BAJAJ | Allianz

Bajaj Allianz
Life Insurance Co.

Industry highlights

- Market growth picked up in Q3 : Industry grew by 61% in Q3 as against 21% in Q2.
- LIC grew by 77% in Q3 as compare to 45% in Q2 and Private sector shown a growth of 38% in Q3 as against -10% in Q2.
- Strong resurgence of LIC particularly in single premium in the current Financial year and in Q3 as well
- Focus of some of the top private companies on profitable growth and better cost control and cost management
- Reduced focus on opening of new offices by private companies

BALIC's Focus and Initiatives

- Introduction of new product like – Max Gain, NUG Easy Pension Plus, Unit Gain Protection Plus and reduce dependence on few products.
- Introduced Micro Insurance product with small premium size to cater to the demands of customer in the lower income segment.
- Expense management and control by reduction in acquisition and management expense.
- Separate renewal vertical to focus on renewal collections.
- Conservation ratio for Apr – Dec 09 is 73%.

Summary Results

Rs. in millions	Q3 FY 10	Q3 FY 09	9 months ended 31st Dec 2009	9 months ended 31st Dec 2008
Gross written premium	27,554	24,196	72,762	67,436
New business premium	10,877	9,871	25,290	30,033
Renewal premium	16,677	14,325	47,472	37,403
APE *	9,792	8,931	22,833	27,589
Policyholder surplus/(deficit)	1,564	517	3,343	1,551
Shareholder Profit/(Loss)	(20)	(215)	130	(1,515)
Profit / (Loss)	1,544	302	3,473	36
Shareholders' contribution to policyholders' account	346	463	562	2,209

Investments	December 2009	March 2009
Unit Linked	257,090	140,653
Traditional	48,823	30,912
Total	305,913	171,565

* Annualized Premium (APE) = 10% of Single Premium and 100% of First Premium

Performance – Highlights

- Total Premium underwritten – Comparison

Premium In Rs Million	Q3 FY10	Q3 FY 09	9 months ended 31st Dec 2009	9 months ended 31st Dec 2008	FY 2009
New Business Premium	10,877	9,871	25,290	30,033	44,914
Growth rate	10%	-35%	-16%	-21%	-33%
Renewal Premium	16,677	14,325	47,472	37,403	61,331
Growth rate	16%	119%	27%	158%	101%
Gross Written Premium	27,554	24,196	72,762	67,436	106,245
Growth rate	14%	12%	8%	29%	9%

- Best in class capital and operating efficiencies as reflected in the premiums/capital and operating expense ratios
- BALIC's focus is on improving profitability by diversifying the product mix and reducing operating and commission expenses

	Q3 FY10	Q3 FY09	9 months ended 31st Dec 2009	9 months ended 31st Dec 2008	FY 2009
NB Comm ratio	17%	19%	19%	20%	19%
Comm to GWP	9%	10%	9%	11%	10%
Opex ratio	18%	18%	19%	20%	18%

NB comm ratio = New Business Commission/New Business premium
Opex Ratio = Operating expenses/Gross Written Premium.
Comm to GWP = Total Commission/Gross Written Premium

Summary Results - New Business Achieved Profit (NBAP)

Period	NBAP*	Annualised Premium
	Rs. Bn	Rs. Bn
9 months FY 2009/10	3.69	20.41
9 months FY 2008/09	5.17	27.84
FY 2008/09	7.21	38.79
FY 2007/08	12.03	59.99

* NBAP is for Individual policies

NBAP Comparison with other Life Companies might not be very relevant as actuarial Assumptions & methodology used are likely to vary from Company to Company, in the absence of any common agreed process.

Challenges

- New guidelines by IRDA on capping of charges that can be earned by a company over the life of a Unit linked policy.
- Downturn in equity market could impact UL business and increase demand for Guaranteed products.
- Proposed Direct Tax Code, might affect the tax benefit enjoyed by policyholders presently.
- Draft recommendation of Swaroop committee on eliminating intermediation.
- High lapsation and lower persistency ratio(1)
- Ability of insurers to raise capital.
- Agent productivity.

