HDFC Life Insurance

Investor Presentation – H1 FY21

Agenda

Performance Snapshot
Our Strategy
Managing Covid-19
Customer Insights
Annexures
India Life Insurance

1 Performance Snapshot

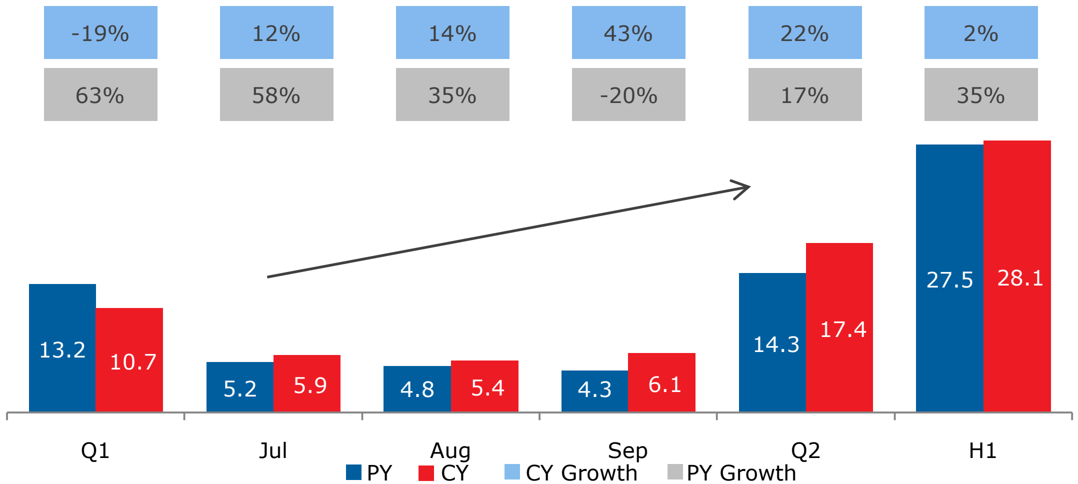
Executive summary: H1 FY21

Revenue growth and Market share	▪ Expansion in market share[1] by 235 bps from 15.2% to 17.5% ▪ Individual WRP growth of 22% in Q2 helped neutralize the Q1 de-growth. 2% growth in H1 FY21 v/s private industry de-growth of 11%
Product mix	▪ Balanced product mix[2] (UL: 23%, Par: 33%, Non-par savings: 30%, Protection: 9%, Annuity: 5%) ▪ 38% growth in retail protection and annuity as well
Renewal collection	▪ Renewal premium growth of 22% with stable 13^{th} month persistency
Cost management	▪ Opex ratio at 11.1% for H1 FY21 compared to 14.0% in H1 FY20
New business margins	▪ Improvement in sequential new business margins ▪ H1 NBM of 25.1%, on the back of higher growth and favourable product mix
Profit after tax	▪ PAT of Rs 7.8 bn, with growth of 6%
Capital position	▪ Solvency ratio healthy at 203% aided by a sub-debt raise of Rs 6 bn during the quarter

1. Based on Individual WRP; 2. Based on Indl APE
The numbers throughout the presentation are based on standalone financial results of the Company

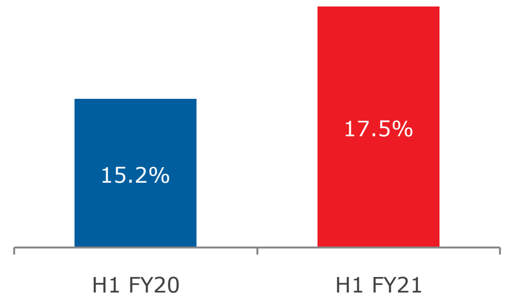
Demonstrating resilience in the current environment (1/2)

Improving MoM business trends[1]



Expanding market share[1]

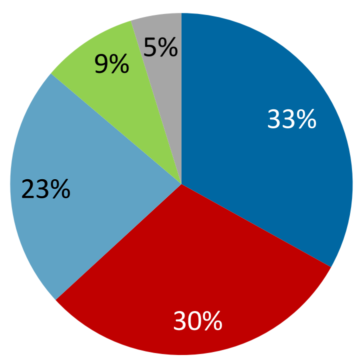
Rs Bn.



Growth	HDFC Life	Pvt sector	Industry
H1 FY21	2%	-11%	-7%
H1 FY20	35%	16%	11%
2 year CAGR	18%	1%	1%

Balanced product mix

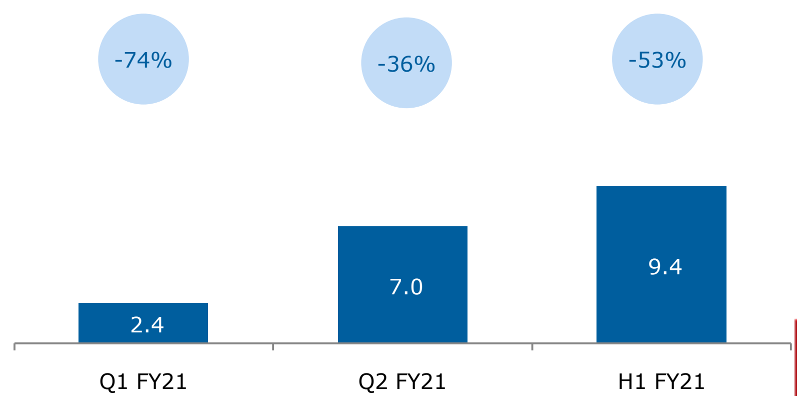
Individual APE



- 38% growth in retail protection
- 38% growth in annuity (incl. group annuity)

Improvement in CP volumes with pickup in disbursements

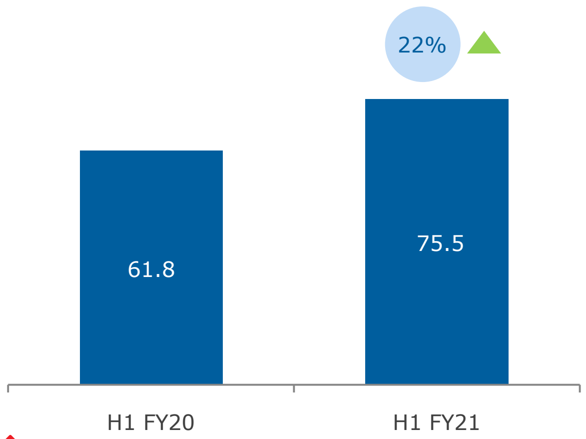
Credit Protect[2]



1. Based on Individual WRP; 2. Based on NBP

Demonstrating resilience in the current environment (2/2)

Strong growth in renewal premium

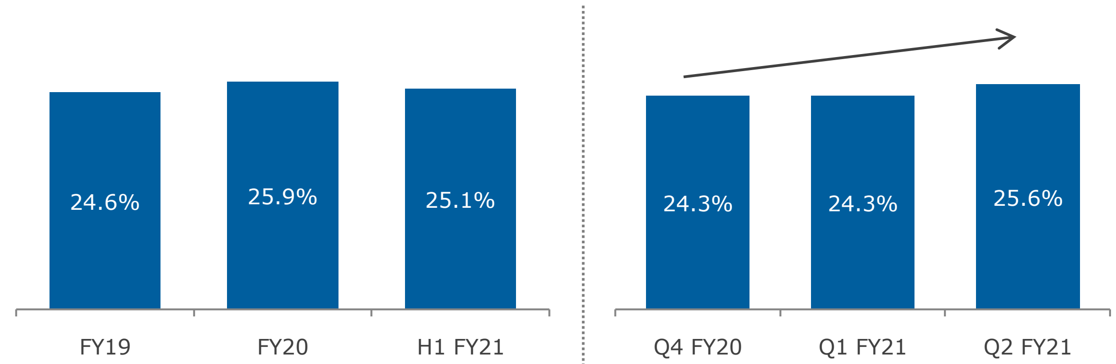


- Improving MoM collection
- Remain cautious on persistency trends for next few quarters

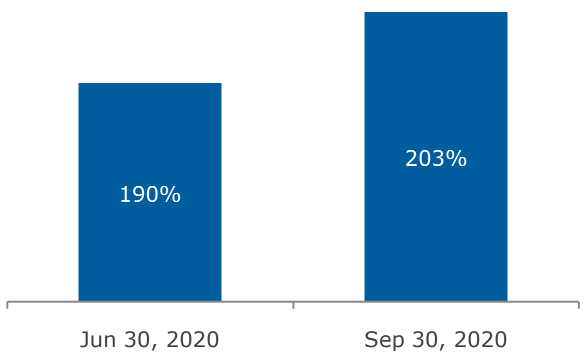
Stable profitable growth

Rs Bn.

New Business Margins (NBM)

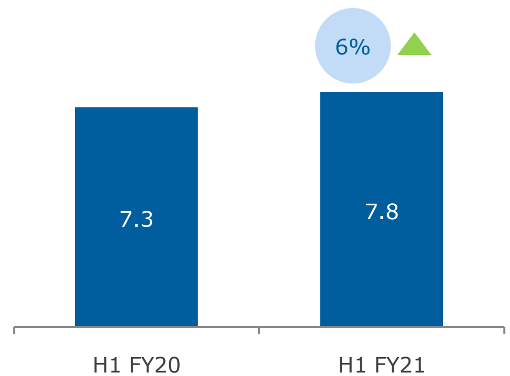


Healthy solvency position



- Strong PAT accretion supplemented by sub-debt raise

Profit after tax(PAT)



- Steady accretion of backbook surplus
- Continued focus on cost management

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

Diversified distribution mix

Developing multiple channels of growth to drive need-based selling

3

Market-leading innovation

Creating new product propositions to cater to the changing customer behaviour and needs

