भारतीय जीवन बीमा निगम
LIFE INSURANCE CORPORATION OF INDIA

Ref. No.: LIC/SE/2024-25/36

Date: June 03, 2024

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, 5th Floor, Plot C/1,
G Block, Bandra Kurla Complex,
Mumbai-400051

Scrip Code: 543526

Scrip Code: LICI

Dear Sir/Madam,

Sub: Transcript of Earnings Conference Call with the Analyst/Investors

Pursuant to Regulations 30 and 46(2) (oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, please find enclosed herewith the Transcript of Earnings Conference Call of Life Insurance Corporation of India ("the Corporation") with Analyst/Investors held on May 28, 2024.

The said transcript is also available on the website of the Corporation and can be accessed from the link: https://licindia.in/web/guest/call-transcript-of-analysts-/-investors-meet.

Please take the above information on record and arrange for its dissemination.

Yours faithfully,

For Life Insurance Corporation of India

ANSHUL KUMAR SINGH

Digitally signed by ANSHUL KUMAR SINGH
Date: 2024.06.03 16:55:43 +05'30'

(Anshul Kumar Singh)
Company Secretary & Compliance Officer

Encl.: a/a

"Life Insurance Corporation of India Q4 FY '24 Earnings Conference Call"

May 28, 2024

MANAGEMENT:

MR. SIDDHARTHA MOHANTY – CHAIRPERSON
MR. M. JAGANNATH – MANAGING DIRECTOR
MR. TABLESH PANDEY – MANAGING DIRECTOR
MR. SAT PAL BHANOO – MANAGING DIRECTOR
MR. R. DORAISWAMY -- MANAGING DIRECTOR
MR. DINESH PANT – APPOINTED ACTUARY AND EXECUTIVE DIRECTOR, ACTUARIAL TEAM – LIFE INSURANCE CORPORATION OF INDIA
MR. K. R. ASHOK – EXECUTIVE DIRECTOR, ACTUARIAL TEAM – LIFE INSURANCE CORPORATION OF INDIA
MR. SUNIL AGRAWAL – CHIEF FINANCIAL OFFICER – FINANCE TEAM
MR. RATNAKAR PATNAIK – EXECUTIVE DIRECTOR, INVESTMENT FRONT OFFICE AND CHIEF INVESTMENT OFFICER
MR. K. SESHAGIRIDHAR – EXECUTIVE DIRECTOR, INVESTMENT-BACK OFFICE, INVESTMENT TEAM
MR. R. SUDHAKAR – EXECUTIVE DIRECTOR, MARKETING AND CHIEF MARKETING OFFICER
MR. HEMANT BUCH – EXECUTIVE DIRECTOR BANCASSURANCE
MS. MANJU BAGGA – EXECUTIVE DIRECTOR, GROUP BUSINESS
MS. VANDANA SINHA – EXECUTIVE DIRECTOR, CRM/CLAIMS/ANNUITIES
MS. RACHNA KHARE – EXECUTIVE DIRECTOR – CUSTOMER RELATIONSHIP MANAGEMENT/ POLICY SERVICING – LIFE INSURANCE CORPORATION OF INDIA
MR. C. V. RAMANA, ADDITIONAL EXECUTIVE DIRECTOR (CRM/POLICY SERVICING) – LIFE INSURANCE CORPORATION OF INDIA
MR. SANJAY BAJAJ – HEAD INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day, and welcome to the LIC's FY '24 Earnings Conference Call.

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 star, then zero on your touchtone phone. Please note that this conference is being recorded.

We have senior management of LIC led by Mr. Siddhartha Mohanty – Chairperson on this call. I now hand the conference over to Mr. Siddhartha Mohanty, Chairperson, LIC. Thank you, and over to you, Mr. Mohanty.

Siddhartha Mohanty: Good morning, everyone. I am Siddhartha Mohanty, 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 year ended March 31st 2024. 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, on this call, I have four Managing Directors, Mr. M. Jagannath, Mr Tablesh Pandey, Mr. Sat Pal Bhanoo and Mr. R Doraiswamy. Senior officials of the Corporation present on this call are Mr. Dinesh Pant, Appointed Actuary & Executive Director & Mr K. R. Ashok, Executive Director from the Actuarial team, Mr. Sunil Agrawal, CFO from the finance team, Mr. Ratnakar Patnaik, Executive Director (Inv-Front office & CIO) and Mr K. Seshagiridhar, Executive Director (Investment – Back Office) from the Investment team, Mr. R. Sudhakar, Executive Director (Marketing & CMO), Mr. Hemant Buch, Executive Director (MBAC), Ms. Manju Bagga, Executive Director (Pension & Group Schemes), Ms. Vandana Sinha, Executive Director (CRM/Claims/Annuities), Ms. Rachna Khare, Executive Director (CRM/Policy Servicing), Mr C V Ramana, Addl Executive Director (CRM/Policy Servicing) and Mr. Sanjay Bajaj, Head (Investor Relations).

