

CUSTOMER
VALUE OF NEW BUSINESS
RETAIL WEIGHTED RECEIVED PREMIUM
ASSETS UNDER MANAGEMENT
SOLVENCY RATIO
PERSISTENCY
IT'S ABOUT AND TRUST COMES FROM ANNUITY
TRUST. TRANSPARENCY. EMBEDDED
PROTECTION COST VALUE
RATIO SAVINGS
ANNUAL PREMIUM EQUIVALENT
SIMPLICITY

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LIFE INSURANCE IS UNLIKE ANY
OTHER BUSINESS.

Unlike manufacturing, it is not about products. Unlike finance, it is not just about numbers.
Unlike technology, it is not about patents.

Life insurance is about the most invaluable and yet, most unpredictable of all human truths - life. While insurance can never replace the loss of a loved one, it helps tide over challenges by securing and supporting the lives of those who are left behind. Life insurance ensures life can go on.

In its simplest form, and at its very core, life insurance is a contract of faith. Faith based on deep foundations of trust. And trust comes from transparency.



At ICICI Prudential Life Insurance, Trust and Transparency are firmly ensconced within our DNA. We believe we should simplify complex terms and complicated jargons for all our stakeholders – from our investors to customers to agents to channel partners. It is our constant endeavour and focus to set new benchmarks in transparency. Because, we believe that by being transparent, we are also building trust.

At ICICI Prudential Life Insurance, we never forget that our business is unlike any other. We are in a business that is based on Trust and driven by Transparency.

IT'S ABOUT TRUST.
AND TRUST COMES FROM TRANSPARENCY.

EXECUTIVE SUMMARY

NUMBERS THAT DEFINE US



WHO WE ARE

ICICI Prudential Life Insurance Company Ltd. is a joint venture between ICICI Bank Ltd., one of India's largest private sector banks, and Prudential Corporation Holdings Limited (UK). The Company began its operations in fiscal 2001 and has consistently been the market leader on a Retail Weighted Received Premium (RWRP) basis, amongst private sector life insurance companies in India. We are the first private sector life insurance Company to cross the ₹ 1 trillion mark in Assets under Management (AUM) and a total sum assured of ₹ 3 trillion. We are listed on the National Stock Exchange of India Limited (NSE) and BSE Limited (BSE).

We operate on the core philosophy of customer centricity and offer protection and long-term savings products to our customers. The Company has provided financial security to 4.14¹ million customers.