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

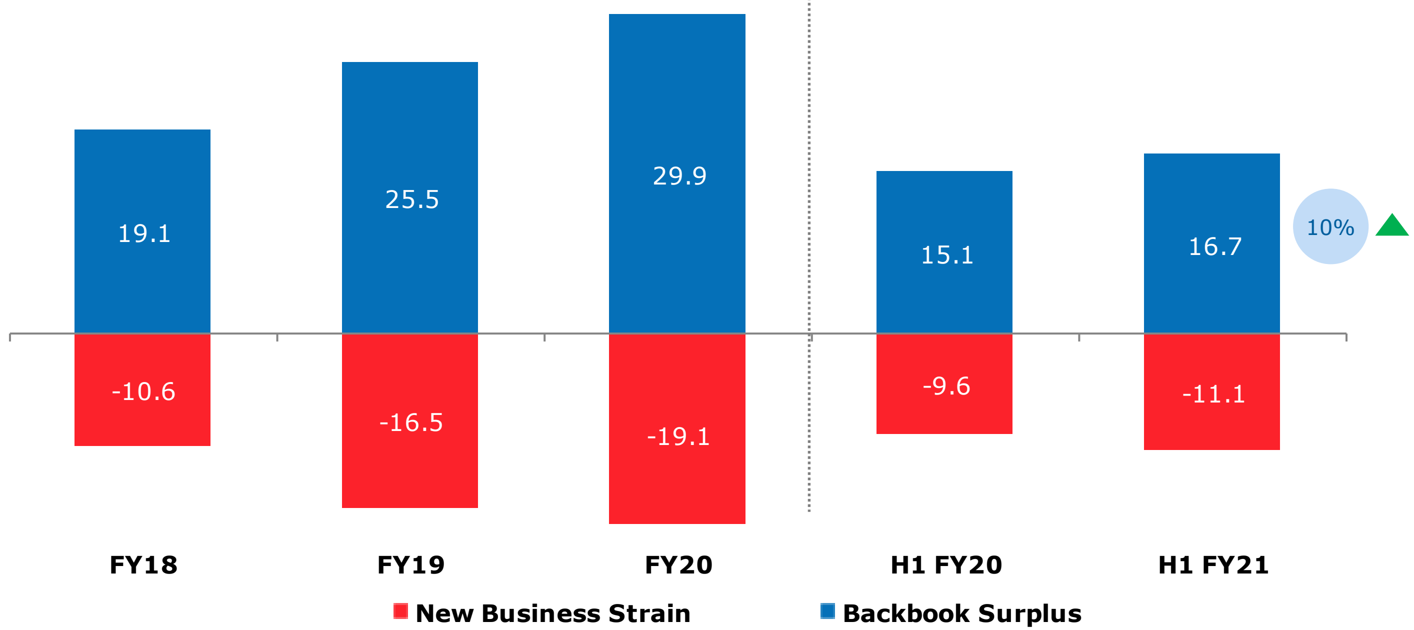
HDFC Life

Focus on profitable growth

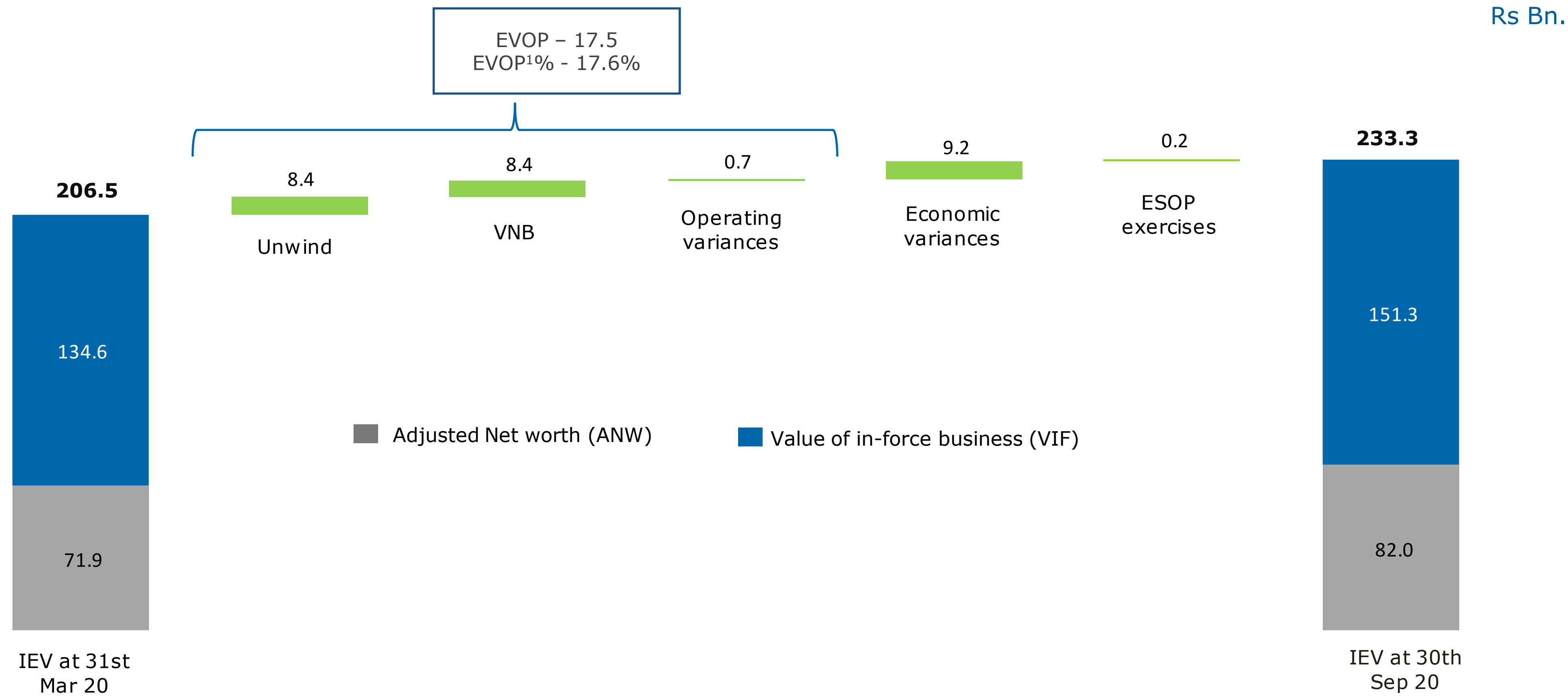
Rs Bn.

		FY18	FY19	FY20	H1 FY20	H1 FY21
Economic Profit	New business Margin	23.2%	24.6%	25.9%	27.5%	25.1%
	Value of new business	12.8	15.4	19.2	9.6	8.4
Accounting Profit	Profit after tax (PAT)	11.1	12.8	13.0	7.3	7.8
	Underwriting profits	8.5	9.0	10.9	5.5	5.6
	Shareholders' surplus	2.6	3.8	2.1	1.8	2.2

Underwriting profits breakup



Analysis of change in IEV[1]



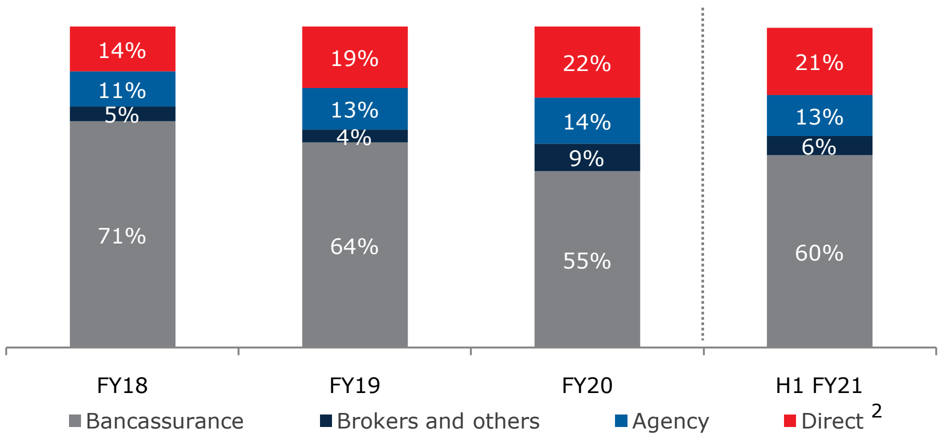
- Operating experience continue to be positive and in line with our assumptions
- Covid reserve seems adequate considering mortality trends observed till date; to be reviewed from time to time

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

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

Diversified distribution mix

Focus on diversified mix [1]



- Strong growth in the bancassurance and online channels, pickup in agency channel in Q2
- Expanding share of business from customers < 30 yrs indicating increasing awareness and early adoption of life insurance
- Maintained leadership position in Broker channel

Strong and diversified network of 250+ traditional partners

Banks: HDFC Bank, Saraswat Bank, IDFC First Bank, Bandhan Bank, RBL Bank, Axis Bank, Yes Bank

NBFCs and MFIs: Chola, Tata Capital, Bajaj Finance Limited, HDFC securities, SBM Group, HDFC Sales, sbicap securities★, Manappuram Finance Limited, Edelweiss, pnb Housing Finance Limited, HDB Financial Services, muthoot Microfin, Bharat Financial Inclusion Ltd

SFBs: equitas Small Finance Bank, Suryoday, Ujjivan Small Finance Bank, Utkarsh Small Finance Bank, Capital Small Finance Bank

Developing alternative channels of distribution: 50+ partnerships in emerging eco-systems

Health	Ecommerce	Auto	Telecom	Mutual Fund	Fintech
Apollo Health and Lifestyle Ltd, Omnis Health	Paytm, Justdial	Maruti Suzuki, Uber	airtel	Axis Mutual Fund	Home Credit, LendingKart, realme paysa, Clix Capital

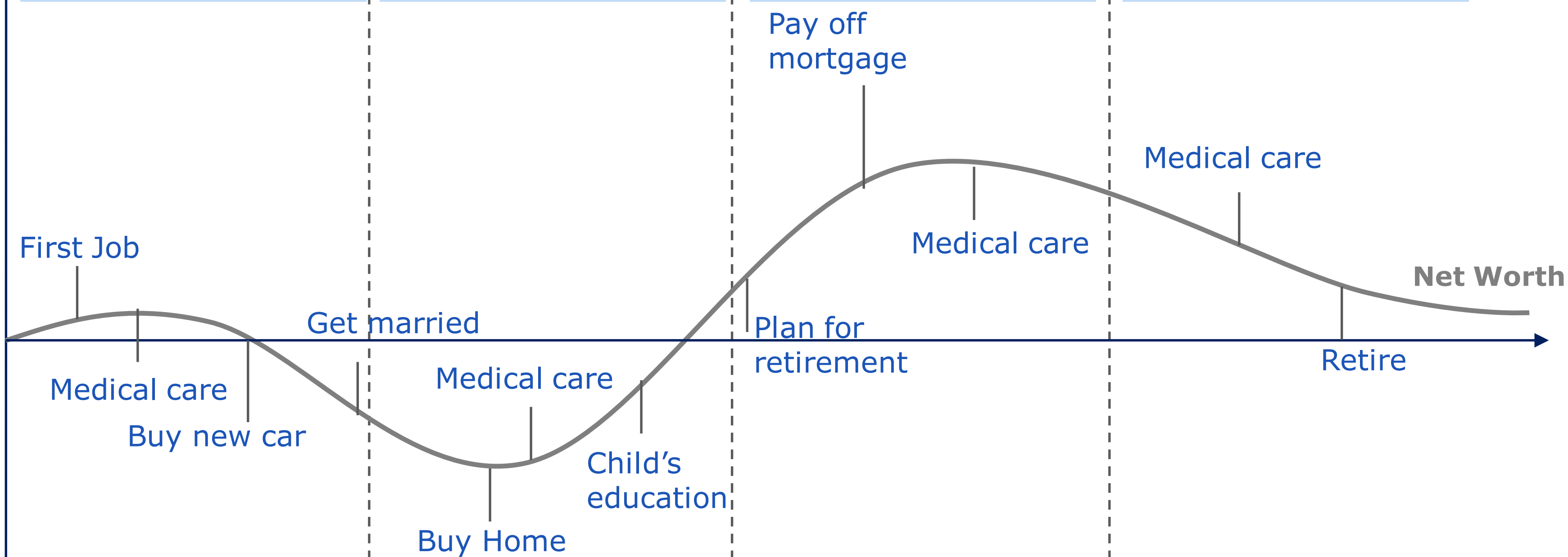
1. Basis Individual APE; 2. Direct includes online channel

★ Tie-up in Q3 (Oct'20)

Addressing customer needs at every stage of life

	<25 years	26-35 years	36 – 50 years	50+ years
Objective	Simple Savings	Borrowing	Investments	Asset Drawdown

Needs



Product Offerings

Product mix across age categories[1]

	<25 years	26-35 years	36 – 50 years	50+ years
UL	30%	26%	23%	19%
Par	36%	29%	30%	39%
Non par savings	26%	29%	35%	27%
Protection	8%	16%	10%	1%
Annuity	0%	0%	2%	15%

Risks Addressed

- Mortality
- Morbidity
- Longevity
- Interest Rate

Profitable growth

Balanced distribution mix

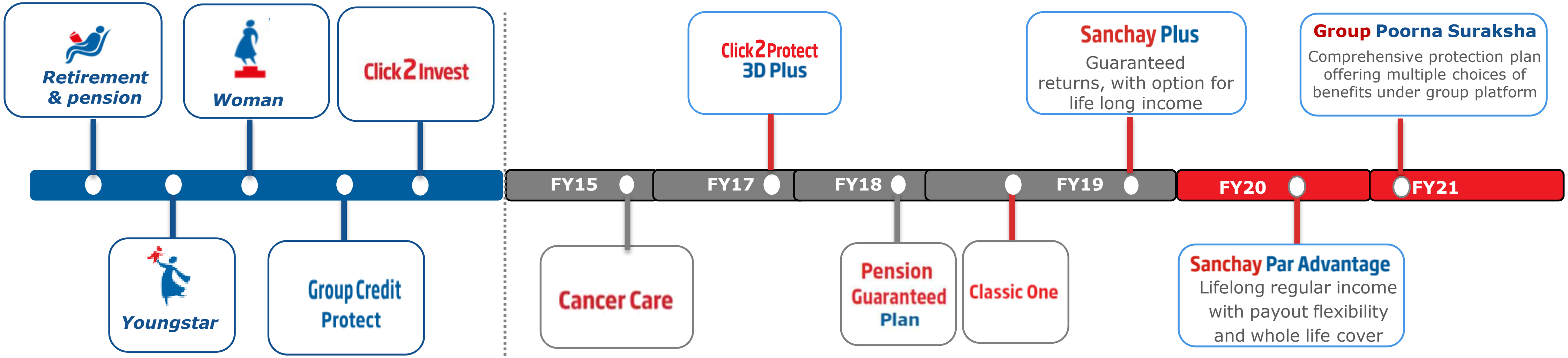
Market leading innovation

Reimagining insurance

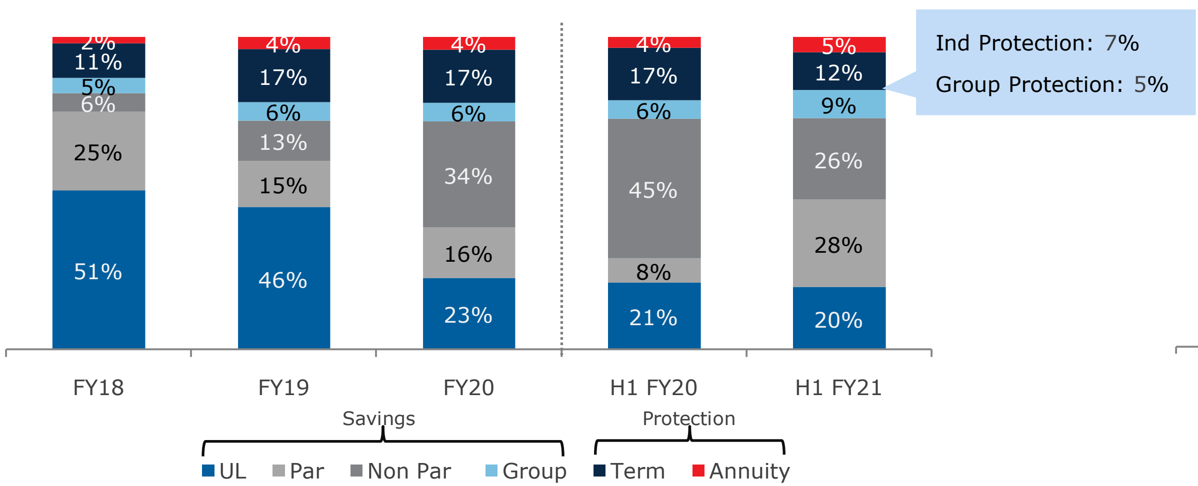
Quality of Board and management

1. *Based on Individual WRP for H1 FY21*

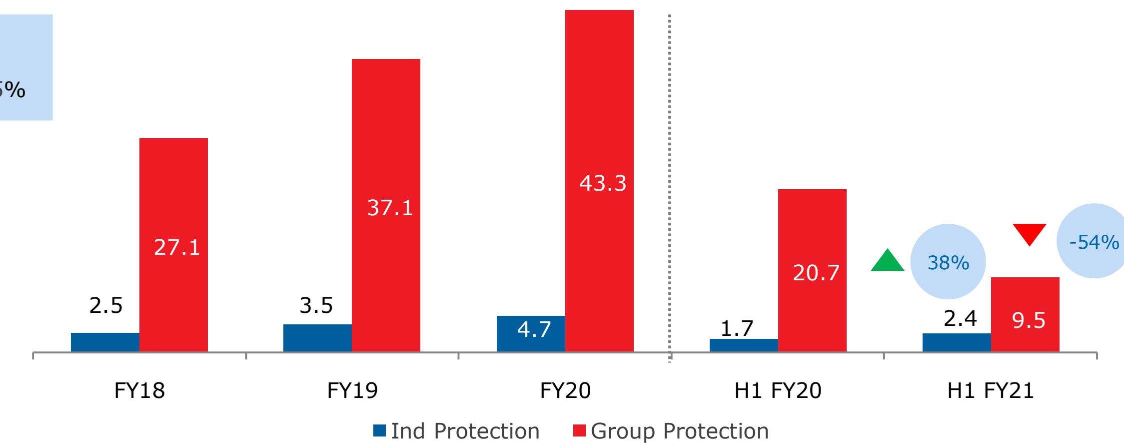
Expanding market through consistent product innovation



Balanced product suite helps in managing business cycles [1]



Strong growth in individual protection [2] (Rs Bn.)



