

# HDFC Life Insurance

Investor Presentation – 12M FY20





# Agenda

- 1 Performance Snapshot
- 2 Our Strategy
- 3 Managing Covid-19
- 4 Customer Insights
- 5 Annexures
- 6 India Life Insurance

**Performance  
Snapshot**

**Our Strategy**

**Managing Covid-19**

**Customer Insights**

**Annexures**

**India Life Insurance**

**1**

# Performance Snapshot

# Executive summary: FY20

## Scale



|             |          |             |
|-------------|----------|-------------|
| Company APE | Rs (Bn.) | <b>74.1</b> |
|             | Growth   | <b>18%</b>  |



Mkt. Share

|            |        |             |
|------------|--------|-------------|
| Overall    | CY (%) | <b>21.5</b> |
|            | PY (%) | <b>20.7</b> |
| Individual | CY (%) | <b>14.2</b> |
|            | PY (%) | <b>12.5</b> |



|     |          |            |
|-----|----------|------------|
| AUM | Rs (Tn.) | <b>1.3</b> |
|     | Growth   | <b>1%</b>  |



|                  |        |             |
|------------------|--------|-------------|
| NB Lives Insured | Mn     | <b>61.3</b> |
|                  | Growth | <b>19%</b>  |

## Profitability



|                     |    |              |
|---------------------|----|--------------|
| New Business Margin | CY | <b>25.9%</b> |
|                     | PY | <b>24.6%</b> |



|      |          |              |
|------|----------|--------------|
| IEV  | Rs (Bn.) | <b>206.5</b> |
| EVOP | Growth   | <b>18.1%</b> |



|                  |          |             |
|------------------|----------|-------------|
| Profit After Tax | Rs (Bn.) | <b>13.0</b> |
|                  | Growth   | <b>1%</b>   |



|                      |    |              |
|----------------------|----|--------------|
| Operating Exp. Ratio | CY | <b>13.1%</b> |
|                      | PY | <b>13.1%</b> |

## Customer centricity



|                                                 |    |            |
|-------------------------------------------------|----|------------|
| 13 <sup>th</sup> month persistency <sup>1</sup> | CY | <b>88%</b> |
|                                                 | PY | <b>84%</b> |



Protection

|     |          |             |
|-----|----------|-------------|
| NBP | Rs (Bn.) | <b>47.6</b> |
|     | Growth   | <b>18%</b>  |
| APE | Rs (Bn.) | <b>12.7</b> |
|     | Growth   | <b>22%</b>  |



|                                     |      |              |
|-------------------------------------|------|--------------|
| Claim settlement ratio <sup>2</sup> | FY20 | <b>99.1%</b> |
|                                     | FY19 | <b>99.0%</b> |



|                             |      |           |
|-----------------------------|------|-----------|
| Complaints per 10k policies | FY20 | <b>47</b> |
|                             | FY19 | <b>61</b> |

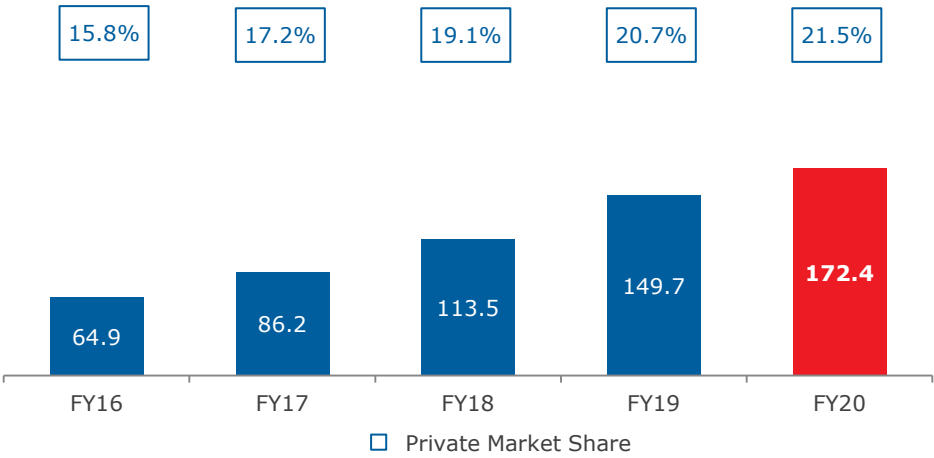
1. Persistency for Individual business

2. Computed basis NOPs for Individual Business

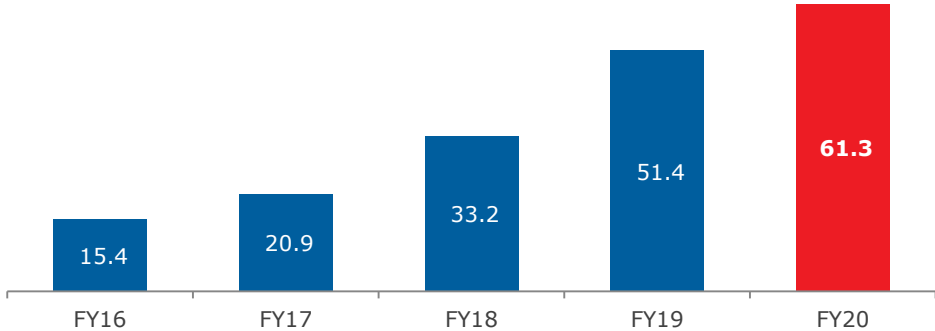
The numbers throughout the presentation are based on standalone financial results of the Company

# Consistent performance across key metrics (1/2)

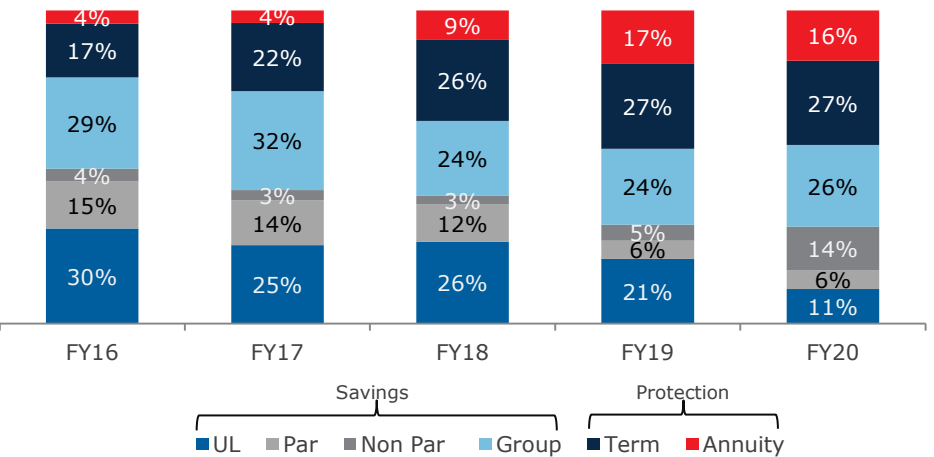
Leadership in new business premium (Rs Bn) CAGR: 28% ↑



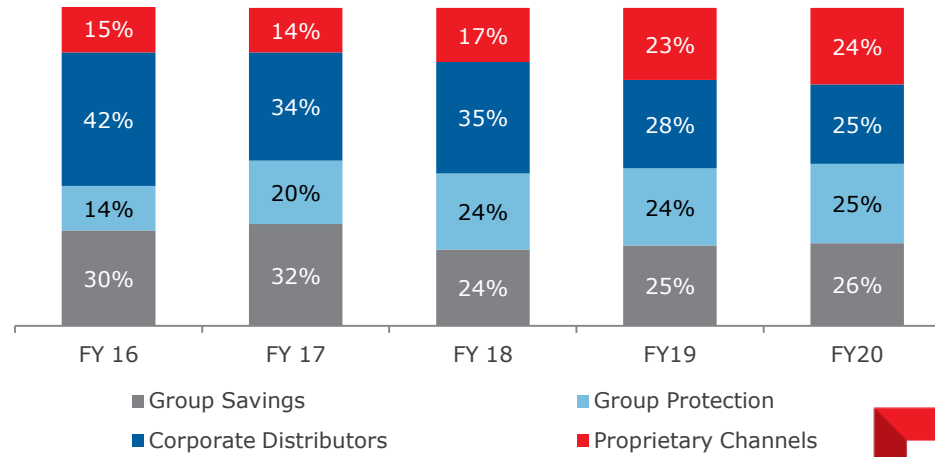
Number of lives (Mn) CAGR: 41% ↑



Maintaining balanced Product Mix across cycles<sup>1</sup>



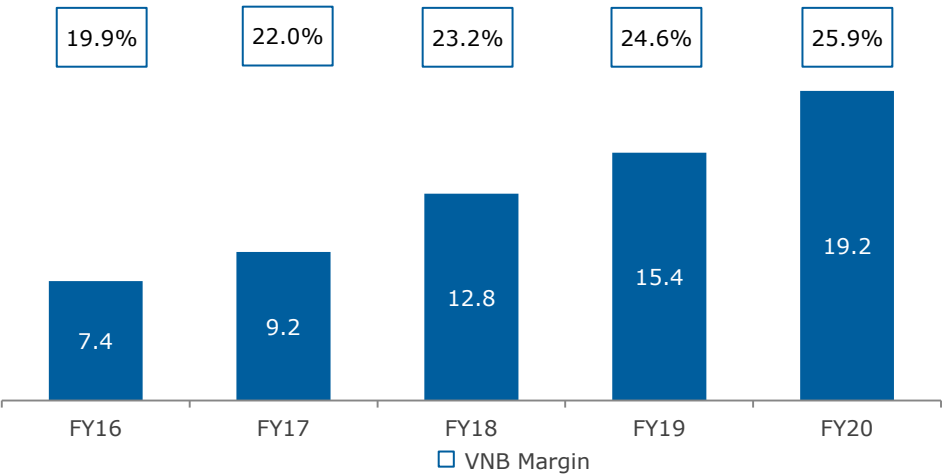
Focus on scaling proprietary channels<sup>1</sup>



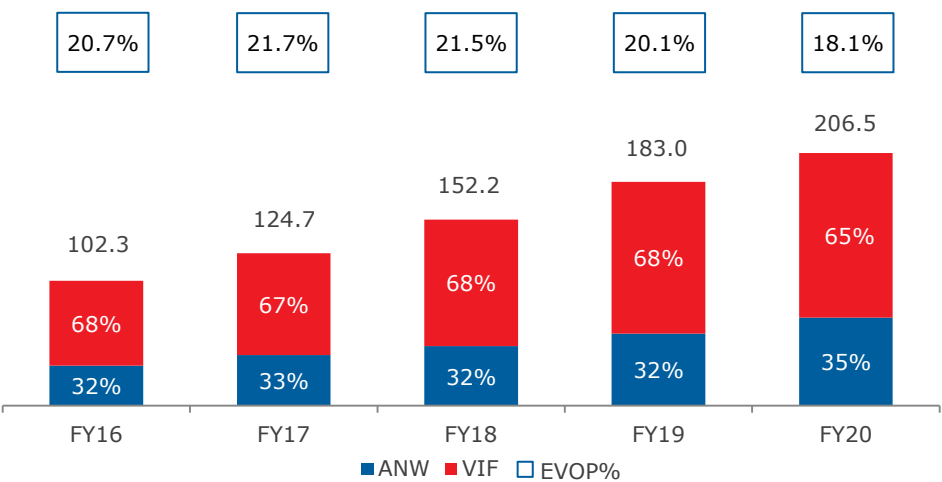
1. As a % Overall NBP

# Consistent performance across key metrics (2/2)

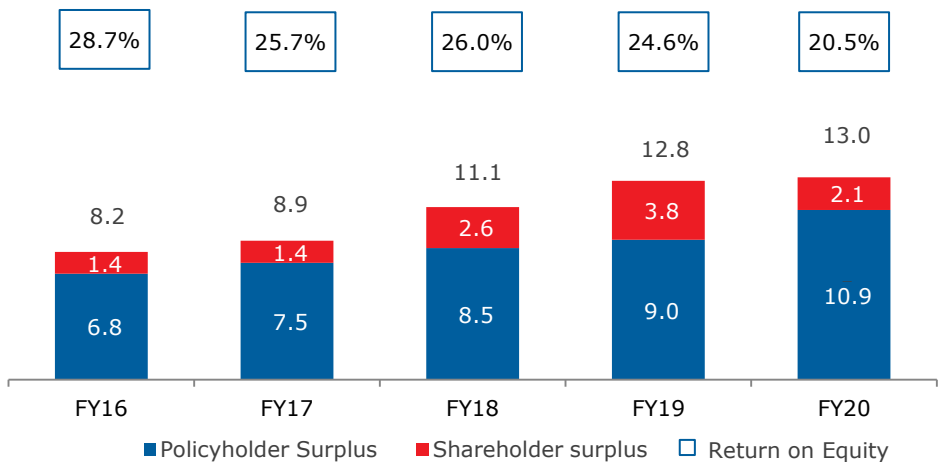
## Strong growth in VNB, Industry leading VNB margins CAGR: 27%↑



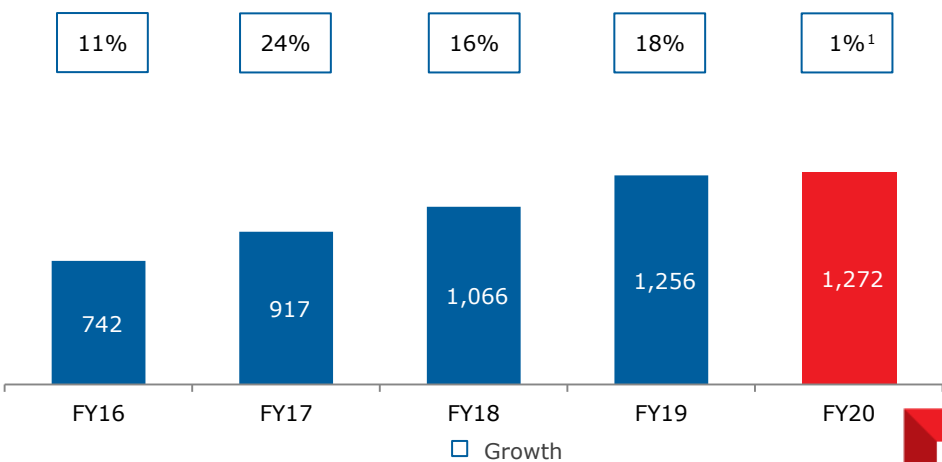
## Healthy growth in Embedded Value CAGR: 19%↑ Rs Bn.



