



# Leadership in life insurance

November 2015

# Agenda

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Industry overview

Outlook

Company strategy and performance

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# Evolution of life insurance industry in India

	FY2002		FY2010		FY2015
New business premium <sup>1</sup> (Rs bn)	116	21.5%	550	-5.8%	408
Total premium (Rs bn)	501	23.2%	2,655	4.3%	3,277
Penetration (as a % to GDP)	2.1%		4.1%		2.6%
Assets under management (Rs bn)	2,304	24.0%	12,899	12.7%	23,442
In-force sum assured <sup>2</sup> (Rs bn)	11,812*	15.5%	37,505	16.0%	78,786
In-force sum assured (as % to GDP)	50.1%		57.9%		62.8%

1. Retail weighted premium

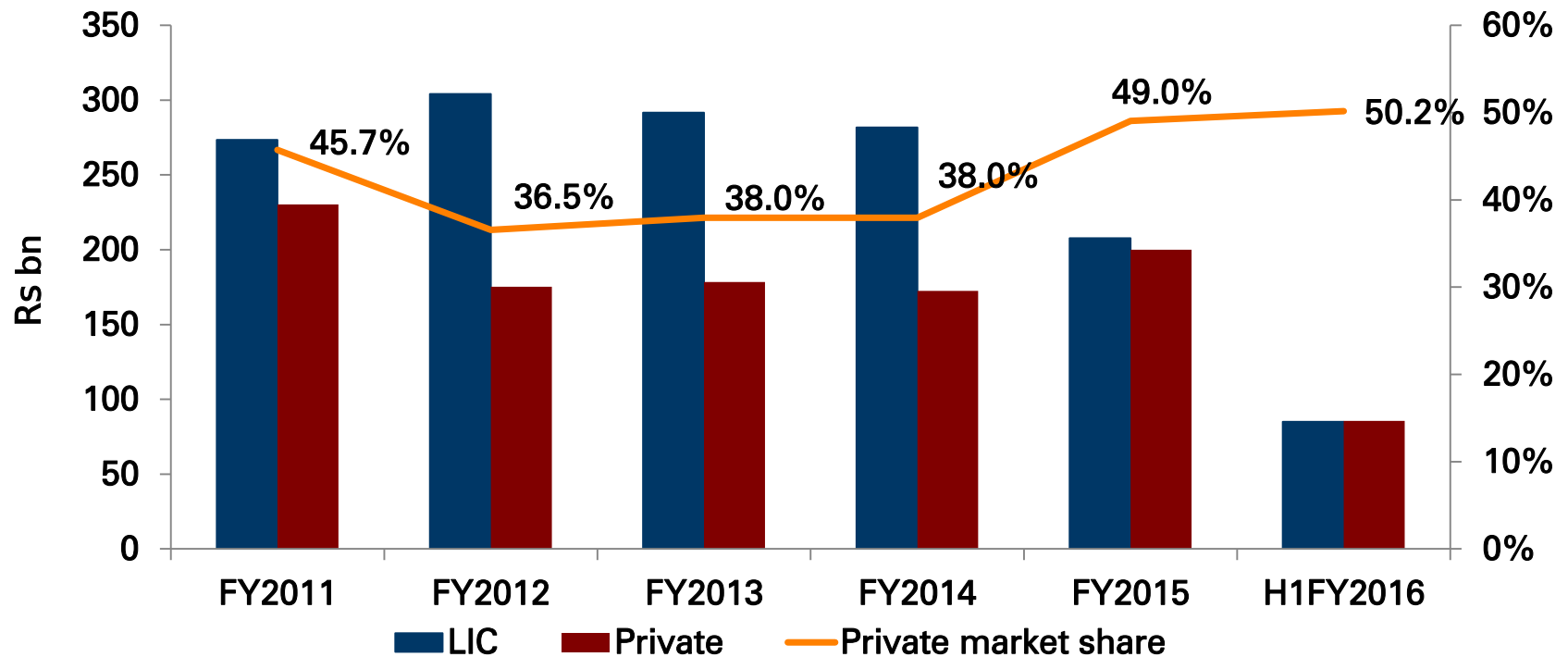
2. Individual and Group in-force sum assured

Source: IRDAI, CSO, Life insurance council

\* Company estimate

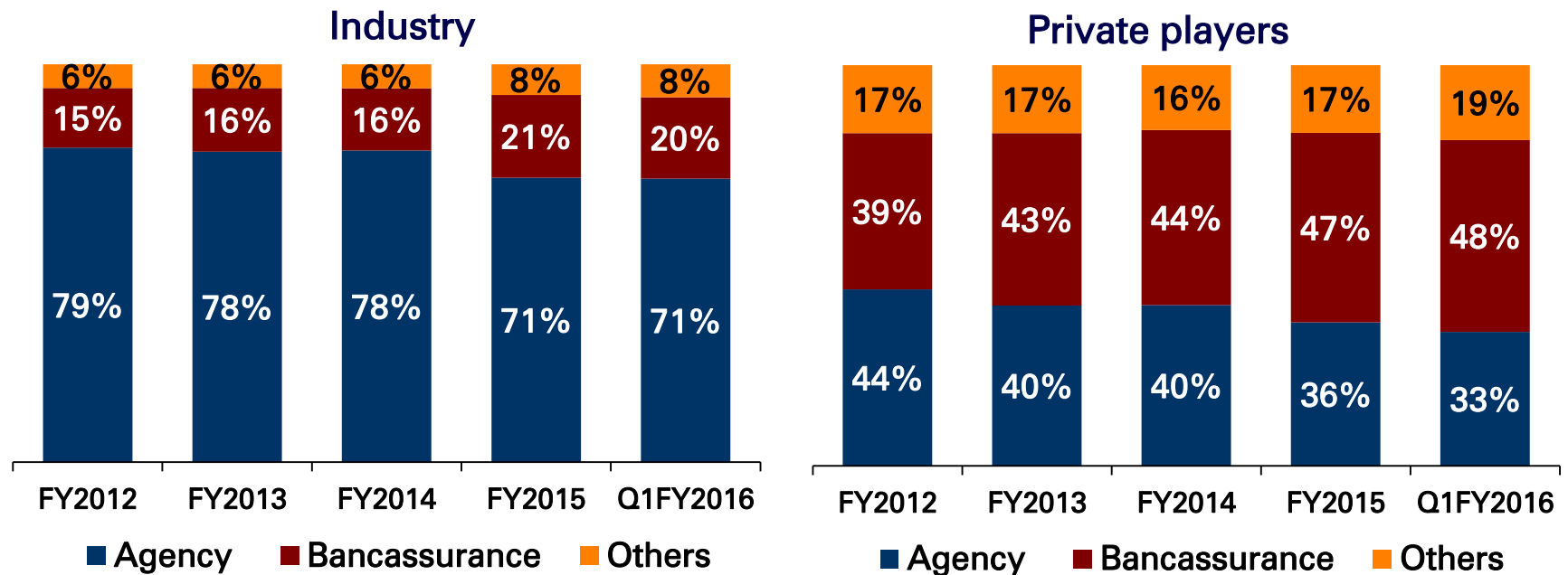
# New business<sup>1</sup>: Private players showing strong growth

Growth	FY2012	FY2013	FY2014	FY2015	H1FY2016
Private	-23.9%	1.9%	-3.4%	15.9%	15.2%
LIC	11.2%	-4.1%	-3.4%	-26.3%	-11.1%
Industry	-4.8%	-1.9%	-3.4%	-10.3%	0.4%



1. Retail weighted new business premium  
Source : IRDAI, Life insurance council

# Bancassurance dominant channel for private players<sup>1</sup>



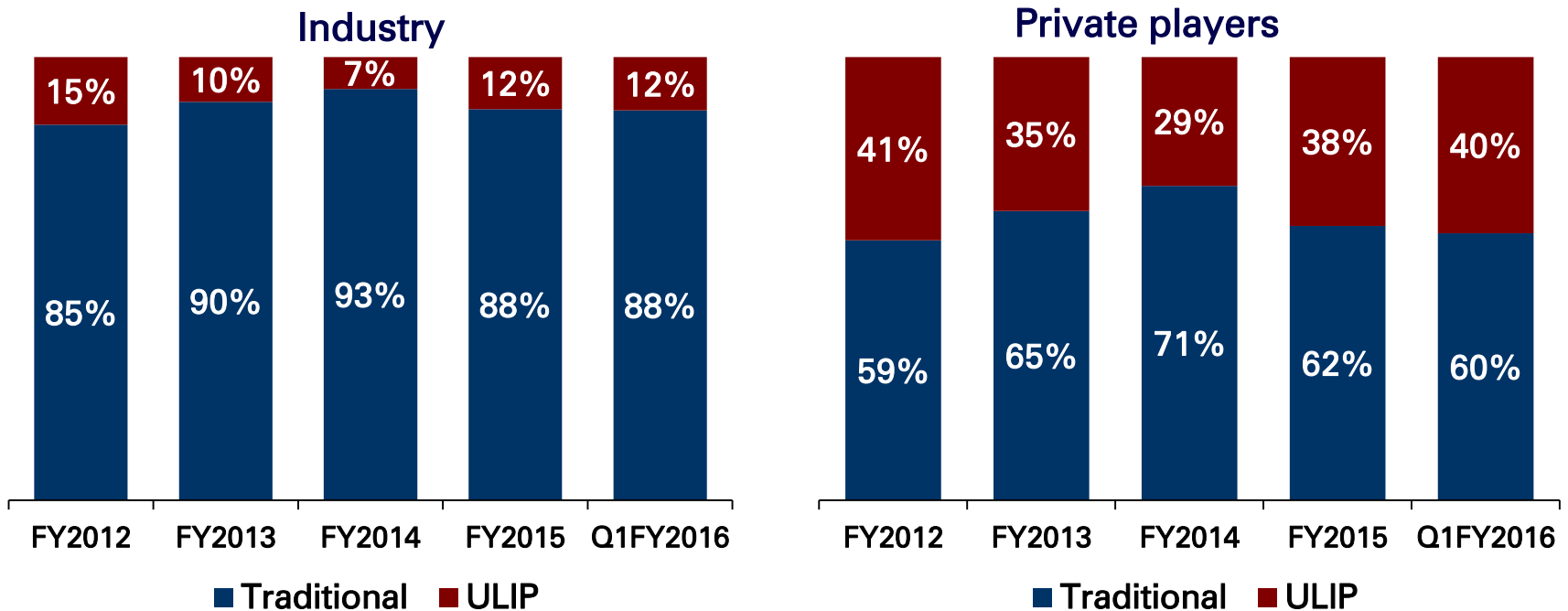
- Given a well developed banking sector, bancassurance has become largest channel for private players
- LIC- 95% of Individual new business sales contributed by agency

