

January 10, 2020

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: Investor presentation**

Please note the updated investor presentation enclosed alongwith this letter.

Thanking you.

Yours sincerely,

**For ICICI Prudential Life Insurance Company Limited**



**Vyoma Manek**  
**Company Secretary**  
**ACS 20384**

**Encl.: As above**



# Performance update

January 10, 2020

# Agenda

- Company strategy and performance
- Opportunity
- Industry overview



# December 2019 update

# Premium growth

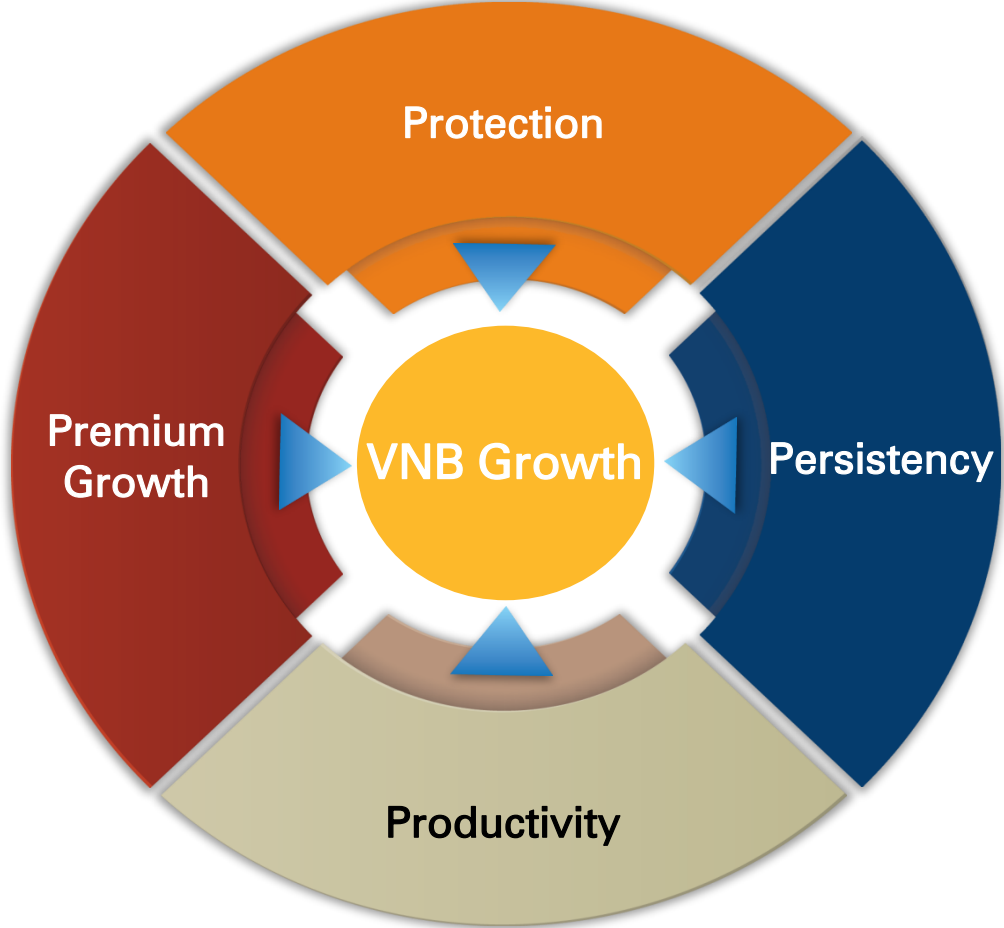
₹ billion	FY2019	H1- FY2020	October 2019	November 2019	December 2019	Q3- FY2020	9M- FY2020
APE <sup>1</sup>	77.99	33.69	5.90	6.54	7.94	20.38	54.07
YoY growth	0.1%	(0.4%)	15.9%	(4.8%)	3.7%	3.9%	1.2%
RWRP <sup>2</sup>	70.95	30.49	5.53	6.11	7.42	19.06	49.55
YoY growth	(4.9%)	(3.2%)	17.9%	19.6%	7.9%	14.3%	2.9%

# Agenda

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



# Key strategic elements



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

**Aspiration to double the FY2019 VNB in 3 - 4 years**

# VNB growth

₹ billion	H1-FY2019	FY2019	H1-FY2020
Value of New Business (VNB) <sup>1</sup>	5.90	13.28	7.09
VNB margin	17.5%	17.0%	21.0%



# Strategic elements (1/4)

## Premium growth

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

₹ billion	FY2019	H1-FY2020
APE <sup>1</sup>	77.99	33.69
<i>YoY growth</i>	<i>0.1%</i>	<i>(0.4%)</i>
New business premium <sup>2</sup>	102.52	51.52
<i>YoY growth</i>	<i>12.4%</i>	<i>20.5%</i>

# Strategic elements (2/4)

Protection  
focus

Continue to grow both retail and group lines of business

₹ billion	FY2019	H1-FY2020
Protection APE	7.22	4.97
YoY growth	61.9%	86.8%
Protection mix	9.3%	14.8%

# Strategic elements (3/4)

Persistence

Improve persistence across all cohorts

Persistence <sup>1</sup>	FY2019	5M-FY2020
13 <sup>th</sup> month	84.6%	83.6%
49 <sup>th</sup> month	63.8%	63.7%

# Strategic elements (4/4)

## Productivity

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

₹ billion	H1-FY2019	FY2019	H1-FY2020
Cost/TWRP <sup>1</sup>	16.1%	15.0%	16.6%
Cost/TWRP (savings LOB)	12.7%	11.5%	11.0%

# Key strategic elements



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

# 4P: Premium

# Product segments

Premium  
growth

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

Segments	APE (₹ billion)			Mix	
	H1-FY2019	FY2019	H1-FY2020	FY2019	H1-FY2020
<b>Savings</b>	<b>31.14</b>	<b>70.77</b>	<b>28.72</b>	<b>90.7%</b>	<b>85.2%</b>
ULIP	27.77	62.10	23.22	79.6%	68.9%
Par	2.71	6.72	3.61	8.6%	10.7%
Annuity	0.24	0.69	0.48	0.9%	1.4%
Others	0.42	1.27	1.42	1.6%	4.2%
<b>Protection<sup>1</sup></b>	<b>2.66</b>	<b>7.22</b>	<b>4.97</b>	<b>9.3%</b>	<b>14.8%</b>
<b>Total APE</b>	<b>33.81</b>	<b>77.99</b>	<b>33.69</b>	<b>100.0%</b>	<b>100.0%</b>

**Annuity APE doubled in H1-FY2020**

# Distribution channels

Premium growth

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

Channels	APE (₹ billion)			Mix	
	H1-FY2019	FY2019	H1-FY2020	FY2019	H1-FY2020
Bancassurance	19.01	43.53	17.80	55.8%	52.8%
Agency	7.46	16.89	6.87	21.7%	20.4%
Direct	4.00	9.34	4.35	12.0%	12.9%
CA & Brokers	1.92	4.59	2.39	5.9%	7.1%
Group	1.42	3.65	2.27	4.7%	6.7%
<b>Total APE</b>	<b>33.81</b>	<b>77.99</b>	<b>33.69</b>	<b>100.0%</b>	<b>100.0%</b>

