

Reliance Nippon Life Insurance

Insurance Day

December 1, 2016



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Executive Summary

Embedded Value

- Rs. 31 bn as of Sept 2016
- Growth of 12% over March 2016

New Business Margins

- FY16: 28.8%
- Rise of over 100 bps from FY15

13th Month Persistency

- 61.2% as of Sept 2016
- Increase of 1.7% from March 2016 and 4.8% vis-à-vis Sept 2015

Opex Ratio

- (Opex + Commission) / (Ind. WRP + Renewal Premium) at 34% for H1 FY17
- Decrease of 12% as against FY16

Assets Under Management

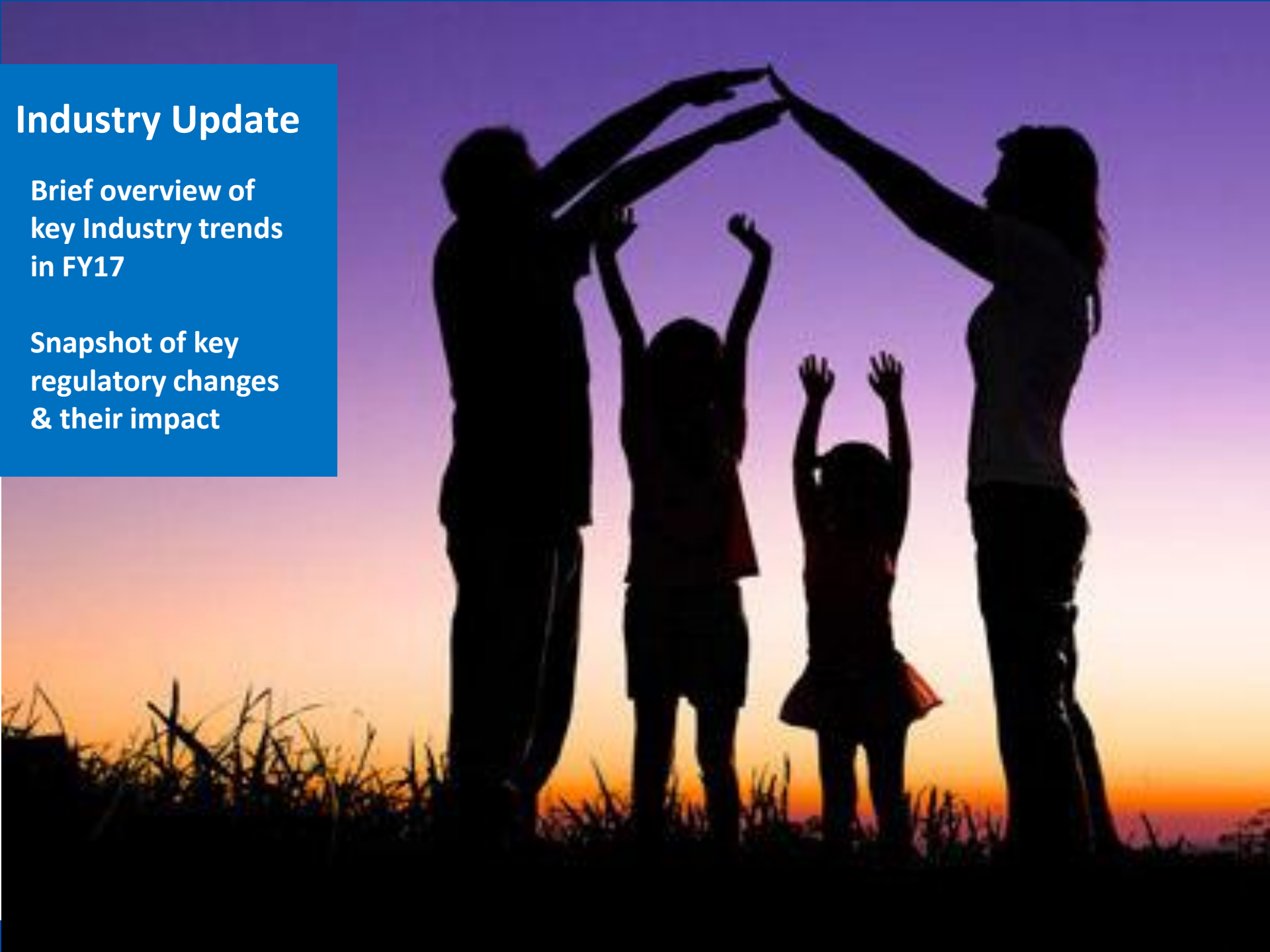
- Rs. 163 bn as of Sept 2016
- Growth of 2% vis-à-vis March 2016 and 5% since Sept 2015

Nippon Life raised its stake to 49% in March 2016, valuing the Company at ~Rs. 100 bn at an EV multiple of over 3x, amongst the highest in the Industry

Industry Update

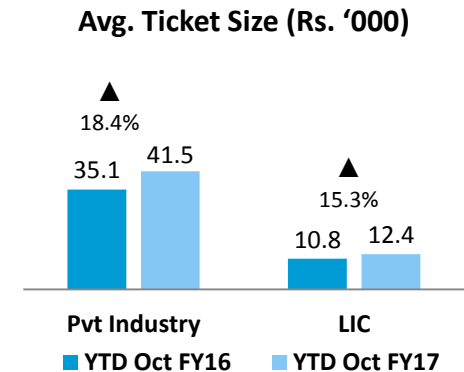
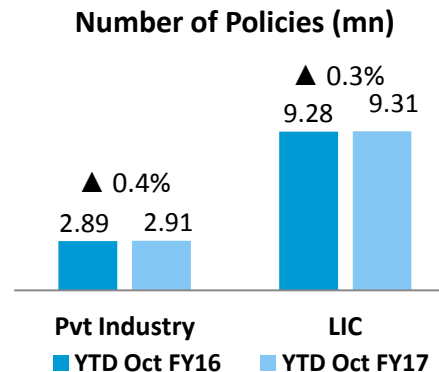
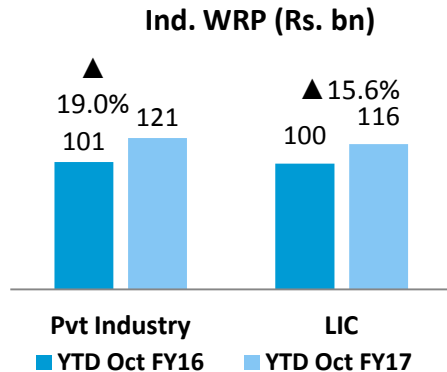
Brief overview of
key Industry trends
in FY17

Snapshot of key
regulatory changes
& their impact

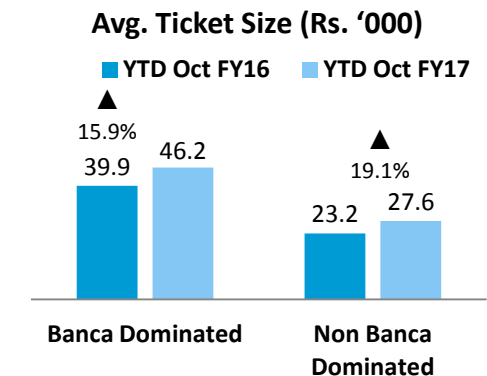
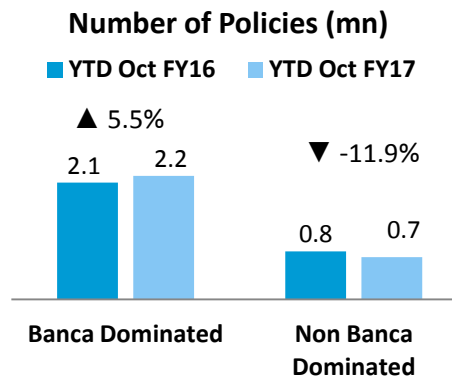
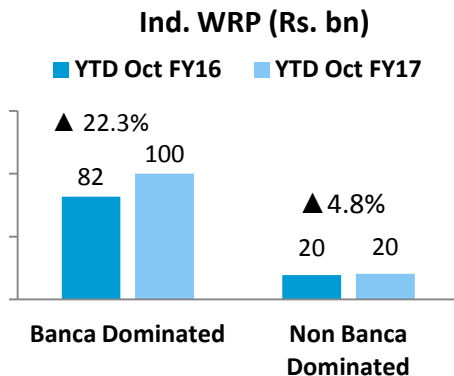




