"Life Insurance Corporation of India

FY'25 Earnings Conference Call"

May 27th, 2025

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MS. SHOBHA SULOCHANA -- EXECUTIVE DIRECTOR, CRM/POLICY SERVICING – LIFE INSURANCE CORPORATION OF INDIA

MR. SANJAY BAJAJ -- HEAD INVESTOR RELATIONS – LIFE INSURANCE CORPORATION OF INDIA

Moderator: Ladies and gentlemen, good day, and welcome to the LIC's FY '25 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 key on your touchtone phone. Please note that this conference is being recorded.

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

Siddhartha Mohanty: Good evening, everyone. I am Siddhartha Mohanty, Chief Executive Officer & Managing Director, LIC. I would like to welcome all of you to the results and performance update call of Life Insurance Corporation of India for the year ended March 31st 2025.

Our results declared today have been uploaded along with Press Release and the Investor Presentation on our website as well as the websites of both the 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 & Shri A.K. Srivastava, Product Actuary & Executive Director from the Actuarial team, Mr. Sunil Agrawal, CFO from the Finance team, Mr. Ratnakar Patnaik, Executive Director (Investment-Front Office) & CIO, Mr. R. Chander, Executive Director (Investment – Front Office) and Mr. S.K. Srivastava, Executive Director (Investment – Back Office) from the Investment team. From the Marketing team, we have Mr. R. Sudhakar, Executive Director (Marketing /PD) & CMO, Mr. Hemant Buch, Executive Director (MBAC), Mr. K. Seshagiridhar, Executive Director (Pension & Group Schemes) and Mr. G.P. Agarwal, Additional Executive Director (Marketing/PD). Also, we have Ms. Vandana Sinha, Executive Director (CRM/Claims/Annuities), Ms. Shobha Sulochana, Executive Director (CRM/Policy Servicing) and Mr. Sanjay Bajaj, Head (Investor Relations) on this call.

I would like to begin by thanking you all for joining us on this investor call. We appreciate your interest in LIC's performance and value your ongoing support, especially for taking the time to be with us this evening.

Before I start, let me inform you that LIC has achieved GUINNESS WORLD RECORDS Title for the "MOST LIFE INSURANCE POLICIES SOLD IN 24 HOURS" by selling 5,88,107 policies across India on 20th January, 2025. Also, this feat was achieved by active participation of 4,52,839 agents on a single day on January 20th 2025.

Let me now discuss the key business, operational and financial highlights for the year ended March 31st 2025.

Premium Income:

For the year ended March 31st, 2025 we have reported a Total Premium Income of INR

4,88,148 Crore as compared to total premium income of INR 4,75,070 Crore for the year ended March 31st 2024. The Individual New Business Premium Income for year ended March 31st, 2025 was INR 62,495 Crore which was INR 57,716 Crore for the corresponding year of last year thereby registering a growth of 8.28% on Year on Year basis. Before I proceed further, I would like to mention that the procurement of Individual New Business Premium of INR 62,495 Crore is the highest ever in the history of LIC.

Further, Renewal Premium Income (Individual business) for year ended March 31st, 2025 was INR 2,56,541 Crore as compared to INR 2,46,052 Crore for year ended March 31st, 2024. Therefore, for the year ended March 31st, 2025, our Total Individual Premium Income including renewals was INR 3,19,036 Crore as compared to INR 3,03,768 Crore for year ended March 31st, 2024 registering a growth of 5.03% on Year on Year basis.

The Group Business total premium income for year ended March 31st, 2025 was INR 1,69,112 Crore comprising of New Business Premium of INR 1,64,262 Crore. In comparison, for year ended March 31st, 2024 last year, the Group Business total premium income was INR 1,71,302 Crore and comprised of New Business Premium of INR 1,64,926 Crore. Therefore, for this year ending March 31st, 2025, the Total Group Premium has decreased by 1.28% as compared to similar period of previous year.

Market Share:

Our market share by First Year Premium Income for year ended March 31st, 2025 was 57.05% (as per IRDAI) as compared to 58.87% for the similar period ended March 31st, 2024.

Now, if we bifurcate this overall market share of 57.05% into segment wise share of individual and group business, we would have a market share of 37.46% in individual business and 71.19% in the group business for the year ended March 31st, 2025. On a comparable basis for the year ended March 31st, 2024, the respective market shares for Individual and Group business were 38.44% and 72.30%, respectively.

As you will observe, LIC continues to be market leader in both Individual and Group Business this year also.

