

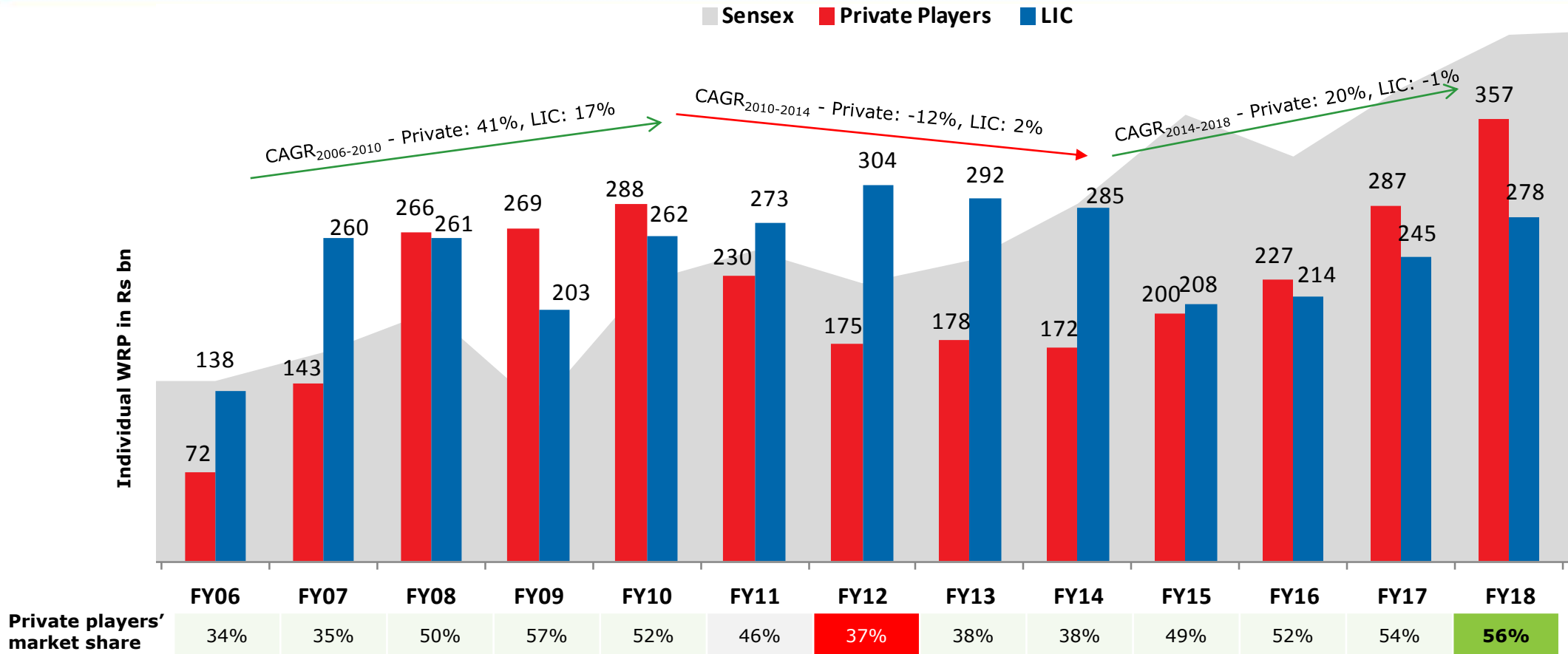
Market opportunity and HDFC Life's differentiated strategy

Morgan Stanley Conference | June 06, 2018 | Mumbai

Amitabh Chaudhry, MD & CEO, HDFC Life



The life insurance industry is on a growth trajectory with private players gaining market share



- India's life insurance Industry saw rapid 25% CAGR in the first 10 years post liberalization of the sector in FY01
- Regulatory changes aimed at protecting policyholders' interests led to a slowdown post FY10
- Private players, with recalibrated business models, have gained market share since FY15

Source: IRDAI and Life Insurance Council

The last few years saw several changes to support the changing needs of the business

Product Regulations



- Expense of Management
- ULIP & Non-Par Regulations

Strong growth led by Banca



- Higher branch penetration & activation
- Open architecture
- Increased financial inclusion & movement towards savings' products

Focus on margins



- Protection focus
- Expense efficiency to improve margins

Focus on quality of the book



- Emergence of customer friendly products
- Increasing persistency trends

Operational efficiencies



- Regulatory interventions
- Increased investments in technology and reducing turnaround times