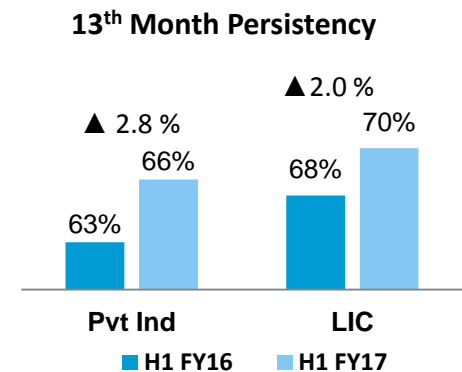
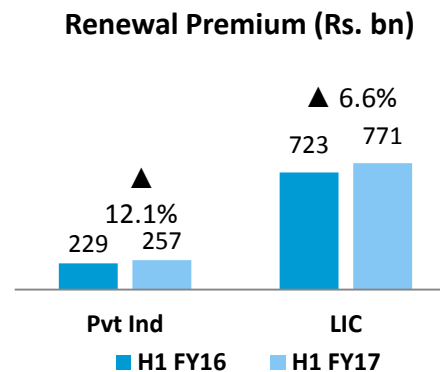
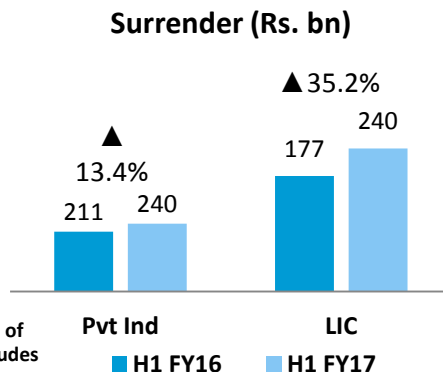
Growth driven by ticket size



Growth Divide Between Banca & others continues



Renewal Premium has grown, but so have surrenders



Data Source: IRDAI, Public Disclosures of 22 companies | Banca dominated includes all Insurers with greater than 50% contribution from bancassurance

Notified Regulations

Expenses of Management Regulations	Point of Sales Guideline (POS)	Health Insurance Regulations	Listing / Registration	Investment Regulations
<ul style="list-style-type: none"> Segment level ceilings on allowed expenses Expense overruns in Par segment will impact profit 	<ul style="list-style-type: none"> OTC products for POS Completion of mandatory training for POS sales representatives Paves way for OTC sales 	<ul style="list-style-type: none"> Life Insurer cannot offer any indemnity or ULIP linked product on health Restricts the market for Life Insurers but will probably force focus on profitable fixed benefit products 	<ul style="list-style-type: none"> Maintain 50% Indian shareholding of Paid Up Equity Capital by Promoter/Promoter Group Permit FII holdings & share of only promoter companies counted as FDI Listing not mandatory (Press statement) Norms aligned to Industry requirements 	<ul style="list-style-type: none"> Unified limit across instruments for BFSI Exceptional sector limit for 1 sector @20% removed. Relaxation in classification of equity shares as Approved securities Increase in operating flexibility

Exposure Drafts

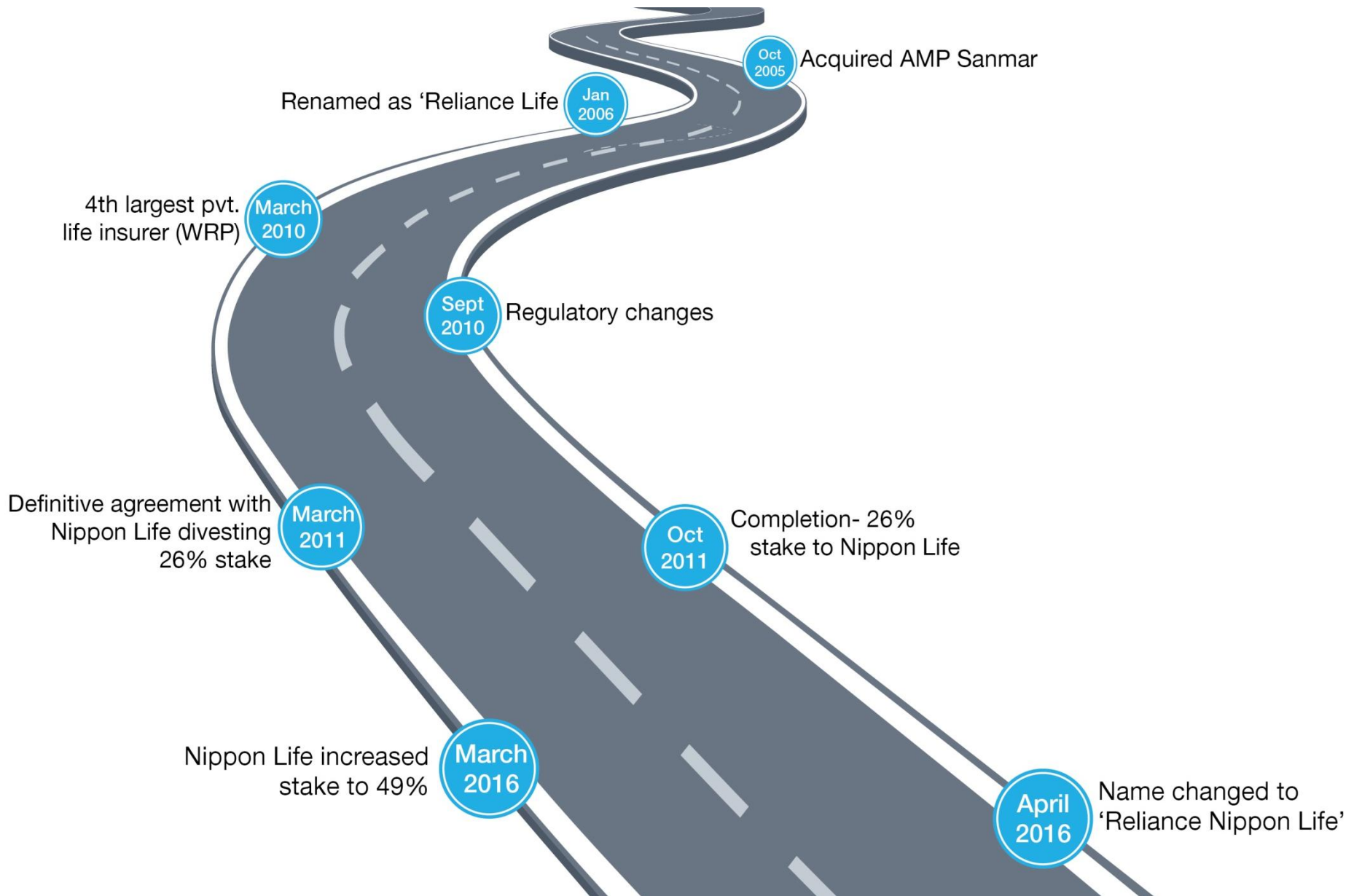
Insurance e-Commerce Regulations	Web Aggregator Regulations	Distributor/Agent Remuneration Regulations (Proposed)
<ul style="list-style-type: none"> Online Sales & Service Platforms to be certified by IRDAI Increased compliance requirements 	<ul style="list-style-type: none"> Tele-marketing allowed Remuneration liberalized Fillip to Web Aggregator Business 	<ul style="list-style-type: none"> Remuneration / Reward cap of 20% of FYC - At channel level for Agency, partner level for TPD No remuneration beyond FYC for Banks Acquisition of Bank partnerships tougher



