



# Performance update: Q1-FY2021

July 21, 2020

# Agenda

- Company strategy and performance
- Opportunity
- Industry overview



# Risk management

## Resilient Balance Sheet

- Linked & Par (82% of liabilities) largely pass on the market performance to customers
- Non par guaranteed return book: 0.4% of liabilities; minimal ALM mismatch
- 94.3% of fixed income in sovereign or AAA; 0.9% of fixed income below AA
- Zero NPA since inception

## Insurance risks

- Mortality:
  - Experience continues to be better than assumptions
  - 69 claims from COVID-19 so far
  - Additional reserve held for potential COVID-19 claims
- Persistency: Range-bound movements despite challenged environment
- Expense: Closer monitoring with focus on variabilisation

Solvency ratio of 205.1% at June 30, 2020

# Agenda

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



# Key strategic elements



# 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	FY2020	Q1-FY2021
APE <sup>1</sup>	73.81	8.23
<i>YoY growth</i>	<i>(5.4%)</i>	<i>(44.0%)</i>
New business premium <sup>2</sup>	123.48	14.99
<i>YoY growth</i>	<i>20.4%</i>	<i>(32.6%)</i>

# Strategic elements (2/4)

Protection  
focus

Continue to grow both retail and group lines of business

₹ billion	FY2020	Q1-FY2021
Protection APE	11.16	2.14
<i>YoY growth</i>	<i>54.6%</i>	<i>0.0%</i>
Protection mix	15.1%	26.0%

# Strategic elements (3/4)

Persistence

Improve persistence across all cohorts

Persistence <sup>1</sup>	11M-FY2020	2M-FY2021
13 <sup>th</sup> month	83.2%	81.8%
49 <sup>th</sup> month	64.6%	63.9%



# Strategic elements (4/4)

## Productivity

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

₹ billion	Q1-FY2020	FY2020	Q1-FY2021
Cost/TWRP <sup>1</sup>	17.0%	15.9%	14.8%
Cost/TWRP (savings LOB)	11.3%	10.4%	8.8%

# Value of New Business

₹ billion	Q1-FY2020	FY2020	Q1-FY2021
Value of New Business (VNB) <sup>1</sup>	3.09	16.05	2.01
VNB margin	21.0%	21.7%	24.4%

# Way forward

# Voice of our stakeholders

I want to have a life cover but am **wary of meeting** someone face to face

Will my life insurance policy cover me against **coronavirus**?

How do I know **fund value** of my ULIP plan & **pay renewal premium** of my policy?

How do I file a life **insurance claim**?

Customers

Customers are unwilling to meet face to face, how can I still **interact** with them?

Will I be able to **service** my customers during this COVID-19 scenario?

Will my business **earnings** be affected due to the prevailing lockdown conditions?

With the current travel restrictions how do I keep myself **updated** on the processes?

Distributors

As a manager, how do I ensure **safety** of my team members in the current COVID-19 scenario?

How do I **train** my team members on the new products and coronavirus related advisories?

Due to restricted travel, how do I **communicate** with my team and conduct **joint field work**?

How do I **track efficiency** of my team members and **service** my customers in the lockdown scenario?

Employees

# The new normal: Physical handshake to virtual handshake



Our collaboration platform

# Collaboration with customers for presales & onboarding

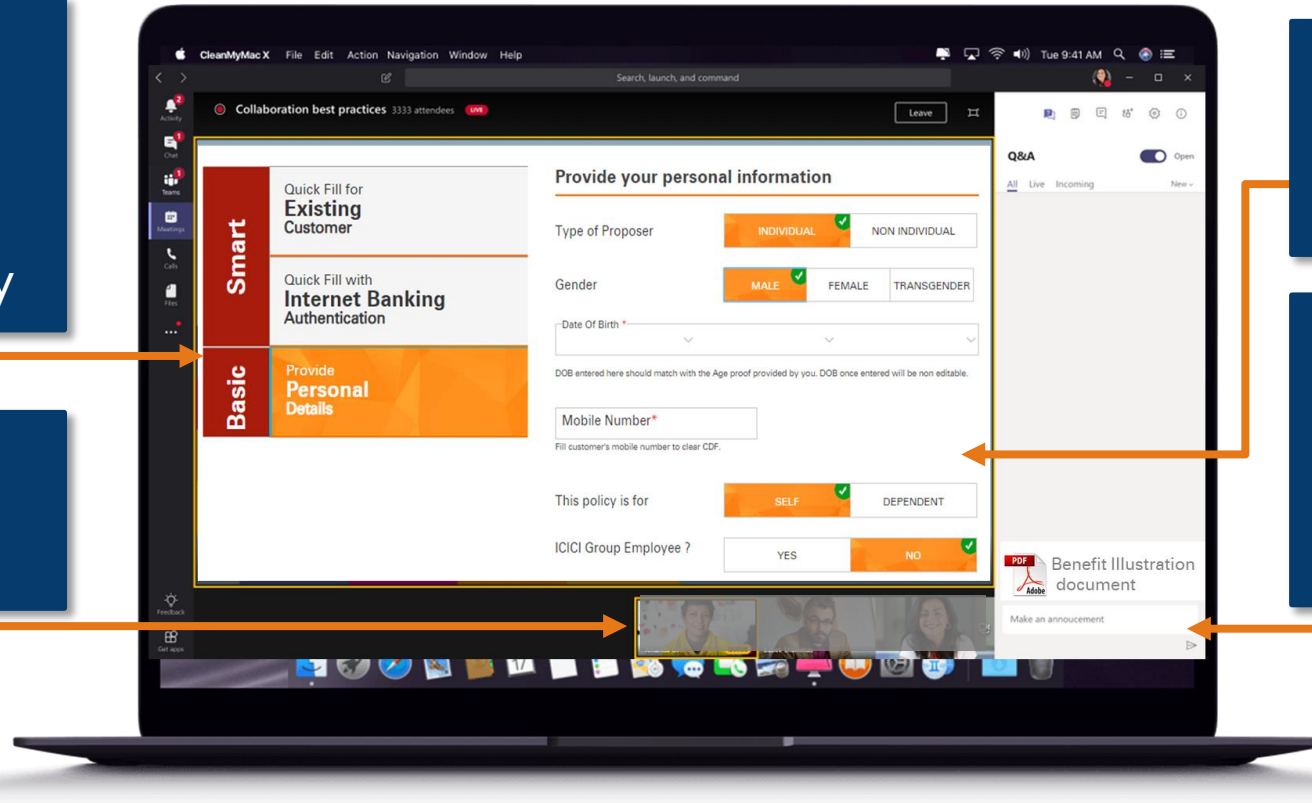
Share screen for

- Suitability analysis
- Quote generation
- Completing the onboarding journey

Customer, financial consultant and expert added on same call

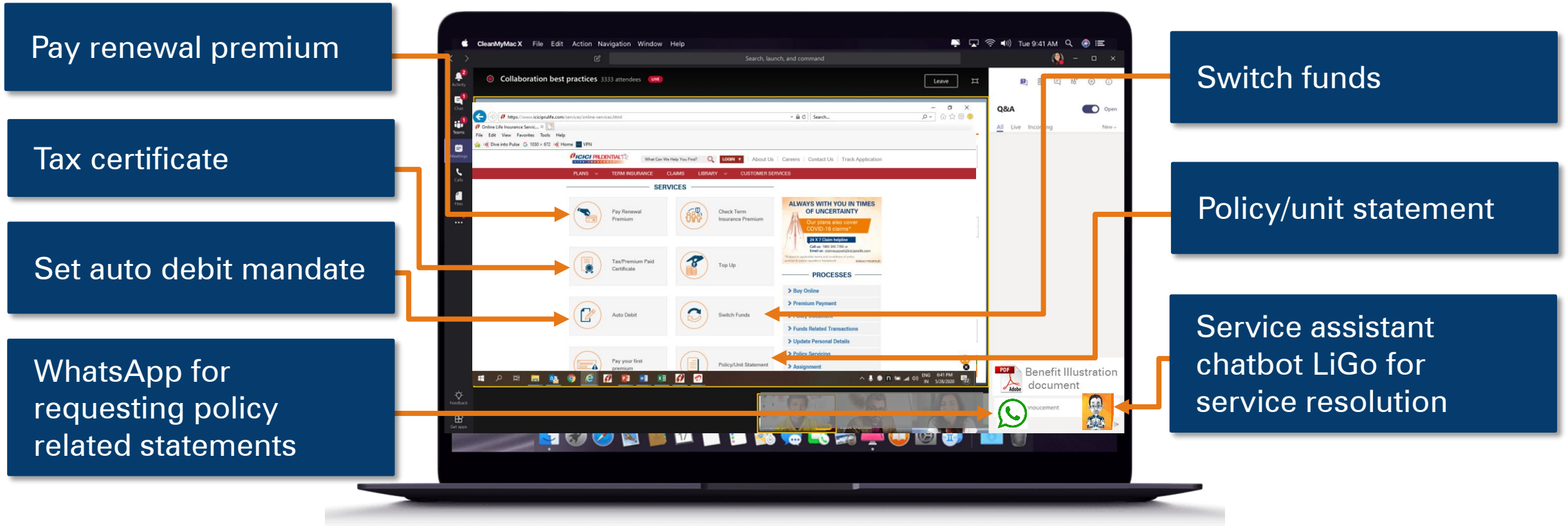
UPI/BBPS, Credit card, Debit card, Netbanking, eWallet options available

Share documents and chat with customer. Customers can also upload KYC documents/photo



Online meetings (upto 250 users) | Video/Audio call | Joint sales call | Share content Chat |  
Invite external guests, experts | Access previous meeting notes | Record sessions

# Collaboration with customers for servicing requirements



- An easy access to a variety of self-service options
- Service requirements met from the comfort of customers' homes

# Stakeholders' concerns addressed

I want to have a life cover but am **wary of meeting** someone face to face

Live video chat

Will my life insurance policy cover me against **coronavirus**?

Product feature

How do I know **fund value** of my ULIP plan & **pay renewal premium** of my policy?

Self-service options

How do I file a life **insurance claim**?

Online claim intimation

Customers are unwilling to meet face to face, how can I still **interact** with them?

Collaboration platform

Will I be able to **service** my customers during this COVID-19 scenario?

Online service options

Will my business **earnings** be affected due to the prevailing lockdown conditions?

Digital selling options

With the current travel restrictions how do I keep myself **updated** on the processes?

e-Learning modules

As a manager, how do I ensure **safety** of my team members in the current COVID-19 scenario?

Contactless meetings

How do I **train** my team members on the new products and coronavirus related advisories?

Learning videos

Due to restricted travel, how do I **communicate** with my team and conduct **joint field work**?

Live video meets & chats

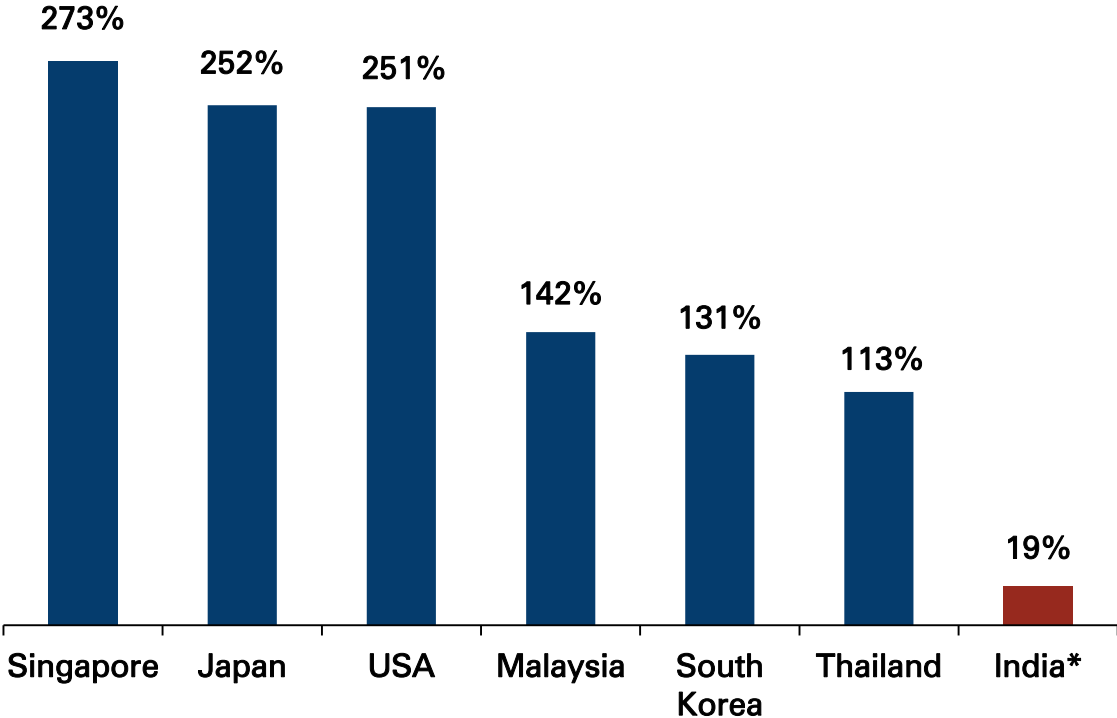
How do I **track efficiency** of my team members and **service** my customers in the lockdown scenario?

