

# MANAGEMENT REPORT

## For the year ended 31 March 2022

In accordance with the Insurance Regulatory and Development Authority ('IRDA') (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations, 2002, and circulars/guidelines issued by IRDA thereafter, the following Management Report is submitted for the financial year ended 31 March 2022.

With respect to the operations of Bajaj Allianz Life Insurance Company Limited ('the Company') for the financial year ended 31 March 2022 and the results thereof, the Management of the Company confirms that:

### 1. Certificate of registration

The registration certificate granted by the Insurance Regulatory and Development Authority of India (IRDAI) is in force as on the date of this report.

### 2. Statutory liabilities

All dues payable to the statutory authorities have been duly paid except those under dispute or disclosed under contingent liabilities in the notes to the accounts forming part of financial statements.

### 3. Shareholding pattern and transfer of shares

There has been no transfer of shares during the year and the shareholding pattern is in accordance with the statutory and regulatory requirements. There has been no fresh capital infusion during the year.

The shareholding pattern of the Company is as follows:

Particulars	31 March 2022	31 March 2021
Bajaj Finserv Limited	74%	74%
Allianz SE	26%	26%
<b>Total</b>	<b>100%</b>	<b>100%</b>

### 4. Investments outside India

No investments directly or indirectly have been made outside India from the funds of the holders of policies issued in India.

### 5. Solvency margin

We hereby confirm that the Company has maintained adequate assets to cover both its liabilities and required solvency margin as prescribed under Section 64VA of the Insurance Act, 1938 (amended by the Insurance Laws (Amendment) Act, 2015) and the IRDAI (Assets, Liabilities and Solvency Margin of Life Insurance Business) Regulations, 2016.

Particulars	31 March 2022	31 March 2021
Actual solvency ratio	581%	666%
Required solvency ratio	150%	150%

## 6. Valuation of assets in the Balance Sheet

The values of all the assets have been reviewed on the date of Balance Sheet and in the Management's belief, the assets set forth under each of the headings in the Balance Sheet are shown in the aggregate at amounts not exceeding their realisable or market value under their related headings - "Loans", "Investments", "Agent balances", "Outstanding Premiums", "Income accrued on investments", "Amounts due from other entities carrying on insurance business (including amounts due from reinsurers)", "Cash" and the several items specified under "Sundry Debtors", "Advances" and "Other Accounts" except debt securities held in non-linked Policyholders' funds and Shareholders' funds.

As prescribed by IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations 2002, all debt securities held under the Shareholders' fund and non-linked Policyholders' funds, including government securities, are considered as 'held to maturity' and accordingly measured at historical cost, subject to amortisation of premium or accretion of discount in the Revenue account or the Profit and Loss account over the period of maturity/holding.

As at 31 March 2022 the market and book value of these investments were as follows:

(₹ In Thousands)

Particulars	Value as per Balance Sheet (Book value)		Market value*	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
Debt investments held in Non-linked policyholders' funds and Shareholders' funds	452,053,169	388,504,492	455,169,629	402,309,388

\* Market value for government securities is the price obtained from CRISIL and for debt securities other than government securities is determined using bond valuer from CRISIL, basis the yield of the security.

## 7. Application and Investments of Life Insurance fund

We certify that, no part of the Life Insurance fund has been directly or indirectly applied in contravention of the Insurance Act, 1938 relating to the application and investments of the life insurance funds and all investments made are in accordance in with IRDAI (Investment) Regulations, 2016.

## 8. Overall risk exposure and strategy adopted to mitigate the same

The Company is committed towards managing risks in line with its stated risk appetite through a systematic framework which identifies, evaluates, mitigates and monitors risks that could potentially have a material impact on the value of the organisation or potentially hinder the organisation in achieving its stated business objectives and goals.

**Risk Organisation:** Effective risk management is based on a common understanding of risks, clear organisational structures and comprehensively defined risk management processes. There is a defined risk governance framework in place to address the risk management objectives of the Company. The risk governance structure of the Company consists of the Board, the Board Risk Management Committee (RMC) and the Executive Risk Management Committee (ERMC). There are then the various lines of defenses which include the Heads of each department which act as a self-defense mechanism through the Internal Financial Control and Compliance certification framework. Internal Audit, Risk management, Fraud prevention and Compliance teams act as the next line of defense finally followed by Statutory and Concurrent Auditors which act as the final line of defense.

**How we manage our risks:** We manage our risk through our business strategy, continuously seeking to identify opportunities to maximise risk-adjusted returns. Our risk management framework broadly revolves around the following four pillars:

- Risk management process
- Solvency assessment
- Capital in decision making
- Risk appetite framework

The Company has established, for all material quantified and non-quantified risks, a comprehensive risk management process which entails:

- Risk identification
- Risk assessment
- Risk response and control activities
- Risk monitoring
- Risk reporting

**Key risks:** Our business is about protecting our customers from the impact of unwanted risk. We receive premiums which we invest to maximise risk-adjusted returns, so that we can fulfil our obligations to customers while providing a return to our Shareholders. In doing so, we accept the risks set out below:

