



Max Financial Services Limited

Investor Presentation
November 2018



“To be the most admired corporate for service excellence”

	Sevabhav	<ul style="list-style-type: none"> • Positive social impact • Helpfulness • Culture of Service • Mindfulness
	Excellence	<ul style="list-style-type: none"> • Expertise • Dependability • Entrepreneurship • Business performance
	Credibility	<ul style="list-style-type: none"> • Transparency • Integrity • Respect • Governance

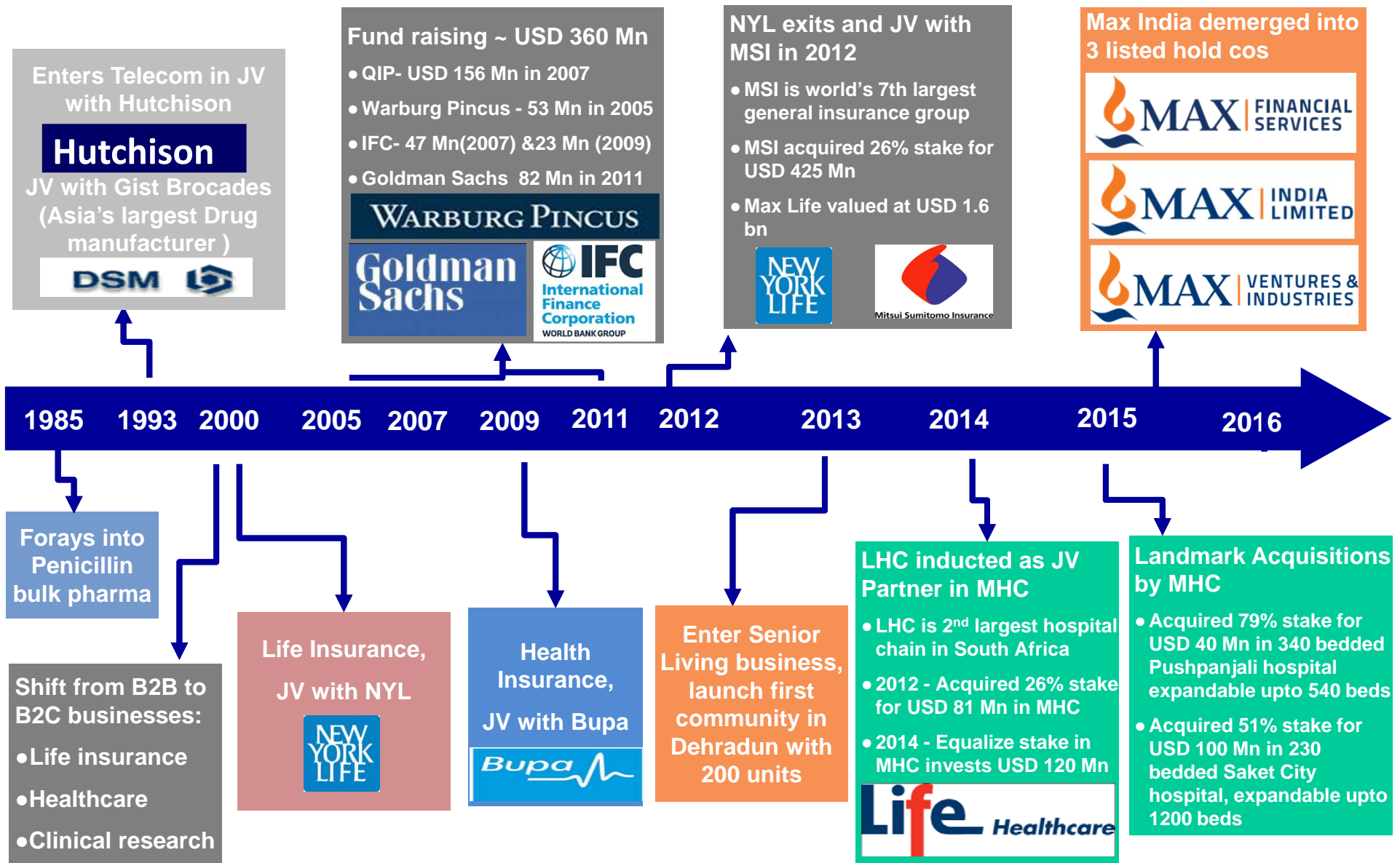
Max Way as an underlying ethos

courtesy
transparency

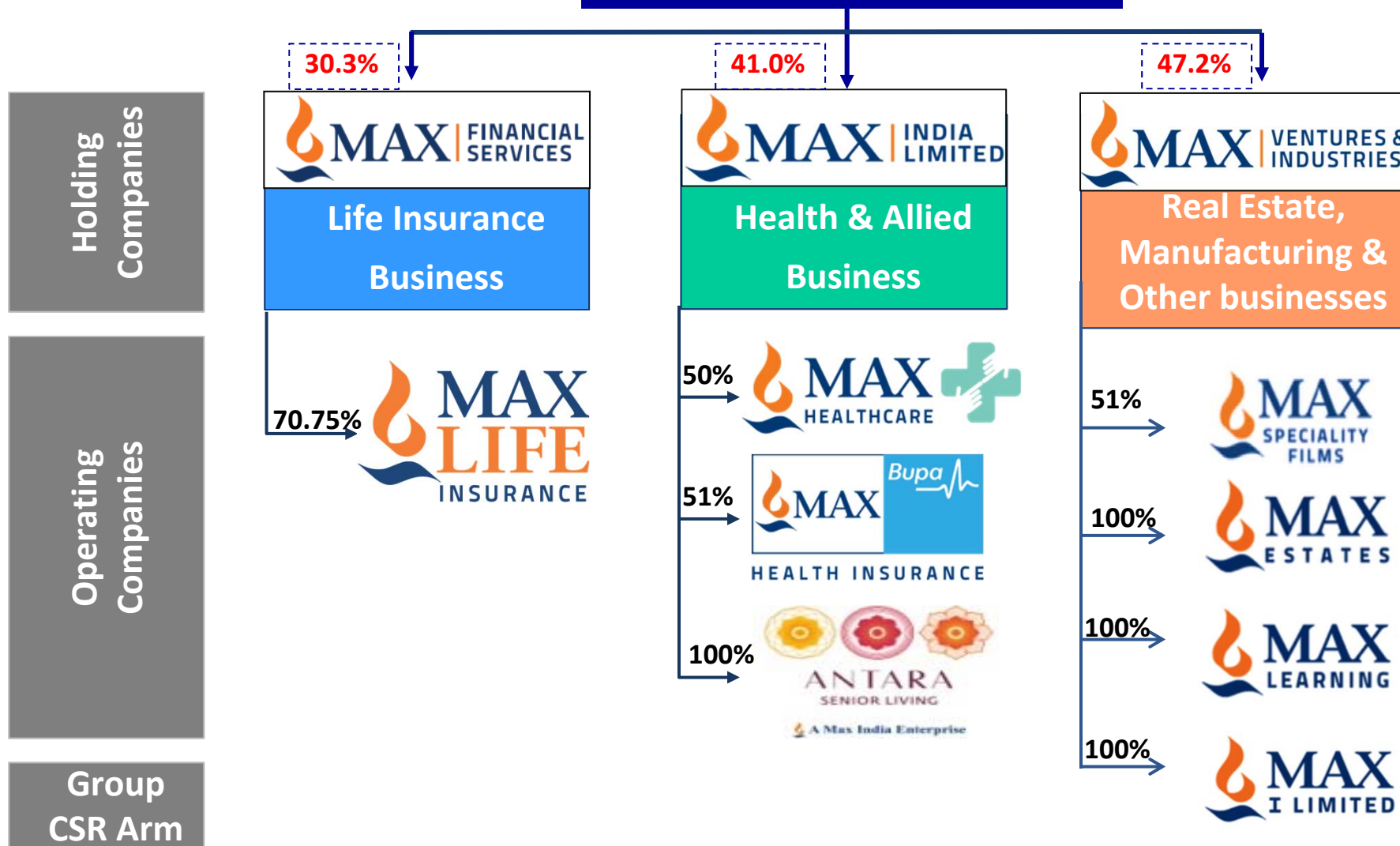
respect/dignity
performance orientation

progressiveness
ethicality

Evolution of Max Group—Strong history of entrepreneurship and nurturing successful businesses



Max Group - Sponsors



Sponsors stake in Max Group holding companies



Rahul Khosla

- Group President
- Chairman, Max India Limited
- Executive President, Max Financial Services
- Chairman, Max Healthcare Institute Ltd



Mohit Talwar

- Managing Director, Max India Limited
- Managing Director, Max Financial Services
- Vice-Chairman, Max Ventures and Industries Ltd
- Chairman, Max Specialty Films



Rajesh Sud

- Executive Vice Chairman & MD, Max Life Insurance (upto December 31, 2018)
- Chairman, Max Bupa Health Insurance Co Ltd & Max Skill First (upto March 31, 2019)



Rajit Mehta

- MD & CEO, Max Healthcare



Prashant Tripathy (with effect from Jan 1, 2019)

- MD & CEO, Max Life Insurance



Tara Singh Vachani

- MD & CEO, Antara Senior Living
- Director in Max India & Max Healthcare



Sahil Vachani

- MD & CEO, Max Ventures and Industries Limited
- Director in Max Financial & Max Life Insurance



