भारतीय जीवन बीमा निगम
LIFE INSURANCE CORPORATION OF INDIA

Ref. No.: LIC/SE/2024-25/172

Date: February 14, 2025

To

The Manager
Listing Department,
BSE Limited,
Phiroze Jeejeebhoy Tower,
Dalal Street,
Mumbai–400001
Scrip Code: 543526

The Manager
Listing Department,
National Stock Exchange of India Ltd.,
Exchange Plaza, 5th Floor, Plot C/1,
G Block, Bandra Kurla Complex,
Mumbai-400051
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, please find enclosed herewith the Transcript of Earnings Conference Call of Life Insurance Corporation of India ("the Corporation") with Analyst/Investors held on February 07, 2025.

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: 2025.02.14 17:13:09 +05'30'

(Anshul Kumar Singh)
Company Secretary & Compliance Officer

Encl.: a/a

“Life Insurance Corporation of India
Q3 FY’25 Earnings Conference Call”
February 07, 2025

MANAGEMENT:	**MR. SIDDHARTHA MOHANTY – CEO & MD – LIFE INSURANCE CORPORATION OF INDIA** **MR. R. DORAISWAMY – MANAGING DIRECTOR – LIFE INSURANCE CORPORATION OF INDIA** **MR. M. JAGANNATH – MANAGING DIRECTOR – LIFE INSURANCE CORPORATION OF INDIA** **MR. TABLESH PANDEY – MANAGING DIRECTOR – LIFE INSURANCE CORPORATION OF INDIA** **MR. SAT PAL BHANOO – MANAGING DIRECTOR – LIFE INSURANCE CORPORATION OF INDIA** **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 – LIFE INSURANCE CORPORATION OF INDIA** **MR. RATNAKAR PATNAIK – EXECUTIVE DIRECTOR, INVESTMENT FRONT OFFICE AND CHIEF INVESTMENT OFFICER – LIFE INSURANCE CORPORATION OF INDIA** **MR. K. SESHAGIRIDHAR – EXECUTIVE DIRECTOR, INVESTMENT-BACK OFFICE, INVESTMENT TEAM – LIFE INSURANCE CORPORATION OF INDIA** **MR. R. SUDHAKAR – EXECUTIVE DIRECTOR, MARKETING AND CHIEF MARKETING OFFICER – LIFE INSURANCE CORPORATION OF INDIA**

MR. HEMANT BUCH – EXECUTIVE DIRECTOR, MBAC – LIFE INSURANCE CORPORATION OF INDIA
MS. MANJU BAGGA – EXECUTIVE DIRECTOR, PENSION AND GROUP SCHEME – LIFE INSURANCE CORPORATION OF INDIA
MR. C.V. RAMANA – EXECUTIVE DIRECTOR – CUSTOMER RELATIONSHIP MANAGEMENT, POLICY SERVICING – LIFE INSURANCE CORPORATION OF INDIA
MR. SANJAY BAJAJ – HEAD INVESTOR RELATIONS – LIFE INSURANCE CORPORATION OF INDIA

Moderator: Ladies and gentlemen, good evening and welcome to the LIC's Q3 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 on your touchtone phone. Please note that this conference is being recorded. We have senior management of LIC led by Mr. Siddhartha Mohanty, CEO and MD on this call.

I now hand the conference over to Mr. Siddhartha 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 nine months period ended December 31st 2024.

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 from the Actuarial team, Mr. Sunil Agrawal, CFO from the Finance team, Mr. Ratnakar Patnaik, Executive Director (Investment-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), Mr. C. V. Ramana, Executive Director (CRM/Policy Servicing), and Mr. Sanjay Bajaj, Head (Investor Relations).

I would like to start by thanking each and every one of you for taking the time to join us on this investor call, despite the late evening hour on a Friday. We appreciate your interest in LIC's performance and your ongoing support.

Let me now mention the key business, operational and financial highlights for the nine months period ended December 31st, 2024.

Premium Income:

For the nine months ended December 31st, 2024 we have reported a Total Premium Income of INR 3,40,563 Crore as compared to total premium income of INR 3,22,776 Crore for the nine months ended December 31st, 2023 registering a growth of 5.51% on Year on Year basis. The Individual New Business Premium Income for nine months ended December 31st, 2024 was INR 42,441 Crore and for the corresponding nine months of last year it was INR 38,679 Crore thereby registering a growth of 9.73 % on Year on Year basis. Renewal Premium Income (Individual business) for nine months ended December 31st, 2024 was INR 1,78,975 Crore as compared to INR 1,71,040 Crore for nine months ended December 31st, 2023. Therefore, for the nine months period ended December 31st, 2024, our Total Individual Premium Income including renewals was INR 2,21,416 Crore as compared to INR 2,09,719 Crore for nine months period ended December 31st, 2023 registering a growth of 5.58 % on Year on Year basis.

The Group Business total premium income for nine months ended December 31st, 2024 was INR 1,19,147 Crore comprising of New Business Premium of INR 1,15,576 Crore. In comparison, for nine months ended December 31st, 2023 last year, the Group Business total premium income was INR 1,13,057 Crore and comprised of New Business Premium of INR 1,08,796 Crore. Therefore, for this nine months ending December 31st 2024, the Total Group Premium has increased by 5.39 % as compared to similar period of previous year.

Market Share:

Our market share by First Year Premium Income for nine months ended December 31st 2024 was 57.42% (as per IRDAI) as compared to 58.90% for the similar period ended December 31st, 2023. Once again, we have maintained our dominant position in the Indian life insurance market and continue to be the leader in both - Individual as well as Group business segments.