I would like to thank all of you for sparing your valuable time to join this call today and listen to the LIC team.

Let me now mention the key business, operational and financial highlights for the financial year 2023 -24.

Premium Income:

For the year ended March 31st 2024 we have reported a Total Premium Income of INR 4,75,070 crore as compared to the total premium income of INR 4,74,005 crore for the corresponding period of last year ending March 31st 2023.

The Individual New Business Premium Income for FY24 is INR 57,716 crore and for FY23 it was INR 58,757 crore. Renewal Premium Income (Individual business) for FY24 is INR 2,46,052 crore as compared to INR 2,34,006 crore for FY23. Therefore, for the year ending March 31st 2024, our Total Individual Premium Income including renewals is INR 3,03,768 crore as compared to INR 2,92,763 crore for year ending March 31st 2023. As measured by Total Individual Business Premium, we have grown by 3.76% on Year-on-Year basis.

The Group Business total premium income for year ended March 31st 2024 is INR 1,71,302 crore comprising of New Business premium of INR 1,64,926 crore. In comparison for year ended March 31st 2023 last year, the Group Business total premium income was INR 1,81,242 crore and comprised of New Business premium of INR 1,73,258 crore. Therefore, for year ended March 31st 2024, the Total Group Premium has declined by 5.48% as compared to similar period of previous year. Hence our Total Premium Income for year ended March 31st 2024 has registered a marginal growth of 0.22%.

Our market share by First Year Premium Income is 58.87% (as per IRDAI) for the year ended March 31st 2024 as compared to 62.58% for the similar period ended March 31st 2023.

If we were to split this total market share of 58.87% into segment wise share of individual and group business, we would have a market share of 38.44% in Individual business and 72.30% in the group business for the year ending March 31st 2024. On a comparable basis for year ended March 31st 2023, the respective market shares for Individual and Group business were 40.58% and 76.65%. Despite our market share falling both in Group and Individual business, we continue to retain the leadership position in both Individual and Group segments in the Indian Insurance industry. As you would recall that I had mentioned earlier that we will choose profitable growth rather than just market share. During the course of this Analyst call, we will share with you our progress on many aspects pertaining to profitable growth.

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

Total Annualized Premium Equivalent (APE) for year ended March 31st 2024 is INR 56,970 crore which is comprised of Individual APE of INR 38,433 Crore and Group APE of INR 18,537 Crore. Therefore, on APE basis, the individual business accounts for 67.46% and Group business accounts for 32.54%. Further of the Individual APE, the Par business accounts for INR 31,392 Crore and Non Par share amounts to INR 7,041 Crore. As you can see our Par share of individual APE is 81.68% and Non Par share is 18.32% for FY24. You will recall that our Non Par share for year ended March 31st 2022 and March 31st 2023 on APE basis within the overall individual business was 7.12% and 8.89%, respectively. I am sure that you are noticing the more than doubling of the individual Non Par APE share from INR 3,436 crore to INR 7,041 crore and from 8.89% to 18.32% which has been the outcome of our intense focus on enhancing Non Par business. This has reinforced our strategy that we are on right track. Further, the welcome reception by our customers to our new Non Par products such as Jeevan Utsav has added strength and confidence to our belief that our strategy is on right track.

Profit After Tax

The Profit After Tax (PAT) for the year ended March 31st 2024 was INR 40,676 crore as against INR 36,397 crore for the year ended March 31st 2023. The current year profit includes the transfer of an amount of INR 29,518.75 crore (Net of Tax), pertaining to the accretions on the Available Solvency Margin from Non Par to Shareholders account. The profit of FY24 is not comparable to the published profit figures of FY23 since FY23 had an additional quarter of profit for the period Jan 2022 to March 2022 aggregating to INR 4,542.31 crore.

VNB and VNB Margins

Value of New Business (VNB) is INR 9,583 crore for the year ended March 31st 2024 as compared to VNB of INR 9,156 crore for the year ended March 31st 2023. As you can see the VNB has registered an increase of 4.66% on year on year basis. Further, the net VNB margin for FY24 is 16.8% as compared to 16.2% for year ended March 31st 2023. Hence, the VNB margin has expanded by 60 basis points on a year on year basis.

Solvency Ratio

The Solvency Ratio as on March 31st 2024 improved to 1.98 as against 1.87 on March 31st 2023.

Indian Embedded Value (IEV)

The IEV of the Corporation has been determined as Rs. 7,27,344 crore as at March 31st 2024 as compared to Rs. 5,82,243 crore as at March 31st, 2023. Therefore the IEV has grown by 24.92% on a year on year basis.

