"Life Insurance Corporation of India 9M-FY23 Earnings Conference Call"

February 10, 2023

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Moderator: Ladies and gentlemen, good morning, and welcome to the LIC's 9M FY '23 Earnings Conference Call. We have senior management of LIC led by Shri MR Kumar, Chairperson on this call.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. M. R. Kumar – Chairperson, LIC. Thank you, and over to you, sir.

M. R. Kumar: Thank you, Aman. Good morning, everyone. I am M.R. Kumar, Chairperson LIC.

On behalf of the senior management team, I warmly welcome you all to the results and performance update call of Life Insurance Corporation of India for the third quarter and nine-month period ended December 31st, 2022.The results and a presentation can be accessed on our website and on websites of both the stock exchanges, BSE and NSE.

Along with me, I have three Managing Directors, Mr. Siddhartha Mohanty, Ms. Mini Ipe and Mr. B.C. Patnaik. Senior officials of the Corporation present on this call are Mr. Dinesh Pant, Appointed Actuary & Executive Director and Mr. K.R. Ashok, Executive Director from our Actuarial team, Mr. Sunil Agrawal, CFO from the finance team, Mr. P.R. Mishra, Executive Director (Inv-Front office & CIO) and Mr R.K. Jha, Executive Director (Investment – Back Office) from the Investment team, Mr. R. Sudhakar, Executive Director (Marketing) from our Marketing team, Ms Rachna Khare, Executive Director (CRM/Policy Servicing) and Mr Thiruvenkatachari, Executive Director (CRM/Claims) from our CRM team, Mrs. Manju Bagga, Executive Director (Pension & Group Schemes) and Mr. Sanjay Bajaj, Head (Investor Relations).

Just before I start to provide an overview and detailed highlights of our performance for the nine months ended December 31st 2022, I would like to briefly touch upon two issues which may be on the top of mind of some of you i.e. LIC's Adani Group Exposure and the Impact on LIC due to the proposed budgetary changes in taxation of a category of maturity claims for life insurance policies in cases where premium paid is more than Rs. 5 lacs per annum. You will appreciate that while both these topics are pertaining to a time period outside the nine-month period ended December 31st quarter for which we have gathered here today, but still, we will mention our position and views upfront before starting the results explanation.

FIRST on the Adani Group exposure we have provided many details on our investments in a press release on January 30th, 2023. Hope all of you have seen the same. I reiterate that our total exposure to Adani group on a book value basis is less than 1% of our total AUM at book value as at December 31st, 2022.

SECOND is that as we have mentioned in some media interactions post budget, that the impact on us, is minimal, of the recent budgetary announcements on tax treatment of certain category of life insurance maturity claims in case of customers paying more than Rs. 5 lacs per annum. As you will appreciate, we are a very different and unique business both by average ticket sizes which are on the lower side and by product category sales weightages.

Now moving to the key business, operational and financial highlights for the first nine months of the financial year 2022 -23.

For the nine months ended December 31st, 2022 we have reported a Total Premium Income of INR 3,42,244 crore showing a growth of 20.65% over the total premium income of INR 2,83,673 crore for the corresponding 9 month period of last year ending December 31st, 2021. The Individual New Business Premium Income for 9M FY23 is INR 38,828 crore and for comparable 9M FY22 it was INR 35,910 crore. Renewal Premium Income (Individual business) for 9M FY23 is INR 1,61,601 crore as compared to INR 1,53,312 crore for 9M FY22. The Group Business premium income for 9M FY23 is INR 1,41,815 crore as compared to INR 94,452 crore for the corresponding period of last year. Our market share by First Year Premium Income is 65.38% (as per IRDAI) for the 9 months period ended December 31st, 2022 as compared to 61.40% for the similar 9 month period ended December 31st 2021. I am sure the market participants have also noted that within these 9 months of current year we had recorded a high of 68.25% market share during the 6 month period ended September 30th, 2022.

If we were to split the total premium for 9M FY23 by individual and group business, it would translate to INR 2,00,429 crore for Individual business and INR 1,41,815 crore for Group Business. Therefore, we have a market share of 40.93% in Individual business and 78.65% in the group business for 9 months ending December 31st 2022. On a comparable basis for nine months ended December 31st 2021 the respective market shares for Individual and Group business were 44.44% and 73.78%. Therefore, we continue to retain the largest share, on a total premium basis, in both Individual as well as Group segments.

