Investor Presentation – 9M FY23

HDFC Life

Sar utha ke jiyo!

Executive summary: 9M FY23*

Revenue & Scale

Individual WRP	Rs.Bn	68.3
	Market Share	15.8%
Renewal Premium (Rs Bn.)	CY	191.9
	PY	144.7
AUM (Rs Bn.)	CY	2,338
	PY	1,947
IEV	Rs (Bn.)	377.0
	EVOP	17.5%

Profitability & Cost

New Business Margin (NBM)	CY	26.5%
	PY	26.5%
VNB (Rs Bn.)	CY	21.6
	PY	17.8
Profit After Tax (PAT) (Rs Bn.)	CY	10.0
	PY	8.5
Operating exp. ratio	CY	14.7%
	PY	12.2%

Customer & Capital

13th month persistency	CY	87%
	PY	87%
Claim settlement ratio (FY22)	Overall	99.6%
	Individual	98.7%
Complaints per 10K policies	FY22	25
	FY21	29
Solvency	Dec'22	209%
	Mar'22	176%

1. *Complaints data (excluding survival and death claims)*
* *Current year numbers are on a merged basis, hence prior years are not comparable*

Agenda

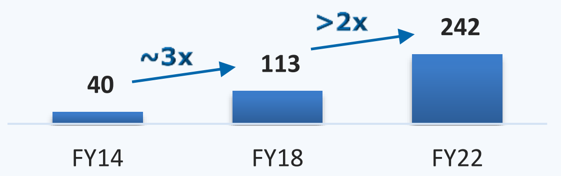
1. Performance Snapshot
2. Our Strategy
3. Our approach to ESG
4. Annexures
5. Life insurance in India

Consistent, predictable, sustained performance

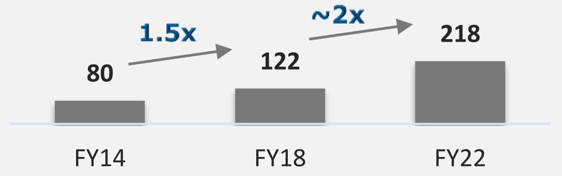
Rs bn

Holistic growth

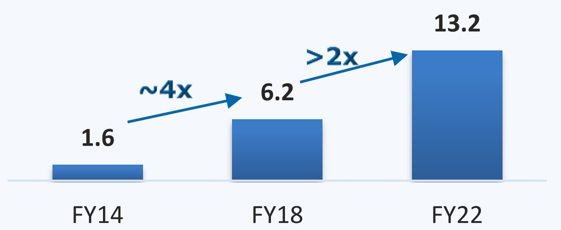
New business premium



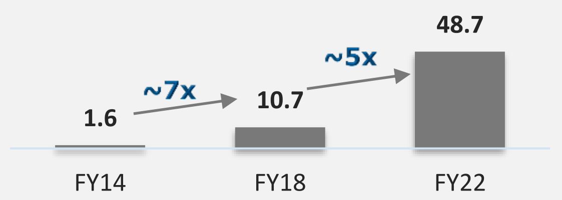
Renewal premium



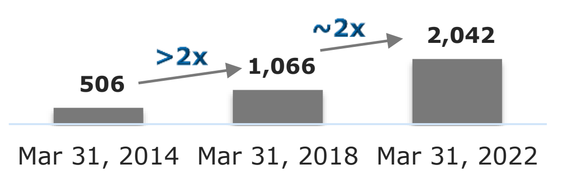
Protection APE[2]



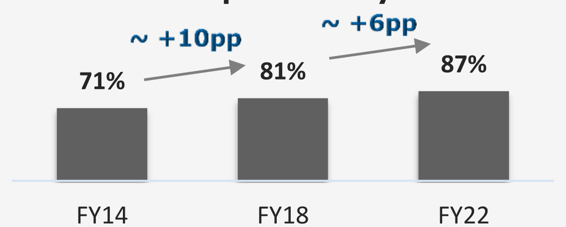
Annuity new business



AUM

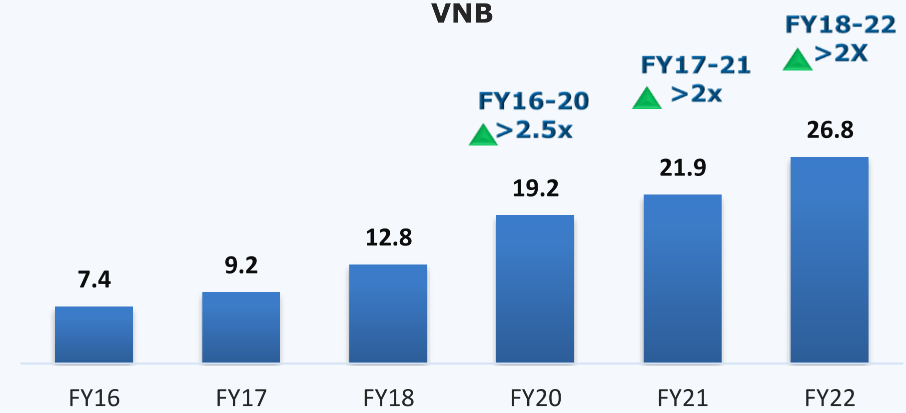


13M persistency[3]

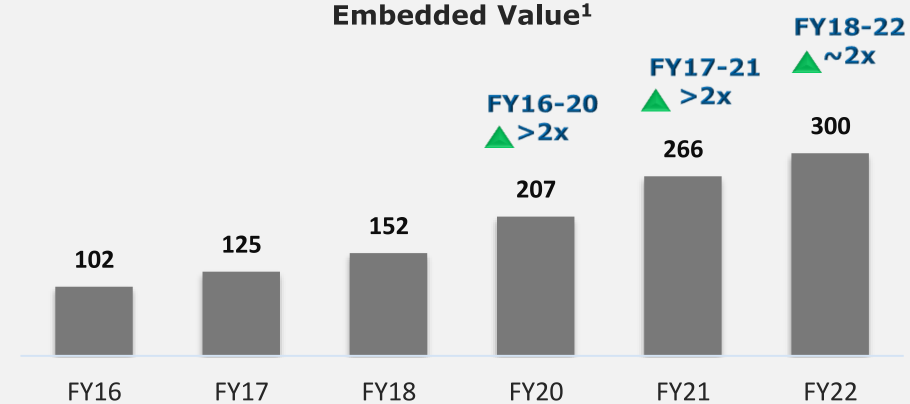


Consistent track record over multiple periods

VNB



Embedded Value[1]



1. Including cash payout of Rs 7.3 bn for acquisition of Exide Life, but excluding Exide Life's EV of Rs 29.1 bn

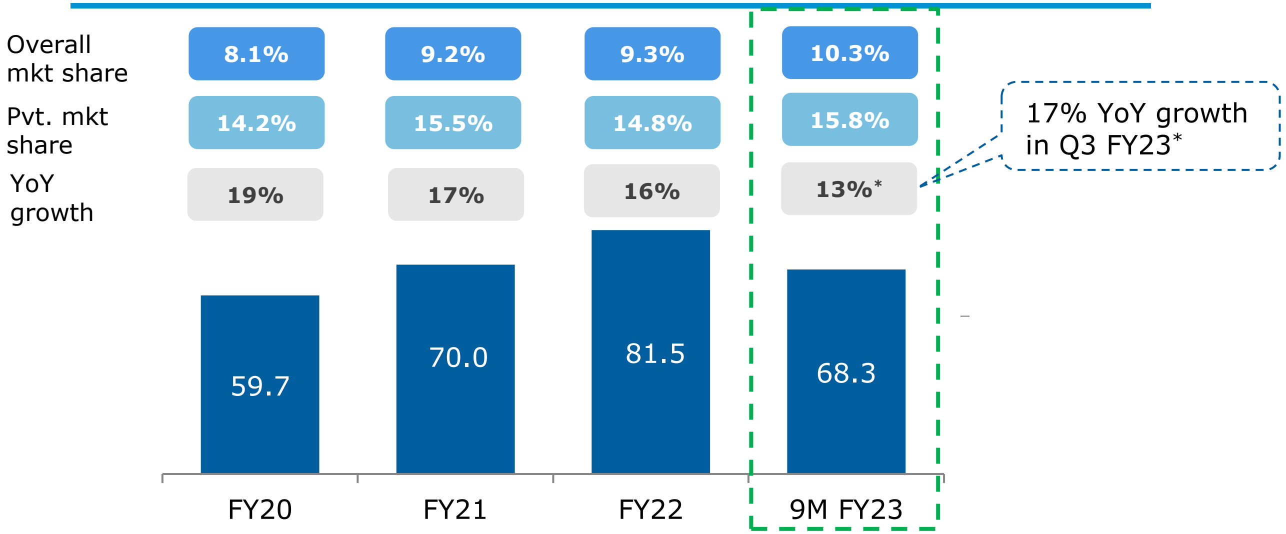
2. Based on Overall APE

3. Excluding single premium

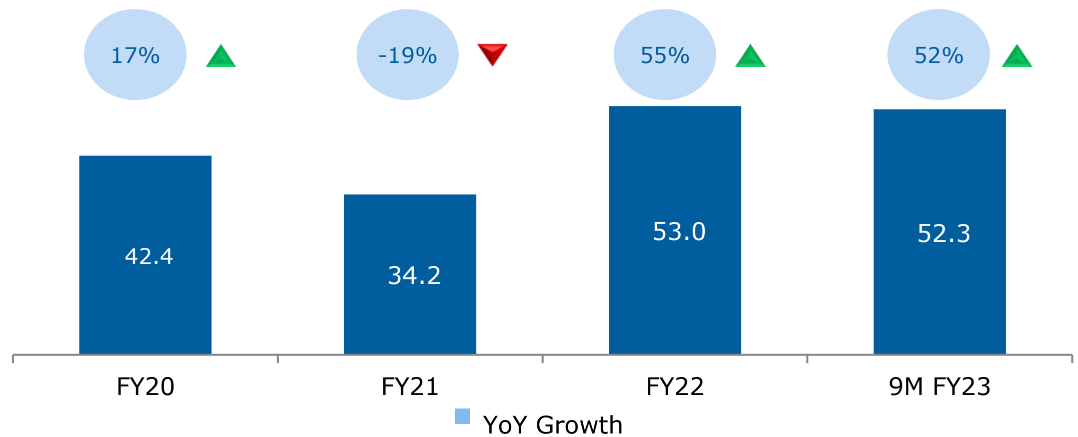
Demonstrating resilience in the current environment (1/2)

Rs bn

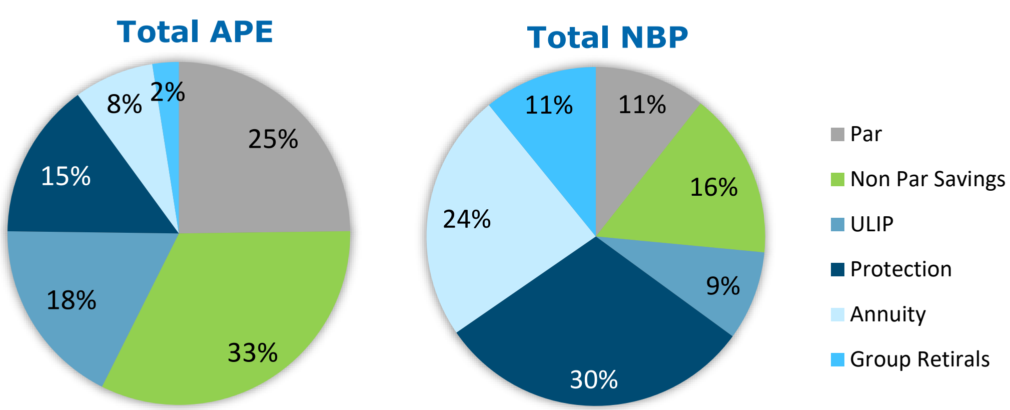
Strong, sustainable growth



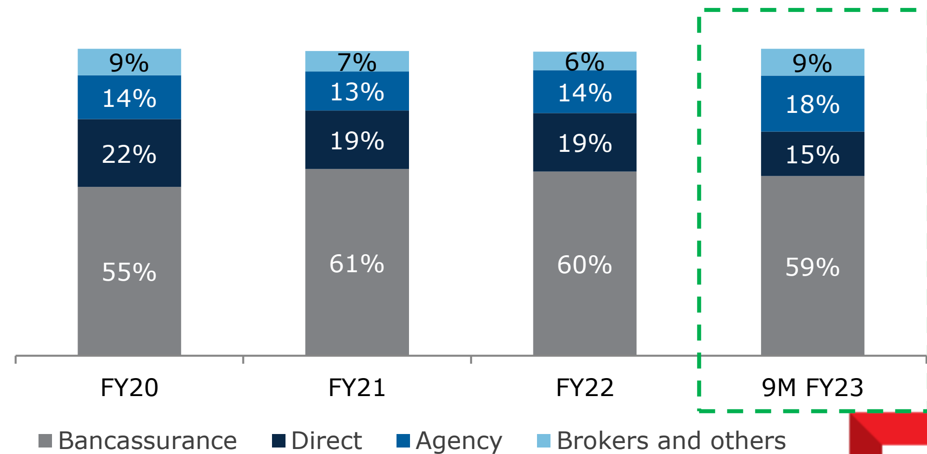
Strong CP volumes on the back of higher disbursements[1]



Balanced product mix



Focus on diversified channel mix[2]



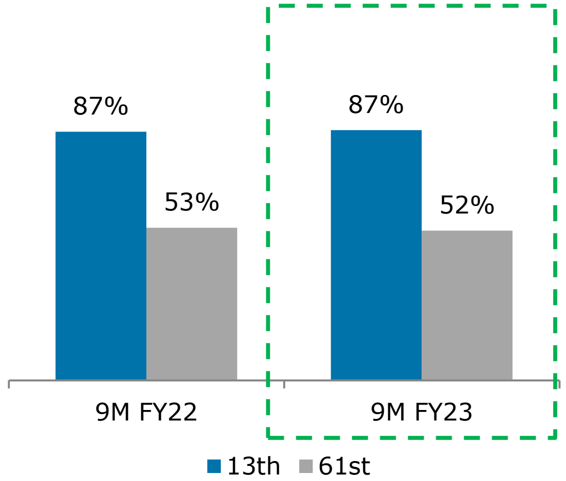
1. Based on Credit Protect new business premium 2. Based on Individual APE