Real time service support



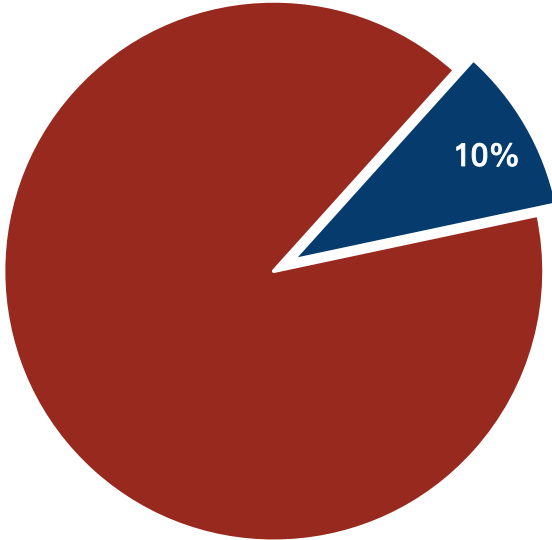
# Protection opportunity

Sum Assured as a % of GDP<sup>1,2</sup>



\* For retail protection sum assured (company estimates)

Addressable population<sup>#</sup> coverage<sup>3</sup> (%)



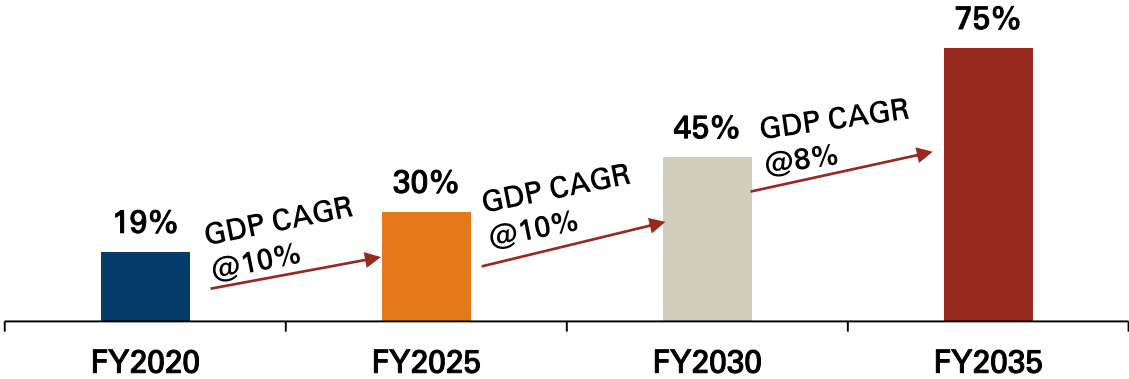
# Based on Income Tax Department data for individuals (annual income > 2.5 lac) and company estimates



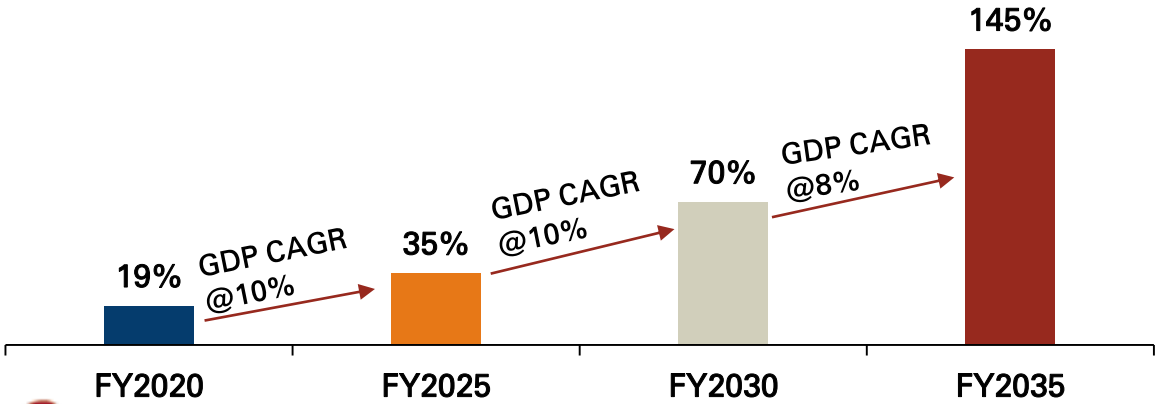
1. As of FY2020 for India (GDP Source: National Statistics Office, protection sum assured source: company estimates)
2. As of FY2018 for US, Japan, South Korea. Others as of FY2017 (Source: McKinsey estimates)
3. Addressable population coverage= Inforce number of lives for retail protection/ No. of returns with income >2.5 lac

# Opportunity: Sum assured as a % of GDP

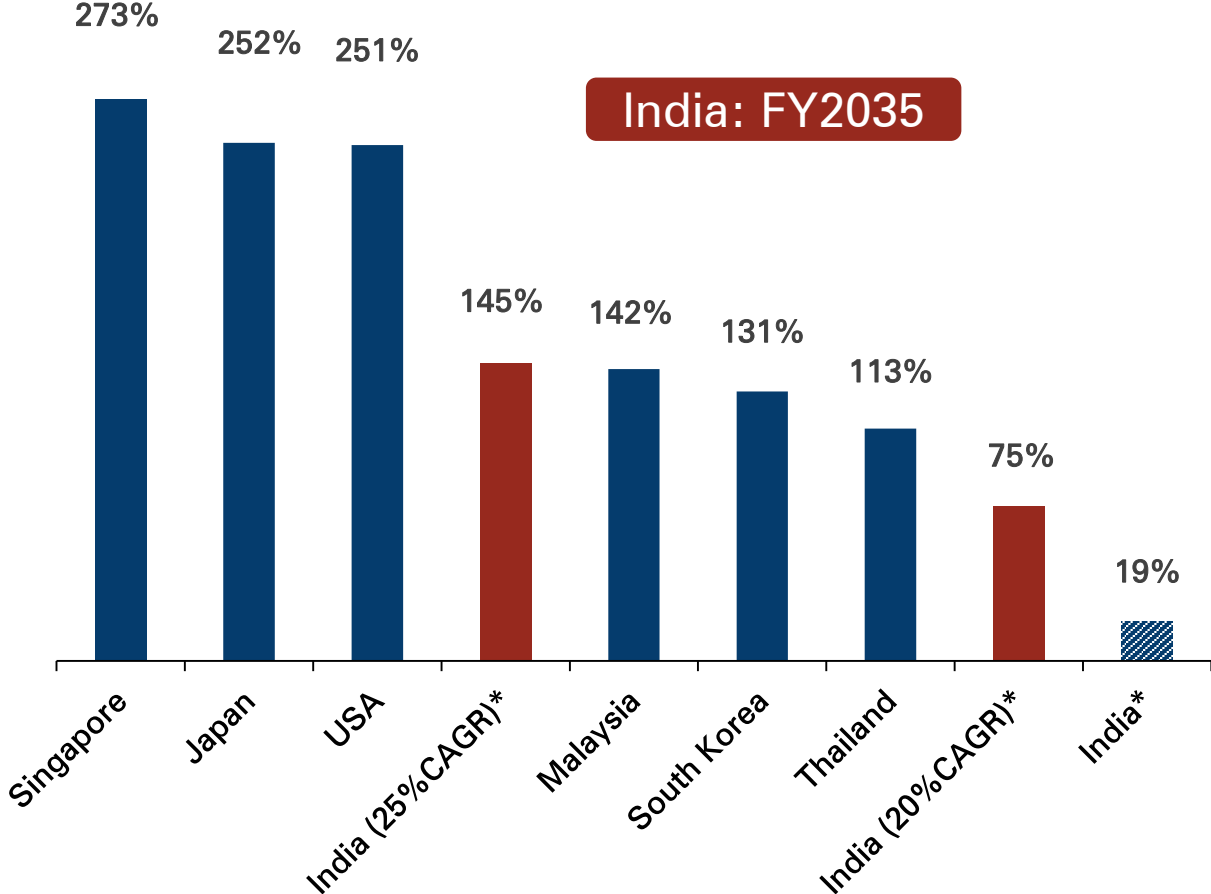
Sum Assured (SA) as a % of GDP:  
Assuming SA growth @ 20% CAGR



Sum Assured (SA) as a % of GDP:  
Assuming SA growth @ 25% CAGR



Sum Assured as a % of GDP<sup>1,2</sup>



India: FY2035

\* For retail protection sum assured (company estimates)

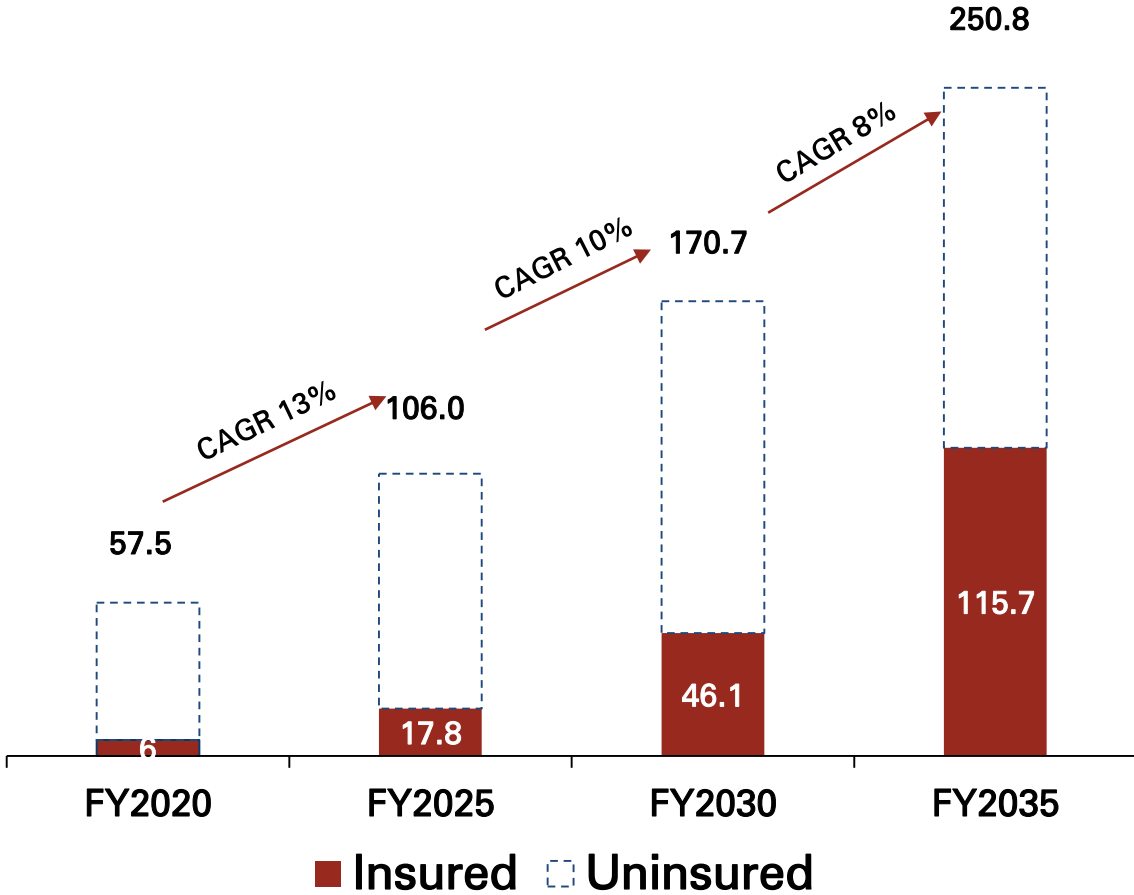
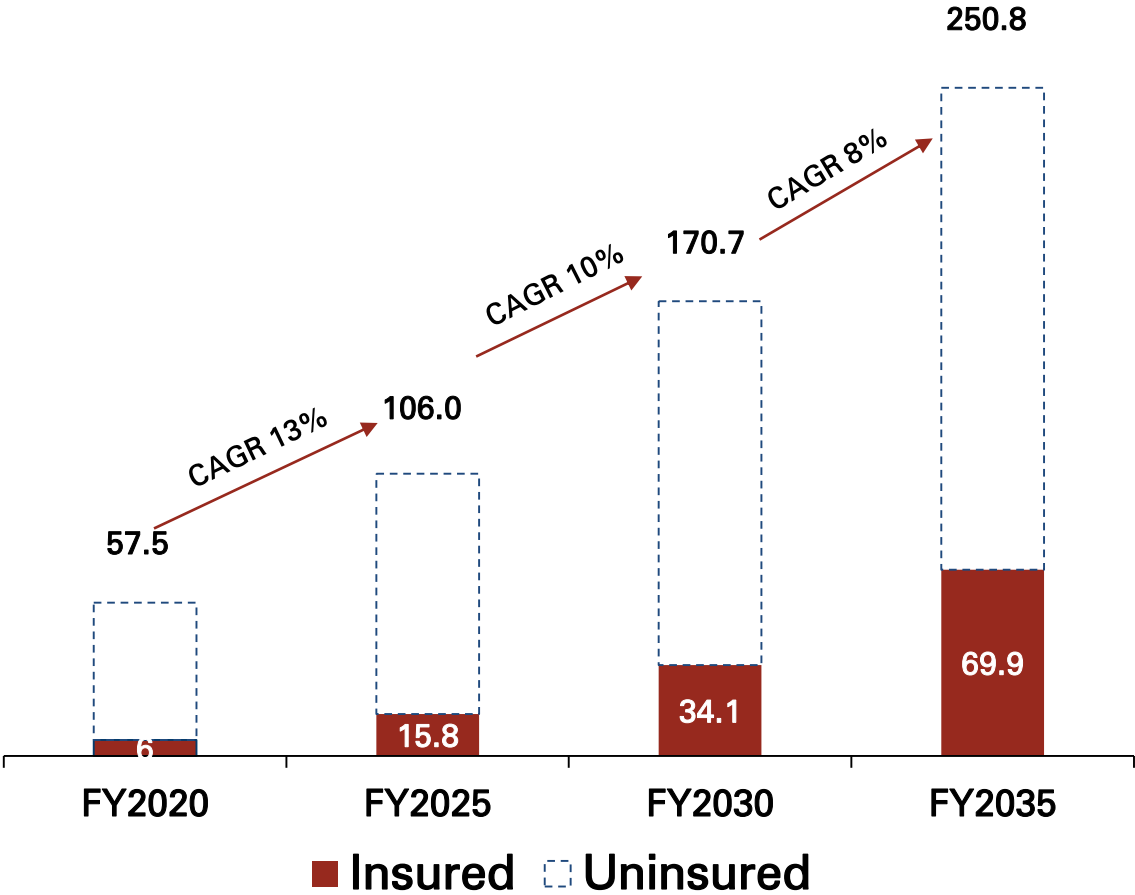


1. FY2020 GDP data for India (Source: National Statistics Office, protection sum assured source: company estimates)  
2. As of FY2018 for US, Japan, South Korea. Others as of FY2017 (Source: McKinsey estimates)

