



PROTECTING LIVES. ENABLING DREAMS.  
**GROWING TOGETHER.**

ANNUAL REPORT 2014-15

# PROTECTING LIVES. ENABLING DREAMS. GROWING TOGETHER.

Life Insurance is about providing financial protection against an unforeseen event and building long term savings. Trust assumes great significance when we have to deliver this. The faith reposed in us by our customers has enabled us to achieve significant milestones and is reflected in the quantum of assets under management of ₹ 1 trillion – a first for any private life insurer in the country and a sum assured of ₹ 3 trillion. Our success lies in the well-being and betterment of our customers as they plan their financial goals to secure the lives of their loved ones. Superior quality products relevant to customer needs, best in class customer service, a hassle free on-boarding and claims settlement process and consistent superior risk adjusted returns have enabled us to deliver value to all stakeholders. All this has been possible on the back of a robust technology platform.

Our strategy of providing value to customers is yielding the desired results. Our message of life insurance being a long term product has been having the required effect, and today customers view life insurance with a long term lens. The increase in renewal premium is proof of this. Today's discerning customers have begun to appreciate the proposition offered by life insurance – financial protection and long term savings. This has translated into growth in new business premium.

There are certain numbers which speak for themselves – claims settlement ratio is one such number. For three years in a row the Company has consistently maintained one of the highest claims settlement ratio amongst private players. The turnaround time taken to settle claims is one of the lowest in the industry. ICICI Prudential Life makes claims settlement payouts with the same enthusiasm with which it welcomes a new business or renewal premium payment. We believe that we are one of the fastest to settle genuine claims.

Our ability to provide superior risk adjusted returns to our customers, so as to enable them to fulfill their financial aspirations, is what makes our bond with them even stronger. 98% of our funds have outperformed their respective benchmarks since inception.

The Grievance ratio is an indicator of the level of customer service provided by a company. At ICICI Prudential Life, we are determined to ensure that customers' needs are fulfilled with the products and services we offer. For FY2015 the Grievance Ratio has significantly come down to 185 from 253 in FY2014 per 10,000 new business policies and is one of the best in the Indian life insurance industry.



# CONTENTS

## CORPORATE OVERVIEW

02-21

ICICI Prudential Life at a Glance	02
Message from the Chairperson	04
Message from the Chief Executive, Prudential Corporation Asia	05
Message from the Managing Director and CEO	06
Board of Directors and Board Committees	08
Building Trust	10

## STATUTORY REPORTS AND MANAGEMENT REVIEW

22-64

Directors' Report	22
Corporate Governance	46
Management Discussion and Analysis	48
Enterprise Risk Management	61

## FINANCIAL STATEMENTS

65-380

### Standalone Financial Statements

Management Report	66
Independent Auditor's Report and Certificates	74
Revenue Account	78
Profit & Loss Account	80
Balance Sheet	81
Receipts & Payments Account	82
Schedules	83
Salient features of the financial statement of subsidiaries (Form AOC-I)	127
Annexures	128

### Consolidated Financial Statements

Independent Auditor's Report	340
Consolidated Revenue Account	342
Consolidated Profit & Loss Account	344
Consolidated Balance Sheet	345
Consolidated Receipts & Payments Account	346
Schedules	347

## ADDITIONAL INFORMATION

381-386

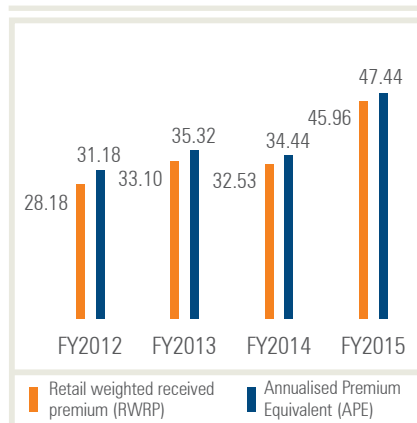
Embedded Value and New Business Profit Reporting	381
Glossary of Terms	383
How to contact us	386

# ICICI PRUDENTIAL LIFE AT A GLANCE

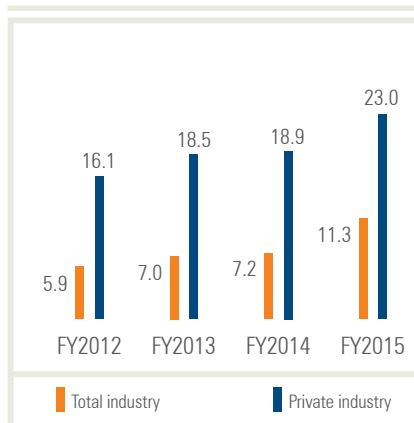
ICICI Prudential Life Insurance Company Limited (ICICI Prudential Life) is a joint venture between ICICI Bank, India's largest private sector bank and Prudential plc, a leading international financial services group headquartered in the United Kingdom. ICICI Bank and Prudential plc hold 74% and 26% stakes respectively in the company.