Ramneek Jain

- CEO, Max Specialty Films



Ashish Mehrotra

- MD & CEO, Max Bupa Health Insurance



Mohini Daljeet Singh

- Chief Executive, Max India Foundation

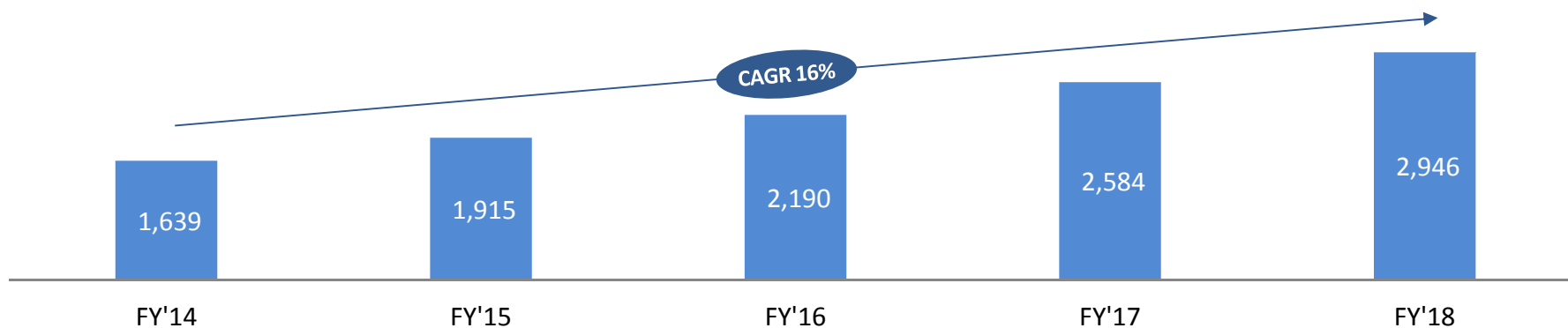


Rajender Sud

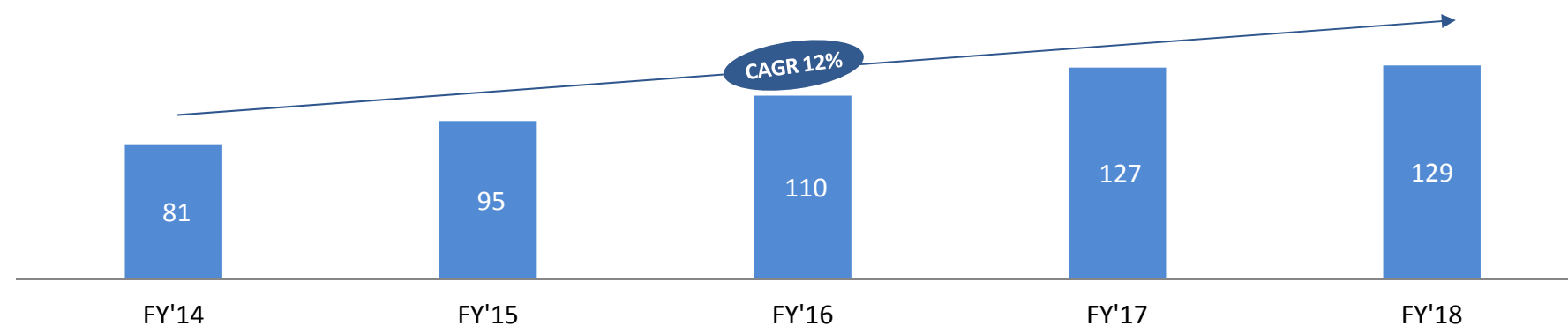
- CEO, Max Skill First Limited

- 1** USD 3 billion Revenues... 10 Mn Customers... 25,000 Employees... ~80,000 Agents
- 2** Strong growth trajectory even in challenging times; a resilient & diversified business model
- 3** Steady revenue growth and cost rationalization leads to strong financial performance
- 4** Well established board governance....internationally acclaimed domain experts inducted
- 5** Diversified ownership.....marquee investor base
- 6** Superior brand recall with a proven track record of service excellence
- 7** Strong history of entrepreneurship and nurturing successful business partnerships

Group Revenue (USD Mn)



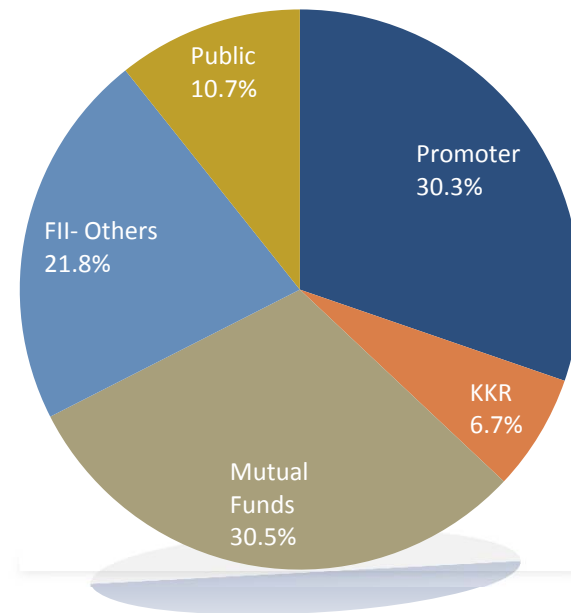
Group EBITDA (USD Mn)



Shareholding concentrated with Marquee Investors

- *KKR*
- *Baron Emerging Market Fund*
- *Aberdeen*
- *Vanguard*
- *Wasatch*
- *Jupiter*
- *Norway Government Pension Fund*
- *Reliance Mutual Fund*
- *ICICI Prudential Mutual Fund*
- *Motilal Oswal Mutual Fund*
- *HDFC Mutual Fund*
- *Aditya Birla Sunlife Mutual Fund*
- *Kotak Mutual Fund*

Shareholding Pattern as on 30th Sep 18



Number of outstanding shares : 26.84 Cr.



Max Life Insurance Company Limited



1



Indian Life Insurance Industry has evolved rapidly; significant headroom still available for growth due to low penetration and favorable demographic profile

2



Max Life is well positioned to leverage this opportunity with its eminent Board, strong management team and robust governance framework

3



We are a differentiated Life Insurer with key strengths of multi-channel distribution, balanced product mix, operational excellence and digital capabilities

4



Max Life is one of the fastest growing players with equal emphasis on profitability – Among the top quartile across the comprehensive measures of success

5



Our operating RoEV of 20.6% and new business margin at 20.2% are amongst the best in the industry

6

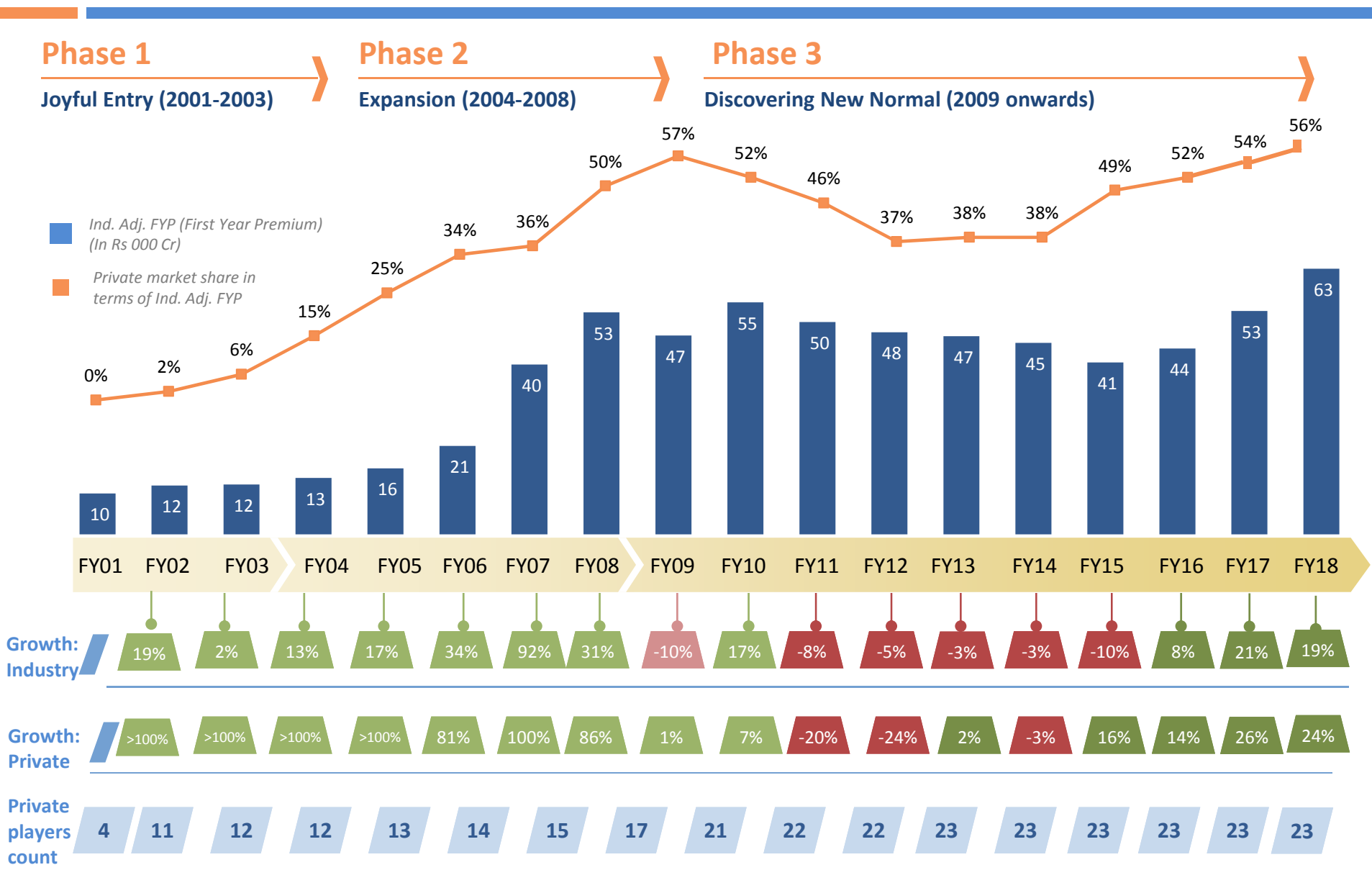


Strength in business model recognised through several Awards and Accolades that Max Life Insurance wins every year

