

# HDFC Life Insurance

Investor Presentation – 9M FY20





# Agenda

**1 Performance Snapshot**

**2 Our Strategy**

**3 Annexures**

**4 India Life Insurance**

**Performance  
Snapshot**

**Our Strategy**

**Annexures**

**India Life  
Insurance**

**1**

# Performance Snapshot



# Executive summary: 9M FY20

## Scale



|             |          |             |
|-------------|----------|-------------|
| Company APE | Rs (Bn.) | <b>53.0</b> |
|             | Growth   | <b>31%</b>  |



Mkt. Share

|            |        |             |
|------------|--------|-------------|
| Overall    | CY (%) | <b>21.4</b> |
|            | PY (%) | <b>21.0</b> |
| Individual | CY (%) | <b>14.3</b> |
|            | PY (%) | <b>12.6</b> |



|     |          |            |
|-----|----------|------------|
| AUM | Rs (Tn.) | <b>1.4</b> |
|     | Growth   | <b>16%</b> |



|                  |        |             |
|------------------|--------|-------------|
| NB Lives Insured | Mn     | <b>44.8</b> |
|                  | Growth | <b>29%</b>  |

## Profitability



|                     |    |              |
|---------------------|----|--------------|
| New Business Margin | CY | <b>26.6%</b> |
|                     | PY | <b>24.0%</b> |



|      |          |              |
|------|----------|--------------|
| IEV  | Rs (Bn.) | <b>208.4</b> |
| EVOP | Growth   | <b>19.0%</b> |



|                  |          |            |
|------------------|----------|------------|
| Profit After Tax | Rs (Bn.) | <b>9.8</b> |
|                  | Growth   | <b>8%</b>  |



|                      |    |              |
|----------------------|----|--------------|
| Operating Exp. Ratio | CY | <b>13.8%</b> |
|                      | PY | <b>13.8%</b> |

## Customer centricity



|                                                 |    |                |
|-------------------------------------------------|----|----------------|
| 13 <sup>th</sup> month persistency <sup>1</sup> | CY | <b>90%/87%</b> |
|                                                 | PY | <b>86%/82%</b> |



Protection

|     |          |             |
|-----|----------|-------------|
| NBP | Rs (Bn.) | <b>34.1</b> |
|     | Growth   | <b>22%</b>  |
| APE | Rs (Bn.) | <b>8.9</b>  |
|     | Growth   | <b>32%</b>  |



|                                     |      |              |
|-------------------------------------|------|--------------|
| Claim settlement ratio <sup>2</sup> | FY19 | <b>99.0%</b> |
|                                     | FY18 | <b>97.8%</b> |



|                             |      |           |
|-----------------------------|------|-----------|
| Complaints per 10k policies | FY19 | <b>61</b> |
|                             | FY18 | <b>70</b> |

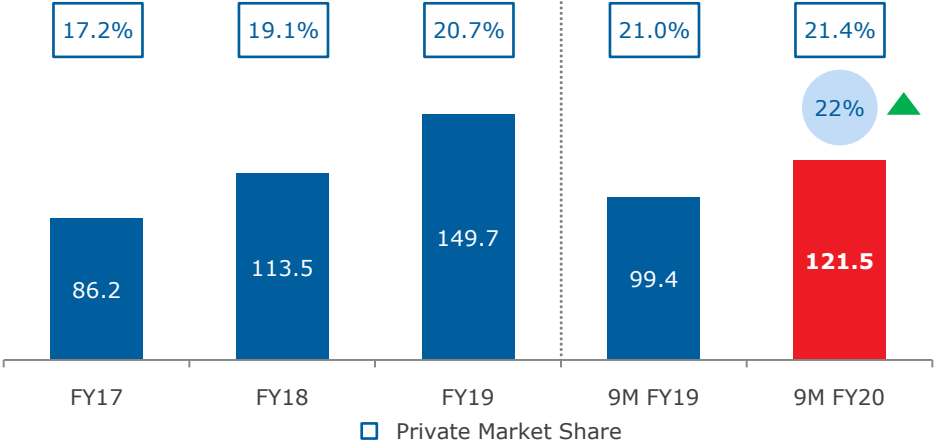
1. Persistency including group business/ Persistency for Individual business

2. Computed basis NOPs for Individual Business

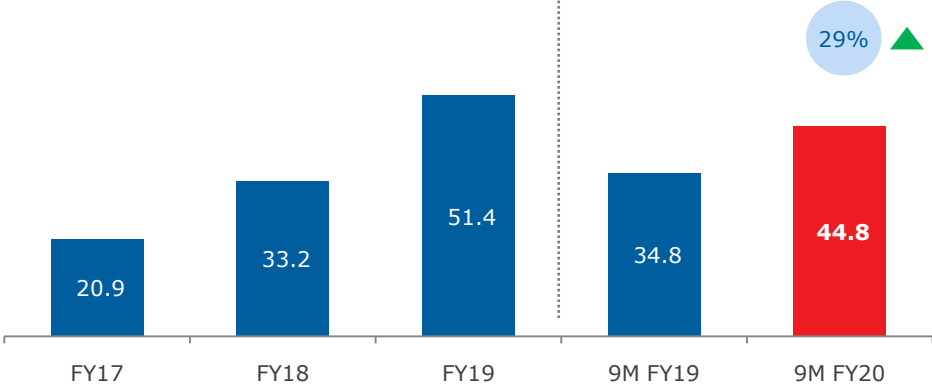
The numbers throughout the presentation are based on standalone financial results of the Company

# Consistent performance across key metrics (1/2)

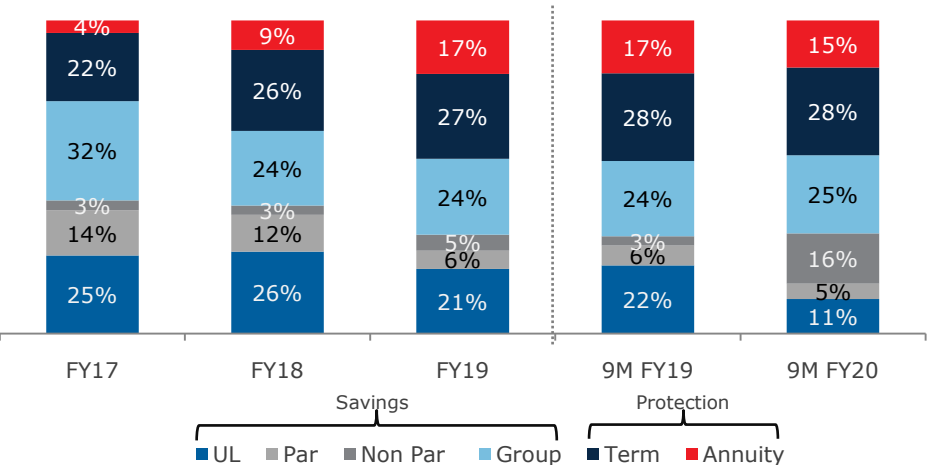
Leadership in new business premium (Rs Bn.)



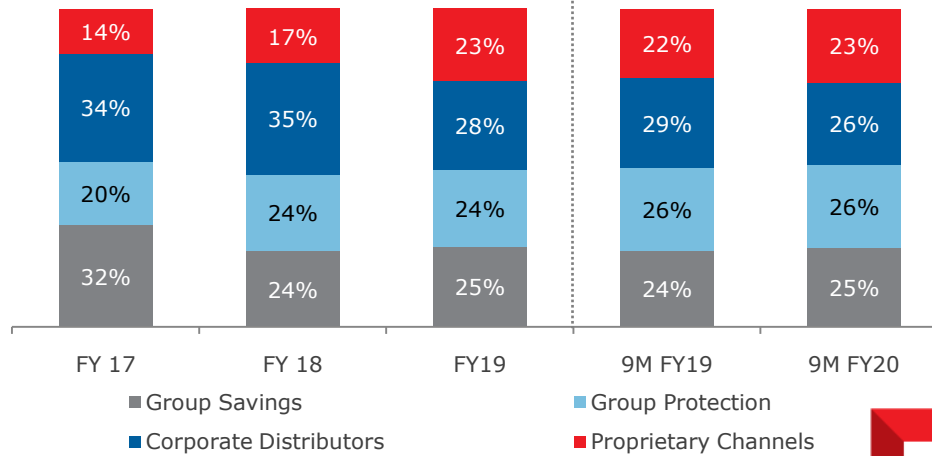
Increasing number of lives insured (Mn.)



Maintaining balanced product mix across cycles <sup>1</sup>



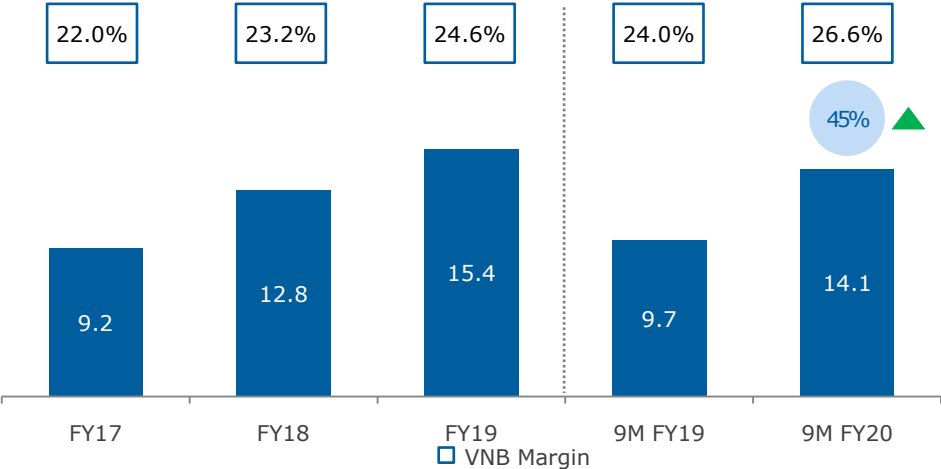
Focus on scaling proprietary channels <sup>1</sup>



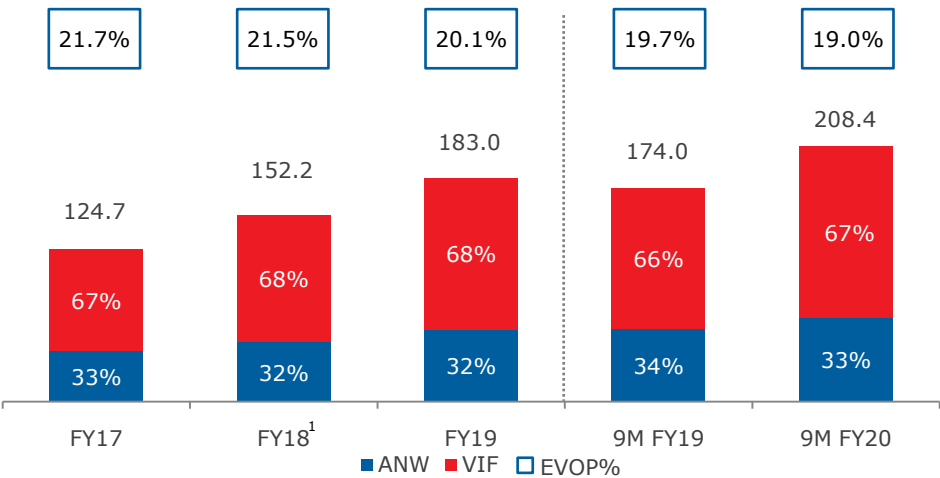
1. As a % Overall NBP

# Consistent performance across key metrics (2/2)

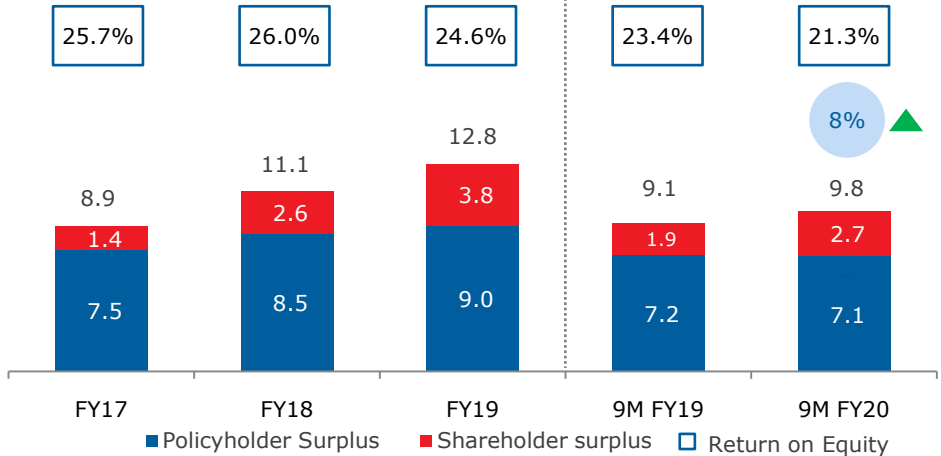
Strong growth in VNB, steady expansion in VNB margins (Rs Bn.)



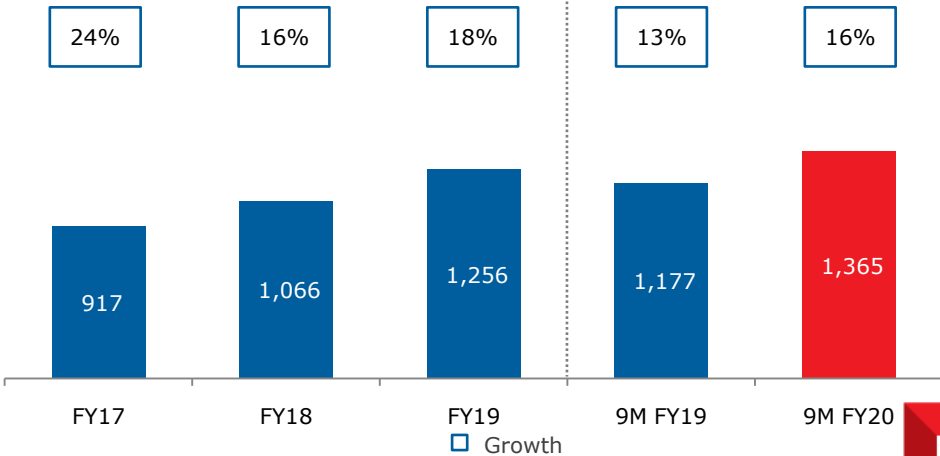
Healthy growth in Embedded Value (Rs Bn.)



Consistent growth in PAT (Rs Bn.)



Stable growth in AUM (Rs Bn.)



1. During FY18, there was a one time positive operating assumption change off Rs 1.4 bn based on review by an external actuary as part of the IPO process. Excluding this one time adjustment, Operating return on EV would have been 20.4% for FY18



Performance  
Snapshot

**Our Strategy**

Annexures

India Life  
Insurance

**2**

**Our Strategy**

# Key elements of our strategy

1



## Focus on profitable growth

Ensuring sustainable and profitable growth by identifying and tapping new profit pools

2



## Balanced distribution mix

Developing multiple channels of growth to drive need-based selling

3



## Market-leading innovation

Identifying latent customer needs to create new product propositions

4



## Reimagining insurance

Market-leading digital capabilities that put the customer first, shaping the insurance operating model of tomorrow

