Agenda

1. Performance Snapshot
2. Our Strategy
4. Customer Insights
5. Annexures
6. India Life Insurance
## Executive summary: 9M FY21

**Revenue growth and Market share**
- Expansion in market share\(^1\) by 214 bps from 14.3% to 16.4%
- Individual WRP grew by 19% in Q3. 8% growth in 9M FY21 v/s private industry de-growth of 6%

**Product mix**
- Balanced product mix\(^2\) (UL: 23%, Par: 35%, Non-par savings: 30%, Protection: 7%, Annuity: 5%)
- 17% growth in retail protection and 42% growth in Annuity

**Renewal collection**
- Renewal premium growth of 22% with stable 13th month persistency

**Cost management**
- Opex ratio at 12.1% for 9M FY21 compared to 13.7% in 9M FY20

**New business margins**
- Improvement in sequential new business margins
- NBM of 25.6%, on the back of higher growth and favourable product mix

**Profit after tax**
- PAT of Rs 10.4 bn, with growth of 6%

**Capital position**
- Solvency ratio healthy at 202%

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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**

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>9M</th>
</tr>
</thead>
<tbody>
<tr>
<td>PY</td>
<td>13.2</td>
<td>14.3</td>
<td>15.1</td>
<td>42.6</td>
</tr>
<tr>
<td>CY</td>
<td>10.7</td>
<td>17.4</td>
<td>18.0</td>
<td>46.1</td>
</tr>
</tbody>
</table>

**Expanding market share¹**

<table>
<thead>
<tr>
<th></th>
<th>9M FY20</th>
<th>9M FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>14.3%</td>
<td>16.4%</td>
</tr>
</tbody>
</table>

**Optimizing product mix**

- Maintained balanced product mix
- 42% growth in annuity

**Improvement in CP² volumes with pickup in disbursements**

<table>
<thead>
<tr>
<th></th>
<th>Q1 FY21</th>
<th>Q2 FY21</th>
<th>Q3 FY21</th>
<th>9M FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>-74%</td>
<td>-36%</td>
<td>-5%</td>
<td>-37%</td>
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</tbody>
</table>

1. Based on Individual WRP; 2. Based on Credit Protect NBP
Demonstrating resilience in the current environment (2/2)

Focus on diversified channel mix

<table>
<thead>
<tr>
<th></th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>9M FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bancassurance</td>
<td>14%</td>
<td>19%</td>
<td>22%</td>
<td>19%</td>
</tr>
<tr>
<td>Brokers and others</td>
<td>11%</td>
<td>13%</td>
<td>14%</td>
<td>12%</td>
</tr>
<tr>
<td>Agency</td>
<td>71%</td>
<td>64%</td>
<td>55%</td>
<td>63%</td>
</tr>
<tr>
<td>Direct</td>
<td>5%</td>
<td>4%</td>
<td>9%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Steady expansion in VNB margin

<table>
<thead>
<tr>
<th></th>
<th>FY19</th>
<th>FY20</th>
<th>9M FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Business Margins (NBM)</td>
<td>24.6%</td>
<td>25.9%</td>
<td>25.6%</td>
</tr>
</tbody>
</table>

Healthy solvency position and consistent growth in PAT

<table>
<thead>
<tr>
<th></th>
<th>Mar 31, 2020</th>
<th>Dec 31, 2020</th>
<th>9M FY20</th>
<th>9M FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solvency margin</td>
<td>184%</td>
<td>202%</td>
<td>9.8</td>
<td>10.4</td>
</tr>
<tr>
<td>Profit after tax(PAT)</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Strong growth in renewal premium

<table>
<thead>
<tr>
<th></th>
<th>9M FY20</th>
<th>9M FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium</td>
<td>99.4</td>
<td>121.3</td>
</tr>
</tbody>
</table>

- Improving MoM collection
- Continue to remain cautious on UL persistency

1. Basis Individual APE
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

<table>
<thead>
<tr>
<th>Economic Profit</th>
<th>Accounting Profit</th>
<th>Rs Bn.</th>
</tr>
</thead>
<tbody>
<tr>
<td>New business Margin</td>
<td>FY18</td>
<td>23.2%</td>
</tr>
<tr>
<td>Value of new business</td>
<td></td>
<td>12.8</td>
</tr>
<tr>
<td>Profit after tax (PAT)</td>
<td></td>
<td>11.1</td>
</tr>
<tr>
<td>Underwriting profits</td>
<td></td>
<td>8.5</td>
</tr>
<tr>
<td>Shareholders’ surplus</td>
<td></td>
<td>2.6</td>
</tr>
</tbody>
</table>

Underwriting profits breakup

<table>
<thead>
<tr>
<th></th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>9M FY20</th>
<th>9M FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Business Strain</td>
<td>-10.6</td>
<td>-16.5</td>
<td>-19.1</td>
<td>-15.7</td>
<td>-17.8</td>
</tr>
<tr>
<td>Backbook Surplus</td>
<td>19.1</td>
<td>25.5</td>
<td>29.9</td>
<td>22.8</td>
<td>24.7</td>
</tr>
</tbody>
</table>

Profitable growth

- Diversified distribution mix
- Market-leading innovation
- Reimagining insurance
- Quality of Board and management
- Economic Profit
  - Accounting Profit
  - Profitable growth

Key metrics:
- Value of new business
- Underwriting profits
- Shareholders’ surplus

Economic Profit
- FY18: 12.8
- FY19: 15.4
- FY20: 19.2
- FY21: 14.1

Accounting Profit
- FY18: 11.1
- FY19: 12.8
- FY20: 13.0
- FY21: 10.4

Underwriting profits
- FY18: 8.5
- FY19: 9.0
- FY20: 10.9
- FY21: 6.9

Shareholders’ surplus
- FY18: 2.6
- FY19: 3.8
- FY20: 2.1
- FY21: 3.6

Profitable growth metrics:
- FY18: 23.2%
- FY19: 24.6%
- FY20: 25.9%
- FY21: 25.6%