# Opportunity: Addressable population coverage (%)

With 15% CAGR in new policy count from FY2020 to FY2035

With 20% CAGR in new policy count from FY2020 to FY2035



Assumed 10% lapse rate for inforce policies at each year

# Key strategic elements



# 4P: Premium

# Products available across all categories

ICICI Pru  
**FuturePerfect**  
Non-linked Insurance Plan

ICICI Pru  
**Savings Suraksha**  
Non-Linked Life Insurance Plan

ICICI Pru  
**Assured Savings Insurance Plan**  
Non linked life insurance plan

ICICI Pru  
**SIGNATURE**  
A Unit Linked Non-Participating Life Insurance Plan

ICICI Pru  
**Guaranteed Wealth Protector**  
Unit Linked Insurance Plan

ICICI Pru  
**LAKSHYA**  
A Non-linked Participating Life Insurance Plan

ICICI Pru  
**Immediate Annuity**  
Non-Linked Life Insurance Plan



ICICI Pru  
**Easy Retirement**  
Unit Linked Pension Plan

**Non-linked**

**Savings**

**Linked**

Participating with equity

Savings with guarantee; Annuity

ULIP: Suite of funds for Equity and Debt

ULIP: with capital guarantee



ICICI Pru  
**PRECIOUS LIFE**  
A non-linked non-participating term insurance plan.  
Term insurance plan for **EVERYBODY**



ICICI Pru  
**Shubh Raksha Life**  
A Non-Linked Non-Participating Group Micro Insurance Product

ICICI Pru  
**Group Term Plus**  
Group Life Cover Plan

ICICI Pru  
**Super Protect - Credit**  
(A Non-Linked Non-participating Group Life Insurance Product)

**Retail**

**Protection**

**Group**

Pure term with accident cover

Critical illness, Disease specific

Pure term, Micro insurance, Credit insurance, Critical illness

# 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	
	FY2020	Q1-FY2021	Growth (%)	FY2020	Q1-FY2021
<b>Savings</b>	<b>62.65</b>	<b>6.09</b>	<b>(51.5%)</b>	<b>84.9%</b>	<b>74.0%</b>
Linked	47.72	3.59	(65.7%)	64.7%	43.6%
Non-linked	12.46	2.01	14.2%	16.9%	24.4%
Group	2.47	0.49	44.1%	3.3%	6.0%
<b>Protection<sup>1</sup></b>	<b>11.16</b>	<b>2.14</b>	<b>0.0%</b>	<b>15.1%</b>	<b>26.0%</b>
<b>Total APE</b>	<b>73.81</b>	<b>8.23</b>	<b>(44.0%)</b>	<b>100.0%</b>	<b>100.0%</b>

Linked segment significantly challenged; steady growth in other product segments

# Diversified distribution

## Strategy: Build profitability

- 15 bank partnerships
- Protection and Annuity mix increased from 4.3% in FY2019 to 10.0% in FY2020

## Strategy: Create depth and add width

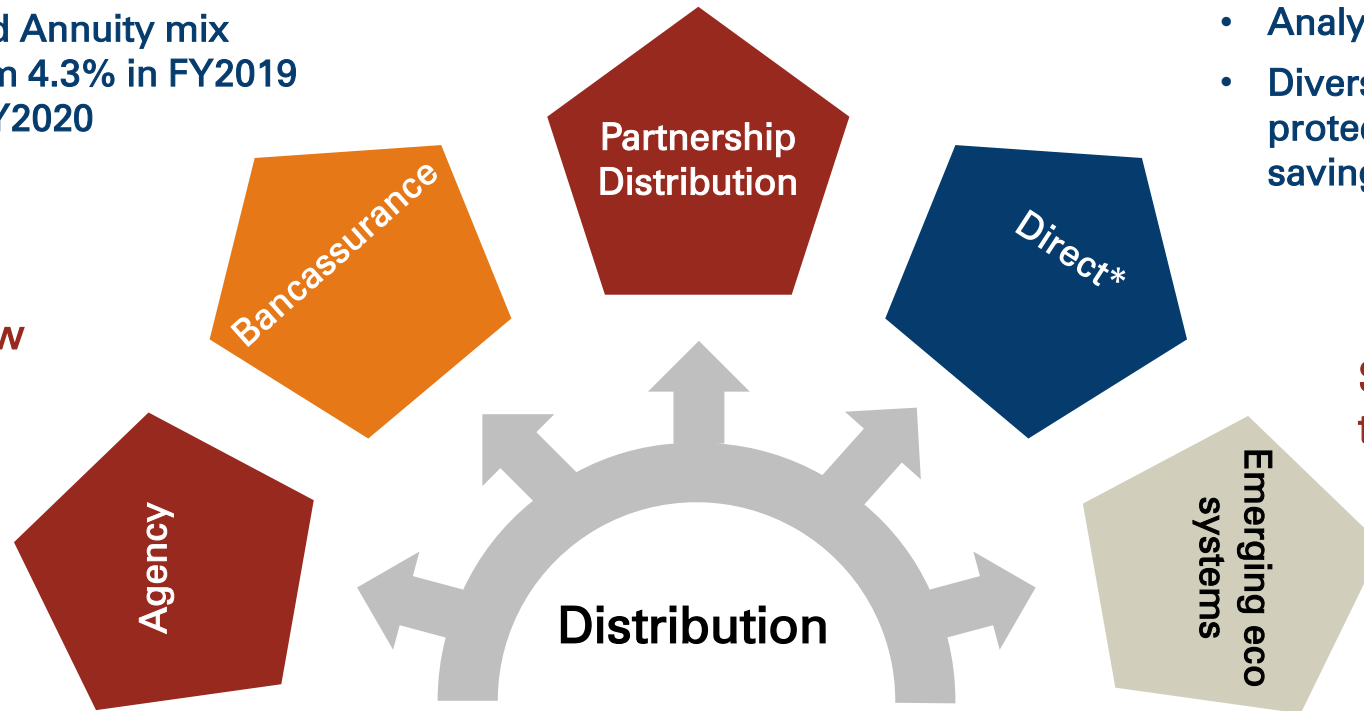
- > 500 partnerships
- Protection and non-linked savings: ~80% in FY2020

## Strategy: Digital focused upsell campaigns

- Analytics driven upsell channel
- Diversified product mix with 12% protection and 22% non-linked savings

## Strategy: Invest and grow

- 23,200 agents recruited during FY2020
- Diversified product mix: Savings: linked 50%, savings: non-linked 40% and Protection 10%



## Strategy: Partner with non-traditional distributors

- Tie-up with small finance banks, wallets, payment banks, aggregators etc.
- Product customization

Distribution tie-up with IDFC First Bank



# 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 (%)		Growth (%)	
	FY2020	Q1-FY2021	FY2020	Q1-FY2021	Linked	Non-linked
Bancassurance	37.48	3.26	50.8%	39.6%	(65.6%)	11.5%
Agency	15.62	2.03	21.2%	24.7%	(67.0%)	18.8%
Direct	9.31	1.01	12.6%	12.3%	(64.0%)	4.1%
Partnership distribution	5.46	0.71	7.4%	8.6%	(68.2%)	(19.2%)
Group	5.94	1.23	8.1%	14.9%	-	-
<b>Total APE</b>	<b>73.81</b>	<b>8.23</b>	<b>100.0%</b>	<b>100.0%</b>	<b>(62.2%)</b>	<b>4.2%</b>

Diversified distribution mix; retail share 85%

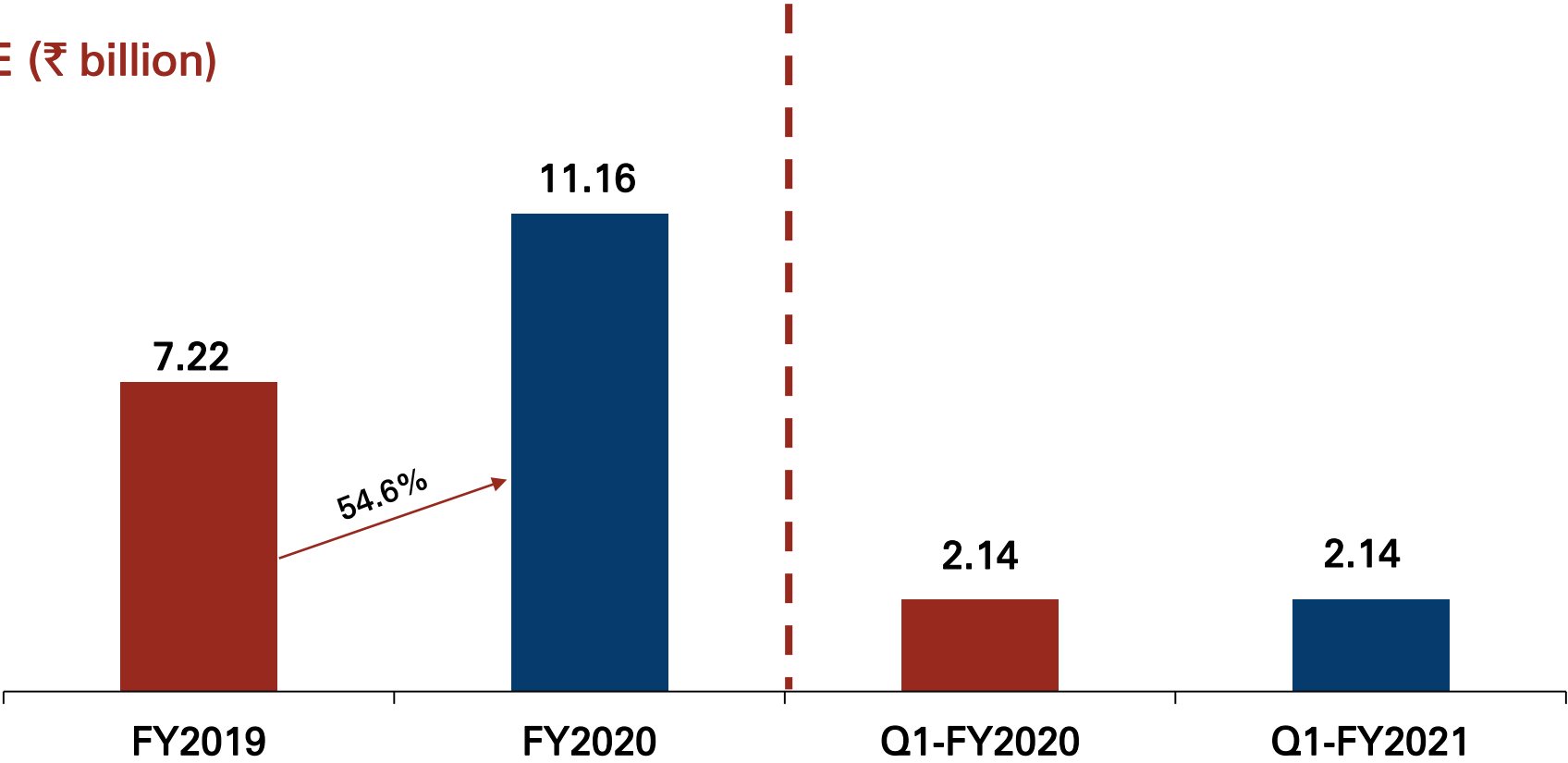
# 4P: Protection

# Protection growth

Protection growth

Continue to grow both retail and group lines of business

APE (₹ billion)



Steady performance despite challenges on medical examination

# 4P: Persistency

# Persistency

Retail excluding single premium		
Month	11M-FY2020	2M-FY2021
13 <sup>th</sup> month	83.2%	81.8%
25 <sup>th</sup> month	75.1%	73.4%
37 <sup>th</sup> month	66.7%	65.4%
49 <sup>th</sup> month	64.6%	63.9%
61 <sup>st</sup> month	56.0%	56.8%

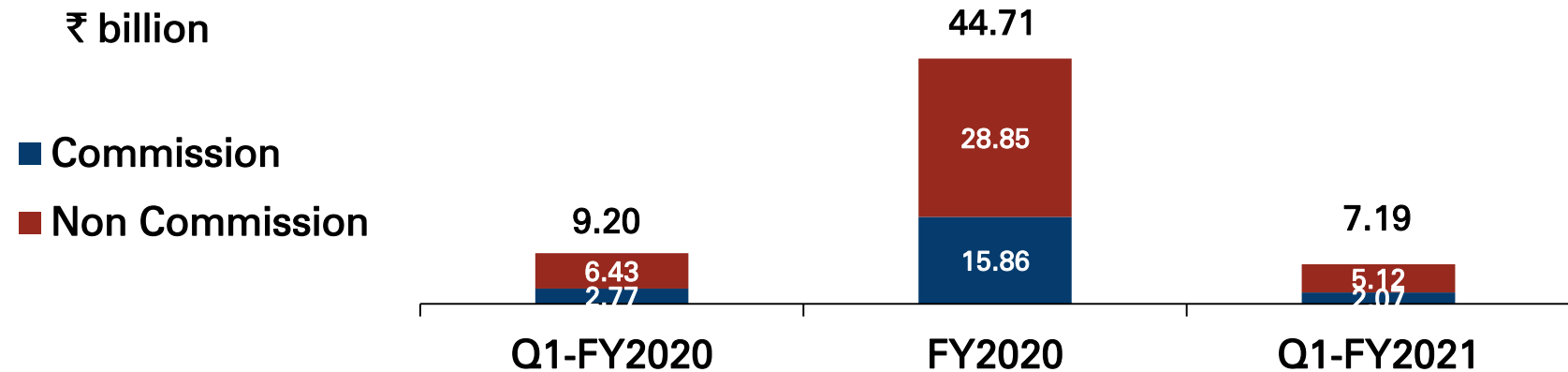
Retail including single premium		
Month	11M-FY2020	2M-FY2021
13 <sup>th</sup> month	85.3%	84.1%
25 <sup>th</sup> month	77.4%	76.3%
37 <sup>th</sup> month	69.0%	67.8%
49 <sup>th</sup> month	66.4%	66.2%
61 <sup>st</sup> month	57.4%	58.2%

