

HDFC Life Insurance

Investor Presentation – Q1 FY21





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Performance Snapshot

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Performance Snapshot



Executive summary: Q1 FY21

Revenue growth and Market share

- Expansion in market share¹ by 100 bps from 17.5% to 18.5%
- Individual WRP de-growth of 19% v/s private industry de-growth of 23%, despite our base effect of 63% growth in Q1 FY20

Product mix

- Balanced product mix² (UL: 27%, Par: 30%, Non-par savings: 28%, Protection: 11%, Annuity: 5%)
- 50% growth in retail protection

Renewal collection

- Strong renewal premium growth of 24%

Cost management

- Opex ratio at 11.5% for Q1 FY21 compared to 13.4% in Q1 FY20

New business margins

- Healthy NBM of 24.3%, similar to Q1 FY19/Q4 FY20 margins on the back of balanced and profitable product mix

Profit after tax

- PAT of Rs 4.5 bn, with growth of 6%

Capital position

- Solvency stable at 190% compared to 184% as on Mar 31, 2020

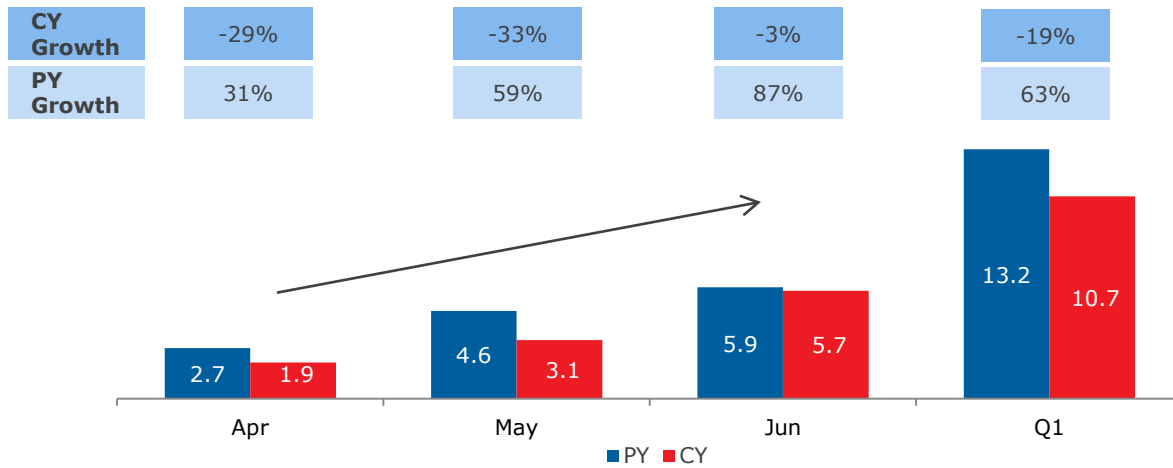
Other developments

- Inclusion in NIFTY50 index with effect from Jul 31, 2020
- Proposed Sub-debt instrument rated by ICRA/CRISIL as [ICRA]AAA(Stable) and CRISIL AAA/Stable respectively

*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)

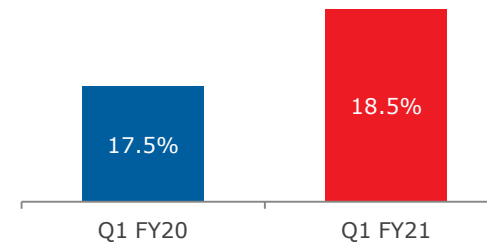
Improving MoM business trends¹



Expanding market share¹

Rs Bn.

Market share

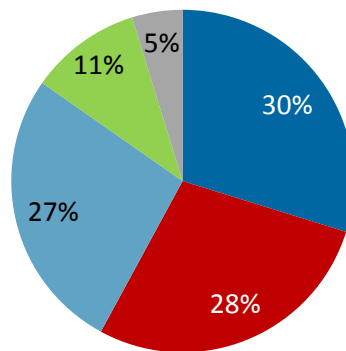


Growth vs Industry

Growth	HDFC Life	Pvt sector	Industry
Q1 FY21	-19%	-23%	-18%
Q1 FY20	63%	24%	14%
2 year CAGR	15%	-3%	-3%

Balanced product mix

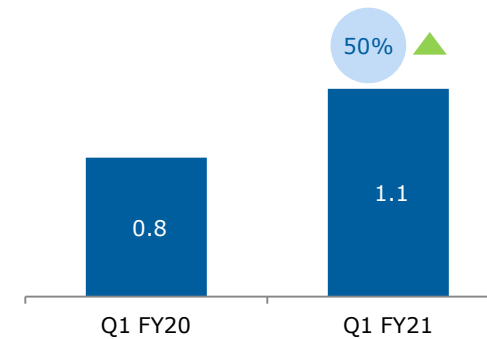
Individual APE



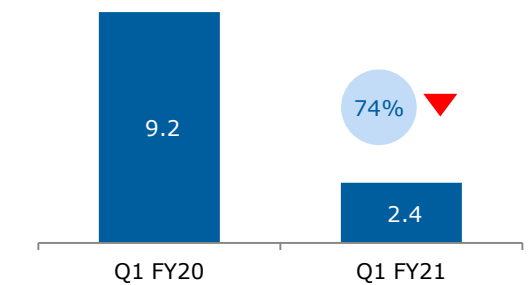
■ Par ■ Non Par Savings ■ ULIP ■ Non Par Protection ■ Annuity

Strong growth in retail protection Slowdown in CP volumes due to tepid disbursements

Retail protection²



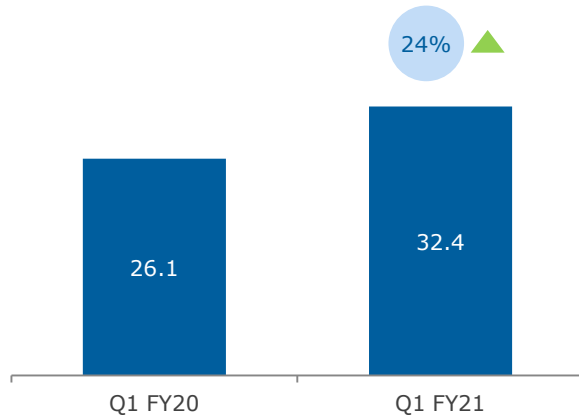
Credit protect³



1. Based on Individual WRP; 2. Based on Individual APE; 3. Based on NBP

Demonstrating resilience in the current environment (2/2)

Strong growth in renewal premium

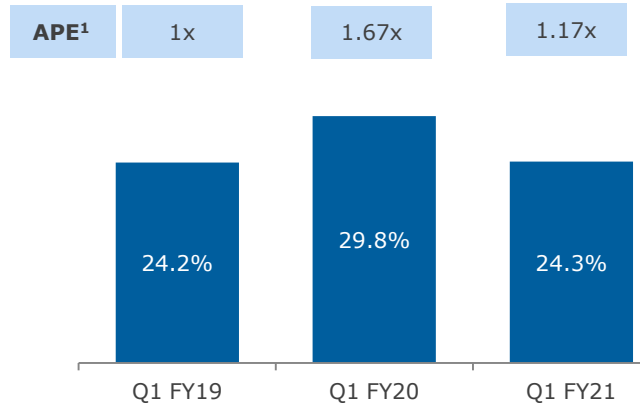


- Continue to witness delay in collections
- Improving MOM collection trends

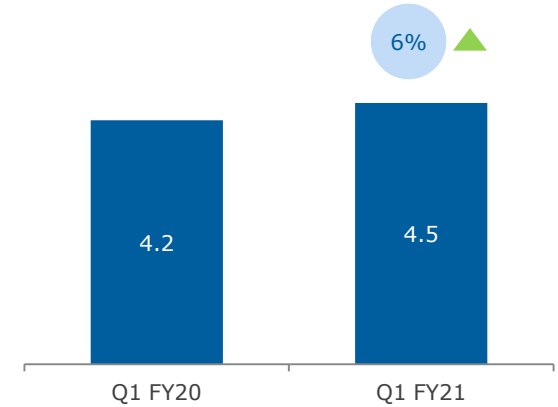
Robust profitability

Rs Bn.

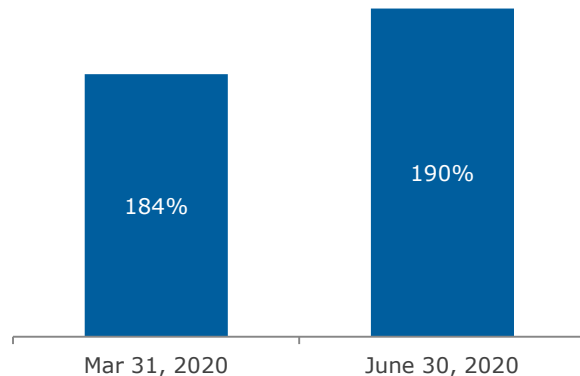
New Business Margins (NBM)



Profit after tax (PAT)

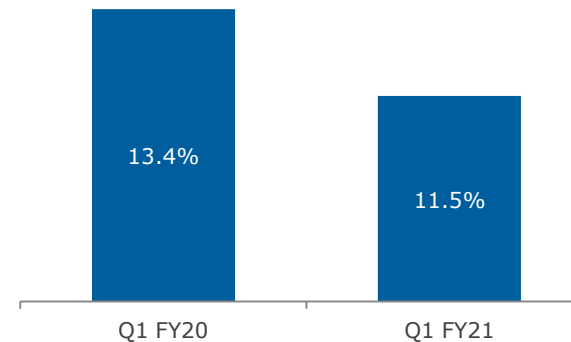


Healthy solvency position



- Strong PAT accretion
- Favourable market movement

Heightened focus on cost management



- Lower volume related costs
- Spend management
- Continued investment in technology

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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

