MANAGEMENT DISCUSSION AND ANALYSIS

A. Economic and Industry Overview

(a) Indian economy

Economic activity across the world recovered in FY2022 as countries relatively eased the Covid-19 led restrictions and continued fiscal and monetary support to revive growth. Indian economy also recovered, despite the impact of the second wave, with GDP growing by 10.6% during April – December 2021. Initially, pent-up demand led to strong demand for goods and hence recovery was led mainly by the manufacturing/ mining and construction sectors. Service segment revival started from Q2 FY2022 onwards as the second wave led restrictions were lifted.

The central government maintained the spending momentum with a focus on capital expenditure to spur economic growth and job creation. Budget FY2022-23 continued with the previous year's trend of higher focus towards capex vis-a-vis revenue expenditure, along with a gradual reduction of fiscal deficit. The central government is targeting a fiscal deficit of 6.4% for FY2023 against a revised fiscal deficit estimate of 6.9% for FY2022. The government aims to revive the private sector capex and has announced a slew of measures to promote domestic manufacturing capability in a few high growth sectors.

The central bank (RBI) also supported the market through easy monetary policy and an accommodative stance. RBI continued with high liquidity levels and regularly conducted open-market-operations under the Government Securities Acquisition Programme (G-SAP) to stabilize market volatility and ensure an orderly evolution of the interest rate environment.

Inflation pressures have been elevated throughout the year due to supply-side issues and a rise in commodity prices. Adverse geopolitical events (in particular, the Russia-Ukraine war) during the last quarter of the fiscal year further exacerbated the commodity inflation risk as sanctions and supply disruptions led to sharp movement in prices of key metals and energy commodities. India, being a large importer of crude, is adversely impacted by the high energy prices. It is difficult to predict the probable impact of these; but it is likely that global supply chain disruptions will have a longer life than the other challenges.

The global interest rate cycle is turning and rates are starting to rise as central banks pull back the easy monetary and liquidity policies amid the inflationary pressures. Domestic rates have also risen in the current fiscal mirroring the global trend.

GDP is expected to grow at 7.2% in FY2023, however, risks may arise out of rising inflation and widening current account deficit. India's healthy forex reserves are likely to ensure that global factors' impact on currency is cushioned.

(b) Insurance industry overview

The insurance industry of India comprises of 59 insurance companies, of which 24 are in the life insurance business, while 33 are non-life and one is a re-insurer as per the list mentioned on the Insurance Regulatory and Development Authority of India (IRDAI) website as at 30th April 2022.

The last two years have been difficult for the world economy on account of the Covid-19 pandemic. Repeated waves of infection, supply-chain disruptions and, more recently, inflation have been largely disruptive in terms of economic activity as well as loss of human lives. The pandemic brought about a major shift in the perception of life insurance among consumers. The life insurance industry observed a change in customers' preference to guaranteed return plans (due to market volatility and increased perception of risk). However, penetration of the life insurance business in India has also witnessed improvement post Covid-19.

The Life Insurance industry recorded a gross written premium income (including renewal premium) of ₹ 6.29 lakh crore during FY2021 as against ₹ 5.73 lakh crore during FY2020, registering a growth of 9.7 %. While private sector insurers posted 16.5% growth in their gross written premium income in FY2021, LIC recorded 6.3% growth in FY2021.