<b>Risks customers transfer to us</b>	<b>Risks from our investments</b>	<b>Risks from our operations</b>
<p>Life Insurance risk, which includes <b>mortality and morbidity risk, expense risk</b> (cost to administer policies) and <b>persistency risk</b> (customers lapsing their policies).</p> <p>Some of our life and saving policies provide guaranteed investment return, thus we accept from them the <b>market risk</b> and <b>credit risk</b>.</p>	<p>While investing in different assets to meet our obligations to our customers and return to our Shareholders, we face risk of uncertain returns because of <b>credit risk</b> (actual defaults and expected defaults) and <b>market risks</b> (fluctuations in asset values and not match with liability movement).</p> <p><b>Liquidity risk</b> is the inability to pay claims when due, on account of insufficient funds.</p>	<p><b>Operational risk</b> is the losses arising from inadequate or failed internal processes, people and systems or external events including regulatory changes.</p> <p>Such failures may impact our customers directly, our reputation with our customers, distributors and regulators.</p> <p>This includes business interruption and fraud risks.</p>

Overall risk exposure and strategy adopted to mitigate the same - the types of risk under each category identified are described in detail in the table below:

<b>Risk Type</b>	<b>Risk preference</b>	<b>Mitigation</b>
<b>(a) Market risks</b>		
<ul style="list-style-type: none"> <li>• Price of all assets</li> <li>• Property rates</li> <li>• Interest rates</li> </ul>	<ul style="list-style-type: none"> <li>• We prefer to match our liability and minimise duration gap between asset and liability and also ensure cash flow matching</li> <li>• Policyholders' risk tolerance in case of risk sharing</li> <li>• We seek some market risks as part of our investments. We believe we have enough expertise and tools to manage it</li> </ul>	<ul style="list-style-type: none"> <li>• Adherence to Regulatory minimum requirement in sovereign bonds</li> <li>• Maintaining a desired mix between debt and equity subjected to investment regulations by IRDAI</li> <li>• Risk appetite set to overall market risk under the Strategic Asset Allocation</li> <li>• Active asset management based on the ALM output</li> <li>• Asset and liability duration matching limits impact of interest rate changes and actions taken to manage guarantee risk</li> <li>• Entered into FRA (Forward Rate Agreement) to hedge the interest rate risk.</li> <li>• Holding adequate reserves for the cost of guarantee</li> <li>• Policyholders' expectation on returns are managed through an active portfolio management strategy undertaken by our most experienced Investments team</li> </ul>
<b>(b) Credit risk</b>		
<ul style="list-style-type: none"> <li>• Credit default</li> <li>• Credit spread</li> <li>• Reinsurance risk</li> </ul>	<ul style="list-style-type: none"> <li>• We take on credit risk as we believe we have the expertise to manage it</li> <li>• As an insurer, we benefit from being able to invest for the long term due to the relative stability and predictability of our cash outflows</li> <li>• We retain/reinsure while effectively managing the risk and reward</li> </ul>	<ul style="list-style-type: none"> <li>• Setting limits on exposure to asset classes, investee companies, investee company groups and industries. Norms include those prescribed under the Investment Regulations and those set as internal limits based on the risk appetite of the Company</li> <li>• Investment restrictions (minimum and maximum) on sovereign and corporate exposures</li> <li>• Dealings only with approved counter parties</li> <li>• Limiting exposure to high rated debt instruments</li> <li>• Use of financially sound reinsurers</li> </ul>
<b>(c) Liquidity risk</b>		
<ul style="list-style-type: none"> <li>• Illiquid assets class / investment</li> <li>• inability to pay claims when due</li> </ul>	<ul style="list-style-type: none"> <li>• The relatively illiquid nature of insurance liabilities is a potential source of additional investment return by allowing us to invest in higher yielding assets</li> <li>• Less appetite for short term needs</li> </ul>	<ul style="list-style-type: none"> <li>• Asset liability matching methodology develops optimal asset portfolio maturity structures in our business to ensure cash flows are sufficient to meet liabilities</li> <li>• Contingency funding plan in significant stressed scenarios</li> <li>• Timing the cash inflows and outflows through cash flow matching and by maintaining a minimum mix of liquid assets.</li> </ul>

Risk Type	Risk preference	Mitigation
<b>(d) Life Insurance risks</b>		
<ul style="list-style-type: none"> <li>• Mortality</li> <li>• Longevity</li> <li>• Persistency</li> <li>• Morbidity</li> <li>• Expenses</li> <li>• Underwriting and claims controls</li> <li>• New business volume and mix</li> </ul>	<ul style="list-style-type: none"> <li>• We take measured amounts of life and health insurance risks where we have the appropriate core skills in underwriting</li> <li>• We prefer longevity and mortality risks as they diversify well (i.e. have little or no correlation) against other risks we retain</li> </ul>	<ul style="list-style-type: none"> <li>• Risk appetites set to limit exposures to key life and health insurance risks</li> <li>• Robust anti-fraud framework</li> <li>• Identification of high fraud density zones based on Company and Industry experience</li> <li>• Cross sharing fraud information with industry</li> <li>• Early claims incorporated as criteria in assessing sales performance</li> <li>• Risk selection and underwriting on acceptance of new business</li> <li>• Analytics driven risk assessment engine at policy underwriting stage to identify potential fraud alerts</li> <li>• Underwriting and claims policies and procedures are in place to assess and manage the risks. The Company conducts periodic reviews of both underwriting and claims processes and its effectiveness to ascertain the mortality and morbidity risk experience</li> <li>• Product design that ensures products and propositions meet customer needs</li> <li>• Product development cycle to analyse the sensitivity of profit margins and of profit emergence prior to launch of products and on an ongoing basis</li> <li>• Use of reinsurance to mitigate mortality/morbidity risks, in addition the Company uses a mix of surplus, quota share and catastrophe reinsurances to manage the probable fluctuation in mortality risk</li> <li>• Product development, pricing allowing persistency risk based on most recent experience</li> <li>• Robust and most granular bottom up business operating plan for persistency, expenses, new business (mix and volume) and monitoring actuals</li> <li>• Business quality parameters such as early claims, surrenders, persistency, etc. and expenses included as a key performance indicator for all function/sales heads</li> <li>• Balanced risk &amp; reward plan for persistency, expenses and new business for senior management</li> </ul>

