Looking beyond disruptions

Vibha Padalkar
MD & CEO, HDFC Life

Agenda

1. Disruptions to be expected in a young sector
2. Less distraction; focus on opportunities
3. How has HDFC Life fared?
4. Changing environment, dynamic approach
5. Way forward

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Disruptions to business model over the years

Change in ULIP regulations (FY11)

- Introduced cap on charges
- Shift to diversified product mix strategy
- Scaling up of Credit protect business

Open architecture (FY18)

- Diversified distribution – Increase in new tie-ups
- Growing focus on proprietary channels

Covid-19 pandemic (FY20)

- Tech enablement – for faster claim settlement & policy issuance
- Prudent risk management
- M&A with Exide Life

Change in traditional savings taxation (FY24)

- Focus on broadening customer base
- Upfront investments in distribution, technology and manpower to capitalize on the long-term opportunity

Surrender value regulation (FY25)

- Realigned distribution commercials
- Minimal impact on relative basis

Movement from old to new tax regime

- Increasing ticket size and lower seasonality in business
- Offering innovative solutions centered around customer needs

Disruptions likely or being speculated

Bancassurance regulations
- Enhanced growth and investment in proprietary channels
- Wider adoption of Open architecture to improve customer choice

Composite license & VAS[1]
- Enable holistic health and life solutions
- Leveraging existing distribution for fee income

IFRS and RBC[2]
- IFRS - Enhance transparency of reporting
- RBC - To release capital and fuel growth

Open architecture in agency
- Agents will have the opportunity to offer a wider range of solutions
- Customers can choose the best option from multiple insurers

Listing roadmap
- Enhanced disclosures
- Enable sustainable business practices

Bima Sugam Platform
- One stop insurance electronic marketplace for multiple services
- Will give more choice to the customer

1. VAS – Value Added Services
2. IFRS – International Financial Reporting Standards; RBC – Risk-Based Capital

HDFC Life

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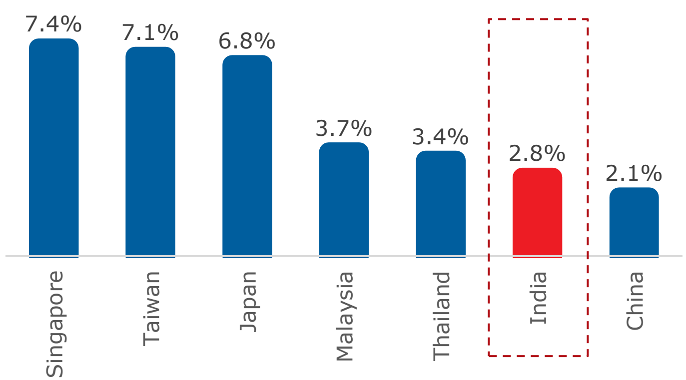
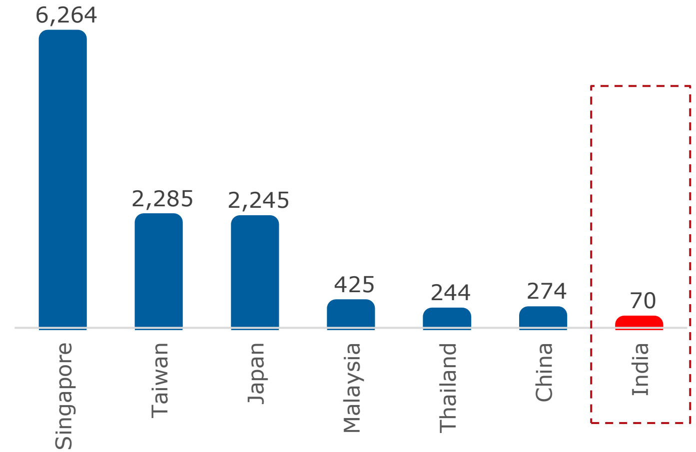
Growth opportunity: Under-penetration and favorable demographics

Life Insurance penetration[1] (CY 2023)

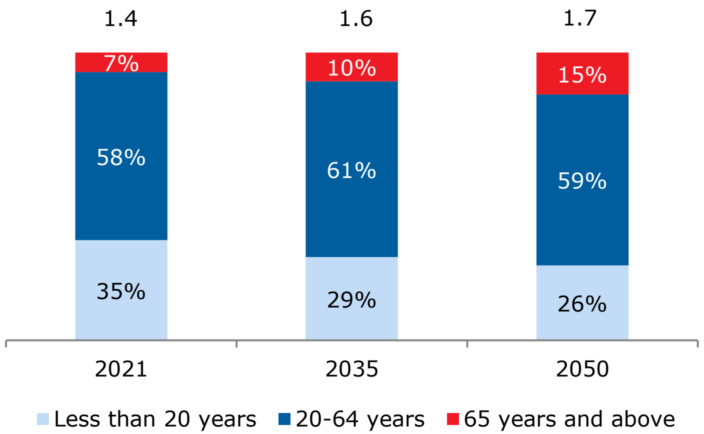


Life Insurance density US$ [2] (CY 2023)