5

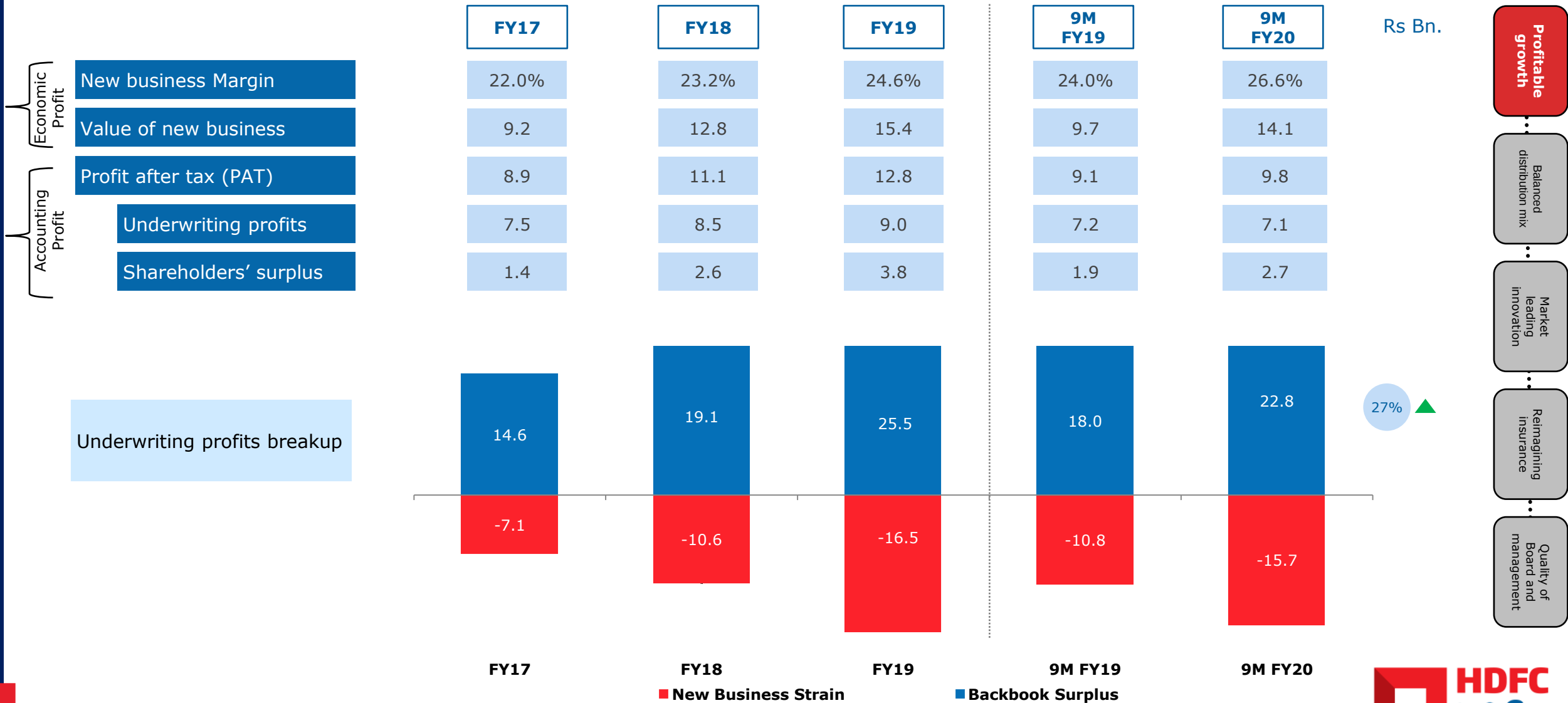


## Quality of Board and management

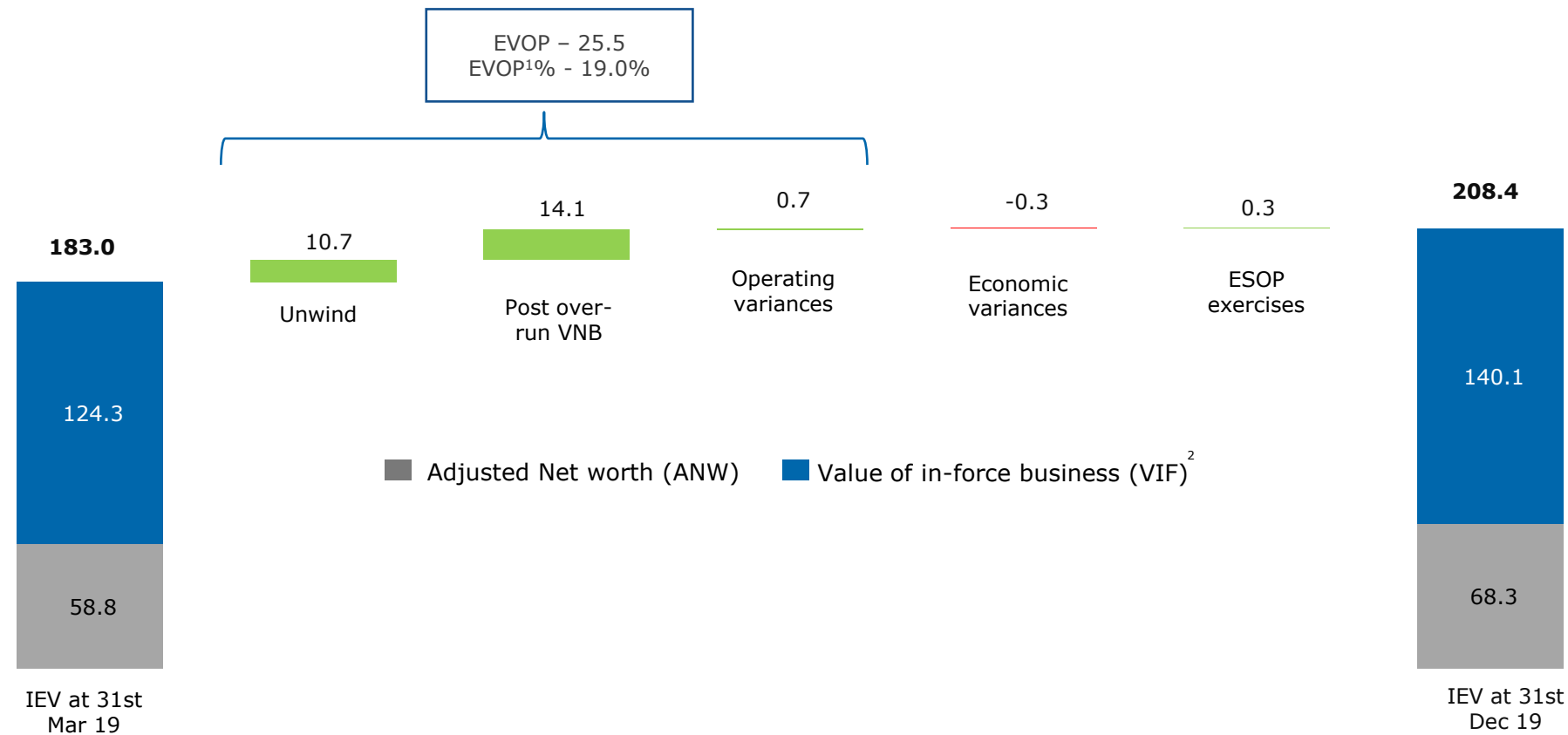
Seasoned leadership guided by an independent and competent Board; No secondees from group companies

**Maintaining a diversified distribution mix and profitable product suite powered by technology and backed by a customer-centric approach**

# Focus on profitable growth



# Analysis of change in IEV



- Consistently delivered healthy operating returns on EV
- Positive operating variances in the last 10 years
- Operating experience for the period closely tracking our assumptions

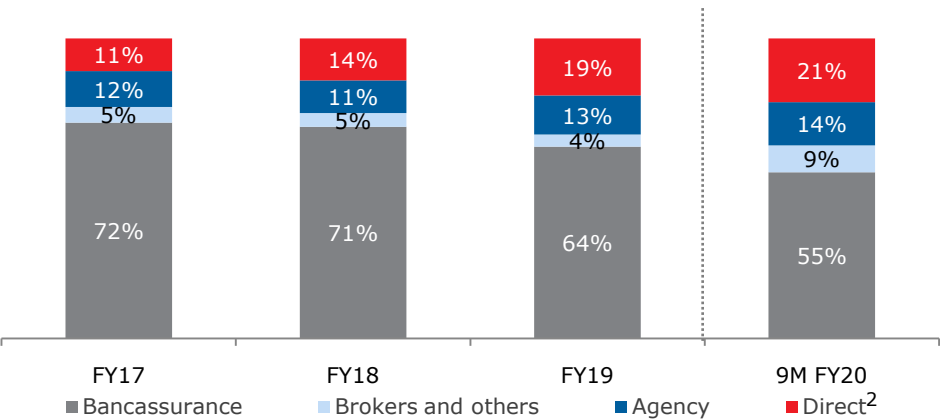


1. EVOP% calculated as annualised EVOP (Embedded Value Operating Profit) to Opening EV

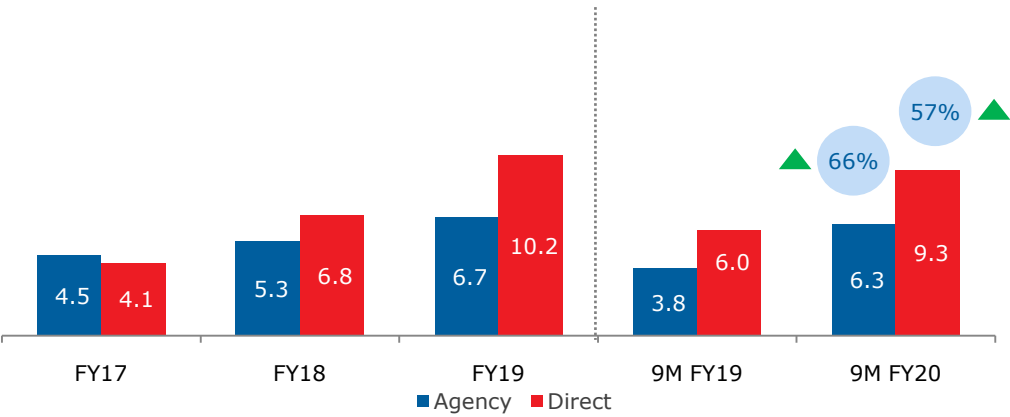
2. Market value changes in policyholder assets are reflected in VIF in Dec'19, as against Network in Mar'19. Basis the revised methodology, the VIF proportion would have been higher in Mar'19 by 1%.

# Balanced distribution mix

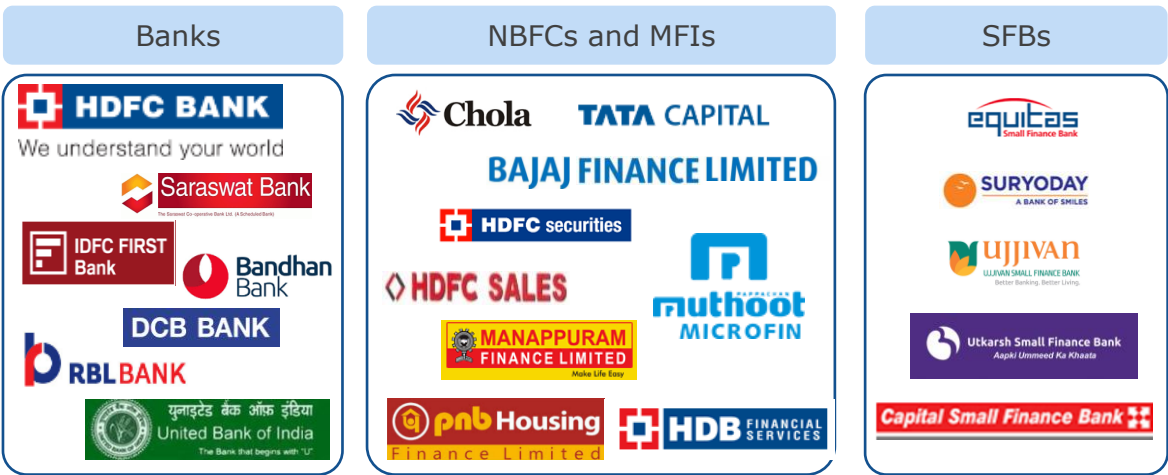
Increasing share of proprietary channels <sup>1</sup>



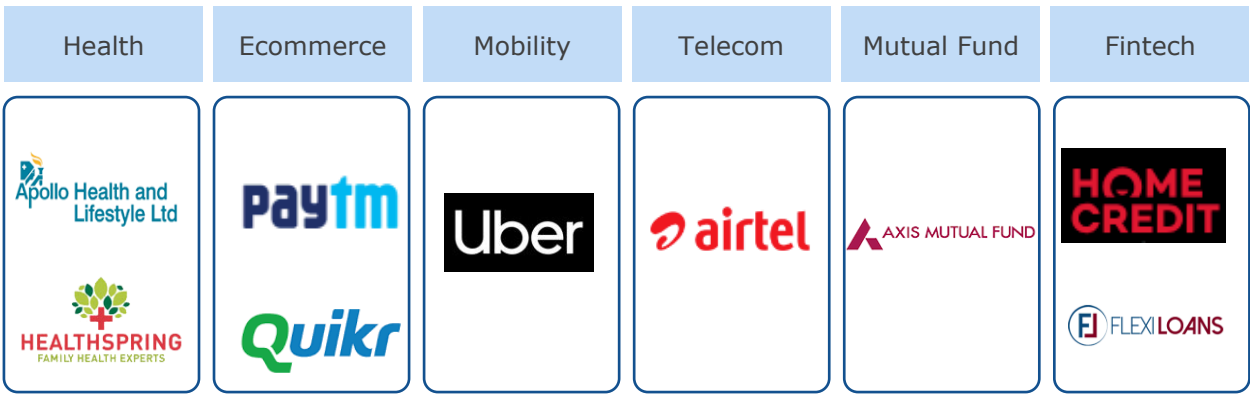
Consistent growth in proprietary channels <sup>2</sup> (Rs Bn.)



Strong and diversified network of 230+ traditional partners



Developing alternative channels of distribution: 40+ Partnerships in emerging eco-systems



Profitable growth  
Balanced distribution mix  
Market leading innovation  
Reimagining insurance  
Quality of Board and management

1. Basis Individual APE  
2. Direct includes Online channel



# Progress by proprietary channels



## Agency



**57%** - Increase in **FC (Financial Consultant) productivity** due to greater engagement and ease of doing business



**91%** - Robust **13<sup>th</sup> month persistency** due to sustained focus on quality of business



**35%** - Increase in recruitment of **high productivity FC profiles** (Housewives, Retirees, Financial Distributors)



**Better profiling and re-skilling** - of FLS resulted in higher productivity



## Direct



**77%** - Adoption of **i-earn**, a hyper personalization app



**137%** - Growth in usage of **InstaGo**, a geo-tagging based **lead management tool**, during Q3



**New growth engines** - Greater investments in select affinity channels (e.g. defence, paramilitary etc.)



**Expansion** - Geographic presence expansion to additional branches for a sub-channel yielded positive results



## Online



**31-** Average age of customers; significantly **younger** compared to other channels' average



**Single journey** - launched for Term + Savings **combination product** for online partners



**2/3<sup>rd</sup>** - Share of Savings in the **diversified product mix**; focus shifted from simple Term products



**ML capability** - used successfully for Term and now **extended** to other product categories to increase leads and reduce cost per lead

