



Max Financial Performance Update

Investor Release 9M FY20

5th February, 2020



India's Best Companies
To Work For 2018

A GROUP BY
THE ECONOMIC TIMES





SECTION I

- ▶ Max Financial Services : 9MFY20 Key Highlights
- 

Max Financial Services : 9M FY'20 Key Highlights

1

Consolidated Revenue at **Rs 14,000 Cr**, grows **13%**. Consolidated PAT at **Rs 266 Cr**, Up **23%**, due to one-off gain from successful transition in hedging strategy from Interest Rate Swap (IRS) to Forward Rate Agreement (FRA), aided by higher investment income partly offset by shift in product mix towards NPAR savings and investments in proprietary channels

2

MCEV crosses **Rs 10,000 Cr...** **MCEV** as at 31st Dec 2019 at **Rs. 10,077 Cr**, grows 22% y-o-y; Operating RoEV (annualised) at **18.4%**. Including non-operating variances **RoEV is 18.7%**

3

VNB (post overrun) has grown **24%** to **Rs 576 Cr**. **Structural NBMs** (pre cost overrun) have expanded by **150 bps** to **24.3%** and Actual NBMs (post cost overrun) also expands by **60 bps** to **21%**, driven by increased focus on Non-Par savings

4

Max Life has outperformed the industry growth on Individual APE by growing **20%** to **Rs 2,718 Cr** vs private insurers growth of **16%** with market share expanding by **30 bps** to **9%**

5

Proprietary channel growth (9M +22%; Q3 +19%) faster than Banca channel (9M +20%; Q3 +14%)

6

Individual Protection sales grew **45% y-o-y**, resulting in improvement in protection mix by **200 bps** from **6%** in **9MFY19** to **8%** in **9MFY20**



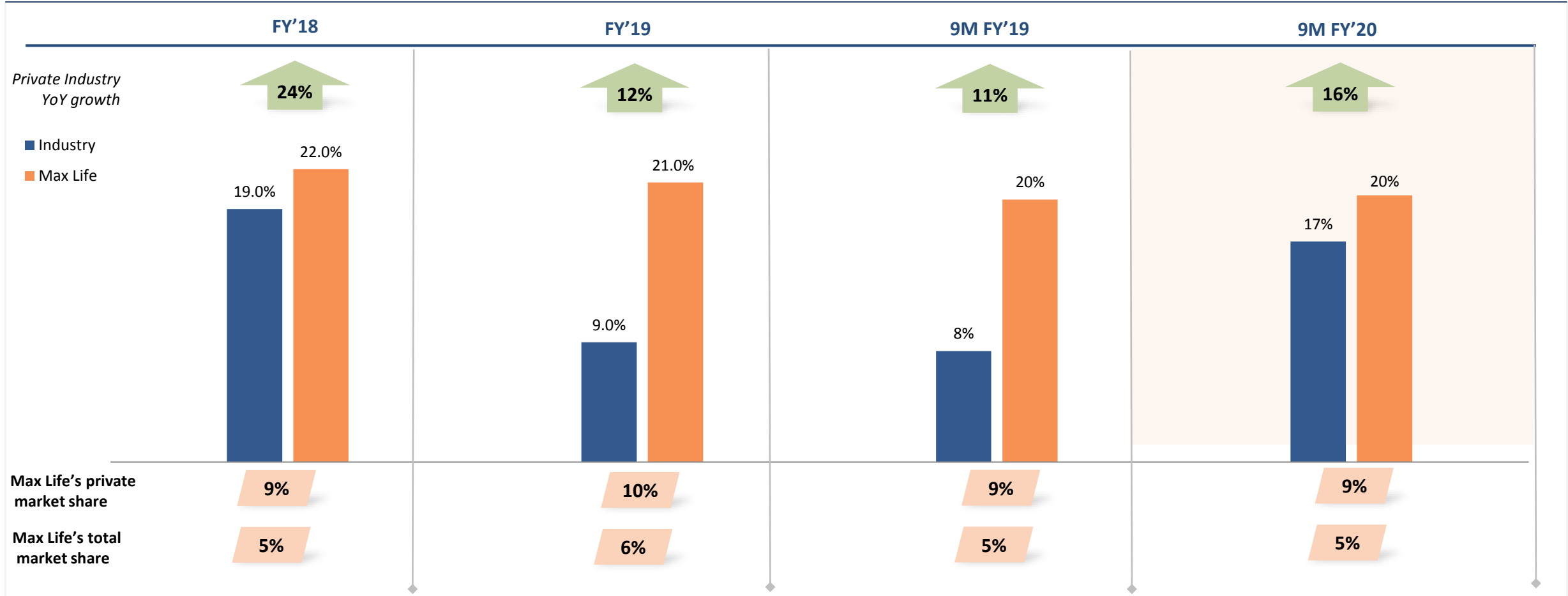
SECTION II

- ▶ Max Life Insurance – Business Overview
- 

Industry Landscape (9M FY'20): Total Industry grew by 17%, while Pvt. players grew by 16% and LIC by 17%



YoY Growth basis Individual Adjusted FYP

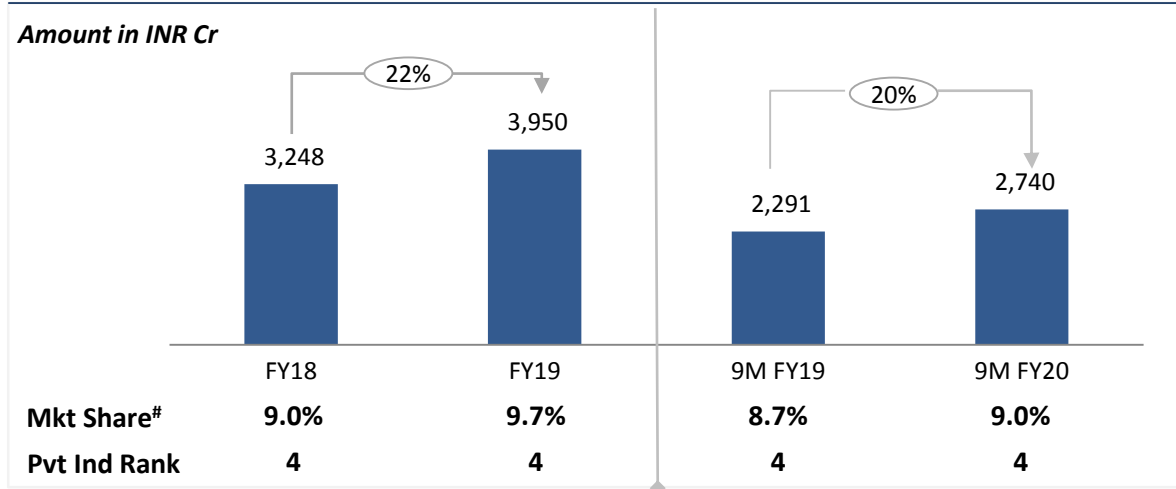


Max life continues to demonstrate predictable and sustainable growth rate trajectory in line with our strategy.

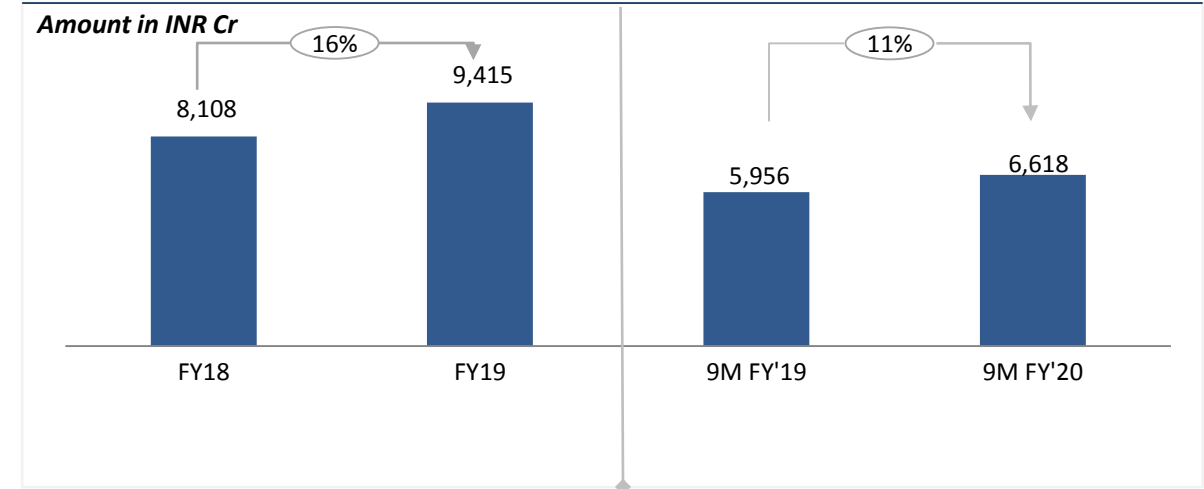
Max Life has delivered strong performance on both new business and renewal business; Maintained 4th rank in the private industry



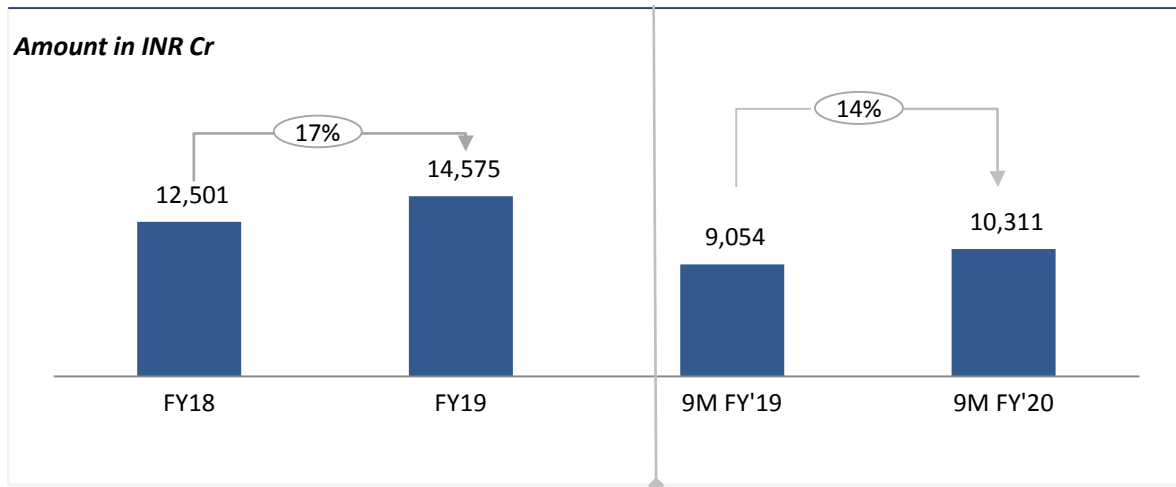
New Business Premiums (on APE basis)



