

# HDFC Standard Life Insurance Company Limited

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Six months ended 30<sup>th</sup> September 2010

## Financial highlights for six months ended 30<sup>th</sup> September 2010

### Strong growth in premium income and assets under management

- Total premium grew by 37.4% to ₹ 35.9 bn (H1 FY10: ₹ 26.1 bn)
- New business received premium – including first year and single premiums – grew by 36.0% to ₹16.4 bn (H1 FY10: ₹ 12.1 bn)
  - First year regular premiums increased by 38.4% to ₹15.8 bn (H1 FY10: ₹11.4 bn)
  - Single premiums, including single premium top-ups, decreased by 5.3% to ₹0.6 bn (H1 FY 10: ₹0.7 bn)
- Renewal premium constituted 54.3% of total premiums (H1 FY10: 53.9%) and grew by 38.6% to ₹19.5 bn (H1 FY10: ₹14.1 bn)
- Our weighted received premium (10% weightage for single premium) growth during the year was at 58.5% and was higher than the growth for the private sector (13.5%) and the overall industry (57.7%)
- Assets under management were at ₹247.9 bn as on September 30, 2010 grew by 50.6% from ₹164.6 bn as on September 30, 2009

### Consolidation of the distribution network and the increasing share of Bancassurance

- The number of branches / spokes stood at 531 (H1 FY10 592)
- The total number of licensed agents stood at 147,482 (H1 FY10 190,442) as we have renewed agency contracts with active agents.
- The share of new business effective premium income (EPI) of the alternate channels of distribution viz. banks, brokers and other corporate agents increased to 62.3% (H1 FY10: 56.4 %)
- For our bank partners, brokers and other corporate agents EPI grew by 60.3% to ₹8.5 bn (H1 FY10: ₹5.3 bn)
- For the tied agency channel EPI grew by 22.1% to ₹4.8 bn (H1 FY10: 4.0 bn)

### Move towards creating a strong platform for profitable growth

- Commission ratio has fallen to 6.2% (H1 FY10: 8.6 %)
- Operating expenses (excluding service tax) increased by 11.7% at ₹7.3 bn (H1 FY10: ₹6.5 bn)
- Operating expense ratio down to 20.2% (H1 FY10: 24.9 %)
- Considerable improvement in conservation ratio on individual business of 82.1% (H1 FY10: 63.0 %)
- Indian GAAP loss at ₹0.6 bn (H1 FY10: ₹0.4 bn)

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**Post tax new business profits – individual business**

- The new business post tax profit based on loaded acquisition expenses was ₹3.9 bn
- The new business profit translates to a new business margin of 28.3% pre acquisition expense overrun calculated on an MCEV basis

**Market consistent embedded value (MCEV) and analysis of change in MCEV**

- The market consistent embedded value (MCEV) as at September 30, 2010 was at ₹40.2 bn (March 31, 2010: 33.8 bn); and comprised of shareholder's adjusted net worth of ₹6.2 bn and value of in force business of ₹34.0 bn

**Capital infusion and solvency ratio**

- The total capital as on September 30, 2010 stood at ₹20.7 bn (September 30, 2009: ₹18.0 bn) with an infusion of ₹1 bn during the year
- With the objective of achieving higher capital efficiency our solvency ratio as on September 30, 2010 stood at 192% (September 30, 2009: 214 %), which was above the minimum regulatory requirement of 150 %

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## Management Discussions & Analysis

We ended the first half of 2010-11 with strong growth and significant improvement in our operating metrics. We expect the second half to be a challenging year for new business due to major changes in regulations even as we continue to focus on:

- New business growth
- Operational efficiencies to bring down our operating expenses; and
- Customer retention to improve the persistency of the in force policies.

The Indian Economy has comfortably survived the global meltdown after the sub-prime crisis and the consumer demand for goods and services continues to be promising. The high GDP growth and increasing income levels of Indians augurs well for disciplined long term savings and planning for future.

The year 2010-11 began with major regulatory changes for the Life insurance Industry which required a complete change in the existing unit linked product structures. While it is difficult to fully quantify the impact of products introduced in the post September 1, 2010 regime, we believe that

- Industry sales volumes (EPI/APE measures) will be sluggish for the next 6 months as the players and distributors adapt to the changes
- Acquisition costs will have to be rationalized by ~20% in line with the assumptions that went into the design of new products

This would require changes to existing business plans and the operating structures to bring in more efficiency while delivering more value to our policyholders.

Our long term strategy is aligned to 5 strategic themes

- Providing long term life insurance solutions
- Diversifying distribution channel mix
- Delivering variety of products choices to every customer segment
- Achieving cost leadership across the value chain
- Ensuring customers have exceptional experiences in our services

We believe that with increased transparency and greater benefits to policyholders the ULIP products would continue to attract customers. We continue to stay focused on a need based selling approach to drive long term orientation and in offering a unique customer experience to our customers.

Initiatives to improve channel productivity and rationalize distribution costs are underway and are expected to yield benefits in the long run. We are also preparing to leverage our bancassurance expertise and experience in the likelihood of a multi-tied scenario. We are also committed to establishing long term partnerships with existing and potential channel partners in the non-agency, non-bancassurance space as part of our channel diversification theme and increasing our efforts in these channels.

Persistency and Customer Service will become more critical to profitability in the new regime. We continue to invest in and improve our performance in these functions.

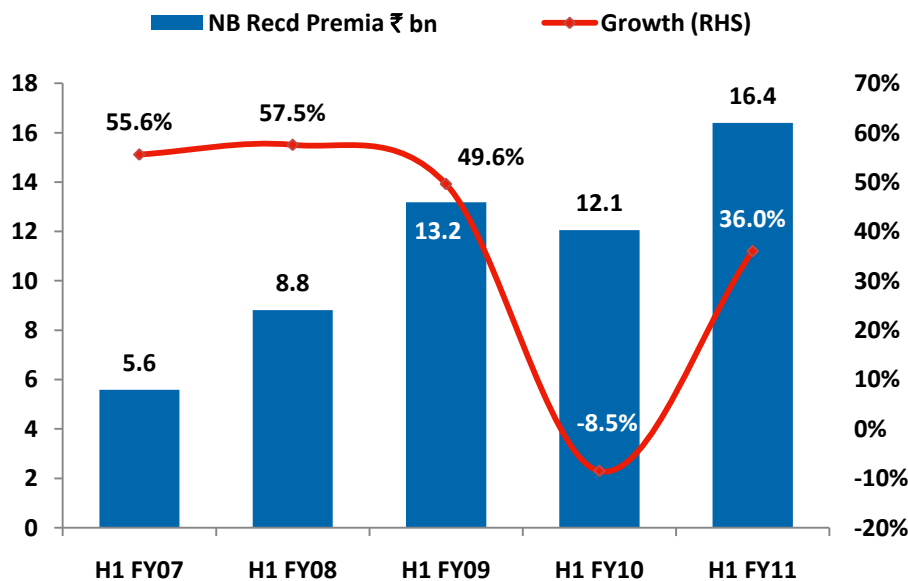
## 1. Regulatory Changes & New Business growth

The second round of regulations on cap on the charges for unit linked products has led to complete change in the existing product suite. The numbers reported do not have any significant impact of this regulatory change as it is applicable from September 2010 onwards. The exact nature of impact on customer demand, profitability would be known only after six months.

