

July 25, 2018

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 20, 2018 on the captioned subject.

Please find enclosed the business presentation and opening remarks for the earnings call held on July 24, 2018 to discuss the performance of the Company for Q1-FY2019.

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



Vyoma Manek
Company Secretary
ACS 20384



Performance update: Q1-FY2019

July 24, 2018

Agenda

Company strategy and performance

Opportunity

Industry overview

Agenda



Company strategy and performance

Opportunity

Industry overview

Strategy: Market share + profitable growth

Objective

Grow Value of New Business (VNB)

Focus on retail through multi-channel distribution

Customer centric products

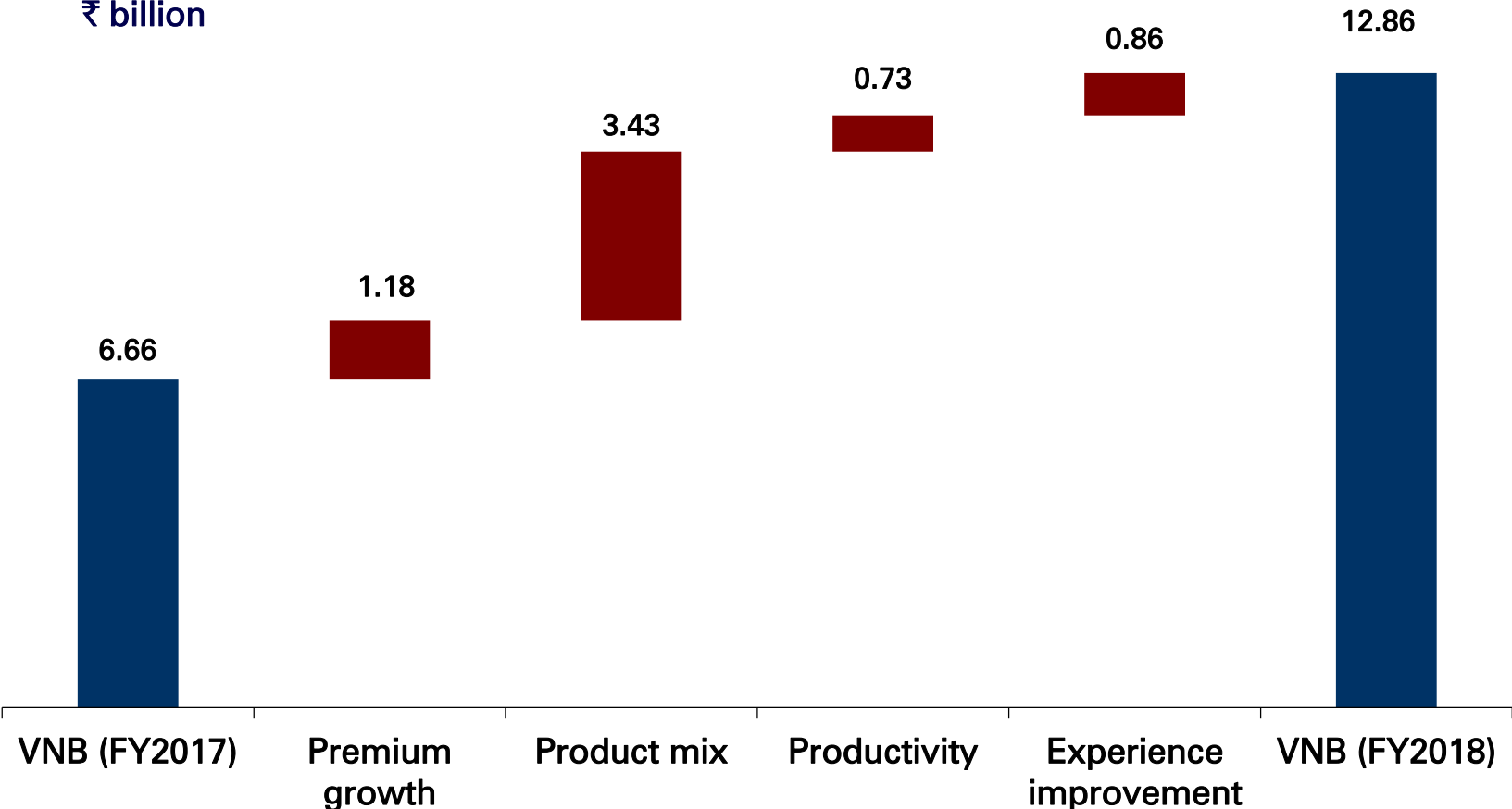
Saving opportunity

Protection opportunity

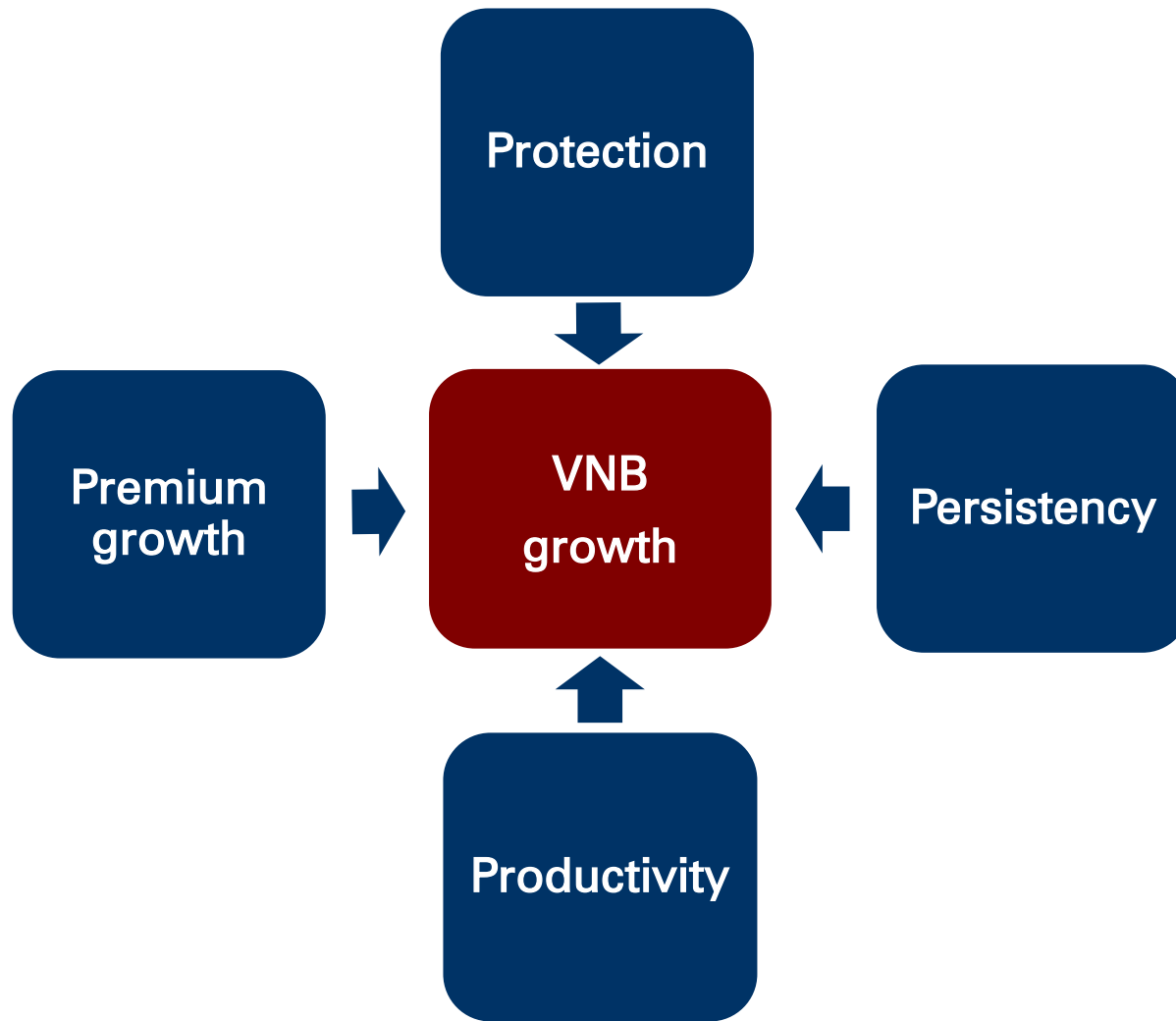
Superior business quality to deliver enhanced customer and shareholder value

Technology as business enabler

Drivers of VNB growth



Strategic elements



Strategic elements (1/4)

Premium growth

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

Q1-FY2019 update:

- APE declined by 18%
- Market share of 11.3%

Strategic elements (2/4)

Protection focus

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

Q1-FY2019 update:

- Protection APE growth of 48.1%
- New micro insurance product launched

* At June 30, 2018

Strategic elements (3/4)

Persistency

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

Q1-FY2019 update:

- Total premium growth of 13.0%
- Retail renewal premium growth of 29.1%
- 13th month persistency maintained at 85.8%*
- Improvement across cohorts

* As per IRDAI circular dated January 23, 2014; excluding single premium

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

Q1-FY2019 update:

- Cost/TWRP (savings LOB) at 13.7% compared to 12.5% in Q1-FY2018
- Ratio expected to improve with growth in premium through the year

VNB growth

₹ billion	FY2017	FY2018	Q1-FY2018	Q1-FY2019
Value of New Business (VNB) ¹	6.66	12.86	1.82	2.44
VNB Margin	10.1%	16.5%	10.7%	17.5%
VNB growth	61.7%	93.1%	NA	34.1%