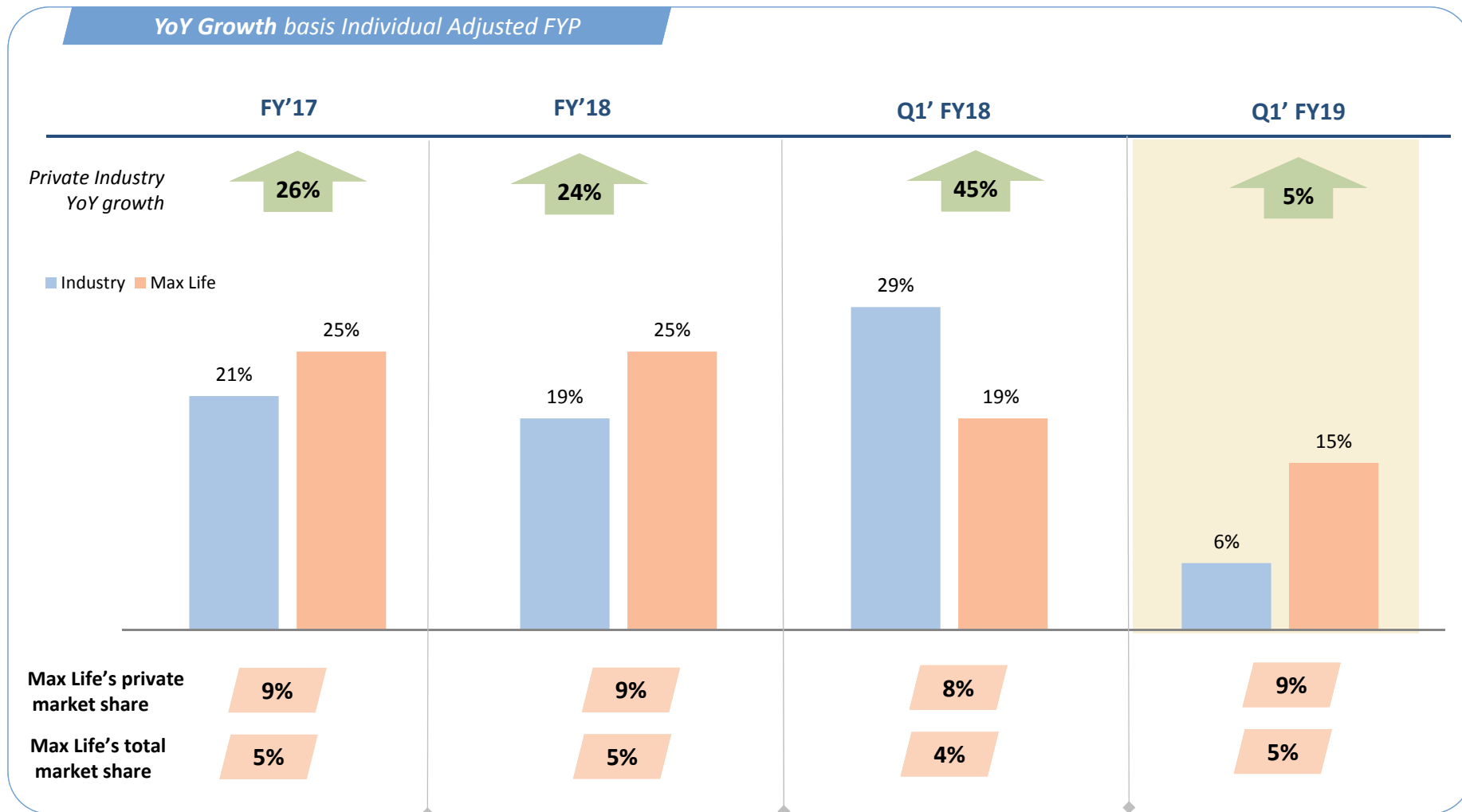
7



Our target to grow Sales CAGR, RoEV and margins by over 25% by FY 21

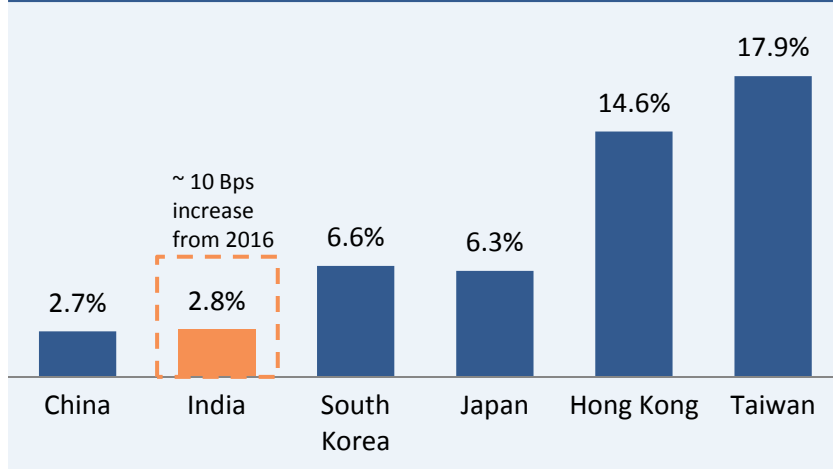


Source: IRDAI and Life Council for FY 17-18

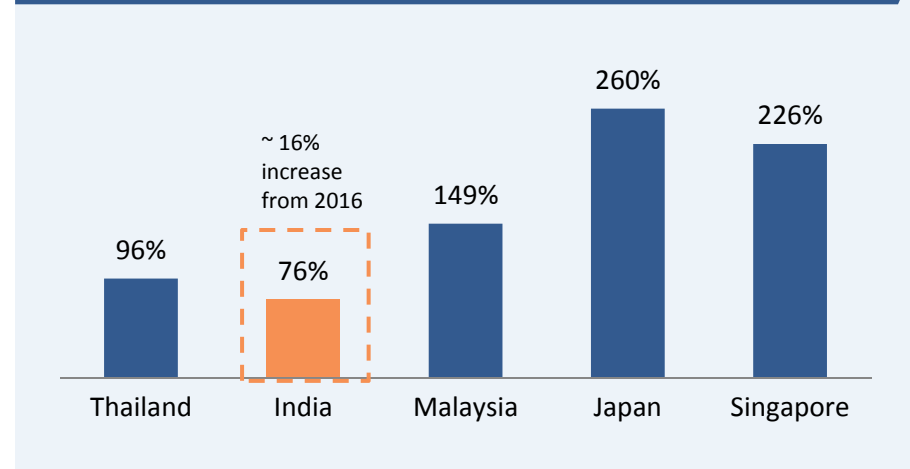


Max life with continued focus on balanced product mix has grown by 15% in Q1 FY 19 and increased its market share.

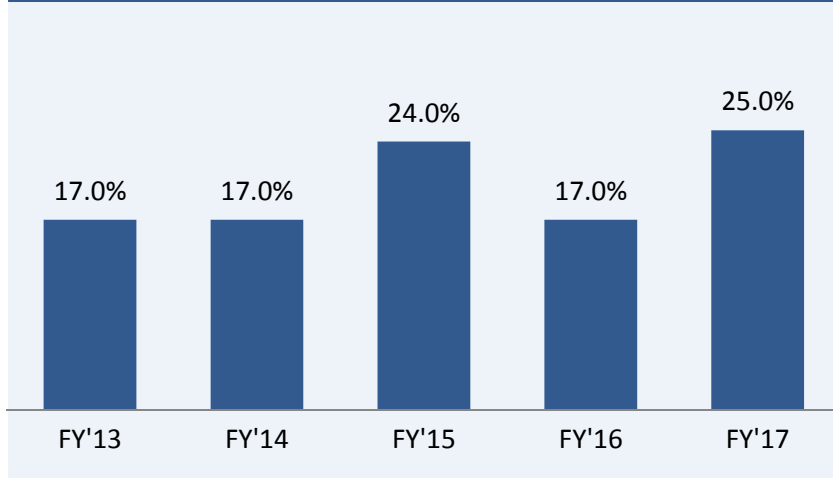
Life Insurance Penetration (Premium as % of GDP), 2017



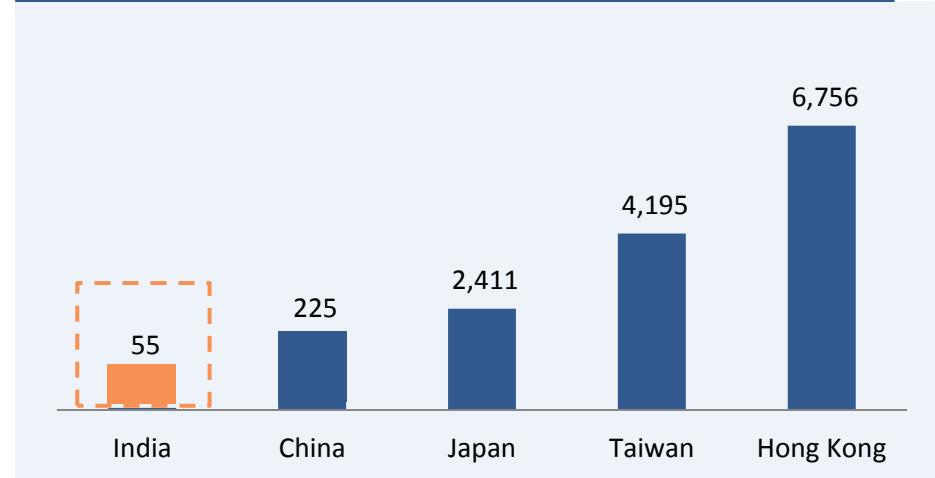
Level of Protection (Sum Assured as % of GDP), 2015*



% of Life Insurance in gross household savings- India



Life Insurance Density (Premium per capita – USD), 2017





Founder and Chairman Emeritus
Mr. Analjit Singh

Founder and Chairman of Max India. Awarded with highest civilian honor, the Padma Bhushan



Exec. Vice Chairman and MD
Mr. Rajesh Sud

A founder team member. Appointed as CEO and Managing Director in November 2008



Director
Ms. Marielle Theron

Fellow of the Society of Actuary (FSA). She is a Principal of Erlen Street Corporation, Switzerland



Independent Director
Mr. K. Narasimha Murthy

Serving on the Board of Max Ventures, Srikari Management Consultants, STCI, Infiniti Retail, Max Bupa, Max Speciality Films, Saket City Hospitals and Max Healthcare



Independent Director
Mr. D. K. Mittal

Former IAS officer of 1977 batch and has served the government of India in various capacities



Director
Mr. Hideaki Nomura

Seasoned professional with 31 years experience in financial industries



Director
Mr. Sahil Vachani

Currently CEO & Managing Director of Max Ventures and Industries Limited. He has diverse experience across various sectors including consumer durables and real estate.



Chairman
Mr. Rahul Khosla

Seasoned business manager with wide domain expertise built over 27 years in financial services



Director
Mr. Mohit Talwar

Seasoned professional with 24 years of experience in Corporate Finance and Investment Banking



Director
Mr. John Poole

Fellow of the Institute and Faculty of Actuaries. Served as the AA for Max Life from 2005 till 2011



Director
Mr. Rajit Mehta

Currently the CEO and MD of Max Healthcare Institute and also the founding member of Max Life



Independent Director
Mr. Rajesh Khanna

Founder and CEO of Arka Capital Advisors. Previously served as MD and India Head at Warburg Pincus



Director
Mr. Masataka Kitagawa

Responsible for Mitsui Sumitomo overseas life insurance business with more than 30 years of experience

Max Life Management Team



Executive Vice Chairman and MD
Rajesh Sud*
(17 years)

- Total Experience: 25 years
- Previous Organizations: Bank of America, ABN AMRO , ANZ Grindlays

Tenure at Max Life



Sr Director and Chief Operations Officer* (17 years)

V Viswanand

- Total Experience: 27 years
- Previous Organizations: ANZ Grindlays Bank



Director and Appointed Actuary (9 years)

Jose John

- Total Experience: 19 years
- Previous Organizations: Prudential UK Metlife UK



Sr Director and Chief Financial Officer *(11 years)

Prashant Tripathy

- Total Experience: 23 years
- Previous Organizations: Tata Steel, GE



Director & Chief Distribution Officer (5 years)

Aalok Bhan

- Total Experience: 25 years
- Previous Organizations: Standard Chartered Bank, ABN AMRO, RBS



Director and Chief Investment Officer (4 years)

Mihir Vora

- Total Experience: 24 years
- Previous Organizations: HSBC Global Asset Management, ICICI Prudential, Birla Sun Life AMC



Director and Chief People Officer (6 years)

Shailesh Singh

- Total Experience: 26 years
- Previous Organizations: GE, SRF Finance, Eicher Tractors



Director Marketing & Chief Digital Officer (14 years)

Manik Nangia

- Total Experience: 21 years
- Previous Organizations: ABN AMRO, ICICI Bank, ICICI Prudential



Director and Head - Legal , Compliance and Regulatory (4 years)