Now, if we bifurcate this overall market share of 57.42% into segment wise share of individual and group business, we would have a market share of 37.21% in Individual business and 71.70% in the group business for the nine months ended December 31st 2024. On a comparable basis for the nine months ended December 31st 2023, the respective market shares for Individual and Group business were 38.74% and 72.24%, respectively.

Break Up of Business on APE basis:

Total Annualized Premium Equivalent (APE) for nine months ended December 31st 2024 was INR 37,975 Crore which comprised of Individual APE of INR 24,612 Crore and Group APE of INR 13,363 Crore. Therefore, on APE basis, the individual business accounts for 64.81% and Group business accounts for 35.19%. Further, of the Individual APE, the Par business accounts for INR 17,799 Crore and Non Par amounts to INR 6,813 Crore. Therefore, our Non Par share of Individual APE is 27.68% and Par is 72.32% for nine months ended December 31st 2024. As you may recall, for the nine months period ended December 31st, 2023, our Non-Par share of total individual business, based on APE, stood at 14.04%. Since then, our Non-Par APE has increased substantially from INR 3,299 Crore to INR 6,813 Crore. This marks a significant year-on-year growth of 106.52% in Non-Par APE. As you will observe we are being extremely consistent in implementing our product mix strategy which includes shift towards Non Par business.

Profit After Tax:

The Profit after Tax (PAT) for the nine months ended December 31st 2024 was INR 29,138 Crore as compared to INR 26,913 Crore for nine months ended December 31st 2023 registering a growth of 8.27% on Year on Year basis.

VNB and VNB Margins:

Net VNB was INR 6,477 Crore for the nine months ended December 31st 2024 as compared to INR 5,938 Crore for the nine months ended December 31st 2023 registering a growth of 9.08% on Year on Year basis. Further, the net VNB margin was 17.1% for the nine months ended December 31st 2024 as compared to 16.6% for the nine months ended December 31st 2023 showing improvement by 50 basis points on a Year on Year basis.

Solvency Ratio:

The Solvency Ratio as on December 31st 2024 improved to 2.02 as against 1.93 on December 31st, 2023.

Assets Under Management (AUM):

Assets Under Management (AUM) as on December 31st 2024 was INR 54,77,651 Crore as compared to INR 49,66,371 Crore as on December 31st 2023. Therefore, our AUM has registered a growth of 10.29 % 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 38 products as of December 31st, 2024, which include 24 individual products, 8 group products, 5 individual riders and 1 group rider, all of which are fully compliant with the regulatory requirement related to Surrender Value and the IRDAI Master Circular on Life Insurance Products.

No. of Policies Sold :

During the nine months ended December 31st, 2024, we sold 1,17,10,505 new policies as compared to 1,25,56,046 new policies in nine months ended December 31st 2023, registering a decrease of 6.73% over the corresponding period of last year.

Agency Workforce:

As on December 31st 2024, the total number of agents was 14,19,480 as compared to 13,73,761 as on December 31st 2023. The market share by number of agents as on December 31st, 2024 stands at 47.40% as against 49.67% for December 31st 2023.

On number of policies sold basis, the agency force sold 1,13,56,466 policies during the nine months ended December 31st 2024 as compared to 1,21,15,643 policies during the corresponding period of last year registering a decrease of 6.27%. Further, approximately 97% of our policies in the nine months ended December 31st 2024 were sold by our Agency force. Even on premium basis, around 95% of New Business Premium came from our Agency channel in the first nine months of current financial year.

Contribution by Banca and Alternate Channel (BAC):

The Banca Channel collected New Business Premium Income of INR 1,451.64 Crore for the nine months ended December 31st 2024 and for the corresponding nine months of last year it was INR 1,106.12 Crore thereby registering a growth of 31.24% on Year on Year basis. Further, the Alternate Channel collected New Business Premium of INR 552.31 Crore for the nine months ended December 31st 2024 as compared to INR 422.94 Crore for nine months ended December 31st, 2023 registering a growth of 30.59% on Year on Year basis. Therefore, for the nine months ended December 31st 2024, total New Business Premium collected by Banca and Alternate Channel was INR 2,003.95 Crore which was INR 1,529.06 Crore for the nine months ended December 31st 2023 registering a growth of 31.06% on a Year on Year basis. With this the share of Banca and Alternate Channel by New Business Premium has increased to 4.73% for the nine months ended December 31st 2024 as compared to 3.96% for similar period last year. Further, the Banca and Alternate Channel sold 3,47,766 policies for the nine months ended December 31st 2024 as against 4,36,006 policies for nine months ended December 31st 2023 registering decline of 20.24% on Year on Year basis.

Our Overall Expense Ratio:

For the nine months ended December 31st 2024, the overall expense ratio was 12.97% as compared to 15.28% for the first nine months of last year. Therefore, there is decrease of 231 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 December 31st, 2024 stands at 76.66%, 71.67%, 67.10%, 63.39% and 61.84%, respectively, as compared to 78.00%, 71.92%, 67.28%, 64.92% and 62.40%, respectively upto the quarter ended December 31st 2023.

On number of policies basis, the persistency for 13th, 25th, 37th, 49th and 61st month, upto the quarter ended December 31st 2024 stands at 67.47%*, 60.10%, 53.84%, 51.17% and 49.22%, respectively, as compared to 67.22%, 58.59%, 54.80%, 52.01% and 50.23%, respectively, upto the quarter ended December 31st 2023.

We are committed in our ongoing efforts to keep improving persistency across all cohorts.

Operational efficiency and Digital Progress:

In our digital initiative through the Agent assisted ANANDA app, we have completed 9,72,504 policies through this App during the nine months ended December 31st 2024 as compared to 7,84,856 policies for the period ended December 31st 2023 thereby registering a growth of 23.91% on Year on Year basis. There was a growth of 27.36% in number of active agents in ANANDA app for nine months ended December 31st 2024.

