Management **Discussion & Analysis**

I. Global economic environment

In general, global economic shocks in the past were severe but spaced out in time. This changed in the third decade of this millennium. At least three shocks have hit the global economy since 2020. It all started with the pandemic-induced contraction of the global output, followed by the Russian-Ukraine conflict leading to a worldwide surge in inflation and swing in commodity prices. Then, the central banks across economies led by the Federal Reserve responded with synchronised policy rate hikes to curb inflation. The rate hike and persistent inflation also led to a lowering of the global growth forecasts for 2022 and 2023 by the IMF in its October 2022 update of the World Economic Outlook.

Faced with the prospects of global stagflation, nations, feeling compelled to protect their respective economic space, slowed cross-border trade. Monetary tightening also drove capital flows to safe-haven US markets, contributed to rising sovereign bond yields and depreciation of most currencies against the US dollar. Global economic recovery was well on track until the Russia-Ukraine conflict broke out in February 2022. The conflict has now continued for more than a year, disrupting the restoration of the supply chains disrupted earlier by lockdowns and limited trade traffic.

Global economic challenges led to a downward revision in growth forecast across countries

	Growth Projections (%)	
	2022	**2023**
World	3.2	2.7
Advanced Economies	2.4	1.1
US	1.6	1
Euro Area	3.1	0.5
UK	3.6	0.3
Japan	1.7	1.6
Emerging Economies	3.7	3.7
China	3.2	4.4
India	**6.8**	**6.1**

(Source: Economic Survey 2022-23)

The global economy faces heighted risk of inflationary recession. In the developed world, inflationary pressures have resulted in weaker earnings growth leading to layoffs in the US and various other economies. Compounding the bleak global growth outlook have been the slowdown in economic activity in China caused by the government's zero COVID policy, a contracting real estate sector, and a tepid fiscal expansion. However, China has ended or relaxed most of its restrictive policies relating to COVID and is rebounding strongly following the opening of its economy.

As per IMF projections, the economic growth rate has been projected to grow at 2.8% in 2023 and is further expected to rise modestly to 3.0% in 2024. Global inflation will decrease, although more slowly than initially anticipated, from 8.7% in 2022 to 7.0% this year and 4.9% in 2024. Notably, emerging market and developing economies are already powering ahead in many cases, with growth rates (fourth quarter over fourth quarter) jumping from 2.8% in 2022 to 4.5% this year.

The stability of any financial system hinges on its ability to absorb losses without recourse to taxpayers' money. The financial instability last fall in the gilt market in the

United Kingdom and the recent banking turbulence in the United States with the collapse of a few regional banks illustrate that significant vulnerabilities exist both among banks and nonbank financial institutions

II. Indian economy outlook

India's economy will not be immune to the global downturn. However, we remain optimistic for the longer term and expect India to be the fastest growing G20 economy over the next decade. As per the Economic Survey 2022-23, advance estimates suggest that the Indian economy is expected to grow between 6.5-7.0% in 2022-23. Administration of more than 2 billion doses in one of the longest drives across the world, helped provide a boost to private consumption and consequently bolstered production capacity across various sectors. India's exports surged in FY22, and the momentum lasted up to the first half of FY23. Export growth was strong enough to increase India's share in the world market of merchandise exports. However, due to aggressive and synchronised monetary tightening, global economic growth has started to slow, and so has world trade.

India's largest life insurer, the Life Insurance Corporation of India, went public in May 2022, raising US$ 2.7 billion in the country's largest IPO to date. Public listings improve public disclosure, corporate governance, and valuation. The insurance sector is highly competitive and is already witnessing mergers and acquisitions (M&A) activity as insurers have tremendous opportunities and volume to co-exist in the space. The Capital Expenditure (Capex) of the central government, which increased by 63.4% in the first eight months of FY23, was another growth driver of the Indian economy in the current year.

FY22 was special for India. It marked the 75th year of Independence of India. India also became the 5th largest economy in the world. Given India's demographic advantage and annual nominal GDP growth potential to be around 10% to 12% on average in the coming years, fiscal parameters will continue to improve. During the year, the Reserve Bank of India (RBI) raised interest rates swiftly to prevent the second-round effects of the inflation shock from commodities from affecting economic activity. Various arms of the government ensured that, in a year of extreme supply uncertainty and price volatility, India's energy security was not compromised. Finally, the growth and evolution of India's public digital infrastructure is a story not just of numbers and milestones but also of thoughtful regulatory and innovation architecture that have enabled it to retain its public good character with enough incentives for the private sector to innovate and invest. The untapped potential is huge and the country needs to continue to innovate. With digital technology and infrastructure, one has to keep running to hold onto one's place.

(Source: Economic Survey 2022-23)

III. Life Insurance industry developments

The world outlook has changed significantly since 2021. After navigating the COVID-19 pandemic, the global economy faces several challenges including supply chain bottlenecks, the Ukraine-Russia conflict, an energy crisis and high inflation; the effects of which shall spill over to the Indian economy as well. Global protection gap has reduced to USD 151 billion in 2022 as compared to USD 173 billion in 2021. After facing roadblocks and challenges, the Insurance industry has managed to come up with renewed products and more innovative ways of providing services to end users as the customers have also adopted to digital technology.

The US inflation reached its 40-year high at 9.1% in June 2022 before moderating to 6.5% in December 2022, while the UK saw an annual price rise of 9.2% in December 2022. India's inflation rate peaked in April 2022 at 7.8% before moderating to 5.7% in December 2022 on the back of good monsoons as well as prompt government measures that ensured adequate food supply. The groundwork for the commendable inflation management in India was laid earlier as fiscal and monetary measures adopted to stave off the pandemic-induced economic woes were prudent and well-calibrated.

India is one of the fastest growing insurance markets in the world and is expected to be the fastest growing G20 economy over the next decade. The life insurance premiums are expected to grow by 9% annually (in real terms) by 2032, making India the fifth-largest life market globally.

The private insurance providers have also been seizing such opportunities. The insurance sector is highly competitive and is already witnessing mergers and acquisitions (M&A) activity as insurers have tremendous opportunities and volume to co-exist in the space.

Life insurance penetration

Insurance penetration is measured as the percentage of insurance premium to GDP. Insurance density is calculated as the ratio of premium to population (per capita premium). The measure of insurance penetration and density reflects the level of development of insurance sector in a country.

The life insurance premium registered y-o-y growth of 10.2% in FY22, with new businesses contributing 45.5% of the total premiums received by the life insurers. The life insurance industry paid benefits of ₹5.02 trillion in FY22, out of which 12% benefits were on death claims. New business sums assured increased by 17.5% in nominal USD terms in 2021 from 2020, after annual average growth of 7.1% between 2017 and 2021, boosted by increased risk awareness, the financialisation of savings and new product launches. Insurance market in India is expected reach USD 222 billion by 2026. Globally, the share of life insurance business in the total premium was 43.69%, whereas in

India it is as high as 76.14% in 2021. India's life insurance penetration remains at 3.2% in 2022, almost twice more than the emerging market and slightly above the global average. Life Insurance density in India has increased from USD 9.1 in 2001-02 to USD 69 in 2021-22. As per Swiss Re sigma report, globally insurance penetration and density were 3.0% and USD 382 respectively for the life segment. Most life insurance products sold in India are savings-linked, with just a small protection component. Hence households remain exposed to a large financing gap in the event of premature death of a main breadwinner. The mortality protection gap in India stood at USD 17 trillion in 2019, (or 83% of total protection needed), one of the largest in the world. (source – Swiss Re sigma no. 4/2022)

New business premium, market share, product mix and distribution mix

The life insurance industry in India grew by 17.9% in new business premium in FY23. While the private insurance companies grew by 20.0%, Life Insurance Corporation (LIC) grew by 16.7%. More than 28.5 million policies were sold in FY23 by all insurance players including LIC. LIC's market share stood at 62.6% of total new business premium and the private insurance companies took a share of 37.4% in FY23. In terms of individual rated premium, private players' market share increased to 65.8% in FY23 from 62.9% in FY22 and LIC's share decreased to 34.2% in FY23 from 37.1% in FY22.

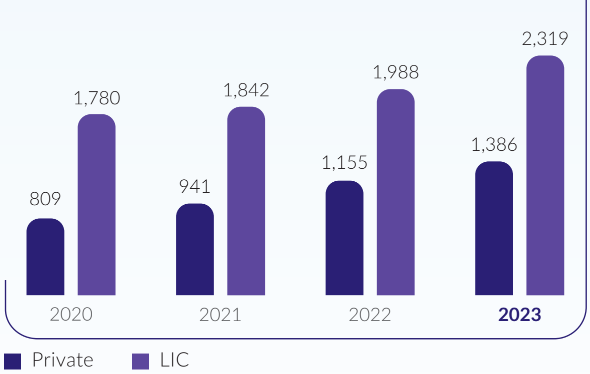
The traditional products registered a growth of 10.0% in 2021-22, with gross written premium of ₹5.91 lakhs crores as against ₹5.37 lakhs crores in the previous year. On the other hand, Unit-linked products (ULIPs) registered a growth of 10.2% with increase in premium from ₹90,992 crores in 2020-21 to ₹100,315 crores in 2021-22. The share of unit-linked products in total premium marginally increased to 14.50% in 2021-22 as against 14.48% in 2020-21.

The individual agents continue to be the major distribution channel for individual new business.

However, the contribution of individual agents to the individual new business premium has decreased to 55.03% during the year 2021-22 compared to 58.14% in 2020-21. For LIC, individual agents are the dominant channel of distribution with a share of 96.26% in individual new business premium while it was 22.90% for the private sector. The contribution of corporate agents in individual new business premium of industry has increased to 33.94% in the year 2021-22 from 30.78% in the year 2020-21.