Risk Type	Risk preference	Mitigation
<b>(e) Operational risks</b>		
<ul style="list-style-type: none"> <li>Business conduct &amp; reputation</li> <li>Legal, regulatory &amp; compliance</li> <li>People</li> <li>Process</li> <li>Data security, Cyber risk</li> <li>Technology</li> <li>Outsourcing risk</li> <li>Business continuity</li> <li>External risk due to external environment</li> </ul>	<ul style="list-style-type: none"> <li>We have very low appetite for business conduct risks</li> <li>Operational risk should generally be reduced to as low a level as is commercially sensible, on the basis that taking operational risk will rarely provide us with an upside, and operational failures may adversely impact our reputation, impairing our ability to attract new business, or lead to poor customer outcomes</li> <li>Risk due to external environment or situation like COVID-19 pandemic is addressed keeping in view government directives / orders and ensuring compliance to regulatory guidelines / circulars.</li> <li>Environment, Social &amp; Governance (ESG) related issues are mitigated with controls over a time horizon</li> </ul>	<ul style="list-style-type: none"> <li>Application of enhanced business standards covering key processes</li> <li>Monitoring of controls through assurance activity and information on the operation of the control environment from management, internal audit and risk functions, supported by operational risk and audit registers and first line control logs</li> <li>Scenario based approach to determine appropriate level of capital for operational risks</li> <li>Conduct risk management framework</li> <li>Internal audit department performs regular audits and reports the findings to the senior management and Audit Committee on regular basis on deviations from norms</li> <li>Compliance tracker is maintained with timelines and actionable. All regulatory guidelines and changes are apprised to the relevant stakeholders and timely submission of the reports due is ensured</li> <li>Ensuring adequacy of controls through the Internal Financial Control framework with half yearly independent assessment of the framework</li> <li>Business continuity risk is mitigated through a Business Continuity Policy and a detailed exhaustive Business Continuity Plan along with Disaster Recovery Plan. The Company has a disaster recovery site in a different seismic zone</li> <li>The Company maintains the availability of critical IT applications, with defined Recovery Time Objectives and Recovery Point Objectives monitored with DR drill conducted at least annually and test results documented</li> <li>Defined Cyber Security Strategy to counter cyber risk, Work from home risk assessment done from point of view of data security and cyber risks, Proactive blocking of cyber-attack sources done at our perimeter system, Data and cyber security awareness e-mailers are rolled out for employees and contract employees, Daily monitoring of cyberattacks by our Security Operations Centre/Security Information Event Management team. Any severe incident is notified to ManCom members</li> <li>Fraud prevention unit entrusted with responsibility of investigating all fraud cases. Further mitigations include Predictive model at Pre issuance Stage, Dynamic Risk Calculator, Predictive Fraud Analytics at post issuance, Early Warning Signal, Fraud Risk Markers</li> <li>To mitigate the Mis-selling risk, Mis-selling parameter included in the monthly scorecard of sales employees, increased awareness through Fraud prevention unit (FPU) newsletter on unfair business practice, market conduct team formed under FPU team to investigate and recommend actions on mis-selling complaints, Action Matrix for action against intermediaries and Consequence matrix in place on substantiated mis-selling complaints</li> </ul>

Risk Type	Risk preference	Mitigation
		<ul style="list-style-type: none"> <li>The Public relation (PR) team continuously monitors the environment for any reputation risk</li> <li>COVID-19 initiatives - Safety and travel advisory issued to employees, suspected / positive cases for tracking including medical helpline numbers, increased and enhanced healthcare insurance coverage, access to psychological counselling, free vaccination drives</li> <li>Work from home ensured with necessary arrangements for employees and call centers</li> <li>Core Committee on Disaster Management formed with regular updates to key stakeholders</li> <li>High Frequency Communication - SMS (with bitly links, vernaculars), Personalized Emailers, WhatsApp Messages, Social Media highlighting digital platforms for policy servicing and renewal</li> <li>Environmental, Social &amp; Governance (ESG) related risks are evolving with increased awareness amongst various stakeholders. The Company has initiated the process of identification of ESG risks, their assessment and mitigations. Strategies and necessary controls are being devised to ensure that these risks are appropriately mitigated as they evolve and become relevant</li> </ul>

## 9. Operations outside of India

The Company does not have any operations in a country outside of India.

