

Annual Report 2015-16



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MESSAGE FROM THE CHAIRPERSON



Ms. Chanda Kochhar, Chairperson

Dear Shareholders,

Fiscal 2016 was marked by events with significant implications for both developed and emerging economies.

On the global front, three key trends dominated which included slowdown in economic growth in China, divergence in monetary policy action across developed and emerging economies and a sharp decline in commodity prices. A noteworthy revival in global growth continued to remain a challenge. In India, we saw improvements in several key economic indicators like inflation, foreign investments and current account deficit. Government's policy initiatives were focused on creating a favourable environment for growth, social inclusion and investments. However, there were challenges in terms of slowdown in nominal growth, impact of muted global commodity prices on some important sectors and subdued private investments.

The financial sector saw increased opportunities in the retail space during the year, indicating growing preference for financial savings. The Government emphasised the importance of long-term savings in its inclusive growth initiatives. During the year, the Prime Minister's Jeevan Jyoti Bima Yojana was launched which has the potential to significantly increase the penetration of insurance in the country. Your company continued to leverage these opportunities and maintained its leadership



Our philosophy of customer centricity has earned us the trust of millions of our customers. We have taken the lead in leveraging digital platforms for improving the customer experience and expanding the tools available to our distribution channels. 

position in the industry. At the same time, we continue to build on the larger goals of providing adequate financial protection to a large cross-section of the country's population. Our philosophy of customer centricity has earned us the trust of millions of our customers. We have taken the lead in leveraging digital platforms for improving the customer experience and expanding the tools available to our distribution channels. Our digital strategy has helped us to continue on the growth path and meet the growing expectations of world class service for our customers in a cost effective manner.

The life insurance sector continued to benefit from important policy decisions. Last year the foreign investment limits were increased from 26% to 49%. In the current year this was further liberalised by permitting foreign investment up to 49% under the automatic route. I believe, this is an important step in unlocking the growth potential and the opportunity for value creation in the sector. Fiscal 2016 marked a major milestone for the company with the addition of two highly regarded financial investors as new shareholders in the company. This transaction helped to establish a valuation benchmark and was an affirmation of the substantial value created by your company.

Going forward, India presents immense opportunities to expand the life insurance business given the vast untapped potential, rising prosperity including a potentially favourable impact of the seventh pay commission and the increasing awareness of the need for financial protection. We will continue to focus on meeting the diverse needs of our customers and create sustainable value for all our stakeholders.

With best wishes,

MESSAGE FROM THE CHIEF EXECUTIVE, PRUDENTIAL CORPORATION ASIA



Tony Wilkey, Chief Executive, Prudential Corporation Asia

“

While I am pleased with the progress ICICI Prudential Life has been making, we are only just at the beginning of our mission to make sure Indian families are protected for generations to come.

”

Dear Shareholders,

For nearly 170 years, Prudential has played a vital role in protecting the financial well-being of UK families.

More recently we brought our experience and expertise to Asia and today have over 14 million customers and number of market leading positions that includes ICICI Prudential Life Insurance.

However, we still have a lot of work to do as far too many families are at risk from the devastating financial consequences that may arise from, say the diagnosis of a critical illness. They also need to save more, for example to fund their children's education and then protect these savings incase something happens to the family's main source of income. At Prudential, we firmly believe that everyone should spend some time with a financial professional who can help prepare a financial plan that best meets their individual savings and protection needs.

While I am pleased with the progress ICICI Prudential Life has been making, we are only just at the beginning of our mission to make sure Indian families are protected for generations to come.

With best wishes,

T. Wilkey

MESSAGE FROM THE MANAGING DIRECTOR AND CEO



Sandeep Bakhshi, Managing Director and CEO

Dear Shareholders,

ICICI Prudential Life Insurance started its journey 16 years ago, with the core foundation of being a multi-product, multi-channel and multi point-of-service company catering to all segments of society.


We are happy to be a part of India's growing life insurance industry and wish to thank all stakeholders who have contributed in making the Company the preferred life insurer to millions of Indians.

PROPOSITION OF LIFE INSURANCE

Life insurance is unique as it offers the dual benefits of Protection and Savings. The Company has positioned itself in the savings category through a product and distribution franchise and has provided financial security to many families. This has been possible due to the trust reposed in us by our customers.

Our strategy has been that of offering convenience to customers. To render this strategy in action we developed an array of products relevant to various life stages, leveraged technology to provide a delightful on-boarding experience and to deliver superior service to customers.



Our strategy has been that of offering convenience to customers. To render this strategy in action we developed an array of products relevant to various life stages, leveraged technology to provide a delightful on-boarding experience and to deliver superior service to customers. 

