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IDFC-SSKI Insurance Day 2007

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IDFC-SSKI Insurance Day 2007

IDFC-SSKI Securities hosted an Insurance Day on 5 December 2007 in Singapore, where we facilitated interaction between investors and top managements of Indian life insurance and general insurance companies (seven participants). Investors continue to be intrigued by the explosive growth being demonstrated by these insurance companies; and the outlook on the sector is bullish given the low penetration levels and aggressive plans of private insurers.

LIFE INSURANCE

A growing pie: Private insurers have continued to register strong growth in the current fiscal (YTD FY08: 82% yoy), though LIC registered a decline of 3% yoy. However, there is consensus among companies that the overall life insurance space will evidence growth of 25-30% over the next few years. In response to concerns on sustainability of the high growth rates in a crowded industry (17 players already operational; 16 new licenses awaited), players believe that with a rapidly-expanding life insurance pie, they would demonstrate strong growth – and not at each other's cost.

Strong footprint – a critical success factor: In the life insurance space, growth is a direct function of a player's distribution network. Vindicating the importance of a strong distribution network, 0.5m agents are estimated to be added in the system so far in FY08. LIC, the erstwhile state monopoly, has the strongest pan-India distribution franchise of 2,000 branches. ICICI Prudential, the largest private insurance player, is estimated to scale up its network to 50% of LIC's existing franchise by year-end. Reliance Life – the fastest growing life insurer – is likely to establish 40% of LIC's network by FY08.

ULIPs continue to rule the roost: All companies reiterated that their product portfolios are predominantly ULIP-biased, with the product comprising above 90% of the total business for majority of the players. This trend is explained to be a fallout of higher margins, greater appetite for investment products vis-à-vis pure protection policies, higher commissions paid on ULIP products and controlled fears about impact of a market downturn.

Health is wealth…pension worth mention: Players are increasingly foraying into the health and/ or pension segments. The health space is expected to explode given that currently only ~1.5% of expenditure on health in India is through insurance. Also, with the accelerated pace of PFRDA reforms, the pension segment presents a lucrative opportunity for insurers. Already, pension products constitute 25% of the total premium for two large private players – ICICI Prudential and HDFC Standard Life.

"For Private Circulation only" and "Important disclosures appear at the end of this report"

Converging commissions…rein in mis-selling: In the wake of the panel set up on distribution channels by IRDA, commissions across distribution channels are expected to converge. Then, differentiation among channels will only be in terms of volumes generated and the channel-mix across players. Moreover, companies expect the panel recommendations to be instrumental in improving efficacy of the channels to mitigate the risk of mis-selling.

Companies seeking value-unlock: While RBI's green signal on the holding company structure is still in limbo, we expect significant number of listings in the next 12-18 months subject to regulations. Some companies have also indicated that their timing to list on the bourses will be determined by the extent of industry standardization. ICICI Prudential leads the pack in terms of information disclosed, but companies are willing to disclose more information once there is consistency of definitions. In the prevailing scenario, parameters calculated by companies are not necessarily comparable, thereby portraying an inaccurate and/ or incomplete picture.

GENERAL INSURANCE

Way to go: General insurance companies are certain of the huge market potential, primarily with abysmally low penetration levels (0.6% of GDP). The opportunity is further magnified with the changing demographic profile of India.

Retail riding the deregulation wave: Companies have seen a fundamental shift in their book towards retail with pricing of 75% of products moving to free-pricing on 1 January 2007 (thus ending an era of cross-subsidization). This trend towards retail is expected to continue post the second round of de-regulation.

Second wave of deregulation: The second stage of deregulation is scheduled for Jan 2008, when all products are expected to move to free re-pricing. Subsequently, on obtaining regulatory clearances, companies will be able to customize products for individual clients, thereby stirring innovation. While we estimate premium growth to remain stable, an initial disruption cannot be ruled out.

Concentrated presence…competition less fierce: In the general insurance landscape, competition is relatively less intense than in the life insurance business. ICICI Lombard, Reliance General Insurance and Bajaj Alliance are the three prominent private insurers. Further, the growth trajectory for these companies will receive an additional impetus from their promoter finance companies expanding the retail asset franchise and with their forays into related businesses such as hospitals.

