4th Annual Report 2019-20

Navigating with Agility

HDFC Life

HDFC INTERNATIONAL LIFE AND RE COMPANY LIMITED

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BOARD OF DIRECTORS

Vibha Padalkar
Chairperson

Richard Charnock
Director

Yuvraj Narayan
Independent Director

Davinder Rajpal
Independent Director

Suresh Badami
Director

CHIEF EXECUTIVE OFFICER

Sameer Yogishwar

MANAGEMENT COMMITTEE

Sameer Yogishwar
CEO

Eshwari Murugan
Appointed Actuary

Rahul Prasad
Head - Business Development & Strategy

Fouzy Mohamed Sheifuddin
Head - Compliance & Legal, Company Secretary

Manoj Raman
Head - Customer Relations & Business Systems

Harpreet Singh Kalra
Head - Finance & Accounts

Abhishek Nayak
Head - Risk

COMPANY SECRETARY AND COMPLIANCE OFFICER

Fouzy Mohamed Sheifuddin

AUDITOR

Ernst & Young Middle East
(Dubai Branch)

INTERNAL AUDITOR

Crowe Mak Limited (DIFC)

BANKERS

- Citibank, N.A.
- HDFC Bank Ltd. (Bahrain Branch)
- First Abu Dhabi Bank (PJSC)
- Abu Dhabi Commercial Bank PJSC
- Dubai Islamic Bank PJSC

REGISTERED OFFICE

HDFC International Life and Re Company Limited
(Regulated by the Dubai Financial Services Authority)

Unit OT 17-30, Level 17, Central Park,
Dubai International Financial Centre,
PO Box 114603, Dubai, United Arab Emirates
Telephone: +971 4 354 6969
Email: info@hdfclifere.com
Website: www.hdfclifere.com
Registered Number: 2067

ABOUT HDFC INTERNATIONAL LIFE AND RE COMPANY LIMITED

HDFC International Life and Re Company Limited ("HDFC International Life & Re") is the first life reinsurer to be incorporated in the DIFC and is regulated by the Dubai Financial Services Authority ("DFSA"). Our business consists of both, treaty and facultative reinsurance arrangements of ceding insurers, across a broad range of life insurance products, including Individual Life and Group Life.

At HDFC International Life & Re, our aim is to provide ceding partners with solution-centric, customized and innovation based services. Headquartered in the DIFC, we are today offering reinsurance capacity in the GCC, prominent markets in the greater MENA region and India. This rapid growth, since inception in 2016, is testimony to our conviction and credibility as a life reinsurance company. The success of the company also draws significantly from expert risk management, judicious underwriting and superior technology driven solutions.

In December 2018, HDFC International Life & Re was assigned a long-term insurer financial strength rating of "BBB" with a stable outlook by S&P Global Ratings. In December 2019, S&P Global Ratings reaffirmed its long-term insurer financial strength rating of "BBB", while maintaining the outlook as "Stable".

HDFC International Life & Re has been awarded the 'Reinsurer of the Year-Overall' for 2020 by MENAIR. The award recognises the Company's contribution and achievements in the MENA region.

Our Vision

"Securing aspirations, through customer focused, technology driven and globally trusted life (re)insurance solutions."

Our Values

Excellence
Excel in every action, with an aspiration to be the best in the industry

People Engagement
Respect your colleagues and contribute towards an engaged work environment

Integrity
To conduct oneself in a manner that is consistent with the parent company's code of conduct and demonstrate accountability in all professional actions

Customer Centricity
Keep customers' interest at the centre and deliver on commitments

Collaboration
Proactively align actions towards achieving organizational goals

PARENTAGE

HDFC Life Insurance Company Limited (formerly HDFC Standard Life Insurance Company Limited) ('HDFC Life') is a joint venture between HDFC Limited, India's leading housing finance institution and Standard Life Aberdeen, a global investment company.

Established in 2000, HDFC Life is a leading long-term life insurance solutions provider in India, offering a range of individual and group insurance solutions that meet various customer needs such as Protection, Pension, Savings, Investment, Annuity and Health. As on March 31, 2020, the Company had 37 individual and 11 group products in its portfolio, along with 6 rider benefits, catering to a diverse range of customer needs.

HDFC Life continues to benefit from its increased presence across the country having a wide reach with 421 branches and additional distribution touch-points through several new tie-ups and partnerships. The count of the company's partnerships is in excess of 270, comprising traditional partners such as NBFCs, MFIs and SFBs, and includes more than 40 new-ecosystem partners. The company has a strong base of financial consultants.

Chairperson's Message

> What motivates HDFC International Life & Re to achieve greater heights, is seeing the tangible contribution that it has made to its cedents'/ partners' growth.

Dear Shareholder,

It gives me immense pleasure to present the Annual Report for FY 2019-20.

Since setting up operations in 2016, your Company has been focussed on customers, building a strong and stable franchise, and pursuing a philosophy of profitable growth.

This past year too, the Company has witnessed steady growth in both revenue performance and profitability. This has been possible largely due to the Company's reputation in the market, underwriting processes and risk management efficiencies. We will continue to build our digital operational capabilities, as we provide innovative and comprehensive reinsurance solutions to our cedents.

The Company is steadily building a strong presence in the larger MENA region and has in a short span of time acquired competitive credibility and brand reputation in all its major markets.

Your Company was the first life reinsurer to be incorporated in the Dubai International Financial Centre (DIFC) and regulated by the Dubai Financial Services Authority (DFSA). Our focus on excellence continues to be recognised by eminent bodies. It is a matter of great pride that HDFC International Life & Re successfully retained the Financial Strength Rating of "BBB", outlook 'stable' this year, assigned by S&P Global Ratings. The Company also won the 'Reinsurer of the Year - Overall' award by MENAIR for the year 2020.

The current pandemic is a global catastrophe. It has triggered a humanitarian crisis that is taking a tragic toll on lives. It is an unfolding event bringing uncertainty to businesses as well. On a positive note, it is also acting as a catalyst for change at a scale not seen in recent memory. Companies are facing a once-in-a-generation shift. The safety of our employees and their families has been our primary concern and we have ensured all necessary precautionary protocols to ensure their safety. I am sure we will collectively come out of this unscathed, arguably more resilient to deliver on our long-term strategic imperatives.

Your Company has achieved a number of successes in four years since incorporation. What motivates HDFC International Life & Re to achieve greater heights, is seeing the tangible contribution that it has made to its cedents'/ partners' growth.

As we navigate through the current pandemic, I am confident that our strong foundation will enable us as an organisation to grow from strength to strength now and into the future.

I would like to thank you for your trust and support through the year gone by.

Vibha Padalkar

Board of Directors

Vibha Padalkar
Chairperson

Ms. Vibha Padalkar is the Managing Director and Chief Executive Officer of HDFC Life, India. She has been associated with HDFC Life since August 2008 and has held positions of Executive Director and Chief Financial Officer at HDFC Life, before being appointed as MD and CEO in September 2018. Prior to her appointment at HDFC Life, she has worked in varied sectors such as global Business Process Management, global FMCG and in an international audit firm.

Over the years, Ms. Padalkar has received various awards from organisations such as The Institute of Chartered Accountants of India, The Economic Times and IMA India, along with being recognised as one of the 'Top 30 most powerful women in business' by Business Today.

Ms. Padalkar is also on the Boards of HDFC Investments Limited, HDFC Pension Management Company Limited and Tata Power Limited.

She qualified as a member of the Institute of Chartered Accountants of England and Wales in 1992. She is also a member of the Institute of Chartered Accountants of India.

Ms. Padalkar has been appointed to the Board of Directors of HDFC International Life & Re since September 18, 2018.

Richard Charnock
Director

Mr. Richard Charnock is CEO of Aberdeen Standard Capital (formerly Standard Life Wealth) and Director of Aberdeen Standard Capital International Limited (formerly Aberdeen Private Wealth Management Limited). He joined Standard Life in February 2007 with a brief to create and launch Standard Life Wealth (renamed Aberdeen Standard Capital in January 2019) in the market. Mr. Charnock oversaw the acquisition of Newton Private Client business in 2013, to position Aberdeen Standard Capital as a major provider of discretionary fund management in the UK wealth management sector.

Alongside heading Aberdeen Standard Capital, Mr. Charnock was an Executive Director of Standard Life Investments until the merger with Aberdeen Asset Management and a member of Standard Life UK Executive Board from 2010 to 2014. He has also held the position of Managing Director of the Adviser and Investment business of Standard Life UK. He held responsibility for all Standard Life retail channel activity in the UK and Ireland and was also CEO of Standard Life Savings with responsibility for the Wrap platform and Fund Zone businesses.

Immediately before joining Standard Life, Mr. Charnock was CEO of Institutional Stockbroker Williams de Broe and prior to that served as CEO of Lloyds TSB Private Banking, Lloyds TSB IFA and Lloyds TSB Stockbrokers.

Mr. Charnock holds an Honors degree in Geography from the University of Durham. He is also a Director and a Fellow of the Chartered Institute of Securities and Investments, chairs the CISI Ethics and Integrity Committee, is a Member of the Worshipful Company of International Bankers, the Cornhill Club (UK Retail Banking). He is also on the Board of Directors of Aberdeen Standard Capital International Limited. Mr. Charnock has also served in the British Army.

Mr. Charnock has been on the Board of Directors of HDFC International Life & Re since its inception.

Yuvraj Narayan
Independent Director

Mr. Yuvraj Narayan is the Group Chief Financial, Strategy & Business Officer of DP World since 2005. He is also on the Board of Directors of DP World. He joined DP World in August 2004. Prior to the above, he has served as Chief Financial Officer of Salalah Port Services Company SAOG, the concessionaire for the management and operation of the new Container Terminal in the Port of Salalah, Sultanate of Oman for almost six years. Before joining Salalah Port Services Company SAOG, he was a key member of ANZ Investment Bank's Global Corporate Finance team and has served ANZ Grindlays Bank Limited for thirteen years in various capacities internationally, from October 1984 to September 1997. During his tenure in the ANZ Banking Group, he has held various key positions such as Head of Corporate Finance and Head of Capital Markets.

Mr. Narayan is also on the Board of Directors of Virgin Hyperloop One and Through Transport Mutual Insurance Association, and previously served as Non-Executive Director of Istithmar World PJSC and IDFC Securities Limited.

Mr. Narayan is a Qualified Chartered Accountant and possesses a wealth of experience in the ports and international banking sectors.

Mr. Narayan has been on the Board of Directors of HDFC International Life & Re since its inception.

Davinder Rajpal
Independent Director

Mr. Davinder Rajpal is an independent insurance and reinsurance professional who began his professional career in 1961. Prior to retirement in 2006, he was Member of the Executive Team in Swiss Re – Asia HQ, Hong Kong (2002 – 2006), a body responsible for the strategic development and overall management decision making for all Asia Pacific Property & Casualty operations. He was also Head of Turkey, Middle East and South Asia markets for Property & Casualty business in Swiss Re (2000 – 2002). Prior to the above, he was General Manager for AXA China Region, Hong Kong (1992 – 2000). During this period, he was responsible for defining regional strategies and provided overall management of the company's general insurance operations. He has also served as General Manager for CIGNA and his territorial responsibilities in CIGNA included Hong Kong, Taiwan and Macau (1985 – 1992).