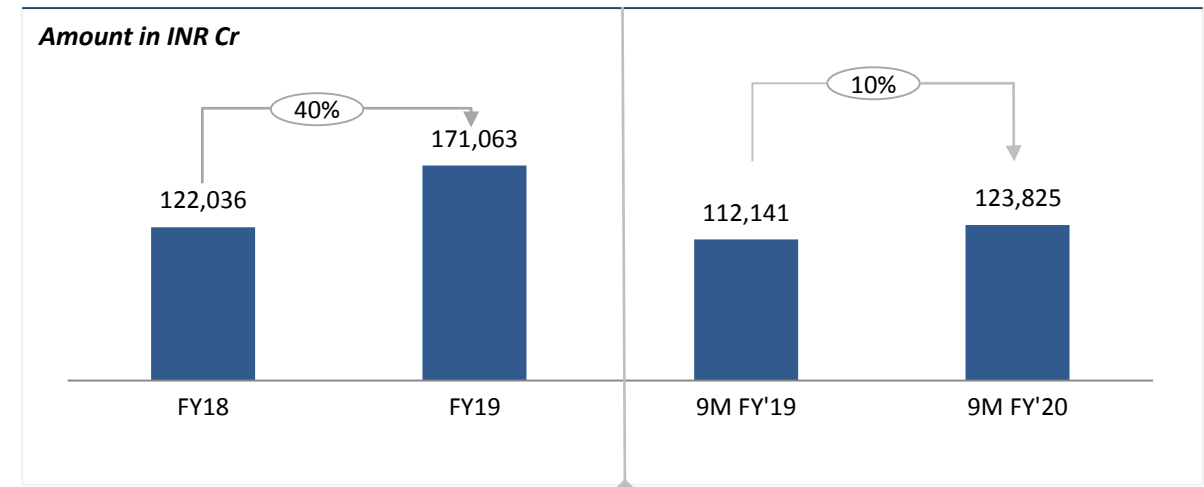
Renewal Income



Gross Written Premium

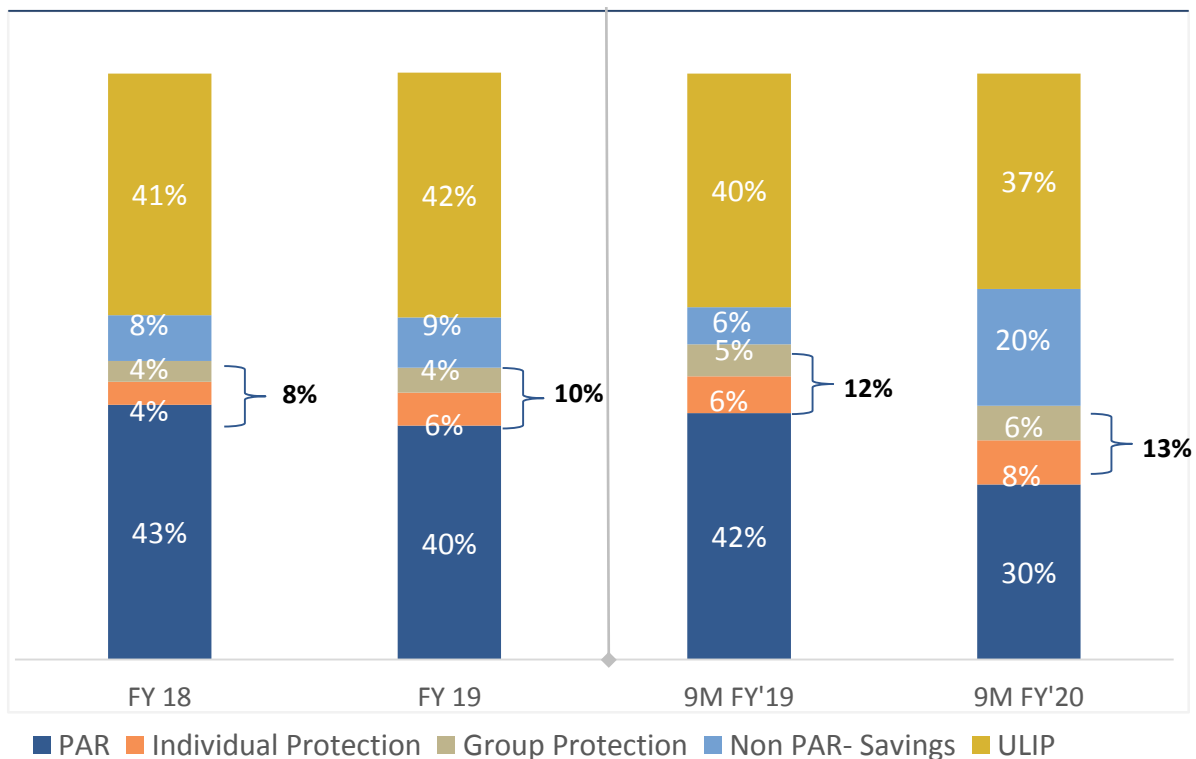


Individual Sum Assured of New business

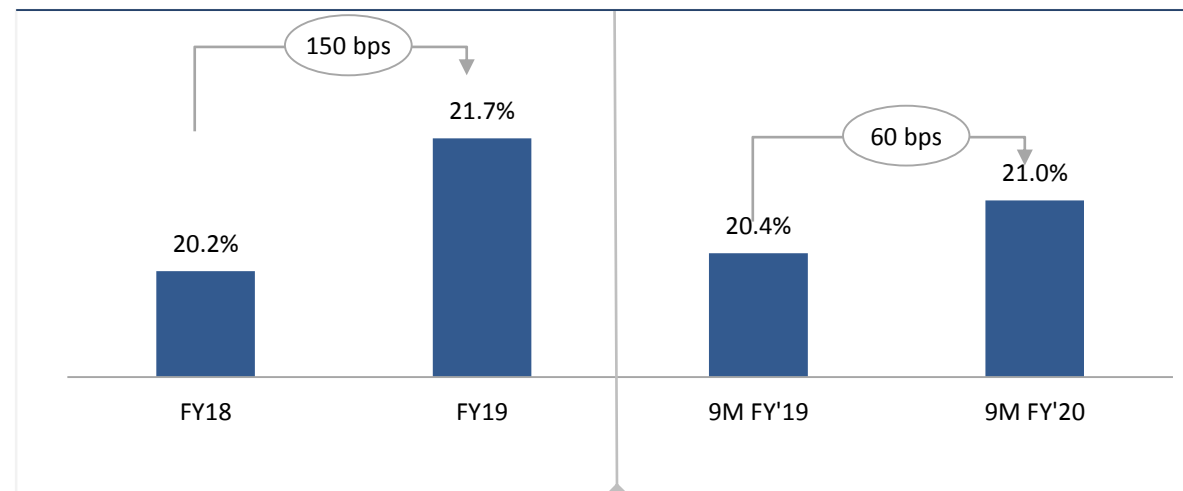


24% growth in VNB with 9M margins at 21% driven by increased focus on Non Par Savings

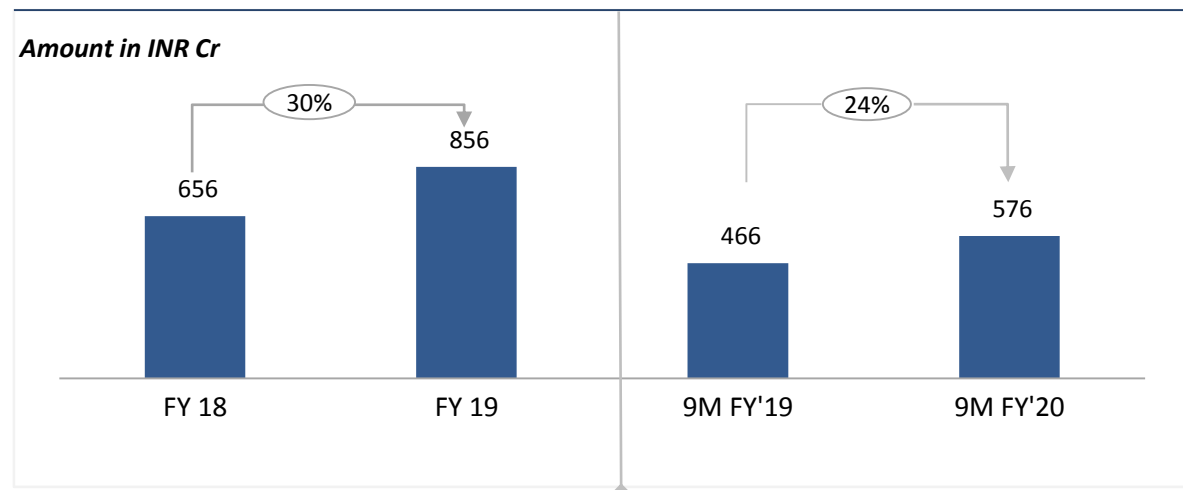
Product Mix – Shifting towards a balanced product mix, NPAR savings mix increased by 14%. Individual Protection mix grew by 1.3%, while the Group Protection mix grew by 0.4%



Margins (post-overrun)*#



VNB (post over-run)*#

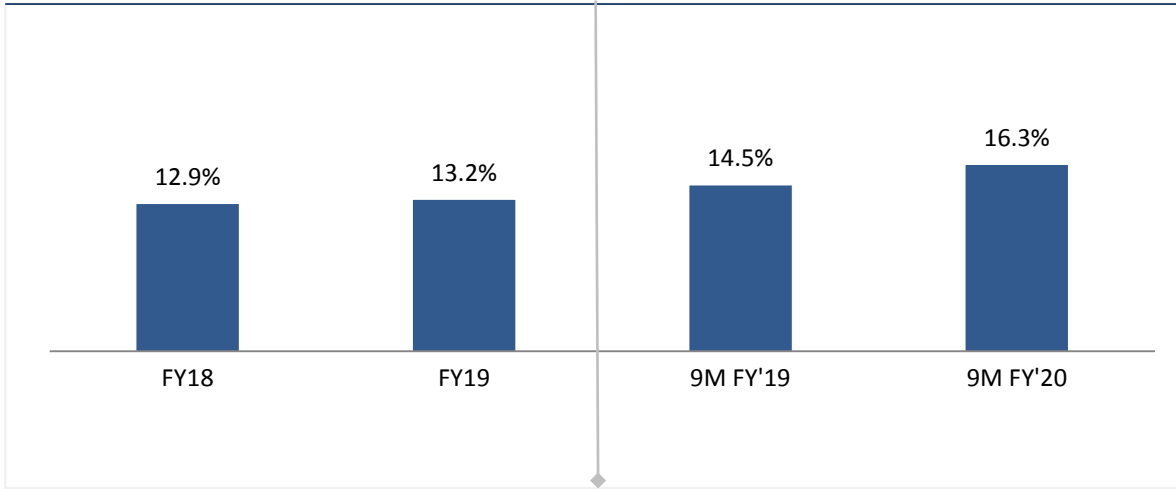


*VNB and margins for FY19 & 9M FY20 are calculated using effective tax rate; # For 9MFY20 VNB & margins, cost of capital charge (used to compute CRNHR) was reduced from 5.0 % to 4.0 %

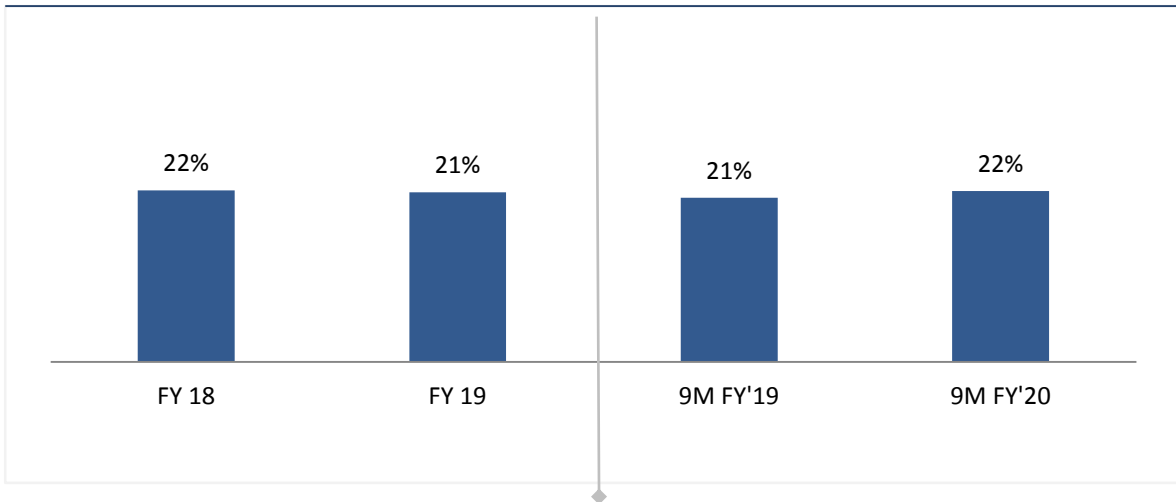
Efficient capital management with consistent RoE of more than 20%... among the best in financial services



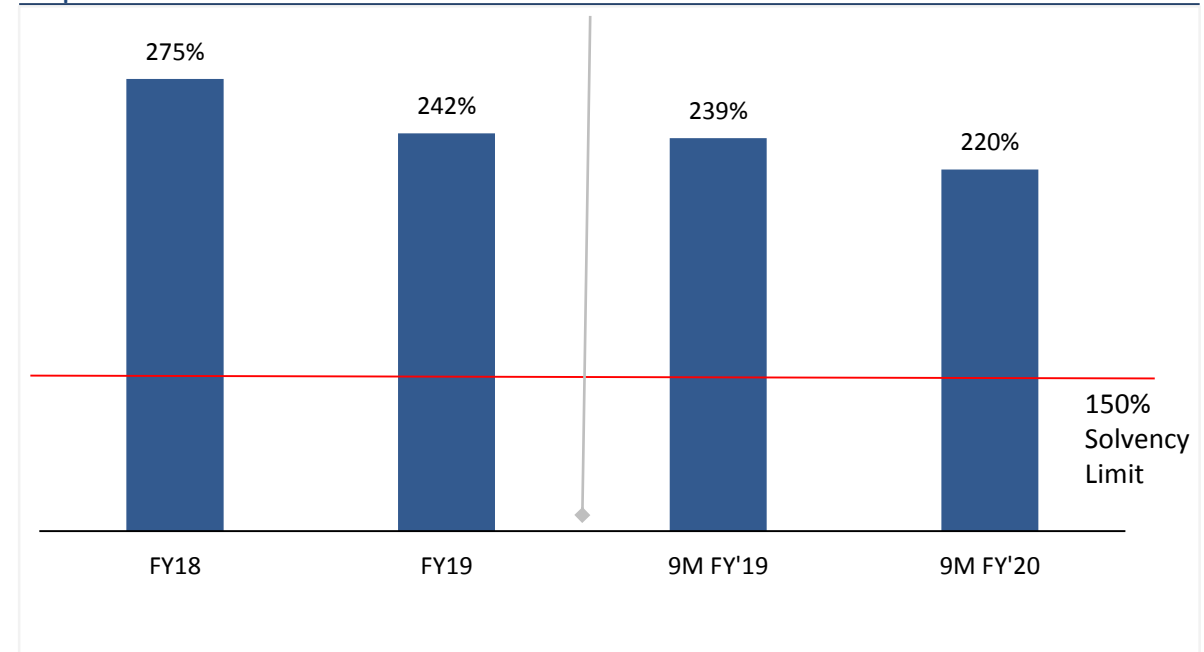
Opex to GWP* - Increase due to investment in proprietary channels