** Current year growth numbers have been computed after factoring in Exide Life WRP in previous year - 9M and Q3*

Demonstrating resilience in the current environment (2/2)

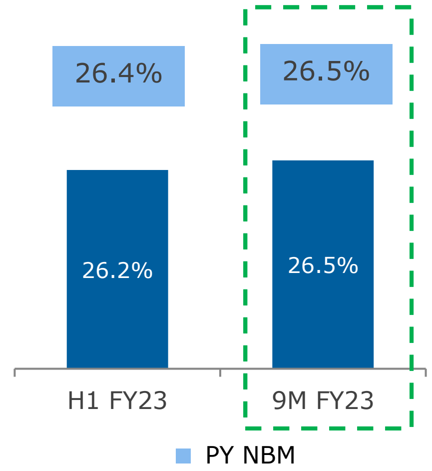
Rs bn

Stable Persistency[1]



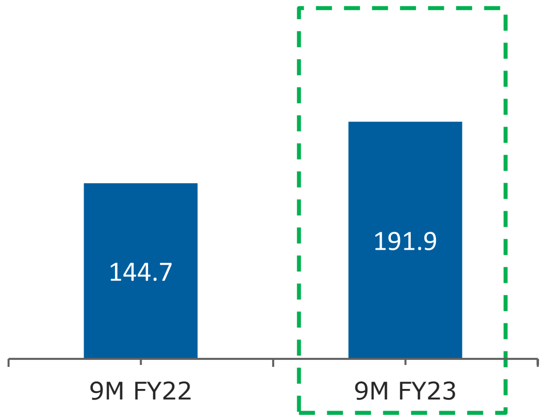
- Focus on quality of business and providing superior customer experience

On track to achieving margin neutrality for FY23[2]



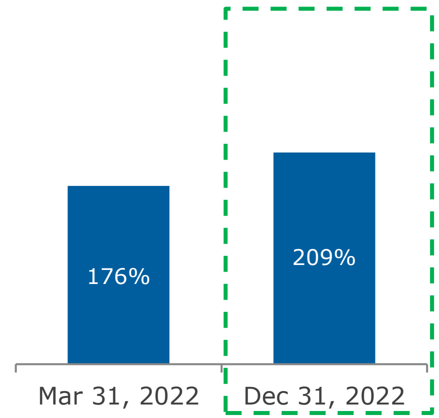
- Multiple pools of profitability contributing to VNB accretion
- VNB has grown at 24% CAGR between FY17-22

Strong growth in renewal premium[2]



- Backed by consistent improvement in overall persistency

Steady solvency position[2]



- Healthy solvency margin of 209% - well above regulatory requirement

1. *For individual business; Excluding single premium and fully paid up policies. Current year numbers are on a merged basis, hence prior year is not comparable*
2. *Current year numbers are on a merged basis, hence prior year is not comparable*

Agenda

1 Performance Snapshot

2 Our Strategy

3 Our approach to ESG

4 Annexures

5 Life insurance in India

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

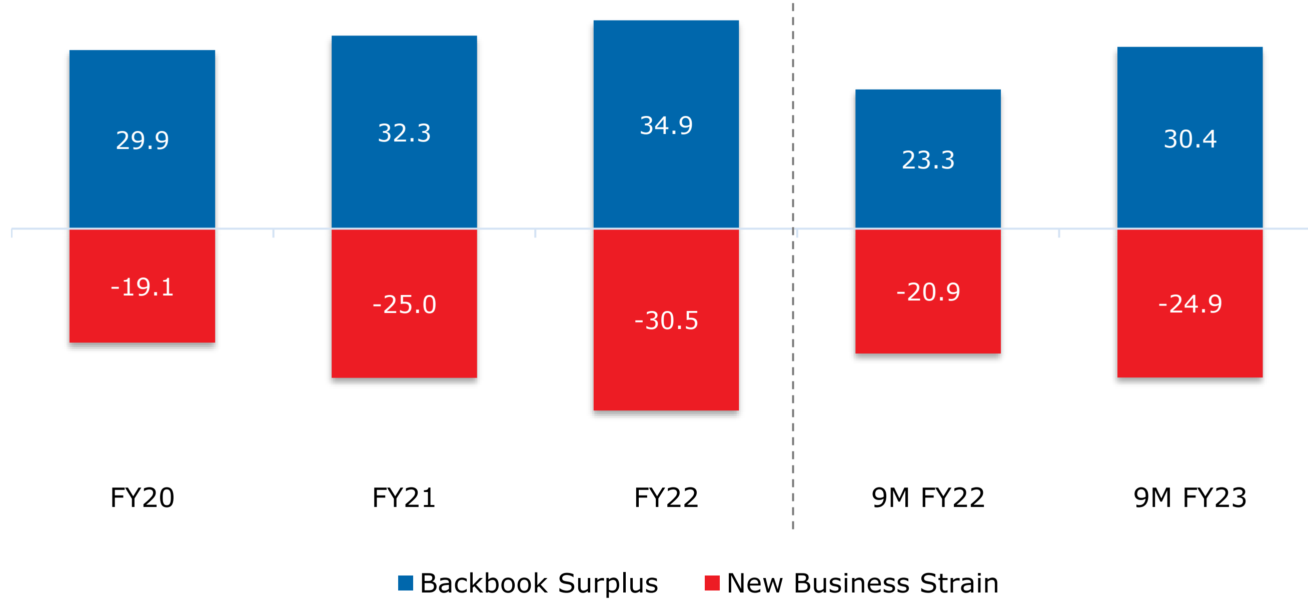
"Our continuous focus on technology, diversification and customer-centricity has enabled us to deliver consistent performance even in the most challenging times"

Focus on profitable growth

Rs bn

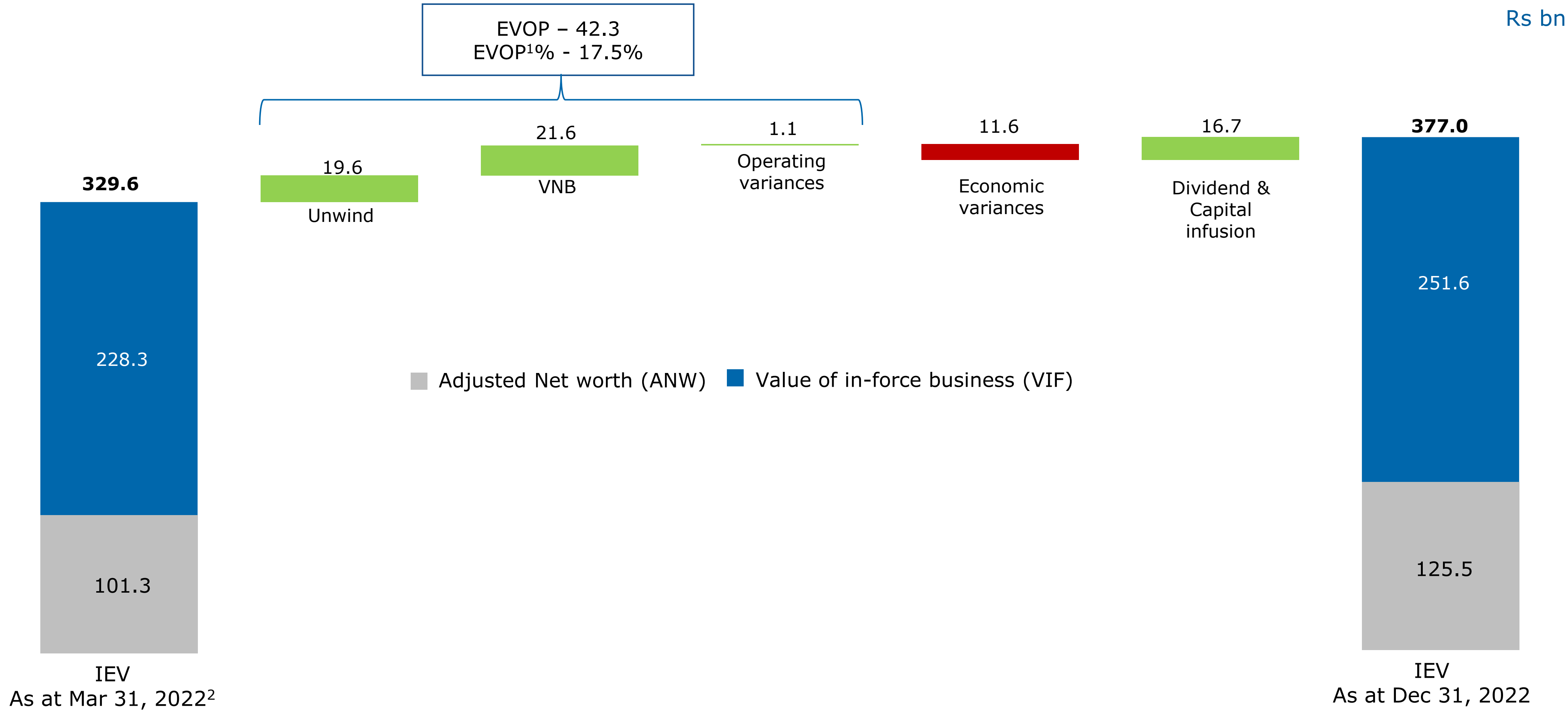
		FY20	FY21	FY22	9M FY22	9M FY23[2]
Economic Profit	New business Margin	25.9%	26.1%	27.4%	26.5%	26.5%
	Value of new business	19.2	21.9	26.8	17.8	21.6
Accounting Profit	Profit after tax (PAT)	13.0	13.6	12.1	8.5	10.0
	Underwriting profits	10.9	7.3	4.4[1]	2.4[1]	5.5
	Shareholders' surplus	2.1	6.3	7.7	6.1	4.5

Underwriting profits breakup



1. *Post accounting for impact of excess mortality reserve (EMR)*
2. *Current year numbers are on a merged basis, hence prior years are not comparable*

Analysis of change in IEV



- Operating variance continues to be positive and in line with our assumptions

1. *EVOP% calculated as annualised EVOP (Embedded Value Operating Profit) to Opening EV*
2. *Opening IEV as at Mar 31,2022 includes Exide Life EV, hence it is comparable to IEV as at Dec 31,2022*

HDFC Life

Diversified distribution mix enabled by multiple levers

Proprietary[1]

- 1.5L+ Agents
- 500+Branches
  48 Digital Branches[2]
- www.hdfclife.com
  HDFC Life App

Banks , SFBs, Other CAs

HDFC BANK, Utkarsh Small Finance Bank, Saraswat Bank, Union Bank of India, South Indian Bank, Bandhan Bank, Axis Bank, IDFC FIRST Bank, AU Small Finance Bank, India Post Payments Bank, RBL BANK, Suryoday, YES BANK, DCB BANK, Ujjivan Small Finance Bank, Capital Small Finance Bank, TJSB Sahakari Bank Ltd.

NBFCs, MFIs

HDFC SALES, Fullerton India, HDB Financial Services, Chola, TATA CAPITAL, Capital India, Asirvad, pnb Housing Finance Limited, FIVE STAR, IIFL HOME LOAN, HeroFinCorp., Muthoot Microfin, BAJAJ FINANCE LIMITED, TATA Motors finance, nabfins

Brokers & Aggregators

BLUECHIP, Integrated, policybazaar, Coverfox.com, BajajCapital, NJ Insurance Brokers, Robinhood Insurance Broker, InsuranceDekho, CENTRUM, Probus Insurance

Group, Pension & International Business

- NPS Corporates
- Group Annuity (MPH/CA)
  160+ Superannuation Funds
- Rep Office - NRI

Partnerships in emerging eco-systems across Health, E-commerce, Auto, Telecom, Mutual Fund, Fintech

zopper, FinMapp, fisdom, MyLoanCare.in, PhonePe, Axis Asset Management, LENDINGKART, realme paysa, mswipe, turtlemint, FUNDSINDIA

Equity Brokers & Wealth

ICICI Securities, HDFC securities, sbi securities, Motilal Oswal, Edelweiss, ZERODHA, GEOJIT, Angel Broking

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

1. Proprietary channels include Agency, Direct and Online (Post-Merger basis)
2. Digital Branches: Virtual branch for servicing customer requests remotely through dedicated app and webpage

HDFC Life

Bancassurance powered by innovation, technology and people

Product proposition

- Comprehensive product suite across par, non-par, term, annuity, ULIP
- Combo insurance products
- Innovative term products – limited pay, RoP[1] and riders
- Mass distribution products – POS[1] & Saral plans
- Innovative retirement products through annuity & pension

Partner experience & engagement

- InstaPlan: Defined engagement metrics measured digitally
- CSR: Joint CSR[1] initiatives that strengthen relationships
- Dedicated HNI[1] cell
- InstA: Virtual assistant for sales & service teams

Tech & Digitization

- Insta Quote: One stop solution for generating illustration
- INSTAInsure: PASA[1] using analytics
- Cloud Telephony: Cloud based customer calling solution for sales
- Reducing need of physical presence by E2E digital processes
- Pre-conversion Verification via Chat: Digital sales verification via WhatsApp chat, video app or calling

Distribution

- Strong presence across metro, urban & rural geographies with ~9K Sales force
- Strong growth & presence in alternate channels viz virtual, salary & HNI; focus on MSME sector
- Strong YoY growth in group insurance through credit protect
- Increasing business pie through POS products attached in assets

Capability building & resourcing

- Learning on the go: mobile nuggets for skill enhancement
- YOUNite: Comprehensive engagement and training programs for sales teams
- Structured rewards and recognition program
- Gamified learning experience through mobile app & simulations

Profitable growth · **Diversified distribution mix** · Market-leading innovation · Reimagining insurance · Quality of Board and management

1. POS: Point of Sales; PASA: Pre-approved Sum Assured; RoP: Return of Premium; HNI: High Networth Individual; CSR: Corporate Social Responsibility
2. WISE: Frontline digital tool, enables virtual onboarding of customers in the presence of a HDFC Life representative
3. PCVC: Pre Conversion Verification Call