Digital Sales



Growth of organic online platforms and entry of aggregators

Listing & Governance



- Initial Public Offerings
- Merger announcements
- Investor & analyst focus

Demonetization



Private insurers piggybacked on banks' growth post demonetization

Emergence of start ups



FinTech companies – Alternate sources of customer data
Entry into ecosystems

White spaces, however, continue to exist



Unmet financial needs

- Lack of value proposition
- Non-focus areas for insurers



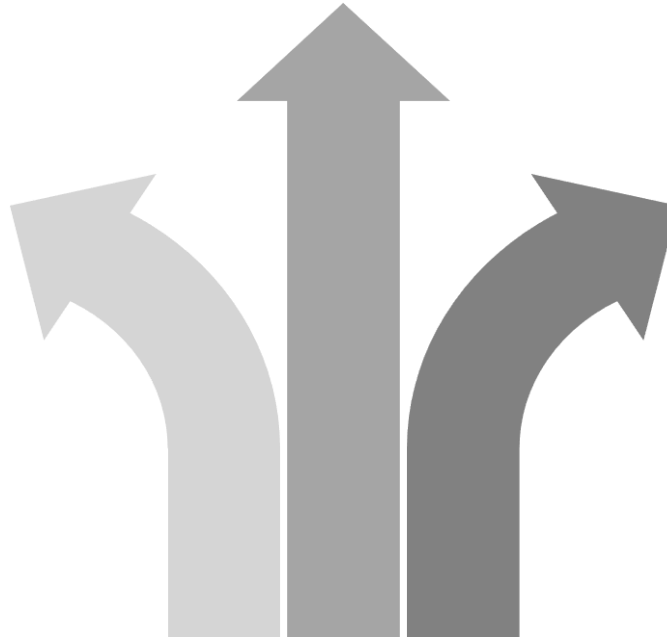
Under-served customer segments

- Latent needs that are not served
- Customers beyond the ambit of traditional insurance



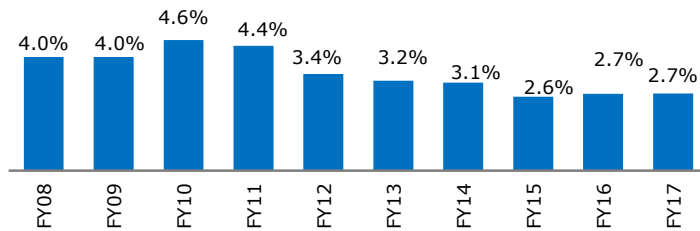
Sub-optimal operating model

- Limitations of current distribution
- Complex fulfilment processes



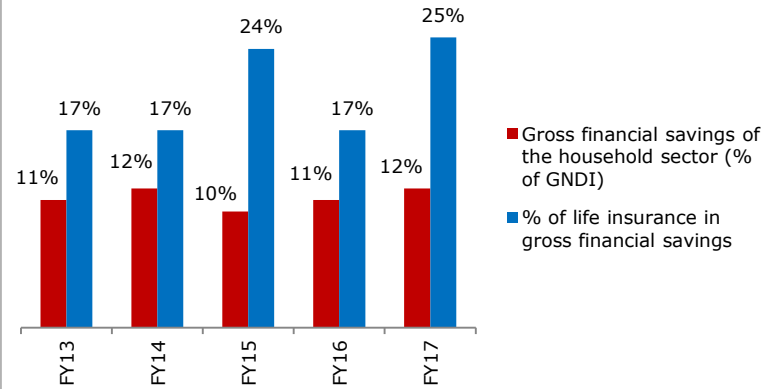
Opportunity to penetrate under-served customer segments

India life insurance penetration (FY08-17)



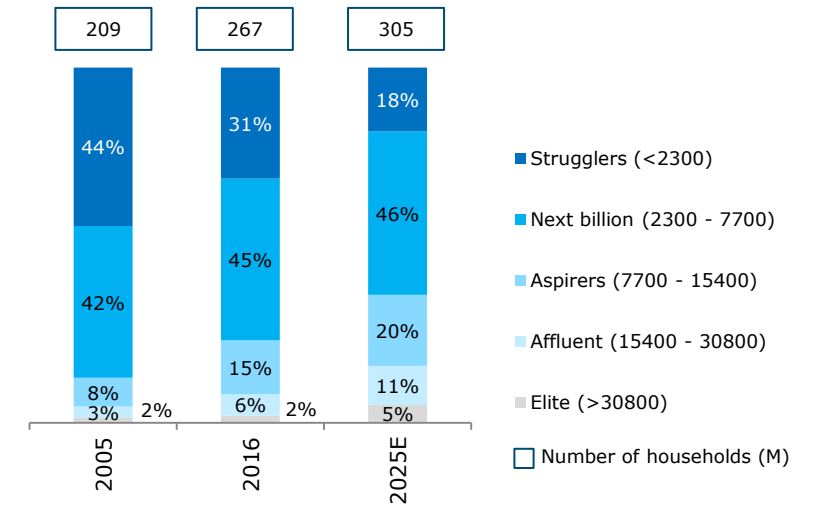
- India has a **lower penetration** of life insurance (2.7% of GDP) representing a huge opportunity yet to be unlocked by the industry
- This compares poorly with other **Asian countries** (Thailand - 3.7%), South Korea (7.5%), Taiwan (16.7%)