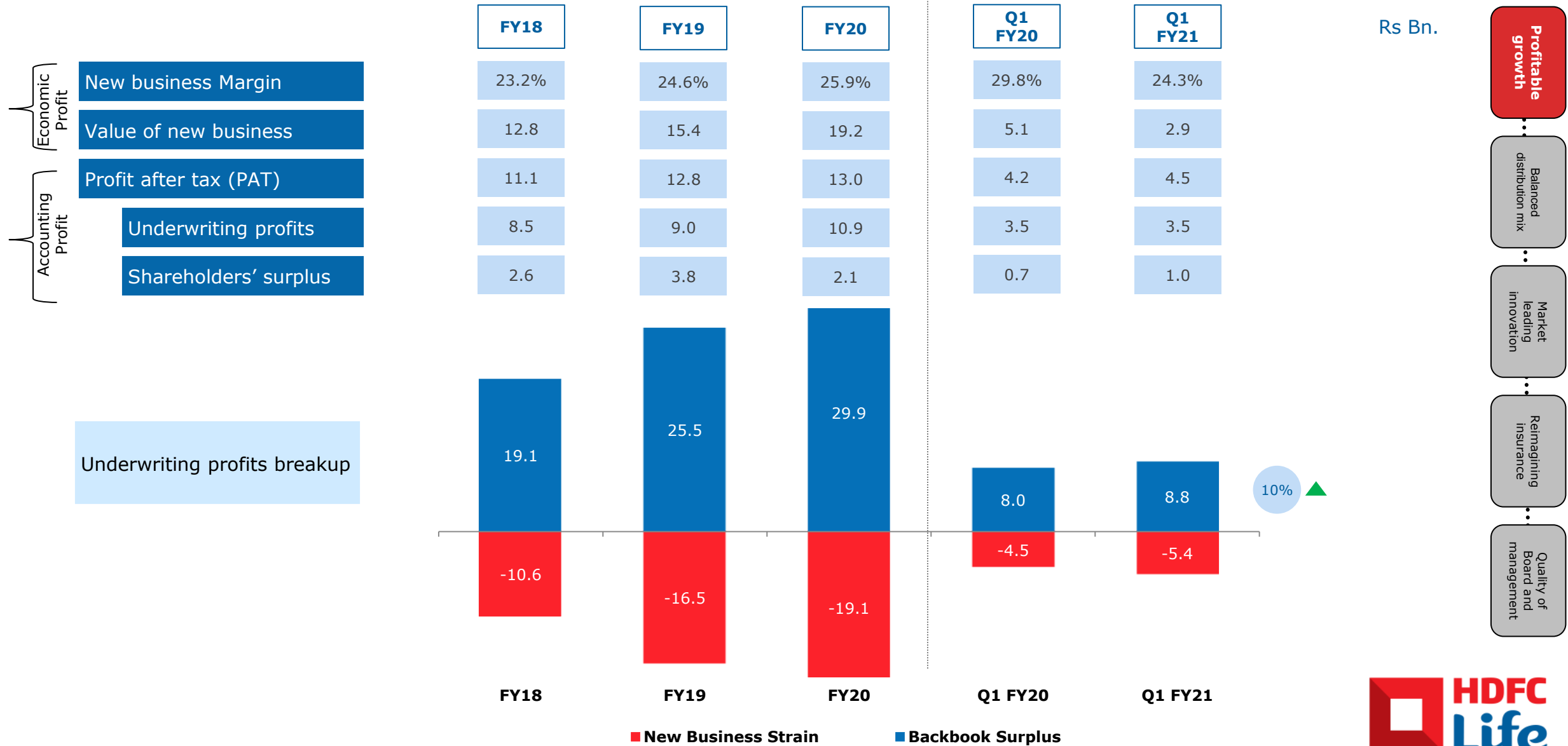


Quality of Board and management

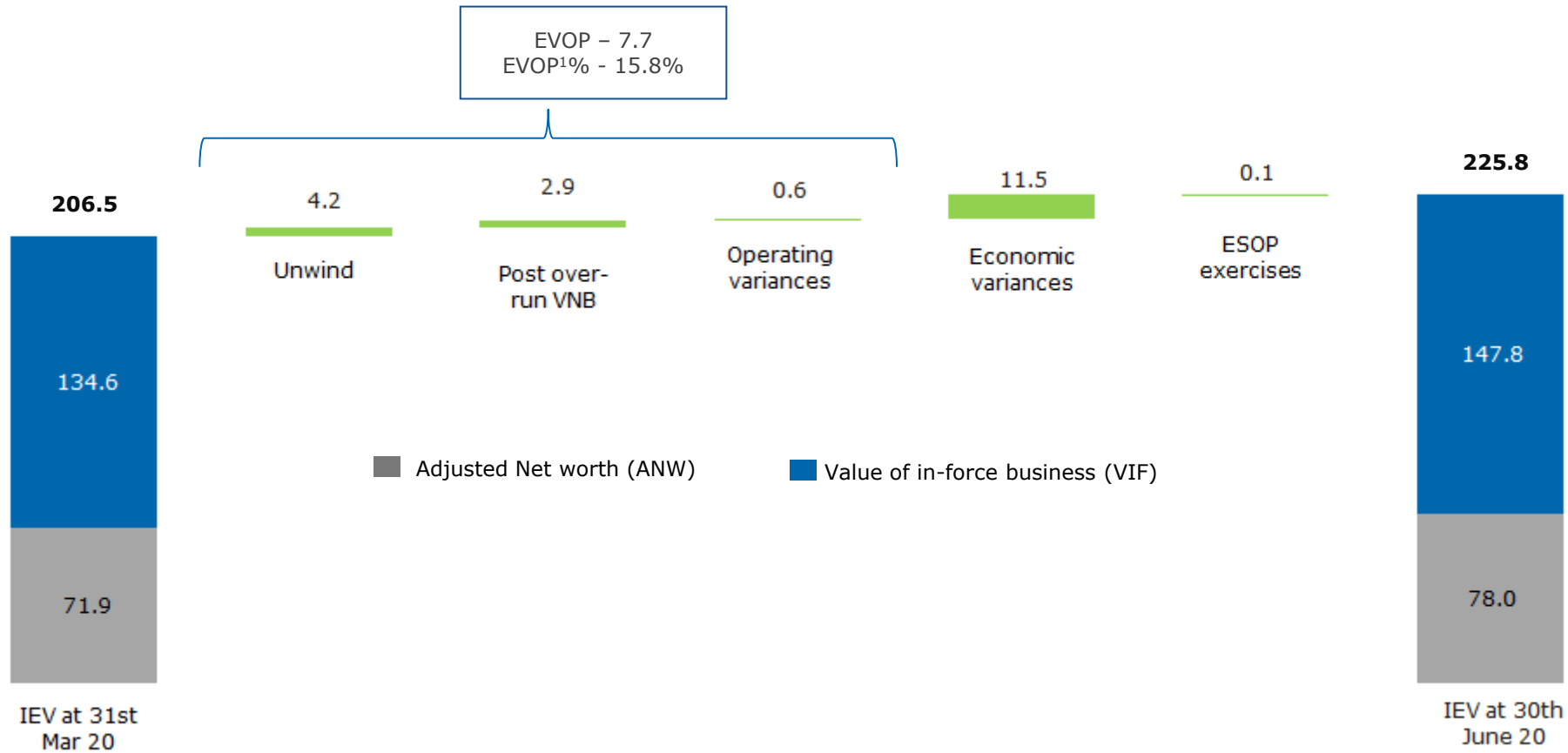
Seasoned leadership guided by an independent and competent Board; No secondees from group companies

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

Focus on profitable growth



Analysis of change in IEV¹



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

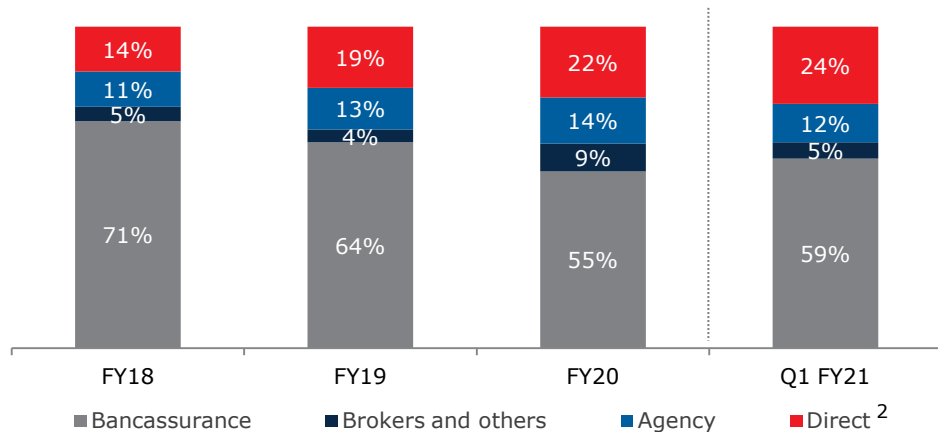
- Operating variances continue to be in line with our assumptions
- Covid reserve is adequate basis actual mortality trends observed



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

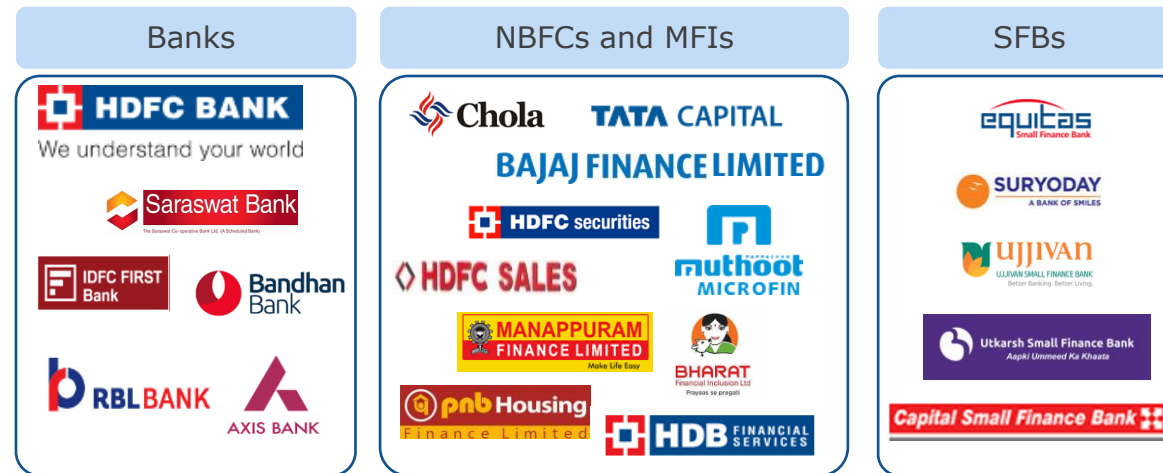
Diversified distribution mix

Focus on diversified mix ¹



- Seamless non face-to-face new business and servicing transactions across digital assets / partner platforms
- Expanding share of business from customers < 30 yrs indicating increasing awareness and early adoption of life insurance
- Maintained the leadership position in Broker channel

Strong and diversified network of 230+ traditional partners



Developing alternative channels of distribution: 40+ partnerships in emerging eco-systems



Profitable growth

Balanced distribution mix

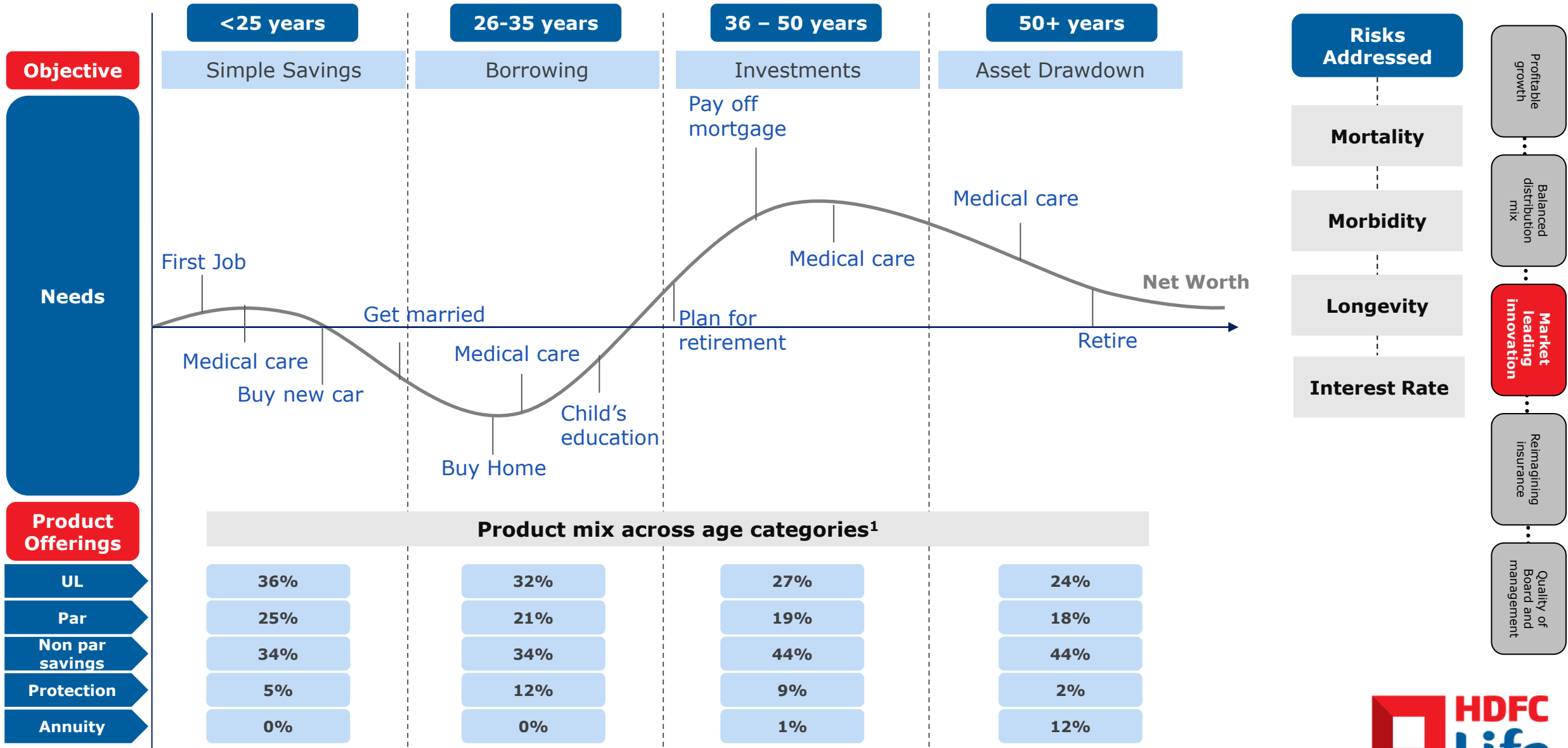
Market leading innovation

Reimagining insurance

Quality of Board and management

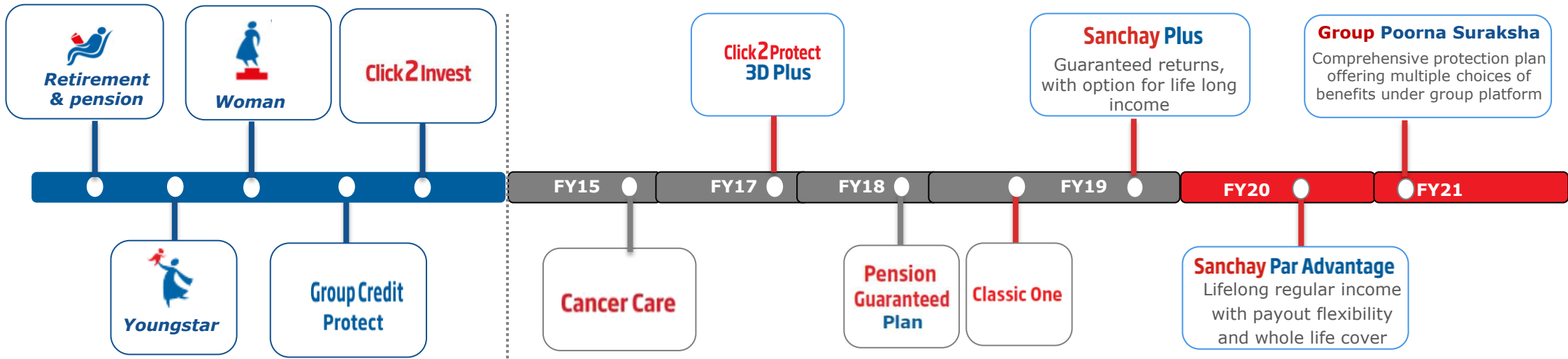
1. Basis Individual APE
2. Direct includes online channel

