"Life Insurance Corporation of India (LIC) Q1 FY 23 Earnings Conference Call"

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Moderator

Ladies and gentlemen, good day and welcome to LIC Quarterly Earnings Call Q1 FY '22-'23.

We have Senior Management of LIC led by Shri. M. R. Kumar, Chairperson, on this call.

The Senior Management team members on the call along with the Chairperson, are Shri. M. R. Kumar, Chairperson; Shri. Raj Kumar, Managing Director; Shri. Siddhartha Mohanty, Managing Director; Smt. Mini Ipe, Managing Director; Shri. B. C. Patnaik, Managing Director; Shri. S. M. Jain, Executive Director F&A; Shri. Dinesh Pant, Appointed Actuary and ED; Shri. K. R. Ashok, Executive Director Actuarial; Shri. Sunil Agrawal, CFO; Shri. R. Sudhakar, Executive Director Marketing; Shri. Hemant Buch, Additional Executive Director Bancassurance, Shri. Sanjay Bajaj, Head Investor Relations.

Before we hand over the call to the LIC Management, as a reminder, all participant 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 touchstone phone. Please note that this conference is being recorded.

We now request the Management of LIC to start the call. And I now hand the conference to Chairperson LIC, Shri. M. R. Kumar, for starting this conference. Thank you, and over to you, sir.

M. R. Kumar

Thank you. Good evening, everyone. I am M. R. Kumar, Chairperson LIC. On behalf of the Senior Management team, I warmly welcome you all to the results update call of Life Insurance Corporation of India for the quarter ended 30th, June, 2022.

The results and the presentation can be accessed on our website and on websites of both the stock exchanges, BSE and NSE.

Along with me, I have our Managing Directors, Mr. Raj Kumar, and Madam Mini Ipe. I also have present with me in the call, Mr. S. M. Jain, Executive Director of Finance & Accounts; Mr. Sunil Agrawal, CFO; Mr. Dinesh Pant, Appointed Actuary; Mr. K. R. Ashok, Executive Director Actuarial; Mr. R. Sudhakar, Executive Director Marketing; Mr. Hemant Buch Executive Director Marketing Bancassurance and Alternate Channels; and Mr. Sanjay Bajaj, Head Investor Relations.

Just before I start to provide an overview and detailed highlights of our performance in April to June, 2022 quarter, I would like to share with you that LIC is now part of the Fortune 500 list globally with a rank of 98 in the list. With this, LIC is the highest ranked Indian company in the Fortune 500 list, and it's a great matter of pride for all of us.

Now, moving to the key business, operational and financial highlights for the first quarter of the financial year, '22-'23.

<u>Premium income:</u>
We have reported a total premium income of INR 98,352 crore which is a growth of 20.35% as compared to Q1 of last year. Of this, Individual new business premium income is INR 10,938 crore, Renewal premium income is INR 49,069 crore, and Group business premium income is INR 38,345 crore.

With this, we have not only retained our Number 1 slot in the industry, but also grown our market share consistently since the beginning of the calendar year 2022. Our market share as per IRDAI published data was 63.25% for the year ended March, 2022 and is now 65.42% for the quarter ended 30th June 2022, thereby showing an increase of more than 2% during the quarter.

If we were to split the new business premium* by Individual and Group business, it

**Erratum: "new business premium" to be read as "Total Premium"* would translate to INR 60,007 crore for the Individual business and INR 38,345 crore for group business. Therefore, we have a market share of 43.86% in Individual business and 76.43% in the Group business.

Further, the Individual NB premium has grown by 36.04% year-on-year, and Group business has grown by 33.92% year-on-year.

Seen on APE basis, the breakup of our business is as follows.

Total annualized premium equivalent, that is APE, for quarter ended 30th June, 2022 is INR10,270 crore, which is comprised of Individual APE of INR 6,450 crore and Group APE of INR 3,819crore.