Amitabh Lal Das

- Total Experience: 22 years
- Previous Organizations: Yahoo, Sapient

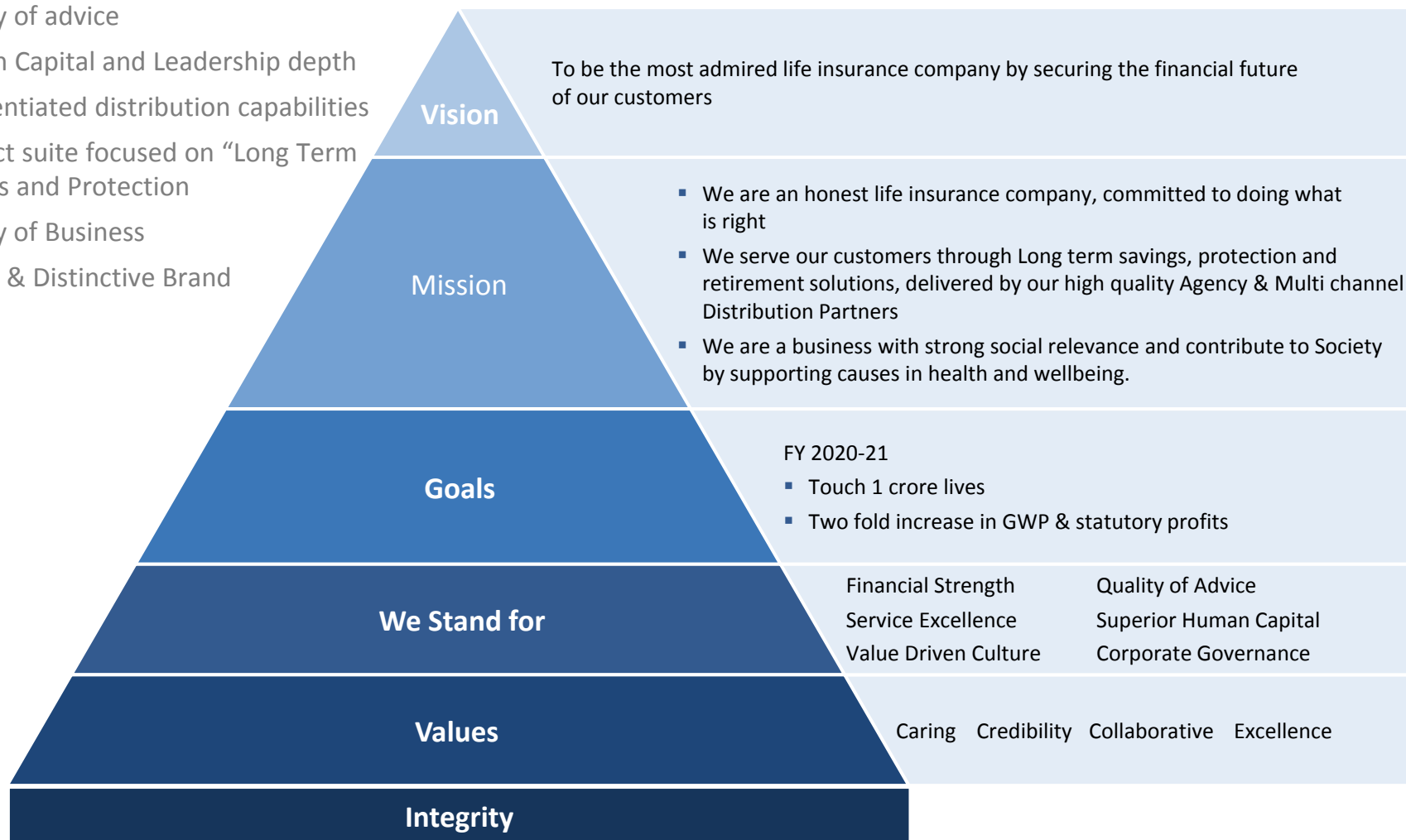
Governance Mechanism

Shareholder	Board	Executive Vice Chairman and MD	Executive Mgmt. Committee
Shareholders Meeting twice a year at neutral locations	Quarterly Board Meeting	Weekly EMC Meeting	Weekly Team / Functional Meetings
Shareholders Meeting interspersed with Board Meetings	Board Sub Committees	Monthly Senior Leadership Meeting	Council Meetings
Monthly Shareholder Calls		Monthly Business Reviews	Cross Functional Connects
		Central PMO to drive Strategic Projects	

* Rajesh Sud to step down from Dec 31, 2018. Prashant Tripathy to be Managing Director & CEO thereafter. V.Viswanand also to be elevated as Deputy Managing Director

What are we known for

- » Quality of advice
- » Human Capital and Leadership depth
- » Differentiated distribution capabilities
- » Product suite focused on “Long Term Savings and Protection
- » Quality of Business
- » Strong & Distinctive Brand



- 1**
Continue to chase profitable growth
 - Superior financial performance with profitable growth
 - Balanced product mix with focus on long term saving and protection proposition
 - Superior customer outcomes and retention
- 2**
Comprehensive multi-channel distribution model
 - Comprehensive multi-channel distribution model with highly efficient and productive agency channel and strong Banca relationships
 - Proprietary channels to work towards driving efficiencies of existing assets and variablizing costs by leveraging technology
- 3**
Strong digital footprints
 - Using digital technologies to harness data and analytics for more efficient sales processes and better customer experience
 - Build a digital organization to drive efficiency across value chain

Supported by eminent Board, strong management team and robust governance framework

Pvt Market Share* 9% 77 bps [8%] ↑	Individual APE Rs 552 Cr 17% [Rs 472 Cr] ↑	Gross Written Premium Rs 2,320 Cr 16% [Rs 2,007 Cr] ↑	AUM^ Rs 53,940 Cr 3% [Rs 52,237 Cr] ↑
Profit Before tax^^ Rs 91 Cr 14% [Rs 106 Cr] ↓	Net Worth^ Rs 2,581 Cr 4% [Rs 2,699 Cr] ↓	Embedded Value^ 7,645 15.0% [7,706] ↑	Policyholder Expense to GWP Ratio 17.3% 165 bps [18.9%] ↓
New Business Margins Structural Actual 23.5% 18.1% 10 bps 22.2% 18.0% ↑	RoEV 15.0% [N.A]	Solvency Ratio^ 262% Abs. 1% [263%] ↓	Policyholder Cost to GWP Ratio 23.6% 212 bps [25.7%] ↓
No. of Offices 257 Abs 47 [210] ↑	Case Size 49,359 9% [45,470] ↑	Claim Settlement Ratio 96.3% 170 bps [94.6%] ↑	Protection Mix** Individual Group Total 7% 9% 16% 310 bps [6%] [7%] [13] ↑

Figures in [brackets] are for previous year Q1 numbers; ^ Represents comparison from March'18 numbers; * Basis Adj FYP

^^ Profit lower than previous year due to higher protection business and investment in proprietary channels

Financial Performance

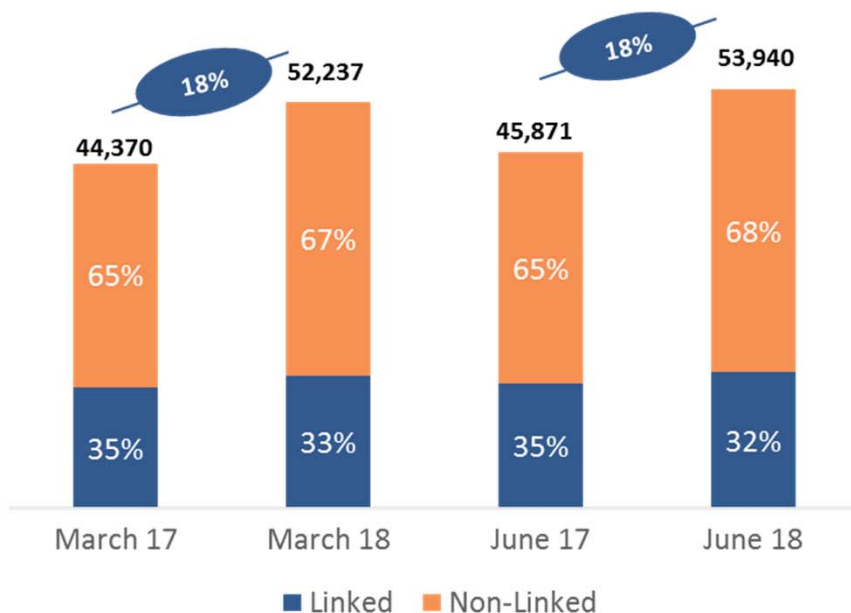
	FY 17		FY18	Q1' FY18		Q1' FY19
Ind Adj. FYP	2,639	22% ↑	3,215	458	15% ↑	527
Renewal Premium	7,114	15% ↑	8,152	1,342	16% ↑	1,554
Gross Premium	10,780	16% ↑	12,501	2,007	16% ↑	2,320
Policyholder expense to GWP Ratio	14.8%	187 bps ↓	12.9%	18.9%	165 bps ↓	17.3%
Policyholder Cost to GWP Ratio	23.5%	341 bps ↓	20.0%	25.7%	212 bps ↓	23.6%
Expense to average AUM (Policyholder)	4.3%	70 bps ↓	3.6%	4.0%	70 bps ↓	3.3%

Figures in Rs. Cr.

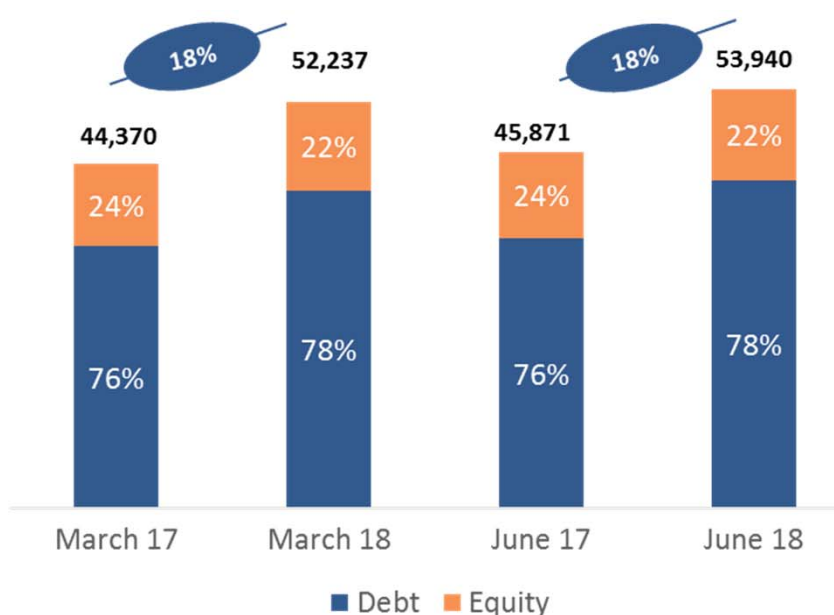
Financial Performance	FY 17		FY18	Q1' FY18		Q1' FY19
Profit(before Tax)	768	20% ↓	615	106	14% ↓	91
AUM	44,370	18% ↑	52,237	45,871	18% ↑	53,940
New Business Margin	18.8%	140 bps ↑	20.2%	18.0%	10 bps ↑	18.1%
MCEV	6,739	20% ↑	7,706	N.A		7,645
Operating RoEV [^]	19.9%	70 bps ↑	20.6%	N.A		15.0%
Solvency Ratio	309%	Abs 34% ↓	275%	295%	Abs 33% ↓	262%

