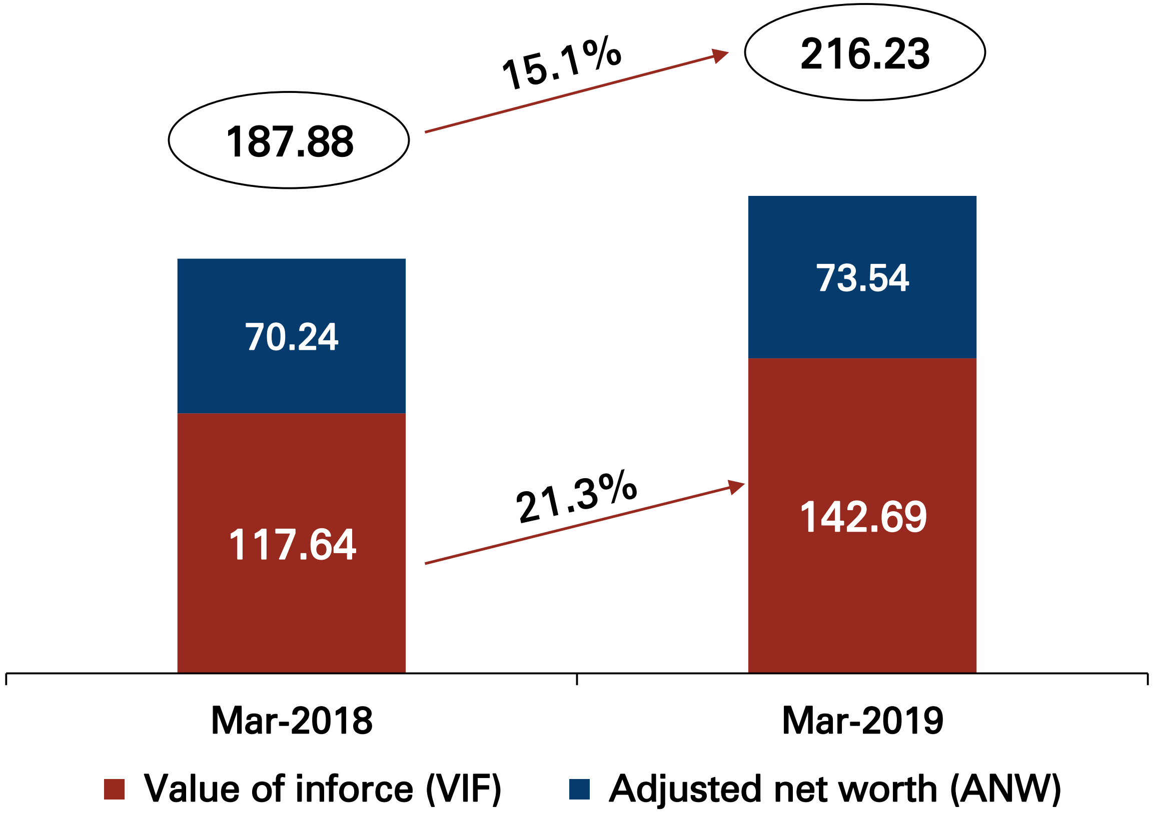
Use of AI & ML to analyse structured & unstructured data

AI : Artificial Intelligence
ML : Machine Learning

Embedded Value

Embedded Value (EV)[1]