Break Up of Business on APE basis:

Total Annualized Premium Equivalent (APE) for year ended March 31st, 2025 was INR 56,828 Crore which comprised of Individual APE of INR 38,218 Crore and Group APE of INR 18,610 Crore. Therefore, on APE basis, the individual business accounts for 67.25 % and Group business accounts for 32.75%. Further, of the Individual APE, the Par business accounts for INR 27,636 Crore and Non Par amounts to INR 10,581 Crore. Therefore, our Non Par share of Individual APE is 27.69% and Par share of Individual APE is 72.31% for year ended March 31st, 2025. As you may recall, for the year ended March 31st, 2024, our Non-Par share of total individual business, based on APE, stood at 18.32%. Since then, our

Non-Par APE has increased substantially from INR 7,041 Crore to INR 10,581 Crore. This marks a significant year-on-year growth of 50.28% in Non-Par APE within the Individual Business. As you will appreciate that we are growing our Non Par share at a very fast pace.

Profit After Tax:

The Profit after Tax (PAT) for the year ended March 31st, 2025 was INR 48,151 Crore as compared to INR 40,676 Crore for year ended March 31st 2024 registering a growth of 18.38% on Year on Year basis.

VNB and VNB Margins:

Net VNB was INR 10,011 Crore for the year ended March 31st, 2025 as compared to INR 9,583 Crore for the year ended March 31st, 2024 registering a growth of 4.47% on Year on Year basis. Before I explain VNB Margin, I must add here that for the first time we have crossed VNB of INR 10,000 Crore mark. Since we are the largest in insurance market it is assumed that we are the only insurance company who has achieved this feat so far. Further, the net VNB margin was 17.6% for the year ended March 31st, 2025 as compared to 16.8% for the year ended March 31st 2024 showing improvement by 80 basis points on a Year on Year basis.

Solvency Ratio:
The Solvency Ratio as on March 31st, 2025 improved to 2.11 as against 1.98 on March 31st, 2024.

Indian Embedded Value (IEV):

The Indian Embedded Value (IEV) as on March 31st, 2025 has been determined as INR 7,76,876 Crore as compared to INR 7,27,344 Crore as on March 31st, 2024. Therefore, IEV has registered an increase of 6.81% on Year on Year basis. At this point of time, let me also explain to you that IEV has grown over the last three years at a CAGR of 12.8% from March 2022 to March 2025.

Assets Under Management (AUM):

Assets Under Management (AUM) as on March 31st, 2025 was INR 54,52,297 Crore as compared to INR 51,21,887 Crore as on March 31st 2024. Therefore, our AUM has registered a growth of 6.45% on Year on Year basis.

Product Mix and New Product launches:

Post the implementation of the IRDAI (Insurance Products) Regulations, 2024, effective from October 1st, 2024, we have launched a comprehensive suite of 51 products till March 31st, 2025, which include 33 individual products, 12 group products, 5 individual riders and 1 group rider.

No. of Policies Sold:

During the year ended March 31st, 2025, we sold 1,77,82,975 new policies as compared to 2,03,92,973 new policies in year ended March 31st 2024.

Agency Workforce:

As on March 31st, 2025, the total number of agents was 14,86,851 as compared to 14,14,743 as on March 31st 2024. We have made a net addition of more than 72,000 agents in the last one year. The market share by number of agents as on March 31st, 2025 stands at 47.61% as against 48.87% for March 31st 2024.

On number of policies sold basis, the agency force sold 1,73,58,723 policies during the year ended March 31st, 2025 as compared to 1,98,15,990 policies during the corresponding period of previous year. Further, approximately 98% of our policies in the year ended March 31st, 2025 were sold by our Agency force. Even on premium basis, approximately 94% of New Business Premium came from our Agency channel in the financial year ended March 31st, 2025.

Contribution by Bancassurance and Alternate Channel (BAC):

There is significant growth in New Business Premium Income from our Bancassurance and Alternate Channel (BAC). Bancassurance and Alternate Channel (including Micro Insurance) collected New Business Premium Income of INR 3,496.10 Crore for the year ended March 31st, 2025 which was INR 2,213.22 Crore for the year ended March 31st, 2024 registering a growth of 57.96% on a Year on Year basis. The New Business Premium Income collected by Banks was INR 2,576.74 Crore for the year ended March 31st, 2025 and for the corresponding period of last year it was INR 1,640.17 Crore thereby registering a growth of 57.10% on Year on Year basis. Further, the Alternate Channel collected New Business Premium of INR 919.36 Crore for the year ended March 31st, 2025 as compared to INR 573.05 Crore for year ended March 31st, 2024 registering a growth of 60.43% on Year on Year basis.

Our Bancassurance and Alternate Channel now account for 5.59% of Individual New Business Premium for the year ended March 31st, 2025, up from 3.84% for the year ended March 31st, 2024.

Our Overall Expense Ratio:

For the year ended March 31st, 2025, the overall expense ratio was 12.42% as compared to 15.57% for the same period last year. Therefore, there is a decrease of 315 basis points on Year on Year basis.