Profitable growth

Balanced distribution mix

Market leading innovation

Reimagining insurance

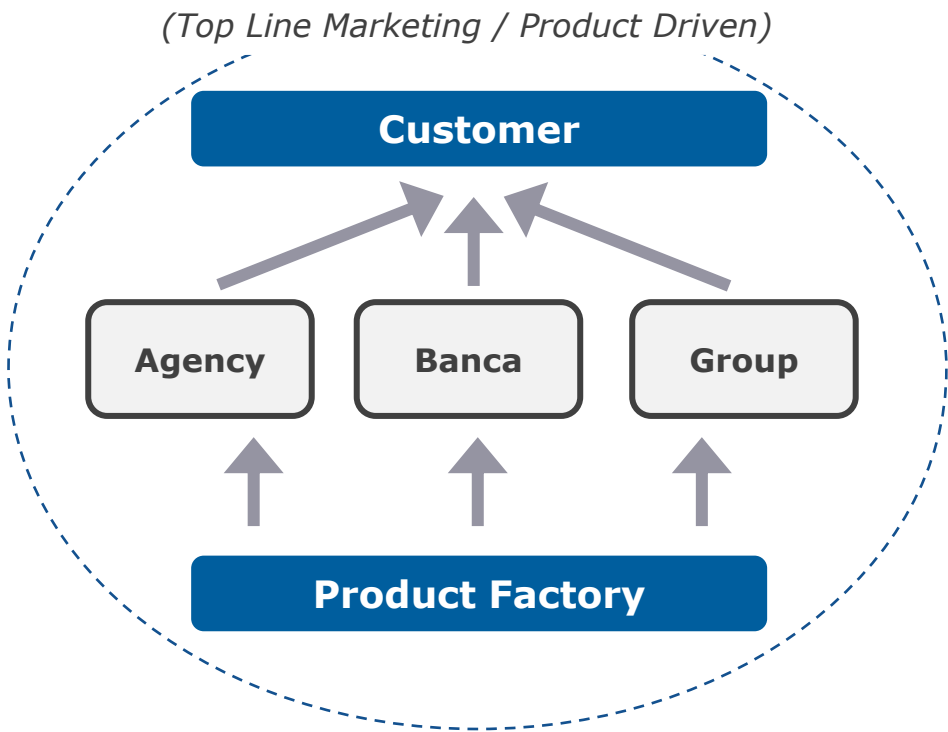
Quality of Board and management

**With key building blocks in place, proprietary channels well poised for next phase of growth**

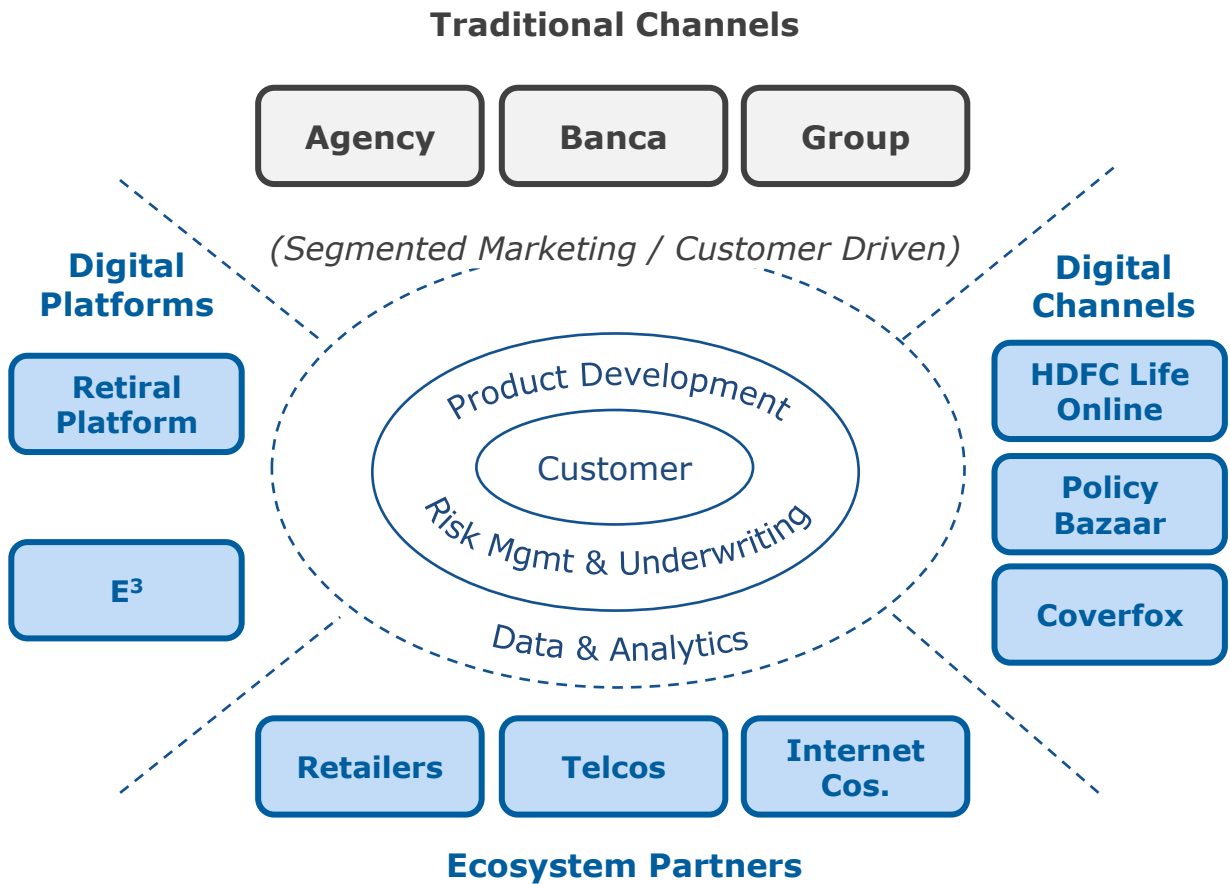


# Operating model moved from product centric to being customer centric

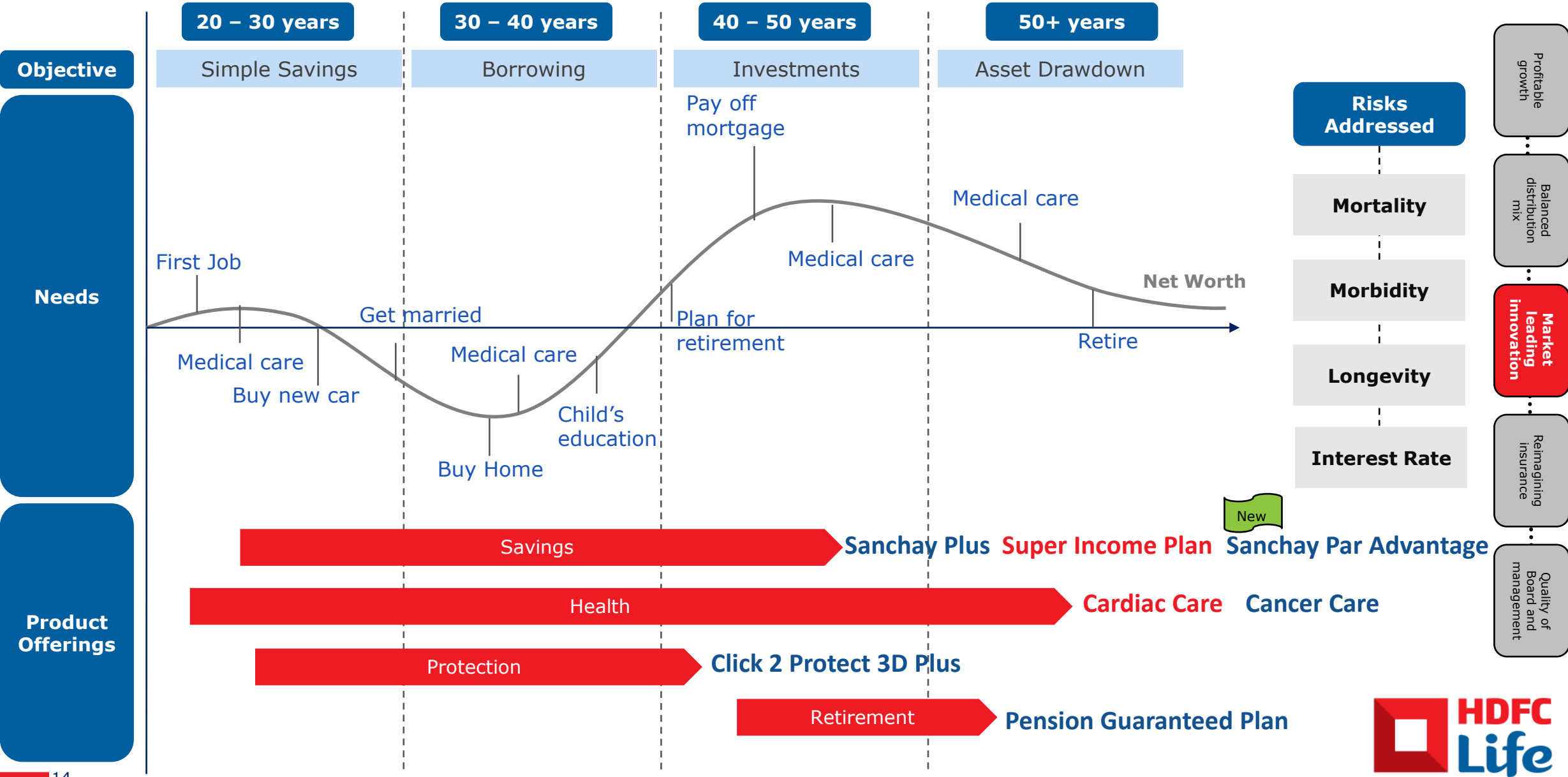
## From the Traditional Insurer...



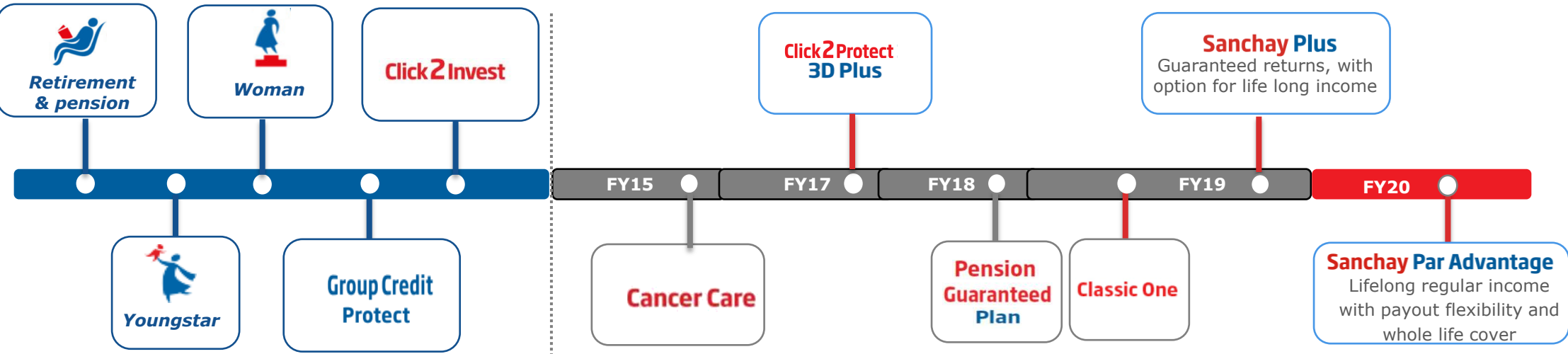
## ... to the Insurer of the Future



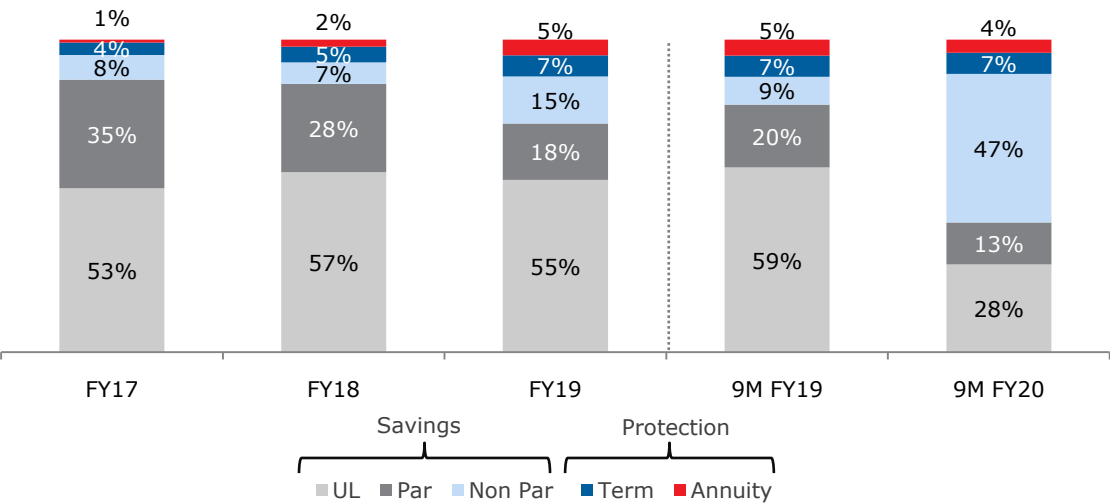
# Addressing customer needs at every stage of life



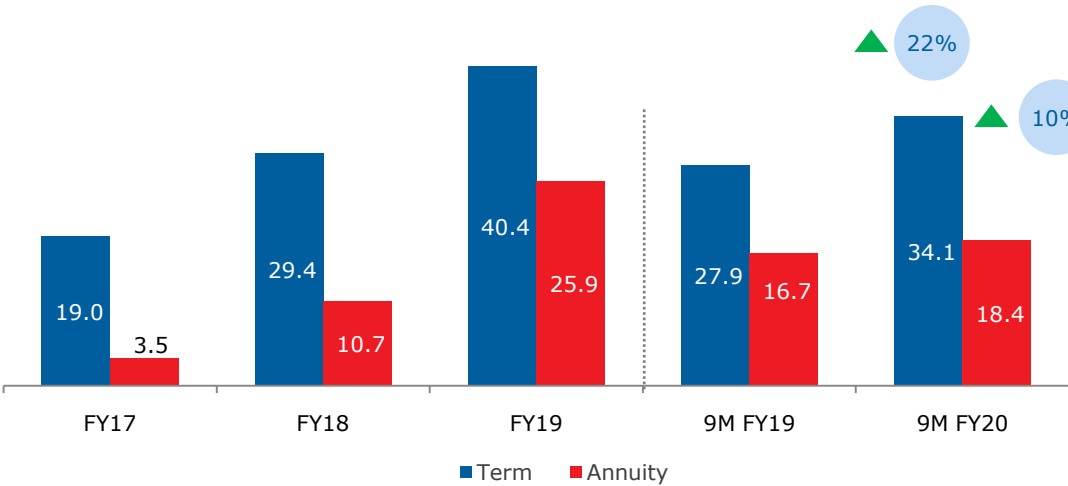
# Expanding market through consistent product innovation



Diversified product suite helps in managing business cycles <sup>1</sup>



Continued focus on protection <sup>2</sup> (Rs Bn.)



- Profitable growth
- Balanced distribution mix
- Market leading innovation
- Reimagining insurance
- Quality of Board and management

1. As a % of individual APE  
 2. Based on new business premium

# Product mix across key channels<sup>1</sup>

| Banca 2 | Segment         | FY17 | FY18 | FY19 | 9M FY20 |
|---------|-----------------|------|------|------|---------|
|         | UL              | 61%  | 64%  | 67%  | 36%     |
|         | Par             | 30%  | 26%  | 14%  | 11%     |
|         | Non par savings | 8%   | 8%   | 15%  | 50%     |
|         | Term            | 1%   | 1%   | 2%   | 2%      |
|         | Annuity         | 0%   | 1%   | 2%   | 2%      |

| Direct | Segment         | FY17 | FY18 | FY19 | 9M FY20 |
|--------|-----------------|------|------|------|---------|
|        | UL              | 47%  | 58%  | 50%  | 33%     |
|        | Par             | 29%  | 17%  | 8%   | 10%     |
|        | Non par savings | 11%  | 9%   | 12%  | 24%     |
|        | Term            | 6%   | 5%   | 6%   | 4%      |
|        | Annuity         | 7%   | 11%  | 24%  | 28%     |

| Agency | Segment         | FY17 | FY18 | FY19 | 9M FY20 |
|--------|-----------------|------|------|------|---------|
|        | UL              | 26%  | 33%  | 26%  | 12%     |
|        | Par             | 57%  | 48%  | 40%  | 26%     |
|        | Non par savings | 6%   | 5%   | 17%  | 50%     |
|        | Term            | 11%  | 11%  | 12%  | 10%     |
|        | Annuity         | 2%   | 3%   | 5%   | 3%      |

| Online | Segment         | FY17 | FY18 | FY19 | 9M FY20 |
|--------|-----------------|------|------|------|---------|
|        | UL              | 51%  | 47%  | 43%  | 30%     |
|        | Par             | 3%   | 1%   | 1%   | 11%     |
|        | Non par savings | 1%   | 0%   | 15%  | 26%     |
|        | Term            | 45%  | 52%  | 34%  | 29%     |
|        | Annuity         | 0%   | 0%   | 6%   | 3%      |

| Company | Segment         | FY17 | FY18 | FY19 | 9M FY20 | Q3 FY20 |
|---------|-----------------|------|------|------|---------|---------|
|         | UL              | 53%  | 57%  | 55%  | 28%     | 33%     |
|         | Par             | 35%  | 28%  | 18%  | 13%     | 21%     |
|         | Non par savings | 8%   | 7%   | 15%  | 47%     | 35%     |
|         | Term            | 4%   | 5%   | 7%   | 7%      | 8%      |
|         | Annuity         | 1%   | 2%   | 5%   | 4%      | 4%      |

| Protection | Total APE    | FY17      | FY18       | FY19       | 9M FY20    |
|------------|--------------|-----------|------------|------------|------------|
|            | Term         | 8%        | 11%        | 17%        | 17%        |
|            | Annuity      | 1%        | 2%         | 4%         | 3%         |
|            | <b>Total</b> | <b>9%</b> | <b>13%</b> | <b>21%</b> | <b>20%</b> |

| Total NBP    | FY17       | FY18       | FY19       | 9M FY20    |
|--------------|------------|------------|------------|------------|
| Term         | 22%        | 26%        | 27%        | 28%        |
| Annuity      | 4%         | 9%         | 17%        | 15%        |
| <b>Total</b> | <b>26%</b> | <b>35%</b> | <b>44%</b> | <b>43%</b> |

Profitable growth

Balanced distribution mix

Market leading innovation

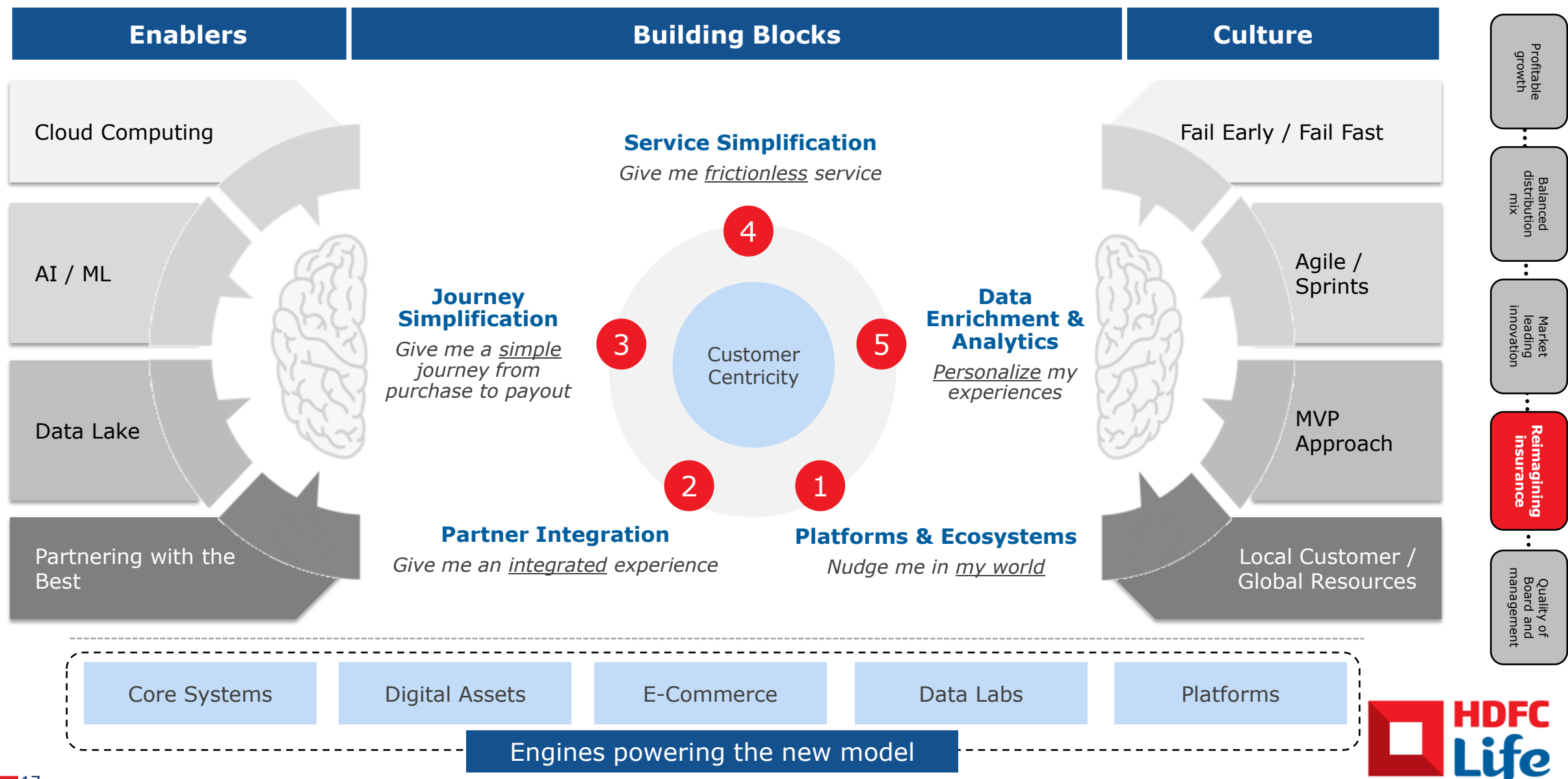
Reimagining insurance

Quality of Board and management

1. Basis Individual APE, Term includes health business

2. Includes banks and other corporate agents

# Created a new operating model to reimagine insurance



# Simplifying the customer journey using 5 building blocks



## Platforms and Ecosystems

*Insurance beyond digital: allow multiple participants to connect, create & exchange value*



- One stop shop for retirement planning



## Partner Integration

*Products and services built on API for ease of partner integration*

### InstaInsure

- **Pre-approved sum assured** – Partner integrated KYC and income verification
- **Quick easy to understand form filling** – Seamless and customer friendly user interface
- **3-step buying journey** – End-to-end digital journey enabling partner's customers to buy the policy



## Journey Simplification

*Customer sales journeys simplified via mobility applications for sales force*

### Insta Suite

- Bringing our technological capabilities on the mobile platform in order to empower sales force



### InstaQuote!



## Service Simplification

*Simplified solutions for customers across the value chain*

- **Online payments & services:** >80% of renewal via online / debit mode



**Chat bot ELLE**

~90% of chats are self-serve via chat-bot



**Twitter bot NEO**

- **InstaA** Virtual Assist for Sales & Service, current usages at ~17 million+ queries per month

- **Robotic Process Automation:** ~185+ bots deployed



## Data Enrichment and Analytics

*Continuous improvement in raw data by gaining deeper insight into our customers' lives*

- **Artificial Intelligence:** Use of predictive analysis for persistency, underwriting and claims (fraud prevention)

- **Big Data / Customer 360:** Brings all customer data – interactions, transactions & relationships in one place, in real time

- **Cloud Storage:** Data Lake (repository for entire enterprise data management)

Lead Lake (For effective lead storage & enrichment)

Profitable growth

Balanced distribution mix

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# Partner Integration: InstaInsure

Intuitive user interface integrated in web and mobile

Quick customer journey

Relevant questions asked

Faster policy issuance

**1 of 4** Plan Details & Information

**HDFC Life SANCHAY PLUS** ₹ 500/Month

PLAN TYPE: **Guaranteed Maturity Option**

SUM ASSURED: 1 Crore | PREMIUM PAYING TERM: 20 Years | POLICY TERM: 65 Years

MATURITY BENEFITS: 10000000 | DEATH IN FINAL POLICY YEAR: 10000000

SMOKER: ☐ GRADUATE: ☒ NRI: ☐ OCCUPATION TYPE: SALARIED | SELF-EMPLOYED

HEIGHT & WEIGHT: 6 FT. 0 IN. 0 KG.