HDFC Life

Balanced product mix in Agency enabled by technology and training

Technology

BuZZ

- **Secure** communication platform for all agency stakeholders
- Contest launch, updates, qualification, reward fulfillment process and status

FAME

- AI & ML based customer interactions and opportunities
- Theme based dossier focused on giving consumer insights
- Receive nudges to improve customer reach out

Partner Portal

- Check performance reports & commissions
- Trigger customer communication and reminders
- MIS, ranking, contest earnings, opportunities and much more

Medi Easy – Term

- Digital tool for smooth on- boarding of term customers
- Easy to fill forms and pay premiums

Training

The Selling Skills Program

In-depth program to train and groom our FLS on essential selling skills

Agency Life

Skilling and engagement platform to drive higher productivity

Analytics based distribution & activation drives & enablers

IC38 Audio Online Training

Easier and simpler way to complete IC38 training

- ✓ Available in vernacular language
- ✓ Interesting & engaging audio content

Sales Planning Simulation

First of its kind, unique sales planning simulation for branch heads enabling them to learn and practice effective sales planning in a simulated environment

Profitable growth

Diversified distribution mix

Market-leading innovation

Reimagining insurance

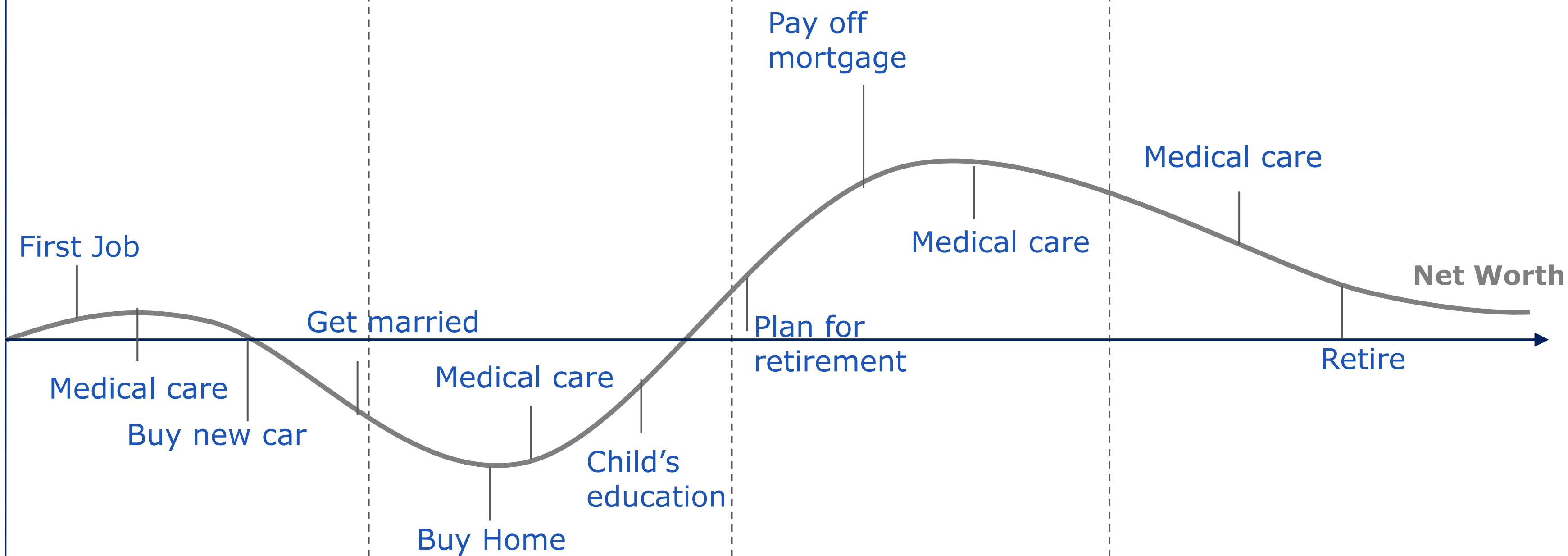
Quality of Board and management

HDFC Life

Addressing customer needs at every stage of life

	<25 years	25-35 years	36 – 50 years	50+ years
Objective	Simple Savings	Borrowing	Investments	Asset Drawdown

Needs



Product Offerings

Product mix across age categories[1]

	<25 years	25-35 years	36 – 50 years	50+ years
UL	26%	25%	22%	16%
Par	41%	31%	27%	29%
Non par savings	30%	36%	44%	36%
Protection	3%	8%	5%	1%
Annuity	0%	0%	2%	18%

Risks Addressed

- Mortality
- Morbidity
- Longevity
- Interest Rate

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

1. *Based on Individual APE for 9M FY23; Percentages may not add up due to rounding off effect.*

Our approach to retiral solutions

1. NPS

- Largest Pension Fund Manager (PFM) in Retail and Corporate NPS segment, with AUM of Rs 399 bn[1]
- Registered strong YoY growth of 63% in AUM
- Market share grew from 36.5% in Dec'21 to 40.2% in Dec'22 amongst all PFMs
- Company has ~1.4 mn PFM customers
- #2 POP[2] in Corporate Subscriber business

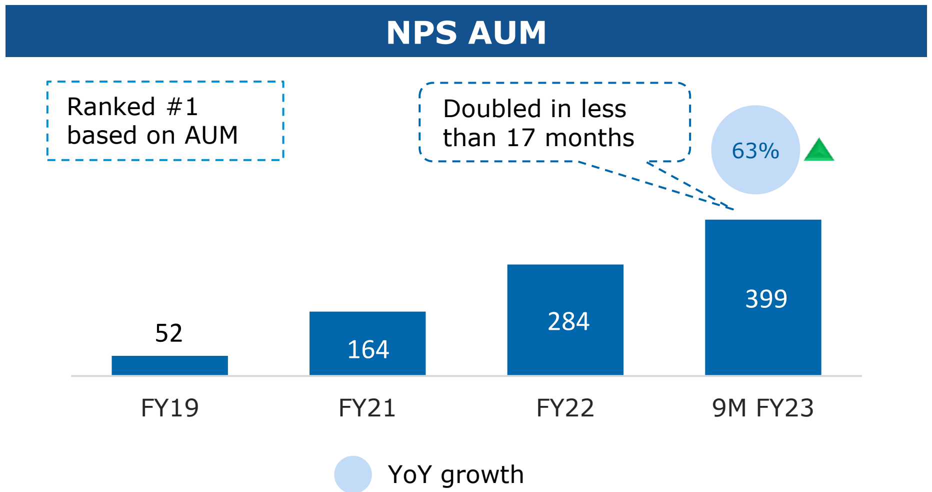
2. Immediate / deferred annuity

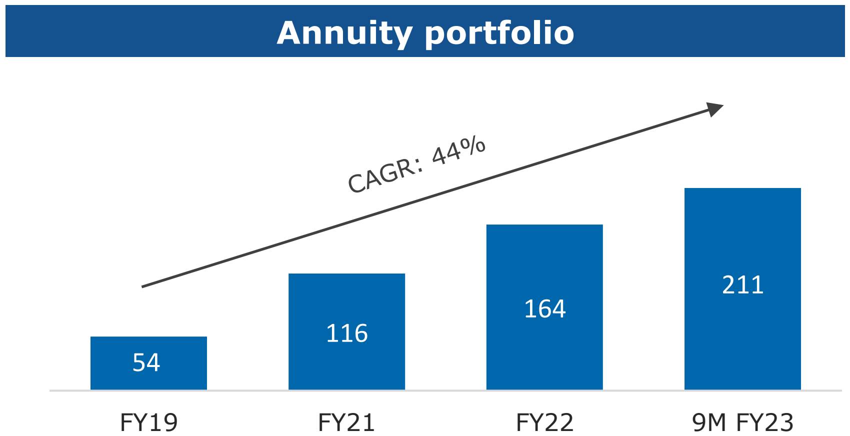
- Largest player in the private sector

3. Group superannuation fund

- Managing funds for 160+ corporates under superannuation scheme

Rs bn





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

1. *As on Dec 31, 2022*
2. *POP: Point of presence for enabling opening of accounts on a platform*

Product mix across key channels[1]

Banca [2]

Segment	FY20	FY21	FY22	9M FY23
UL	32%	27%	29%	26%
Par	18%	37%	33%	28%
Non par savings	44%	30%	33%	38%
Term	4%	4%	4%	3%
Annuity	2%	2%	2%	4%

Direct

Segment	FY20	FY21	FY22	9M FY23
UL	33%	29%	28%	20%
Par	14%	17%	14%	17%
Non par savings	20%	16%	27%	32%
Term	4%	3%	3%	3%
Annuity	29%	35%	28%	28%

Agency

Segment	FY20	FY21	FY22	9M FY23
UL	12%	10%	16%	11%
Par	34%	37%	33%	37%
Non par savings	40%	39%	39%	42%
Term	12%	11%	10%	7%
Annuity	3%	3%	3%	3%

Online [3]

Segment	FY20	FY21	FY22	9M FY23
UL	44%	39%	46%	55%
Par	1%	1%	2%	2%
Non par savings	18%	29%	30%	30%
Term	37%	30%	20%	10%
Annuity	1%	2%	2%	3%

Company

Segment	FY20	FY21	FY22	9M FY23
UL	28%	24%	26%	21%
Par	19%	34%	30%	29%
Non par savings	41%	31%	33%	39%
Term	8%	7%	6%	4%
Annuity	4%	5%	5%	6%

38% of business with policy term <=10 years; 14% of received premium in single-pay policies for 9M FY23

Protection

	FY20	FY21	FY22	9M FY23
Based on Total APE	17%	13%	14%	15%
Based on NBP	27%	20%	24%	30%

Annuity

	FY20	FY21	FY22	9M FY23
Based on Total APE	4%	5%	5%	8%
Based on NBP	16%	20%	20%	24%

1. Based on Individual APE, Term includes health business. Percentages are rounded off. Current year numbers are on a merged basis, hence prior years are not comparable
2. Includes banks, other corporate agents and online business sourced through banks / corporate agents
3. Includes business sourced through own website and web aggregators

Aligned to make life simpler for customers

1. Accelerate **JOURNEY SIMPLIFICATION** across channels
2. Fast track **PARTNER INTEGRATION**
3. **SERVICE SIMPLIFICATION** for connect and personalization
4. **DATA LABS ECOSYSTEM** for decision making
5. **PLATFORMS** independent buying / servicing

Building resilience..

6. Connecting with startups through **Futurance**[1]
7. Create a digital scalable efficient **Architecture**
8. Enable a hybrid **Work From Home** environment
9. Strengthen **Cyber Security** for post-Covid world

1. Futurance: A program to collaborate with startups for harnessing cutting-edge technology

HDFC Life

Partnering with Start-ups to innovate

Futurance

An industry first start-up connect program launched in June 2019, now in its 5th phase.

Futurance program has witnessed over 450 applications

20+ Start-ups shortlisted till date to connect with HDFC Life's Senior leadership. 10+ Start-ups selected for Proof of Concept

Live use cases: Alternate & augmented data, Medical/ health tech, innovative sales tech, vision & voice AI based solutions

HDFC Life

New in-house automated underwriting rule engine

Developed in-house automated rule engine to replace existing externally sourced rule engine

Benefits

DEPENDENCY

Complete control - No dependencies on external rule engine service provider

Highly efficient, scalable & reliable

API

Integration of APIs and third party services to improve decision making

₹

Substantial cost saving: License fee, amendment fee and maintenance fee

~70% customer applications auto underwritten leading to improvement in STP* rate and additional risk identification

Profitable growth

Diversified distribution mix

Market-leading innovation

Reimagining insurance

Quality of Board and management

** STP: Straight throughput*

HDFC Life

Journey Simplification

Credit Bureau, ITR & EPFO Integration aiding better throughput

Empowering a seamless customer onboarding journey

Proposal Submission

- Bureau is triggered for the estimated income
- Option for digital authentication available for ITR ping
- Option for EPFO trigger available for the customer

Bureau/ITR/EPFO output fetched through API

- Value received is passed to UW rule engine
- ITR documents for latest 3 financial years fetched
- PF passbook fetch through EPFO

Financial UW by Rule Engine

- Financial viability is verified and for eligible case no additional requirement is raisied
- Aversion of risk related to fraudulent documents

Benefits

Hassle free customer onboarding experience

Enhanced risk assessment for underwriting

Reduced cancellation due to unavailability of financials with customer

Improvement in overall issuance TAT

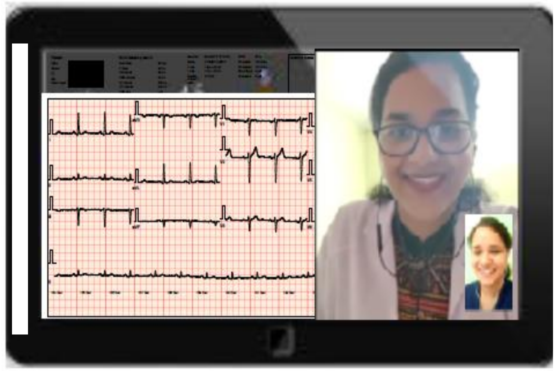
Continued improvement in throughput and issuance TATs

HDFC Life

Strengthening underwriting and simplifying customer journey

Cardiac risk assessment (CRA) at home for medical underwriting

Convenience to individuals who have to undergo medicals while applying for an HDFC Life insurance policy



- Applicants / users step on a stepper with speed & resistance adjustments
- Conventional print based ECG equipment is replaced with a portable, bluetooth and mobile connected ECG equipment for real time data recording and analysis
- Recording is transmitted to the remote physician for review and interpretation
- Instead of an onsite physician, an online consultant physician is available to monitor the progress of the stress test (incl. real-time ECG) over a video call
- The physician can talk to the site technician and the applicant / user for any instructions
- This service is currently live in 22 locations

Home medicals for NRI customers

- In an industry first initiative, we have now launched home medicals for our customers overseas in 21 countries

HDFC Life

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
- Capital Raising Committee

Management Committees/Councils

- Whistleblower Committee
- Compliance Council
- Risk Management Council
- ALCO[1]
- Information & Cyber Security Council
- Disciplinary Panel for Malpractices
- Prevention of Sexual Harassment
- Investment Council
- Credit Council
- Claims Review Committee
- Grievance Management Committee

Board Approved Committee

- Product Management Committee
- Outsourcing Committee

Standalone councils

Business and Innovation

- Product Council
- Technology Council
- Persistency Council

Profitable growth

Diversified distribution mix

Market-leading innovation

Reimagining insurance

Quality of Board and Management

Additional governance through Internal, Concurrent and Statutory auditors

Note:

1. Asset Liability Management Council

2. The above list of committees is illustrative and not exhaustive

HDFC Life

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 ~59 years
- Deferred as % of total annuity business < 30% with average deferment period <4 yrs
- Regular monitoring of interest rates and business mix

Managing Risk

ALM approach

- Target cash flow matching for non par savings plus group protection portfolio to manage non parallel shifts and convexity
- Immunise overall portfolio to manage parallel shifts in yield curve (duration matching)

Residual strategy

- External hedging instruments such as FRAs, IRFs, swaps amongst others
- Reinsurance

	FY22				9M FY23*			
Sensitivity	**Overall**		**Non par [1]**		**Overall**		**Non par [1]**	
Scenario	**EV**	**VNB Margin**	**EV**	**VNB Margin**	**EV**	**VNB Margin**	**EV**	**VNB Margin**
Interest Rate +1%	(2.0%)	(1.4%)	(2.1%)	(2.5%)	(2.4%)	(1.5%)	(2.1%)	(2.3%)
Interest Rate -1%	1.6%	0.8%	1.4%	1.5%	2.0%	0.7%	1.3%	0.9%

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

1. Comprises Non par savings (incl Annuity) plus Protection

** Current year numbers are on a merged basis, hence prior year is not comparable*

HDFC Life

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ESG at a Glance

ESG Focus Areas

ESG Score Highlight: Highest rated Indian insurance company in the ESG assessment by S&P Global

Ethical Conduct & Governance

- **ESG Management Committee**, led by the Chief Financial Officer oversees the policy implementation and operational controls for environmental risks including Climate change
- The overall accountability for the ESG issues lies with the **CSR Committee of the Board**
- Performance Management based on the principles of **Balanced Scorecard**; covers the Organization's performance on financial, market / customer, people, **sustainability** and operational aspects.