Assets Under Management (AUM)

Assets under Management as on 31st March 2024 grew by 16.48% year on year to INR 51,21,887 crore as compared to INR 43,97,205 crore as on March 31st 2023.

Product Mix and New Product launches

Now I would like to inform about New Product launches. Continuing with our strategy of increasing the proportion of the Non par business, we launched six new Non par products during FY 2023-24 to cater to customer requirements, namely, LIC’s Jeevan Kiran, LIC’s Jeevan Utsav, LIC’s Jeevan Dhara - II, LIC's Dhan Vriddhi, LIC’s Index Plus and LIC’s Amritbaal, respectively. In addition to the above, modified version of four plans ,namely, LIC's Cancer Cover, LIC's Dhan Vriddhi, LIC's Jeevan Akshay – VII and LIC's New Jeevan Shanti were also introduced.

No. of Policies Sold

During the year ended March 31st 2024, we sold 2,03,92,973 new policies as compared to 2,04,28,937 policies in the year ended March 31st 2023 registering a marginal decline of 0.18% over the corresponding period of last year.

Agency Workforce

As on March 31st 2024, the total number of agents was 14,14,743 as compared to 13,47,325 agents as on March 31st 2023. We have a net addition of approximately 67,500 agents in the last one year. At this point I would also like to mention that we have started working on a project to transform our agency business to make it future ready and to be the best in class always.

On number of policies sold basis, the agency force sold 1,98,15,990 policies during the year ended March 31st 2024 as compared to 1,97,80,314 policies during the corresponding period of last year registering an increase of 0.18%. It can be seen that approximately 97% of our policies in FY24 were sold by our Agency force. Even on premium basis, approximately 96% of New Business Premium came from our Agency channel for FY24.

Contribution by Banca Channel

During the year ended March 31st 2024, Banca Channel collected new business premium aggregating INR 2,078 crore which was INR 2,020 crore for year ended March 31st 2023 registering a growth of 2.90% on a year-on-year basis. With this the share of Banca Channel by New Business premium has increased to 3.61% for year ended March 31st 2024 as compared to 3.44% for similar period last year. Further, the Banca Channel sold 3,32,082 policies for the year ended March 31st ,2024 as against 3,12,160 policies for the year ended March 31st ,2023 registering growth of 6.38% on year-on-year basis.

Our Overall Expense Ratio stands at 15.57% for the year ended March 31st 2024, as compared to 15.53% for the same period of last year. As you can see, the increase is a marginal 4 bps on year-on-year basis.

Persistency

On premium basis, the persistency for 13th, 25th, 37th, 49th and 61st month, for FY24 stands at 77.66%, 71%, 65.47%, 66.31% and 60.88% respectively, as compared to 77.09%, 69.93%, 70.05%, 63.53% and 61.80% respectively for FY23.

On number of policies basis, the persistency for 13th, 25th, 37th, 49th and 61st month, for FY24 stands at 66.99%, 57.47%, 52.50%, 53.23% and 48.59% respectively, as compared to 64.28%, 56.97%, 56.90%, 51.05% and 49.86% respectively for FY23.

Hence, persistency has improved for 13th, 25th and 49th month, year on year, both on premium basis and number of policies basis.

Operational efficiency and Digital Progress

In our digital initiative through the Agent assisted ANANDA app, we have completed 11,58,805 policies through this App during the year ended March 31st 2024 as compared to 8,11,278 policies for the comparable period ending March 31st 2023 thereby registering a growth of 42.84% on year-on-year basis. It is a matter of extreme pride that we have comfortably crossed one million policies mark over ANANDA app. I would like to recall that during FY21-22 and FY22-23, we had sold 2.74 lacs and 8.11 lacs policies respectively through ANANDA app.

Claims

On the claims front, during FY24, we have processed 2,17,62,985 number of claims which includes 2,09,33,667 maturity claims. On an amount basis during FY24, the maturity claims were INR 2,08,136 crore and the death claims were INR 22,625 crores. On a comparable basis for FY23, the maturity claims were INR 1,85,044 crore and death claims were INR 23,423 crore. Therefore, the death claims are lower by 3.41% and the maturity claims are higher by 12.48% on a year-on-year basis.

Before I close my opening remarks, I would like to share significant achievements during the year:-

1. Our Non Par APE share is now at 18.32% within the Individual business.
2. We have successfully launched a series of Non Par products this year which has been received well by our customers.
3. We are moving ahead steadily on our digital transformation project and I hope that before the end of this calendar year, our stakeholders start experiencing the changes in our digital transformation.
4. We are expanding our agency force and a good proportion of our agency force is accepting new technologies in a proactive manner. Completing more than one million policies via ANANDA is a clear indication of the same.

