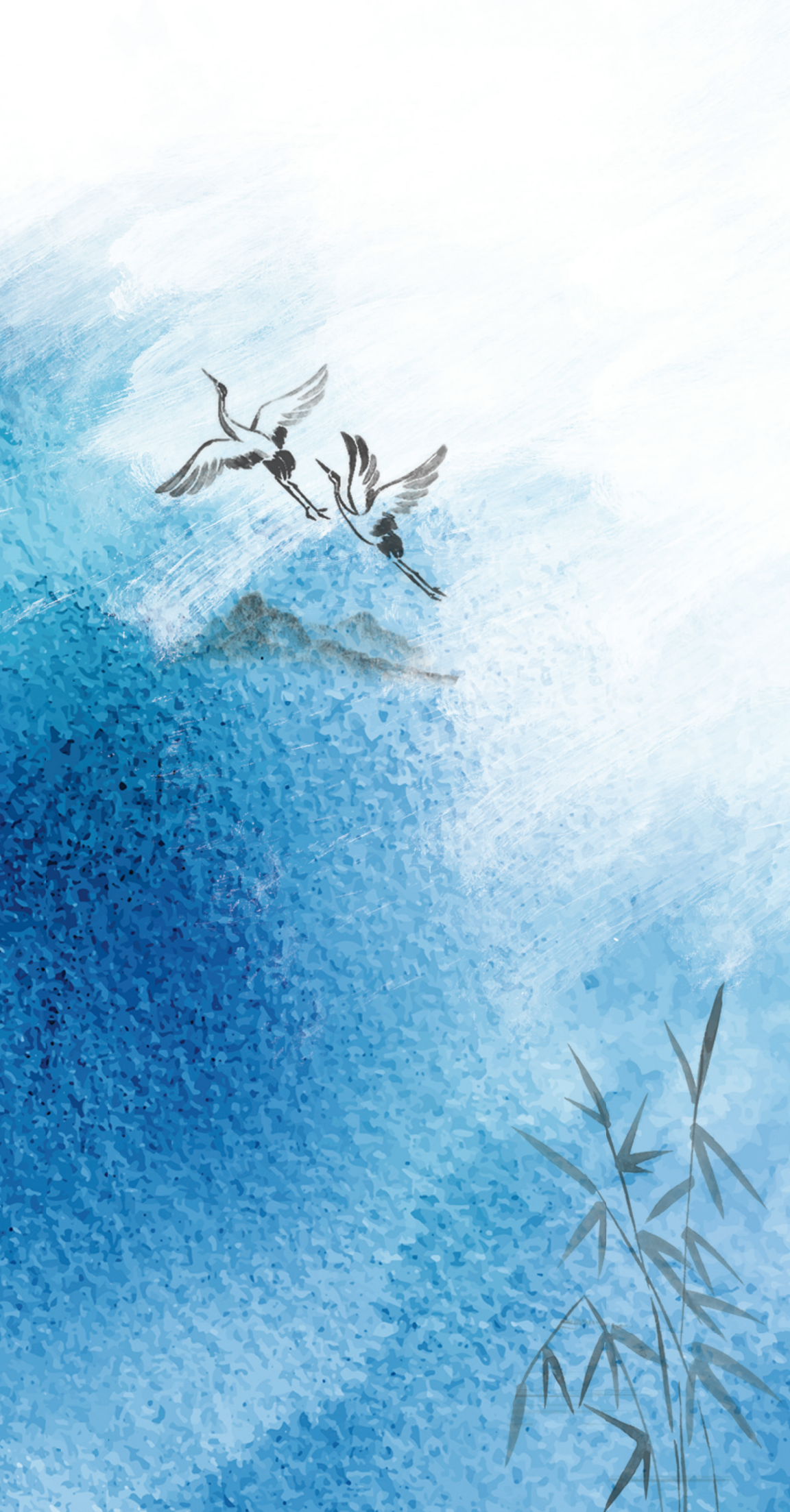




Partnering to
Do Good



Preface

Partnering to Do Good

When does a partnership transcend the ordinary?

When two entities don't just act as one, they think as one too. When they share a purpose, not just a business. That's when the whole feels much greater than the sum of its parts. When it becomes effortless in its efforts.

We feel fortunate to be part of such a partnership with Nippon Life.

Reliance Life over the years, has endeavoured to provide financial independence to over 1 Crore customers, through access to long-term protection and savings, while Nippon Life is a Fortune Global 500 life insurer and the largest private insurer in Japan, with a vast experience of over 126 years in Life Insurance.

Over the course of our partnership, there has been a robust exchange of ideas, beliefs, guidance and support. There has been a stimulating blend of professional cultures influencing and enriching one another. Life Insurance, by its very nature, seeks to Do Good. Both Nippon Life and Reliance Life share this common purpose.