Governance Structure

Board Composition

- **Five** Independent Directors
- **Three** Non-Executive Non-Independent Directors

Board Diversity

- **30%** women as on 31st December, 2022

Remuneration Policy

- Seeks to balance the fixed and incentive pay
- **ESOPs** based on the recommendations of NRC
- **Clawback & Malus provision**

Risk Management

- Risk oversight by Senior Management & Board of Directors vide **Risk Management Council** and **Risk Management Committee** respectively
- Modes of Risk Awareness - Trainings, E-mailers, Seminars, Conferences, Quizzes and Special awareness Drives
- Business Continuity Management (**BCM**)-Recovery plan for critical business activities in place
- Enterprise Risk Management (**ERM**) framework
  - 'Three Lines of Defence approach'
  - Reviewed and approved by the Board
- ESG risks including Climate change, etc. included under **Emerging risks** category of the ERM Framework

HDFC Life

Ethical Conduct & Governance (contd.)

Information / Cybersecurity

- Risk oversight by Board **Risk Management Committee** and risks reporting done on a quarterly basis

- Modes of Risk Awareness –
    - Annual mandatory training for all employees
    - Security workshops and case study discussions
    - Specially curated programs and sessions for senior leadership
    - Monthly awareness mailers
    - Security posters and leaflets
    - Phishing Simulation Campaigns

- Dedicated helpdesk and email id's for reporting on the breaches

- Certifications & Frameworks –
    - **ISO 27001** standards
    - National Institute of Standards and Technology (**NIST**)
    - Federal Financial Institutions Examination Council (**FFIEC**) based Cyber Security Framework for Risk Assessment

Policies and Frameworks

- Anti-bribery & Anti-corruption Policy
- Anti Money Laundering (AML) Policy
- Board Diversity Policy
- Code of Conduct
- Corporate Governance Policy
- Data Privacy Policy
- Investor Grievance Policy
- Responsible Investment (RI) Policy
- Stewardship Policy
- Tax Policy
- Whistleblower Policy

- Corporate Social Responsibility (CSR) Policy
- Diversity, Equity and Inclusion (DEI) Policy
- Human Rights Policy
- Policy for Prevention and Redressal of Sexual Harassment (PRSH)
- Supplier Code of Conduct

- Environment and Climate Change Policy*

* Environment and Climate Change Policy to be uploaded on company web-page post approval by the Board CSR Committee

Responsible Investment

Responsible Investment Policy

Objective
To generate optimal risk adjusted returns over the long term

RI framework
- **RI** and **stewardship policy** in place
- Applicable to all **major asset classes**
- **Head of Research** ensures that ESG is incorporated into overall Research and Investment process
- ESG issues covered **in voting process**

Bolstering commitment towards Responsible Investment

Became signatory to United Nations – supported Principles for Responsible Investment (UN-PRI)

PRI Principles for Responsible Investment

Responsible Investment Governance

A **ESG Governance Committee** at the investment team level comprises of Chief Investment Officer, Head of Fixed Income, Head of Research, Fund Manager of ESG Fund and dedicated ESG research analyst

Sustainable Equity Fund

What is Sustainable Equity fund & why invest in it?

This fund shall seek to generate returns from investing in companies with high ESG standards and commensurate score, create value for all stakeholders with lower risks & generate sustainable long-term returns.

Exclusion criteria included in the RI Policy

Companies engaged in the business of tobacco, alcohol, controversial weapons and gambling shall be excluded from the Sustainable Equity Fund

Exclusion criteria aligned with the exclusion policy followed by Nifty 100 ESG Index

HDFC Life

Employee Engagement & Diversity, Equity and Inclusion (DEI)

Special Recognition

- **Great Places to Work** – 39th amongst top 100 Best Places
- **Best workplaces for Women 2021**– Great Place to Work Institute
- **Avtar top 100 Places**
- **Best Workplaces for Women 2021** – **Economic Times**
- Brandon Hall awards - Learning Strategy, Simulation training, & Social Talent Acquisition

Attracting talent

- **Hybrid work model** and flexi hours to attract gig workers
- Robust **employee referral schemes** (>50%)
- **Hire–train-deploy** model through tie-up with reputed learning institutions
- **HR tech**: in-house application tracking system

Training & development

- **Career coaching** and development interventions; woman mentoring
- **Mobile learning** app for self-paced learning
- **Training for all** including employees, contractors, channel partners **/ Virtual product training**
- **Skill Up: Curated online training** programs from reputed universities
- Average hours per FTE of training and development: **86 hours**

Employee engagement

- **Emotional and well being assistance** program for employees and their families
- **Doctor on Call:** Unlimited free consultation
- **E-Sparsh**: Online query & grievance platform
- Family integration programs
- Platform for employee engagement: CEO Speaks, HDFC Life Got Talent, e-appreciation cards
- **In-house fitness and wellness app** - Click2Wellness
- Leaders and expert sessions to create awareness on various topics of inclusion

Talent management/retention

- **Special programs for campus hires**; **Talent development** interventions for leadership
- **Career microsite, job portal**
- **Internal Career Fair** for employees
- Long term incentive plans in the form of **ESOPs**[1] and cash to attract, retain and motivate good talent
- Elaborate **succession planning** for Key Managerial Personnel, critical senior roles
- Managers Transformation League – Leadership development program for middle management
- New Manager Boot Camp – Development program for First Time Managers

Employee diversity, equity & inclusion

- Promoting **DEI ally ship**: leadership development, communication, strengthening policies, aligning workforce through **Celebrate YOU** program of the Company
- 26% **women** employees
- Promoting **diverse talent pool** (work profiles for second career women, specially-abled) - #MyJobMyRules
- Launched official DEI page on our website highlighting various initiatives
- **Gender transition surgery** covered under mediclaim policy

Celebrate YOU

Gender neutral

- **Dress code policy**
- **Maternity policy –** Use of terms like primary and secondary caregiver instead of using terms like parents, mother/father, man/woman

1. *ESOPs: Employee Stock Options*

HDFC Life

Holistic Living: Inclusive Growth

FY22

Customer Highlights

Claim settlement ratio (individual & group)
99.6%

Customer Satisfaction Score for March'22
88.9 %

Persistency ratio (13th month) **87%** (excluding single premium and fully paid up policies)

COVID claims (net)
Rs. 818 crore, Count 15,293

CSR Numbers

Number of lives covered
5.4 crore

Rural sector
1,89,147

Social sector
1,00,87,909

MFI lives covered under CP
3,14,55,858

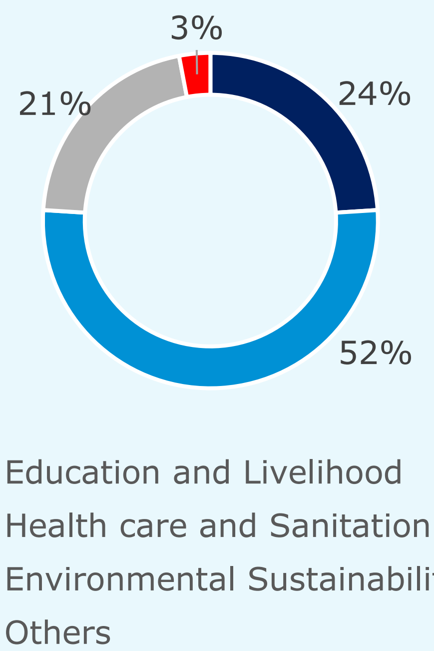
States and UT's covered
23

Sustainable Development Goals covered **12**

CSR Spends
Rs. 17.4 crore

CSR beneficiaries*
4.6 lakh

Sector-wise budget break-up



*CSR beneficiaries include 1.60 lakh beneficiaries impacted in completed projects and 3.07 lakh beneficiaries from on-going projects

Holistic Living: Delivering superior customer experience

Customer Centricity

Journey simplification – frictionless sales and service

Simplifying buying journeys through **platforms** like LifeEasy (online term purchase)

Online claim processing for eligible customers via EasyClaims platform

Document simplification & elimination

OCR: Enabling digital document submission and verification

Straight through processing of maturity payouts for verified accounts

Leveraging advanced technologies for personalization and better customer experience (CX)

Cognitive bots – policy queries answered within 2-3 clicks

Personalization – Pre-approved sum assured for customers based on risk profile

Contactless services- new normal

Digital Life Certificate for collecting survival proof from senior citizens

Contactless branches by leveraging face recognition technology

Customer Satisfaction Score (%) as on 30th September 2022 – **91.3**

Actuarial | Financial | **ESG**

1. OCR: Optical Character Recognition

Sustainable Operations

Energy and water

- Since 2014 only **3 or 5 star rating** air – conditioners used
- 94% of branches use **LED based lighting** system
- Use of **sensor based** urinals and water taps
- Total purchase of energy from **renewable** sources: **2,39,788 kWh** during FY 2021-22
- **25** new **water purifiers** installed in FY 2021-22 to replace bottled drinking water

De-carbonization roadmap and way forward

Key initiatives & action points for FY23:

- **TCFD** (Task Force on Climate-Related Financial Disclosures)
- **SBTi** (Science Based Targets initiative)
- **Carbon neutrality** strategy & roadmap

Digitization - Reduction of Paper Usage

- Introduction of **E-business cards & ID cards**
- Online /**e-forms** for customers
- Annual report FY20, FY21 and FY22 digitally communicated
- **Demat** i.e. digital policy accounts for 38% of our new business

Bio-diversity

- **11 city forests** created using **Miyawaki method**; **69,603** trees planted in total (**27** city forests in total till date)

GHG inventory

- Scope 1 emissions – **63** met. ton. CO2e
- Scope 2 emissions – **10,135** met. ton. CO2e
- Scope 3 emissions – **746** met. ton. CO2e

Waste management

- **25,850 Kgs of e-waste** recycled/ refurbished/disposed in FY22
- **301.5 Kg** of paper cups & paper disposed for recycling FY 2021-22
- **No single-use plastics**
  - Bio-degradable garbage bags
  - Cafeteria with reusable plates, cutlery, wooden stirrers etc.
  - Procurement of plastic water bottles discontinued at Pan-India locations

HDFC Life

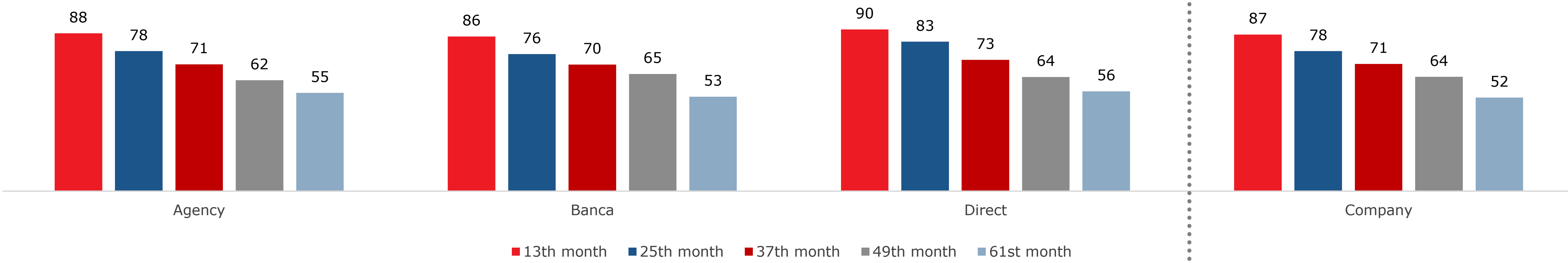
Agenda

1. Performance Snapshot
2. Our Strategy
3. Our approach to ESG
4. **Annexures**
5. Life insurance in India

Persistency trends for HDFC Life[1]