Seen on APE basis the break up of business is as follows:

Total Annualised Premium Equivalent (APE) for nine month ended December 31st 2022 is INR 37,545 crore which is comprised of Individual APE of INR 23,419 Crore and Group APE of INR 14,126 Crore. Therefore, on APE basis, the individual business accounts for 62.38 % and Group business accounts for 37.62%. Further of the Individual APE, the Par business accounts for INR 21,206 Crore and Non Par amounts to INR 2,213 Crore. As you can see our Non par share of individual APE is 9.45% and Par is 90.55% for 9M FY23. You will recall that our Non Par share for year ended March 31st 2022 on APE basis within the overall individual business was 7.12% and was 7.76% for quarter ended June 30th 2022 and was 8.98% for 6 month period ended

September 30th 2022. I am sure all of you agree that we are gradually and consistently changing the product mix over the last three quarter wherein the non par share within the individual business is rising steadily. Within non par individual segment, basis dynamic customer demand, and our sales processes, the product category contributions to volume of overall business may vary and in our business presentations post results, we do provide the NBP break up within the non par product categories.

Coming to the profit, the Profit After Tax (PAT) for the nine months ended December 31st , 2022 was INR 22,970 crore as against INR 1,672 crore for the nine month ended December 31st , 2021.

At this point, I would like to mention that the current period profit has increased due to transfer of an amount of INR 19,941.60 crore (Net of Tax), pertaining to the accretions on the available solvency margin from Non par to Shareholders account. The amount of INR 19,941.60 crore comprises of INR 5,669.79 crore for the quarter ended December 31st ,2022 besides INR 5,580.72 crore, INR 4148.78 crore and INR 4542.31 crore for the preceding three quarters,

Gross Value of New Business (VNB) is INR 7,187 crore and Net VNB is INR 5,478 crore for the nine months ended December 31st 2022. Further, the net VNB margin for the 9M FY23 is 14.6% as compared to 14.6% for half year ended September 30th 2022 and 13.6% for first

Assets under Management as on 31st December 2022 grew by 10.54% year on year to INR 44,34,940 crore as compared to INR 40,12,172 crore as on December 31st 2021.

I would like to inform about New Product Launches. In line with our strategy of increasing the proportion of the Non par business, we launched six new Non par products during the first nine months of FY2022-23 to cater to customer requirements, namely LIC's Bima Ratna, LIC's Dhan Sanchay, LIC's New Pension Plus, LIC's Dhan Varsha, LIC's New Tech Term and LIC's New Jeevan Amar respectively.

During the nine months ended December 31st, 2022, we sold 1,28,90,843 new policies as compared to 1,26,48,184 policies in the nine months ended December 31st 2021 registering a growth of 1.92% over the corresponding period of last year.

As on December 31st, 2022, the total number of agents was 13,22,586 as compared to 13,26,432 as on 31st March 2022 and 13,34,811 as on 30th September 2022. The market share by number of agents as on December 31st, 2022 stands at 52.30% as against 54.98% for December 31st 2021, when we had 13,29,448 agents.

On number of policies sold basis, the agency force sold 1,24,12,134 policies during the nine months ended December 31st, 2022 as compared to 1,19,14,093 policies during the corresponding period of last year registering an increase of 4.18%. Therefore, you can see that more than 96% of our policies for the first nine months of FY23 were sold by our Agency force. Even on premium basis, a little above 96% of NBP came from our Agency channel for 9M FY23.

During the nine months ended December 31st 2022, other channels (BAC – Banca and alternate channels) contributed to 1.88% by number of policies and 3.50% by NBP premium. For the nine months ended December 31st 2021, the banca and alternate channels contributed to 1.56% by number of policies and 2.56% by NB premium. Therefore, you can see this channel is growing and starting to increase its share by both policies and premium within our overall Individual business. We are implementing multiple strategies to achieve larger scale in these channels.

Our Management Expense Ratio stands at 15.26% for the nine months ended December 31st 2022, as compared to 14.99 % for the same period of last year. As you can see the increase was 27 bps on year on year basis.

On premium basis, the persistency for 13th, 25th, 37th, 49th and 61st month, for 9M FY23 stands at 77.61%, 71.32%, 68.31%, 64.70% and 62.73% respectively, as compared to 76.84%, 71.70%, 67.84%, 64.97% and 61.91% respectively for 9MFY22.

On number of policies basis, the persistency for 13th, 25th, 37th, 49th and 61st month, for 9M FY23 stands at 64.99%, 59.06%, 55.32%, 52.45% and 51.42% respectively, as compared to 65.47%, 59.00%, 55.60%, 53.67% and 50.85% respectively for 9MFY22.

Operational efficiency and Digital Progress:

We continue to focus on making our processes efficient and as you are aware that in the previous call on November 14th 2022, I had mentioned to you about our "Print to Post" initiative. I am happy to report and update that we have completed dispatching of 1.66 crore policies to policyholders since Jan 2022 till 31st December 2022 using this initiative.