Persistency:

On premium basis, the persistency for 13th, 25th, 37th, 49th and 61st month upto the quarter ended March 31st, 2025 stands at 74.84%, 70.99%, 66.11%, 61.51% and 63.12%, respectively, as compared to 77.66%, 71%, 65.47%, 66.31% and 60.88%, respectively upto the quarter ended March 31st 2024.

On number of policies basis, the persistency for 13th, 25th, 37th, 49th and 61st month, upto the quarter ended March 31st, 2025 stands at 64.12%, 59.32%,52.66%, 48.79% and 50.31%, respectively, as compared to 66.99%, 57.47%, 52.50%, 53.23% and 48.59%, respectively, upto the quarter ended March 31st 2024.

Operational efficiency and Digital Progress:

In our digital initiative through the Agent assisted ANANDA app, we have completed 14,74,208 policies through this App during the year ended March 31st, 2025 as compared to 11,58,805 policies for the period ended March 31st 2024 thereby registering a growth of 27.22% on Year on Year basis. There was a growth of 32.68% in number of active agents in ANANDA app for year ended March 31st, 2025.

DIVE (Digital Innovation & Value Enhancement) and Jeevan Samarth Initiatives:

Our DIVE (Digital Innovation & Value Enhancement) and Jeevan Samarth initiatives, led by Boston Consulting Group and AT Kearney, respectively, are on track. We are confident that our agents, customers and our employees will start seeing benefits as these initiatives get implemented on the ground.

Claims:

On the individual claims front, during year ended March 31st, 2025, we have processed 2,25,18,103 number of claims which includes 2,16,69,980 Maturity and Survival Benefit claims. On an amount basis during the year ended March 31st, 2025, the total maturity claims were INR 2,37,313 Crore and the total death claims were INR 24,420 Crores. On a comparable basis for the last year ended March 31st 2024, the maturity claims were INR 2,08,136 Crore and death claims were INR 22,625 Crore. Therefore, the death claims are higher by 7.93% and the maturity claims are higher by 14.02% on a Year on Year basis.

New Marketing initiatives – Empowering Women through Bima Sakhi Yojana:

During the last Call on February 7th, 2025, we had explained our path breaking initiative called Bima Sakhi. This stipendiary scheme was launched by Hon'ble Prime Minister on 9th Dec 2024 and it aims to empower women and make them self-reliant. With great happiness I would like to inform you that till March 31st, 2025, 1.49 lakh women have been appointed as Bima Sakhis who have sold around 4.71 lakh policies and procured New Business Premium of INR 604.57 crore. We believe through this initiative, in the days to come, we would have developed a strong pillar to achieve the goal of "Insurance for all by 2047".

Before I close, I would like to list down significant achievements during the year:

1. Achieved highest ever Individual New Business Premium of INR 62,495 Crore in the history of LIC.
2. PAT has registered a growth of 18.38% on a Year on Year basis to INR 48,151 Crore.
3. Highest ever bonus to policyholders at INR 56,190.24 Crore.
4. Our Non Par share of Individual APE business has further grown to 27.69% for year ended March 31st, 2025 as compared to 18.32% for year ended March 31st, 2024.
5. Bancassurance and Alternate Channel registered a growth of 57.96% on a Year on Year basis to INR 3,496.10 Crore.
6. Crossed VNB of INR 10,000 Crore for the first time.
7. VNB has also increased by 4.47% on a Year on Year basis for year ended March 31st, 2025.
8. VNB margin has shown a positive bias, with an 80 basis points increase to 17.6% for the year ended March 31st, 2025.
9. AUM has increased by INR 3,30,410 Crore as on March 31st, 2025 registering a growth of 6.45% on a Year on Year basis.
10. IEV has increased by INR 49,532 Crore as on March 31st, 2025 registering a growth of 6.81% on a Year on Year basis.
11. While maintaining growth in all parameters we have kept focus on costs and you can see the Overall expense ratio is down by 315 basis points to 12.42% for year ended March 31st, 2025.
12. Our agency is growing in numbers and now stands at 14.87 lakh as at March 31st, 2025 increasing by approximately 5.10% Year on Year.

I would like to share that the Board has recommended a Final Dividend of Rs. 12 per share in its meeting held on 27th May, 2025, subject to shareholders approval.

Now, I would like to end by stating that:

"Our performance this year reflects our ability to adapt and thrive in a dynamic market and regulatory environment. As we look back on the past year, we are proud of our accomplishments and grateful for the trust you have placed in us.

As we move forward, we remain committed to delivering value to our stakeholders and creating a better future for our customers. We are confident that our strategic initiatives, digital transformation, and focus on innovation will continue to drive growth and profitability."

Thank you very much.

Moderator: The first question comes from the line of Nischint Chawathe from Kotak Institutional Equities.