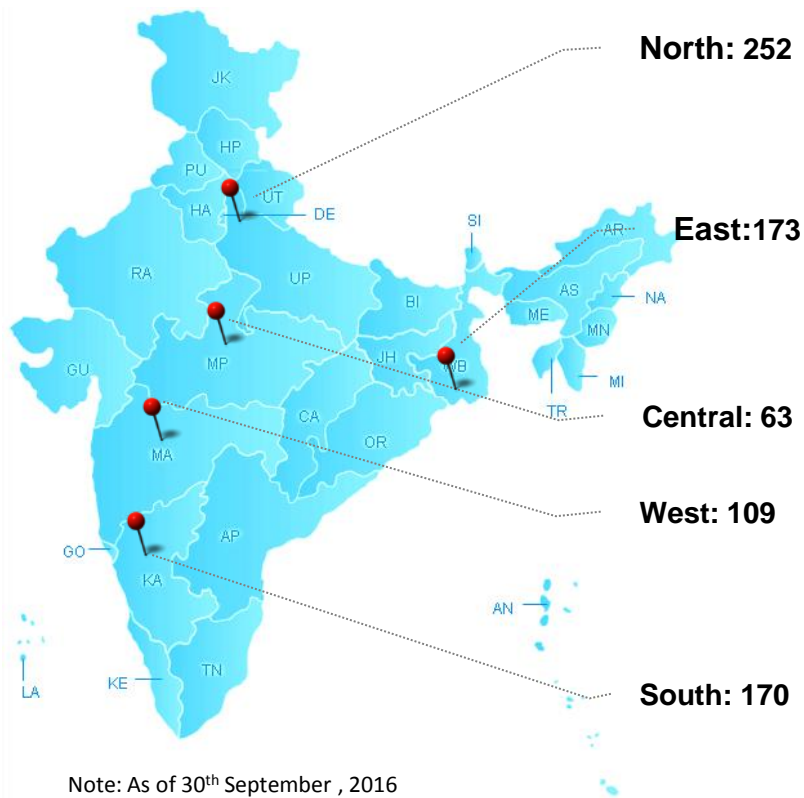
Business Update

Overview of the
Business

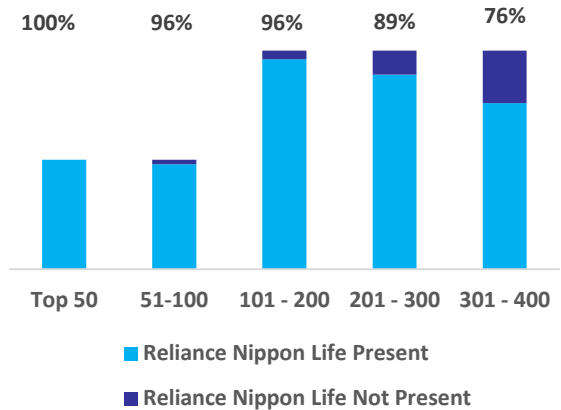
Key trends



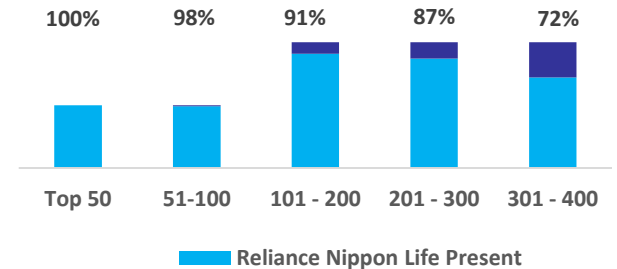
700+ BRANCHES
600+ CITIES PAN INDIA



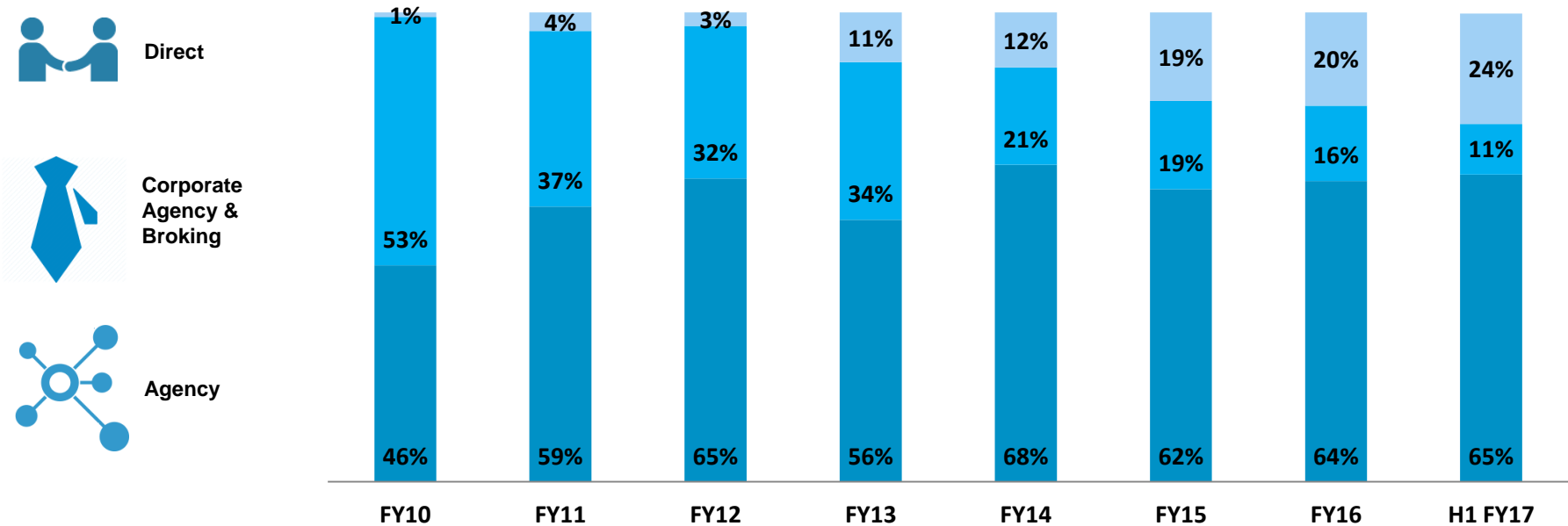
Reliance Nippon Life Presence in Top 400 Districts by Deposit Base



Reliance Nippon Life Presence in Top 400 Districts by Population

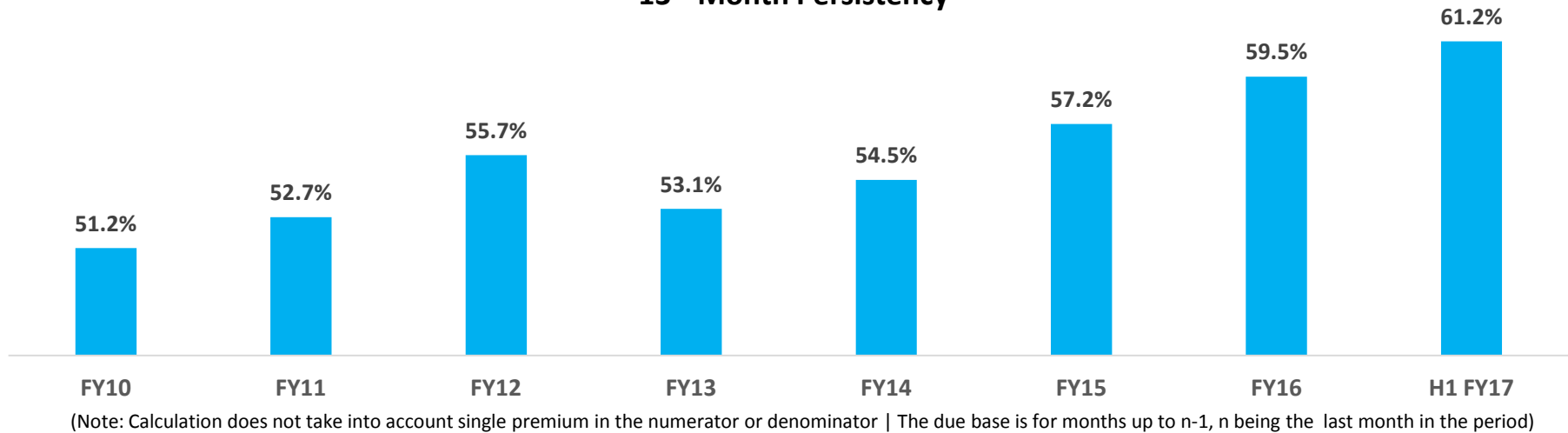


We are present in ~ 90% of top 400 districts in the country



- In the initial years, both Agency and Third Party Distribution (TPD), comprising Corporate Agents & Brokers, leveraged to create scale, given the lack of bancassurance opportunities
- Industry experience in persistency of TPD business has been adverse, therefore concerted effort made since FY13 to reduce its contribution, despite topline impact
- Channel mix now favourably altered - focus aligned to channels with favourable persistency experience
- Investment in Direct channels