Retail constitutes more than 90% of new business



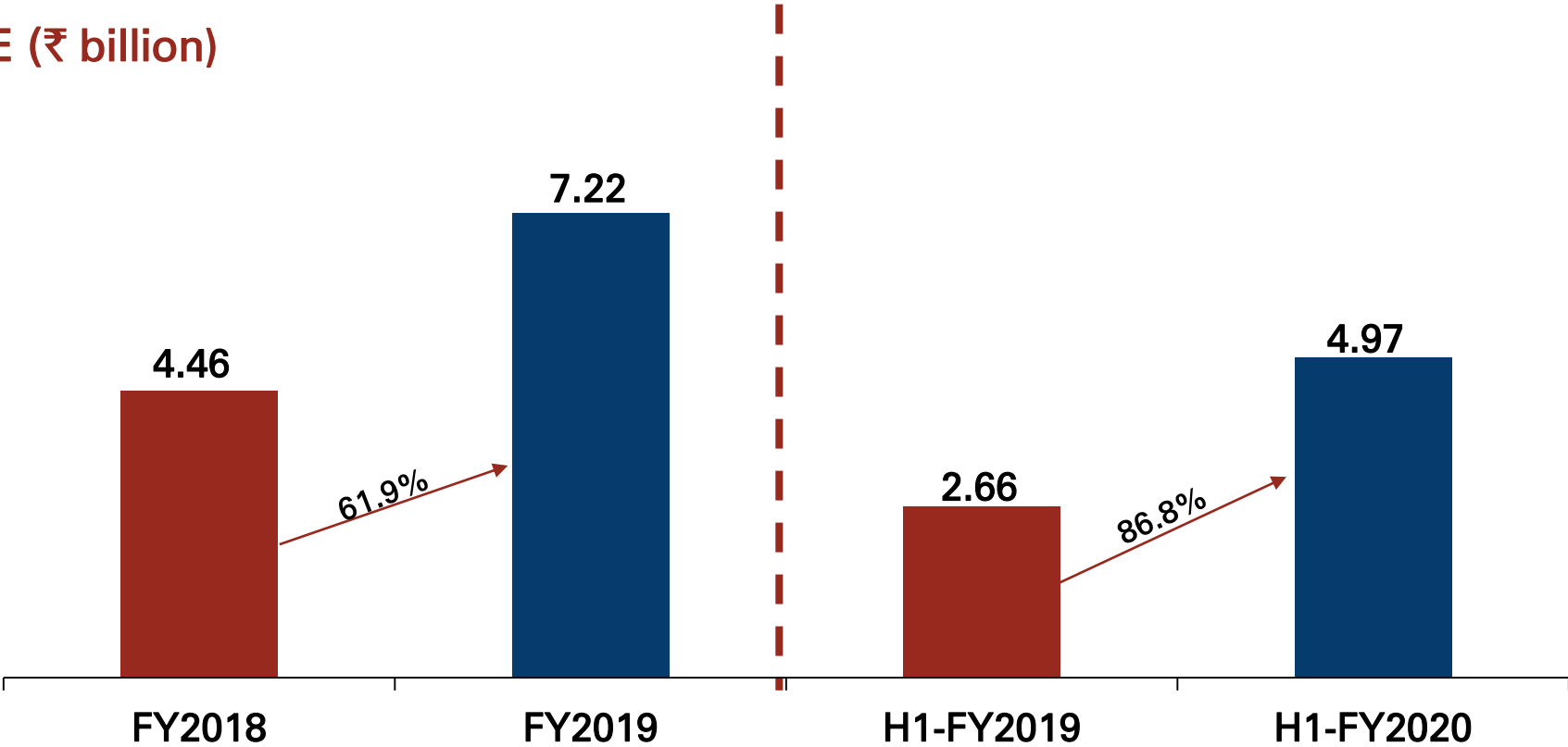
# 4P: Protection

# Protection growth

Protection growth

- Continue to grow both retail and group lines of business

APE (₹ billion)



Protection growth continues to be robust

# 4P: Persistency

# Persistency (retail excluding single premium)

Month	FY2019	5M-FY2020
13 <sup>th</sup> month	84.6%	83.6%
25 <sup>th</sup> month	75.6%	75.0%
37 <sup>th</sup> month	69.3%	69.1%
49 <sup>th</sup> month	63.8%	63.7%
61 <sup>st</sup> month	56.8%	57.2%

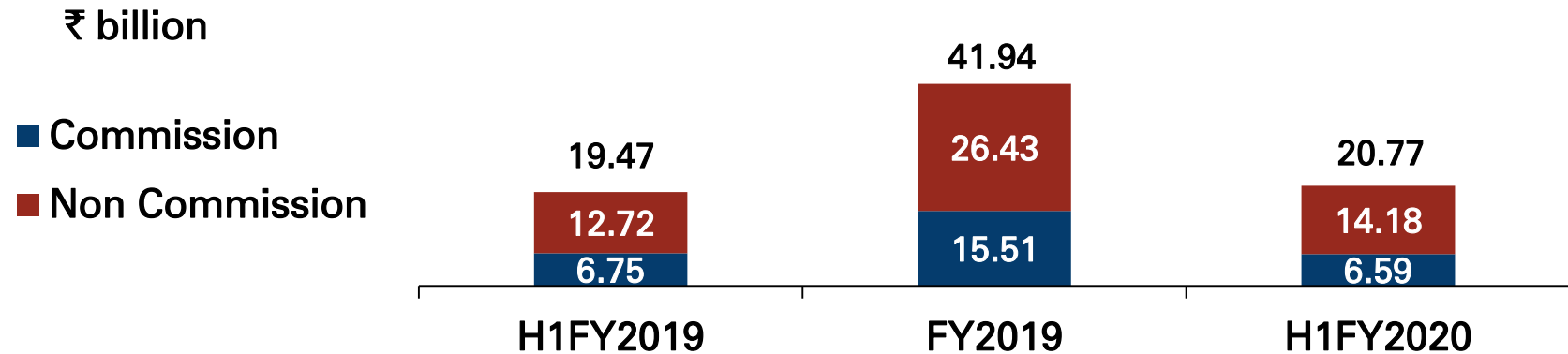
# Persistency (retail including single premium)

Month	FY2019	5M-FY2020
13 <sup>th</sup> month	86.2%	85.5%
25 <sup>th</sup> month	77.4%	76.8%
37 <sup>th</sup> month	71.0%	71.3%
49 <sup>th</sup> month	65.0%	64.9%
61 <sup>st</sup> month	58.1%	58.6%

# 4P: Productivity

# Productivity: Cost efficiency

	H1-FY2019	FY2019	H1-FY2020
Expense ratio (excl. commission) <sup>1</sup>	10.5%	9.5%	11.3%
Commission ratio <sup>2</sup>	5.6%	5.6%	5.3%
Cost/TWRP <sup>3</sup>	16.1%	15.0%	16.6%
Cost/Average AUM <sup>4</sup>	2.7%	2.8%	2.5%
Cost/TWRP (Savings LOB)	12.7%	11.5%	11.0%



- 68.9% of new business policies issued within 2 days
- 93.6% of new business applications initiated via digital platform

# VNB growth levers update (4P's)

₹ billion	H1-FY2019	FY2019	H1-FY2020
Value of New Business (VNB) <sup>1</sup>	5.90	13.28	7.09
VNB margin	17.5%	17.0%	21.0%