New business premium

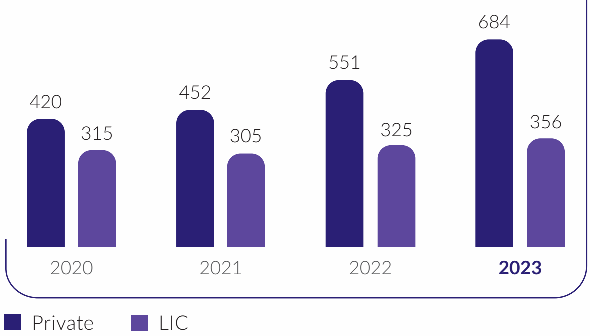
(₹ in billion)



Source: Life council data

Individual rated premium

(₹ in billion)



Source: Life council data

IV. Opportunities, risks and way forward

India's recovery from the pandemic was relatively quick and growth in the upcoming year will be supported by solid domestic demand and a pickup in capital investment. The Indian Insurance Market is the 10th largest in the world and is poised to become the 6th largest by 2032, Insurers can now launch all Health & General Insurance products, as well as the majority of Life Insurance products, without seeking prior approval from IRDAI, thereby reducing the time taken to launch a new product in the market from a few months to a few days. The life insurance premiums are expected to grow by 9% annually (in real terms) by 2032.

A. Opportunities and Strategy

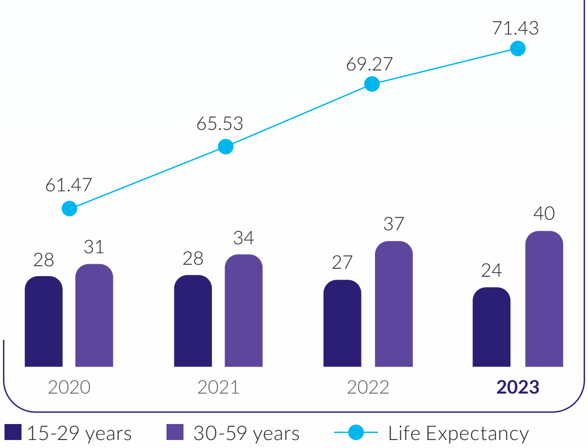
The Life insurance industry has been growing significantly in the past few years. Further, the pandemic has significantly changed the way we look at financial protection. It has made consumers more aware and thus, presents an opportunity to life insurance industry in the country to take advantage of this. Companies have come up with innovative products catering to very specific needs of the consumers. Low insurance penetration in the country also is an evidence of the scope available to grow.

Some of the factors which will provide growth opportunities are as below:

i. Demographic profile

Given India's Demographic advantage and potential to grow at 10% to 12% on average in the coming years in nominal GDP terms, fiscal parameters shall continue to improve. Also, India surpassed China in terms of population in April 2023, which has been its biggest strength for economic growth. Nearly 40% of India's population will be between 30-59 years by 2030.

Increasing share of working (%) population and life expectancy (years)



Source: United Nations - World Population Prospects, 2019

Strategy – Life Insurance provides financial risk mitigation by offering products which mobilise long term savings, provide life protection as well as annuity solutions for longevity risk. Younger working population proportion & rise in nuclear family structures has been largely driving insurance coverage. Also, with the Company's focus on insurance awareness and diverse product portfolio helps in capturing sizeable market share. This is further supported by a wide distribution network of 2,75,374 trained insurance personnel comprising of 2,08,774 Individual agents, 58,723 Certified Insurance Facilitators (CIFs) and 7,877 Specified Persons (SP) on the ground.

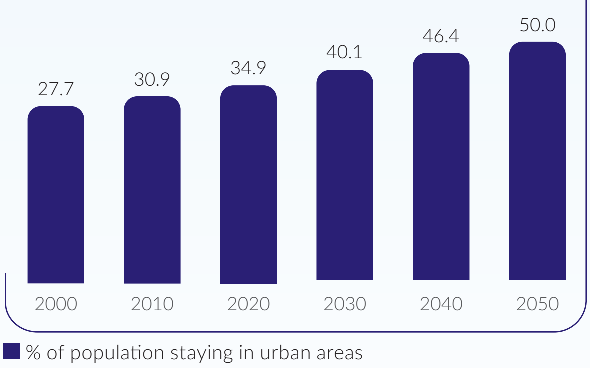
Source: United Nations - World Population Prospects, 2019

ii. Urbanisation

Urbanisation, across the world has increased and similar, trend is observed in India. Currently, close to 35% of the population live in urban areas and this is estimated to increase to 50% by 2050 as per World Urbanisation Prospects 2018, Union Nations. Increase in urbanisation has led to improvement in the style of living and awareness to secure financial stability through savings and investments.

India's growing urban population

(%)



Source: United Nations World Urbanisation Prospects, 2018

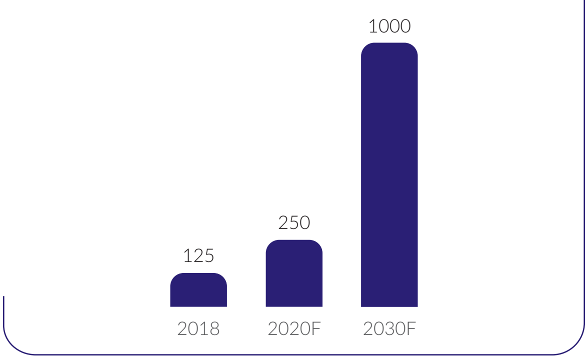
Strategy – Diverse product portfolio of the Company is well suited to provide increased coverage and catering to various customer needs in the Life, Health, Pension, Annuity & Micro-insurance segments. Per capita income levels have been increasing gradually, and also the increased levels of urbanisation has created increased investment in insurance. During the FY22-23, the Company has launched SBI Life - Retire Smart Plus, SBI Smart Annuity Plus, SBI Life - Smart Lifetime Saver and SBI Life - Group Micro Shield (Single Premium and OYRGTA) which provides security, flexibility and reliability through a regular guaranteed long term income, flexibility to suit life goals and financial protection along with tax benefits.

iii. Digitisation

Digitalisation in the country has been given impetus and is making significant strides in internet penetration It is pertinent to note that we have added more internet subscribers in rural areas in the last 3 years (2019-21) than in their urban counterparts (95.76 million vis-a-vis 92.81 million in rural and urban areas respectively). Additionally, with the increasing use of Artificial Intelligence (AI) in all kinds of businesses, clearly indicates that all businesses will critically need to build robust digital platforms to service their customers with excellent service satisfaction.

India's internet economy

(US $ in billion)



(Source: IBEF – Ecommerce)

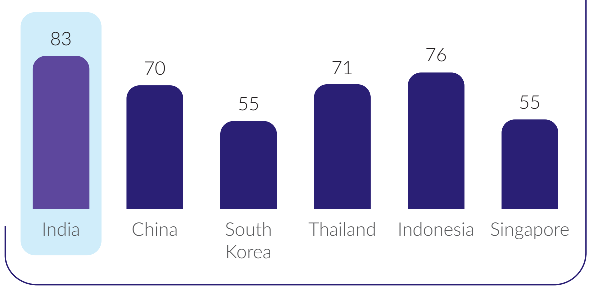
Strategy – The Company is clear that in order to transit from its motive of Customer Satisfaction to Customer Delight. In view of this, various Digital Initiatives have been undertaken by the Company during the year. Over 94% of the premium collections were made through digital payment methods and 99.3% individual applications are submitted digitally. Further, premium collections through physical cheques and demand drafts has seen a significant reduction and fell to 5.68% in FY23 from 7.42% in FY22.

iv. Insurance penetration

Insurance penetration in India has been steadily increasing, with life insurance penetration being above the emerging markets and global averages. A series of regulatory developments have been introduced in the country to improve insurance penetration. As per Swiss Re Institute estimates, the mortality protection gap in India stood at USD 40.4 billion (in premium equivalent terms) in 2021. This translated into an average mortality protection gap of 91%, meaning that the financial resources available to support the livelihood of surviving family members and pay outstanding debts in the event of premature death of the household breadwinner, were less than 9% of the total protection need. A 2019 survey by Swiss Re Institute found that 44% of households have a mortality protection gap in excess of 90% of their protection needs, one of the highest in Asia. Creating awareness among people is critical in order to make people buy insurance. Technology is in place and is being constantly innovated and updated to meet the ever increasing needs of consumers.

Protection margin highest amongst peers

(%)

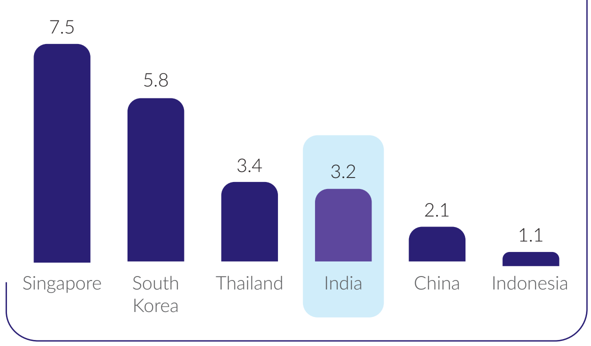


Protection margin

Source: Swiss Re, "Closing Asia's Mortality Protection Gap 2020"

Life insurance penetration

(%)

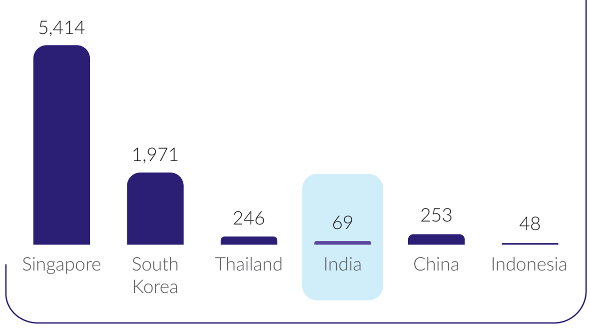


Premium underwritten in given year to total GDP in 2021

Source : SwissRe Sigma 4/2022

Life insurance density

(in USD)



Premium underwritten in given year to total population in 2021

Source : SwissRe Sigma 4/2022

Strategy – Most life insurance products sold in India are savings-linked, with a very small component of protection component. Thus, the protection gap is significant which exposes the family in case of premature death of the primary breadwinner of the family. Based on survey conducted by SBI Life in association with Nielsen, Indians remains underinsured as the life cover to personal annual income ratio is only 3.8 times, which is way below the recommended 10x to 25x of annual income. To plug in the protection gap, the Company has a diverse range of individual and group protection products. along with assured life cover. Apart from this, Company also has credit life protection (loan coverage) and term micro insurance products. During the year, the Company has launched Group Micro Shield product non linked, non-participating, pure risk product to cover socially and economically weaker sections of the society.

v. Financialisation of savings

According to the RBI, the share of financial savings increased from 45% in fiscal 2016 to 52% in fiscal 2021. Majority of Indian households invest their savings in physical assets.