## 10. Claims

(a) The average time taken by the Company from the date of submission of the final requirement by the claimant to dispatch of claim payment, in respect of mortality and morbidity claims, was as follows:

Period	Average claim settlement time (in days)
FY2022	6
FY2021	7
FY2020	8
FY2019	8
FY2018	12
FY2017	7

(b) Ageing of mortality and morbidity claims registered but not settled:

## Traditional business

(₹ In Thousands)

Period	31 March 2022		31 March 2021		31 March 2020		31 March 2019		31 March 2018	
	No. of claims	Amount	No. of claims	Amount	No. of claims	Amount	No. of claims	Amount	No. of claims	Amount
Less than 30 Days	97	68,393	55	29,668	80	29,296	38	4,022	266	103,388
30 days to 6 months	81	110,620	33	74,010	57	7,339	86	5,435	400	220,370
6 months to 1 year	-	-	-	-	-	-	49	1,615	4	2,090
1 year to 5 years	-	-	-	-	-	-	-	-	-	-
5 years and above	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>178</b>	<b>179,013</b>	<b>88</b>	<b>103,678</b>	<b>137</b>	<b>36,635</b>	<b>173</b>	<b>11,072</b>	<b>670</b>	<b>325,848</b>

## Linked business

(₹ In Thousands)

Period	31 March 2022		31 March 2021		31 March 2020		31 March 2019		31 March 2018	
	No. of claims	Amount	No. of claims	Amount	No. of claims	Amount	No. of claims	Amount	No. of claims	Amount
Less than 30 Days	2	2,045	2	2,000	-	-	-	-	8	30,093
30 days to 6 months	2	600	-	-	1	1,500	2	1,274	20	13,541
6 months to 1 year	-	-	-	-	-	-	-	-	-	-
1 year to 5 years	-	-	-	-	-	-	-	-	-	-
5 years and above	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>4</b>	<b>2,645</b>	<b>2</b>	<b>2,000</b>	<b>1</b>	<b>1,500</b>	<b>2</b>	<b>1,274</b>	<b>28</b>	<b>43,633</b>

## 11. Valuation of investments

### (a) Shareholders' investment and non-linked policyholders' investments

As required by IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations 2002, all Non-Linked Policyholders' and Shareholders' investments are valued as stated below:

- All debt securities are considered as 'held to maturity' and accordingly stated at historical cost adjusted for amortization of premium or accretion of discount, as the case may be, over the remaining period of maturity using the effective yield basis
- AT1 - Additional Tier 1 Basel III compliant perpetual bonds are valued at fair value as per the IRDAI Investment Master Circular of May 2017. AT1 bonds with a residual maturity of over 182 days are valued on a yield to maturity basis, by using spreads over the benchmark rate (based on the matrix released by the CRISIL on daily basis) to arrive at the yield for pricing the security
- AT1 - Additional Tier 1 Basel III compliant perpetual bonds with a residual maturity up to 182 days are valued at last valuation price plus the difference between the redemption value and last valuation price, spread uniformly over the remaining maturity period of the instrument
- Money market instruments (including treasury bills, certificate of deposits, commercial papers and Tri-Party Repo - TREPs) are valued at historical cost and adjusted for amortization of premium or accretion of discount, as the case may be, over the period of maturity/holding on a straight-line basis



- Listed equity shares are stated at fair value being the last quoted closing price on the National Stock Exchange of India (NSE). In case the equity shares are not listed on the NSE, then they are valued on the last quoted closing price on Bombay Stock Exchange Limited (BSE)
- Equity Exchange Traded Funds (ETFs) are valued as equity shares. In case the ETF is not traded either on NSE or BSE on any day, latest available Net Asset Value (NAV) as published by the mutual fund is considered for valuation
- Equity shares lent under the Securities Lending and Borrowing scheme (SLB) scheme continue to be recognised in the Balance Sheet as the Company retains all the associated risks and rewards of these securities. These securities are valued as stated above for equity shares
- Units of Real Estate Investment Trust (REITs) are stated at fair value being the last quoted price on the National Stock Exchange of India (NSE). In case any of the REITs is not listed on the NSE, then they are valued on the last quoted closing price on Bombay Stock Exchange Limited (BSE). The price considered for valuation should not be later than 30 days. In case, where quoted price is not available for last 30 days, the REITs shall be valued as per the latest NAV (not more than 6 months old) of the Units published by the trust
- Redeemable preference shares are considered as 'held to maturity' and accordingly valued at historical cost and is subject to amortization of premium or accretion of discount
- Listed preference shares other than redeemable preference shares are valued at fair value, being the last quoted closing price on NSE at the Balance Sheet date. In case the preference shares are not listed on the NSE, then they are valued on the last quoted closing price on BSE. If price is not available on Balance Sheet date, the quoted price on the earliest previous day is used for valuation
- In case of unlisted equity and preference shares (other than redeemable preference shares) and listed preference (other than redeemable preference shares) that are not regularly traded in active markets and which are classified as 'thinly traded' as per the guidelines governing mutual funds for valuation of thinly traded securities laid down by Securities Exchange Board of India (SEBI) are valued at historical cost, subject to provision for diminution in the value, if any, of such investments determined separately for each individual investment
- Mutual fund units are stated at fair value being the NAV per unit on the Balance Sheet date declared by respective mutual fund
- Alternative investment funds (AIF) are valued at NAV, if available or historical cost less diminution in value of investments
- Investment in security receipts, fixed deposits and Tri-Party Repo - TREPs are valued at cost
- Unrealised gains/losses on changes in fair values of listed equity shares, ETFs, AIF, mutual funds, REITs and AT1 - Additional Tier 1 Basel III compliant perpetual bonds are taken to the "Fair Value Change Account" in the Balance Sheet
- Investment property is held to earn rental income or for capital appreciation and is not occupied by the Company. Investment property is initially valued at cost including any directly attributable transaction costs. Investment property is revalued at least once in every three years. The change in carrying amount of investment property is taken to "Revaluation reserve" in the Balance Sheet
- Interest rate derivative contracts for hedging of highly probable forecasted transactions on insurance contracts and investment cash flows in life, pension and annuity business, are accounted for in the manner specified in accordance with 'Guidance Note on Accounting for Derivative Contracts' issued by the Institute of Chartered Accountants of India (ICAI) and IRDAI Investment Master Circular issued in May 2017