Further, of the Individual APE, the par business accounts for INR 5,950 crore, and non-par amounts to INR 500 crore. As you can see, our non-par share of Individual APE is 7.75% and par is 92.25%.

Our renewal book has stayed strong at INR 49,069 crore registering a growth of 8.93% as compared to the same period last year.

The profit after tax for the quarter ended 30th June, 2022 was INR 682.88 crore as against INR 2.94 crore for the quarter ended 30th June, 2021.

Value of new business, (VNB) (Goss) is INR 1,861 crore for the quarter ended 30th June, 2022. Further, the VNB margin is 13.6% as on 30th June, 2022 which was 15.1% as on March 31st, 2022.

Asset under management as on 30th June, 2022 grew by 7.57% to INR 41.02 lakh crore as compared to INR 38.13 lakh crores as on 31st March, 2022.**

Our solvency ratio is at 1.88 as against regulatory requirement of 1.5, and our Board mandated requirement of maintaining 1.6.

Now, I would like to inform you about new product launches. In line with our strategy for increasing the proportion of the non-par business without compromising our existing par business, we launched two new non-par products during the quarter to cater to customer requirements, namely LIC's Bima Ratna and LIC's Dhan Sanchay. In addition, we launched one Group accident benefit rider, also during the quarter. What is interesting for us is that for the first time we launched this channel specific product, which is LIC's Bima Ratna and that has been launched only for the bank assurance channel.

During the quarter, we did complete the test runs of our system integration with PolicyBazaar and we have achieved a soft launch.

During the quarter ended 30th June, 2022, we sold more than 36.81 lakh new policies registered a growth of 59.56% over the quarter ended 30th June, 2021.

Individual new business sum assured registered a growth of 60.7% over the corresponding quarter last year.

VNB margin is higher by about 46% as at June 2022 over September 2021, which was the first VNB determination post bifurcation of funds. VNB as at June, 2022, that is INR 1,397 crore is about 88% of post bifurcation September, 2021 VNB, which is INR 1,583 crore. However, slight reduction in VNB margin in Q1, June, 2022, as compared to March, 2022, is largely due to increase in annuity rates and change in product mix in the Group business, where higher proportion of fund based business has been registered, which has relatively lower VNB margins.

** *Erratum: "31st March, 2022" to be read as "30th June, 2021".*

Strategic decisions to increase customer benefits is a conscious decision that drives profitable volumes in a competitive environment, and also for striking the right balance towards the interest of all stakeholders, including shareholders and policyholders.

Going forward during the year, we expect the higher growth in volumes to contribute towards higher absolute value of business. As on June 30th, 2022, the total number of agents was 13,32,782 as compared to 13,26,432 as on 31st March, 2022 showing an increase thereby indicating that our agency recruitment has started to pick up pace again.

On number of policies sold basis, the agency force sold 35,93,940 policies during the quarter ended June 30, 2022 as compared to 22,35,321 policies during the same quarter last year registering an increase of 60.78%.

During the quarter, other channel, that is the Bancassurance and Alternate channels, grew by 96.13% on number of policy basis and 135.36% on new business Premium basis.

Our management expense ratio stands at 14.59% for the quarter ended 30th June, 2022, as compared to 15.85% for the same quarter last year.

With respect to persistency on premium basis, 13 month persistency stands at 75.75% for Q1 FY '22-'23, as compared to 72.49% for Q1 FY '21-'22, reflecting an improvement of 3.26 bps.***

Similarly, for 25th, 37th, 49th and 61st month persistency was 67.78%, 64.34%, 60.82% and 58.99%, respectively, for the quarter ended June 30th 2022.

We continue to focus on making our processes efficient, and I must mention here our initiative called Print To Post, a slide on the same you will find the presentation also.

We have outsourced our policy bond printing and delivery of the same to post office and found it very efficient since it has released a large number of man hours and brought speed to the delivery. I'm glad to share with you that we have dispatched 80.5 lakh policies to policyholders since Jan 2022, till 30th June, 2022, using this initiative.