Return on Equity (RoE)# - Consistent ROE



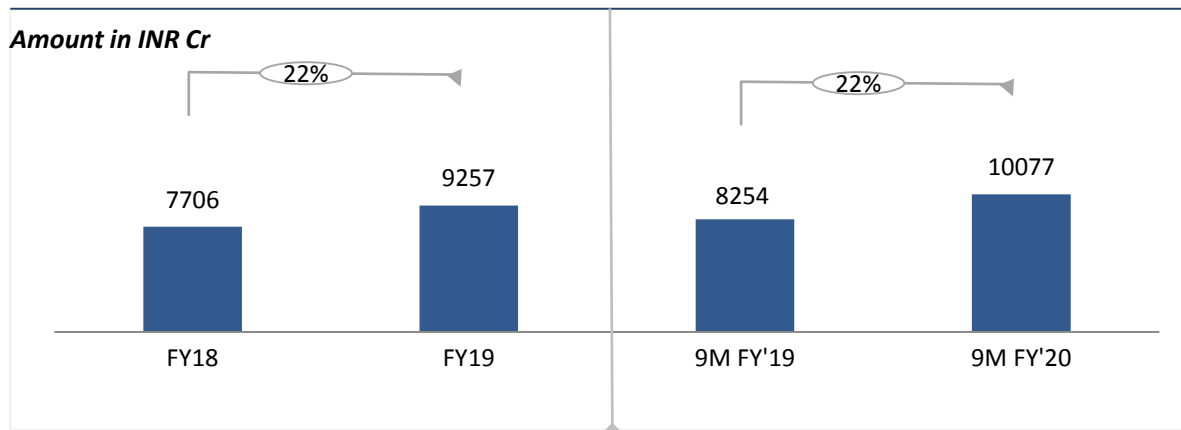
Solvency Ratio (pre dividend) - maintained well above the regulatory requirement



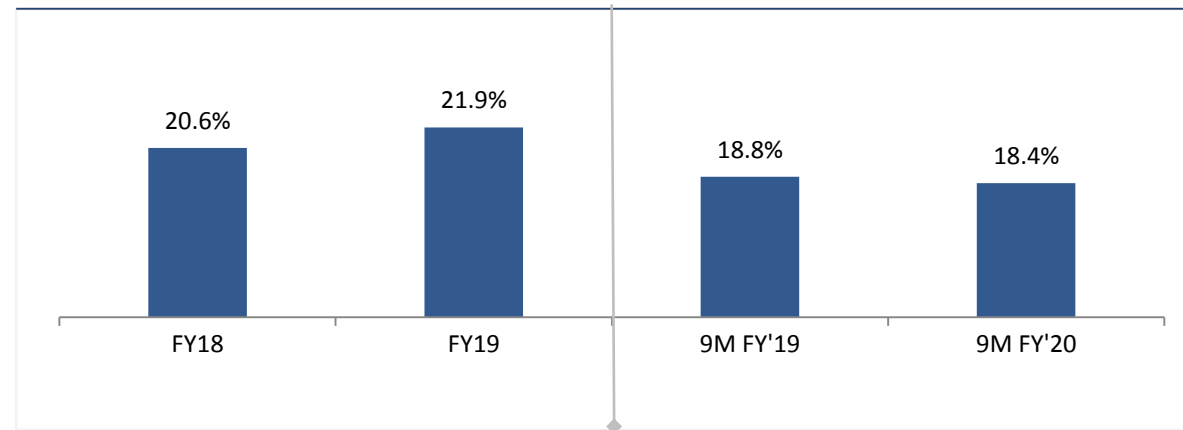
* Refers to the policyholder expense to GWP ratio; # ROE is PAT as a ratio of average Net worth during the year

Embedded value crossed Rs 10,000 Cr with a growth of 22%, operating RoEV for 9MFY20 at 18.4%

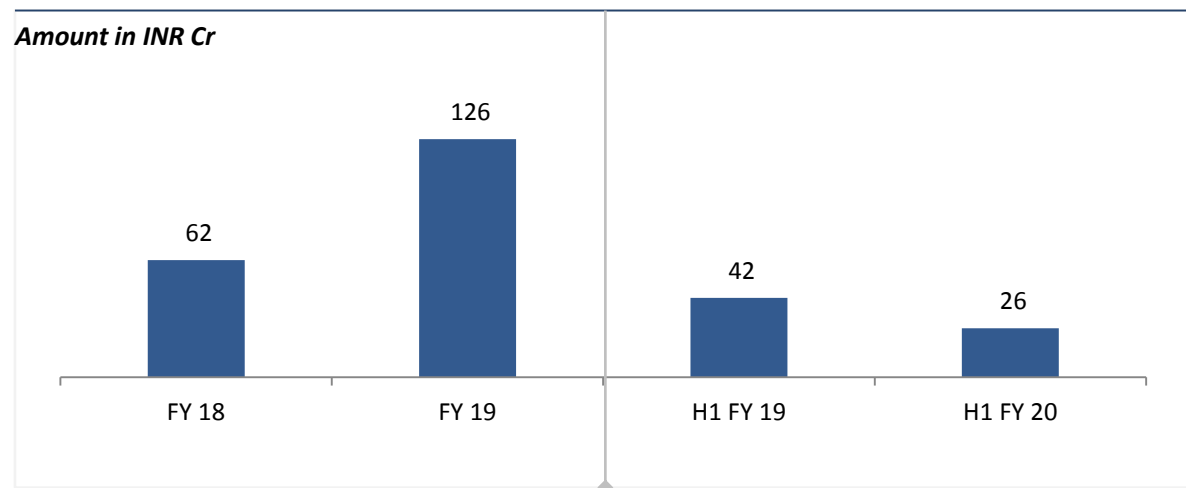
Embedded Value (EV)* - EV has grown at 18% driven by growth in value of new business and quality of inforce business



Operating Return on Embedded Value - RoEV at 18.4% in 9MFY20



Operating Variance[^] - has been generally positive over the years



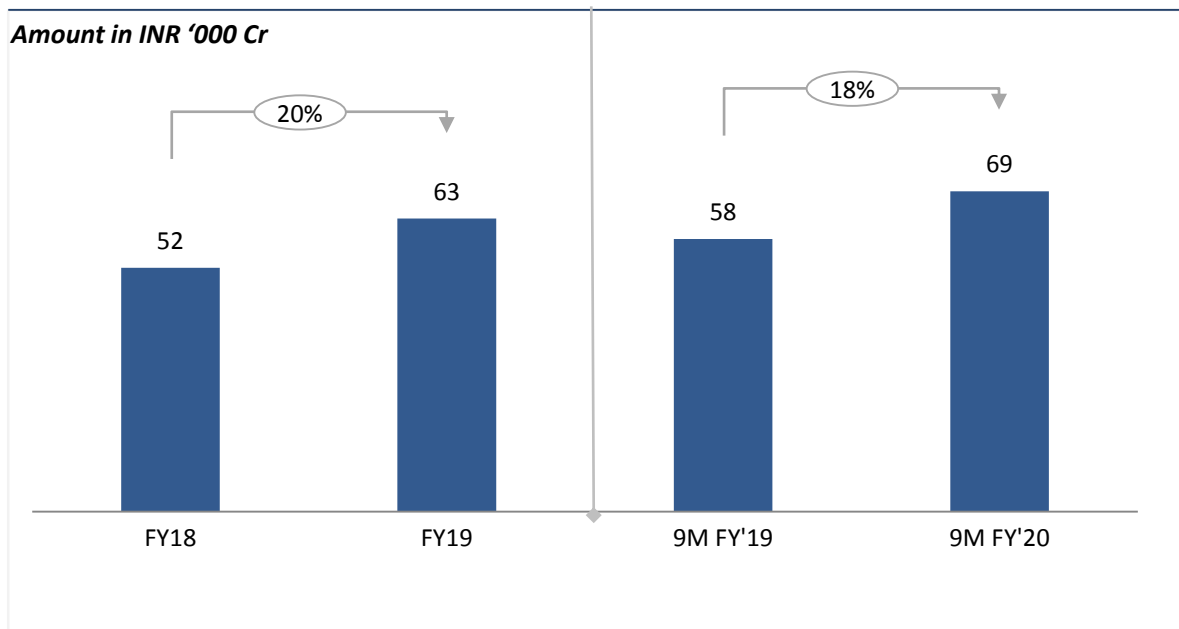
Sensitivity[^] – One of the least among competition due to balanced product mix

Item	Embedded Value		Value of New Business	
	-10%	10%	-10%	10%
Lapse / Surrender	-1%	2%	4%	-4%
Mortality	-2%	2%	5%	-5%
Expense	-1%	1%	7%	-7%

* Growth in EV represents RoEV, EV for 9MFY20 is post using the effective tax rate and reduction in cost of capital charge (use in computing CRNHR) from 5% to 4%, [^] as of 30th Sep 2019

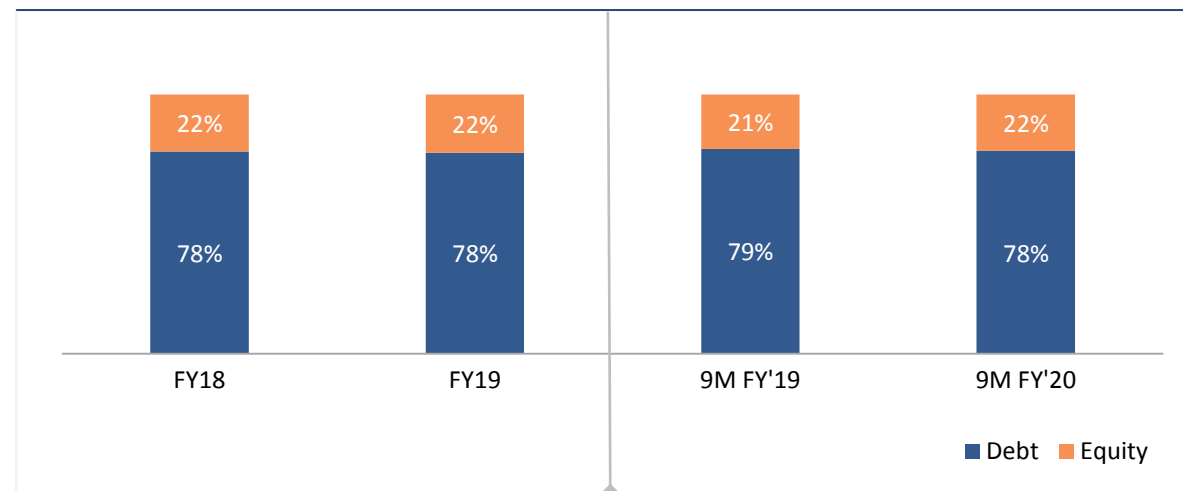
Max Life has consistently grown its Asset Under Management