WHERE WE ARE

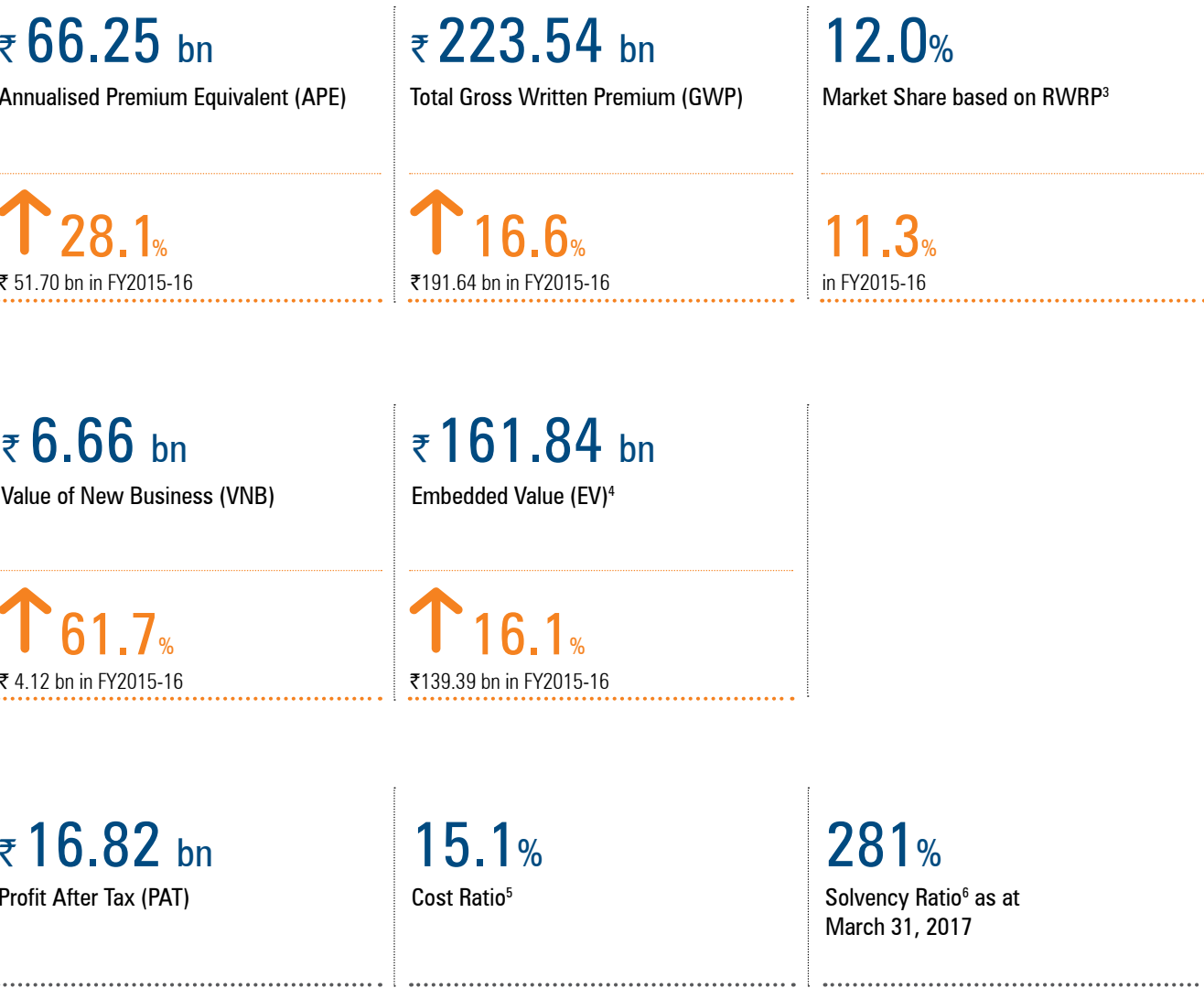
We are headquartered in Mumbai, India with a pan-India presence.

WHAT WE OFFER

We offer a range of protection and savings products catering to the specific needs of customers across different life stages.



HOW WE PERFORMED IN FY2016-17



¹Number of lives covered by in-force individual and group policies

²APE is calculated by annualising the monthly, quarterly and half yearly premiums and single premium weighted by 10%

³Calculated for retail premium with single premium weighted by 10% in addition to first year premium

⁴Embedded Value has been computed using Indian Embedded Value (IEV) principles set out in Actuarial Practice Standard 10 and mandated by IRDAI for the mandatory EV disclosure for the IPO

⁵Total expenses divided by Total Weighted Received Premium (TWRP)

⁶Regulatory requirement of 150%



OUR VALUES AND CULTURE

Our success is based on our commitment to the five core values that describes what we stand for, the qualities in our people and the way we work. Every member of the ICICI Prudential Life team is committed to these values and they guide us in all that we do.



Boundaryless

Treat organisation agenda as paramount



Integrity

What I do when nobody is watching me



Humility

Openness to change and learn



Customer first

Service excellence towards internal and external customers



Passion

Demonstrates infectious energy and enthusiasm

OUR STRATEGY AND PERFORMANCE ON STRATEGIC GOALS



Leverage Market Opportunity

Superior customer value and fund performance

- Customer-centric product portfolio
- 91% of our funds have outperformed their respective benchmarks since inception
- Claims Settlement ratio of 96.9% in FY2016-17
- Grievance ratio of 95 (per 10,000 new policies sold) in FY2016-17 is one of the lowest in the industry



Increase Value of New Business

Expand our protection business and improve customer retention

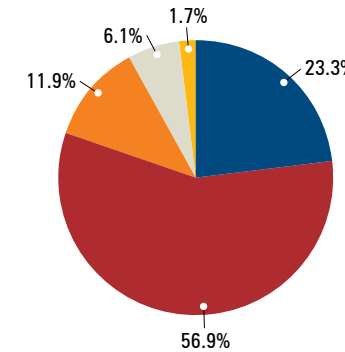
- VNB margin expansion from 5.7% to 10.1% in the last two years
- 13th month persistency of 85.7% in FY2016-17 is one of the best in the industry and has improved from 82.4% in FY2015-16
- Growth of APE at a CAGR of 24.4% in the last three years



