

Ref. No.: LIC/SE/2022-23/BM/29

Date: July 14<sup>th</sup>, 2022

To,  
The Manager  
Listing Department  
BSE Limited  
Phiroze Jeejeebhoy Tower  
Dalal Street  
Mumbai – 400001

The Manager  
Listing Department  
The National Stock Exchange of India Ltd.  
Exchange Plaza, 5<sup>th</sup> Floor, Plot C/1,  
G Block, Bandra Kurla Complex  
Mumbai - 400051

**ScripCode: (BSE – 543526 NSE - LIC)**

Dear Sir/Madam,

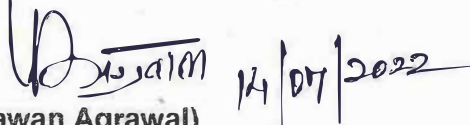
**Sub: Outcome of Board Meeting held on 14th July 2022, Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015**

With reference to the above we hereby inform that the Board of Directors of the Corporation at its meeting held today, has, inter alia, considered and approved the Results of Embedded Value of the Life Insurance Corporation of India as at 31 March 2022. We forward herewith a copy of Results of Embedded Value for year ended on 31<sup>st</sup> March 2022.

You are requested to kindly take the above information on record

Yours faithfully,

For Life Insurance Corporation of India

  
(Pawan Agrawal) 14/07/2022  
Company Secretary & Compliance Officer



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11 July 2022

The Board of Directors  
Life Insurance Corporation of India  
Yogakshema  
Jeevan Bima Marg  
Nariman Point  
Mumbai – 400021

## Results of Embedded Value of the Life Insurance Corporation of India as at 31 March 2022

Dear Sir

### 1. Introduction

- 1.1 Pursuant to the engagement letter dated 31 May 2022 (“EL”), Milliman Advisors LLP (“Milliman”, “we”, “us”, “our”) has been engaged by the Life Insurance Corporation of India (“LIC”, “the Corporation”) to prepare this letter (“Letter”), which sets out the components of economic value of the Corporation, viz. Embedded Value (“EV”) as at 31 March 2022 and the value of new business (“VNB”) for new business sold during the twelve months ending 31 March 2022, as well as sensitivity analyses in respect of the EV as at 31 March 2022 and the VNB for new business sold during the twelve months ending 31 March 2022 and an analysis of the movement in EV during the twelve months ending 31 March 2022 (the “Results”).
- 1.2 The Results have been prepared using a methodology and assumptions consistent with the framework set out in Actuarial Practice Standard 10, Version 1.02 (“APS10”) issued by the Institute of Actuaries of India (“IAI”). However, we have not included all disclosures as required by APS10 in this Letter. Consequently, this Letter should not be considered an APS10 disclosure. Moreover, this Letter should be read in its entirety, including the reliances and limitations, as individual sections, if considered in isolation, may be misleading.
- 1.3 This Letter is subject to the terms and conditions specified in the EL, and to the reliances and limitations set out in Section 7.

### 2. Methodology

- 2.1 The Results have been prepared using a methodology consistent with that adopted as at 30 September 2021, and detailed in our Supplementary Report which was included by LIC as part of the Prospectus, dated 12 May 2022, for the Corporation’s recent initial public offering, with the following changes:
  - a. **Covered business:** LIC has now implemented actuarial cash-flow models for all 262 of its products, and the Results include the value attributable to shareholders from business in respect of all of these products.
  - b. **Cost of Residual Non-Hedgeable Risks (“CRNHR”):** The CRNHR is calculated using the projected values of various risk drivers as at 31 March 2022, with the risk drivers selected for each risk, and the factors applied to these risk drivers to determine the projected capital, derived as at 31 March 2022.

### 3. Assumptions

- 3.1 The assumptions used to derive the Results are the same as the assumptions detailed in Section 5 of the report on the embedded value as at 31 March 2021 (“APS10 Report”), included in the Prospectus, with the following adjustments:
  - a. **Reference rates:** The reference rates used for the calculation of the Results are set out in Table 3.1.