** Erratum: to be read as “66.47%”*

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 progressing well. These initiatives are aimed at driving digital transformation, enhancing customer experience and agency transformation. We are confident that these initiatives will have a significant impact on our business and help us to improve operations.

Claims:

On the individual claims front, during nine months ended December 31st 2024, we have processed 1,45,92,285 number of claims which includes 1,39,70,059 Maturity and Survival Benefit claims. On an amount basis during first nine months ended December 31st 2024, the total maturity claims were INR 1,47,739 Crore and the total death claims were INR 17,588 Crores. On a comparable basis for first nine months of last year ended December 31st 2023, the maturity claims were INR 1,30,222 Crore and death claims were INR 16,288 Crore. Therefore, the death claims are higher by 7.98 % and the maturity claims are higher by 13.45 % on a Year on Year basis.

New Marketing initiatives – Empowering Women through Bima Sakhi Yojana:

Bima Sakhi Yojana or Mahila Career Agent Scheme was launched by Hon'ble Prime Minister on 9th Dec 2024 which is a step towards Viksit Bharat through empowerment of women. LIC is proud to be associated in the nation's progress by including women as partners by providing them with opportunity of becoming Bima Sakhi and thus becoming self-reliant. The Bima Sakhi scheme has been received by the nation with great enthusiasm. Till date more than 1,25,000 women have been registered out of which more than 70,000 Bima Sakhis have been appointed.

Awards and Accolades:

The list of awards won during nine months ended Dec 31st 2024 is presented on Slide No. 61 of the Investor presentation which signify that LIC is a customer-centric and innovative organization that is committed to excellence in all aspects of its business. It also acknowledges LIC's outstanding performance in the life insurance industry, demonstrating its ability to deliver exceptional results and achieve its goals.

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

1) PAT has registered a growth of 8.27% on a Year on Year basis to INR 29,138 Crore.
2) Our overall APE growth is 6.11% on a Year on Year basis. This represents strong underlying secular growth in both Individual and Group Business.
3) Our Non Par share of Individual APE business has further grown to 27.68% for nine months ended December 31st, 2024 as compared to 14.04% of the same period for previous year.
4) VNB has also increased by 9.08% on a Year on Year basis for first nine months of FY25.

5) VNB margin has shown a positive bias, with a 50 basis points increase to 17.1% for nine months ended December 31st, 2024.
6) AUM has increased by INR 5,11,280 Crore as on December 31st 2024 registering a growth of 10.29 % on a Year on Year basis.
7) While maintaining growth in all parameters we have kept a focus on costs and as you can see the Overall expense ratio is down by 231 basis points to 12.97% for nine months ended December 31st, 2024.
8) Our agency is growing in numbers and now stands at 14.19 lakh as at end of December 31st, 2024 increasing by approximately 3.33% Year on Year.

Now, I would like to end by stating that:

"Our results demonstrate the resilience and adaptability of our organization, as we continue to navigate the evolving landscape of the life insurance industry. As we look ahead to the remainder of FY25, we are cautiously optimistic about our prospects. We expect the life insurance industry to continue growing, driven by increasing awareness and demand for insurance products. We are well-positioned to leverage this growth, with our strong brand, extensive distribution network, and innovative products."

So thank you, friends. Now we are open to questions.

Moderator: Thank you very much. Our first question comes from the line of Avinash Singh from Emkay Global Financial Services. Please go ahead.

Avinash Singh: Two questions. The first one is on margin. And here, I am looking how the margins were at first half vis-à-vis how they have gone to 9 months. Now between first half to 9 months, if I were to look, if at all the bond yields have softened may be by 10, 15 basis points, and you also had this new surrender value regulations implementation.

Now in this backdrop, we get the par margins, if I just try to take out Q3 has gone up from, say, 10% in first half to 13% for the quarter, taking the cumulative margin to 10.8%, so this 13% for par. Similarly on the non-par also, these are just marginal uptick.

Now this despite the bond is softening and surrender regulation implementation. So what had been the kind of underlying drivers? I mean, how did you have you kind of a change in a way you pay out the distribution commissions? Or you have dramatically changed the benefits in your products? What had changed that has kind of driven this margin improvement despite the bond yields going down on this implementation of new surrender value regulation? So that's question one.

And question number two is now on your non-par savings, particularly the non-par saving, not ULIP or not annuity, non-par saving, the regular non-par guaranteed saving product, now that is a reasonably big number even for your balance sheet of your size. Now your individual non-par APE is INR 3,000 to INR 3,100 crores for the 9 months, almost like up 120%.

Now can you please help us, how are you now hedging the -- your -- this guaranteed risk? Have you kind of started entering into FRA agreement or something else? Because now this number has become pretty, pretty big. I mean until last year, these numbers were kind of manageable in the balance side -- balance sheet size of yours, but now this is becoming bigger and bigger. So have you already started kind of entering into FRA agreement and all? How are you hedging this kind of interest rate risk in this guarantee product? These are my 2 questions.

Dinesh Pant: Yes. Good evening. Dinesh Pant, here. To your first question on margin maintenance, see, there are 2, 3 things which are very critical here that post 1st October 2024 when we have to implement Product Regulations. As we all know, the surrender value methodology as well as the payouts have changed, and that would have had an impact on the viability of the product, of course, on the margins also.

So from that point of view, we did some critical changes in our products and since we mentioned about participating products. Besides the point of ensuring that we should be compliant to the regulation, the ultimate focus was the profitability of the product as well as the persistency of the products to be ensured going forward. So certain changes were done.