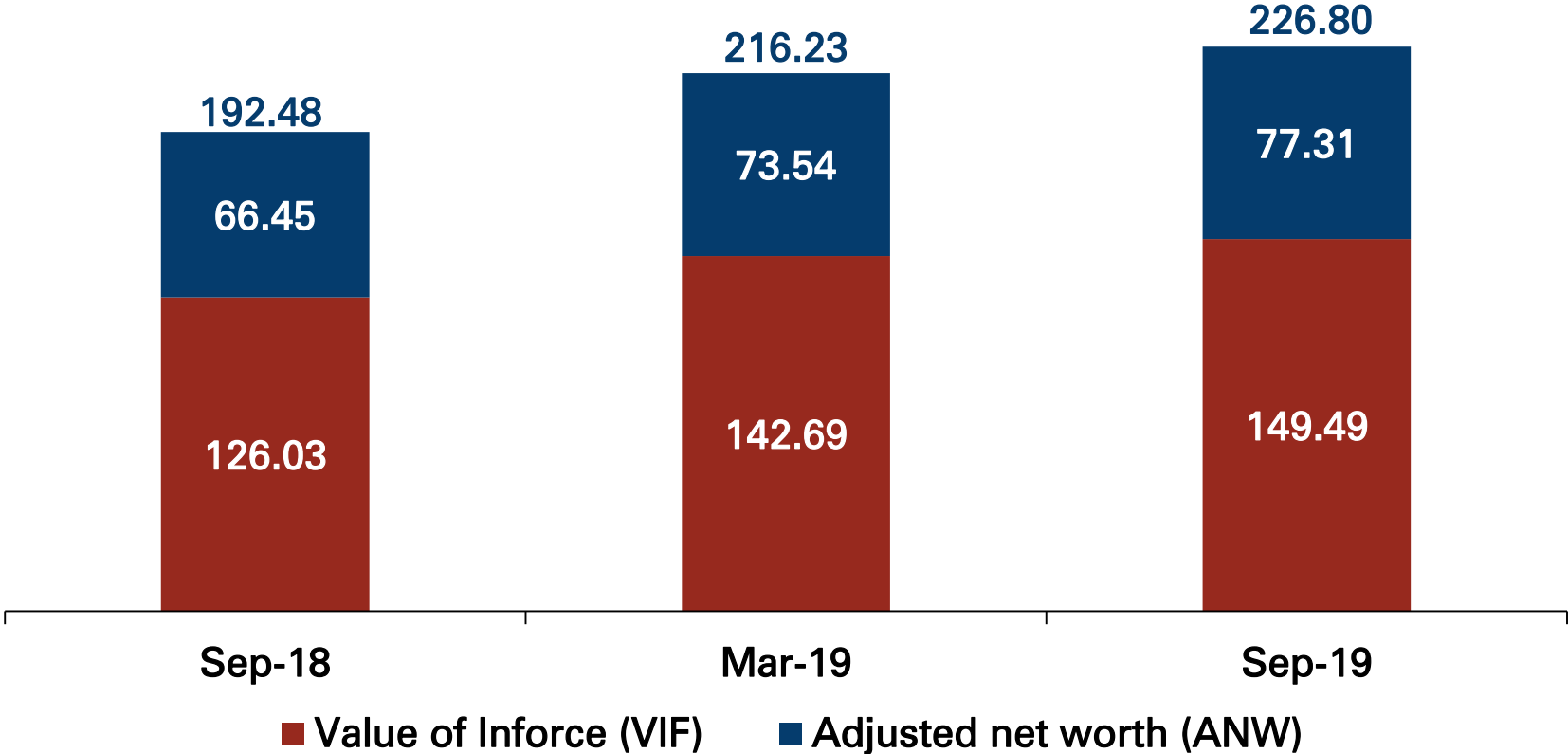
₹ billion	FY2019	H1-FY2020	Growth
Premium growth (APE)	77.99	33.69	(0.4%)
Protection growth (APE)	7.22	4.97	86.8%
Persistency (13 <sup>th</sup> month) <sup>2</sup>	84.6%	83.6%	
Persistency (49 <sup>th</sup> month) <sup>2</sup>	63.8%	63.7%	
Productivity (Cost/TWRP: Savings) <sup>3</sup>	11.5%	11.0%	



# Financial update

# Embedded Value (EV)<sup>1</sup>

₹ billion



VIF grew by 18.6% over September 2018



1. As per Indian Embedded value (IEV) method

# Analysis of movement in EV<sup>1</sup>

₹ billion	FY2015	FY2016	FY2017	FY2018	FY2019
<b>Opening EV</b>	<b>117.75</b>	<b>137.21<sup>2</sup></b>	<b>139.39</b>	<b>161.84</b>	<b>187.88</b>
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 <sup>2</sup>	1.00	7.64	4.20
Persistency variance		2.01	0.99	1.53	2.66
Mortality and morbidity variance		0.79	0.98	0.78	1.97
Expense variance	2.12 <sup>3</sup>	0.59	0.35	0.27	0.04
Other variance		1.09	0.76	0.00	0.02
<b>EVOP</b>	<b>18.12</b>	<b>22.23</b>	<b>22.95</b>	<b>36.80</b>	<b>38.01</b>
<b>Return on embedded value (ROEV)</b>	<b>15.4%</b>	<b>16.2%</b>	<b>16.5%</b>	<b>22.7%</b>	<b>20.2%</b>
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)
<b>Closing EV</b>	<b>137.21</b>	<b>139.39</b>	<b>161.84</b>	<b>187.88</b>	<b>216.23</b>

# Financial metrics

₹ billion	H1-FY2019	FY2019	H1-FY2020	Growth
Retail new business premium	36.03	81.40	36.04	0.0%
Retail renewal premium	86.59	202.25	91.26	5.4%
Group premium	9.38	25.65	17.89	90.8%
<b>Total premium</b>	<b>132.00</b>	<b>309.30</b>	<b>145.20</b>	<b>10.0%</b>
Value of New Business (VNB) <sup>1</sup>	5.90	13.28	7.09	20.2%
Profit after Tax	5.83	11.41	5.87	0.7%
Solvency ratio	234%	215%	211%	-
AUM	1,461.29 <sup>3</sup>	1,604.10 <sup>2</sup>	1,655.12 <sup>3</sup>	-



1. For full year: based on actual cost; H1: based on management forecast of full year cost
  2. At March 31, 2019
  3. At September 30 of respective years
- Components may not add up to the totals due to rounding off

# Technology initiatives

# Objectives



# Insta-insure

## Data analytics based real time offers for customers

Applying data analytics on customers' occupation, health, financial and social scores available with us, we are able to offer pre approved life cover

Endeavour towards customer delight by ensuring the following

Reduced clicks for faster onboarding journey



No financial documents required



No medical requirements upto the limit



Simple, hassle-free insurance purchase experience



# AI in servicing

For customer service

- To help customer service executive to understand customer better
- Next best action prediction, churn prediction, payment bounce prediction, pitch product to customer etc.

For due diligence

- To identify cases which should go for risk verification
- To identify fraudulent/risky profiles from our customer pool

For complaint management

- To understand customers' complaint with respect to mis-selling
- To help in quick and informed decision-making

For pre-claims assessment

- To identify potentially suspicious claims based on risk report



# Nudge

Appropriate, short, crisp message for positive influence & appropriate actions

We have the capability to send customized messages to frontline personnel to help them in achieving their and organization's objectives

## Design

- Place holder in all frontline facing applications

## Notification feed

- Configurable nudge engine design

## Approach

- Seamless notifications across digital properties
- Rollover on the nudge message to expand with details
- On click actionable
- Unread messages to be highlighted like notification

# Claim for sure



With this service,  
we promise to  
settle death claims  
in 1 day\*  
Interest will be paid  
on claim amount  
for every day of  
delay beyond 1  
working day

1 Day Death Claim Settlement is available for the following

Policies that  
have been  
active for  
continuous 3  
years

All mandatory  
claim  
documents  
submitted at a  
branch before  
3 pm on a  
working day

Total claim  
amount of all  
the policies is  
less than or  
equal to ₹ 15  
million

Claim does  
not require  
any on ground  
investigation

99.6%\*\* of claim settled in 1 day; Average claim settlement time 1.2 days



\*Subject to terms & conditions document available with claims team  
\*\*% of cases eligible for 1 day settlement; initiative launched in Q2-FY2020

# Agenda

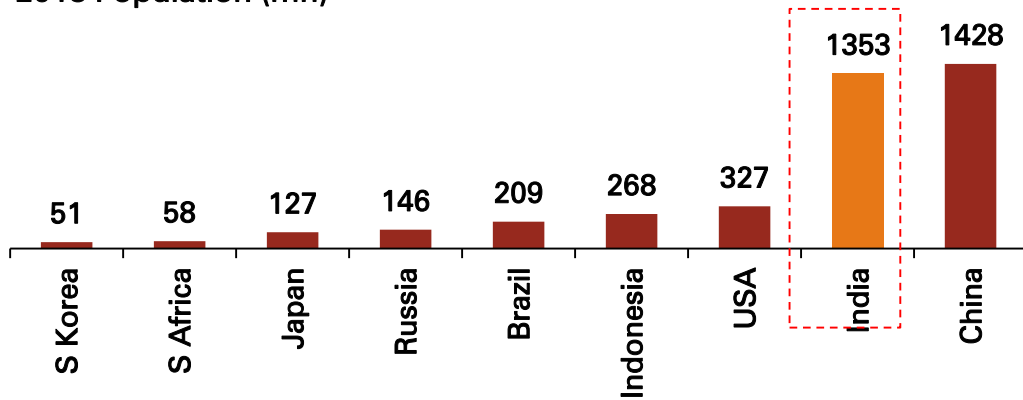
- Company strategy and performance
- **Opportunity**
- Industry overview