[^]Arrow represents growth in Operating RoEV

Linked fund vs Controlled fund

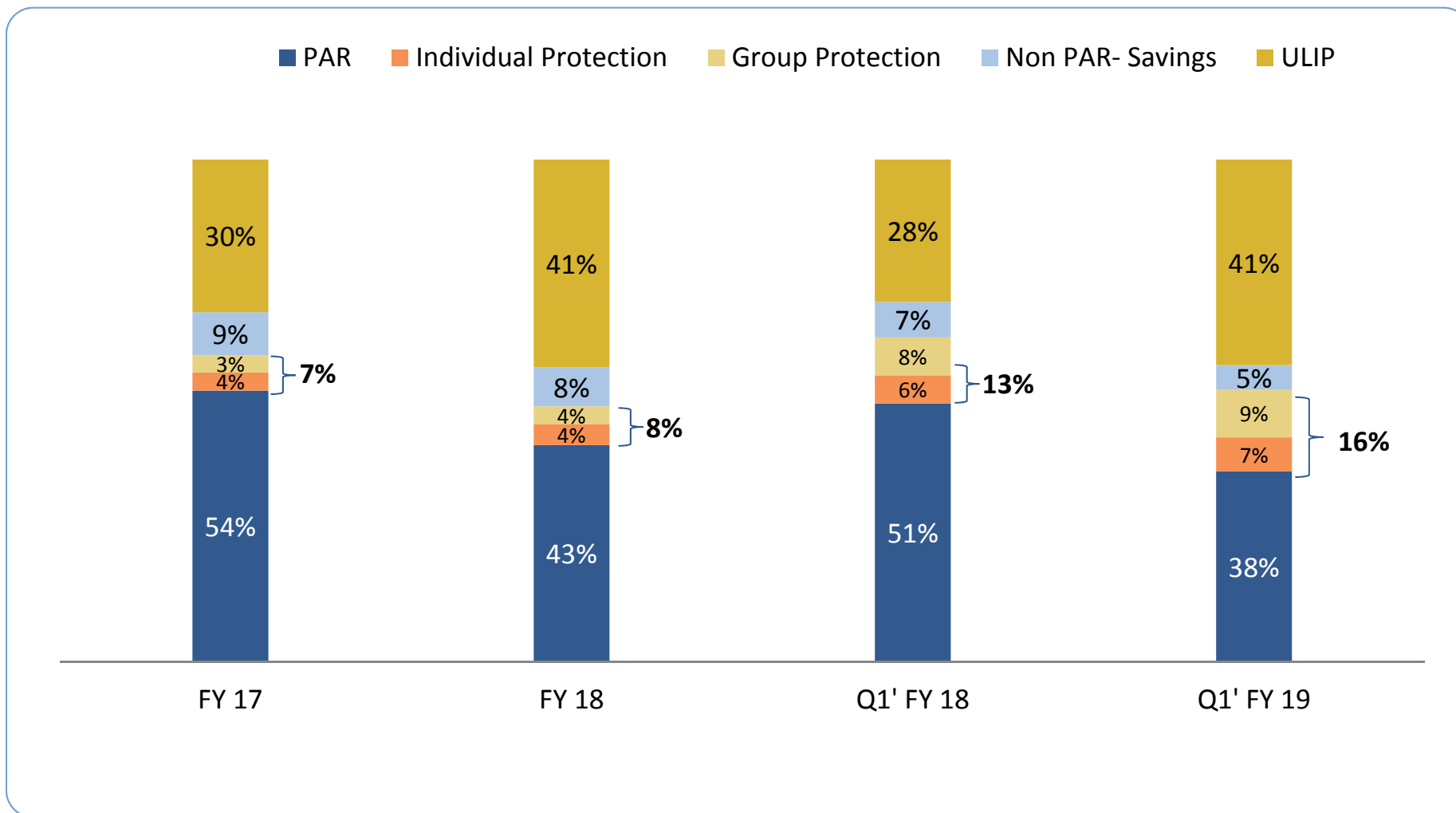


Debt vs Equity



**Debt portfolio exposure to AAA rated debt is well above the regulatory requirement of 75%
AUM Size has grown more than Rs 50,000 Crore**

1 Balanced product mix with enhanced focus on long term saving and protection contribution

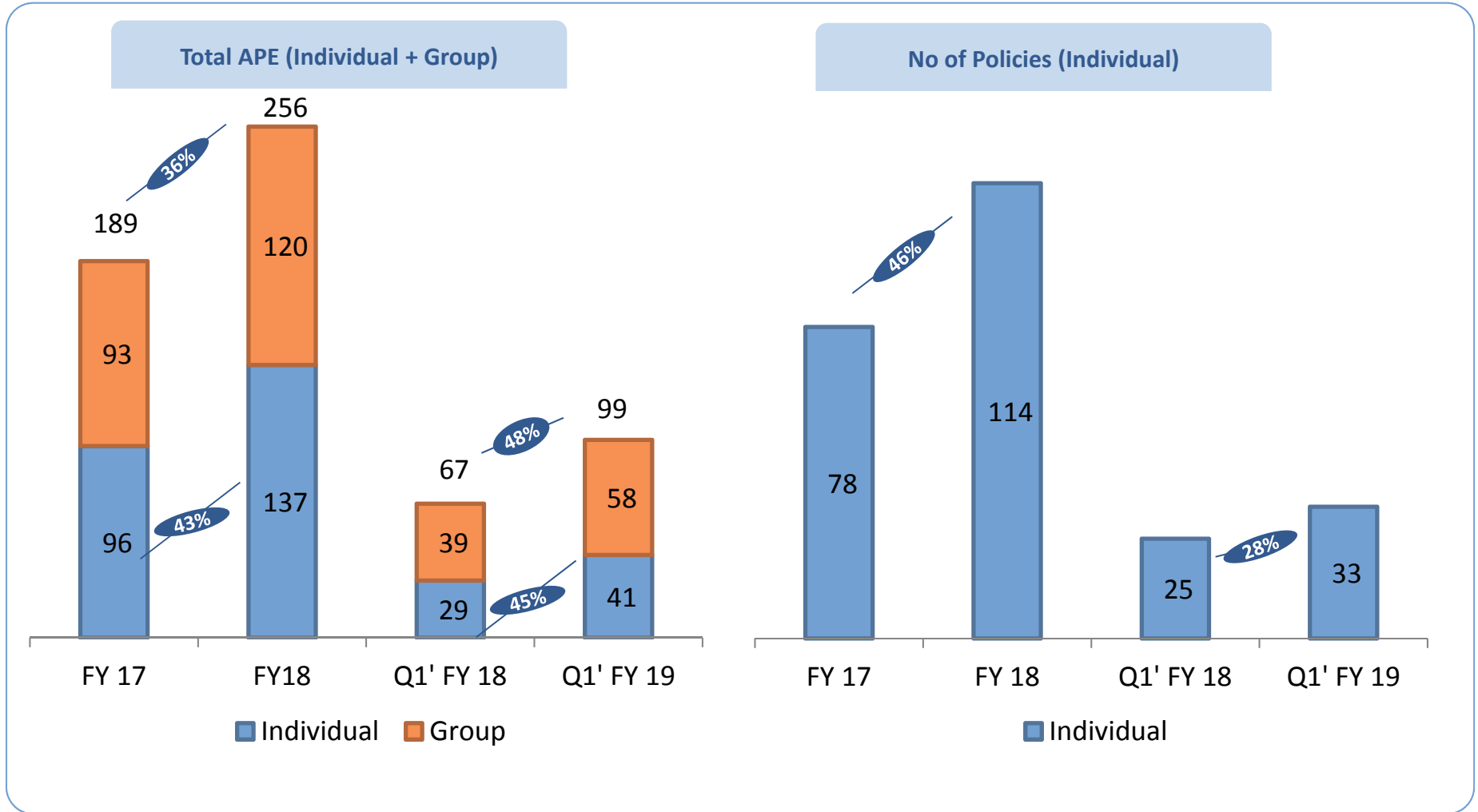


1 Focus on Protection

32% of total individual new business policies are protection

Figures in Rs. Cr.

Figures in '000.