## Consistent profitable growth (PAT) CAGR: 12%↑



## Steady accretion to AUM CAGR: 14%↑



1. FY20 growth in Unit linked fund: -15%, Non linked fund: 17%

Performance  
Snapshot

**Our Strategy**

Managing Covid-19

Customer Insights

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

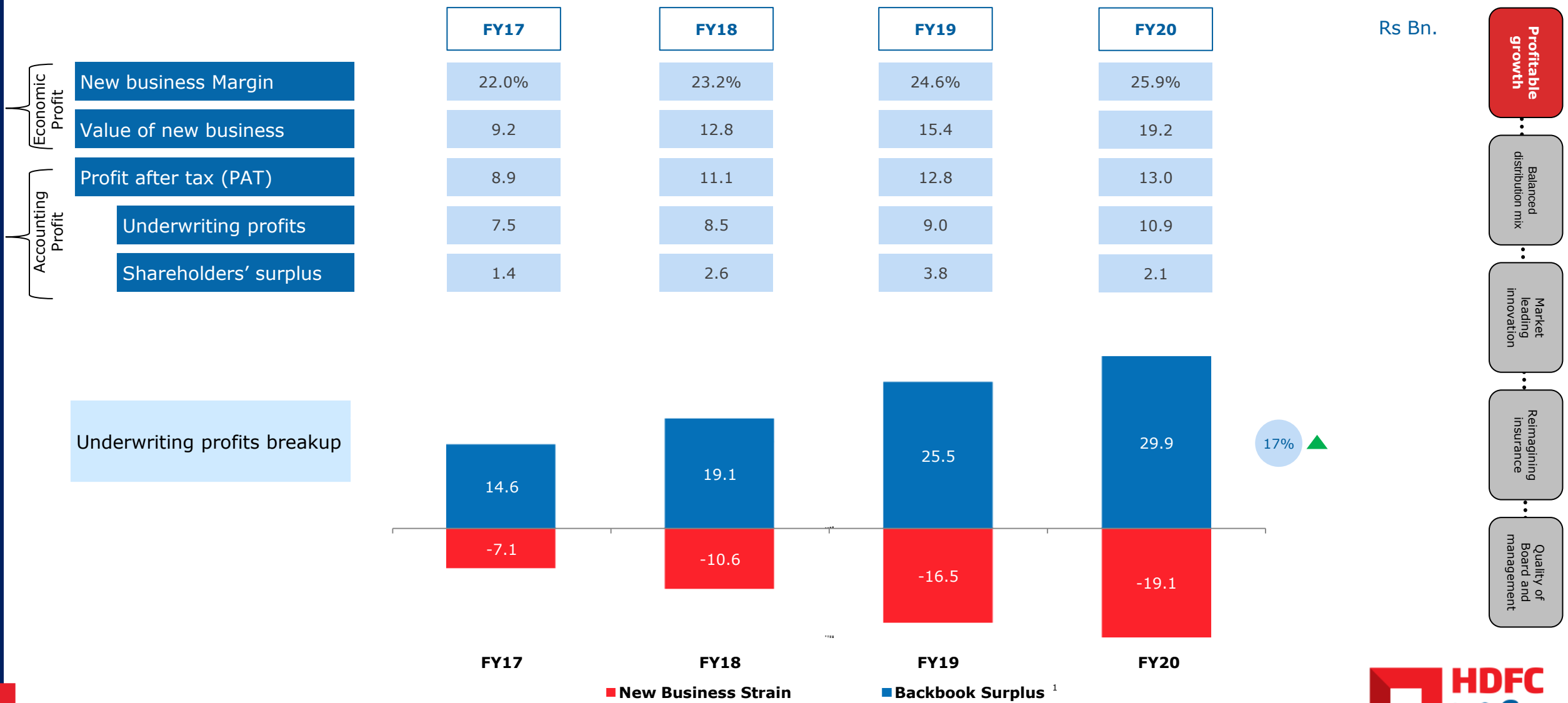


## Quality of Board and management

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

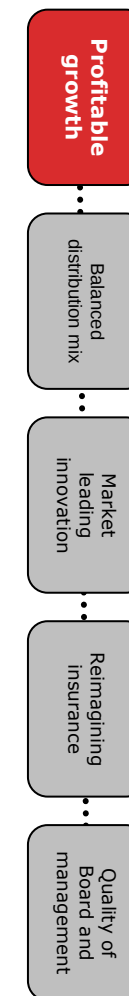
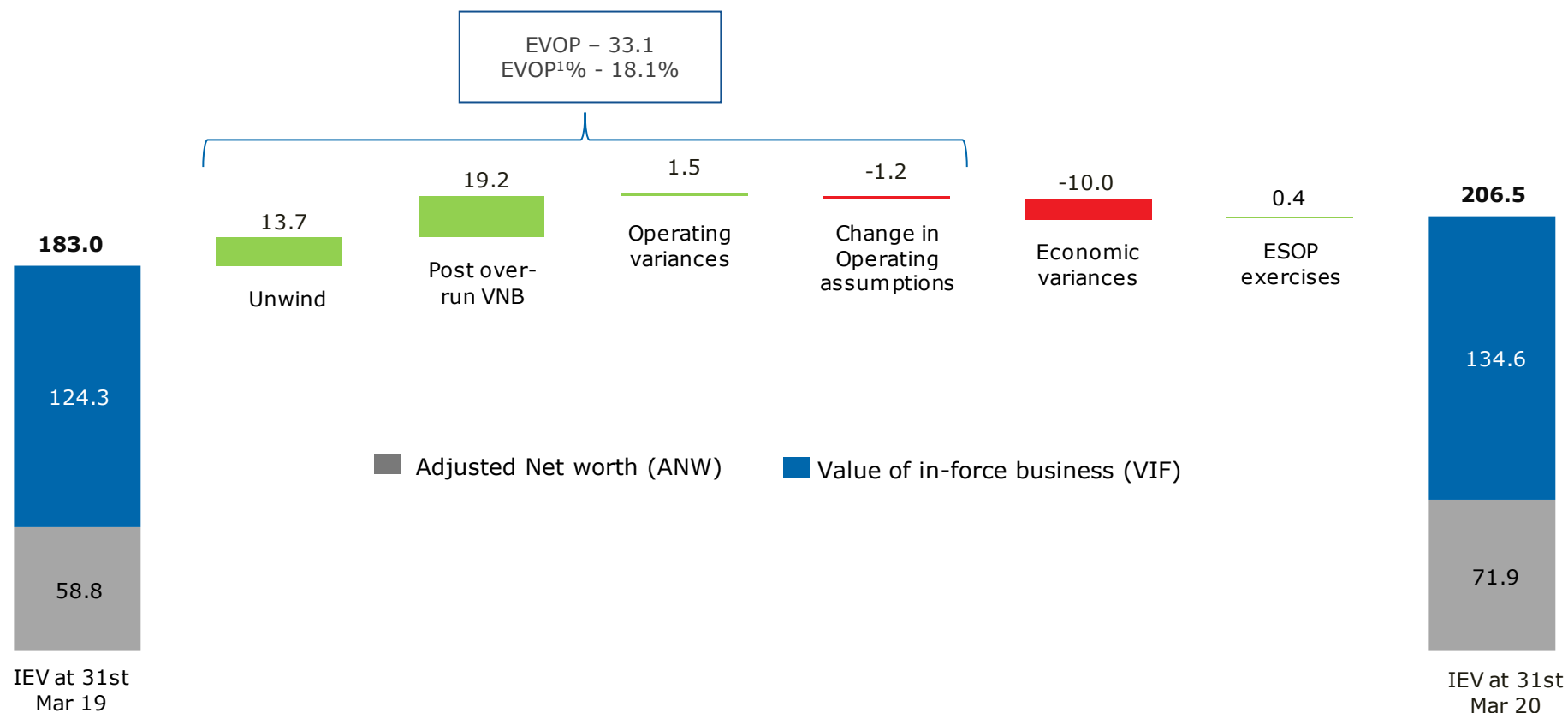
**Our continuous focus on technology and customer-centricity has enabled us to maintain business continuity during the COVID-19 outbreak**

# Focus on profitable growth



1. Includes impact of provision for Yes bank AT1 bonds / lower renewal collections

# Analysis of change in IEV<sup>1</sup>



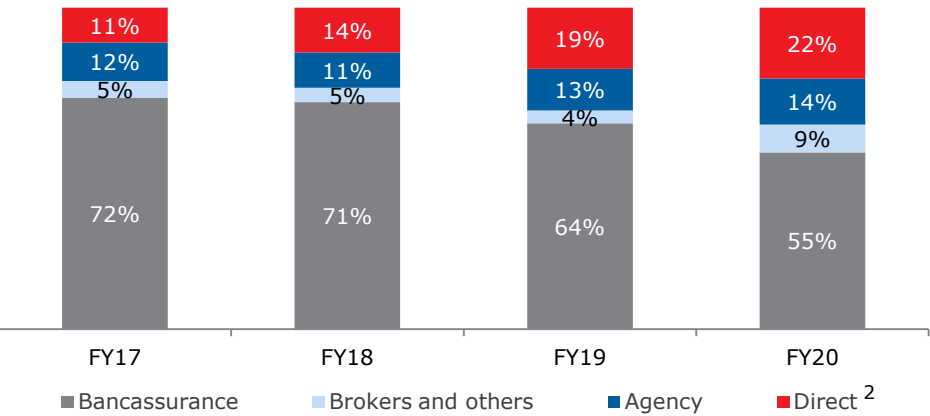
- Strengthening assumptions to reflect emerging experience in UL persistency
- Operating variances continue to be in line with our assumptions
- EVOP includes Covid reserve amounting to Rs 0.4 bn

1. IEV reviewed by Ernst & Young, an independent actuary (Review report appended with Financial disclosures)

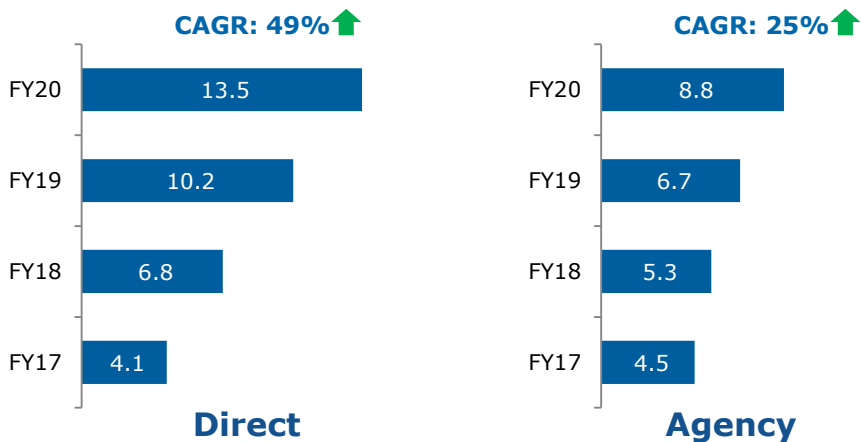
2. EVOP% calculated as annualised EVOP (Embedded Value Operating Profit) to Opening EV

# Balanced distribution mix

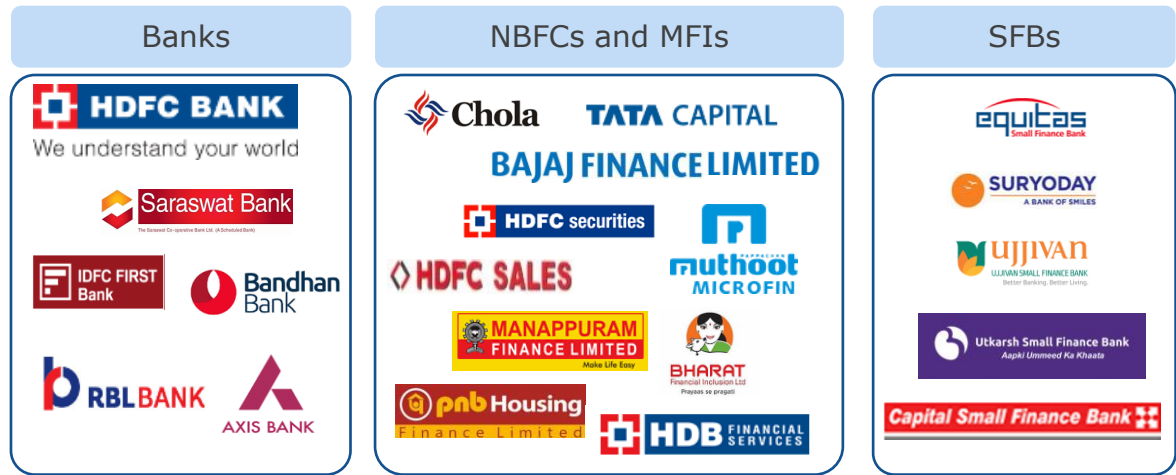
## Increasing share of proprietary channels <sup>1</sup>



## 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



# Update on channel performance



## Agency

-  **32%** - Increase in **agent productivity** driven by greater engagement and ease of doing business
-  **91%** - Robust **13<sup>th</sup> month persistency** due to sustained focus on quality of business
-  **32%** - **Business growth** with 12% Term share
-  **32%** - Increase in recruitment of **high productivity agent profiles** (Financial Distributors, Homemakers, Retirees)



## Online

-  **76%** - **Contribution of Online channel from non-metros** indicating increasing geographical presence
-  **Building reach** - Experimentation and scale up of new advertisement platforms
-  **Single journey** – Launched for Term + Savings combination product for online partners
-  **ML capability** – Used successfully for Term and now extended to other product categories to increase leads and reduce cost per lead



## HDFC Bank

-  **49%** - Share of digital new business with YoY growth of 23%
-  **11%** - Share of new business getting achieved through alternate (non-branch) channels
-  **Market share** - Maintained market share in open architecture environment
-  **Profitable growth** – Focus on increasing Term share



## Brokers

-  **164%** - YoY growth in topline with focus on quality partners
-  **Growing contribution from F2F partners** – 83% in FY20 vis-a-vis 43% in FY19
-  **1200 bps** - Improvement in 13th month persistency
-  **Increasing share in top partners** – 36% in FY20 vis-a-vis 7% in FY19 for the top 3 partners