### 1a. New business growth

Retail customers selectively started allocating funds for the long term. The private sector grew every month till August. However in September 2010, the industry registered flat growth due to the withdrawal of old products and limited availability of new products pending regulatory approvals for the same.

In the first half while the private sector grew by 26.0%, we ended the period with a strong growth of 36.0% in new business received premium, including individual and group. Similar trend was seen in the growth of Weighted Received Premia (WRP) - we grew at 58.5% while the private industry grew by 13.5%.



### 1b. New business market share

During the first 6 months we were one of the fastest growing private insurance companies and have increased our market share in terms of weighted received premium (WRP) to 11.5% from 8.2% in H1 2009-10. Consequently, our WRP ranking in the private sector improved to 3<sup>rd</sup> position in H1 2010-11 from 6<sup>th</sup> in H1 2009-10.

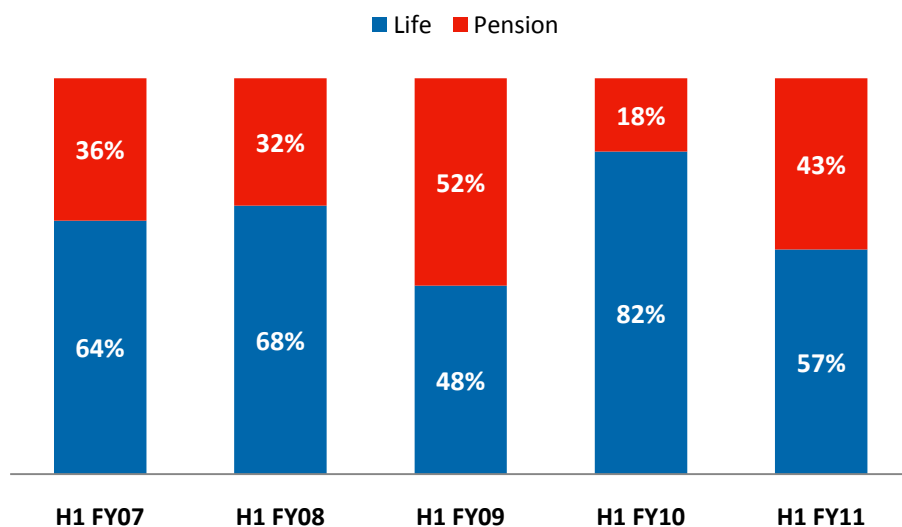
## 2. Product trends

Our product mix covers all the life stage needs of our customers. At a broad level our major “lines of business” catering to unique customer needs are life and pensions. We introduced a few traditional products during this period though our major focus was on revamping the unit linked portfolio in view of new regulations issued by IRDA. During the first half there was a skew towards unit linked pension products as in the new regime pension products would have limited flexibility.

### 2a. Life and pensions - EPI contribution

The life segment, covered through products which offer savings and investment needs of our customers, constituted 56% of individual business in first half.

The pensions segment contributed significantly as the products in H1 2010-11 had more flexibility. We continue to be a significant player in the pension segment in the Indian market. In fact, we were the second largest private insurer in the pensions segment in 2009-10.



### 2b. Life and pensions – Unit Linked vs. conventional split

On an overall basis, unit linked products contributed 79% of effective premium income. In the first half unit linked products, driven by the pension segment have contributed to 88% of total product sales.

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**2c. Protection**

An important aspect of our product offerings is our range of protection products within the life segment which provide income protection for the family in the unfortunate event of death or critical illness. These include our term assurance plans, home loan protection plans and health plans besides the riders available along with our savings products.

**2d. Group business**

The total group business received premium (new business and renewals) during the first half was ₹2.0 bn. During the year we received new business premium income from our corporate customers of ₹1.2 bn. This constituted 11.6% of our total first year premiums during the year. We offer different products for the varying needs of employers ranging from term insurance plans for pure protection to voluntary plans such as superannuation and leave encashment.

The new regulation on cap on charges was also made applicable to unit linked group products, which required a revamp of our Unit Linked Group products. Our corporate customers chose our group unit linked plans as investment solutions that provided them with a funding vehicle to manage corporates with gratuity, defined benefit and defined contribution superannuation and leave encashment schemes. These plans contributed ₹1.95 bn of received premium income during the year.

**2e. New Products**

In compliance with the old charge cap regime effective January 1, 2010, we had withdrawn old products and introduced 16 new products between November 2009 to January 2010.

In response to the new IRDA guideline effective September 1, 2010, we have withdrawn those 16 products and launched 5 new unit linked products. Each of these new 5 products offers multiple options to our customers. Along with our flagship product offerings - namely YoungStar (Children Plan) and Endowment (now branded as ProGrowth), we have also introduced a new product HDFC SL Crest, offering highest NAV guarantee fund option and a minimum guaranteed NAV of ₹15.0 at maturity. This new guaranteed NAV fund has also been extended to other new products.

### 3. Increasing insurance coverage in an underinsured market

Our primary responsibility towards our customers in the Indian life insurance market is to ensure that they have adequate life cover in the event of unforeseen circumstances. While our pure protection products do that exclusively, our savings products also have an inbuilt life cover.

The table below shows the in force sum assured and death benefit as on September, 30 2010 across all individual and group unit linked products.

