



Max Financial Services Limited

Investor Presentation
February 2019

“To be the most admired corporate for service excellence”



Sevabhav

- Positive social impact
- Helpfulness
- Culture of Service
- Mindfulness



Excellence

- Expertise
- Dependability
- Entrepreneurship
- Business performance



Credibility

- Transparency
- Integrity
- Respect
- Governance

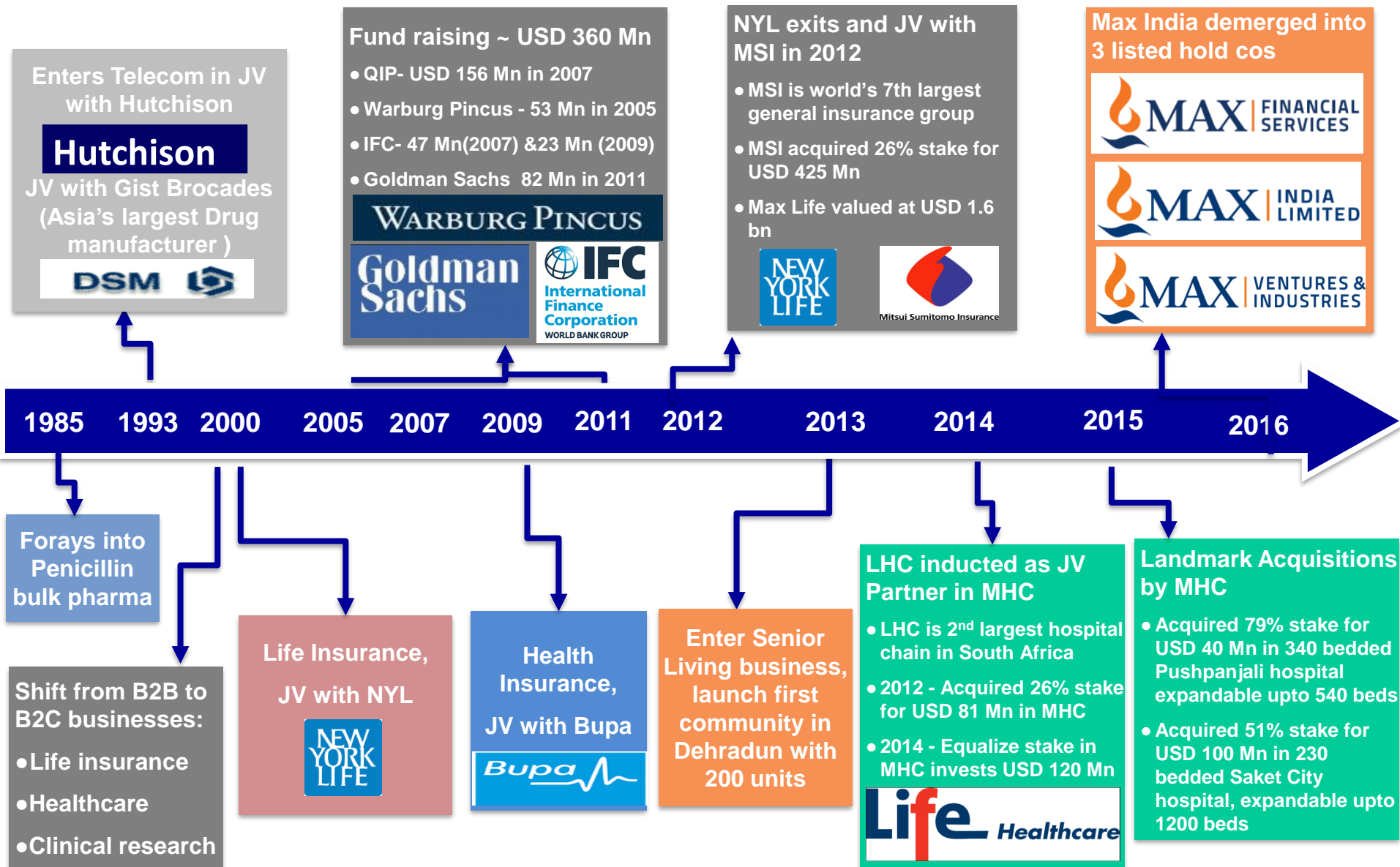
Max Way as an underlying ethos

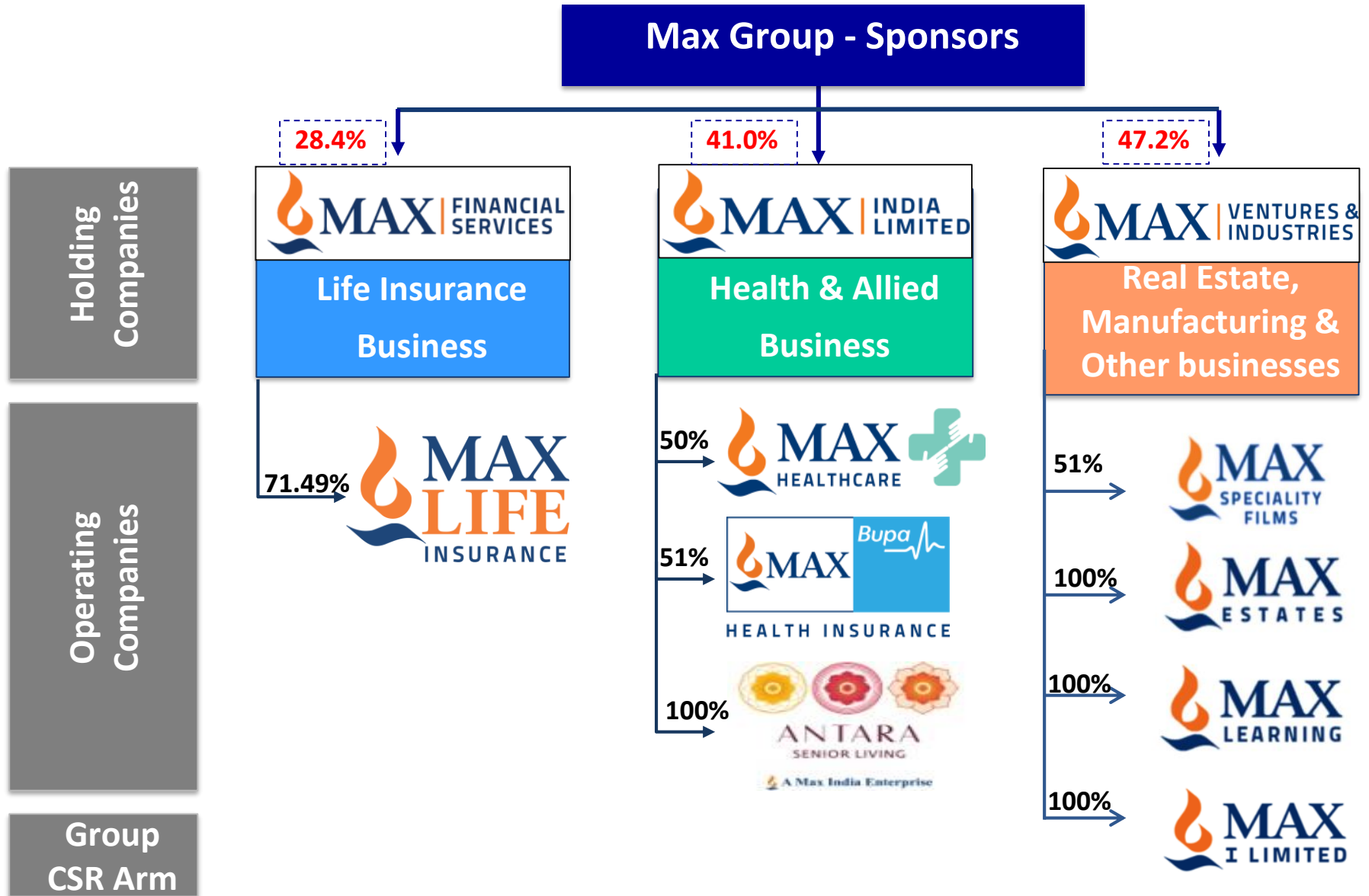
courtesy
transparency

respect/dignity
performance orientation

progressiveness
ethicality

Evolution of Max Group—Strong history of entrepreneurship and nurturing successful businesses







Rahul Khosla

- Group President
- Chairman, Max India Limited
- Executive President, Max Financial Services
- Chairman, Max Healthcare Institute Ltd



Mohit Talwar

- Managing Director, Max India Limited
- Managing Director, Max Financial Services
- Vice-Chairman, Max Ventures and Industries Ltd
- Chairman, Max Specialty Films



Rajit Mehta

- Managing Director & CEO, Max Healthcare



Tara Singh Vachani

- MD & CEO, Antara Senior Living
- Director in Max India & Max Healthcare



Ramneek Jain

- CEO, Max Specialty Films



Prashant Tripathy

- Managing Director & CEO, Max Life Insurance



Sahil Vachani

- MD & CEO, Max Ventures and Industries Limited
- Director in Max Financial & Max Life Insurance



Ashish Mehrotra

- MD & CEO, Max Bupa Health Insurance



Rajender Sud

- CEO, Max Skill First Limited



Mohini Daljeet Singh

- Chief Executive Officer, Max India Foundation

1

USD 3 billion Revenues... 11 Mn Customers... 25,000 Employees... ~70,000 Agents

2

Strong growth trajectory even in challenging times; a resilient & diversified business model

3

Steady revenue growth and cost rationalization leads to strong financial performance

4

Well established board governance....internationally acclaimed domain experts inducted

5

Diversified ownership.....marquee investor base

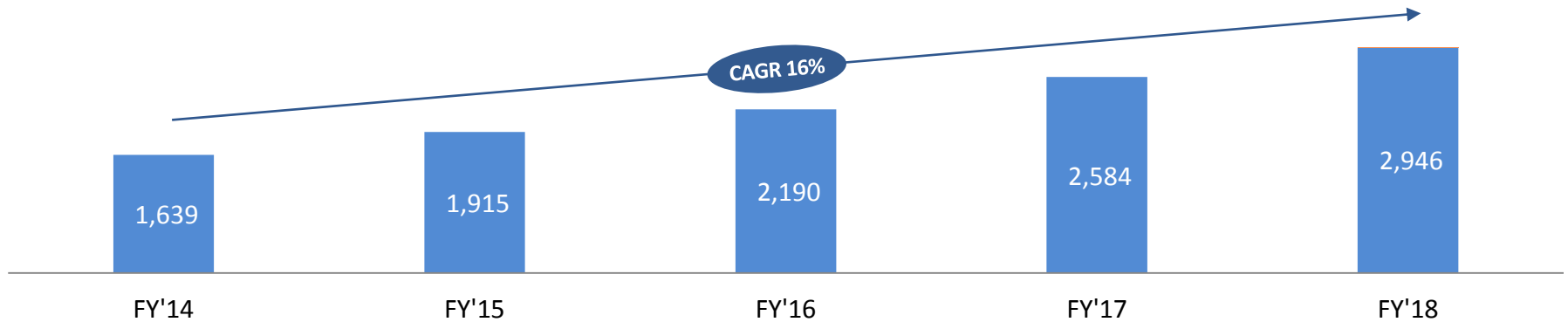
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Superior brand recall with a proven track record of service excellence

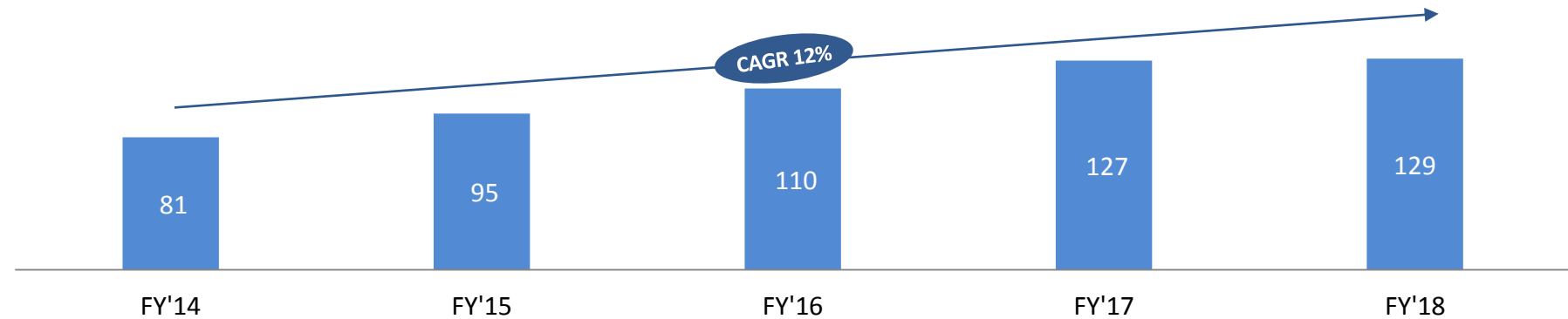
7

Strong history of entrepreneurship and nurturing successful business partnerships