We had a revision in premium rates in some of the products, depending upon -- not all the products. Some of the products which are already having good margins, there, we did not change. But in many of other products, we had a revisit to the premium rate.

Second important change that we did was that products which were showing less worth, I would say, or reducing impact on the persistency, we revised their minimum ticket sizes because we clearly know that based on the ticket size, the experience of persistency changes. So that also changed so that the expected behaviour post surrender should not cause us a dent.

And then thirdly, the age bands at which we are going to provide these products was also relooked. So all these things ensured that the margins, despite of the interest rate to our RFR changing to other direction, are protected and the experience of persistency, which comes out of the product because that is directly related to the ticket size and the premium also. Besides that the mode of payments also they controlled in which ways we were seeing that the persistency experience is not good. So all of that ensured that.

And -- but beyond that, what we did in the participating. As you would have seen, from around 14.04% or so to 27%-plus. This mix of business has also played a very important factor. It is not that the margin of every line of business or every product within the non-par ones would have increased. But it has been a combination of the product mix, means the greater proportion of the non-participating business as you know, the margins is in non-participating products are better. So both these things have all played a role in participating by the revisit to the design of the product. And in overall, when we moved from 16.6% to 17.1%, that has been because of the change in portion of the overall business. So that was the first part.

As regards the second part on the derivative, I am happy to share with you that all -- since we have been telling and sharing this information, that our policies arrangement as regard to the derivative readiness were in place. And this month, we have already started the journey of entering into FRA. And we expect to start this in a good manner within this financial year and definitely going forward.

So we are already onboarded to the derivative provisioning. And we also look forward to utilizing the new announcements, which have come in RBI policy today on the bond forward also. So definitely, we are going to utilize these opportunities, and we are ready and we have started on that journey. I hope that answers you.

Avinash Singh: Just a follow-up on the first part, that if I heard you correctly, because you have kind of pruned your portfolio to sort of -- in terms of ticket sizes in band and all to sort of have a better persistency experience, that means that you are saying that, I mean, your operating assumption in terms of persistency for the policies sold after 1st October is improved versus what it was earlier? I mean you are now assuming a better persistency. That's one.

The second, again, given that how the numbers are coming, I mean, of course, you are a market leader by a wide margin. But in individual side, you have been losing markets share. And if you were to -- or rather you have cut the policyholder benefit or revised premium rates upward, don't you see that will further kind of continue to affect your market share or growth in retail business?

Dinesh Pant: You rightly mentioned, actually, there are certain aspects which we have to definitely balance in order to ensure that the profitability is maintained. But the appeal to the product is also retained. And beyond that, the third element of distributors' interest. So that's another element, which I'd liked to add when I was answering the first part of it. The realignment of the commission rates was also done along with those changes.

Now the intent for these changes was definitely not to increase the margin, but to ensure that the margins are not hit as well as the experience. Now currently, when we have calculated this margin, what we have considered is that that's why it's not a huge jump. And another important point is that the premium rates have not been significantly changed. They are very range-bound. And as I said in my first response, not in all products. So wherever the correction was required, they're only for that.

So as of now, everybody would know that it's very difficult to predict what would be the experience of surrender. But what was very clear that the payouts will be higher even at the given rate of surrender or withdrawals happening. So what we are trying to -- we are trying to protect those aspects, realign the commission, realign premium rates. We are very conscious about this fact that we have to ensure that not only VNB margins are protected, but VNB as well as value for the customer is very paramount.

So going forward, if this premium rate -- since you mentioned our participating products because -- just because surrender value, provisions have increased does not mean customers will start surrendering more policies now. Only possibly, they may feel more safe. They may find more liquidity in these policies, and they may get more attracted towards this policy.

Should that be the case and should that happen, it will actually -- going forward, in a year or 2, we'll get to the actual behavior. And should it help that continuity of better persistency? Possibly. There is a scope for review into the bonus rate which will be given.

So our ultimate purpose is that this should be a win-win proposition in which neither the customer should lose out, neither the investors who are invested into the insurance company should lose out. So it's a very -- very, very tight, but very critical journey that we have undertaken. In that process, we have tried to engage with our distributing -- distributors also so that there's a proper expectation.

That's why the alignment of the incentives to the distribution force has also been done so that the behavior is driven towards higher persistency, which is definitely higher persistency and continuity means better value for the customer as well as for the agency force because longer the policy survives, longer is the payout period for the commissions. So that is the overall strategy in this context.

Moderator: The next question comes from the line of Supratim Datta from Ambit.

Supratim Datta: My first question is -- so -- since the IPO, we have been talking about initiatives to improve persistency. And I know again, in this quarter, post the surrender charge regulations, we have made changes to our policies. But when I look at the 9-month data and when I look-- the persistency has come off or has declined as compared to what was there last year.

So just wanted to understand, despite these initiatives, why isn't it really getting reflected in the numbers? I understand that the surrender impact -- the changes that you have made will come in later. But over the last 2 years also, we have made several changes. Despite that, that does not flowing into an improvement on persistency. Just wanted to hear your thoughts on that.

Two, on the hedging mechanism, I understand that you have put in place a hedging mechanism from January onwards. But would that take into consideration -- or would that take care of the rate cut that happened today? Or will it have an adverse impact on the policy or -- the VNB margins of the non-par products, which has already been written? So if you could throw some color there, given I understand you did not have external hedging before this that's why I wanted some color on that. So those are my 2 questions.

Dinesh Pant: Yes. On the first part, on the persistency, you're right that there's a dip in the persistency as observed, except for the 25th month where there's still an improvement. But you would have seen that in the past quarter, there has been a definite improvement. And we have been very concious about it, and therefore, very quick revisit and modification products that happened.