Mr. Rajpal was also on the Board of Directors of IDBI Federal Life Insurance Co. Ltd., Mumbai and also was an Independent Non-Executive Director on the Board of PineBridge Investment Trustee Company India Ltd.

Mr. Rajpal has been on the Board of Directors of HDFC International Life & Re since its inception.

Suresh Badami
Director

Mr. Suresh Badami has been associated with HDFC Life since October 2013 and is an Executive Director of HDFC Life since September 2018. He heads the Sales & Distribution channels for HDFC Life. In his role as Chief Distribution Officer of HDFC Life, he has also exercised oversight on the deliverables of HDFC International Life & Re. Mr. Badami was also actively involved in the initial authorization and set up process of the Company. In an overall career span of 26 years, he has spent around 17 years in the financial services industry, with experience of over a decade in Banking and around 6 years with HDFC Life.

Prior to the above, he was Senior General Manager of ICICI Bank Limited ("ICICI"). He joined ICICI in the year 2002 and had worked in diverse roles. During his tenure in ICICI, he had held various key positions such as Zonal Head - Retail Liabilities Group, Head - Retail Branch Banking, Retail Business Head (South) & Senior General Manager - Retail Liability Business. He started his career in 1994 with Dunlop India Limited and worked in ICI India Limited, an internet start-up Cognesis Networks Private Limited and Max Ateev Limited before moving to ICICI Bank.

He was also on the Board of Directors of HDFC Credila Financial Services Private Limited for a short period.

Mr. Badami holds a Bachelor's degree in Science from Bangalore University with a Post Graduate Diploma in Management from Xavier Institute of Management, Bhubaneswar, India.

Mr. Badami has been appointed to the Board of Directors of HDFC International Life & Re since July 13, 2017.

Senior Management

Sameer Yogishwar
Chief Executive Officer

In 1998, Mr. Sameer Yogishwar started his professional career with India's largest mortgage finance company, HDFC (Housing Development Finance Corporation) Limited, one of the Founder Shareholders of HDFC Life, as a Management Trainee. Post a two-year stint with HDFC Limited, he was deputed as part of the founding team for HDFC Life. In his 17-year journey with HDFC Life, Mr. Yogishwar was involved across multiple functions including process, operations, learning & development, agency sales, bancassurance, strategic alliances and international business. He essayed multiple senior leadership roles, having headed zonal business functions in large geographies of the country, apart from spending a significant part of his career in building up and managing the organization's branch operations network in India.

Mr. Yogishwar became the first CEO of HDFC International Life & Re in January 2016. He was instrumental in obtaining the license and incorporating the Company in the DIFC. Mr. Yogishwar also served on the Board of Directors of DIFC Insurance Association NPIO (June 2017 – June 2019).

Mr. Yogishwar holds a Bachelor degree in Economics and a Masters in Management Studies (Finance), both from Mumbai University.

From the Desk of the CEO

“Our focus on 'technology and innovation led relationship building/deepening' continues to remain the cornerstone of our strategy.”

Dear Shareholder,

FY 2018-19 was a significant year for HDFC International Life & Re. We hit two major milestones; within two years of our incorporation, we reported our maiden net profit, followed by S&P Global Ratings assigning us a long-term financial strength rating of "BBB", outlook stable. I quote these two important milestones, because they defined our strategy for FY 2019-20, which the team has successfully executed.

In FY 2019-20, we continued to build on our strong successes by delivering yet another year of profitable growth. I am happy to announce that we maintained more than just steady progress by showing a substantial growth of 72% on revenues, while our profitability increased by a healthy 101% (YoY). Our net profit margins also grew from 4.93% to 5.76%.

Another major accomplishment came our way when we cemented our rating in December 2019, when a detailed surveillance by S&P Global Ratings led to reaffirmation of our "BBB" rating, outlook 'Stable'.

Our focus on 'technology and innovation led relationship building/deepening' continues to remain the cornerstone of our strategy. As a reinsurance company providing quality risk transfer solutions, our aim is to solve real world problems faced by insurers. Our experience and expertise, combined with superior technology and digitalisation will add irreplaceable value for our cedents. We are thus intensifying efforts on accelerating our technological and digitalisation initiatives that will help us not just stay relevant but also push us to the forefront in the life space of the (re)insurance market.

Another boost in our arm was when we were recognized for our efforts and contributions to the MENA reinsurance industry. It is with great pride that I share that HDFC International Life & Re has been awarded the 'Reinsurer of the Year-Overall' by MENAIR for the year 2020. Needless to say, this is only the first of many more to come and has served to whet the team's appetite for more recognitions.

Towards the end of the year, we witnessed the COVID pandemic that forced most markets into a lockdown. We were no exception. The team moved speedily to adjust to the new normal by invoking remote working protocols. The Company was able to function normally, without any adverse impact to its operational resilience.

Finally, the insurance industry in this region is witnessing interesting times and we are keeping a keen watch on the greater regulatory focus on setting new practices across the region. I envisage that this will undoubtedly benefit the end customer and eventually improve the performance of the industry. Even with the recent unfortunate exit of a number of major players from the market, I reiterate that HDFC International Life & Re is committed to the region and is here to stay.

I end by saying that in the year gone by, we worked aggressively towards changing the narrative of the (re)insurance industry from being participants in risk to becoming partners in growth. To achieve this, we navigated through the complexities of the emerging business environment, using our biggest strength – an inherent ability to remain agile. Hence 'Navigating with Agility' is what best exemplifies our successes of FY 2019-20.

Sameer Yogishwar

Navigating with Agility

These are the three pillars that were instrumental in ensuring that we remained agile & innovative while navigating through FY2019-20.

Reimagine
Scale and Profitability

Responding with
speed and assurance

- Co-create innovative risk solutions keeping service and support as the focal-point
- Calibrate the conventional conundrum and build scale the new way by working with agile partners and InsureTechs and look for new revenue drivers / alternate growth areas with a potential to naturally augment technical margins

Reinvent
Tech and Innovation Leadership

Seed for
innovation

- Continuous research on new trends (reinsurance Blockchain and ReInsureTech), in the market place and anticipate cedent(s) problems early thereby offering nimbler solutions
- Be at the forefront of digital transformation and provide service support, such as actuarial services, automated underwriting, platforms, APIs, tools, and other innovative engagement models

Reboot
Operational Excellence

Operational excellence
initiative

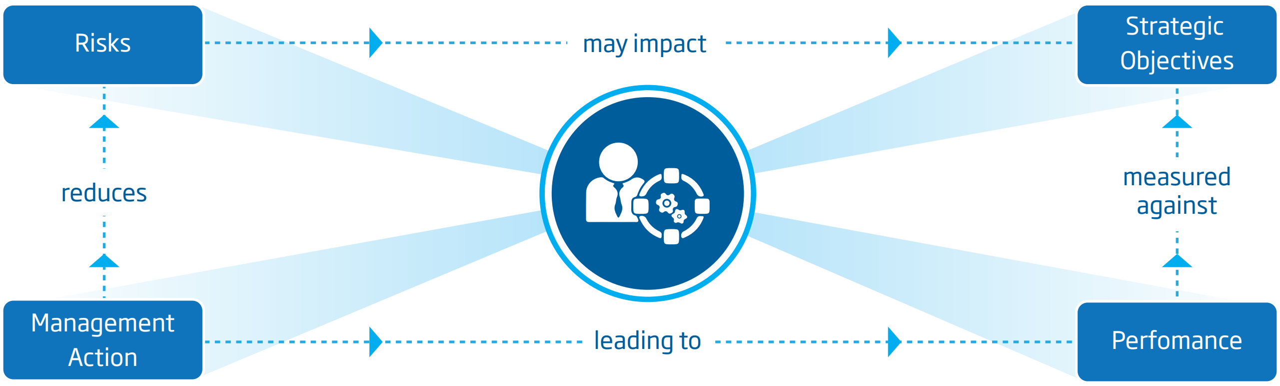
- Improve internal process health and build better operational efficiencies. Provide viable risk solutions to our customers through technology integration
- Strong operational backbone – quality of data and insights; fool-proof technical ledgers of reinsurance and retrocession accounts; improved receivables and payables management and efficient financial management

Management Review & Corporate Reports

ENTERPRISE RISK MANAGEMENT

- The Company has a robust ERM framework, comprising of various risk management mechanisms which help to ensure the risk profile is dynamically optimized, whilst operating within acceptable risk appetites
- The Company's risk management system is agile and responsive to emerging risks and is able to address effectively with changes in internal and external operating environment
- Risk Management has close alignment to business and plays an integral role in strategy and planning discussions, where risk appetite facilitates discussions and sets boundaries to risk taking

The Company leverages on the ERM framework that is developed to manage the uncertainties in achieving its strategic objectives. The Company has also put in place key policies that set up clear channels of communication regarding risk management strategy, objectives and plans. Risk management strategy provides appropriate measures to achieve a prudent balance between risk and reward and follows the enclosed risk taxonomy.



The ERM framework operates with the following objectives:

- Ensuring protection of the interests of our ceding and retrocession partners, shareholder(s), employees, and all the relevant stakeholder(s), including adherence to internal values framework.
- Ensuring adherence to applicable DFSA rules and DIFC regulations and relevant federal directives by the statutory authorities, thereby maintaining an ethical and strong corporate governance culture.
- Ensuring the risk assessment (identification, analysis, and evaluation) and risk treatment process is effective with the core objective of minimising risk and maximising opportunities for the Company.
- Assuring in providing a systematic, structured, and dynamic mechanism to take smarter yet informed decisions whilst managing risk and uncertainty pragmatically including internal controls.
- Assuring ERM is tailor-made and not one-size-fits-all, considering human and cultural factors in building lean processes and promoting strong risk and internal controls culture in the Company.

The ERM framework provides a systematic and holistic risk management approach throughout the Company and facilitates alignment of risk appetite and business objectives. Under this framework, workshops and walkthrough meetings are conducted through structured and specialized risk assessments. This results in risks being recorded, controls being mapped and actioned with an assigned risk owner, with timelines, reporting and monitoring. Subsequently, residual risk rating is assigned to risks identified and key risk indicators (KRIs) are developed for such identified risk so that the risk-taking activities of the various business and functional units can be measured and controlled.

The Risk Management function facilitates risk awareness and risk culture environment by promoting forward-looking assessment of the Company's risk profile. The Company has embedded a strong risk and control culture throughout its business and operational processes, so that material risks, emerging risks and controls issues are identified early, managed effectively and promptly addressed in the normal course of the Company's operations. The Company as at date of this report has identified three (3) risk categories which are further broad-based into specific identified risk types and sub-risk types basis the nature, scale, size, complexity and materiality aspects.