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

1. *As a % of Total APE*
2. *Individual protection numbers are based on APE and group protection numbers based on NBP. Group protection includes Credit protect, GTI and Group Health*

Our approach to retiral solutions

Opportunity to grow the retiral corpus[1] by 3x between FY20-25

1. NPS

- Ranked #1 amongst private owned Pension Fund Managers in terms of AUM
- Registered strong AUM growth of 70% in H1 FY21

2. Individual income plans [2]

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

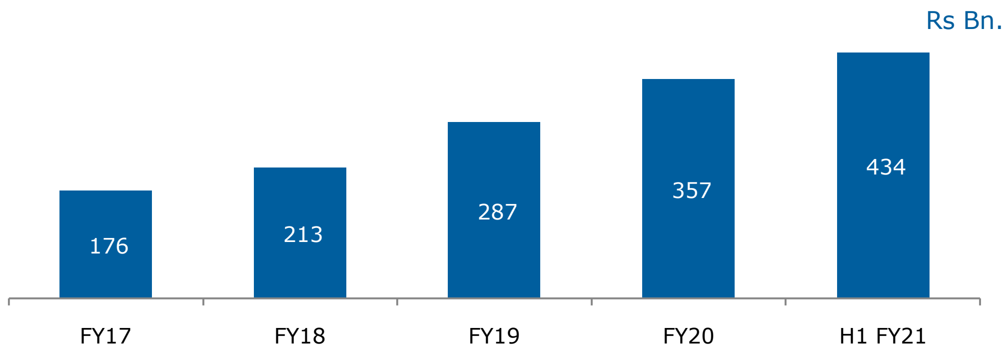
3. Immediate / deferred annuity

- Largest player in the private sector
- Servicing 100+ corporates and >16,000 lives covered in H1 FY21

4. Group superannuation fund

- Managing funds for about 150+ corporates under superannuation scheme

Increasing retiral corpus[1]



Preferred long-term retiral service providers across corporates

1. *Includes NPS, Annuity, Group superannuation fund and long term variants of Sanchay Plus and Sanchay Par Advantage*

Product mix across key channels[1]

Banca [2]

Segment	FY18	FY19	FY20	H1 FY21
UL	64%	64%	32%	27%
Par	25%	13%	18%	36%
Non par savings	8%	17%	44%	30%
Term	3%	4%	4%	5%
Annuity	1%	3%	2%	2%

Agency

Segment	FY18	FY19	FY20	H1 FY21
UL	33%	26%	12%	9%
Par	48%	40%	34%	37%
Non par savings	5%	17%	40%	35%
Term	11%	12%	12%	15%
Annuity	3%	5%	3%	3%

Direct

Segment	FY18	FY19	FY20	H1 FY21
UL	58%	50%	33%	23%
Par	17%	8%	14%	15%
Non par savings	9%	12%	20%	13%
Term	5%	6%	4%	4%
Annuity	11%	24%	29%	44%

Online[3]

Segment	FY18	FY19	FY20	H1 FY21
UL	57%	62%	44%	35%
Par	1%	2%	1%	1%
Non par savings	0%	1%	18%	27%
Term	42%	35%	37%	36%
Annuity	0%	1%	1%	1%

Company

Segment	FY18	FY19	FY20	H1 FY21
UL	57%	55%	28%	23%
Par	28%	18%	19%	33%
Non par savings	7%	15%	41%	30%
Term	5%	7%	8%	9%
Annuity	2%	5%	4%	5%

Protection

Total APE	FY18	FY19	FY20	H1 FY21
Term	11%	17%	17%	12%
Annuity	2%	4%	4%	5%
Total	**13%**	**21%**	**21%**	**17%**

Total NBP	FY18	FY19	FY20	H1 FY21
Term	26%	27%	27%	14%
Annuity	9%	17%	16%	20%
Total	**35%**	**44%**	**43%**	**34%**

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, other corporate agents and online business sourced through banks / corporate agents. Nos for previous years have been restated in line with revised classification
3. Includes business sourced through own website and web aggregators. Nos for previous years have been restated in line with revised classification

HDFC Life

Simplifying the customer journey using 5 building blocks

Platforms and Ecosystems

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

Life99
Retire with pride

- 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

Insta PRL

- 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

Insta Mix, Insta mSD, Insta FR, Insta Verify, Insta Serv 2.0, Insta GO

InstaQuote!

HelloSelfie

Service Simplification

Simplified solutions for customers across the value chain

- **Online payments & services:** ~88% of renewal via online / debit mode

Chat bot ELLE **WhatsApp bot ETTY**

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

- **Robotic Process Automation:** ~250+ bots deployed

InstA

Virtual Assist for Sales & Service, current usage at ~1.6 million+ queries p.m.

Life.ai

An omni-channel conversational AI engine

Data Enrichment and Analytics

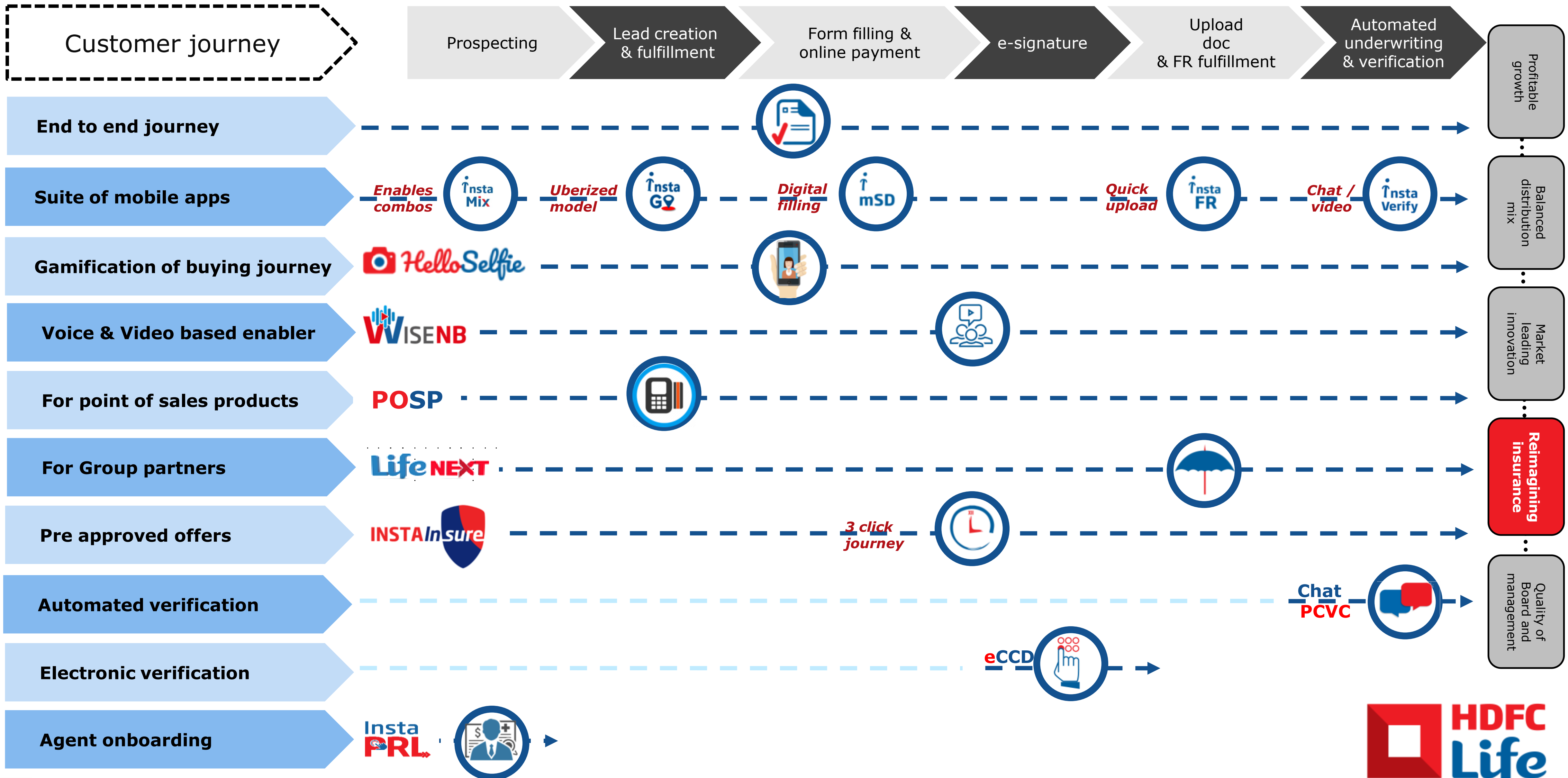
Continuous improvement in raw data by gaining deeper insight into our customers' lives

- **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)

HDFC Life

Journey simplification - enabling digital journeys



VServ: Industry first video based ‘Phy-gital’ mode of service

Zero setup for customer

Chat functionality for chat enabled transactions

Device agnostic (Mobile / Tablet / Laptop)

Audit trail of Video & Audio

VServ
VIRTUAL ENABLED SERVICE

Operations

Secure

Encrypted

Customer

Customer Journey

- Customer connect
- Executive attends customer
- Service request
- Customer uploads documents
- Acknowledgement given

Storage on **Cloud**

Document upload

Encrypted **recording**

OTP enabled customer authentication

Profitable growth

Balanced distribution mix

Market leading innovation

Reimagining insurance

Quality of Board and management

Enabler to our branch ‘virtualisation’ journey

HDFC Life

Governance framework

Board of Directors

Independent and experienced Board

Board Committees	Management Committees/Councils
Audit Committee	Compliance Council
Risk Management Committee	Risk Council; ALCO; Information & Cyber Security Council; Disciplinary Panel for Malpractices; Prevention of Sexual Harassment; Whistleblower Committee
Investment Committee	Investment Council; Credit Council
Policyholder Protection Committee	Claims Review Committee; Grievance Management Committee
With Profits Committee	
Corporate Social Responsibility Committee	
Nomination & Remuneration Committee	
Stakeholders' Relationship Committee	

Standalone councils

Business and Innovation

- Product Council
- Technology Council
- Persistency Council

Additional governance through Internal, Concurrent and Statutory auditors

Profitable growth

Balanced distribution mix

Market leading innovation

Reimagining insurance

Quality of Board and Management

The above list of committees is illustrative and not exhaustive

Financial risk management framework

Natural hedges

- Protection and longevity businesses
- Unit linked and non par savings products
- Quantum of guaranteed return products: 14% of AUM

Product design & mix monitoring

- Prudent assumptions and pricing approach
- Return of premium annuity products (>95% of annuity); Average age at entry ~60 years
- Deferred as % of total annuity business < 30%, with limited deferment period (<4 yrs)
- Regular monitoring of interest rates and business mix

Managing Risk

ALM approach

- Target cash flow matching for non par savings plus group protection portfolio to manage non parallel shifts and convexity
- Immunise overall portfolio to manage parallel shifts in yield curve (duration matching)

Residual strategy

- External hedging instruments such as FRAs, IRFs, Swaps amongst others
- Reinsurance

	FY20				H1 FY21			
Sensitivity	**Overall**		**Non par [1]**		**Overall**		**Non par [1]**	
Scenario	**EV**	**VNB Margin**	**EV**	**VNB Margin**	**EV**	**VNB Margin**	**EV**	**VNB Margin**
Interest Rate +1%	(1.2%)	(0.7%)	(1.3%)	(2.0%)	(1.5%)	(0.9%)	(1.4%)	(2.4%)
Interest Rate -1%	0.6%	0.2%	0.0%	1.7%	0.7%	0.2%	0.2%	1.3%

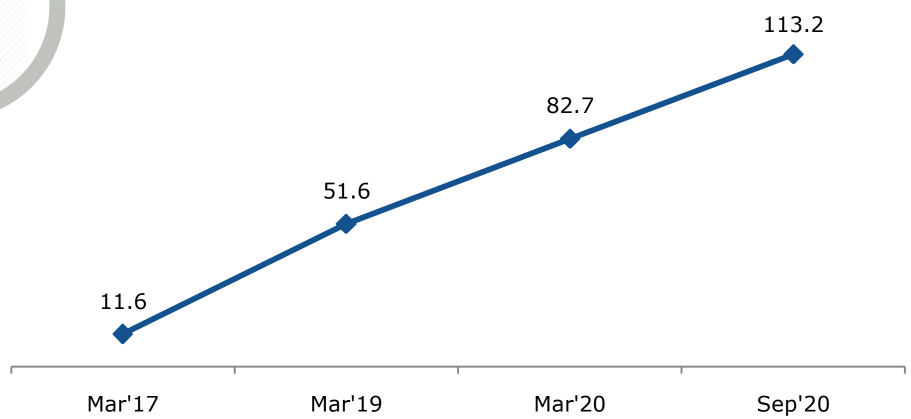
Calibrated risk management has resulted in low EV and VNB sensitivity in the Non Par segment

1. Comprise of Non par savings (incl Annuity) plus Group protection

Performance of wholly-owned subsidiary[1] companies

HDFC Pension

AUM, Rs Bn.