Payable Amount: ₹500/Month

**PROCEED**

**2 of 4** Personal Information

**Aizaz Rafiqi**  
DOB: 20th Aug 1994 | MALE  
aizaz@gmail.com | +91 9828 112 768

PERMANENT ADDRESS  
Flat #502 | Building no 4C | Whispering Palms  
Lokhandwala Circle, Kandivali East  
Mumbai, Maharashtra

PAN CARD: BFMPR7086C

MY PERMANENT ADDRESS IS SAME AS MY COMMUNICATION ADDRESS ☒

ENTER MARITAL STATUS: SINGLE

ENTER FATHER'S NAME: A H RAFIQI

**PROCEED**

**3 of 4** My Declarations

Are you a politically exposed person?  
☒ NO ☐ YES

Do you intend to travel overseas or if a probable travel overseas can ensure, within 1 year where you plan to stay for more than 4/5 weeks?  
☒ NO ☐ YES

Which of the following best describes you with respect to alcohol consumption?  
☐ Average of 2 drinks or more a day  
☐ Average of 1 drink a day  
☒ Occasional (1-2 drinks a week)  
☐ Rarely (1-2 drinks a month)  
☐ Never

**I AGREE**

**3 of 4** Nominee Details

TITLE: MR. | FULL NAME OF NOMINEE: VINISHA NAIR

RELATIONSHIP WITH THE LIFE ASSURED: MOTHER

GENDER: ☒ MALE ☐ FEMALE

DATE OF BIRTH: 28 / 03 / 89

SHARE ALLOCATION %: 50%

**ADD NOMINEE**

**NEXT**

**4 of 4** Congrats!

**CONGRATS!**  
Your payment is successful.

**HDFC Life Click2Protect 3D Plus**

APP ID: HDFCLF-JQXF-88799-94DL  
Date of purchase: 27th JAN, 2019

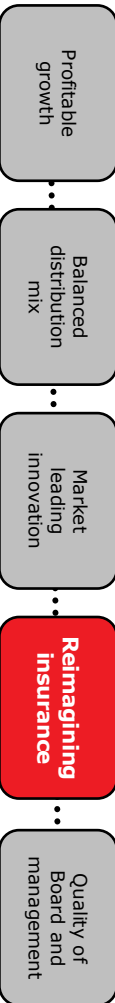
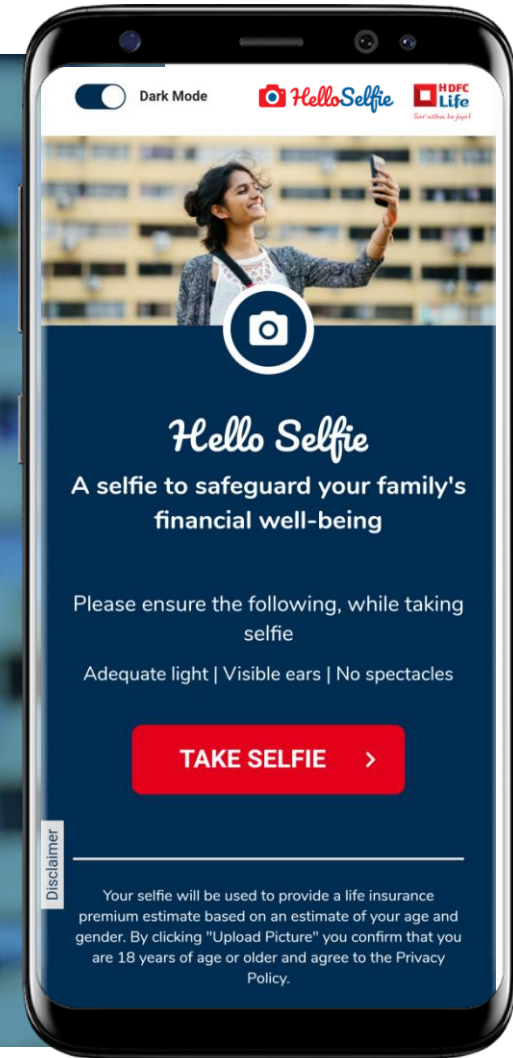
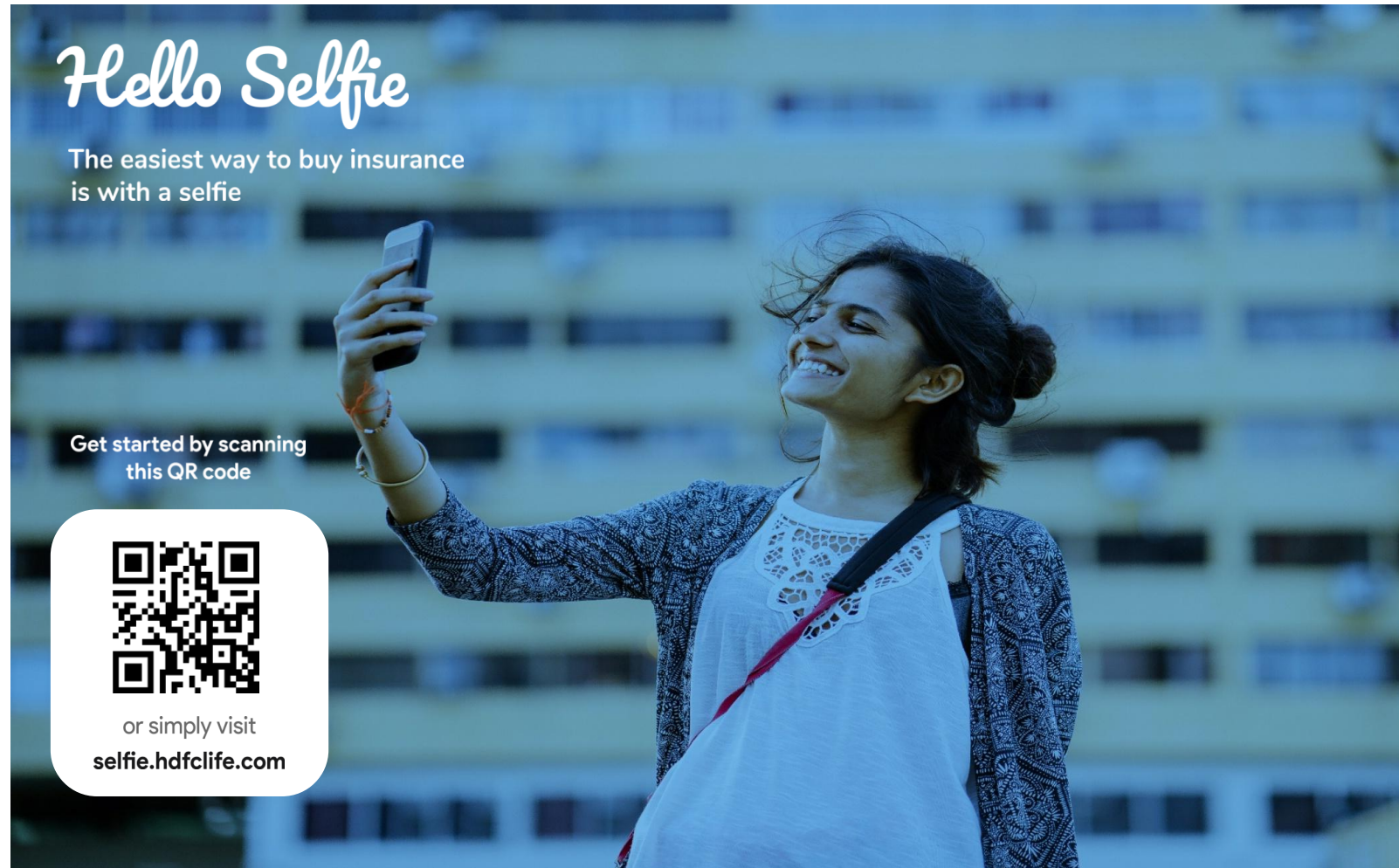
|                     |              |
|---------------------|--------------|
| NAME                | Harshit Jain |
| SUM ASSURED         | ₹1 crore     |
| GUARANTEED BENEFIT  | ₹38,000.00   |
| DEATH BENEFIT       | ₹35,000.00   |
| PREMIUM PAYING TERM | 40 years     |
| POLICY TERM         | 60 years     |
| PREMIUM             | ₹13,000/Year |

FOR ASSISTANCE CALL: 022-989890809  
YOU CAN ALSO EMAIL US AT: SUPPORT@HDFCLIFE.NET

- Profitable growth
- Balanced distribution mix
- Market leading innovation
- Reimagining insurance
- Quality of Board and management



# Journey Simplification: Hello Selfie, Buy Insurance with a Selfie



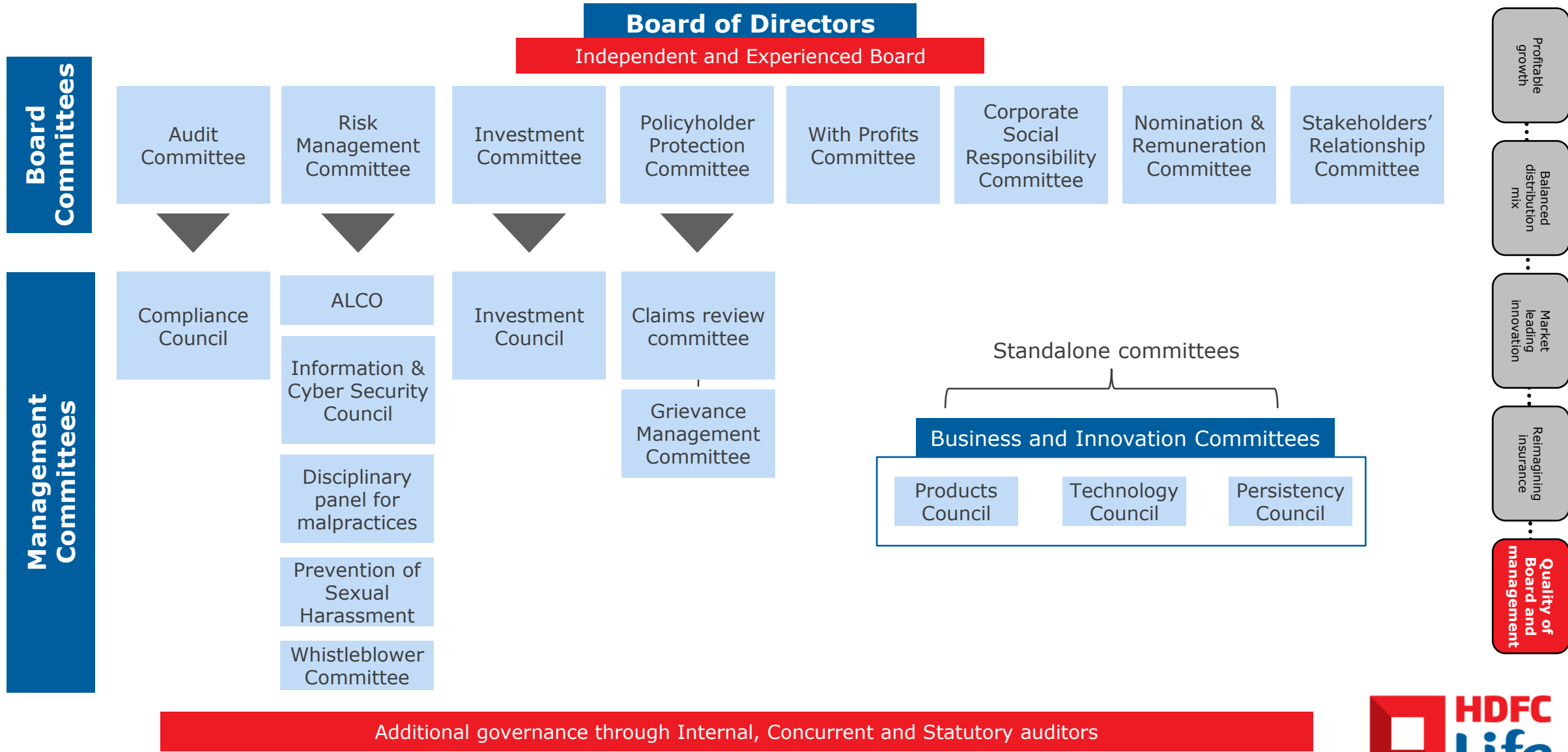
# Journey Simplification: Mobility Application Suite



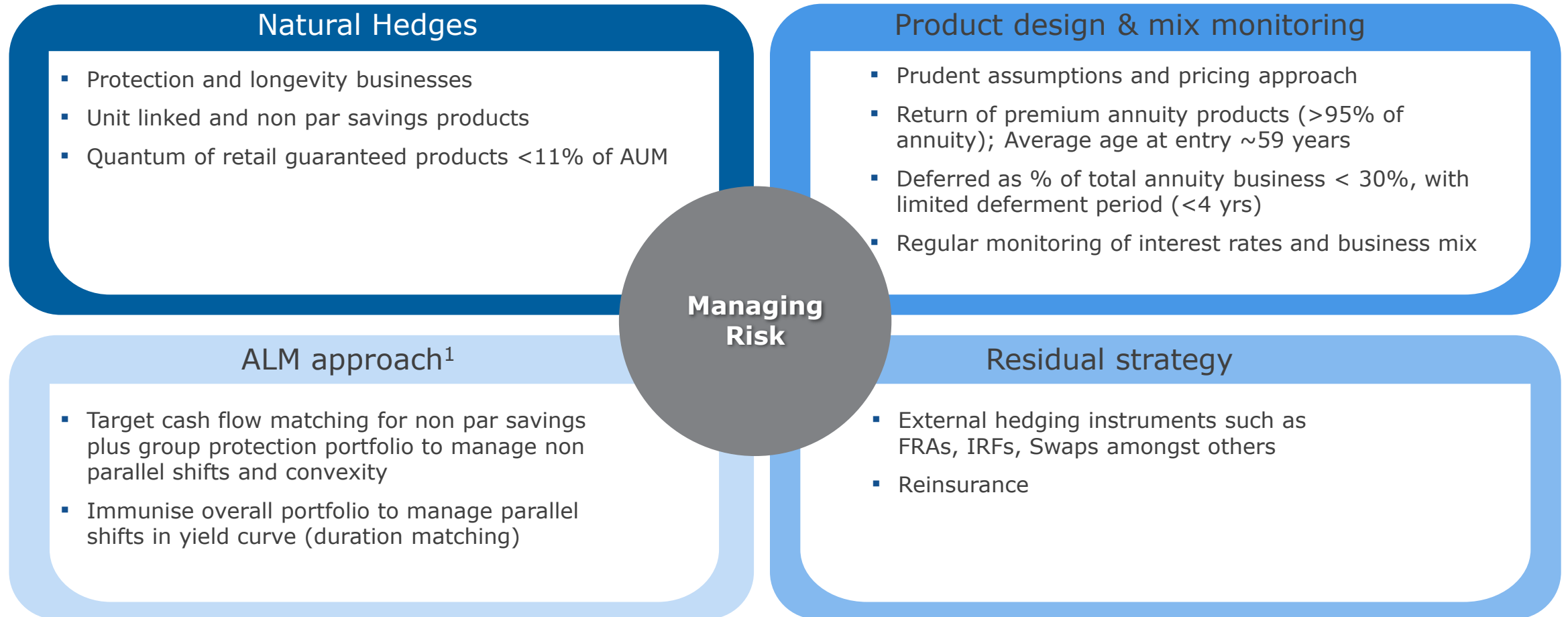
**InstA** - Enablement tool for FLS throughout the customer journey



# Governance Framework



# Financial risk management framework



Calibrated risk management has resulted in low EV and VNB sensitivity

<sup>1</sup> Our approach has been validated by a leading actuarial firm

| EV and VNB Sensitivity |        | FY19       |        | 9M FY20    |  |
|------------------------|--------|------------|--------|------------|--|
| Scenario               | EV     | VNB Margin | EV     | VNB Margin |  |
| Interest Rate +1%      | (1.7%) | (0.1%)     | (1.4%) | (0.2%)     |  |
| Interest Rate -1%      | 1.6%   | 0.1%       | 1.2%   | 0.1%       |  |

# Risk Management for Non Par products

|                      | Key risks          | Quantum of risk                       | Mitigation                                                                                                                                                                                                              |
|----------------------|--------------------|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Annuity</b>       | Interest rate risk | ROPP <sup>1</sup> : Low<br>Life: Low  | <ul style="list-style-type: none"> <li>Duration matching</li> <li>No supply side constraints on the long dated Govt bonds<sup>2</sup></li> <li>Dynamic re-pricing in line with change in market yield</li> </ul>        |
|                      | Reinvestment risk  | ROPP: Low<br>Life: Low                | <ul style="list-style-type: none"> <li>Coupons used to meet annuity payouts</li> </ul>                                                                                                                                  |
|                      | Longevity risk     | ROPP: Low<br>Life: High               | <ul style="list-style-type: none"> <li>Life Annuity less than 2%</li> </ul>                                                                                                                                             |
| <b>Non - Annuity</b> | Interest rate risk | Savings: High<br>Protection: Moderate | <ul style="list-style-type: none"> <li>Target cash-flow matching at portfolio level</li> </ul>                                                                                                                          |
|                      | Reinvestment risk  | Savings: High<br>Protection: Low      | <ul style="list-style-type: none"> <li>Well diversified portfolio over future time periods</li> <li>Internal STRIPS, Partly paid bonds, FRA</li> <li>Assessment of slope change stress testing on cash flows</li> </ul> |
|                      | Mortality risk     | Savings: Low<br>Protection: High      | <ul style="list-style-type: none"> <li>Adequate reinsurance</li> </ul>                                                                                                                                                  |

1. ROPP: Return of Purchase Price

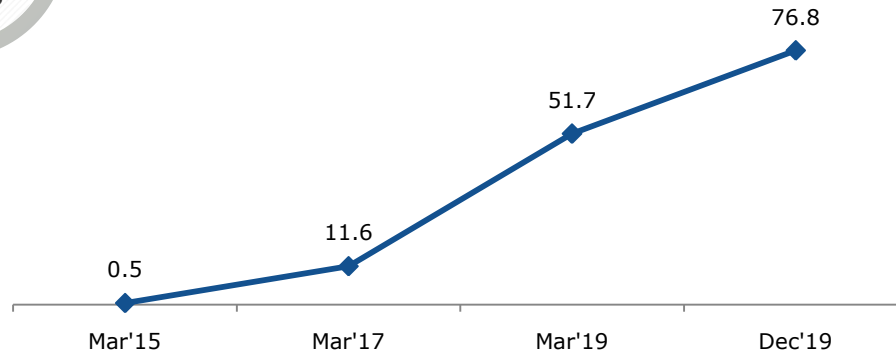
2. Refer appendix on slide 37

# Performance of wholly-owned subsidiary <sup>1</sup> companies



## HDFC Pension

AUM, Rs Bn.