The net financial savings of the household sector – the most important source of funds – surged by 3.6% to 11.5% of Gross National Disposable Income(GNDI) in 2020-21, the highest in over two decades led by deposits and insurance funds instruments. Insurance funds have seen an upturn of 80 bps from 1.8% of GNDI in 2019-20 to 2.6% of GNDI in 2020-21 due to COVID led increased awareness about health insurance.

With the increasing financialisation of the economy, banks have started aggressively selling a number of financial products to their customers as Mutual Funds (MFs) and insurance policies.

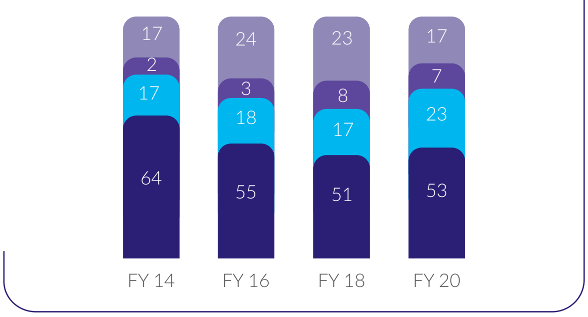
(% of GNDI)

Particulars	2019-20	2020-21
Household sector savings	**19.2**	**21.9**
i. Net financial savings (A)-(B)	7.9	11.5
ii. Savings in physical assets	11.1	10.2
iii. Savings in the form of valuables	0.2	0.2
A. Gross Financial Savings	**11.7**	**15.5**
1. Currency	1.4	1.9
2. Deposits	4.2	6.3
3. Shares and Debentures	0.4	0.5
4. Claims on Government	1.3	1.6
5. Insurance Funds	**1.8**	**2.6**
6. Provident and Pension Funds	2.2	2.5
B. Financial Liabilities	**3.9**	**4.0**

(Source: IRDAI Annual Report 2021-22)

Share of life insurance in financial savings

(%)



(Source: RBI)

Strategy – The Company offers 43 different products to meet different end-goals (ranging from long-term investment to pure protection under individual as well group platform) depending on the risk profile of the customer through a strong distribution network of 2,75,374 trained insurance professionals and 992 offices. Company's diverse product portfolio meets the twin goals of savings and protection. This makes an insurance an attractive proposition to channelise household savings. Traditional & digital distribution network of the Company provides direct touch points for customer and an end to end smooth customer journey. The Company is also highly focused on increasing insurance awareness.

vi. Pension and annuities

With a median age of 28, India is among the youngest major economies. India's share of population above the age of 60 years is expected to rise to 13% by 2030 and 19% by 2050 from the current level of 10%.

An expected improvement in life expectancy and a decline in fertility rates could combine to shore up the share of the population that needs support in old age significantly, driving a huge potential demand for annuity and pension type products.

Strategy – The Company offers individual immediate annuity product, group immediate annuity product, a unit linked pension product and a participating pension product. NPS scheme of the government also offers a huge opportunity as at the time of vesting of the corpus 40% has to be annuitised. Due to continuous focus, share of pension and annuities in individual NBP has increased to 36% along with growth of 134% in Individual Annuity. AUM of pension and annuity products account for 18% of the total AUM. SBI Life is also one of the insurance companies authorised as Annuity Service Providers under NPS scheme by PFRDA.

B. Risks and concerns

Risks such as business practices and quality of risk management are the major risks the Indian insurance industry currently faces. Growing concerns over unethical sales practices and a public distrust of insurers as a consequence of misselling have driven reputational risk. Despite the steps taken by the companies and regulators to clean up practices such as misselling, this is still seen as an area of high risk particularly in the current scenario of fierce competition.

Insurance penetration and density of insurance has been at low levels in India. With the steady growth in economy and increase in per capita income of the population, increased penetration can be expected. Further, rural uninsured population is also available to increase insurance penetration.

The Company has instituted an enterprise risk management framework which details the governance and management of all aspects of risks that we face. Company's risks and the approach towards managing them has been highlighted in the Enterprise Risk Management section of the Annual Report.

C. Future outlook

- The world economy is facing big challenges in the backdrop of the Ukraine-Russia war and is facing high inflation. Steps will have to be taken to curtail the pressure on global economy through various means.
- The Indian economy is likely to slow slightly in the near term as the global downturn continues.

Growth in both the life and non-life segments, will be witnessed as consumers and businesses alike seek protection following the shock of the COVID-19 pandemic and above-average natural catastrophes. Key policy initiatives like Atmanirbhar Bharat were introduced to provide production-linked incentives in various sectors, in order to reinforce the post-COVID-19 recovery. Also, India has built up a healthy foreign exchange reserve over the past decade, which should help to offset some near-term downward growth pressures. Rapid economic development and income growth, and higher risk awareness in large part due to the experience of the COVID-19 pandemic are expected to be among the main drivers of industry growth.

V. Regulatory updates and developments

The key highlights on recent regulatory changes impacting the Indian life insurance sector are as follows:

a) Revision of premium rates of Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

Department of Financial Services, Ministry of Finance has revised the premium rates of PMJJBY scheme from ₹330 per annum to ₹436 per annum.

b) Use & File (U&F) procedure for life insurance products and riders

IRDAI expanded the scope of Use & File procedure for Life Insurance product allowing launch of new products from allowing certain specified modifications previously. This amendment will facilitate industry in responding faster to the emerging needs, in terms of designing and pricing of Insurance Products.

VI. Business overview

SBI Life has successfully maintained the new business growth with consistency and have again delivered a stellar performance in this financial year. Our wide distribution network along with customer-centric product mix will enable the Company to capitalise on the emerging opportunities in order to enhance the insurance penetration. Focus on digitalisation has allowed us to maintain focus on customer requirements and introduce new products. We shall continue to use our digitalisation strategy effectively to enhance the positive impact of our business on the natural environment and the community wherever we operate.

Segment-wise business performance

The life insurance sector can be classified based on products into participating, non-linked and unit-linked products. Non-linked products are traditional products with a protection and savings element built in or only pure-protection products. Non-linked products are further classified into participating products and non-participating products. Participating products have variable returns, as it is linked to the performance of the insurance company. Linked products' returns, on the other hand, are tied to the performance of debt and equity markets.

New business performance of the Company can be analysed based on the following segments – (₹ in billion)

Sr. No.	Segments	FY 2023	FY 2022	Product Mix (FY 2023)	Y-o-Y Growth	CAGR (FY 2018 – FY 2023)
1	**Participating Segment**	9.46	7.69	3.2%	23%	(14.2%)
2	**Non Participating Segment**					
	- Individual Savings	78.24	34.73	26.4%	125.3%	105.5%
	- Group Savings	60.06	68.08	20.3%	(11.8%)	24.7%
	- Individual Protection	9.96	9.38	3.4%	6.2%	75.0%
	- Group Protection	26.40	21.14	8.9%	24.9%	37.4%
3	**Linked Segment**	111.77	113.55	37.8%	(1.6%)	12.8%
	Total NBP	**295.89**	**254.57**	**100%**	**16.2%**	**22.0%**

A brief description of the segments is given below:

1. Participating segment

Participating life insurance products are products where the insured participates in the surplus from the segment during the term of the contract. These are savings-cum-protection products that provide a guaranteed sum assured and long term returns through participation in surplus, if any, generated from these policies. The policyholder is entitled to at least a 90% share of the surplus emerging in the participating fund and the remaining belongs to the shareholders. The Company offers participating insurance products that are designed to provide benefits over the entire life of the policyholders (whole life insurance), as well as products that provide benefits over defined periods (endowment life insurance).

New business premium from participating segment constitutes 3.2% of the total new business premium of FY23.

2. Non-participating segment

The Non-Participating segment comprises of individual savings, group savings and protection segments. These products cover the insured for a specific period and the insured do not participate in the surplus of the underlying investment pool. Surplus arising in case of Non-Participating business is transferred to Shareholders' Account on recommendation of Appointed Actuary.

i) Individual savings

The individual savings segment comprises of an endowment product, a variable insurance plan and an immediate annuity product.

An endowment product pays the sum assured to the beneficiary in case of any unfortunate event before the maturity date or pays the amount to the insured on completion of the specified term.

In a variable insurance plan, the benefits are partially or wholly dependent on the performance of an approved external index/benchmark which is linked to the product.

An immediate annuity product guarantees a defined income, commonly known as pension, for the lifetime of the policyholder thereby covering their longevity risk. These pay-outs begin immediately on purchasing the product.

New business premium of individual savings segment constitutes 26.4% of the total new business premium for FY23 and has increased from ₹34.73 billion in FY22 to ₹78.24 billion in FY23, registering growth of 125.3%.

ii) Group savings

Group savings segment consists of group fund management products and an immediate annuity product.

Fund based group insurance products cater to the needs of employers looking at financial solutions to fund their employees' benefit schemes including gratuity, superannuation and leave encashment.

Group immediate annuity product is primarily for corporate clients (employer-employee groups) and other informal groups, who wish to purchase an annuity to provide for their annuity liability.

New business premium from group savings segment stands at ₹60.06 billion in FY23.

iii) Protection

The protection segment includes both individual as well as group products.

Individual protection products offer benefits that are guaranteed in absolute terms on occurrence of a particular event during the policy term. They expire if the designated event does not occur. The risk covered in most cases covers death of the insured but may also include permanent disability or diagnosis of critical illness. This segment also includes health products which insure against expenses arising due to medical emergencies such as hospitalisation or critical illness.