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Stock prices are as on 24 December 2007

BIRLA SUN LIFE

Valuation: Rs840 per share of Aditya Birla Nuvo (46% contribution to current stock price)

The Birla Sun Life management delineated its key strategic moves to stage a comeback to the No.3 position among private life insurance companies. After sliding to the No.5 position (market share of 5.3% in FY2007 against 13.7% in FY05), the company has regained some of the lost ground with 8% share as of September 2007. The rebound has been achieved with a change in management and catalyzed by capital infusion of Rs1.23bn in the recent months. Subsequent to that, there has been aggressive investment in distribution network as well as a thorough review of all products. While agency is to remain the main distribution channel, share of banc assurance is likely to increase. Further, a detailed analysis was conducted to identify gaps in the product portfolio and nine products have been launched since the beginning of this fiscal. While the product portfolio remains ULIP-dominant, the company aims to expand into new market segments like health and pension.

❑ Staging a comeback

- To regain a position among the top three private life insurance companies, the new management is working on expanding distribution bandwidth, fortifying the product portfolio, committing higher capital and improving operational efficiency by attaining higher cost control through automation to enhance customer service.

❑ Distribution ramp-up…increasing contribution from banc assurance

- Distribution network is being scaled up to a level comparable to the top three private players in the industry.

Investing in distribution depth

	FY07	Current	FY08
Agents	56,603	~69,000	~100,000
Branches	137	339	600
Locations	95	256	500

Source: Company, SSKI Research

- The management anticipates increasing contribution from banc assurance (30% of incremental revenues currently) as tie-ups with various banks enable the company to cater to a diverse customer base.
  - o Citigroup enables servicing of high net-worth customers with an average policy size of over Rs100,000. This alliance contributes half of the banc assurance business value.
  - o PSU bank customers are catered to through the IDBI branch network. DCB has been identified as an aggressive sales platform going forward.
- Agency force, which contributes ~60% of the business, is indicated to remain as the core distribution channel.

❑ Building a robust product portfolio

The management has launched nine new products over February-October 2007 after a thorough review of the portfolio to identify service gaps, align products to market demands and phase out underperformers.

- **ULIP dominant:** ULIP contributes 98% to the business while proportion of singe premium/traditional products would remain negligible.
- **New segments:** The management is exploring foray into the health and pension segments.

❑ Capital requirements

- The promoters have recently infused Rs1.23bn (capital base augmented to Rs10bn) to meet the regulatory requirement of 150% solvency margin, scale-up the existing infrastructure and fund new business strains. The management has indicated capital commitment of Rs20bn over the next three years.

Reliance Life

Valuation: Rs1115 per share of Reliance Capital (46% contribution to current stock price)

Reliance Life's management reiterated that aggressive distribution expansion across channels will remain the mainstay of its strategy. The company has strong ability to commit capital, leverage the ADA group ('Group') resources and the 'Reliance' brand as the primary differentiators for the spectacular scale-up. It was also indicated that while ULIP products continue to dominate the portfolio, contribution of pension products is increasing. Though the management is confident of growing at over 100% yoy for the next three years (double the private industry growth rate), it has identified enhancing stickiness of agents as a challenge.

❑ Distribution – a strategic focus and a key differentiator

- After a late entry in the life insurance space in July 2005, Reliance Life has been the fastest growing life insurance company and the No. 6 private insurance player on the back of aggressive distribution expansion.
- Distribution network is planned to be ramped up to 750 locations by December-end. Alongside expanding its agent force, Reliance Life would retain emphasis on alternate channels. The company is increasingly leveraging its arrangements with distribution partners such as R-money (a Group company) and cooperative banks.

Network expansion targets

	Existing	Year-end target
Agents	150,000	200,000
Branches	350	570

Source: Company

- The unprecedented growth in distribution network vis-à-vis competition has come on the back of:
  - Ability to commit capital given the deep pockets of the Reliance ADA Group.
  - Strong Reliance brand being a pull factor when recruiting agents.
  - The in-house training institute NIS Sparta enables Reliance Life to expand its agent force efficiently.
  - Fast growth in Tier-II and III cities by leveraging infrastructure of Reliance Communications and R-Money.
- Key challenges for Reliance Life are increasing stickiness of agents (current average life cycle of ~3 years) and expanding distribution depth.

❑ ULIP growth rates to taper-off…pension products gain traction

- ULIP products form ~90% of premiums. NBAP margins are estimated to come down to 16-17% from 18-19%.
- Single premium products are intended to be maintained at below 10% of the portfolio. On the other hand, the group business has experienced growth due to expansion of horizon beyond the Reliance ADA group.
- Over 85% of portfolio has tenor of 10 years.
- Pension products constituted ~55% of business in Q2FY08, and health will remain one of the focus segments.