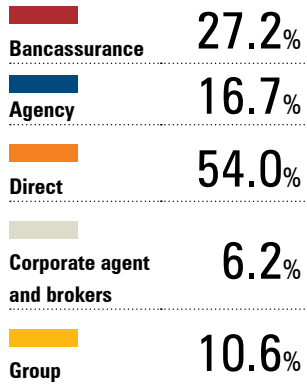
Strengthen Multi-channel Network

Deepen existing relationships and seek alliances with new partners

Mix %



3-year CAGR



Explore Non-traditional Channels

Leverage direct and digital channels and partnerships with companies to access customers

- Partnerships with web aggregators, small finance banks, fin tech companies and wallets being evaluated



Leverage Technology

Increasing digital marketing and sales. Empower distribution network through the digital platform

- 93% of the cases in FY2016-17 logged in using electronic modes
- 57% of renewal premium in FY2016-17 was collected online
- Employee productivity in FY2016-17 up to ₹ 5.55 million



HOW OUR PERFORMANCE IS MEASURED AND WHY

Life insurance products are, by their nature, long-term and generate profits over a number of years. It is quite unlike other businesses, it uses different terms and metrics to manage, monitor and measure performance. Understanding these specific terms, financial and non-financial metrics can be challenging, and yet, is essential.

For example, the insurance company may make an accounting loss in the year in which new business is done. Embedded Value (EV) reporting provides investors with a measure of the future profit streams. Value of New Business (VNB) reflects the value of future profit streams which are not fully captured in the year of sale under the normal financial reporting.

In this section, we have tried to de-mystify key industry terms and metrics. We have explained their relevance in simple terms, how they measure critical aspects of the life insurance business. Replacing complexity with simplicity is in line with our endeavour to make the life insurance business transparent. Because the business of insurance is about TRUST, and trust comes from TRANSPARENCY.

1

HOW IS INCOME MEASURED?

Terms used: Gross Written Premium (GWP), Annualised Premium Equivalent (APE) and Retail Weighted Received Premium (RWRP)

- **GWP:** Total premium collected during the fiscal year. It comprises premium from new customers (new business premium) and existing customers (renewal premium).
- **APE:** Sum of annualised first year premiums on regular premium policies plus 10% of single premium policies.
- **RWRP:** 100% of the first year premiums on retail regular premium policies plus 10% of single premiums received from retail customers during the year. It is a metric used for calculating the market share, since it is a publicly reported number by all life insurance companies.

2

HOW IS PROFITABILITY MEASURED?

Terms used: Value of New Business (VNB), Value of New Business Margin, Profit After Tax (PAT) and New Business Strain

- **VNB & VNB Margin:** VNB determines the expected profitability of the new business written during the year. It is the present value of future profits to shareholders as measured in the year in which the business is written. Future profits are computed on the basis of assumptions set keeping in mind actual and expected experience on various parameters which are typically reviewed annually. VNB margin is the ratio of VNB for the period to APE for the period. It is similar to profit margin for any other business.
- **PAT:** Accounting profit in compliance with applicable accounting standards and regulations. For life insurance business, the expenses are higher in initial years leading to accounting losses, while profits start accruing towards the later stages. Accounting profit comprises losses incurred in initial years from new business written in the year and profits arising from business written in the past.
- **New Business Strain:** The accounting loss associated with the initial years of a life insurance contract is referred to as Strain.

3

WHAT IS EMBEDDED VALUE?

Terms used: Embedded Value (EV) / Embedded Value Operating Profit (EVOP)

- **EV:** Is similar to the Book Value of companies in other sectors. It is sum of the Company's Net Worth and the present value of all future profits to shareholders from the existing book of the Company (including new business written in the year). Future profits are computed on the basis

of assumptions such as persistency, mortality, morbidity and external factors like interest rates and equity market performance. EV can also increase or decrease because of investment experience being different than expected and due to change of assumptions of future returns which is reflective of expected returns at the date of valuation. The change in EV because of performance as compared to assumptions is disclosed through Analysis of Movement disclosure.