1. Individual new business premium basis

Source: IRDAI, Public disclosures

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

# Share of ULIPs on the rise<sup>1</sup>



- **Strong value proposition of ULIPs**

- Transparent and low charges
- Lower discontinuance charges upto year 5 and zero surrender penalty after 5 years
- Choice of asset allocation to match risk appetite of different customer

1. New business premium basis  
Source: IRDAI, Life insurance council

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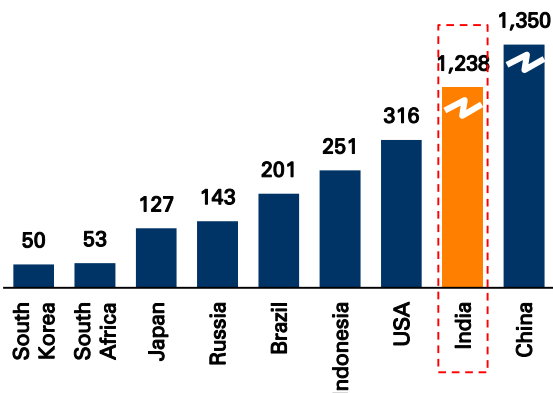
Company strategy and performance



# Favourable demography to drive macro growth

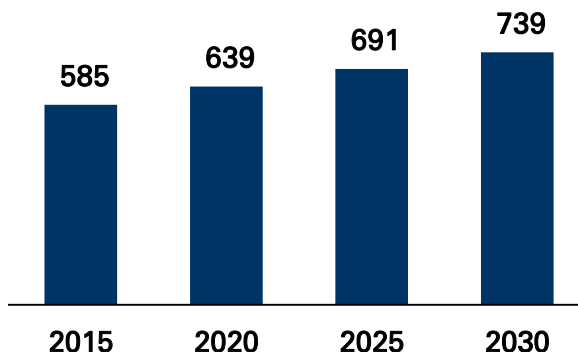
## Large and Growing Population Base<sup>1</sup>

2013 Population (mn)



## High Share of Working Population<sup>2</sup>

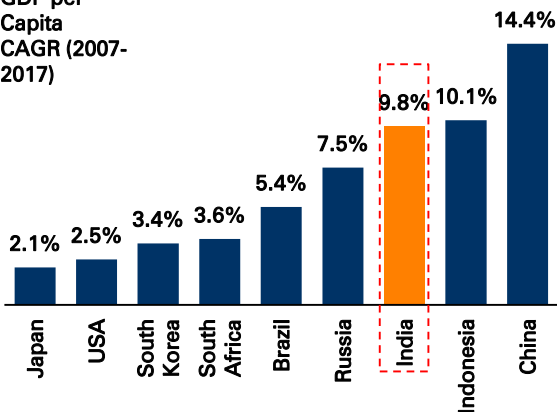
Population of age 25-60 years (in mn)



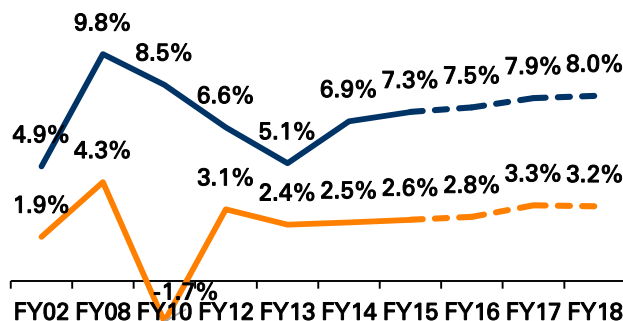
- Indian economy poised to head towards sustained growth fuelled by favourable demographics, rising affluence

## Rising Affluence<sup>1</sup>

GDP per Capita CAGR (2007-2017)



## Driving GDP Growth<sup>3</sup>



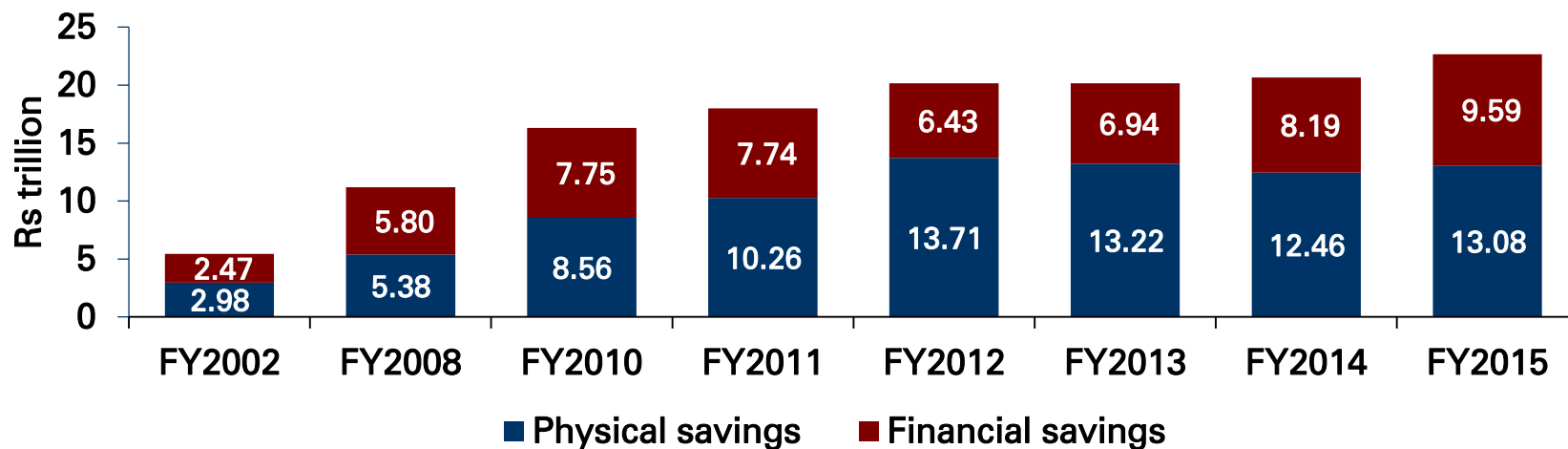
- Growth rate of total premium written by the insurance industry has outpaced the GDP growth rate over the period of FY2002-FY2015

— India — World

1. Source: Economist Intelligence Unit  
 2. Source: UN population division 2013 release  
 3. Source: World bank database

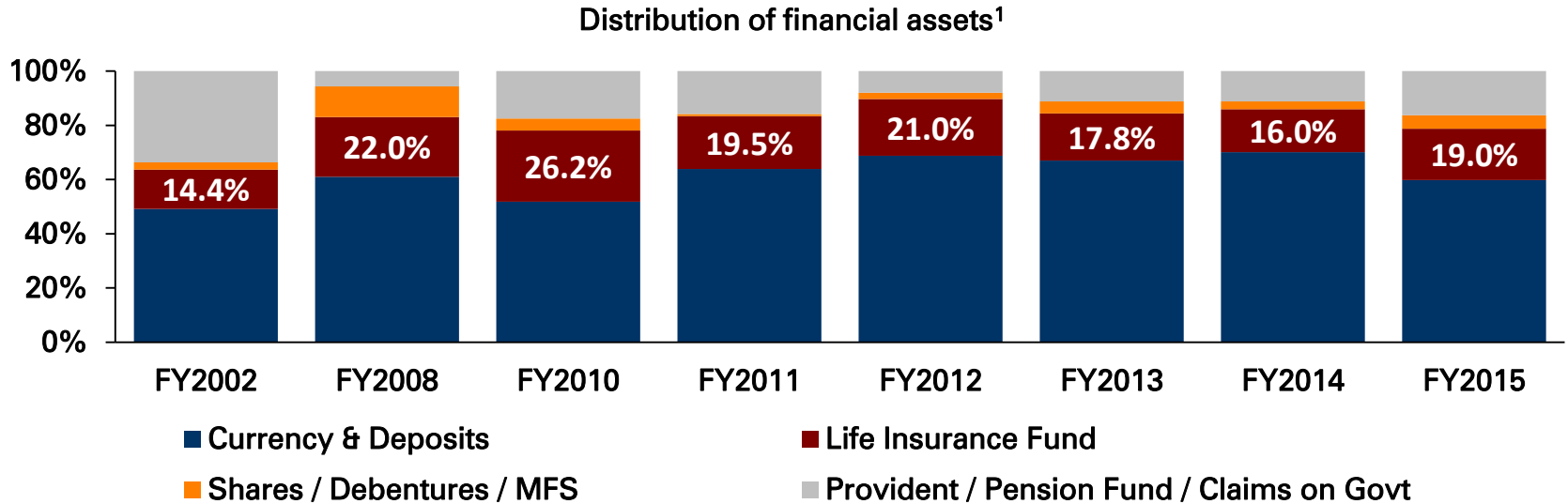
# Financial savings headed toward a rebound