Group Revenue (USD Mn)



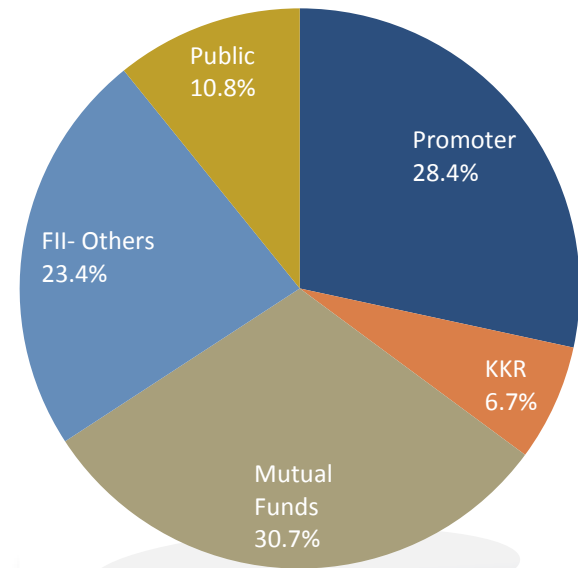
Group EBITDA (USD Mn)



Shareholding concentrated with Marquee Investors

- *KKR*
- *Baron Emerging Market Fund*
- *Aberdeen*
- *Vanguard*
- *Eastspring*
- *Jupiter*
- *Norway Government Pension Fund*
- *TVF (First Voyager)*
- *Reliance Mutual Fund*
- *ICICI Prudential Mutual Fund*
- *Motilal Oswal Mutual Fund*
- *HDFC Mutual Fund*
- *Aditya Birla Sunlife Mutual Fund*
- *Kotak Mutual Fund*

Shareholding Pattern as on 31st Jan 19



Number of outstanding shares : 26.90 Cr.

Max Life Insurance Company Limited

- 1 } Indian Life Insurance Industry has evolved rapidly; significant headroom still available for growth due to low penetration and favorable demographic profile
- 2 } Max Life is well positioned to leverage this opportunity with its eminent Board, strong management team and robust governance framework
- 3 } We are a differentiated Life Insurer with key strengths of multi-channel distribution, balanced product mix, operational excellence and digital capabilities
- 4 } Max Life is one of the fastest growing players with equal emphasis on profitability – Among the top quartile across the comprehensive measures of success
- 5 } Our operating RoEV of 20.6% and new business margin at 20.2% are amongst the best in the industry
- 6 } Strength in business model recognised through several Awards and Accolades that Max Life Insurance wins every year
- 7 } Our target to grow Sales CAGR, RoEV and margins by over 25% by FY 21

Phase 1

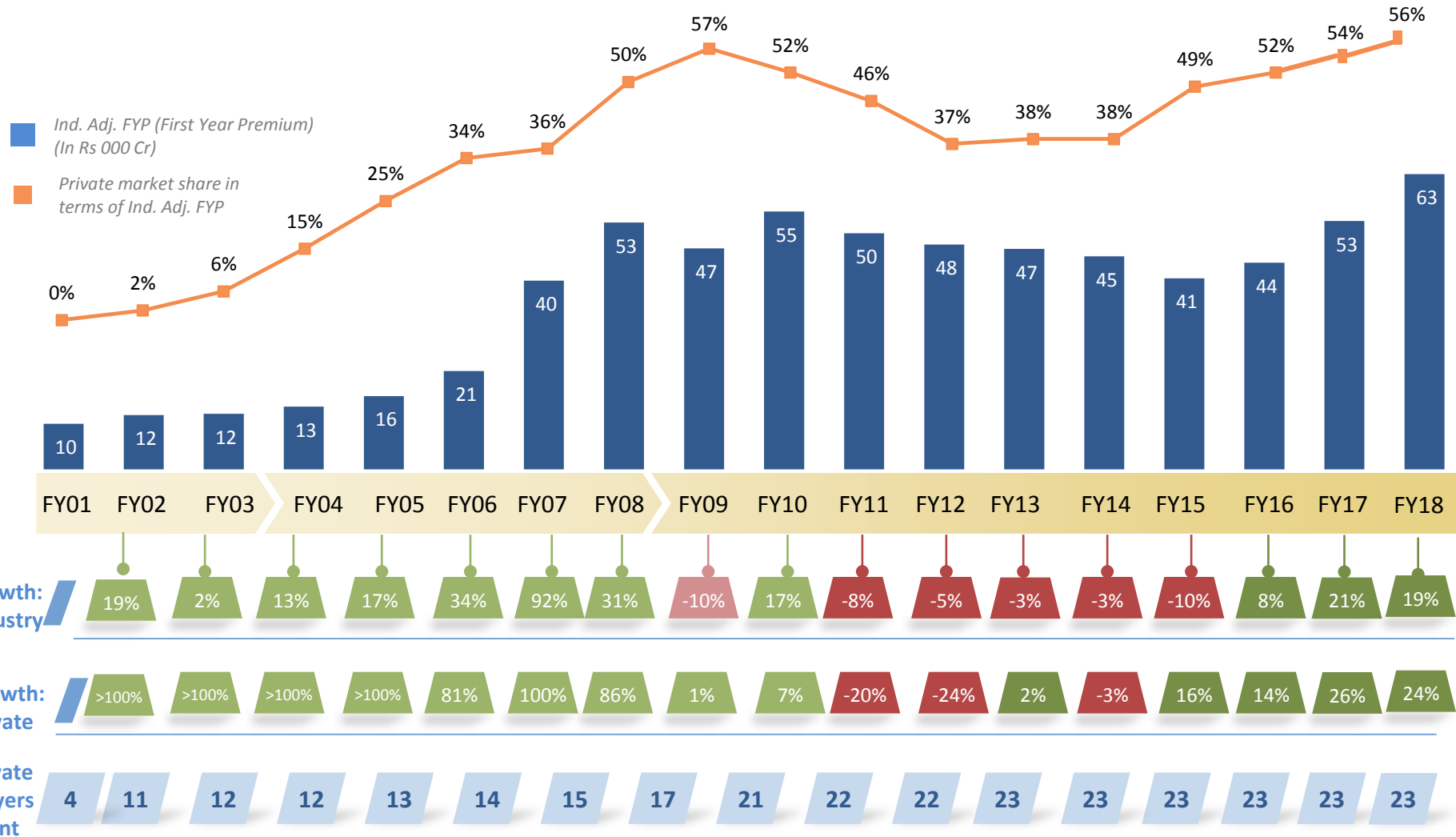
Joyful Entry (2001-2003)

Phase 2

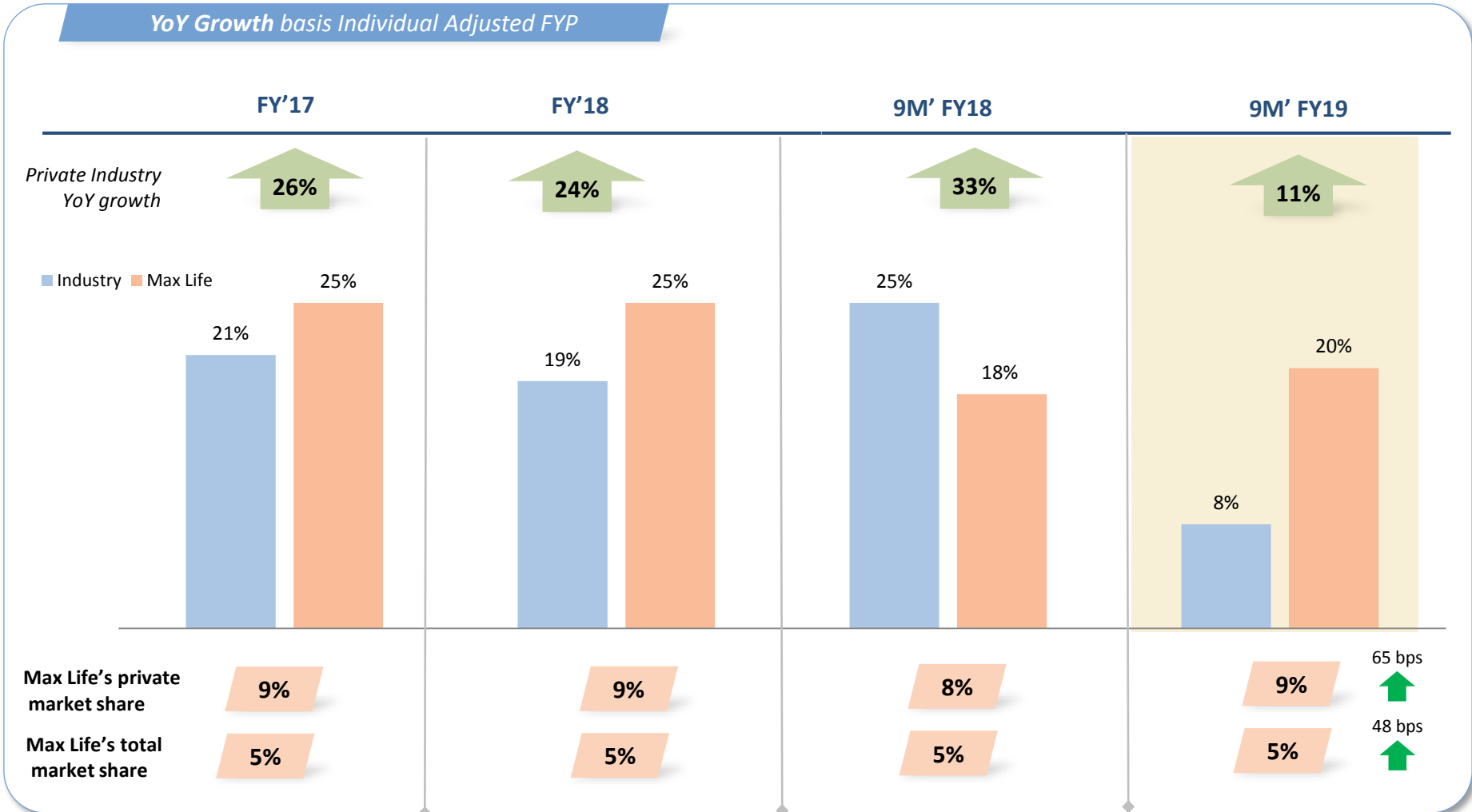
Expansion (2004-2008)

Phase 3

Discovering New Normal (2009 onwards)

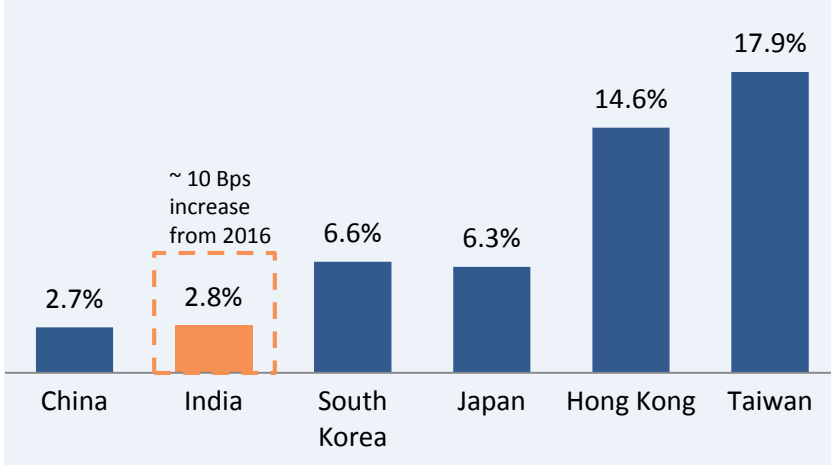


YoY Growth basis Individual Adjusted FYP

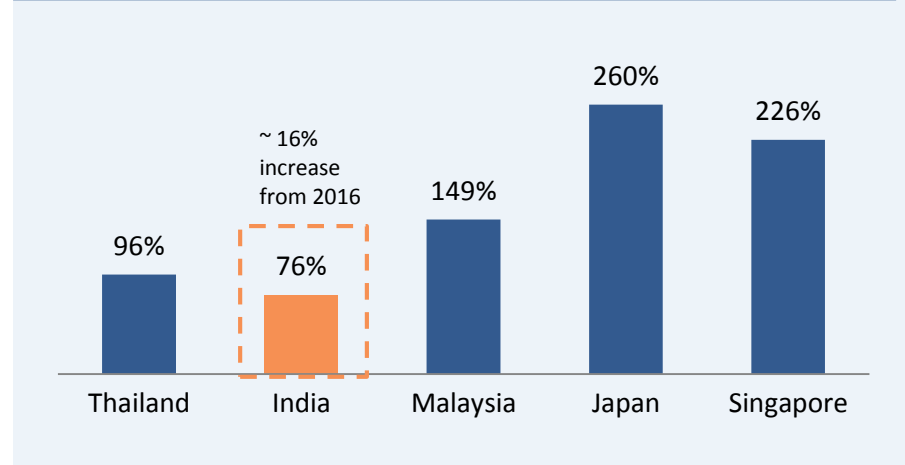


Max life with continued focus on balanced product mix has grown by 20% in 9M FY 19 and increased its private market share.

