

# A young country, getting older...

## Opportunity in the retirement space in India

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Most people have a “we’ll see when we get there” approach to retirement



# India, set to cash-in on the 'demographic dividend' in the coming decades, also has a rapidly increasing population aged over 60 years



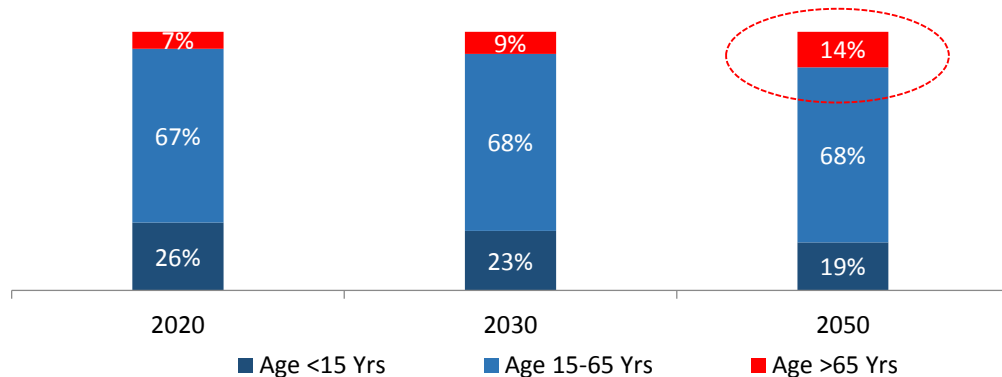
India's median population to increase from ~28 yrs in 2020 to ~38 yrs by 2050

By 2050, **1 in 7 people** over the age of 60 will live in India, compared to **1 in 8 people** in 2020; bringing the future market to **300 million** people

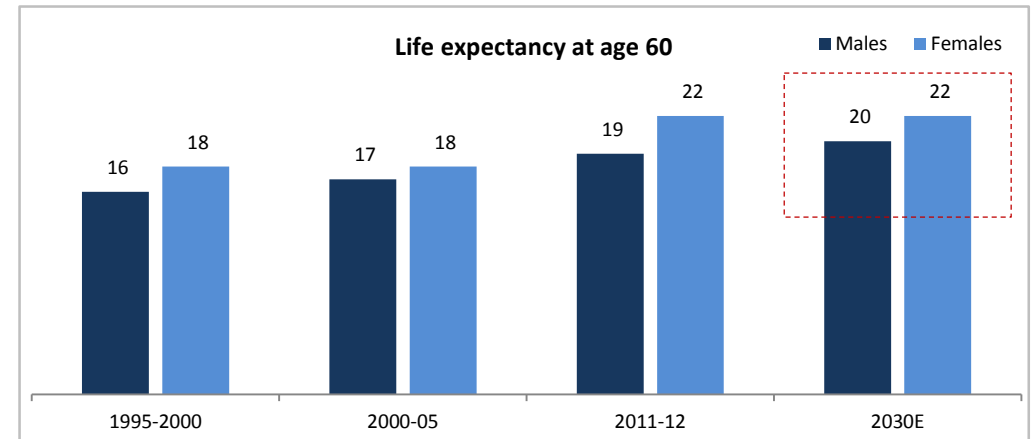
**Over 40%** of elderly people (60+) are working to meet their retirement needs

By 2050, share of the Indian sexagenarian population will grow by ~2x

Ageing population



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



# Changes in our societal structures, low levels of retirement readiness are leading to a significant retirement savings gap



Slow growth in financial literacy rate  
**27%** in 2019 vs. **20%** in 2013



**83%** of unorganized workforce  
not under any formal pension  
scheme

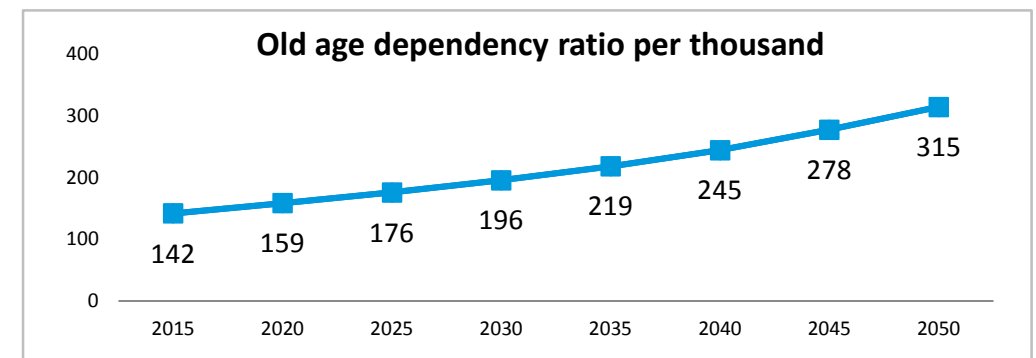


**52%** of elderly population fully  
dependent on others

Traditional support structures of joint families have been consistently declining while the old age dependency ratio is on the rise

## Decreasing average household size

1981	1991	2001	2011	2018E
5.5	5.1	4.6	4.2	3.9



# India isn't alone...the heat of the pension crisis can be felt worldwide and the gap continues to widen


*"Private sector pensions also need to be simplified and made less complex. People need to be able to understand them and know their money is going to be properly looked after. As the state pension will only help people avoid poverty..."*

- The Irish Times

**Pensions time bomb waiting to go off unless we take action now**

Predicted crisis relates to the sharp increase in elderly population over the coming years

