

July 19, 2021

Ref. No.: HDFC Life/CA/2021-22/28

Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Plot No C/1, Block G,
Bandra-Kurla Complex,
Bandra (East),
Mumbai- 400 051

NSE Symbol: HDFCLIFE

Listing Department
BSE Limited
Sir PJ Towers,
Dalal Street,
Fort,
Mumbai – 400 001

BSE Security Code: 540777

Dear Sir/ Madam,

Subject: Impact of the Covid-19 pandemic on the business of the Company - Q1 FY22 update

Pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated May 20, 2020, please find enclosed herewith a note on the impact of the Covid-19 pandemic on the business of the Company for the quarter ended June 30, 2021.

This is for your information and appropriate dissemination.

Thanking you,

For HDFC Life Insurance Company Limited



Narendra Gangan
General Counsel, Chief Compliance Officer &
Company Secretary

Encl.: As above

Note on Impact of COVID-19 (Q1 FY22 update)

(Pursuant to SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated May 20, 2020)

1) Impact of the COVID-19 pandemic on the business

With signs of the second wave receding, we have seen a gradual pick-up in economic activity across parts of the country, starting June. We are expecting a continuing revival, with easing of lockdown restrictions, an extensive vaccination drive and are hopeful that the severity of future incidences would be lower than what we have seen so far.

While the economic restrictions in the second wave were fewer and more localised as compared to the first wave, the health impact was a lot more devastating, across our country. Against this backdrop, we recorded a 22% growth and a market share of 17.8% in terms of Individual WRP in Q1 FY22. Given that the trends have varied by region and the possibility of future waves cannot be ruled out, we will continue to be more segmented and localised in our approach, taking one quarter at a time.

In the quarter gone by, we witnessed a steep rise in death claims with peak claims in wave 2 at around 3-4 times of the peak claim volumes in first wave. We paid over 70,000 claims in Q1. The gross and net claims provided for amounted to Rs 1,598 cr and Rs 956 cr respectively. It appears that claims on individual business have peaked in June and expect them to normalise in the coming months with more people getting vaccinated and a fall in absolute number of infections.

Our existing suite of digital assets, detailed in our investor presentation, is available across channels, partners and employees. This has enabled us to continue providing a seamless experience to our customers, both for servicing existing policies and buying new policies.

2) Ability to maintain operations including the factories/units/office spaces functioning and closed down

Our digital footprint allows us to service our customers remotely. Regular branch operations sustained during the course of the year across the country. Measures are in place to track employee, partner and customer safety.

3) Schedule, if any, for restarting the operations

We will continue to follow guidelines issued by the Government and regulatory authorities regarding operations at our physical locations. In the meanwhile, all our operations are functional within the current local guidelines and we continue to provide end to end digital servicing to all our customers.

4) Steps taken to ensure smooth functioning of operations

As indicated earlier, we have adopted a multi-dimensional approach to manage the smooth functioning of operations in the current scenario. Accelerated digital selling and servicing, effective

employee engagement, cost control measures and a responsive strategy remain the key elements of our approach.

Digitization is the backbone of our consistent performance and we continue to invest in technology, with a view to simplify the buying journey and servicing experience for customers whilst creating new product propositions. We have seen increasing trends in online payments by customers whereby about 96% of the policies are being renewed digitally accounting for 87% of renewal premiums. We have elaborated upon our digital approach in our investor deck.

5) Estimation of the future impact of COVID-19 on its operations

As outlined earlier, our approach has enabled us to minimize the impact of the pandemic on our business operations.

6) Details of impact of COVID-19 on listed entity's (capital and financial resources, profitability, liquidity position, ability to service debt and other financing arrangements, assets, internal financial reporting and controls, supply chains and demand for its products/services)

The Company has carried out assessment of COVID-19 impact on its financial position as at June 30, 2021, relating to profitability, investments, policy liability and solvency.

- a. New business margins in this quarter have seen an improvement on a sequential as well as YoY basis on the back of growth and balanced product mix. The NBM for Q1 FY22 stands at 26.2%, higher than 24.3% delivered in Q1 last year and 26.1% in full year FY21, with Value of New Business at Rs. 408 crore, a growth of 40% over last year. Profit after tax stands at Rs. 302 crore, 33% lower than Q1 FY21 on the back of reserving for excess mortality.
- b. Excess mortality reserve of Rs. 700 crore created at the Balance Sheet date, for potential adverse mortality. This reserve is over and above the policy level liabilities calculated based on the applicable IRDAI regulations and based on our current expectation of extra claims to be received in the future, both of which are certified by the appointed actuary. Our continued approach would be to review the adequacy of this reserve at periodic intervals based on emerging experience. The strength of our balance sheet and back book surplus has enabled us to absorb the shock of heightened claims, whilst continuing to deliver growth.
- c. The Company has assessed the investment position as at June 30, 2021 and made adequate impairment provisions to the extent necessary.
- d. The Company has assessed its solvency position as at June 30, 2021. Our solvency position remains healthy at 203% against statutory minimum requirement of 150%.

While the situation, including the government and public response to the challenges, continue to progress and evolve rapidly, the Company will continue to closely monitor any material changes in future economic conditions.

7) Existing contracts/agreements where non-fulfilment of the obligations by any party will have significant impact on the listed entity's business

Other than policyholders: There has been no material impact on business due to non-fulfilment of any obligations by any party to existing contracts/ agreements. Further, at this juncture, the company does not anticipate any material impact on the business of the company due to this factor.

Policyholder related: Overall persistency for existing policies have been improving and have been disclosed in our latest investor presentation (Q1 FY22). We continue to track the same and any material updates will be disclosed appropriately.

The management will attempt to take all steps in its control to monitor the situation and mitigate any potential impact on its business as may be needed.

8) Other relevant material updates about the listed entity's business

All relevant updates about the same can be found in our latest investor presentation (Q1 FY22), our FY21 Annual and Integrated Reports uploaded on our website. The Company will keep all its stakeholders, including its shareholders, updated on any material updates pertaining to the impact of COVID-19 on our business operations.