Note: 1) Ratio showing the percentage of policies that continue paying premiums rather than cancel policies. A higher ratio is better than a lower ratio

BALIC's Strategy and Strengths

- Growth in business while maintaining best in class capital and operating efficiencies. Arrested drop in New Business in Q3 and picking up in Q4
- New products like Max Gain, Shield Plus and Wealth Gain are introduced to meet customers' specific requirements.
- Expense management and control.
- Increasing productivity of Sales Force
- Focusing on providing better product and other soft skill training to sales force to enhance their productivity and growth
- Continuing focus on better ways to enhance customer service.

BALIC's Strategy and Strengths contd….

- Focus on improving profitability and not aggressively pursuing market share
  - — Favorable product mix and focus on rationalizing operating and commission expenses
- Superior capital efficiency
  - — Reflected in leading Gross Written Premium (GWP) to capital ratio
- Diversified distribution network with agency sales accounting for 51% of sales (11% from Bancassurance and balance from Alternate channels)
  - — Focus on improving agency & channel productivity
- Wide geographical reach through 1,151 offices
  - — Presence in Tier-I, Tier-II and most Tier-III centers

Bajaj Allianz
General Insurance Co.

A. Industry highlights

- ✓ Market growth picked up in Q3 at 14.1% (9.2% in Q2 CY)
  - ✓ Private sector – 14.7%
  - ✓ Public sector 13.6%
- ✓ New smaller companies and public sector pushing for top line –.
- ✓ Leading private sector companies looking to protect bottom line
- ✓ Aggressive top line strategy has pushed upwards cost of acquiring growth
- ✓ High discounts on corporate business continues
- ✓ Intense competition and gradual increase in discounting in retail business
- ✓ Aggressive strategy to gain market share has not paid dividends

B. Our Focus and Initiatives

- ✓ In this challenging environment, we have sought to focus on:
  - Improving profitability through better selection
  - Focus on improving renewal ratios.
  - Efficiently utilizing capital
- ✓ Key areas which contributed to profitability :-
  - ➢ Maximising profitable renewals
  - ➢ Reduction in losses from Group health through tight underwriting
  - ➢ Reduction in operating expenses.
  - ➢ Improved risk selection– focus on customers, channels and risks which meet benchmark of profitability
  - ➢ Maintaining high standard of service

C. Performance - Highlights

- ✓ Improved underwriting result with an underwriting profit
  - ✓ Combined Ratio (excluding Motor pool losses) at 98.9% in Q3 (Q3 PY – 102.3%). YTD combined ratio at 99.4% (PY 102.0%)
- ✓ PBT Q3 up 95%, YTD up 72% , Y-O-Y.
- ✓ Maintained market position – after de growth in Q1 and Q2, we grew 0.3% in Q3
- ✓ Market share at 7.2% as compared to 7.2% at the end of Q2 and 8.6% in FY 2009
- ✓ Business mix continues to be largely retail

GWP	Apr – Dec09	Apr-Dec08	FY 2009
Retail			
- Motor	57.2%	58.2%	56.9%
- Health	8.2%	8.0%	8.6%
sub-total	**65.4%**	**66.2%**	**65.5%**
Corporate	26.9%	27.1%	28.3%
Others	7.7%	6.7%	6.2%

Summary Results

Rs Mn	Q3 CY	Q3 PY	Change YOY	YTD CY	YTD PY	Change YOY	FY 2009
Gross Written Premium	**5,827**	5812	**0.3%**	**18,004**	19,973	**-9.9%**	**26,491**
Net Earned Premium	4,138	4,376	-5.4%	12,630	12,709	-0.6%	16,960
Underwriting results excluding losses from Motor Pool	**44**	-99		**71**	(253**)**		**(196)**
Provision for Motor Pool losses	(170)	(180)		(515)	(480)		(532)
Interest/dividend	546	536	1.9%	1,643	1,507	9.0%	2,061
Capital gains	40	-21		82	(58)		164
Profit before tax (PBT)	**460**	236	**95.4%**	**1,296**	752	**72.2%**	**1,498**
Profit after tax (PAT)	**288**	171	**68.1%**	**826**	487	**70.0%**	**952**

Gross and Net written premiums exclude premiums from Motor Pool

Balance sheet highlights

Rs. in million	As on 31-Dec-09	As on 31-Mar-09
Investment in shares	31	NIL
Bonds, cash, mutual funds etc.	26,770	24,786
Total Cash and investments	**26,801**	**24,786**
Share Capital + premium	2,768	2,768
Total shareholders' equity	7,548	6,725