- Reinsurance Risks
- Financial Risks
- Operational Risks

The Company has a defined comprehensive governance structure for risk management designed to identify, analyze, mitigate and manage all material and emerging risks through a multi-line of defense model providing for an effective balance of internal controls, oversight and assurance. It includes the leadership, accountabilities and oversight that builds and improves the ERM framework in the Company. ERM governance structure is an essential part of the Company's corporate governance responsibilities. Effective ERM governance structure will help the Company improve its performance and achieve the desired outcomes, basis the five (5) identified principles:

Principles	Relevance
Mandate: Reflects the intent to ensure effective ERM	▪ Endorsement of the ERM Policy ▪ Ensuring a positive attitude towards ERM ▪ Reviewing regularly the effectiveness of ERM
Design: Reflects what is key to effectiveness of framework	▪ Designing of framework considering internal and external factors ▪ Accountability and responsibility for managing risk and controls ▪ Integration into strategic planning and decision making process
Implementation: Reflects what actions are required to make it real	▪ Developing an ERM Strategy to support integration across functions ▪ Identifying the requirements for building ERM capability ▪ Reviewing implementation progress and reporting outcomes
Monitor & Review: Reflects the approach to assess performance	▪ Assessing the ERM framework at least annually ▪ Monitoring progress against the ERM Strategy ▪ Implementing changes considering internal and external factors
Continual Improvement: Reflects the continual improvement process	▪ Supporting risk attestation to ensure controls are fit & proper ▪ Developing an ERM improvement plan to assess effectiveness ▪ Determining improvement through risk assurance reports

Performance Management

The Risk Management Committee (RMC) reviews the effectiveness of the risk management function on an on-going basis including an independent validation by the appointed Internal Auditor. In addition, S&P Global Ratings, as part of their annual surveillance process takes up a comprehensive assessment on the state of ERM evolution and maturity levels against global benchmark. The array of metrics used to evaluate the risk management function are on the foundation of correctness and accuracy of facts presented, comprehensiveness in quality of risk assessments and check on integration of risk management into strategic decision making process.

DIRECTORS' REPORT

TO

THE MEMBER OF HDFC INTERNATIONAL LIFE AND RE COMPANY LIMITED

The Board of Directors are pleased to present the 4th Annual Report of HDFC International Life and Re Company Limited on the business and operations of the Company in the DIFC, together with the Audited Financial Statements of the Company, for its 4th Financial Year (FY 2019-20 commencing from April 1, 2019 to March 31, 2020).

Financial Performance

The Financial performance for the FY 2019-20 is summarized as under:

Particulars	FY 2019-20 (USD)	FY 2018-19 (USD)	FY 2017-18 (USD)
Gross Income	8,226,227	4,762,405	2,161,598
Total expenses	(7,803,428)	(4,552,297)	(2,422,197)
Profit/(Loss)	422,799	210,108	(260,599)

Share Capital

The authorized share capital of the Company is USD 30,000,000. There was no change in the Company's paid up capital during the year. The registered paid up capital of the Company as on March 31, 2020 is twenty-nine million five hundred thousand Dollars (USD 29,500,000.00) represented by twenty-nine million five hundred thousand (29,500,000) Ordinary shares, with nominal value of USD 1.00 each. The entire paid up capital of the Company is held by HDFC Life Insurance Company Limited.

Business Review and Outlook

HDFC International Life & Re has successfully completed four financial years of operations and is steadily building experience in the GCC and MENA Life Reinsurance markets. We continue to generate net profit and accelerated revenue by growing at 72% over the previous year, while continuing to focus on the need to create stable and diversified revenue lines.

An innovative and technology driven business strategy, supported by astute underwriting and risk management capabilities have contributed towards the Company's continued profitable growth trajectory in financial year 2019-2020.

Working closely with clients is the central focus of the strategy and we look to establish meaningful and long-term 'win-win' business associations. The Company has been working with insurers to provide reinsurance support for individual life and group life businesses, on both, treaty and facultative basis.

As we get into the fifth year of operation, our aim is to continue building compelling reinsurance propositions which enable clients to break into new segments, expand market share and offer unique customer benefits. We are building technology enabled models which allow for differentiation from existing processes & propositions and deliver capital efficiencies by means of bespoke reinsurance & risk solutions. Our aim is to thus help our partners realize their potential through solutions that are innovative & optimized as per needs of their market segments.

'Partnering', rather than pure risk participation is the mantra for our approach in the GCC & MENA regions. We are optimistic about opportunities that lie ahead and excited about the journey that we have embarked upon.

During the year, S&P Global Ratings reaffirmed the Company's long-term insurer financial strength rating of "BBB", while maintaining the outlook as "Stable".

The end of the year saw the emergence of the COVID-19 pandemic which impacted businesses worldwide. HDFC International Life & Re also faced related challenges and moved into a 'Work From Home' model seamlessly. There were no disruptions in work deliverables and the Company continued business as usual. It is widely expected that the pandemic situation will resolve itself only during the long run and will also cause associated business downturns across domains. Since we also expect its impact to continue to be felt across the financial services space, including in the (re)insurance domain, a more conservative and prudent reserving strategy will be followed by the Company. We anticipate stress in not just the overall business revenue, but also associated factors like investment income, thereby causing an overall strain on profitability. The Company is geared to take on these challenges, with the enterprise wide message being one of prudence and efficiency.

Key Regulatory Framework

The independent legislative framework of both, the DIFC and the DFSA, are based on international standards and principles of common law. Both, the DIFC and the DFSA, have administered and enacted various laws and rules which the Company is bound by. The key laws, rules and regulations issued by the DIFC and the DFSA, applicable to the Company during the year under review, including amendments, are:

i. The DIFC Laws

- Companies Law & Regulations – Set out provisions in respect of formation and incorporation of companies, classification of companies, shares, capital, directors and their duties, auditors and their duties, meetings, accounts, winding up etc. Companies are classified as Public Companies and Private Companies. Reporting requirements depend on the classification of companies. The Legal Status of the Company is "Private Company".
- Contract Law – Sets out the provisions governing contracts such as formation of contracts, validity of contracts, interpretation of contracts, performance and non-performance of contracts, damages in case of breach and agency contracts.
- Data Protection Law & Regulations – Current Law prescribes rules and regulations regarding the collection, handling, disclosure and use of personal data in the DIFC, the rights of individuals to whom the personal data relates and the power of the Commissioner of Data Protection in performing their duties in respect of matters related to the processing of personal data as well as the administration and application of the Data Protection Law. The Data Protection Law has been updated which is awaiting final enactment and expected to come into force during the course of FY 2019-20. The updated Data Protection Law and Regulations set out expectations for Controllers and Processors in the DIFC regarding several key privacy and security principles. It combines the best practices from a variety of current, world class data protection laws, such as the General Data Protection Regulation (GDPR), to enable ethical data sharing and management.

- Arbitration Law – Sets out provisions governing an arbitration agreement, arbitration proceedings and arbitral awards; regarding the composition of the Arbitral Tribunal.
- Employment Law – Provides minimum employment standards to employees based within, or who ordinarily work within or from the DIFC; promotes the fair treatment of employees and employers; fosters employment practices that will contribute to the prosperity of the DIFC.

During the year, Employment Law was amended, introducing a new Qualifying Scheme, DIFC Employee Workplace Savings Plan ("DEWS Plan"). This replaced the existing system of End of Service Benefit payment regime with a funded defined contribution regime where the employer needs to make monthly contributions to DEWS for the benefit of employees effective from February 01, 2020. Enrolment with a qualifying plan is a mandatory requirement and all employers in the DIFC were required to enrol with the DEWS Plan prior to the plan commencement date.

Post introduction of DEWS Plan, all DIFC employers are subject to DEWS Plan. There is no option to opt out for the employer unless they have an Alternate Qualifying Scheme, which has been issued a certificate of Compliance from DIFC.

ii. The DFSA Rules

- Anti-Money Laundering, Counter-Terrorist Financing and Sanctions Module ("AML") – Provides a single reference point for all persons and entities who are supervised by the DFSA for Anti-Money Laundering, Counter-Terrorist Financing and sanctions compliance under the Federal regime and the DIFC regime.

  Pursuant to Federal Law on combating terrorist offences, the UAE Government maintains a list of designated terrorist organisations and groups. The UAE Government regularly updates this list and issues notifications to the effect. These notifications are adopted by the DFSA following which the DFSA issues SEO letters to all DIFC firms on the said notifications, laying down the procedures to be followed and reports to be submitted by the firms in order to comply with the UAE Government notifications. Additionally, the DFSA, pursuant to relevant provisions of the Regulatory Law 2004 (as amended) on 'Anti-Money Laundering Compliance', issues regular notifications on the announcements made by the United Nations (UN) Security Council Sanctions Committee.

  The requirement and obligations contained in the AML Module include Governing Body & senior management's responsibilities, anti-money laundering policies and procedures, rules regarding Money Laundering Reporting Officer ("MLRO"), risk-based assessment and customer due diligence, suspicious activity reports, AML training and awareness, sanctions and other international obligations.
- Conduct of Business Module ("COB") – Regulates the conduct of business including the conduct of insurance and reinsurance business in or from the DIFC.
- General Module ("GEN") – Prescribes the financial services which may be carried on by the Authorised Firms or regulated entities in the DIFC; sets out the fundamental regulatory obligations of the Authorised Firms while carrying out the financial services activities in the DIFC. The GEN Module was updated during the year introducing the requirement of Continual Professional Development (CPD) for Chief Executive Officers, Compliance Officers and Money Laundering Reporting Officers. The Module prescribes the minimum number of hours and structure of activities.
- Prudential – Insurance Business Module ("PIN") – Sets out the prudential requirements applicable to insurers providing financial services in or from the DIFC and all insurers are governed by the PIN Module.
- Sourcebook Modules – Provide all appropriate forms and notices which must be submitted to the DFSA and consist of a Code of Market Conduct, Prudential Returns Module and Regulatory Policies and Process Sourcebook.

Capital Adequacy

As on March 31, 2020, the adjusted capital resources of the Company calculated as per App3 of the DFSA Rulebook, Prudential Insurance Business Module ("PIN Module") were USD 28,730,891.

This is higher than the minimum capital requirement of USD 10,393,649 calculated as per App4 of the PIN Module.

As on March 31, 2020, the Company was in compliance with the minimum capital adequacy requirements of the PIN Module.

Net worth

As on March 31, 2020, the Company's net worth was USD 28,899,281.

Board of Directors

The Board of Directors of the Company oversees the business and operations of the Company. As on the date of this Report, the Company's Board of Directors comprised of five Directors represented by three members from shareholder's/controllers' organization and two Independent Directors. During the year, there was no change in the composition of the Board of Directors. However, two of the Directors were subject to retirement by rotation and were re-appointed at the 3rd Annual General Meeting, as per the Articles of Association the Company prevailing at the time of re-appointment.

Following were the members of the Board of Directors during FY 2019-20:

Ms. Vibha Padalkar	Director (Chairperson of the Board)
Mr. Richard Charnock	Director
Mr. Yuvraj Narayan	Independent Director
Mr. Davinder Rajpal	Independent Director
Mr. Suresh Badami	Director

Senior Management, Persons Undertaking Key Control Functions and any Major Risk-Taking Employees

Chief Executive Officer represents the senior management team. The Compliance Officer, Finance Officer and Risk Officer of the Company are designated as "Persons Undertaking Key Control Functions", as per the relevant DFSA Rulebooks. During the year, a change in the Authorised Individual (Key Control Function (Finance Officer)) was notified and approved by the DFSA.

Related Party Transactions

There were no materially significant related party transactions with the Directors, the Management, subsidiaries or relatives of the Directors that have a potential conflict with the interests of the Company at large.