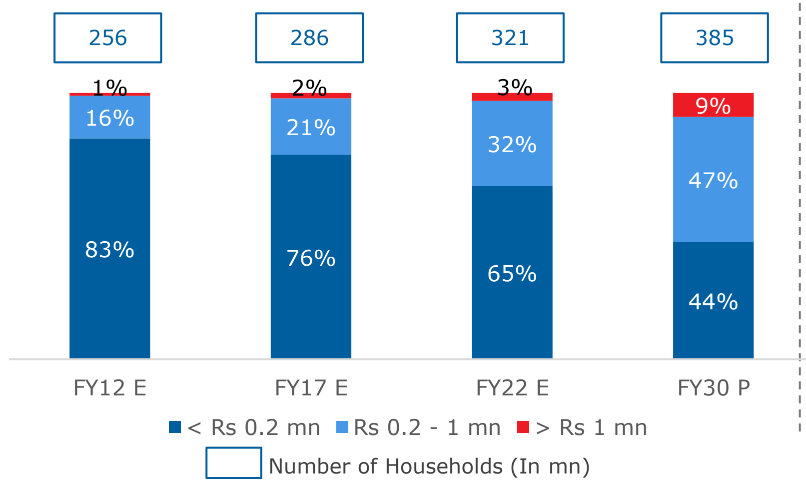


- India remains vastly under-insured, both in terms of penetration and density
- Huge opportunity to penetrate the underserviced segments, with evolution of the life insurance distribution model

Population composition (bn)



Household distribution by income



- India's insurable population estimated to be at ~1 bn by 2035
- Number of middle income households is expected to almost double to 181 mn between FY22 and FY30
    - High proportion of this increase is expected to come from semi-urban and rural areas

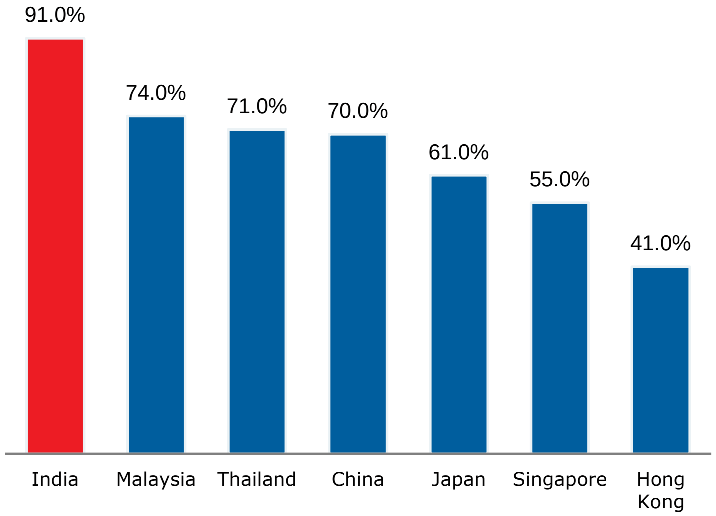
1. Penetration as measured by premiums as % of GDP,

2. Density defined as the ratio of premium underwritten in a given year to the total population

Source: Swiss Re, MOSPI, United Nations World Populations Prospects Report (2022), CRISIL "The big shift in financialization" report 2022

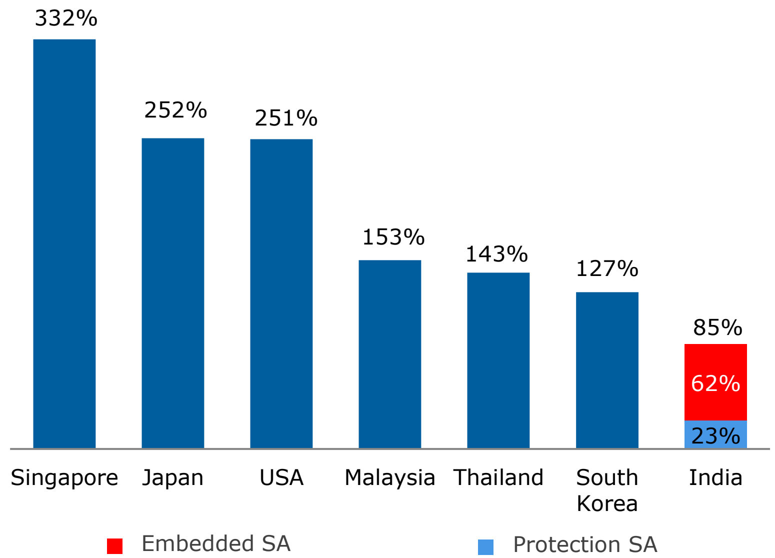
Low levels of penetration: Life protection