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

Company performance

Categories of products

Savings	
Linked	<ul style="list-style-type: none"> • Transparent • Choice of asset class • Low charges and minimal lapse risk for customers
Par	<ul style="list-style-type: none"> • Return upside through segment surplus¹ i.e. income net expense/reserve • High lapse risk for customers
Non-Par savings	<ul style="list-style-type: none"> • Guaranteed returns • High lapse risk for customers

Life cover ten times annual premium similar across savings products

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

Saving products: persistency impact

- Significant loss for traditional saving product (Par and Non par) customers in case of discontinuance before the maturity date

Year of surrender	Total premiums paid	Maximum surrender penalty	
		Unit linked	Traditional
Year 1	100,000	14,000	100,000
Year 2	200,000	20,000	200,000
Year 3	300,000	27,000	210,000
Year 4	400,000	32,000	200,000
Year 5	500,000	Nil	250,000
Year 6	600,000	Nil	300,000
Year 7	700,000	Nil	350,000

Notes:

1. Unit linked surrender penalty includes average admin charges
2. Actual surrender penalty for non linked could be lower for certain products
3. Assuming policy term greater than 10 years

Strategy: Market share + profitable growth

Objective

Grow Value of New Business (VNB)

Focus on retail through multi-channel distribution

Customer centric products

Saving opportunity

Protection opportunity

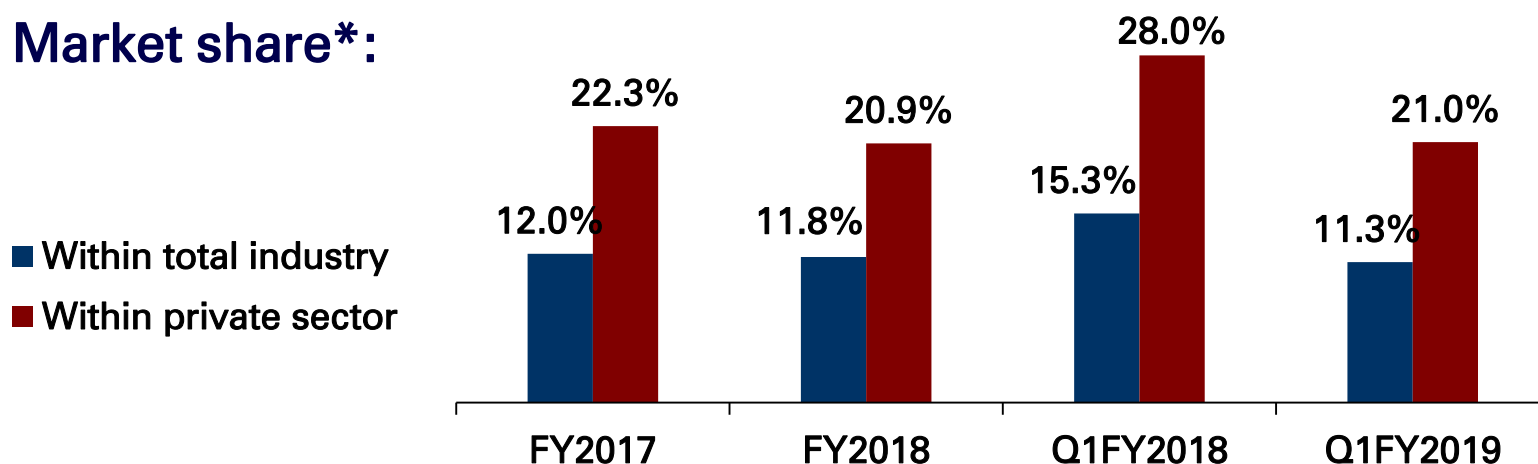
Superior business quality to deliver enhanced customer and shareholder value

Technology as business enabler

Focus on Retail market share

₹ bn	FY2017	FY2018	Q1-FY2018	Q1-FY2019	Growth
Retail APE	65.18	75.78	16.79	13.35	(20.5%)
Group APE	1.07	2.13	0.26	0.61	134.6%
Total APE	66.25	77.92	17.04	13.96	(18.1%)
Retail as % Total APE	98.4%	97.3%	98.5%	95.6%	
Retail AUM	1,083.15	1,235.21	1,118.25	1,275.15	14.0%
Total AUM	1,229.19	1,395.32	1,265.91	1,426.63	12.7%
Retail as % Total AUM	88.1%	88.5%	88.3%	89.4%	

Market share*:

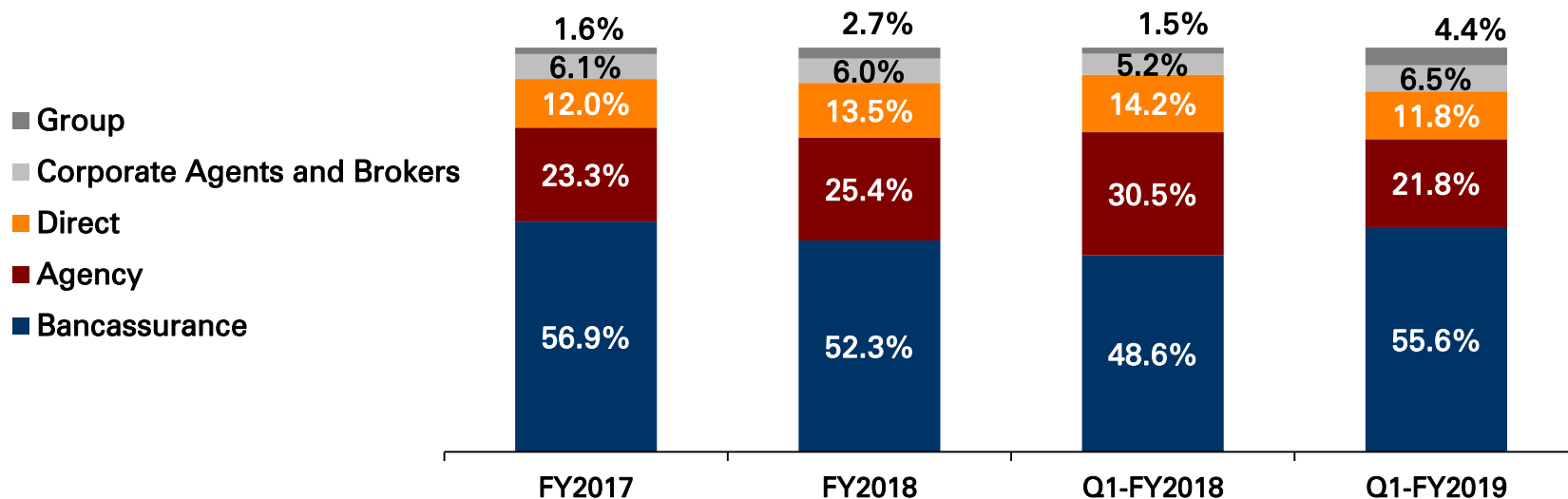


* Market share based on RWRPP

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

Multi-channel distribution¹

₹ bn	FY2017	FY2018	Q1-FY2018	Q1-FY2019
Bancassurance	37.72	40.75	8.28	7.76
Agency	15.41	19.79	5.20	3.04
Direct	7.98	10.54	2.42	1.64
Corporate agents and brokers	4.07	4.70	0.88	0.91
Group ²	1.07	2.13	0.26	0.61



1. Based on APE
2. Including group protection

Customer centric products

₹ bn	FY2017	FY2018	Q1-FY2018	Q1-FY2019
Savings	63.64	73.45	16.27	12.82
<i>ULIP</i>	55.69	63.81	14.61	11.14
<i>Par</i>	6.38	8.46	1.42	1.36
<i>Non par</i>	0.72	0.40	0.09	0.13
<i>Group</i>	0.86	0.78	0.16	0.19
Protection ¹	2.60	4.46	0.77	1.14
Total APE	66.25	77.92	17.04	13.96

- Protection APE grew by 48.1% in Q1-FY2019

1. Protection includes retail and group protection products

Persistency¹ (retail excluding single premium)