The past five years have seen our bond become deeper and stronger. And henceforth, we will even share a name – Reliance Nippon Life Insurance.

There is something truly sublime and poetic in the way our paths have merged, something that transcends contracts and profits, terms and conditions. Our shared belief in the philosophy of '*Do Good*' unites us like no agreement ever can. Our commitment to doing what's best for our customers, employees and partners is the tie that binds us closer. We couldn't have thought of a better way to celebrate this union, than with the most ethereal of poetic forms – **Haiku**.

An ancient and still revered Japanese form, Haiku, comprising measured, precise syllables, celebrates a rapturous awareness of life – in all its forms. The reader of the Haiku is expected to add to the words his own imagery and thus become a co-creator of his own pleasure in the poem.

At Reliance Nippon Life Insurance, we are inspired by the purity and beauty of Haiku and have applied it to our own ethos of bringing purity into life. By '*Doing Good*' and spreading goodness with our partner Nippon Life, through belief, through thought, through action. The ecstatic flight of the two cranes on the cover symbolises the partnership we exult in.

As you read through the Annual Report, do enjoy the snippets of poetry that complement the prose of facts and figures. As we relive the past year in the pages of this report, on behalf of everyone at Reliance Nippon Life Insurance, we wish you continued success and happiness for the year ahead.

Lamps, brown and earthy
night, emitting radiance
setting alight minds





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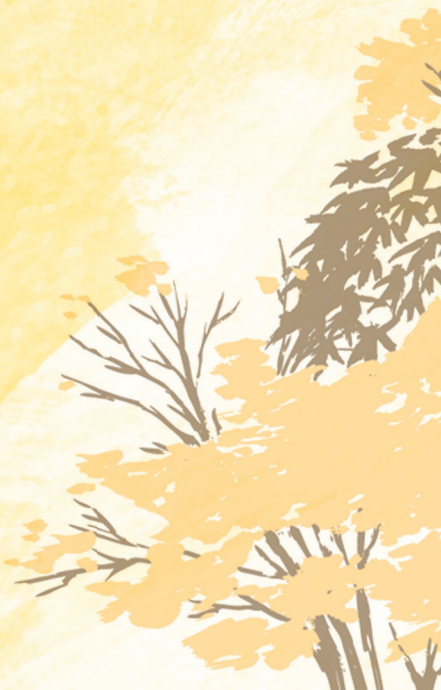
The 'diya', a traditional Indian lamp represents illumination.

It throws light on pathways (*new and old*). As a new phase in the partnership between Reliance Life and Nippon Life unfolds, the leadership team at Reliance Nippon Life is focused on opening minds, exploring new opportunities and guiding the team on the growth path.

For the greater good of the individual, the community and society.



Rising sun, bright red,
spreading its warmth, golden glow
a new beginning



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The 'rising sun' is symbolic of potential, clarity, humility. All essential traits for leaders. At Reliance Nippon Life, we are inspired by the sun to look at the long-term, to treat each day as an opportunity, to take the initiative and make a difference in everything we do.



Management Discussion & Analysis Report FY2015-16

Macroeconomic Environment

The falling oil prices, China's economic slowdown and US Fed hike, have all impacted global economic growth in the last one year. Indian economy was insulated from global slowdown due to sound governmental policies on inflation, fiscal deficit, stabilizing exchange rates and improved savings rate.

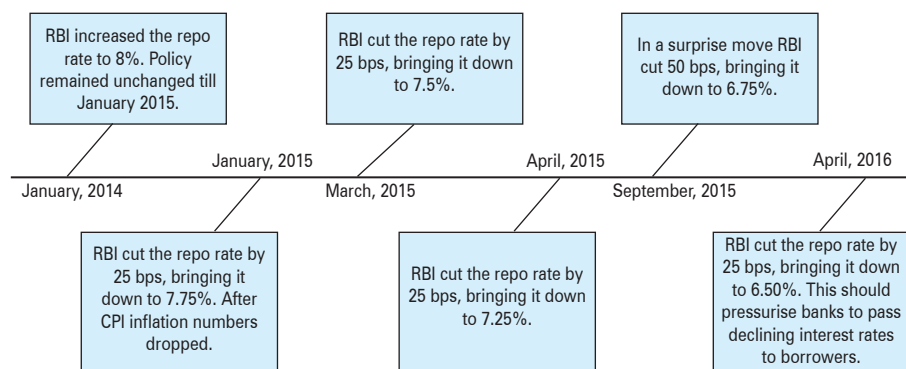
The beginning of the year made global markets jittery in anticipation of a rate hike by the US Fed and slowdown in the Chinese economy. It was also feared that in the months to follow, the Chinese currency would be devalued leading to a currency war, leaving many countries vulnerable. The Fed in its December policy meet, approved a hike of 0.25 basis points (bps). This was the first rate hike in seven years and created only a minor reaction in the global markets. While on the other hand, outflow from the Chinese economy started to show signs of a slowdown due to restrictions by the Chinese government.