- ✓ ***Invested surplus increased by Rs 2,015 million in Current year YTD.***
- ✓ ***No fresh capital introduced during the year***

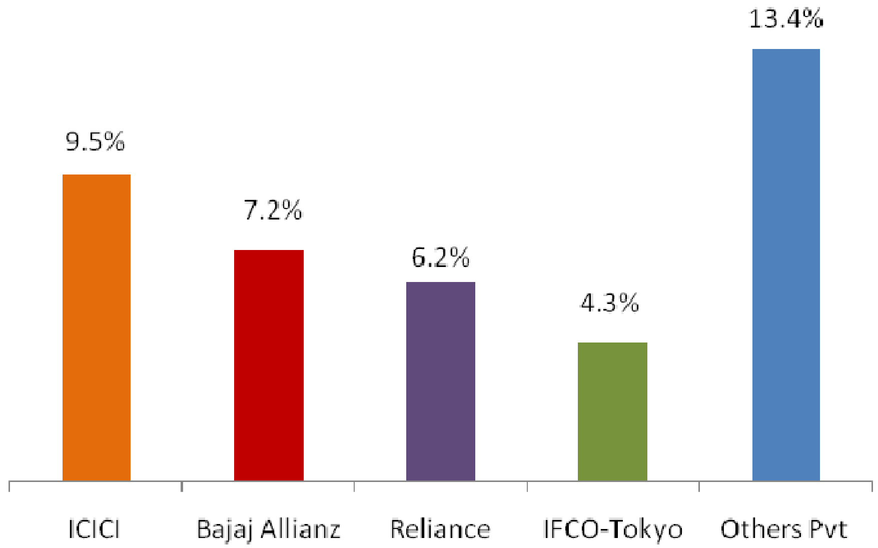
Key Ratios

	Q3 CY	Q3 PY	**YTD CY**	YTD PY	FY 2009
Loss Ratio	**65.7%**	68.8%	**67.0%**	68.3%	66.0%
Combined Ratio excluding pool losses	**98.9%**	102.3%	**99.4%**	102.0%	101.2%
Combined Ratio including pool losses	**103.1%**	106.4%	**103.5%**	105.8%	103.8%

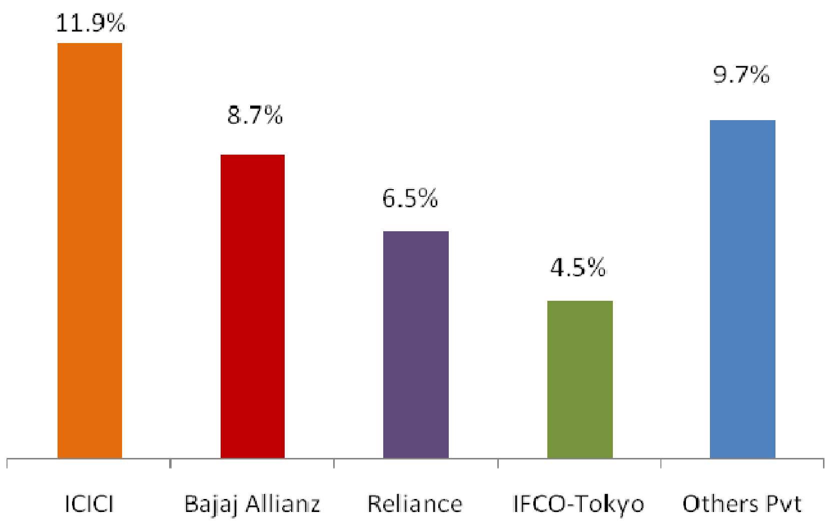
Market Share

Bajaj FinServ Limited

YTD (Apr-Dec 09)



YTD (Apr-Dec 08)



- ***Private sector share decreased by 0.8%.***
- ***Smaller private companies have gained market share while the top 4 companies have given up share .***

Based on GWP excluding specialised companies

Challenges

- ✓ Competitive pressures likely to continue as smaller companies, new companies and public sector push for top line
- ✓ Economic conditions improved but prudent selection and economic pricing will continue to drive our strategy.
- ✓ We will continue our focus on
  - ✓ Retaining profitable accounts through strong renewal focus
  - ✓ Maintaining strong underwriting bias
  - ✓ Economic net realisation
  - ✓ Growing profitable relationships on the retail segment.

Thank you