Addressing customer needs at every stage of life

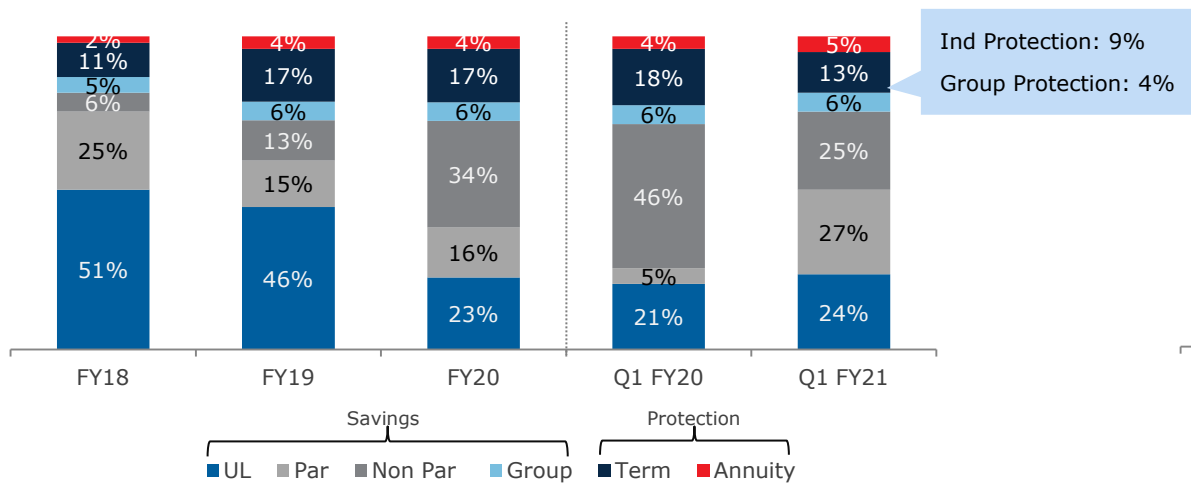


1. Based on Individual WRP for FY20

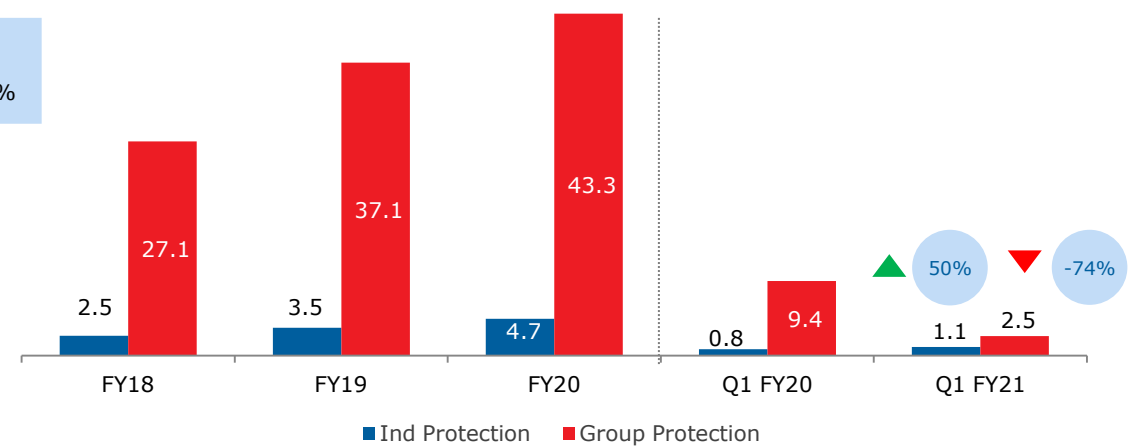
Expanding market through consistent product innovation



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

Our approach to retiral solutions

Opportunity to grow the current retiral corpus¹ 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 AUM growth of 60% in FY20

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 ²



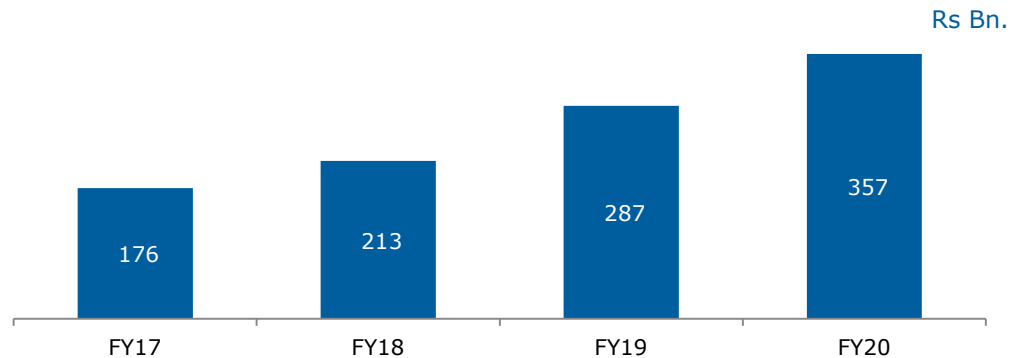
- Providing long term retiral solutions
- Catering across age brackets & premium frequencies

4. Group superannuation fund



- Managing funds for over 150+ corporates under superannuation scheme

Increasing retiral corpus²



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
 2. Comprises long term income and life long tenure options offered in Sanchay Plus and Sanchay Par Advantage

Product mix across key channels¹

Banca ²	Segment	FY18	FY19	FY20	Q1 FY21
	UL	64%	64%	32%	31%
	Par	25%	13%	18%	32%
	Non par savings	8%	17%	44%	30%
	Term	3%	4%	4%	6%
	Annuity	1%	3%	2%	2%

Direct	Segment	FY18	FY19	FY20	Q1 FY21
	UL	58%	50%	33%	25%
	Par	17%	8%	14%	15%
	Non par savings	9%	12%	20%	14%
	Term	5%	6%	4%	6%
	Annuity	11%	24%	29%	41%

Agency	Segment	FY18	FY19	FY20	Q1 FY21
	UL	33%	26%	12%	13%
	Par	48%	40%	34%	43%
	Non par savings	5%	17%	40%	23%
	Term	11%	12%	12%	19%
	Annuity	3%	5%	3%	3%

Online ³	Segment	FY18	FY19	FY20	Q1 FY21
	UL	57%	62%	44%	33%
	Par	1%	2%	1%	1%
	Non par savings	0%	1%	18%	25%
	Term	42%	35%	37%	40%
	Annuity	0%	1%	1%	1%

Company	Segment	FY18	FY19	FY20	Q1 FY21
	UL	57%	55%	28%	27%
	Par	28%	18%	19%	30%
	Non par savings	7%	15%	41%	28%
	Term	5%	7%	8%	11%
	Annuity	2%	5%	4%	5%

Protection	Total APE	FY18	FY19	FY20	Q1 FY21
	Term	11%	17%	17%	13%
	Annuity	2%	4%	4%	5%
	Total	13%	21%	21%	18%

Total NBP	Total NBP	FY18	FY19	FY20	Q1 FY21
	Term	26%	27%	27%	14%
	Annuity	9%	17%	16%	23%
	Total	35%	44%	43%	37%

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

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

Instalnsure

- 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:** ~89% of renewal via online / debit mode



Chat bot ELLE



WhatsApp bot ETTY

~91% of chats are self-served via chat-bot

- Robotic Process Automation:** ~227+ bots deployed



Virtual Assist for Sales & Service, current usage at ~1.5 million+ queries p.m.



An omni-channel conversational AI engine

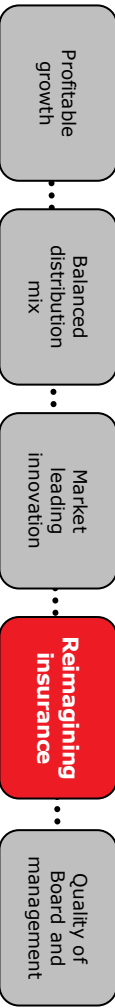


Data Enrichment and Analytics

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)



VVISE: Industry first video based sales enablement tool



Zero setup for customer



Voice & Video with multiple modes



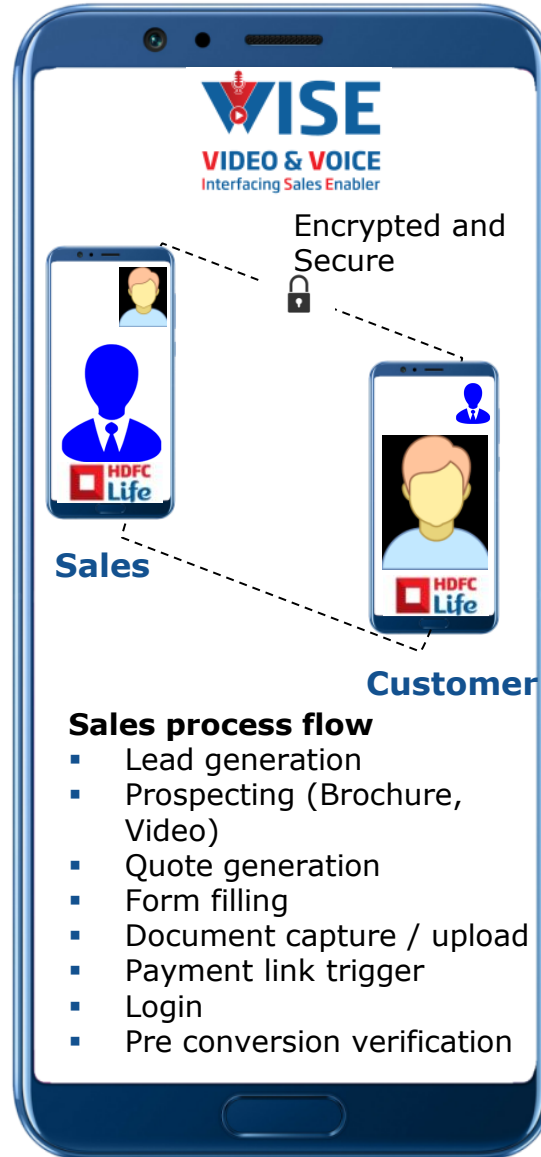
Screen share to display content



Device agnostic (Mobile / Tablet / Desktop / Laptop)



Enables **Tri-Party** connect



Lead tracking and functional dashboard



Storage on **Cloud**



Options for **masking** sections of the form



Document upload / Capture **photo**



Encrypted **recording**

Profitable growth

Balanced distribution mix

Market leading innovation

Reimagining insurance

Quality of Board and management



Service simplification – Enabling digital servicing¹

Customer 360

Offers 'one-stop solution' for viewing all details of customer from service interactions at different touch-points

Web portal

29% increase in MyAccount usage

Mobile app

10x increase in mobile app usage; Improved customer service

Alexa bot

Equipped to resolve 200+ types of generic & policy related queries



Whatsapp bot Etty

About 1.2 million queries resolved through Whatsapp bot, an increase of 90% over last quarter

Chatbot Elle

40% increase in volume of unique users and 36% increase in volume of queries resolved