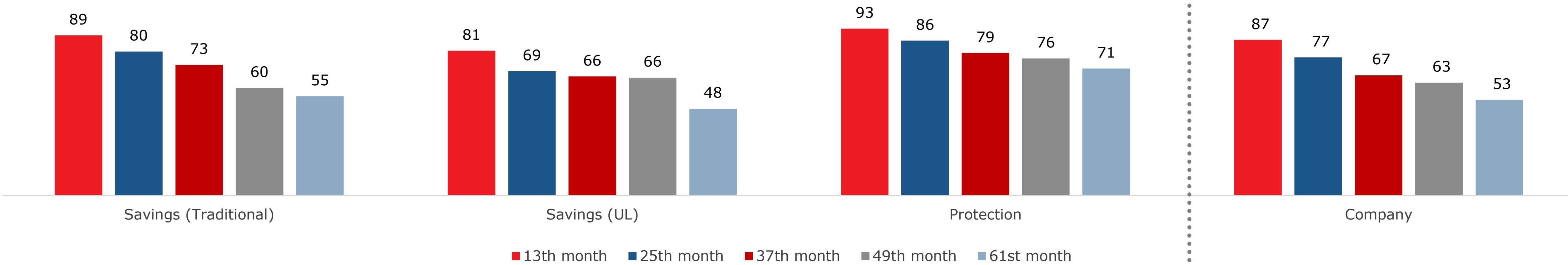
Across key channels (%)

CY (9M FY23)



Across key segments (%)

PY (9M FY22)



1. For individual business; Excluding single premium and fully paid up policies. Current year numbers are on a merged basis, hence prior year is not comparable

Improving VNB trajectory for both existing and acquired businesses

Rs bn

NBM%	26.5%	0.0%	-0.7%	2.5%	-1.8%	**26.5%**

1. Reflects the impact of difference in mix of segment/distribution channel/tenure/age/sum assured multiple etc

** Current year numbers are on a merged basis, hence prior year is not comparable*

VNB – Value of New Business; NBM – New Business Margin

Sensitivity analysis – H1 FY23 (Pre-Merger basis)

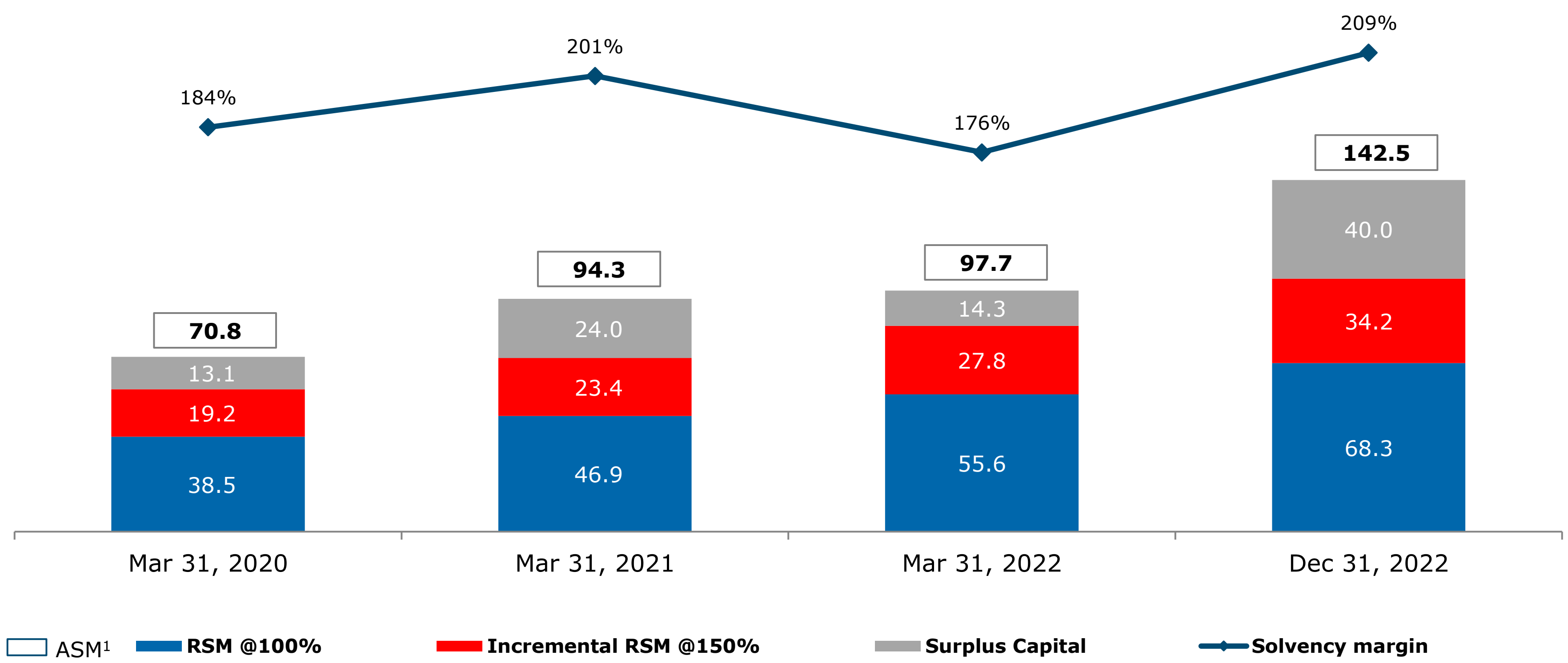
Analysis based on key metrics	Scenario	Change in VNB Margin [1]	% Change in EV
Change in			
Reference rate	Increase by 1%	-1.4%	-2.3%
	Decrease by 1%	0.7%	1.9%
Equity Market movement	Decrease by 10%	-0.2%	-1.4%
Persistency (Lapse rates)	Increase by 10%	-0.5%	-0.4%
	Decrease by 10%	0.5%	0.4%
Maintenance expenses	Increase by 10%	-0.5%	-0.8%
	Decrease by 10%	0.5%	0.8%
Acquisition Expenses	Increase by 10%	-4.2%	NA
	Decrease by 10%	4.2%	NA
Mortality / Morbidity	Increase by 5%	-1.5%	-1.0%
	Decrease by 5%	1.5%	1.0%
Tax rate[2]	Increased to 25%	-5.0%	-8.4%

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.

Capital position

Rs bn



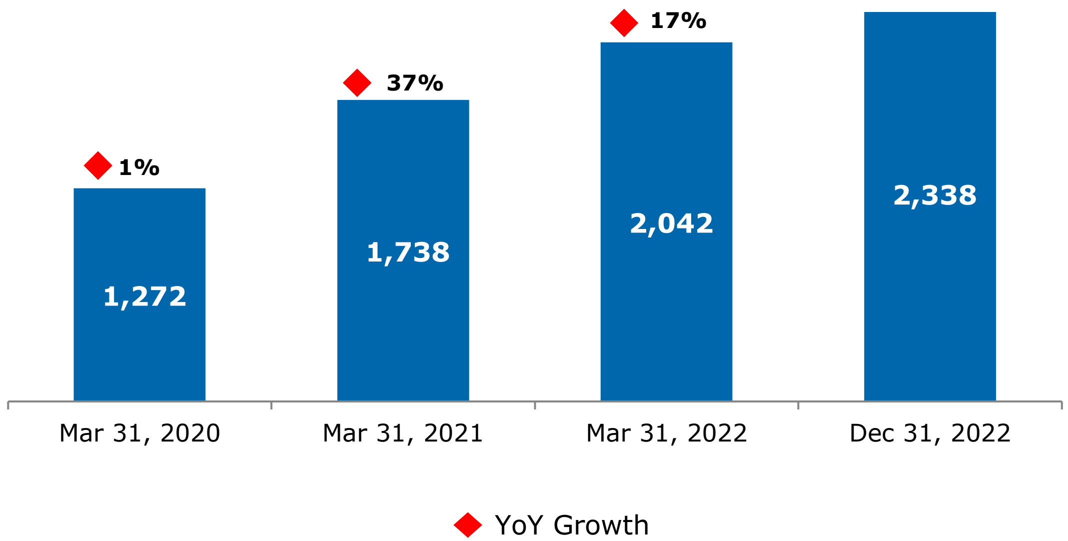
- Successfully raised Rs 20 billion of equity share capital in current year

1. *ASM represents Available solvency margin and RSM represents Required solvency margin*

Assets under management*

Rs bn

	Mar 31, 2020	Mar 31, 2021	Mar 31, 2022	Dec 31, 2022
Debt: Equity	62:38	71:29	64:36	68:32
UL:Traditional	50:50	43:57	43:57	35:65

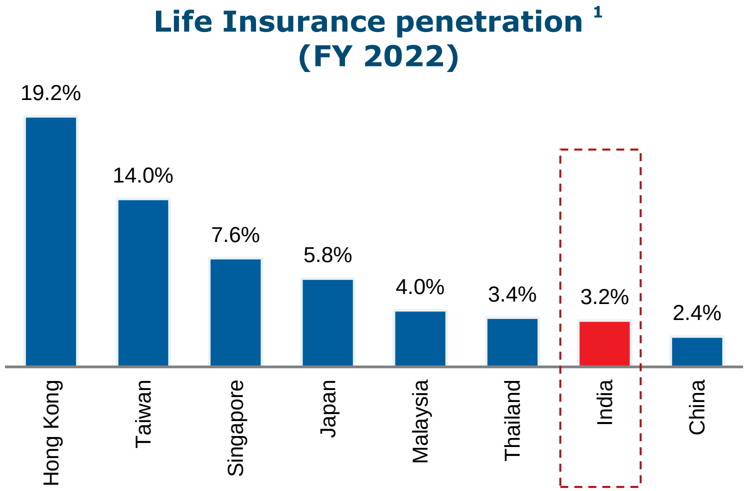


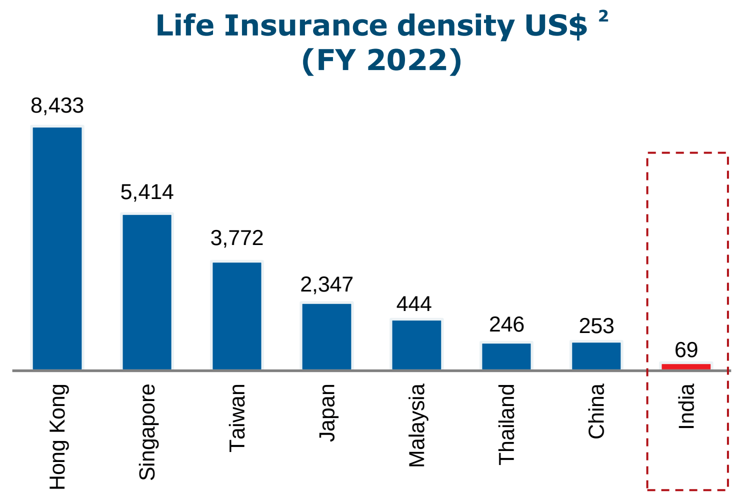
- ~99% of debt investments in Government bonds and AAA rated securities as on December 31, 2022

Current year numbers are on a merged basis, hence prior years are not comparable

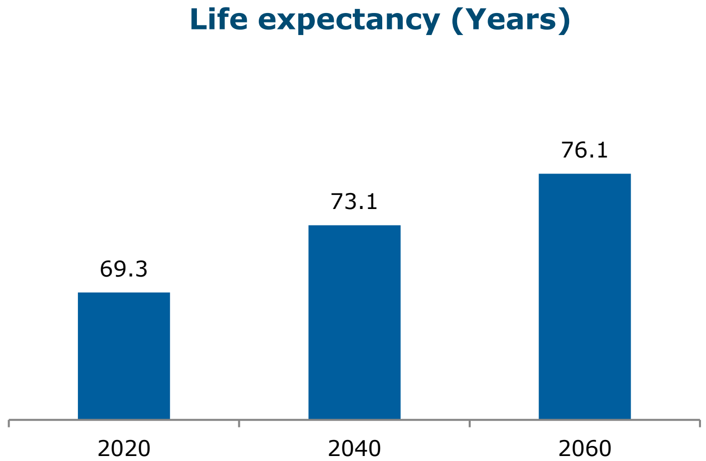
Agenda

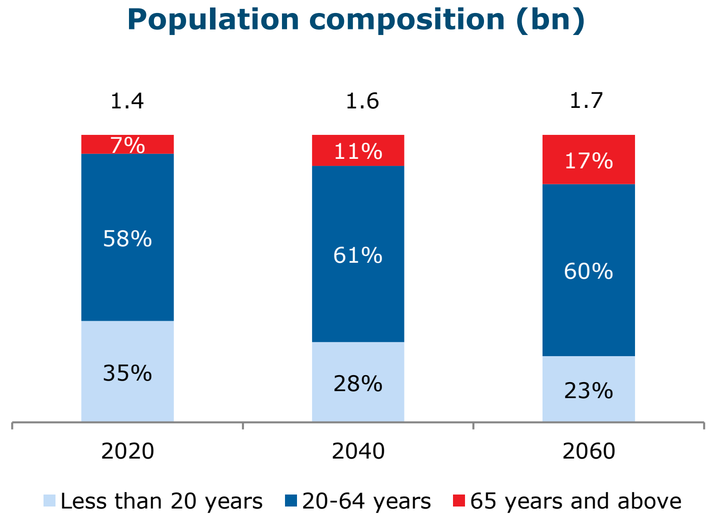
Growth opportunity: Under-penetration and favorable demographics





- 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





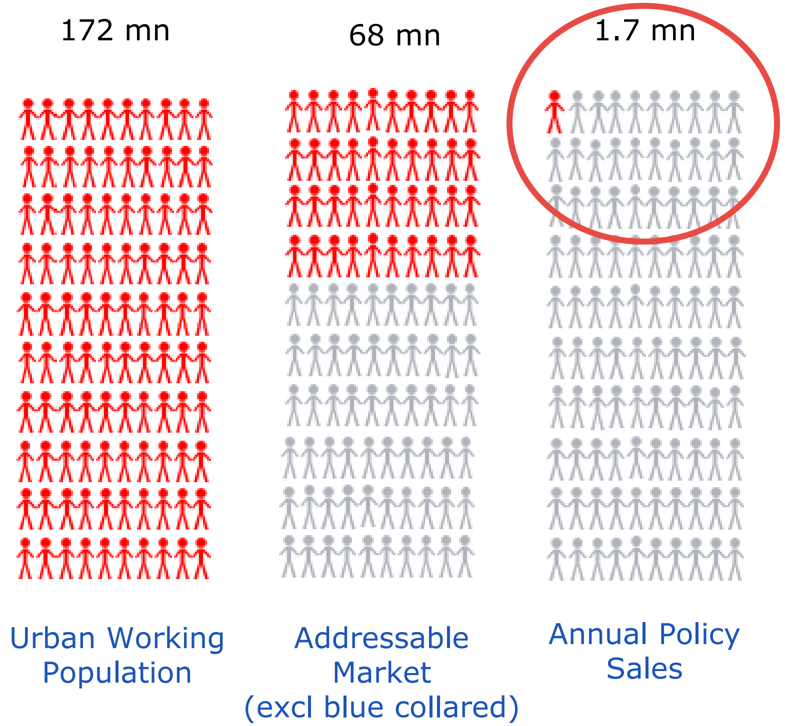
- India's insurable population estimated to be at ~1 bn by 2035
- Emergence of nuclear families and advancement in healthcare facilities lead to increase in life expectancy thus facilitating need for pension and protection based products