Share of life insurance in household savings (FY13-17)



- Growth in **household savings** and increasing preference towards **financial savings** presents opportunity to **increase share of life insurance** within financial assets

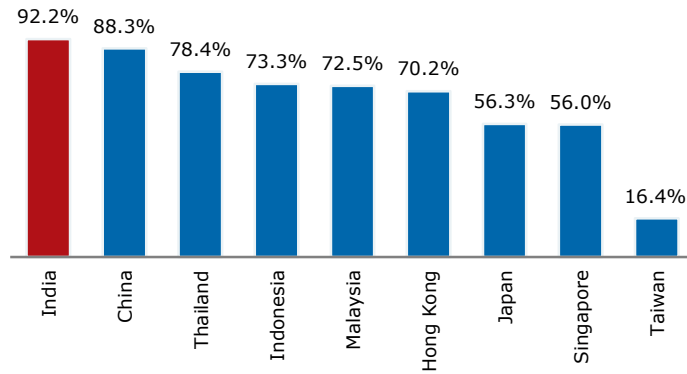
Per capita income (\$)



- Rising **per capita income** will see higher share of "Affluent" and "Aspirers" by 2025
- This presents an opportunity to serve customer segments such as **micro-markets in Tier1/2 cities** and **rural markets** since only ~8 - 10 % of rural households have some life insurance coverage

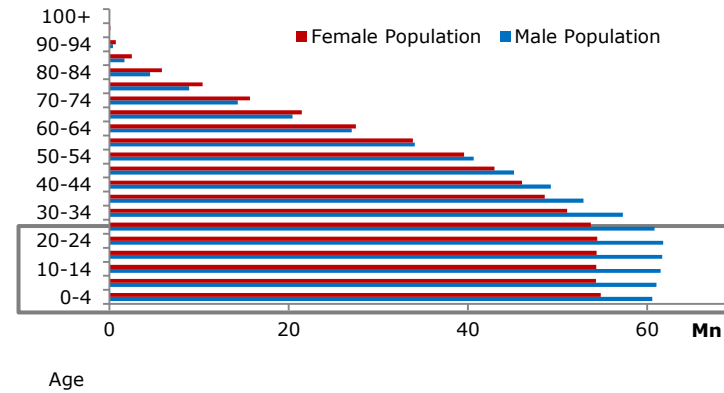
Huge gap in fulfillment of certain financial needs

Protection gap (2014)



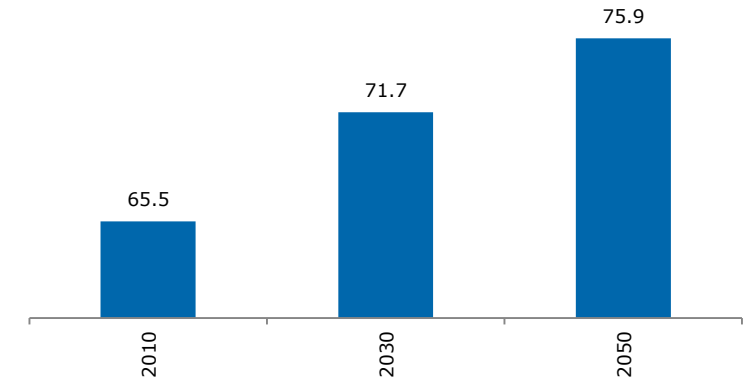
- India has **the highest protection gap** in the region, as growth in savings and life insurance coverage has lagged behind economic and wage growth
- Protection gap **has increased over 4x in last 15 years** with significantly low insurance penetration and density

India population (2025E)



- India will continue to be a **young country**, with 50% of the population below the age of 30, hence the need for **long-term savings** will continue to dominate
- This young demographic profile with **dependents** needs appropriate savings to take care of long term needs

Life expectancy at birth (# of years)



- Demand for retirement policies will rise with **increasing life expectancy**; proportion of India's elderly population (> 65 yrs of age) will increase by ~50% **to 120 Mn by 2030**
- Emergence of **nuclear families** and **limited social security instruments** will facilitate need for **pension** based products