Email bot SPOK

110% increase in volume of emails auto-resolved

Online collection

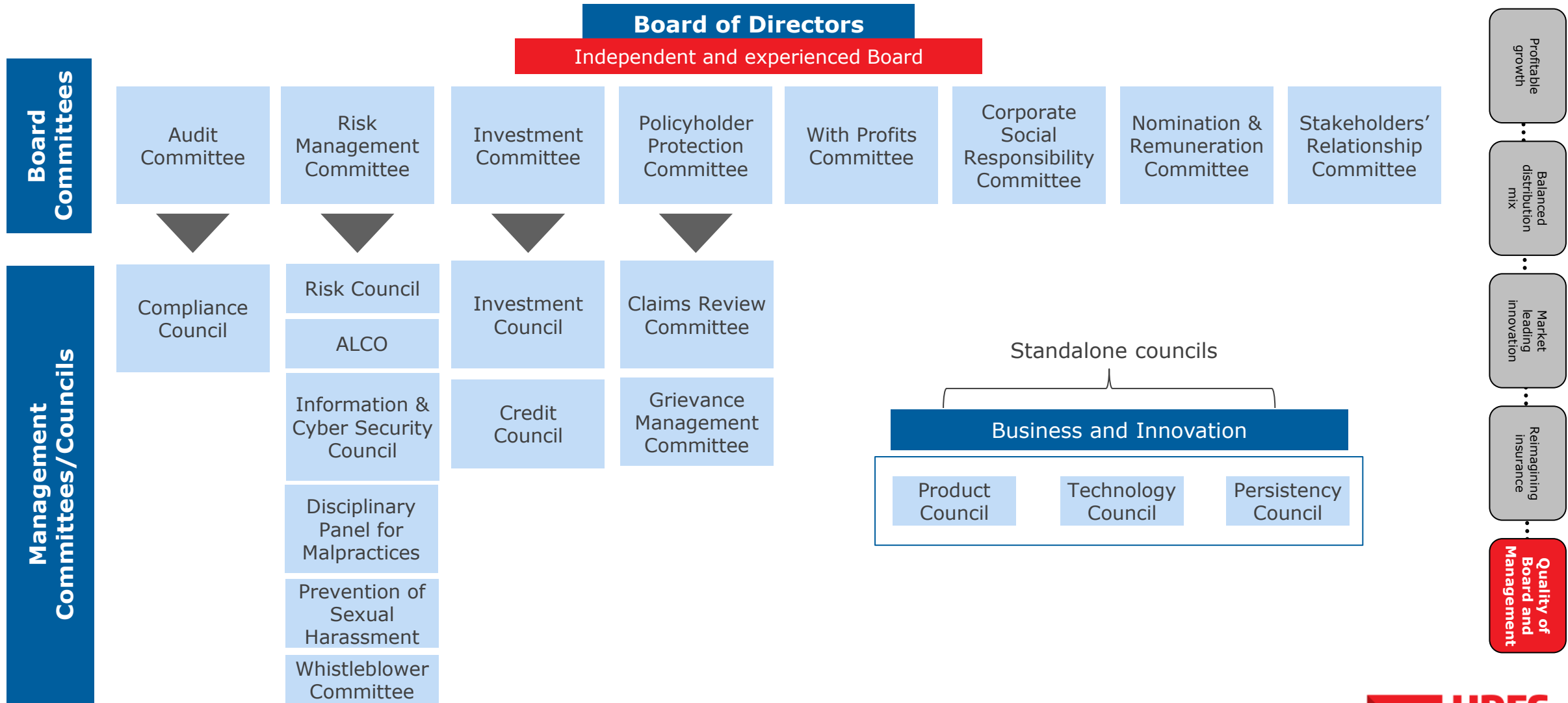
52% growth in online renewal collection

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



1. Above values pertain to Q1 FY21

Governance framework



Additional governance through Internal, Concurrent and Statutory auditors



Financial risk management framework

Natural hedges

- Protection and longevity businesses
- Unit linked and non par savings products
- Quantum of retail guaranteed 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 ~59 years
- Deferred as % of total annuity business < 30%, with limited deferral 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

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

¹ Portfolio 1 and 2 as described in Slide 21

EV and VNB Sensitivity	Overall (Q1 FY21)		Non par ¹ (Q1 FY21)	
Scenario	EV	VNB Margin	EV	VNB Margin
Interest Rate +1%	(1.4%)	(0.8%)	(1.3%)	(2.3%)
Interest Rate -1%	0.8%	0.1%	0.2%	1.2%

Summary of Milliman report on our ALM approach¹

Scope of review	Portfolios reviewed
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 31 st 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**



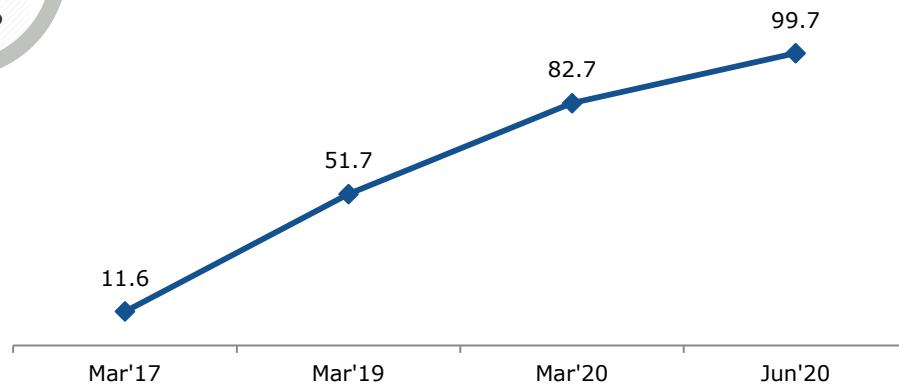
¹. Opinion issued by Milliman Advisors LLP on ALM strategy (for non par business) basis FY20 disclosures

Performance of wholly-owned subsidiary¹ companies



HDFC Pension

AUM, Rs Bn.



- Fastest growing PFM (Pension Fund Manager) under the NPS architecture (YoY growth of 69% in AUM)
- Market share grew from 28% in Jun'19 to 32% in Jun'20 amongst all PFMs
- Company has over 5.7 lakh customers - ~3.7 lakh in retail segment and ~ 2 lakh in corporate segment
- POP operations commenced in FY20 with enrolling of both retail and corporate subscribers; 50,000+ registrations till date



HDFC International Life and Re



- Registered growth of 35% in gross reinsurance premium in Q1 FY21
- Navigating the new normal with strategic interventions and seeding new opportunities for future growth
- S&P Global Ratings continues to reaffirm its long-term public insurer financial strength rating of "BBB" while maintaining the outlook as "Stable"

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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

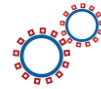
Regular branch operations in green and orange zones (>80% branches operational), daily tracking of employee and agent safety

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



▪ 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

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 - 46% 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 - ~89% of renewal payments 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



Easy Claim - Simple '3 click claim' process for some policies (~99% claims settled in 1 day)



RPA - Robotic Process automation handled more than 200 processes remotely



Contact centres - Branch staff replacing Call centre agents servicing customers

Customer interactions



Seamless support experience - 1.58 mn+ Monthly queries handled by Insta (virtual assistant)



Use of mobile app - Over 10x increase in mobile app usage



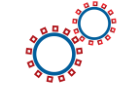
InstaServe - OTP based policy servicing tool to handle customer queries ★



24*7 self-service options - ~91% of chats are self-serve via chat-bot (resolving ~1.5 million queries)



Branches - Daily tracking of employee and agent safety (>80% branches operational)



Employee / Partner engagement



e-learning platform - 7,500+ 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



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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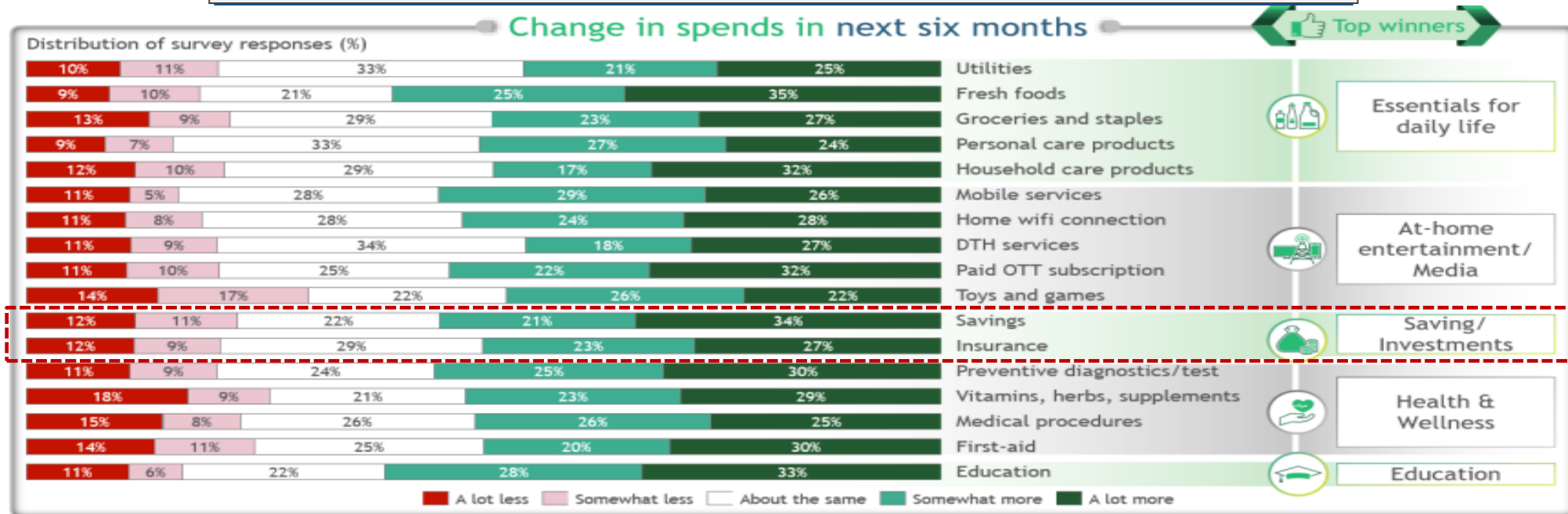
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Customer Insights



Customer insights – Customer behaviour/preferences

Savings and Insurance preferred by Indian consumer¹



More concerned about health & finances²

Health concerns		<u>I am concerned about my physical wellbeing</u> Global: 54% India: 71%	Financial concerns		<u>I am concerned about making upcoming payments</u> Global: 30% India: 46%
		<u>I am concerned about the health of my family</u> Global: 65% India: 78%			<u>I am delaying large purchases</u> Global: 43% India: 63%

Source:

1. BCG Covid-19 Consumer Sentiment Survey, India
2. Deloitte Consumer Tracker, Survey Fieldwork May20 across 15 Countries, Covid-19 Impact on Consumer Sentiment

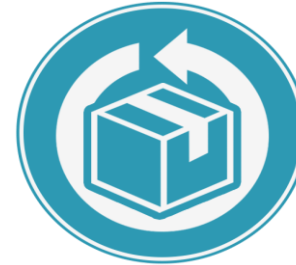
Customer Insights – Customer Behaviour/Preferences

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

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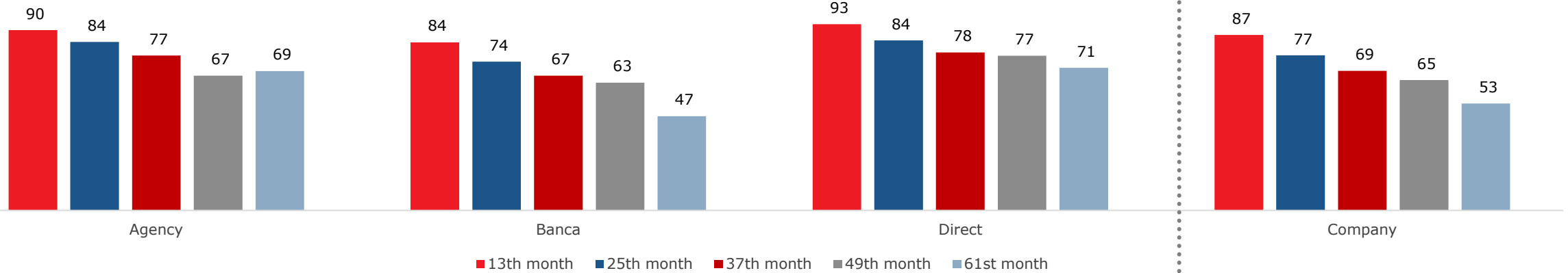
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Annexures

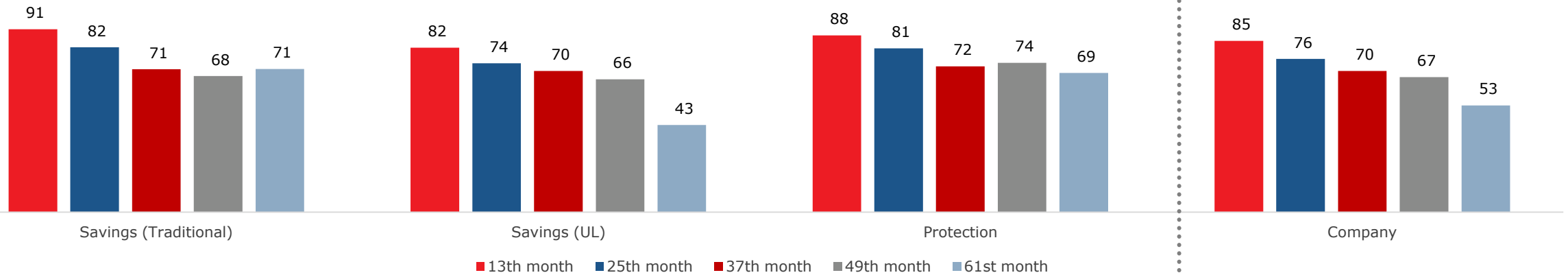


Individual persistency for key channels and segments¹

Across key channels (%)