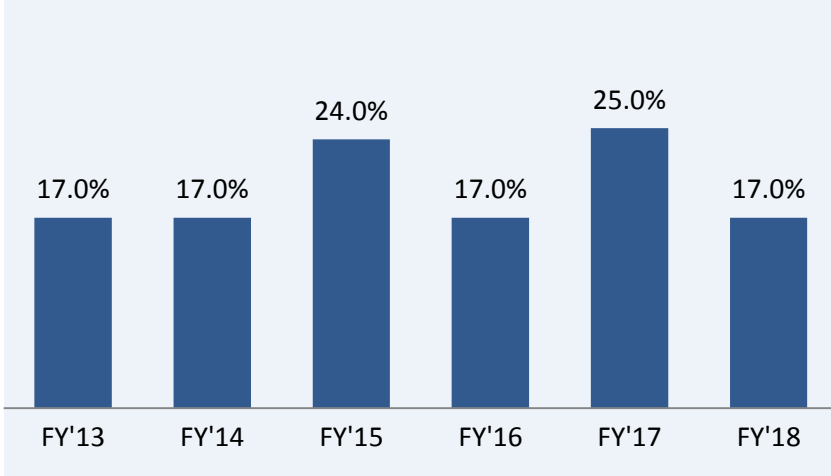
Life Insurance Penetration (Premium as % of GDP), 2017



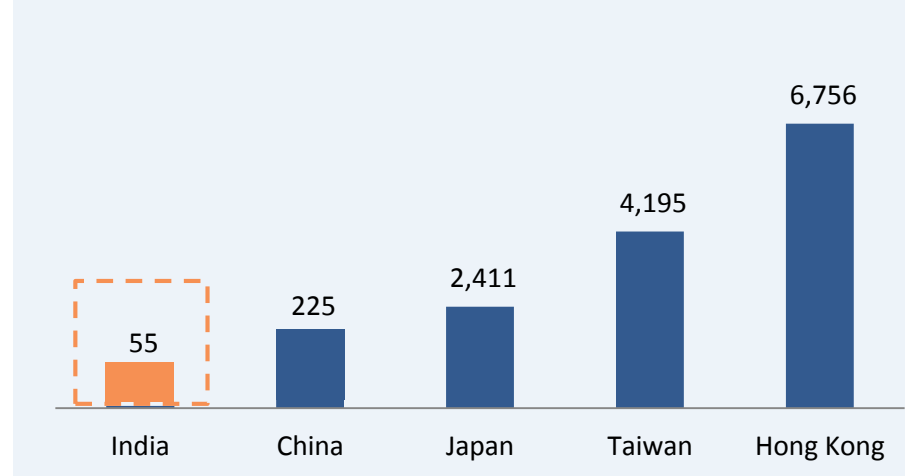
Level of Protection (Sum Assured as % of GDP), 2015*



% of Life Insurance in gross financial savings- India



Life Insurance Density (Premium per capita – USD), 2017





Founder and Chairman Emeritus
Mr. Analjit Singh

Founder and Chairman of Max India. Awarded with highest civilian honor, the Padma Bhushan



Managing Director & CEO
Mr. Prashant Tripathy

Seasoned professional with 23 years of experience. Appointed as Managing Director & CEO w.e.f. Jan 01, 2019



Director
Ms. Marielle Theron

Fellow of the Society of Actuary (FSA). She is a Principal of Erlen Street Corporation, Switzerland



Independent Director
Mr. K. Narasimha Murthy

Serving on the Board of Max Ventures, Srikari Management Consultants, STCI, Infiniti Retail, Max Bupa, Max Speciality Films, Saket City Hospitals and Max Healthcare



Independent Director
Mr. D. K. Mittal

Former IAS officer of 1977 batch and has served the government of India in various capacities



Director
Mr. Hideaki Nomura

Seasoned professional with 31 years experience in financial industries



Director
Mr. Sahil Vachani

Currently Managing Director & CEO of Max Ventures and Industries Limited. He has diverse experience across various sectors including consumer durables and real estate.



Chairman
Mr. Rahul Khosla

Seasoned business manager with wide domain expertise built over 27 years in financial services



Deputy Managing Director
Mr. V Viswanand

A founding member of Max Life Insurance, with 27 years of experience. Appointed Deputy Managing Director w.e.f Jan 01, 2019



Director
Mr. Mohit Talwar

Seasoned professional with 24 years of experience in Corporate Finance and Investment Banking



Director
Mr. John Poole

Fellow of the Institute and Faculty of Actuaries. Served as the AA for Max Life from 2005 till 2011



Director
Mr. Rajit Mehta

Currently the CEO and MD of Max Healthcare Institute and also the founding member of Max Life



Independent Director
Mr. Rajesh Khanna

Founder and CEO of Arka Capital Advisors. Previously served as MD and India Head at Warburg Pincus



Director
Mr. Masataka Kitagawa

Responsible for Mitsui Sumitomo overseas life insurance business with more than 30 years of experience

Max Life Management Team

Prashant Tripathy
Managing Director & CEO
(11 Years)



- Total Experience: 23 years
- Previous Organizations: Tata Steel, GE

(Tenure at Max Life)

V Viswanand
Deputy Managing Director
(17 years)




- Total Experience: 27 years
- Previous Organizations: ANZ Grindlays Bank

Manik Nangia
Director & Chief Operations Officer
(14 years)




- Total Experience: 21 years
- Previous Organizations: ABN AMRO, ICICI Bank, ICICI Prudential

Aalok Bhan
Director & Chief Marketing Officer
(5 years)




- Total Experience: 25 years
- Previous Organizations: Standard Chartered Bank, ABN AMRO, RBS

Jose John
Director & Appointed Actuary
(9 years)



- Total Experience: 19 years
- Previous Organizations: Prudential UK, Metlife UK

Mihir Vora
Director & Chief Investment Officer
(4 years)




- Total Experience: 24 years
- Previous Organizations: HSBC Global Asset Management, ICICI Prudential, Birla Sun Life AMC

Shailesh Singh
Director & Chief People Officer
(6 years)



- Total Experience: 26 years
- Previous Organizations: GE, SRF Finance, Eicher Tractors

Amitabh L Das
Director- Legal, Compliance & Regulatory Affairs
(4 years)



- Total Experience: 22 years
- Previous Organizations: Yahoo, Sapient

Mandeep Mehta
EVP & Deputy CFO
(3 years)



- Total Experience: 23 years
- Previous Organizations: Global Logic, MetLife, Paternoster Insurance, Aviva Life

Amrit Singh
SVP & Head Strategy, BPMA & Investor Relations
(5.5 years)



- Total Experience: 14 years
- Previous Organizations: Religare, ECS Pvt. Ltd., Infosys

EMC Members

SLT Members

Governance Mechanism

Shareholder	Board	Executive Vice Chairman and MD	Executive Mgmt. Committee
Shareholders Meeting at least once a year at neutral locations	Quarterly Board Meeting	Weekly EMC Meeting	Weekly Team / Functional Meetings
Shareholders Meeting interspersed with Board Meetings	Board Sub Committees' meetings	Monthly Senior Leadership Meeting	Council Meetings
Quarterly Shareholder Calls		Monthly Business Reviews	Cross Functional Connects
		Central PMO to drive Strategic Projects	

*With Effect From 1st January, 2019

What are we known for

- » Quality of advice
- » Human Capital and Leadership depth
- » Differentiated distribution capabilities
- » Product suite focused on “Long Term Savings and Protection
- » Quality of Business
- » Strong & Distinctive Brand



1

Continue to chase profitable growth

- Superior financial performance with profitable growth
- Balanced product mix with focus on long term saving and protection proposition
- Superior customer outcomes and retention

2

Comprehensive multi-channel distribution model

- Aggressively grow proprietary channels (Traditional and Digital) and increase the share of the same
- Comprehensive multi-channel distribution model with highly efficient and productive agency channel and strong Banca relationships

3

Strong digital footprints

- Using digital technologies to harness data and analytics for more efficient sales processes and better customer experience
- Build a digital organization to drive efficiency across value chain

Supported by eminent Board, strong management team and robust governance framework

Pvt Market Share 9% 65 bps [8%] 	Individual APE Rs 2,269 Cr 21% [Rs 1,872 Cr] 	Gross Written Premium Rs 9,054 Cr 15% [Rs 7,852 Cr] 	AUM Rs 58,397 Cr 16% [Rs 50,333 Cr]
Profit Before tax Rs 375 Cr 4% [Rs 390 Cr] 	Net Worth Rs 2,514 Cr 0% [Rs 2,502 Cr] 	Policyholder Cost to GWP Ratio 21.1% 50 bps [21.6%] 	Policyholder Expense to GWP Ratio 14.5% 24 bps [14.7%]
New Business Margins Structural Actual 22.8% 20.4% 240 bps [20.0%] [18.0%] 	RoEV 18.8% [NA]	Embedded Value* 8,254 18.8% [7,706] 	13th Month Persistency 84% [81%]
VNB 466 37% [340] 	Policies Sold ('000) 406 16% [350] 	Claim Settlement Ratio 96.46% 45 bps [96.01%] 	Protection Mix** Individual Group Total 6% 5% 12% 300 bps [4%] [4%] [9%]

Figures in [brackets] are for previous year 9M numbers, except Embedded Value (pre dividend) where it represents Mar'FY18

*Growth on Embedded value is operating RoEV, **Group protection (incl. Group credit life adjusted for 10% for single premium and term business)

Financial Performance

Individual APE

FY 17

2,657



FY18

3,248

9M FY18

1,872



9M FY19

2,269

Renewal Premium

7,114



8,152

5,214



5,956

Gross Premium

10,780



12,501

7,852



9,054

Policyholder expense to GWP Ratio

14.8%



12.9%

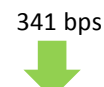
14.7%



14.5%

Policyholder Cost to GWP Ratio

23.5%



20.0%

21.6%



21.1%

Expense to average AUM (Policyholder)

4.3%



3.6%

3.9%



3.4%

Figures in Rs. Cr.