❑ New initiatives…offering value-added services

  - **Innovation:** A point-system has been launched for policyholders, wherein points are awarded for number of years premium is paid/ any top-ups on child plans.
  - **Leveraging group strengths:** Reliance Communications technological platform is being used to provide prompt acknowledgement letter and receipt for the premium to policyholders.

❑ Growth estimates

- Given the inherent strengths of Reliance Life and driven by aggressive expansion efforts, the management is confident of achieving 100% yoy growth for the next three years (2x private industry growth rate of 40-60%).

HDFC STANDARD LIFE

Valuation: Rs287 per share of HDFC (15% contribution to current stock price)

HDFC Standard Life's (HDFC SL) focus on selling processes to provide closely-aligned financial solutions to customers differentiates it from peers. While the emphasis on streamlining processes to provide good quality customer service led to slower growth in the initial years, the management attributes the high persistency ratio and average premium ticket size at HDFC SL to this ideology. Attention has now shifted to expanding the distribution network. Though HDFC SL will remain an agency driven-model, the share of DSAs is likely to increase from 2% currently to 12% in FY12. With the industry predicted to grow at 25%-30% CAGR over the next three years and HDFC SL's historic growth rates of 100% yoy, the management is confident of sustaining growth at 60%. More significantly, the expense ratio has declined significantly to 20% in FY07 due to higher business volumes; the management targets to reduce it to 10% in the next two years. Further, while the product portfolio would remain ULIP dominant, pension and health products will gain traction. The management anticipates capital requirement of Rs60bn per annum till FY10 to fund growth.

❑ HDFC SL focuses on selling processes

- The management reiterated that the strategy was initially concentrated on building the company's backbone, i.e. work flow processes across functions (policy sales, complaint status and claim handling).
- HDFC SL is focused on assessing customers' financial needs and offering well-aligned solutions.
- Though the strategy restricted growth in the initial years, it is now yielding results in the form of a high persistency ratio (first year persistency ratio is above 90%) and higher average premium.

Emphasis on financial need assessment…translates into higher average premium

March '07	LIC	Pvt.companies	HDFC SL
Average premium (Rs)	8100	21,000	36,000

Source: Company

❑ Agency to remain dominant distribution channel

- The management highlighted that in H1FY08, 42% of individual business was procured through alternate channels, 56% through tied agency (56%), and ~2% from direct selling agents (DSAs).

Rapid distribution ramp-up – presence in 700 locations

Nos.	Mar'06	Mar'07	Sept'07
Agents	33,288	74,000	99,312
Branches	169	276	300

Source: Company

- By 2012, the management expects the share of alternate channels to reduce to 25% and that of DSAs to increase to 12%. This tilt towards agency and DSAs is fallout of the management expecting all large public sector banks to have their own insurance companies.

❑ ULIP products…majority of incremental sales

- Around 94% of new sales are of ULIP products. Margins hover at 23-25% (better for longer tenor products).
- Interestingly, the management shared that September 2007 was the first month when investments in equity surpassed those in debt. Earlier, the equity/ debt proportion was at 48: 52.
- In response to concerns on the impact of downturn in markets on a ULIP, the management comforted that equity exposure has actually increased during the recent market correction. This is validated by the fact that 82% of incremental investments were in equity and 70% of switches were from debt to equity.

❑ Increasing focus on pension and health products

- The management indicated that pension products contribute about 32% of the total premium.
- The increased focus on pension products is a function of the encouraging demographic profile:
  - An independent survey indicates that majority of the 50-year + age group has not undertaken any retirement planning. Population in this age bracket is estimated to increase from 11% in 2005 to 26% (i.e. 423m additional people) by 2050.
- According to the management, the average premium for pension products is relatively higher at Rs44, 000.
- HDFC SL is entering the health pure-protection space to capitalize on the huge underlying potential in India.

❑ Declining expense ratio…supported by growth

- HDFC SL has managed to pare its expense ratio to 20% in FY07 from 26% in FY06 and 34% in FY05. The target is to reduce the expense ratio to 10% in the next two years, aided by a 60% CAGR in topline over the same period.

Declining expense ratio on the back of higher volumes

March '07	FY06	FY07	2-year target
Operating expense ratio	26%	20%	10%

Source: Company

❑ Capital requirements…possibility of an IPO in the next 12-18 months

- The management specified that capital of about Rs60bn per annum is required for the next two years.
- Additionally, it was indicated that there is a possibility of an IPO in the next 12-18 months.