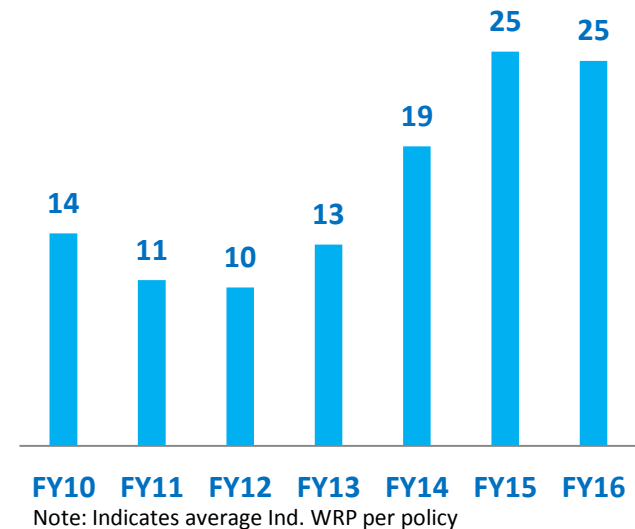
13th Month Persistency

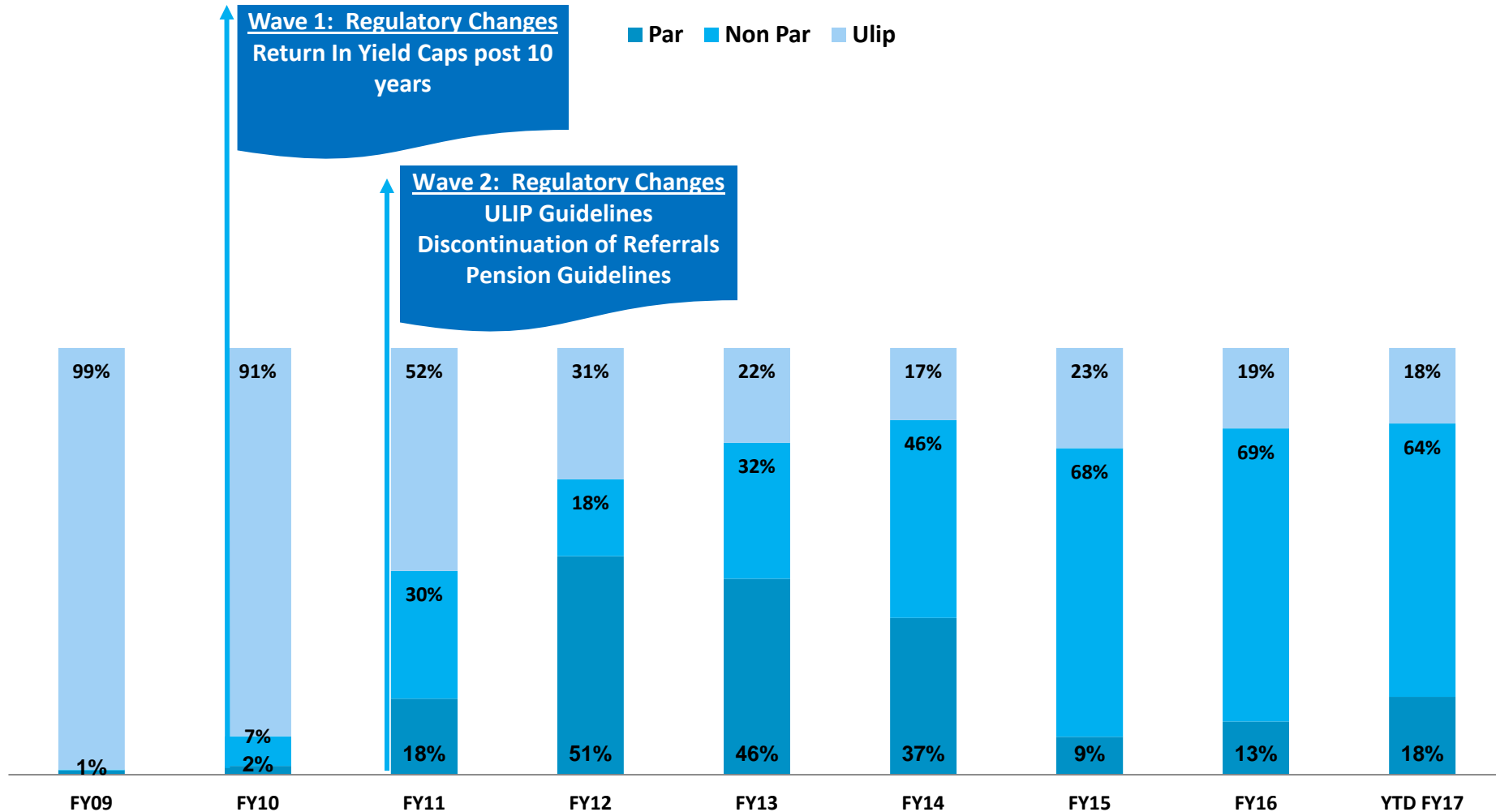


Drivers Of Persistency Improvement

Channel Mix	<ul style="list-style-type: none"> Reduction of TPD business, which had adverse experience in persistency, from 34% in FY13 to 11% by H1 FY17
Average Ticket Size	<ul style="list-style-type: none"> Persistency experience in lower ticket sizes was unfavourable Product & distribution strategy focus has resulted in a ~100% jump in 3 years from FY13 to FY16
On-boarding Process Check	<ul style="list-style-type: none"> First insurer to introduce decentralized 100% recorded Pre-Issuance Verification check Improvement in Contactability Early identification of wrong-selling
Sales Accountability	<ul style="list-style-type: none"> Targets and Incentives are linked to persistency achievement, and will drive the right behaviour

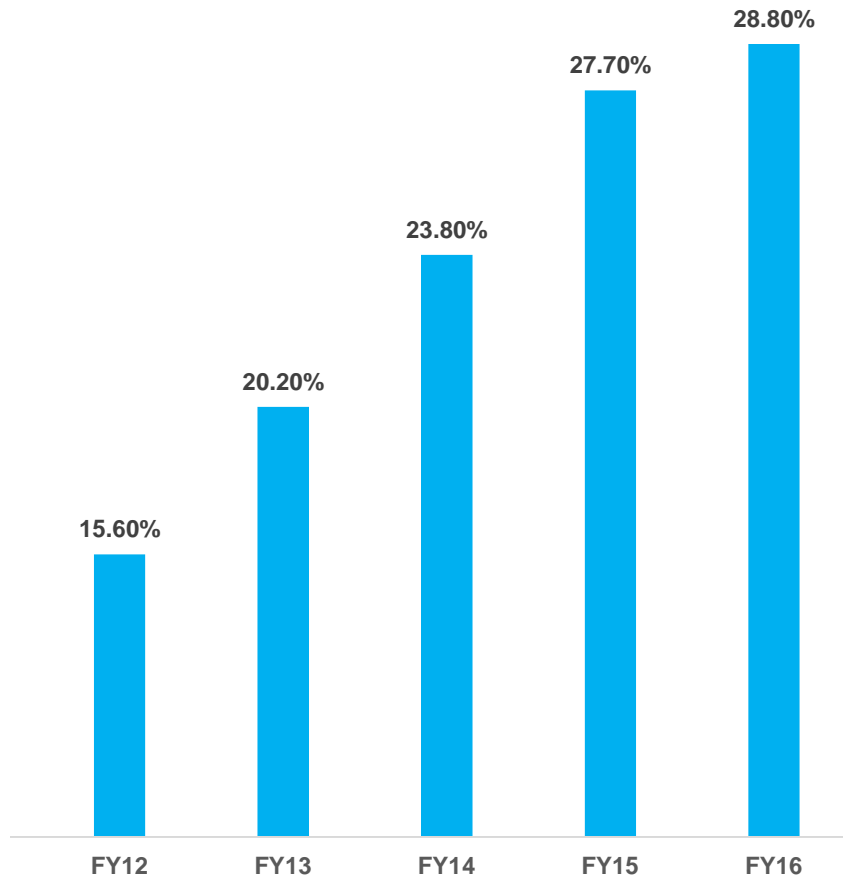
Average Ticket Size (in Rs. '000)





- With changes in ULIP guidelines making Agency economics unviable, shift to traditional product mix within 1 year - **up from 9% in FY10 to 48% in FY11, and 69% by FY12**
- **Gradual increase in Par after FY15**

New Business Margin



Product Basket

Participating

- Smart Cash Plan
- Child Plan
- Endowment Plan
- Lifelong Savings
- Whole Life Income Plan
- Pension Builder