Related Party Transactions

Amounts in USD

Particulars	Description	Total Value of Transactions for FYE March 31, 2020 (USD)	Total Value of Transactions for FYE March 31, 2019 (USD)	Total Value of Transactions for FYE March 31, 2018 (USD)
HDFC Life Insurance Co. Ltd	Share Capital	29,500,000	29,500,000	13,600,000
HDFC Life Insurance Co. Ltd	Due to Holding Company	NIL	NIL	NIL
HDFC Life Insurance Co. Ltd	RI business written with Holding Company	3,008,569	949,943	-
HDFC Life Insurance Co. Ltd	Claims on RI business written with Holding Company	(1,901,112)	(121,999)	-
HDFC Life Insurance Co. Ltd	Due from Holding Company	20,451	16,303	NIL
Key management personnel	Loan to Key managerial personnel	NIL	NIL	27,000

Remuneration / Compensation of Directors, Senior Management, Persons Undertaking Key Control Functions and Major Risk-Taking Employees for the Period Under Review

Sr. No.	Particulars	Amount (USD)
1.	Independent Directors' Sitting Fees	17,500
2.	Remuneration of Senior Management, Persons Undertaking Key Control Functions and Major Risk-taking Employees	81,082

Auditors

During the year under review, Ernst & Young Middle East (Dubai Branch) was reappointed as the Auditor of the Company for the financial year 2019-20 at the 3rd AGM, to hold office until the conclusion of the forthcoming Annual General Meeting ("AGM").

Risk Management

The Company recognizes Risk Management as an integral building block to manage risks and maximize opportunities related to achievement of strategic objectives. The Enterprise Risk Management (ERM) function is responsible for identification and classification of material risks, recommending risk control mitigations, implementation of risk management framework and to periodically update the Risk Management Committee on the risk profile. The Company has a robust ERM framework, comprising various risk management mechanisms which help to ensure the risk profile is dynamically optimized, whilst operating within acceptable risk appetite. The Company's risk management system is agile and responsive to emerging risks and is able to effectively address changes in internal and external operating environment. ERM has close alignment to business and plays an integral role in strategy and planning discussions, where risk appetite facilitates discussions and sets boundaries to risk taking. The Company has put in place an ERM Policy ("Policy"), which provides a base for the overall risk management framework of the Company. The Policy is reviewed by the Risk Management Committee and the Board of Directors on an annual basis.

Internal Audit

As at the date of this report, the Company had utilized the services of Crowe Mak Limited (a DFSA registered auditor) to ensure an independent review of the Company's internal control framework and risk management practices. The Audit Committee of the Board has complete access to internal audit activities, reports and findings. The Board of Directors of the Company has adopted an Internal Audit charter acknowledging that the Internal Auditors draw authority from the Audit Committee and the Board of Directors of the Company. The Audit Committee of the Board reviews the annual Internal Audit plan and provides relevant inputs to the internal audit planning process basis internal and external operating environment.

The Internal Audit framework operates with the following objectives:

- Scope: The Internal Audit charter has defined the scope and authority of the internal audit activities, approved by the Audit Committee of the Board of Directors of the Company.
- Approach: The annual Internal Audit plan adopts the Risk based Internal Audit (RbIA) methodology for undertaking internal audits, approved by the Audit Committee.
- Objective: To test, objectively and independently, the design and operating effectiveness of the internal control framework and risk management practices.
- Assurance: To provide independent and reasonable assurance about the adequacy and effectiveness of the internal controls to the Audit Committee and the Board of Directors of the Company.
- Reporting & Monitoring: The Audit Committee of the Board periodically reviews audit findings. The Management of the Company closely monitors the internal control framework to ensure recommendations and observations are effectively implemented.

Human Resources and People Development

The Company believes that a talented and dedicated workforce is a key pillar for a strong foundation, growth and efficiency. The Company's HR Policies are in line with the DIFC Employment Laws and the Company has adopted the Talent Management strategies of its Parent Company, which are designed to achieve the twin objectives of personal development and organizational growth.

The Company's workforce comprises of individuals from different countries and cultures, who bring on board a stream of cross-border experiences. With our global presence expected to expand in the near term, we will continue to welcome and encourage diversity in our workforce.

Directors' Statement

In accordance with the applicable DFSA Rules and DIFC Laws, the Board of Directors state that:

i. The Financial Statements have been prepared in accordance with the provisions of International Financial Reporting Standards ("IFRS").
ii. Such standards have been selected and applied consistently, and judgments and estimates made that are reasonable and prudent, so as to give a true and fair view of the Company's statement of accounts for the period under review, and of the state of the Company's financial position as at March 31, 2020.
iii. The Company has complied with those provisions of DIFC Companies Law and PIN Rules that are applicable to it, throughout the financial reporting period.
iv. The Directors are not aware of any relevant audit information of which the Company's auditor is not aware, and the Directors have taken all reasonable steps to become aware of such relevant audit information.

Appreciation and Acknowledgement

The Directors thank all clients and business partners /associates for maintaining their trust in the Company. The Directors also thank the Company's employees for their continued hard work, dedication and commitment; and the Management for its tireless effort in establishing the reinsurance business and the progress made.

The Directors further take this opportunity to thank HDFC Life, the sole Shareholder of the Company, and HDFC Limited for their invaluable and continued support and guidance. The Directors would also like to thank the DFSA, the DIFC Authority, Insurance Regulatory and Development Authority of India (IRDAI), Financial Regulatory Authority, Egypt and other Governmental and relevant regulatory authorities for the support, advice and direction provided from time to time.

On behalf of the Board of Directors

Vibha Padalkar
Chairperson
DIFC, Dubai
April 21, 2020

CORPORATE GOVERNANCE FRAMEWORK

The Company is committed to sound corporate governance practices and acknowledges the importance of adopting the best practice related to Corporate Governance which includes Company's vision, values, policies, processes and goals. The Company is also committed to comply with the requirements of the regulator, Dubai Financial Services Authority (DFSA), with regard to Corporate Governance standards as set out in the relevant Rulebook and implement an effective framework in order to help the Board, Management and Employees to function towards the interest of Stakeholders.

Governing Body (Board of Directors)

The Company's Governing Body encompasses the Board of Directors. As at March 31, 2020, there are total five Directors represented by three members from shareholder's/controllers' organization(s) and two Independent Directors who carry significant and rich experience in reinsurance, insurance, banking and in the overall financial services sector. The Chairmen of the Board sub-committees i.e. the Risk Management Committee, Audit Committee and the Remuneration Committee are the Independent Directors. This clearly reflects the adoption of international best practices in corporate governance. The Board is responsible for setting the business objectives and to provide strategic direction as well as to provide overall supervision of the Company. The Board is also responsible for overseeing the business plan, strategy and management of the Company. The Board also has oversight on internal control systems which include all policies, processes and functioning of the management team.

The composition of the Board of Directors as at March 31, 2020 is as under:

Sr. No.	Name of Director	Status / Position	No. of Committees	
			As Member	As Chairman
1.	Ms. Vibha Padalkar	Director (Chairperson of the Board)	1	-
2.	Mr. Richard Charnock	Director	2	-
3.	Mr. Yuvraj Narayan	Independent Director	3	2
4.	Mr. Davinder Rajpal	Independent Director	3	1
5.	Mr. Suresh Badami	Director	3	-

Responsibilities of the Board

The Board of Directors upholds the interests of the Company's shareholder and all relevant stakeholders including its clients and business partners. The Board provides the management with guidance, strategic direction and oversees the Company's overall business affairs/functioning.

The Board has an oversight on regulatory compliance and corporate governance matters and oversees the interests of various stakeholders.

The Directors attend and actively participate in Board Meetings, and meetings of the Committees in which they are members.

The Key Terms of Reference, prepared and updated from time to time, assist the Board and management in clarifying responsibilities and ensuring effective communication between the Board and management. The Key Terms setting out the roles and responsibilities of the Governing Body, and subsequent updates, if any, were adopted and approved by the Board.

Board of Directors' Meetings

During the year under review, the Board meetings were held 4 times (once a quarter) to review the Company's quarterly performance, financial results, review the business, consider business strategies and their implementation including review and discussion of systems and controls in place etc. The Meetings of the Board of Directors and the Committees were held at Dubai.

In case any matter required urgent attention, resolutions were circulated for approval of the Board. The Board was provided with requisite information and detailed agenda papers, together with necessary supporting papers, as required. The Board papers, agenda and other explanatory notes are circulated to the Directors in advance, and include:

i. Minutes of the previous Board and Committee meetings (including minutes of Management Committee Meetings);
ii. Financial results/accounts
iii. Capital Adequacy review update
iv. Business review, update and strategy overview
v. Annual business plans, budgets, and updates on the same
vi. Investment Strategy for the Company's capital and update on investment performance
vii. Actuarial report/update
viii. Compliance Monitoring & AML process Review Reports
ix. Periodic AML Reports/Returns
x. Regulatory update
xi. Risk management update

Board Meetings held during FY 2019-20

The Board of Directors met four times during FY 2019-20, as follows;

- April 23, 2019
- July 15, 2019
- October 14, 2019
- January 16, 2020

Committees of the Board of Directors

During the year under review, the Audit and Risk Management Committee meetings were held on quarterly basis, and Remuneration Committee was held on annual basis.

Board Committee Meetings held during FY 2019-20

The Audit and Risk Management Committees met four times during FY 2019-20, as follows;

- April 23, 2019
- July 15, 2019
- October 14, 2019
- January 16, 2020

Remuneration Committee Meeting was held on April 23, 2019.

The functions of the Board Committees are governed by the Key Terms of References of the Board Committees which are approved by the Board from time to time. During Financial Year 2019-20, key financials, actuarial, compliance related matters were updated and approved by the Audit Committee and the Board of Directors. Further, Risk reports were placed before the Risk Management Committee on a quarterly basis. Key risk management related matters were updated and approved by the Risk Management Committee.

Remuneration Policy, Remuneration Structure & Strategy were placed and approved by the Remuneration Committee of the Board of Directors on April 23, 2019.

The minutes of the Audit and Risk Management Committee meetings were placed at the Board Meeting.

The details of the various Board Committees, including their composition and Responsibilities as per their Key Terms of Reference as at March 31, 2020 are given below:

Board Committees

Committees	Responsibilities as per Key Terms of Reference	Members	No. of Meetings held during the Year
Audit Committee	▪ To monitor the integrity of financial statements and any announcement relating to actual and forecast of financial performance including management discussion and analysis ▪ To review any unusual accounting reporting brought to its attention requiring the exercise of managerial jurisprudence potentially impacting the preparation of financial statements ▪ To monitor the relationship with DFSA/DIFC as per the relevant regulatory requirement, including review of the scope, approach and result of accounting related reporting ▪ To review the accounting policies, controls and procedures established by executive management for compliance with regulatory and mandatory financial reporting requirements ▪ To monitor any significant deficiencies and material weaknesses in the internal control structure as reported by risk management & internal control and external auditors ▪ To review the internal control of financial management, compliance with local laws, statutes and regulations including safeguarding assets and intellectual property ▪ Recommending the appointment and removal of Statutory Auditor / Internal Auditor, fixation of audit fee and also approval for payment for any other services, including review of their performance and oversight ▪ Ensuring the compliance of the conditions for appointment and eligibility of Statutory Auditors of the Company as stipulated by the Regulatory Authority from time to time ▪ Review of performance of the Statutory Auditors ▪ Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible and financial statements are prepared in accordance with IFRS ▪ Review of all regulatory returns and ensure that the returns are prepared and submitted in accordance with the requirements set out in DFSA PIN rules and regulations ▪ Review of the accounts/financial statements and ensure that the accounts/financial statements of the Company comply with the applicable legislation in the DIFC	▪ Yuvraj Narayan - Independent Director (Chairman) ▪ Davinder Rajpal - Independent Director ▪ Richard Charnock - Director ▪ Suresh Badami - Director	4
Risk Management Committee	▪ ERM Policy: To review the implementation of policy and strategy while ensuring adequacy and effectiveness of risks and internal controls ▪ ERM Strategy: To ensure ERM is aligned to the objectives and the framework attains maturity basis change in internal and external environment	▪ Davinder Rajpal - Independent Director (Chairman) ▪ Yuvraj Narayan - Independent Director	4