In our digital initiative through the Agent assisted ANANDA app, we have completed 5,31,792 policies through this App during the nine months ended December 31st 2022 as compared to 2,10,140 policies for the comparable period ending December 31st 2021 thereby registering a growth of 153% on YoY basis.

For those of you who are our customers would have noticed that LIC is now also on Whatsapp. Starting December 2022, we launched many services of LIC via Whatsapp and the response has been encouraging for us. We are working to bring tech based ease into our customer interfaces.

On the claims front, during 9M FY23, we have processed 1,40,94,679 number of claims which includes 1,34,21,706 maturity claims. On an amount basis during 9M FY23, the maturity claims were INR 1,13,936 crore and the death claims were INR 17,350 crores. On a comparable basis for 9MFY22, the maturity claims were INR 1,23,170 crore and death claims were INR 29,271 crore. Therefore, the death claims are lower by 40.73% and the maturity claims are lesser by 7.50% on a year-on-year basis.

Our "Feet On Street" approach to business is intact while we develop the alternate channels such as Banca and our digital footprint.

We are having a committed and trained workforce of 1,00,038 as of December 31st 2022 out of which 95% are in Branch and Divisional Offices enabling them to be in close proximity to our customers reinforcing our "Feet on street" approach.

In summary, I would like to say that we continue to remain focused on creating a portfolio mix to optimize value for all stakeholders. In that context we have increased the proportionate share of Non par business within our Individual business as mentioned earlier. Further I would say that the relative growth of various products within the non-par bucket will vary with each quarter and we are well aware of the same. Finally, we like to keep customer requirement foremost in our sales process. Looking at the market growth, we think we have a robust market ahead for insurance in India and all forces shall join hands to make insurance accessible to all in coming years.

Thank you very much, and we are now happy to take any questions that you may have.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Avinash from Emkay Global Financial Services. Please go ahead.

Avinash: Couple of questions. The first one is that changing impact on VNB margin. That's positive. Is it largely the interest rate changes? Or are there something else? So, that is the first one.

Second one, if you can just explain the net impact of, you know, the tax related thing on your accounting PAT because if I see there are two kinds of tax. One, of course, there is some kind of a tax calculation led reversal in policyholder account. And also, the other one is that you have got some kind of some 6,000 odd crores refund on, sorry, interest on refund of income tax. So, how much net-net have gone to your PAT more this impact?

And thirdly, if you can help me, I saw your media statement saying quite 0.12% of policies above 5 lakhs. So, is it the count of policy you are talking or premium or APE you are talking? Three questions.

K.R Ashok: Regarding the VNB margin, we have disclosed in the VNB margin walk, there are two impacts on the margin walk compared to the numbers we see for March. One is the change in business mix, the change in business as an impact of bringing down the margin by 120 bps.

And then there is a second one, which we have shown it as a change in margins. The major impact on that is from the movement of RFR.

Avinash: So, this assumption change, what are the assumption changes? Is it largely the interest rate movement or something else?

K.R Ashok: Yes, it is largely interest rate movement. Market interest rate movement.

Sunil Agrawal: This is Sunil Agarwal, CFO. On the second query on the tax related reversal, I would like to tell you that both the impacts are largely on the participating segment of the business. So, they will not impact the profitability of the Corporation.

They were done on account of basically earlier we were following the practice of provisioning for tax on a advanced tax basis, now we have done on a interim financial reporting basis. Therefore, the corrections for the previous quarters have happened and the further reversal in the current quarter happened.

If you look at from an annualized thing, it will not impact the overall scheme of things. In the current quarter it is reversal, because the adjustment for the previous two quarters have also been taking place in this quarter. But it is largely in the Par Fund. So, there's no impact on the profitability.

On the second query on the interest on refund, the amount is INR 6,626 crores, which again was paid out of the Par fund because this refund pertains to the earlier years where we had unified fund only, and there was no fund segregation.

So, because the tax was at that point of time phased out of the participating fund, therefore, the receipts have also been accounted for in the participating fund. And again, that has not impacted the overall profitability of the Corporation.

Avinash: So, this was the quality assets if you say PAR fund is going to be almost neutral. And the third one that you're higher than 5 lakh you said in media, I think I read 0.12%, is it the policy count? Or is it the premium?

R. Sudhakar: It is on the policy count.

Avinash: So, on premium or like new premium, what would be the number, approx?

K.R Ashok: On APE, it is 1.8%.

Avinash: And sir, just quickly, if you can allow me. Do you see that, you know, if at all, I mean, next year or maybe year after next if the entire individual moves to the new tax regime where you have kind of exemption less world, will that impact your sort of business, particularly given that you are a lot into low ticket granular businesses where ATC related exemptions could be one of the incentives?