Profitable growth

Balanced distribution mix

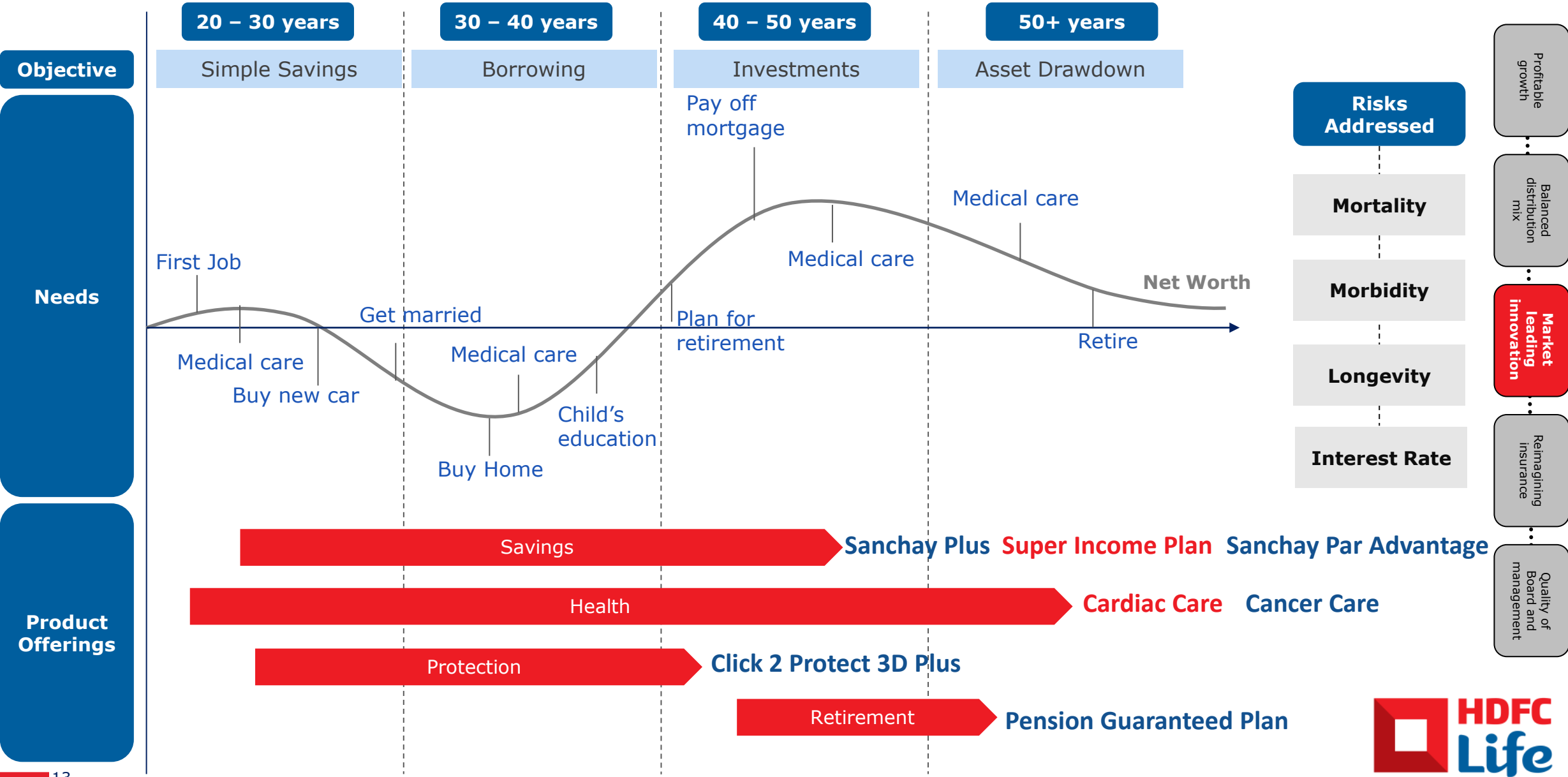
Market leading innovation

Reimagining insurance

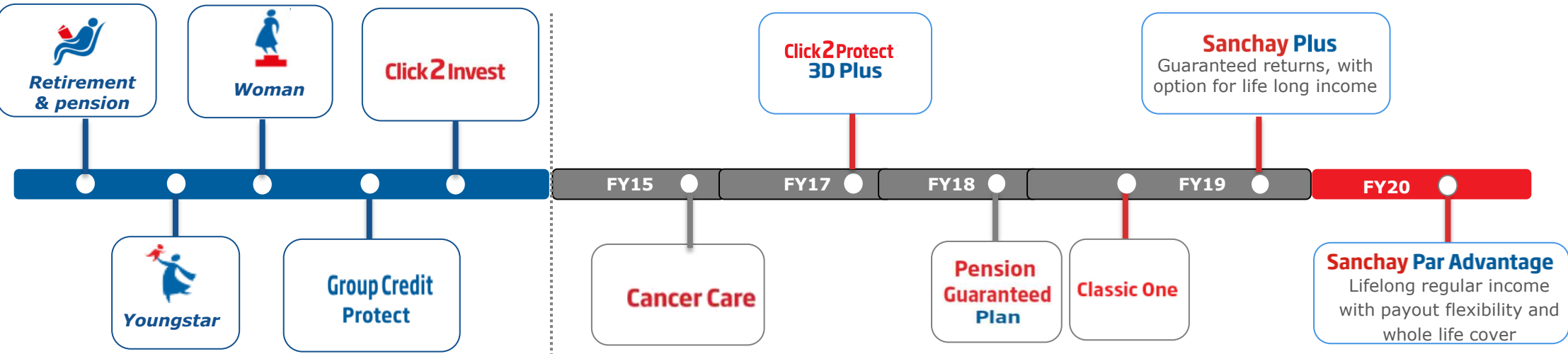
Quality of Board and management



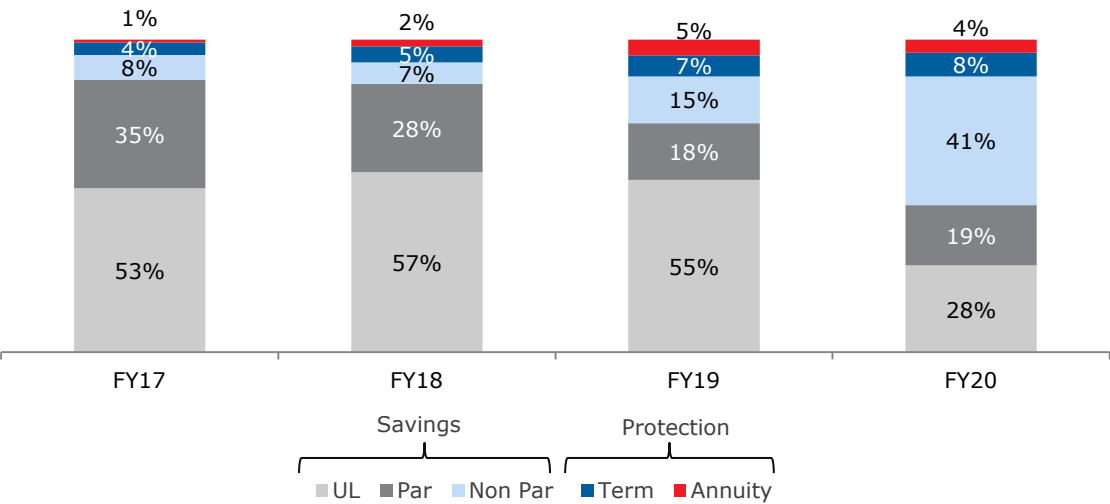
# Addressing customer needs at every stage of life



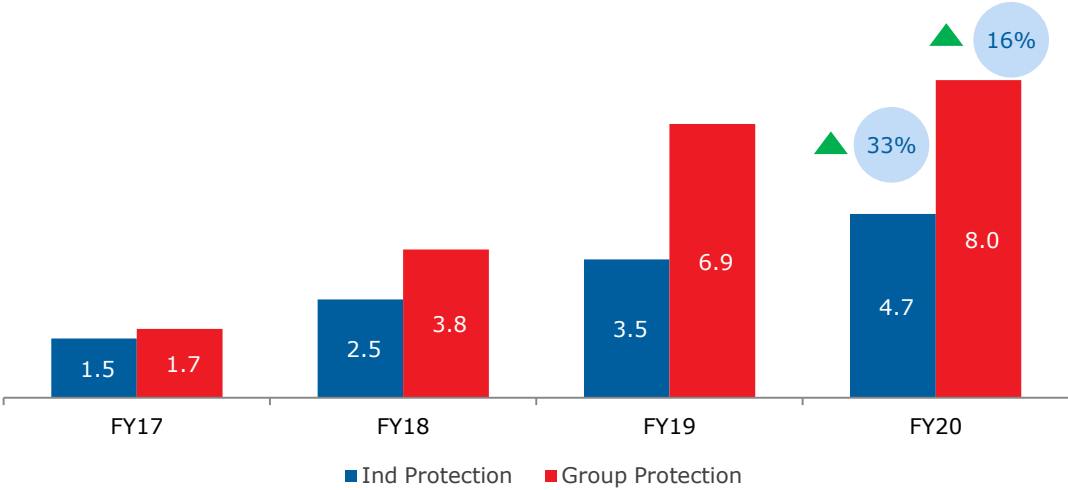
# Expanding market through consistent product innovation



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. Group annuity included under annuity business

# Our approach to retiral solutions

## Opportunity to grow the current retiral corpus<sup>2</sup> of ~Rs 360 bn to 3x in the next 5 years

### 1. NPS



- Ranked #1 amongst private owned Pension Fund Managers in terms of AUM
- Registered strong growth of 60% in AUM

### 3. Immediate / deferred annuity



- Largest player in the private sector
- Servicing 100+ corporates and >11,000 individual lives covered till date

### 2. Individual income plans <sup>1</sup>



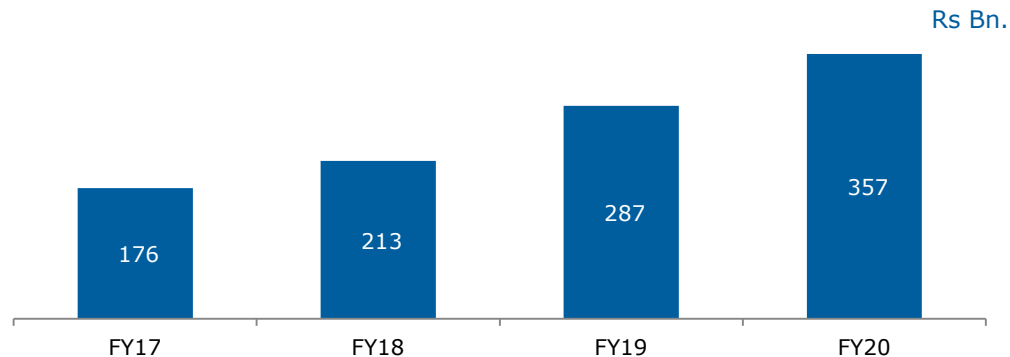
- Providing long term retiral solutions
- Catering across age brackets & premium frequencies

### 4. Group superannuation fund



- Managing funds for over 150+ corporates under superannuation scheme

## Increasing retiral corpus<sup>2</sup>



## Preferred long-term retiral service providers across corporates



1. Comprises long term income and life long tenure options offered in Sanchay Plus and Sanchay Par Advantage  
2. Includes NPS, Annuity, Group superannuation fund and long term variants of Sanchay Plus and Sanchay Par Advantage



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

| Banca 2 | Segment         | FY17 | FY18 | FY19 | FY20 |
|---------|-----------------|------|------|------|------|
|         | UL              | 61%  | 64%  | 67%  | 35%  |
|         | Par             | 30%  | 26%  | 14%  | 17%  |
|         | Non par savings | 8%   | 8%   | 15%  | 44%  |
|         | Term            | 1%   | 1%   | 2%   | 2%   |
|         | Annuity         | 0%   | 1%   | 2%   | 2%   |

| Direct | Segment         | FY17 | FY18 | FY19 | FY20 |
|--------|-----------------|------|------|------|------|
|        | UL              | 47%  | 58%  | 50%  | 33%  |
|        | Par             | 29%  | 17%  | 8%   | 14%  |
|        | Non par savings | 11%  | 9%   | 12%  | 20%  |
|        | Term            | 6%   | 5%   | 6%   | 4%   |
|        | Annuity         | 7%   | 11%  | 24%  | 29%  |

| Agency | Segment         | FY17 | FY18 | FY19 | FY20 |
|--------|-----------------|------|------|------|------|
|        | UL              | 26%  | 33%  | 26%  | 12%  |
|        | Par             | 57%  | 48%  | 40%  | 34%  |
|        | Non par savings | 6%   | 5%   | 17%  | 40%  |
|        | Term            | 11%  | 11%  | 12%  | 12%  |
|        | Annuity         | 2%   | 3%   | 5%   | 3%   |

| Online | Segment         | FY17 | FY18 | FY19 | FY20 |
|--------|-----------------|------|------|------|------|
|        | UL              | 51%  | 47%  | 43%  | 28%  |
|        | Par             | 3%   | 1%   | 1%   | 11%  |
|        | Non par savings | 1%   | 0%   | 15%  | 26%  |
|        | Term            | 45%  | 52%  | 34%  | 32%  |
|        | Annuity         | 0%   | 0%   | 6%   | 3%   |

| Company | Segment         | FY17 | FY18 | FY19 | FY20 | Q4 FY20 |
|---------|-----------------|------|------|------|------|---------|
|         | UL              | 53%  | 57%  | 55%  | 28%  | 26%     |
|         | Par             | 35%  | 28%  | 18%  | 19%  | 34%     |
|         | Non par savings | 8%   | 7%   | 15%  | 41%  | 26%     |
|         | Term            | 4%   | 5%   | 7%   | 8%   | 10%     |
|         | Annuity         | 1%   | 2%   | 5%   | 4%   | 4%      |

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

| Total NBP    | FY17       | FY18       | FY19       | FY20       |
|--------------|------------|------------|------------|------------|
| Term         | 22%        | 26%        | 27%        | 27%        |
| Annuity      | 4%         | 9%         | 17%        | 16%        |
| <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

# 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



- Mobile app for on-boarding of prospective agents



## 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:** ~85% of renewal via online / debit mode



Chat bot  
ELLE



WhatsApp bot  
ETTY

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

- **Robotic Process Automation:** ~210+ bots deployed



Virtual Assist for Sales & Service, current usages at ~1.76 million+ queries per month



An omnichannel conversational AI engine



## 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

Market leading innovation

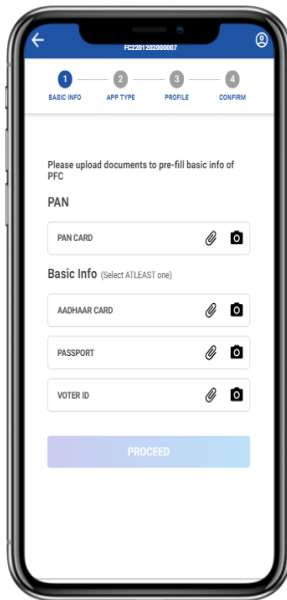
Reimagining insurance

Quality of Board and management

# Journey Simplification: Digital agent on-boarding and platform solutions

**InstaPRL – Mobile app for on-boarding of prospective agents through journey simplification**

**InstaPRL**



**1,200+**  
**PRLs**

**3,600+**  
**unique users**

- Expected to reduce TAT and improve efficiency

**LifeNext – End-to-end portal for group partners creating a seamless journey with plug-n-play integration**

**LifeNEXT**



- Centralized float management, ease of payment, claim management
- Faster partner on-boarding, greater transparency for partners & members
- Improvement in efficiency of Group operations

# Service Simplification: NLP based WhatsApp bot

Get started by scanning this QR Code

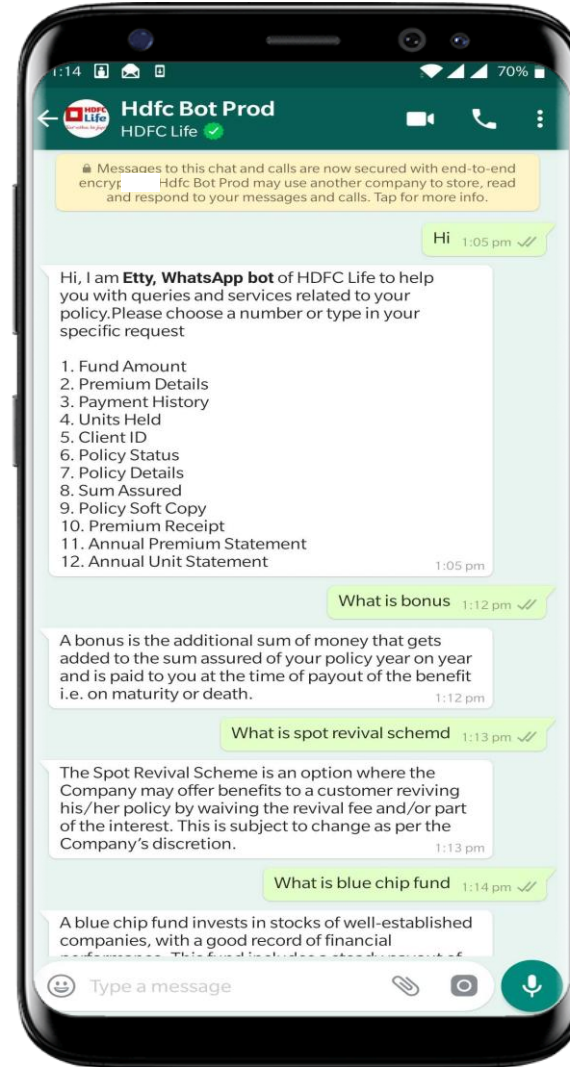


Or simply, send 'Hi' on WhatsApp  
to **+91 82918 90569**

Powered by:



An omnichannel conversational AI engine for sales growth, better customer engagement, and improved customer service