- **EVOP:** Is the EV Operating Profit for the year. The key components of EVOP are expected investment income on opening EV (unwind), Value of New Business added during the year and EV variances. EV variance is a measure of the performance as compared to what was assumed in arriving at the EV at the beginning of the year. The key relevant factors are mortality, persistency and renewal expenses. Under IEV, new business expenses are a part of VNB. If these variances are expected to continue to be seen in the future, then it is usual to capitalise these variances by way of an assumption change.

4

HOW IS QUALITY OF BUSINESS MEASURED?

Terms used: Persistency

- **Persistency:** It measures the proportion of policy holders who have continued with their policies. It indicates the ability of the company to retain customers. Maintaining a high level of persistency is critical as it provides scope of regular revenues through renewal premiums. The 13th month persistency ratio typically reflects the quality of sales performance, while the 49th month persistency ratio enables us to assess the proportion of customers paying all premiums as majority of regular premium contracts have a minimum premium payment period of five years. From a customer's point of view, they benefit from lower effective charges the longer they continue with the policy.

5

HOW CAN QUALITY OF CUSTOMER SERVICE BE MEASURED?

Terms used: Claims Settlement Ratio, Grievance Ratio

- **Claims settlement ratio:** Is the ratio of claims settled to claims received in a given year. Claims settlement is the ultimate promise made to customers.
- **Grievance ratio:** Is the number of grievances/complaints received per 10,000 new business policies sold during the year. A low grievance ratio indicates higher customer satisfaction.

6 WHAT IS SOLVENCY RATIO?

Terms used: Solvency Capital, Solvency Ratio/Margin

- **Solvency ratio and solvency capital:** Solvency is a regulatory measure of capital adequacy. It is expressed as a ratio of available capital and required capital. It is critical in determining our ability to meet future contingencies and fund growth plans. A high solvency ratio instils confidence in customers and investors in the ability of the Company to pay claims. The solvency margins are calculated in accordance with the guidelines of IRDAI. The control level of solvency ratio is 150%, below which the IRDAI will intervene with remedial measures.

7 WHAT IS SUM ASSURED?

Terms used: Sum Assured, Life Cover

- **Sum Assured or Life Cover:** This indicates the amount of money that is guaranteed to be paid to the nominee or beneficiary upon death of the life assured.

8 WHAT ARE THE VARIOUS INSURANCE PRODUCTS?

Terms used: Protection, Savings, ULIPs, Participating, Non-Participating, Term, Annuity, Endowment

Broadly insurance products are either pure protection products or savings products.

- **Protection products:** These products offer a plain vanilla life cover at a very low cost for the period of time the customer continues to pay the premium. Some products offer critical illness benefits wherein a benefit amount is paid out upon being diagnosed with a critical illness as defined in the product. Typically the life cover could be as high as 700-1000 times one year premium. Term plans would be an example of a pure protection product. Our endeavour in offering these products is to provide a range of value added covers.

- **Savings products:** The key factors that determine value delivery to the policyholders are how long they stay (persistence) and the cost ratios of the Company. Our endeavour in offering these products is to operate at cost ratios that ensure that value is delivered to both continuing as well as discontinuing policyholders. These products, except pension and annuity products, typically offer a life cover of 10 times annual regular premium and also provide returns on the premiums invested. The savings products can be further classified based on their structure into ULIP, Participating (Par) and Non-Participating (Non-Par).

- **ULIP** – In this, the policyholder chooses the asset class he wants to invest in (Fixed Income or Equity) and has the option of switching the asset class. The NAV on the portfolio is declared daily and the portfolio composition is disclosed on a monthly basis. The investment risk and rewards on these products are borne by the policyholder.

- **Par** – In participating products, the investments, expenses and claims of policy holders are pooled and the return to the policy holder is in the form of bonus declared from the surplus at the end of the year. The surplus is distributed between the policyholders and the Company in the ratio of 90:10. The investment pattern is decided by the Company in line with regulations and typically a large part of the investment goes into Fixed Income and the balance in other asset classes like Equity and Property.