Protection gap (2019)[1]



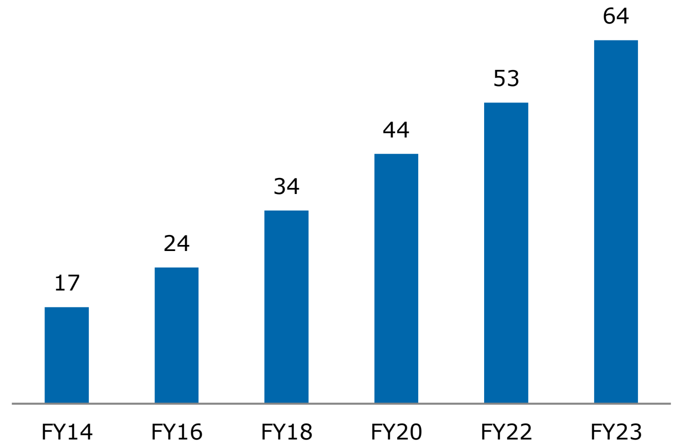
- India has the highest protection gap in the region
- Savings and life insurance coverage growth lagged economic and wage growth
- Protection gap growth rate to grow at ~4% per annum

Sum Assured as a % of GDP [2]



- India has the lowest sum assured (SA) as a % of GDP amongst its peers
- opportunity for protection growth in life insurance due to:
  - Rising middle income,
  - Increasing financial literacy
  - Limited life cover represents

Trend of retail loans[3] (Rs Tn.)

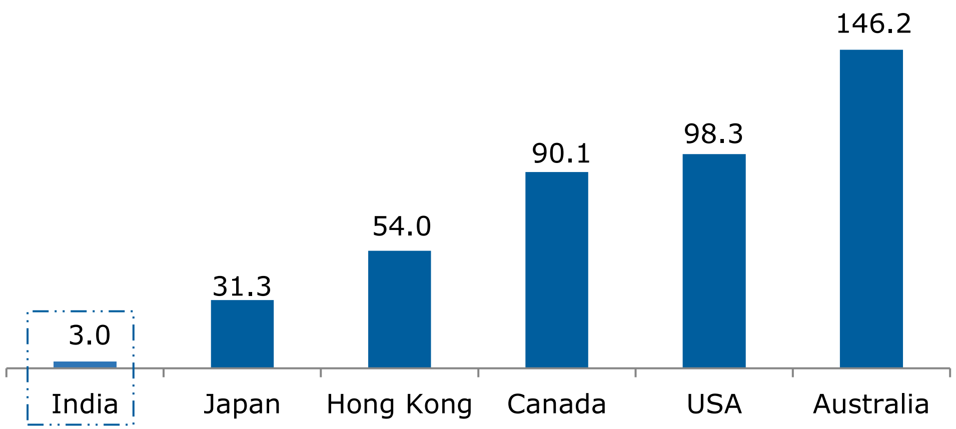


- Retail credit has grown at a CAGR of 16% over last 10 years
- Credit life need would be spurred by:
  - increasing retail indebtedness
  - Increasing attachment rates
  - Increasing value penetration,
  - Growing lines of business

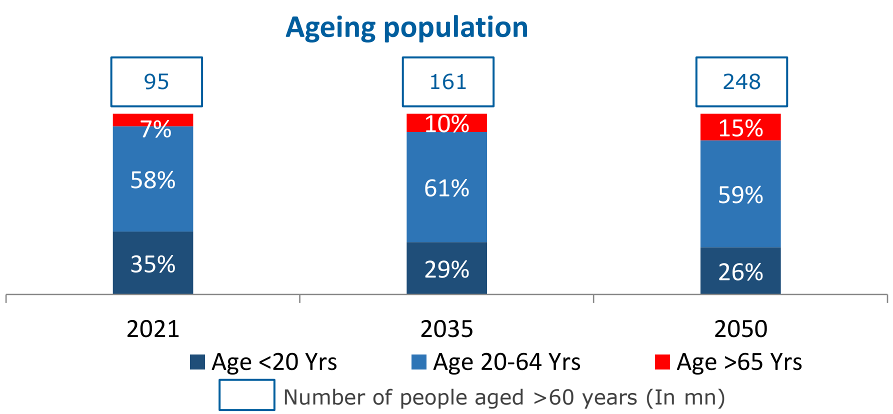
1. *Swiss Re. India's protection gap is as of CY22*
2. *Jefferies "Composite Insurance License in India: Taking a Leaf from Global Experience" report 2022*
3. *Kotak institutional equities*