Group protection segment includes credit life products which provide insurance to banks, financial institutions in relation to repayment of outstanding loan amount in event of death or disability of the insured members of the group.

Group protection segment also includes products which provide life insurance coverage to a group of individuals, where, upon the death of a member, the sum assured is paid to the member's nominee. These products are employee-employer schemes where the Master Policy holder is the employer and members are employees.

New business premium from protection segment has registered a strong growth of 19.1% in FY23. Due to continuous focus, Individual New Business Premium for the protection segment has increased by 6.2% and group business has increased by 24.9% in FY23.

3. **Linked segment**

Linked products provide the benefit of investment as well as protection. They provide returns directly linked to the performance of the underlying funds and have a transparent charge structure which is explicitly stated at the outset. The investment risk on these products is borne by the policyholder. This segment also includes a fund based group gratuity, superannuation and leave encashment product for employers.

New business premium from linked segment constitutes 37.8% of the total new business premium of FY23, which stands at ₹111.77 billion in FY23. The growing popularity of linked products is due to favourable market movement over a few years.

VII. Analysis of financial statements

A. Revenue account

The summary of Revenue Account of the Company for FY23 along with comparative and detailed analysis is given below:

(₹ in billion)

Particulars	FY 2023	FY 2022	% Growth
Income			
Gross written premium	673.16	587.60	14.6
Reinsurance ceded	(7.35)	(3.27)	124.4
Net earned premium	**665.81**	**584.33**	**13.9**
Income from investments[1]	132.48	235.28	(43.8)
Contribution from the Shareholders' Account	17.07	9.82	73.9
Other miscellaneous income	0.50	0.45	11.3
Total Income	**815.86**	**829.88**	**(1.7)**
Expenses			
Commissions[2]	30.63	21.58	41.9
Operating expenses relating to insurance business[3]	34.10	29.76	14.6
Provision for taxation	1.47	1.26	16.8
Goods and Service Tax	8.19	7.42	10.4
Benefits paid (net)[4]	302.87	313.40	(3.4)
Change in valuation of liability in respect of life policies	410.04	437.62	(6.3)
Total Expenses	**787.30**	**811.04**	**(2.9)**
Surplus/(Deficit)	**28.56**	**18.84**	**51.6**
Transfer to Shareholders' Account	27.07	17.33	56.3
Balance being Funds for Future Appropriations	1.49	1.51	(1.5)

[1] Net of Provision for diminution in the value of investment, provision for standard assets and investment receivables write-off
[2] Commission expense includes Rewards
[3] Includes provision for doubtful debt (including write off)
[4] Includes Interim and Terminal Bonus

i. Premium income

The summary of premium income is as follows:

(₹ in billion)

Particulars	FY 2023				FY 2022			
	Par	Non-Par	Linked	Total	Par	Non-Par	Linked	Total
New Business Premium	**9.46**	**174.66**	**111.77**	**295.89**	**7.69**	**133.33**	**113.55**	**254.57**
Individual	9.46	88.20	111.41	209.07	7.69	44.11	113.19	165.00
Group	-	86.46	0.36	86.82	-	89.22	0.36	89.58
Renewal premium	**65.13**	**63.37**	**248.77**	**377.27**	**68.25**	**44.43**	**220.35**	**333.02**
Gross Written Premium	**74.59**	**238.03**	**360.53**	**673.16**	**75.94**	**177.76**	**333.90**	**587.60**
Less: Reinsurance ceded	(0.01)	(7.10)	(0.24)	(7.35)	(0.01)	(3.05)	(0.21)	(3.27)
Net Premium	**74.58**	**230.93**	**360.29**	**665.81**	**75.93**	**174.71**	**333.69**	**584.33**

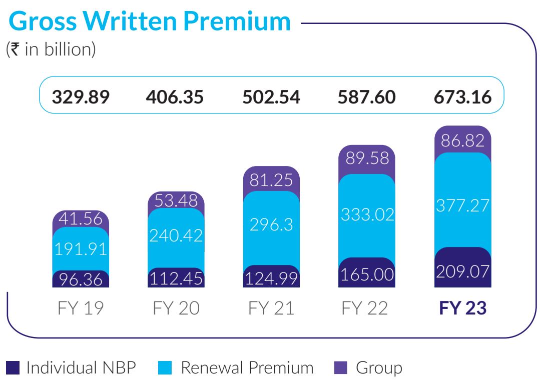
a. Gross written premium has increased by 14.6% from ₹587.60 billion in FY22 to ₹673.16 billion in FY23 mainly due to strong growth in renewal premium by 13.3% and increase in individual single premium by 56.7%.

b. Individual new business premium has increased by 26.7% from ₹165.00 billion in FY22 to ₹209.07 billion in FY23 due to increase in new business premium from Non-Par Life, Annuity and Par-Life segment.

c. The renewal business has increased by 13.3% from ₹333.02 billion in FY22 to ₹377.27 billion in FY23 majorly due to increase in individual renewal business from Linked pension and Non-Par life segment.

d. The group new business premium stands at ₹86.82 billion in FY23.

The following chart depicts the growth in Company's total premium over the years



ii. Investment income

The summary of investment income is as follows:

(₹ in billion)

Particulars	FY 2023				FY 2022			
	Par	Non Par	Linked	Total	Par	Non Par	Linked	Total
Interest and Dividend[1]	31.24	51.00	57.61	139.84	26.55	41.20	44.08	111.83
Profit/(Loss) on sale of investments	11.42	4.25	19.41	35.08	11.53	8.23	61.45	81.21
Change in fair value		(1.37)	(40.95)	(42.32)	-	(0.48)	43.12	42.64
Provision for diminution, standard assets and investment receivable write-off	(0.12)	-	-	(0.12)	(0.64)	0.01	0.23	(0.40)
Total	**42.54**	**53.88**	**36.06**	**132.48**	**37.44**	**48.96**	**148.88**	**235.28**

[1] Interest and Dividend includes net of Accretion of discount/(Amortisation of premium)

Total income from investment was ₹132.48 billion in FY23 comprised of ₹36.06 billion under unit-linked portfolio and ₹96.42 billion under traditional portfolio. Total investment income has decreased by ₹102.80 billion from ₹235.28 billion in FY22 to ₹132.48 billion in FY23, mainly due to decrease in change in fair value on account of fall in valuation of equity portfolio under linked segment.

Traditional portfolio (Par and Non-Par):

Total investment income under traditional portfolio has increased by ₹10.02 billion from ₹86.40 billion in FY22 to ₹96.42 billion in FY23 majorly due to following:

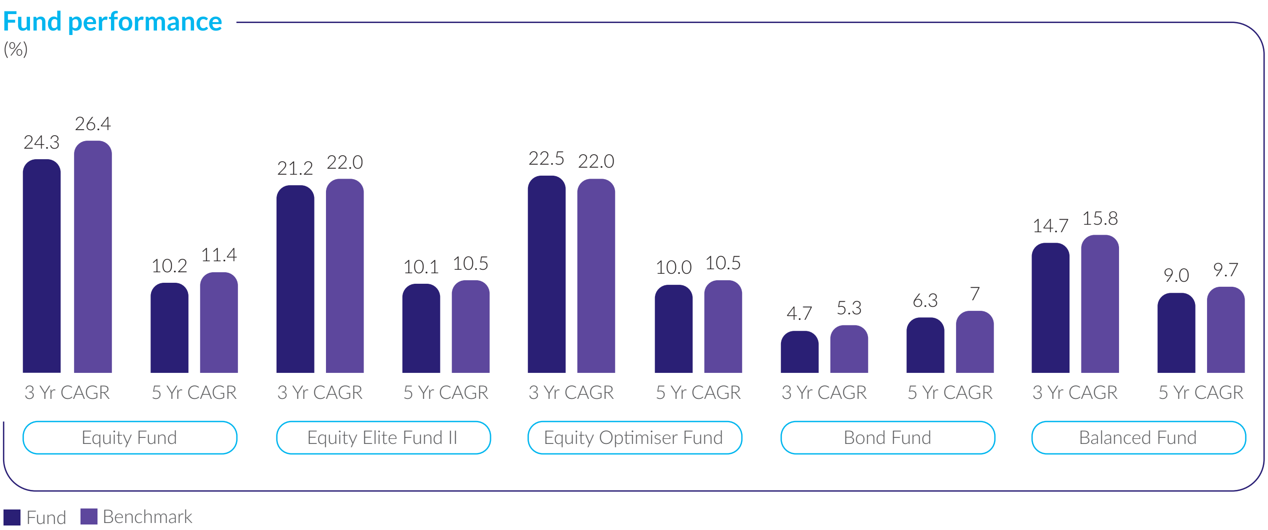
a. Interest income under traditional portfolio has increased by ₹11.79 billion from ₹65.52 billion in FY22 to ₹77.31 billion in FY 2023 due to increase in investment of debt securities by 17.0% under traditional portfolio.

b. Dividend income has increased by ₹0.17 billion from ₹1.07 billion in FY22 to ₹1.24 billion in FY23.

Unit linked portfolio:

Total investment income under unit linked portfolio has decreased by ₹112.82 billion from ₹148.88 billion in FY22 to ₹36.06 billion in FY23 mainly due to fair value change. Fair value change has decreased by ₹84.07 billion from ₹43.12 billion in FY22 to ₹ (40.95) billion in FY23 primarily due to mark to market loss in the unit linked segment in FY23 as compared to previous year. During FY23, Nifty has decreased by 0.6% as against an increase of 18.9% in the previous year. The change in fair value is an off-set with the corresponding decrease in unit-linked liability (fund reserves) as it is pass-through to linked policyholders'.