# Favorable demography

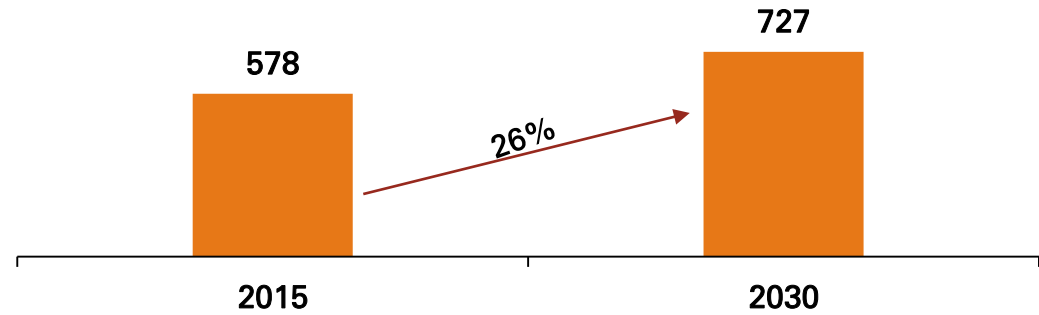
## Large and growing population base<sup>1</sup>

2018 Population (mn)

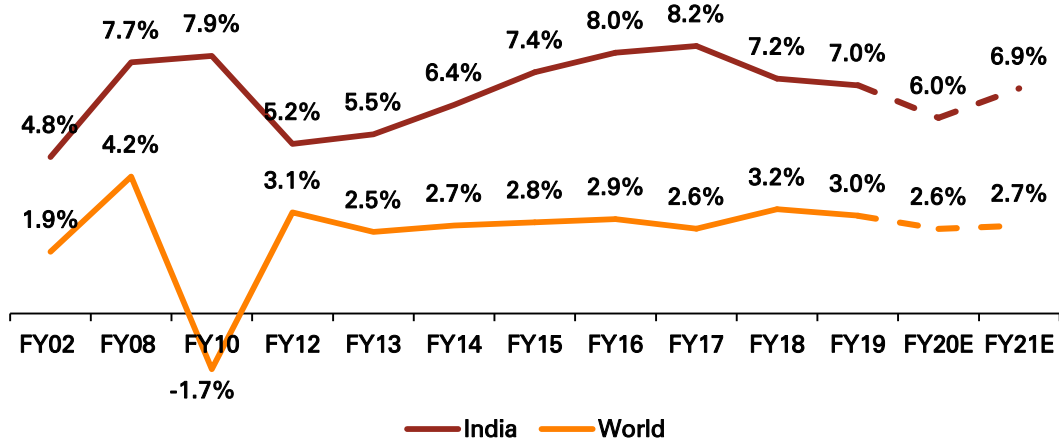


## High share of working population<sup>1</sup>

Population of age 25-59 years (in mn)

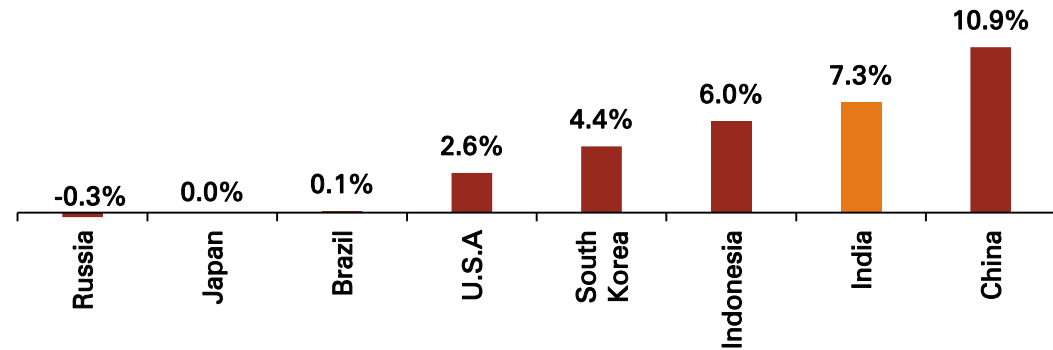


## Driving GDP growth<sup>2</sup>



## Rising affluence<sup>2</sup>

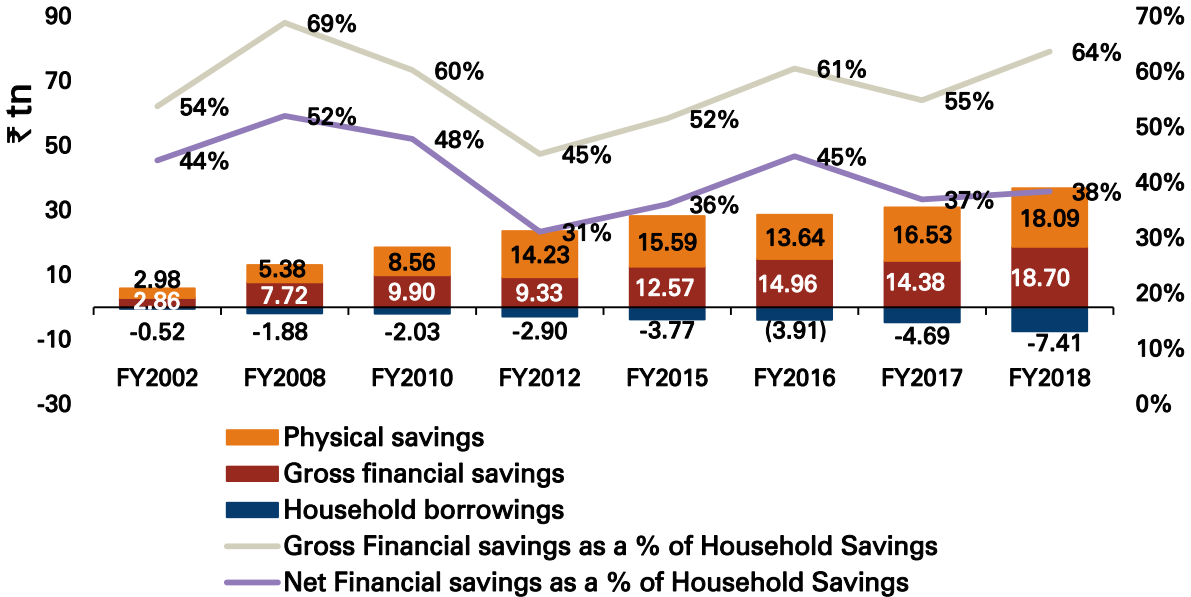
GDP per capita CAGR (FY2009-FY2019)



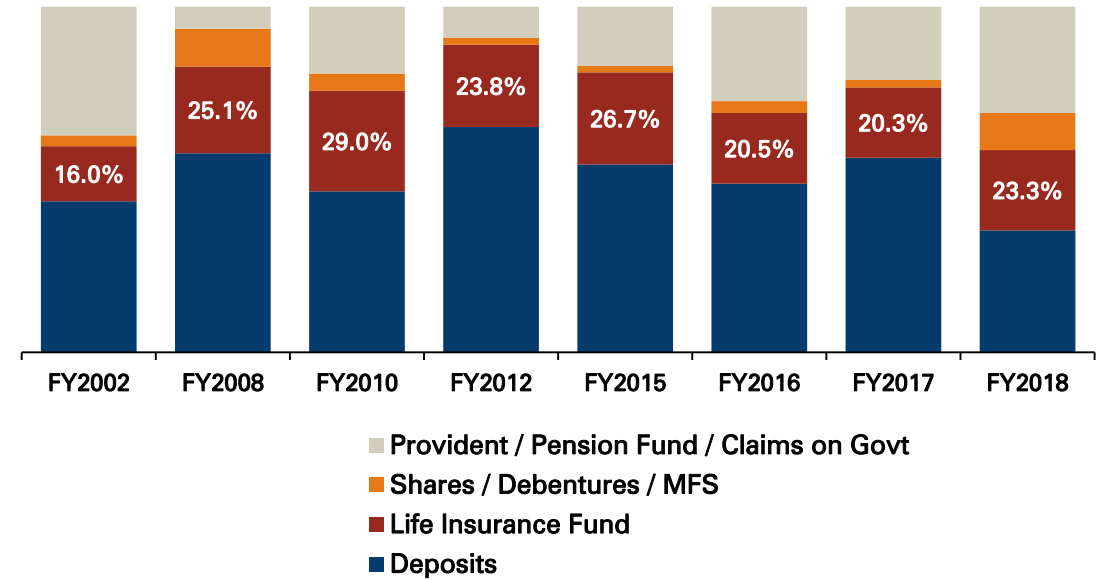
1. Source: UN population division  
2. Source: World bank