(₹ bn)	Sum assured	Death benefit*
<b>1. Individual unit linked</b>		
Life	370.8	556.7
Pension	0.2	66.3
<b>Total individual unit linked</b>	<b>371.0</b>	<b>623.0</b>
<b>2. Group unit linked</b>		
Life	1.0	15.4
Pension	0.0	5.6
<b>Total group unit linked</b>	<b>1.0</b>	<b>21.0</b>
<b>Total unit linked</b>	<b>371.9</b>	<b>644.0</b>

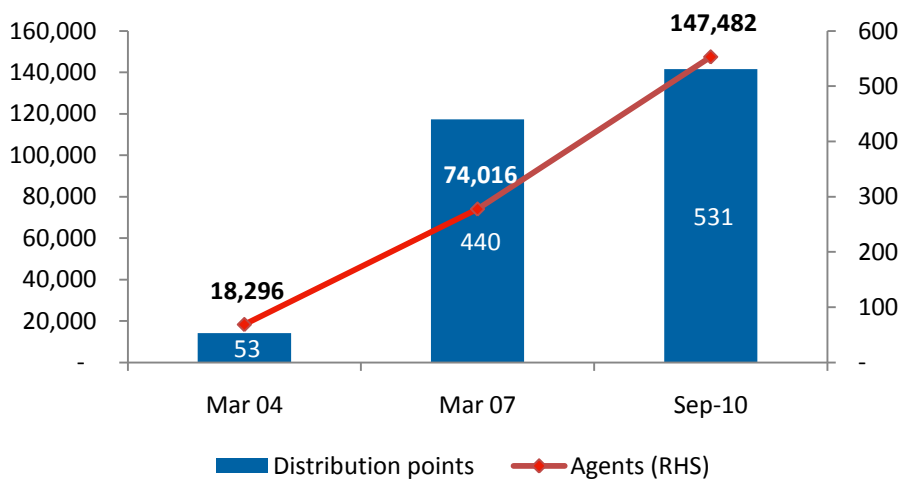
*\*Death benefit includes accidental death benefit sum assured and waiver of future premium benefit on the Young star policies and the fund value for pension*



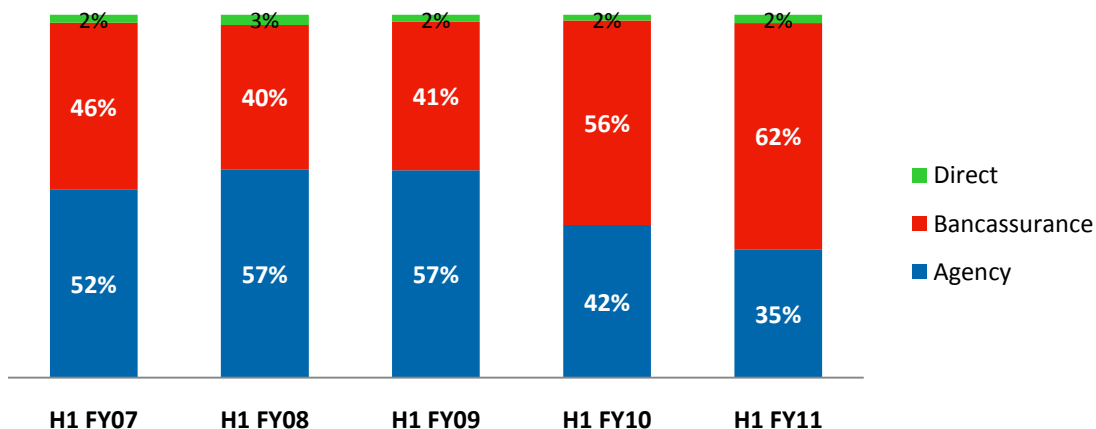
**4. Consolidation of the distribution network and the increasing share of Bancassurance**

We ended the first half with 531 distribution points across the country and through the network of these offices our Financial Consultants, Corporate Agents and Brokers were able to service customers in approximately 725 cities and towns across the country.

During the last six months, we have started consolidation of our tied agency business. The new regulatory regime will reduce commissions payable to agents and therefore reduce earnings of small and inactive agents. During the year we have not renewed agency contracts with inactive agents and hence our numbers of agents has fallen to around 1.5 lacs from 2 lacs six months back.

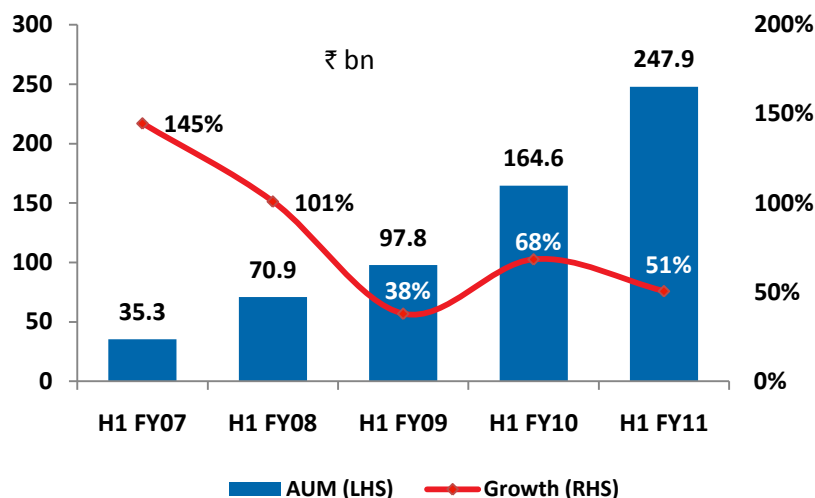


Our distribution mix witnessed a change in the share of new business EPI. The share of bancassurance channel of distribution viz. banks, brokers and other corporate agents increased to 62.3% from 56.4% in first half of 2009-10. The bancassurance channel’s EPI grew by 60.3% to ₹8.5 bn from ₹5.3 bn in first half of 2009-10. The retail (tied agency) channel grew by 22.1% to ₹4.8 bn from ₹4.0 bn in first half of 2009-10. Our focus on direct channel has yielded an EPI growth of 112.3% to ₹0.31 bn from ₹ 0.15 bn in first half of 2009-10.



