MANAGEMENT DISCUSSION AND ANALYSIS

A. Economic and industry overview

(a) Indian economy

Global economy contracted sharply during the last year, as countries imposed various level of restrictions to curb the Covid-19 pandemic. India's GDP contracted by 24.4% and 7.3% in Q1FY2021 and Q2FY2021 respectively. The Government of India started easing restrictions gradually and economic recovery started picking up from Q3FY2021 and GDP growth turned marginally positive with 0.4% growth in Q3FY2021. However, consumption continues to remain in contraction mode as few sectors did not recovered fully during the year. Both, the Central and State Governments maintained relatively high level of spending over the year to support the domestic economy. This was supplemented with the RBI maintaining ample liquidity in the system to ensure smooth functioning of the financial system. The RBI also conducted multiple Open-Market-Operations (OMOs) to ensure that the borrowing program of the Government was conducted efficiently with an objective to maintain the interest rates at the desired levels.

India witnessed robust Balance of Payment with strong capital inflows and as a result, India's forex reserves improved significantly during the year thus providing a cushion against external shocks.

Inflation started to ease towards the second half of fiscal as food prices stabilized. Core inflation, however, continues to remain elevated due to Covid-19 led supply disruptions.

Budget 2021-22 was growth oriented and the Government remain committed to spur economic recovery through higher capital expenditure spending (budgeted to grow by 26% in FY22) towards infrastructure development. On the corporate side, Government has given special focus to Production Linked Incentive Scheme (PLI) to promote domestic manufacturing for a few important sectors such as electronics, pharmaceuticals, auto components etc.

GDP growth, going forward, is expected to revive gradually as economies open-up and public confidence to spend improves. RBI has projected India's GDP to grow by ~10.5% in FY2022.

However, the recovery faces a risk from the second wave of Covid-19 pandemic and the resulting restrictions on economic activities. While it is expected that the restrictions are unlikely to be as stringent as those imposed during the first wave, a fast and efficient vaccination program can help in a quicker normalization of economic and social activity. Accordingly, the projected GDP growth could vary depending on the Covid-19 pandemic situation during FY2022.

The resurgence of Covid-19 cases across the country starting Mar'21, in what is seen as the second wave of the pandemic, has brought back some of the logistical constraints faced by the economy last year. Though there is complete national lockdown this year, restrictions imposed by various state governments and local authorities are once again posing challenges. The sheer intensity of the second wave with daily infection numbers being ~3x of the previous peak is making matters worse. The life insurance industry on its part is relatively better prepared this time and using all the learnings of last year to make the customer journey as seamless as possible.

(b) Insurance industry overview

The insurance industry of India comprises of 59 insurance companies, of which 24 are in the life insurance business, while 34 are non-life insurers and one is a re-insurer as per list mentioned in Insurance Regulatory and Development Authority of India (IRDAI) website.

The Life Insurance industry recorded a gross written premium income (including renewal premium) of ₹ 5.73 lakh crore during FY2021 as against ₹ 5.08 lakh crore in FY2020, registering growth of 12.75%. While private sector insurers posted 13.42% growth, LIC recorded 12.41% growth in FY2021.

New business premium growth in FY2021 has shown mixed trends, while the overall industry growth has been lower at 7.5% with ₹ 2.78 lakh crore premium, the growth registered by private players has accelerated to 16.3% in FY2021 (v/s 11.6% in FY2020).