And then what we deducted that in some of the products where the lower ticket sizes were existed. Actually, there was -- the persistency experience was significantly different as compared to the overall portfolio, and there was some heavy business over there. That is a reason, in those products, in this recent revision, we have increased the ticket size to the level where it remains affordable, where it remains available to the customer, but the persistency experience can be in line with what we are attempting.

As to the part -- the second part on hedging, you will appreciate that when we calculate VNB margins actually, the hedging does not play any significant role. It is basically on the sensitivities around VNB where the hedging comes into play. So going forward and hedging is -- actually, we cannot control the market rate. We have no options there.

So -- but the control on the profitability or the value of the product is not just based on hedging. Should we find that the level of available opportunities even for hedging in the market are not aligned to the pricing, then there's no option but to look into the pricing itself.

So it will be a combination of sustainability of the pricing assumption coming, and that's why the opportunities are available in the financial market or derivative market as it be, or otherwise, as a relook or come out with them, possibly other opportunities should be, looking towards such lines of businesses, greater progress during those times or downtime in interest rate scenarios where the sensitivity may not be high, for example, products like ULIPs or participating, where you can actually utilize more of equity exposure to be able to manage your discretionary benefit. So it is going to be definitely a dynamic situation, and that we should be working.

Supratim Datta: Got it. Sir, I just wanted to understand then what would be -- is there a target proportion that we would like to hedge? Or how are we approaching that? In all, we would look at it based on the rates available in the market based on that, we'll design our hedging strategy every month or every quarter?

Dinesh Pant: See, we are guided by the regulations in this regard. So our entire exposure is available as a cash flow. And the challenge in hedging strategies also because it is not only for -- though it is allowed for the current cash flow, but you have to do business to get return in the future also.

So the hedging strategy by itself cannot be the solution for everything. It will have to be continuous combination of what is available in the hedging. Again, if you foresee that the interest rates are going to go down, you'll have to continue to book the derivative whatever is available because it's not again your choice.

But then you have to, again, as I was mentioning earlier, look into whether that hedging solution is in sync with your pricing rate. Should it not be the case, the revisit to pricing or restructuring of products will be there. So it is going to be a combination of both those things, which we are going to be operating here.

Supratim Datta: Just one last question. There have been news articles on open architecture in agency. Just wanted your thoughts on that given agency accounts for around 98% of your new business premiums -- individual new business premiums. If open architecture is implemented in agency, then how does that change your current training regimes or how you recruit agents and develop them? If you could throw some light there, that would be very helpful.

Siddhartha Mohanty: We have earlier made our position very, very clear. Open architecture to LIC is not a good idea because to develop any captive distribution channel, it takes a lot of time, energy, cost, everything. So if you allow suddenly your captive agency channel to work for others.

So if you see overall growth of the industry will also be impacted because if one agent works for all other companies, so companies themselves, they may not be interested to recruit because recruitment and training it involves a lot of cost. So we have made our position very clear.

And even if it is implemented, we are ready because you see our agency profession is almost like a full-time job. Agents do not get only commission they get all other things like gratuity, group insurance, then advances are there, they are entitled for loans for vehicle, loans for housing, so many benefits they are entitled. So if it comes, then all these things LIC will have to have a recalibrated approach to enter agency model as it works today.

Moderator: The next question comes from the line of Gaurav Jain from ICICI Prudential Mutual Fund.

Gaurav Jain: Congratulations to the team on being able to demonstrate a consistent shift towards high margin on products. Sir, few questions from my side. One is sir in -- today, the monthly numbers also came out. And there also we have seen some decline in APE. So what are the steps that we are taking to arrest this APE decline and get back on the APE -- individual APE growth trajectory again? That is my first question.

R. Sudhakar: This is Sudhakar, ED Marketing. The APE is a function of the product mix which is being sold. So after the product revisions which were done in October, it takes some time for the agents to understand the products, understand the differences of the benefits which have been added. So it's only a temporary kind of, I would say, in fact and already by now, we are back on track on that.

Dinesh Pant: And I would just like to add to that beyond see -- the press release that you have mentioned that we have got certain new products. We have added more products, almost 50 products, including riders by now, which have been there. And we have filed more products also, which are subject to consideration -- which are under consideration. So that's a continuous strategy to add to the product line so that more and more needs for the customers and the distribution and marketing force are met with.

So coupled with now better understanding about why these decisions have been taken better -- and ULIP supported with wider range of products, more products added now and more products to be added in this quarter and beyond, some of which are going to be very innovative products also. We expect that the trajectory of growth which was there earlier, and in fact, even better will come back soon -- very soon.

Gaurav Jain: Got it. Sir, just one more question from my side. I understand we give, sir, EV on a half yearly basis. But given equity markets have been volatile, will it be possible to give us some direction on how EV have moved on this December 24 quarter, sir?

K. R. Ashok: Actually, we have not been disclosing the Embedded Value on a quarterly basis. We have been doing it on a half yearly basis only. And we'll -- on the frequency, we will have a relook at it. But for the current quarter, we are not disclosing this.

Gaurav Jain: Got it, sir. It will be helpful if you consider giving it on a quarterly business going forward, sir, and you have said that you'll be looking at it, and that will be helpful. Congratulations once again.

Moderator: The next question comes from the line of Dipanjan Ghosh from Citi. Please go ahead.

Dipanjan Ghosh: Just a few questions from my side. First is, did you mention on the persistency part and that in the new product regime, given that you have kind of changed some of the cohort selections in terms of ticket size and age, and you expect the surrender incremental to do better? So I just wanted to understand when you're kind of calculating the margin number are you -- have you kind of changed any of the assumptions? Or are you building better assumption from this new product that have been launched since October? So that is my first question.