Movements within a narrow range; significant increase for protection segment

# 4P: Productivity

# Productivity: Cost efficiency

	Q1-FY2020	FY2020	Q1-FY2021
Expense ratio (excl. commission) <sup>1</sup>	11.9%	10.3%	10.5%
Commission ratio <sup>2</sup>	5.1%	5.7%	4.2%
Cost/TWRP <sup>3</sup>	17.0%	15.9%	14.8%
Cost/Average AUM <sup>4</sup>	2.3%	2.9%	1.8%
Cost/TWRP (Savings LOB)	11.3%	10.4%	8.8%



- 97% of new business applications initiated via digital platform
- 93% of service requests through self service modules

# VNB growth levers update (4P's)

₹ billion	Q1-FY2020	FY2020	Q1-FY2021
Value of New Business (VNB) <sup>1</sup>	3.09	16.05	2.01
VNB margin	21.0%	21.7%	24.4%

₹ billion	FY2020	Q1-FY2021	Growth
Premium growth (APE)	73.81	8.23	(44.0%)
Protection growth (APE)	11.16	2.14	0.0%
Persistency (13 <sup>th</sup> month) <sup>2</sup>	83.2% <sup>3</sup>	81.8%	NA
Persistency (49 <sup>th</sup> month) <sup>2</sup>	64.6% <sup>3</sup>	63.9%	NA
Productivity (Cost/TWRP: Savings) <sup>4</sup>	10.4%	8.8%	NA



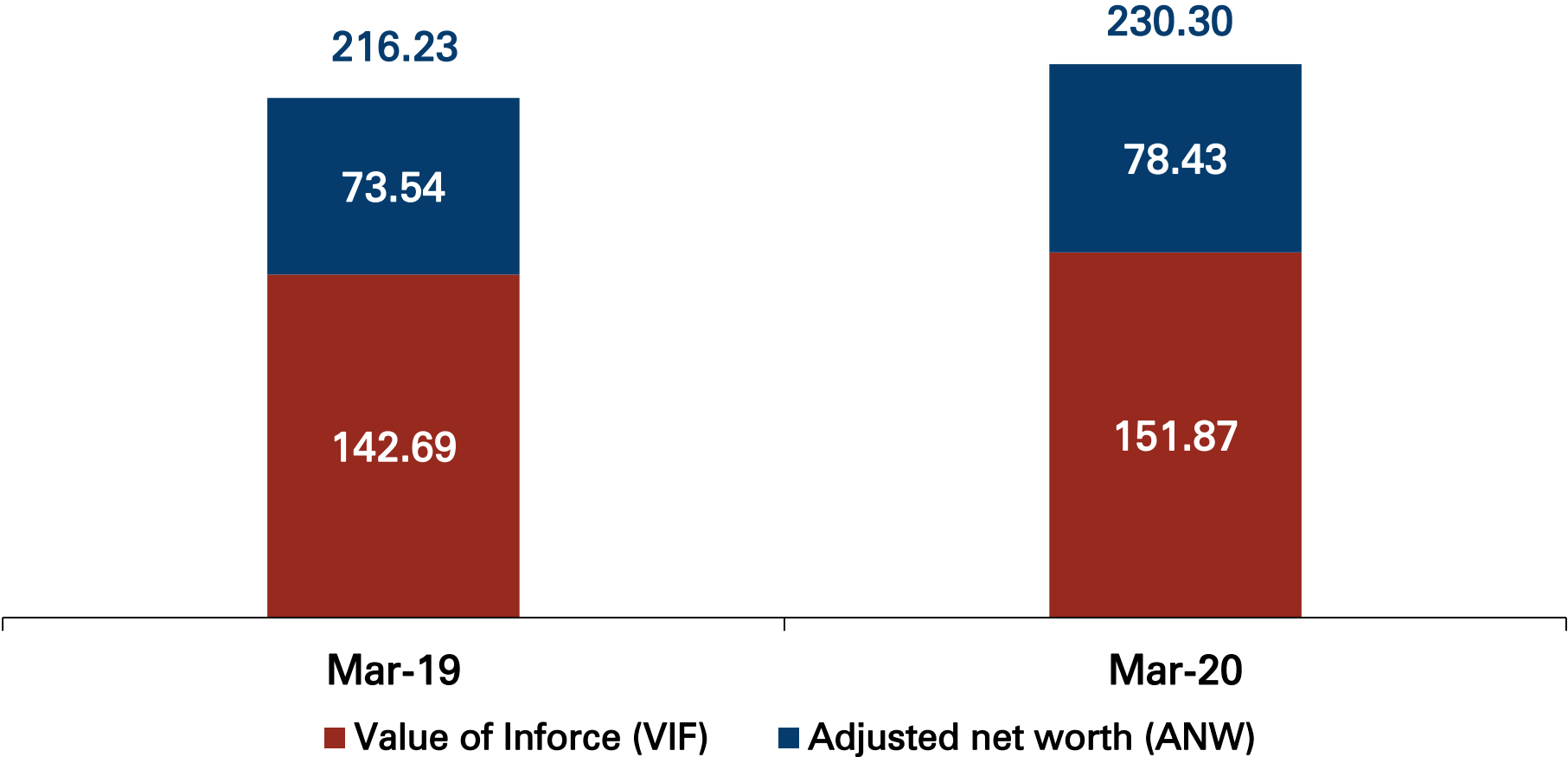
# Financial update

# Financial metrics

₹ billion	Q1-FY2020	FY2020	Q1-FY2021
Profit after Tax	2.85	10.69	2.88
Solvency ratio	217%	194%	205.1%
AUM	1,640.24 <sup>1</sup>	1,529.68 <sup>2</sup>	1,700.06 <sup>1</sup>

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

₹ billion



1. As per Indian Embedded value (IEV) method

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

₹ billion	FY2016	FY2017	FY2018	FY2019	FY2020
<b>Opening EV</b>	<b>137.21<sup>2</sup></b>	<b>139.39</b>	<b>161.84</b>	<b>187.88</b>	<b>216.23</b>
Unwind	12.58	12.21	13.72	15.84	17.25
Value of New Business (VNB)	4.12	6.66	12.86	13.28	16.05
Operating assumption changes	1.04 <sup>2</sup>	1.00	7.64	4.20	(2.25) <sup>3</sup>
Operating variance	4.48	3.08	2.58	4.69	1.83
Persistency variance	2.01	0.99	1.53	2.66	0.85
Mortality and morbidity variance	0.79	0.98	0.78	1.97	0.42
Expense variance	0.59	0.35	0.27	0.04	0.01
Other variance	1.09	0.76	0.00	0.02	0.56
<b>EVOP</b>	<b>22.23</b>	<b>22.95</b>	<b>36.80</b>	<b>38.01</b>	<b>32.88</b>
<b>Return on embedded value (ROEV)</b>	<b>16.2%</b>	<b>16.5%</b>	<b>22.7%</b>	<b>20.2%</b>	<b>15.2%</b>
Economic assumption change and investment variance	(5.64)	5.82	1.13	(1.22)	(14.76)
Net capital injection	(14.41)	(6.32)	(11.88)	(8.43)	(4.05)
<b>Closing EV</b>	<b>139.39</b>	<b>161.84</b>	<b>187.88</b>	<b>216.23</b>	<b>230.30</b>

# Sensitivity analysis

Scenario	% change in VNB		% change in EV	
	FY2019	FY2020	FY2019	FY2020
Increase in 100 bps in the reference rates	(4.3)	(2.4)	(2.0)	(2.5)
Decrease in 100 bps in the reference rates	4.4	2.2	2.0	2.6
10% increase in the discontinuance rates	(8.5)	(5.0)	(1.3)	(1.1)
10% decrease in the discontinuance rates	8.9	5.1	1.4	1.1
10% increase in mortality/morbidity rates	(9.4)	(9.5)	(1.4)	(1.6)
10% decrease in mortality/morbidity rates	9.4	9.6	1.4	1.7
10% increase in acquisition expenses	(13.0)	(11.6)	Nil	Nil
10% decrease in acquisition expenses	13.0	11.6	Nil	Nil
10% increase in maintenance expenses	(3.6)	(3.0)	(0.9)	(0.8)
10% decrease in maintenance expenses	3.6	3.0	0.9	0.9
Tax rates increased to 25%	(7.5)	(11.4)	(4.0)	(5.8)
10% increase in equity values	NA	0.7	NA	1.8
10% decrease in equity values	NA	(0.7)	NA	(1.8)

# Technology initiatives

# Objectives

## To be the most admired digitally enabled insurer

- Empower customers and distributors with simplified journeys and choice of platforms
- Decongest processes by leveraging ecosystems and emerging technologies
- Enable servicing anytime, anywhere
- Drive adoption through superior experience
- Establish industry leading benchmarks

Strengthen the  
core

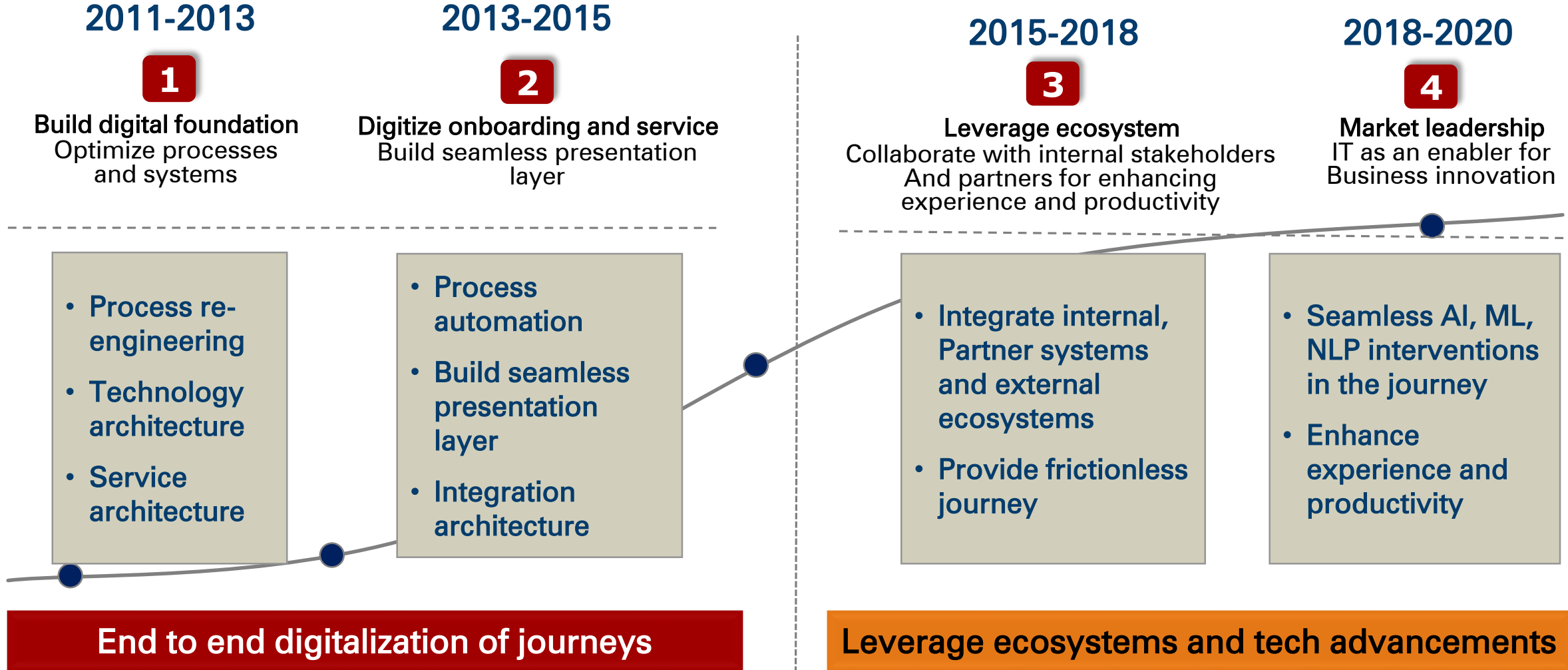


Be future ready



Support new  
growth engines

# Digital evolution path to maturity





# Pre sales



## Suitability 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



## My Coach

AI platform for video based library creation for sales pitches

# Onboarding and issuance



**Flexible/paperless on-boarding**

Platform agnostic and paperless journey available for all channels



**PASA**

No medical or income document requirement for smoother onboarding



**Instant document verification (OCR)**

Real time identification and verification of documents



**Robotic enabled issuance**

Robotic processing for faster issuance



**Tele/video underwriting**

Improves efficiency and reduces issuance TAT



**AI assisted underwriting**

Empowers underwriters with comprehensive insights

# Customer servicing and claims (1/2)



Anytime..  
..Anywhere

87% transactions self serviced, omni channel experience



Premium  
premium payment

74% renewal premium through electronic modes



Intuitive/visual  
IVR

Helps customers avoid IVR queues. Saves 50% navigation time



Service bot  
LiGo

1.96 mn queries resolved by Chatbot LiGo with 91% accuracy



WhatsApp

First life insurer to get business verified account  
1.39 mn transactions



AI based  
Claims Processing

AI based pre-claim assessment & claim processing

# Customer servicing and claims (2/2)



## Annuity service

Simplifying journey for Annuity customers with digital life verification



## Digilocker integration

View or download policy document from DigiLocker app



## Customer app

Customer service native app with in-app nudges/notifications



## Bot orchestration layer

Universal Bot with voice capability to cater to all touch-points



## WhatsApp bot

Available for all customers with same functionalities as LiGo



## Humanoid

AI based conversational tool deployed for renewal premium reminder calling

# 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

# ESG







# Environmental initiatives

## Preserving 'Mother Earth' for future generations



### Replace

- End to end digital solutions for our business activities
- 84% shareholders communicated digitally
- Video conferencing facility at 94 locations
- Live plants to improve air quality: ~31% office space



### Reduce

- 3/5 star rated ACs in all offices
- VRF AC systems (20% of usage)
- LED technology: 54% of branch lighting, 47% of backlit signage
- Managed print services & stationery tracking
- Food wastage awareness drive
- Sensor based taps & urinals
- Periodic office equipment maintenance



### Reuse & Recycle

- Sewage treatment plant and wet waste conversion into manure at head office
- No single use plastic
- E-waste disposal through government certified vendors
- Reusable glasses & plates



# Social initiatives

## Building communities and giving back to society

Business itself is social in nature: Serving long term financial and protection needs of the society