**Table 3.1: Reference rates (one-year forward rates) in percentage (%)**

| Year | For VIF as at 31 March 2022 | For VNB in respect of new business sold during the month of |        |        |         |        |        |        |        |        |        |        |        |
|------|-----------------------------|---|--------|--------|---------|--------|--------|--------|--------|--------|--------|--------|--------|
|      |                             | Apr-21  | May-21 | Jun-21 | July-21 | Aug-21 | Sep-21 | Oct-21 | Nov-21 | Dec-21 | Jan-22 | Feb-22 | Mar-22 |
| 1    | 4.34                        | 3.95  | 3.85   | 3.87   | 3.87    | 3.85   | 3.90   | 3.95   | 3.93   | 3.87   | 4.04   | 4.19   | 4.23   |
| 2    | 5.65                        | 5.31  | 5.23   | 5.32   | 5.40    | 5.31   | 5.21   | 5.17   | 5.29   | 5.22   | 5.42   | 5.41   | 5.56   |
| 3    | 6.70                        | 6.27  | 6.12   | 6.16   | 6.39    | 6.31   | 6.08   | 6.02   | 6.20   | 6.12   | 6.29   | 6.47   | 6.59   |
| 5    | 7.90                        | 7.42  | 7.23   | 7.22   | 7.43    | 7.45   | 7.26   | 7.17   | 7.39   | 7.27   | 7.41   | 7.73   | 7.73   |
| 10   | 8.36                        | 7.97  | 7.95   | 7.95   | 7.99    | 8.20   | 8.26   | 8.19   | 8.34   | 8.20   | 8.26   | 8.54   | 8.29   |
| 15   | 7.97                        | 7.52  | 7.62   | 7.67   | 7.72    | 7.98   | 8.17   | 8.10   | 8.17   | 8.03   | 8.03   | 8.22   | 7.91   |
| 20   | 7.57                        | 7.06  | 7.17   | 7.25   | 7.43    | 7.68   | 7.87   | 7.78   | 7.80   | 7.64   | 7.62   | 7.74   | 7.49   |
| 25   | 7.27                        | 6.76  | 6.82   | 6.92   | 7.25    | 7.47   | 7.61   | 7.49   | 7.50   | 7.31   | 7.28   | 7.36   | 7.22   |
| 30   | 7.08                        | 6.59  | 6.60   | 6.70   | 7.15    | 7.34   | 7.43   | 7.28   | 7.29   | 7.07   | 7.05   | 7.11   | 7.06   |
| 35   | 6.97                        | 6.50  | 6.48   | 6.58   | 7.11    | 7.28   | 7.32   | 7.15   | 7.16   | 6.93   | 6.90   | 6.95   | 6.98   |
| 40   | 6.90                        | 6.46  | 6.41   | 6.50   | 7.08    | 7.25   | 7.26   | 7.07   | 7.09   | 6.84   | 6.82   | 6.86   | 6.94   |

- b. **Stochastic asset model:** The stochastic model was calibrated to the reference rates, short-term implied volatilities and asset mix as at 30 September 2021.
- c. **Expenses:** Expense assumptions as at 31 March 2022 have been recomputed based on the actual experience of the Corporation in the twelve months to 31 March 2022.
- d. **Crediting rates:** For group funds-management business, where an explicit fund-management charge is not specified in the policy documents, future crediting rates have been based on the Board-approved crediting-rate framework dated 30 March 2022.

#### 4. Model checks and reliances

- 4.1 We have relied on the policy data and other information provided by the Corporation as outlined in the reliances and limitations at the end of this Letter. No external review of the policy data used in the calculation of the Results has been performed.
- 4.2 The Results were prepared using actuarial models developed by the Corporation. The scope of our engagement requires Milliman to independently check the actuarial models used to develop the Results for plans that represent a significant and material proportion of the total value of the in-force and new business portfolios.
- 4.3 Milliman has performed independent checking of the PVFP in respect of both in-force business as at 31 March 2022 and the new business sold during the twelve months ending 31 March 2022 at a sample model point level, for 94 products, representing 91% of the reserves as at 31 March 2022 and 91% of the annualised premium equivalent ("APE") for new business sold during the twelve months to 31 March 2022. Other checks performed are consistent with those set out in the APS10 Report.
- 4.4 Based on the results of the independent checking process, we are satisfied that the models used to derive the Results follow the methodology and assumptions set out in this Letter. No errors or issues identified in our checking process, which have a material impact on the Results, remain unresolved at the time of preparation of this Letter.