Financial Performance

Profit(before Tax)

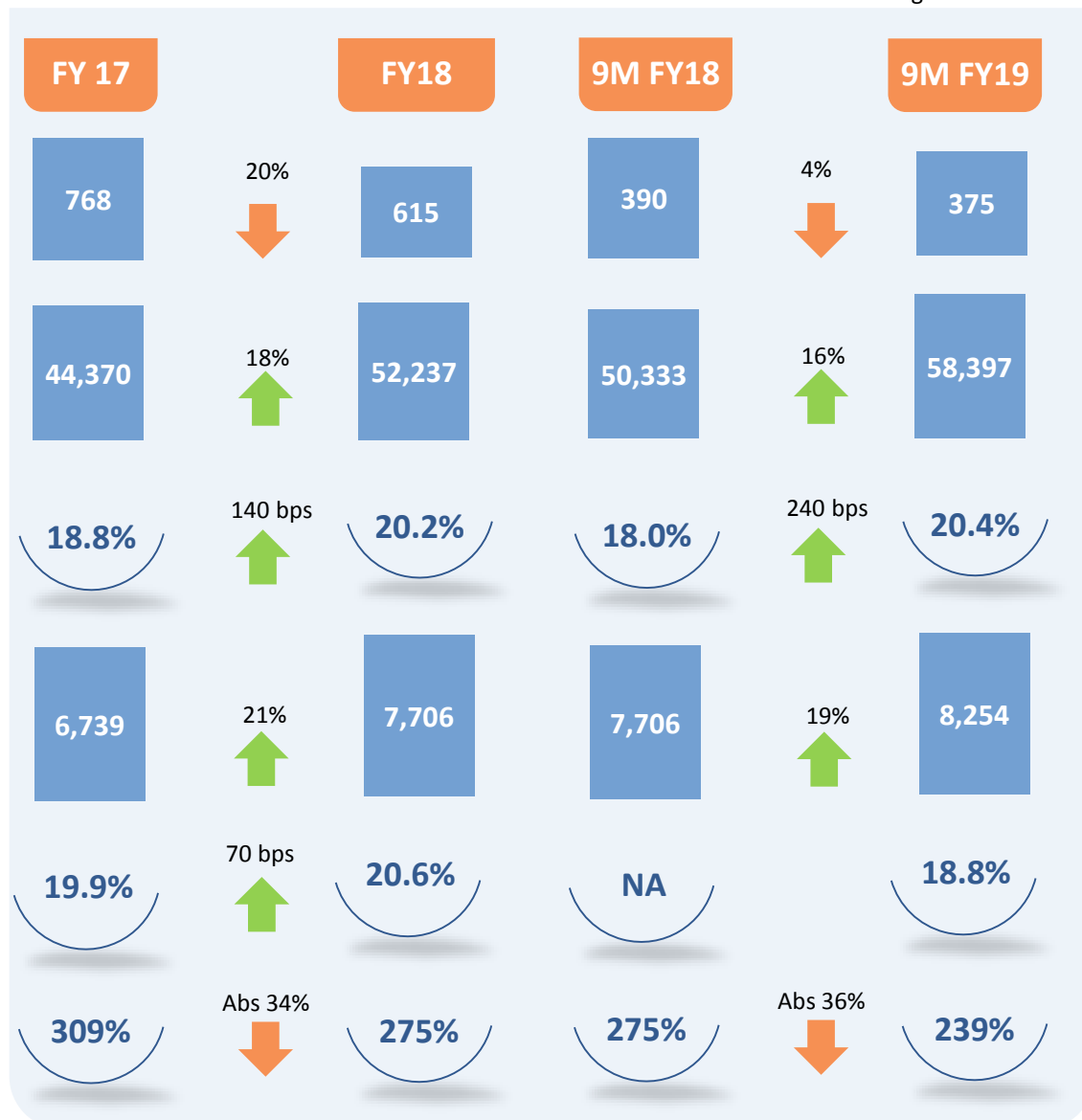
AUM

New Business Margin
(Post Overrun)

MCEV (pre dividend)^

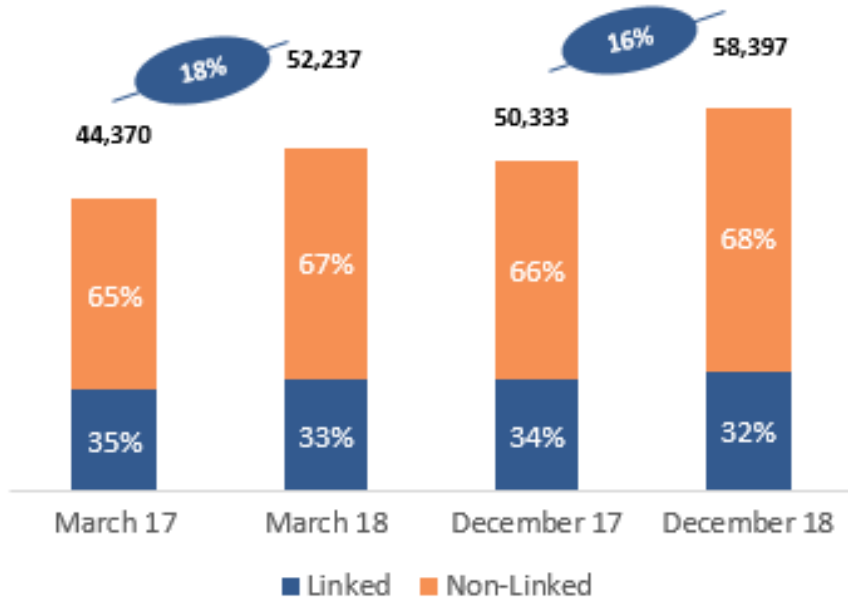
Operating RoEV

Solvency Ratio

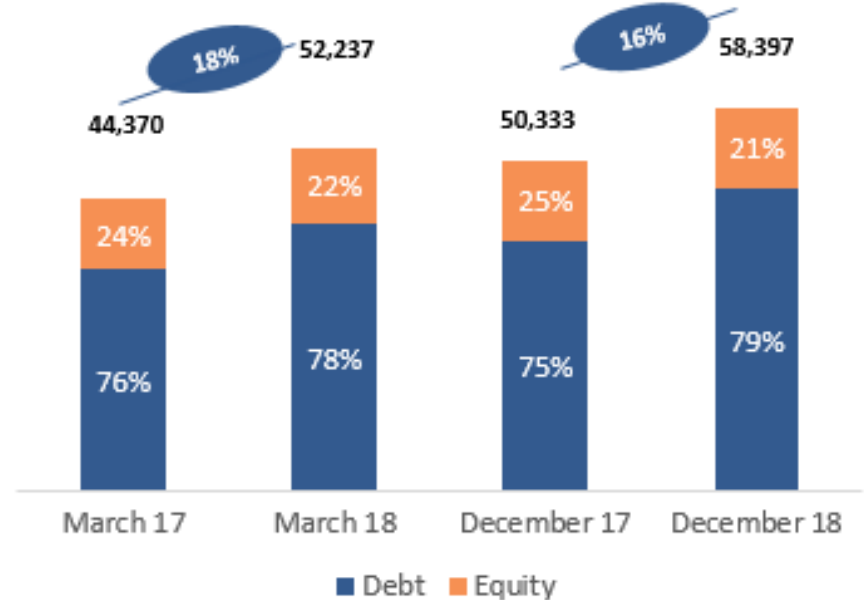


^Arrow represents growth in Operating RoEV

Linked fund vs Controlled fund

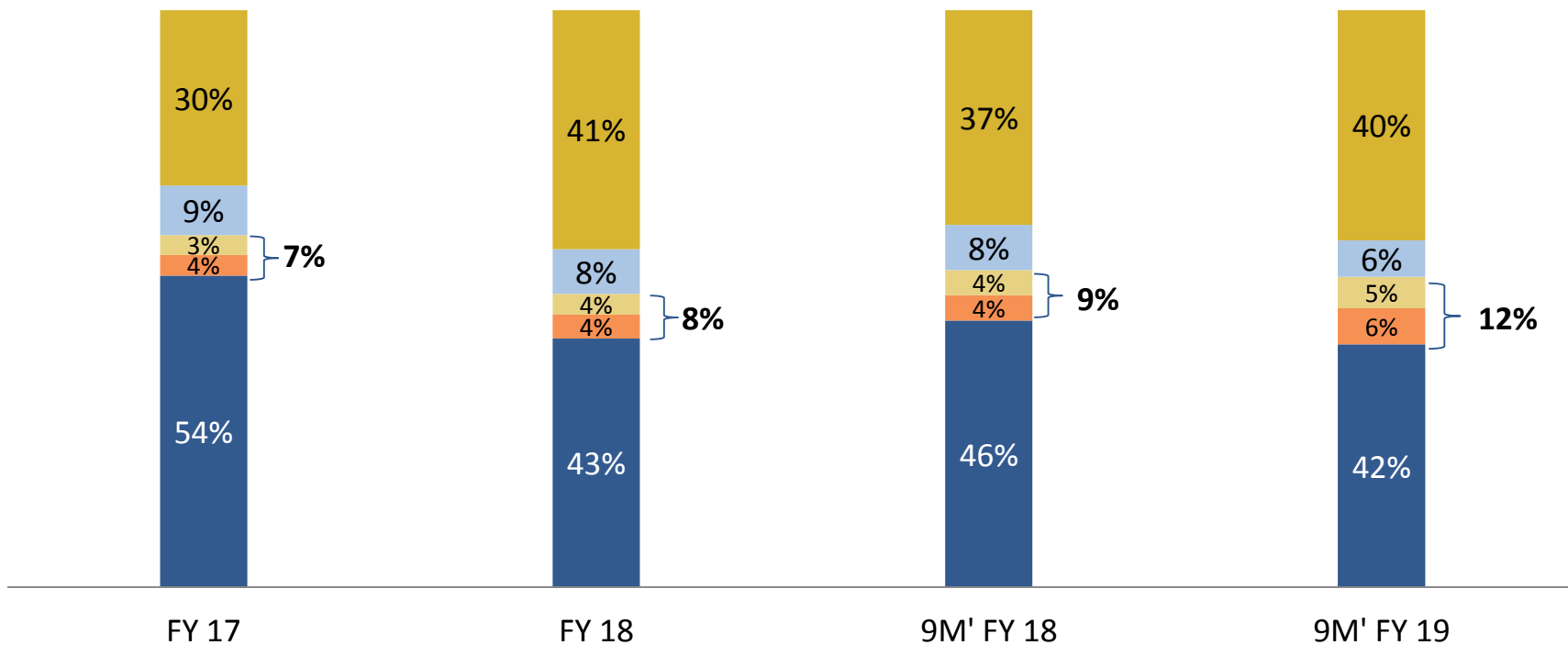


Debt vs Equity



Debt portfolio exposure to AAA rated debt is well above the regulatory requirement of 75%

■ PAR ■ Individual Protection ■ Group Protection ■ Non PAR- Savings ■ ULIP



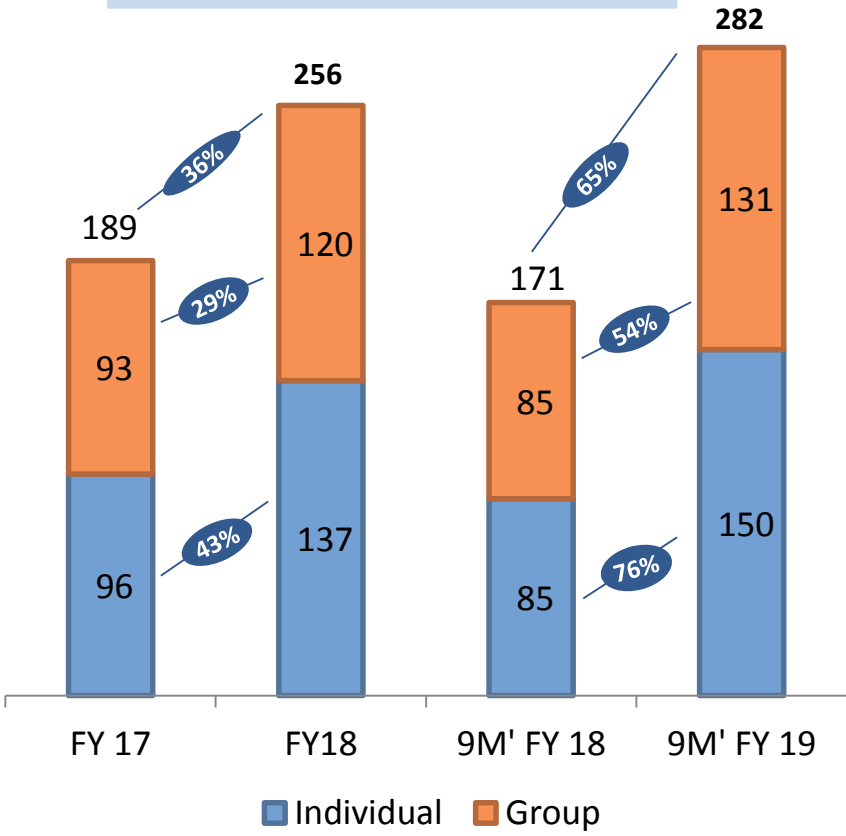
Focus on Protection

76% increase in individual protection APE and 57% increase in individual protection policies, 29% of total individual policies are protection