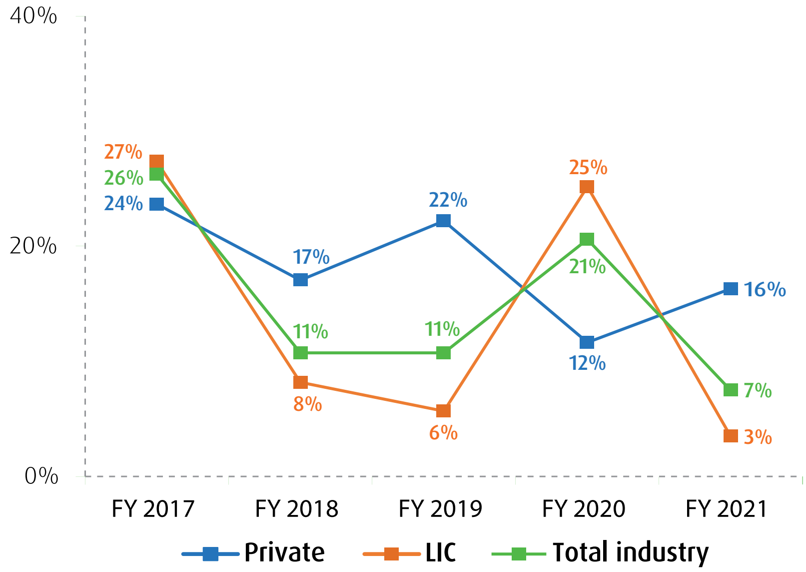
The Government has also taken numerous initiatives to boost the insurance industry. The significant most being the hike in Foreign Direct Investment (FDI) limit in Insurance companies to 74% from the current 49%.

Apart from this, Covid-19 related disruptions during the year has driven the insurance industry to redesign processes with enhanced use of digital techniques. This is expected to drive operating efficiencies for the insurers as well as improve the customer journey of buying and servicing insurance products.

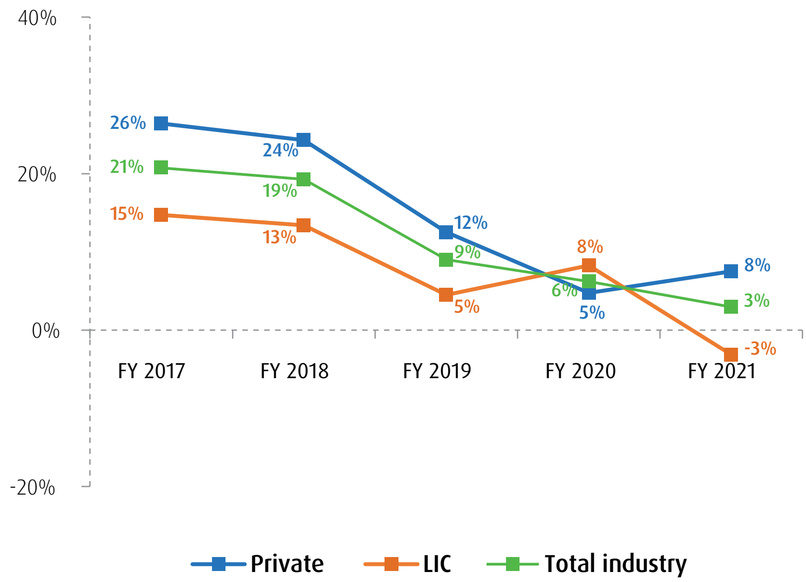
(Source: IRDA website, IMF website, Media Reports, Press Releases, Press Information Bureau, Union Budget documents, CRISIL, IBEF website, World Bank website, RBI website, National Statistical Office)

i. New business trends and relative performance of insurers

New Business Premium growth (in %)



Individual Rated New Business Premium growth (in %)