Mon, Feb 15, 2021, 05:55 Updated: Mon, Feb 15, 2021, 06:51



**STRESS FACTORS**

**QUICK EDIT**  
**The RBI curse**

**FINANCIAL**

**Top Investments Over the Years**

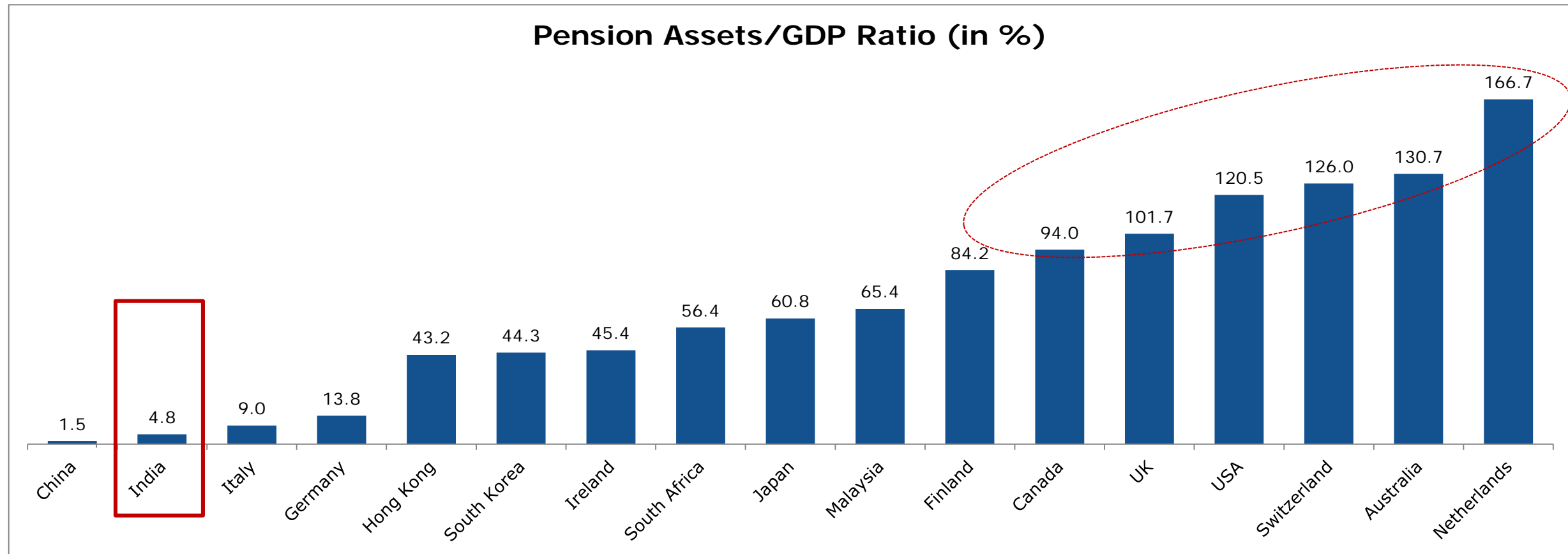
Company	Sector	Amount (\$M)	Investors
BikeDesk	Online Services (B2B Payment)	100	General Atlantic, Tenetco
Bankbazaar	Online Services (Consumer Loans)	65	Light Road Ventures, Sequoia Capital India, Matrix Partners, Mucata Partners, Amazon
Finacle Software & Systems	IT Services (Banking)	57	PragatiInvest
Policybazaar	Online Services (Marketplace- Personal Finance - Insurance)	48	Nagar Global, PimpriInvest, Standard, Hubot Capital
Eda Software Solutions	Enterprise Software (Financial Connectivity Trading)	45	Neon Venture Partners, Silver Lake, Others
BikeDesk	Online Services (B2B Payment)	29	TA Associates
Electronic Payment and Services	IT Services (Banking - ATM Outsourcing, Payments Technology)	25	Apex Partners
Civica Payment Solutions	Online Services (Payment Gateway)	25	Sequoia Capital India, Accel Capital, Matrix Partners, Others
Mobiik Technologies	Mobile-VAS (Payment)	25	Matrix Partners India, Falcon Edge Capital, Others
Mobilink	Mobile-VAS (Payment - Mobile wallet)	25	Accel, Sequoia Capital India, Silver Lake Asia Master Fund, Others

Opinion | The pension dilemma: retirement planning in the modern era  
•3 min read .  
• Updated: 15 Jan 2021, 11:18 AM IST  
•Margaret Franklin

*"The Mercer CFA Institute Pension Index ranked India's pension system in the lower third of the systems reviewed in the report, underscoring the need for individuals to take more of a role in their own retirement planning."*