Financial year	2002	2008	2010	2011	2012	2013	2014	2015
Financial savings / GDP	10.5%	11.6%	12.0%	9.9%	7.3%	7.0%	7.2%	7.6%
Household savings / GDP	23.2%	22.4%	25.2%	23.1%	22.8%	20.2%	18.2%	18.1%*

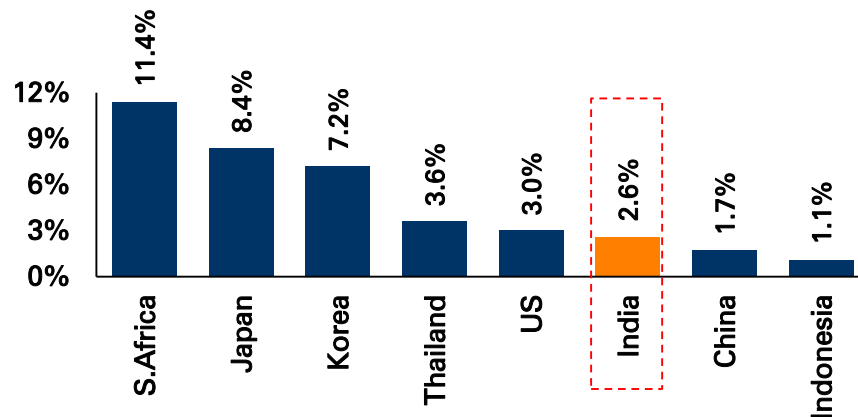


- India has a high household savings rate
- Part of physical savings shifting to financial savings

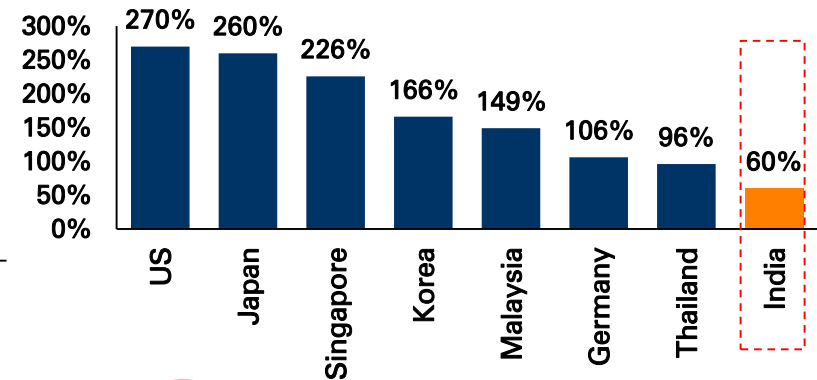
# Share of insurance in financial savings expected to rise



Penetration (Premium / GDP)<sup>2</sup>



Sum Assured as % of GDP<sup>3</sup>



1. Source: Reserve Bank of India

2. Source: Swiss Re - World insurance in 2014

3. Source: McKinsey analysis 2013

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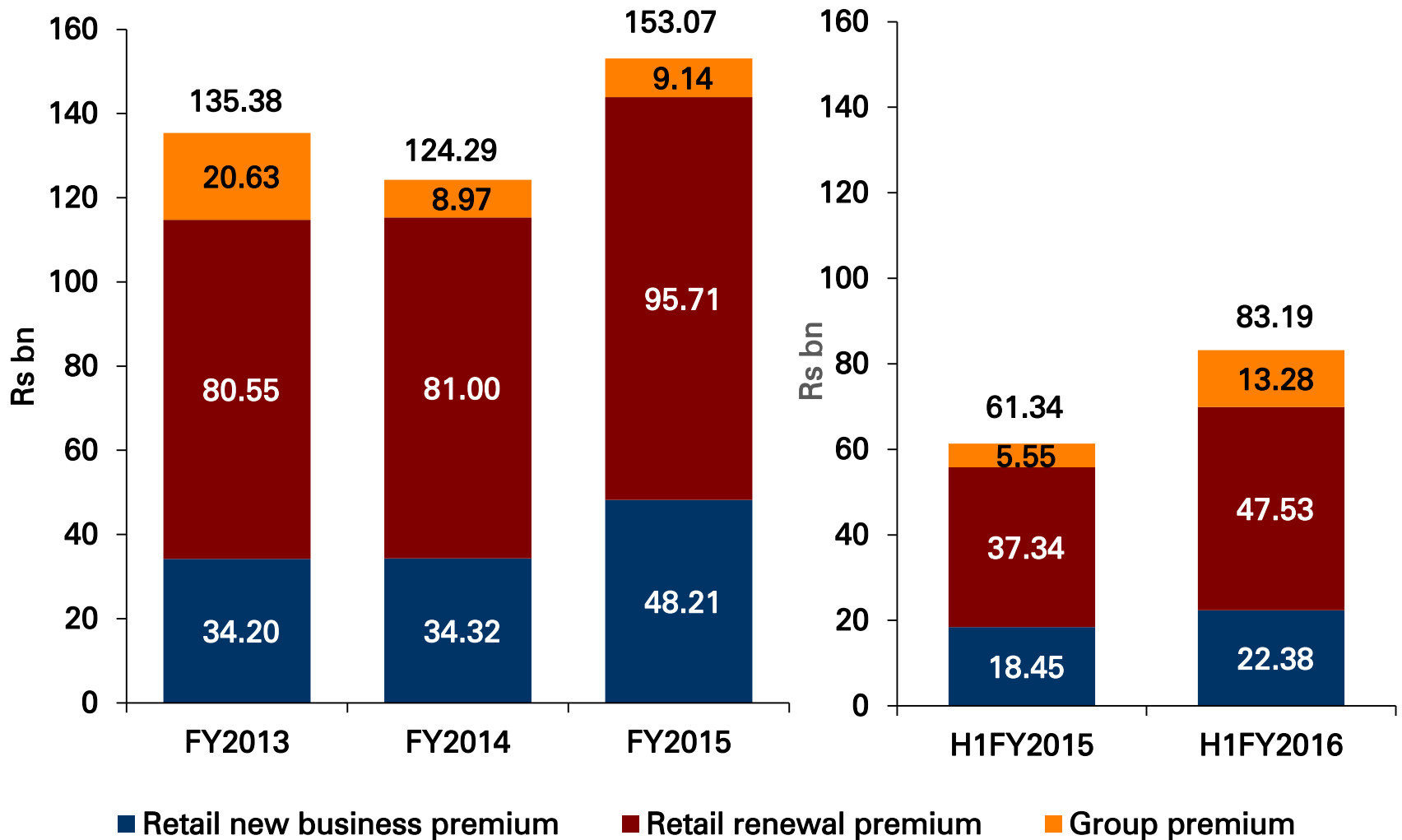
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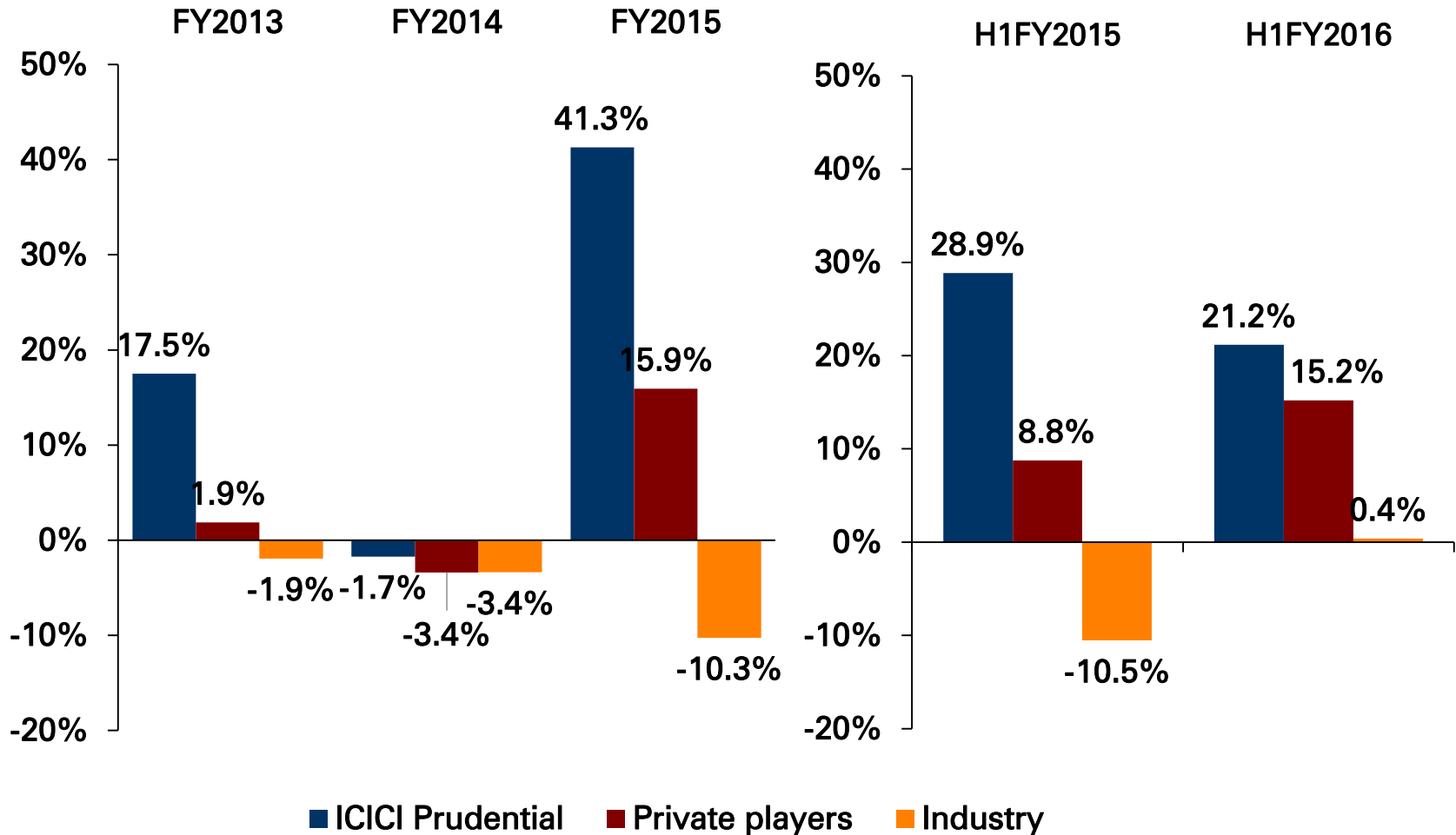
# Strategy: Market leadership + Profitable growth