₹ billion

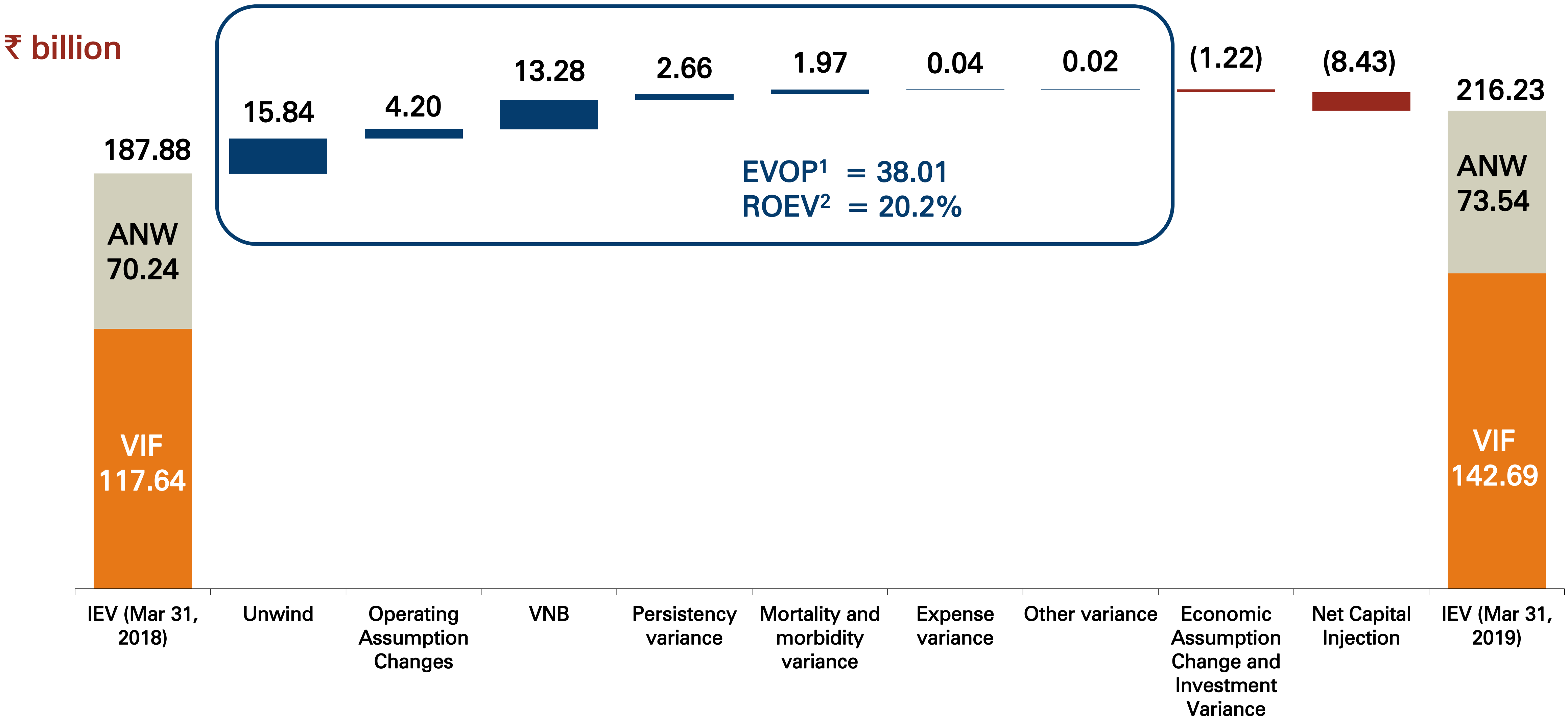


Pre dividend EV growth of 19.6%

1. As per Indian Embedded value (IEV) method

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

Analysis of movement in EV



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1: EVOP is the embedded value operating profit net of tax
2: ROEV is the return on embedded value net of tax
EV results prepared as per APS 10 and reviewed by Milliman Advisors LLP
Components may not add up to the total due to rounding off

Analysis of movement in EV[1]

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

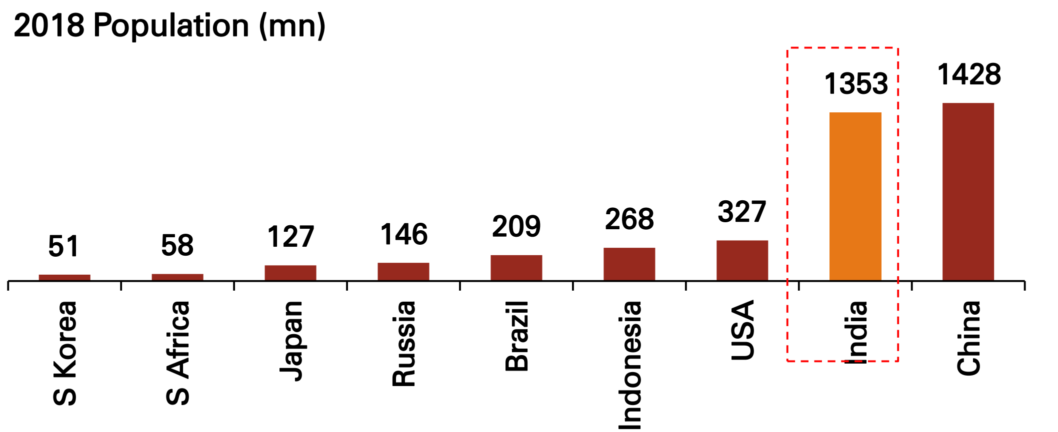
1. As per Indian Embedded Value (IEV) method

Agenda

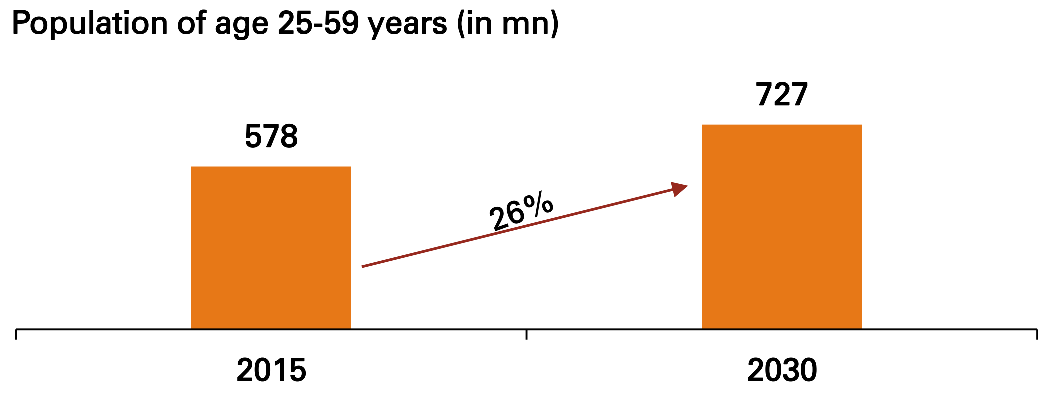
- Company strategy and performance
- **Opportunity**
- Industry overview

Favorable demography

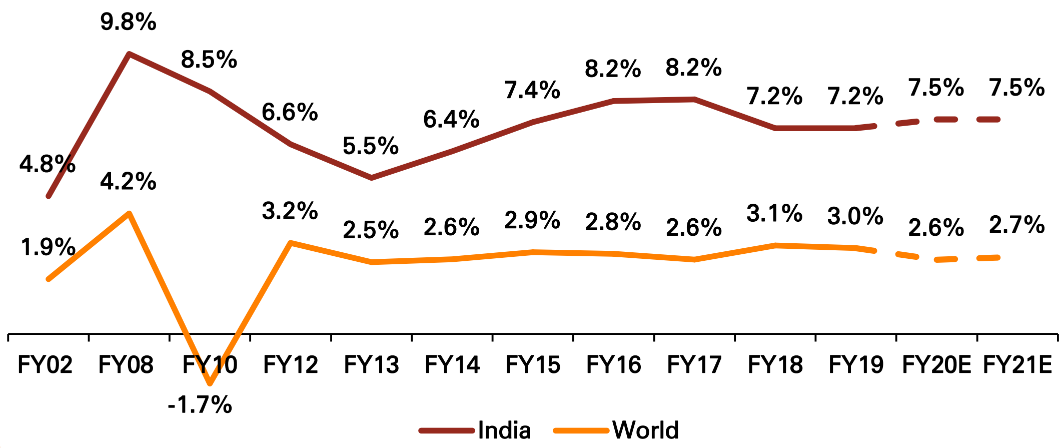
Large and growing population base[1]