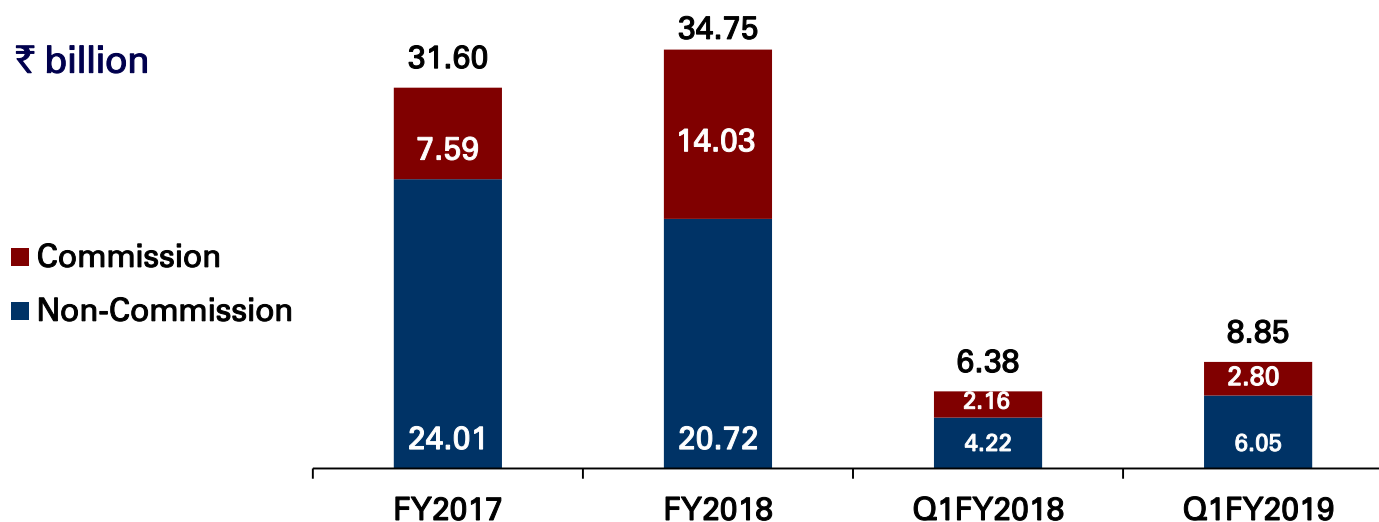
Month	FY2017	FY2018	Q1-FY2018	2m-FY2019
13 th month	84.7%	85.8%	85.8%	85.8%
25 th month	73.0%	77.0%	73.9%	77.8%
37 th month	65.5%	67.6%	67.0%	68.2%
49 th month	58.3%	62.8%	59.2%	63.7%
61 st month	53.8%	53.7%	54.3%	54.0%

₹ bn	FY2017	FY2018	Q1-FY2018	Q1-FY2019
Retail renewal premium	142.19	174.97	28.08	36.25
<i>YOY growth</i>	<i>18.5%</i>	<i>23.1%</i>	<i>25.4%</i>	<i>29.1%</i>
Retail surrender (linked)	105.35	116.86	28.99	18.89

1. As per IRDAI circular dated January 23, 2014

Productivity: Cost efficiency

	FY2017	FY2018	Q1-FY2018	Q1-FY2019
Expense ratio (excl. commission) ¹	11.4%	8.2%	9.4%	12.0%
Commission ratio ²	3.6%	5.5%	4.8%	5.5%
Cost/TWRP ³	15.1%	13.7%	14.2%	17.5%
Cost / Average AUM ⁴	2.8%	2.6%	2.0%	2.5%
Cost/TWRP (Savings LOB)	13.3%	11.8%	12.5%	13.7%



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

Technology as business enabler

Technology initiatives

Acquisition

- **Facematch:** Automated fraud detection tool for better underwriting
- **API platform:** Standardised data exchange platform across applications and partners (Implementation in progress)

Operations

- **Robotics Process Automation (RPA):** Automation of regular manual activities to reduce cost and error
- **Auto OCR:** Convert image to text for faster & automated processing

Service

- **Chatbots:** Handling frequent queries of customers, sales team and employees
- **AI & Machine Learning:** Automated decision making based on data analytics (Implementation in progress)

Outcome

Productivity

- 73% of new business policies issued within 2 days in Q1-FY2019
- 91% of new business applications initiated via digital platform

Persistency

- More than 250,000 premium payment centres across India
- 61% of renewal premium receipted through electronic mediums¹

Customer Service

- 72% service transactions are self service
- 99% of customer initiated payouts are processed electronically
- Claims TAT² decreased from 6 days in FY2014 to 3 days in Q1-FY2019

1. Transactions processed through online, direct debit and ECS
2. Average turn around time for non-investigated claims from receipt of last requirement

Financial update

Financial metrics

₹ bn	FY2017	FY2018	Q1-FY2018	Q1-FY2019	Growth
Retail new business premium	70.66	84.02	18.22	14.91	(18.2%)
Retail renewal premium	142.19	174.97	28.08	36.25	29.1%
Group premium	10.69	11.70	2.55	4.01	57.3%
Total premium	223.54	270.69	48.85	55.18	13.0%
Value of New Business (VNB) ¹	6.66	12.86	1.82	2.44	34.1%
Embedded Value	161.84	187.88	-	-	NA
Profit After Tax	16.82	16.20	4.06	2.82	(30.6%)
Solvency ratio	281%	252%	289%	235%	
AUM	1,229.19	1,395.32	1,265.91	1,426.63	12.7%

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

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



VNB growth levers update (4P's)

₹ bn	FY2016	FY2017	FY2018	Q1- FY2018	Q1- FY2019	Growth
P remium growth (APE) ¹	51.70	66.25	77.92	17.04	13.96	(18.1%)
P rotection APE	1.39	2.60	4.46	0.77	1.14	48.1%
P ersistency ² (13 th month excluding single premium)	81.8%	84.7%	85.8%	85.8%	85.8% ³	
P roductivity (Cost/TWRP)	14.5%	15.1%	13.7%	14.2%	17.5%	

1. Annualized premium equivalent
2. As per IRDA circular dated January 23, 2014; excluding group and single premium policies
3. 2M-FY2019 persistency

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

Agenda

Company strategy and performance



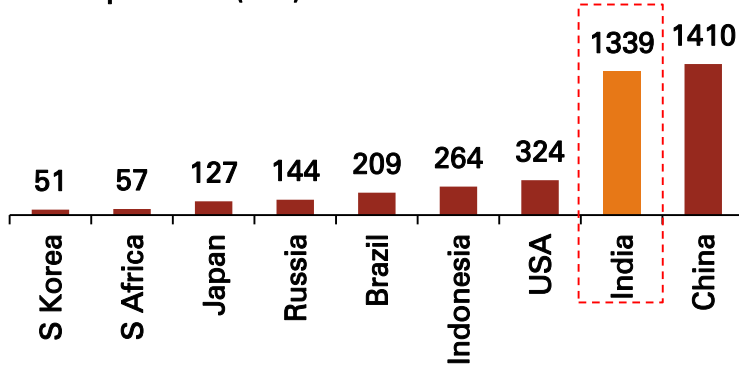
Opportunity

Industry overview

Favourable demography

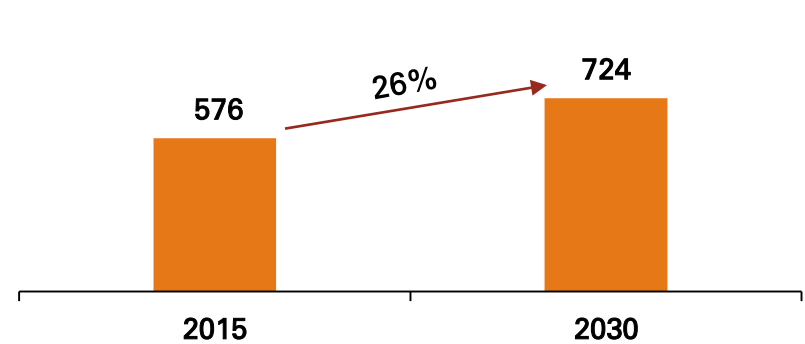
Large and Growing Population Base¹

2017 Population (mn)



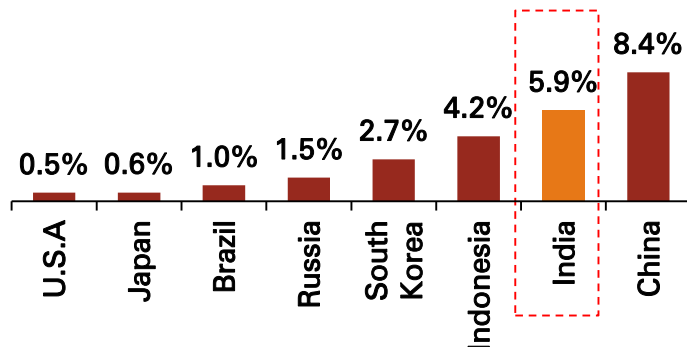
High Share of Working Population¹

Population of age 25-59 years: India (mn)

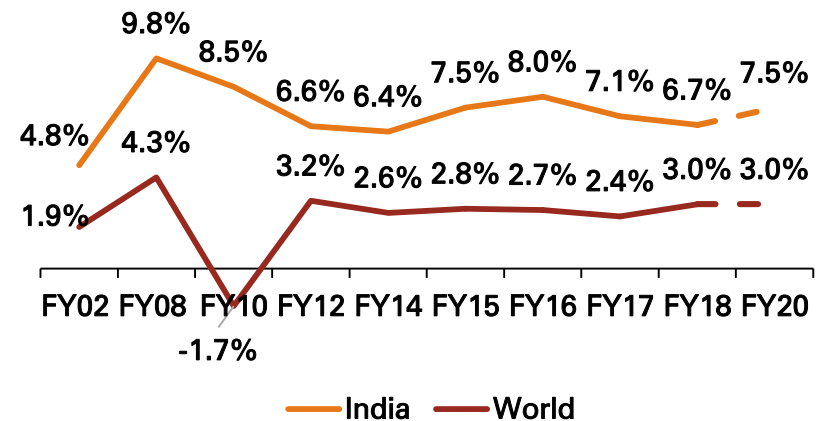


Rising Affluence²

GDP per capita CAGR (FY2007-FY2017)