## 5. Assets under management

Assets under management of ₹247.9 bn as on Sep 30, 2010 increased by 50.6% from ₹164.6 bn from the previous year and contributed to covering our maintenance expenses. Over the last five years, our assets under management have grown at a compounded annual growth rate of 62.8%



### Fund wise break-up of assets under management (in ₹ Bn) as on September 30, 2010

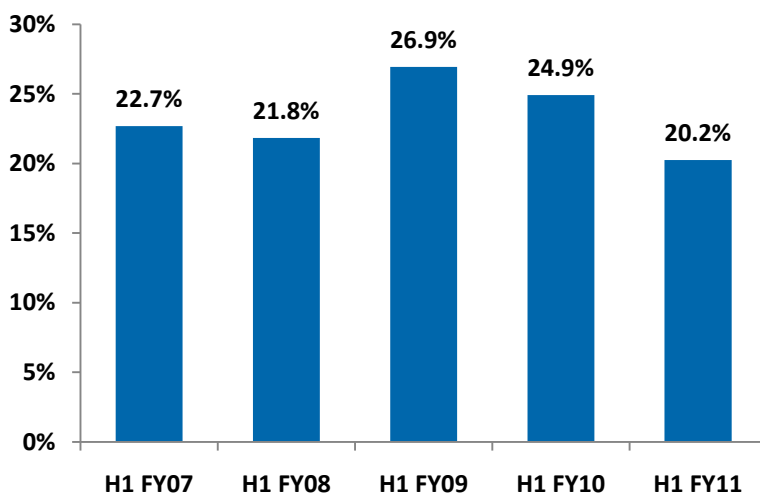
	Debt	Equity	Total
Conventional funds	48.4	1.4	49.9
Shareholder's funds	6.5	0.3	6.8
Unit linked funds	49.9	141.3	191.2
<b>Total</b>	<b>104.9</b>	<b>143.0</b>	<b>247.9</b>

The conventional funds constituted 20.1% of the assets under management as on September 30, 2010 and total equity investments constituted 57.7% of AUM. Debt and Equity investments grew almost equally over Sep 30 last year.

## 6. Operational efficiency

### 6a. Operating expense ratio

The operating expense ratio\* for H1 FY11 has declined to 20.2% from 24.9% in the corresponding period of previous year. Though in Rupee terms, the operating expenses have increased, the ratio has improved. This improvement was achieved through a strong focus on efficiencies, cost rationalization initiatives as well as a strong growth in total premiums.



Operating expenses\* have increased by 11.7% to ₹7.3 bn in H1 FY11 from ₹6.5 bn in H1 FY10. The following table highlights some of the key expense heads and change over the previous year.

	Percentage of total operating expenses*	Percentage change over H12009#
Employees' remuneration & welfare benefits	43.8%	16.8%
Advertisement and Marketing	22.5%	24.3%
Rent & Office Expenses	11.5%	-3.7%
IT & Communication Expenses	3.8%	-2.5%
Business Development Expenses	3.6%	-14.1%
Training Expenses	3.4%	16.5%
Depreciation & Other Expenses	11.4%	3.4%
<b>Total</b>	<b>100.0%</b>	<b>11.7%</b>

\* Excluding service tax

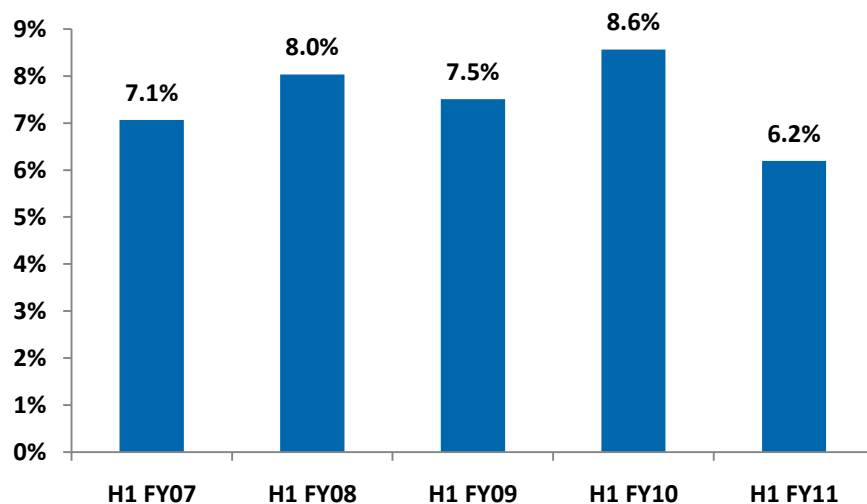
# Positive numbers indicate an increase in the expense head

Some of the measures initiated in FY 2010 to improve efficiencies continued during the current year. These measures included :

- Closure & merger of branches and renegotiations of all major lease agreements related to office space to avail of better rates
- Rationalisation of staff strength
- Leveraging on our scale, we have been negotiating all our major contracts with vendors, and consolidating purchases through active planning
- Category Management (through Value Analysis / Value Engineering) to identify better / alternate ways of spend. Minimizing scope for non-compliant / wasteful spends by incorporating a workflow process
- Cut down on discretionary expenses

#### 6b. Commission ratio

The trend of a stabilized commission ratio (total commissions to total premiums) to a level below 8% also continued during the year.



A break up of the commissions into first year, single and renewal commissions shows that:

- Our first year commission ratio, excluding single premia (first year commissions to first year premium income) was at 11.7% in H1 FY 11 compared to 16.0% in the previous year.
- Single premium commission to single premium income ratio was at 0.6% in H1 FY 11 compared to 0.4% in the previous year.
- Renewal commission to renewal premium income ratio was 2.0% in H1 FY 11 compared to 2.9% in the previous year.

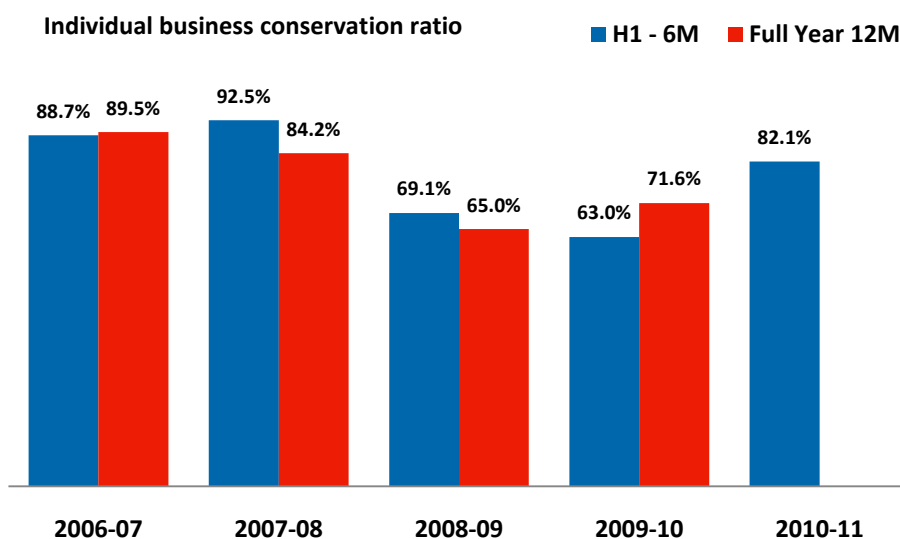
## 7. Focus on customer retention / persistency