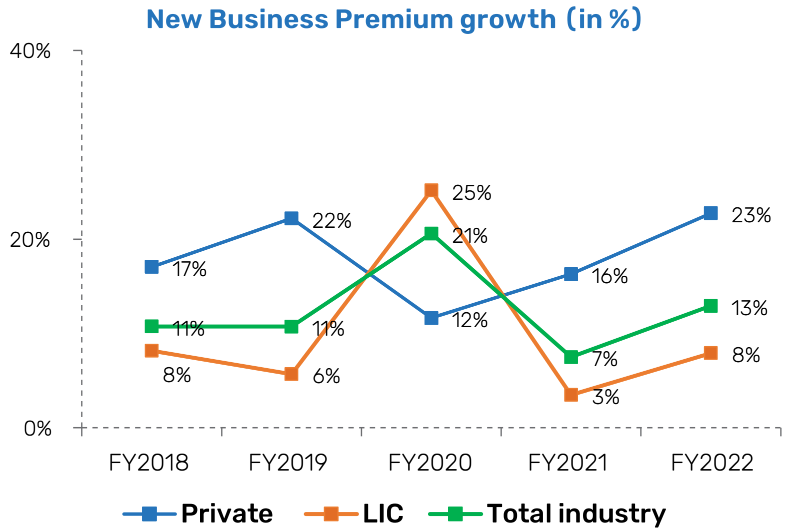
New Business Premium growth for the overall industry has been healthy (at 12.9%) with ₹ 3.14 lakh crore, while the growth registered by private players has accelerated to 22.7% in FY2022 (v/s 16.3% in FY2021).

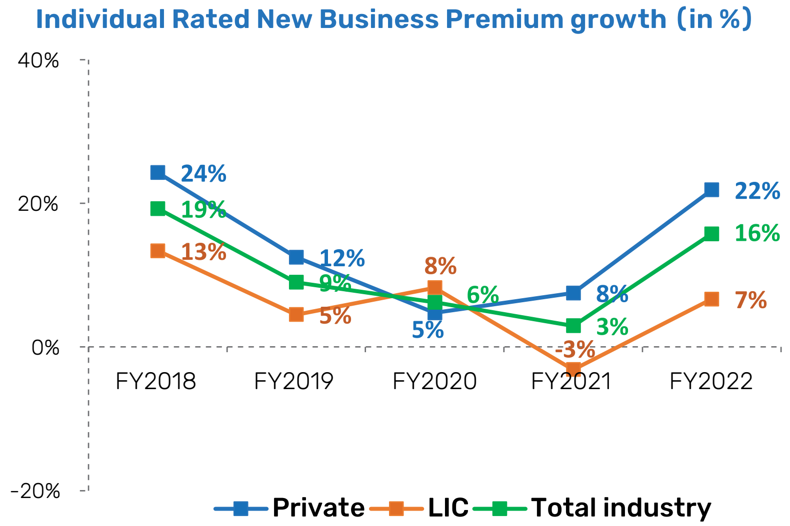
Apart from this, Covid-19 related disruptions continue to drive the insurance industry to redesign processes with enhanced use of digital techniques. This is expected to drive operating efficiencies for the insurers as well as improve the customer journey of buying and servicing insurance products. The vaccination programme has covered the bulk of the population, economic momentum building back and the likely long-term benefits of supply-side reforms are in the pipeline, India settles to live with the 'new normal' of the Covid-19 situation and the Indian economy is in a good position to witness.

The private sector has a larger share in the non-single sub-segment (mainly individual premiums), while LIC continues to dominate the single premium sub-segment. Further, Insurance behemoth Life Insurance Corporation (LIC), came up with the biggest Indian initial public offering (IPO) ever, wherein the government raised around ~₹ 20,560 crore by diluting 3.5% stake.

(Source: IRDA website, Union Budget documents, National Statistical Office)