Macro opportunity: Retiral solutions

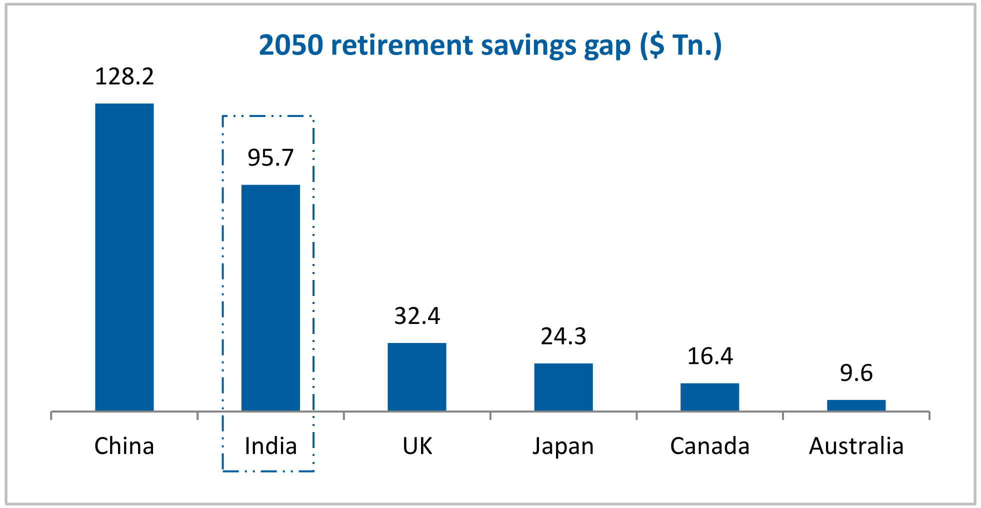
India's pension market is under-penetrated at 3%[1] of GDP



Elderly population is expected to increase 2.5x by 2050



India's retirement savings gap[2] to grow annually by 10% to reach ~$96Tn in 2050



- 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 118 Tn by 2030 (about 1/4th accounted by NPS)
- Mandatory schemes to increase coverage for both unorganized and organized sectors

Source: Swiss Re: A Retirement lifeline (2023), OECD (2021), Milliman Asia Retirement Report 2017, Survey by NSSO, MoSPI, United Nations World Populations Prospects Report (2022)
1. Comprising pension assets / funds
2. Retirement savings gap = Desired retirement income (i.e. 70% of pre-retirement annual income) - Actual income (i.e. social security benefits + employer benefits + personal savings)

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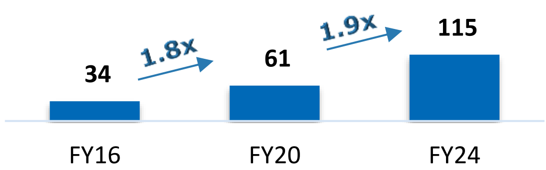
Consistent, predictable, sustained performance

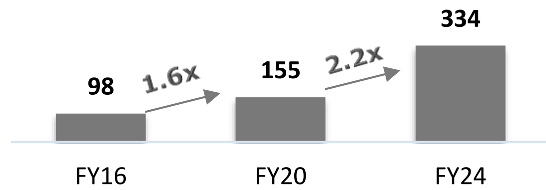
Rs bn

Holistic growth

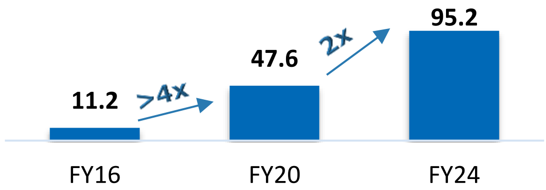
Individual APE



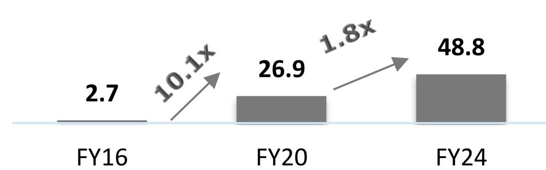
Renewal Premium



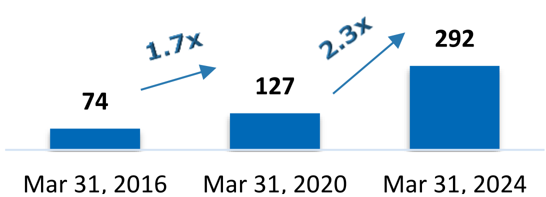
Protection new business[1]