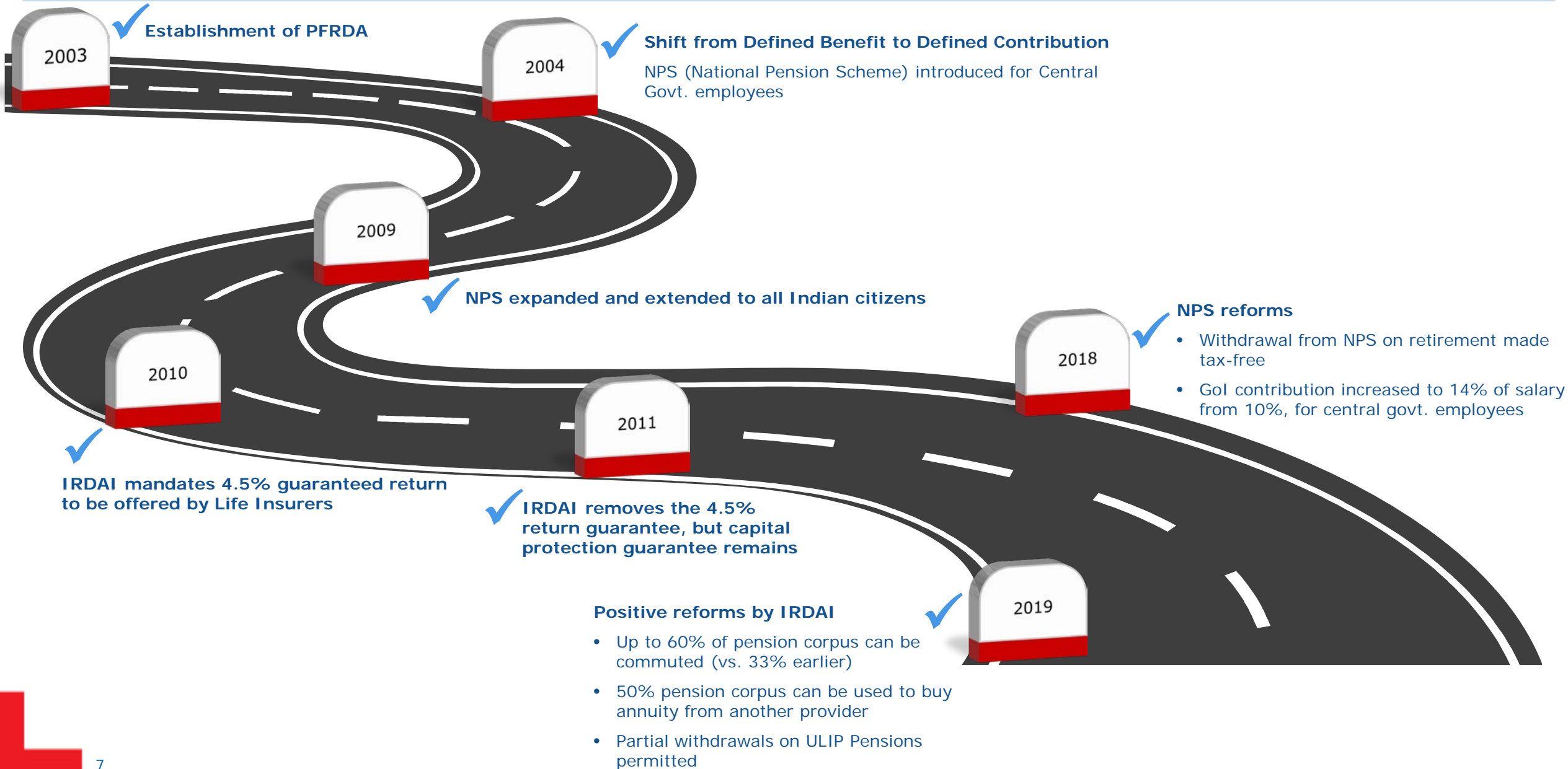
- Livemint

However, compared to global benchmarks, India's pension market is woefully under-penetrated at 4.8% of the GDP