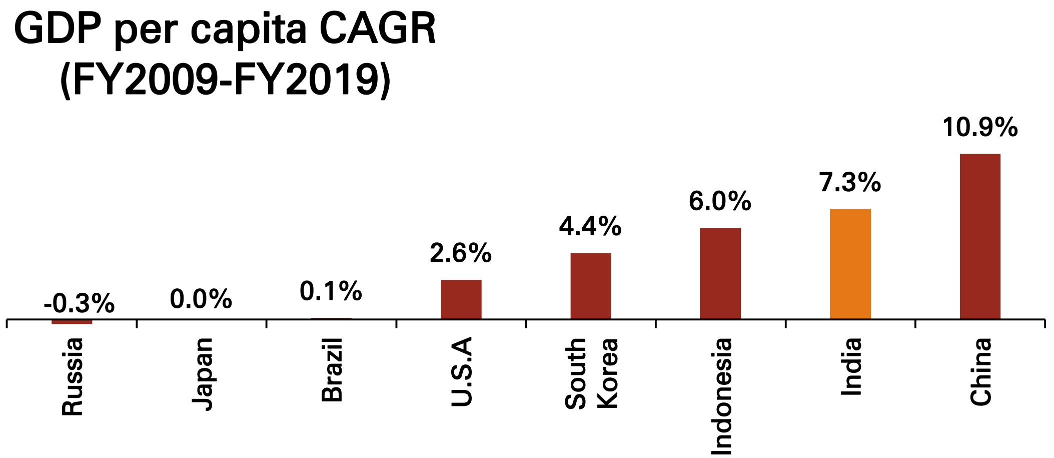
High share of working population[1]



Driving GDP growth [2]



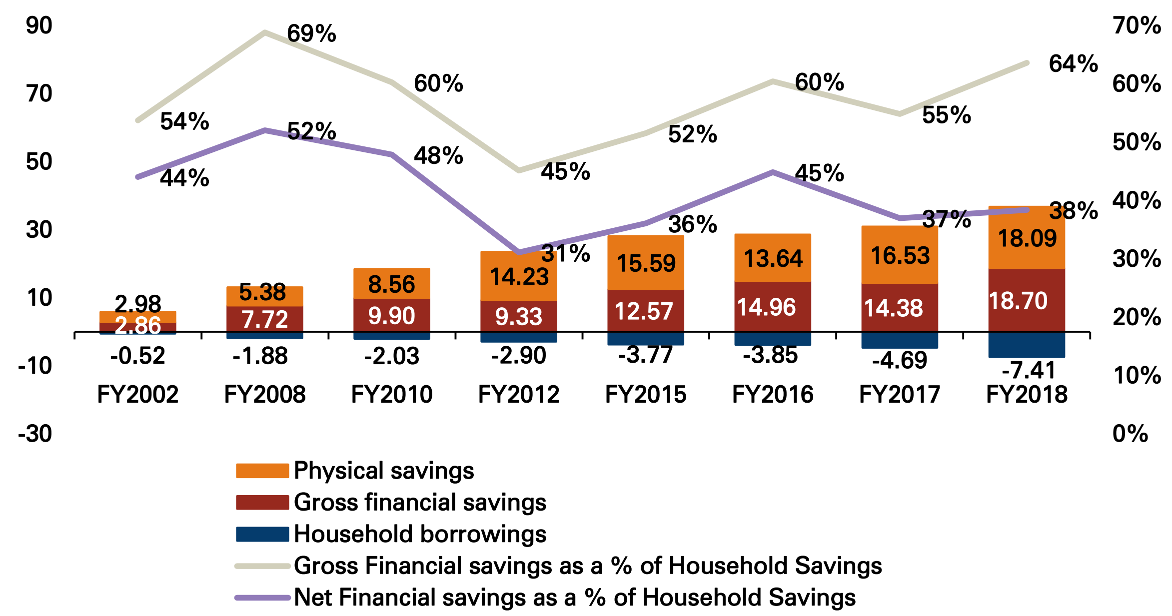
Rising affluence[2]



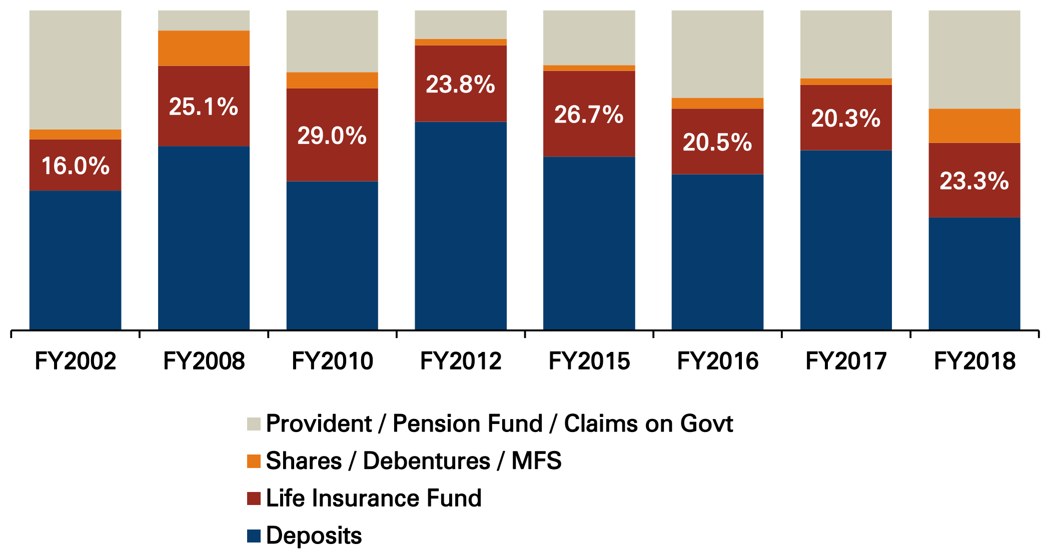
1. Source: UN population division
2. Source: World bank

Financialisation of savings: Opportunity for insurance

Household savings[1]



Distribution of financial savings(excluding currency)[2]