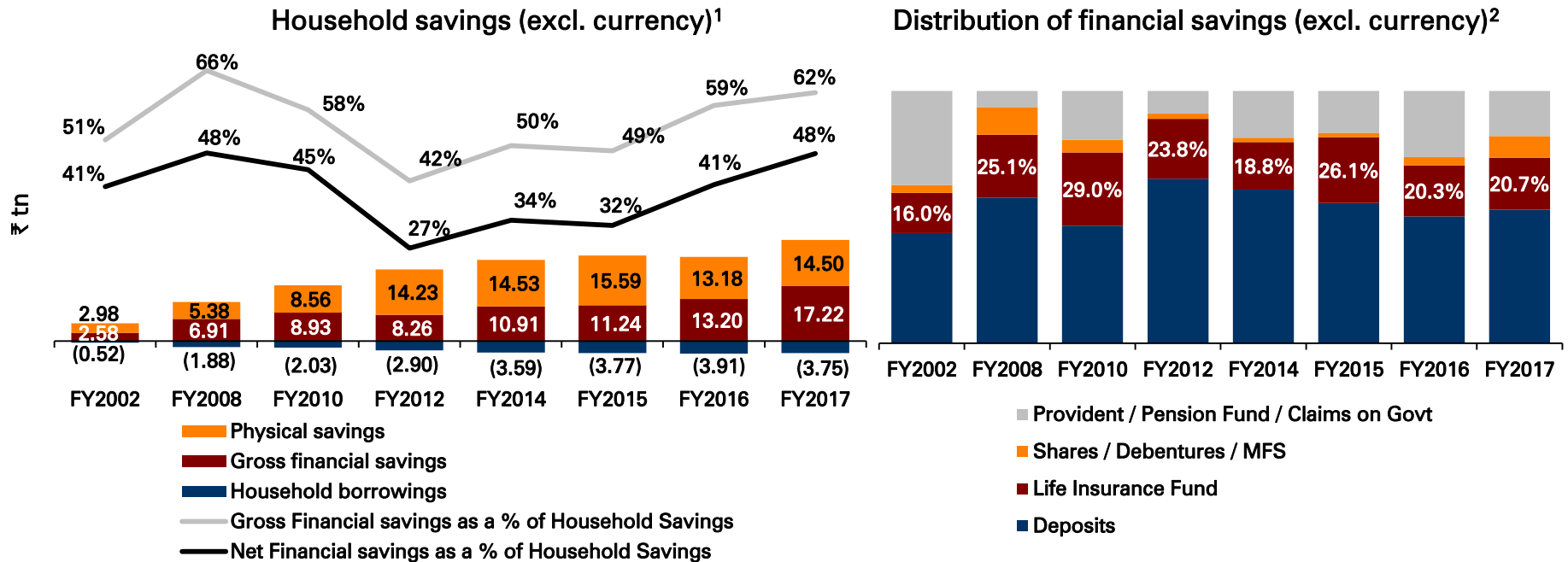


Driving GDP Growth²



1. Source: UN Population Division
2. Source: World Bank

Financialisation of savings: Opportunity for insurance

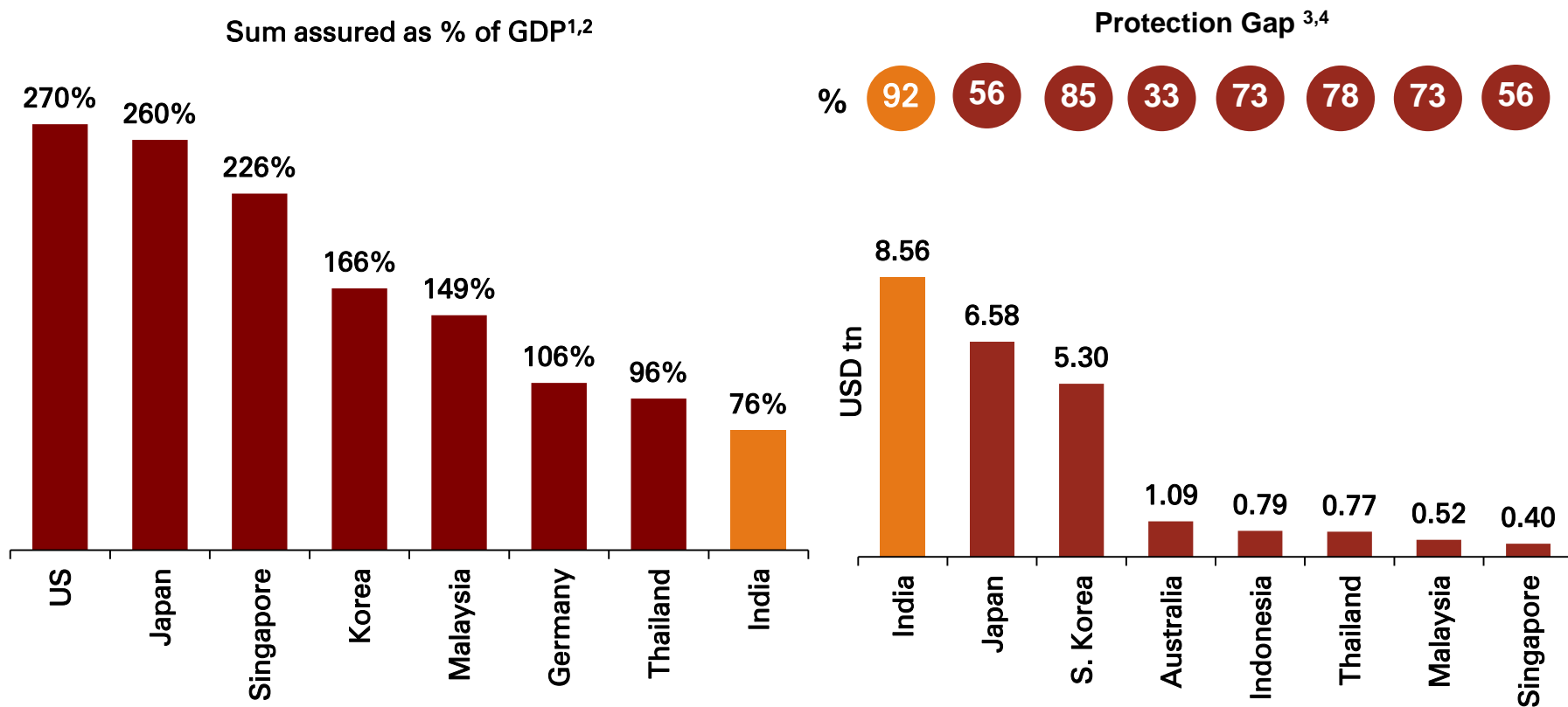


	FY2002	FY2008	FY2010	FY2012	FY2014	FY2015	FY2017	FY2018
Life insurance premium ³ as % of GDP	2.1%	4.0%	4.1%	3.3%	2.8%	2.6%	2.7%	2.7%

● 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

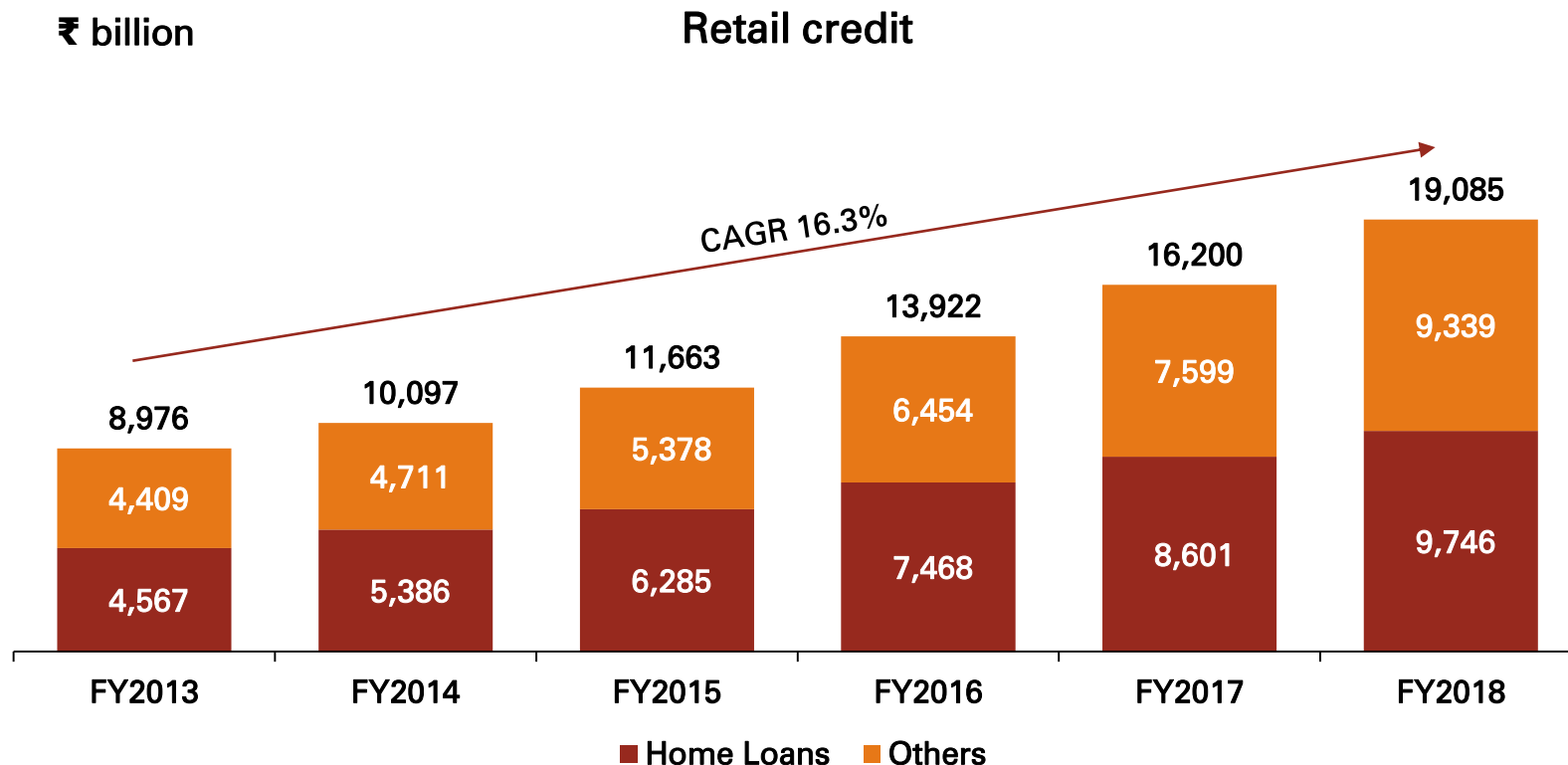
Protection opportunity: Income replacement