Nischint Chawathe: First one was essentially on NBP or APE growth. We've seen some amount of weakness in the second half I believe, on a sequential basis, fourth quarter looks better than third. But if you could kind of just highlight a couple of measures or specific measures that you have taken because of which your growth is kind of slowly getting back on track.

M Jagannath: Yes. Jagannath this side, Managing Director. Yes, you said correctly, actually, because the biggest trend was in Q3 FY '25. When we -- when we had a big APE degrowth. And then that tapered down to 8.87% towards the Q4. And going forward, actually, the -- it is -- some amount of APE growth, degrowth is coming from the par segment where actually that regulations, product regulations necessitated some changes in the products, especially increase in ticket size, in fact, doubling the ticket size from some of our most popular products and all that.

So going forward, definitely, I mean, we see that it will get tapered off. While the negative in number of policy will take some time to taper off. Already, we are seeing green shoots as far as the APE growth is concerned.

Nischint Chawathe: But you're seeing the same number of agents moving up the ticket sizes? Or is it something that we just have to wait for this to kind of anniversarize?

M Jagannath: Yes. Actually, the power on the agent side is on 2 counts. One is the agency organization is growing. At the same time, we had this excellent initiative of Bima Sakhi that is also coming into the picture now, almost INR 604 crores last FY '25 they have contributed in quick time between 9th December and 31st March. So therefore, that also is seeing a very good traction.

So on both the Bima Sakhi, the women Mahila Career Agents and also the overall agents, definitely, we see that the more -- they will be contributing. And more than anything that accepting that minimum ticket size culture amongst the marketing force is something, I would say, significant one. In fact, in the opening remarks, our CEO & MD has spoken about the Guinness World Record also on a single day 5,88,000 policy. It was possible because of the good involvement of our agents, more than 4.5 lakh agents participated on that single day. And thereafter, we have seen a very good involvement from the field force.

Nischint Chawathe: Sure. Got it. The other one was on your VNB sensitivity. It seems to be slightly more sensitive to interest rate movements. Any specific reading or any specific reason why that would be the case?

K R Ashok: This is Ashok. Actually, if we look at the absolute amount to which the VNB is sensitized, it's 100 bps. And particularly when the RFR is low, it is a big proportion of the RFR and therefore, the sensitivity is more. So if this happens, then the RFR is low. And then when the RFR goes up, automatically, the sensitive is expected to reduce.

Dinesh Pant: I'm Dinesh, just to supplement this also, we need to appreciate one thing. The big driver for VNB business is non-participating business. The VNB margins in non-par business are higher and as we can appreciate that; non-par business is largely backed by fixed securities and the component of equity is less there. So it is bound to be more sensitive to the interest rate movements. VNB is bound to be more sensitive to interest rate movements as compared to possibly participating business or general business.

Nischint Chawathe: Sure. And just one, on the segmental VNB margins, I'm not sure if you shared the margins this quarter, but if you could kind of highlight just some trends how the segmented margins would have moved up or down.

Dinesh Pant: In overall context, you see we have tried to align our disclosures in line with what is being disclosed in the market. So that's a step that we have taken. But I can -- just as an indicator, I can indicate to you, that VNB margins in non-participating products are the highest, followed by participating and other type of businesses or business being there. But as an indicator, what we can indicate that in the individual business segment, the VNB margin, we are almost touching 21% or so.

So just 20.9% or so, which is a very significant improvement and the trajectory at which we can feel very happy about it. So that's the level of the growth that we have seen starting from somewhere 9.2% when we started this journey, then 15.2% was the level. Now individual segment, we have gone through the level of almost touching 21%.

But we appreciate that with the VNB margin between the different segments can keep on changing depending on various factors, depending on the business strategy of the Corporation. The interest rates that are available for investments in the market, profit margins being there, but largely VNB margin is very critically important to us, but more important to that, that is continuing the journey towards VNB growth.

So that is one of the another features that as Chairperson CEO & MD just explained, crossing 10,000 benchmark and we would like to continue to move that towards which can be achieved through perfect mix of VNB margin growth and APE growth, that will be our focus area in the current year.

Nischint Chawathe: So and one just last one before I go is on the persistency side, there was a decline on the 13th and the 49th month. So maybe if you could clarify that as well.

Dinesh Pant: What happens as far as persistency is concerned, some -- out of the 5 model points that we talked about like 13th month persistency, then we talk about 25th, 37th like that and 61st. Generally, in premiums, we can say policy, 3 counts, we are doing better. But we have to note that persistently when we talk about it is for the particular cohorts that represented.

For example, if when we're talking a 13th month persistency, the larger weightage is towards the policy which were done in the year, '23, '24. Now significant decisions have been taken focused towards improvement in persistency. For example, the ones that we just discussed about increasing ticket size, changing the premium, changing the commission structure aligned to persistency, all have been taken in the last year and the last 1.5 years or so.