New business trends and relative performance of insurers



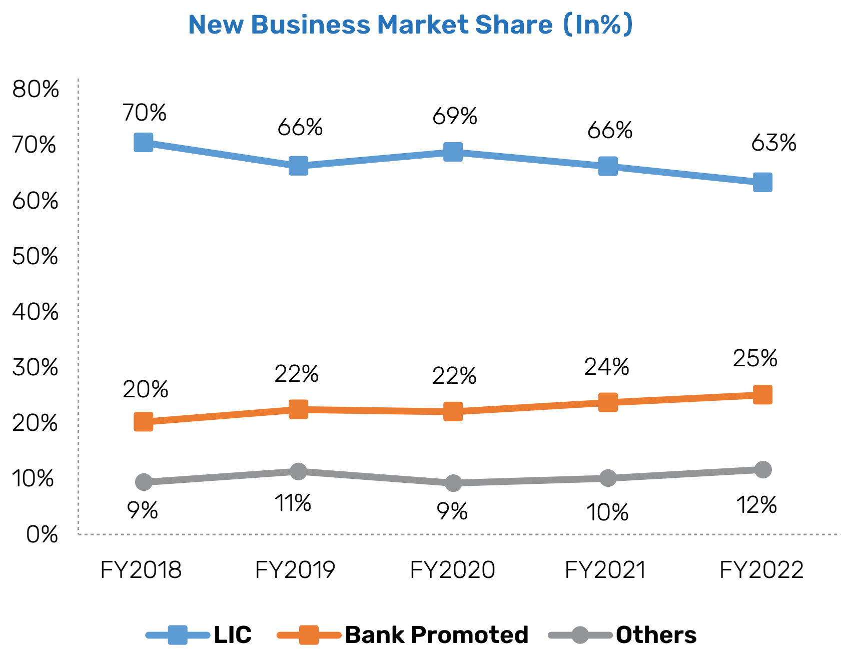


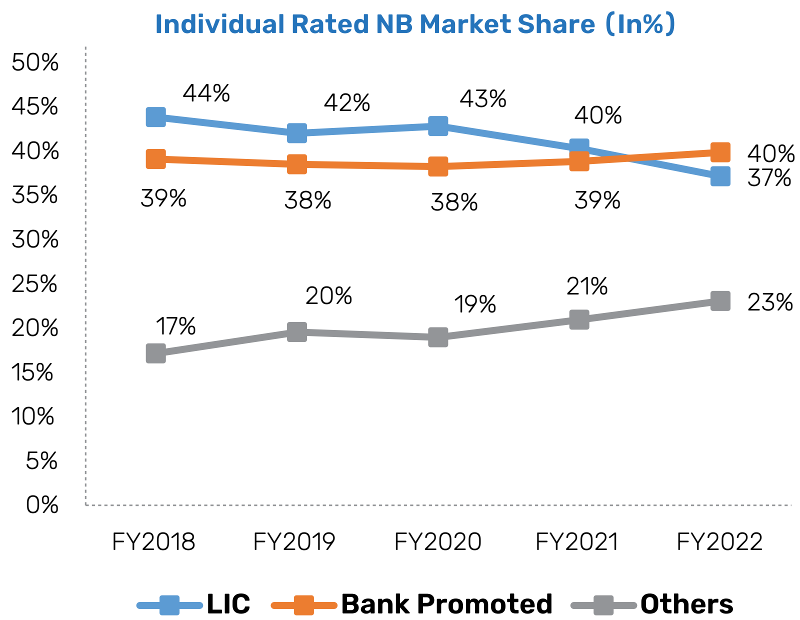
Based on total New Business Premium and Individual Rated New Business
Source: IRDAI and Life Insurance Council statistics
Note: Individual Rated NB = 100% of first year premium & 10% of single premium

As seen above:

- Over the period of FY2018 to FY2022, the new business premium for the industry registered a growth of 13% (CAGR), as against the private insurers' growth of 18% (CAGR)
- On new business premium, the industry grew by 13% in FY2022 v/s 7% growth in FY2021. LIC grew by 8% in FY2022 as against the private market growth of 23%

On an Individual rated new business (IRNB) premium basis, the industry grew by 16% in FY2022 v/s 3% growth in FY2021. LIC's IRNB grew by 7% in FY2022.





Based on total New Business Premium & Individual Rated New Business premium.