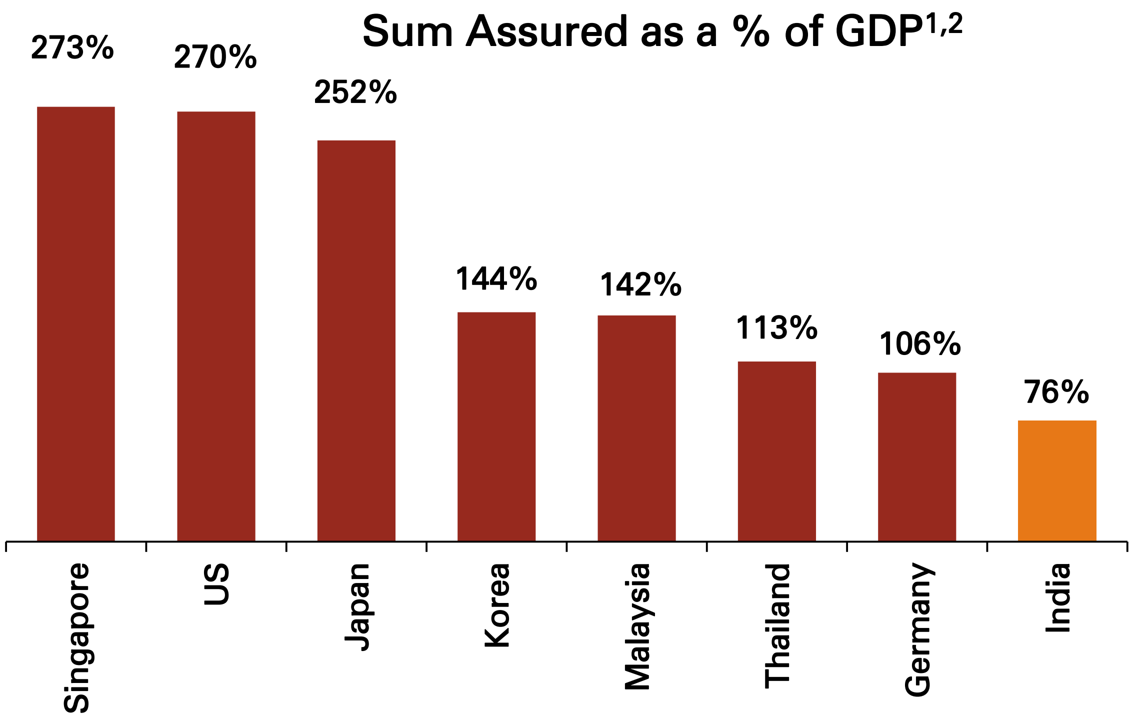


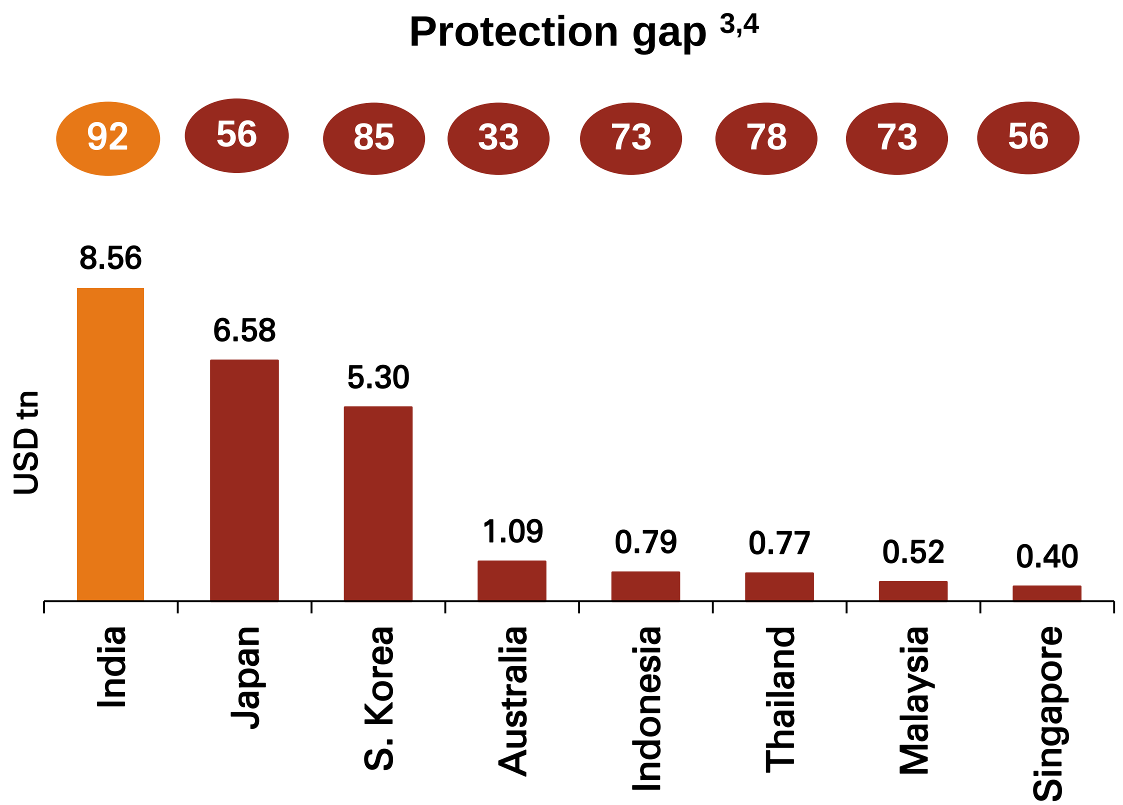
₹ billion	FY2002	FY2008	FY2010	FY2012	FY2014	FY2015	FY2017	FY2018
Life insurance premium[3] as % of GDP	2.1%	4.0%	4.1%	3.3%	2.8%	2.6%	2.7%	2.8%