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

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

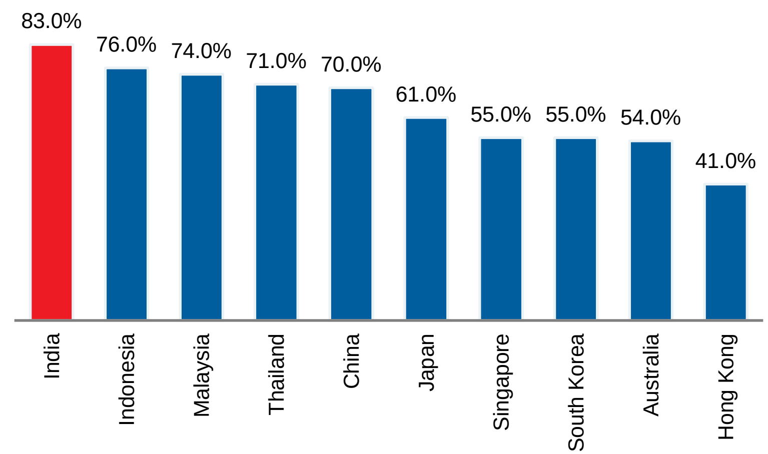
Source: Swiss Re (Based on respective financial year of the countries), MOSPI, United Nations World Populations Prospects Report (2017)

Low levels of penetration – Life protection



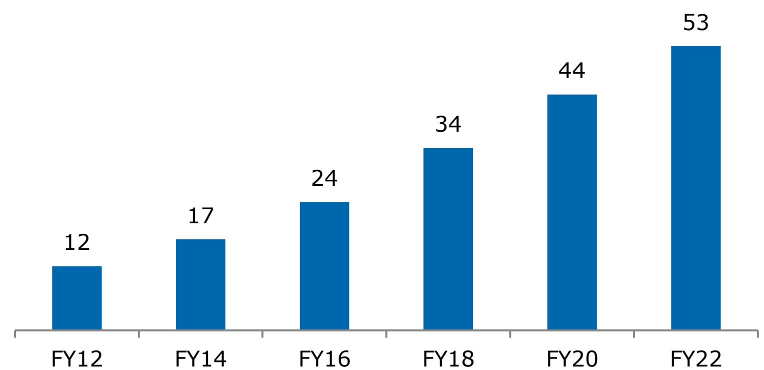
- Only 1 out of 40 people (2.5%) who can afford it, is buying a policy every year[1]
- Even within the current set, Sum Assured as a multiple of Income is <1x

Protection gap [2] (2019)



- India has the highest protection gap in the region, as growth in savings and life insurance coverage has lagged behind economic and wage growth
- Protection gap growth rate is predicted to grow at 4% per annum

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

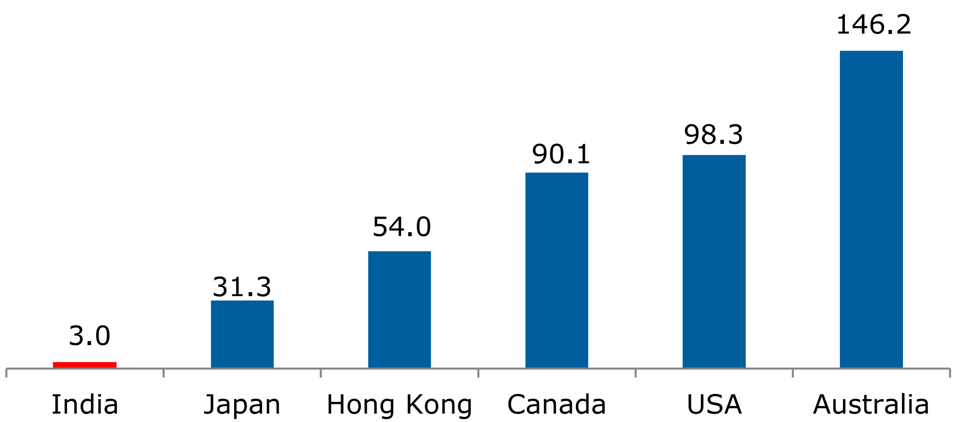


- Retail credit has grown at a CAGR of 16% over last 10 years
- Increasing retail indebtedness to spur need for credit life products
- Immense opportunity given:
  - Increasing adoption of credit
  - Enhancement of attachment rates
  - Improvement in value penetration
  - Widening lines of businesses

1. Goldman Sachs Report, March 2019
2. Swiss Re (Based on respective financial year of the countries)
3. Kotak institutional equities

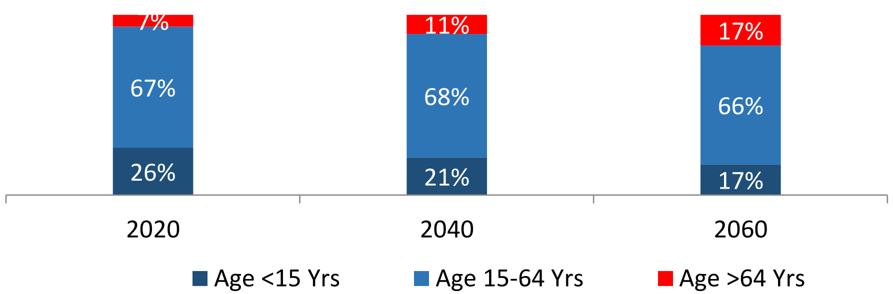
Macro opportunity – Retiral solutions

India's pension market is under-penetrated at 3%* of GDP

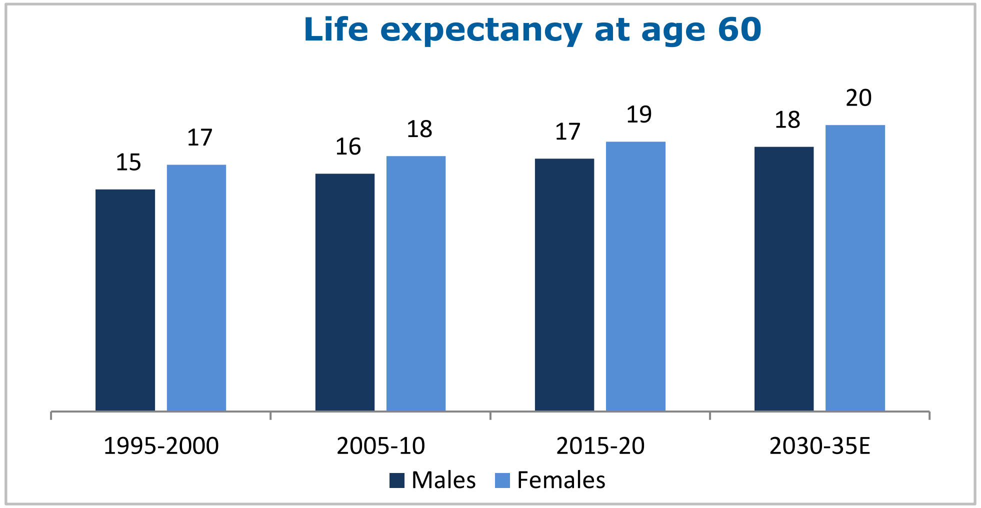


Elderly population is expected to almost triple by 2060

Ageing population



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

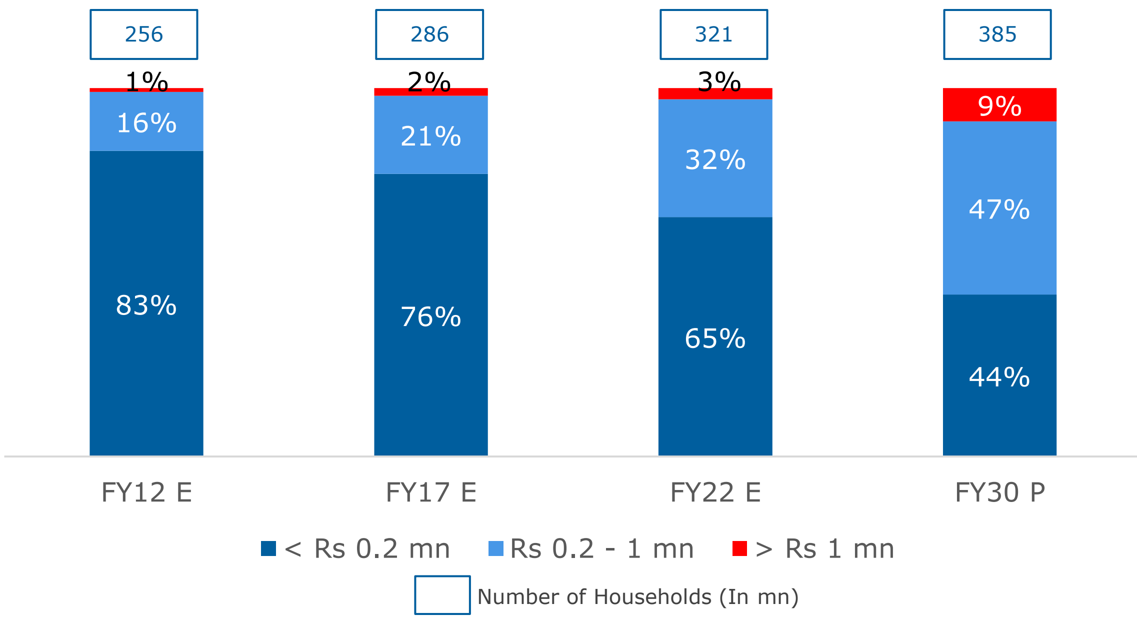


- Average household size has decreased from 4.6 in 2001 to 3.9 in 2018
- Total Pension AUM is expected to grow to Rs 118 Tn by 2030 (about 1/4th accounted by NPS)
- Mandatory schemes to increase coverage for both unorganized and organized sectors

Source: OECD 2021, Milliman Asia Retirement Report 2017; Survey by NSSO, Ministry of statistics and Programme implementation Crisil PFRDA, Census of India, UN Population Estimates
** Comprising pension assets / funds*

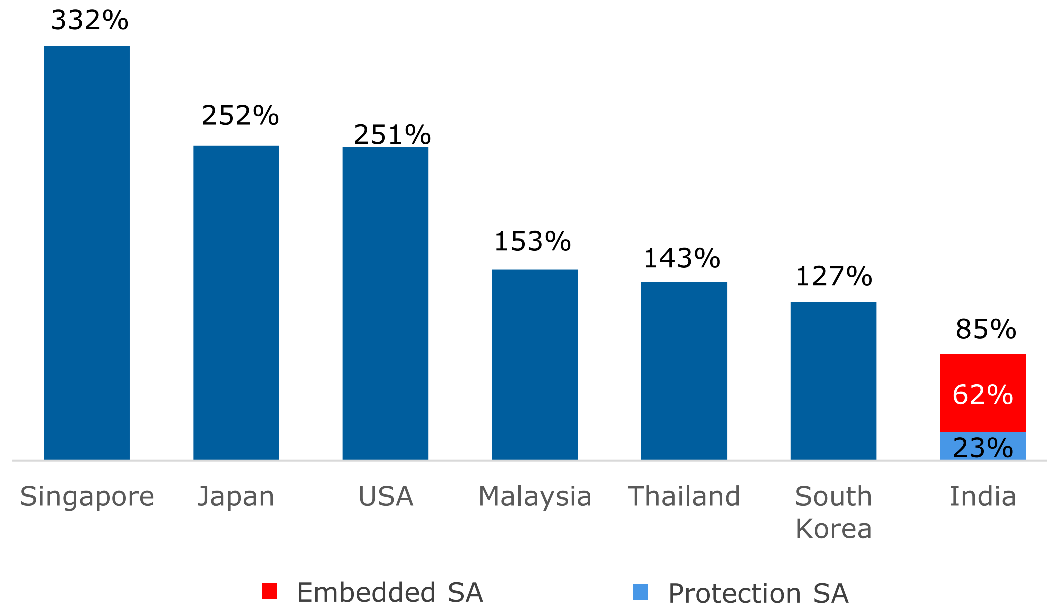
Macro opportunity – Rising Middle Income Population

Household Distribution by Income in India



- 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 India
    - This is evidenced by increase in bank deposits from outside "top 200 districts" from 25% in March'15 to 30% in March'21