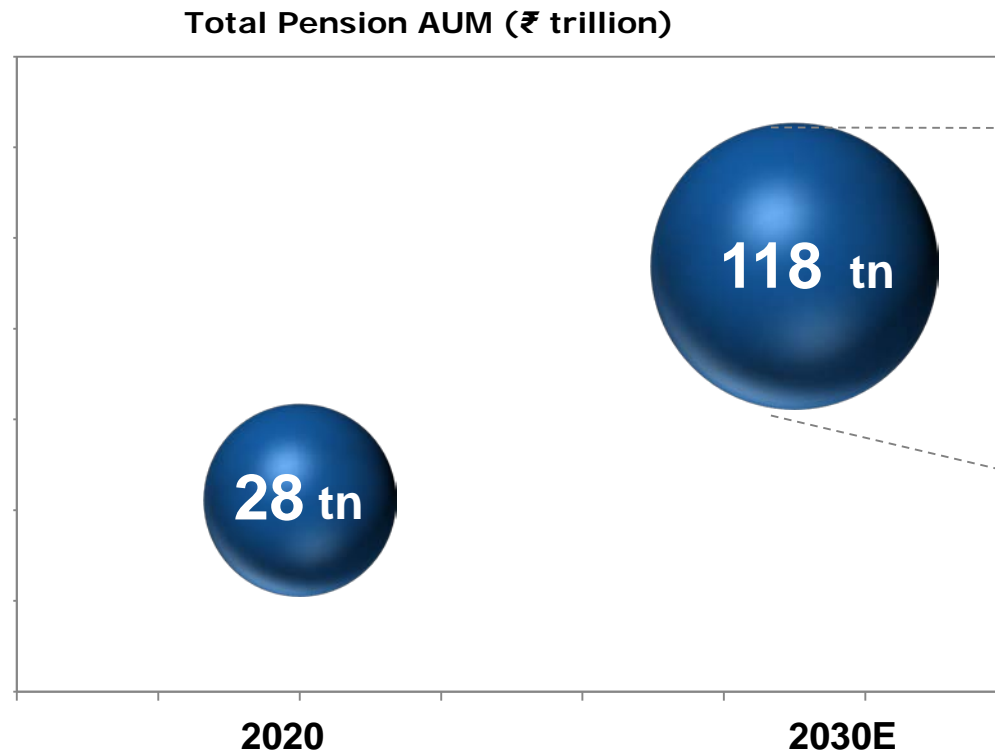
**India has a long way to go!**

# The Indian pensions space continues to evolve, with the pace picking up in recent years

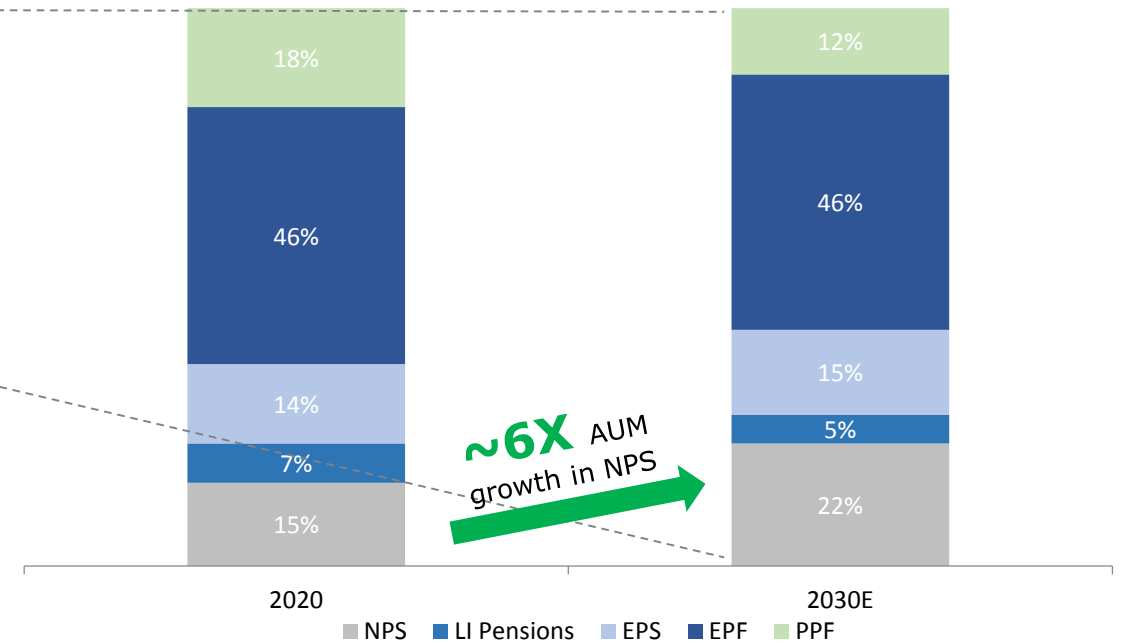


# The potential opportunity is estimated to be over INR 100 tn in AUM by 2030

## Estimated market opportunity (organized sector)\*



## *Growth in AUM to be aided by portability across pension classes*



Unorganized sector accounts for ~80% of the working population, which increases the opportunity pie even further

- Mandatory schemes will play a key role in increasing coverage for both unorganized and organized sectors
- Govt. schemes like Atal Pension Yojana (APY) currently limited to banks have scope for further penetration through insurers

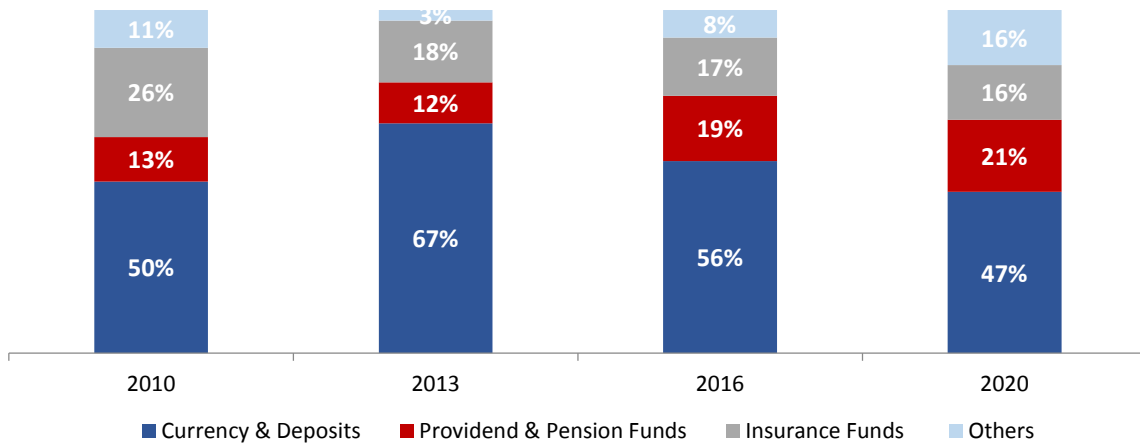


But there are challenges...

# There is significant lack of awareness among Indians regarding systematic retirement planning

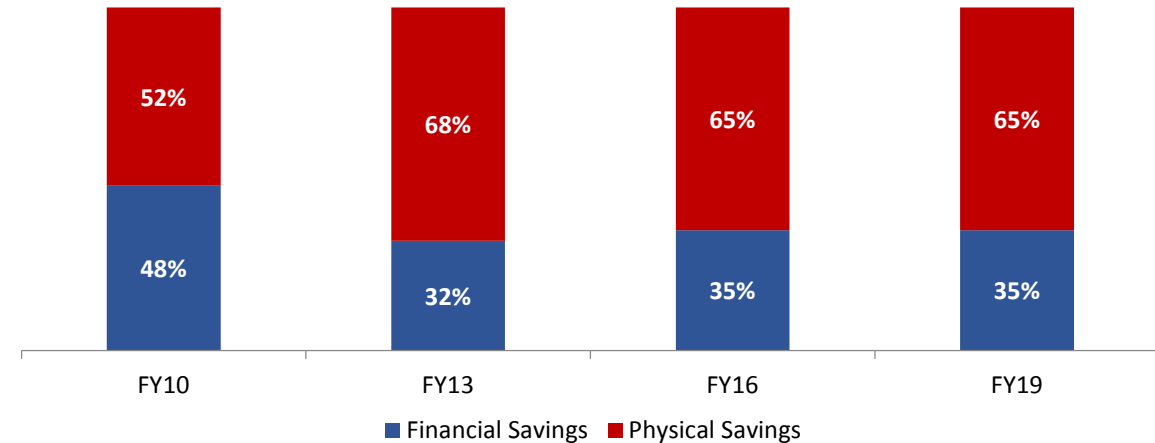
*While mindshare to invest towards retirement within financial savings is increasing...*