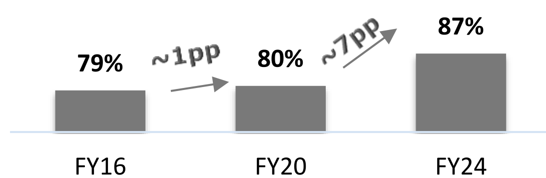
Annuity New Business



Assets under management

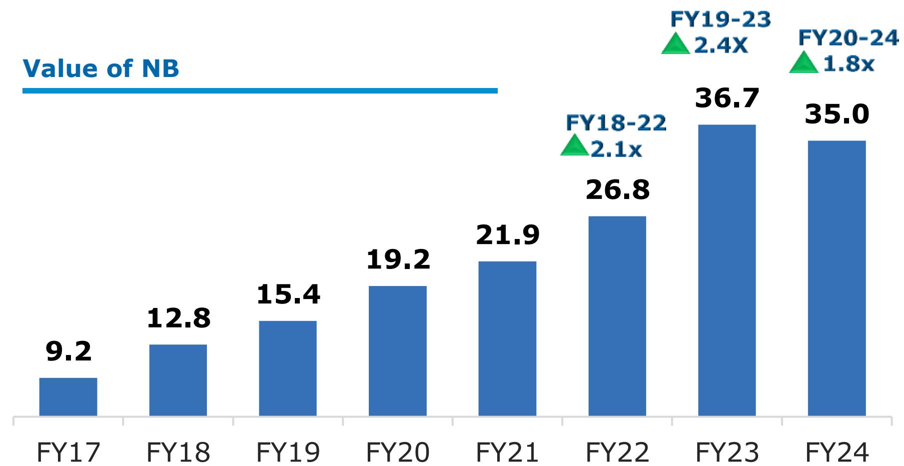


13 M Persistency[2]

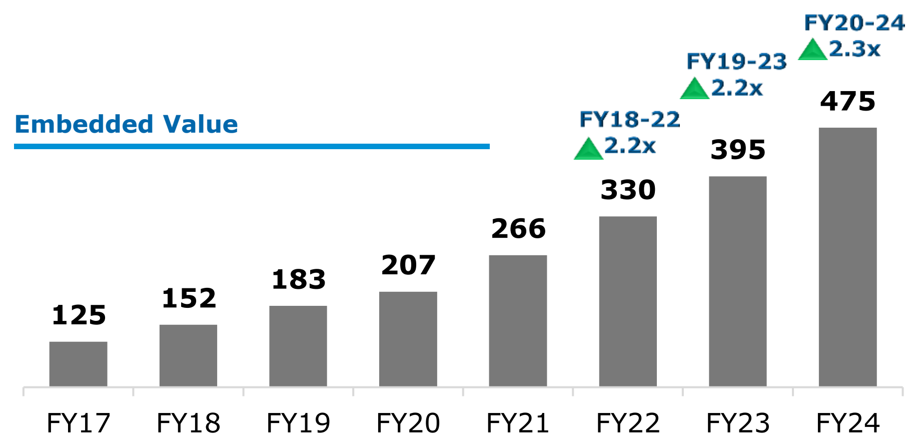


Consistent track record over multiple periods

Value of NB



Embedded Value



1. Based on Overall NBP
2. Excluding single premium

Steady performance across business cycles

Open architecture
- Banks allowed to tie up with 3 insurers
- Loss of exclusivity at HDFC Bank

Covid-19 pandemic
- Lockdown – Face to face communication disrupted
- Rise in claims

Change in ULIP tax exemption limit
Tax exemption removed for policies > Rs 2.5 lakh

Change in traditional savings tax exemption limit
Tax exemption removed for policies > Rs 5 lakh

Surrender value (SV) regulation
- Increase in SV after completion of 1st policy year

- **Diversified distribution** – Increase in new tie-ups
- **Growing proprietary** – Agency/Direct

- **Tech enablement** – faster claim settlement & policy issuance
- Prudent **risk management**
- **Distribution expansion** for tapping new markets – Exide Life M&A, increasing market share in new partnerships

- Focus on **broadening customer base**
- **Upfront investments** in distribution infrastructure, technology and manpower **to capitalize on the long-term opportunity**

- Restructuring of **distributor commercials**
- **Lower impact** on relative basis

Consistent product innovation

	FY16	FY18	FY20	FY22	FY24	9M FY25
NBM[1]	19.9%	23.2%	25.9%	27.4%	26.3%	25.1%
Indl WRP[2] growth	12%	31%	19%	16%	1%[3]	22%
Overall industry growth	8%	19%	6%	16%	5%	14%

Grew ~2x industry during last decade while sustaining profitability

Notes:
1. New Business Margin
2. WRP: Weighted Received Premium
3. Adjusting for one-off business due to budget changes in FY23, normalized growth was 11% in FY24. FY24 2-year CAGR stands at 13%