Underwriting profits breakup:
- FY18: 19.1%
- FY19: 25.5%
- FY20: 29.9%
- FY21: 24.7%

8% increase from FY18 to FY21.
Analysis of change in IEV²

- Operating experience continue to be positive and in line with our assumptions
- Covid reserve adequate for current mortality trends; to be reviewed periodically

1. EVOP% calculated as annualised EVOP (Embedded Value Operating Profit) to Opening EV
Diversified distribution mix enabled by

**Strong partnerships**
- Strong network of 250+ traditional partners and brokers

**Focus on proprietary channels**
- **Building a structurally solid agency channel**: focus on building a strong and quality workforce along with increasing FLS productivity
- Tapping new generation of customers through *online channel*; expanding geographical presence

**Explore new opportunities**
- Platform to tap the growing pension and retirement space ([https://life99.in/](https://life99.in/))
- Point of Sale products

**Tap emerging eco-systems**
- 50+ partnerships across health, auto, telecom, mutual funds, fintech firms

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1. Basis Individual APE; 2. Direct includes online channel
Addressing customer needs at every stage of life

<table>
<thead>
<tr>
<th>Objective</th>
<th>&lt;25 years</th>
<th>26-35 years</th>
<th>36 – 50 years</th>
<th>50+ years</th>
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<tbody>
<tr>
<td>Needs</td>
<td>Simple Savings</td>
<td>Borrowing</td>
<td>Investments</td>
<td>Asset Drawdown</td>
</tr>
<tr>
<td>Needs</td>
<td>First Job</td>
<td>Get married</td>
<td>Plan for retirement</td>
<td>Retire</td>
</tr>
<tr>
<td>Needs</td>
<td>Buy new car</td>
<td>Medical care</td>
<td>Medical care</td>
<td>Medical care</td>
</tr>
<tr>
<td>Needs</td>
<td>Buy Home</td>
<td>Child’s education</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Product Offerings</th>
<th>UL</th>
<th>Par</th>
<th>Non par savings</th>
<th>Protection</th>
<th>Annuity</th>
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<tbody>
<tr>
<td>Simple Savings</td>
<td>30%</td>
<td>37%</td>
<td>26%</td>
<td>7%</td>
<td>0%</td>
</tr>
<tr>
<td>Borrowing</td>
<td>26%</td>
<td>31%</td>
<td>29%</td>
<td>14%</td>
<td>0%</td>
</tr>
<tr>
<td>Investments</td>
<td>24%</td>
<td>31%</td>
<td>35%</td>
<td>9%</td>
<td>2%</td>
</tr>
<tr>
<td>Asset Drawdown</td>
<td>19%</td>
<td>41%</td>
<td>26%</td>
<td>1%</td>
<td>14%</td>
</tr>
</tbody>
</table>

### Product mix across age categories¹

1. Based on Individual WRP for 9M FY21
Expanding market through consistent product innovation

Balanced product suite helps in managing business cycles

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, GPS and Group Health

Sustained growth in individual protection

Ind Protection: 6% (PY 6%)
Group Protection: 7% (PY 11%)
Our approach to retirement solutions

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

1. NPS
   - Ranked #1 with AUM of Rs 139 bn amongst private owned Pension Fund Managers
   - Registered strong AUM growth of 81% in 9M FY21

3. Immediate / deferred annuity
   - Largest player in the private sector
   - Servicing 100+ corporates and >26,000 lives covered in 9M FY21

2. Individual income plans
   - Providing long term retirement solutions
   - Catering across age brackets & premium frequencies

4. Group superannuation fund
   - Managing funds for about 150+ corporates under superannuation scheme

Increasing retirement corpus

<table>
<thead>
<tr>
<th>Year</th>
<th>Rs Bn.</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY17</td>
<td>176</td>
</tr>
<tr>
<td>FY18</td>
<td>213</td>
</tr>
<tr>
<td>FY19</td>
<td>287</td>
</tr>
<tr>
<td>FY20</td>
<td>357</td>
</tr>
<tr>
<td>9M FY21</td>
<td>493</td>
</tr>
</tbody>
</table>

Preferred long-term retirement 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**

### Banca
- **UL**: FY18 64%, FY19 64%, FY20 32%, 9M FY21 26%
- **Par**: FY18 25%, FY19 13%, FY20 18%, 9M FY21 37%
- **Non par savings**: FY18 8%, FY19 17%, FY20 44%, 9M FY21 30%
- **Term**: FY18 3%, FY19 4%, FY20 4%, 9M FY21 5%
- **Annuity**: FY18 1%, FY19 3%, FY20 2%, 9M FY21 2%

### Direct
- **UL**: FY18 58%, FY19 50%, FY20 33%, 9M FY21 26%
- **Par**: FY18 17%, FY19 8%, FY20 14%, 9M FY21 17%
- **Non par savings**: FY18 9%, FY19 12%, FY20 20%, 9M FY21 13%
- **Term**: FY18 5%, FY19 6%, FY20 4%, 9M FY21 4%
- **Annuity**: FY18 11%, FY19 24%, FY20 29%, 9M FY21 40%

### Online
- **UL**: FY18 57%, FY19 62%, FY20 44%, 9M FY21 36%
- **Par**: FY18 1%, FY19 2%, FY20 1%, 9M FY21 1%
- **Non par savings**: FY18 0%, FY19 1%, FY20 1%, 9M FY21 1%
- **Term**: FY18 42%, FY19 35%, FY20 37%, 9M FY21 33%
- **Annuity**: FY18 0%, FY19 1%, FY20 1%, 9M FY21 2%