We continue to undertake several measures to improve the management of our back book:

- Persistency vertical set up to improve customer retention – proactive, direct contact with customers to urge them to continue paying premiums
- Lapse prediction model to predict lapse propensity and support customer retention campaigns rolled out
- Incentivized sales of lower frequency modes of premium payment – primarily annual mode to enhance future persistency levels
- Strong emphasis on needs based selling
- Customer welcome calls to ensure understanding of the product bought by the customer

### 7a. Conservation Ratio

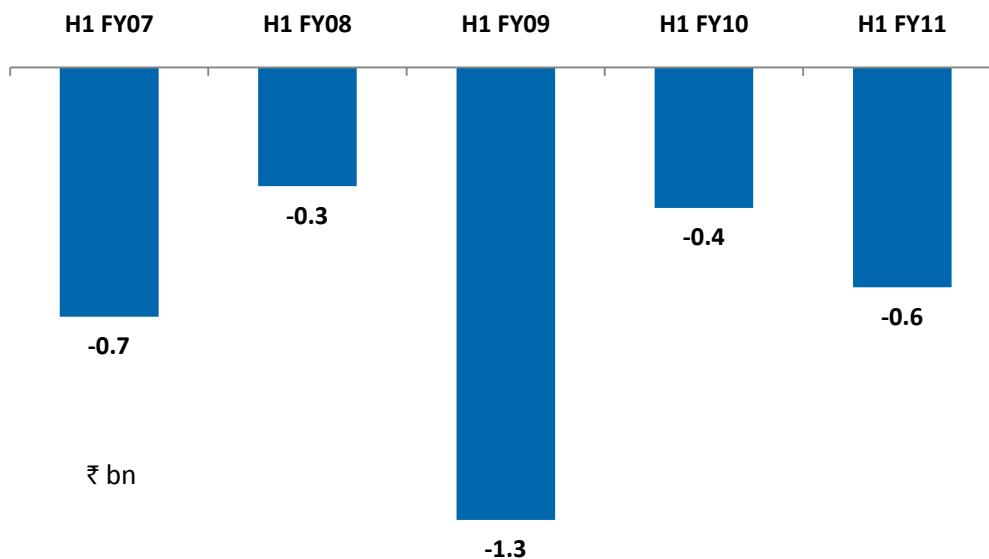
The renewal premiums were 54.3% of total premiums for the first six months and it grew by 38.6% to ₹19.5 bn from ₹14.1 bn during the corresponding period last year. Our individual business conservation ratio that had taken a hit in 2008-09 and first half of 2009-10 has improved considerably and rebounded to 82.1%.



*The dip in the conservation ratio in 2009 was due to a reduction of the premium reduction feature, which was built into our version 4 unit linked products and saw most customers opting for it in the backdrop of turmoil in the stock markets during the period. While we discontinued the product in 2008, its impact ran its course till the end of 2009 and as its effect wore off in the last two quarters of 2009-10 our conservation ratio for the year improved. Excluding the products with the premium reduction option, our individual business conservation ratio was 73.0% in 2008-09 and 74.7% in 2009-10.*

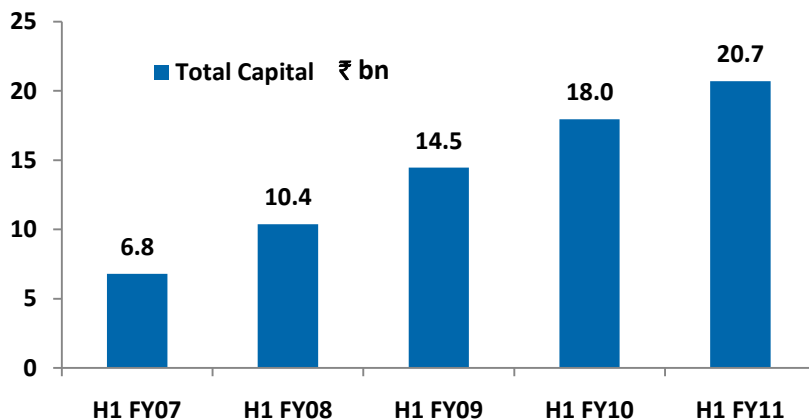
### 8. Indian GAAP results

With the focus on operational efficiencies to reduce our acquisition cost, Indian GAAP loss was at ₹0.6 bn

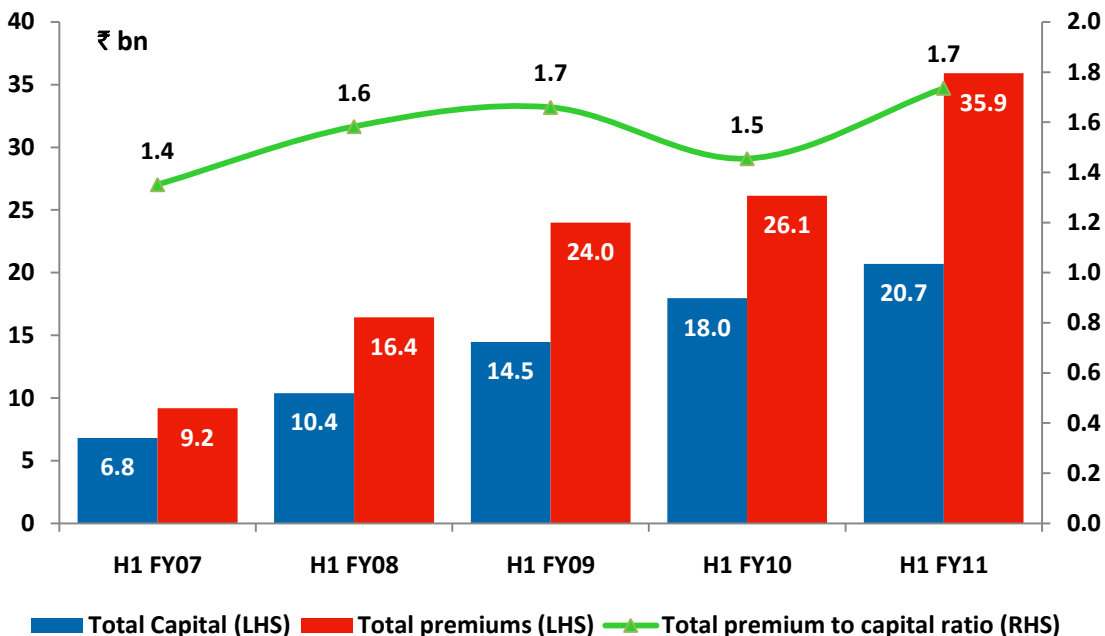


### 9. Capital infusion and solvency ratio

The total capital (including shares pending allotment & share premium) as on September 30, 2010 was at ₹20.7 bn with an infusion of ₹1.0 bn during the year.