# Financialisation of savings: Opportunity for insurance

### Household savings<sup>1</sup>



### Distribution of financial savings (excluding currency)<sup>2</sup>



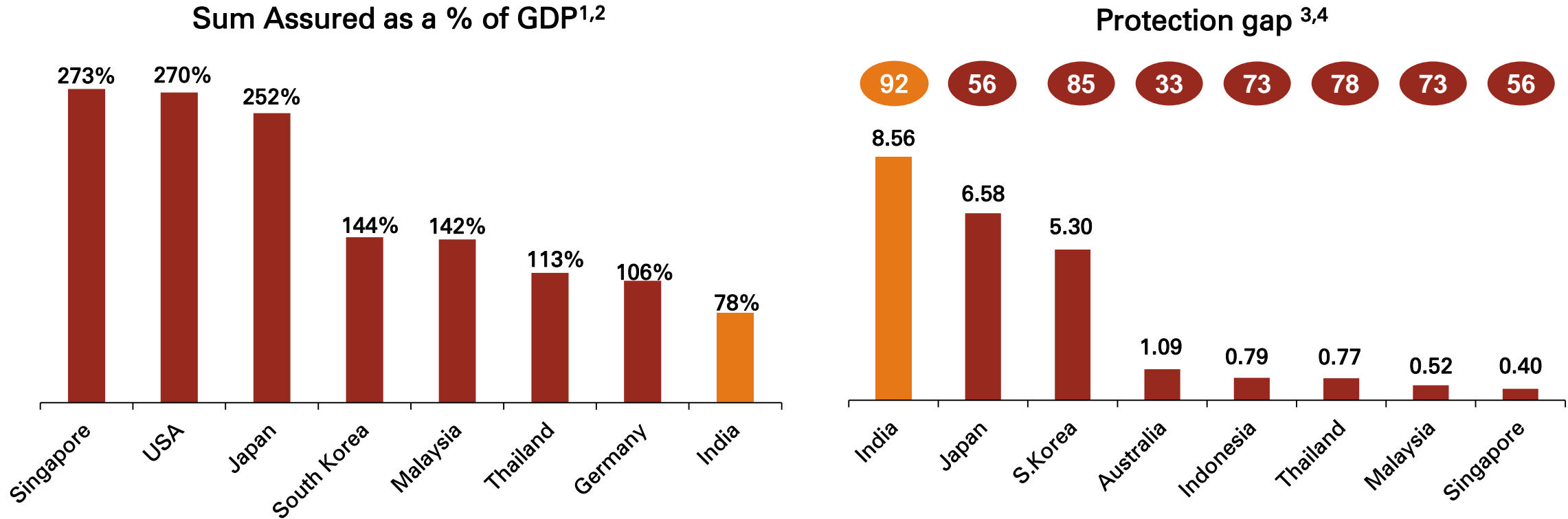
	FY2002	FY2008	FY2010	FY2012	FY2014	FY2018	FY2019
Life insurance premium <sup>3</sup> as % of GDP	2.1%	4.0%	4.1%	3.3%	2.8%	2.7%	2.7%

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



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

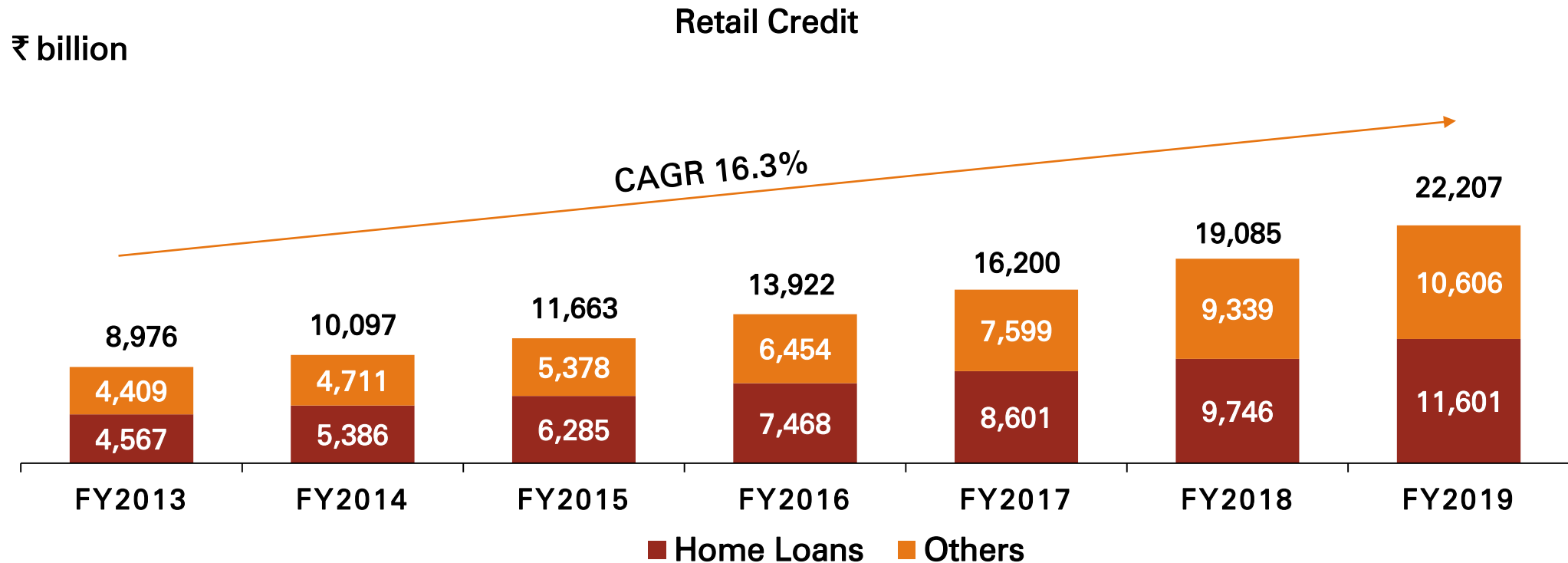
# Protection opportunity: Income replacement



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

1. FY 2019 data 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

# Protection opportunity

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

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



# Agenda

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



# Evolution of life insurance industry in India

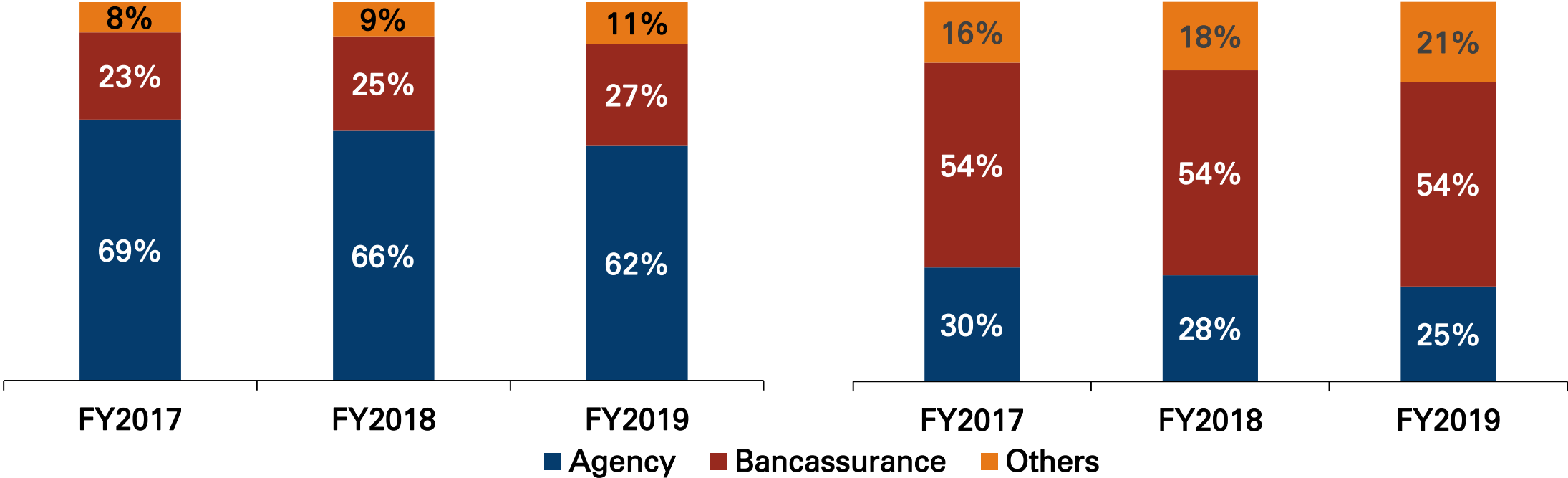
	FY2002		FY2010		FY2015		FY2019
New business premium <sup>1</sup> (₹ bn)	116	21.5%	550	-5.8%	408	14.1%	692
Total premium (₹ bn)	501	23.2%	2,654	4.3%	3,281	11.6%	5,089
Penetration (as a % to GDP)	2.1%		4.1%		2.6%		2.7%
Assets under management (₹ bn)	2,304	24.0%	12,899	12.6%	23,361	11.9%	36,657
<hr/>							
In-force sum assured <sup>2</sup> (₹ bn)	11,812*	15.5%	37,505	15.8%	78,091	17.2%	147,501
In-force sum assured (as % to GDP)	50.1%		57.9%		62.7%		77.6%