Source: IRDAI and Life Insurance Council statistics

Note: SBI Life, HDFC Life, ICICI Prudential Life, Max Life and Kotak Life are considered in Bank Promoted LI insurers

As seen above:

- LIC's market share reduced from 66% in FY2021 to 63% in FY2022 on a new business premium basis and from 40% in FY2021 to 37% in FY2022 on an IRNB basis. Despite losing market share over the years, LIC continues to dominate the life insurance sector

i. Shift in business mix

Individual business vis-à-vis group for the industry

New Business Mix	FY2018	FY2019	FY2020	FY2021	FY2022
Individual	48%	46%	39%	41%	40%
Group	52%	54%	61%	59%	60%

New Business Growth	FY2018	FY2019	FY2020	FY2021	FY2022
Individual	19%	6%	4%	12%	10%
Group	4%	15%	35%	4%	15%
Total Industry	11%	11%	21%	7%	13%

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

As seen above:

- The share of group business has marginally increased over the previous year
- The FY2022 industry growth was largely driven by group business. Against the total industry new business growth of ~13% in FY2022, the individual business grew by ~10% while the group business grew by ~15%

Individual new business regular premium business vis-à-vis single premium for the industry:

Individual business mix	FY2018	FY2019	FY2020	FY2021	FY2022
Regular	65%	68%	69%	63%	67%
Single	35%	32%	31%	37%	33%

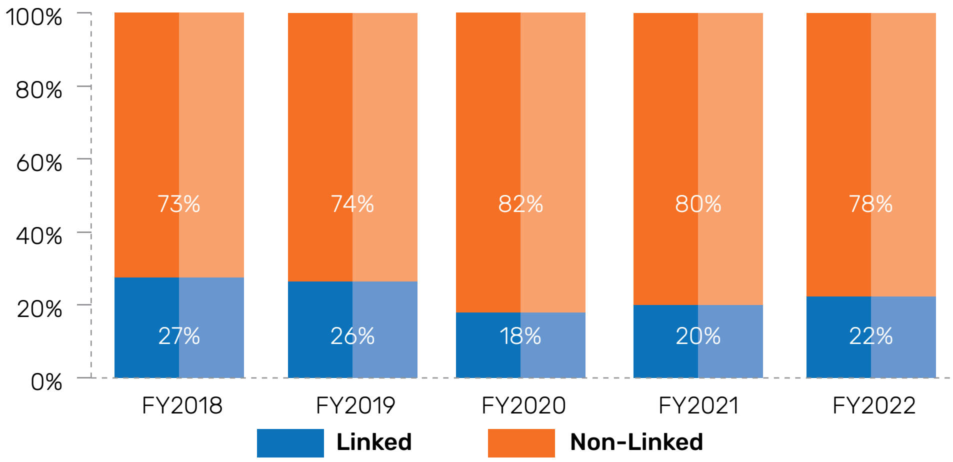
Ind. business growth %	FY2018	FY2019	FY2020	FY2021	FY2022
Regular	19%	10%	7%	1%	17%
Single	17%	0%	-2%	36%	-1%
Total industry	19%	6%	4%	12%	10%

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

As seen above, Individual regular premium business has registered a growth of 17% in FY2022 (with an increase in the mix by 4%). Although there has been a significant focus on the single premium products including single premium annuity products, the share of the single premium business mix has reduced and it witnessed a de-growth of 1% in FY2022, majorly due to LIC.