Non-Participating

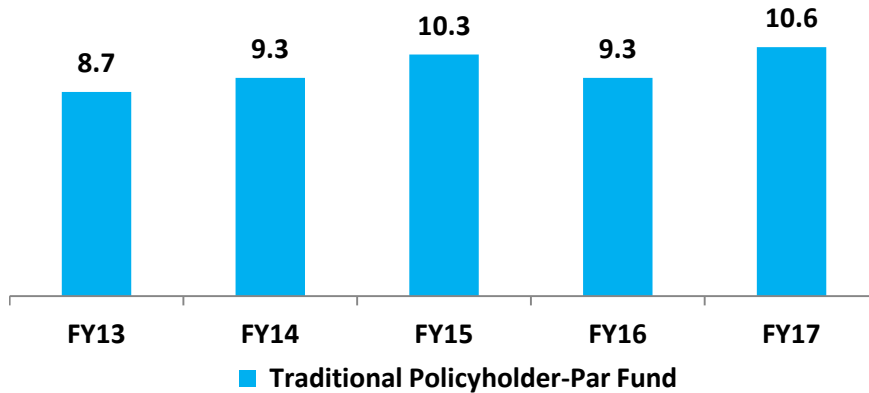
- Increasing Money Back Plan
- Guaranteed Money Back
- Education Plan
- Increasing Income Plan
- Fixed Money Back
- Super Endowment
- Super Money Back
- Immediate Annuity Plan
- Easy Care Fixed Benefit (Health Plan)
- Online Term

ULIP

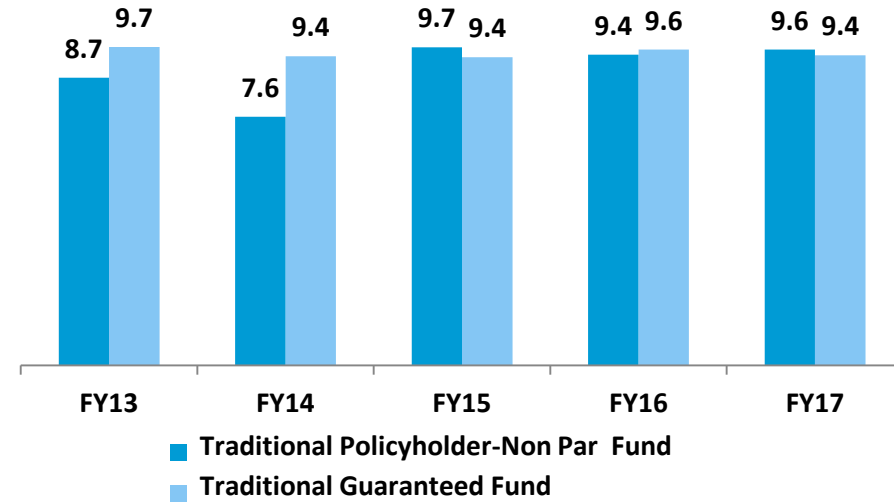
- Classic Plan II
- Smart Pension Plan
- Premier Wealth Plan
- Smart Savings Insurance Plan

Wide range of protection, savings & investment solutions for all stages of life across all product categories

Performance - Par Fund (%)

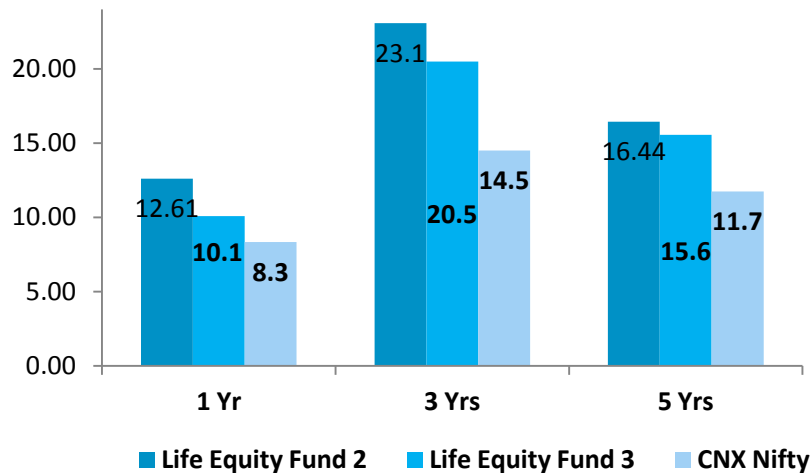


Performance - Non-Par Fund (%)

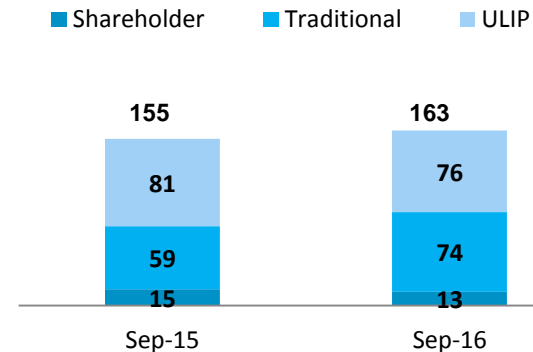


* FY17 returns are YTD annualized returns (Apr - Sept 2016)

Performance - ULIP Diversified Equity Fund (%)



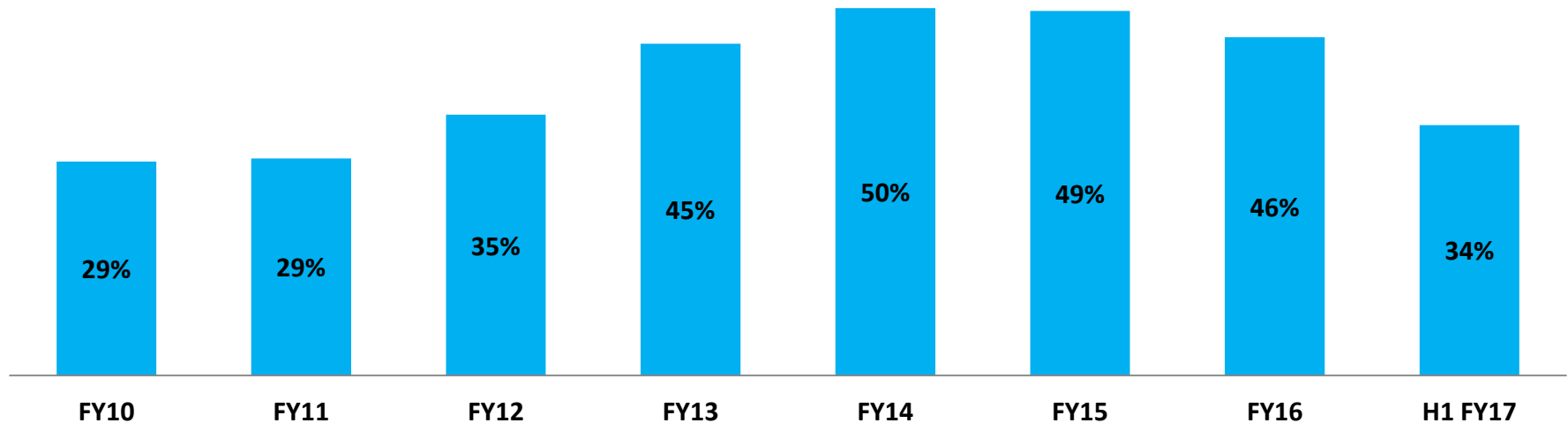
AUM (Rs. bn)



5% increase in AUM as of Sept 2016 compared to Sept 2015 driven by 26% increase in traditional Policyholder Funds

- 4 - 5% CAGR outperformance compared to Nifty over a 5-year period
- Over 70% of the funds invested in large cap Nifty stocks
- Portfolio Beta 0.96

(Opex + Commission) / (Ind. WRP + Renewal Premium)



- Initiated several cost optimization Measures in the last 12-18 months
- Branch network rationalization completed; further improvement in opex ratio expected from efficiency enhancement

'AAA' Rating

- Rated 'AAA' by Brickworks Rating
- Indicates the highest level of financial strength and enterprise-wide risk management

Post Issuance Risk Verification

- First of its kind in the Industry
- Analytical model for risk scoring policies
- Identification of potential early claims through follow-up investigation of high risk cases
- Winner of Innovation Award @FINNOVITI 2016 & 'Best Company for Big Data Analytics Implementation' at IT Innovation & Excellence Awards, 2016