The performance of the fund vis-a-vis the benchmark as on March 31, 2023 is given below:



iii. Other miscellaneous income

Other miscellaneous income includes fees and charges, income on unclaimed fund, etc. Other miscellaneous income for FY23 has increased by 11.3% from ₹0.45 billion in FY22 to ₹0.50 billion for FY23 mainly due to increase in income on unclaimed fund.

iv. Commission

The summary of commission expenses is as follows:

(₹ in billion)

Particulars	Individual		Group		Total	
	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022
Premium						
First year premiums	145.87	124.69	6.10	4.73	151.97	129.42
Renewal premiums	364.08	321.36	13.19	11.67	377.27	333.02
Single premiums	63.19	40.31	80.73	84.85	143.92	125.16
Total	**573.14**	**486.36**	**100.02**	**101.25**	**673.16**	**587.60**

(₹ in billion)

Particulars	Individual		Group		Total	
	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022
Commission on						
First year premiums	18.02	10.76	0.04	0.04	18.06	10.80
Renewal premiums	9.19	8.42	0.06	0.14	9.25	8.56
Single premiums	1.00	0.63	1.05	0.85	2.04	1.48
Total	**28.21**	**19.81**	**1.15**	**1.03**	**29.36**	**20.84**
Commission % of Premium						
First year premiums	12.4%	8.6%	0.7%	0.8%	11.9%	8.3%
Renewal premiums	2.5%	2.6%	0.5%	1.2%	2.5%	2.6%
Single premiums	1.6%	1.6%	1.3%	1.0%	1.4%	1.2%
Total	**4.9%**	**4.1%**	**1.2%**	**1.0%**	**4.4%**	**3.5%**

Commission expense majorly pertains to individual business. The commission expense has increased by 40.9% from ₹20.84 billion in FY22 to ₹29.36 billion in FY23 mainly due to following:

a. First year commission for Individual Business has increased by 67.5% from ₹10.76 billion in FY22 to ₹18.02 billion in FY23.

b. Renewal commission from Individual Business has increased by 9.2% from ₹8.42 billion in FY22 to ₹9.19 billion in FY23 on account of higher renewal premium collection.

v. Operating expenses related to Insurance business

The summary of operating expenses is as follows:

(₹ in billion)

Particulars	FY 2023	FY 2022
Employees remuneration and welfare expenses	20.46	18.16
Travel, conveyance and vehicle running expenses	0.99	0.76
Stamp duty on policies	1.34	1.20
Legal and Professional expenses	1.83	1.57
Others	9.47	8.05
Operating expenses	**34.09**	**29.74**

Operating expenses relating to insurance business has increased by 14.6% from ₹29.74 billion in FY22 to ₹34.09 billion in FY23. The Employees remuneration has increased by 12.7% from ₹18.16 billion in FY22 to ₹20.46 billion in FY23 due to annual increments and increase in number of employees to support the increase in the size of business operations. Stamp duty on policies has increased by 11.9% from ₹1.20 billion in FY22 to ₹1.34 billion in FY23.

vi. Goods and service tax on charges

Goods and service tax on charges has increased by 10.4% from ₹7.42 billion in FY22 to ₹8.19 billion in FY23 due to increase in linked income charges namely, fund management charges, premium allocation charges, etc.

vii. Benefits paid (net) and interim and terminal bonus paid

The summary of benefits paid is as follows:

(₹ in billion)

Particulars	FY 2023	FY 2022
Death claims	32.13	55.22
Maturity claims	71.69	97.25
Annuities/Pension payments	7.52	5.45
Survival benefits	12.56	12.84
Surrenders	90.67	71.02
Discontinuance/Lapsed termination	36.08	35.66
Withdrawals	51.83	41.36
Others	1.72	1.45
Total benefits	**304.21**	**320.25**
Less: Reinsurance on claims	(3.31)	(7.87)
Net benefits paid	**300.90**	**312.38**
Interim & terminal bonus	**1.97**	**1.02**

Net claims and benefits payout reduced by 3.7% from ₹312.38 billion in FY22 to ₹300.90 billion in FY23 primarily on account of decrease in death claims by ₹23.09 billion and maturity claims by ₹25.56 billion in FY23.

viii. Change in actuarial liability

The summary of change in actuarial liability is as follows:

(₹ in billion)

Particulars	FY 2023	FY 2022
Policy Liabilities (Non-unit/Mathematical reserves) (Gross)	207.10	173.93
Amount ceded in reinsurance	(2.04)	(1.02)
Fund Reserve	191.40	252.49
Funds for Discontinued policies	13.58	12.21
Change in Actuarial Liability	**410.04**	**437.62**

Change in Actuarial Liability has decreased from ₹437.62 billion in FY22 to ₹410.04 billion in FY23.

a. Fund Reserve, which represents liability carried on account of units held by Unit-Linked policyholders, has decreased from ₹252.49 billion in FY22 to ₹191.40 billion in FY23.

b. Traditional policyholders' liability (including non-unit liability) has increased from ₹173.93 billion in FY22 to ₹207.10 billion in FY23.

ix. Surplus (Revenue Account), Transfer to Shareholders' Account (Profit and Loss Account) and Funds for Future Appropriation (FFA)

a. Surplus (Revenue Account)

As a result of the above changes in income and expenses, surplus has increased from ₹18.84 billion in FY22 to ₹28.56 billion in FY23.

Segment-wise breakup of Surplus is as under:

(₹ in billion)

Particulars	FY 2023	FY 2022
Participating segment	3.62	3.32
Non-Participating segment	(4.84)	(2.77)
Unit-Linked segment	12.71	8.47
Surplus (net of Contribution from Shareholders)	11.49	9.02
Add: Contribution from Shareholders	17.07	9.82
Surplus	**28.56**	**18.84**

b. Transfer to Shareholders' Account (Profit and Loss Account)

The surplus generated in the Revenue Account after setting aside Funds for Future Appropriation is transferred to the Profit and Loss Account (Shareholders Account) based on the recommendation of the Appointed Actuary. Transfer to Shareholders' Account has increased by 56.3% from ₹17.33 billion in FY22 to ₹27.07 billion in FY23. The remaining surplus of ₹1.49 billion was retained as Funds for Future Appropriation.

Participating segment: Profits from participating business depend on the total bonuses declared to policyholders on an annual basis. Currently an amount of one-ninth of the bonus declared to policyholders is transferred to shareholders. Bonus declared as per regulatory provisions has increased from ₹16.23 billion in FY22 to ₹19.12 billion in FY23. The amount transferred to shareholders increased to ₹2.12 billion in FY23 from ₹1.80 billion in FY22.

Non-Participating segment: In case of Non-participating business, profit arises primarily from premium and investment income net of expenses, claims and policyholder liabilities. Loss in non-participating segment has increased from ₹ (2.77) billion in FY22 to ₹ (4.84) billion in FY23.

Unit-Linked (ULIP) segment: In case of unit-linked business, profit arises only from the charges (net of expenses) levied on policyholders. Under unit linked business, AUM has increased by 14.5% on account of better market performance and increase in total business by 8.0%.

c. Funds for Future Appropriations (FFA)

Funds for Future Appropriations represent surplus funds which have not been allocated either to policyholders or to shareholders as at the valuation date. During the year, a sum of ₹1.49 billion has been transferred to Funds for Future Appropriation.

B. Profit and Loss Account (Shareholders' Account)

(₹ in billion)

Particulars	FY 2023	FY 2022	% Growth
Amounts transferred from Policyholders' Account	27.07	17.33	56.3%
Income from investments and other income[1]	7.96	9.67	(17.7%)
Expenses other than those directly related to the insurance business	0.37	1.57	(76.3%)
Contribution to Policyholders' Account	17.07	9.82	73.9%
Profit before Tax	**17.59**	**15.61**	**12.7%**
Provision for Taxation	0.38	0.55	(30.8%)
Profit after Tax	**17.21**	**15.06**	**14.2%**
Profit at the beginning of the year	103.94	90.88	14.4%
Total profit available for appropriation	121.15	105.94	14.4%
Interim dividend	2.50	2.00	25.1%
Profit carried to the balance sheet	**118.65**	**103.94**	**14.1%**

[1] Net of provision for diminution

i. Income from investments and other income

Investment income and other income under shareholder portfolio has decreased by ₹1.71 billion from ₹9.67 billion in FY22 to ₹7.96 billion in FY23 is mainly due to reduction in profit on sale of investment in FY2023 against FY22. Other Income represents rental income from let out property and Profit/Loss on sale of Fixed Assets.

ii. Expenses other than those directly related to the insurance business

Expenses other than those directly related to the insurance business have decreased from ₹1.57 billion in FY2022 to ₹0.37 billion in FY23.

iii. Contribution to Policyholders' Account

Contribution to Policyholders' Account represents amount transferred to Policyholders' Account for funding the deficits in business segments During the current year, Non-Par Individual Life, Annuity, Health and Unit-Linked Group Life segments incurred loss of ₹17.07 billion.

iv. Profit after tax

Profit before tax has increased from ₹15.61 billion in FY22 to ₹17.59 billion in FY23. Tax expense for shareholders has decreased from ₹0.55 billion in FY22 to ₹0.38 billion in FY23. Profit after tax has increased by 14.2% from ₹15.06 billion in FY22 to ₹17.21 billion in FY23.

v. Interim dividend

The Board of Directors has declared an interim dividend of 25% (₹2.50 per equity share of face value of ₹10) at its meeting held on March 8, 2023. Profit carried to Balance Sheet is ₹118.65 billion in FY23.

C. Financial Position/Balance Sheet

(₹ in billion)

Particulars	As at March 31, 2023	As at March 31, 2022
Sources of Funds:		
Equity Capital and Reserves (including change in fair value)	130.18	116.22
Policyholders' Funds/Policy Liabilities	2,954.26	2,555.91
Funds for Future Appropriations	11.43	9.94
Total	**3,095.87**	**2,682.07**
Application of Funds:		
Investments		
- Shareholders'	112.09	100.76
- Policyholders'	1,298.70	1,121.31
Assets held to cover Linked Liabilities	1,632.56	1,426.25
Loans	3.89	3.62
Fixed Assets	5.22	5.27
Current Assets and Advances (A)	94.41	76.16
Current Liabilities and Provisions (B)	51.00	51.30
Net Current Assets (A) – (B)	43.41	24.86
Total	**3,095.87**	**2,682.07**

Sources of Funds

i. Equity Capital and Reserves/Shareholders' Fund

The breakup of capital and reserves is as follows –

(₹ in billion)

Particulars	As at March 31, 2023	As at March 31, 2022
Share Capital	10.01	10.00
Reserves and Surplus	119.24	104.18
Credit/(Debit) Fair Value Change Account	0.93	2.04
Equity Capital and Reserves/Shareholders' Fund	**130.18**	**116.22**

a. **Equity Share Capital**

Equity Share Capital of the Company comprises of 1,000,894,759 equity shares of face value of ₹10 each (1,000,370,562 equity shares as at March 31, 2022). Out of the total equity share capital, 555,000,000 (55.45%) equity shares are held by the State Bank of India (555,000,000 (55.48%) as at March 31, 2022).