Second question is -- can I mention that you don't -- you're not giving out the Embedded Value number for December. But since we get the public disclosures with a lag, can you just mention the balance sheet data for the credit and debit in Fair Value Change Account? Is that possible?

And third question is, when you look at the ticket size of your individual new business, across the board, whether it's non-par, par, we have seen a significant jump compared to historical averages. So is this what you're referring to the kind of focus on higher-ticket cohorts? Those are my 3 questions.

Dinesh Pant: Yes. Definitely. See, the ticket size -- to the first part, which we're asking about whether we have factored in better persistency, not exactly. We are not testing anything, which is overpromising from the current level. Should we do it, we'll disclose it. But yes, we continue to keep revisiting our assumption based on the experience that -- and the trends which are available with us.

So currently, we have not factored in any better persistency expectation. As I mentioned earlier also, we will try to see that. But the impact of -- and also noting that the reference rate, the risk-free rates have gone down. So the VNB margins are -- despite of that, because they were on the lowering direction. So there is actually around 2.1% or so negative impact of that.

But the business mix, as I mentioned, added around 2.4%, which is a part of disclosure; and slight addition coming from operating assumptions, which is on count of mortality actually, yes, yes, and not based on the current assumption. Therefore, what we are thinking and confident about is that we -- with this better remodifications in this product and hoping that and believing that with this ticket size, the actual withdrawal rate should not be higher, but we would like to observe it over a period of time.

So currently, these margins are basically on account of revised premiums, which have been there, better ticket size which is there, only factoring to the extent that it will not give us worse experience than currently, not adding any better experience on that count, factoring in the risk-free rate downside. And -- but also, as I mentioned earlier, largely because of the ability to change the product mix. All this has been added together, and this is the outcome of it.

Dinesh Pant: I hope that answered.

Dipanjan Ghosh: Yes. And the question on the balance sheet data, if that's possible?

Sunil Agrawal: Fair Value Change Account for the policy holder as on 31st December in the balance sheet is INR 7,06,449 crores and shareholders is INR 1,387** crores.

Dipanjan Ghosh: Got it, sir. Sir, I can just squeeze in one small question, and this is not for the quarter, but more for medium term. We have seen the VNB being supported by margin expansion over the last maybe 12 to 18 months. Even when the APE has seen some sort of pain or kind of slower momentum -- sorry, have better momentum.

** *Erratum: to be read as "-80.17 crores"*

Even when APE has been kind of weaker, we have seen VNB margin expansion from, let's say, the IPO time having supported the VNB. Now you're already operating at a decent non-par. Maybe it goes up another 5%, 10%. So once you achieve a steady-state margin, post that, I think VNB group naturally becomes a function of the APE. And that has been kind of a little bit lower than the private industry for some time now.

So directionally, how should one think of medium-term growth for a company of your size and scale, and also keeping in mind the competitive pressure out there?

Dinesh Pant: I take your point, but our view is that from here going forward, there's a scope and there's definite, as we have mentioned also. We look forward to the business mix because even then the VNB margin is improving, there are certain aspects within the line of businesses on the segment. The way is possible and will be done. So based on that, we are looking forward to a consolidation and improvement in VNB margin. So definitely, going forward, it is going to be better than this. So there's an uptick in the VNB margin itself.

And I agree that VNB margin alone is not going to be sufficient for the directional change towards VNB. So that is the reason what we are trying -- the consideration is that number of days should grow and the ticket size should grow. So that will lead to better APE. And there is sort of communication there with the distribution channel coupled with the improved VNB margins shall lead us to the VNB direction.

And what you mentioned is partially true. Over last many quarters, actually, we have shown significant APE growth. In fact, last quarter was almost -- September quarter of 24% or so. So our VNB journey, which has been very satisfying, continues on base of both the things VNB margins, not only on VNB margin, along with the focus on the APE. So both these continue to be the focus here.

Dipanjan Ghosh: Got it. Sir, any plans to recoup the group business? I mean there have been some sort of market share moderation in 1 or 2 years?

Dinesh Pant: Growth -- we are actually very heavy on the funded-based business, but we have recently changed a lot of focus towards the risk portion OYTA scheme, which are there OYRGTA scheme. And we are trying to consolidate there, in fact, I think now about INR 3,000 crores of premium or so – INR 2,000 crores around the premium, is coming from and that's a significant thing.

And within group also and within funded also, with a significant portion of annuity also, which can be a good margin business. So within group, it gives good top line as well as -- if not in margin terms but in VNB terms, it's a good contributor. So we will continue to remain focused on group also.

Moderator: The next question comes from the line of Sanketh Godha from Avendus Spark.

Sanketh Godha: Sir, your non-par margin, if I see last year, it was 60 percentage. Today, it is 44.3 percentage. So just wanted to understand if hedging been incorporated incrementally because -- then what likely impact you will see on the margin because of hedging cost incrementally getting incorporated?

And second, is it fair to say that 60 percentage drop falling to -- 60% margin falling to 44% is predominantly because in non-par, ULIP contribution went up? Or at the product level, the margins have compressed? That's my first question, sir.

K. R. Ashok: As regards to the first question, actually, the hedging will not have the impact on margins, but it will have impact on the sensitivity. And any hedging effect will flow through to the IEV. The reason because the hedging is allowed only for the existing business and not for the business that is procured.

Coming to the second part on margins. Actually, if you look at the walk-on margins, there is sort of a balancing -- tight balancing that is happening. One is pushing the margin south due to the fall in the risk free rate, and that is more than sufficiently balanced by the business mix, greater movement towards non-par products, which has higher margins. So actually, going forward, we are focusing on the business mix which we feel is a driver for the margins.