HDFC Life

Consistent track record of maximising shareholder value

Rs bn

	FY24	FY23	FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY 20-24 CAGR	FY 16-24 CAGR
Value of new business (VNB)	35.0	36.7	26.8	21.9	19.2	15.4	12.8	9.2	7.4	16%	21%
Operating variances	1.5	1.6	-4.9[1]	0.8	1.5	1.4	2.0	2.1	3.1		
Embedded Value[2]	474.7	395.3	300.5	266.2	206.5	183.0	152.2	124.7	102.3	23%	21%
Value in-force (VIF)	329.4	267.5	211.9	176.3	134.6	124.3	103.6	83.3	69.5	25%	21%
Operating ROEV[3]	17.5%	19.7%	16.6%[1]	18.5%	18.1%	20.1%	21.5%	21.7%	20.7%		

Healthy VNB accretion driven by strong top-line growth and margin expansion

Predictable outcomes over longer time frames

Steady ROEV across multiple time periods, reflecting sustainable performance

Significant value creation through **consistent compounding of EV and VIF** across multiple time periods

Experience in-line with assumptions, resulting in negligible operating variances

Strong focus on **balancing profitability and risk management**

1. *FY22 operating variance includes excess mortality impact due to Covid-19*
2. *Closing EV for the respective fiscal year*
3. *Operating ROEV is calculated as annual EVOP (Embedded Value Operating Profit) to Opening EV*

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Diversified and expanding distribution across customer segments

AGENCY

- ~2.4 lakh agents - **top three agency** force amongst private life insurers
- Segregating **Focus (tier 1)** and **Growth (tier 2,3) markets** with a micro market strategy
- 2X company level **growth in protection**

HDFC BANK

- **Widening outreach** across all customer segments
- Sharper focus on **cross-sell and up-sell** to existing customers
- Focus on **improving profitability** with sustainable market share

OTHER KEY ALLIANCES

- **~90 banca partnerships** addressing relevant customer segments
- Partnerships with Banks, NBFCs, SFBs, brokers, aggregators & digital ecosystems allow entry into **new market segments**
- Continue to **strengthen partnership** network

DIRECT/DIGITAL

- 600 **physical branches** and sales hubs
- Leveraging analytics for **cross-sell and up-sell**
- Simplifying and personalizing journeys to offer **better customer experience** to attract younger customers

5 yr CAGR (FY19-24)	Agency	HDFC Bank	Other key alliances and Direct/Digital
	26%	15%	17%

HDFC Life

Pioneering product innovation to deepen customer penetration

Launched before 2015: Retirement & pension | Woman | Group Credit Protect | Click2Invest | Youngstar

FY15-18

- Click 2 Protect 3D Plus (Protection)
- Pension Guaranteed Plan (Annuity)
- Classic One (ULIP)
- Cancer Care (Health)

FY19-22

- Sanchay Plus (Non-par savings)
- Sanchay Par Advantage (Participating)
- Group Poorna Suraksha (Group term insurance)
- Sanchay Fixed Maturity Plan (Non-par savings)
- HDFC Life QuickProtect (Protection)
- Systematic Retirement Plan (Annuity)

FY23-FY25

- Systematic Pension Plan (Par Pension)
- HDFC Life Click 2 Protect Life
- HDFC Life Click 2 Protect Super
- HDFC Life Sanchay Legacy
- Smart Protect (ULIP)
- Sampoorna Jeevan (Participating) — Garnered 100 cr in 29 days
- Click 2 Achieve (Non-par savings) — Garnered 100 cr in 16 days

HDFC Life

Future-ready digital transformation: Project Inspire

Reimagining our systems and processes by investing in new technologies and capabilities

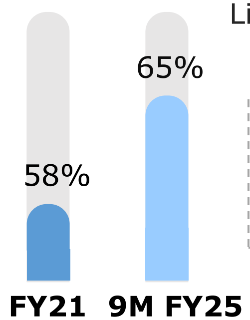
Our end state

- Enriched customer interactions
- Data-driven recruitments
- Customer 360 view
- AI / ML driven customer interactions
- Automated issuance
- Efficient customer & partner onboarding
- Experiential hub
- Hyper-personalization
- Enhanced productivity
- Increased persistency & controls

Widening reach - Tier 2/3 growth opportunity

Our focus is to deepen our presence in tier 2/3 markets

Contribution of tier 2/3 markets in HDFC Life's APE



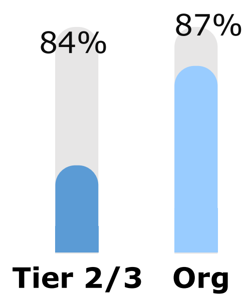
On NOP basis, tier 2/3 markets contributed to 3/4th of the business in 9M FY25