Our total premium to capital ratio has also improved this year over the first half of last year as the chart below shows.



With an available solvency margin of ₹7.3 bn and a required solvency margin of ₹3.8 bn, our solvency ratio as on September 30, 2010 stood at 192%, which was well above the minimum regulatory requirement of 150%.

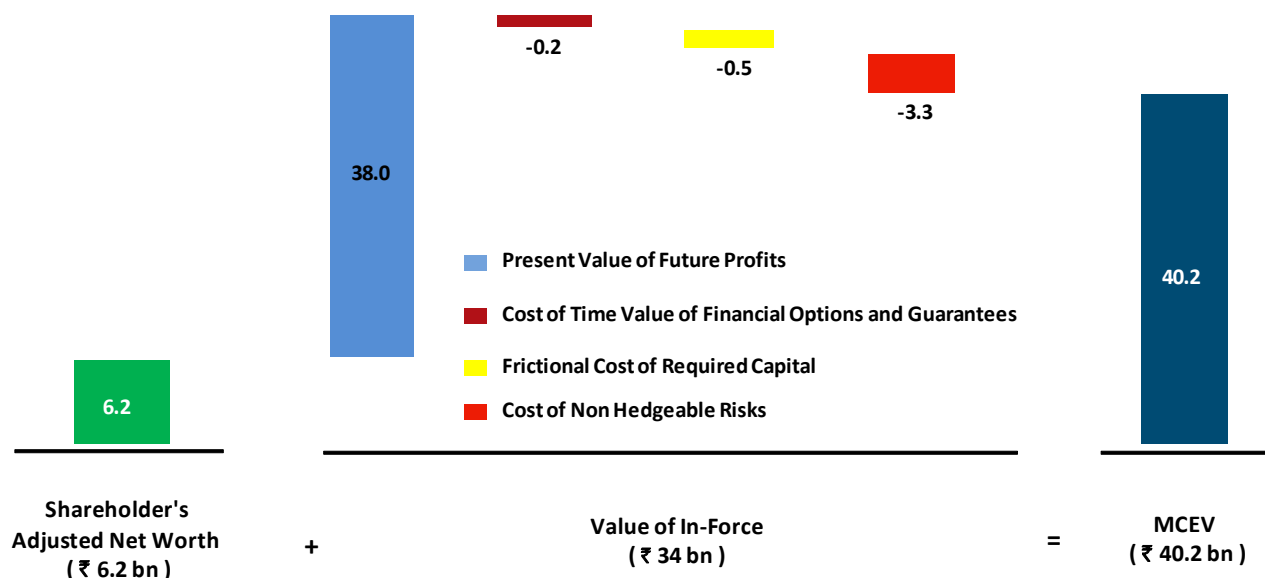
The table below shows the movement of solvency ratio between September 30, 2009 and September 30, 2010.

	Sep-09	Sep-10
Available solvency margin	5.7	7.3
Required solvency margin	2.8	3.8
Capital infused	0.4	1.0
Solvency ratio	214%	192%

## 10. MCEV, new business profitability and the analysis of movements in MCEV

### 10a. Market consistent embedded value (MCEV)

The unaudited market consistent embedded value (MCEV) as at September 30, 2010 was ₹40.2 bn and comprised of shareholder adjusted net worth of ₹6.2 bn and value of in force business of ₹34.0 bn



### MCEV - Methodology and approach

The calculations of embedded value and new business profits have been performed using a market consistent embedded value ("MCEV") approach. This approach differs from a traditional EV approach primarily in respect of the way in which allowance for risk is made. Within the traditional EV approach, allowance is made for risk through an increase in the risk discount rate used to value future shareholder cash flows, whilst within the MCEV calculation explicit separate allowances are made for risk.

There are two components to the MCEV:

- Shareholder's adjusted net worth** – this component represents the market value of assets attributable to shareholders. This amount is derived from the Indian GAAP balance sheet adjusted to allow for assets on a market value basis, elimination of intangible assets and to allow for shareholder attributable assets or liabilities residing within the unit-linked and non par policyholder funds.
- Value of in-force** – this component represents the discounted value of after tax shareholder attributable cashflows expected on the business as at the valuation date. No allowance is made for future new business. This amount has been adjusted to deduct allowances for non hedgeable risk, frictional costs of required capital and the time value associated with financial options and guarantees.



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### **MCEV - Components of Value of in force (VIF)**

#### **Present value of future profits (PVFP)**

- This component has been calculated by discounting the projected future after tax shareholder attributable cashflows expected to arise on in-force business at the valuation date
- The cashflows have been projected on a deterministic basis using the company's best estimate view of future persistency, mortality and expenses. Future investment returns and the risk discount rate have been set equal to the returns from the risk free yield curve at the closing balance sheet date.

#### **Cost of non-hedgeable risk (CNHR)**

- The VIF incorporates an explicit deduction to allow for non hedgeable and non economic risks. The CNHR has been derived using a cost of capital approach and is calculated as the discounted value of an annual charge applied to projected risk bearing capital.
  - The initial risk bearing capital has been calculated based on 99.5<sup>th</sup> %ile stress events for non economic assumptions over a 1-year time horizon. Projected risk bearing capital has been determined by running-off the initial risk bearing capital in line with the expected movement in the regulatory solvency margin requirement.
  - 99.5<sup>th</sup> %ile stress events have been taken from the EU Solvency II, QIS 4 framework. In order to allow for the greater risks associated with emerging markets, the risk bearing capital has been uplifted by 50%.
  - The annual charge applied to the projected risk bearing capital is 4% p.a.
- The stress events, uplifts to NHR, run-off pattern for projected risk bearing capital and annual charge, are reviewed and modified if necessary on an annual basis.