### Customer centricity



- Products across life stage needs; multi- channel reach
- Digital enablers provide 24x7 service; 87% self-help usage
- Consistent risk-adjusted returns
- Grievance redressal policy
- 13th month persistency: 85.3%
- COVID-19: Un-interrupted service including claims

### Commitment to employees



- Gender neutrality, equal opportunity, POSH policy
- Supportive policies including women centric, Whistleblower
- Learning & growth programs at all levels
- 85% of SMT served > 10 yrs
- Responsible behavior: Privacy, Anti-corruption
- ~100% WFH during COVID19

### Community service



- 3.9 mn lives insured from rural /social sector and PMJJBY<sup>5</sup>
- ICICI Academy for Skills: Trained 25,000 youth (145,400 till date)
- Rural livelihood training: 76,400 youth (275,200 till date)
- Much needed long term capital for infrastructure and housing
- COVID-19: Provision of ventilators and consumables



# Governance

Transparency in functioning with separation of supervision from execution

Awarded for Corporate Governance; scorecard by IFC, BSE limited and IiAS



01

## Supervisory structure

- Diverse Board composition
- 50% IDs including Chairman
- Board committees comprise majority of IDs/ NEDs; and chaired by IDs
- Evaluation framework for Directors, Chairman, Board and its Committees
- Policy on Board diversity & criteria on appointment of Directors; regulatory norms on "Fit and proper"

02

## Compliance, Risk & IA

- Quarterly compliance certificate to the Board
- Risk policy: Investment, Insurance & Operational risk
- Risk-based IA framework
- WTDs' compensation aligned to KPI; includes malus & claw-back
- ISO 22301:2012 certification for the BCM
- Investment policy for governance & operations

03

## Ethical practices

- Framework for managing Conflict of Interest
- Guidelines for Acceptance of Gifts, Entertainment and Sponsored travels
- Policies on Anti-Money Laundering, Anti Bribery/ Corruption, Privacy policy, Whistleblowing
- Stewardship Code

# Agenda

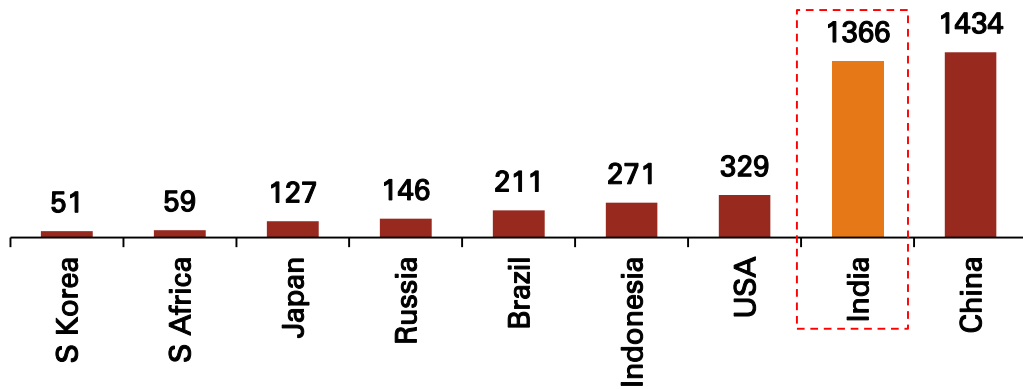
- Company strategy and performance
- **Opportunity**
- Industry overview



# Favorable demography

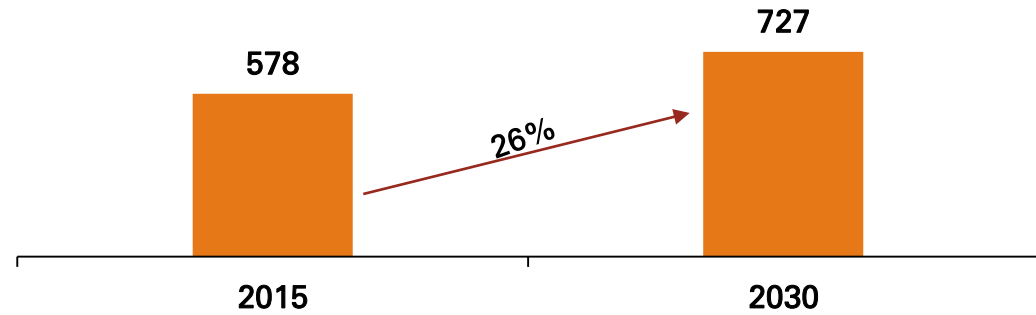
## Large and growing population base<sup>1</sup>

2019 Population (mn)

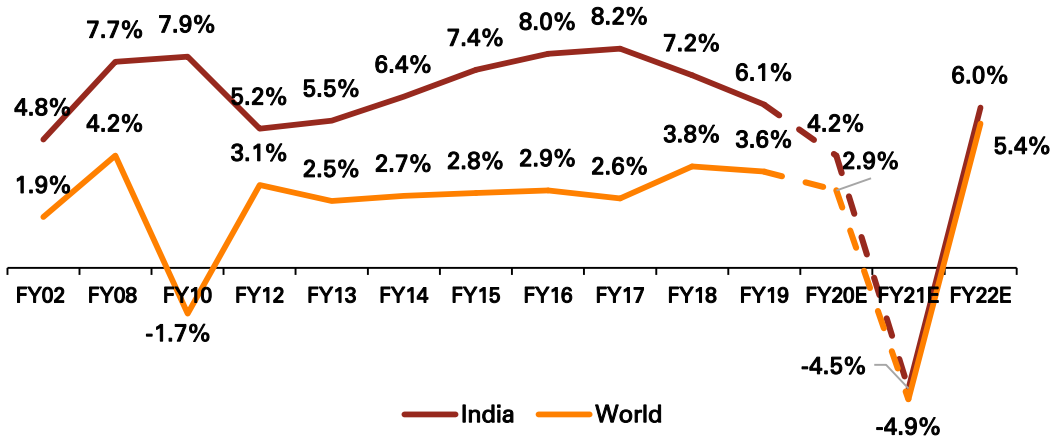


## High share of working population<sup>1</sup>

Population of age 25-59 years (in mn)

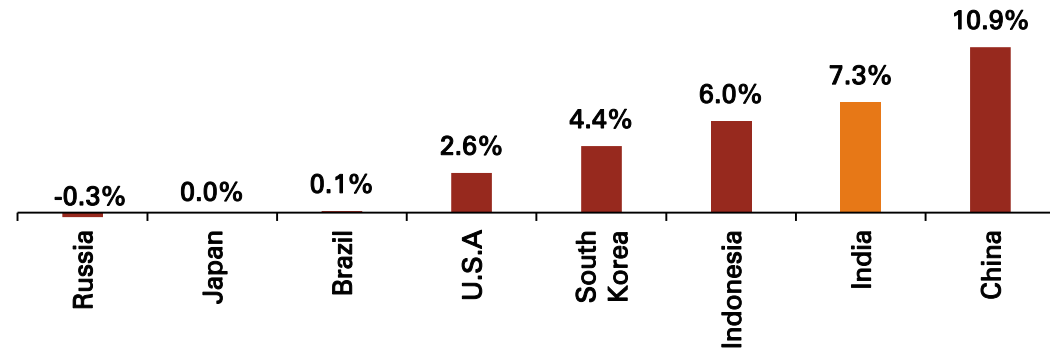


## Driving GDP growth<sup>2</sup>



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

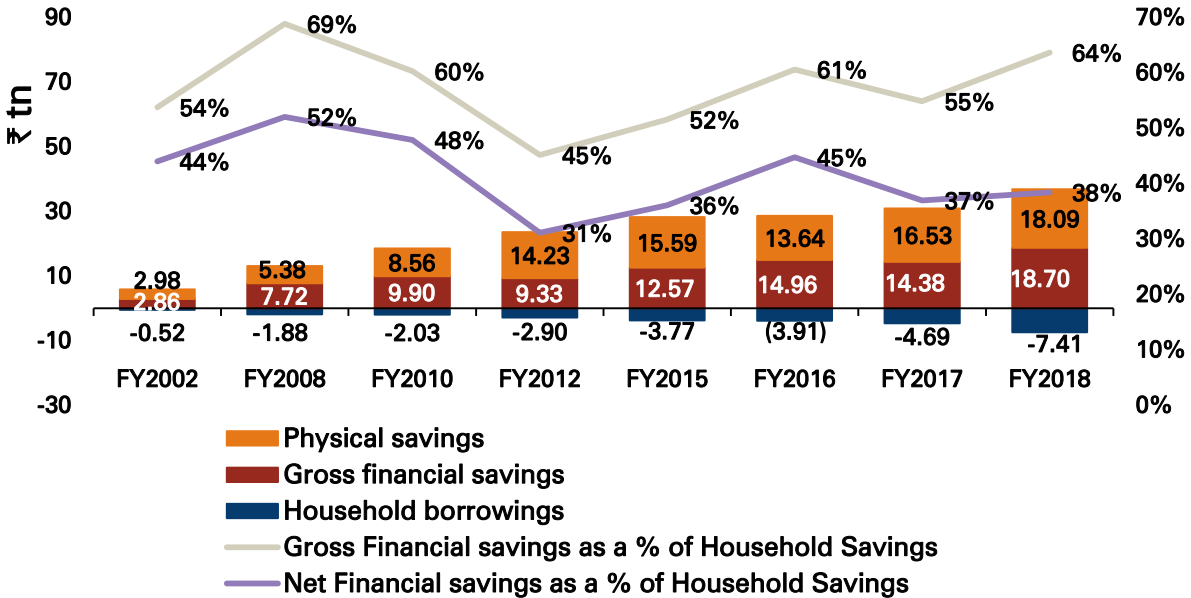
GDP per capita CAGR (FY2009-FY2019)



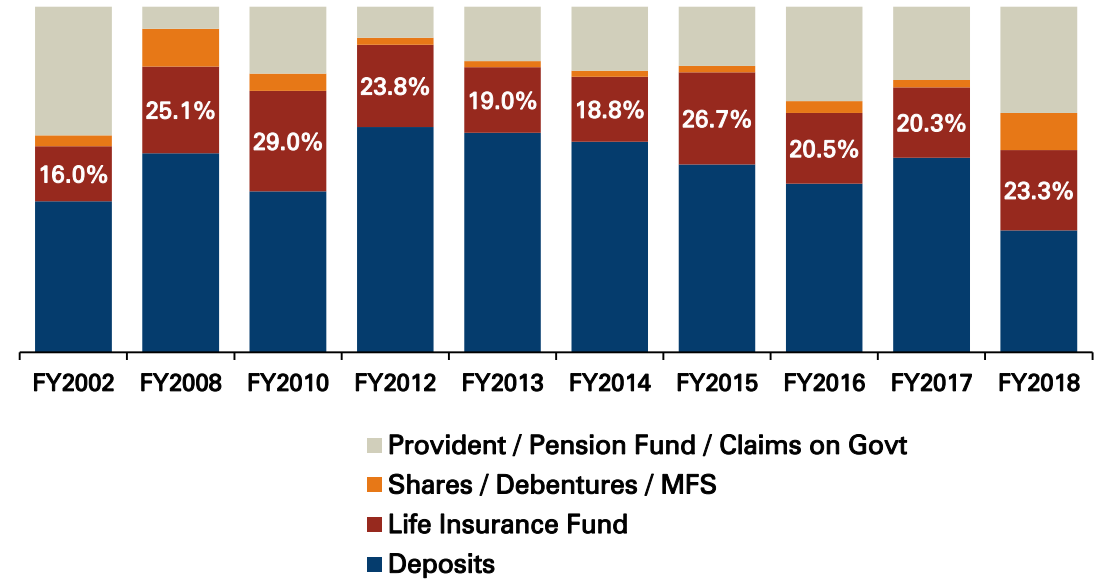
1. Source: UN population division  
2. Source: WEO Update, June 2020

# 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 FY2020

Life insurance premium<sup>3</sup>  
as % of GDP

2.1% 4.0% 4.1% 3.3% 2.8% 2.7% 2.7% 2.8%

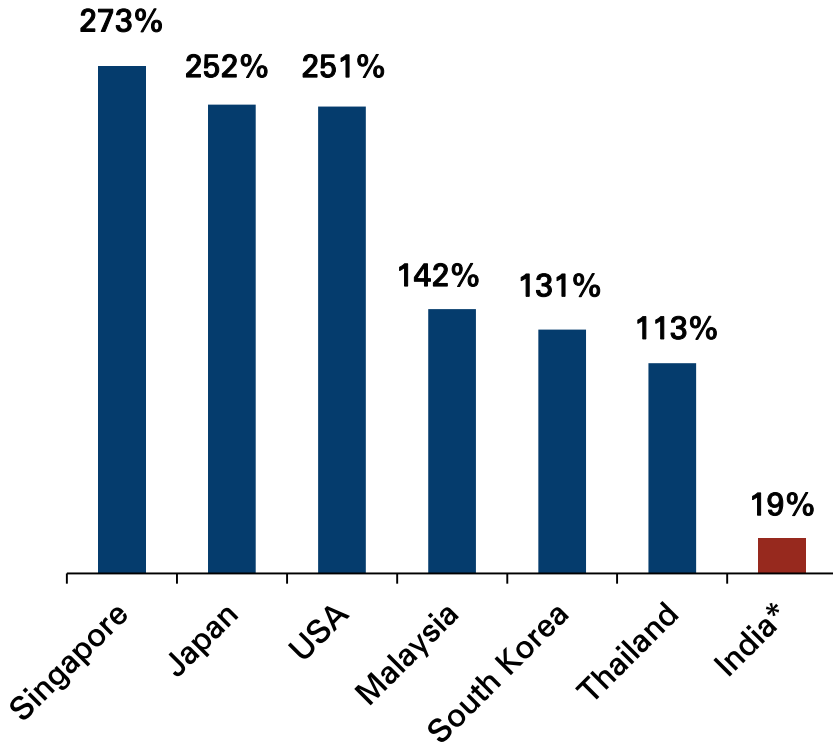
- Financialisation of savings aided by Direct Benefit Transfer, RERA and GST



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

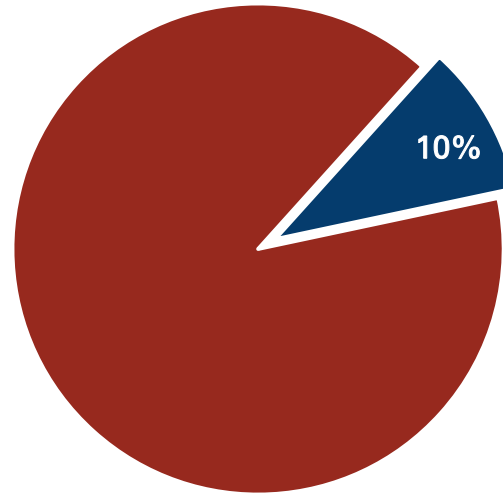
# Protection opportunity: Where we are...