To summarize, I would say that LICians have worked extremely hard and our people, including our agency force fought the last two tough years due to COVID, bravely, and started to regain lost market share now. We are dedicated to build further on our technology base, our alternate channels, add and strengthen new partnerships like PolicyBazaar and bring new products to the market, which meets the need to the customer.

Further, we intend to enhance our ESG awareness and activities as we grow the business in a sustainable manner. At the core of all, we have done for the last 65 odd years and going forward, lies the customer care spirit expressed through our "yogakshemam vahamyaham" which means "your welfare is my responsibility" a statement that every -- each and every LICian is very proud of.

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

Moderator First question is from the line of Shyam Srinivasan from Goldman Sachs.

Shyam Srinivasan Just wanted to understand some of the disclosures. Like it is the first time we're putting out on a quarterly basis. So APE, what is the growth, because can't see that in the presentation. So any sense on what's the Y-o-Y, growth should that be like correlated with the WRP growth or something, if you can help? And also what was the margin last year same time, if it's been calculated?

*** *Erratum: To be read as "326 bps".*

Dinesh Pant

By APE – this is Dinesh Pant. By APE, the growth on quarter-to-quarter base is around 47.6%. And the growth in par segment is over 59.5%, and actually non-par Individual, the growth is significant, around 300% or so by APE, and in Group business is around 23%. And the product mix contribution, Individual par has come down by 8%, and the non-par has gone up by 8%, total mix.

Shyam Srinivasan

Dinesh sir, the first number you repeated, what is the growth, 46% is it, if I picked that up right?

Dinesh Pant

Yes, this current year quarters, APE is around INR 10,270 crore.

Shyam Srinivasan

Last year.

Dinesh Pant

Last year's APE of roughly about INR 6, 957 crore. So this translates to growth of 47.6% for the overall business, quarter-to-quarter.

Shyam Srinivasan

Mr. Kumar, just last question on the growth in the non-par, so 300 plus percent Y-o-Y basis, so can you outline some of the products that are driving this, what is the strategy? Yes, it's small, like you said, 7% of individual APE, but where can we see this say in 18 to 24 months? And what are some of the strategies around this?

R. Sudhakar

This is Sudhakar, Executive Director Marketing, speaking. If I take the percentage of non-par product, it comes to around less than 7% as you said, but the contribution from premium is 23%. So what is driving the non-par businesses is annuities as well as the ULIP, which forms a substantial part of the -- almost 50% of it comes from annuity, and another, almost 30% comes out of the ULIP as premiums.

And if you look at the numbers, then it is almost shared equally between the annuities, ULIPs, term health and savings products. There's not much of a difference when it comes to percentage of policies which are being sold. It is more or less equally spread among that. So going forward, that increase in the annuities as well as ULIP is something which the organization has been working on. And month-on-month during the first quarter, we have seen the improvement happening. And our expectation is that that will continue.

Dinesh Pant

Non-par products are expected to -- non-product margin are in good direct three figures. So as this strategy towards moving to a non-par business increases, the VNB is bound to happen. And similarly, within that also, in Group business as well in Individual, annuities can also be drive up. So ULIPs -- see, we also have to consider one factor that while VNB is important, being able to satisfy the requirement of larger Indian population and being able to provide coverage is also going to be there. ULIP do have a lower VNB margin but that still remains a very important part of overall. So -- and our participating business is also reasonably around this averaged VNB figure. So higher V -- moved towards –and we have – as Chairperson was explaining, we are recently in the last, actually two, three quarters files lot of non-par saving products which are picking up now. And that can also be the huge drivers of VNB growth here onwards.

Shyam Srinivasan

Good. Just trying to dissect the INR500 crore of non-par APE into the Individual components. I think you have given us a new business premium split, but it'd be helpful maybe going forward if we get like an APE split as well, just to see how that 7-odd percent is splitting out. I know it's small numbers today, but maybe -- at least it tracks the progress on non-par. It'll be useful for us. So that's just one request I'm putting.