Across key segments (%)



Actuarial

Financial

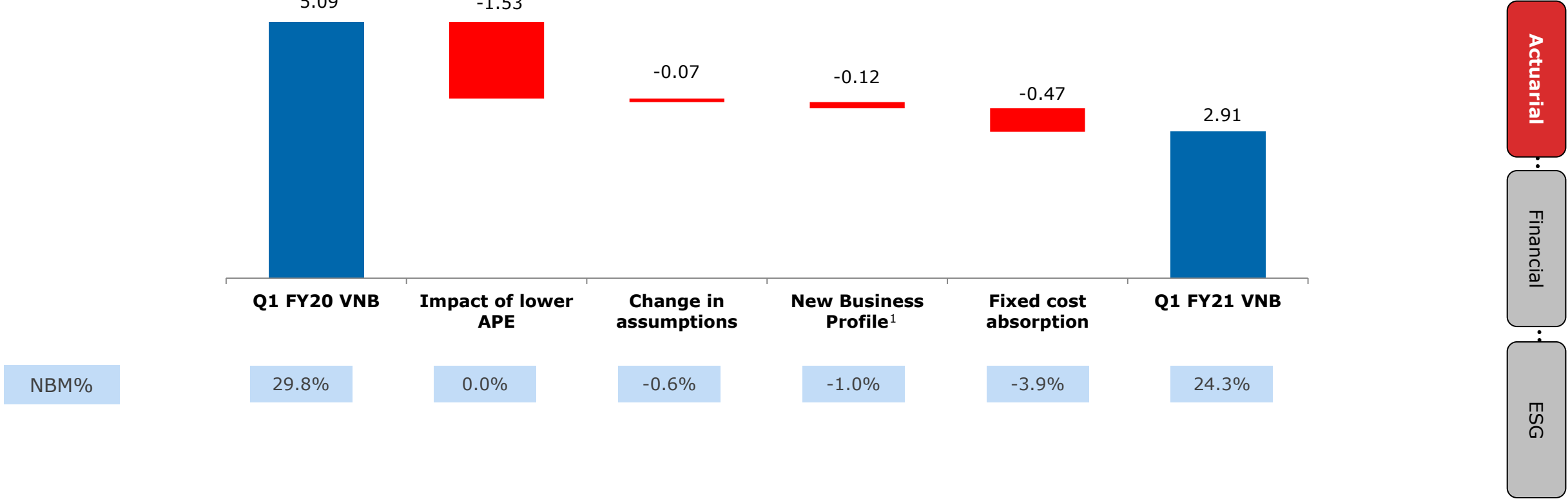
ESG



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

VNB and NBM walkthrough

Rs Bn.



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 ¹	Change in VNB Margin ¹	% 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 rate²	Increased to 25%	-20.0%	-5.2%	-7.7%

Actuarial

Financial

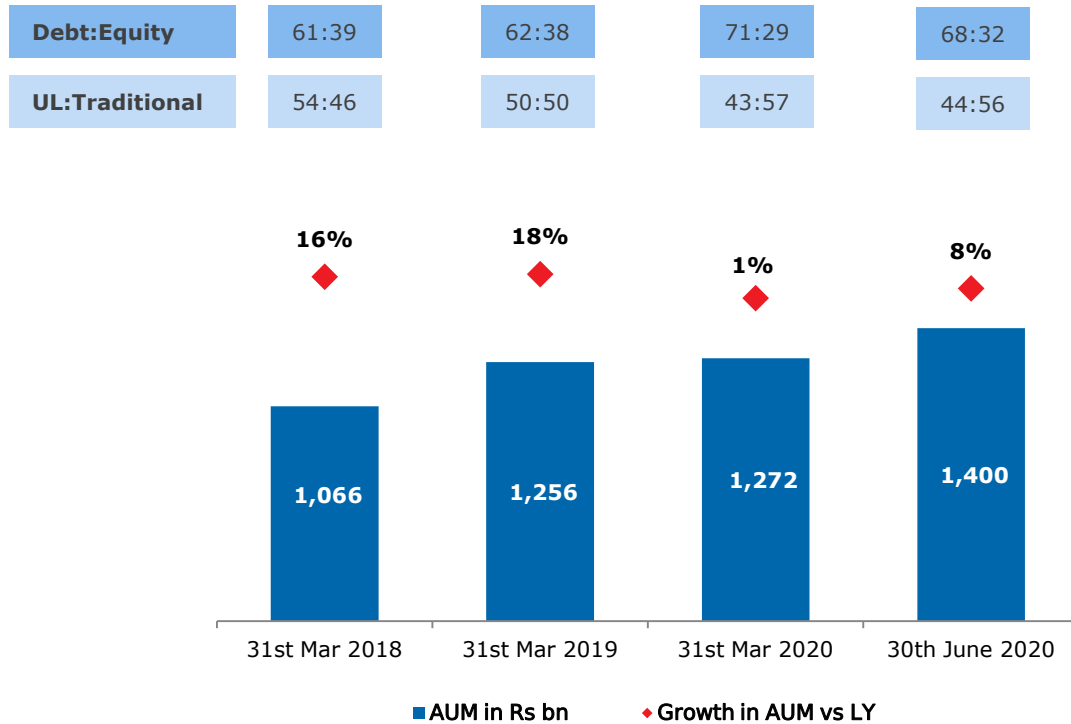
ESG

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.

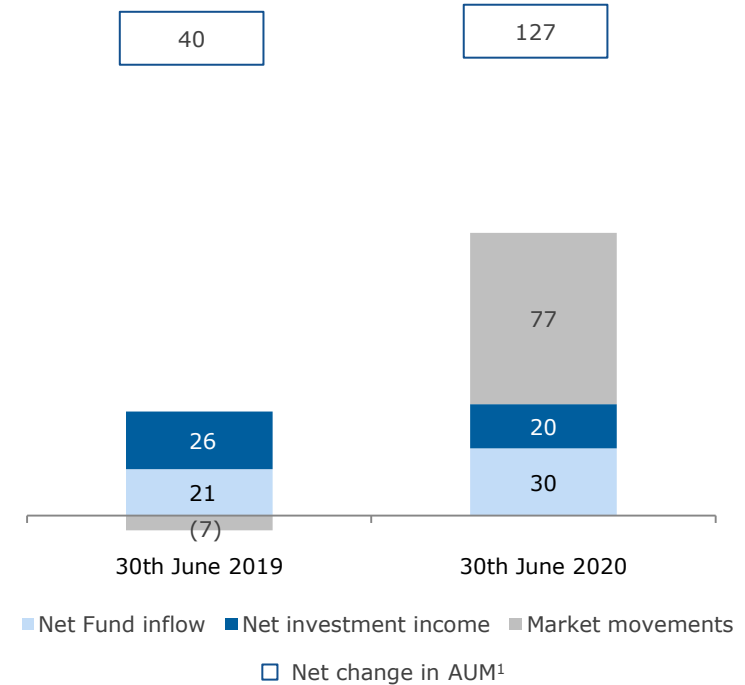
Assets under management

Assets Under Management



Change in AUM¹

Rs Bn.

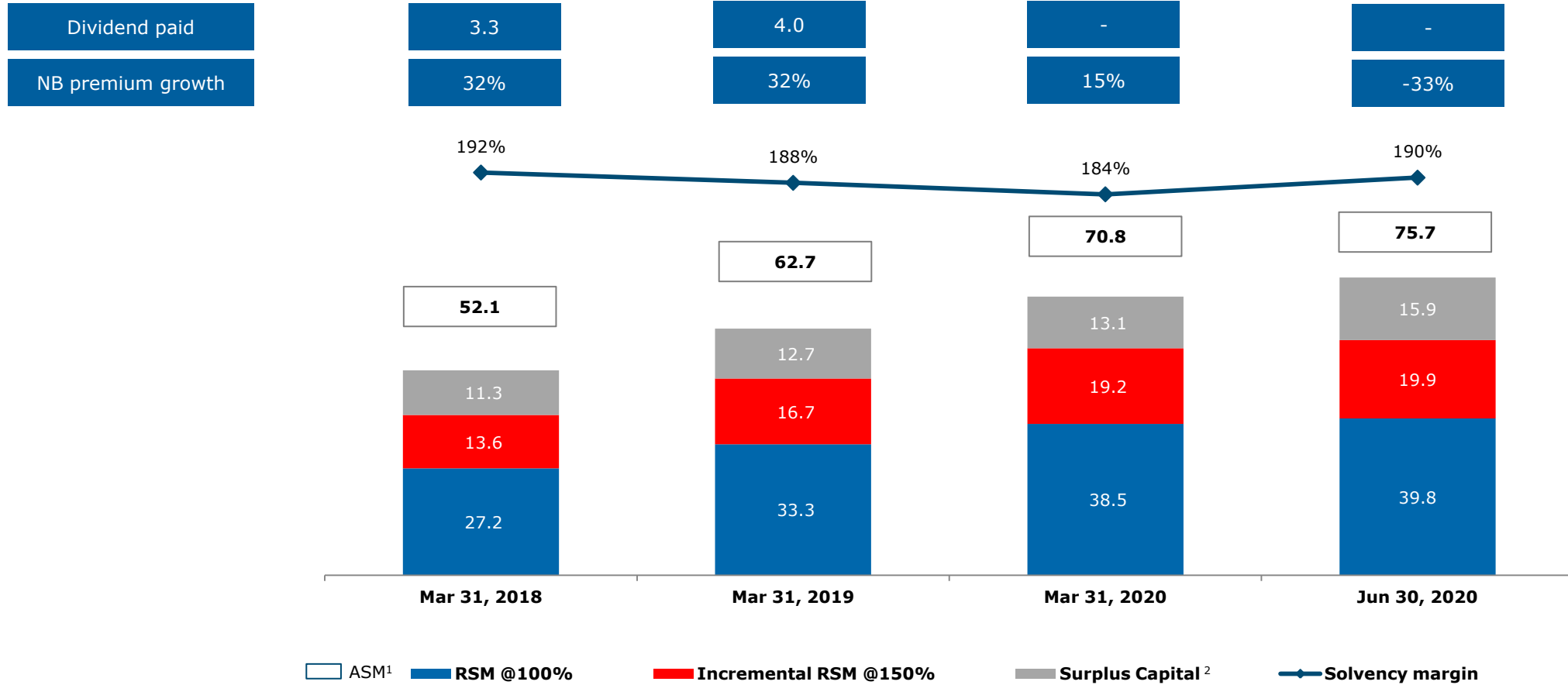


- Continue to rank amongst top 3 private players, in terms of assets under management²
- About 97% of debt investments in Government bonds and AAA rated securities as on Jun 30, 2020

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

Stable capital position

Rs Bn.



Actuarial
Financial
ESG

- Internal accruals have supported new business growth with no capital infused in last nine years (except through issuance of ESOPs)
- Improvement in solvency on account of accretion to backbook and favourable market movements

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



Promoting responsible behavior

Governance Structure

- Corporate Governance Policy
- Board diversity policy
 - 30% women occupancy in the Board
- Board Evaluation and Independence
 - Self-assessment of Board Performance
 - 50% of the Board consists of Independent Directors
 - Regulatory norm as per 'Fit and Proper'
 - Average Board experience is >30 yrs

Compensation Framework

- Remuneration Policy recommended by Nomination and Remuneration Committee
- Performance management system is deeply entrenched in the principles of balanced scorecard

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

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

Risk Management and BCM

- Risk management policy
- Enterprise risk management (ERM) framework
 - Designed and approved by the board
 - Based on 'Three Lines of Defense approach'
- Risk awareness
 - Throughout the year by way of Trainings, Workshops, E-mailers, Seminars, Conferences, Quizzes and Special awareness drives
- Sensitivity analysis and stress testing
 - Conducted periodically
- Business Continuity Management(BCM)
 - Creation of a recovery plan for critical business activities of a function or process

Actuarial

Financial

ESG

Social initiatives

Culture of care and giving/reimagining insurance

Inclusive Growth

- CSR Programs – Swabhimaan are aligned with the UN SDGs
 - 22 CSR projects in Education, Health, Environment, Livelihood and Disaster Relief implemented across 25 states and 3 UTs impacting >280K beneficiaries in India
- Financial Inclusion: Insurance products especially designed for economically weaker sections
 - Insured >40 million lives in microfinance in FY20
- COVID 19: Contribution to PM Cares Fund and support to hospitals with medical supplies, nutritional meals for frontline healthcare workers

Customer Centricity

- Improve Lives with products designed to suit the different life stage needs
- Focus on leveraging technology to simplify life insurance for customers – be it 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
- Voice of Customers (VOC) study: The FY 2020 exit score was overachieved