#### **Time value of financial options and guarantees (TVFOG)**

- The VIF incorporates a deduction for the costs relating to the TVFOG in respect of asymmetric shareholder returns associated with the Participating ("Par") Funds and for the guarantees associated with unit-linked business. For reporting at 30<sup>th</sup> September 2010, due to the low materiality of the TVFOG, the TVFOG has been maintained at the same level as calculated at 31<sup>st</sup> March 2010.
- The MCEV incorporates an allowance for risks associated with asymmetric shareholder returns associated with the Participating ("Par") Funds by deducting a cost for the TVFOG. This asymmetry primarily arises due to the fact that if in deficit the Par Funds have to be funded 100% by the Shareholder Fund whereas if the funds have surpluses only 10% of these are attributable to the Shareholder Fund. The PVFP is calculated using a deterministic basis and therefore does not capture the risk that in certain possible circumstances the Par Funds may have deficits.

### Frictional cost of required capital (FCRC)

- The VIF allows for a deduction in respect of the frictional costs of holding required capital (“FCRC”). Required capital has been set equal to the amount of shareholder attributable assets required to back local regulatory solvency requirements. The FCRC has been calculated as the discounted value of investment costs and taxes on shareholder attributable assets backing the required capital over the lifetime of the in-force business.

### MCEV - Key assumptions

- **Economic Assumptions:**

- The closing MCEV is calculated assuming projected earned and risk discount rates are both set equal to the risk free (government bond) yield curve at the closing balance sheet date.
- The new business profitability is calculated with similar assumptions, except that the yield curve at the opening balance sheet date is used.
- No allowance for any illiquidity premia is made within the earned rates.

Term	Risk free spot rates	
	As at 31 <sup>st</sup> Mar 2010	As at 30 <sup>th</sup> Sep 2010
1	5.1%	6.5%
5	7.5%	7.7%
10	8.0%	8.1%
15	8.1%	8.2%
20	8.2%	8.3%

- **Expense Assumptions:**

- Maintenance expenses have been based on actual expense levels incurred during FY 2009-10 and make no allowance for future productivity improvements.
- Loaded acquisition expenses, for the purposes of new business profitability reporting, have been based on levels the company expects to achieve by FY 2012-13.
- Actual acquisition expenses are currently higher than these assumptions and therefore any excess acquisition expense over the assumption is recognised in the period and the shareholder attributable component, net of tax, deducted from the value of new business for that period.
- Given the substantial recent changes to regulations the company has reviewed its cost structure as a result of which the long-term acquisition expense levels are to be re-targeted at a lower level than previously. It is intended that when preparing the new business profitability results for FY 2010-11, these lower loaded acquisition expenses will be used in the calculation of the new business profitability (before the impact of acquisition expense overruns).

- **Persistency Assumptions:**
  - Persistency Assumptions are set by product line, payment mode and duration in-force, based on past experience and expectations of future experience. Separate decrements are modeled for lapses, surrenders and paid-ups.
  - Due to the age of the industry, minimal experience exists on long-term persistency assumptions and therefore these assumptions are reviewed on an active basis and updated when experience suggests a significant difference from the assumptions used.
  
- **Tax Assumptions:**
  - Tax assumptions are based on interpretation of existing tax legislation, where appropriate supported by legal opinion.
  - Profits attributable to shareholders are assumed to be taxed at 14.1625% for Life business and 0% for Pensions business.
  - Allowance is made within the tax computation for dividend offsets permitted under Section 2A of the Income Tax Act and for losses incurred within the Shareholder Fund.
  - No allowance is made for future changes to taxation such as the Direct Tax Code. These changes will be incorporated only once materially enacted. It is expected that implementation of DTC in its current form will result in a material negative impact to the MCEV and new business profitability
  
- **Mortality and Morbidity Assumptions:**
  - Mortality and morbidity assumptions are set by product line and are based on past experience.
  - The mortality assumptions for the individual unit linked business are given below.

Products	Best estimate rates as a% of IALM 94-96	
	Males	Females
Individual UL Life products	55.0%-75.0%	35.0%-55.0%
Individual UL pension products	50.0%	40.0%

**10b. Analysis of change in MCEV and post tax new business profits**

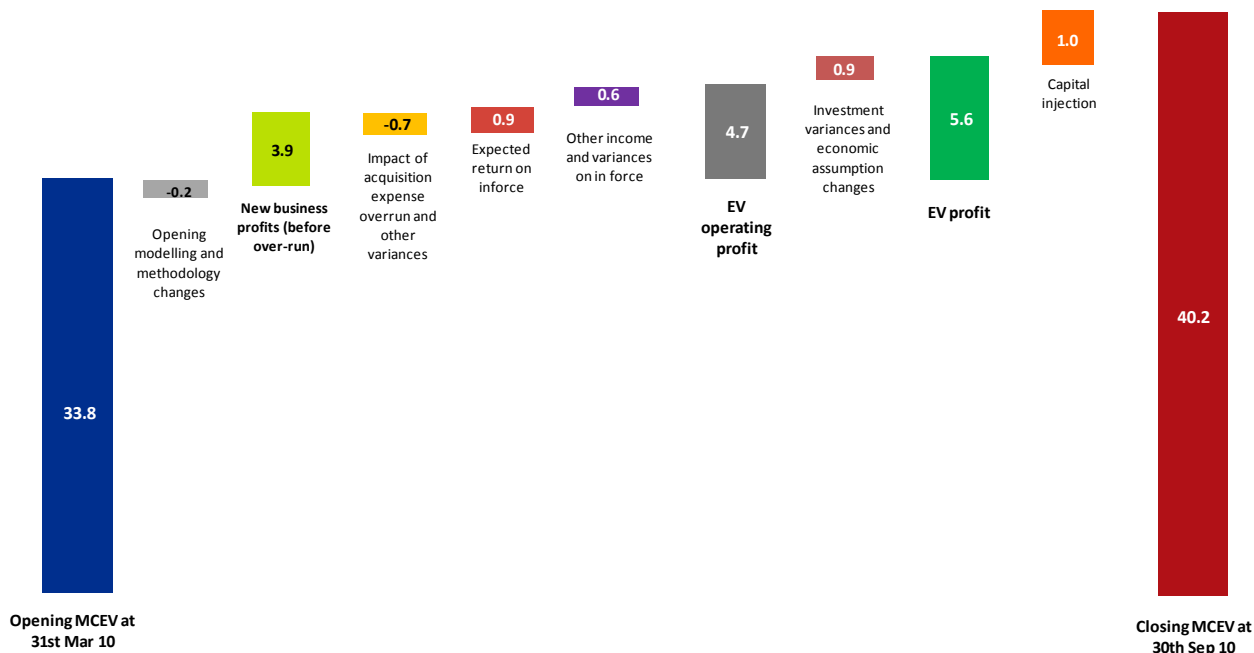
The analysis of change in MCEV identifies the main drivers that have caused the MCEV to move over the financial year. The value of new business written in the year is normally the most significant driver for increases in value shown in the analysis of change.

