Base case Scenario

Illustrative Financial Results/ position: **XYZ Life Insurer** Rs. in Crore

Particulars	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
New Business Premium	275.00	324.50	382.91	451.83	533.16
Renewal Premium		165.00	293.70	405.97	514.68
Gross Written Premium	275.00	489.50	676.61	857.80	1038.84
Premium Ceded	82.50	73.43	67.66	60.05	67.52
Net Premium	192.50	416.08	608.95	797.75	971.32
Investment Income from Share Capital	5.60	9.60	10.40	12.80	16.50
Investment Income from Premium	6.35	12.75	18.61	24.10	29.72
Total Investment Income	11.95	22.35	29.01	36.90	47.72
Total (A)	**204.45**	**438.43**	**637.96**	**834.66**	**1019.04**
Commission	63.25	84.54	105.69	128.28	153.51
Operating Expenses	66.00	112.59	145.47	188.72	226.47
Net Benefits Paid	49.50	90.56	121.79	171.56	202.57
Change in liability valuation	125.13	187.23	316.65	374.94	446.81
Total (B)	**303.88**	**474.91**	**689.61**	**863.50**	**1029.36**
Surplus/ Deficit	**-99.42**	**-36.48**	**-51.64**	**-28.84**	**-10.31**
Share Capital (including infusions during the year)	140.00	240.00	280.00	335.00	365.00

Key Assumptions:

New Business premium growth assumed at 18% p yr

Renewal Premium @ 60% of NB YoY

Investment income/ return @ approx. 6-6.5%

Exps of Management assumed @ 20-25%

Commission @ 23% for NB and 6% for Renewal

Benefits Paid @ 18% - 20% of Net Premium

Reinsurance ceded will be high in the initial years and gradually reduce to around 5-6% by 7th year

1) **Business Growth:** In the initial years, the growth rate may be high due to smaller denominator, the same may gradually move toward industry average.

2) **Operating Expenses:** In the initial years, the company may be required to incur higher expenditure on advertisement, brand building and IT exps. The same may gradually reduce as the business grows.

3) **Business Mix:** It has been assumed that the business is derived from mix of various segments.

4) **Distribution Channels:** It has been assumed that major business of the company is derived through intermediaries. Direct sales may result in variance in profitability.

5) **Break-even point:** It has been assumed that the company will reach to break-even after 7-8 years of operations.

6) **Capital Infusion:** The promoters shall infuse capital in order to maintain the minimum solvency requirement, to support growth of the company and to ensure the liquidity to meet the policyholders liabilities.

7) **Branch expansion:** It has been assumed that the company shall use a mix of digital mode as well as physical branches to source the business.

8) **Corporate Governance:** It has been assumed that the KMPs, Composition of Board and its various committees shall be as specified by the Authority.

9) **Rural & Social Sector Obligation:** It has been assumed that the business shall be sourced from rural areas and shall be in compliance with Rural and Social Sector Obligations specified by the Authority.

Note 1: The above business plan and assumptions given are only indicative and has been provided for illustrative purposes. The actual business plan needs to much more detailed to enable the Authority to examine the same from various aspects including but not limited to capital adequacy, IT systems in place, internal controls, measures for protection of policyholders interests, shareholding structure etc.

Note 2: The figures, calculations, formulas etc. in the above illustration have been kept simple for ease of understanding and are only for indicative and illustrative purposes. The same may not correspond / tally when computed with actual numbers in real world scenario.

Note 3: The above illustration shall not be used or construed as any guidance/comments/commitments by the Authority with regard to performance, break-even, profitability, growth etc.