- Fastest growing PFM (Pension Fund Manager) under the NPS architecture (YoY growth of 70% in AUM)
- Market share grew from 29% in Sep'19 to 33% in Sep'20 amongst all PFMs
- Company has over 6 lakh customers - ~3.95 lakh in retail segment and ~ 2.19 lakh in corporate segment
- POP operations commenced in FY20 with enrolling of both retail and corporate subscribers; #2 POP in Corporate NPS business

HDFC International Life and Re

- Registered growth of 63% in gross reinsurance premium in H1 FY21
- Forayed into Kingdom of Saudi Arabia (KSA) and Qatar, both being strategically important (re)insurance markets
- Despite challenging external environment, momentum of growth trends and new opportunities remains positive
- S&P Global Ratings continues to reaffirm its long-term public insurer financial strength rating of "BBB" with "Stable" outlook

1. Investment in subsidiaries not considered in Solvency Margin

3 Managing Covid-19

Dynamic approach to manage impact of the COVID-19 outbreak

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 collection 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

Responsive operating measures

Regular branch operations in green and orange zones (>90% branches operational), daily tracking of employee and agent safety

Emerging opportunities and risks

Opportunities

- **Reinvent operating model**
  - Enhanced focus on digital
  - Work from home

- **Higher demand for insurance**
  - Increasing awareness levels across mortality, morbidity, longevity and interest rate products

- **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

- **Volatility in equity markets impacting solvency:** Sub-debt; balanced product mix; healthy backbook surplus

- **Fall in persistency:** Improved customer engagement & communication around need to retain cover

- **Fall in interest rates:** Diversified product mix, discipline in repricing new business, appropriate hedging of back book

Managing impact of COVID-19 on business

New business / purchase

- **Digital sales journey -** End-to-end digital sales, from prospecting till conversion, including customer interactions
- **Chat PCV -** No dependence on salesperson or call center. ~65% verifications completed post Covid ★
- **Telemedicals –** 43% of the medicals done through tele-medicals, with number of cases increasing by over 2 times
- **Uninterrupted customer assistance -** Work from home enabled across the organization, Microsoft Meet, Citrix ★
- **InstaInsure -** Simplified insurance buying through a 3-click journey

Policy servicing

- **Renewal collections -** ~88% of renewal payments (95% of policies) made digitally; SVAR (voice bot for renewal calling) and use of Cloud telephony
- **Maturity payouts -** Email, Whatsapp and customer portal 'My Account' enabled to upload necessary docs
- **LifeEasy** - Simple '3 click claim' process (~99% claims settled in 1 day). Claims initiation process also enabled through Whatsapp
- **RPA –**Robotic Process automation handled more than 250 processes remotely
- **Contact centres -** Branch staff replacing Call centre agents servicing customers

Customer interactions

- **Seamless support experience -** 1.6 mn+ monthly queries handled by InstA (virtual assistant)
- **Use of mobile app –** Over 10x increase in mobile app usage
- **InstaServe -** OTP based policy servicing tool to handle customer queries ★
- **24*7 self-service options -** ~90% of chats are self-serve via chat-bot
- **Branches -** Daily tracking of employee and agent safety (>90% branches operational)

Employee / Partner engagement

- **e-learning platform -** 7,900+ agents attending training programs daily through mLearn / VC Platform ★
- **Gamified contests -** Launched to drive adoption of digital engagement initiatives ★
- **Agent on-boarding -** Insta PRL enabling digital on-boarding of agents – 35,000+ applicants since launch in mid March
- **Employee engagement -** VC based skill building sessions with digital partners (Twitter, Google, Facebook) ★
- **Partner trainings -** Conducted via digital collaboration tools

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

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4 Customer Insights

Customer insights – Impact of Covid-19

Impact on LI category[1,2]

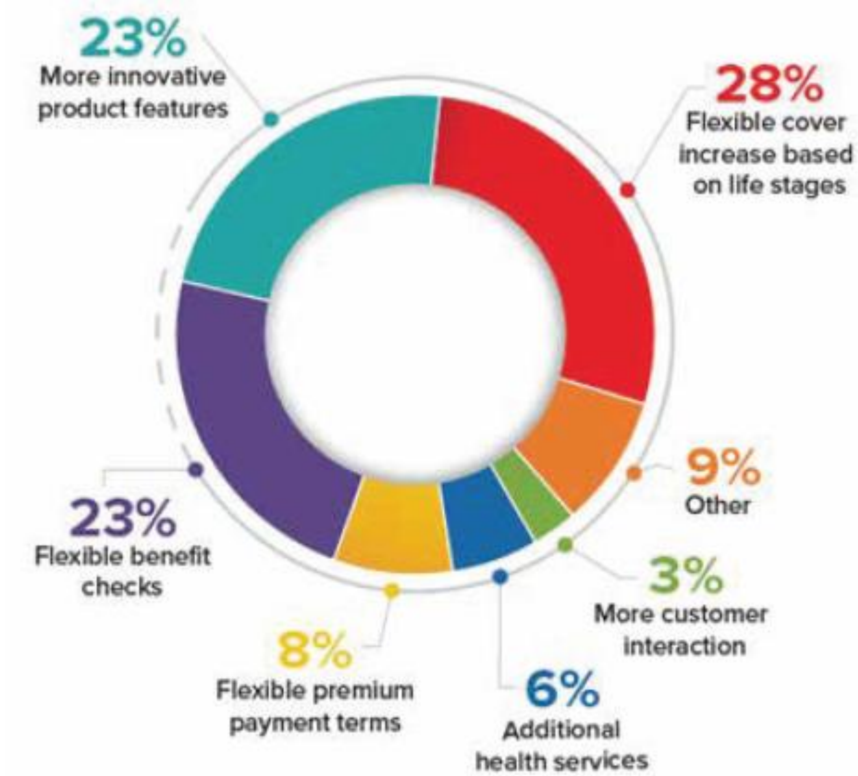
Insurance sees a higher pickup post unlock with customers showing a higher disposition towards the category

Majority of customers were more positive about the industry, driven by:

- 35% Realization of the importance of life and health insurance
- 34% Insurers' response to COVID-19 crisis
- 28% Increased awareness of personal needs and protection gaps

Digital modes of payment also continue with their increasing trend and are slated to grow further

Evolved expectation due to Covid-19[2]



Innovative and flexible product features remain the most important factors in prompting a purchase

Source:
1. BCG report, Aug'20, across Indian markets
2. RGare knowledge centre, Aug'20, across Asian markets

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	4
Safe investment option	6	7
Additional investment option	7	4
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 9th reason to buy Life Insurance, compared to 4th 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**

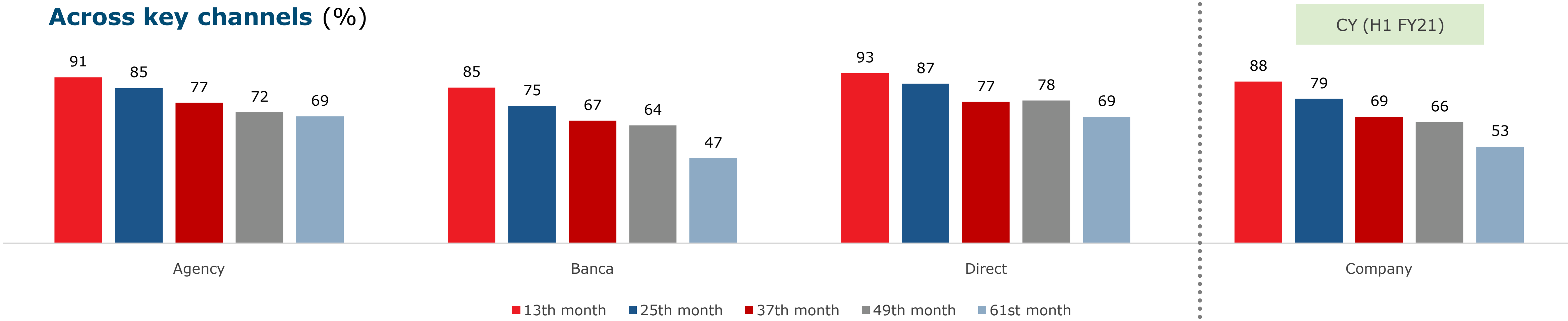
- There has been significant pickup in intention to buy **term products** in metros
- **Online mode** for premium collection shows an increasing trend across geographies

Source: Nielsen Syndicated U&A

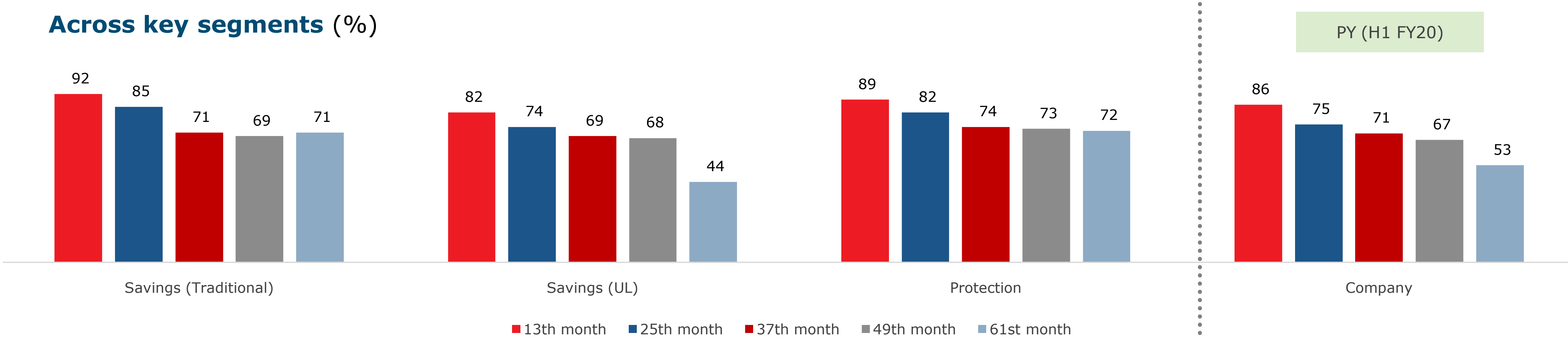
5 Annexures

Individual persistency for key channels and segments[1]

Across key channels (%)



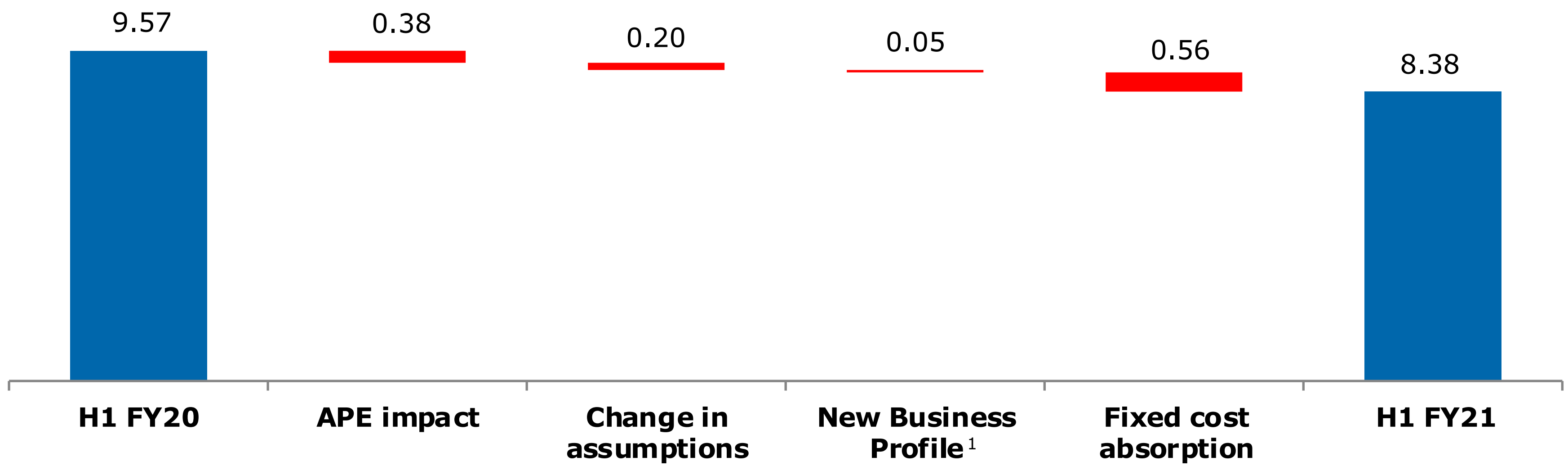
Across key segments (%)



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

VNB and NBM walkthrough

Rs Bn.