Levels of financial awareness are on the rise, as more young Indians join the workforce. While this is positive for financial services, the penetration of life insurance does not commensurate with the pace of the country's economic growth. The life insurance industry has a lot to look forward to as a revival in the financial savings rate directly translates into a higher allocation towards life insurance.

HOW ARE THINGS CHANGING?

The regulator has been proactive and has implemented various customer centric initiatives. Changes in product structures, distribution architecture, processes and increased life cover have been some of the focus areas. This clearly highlights the intent of the regulator to bridge the protection gap that exists in the country. The framework created over the years has encouraged the development of an eco-system with the focal point being the customer.

Prime Minister's Jeevan Jyoti Bima Yojana (PMJJBY), the government sponsored life insurance scheme has popularized the concept of life insurance amongst a section of the population which was earlier not aware of its benefits. The ease with which a customer can purchase a

term plan with a life cover of ₹ 2 lakhs for an annual premium of ₹ 330 has resulted in close to 3 crore policies being issued through a technology enabled process, in approximately a year's time.

This speaks volumes about the kind of impact simplification can have on the industry. The manner in which a customer purchases a policy under this scheme has added a new dimension to simple on-boarding of life insurance policies.

This inclusion led by the government and other initiatives implemented by the regulator, such as the robust Integrated Grievance Management System (IGMS), Dematerialization and opening of Electronic Insurance Accounts (eIA) has positioned India as the technology Thought Leader on the world atlas.

THE ROAD AHEAD

As organisations and customers begin to reap the benefits of a technology enabled process, its use is only set to rise. The biggest innovation we believe, is the simplification of products and the delivery architecture. This will fuel growth and increase penetration.

Technology has the power to disrupt and over the last decade and a half we have seen new distribution channels emerge. Customers today are in a position to compare products and make an informed decision. Our digital platform has had a fair degree of success, we have not only been able to increase productivity of our distribution network but it has facilitated the delivery of long term value to customers.

Going forward as the use of technology percolates further into the functioning of the industry, new cost-effective channels of distribution will emerge. Companies will need to respond appropriately to capitalize on this opportunity. Staying relevant will be the new order of the day, if life insurance companies want to be a part of the customer's financial portfolio.

The Company has been working towards increasing penetration of life insurance, various initiatives implemented will go a long way in providing financial security to a larger section of the country's population.

Once again, we thank all our stakeholders for their support extended in making us the preferred financial security provider for scores of Indians and their families.

Sandeep Kachh



Technology has the power to disrupt and over the last decade and a half we have seen new distribution channels emerge. Customers today are in a position to compare products and make an informed decision. Our digital platform has had a fair degree of success, we have not only been able to increase productivity of our distribution network but it has facilitated the delivery of long term value to customers.



BOARD OF DIRECTORS



Ms. Chanda Kochhar
Chairperson



Mr. N. S. Kannan
Director



Mr. K. Ramkumar
Director



Mr. Rajiv Sabharwal
Director



Mr. Tony Wilkey
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

* Mr. Keki Dadiseth was an independent director of the Company up to April 25, 2016

BOARD COMMITTEES

BOARD AUDIT COMMITTEE¹

Mr. V. Sridar, (Chairman)
 Prof. Marti G. Subrahmanyam
 Mr. Vinod Kumar Dhall
 Mr. K. Ramkumar
 Mr. Adrian O'Connor

BOARD CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Mr. Vinod Kumar Dhall, (Chairman)
 Mr. K. Ramkumar
 Mr. Adrian O'Connor

BOARD CUSTOMER SERVICE & POLICYHOLDERS' PROTECTION COMMITTEE

Mr. Vinod Kumar Dhall, (Chairman)
 Mr. K. Ramkumar
 Mr. Adrian O'Connor

BOARD INVESTMENT COMMITTEE

Prof. Marti G. Subrahmanyam, (Chairman)
 Mr. N. S. Kannan
 Mr. Adrian O'Connor
 Mr. Sandeep Bakhshi
 Mr. Sandeep Batra
 Mr. Satyan Jambunathan
 Mr. Manish Kumar
 Mr. Binay Agarwala

BOARD NOMINATION & REMUNERATION COMMITTEE

Ms. Rama Bijapurkar, (Chairperson)
 Prof. Marti G. Subrahmanyam
 Mr. Vinod Kumar Dhall
 Mr. K. Ramkumar
 Mr. Adrian O'Connor

BOARD RISK MANAGEMENT COMMITTEE

Prof. Marti G. Subrahmanyam, (Chairman)
 Ms. Rama Bijapurkar
 Mr. N. S. Kannan
 Mr. Adrian O'Connor

STAKEHOLDERS RELATIONSHIP COMMITTEE²

Mr. Vinod Kumar Dhall, (Chairman)
 Mr. Sandeep Bakhshi
 Mr. Sandeep Batra

WITH PROFITS COMMITTEE

Mr. V. Sridar, (Chairman)
 Mr. N. S. Kannan
 Mr. Adrian O'Connor
 Mr. N. M. Govardhan
 Mr. Sandeep Bakhshi
 Mr. Satyan Jambunathan

¹Re-constituted with effect from April 26, 2016.