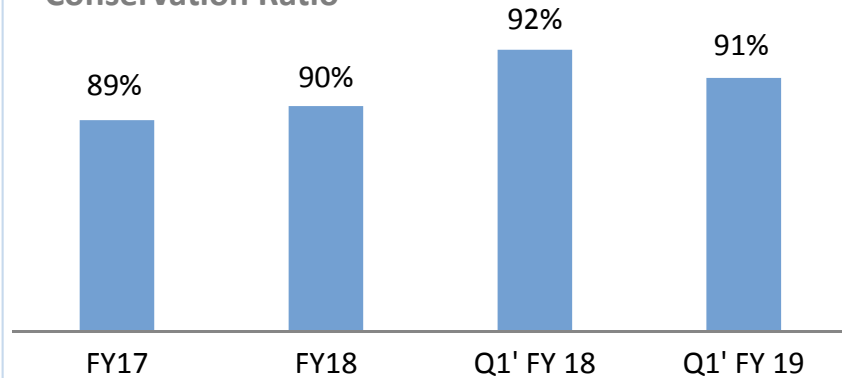


As on 30th June 2018

*PPT: Premium Payment Term

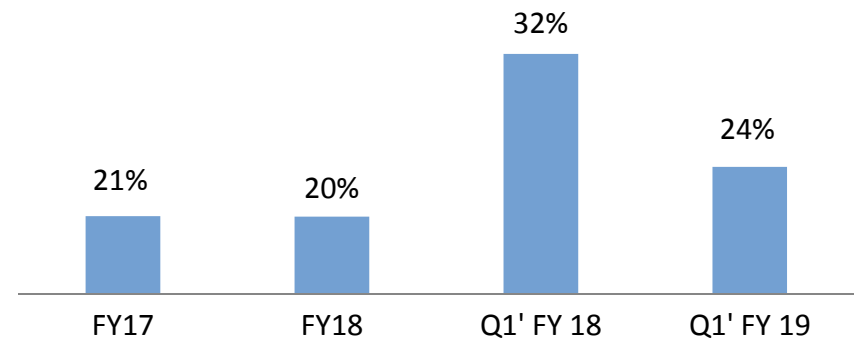
High quality business franchise

Conservation Ratio*

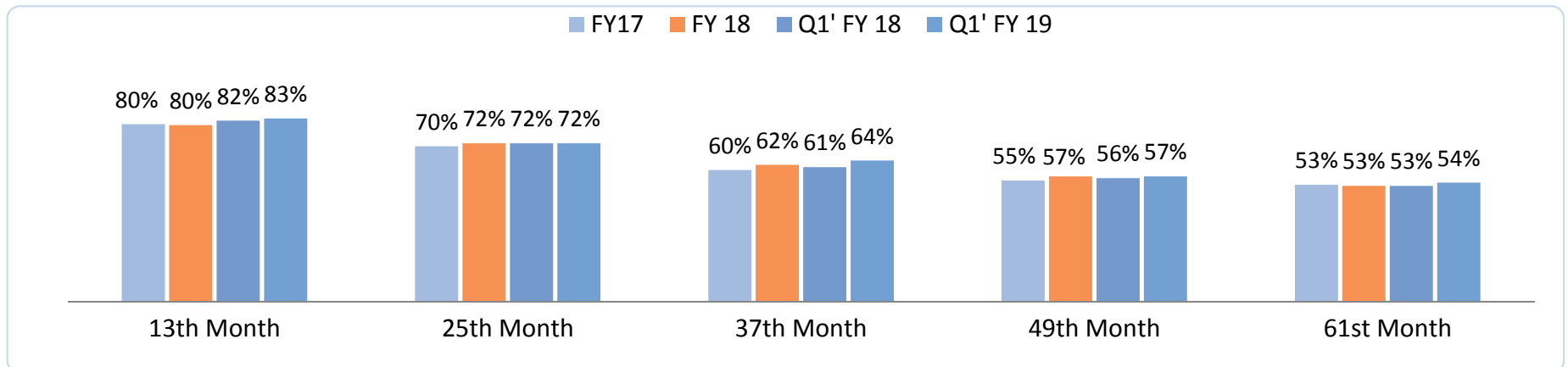


Steady retention capabilities

Surrender to GWP

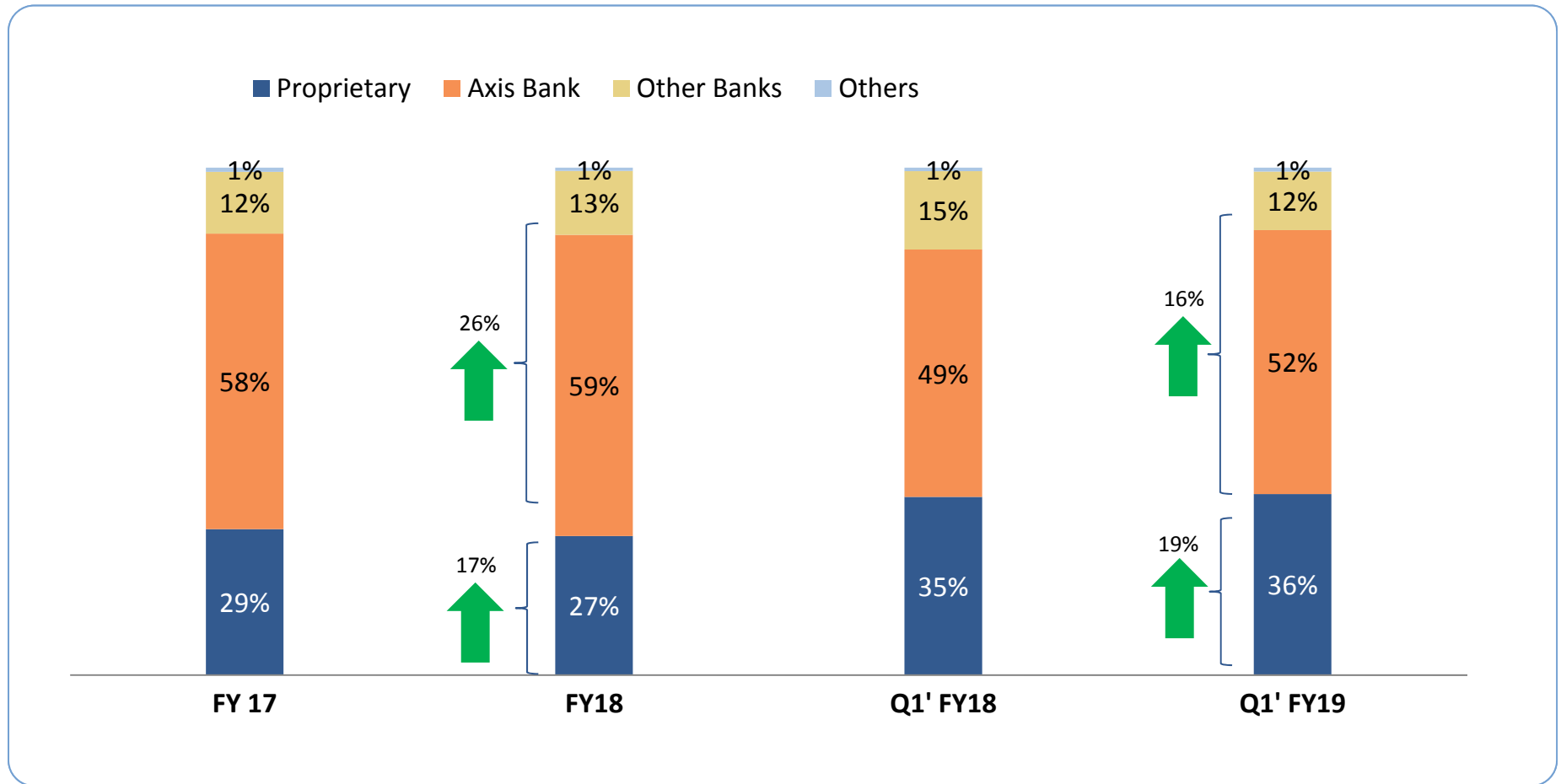


Continuous improvement in persistency



***Conservation Ratio** : Current year total renewal premium(excluding Group)/(total first year individual regular premium of previous year+ renewal premium (excluding group) of previous year-previous year premium from term completed policies, matured policies and policies which has ceased to exist due to death)

2 Comprehensive multi-channel distribution with consistent contribution from proprietary channels



1

Agency office expansion

- Increase in offices by leveraging existing infrastructure
- Selectively expand in higher affluent geographies utilizing low cost model

4

New service to sale initiatives

- Drive policy density via cross sell
- Leverage opportunity to drive protection



2

Variable agency cost model

- Significant expansion of IMF channel
- Drive recruitment and productivity through variable cost model

3

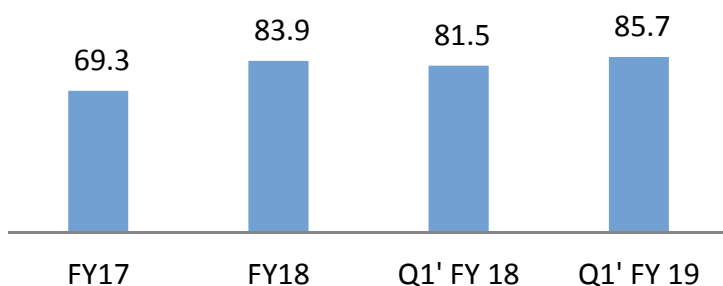
Pilot and proof of new channels/products

- **POS channel:** Lean cost model to drive sales of over the counter product
- **Defence channel:** New set-up to focus on defence personnel
- Participate aggressively in the online savings market

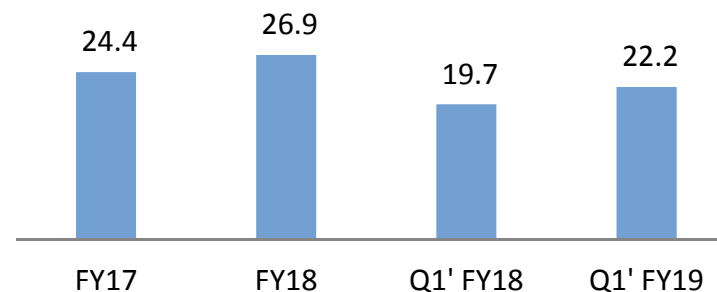
Aspiration to increase proprietary share to ~35%-40% by FY 21

Highly efficient and productive agency channel with focus on quality of advice

Active Agent productivity (Rs '000 pm)

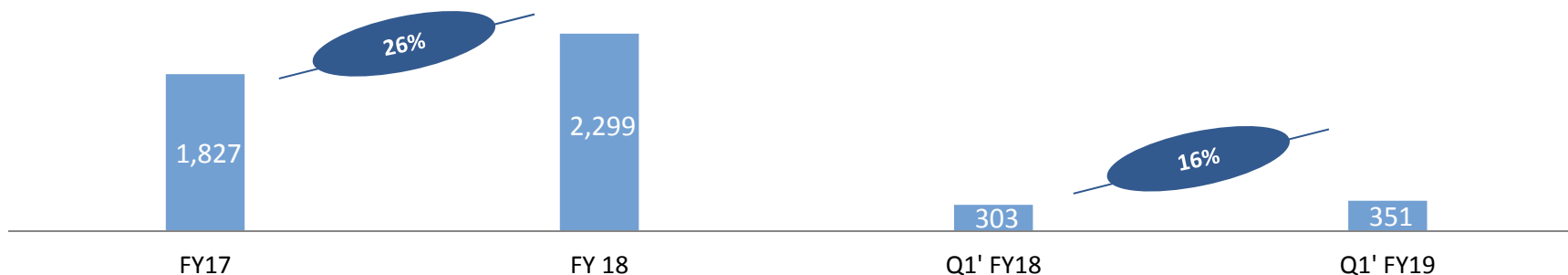


Branch productivity (Rs Lakhs pm)



Strong Banca relationship with consistent growth

Ind. APE (Rs. Cr)



- Transforming Digital Interface

4

Higher customer lifetime value

1

Smarter Acquisition

- Digital Marketing & ecommerce

Digital technologies to power 4 Value driver

3

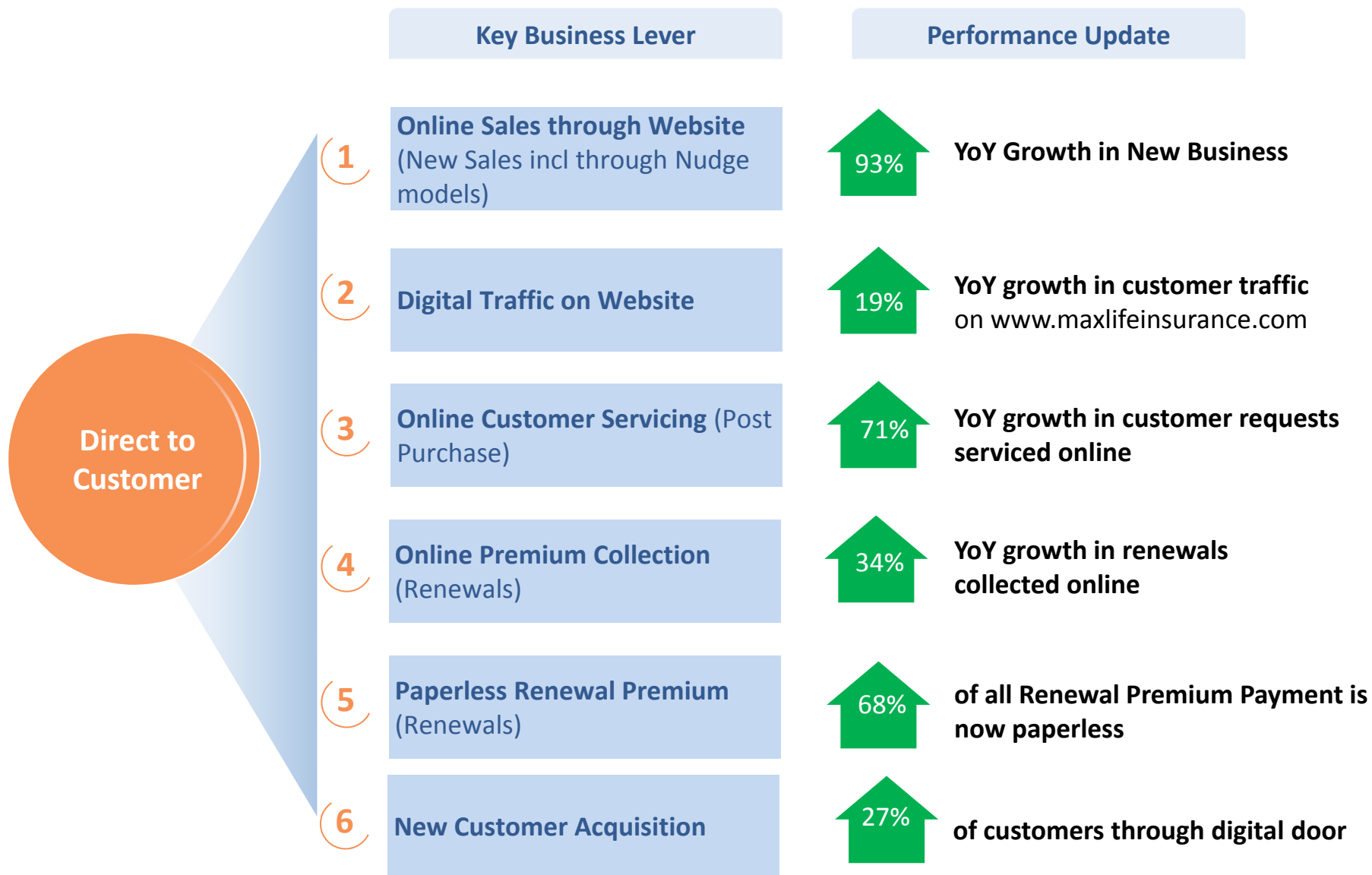
Better risk selection & customer experience

