

Retirement Solutions for Indian Population – An Insurer's Perspective on DB Funds

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APPROACH TO FUNDING DB SCHEMES

- Funding Ratios
- Funding platforms
- The case for Unit Linked

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COLLABORATION

- Two sides of the same coin / Opposite sides of the same coin
- Conclusion

APPROACH TO FUNDING DB SCHEMES

Funding Ratios – The ABSLI Experience



- ❖ Most large (non PSU) organizations vary between 85 – 100% of funding ratios
- ❖ Regular funding practices for large clients (irrespective of profit/loss)
- ❖ Certain large MNC's/ Indian companies do not see value in funding
- ❖ Significant underfunding / lack of funding in ME/SME's

Funding Platforms



- ❖ Still significantly tilted towards Traditional funds
- ❖ The notion that Traditional funds have no Equities (and hence not volatile – Debt can be volatile too)
- ❖ Yields that (historically) outperform discounting rates
- ❖ Quality of portfolios (portfolio YTM's being dragged down)
- ❖ Disclosure quality (in Traditional)

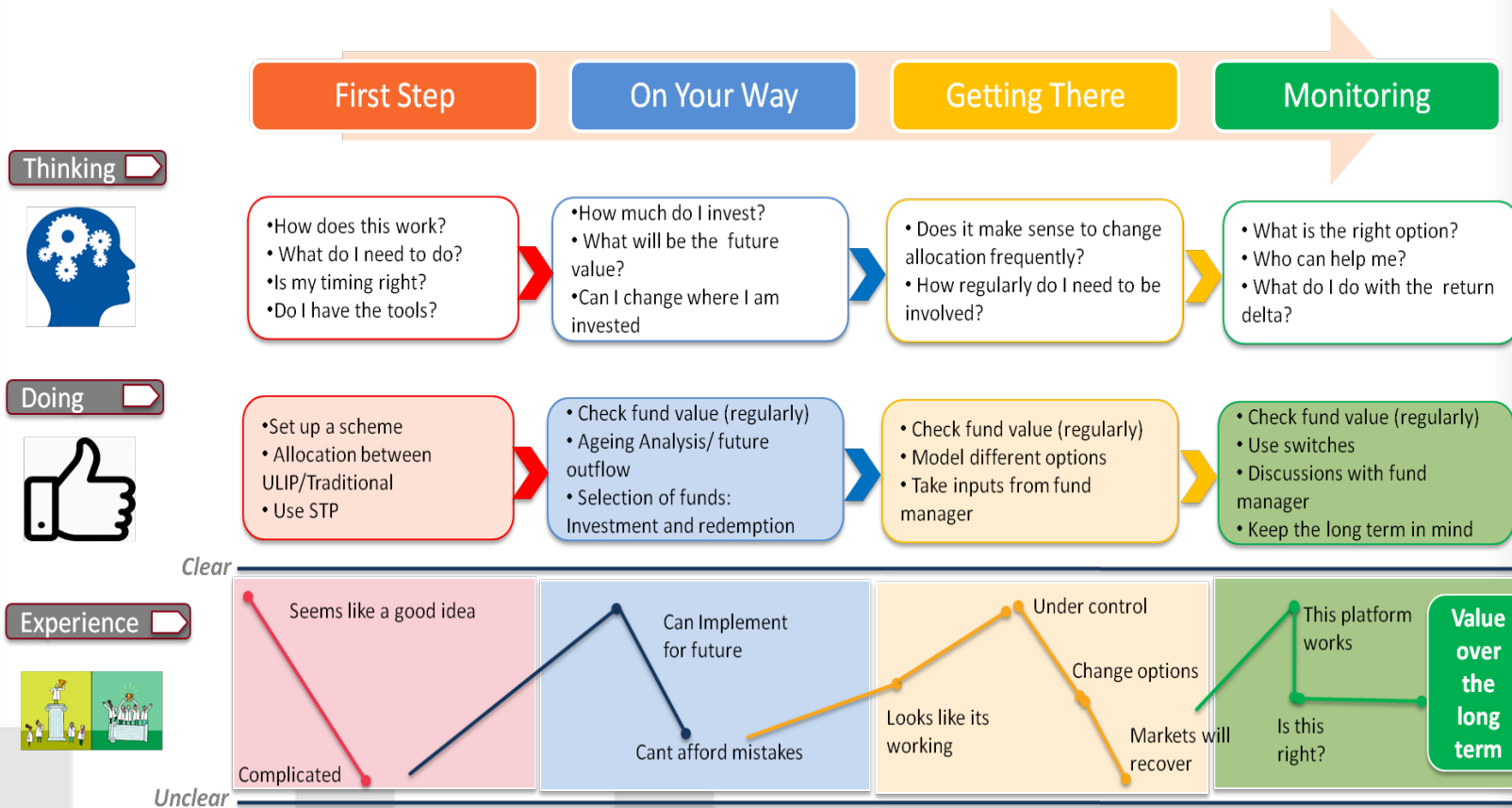
The Case for Unit Linked



Parameter	Desire	Expected Outcome
Safety	Capital Protection + Reasonable Returns	Traditional OR ULIPS with Capital Protection
Transparency	Information on Credit Risk/ YTM/ Modified Duration/ Holdings	Detailed Disclosures as required by IND AS 19
Investment Options And Asset Composition	Fixed Income + Equities:	Use <u>Systematic Transfer Approach</u> - Better Risk Adjusted Returns 100 ~ 175 bps difference in Returns
	Fixed Income Approach Only:	Duration funds in High Interest Rate Scenario to build YTM + <u>Softening impact</u> 50 ~ 75 bps difference by a combination approach

The Case for Unit Linked – Designed with Trustees

Risk Appetite in mind



Collaboration and Conclusion

The Case for Unit Linked – Designed with Trustees Risk Appetite in mind



- ❖ Detailed report allows for more analysis to clients
- ❖ The fact that the assumption is a going concern – should encourage investments for the long term (Equities already forms part of PF investments)
- ❖ Unfunded/ underfunded practices – are we heading the way of developed nations
- ❖ Other DB liabilities (Leave Encashment/PRMB) – look as an additional means of deploying treasury income


Conclusion




- ❖ Actuaries must ask Companies and their auditors for detailed disclosures on Traditional funds
- ❖ (If) Traditional funds comprise of both Equities and Debt : Why should actuaries not use a discounting benchmark that considers both asset classes
- ❖ Other Comprehensive Income (OCI) : Use the lever provided
- ❖ Collectively go to clients and convince them to prioritize funding


Group Business Highlights




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Launched Group Business in **2001**




First Insurer to launch Unit Linked funds with Protection in India
- 


Assets Under Management of over **Rs. 9300 Cr**




CAGR of 58% for 15 years
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Over **2000+** Institutional Clients covering **3 mn+** lives




Caters to all types of Institutions : PSU / Indian Cos / MNC / SME
- 

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Thank You