Employee Diversity and Engagement

- Focus on Diversity and Inclusion; 24% of employees are women
- Talent Management Process such as Potential Review Process, Stride and Zenith
- Contemporary Employee Development Programs such as M-Learn and M-Connect
- Performance management system on the principles of Balanced Scorecard
- Employee health and wellbeing
 - Flexi working hours, childcare facility, paid paternity / maternity leave
 - Health and fitness – Fit by Bit
- 95% participated in E-Sat Study

Actuarial

Financial

ESG

Environmental initiatives

Creating a better environment

Energy and Water

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

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

Digitization

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

Business Travel

- 40+ video conferencing rooms setup to reduce travel

Waste Management

- Segregation and proper disposal of waste- dry and wet
- No single-use plastics
 - Use of bio-degradable garbage bags
 - Cafeteria's 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 Trans-boundary Movement) Rules, 2016 and E-waste (Management), Rules, 2016

Actuarial

Financial

ESG

Performance Snapshot

Our Strategy

Managing Covid-19

Customer Insights

Annexures

India Life Insurance

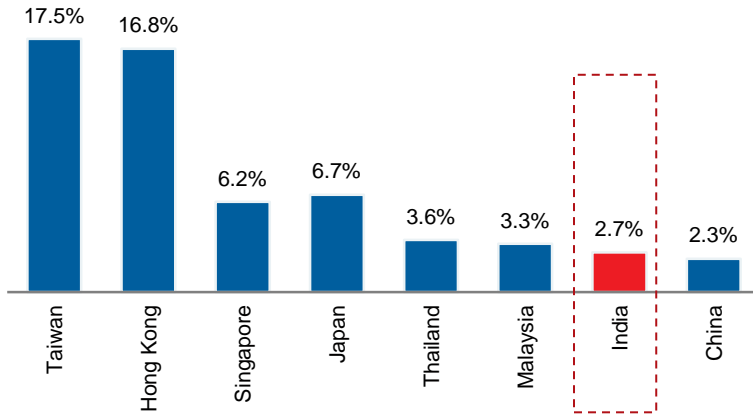
6

India Life Insurance

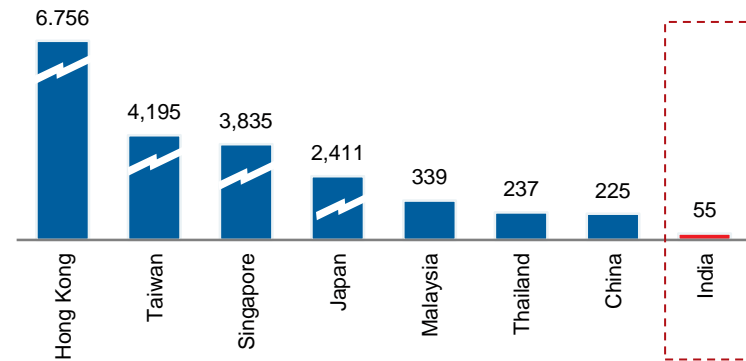


Growth opportunity: Under-penetration and favourable demographics

**Life Insurance penetration¹
(2018)**

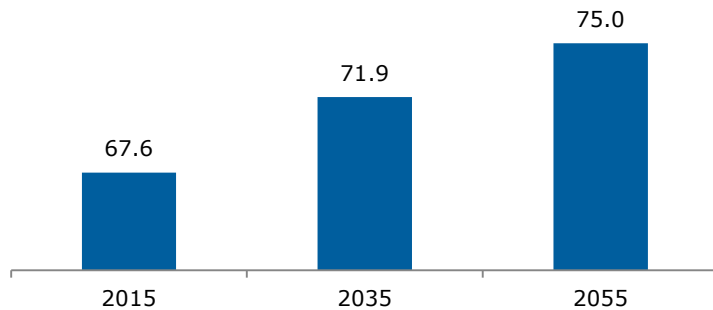


**Life Insurance density US\$²
(2018)**

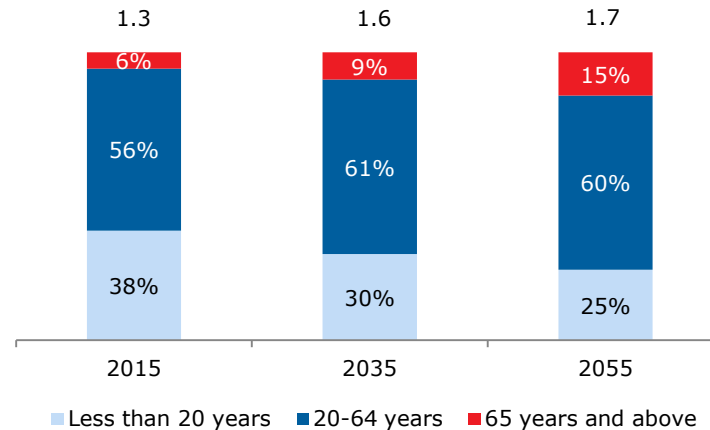


- India remains vastly under-insured, both in terms of penetration and density
- Huge opportunity to penetrate the underserved segments, with evolution of the life insurance distribution model

Life expectancy (Years)



Population composition (Bn.)



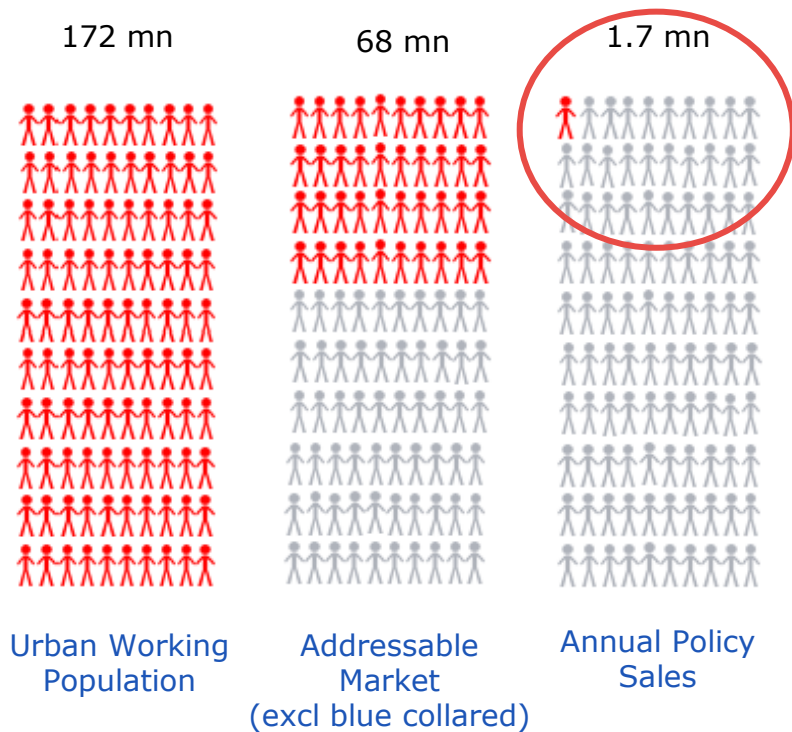
- India's insurable population is expected to touch 750 million by 2020
- India's elderly population is expected to double by 2035 (as compared to 2015)
- Emergence of nuclear families and advancement in healthcare facilities lead to increase in life expectancy thus facilitating need for pension and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

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



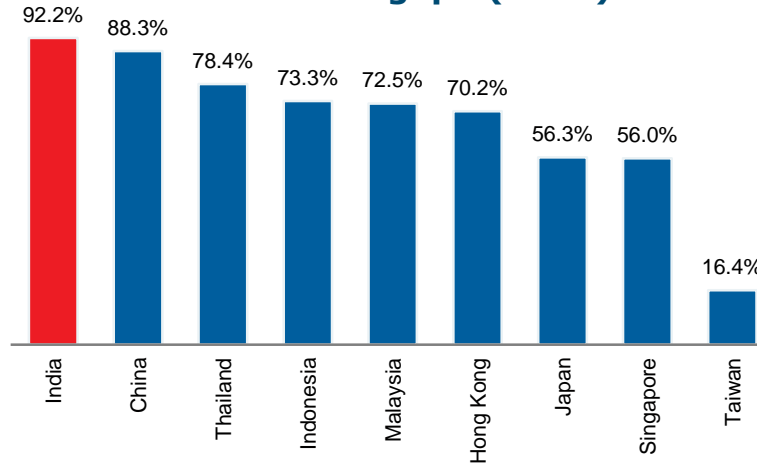
- Only 1 out of 40 people (2.5%) who can afford it is buying a policy every year 1
- Even within the current set, Sum Assured as a multiple of Income is <1x

1. Goldman Sachs Report, March 2019

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

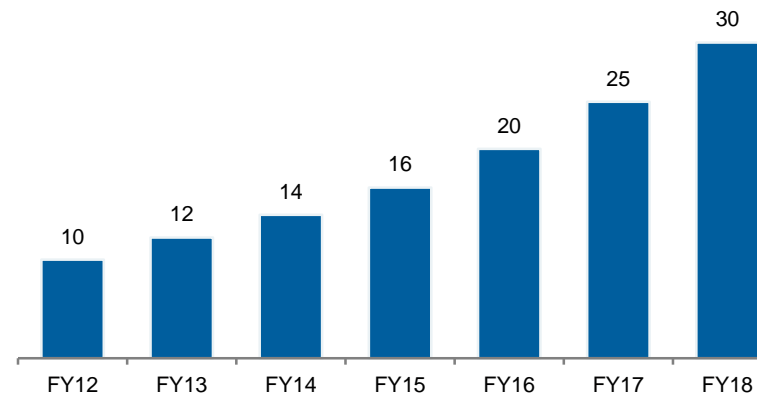
3. Kotak institutional equities

Protection gap ² (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 ³ (Rs Tn.)

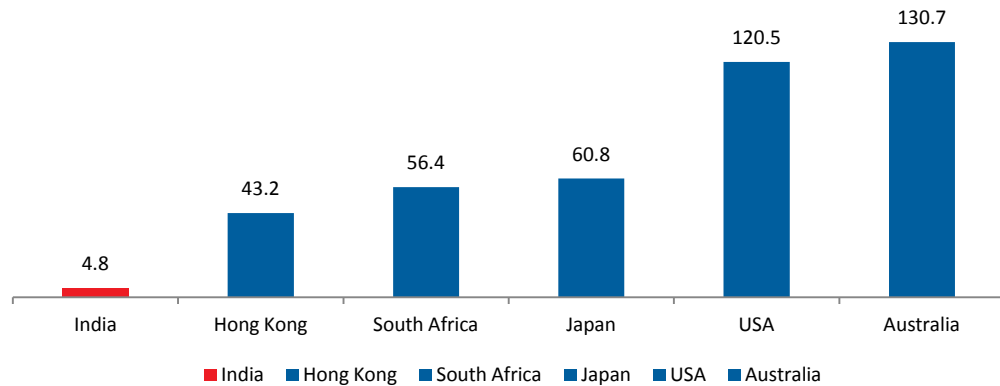


- Retail credit has grown at a CAGR of 21% over last 6 years
- Increasing retail indebtedness to spur need for credit life products
- Immense opportunity given:
 - Increasing adoption of credit
 - Enhancement of attachment rates
 - Improvement in value penetration
 - Widening lines of businesses

Macro opportunity – Retirement solutions

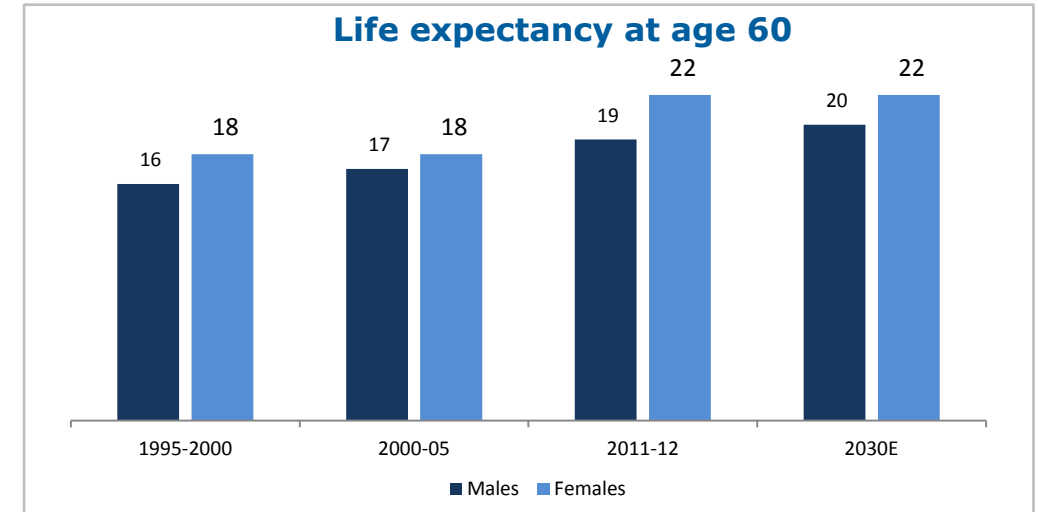
India's pension market is under-penetrated at 4.8% of GDP