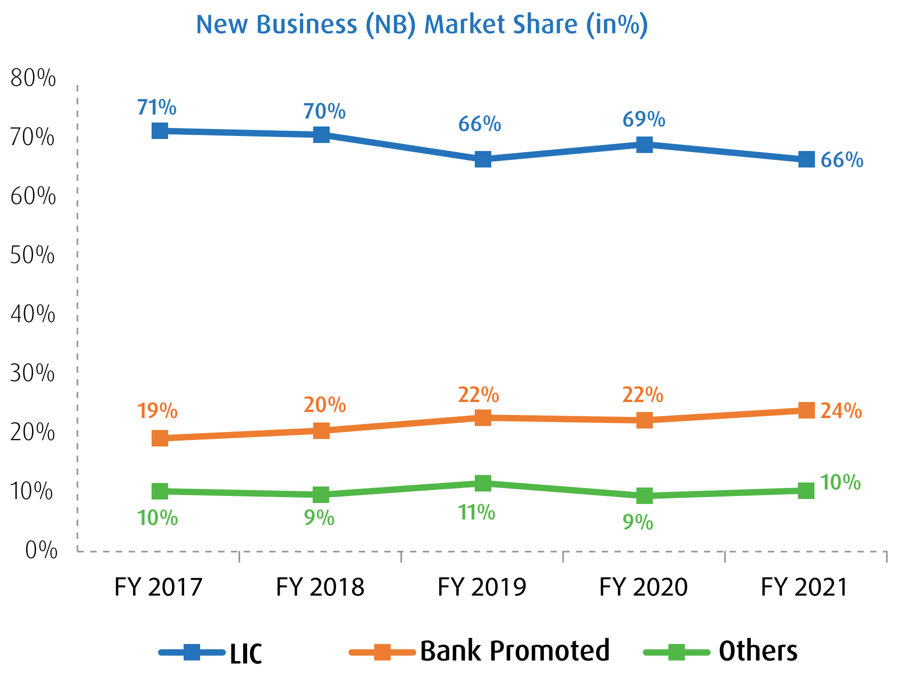


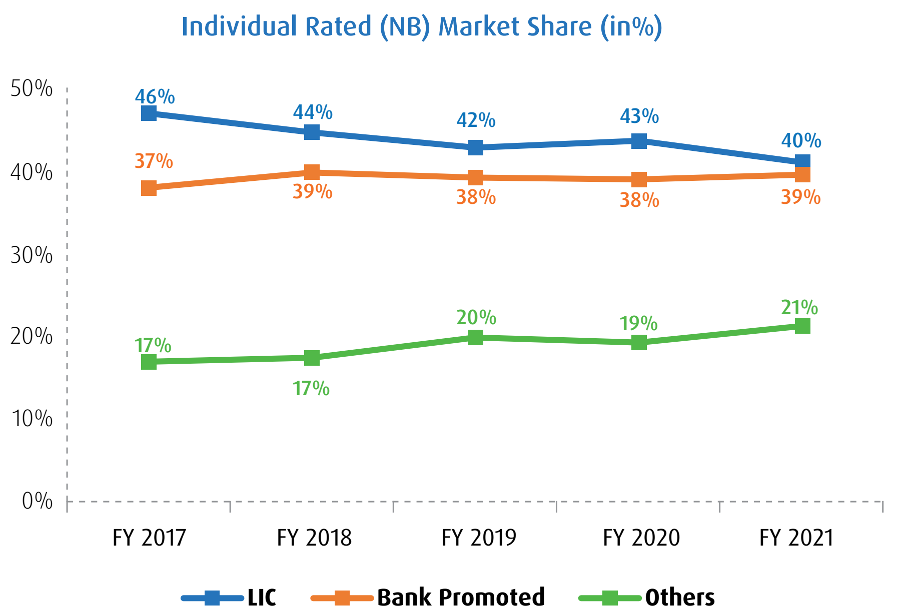
Based on total new business premium and individual rated new business.
Source: IRDAI and Life Insurance Council statistics
Note: Rated NB = 100% of first year premium & 10% of single premium

As seen above:

- Over the period of FY2017 to FY2021, the new business premium for the industry registered a growth of 12% (CAGR), for private insurers the growth was 17% (CAGR)
- On new business premium, the industry grew by 7% in FY2021 v/s 21% growth in FY2020. LIC's growth was at 3% in FY2021 as against the private market growth of 16%

On Individual rated new business premium basis, the industry grew by 3% in FY2021 v/s 6% growth in FY2020. LIC's de-grew by 3% in FY2021.