### Financial savings mix



*...the culture of saving in physical assets continues*

### Household savings composition



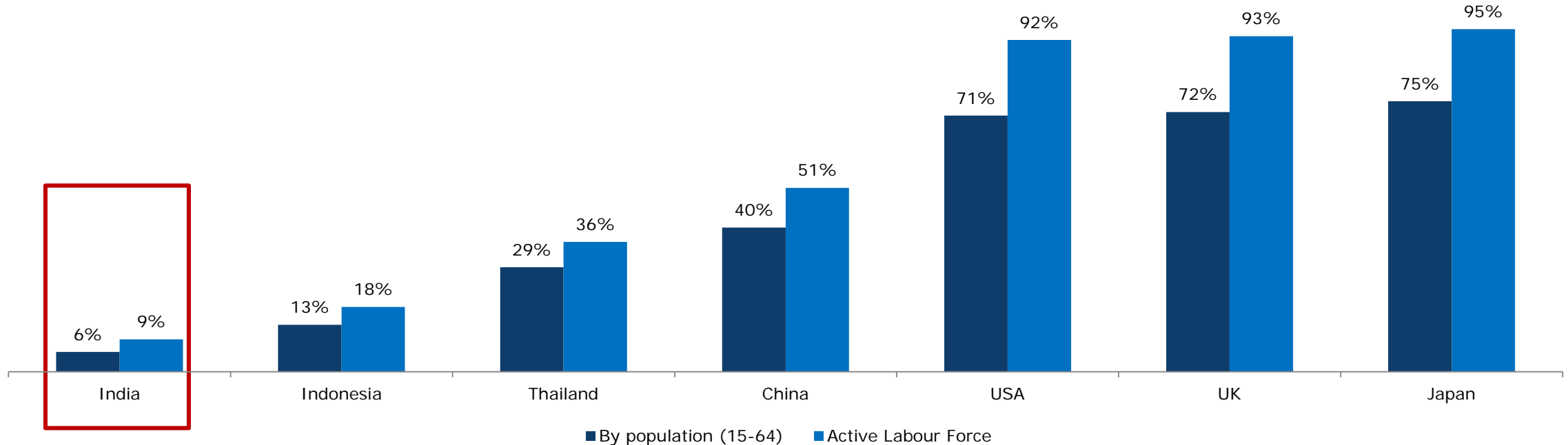
*~21% of financial savings are now in pension funds*

*But ~65% of total savings are mostly in property and gold*

**"Shifting to an opt-out model for pension schemes like NPS and tax incentives for annuities will help in gaining mindshare"**

Also, the low coverage of mandatory pension schemes puts the onus of retirement planning on individuals

Mandatory pension schemes coverage (%)



India has significantly lower coverage under mandatory pension schemes compared to several developing nations

How can we make India a Pensioned  
Society?

# By addressing specific areas to boost pension coverage in India

1

## Awareness about Pension Investment



- Increase financial literacy
- Encourage investment in pension schemes

2

## Products and Implementation



- Allow flexible payment and withdrawal options
- Explore innovative annuity solutions
- Widen the investment avenues for annuity
- Process simplification from enrolment to exit

3

## Distribution



- Increase adoption of low cost NPS
- Leverage distribution scale of Mutual Funds & Insurers

4

## Policy Reforms and Regulations



- Regulatory & tax consistency
- Higher 'Expenses of Management' limits for Pension products for Life Insurers

We are putting our money where our  
mouth is...  
(HDFC Life's ecosystem)