- **Non Par** – In this product, the customer is guaranteed a fixed rate of return on the premiums paid/to be paid by him. Accordingly, the investment risk is borne by the Company.

ACROSS THE PAGES



The Indian Life Insurance Industry

Tenth largest market in the world and fifth largest in Asia



Performance at a Glance

VNB margin expansion from 5.7% to 10.1% in the last two years
Growth of APE at a CAGR of 24.4% in the last three years



Our Strategy

Deliver superior customer value. Enhance market leadership. Grow profitably.



Customer Service Philosophy

Our customer service philosophy is centred around the age-old tenet that insurance is a contract of uberrimae fidei – a contract of utmost good faith



Delivering Superior Returns

91% of our funds have outperformed their respective benchmarks since inception



Building an Agile and Flexible Workforce

The Key Performance Indicators (KPIs) for employees at all levels are aligned to deliver risk calibrated, quality and profitable growth and market share enhancement

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FROM THE DESK OF THE CHAIRPERSON

“
OUR CUSTOMER-FOCUSSED APPROACH ENCOMPASSES PRODUCTS, DISTRIBUTION, CUSTOMER SERVICE AND CLAIMS SETTLEMENT ACTIVITIES DESIGNED TO PROVIDE A SUPERIOR EXPERIENCE TO OUR CUSTOMERS”

Dear Shareholders,

The global economic environment continued to be volatile during fiscal 2017 with several key developments like the United Kingdom’s decision to withdraw from the European Union and the presidential elections in the United States. Global economic growth continued to remain moderate, with both developed as well as emerging market economies witnessing a slowdown in growth.

Closer home, India continued to see improvement in macroeconomic conditions during the year. Several structural reforms were initiated by the Government that are expected to provide an impetus to long-term sustainable growth in the economy. The withdrawal of high denomination currency notes led to a sharp increase in financial savings in the economy and gave a significant boost to digital transactions. It is noteworthy that the entire nation, and the financial industry in particular, demonstrated significant resilience during the transition period and returned to normalcy within a short time. The enactment of legislation for the Goods & Services Tax during fiscal 2017 has paved the way for the implementation of this far-reaching tax reform in fiscal 2018.

Today, there is a growing realisation of the benefits of financial protection among the young working population. Insurance penetration is also being augmented by the Government’s initiatives in promoting life insurance among different sections of the population. Considering the under-penetration of financial protection in India at large, the importance of the life insurance industry continues to grow. ICICI Prudential Life remains a key participant in this space being the largest private sector insurance Company, and will continue to support the needs of an aspiring population.

Our customer-focussed approach encompasses products, distribution, customer service and claims settlement activities designed to provide a superior experience to our customers. Financial transactions are undergoing a transformation with the emergence of several digital solutions. ICICI Prudential Life has used technology to offer greater convenience to our customers and improve the overall experience of purchasing life insurance. Our distributors have also been empowered through a device-agnostic



Chanda Kochhar
Chairperson

digital platform, which enables them to provide services to customers at their doorstep, almost equivalent to a branch visiting the customer. ICICI Prudential Life has been making efforts to bridge the protection gap in the country. We will continue to focus on providing financial security to the families of our customers. It is a promise we make to the customer, of providing financial security to their loved ones when they are not around.

Fiscal 2017 was a landmark year for ICICI Prudential Life as it became the first Indian insurer to be listed on the Indian stock exchanges. For a Company to get listed is a once in a lifetime event, and the response we have received from our investors has strengthened our belief that our hard work and sustained efforts to provide financial protection to millions of customers has been appreciated.

I thank you all for your trust and faith in ICICI Prudential Life. Going forward, we will continue to focus on increasing the protection levels in the country, meeting the diverse needs of our customers and creating sustainable value for all our stakeholders.

Warm regards,

Chanda Kochhar

FROM THE DESK OF THE CHIEF EXECUTIVE, PRUDENTIAL CORPORATION ASIA

“
WE ARE JUST AT THE BEGINNING OF OUR MISSION TO HELP PROTECT INDIAN FAMILIES FOR GENERATIONS TO COME”



Tony Wilkey
Chief Executive, Prudential Corporation Asia

Dear Shareholders,

For over 90 years in Asia, Prudential has played a key role in providing long-term protection to individuals and their loved ones. Today, we are a leading life insurer in Asia with operations spanning 12 dynamic economies and serving 15 million customers across the region.