Assets Under Management - MLI is the 4th largest manager LI AUMs

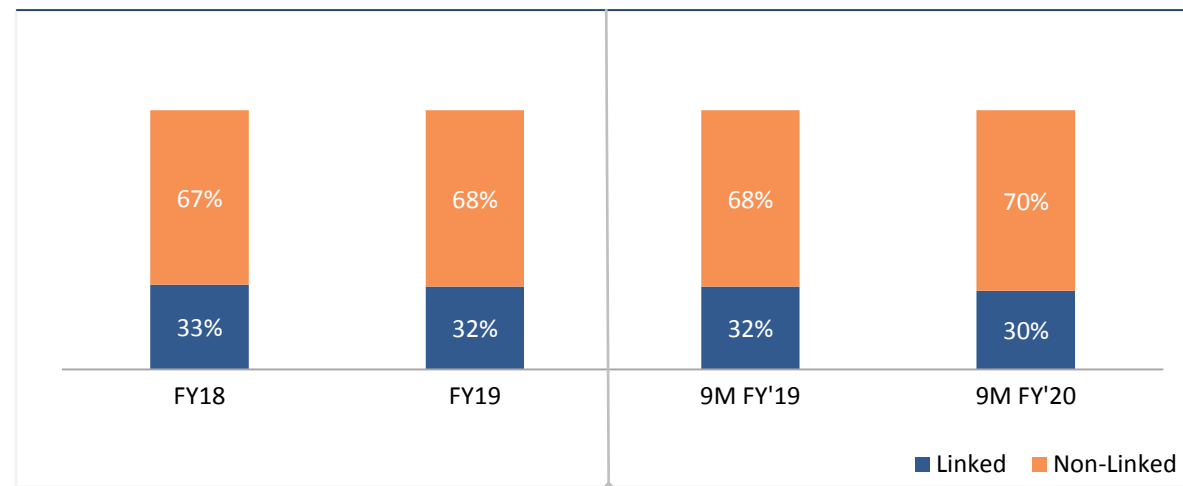


With PAR AUM at ~37,000 Cr. (Dec'19), Max Life has the highest PAR AUM in the private industry. ULIP's Debt : Equity share is 48:52

Debt-Equity Mix - Healthy mix of Debt and Equity on an overall level

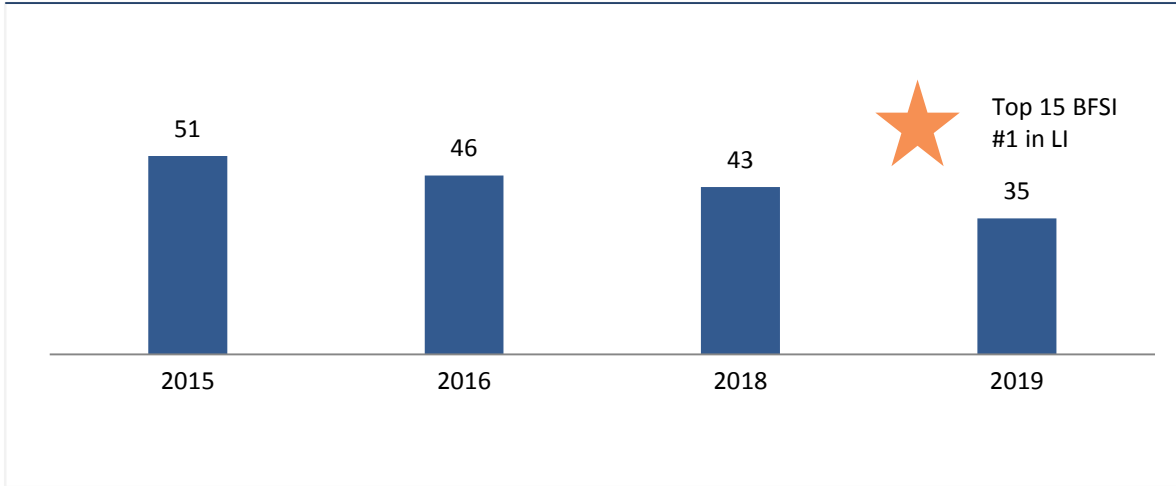


Fund Type (Linked vs Non-linked)

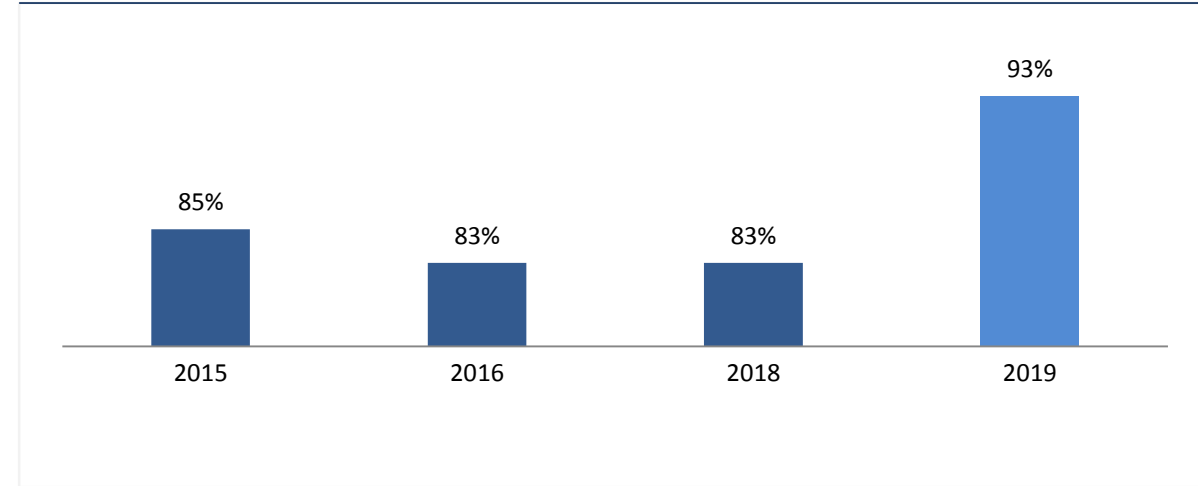


Unwavering focus on leadership strength and has a vintage employee pool, both of which are critical for success in long term businesses such as Life Insurance

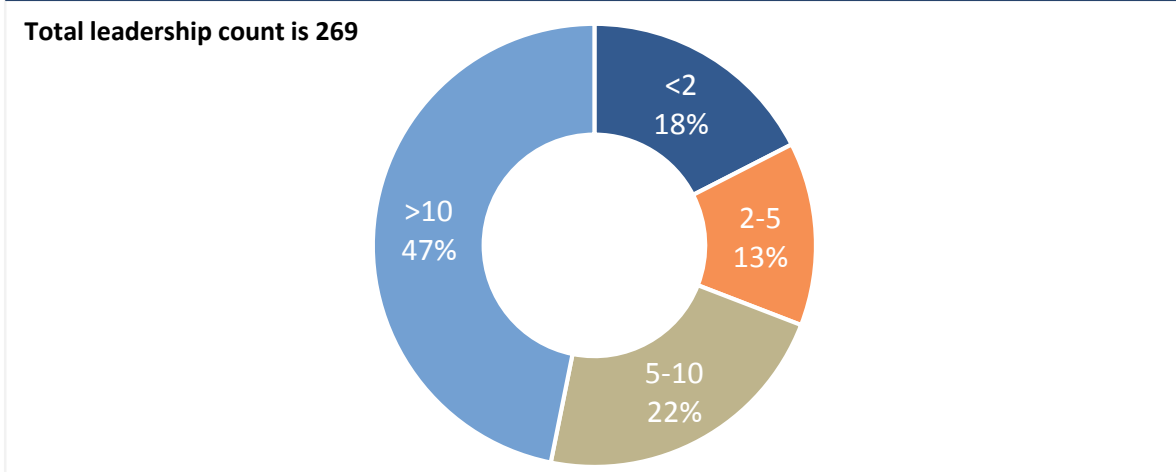
Great Place to Work Survey - Only Life insurance Company amongst Top 100 India's best place to work for in 2019; rank improved since 2015



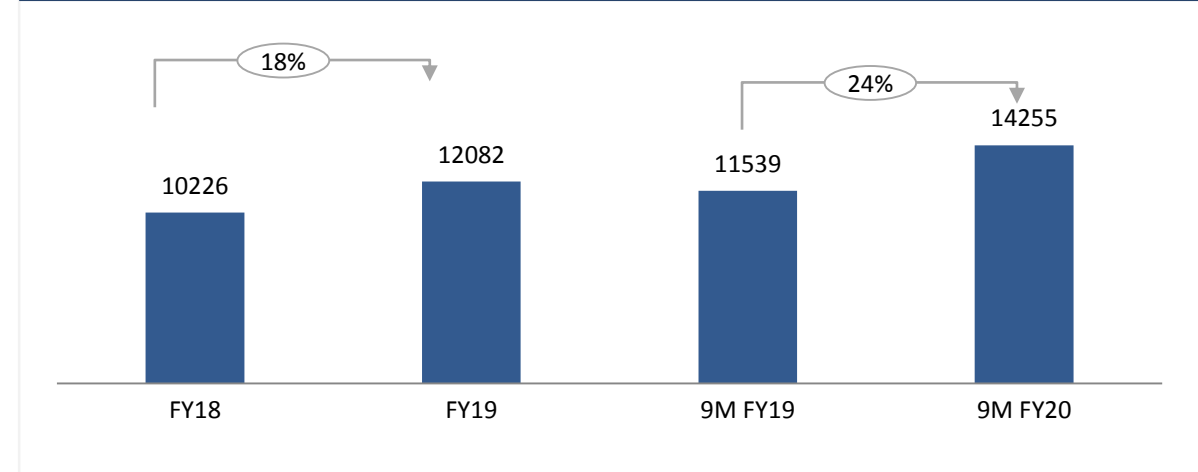
Employee Engagement[^] - Consistently amongst top decile



Leadership Experience - Almost half the leadership has been with the company for more than a decade*



Headcount - In line with the growth aspirations, headcount has been ramped up by 24% in 9M FY20



* Leadership defined as Vice President and above, Data as of Dec 31, 2019 ^ Conducted by IBM Kenexa till FY18 and Willis Tower Watson in FY19

Max Life has been recognised by a number of Indian and foreign business bodies for its excellence in business, customer service and focus on people



Business Excellence



- Winner of **CII Industry Innovation Award**
- **Outlook Money Award** for Best Life Insurer
- Most Admired Brand By White Paper International
- BFSI Smart Tech Awards 2019 - IPQ won the Best Use of Data and Analytics
- BFSI Smart Tech Awards 2019 - mRec won the Best Digital Transformation Initiative
- Golden Peacock award for Corporate Governance
- Silver Award at the ACEF 8th Global Customer Engagement Awards 2019 in the BTL Activities Category.



Leaders in Quality



- No. 1 in Customer Loyalty survey by IMRB
- Gold at ASQ World Conference
- Winner of IMC Ramkrishna Bajaj National Quality Award
- Winner of CII Industry Innovation Award
- Asia Pacific Quality Organization (APQO) award for global performance excellence
- Silver Award in ASQ ITEA 2019 for Sell Right for Customer Delight at Axis Bank
- Silver Award in the 12th QCI-DL Shah Quality Awards for Enhancing S2R Conversion% Select 60 offices in Agency.
- At CMO Asia Awards , won Best Term Plan Company of the Year



Focus on People



- Ranked 35th – India's Best Companies to work for in 2019. Best in Insurance industry
- Top 20 BFSI companies to work for by Great Place to Work Institute
- India's Top 75 Workplaces for Women by Great Place to Work Institute
- Employee Engagement Leadership Award for "Best use of the Employee Award"
- Employee Engagement Leadership Award for "Best Social Responsibility"



SECTION III

- ▶ Max Life Insurance – Strategy FY19-22
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Max Life embarked on its journey of 25%+ VNB growth, 25% NBM and 25% ROEV aspirations by FY22. Key strategic elements to achieve the vision