Committees	Responsibilities as per Key Terms of Reference	Members	No. of Meetings held during the Year
Risk Management Committee	▪ ERM Profile: To review the Company risk profile relative to risk tolerance and limits and review outcomes on internal and external risk reviews ▪ ERM Architecture: To review the risk assessment (identification, analysis and evaluation), risk treatment, risk monitoring & review nomenclature ▪ Risk Appetite: To consider and set risk objectives and appetite basis the strategic objectives and forward looking internal and external environment ▪ Risk Portfolio: To consider and review the Company's portfolio of risks vis-à-vis internal and external environment including any other relevant factors which has a bearing on the Company's objectives ▪ Risk Capital: To consider and review the Company's regulatory (DFSA) risk capital which is dove-tailed across the spectrum of material risks ▪ Risk Assessments: To review outcomes of risk management reports including scenario & stress testing explaining crystallization of material risks ▪ Risk-Reward: Ensure the committee is taking appropriate measures to achieve a prudent balance between risk & reward (upside risk)	▪ Richard Charnock - Director ▪ Suresh Badami - Director	
Remuneration Committee	▪ Formulate and oversee the policies and procedures covering formal and transparent process for Company's remuneration structure and strategy ▪ Regular review of Company's remuneration practices and procedures and its effectiveness and adequacy ▪ Formulate an appropriate succession planning for key control functions ▪ Assessment of performance of staff including key controlling functions ▪ Undertake all activities in consideration of the best practices as laid down in the DFSA laws and regulations.	▪ Yuvraj Narayan - Independent Director (Chairman) ▪ Davinder Rajpal - Independent Director ▪ Vibha Padalkar - Director ▪ Suresh Badami - Director	1

Other Internal Committees

During the year under review, Management Committee meetings were held on a monthly basis and ALCO meetings were held on a quarterly basis.

The minutes of the Management Committee meetings were placed at the Board Meeting.

Management Committee

The Committee comprises of the Chief Executive Officer and six members representing each key function of the Company, and the Compliance Officer & Company Secretary acts as Secretary to the Committee.

As on March 31, 2020, the Management Committee comprised of the following members:

- Chief Executive Officer (CEO) - Chairman
- Head of Business Development
- Appointed Actuary
- Finance Officer
- Risk Officer
- Compliance Officer & Money Laundering Reporting Officer
- Head - Customer Relations and Business Systems

The Quorum for the meeting is five members including the Chairman of the Committee.

Number of Meetings held

During FY 2019-20, the Management Committee met once in a month and as on March 31, 2020, twelve meetings were held in total.

Asset Liability Committee (ALCO)

The Committee comprises of the Chief Executive Officer and three members representing actuarial, finance and risk functions of the Company, and the Finance Officer acts as Secretary to the Committee.

As on March 31, 2020, ALCO comprised of the following members:

- Chief Executive Officer (CEO) - Chairman
- Appointed Actuary
- Finance Officer
- Risk Officer

The Quorum for the meeting is three members including the Chairman of the Committee.

Number of Meetings held

During FY 2019-20, the ALCO met quarterly and as on March 31, 2020, four meetings were held in total.

Key Management Persons Team

The leadership of the Company comprises of the CEO and his management team, who are experienced, qualified professionals in the life reinsurance, life insurance, banking and the financial services space. They are entrusted with the responsibility for the effective functioning of the Company including execution of the Company's strategic objectives and ultimately working towards fulfilment of the long term vision of the Company. Also, in line with the international best practices, the Company has independent functions with respect to managing underwriting, actuarial, compliance, risk and internal audit with clear responsibilities, reporting lines, segregation of duties and responsibilities with no conflict of interest, to enable decision making with reasonable prudence.

Compliance & Anti- Money Laundering (AML) Framework

The Company continues to take appropriate steps towards its commitment to ensure to comply with the applicable law of the DIFC and the rules and regulations of the DFSA. The Company also monitors relevant jurisdictions and applies prudent processes to ensure to comply with relevant sanctions regimes and applicable regulations. During the year under review, the compliance and AML processes & procedures were strengthened to ensure that the Company and its staff (staff includes employees, directors etc. as interpreted in the manuals) conduct business activities in compliance with the DFSA rules and regulations which they are subject to, and also as stated in the Compliance & AML Manuals.

During the year under review, the Compliance Officer performed regular review and monitoring activities as per the compliance monitoring plan adopted by the Company. The results were documented and review reports were placed before the Board on quarterly basis. Periodic updates were given to the parent, Audit Committee, Management Committee and the Board of Directors of the Company.

The Company has strengthened AML processes particularly client on boarding KYC processes and procedures including Enhanced Due Diligence Process, specifically in respect of relevant sanctions, during the year under review and has maintained the records throughout the year.

All employees were made conversant with the procedures contained in the Compliance Manual, AML Policies and Procedures (AML Manual) and periodic trainings and regular updates are provided to ensure that they are fully aware of regulatory changes that are applicable to the Company.

The Board of Directors approved the Compliance and AML Manuals and will review each year to ensure that it continues to reflect the procedures affecting and relating to the business.

During the year, no instances of breaches were reported and no reports were made on non-compliance with applicable legal or regulatory requirements.

HDFC Life's and HDFC Group's reputation is an important asset, which the Company protects, through a compliance, AML & Compliance Monitoring program approved by the Board and through a forward looking risk assessment as part of our Enterprise Risk Management Framework approved by the Risk Management Committee.

Internal Audit

The Company has established an Internal Audit Charter detailing the roles and responsibilities of Internal Audit function and the same was approved by the Audit Committee.

During the Financial Year, Crowe Mak Limited, a DIFC & DFSA registered firm was appointed for performing Internal Audit function and internal audit was undertaken for the half year periods from April 1, 2019 to September 30, 2019 and October 1, 2019 to March 31, 2020.

Actuarial Review

Appointed Actuary undertakes periodic review of Capital adequacy and technical provisions. Appointed Actuary provides an Actuarial Report to DFSA on an annual basis.

Policies and Framework

During the year under review, the Company has enhanced the systems and controls for effective management of the Company. The Company has documented policies, procedures and manuals as appropriate to the nature of business and in line with the regulatory requirements.

Each of the policies and its revisions were approved by the Board of Directors/Board Committees, as may be applicable.

Regular and periodic reviews were performed and review results/ reports are periodically updated to the Board/Committees/parent company.

Key policies, manuals, framework required under the applicable laws, rules and regulations are:

i. <u>Accounting Policies and Procedures Manual</u>

   The Company being an Authorised Firm in the DFSA regulated regime, is committed to having effective policies and procedures. The Accounting Policies and Procedures Manual provides a general overview of Company's accounting policy in accordance with International Financial Reporting Standards.

ii. <u>AML Policies and Procedures Manual</u>

   In line with the requirements of the DFSA AML Rules, the Company has put in place effective AML practices and procedures. The AML Manual sets out the parameters to be followed to ensure the effective implementation of AML guidelines issued from time to time, while conducting the business activities in the DIFC.

iii. <u>Asset-Liability Management ("ALM") Policy</u>

   The Company has put in place an ALM Policy to ensure strict compliance with applicable DFSA PIN Rule norms and other applicable rules and regulations as prescribed by the DFSA. The ALM Policy sets out the ALM framework of the Company.

iv. <u>Business Continuity Management ("BCM") Policy</u>

   As per DFSA PIN regulations, it is imperative to develop, implement and maintain sound and prudent business continuity strategy for the Company. In this respect, the Company has established BCM Policy which encompasses the BCM philosophy, the BCM governance structure, the BCM planning process (methodology and testing), crisis management and disaster recovery.

v. <u>Claims Policy</u>

   Claims policy of the Company provides a general overview of Company's internal claims policy including claims documentation requirements, claims assessment, claims underwriting and settlement processes etc.

vi. <u>Compliance Manual</u>

   As per the regulatory requirements, the Company has put in place an effective Compliance Manual while conducting business in the DIFC. The Compliance Manual outlines the compliance policies and procedures of the Company and it sets out the DFSA and DIFC regulatory obligations to which the Company and its Staff are subject to and describes the high level controls and responsibilities existing within the Company.

vii. <u>Enterprise Risk Management ("ERM") Policy</u>

   A separate report on Enterprise Risk Management framework has been included in this Annual Report, describing the enterprise risk management architecture adopted by the Company.

viii. Remuneration Policy

The Company's remuneration structure and strategies are governed by Remuneration Policy. The Remuneration Policy was reviewed and approved by the Remuneration Committee in its third meeting held on April 23, 2019. In line with the requirements of applicable provisions of DFSA Rules/guidance (General Module) relating to corporate governance and remuneration, the Company has put in place a Remuneration Policy setting out the broad guidelines on remuneration philosophy and compensation structure of employees of the Company. The Policy ensures the performance evaluation process, compensation structure, broad guidelines on annual increments and pay out process for remuneration of Company's employees.

ix. Underwriting Policy

As per DFSA PIN regulations, it is imperative to implement an appropriate Underwriting Policy. In this respect, the Company has implemented an appropriate Underwriting Policy for its reinsurance operations. The broad contour of the Underwriting policy enunciates the core objectives of Underwriting risk assessment.

x. Compliance Monitoring Programme

The Compliance Monitoring Programme sets out the process and procedures to ensure the compliance of rules and regulations when undertaking Regulated activities in or from the DIFC by performing periodic review of the process and procedures in place by way of compliance testing to ensure that any compliance breaches are identified and corrective action measures are taken promptly.

The Compliance Monitoring Programme shall monitor and test the Company's level of compliance to DIFC and DFSA laws, regulations and standards which the Company is subject to.

In particular, the programme carries out formal periodic reviews of the Company's compliance records, policies and procedures; by performing sufficient and comprehensive compliance testing.

xi. HR Policies & Processes

The Company has adopted HR Policies as per the DIFC Employment Laws. HR Policies & Processes lay down the guidelines that will govern all eligible employees of the Company.

xii. Investment Management Policy

The purpose of the Investment Management Policy is to provide a formal plan for investing ceding insurers' premia and shareholders' funds and is also set forth to:

a. Define and assign the responsibilities of all involved parties

b. Provide guidance to the Investment Management Function

c. Establish the relevant investment horizon for which the assets will be managed

d. Specify permissible investments, restrictions on investments and diversification requirements

e. Provide ongoing oversight of investments by the ALCO

xiii. Treaty Execution Management Policy

The Treaty Execution Management Policy describes the detailed procedures to be followed by the Staff of the Company to ensure timely execution of Treaties in compliance with the laws, regulations and rules governing the conduct of business in the DIFC and in accordance with best market conduct practices and professional service standards.