R. Sudhakar: I would put it this way. The number of customers which LIC has is almost 20 crores, whereas the taxpayers are 6 crores, and only a portion of the taxpayers would be basically benefiting out of the tax benefits as of now.

So, I feel that there is a lot of scope because already the percentage of people who are not covered with insurance, as well as those who are covered who were not having adequate risk cover. There is a lot of scope within that space. And LIC being one company which has been selling policies in a couple of crores every year, so there is a lot of scope. And we feel that we will be able to overcome any impact on that within one year without much of an issue.

Moderator: Thank you. The next question is from the line of Nitin Aggarwal from Motilal Oswal. Please go ahead.

Nitin Aggarwal: Sir, one question around the individual non-PAR margin. You earlier talked about the change in the product pricing, which has affected the margin. But this quarter, there has been a very sharp decline. So, if you can talk about as to how are we seeing this, and where do you expect to settle? And maybe I will ask the second question later, sir. So, if you can answer this first.

K.R Ashok: So, if you look at the margin and vis-à-vis the non-PAR growth, it's true that non-PAR business has grown, but within the non-PAR, there are different segments of business that has different margin signatures. And if our ULIP business have grown more in the non-PAR, their margins are lower than the averages, thus bringing, keeping the margins at the same level.

Nitin Aggarwal: O.K. and sir, within the annuity business now, if you can share some color as to what will be the average ticket size and what is the mix of government and private sector professionals?

R. Sudhakar: Ticket size in annuity is around 8.9 lakh per policy. What was the second part?

M. R. Kumar: Government and private sector employees.

M. R. Kumar: We don't have that right now. We can share it with you later.

Nitin Aggarwal: And the other question I have is around the agent count, like agent count has been flat over 9 months. And this is a prime distribution channel. So, are we looking at this because private sectors have, like, really been ramping up their agency channels?

R. Sudhakar: See, in our agency channel, we have a constant method of recruiting agents. And every year, we recruit approximately more than 2 lakh agents. It is, indeed, a fact that there are many people who also drop out by way of either getting a new job or moving on to other types of business.

This is market, I would say, it keeps happening like that in the insurance agency market. And what we have seen is that during certain months, there is a slight decline, but it will be made up also. And that addition has been already being done currently. So, we are saying that we will be ending the year with a positive agency force.

Nitin Aggarwal: Right. Sir, lastly, on the Banca channel, the mix has been improving Y-o-Y. And so if you can share more color as to which banks are you seeing the most traction with? And how do you see this evolving in the next two years?

R. Sudhakar: As of now, it is IDBI, which is giving us the maximum volume in Banca. We are also looking at documenting the number of persons who are serving in that particular channel. And we are seeing good traction happening there. So, we are seeing a positive growth on Banca even in the coming year.

Nitin Aggarwal: Sure Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.

Shyam Srinivasan: Good morning. Thank you for taking my question. Just the first one on quarterly APE or NBP development, right? So, we have seen a slowdown in growth. I know maybe last year quarter ago, that was disclosed during the RHP time frame may not be like-for-like. So, but just want to understand why there has been a sequential slowdown in Q3 versus Q2 on a Y-o-Y basis. Maybe I am not comparing right, but that's the first question I had.

M. R. Kumar: Q-o-Q, year-on-year for Q3 is the question he's asking.

M. R. Kumar: Let me respond. I don't think that we are very much worried about this. This is basically, as you heard earlier, Mr. Sudhakar was explaining, churning in the agency force has happened. We have new products, almost 16* products in non-PAR. We are getting people to get trained on all these products. That part is taking a little bit of time. So, this could be one reason. It's people have been active in the market. So, the more agents who get trained on all these products and they start working now, we have seen a good traction in the last couple of months.

So, I think, going forward February and March, all these agents like Mr. Sudhakar said will be back on the streets with renewed vigor with all these new inputs on the new products. And I think we should be able to overcome whatever that slowdown was there.

* *Erratum: to be read as "19"*

Dinesh Pant: Actually, on Q-o-Q basis, from between September to December, in the individual business, the premium has increased around 13,597 to 14,293 which is a growth about 5.2%**, largely because if you would have been seeing in the terms of APE, it is largely because the P&GS group business, the last Q3 has been less. That has impacted, and something more to do also with annuity growth in this particular quarter. We have already revised the rates, and that will be more than covered possible in this Q4.

Shyam Srinivasan: Sir, if you are saying group business, there is seasonality. And if you were to look at individual maybe there is still there is growth even on a sequential basis.

Dinesh Pant: Yes. Group has done tremendously well in overall basis. So, certain changes from quarter-to-quarter can always be expected because the cash flow timing can vary depending upon the corporate's plan of actions and all those things. But the group has overall done very well, you know, if you consider the 9 months period.