- Fastest growing PFM (Pension Fund Manager) under the NPS architecture (YoY growth of 93% in AUM)
- Market share grew from 25% in Dec'18 to 30% in Dec'19 amongst all private PFMs
- Ranks #1 in corporate subscribers base, #2 amongst all PFMs in net fund flow, retail subscriber base and AUM
- POP operations commenced with enrolling of both retail and corporate subscribers; 400+ corporate registrations till Dec'19



## HDFC International Life and Re



- Registered growth of 79% in revenue to USD 3.9 Mn in 9M FY20
- Continues to trend positively on both technical & net profit
- In December, 2019, S&P Global Ratings affirmed its long-term public financial strength of "BBB" while maintaining the outlook as "Stable"

Performance  
Snapshot

Our Strategy

Annexures

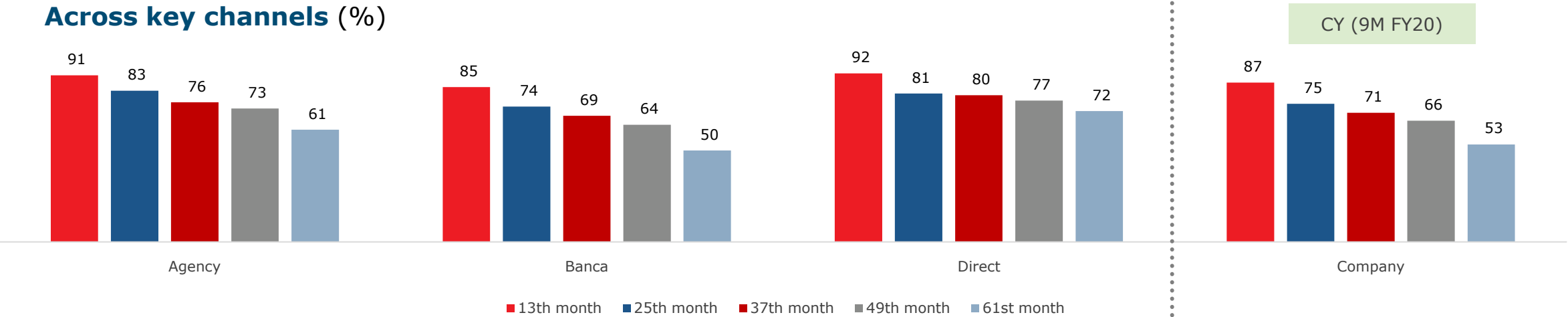
India Life  
Insurance

3

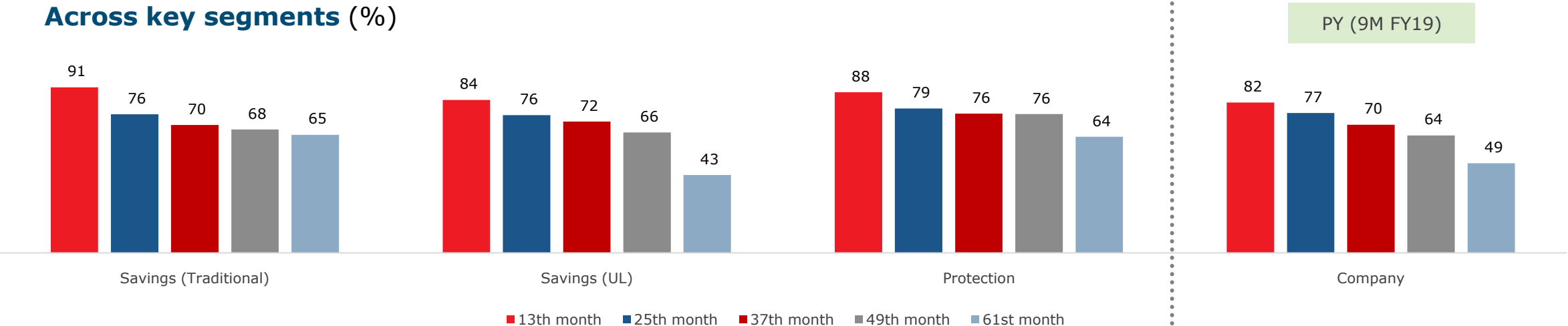
Annexures

# Individual persistency for key channels and segments<sup>1</sup>

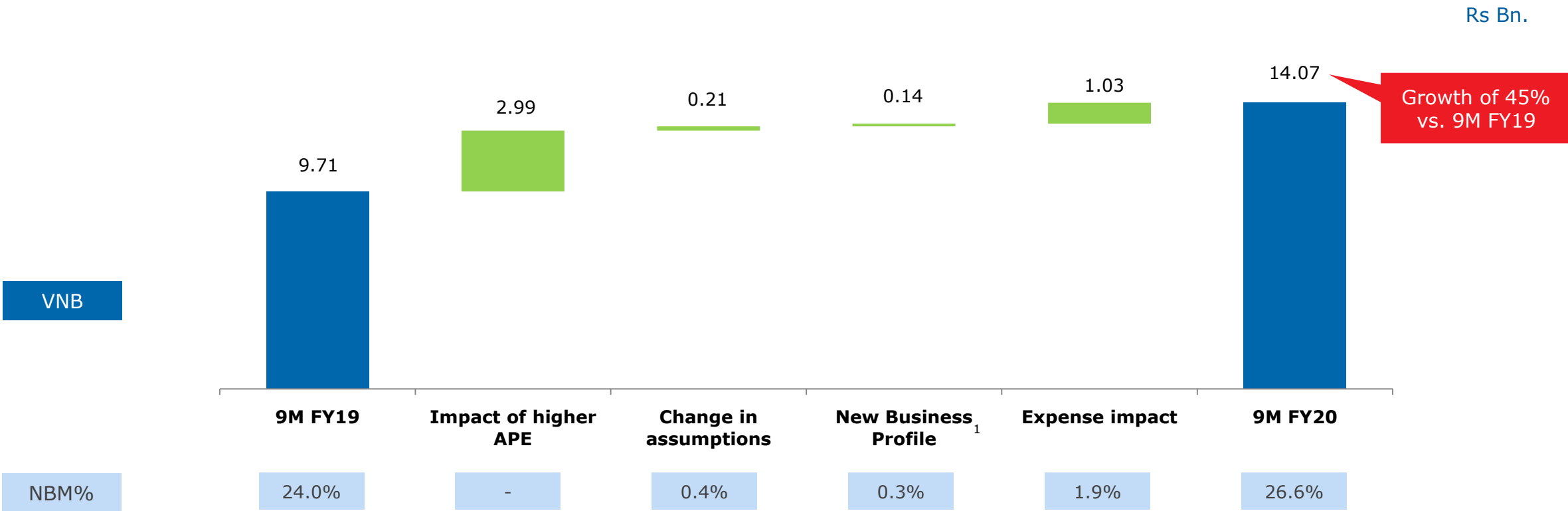
## Across key channels (%)



## Across key segments (%)



# VNB and NBM walkthrough



1. Reflects the impact of difference in mix of segment/distribution channel/tenure/age/sum assured multiple etc

VNB – Value of New Business

NBM – New Business Margin

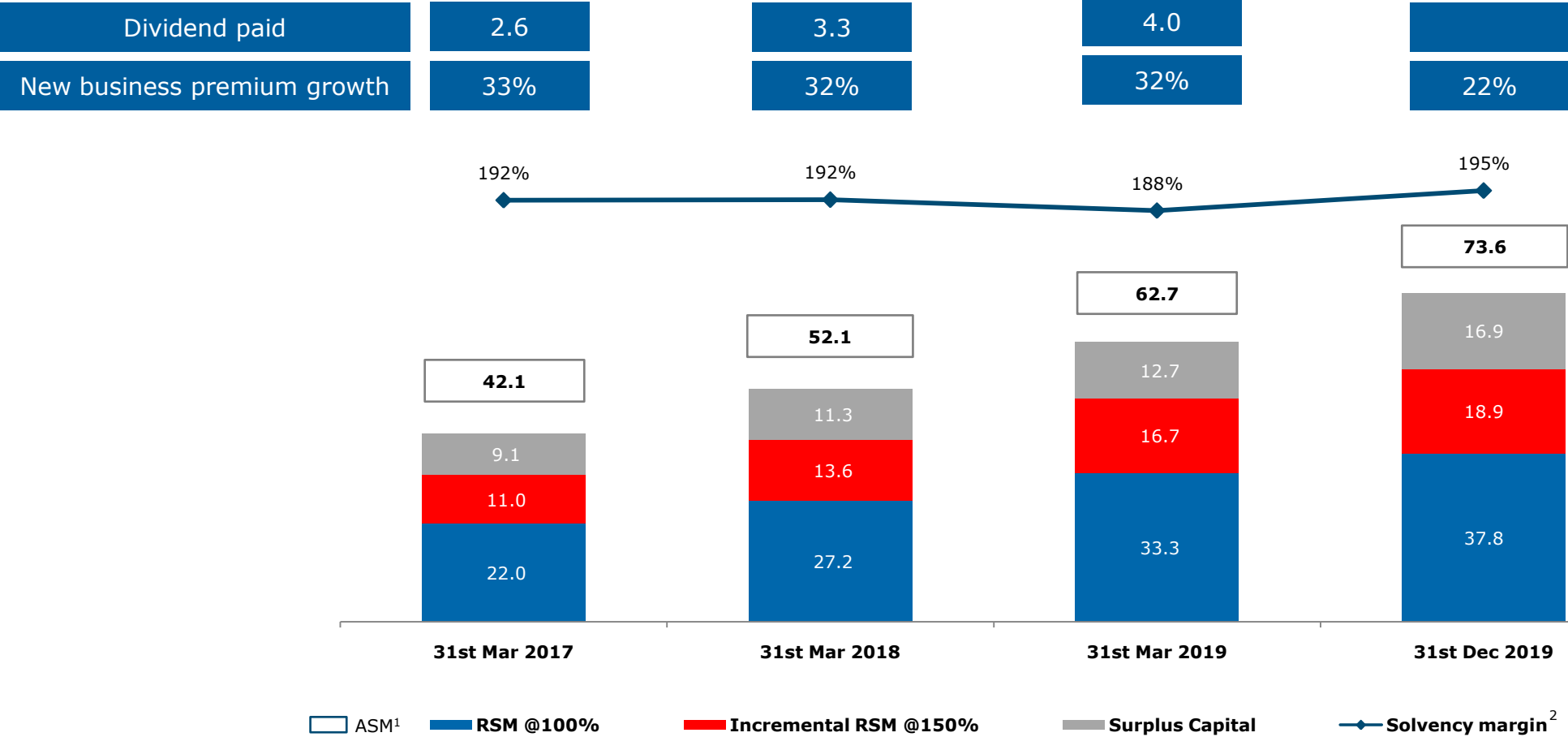
# Sensitivity analysis: H1 FY20

| Analysis based on key metrics | Scenario         | % Change in VNB <sup>1</sup> | Change in VNB Margin <sup>1</sup> | % Change in EV |
|-------------------------------|------------------|------------------------------|-----------------------------------|----------------|
| Change in                     |                  |                              |                                   |                |
| Reference rate                | Increase by 1%   | -0.3%                        | -0.1%                             | -1.4%          |
|                               | Decrease by 1%   | 0.3%                         | 0.1%                              | 1.2%           |
| Equity Market movement        | Decrease by 10%  | -0.9%                        | -0.3%                             | -1.3%          |
| Persistency (Lapse rates)     | Increase by 10%  | -0.8%                        | -0.3%                             | -1.0%          |
|                               | Decrease by 10%  | 0.6%                         | 0.2%                              | 1.2%           |
| Maintenance expenses          | Increase by 10%  | -2.2%                        | -0.7%                             | -0.8%          |
|                               | Decrease by 10%  | 2.2%                         | 0.7%                              | 0.8%           |
| Acquisition Expenses          | Increase by 10%  | -13.1%                       | -4.3%                             | NA             |
|                               | Decrease by 10%  | 13.2%                        | 4.4%                              | NA             |
| Mortality / Morbidity         | Increase by 5%   | -3.8%                        | -1.1%                             | -0.8%          |
|                               | Decrease by 5%   | 3.6%                         | 1.0%                              | 0.9%           |
| Tax rate <sup>2</sup>         | Increased to 25% | -17.4%                       | -5.8%                             | -7.3%          |

1. Post overrun total VNB for Individual and Group business

2. The tax rate is assumed to increase from 14.56% to 25% and hence all the currently taxed profits in policyholder/shareholder segments are taxed at a higher rate. It does not allow for the benefit of policyholder surplus being tax-exempt as was envisaged in the DTC Bill.

# Stable capital position

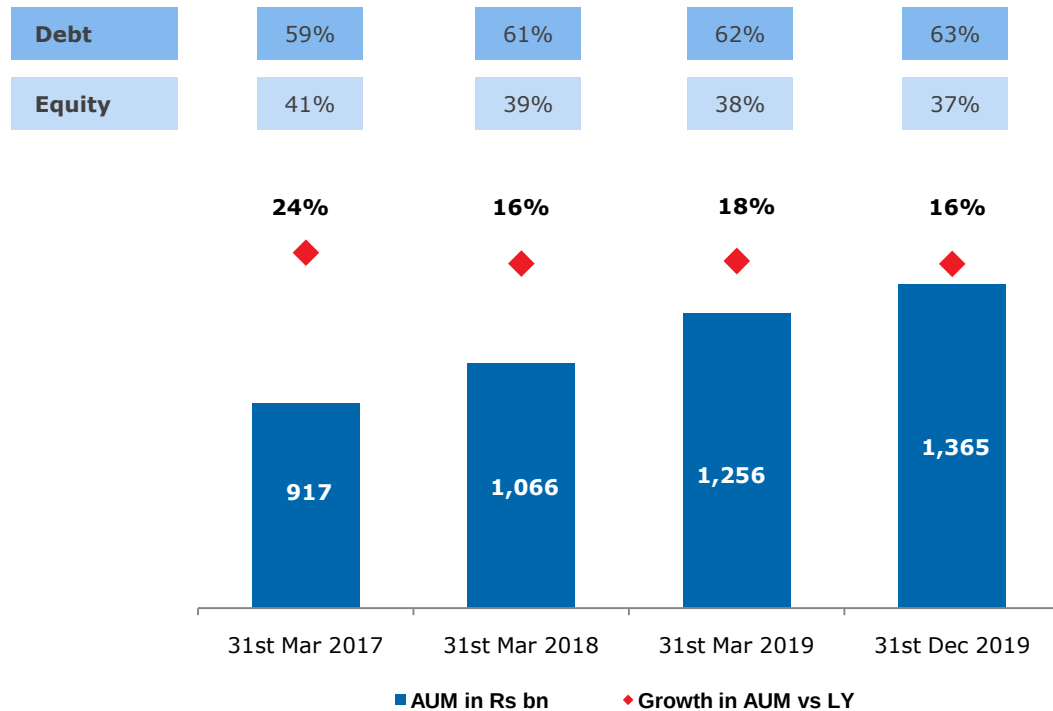


Internal accruals have supported new business growth with no capital infused in last eight years (except through issuance of ESOPs)

1. ASM represents Available solvency margin and RSM represents Required solvency margin  
2. Investment in subsidiaries not considered in solvency margin

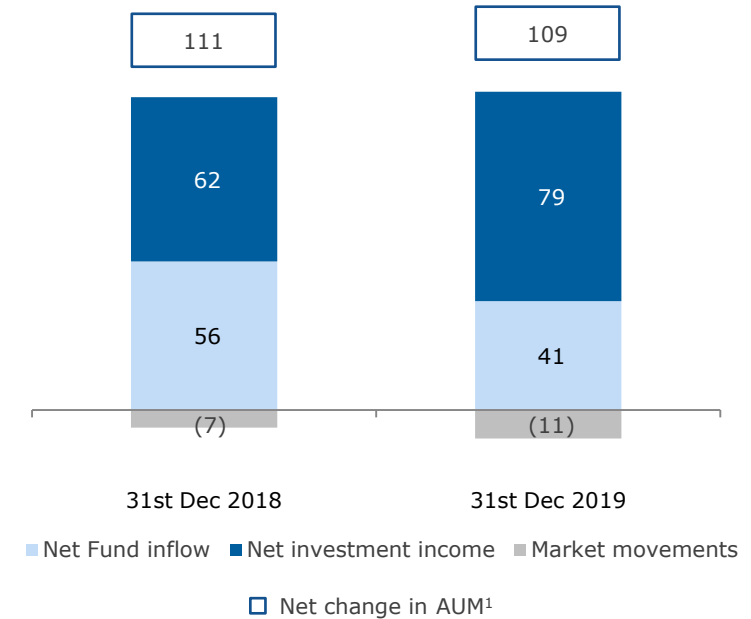
# Assets under management

## Assets Under Management



## Change in AUM <sup>1</sup>

Rs Bn.