ICICI Prudential Life, which began its operations in December 2000, has become the first private life insurer to achieve assets under management (AUM) of ₹ 1 trillion. During FY2015, the sum assured by the company also crossed the ₹ 3 trillion milestone. ICICI Prudential Life has maintained its leading position on retail weighted received premium basis (RWRP) among private life insurers in the country with an array of products that match the different life stage requirements of customers and enables them to achieve their long term financial goals. Improvement in persistency from 71.5% in FY2014 to 79.0% in FY2015 and 18.2% growth in retail renewal premium during FY2015 is indicative of the increased trust our customers have reposed in us.

## New business premium (₹ billion)

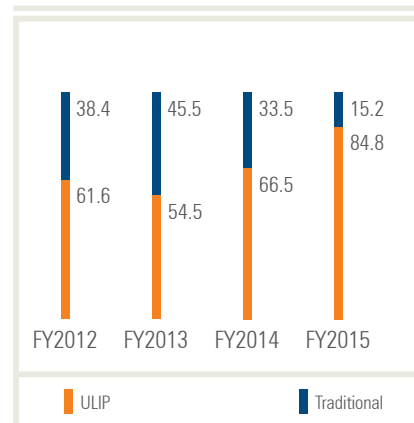


## Market share\* (%)



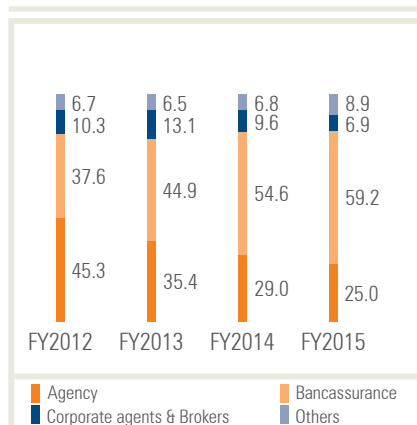
\* RWRP basis

## Product mix\* (%)



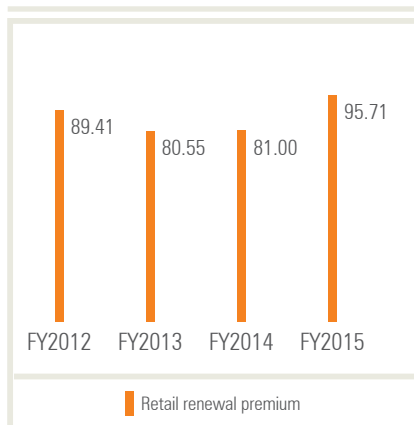
\* RWRP basis

## Distribution mix\* (%)



\* RWRP basis

## Retail renewal premium (₹ billion)



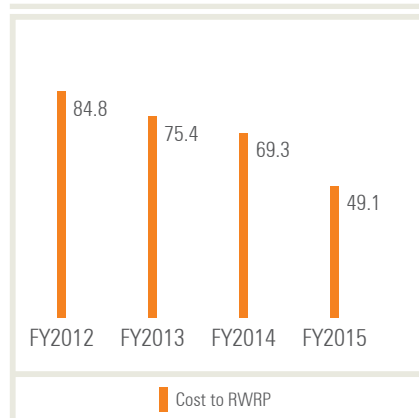
## 13<sup>th</sup> month persistency\* (%)



\* As per IRDA circular IRDA/ACT/CIR/035/01/2014 dated January 23, 2014. FY2012 & FY2013 persistency calculation aligned in accordance with the new definition.

### Cost\* to RWRP

(%)



\* All insurance expenses excluding unit expenses

### Cost to average assets under management

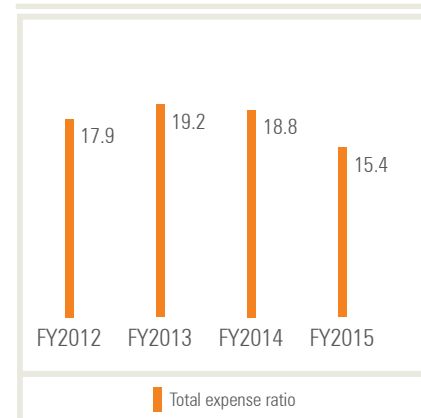
(%)