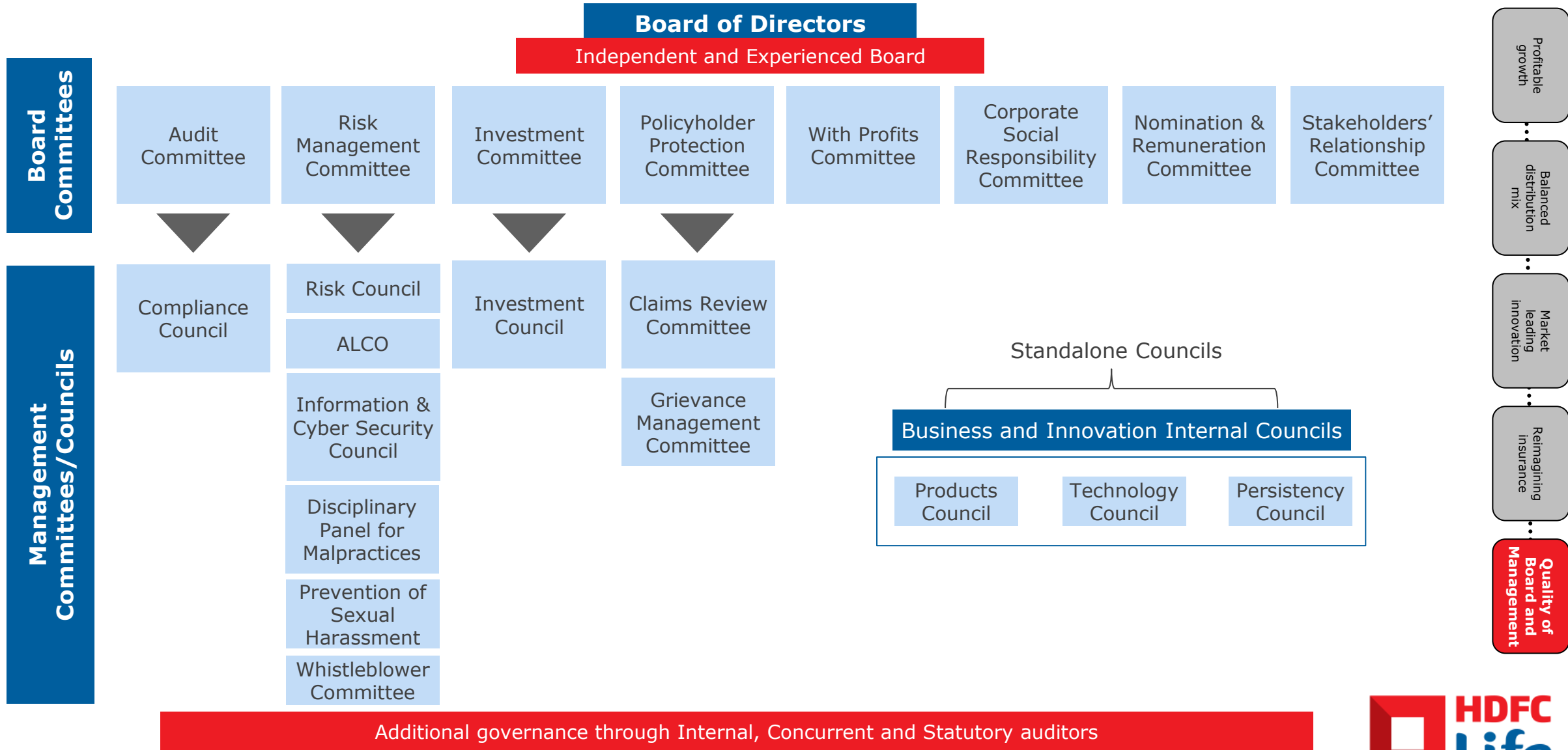
## Illustrative queries

- ✓ What is my fund value
- ✓ Fetch my policy details
- ✓ Status of my policy
- ✓ How do I get bonus
- ✓ What is mortality charge

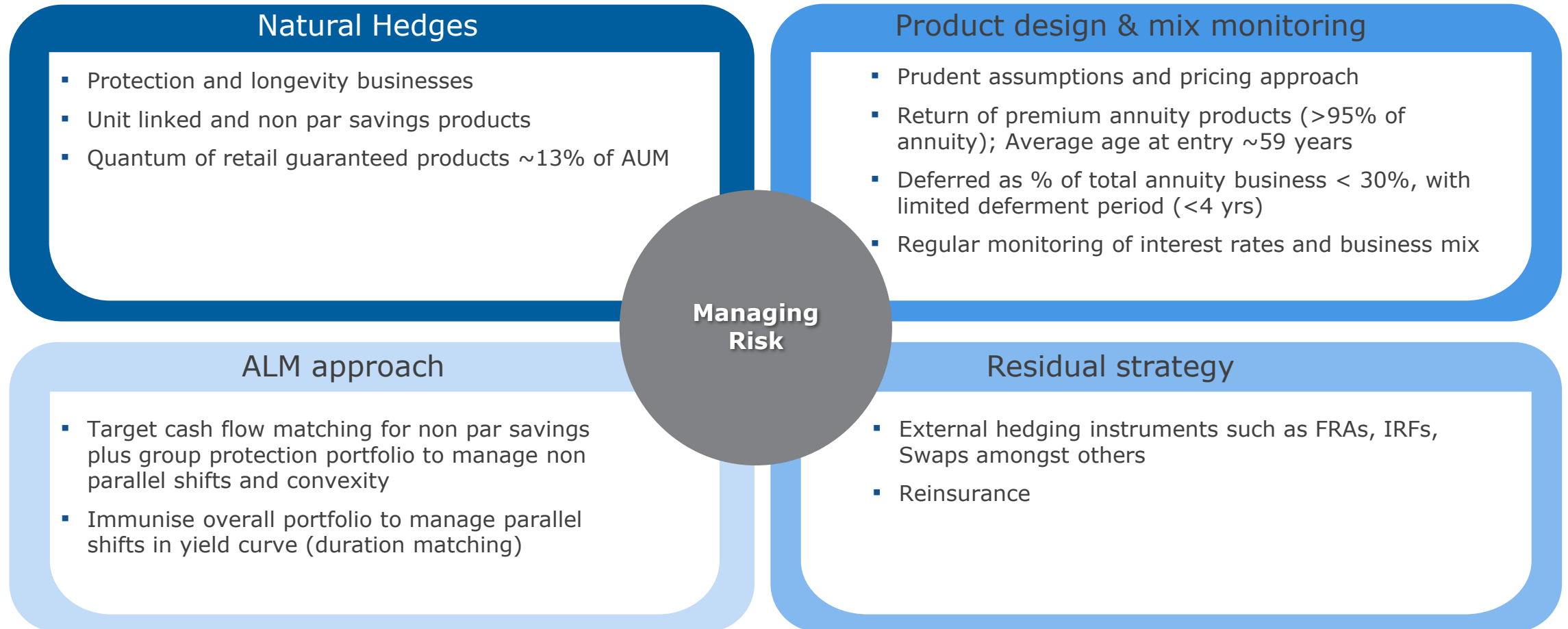
...and over 300 other queries!



# Governance Framework



# Financial risk management framework



Calibrated risk management has resulted in low EV and VNB sensitivity in the Non Par segment

| EV and VNB Sensitivity | Overall (FY20) |            | Non par (FY20) <sup>1</sup> |            |
|------------------------|----------------|------------|-----------------------------|------------|
| Scenario               | EV             | VNB Margin | EV                          | VNB Margin |
| Interest Rate +1%      | (1.2%)         | (0.7%)     | (1.3%)                      | (2.0%)     |
| Interest Rate -1%      | 0.6%           | 0.2%       | 0.0%                        | 1.7%       |

<sup>1</sup> Sensitivity shown for portfolio 1 and 2 as described in Slide 22

# Summary of Milliman report on our ALM approach<sup>1</sup>

| Scope of review                                                                                                                                                                                                                            | Portfolios reviewed                                                                                                                                                                                                               |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>Assess appropriateness of ALM strategy to manage interest rate risk in non-par savings business</li> <li>Review sensitivity of value of assets and liabilities to changes in assumptions</li> </ul> | <ul style="list-style-type: none"> <li>Portfolio 1: Savings and Protection – All non-single premium non-par savings contracts and group protection products</li> <li>Portfolio 2: All immediate and deferred annuities</li> </ul> |

| Description                             | Stress scenarios tested                                                                                            | Net asset liability position |
|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------|------------------------------|
| Interest rate scenarios                 | Parallel shifts/ shape changes in yield curve within +/- 150 bps of March 31 <sup>st</sup> 2020 Gsec yield curve   | Changes by < 4.5%            |
| Interest rate + Demographic scenarios   | Interest rate variation + changes in future persistency/ mortality experience                                      | Changes by < 7%              |
| 100% persistency and low interest rates | 100% persistency with interest rates falling to 4% p.a. for next 5 years, 2% p.a for years 6 -10 and 0% thereafter | Still remains positive       |

## Opinion and conclusion

**ALM strategy adopted for Portfolios 1 and 2 is appropriate to:**

- meet policyholder liability cash flows
- protect net asset-liability position thereby limiting impact on shareholder value

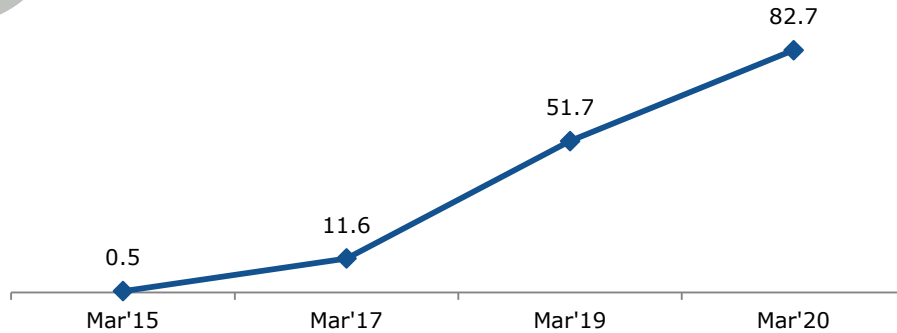
1. Opinion issued by Milliman Advisors LLP on ALM strategy (for non par business) included as part of our Financial disclosures

# 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 60% in AUM)
- Market share grew from 27% in Mar'19 to 31% in Mar'20 amongst all private PFMs
- Ranks #1 in corporate subscribers base, #1 amongst all PFMs in net fund flow, retail subscriber base and AUM
- POP operations commenced with enrolling of both retail and corporate subscribers; 600+ corporate registrations till Mar'20



## HDFC International Life and Re



- Registered growth of 72% in gross reinsurance premium and 101% in net profits in FY20
- Continue to register positive net profit
- As on December 30, 2019, S&P Global Ratings affirmed its long-term public financial strength rating of "BBB" while maintaining the outlook as "Stable"

Performance  
Snapshot

Our Strategy

**Managing Covid-19**

Customer Insights

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India Life Insurance

**3**

**Managing Covid-19**

# Approach to manage impact of the COVID-19 outbreak

## Immediate measures taken:

### Accelerated Digital selling

Focus on selling products with end to end digital customer journeys

### Digital servicing

Communication to customers about digital touch-points for claims, renewal collections and customer queries

### Employee engagement/facilitation

Initiatives to keep employee morale high; infrastructure enablement and collaboration tools for WFH option

### Prioritizing areas of focus

Dynamic review and assessment, strengthening operating assumptions, heightened focus on cost

## Opportunities

### ▪ Reinvent operating model

- Enhanced focus on digital
- Work from home

### ▪ Higher demand for protection

- Increasing awareness levels
- High protection gap

### ▪ Consolidation of market share

- Product innovation
- M&A

## Risks: Mitigants

### ▪ Fall in growth: End-to-end digital journey

### ▪ Adverse mortality experience: Stringent underwriting on the back of data analytics; increased pricing

### ▪ Credit risk: Conservative investment strategy; ongoing portfolio review

### ▪ Weak equity markets impacting solvency: Balanced product mix; healthy backbook surplus

### ▪ Fall in persistency: Improved customer engagement & communication around need to retain cover

### ▪ Expense over-run: Focus on cost control measures, higher proportion of variable costs

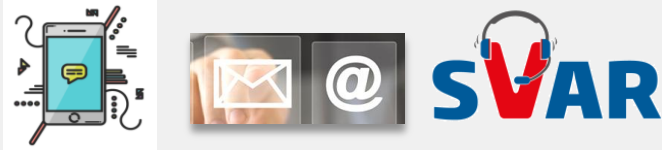
# Managing impact of COVID-19 on business

|                         |  <b>New business / purchase</b>                                                                         |  <b>Customer interaction</b>                                                    |  <b>Employee / Partner engagement</b>                                            |
|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Agency</b>           | <ul style="list-style-type: none"> <li>▪ <b>Digital sales journey</b> - End-to-end digital sales, from prospecting till conversion, including customer interactions</li> </ul>           | <ul style="list-style-type: none"> <li>▪ <b>Seamless support experience</b> - instA suite of applications for customer query resolution</li> </ul>                 | <ul style="list-style-type: none"> <li>★ <b>e-learning platform</b> - 7,500+ agents attending training programs daily through mLearn / VC Platform</li> </ul>       |
| <b>Bancassurance</b>    | <ul style="list-style-type: none"> <li>★ <b>New business mobilization</b> - Promoting usage of netbanking, pre-approved sum assured offers and digital receipting at branches</li> </ul> | <ul style="list-style-type: none"> <li>▪ <b>Integration with platforms</b> - Customers can buy, renew, and seek support through multiple apps / portals</li> </ul> | <ul style="list-style-type: none"> <li>★ <b>Gamified contests</b> - Launched to drive adoption of digital engagement initiatives</li> </ul>                         |
| <b>Direct (offline)</b> | <ul style="list-style-type: none"> <li>▪ <b>iEarn</b> - AI based behavior influencing tool, nudges field salesperson for completion of specific tasks</li> </ul>                         | <ul style="list-style-type: none"> <li>★ <b>InstaServe</b> - OTP based policy servicing tool to handle customer queries</li> </ul>                                 | <ul style="list-style-type: none"> <li>★ <b>Engagement and capability building</b> - VC based skill building program on virtual selling skills</li> </ul>           |
| <b>Direct (online)</b>  | <ul style="list-style-type: none"> <li>★ <b>Uninterrupted customer assistance</b> - Work from home solution enabled for contact center agents and employees</li> </ul>                   | <ul style="list-style-type: none"> <li>▪ <b>24*7 self-service options</b> - Promotion of solutions through website along with service and claims FAQs</li> </ul>   | <ul style="list-style-type: none"> <li>★ <b>Employee engagement</b> - VC based skill building sessions with digital partners (Twitter, Google, Facebook)</li> </ul> |
| <b>Broker</b>           | <ul style="list-style-type: none"> <li>▪ <b>Access to digital tools</b> - Key partners given access to instA and partner portal</li> </ul>                                               | <ul style="list-style-type: none"> <li>▪ <b>'Resume' application option</b> - Post logins, customers can directly upload documents on our website</li> </ul>       | <ul style="list-style-type: none"> <li>▪ <b>Partner trainings</b> - Conducted via digital collaboration tools</li> </ul>                                            |

★ New initiatives launched to manage volatile business environment due to the Covid-19 outbreak

# Enabling end to end digital journey: Servicing

## Renewal Collections



- **~85% of renewal payments made digitally** via Website, Mobile app, Quick Pay, PayZapp, PayTm, Bharat Bill
- Tie-up with **Insure Pay**
- **SVAR (voice bot for renewal calling)**
- **Cloud telephony** used for employees working from home to do remote reminder and service calling

## Maturity / Claims payout



- **Email, Whatsapp and customer portal 'My Account'** enabled to upload necessary docs
- **Simple '3 click claim' process** for some policies (**99.96% claims settled in 1 day in Q4**)
- **Video based process** enabled for Senior customers to submit Life Certificate
- **Robotic Process automation** handled more than 175 processes remotely

