

18 August 2021

Exide Life Insurance Company Limited
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Bangalore 560 001
India

Willis Towers Watson Opinion on Embedded Value as at 31 March 2021

Willis Towers Watson Actuarial Advisory LLP (“Willis Towers Watson”, “we”, “us” or “our”) has been engaged by Exide Life Insurance Company Limited (“Exide Life”, “the Company”, “you” or “your”) to review the embedded value prepared by Exide Life as at 31 March 2021 (“embedded value results”).

Scope of work

Our scope of work covered:

- A review of the methodology and assumptions used to determine the embedded value results; and
- A review of the results of Exide Life’s calculation of the embedded value results.

Opinion

Willis Towers Watson has concluded that the methodology and assumptions utilised by Exide Life to compute embedded value results and as reviewed by us comply with the standards issued by the Institute of Actuaries of India within the Actuarial Practice Standard 10 (“Indian Embedded Value Principles”) in all critical respects, and in particular that:

- the economic assumptions used are internally consistent and result in the projected cash-flows being valued in line with the prices of similar cash-flows that are traded on the capital markets;
- the operating assumptions have been set with appropriate regard to the past, current and expected future experience;
- the Required Capital has been determined and projected on the basis of minimum regulatory capital target of 150% of the Required Solvency Margin; and
- allowance has been made for the Cost of Residual Non-Hedgeable Risks following a cost of capital approach based on Exide Life’s established economic capital models.

Willis Towers Watson has also performed high-level reasonableness checks on the results of the calculations by reviewing implied margins and overall results for each significant line of business. We have not, however, undertaken detailed checks of all models and actuarial processes involved. On the basis of this high-level review, Willis Towers Watson has confirmed that no issues have been discovered that have a material impact on the aggregate embedded value as at 31 March 2021.

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Results

Embedded Value is a measure of the consolidated value of shareholders’ interest in the life insurance business.

Exide Life has determined its embedded value based on a market consistent methodology. Under such an approach, embedded value is calculated as the present value of shareholders’ interests in the earnings distributable from the assets allocated to the business after allowance for the aggregate risks in the business.

Market consistent embedded value determined by Exide Life as at 31 March 2021 is set out in the table below:

Table 1: Embedded Value as at 31 March 2021

Components of EV	Amounts in INR millions 31 March 2021
Adjusted net worth	15,908
Required capital	10,144
Free Surplus	5,765
Value of in-force business	11,005
Present value of future profits	12,328
Frictional cost of capital	(507)
Time value of financial options and guarantees	(19)
Cost of residual non-hedgeable risks	(797)
Embedded Value	26,914

Disclaimers

In arriving at our conclusions above, Willis Towers Watson has relied on data and information, including estimated impacts of any issues identified, provided by Exide Life shared on or prior to 17 August 2021 and do not take into account any developments after this date. This Opinion is made solely to Exide Life in accordance with the terms of Willis Towers Watson’s engagement letter dated 19 July 2021. To the fullest extent permitted by applicable law, Willis Towers Watson does not accept or assume any responsibility, duty of care or liability to anyone other than Exide Life for or in connection with its review work, the opinions it has formed or for any statements set forth in this opinion.

COVID-19 is an ongoing and continuously evolving issue which has and will continue to have significant effects on global economic activity and insurance claims experience. The actual effects of COVID-19 could have an unexpected material impact on our findings. The level of uncertainty affecting our conclusions and the underlying volatility of actual outcomes is increased because of the emergence and contingent evolution of COVID-19.



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