Sum Assured as a % of GDP



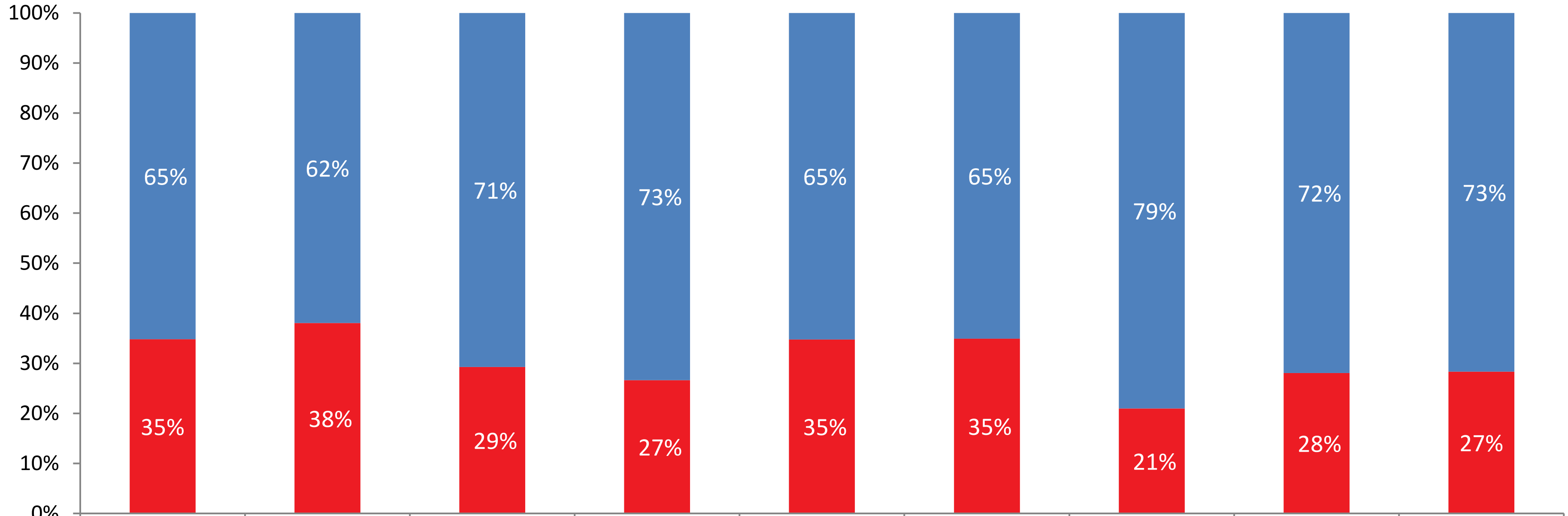
- India has the lowest sum assured (SA) as a % of GDP amongst its peers
- Rising middle income, increasing financial literacy and limited life cover represents an opportunity for protection growth in life insurance

Source: CRISIL "The big shift in financialisation" report 2022; Jefferies "Composite Insurance License in India: Taking a Leaf from Global Experience" report 2022
Note: E – Estimated, P – Projected,

Government bond auctions

Government Bonds – Tenorwise Issuance

Rs cr

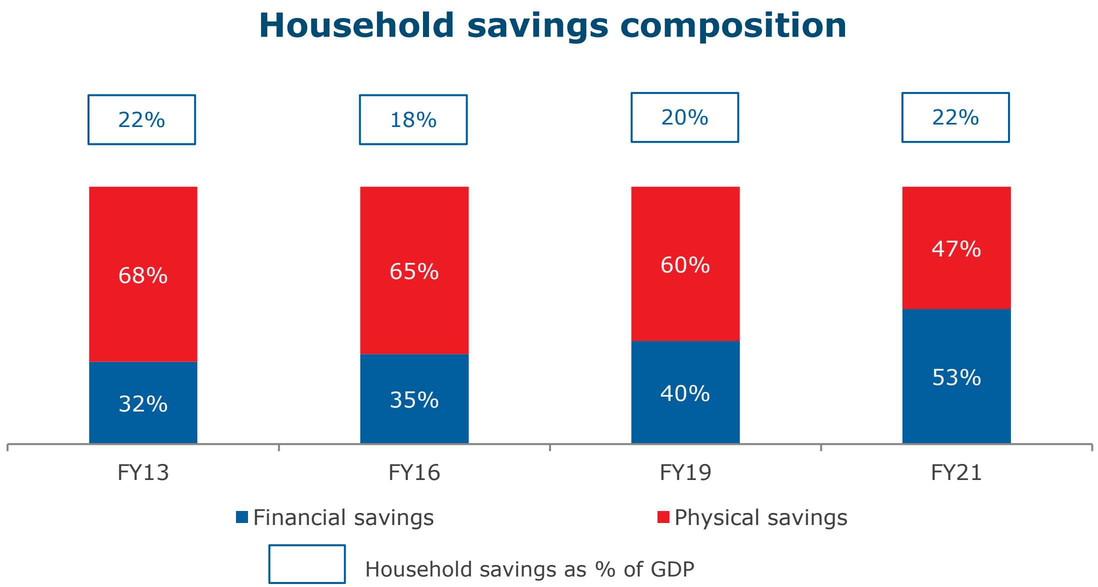


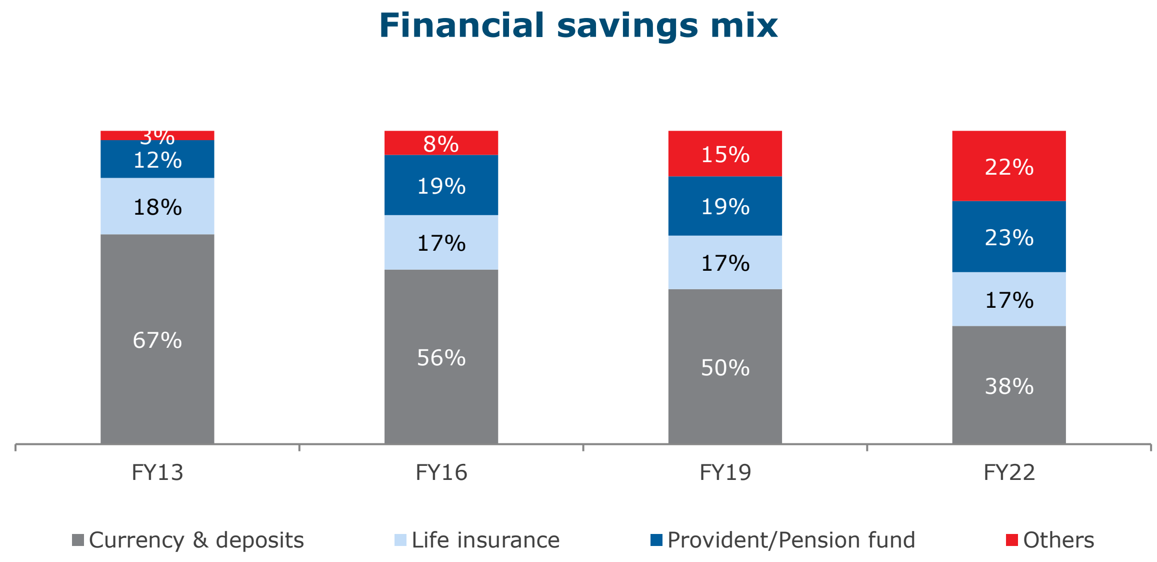
	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	9M FY23
<=15yrs	3,86,000	3,66,500	3,73,525	4,97,579	3,82,941	4,44,000	10,01,835	8,48,000	8,32,000
>15yrs	2,06,000	2,25,000	1,54,520	1,80,529	2,04,000	2,38,000	2,65,575	3,31,000	3,29,000
Total	5,92,000	5,91,500	5,28,045	6,78,109	5,86,941	6,82,000	12,67,410	11,79,000	11,61,000

- Auction of >15 year maturity bonds has been ~25-30% on an average facilitates writing annuity business at scale

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

Life Insurance: A preferred savings instrument

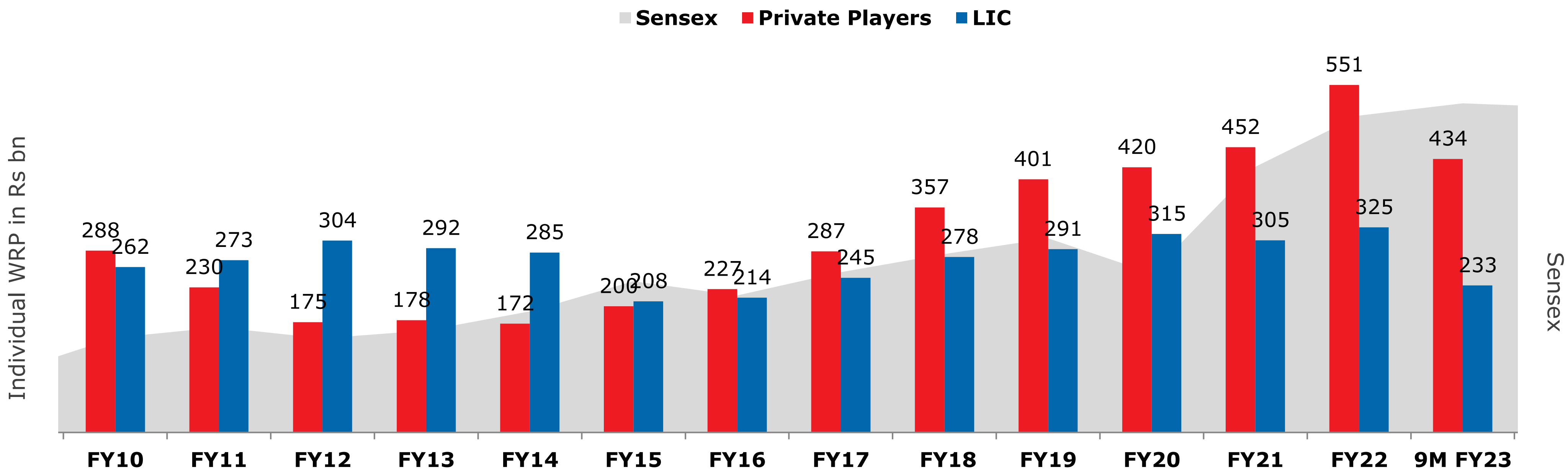




- Increasing preference towards financial savings with increasing financial literacy within the population
- Various government initiatives to promote financial inclusion:
  - Implementation of JAM trinity
  - Launch of affordable PMJJBY and PMSBY social insurance schemes
  - Atal Pension Yojana promoting pension in unorganized sector

Source: DBIE-RBI Statistics, RBI Annual Report, Economic Survey, CSO, www.pmjdy.gov.in

Industry new business trends[1]



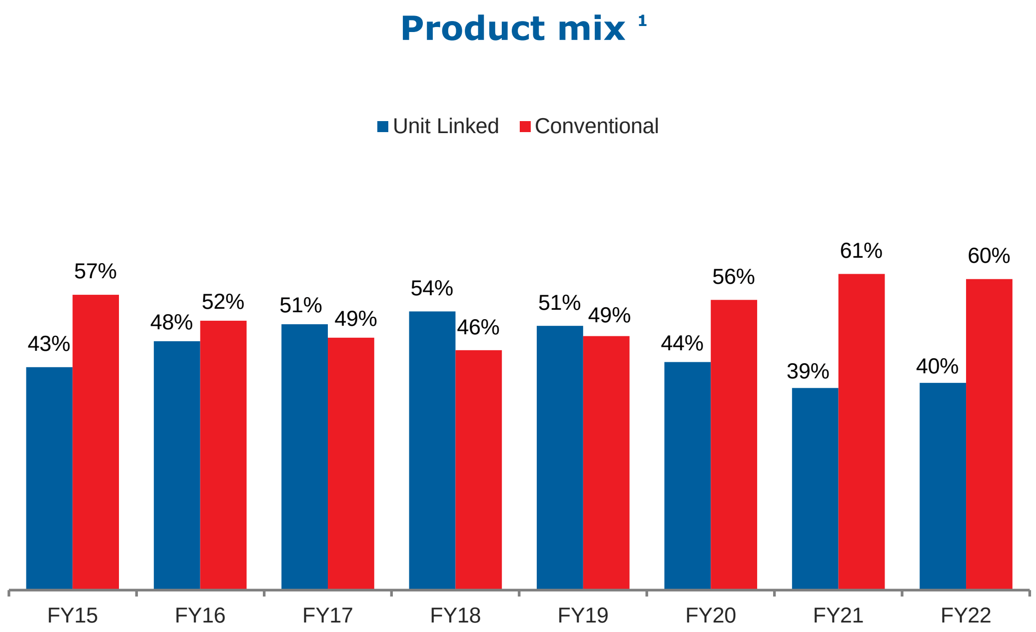
		FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	9M FY23
Private players Market share		52%	46%	37%	38%	38%	49%	52%	54%	56%	58%	57%	60%	63%	65%
Growth %	**Private**	*7%*	*-20%*	*-24%*	*2%*	*-3%*	*16%*	*14%*	*26%*	*24%*	*12%*	*5%*	*8%*	*22%*	*19%*
	LIC	*29%*	*4%*	*11%*	*-4%*	*-2%*	*-27%*	*3%*	*15%*	*13%*	*5%*	*8%*	*-3%*	*7%*	*12%*
	Overall	*17%*	*-9%*	*-5%*	*-2%*	*-3%*	*-11%*	*8%*	*21%*	*19%*	*9%*	*6%*	*3%*	*16%*	*16%*

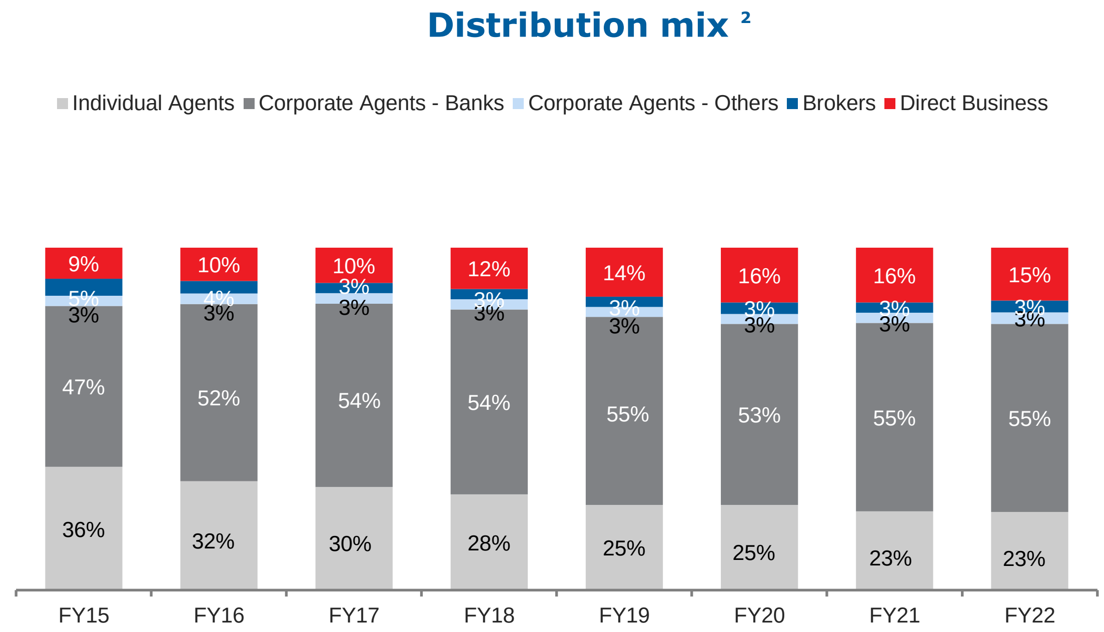
- Private sector remained at higher market share than LIC FY16 onwards
- Amongst private insurers, insurers with a strong bancassurance platform continue to gain market share

1.Based on Individual Weighted Received Premium (WRP)

Source: IRDAI and Life Insurance Council

Private industry: Product and distribution mix





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

1. Based on Overall WRP (Individual and Group);

2. Based on Individual New business premia for all private players

Source: IRDAI and Life Insurance Council

Appendix

Financial and operational snapshot (1/2)

Rs bn.