	H1 FY20	APE impact	Change in assumptions	New Business Profile[1]	Fixed cost absorption	H1 FY21
NBM%	27.5%	0.0%	-0.6%	-0.2%	-1.7%	25.1%

Actuarial

Financial

ESG

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

Analysis based on key metrics	Scenario	Change in VNB Margin [1]	% Change in EV
Change in			
Reference rate	Increase by 1%	-0.9%	-1.5%
	Decrease by 1%	0.2%	0.7%
Equity Market movement	Decrease by 10%	-0.1%	-1.3%
Persistency (Lapse rates)	Increase by 10%	-0.3%	-0.7%
	Decrease by 10%	0.2%	0.7%
Maintenance expenses	Increase by 10%	-0.6%	-0.8%
	Decrease by 10%	0.6%	0.8%
Acquisition Expenses	Increase by 10%	-2.9%	NA
	Decrease by 10%	2.9%	NA
Mortality / Morbidity	Increase by 5%	-0.7%	-0.8%
	Decrease by 5%	0.7%	0.8%
Tax rate[2]	Increased to 25%	-5.0%	-7.9%

1. Post overrun total VNB for Individual and Group business

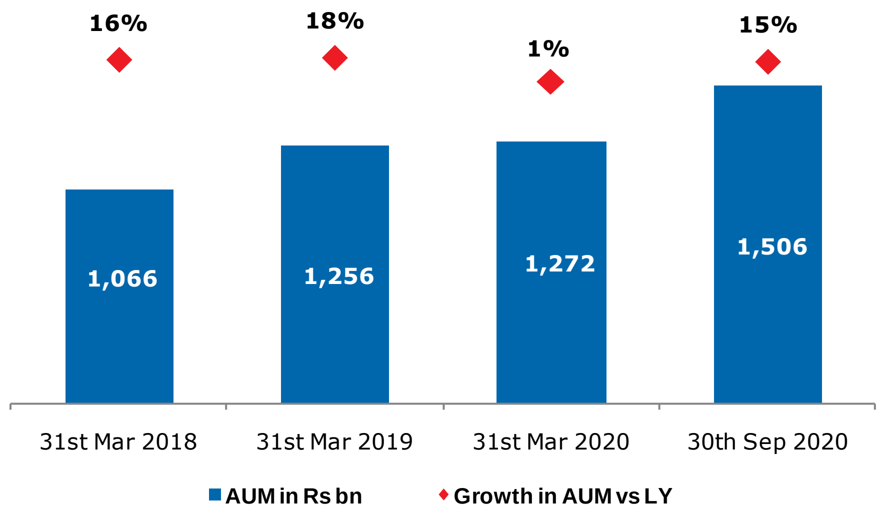
2. The tax rate is assumed to increase from 14.56% to 25% and hence all the currently taxed profits in policyholder/shareholder segments are taxed at a higher rate. It does not allow for the benefit of policyholder surplus being tax-exempt as was envisaged in the DTC Bill.

Actuarial | Financial | ESG

Assets under management

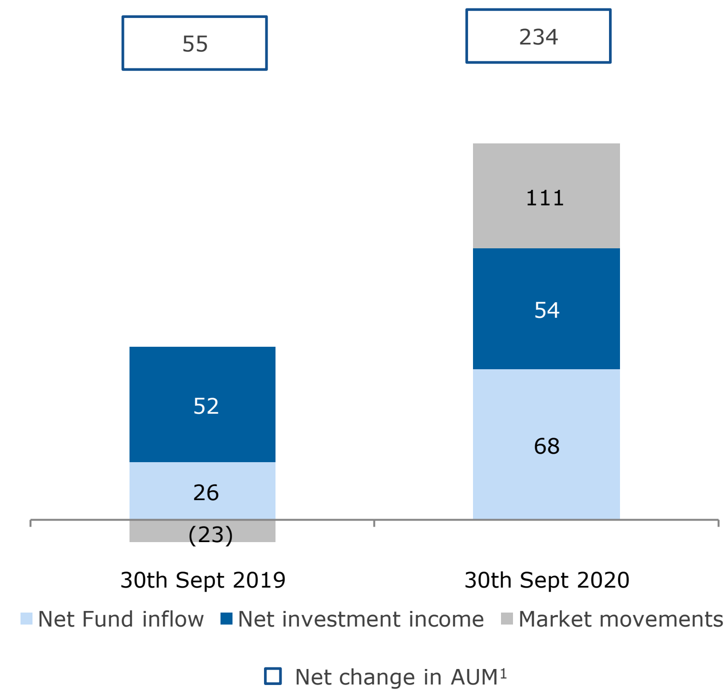
Assets Under Management

	31st Mar 2018	31st Mar 2019	31st Mar 2020	30th Sep 2020
Debt:Equity	61:39	62:38	71:29	67:33
UL:Traditional	54:46	50:50	43:57	43:57



Change in AUM [1]

Rs Bn.



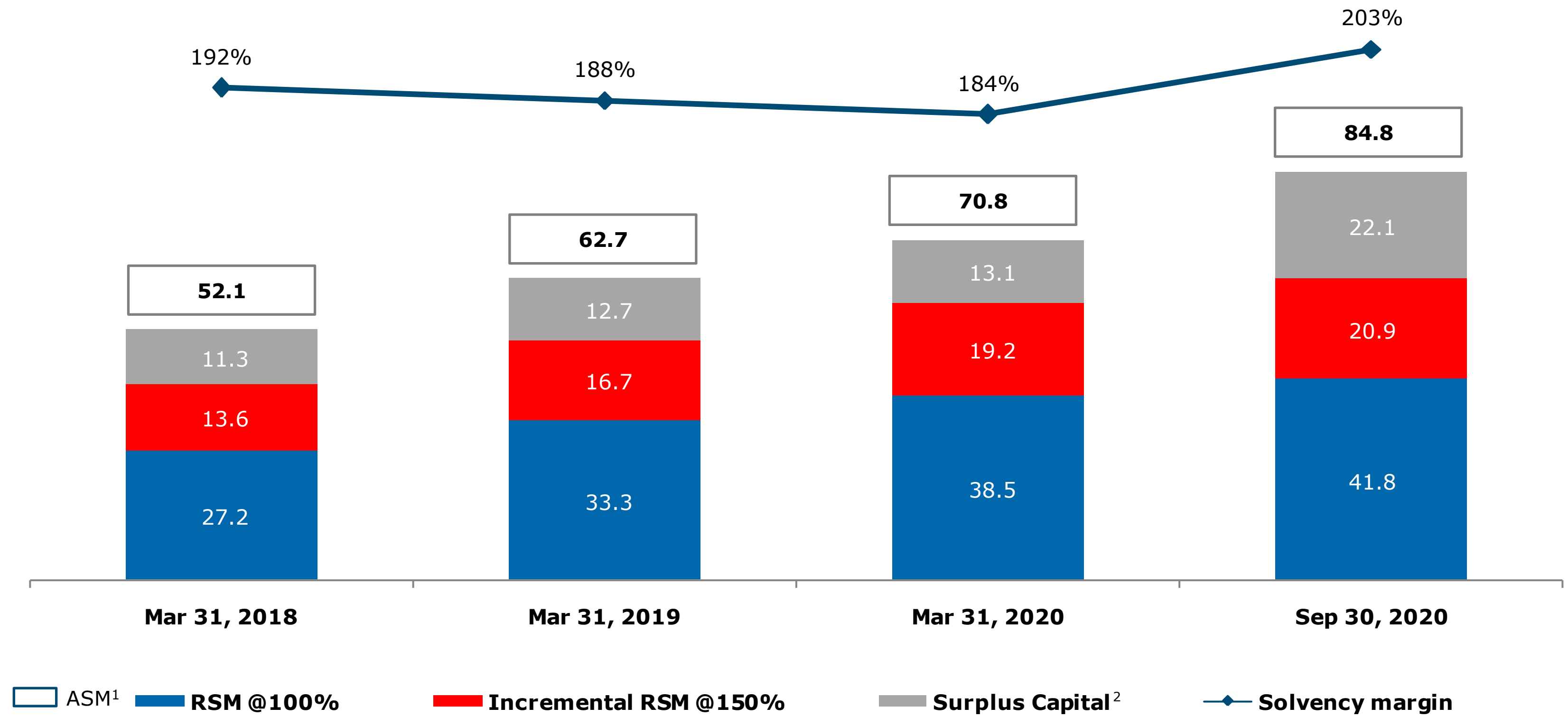
- Continue to rank amongst top 3 private players, in terms of assets under management [2]
- Over 97% of debt investments in Government bonds and AAA rated securities as on Sep 30, 2020

1. Calculated as difference from April to September
2. Based on Assets under Management as on Jun 30, 2020

Stable capital position

Rs Bn.

	Mar 31, 2018	Mar 31, 2019	Mar 31, 2020	Sep 30, 2020
Dividend paid	3.3	4.0	-	-
NB premium growth	32%	32%	15%	7%



- Sub-debt of Rs 6 bn has helped strengthen the solvency ratio, augmented by steady accretion to backbook

Actuarial
Financial
ESG

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

Governance - Promoting responsible behavior

Governance structure

- Corporate governance policy
- Board diversity policy
  - 30% women occupancy in the Board
  - Multiple nationalities and varied ethnicities
- Board evaluation and independence
  - Self-assessment of Board performance
  - 50% independent directors
  - Regulatory norm as per 'Fit and Proper'
  - Average Board experience is >30 yrs
- Board members are elected independently

Information / Cyber Security

- ISO 27001:2013 and ISMS assessment program;
  - Independent auditors and IRDAI auditors validated and certified the controls implemented
- Data Privacy Policy
  - Applicable to customers, employees and service providers
  - Any disciplinary action is in line with the malpractice matrix

Risk Management and BCM

- Risk management policy
- Risk oversight by Senior Management & Board of Directors, via Risk Management Council and Risk Management Committee respectively
- Enterprise risk management (ERM) framework
  - 'Three Lines of Defense approach'
  - Designed and approved by the Board
- Modes of Risk awareness
  - Trainings, Workshops, E-mailers, Seminars, Conferences, Quizzes and Special awareness Drives
- Sensitivity analysis and stress testing
- Business Continuity Management(BCM)
  - Creation of a recovery plan for critical business activities of a function or process

Compensation Framework

- Remuneration policy recommended by Nomination and Remuneration Committee
- Performance Management System based on the principles of balanced scorecard
- Detailed disclosure of managerial remuneration in the annual report

Compliances/ Policies

- Code of Conduct Policy
- Vigil Mechanism/ Whistle Blower Policy
- Prevention of sexual harassment to women at workplace policy
- Business Responsibility Reporting(BRR)
- Stewardship Code

Social initiatives - Culture of care and giving

Inclusive growth

- **Swabhimaan,** the Corporate Social Responsibility wing is aligned with the UN Sustainable Development Goals (SDGs) with focus on Education, Health, Environment, Livelihood & Disaster Relief
  - FY 2020-21: 20+ CSR projects
  - FY 2019-20: 22 CSR projects across 25 states and 3 UTs impacting >280K beneficiaries in India
- **Financial Inclusion**: Insured >40 million lives through microfinance institutions in FY20
- **COVID-19 Response**:
  - Contribution to PM Cares Fund
  - Medical supplies, nutritional meals for frontline healthcare workers
  - Distribution of Happiness Box consisting of immunity boosting supplements, hygiene support material and educational workbooks for underprivileged school children

Customer centricity

- Improve lives with products designed to suit the different life stage needs
- Focus on leveraging technology to simplify life insurance for customers through their journey across issuance, claims, servicing, or any other engagement
  - Artificial Intelligence (AI) for text and speech recognition;
  - Machine Learning (ML) to improve persistency;
  - Cognitive bots (software robots) for 24x7 customer service; and
  - Alternate data to enhance underwriting
- Grievance Redressal Policy
- Overachieved on Voice of Customers (VOC) study in FY20

HDFC Life

Social initiatives – Human Capital Development

Attracting talent

- Virtual hiring and on-boarding process without compromising on quality
- Robust employee referral schemes (>50% of the hiring through referrals)
- Flexi job program and flexi hours to promote WFH, attract gig workers
- Hire–train-deploy model through tie-up with reputed learning institutions

Employee engagement

- Online yoga, mindfulness / meditation sessions, fitness challenges (Walkathon, Fit by Bit)
- Emotional and mental well being assistance program for employees
- Engagement programs for employees and their families
- Carpool app as a green initiative to provide safe transport for employees dependent on public transport
- Strong Reward and Recognition framework

Talent management/retention

- Fast track growth path for special categories of employees - Management Trainees & Graduate Trainees, etc.
- Potential review and talent development interventions for leadership
- Robust, transparent and objective performance management system
- Career microsite, job portal to educate employees on career opportunities within the company
- Higher increments, bonuses for those exceeding expectations
- Long term incentive plans in the form of ESOPs and Cash to attract, retain and motivate good talent
- Elaborate succession planning for Key Managerial Personnel, critical senior roles

Focus on training and development

- Mandatory and optional learning programs for employees, contractors, channel partners
- Mobile learning app for self-paced learning
- Virtual training of employees during Covid
- Access to curated online training programs from reputed universities
- Career coaching and development interventions for high potential talent

Employee diversity

- Actively promoting diversity and inclusion
- 24% women employees (creche facility, maternity transition program)
- Promoting diverse talent pool (work profiles designed for second career women, freelancers, specially-abled)
- LGBTQ - friendly organisation

Environmental initiatives - Creating a better environment

Energy and Water

- Energy efficiency and water conservation initiatives
  - Use of 3/5 star rated appliances with regular maintenance
  - Use of LED based lighting system
  - Use of sensor based urinals and water taps

Digitization

- Reduction of Paper Usage
  - Online /e-forms for customers
  - Annual report FY'20 was digitally communicated to all stakeholders
  - Printers configured with default double side printing

Waste Management

- Segregation and proper disposal of waste - dry and wet
- No single-use plastics
  - Use of bio-degradable garbage bags
  - Cafeteria with reusable plates, cutlery, wooden stirrers etc
  - Conference / meetings rooms with glass bottles and cups
  - Employees encouraged to bring their own mugs/glass
- Compliant under the Hazardous and Other Wastes (Management and Tran-boundary Movement) Rules, 2016 and E-waste (Management), Rules, 2016