ICICI-PRUDENTIAL LIFE

Valuation: Rs320 per share of ICICI Bank (27% contribution to current stock price)

The management at ICICI Prudential (ICICI-Pru) outlined growing faster than competition and maintaining persistency as the two key challenges faced by the company. While promoter distribution franchise will enable ICICI-Pru to penetrate the market at a faster pace, agency will remain the dominant channel. The management highlighted that the product portfolio remains robust with stable margin and persistency trends. In addition, pension and health have been identified as focus segments. To fuel growth, ICICI-Pru plans to infuse US $600-650m of capital in the medium term. While clarity is awaited from the RBI on the holding company structure, the alternate plan is to adopt the IPO route to unlock investor value.

❑ Scaling distribution…promoter advantage

- ICICI-Pru is aggressively expanding its distribution network, supported by the Indian promoter's extensive reach.
- The faster pace of distribution penetration will be one of the key differentiators, enabling ICICI-Pru to sustain its leadership (market share of 26.5% in private space and 11.8% in total market as of October 2007).

Distribution network ramp-up…bolstered by high promoter penetration

Nos.	FY05	FY06	Oct'07
Locations	74	132	701
Branches	107	177	1010
Advisors	57,000	72,000	211,000
Non-agency share (%)	30	37	38

Source: Company

❑ Channel mix to remain similar

- Over 60% of the business is attributable to agency, while the remainder is contributed by alternate channels. ICICI Bank is the largest banc assurance partner.
- Going forward, the management does not expect any major change in the distribution mix.

❑ Stable product portfolio

- **Predominantly ULIP:** The management maintained that the product portfolio is primarily ULIP with single premium products (relatively shorter tenure of 5-10 years) constituting 10-15% of the total book.
- **Stable persistency trend:** While the management does not currently disclose the persistency ratio, it stated that trend continues to be stable. Also, renewal premium constitutes 40% of the total with new business premium comprising the remainder.
- **Stable profit margins:** NBAPs of ICICI-Pru's product portfolio is ~20%, and has been stable since the IRDA guidelines on ULIP were announced.
- **Reinsurance book to remain stable:** The management indicated that reinsurance is currently ~1% of the total premium, and is likely to remain so. The proportion of reinsurance varies with the risk of a product; health products, for instance, require higher reinsurance against pure protection products.

❑ Focus segments identified

- **Pension products:** With only 10% of industry premium accruing from pension products, the management is bullish on the segment, more so in anticipation of the changing dynamics with PFRDA pushing the reform process by opening pension funds to private management. To capitalize on the potential opportunity, ICICI-Pru has introduced a few retirement plans like 'Jeetey Raho' and 'Plan Your Number With Us'.
- **Health products:** The management forecasts the current spend on healthcare to be abysmally low at ~2% of GDP, which would make the segment attractive. The management has launched eight health products in the market.

❑ New Business Margin to stabilize

- When queried on the decline in the company's New Business Margin from 24.5% to 20%, the management identified two reasons: a) change in structure of wholesale products in terms of tenor in line with IRDA guidelines, and b) alignment in assumptions after the annual review process.
- The management further guided that margins are expected to remain flat for this fiscal year.

❑ Estimated growth rates…sustained by capital infusion

- The management expects to report accounting profits in 2-3 years, contingent to projected growth rates.
- Forecast is to grow at 30-40% over the next few years. About US $600m-650m is proposed to be injected to fund growth.

❑ Value unlock on the horizon

- While the RBI is still working on the holding company structure, the management reiterated that it will adopt the IPO route to unlock value if clarity on the issue does not emerge by year-end.
- In the holding company, the promoter ICICI Bank is likely to parks its holding of 74% each in the life insurance and general insurance business, and 50% in the AMC in an intermediate holding company . RBI is concerned about the supervision of such a holding company.

❑ Key challenges

- The management outlined the following as the key thrust areas going forward:
  - Expanding distribution reach at a faster pace and ahead of increasing competition.
  - To retain customers, i.e. to maintain the persistency ratio as the book grows.
  - Prevent mis-selling of products requiring greater transparency regarding subsequent charges.
  - To manage switches between debt and equity during the small periods of correction.