I would like to share that the Board has recommended a Final Dividend of Rs. 6/- per share in its meeting held on 27th May, 2024, subject to shareholders approval. This is in addition to Rs. 4/- per share interim dividend that was declared and paid earlier during the year.

Thank you, friends. Now, we are open to questions.

Moderator: Thank you very much. The first question is from the line of Mehak from Emkay. Please go ahead.

Avinash: Avinash here. Two broad questions. So, the first one will be more around expense. As we can see, I mean, past legacy, a lot of expenses and all. So, one, broadly, if I see in your EV walk, you have charged close to Rs. 14,000 crores on account of I believe one part is due to that additional 7,000 plus crores of excess EOM for FY '23, and if I am not wrong, close to 5.5 or 1,000 crores for increased pension liability due to the wage revision. So, is this excess EOM there will be more even for FY '24 or is that FY '24 is taken care?

And additionally, I mean, why did not you sort of like, and you have enough profitability. So, why to sort of spread it over three years? Why not just charge also in the P&L account at once and move ahead? Because, I mean, from solvency perspective or even from a medieval perspective, anyway, it may not make much difference. So, in terms of cost, if you can also tell that with this wage revision, will there be any other impact coming in future. Because one, I can see that the wage revision-led pension charges you have taken, but I mean at least in EV, but any other impact coming from this wage revision or anything else? That's one.

Second question will be broadly on the kind of regulatory development. So, one, I mean, we read in media some thought process of yours on health, if you can add something. And also some media report is coming that the regulatory thinking on this surrender regulation once again and there is also a talk of a kind of a removal of the upfront higher commission and moving more towards the mutual fund led kind of a trail commission model. What's your thought on that is that upfront commission removal going to happen, and if at all, how ready are you, and if that can work here?

Siddhartha Mohanty: So, thank you. I would just answer this health space and regulatory changes with regard to product regulation surrenders. So far as health is concerned, you see, we are already in health business. We are selling health insurance products though these are not indemnity products, fixed benefit products we are quite experienced.

But looking to the scenario, this composite license whether the act will be amended and composite license will come, so we have done some internal work ourselves to occupy some space in health insurance segment because we are not expert in this general business, general insurance business, but health will be a natural choice. And for that we are exploring some inorganic type of growth to acquire some stake or in some company so that will also cater to the need of the society in health insurance space, but that is at a very, very preliminary stage.

So far as this regulation is concerned, we as insurance companies, we have placed before regulator our views. Discussion is going on. Some final outcome will come which will be in the best interest of customers as well as industry. So, that is going on still now. Nothing finalized yet, but it will be in the best interest of the customers, keeping in mind the interest of the industry. That is at this stage.

K. R. Ashok: Good morning. I am K.R. Ashok. Regarding the point on analysis of movement on IEV and on the future charge on shareholder fund amounting to Rs.12,914 crores, yes, it comprises for both the years, '22-'23 and '23-'24, the excess of expenses over the allowable limits which IRDAI has allowed us to charge it to the shareholder fund, starting from '24-'25.

Avinash: So, on this, I mean, so, I see this recent wage revision-led pension hike is also part of this 12,900 and the second question follow-up on this is that why not just, I mean, P&L account charge at once because your solvency is perfectly fine, your profitability is high? So, why this permission to spread it out over three years?

Sunil Agrawal: See, the wage revision comprises of three components. One is the arrears, one is the gratuity revenue and cash flow, and third is the pension liability. So, the pension liability is futuristic in nature and the amortization over the next three years is purely pertaining to the pension liability which is futuristic in nature and based on the regulatory approvals, we are amortizing it over a period of three years starting from '24-'25 financial year.

Avinash: O.K. and in your employee cost for this quarter particularly, was there sort of a kind of a negative impact from bond yield movement on your pension liability? Because, I mean, in Q4, suddenly the employee expense has gone up. So, is there some sort of that revaluation of pension liabilities that you are also playing? If yes, then what's the quantum?

Dinesh Pant: No, it is not because of interest rate because this liability for the pension and the employee cost continues to be valued on a consistent basis. So, it is not just based on any quarterly thing. Basically, it is on account of wage revision as has been explained earlier because actually LIC has been very prudent if you see in that context because this wage revision has come, circular notification has come in April, but because we considered the adjustable item, we have gone to the regulator, taken the approval.

And all the expenses which were actually, for example, for the existing employees and the wage revisions have been provided for as explained by CFO, the expenses which are pertaining to futuristic something like pension is provided for fully in the embedded value calculation to give reflection and this replenishment as to the IRDAI approval will happen over the next three years in a systematic manner for smooth experience.

Moderator: Thank you. The next question is from the line of Supratim Datta from Ambit Capital. Please go ahead.