ii. Shift in NB product mix

New business product mix for Industry players

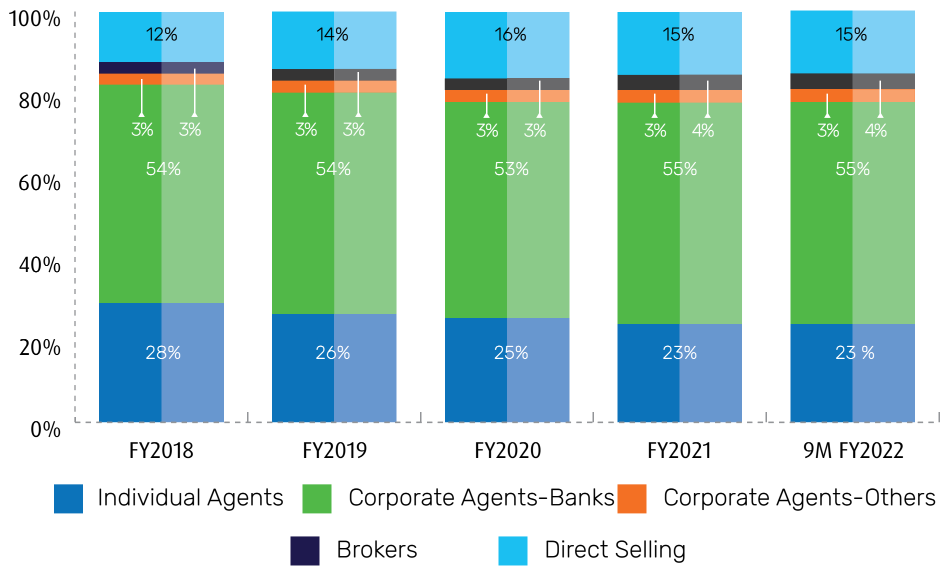


Based on total Rated New Business Premium
Source: IRDAI Annual report and Life Insurance Council statistics

In the past few years, after the global economic slowdown coupled with increased financial awareness, volatile capital markets and falling interest rates, consumers gave preference to guaranteed, protection & other traditional life insurance solutions with an objective to conserve wealth; resulting in increased contribution from non-linked products to 78% for FY2022 from 73% in FY2018. ULIPs however still hold a significant share of the business mix at 22%, although their share has lowered from the earlier highs of 27% in FY2018.

iii. Distribution mix

Individual New business channel mix



Based on Individual New Business Premium for private Industry. Source: Public disclosures bajajallianzlife.com

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Bajaj Allianz Life

ASSURED WEALTH GOAL

A Non linked, Non Participating, Individual, Life Insurance Savings Plan

PAY

₹2 Lakh p.a.
for 12 years

Total ₹24 Lakh

GET[4]

₹2.95 Lakh[5] p.a.
for 30 years from
15th policy year
+
Return of invested amount
at the end of policy term
₹24 Lakh
Total ₹1.12 Crore[6]

Vacation cum work-from-home Life Goal

- Guaranteed[1] income for up to 30 years[7]
- Tax benefit u/s 80C[2]
- Life Cover

BAJAJ ALLIANZ LIFE GUARANTEED[1] RETURN PLANS

SCAN TO BUY

: 1800 209 4040

CONTACT YOUR INSURANCE CONSULTANT

YE BHI SAHI HAI

[4]Above illustration considering male | Aged 30 years | Variant - Second Income | Policy Term 44 years | Deferment Period - 2 years | Existing customer | Online channel | Income Period 30 years starting from 15th policy year | Auto Pay opted | Return of premium opted payable at the end of the income period | Death benefit at 1st policy year will be ₹25,00,000. | The premium mentioned above are exclusive of any extra premium loading and Goods & Service Tax/any other applicable tax levied, subject to changes in tax laws. | The Income payouts will be paid in arrears as per chosen payout frequency.

Bajaj Allianz Life Insurance Co. Ltd. Risk Factors and Warning Statements: Bajaj Allianz Life Insurance Company Limited and Bajaj Allianz Life Assured Wealth 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. Bajaj Allianz Life Assured Wealth Goal is A Non linked, Non Participating, Individual, Life Insurance Savings Plan. 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 Assured Wealth Goal (UIN: 116N170V03), 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.
[1]Conditions Apply – The Guaranteed benefits are dependent on policy term, premium payment term availed along with other variable factors. For more details please refer to sales brochure. [5]Amount = ₹2,95,500 starting from 15th policy year |[6]Total = ₹1,12,65,000, Assuming the policy holder survived till end of policy term | [7]Product features mentioned above are dependent on variant chosen
[2]Tax benefits as per prevailing Income tax laws shall apply. Please check with your tax consultant for eligibility.

BEWARE OF SPURIOUS PHONE CALLS AND FICTITIOUS / FRAUDULENT 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.