Based on total new business & individual rated new business premium.

Source: IRDAI and Life Insurance Council statistics

As seen above:

- LIC's market share reduced from 69% in FY2020 to 66% in FY2021 on new business premium basis and from 43% in FY2020 to 40% in FY2021 on individual rated new business premium basis
- Top 5 private players on rated business basis have registered growth of 6% v/s total private players growth of 8%

  Focus has been primarily on non-participating savings and protection products.

i. Shift in business mix

Individual business vis-à-vis group

New Business Mix	FY2017	FY2018	FY2019	FY2020	FY2021
Individual	44%	48%	46%	39%	41%
Group	56%	52%	54%	61%	59%

New Business Growth	FY2017	FY2018	FY2019	FY2020	FY2021
Individual	33%	19%	6%	4%	12%
Group	21%	4%	15%	35%	4%
Total Industry	26%	11%	11%	21%	7%

Based on total new business premium. Source: IRDAI and Life Insurance Council statistics

As seen above:

- The share of group business has decreased during the year due to multiple lockdowns due to Covid-19 pandemic
- The FY2021 industry growth was largely driven by individual business. Against the total industry growth of 7% in FY2021, individual business grew by 12% while the group business grew by 4%

Individual new business regular premium business vis-à-vis single premium:

Individual business mix	FY2017	FY2018	FY2019	FY2020	FY2021
Regular	65%	65%	68%	69%	63%
Single	35%	35%	32%	31%	37%

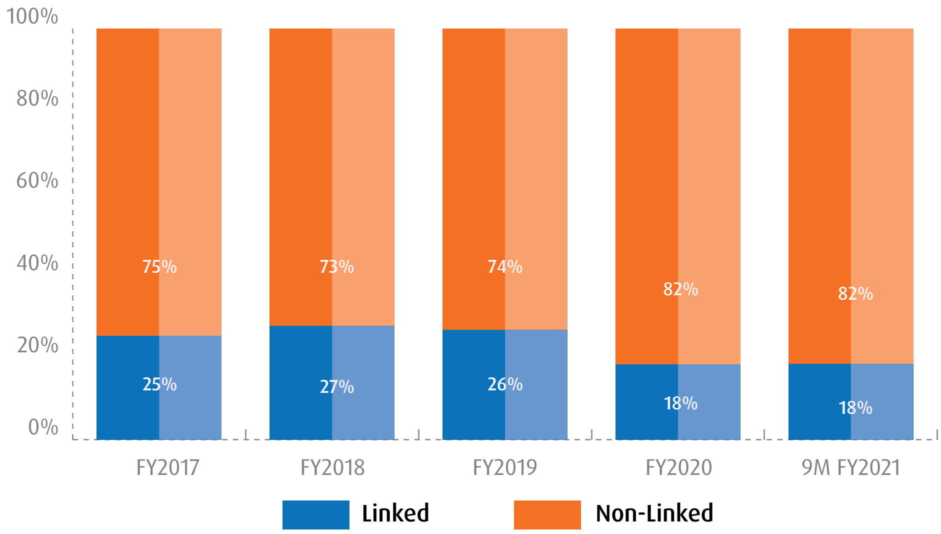
Individual business growth %	FY2017	FY2018	FY2019	FY2020	FY2021
Regular	19%	19%	10%	7%	1%
Single	72%	17%	0%	-2%	36%
Total Industry	33%	19%	6%	4%	12%

Based on total individual new business premium. Source: IRDAI and Life Insurance Council statistics

As seen above, there has been a significant focus on the single premium products including single premium annuity products resulting into increased share of single premium business from 31% in FY2020 to 37% in FY2021.