Sub-optimal operating models fail to leverage potential opportunities

Changing landscape presenting a world of opportunities

Traditional operating models that need to evolve

In India's internet economy, customer is truly digital



Excessive reliance on feet-on-street and branches

Partners straddling 'High Touch' and 'High Tech' models



Archaic distribution - low productivity & high attrition

Regulations leveling the playing field for disruptors



Life insurance remains a vertically integrated industry

Emergence of aggregation platforms for millennials



Complex and lengthy processes leading to high TATs

Data and technology availability



Touch points give an inconsistent customer experience

Opportune time to seize the initiative



Stable and progressive regulatory environment

- Guidance related to management expenses, product structures, distributor commissions in place
- E-commerce and web aggregator regulations have set the stage for the next phase of growth



Insurers well-positioned to address white spaces

- Insurers have reached a size and scale that allows them to take the next leap
- Experience with multiple business cycles, listing has enabled insurers to recalibrate their business models



Cutting-edge technology at our disposal

- Cloud solutions, RPA allowing cost-efficient operating models
- Better customer and distributor engagement with analytics, big data and AI



Increasingly digital and more aware Indian consumer

- Consumers leaving digital footprints - 1.19 Bn + Aadhaar enrolments, 810 Bn annual page views, 350 Bn annual search queries
- Government initiatives like PMJJBY have raised awareness about insurance needs

At HDFC Life, we are driving multiple levers to address white spaces effectively



Product innovation is aimed at meeting the objectives of contemporary life insurance

Critical objectives to be met

1

Improve customer value proposition

2

Protect policyholder interest

3

Increase life insurance penetration

4

Enhance customer satisfaction through product suitability

5

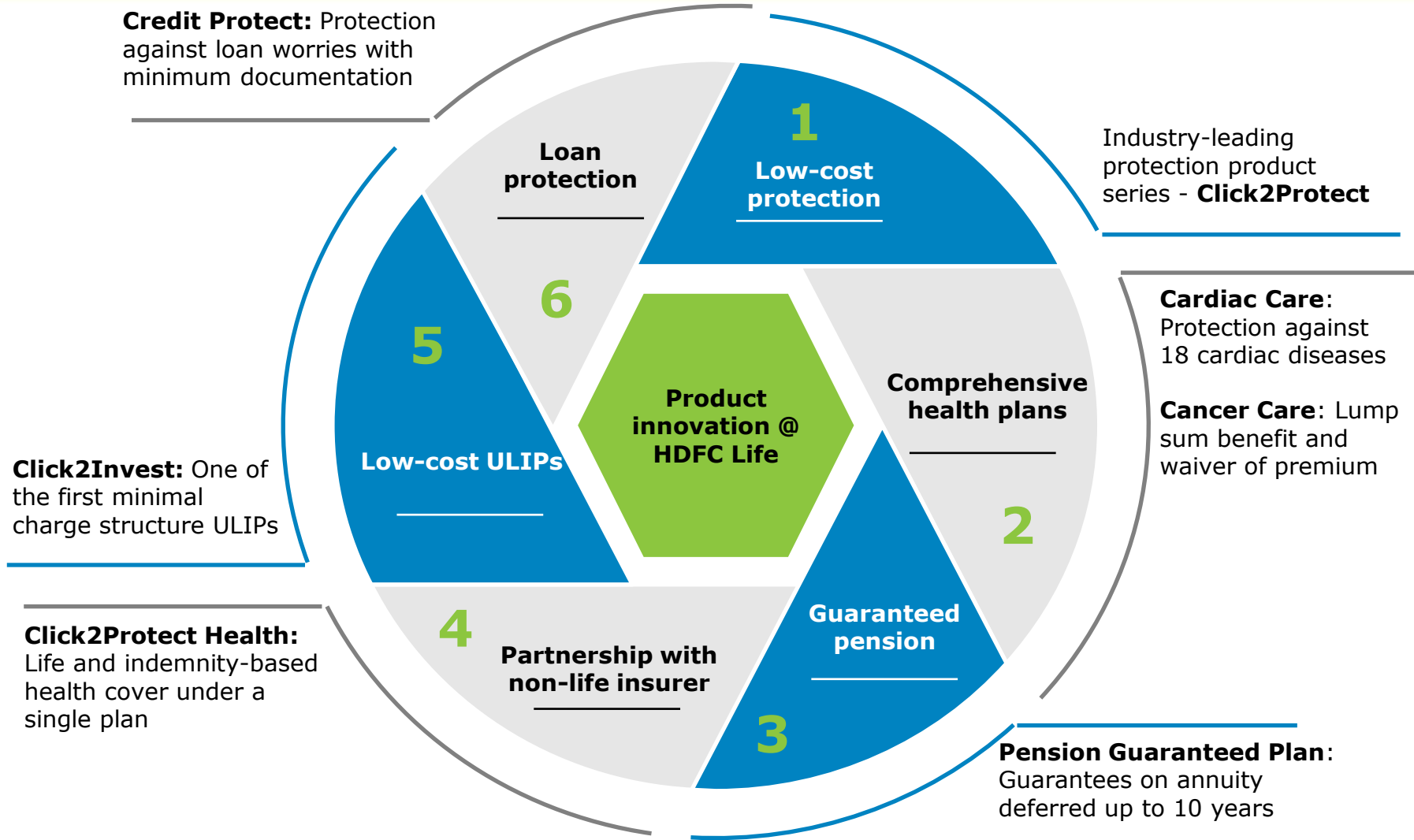
Competitive offerings compared with other assets