If I were to look at the next question, second question is on the margins. I think in the opening remarks, Chairman sir talked about increase in annuity rates, leading to compression and margins. I think you're comparing to fiscal '22, 15.1% versus the 13.6%. So if you could elaborate that a little bit.

Dinesh Pant

Yes. Let's appreciate the point here is that our annuities have been given good three digit margins, but ultimately as an initial, we have to ensure that the market share also grows. So in the last quarter of last financial year, we had the increase in annuity rate because the markets were in the competitive scenario. In the competition of the markets we saw large gap between us and the other competitors. So as a strategy to get more market share, we benefit for increase, that naturally transfer into reduction in VNB margins.

Now -- but interesting point is that a growth in this annuity segment, in the first quarter has been more than 50%, both by APE as well as by number of policies. And the strategy is to enhance this growth rate so that the overall VNB margin -- we are all aware of that when the benefits will increase, then the margins would come down.

So what we are looking forward is to the high multiple of VNB margins and we see volumes by APE so that the overall VNB amount increases in line with expectations of the planned marketing strategies of our organization. That was one point which was stated by Chairperson.

Other point was about, in the first quarter, we all appreciate that the insurance business is cyclic and the business starts picking up from quarter to quarter, and the heaviest and most fueled quarter is the last one. In the first quarter the product mix is slightly changed. While importantly, as we were stating earlier also, the growth in par of 59% in APE, non-par, growth in Group business was at 23%. But within that, largest growth driver for this first quarter was the fund based business, compared to annuity. Since fund based business has got lower margins, so therefore it did impact the overall VNB margins for the quarter. So that was one of the second reason for which lies decreased VNB.

But as we go from quarter to quarter, next quarter, a larger pickup takes place in saving products, annuity products and other product, we would expect this to come back to that range and from there onwards to the higher level.

Shyam Srinivasan Got it. My last question, just to follow-up on this one, what is your flagship product in the annuity space? Where are our rates versus, say, competition? You said you increased rates. So are we now on par or you think rates are moved further on because of the overall interest rate scenario?

Dinesh Pant That's very interesting thing, actually. It's a very dynamic environment and we all know interest rate cycles can be very volatile. And annuity it is a long term business. So we all know profit and losses in the non-par business totally belong to shareholders, and we have to take very calibrated approach at all the times, depending upon the situation, investment opportunity, and our ability to lock points in that context. We want to be competitive, but we do not want to be fierce in competition so that the ultimate aim of the profitability is not lost out.

So we are very vigilant, and you would've seen we have been very dynamic now from last some periods, in taking a review. In fact, this was for the first time possibly after long that LIC increased annuity rates in the last quarter. So we are very open to approach depending on the investment opportunities available and as the investment cycle as they go, looking into annuity rate upwards or downwards, as is required.

Moderator Our next question is from the line of Jayant from Credit Suisse.

Jayant Congratulations on a good set of numbers. I would actually like to follow up again on the non-par product as well. Could you help us give more color on what are the products that is driving bulk of this sales that has come through in first quarter, and also how much was the increase in rates that you took in this quarter? And this was after how many years?

Dinesh Pant If we talk about the products which have been the driver in the non-par side then annuities have been the driver of the growth there. We have seen growth in ULIPs which has been significant growth. And actually -- and then we have also now started getting and developing correction because we recently filed saving products in the non-par, so they were also there, and we are also getting good now traction towards the protection based business. Though the volumes are still not that big, our ticket size is reasonably good there, and we are closely monitoring that also.

So we -- our strategy is that we'll focus -- continue to focus on ULIP because that’s a less capital intensive business, but from the VNB point of view, I think Corporation would continue to focus on annuity as well as saving products, along with the Protection based products.

Jayant Sir, on the annuity products, can you give us a name of the top two products that are selling, and also the average ticket size for annuity overall.