ii. Shift in NB product mix

New Business product mix for Industry players



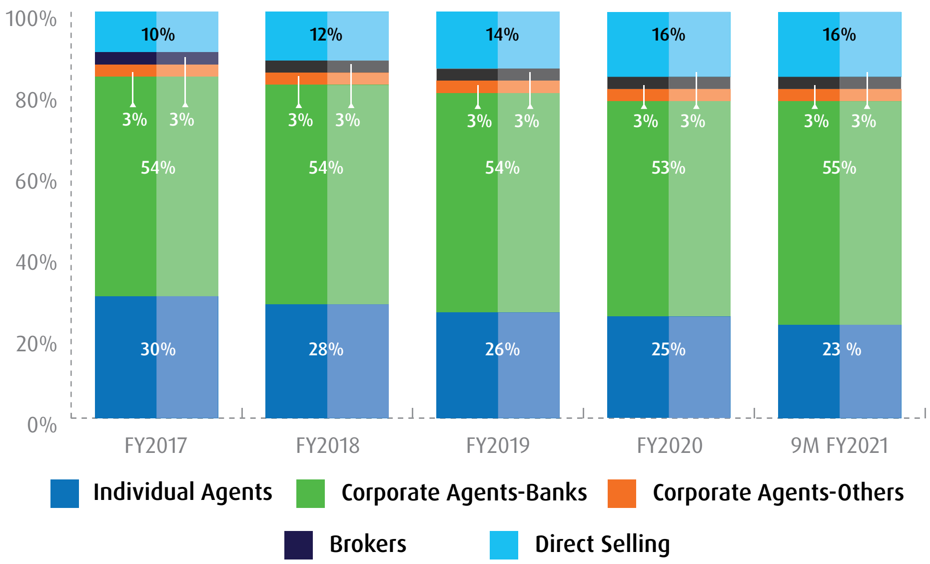
Based on total rated new business premium

Source: IRDAI Annual report and Life Insurance Council statistics

In the past few years, after the global economic slowdown coupled with increased financial awareness, volatile capital markets and falling interest rates, consumer gave preference to guaranteed life insurance solutions with an objective to conserve wealth with secured returns; resulting into increased contribution from non-linked products to 82% for 9M FY2021 from 75% in FY2017. The most customer friendly new generation ULIPs still has a significant share of the business mix at 18%, although it is lower from its earlier highs of 25% in FY2017.

iii. Distribution mix

New Business distribution channel mix



Based on Individual new business premium for private Industry. Source: Public disclosures

BEWARE OF SPURIOUS PHONE CALLS AND FICTITIOUS / FRADULENT OFFERS
IRDAI is not involved in activities like selling insurance policies, announcing bonus or investment of premiums. Public receiving such phone calls are requested to lodge a police complaint.

[5]In the above illustration Male Age – 50 years | Premium paying term – 10 years | Deferred Annuity | Premium paying frequency - Yearly | Regular Premium – ₹ 5,13,347 | Deferment Period – 10 years | Annuity Amount - ₹4,00,000 | Annuity Frequency - Yearly | Annuity option - Life annuity with Return of Purchase Price (ROP) on death | Purchase price/Regular premium is exclusive of Goods & Service Tax/any other applicable tax levied, subject to changes in tax laws if any.
[6]Assuming Death at age 100 years | Death benefit - ₹51,33,470 | Total Benefits received under policy - ₹2,11,33,470.
[1]Conditions Apply – The guaranteed benefits are dependent on the purchase price & annuity option chosen. For more details please refer to sales brochure.

Risk Factors and Warning Statements: Bajaj Allianz Life Insurance Company Limited and Bajaj Allianz Life Guaranteed Pension Goal are the names of the company and the product respectively and do not in any way indicate the quality of the product and its future prospects or returns. For more details on risk factors, terms and conditions please read sales brochure & policy document (available on www.bajajallianzlife.com) carefully before concluding a sale. Regd. Office Address: Bajaj Allianz House, Airport Road, Yerawada, Pune – 411006. Reg. No.: 116. CIN : U66010PN2001PLC015959, Call us on toll free No.: 1800 209 7272, Mail us : customercare@bajajallianz.co.in, Fax No: 02066026789. Bajaj Allianz Life Guaranteed Pension Goal is A Non Linked Non Participating Deferred & Immediate Annuity Plan (UIN: 116N167V01). The Logo of Bajaj Allianz Life Insurance Co. Ltd. is provided on the basis of license given by Bajaj Finserv Ltd. to use its "Bajaj" Logo and Allianz SE to use its "Allianz" logo. All charges/ taxes, as applicable, will be borne by the Policyholder.