Customer centricity	Distribution	Sustainability
<ul style="list-style-type: none"><li>● Superior value to customers through better products</li><li>● Superior risk adjusted fund performance</li><li>● Smooth on-boarding and service experience</li></ul>	<ul style="list-style-type: none"><li>● Multi-channel approach</li><li>● Micro market strategies leading to Geographic leadership</li><li>● Digital platform to expand distribution capacity and improve productivity</li></ul>	<ul style="list-style-type: none"><li>● Improve cost efficiency</li><li>● Better persistency and surrender control</li><li>● Robust risk management and control process</li></ul>

# Premium summary

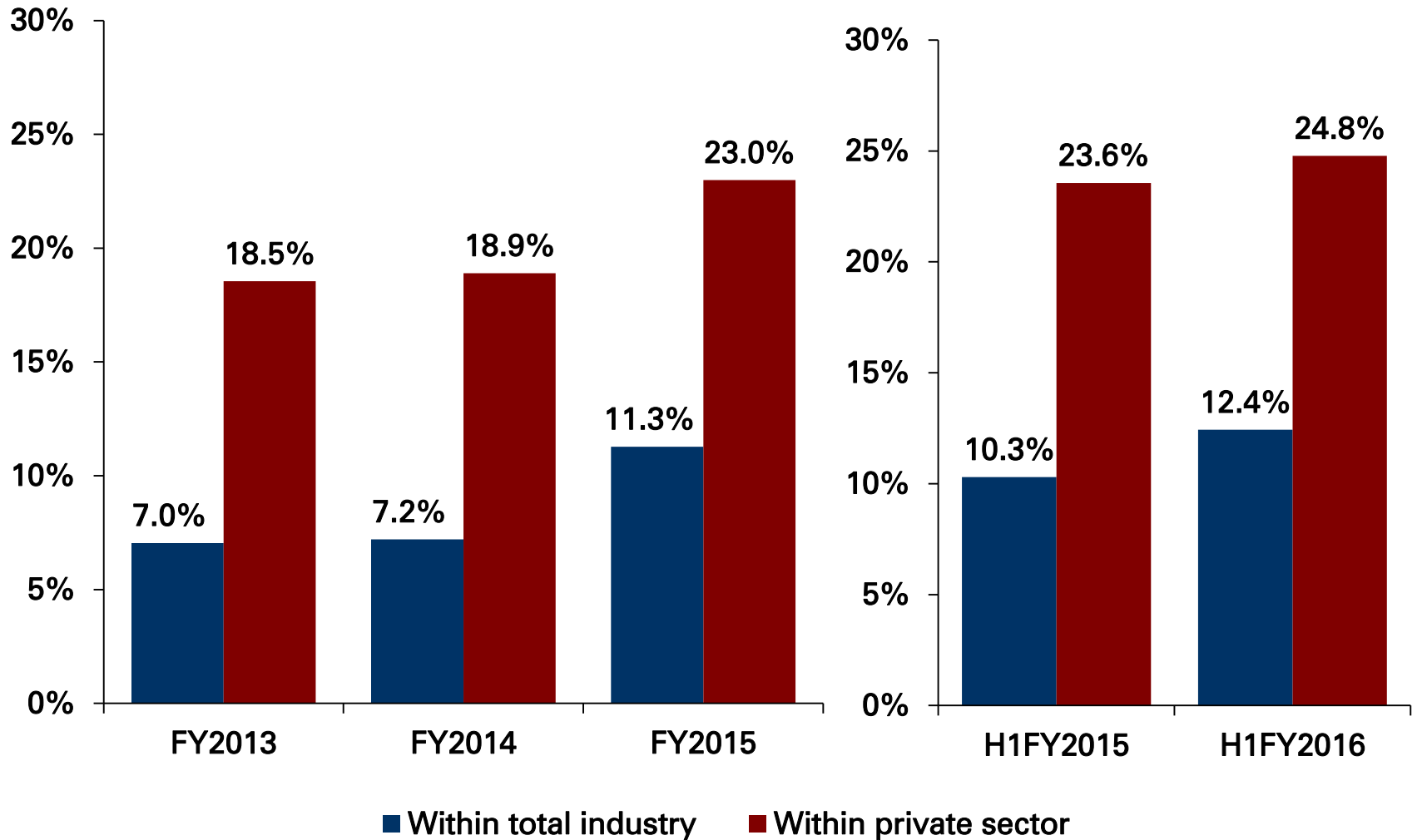


# Consistently outperforming industry growth<sup>1</sup>



1. Retail weighted received premium (RWRP) basis  
Source: IRDAI, Life insurance council

# Gaining market share<sup>1</sup>





# Consistent leadership<sup>1</sup>

	FY2002	FY2006	FY2010	FY2013	FY2014	FY2015	H1FY2016
1							
2							
3							
4							
5							
6							

# Product strategy

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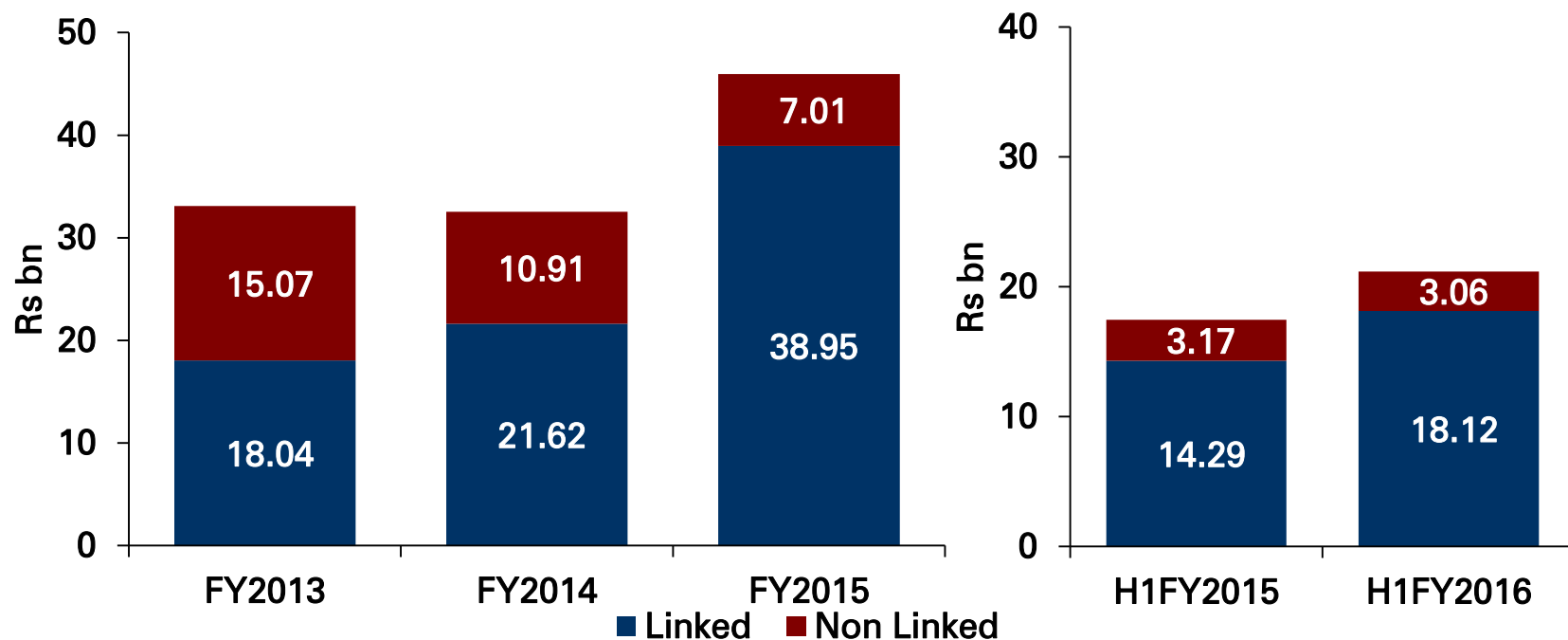
- **Customer centric product design**
  - Offer superior IRRs to customer, IRR increases with tenure
  - Products for every life stage & income segment
- **Increased focus on protection**
  - Credit life
  - Attachment with our savings products and partner products
  - Health
- **From products to iSolutions**
  - Combining products to create customized solutions