**Industry is back to growth trajectory**

# Channel mix<sup>1</sup>

Industry

Private players



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

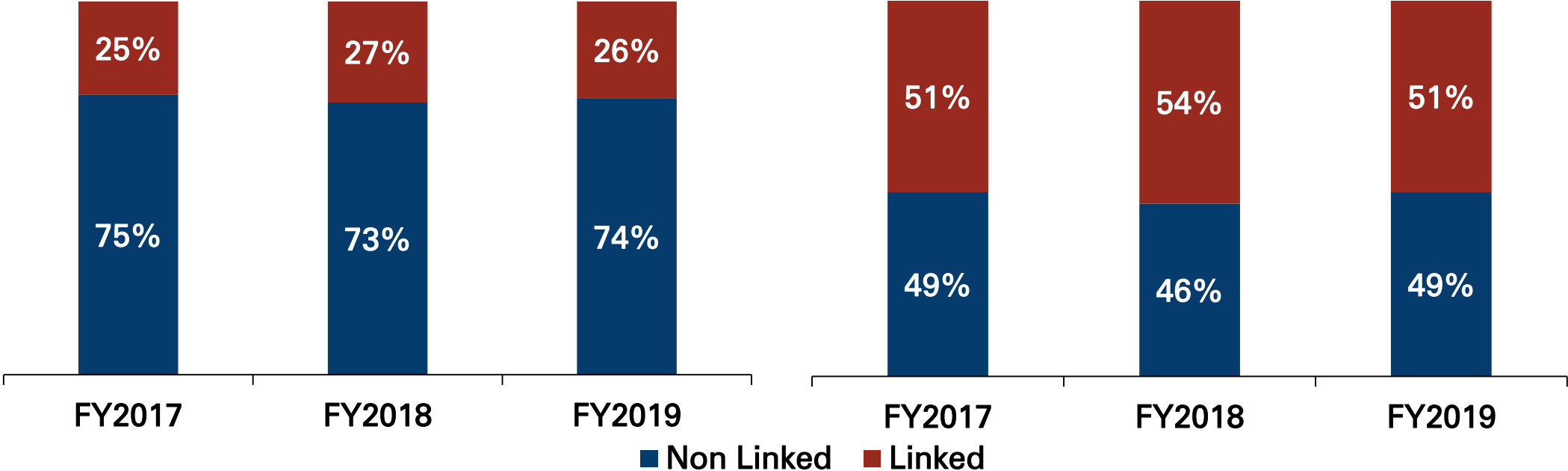


1. Individual new business premium basis  
Source: Life Insurance Council

# Product mix<sup>1</sup>

### Industry

### Private players



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

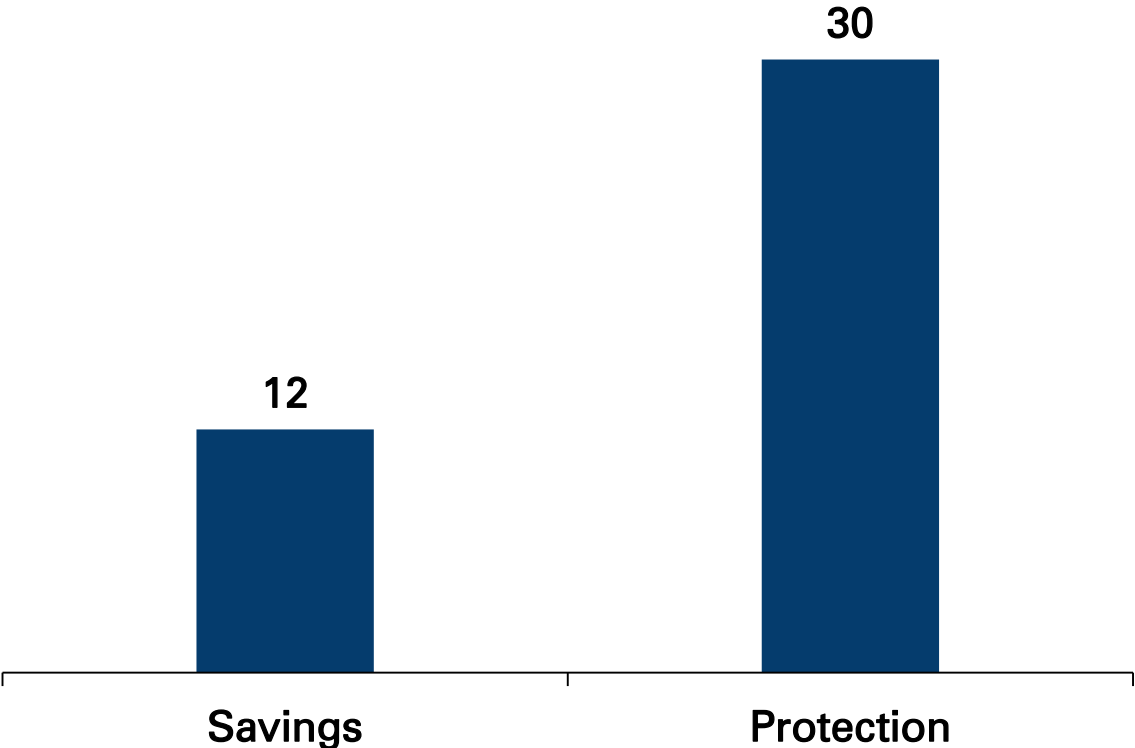
# Annexures

# Average APE by product categories

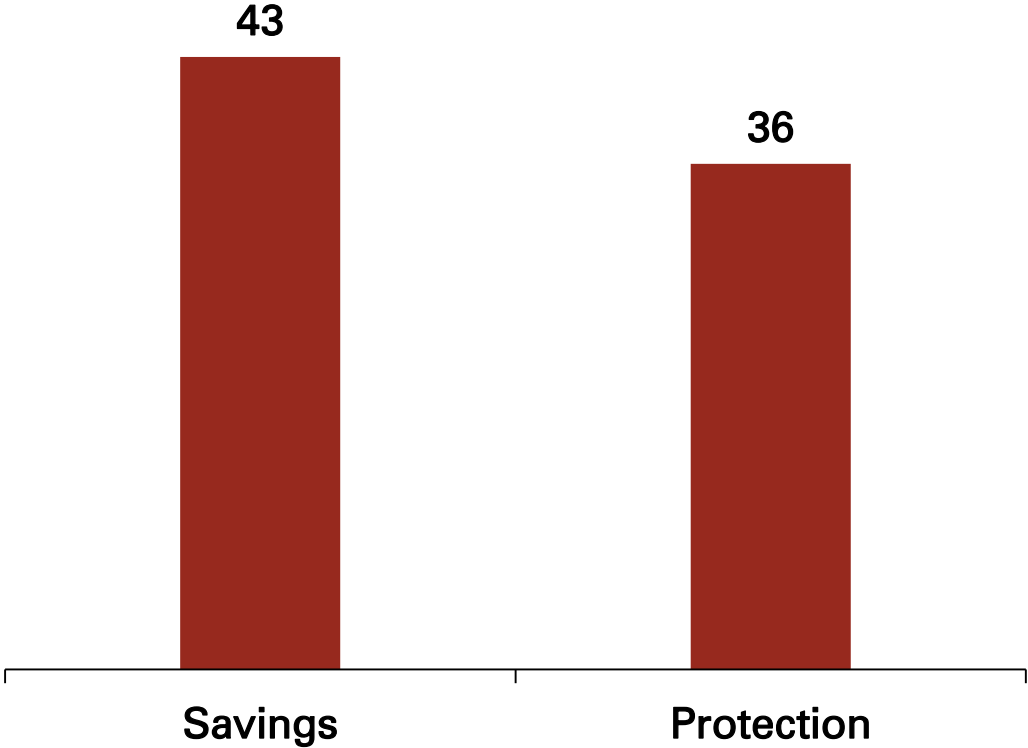
Average retail APE per policy (₹)	FY2017	FY2018	FY2019
ULIP	169,701	180,746	159,329
Par	56,325	62,379	60,308
Non Par	39,153	54,187	76,468
Protection	9,815	9,123	12,048
<b>Total</b>	<b>92,735</b>	<b>90,620</b>	<b>83,309</b>

# Policy term and customer age<sup>1</sup>

Average policy term (years)



Average customer age (years)



1. For FY2019; protection excludes credit life

# Channel wise product mix<sup>1</sup>

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%
	<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
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%
	<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
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%