- Continue to rank amongst top 3 private players, in terms of assets under management <sup>2</sup>
- Almost 96% of debt investments in Government bonds and AAA rated securities as on Dec 31, 2019

1. Calculated as difference from April to December

2. Based on Assets under Management as on Sep 30, 2019

# Environmental, Social, Governance (ESG): Committed to Sustainability

**Focus on building a sustainable business with a culture that fosters inclusive growth for all stakeholders, today and tomorrow**

## Environmental

- Adoption of Initiatives across water conservation and energy efficiency
- Waste management initiatives like ban on use of plastic garbage bags and use of biodegradable garbage bags
- Created nine city forests using the Japanese Miyawaki method in Mumbai and Nasik
- Access to clean drinking water by setting up Water ATMs in 12 villages and 7 schools

## Social

- Insured over 40 million lives in the microfinance segment
- 19 projects in Education, Health, Environment, Livelihood and Disaster Relief in 20 states and 3 UTs, impacting >200,000 beneficiaries
- Conducting financial literacy classroom trainings and mass awareness campaigns
- Education interventions include scholarships, digital classrooms, providing cycles to girl children, mid-day meals , youth career guidance
- Health interventions include care for children with congenital heart defects, paediatric cancer, club foot and malnutrition

## Governance

- Corporate Governance Policy ensures strong governance framework at the Board level and periodic assessment of the progress
- Code of Conduct sets forth the principles with focus on delivering value for customers, employees and shareholders



**HDFC LIFE  
VALUES**

Performance  
Snapshot

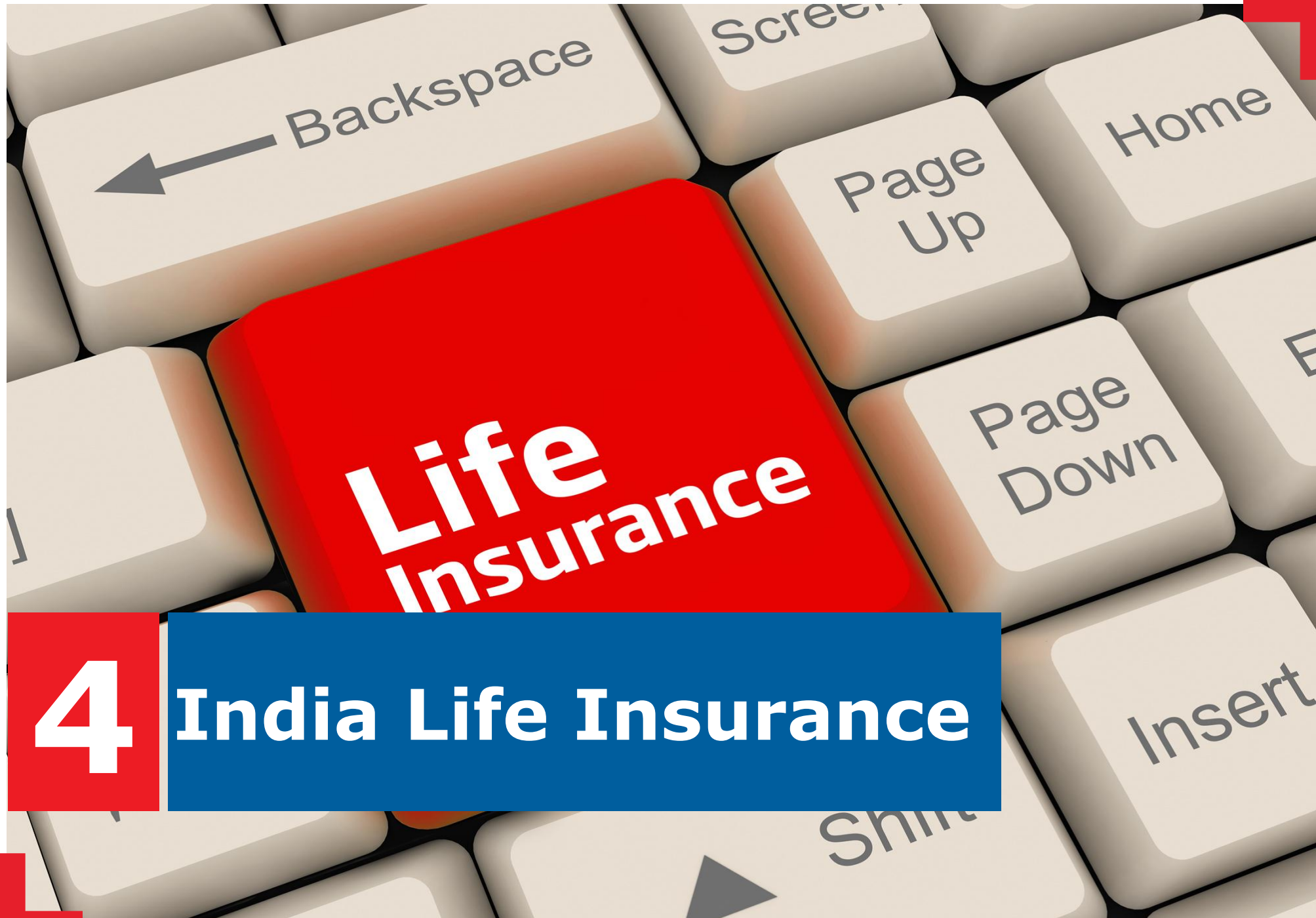
Our Strategy

Annexures

India Life  
Insurance

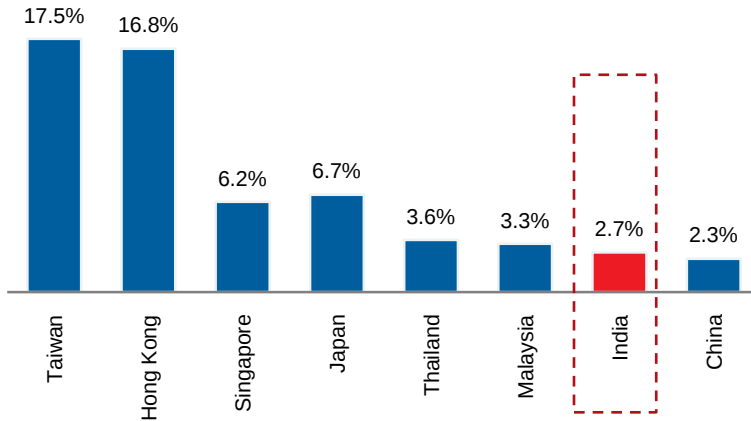
**4**

**India Life Insurance**

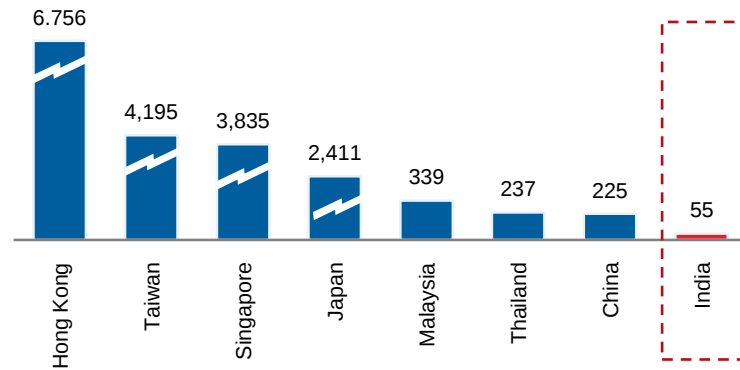


# Growth opportunity: Under-penetration and favourable demographics

**Life Insurance penetration <sup>1</sup>  
(2018)**

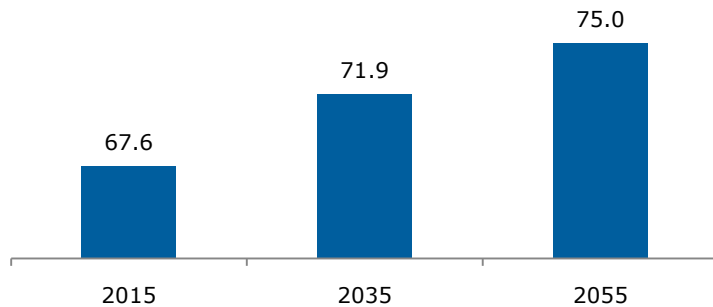


**Life Insurance density US\$ <sup>2</sup>  
(2018)**

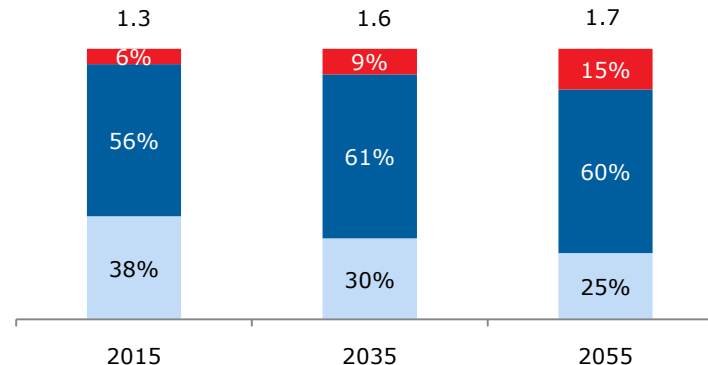


- India remains vastly under-insured, both in terms of penetration and density
- Huge opportunity to penetrate the underserved segments, with evolution of the life insurance distribution model

**Life expectancy (Years)**



**Population composition (Bn.)**



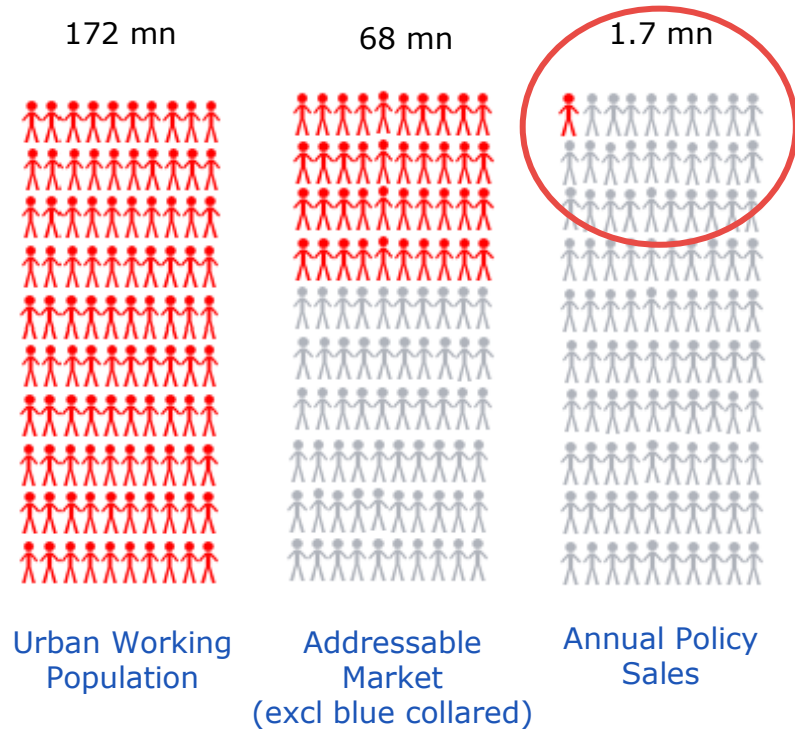
■ Less than 20 years ■ 20-64 years ■ 65 years and above

- India's insurable population is expected to touch 750 million by 2020
- India's elderly population is expected to double by 2035 (as compared to 2015)
- Emergence of nuclear families and advancement in healthcare facilities lead to increase in life expectancy thus facilitating need for pension and protection based products

1. Penetration as measured by premiums as % of GDP,

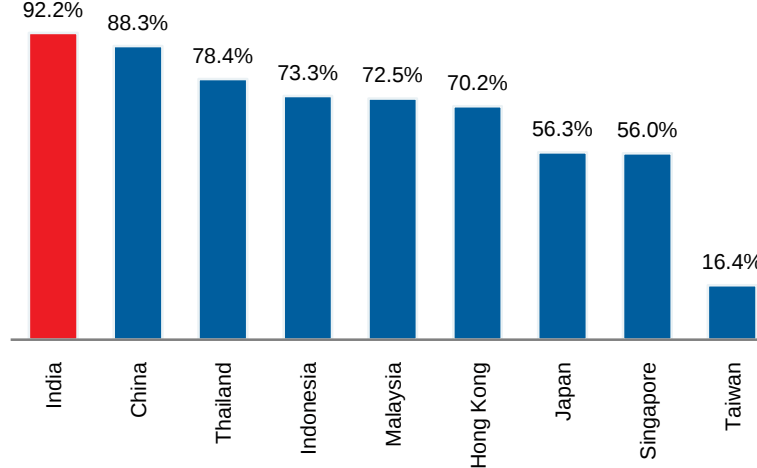
2. Density defined as the ratio of premium underwritten in a given year to the total population

# Low levels of penetration – Life Protection



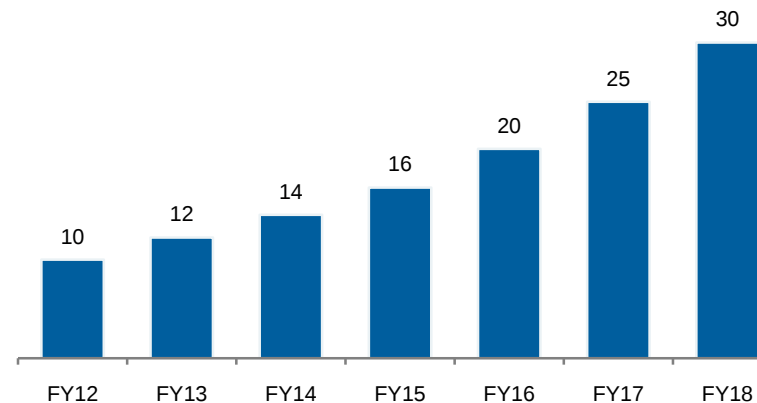
- Only 1 out of 40 people (2.5%) who can afford it is buying a policy every year 1
- Even within the current set, Sum Assured as a multiple of Income is <1x

Protection gap <sup>2</sup> (2014)



- India has the highest protection gap in the region, as growth in savings and life insurance coverage has lagged behind economic and wage growth
- Protection gap has increased over 4x in last 15 years with significantly low insurance penetration and density

Trend of retail loans <sup>3</sup> (Rs Tn.)



- Retail credit has grown at a CAGR of 21% over last 6 years
- Increasing retail indebtedness to spur need for credit life products
- Immense opportunity given:
  - Increasing adoption of credit
  - Enhancement of attachment rates
  - Improvement in value penetration
  - Widening lines of businesses

1. Goldman Sachs Report, March 2019

2. Swiss Re (Based on respective financial year of the countries)

3. Kotak institutional equities

# India has a rapidly increasing ageing population with lack of awareness regarding systematic retirement planning



By 2050, **1 in 6 people** in India will be over the age of 60, bringing the future market to **200 million** people



**41.5%** of elderly male (65+) are working to meet their retirement needs



Unorganized workforce not under any formal pension scheme is **82.7%**

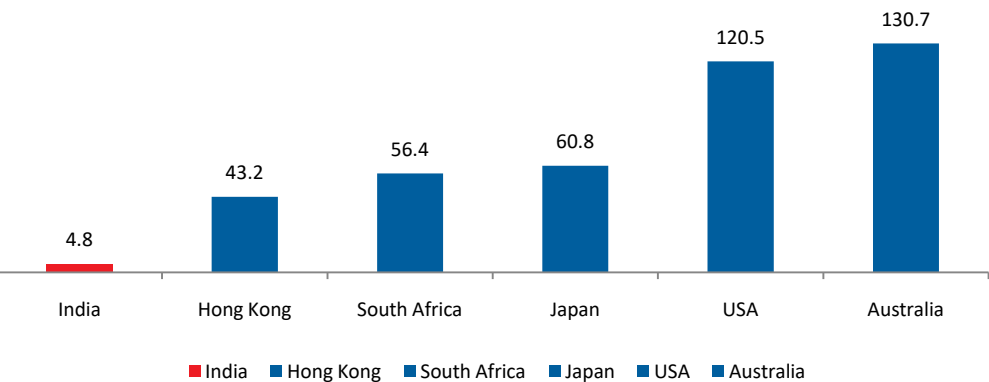


**52%** of elderly population in both urban and rural areas are fully dependent on others

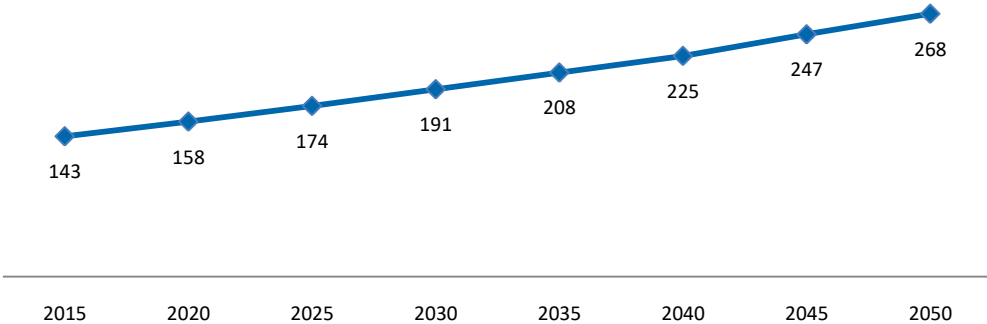
India's pension market is under-penetrated at 4.8% of GDP

Rising old age dependency along with emergence of nuclear families to drive demand for retirement saving products