Sanketh Godha: Sir, my question was more related to only non-par because non-par margin last year, we ended at 60%. Today, it is at 44.3%. Sir, just wanted to understand this 16% correction in the margin. Is it because of the higher ULIP contribution? Or is it because you made products more attractive to the consumers?

Dinesh Pant: You're right, the combination of both those things. One is ULIP, definitely, as you know, is not heavy-margin business as well as some of the annuity products there also the margin because of the -- our risk-free rates coming down has compressed, so largely because of these 2 things. And we have seen heavy growth and significant growth in non-par saving in the last year.

We have a decent growth this year also. So the combination of those things are largely because significant growth has happened in ULIP business. So that has brought down the margins to that extent, which has been more than compensated by actually growth in the non-par business itself.

So that's going to be a strategy. See, we will -- we can never focus on margin alone because marketability of the product is also going to be a very critical factor. So this rebalancing on -- because ultimate aim is to get the best outcome in the product of margin and the volume is going to be the consideration. So that is what we have been able to achieve and that will continue to be the strategy going forward in any competitive market.

Sanketh Godha: Got it, sir. Sir, second thing was that, is it fair to tell that to your agents focusing more on non-par has indirectly had a negative bearing on the par business? And that segment is seeing struggle to grow -- or are we struggling to grow rather while -- at the expense of non-par? So at what time you will see that a par business will plateau out and we will see incremental growth coming in?

Dinesh Pant: We cannot exactly say that because of non-par business only. The business impact happened because of many reasons, as we know, agents getting focused. And there has been like dip in the number of agency force also. That's one of the factors. But we cannot say because of non-par -- it does happen at times that when your agents are focused on particular line of business to the same clients at the same point of time, the other product may not be available. And they may go back in the next year and sell the par policies.

We are not pushing any agent to sell par or non-par. The corporation drive happens to be that the product sales should always happen from the need point of view for the customer. But we realize that as long as we are producing par products only, and we felt that the bandwidth and the options for the customers have to be increased. So consciously, until this point of time, we have introduced non-par products only since IPO.

Going forward, we'll continue to -- we have tried to bring about a mix of both lines of businesses and offer more options to the customer. So yes, that's the point that there is a reduction in the par growth, but that could also happen because there -- earlier, the options were only within the par segment. Now those same customers have options within non-par. So they may -- they are favoring selection non-par products, which offer guarantees to them in this...

Sanketh Godha: Got it, sir. Sir, on par business, the higher profit sharing, which we'll see from the current year, is already incorporated in our VNB margin?

Dinesh Pant: Yes, yes.

Dinesh Pant: Yes, yes, yes. For the business which is being done now, that is already being incorporated.

Sanketh Godha: And at overall company level only because of higher profit sharing, how much delta bps we have seen in margin expansion because of higher profit sharing coming from par business?

Dinesh Pant: I don't think that's a very significant amount because largely it is coming. It is almost 1/3 or 30% of contribution is coming from the par business only. So largely, it is -- that will be a very small amount, not a very significant amount because whatever is coming only that 5% was -- 7.5% was already there. So it is a move from 7.5% to 10% in this particular year. But that...

Sanketh Godha: Got it. And lastly, sir, I need to give the breakup, if you can give individual annuity business. Just I wanted to understand the product feature, how much is deferred, how much is immediate and how much is regular say for us in annuity product segment as such?

Dinesh Pant: Currently, we are declining on a line of business-wise thing we are not declaring product-wise, because that is something we want to leave to us to decide as and when the requirement is there for the overall business point of view.

Sanketh Godha: But do we have a regular, say, deferred annuity plan?

Dinesh Pant: No. What is that?

Management: Deferred annuity plan...

Dinesh Pant: No. We have got a deferred annuity plan, which is up to 5 years, deferment is allowed. Earlier, we had this offering up to 15 years and 12 years, then in the revised the setup of the regulation, because surrender value factor, we had to revisit it. And we have got our product Jeevan Shanti, latest Jeevan Shanti where the deferment period up from 1 year, 2 year, 3 years up to 5 years is available besides our regular immediate annuity plan.

Sanketh Godha: Is it deferred single premium plan, right, sir?

Dinesh Pant: Yes, yes, yes. We have to have regular premium plan also prior to 1st October 2024. There are certain challenges -- in that there were challenges. So as of now, we have withdrawn that product Jeevan Dhara. Now we are relooking into invert form and with work modifications we can bring a similar structure because that has become very popular in a very short period of time. So we are working on that design also.

Moderator: Next question comes from Nischint Chawathe from Kotak Institutional Equities.

Nischint Chawathe: I had in my head the same aspect of essentially the cost of hedging. And what you mentioned is that it's kind of -- will go through the EV walk. So can you give any sense in terms of what kind of a quantum or what kind of impact would it have out there?

K.R. Ashok: So it is too early to give an impact. As I've already said, the impact will be visible only in the sensitivity numbers which we will be reporting. And firstly it will not directly impact the VNB margins and because any hedging effect will flow through into the IEV movement. So we have just started. So firstly, we'll be able to -- depending upon how the market moves, how we'll be able to – give an impact when we report the next quarter for annual report.

Nischint Chawathe: Sure. The other thing is on the individual non-par side, your growth was around high since level in the third quarter. We have been growing somewhere in triple digits still like the last quarter. So do you sort of say that this now kind of plateaued out and the gap between non-par and par, maybe as you said, you sort of -- you start pushing for par as well at some point of time, will gradually start reducing?