### Company
- **UL**: FY18 57%, FY19 55%, 9M FY21 28% 23%
- **Par**: FY18 28%, FY19 18%, 9M FY21 19% 35%
- **Non par savings**: FY18 7%, FY19 15%, 9M FY21 41% 30%
- **Term**: FY18 5%, FY19 7%, 9M FY21 8% 7%
- **Annuity**: FY18 2%, FY19 5%, 9M FY21 4% 5%

### Total APE
- **Term**: FY18 11%, FY19 17%, FY20 17%, 9M FY21 13%
- **Annuity**: FY18 2%, FY19 4%, FY20 4%, 9M FY21 5%
- **Total**: FY18 13%, FY19 21%, FY20 21%, 9M FY21 18%

### Total NBP
- **Term**: FY18 26%, FY19 27%, FY20 27%, 9M FY21 17%
- **Annuity**: FY18 9%, FY19 17%, FY20 16%, 9M FY21 19%
- **Total**: FY18 35%, FY19 44%, FY20 43%, 9M FY21 36%

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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

**Journey Simplification**
Customer sales journeys simplified via mobility applications for sales force

**Partner Integration**
Products and services built on API for ease of partner integration

**Service Simplification**
Simplified solutions for customers across the value chain

**Data Enrichment and Analytics**
Continuous improvement in raw data by gaining deeper insight into our customers’ lives

**Platforms and Ecosystems**
Insurance beyond digital: allow multiple participants to connect, create & exchange value

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**Insta Suite**
- Bringing our technological capabilities on the mobile platform in order to empower sales force

**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

**InstaQuote!**
- Mobile app for on-boarding of prospective agents

**InstaAIFL**
- Online payments & services: ~87% of renewal via online / debit mode
- **Robotic Process Automation**: more than 260+ bots deployed
- **Virtual Assist for Sales & Service**, current usage at ~1.65 million+ queries p.m.

**InstaMix**
- **Chat bot ELLE**
- **WhatsApp bot ETTY**

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

**InstaVerify**
- **Artificial Intelligence**: Use of predictive analysis for persistency, underwriting and claims (fraud prevention)

**InstaServ 2.0**
- **Big Data / Customer 360**: Brings all customer data – interactions, transactions & relationships in one place, in real time

**Insta GO**
- **Cloud Storage**: Data Lake (repository for entire enterprise data management)

**InstaPRL**
- **Lead Lake**: For effective lead storage & enrichment

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**Life99**
- One stop shop for retirement planning

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**Profitable growth**

**Diversified distribution mix**

**Market-leading innovation**

**Quality of Board and management**
Journey simplification - short journeys for specific requirements

POSP Journey

LifeEasy – Protection Journey

InstaSIP – ULIP Journey
Partner & Corporate Portals to ensure smooth partner integration

- **Customer servicing:** Availability of servicing tools on the portal to ensure service on the go
- **MIS and dashboard integration:** Quick view of logins, payouts, persistency
- **Value added services:** Access to Chatbots for real time query resolution
- **Automatic redirection to tools of HDFC Life:** Seamless access to HDFC Life applications
Governance framework

**Board of Directors**
Independent and experienced Board

**Board Committees**
- Audit Committee
- Risk Management Committee
- Investment Committee
- Policyholder Protection Committee
- Nomination & Remuneration Committee
- Corporate Social Responsibility Committee
- Stakeholders’ Relationship Committee
- With Profits Committee

**Management Committees/Councils**
- Compliance Council
- Risk Management Council
- ALCO
- Information & Cyber Security Council
- Credit Council
- Claims Review Committee
- Grievance Management Committee
- Disciplinary Panel for Malpractices
- Prevention of Sexual Harassment
- Whistleblower Committee

**Standalone councils**
- Product Council
- Technology Council
- Persistency Council

**Business and Innovation**
Profitable growth
Diversified distribution mix
Market-leading innovation

**Additional governance through Internal, Concurrent and Statutory auditors**

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

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

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

Sensitivity remains range-bound on the back of calibrated risk management

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Overall EV</th>
<th>VNB Margin</th>
<th>Overall EV</th>
<th>VNB Margin</th>
<th>Overall EV</th>
<th>VNB Margin</th>
<th>Overall EV</th>
<th>VNB Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Rate +1%</td>
<td>(1.2%)</td>
<td>(0.7%)</td>
<td>(1.3%)</td>
<td>(2.0%)</td>
<td>(2.0%)</td>
<td>(1.2%)</td>
<td>(1.7%)</td>
<td>(2.7%)</td>
</tr>
<tr>
<td>Interest Rate -1%</td>
<td>0.6%</td>
<td>0.2%</td>
<td>0.0%</td>
<td>1.7%</td>
<td>1.4%</td>
<td>0.6%</td>
<td>0.3%</td>
<td>1.9%</td>
</tr>
</tbody>
</table>

FY20 9M FY21

1. Comprises of Non par savings (incl Annuity) plus Protection
Performance of wholly-owned subsidiary\(^1\) companies

**HDFC Pension**

- Fastest growing PFM (Pension Fund Manager) under the NPS architecture (YoY growth of 81% in AUM)
- Market share grew from 30% in Dec’19 to 34% in Dec’20 amongst all PFMs
- Company has over 6.5 lakh customers - ~4.2 lakh in retail segment and ~ 2.3 lakh in corporate segment
- POP operations commenced in FY20 with enrolling of both retail and corporate subscribers; #1 POP in Corporate NPS business

**HDFC International Life and Re**

- Registered growth of 109% in gross reinsurance premium in 9M 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
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 started (100% branches operational), daily tracking of employee and agent safety
New business / purchase

- **Digital sales journey** - End-to-end digital sales, from prospecting till conversion, including customer interactions
- **Chat PCV and eCCD** - No dependence on salesperson or call center. ~55% verifications through Chat PCV; 64% adoption of eCCD

Policy servicing

- **SVAR** - Renewal collections - ~87% 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

Customer interactions

- **InstA** - Seamless support experience - 1.65 mn+ monthly queries handled by InstA (virtual assistant)
- **Use of mobile app** - Over 10x increase in mobile app usage

Employee / Partner engagement

- **e-learning platform** - 7,000+ agents attending training programs daily through mLearn / VC Platform
- **Gamified contests** - Launched to drive adoption of digital engagement initiatives

- **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 (100% branches operational)

Employee / Partner engagement

- **InstaPRL** - Agent on-boarding - Insta PRL enabling digital on-boarding of agents - 75,000+ 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

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New initiatives launched to manage volatile business environment due to the Covid-19 outbreak
Customer Insights
Customer Insights – A shift towards digital platforms

70% customers surveyed for a study, across age groups, showed increased confidence in purchasing policy via digital platform.