Pension Assets / GDP Ratio



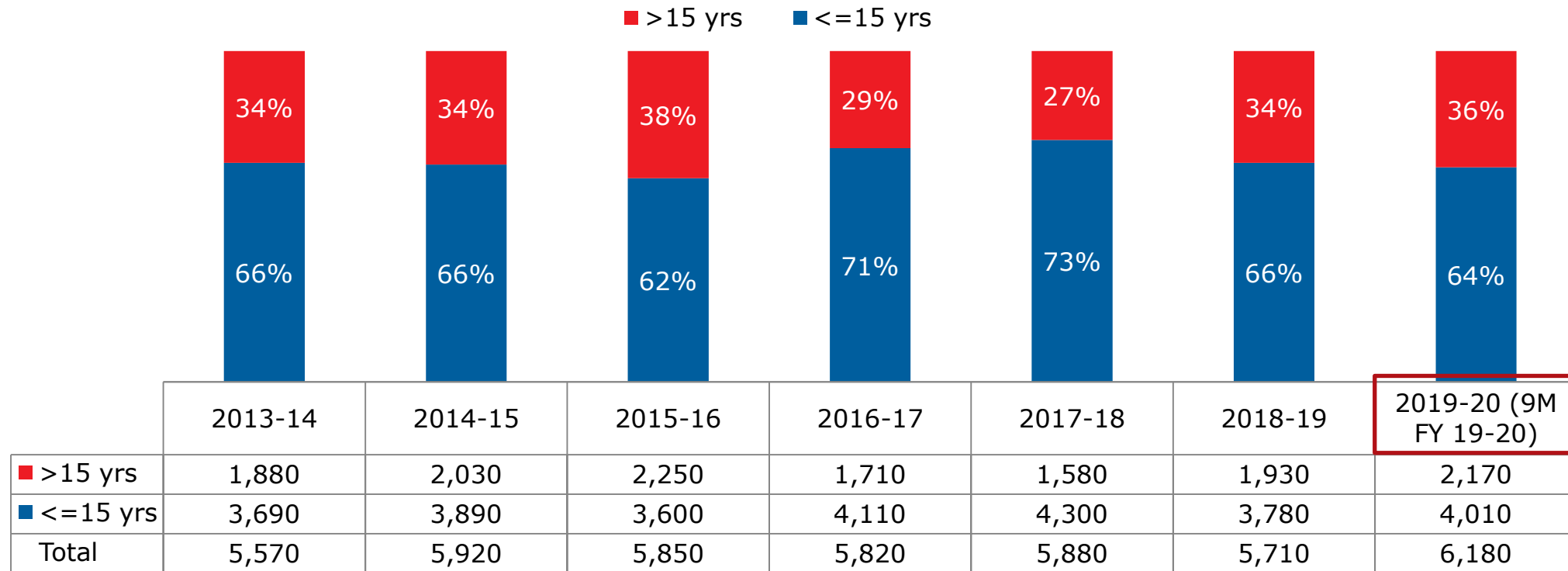
Old age dependency ratio per thousand



# Government Bond Auctions

## Government Bonds – Tenorwise Issuance

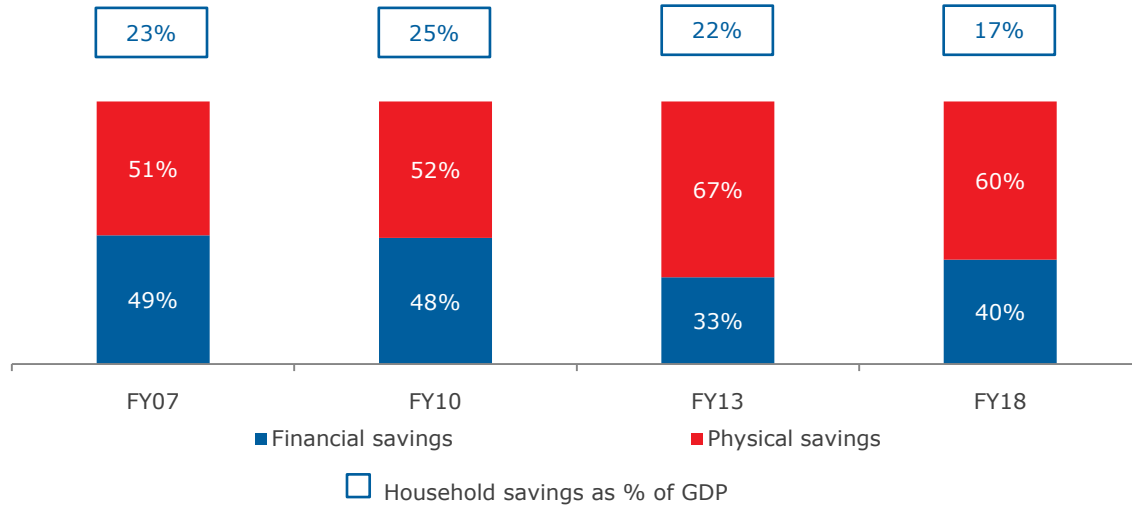
Rs Bn.



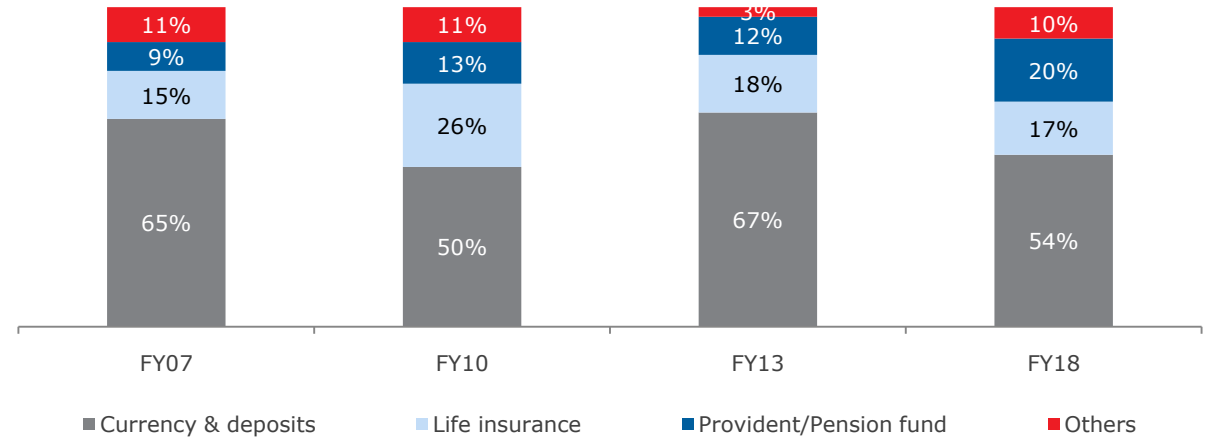
- Auction of >15 year maturity bonds has been ~33% on an average facilitates writing annuity business at scale
- Budget estimate plan for government borrowing for FY20 at Rs. 7.1 trillion on gross basis.
- The actual borrowing till Q3 is 87% of the budget

# Life Insurance: A preferred savings instrument

## Household savings composition

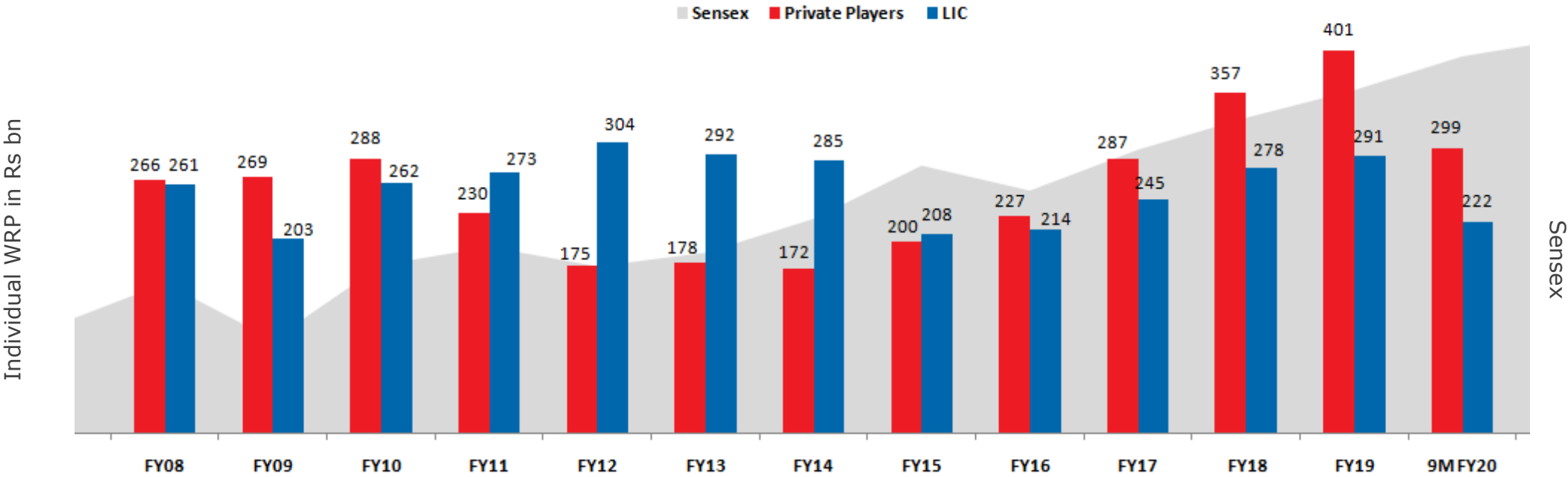


## Financial savings mix



- Increasing preference towards financial savings with increasing financial literacy within the population
- Various government initiatives to promote financial inclusion:
  - Implementation of JAM trinity – around 378 mn new savings bank accounts opened till date
  - Launch of affordable PMJJBY and PMSBY social insurance schemes
  - Atal Pension Yojana promoting pension in unorganized sector

# Industry new business<sup>1</sup> trends



## Private players Market share

Growth %

Private  
LIC  
Overall

|         |     |      |     |      |      |     |     |      |     |     |     |     |     |
|---------|-----|------|-----|------|------|-----|-----|------|-----|-----|-----|-----|-----|
|         | 50% | 57%  | 52% | 46%  | 37%  | 38% | 38% | 49%  | 52% | 54% | 56% | 58% | 57% |
| Private | 86% | 1%   | 7%  | -20% | -24% | 2%  | -3% | 16%  | 14% | 26% | 24% | 12% | 16% |
| LIC     | 0%  | -22% | 29% | 4%   | 11%  | -4% | -2% | -27% | 3%  | 15% | 13% | 5%  | 17% |
| Overall | 31% | -10% | 17% | -9%  | -5%  | -2% | -3% | -11% | 8%  | 21% | 19% | 9%  | 17% |

Private sector gained higher Market share than LIC for the first time in FY16, post FY11 regulatory changes

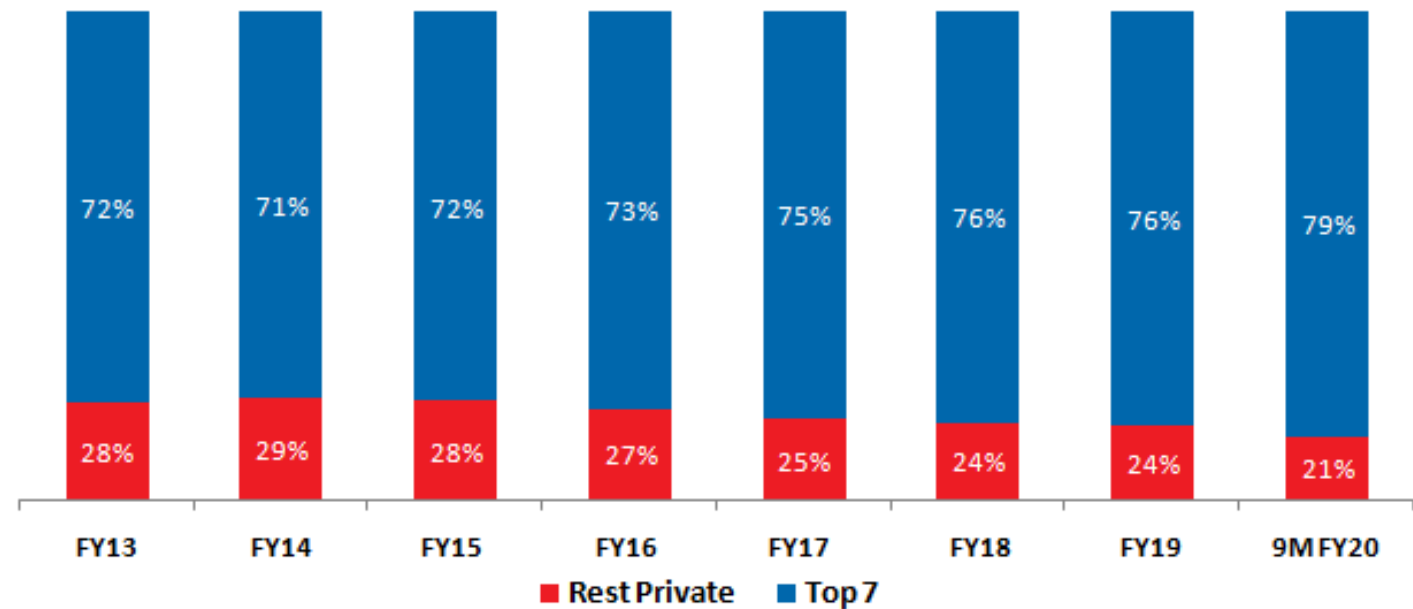
1.Basis Individual Weighted Received Premium (WRP)

Source: IRDAI and Life Insurance Council



# Private industry: Market share trends

Top 7 private players vs other players

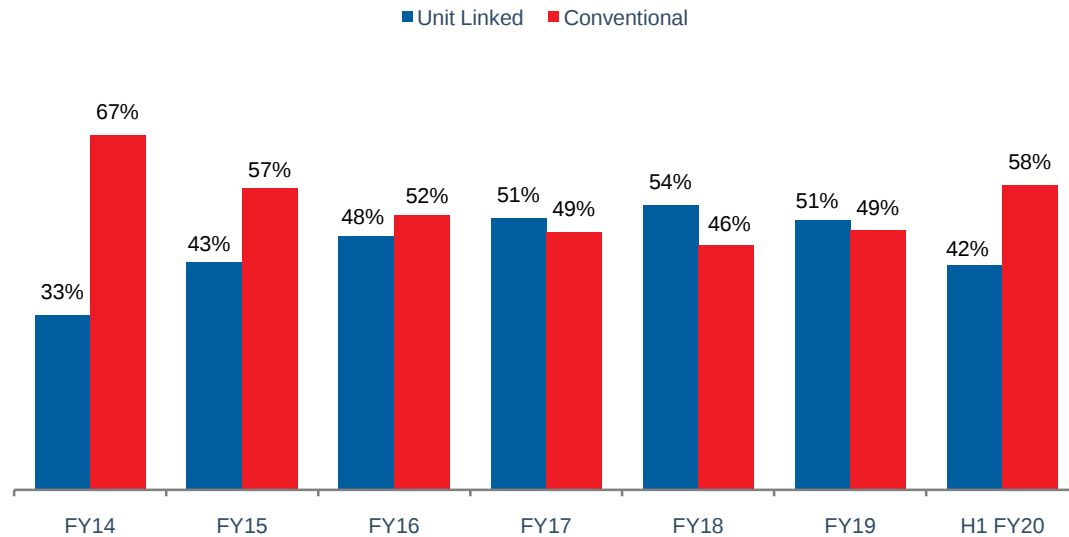


- Amongst private insurers, insurers with a strong bancassurance platform continue to dominate with increasing market share of the total private individual new business

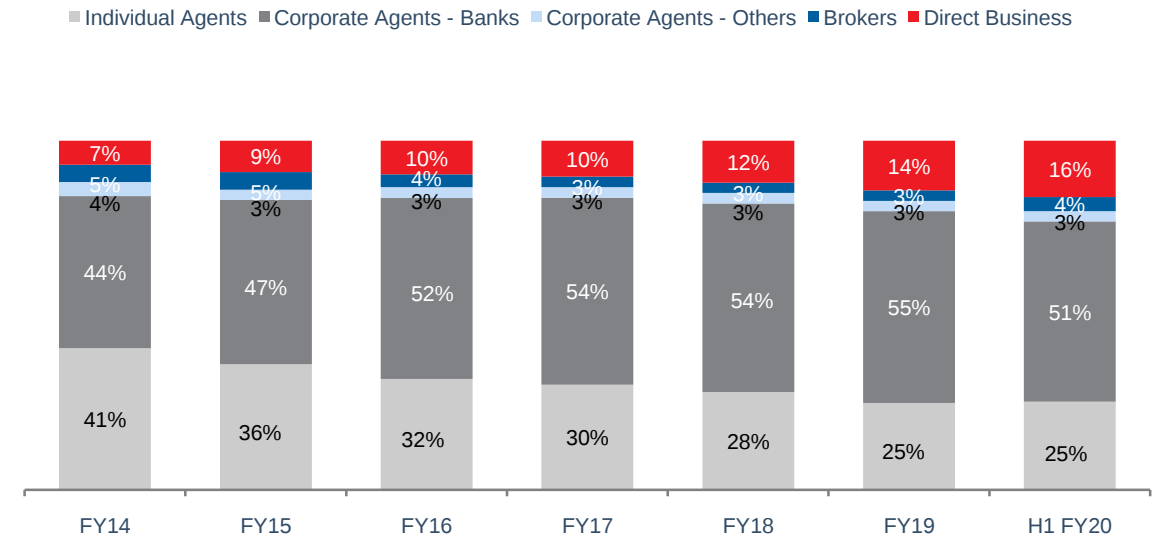
Notes :  
Basis Individual Weighted Received Premium (WRP) as disclosed by IRDAI, Life Insurance Council  
Top 7 players based on 9M FY20 business numbers, comprising of, SBI Life, ICICI Pru HDFC Life, Max Life, Tata AIA, Bajaj Allianz and Birla Sun Life

# Private industry: Product and distribution mix

## Product mix <sup>1</sup>



## Distribution mix <sup>2</sup>



- Product mix has moved towards balanced mix between UL and Conventional business for the private players
- Increasing thrust on protection business in recent times by top players has helped improve the new business margins
- Banca sourced business has consistently increased on the back of increasing reach of banks while share of Agency has declined post regulatory changes in FY11

1. Basis Overall WRP (Individual and Group);

2. Basis Individual New business premia

Source: IRDAI and Life Insurance Council

# Appendix

# Financial and operational snapshot (1/2)

|                                                               | 9M FY20 | 9M FY19 | Growth | FY19    | FY18    | FY17    | CAGR |
|---------------------------------------------------------------|---------|---------|--------|---------|---------|---------|------|
| New Business Premium (Indl. + Group)                          | 121.5   | 99.4    | 22%    | 149.7   | 113.5   | 86.2    | 32%  |
| Renewal Premium (Indl. + Group)                               | 99.4    | 89.2    | 11%    | 142.1   | 122.1   | 108.2   | 15%  |
| Total Premium                                                 | 220.9   | 188.6   | 17%    | 291.9   | 235.6   | 194.5   | 23%  |
| Individual APE                                                | 43.9    | 33.6    | 31%    | 52.0    | 48.9    | 37.4    | 18%  |
| Overall APE                                                   | 53.0    | 40.5    | 31%    | 62.6    | 55.3    | 41.9    | 22%  |
| Group Premium (NB)                                            | 61.5    | 49.6    | 24%    | 73.3    | 54.1    | 44.2    | 29%  |
| Profit after Tax                                              | 9.8     | 9.1     | 8%     | 12.8    | 11.1    | 8.9     | 20%  |
| - Policyholder Surplus                                        | 7.1     | 7.2     | -1%    | 9.0     | 8.5     | 7.5     | 9%   |
| - Shareholder Surplus                                         | 2.7     | 1.9     | 42%    | 3.8     | 2.6     | 1.4     | 64%  |
| Dividend Paid <sup>(1)</sup>                                  | -       | -       | NA     | 4.0     | 3.3     | 2.6     | 22%  |
| Assets Under Management                                       | 1,364.5 | 1,177.0 | 16%    | 1,255.5 | 1,066.0 | 917.4   | 17%  |
| Indian Embedded Value                                         | 208.4   | 174.0   | 20%    | 183.0   | 152.2   | 124.7   | 21%  |
| Net Worth <sup>(2)</sup>                                      | 66.7    | 56.9    | 17%    | 56.6    | 47.2    | 38.1    | 22%  |
| NB (Individual and Group segment) lives insured (Mn.)         | 44.8    | 34.8    | 29%    | 51.4    | 33.2    | 20.9    | 57%  |
| No. of Individual Policies (NB) sold (In 000s) <sup>(3)</sup> | 639.5   | 664.6   | -4%    | 995.0   | 1,049.6 | 1,082.3 | -4%  |