Supratim Datta: So, my first question was on the margin front. So, wanted to understand what has resulted in the margins on the PAR and the group business going down last year versus this year and over third quarter versus fourth quarter also there has been a margin decline. So, if you could explain that what has resulted in this? Has the product benefits gone up? In which product has this gone up? And why did you have to revise the product benefits? If you could give us some clarity on that, that would be my first question.

The second question would be on the expense of management. I understand the first participant also asked questions around this. So, just wanted to understand on the expense of management, the excess expense is related to the year FY '23. Now in FY '24, you know, what has been the experience compared to the current year, the new year guidelines? And could there be another negative impact next year as well due to this? If you could give some clarity on that as well, that would be very helpful.

Sunil Agrawal: I will take the question on the expense of management. This is Sunil Agrawal. The expense of management, if you look at the note number 9 and note number 10, we have disclosed appropriately in the LODR the amount of 7,230 crores pertains to excess of expense under management for the year FY '22-'23. And note number 10 provides for excess of expense of management of 5,477 crore for '23-'24. And both these expenses will be amortized over a period of 3 years starting from '24-'25.

Now this experience has been come due to the wage revision aspect which happens once in 5 years. So, now for the next 5 years, there is not going to be any wage division. So, this is not likely to repeat in the future years as you were asking.

K.R. Ashok: As regards the margins, yes, the margins under PAR and group had fallen mainly because of the movement in the risk-free rates. And in the case of group, the benefit enhancement done in the annuities is the major cause of it.

Supratim Datta: So, if I understand correctly, so, on the group side, on the annuity business, you have enhanced the benefits. Is that correct?

K.R. Ashok: Yes.

Supratim Datta: Sir, given you have 70% market share already in this product, what is the need to enhance benefits here?

Dinesh Pant: See, there are two aspects in the group business as well as overall business. In group business, in fact, the annuity rates have been improved across for individual as well as group side. But you will see that in the group business, there was a lot of deficit in the earlier quarter which has been significantly made good by increase in volumes in the funded business during the last quarter in particular.

Now, typically, the funded business margins are lower as compared to other products. So, typically, if you see in fact during the last quarter, despite of overall APE growth of double-digit figures, the VNB by volume has been maintained.

So, it's a conscious strategy of the company to strike the balance between the growth trajectory and achieving the VNB numbers. So, VNB margins in that context will undergo, keep on changing and that's partly because of the benefit structure. As well as in the last quarter, there was a significant impact of the change in the risk-free rates. So, that is something which is not a controllable thing, and there is a significant difference. So, all of these combined together have impacted.

Supratim Datta: And if I could ask one last question. So, when I look at the channel mix, I understand you don't provide it on the APE basis. If that is something that you could provide, that would be very helpful. But even on the NBP basis, if I look at the channel, the Banca business, despite being of a small base, it hasn't moved fairly significantly over Y-o-Y despite you adding new partners and focusing on growing that channel. So, if you could talk to us regarding what is your strategy going forward in this business, how are you planning to drive growth here, that would be very helpful. And currently, what proportion of your new business premium would be coming from IDBI? If you could disclose that, that would also be very helpful.

R. Doraiswamy: I am Doraiswamy here. The Bancassurance business of LIC has always been a smaller part of the overall strategy of the Corporation. We have been focusing on a very significant growth in terms of Bancassurance business and towards that, the tie-up with IDBI Bank is getting leveraged. They have contributed close to 900 crores of premium in the last year and we are expecting to have a really good contribution from them in the current year as well.

Apart from that we are also in the process of entering into partnership with some more leading banks at the national level and at the regional players at the various state levels. That's also the activity for the current year. We expect a very decent growth in the Banca business, but without losing focus on our major strengths, which is the agency channel.

Supratim Datta: Now, again, the previous participant had also asked this, that there was a question on trail commission, because there was an article recently that talking about moving from a front-loaded commission to a trail commission. So, could you give us some clarity on how that would impact your agents, or how would you look at that as a regulatory change? If you could give us some color.

Dinesh Pant: Actually, it's a thing which has been in discussion for long, because even previous discussions also, there is concepts of trail commission, or accumulated commission being allowed in the regulation, have been a part of the discussion. Possibly there are pros and cons of every type of commission structure. Front-loaded commission structures historically have been there in case of insurance business, because it is largely a push-driven, it's difficult business, not very easy business.

But then, persistency becomes a challenge, and then with the new expectations around what should be the right exit value, one of the options is whether accumulated commissions are allowing distribution of commission in a fair manner commensurate to the persisted experience.

All these things are being examined, and regulator has already allowed liberal commission regulations, but then it has also got an impact.

So, all the discipline around this is being examined. As it comes about, industry will implement it. Industry within itself is also examining what is the best way of self-regulation, so that the win-win situation is arrived at in the context of the policyholders, as well as for the distributor, while ensuring that the shareholders' interest, or all stakeholders' interest, including profit margin. So, there is a fair, good discussion is happening between industry and the regulator, and that activity is going in that direction.