BJAZ-PR-EC-03304/22

As seen above, traditionally the Agency channel was one of the primary channels in the Indian Insurance distribution network mainly driven by LIC. However, in the last couple of years, a reducing trend has been observed in the Agency channel's share (from 28% of new business premiums in FY2018 to 23% in 9M FY2022). This is mainly driven by the private players, as companies are focusing on selling through bancassurance partnership, brokers, web-aggregators and direct selling channels. The focus has also enhanced towards investing in upselling and cross selling opportunities to the existing customer base along with propelling 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) IRDAI (Insurance Advertisements and Disclosure) Regulations, 2021

These Regulations have superseded IRDAI (Insurance Advertisements and Disclosure) Regulations, 2000, and have become effective from 9th April, 2021. These Regulations apply to all insurers, and insurance intermediaries. Key highlights include the introduction of new definitions like an advertisement, Invitation to inquire, Invitation to contract, Joint Sale advertisement; provisions for communication on or through the internet or other electronic media, content posted on social media platforms etc.

(b) Investment in AIF/ Debt Securities of InvITs and REITs:

i. Investment in Alternative Investment Fund (AIFs)

The Authority vide this circular has permitted investment in Fund of Fund (FoF), subject to conditions. This was earlier prohibited as per Investments - Master Circular, 2017.

ii. Investments in Debt Securities of InvITs and REITs

The circular contains conditions basis which Insurers can invest in Debt instruments of Infrastructure Investment Trust (InvITs) and Real Estate Investment Trust (REITs).

(c) IRDAI (Manner of Assessment of Compensation to Shareholders or Members on Amalgamation) Regulations, 2021

The Regulations provide for the manner of assessment of compensation for the shareholders or members whose interests in, or rights against, the transferee insurer resulting from amalgamation are less than their interest in, or rights against the original insurer and are effective from 22nd April, 2021.

(d) Exercise of Employee Stock Options (ESOPs) - Applicability of provision of Section 6A (4) (b) of the Insurance Act, 1938

The circular states that all ESOPs shall be reported to the Authority at the time of grant as a part of the application filed under IRDAI (Remuneration of Chief Executive Officer/Whole-time Director/Managing Director of Insurers) Guidelines, 2016 and where the exercise of ESOP by one or more KMPs whether singly or jointly, is beyond the threshold limit, prior approval of the Authority shall be sought.

(e) Indian Insurance Companies (Foreign Investment) Amendment Rules, 2021

These rules have been made effective from 15th April, 2021 to coincide with Foreign Direct Investment in the Insurance sector is increased from 49% to 74%. Total Foreign Investment in an Indian Insurance company shall be calculated in accordance with applicable IRDAI regulations. Indian Insurance Company having foreign investment shall have specified positions (a majority of its directors, Key Management Persons and at least one among the chairperson or its MD & CEO) held by Resident Indian Citizens. Additional compliances were introduced for insurance companies in which foreign investment exceeds 49%.

(f) IRDAI (Registration of Indian Insurance Companies) (Amendment) Regulations, 2021

The amendment Regulations, 2021, have come into force with effect from 8th July, 2021 which substitutes 49% with 74% in line with Indian Insurance Companies (Foreign Investment) Amendment Rules, 2021. Further, new sub-regulation 5A namely "Requirement of Resident Indian citizenship for Directors, Key Management Persons etc." and Sub-regulation 5B for "Requirements for foreign investment exceeding forty-nine percent" have been added. Also, existing insurers having any foreign investment are required to comply with the requirements of sub-regulation 5A within a period of 1 year.

(g) Withdrawal of Guidelines on Indian owned and controlled

Consequent to the changes brought in by Insurance (Amendment) Act, 2021 and Indian Insurance Companies (Foreign Investment) (Amendment) Rules, 2021, the Authority has withdrawn the Guidelines on "Indian owned and controlled", dated 19th October 2015 with effect from 30th July 2021.