## Policy Servicing



- **73% increase in adoption of web and app users** after lockdown
- **70% increase** in the usage of WhatsApp bot 'Etty', chatbot 'Elle', Twitter bot (Neo)
- **~70% customer servicing team** enabled to work from home
- **1.76 mn+ Monthly queries** handled by **Insta** (virtual assistant), **InstaServ** (Mobile app enabled to service customers)

HDFC Life has settled **~3,000 maturity claims**, settled **~ 300 death/health claims**, made **~21,000 annuity payouts**, processed **~95k transactions** in the first 15 days of lockdown

# Enabling end to end digital journey: New Business (1/2)

| Suite of mobile apps to facilitate customer on-boarding                                                                                                                                                                                                                                                                                                                                    | Faster integration with new partners and self service                                                                                                                                                                                                                                          | Pre-conversion Verification via Chat                                                                                                                                                                                                                                                                                                                                                     | Simplified insurance buying through a 3-click journey                                                                                                                                                                                                                                                                                                          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p><b>Mobility</b></p> <ul style="list-style-type: none"><li>▪ <b>Mobile Sales Diary</b> or MSD</li><li>▪ <b>InstaVerify</b> (customer verification at POS)</li><li>▪ <b>InstaGo</b> (Geo-tagging enabled partner / lead management tool)</li><li>▪ <b>eCCD</b> for paperless customer consent</li></ul> |  <p><b>API<sup>1</sup> Integration</b></p> <ul style="list-style-type: none"><li>▪ <b>Standard APIs set for NB integration for retail &amp; Group</b></li><li>▪ Drives better information security</li></ul> |  <p><b>Chat PCV</b></p> <ul style="list-style-type: none"><li>▪ Automated verification</li><li>▪ Allows customers to do self verification with a very easy chat UI</li><li>▪ <b>No dependence on salesperson or call center</b></li><li>▪ <b>&gt;60% verifications</b> completed post Covid</li></ul> |  <p><b>Pre- Approved Sum Assured</b></p> <ul style="list-style-type: none"><li>▪ Intuitive UI/UX integrated across all digital assets</li><li>▪ Analytics-based automated underwriting, data-driven de-dupe</li><li>▪ Offering InstaInsure <b>to 15+ partners</b></li></ul> |

During Lockdown period<sup>1</sup> 3,000+ agents onboarded digitally (30% increase), 6,000+ telemedicals done (50% increase), 50,000+ applications submitted through digital mode and 45,000+ policies issued

1. API: Application Program Interface

2. Number of transactions for the period 21st March to 13th April

# Enabling end to end digital journey: New Business (2/2)

## Complete integration with key channel partners



### HDFC Bank Journey

- Ease of customer acquisition whereby, new **customer on-boarded every 60 seconds**
- **Deep integration** enabling auto populate several data and knocking out documents basis Bank KYC
- Present on **Mobile banking** and **Whatsapp banking** platform of HDFC bank
- **Policy issuance<sup>2</sup> in <3 hrs**

## Lean front-end sales journey for POS<sup>1</sup> products



### POSP<sup>1</sup>

- **Completely paperless, lean proposal form** making the process simpler and faster
- Cloud native (deployed on AWS); journey can happen without impacting TEBT
- Payment gateway integrated as a part of the sales journey

## Gamification of buying journey



### Hello Selfie

- Mechanism to gamify the insurance-buying journey especially for the new-age customers (e.g., millennials)
- Initiate the buying journey by scanning a QR code or visiting [selfie.hdfclife.com](https://selfie.hdfclife.com)

## Ecosystem for retirement planning



### Life99

- Single platform for all retirement services; avail services on the go
- Choose from **10+ pension & investment products**
- Check retirement readiness and compare with peers
- **200 partners** onboarded
- **10,000+ registered users**

1. POS – Point of Sales, POSP – Point of Sales Product  
2. Median TAT

Performance  
Snapshot

Our Strategy

Managing Covid-19

**Customer Insights**

Annexures

India Life Insurance

**4**

# Customer Insights



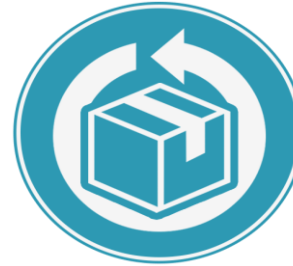
# Customer Insights – Customer Behaviour/Preferences

## Top reasons to buy Life insurance

|                                          | 2019 rank | 2013 rank |
|------------------------------------------|-----------|-----------|
| Protect family in case of death          | 1         | 1         |
| To secure child's education/marriage     | 2         | 2         |
| Old age security/retirement              | 3         | 3         |
| For disciplined saving                   | 4         | 8         |
| Good returns                             | 5         | 6         |
| Safe investment option                   | 6         | 7         |
| Additional investment option             | 7         | 5         |
| Dual benefit of investment and insurance | 8         | 9         |
| Tax Saving                               | 9         | 4         |
| To meet additional life cover            | 10        | 10        |

- Major reasons to buy Life Insurance continue to be protection for family, securing child's needs and retirement planning over last 6 years
- Tax saving is the 9<sup>th</sup> reason to buy Life Insurance, compared to 4<sup>th</sup> in 2013

## Customer behaviour / trend



- The future intent to buy Life Insurance is the highest amongst financial products driven primarily by 21-40 year olds
- Within LI, the intent to buy **traditional policies** was highest, particularly by people in the ages of **41-50**



- The intent to buy **term insurance** was driven primarily by people in the age group of **22-30**
- The key differentiating factors for consumers were **safety of investment** and **maturity value**



- There has been significant pickup in intention to buy **term products** in metros
- Online mode** for premium collection shows an increasing trend across geographies

# Some additional customer insights<sup>1</sup>

## Buying behaviour



- A repeat buyer is usually a metro resident, with income > Rs 10 lakhs and age > 35 years
- 50% of cross-selling takes place within 6 months & 80% within 18 months
- A typical repeat buyer has more than 3 credit cards and a home loan of Rs 30+ lakhs
- In 40% of the households, the second member of the family is likely to take a policy within 6 months of the first policy

## Household



- 40% of families have exposure to only one product category (Par/Non-Par/UL)
- Family Policy Density is 3.7 v/s Client Policy Density of 1.3
- Between Mar 2013 and Nov 2018, customers below 30 years of age have grown by 11x in NOP as well as EPI growth

## Distribution



- Contribution of online customers with income bracket >Rs 15 lakhs is significantly higher in proprietary channels as compared to aggregators
- In FY19, the activation of agents is quicker in tier III vis-à-vis activation in metros
- Agents between 36 – 50 years of age are selling more of protection plans as 1<sup>st</sup> policy

Performance  
Snapshot

Our Strategy

Managing Covid-19

Customer Insights

**Annexures**

India Life Insurance

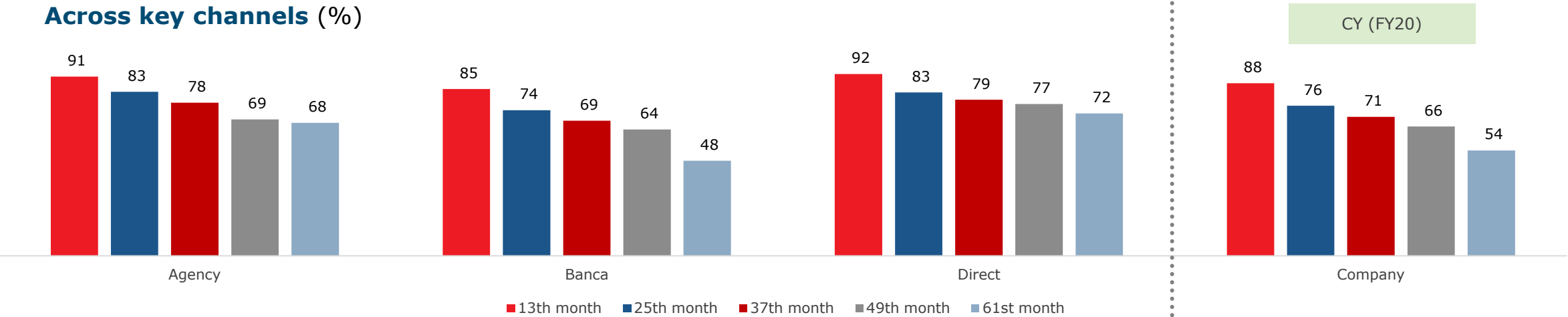
**5**

**Annexures**

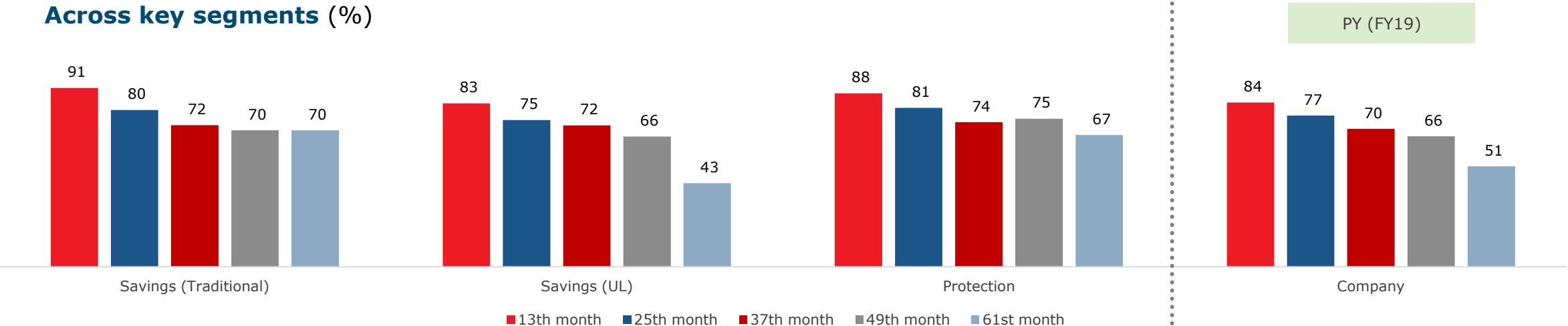


# Individual persistency for key channels and segments<sup>1</sup>

## Across key channels (%)



## Across key segments (%)



<sup>1</sup>. Calculated as per IRDAI circular (based on original premium) for individual business

# 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

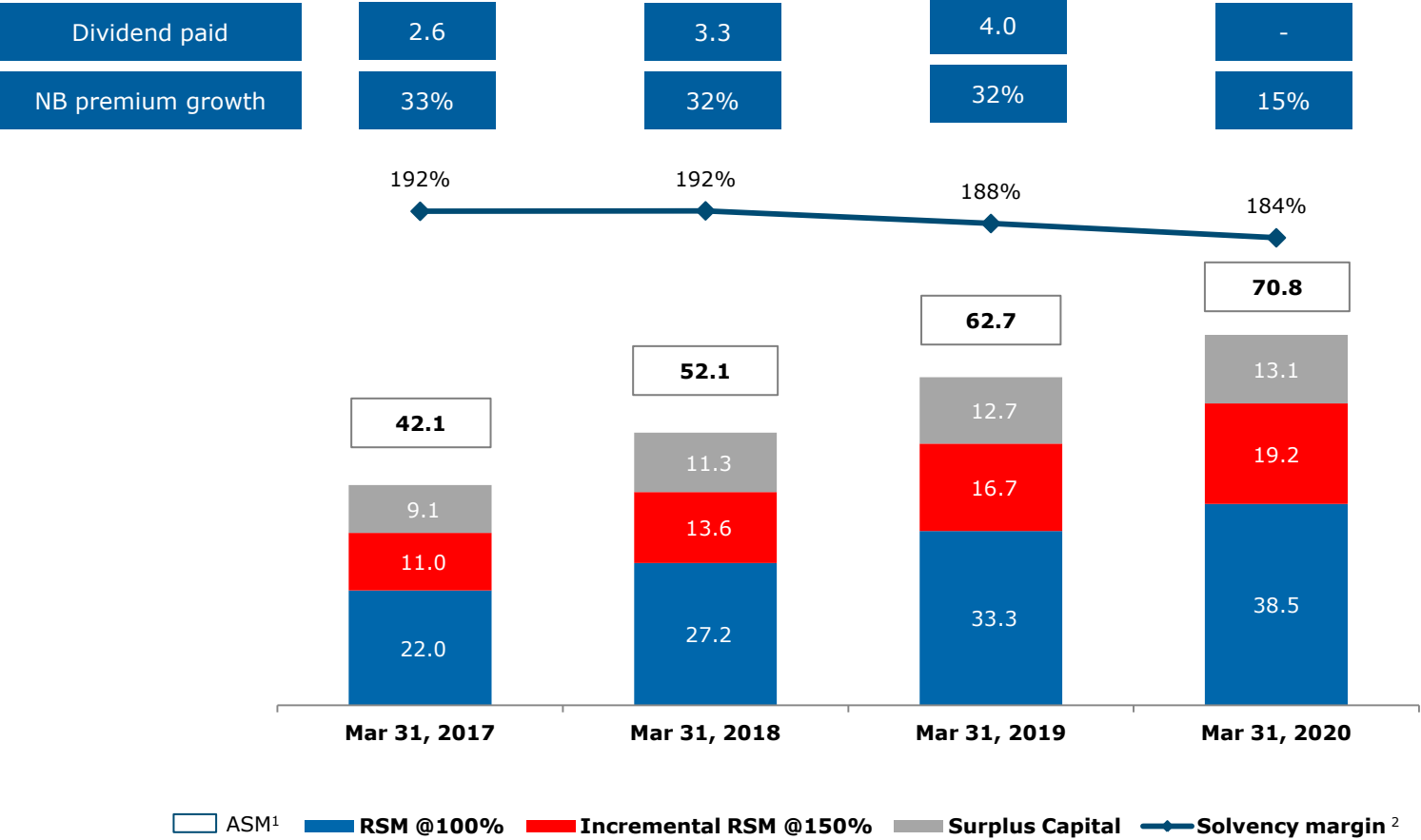
# Sensitivity analysis: FY20

| 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%   | -2.8%                        | -0.7%                             | -1.2%          |
|                               | Decrease by 1%   | 0.9%                         | 0.2%                              | 0.6%           |
| Equity Market movement        | Decrease by 10%  | -0.3%                        | -0.1%                             | -1.1%          |
| Persistency (Lapse rates)     | Increase by 10%  | -2.1%                        | -0.5%                             | -0.7%          |
|                               | Decrease by 10%  | 2.1%                         | 0.6%                              | 0.8%           |
| Maintenance expenses          | Increase by 10%  | -2.4%                        | -0.6%                             | -0.8%          |
|                               | Decrease by 10%  | 2.4%                         | 0.6%                              | 0.8%           |
| Acquisition Expenses          | Increase by 10%  | -14.9%                       | -3.9%                             | NA             |
|                               | Decrease by 10%  | 14.9%                        | 3.9%                              | NA             |
| Mortality / Morbidity         | Increase by 5%   | -2.4%                        | -0.6%                             | -0.9%          |
|                               | Decrease by 5%   | 2.4%                         | 0.6%                              | 0.9%           |
| Tax rate <sup>2</sup>         | Increased to 25% | -20.0%                       | -5.2%                             | -7.7%          |

1. Post overrun total VNB for Individual and Group business

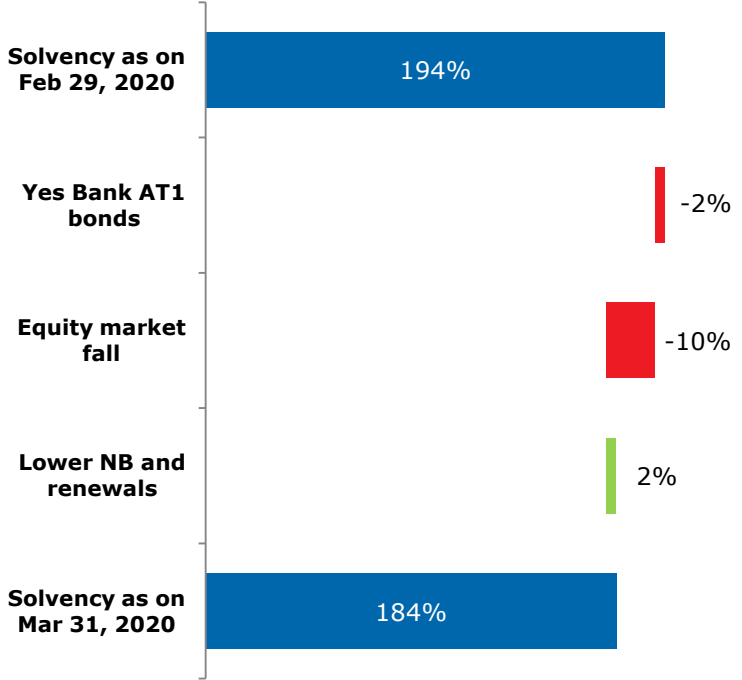
2. The tax rate is assumed to increase from 14.56% to 25% and hence all the currently taxed profits in policyholder/shareholder segments are taxed at a higher rate. It does not allow for the benefit of policyholder surplus being tax-exempt as was envisaged in the DTC Bill.