Among the BRIC nations and emerging markets in general, India was a bright spot. Brazil faced a political scandal which affected its government functioning, while Russia braced for slowdown due to lower oil prices. China was affected due to a gradual shift from export orientation to domestic consumption. With Iran back in the oil market and US shale oil producers producing oil at a cheaper cost, economies dependent on the commodity, continued to remain under pressure. However, even as there were signs of optimism when OPEC members met in Vienna in early June, traditional rivals, Saudi Arabia and Iran, continued to disagree on the introduction of a production ceiling. This led to oil prices falling to an 11 year low of \$36.5/bbl. The Indian government has committed to keeping the fiscal deficit at 3.5% of the gross domestic product (GDP) in FY2016-17. The budget of FY2015-16 was a step in that direction with no major populist measures, and focus being on fiscal consolidation and infrastructure development. Aiming to revive the investment cycle through focus on public investment, the government made an outlay of ₹2,21,246 Crore for the sector in its budget.

India's GDP growth has accelerated from 5.6% in FY2012-13 to 7.2% in FY2014-15 and further to 7.6% in FY2015-16. India has benefited from lower commodity and energy prices and has also been supported by manufacturing, due to a reduction in the cost of inputs.

As in the past, with growth in GDP, there has been a rise in financial savings. Even CPI inflation, a proverbial thorn for the Reserve Bank of India (RBI), dropped to 4.83% by March 2016.

RBI Rate Cuts



With a stable government, favourable crude oil prices and a central bank effectively taming inflation rates, the country is all set for a big leap in terms of growth, opportunities and employment. And its growth trajectory is only likely to improve, with even the International Monetary Fund (IMF) seeing India outpacing China by growing at 7.3%.

An idea formed
the bonsai, an expression
unique, beautiful

The Bonsai is an expression of individuality, created by pruning the plant in the right measure to achieve perfection. Inspired by the Bonsai, in a dynamic global environment, our strategy sets us apart. It enables us to take the right measures with a long-term view, to build a strong and sustainable business which is focused on 'Doing Good'.





Indian equity markets also have remained resilient in FY2015-16 with the second half seeing the markets breaching the 25,000 mark. With good monsoons, lower oil prices, increased FII and FDI inflows and possible economic reforms (GST), Indian markets can continue to be robust in FY2016-17.

The Life Insurance sector also stands to gain with a resurgent economy

Until a couple of years ago, doggedly high inflationary cycle coupled with low GDP growth resulted in a decline in household savings. During that period, the trend seen was of an increase in physical savings as compared to financial savings. In fact, the gap between financial and physical savings has been the widest in the last 13 years.

However, with GDP growth rising to 7.2% in FY2014-15 and further to 7.6% in FY2015-16, we expect to see that trend reversing. Past data shows a positive correlation between GDP growth and household financial savings.

As the second largest contributor to household financial savings, Life Insurance will gain momentum with GDP growth returning and a subsequent increase in the share of financial savings amongst households. The Industry is also one of the larger contributors for long term funds needed in developmental projects. However, even with Life Insurance playing a significant role in the availability of long-term funds required for infrastructure development, there is need for a policy that will drive demand for long-term savings and protection solutions and reduce the clamour for short-term investments. As the Indian GDP grows, so will the need for further investment in infrastructure. Thus, the industry's role in the country's development is only set to increase.