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

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

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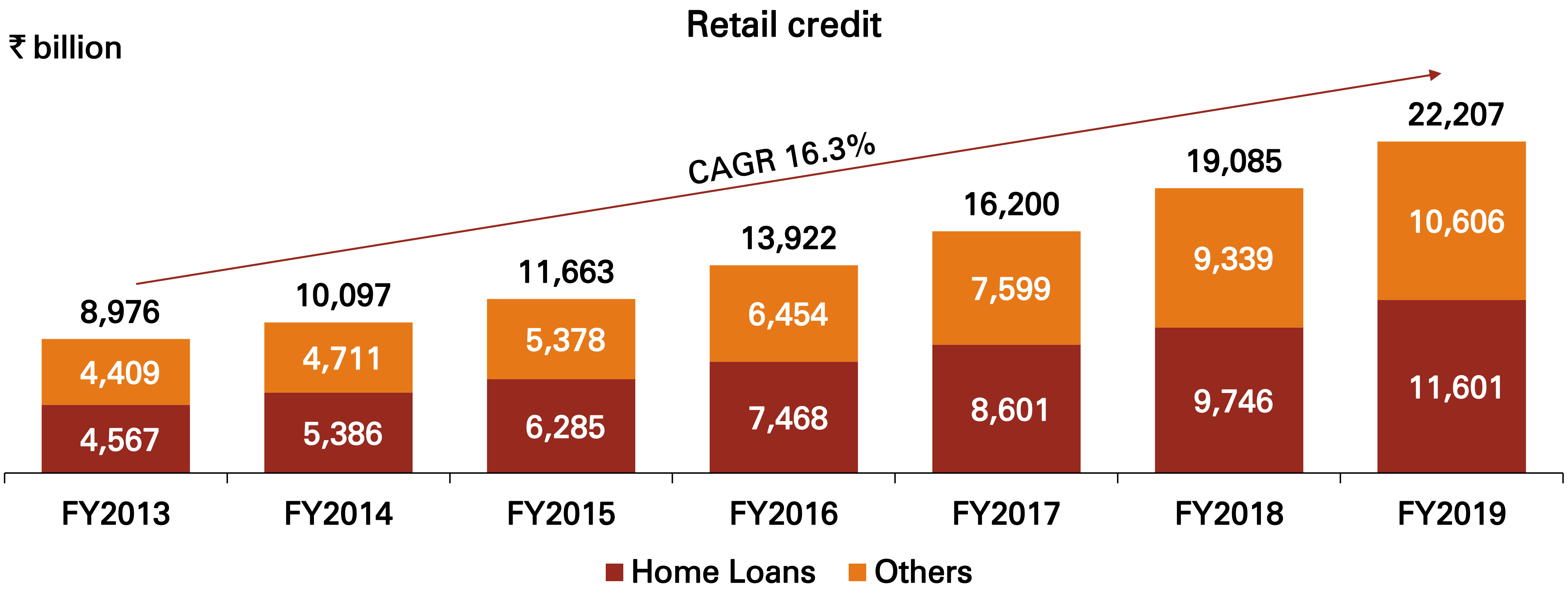
1. As of FY2018 for India; As of FY2015 for US, Germany and others as of FY2017
2. Source: McKinsey estimates.
3. Protection gap (%): Ratio of protection lacking/protection needed
4. Source: Swiss Re, Economic Research and Consulting 2015

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

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

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%		2.8%
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

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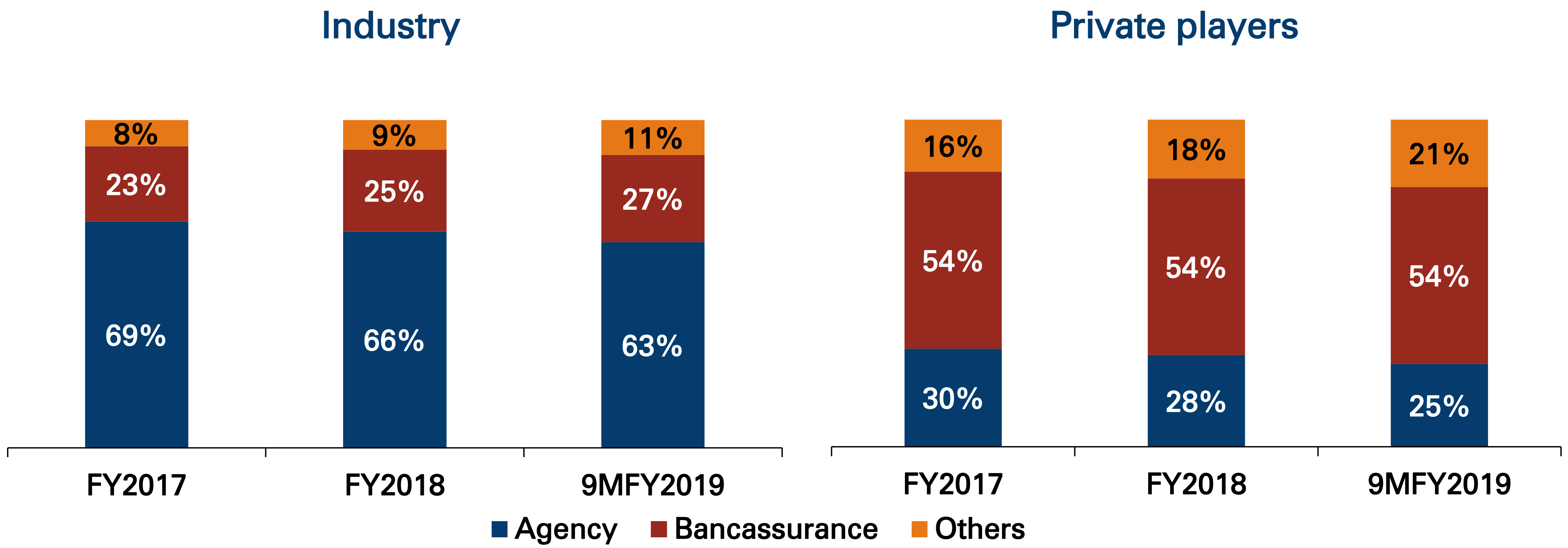
1. Retail weighted received premium (RWRP)
2. Individual and Group in-force sum assured

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

Channel mix[1]