Digital purchase channels, i.e. website/app, payment app/e-wallets remain top 2 choices for more than 65% of the customers in the coming future.

Key reason for buying online is product simplicity and quality of user experience (ease of making application, simple Underwriting and filing claims).

Around 40% customers are willing to share personal data on digital platforms, for customized offerings and better rates.

Rising consumer confidence in digital platforms is reflected in terms of preferred channels for insurance-related information.

Source: Swiss Re Study, Nov’20, across Indian markets.
Customer Insights – Customer Behaviour/Preferences

**Top reasons to buy Life insurance**

<table>
<thead>
<tr>
<th>Reason</th>
<th>2019 Rank</th>
<th>2013 Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protect family in case of death</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>To secure child’s education/marriage</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Old age security/retirement</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>For disciplined saving</td>
<td>4</td>
<td>8</td>
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<tr>
<td>Good returns</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Safe investment option</td>
<td>6</td>
<td>7</td>
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<td>Additional investment option</td>
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<td>4</td>
</tr>
<tr>
<td>Dual benefit of investment and insurance</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Tax Saving</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>To meet additional life cover</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

**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.

- 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.

*Source: Nielsen Syndicated U&A*
Annexures
Individual persistency for key channels and segments

### Across key channels (%)

<table>
<thead>
<tr>
<th>Channel</th>
<th>13th month</th>
<th>25th month</th>
<th>37th month</th>
<th>49th month</th>
<th>61st month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency</td>
<td>91</td>
<td>85</td>
<td>77</td>
<td>73</td>
<td>68</td>
</tr>
<tr>
<td>Banca</td>
<td>85</td>
<td>76</td>
<td>67</td>
<td>65</td>
<td>47</td>
</tr>
<tr>
<td>Direct</td>
<td>93</td>
<td>89</td>
<td>77</td>
<td>78</td>
<td>69</td>
</tr>
<tr>
<td>Company</td>
<td>89</td>
<td>80</td>
<td>69</td>
<td>67</td>
<td>53</td>
</tr>
</tbody>
</table>

### Across key segments (%)

<table>
<thead>
<tr>
<th>Segment</th>
<th>13th month</th>
<th>25th month</th>
<th>37th month</th>
<th>49th month</th>
<th>61st month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings (Traditional)</td>
<td>92</td>
<td>86</td>
<td>70</td>
<td>66</td>
<td>66</td>
</tr>
<tr>
<td>Savings (UL)</td>
<td>80</td>
<td>74</td>
<td>69</td>
<td>68</td>
<td>44</td>
</tr>
<tr>
<td>Protection</td>
<td>89</td>
<td>82</td>
<td>75</td>
<td>73</td>
<td>73</td>
</tr>
<tr>
<td>Company</td>
<td>87</td>
<td>75</td>
<td>71</td>
<td>66</td>
<td>53</td>
</tr>
</tbody>
</table>

1. Calculated as per IRDAI circular (based on original premium) for individual business
1. Reflects the impact of difference in mix of segment/distribution channel/tenure/age/sum assured multiple etc.

VNB and NBM walkthrough

VNB – Value of New Business; NBM – New Business Margin
## Sensitivity analysis – H1 FY21

### Analysis based on key metrics

<table>
<thead>
<tr>
<th>Change in</th>
<th>Scenario</th>
<th>Change in VNB Margin</th>
<th>% Change in EV</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reference rate</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase by 1%</td>
<td></td>
<td>-0.9%</td>
<td>-1.5%</td>
</tr>
<tr>
<td>Decrease by 1%</td>
<td></td>
<td>0.2%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Decrease by 10%</td>
<td></td>
<td>-0.1%</td>
<td>-1.3%</td>
</tr>
<tr>
<td><strong>Equity Market movement</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease by 10%</td>
<td></td>
<td>-0.1%</td>
<td>-1.3%</td>
</tr>
<tr>
<td><strong>Persistency (Lapse rates)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase by 10%</td>
<td></td>
<td>-0.3%</td>
<td>-0.7%</td>
</tr>
<tr>
<td>Decrease by 10%</td>
<td></td>
<td>0.2%</td>
<td>0.7%</td>
</tr>
<tr>
<td><strong>Maintenance expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase by 10%</td>
<td></td>
<td>-0.6%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>Decrease by 10%</td>
<td></td>
<td>0.6%</td>
<td>0.8%</td>
</tr>
<tr>
<td><strong>Acquisition Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase by 10%</td>
<td></td>
<td>-2.9%</td>
<td>NA</td>
</tr>
<tr>
<td>Decrease by 10%</td>
<td></td>
<td>2.9%</td>
<td>NA</td>
</tr>
<tr>
<td><strong>Mortality / Morbidity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase by 5%</td>
<td></td>
<td>-0.7%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>Decrease by 5%</td>
<td></td>
<td>0.7%</td>
<td>0.8%</td>
</tr>
<tr>
<td><strong>Tax rate</strong></td>
<td>Increased to 25%</td>
<td>-5.0%</td>
<td>-7.9%</td>
</tr>
</tbody>
</table>