So this would start to show their impact. And we do expect a significant improvement in persistency going forward as the outcomes of these decisions that we have taken in the last and last to 1 year come into play.

Moderator: We have a next question from the line of Avinash Singh from Emkay Global Financial Services Limited.

Avinash Singh: So two questions. The first one is, can you please explain what is driving this staff kind of a downtrend in employee wage expense in this quarter vis-a-vis last year same quarter? I mean what was the kind of a drag last year, this same quarter and this year, what is bringing it down because the wage expenses are pretty much down in your P&L.

And the second one is, if I look at the EV walk within operating variance, there is nearly INR 1000 crores to INR 1100-odd crores positive operating variance on account of others. So what is that other because this is beyond your mortality consistency and expenses? So what is that?

And thirdly, if I can, just on persistency piece, what explains the 13-month kind of persistency. 49 month I can understand that your cohort COVID affected cohort but this 13-month persistence. So I mean, why is that? I mean, the drop in policy in higher what was retained last year vis-a-vis last to last year.

Sunil Agrawal: This is Sunil Agarwal, I'll answer the first question relating to the reduction in the wage salary cost. In the last year, there was a wage revision that happened. And accordingly, based on the wage revision, we had to make a provision for the pension and other retirement liabilities that happened in the last year, which is not repeated in the current year. Therefore, to that extent, the expenses in current year are lesser.

K. R. Ashok: Regarding the IEV movement, analysis of movement. The -- it is true that the others show in the variance of INR 1,111 crores. Actually, one has to look at it because the items which are shown as persistency, mortality, morbidity etc. These are not directly additive in the sense that in the cash flows, they are not linear, they are nonlinear.

So what happens is there -- there is always an element of -- a little bit of unexplained item in the total variance. And we have to look at the percentage of unexplained item, which is around 0.15% of the entire IEV and the entire -- 99.85% of the entire movement of IEV has been explained.

Dinesh Pant: See, as far as persistency is concerned, we already explained that. This persistency, typically what has happened? We have -- since IPO, we are very -- though it is a requirement on very regular basis, which is otherwise also, but since IPO we have been very objective about modification, design of products and we have taken a lot of steps like even some of the most selling products, which were there, we have done away with them or we have revisited their features. The outcome started to play as explaining '23, '24 gets a 13-month persistency is based on cohort of that point of time. So all these significant changes that we have done have come in this last year, last and a half year. So the outcome of that will be seen in the coming year as we start going to measure persistency for the decisions like increased ticket size and you know commission restructuring that all that will start to play.

In fact, for example, in nonparticipating business persistency is slightly better than the participating business. So those things will start to play as the business volumes business mix starts to make an impact on the outcomes.

Moderator: Our next question is from the line of Mohit Mangal from Centrum. Please go ahead.

Mohit Mangal: I was looking at your VNB margin walk. So I just wanted to know what was the impact of economic assumptions that 2.8% negative. So that's my first question. My second question is in terms of the number of agents.

So I was looking at your number of agents added, which was like pretty impressive at 4,94,000 odd. But we also saw 4,22,000 agents being deleted during the year, and this number look like kind of increasing over the last 2 years. So what explains this kind of a deletion that higher kind of a number in the financial year '25. Yes, those are my two questions.

K. R. Ashok: Regarding the economic assumptions in the VNB walk, it's mainly due to the fall of RFR over the duration. We have observed that the RFR has fallen between 30 and 35 bps over the duration. And that is what has reflected in a negative 280 bps in the margin.

M. Jagannath: Agency, yes. I mean agency, there is -- while there is addition in agents, new agents are coming in. Of course, as you have rightly observed, agencies are also. So at the branch level, more closer monitoring is happening. In fact, a significant step that was taken was to rechristen our ABM (Sales) as ABM (Agency) so that there is higher, clearer and very crisp oversight of the entire gamut of the agency journey.

So therefore, we will start to see those better control over the termination of agency. Yes, some agency termination does happen. But an effective monitoring and control system is probably now in place.

Mohit Mangal: Okay. So are these agents basically not able to do 12 policies per year? Or what is the criteria for deletion?

M. Jagannath: There is different. I mean, the criteria is 6 lives than or 1 policy with 1 lakh premium like that, it is there. So yes, they come in. I mean, it's not -- actually, it is not easy to get onboarded. Because they have to go through a very rigorous for the kind of background that they have. They have to go through a rigorous process of IRDA, exam certification and all that.

But somewhere yes it is always -- people are also looking at some other opportunities. So they move away for something different and all that. So different -- there are many reasons why agents -- one, is of course, they are not showing adequate interest in getting the required number of whatever minimum business guarantee is required for them to continue.

Moderator: Our next question is from the line of Kushagra Goel from CLSA.

Kushagra Goel: Yes, sure. So most of the questions have been answered. Just two questions on my side.