Sum Assured as a % of GDP<sup>1,2</sup>



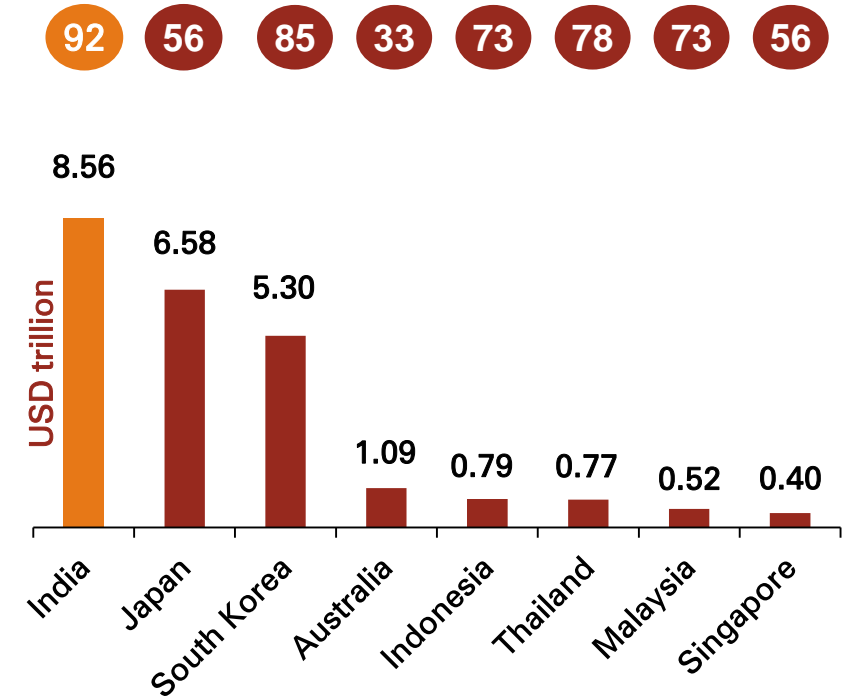
\* For retail protection sum assured (company estimates)

Addressable population# coverage<sup>3</sup> (%)



# Based on Income Tax Department data for individuals (annual income > 2.5 lac) and company estimates

Protection gap(%)<sup>4,5</sup>

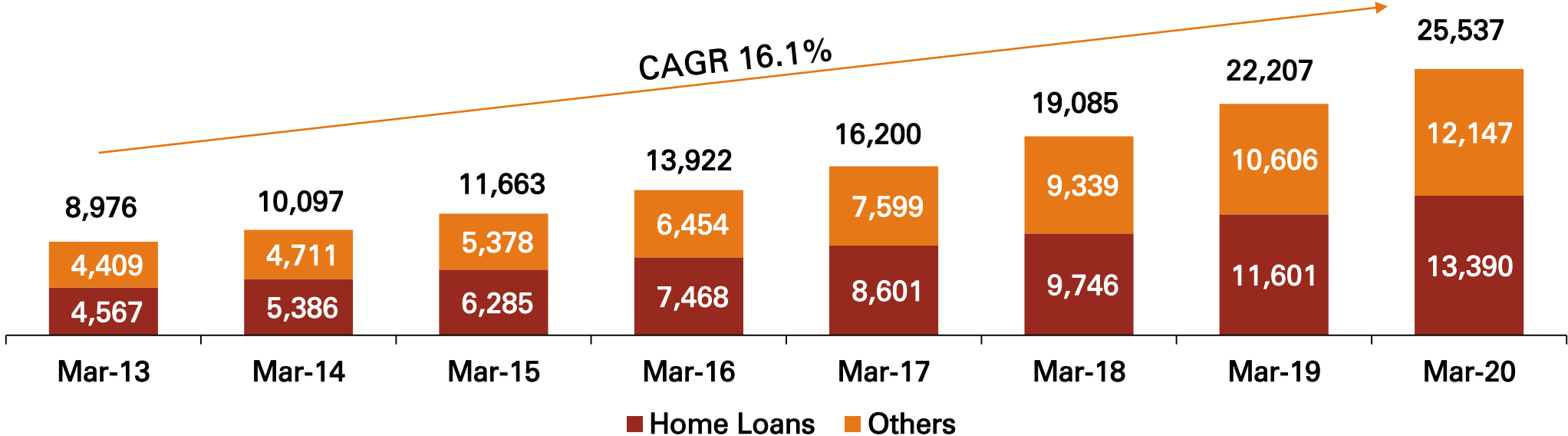


1. As of FY2020 for India (GDP Source: National Statistics Office, protection sum assured source: company estimates)
2. As of FY2018 for US, Japan, South Korea. Others as of FY2017 (Source: McKinsey estimates)
3. Addressable population coverage= Inforce no. of lives for retail protection/ No. of returns with income >2.5 lac
4. Protection gap (%): Ratio of protection lacking/protection needed
5. Source: Swiss Re, Economic Research and Consulting 2015

# Protection opportunity: Liability cover

₹ billion

Retail Credit



- 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	FY2020	CAGR
Health	66.23	516.38	20.5%
Motor	138.21	692.08	15.8%
- Motor Own Damage (OD)	87.56	265.52	10.6%
- Motor Third Party (TP)	50.65	426.56	21.4%

- Protection premium ~ ₹ 200 billion for life insurance industry in FY2020

# Agenda

- Company strategy and performance
- Opportunity
- Industry overview



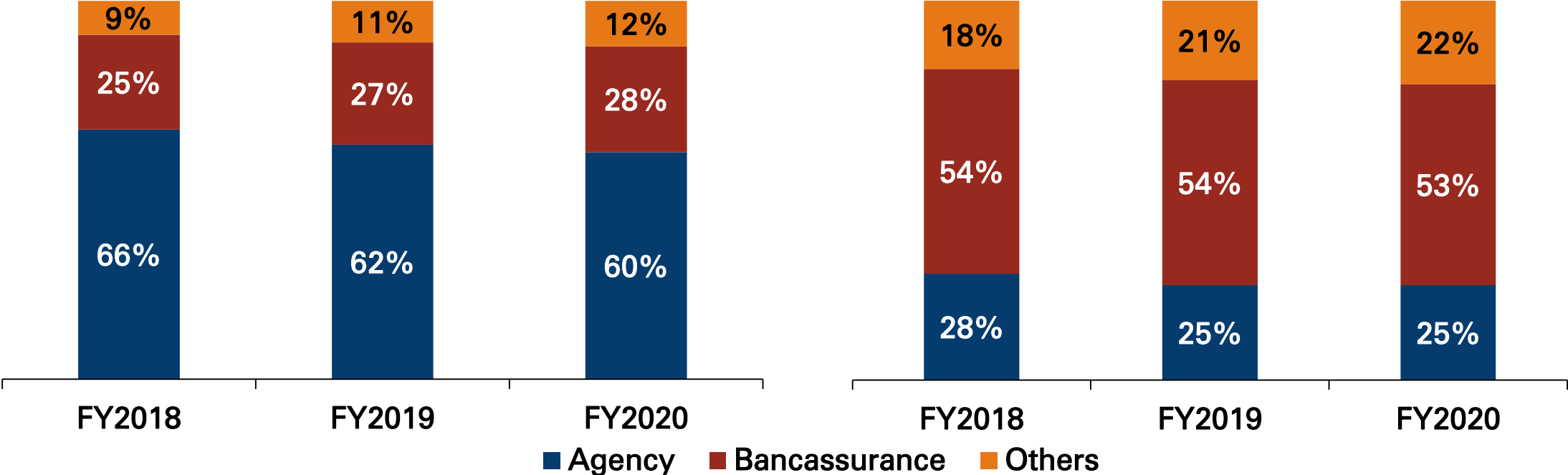
# Evolution of life insurance industry in India

	FY2002		FY2010		FY2015		FY2020
New business premium <sup>1</sup> (₹ bn)	116	21.5%	550	-5.8%	408	12.5%	735
Total premium (₹ bn)	501	3.2%	2,654	4.3%	3,281	11.6%	5,683
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	10.1%	37,757
In-force sum assured <sup>2</sup> (₹ bn)	11,812*	15.5%	37,505	15.8%	78,091	17.3%	173,077
In-force sum assured (as % to GDP)	50.1%		57.9%		62.7%		85.1%