Moderator: Thank you. The next question is from the line of Uday Pai from Investec. Please go ahead.

Uday Pai: I just wanted to know what is the commission in our Non-PAR products? And have we seen an increase in the commission rate over the last year? That is the first question.

And on the second question, the recent regulation states that the policies are now to be issued in an electronic manner. Are you looking for an e-insurance account? Or are you doing it in some different way? Because last year we have tied up with the post office to issue manual policies. So, how has that process changed out, is what I was looking for.

Siddhartha Mohanty: You see, for this Non-PAR product, as you are telling, commission varies. Commission depends upon term and other factors. So, it is not fixed. Depending upon term of premium payment, commission structure varies.

Secondly, IR, insurance repository, we are also working on that for this e-insurance account and electronic mode of policy issue. That is also being discussed now, but it will take some time. Already, some groundwork, we have already started at our level. We are fully ready.

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

Prayesh Jain: Sir, firstly, on the economic assumptions and changes in variances, what would be the share of equity and debt? And what assumption changes you would have done?

K.R. Ashok: See, the assumption changes actually we have been observing uptick can be a better experience in the mortality in case of group business and post COVID we thought that going forward this experience has improved and that is the major assumption changes that has contributed to the increase in IEV of 4,800 crores shown in the analysis of movement.

And regarding the MTM, that is the economic assumption changes, there are three components in that. One is the MTM, the second is the investment A by E, and the third one is the RFR, which actually pushes down the IEV. The MTM is the major component in that investment variance.

Prayesh Jain: What were the other two components apart from MTM you said?

K.R. Ashok: Sorry?

Prayesh Jain: Apart from MTM, what were the other two components?

K.R. Ashok: One is the investment A by E which is the actual investment over in the investment performance over and above the estimate, and the third one is the movement in risk free rate which has moved actually down compared to last year and it has impacted the IEV.

Prayesh Jain: Sir, secondly, if I look at a protection business, that saw a decline this year, and private players, on the other hand, have been seeing a strong growth. How do you think this will play out now, especially looking at the VNB margins, protection is the highest in VNB margin segment. So, how do you expect this segment to grow and what are the strategies around this?

Dinesh Pant: See, if we look into the you know the term business in isolation in form of product only, you are right, that there is a downward thing. But very interesting change has happened in the current year. The take-up rate in the rider, which also come in the form of , you know, for the term side, there is a significant actually jump there. so, if we include the rider premium for the current year and last year, it's a Non-PAR protection would be around 201 APE would be there as compared to 190 last year. So, almost 6% growth would be observed there.

So, this is a very interesting phenomenon which we have seen in this current year almost again 14-15 crores of riders, 75 crores of riders have been taken up. So, our job is to offer products and the options to the customers. They will decide to pick up in which form whether they want to take in base products or whether they want to take in forms of riders, of course, but the term and pure protection continues to be one of the important focus areas for us. There has been a rate revision in the previous year which did impact both the ticket size as well as the take-up. We are working out on more variations of term products, and we expect them to deliver in this segment in the current year.

Prayesh Jain: And if I look at your agency force and you have given that 35% of your agency force is 50 years old and above. How much of these guys would account for your premium? And do you think that there is a kind of transfer to the next generation possibility in this business? How do you see this 35% of your agency force is 50 at the number, which is quite high? So, how do you see this?

R. Sudhakar: I am Sudhakar, ED, Marketing and CMO. See, in one way the agency force, which is above 50, that is the segment which brings us our majority of the annuity products as well as the larger ticket size products. Even if you look at the age of entry of the person, a person who is in the middle age or even above, they bring securitizes and customers from their particular age group which is likely to be more wealthy than, let us say, the age group of 18 to 25.

So, we take a balanced approach. When we recruit people, we recruit from all the segments. So, the age of 50 plus, that is where the majority of our club members, who are the most professional of the lot and whose productivity is very high is also situated. So, for us, the agency is a sort of profession which they continue throughout their life, and we need that these people should be with us even at a later age during which time they bring us the most valuable, I would say, ticket sizes and the customers. So, it is a balanced approach we are taking.

R.Doraiswamy: We have agents who are second generation and third generation agents continuing with LIC which has been a major source of strength for us. And in fact, these experienced agents really add value in terms of cutting across generation and getting us enrolled into the business segment as well.

Prayesh Jain: Is it fair to assume that these 35% would contribute more than 50% of the premium collection?

R. Sudhakar: 45%.

Siddhartha Mohanty: Almost 45%.

Prayesh Jain: How much?

R. Sudhakar: 45%.

Prayesh Jain: 45%. Okay, got that.

Siddhartha Mohanty: But new recruitment, out of all new recruit, every year we recruit more than large agents, you will find more than 50% are below 35 age. Youngsters we are adding.