India is important to Prudential’s growth strategy as we continue to expand our distribution in Asia, focussing on health and protection products and product innovation.

ICICI Prudential Life has continued to grow from strength to strength, retaining the number one position among private life insurers. Its continued success is a testament to the strength of the long-standing partnership between Prudential and ICICI Group, both of which have a shared commitment to protect the financial well-being of Indian families and contribute to the long-term economic development of the country.

In 2016, ICICI Prudential Life achieved a significant milestone when it launched its initial public offering in India, the largest so far by any life insurance Company in the country. This successful listing was a clear demonstration of the market’s confidence in ICICI Prudential Life’s business.

We are just at the beginning of our mission to help protect Indian families for generations to come. We look forward to contributing to and celebrating more achievements of ICICI Prudential Life.

Warm regards,

T. Wilkey



MANAGING DIRECTOR & CEO'S REVIEW

“
OUR DEVICE-AGNOSTIC DIGITAL PLATFORM HAS BEEN BUILT TO OFFER CONVENIENCE, EMPOWER CUSTOMERS AND IMPROVE DISTRIBUTION EFFICIENCIES. WE CONSISTENTLY ENDEAVOUR TO MAKE EVERY ASPECT OF OUR BUSINESS SIMPLE AND TRANSPARENT. WE BELIEVE, WITH THE SUPPORT OF TECHNOLOGY, THE COMPANY CAN BECOME MORE EFFICIENT AND KEEP DELIVERING SUPERIOR LEVELS OF CUSTOMER SERVICE”

Dear Shareholders,

FY2016-17 has witnessed changes that bode well for the financial services industry including life insurance.

WHAT WERE THESE CHANGES?

The government implemented various initiatives with the aim of stepping-up economic growth. To make the country more investor-friendly, a unified tax regime – the GST bill was passed. The demonetisation initiative was carried out to channelise funds into the banking system, thereby bringing a greater proportion of the population under the ambit of financial services. As customers experienced the convenience of digital financial transactions, it resulted in an increased uptake of financial savings products. Similarly, other initiatives such as opening up of small payment banks, housing and micro-finance companies, NBFCs would steadily change the way Indians deal with their finances. This, we believe, will go a long way in ensuring overall economic progress.

WHAT THIS MEANT FOR THE LIFE INSURANCE INDUSTRY

The Indian life insurance industry grew by over 20% in fiscal 2017 as compared to a growth of 8% in fiscal 2016 on a Retail Weighted Received Premium (RWRP) basis.



Sandeep Bakhshi
Managing Director & CEO

Demonetisation played the role of a catalyst for the growth of the Indian life insurance industry. The growth of the industry in the pre-demonetisation phase i.e. from April-October 2016, was 17%, which went up in the post-demonetisation phase (November 2016 – March 2017) to 23.6% on a RWRP basis.

The regulator, with its customer-centric framework was instrumental in making life insurance a more attractive proposition. In line with this, the industry too, took steps towards enhancing reach, thereby making financial security accessible to a larger section of the population.

Technology has been responsible for altering the way the life insurance industry functions. It facilitated the process of conducting a need analysis, enabled customers to make informed buying decisions, eased form filling, enabled online KYC validation and quick decisions on policy issuance. The digital platform reduced the time taken to purchase life insurance thereby ensuring a smooth customer on-boarding process. The dematerialisation of policies provided a single window to customers for storing and managing multiple policies.

It is estimated that by 2020 a majority of our population will comprise young working individuals. With an increase in disposable income and responsibilities, this section of our population will need instruments offering financial protection and long-term savings. This will set the tone for the way forward.

ICICI PRUDENTIAL LIFE

It is our pleasure to announce that ICICI Prudential Life is now a listed Company. And this has been possible because of your support.

Technology has been our partner as we constantly strive to align all aspects of our business – be it products, distribution, customer service, etc. – to meet customer needs and expectations. It has enabled us to develop processes keeping in mind short turnaround times and providing quick resolutions to our customers. Our device-agnostic digital platform has been built to offer convenience, empower customers and improve distribution efficiencies. We consistently endeavour to make every aspect of our business simple and transparent. We believe, with the support of technology the Company can become more efficient and keep delivering superior levels of customer service.