# Providing flexible retirement planning options to customers

**Customer objective**

< 30 years

30 – 45 years

40 – 55 years

> 55 years

Save small

Borrow

Invest

Asset drawdown

HDFC Life Sanchay Par Advantage

HDFC Life Sanchay Plus

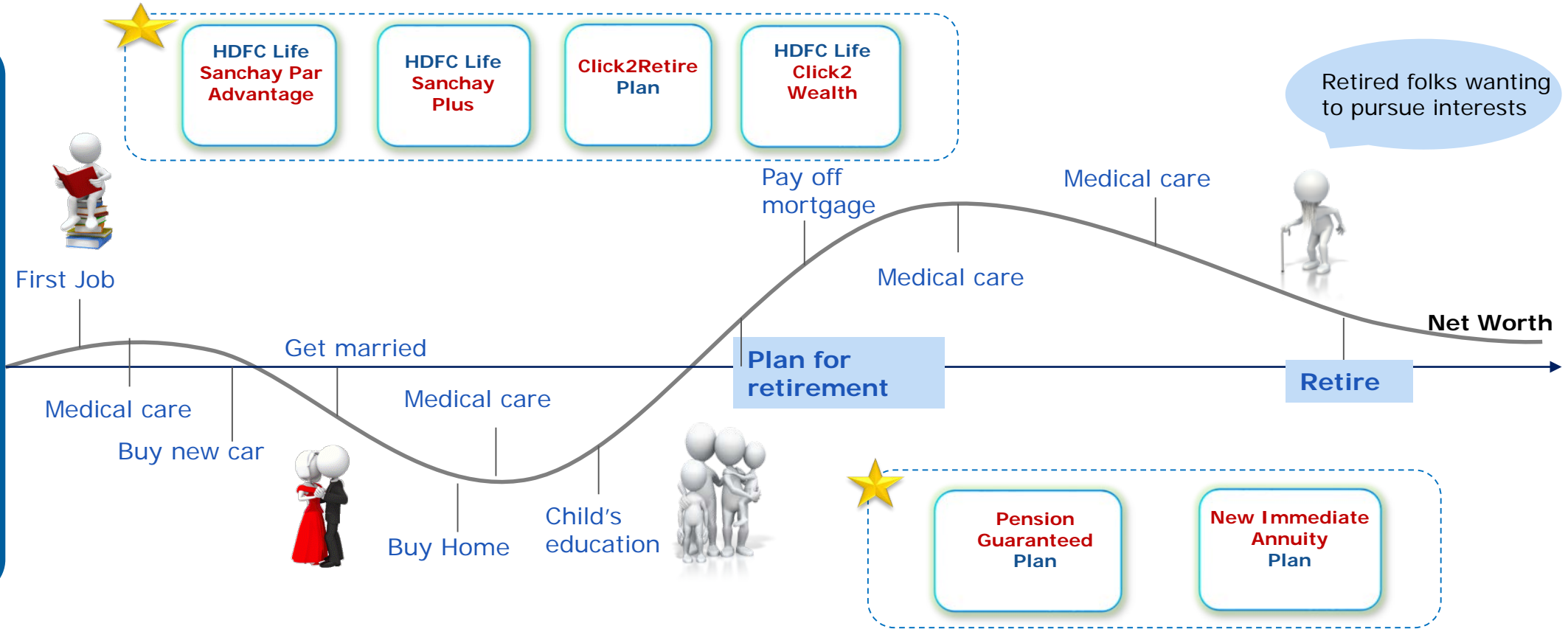
Click2Retire Plan

HDFC Life Click2Wealth

Retired folks wanting to pursue interests

**Our approach:**

Understand and respond to evolving customer needs, socio-economic changes



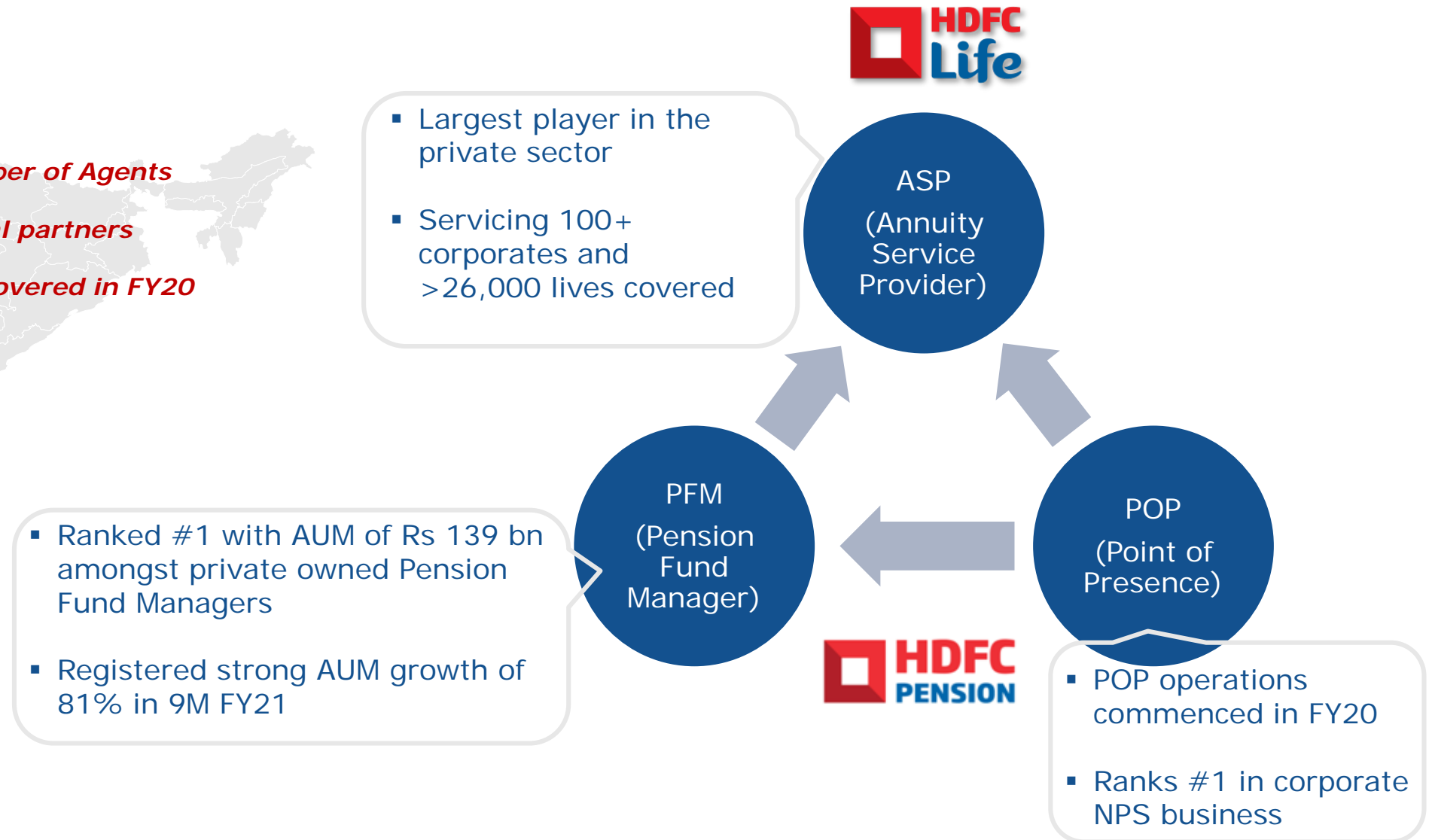
Our approach was validated with a number of our propositions becoming the industry norm!