1. Including dividend distribution tax (DDT)

2. Comprises share capital, share premium and accumulated profits/(losses)

3. Including rural policies. Excluding rural policies, NOPs grew by CAGR of 8% between FY17-19



# Financial and operational snapshot (2/2)

|                                                       |     | 9M FY20      | 9M FY19      | FY19         | FY18         | FY17        |
|-------------------------------------------------------|-----|--------------|--------------|--------------|--------------|-------------|
| Overall New Business Margins (post overrun)           |     | 26.6%        | 24.0%        | 24.6%        | 23.2%        | 22.0%       |
| Operating Return on EV                                | (1) | 19.0%        | 19.7%        | 20.1%        | 21.5%        | 21.7%       |
| Operating Expenses / Total Premium                    |     | 13.8%        | 13.8%        | 13.2%        | 13.5%        | 12.6%       |
| Total Expenses (OpEx + Commission) / Total Premium    |     | 18.5%        | 17.7%        | 17.0%        | 18.0%        | 16.7%       |
| Return on Equity                                      | (2) | 21.3%        | 23.4%        | 24.6%        | 26.0%        | 25.7%       |
| Solvency Ratio                                        |     | 195%         | 191%         | 188%         | 192%         | 192%        |
| Persistency (13M / 61M)                               | (3) | 90%/55%      | 86%/50%      | 87%/52%      | 87%/51%      | 84%/59%     |
| Market Share (%)                                      |     |              |              |              |              |             |
| - Individual WRP                                      |     | 14.3%        | 12.6%        | 12.5%        | 13.3%        | 12.7%       |
| - Group New Business                                  |     | 28.6%        | 28.2%        | 28.4%        | 28.5%        | 24.3%       |
| - Total New Business                                  |     | 21.4%        | 21.0%        | 20.7%        | 19.1%        | 17.2%       |
| Business Mix (%)                                      |     |              |              |              |              |             |
| - Product (UL/Non par savings/Non par protection/Par) | (4) | 28/52/7/13   | 59/14/7/20   | 55/20/7/18   | 57/9/5/28    | 52/9/4/35   |
| - Indl Distribution (CA/Agency/Broker/Direct)         | (4) | 55/14/9/21   | 67/11/4/17   | 64/13/4/19   | 71/11/5/14   | 72/12/5/11  |
| - Total Distribution (CA/Agency/Broker/Direct/Group)  | (5) | 23/7/3/16/51 | 27/6/2/15/50 | 26/7/2/16/49 | 33/7/2/10/48 | 32/7/2/7/52 |
| - Share of protection business (Basis Indl APE)       |     | 6.7%         | 6.7%         | 6.7%         | 5.1%         | 4.0%        |
| - Share of protection business (Basis Overall APE)    |     | 16.7%        | 16.6%        | 16.7%        | 11.3%        | 7.8%        |
| - Share of protection business (Basis NBP)            |     | 28.1%        | 28.1%        | 27.0%        | 25.9%        | 21.8%       |

1. During FY18, there was a one time positive operating assumption change off Rs 1.4 bn based on review by an external actuary as part of the IPO process. Excluding this one time adjustment, Operating return on EV would have been 20.4% for FY18

2. Calculated using net profit and average net worth for the period (Net worth comprises of Share capital, Share premium and Accumulated profits)

3. Persistency ratios (based on original premium). Group business, where persistency is measurable, has been included in the calculations.

4. Based on individual APE. UL: Unit Linked, Trad: Traditional, Par: Participating & CA: Corporate Agents. Percentages are rounded off

5. Based on total new business premium including group. Percentages are rounded off



# Revenue and Profit & Loss A/c

## Revenue A/c

|                                                  | 9M FY20      | 9M FY19      |
|--------------------------------------------------|--------------|--------------|
| Premium earned                                   | 220.9        | 188.6        |
| Reinsurance ceded                                | (3.3)        | (1.8)        |
| Income from Investments                          | 69.2         | 52.7         |
| Other Income                                     | 1.1          | 0.6          |
| Transfer from Shareholders' Account              | 0.3          | 0.1          |
| <b>Total Income</b>                              | <b>288.1</b> | <b>240.2</b> |
| Commissions                                      | 10.4         | 7.2          |
| Expenses                                         | 30.4         | 26.0         |
| GST on UL charges                                | 2.6          | 2.5          |
| Provision for taxation                           | 0.3          | 0.4          |
| Provision for diminution in value of investments | 1.9          | 0.7          |
| Benefits paid                                    | 130.6        | 89.5         |
| Change in valuation reserve                      | 97.6         | 103.3        |
| Bonuses Paid                                     | 6.1          | 3.1          |
| <b>Total Outgoings</b>                           | <b>279.8</b> | <b>232.7</b> |
| <b>Surplus</b>                                   | <b>8.4</b>   | <b>7.6</b>   |
| Transfer to Shareholders' Account                | 7.4          | 7.3          |
| Funds for future appropriation - Par             | 1.0          | 0.2          |
| <b>Total Appropriations</b>                      | <b>8.4</b>   | <b>7.6</b>   |

## Profit and Loss A/c

Rs Bn.

|                                                     | 9M FY20     | 9M FY19    |
|-----------------------------------------------------|-------------|------------|
| <b>Income</b>                                       |             |            |
| - Interest and dividend income                      | 2.7         | 2.1        |
| - Net profit/(loss) on sale                         | 0.9         | 0.2        |
| Transfer from Policyholders' Account                | 7.4         | 7.3        |
| Other Income                                        | 0.0         | 0.1        |
| <b>Total</b>                                        | <b>10.9</b> | <b>9.7</b> |
| <b>Outgoings</b>                                    |             |            |
| Transfer to Policyholders' Account                  | 0.3         | 0.1        |
| Expenses                                            | 0.2         | 0.1        |
| Provision for diminution in value of investments    | 0.2         | 0.1        |
| Provision for Taxation                              | 0.4         | 0.3        |
| <b>Total</b>                                        | <b>1.1</b>  | <b>0.6</b> |
| <b>Profit for the year as per P&amp;L Statement</b> | <b>9.8</b>  | <b>9.1</b> |
| Interim Dividend paid (including tax)               | 0.0         | 0.0        |
| <b>Profit carried forward to Balance Sheet</b>      | <b>9.8</b>  | <b>9.1</b> |

# Balance Sheet

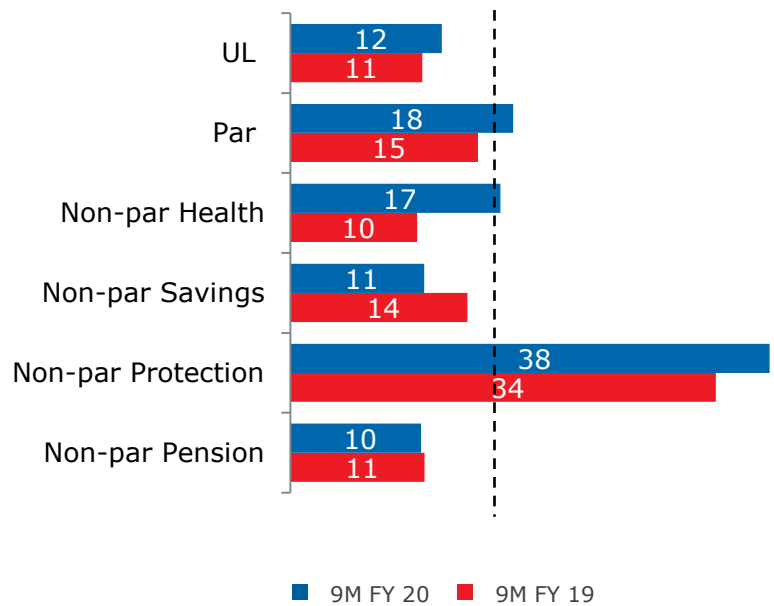
Rs Bn.

|                                         | Dec 31, 2019   | Dec 31, 2018   | Mar 31, 2019   |
|-----------------------------------------|----------------|----------------|----------------|
| <b>Shareholders' funds</b>              |                |                |                |
| Share capital (including Share premium) | 24.1           | 23.8           | 23.8           |
| Accumulated profits                     | 42.6           | 33.1           | 32.7           |
| Fair value change                       | (0.1)          | 0.0            | (0.0)          |
| <b>Sub total</b>                        | <b>66.6</b>    | <b>56.9</b>    | <b>56.6</b>    |
| <b>Policyholders' funds</b>             |                |                |                |
| Fair value change                       | 9.7            | 8.4            | 11.1           |
| Policy Liabilities                      | 619.6          | 501.3          | 536.3          |
| Provision for Linked Liabilities        | 613.5          | 568.0          | 605.2          |
| Funds for discontinued policies         | 34.6           | 29.0           | 28.6           |
| <b>Sub total</b>                        | <b>1,277.4</b> | <b>1,106.8</b> | <b>1,181.2</b> |
| Funds for future appropriation (Par)    | 12.0           | 9.8            | 11.0           |
| <b>Total Source of funds</b>            | <b>1,355.9</b> | <b>1,173.5</b> | <b>1,248.8</b> |
| Shareholders' investment                | 60.4           | 48.0           | 50.5           |
| Policyholders' investments: Non-linked  | 655.9          | 531.9          | 571.2          |
| Policyholders' investments: Linked      | 648.1          | 597.0          | 633.8          |
| Loans                                   | 2.6            | 0.5            | 0.8            |
| Fixed assets                            | 3.4            | 3.4            | 3.3            |
| Net current assets                      | (14.5)         | (7.3)          | (10.8)         |
| <b>Total Application of funds</b>       | <b>1,355.9</b> | <b>1,173.5</b> | <b>1,248.8</b> |

# Segment wise average term and age<sup>1</sup>

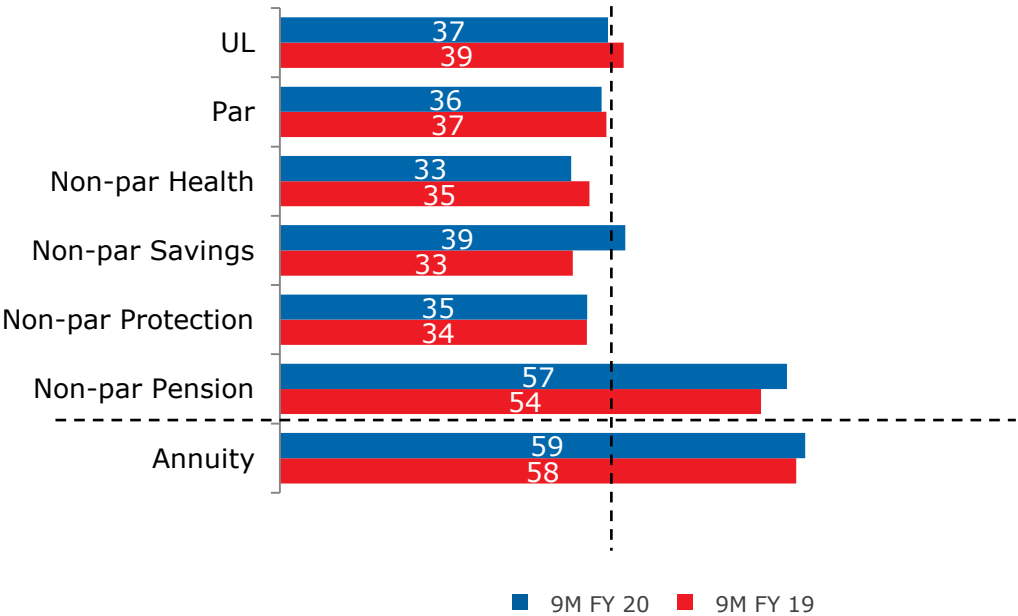
## Average Policy Term excluding annuity (Yrs)

9M FY20: 17.0 (9M FY19 : 15.0)



## Average Customer Age excluding annuity (Yrs)

9M FY20: 37.5 (9M FY19: 36.7)



- Focus on long term insurance solutions, reflected in longer policy tenure
- Extensive product solutions catering customer needs across life cycles from young age to relatively older population

# Indian Embedded value: Methodology and Approach (1/2)

## Overview

**Indian Embedded Value (IEV)** consists of:

- **Adjusted Net Worth (ANW)**, consisting of:
  - Free surplus (FS);
  - Required capital (RC); and
- **Value of in-force covered business (VIF)**: Present value of the shareholders' interest in the earnings distributable from assets allocated to the covered business, after making sufficient allowance for the aggregate risks in the covered business.

## Components of Adjusted Net Worth (ANW)

- **Free surplus (FS)**: FS is the Market value of any assets allocated to, but not required to support, the in-force covered business as at the valuation date. The FS has been determined as the adjusted net worth of the Company (being the net shareholders' funds adjusted to revalue assets to Market value), less the RC as defined below.
- **Required capital (RC)**: RC is the amount of assets attributed to the covered business over and above that required to back liabilities for the covered business. The distribution of this to shareholders is restricted. RC is set equal to the internal target level of capital equal to 170% of the factor-based regulatory solvency requirements, less the funds for future appropriations ("FFA") in the participating funds.

# Indian Embedded value: Methodology and Approach (2/2)

## Components of Value in-force covered business (VIF)

- **Present value of future profits (PVFP):** PVFP is the present value of projected distributable profits to shareholders arising from the in-force covered business determined by projecting the shareholder cash flows from the in-force covered business and the assets backing the associated liabilities.
- **Time Value of Financial Options and Guarantees (TVFOG):** TVFOG reflects the value of the additional cost to shareholders that may arise from the embedded financial options and guarantees attaching to the covered business in the event of future adverse market movements. Intrinsic value of such options and guarantees is reflected in PVFP.
- **Frictional costs of required capital (FC):** FC represents the investment management expenses and taxation costs associated with holding the RC. VIF includes an allowance for FC of holding RC for the covered business. VIF also includes an allowance for FC in respect of the encumbered capital in the Company's holdings in its subsidiaries.
- **Cost of residual non-hedgeable risks (CRNHR):** CRNHR is an allowance for risks to shareholder value to the extent that these are not already allowed for in the TVFOG or the PVFP. In particular, the CRNHR makes allowance for:
  - asymmetries in the impact of the risks on shareholder value; and
  - risks that are not allowed for in the TVFOG or the PVFP.

CRNHR has been determined using a cost of capital approach. CRNHR is the present value of the cost of capital charge levied on the projected capital in respect of the material risks identified.

# Embedded Value: Economic assumptions<sup>1</sup>

| Years      | Forward rates %    |                    | Spot rates %       |                    |
|------------|--------------------|--------------------|--------------------|--------------------|
|            | As at Dec 31, 2019 | As at Dec 31, 2018 | As at Dec 31, 2019 | As at Dec 31, 2018 |
| <b>1</b>   | 5.55               | 7.00               | 5.40               | 6.77               |
| <b>2</b>   | 6.30               | 7.39               | 5.75               | 6.95               |
| <b>3</b>   | 6.87               | 7.65               | 6.05               | 7.09               |
| <b>4</b>   | 7.23               | 7.82               | 6.28               | 7.20               |
| <b>5</b>   | 7.43               | 7.93               | 6.46               | 7.28               |
| <b>10</b>  | 7.52               | 8.02               | 6.86               | 7.50               |
| <b>15</b>  | 7.47               | 7.95               | 6.98               | 7.56               |
| <b>20</b>  | 7.45               | 7.94               | 7.03               | 7.58               |
| <b>25</b>  | 7.45               | 7.98               | 7.06               | 7.60               |
| <b>30+</b> | 7.45               | 8.04               | 7.08               | 7.62               |

# Glossary (Part 1)

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- **APE (Annualized Premium Equivalent)** - The sum of annualized first year regular premiums and 10% weighted single premiums and single premium top-ups
- **Backbook surplus** – Surplus accumulated from historical business written
- **Conservation ratio** - Ratio of current year renewal premiums to previous year's renewal premium and first year premium
- **Embedded Value Operating Profit (“EVOP”)** – Measure of the increase in the EV during any given period, excluding the impact on EV due to external factors like changes in economic variables and shareholder-related actions like capital injection or dividend pay-outs.
- **First year premiums** - Regular premiums received during the year for all modes of payments chosen by the customer which are still in the first year. For example, for a monthly mode policy sold in March 2019, the first instalment would fall into first year premiums for 2018-19 and the remaining 11 instalments in the first year would be first year premiums in 2019-20
- **New business received premium** - The sum of first year premium and single premium.
- **New business strain** – Strain on the business created due to revenues received in the first policy year not being able to cover for expenses incurred

## Glossary (Part 2)

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- **Operating expense** - It includes all expenses that are incurred for the purposes of sourcing new business and expenses incurred for policy servicing (which are known as maintenance costs) including shareholders' expenses. It does not include commission.
- **Operating expense ratio** - Ratio of operating expense (including shareholders' expenses) to total premium
- **Proprietary channels** – Proprietary channels include agency and direct
- **Protection Share** - Share of protection includes annuity and health
- **Persistency** – The proportion of business retained from the business underwritten. The ratio is measured in terms of number of policies and premiums underwritten.
- **Renewal premiums** - Regular recurring premiums received after the first year
- **Solvency ratio** - Ratio of available solvency Margin to required solvency Margins
- **Total premiums** - Total received premiums during the year including first year, single and renewal premiums for individual and group business
- **Weighted received premium (WRP)** - The sum of first year premium and 10% weighted single premiums and single premium top-ups

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