Prayesh Jain: Sir, my last question is, now LIC had a kind of an advantage in the Tier-2, Tier-3 towns given its presence out there, but now private players are also kind of expanding in these geographies. And so, do you see an increased competition? And do you think that there could be some pressure in terms of margins coming from the lower Tier-segments? And just one clarification. We move from 7.5% sharing in PAR to 10% next year, right?

Siddhartha Mohanty: No, 18.32%.

Dinesh Pant: It is already from 8.9, it has gone up to 18 plus.

Siddhartha Mohanty: Surplus distribution you are talking about.

Prayesh Jain: I am talking about distribution of profit, sharing of profit.

Siddhartha Mohanty: From this year onwards. From '24-'25, it will get increased.

Prayesh Jain: And just on the Tier-2 strategy, Tier-2, Tier-3 strategy.

Siddhartha Mohanty: You see Tier-2, Tier-3, already we are there, and we have further strengthened. As you are telling competition is going on, now our private players, they are also focusing on Tier-2, Tier-3. This year we have taken a target; we should represent every panchayat. Every panchayat in the country must have one LIC agent at least. So, that is the target for the current year and in that direction we have already started. And this year we have also taken one project, Agency Transformation Project for the current year. We call it Jeevan Samarth. So, that is just started. So, we expect in current year, we will be more strong in those areas, Tier-2, Tier-3 cities and also rural areas.

M. Jagannath: Just to supplement, Jagannath here, around August 2023, we have recruited around 6,000 Probationary Development Officers. They are all in action. Most of them are in Tier-2, Tier-3 branches and satellite offices. So, they are on a good mode as far as recruitment is concerned of agents.

Moderator: Thank you. The next question is from the line of Nischint Chawathe from Kotak Institutional Equities. Please go ahead.

Nischint Chawathe: I am looking at your PAR business net VNB margins, and despite the fact that your share in economics has gone up, the overall margin has gone down. So, how should one think of it?

K.R. Ashok: As far as PAR VNB margin is concerned, there are two factors. The predominant factor is the southward movement of various trades. And that had impacted not only PAR, it has impacted all lines.

Nischint Chawathe: And in the group business, you mentioned that you have increased payouts, right? Or basically increased the returns.

K.R. Ashok: Sorry, can you repeat?

Nischint Chawathe: In the group business, you mentioned that you have increased the IRR payouts, right?

K.R. Ashok: Yes, actually we have increased the annuity payouts.

Nischint Chawathe: So, we were just wondering, while there is an increase in Non-PAR business and I think that's playing out quite nicely, this is kind of taking out the benefit and that's where I think our margins are sort of inched up a little bit. So, going forward, what kind of a margin expansion guidance you would want to give? Because on one side, we see that the Non-PAR share, I think as you articulated, is nicely going up. But then, somehow we have these kinds of distortions in the group business or maybe even in the par business.

K.R. Ashok: See, actually, we need to look at both the strategy, short-term strategy in garnering our new business and also how to outperform the margins. So, there has been constant review and constant movement on how we need to take the things forward and there is also, in terms of group, there is also a high competitive pressure. So, we have to balance all these things. And if we look at the overall margin, the overall margin has moved up by 60 bps by sort of balancing and articulating on all the elements to be there.

Nischint Chawathe: And in the EV walk, we saw the unwinding rate going up, and I think you have fairly large world. Yes.

K.R. Ashok: As far as the unwinding rate is concerned, the major component that is coming is the equity backing ratios sitting on the ASM fund. See, what is happening is the ASM fund also contributes to the long-term outlook based on what is going to be our outlook on the industry and therefore, the unwind has slightly increased. Going forward, because this is a sort of market consistent basis, the entire valuation, so looking at how the market play out, we will be revisting that.

Nischint Chawathe: So, summarily, you are looking at a rally in the bond market in the near term.

K.R. Ashok: Sorry.

Nischint Chawathe: Rally in the bond market.

K.R. Ashok: What is the question?

Nischint Chawathe: Summarily, you are looking at a rally in the bond market.

Dinesh Pant: No, no. It is not only about bond market. See, what was being described is that there are certain components of embedded value which remain there, and they are significant and long-term, see, in Indian equity market, expectations in long term remain to be good. So, that being a component of our embedded value gives actually a long term and consistent stable strength to us.

Bond market has got different purposes. Bond market, in fact, the interest rate will go up. The market valuations may not go up because of that thing. So, it's a balance of the portfolio and this equity backing ratio allows us to give better results and create actually long-term value for the embedded value purpose also.

Nischint Chawathe: Just one final one is on the health insurance business. Some of the non-life insurance companies have a fairly good health insurance practice. So, would you kind of consider looking at a merger with any of the non-life companies as well or would you want to stick only to health?