The demonetisation initiative presented new opportunities for the life insurance industry, more customers moved towards financial savings. Our digital platform provided the ease to purchase life insurance through digital payment options.

The demographic advantage, rising income levels and aspirations of our population, together with the protection gap that exists, presents us with an opportunity to provide financial security and facilitate long-term savings. With an array of products to meet varying life stage needs, the digital platform and superior customer service, we aim to vindicate the faith reposed in us by all stakeholders.

Life insurance is about Trust and Transparency. We endeavour to be a service-oriented life insurance partner to our customers.

Warm regards,

Sandeep Bakhshi


“
THE DEMOGRAPHIC ADVANTAGE, RISING INCOME LEVELS AND ASPIRATIONS OF OUR POPULATION, TOGETHER WITH THE PROTECTION GAP THAT EXISTS, PRESENTS US WITH AN OPPORTUNITY TO PROVIDE FINANCIAL SECURITY AND FACILITATE LONG-TERM SAVINGS”

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BOARD AND MANAGEMENT

BOARD OF DIRECTORS



Ms. Chanda Kochhar
Chairperson, Nominee of ICICI Bank Limited




Mr. N. S. Kannan
Nominee of ICICI Bank Limited



Mr. Adrian O'Connor
Nominee of Prudential Corporation Holdings Limited



Prof. Marti G. Subrahmanyam
Independent Director



Ms. Rama Bijapurkar
Independent Director



Mr. Vinod Kumar Dhall
Independent Director



Mr. V. Sridar
Independent Director



Mr. M. S. Ramachandran
Independent Director




Mr. Dilip Karnik
Independent Director



Mr. Sandeep Bakhshi
Managing Director & CEO



Mr. Puneet Nanda
Executive Director



Mr. Sandeep Batra
Executive Director

BOARD COMMITTEES

Board Audit Committee

Mr. V. Sridar, Chairman
Prof. Marti G. Subrahmanyam
Mr. Vinod Kumar Dhall
Mr. M. S. Ramachandran
Mr. N. S. Kannan
Mr. Adrian O'Connor

Board Risk Management Committee

Prof. Marti G. Subrahmanyam, Chairman
Ms. Rama Bijapurkar
Mr. N. S. Kannan
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. Deepak Kinger*
Ms. Asha Murali*

Board Customer Service & Policyholders' Protection Committee

Mr. Vinod Kumar Dhall, Chairman
Mr. N. S. Kannan
Mr. Adrian O'Connor

Board Nomination and Remuneration Committee

Ms. Rama Bijapurkar, Chairperson
Prof. Marti G. Subrahmanyam
Mr. Vinod Kumar Dhall
Mr. N. S. Kannan
Mr. Adrian O'Connor

Board Corporate Social Responsibility (CSR) Committee

Mr. Vinod Kumar Dhall, Chairman
Mr. N. S. Kannan
Mr. Adrian O'Connor

Stakeholders Relationship Committee

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. Sandeep Bakhshi
Mr. N. M. Govardhan#
Ms. Asha Murali#

*As per IRDAI Corporate Governance Guidelines 2016, Board Investment Committee shall also have Appointed Actuary, Chief Investment Officer, Chief Financial Officer and Chief Risk Officer as members.

#As per IRDAI regulations, With Profits Committee shall also have an Independent Actuary and Appointed Actuary as members.

SENIOR GENERAL MANAGERS

Mr. Judhajit Das, Chief - Human Resources
Mr. Balaji V.V, Chief Information Technology and Operations
Mr. Deepak Kinger, Chief Risk and Compliance Officer
Mr. Manish Kumar, Chief Investment Officer
Mr. Pranav Mishra, Chief Sales and Distribution
Mr. Prasun Sikdar, Chief Sales and Distribution
Mr. Satyan Jambunathan, Chief Financial Officer

Appointed Actuary

Ms. Asha Murali

Company Secretary

Ms. Vyoma Manek



THE INDIAN LIFE INSURANCE INDUSTRY

HISTORY OF THE INDUSTRY

The life insurance industry was opened up to the private sector in 2000 which invited interest from various entities to set up operations in partnership with global insurance firms. The private sector started with 4 companies commencing operations within the first year itself with 23 companies coming up between 2000 and 2012. The life insurance sector in India witnessed significant growth during FY2000-01 to FY2015-16 recording a CAGR of nearly 17% in total premium, making it the tenth largest market in the world and fifth largest in Asia.