MAX NEW YORK LIFE INSURANCE

Valuation: Rs230 per share of Max India (92% contribution to current stock price)

In the context of a buoyant industry scenario with low penetration, Max New York Life Insurance's (MNYL) management expects the company to achieve 50-60% yoy growth on a sustainable basis. The management also elaborated its growth strategy which revolves around a significant scale-up in distribution network including coverage in Tier II and III cities. While expansion is planned across channels, MNYL will continue to be an agency-driven model given its strong productivity credentials. Also, the company is exploring addition of new product lines such as health and micro-insurance products targeted at the semi-urban and rural population. However, the management maintained that increasing proportion of ULIP and longer-tenor products will continue to be the mainstay of the product portfolio.

❑ High sustainable growth driven by expanding distribution reach

- The management restated that scaling geographical reach is part of the core strategy to sustain 50-60% yoy growth.
- Distribution network is proposed to be scaled up with number of offices being increased from 180 currently to 600, agent force from 30,000 to 200m and corporate agents at a 30% CAGR by FY11.
- MNYL proposes to adapt the New York Life model for systems/offices when expanding into Tier-II and III cities. This consistency in processes will enable centralization of some functions, expected to result in cost rationalization.

Distribution ramp up to penetrate Tier II and III cities

	FY07	FY\11
Agents	30,000	200,000
Branches	175	600+
Locations	122	450

Source: Company

❑ Agency-orientation to be maintained…

- Management emphasized that 65-70% of sales are agency-driven (historically 95%). The remaining 25% is attributable to alternate channels (corporate agents, banc assurance and DSAs).
- MNYL currently has exclusive corporate agency arrangements with i) Amsure-subsidiary of Amway and Hollard Life Insurance, South Africa- till FY10, ii) Indiabulls for next three years, and iii) some others such as Peerless. Yes Bank is one of the larger bank assurance partners for MNYL.

❑ …given the highest productivity among peers

- MNYL's strong agent productivity credentials are reflected in 1.17 cases per agent for the company as against 0.77 for the second largest insurer. Premium per agent is also higher at US $617 (as against US $320 for the next player).
- The management attributed this stellar productivity record to two factors:
    - **High quality in-house training:** MNYL invests 400 hours in agent training against the mandatory requirement of 50 hours. In-sourced training enables greater control over quality of training imparted.
    - **Span of control:** A higher Supervisor: Agent ratio of 1:15-18 translates into better agent productivity.
- While productivity levels are likely to come-off, industry leadership position would be maintained.

❑ Longer-tenor ULIP-dominated product portfolio

- The management reiterated that the ULIP portfolio constitutes 70-75% of new business sales and continues to reflect good traction with increased popularity and better transparency offered by the product.
- Product portfolio continues to be long-term with an average tenor greater than 10 years (ULIP products written are for an average tenor of 20 years). Longer-tenor policies imply higher profitability and lower annual premiums.

- The management reaffirmed that the nature of the portfolio translates into a high conservation ratio of 87%.

❑ New product lines…intrinsic to growth strategy

- The management guided that MNYL intends to add new product lines to its existing portfolio:
  - **Health:** MNYL intends to offer health policies by next year to capitalize on the strong opportunities.
  - **Micro Insurance:** Given the emphasis on expanding presence in Tier II and III cities, MNYL intends to explore the opportunity of providing micro-insurance. These products are expected to have lower ticket size, but will enjoy greater stickiness.

ICICI LOMBARD

Valuation: Rs60 per share of ICICI Bank (5% contribution to current stock price)

ICICI Lombard presented its robust credentials at the conference: it continued to lead the private sector general insurance space with 3m policies issued in FY07 and a market share of 34.5% (private sector). The management identified low industry penetration, strong under-writing contracts and an integrated technology platform as the underlying growth triggers. With focus on the retail pie, specifically health and motor, rapid scale-up in distribution across channels was stated as a key parameter. Keen to maintain the combined ratio below 100%, the management is closely monitoring the risk profile of the portfolio with regulation enabling better risk and price alignment. Also, the company is entering into arrangements with the global best to manage claims and losses across products.

❑ Under-penetration, short-term underwriting contracts and technology to drive growth

- The management reiterated that the industry potential is immense given the low penetration (0.6% of GDP). Further, the retail opportunity is magnified as of the US$25bn-30bn of health spend, less than 2% is through insurance. Also, only about 1% homes are currently insured and penetration levels are abysmal in rural India.
- One-year underwriting contracts (due for re-pricing after a year) enable ICICI Lombard to manage risk and grow at aggressive rates. Currently, half of the business is reinsured.
- ICICI Lombard has achieved private market share of above 34%, and industry market share of above 12%. The sophisticated technology platform, which enables the company to cross-sell products, is another growth trigger.