Amongst top 3 brands[1] for tier 2/3 customers

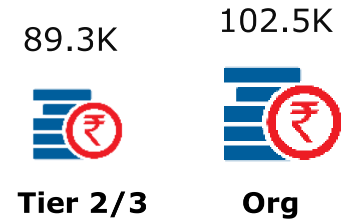
Higher focus on micro markets and increase penetration in tier 2/3 markets

While ensuring that quality of business is maintained

13M persistency closer to org



Tier 2/3 markets' ATS closer to org ATS



APE growth in tier 2/3 markets has outpaced company level growth

NOP growth at par with company growth in 9M FY25

And building capacity for future growth

40K+
Partner branches

600
HDFC Life branches

300+
Partners comprising banks, NBFCs, MFIs, SFBs, brokers, new ecosystem partners

71% of new agent addition in tier 2/3 markets

Expansion strategy complementary to banca partners' SURU expansion

1. *Study by Ipsos*

HDFC Life

Successful M&A – Furthering our objective

Objectives met

- Accelerated proprietary channel growth and share of business
- Complementary geographical presence and wider access to Tier 2 and Tier 3 locations

No negative surprises

- Good quality business focused on traditional and protection products
- Prudent risk management & conservative investment strategy resulted in robust Embedded Value

Realisation of synergies for all stakeholders

- Customers got access to a wider product suite and service touchpoints
- Improvement in NBM via operating leverage and product mix optimisation

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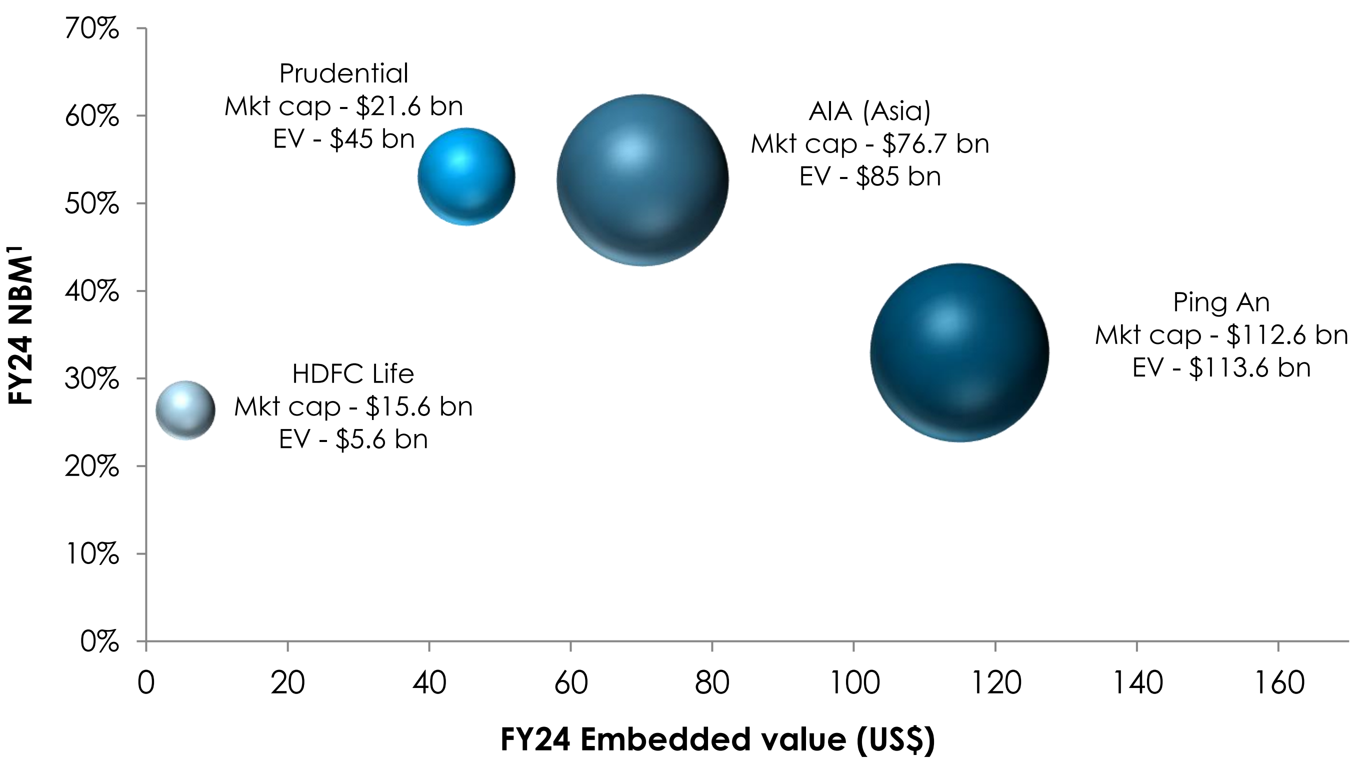
This is just the beginning of a large opportunity