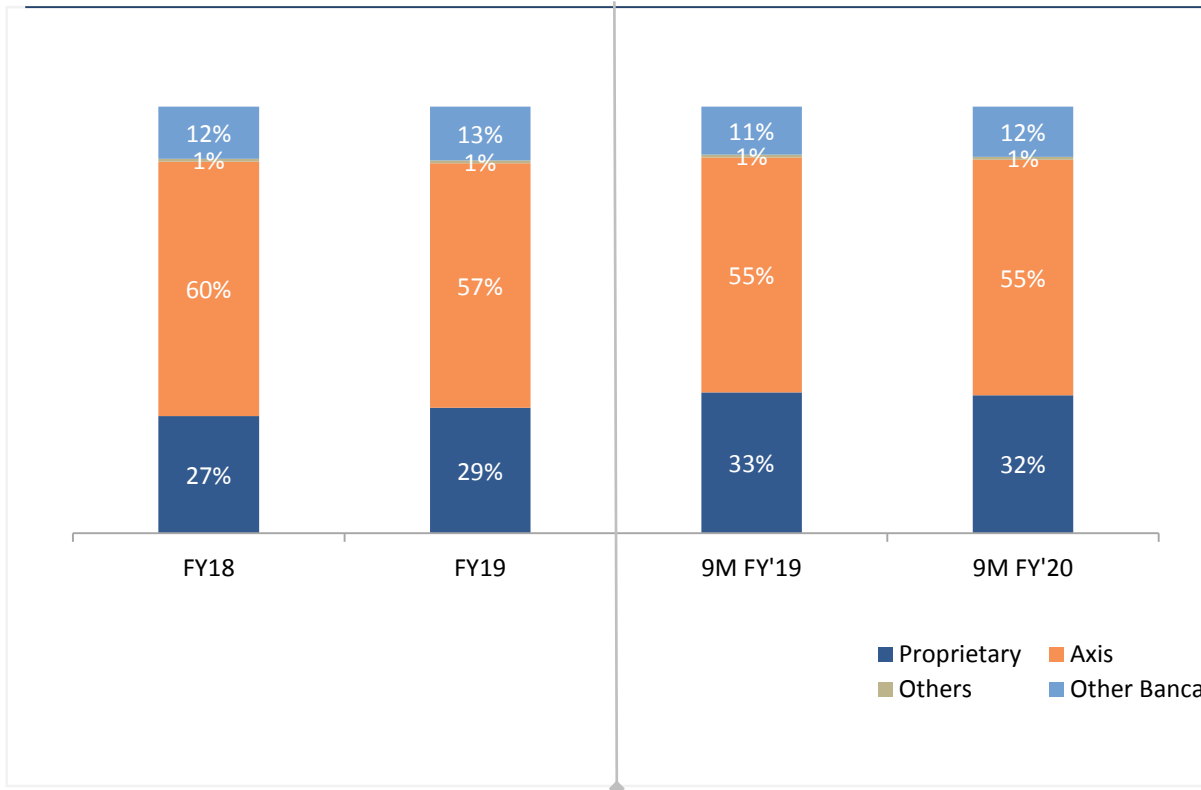
INITIATIVES

ASPIRATIONS FY22

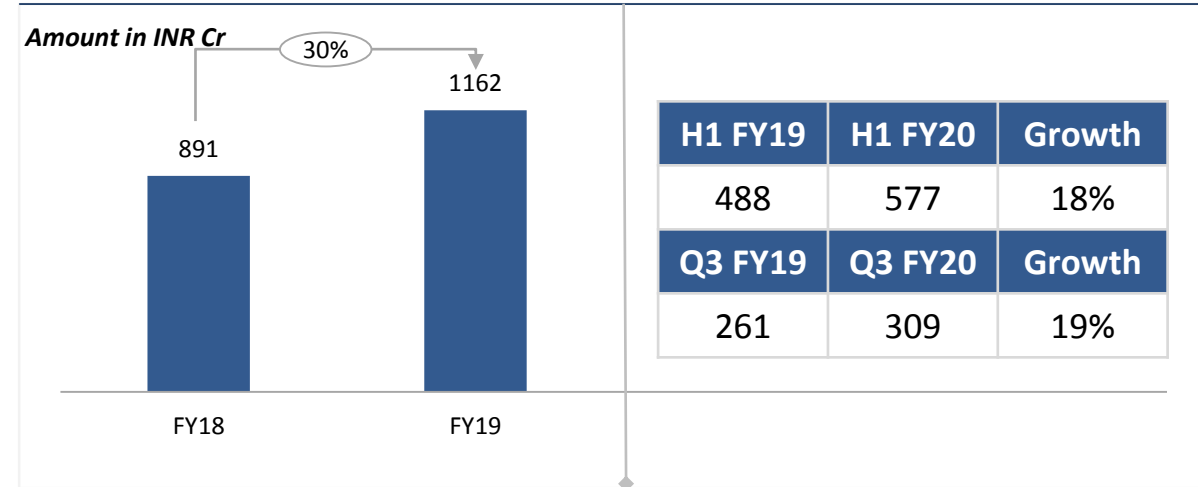
 A	 B	 C	 D
<p>Predictable & Sustainable growth</p> <ul style="list-style-type: none"> Deepen Bancassurance partnerships On-board new distribution partners Scale up existing proprietary channels Opportunistic play for inorganic growth 	<p>Product innovation to drive margins</p> <ul style="list-style-type: none"> Increase protection penetration Drive Non PAR saving Tap into new growth opportunities like health and retirements Enhanced investment and mortality risk management 	<p>Customer centricity across the value chain</p> <ul style="list-style-type: none"> #1 position in 13M and 61M persistency Highest Relationship Net Promoter Score (NPS) in the industry 	<p>Digitization for efficiency and intelligence</p> <ul style="list-style-type: none"> Continue with digitization agenda across the organisation Build intelligence (AI) in all digital assets Minimize back-office costs
<ul style="list-style-type: none"> Achieve 25%+ VNB growth rate Increase share of proprietary channels sales to ~35% Continue growing highly productive agents (premium >10 lakhs per annum) by 20%+ CAGR 	<ul style="list-style-type: none"> Achieve ~25% new business margin and consequently ~25% RoEV Achieve protection penetration of 14%+ and NPAR savings penetration of 13%+ 	<ul style="list-style-type: none"> Improve 13M persistency to 88%+ and 61M Persistency to 58%+ Leaders in NPS in the sector 	<ul style="list-style-type: none"> Achieve 90%+ Insta-issuance Self-service transactions to exceed 90%

Max Life has focused on ensuring growth in both its Proprietary and Bancassurance channels

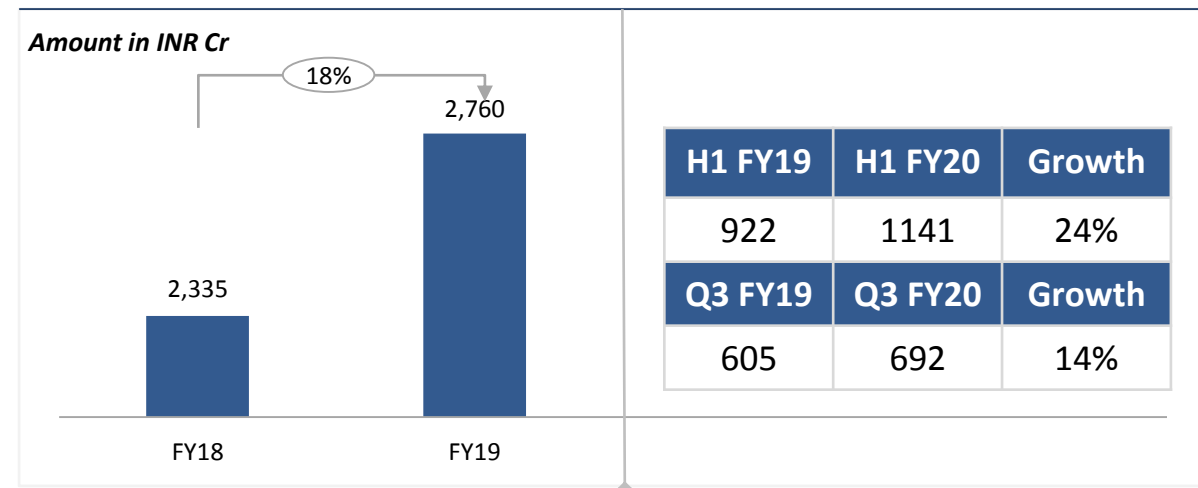
Channel Mix - Max Life has focused on maintaining a balanced distribution mix



Proprietary Channels New Business (APE)



Bancassurance Channel (APE)

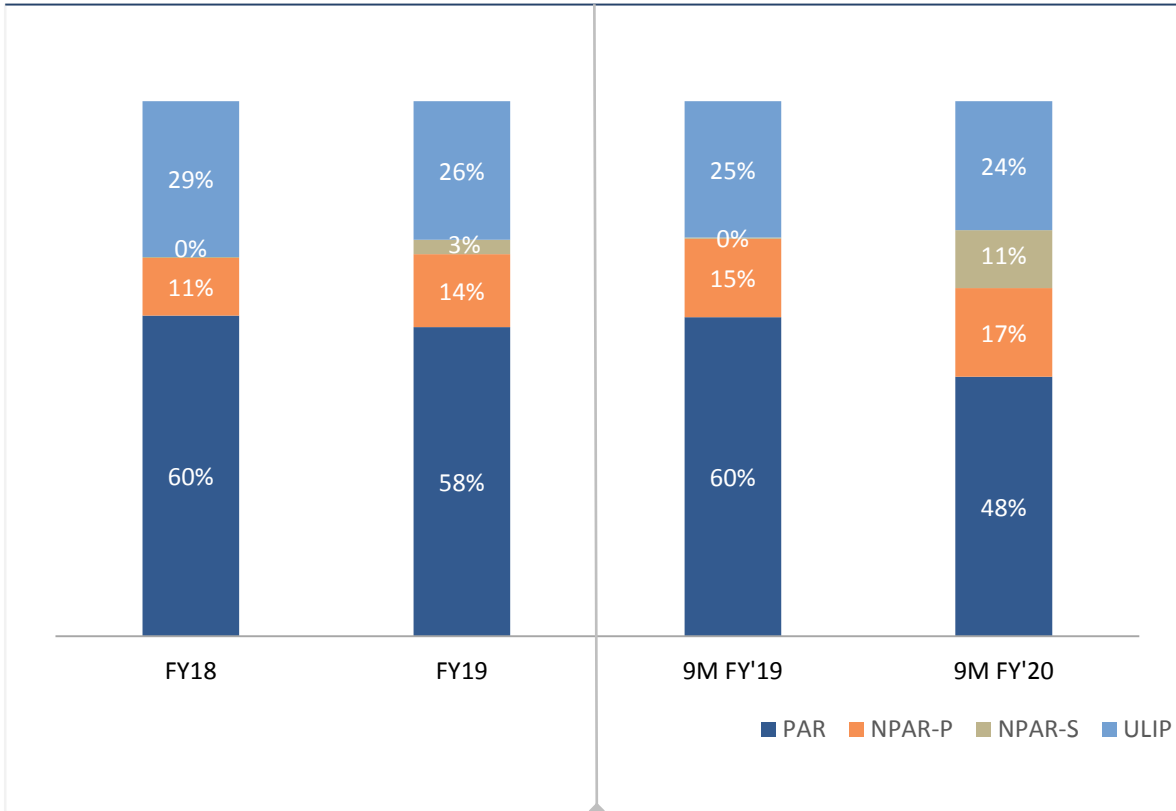


A

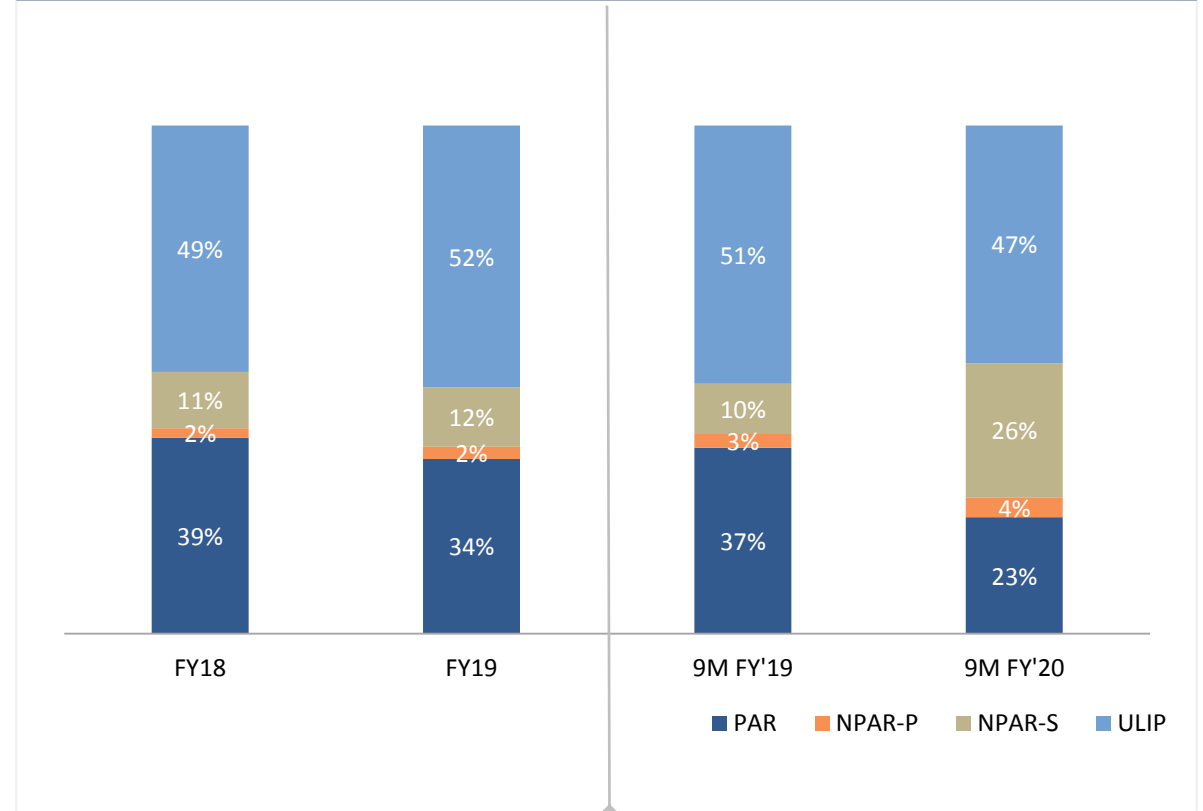
Product mix proprietary and Bancassurance channels aligned to customer needs; future focus to be on driving balanced product mix