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As can be seen above, traditionally the Agency channel has been one of the primary channels in the Indian Insurance distribution network, mainly driven by LIC. In the last couple of years, Agency channel share has seen a drop in share from 30% of new business premiums in FY2017 to 23% in FY2021, especially driven by the private players, as continued focus on direct selling channels (propriety sales force or internet) aimed at investing in upselling and cross selling opportunities to the existing customer base coupled with innovations on the process and technology front.

iv. Regulatory changes and implications thereof

Some of the key regulatory initiatives taken by IRDAI during the year are summarised below:

(a) Global Pandemic Covid-19 related Instructions to Life Insurers

The IRDAI permitted certain Covid-19 related relaxation/benefits, which were made available to policyholders, which inter-alia included additional grace period of 30 days for policies where the premium payments fell due in March & April 2020 and a settlement option in accordance with regulation 25 of IRDA (Linked Insurance Products) Regulations, 2013. The settlement option, permitted to Unit Linked Policies maturing up-to May20, allowed policyholders to avail of the maturity benefits over a period of 5 years, regardless of whether such option existed or not in the specific product, subject to certain conditions.

(b) Paperless KYC process through Aadhaar Authentication Services of UIDAI

The Central Government of India based on IRDAI's recommendation permitted 29 Life/Non-Life Insurance Companies including Bajaj Allianz Life Insurance to undertake Aadhaar based authentication services. This will help the general public to avail paperless Know Your Customer (KYC) services while procuring insurance services from permitted Insurance companies.

(c) Circular on Pre-Issuance Verification Call (PIVC)

To ensure uniformity and for better protection of policyholders, Life Insurers were encouraged to conduct Pre-Issuance Verification Call (PIVC) to the extent possible and in important cases, to prevent mis-selling and unfair trade practices at the solicitation stage. Board approved guidelines on PIVC were to be put into effect.

(d) Guidelines on COVID Standard Benefits based health policy

These guidelines encouraged Insurers to offer individual COVID Standard Benefits based health policy by July 10, 2020. The standard policy was to have a basic cover and is to be uniform across all Insurers subject to conditions specified in the guidelines.

(e) Group Credit Life Schemes – Modifications to align the coverage with the moratorium announced by RBI

The IRDAI has permitted Insurers to make certain modifications in Group Credit Life Master Policies issued by them so as to align the existing cover with revised loan repayment schedule for members who have availed the moratorium announced by RBI subject to conditions laid down in the circular. Accordingly, Insurers were allowed to modify the term and sum assured under such schemes against collection of additional premium to ensure continuity in cover.

(f) Issuance of Electronic Policies

In the wake of emerging situation of Covid-19 pandemic and considering difficulties in printing and dispatch of policy documents, IRDAI permitted issuance of policy documents, proposal forms etc., through digital medium for all policies issued during FY 2021, subject to the conditions specified in the circular.

(g) Issuance of e-Certificate of Insurance under Group Insurance Policies

The IRDAI has permitted issuance of e-Certificate of Insurance (e-COI) under Group Policies through email, SMS, WhatsApp to ensure better delivery and support green initiatives. Insurers were required to record or capture and maintain the delivery or receipt or acknowledgement of the e-COI.

(h) Video Based Identification Process (VBIP)

The IRDAI has permitted Insurers to use VBIP (Video Based Identification Process) as an alternative (optional) electronic process of Identification/KYC in paperless form. VBIP can be undertaken either "online" or "face-to-face in-person verification through a video" for opening account based relationship or for continuing relationship or for any other services, after obtaining informed consent of the customer/beneficiary. Clear/live video of the customer/beneficiary is to be taken by an authorized person and authentication of identity information to be done in line with the specified procedure.

