

October 22, 2021

Ref. No.: HDFC Life/CA/2021-22/53

Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Plot No C/1, Block G,
Bandra-Kurla Complex,
Bandra (East),
Mumbai- 400 051

NSE Symbol: HDFCLIFE

Listing Department
BSE Limited
Sir PJ Towers,
Dalal Street,
Fort,
Mumbai – 400 001

BSE Security Code: 540777

Dear Sir/ Madam,

Subject: Impact of the Covid-19 pandemic on the business of the Company – Q2 FY22 update

Pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated May 20, 2020, please find enclosed herewith a note on the impact of the Covid-19 pandemic on the business of the Company for the quarter ended and half – year ended September 30, 2021

This is for your information and appropriate dissemination.

Thanking you,

For HDFC Life Insurance Company Limited

Narendra Gangan
General Counsel, Chief Compliance Officer &
Company Secretary

Encl.: As above

Note on Impact of COVID-19 (H1 FY22 update)

(Pursuant to SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated May 20, 2020)

1) Impact of the COVID-19 pandemic on the business

With the vaccination program going well, approximately 70% of the adult population has received at least one jab, and we are hopeful that the intensity of any subsequent covid wave will be muted. In addition, the recent macroeconomic data augurs well for the economy and is indicative of swifter recovery trends. Consumer sentiment remains buoyant and we are optimistic about sustained increase in business in the coming few months.

Our business performance delivered a strong growth of 22% resulting in a private market share of 16.2% in terms of Individual WRP in H1FY22. On a 2 year CAGR basis, our growth was 12% compared to industry growth of 5%.

The second wave of covid has largely receded. We settled around 2,00,000 claims in H1. Gross and net claims amounted to Rs 3,640 crore and Rs 2,466 crore respectively. While individual claims tapered off, group claim intimations were high in Q2 FY22 - both on expected lines. The overall experience has been well within our projections.

Our existing suite of digital assets, detailed in our investor presentation, is available across channels, partners and employees. This has enabled us to continue providing a seamless experience to our customers, both for servicing existing policies and buying new policies.

2) Ability to maintain operations including the factories/units/office spaces functioning and closed down

Our digital footprint allows us to service our customers remotely. Regular branch operations sustained during the course of the year across the country. Measures are in place to track employee, partner and customer safety.

3) Schedule, if any, for restarting the operations

We will continue to follow guidelines issued by the Government and regulatory authorities regarding operations at our physical locations. In the meanwhile, all our operations are functional within the current local guidelines and we continue to provide end to end digital servicing to all our customers.

4) Steps taken to ensure smooth functioning of operations

As indicated earlier, we have adopted a multi-dimensional approach to manage the smooth functioning of operations in the current scenario. Accelerated digital selling and servicing, effective employee engagement, cost control measures and a responsive strategy remain the key elements of our approach.

Digitization is the backbone of our consistent performance and we continue to invest in technology, with a view to simplify the buying journey and servicing experience for customers whilst creating new product propositions. We have seen increasing trends in online payments by customers whereby about 96% of the policies are being renewed digitally accounting for 87% of renewal premiums. We have elaborated upon our digital approach in our investor deck.

5) Estimation of the future impact of COVID-19 on its operations

As outlined earlier, our approach has enabled us to minimize the impact of the pandemic on our business operations.

6) Details of impact of COVID-19 on listed entity's (capital and financial resources, profitability, liquidity position, ability to service debt and other financing arrangements, assets, internal financial reporting and controls, supply chains and demand for its products/services)

The company has carried out assessment of COVID-19 impact on its financial position as at September 30, 2021, relating to profitability, investments, policy liability and solvency.

- a. New business margin expanded by 130 bps to 26.4% for H1 FY22, vs 25.1% in H1 FY21. Value of New Business stands at Rs 1,086 crore, an increase of 30% over last year. The sustained increase in VNB has been driven by growth across channels and a balanced product portfolio. The operating return on EV, before and after factoring EMR was 18.4% and 16.1%, against 17.6% in H1 FY21. Solvency remains healthy at 190%. Our Profit after Tax was Rs. 577 crore for H1 (26% lower than H1 FY21), on the back of higher claims reserving warranted by the second wave of the pandemic.
- b. The overall claims experience has been well within our projections. Excess mortality reserve (EMR) of Rs 700 crore as on Jun 30, 2021 has been sufficient to cover claims received to date. Further, we have created an additional EMR of Rs 60 crore in Q2. With this, we carry unutilised reserves of around Rs 204 crore into H2. We continue to remain watchful and are monitoring claims trends as well as adequacy of reserves at regular intervals. The strength of our balance sheet and back book surplus has enabled us to absorb the shock of heightened claims, whilst continuing to deliver growth.
- c. The Company has assessed the investment position as at September 30, 2021 and made adequate impairment provisions to the extent necessary.
- d. The Company has assessed its solvency position as at September 30, 2021. Our solvency position remains healthy at 190% against statutory minimum requirement of 150%.

While the situation, including the government and public response to the challenges, continue to progress and evolve rapidly, the Company will continue to closely monitor any material changes in future economic conditions.

7) Existing contracts/agreements where non-fulfilment of the obligations by any party will have significant impact on the listed entity's business

Other than policyholders: There has been no material impact on business due to non-fulfilment of any obligations by any party to existing contracts/ agreements. Further, at this juncture, the company does not anticipate any material impact on the business of the company due to this factor.

Policyholder related: Overall persistency for existing policies have been improving and have been disclosed in our latest investor presentation (H1 FY22). We continue to track the same and any material updates will be disclosed appropriately.

The management will attempt to take all steps in its control to monitor the situation and mitigate any potential impact on its business as may be needed.

8) Other relevant material updates about the listed entity's business

All relevant updates about the same can be found in our latest investor presentation (H1 FY22), our FY21 Annual and Integrated Reports uploaded on our website. The Company will keep all its stakeholders, including its shareholders, updated on any material updates pertaining to the impact of COVID-19 on our business operations.