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

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 (₹ bn)	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

Source: General Insurance Council and company estimate

Agenda

Company strategy and performance

Opportunity



Industry overview

Evolution of life insurance industry in India

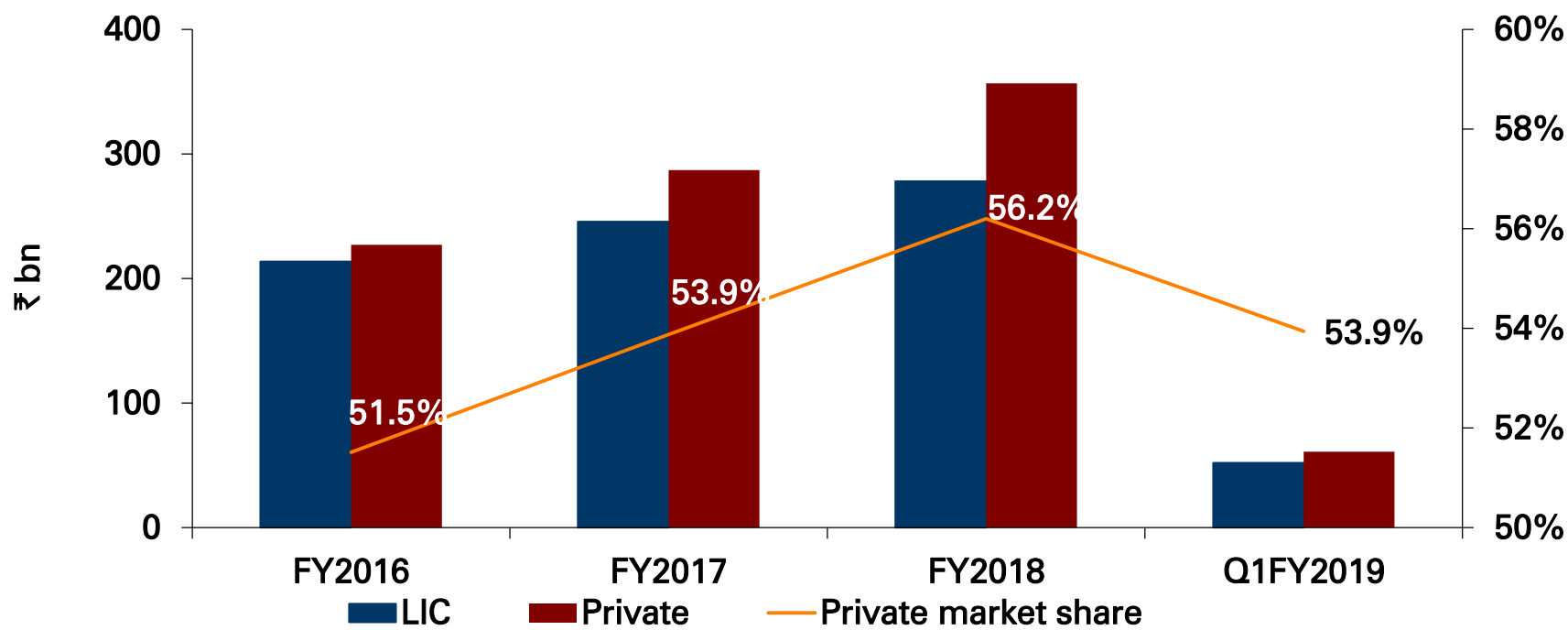
	FY2002		FY2010		FY2015		FY2018
New business premium ¹ (₹ bn)	116	21.5%	550	-5.8%	408	15.9%	635
Total premium (₹ bn)	501	23.2%	2,654	4.3%	3,281	11.8%	4,583
Penetration (as a % to GDP)	2.1%		4.1%		2.6%		2.7%
Assets under management (₹ bn)	2,304	24.0%	12,899	12.6%	23,361	12.4%	33,130
In-force sum assured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

1. Retail weighted received premium (RWRP)
 2. Individual and Group in-force sum assured
 Source: IRDAI, CSO, Life Insurance Council
 * Company estimate

New business¹

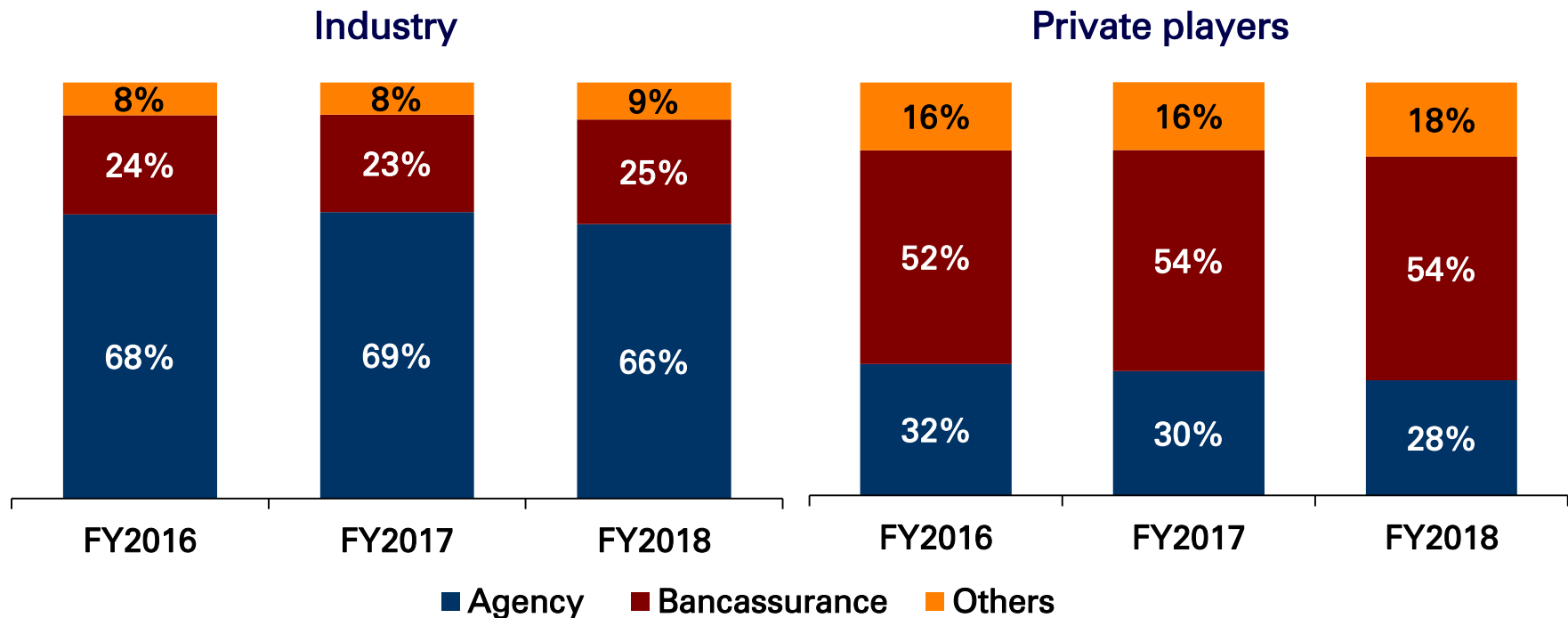
Growth	FY2016	FY2017	FY2018	Q1-FY2019
Private	13.6%	26.4%	24.3%	4.5%
LIC	2.9%	14.7%	13.2%	6.9%
Industry	8.1%	20.7%	19.2%	5.6%