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**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>61:39</td>
<td>62:38</td>
<td>71:29</td>
<td>64:36</td>
</tr>
<tr>
<td>UL:Traditional</td>
<td>54:46</td>
<td>50:50</td>
<td>43:57</td>
<td>44:56</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change in AUM</th>
<th>Rs Bn.</th>
</tr>
</thead>
<tbody>
<tr>
<td>31st Dec 2019</td>
<td>109</td>
</tr>
<tr>
<td>31st Dec 2020</td>
<td>384</td>
</tr>
</tbody>
</table>

- Continue to rank amongst top 3 private players, in terms of assets under management.
- Over 98% of debt investments in Government bonds and AAA rated securities as on Dec 31, 2020

1. Calculated as difference from April to December
2. Based on Assets under Management as on Sep 30, 2020
Stable capital position

- Stable solvency ratio, augmented by steady accretion to backbook

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’
  - Reviewed 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

**Actuarial/ Financial/ ESG**

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**HDFCLife**

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# 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 across 22 states and 3 UTs impacting >239K beneficiaries in India
  - 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

## 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

## Grievance Redressal Policy

- Overachieved on Voice of Customers (VOC) study in FY20
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

**CSR initiatives**
- Reducing operational footprint through CSR activities
  - 12 water ATMs installed in villages to provide clean drinking water
  - 13 city forests consisting of 16,239 trees across 33,250 sq.ft. created using Miyawaki method

**Business Travel**
- 40+ video conferencing rooms setup to reduce travel

**Compliant under the Hazardous and Other Wastes (Management and Trans-boundary Movement) Rules, 2016 and E-waste (Management), Rules, 2016**
India Life Insurance

Performance Snapshot

Our Strategy

Managing Covid-19

Customer Insights

Annexures

India Life Insurance
Growth opportunity: Under-penetration and favourable demographics

Indian 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.

- 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 premiums 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: 172 mn
- Addressable Market (excl blue collared): 68 mn
- Annual Policy Sales: 1.7 mn

<table>
<thead>
<tr>
<th>Country</th>
<th>Protection gap (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>83.0%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>76.0%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>74.0%</td>
</tr>
<tr>
<td>Thailand</td>
<td>71.0%</td>
</tr>
<tr>
<td>China</td>
<td>61.0%</td>
</tr>
<tr>
<td>Japan</td>
<td>55.0%</td>
</tr>
<tr>
<td>Singapore</td>
<td>55.0%</td>
</tr>
<tr>
<td>South Korea</td>
<td>54.0%</td>
</tr>
<tr>
<td>Australia</td>
<td>41.0%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td></td>
</tr>
</tbody>
</table>

- 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

<table>
<thead>
<tr>
<th>Year</th>
<th>Trend of retail loans (Rs Tn.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY10</td>
<td>8</td>
</tr>
<tr>
<td>FY12</td>
<td>12</td>
</tr>
<tr>
<td>FY14</td>
<td>17</td>
</tr>
<tr>
<td>FY16</td>
<td>24</td>
</tr>
<tr>
<td>FY18</td>
<td>34</td>
</tr>
<tr>
<td>FY20</td>
<td>42</td>
</tr>
</tbody>
</table>

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

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

60+ population is expected to almost triple by 2050

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

- 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 9M is 77.5% of the budget

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

Industry new business\(^1\) trends

<table>
<thead>
<tr>
<th>Year</th>
<th>Private Market Share</th>
<th>LIC Market Share</th>
<th>Overall Market Share</th>
<th>Private Growth %</th>
<th>LIC Growth %</th>
<th>Overall Growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY09</td>
<td>57%</td>
<td>-22%</td>
<td>-10%</td>
<td>1%</td>
<td>-2%</td>
<td>-11%</td>
</tr>
<tr>
<td>FY10</td>
<td>52%</td>
<td>29%</td>
<td>17%</td>
<td>7%</td>
<td>4%</td>
<td>8%</td>
</tr>
<tr>
<td>FY11</td>
<td>46%</td>
<td>4%</td>
<td>9%</td>
<td>-20%</td>
<td>11%</td>
<td>6%</td>
</tr>
<tr>
<td>FY12</td>
<td>37%</td>
<td>-4%</td>
<td>5%</td>
<td>-24%</td>
<td>-2%</td>
<td>-8%</td>
</tr>
<tr>
<td>FY13</td>
<td>38%</td>
<td>-2%</td>
<td>-2%</td>
<td>-38%</td>
<td>-27%</td>
<td>9%</td>
</tr>
<tr>
<td>FY14</td>
<td>38%</td>
<td>3%</td>
<td>-2%</td>
<td>16%</td>
<td>15%</td>
<td>8%</td>
</tr>
<tr>
<td>FY15</td>
<td>49%</td>
<td>14%</td>
<td>8%</td>
<td>49%</td>
<td>13%</td>
<td>6%</td>
</tr>
<tr>
<td>FY16</td>
<td>52%</td>
<td>26%</td>
<td>21%</td>
<td>52%</td>
<td>5%</td>
<td>9%</td>
</tr>
<tr>
<td>FY17</td>
<td>54%</td>
<td>24%</td>
<td>19%</td>
<td>54%</td>
<td>8%</td>
<td>6%</td>
</tr>
<tr>
<td>FY18</td>
<td>56%</td>
<td>12%</td>
<td>9%</td>
<td>56%</td>
<td>8%</td>
<td>8%</td>
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<tr>
<td>FY19</td>
<td>58%</td>
<td>5%</td>
<td>6%</td>
<td>58%</td>
<td>-11%</td>
<td>-8%</td>
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<tr>
<td>FY20</td>
<td>57%</td>
<td>4%</td>
<td>5%</td>
<td>57%</td>
<td>-6%</td>
<td>-8%</td>
</tr>
<tr>
<td>9MFY21</td>
<td>59%</td>
<td>-10%</td>
<td>-10%</td>
<td>59%</td>
<td>-11%</td>
<td>-11%</td>
</tr>
</tbody>
</table>

- 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
Product mix has recently moved towards conventional business for the private players with high focus on non-par savings.