(h) Implementation of provisions of the Mental Health Care Act (MHCA)-2017 in Health Insurance Policies

This circular directs Insurers to ensure that the terms & conditions of their policy contracts are in line with the provisions of the MHCA Act and re-file existing products, in case of any deviations. For policies already issued, claims settlement shall be in line with MHCA, irrespective of policy provisions. Further, the Underwriting Policy shall contain provisions for the evaluation of proposals of persons with Mental Illness.

(i) Pradhan Mantri Suraksha Bima Yojana and Pradhan Mantri Jeevan Jyoti Bima Yojana – Revision of terms and conditions

The Finance Ministry through this circular revised terms and conditions of Pradhan Mantri Suraksha Bima Yojana and Pradhan Mantri Jeevan Jyoti Bima Yojana. Insurance Marketing Firms have been added to the list of intermediaries and expenses saved through voluntary enrolment via electronic mode, to be transmitted to policyholders by way of reduced premium.

(j) Circular on Disclosure of underwriting philosophy of offering Health Insurance Coverage to Transgender persons

The Authority vide this circular has instructed all Insurers to publish the aspects of underwriting philosophy and approach with regard to offering health insurance coverage to transgender persons on their respective websites, to ensure that the targeted population has access to complete information on the philosophy that insurers adopt in this regard.

v. Opportunities

Shifting focus on targeted health management:

In the upcoming decade, insurers shall play a leading role in the health of their customers as life expectancy increases and health trends change. By 2030, the number of individuals aged 60 and older will grow by over 50%, from ~900 million in 2015 to ~1.4 billion. Further, non-communicable disease, those more closely linked to lifestyle and behaviour, such as diabetes, heart disease and cancers, will account for ~71 percent of all annual deaths globally and represent an increasing proportion of mortality risk, as per McKinsey's report. It is believed that these factors will motivate lives and annuities players to engage customers within the shared-value economics of healthy living to extend the policyholder's longevity.

Under-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 provide ample opportunities to the insurers. The insurance industry's penetration increased to 4.20% in FY 2021 from 3.76% FY 2020 as per IRDAI Annual report 2020-21, which is significantly lower than the global average of 7.4%. Also, India has a higher protection gap considering the population density, than many other economies on the same base. There is an enormous opportunity to penetrate the underserviced segments, with the evolution of life insurance distribution.

Technology as a key enabler:

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 active Internet users in India is expected to increase by ~45% in the next five years and touch ~900 million by 2025 from around ~622 million in 2020, as per the I-CUBE 2020 report of Internet and Mobile Association of India) will continue to influence various industries, insurance being one of the top amongst them. 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. The future shall also witness insurers leveraging data and analytics to generate better risk insights that can help them optimize the 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:

Covid-19 pandemic has brought about a significant shift in the perception of insurance among consumers with increased awareness about life covers, changing preferences and wish for the certainty of returns on the investment. The customer identifies a need for adequate life assurance and being covered with appropriate products. The fear of uncertain global events shall further provide a push to remain protected with life assurance solutions with a focus on prudent financial planning. Turbulent markets and the uncertain job market might further encourage individuals to secure their savings with long-term guaranteed return plans.

Annuity and pension opportunity:

The National Pension Scheme (NPS) provisions make it mandatory for the contribution of 40% of its total corpus towards annuity schemes offered by life insurers, which provide a large customer base opportunity to insurers. LIC has been the largest player in the industry but the top four private players started focusing on annuities from FY2018 and have registered ~7-8x growth from FY2018 to FY2022. The overall retirement fund corpus in India in various funds like NPS, Life Insurance, Employee Provident Fund (EPF), Public Provident Fund (PPF) etc. as of FY2022 is around ₹ 42 lakh crore which presents a large business opportunity for Life Insurers.

(Source: LIC's DRHP, CRISIL Research, investor presentations / website of respective players and organizations)

Enabling ease at every touchpoint:

Consumers today expect every service to be available at their fingertips wherever they are. Hence, there is a need for an easily accessible platform where the consumer can check and apply for the policy in minimum time and without any hassle or 'panic-buying'. Speed will be a major differentiator in the coming years and to achieve a faster turnaround time, insurer companies will be focusing on the alternate data for better consumer insights using technological advancements and artificial intelligence.