The Equity Shares of the Company were listed on National Stock Exchange Limited ('NSE') and Bombay Stock Exchange Limited ('BSE') on October 03, 2017.

b. **Reserves and Surplus**

Increase in Reserves and Surplus is on account of profit earned during the year and increase in securities premium as a result of issue of stock options.

c. **Fair Value Change Account**

Fair Value Change Account represents unrealised gains (net of unrealised losses) on equity and mutual fund holdings in shareholders' investments as on the respective Balance Sheet dates. The decrease in fair value change is predominantly because of the lower growth in equity market for current financial year compared previous financial year.

ii. **Policyholders' Funds**

The summary of Policyholders' Funds is as follows – (₹ in billion)

Particulars	As at March 31, 2023	As at March 31, 2022
Policyholders' Traditional Liabilities	**1,321.71**	**1,129.66**
Credit/(Debit) Fair Value Change Account	20.39	32.07
Policy Liabilities	1,301.32	1,097.59
Policyholders' Linked Liabilities	**1,632.55**	**1,426.25**
Linked Liabilities	1,407.21	1,174.87
Credit/(Debit) Fair Value Change Account	128.71	169.66
Funds for Discontinued Policies	96.63	81.72
Total Policyholders' Funds	**2,954.26**	**2,551.91**

Policyholders' Traditional Liabilities

Fair Value Change account represents: -

1. Unrealised gains (net of unrealised losses) on equity and mutual fund holdings in Non-Linked Policyholders' investments as on the respective Balance Sheet dates and
2. Effective portion of Fair Value Gain/ Loss on the interest rate derivatives i.e. "Hedge Fluctuation Reserve" or HFR

The movement in policy liabilities is a consequence of various factors such as receipt of premium (both new business and renewal), surrenders & other claims, various actuarial assumptions and other factors varying on a product to product basis.

The reserves on traditional policies are estimated by using prospective gross premium valuation method. Mathematical reserves are calculated based on future assumptions having regard to current and future experience e.g. interest rates, inflation, mortality, morbidity and expense.

Policyholders' Linked Liabilities

The Policyholders' Linked Liabilities represents the unit liability in respect of Linked business and has been considered as the value of the units standing to the credit of the policy holders, using the Net Asset Value (NAV) as on the valuation date.

iii. **Funds for Future Appropriation**

Funds for Future Appropriation amounting to ₹11.43 billion is appearing in the participating segment. It represents funds, the allocation of which, either to Participating Policyholders' or to Shareholders', has not been determined as at the Balance Sheet date.

Application of Funds

i. Investments

The summary of investments as on Balance Sheet dates is as follows:

(₹ in billion)

Particulars	As at March 31, 2023	As at March 31, 2022
Investments		
- Shareholders'	112.09	100.76
- Policyholders' (Non-Linked)	1,298.70	1,121.31
Assets held to cover Linked Liabilities	1,632.56	1,426.25
Total	**3,043.35**	**2,648.32**

Total investments grew by ₹395.03 billion from ₹2,648.32 billion as at March 31, 2022 to ₹3,043.35 billion as at March 31, 2023. Equity investment portfolio constitutes 29% and debt portfolio constitutes 71% of the total AUM as at March 31, 2023. For detailed category-wise breakup of investments, refer Schedule 8, 8A and 8B of the Financial statements.

Shareholder's portfolio grew by 11.2%, Non-Linked Policyholder's investment grew by 15.8% and Unit-Linked assets grew by 14.5% as compared to previous year ended March 31, 2022.

Increase in Policyholders' portfolio is attributable to increase in premium and investment income offset by net outgo due to operating expenses and claims.

Company's investment philosophy has always been to maximise returns at an optimal level of risk on a continuous long-term basis. This calls for investing in high quality securities, which are suitably matched to the duration of Company's liabilities. The Company invests strictly within the framework of rules and regulations prescribed by IRDAI. Further, the Company has implemented sound and robust investment risk management systems and processes.

ii. Loans

Loans comprises of Loan against policy and corporate loans. Loans have increased from ₹3.62 billion in FY22 to ₹3.89 billion in FY23. Loans disclosed in balance sheet are net of provision for standard assets made in accordance with IRDAI investment regulations and Master circular on preparation of financial statements and filing of returns of life insurance business. The Company has no NPAs as on March 31, 2023.

iii. Fixed Assets

Fixed Assets (net of depreciation) have decreased from ₹5.27 billion to ₹5.22 billion. There is no major capital expenditure incurred during the year.

iv. Net Current Assets

Net Current Assets have increased by 74.6% from ₹24.86 billion to ₹43.41 billion. Current assets have increased by 24.0% from ₹76.16 billion to ₹94.41 billion and Current liabilities have also decreased by 0.6% from ₹51.30 billion to ₹51.00 billion.

Current Assets and Advances

The summary of Current Assets and Advances is as follows –

(₹ in billion)

Particulars	As at March 31, 2023	As at March 31, 2022
Cash and bank balances	**41.65**	**32.04**
Advances		
-Prepayments	0.71	0.67
-Advance to suppliers and employees	0.20	0.08
Other Assets		
-Income accrued on investments	33.06	26.62
-Outstanding premiums	4.34	3.60
-Due from reinsurers	0.37	1.02
-Security deposit	3.20	3.29
-GST and Service tax advance and unutilised credit	1.73	1.52
-Assets held for unclaimed amounts (including income accrued)	3.02	3.63
-Other Receivables (incl. Agent balance)	6.13	3.67
Total Current Assets	**94.41**	**76.16**

Some of the key items impacting current assets and advances are explained below:

i. The cash and bank balances represent premium collected during last few days of the financial year including fixed deposits held with banks, cheques on hand and cheques deposited but not cleared.

ii. Income accrued on investments represents interest income accrued, however not due as at March 31, 2023. It is mainly on Government Securities, Debentures and Fixed Deposits.

iii. Outstanding premium represents the premium due but not received on traditional products as at March 31, 2023 and which are within the grace period.

iv. Due from reinsurers represents amounts to be received from reinsurers regarding claims admitted by the Company. This amount is net of premium ceded to reinsurers.

v. Security Deposits represent deposits placed for premises taken on lease for setting up branches as well as for leased accommodations for employees, electricity deposits, telephone, legal deposits and other utility deposits. It also includes margin money kept with Clearing Corporation of India Ltd (CCIL) and with stock exchanges for trading in Government securities, equities & derivative contracts respectively.

vi. GST and Service tax advance and unutilised credit represents CENVAT credit which will be utilised in the future for set off against payment of GST liabilities.

vii. Pursuant to IRDAI circular on "Handling of unclaimed amounts pertaining to policyholders", the Company has created a single segregated fund to manage all the unclaimed monies of policyholders with effect from April 1, 2016. Amount standing in the segregated fund for unclaimed amounts is ₹3.02 billion as at March 31, 2023.

viii. Other receivables represents the sales proceeds pending to be received (but not overdue) on sale of investment securities, dividend receivable and amount receivable from unit linked funds etc.

Current Liabilities and Provisions

The summary of Current Liabilities and Provisions is as follows –

(₹ in billion)

Particulars	As at March 31, 2023	As at March 31, 2022
Cash and bank balances		
- Agents' balances	1.69	1.09
- Balance due to other insurance companies (including reinsurers)	0.22	0.17
- Premium received in advance	0.42	0.13
- Unallocated Premium and other deposits	3.75	6.39
- Sundry creditors	12.50	10.14
- Due to subsidiaries/holding companies	0.39	0.01
- Claims outstanding and annuities due	4.84	5.68
- Unclaimed amounts of policyholders	3.02	3.63
- Others	20.48	18.35
Provisions		
- Provision for tax	2.17	2.60
- Provision for employee benefits	1.51	1.32
- Provision for interim dividend	-	1.79
Total Current Liabilities and Provisions	**51.00**	**51.30**

Some of the key items impacting Current Liabilities and Provisions are explained below:

i. Agents' balances represents amount payable to insurance advisors towards commission as on the Balance Sheet date. Amount outstanding is mainly attributable to business sourced during the last month of the financial year.

ii. Premium received in advance represents premium paid in advance by policyholders which will be recognised as premium income on the due date of the policy.

iii. Unallocated Premium and other deposits are primarily attributable to monies received from policyholders but pending to be allocated on issuance of insurance policy. It mainly includes amount received during the last few days where policy could not be issued due to underwriting requirements or pending documents.

iv. Sundry creditors represent amounts payable to various service providers towards goods and services availed by the Company along with the provision for the services availed or goods received but invoices are not received.

v. Policyholders' claims outstanding represents amounts payable to the policyholders for all claims viz. death, survival, surrenders, annuity, etc. that are intimated to the Company and are outstanding as on date due to pending investigation as a part of the normal claim process or are pending due to documents pending from policyholders.

vi. Other liabilities includes amount to be paid for securities purchased including brokerage, GST and TDS payable and amount payable to unit-linked funds etc.

vii. Provision for tax is shown net of advance tax paid by the Company.

viii. Provision for employee benefits represents Company's liability towards gratuity, leave encashment, long term service award and COVID ex-gratia scheme computed as per the requirements of Accounting Standard 15 (Revised) on Employee Benefits.

ix. The Board at its meeting held on March 8, 2023 had declared an interim dividend of 25.0% (₹2.50 per share) on the equity shares of face value of ₹10 each amounting to ₹2.25 billion net of TDS. (Gross Dividend amounting to ₹2.50 billion)

D. Cash Flow Statement

The summary of Cash Flow Statement is given below –

(₹ in billion)

Particulars	Year ended March 31, 2023	Year ended March 31, 2022
Net cash generated from/(for) Operating activities	286.56	218.52
Net cash generated from/(for) Investing activities	(302.03)	(216.11)
Net cash generated from/(for) Financing activities	(4.15)	(2.31)

Cash flows from Operating activities

Net cash flows generated from Operating activities increased from ₹218.52 billion in FY22 to ₹286.56 billion in FY23. This increase was primarily due to an increase in premium collection which is partially off-set by increase in commission, vendor and employees pay outs.