\* All insurance expenses excluding unit expenses

### Total expense ratio\*

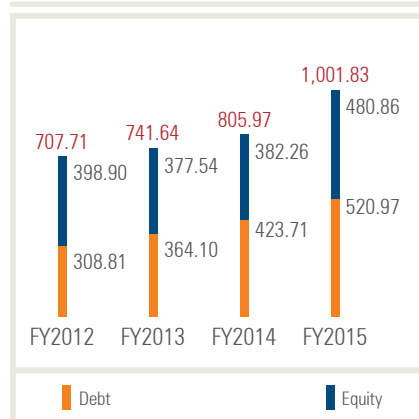
(%)



\* All insurance expenses (excluding unit expenses) / Total premium – 90% of single premium)

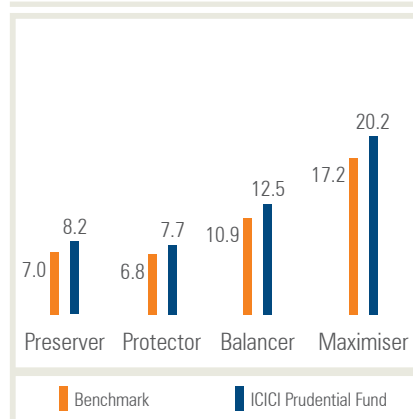
### Assets under management

(₹ billion)



### Fund performance\*

(%)



\* As on March 31, 2015; Inception Dates: Preserver Fund: June 28, 2004; Protector Fund: April 2, 2002; Balancer Fund: April 2, 2002; Maximiser Fund: Nov 19, 2001

### Solvency ratio\*

(%)



\* Available solvency / required solvency

### Profit after tax

(₹ billion)



# MESSAGE FROM THE CHAIRPERSON



The insurance sector will be a key beneficiary of the positive trends in the economy. The existing under-penetration of the insurance sector itself provides substantial headroom for future growth.



**Chanda Kochhar**  
Chairperson

## DEAR SHAREHOLDERS,

The Indian economy is showing great promise, on the back of its inherent fundamental growth drivers and the reform-oriented policies of the government, along with declining oil prices and moderation in inflation. In the insurance sector, a key development in fiscal 2015 was the passage of the Insurance Bill. The passage of this important legislation reflects the commitment of the government to bring in a larger section of the population into the financial system as well as attract long term global capital to accelerate economic growth.

The insurance sector will be a key beneficiary of the positive trends in the economy. The existing under-penetration of the insurance sector itself provides substantial headroom for future growth. This will be further boosted by India's demographic advantage and the rising disposable income of the population, which are creating a demand for both protection from risks and long term savings. In addition, enhanced financial awareness and the increasingly convenient access to financial products would drive growth in the insurance sector.

To enhance insurance density and penetration across different customer segments, the industry requires a sustainable and profitable model for

growth. At ICICI Prudential Life, we have always strived to understand customer requirements and deliver products and services as per the needs and convenience of our customers. We are focusing on leveraging technology to deliver our products and services in an efficient manner. This is complemented by a focus on continuously enhancing our expertise in product design and risk management. The customer focus, dynamism of the team, extensive use of technology, strong distribution channels and comprehensive product portfolio are the company's key strengths.

We will continue to strive to set higher benchmarks of performance and strengthen our engagement with our stakeholders. It is our belief that ICICI Prudential Life is well-placed to capitalise on the emerging opportunities to build a strong and sustainable business on the foundation of enduring stakeholder trust.

# MESSAGE FROM THE CHIEF EXECUTIVE, PRUDENTIAL CORPORATION ASIA



At times the macro-economic environment can be challenging, but we remain focused on the long term and firmly believe in the long term potential of Asia's growing middle classes.



## **Barry Stowe**

Chief Executive, Prudential Corporation Asia

### **DEAR SHAREHOLDERS,**

Prudential plc is one of the world's leading providers of savings and financial protection solutions to families.

In Asia we have a number of market leading positions and our success is driven by a thorough understanding of the opportunities in these markets and then remaining steadfast in our commitments to deliver long term value to our customers, distributors, shareholders and communities. Our objective is to do well by doing good.

At times the macro-economic environment can be challenging, but we remain focused on the long term and firmly believe in the long-term potential of Asia's growing middle classes.

I am very pleased that our joint venture, ICICI Prudential Life, continues to have a leading position in the market and I congratulate the team on delivering another set of excellent results across all metrics.



# MESSAGE FROM THE MANAGING DIRECTOR AND CEO



As a company we have crossed two milestones, ₹ 1 trillion AUM, the first for any private life insurer in India, secondly we now have a total sum assured of ₹ 3 trillion.