6

Nurture non-traditional channels of distribution



A differentiated product suite caters to innate and latent customer needs



Deeper integration with existing partners enables us to improve the customer experience



1 Front End Sales Enablement

- Lead management engines
- Well defined and documented sales management process



2 Integrated Technology and Processes

- Netbanking, 3 click buy, ATM, mobile applications
- Faster processing through STP, e-KYC integration
- Customized NB and renewal collection process



3 Product Development

- Joint product development
- Broad portfolio covering range of customer life-cycles, segments
- Owning unique customer segments



4 Quality Management

- Video enabled verification
- Suitability matrix
- Well defined and monitored SLAs
- Structured training programs



Our new partners will help us widen our customer base

Small Finance banks & NBFCs

- ▶ Nine out of ten small finance banks have life insurance tie-ups with HDFC Life
- ▶ With more than 2,600 branches, the small finance banks are well spread across the country with minimal geographical overlap and help us reach a supplementary customer base
- ▶ NBFC tie-ups (97 partners) help us cater to micro-markets in tier-1 and tier-2 cities



Rural innovators

- ▶ Comprise **rural e-commerce** companies, **last mile connectors**, affordable housing and education **loan providers**
- ▶ Get access to varied needs of new customer segments at critical junctures in their journeys – e.g. protection product to safeguard stability at home to avoid child drop outs
- ▶ Improve last-mile connectivity for better sales and service

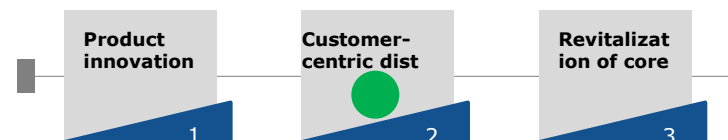


Payment apps

- ▶ Combined reach of more than 90 million unique customers
- ▶ Key partners as digital payments are estimated to increase 5x in the next 5 years[#]
- ▶ Allows us to reach customers in an active financial engagement
- ▶ Efforts in progress to utilize the payment journey for a frictionless insurance-buying experience