# Product strategy

<b>Savings</b>	<b>Characteristics</b>	<b>Strategy</b>
<b>Linked</b>	Transparent; low charges; choice of asset class; no lapse risk for customers	Core product offering; funds across asset classes and option for capital protection to cater customers with different risk appetite
<b>Par</b>	Upside based on fund performance; 90% of surplus shared with customers as bonus	Allow product mix to float between par and linked based on customer preference
<b>Non-Par savings</b>	Guaranteed returns; high lapse risk for customers	Not an area of focus currently
<b>Protection</b>	<b>Business environment</b>	<b>Strategy</b>
<b>Term</b>	Low penetration	Grow at 2x-3x of company's overall growth
<b>Health</b>	Regulatory changes likely to create level playing field vis-a-vis P&C players	Emerging focus area; growth dependent on evolving environment

# Product mix

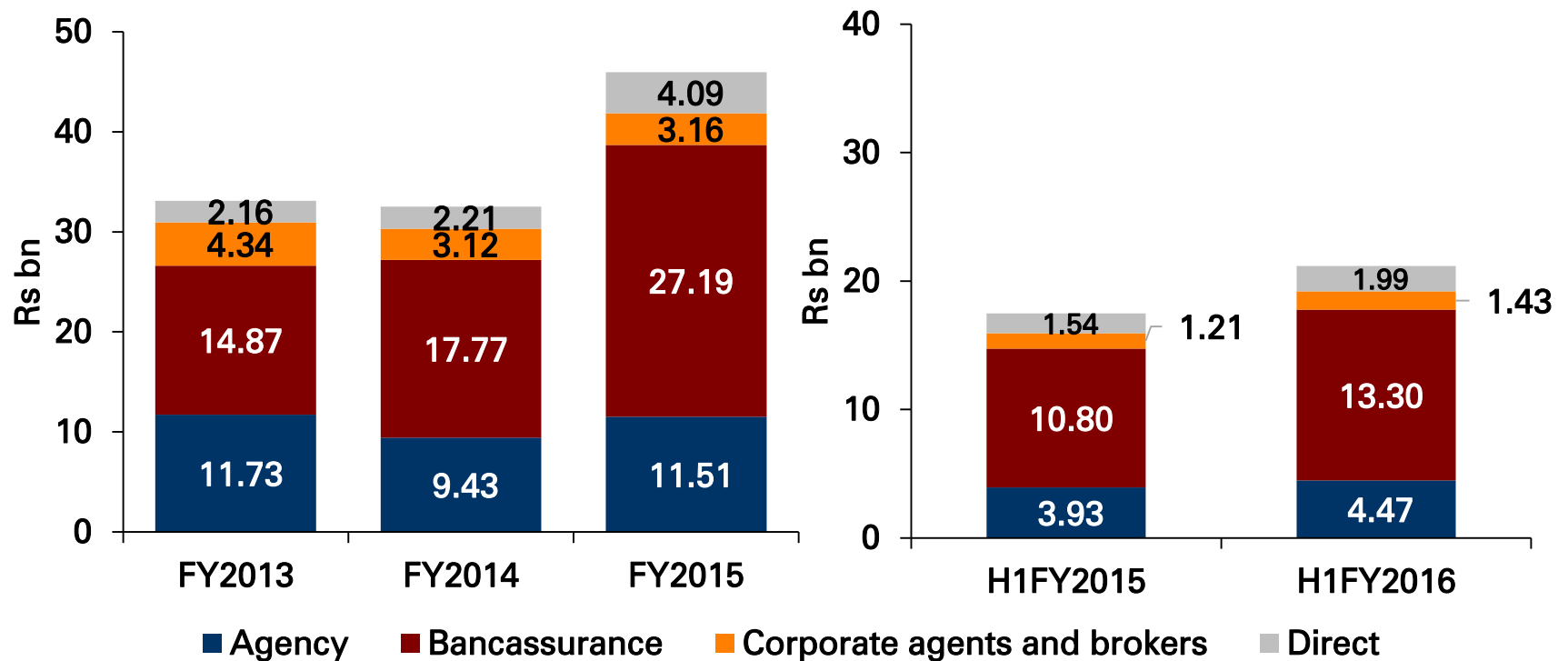
Product mix <sup>1</sup>	FY2013	FY2014	FY2015	H1FY2015	H1FY2016
Linked	54.5%	66.5%	84.8%	81.8%	85.6%
Non Linked	45.5%	33.5%	15.2%	18.2%	14.4%



- Protection APE increased from Rs 0.29 bn in H1FY2015 to Rs 0.49 bn in H1FY2016

# Channel mix

Channel Mix <sup>1</sup>	FY2013	FY2014	FY2015	H1FY2015	H1FY2016
Agency	35.4%	29.0%	25.0%	22.5%	21.1%
Bancassurance	44.9%	54.6%	59.2%	61.8%	62.8%
Corporate agents and brokers	13.1%	9.6%	6.9%	6.9%	6.7%
Direct	6.5%	6.8%	8.9%	8.8%	9.4%



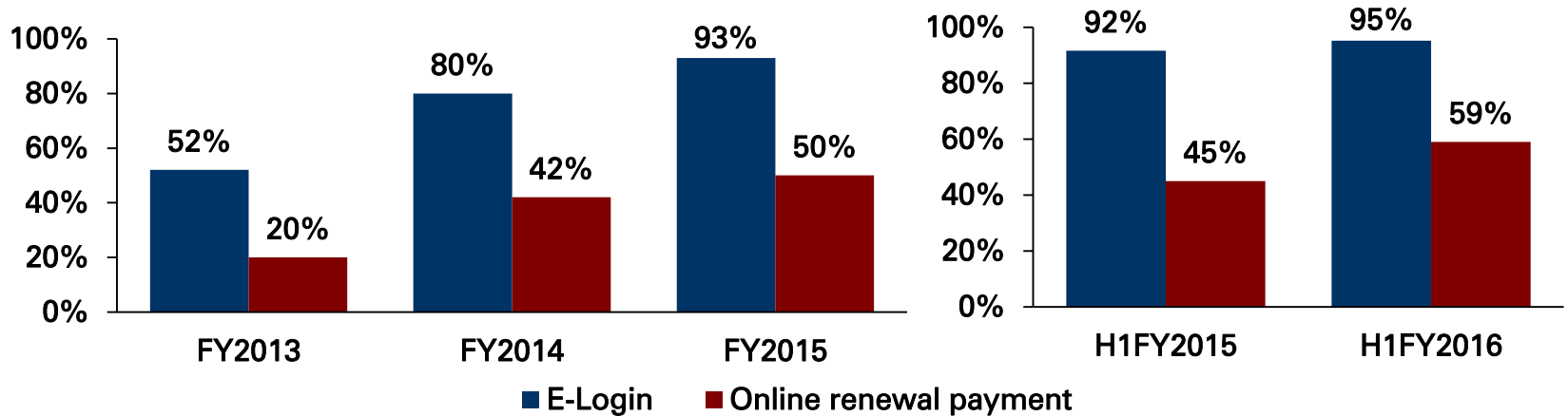
# Leveraging technology across value chain

Pre sales	Fulfilment	Post sales
<ul style="list-style-type: none"><li>● Structured sales approach and need analysis</li><li>● Product literature in 12 languages to aid sales</li><li>● Standardized content including videos to enable consistent messaging</li><li>● Integrated with lead management system</li></ul>	<ul style="list-style-type: none"><li>● Intuitive, easy to use app form with data pre population</li><li>● eKYC – no doc required for existing ICICI Bank, ICICI Life customers and Aadhar card holders</li><li>● Ease of scanning and uploading doc</li><li>● Instant underwriting</li><li>● Support multiple Online payment options</li></ul>	<ul style="list-style-type: none"><li>● Enable anytime, anywhere servicing</li><li>● View and update policy details and execute payments</li><li>● Ease of upsell through pre-approved additional cover</li><li>● Ease of self-servicing for employee / agent</li></ul>