As of March 31, 2017, a total of 24 companies are operational with LIC being the only fully government-owned life insurer. During these years, the private sector has grown at a rapid pace and in FY2016-17, it accounts for 53.9% of the country's life insurance market, on RWRP basis. (Source: IRDAI)

STRUCTURE

The life insurance industry fulfils two specific purposes-protection (from uncertainties) and long-term savings (to achieve financial goals). The industry offers a range of products catering to the requirements and risk profiles of customers across different life stages. New products developed by companies have to be filed with IRDAI for approval before they are made available in the market. The regulator seeks to ensure that customers' interests are protected at all times. Broadly, customers can be classified into two types; Retail (individuals) and Group (corporations). The products offer different premium payment options, single premium (a onetime lump sum payment) or a regular premium payment option.

Life insurance companies offer an array of products to choose from. Depending on the objective of the customer, they can choose from pure protection products like term plans

or savings products which can be unit linked or traditional depending on the risk profile of the customer. Within the traditional category of products there are two subsets i.e. Participating or Par and Non-participating or Non-par.

The companies in the industry access different customer segments through a multichannel distribution network which includes individual agents, bancassurance partners, corporate agents, brokers, and e-channel. Agency is the dominant channel for the public sector company (LIC). However, bancassurance as a distribution channel has seen rapid growth among private sector life insurance companies.

ENVIRONMENT

The Indian life insurance sector is highly competitive. Factors like customer service, distribution networks, brand recognition, product features, pricing, marketing methods, and financial strength of a company continue to

impact performance. Life insurance is a capital intensive business and requires regular capital infusion to build scale. In the savings business, the competitive environment, in addition to other life insurance companies is the larger financial savings industry.

IRDAI oversees the functioning of insurance companies. Since the entry of the private players in 2000 the regulator has worked towards ensuring that customers' interests are not compromised. The regulatory aspects cover product design, capital requirements, new product approvals, investment guidelines and distribution guidelines. From time to time new regulations have been implemented which have been a catalyst for the overall development of the industry.

INDUSTRY EVOLUTION

In the past decade, the Indian life insurance industry has undergone several changes. The evolution of the industry during this time can be captured in three broad phases:

- **Phase I** - the high-growth phase (2006-07 to 2009-10): During this phase, the RWRP grew at a CAGR of 11% for the industry and 26% for private players. The phase marked the rise of the private sector, diversification to new alternate channels (bancassurance, corporate agents and direct sales). The private sector's RWRP share increased from 36% to 52% driven by strong demand for ULIPs. Driven by the strong growth, in 2010 the total new business premium for the industry on a RWRP basis reached ₹ 2,655 billion, AUM was nearly ₹ 12,125 billion and insurance penetration reached 4.6% of GDP.
- **Phase II** - the transition phase (FY2010-11 to FY2013-14): This phase was dominated by a challenging macro-economic environment that emerged after the global financial crisis
- **Phase III** - growth revival phase (2014-15 onwards): The phase, driven by an improving economic scenario, low inflation and increasing financial savings, witnessed the RWRP for the industry growing. For FY2016-17, the industry's total new business premium on a RWRP basis was ₹ 532.18 billion, while the AUM as on March 31, 2017 reached ₹ 29.81 trillion.

resulting in a shift away from financial savings. The subdued capital market performance further led to reduction in the overall pie of financial savings. The industry was also realigning its business model in the wake of emerging regulations. The new regulations included cap on charges (including surrender and discontinuance charge) and minimum levels of sum assured. These factors resulted in RWRP declining by 5% (12% for private players) and the insurance penetration fell to 3.1% of the GDP. This phase witnessed private companies distributing more through banks and leveraging technology to improve operational efficiencies.

TREND PREMIUM ON RWRP BASIS FOR PRIVATE COMPANIES AND THE INDUSTRY