Proprietary Channels Product mix - biased towards traditional products and protection for driving margins



Bancassurance Product Mix – focused on increasing NPAR Savings to drive margins



B

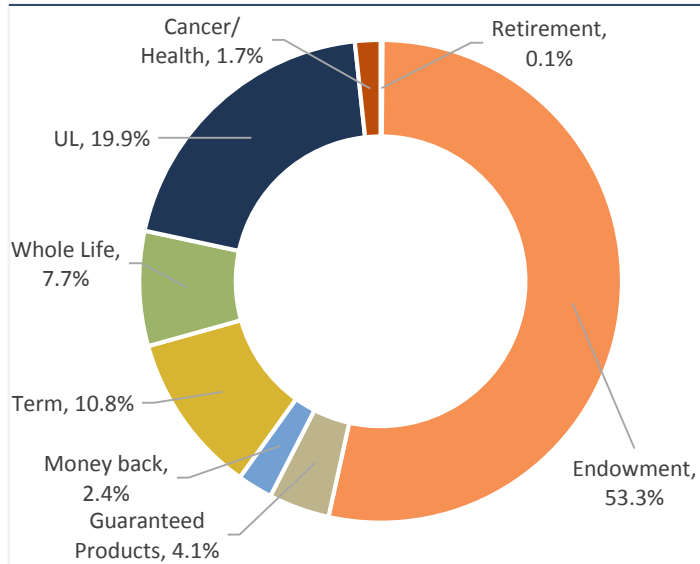
Max Life has a complete suite of products and focus is on selling longer term products along with improving penetration of pure protection offerings



Max Life has products across all categories

- 4** Protection plans
- 3** Income plans
- 2** Endowment plans
- 3** ULIP plans
- 2** Child plans
- 1** Health plan
- 1** Annuity plan
- 1** Retirement ULIP
- 1** Whole life
- 5** Riders

Current portfolio¹ biased towards traditional products



Product Type	Average Policyholder Age (Years)	Average Policy Term (Years)	Average PPT (Years)
Endowment	35	23	11
ULIP	38	14	10
Whole Life	36	64	51
Money back	28	17	16
Pure Term	35	35	34
Guaranteed products	43	19	9
Health	39	18	18
Cancer Insurance	38	29	29
Pension	34	22	22
Annuity	63	57	1

As on 31st Dec 2019

36

Average

25

Average

16

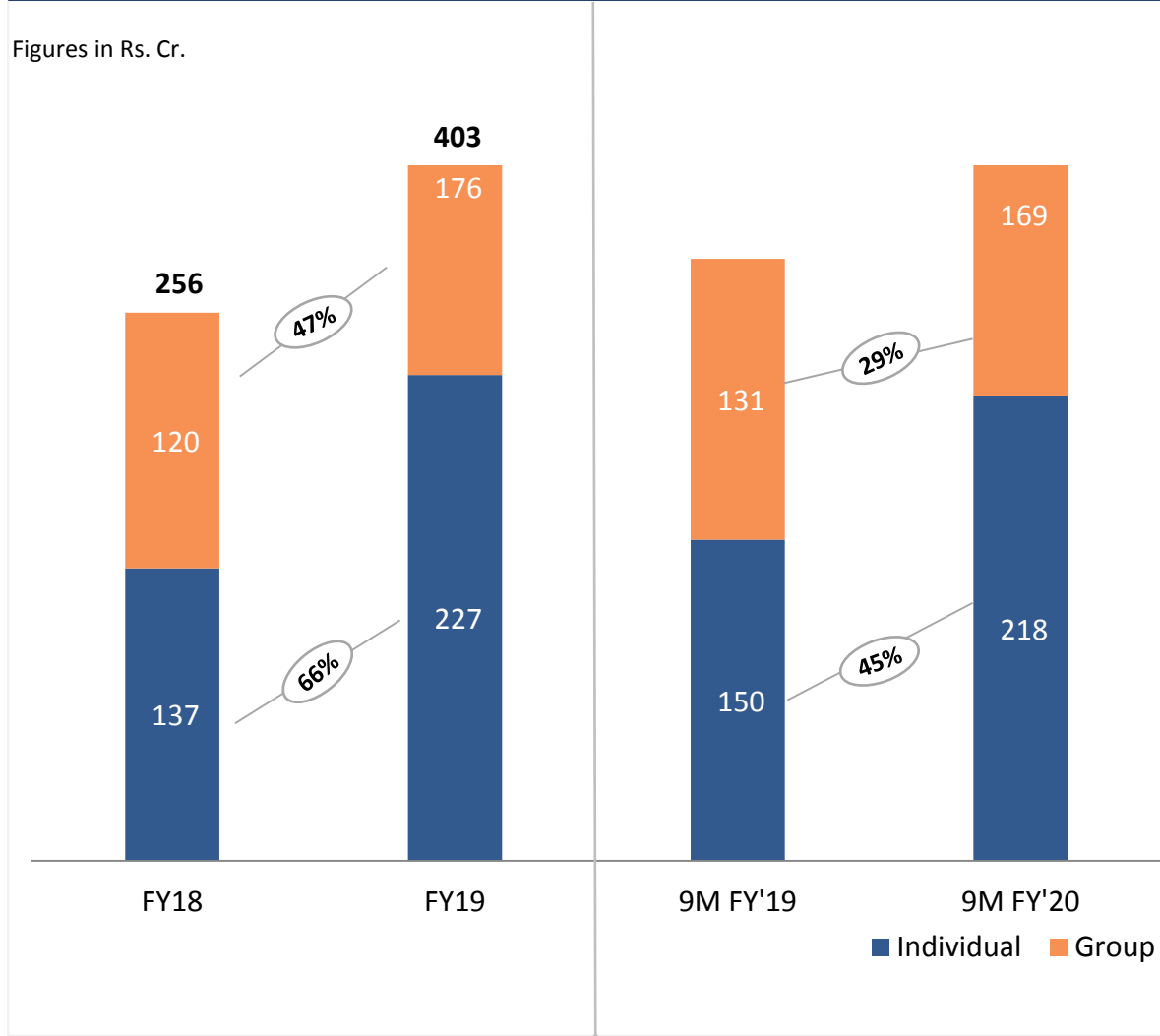
Average

(1) Based on all policies sold till date

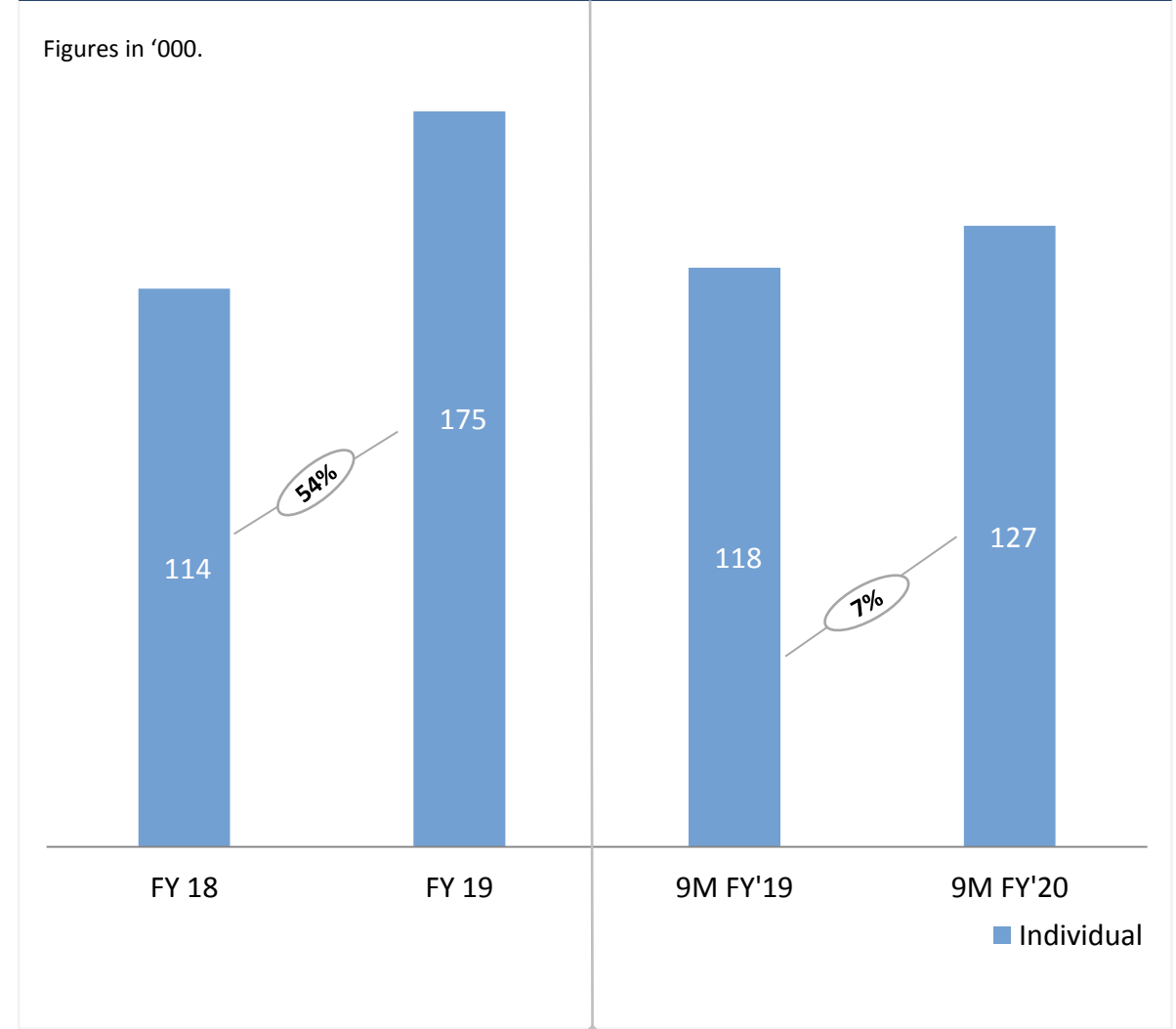
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Focus on Protection: 45% increase in individual protection APE, 31% of total individual policies are pure protection

Total APE (Individual + Group)



No of Protection Policies (Individual)- Lower NoP growth in 9M FY 20 due to introduction of limited pay term

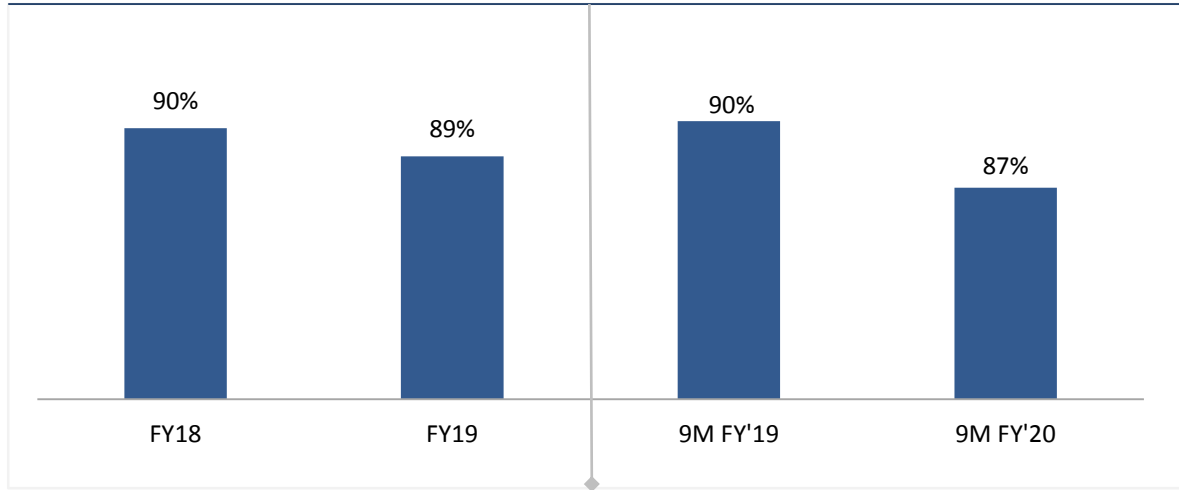




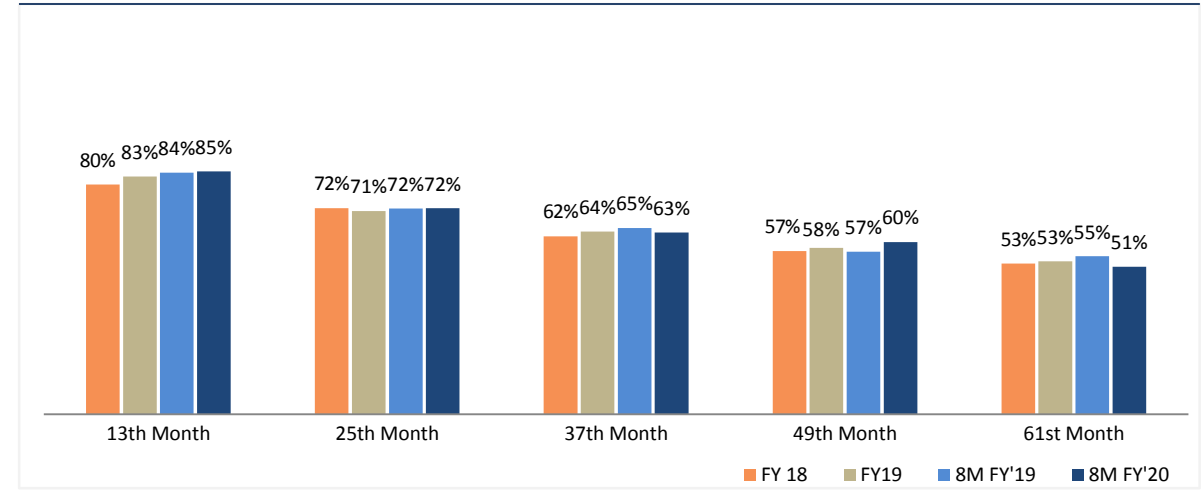
Strong focus towards customer measures has helped deliver superior performance across health parameters and will continue to remain an important priority