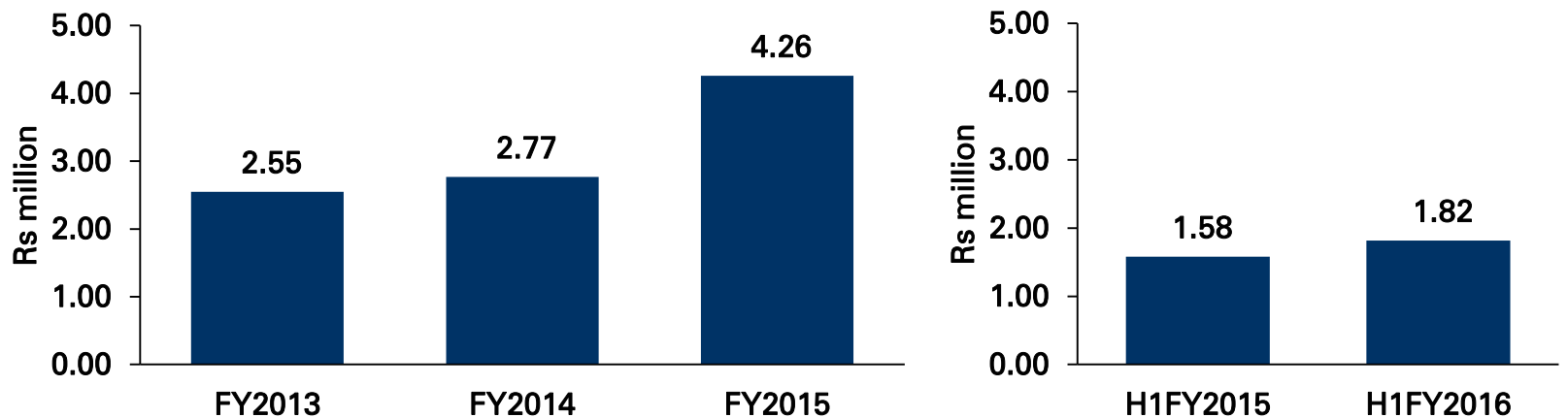
**Issuance and delivery of e-policy within 2 hours**

# Digitization impact

## E-Login<sup>1</sup> and online renewal payment<sup>2</sup>



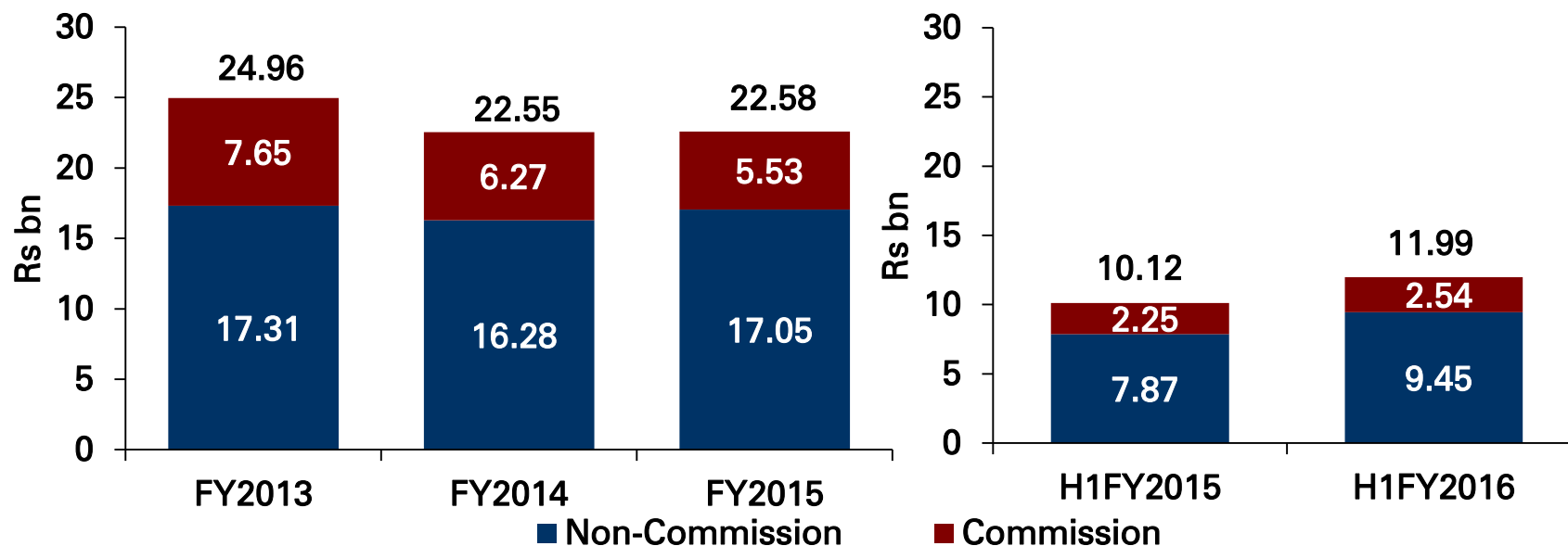
## Employee productivity<sup>3</sup>



1. New business applications generated through digital medium
2. Transactions processed through online, direct debit and ECS
3. RWRP / Average no. of employees during the period

# Cost efficiency

Rs bn	FY2013	FY2014	FY2015	H1FY2015	H1FY2016
Cost to RWRP <sup>1</sup>	75.4%	69.3%	49.1%	57.9%	56.6%
Expense ratio (excl. commission) <sup>2</sup>	13.3%	13.6%	11.7%	13.8%	13.2%
Commission ratio <sup>3</sup>	5.9%	5.2%	3.8%	4.0%	3.5%
Total expense ratio <sup>4</sup>	19.2%	18.8%	15.4%	17.8%	16.7%
Cost / Average AUM <sup>5</sup>	3.4%	2.9%	2.5%	2.4%	2.4%



1. All insurance expenses including commission / Retail weighted received premium

2. Expense ratio: All insurance expenses (excl. commission) / (Total premium – 90% of single premium)

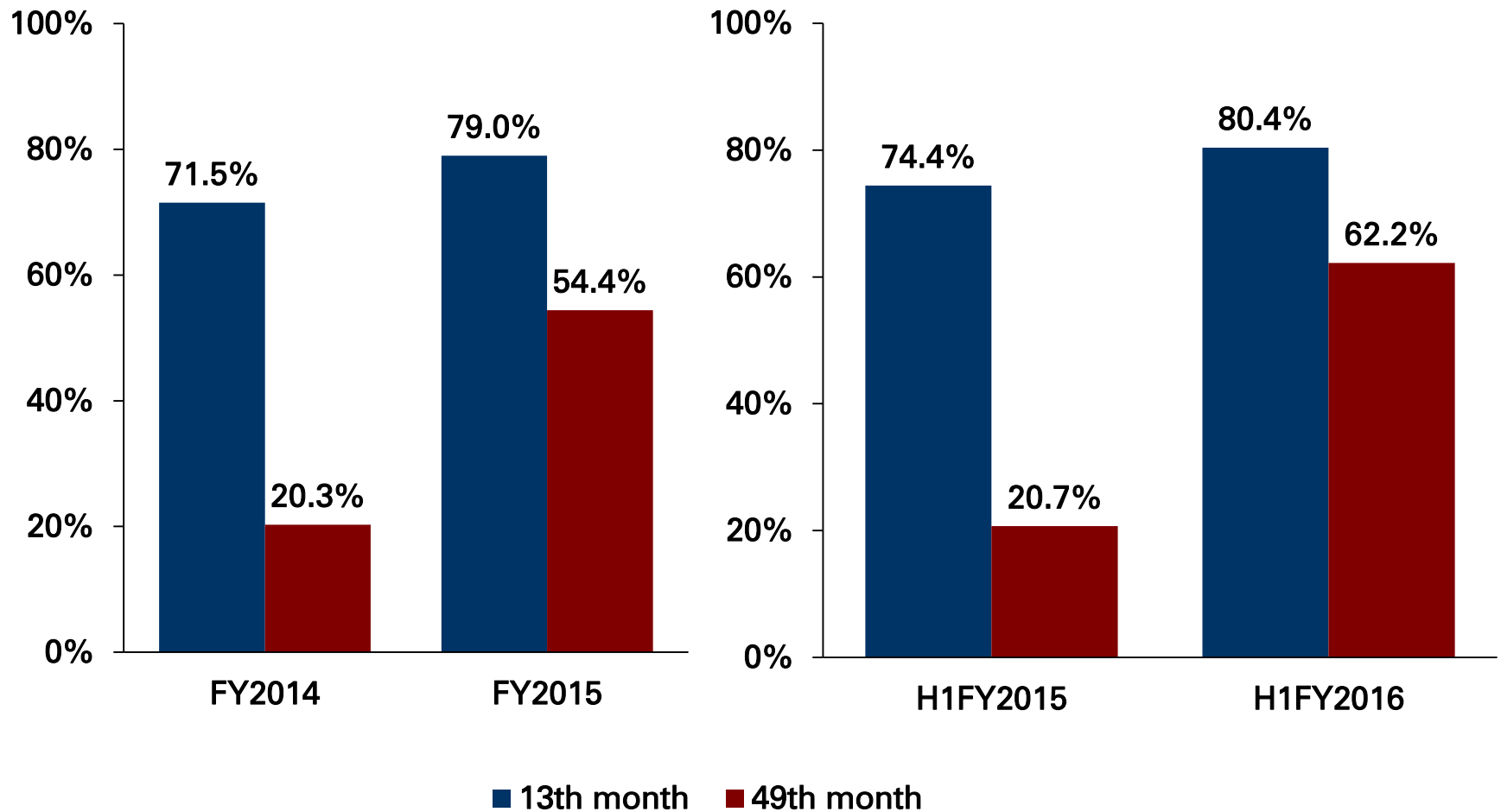
3. Commission ratio: Commission / (Total premium – 90% of single premium)