#### 5. Results

- 5.1 The EV of LIC as at 31 March 2022 is set out in Table 5.1, calculated in accordance with the methodology and assumptions described above.

**Table 5.1: Embedded value**

| Components of EV  | As at 31 March 2022 |
|---|---------------------|
| Free surplus (FS) (A)                                       | 10,527              |
| Required capital (RC) (B)                                   | -                   |
| <b>Adjusted net worth (ANW) (C = A + B)</b>                 | <b>10,527</b>       |
| Present value of future profits (PVFP) (D) <sup>(1)</sup>   | 547,724             |
| Time value of financial options and guarantees (TVFOG) (E)  | (2,076)             |
| Frictional cost of required capital (FC) (F)                | -                   |
| Cost of residual non-hedgeable risks (CRNHR) (G)            | (14,682)            |
| <b>Value of in-force business (VIF) (H = D + E + F + G)</b> | <b>530,966</b>      |
| <b>Embedded value (EV) (I = C + H)</b>                      | <b>541,492</b>      |

Notes: Amounts in INR crores; Figures may not add up due to rounding.

(1) The PVFP includes the shareholders' interest in the assets backing the statutory liabilities, provisions for solvency margin and non-participating global reserves residing in the non-participating funds.

5.2 The VNB and VNB Margin as at 31 March 2022, in respect of new business sold during the twelve months ending 31 March 2022, are set out in Table 5.2.

**Table 5.2: Value of new business**

|   | For new business sold during the<br>twelve months ending 31 March 2022 |
|---|--|
| <b>VNB before TVFOG, FC and CRNHR (A)</b>                                   | <b>9,920</b>   |
| Individual participating  | 4,477  |
| Individual non-participating  | 2,624  |
| Group <sup>(1)</sup>  | 2,819  |
| <b>TVFOG in respect of new business (B)</b>                                 | <b>(470)</b>   |
| <b>FC in respect of new business (C)</b>                                    | <b>-</b>   |
| <b>CRNHR in respect of new business (D)</b>                                 | <b>(1,831)</b>   |
| <b>Value of new business (VNB) (E = A + B + C + D)</b>                      | <b>7,619</b>   |
| <b>New business annualised premium equivalent ("APE"<sup>(2)</sup>) (F)</b> | <b>50,390</b>  |
| Individual participating  | 33,040   |
| Individual non-participating  | 2,532  |
| Group <sup>(1)</sup>  | 14,818   |
| <b>VNB Margin (G = E / F)</b>   | <b>15.1%</b>   |

Notes: Amounts in INR crores; Figures may not add up due to rounding.

(1) 'Group' includes group annuities, group funds management and group term

(2) APE is calculated as 100% of annualised premium for regular and limited premium plans and 10% of single premium for business sold during the twelve months ending 31 March 2022