# Working to build a pension distribution ecosystem that will help deepen coverage

Large distribution network that enables wider reach

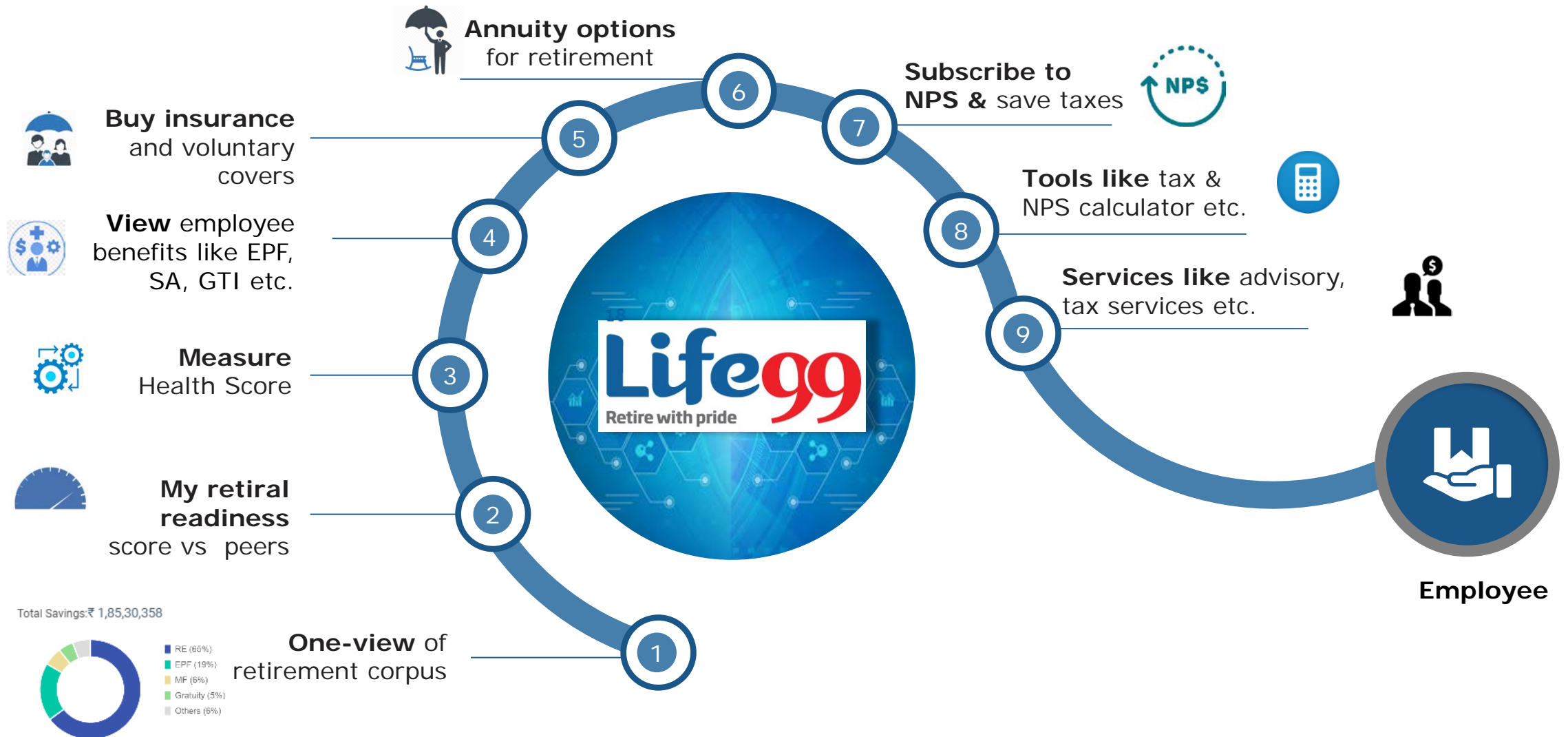


HDFC Life–Pension distribution ecosystem





# Creating adjacencies like *Life99*, a one stop solution for all retiral needs across employee demographics, will enhance customer experience



# Innovating in long term savings and retirement space...

## Long Term Income Plans

### HDFC Life Sanchay Par Advantage

- Payout from 1<sup>st</sup> month
- Limited premium payment term
- Whole Life cover & income
- Tax benefits
- Accrue bonuses

### HDFC Life Sanchay Plus

- Guaranteed benefits
- Tax benefits
- Life cover
- Legacy creation

## Annuity Plans

### HDFC Life Pension Guaranteed Plan

- Guaranteed income
- Wide range of annuity options

### HDFC Life New Immediate Annuity Plan

- Guaranteed income
- Wide range of annuity options

# ...driven by risk calibrated investment opportunities

01

## Natural Hedges

- Protection and longevity businesses
- Unit linked and non par savings products

02

## Product Design & mix monitoring

- Prudent assumptions and pricing approach
- > 95% ROP; deferment period <4 yrs
- Regular monitoring of interest rates/ business mix