CSR initiatives

- Reducing operational footprint through CSR activities
  - 12 water ATMs installed in villages to provide clean drinking water
  - 10 city forest consisting of 13,574 trees across 22,900 sq.ft. created using Miyawaki method

Business Travel

- 40+ video conferencing rooms setup to reduce travel

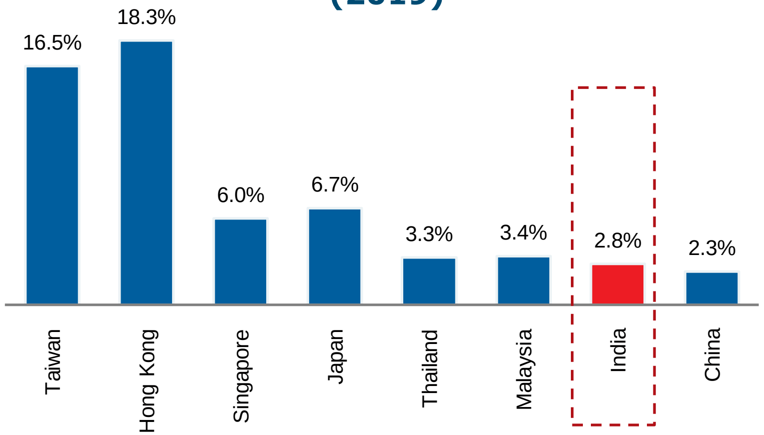
HDFC Life

Performance Snapshot
Our Strategy
Managing Covid-19
Customer Insights
Annexures
India Life Insurance

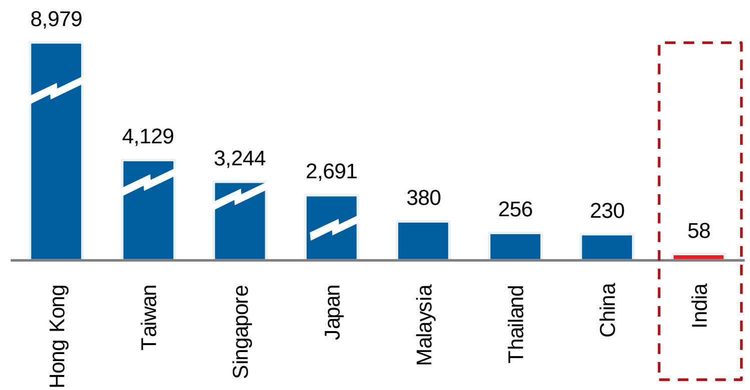
6 India Life Insurance

Growth opportunity: Under-penetration and favourable demographics

Life Insurance penetration [1] (2019)

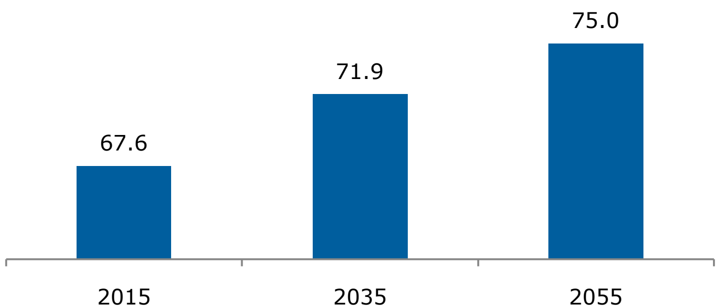


Life Insurance density US$ [2] (2019)

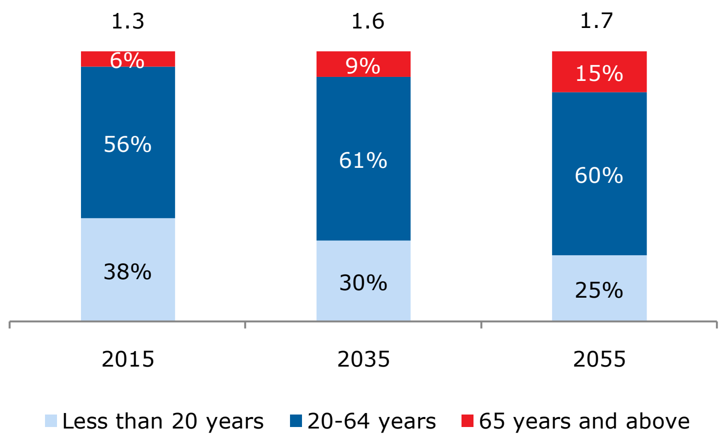


- India remains vastly under-insured, both in terms of penetration and density
- Huge opportunity to penetrate the underserviced segments, with evolution of the life insurance distribution model

Life expectancy (Years)



Population composition (Bn.)



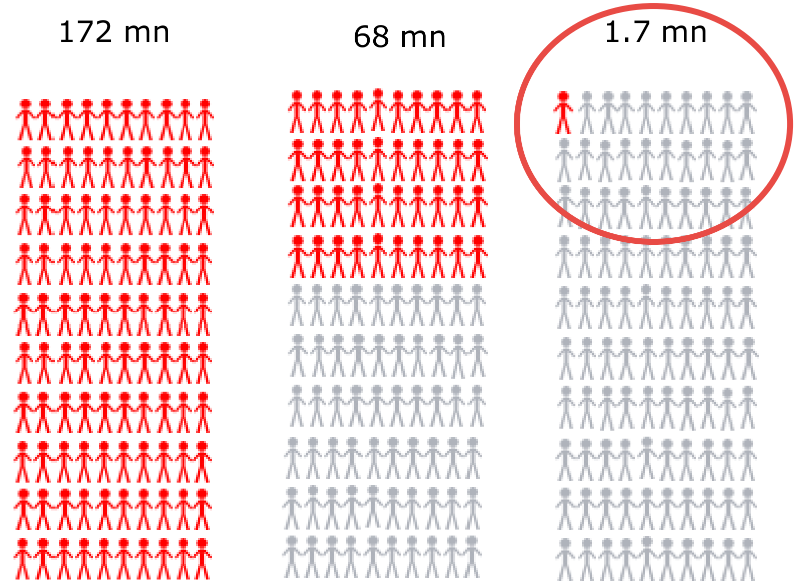
- India's insurable population is expected to touch 750 million by 2020
- India's elderly population is expected to double by 2035 (as compared to 2015)
- Emergence of nuclear families and advancement in healthcare facilities lead to increase in life expectancy thus facilitating need for pension and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

Source: Swiss Re (Based on respective financial year of the countries), MOSPI, United Nations World Populations Prospects Report (2017)

Low levels of penetration – Life protection



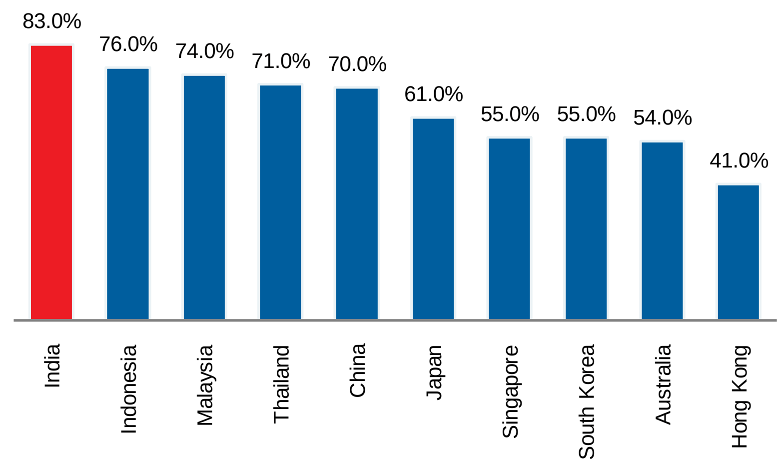
Urban Working Population

Addressable Market (excl blue collared)

Annual Policy Sales

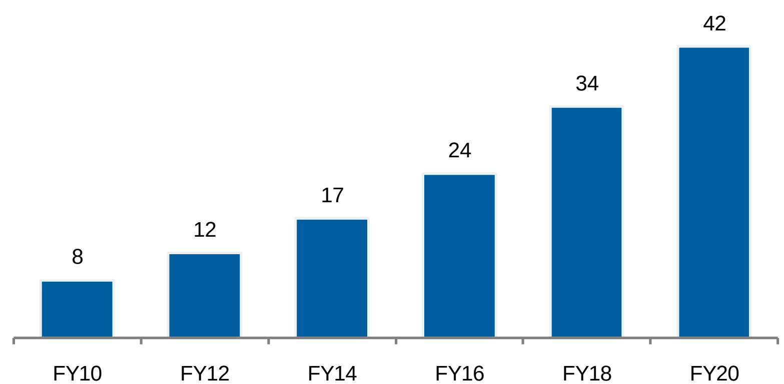
- Only 1 out of 40 people (2.5%) who can afford it is buying a policy every year 1
- Even within the current set, Sum Assured as a multiple of Income is <1x

Protection gap [2] (2019)



- 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 growth rate is predicted to grow at 4% per annum

Trend of retail loans [3] (Rs Tn.)



- Retail credit has grown at a CAGR of 18% over last 10 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

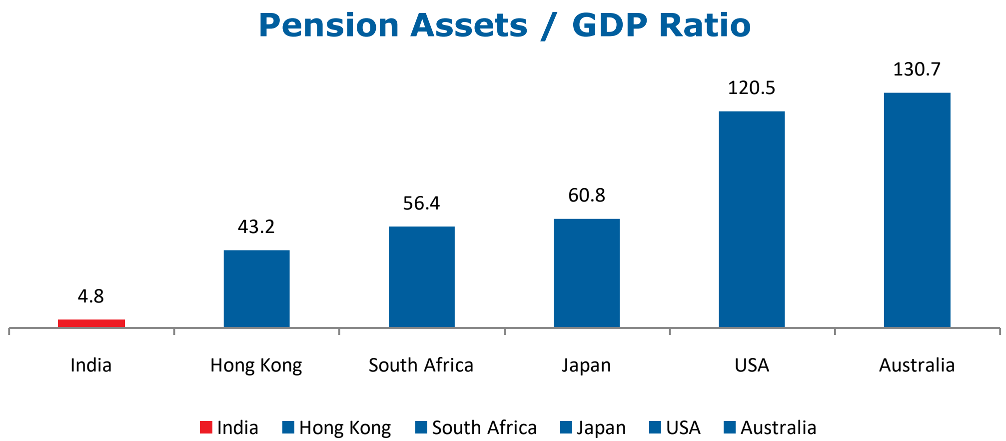
1. Goldman Sachs Report, March 2019

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

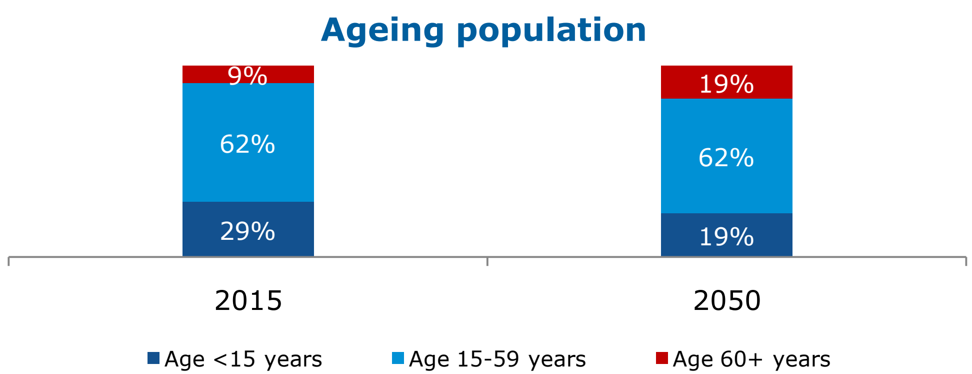
3. Kotak institutional equities

Macro opportunity – Retiral solutions

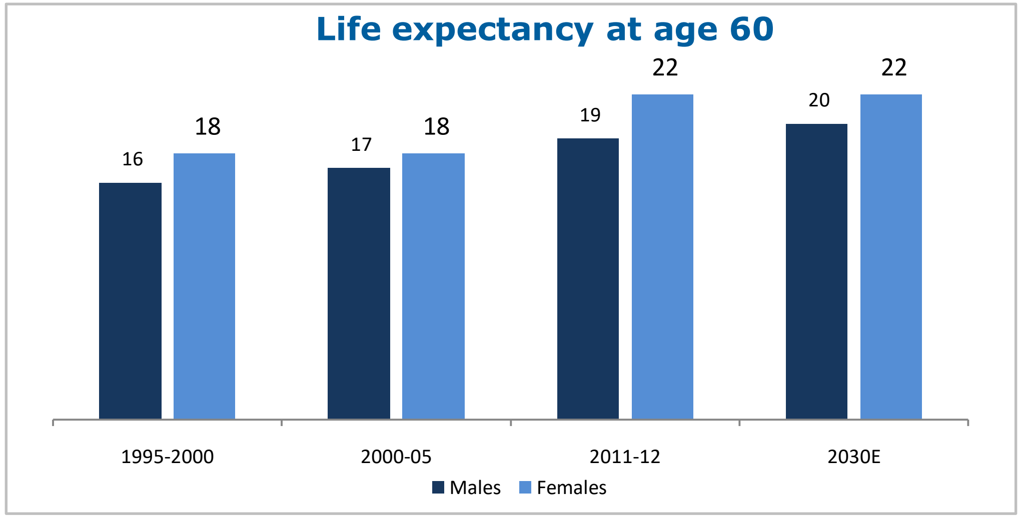
India's pension market is under-penetrated at 4.8% of GDP