Pre Issuance Verification Calling

- First to start verification calls on recorded lines for 100% of the policies prior to issuance
- Improved contactability and persistency
- Facilitated reduction of complaints

Robust risk Management framework with reporting line to the CEO / CRO / Reliance Group and to the Risk Management Committee and the Board

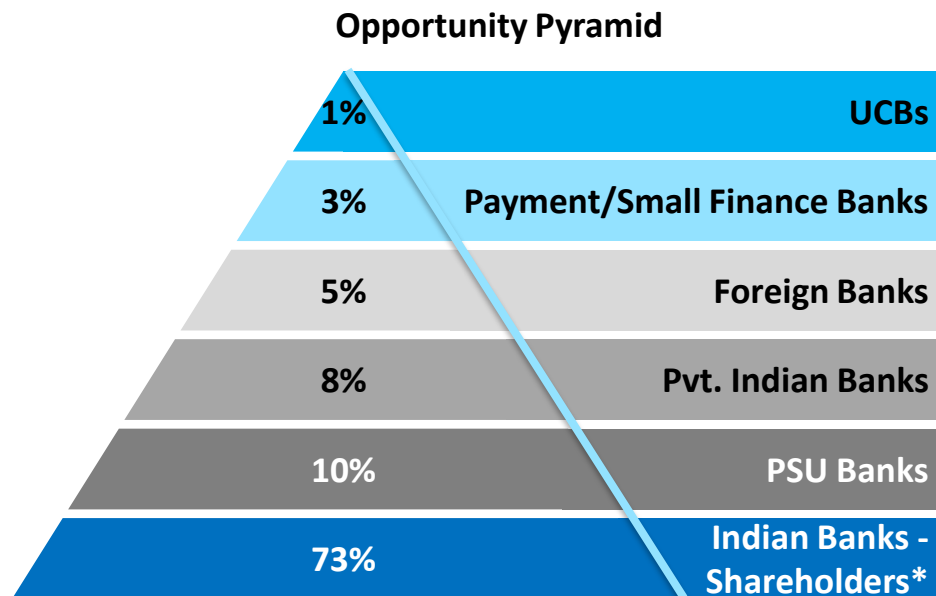
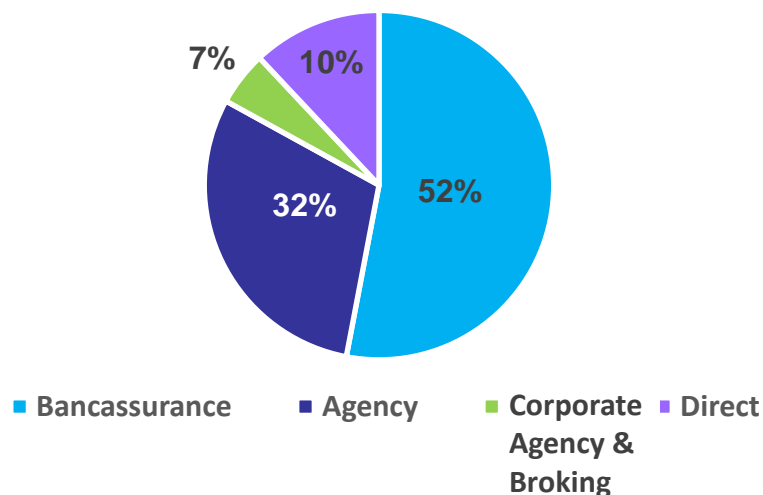
Reserving methodology and assumptions peer reviewed by an Independent Actuary (as per APS 4) and also reviewed by Nippon Life Actuary

Offsite and Onsite Audit by Nippon Life Internal Audit Team



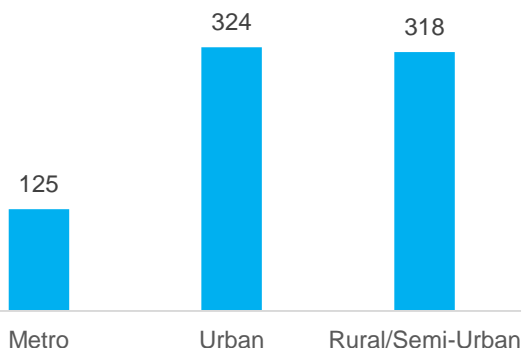
Potential Opportunities create possibilities of significant upside

Bancassurance Accounted for 52% of the Pvt. Industry (Individual NB) in FY16



*Note: All Public & Private Indian Banks that have a shareholding arrangement with the Insurers

Branch Network



Note: As per IRDAI Classification

Reliance Nippon Life Advantage

- Largest Proprietary Distribution Network
- Group Relationships with Banks
- Reach beyond Cat. A & B towns
- Proven capability of driving a Traditional Product mix that can maximize revenue for the Banks



- Well matched to requirements of PSUs and Small Finance Banks
- Reach beyond Cat. A & B towns help in targeting unmapped segments in Pvt. Indian Banks

Customers

Over 250 million

- Reliance Communications
- Reliance General Insurance
- Reliance Nippon Life Insurance
- Reliance Infrastructure (Dist.)
- Reliance Nippon Life Asset Management
- Reliance Securities
- Mumbai Metro
- KDA

Over 850,000

- RCOM franchisees
- RNLI agents
- RNLAM distributors
- RGI agents
- R-Sec franchisees

Distribution

Shareholders

Over 7 million

- Reliance Power
- Reliance Communications
- Reliance Infrastructure
- Reliance Capital
- Reliance Defence & Engineering

Over 50,000

- Employees
- Vendors
- Branches

Others



A strong and enduring partnership with Nippon Life Insurance

7th largest insurer in the world

- **Life Insurance Company with a history of over 125 years**
- A Global Fortune 500 Company
- Engaged in Life Insurance, Asset Management and businesses ancillary thereto
- Revenue of \$71.5 bn and Profit of \$4.9 bn in FY16 (FY15-16)

Steadfast supporter through a challenging business environment

- The Life Insurance Industry & Reliance Life went through pain during the transition period from FY11 - FY13
- Nippon Life has been a steadfast supporter through this period; **amongst the first foreign partners to increase its stake to 49%, within a span of 5 years from the first investment**

Strong Partnership with the Reliance Group

- Holds 49% stake in both the Life Insurance and the Asset Management businesses
- Total investment of Rs. 53 bn in Reliance Nippon Life; 2nd investment **valued the Company at approx. Rs 100 bn, at an EV multiple of over 3x - amongst the highest in the Industry**
- Combined investment of Rs. 86 bn across both companies



Secondment of Nippon Life personnel to India

- 2 in FY11
- 3 in FY14
- 4 in FY15
- 5 in FY16
- 6 in FY17

Reliance Nippon Life Employees sent to Nippon Life

- Best Practice Forums
- Asia Life Insurance Executive Seminar
- Short-term Visits/ Secondments

Short Term Trainees From Nippon Life

- 3 Month Trainees
- 2 Week Trainees

Strategic & Operational Guidance to New Channels

- Face 2 Face
- Career Distribution

Valuable Guidance from Nippon Life's Top Mgmt.

- Board Presence
- Support in key decisions
- Regular visits by Top Mgmt. to Reliance Nippon Life

Enabling Governance

- Offsite and Onsite audits by Nippon Life Internal Auditor

Face to Face - a unique distribution format In India - developed in close collaboration with Nippon Life

Unique Demographics

- All women employees
- 30+ years old

Broad Scope of Activities

- First service Then sales
- Pin code based geographic mapping for each branch

First of a kind Compensation Structure

- Activity points in addition to variable payouts
- Rewarded for services & sales activities

Daily Operations Rigor rare in the Indian Market

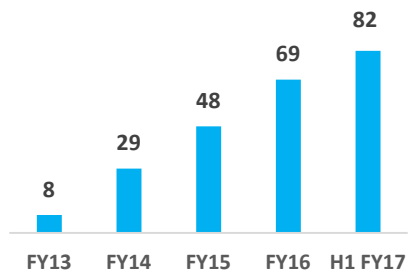
- Standardized daily training
- Morning meeting timing and agenda same across all branches all days
- Branch managers with 'process and training' experience preferred over sales

AN ALL-WOMAN TEAM OF
LIFE PLANNING OFFICERS...