Dinesh Pant Yes, the top two products, we have got one immediate annuity product, which is Jeevan Akshay and in the deferred annuity segment also we have product, which is call Jeevan Shanti.

Jayant And sir, the average ticket size?

R. Sudhakar INR 11 lakh…

Dinesh Pant Around INR11 lakh…

R. Sudhakar For Akshay and INR12 lakh in Shanti.

Jayant Sir, lastly, just one thing I'd asked, how much rate increase did you took in this product in this quarter?

Dinesh Pant In the last quarter? Actually, that's a little price sensitive information. We will not get into it, but that did translate, if we can see from even benefit illustration because what happens when the interest rates are changed, the change in the benefit across the ages is not uniform. It changes from age to age. So typically, it can be ranging depending the – ultimately it is not benefit, which is increased. We take a review on the available investment opportunity, and we review based on that thing.

So there was a revision which was done on that basis. That translation was almost 8% to 10%, 11% benefits changed across the ages, 7% to 11%, 12% rates were there. So, which changed in the last quarter.

Jayant And this was lastly being sold by the agent network only, right?

Dinesh Pant Largely sold by?

Jayant Agent network.

Dinesh Pant Yes, it is sold by agents also, we have direct online business also coming for that. And it is coming under our pension -- business also, annuity and superanuation , they also take annuities.

R. Sudhakar No, Bank assurance is also…

Dinesh Pant Banca also. So all channels are selling this, but yes, the agents continue to remain the largest.

Jayant So sorry, just lastly on this, after you've moved the rates have you seen better pickup? I mean, what is the lag sort of between volume movement and the rates movement?

Dinesh Pant So as I was explaining earlier, there was almost from -- on quarter-to-quarter basis, when we compare Q1 of last year Q2 -- because Q1 was clearly – actually, last quarter was based on the two rates. We did in between the quarter. But if we compare Q1 of last year versus this year, the growth in number of policies is 54% and 53%. Almost, we can take it 50% plus, though we would want, and we expect to go further.

Moderator Our next question is from the line of Anuj Singla from Bank of America.

Anuj Singla Sir, first question is with regards to the growth on a Y-o-Y basis. You did talk about funds business driving a significant portion of that, and as from my understanding, this tends to be lumpy. So if, if we were to exclude the funds business on a Y-o-Y basis, what kind of APE growth you would've recorded?

Dinesh Pant That would've been much more. We had to really -- slightly work out the figure, but we can say roughly the APE of fund based -- but we, how many – it's around 90% but we have to really work out the figure, but that will be definitely in more than 80% or so.

K.R. Ashok 92% or so.

Dinesh Pant 92% or so.

Anuj Singla Just to get the clarity, out of the total APE, what will be the APE from fund based business in this quarter?

Dinesh Pant Fund based is almost around 38%, total group business out of the constitution, and 38.9…

K.R.Ashok 38.19…

Dinesh Pant 32%, 33% would be – 30%, so to almost maybe one-third.

Anuj Singla One third of ?

Dinesh Pant Around one third of the total APE, roughly I'm giving you the figure, roughly one-third of the APE. So around INR 3,300 crore plus here and there would be the APE in the funds business.

Anuj Singla Okay. And so will it be fair to assume that this tends to be lumpy, so this is kind of a number, which we shouldn't extrapolate for the upcoming quarters as well? And so if we are projecting from a full year basis, this is something we should exclude from the similar growth, we shouldn't be expecting for the rest of the quarters. Is that a fair assessment?

Dinesh Pant I'm not sure because ultimately its analyst's call because the point here is, it's very important for us to consider that this could be certain lines of business where VNB will be less, there could be certain line where VNB will be more. Definitely, the call for the Corporation is to ensure high VNB margins here. But we are also -- as I was earlier telling, focused about being able to sell the needs to the customers, because that's why we are in this business and that's why LICs expected is so high. Being able to sell them as per for the requirement, even if the margins are low is going to be important.