The Life Insurance Industry in the FY2015-16

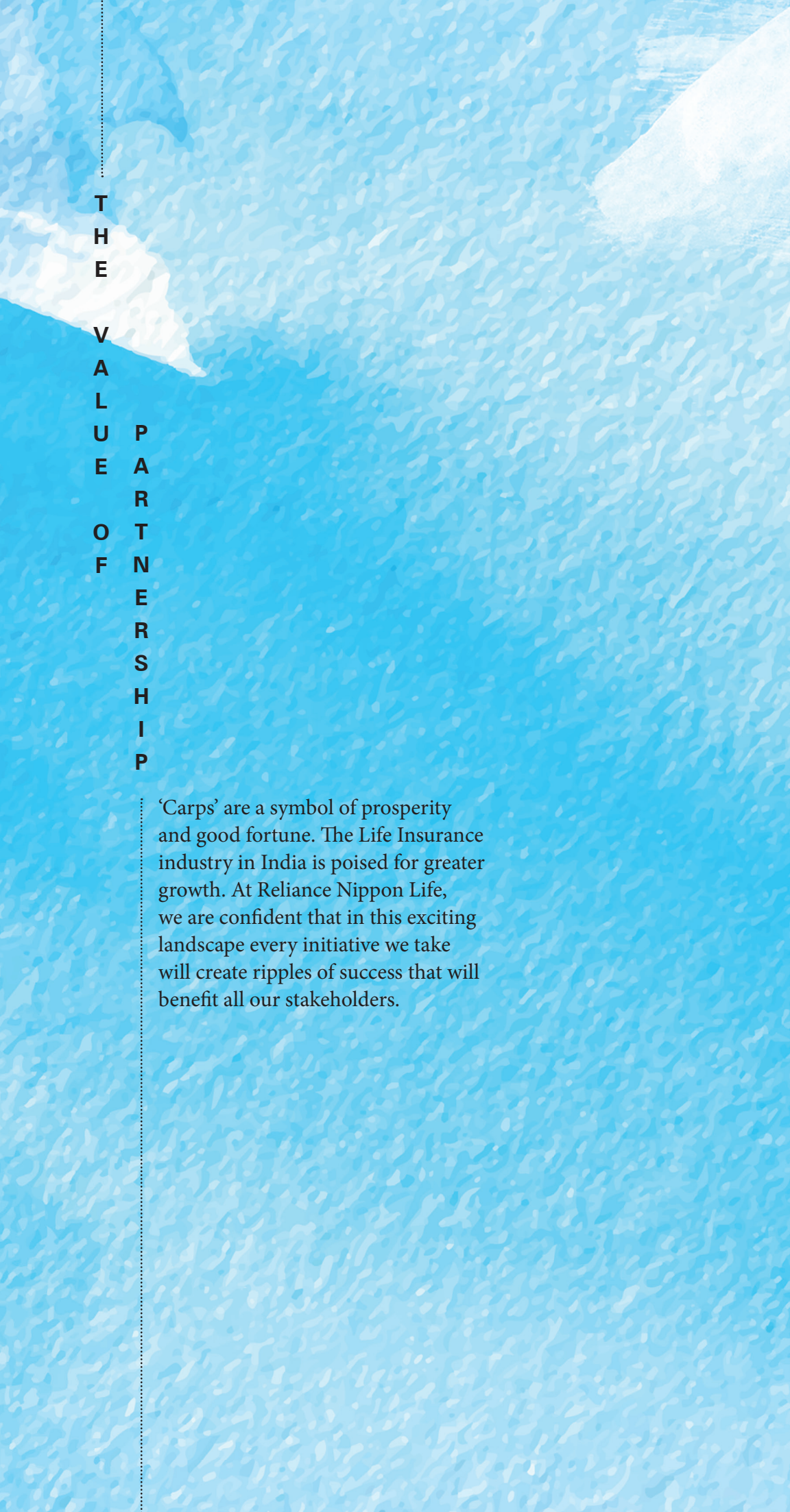
For a growing economy, a robust and vibrant insurance sector is a significant advantage. An insurance product mobilizes small savings into long term solutions and therefore the Life Insurance Industry is a critical source of long-term funds required for nation-building and developmental projects. India, with its population of over a billion, of which a majority is young, has tremendous potential to expand.

The life insurance market which was opened to the private sector more than 15 years ago, has transformed the Indian financial savings landscape. The industry's reach is extensive compared to other financial services in the country, second only to banking. Even before the emergence of Bancassurance, the sector remained as one of the country's largest employers. Since the industry's privatisation in 2000, large global financial institutions have entered the market to leverage its vast potential.

While the Industry has seen a fairly dynamic and volatile business environment in the last 5-6 years, FY2015-16 was a watershed year in the evolution of the Indian Life Insurance industry with the foreign investors now being able to raise their stake in an insurance company from 26% to 49%. This helped both new players and old; while the newer insurers were able to receive the much needed capital, the older players, who had stayed invested in the business for over a decade, were able to unlock the value of their venture and make investments in other sectors and projects. In the past year, several foreign partners have increased their stake in their Indian Insurance Joint Ventures.

The year also marked a return to growth for the Industry, though the growth was uneven and driven by two dominant trends. The first was the comeback staged by ULIPs, due to strong market conditions, and second, was the ever increasing dominance of Bancassurance in the Private Life Insurance market. Insurers that were able to leverage either of these opportunities enjoyed robust growth while for others, performance was far more muted.

However, insurers and the industry as a whole must take proactive steps to increase the share of insurance products other than ULIPs. Past experience has seen a decline in ULIP contributions linked to equity market performance, which in turn has negatively impacted the private life insurance industry growth.



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‘Carp’ are a symbol of prosperity and good fortune. The Life Insurance industry in India is poised for greater growth. At Reliance Nippon Life, we are confident that in this exciting landscape every initiative we take will create ripples of success that will benefit all our stakeholders.

Three carps in a pool
ever widening ripples,
of prosperity