	₹ Bn
New business profits (based on loaded acquisition expenses)	3.9
New business EPI for H1 FY 11*	13.7
New business margin (based on loaded acquisition expenses)*	28.3%
New business margin (after impact of acquisition expenses overrun)*	23.6%

\* Margins and EPI are shown for individual business only

The margins for the first 6 months include a relatively small contribution from new unit-linked products launched post 1<sup>st</sup> September 2010. These new products currently have much lower profitability than the previous products.

**Analysis of change in MCEV**



In presenting the analysis of change, the following approach has been adopted:

**a) Impact of changes in assumptions and methodology**

The impacts from updates to assumptions and methodology are allowed for as follows:

- Updates to non economic assumptions and methodology are made at the start of the period, and the subsequent analysis of change calculated using these revisions
- Updates to economic assumptions including revisions to the economic scenarios used for the TVFOG calculation are made at the end of period and incorporated as a closing adjustment.

**b) Experience variances**

- The impact on the MCEV from variations between the assumptions and actual experience are determined and recognised in the period for non economic assumptions and at the end of the period for economic assumptions.
- The impacts on the variations for non economic assumptions are separately attributed to new and in-force business.

**c) Value of new business**

- New business profits are calculated as at end of period, using the opening (i.e. 31<sup>st</sup> March 2010) yield curve and incorporate allowance for variations on non economic assumptions during the period.
- The new business profits are calculated before and after acquisition expense overruns.
- As explained earlier, the company intends to do a downward revision of its loaded acquisition expense assumptions when reporting new business profits for the FY 2010-11, based on revised estimates of long-term achievable expense levels.

**d) EV profits**

- EV profits are calculated as the movement in EV during the period less capital injections.

**e) EV Operating profit (“EVOP”)**

- EV operating profit (“EVOP”) is calculated as the movement in EV during the period less capital injections and the impact of economic variances and economic assumption changes.
- The EVOP represents the impact on the MCEV from performance that is considered within management control.

## 11. Brand

We are first Private Life Insurance companies to be registered in India and we have proudly completed 10 years of existence since the time life insurance sector was opened up for private sector

On the eve of our 10<sup>th</sup> Anniversary, we have redefined our brand as “HDFC Life” with new colours in red and blue.

Inspired by the form and colours of the Housing Development Finance Corporation Limited’s brand, our logo is a symbol of assurance, protection and pride of a life well lived.



*Sar utha ke jiyo!*

*In partnership with Standard Life plc*

This three dimensional logo comes together to create a frame, capturing life’s special moments that can be looked upon with pride & joy and lends well to a memorable look & feel.

**Red – Vibrancy, Youthfulness, exuberance**

**Blue – Dependability, Financial Expertise**

**Dark Red – Vermillion (*Sindoor* – Long Life)**

The new brand strengthens our vision to be 'the most successful and admired life insurance company, which means that we are the most trusted company, the easiest to deal with, offer the best value for money, and set the standards in the industry. The most obvious choice for all'.

## 12. Best practices

### 12a. Awards, Accolades and Recognition

This year we received recognition from both our employees and consumers which speaks of our connect and bond with our employees & consumers.

#### Great Place to Work

We have been ranked 34<sup>th</sup> in India's Top 50 'Best Companies to Work For' and we were honoured as No. 1 in the Insurance industry space.

This award speaks of trust, pride, openness and enjoyment which every employee has in working with the our company



#### India's Most Trusted Private Life Insurance Brand

We were ranked India's Most Trusted Private Life Insurance Brand in 2010 in a survey conducted by Economic Times-Brand Equity and the Nielsen Company.

Apart from Trust & Popularity, this award also signifies that consumers believe, provide High Quality of Service, Unique in our Offering and Worth the Price we Command.



#### 'India's Most Trusted Private Life Insurance Brand'

as per the 'Most Trusted Brand' Survey 2010, conducted by Economic Times - Brand Equity.

#### Product of the Year 2010 - YoungStar Super

Our children's plan YoungStar Super was voted 'in the 'Insurance' category. "Product of the Year" is an internationally recognized standard that celebrates and rewards the best innovations in consumer products and services. The product has currently been withdrawn effective September 2010 due to changes in the regulations.



#### CIO 100 2010: The Agile 100

We have won Agile 100 award for our workflow management software "Pinnacle", which provides on-demand, easy-to-manage workflows for the new business process with a flexibility of changing the process to align to dynamic business conditions.

### 12b. Technology and processes

We have implemented SAP ERP for the Financial Accounting & Controls (FICO) and Human Resources (HR) modules to adopt global best practices in technology driven processes within our operations.





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## Glossary of terms

1. Claims repudiation ratio – Ratio of claims repudiated to total claims received during the period
2. Commission ratio – Ratio of total commissions paid out on first year, single and renewal premiums to total premiums
3. Conservation ratio – Ratio of current year renewal premiums to previous year's renewal premium and first year premium
4. Effective premium income (EPI) - 10% weight-age for single premiums and annualized for regular premiums – e.g. monthly installment premium x 12
5. 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 e.g. for a monthly mode policy sold in March 2009 the first installment would fall into first year premiums for 2008-09 and the remaining 11 installments in the first year would be first year premiums in 2009-10
6. New business received premium – The sum of first year premium and single premium
7. Operating expense ratio – Ratio of operating expenses excluding service tax to total premiums
8. Renewal premiums – Regular recurring premiums received after the first year
9. Solvency ratio – Ratio of required solvency margin to available solvency margin
10. Total premiums – Total received premiums during the year including first year, single and renewal premiums for individual and group business
11. Weighted received premium – The sum of first year premium and 10% weighted single premiums and single premium top-ups

**Disclaimer**

*This release is a compilation of unaudited financial and other information and is not a statutory release. This may also contain statements that are forward looking. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially from our expectations and assumptions. We do not undertake any responsibility to update any forward looking statements nor should this be constituted as a guidance of future performance.*

*These disclosures are subject to the prevailing regulatory and policy framework as on September 30, 2010 and do not reflect any subsequent changes.*



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