1. Retail weighted new business premium
Source : Life Insurance Council



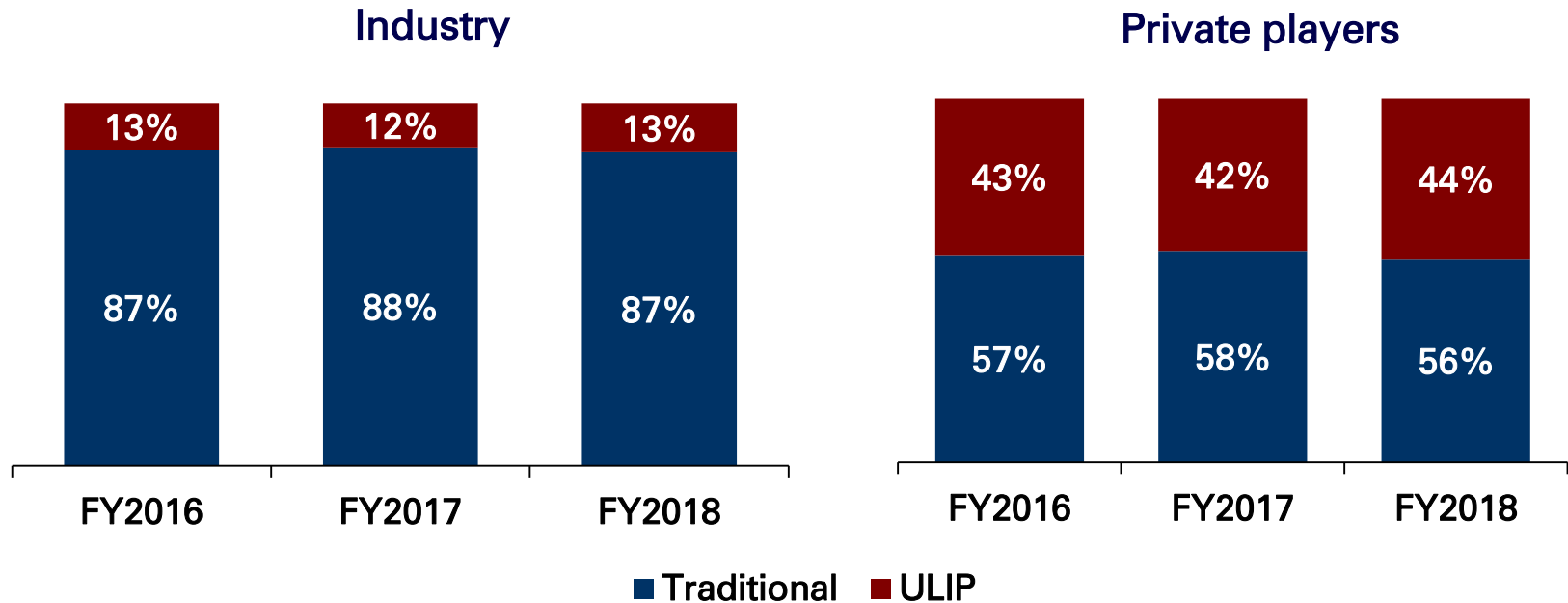
Channel mix¹



- Given a well developed banking sector, bancassurance has become largest channel for private players

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

Product mix¹



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

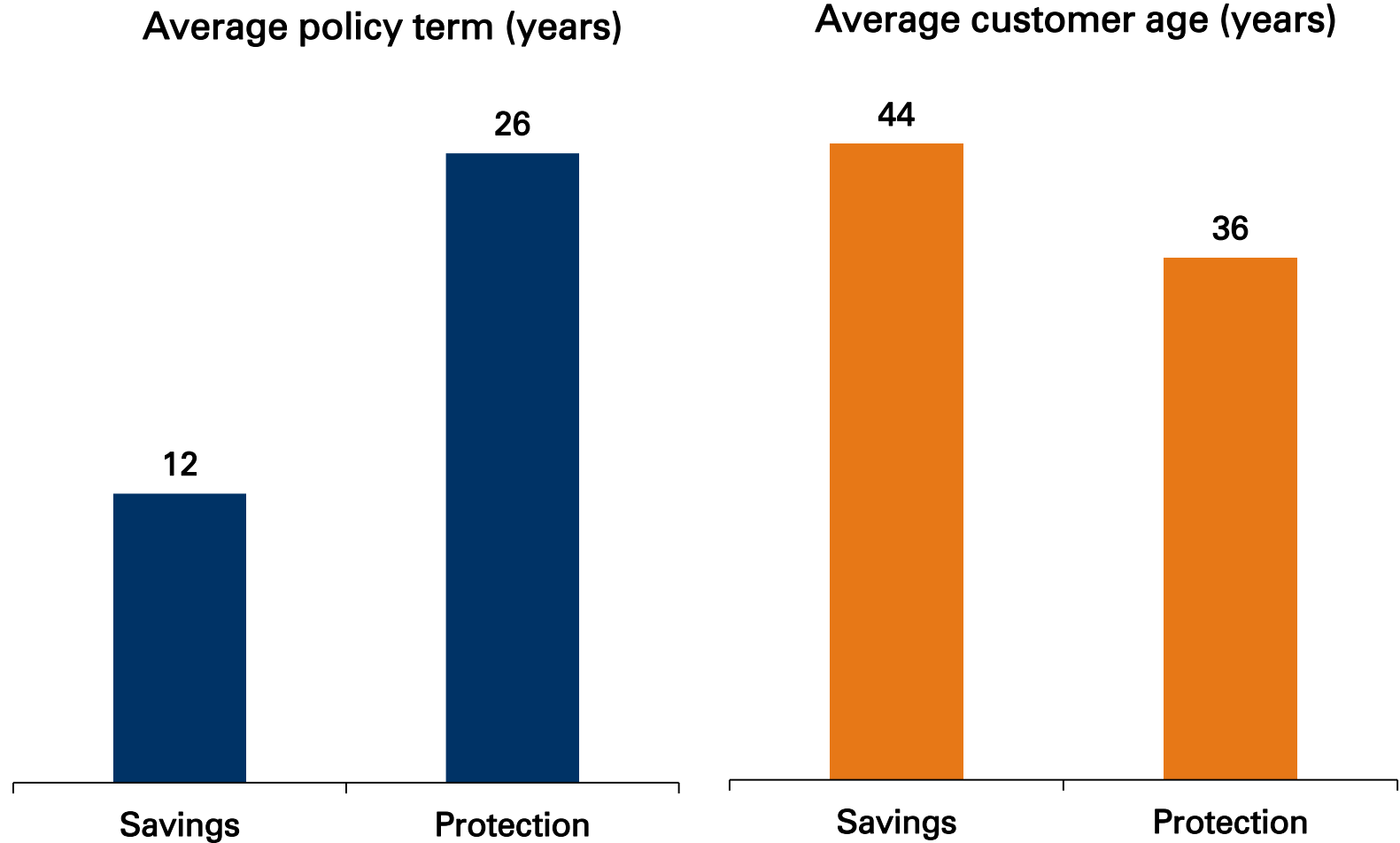
1. New business premium basis
Source: Life Insurance Council

Annexures

Average APE by product categories

Average retail APE per policy (₹)	FY2015	FY2016	FY2017	FY2018
ULIP	129,087	149,777	169,701	180,746
Par	38,430	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