	9M FY23*	9M FY22	FY22	FY21	FY20	CAGR
New Business Premium (Indl. + Group)	*187.1*	*170.7*	*241.5*	*201.1*	*172.4*	*18%*
Renewal Premium (Indl. +Group)	*191.9*	*144.7*	*218.1*	*184.8*	*154.7*	19%
Total Premium	*379.1*	315.4	459.6	385.8	327.1	*19%*
Individual APE	*68.7*	55.8	81.7	71.2	61.4	15%
Overall APE	*81.7*	67.1	97.6	83.7	74.1	15%
Group Premium (NB)	*92.6*	90.1	125.1	100.3	87.8	19%
Profit after Tax	*10.0*	8.5	12.1	13.6	13.0	-4%
- Policyholder Surplus	*5.5*	*2.4*	*4.4*	*7.3*	*10.9*	*-36%*
- Shareholder Surplus	*4.5*	*6.1*	*7.7*	*6.3*	*2.1*	*91%*
Dividend Paid	*3.6*	4.1	4.1	-	-	NA
Assets Under Management	*2,338*	1,947	2,041.7	1,738.4	1,272.3	27%
Indian Embedded Value	*377.0*	295.4	300.5	266.2	206.5	21%
Net Worth (2)	*126.0*	90.5	154.0	84.3	69.9	48%
NB (Individual and Group segment) lives insured (Mn.)	*45.5*	34.8	54.1	39.8	61.3	-6%
No. of Individual Policies (NB) sold (In 000s)	*701.3*	639.3	915.3	982.0	896.3	1%

1. Comprises share capital, share premium and accumulated profits/(losses)

** Current year numbers are on a merged basis, hence prior years are not comparable*

Financial and operational snapshot (2/2)

		9M FY23*	9M FY22	FY22	FY21	FY20
Overall New Business Margins (post overrun)		26.5%	26.5%	27.4%	26.1%	25.9%
Operating Return on EV		17.5%	16.2%	16.6%	18.5%	18.1%
Operating Expenses / Total Premium		14.7%	12.2%	12.3%	12.0%	13.1%
Total Expenses (Opex + Commission) / Total Premium		19.4%	16.3%	16.5%	16.4%	17.7%
Return on Equity	(1)	11.9%	13.0%	10.1%	17.6%	20.5%
Solvency Ratio		209%	190%	176%	201%	184%
Persistency (13M / 61M)	(2)	87%/52%	87%/53%	87%/54%	85%/49%	NA#
Market Share (%)						
- Individual WRP		15.8%	15.2%	14.8%	15.5%	14.2%
- Group New Business		25.1%	28.3%	27.9%	27.6%	29.0%
- Total New Business		20.3%	21.7%	21.0%	21.5%	21.5%
Business Mix (%)						
- Product (UL/Non par savings/Annuity/Non par protection/Par)	(3)	21/39/6/4/29	26/33/5/6/30	26/33/5/6/30	24/31/5/7/34	28/41/4/8/19
- Indl Distribution (CA/Agency/Broker/Direct)	(4)	59/18/9/15	61/14/6/19	60/14/6/19	61/13/7/19	55/14/9/22
- Total Distribution (CA/Agency/Broker/Direct/Group)	(5)	25/8/3/14/49	23/6/2/16/53	24/6/2/16/52	25/6/2/17/50	23/7/3/17/51
- Share of protection business (Basis Indl APE)		4.3%	6.3%	5.6%	6.8%	7.6%
- Share of protection business (Basis Overall APE)		14.8%	13.8%	13.6%	12.8%	17.2%
- Share of protection business (Basis NBP)		30.4%	22.4%	24.0%	19.6%	27.6%

1. *Calculated using net profit and average net worth for the period (Net worth comprises Share capital, Share premium and Accumulated profits). Opening networth for FY23 has been adjusted in line with the scheme of merger approved by the court*
2. *Individual persistency ratios (based on original premium)*
3. *Based on individual APE. UL: Unit Linked, Trad: Traditional, Par: Participating & CA: Corporate Agents. Percentages are rounded off*
4. *Based on total new business premium including group. Percentages are rounded off*

* *Current year numbers are on a merged basis, hence prior years are not comparable*

Disclosures excluding single premium policies commenced from FY21

HDFC Life

Revenue and Profit & Loss A/c

Rs bn

Revenue A/c[1]

	9M FY23*	9M FY22
Premium earned	379.1	315.4
Reinsurance ceded	(5.7)	(4.4)
Income from Investments	114.1	178.2
Other Income	1.7	0.9
Transfer from Shareholders' Account	3.4	2.6
Total Income	**492.5**	**492.8**
Commissions	17.8	13.2
Expenses	55.2	38.0
GST on UL charges	2.8	2.7
Provision for taxation	(0.9)	0.3
Provision for diminution in value of investments	0.2	(2.6)
Benefits paid	263.0	211.0
Change in valuation reserve	133.2	215.1
Bonuses Paid	13.4	11.0
Total Outgoings	**484.7**	**488.9**
Surplus	**7.9**	**4.1**
Transfer to Shareholders' Account	8.9	5.1
Funds for future appropriation - Par	(1.0)	(1.0)
Total Appropriations	**7.9**	**4.1**

Profit and Loss A/c[1]

	9M FY23	9M FY22
Income		
Interest and dividend income	4.8	3.7
Net profit/(loss) on sale	0.4	2.7
Transfer from Policyholders' Account	8.9	5.1
Other Income	-	-
Total	**14.1**	**11.5**
Outgoings		
Transfer to Policyholders' Account	3.4	2.6
Expenses	0.5	0.3
Interest on convertible debentures	0.5	0.3
Provision for diminution in value of investments	(0.2)	(0.3)
Provision for Taxation	0.0	0.1
Total	**4.1**	**3.0**
Profit for the year as per P&L Statement	**10.0**	**8.5**

1. *Numbers may not add up due to rounding off effect*

* *Current year numbers are on a merged basis, hence prior years are not comparable*

Balance sheet

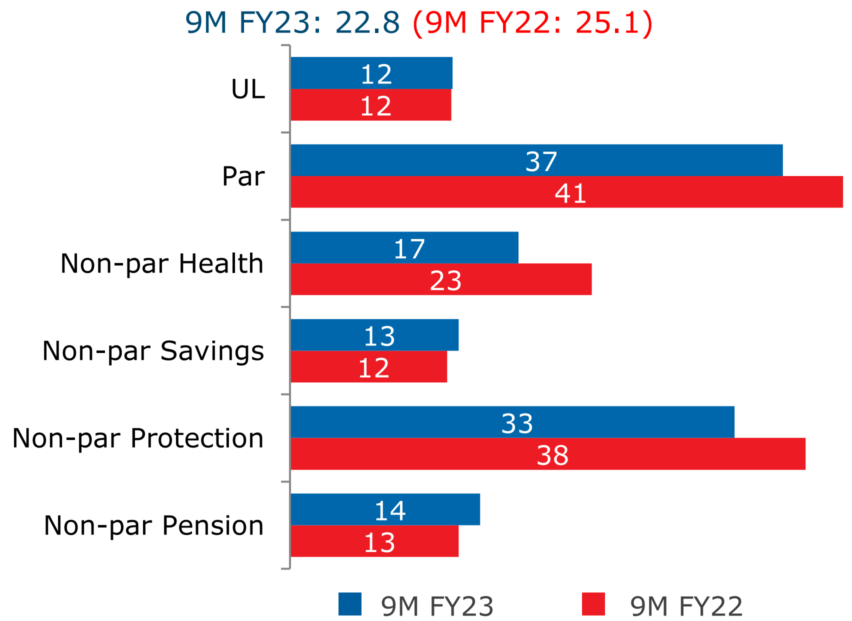
Rs bn

	Dec 31, 2022[1]	Dec 31, 2021	March 31, 2022
Shareholders' funds			
Share capital (including Share premium)	58.6	26.8	86.7
Accumulated profits	67.4	63.7	67.3
Fair value change	1.0	1.4	0.8
Sub total	**127.0**	**91.9**	**154.8**
Borrowings	**9.5**	**6.0**	**6.0**
Policyholders' funds			
Fair value change	25.0	25.3	21.7
Policy Liabilities	1,351.2	998.6	1,043.4
Provision for Linked Liabilities	780.3	776.3	765.2
Funds for discontinued policies	40.5	43.0	41.0
Sub total	**2197.0**	**1,843.2**	**1,871.3**
Funds for future appropriation (Par)	12.5	8.9	9.4
Total Source of funds	**2,346.0**	**1,950.0**	**2,041.6**
Shareholders' investment	129.3	89.8	152.4
Policyholders' investments: Non-linked	1,388.3	1,038.3	1,083.1
Policyholders' investments: Linked	820.8	819.3	806.2
Loans	15.1	5.9	6.4
Fixed assets	3.7	3.4	3.4
Net current assets	(11.2)	(6.7)	(10.0)
Total Application of funds	**2,346.0**	**1,950.0**	**2,041.6**

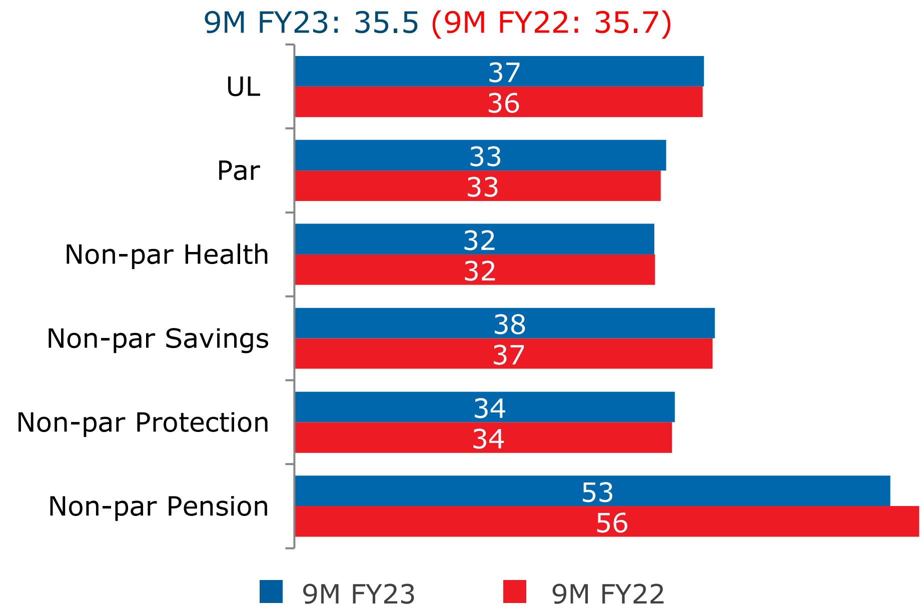
1. Numbers may not add up due to rounding off effect. Current year numbers are on a merged basis, hence prior years are not comparable

Segment wise average term and age[1]

Average Policy Term excluding annuity (Yrs)



Average Customer Age excluding annuity (Yrs)



- Extensive product solutions catering customer needs across life cycles from young age to relatively older population

1. Basis individual new business policies (excluding annuity)

Summary of Milliman report on our ALM approach – FY20

Scope of review	Portfolios reviewed
• 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	▪ Portfolio 1: Savings and Protection – All non-single premium non-par savings contracts and group protection products ▪ Portfolio 2: All immediate and deferred annuities

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

Opinion and conclusion

ALM strategy adopted for Portfolios 1 and 2 is appropriate to:

- **meet policyholder liability cash flows**
- **protect net asset-liability position thereby limiting impact on shareholder value**

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

Indian Embedded value: Methodology and Approach (2/2)

Components of Value in-force covered business (VIF)

- **Present value of future profits (PVFP):** PVFP is the present value of projected distributable profits to shareholders arising from the in-force covered business determined by projecting the shareholder cash flows from the in-force covered business and the assets backing the associated liabilities.

- **Time Value of Financial Options and Guarantees (TVFOG):** TVFOG reflects the value of the additional cost to shareholders that may arise from the embedded financial options and guarantees attaching to the covered business in the event of future adverse market movements. Intrinsic value of such options and guarantees is reflected in PVFP.

- **Frictional costs of required capital (FC):** FC represents the investment management expenses and taxation costs associated with holding the RC. VIF includes an allowance for FC of holding RC for the covered business. VIF also includes an allowance for FC in respect of the encumbered capital in the Company's holdings in its subsidiaries.

- **Cost of residual non-hedgeable risks (CRNHR):** CRNHR is an allowance for risks to shareholder value to the extent that these are not already allowed for in the TVFOG or the PVFP. In particular, the CRNHR makes allowance for:
  – asymmetries in the impact of the risks on shareholder value; and
  – risks that are not allowed for in the TVFOG or the PVFP.

  CRNHR has been determined using a cost of capital approach. CRNHR is the present value of the cost of capital charge levied on the projected capital in respect of the material risks identified.

Embedded Value: Economic assumptions

Years	Forward rates %		Spot rates %	
	As at Dec 31, 2021	As at Dec 31, 2022	As at Dec 31, 2021	As at Dec 31, 2022
1	4.04	6.80	3.96	6.58
2	5.42	7.40	4.62	6.86
3	6.29	7.70	5.11	7.05
4	6.94	7.81	5.51	7.17
5	7.41	7.83	5.84	7.24
10	8.26	7.55	6.80	7.32
15	8.03	7.45	7.15	7.28
20	7.62	7.57	7.24	7.27
25	7.28	7.80	7.22	7.30
30	7.05	8.06	7.16	7.36

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

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