Shyam Srinivasan: Sir, just some clarity around group, if you could split into what are the key constituents? I know we gave disclosure in NBP, but if you could segregate what is the savings component, if there is any protection or credit life, that would be helpful. I don't know whether you can do it now, but I am just saying maybe as a request.

Dinesh Pant: Yes. If we just want to see, in APE terms for the group, total APE for the 9 months period is something around 14,126. And all the savings schemes, including annuities, right, and fund-based business, gratuity schemes, superannuation schemes in particular, they have been the large contributors here.

Shyam Srinivasan: So, credit life will be very small you are saying? Credit life group term?

Dinesh Pant: So, group term is not very small. But yes, the saving proportion in the group is significant.

Shyam Srinivasan: My last question is just on margins again. So, I think, the previous participant asked this as well. So, ULIP has been growing faster. And that's the reason why we have non-PAR, I am just using the cumulative disclosure you will see on growth margins, from 104% has come down to, I think, 73.5% when I calculate it for the 9-month period now. So, is there other than ULIP mix change? Is there anything else in terms of repricing your non-PAR on the savings side that has also led to this?

Dinesh Pant: Yes. In fact, you would have seen already, that the growth rate in ULIP, it's not that the growth in non-PAR saving is less actually. It is significantly high, 77% or so. ULIP has grown more. And we all know ULIP VNB margins are less. And recently, some more products have been launched also other than ULIP.

** *Erratum: to be read as "5.12%"*

So, there it will take. And that's also because the annuity rates have been revised. So, any time with the revision in annuity rate, you have to do it in terms for the purpose of competitive reasons. Whenever that would be done, VNB margins will come down.

What we as a corporation, as an insurer would have to look into, what is the, you know, first step is to look towards VNB. So, striking the right balance of VNB margins and the growth in APE so that the VNB in terms of the ultimate volume should go in the required direction. So, any time when the revisions in annuity rates would happen.

But on the other side, for example, in term products, we have increased the rates also. So, there we would have tried to capture, in fact, rest, in fact, get the VNB margins go in the right direction. So, this portfolio balancing is a continuous process. It's done.

Shyam Srinivasan: Would you say the larger impact is for this annuity rate increase or it's still the ULIP increase in mix?

Dinesh Pant: No, it is more mainly because the ULIP growing more than the non-PAR savings. Actually, as a contribution to the overall portfolio, ULIP's contribution has gone up, say, 1% to almost 2%. And the ULIP margins are less. But that's very much because see, we should always take a note of the fact that in ULIP LIC's contribution vis-à-vis the industry is very small.

So, without prejudice to whatever happens on the margin, we have a reason to keep on growing in ULIP also, because customers need base selling and all those things covering the entire, all the baskets of the products segments have to be taken care of. So, ULIP has to continue to grow. ULIP will bring down margins slightly, which will be taken care of from, you know, other segments like annuity and non-PAR savings.

Shyam Srinivasan: If I may, last question, slide 8, if you could talk about the two new products that we launched in, say, November or even October, Dhan Varsha, how has been the take up? Any numbers? What's been exciting?

Dinesh Pant: Actually, Dhan Varsha has been doing quite well. And we expect, you know, a lot of business to come because that product is available for sale in this quarter up to Q4 only. It's a very balanced and good return as well as, you know, it covers a large segment of the society from a very young age, nascent age, two to three years or so. So, we expect lot of good performance in this particular product in last quarter.

R. Sudhakar: Ticket size of Dhan Varsha is around 2,60,000. And it is also close-ended scheme till 31st March. So, we are expecting those numbers to go up.

Shyam Srinivasan: What's the rate, sir, indicative?

Dinesh Pant: Rate means?

M. R. Kumar: Return?

Shyam Srinivasan: Return, yes.

Dinesh Pant: I see typically in certain ages; the return can be 6 plus also. It would change from, you know, for younger ages, generally returns would be higher. Depending the duration and the age, the returns would be different, but at certain places can be plus 6 also.

Moderator: Thank you. The next question is from the line of Deepika Mundra from JPMorgan. Please go ahead.

Deepika Mundra: Sir, can you tell us broadly across the individual business, what percentage of policies would be coming in the 80-C category for your customers? So, could you have any sense on that?

M. R. Kumar: We don't have a figure right now, ma'am. So, we can share it with you but very miniscule, that's all I can say.

Deepika Mundra: And just one more question. On the Adani Group exposure on the equity side, could you split it up between the PAR, non-PAR, as well as shareholders' fund?

M. R. Kumar: I don't think we will be able to disclose that as of now.

Moderator: Thank you. The next question is from the line of Depanjan Ghosh from Citi. Please go ahead.