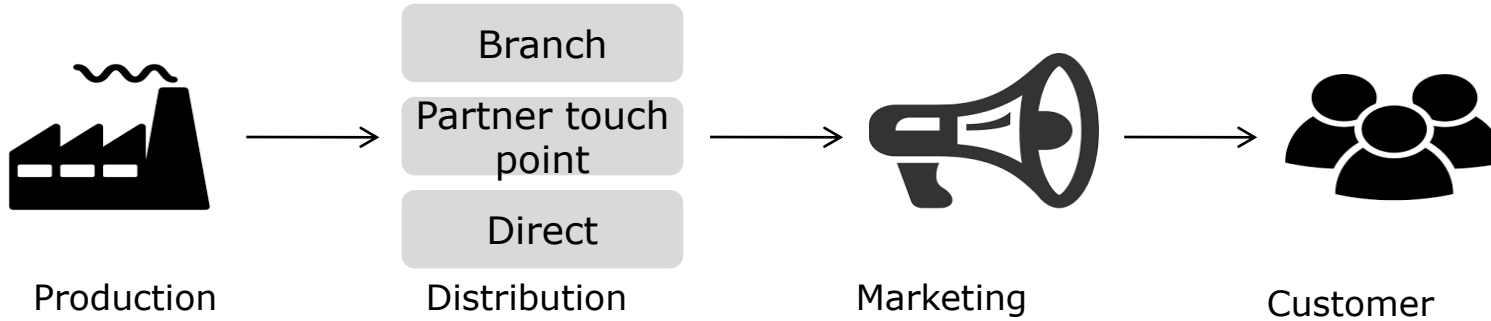


[#]: Credit Suisse report on digital payments in India, 2018

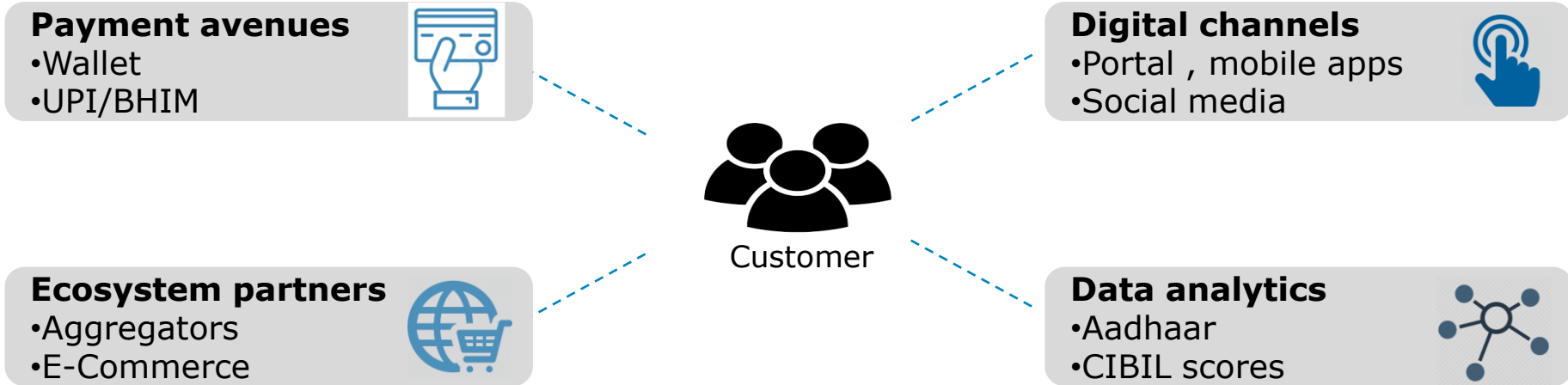


The sales process is also being re-imagined

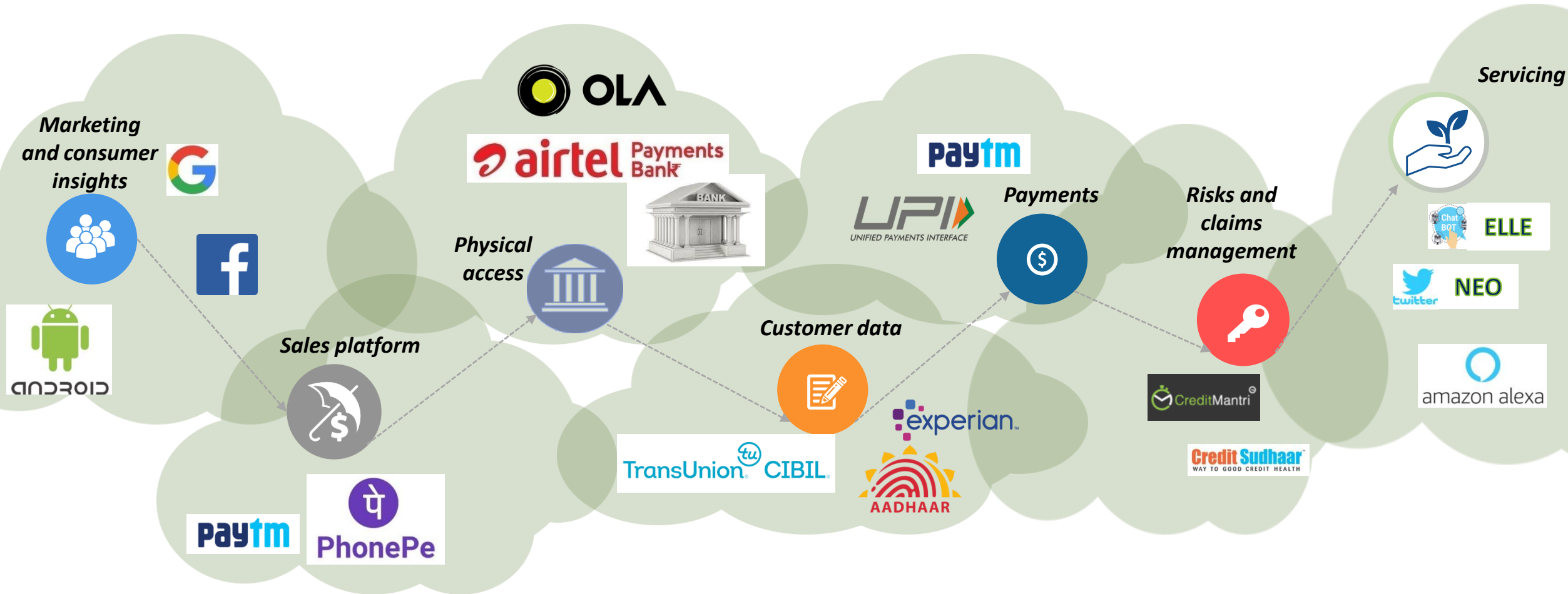
From the traditional value-chain distribution model at present..