# Channel mix<sup>1</sup>

Industry

Private sector



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

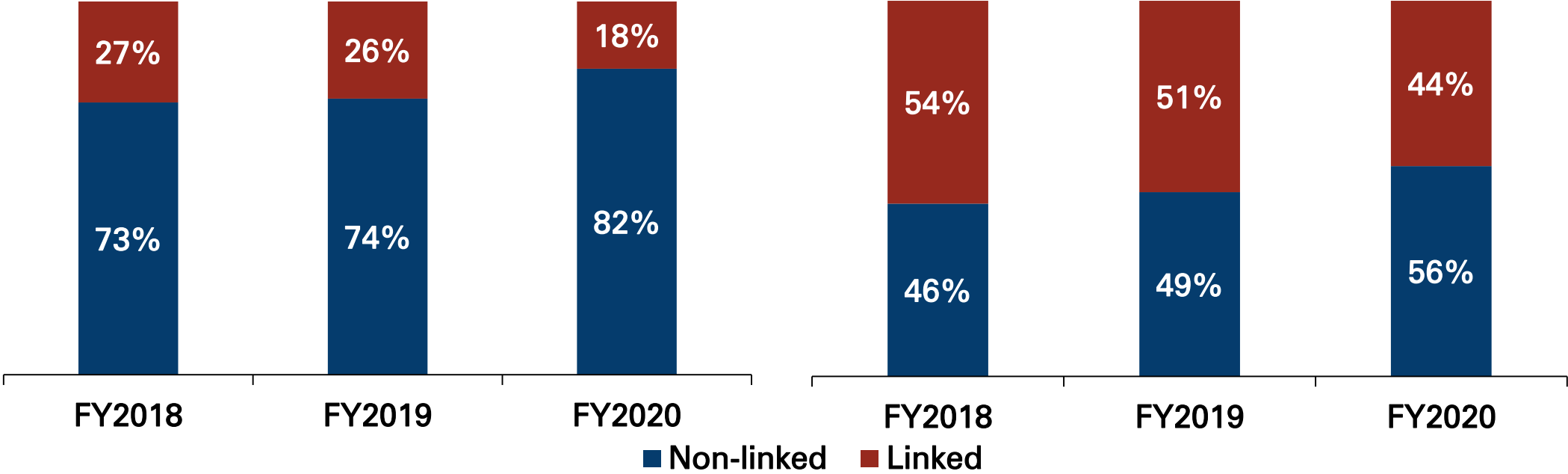


1. Individual new business premium basis  
Source: Life Insurance Council

# Product mix<sup>1</sup>

## Industry

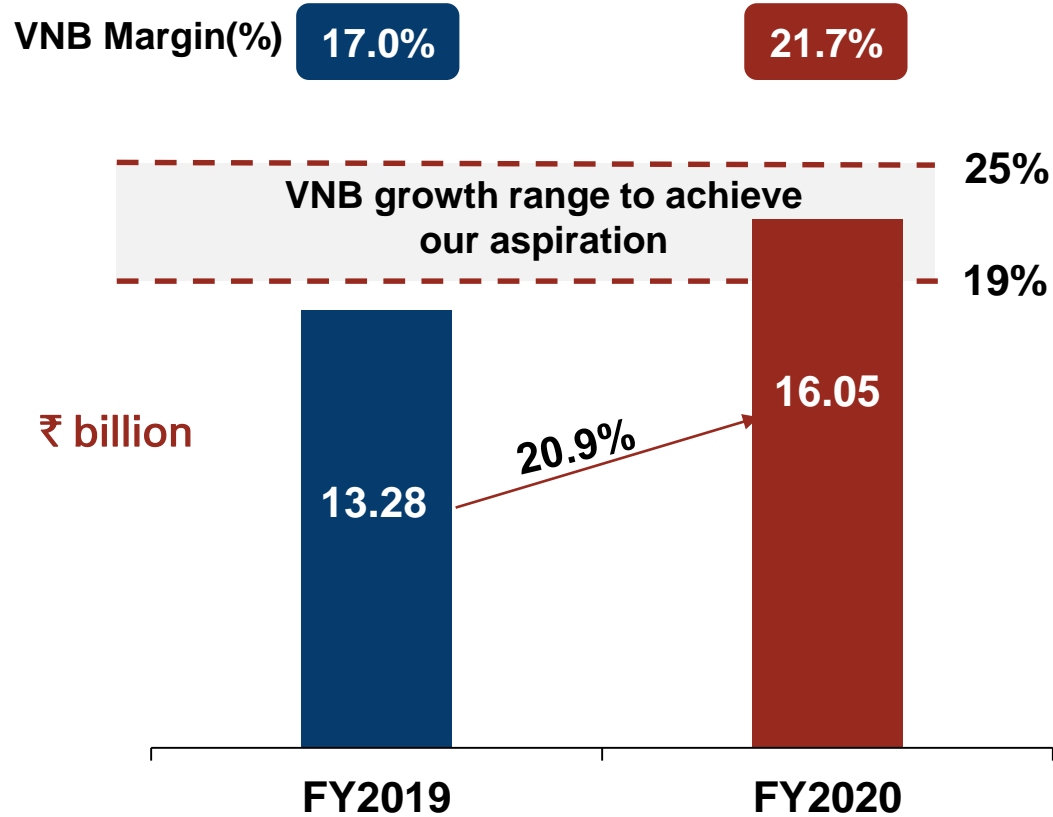
## Private sector



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

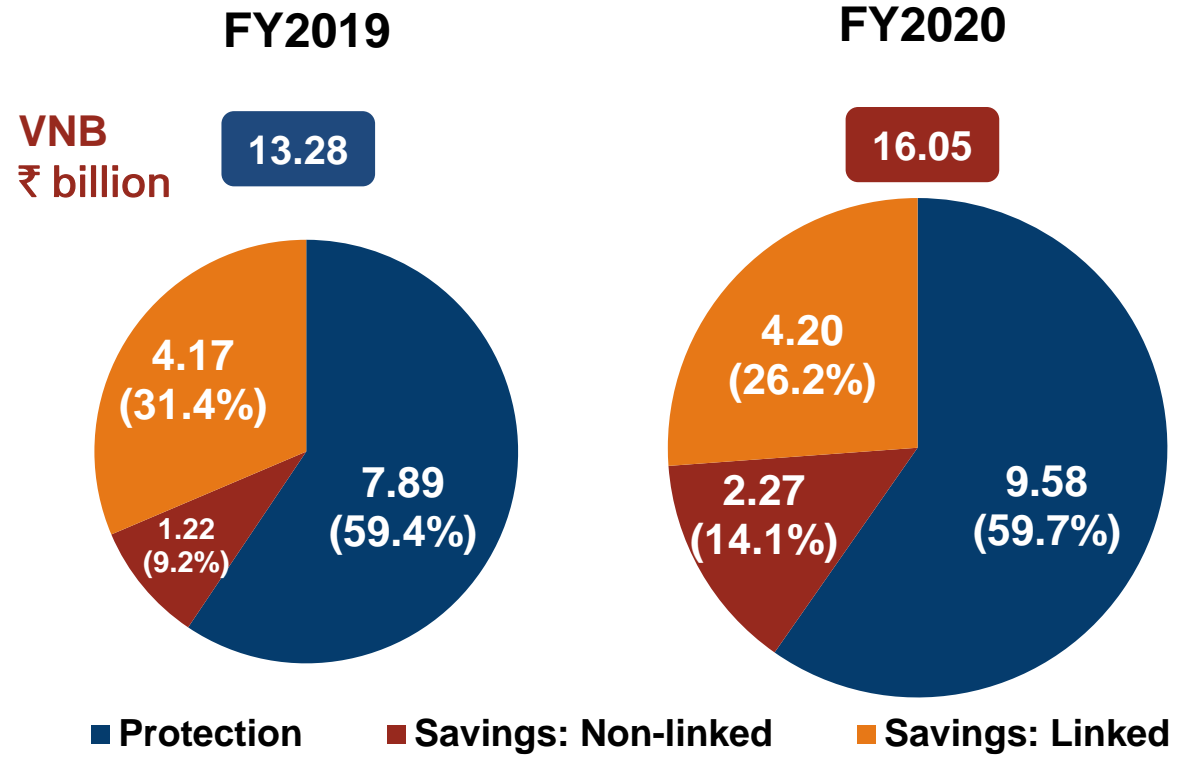
# Annexures

# VNB growth and contribution



VNB growth of 21%; margin 21.7%

## VNB contribution\*



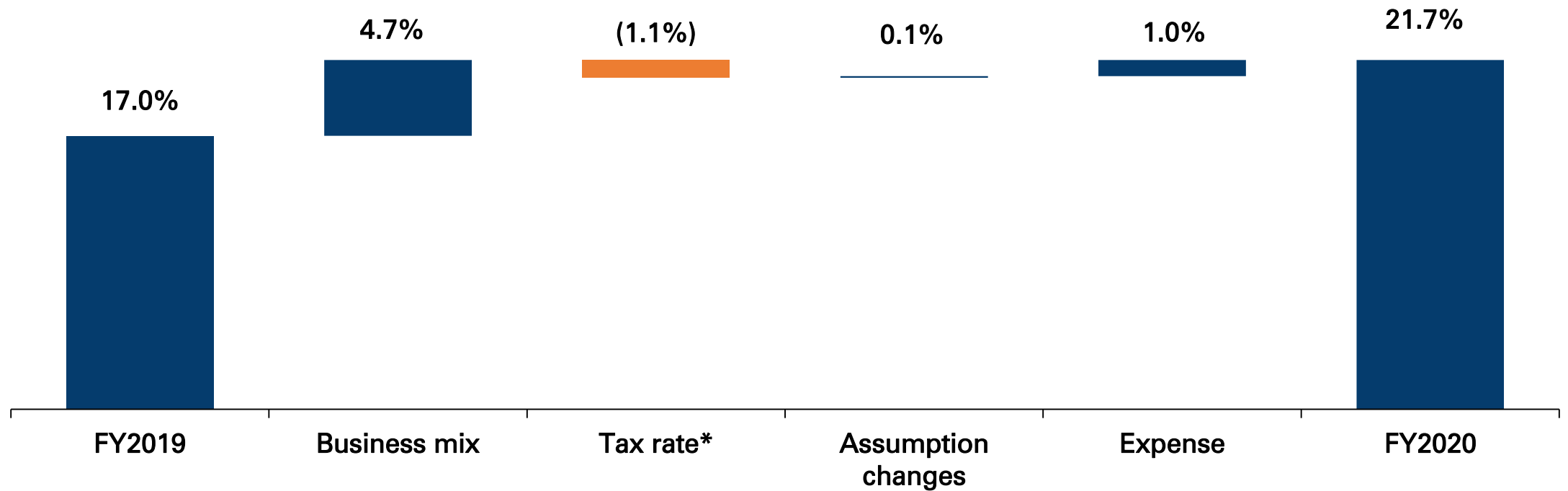
74% VNB from protection & non-linked savings



\*Figures in brackets represent share of VNB  
Total may not add up due to rounding off

# Value of New Business (VNB)

₹ billion	FY2019	FY2020
VNB	13.28	16.05
VNB margin	17.0%	21.7%



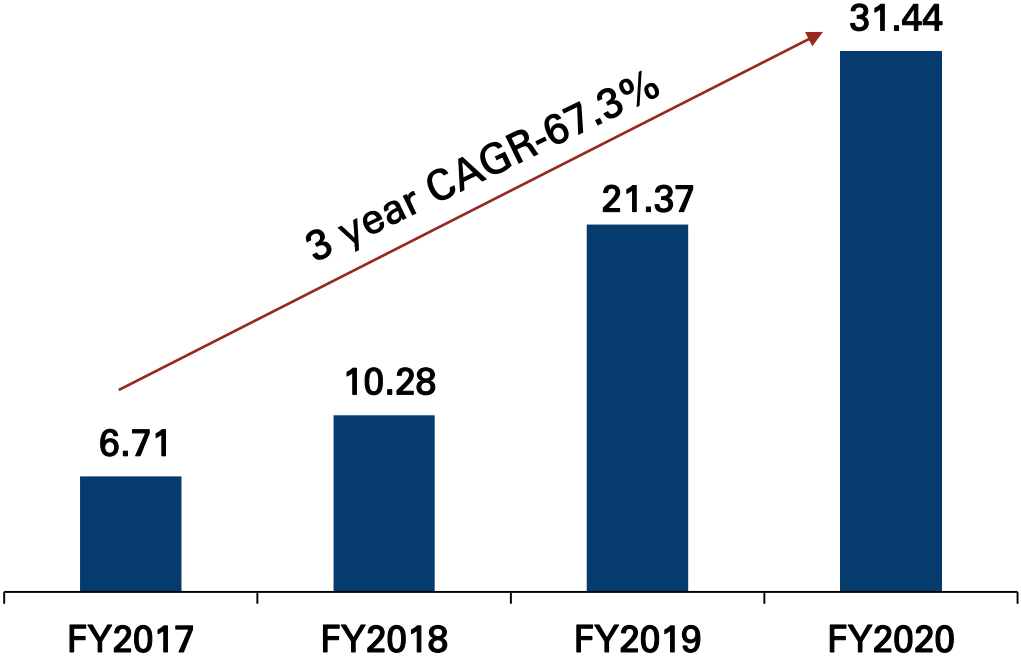


# Protection and Annuity

Protection mix<sup>1</sup>



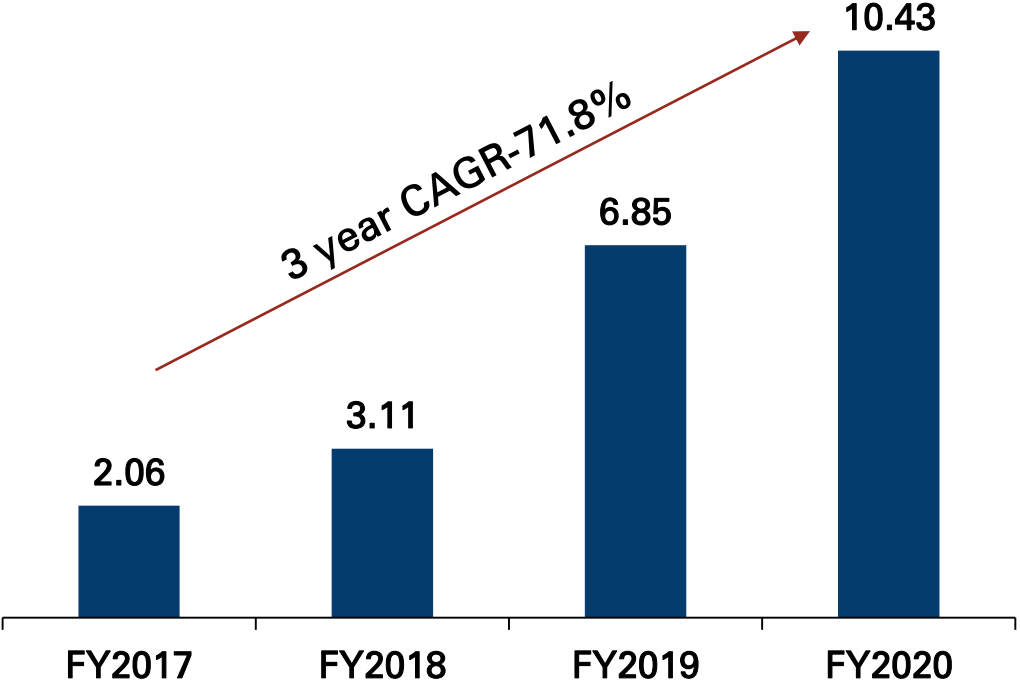
Protection new business received premium (₹ billion)



Annuity mix<sup>1</sup>



Annuity new business received premium (₹ billion)



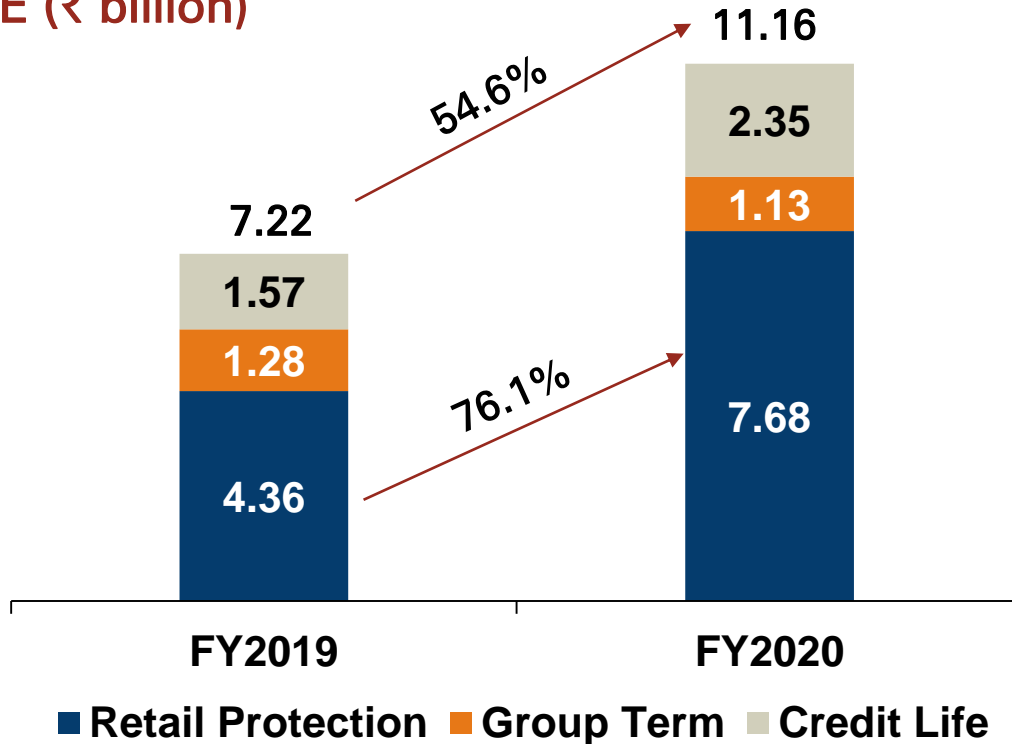
Protection and Annuity contributed over 1/3<sup>rd</sup> of new business premium



1. % of new business received premium as per financials

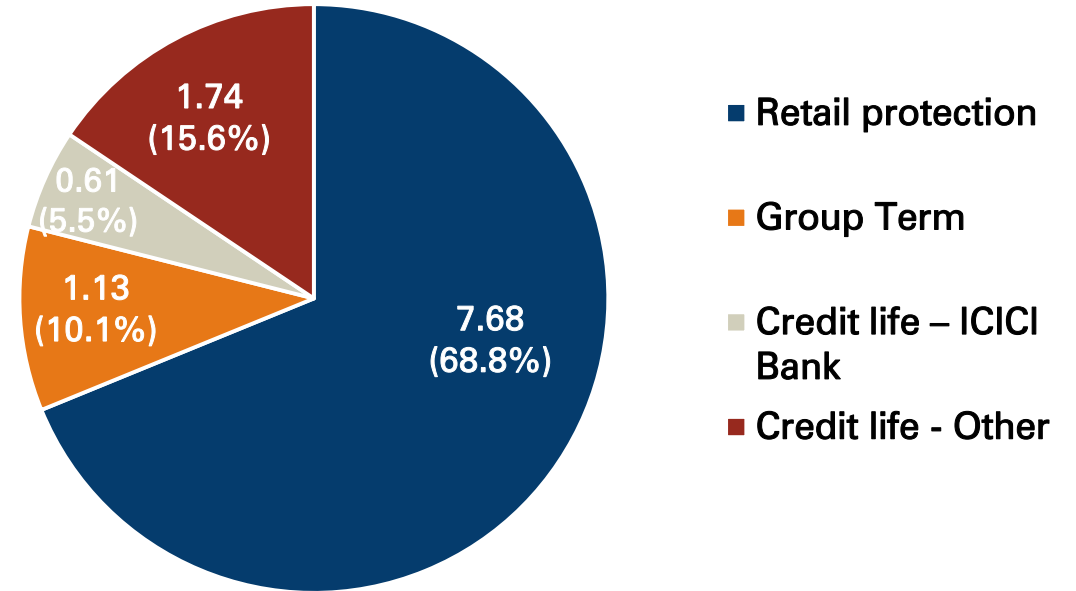
# Protection: Components

APE (₹ billion)