4. Total Expense ratio: Cost / (Total premium – 90% of single premium)

5. Annualized cost / Average assets under management held during the period

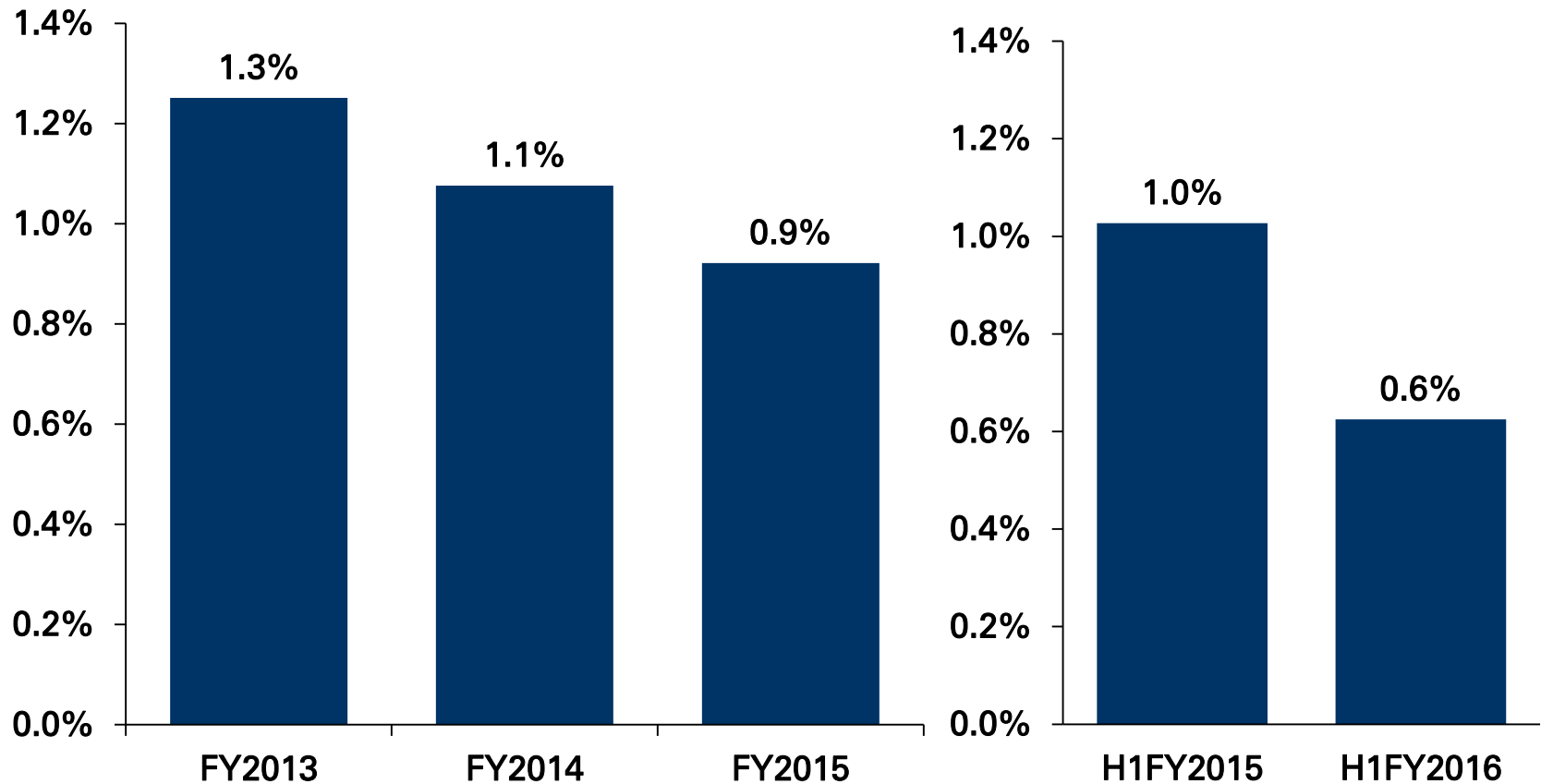


# Persistency<sup>1</sup>

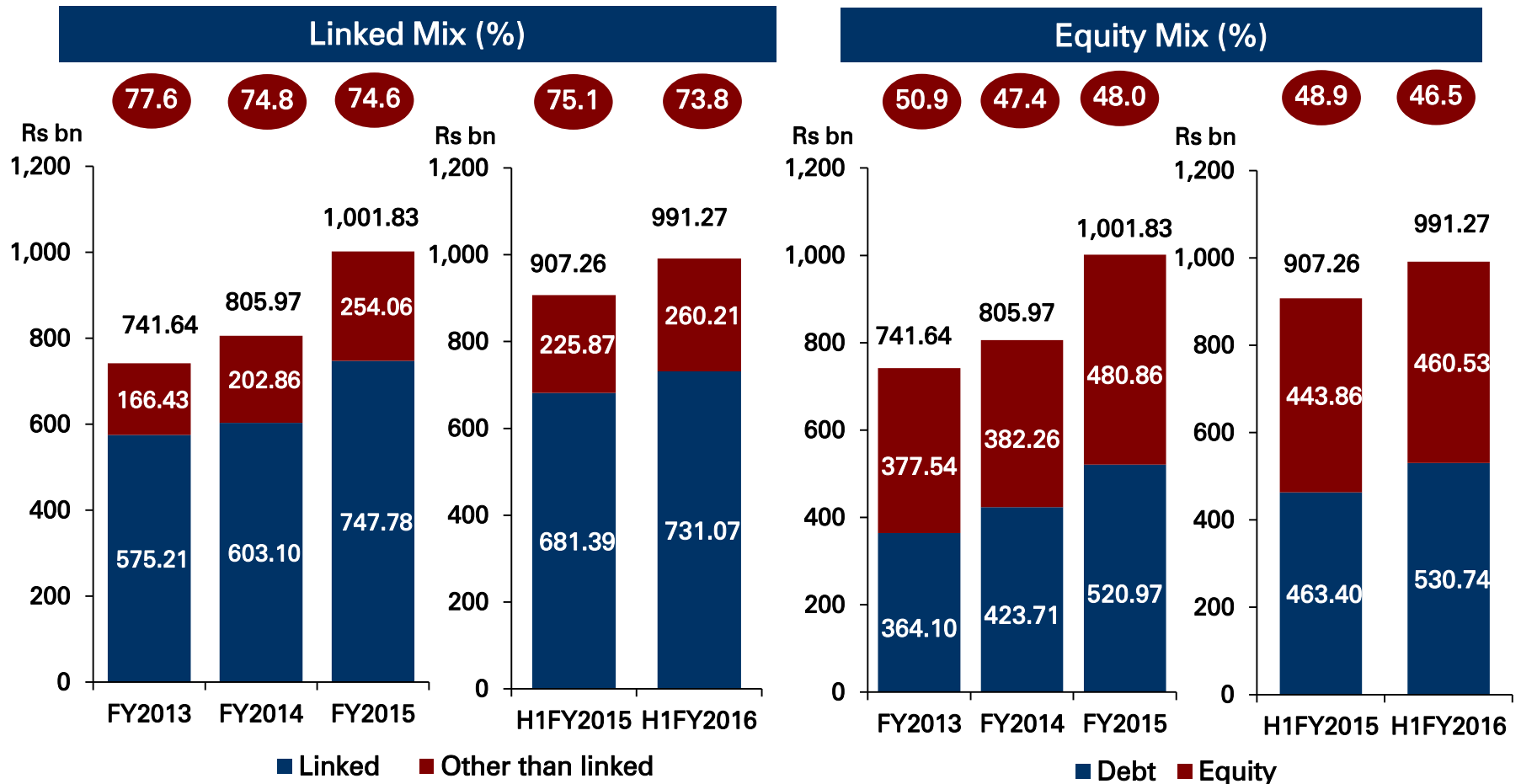


# Surrender

Surrenders<sup>1</sup> as % of average AUM

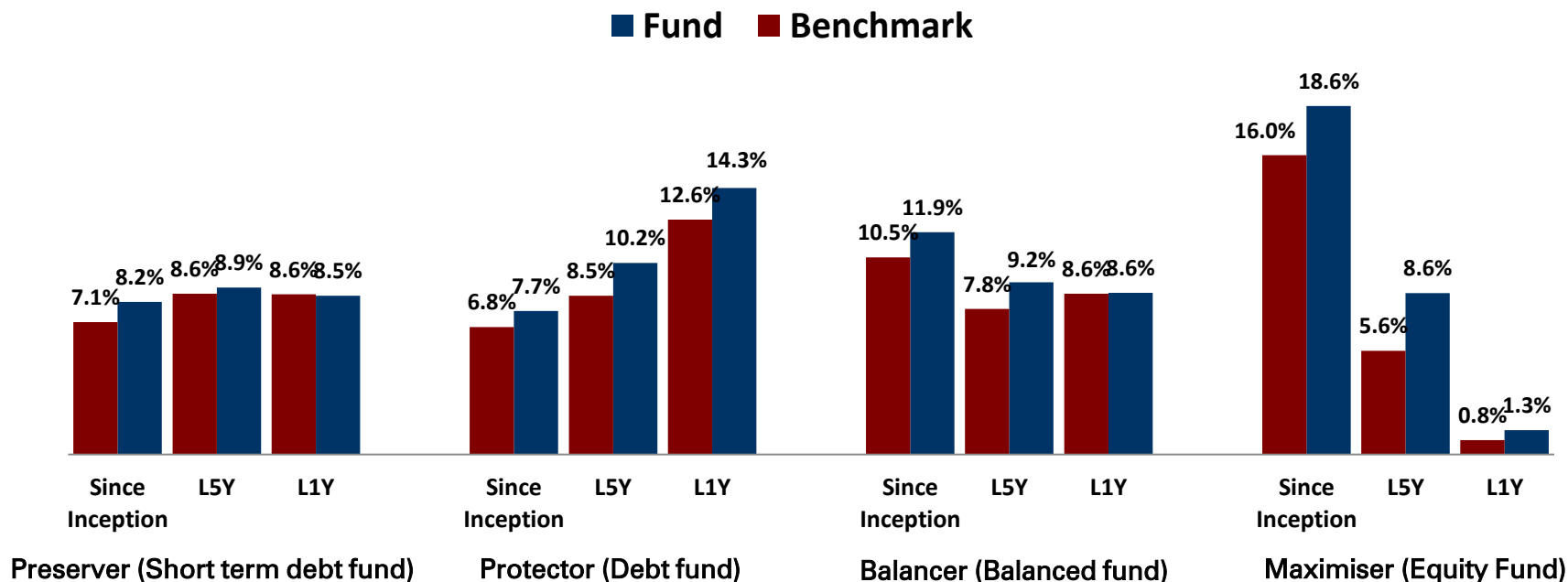


# Assets under management



Among the largest fund managers in India

# Superior fund performance across cycles



- Multi-tiered investment management structure with clearly defined roles and responsibilities
- 96% of funds have outperformed benchmark since inception\*
- Over 90% of debt investments in AAA rated and government bonds

## Inception Dates:

Preserver Fund: June 28, 2004; Protector Fund: April 2, 2002

Balancer Fund : April 2, 2002; Maximiser Fund: Nov 19, 2001

\* As on September 30, 2015

# Profitable growth

## Sustained and strong profitability

RoE<sup>1</sup> (%)

31.2

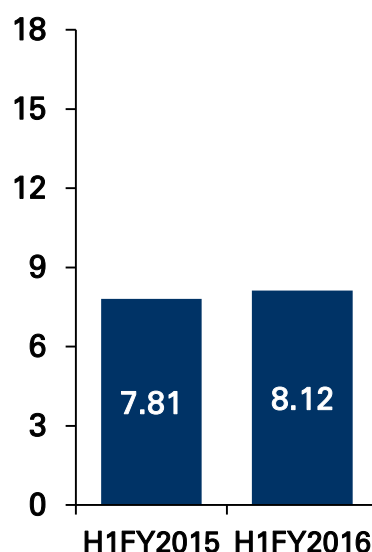
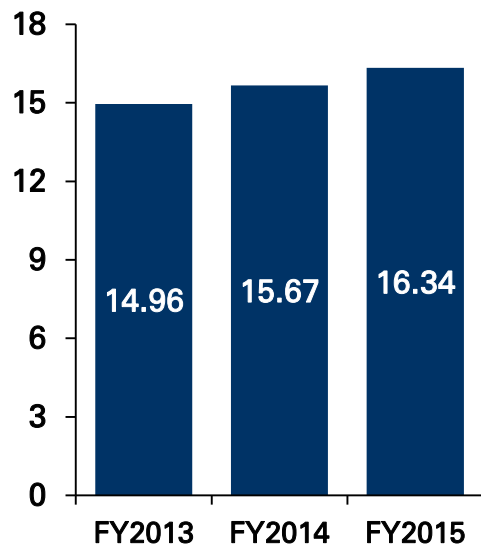
32.7

33.9

32.6

33.7

Profit after tax (Rs bn)



## Best positioned to capitalize on growth opportunity

Solvency Ratio (%)

396

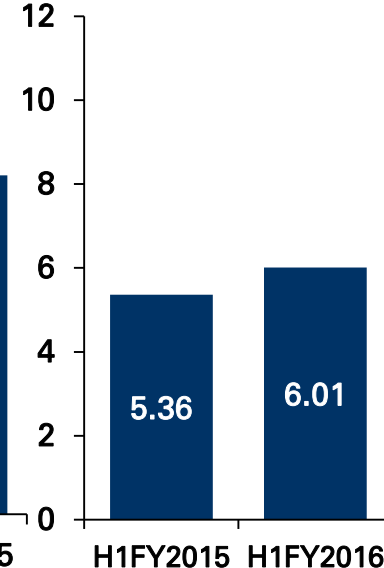
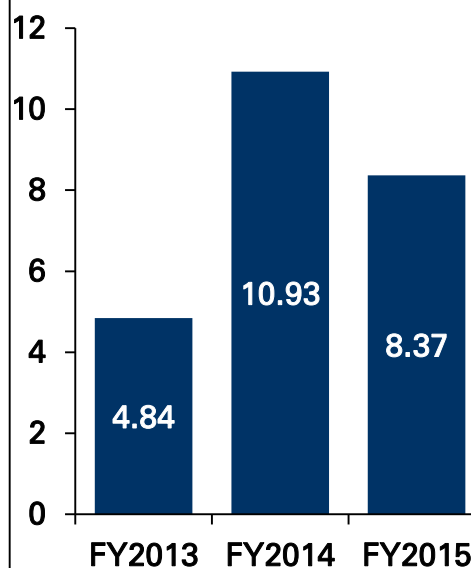
372

337

357

328

Dividend (Rs bn)



# New Business Profit<sup>1</sup>

Rs billion	FY2015	H1FY2016
APE	47.44	22.34
New Business Profit on target acquisition cost <sup>2</sup>	6.43	3.08
New Business Margin on target acquisition cost	13.6%	13.8%
New Business Profit on actual acquisition cost <sup>2</sup>	2.70	1.47
New Business Margin on actual acquisition cost	5.7%	6.6%

# Summary

<p>1 India: High growth potential</p>	<ul style="list-style-type: none"> <li>Low penetration<sup>1</sup> and even lower density<sup>2</sup></li> <li>One of the last emerging markets with significant scale and favourable growth drivers</li> </ul>
<p>2 Consistent Leadership Across Cycles</p>	<ul style="list-style-type: none"> <li>#1 in India on RWRP<sup>3</sup> basis for every year since FY2002</li> <li>Distance increased from 1.04x in FY2012 to 1.47x<sup>4</sup> in FY2015</li> </ul>