Policy term and customer age¹



1. For FY2018; protection excludes credit life

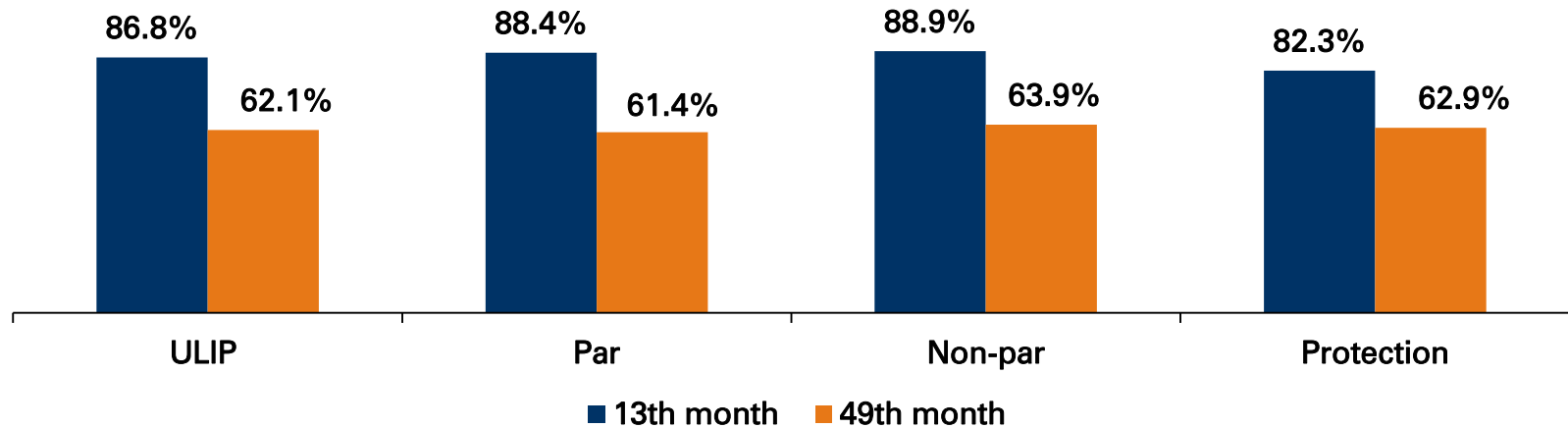
Channel wise product mix¹

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%

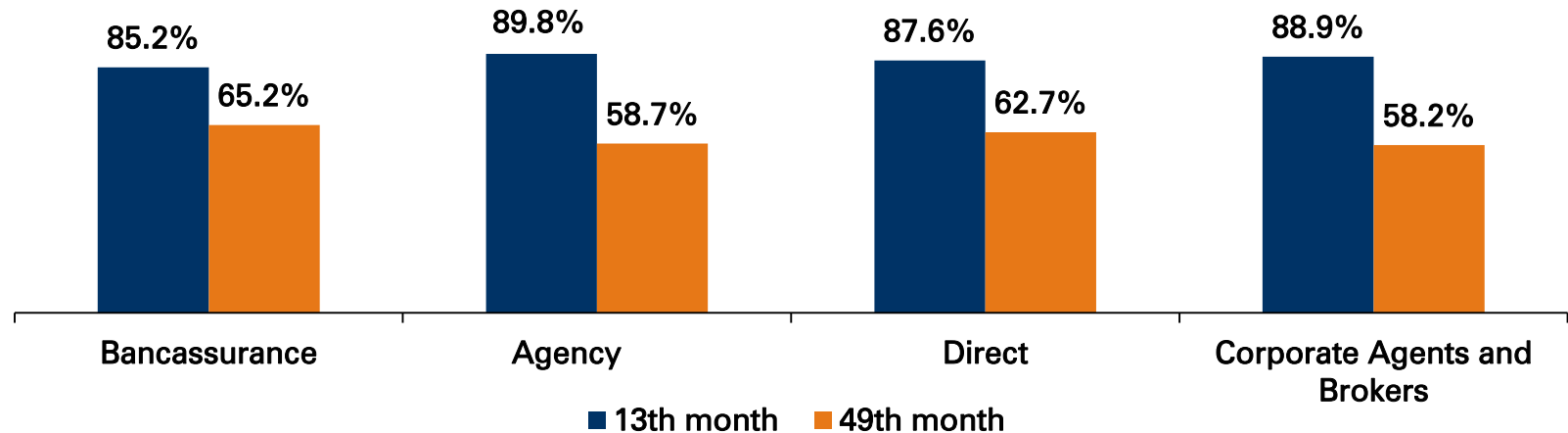
1. Retail Annualized Premium Equivalent (APE) basis

Retail persistency excluding single premium¹

Persistency across Product Categories



Persistency across Channel Categories



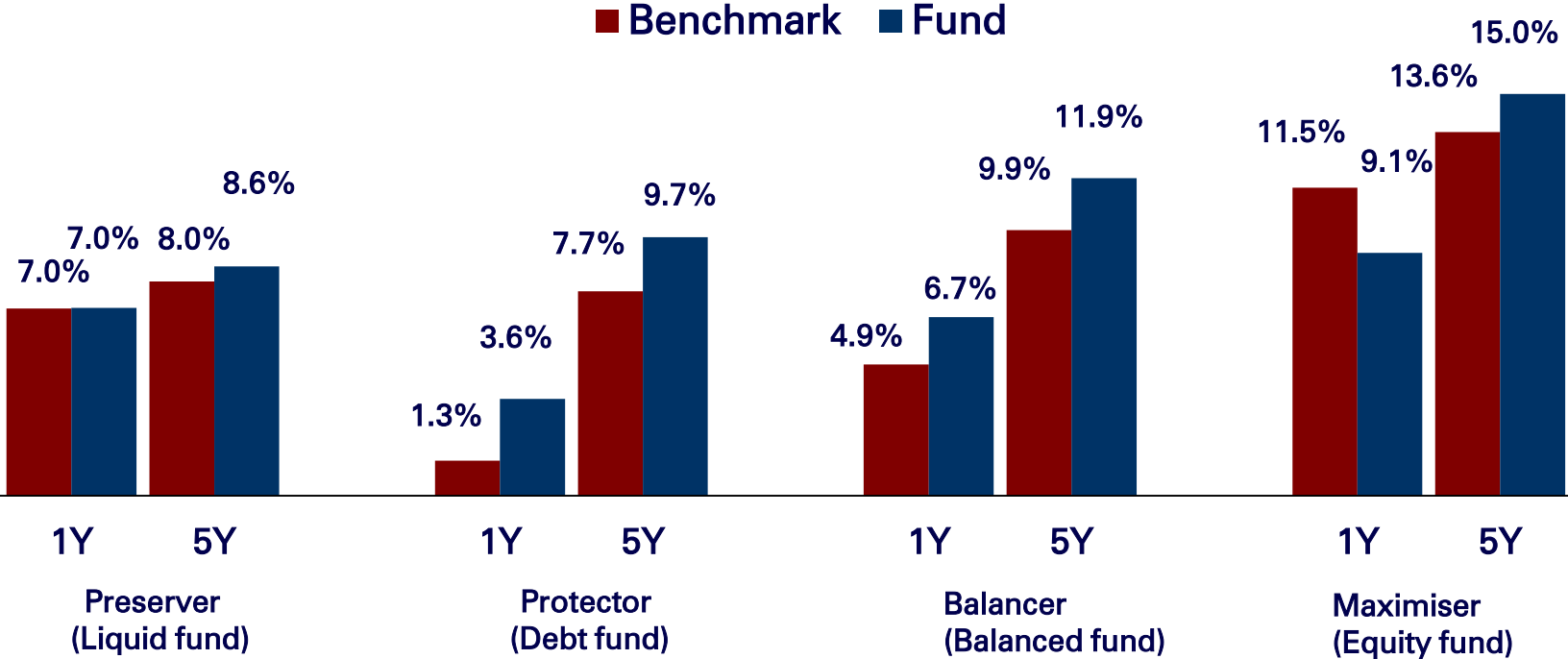
1. 11M-FY2018 persistency
As per IRDA circular dated January 23, 2014; excluding group and single premium policies

Retail persistency (including single premium)

Month	FY2016	FY2017	FY2018	2M-FY2019
13 th month	82.4%	85.7%	86.8%	86.9%
25 th month	71.2%	73.9%	78.3%	79.2%
37 th month	61.6%	66.8%	68.8%	69.3%
49 th month	62.2%	59.3%	64.2%	65.1%
61 st month	46.0%	56.2%	54.5%	54.8%

As per IRDA circular dated January 23, 2014

Fund performance



86.0% of linked portfolio out performed benchmark indices since inception

At June 30, 2018



Embedded Value

Embedded Value growth

₹ bn	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 EV¹

₹ bn	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	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

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

EV methodology ... (1/2)

- 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 methodology (2/2)

- EV consists of Adjusted Net Worth (ANW) and Value of in-force covered business (VIF)
 - ANW is market value of assets attributable to shareholders, consisting of
 - Required Capital
 - Free Surplus
 - Value of in-force covered business (VIF) is
 - Present value of future profits; adjusted for
 - Time value of financial options and guarantees;
 - Frictional costs of required capital; and
 - Cost of residual non-hedgeable risks

Components of ANW

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

Components of VIF (1/4)

- **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**

Components of VIF (2/4)

- **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 (3/4)

- **Time value of financial options and guarantees (TVFOG)**
 - 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

Components of VIF (4/4)

- **Cost of residual non-hedgeable risk (CRNHR)**
 - CRNHR is an allowance for risks to shareholder value to the extent not already allowed for in the TVFOG or the PVFP
 - Allowance has been made for asymmetric risks of operational, catastrophe mortality / morbidity and mass lapsation risk
 - CRNHR determined using a cost-of-capital approach
 - Allowance has been made for diversification benefits among the non-hedgeable risks, other than the operational risk
 - 4% annual charge applied to capital required

Components of EV movement (1/2)

- **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
- **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
- **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 FY2018 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

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)

Economic assumptions underlying EV

Tenor (years)	Reference Rates		
	March 31, 2017	March 31, 2018	June 30, 2018
1	6.35%	6.57%	7.13%
5	7.78%	8.21%	8.69%
10	8.02%	8.31%	8.46%
15	8.03%	8.11%	8.31%
20	8.03%	7.97%	8.27%
25	8.03%	7.91%	8.26%
30	8.03%	7.88%	8.26%

Glossary

- **Annualized Premium Equivalent (APE)** - Annualized Premium Equivalent (APE) is the sum of 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, 2018
(Q1-FY2019)
July 24, 2018

NS Kannan:

Good evening to all of you and welcome to the results call of ICICI Prudential Life Insurance Company for the first quarter of financial year 2019 that is Q1 of 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 Q1-FY2019. We have put up the results presentation on our website. You could access it as we walk through the performance presentation.

At the outset, as you know, I have been appointed as MD of the Company effective June 19, 2018 subject to IRDAI approval. It is indeed a pleasure for me to return to ICICI Prudential Life in an executive capacity after a nine-year stint as a non-executive director on the Board of the Company. Some of you might recall that I was on the Board here in an executive capacity from 2005 to 2009 and had held positions across business and corporate functions. It is also a matter of great pride to us that the senior leadership team here carries on the legacy that the Company leadership has built over the last 18 years.

Just as a brief introduction of my colleagues with me. Puneet, as you know, has been elevated recently as the Deputy Managing Director of the Company. His responsibilities include Business, Operations, Service and Technology functions amongst various other functions. He is a founder member of the Company and has been handling the Business functions for around five years now. Satyan is also a founder member. He has extensive experience leading the Actuarial and Finance functions, and has been the CFO of the Company for over two years now. At this juncture, I would also like to point out that we are currently a 17,000+ strong organisation and 94 out of our 113 top managers have been with us for over 10 years.

Just to conclude this part, I would like to mention that here that in my last nine years on the Board in a non-executive capacity, I have also been closely involved in the formulation and delivery of this Company's strategy. So, in several ways, it is homecoming for me.

Moving on, I will be outlining our key imperatives as we move forward this year and briefly highlight the quarterly performance. Thereafter, Satyan will discuss the quarterly performance in greater detail. At the end, Puneet, Satyan and I will be happy to take any questions you may have.

Strategy & performance

Our fundamental 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. 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.

During our FY2018 results call, we had highlighted the impact on VNB growth of our key levers of premium growth, product mix focusing on protection business, productivity enhancement and persistency improvement resulting in better experience than the assumptions.