(i) Guidelines on Standard Individual Term Life Insurance Product - Saral Jeevan Bima

To make available a product that meets the needs of an average customer with simple features and standard terms and conditions, all life insurers were mandated to launch Standard Term Life Insurance product "Saral Jeevan Bima" w.e.f. January 1, 2021, subject to specifications mentioned in the Guidelines. This Product is to be offered without restrictions on gender, place of residence, travel, occupation or educational qualifications.

(j) Allowing IC-38 exams for individual agents through remote proctor on pilot basis

The IRDAI permitted IC-38 examination for individual agents to be conducted from 4 remote locations (i.e. Mumbai, Delhi, Kolkata and Trivandrum) on a pilot basis for an initial time period of thirty days.

(k) Dispensing with physical signatures on proposal forms

The first circular issued by IRDAI in August 2020 allowed Life Insurers to dispense-off with physical signature on proposal forms of pure-risk products up-to December 31, 2020, subject to the certain conditions specified in the circular. Vide a second circular, the Authority issued additional instructions with respect to dispensing with physical signatures on proposal forms and extended the dispensation requirement to all products up-to March 31, 2021, subject to conditions specified in the circular.

(l) IRDAI (Minimum Information Required for Investigation and Inspection) Regulations, 2020

These Regulations specifies minimum information required to be maintained by an insurer, or insurance intermediary, to enable the investigating officer of IRDAI to discharge his/her functions during the course of an investigation/ inspections and also set out time periods for which data/information is to be maintained by the insurer/intermediary.

(m) Relaxations in Point of Sales- Life Insurance Master Circular

The Underwriting conditions for POS Pure term insurance products with or without Return of premium have been modified from "Only Non-medical Underwriting" to "As per board approved underwriting policy of the Life Insurer" and Maximum Sum Assured limit has been increased from ₹ 10 lakhs to ₹ 25 lakhs vide this circular.

(n) Guidelines on Standard Individual Immediate Annuity Product "Saral Pension"

To make available a product that meets the needs of an average customer, all life insurers are mandated to introduce a standard, individual immediate annuity product with simple features and standard terms and conditions. The Standard Product is to be offered with effect from April 01, 2021 subject to the conditions mentioned in the guidelines.

(o) Issuance of digital insurance policies by insurance companies via Digilocker

The IRDAI has advised all Insurers to enable their IT systems to interact with Digilocker facility to enable the process by which the policyholders can place and preserve their policies in the digilocker. Insurers are also required to inform their retail policyholders about Digilocker and the method of using the same

(p) Obligations of Insurers in respect of Rural and Social sectors- Clarification with regard to ASHA & MGNREGA workers

The IRDAI has clarified that that Accredited Social Health Activist (ASHA) workers and Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) workers may be categorised as part of Rural and Social Sector under the provisions of Regulation 7 of the IRDAI (Obligations of Insurers to Rural and Social sectors) Regulations, 2015.

v. Opportunities

Low insurance penetration and High protection gap:

The country's low penetration vis-à-vis advanced economies and relatively low share of financial savings as part of household savings provides ample opportunities to the insurers. Insurance industry's penetration marginally improved to 3.76% in FY 2020 from 3.70% FY 2019 as per Economic Survey 2020-21, which is significantly lower than global average. Also, India has a higher protection gap than many other economies. The overall protection gap in the country, whether it is life or general (non-life), in most of the segments is about 70% to 80%. Hence, the demand for protection and savings products is on the rise, indicating significant opportunities for the life insurance sector to expand.