And the lumpy, I would not say, because over a period of time, this will automatically settle down. And what has been same that yes, sometimes it can come in larger volumes. It may not come in those volumes in the next quarter. So particularly we saw this phenomena because we will appreciate that generally in the -- during the year-end, there are a lot of corporate changes also, which can happen, which can take place and readjustment happens. So this was a quarter in which we saw greater focus on there. But we are focusing, corporation is focusing more on high VNB margin based protection also. So we expect that to settle down on as we go forward the next quarter.

Anuj Singla Okay. And sir, secondly, I think one of the participants already asked about the break-up, INR500 crore. Is it possible to have a break-up of that in terms of ULIP, term, savings for APE?

K. R. Ashok This is Ashok. The ULIP is INR137 crore, and the Individual non-par is INR 364 crore.

Dinesh Pant And these are rough figures.

K. R. Ashok These are rough figures.

Dinesh Pant Roughly, we can say, Yes, around 1 – Yes.

Anuj Singla And out of that how much would be savings, non-par savings?

K. R. Ashok That, I think, we'll have to come back to you because we don't have those numbers immediately. We'll come back to you.

Anuj Singla Okay, because we are focusing on non-par savings in a big way. That's a high margin product. So if you can provide some color on that on an ongoing basis that, that will be great for us analysts in terms of looking at how we are delivering on that objective.

M. R. Kumar Okay. Okay. Fine. Got it.

Moderator Next question is on the line of Avinash Singh from Emkay Global.

Avinash Singh Couple of questions. The first one is on your persistency part, I mean, if I look in number of policy terms, the 13 month persistency is 63%. So that roughly suggests that more than a third of policy holders are dropping out just at 13 months renewal. And considering that your book is largely non-ULIP, the 13 months dropping out means the policy holder is going to get a big zero. So I mean, what is going wrong and what are you doing to address this part, because I mean more than a third of policyholder just dropping out after paying the first -- I mean, dropping out at the first year renewal is something that does not look good in the process -- So that's the first question.

And the second question is in terms of your recent launching in the non-par guaranteed product, I mean, if you can give the latest guaranteed rate currently?

Dinesh Pant Yes, that's an issue, important criteria, but like you mentioned about almost one-third dropping out, we have to see -- two, three issues have to be seen here because this method of calculation of persistence is on cohort basis, which has been done. It's not -- if you look into overall persistence of Corporation, it's just around 2% of the best globally, because globally, the persistency is measured as total policy left divided by total number of policies. But yes, it's a concern, but we need to be aware. We have noted or would have noted that Corporation has got large reach in the rural areas and small ticket size policies have been there. And we have seen higher persistent electrician rates in the small ticket size policies.

Conscious efforts have been done recently by the Corporation in reviewing the product. In fact, the large amount of relaxation was being seen in micro based products also. So in the past quarters, we have reviewed that thing and we have already started to see good outcomes coming. But the only point is the steps which have been taken in the recent quarter, you would be able to see the outcomes of that by a year or so. And this is the outcomes of the phase, which were there one year back or so, in fact, effectively one and a half year back or so. So those have been done.

And the review have been done also on the different products so that the ticket size, which is done because we know the ticket size, the mode of payment and all those things, there are certain drivers of persistency. So all conscious efforts are being done in that direction. And we expect this persistency to improve.

Also, we also need to need note that when this 63% is considered, the single premium policies are not included. So what happens, single paying policies is an important and big part of our portfolio. So that is taken out of it. And if we go by a premium basis, this persistency figures are much higher at around 75%, 76% or so. So by number of policies, largely due to smaller ticket size policies which gets lapsed.

Avinash Singh And if you can help with the latest guaranteed rate on your two of the new launch in the individual non-par segment over the last quarter?

Dinesh Pant What would you like to know about that?