- All derivatives are initially recognised in the Balance Sheet at their fair value, which usually represents their cost. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative. The notional or contractual amount associated with derivative financial instruments are not recorded as assets or liabilities in the Balance Sheet as they do not represent the fair value of these transactions
- On each reporting date, Forward Rate Agreement (FRA) contract is valued at the difference between the market value of underlying bond at the spot reference yield taken from the Security Exchange Board of India ('SEBI') approved rating agency and present value of contracted forward price of underlying bond including present value of intermediate coupon inflows from valuation date till FRA contract settlement date, at applicable INR-Overnight Index Swap (OIS) rate curve
- The portion of fair value gain/loss on the Interest Rate Derivative that is determined to be an effective hedge is recognised directly in appropriate equity account i.e. "Hedge Fluctuation Reserve" which is included in 'Credit/(Debit) Fair Value Change Account' under Policyholders funds in the Balance Sheet. The ineffective portion of the change in fair value of such instruments is recognised in the Revenue Account in the period in which they arise. The accumulated gains or losses that were recognised directly in the Hedge Reserve are reclassified into Revenue Account, in the same period during which the income from hedged forecasted cash flows affect the Revenue Account (such as in the periods that income on the investments acquired from underlying forecasted cash flow is recognized in the Revenue Account). If the hedging relationship ceases to be effective or it becomes probable that the expected forecast transaction will no longer occur, hedge accounting is discontinued and accumulated gains or losses that were recognised directly in the Hedge Fluctuation Reserve are reclassified into Revenue Account. Costs associated with derivative contracts are considered as at a point in time cost

## (b) Linked fund investments

### Investments under Unit linked funds have been valued on mark to market basis as stated below:

- Government securities are valued at prices obtained from CRISIL
- Debt securities other than government securities with a residual maturity of over 182 days are valued on a yield to maturity basis, by using spreads over the benchmark rate (based on the matrix released by the CRISIL on daily basis) to arrive at the yield for pricing the security
- Debt securities with a residual maturity up to 182 days are valued at last valuation price plus the difference between the redemption value and last valuation price, spread uniformly over the remaining maturity period of the instrument
- Listed equity shares are valued at fair value, being the last quoted closing price on the NSE. In case the equity shares are not listed on the NSE, then they are valued on the last quoted closing price on BSE
- Equity Exchange Traded Funds (ETFs) are valued as equity shares. In case the ETF is not traded either on NSE or BSE on any day, latest available NAV as published by the mutual fund is considered for valuation
- Equity shares lent under Securities Lending and Borrowing scheme (SLB) scheme are valued as equity shares as the Company retains the risk and reward of the shares lent. The securities are valued as stated above for equity shares
- Listed preference shares are valued and stated at fair value, being the last quoted closing price on NSE at the Balance Sheet date. In case the preference shares are not listed on the NSE, then they are valued on the last quoted closing price on BSE
- If preference shares are not traded either on the NSE or BSE on the Balance Sheet date, then the price at which the preference shares are traded on the Primary or the Secondary Exchange, as the case may be, on the earliest previous day is considered for valuation
- Listed equity and preference shares that are not regularly traded in active markets and which are classified as 'thinly traded' as per the guidelines governing mutual funds for valuation of thinly traded

securities laid down by SEBI, are valued at historical cost, subject to provision for diminution in the value, if any, of such investment determined separately for each individual investment