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)

<table>
<thead>
<tr>
<th></th>
<th>9M FY21</th>
<th>9M FY20</th>
<th>Growth</th>
<th>FY20</th>
<th>FY19</th>
<th>FY18</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New Business Premium (Indl. + Group)</strong></td>
<td>135.5</td>
<td>121.5</td>
<td>11%</td>
<td>172.4</td>
<td>149.7</td>
<td>113.5</td>
<td>23%</td>
</tr>
<tr>
<td><strong>Renewal Premium (Indl. +Group)</strong></td>
<td>121.3</td>
<td>99.4</td>
<td>22%</td>
<td>154.7</td>
<td>142.1</td>
<td>122.1</td>
<td>13%</td>
</tr>
<tr>
<td><strong>Total Premium</strong></td>
<td>256.7</td>
<td>220.9</td>
<td>16%</td>
<td>327.1</td>
<td>291.9</td>
<td>235.6</td>
<td>18%</td>
</tr>
<tr>
<td><strong>Individual APE</strong></td>
<td>46.6</td>
<td>43.9</td>
<td>6%</td>
<td>61.4</td>
<td>52.0</td>
<td>48.9</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Overall APE</strong></td>
<td>54.9</td>
<td>53.0</td>
<td>4%</td>
<td>74.1</td>
<td>62.6</td>
<td>55.3</td>
<td>16%</td>
</tr>
<tr>
<td><strong>Group Premium (NB)</strong></td>
<td>67.6</td>
<td>61.5</td>
<td>10%</td>
<td>87.8</td>
<td>73.3</td>
<td>54.1</td>
<td>27%</td>
</tr>
<tr>
<td><strong>Profit after Tax</strong></td>
<td>10.4</td>
<td>9.8</td>
<td>6%</td>
<td>13.0</td>
<td>12.8</td>
<td>11.1</td>
<td>8%</td>
</tr>
<tr>
<td><strong>- Policyholder Surplus</strong></td>
<td>6.9</td>
<td>7.1</td>
<td>-3%</td>
<td>10.9</td>
<td>9.0</td>
<td>8.5</td>
<td>13%</td>
</tr>
<tr>
<td><strong>- Shareholder Surplus</strong></td>
<td>3.6</td>
<td>2.7</td>
<td>30%</td>
<td>2.1</td>
<td>3.8</td>
<td>2.6</td>
<td>-11%</td>
</tr>
<tr>
<td><strong>Dividend Paid</strong></td>
<td>(1)</td>
<td>-</td>
<td>NA</td>
<td>-</td>
<td>-</td>
<td>4.0</td>
<td>NA</td>
</tr>
<tr>
<td><strong>Assets Under Management</strong></td>
<td>1,656.2</td>
<td>1,364.5</td>
<td>21%</td>
<td>1,272.3</td>
<td>1,255.5</td>
<td>1,066.0</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Indian Embedded Value</strong></td>
<td>250.5</td>
<td>208.4</td>
<td>20%</td>
<td>206.5</td>
<td>183.0</td>
<td>152.2</td>
<td>16%</td>
</tr>
<tr>
<td><strong>Net Worth</strong></td>
<td>(2) 80.9</td>
<td>66.7</td>
<td>21%</td>
<td>69.9</td>
<td>56.6</td>
<td>47.2</td>
<td>22%</td>
</tr>
<tr>
<td><strong>NB (Individual and Group segment) lives insured (Mn.)</strong></td>
<td>21.3</td>
<td>44.8</td>
<td>-53%</td>
<td>61.3</td>
<td>51.4</td>
<td>33.2</td>
<td>36%</td>
</tr>
<tr>
<td><strong>No. of Individual Policies (NB) sold (In 000s)</strong></td>
<td>675.5</td>
<td>639.5</td>
<td>6%</td>
<td>896.3</td>
<td>995.0</td>
<td>1,049.6</td>
<td>-7%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Financial Metrics</th>
<th>9M FY21</th>
<th>9M FY20</th>
<th>FY20</th>
<th>FY19</th>
<th>FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall New Business Margins (post overrun)</td>
<td>25.6%</td>
<td>26.6%</td>
<td>25.9%</td>
<td>24.6%</td>
<td>23.2%</td>
</tr>
<tr>
<td>Operating Return on EV</td>
<td>18.3%</td>
<td>19.0%</td>
<td>18.1%</td>
<td>20.1%</td>
<td>21.5%</td>
</tr>
<tr>
<td>Operating Expenses / Total Premium</td>
<td>12.1%</td>
<td>13.7%</td>
<td>13.1%</td>
<td>13.1%</td>
<td>13.5%</td>
</tr>
<tr>
<td>Total Expenses (OpEx + Commission) / Total Premium</td>
<td>16.4%</td>
<td>18.5%</td>
<td>17.7%</td>
<td>17.0%</td>
<td>18.0%</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>18.4%</td>
<td>21.3%</td>
<td>20.5%</td>
<td>24.6%</td>
<td>26.0%</td>
</tr>
<tr>
<td>Solvency Ratio</td>
<td>202%</td>
<td>195%</td>
<td>184%</td>
<td>188%</td>
<td>192%</td>
</tr>
<tr>
<td>Persistency (13M / 61M)</td>
<td>89%/53%</td>
<td>87%/53%</td>
<td>88%/54%</td>
<td>84%/51%</td>
<td>83%/50%</td>
</tr>
<tr>
<td>Market Share (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Individual WRP</td>
<td>16.4%</td>
<td>14.3%</td>
<td>14.2%</td>
<td>12.5%</td>
<td>13.3%</td>
</tr>
<tr>
<td>- Group New Business</td>
<td>27.3%</td>
<td>28.6%</td>
<td>29.0%</td>
<td>28.4%</td>
<td>28.5%</td>
</tr>
<tr>
<td>- Total New Business</td>
<td>22.3%</td>
<td>21.4%</td>
<td>21.5%</td>
<td>20.7%</td>
<td>19.1%</td>
</tr>
<tr>
<td>Business Mix (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Product (UL/Non par savings/Non par protection/Par)</td>
<td>23/35/7/35</td>
<td>28/52/7/13</td>
<td>28/45/8/19</td>
<td>55/20/7/18</td>
<td>57/9/5/28</td>
</tr>
<tr>
<td>- Indl Distribution (CA/Agency/Broker/Direct)</td>
<td>63/12/6/19</td>
<td>55/14/9/21</td>
<td>55/14/9/22</td>
<td>64/13/4/19</td>
<td>71/11/5/14</td>
</tr>
<tr>
<td>- Total Distribution (CA/Agency/Broker/Direct/Group)</td>
<td>25/6/2/17/50</td>
<td>23/7/3/17/51</td>
<td>23/7/3/17/51</td>
<td>26/7/2/16/49</td>
<td>33/7/2/10/48</td>
</tr>
<tr>
<td>- Share of protection business (Basis Indl APE)</td>
<td>7.4%</td>
<td>6.7%</td>
<td>7.6%</td>
<td>6.7%</td>
<td>5.1%</td>
</tr>
<tr>
<td>- Share of protection business (Basis Overall APE)</td>
<td>12.6%</td>
<td>16.7%</td>
<td>17.2%</td>
<td>16.7%</td>
<td>11.3%</td>
</tr>
<tr>
<td>- Share of protection business (Basis NBP)</td>
<td>17.1%</td>
<td>28.1%</td>
<td>27.6%</td>
<td>27.0%</td>
<td>25.9%</td>
</tr>
</tbody>
</table>