❑ Going retail…health and motor key focus segments

- Retail customers have grown from 1.5bn in FY05 to 3.5bn in FY07, with a sea change in the Group: Retail business mix from 90:10 to 48:52 (post de-tariffing).
- The management stated that backing of the country's largest consumer financing company (ICICI Bank) gives ICICI Lombard a head start over competition.
- Going forward, health and personal insurance are the two focus segments with special emphasis on the rural market.
- ICICI a diversified retail product portfolio.

❑ Distribution is the game

- As evident from statistics for H1FY08, investments in building scale continue unabated.

Building distribution muscle

	FY07	% of premium	H1FY08	% of premium
Employees (direct)	4,800	42	5,100	37
Banc assurance	5	37	5	33
Intermediaries	15,000	16	17,500	20
Branches	220		265	

Source: Company

- The banc assurance channel, currently with five partners, contributes about 3x business vis-à-vis competitors.
- Further, the management expects lower incremental cost of distribution for the C cities.
- The management shared that the low ticket size in the health insurance segment makes it less cost-effective due to higher channel and administrative costs. Therefore, tele-sales and web-enabled platforms have been identified as key channels for servicing the health segment (70-75% of sales to this segment are now through these channels).

❑ Monitoring risk profile…alliances with the best

- The changed business mix in favour of retail has de-risked the portfolio against clustered revenues from corporate business.
- Deregulation has enabled closer monitoring of bad risk probability and mis- pricing.
- Also, alliances with the best in the industry have been forged to manage claims and losses across products. The claims ratio on the auto segment is about 60%, but with all claims surveyed (in-house team of 400 surveyors), the risk of fraudulent claims is mitigated to a large extent.
- The management stated that the combined ratio is currently at ~96%, and is targeted to be maintained at this level.

RELIANCE GENERAL INSURANCE

Valuation: Rs287 per share of Reliance Capital (12% contribution to current stock price)

Reliance General Insurance (RGI), though set up with the objective of writing group business in 2001, has expanded aggressively since it geared up for external business in FY06. Efforts have yielded results with substantial new business accretion, a 195% yoy growth, market share of 4% and No. 2 industry ranking in terms of incremental new premium in FY07. According to the management, these stellar achievements are an outcome of speed of execution and ability to exploit group synergies in the context of the huge retail opportunity – its key strengths. RGI's business model is biased towards the retail space, which constituted 60% of the business in Q2FY08. The management expects to sustain the high growth rates on the back of strong commitment from the promoter.

❑ Unprecedented growth…the key triggers

- RGI reported a stupendous ~460% yoy increase in gross premium from FY06 to Rs9,122m in FY07, with an average of 350,000 policies sold per month.
- A burgeoning retail portfolio, expanding distribution franchise and group synergies have fuelled topline growth.
- Under-penetration of general insurance in India, at 0.6% of GDP, and the government's infrastructure development programme have been identified as future growth triggers.

❑ Increasing bias towards retail

- In the wake of deregulation, RGI management reaffirmed retail as a future growth engine with specific focus on motor, health, travel and home segments.
- Retail segment, accounting for 55-57% of premium in March 2007, has expanded to 70% in November 2007. The share is expected to scale up to 75-85% in the next couple of years, spurred by a pick-up in the health segment.
- De-tariffing has led to slight deterioration in the combined ratio; however the management is confident of maintaining the combined ratio at 95-96%.

Increasing retail bias (% of total)

	FY07	Current	Estimate
Retail	55-57	70	75-85
Corporate	~40	30	~25

Source: Company

❑ Expanding distribution franchise

- With increasing tilt towards retail, distribution network is the key to strong growth.
- RGI has differentiated itself by building scale at a pace faster than peers. The management expects distribution intermediaries to increase to 30,000 in FY10 with office base expanding to 200 in November 2007.

Aggressive scale-up in distribution

	FY07	FY10
Intermediaries	18,300	30,000
Branches	85	200+

Source: Company

❑ Group synergies

- The management elaborated that leveraging the ADA Group's franchise is intrinsic to RGI's growth strategy:
  - Strong promoter commitment evident from the recent capital infusion of Rs10.5bn.
  - Capitalizing on the 50m group customer base.
  - Utilizing Reliance Money's distribution franchise and Reliance ADA group's foray into hospitals.
  - Strong promoter brand fosters high appeal among customers and potential agents.
  - In addition, the international office provides knowledge about products and re-insurance rates.

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