2

Higher Conversion

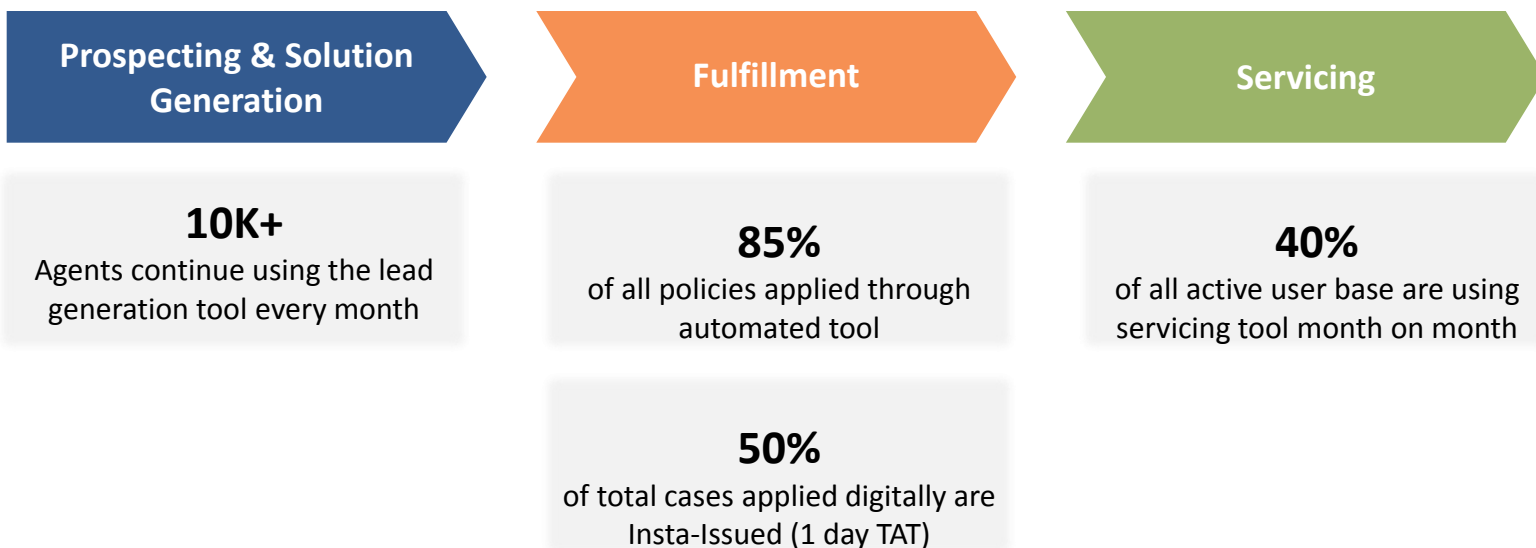
- Re-imagining Fulfilment

- Seller Ecosystem



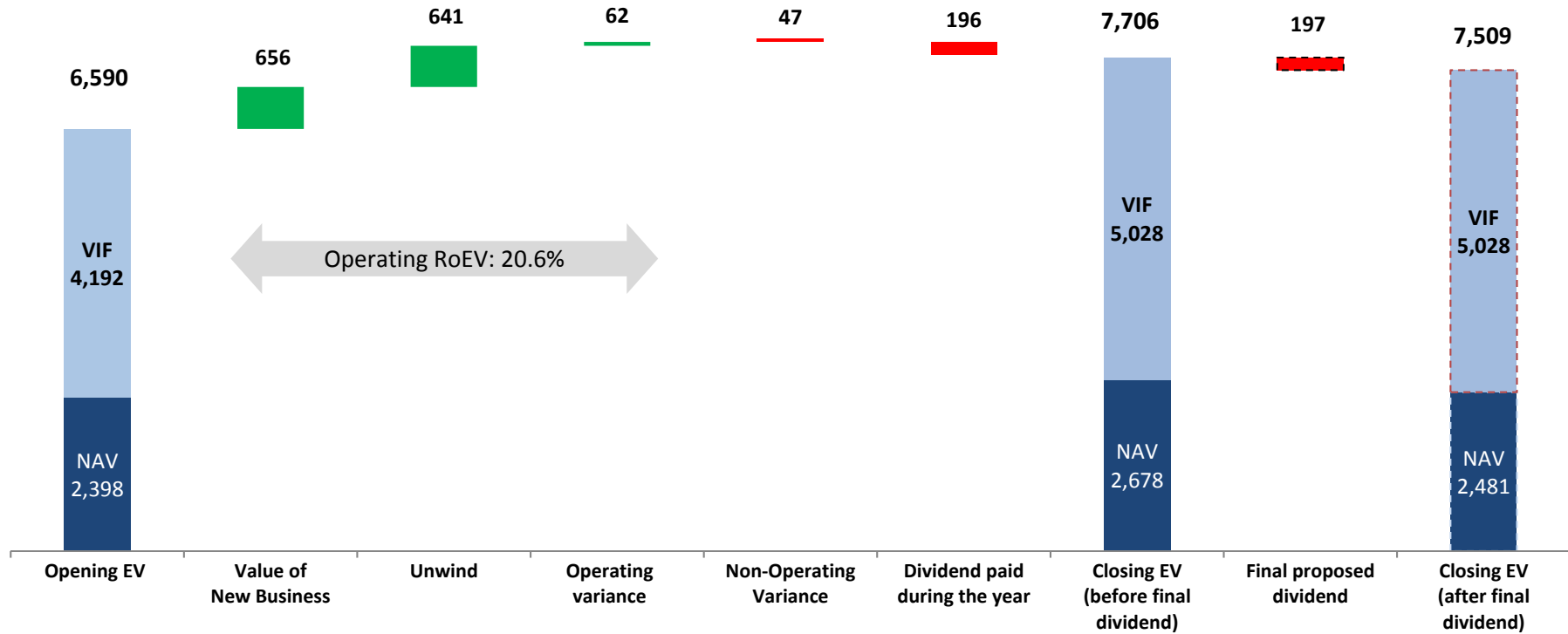


Digital Impact



Distribution digitization- Performance Update

- Closer integration with bank partners through core banking integration and access for servicing and renewal capabilities
- Centralized knowledge repository for all sellers accessible on mobile
- Combination of virtual & physical selling, device mobility & voice enabled forms planned for sellers. To result in higher insta-issued policies & enhanced customer experience



- Operating return on EV of 20.6% is mainly driven by new business growth and unwind.
- Operating variances are positive due to demographic experience variances along with certain modeling enhancements.
- Non-operating variances are mainly driven by equity and interest rate movements since March 2017.
- The final shareholder dividend of Rs 197 Cr for H2 FY18 will be accounted post 31st March 2018. Post the payment of the final dividend, the closing EV will be Rs 7,509 Cr.

The Embedded Value¹ (EV) as at 30th June 2018 is **Rs 7,645 Cr.**

The annualized Operating Return on EV (RoEV) over Q1 FY19 is circa **15.0%**. Due to the sales being skewed towards later part of the year and investments being made by the Company in expansion of proprietary channels, the impact of cost overrun is higher for Q1 FY19 leading to lower RoEV than full year level.

The New Business Margin (NBM) for Q1 FY19 is **23.5%** (before allowing for acquisition operating cost overrun) and **18.1%** (post overrun). The Value of New Business (VNB) written over the period is Rs 101 Cr (post overrun).


Notes:

¹ Max Life's Embedded Value (EV) is based on a market consistent methodology. However, they are not intended to be compliant with the MCEV Principles issued by the Stitching CFO Forum Foundation (CFO Forum) or the Actuarial Practice Standard 10 (APS10) as issued by the Institute of Actuaries of India.



CELENT MODEL
INSURER AWARD in
the Asia Pacific Region

Max Life Insurance awarded in the "Digital & Omnichannel category"



Best Life Insurance company



**Best business leader –
Sumit Rai**



**Best use of six sigma in
banking and financial sector
- Insta claim (1 day approval)**

1 Setting higher benchmark with every award

- Ranked 43rd amongst India's top 50 best companies appeared in list of Great Place to Work for 2018
- Recognized by Employee Engagement Leadership Award in the category of "Best use of the Employee Award". And "Best Social Responsibility"
- "ASQ Gold Award" for reduction in new business discrepancy
- CDO Converge Award for "Digital Excellence in Insurance"
- Six Sigma Black Belt Project of the Year winner "Insta Issuance" won the 1st prize in "Service category improvement" at the 2nd Lean Competition held by CII in Bangalore.
- 'Life Insurer of the year award' at the 'Outlook Money Awards 2018'
- "e-Business Leader" 2017 at the 'Finteleket Insurance Awards 2017'
- Project "Instaclaims - Claims approval in 1 day" won the Best project for use of Six Sigma in Banking and Finance Industry at World Quality Congress - Global Awards
- "Enhancing "Service to Recruitment" (S2R) Business Contribution %: PAN India (Replication Project)" won 1st Prize in Service, IT and ITES category at the 11th edition of CII - National Competition on Six Sigma
- Among India's top 50 with a high degree of employee satisfaction as per **People Capital Index 2017**
- Winner in the category of "DIGITAL AND OMNICHANNEL" by Celent Model Insurer Asia, 2017
- GOLD Award in the category of "Best Email Marketing Campaign" at India Digital Awards by Internet and Mobile Association of India (IAMAI)
- Best Big Data/Analytics Team of the Year Award at 'Big Data Analytics & Insights' conducted by Kamikaze.
- "Asia's Most Admired Brand 2016-17" in the Insurance category by White Page International, 2017
- Bronze in ASQ-International Team Excellence Awards for quality project "Reducing 7 days POS TAT"
- Bronze in ASQ-South East Asia Team Excellence Awards for black belt project "Enhancing NACH*registration ratios"



2 "Industry First" trend setter

- First Indian financial services company ever to win Gold at the ASQ Conference for its Lean Six Sigma Green Belt project titled "Reduction in New Business Discrepancy"
- First company to provide freelook period of 15 days to the customer
- First company to start toll free line for agent service
- First life insurance company in India to implement lean methodology of service excellence in service industry
- First Indian life insurance company to start service center at the regional level
- First life insurance company in India to be awarded ISO 9001:2008 certification



A large orange triangle pointing downwards, located in the top-left corner of the slide.