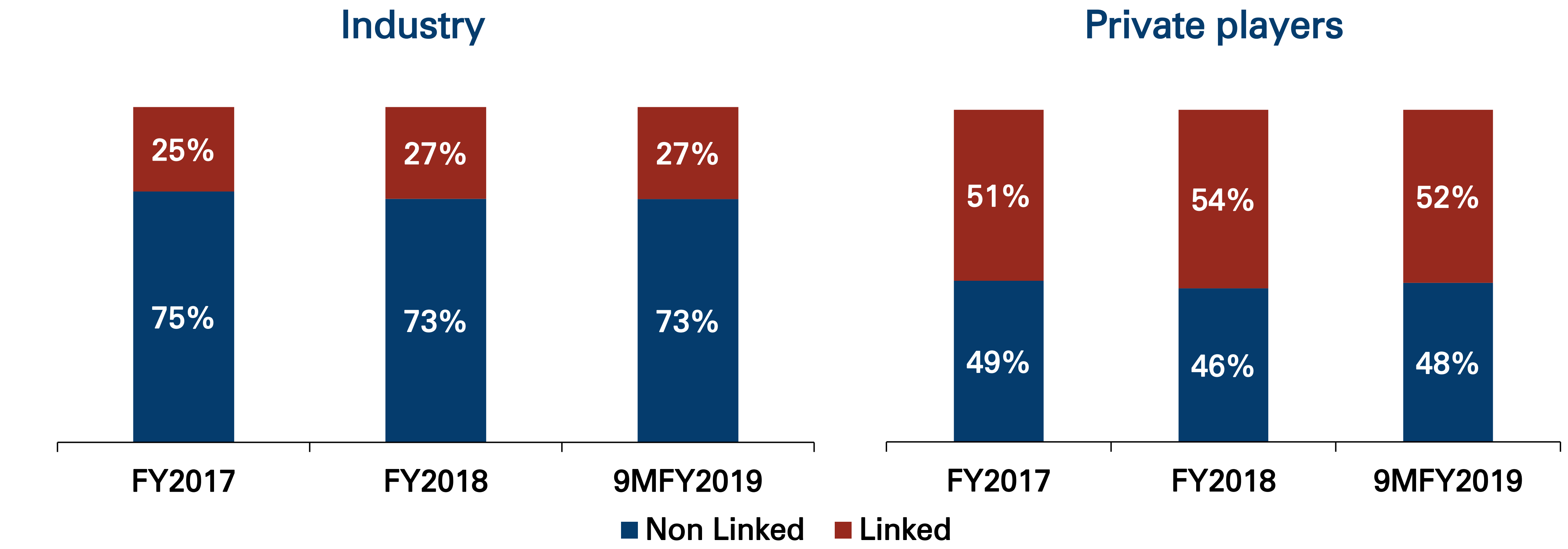


Given a well developed banking sector, bancassurance continues to be the largest channel for private players

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

Average APE by product categories

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

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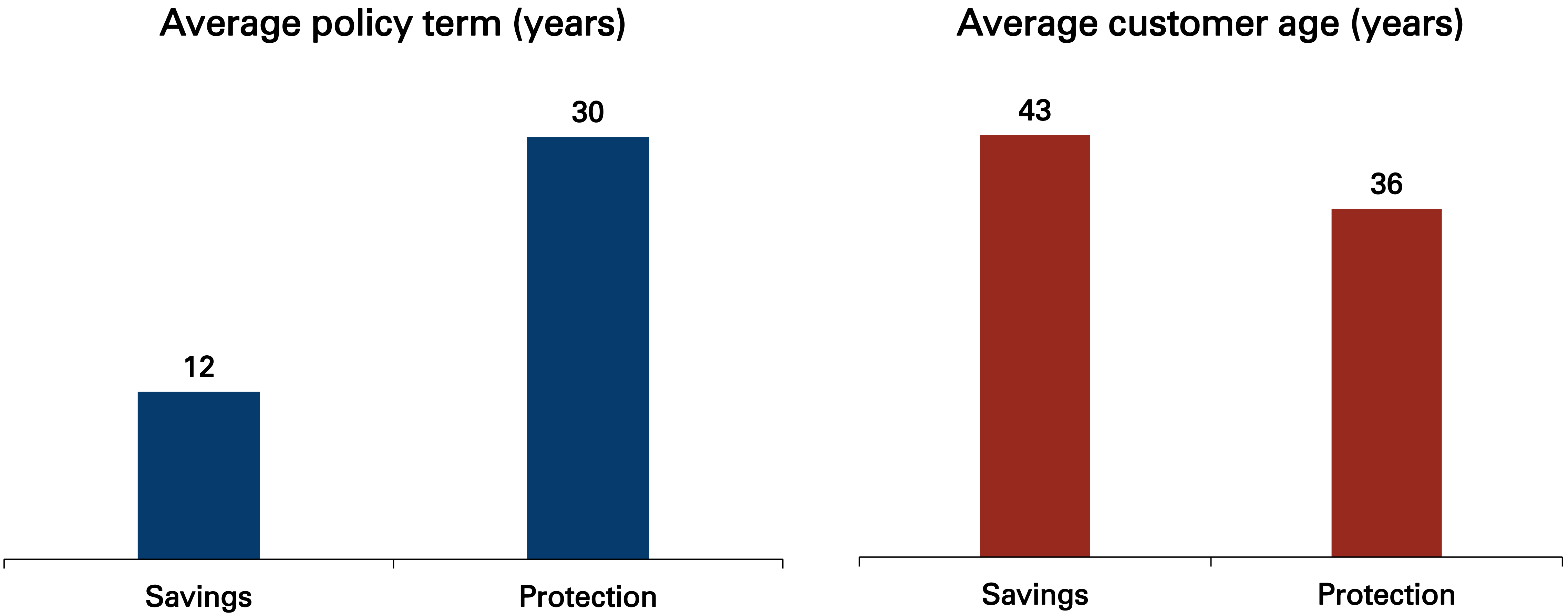
Policy term and customer age[1]



1. For FY2019; protection excludes credit life

Channel wise product mix[1]

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

1. Retail Annualized Premium Equivalent (APE) basis
Components may not add up to the totals due to rounding off

Product wise channel mix[1]