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).
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

<table>
<thead>
<tr>
<th>Description</th>
<th>9M FY21</th>
<th>9M FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium earned</td>
<td>256.7</td>
<td>220.9</td>
</tr>
<tr>
<td>Reinsurance ceded</td>
<td>(4.2)</td>
<td>(3.3)</td>
</tr>
<tr>
<td>Income from Investments</td>
<td>266.6</td>
<td>69.2</td>
</tr>
<tr>
<td>Other Income</td>
<td>1.0</td>
<td>1.1</td>
</tr>
<tr>
<td>Transfer from Shareholders’ Account</td>
<td>0.2</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>520.3</strong></td>
<td><strong>288.1</strong></td>
</tr>
<tr>
<td>Commissions</td>
<td>11.1</td>
<td>10.6</td>
</tr>
<tr>
<td>Expenses</td>
<td>30.8</td>
<td>30.1</td>
</tr>
<tr>
<td>GST on UL charges</td>
<td>2.6</td>
<td>2.6</td>
</tr>
<tr>
<td>Provision for taxation</td>
<td>0.9</td>
<td>0.3</td>
</tr>
<tr>
<td>Provision for diminution in value of investments</td>
<td>(1.0)</td>
<td>1.9</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>132.6</td>
<td>130.6</td>
</tr>
<tr>
<td>Change in valuation reserve</td>
<td>332.1</td>
<td>97.6</td>
</tr>
<tr>
<td>Bonuses Paid</td>
<td>4.5</td>
<td>6.1</td>
</tr>
<tr>
<td><strong>Total Outgoings</strong></td>
<td><strong>513.6</strong></td>
<td><strong>280.0</strong></td>
</tr>
<tr>
<td><strong>Surplus</strong></td>
<td>6.6</td>
<td>8.4</td>
</tr>
</tbody>
</table>

## Profit and Loss A/c

<table>
<thead>
<tr>
<th>Description</th>
<th>9M FY21</th>
<th>9M FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>3.2</td>
<td>2.7</td>
</tr>
<tr>
<td>Net profit/(loss) on sale</td>
<td>0.6</td>
<td>0.9</td>
</tr>
<tr>
<td>Transfer from Policyholders’ Account</td>
<td>7.0</td>
<td>7.4</td>
</tr>
<tr>
<td>Other Income</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10.8</strong></td>
<td><strong>10.9</strong></td>
</tr>
<tr>
<td>Outgoings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer to Policyholders’ Account</td>
<td>0.2</td>
<td>0.3</td>
</tr>
<tr>
<td>Expenses</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Interest on Non-convertible debenture</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>Provision for diminution in value of investments</td>
<td>(0.2)</td>
<td>0.2</td>
</tr>
<tr>
<td>Provision for Taxation</td>
<td>0.0</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>0.4</strong></td>
<td><strong>1.1</strong></td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td><strong>10.4</strong></td>
<td><strong>9.8</strong></td>
</tr>
</tbody>
</table>

## Appropriations

<table>
<thead>
<tr>
<th>Description</th>
<th>9M FY21</th>
<th>9M FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer to Shareholders’ Account</td>
<td>7.0</td>
<td>7.4</td>
</tr>
<tr>
<td>Funds for future appropriation - Par</td>
<td>(0.4)</td>
<td>1.0</td>
</tr>
<tr>
<td><strong>Total Appropriations</strong></td>
<td><strong>6.6</strong></td>
<td><strong>8.4</strong></td>
</tr>
</tbody>
</table>
## Balance sheet