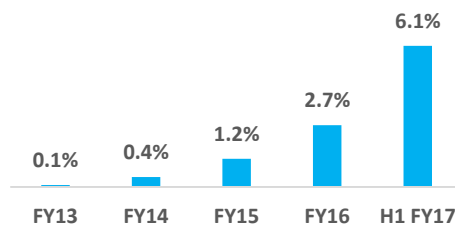
...ENSURING SUPERIOR
SERVICE TO
EVERY CUSTOMER.



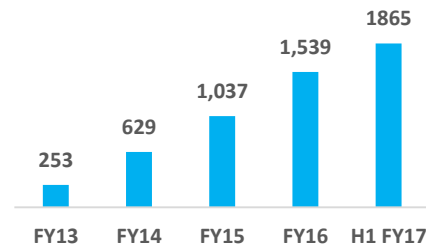
No. of Branches



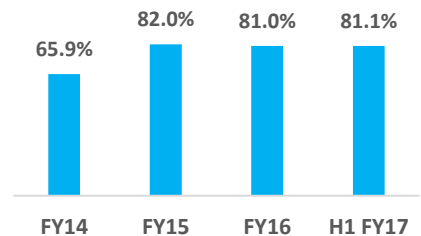
Contribution to Individual WRP



No. of Life Planning Officers



13th Month Persistency



**Embedded
Value**

Disclosures

Sensitivity



Embedded Value at Rs. 30.7 billion (TEV Methodology) as on Sept 2016 - up 12% from Mar 2016

Key parameters	Sensitivity	New Business Achieved Profit (Rs. in bn)	Embedded Value (Rs. in bn)
Base case	-	0.8	30.7
Interest Rate	Increase by 1%	1.0	29.3
	Decrease by 1%	0.6	32.4
Persistency	Increase by 10%	0.8	30.9
	Decrease by 10%	0.8	30.6
Operating expenses	Increase by 10%	0.8	30.4
	Decrease by 10%	0.9	31.1
Mortality	Increase by 10%	0.8	30.3
	Decrease by 10%	0.8	31.2

Demonetisation & its impact

- Demonetization impact on the Industry
- Experience within the Company and mitigation plans

- Contribution of cash payment mode business varies from under 5% to 70-80% across Insurers
- Agency has higher contribution of cash premiums while lower share in Direct & Bancassurance
- Could experience a temporary dip in premium collections in near term

Impact on the Industry

- Movement of ECS / NACH for Renewal Premium Collection
- Digitization of Sales Process
- Promotion of non-cash payment modes

Existing Initiatives at Reliance Nippon Life have helped absorb the impact

- Given negative impact on Real Estate & Jewelry (i.e. physical savings), financial savings stand to gain
- Improved adoption of digital payments will improve efficiency
- Industry with its reach can play an effective role in facilitating migration to a digital economy

Long-term View

Digital Payment Options Available

- Paytm
- Netbanking
- Online
- IVR
- IMPS
- Credit Card/ Debit Card

Additional Initiatives Taken

- Interest Waiver till 31st Dec 2016
- Pilot with Banks with desks in our branches to open zero balance accounts
- Drive Industry effort to enable acceptance of old currency to keep existing policies in-force

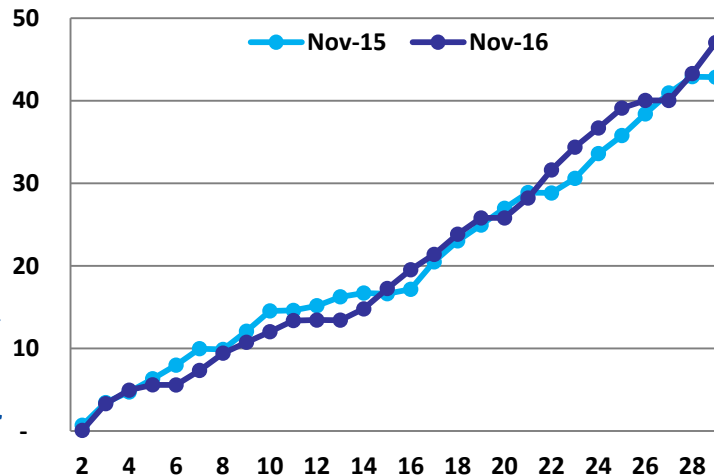
Predictive Model used to Segment Efforts

- Model scored on propensity to pay
- Model also indicates probability of using remote/digital channels
- Differentiated approach

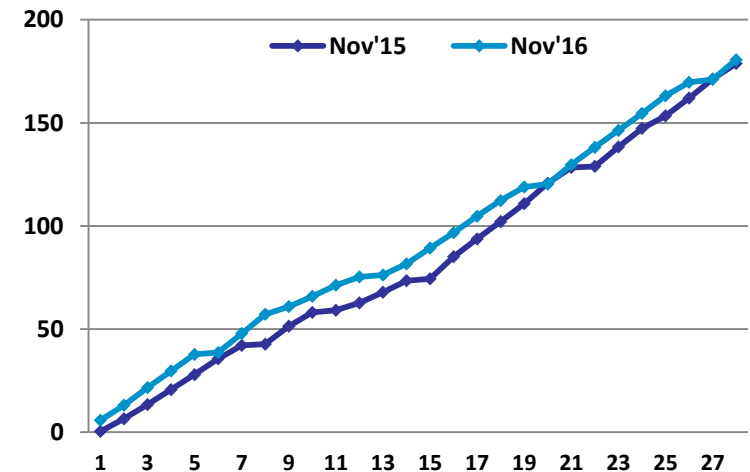


Initiatives taken have mitigated the impact - cash declined over 40% but increase in non-cash is higher

YOY Individual WRP Trend (Rs. crore)



YoY Renewal Collection (Rs. crore)



“ Over 40% increase in Wallet Payment Contribution at Reliance Nippon Life in Nov'16 over Oct'16 “

Way Forward

Overview of
Organization
Priorities

Strategic themes





Digitization

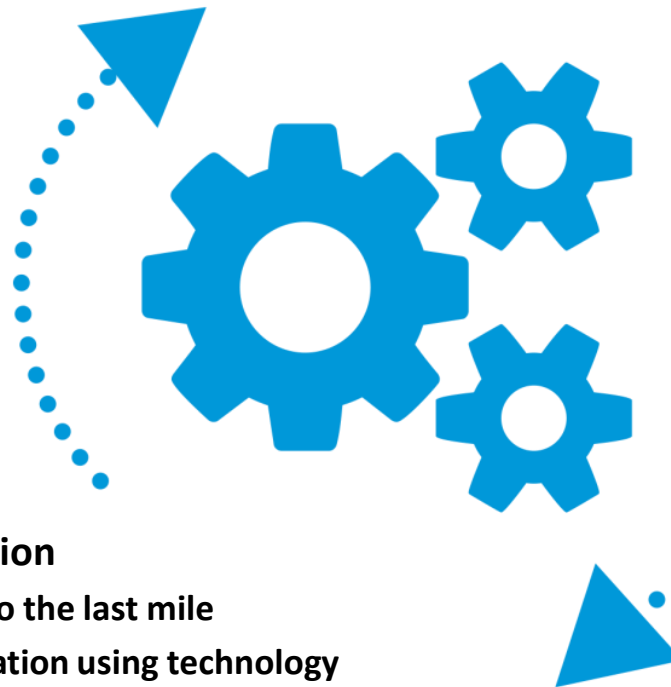
- Digital Service Delivery
- Digital channels of communication

Automation

- Minimize manual intervention
- Critical in managing scale & diversity

Analytics

- Diagnostic to predictive & prescriptive
- Leverage across customer, advisor and employee lifecycle



Communication

- Connect to the last mile
- Customization using technology
- Performance Driver
- Transparency & Unity of Purpose

Training

- Comprehensive repository
- Technology enabled delivery
- Visual & Interactive



Agency Levers

- Advisor recruitment
- Average ticket size
- Mobile responsive activity governance system
- Performance Management

DM Levers

- Recruitment & On-boarding process
- Average ticket size
- Mobile responsive governance system

Face to Face

- Expand branches under Face to Face model
- Over 60% growth in H1 FY17
- Continue to be a growth driver in the coming years

Bancassurance

- 7 tie-ups in place
- Operations with Equitas - 1st SFB launch in Nov 2016
- In discussion with several PSU Banks under the RFP process

Online

- Launch comprehensive online channel
- Bouquet of products to be made available across categories

Persistency

AUM

Opex Ratio

Margins

EV

“Maintain Positive Trends”