Pension Assets / GDP Ratio



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

Life expectancy at age 60



60+ population is expected to almost triple by 2050

Ageing population



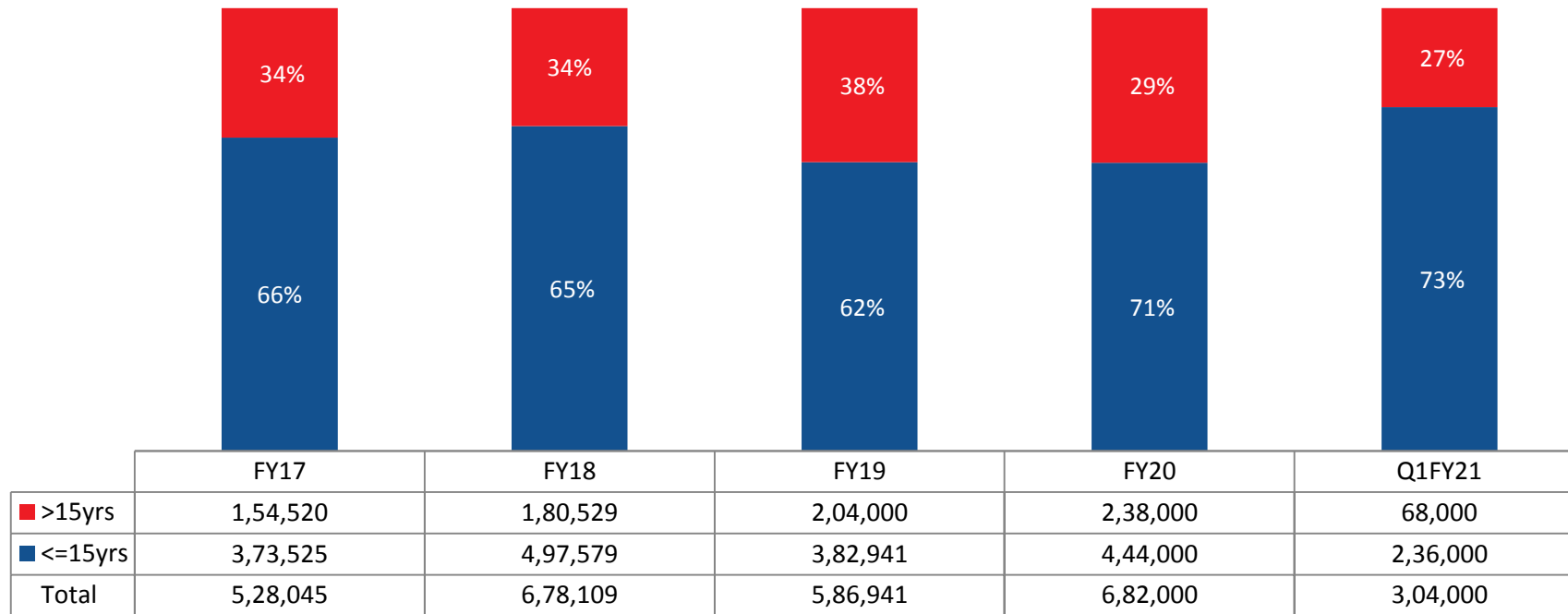
- Average household size has decreased from 4.6 in 2001 to 3.9 in 2018
- Total Pension AUM is expected to grow to Rs 47 Tn by 2025 (more than 1/3rd accounted for by NPS)
- Mandatory schemes to increase coverage for both unorganized and organized sectors



Government bond auctions

Government Bonds – Tenorwise Issuance

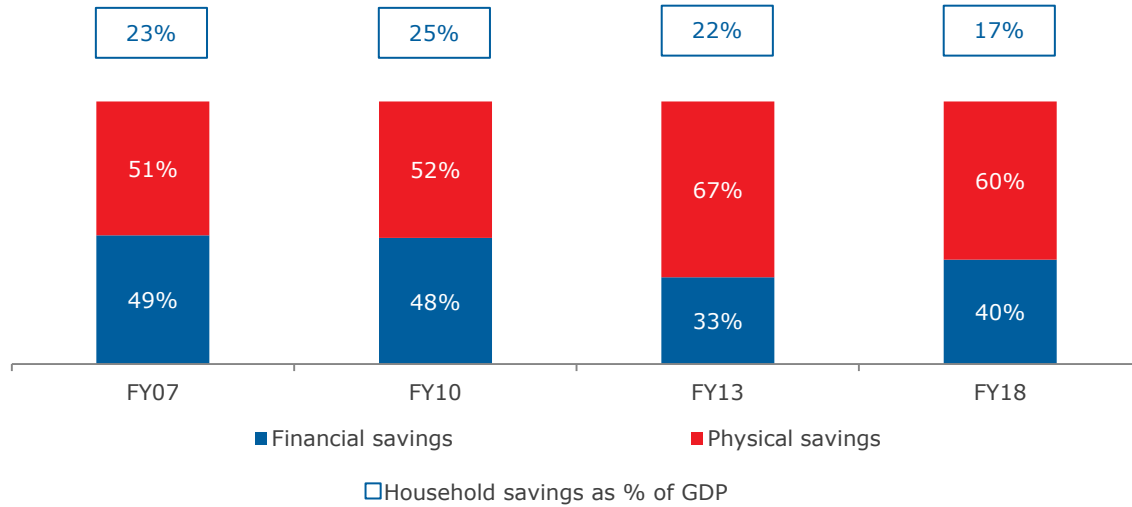
Rs Cr



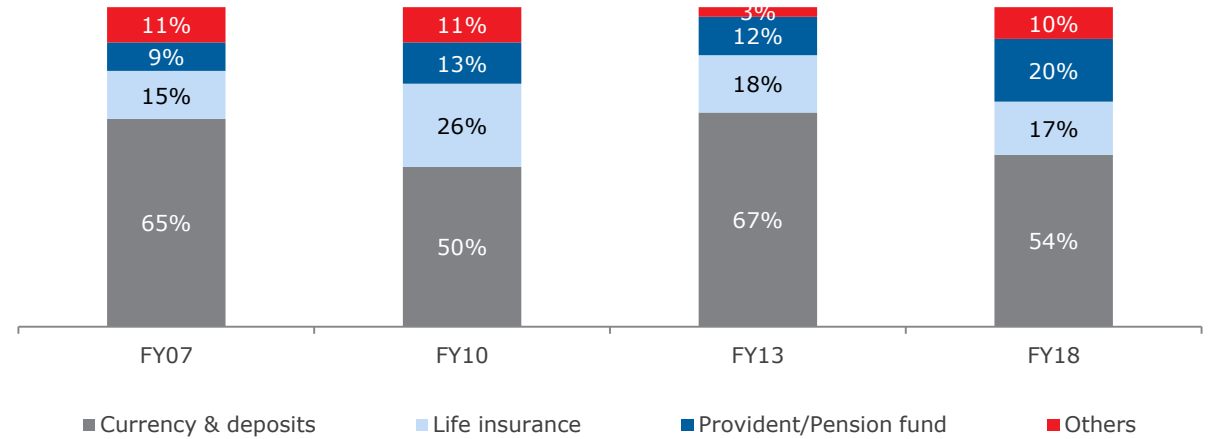
- Auction of >15 year maturity bonds has been ~30% on an average facilitates writing annuity business at scale
- Budget estimate plan for government borrowing for FY21 at Rs. 12 trillion on gross basis
- The actual borrowing till Q1 is 25% of the budget

Life Insurance: A preferred savings instrument

Household savings composition

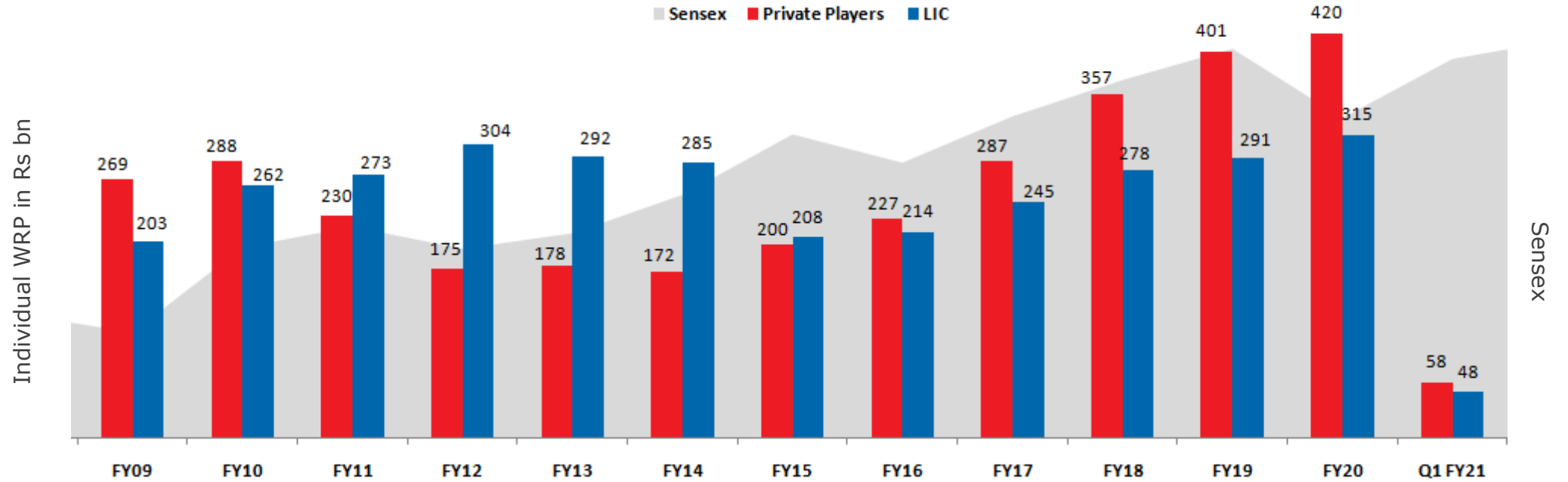


Financial savings mix



- Increasing preference towards financial savings with increasing financial literacy within the population
- Various government initiatives to promote financial inclusion:
 - Implementation of JAM trinity – around 398 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 business¹ trends



Private players Market share

	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	Q1 FY21
Private	57%	52%	46%	37%	38%	38%	49%	52%	54%	56%	58%	57%	55%
LIC	1%	7%	-20%	-24%	2%	-3%	16%	14%	26%	24%	12%	5%	-23%
Overall	-22%	29%	4%	11%	-4%	-2%	-27%	3%	15%	13%	5%	8%	-11%
Overall	-10%	17%	-9%	-5%	-2%	-3%	-11%	8%	21%	19%	9%	6%	-18%

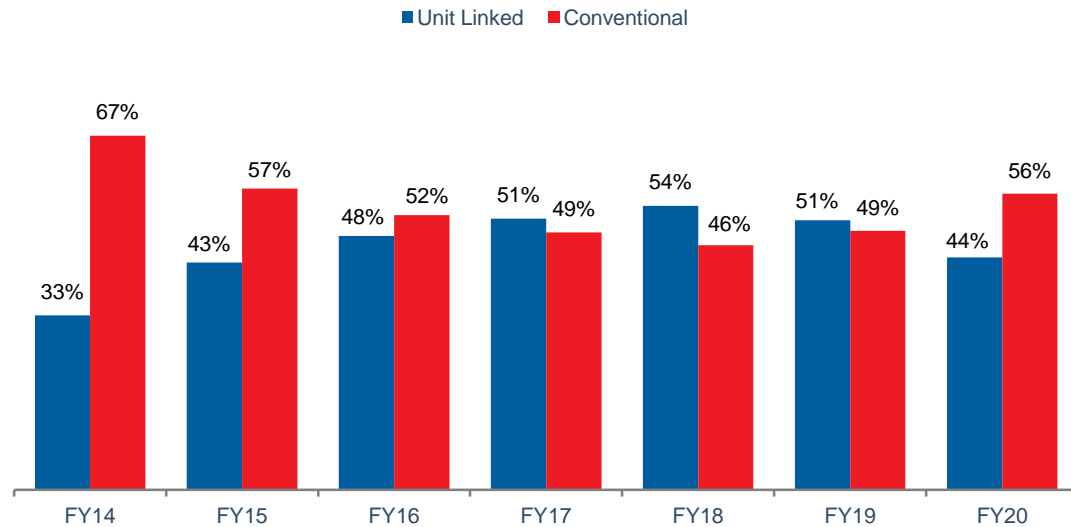
- Private sector gained higher Market share than LIC for the first time in FY16, post FY11 regulatory changes
- Amongst private insurers, insurers with a strong bancassurance platform continue to dominate with increasing market share of the total private individual new business