The purpose of this framework is to strengthen the Treaty execution process, effective coordination and timely decision making between teams. It helps the Company to fulfil its Treaty execution requirements in a coordinated, consistent and timely manner.

xiv. Information Security Policies

The Information Security Policies comprise of the following:

a. IS Policy Statement – The Information Policy Statement establishes management directives to protect the information assets of the Company from all known threats, whether internal or external, deliberate or accidental. The implementation of this Policy is essential to maintain the confidentiality, integrity and availability of data processed by the Company for its business requirements.

b. Information Security Policy – This policy provides a standard while developing a security plan detailing management, technical and operation controls.

c. Acceptable Usage Policy – This policy outlines acceptable use of computing equipment, network and information assets of the Company. This policy is to ensure that the Company assets and information are appropriately protected.

d. User Access Management Policy – The purpose of this policy is to prevent unauthorised access to the Company information systems. The policy describes the registration, privilege management, accounting, de-registration process for all Company information systems and services.

e. Antivirus Policy – This policy defines rules for protecting the Company systems from viruses, worms, spams, malicious codes etc., using Antivirus solutions for the Company.

xv. Corporate Governance Policy

Corporate Governance is a framework of systems, policies, procedures and controls through which an entity:

1. promotes the sound and prudent management of its business;

2. protects the interests of its customers and stakeholders; and

3. places clear responsibility for achieving (1) and (2) on the Board and its members and the senior management of the Company.

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HDFC INTERNATIONAL LIFE AND RE COMPANY LIMITED

Opinion

We have audited the financial statements of HDFC International Life and Re Company Limited (the "Company"), which comprise the statement of financial position as at 31 March 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the shareholders of the Company, for our audit work, for this report, or for the opinions we have formed. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Dubai International Financial Centre, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and the Board of Directors for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs and in compliance with the applicable provisions of the Dubai Financial Services Authority Prudential Rulebooks, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Sd/-
Ernst & Young
James Potter
Partner

24 April 2020

Dubai, United Arab Emirates

STATEMENT OF FINANCIAL POSITION As at 31 March 2020

	Notes	2020 USD	2019 USD
ASSETS			
Right-of-use asset	2.2	88,968	-
Property and equipment	5	5,208	13,617
Intangible asset	6	42,924	53,154
Reinsurance contract assets	7	1,762,046	1,012,819
Reinsurance balance receivables	8	2,707,141	3,756,032
Prepayments and other receivables	9	408,047	374,898
Deposit with banks	10	13,070,000	13,645,000
Held to maturity investments	11	17,748,982	14,954,752
Bank balances and cash	12	1,680,126	446,829
TOTAL ASSETS		37,513,442	34,257,101
EQUITY AND LIABILITIES			
Share capital	13	29,500,000	29,500,000
Accumulated losses		(600,719)	(1,023,518)
TOTAL EQUITY		28,899,281	28,476,482
Lease Liability	2.2	82,846	-
Employees' end of service benefits	14	96,771	60,723
Reinsurance contract liabilities	7	7,302,704	4,935,918
Reinsurance balance payables		978,493	648,617
Accrued and other payables	15	153,347	135,361
TOTAL LIABILITIES		8,614,161	5,780,619
TOTAL EQUITY AND LIABILITIES		37,513,442	34,257,101

The financial statements were approved by the Board of Directors on April 21, 2020 and signed on its behalf by:

Sd/-	Sd/-	Sd/-
Vibha Padalkar	Sameer Yogishwar	Harpreet Singh Kalra
Chairperson	Chief Executive Officer	Head-Finance

The attached notes 1 to 20 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 March 2020

	Notes	2020 USD	2019 USD
Gross reinsurance premium		7,339,810	4,261,825
Reinsurance premium ceded		(1,179,934)	(598,736)
Net reinsurance premium written		6,159,876	3,663,089
Claims incurred		(4,474,941)	(1,000,308)
Reinsurance claims - retrocession share		442,622	15,880
Change in reinsurance contract liabilities (net of reinsurance assets)		(1,617,559)	(2,247,939)
Commission expense on reinsurance premium		(152,560)	(61,917)
Net technical reserves and expenses		(5,802,438)	(3,294,284)
Net investment income	3	886,417	500,580
General and administration expenses	4	(821,056)	(659,277)
PROFIT FOR THE YEAR		422,799	210,108
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		422,799	210,108

The attached notes 1 to 20 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY For the year ended 31 March 2020

	Share capital USD	Accumulated losses USD	Total USD
At 31 March 2018	13,600,000	(1,233,626)	12,366,374
Addition in share capital (Note 13)	15,900,000	-	15,900,000
Total comprehensive income for the year	-	210,108	210,108
At 31 March 2019	29,500,000	(1,023,518)	28,476,482
Total comprehensive income for the year	-	422,799	422,799
At 31 March 2020	29,500,000	(600,719)	28,899,281

The attached notes 1 to 20 form part of these financial statements.

STATEMENT OF CASH FLOWS For the year ended 31 March 2020

	Notes	2020 USD	2019 USD
OPERATING ACTIVITIES			
Profit for the year		422,799	210,108
Adjustments for:			
Depreciation and amortization charges	5,6	25,639	38,493
Depreciation on right-of-use asset	2.2	106,762	-
Net investment income	3	(886,417)	(500,580)
Provision for end of service benefits	14	40,610	23,309
Interest expense	2.2	4,745	-
		(285,862)	(228,670)
Working capital changes:			
Reinsurance contract assets		(749,227)	(608,488)
Reinsurance balance receivable		1,048,891	(2,334,612)
Prepayment and other receivables		(22,465)	(12,999)
Reinsurance contract liabilities		2,366,786	2,856,427
Reinsurance balance payables		329,876	261,100
Accrued and other payables		17,985	28,093
Amount due from Holding company		(4,148)	(16,303)
Employees' end of service benefits paid	14	(4,562)	-
Net cash flows from/ (used in) operating activities		2,697,274	(55,452)
INVESTING ACTIVITIES			
Purchase of intangible assets	6	(7,000)	(65,420)
Purchase of held to maturity investment		(2,695,431)	(11,328,335)
Net investment income received		772,126	333,074
Deposits with banks		575,000	(5,045,013)
Net cash flows used in investing activities		(1,355,305)	(16,105,694)
FINANCING ACTIVITIES			
Proceeds from issuance of shares	13	-	15,900,000
Interest expense	2.2	(4,745)	-
Payment of principal portion of lease liability		(103,927)	-
Cash flows (used in)/ from financing activities		(108,672)	15,900,000
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS		1,233,297	(261,146)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		446,829	707,975
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	12	1,680,126	446,829

The attached notes 1 to 20 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS At 31 March 2020

1. ACTIVITIES

HDFC International Life and Re Company Limited (the "Company") was incorporated in Dubai International Financial Centre ("DIFC") as a Company Limited by Shares under the previous Companies Law, DIFC Law No. 2 of 2009, on January 10, 2016, under registration number 2067. The Company has been designated as a Private Company under the Companies Law, DIFC Law no. 5 of 2018 as on the date of its enactment. The Company is regulated by the Dubai Financial Services Authority ("DFSA") and is licensed to undertake life reinsurance business. It provides risk-transfer solutions, prudent underwriting solutions and value added services, among others, across individual life, group life and group credit life lines of business. The Company currently offers reinsurance solutions in the Gulf Cooperation Council ("GCC") and Middle East & North Africa ("MENA") regions. The registered address of the Company is Unit OT 17-30, Level 17, Central Park, Dubai International Financial Centre, PO Box 114603, Dubai, United Arab Emirates.

The Company is wholly owned by HDFC Life Insurance Company Limited (formerly HDFC Standard Life Insurance Company Limited) ("HDFC Life" or "Holding Company").The registered address of the Holding Company is 13th Floor, Lodha Excelus, Apollo Mills Compound, N.M. Joshi Road, Mumbai, India. Established in 2000, HDFC Life is one of India's leading life insurers, offering a range of individual and group insurance solutions that meet various customer needs such as Protection, Pension, Savings, Investment, Annuity and Health. HDFC Life Insurance Company Limited (formerly HDFC Standard Life Insurance Company Limited) is formed as a joint venture between Housing Development Finance Corporation Limited ('HDFC Limited') and Standard Life Aberdeen plc (formerly known as Standard Life plc), global investment company.

In December 2018, S&P Global Ratings have assigned the Company a long-term insurer financial strength rating of "BBB" with a stable outlook. In December 2019, S&P Global Ratings reaffirmed long-term insurer financial strength rating of "BBB" while maintaining the outlook as "Stable".

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention. The financial statements have been presented in US Dollars (USD), which is also the functional currency of the Company.

Presentation of financial statements

The Company presents its statement of financial position broadly in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current), presented in the notes.

Financial assets and liabilities are offset, and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Company.

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the applicable requirements of the DFSA Prudential Rulebooks.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New standards and interpretations effective after 1 April 2019

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 April 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the impact of each new standard and amendment is described below. Although these new standards and amendments are applied for the first time in 2019, they did not have a material impact on the annual financial statements of the Company.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases for which it is the lessee. The Company recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the modified retrospective method of adoption, the Company applied IFRS 16 at the date of initial application and accordingly, the cumulative effect of initially applying the standard (if any) is recognised as an adjustment to the opening balance of retained earnings.

The effects of adoption of IFRS 16 as at 1 April 2019 (increase/(decrease)) is as follows:

	2019 USD
Assets	
Right-of-use assets	195,730
Prepayments	(8,957)
Total assets	186,773
Liabilities	
Lease liability	186,773

The lease liability as at 1 April 2019 can be reconciled to the operating lease commitments as of 31 March 2019 as follows:

	2019 USD
Operating lease commitments as at 31 March 2019	192,877
Weighted average incremental borrowing rate as at 1 April 2019	3.20%
Discounted operating lease commitments as at 1 April 2019	186,773
Less:	
Commitments relating to short term lease	-
Lease liabilities as at 1 April 2019	186,773

Set out below, are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets USD	Lease liabilities USD
As at 1 April 2019	195,730	186,773
Depreciation expense	(106,762)	-
Interest expense	-	4,745
Payments for lease liability	-	(108,672)
As at 31 March 2020	88,968	82,846

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

These amendments had no impact on the financial statements of the Company.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments had no impact on the financial statements of the Company as the Company has taken the temporary exemption to defer the adoption of IFRS 9 till the adoption of IFRS 17.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the financial statements of the Company as it did not have any plan amendments, curtailments, or settlements during the period.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the financial statements as the Company does not have long-term interests in its associate and joint venture.

Annual Improvements 2015-2017 Cycle

- IFRS 3 Business Combinations
- IFRS 11 Joint Arrangements
- IAS 12 Income taxes
- IAS 23 Borrowing Costs

The above annual improvement had no impact on the financial statements of the Company.

2.3 STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

IFRS 17

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Company is currently evaluating the expected impact. The Company has also taken the temporary exemption to defer the adoption of IFRS 15 and IFRS 9 till the adoption of IFRS 17.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements are set out below:

Gross reinsurance premiums

Gross reinsurance written premiums comprise the total premiums receivable for the only period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the cover commences. The premiums recognition is based on a combination of actual reinsurance premium reflected in the reinsurance premium statements (statement of account) received from the cedents and an estimation of reinsurance premium expected to be received for the risks that would be reinsured with the Company. The estimation is based on historical trends, and/or indications from cedents on the risks written/expected to be written.

Reinsurance premium ceded

Reinsurance premiums ceded comprise the total premiums payable for the whole cover provided by contracts entered into during the accounting period and are recognised on the date on which the cover commences.

Policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are charged to the statement of comprehensive income when incurred.