60+ population is expected to almost triple by 2050



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



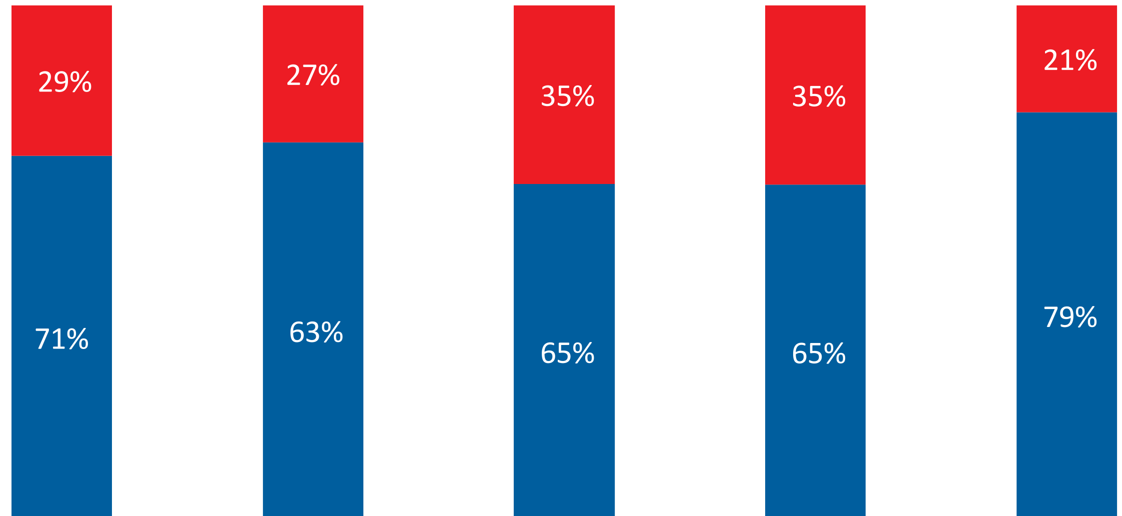
- Average household size has decreased from 4.6 in 2001 to 3.9 in 2018
- Total Pension AUM is expected to grow to Rs 47 Tn by 2025 (more than 1/3rd accounted for by NPS)
- Mandatory schemes to increase coverage for both unorganized and organized sectors

Source: Milliman Asia Retirement Report 2017; Survey by NSSO, Ministry of statistics and Programme implementation Crisil PFRDA, Census of India, UN Population Estimates

Government bond auctions

Government Bonds – Tenorwise Issuance

Rs Cr

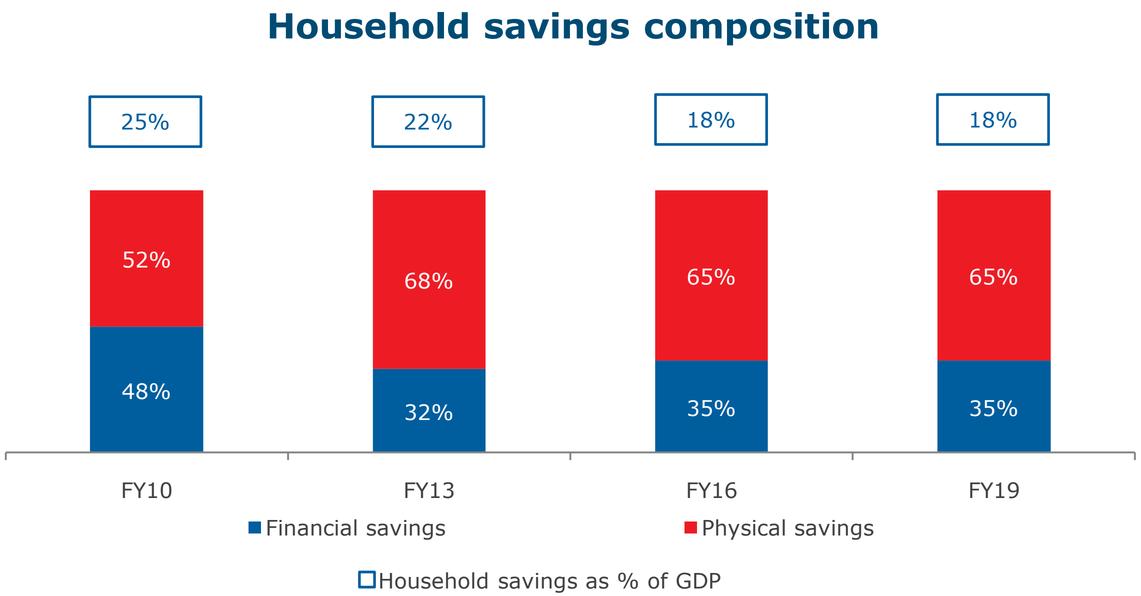


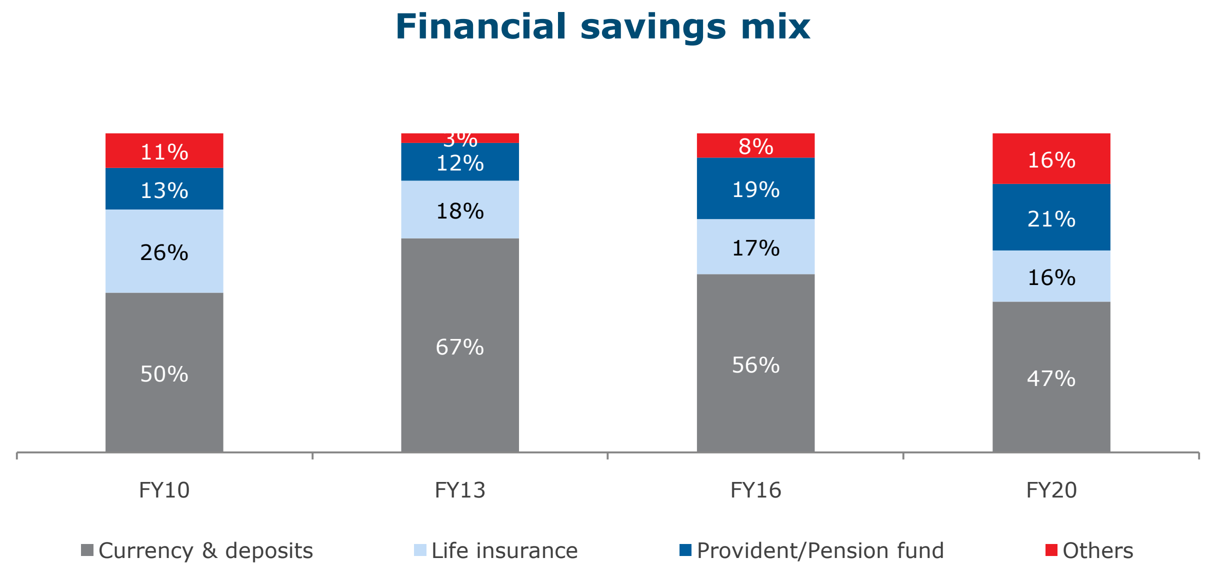
	FY17	FY18	FY19	FY20	H1FY21
>15yrs	1,54,520	1,80,529	2,04,000	2,38,000	1,38,000
<=15yrs	3,73,525	4,97,579	3,82,941	4,44,000	5,26,000
Total	5,28,045	6,78,109	5,86,941	6,82,000	6,64,000

- Auction of >15 year maturity bonds has been ~25-30% on an average facilitates writing annuity business at scale
- Budget estimate plan for government borrowing for FY21 at Rs. 12 trillion on gross basis
- The actual borrowing till H1 is 55% of the budget

Source: CCIL & National Statistics Office, Union Budget, RBI

Life Insurance: A preferred savings instrument

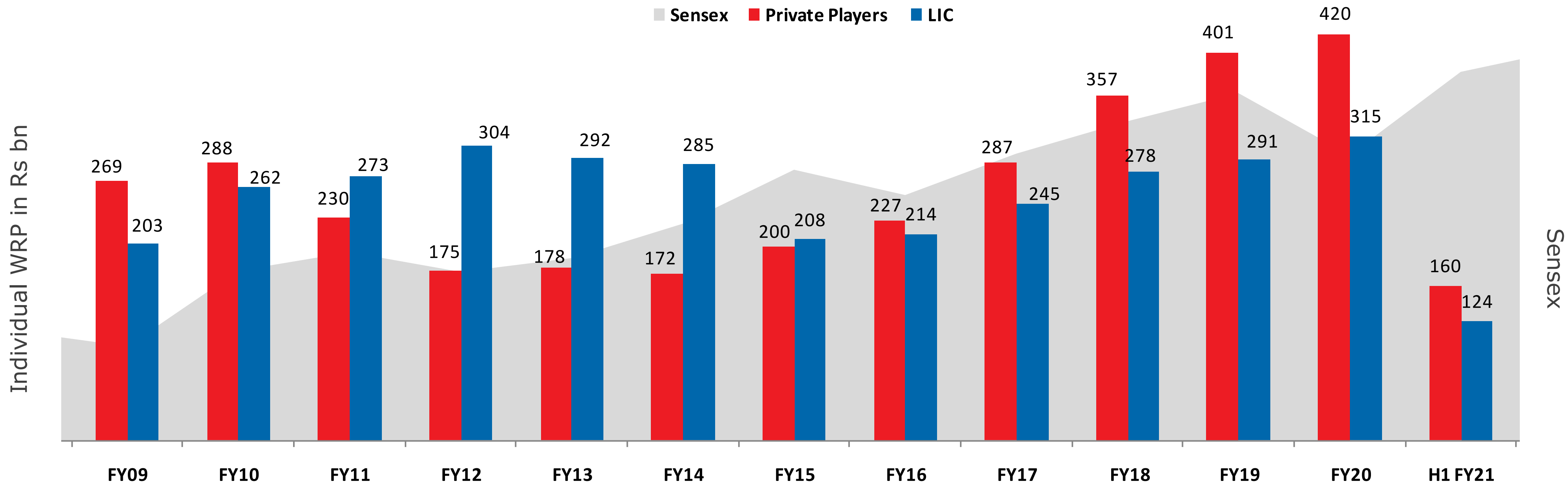




- Increasing preference towards financial savings with increasing financial literacy within the population
- Various government initiatives to promote financial inclusion:
  - Implementation of JAM trinity
  - Launch of affordable PMJJBY and PMSBY social insurance schemes
  - Atal Pension Yojana promoting pension in unorganized sector

Source: DBIE-RBI Statistics, RBI Annual Report, Economic Survey, CSO, www.pmjdy.gov.in

Industry new business[1] trends



		FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	H1 FY21
Private players Market share		57%	52%	46%	37%	38%	38%	49%	52%	54%	56%	58%	57%	56%
Growth %	**Private**	*1%*	*7%*	*-20%*	*-24%*	*2%*	*-3%*	*16%*	*14%*	*26%*	*24%*	*12%*	*5%*	*-11%*
	LIC	*-22%*	*29%*	*4%*	*11%*	*-4%*	*-2%*	*-27%*	*3%*	*15%*	*13%*	*5%*	*8%*	*-2%*
	Overall	*-10%*	*17%*	*-9%*	*-5%*	*-2%*	*-3%*	*-11%*	*8%*	*21%*	*19%*	*9%*	*6%*	*-7%*

- 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 gain market share

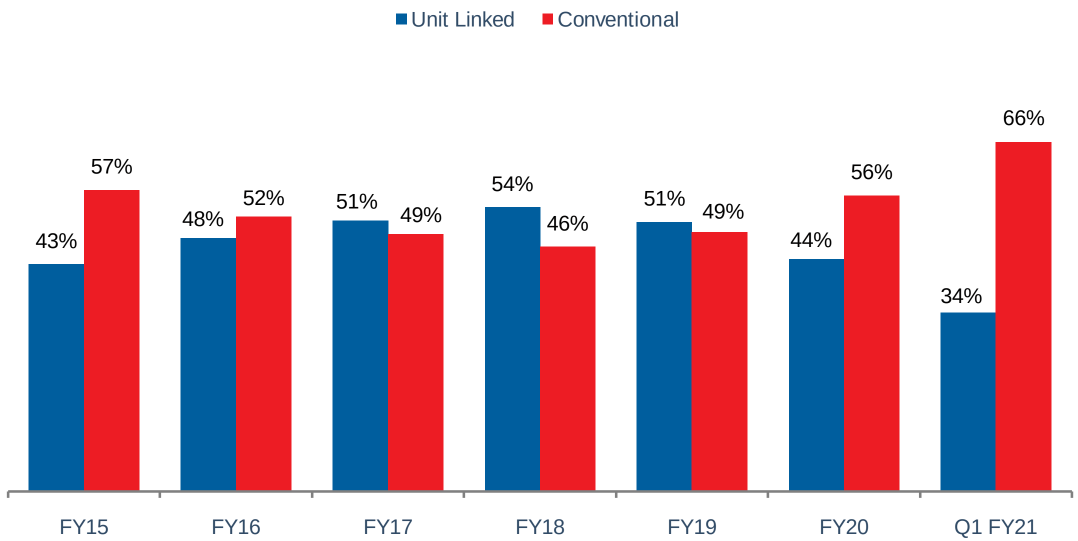
1.Basis Individual Weighted Received Premium (WRP)