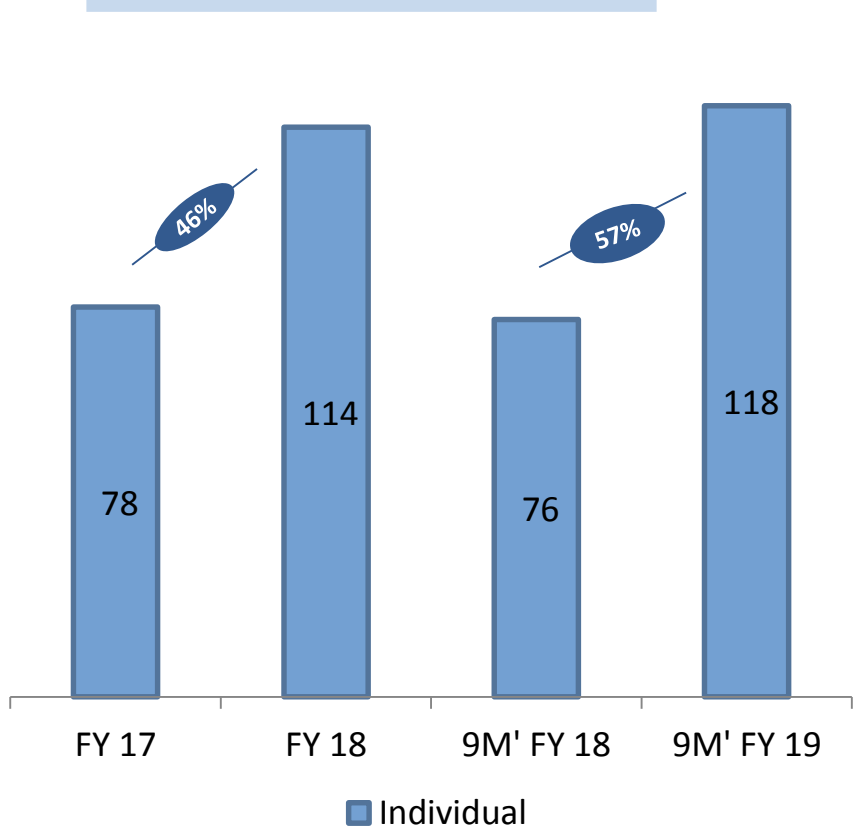
Figures in Rs. Cr.

Figures in '000.

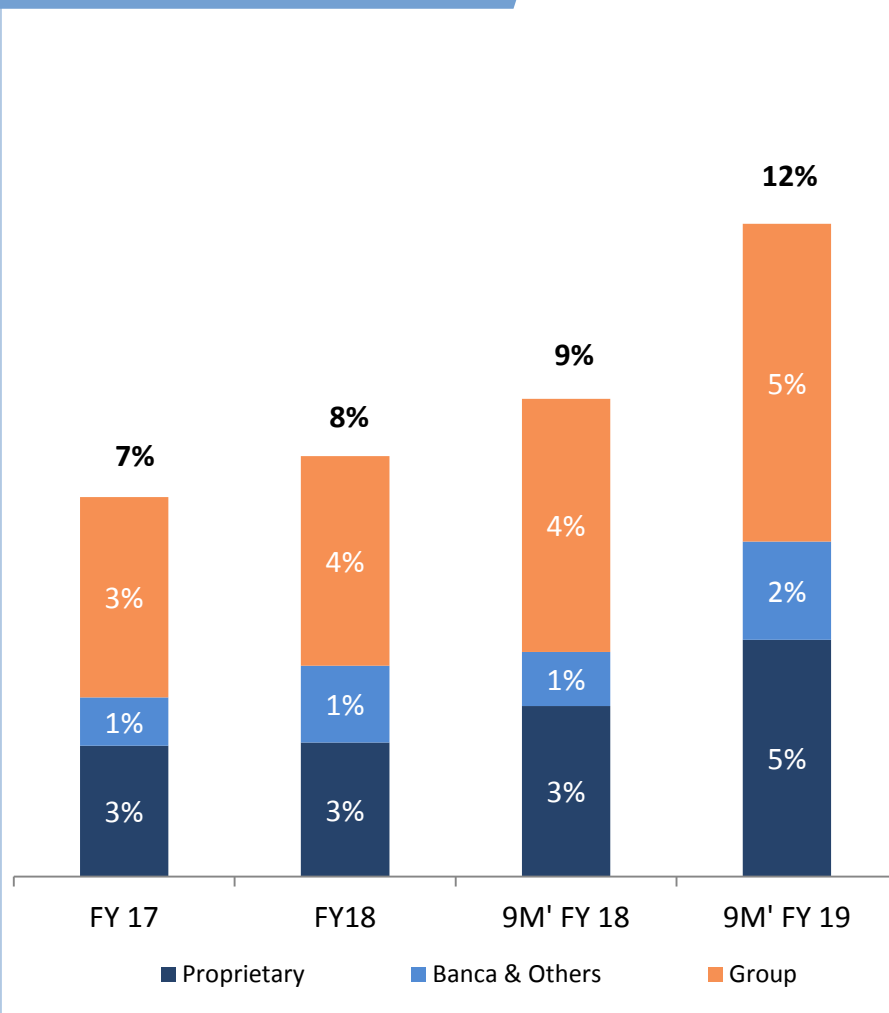
Total APE (Individual + Group)



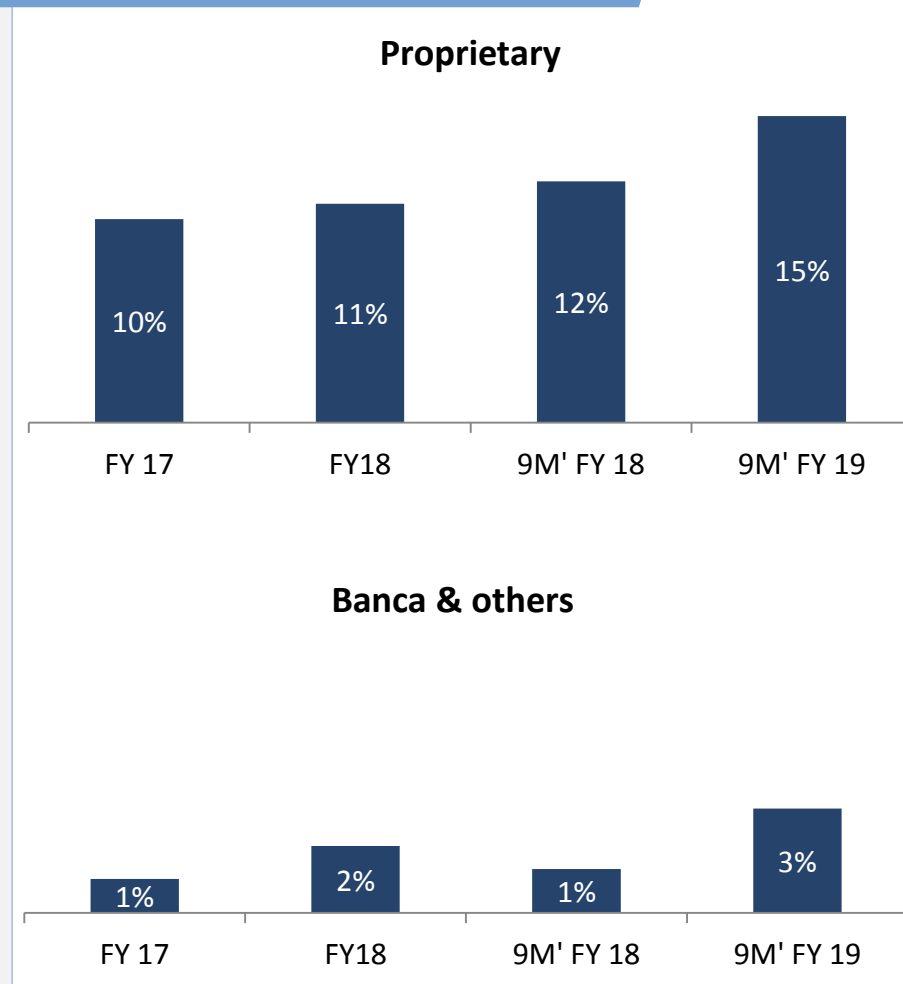
No of Protection Policies (Individual)