Cash flows from Investing activities

Net cash flows used in Investing activities increased from ₹216.11 billion in FY22 to ₹302.03 billion in FY23. This increase was primarily due to an increase in investment in bonds, Government securities, Mutual Funds etc.

Cash flows from Financing activities

Net cash flows for Financing activities increased from ₹ (2.31) billion in FY22 to ₹ (4.15) billion in FY23 on account of payment of interim dividend for FY22 and FY23.

VIII. Key performance indicators

Following are the key parameters on which performance of the Company is measured

i. Market Share, Product Mix and Distribution Mix

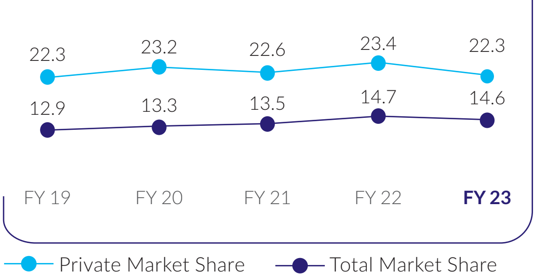
Market Share

The Company's Individual Rated Premium has increased from ₹128.72 billion in FY22 to ₹152.19 billion in FY23.

The Company's market share in Individual Rated Premium has increased over the years on account of growth in Individual Regular New Business Premium. Individual New Business Premium has increased by 26.7% from ₹165.00 billion in FY22 to ₹209.07 billion in FY23.

IRP Market share

(%)

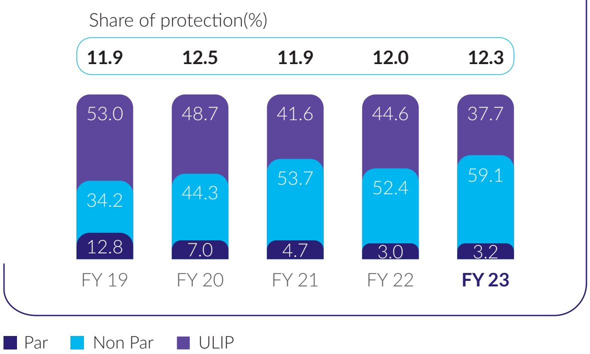


Product Mix

The Company has maintained a balanced product mix over the years.

NPB Product mix

(%)

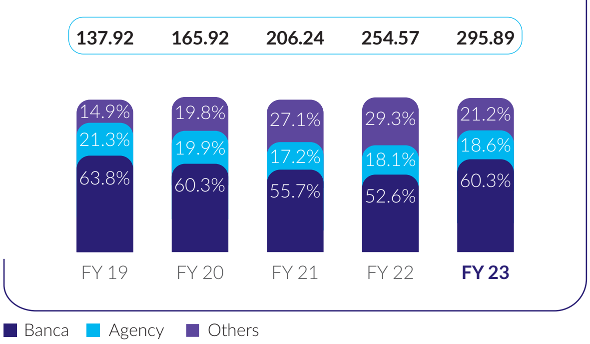


Distribution Mix

The Company continues to ensure diversification and strengthening of its distribution channels. All key distribution channels of the Company have demonstrated growth over the years. The share of Banca channel has increased over the years. For FY23, the share of Banca channel is 60.3%. Apart from Agency and Bancassurance channel, others comprise of Company's Corporate Agents, Brokers, Micro Agents and Common Service Centre (CSC), Insurance Marketing Firm (IMF) and Direct Business.

NBP channel mix

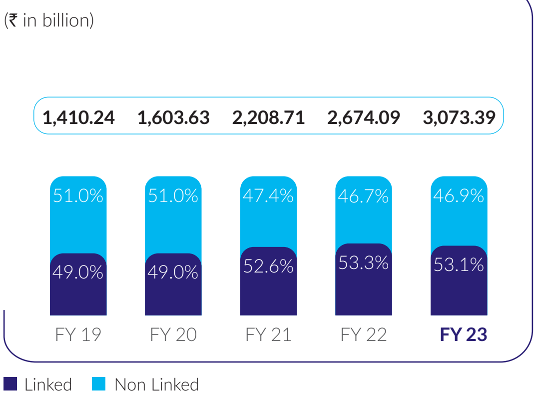
(₹ in billion)



ii. Assets Under Management

The Assets Under Management have significantly grown over the years due to increasing premium inflows. The Company has registered a growth of 14.9% from ₹2,674.09 billion in FY22 to ₹3,073.39 billion in FY23. The Company has a consistent Debt-Equity mix of 71:29 and over 94% of the debt investments are in AAA rated and sovereign instruments as on March 31, 2023.

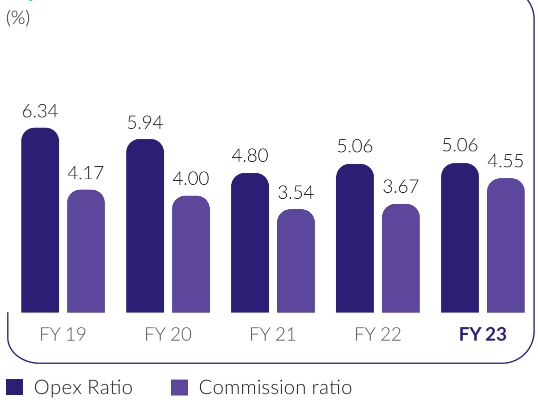
Assets under management



iii. Cost Efficiency

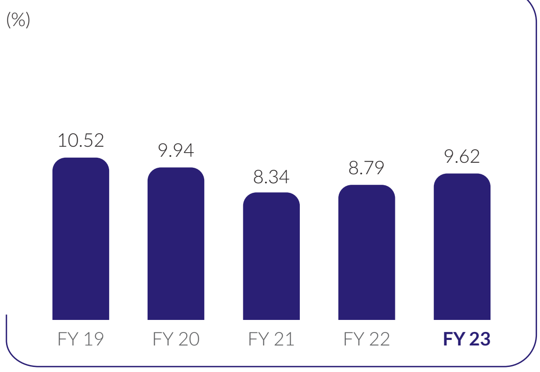
The Company is continuously focusing on cost containment activities to reduce operating expenses. The Company's 'Operating Expense to Gross Written Premium (GWP) Ratio' is one of the lowest amongst private life insurance players on a consistent basis.

Opex and commission ratio*



* Commission includes rewards

Total Cost Ratio

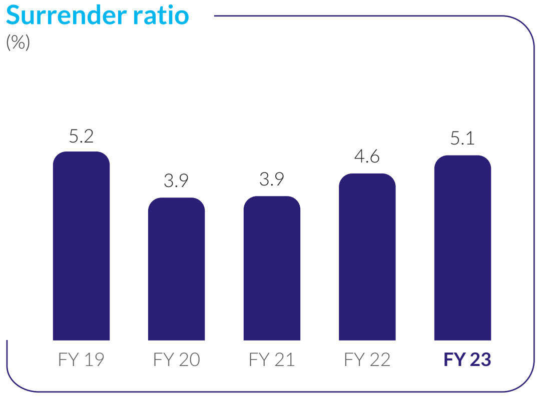


Total cost ratio = (Operating expenses + Commission + Provision for Doubtful debts + Bad debts written off)/Gross written premium)

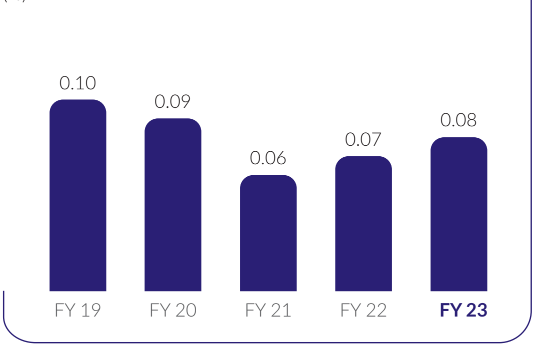
iv. Customer Satisfaction

The Company promotes ethical sales and aims to improve overall customer experience. Continuous customer engagement and awareness campaigns have reduced Misselling complaints and Surrender ratio.

Surrender ratio



Unfair business practices
(%)

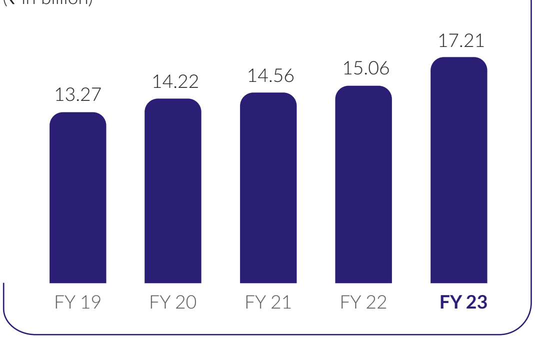


Surrender ratio-individual linked products (Surrender/average AuM)

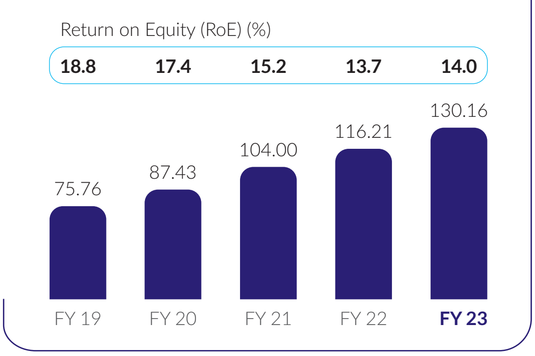
v. Profitability and Net worth

Profits have witnessed an increase of 14.2% from ₹15.06 billion in FY22 to ₹17.21 billion in FY23. Net-worth of the Company has also consistently increased from ₹75.76 billion in FY2019 to ₹130.18 billion in FY23.