Customer's need based products

After the Covid-19 pandemic, consumers are looking for better need-based life insurance products, combined with personalized offerings. The need for flexibility in payments, innovative products, online modes of transactions (contactless purchase and renewal) & added benefits of Covid-19 insurance in existing plans are some of the primary expectations from the post-pandemic insurance sector.

vi. Risks and threats

Low awareness amongst customers:

The insurance industry still faces challenges of low awareness and the need for insurance, resulting in low insurance penetration. Although the situation has improved marginally post Covid-19, however, penetration still remains low in comparison to population density.

Evolution of underwriting process to adapt with evolved risks:

To remain competitive, insurers should accelerate underwriting transformation. Moving from transactional and episodic customer engagement to personalized and continuous engagement. As the life insurance industry adapts to new market conditions, roles will likely need to be transformed. Insurers will have to demonstrate that they are at compelling risk and have to proactively manage the risk. Furthermore, at the industry level reinsurer's witnessed rate hike, consequently at insurers' end, risk of retention in the books needs to be strengthened. Underwriting will have to be a process, leveraging a convergence of data, technology and human capital.

Challenge of prediction and counteractions against risks:

Risk factors are more complicated today and less predictable overall. Insurers must accurately assess macro-level risks like economic and political tumult alongside detailed personal data. The insurance industry needs to invest more and more in the machine learning and artificial intelligence (AI) that can predict the risk more accurately. More comprehensive risk assessments can lead to broader offerings, including risk counselling and risk mitigation services. Insurers must also monitor the emerging threats and protect their IT environments from cyber-attacks.

Develop flexible products for challenging regulatory environment:

With the standardized products trend, it has become possible for insurers now to come up with new propositions to create simpler ways to package complex life insurance products. Some factors that consider long-term changes (such as the effects of "long Covid-19" on Health) are shaping not only the products but also the prevention and assistance services for new innovative technologies.

Disruption of business models by Insurtech companies:

The new digital trends in insurance have given rise to a tide of technology-driven insurance companies, also known as Insurtech. World over, large scale distribution models, insurance being one among them, is facing disruption from data driven entities. While the disruptions were initially focused on transforming how business services are delivered, it now aims to transform how the entire business model will work. Therefore, insurance companies must be on top of upcoming digital trends in insurance and absorb them in their business to meet the future needs of their customers.

B. Business overview

i. Company strategy

(a) Continue to focus on long term living benefits & enhance the existing product portfolio

Post pandemic, the financial goals of customers have undergone some recalibration with the need for protection and savings becoming more evident. Guarantees with long term benefits are taking centre stage for life insurance. This coupled with the fact that life expectancy in India is increasing has made us more focused on fulfilling customers' goals for the longer term. The growing need for income and retirement planning has created a demand for secure investment options as well.

In each segment of products, Bajaj Allianz Life Insurance Company Limited (BALIC) offers superior benefits with long term planning options. The Company offers guaranteed returns or market-linked returns depending on customers' needs.

The Company will continue to invest and innovate in products to address the 'long term' needs of the customers while continuing to maintain a balanced product mix which provides maximum value to the three key stakeholders i.e. Customers, Distributors and Shareholders.

At BALIC, 'Customer Obsession' is an organization wide program, that unifies all customer initiatives across the business to strengthen BALIC's differentiation in the industry with the aim to make customer experience an integral part of the business. The focus is to drive customer first approach across the organization and inculcate the culture of first time right, creating a WOW experience, digitization, and simplified customer journeys.

The program is divided into 4 components, namely, VOC (Voice of Customer), VOIC (Voice of Internal Customer), Culture Building and Priority Initiatives:

- VOC – Customer Experience Indicators is the Customer First Tool across all customer facing channels to drive Zero Detractor Way of working and First Time Fix culture. Under this initiative, the Company is closely monitoring the Transactional Net Promoter Score (TNPS) and Relationship Net Promoter Score (RNPS)