Source: IRDAI and Life Insurance Council

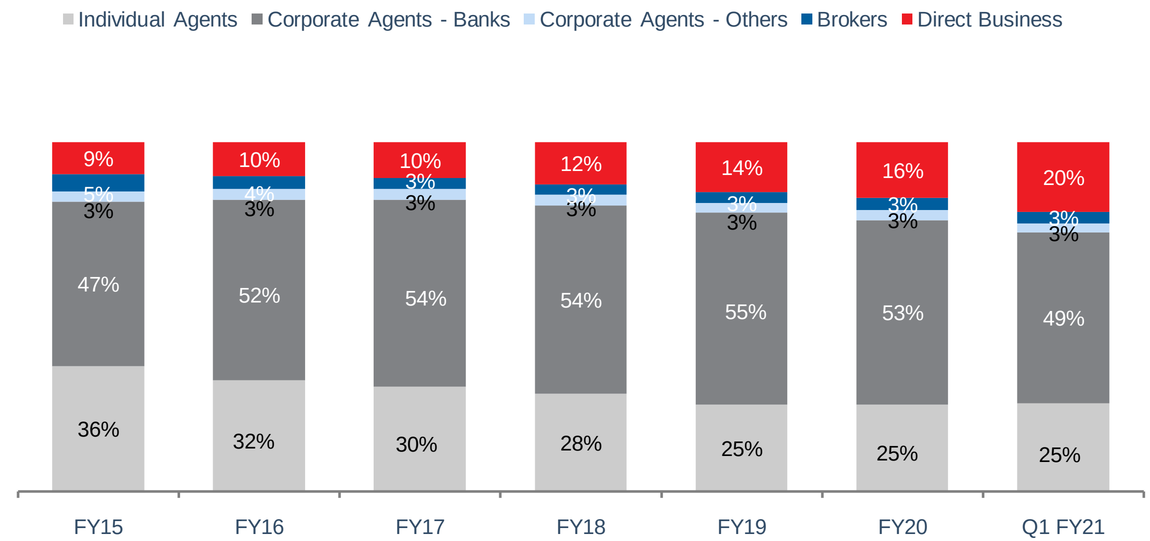
HDFC Life

Private industry: Product and distribution mix

Product mix [1]



Distribution mix [2]



- Product mix has recently moved towards conventional business for the private players due to volatile markets
- Increasing thrust on protection business by top players has helped improve the new business margins
- Banca sourced business continues to dominate the channel mix on the back of increasing reach of banks along with increase in share of direct channel, while share of Agency has been constant in the last few years

1. Basis Overall WRP (Individual and Group);

2. Basis Individual New business premia for all private players

Source: IRDAI and Life Insurance Council

Appendix

Financial and operational snapshot (1/2)

Rs Bn.

	H1 FY21	H1 FY20	Growth	FY20	FY19	FY18	CAGR
New Business Premium (Indl. + Group)	*85.0*	79.1	*7%*	*172.4*	*149.7*	*113.5*	*23%*
Renewal Premium (Indl. +Group)	*75.5*	61.8	*22%*	*154.7*	*142.1*	*122.1*	13%
Total Premium	160.5	140.9	14%	327.1	291.9	235.6	*18%*
Individual APE	28.3	28.7	-1%	61.4	52.0	48.9	12%
Overall APE	33.3	34.7	-4%	74.1	62.6	55.3	16%
Group Premium (NB)	42.9	40.2	7%	87.8	73.3	54.1	27%
Profit after Tax	7.8	7.3	6%	13.0	12.8	11.1	8%
- Policyholder Surplus	*5.6*	5.5	1%	*10.9*	*9.0*	*8.5*	*13%*
- Shareholder Surplus	*2.2*	1.8	20%	*2.1*	*3.8*	*2.6*	*-11%*
Dividend Paid (1)	-	-	NA	-	4.0	3.3	NA
Assets Under Management	1,506.2	1,310.1	15%	1,272.3	1,255.5	1,066.0	9%
Indian Embedded Value	233.3	201.2	16%	206.5	183.0	152.2	16%
Net Worth (2)	77.9	64.0	22%	69.9	56.6	47.2	22%
NB (Individual and Group segment) lives insured (Mn.)	10.2	28.7	-64%	61.3	51.4	33.2	36%
No. of Individual Policies (NB) sold (In 000s)	444.2	420.4	6%	896.3	995.0	1,049.6	-7%

1. Including dividend distribution tax (DDT)
2. Comprises share capital, share premium and accumulated profits/(losses)

Financial and operational snapshot (2/2)

		H1 FY21	H1 FY20	FY20	FY19	FY18
Overall New Business Margins (post overrun)		25.1%	27.5%	25.9%	24.6%	23.2%
Operating Return on EV	(1)	17.6%	19.6%	18.1%	20.1%	21.5%
Operating Expenses / Total Premium		11.1%	14.0%	13.1%	13.1%	13.5%
Total Expenses (OpEx + Commission) / Total Premium		15.2%	19.0%	17.7%	17.0%	18.0%
Return on Equity	(2)	21.0%	24.3%	20.5%	24.6%	26.0%
Solvency Ratio		203%	192%	184%	188%	192%
Persistency (13M / 61M)	(3)	88%/53%	86%/53%	88%/54%	84%/51%	83%/50%
Market Share (%)						
- Individual WRP		17.5%	15.2%	14.2%	12.5%	13.3%
- Group New Business		27.4%	28.9%	29.0%	28.4%	28.5%
- Total New Business		23.3%	22.4%	21.5%	20.7%	19.1%
Business Mix (%)						
- Product (UL/Non par savings/Non par protection/Par)	(4)	23/35/9/33	26/58/6/9	28/45/8/19	55/20/7/18	57/9/5/28
- Indl Distribution (CA/Agency/Broker/Direct)	(4)	60/13/6/21	54/15/10/21	55/14/9/22	64/13/4/19	71/11/5/14
- Total Distribution (CA/Agency/Broker/Direct/Group)	(5)	23/6/2/18/51	23/7/3/16/51	23/7/3/17/51	26/7/2/16/49	33/7/2/10/48
- Share of protection business (Basis Indl APE)		8.5%	6.1%	7.6%	6.7%	5.1%
- Share of protection business (Basis Overall APE)		12.1%	16.7%	17.2%	16.7%	11.3%
- Share of protection business (Basis NBP)		14.1%	27.9%	27.6%	27.0%	25.9%

1. During FY18, there was a one time positive operating assumption change of 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

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Revenue and Profit & Loss A/c

Rs Bn.

Revenue A/c

	H1 FY21	H1 FY20
Premium earned	160.5	140.9
Reinsurance ceded	(2.8)	(1.9)
Income from Investments	150.7	31.9
Other Income	0.7	0.6
Transfer from Shareholders' Account	0.1	0.2
Total Income	**309.1**	**171.7**
Commissions	6.7	7.0
Expenses	17.7	19.6
GST on UL charges	1.7	1.7
Provision for taxation	0.5	(0.2
Provision for diminution in value of investments	(0.5)	1.4
Benefits paid	72.5	75.0
Change in valuation reserve	203.8	57.6
Bonuses Paid	2.9	3.6
Total Outgoings	**305.2**	**165.9**
Surplus	**3.9**	**5.9**
Transfer to Shareholders' Account	5.7	5.7
Funds for future appropriation - Par	(1.7)	0.2
Total Appropriations	**3.9**	**5.9**

Profit and Loss A/c

	H1 FY21	H1 FY20
Income		
Interest and dividend income	2.0	1.7
Net profit/(loss) on sale	0.3	0.7
Transfer from Policyholders' Account	5.6	5.7
Other Income	0.0	0.0
Total	**8.0**	**8.1**
Outgoings		
Transfer to Policyholders' Account	0.1	0.2
Expenses	0.1	0.1
Interest on Non-convertible debenture	0.1	-
Provision for diminution in value of investments	(0.1)	0.2
Provision for Taxation	0.0	0.3
Total	**0.2**	**0.8**
Profit for the year	**7.8**	**7.3**

Balance sheet

Rs Bn.

	Sep 30, 2020	Sep 30, 2019	Mar 31, 2020
Shareholders' funds			
Share capital (including Share premium)	24.4	23.9	24.2
Accumulated profits	53.5	40.1	45.7
Fair value change	0.4	(0.4)	(1.9)
Sub total	**78.2**	**63.6**	**68.0**
Borrowings	**6.0**	**-**	**-**
Policyholders' funds			
Fair value change	11.2	8.0	0.5
Policy Liabilities	745.8	597.1	652.7
Provision for Linked Liabilities	615.6	597.5	508.4
Funds for discontinued policies	36.9	33.2	33.4
Sub total	**1,409.5**	**1,235.8**	**1,195.0**
Funds for future appropriation (Par)	7.1	11.2	8.8
Total Source of funds	**1500.9**	**1,310.5**	**1,271.9**
Shareholders' investment	74.4	53.0	58.6
Policyholders' investments: Non-linked	779.3	626.4	671.9
Policyholders' investments: Linked	652.5	630.6	541.8
Loans	3.2	1.9	3.0
Fixed assets	3.3	3.4	3.3
Net current assets	(11.9)	(4.9)	(6.7)
Total Application of funds	**1500.9**	**1,310.5**	**1,271.9**

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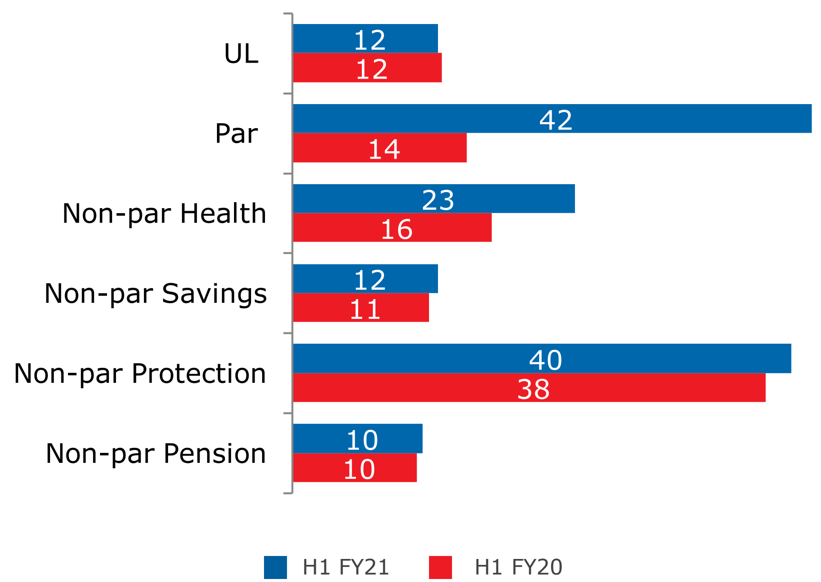
Segment wise average term and age[1]

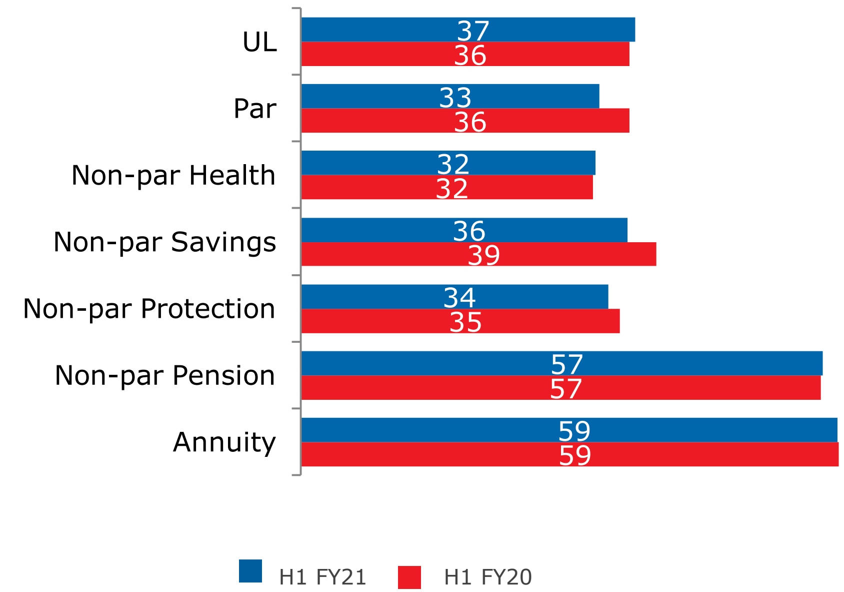
Average Policy Term excluding annuity (Yrs)

H1 FY21: 25.2 (H1 FY20: 15.7)



Average Customer Age excluding annuity (Yrs)

H1 FY21: 35.7 (H1 FY20: 37.6)



- 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

1. Basis individual new business policies (excluding annuity)

Summary of Milliman report on our ALM approach[1]

Scope of review	Portfolios reviewed
• Assess appropriateness of ALM strategy to manage interest rate risk in non-par savings business • Review sensitivity of value of assets and liabilities to changes in assumptions	▪ Portfolio 1: Savings and Protection – All non-single premium non-par savings contracts and group protection products ▪ Portfolio 2: All immediate and deferred annuities

Description	Stress scenarios tested	Net asset liability position
Interest rate scenarios	Parallel shifts/ shape changes in yield curve within +- 150 bps of March 31st 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) basis FY20 disclosures

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[1]

Years	Forward rates %		Spot rates %	
	As at Sep 30, 2020	As at Sep 30, 2019	As at Sep 30, 2020	As at Sep 30, 2019
1	3.90	5.67	3.83	5.51
2	5.12	6.14	4.41	5.74
3	6.01	6.58	4.89	5.95
4	6.65	6.94	5.28	6.14
5	7.09	7.25	5.59	6.31
10	7.67	7.90	6.45	6.88
15	7.37	7.85	6.71	7.12
20	7.05	7.68	6.77	7.21
25	6.84	7.55	6.75	7.23
30+	6.72	7.48	6.72	7.23

1. Forward rates are annualised and Spot rates are continuous

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Glossary (Part 1)

- **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 2021, the first instalment would fall into first year premiums for 2020-21 and the remaining 11 instalments in the first year would be first year premiums in 2021-22
- **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)

- **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

HDFC Life

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