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

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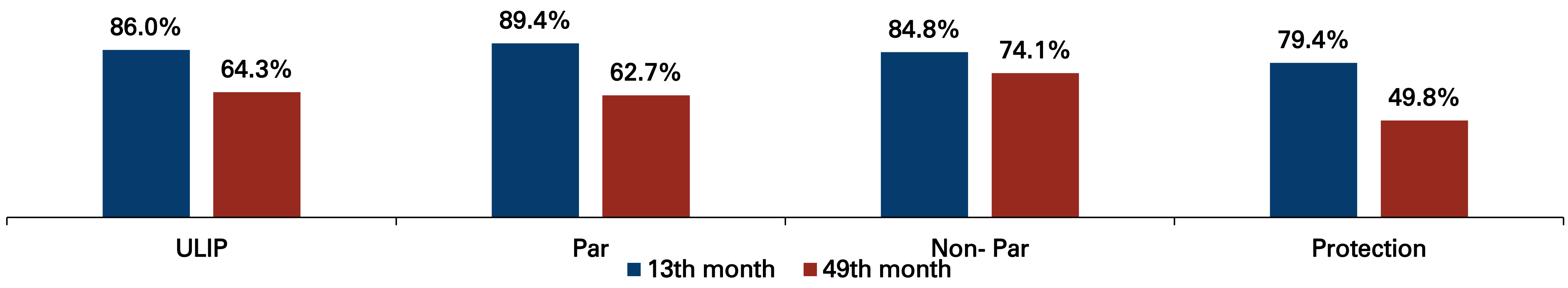
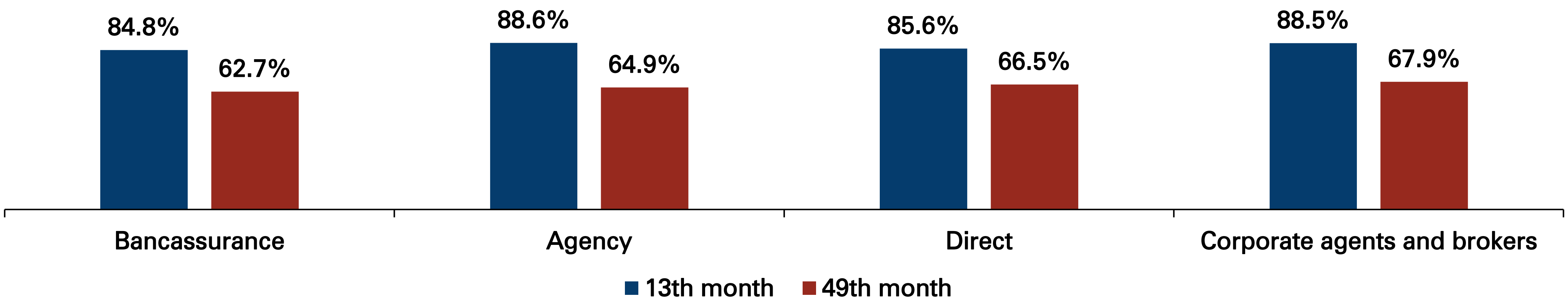
1. Retail Annualized Premium Equivalent (APE) basis
Components may not add up to the totals due to rounding off

Retail persistency excluding single premium[1]

Persistency across product categories



Persistency across channel categories



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

Embedded value

Analysis of movement in EV[1]

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

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

Embedded value

₹ billion	FY2017	FY2018	FY2019
Value of In force (VIF)	94.28	117.64	142.69
Adjusted Net worth	67.56	70.24	73.54
Embedded value[1]	**161.84**	**187.88**	**216.23**
Return on Embedded Value (ROEV)	16.5%	22.7%	20.2%
EV growth-pre dividend	20.6%	23.4%	19.6%
EV growth-post dividend	16.1%	16.1%	15.1%
VNB as % of opening EV	4.8%	7.9%	7.1%
Operating assumption changes and variance as % of opening EV	2.9%	6.3%	4.7%

1. As per Indian Embedded Value (IEV) method

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

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

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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

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Components of EV movement (1/2)

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

Components of EV movement (2/2)

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

Key assumptions underlying EV (1/2)

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

Key assumptions underlying EV (2/2)

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

Economic assumptions underlying VNB and EV

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

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Sensitivity analysis (FY2019)

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

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Glossary

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

Safe harbor

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

Thank you

ICICI Prudential Life Insurance Company

Earnings conference call

Quarter ended June 30, 2019 (Q1-FY2020)

July 24, 2019

N. S. Kannan:

Good evening and welcome to the results call of ICICI Prudential Life Insurance Company for the quarter ended June 30, 2019. I have with me here my colleagues, Puneet Nanda our Deputy Managing Director and Satyan Jambunathan our Chief Financial Officer.

At the outset, I would like to mention a couple of developments during the quarter. Last week, we had our Annual General Meeting in Mumbai. All the items included in the Notice for members have been approved by the shareholders of the Company. The standard items included the appointment of four Directors- Mr. Anup Bagchi, Mr. Sandeep Batra, both nominated by ICICI Bank, Mr. Raghunath Hariharan, nominated by Prudential, and Ms. Vibha Paul Rishi, an Independent Director. We also had items related to the revision in the remuneration of Wholetime Directors and profit linked commission paid to Independent Directors. Approval was also granted by shareholders for our chairman Mr. Ramachandran to continue as an Independent Director on attaining the age of 75. Further, an amendment to the definition of 'exercise period' under the Company's employee stock option scheme, restricting it to 5 years instead of 10 years from the date of vesting, was approved, to align the interest of shareholders and employees even more closely.

During the quarter we also hosted “Think Tech”, an event to showcase our technology capabilities. Over the past year, across our various interactions at the quarterly calls, conferences and investor meets, we have discussed at length our business performance. While business performance is the final outcome, there are some key business enablers which ensure the long term sustainability of the business. Technology is one of them. In all our interactions, we have given you some glimpses of the technology initiatives, but we have never had a comprehensive discussion focussed only on this topic. That was the genesis of creating the technology event where our attempt was to demonstrate our overall approach to technology, the journey so far, our digital preparedness, new initiatives in progress, and also give an experience of the consumer and distributor oriented tools first-hand. Just to summarise on the Think tech event, we at ICICI Prudential have undergone a profound digital transformation over the past few years. Our approach has been to keep modernising the operating platforms and to continuously enhance our digital capabilities to keep in tune with the rapidly evolving eco-system. Our approach to technology and some of the initiatives are given in the later part of our results presentation.

Moving on to regulatory update, IRDAI has released new regulations for life insurance products. There are some changes to guidelines across product categories and more specifically on pension products. While there are some additional opportunities for companies like us, none of the changes are disruptive in nature.

I will now talk about key highlights of our performance for the quarter ended June 30, 2019 along with our key strategic imperatives. We have put up the results presentation on our website. You can refer to it as we walk you through our performance. After my remarks, Satyan will discuss the performance in greater detail. At the end, Puneet, Satyan and I will be happy to take any questions that you may have.