Can you give us some more color as to where do you see a non-par mix going in the medium term? And where do you see it stabilizing?

Dinesh Pant: See our non-par mix significantly, as we have seen grown from 18% to 27%. We want to continue to drive up that journey. But we also appreciate that what are the drivers of non-par business, again, a mix of business coming from different type of policies, including saving plans, term plans, health policies and then ULIPS…annuities.

So there is a different mix. We are looking to growth of non-par business from two perspectives. One perspective as from the shareholder point of view can be seen is the driver for the higher profitability.

But as a company, with policyholders in mind, our focus on non-par business is also to ensure higher bandwidth of available options and product solutions, which are there for the customers. So we'll continue to drive this strategy, depending upon what qualitative and solutions that we can provide because as we would appreciate non-par is all about guarantees being given to the policyholders. And at the time -- or certain times when the interest rates possibly, for example, are falling, or expected to fall, then this guarantee becomes very important.

But on the other side, they also become an issue of management from the insurance company. So we have to take a very calibrated approach that even when we drive and we offer these products for the customers as a solution, the risk associated with non-par business are also to be managed well, possibly through hedging strategies or perfect pricing for them.

And customer satisfaction about what is being offered to them. All those will continue. But yes, we see a lot of opportunity for growth in non-par segment. And we continue to move across this trend line for a long time to come.

Kushagra Goel: Okay. Got it. And just the second question is regarding the operating assumption change. So if you could give more color. So, it's both in the EV and the VNB walk, if you could just explain it.

Dinesh Pant: Assumption change is a very continuous process. Actually, the actual work is all about doing experience analysis and then determining whether these experience analysis how they are going -- further going to expect to pan out in the future. So all these elements of assumption changes, whether they are related to interest rate and as my colleague, Mr. Ashok was just explaining the impact coming from RFR changes vis-a-vis whatever best estimate or valuation rates you have considered.

Plus other parameters, for example, mortality, expenses, you would have seen that in the current year, there is a significant drop around 315 basis points in the interest rate -- sorry, in the expenses coming down to 12.42 and how do we see it going forward? We see it going forward that it is some sort of a regular or continuous phenomena in context with the Corporation because the number of employees continue to be reduced.

We are not any way saying that will trend for taking because we have to balance between optimum number of employees, the technological adoptions, what's best because expense reduction is not the goal of the company. The goal of the corporation is to optimize the expenses. So it is not necessarily that we are trying to achieve better bottomline through reduction in expenses only. What we are looking for, how best we can optimize our expenses.

So, all these assumptions get reflected at this point of time, we consider expenses are expected to be on the lower side only. So that has been factored, similarly persistency experience. You would have seen in the VNB walk also or the EV walk also, persistency has been negative, right, because of the lesser persistency experience. All these have been drivers.

Expense has been the driver for all these assumption changes and as well as withdrawals, for example, surrender value that somebody mentioned in this call a bit earlier. So how is the expected behaviour of withdrawal is going to pan out in future? So, we continuously to keep on revising and structuring there. And then when we feel that we have got a settled expectation with regard to the past experience flowing in the future.

Kushagra Goel: Okay. Got it. So -- just to clarify. So expenses has been the major time, but there are other things also moving parts which are impacting the overall operating assumption change.

Dinesh Pant: Yes, withdrawal, mortality, mortality has been very stable experience for us, but largely, it has been about the expenses, expense reduction and persistency, which have been seen in place.

Moderator: The next question is from the line of Gaurav Jain from ICICI Prudential Mutual Fund. Please go ahead.

Gaurav Jain: First question is on hedging the non-par book. So if you can help us understand whether we have adequately entered into FRA agreements for the non-par book.

Siddhartha Mohanty: We have started in last March. This March, we have just started. In the current year also, we are going out at a greater pace –

Dinesh Pant: And we continue to focus on this and possibly as well when the opportunities are there, we will continue to focus for larger coverage through hedging of our non-par portfolio.

Gaurav Jain: And second question is, sir, just a suggestion. It's on IEV disclosure sir, if we can continue giving IEV and the IEV walk on a quarterly basis going forward as an industry best practice.

Dinesh Pant: As of now, we are doing it on September and a year-end basis. See, the point here is at times too much of information, for example, like IEV dependence on market MTM. Now we can give the picture in March. If I start looking at this picture in April, it can have significantly different things.

So, we have to start because these things are to be considered from a long-term perspective. IEV is not something which is going to change on a quarter-to-quarter basis. So information can always be given. But how valuable that is going to be to me, but we are open to the idea. So we'll examine as of now, our policy has been.

Let us see how do we get it in a half year basis. And if really creates value in giving quarterly basis, also, we are open to that idea.