Depanjan Ghosh: Just a few questions from my side. First is on the individual annuities. If you can kind of give some color on how much of completion in the margins have left incrementally in 4Q? And I understand you recalibrate your strategy, but in terms of what incremental repricing has happened in 4Q? And what can be the drag on margins going ahead?

Second, there seems to be some decline in Group VNB margins between 1H and 3Q. Is it just because of the mix between savings and superannuation and gratuity and some of those things within the group? Or is there something else on the pricing side also?

Lastly, you mentioned your strategies in the Banca and alternate channel. So, just wanted to get some color on whether there are some discussions on incremental partners? And especially within the PSU, is there any captive players that has been discussing anything on incremental tie up?

And sir, just one more question. If you can give some color on the qualitative aspects on the margins between the non-PAR savings business and the individual annuities business in terms of margin, which one would be higher or lower? And anything on the delta between the two?

K.R. Ashok: See, looking at the annuity portfolio, the annuity portfolios repriced in August '22 to make it more competitive. And since the returns to policyholders and the profitability are to be balanced, there is indeed a reduction in the margin in the annuity portfolio. That you have been witnessing when we disclosed the annuity PAR, non-PAR businesses. The reduction is within what we have estimated, and we were comfortable with the amount of reduction that is happening, because still the annuity parts that the margins are at a very high level compared to the other businesses.

Coming to the group margins within the group, we have different lines of business, different lines, like we have funded schemes. We have protection and annuities. And these have different signatures of margins, where, once again, the group annuities also having comfortable margins compared to the other portfolio. So, the variations we notice is because, within the group, there has been some changes in the business mix that have resulted in the changes that we have noticed.

R. Sudhakar: I think on the Banca channel, now that the tie-ups can be with 9 banks instead of 3 earlier, there is a lot of scope because a new basket of new banks have come into the horizon as far as LIC is concerned. We are exploring different tie-ups both at the Banca level and also at the FinTech level also. And we see a lot of growth on that. And that's why I said earlier also that we are adding more manpower to that particular channel.

Depanjan Ghosh: Can I ask one follow up question? One is on this entire non-PAR business, and you mentioned that individual annuity margins are quite comfortable and within range, the repricing was in August. So, just wanted to understand, has there been any other round of repricing? If I heard correctly, there was one more round of repricing during the quarter. So, will that have any impact?

And second is, you know, what will be in terms of relatively within the business, what will be the margins of individual annuities versus the core non-PAR regular pay products?

Dinesh Pant: Yes, we recently had a revision in our deferred annuity rates. But that is well within our, you know, what I would call VNB margin appetite or VNB appetite. Because you would have seen most of the insurers have also done it.

But selectively, we have not done in particular segment. We have done in a particular product of annuity where we thought there is a lot of scope for growth and the needs of the customers are there. So, it has been done. But we are not expecting to have any significant adverse impact on the VNB margin. It will have.

But what our strategy is that the growth in APE there will more than make up for the VNB. So, the ultimate idea for sacrifice or reduction in VNB margin would only happen when we see the potential for APE growth to compensate or actually overcompensate for that thing. Because ultimately, beyond VNB margin, as a corporate, we are looking towards actually, as I said earlier also, total VNB trajectory to be achieved.

Depanjan Ghosh: And some color on the margins between the core regular pay non-PAR product and annuities, which one would be higher? And any color on the margin?

Dinesh Pant: Typically, you would know that. You know, as we said, suppose our VNB margin is 14.6, which is in public domain. And we understand that if 92% business in individual is coming for participating, right? And in participating, the profit sharing is around just 10%. In non-participating 100%. So, one can extrapolate from there.

We would not like to comment upon specific margin at this point of time. Because these margins can change from time to time depending upon, you know, suppose the revision benefits take place. Depending upon, in fact, also the interest rate scenario, the RFR rate change? And all those things change. But we are sure.

But one thing is important to see that, you know, annuity is a very important component for overall non-PAR business as a driver for VNB as a VNB margin also. And we are continuously working on that. And all the things are working still important in that context.

Depanjan Ghosh: One follow-up on one of the questions asked by a previous participant. I understand you don't intend to break up the Adani exposure between your PAR, non-PAR and other funds. But, you know, could you give some color on where the bulk of this would be sitting, just qualitatively? Would you want to give?

Dinesh Pant: We can only say in this context is that it does not have a significant impact on the shareholder value. And our policyholders are well protected. You can rest assured of that.

Moderator: Thank you. The next question is from the line of Sanketh Godha from Avendus Spark. Please go ahead.

Sanketh Godha: Sir, I just wanted to understand your Banca strategy in future. So, we are looking to hire new set of Development Officers to exclusively manage Banca channel or existing Agency Divisional Officers will drive the Banca channel?