Protection split based on APE\* (FY2020)

₹ billion



Retail protection is ~70% of protection APE

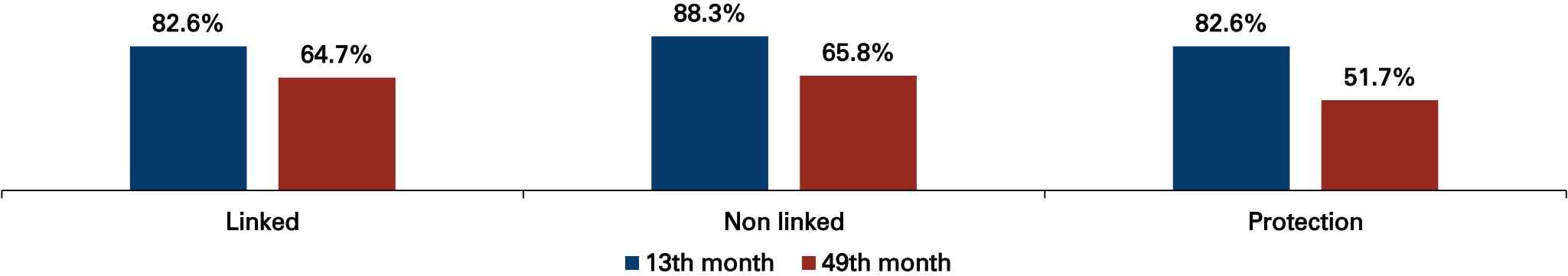
Credit life through third party contributes ~16% of protection APE

\* Figures in brackets represent mix of protection APE

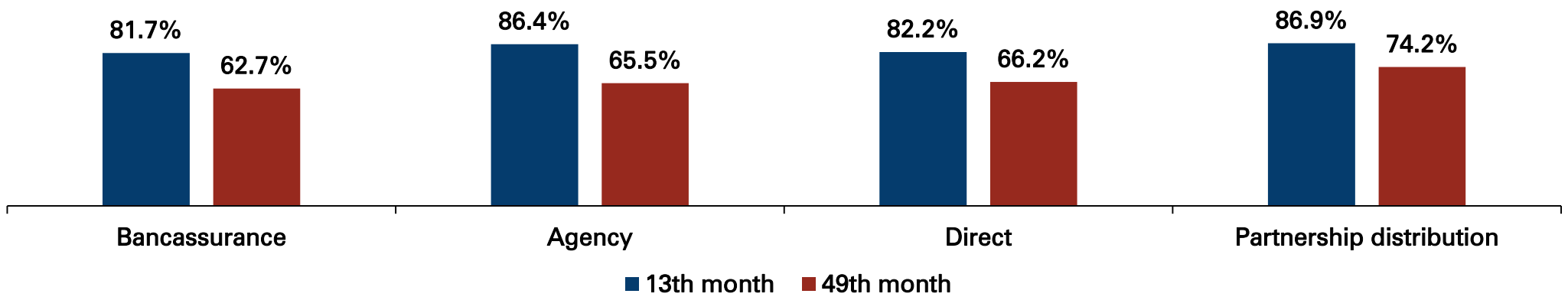
Components may not add up to the totals due to rounding off

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

## Persistency across product categories



## Persistency across channel categories



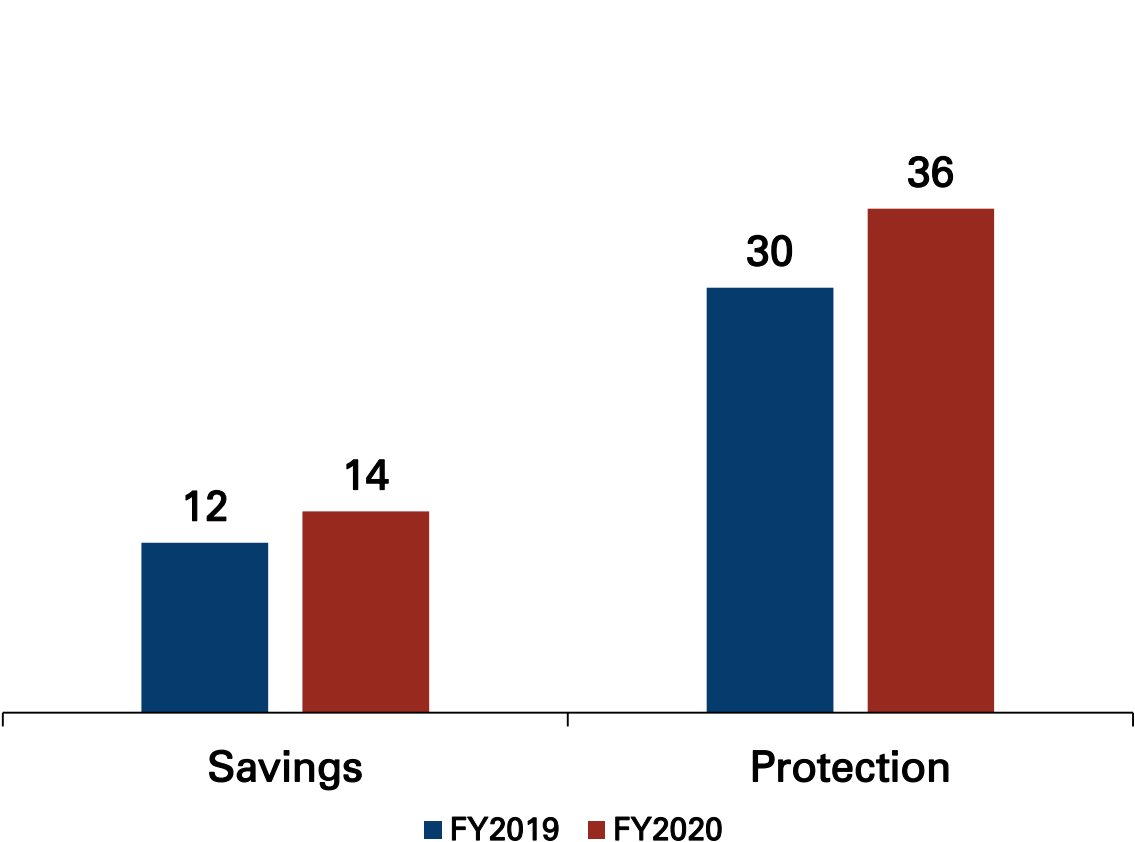
1. 11M-FY2020 persistency  
As per IRDA circular dated January 23,2014; excluding group and single premium policies

# Average APE by product categories

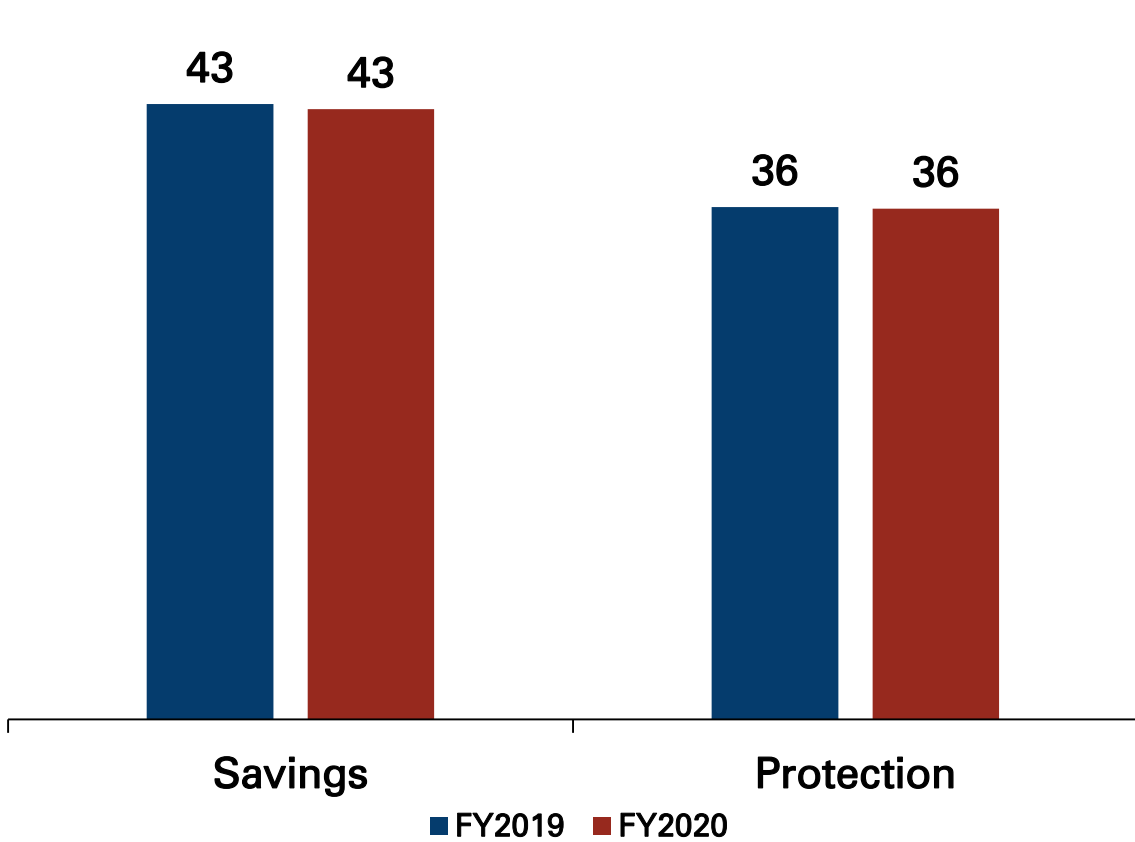
Average retail APE per policy (₹)	FY2018	FY2019	FY2020
ULIP	180,746	159,329	183,109
Par	62,379	60,308	64,285
Non Par	54,187	76,468	109,410
Protection	9,123	12,048	23,115
<b>Total</b>	<b>90,620</b>	<b>83,309</b>	<b>88,648</b>

# Policy term and customer age\*

### Average policy term (years)



### Average customer age (years)



\* For FY2020; protection excludes credit life

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

Channel category	Product category	FY2018	FY2019	FY2020
Bancassurance	ULIP	89.8%	93.4%	86.8%
	Par	7.3%	2.1%	2.2%
	Non par	0.1%	0.6%	1.8%
	Protection	2.7%	3.9%	9.3%
	<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Agency	ULIP	81.8%	75.3%	49.9%
	Par	13.5%	18.1%	32.5%
	Non par	0.4%	0.5%	7.3%
	Protection	4.3%	6.1%	10.3%
	<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Direct	ULIP	88.0%	79.3%	66.7%
	Par	4.3%	5.3%	10.7%
	Non par	2.4%	6.4%	11.0%
	Protection	5.3%	9.1%	11.6%
	<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Partnership distribution	ULIP	36.8%	28.2%	21.8%
	Par	49.9%	49.5%	39.9%
	Non par	0.5%	0.6%	10.4%
	Protection	12.8%	21.8%	27.8%
	<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	FY2018	FY2019	FY2020
ULIP	Bancassurance	57.4%	65.5%	68.2%
	Agency	25.4%	20.5%	16.3%
	Direct	14.5%	12.0%	13.0%
	Partnership distribution	2.7%	2.1%	2.5%
	<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Par	Bancassurance	35.4%	13.8%	9.0%
	Agency	31.5%	45.4%	56.0%
	Direct	5.3%	7.4%	11.0%
	Partnership distribution	27.7%	33.3%	24.0%
	<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Non par	Bancassurance	15.9%	27.4%	19.4%
	Agency	24.5%	8.0%	33.7%
	Direct	52.8%	62.0%	30.1%
	Partnership distribution	6.8%	2.6%	16.8%
	<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Protection	Bancassurance	35.2%	36.9%	45.2%
	Agency	27.6%	22.8%	20.9%
	Direct	17.9%	18.7%	14.0%
	Partnership distribution	19.3%	21.7%	19.8%
	<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

# Embedded value



# Embedded value

₹ billion	FY2018	FY2019	FY2020
Value of In force (VIF)	117.64	142.69	151.87
Adjusted Net worth	70.24	73.54	78.43
<b>Embedded value<sup>1</sup></b>	<b>187.88</b>	<b>216.23</b>	<b>230.30</b>
Return on Embedded Value (ROEV)	22.7%	20.2%	15.2%
EV growth-pre dividend	23.4%	19.6%	8.4%
EV growth-post dividend	16.1%	15.1%	6.5%
VNB as % of opening EV	7.9%	7.1%	7.4%
Operating assumption changes as % of opening EV	4.7%	2.2%	(1.0%)
Operating variance as % of opening EV	1.6%	2.5%	0.8%

# 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

# 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 FY2020 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 subject to maximum of dividend declared and distributed<sup>1</sup>

# Economic assumptions underlying VNB and EV

Tenor (years)	References Rates		
	March 31, 2019	March 31, 2020	June 30, 2020
1	6.66%	4.83%	3.62%
5	7.83%	7.43%	7.03%
10	8.35%	7.32%	7.65%
15	8.35%	7.17%	7.37%
20	8.22%	7.14%	7.11%
25	8.11%	7.14%	6.97%
30	8.05%	7.14%	6.90%

# 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**