	<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
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%
	<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

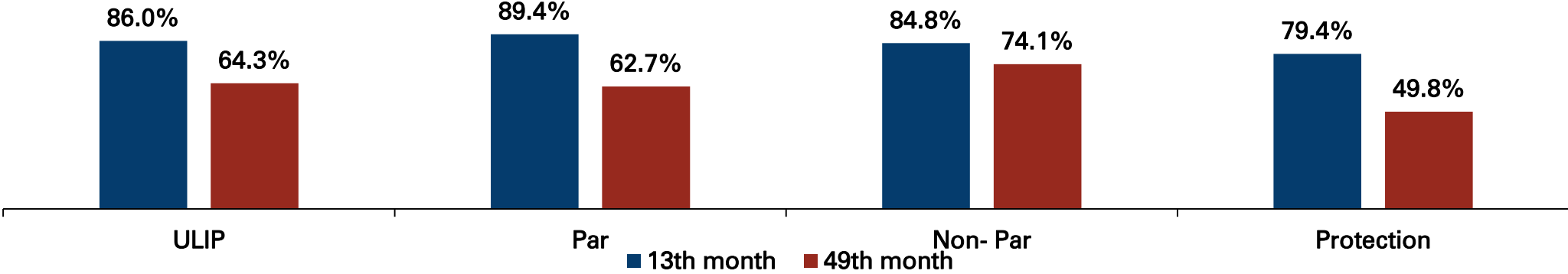


# Product wise channel mix<sup>1</sup>

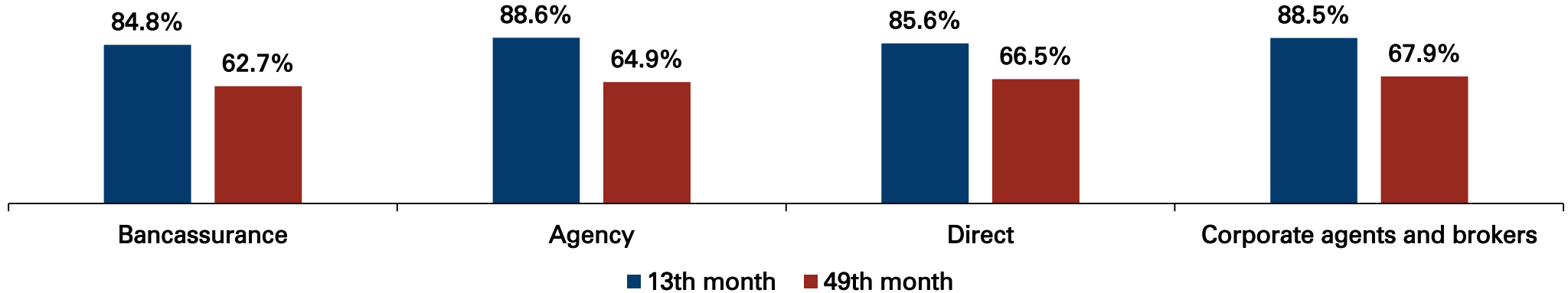
Product category	Channel category	FY2017	FY2018	FY2019
ULIP	Bancassurance	62.4%	57.4%	65.5%
	Agency	22.0%	25.4%	20.5%
	Direct	12.2%	14.5%	12.0%
	Corporate agents and brokers	3.4%	2.7%	2.1%
	<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Par	Bancassurance	31.3%	35.4%	13.8%
	Agency	34.3%	31.5%	45.4%
	Direct	6.3%	5.3%	7.4%
	Corporate agents and brokers	28.1%	27.7%	33.3%
	<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
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%
	<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
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%
	<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

# Retail persistency excluding single premium<sup>1</sup>

## Persistency across product categories



## Persistency across channel categories



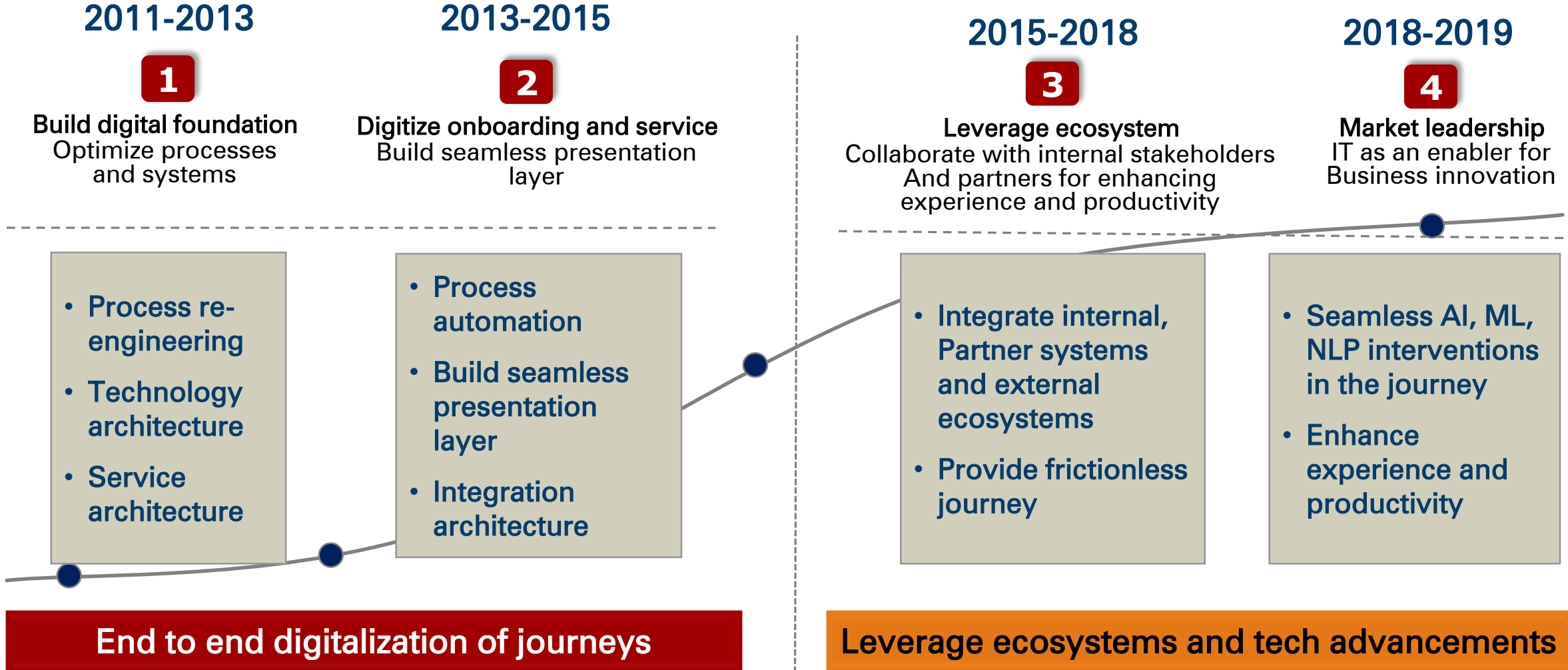
1. 11M-FY2019 persistency  
As per IRDA circular dated January 23,2014; excluding group and single premium policies