- Money market instruments (including treasury bills, certificate of deposits, commercial papers and Tri-Party Repo - TREPs) are valued at cost and adjusted for amortization of premium or accretion of discount, as the case may be over the period of maturity/holding on a straight-line basis
- Investments in fixed deposit and reverse repos are valued at cost
- Mutual fund units are valued at the last available NAV per unit as declared by respective mutual fund
- Securities with call option are valued at the lower of the value as obtained by valuing the security up to final maturity date or the call option date. In case there are multiple call options, the security is valued at the lowest value obtained by valuing the security at various call dates or up to the final maturity date
- Securities with put option are valued at the higher of the value as obtained by valuing the security up to final maturity date or the put option date. In case there are multiple put options, the security is valued at the highest value obtained by valuing the security at various put dates or up to the final maturity date
- The securities with both put and call option on the same day would be deemed to mature on the put/call date and would be valued on a yield to maturity basis, by using spreads over the benchmark rate based on the matrix released by CRISIL
- Unrealised gains and losses are recognised in the Revenue Account as prescribed by IRDAI (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations 2002

## 12. Review of asset quality and performance of investments

All investments are made in accordance with the regulatory norms, the Investment Policy, fund objectives of unit linked funds, asset liability management guidelines and risk profile of the respective fund.

### (a) Asset composition

The asset composition of investment assets (excluding unclaimed fund) of the company as at 31 March 2022 is as follows:

(₹ In Thousands)

Asset Class	Policyholders' - Non-Linked		Policyholders' - Linked		Shareholders'		Total investments	
	Amount	%	Amount	%	Amount	%	Amount	%
Government Securities	249,455,312	60.6%	39,853,051	12.0%	43,215,209	39.3%	332,523,572	38.9%
Equities	51,114,655	12.4%	216,130,999	65.1%	16,916,215	15.4%	284,161,869	33.3%
Debentures & Bonds								
- AAA	82,989,968	20.1%	9,730,647	2.9%	23,128,229	21.0%	115,848,844	13.6%
- AA / AA+	1,938,924	0.5%	-	-	2,70,318	0.2%	2,209,242	0.3%
- AA - & Below	499,909	0.1%	-	-	-	-	499,909	0.1%
Money Market Instruments	23,162,620	5.6%	44,034,911	13.3%	20,310,580	18.5%	87,508,111	10.2%
Equity ETF	390,901	0.1%	19,643,255	5.9%	-	-	20,034,156	2.3%
Fixed Deposits	1,779,600	0.4%	49,500	0.0%	5,302,500	4.8%	7,131,600	0.8%
Investment Property	-	-	-	-	870,114	0.8%	870,114	0.1%
<b>Total</b>	<b>411,948,670</b>	<b>100.0%</b>	<b>332,226,098</b>	<b>100.0%</b>	<b>110,013,165</b>	<b>100.0%</b>	<b>854,187,933</b>	<b>100.0%</b>

The Company has invested in well diversified investment portfolio. Substantial portion of the investments are readily marketable thereby extending good liquidity support. Out of the total investment assets of the Company, 38.9% of the assets are attributable to linked funds (including discontinued fund) and 61.1% to non-linked funds. 71.0% of the linked funds are invested in equities. 86.6% of non-linked funds are invested in debt instruments. 72.8% of the total equity portfolio is invested in Nifty 50 index stocks and 97.9% of the total equity portfolio is invested in stocks forming part of Nifty 500 index.

The Company maintains a strong quality of fixed income portfolio at all point of time. 99.4% of the fixed income portfolio is held in highest credit rated securities (Sovereign/AAA or equivalent). 99.9% of the Company's investments in fixed income portfolio is rated AA or above.

The Company has during the year made impairment of ₹ 33.77 crore as per impairment policy.

## (b) Fund performance- Investment

### Linked policyholders' funds:

Fund performance of major linked funds covering over 99% of the AUM over a one, three and five year period is as follows:

Fund Name	SFIN	AUM' (₹ In Thousands)	Fund returns		
			1 Year	3 Year (CAGR)*	5 Year (CAGR)*
<b>Equity Large Cap funds</b>					
Equity Growth Fund	ULIF02924/07/06EQGROWFUND116	27,871,100	17.36%	13.11%	12.33%
Equity Growth Fund II	ULIF05106/01/10EQTYGROW02116	39,241,162	18.12%	14.51%	13.47%
Equity Plus Fund	ULIF00723/07/04EQPLUSFUND116	6,267,755	17.78%	13.80%	12.67%
Equity Gain Fund	ULIF00523/07/04EQGAINFUND116	4,145,758	16.20%	12.20%	11.09%
Equity Growth Pension Fund	ULIF03624/07/06EQTYGROPEN116	734,480	18.37%	14.05%	12.91%
<b>Benchmark Return</b>			<b>18.88%</b>	<b>14.52%</b>	<b>13.73%</b>
<b>Equity Mid Cap funds</b>					
Accelerator Mid Cap Fund II	ULIF05206/01/10ACCMIDCA02116	44,036,913	20.32%	13.15%	10.74%
Accelerator Mid Cap Fund	ULIF03124/07/06ACCEMIDCAP116	4,691,424	23.83%	12.88%	10.00%
Equity Midcap Plus Fund	ULIF01809/03/05EQUUMIDPLUS116	1,310,896	24.59%	12.16%	9.81%
Equity Midcap Fund	ULIF01709/03/05EQUUMIDFUND116	690,029	22.37%	10.25%	8.20%
Accelerator Midcap Pension Fund	ULIF03324/07/06ACCEMIDPEN116	393,629	25.32%	12.51%	10.06%
<b>Benchmark Return</b>			<b>20.85%</b>	<b>17.23%</b>	<b>13.29%</b>
<b>Index funds</b>					
Equity Index Fund II	ULIF03024/07/06EQTYINDX02116	20,389,496	19.50%	15.94%	13.59%
Blue Chip Equity Fund	ULIF06026/10/10BLUECHIPEQ116	7,920,900	20.41%	16.54%	14.29%
Equity Fund	ULIF00315/01/04EQUITYFUND116	1,932,297	19.04%	14.79%	12.68%
Equity Index Pension Fund II	ULIF03724/07/06EQINDPEN02116	1,196,246	19.90%	16.81%	14.49%
Equity Index Fund	ULIF00623/07/04EQINDEFUND116	1,021,210	20.51%	16.58%	14.39%
Group Equity Fund	ULGF01018/04/11GREQTYFUND116	594,048	17.54%	13.10%	12.60%
Group Equity Index Fund	ULGF00822/02/10GREQTYINDX116	344,773	17.48%	15.14%	13.22%
<b>Benchmark Return</b>			<b>18.88%</b>	<b>14.52%</b>	<b>13.73%</b>