# Stable capital position



Rs Bn.

## Impact on FY20 Solvency ratio

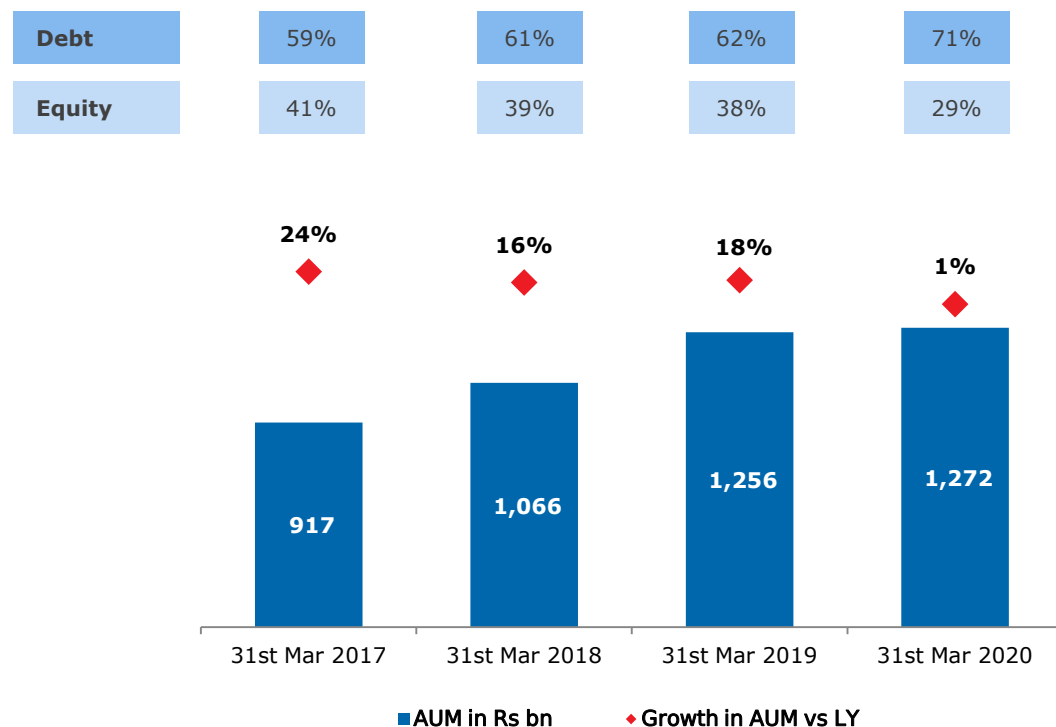


- Internal accruals have supported new business growth with no capital infused in last eight years (*except through issuance of ESOPs*)
- No dividend declared for FY20, in lines with the IRDAI circular to conserve capital

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

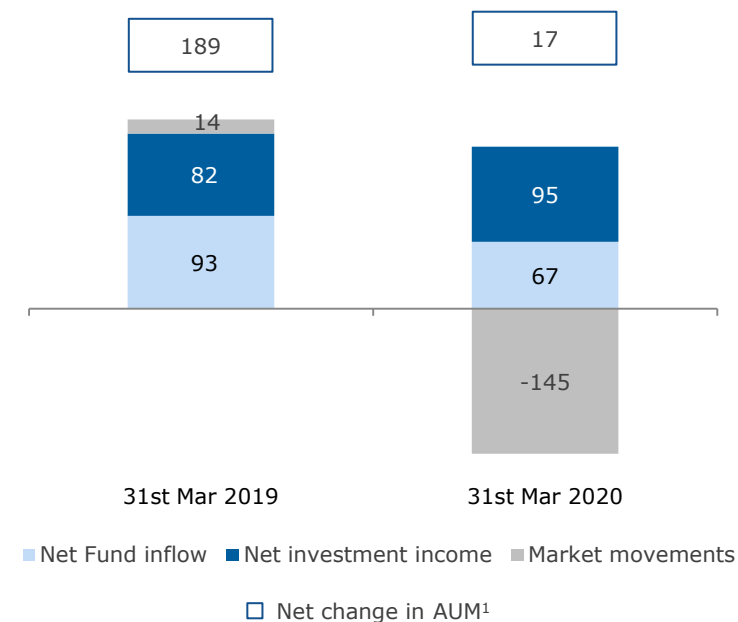
# Assets under management

## 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>
- More than 96% of debt investments in Government bonds and AAA rated securities as on Mar 31, 2020

1. Calculated as difference from April to March

2. Based on Assets under Management as on Dec 31, 2019

# Committed to Sustainability

## Governance

- **Corporate governance policy**
  - Self-assessment of Board Performance
  - Board diversity policy
  - Average Board experience is > 30 years
- **Code of conduct policy**
- **Risk management policy and enterprise risk management (ERM) framework** - designed and approved by the board
- **Sensitivity analysis and stress testing** - conducted periodically
- **Information security and cyber security** - As a part of the ISO 27001:2013 assessment program, independent auditors validated and certified the controls implemented
- **Data privacy policy** - applicable to customers, employees, and service providers
- **Focus on data privacy and cyber security** - nil cases in FY19
- **Performance management system** - deeply entrenched in the principles of 'balanced scorecard'

## Social

- **Swabhimaan - giving back to society** - 23 CSR projects in education, health, environment, livelihood, and disaster relief implemented across 25 states and 3 UTs, impacting > 280K beneficiaries in India
- **Insured > 40 million lives** in microfinance
- **Robust talent management process** - Programs such as Potential Review Process (PRP), STRIDE and ZENITH assess the needs of employees
- **Contemporary and progressive employee development programs** - include web enabled, micro size learnings hoisted on platforms such as M-Learn and M-Connect
- **Employee satisfaction study** - ESAT scores with 71% actively engaged employees covering 95% of workforce
- **Customer satisfaction surveys** - conducted regularly
- **Employee health and wellbeing** - flexi working hours, childcare facility, paid paternity leave, paid maternity leave are available. Diversity and inclusiveness, health and fitness are key focus areas

## Environment

- **Water conservation and energy efficiency** - goal-oriented initiatives adopted
- **Access to clean drinking water** - Set up water ATMs in 12 villages
- **Waste management initiatives** - segregation of waste, use of biodegradable garbage bags, ban on use of single use of plastic
- **Created ten city forests** - using the Japanese Miyawaki method in Mumbai and Nashik

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

Performance  
Snapshot

Our Strategy

Managing Covid-19

Customer Insights

Annexures

India Life Insurance

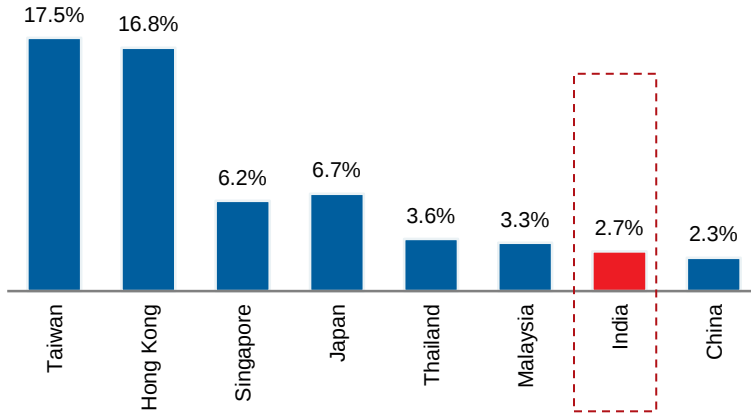
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India Life Insurance

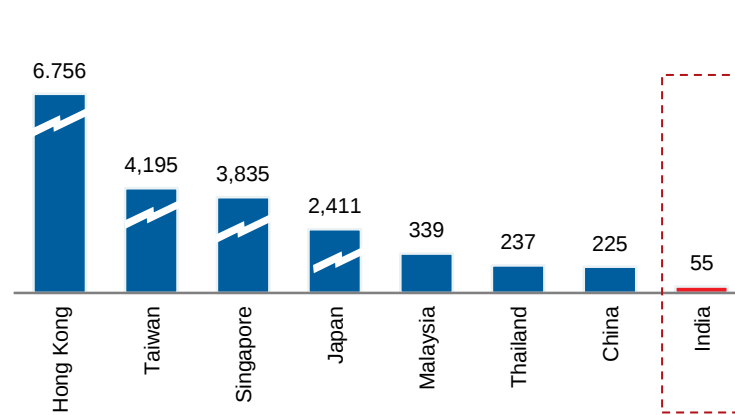
Life  
Insurance

# Growth opportunity: Under-penetration and favourable demographics

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

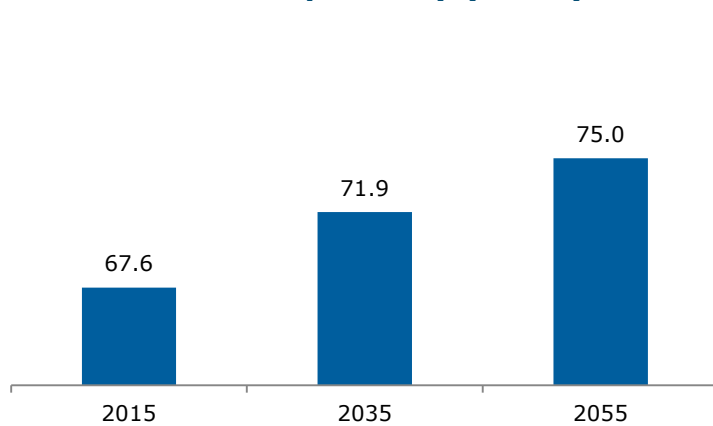


**Life Insurance density US\$ <sup>2</sup>  
(2018)**

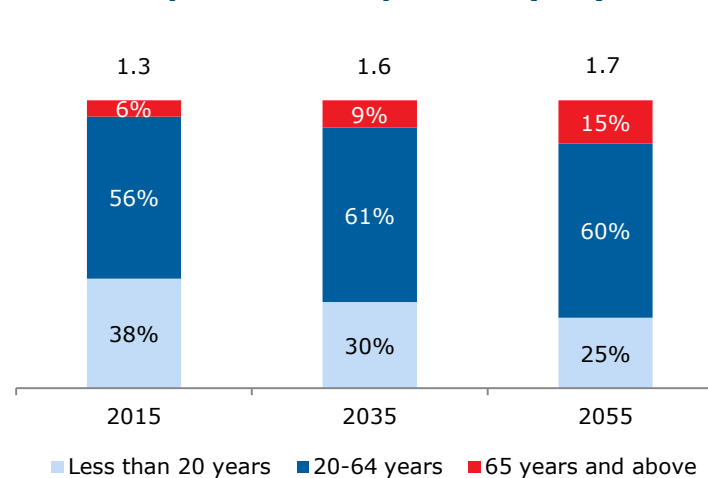


- India remains vastly under-insured, both in terms of penetration and density
- Huge opportunity to penetrate the underserved segments, with evolution of the life insurance distribution model

**Life expectancy (Years)**



**Population composition (Bn.)**

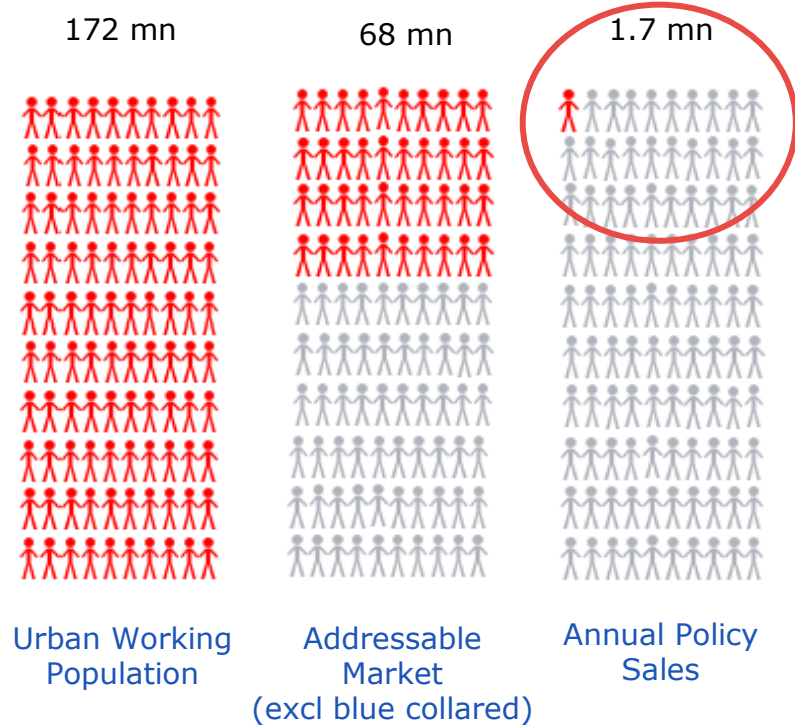


- India's insurable population is expected to touch 750 million by 2020
- India's elderly population is expected to double by 2035 (as compared to 2015)
- Emergence of nuclear families and advancement in healthcare facilities lead to increase in life expectancy thus facilitating need for pension and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

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

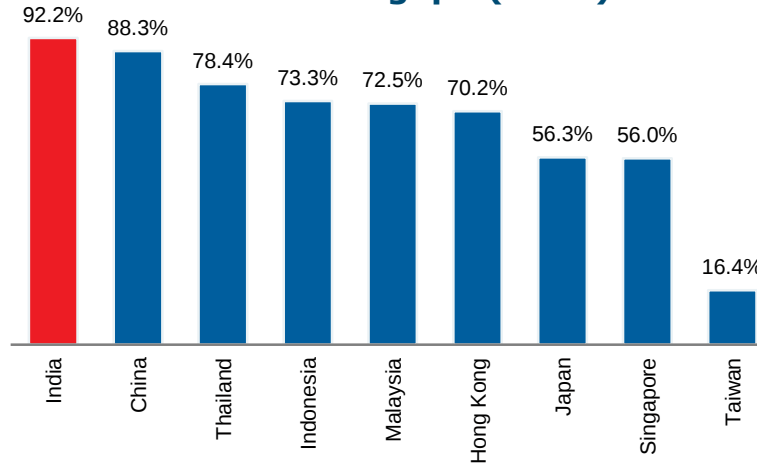
2. Density defined as the ratio of premium underwritten in a given year to the total population