And I also wanted to understand whether to approach to the Banca will change with the change in EoM rules, because now there is nothing called commission. So, to remain competitive versus the private players in the Banca channel, whether that commission could go up to drive high-margin products like non-PAR in the Banca?

Just wanted to understand, let's say, low hanging fruit, which is available to you. How you want to exploit the growth by adding manpower and maybe playing with the commissions around it?

R. Sudhakar: One thing is that, when we said manpower, it does not mean that it is a Development Officer in that sense. It is the officers in that sense. And we are also going to add technology. Already, the policies are being completed in various banks by paperless method also. We have what is known as ANANDA app, which enables the whole process of proposal to policy to happen paperless, KYC being done, and the policy number being issued, and the policy being dispatched to the customer, as well as sending a PDF copy of the policy on his mobile.

So, different methods are being explored by us. The other part is where we require more people to be interacting with the bank. So, that is where we said more officers will be added in due course.

M. R. Kumar: So, let me also add, Kumar here, that the basic thinking around this is that how do we create ease of doing business for the bankers. How can we help them so that they do not have to use their own resources to sell insurance to the customers. So, around that, that's what Sudhakar mentioned. Using technology, how can we help them to grow the business is what we are working on.

Sanketh Godha: But sir, just stating on this point. So, just wanted to know how many people are deployed across the Banca relationships we have, and how much we want to increase. So, that, because we all know for the fact that despite technology, it's people on the branches which drives the growth. So, just trying to understand how do you want to redeploy or deploy people around the channel to get the maximum out of it?

M. R. Kumar: All that we can share with you right now is that, you know, last year, we tried out an experiment on trying to look at some of the bigger branches of the banks, where we have maybe they have their own structure where they have more HNI clients and things like that.

So, we are working to find out whether we can focus on what we call some of the, we call them power outlets, and whether we can work closely with those power outlets. So, to that extent, the manpower ramping up in terms of offices, like Sudhakar said, would be utilized to ramp up the business in these power outlets. And going forward, we will try to expand that to the other branches.

Sanketh Godha: And the second question which I had was on the likelihood of composite license coming through, your strategy on how you will approach the health insurance business if it goes through, and given we all know that it's your agency, which is being used by the general insurance industry to drive the health insurance growth for themselves, how we want to do it?

And also, I want to understand the extent of management rules again, if you have any thoughts how you will drive, or how you will make sure that your own agents will come back to LIC and sell health insurance for you?

M. R. Kumar: No, we are quite excited about the prospect of selling health liability insurance. And you may recall that we have done it in the past as well. The regulator had allowed the life insurers to sell liability insurance, and it was withdrawn. So, if it comes back, we will be only too happy to get back to that space and, as you rightly said, to involve our agents who are selling these kind of products for other companies. I am sure they will come back to sell our products as well.

Sanketh Godha: And given we have revised our term insurance rates on the higher side, I think when we were in the previous regime, when there was no segregation of funds, our dependence on the reinsurance was very limited. So, now with the segregation of the funds, have we increased our exposure, or we have started reinsuring more to drive the individual protection business, or any protection business? That's the question I had.

And second, in absolute rupees crores, if you can tell in 9 months, how much individual protection APE, credit life and GTL you have done?

Dinesh Pant: See, as far as reinsurance goes, LIC's reinsurance outflow is very small. It just used to be around less than 0.1% of the total premium. It's just around 0.14% of the total premium at this point of time. Of course, yes.

But when we have worked up on these specific products like term product, protection product, or whenever we come out with health based or critical riders, which are specialized morbidity base or specific mortality risk being involved, we have taken a special case. And we have tried to reinsurance a larger portion of it. We all are aware in the recent times, there have been challenges around reinsurance support. We have been trying to discuss the opportunities with our reinsurers also.

One of the larger reasons for us to increase the rate was also driven by reinsurance revision rates, which anyways has happened for other reinsurers. They had done two or three times before us already. So, it was in line to protect the VNB margins and to be aligned with the claim experience in that context. Unfortunately, last two years were very special in the regard because it was dominated by COVID related issues also.

As we go forward, we expect, you know, the claim outgo to settle down to more senile levels. And then I think the interest on the reinsurance will possibly also come back. And then we can drive towards growth in this protection business.

Sanketh Godha: But if you can share the absolute rupees crores for 9 months individual protection, credit life and GTL in APE terms would be useful, sir.

Dinesh Pant: Credit life is not there in individual business. Credit life currently is being offered through P&GS. And there's a very, very small portion there. And unfortunately, on the credit life, you know, we have worked a lot on this side. But as of now, we are still awaiting reinsurance support there. So, there is nothing there. And protection business as of now is by volume is not a big contributor to the overall APE. So, that's an area where the corporation is really working.