5.3 The sensitivity analysis in respect of the EV as at 31 March 2022 is set out in Table 5.3.

**Table 5.3: EV sensitivity analysis**

| Sensitivity  | EV             | % Change in EV as compared to the base |
|--|----------------|--|
| <b>Base</b>  | <b>541,492</b> |  |
| <b>1 Reference rates and assets</b>  |                |  |
| 1a An increase of 100 bps in the reference rates <sup>(1)</sup>  | 539,329        | (0.4%)                                 |
| 1b A decrease of 100 bps in the reference rates <sup>(1)</sup>   | 540,109        | (0.3%)                                 |
| 1c Equity values decrease by 10%   | 506,371        | (6.5%)                                 |
| <b>2 Expenses</b>  |                |  |
| 2a 10% increase in maintenance expenses  | 539,130        | (0.4%)                                 |
| 2b 10% decrease in maintenance expenses  | 543,859        | 0.4%                                   |
| <b>3 Policy / premium discontinuance rates and partial withdrawal rates (proportionate)</b>              |                |  |
| 3a 10% increase (multiplicative) in the policy/premium discontinuance rates and partial withdrawal rates | 540,393        | (0.2%)                                 |
| 3b 10% decrease (multiplicative) in the policy/premium discontinuance rates and partial withdrawal rates | 542,660        | 0.2%                                   |
| <b>4 Insurance risks</b>   |                |  |
| 4a An increase of 5% (multiplicative) in mortality/morbidity rates                                       | 541,389        | (0.0%)                                 |
| 4b A decrease of 5% (multiplicative) in mortality/morbidity rates  | 541,577        | 0.0%                                   |
| <b>5 Taxation</b>  |                |  |
| 5a Assumed tax rate increased to 34.94%  | 410,168        | (24.3%)                                |

Notes: Amounts in INR crores; Figures may not add up due to rounding;

(1) Interest rate sensitivities both result in a decrease in EV due to the asymmetric impact of the sensitivities on the participating TVFOG.

5.4 The sensitivity analysis in respect of the VNB for business sold during the twelve months ending 31 March 2022 is set out in Table 5.4.

**Table 5.4: VNB sensitivity analysis**

| Sensitivity  | VNB          | % Change in VNB | VNB margin   | Change in VNB margin |
|--|--------------|-----------------|--------------|----------------------|
| <b>Base</b>  | <b>7,619</b> |                 | <b>15.1%</b> |                      |
| <b>1 Reference rates and assets</b>  |              |                 |              |                      |
| 1a An increase of 100 bps in the reference rates   | 8,550        | 12.2%           | 17.0%        | 1.8%                 |
| 1b A decrease of 100 bps in the reference rates  | 5,244        | (31.2%)         | 10.4%        | (4.7%)               |
| 1c Equity values decrease by 10%   | 7,410        | (2.7%)          | 14.7%        | (0.4%)               |
| <b>2 Expenses</b>  |              |                 |              |                      |
| 2a 10% increase in maintenance expenses  | 7,341        | (3.6%)          | 14.6%        | (0.6%)               |
| 2b 10% decrease in maintenance expenses  | 7,895        | 3.6%            | 15.7%        | 0.5%                 |
| 2c 10% increase in acquisition expenses  | 7,447        | (2.3%)          | 14.8%        | (0.3%)               |
| 2d 10% decrease in acquisition expenses  | 7,791        | 2.3%            | 15.5%        | 0.3%                 |
| <b>3 Policy / premium discontinuance rates and partial withdrawal rates (proportionate)</b>              |              |                 |              |                      |
| 3a 10% increase (multiplicative) in the policy/premium discontinuance rates and partial withdrawal rates | 7,383        | (3.1%)          | 14.7%        | (0.5%)               |
| 3b 10% decrease (multiplicative) in the policy/premium discontinuance rates and partial withdrawal rates | 7,862        | 3.2%            | 15.6%        | 0.5%                 |
| <b>4 Insurance risks</b>   |              |                 |              |                      |
| 4a An increase of 5% (multiplicative) in mortality/morbidity rates                                       | 7,586        | (0.4%)          | 15.1%        | (0.1%)               |
| 4b A decrease of 5% (multiplicative) in mortality/morbidity rates  | 7,651        | 0.4%            | 15.2%        | 0.1%                 |
| <b>5 Taxation</b>  |              |                 |              |                      |
| 5a Assumed tax rate increased to 34.94%  | 5,188        | (31.9%)         | 10.3%        | (4.8%)               |

Notes: Amounts in INR crores; Figures may not add up due to rounding.