²Share Transfer Committee has been renamed as Stakeholders Relationship Committee and re-constituted with effect from April 26, 2016.

DIRECTORS' REPORT

TO THE MEMBERS

ICICI Prudential Life Insurance Company Limited

Your Directors have pleasure in presenting the 16th Annual Report of ICICI Prudential Life Insurance Company Limited (the Company) with the audited statement of accounts for the year ended March 31, 2016.

PERFORMANCE

Industry in FY2016

The new business premiums of life insurance industry increased by 8.1% in FY2016 in terms of retail weighted received premium (RWRP). Some of the key industry trends were:

Post September 2010 guidelines, the market share of private players dropped from 52.3% in FY2010 to 38.0% in FY2014 on retail weighted received premium basis.

Steady increase in bancassurance mix: During the past 5 years, bancassurance has grown steadily from 13% in FY2011 to 25% till 9M FY2016 on the basis of retail new business premium. Contribution by bancassurance channel to the retail new business premium of the private players has increased to 51% for 9MFY2016 compared to 47% for FY2015.

Company in FY2016

The Company achieved a market share of 11.3% in FY2016 based on RWRP. The Company's RWRP grew 8.1% from ₹ 45.96 billion in FY2015 to ₹ 49.68 billion in FY2016. The Company continues to retain its market leadership among the private players and achieved market share of 21.9% amongst private players in FY2016. The Company focussed on improving its protection business and there was a 29.4% increase in sum assured for new business.

Total gross premium collected by the Company grew 25.2% from ₹ 153.07 billion in FY2015 to ₹ 191.64 billion in FY2016. Our continued focus on customer retention has resulted in increase in retail renewal premium by 25.3% from ₹ 95.71 billion in FY2015 to ₹ 119.95 billion in FY2016. The 13th month persistency ratio also improved from 79.0% in FY2015¹ to 82.4% in FY2016. The Company's assets under management as at March 31, 2016 was ₹ 1,039.39 billion.

Total expenses increased to ₹ 25.45 billion in FY2016 as compared to ₹ 22.58 billion in FY2015. However total cost to total weighted received premium (TWRP²) ratio improved from 15.4% in FY2015 to 14.5% in FY2016. Profit after tax (PAT) for the Company stood at ₹ 16.50 billion in FY2016 compared to ₹ 16.34 billion in FY2015.

A summary of key parameters is as set out below:

Particulars	(₹ billion)	
	FY2015	FY2016
RWRP	45.96	49.68
Retail renewal premium	95.71	119.95
Total premium	153.07	191.64
Expenses	22.58	25.45
Standalone profit after tax	16.34	16.50
Sum assured for new business	1,195.34	1,546.25
Assets held	1,001.83	1,039.39
Cost to TWRP ³	15.4%	14.5%

FINANCIALS

Particulars	(₹ billion)			
	Standalone		Consolidated	
	FY2015	FY2016	FY2015	FY2016
Profit after tax (PAT)	16.34	16.50	16.34	16.50
Balance brought forward from previous year	(10.33)	0.48	(10.34)	0.47
Profit available for appropriations	6.01	16.98	6.00	16.97
Appropriations:				
Interim Equity Dividend	(5.36)	(9.02)	(5.36)	(9.02)
Proposed Final Dividend	(3.01)	(3.01)	(3.01)	(3.01)
Tax on Equity Dividends	(1.61)	(2.44)	(1.61)	(2.44)
General Reserve	4.45	-	4.45	-
Surplus carried to next year's account	0.48	2.51	0.47	2.49

The solvency margin of the Company is 320.0% in FY2016 compared to regulatory requirement of 150.0%.

OUR REACH

The Company reaches its customers through 521 offices in 456 locations at March 31, 2016. On March 31, 2016, the Company had 10,663 employees and 121,016 advisors to cater to the needs of customers. The Company distributes its products through agents, corporate agents, banks, brokers, proprietary sales force (PSF) and online channels.

PRODUCTS

The Company offers a range of life, pension and savings products across traditional and unit-linked platforms to provide a range of long term savings and protection solutions. In order to strengthen our Protection offerings, we have launched new products on retail, mortgage and group platforms.

1. As per IRDAI circular IRDA/ACT/CIR/035/01/2014 dated January 23, 2014

2. TWRP: Total premium – 90% of single premium

3. Cost/ (Total premium - 90% of single premium)