Foreign currencies

The Company's financial statements are presented in USD, which is the Company's functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in statement of profit and loss with the exception of monetary items that are designated as part of the hedge of the Company's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit and loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or statement of income are also recognised in other comprehensive income or statement of income, respectively).

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of income during the financial period in which they are incurred.

Freehold land and fixed assets not commissioned are not depreciated. The estimated useful life of fixed assets for the Company is as follows:

Items of property and equipment	Useful life in years
IT equipment - End user devices	3
IT equipment - Servers and networks	4
Furniture and Fixtures	5
Office equipment	5

Leasehold improvements are depreciated over the lock in period of leased premises subject to maximum period of five years. Assets are depreciated on a straight-line basis over their estimated useful lives as given above.

Property and equipment not commissioned are stated at cost. When commissioned, they are transferred to the appropriate property and equipment category and depreciated in accordance with the Company's policies. Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statement of income as the expense is incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of income.

Intangible asset

Intangible asset comprising of computer software are stated at cost of acquisition, including any cost attributable for bringing the same to its working condition for its intended use, less accumulated amortisation and impairment, if any. These are amortised over the useful life of the software subject to a maximum of four years. Subsequent expenditure incurred on existing assets is expensed out except where such expenditure increases the future economic benefits from the existing assets, in which case the expenditure is amortised over the remaining useful life of the original asset. Gains or losses arising from derecognition of an intangible asset are determined by comparing proceeds with the carrying amount. These are included in the statement of income.

Right of Use Lease Asset

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Financial assets

Initial recognition and measurement

Financial assets and liabilities are recognised in the statement of financial position when the Company becomes a party to contractual provisions of the instrument. From this date any gains and losses arising from changes in fair value of the assets or liabilities designated at fair value through statement of profit and loss or available-for-sale assets are recognised. Receivables are recognised on the day they are transferred to or acquired by the Company.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include reinsurance assets and receivables, due from a holding company, bank balances and deposit and HTM investments.

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the positive intention and ability to hold until maturity. After initial measurement, held to maturity financial assets are measured at amortised cost, using the EIR, less impairment. The EIR amortization is included in 'Investment income' in the statement of comprehensive income. Gains and losses are recognized in the statement of comprehensive income when the investments are derecognised or impaired, as well as through the amortization process.

For those investments deemed to be held to maturity, management ensures that the requirements of IAS 39 are met and, in particular, that the Company has the intention and ability to hold these to maturity.

Subsequent measurement

A financial asset or a financial liability is recognised initially at its fair value plus, in the case of a financial asset or a financial liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent to initial recognition, all financial assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be measured reliably is stated at cost, including transaction costs, less impairment allowances.

All other financial assets and non-trading financial liabilities are measured at amortised cost less impairment allowances.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and short- term deposits with original maturity of three months or less.

Derecognition

The Company derecognises financial assets when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of the ownership of the financial assets are transferred. Any interest in derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Investment income

Interest income is recognised in the statement of comprehensive income as it accrues and is calculated by using EIR method. Fees and commissions that are an integral part of the effective yield of the financial asset are recognised as an adjustment to the EIR of the instrument.

Investment income also includes dividends when the right to receive payment is established.

Impairment of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of income. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of income;

(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and

(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Impairment of non-financial assets (excluding goodwill)

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company's assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using discount rates that reflect current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through income statement, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities include reinsurance and accruals and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Reinsurance contract liabilities

Mathematical reserve

Reserve are created to cover all future liabilities based on the term and guarantee in the insurance contracts as determined by the Actuary. The main assumptions used relate to mortality, morbidity, longevity, expenses, lapse, surrender rates and discount rates. The Company bases the mortality and morbidity on the approved basis which reflect Industry/population experience, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics and own claim severity and frequency experiences.

Incurred but Not Reported (IBNR)

As significant time lags may exist between incurrence of claims and notification of the claims to the Company and then to the reinsurer, a reserve for incurred but not reported claims is held.

Profit Sharing

Any profit sharing arrangement as per the insurance contract has been allowed for in the reserves.

Lease Liability

Lease Liability comprising the present value of lease payments for Company office for the remaining part of lease period. This Liability is adjusted with the finance charge on the balance lease liability and amortised with the monthly lease payments during the period of lease.

Accruals and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services rendered, whether billed by the supplier or not.

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' end of service benefits

The Company provides end of service benefits to its employees employed in the Dubai International Financial Centre ("DIFC") in accordance with the DIFC Employment Law. The entitlement of these benefits is based upon employees' basic wage, length of service and defined rates as per DIFC Employment law.

3. NET INVESTMENT INCOME

	2020 USD	2019 USD
Net interest income from held till maturity investments	468,787	210,391
Interest on bank deposits	417,630	290,189
	886,417	500,580

4. GENERAL AND ADMINISTRATIVE EXPENSES

	2020 USD	2019 USD
Employee benefits expenses	444,679	184,519
Rent, rates & taxes	-	110,051
Depreciation and finance charge on Lease	111,507	-
Regulator fees and legal expense	62,437	59,332
Depreciation and amortisation charges (Notes 5 and 6)	25,639	38,493
Auditor's remuneration	25,915	27,987
Utility expenses	13,932	15,944
Other expenses	136,947	222,951
	821,056	659,277

5. PROPERTY AND EQUIPMENT

	Leasehold Improvements USD	IT equipment end user devices USD	IT equipment servers and networks USD	Furniture and fixture USD	Office equipment USD	Total USD
Cost:						
As at 1 April and 31 March 2019	47,456	15,123	10,834	26,715	3,738	103,866
Depreciation:						
As at 1 April 2019	47,456	15,123	8,447	16,856	2,367	90,249
Charge for the year	-	-	2,319	5,343	747	8,409
As at 31 March 2020	47,456	15,123	10,766	22,199	3,114	98,658
Net carrying amount:						
As at 31 March 2020	-	-	68	4,516	624	5,208

	Leasehold Improvements USD	IT equipment end user devices USD	IT equipment servers and networks USD	Furniture and fixture USD	Office equipment USD	Total USD
Cost:						
As at 1 April and 31 March 2018	47,456	15,123	10,834	26,715	3,738	103,866
Depreciation:						
As at 1 April 2018	34,280	11,073	5,537	11,512	1,620	64,022
Charge for the year	13,176	4,050	2,910	5,344	747	26,227
As at 31 March 2019	47,456	15,123	8,447	16,856	2,367	90,249
Net carrying amount:						
As at 31 March 2019	-	-	2,387	9,859	1,371	13,617

6. INTANGIBLE ASSETS

	2020 USD	2019 USD
Software License:		
Cost	65,420	-
Additions during the year	7,000	65,420
As at 31 March	72,420	65,420
Accumulated Amortisation	(12,266)	-
Charge for the year	(17,230)	(12,266)
As at 31 March	(29,496)	(12,266)
Net carrying amount for the period	42,924	53,154

7. REINSURANCE CONTRACT ASSETS AND LIABILITIES

At 31 March 2020

	Gross USD	Reinsurers' share USD	Net USD
Mathematical reserve	5,238,726	(1,402,601)	3,836,125
Incurred but not reported reserve	2,063,978	(359,445)	1,704,533
	7,302,704	(1,762,046)	5,540,658

At 31 March 2019

	Gross USD	Reinsurers' share USD	Net USD
Mathematical reserve	3,789,626	(928,176)	2,861,450
Incurred but not reported reserve	1,146,292	(84,643)	1,061,649
	4,935,918	(1,012,819)	3,923,099

Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market data and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are, as follows:

Life Insurance

Mortality and morbidity rates

Assumptions are based on the expectations of mortality and morbidity experience, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Company's own experiences. Being on the conservative side, no allowance is made for expected future improvements. Assumptions are differentiated by age, sex, underwriting class, geography and contract type. An increase in rates will lead to a larger number of claims, which will increase the claims payout and reduce profits for the Company.

Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate. An increase in the level of expenses would result in an increase in expenditure, thereby reducing profits for the Company.

Lapse and surrender rates

Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Industry/Company's experience and vary by product type, policy duration and sales trends.

Discount rate

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on the expected investment return on the assets backing the liabilities. The expected investment return is based on the investment return on the existing assets and the expected return on future investments. A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

8. REINSURANCE BALANCE RECEIVABLES

	2020 USD	2019 USD
Due from insurance companies#	2,707,141	3,756,032

As at the year end, the ageing analysis of unimpaired reinsurance balance receivables is as follows:

	Total USD	Neither past due nor impaired USD	Past due but not impaired				
			<30 days USD	31-60 days USD	61-90 days USD	91-180 days USD	>180 days USD
As at 31 March 2020	2,707,141	2,005,997	183,426	-	-	276,990	240,728
As at 31 March 2019	3,756,032	1,786,218	-	704,843	10,479	658,576	595,916

Company's receivable includes, USD 313,970 as at 31 March 2020 (2019: USD 443,614) for which premium is estimated based on historical data and past trends.

See note 17 on credit risk of trade receivables, which explains how the Company manages and measures credit quality of receivables.

9. PREPAYMENT AND OTHER RECEIVABLES

	2020 USD	2019 USD
Interest accrued	263,052	247,560
Prepaid expenses	98,700	83,188
Amount due from Holding Company	20,451	16,303
Other receivables	25,844	27,847
	408,047	374,898

10. DEPOSITS WITH BANKS

	2020 USD	2019 USD
Deposits with banks	14,270,000	13,645,000
Less: Deposits with banks maturing within three months (note 12)	(1,200,000)	-
	13,070,000	13,645,000

Deposits with banks carry interest rate in the range of 1.05% to 3.79% per annum (2019: 2.45% to 3.79 % per annum). As at 31 March 2020, the maturity of these deposits with banks ranges from 6 months to 4 years (2019: 6 months to 5 years, excluding deposits with banks maturing within three months).

11. HELD TO MATURITY INVESTMENTS

	2020 USD	2019 USD
Canadian Government Bonds	3,619,821	3,595,990
International Bank for Reconstruction & Development (IBRD) Bonds	6,571,361	6,523,909
International Financial Corporation (IFC) Bonds	4,879,700	4,834,853
NTPC Bonds	521,523	-
Indian Oil Corporation Bonds	540,305	-
Axis Bank Bonds	401,535	-
State Bank of India Bonds	1,214,737	-
	17,748,982	14,954,752

Held to maturity investment comprise Canadian government bonds carrying a coupon rate of 2 % maturing during November 2022, IBRD bond carrying coupon rate of 2.13 % maturing in November 2020, IFC bonds carrying interest at 2 % maturing in October 2022., NTPC Bond carrying coupon rate 4.75% maturing in October 2022, IOCL bond carrying coupon rate of 5.75% maturing in August 2023, Axis Bank bond carrying coupon rate of 3% maturing in August 2022 and SBI Bank bond carrying coupon rate of 3.25% maturing in January 2020.

12. BANK BALANCES AND CASH

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	2020 USD	2019 USD
Bank balances and cash	480,126	446,829
Deposits with banks maturing within three months (note 10)	1,200,000	-
	1,680,126	446,829

13. SHARE CAPITAL

	2020 USD	2019 USD
Authorized Share Capital		
30,000,000 shares of USD 1 each (2019:30,000,000 Shares of USD 1 each)	30,000,000	30,000,000
Issued and paid up Capital		
Issued and fully paid 29,500,000 shares of USD 1 each (2019:29,500,000 Shares of USD 1 each)	29,500,000	29,500,000

On 19 November 2018, the Holding Company injected additional USD 15,900,000 towards the share capital (15,900,000 shares of USD 1 each).