Insurance post pandemic:

The Covid-19 pandemic has not only highlighted the importance of health care but also emphasized the need for mortality protection. Public pension replacement rates are declining and healthcare expenditures are rising due to Covid-19 crisis. Economic and demographic trends will also add more tailwinds to it. Customer demand towards life insurance needs continues to grow supported by financial awareness raising the expectation of strong growth for the life insurance industry in the coming decade.

Technology continue to be a key enabler

Digital technology has proved to be a game changer in almost all industries and the insurance industry is no exception. Increasing internet penetration (with the number of users in India expected to rise from 429 million in 2017 to 829 million by 2021 at the rate of 17.9%) will continue to influence the insurance business as well as other industries. Insurers need to invest in the digitization of their businesses and better leverage technology in order to offer their customers innovative and relevant products at a reasonable cost and in an efficient manner. Going forward, insurers will need to harness technology to enhance their product offerings to create behaviour and need based personalized offerings. The future will also see insurers leverage data and analytics to generate better risk insights that will help them optimize underwriting and pricing. Similarly, opportunities lie in revamping core processes through robotics and artificial intelligence for better and faster decision-making.

Focus on guaranteed and protection products

Consumers will continue to seek out guaranteed returns amid volatile capital markets and changing preferences as the Covid-19 pandemic has increased the awareness about life covers and certainty of returns on the investment.

Annuity and pension opportunity:

Annuity has emerged as a large market opportunity for the Life Insurance industry over the period with enhanced awareness about the importance of continuous income stream post retirement. LIC has been the largest player in the industry but top private players started focusing on annuities from FY2018 and has registered 4x growth during FY2018 to FY2020. The overall retirement fund corpus in India in various funds like NPS, Life Insurance, EPFO, PPF etc. as on FY2020 is around ₹ 29 lakh crore and 40% to 66% of these retirement funds must be mandatorily annuitized, which therefore presents a large business opportunity for Life Insurers. Annuity also brings a different age segment of 45 and above for Insurers with no medical requirements and thus opens a wider base of customers for business.

vi. Risks and threats

Low awareness and penetration:

Insurance industry still faces challenge of low awareness and the need for insurance resulting in low insurance penetration.

Tougher underwriting discipline:

Ultimately, climate change impacts the way that insurers look at risk. Insurers will have to demonstrate that they are compelling risk and that they have proactive risk management in place. Underwriting discipline is back with a vengeance and it is a trend that will likely continue for the foreseeable future.

Challenge of prediction and counteractions against risks:

As wealth increases globally, the number and value of insured risk also rises, presenting an opportunity for greater life, protection and investment penetration. But risk factors are more complicated today and less predictable overall. Without changing their core administration systems, insurers need to add a digital front-end that transforms the quote-to-buy experience. Insurers must accurately assess macro-level risks like economic and political turmoil alongside detailed, personal data. Insurance Industry need to invest more and more in the machine learning and artificial intelligence (AI) that can discover more accurate prediction of risk. More comprehensive risk assessments can lead to broader offerings, including risk counselling and risk mitigation services. Insurers must also monitor the threats and protect their IT environments from traditional forms of frauds and cyber-attacks.

Disruption of business models by technology, analytics and data driven companies:

World over, large scale distribution models (such as insurance) are facing disruption from entities that are able to maximize the use of data. Data backed by analytics and use of technology is expected to change the distribution landscape in the years to come. With the traditional business models being used by most insurers in India, it is likely that the competitive landscape will change significantly thus warranting Companies to strategize in such a way that they can provide the best value proposition to the largest set of customers in the most convenient manner.

Taxability of ULIP proceeds:

The Budget 2021-22 amended the Income Tax Act, 1961 and accordingly any gains from a ULIP policy shall be treated as capital gains in case the premium paid for any year exceeds ₹ 2.5 lakhs. However, the cap of ₹ 2.5 lakh on the annual premium of ULIP shall be applicable only for the policies taken on or after 01.02.2021. This could potentially have some disruption for a specific segment of consumers, wherein tax saving was also one of the considerations for investment in insurance policies.