<table>
<thead>
<tr>
<th></th>
<th>Dec 31, 2020</th>
<th>Dec 31, 2019</th>
<th>Mar 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Shareholders’ funds</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital (including Share premium)</td>
<td>24.8</td>
<td>24.1</td>
<td>24.2</td>
</tr>
<tr>
<td>Accumulated profits</td>
<td>56.1</td>
<td>42.6</td>
<td>45.7</td>
</tr>
<tr>
<td>Fair value change</td>
<td>2.3</td>
<td>(0.1)</td>
<td>(1.9)</td>
</tr>
<tr>
<td><strong>Sub total</strong></td>
<td><strong>83.2</strong></td>
<td><strong>66.6</strong></td>
<td><strong>68.0</strong></td>
</tr>
<tr>
<td>Borrowings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Policyholders’ funds</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value change</td>
<td>27.4</td>
<td>9.7</td>
<td>0.5</td>
</tr>
<tr>
<td>Policy Liabilities</td>
<td>793.6</td>
<td>619.6</td>
<td>652.7</td>
</tr>
<tr>
<td>Provision for Linked Liabilities</td>
<td>694.9</td>
<td>613.5</td>
<td>508.4</td>
</tr>
<tr>
<td>Funds for discontinued policies</td>
<td>38.1</td>
<td>34.6</td>
<td>33.4</td>
</tr>
<tr>
<td><strong>Sub total</strong></td>
<td><strong>1,554.0</strong></td>
<td><strong>1,277.4</strong></td>
<td><strong>1,195.0</strong></td>
</tr>
<tr>
<td>Funds for future appropriation (Par)</td>
<td>8.4</td>
<td>12.0</td>
<td>8.8</td>
</tr>
<tr>
<td><strong>Total Source of funds</strong></td>
<td><strong>1,651.6</strong></td>
<td><strong>1,355.9</strong></td>
<td><strong>1,271.9</strong></td>
</tr>
<tr>
<td><strong>Shareholders’ investment</strong></td>
<td>82.1</td>
<td>60.4</td>
<td>58.6</td>
</tr>
<tr>
<td><strong>Policyholders’ investments: Non-linked</strong></td>
<td>841.1</td>
<td>655.9</td>
<td>671.9</td>
</tr>
<tr>
<td><strong>Policyholders’ investments: Linked</strong></td>
<td>733.0</td>
<td>648.1</td>
<td>541.8</td>
</tr>
<tr>
<td>Loans</td>
<td>3.8</td>
<td>2.6</td>
<td>3.0</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>3.3</td>
<td>3.4</td>
<td>3.3</td>
</tr>
<tr>
<td>Net current assets</td>
<td>(11.7)</td>
<td>(14.5)</td>
<td>(6.7)</td>
</tr>
<tr>
<td><strong>Total Application of funds</strong></td>
<td><strong>1,651.6</strong></td>
<td><strong>1,355.9</strong></td>
<td><strong>1,271.9</strong></td>
</tr>
</tbody>
</table>
Segment wise average term and age

- **Average Policy Term excluding annuity (Yrs)**
  - UL: 9M FY21: 12 (9M FY20: 12)
  - Par: 9M FY21: 42 (9M FY20: 18)
  - Non-par Health: 9M FY21: 23 (9M FY20: 17)
  - Non-par Savings: 9M FY21: 11 (9M FY20: 12)
  - Non-par Protection: 9M FY21: 40 (9M FY20: 38)
  - Non-par Pension: 9M FY21: 10 (9M FY20: 11)

- **Average Customer Age excluding annuity (Yrs)**
  - UL: 9M FY21: 37 (9M FY20: 37)
  - Par: 9M FY21: 36 (9M FY20: 33)
  - Non-par Health: 9M FY21: 36 (9M FY20: 32)
  - Non-par Savings: 9M FY21: 39 (9M FY20: 36)
  - Non-par Protection: 9M FY21: 35 (9M FY20: 34)
  - Non-par Pension: 9M FY21: 59 (9M FY20: 59)
  - Annuity: 9M FY21: 57 (9M FY20: 57)

- 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
### Summary of Milliman report on our ALM approach

#### Scope of review
- 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

#### Portfolios reviewed
- 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

<table>
<thead>
<tr>
<th>Description</th>
<th>Stress scenarios tested</th>
<th>Net asset liability position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate scenarios</td>
<td>Parallel shifts/ shape changes in yield curve within +- 150 bps of March 31st 2020 Gsec yield curve</td>
<td>Changes by &lt; 4.5%</td>
</tr>
<tr>
<td>Interest rate + Demographic scenarios</td>
<td>Interest rate variation + changes in future persistency/mortality experience</td>
<td>Changes by &lt; 7%</td>
</tr>
<tr>
<td>100% persistency and low interest rates</td>
<td>100% persistency with interest rates falling to 4% p.a. for next 5 years, 2% p.a for years 6-10 and 0% thereafter</td>
<td>Still remains positive</td>
</tr>
</tbody>
</table>

#### 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.
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

<table>
<thead>
<tr>
<th>Years</th>
<th>Forward rates %</th>
<th>Spot rates %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As at Dec 31, 2020</td>
<td>As at Dec 31, 2019</td>
</tr>
<tr>
<td>1</td>
<td>3.54</td>
<td>5.55</td>
</tr>
<tr>
<td>2</td>
<td>4.63</td>
<td>6.30</td>
</tr>
<tr>
<td>3</td>
<td>5.55</td>
<td>6.87</td>
</tr>
<tr>
<td>4</td>
<td>6.26</td>
<td>7.23</td>
</tr>
<tr>
<td>5</td>
<td>6.79</td>
<td>7.43</td>
</tr>
<tr>
<td>10</td>
<td>7.80</td>
<td>7.52</td>
</tr>
<tr>
<td>15</td>
<td>7.65</td>
<td>7.47</td>
</tr>
<tr>
<td>20</td>
<td>7.28</td>
<td>7.45</td>
</tr>
<tr>
<td>25</td>
<td>6.97</td>
<td>7.45</td>
</tr>
<tr>
<td>30+</td>
<td>6.76</td>
<td>7.45</td>
</tr>
</tbody>
</table>

1. Forward rates are annualised and Spot rates are continuous.
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
Disclaimer

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