**Sandeep Bakhshi**  
Managing Director and CEO

## DEAR SHAREHOLDERS,

### The Environment

During the last year we have witnessed some significant changes taking place in our country which have had a positive impact on the economy. To begin with, we have a central government with a strong mandate, the overall macro-economic environment is positive and seems to be changing for the better with a focus on economic development and stability. The other big positive is the passage of the Insurance Bill amongst other legislations. It indicates the commitment of the government to push the economic revival agenda forward. As the Indian insurance industry expands there will be a need for additional capital to build scale and increased FDI limit will be of great help.

This positive economic environment bodes well for the financial services sector, a revival in the household savings rate has brought about a definite impact on the contribution towards financial savings. A growth oriented environment is nudging Indians to actively pursue financial asset classes.

Life Insurance is a critical area when it comes to financial savings – it provides the benefit of financial protection while facilitating building a corpus over the long term. For an emerging economy such as ours' financial protection assumes greater significance. A look at the percentage of protection to GDP of India, in comparison to that of other developing countries will show that we have to work towards bridging the existing gap.

We believe that the demand for life insurance will increase as the financial savings and per capita income in the country rises.

The regulatory environment has been a catalyst of sorts for improving efficiencies, providing superior quality products and services. This falls in perfect sync with our motto of offering the best value to our customers. Another big initiative rolled out was dematerialisation facility in the form of electronic Insurance Accounts (eIAs). This is a big step towards making life insurance a digital product and only means that the future of the business will be more organised and spell convenience for policyholders. This will facilitate building a central repository of KYC for the life insurance industry, further smoothening the on-boarding of and claim settlement for customers. The challenges involved with maintaining physical policy documents will be a thing of the past.

### What did we do differently

As a company we focused on protection as a critical element of our business and leveraged technology to reach out to locations where physical presence is a challenge. The effort has been to challenge status quo.

We at ICICI Prudential Life believe the best way to face a dynamic business environment is to keep reinventing ourselves and embracing technology



and innovation as partners. We have successfully deployed technology to not only simplify and usher in efficiencies in the sales, customer service and claims settlement process but to also ensure increased productivity of the distribution network. Technology facilitates transparency and efficient delivery of products and services – it has become an integral part of our organisation. More importantly, it provides convenience and empowers customers to make informed decisions.

We have been able to better steer our agenda of efficiency and persistency due to the robust technology solutions and an employee force that is committed to providing the best service to customers and ensuring the fruition of their financial aspirations.

The improvement in overall financial metrics of the organisation is the outcome of the efforts that have been put into the business, and yes, it has been facilitated by technology. Technology has aided us to successfully navigate the challenging business environment and deliver a compelling proposition to customers who look up to us to achieve their financial goals.

The focus on being customer centric, we believe, is mirrored by the trust reposed in us by our policyholders by way of the assets under management. As a company we have crossed two milestones, ₹ 1 trillion AUM, the first for any private life insurer in India, secondly we now have a total sum assured of ₹ 3 trillion. We would like to attribute this achievement to our commitment to policyholders for Protecting Lives, Enabling Dreams and Growing Together with them.

### Pillars of Success

One of the greatest strengths that an organisation can have is the human capital. Encouraging employees to innovate, think-out-of-the-box, challenge conventions and push boundaries while not letting hierarchy interfere with capability, has been a constant effort. At ICICI Prudential Life, the employees have a passion for learning and adapting to changes. Agility and humility are two great strengths when it comes to people and we believe that inculcating these two qualities will enable the Company to achieve great success. The pillars of our success are the trust of our customers, commitment of our employees and the support from our shareholders. Life insurance is a long term business and a dynamic one, it is important that we remain nimble and malleable to the vibrant economic environment.

The year gone by has been very exciting and enriching for us and we would like to thank our policyholders for having faith in us, our employees for being dedicated and committed and our shareholders for supporting and believing in us. We will continue to strive to do all we can to build on this trust and deliver value to all stakeholders.

*Sandeep Kulkarni*



As a company we focused on protection as a critical element of our business and leveraged technology to reach out to locations where physical presence is a challenge. The effort has been to challenge status quo.



# BOARD OF DIRECTORS



**Ms. Chanda Kochhar**  
Chairperson



**Mr. N. S. Kannan**  
Director



**Mr. K. Ramkumar**  
Director



**Mr. Rajiv Sabharwal**  
Director



**Mr. Barry Stowe**  
Director



**Mr. Adrian O'Connor**  
Director



**Mr. Keki Dadiseth**  
Independent Director



**Prof. Marti G. Subrahmanyam**  
Independent Director



**Ms. Rama Bijapurkar**  
Independent Director



**Mr. Vinod Kumar Dhall**  
Independent Director



**Mr. V. Sridar**  
Independent Director



**Mr. Sandeep Bakhshi**  
Managing Director and CEO



**Mr. Puneet Nanda**  
Executive Director



**Mr. Sandeep Batra**  
Executive Director