We believe that these 4 Ps of “Premium growth”, “Protection focus”, “Persistency improvement” and “Productivity enhancement as reflected in improving cost ratios” are core to the path of delivering our objective of VNB growth.

The first “P” of “Premium growth”

Over the years, we have built a strong retail franchise on the back of a range of product offerings that mitigate risk and add value to our customers. We have continually evolved our processes and technology to ensure that our customers’ on-boarding and service experiences are seamless and enhanced all the time. To translate these product and service propositions into business outcomes, we have built a very well-diversified distribution architecture, as demonstrated by our channel-mix of business.

We have had a muted growth of new business APE during the quarter in relation to the industry, with APE declining by 18.1%. We had a market share of 11.3% in the new business for the quarter. Our immediate focus has been on reversing this year on year decline. Satyan will later talk about the premium development during the quarter

The second “P” of “Protection focus”

With growing affluence of the working population, 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, as retail customers borrow to create assets, the need to secure these liabilities through suitable insurance also comes to the fore. While our key strength has been our retail distribution, we have also extended our focus to building partnerships with lenders who can help us reach these customers and service their need. 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 the quarter, our protection APE grew 48.1%, with the mix of protection being 8.2% of APE for the quarter.

The third “P” of “Persistency improvement”

While sales effort is normally directed towards acquisition of customers, it is the retention of these customers that delivers full intended benefit to the customer and profitability to the Company. Customer retention also is probably the most effective indicator of the quality of sale and is a barometer of customer experience. Our efforts over the last few years in changing the organisation culture as well as partner culture in this direction have been amply evidenced by the strong improvement in persistency.

During this quarter, we continued our efforts in this direction which resulted in 13% growth of total premium and 29% growth of retail renewal premium on a year on year basis. 13th month persistency was stable at 85.8%. I want to specifically highlight that we saw meaningful persistency improvement in the other longer buckets on a year on year basis which Satyan could elaborate and Puneet would clarify later during the call.

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. 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.

For the quarter, our expense ratio for the savings business was at 13.7%, driven mainly by a decline in the savings business. While we are monitoring the expenses closely, we expect the ratio to improve as the premium growth picks up.

VNB growth: Outcome of strategic elements

The outcome of our focus on these 4 Ps has resulted in our Value of New Business for the quarter being at ₹ 2.44 billion at a margin of 17.5%. Thus the VNB registered a robust growth of 34.1% over the first quarter of last year. This growth, even on the back of an

18.1% decline in APE, has been achieved through the 48.1% growth in the protection business which I talked about earlier.

I would like to conclude with my view of our prospects going forward.

India continues to be an underpenetrated insurance market based on parameters such as life insurance premium to GDP in the context of savings business or sum assured to GDP in respect of protection cover. Rise in the working population and per capita income coupled with financialisation of savings offer significant opportunities for both savings and protection businesses going forward. This opportunity, when coupled with customer centric products and proper multi-channel reach, would lead to increased inflow for the industry.

Given this, I am confident that the industry can grow ahead of nominal GDP growth in the future. I also believe that the protection business has the potential to grow well ahead of this.

Thank you for your attention and I look forward to interacting with you in due course of time.

I now hand over to Satyan to discuss the results in greater detail.

Satyan Jambunathan: Thank you Kannan. Good evening. I will take the next few minutes to detail out the performance over the quarter.

A very quick recap of the structure of products that we offer. Broadly, our products can be categorised into either savings or protection. Savings products are offered on three platforms- linked, participating and non-participating. The key differences across the platform is the choice of asset allocation, cost to the customer, transparency and surrender penalties. If you look at the life cover across these segments it is quite similar, i.e. ten times annual premium, except for annuity products. Protection products are available in retail, group and credit cover platforms. These products provide cover for life, disability, critical illness and accidental death. These are pure risk products.

Just as a brief reminder, IRDAI's product committee highlighted the difference in surrender penalty across different product category, specifically the high surrender penalty in the non-linked traditional savings platform. Our product mix remains largely in products where the customer is reasonably protected from persistency risk. We continue to maintain our position that delivering the highest levels of persistency is the key to safeguarding the interests of our customers.

Strategy

Very quickly recapping the strategy, 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. Our 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 is the core of the way we function.

Retail focus

Retail business contributes ~ 96% of new business APE for us. If I were to compare it to past quarter, it has marginally gone down on the back of robust growth in the group protection business.

Our total AUM grew by 12.7% during the quarter to ₹ 1.43 trillion. Retail AUM of ₹ 1.28 trillion constitutes more than 89% of the total AUM and this share has continued to increase during the quarter.

Our private market share for the quarter is stable at 21.0%. Total market share of 11.3% has declined from 11.8% for FY2018. The numbers for the new business for the various months have been public for a while. I am sure you would have observed the development of month-wise RWRP numbers which are in the public domain. In the first two months of this year we started with large decline by over 30% year on year predominantly on the back of fairly strong first quarter last year which was on the back of the demonetization impact and the consequent immediate impetus to financialisation of savings. If we look at June, it is much more gratifying to note that, sequentially it is 36% higher than we saw in May and also, the year on year decline was much more muted at -5%. As we go into the next quarter the focus would be on carrying the sequential momentum into the next few quarters as well.

Multi-channel distribution

On the distribution front, we have invested across channels such as agency, bancassurance partnerships, proprietary sales force, corporate agents and brokers including web aggregators. During the quarter, non-bank channels have contributed ~45% of our APE and this share has been fairly stable over the past few quarters which is quite a diversified mix as far as distribution channels are considered.

Customer centric products

It has always been our belief that ULIPs offer transparency, lower cost and lower persistency risk to the customer. ULIPs with their structure 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 there is no maturity or surrender value. During Q1-FY2019, our protection APE grew by 48.1%. We continue to focus on the three segments of protection i.e. Individual life/health, Credit cover and Group life and all segments witnessed growth during Q1-FY2019.

Persistency

Our persistency continues on an improving trend. Just a recap, we calculate persistency excluding group premium and single premium because it is the retail persistency which clearly determines the profit trajectory. The 13th month persistency has been stable at 85.8% and we have seen meaningful improvement in persistency across the later buckets. Specifically I would like to draw your attention to the 49th month persistency, which has improved to 63.7% from 59.2% in same period last year. Beyond the 49th month persistency, our focus remains on containing surrenders so that the customer that stays with us longer gets the full intended benefit and this also feeds into the improved profitability to the Company. As discussed in our last result call, we have put in some initiatives to retain customers. During the quarter our surrenders have reduced by around 35% on a year on year basis.

Consequent to all these focus on persistency you would notice that our retail renewal premium grew by 29.1% to ₹ 36.25 billion during Q1-FY2019. The growth rate of 29.1% is our fastest during recent periods.

Productivity (cost)

Our cost to TWRP ratio was 17.5% for Q1-FY2019 as compared to 14.2% for Q1-FY2018. Within this the cost to TWRP for the savings business was 13.7% compared to 12.5% for Q1-FY2018. We have been saying that as we continue to focus on protection products, the cost ratio for that segment are higher. As we go through the rest of the year we do expect the growth to improve some of these efficiencies. If I were to break down the expense ratio, the commission ratio of 5.5% is stable on a sequential basis. This is higher than Q1-FY2018 because of the change in products that we had in Q2-FY2018. New

products had different commission structure from the old ones. The non-commission component of cost has grown year on year at over 40% but if I compare it to a sequential growth rate as we have seen between Q3 and Q4 last year, it has been flat. Clearly there is no worsening from the cost perspective during the quarter and the imperative is clearly to get the growth back so that expense ratio improves

Technology as a business enabler

Developments in social, mobile, analytics and cloud technologies are presenting new challenges and opportunities for business growth and sustainability. The adoption of digital technologies is necessary not only to redefine the way we work but also the way systems and processes enable us to maximise human potential. Multiple initiatives across the product life cycle i.e. from business acquisition to operations and to customer service have been undertaken in this regard. The outcome of our business parameters is a testimony to the technological journey we have undertaken. For Q1-FY2019, 73% of new business policies are issued within 2 days, 61% of renewal premium is receipted through electronic mediums and 99% of customer initiated payouts are processed electronically.

Financial update

Within financial metrics, total premium increased by 13% to ₹ 55.18 billion in Q1-FY2019. While we had a decline in retail new business premium, strong growth of retail renewal premium resulted in the overall growth. The profit after tax for Q1-FY2019 was ₹ 2.82 billion as compared to ₹ 4.06 billion in Q1-FY2018. The drop in PAT is primarily on account of increase in expenses with the focus on protection business as well as new business strain arising out of growth in protection business at 48%. While expenses increased by 43.4% in Q1-FY2019 last year, primarily on account of increased advertisement & publicity which was in support of protection business as well as employee cost. As I have highlighted, while the expenses are higher than the same period last year, on a sequential quarter basis, they have been flat.

Looking at the segments, the drop in PAT is explained by a reduction of surplus in non-par life and annuity segment. Non-participating life and annuity segment encompasses the protection and annuity business and the growth in these segments is reflecting the profit for these segment going down. Solvency ratio continues to be strong at 235%. The drop in solvency is on account of protection growth as well as payment of final dividend pertaining to FY2018. Given the growth opportunities, the special dividend may come down over the next few quarters.

Our total AUM grew by 12.7% during the quarter to ₹ 1.43 trillion. We are amongst the largest fund managers in India. 86% of our linked portfolio has out-performed the benchmark indices since inception.

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 quarter was ₹ 2.44 billion which was a robust growth of 34.1% over the first quarter of last year.

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