03

## 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)

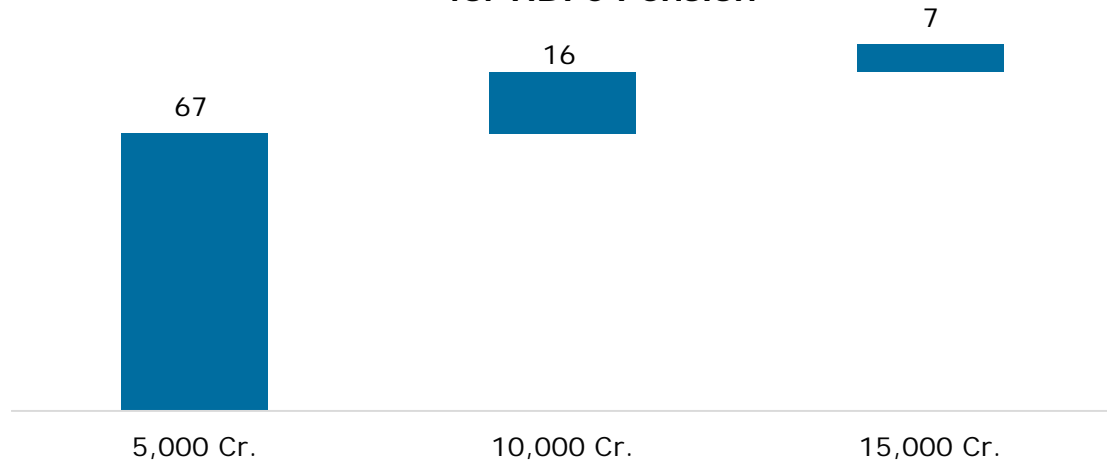
04

## Residual Strategy

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

# Our efforts are now bearing fruit!

Time taken to reach AUM Milestones (in months) for HDFC Pension

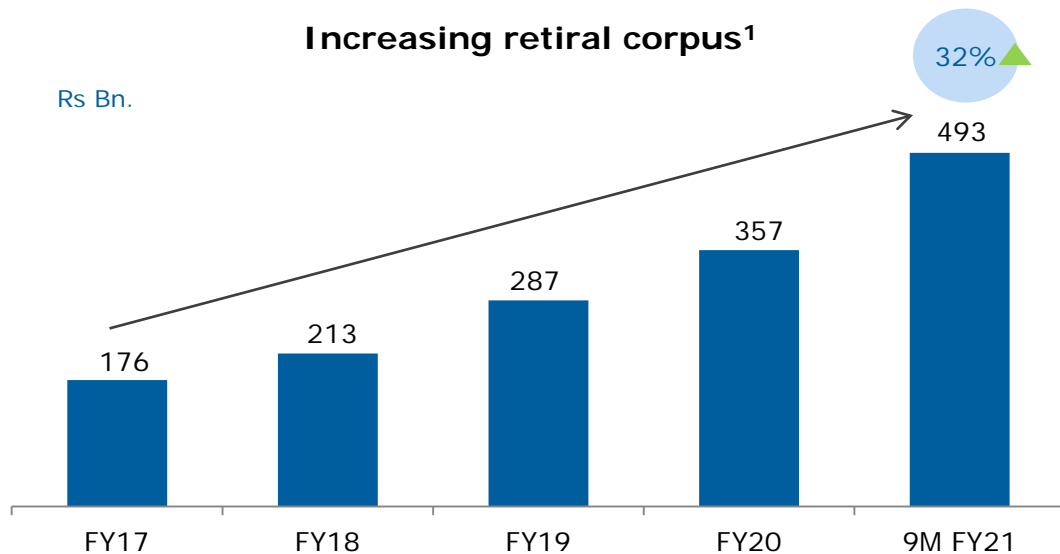


*~60X growth in share of annuity in HDFC Life's premium from 2010 to 2020*

*In under 3 years, the number of Group clients for annuity has more than **doubled to over 100** today!*

Increasing retiral corpus<sup>1</sup>

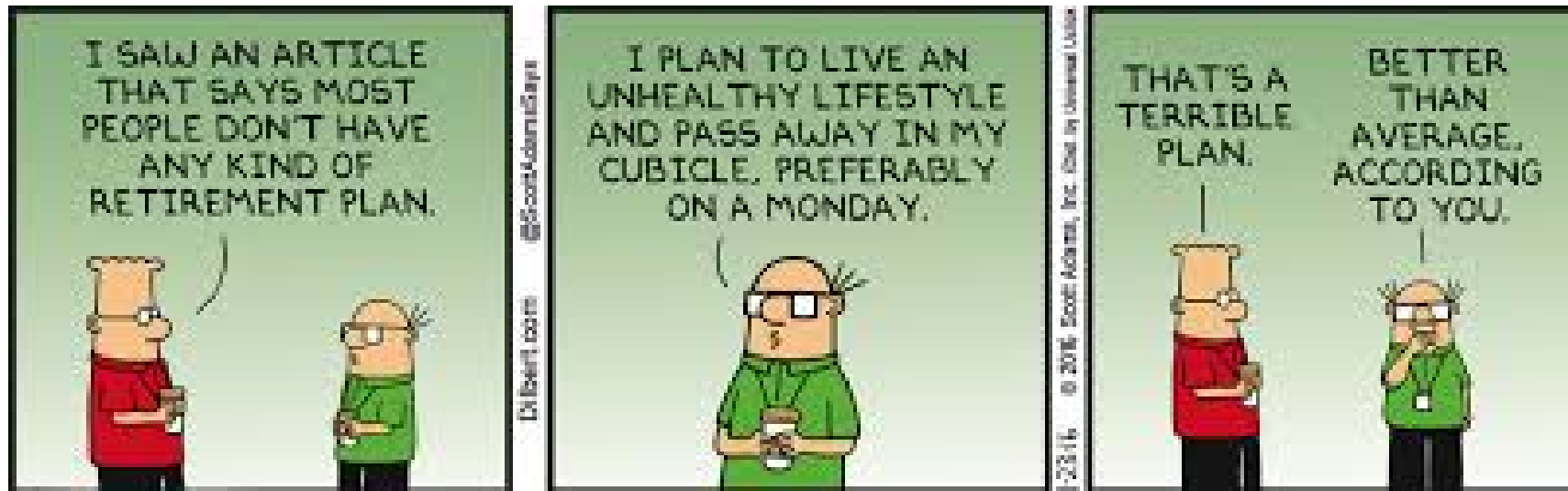
Rs Bn.



*HDFC Pension AUM has grown to Rs. 15,000 Cr. within 8 years of commencement of business*

**Opportunity to grow the retiral corpus by 3x between FY20-25**

# Some comic wisdom...



Thank You