Fund Name	SFIN	AUM <sup>1</sup> (₹ In Thousands)	Fund returns		
			1 Year	3 Year (CAGR)*	5 Year (CAGR)*
<b>Balanced funds</b>					
Asset Allocation Fund	ULIF04528/09/07ASSETALLOC116	8,278,312	14.15%	10.30%	9.51%
Asset Allocation Fund II	ULIF07205/12/13ASSETALLO2116	3,206,049	13.99%	11.22%	10.02%
Group Asset Allocation Fund	ULGF00926/02/10GRASSALLOC116	786,383	14.55%	10.26%	9.73%
Asset Allocation Pension Fund	ULIF04628/01/08ASALLOCPEN116	513,902	14.20%	10.59%	9.90%
<b>Benchmark Return</b>			<b>13.93%</b>	<b>13.19%</b>	<b>12.06%</b>
<b>Debt funds</b>					
Bond Fund	ULIF02610/07/06BONDFUNDLI116	18,882,900	3.85%	6.40%	6.14%
Group Debt Fund II	ULGF01924/06/13GRDEBTFU02116	8,864,347	4.98%	6.53%	6.21%
Group Debt Fund III	ULGF02202/03/15GRDEBTFU03116	1,384,305	4.90%	6.76%	5.88%
Group Debt Fund	ULGF00426/03/08GRDEBTFUND116	803,345	5.03%	6.42%	6.08%
Debt Plus Fund	ULIF00923/07/04DEBTPLUSFU116	567,822	3.62%	6.10%	6.11%
Debt Fund	ULIF00415/01/04DEBTFUNDLI116	394,713	1.46%	4.01%	3.87%
Bond Pension Fund	ULIF03524/07/06BONDPENFUND116	234,532	3.76%	5.94%	5.71%
<b>Benchmark Return</b>			<b>4.48%</b>	<b>8.21%</b>	<b>7.29%</b>
<b>Cash funds</b>					
Liquid Fund	ULIF02510/07/06LIQUIDFUND116	3,737,799	2.61%	3.67%	2.67%
Cash Plus Fund	ULIF01023/07/04CASHPLUSFU116	517,228	2.87%	3.97%	4.89%
Cash Fund	ULIF00215/01/04CASHFUNDLI116	279,723	0.98%	1.89%	2.85%
<b>Benchmark Return</b>			<b>3.68%</b>	<b>4.70%</b>	<b>5.71%</b>
<b>Ethical funds</b>					
Pure Stock Fund	ULIF02721/07/06PURESTKFUN116	41,169,178	20.59%	16.44%	13.55%
Pure Stock Fund II	ULIF07709/01/17PURSTKFUN2116	30,547,234	19.04%	14.82%	NA
Pure Equity Fund	ULIF02017/12/05PUREEQFUND116	470,330	21.50%	16.86%	13.39%
<b>Benchmark Return</b>			<b>18.88%</b>	<b>14.52%</b>	<b>13.73%</b>
<b>Debt funds</b>					
Group Short Term Debt Fund III	ULGF02024/06/13GRSHTRDE03116	434,251	3.07%	5.39%	5.61%
<b>Benchmark Return</b>			<b>5.19%</b>	<b>7.58%</b>	<b>7.29%</b>
<b>Other funds</b>					
Secure Gain Fund	ULGF00215/10/04SECUREFUND116	21,461,303	6.71%	7.96%	7.67%
Discontinued Life Policy Fund	ULIF07026/03/13DISCONLIFE116	16,767,499	3.39%	4.01%	4.47%
Pension Builder Fund	ULIF06908/02/13PENSIONBUI116	2,818,256	5.77%	6.94%	6.06%
Stable Gain Fund	ULGF00115/09/04STABLEFUND116	3,696,780	8.57%	8.77%	8.08%
Guaranteed Bond Fund	ULIF06322/09/11GTBONDFUND116	113,898	4.27%	5.99%	6.38%