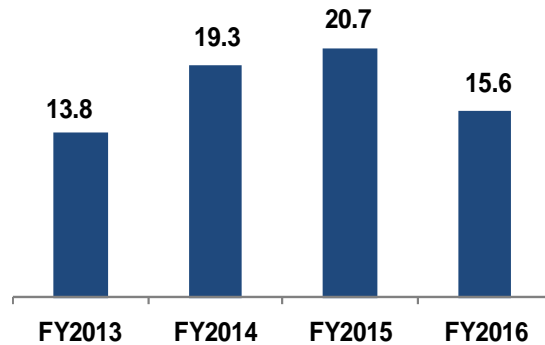
Thank you

Annexure



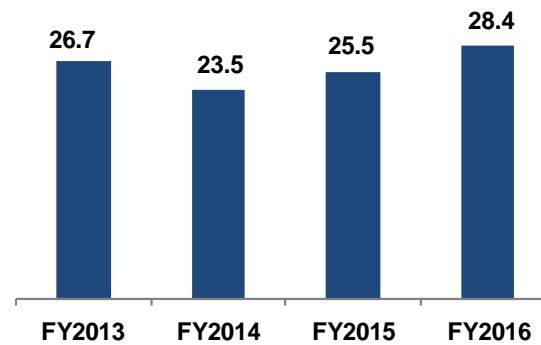
New Business Premium

(Rs. Billion)



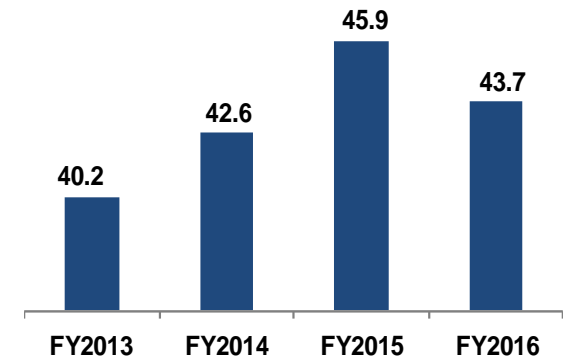
Renewal Premium

(Rs. Billion)



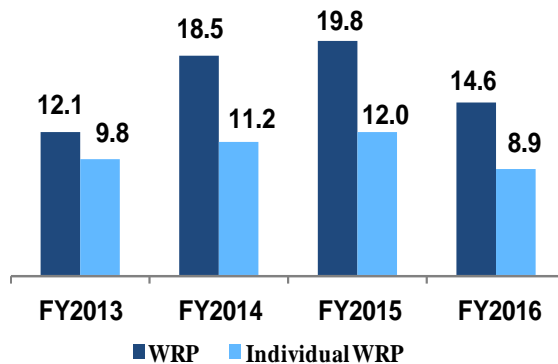
Total Premium (net of reinsurance)

(Rs. Billion)



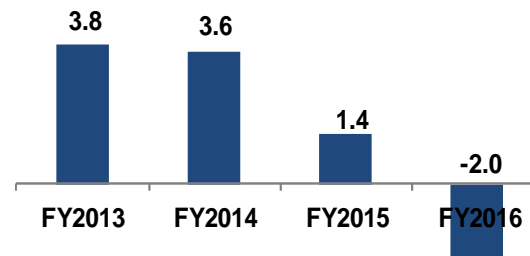
Weighted Received Premium

(Rs. Billion)



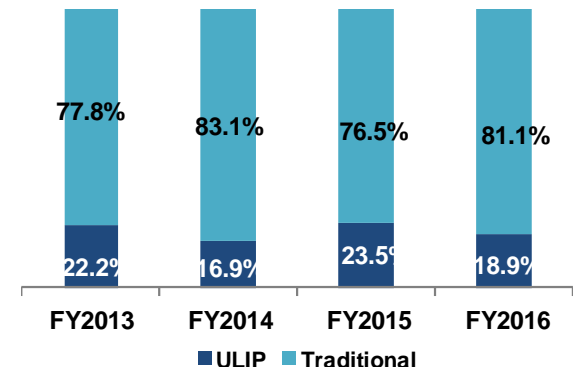
Profit Before Tax

(Rs. Billion)



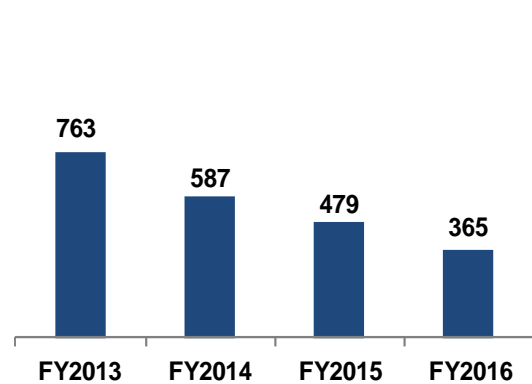
Business Mix

(%)



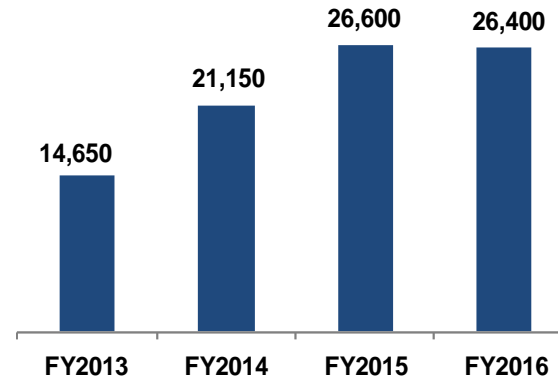
No. of individual policies sold

(in '000s)



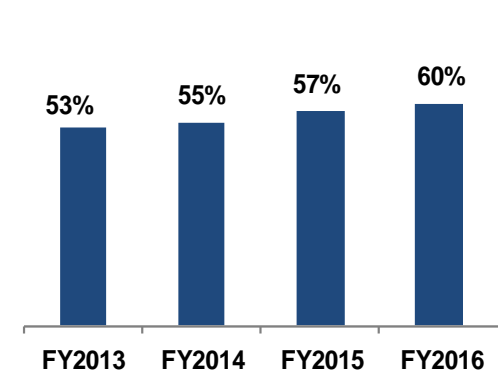
Average Ticket size (approx.)

(Rs.)



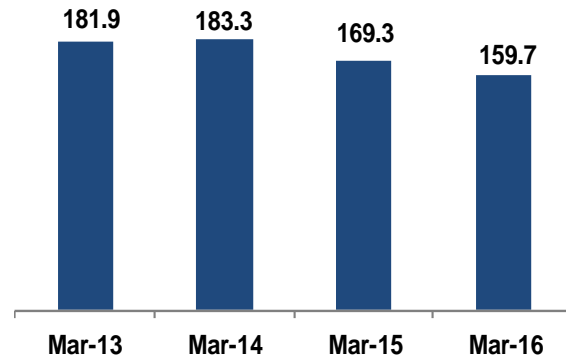
Persistency

(%)



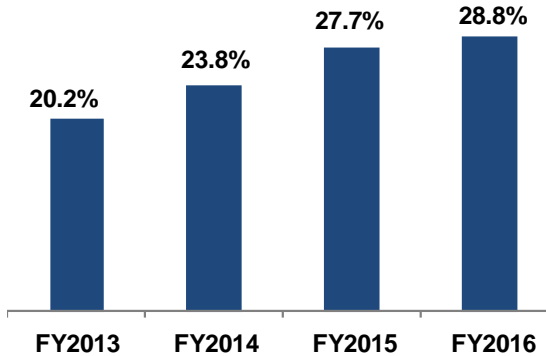
Funds under Management

(Rs. Billion)



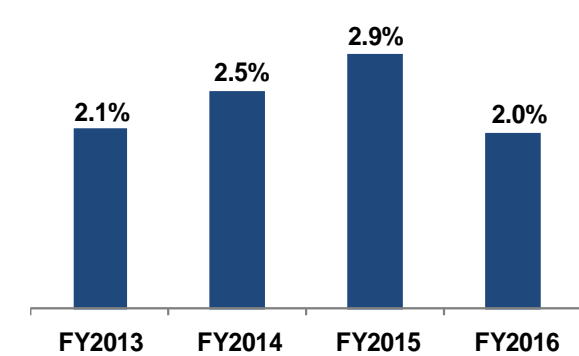
NBAP Margin

(%)



Industry Market Share*

(%)



* On the basis of Individual WRP