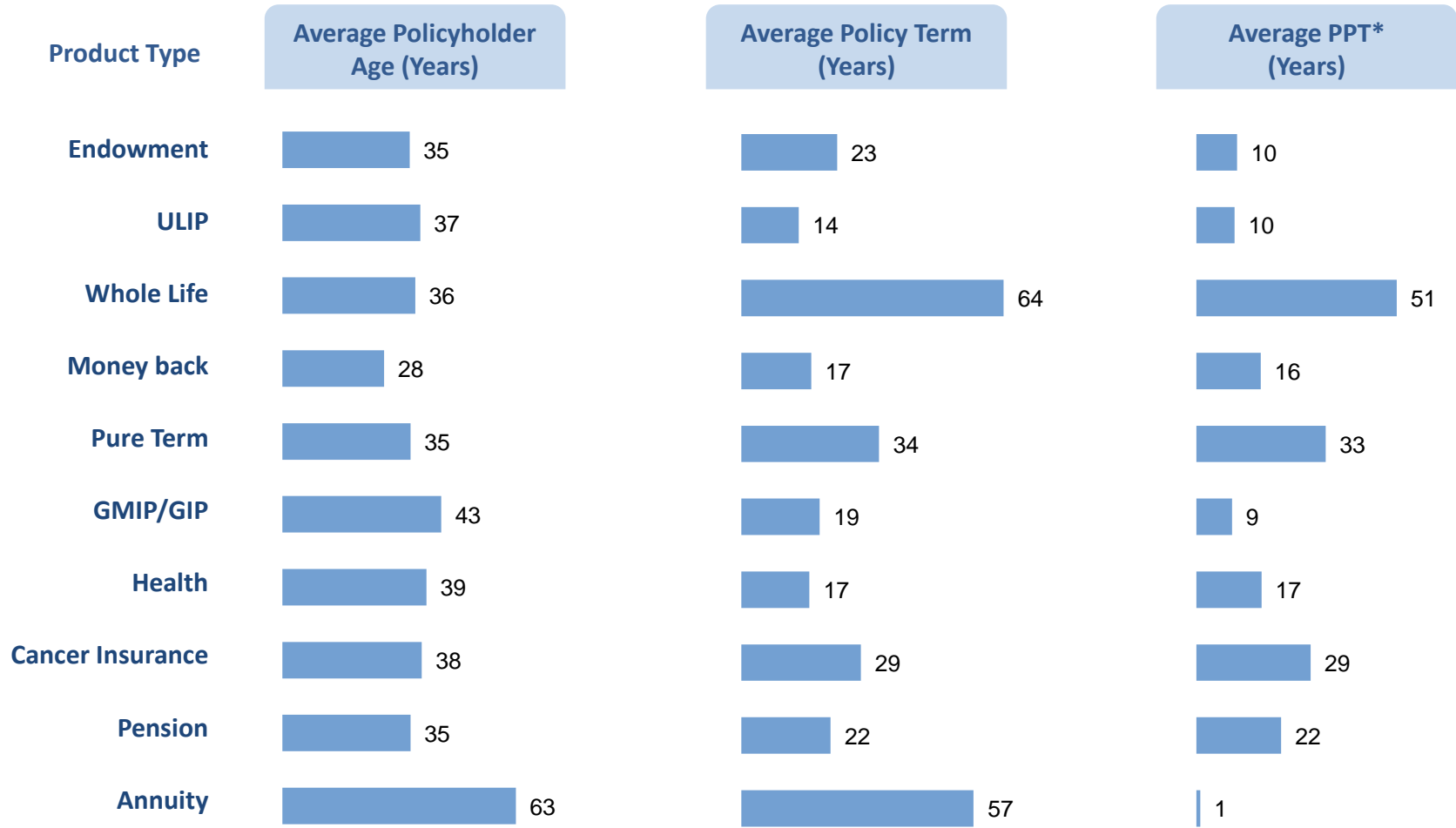


Total Protection APE %



Individual protection penetration within Channels





36

Average

25

Average

16

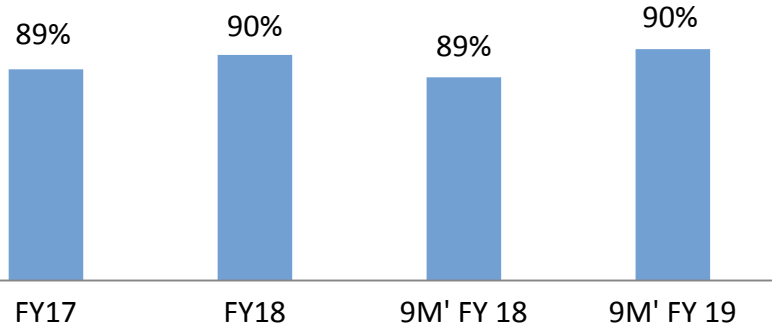
Average

As on 31st Dec 2018

*PPT: Premium Payment Term

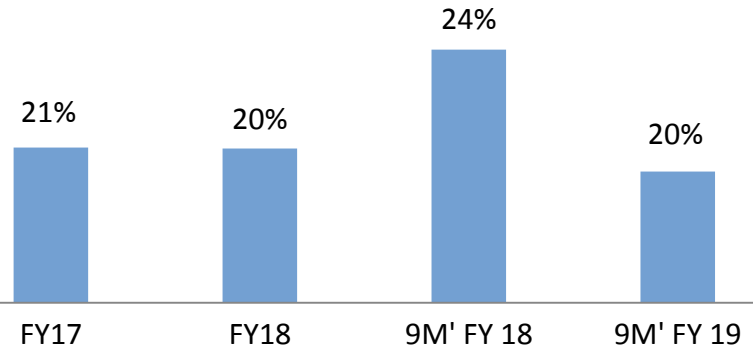
High quality business franchise

Conservation Ratio*

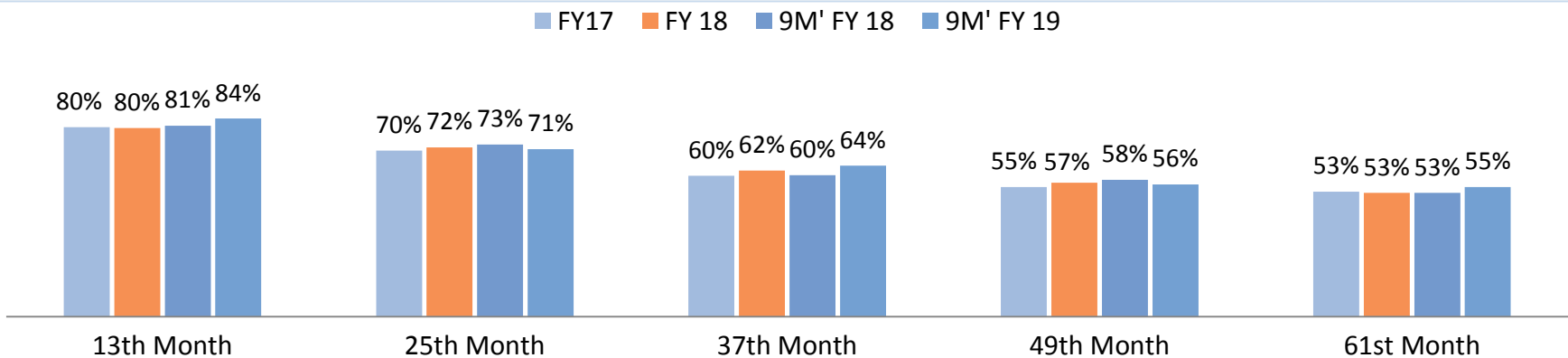


Steady retention capabilities

Surrender to GWP

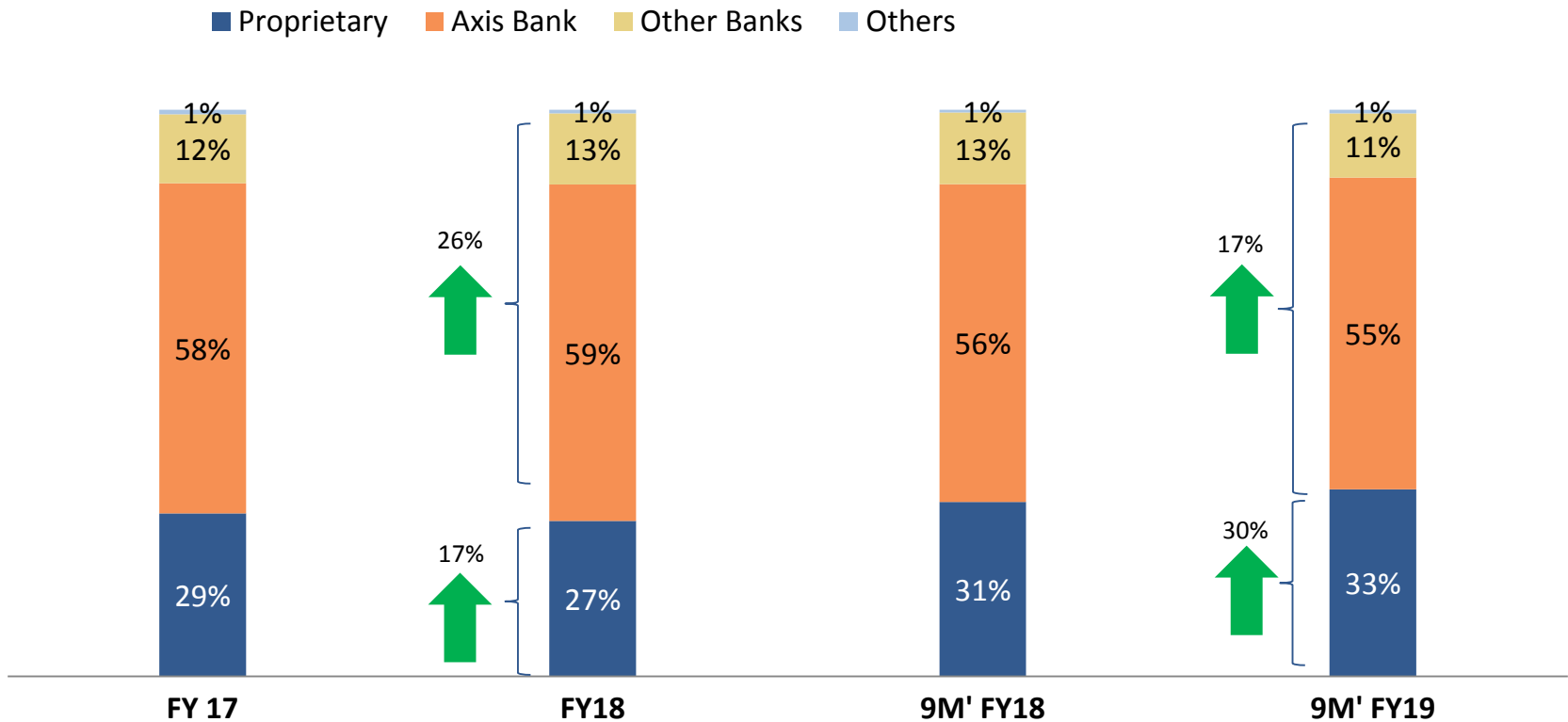


Continuous improvement in persistency



***Conservation Ratio** : Current year total renewal premium(excluding Group)/(total first year individual regular premium of previous year+ renewal premium (excluding group) of previous year-previous year premium from term completed policies, matured policies and policies which has ceased to exist due to death)

2 Comprehensive multi-channel distribution with consistent contribution from proprietary channels , investment in proprietary aiding growth



Investment in proprietary channels and growth in agency led to a 30% proprietary growth (5% growth is from new proprietary initiatives) with 33% share.

1

Agency office expansion

- Increase in offices by leveraging existing infrastructure
- Selectively expand in higher affluent geographies utilizing low cost model

4

New service to sale initiatives

- Drive policy density via cross sell
- Leverage opportunity to drive protection



2

Variable agency cost model

- Significant expansion of IMF channel
- Drive recruitment and productivity through variable cost model

3

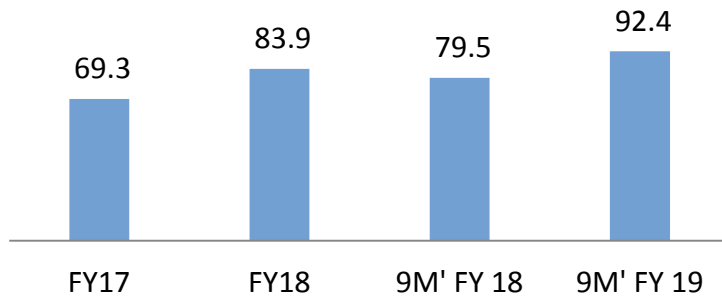
Pilot and proof of new channels/products

- **Defence channel:** New set-up to focus on defence personnel

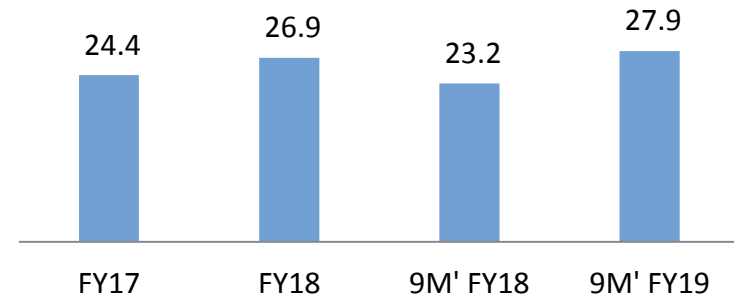
On track to open ~150 new units by end of FY 19. ~100 units operating at capacity

Highly efficient and productive agency channel with focus on quality of advice

Active Agent productivity (Rs '000 pm)

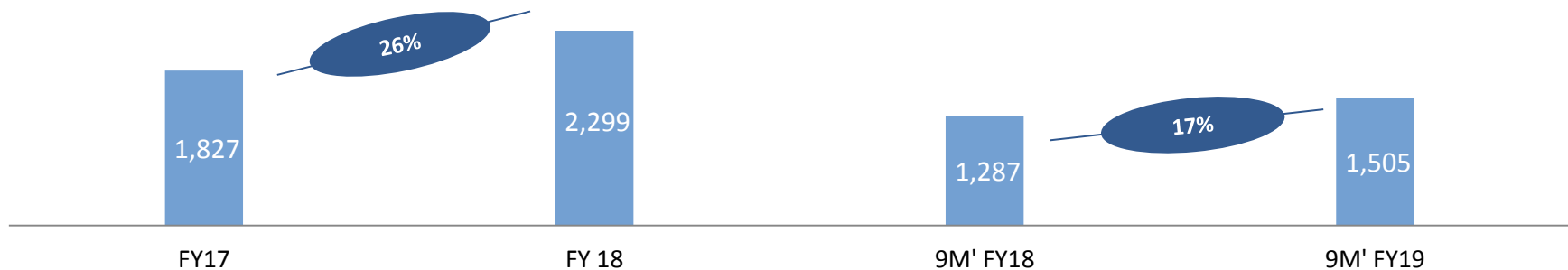


Branch productivity (Rs Lakhs pm)