Comparison with large regional players



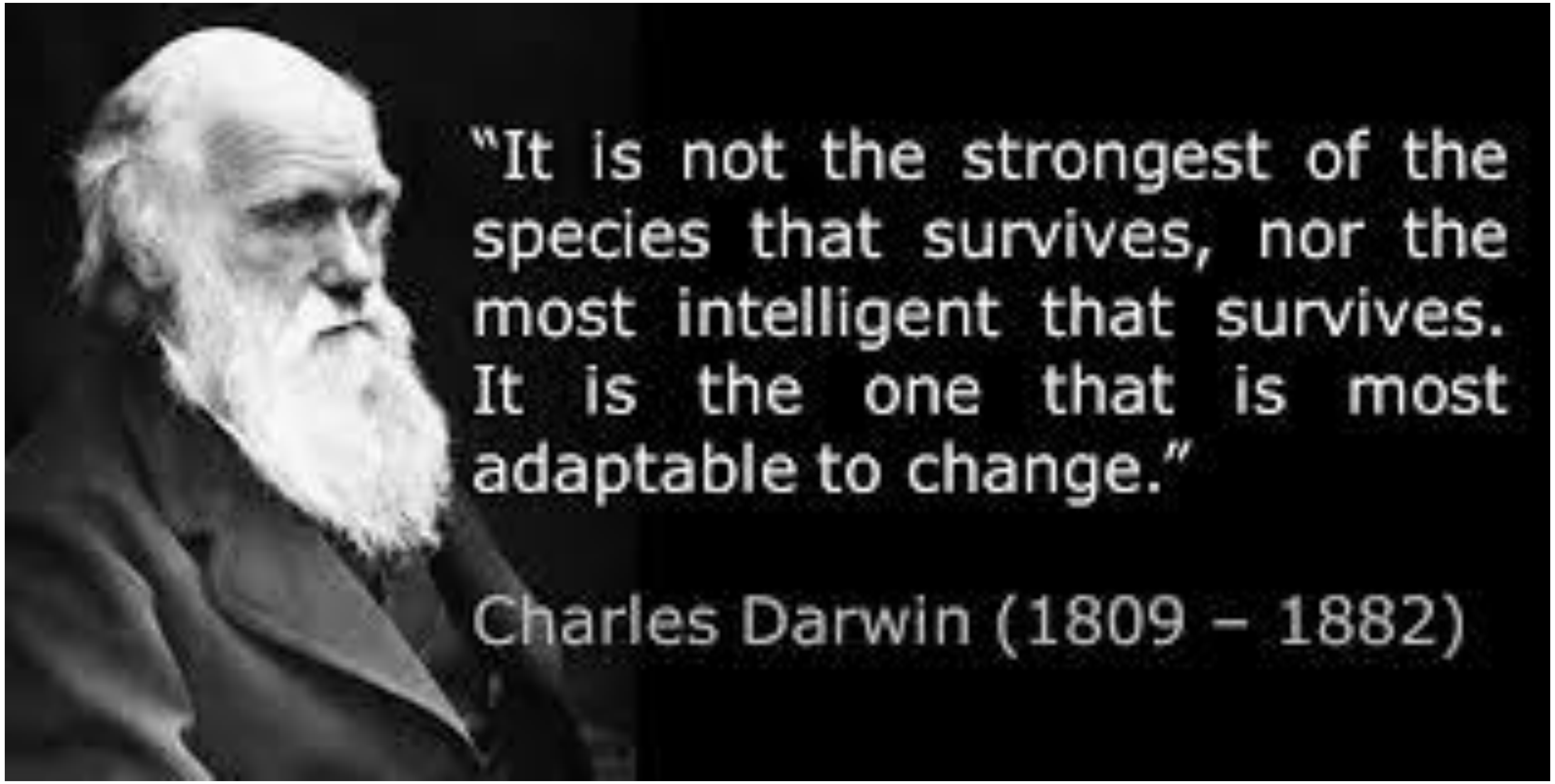
India's edge over regional players

1. **Increase in protection penetration** with *improvement in affluence levels*
2. **Better asset quality** with *strong ALM* and availability of *long-term government securities*
3. **Demographic dividend** with higher proportion of *working age population*
4. **Consistent track record** of delivering steady *ROEV across business cycles*

Regional players 8-24 X larger in terms of EV and market cap; huge runway for Indian life insurers

1. *NBM and EV is stated for the period FY24 (Apr 2023-Mar 2024) for HDFC Life and for the period 12M 2023 (Jan-Dec 2023) for regional players (for AIA, EV represents comprehensive equity); Market capitalisation is as on Jan 20, 2025*

To conclude..


"It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is most adaptable to change."
Charles Darwin (1809 – 1882)

Thank You

23 YEARS
Protecting India with Pride

HDFC Life