Profit after tax
(₹ in billion)



Networth
(₹ in billion)

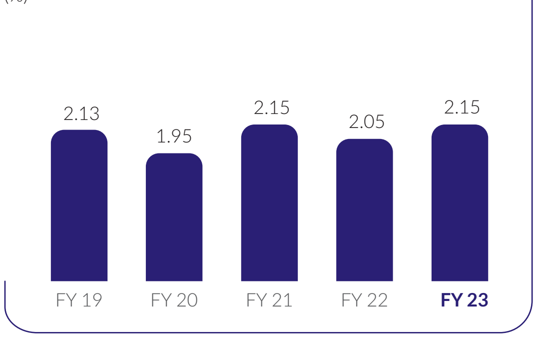


vi. Solvency

Solvency is a regulatory measure of capital adequacy. It is expressed as a ratio of available capital and required capital. It is critical in determining our ability to meet future contingencies and fund growth plans.

As at March 31, 2023, the Company has a solvency of 2.15 against the mandatory requirement of 1.50. There has been no capital infusion by the promoters in the Company after FY 2008.

Solvency ratio
(%)

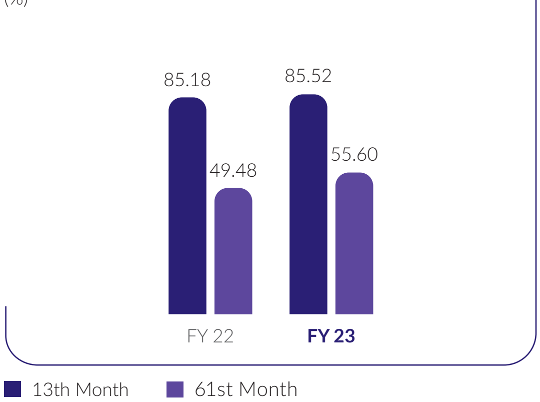


vii. Persistency

Persistency is a key parameter for insurance companies. It measures the proportion of policyholders who have continued with their policies. It indicates the ability of the Company to retain customers. Maintaining a high level of persistency is critical as it provides scope of regular revenues through renewal premiums. Persistency ratio based on Regular Premium/Limited Premium Payment under the Individual category for 13th-month & 61st-month stands at 85.52% and 55.60% respectively for FY23.

13th-month persistency for Agency channel has improved from 90.1% in FY22 to 90.9% in FY23 and for Bancassurance channel has increased marginally from 85.9% in FY22 to 86.5% in FY23.

Persistency
(%)



Note: The persistency ratios are calculated as per IRDAI circular no. IRDAI/F&A/CIR/MISC/256/09/2021 dated September 30, 2021. Regular Premium and Limited Premium Paying Term policies of only Individual Segment are considered in above calculation. Persistency Ratios are calculated using policies issued between 1st March to 28th February period of the relevant years.

viii. Embedded value and value of New Business (VoNB) margin analysis

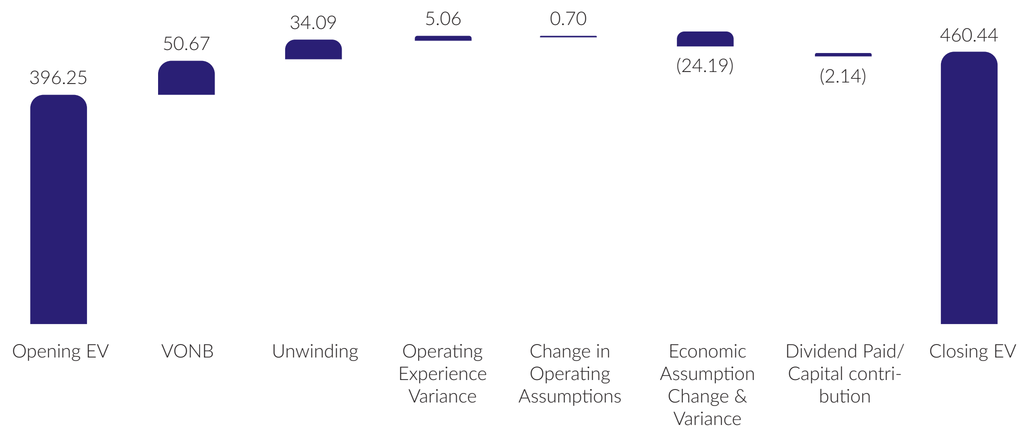
Embedded value (EV) of the Company as at March 31, 2023 has increased to ₹460.44 billion from ₹396.25 billion at March 31, 2022, showing a growth of 16.2%.

Value of New Business (VoNB) has increased from ₹37.04 billion in FY22 to ₹50.67 billion in FY23, registering a growth of 36.8%.

VoNB margin has also increased from 25.9% in FY22 to 30.1% in FY23. Embedded Value has increased on account of value of new business added. Improvement in persistency has contributed to the increase in New Business Margin.

Analysis of movement in IEV

(₹ in billion)



Sensitivity analysis

Scenario	Change in EV%	Change in VoNB%
Reference Rate +100 bps	(3.7%)	(0.8%)
Reference Rate -100 bps	3.3%	0.7%
Decrease in Equity Value 10%	(1.6%)	(0.2%)
Proportionate change in lapse rate +10%	(1.0%)	(2.6%)
Proportionate change in lapse rate -10%	1.3%	3.0%
Mortality/Morbidity +10%	(1.9%)	(3.9%)
Mortality/Morbidity -10%	1.9%	3.9%
Maintenance Expense +10%	(0.6%)	(1.4%)
Maintenance Expense -10%	0.6%	1.4%
Mass Lapse for ULIPs in the year after the surrender penalty period of 25%*	(2.6%)	(4.7%)
Mass Lapse for ULIPs in the year after the surrender penalty period of 50%*	(5.6%)	(10.5%)
Tax Rate Change to 25% on Normal tax rate basis	(5.0%)	(8.3%)

*Mass lapse sensitivity (of 25% or 50%) for ULIP business is applied at the end of surrender penalty period as defined by APS 10, which is taken to be the beginning of 5th policy year for current generation of our ULIP products.

IX. Internal control systems and their adequacy

The Company has aligned its internal financial control system with the requirements of the Companies Act 2013, along the lines of a globally accepted risk-based framework as issued by the Committee of Sponsoring Organisations (COSO). The internal control framework is intended to increase transparency and accountability in an organisation's process of designing and implementing a system of internal control. The framework requires the Company to identify and analyse risks and manage appropriate responses. The Company has successfully laid down the framework and ensured its effectiveness.

The Company's internal financial control framework is based on the 'three lines of defence model'. The Company has laid down standard operation procedures and policies to guide the business operations and has a well-defined delegation of power with authority limits for approving revenue and capital expenditure. Statutory, Concurrent and Internal Auditors undertake testing of the control environment of the Company. The

Company also has a Chief Audit Officer with a dedicated in-house internal audit team which is commensurate with the size, nature & complexity of operations of the Company. The internal audit plan covers Information System Audits, different process audits as well as transaction-based audits at the Head office, Regional Offices and across various branches of the Company. The approach of the audit is to verify compliance with the regulatory, operational and system-related controls.

X. Material developments in Human Resources

At SBI Life, we believe that our people are our most valuable assets, and we continue to stay committed to creating a workplace where our employees can thrive and attain their maximum potential. Our people strategy is focused on employee development, creating a culture of inclusion and belonging and providing a flexible and agile work environment.

Attracting, engaging and retaining quality talent continues to be our top priority. We have implemented several initiatives that are designed to attract top talent, develop their skills and create a culture of high performance.

Our rewards and recognition programmes are based on the principle of meritocracy and we are committed to creating a high-performance culture by following a fair and competitive compensation philosophy. Our compensation is designed to encourage superior results and enable our employees to aim for excellent performance. High Performance is recognised and rewarded based on performance against goals set for the year. To meet our employees' aspirations, we provide them with opportunities for cross-functional exposure through the Internal Job posting scheme.

We strongly believe that an engaged and motivated workforce determines an organisation's long-term success and effectiveness. During this year, the company has enhanced its initiatives for employee engagement and well-being. To promote healthy living and wellness of our employees, we tied up with a renowned digital health and wellness platform to promote healthy habits and balanced lifestyles amongst our employees. The platform provided services such as calorie tracking, fitness coaching and diet plans along with webinars on curated topics like immunity building, work-life balance etc. To encourage collaboration and promote a sense of belongingness, we conducted various employee engagement events like off-site meetings, Team dinners and the Annual Day event 'Sangam' where employees and their families come together and join in the celebrations.

Townhalls were held across the country to encourage direct interaction of our employees with the leadership group to keep our employees up-to-date with the Company's key focus areas and understand our employees' concerns based on their feedback.

Our people initiatives are well aligned with our brand proposition, Apne liye, Apno ke liye, wherein we are enabling our employees to fulfil their own needs along with securing the needs of their loved ones. As part of our Group Mediclaim policy, we extended flexibility to our employees to cover their dependents including Parents/Parents-in-law with various top-up options of higher sum assured. In addition to this, a free annual Health Check-up facility was extended to our employees and was also offered to their family members at a discounted rate.

In our pursuit of promoting gender diversity in the workplace, a dedicated recruitment programme, "Project Shakti", was launched to capitalise on the potential of the female workforce as a part of our Front-line sales group. The programme has played a key role in improving our gender ratio during the year.

Our employees are well supported during their life-cycle events through progressive policies like Sabbatical leave, Child adoption leave, work-from-home facility, paternity leave etc. which provides them with the flexibility to balance career and personal life events effectively. To foster a culture of continuous learning and innovation, the employees are encouraged to acquire industry-specific functional and technical qualification,s which improve their creativity, problem-solving skills and gives them a competitive edge.

We have completed 22 years of our operations this year and are one of the most trusted private Life insurance brands. Our employee strength has increased from 18515 as on March 31, 2022, to 20787 as on March 31, 2023, with y-o-y growth of around 12%.