5.5 The movement analysis in respect of the twelve months ending 31 March 2022 is set out in Table 5.5.

**Table 5.5: Analysis of movement**

| Components   | EV             |
|--|----------------|
| <b>Opening EV as at 31 March 2021 (A)</b>                            | <b>95,605</b>  |
| Bifurcation impact (B)   | 374,172        |
| <b>VNB added during the year (C)</b>                                 | <b>7,619</b>   |
| <b>Expected return on existing business</b>                          |                |
| At reference rate (D)  | 4,742          |
| At expected excess 'real-world' return over reference rate (E)       | 17,977         |
| <b>Variance in operating experience</b>                              |                |
| Persistency (F)  | 146            |
| Mortality (G)  | (527)          |
| Expenses (H)   | 195            |
| Newly modelled plans (I)   | 14,299         |
| Others (J)   | 16,571         |
| <b>Change in operating assumptions (K)</b>                           | <b>(5,243)</b> |
| <b>EV operating earnings (L = C + D + E + F + G + H + I + J + K)</b> | <b>55,779</b>  |
| Economic variances (M)   | 5,734          |
| Change in economic assumptions (N)                                   | 10,202         |
| <b>EV total earnings (O = L + M + N)</b>                             | <b>71,715</b>  |
| <b>Capital contributions / (dividends paid out) (P)</b>              | <b>-</b>       |
| <b>Closing EV as at 31 March 2022 ( Q = A + B + O + P)</b>           | <b>541,492</b> |

- 5.6 The 'bifurcation impact' shown in row (B) above has been assessed as at 31 March 2022, and is less than the impact assessed as at 30 September 2021 of INR 414,919 crores. This reflects the fall in market value of assets of the Corporation in the six months to 31 March 2022.
- 5.7 'Others' (row (J)) encompasses items that have not been explicitly allocated to other sources, and includes the impact of unmodelled sources of surplus in the group annuity business and the one-off positive impact of a reconciliation of the unit-linked liabilities.

## 6. Conclusion and opinion

- 6.1 Based on the work carried out and subject to the reliances and limitations set out in this Letter, I am of the opinion that:
- the methodology used to develop the Results is reasonable;
  - the assumptions used to develop the Results are reasonable;
  - the Results have been prepared materially in accordance with the methodology and assumptions described in this Letter; and
  - the Results have been prepared materially in accordance with the requirements of APS10.

## 7. Reliances and Limitations

### Reliances

- 7.1 The scope of our work covers the following:
- a. to review the methodology and assumptions adopted by the Corporation; and

- b. to review the EV as at 31 March 2022 and the VNB for the twelve months ending 31 March 2022 and to conduct independent checking of the Corporation's actuarial models for plans that represent a significant proportion of the total value of the in-force and new business portfolios.
- 7.2 Although this Letter provides the Results following the framework as set out in APS10, we have not included all disclosures required by APS10 in this Letter. Consequently, this Letter should not be considered to be an APS10 disclosure.
- 7.3 This Letter has been prepared solely for use by LIC for inclusion in its disclosures for the year ending 31 March 2022. It should not be relied upon for any other purpose.
- 7.4 In order to fully comprehend this Letter, any user should be advised by an actuary with a substantial level of expertise in areas relevant to this analysis to appreciate the significance of the underlying assumptions and the impact of those assumptions on the Results. This Letter must be considered in its entirety as individual sections, if considered in isolation, may be misleading.
- 7.5 In carrying out the work and producing this Letter, we have relied on information supplied by the management and staff of LIC. Reliance was placed on, but not limited to, the general accuracy of all the information provided to us.
- 7.6 In particular we have relied on:
- a. the Prophet actuarial model and other models developed by the Corporation to derive the various Results. However, we have applied various checks on the models of the Corporation as set out in Section 4;
  - b. the accuracy and completeness of the policy data covering in-force and new business policies, the inter-valuation movements of policy statuses and the various checks applied thereon;
  - c. details of product features, policy terms and conditions including surrender and cash value bases as set out in the plan features documents and other information provided to us by the Corporation for each of the products included in our review of the models;
  - d. information on reinsurance arrangements and terms and conditions as provided to us by the Corporation;
  - e. experience investigations relating to current and historical operating experience of the Corporation;
  - f. information on expense experience analyses performed by the Corporation;
  - g. audited financial statements for the twelve months ending 31 March 2022 as provided to us by the Corporation;
  - h. the Appointed Actuary's statutory liability valuation of the Corporation as at 31 March 2022 and confirmation by the Corporation of the methodology / assumptions adopted in the statutory valuation of liabilities as at that date;
  - i. the appropriateness and completeness of the governance arrangements surrounding the bifurcation of the single policyholders' fund into separate participating and non-participating funds;
  - j. asset valuations (book and market value) for investments of the Corporation as set out in the audited financial statements at 31 March 2022, and the market value adjustments as provided to us by the Corporation;
  - k. the Board approved crediting rate framework for group funds business;
  - l. information on the Corporation's practices in determining bonuses on participating business;
  - m. the Board approved surplus distribution policy adopted by the Corporation; and
  - n. the taxation framework adopted by the Corporation.
- 7.7 We have obtained a management representation letter from LIC, stating that the data and information provided to us is accurate and complete and that there are no material inaccuracies and omissions therein and as represented in this Letter.
- 7.8 This Letter is based on the data and information available to Milliman up to 11 July 2022 and takes no account of the data, information and clarifications received after that date. We are under no obligation to update or correct inaccuracies which may become apparent in this Letter as a consequence of this.