# Technology

# Objectives



# Digital evolution path to maturity



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

# Pre sales



## Need Analysis

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



## Lead Management System

Enhanced with voice capability and geo tagging



## Customer Profiler

Know customer better through social platforms



## Nudge Engines

Prompt for appropriate action



## Cognitive BOTs

24x7 query resolution using chat bots



## Learners Box

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

# Onboarding and issuance



**Flexible  
on-boarding**

Platform agnostic and  
available for all channels



**Paperless  
on-boarding**

End to end digital and  
seamless onboarding



**Instant document  
verification (OCR)**

Real time identification  
and verification of  
documents



**Robotic enabled  
issuance**

Robotic processing for  
faster issuance



**Tele underwriting**

Improves efficiency and  
reduces issuance TAT



**AI assisted  
underwriting**

Empowers underwriters  
with comprehensive  
insights

# Customer servicing and claims



Anytime..  
..Anywhere

76% transactions self serviced, omni channel experience



Premium payment

Over 60% renewal premium through electronic modes



Intuitive IVR

50% navigation time saved



Service bots (LiGo)

92% good understanding with 75% service coverage



WhatsApp

First life insurer to get business verified account



Automated Claims Processing

AI based pre-claim assessment & claim processing



# Marketing and lead generation



**Rank high on  
online searches**

Machine learning used to  
rank us higher when  
customers search



**Segmented  
targeting**

Reaching the customer by  
mapping their interests  
and affinities



**Hyper  
personalisation**

Personalized messaging  
to engage customers  
throughout journey



**Selfie quote**

AI backed quote based on  
facial recognition



**Truecaller  
integration**

Facilitate auto form fill



**Co-browsing**

Instant screen share  
available for assistance in  
form fill

# Partner integration



**Process simplification**

**Superior customer experience**



**Flexible integration**

**Modular integration as per the choice of partners**



**Web portal**

**Self service module for Group business**



**Easy UI**

**Pre-coded pages for quicker integration**



**Customer service**

**Enabling customer service on partner portals**

# Analytics



**Actionable insights**

Accelerate sales, enhance customer experience & personalization



**Data modelling**

Customer interaction based segmentation, propensity, nudges



**Smart solutions**

Pre approved life cover; provide best offer to customer



**Google Big Query, Hadoop, Python**

Using best technology available to process the data



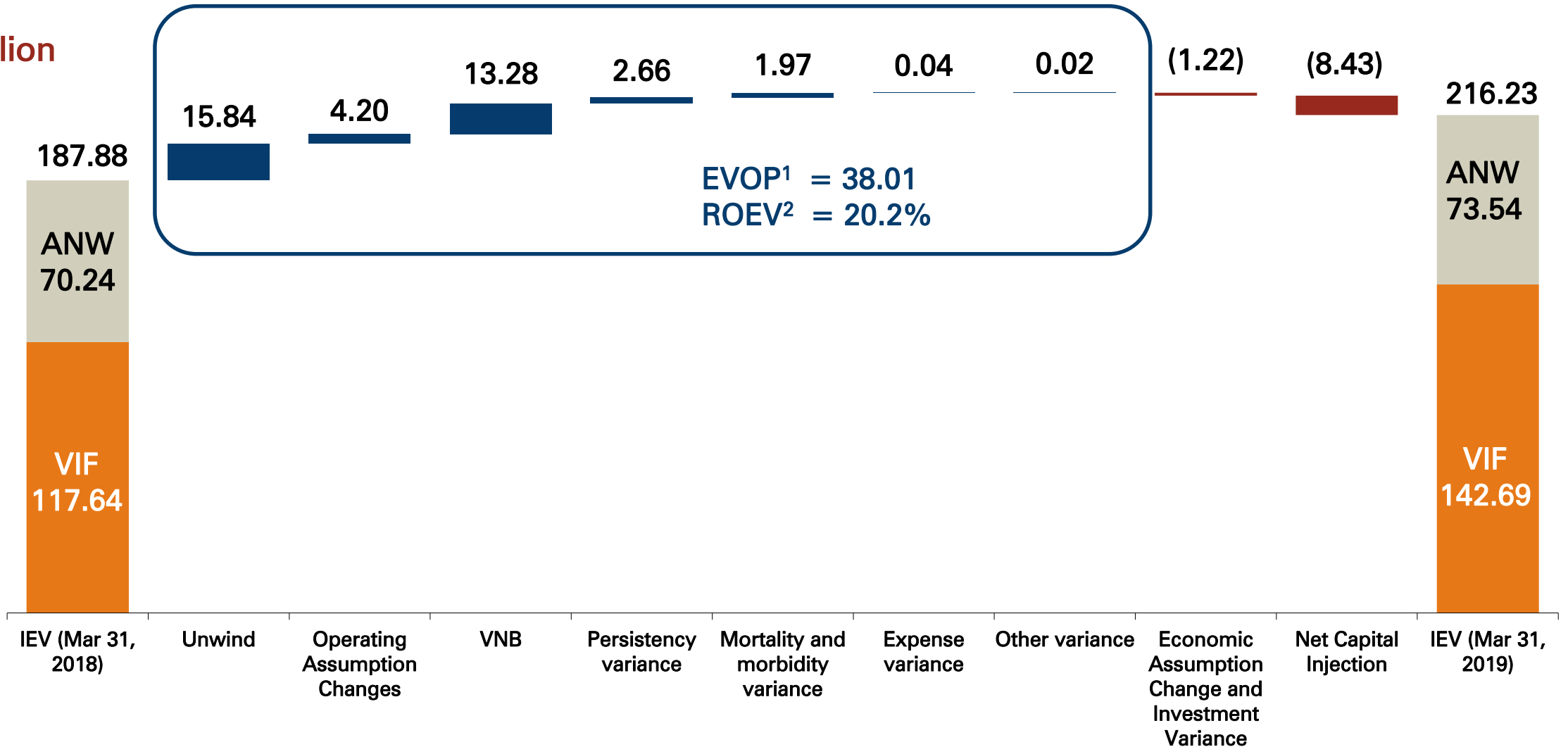
**Data lake solution**

Use of AI & ML to analyse structured & unstructured data

# Embedded value

# Analysis of movement in EV

₹ billion



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

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

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

# 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
<b>Embedded value<sup>1</sup></b>	<b>161.84</b>	<b>187.88</b>	<b>216.23</b>
Return on Embedded Value (ROEV)	16.5%	22.7%	20.2%
EV growth-pre dividend	20.6%	23.4%	19.6%
EV growth-post dividend	16.1%	16.1%	15.1%
VNB as % of opening EV	4.8%	7.9%	7.1%
Operating assumption changes and variance as % of opening EV	2.9%	6.3%	4.7%

# EV methodology

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

# Components of ANW

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



# Components of VIF (1/2)

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

# Components of VIF (2/2)

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

# Components of EV movement (1/2)

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

# Components of EV movement (2/2)

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

# Key assumptions underlying EV (1/2)

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

# Key assumptions underlying EV (2/2)

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

# 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)

# Economic assumptions underlying VNB and EV

Tenor (years)	References Rates		
	March 31, 2018	March 31, 2019	September 30, 2019
1	6.57%	6.66%	5.77%
5	8.21%	7.83%	7.35%
10	8.31%	8.35%	8.00%
15	8.11%	8.35%	7.95%
20	7.97%	8.22%	7.78%
25	7.91%	8.11%	7.65%
30	7.88%	8.05%	7.58%



# 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**