Avinash Singh I mean, what kind of guaranteed rate you are offering currently in those two products? That is, I guess your Jeevan Ratna and Dhan Sanchay.

Dinesh Pant Bima Ratna and Dhan Sanchay.

Avinash Singh Yes, yes, sir.

Dinesh Pant You’re talking about IRR?

Avinash Singh Yes, sir.

Dinesh Pant To the best of my memory, it goes up to 5% or so, but we have also filed some more products recently. In fact, you will You Know we are trying because interest rate taking view about that. So guarantee addition is the in-built part of it, but we're talking about guaranteed returns because our non-par premium products have guaranteed price in the beginning. For the higher ages, IRRs would be less, for the younger ages IRR will be more depending upon what ages is taken, but they go up to 5% or so, and we can expect some products to be even higher than 5%.

Moderator Our next question is from the line of Ram Kumar Komanapalli, as an investor.

Ram Kumar Komanapalli My question is around the claim rate. How the claim rate was before the COVID, and COVID times and current and future terms? I am asking this question on the non-par ground.

Dinesh Pant Actually claim rates had been very stable before COVID you know what happened in 2020. Within that two years, we did witness certain spikes in this COVID. rate. Now, from the current quarter, we see it to bit settling down towards more normal. It is still not back to pre-2020 figures because we would appreciate that the effects will take some time and there will be some IBMR cases with get reported late also. So those issues are there. So this seems to be settling down. Fortunately the COVID wave is now, or COVID effect seems to be less threatening now, not affecting the mortality. So we are optimistic that over the next year or so, this should settle down to the pre-COVID level.

M. R. Kumar So just to add and use some numbers on the Q1 -- compared to the Q1 of last year on claims by death, so last year, the settlement of death claims was to the tune of INR 7,111 crore, which is for the first quarter of this year, INR5,743 crore. So there is quite a decrease, and it's quite obvious that whatever decrease was there based on COVID has going away now, Q1 to Q1 of the previous year.

Moderator Our next question is on the line of Prakhar Sharma from Jeffries.

Prakhar Sharma Sir two questions from my side. First, generally if you look at the perception among your customers around your participating product, generally is that whatever has been indicated by the agent is more or less kind of achieved and guaranteed because LIC has been a strong platform and delivered over the years. In that context when you put across a product in the non-par space, which is a 5% yield product, whereas the agents will show the participating products at 6.5% and 7% yield product, how do you expect the consumer to actually absorb given the existing perception around LICs participating product? That is my question one, sir.

Dinesh Pant Yes, actually we have seen across people are -- many policies -- let's appreciate one thing which are measuring today have taken long back, some 15 years, 20 years back. And at that time we all know the interest rate used to be very high. So they have really benefited out of it. Ultimately, we have seen participating products also have got a different thing because there are discretionary benefits which are involved. So up and downside of which both are, to some extent, by the policyholders, certain part is guaranteed. In non-par products, as I've explain to you, there is a cautious side, which we to take in -- in a cycle in which we are there, in which interest rate are going down because a long term commit, we had taken a cautious approach and you would see if you analyze our products -- and we have seen interest rates having picking up for some time. The pricing of these products have also underwent changes, right?

For example, like annuity, I was Selling you earlier that annuity rates, we revised possibly for the first time, upwards. And as we are seeing this direction towards interested rates. From June actually, it was around -- was around 10.5% or so. So there we have -- and we are also pricing these products in a more open manner, and we now use and file methodology being approved by IRDAI also, more dynamic approach or actions are available to control this in this non-par product. So we are now revising all these products also, according.

So even within the non-par product, but let's also appreciate one point that it's not always on the returns that things will be compared. The features of the product and all those things also will have to be seen, the overall satisfaction of the needs of the customer. Of course the returns are important, but features are also to be considered.

M. R. Kumar

Can I add something, this is Kumar here, Chairperson. I think if I get a sense of your question, it was that wouldn't agents be driving more of par where they're possibly seeing a better benefit accruing compared to the non-par fixed benefits. Have I understood that?