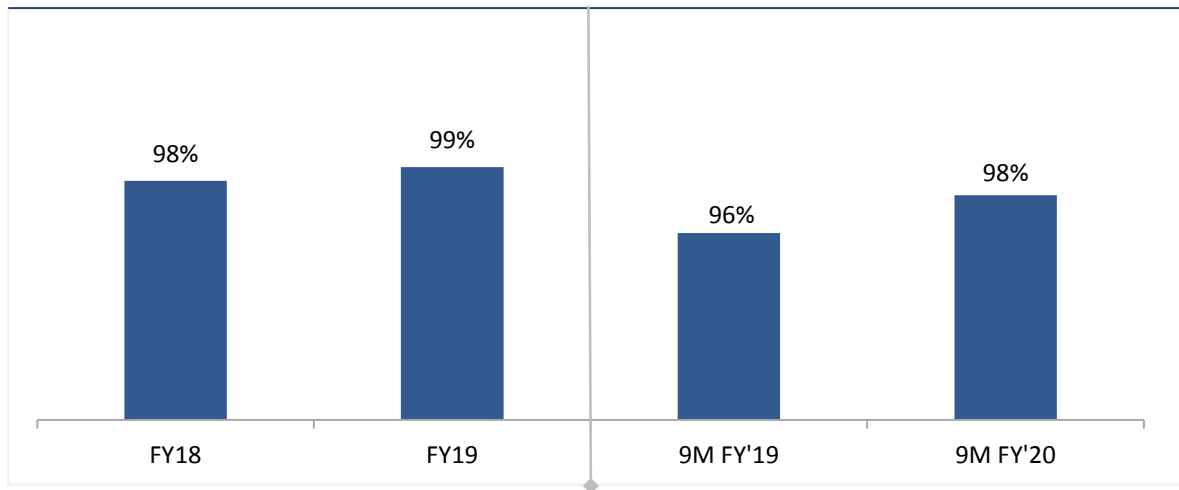
Conservation Ratio



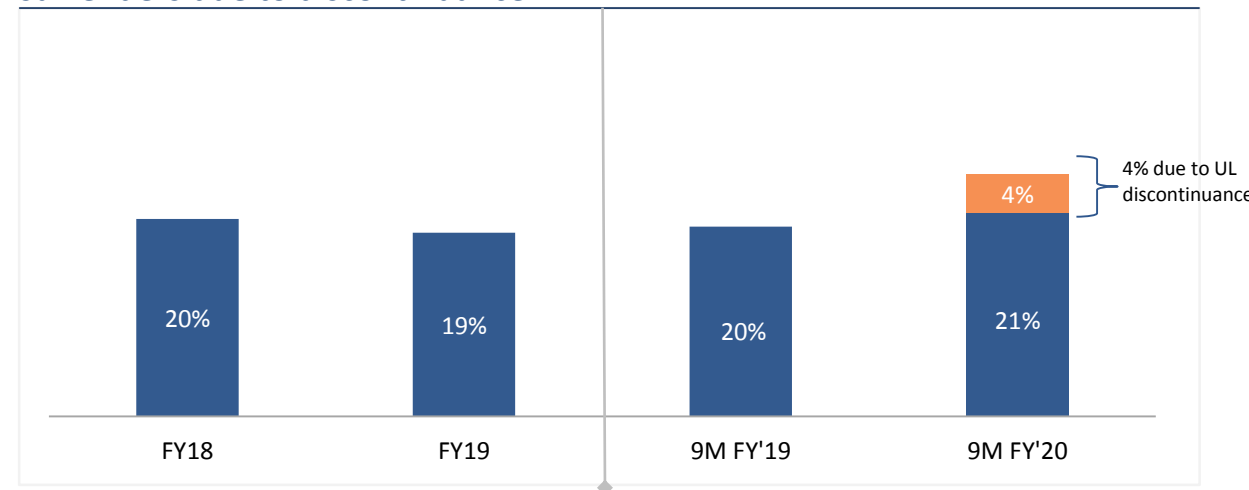
Persistency^



Claims Paid Ratio



Surrender to GWP- Higher Surrenders due to higher payouts w.r.t. UL surrenders due to discontinuance



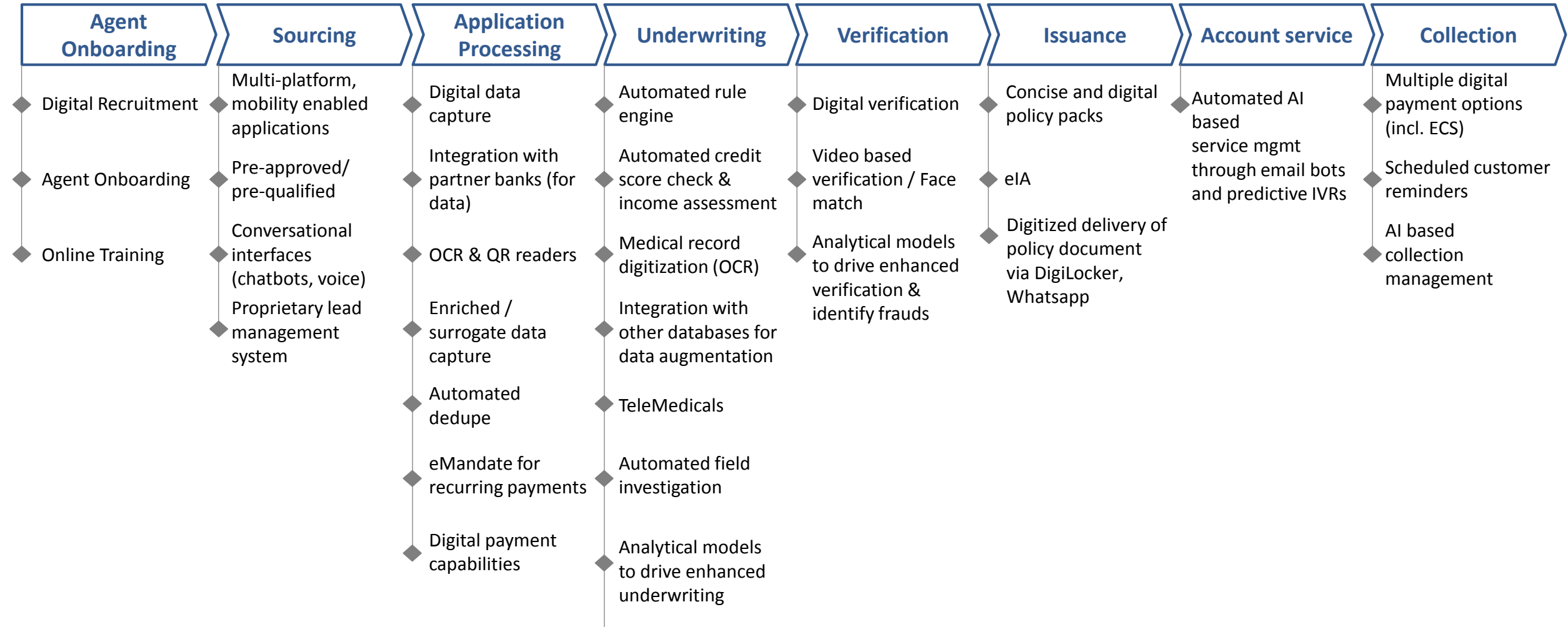
^Persistency disclosure is based on 8M FY20 and compared with 8M FY19 while for FY 19 and FY 18, persistency disclosure is for full 12 months



Significant elements of the value chain digitized, focus remains to leverage digitization & AI for augmenting efficiencies



Digital building blocks in end-to-end customer journey deployed at Max Life





SECTION IV

- ▶ Max Life Insurance – MCEV Disclosures: 9M FY'20
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Key Results

The Embedded Value¹ (EV) as at 31st December 2019 is **Rs 10,077² Cr.**

The annualized Operating Return on EV (RoEV)³ over 9M FY20 is circa **18.4%**. Including non-operating variances, the RoEV is 18.7%.

The New Business Margin (NBM) for 9M FY20 is **24.3%** (before allowing for acquisition operating cost overrun) and **21.0%** (post overrun). The Value of New Business (VNB) written over the period is **Rs 576 Cr** (post overrun), representing year on year growth of **24%**.

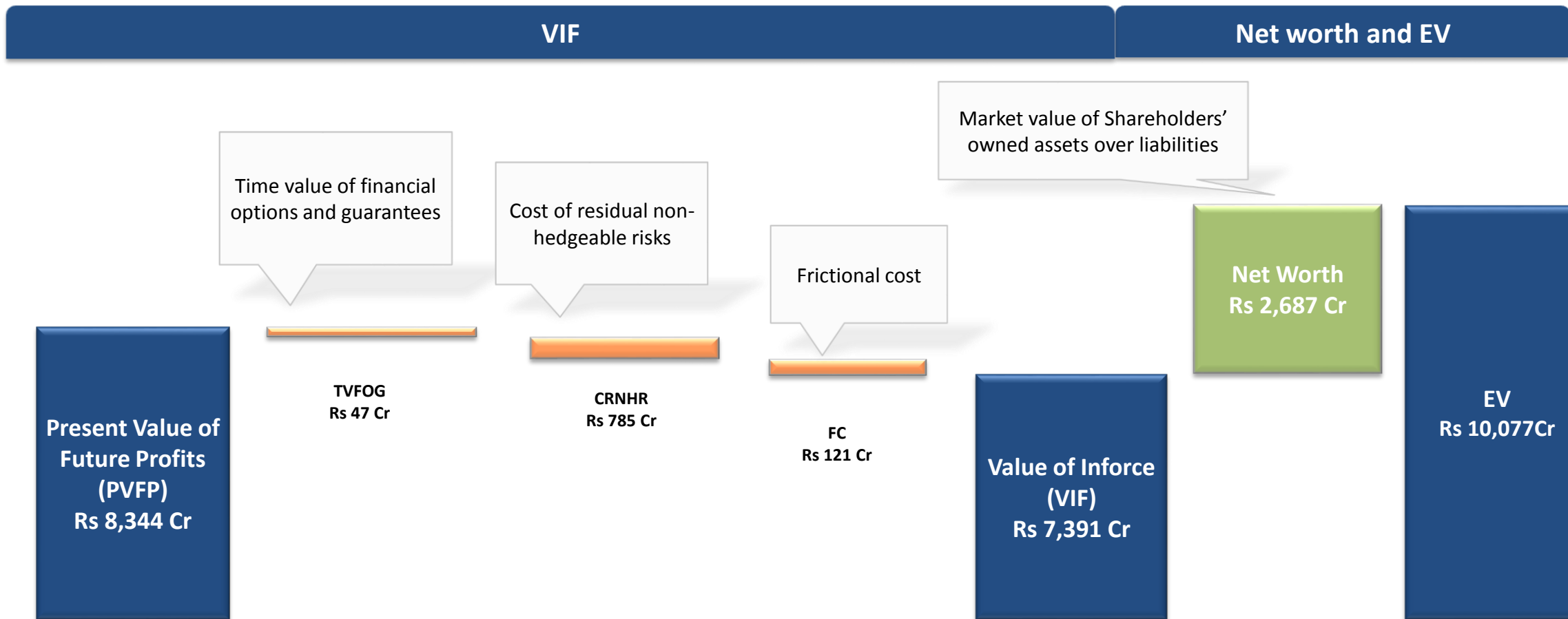
Notes:

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.