# Low levels of penetration – Life Protection



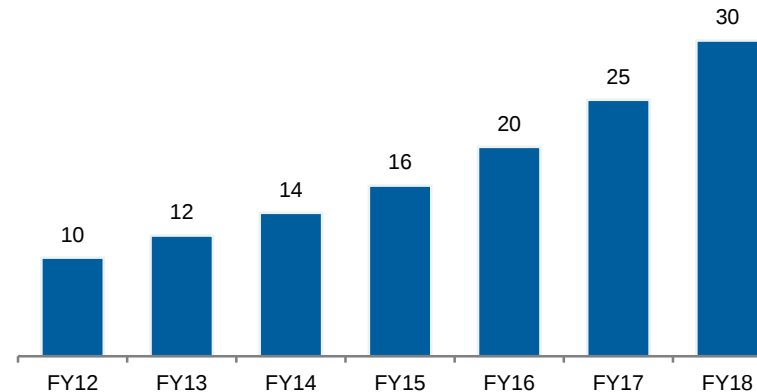
- Only 1 out of 40 people (2.5%) who can afford it is buying a policy every year 1
- Even within the current set, Sum Assured as a multiple of Income is <1x

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

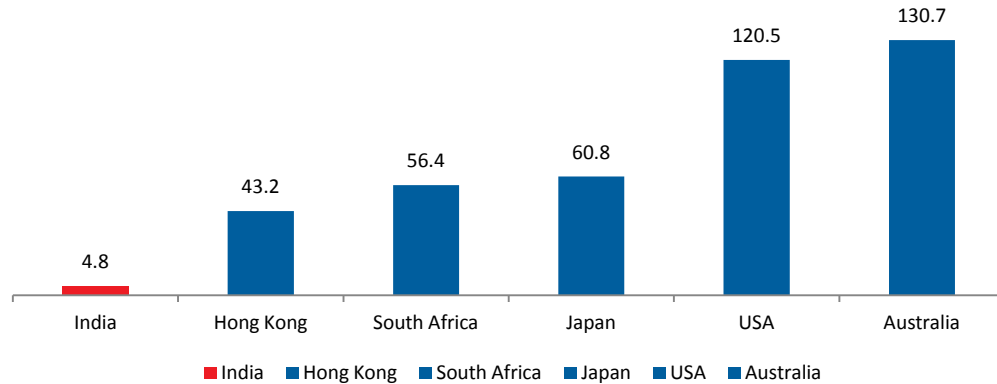
2. Swiss Re (Based on respective financial year of the countries)

3. Kotak institutional equities

# Macro Opportunity of Pension Segment

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

**Pension Assets / GDP Ratio**



60+ population is expected to almost triple by 2050

**Ageing population**



Improvements in life expectancy will lead to an average post retirement period of 20 years

**Life expectancy at age 60**

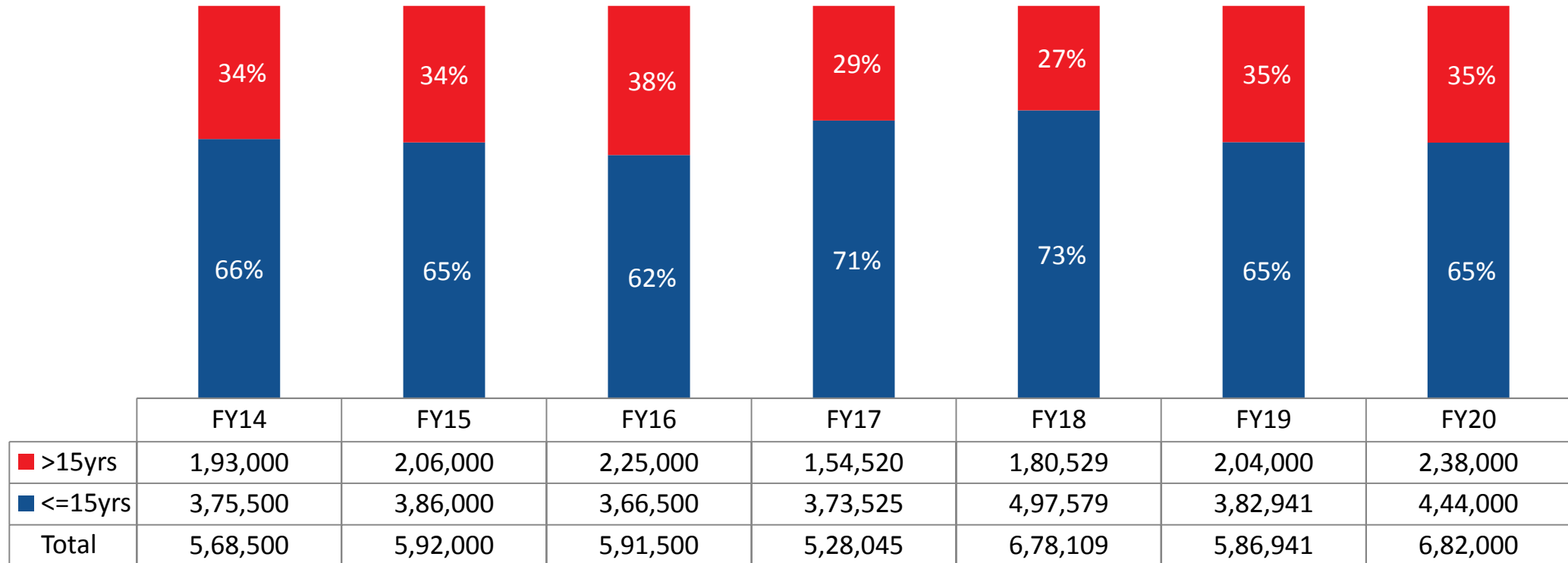


- Average household size has decreased from 4.6 in 2001 to 3.9 in 2018
- Total Pension AUM is expected to grow to Rs 47 Tn by 2025 (more than 1/3<sup>rd</sup> accounted for by NPS)
- Mandatory schemes to increase coverage for both unorganized and organized sectors

# Government Bond Auctions

## Government Bonds – Tenorwise Issuance

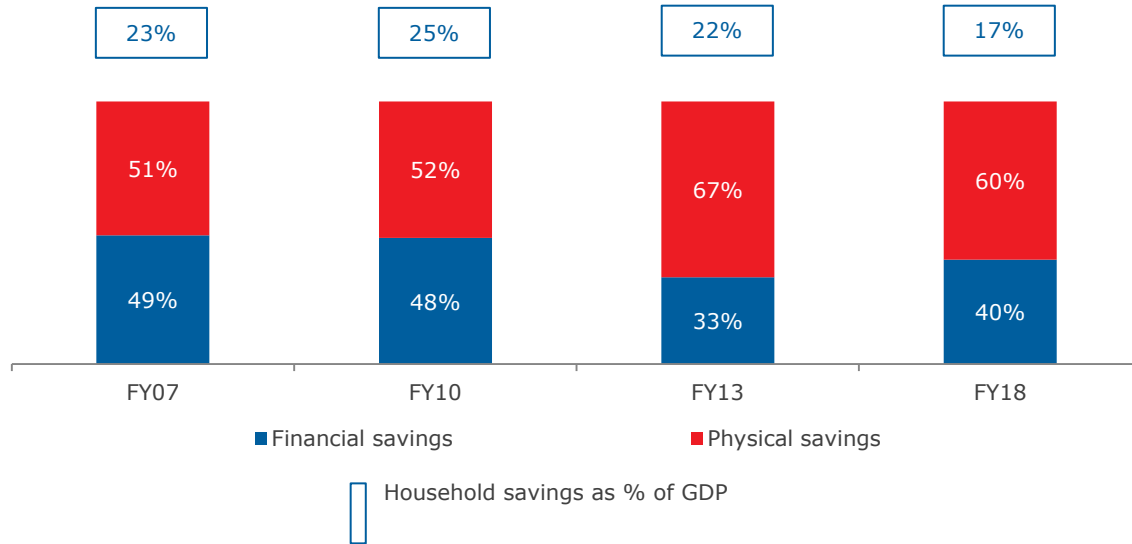
Rs Bn.



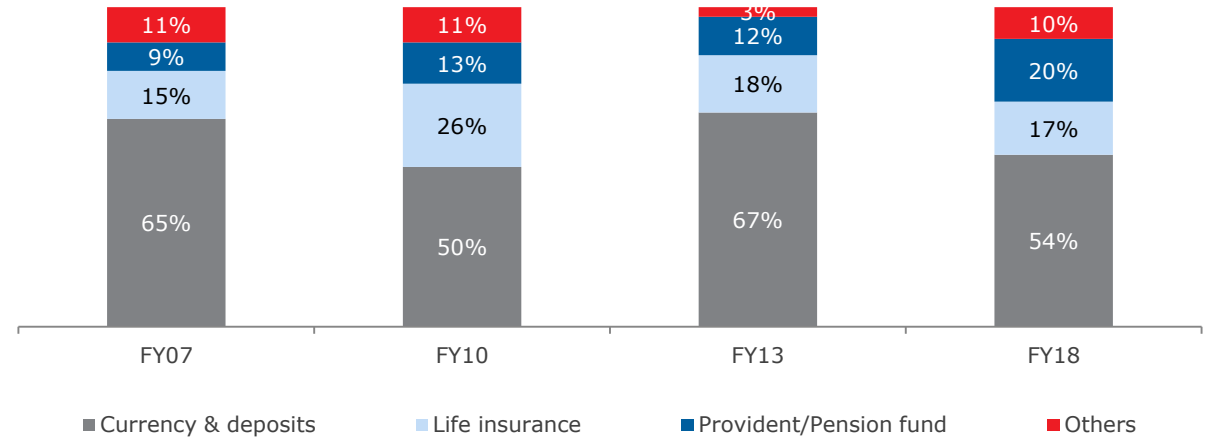
- Auction of >15 year maturity bonds has been ~33% on an average facilitates writing annuity business at scale
- Budget estimate plan for government borrowing for FY20 at Rs. 7.1 trillion on gross basis
- The actual borrowing till Q4 is 96% of the budget

# Life Insurance: A preferred savings instrument

## Household savings composition

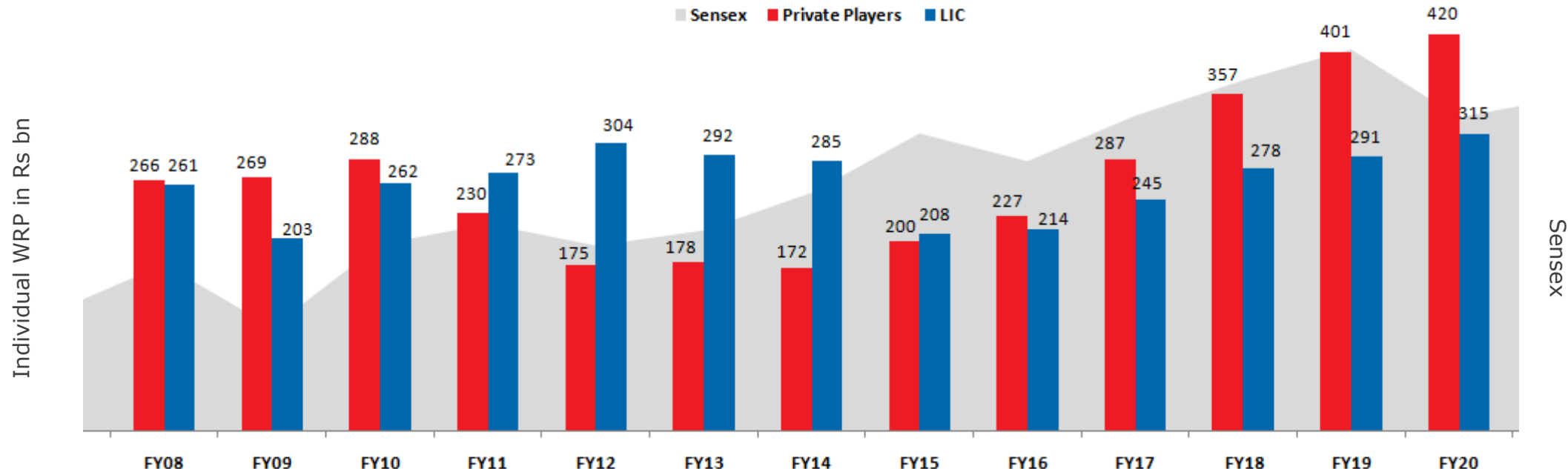


## Financial savings mix



- Increasing preference towards financial savings with increasing financial literacy within the population
- Various government initiatives to promote financial inclusion:
  - Implementation of JAM trinity – around 381 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

|         | FY08 | FY09 | FY10 | FY11 | FY12 | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 |
|---------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Private | 50%  | 57%  | 52%  | 46%  | 37%  | 38%  | 38%  | 49%  | 52%  | 54%  | 56%  | 58%  | 57%  |
| LIC     | 86%  | 1%   | 7%   | -20% | -24% | 2%   | -3%  | 16%  | 14%  | 26%  | 24%  | 12%  | 5%   |
| Overall | 0%   | -22% | 29%  | 4%   | 11%  | -4%  | -2%  | -27% | 3%   | 15%  | 13%  | 5%   | 8%   |
|         | 31%  | -10% | 17%  | -9%  | -5%  | -2%  | -3%  | -11% | 8%   | 21%  | 19%  | 9%   | 6%   |

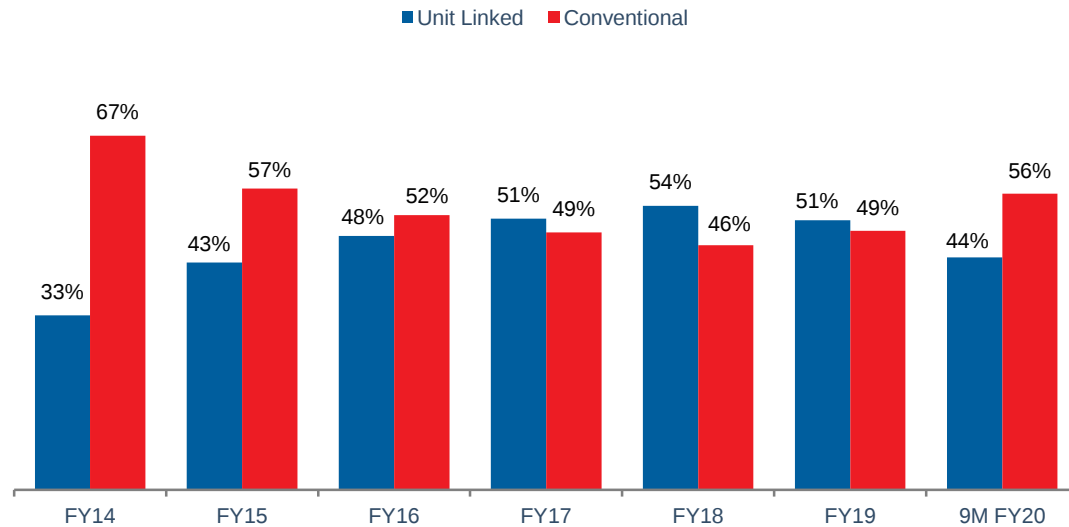
- Private sector gained higher Market share than LIC for the first time in FY16, post FY11 regulatory changes
- Amongst private insurers, insurers with a strong bancassurance platform continue to dominate with increasing market share of the total private individual new business

1.Basis Individual Weighted Received Premium (WRP)