Dinesh Pant: Frankly, speaking in the last quarter of the last year, we have introduced a product our Jeevan Utsav took off very significantly. It contributed significantly. For a large portion of this quarter, in fact, quarter pertaining to this, we have been very busy in ensuring that we are able to seamlessly launch our products and coverages in -- that is a very challenging task for us. Time frames were there, within which we have to launch all those products.

Now that we have done with them, as I mentioned earlier also, we are focusing on coming up with more variety of the products which are compliant and which cater to different markets. So -- going forward, I think we are looking forward to adding more products to the available basket. So that -- and in fact, some of them, as I mentioned, we are going to very lifestyle-synchronized products.

And as you know, saving product, even now, we have to -- it's not under use and file systems. Still it is under file and use. So we have filed certain design, and we are seeking for guidance and approval. Once they come, I think it will add to the bandwidth of available products, and agents will get more opportunities to sell and cross-sell products to existing and new customers.

Nischint Chawathe: So fair to say that this probably grows at a much faster pace than the par business, but maybe the low-hanging fruit and the triple-digit growth is not something that one may think of. I think is that a fair reading?

Dinesh Pant: Is didn't get your question?

Nischint Chawathe: So the point I'm trying to say is that on the individual non-par side, is it fair to say that this probably grow at a much faster pace than the par business? But the low-hanging fruit of low base and triple-digit growth is something which is probably behind us?

Dinesh Pant: No. No, it is never something like low-hanging fruits only because when we introduced the product it was not a low hanging fruit, a lot of effort has to happened for that thing. And we are still working on many innovative designs. And our -- as I mentioned, we are very occupied with handling what was available at that point of time.

We are again back to our -- what I should say the business for trying to innovate. And I'm very sure that we can launch more blockbuster products in the times to come. And the -- it may not -- definitely, the 100% growth may not be possible as you reach but still a very decent growth. I still feel while we can say the mix has changed, but we see a lot of opportunity to grow in non-par segment as well as par segment, and we'll continue to work towards that.

Nischint Chawathe: Sure. And just one final very broad question also. On the Insurance Act, what are your expectations actually from the government?

Dinesh Pant: I think what we expect from the government, we would like to share it with the government only and not the media as we say. And we are very sanguine and confident that the government is -- the government and the entire infrastructure is working towards ensuring insurance for all. And that is proper alignment there. We will -- as and when we get an opportunity, we communicate with them. And those things will be taken care of.

Moderator: The next question comes from Mohit Mangal from Centrum.

Mohit Mangal: So my first question is that in terms of the number of policies sold by BANCA and Alternate Channels have declined around 20% Y-o-Y. So what could be the reason for that?

Hemant Buch: This is Hemant Buch here. In fact, we have done well, and we continue to do well on the premium side. But up to quarter 2, in fact recently, flattish in terms of number of sales. Particularly Q3, once the product line changed, the ticket grew, and it could sometimes for the participants to adjust to the new environment. So we have taken it before meeting in Q3. And the numbers have -- come down little sharply as you can see.

But towards end of quarter 3, there is an uptick for the month of December it was good. And I think the uptick continues thereafter as well. So hopefully, we should continue to do well in Q4 as well and close the year in fact on a positive note.

Particularly the number get under pressure from the MFI side with a lot of stress there in the MFI sector and participant institutional agencies on the micro side. There has been some sort of issues, kind of pressure sharp kind of a decline in the number of sales but lot of repair work has been done. And we are quite hopeful and confident that by the time we close the year, we should come up with a reasonable number and maybe even managing a splendid growth also if possible. But keeping fingers crossed right now.

Mohit Mangal: Understood, understood. Sir, one more thing was in terms of the BANCA. I mean we saw that the individual NBP source for the BANCA has grown around 30%, 31%. And we have good 90/95 bancassurance partners. So just wanted to know since a top 3 or top 5, do you have a dominant share? Or is it kind of evenly distributed among the bancassurance partnership?

Hemant Buch: 90/95 of course is ,in fact, number-wise that it looks quite big because there are multiple kind of more cooperative and regional rural bank also who figure into the list of participants. But if you look at the overall list of some major public sector banks and few private sector banks, these are the ones which are in fact dominant partners here.

Of course, top 3 are in the size of weightage, but at the same time, we are systematically expanding in to the footprint by involving in with other partners as well. And it is likely to be a more holistic kind of an approach not only for the year but going forward as well.

Mohit Mangal: Understood. Sir, my last question is towards the commission ratio. I mean we have seen kind of a decline. And I just wanted to know, I mean, is it kind of sustainable? Or do you think that even commission ratio will come back to normal, considering that we are hoping for a higher growth kind of thing over the next few quarters? So how do you see these commission ratios, say, over the next 3 to 4 quarters?

Dinesh Pant: So one thing I would like to clarify that while we would like the commissions to be reasonable in the interest of the policy holder, we are not happy when the commission payouts are less. We -- it is only largely a function of the business mix. In a business mix because you would already know that a lot of single premium business is heavy in case of our business.

So there, commission rates are low, lower as compared to -- but if you're lower in the sense of percentages, but in the sense of volume, overall single premium, they are significantly high. And we will -- but the other interesting thing to be seen is possibly when commission rate would look lower but because we have now back-loaded those commission rates, so renewal commission rates going forward will be slightly higher than what we are seeing now.

So it will balance out. We do not want to underpay commissions. We want to pay a right sort of the commission. And so we are very happy to increase the commission payouts with the proportionate increase in business.

Moderator: Ladies and gentlemen, we would take that as a last question for today. I now hand the conference over to Mr. Mohanty for closing comments.

Siddhartha Mohanty: So thank you, friends, for your active participation and the engaging discussion. We appreciate your ongoing support and look forward to continuing to work together to drive growth and the success for all our stakeholders. Thank you. All the best.

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