1. Basis Individual Weighted Received Premium (WRP)

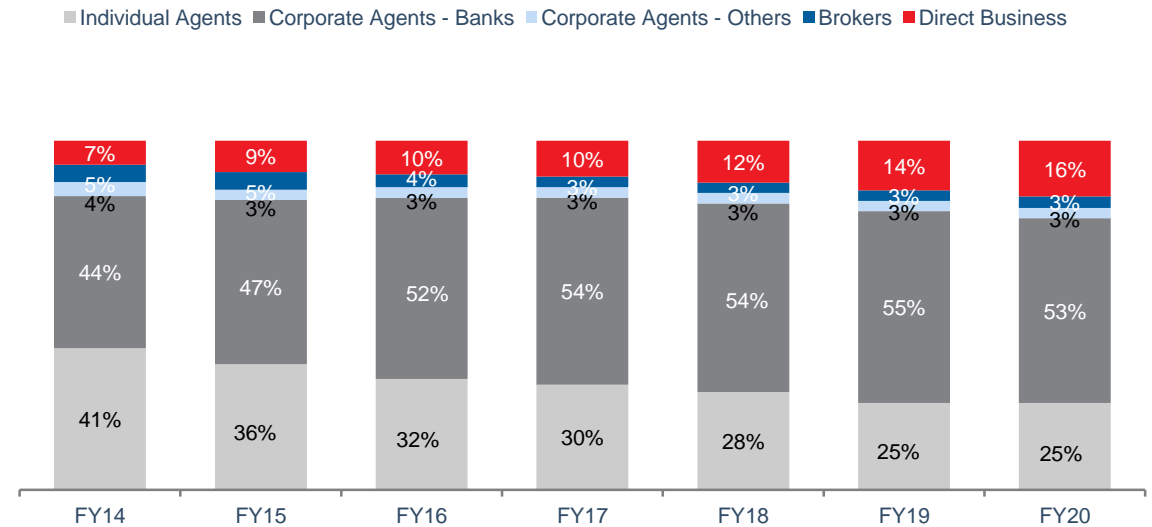
Source: IRDAI and Life Insurance Council

Private industry: Product and distribution mix

Product mix ¹



Distribution mix ²



- 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 for all private players (except Aviva Life in FY20)

Source: IRDAI and Life Insurance Council

Appendix

Financial and operational snapshot (1/2)

	Q1 FY21	Q1 FY20	Growth	FY20	FY19	FY18	CAGR	Rs Bn.
<i>New Business Premium (Indl. + Group)</i>	26.2	39.3	-33%	172.4	149.7	113.5	23%	
<i>Renewal Premium (Indl. +Group)</i>	32.4	26.1	24%	154.7	142.1	122.1	13%	
Total Premium	58.6	65.4	-10%	327.1	291.9	235.6	18%	
Individual APE	10.7	13.8	-22%	61.4	52.0	48.9	12%	
Overall APE	12.0	17.1	-30%	74.1	62.6	55.3	16%	
Group Premium (NB)	10.6	19.7	-46%	87.8	73.3	54.1	27%	
Profit after Tax	4.5	4.2	6%	13.0	12.8	11.1	8%	
- <i>Policyholder Surplus</i>	3.5	3.5	-1%	10.9	9.0	8.5	13%	
- <i>Shareholder Surplus</i>	1.0	0.7	40%	2.1	3.8	2.6	-11%	
Dividend Paid	(1) -	-	NA	-	4.0	3.3	NA	
Assets Under Management	1,399.7	1,295.8	8%	1,272.3	1,255.5	1,066.0	9%	
Indian Embedded Value	225.8	192.3	17%	206.5	183.0	152.2	16%	
Net Worth	(2) 74.5	60.8	22%	69.9	56.6	47.2	22%	
NB (Individual and Group segment) lives insured (Mn.)	2.7	13.0	-79%	61.3	51.4	33.2	36%	
No. of Individual Policies (NB) sold (In 000s)	194.5	203.3	-4%	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)

	Q1 FY21	Q1 FY20	FY20	FY19	FY18
Overall New Business Margins (post overrun)	24.3%	29.8%	25.9%	24.6%	23.2%
Operating Return on EV ⁽¹⁾	15.8%	19.9%	18.1%	20.1%	21.5%
Operating Expenses / Total Premium	11.5%	13.4%	13.1%	13.1%	13.5%
Total Expenses (OpEx + Commission) / Total Premium	15.6%	18.5%	17.7%	17.0%	18.0%
Return on Equity ⁽²⁾	25.0%	28.9%	20.5%	24.6%	26.0%
Solvency Ratio	190%	193%	184%	188%	192%
Persistency (13M / 61M) ⁽³⁾	87%/53%	85%/53%	88%/54%	84%/51%	83%/50%
Market Share (%)					
- Individual WRP	18.5%	17.5%	14.2%	12.5%	13.3%
- Group New Business	20.7%	30.0%	29.0%	28.4%	28.5%
- Total New Business	20.7%	25.1%	21.5%	20.7%	19.1%
Business Mix (%)					
- Product (UL/Non par savings/Non par protection/Par) ⁽⁴⁾	27/33/11/30	26/63/5/6	28/45/8/19	55/20/7/18	57/9/5/28
- Indl Distribution (CA/Agency/Broker/Direct) ⁽⁴⁾	59/12/5/24	56/15/9/20	55/14/9/22	64/13/4/19	71/11/5/14
- Total Distribution (CA/Agency/Broker/Direct/Group) ⁽⁵⁾	27/7/2/23/41	24/7/3/17/50	23/7/3/17/51	26/7/2/16/49	33/7/2/10/48
- Share of protection business (Basis Indl APE)	10.5%	5.5%	7.6%	6.7%	5.1%
- Share of protection business (Basis Overall APE)	13.1%	17.8%	17.2%	16.7%	11.3%
- Share of protection business (Basis NBP)	13.6%	25.8%	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



Revenue and Profit & Loss A/c

Revenue A/c

	Q1 FY21	Q1 FY20
Premium earned	58.6	65.4
Reinsurance ceded	(1.4)	(0.8)
Income from Investments	(87.5)	20.5
Other Income	0.3	0.2
Transfer from Shareholders' Account	-	-
Total Income	145.0	85.3
Commissions	2.4	3.3
Expenses	6.7	8.8
GST on UL charges	0.8	0.8
Provision for taxation	0.3	0.0
Provision for diminution in value of investments	(0.6)	0.8
Benefits paid	26.4	35.1
Change in valuation reserve	104.9	31.2
Bonuses Paid	1.5	1.5
Total Outgoings	142.5	81.5
Surplus	2.5	3.8
Transfer to Shareholders' Account	3.5	3.5
Funds for future appropriation - Par	(1.0)	0.3
Total Appropriations	2.5	3.8

Profit and Loss A/c

Rs Bn.

	Q1 FY21	Q1 FY20
Income		
Interest and dividend income	0.9	0.8
Net profit/(loss) on sale	0.0	0.2
Transfer from Policyholders' Account	3.5	3.5
Other Income	0.0	0.0
Total	4.4	4.5
Outgoings		
Transfer to Policyholders' Account	-	-
Expenses	0.1	0.0
Provision for diminution in value of investments	(0.1)	0.1
Provision for Taxation	0.0	0.1
Total	(0.1)	0.2
Profit for the year as per P&L Statement	4.5	4.2
Interim Dividend paid (including tax)	0.0	0.0
Profit carried forward to Balance Sheet	4.5	4.2

Balance sheet

	June 30, 2020	June 30, 2019	Mar 31, 2020
Shareholders' funds			
Share capital (including Share premium)	24.3	23.9	24.2
Accumulated profits	50.2	37.0	45.7
Fair value change	(0.6)	(0.0)	(1.9)
Sub total	74.0	60.8	68.0
Policyholders' funds		-	
Fair value change	8.1	10.3	0.5
Policy Liabilities	684.2	568.0	652.7
Provision for Linked Liabilities	581.1	600.4	508.4
Funds for discontinued policies	34.2	33.0	33.4
Sub total	1,307.6	1,211.6	1,195.0
Funds for future appropriation (Par)	7.9	11.3	8.8
Total Source of funds	1,389.4	1,283.7	1,271.9
		-	
Shareholders' investment	63.0	51.8	58.6
Policyholders' investments: Non-linked	721.5	610.7	671.9
Policyholders' investments: Linked	615.3	633.3	541.8
Loans	3.0	1.2	3.0
Fixed assets	3.3	3.4	3.3
Net current assets	(16.7)	(16.7)	(6.7)
Total Application of funds	1,389.4	1,283.7	1,271.9

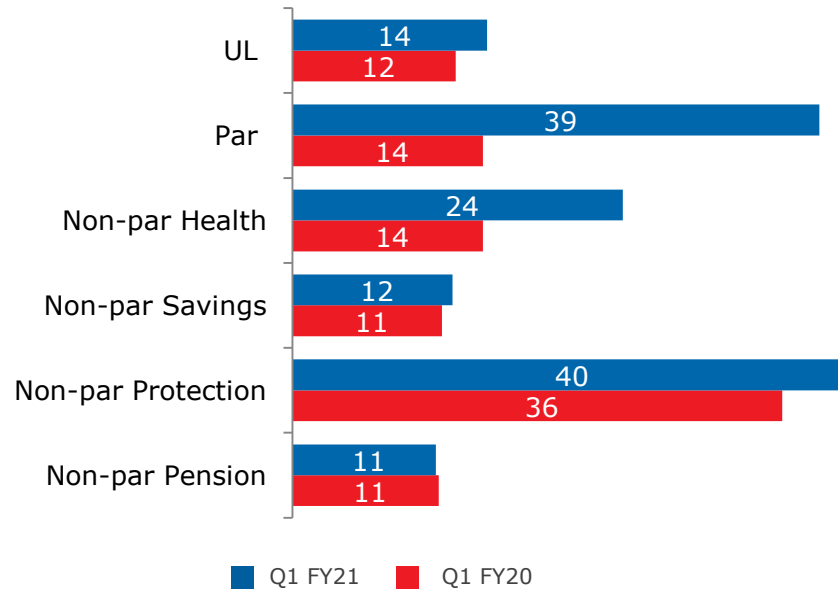
Rs Bn.



Segment wise average term and age¹

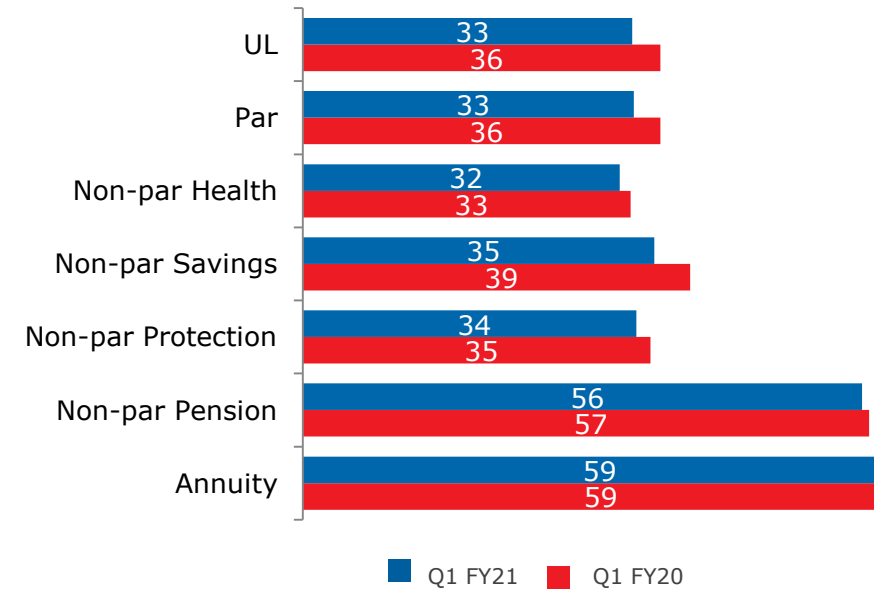
Average Policy Term excluding annuity (Yrs)

Q1 FY21: 25.7 (Q1 FY20: 14.8)



Average Customer Age excluding annuity (Yrs)

Q1 FY21: 34.2 (Q1 FY20: 37.9)



- 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 assumptions¹

Years	Forward rates %		Spot rates %	
	As at Jun 30, 2020	As at Jun 30, 2019	As at Jun 30, 2020	As at Jun 30, 2019
1	3.57	6.31	3.51	6.12
2	4.74	6.70	4.07	6.30
3	5.78	6.98	4.59	6.45
4	6.50	7.19	5.01	6.58
5	6.98	7.35	5.36	6.68
10	7.60	7.64	6.30	6.99
15	7.33	7.67	6.59	7.12
20	7.07	7.65	6.68	7.18
25	6.92	7.64	6.69	7.22
30+	6.85	7.63	6.68	7.24

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

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