Thank you

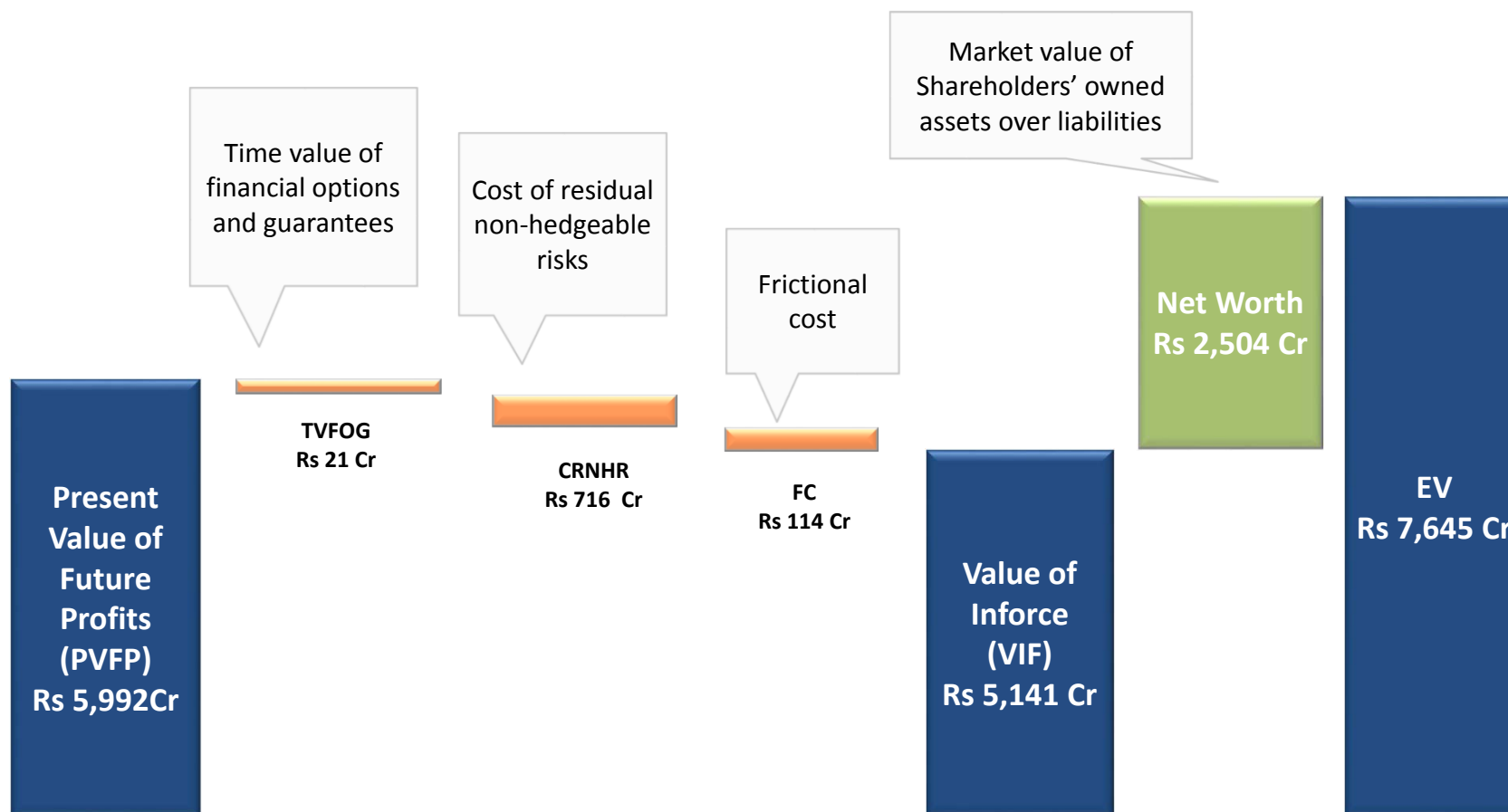
A large decorative bar at the bottom of the slide, consisting of a dark blue base with an orange gradient on top that slopes upwards from left to right.

Annexure

Rank	Company	Individual new business premium (Rs Cr)			
		Q1FY19	Q1FY18	Growth (%)	Private Market Share (%)
1	ICICI Prudential Life	1,282	1,636	-22%	21.0%
2	SBI Life	1,204	1,108	9%	19.7%
3	HDFC Standard Life	812	687	18%	13.3%
4	Max Life	526	458	15%	8.6%
5	Bajaj Allianz Life	283	278	2%	4.6%
6	Tata AIA Life	265	194	37%	4.3%
7	Aditya Birla Sun Life	227	162	40%	3.7%
8	PNB MetLife	225	191	17%	3.7%
9	Kotak Life	208	186	12%	3.4%
10	Reliance Nippon Life	171	138	23%	2.8%
	Others	904	803	12%	14.8%
	Private Total	6,105	5,840	5%	
	LIC	5,213	4,878	7%	
	Grand Total	11,318	10,718	6%	
	Market Share of private players	53.9%	54.5%		

Key Business Drivers	Unit	Quarter Ended		Y-o-Y Growth
		Jun'17	Jun'18	
a) Individual Adjusted Premium	Rs. Crore	458	527	15%
b) Gross written premium income	Rs. Crore	2,007	2,320	16%
First year premium		453	536	18%
Renewal premium		1,342	1,554	16%
Single premium		212	230	9%
c) Shareholder Profit (Pre Tax)	Rs. Crore	106	91	-14%
d) Policy Holder Expense to Gross Premium	%	19.0%	17.3%	>100 bps
e) Conservation ratio	%	92.0%	90.8%	>100 bps
f) Average case size(Agency)	Rs.	45,965	56,235	22%
g) Case rate per agent per month	No.	0.18	0.16	-9%
h) Number of agents (Agency)	No.	53,120	55,610	5%
i) Share Capital	Rs. Crore	1,919	1,919	0%
j) Individual Policies in force	No. Lacs	39.06	40.81	4%
k) Sum insured in force	Rs. Crore	390,017	538,956	38%
l) Grievance Ratio	Per Ten thousand	174	87	NA
m) No. of offices	#	210	257	47

VIF
Net worth and EV



1. The deductions for risks to arrive at the VIF represent a reduction of ~14% in the PVFP, in line with last year's reduction. The largest deduction is in respect of CRNHR.
2. Within CRNHR, persistency risk constitutes the largest risk component.

Description	Q1 FY18	Q1 FY19	Y-o-Y growth
APE ¹	478	558	17%
New Business Margin (NBM) (before cost overrun)	22.2%	23.5%	+130 bps
New Business Margin (NBM) (post cost overrun)	18.0%	18.1%	+10 bps
Value of New Business (VNB) (post cost overrun)	86	101	17%

- The New Business Margin (NBM) before cost overrun has increased by circa 130 bps to 23.5% for Q1 FY19 compared to 22.2% for Q1 FY18. The increase in margin is primarily driven by higher contribution of protection-oriented products.
- Post allowing for acquisition operating cost overrun chargeable to Shareholders, the NBM would reduce to 18.1% for Q1 FY19 compared to 18.0% for Q1 FY18. The impact of cost overrun is higher for Q1 FY19 for reasons mentioned earlier. For the full year FY19, based on managements' expectation of sales and costs, the NBM is likely to be in excess of 20%.

¹ Annual Premium Equivalent (APE) is calculated as 100% of regular premium + 10% of single premium.

² The VNB is accumulated from the point of sale to the end of the reporting period (i.e. 30th June 2018), using the beginning of quarter's risk free yield curve.

Sensitivity	EV		New business	
	Value (Rs Cr)	% change	VNB (Rs Cr) NBM	% change
Base Case (before final SH dividends)	7,706	-	656 20.2%	-
Lapse/Surrender - 10% increase	7,562	(2%)	620 19.1%	(5%)
Lapse/Surrender - 10% decrease	7,859	2%	694 21.4%	6%
Mortality - 10% increase	7,605	(1%)	632 19.5%	(4%)
Mortality - 10% decrease	7,807	1%	679 20.9%	4%
Expenses - 10% increase	7,640	(1%)	621 19.1%	(5%)
Expenses - 10% decrease	7,772	1%	691 21.3%	5%
Risk free rates - 1% increase	7,561	(2%)	688 21.2%	5%
Risk free rates - 1% reduction	7,826	2%	612 18.9%	(7%)
Equity values - 10% immediate rise	7,760	1%	656 20.2%	Negligible
Equity values - 10% immediate fall	7,652	(1%)	656 20.2%	Negligible
Corporate tax Rate – 2% increase	7,577	(2%)	637 19.6%	(3%)
Corporate tax Rate – 2% decrease	7,835	2%	675 20.8%	3%
Corporate tax rate increased to 25%	7,034	(9%)	559 17.2%	(15%)

1. Reduction in interest rate curve leads to an increase in the value of assets which offsets the loss in the value of future profits.
2. Risk free rate sensitivities allow for the change in cost of hedging due to derivative arrangements. The cost of hedging reduces under the risk free rate reduction sensitivity and increases under the risk free rate increase sensitivity.

Economic Assumptions

- The EV is calculated using risk free (government bond) spot rate yield curve taken from FBIL¹ as at 30th June 2018. The VNB is calculated using the beginning of respective quarter's risk free yield curve (i.e. 31st March 2018).
- No allowance has been made for liquidity premium because of lack of credible information on liquidity spreads in the Indian market.
- A flat rate adjustment is made to the yield curve such that the market value of government bonds is equal to discounted value of future cash flows of those bonds.
- Samples from the un-adjusted 30th June 2018 and 31st March 2018 spot rate yield curves used:

Year	1	2	3	4	5	10	15	20	25	30
Mar 18	6.53%	6.83%	7.09%	7.26%	7.43%	7.41%	7.69%	7.85%	7.72%	7.51%
Jun 18	7.34%	7.79%	7.96%	8.07%	8.24%	8.13%	8.32%	8.35%	8.27%	8.16%
Change	0.81%	0.96%	0.87%	0.81%	0.81%	0.72%	0.63%	0.50%	0.55%	0.65%

Demographic Assumptions

The lapse and mortality assumptions are approved by a Board committee and are set by product line and distribution channel on a best estimate basis, based on the following principles:

- Assumptions are based on last one year experience and expectations of future experience given the likely impact of current and proposed management actions on such assumptions.
- Aims to avoid arbitrary changes, discontinuities and volatility where it can be justified.
- Aims to exclude the impacts of non-recurring factors.

¹ Financial Benchmark India Pvt. Ltd.

Expense and Inflation

- Maintenance expenses are based on the recent expense studies performed internally by the Company. The VIF is reduced for the value of any maintenance expense overrun in the future. The overrun represents the excess maintenance expenses expected to be incurred by the Company over the expense loadings assumed in the calculation of PVFP.
- Future CSR related expenses have been taken to be 2% of post tax (risk adjusted) profits emerging each year.
- Expenses denominated in fixed rupee terms are inflated at 6.0% per annum.
- The commission rates are based on the actual commission payable, if any.

Tax

- The corporate tax rate is assumed to be 14.56% for life business and nil for pension business.
- For participating business, the transfers to shareholders resulting from surplus distribution are not taxed as tax is assumed to be deducted before surplus is distributed to policyholders and shareholders.
- Goods and Service tax is assumed to be 18%.
- The mark to market adjustments are also adjusted for tax.