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

Aditi Joshi: A couple of questions from my end. Firstly, if we look at the past 2 years or the last 8 quarters, it seems like the new business margins have flattened somewhere around 19% to 20% level. So I just wanted to understand from you as what are your thoughts. And can we assume more further upside to this margin going forward?

And second question is related to the fourth quarter sales of non participating savings products or the product mix in general. It seems like in the fourth quarter, ULIP was quite high, but we saw some decline in the Non Par savings product. So just wanted to understand from your perspective, as in for the next year, how shall we think about the mix in general?

Dinesh Pant: The VNB margin, as I mentioned earlier also is something which cannot be looked in isolation. In fact, one thing can be appreciated that this interest rate with the following interest rate scenario, possibly out of all the listed companies, it's only LIC, which has been showing continuously upward trend in the VNB margin.

I agree that we have a lot of road to travel there. Because there was still a significant proportion of participating business where the VNB margins are lower. So we'll continue to go that way. But VNB margins have not been falling.

It actually has been improving from quarter-to-quarter, as I was mentioning earlier, for the individual -- in fact, in this quarter, we have improved VNB margins in our participating business also because that's a function of the ticket size, the persistency of the business, the interest rate scenario that exists.

But let me clarify that VNB margin is important, but not the only criteria. Because for an insurance company or for any entity for that matter. The growth in business is also important, and we are in a competitive scenario. We cannot remain focused only in VNB margins. Because we have to create business growth to ultimately give better VNB growth for the -- from the profitability point of view.

And that continuous requirement of continuously rebalancing the portfolio, looking into every product line as to whether it's delivering at times taking decisions of reducing VNB margins, for example, say, saving in our annuity business, in a competitive scenario or for the purpose of being able to provide affordable products to the customer.

So looking into various aspects, we -- that's the reason we felt that talking about specific lines every time they're not necessarily a great idea because as a dynamic organization, we would be required, and we do take continuously evolving steps or we have to be nimble footed. So we'll continue to raise in between different options that we are presented with.

Interest rate is something which is very uncertain. Nobody can easily predict that what's going to be interest rate next quarter or whether it will continue to be on southward journey or northwards. So, all those aspects will have to be considered. So we continue to take a holistic view on this line. But as CEO & MD said in the beginning itself, our focus is to move a journey, which is towards profitable growth and not compromising on some benchmarks that we have decided for.

Moderator: Our next question is from the line of Manas Agrawal from Sanford C. Bernstein.

Manas Agrawal: A couple of questions. First, on open architecture, do we, one, have any update? Second, if we don't have an update, if this goes through, how do we quantify or expect the impact to play out because you are the largest agency player. So that's one. Second is on the economic variance in the EV walk, year where rates have gone down. Can you help us understand why there is this not trivial negative number?

And third is I want to just understand the relevance of this Guinness record that we've talked twice about on the call, in a period where growth has not been great. So I want to understand how we should think about future APE growth. Those are the three questions.

Siddhartha Mohanty: See open architecture, our stand is very clear. This is not a good idea, open architecture because to develop a captive distribution channel, not only for insurance, but for any distribution channel, it takes a lot of time, energy, cost, everything. And suddenly, you tell your distribution channel to sell for others. I think that is not good. However, we do not know this legislation what will come in the next amendment. And accordingly, we are ready. And we believe our agents will be with us because here, agency is not only agency, it is a full-time career. We provide gratuity, we provide other benefits, social security schemes are there for agents. So everything is there, and anything comes we believe our agents will be with us and we can face any challenge that comes on our way.

Second, Guiness record relevance, Guiness record relevance may not be financially but if you see our customer trust and our particular field force on 1 day, they could contribute 4,52,000 agent, more than 4,52,000 agents, they contributed more than 5 lakh policies on a single day that itself shows what LIC can do. And nearly INR 1,000 crores premium we collected on that day.

So that relevance may not be typical to analyst call, but this is part of our message to public at large and that will definitely help our business. So that's why that is the relevance. So far as the EV walk is concerned, you can explain.

KR Ashok: Yes. As regards to the -- in the negative investment variance, there are 2 parts to that. One is the RFR fall which is -- take about 50% of the fall. And the second is the MTM changes which have happened during the year. So these two totally contributed a negative variance of INR 30,000 crores.

Moderator: Our next question comes from the line of Prayesh Jain from Motilal Oswal.

Prayesh Jain: Just on this, on the banking channels and the bank channels, what is the kind of product mix and the profitability that we earn on the Banca channel and secondly, any thoughts on the attachment rate of riders on your products which can enhance your product level margins and basically bridge the gap between what you are earning versus the private players and in generally private players talk a lot about high attachment rate of riders. So where are we in that front?

R. Doraiswamy: In terms of bancassurance, portfolio mix, each bank has got their own niche kind of a focus. They have their own customers. Need analysis is being done by themselves and coordinating with us. We find that the growth has been extremely on non par, particularly in the area of annuities as well as in the area of unit linked.