..to a customer-centric one



Networks will be relevant across the value chain



Note: Brands depicted are illustrative to explain the concept



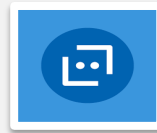
Powerful digital tools are simplifying customer service

Customer service is going digital



New My Account

- One stop self serve solution for information, transactions and requests



Email Bot – SPOK

- Automated & instantaneous responses



Insta-suite mobility apps

- On-the-go transactions and policy management



Twitter Bot - NEO

- On-the-go responses to simple queries



Effortless Payment options

- Payment apps
- Netbanking
- eSI and eNACH



Chat Bot - Elle

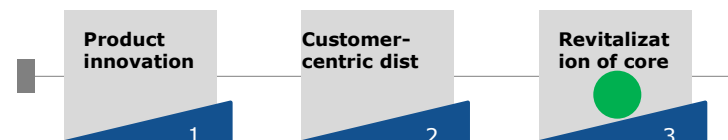
- 24*7 service
- Easy access to premium receipts/statements

99%+ claims settlement

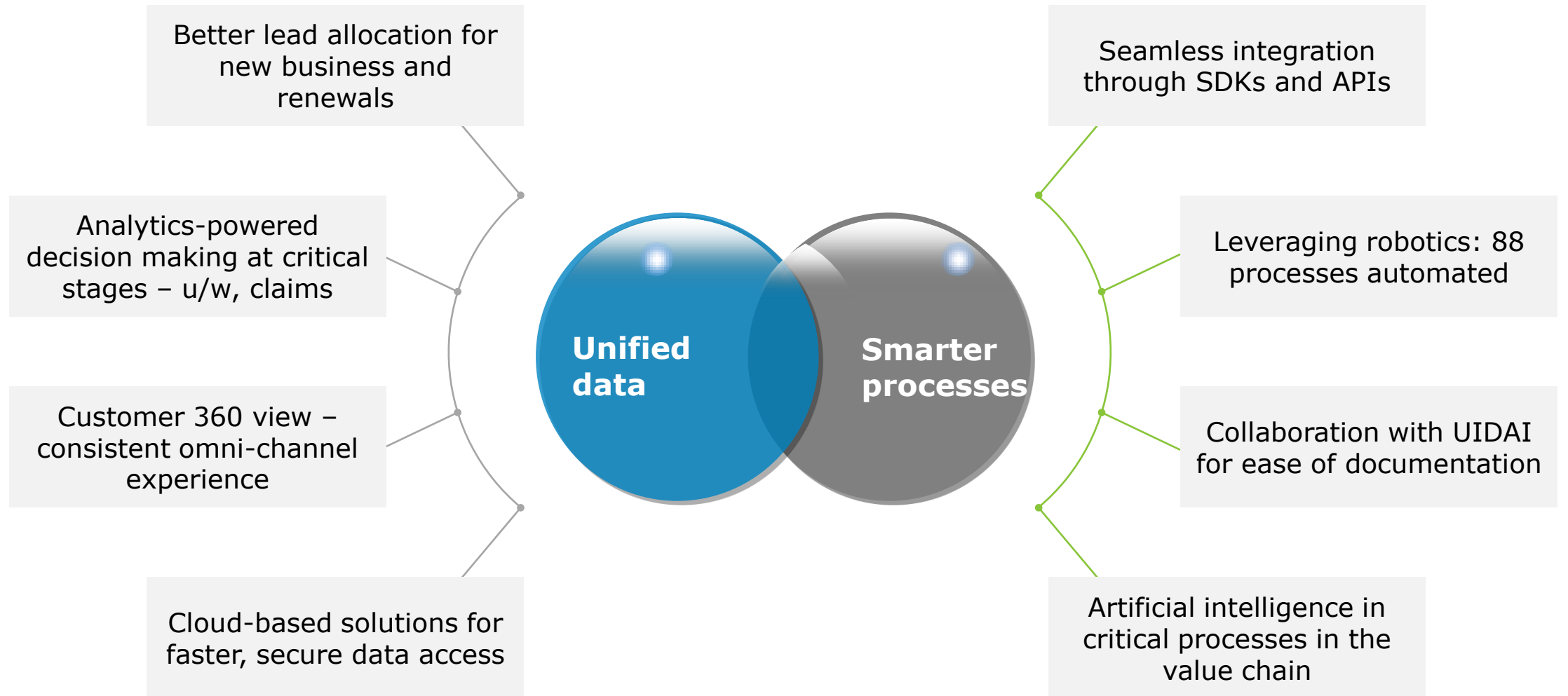
14% reduction in customer complaints

44,000+ queries processed through mobile app

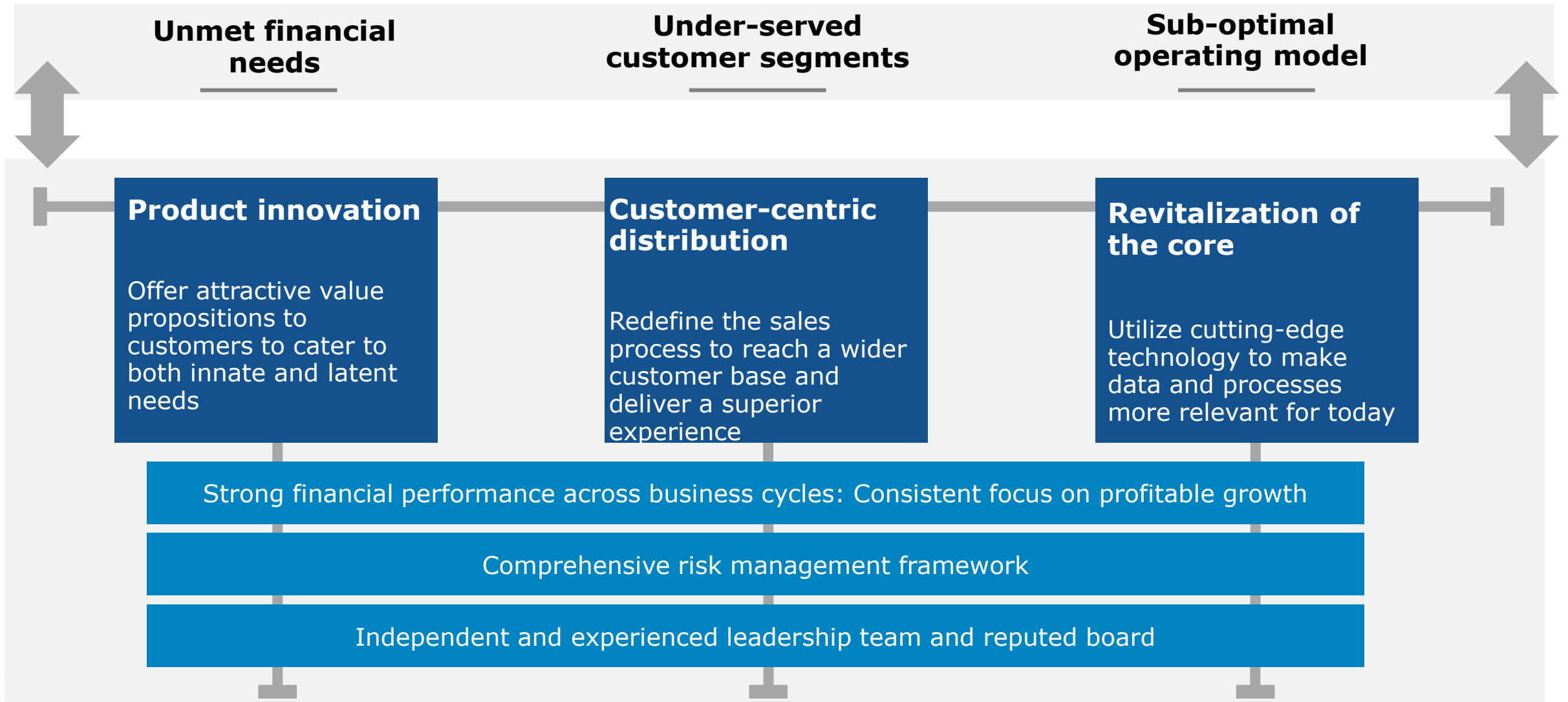
3 days average claim settlement TAT



Unified data and smarter processes to support the digital front end



In summary, HDFC Life's differentiators to address industry-wide white spaces



Thank You