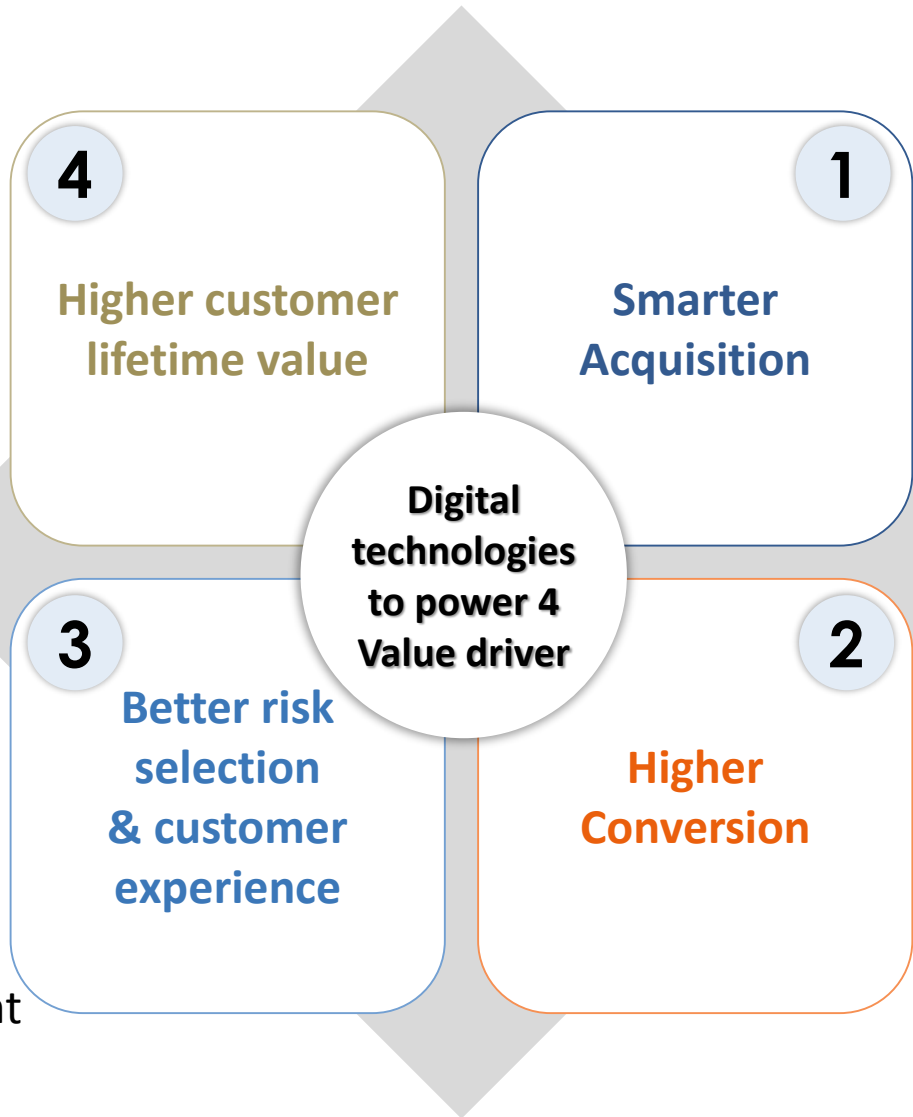


Strong Banca relationship with consistent growth

Ind. APE (Rs. Cr)



■ Transforming Digital Interface



■ Digital Marketing & ecommerce

■ Re-imagining Fulfilment

■ Seller Ecosystem



Prospecting & Solution Generation

14K+

Sellers continue using the lead generation tool every month (11k last year)

Fulfillment

95%

of all policies applied through automated tool (vs. 85% last year)

58%

of total cases applied digitally are Insta-Issued (1 day TAT)

Servicing

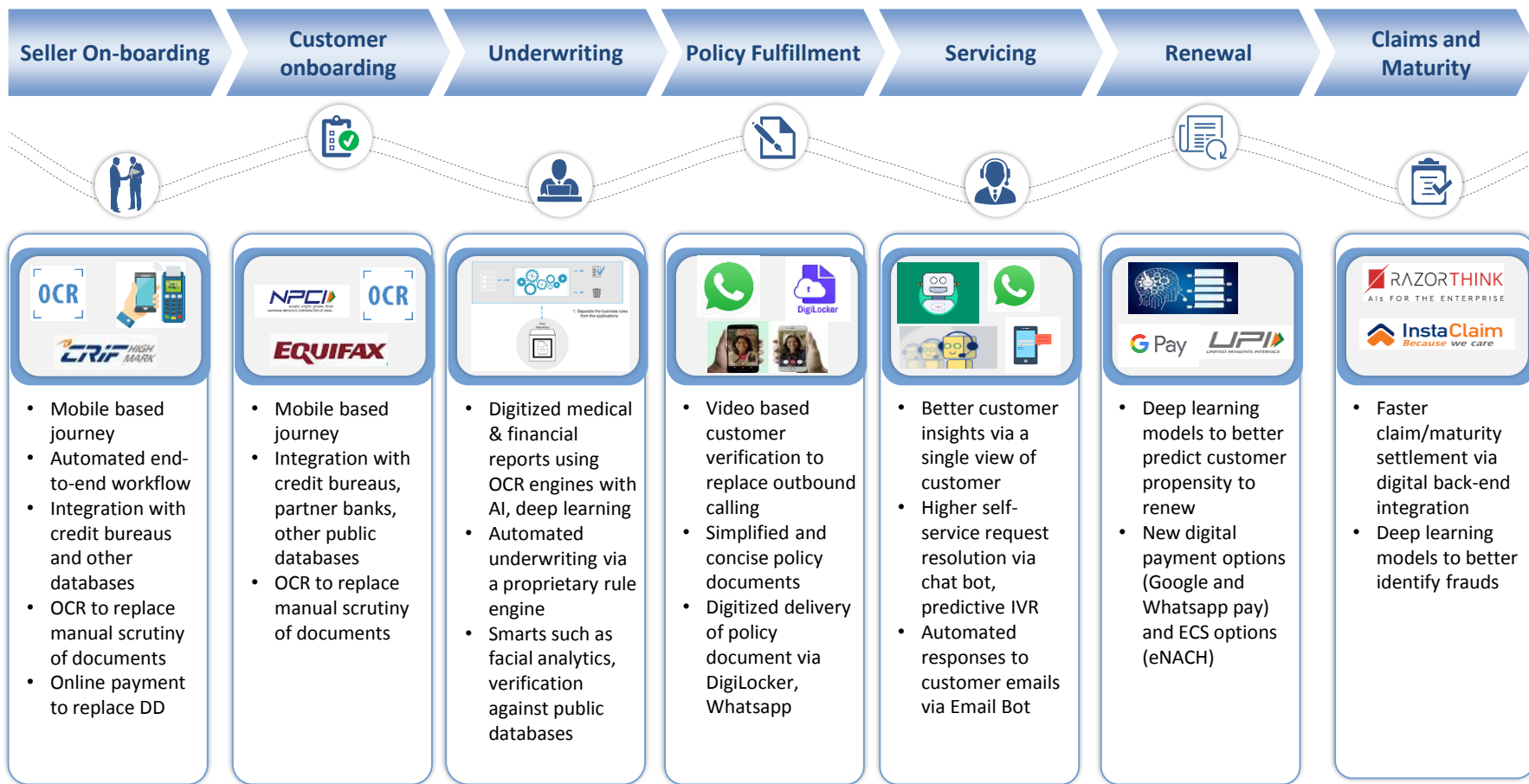
40%

of all active user base are using unified servicing tool MoM



Distribution Digitization- Performance Update

- Revamped fulfillment tool- mobile based shorter journey resulting in 25% TAT reduction for form filling
- Sales + Fulfillment tool gone LIVE for Group Business
- Offline payments' collection functionality enabled in servicing tool for sellers
- Agent recruitment process digitized and is now mobile enabled



On track to deliver 2-3x improvement in TATs across processes along with spend base rationalisation of 15-20%; All the above initiatives expected to go-live in FY 20

The Embedded Value¹ (EV) as at 31st Dec 2018 is **Rs 8,254² Cr**.

The annualized Operating Return on EV (RoEV)³ over 9M FY19 is circa **18.8%**.

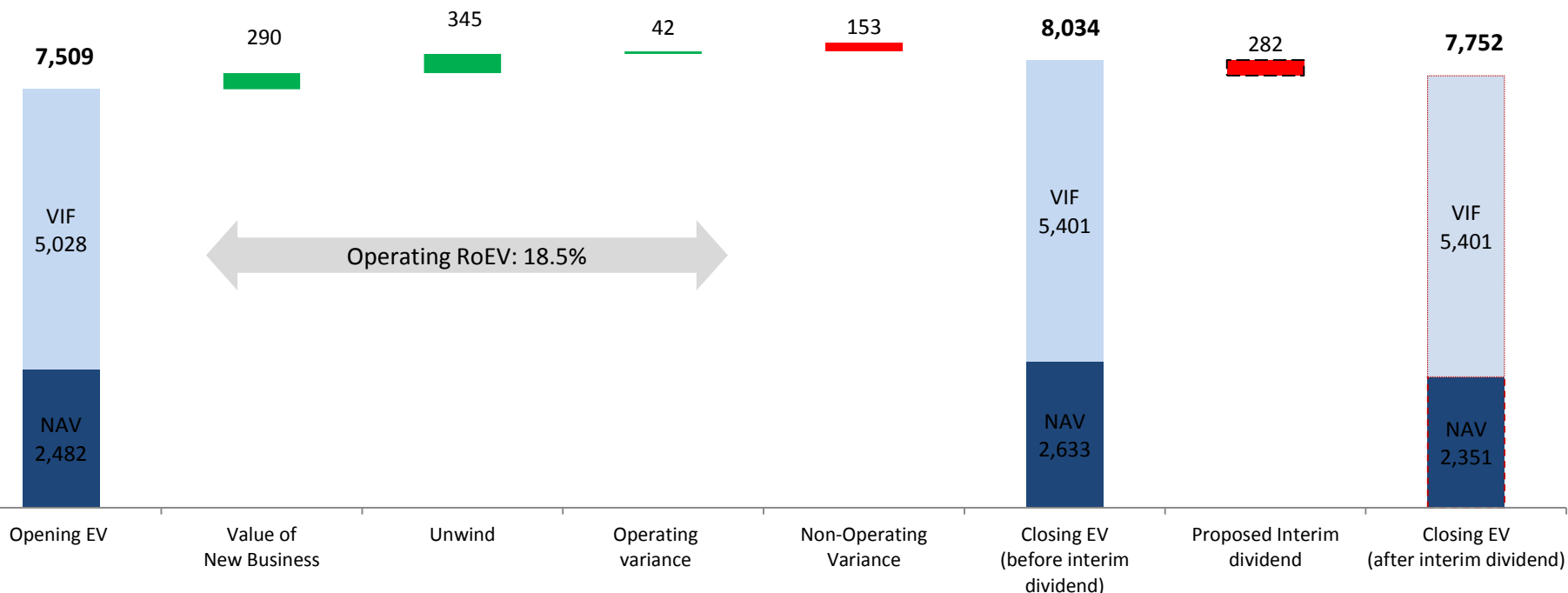
The New Business Margin (NBM) over 9M FY19 is **22.8%** (before allowing for operating cost overrun) and **20.4%** (post overrun). The Value of New Business (VNB) written over the period is **Rs 466 Cr** (post overrun), representing year on year growth of **37%**.

Notes:

¹ Max Life's Embedded Value (EV) is based on a market consistent methodology. However, they are not intended to be compliant with the MCEV Principles issued by the Stitching CFO Forum Foundation (CFO Forum) or the Actuarial Practice Standard 10 (APS10) as issued by the Institute of Actuaries of India.

² EV of 8,254 Cr allows for dividend of Rs 282 Cr for H1 FY19. However, no dividend payout has been made for current quarter (Q3 FY19).

³ The Return on EV is calculated before capital movements during the year, example dividends.



- Operating return on EV of 18.5% is mainly driven by new business growth and unwind.
- Operating variances are marginally positive due to positive demographic experience variance and change in demographic assumptions.
- Non-operating variances are mainly driven by equity and interest rate movements since March 2018.
- The proposed interim shareholder dividend of Rs 282 Cr for H1 FY19 will be accounted post 30th September 2018. Post the payment of the interim dividend, the closing EV will be Rs 7,752 Cr.