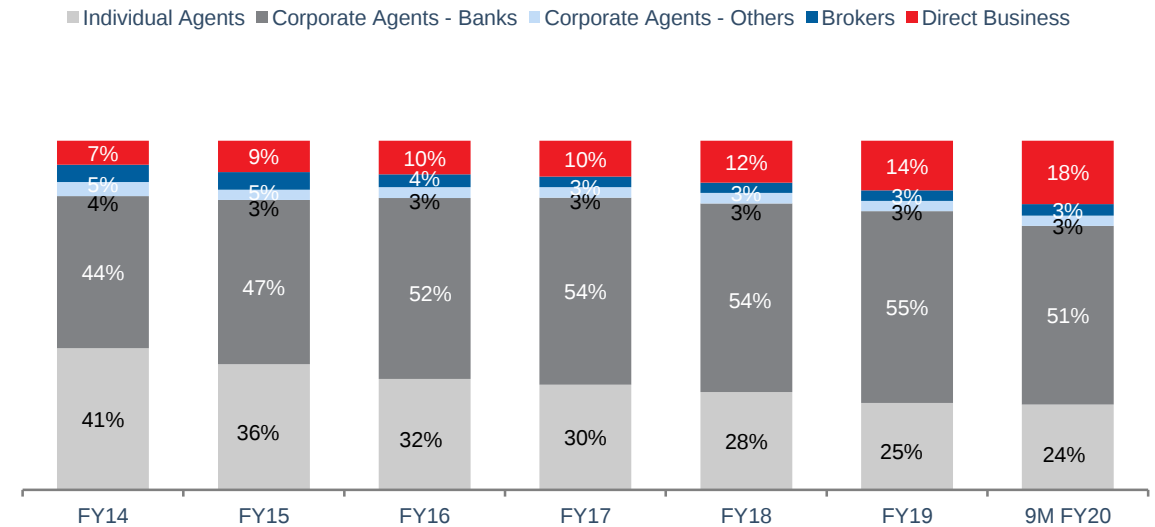
Source: IRDAI and Life Insurance Council

# 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)

|                                                               | FY20         | FY19         | FY18         | FY17         | CAGR       |
|---------------------------------------------------------------|--------------|--------------|--------------|--------------|------------|
| Total Premium                                                 | 327.1        | 291.9        | 235.6        | 194.5        | 19%        |
| <i>New Business Premium (Indl. + Group)</i>                   | <i>172.4</i> | <i>149.7</i> | <i>113.5</i> | <i>86.2</i>  | <i>26%</i> |
| <i>Renewal Premium (Indl. + Group)</i>                        | <i>154.7</i> | <i>142.1</i> | <i>122.1</i> | <i>108.2</i> | <i>13%</i> |
| Individual APE                                                | 61.4         | 52.0         | 48.9         | 37.4         | 18%        |
| Overall APE                                                   | 74.1         | 62.6         | 55.3         | 41.9         | 21%        |
| Group Premium (NB)                                            | 87.8         | 73.3         | 54.1         | 44.2         | 26%        |
| Profit after Tax                                              | 13.0         | 12.8         | 11.1         | 8.9          | 13%        |
| <i>Policyholder Surplus</i>                                   | <i>10.9</i>  | <i>9.0</i>   | <i>8.5</i>   | <i>7.5</i>   | <i>13%</i> |
| <i>Shareholder Surplus</i>                                    | <i>2.1</i>   | <i>3.8</i>   | <i>2.6</i>   | <i>1.4</i>   | <i>14%</i> |
| Dividend Paid <sup>(1)</sup>                                  | -            | 4.0          | 3.3          | 2.6          |            |
| Assets Under Management                                       | 1,272.3      | 1,255.5      | 1,066.0      | 917.4        | 12%        |
| Indian Embedded Value                                         | 206.5        | 183.0        | 152.2        | 124.7        | 18%        |
| Net Worth <sup>(2)</sup>                                      | 69.9         | 56.6         | 47.2         | 38.1         | 22%        |
| NB (Individual and Group segment) lives insured (Mn.)         | 61.3         | 51.4         | 33.2         | 20.9         | 43%        |
| No. of Individual Policies (NB) sold (In 000s) <sup>(3)</sup> | 896.3        | 995.0        | 1,049.6      | 1,082.3      | -6%        |

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 2% between FY17-20



# Financial and operational snapshot (2/2)

|                                                       |     | FY20         | FY19         | FY18         | FY17        |
|-------------------------------------------------------|-----|--------------|--------------|--------------|-------------|
| Overall New Business Margins (post overrun)           |     | 25.9%        | 24.6%        | 23.2%        | 22.0%       |
| Operating Return on EV                                | (1) | 18.1%        | 20.1%        | 21.5%        | 21.7%       |
| Operating Expenses / Total Premium                    |     | 13.1%        | 13.1%        | 13.5%        | 12.6%       |
| Total Expenses (OpEx + Commission) / Total Premium    |     | 17.7%        | 17.0%        | 18.0%        | 16.7%       |
| Return on Equity                                      | (2) | 20.5%        | 24.6%        | 26.0%        | 25.7%       |
| Solvency Ratio                                        |     | 184%         | 188%         | 192%         | 192%        |
| Persistency (13M / 61M)                               | (3) | 88%/54%      | 84%/51%      | 83%/50%      | 81%/59%     |
| Market Share (%)                                      |     |              |              |              |             |
| - Individual WRP                                      |     | 14.2%        | 12.5%        | 13.3%        | 12.7%       |
| - Group New Business                                  |     | 29.0%        | 28.4%        | 28.5%        | 24.3%       |
| - Total New Business                                  |     | 21.5%        | 20.7%        | 19.1%        | 17.2%       |
| Business Mix (%)                                      |     |              |              |              |             |
| - Product (UL/Non par savings/Non par protection/Par) | (4) | 28/45/8/19   | 55/20/7/18   | 57/9/5/28    | 52/9/4/35   |
| - Indl Distribution (CA/Agency/Broker/Direct)         | (4) | 55/14/9/22   | 64/13/4/19   | 71/11/5/14   | 72/12/5/11  |
| - Total Distribution (CA/Agency/Broker/Direct/Group)  | (5) | 23/7/3/17/51 | 26/7/2/16/49 | 33/7/2/10/48 | 32/7/2/7/52 |
| - Share of protection business (Basis Indl APE)       |     | 7.6%         | 6.7%         | 5.1%         | 4.0%        |
| - Share of protection business (Basis Overall APE)    |     | 17.2%        | 16.7%        | 11.3%        | 7.8%        |
| - Share of protection business (Basis NBP)            |     | 27.6%        | 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) for individual business

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

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



# Revenue and Profit & Loss A/c

## Revenue A/c

|                                                  | FY20         | FY19         |
|--------------------------------------------------|--------------|--------------|
| Premium earned                                   | 327.1        | 291.9        |
| Reinsurance ceded                                | (4.8)        | (2.6)        |
| Income from Investments                          | (33.1)       | 90.3         |
| Other Income                                     | 2.1          | 1.2          |
| Transfer from Shareholders' Account              | 1.1          | 3.1          |
| <b>Total Income</b>                              | <b>292.2</b> | <b>383.8</b> |
| Commissions                                      | 14.9         | 11.3         |
| Expenses                                         | 42.7         | 38.0         |
| GST on UL charges                                | 3.5          | 3.4          |
| Provision for taxation                           | 1.5          | 2.3          |
| Provision for diminution in value of investments | 5.7          | 0.9          |
| Benefits paid                                    | 181.3        | 133.6        |
| Change in valuation reserve                      | 24.4         | 175.1        |
| Bonuses Paid                                     | 8.5          | 5.7          |
| <b>Total Outgoings</b>                           | <b>282.5</b> | <b>370.3</b> |
| <b>Surplus</b>                                   | <b>9.7</b>   | <b>13.5</b>  |
| Transfer to Shareholders' Account                | 11.9         | 12.1         |
| Funds for future appropriation - Par             | (2.2)        | 1.4          |
| <b>Total Appropriations</b>                      | <b>9.7</b>   | <b>13.5</b>  |

## Profit and Loss A/c

Rs Bn.

|                                                     | FY20        | FY19        |
|-----------------------------------------------------|-------------|-------------|
| <b>Income</b>                                       |             |             |
| - Interest and dividend income                      | 3.6         | 2.9         |
| - Net profit/(loss) on sale                         | 0.8         | 1.1         |
| Transfer from Policyholders' Account                | 11.9        | 12.1        |
| Other Income                                        | 0.2         | 0.2         |
| <b>Total</b>                                        | <b>16.5</b> | <b>16.4</b> |
| <b>Outgoings</b>                                    |             |             |
| Transfer to Policyholders' Account                  | 1.1         | 3.1         |
| Expenses                                            | 0.3         | 0.3         |
| Provision for diminution in value of investments    | 2.0         | 0.1         |
| Provision for Taxation                              | 0.2         | 0.1         |
| <b>Total</b>                                        | <b>3.5</b>  | <b>3.6</b>  |
| <b>Profit for the year as per P&amp;L Statement</b> | <b>13.0</b> | <b>12.8</b> |
| Interim Dividend paid (including tax)               | 0.0         | (4.0)       |
| <b>Profit carried forward to Balance Sheet</b>      | <b>13.0</b> | <b>8.8</b>  |

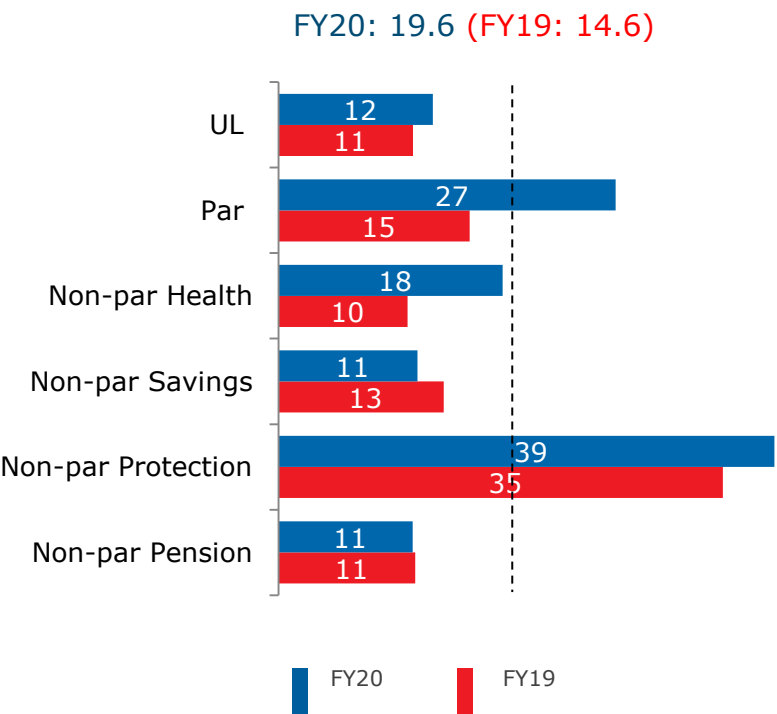
# Balance Sheet

Rs Bn.

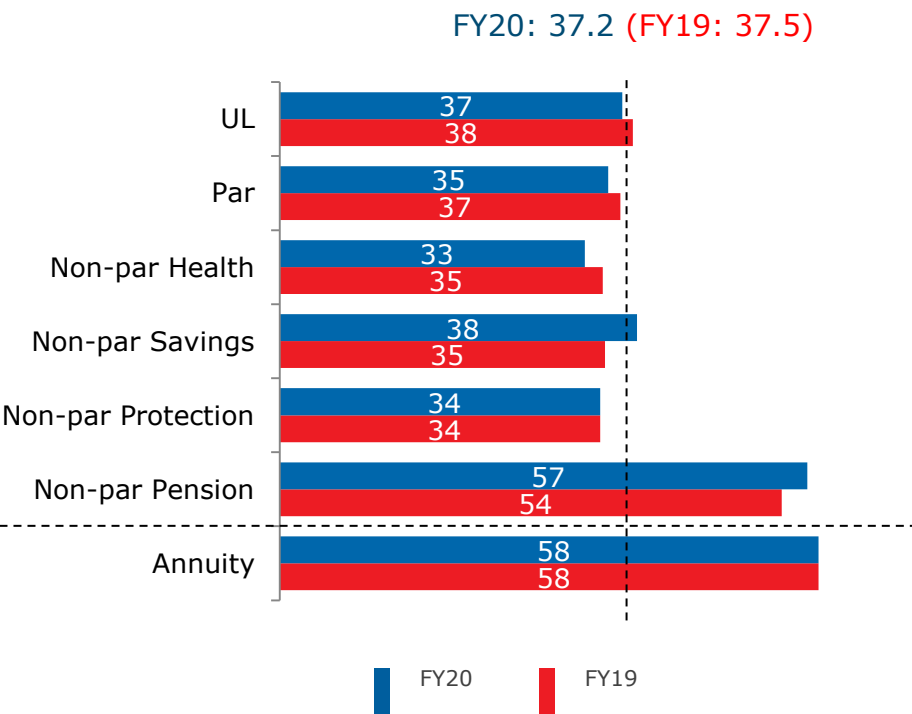
|                                         | Mar 31, 2020   | Mar 31, 2019   |
|-----------------------------------------|----------------|----------------|
| <b>Shareholders' funds</b>              |                |                |
| Share capital (including Share premium) | 24.2           | 23.8           |
| Accumulated profits                     | 45.7           | 32.7           |
| Fair value change                       | (1.9)          | (0.0)          |
| <b>Sub total</b>                        | <b>68.0</b>    | <b>56.6</b>    |
| <b>Policyholders' funds</b>             |                |                |
| Fair value change                       | 0.5            | 11.1           |
| Policy Liabilities                      | 652.7          | 536.3          |
| Provision for Linked Liabilities        | 508.4          | 605.2          |
| Funds for discontinued policies         | 33.4           | 28.6           |
| <b>Sub total</b>                        | <b>1,195.0</b> | <b>1,181.2</b> |
| Funds for future appropriation (Par)    | 8.8            | 11.0           |
| <b>Total Source of funds</b>            | <b>1,271.9</b> | <b>1,248.8</b> |
| Shareholders' investment                | 58.6           | 50.5           |
| Policyholders' investments: Non-linked  | 671.9          | 571.2          |
| Policyholders' investments: Linked      | 541.8          | 633.8          |
| Loans                                   | 3.0            | 0.8            |
| Fixed assets                            | 3.3            | 3.3            |
| Net current assets                      | (6.7)          | (10.8)         |
| <b>Total Application of funds</b>       | <b>1,271.9</b> | <b>1,248.8</b> |

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

Average Policy Term excluding annuity (Yrs)



Average Customer Age excluding annuity (Yrs)



- 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 Mar 31, 2020 | As at Mar 31, 2019 | As at Mar 31, 2020 | As at Mar 31, 2019 |
| <b>1</b>   | 4.69               | 6.63               | 4.58               | 6.42               |
| <b>2</b>   | 5.69               | 6.99               | 5.06               | 6.59               |
| <b>3</b>   | 6.52               | 7.31               | 5.48               | 6.74               |
| <b>4</b>   | 7.04               | 7.58               | 5.81               | 6.88               |
| <b>5</b>   | 7.29               | 7.80               | 6.06               | 7.01               |
| <b>10</b>  | 7.18               | 8.32               | 6.55               | 7.43               |
| <b>15</b>  | 7.03               | 8.31               | 6.64               | 7.62               |
| <b>20</b>  | 7.00               | 8.19               | 6.67               | 7.70               |
| <b>25</b>  | 7.00               | 8.08               | 6.69               | 7.72               |
| <b>30+</b> | 7.00               | 8.01               | 6.70               | 7.72               |

# 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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