Siddhartha Mohanty: No, no, there is no such proposal for merging with taking in non-life PSU companies, but we will definitely explore possibilities to have some stake in some standalone health insurance company, something like that. That also we are working on that. What will be the best interest of our customers as well as all the other stakeholders, that is being worked out now.

Moderator: Thank you. The next question is from the line of Aditi Joshi from J.P. Morgan. Please go ahead.

Aditi Joshi: So, I should have three questions. The first one is on the product mix target for 2025. So, can you please help us reiterate what is the target mix for 2025? And second on the channel mix outlook as well. So, I do understand that the current share of Bancassurance is very less, but because that you are targeting a good growth in the segment, so what will be the channel mix target you have in your mind?

And also, just wondering that because of the slight changes or slight potential changes in the channel mix, do you think that some sort of mix change we can see in the products as well? For instance, a popular product in Bancassurance can be a unit product, so maybe a slight increase in that product as well.

And just lastly on the agency channel, can you please help highlight as in what potential challenges do you see in growing the agent headcount? And are we targeting any growth like additional growth, incremental, accelerated growth in the year 2025 in agency as well?

Siddhartha Mohanty: See both product as well as channel, last year already because of directional change, we have launched some products in Non Par segment, and we got desired result and share of Non-PAR APE 18.32%, it rose from 8.89%, more than double. So, current year, of course, those Non-PAR product focus will be there, but there are certain segments. We will have certain products catering to particular segment.

We are now planning suppose for Banca, we will have Banca specific product, that also we are focusing. And for marginalized people, product should be there to sell through CSC. So, that also we are working on that. So, product line this year, we will find different varieties of product to cater to various segments and focus, of course, will be on profitability and growth.

So far as channel is concerned, Banca channel already some deployment has been done and we want to grow at least 5-6% from present 3.61% share of Banca to total our business. So, that will grow at least 5%, 6%. That is our target for Banca.

Aditi Joshi: And just following up on the third question on the agency channels. So, what is the, any growth target for the agent headcount for this year? According to you, we might see some accelerated growth in the headcount this year or just maybe a growing.

Siddhartha Mohanty: Absolutely, agency channel, as I told earlier, it will be further strengthened. We want to enhance the capability of our agents. Their competency must also increase. We want to enable them through technology. Already they are using our ANANDA mobile app. We want to make them totally tech-enabled agents. So, that further growth is there, and their competency should also increase. They should compete in the market. And growth will also be expected from the agency channel. Definitely growth, because agency channel they comprise 96% of the business. So, there will be growth in the agency channel also.

M. Jagannath: Just to supplement further, the FY '23 agency recruitment, new agents recruited was 1,79,000. Last year, it was 2,71,000 new agents recruited, and so close to 1,00,000 added during FY '24 as new agents. Of course, there will be also attrition.

But going forward for FY '25 as well, the thrust on new agents recruitment is going to be there and our probationary development officers are yet to run around half of their probationary period in this. They will also be definitely coming into play with regard to fresh recruitment of agents from the market, more particularly from Tier-2, Tier-3, etc. So, therefore, I am confident that there will be good agency growth, agency recruitment growth in the current year as well.

Moderator: Thank you. Ladies and gentlemen, the last question for today is from the line of Mohit Mangal from BOB Capital. Please go ahead.

Mohit Mangal: My only question is in terms of the protection. You said that you are working on more variants. So, can we expect more products in Financial Year ‘25 or you are working on the repricing, because I think that's one area I think you need to kind of catch up with that compared to the private players?

Siddhartha Mohanty: So, that is a continuous process. Looking to the need of the market, we design products from time to time, and this year also definitely there will be some products, unique products to cater to the needs of the market.

Mohit Mangal: So, will it be a pure term product or you are also thinking of return of premium products?

Siddhartha Mohanty: Various segments. It will be in various segments.

Dinesh Pant: We already have return of premium product which is gaining quite good popularity, and, “JEEVAN KIRAN”, we have got that product. And what we are trying to work out is more varieties of product, I would not like to discuss is something in the making, but all options will be given. And even, in fact, repricing, adding newer features into the existing products, all of that is we are open to it, and we are considering that.

Moderator: Thank you. Ladies and gentlemen, that brings us to the end of the question-and-answer session. I would now like to hand the conference over to Mr. Mohanty for closing comments.

Siddhartha Mohanty: So, thank you, friends. I am grateful to all of you on this call for your patient listening and for your quality questions. We hope that we have been able to answer all your queries to your satisfaction. As we have spent significant time and energy for realigning our PAR, Non-PAR with our channel mix in the last year, we are setting ourselves a new ambition for this year which is to enhance our dominance on market share basis. Thank you very much and have a good day.

Moderator: Thank you. On behalf of LIC, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.