So linked business has been the flavour of some banking partners, whereas some banking partners have been exclusively focusing on annuities as well, both of which have got a very good contribution on the profitability margin being non-par.

Dinesh Pant: See, as long as profitability is concerned, the Banca business does not have any significantly different profitability as compared. It largely depends on the lines of businesses which are being sold there. To your second part of the question, because in LIC, we are not giving any differential commission rates to the Banca channel.

Our reward system is all most aligned across different lines of businesses. As far as riders are concerned, riders, some of the riders have got good VNB margins to do that. Attachment rates is not very high, it's reasonable. It has been continuously improving. in fact, we saw in some of the lines, for example, at some point of time, In fact, the riders were contributing higher. So that's a strategy, yes. We are working around it. But then we also have to take cognizance of the limit up to which the riders can be attached, for example, some of the riders that coming under health are allowed…. 100% is allowed.

They look for example, accident earlier considered under health and now it has been considered outside health. So, all those things have to be considered. But yes, riders for the purpose and not only the improvement in VNB margin. But in order to also facilitate larger options to the customer is always important. It's for some of the riders for example, accident benefit rider, critical illness rider, they are very popular, premium waiver benefits.

So these riders are there. And we have -- we provide a lot of them. But we need to -- we are trying to increase the take-up rate in our policies on the riders.

Prayesh Jain: One more question. The sensitivity of interest rate that you mentioned on VNB would that be also due to the fact that you're not completely hedging your non-par book ?

K. R. Ashok: No. See, actually, it is the risk-free rates impact both the Par and Non Par. There is no difference because both are savings product and therefore, sensitivity of the interest rate movement.

Dinesh Pant: But the impact is higher on the non-par book because non-par -- see for the participating business, the equity backing ratio is higher where the interest rate sensitivity does not impact. But in the non participating business, the equity backing ratio is less and the largest backing is coming in order to ensure better asset liability management in the guaranteed products, which come under non-par, the higher exposure is on the fixed security side. So there, the interest rate sensitivity, therefore, becomes more pronounced.

Moderator: Ladies and gentlemen, we will take 2 more questions. The first from the line of Dipanjan Ghosh from Citigroup.

Dipanjan Ghosh: Just 1 data-keeping question. If you can break the credit and debit fair value change account in your balance sheet between par and non par for the year?

Dinesh Pant: What is the -- what is the question?

Dipanjan Ghosh: If you can break the credit and debit fair value change account in the balance sheet between par non-par?

Dinesh Pant: I didn't get. Debit and credit mean? Fair value change is reflected as a consolidated entry in our balance sheet, not a line of business

Dipanjan Ghosh: if you can break that number between your par account and your non par account.

Dinesh Pant: Okay. Okay. Okay. So from my memory, I can recall almost around INR2,77,000 crores or so is the fair value gain in our par business and the balance will also non par business.

Moderator: We will now take our last question from the line of Harshal Mehta from Asian Market Securities.

Harshal Mehta: I just have one question. Given that we are expected to have a calibrated approach in non-par, keeping in mind the hedging policies. So is it fair to assume that focus will be more on the ULIP within non-par segment?

Dinesh Pant: See, again, you see as an insurance company, we need to appreciate that we have to strike the right balance between top line, bottom line. So ULIP is, typically, it's not necessarily depending the ticket size is a driver for top line, not necessarily the driver for the VNB margins. So -- and whereas for our experience, the annuity portfolio and largely the saving portfolio has been the driver for VNB margin.

So ULIP, we continue to provide -- again, for the sake of reputation, I would say, our product offerings are not coming in context of how they will add -- primarily how they will add to profitability.

The focus is that now they will add value to their customers and satisfying their needs. Then on top of that, then how that pans out in profitable terms for the Corporation. So ULIP is something which in the current set up, many people easily relate to the popularization of mutual fund and all those things and being actively interested in the market may not be an easy option for many of the people. So ULIP has a lot of scope for that. So ULIP has grown significantly, almost 2% share to almost 6%. We have grown significantly in ULIP because it has been the demand from the side of the customers, and that has been the flavour of the market. But it's not that we are dependent upon ULIP only because ULIP will bring the challenge in terms of profitability and margins.

So, we have to strike the right balance between different things, and we'll continue to work towards ensuring a proper business mix. and the business mix will also change as per the demand of the customers, demand of the market and the market situation also.

Moderator: We will conclude our question-and-answer session here. I now hand the conference over to Mr. Mohanty for closing comments.

Siddhartha Mohanty: So thank you, everyone, for your enthusiastic participation and insightful contributions to our discussion today. We are grateful for your continued support and look forward to our ongoing collaboration, driving growth, success and value for all our stakeholders. Thank you once again. Thanks a lot.

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