²EV of Rs 10,077 Cr allows for dividend of Rs 86 Cr for H1 FY20. However, no dividend payout has been made for current quarter (Q3 FY20)

³The Return on EV is calculated before capital movements during the year, example dividends.

Overview of the components of the EV as at 31st December 2019



1. The deductions for risks to arrive at the VIF represent a reduction of ~11% in the PVFP. The largest deduction is in respect of CRNHR.
2. Within CRNHR, persistency risk constitutes the largest risk component.

Value of New Business and New Business Margins as at 31st December 2019

Description	9M FY19	9M FY20	Y-o-Y growth
APE ¹	2,291	2,740	20%
New Business Margin (NBM) (before cost overrun)	22.8%	24.3%	+150 bps
New Business Margin (NBM) (post cost overrun)	20.4%	21.0%	+60 bps
Value of New Business ² (VNB) (post cost overrun)	466	576	24%

- The New Business Margin (NBM) before cost overrun has increased by circa 150 bps to 24.3% for 9M FY20 compared to 22.8% for 9M FY19.
- The increase in margin is primarily driven by increase in proportion of non-par business.
- Post allowing for acquisition operating cost overrun chargeable to shareholders, the NBM reduces to 21.0% for 9M FY20 compared to 20.4% for 9M FY19.

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. 31st December 2019), using the beginning of quarters' risk free yield curve.

Sensitivity analysis as at 30th September 2019

Figures in Rs Cr.

Sensitivity	EV		New business	
	Value (Rs Cr)	% change	VNB (Rs Cr) NBM	% change
Base Case (before final SH dividends)	9,831	-	364 21.0%	-
Lapse/Surrender - 10% increase	9,691	(1%)	351 20.3%	(4%)
Lapse/Surrender - 10% decrease	9,979	2%	378 21.8%	4%
Mortality - 10% increase	9,677	(2%)	346 20.0%	(5%)
Mortality - 10% decrease	9,987	2%	382 22.1%	5%
Expenses - 10% increase	9,741	(1%)	338 19.5%	(7%)
Expenses - 10% decrease	9,923	1%	390 22.6%	7%
Risk free rates - 1% increase	9,690	(1%)	373 21.6%	3%
Risk free rates - 1% reduction	9,903	1%	334 19.3%	(8%)
Equity values - 10% immediate rise	9,905	1%	364 21.0%	Negligible
Equity values - 10% immediate fall	9,648	(1%)	364 21.0%	Negligible
Corporate tax Rate - 2% increase	9,651	(2%)	353 20.4%	(3%)
Corporate tax Rate - 2% decrease	10,012	2%	375 21.6%	3%
Corporate tax rate increased to 25%	8,611	(12%)	293 16.9%	(20%)

















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 under new business allow for the change in the value of assets as at the date of valuation



SECTION V

- ▶ Max Life Insurance – Financial Performance
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Financial Performance Summary 9M FY'20

Pvt Market Share 9.0% [8.7%]  30 bps	Individual APE Rs 2,718 Cr [Rs 2,269 Cr]  20%	Gross Written Premium Rs 10,311 Cr [Rs 9,054 Cr]  14%	AUM Rs 68,618 Cr [Rs 58,397 Cr]  18%
Profit Before tax Rs 353 Cr [Rs 375 Cr]  6%	Net Worth Rs 2,727 Cr [Rs 2,514 Cr]  8%	Policyholder Expense to GWP Ratio 16.3% [14.5%]  >100 bps	Policyholder Cost to GWP Ratio 22.7% [21.1%]  >100 bps
New Business Margins Structural Actual 24.3% 21.0%# [22.8%] [20.4%]  60 bps	RoEV 18.4% [18.8%]  40 bps	Embedded Value* 10,077 [8,254]  18.4%	13th Month Persistency 85% [84%]  50 bps
VNB 576# [466]  24%	Policies Sold ('000) 412 [406]  1%	Claim Settlement Ratio 97.8% [96.5%]  >100 bps	Protection Mix** Individual Group Total 8% 6% 13% [6%] [5%] [12%]  >100 bps

Figures in [brackets] are for previous year numbers # VNB and Margins are post effective tax rate and reduction of CRNHR from 5% to 4%

*Growth on Embedded value is operating RoEV, **Group protection (incl. Group credit life adjusted for 10% for single premium and term business);

Delivering consistent growth in top line and investing for future growth

Financial Performance

➤ Individual APE

➤ Renewal Premium

➤ Gross Premium

➤ Policyholder expense to GWP Ratio

➤ Policyholder Cost to GWP Ratio

➤ Expense to average AUM (Policyholder)

	FY18		FY19		9M FY'19		9M FY'20
Individual APE	3,217	22% ↑	3,917		2,269	20% ↑	2,718
Renewal Premium	8,152	15% ↑	9,415		5,956	11% ↑	6,618
Gross Premium	12,501	17% ↑	14,575		9,054	14% ↑	10,311
Policyholder expense to GWP Ratio	12.9%	34 bps ↑	13.2%		14.5%	179 bps ↑	16.3%
Policyholder Cost to GWP Ratio	20.0%	↔	20.0%		21.1%	159 bps ↑	22.7%
Expense to average AUM (Policyholder)	3.6%	↔	3.6%		3.4%	35 bps ↑	3.8%

Healthy and consistent long term profitability creating value to all the stakeholders while maintaining solvency above required levels

Financial Performance

➤ Profit(before Tax)

➤ AUM

➤ New Business Margin (Post Overrun)

➤ MCEV (pre dividend)^

➤ Operating RoEV

➤ Solvency Ratio

	FY18		FY19		9M FY'19		9M FY'20
Profit(before Tax)	615	↑ 1%	623		375	↓ 6%	353
AUM	52,237	↑ 20%	62,798		58,397	↑ 18%	68,618
New Business Margin (Post Overrun)	20.2%	↑ 150 bps	21.7%		20.4%	↑ 60 bps	21.0%
MCEV (pre dividend)^	7,706	↑ 22%	9,257		8,254	↑ 18%	10,077
Operating RoEV	20.6%	↑ 130 bps	21.9%		18.8%	↓ 40 bps	18.4%
Solvency Ratio	275%	↓ 33%	242%		239%	↓ Abs 19%	220%

Figures in Rs. Cr.

^Arrow represents growth in Operating RoEV

Performance update- Q3'FY20 and 9M'FY20

Key Business Drivers	Unit	Quarter Ended		Q-o-Q Growth	Period Ended		Y-o-Y Growth
		Dec'18	Dec'19		Dec'18	Dec'19	
a) Individual APE	Rs. Crore	864	1,000	16%	2,269	2,718	20%
b) Gross written premium income	Rs. Crore	3,435	3,879	13%	9,054	10,311	14%
First year premium		860	999	16%	2,242	2,698	20%
Renewal premium		2,245	2,477	10%	5,956	6,618	11%
Single premium		330	403	22%	857	996	16%
c) Shareholder Profit (Pre Tax)*	Rs. Crore	99	183	85%	375	353	-6%
d) Policy Holder Expense to Gross Premium	%	14.0%	15.6%	-155 bps	14.5%	16.3%	-179 bps
e) Conservation ratio	%	89.4%	88.2%	-122 bps	89.8%	87.5%	-236 bps
f) Average case size(Agency)	Rs.	56,360	62,272	10%	54,649	65,106	19%
g) Share Capital	Rs. Crore				1,919	1,919	0%
h) Individual Policies in force	No. Lacs				41.97	43.24	3%
i) Sum insured in force	Rs. Crore				659,404	874,145	33%
j) Grievance Ratio	Per Ten thousand				68	56	18%

Annexure

Market consistent methodology

- The EV and VNB have been determined using a market consistent methodology which differs from the traditional EV approach in respect of the way in which allowance for the risks in the business is made.
- For the market consistent methodology, an explicit allowance for the risks is made through the estimation of the Time Value of Financial Options and Guarantees (TVFOG), Cost of Residual Non-Hedgeable Risks (CRNHR) and Frictional Cost (FC) whereas for the traditional EV approach, the allowance for the risk is made through the Risk Discount Rate (RDR).

Components of EV

The EV is calculated to be the sum of:

- Net Asset value (NAV) or Net Worth: It represents the market value of assets attributable to shareholders and is calculated as the adjusted net worth of the company (being the net shareholders' funds as shown in the audited financial statements adjusted to allow for all shareholder assets on a market value basis, net of tax).
- Value of In-force (VIF): This component represents the Present Value of Future expected post-tax Profits (PVFP) attributable to shareholders from the in-force business as at the valuation date, after deducting allowances for TVFOG, CRNHR and FC. Thus, $VIF = PVFP - TVFOG - CRNHR - FC$.

Covered Business

- All business of Max Life is covered in the assessment except one-year renewable group term business and group fund business which are excluded due to their immateriality to the overall EV.

Present Value of Future Profits (PVFP)

- Best estimate cash flows are projected and discounted at risk free investment returns.
- PVFP for all lines of business except participating business is derived as the present value of post-tax shareholder profits from the in-force covered business.
- PVFP for participating business is derived as the present value of shareholder transfers arising from the policyholder bonuses *plus* one-tenth of the present value of future transfers to the participating fund estate and one-tenth of the participating fund estate as at the valuation date.
- Appropriate allowance for mark-to-market adjustments to policyholders' assets (net of tax) have been made in PVFP calculations to ensure that the market value of assets is taken into account.
- PVFP is also adjusted for the cost of derivative arrangements in place as at the valuation date.

Cost of Residual Non-Hedgeable Risks (CRNHR)

- The CRNHR is calculated based on a cost of capital approach as the discounted value of an annual charge applied to the projected risk bearing capital for all non-hedgeable risks.
- The risk bearing capital has been calculated based on 99.5 percentile stress events for all non-hedgeable risks over a one-year time horizon. The cost of capital charge applied is 4% per annum. The approach adopted is approximate.
- The stress factors applied in calculating the projected risk capital in the future are based on the latest EU Solvency II directives recalibrated for Indian and Company specific conditions.

Time Value Of Options and Guarantees (TVFOG)

- The TVFOG for participating business is calculated using stochastic simulations which are based on 5,000 stochastic scenarios provided by Moody's Analytics.
- Given that the shareholder payout is likely to be symmetrical for guaranteed non-participating products in both positive and negative scenarios, the TVFOG for these products is taken as zero.
- The cost associated with investment guarantees in the interest sensitive life non-participating products are allowed for in the PVFP calculation and hence an explicit TVFOG allowance has not been calculated.
- For all unit-linked products with investment guarantees, extra statutory reserves have been kept for which no release has been taken in PVFP and hence an explicit TVFOG allowance has not been calculated.

Frictional Cost (FC)

- The FC is calculated as the discounted value of tax on investment returns and dealing costs on assets backing the required capital over the lifetime of the in-force business. Required capital has been set at 170% of the Required Solvency Margin (RSM) which is the internal target level of capital, which is higher than the regulatory minimum requirement of 150%.
- While calculating the FC, the required capital for non-participating products is funded from the shareholders' fund and is not lowered by other sources of funding available such as the excess capital in the participating business (i.e. participating fund estate).

Economic Assumptions

- The EV is calculated using risk free (government bond) spot rate yield curve taken from FBIL¹ as at 31st December 2019. The VNB is calculated using the beginning of respective quarter's risk free yield curve (i.e. 31st March 2019, 30th June 2019, 30th September 2019 respectively).
- No allowance has been made for liquidity premium because of lack of credible information on liquidity spreads in the Indian market.
- Samples from 31st December 2019 and 31st March 2019 spot rate yield curves used:

Year	1	2	3	4	5	10	15	20	25	30
Mar 19	6.43%	6.56%	6.66%	6.87%	6.99%	7.40%	7.83%	7.78%	7.73%	7.72%
Dec 19	5.53%	5.96%	6.29%	6.52%	6.72%	6.85%	7.21%	7.28%	7.23%	7.33%
Change	-0.90%	-0.59%	-0.37%	-0.35%	-0.27%	-0.55%	-0.62%	-0.50%	-0.50%	-0.39%

Demographic Assumptions

The lapse and mortality assumptions are approved by 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 the effective tax rate post allowing for tax exemption on dividend income 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.