CELENT MODEL INSURER AWARD in the Asia Pacific Region



Best Life Insurance
company



Best business leader –
Sumit Rai



Best use of six sigma in
banking and financial sector
- Insta claim (1 day approval)

1 Setting higher benchmark with every award

- Ranked 43rd amongst India's top 50 best companies appeared in list of Great Place to Work for 2018
- Recognized by Employee Engagement Leadership Award in the category of "Best use of the Employee Award". And "Best Social Responsibility"
- "ASQ Gold Award" for reduction in new business discrepancy
- CDO Converge Award for "Digital Excellence in Insurance"
- Six Sigma Black Belt Project of the Year winner "Insta Issuance" won the 1st prize in "Service category improvement" at the 2nd Lean Competition held by CII in Bangalore.
- Six Sigma Black Belt Project of the Year "Improve AWS Qualifier productivity of Agency channel" won the 1st prize in "New Product Development & Customer Category" in 12th Six Sigma National Competition held by CII in Bangalore
- 'Life Insurer of the year award' at the 'Outlook Money Awards 2018'
- "e-Business Leader" 2017 at the 'Finteleket Insurance Awards 2017'
- Project "Instaclaims - Claims approval in 1 day" won the Best project for use of Six Sigma in Banking and Finance Industry at World Quality Congress - Global Awards
- "Enhancing "Service to Recruitment" (S2R) Business Contribution %: PAN India (Replication Project)" won 1st Prize in Service, IT and ITES category at the 11th edition of CII - National Competition on Six Sigma
- Among India's top 50 with a high degree of employee satisfaction as per **People Capital Index 2017**
- Winner in the category of "DIGITAL AND OMNICHANNEL" by Celent Model Insurer Asia, 2017
- GOLD Award in the category of "Best Email Marketing Campaign" at India Digital Awards by Internet and Mobile Association of India (IAMAI)
- Best Big Data/Analytics Team of the Year Award at 'Big Data Analytics & Insights' conducted by Kamikaze.
- "Asia's Most Admired Brand 2016-17" in the Insurance category by White Page International, 2017



2 "Industry First" trend setter

- Highest Claim paid ratio of 98.26% goes past LIC as per IRDAI Annual Report
- First Indian financial services company ever to win Gold at the ASQ Conference for its Lean Six Sigma Green Belt project titled "Reduction in New Business Discrepancy"
- First company to provide freelook period of 15 days to the customer
- First company to start toll free line for agent service
- First life insurance company in India to implement lean methodology of service excellence in service industry
- First Indian life insurance company to start service center at the regional level
- First life insurance company in India to be awarded ISO 9001:2008 certification



Thank you

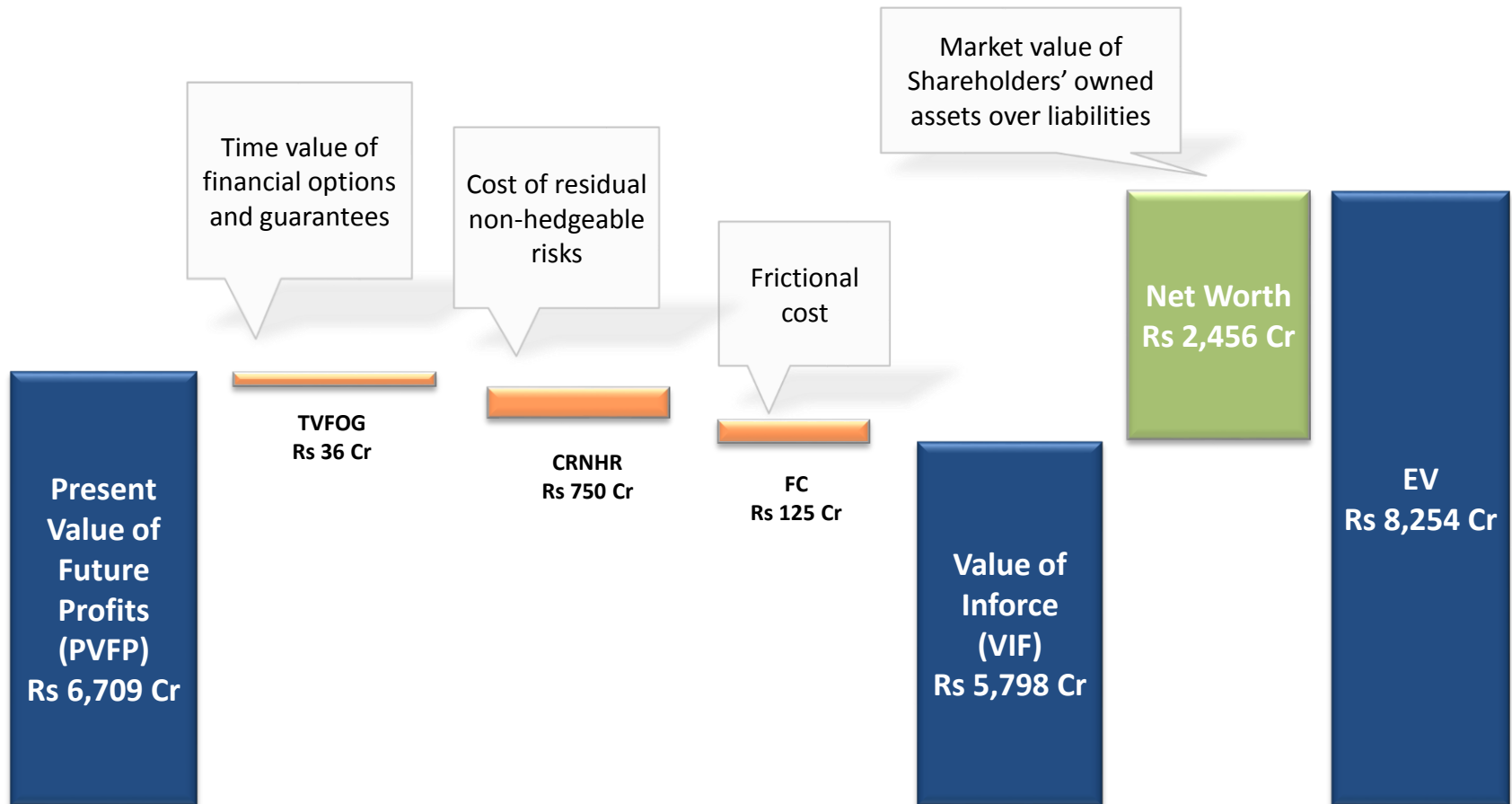
Annexure

Rank	Company	Individual new business premium (Rs Cr)			
		9MFY19	9MFY18	Growth (%)	Private Market Share (%)
1	SBI Life	6,106	5,349	14%	23.7%
2	ICICI Prudential Life	4,815	5,401	-11%	18.7%
3	HDFC Standard Life	3,251	2,982	9%	12.6%
4	Max Life	2,244	1,875	20%	8.7%
5	Tata AIA Life	1,303	784	66%	5.1%
6	Bajaj Allianz Life	1,053	923	14%	4.1%
7	Aditya Birla Sun Life	1,039	618	68%	4.0%
8	Kotak Life	919	862	7%	3.6%
9	PNB MetLife	871	781	12%	3.4%
10	Reliance Nippon Life	613	468	31%	2.4%
	Others	3,521	3,179	14%	13.7%
	Private Total	25,736	23,221	11%	
	LIC	18,899	17,978	5%	
	Grand Total	44,634	41,199	8%	
	Market Share of private players	57.7%	56.4%		

Key Business Drivers	Unit	Quarter Ended		Q-o-Q Growth	9M Ended		Y-o-Y Growth
		Dec'17	Dec'18		Dec'17	Dec'18	
a) Individual adjusted premium	Rs. Crore	764	866	13%	1,876	2,245	20%
b) Gross written premium income	Rs. Crore	3,044	3,435	13%	7,852	9,054	15%
First year premium		754	860	14%	1,853	2,242	21%
Renewal premium		1,978	2,245	13%	5,214	5,956	14%
Single premium		312	330	6%	785	857	9%
c) Shareholder Profit (Pre Tax)	Rs. Crore	154	99	-36%	390	375	-4%
d) Policy Holder Expense to Gross Premium	%	13.5%	14.0%	-57 bps	14.7%	14.5%	+24 bps
e) Conservation ratio	%	84.7%	88.2%	354 bps	88.7%	89.8%	119 bps
f) Average case size(Agency)	Rs.	60,688	55,731	-8%	53,260	54,649	3%
g) Case rate per agent per month	No.	0.19	0.23	21%	0.19	0.21	9%
h) Number of agents (Agency)	No.				54,405	42,114	-23%
i) Share Capital	Rs. Crore				1,919	1,919	0%
j) Individual Policies in force	No. Lacs				39.7	41.5	5%
k) Sum insured in force	Rs. Crore				4,69,067	6,16,528	31%
l) Grievance Ratio	Per Ten thousand				121	68	NA

VIF

Net worth and EV



1. The deductions for risks to arrive at the VIF represent a reduction of ~14% in the PVFP, in line with last year's deduction. The largest deduction is in respect of CRNHR.
2. Within CRNHR, persistency risk constitutes the largest risk component.

Description	9M FY18	9M FY19	Y-o-Y growth
APE ¹	1,893	2,291	21%
New Business Margin (NBM) (before cost overrun)	20.0%	22.8%	+280 bps
New Business Margin (NBM) (post cost overrun)	18.0%	20.4%	+240 bps
Value of New Business (VNB) (post cost overrun)	340	466	37%

- The New Business Margin (NBM) before operating cost overrun has increased by circa 280 bps to 22.8% for 9M FY19 compared to 20.0% for 9M FY18. The increase in margin is primarily driven by higher contribution of protection-oriented products.
- Post allowing for operating cost overrun, the NBM would reduce to 20.4% for 9M FY19 compared to 18.0% for 9M FY18.

¹ Annual Premium Equivalent (APE) is calculated as 100% of regular premium + 10% of single premium.

² The VNB is accumulated from the point of sale to the end of the reporting period (i.e. 31st Dec 2018), using the beginning of quarter's risk free yield curve.

Sensitivity	EV		New business	
	Value (Rs Cr)	% change	VNB (Rs Cr) NBM	% change
Base Case (before final SH dividends)	8,034	-	290 20.4%	-
Lapse/Surrender - 10% increase	7,884	(2%)	277 19.5%	(5%)
Lapse/Surrender - 10% decrease	8,204	2%	304 21.4%	5%
Mortality - 10% increase	7,936	(1%)	279 19.6%	(4%)
Mortality - 10% decrease	8,142	1%	302 21.3%	4%
Expenses - 10% increase	7,971	(1%)	271 19.1%	(7%)
Expenses - 10% decrease	8,107	1%	309 21.8%	7%
Risk free rates - 1% increase	7,905	(2%)	302 21.2%	4%
Risk free rates - 1% reduction	8,172	2%	273 19.2%	(6%)
Equity values - 10% immediate rise	8,101	1%	290 20.4%	Negligible
Equity values - 10% immediate fall	7,977	(1%)	290 20.4%	Negligible
Corporate tax Rate – 2% increase	7,896	(2%)	282 19.8%	(3%)
Corporate tax Rate – 2% decrease	8,172	2%	299 21.0%	3%
Corporate tax rate increased to 25%	7,315	(9%)	245 17.3%	(15%)

1. Reduction in interest rate curve leads to an increase in the value of assets which offsets the loss in the value of future profits.
2. Risk free rate sensitivities allow for the change in cost of hedging due to derivative arrangements. The cost of hedging reduces under the risk free rate reduction sensitivity and increases under the risk free rate increase sensitivity.

Economic Assumptions

- The EV is calculated using risk free (government bond) spot rate yield curve taken from FBIL¹ as at 31st Dec 2018. The VNB is calculated using the beginning of respective quarter's risk free yield curve (i.e. 31st March 2018, 30th June 2018 and 30th September 2018).
- No allowance has been made for liquidity premium because of lack of credible information on liquidity spreads in the Indian market.
- A flat rate adjustment is made to the yield curve such that the market value of government bonds is equal to discounted value of future cash flows of those bonds.
- Samples from the un-adjusted 31st December 2018 and 31st March 2018 spot rate yield curves used:

Year	1	2	3	4	5	10	15	20	25	30
Mar 18	6.53%	6.83%	7.09%	7.26%	7.43%	7.41%	7.69%	7.85%	7.72%	7.51%
Dec 18	6.88%	6.93%	7.12%	7.18%	7.30%	7.38%	7.70%	7.74%	7.51%	7.84%
Change	0.35%	0.10%	0.03%	-0.08%	-0.13%	-0.03%	0.01%	-0.11%	-0.21%	0.33%

Demographic Assumptions

The lapse and mortality assumptions are approved by a Board committee and are set by product line and distribution channel on a best estimate basis, based on the following principles:

- Assumptions are based on last one year experience and expectations of future experience given the likely impact of current and proposed management actions on such assumptions.
- Aims to avoid arbitrary changes, discontinuities and volatility where it can be justified.
- Aims to exclude the impacts of non-recurring factors.

Expense and Inflation

- Maintenance expenses are based on the recent expense studies performed internally by the Company. The VIF is reduced for the value of any maintenance expense overrun in the future. The overrun represents the excess maintenance expenses expected to be incurred by the Company over the expense loadings assumed in the calculation of PVFP.
- Future CSR related expenses have been taken to be 2% of post tax (risk adjusted) profits emerging each year.
- Expenses denominated in fixed rupee terms are inflated at 6.0% per annum.
- The commission rates are based on the actual commission payable, if any.

Tax

- The corporate tax rate is assumed to be 14.56% for life business and nil for pension business.
- For participating business, the transfers to shareholders resulting from surplus distribution are not taxed as tax is assumed to be deducted before surplus is distributed to policyholders and shareholders.
- Goods and Service tax is assumed to be 18%.
- The mark to market adjustments are also adjusted for tax.