During the last result call, we had articulated our aspiration to double our FY2019 Value of New Business (VNB) in 3 to 4 years. Our VNB grew by ~27% to ₹ 3.09 billion in Q1-FY2020 as compared to ₹ 2.44 billion for the same period last year. This growth has been predominantly achieved through the growth in the protection business. Our VNB margin for the quarter was 21.0% as compared to 17.0% for FY2019. While this is the first quarter result immediately after we made our aspiration public, the early results give us the confidence that we have started on our aspirational path in right earnest.

As I mentioned in the previous calls, our 4P strategic elements i.e. Premium growth, Protection business growth, Persistency improvement and Productivity improvement continue to guide us towards our objective of growing the absolute value of new business. We had also articulated our agenda for each of these strategic elements.

On the first P of Premium growth, Our Annualized Premium Equivalent (APE) for Q1-FY2020 was ₹ 14.70 billion; a growth rate of ~5% as compared to a flat APE for FY2019. You would recall that starting from Q3-FY2019, we had put in place various initiatives such as engagement with key distributors serving affluent customers, and distribution and product initiatives to widen our customer base. Within product initiatives, we had talked about diversifying our product mix. For Q1-FY2020, within savings category, linked product mix was ~71% of our APE as compared to ~80% in FY2019. Our non-linked savings mix has increased to ~14% from ~11% earlier. Similarly on distribution channel diversification, non bancassurance channels contributed ~48% of our Q1-FY2020 APE as compared to ~44% in FY2019. Even as we stayed course on these initiatives and some of them are being undertaken as we speak, we have registered a positive year on year growth rate for eight months in a row. We will endeavour to carry this momentum forward.

On the second P of protection business growth, we continue to make significant progress. With our focus on retail business and building partnerships, our protection APE for Q1-FY2020 grew by ~88% year on year. With an APE of ₹ 2.14 billion, protection accounts for 14.6% of overall APE for Q1-FY2020. This growth was led by both retail and group protection business; and retail protection continues to dominate the protection mix.

On the third P of persistency: This metric continues to be a key measure of our business quality. Our early period persistency excluding single premium was at 84.4%. We continue to focus on improving the 13th month persistency by encouraging our customers to stay invested longer. In line with our endeavour to reflect the improvements seen in 13th month cohort to longer durations, our persistency of longer durations have improved, specifically the 49th month persistency which has improved to 64.2% at the end of June 2019.

On the fourth P of productivity improvement, we will continue to leverage technology to improve cost ratios. However, as we continue our focus on protection, we are also conscious that we will have to invest in this segment. Our cost to TWRP ratio was lower at 17.0% for Q1-FY2020 as compared to 17.5% for Q1-FY2019. Within this, the cost to TWRP ratio for the savings business has significantly improved to 11.3% as against 13.7% for Q1-FY2019.

As I mentioned earlier, the outcome of our focus on these 4 Ps has resulted in our Value of New Business for Q1-FY2020 of ₹ 3.09 billion, a growth rate of ~27% over the same period last year. The VNB margin for Q1-FY2020 is 21.0% as compared to 17.0% for FY2019. We would continue to focus on expanding the absolute Value of New Business going forward.

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.

Our primary focus continues to be to grow the absolute value of new business i.e. VNB through the 4P strategy of Premium growth, Protection business growth, Persistency improvement and Productivity improvement.

Premium growth. Retail business continues to dominate new business APE contributing ~90% of new business. Overall APE growth for Q1-FY2020 was ~5%.

As we look at our growth across product categories, our focus areas i.e. the protection and annuity segments continued to grow well. The Annuity segment registered a growth rate of more than 70% for Q1-FY2020. While unit linked products continued to be our mainstay category within savings, its contribution to overall APE has decreased from ~80% in FY2019 to ~71% in Q1-FY2020 providing us with further diversification in the product mix. On the distribution channels, we have continued to invest across channels such as agency, bancassurance partnerships, proprietary sales force, corporate agents and brokers including web aggregators. We have a well-diversified distribution mix with non-bancassurance channels contributing ~48% of our Q1-FY2020 APE as compared to ~44% in FY2019. The growth in the group business APE has been primarily driven by protection.

Our second strategic element of protection. With an APE of ₹ 2.14 billion for Q1-FY2020, protection growth continued to be robust and consistent. For Q1-FY2020, protection APE grew ~88% resulting in the protection mix becoming 14.6% of APE. Within the protection business, retail protection continued to grow strongly during the quarter.

The third element of persistency. For Q1-FY2020, we have seen gradual improvement in persistency across the buckets with 13th month persistency being stable at 84.4%. Our 49th month persistency has improved further to 64.2%. While persistency rates continues to be one of the best in industry, we would continue to focus on improving these persistency rates further. From a profitability perspective, our persistency experience continue to be better than the assumptions factored in the VNB and EV calculation.

The fourth element of cost ratios. Improving productivity within all parts of the organisation from sales to service 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 potential increase in cost ratios. Our cost to TWRP ratio was 17.0% for Q1-FY2020 as compared to 17.5% for Q1-FY2019. Within this the cost to TWRP for the savings business was 11.3% compared to 13.7% for Q1-FY2019.

The outcome of our focus on these 4Ps has resulted in our Value of New Business of ₹ 3.09 billion for Q1-FY2020, a growth rate of ~27% over the same period last year. This growth has been predominantly achieved through the 87.7% growth in the protection business which I talked about earlier. The VNB margin is 21.0% for Q1-FY2020 as compared to 17.0% for FY2019.

The profit after tax for Q1-FY2020 was ₹ 2.85 billion as compared to ₹ 2.82 billion for Q1-FY2019. Solvency ratio continues to be strong at 217%. Our AUM was more than ₹ 1.64 trillion at June 30, 2019. Our investment philosophy is aimed at ensuring consistent, stable and better risk adjusted performance over the long term to policyholders. In this context, I would like to highlight that, since the inception of our Company none of our fixed income investments has defaulted.

Before I conclude, as Kannan highlighted, we hosted a "Think Tech" event to showcase our digital journey and capabilities. We demonstrated some of the best in class consumer and distributor oriented tools. We highlighted various initiatives across the policy life cycle i.e. marketing and lead generation, pre sales enablers, on-boarding and issuance process, customer service including claims, integration with partners and data analytics. While detailed presentation is available on our website and exchanges, we have given some of the initiatives in the later part of our results presentation.

To summarize, we continue to 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. Thank you and we are now happy to take any questions that you may have.