<p>3 Customer Centric Approach Across Value Chain</p>	<ul style="list-style-type: none"> <li>Revolutionizing customer experience across value chain through digitization</li> <li>Customer focused product suite; Delivering superior value through product design and fund performance</li> <li>Low grievance ratio and best in class claims settlement ratio</li> </ul>
<p>4 Multi Channel Distribution backed by advanced digital processes</p>	<ul style="list-style-type: none"> <li>Access to network of ICICI bank (#1 Indian private bank ) and Standard Chartered Bank</li> <li>Continue to invest in agency channel, adding quality agents and improving productivity</li> <li>Strong focus on technology and digitization to reduce dependence on physical presence</li> </ul>
<p>5 Delivering Consistent Returns to Shareholders</p>	<ul style="list-style-type: none"> <li>RoE<sup>5</sup> of more than 30% since FY2012; Self funded business – no capital calls since FY 2009; cumulative dividend pay-out of Rs 34.29 bn till H1FY2016</li> <li>With strong solvency of 328% and less capital requirement due to product mix, well positioned to take advantage of growth</li> </ul>
<p>6 Robust &amp; Sustainable Business Model</p>	<ul style="list-style-type: none"> <li>Very low regulatory or interest rate risk with over 80% of RWRP contribution from ULIP products; Over 90% of debt investments in AAA rated and government bonds</li> <li>Focus on reducing costs - Cost/RWRP declined from 84.8% in FY2012 to 49.1% in FY2015</li> <li>Strong focus on renewals (high persistency ratios)</li> </ul>

1. Sum assured as a % of GDP

2. Premium per capita

3. IRDAI Retail Weighted Received Premium (RWRP)

4. RWRP ratio of ICICI Prudential to nearest competitor

5. Based on invested capital

# Safe harbor

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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 Bank and we undertake no obligation to update forward-looking statements to reflect events or circumstances after the date thereof.



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Thank you