Sanketh Godha: And finally, on insurance repository, because it gives a lot of information on data, are we planning to do it in-house or are we intent to outsource it to insurance repository companies like CDSL, CAMS, NSDL or Karvy, which are the four registered insurance repositories? Any thoughts there, sir?

M. R. Kumar: We are working, I mean, to find out whether we can tie up with one or multiple of them. So, that work is in progress. As of now, I can't share with you more on that.

Moderator: Thank you. The next question is from the line of Ajox Frederick from Sundram Mutual Fund. Please go ahead.

Ajox Frederick: Sir, my question is more on an industry trend perspective. Given the current regulations, the industry could shift towards more rural and more low-ticket size. I am talking about the private sector. Both of these are your forte. So, with that background, where do you see new avenues of work?

M. R. Kumar: I think even the rural and the other markets like Sudhakar sometime back mentioned, there is a lot of potential still left. It's not that as if it's over. Our penetration is pretty low, and you know that. So, whether it is Metro, Tier-1, Tier-2 or the Rural markets, there is enough potential to grow insurance business. So, we continue to be strong, and we will continue to be strong on the Tier-2, Tier-3 and the rural markets.

But we are picking up some speed in the Metros as well now with the focus on non-PAR and the single premium, annuities and all those products. So, I don't see any challenge. Of course, it's quite obvious that the private sector will try to move into the smaller markets, but we are quite strong there already. So, we don't see any challenge.

Ajox Frederick: And sir, again, a broader question, since we have over 20 crores plus customers. I am just trying to understand the target market. Because I assume that it was more to do with incremental ticket size rather than the incremental number of policies here on or in the medium term it would be on the line. But do you see incremental number of policies also going forward, let's take a five-year view and from where we are right now, a rough estimate on the policies growth, that will be helpful, sir.

M. R. Kumar: I do see a growth in numbers. Because numbers have to grow if you have to increase the penetration and the coverage across the Indian population. But it will be very difficult to estimate or guesstimate. That was difficult.

Ajox Frederick: Sir, the other angle is on the agent productivity. You have been having the best of the agents out there. And I am assuming they are selling over 15 policies per year. Is there a scope for increasing productivity there? Or are you taking any further steps, which can probably increase? I know it's a tough ask, but still.

R. Sudhakar: Yes, we are on that task and already productivity as compared to previous year has improved a bit. But we are definitely looking to increase the number of policies which are being sold, and we will be moving into that area much more. So, we expect that productivity to grow significantly in the coming may be 5 years.

We are tinkering with our products, the type of products which can be sold easily, ease of sale, as well as the IT support for that. So, we are expecting that the number of quarter three target also will be reworked according to the new changes that have come up in the budget.

Dinesh Pant: And another important thing here is that, you know, LIC, we have been very much focused on participating business for long, and there was a little bit of saturation of our growth productivity there.

Now with the addition of this non-participating product, there can be an exponential growth because agents get additional products, additional markets can be explored. So, this paves the way for, you know, tremendous growth opportunities in the productivity of agents and all the marketing channels.

Moderator: Thank you. We will take the last question from the line of Madhukar Ladha from Nuvama Wealth. Please go ahead.

Madhukar Ladha: So, most of my questions have been answered. I just wanted to understand one thing, if the new draft regulations are sort of "are adopted," then how comfortable are we with the EoM limits? So, some numbers in terms of, you know, the limits would be X%, and we in those limits would fall at Y would be helpful. So, can you help me with that?

Dinesh Pant: As far as you mentioned about new draft regulations, we are aware there are different draft regulations at this point of time. The larger focus is to improve the ease of business, going towards principle-based regulations and, you know, enhance the market penetration and density. These are larger products which was around which all the regulations have been there.

Also, looking towards empowering the Boards of the insurance companies for better self-governance practices to be adopted. Yes, this expense of management regulations have been there. They have been brought in. That also is in the same direction. We have done our preliminary estimates. Based on that, actually, the situation will only improve for us from there.

We have been operating at around 84% to 85%, 86% of our allowed expense limit. Under this new provisions, our situation will improve from here. So, it is going to be more within limit sort of situation. And this aim of the regulation is also to allow insurance companies to decide how they want to apportion the expenses towards this segment. So, it's more enabling sort of provisions as well.

Moderator: Thank you. Ladies and gentlemen, that would be our last question for today. I now hand the conference over to Mr. M. R. Kumar, Chairperson, LIC, for closing comments. Thank you, and over to you, sir.

M. R. Kumar: Thank you very much for all those who joined. And I hope we could answer all your questions. And probably some of you couldn't ask a question, I am sorry about that, long queue, but maybe next time. But, thanks once again for being part of the call. All the best to all of you. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of LIC, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.