Fund Name	SFIN	AUM <sup>1</sup> (₹ In Thousands)	Fund returns		
			1 Year	3 Year (CAGR)*	5 Year (CAGR)*
Discontinue Pension Policy Fund	ULIF07126/03/13DISCONPENS116	630,769	3.25%	3.98%	4.71%
Builder Bond Fund	ULIF07313/05/15BLDRBNDFND116	782,565	3.22%	6.12%	5.68%
Group Growth Fund II	ULGF01311/05/11GRGROWFU02116	323,233	2.67%	4.85%	5.44%
Balanced Equity Fund	ULIF07413/05/15BALEQTYFND116	83,912	8.99%	8.46%	7.24%
Assured Return Fund	ULIF06127/01/11ASSRDRETRN116	156,028	4.51%	5.40%	5.61%
<b>Benchmark Return</b>			-	-	-

\*CAGR- Compound annual growth rate

NA indicates that the fund was non-existent during the relevant period.

#### Non-linked Policyholders' and Shareholders' funds:

Fund performance of non-linked policyholders' and shareholders' funds including impairment provision made is as follows:

Fund	FY2022			FY2021		
	AUM (₹ In Thousands) <sup>1</sup>	1 year return Market value*	Book value#	AUM (₹ In Thousands) <sup>1</sup>	1 year return Market value*	Book value#
<b>Policyholders' fund</b>						
Participating	223,759,384	5.6%	8.1%	206,169,146	16.6%	11.2%
Non-participating	188,189,285	5.3%	7.1%	142,427,863	8.8%	8.0%
<b>Shareholders' fund</b>	110,013,166	5.2%	7.1%	100,575,276	14.2%	9.3%

Book yield and market yield excluding impairment provision made is as follows:

Fund	FY2022		FY2021	
	1 year return Market value*	Book value#	1 year return Market value*	Book value#
<b>Policyholders' fund</b>				
Participating	5.7%	8.2%	16.6%	11.2%
Non-participating	5.3%	7.1%	8.8%	8.0%
<b>Shareholders' fund</b>	5.3%	7.2%	14.2%	9.3%

#### Note:

Linked fund returns are computed based on point-to-point NAV movement and for other funds based on investment income/average investment.

\*Market Value yields computed as investment income/average investment

#Book value yields computed as investment income/average investment

<sup>1</sup> AUM at 31 March of the respective year.

### 13. Payments made to parties in which Directors are interested

(₹ In Thousands)

Name of the Director	Entity in which Director is interested	Interested as	FY 2022	FY 2021
Sanjiv Bajaj		Managing Director & Member		
Niraj Bajaj	Bajaj Finserv Limited	Member	1,541,906	1,483,651
Anami Roy		Director		
Sanjiv Bajaj	Bajaj Finance Limited	Director & Member	3,239,452	1,764,856
Anami Roy		Director		
Sanjiv Bajaj		Director		
Niraj Bajaj		Director		
Ranjit Gupta		Director		
Meleveetil Damodaran		Director		
Sergio Balbinot		Director		
Anami Roy	Bajaj Allianz General Insurance Company Limited	Director	271,372	187,229
Suraj Mehta		Director		
Lila Poonawalla		Director		
Ritu Arora		Director		
Avais Karmali		Alternate Director		
S Sreenivasan		Director		
Shashi Kant Sharma		Director		
Niraj Bajaj	Hind Musafir Agency Limited	Member	51,704	4,488
Sanjiv Bajaj		Managing Director & Member		
Niraj Bajaj	Bajaj Holdings and Investment Limited	Director & Member	459	422
Anami Roy		Director		
Sanjiv Bajaj		Director		
Anami Roy	Bajaj Housing Finance Limited	Director	448,160	179,070
Lila Poonawalla		Director		
Sanjiv Bajaj	Jamnralal Sons Private Limited	Director	2,769	2,762
Niraj Bajaj		Director		
Avais Karmali	Bajaj Allianz Staffing Solutions Limited	Director	64,106	70,226
Ritu Arora		Director		
Sanjiv Bajaj		Member		
Niraj Bajaj	Bajaj Electricals Limited	Member	63,417	68,722

## 14. Management responsibility statement

### The Management confirms that:

- (a) In the preparation of financial statements, the applicable accounting standards, principles and policies are followed along with proper explanations relating to material departures, if any;
- (b) The management has adopted accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the operating profit and of the profit of the Company for the year;
- (c) The management has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the applicable provisions of the Insurance Act, 1938 (amended by the Insurance Laws (Amendment) Act, 2015) and the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) The management has prepared the financial statements on a going concern basis;
- (e) The management has ensured that an internal audit system commensurate with the size and nature of the business exists and is operating effectively.

For and on behalf of the Board of Directors

**Sanjiv Bajaj**

Chairman  
DIN 00014615

**Ritu Arora**

Director  
DIN 07019164

**Lila Poonawalla**

Chairperson of Audit Committee  
DIN 00074392

**Tarun Chugh**

Managing Director & Chief  
Executive Officer  
DIN 02578909

**Bharat Kalsi**

Chief Financial Officer

**Avdhesh Gupta**

Appointed Actuary

**Rajesh Shanoy**

Company Secretary

Date : 22 April 2022

Place: Pune