Prakhar Sharma

Absolutely, sir. That's the point, sir.

M. R. Kumar

I got the point. So what we're doing is generally people are got used to selling par. LIC was selling par for a long time, and just for the information, 30, 40 years back, LIC was selling a lot of non-par. Now, customer preferences have driven us to bring more of par products where people can easily sell the product in India, where people -- it's very difficult to talk about life insurance otherwise -- unless you talk about giving some bonus return and things like that.

Now defined benefit non-par is more challenging from the investment point of view and from the persons generating return point of view, but the customer doesn't know that. And moreover, now that we have lost -- rather we have more non-par products than par today, we have simultaneously also started training all the agents down the line, giving them idea about what interest rate scenario is all about. And this is something that they did not understand. We have 13 lakh agents, many of them in Tier 2, Tier 3 cities. So trying to give them a sense that why protection, savings kind of products are far more important from the customer's point of view, rather than the bonus par policies that we've been selling all these years.

And I think we are seeing the traction as you've seen in the numbers. So that is beginning to -- there is an uptake, quite a bit of an uptake there. And going forward, we'll continue to train everyone. It will take some time for us to train everyone, 13 lakh agents down the line, but that is something that is a work in progress. I hope it answers your question.

Prakhar Sharma

Yes, sir, it does. Can you give clarity that are the agents commission structures or incentive structures for non-par suitably incentivized to make that change or selling a 1 lakh Rs. premium par product versus a non-par product, just using a number reference, earns them almost the same commission.

Dinesh Pant

I think it will -- it is there, but just a commission becoming the driver for the sales and the focus should be – sale should be driven by the needs of the customers and their understanding.

For example, a customer for non-par product, if somebody who has got greater appetite for guaranteed return, whereas a customer for a par product if somebody who's willing to participate in the discretionary benefit. But what we can always share with you is, of course, we have reviewed our commission structure and not just actually for type of sales, that also we have considered, but the aim is that the commission structure should be driver towards higher persistency. So that is something which we value, that something the points from which persistency can increase should go as a reward in the commission structure.

Prakhar Sharma

And the second question I wanted to ask is only changes on the annuity product side, would this have made any changes to the way you were thinking of overall margins for the company for the full year, because it's kind of something you did recently, and does that make any impact on the full year margin expectation for LIC? Thank you.

Dinesh Pant

What we can share is we expect annuity to be the driver for VNB margin. And in case another reset is there, we would expect the volumes to take care of any loss in the margin. And so that we do not -- the stakeholders, means the policyholder benefit from higher return, but the shareholder should also benefit from higher volumes multiplied by those margins so that there is no compromise on the VNB by amount. That is going to be the underlying driver.

Prakhar Sharma And sir, just to reconfirm, there's no bad book repricing here, right? There's no impact on EV from this?

Dinesh Pant Because of this?

Prakhar Sharma Yes, the annuity price change. There's only prospective, not for the retrospective.

Dinesh Pant That's what we said. As long as we are expecting the VNB amount to go up, that's the driver, it should not -- it will not have any adverse impact on the EV because shareholder value -- as long as the VNB increases, shareholder value has to increase.

And repricing of the product benefit should result into higher volumes. If the volumes do not increase in that proportion, then the purpose is lost out. So it's a very calibrated approach deciding on the optimum level of profit margin, where the product remain competitive, acceptable and affordable to the customer but their driver of growth and the overall value for the shareholders.

Moderator Thank you.

Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference over to Mr. Kumar, Chairperson LIC for closing comments.

Thank you, and over to you sir.

M. R. Kumar Thank you very much. Thanks for the questions, and we will get back to you next quarter for the next meeting. Thank you so much.

Moderator Thank you very much.

Ladies and gentlemen, on behalf of Life Insurance Corporation of India, that concludes this conference.

Thank you all for joining us, and you may now disconnect your lines. Thank you.