**Limitations**

- 7.9 Unless explicitly stated, we have performed no audit or independent verification of the information furnished to us. To the extent that there are any material errors in the information provided to us, the Results may be affected as well.
- 7.10 An embedded value disclosure necessarily requires assumptions to be made about future operating experience and for these to be reflected in the determination of the components of economic value.
- 7.11 An actuarial assessment of the components of economic value of a life insurance company will not necessarily be consistent with the value of a life insurance company or a portfolio in the open market and should not be interpreted in that manner. Rather, it is derived from a projection of future earnings and, therefore, reflects the value of the earnings potential of a block of in-force or new business under a specific set of assumptions. The value of any business enterprise is a matter of informed judgment. Different parties will arrive at different values depending upon their outlook, their assessment of the future operating assumptions, and upon the opportunities they see for the enterprise in the future.
- 7.12 The Results are based on a series of assumptions as to the future operating experience of the Corporation. It should be recognised that actual results will differ from those shown in this Letter, on account of changes in the operating and economic environment and natural variations in experience. To the extent actual experience is different from the assumptions underlying this Letter, the future projected profits from which the Results are derived will also differ. This Letter includes various sensitivity analyses to illustrate how vulnerable the various results are to changes in assumptions for the key risks. The Results shown are presented at 31 March 2022 and no warranty is given by Milliman that future experience after this date will be in line with the assumptions made.
- 7.13 The projections and values presented in this Letter have been determined on a 'going concern' basis, and assume a stable economic, legal and regulatory environment going forward. The reader of this Letter should be aware that any change in the general operating environment would add a high degree of uncertainty to the Results presented. In particular, there is continuing uncertainty regarding the longer-term impact of COVID-19 on the economic, regulatory and business environment in India, and the level and nature of business activity of the Corporation, which could materially impact future non-economic experience and economic parameters.
- 7.14 Unless explicitly stated, the Results do not consider any external (including regulatory and taxation) developments after 31 March 2022.
- 7.15 None of the values or projections set out in this Letter include any allowance for withholding or other taxes that may apply to the payment of future shareholder dividends or on remittances out of India.
- 7.16 The allowance for taxation reflected in the Results is based on the Corporation's interpretation of the applicable taxation laws in India. It may be noted that neither Milliman nor its consultants are experts in taxation matters. Given this, we do not make any representation on the appropriateness or otherwise of the approach adopted in allowing for taxation in the Results.
- 7.17 In the Results, no allowance is made for any claims against LIC other than those made by policyholders under the normal terms of life insurance business and reflected in the Corporation's audited financial statements.

**Distribution**

- 7.18 LIC may publicly disclose the final version of this Letter in its entirety. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work.

Yours sincerely

Heerak Basu FIAI  
Partner