14. EMPLOYEES' END OF SERVICE BENEFITS

	2020 USD	2019 USD
As at 1 April	60,723	37,414
Charged during the year	40,610	23,309
Paid to employees exited during year	(4,562)	-
As at 31 March	96,771	60,723

15. ACCRUED AND OTHER PAYABLES

	2020 USD	2019 USD
Accruals and other provisions	153,347	135,361

16. RELATED PARTY TRANSACTIONS

Related parties represent associated companies, Holding Company and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Name of related parties and the nature of relationship is given below:

Ultimate Holding company

Housing Development Finance Corporation Limited

Holding company

HDFC Life Insurance Company Limited (Formerly HDFC Standard Life Insurance Company Limited)

Fellow Subsidiaries

HDFC Asset Management Company Limited
HDFC Holdings Limited
HDFC Trustee Company Limited
HDFC Investments Limited
HDFC ERGO General Insurance Company Limited
HDFC Capital Advisors Limited
HDFC Sales Private Limited
HDFC Venture Capital Limited
HDFC Ventures Trustee Company Limited
HDFC Property Ventures Limited
HDFC Credila Financial Services Private Limited
HDFC Education and Development Services Private Limited
Griha Investments (Subsidiary of HDFC Holdings Ltd.)
GRUH Finance Limited (Fellow Subsidiary up to 30th Aug 2019/Associate from 30th Aug 2019 to 17th Oct 2019)
Griha Pte Ltd., Singapore (Subsidiary of HDFC Investments Ltd.)
HDFC Pension Management Company Ltd.
HDFC Investment Trust
HDFC Investment Trust II
HDFC Ergo Health Insurance Ltd wef 9th January 2020

Key management personnel

Directors:

Ms. Vibha Padalkar
Mr. Richard Charnock
Mr.Yuvraj Narayan
Mr. Davinder Rajpal
Mr. Suresh Badami

Chief Executive Officer

Mr. Sameer Yogishwar

Transactions with related parties included in the statement of comprehensive income are as follow:

	2020 USD	2019 USD
Gross reinsurance premium	3,008,569	949,943
Claims	(1,901,112)	(121,999)
Medical insurance expenses recoverable from Holding company	9,951	9,472
Internal Audit Fees	10,500	6,831

Balances with related parties included in the statement of financial position are as follows:

	2020 USD	2019 USD
Reinsurance balance receivables	558,964	827,944
Due from Holding Company	20,451	16,303

Compensation of key management personnel

The remuneration of key management personnel during the period was as follows:

	2020 USD	2019 USD
Directors' sitting fees	17,500	17,500
Short-term benefits	42,044	39,705
	59,544	57,205

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company's risk management framework is the responsibility of the Risk Management Committee of the Board of Directors and has effective oversight by the Board of Directors.

The Board of Directors meets regularly to approve any commercial, regulatory and organizational decisions. The Management under the authority delegated from the Board of Directors defines the Company's risk and its interpretation, limits structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

(b) Capital management framework

The primary objective of the Company's management is to ensure that it complies with externally imposed capital requirements and to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to shareholders. The Company manages its capital structure and makes adjustments to it, in light of changes in business conditions.

The Company fully complied with the externally imposed capital requirements during the period ended 31 March 2020.

As at 31st March 2020, the adjusted capital resources of the company calculated as per App3 of 'The DFSA Rulebook, Prudential – Insurance Business Module' is USD 28,730,891 (As at March 31, 2019 – USD 28,298,676).

This is higher than the minimum capital requirement of USD 10,393,649 calculated as per App4 of 'The DFSA Rulebook, Prudential – Insurance Business Module.

As at March 2020, the Company was in compliance with the minimum capital adequacy requirements of the DFSA Rulebook, Prudential- Insurance Business Module.

(c)Regulatory framework

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Company are also subject to regulatory requirements within the jurisdiction where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the reinsurance companies to meet unforeseen liabilities as these arise.

(d) Asset liability management (ALM) framework

The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders.

The Asset Liability Committee (ALCO) of the Company actively monitors the ALM framework to ensure in each period sufficient cash flow is available to meet liabilities arising from reinsurance contracts.

Management regularly monitors the financial risks associated with the Company's other financial assets and liabilities not directly associated with reinsurance liabilities.

The risks faced by the Company and the way these risks are mitigated by management are summarised below:

17A. Reinsurance risk

The principal risk the Company faces under reinsurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a number of reinsurance contracts. The variability of risks is also improved by careful selection of risk accepted with outward reinsurance arrangements.

In a common practice among global reinsurance companies, and in order to minimize the financial exposure arising from large reinsurance claims, the Company, in the normal course of business, enters into arrangements with counterparties for retrocession. Such retrocession arrangements provide for diversification of business, allows management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty and facultative arrangements.

To minimize its exposure to significant losses from the retrocessionaire(s) insolvencies, the Company evaluates the financial condition and financial strength ratings of its retrocession partners before placing risks.

17B. Financial risk

The Company's principal financial instruments include financial assets and financial liabilities, which comprise receivables arising from reinsurance contracts, deposits with banks, held to maturity investments, cash and cash equivalents, other payables, and reinsurance balance payables.

The Company does not enter into any equity and derivative transactions.

The main risks arising from the Company's financial assets are credit risk, geographical risk, liquidity risk and foreign currency risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

Credit risk

Credit risk is the risk of default on a security or investment that may rise from an issuer failing to meet contractual obligations. However, credit risk is controlled and mitigated by buying instruments issued by entities of high credit investment grade as well as diversifying the exposures across different issuers

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate has less influence on credit risk.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- The Company only enters into reinsurance contracts with recognised, credit worthy third parties (Cedants and Retrocessionaires).In addition, receivables from reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company's bank balances are maintained with a range of international banks in accordance with limits set by the management.

The Company's cash is held in banks of acceptable credit rating. The Company's receivables were not impaired as at 31 March 2020 and as at 31 March 2019. In addition, receivables from the reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties.

At 31 March 2020

	Neither past due nor impaired				
	High grade USD	Standard grade USD	Sub-standard grade USD	Past due and impaired USD	Total USD
Reinsurance contract assets	-	1,762,046	-	-	1,762,046
Reinsurance balance receivables	-	2,707,141	-	-	2,707,141
Held to maturity	17,748,982	-	-	-	17,748,982
Bank balances and deposits	14,750,126	-	-	-	14,750,126
	32,499,108	4,469,187	-	-	36,968,295

At 31 March 2019

	Neither past due nor impaired				
	High grade USD	Standard grade USD	Sub-standard grade USD	Past due and impaired USD	Total USD
Reinsurance contract assets	-	1,012,819	-	-	1,012,819
Reinsurance balance receivables	-	3,756,032	-	-	3,756,032
Held to maturity	14,954,752	-	-	-	14,954,752
Bank balances and deposits	14,091,829	-	-	-	14,091,829
	29,046,581	4,768,851	-	-	33,815,432

For assets to be classified as 'past due and impaired' the contractual payments in arrears are more than 180 days and an impairment adjustment is recorded in the statement of income for this. When the credit exposure is adequately secured or when management is confident of settlement, arrears more than 180 days might still be classified as 'past due but not impaired', with no impairment adjustment recorded.

Geographical risk

The Company's bank balances and investments are primarily with financial institutions. The insurance risk arising from reinsurance contracts is concentrated mainly in the Middle East, India and North Africa region.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates environment. The Company does not have any exposure to currency risk because most of the financial instruments are denominated in USD, United Arab Emirates Dirham, which is pegged against USD as at 31 March 2020.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligation as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. At 31 March 2020 and 2019, all financial liabilities were either repayable on demand or payable within a maximum period of three months. The contractual outflows associated with financial liabilities are not materially different from their carrying amount in the statement of financial position.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in interest rates prevailing in market or due to a change in the absolute level of interest rates, in the shape of a yield curve or in any other interest rate relationship. Interest bearing financial assets and interest-bearing financial liabilities are all held for maturity and hence there is no interest rate risk as a result, the Company is not subject to exposure to fair value interest rate risk due to fixed rate of interest on its financial instruments.

17C. Operational risk

The Company envisages operational risks to emanate typically from inadequate or failed internal processes, people (key control person), systems (technology), services or external events including reputation risks, strategic risks, legal(non-compliance risk and AML risks) risks and specialised risks viz. fraud & fiduciary risks, outsourcing risks, business continuity planning risk and information security or data risk. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but through a prudent control framework and by monitoring and responding to potential risks, the Company is able to manage the risks effectively. The Company has a control effectiveness framework that includes effective segregation of duties, policies and processes access, authorisation and reconciliation procedures and assessment processes.

18. CONTINGENT LIABILITIES

Contingent Liability

As on 31 March 2020 the Company has deposited an amount of USD 8,859 (2019: USD 7,497) to the Government as security of visa of its employees and in case any Visa related rules are not abided by the employees the same can be forfeited by the Government.

19. FAIR VALUES OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of assets by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit and maturity. For other variable rate instruments an adjustment is also made to reflect the change in required credit spread since the instrument was first recognised.

20. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgment which has the most significant effect on the amounts recognised in the financial statements:

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading, fair value though or profit and loss income or available-for-sale.

For those investments deemed to be held to maturity, management ensures that the requirements of IAS 39 are met and, in particular, that the Company has the intention and ability to hold these to maturity.

Determining the lease term of contracts with renewal and termination options - Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Leases – Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure Lease liabilites. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using the observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Estimates and assumptions

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company.

Such changes are reflected in the assumptions when they occur. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Technical reserves

In calculating the technical reserves, reserve for incurred but not reported claims and reserve for allocated loss adjustment expenses, the company makes estimates of the future claims and expenses experience. These estimates are based on the expected experience in relation to the reinsurance contracts written and is based on historical data, adjusted for the Company's views of the future experience. Any adverse deviation from the expected experience could result in an increase in the reserve requirements.

Impairment of accounts receivable

An estimate of the collectible amount of reinsurance balance receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due.

At the reporting date, gross reinsurance balance receivables were USD 2,707,141 (2019: USD 3,756,032) on which the Company has not identified any indications of impairment on the receivables. Hence no provision for impairment losses was reported. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

Estimated premium income

In calculating the estimated premium income, the Company makes estimates for the expected written premiums during the period. These estimates are based on the expected experience in relation to the reinsurance estimates written and is based on historical data, adjusted for the Company's views of the experience. Any adverse deviation from the expected experience could result in future adjustments for the future premium.

Reclassification

Certain amount in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. These reclassifications have no effect on the Profit(loss) reported in the previous period.

Covid-19

The SARS-CoV-2 virus responsible for COVID-19 continues to spread across the globe and UAE, which has contributed to a significant decrease in global and local economic activities. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak.

In assessing the recoverability of Reinsurance and other receivables, Reinsurance contract assets, and Investments the Company has found nil impact on, as on the date of the approval of, these financial statements. Further as on the date of approval of these Financial statements the Company has found no impact on revenue, counter party credit risk, liquidity risk, market risk, currency risk, solvency and going concern assumption. The situation, including the government and public response to the challenges, continue to progress and rapidly evolve. Company will continue to closely monitor any material changes in future economic conditions.

HDFC Life

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