"Life Insurance Corporation of India (LIC) H1 FY23 Earnings Conference Call"

November 14, 2022

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Moderator: Ladies and Gentlemen, Good day and welcome to the LIC Earnings Conference Call H1 FY2022-23. We have senior management of LIC led by Mr. M R Kumar – Chairman on this call. Before we hand over the call to LIC management.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

We now request the management of LIC to start the call and I now hand over the conference over to Chairman of LIC Shri. M R Kumar for starting the call. Thank you and over to you Chairman LIC.

M R Kumar: Good morning, everyone. I am M.R. Kumar, Chairperson LIC.

On behalf of the senior management team, I warmly welcome you all to the results update call of Life Insurance Corporation for the second quarter and half year ended September 30th, 2022.The results and a presentation can be accessed on our website and on websites of both the stock exchanges, BSE and NSE.

Along with me, I have our four Managing Directors, Mr. Raj Kumar, Mr. Siddhartha Mohanty, Ms. Mini Ipe and Mr. B.C. Patnaik. Senior officials of the Corporation present on this call are Mr. S.M. Jain, Executive Director (Finance & Accounts) and Mr. Sunil Agrawal, CFO from the finance team, Mr. Dinesh Pant, Appointed Actuary & Executive Director and Mr. K.R. Ashok, Executive Director from our Actuarial team, Mr. P R Mishra, Executive Director (Investment -Front office & CIO) and Mr R K Jha, Executive Director (Investment – Back Office) from the Investment team, Mr. R. Sudhakar, Executive Director (Marketing) and Mr. Hemant Buch, Addl Executive Director (Marketing-Bancassurance & Alternate Channel) from our Marketing team, Ms Anju Bala Purushottam, Executive Director (CRM/Claims) and Ms Rachna Khare, Executive Director (CRM/Policy Servicing) from our CRM team, Mrs. Manju Bagga, Executive Director (Pension & Group Schemes) and Mr. Sanjay Bajaj, Head (Investor Relations).

Before I provide an overview and detailed highlights of our performance for the half year ended September 30th 2022, H1FY23, I would like to inform two important points to all investors and analysts who have gathered on this call.

FIRST that starting now, we will be able to present all data on a comparable basis with previous year time period.

SECOND that as we had mentioned in our July 15th analyst call, we will be presenting to the markets, our Indian Embedded Value (IEV) this time along with the results and I reiterate that going forward we shall be disclosing the IEV twice a year both as at March 31st and September 30th every year along with our financial results.

Now moving to the key business, operational and financial highlights for the first half of the financial year 2022 -23.

For the half year ended September 30th, 2022 we have reported a Total Premium Income of INR 2,30,456 crore showing a growth of 23.87% over the corresponding period of last year, i.e. September 30th, 2021. The Individual New Business Premium Income for H1FY23 is INR 24,535 crore and for H1FY22 it was INR 21,964 crore. Renewal Premium Income (Individual business) for H1FY23 is INR 1,03,203 crore as compared to INR 97,793 crore for H1FY22. The Group Business premium income for H1FY23 is INR 1,02,718 crore as compared to INR 66,296 crore for the corresponding period of last year. With this we have not only retained our No. 1 slot in the industry but also grown our market share consistently, quarter on quarter since the beginning of the calendar year 2022. Our market share as per IRDAI published data was 63.25% for year ended March 2022 and is now 68.25% for the half year ended September 30th 2022, thereby showing an increase of 5% in the last six months.

If we were to split the total premium for H1FY23 by individual and group business, it would translate to INR 1,27,738 crore for Individual business and INR 1,02,718 crore for Group Business. Therefore, we have a market share of 42.31% in Individual business and 80.34% in the group business. As you can see that our market share, on total premium basis, continue to the largest in both Individual as well as Group segments.

Total Annualized Premium Equivalent (APE) for half year ended September 30th 2022 is INR 25,228 crore which comprised of Individual APE of INR 14,643 Crore and Group APE of INR 10,585 Crore. Therefore, on APE basis, the individual business accounts for 58.04% and Group business accounts for 41.96%. Further in the Individual APE, the Par business accounts for INR 13,328 Crore and Non-Par amounts to INR 1,315 Crore. As you can see our Non par share of individual APE is 8.99% and Par is 91.01% for H1-FY23. On a comparable basis, you will recall that our Non-Par share for year ended March 31st 2022 on APE basis within the overall individual business was 7.12% and was 7.75% for quarter ended June 30th 2022. Therefore, we continue to increase the share of Non-Par business within our Individual business, with every passing quarter.

The Profit After Tax (PAT) for the half year ended September 30th, 2022 was INR 16,635 crore as against INR 1,437 crore for the half year ended September 30th, 2021.

At this point, I would like to mention that the current period profit has increased due to transfer of an amount of INR 14,271.80 crore (Net of Tax**),** pertaining to the accretions on the available solvency margin from Non par to Shareholders account. Further to break up this amount of INR 14,271.80 crore, it comprises of INR 5580.72 for the quarter ended September 30th 2022 besides INR 4148.78 crore and INR 4542.31 crore for the preceding two quarters respectively.

Also, while on the subject of profitability, as a matter of prudence, we have made a provision of INR 11,544 crore for employees retirement benefits, on account of the wage revision which has fallen due w.e.f. 1st August 2022.

Further I would like to inform all of you that we have received an amount of INR 25,527 crore from the Income Tax department and it comprises of Income tax refund amount of INR 18,900 crore and interest of INR 6,627 crore on the same.

Later on this call, the management team present here led by myself will be happy to answer in detail, any questions that you may have on the elements of profitability just explained.

Gross Value of New Business (VNB) is INR 4,836 crore and Net VNB is INR 3,677 crore for half year ended September 30th 2022. Further, the net VNB margin for the half year of FY23 is 14.6% as compared to 9.3% for half year ended September 30th 2021. Further you may recall that for the full year ended March 31st 2022, the comparable VNB margin was 15.1%. Also, for the first quarter ending June 30th 2022, the VNB margin was 13.6%.

The Net VNB margin is higher by about 5.3% as at 30th Sep 2022 over 30th Sep 2021.

Our IEV as on September 30th 2022 is INR 5,44,291 crore as compared to INR 5,41,492 crore for March 31, 2022 and INR 5,39,686 crore on September 30th, 2021.

As you can see, the IEV has increased by 0.85% as on September 30th 2022 over the IEV as of September 30th 2021 and 0.52% over the IEV as of March 31st 2022.

Assets under management as on 30th September 2022 grew by 8.69% over the previous half year to INR 42,93,778 crore as compared to INR 39,50,633 crore as on 30th September 2021.

Now, I would like to inform about our New Product Launches. In line with our strategy of increasing the proportion of the Non par business, we launched three new Non par products during the first half year of FY2022-23 to cater to customer requirements, namely, LIC's Bima Ratna, LIC's Dhan Sanchay and LIC's New Pension Plus respectively.

During the half year ended September 30th, 2022, we sold 83,59,029 new policies as compared to 73,61,410 policies in the half year ended September 30th 2021 registering a growth of 13.55% over the corresponding period of last year.

As on September 30th, 2022, the total number of agents was 13,34,811 as compared to 13,26,432 as on 31st March 2022 and 13,43,587 as on 30th September 2021. The market share by number of agents as on September 30th, 2022 stands at 53.36% as against 55.97% for September 30th 2021.

On number of policies sold basis, the agency force sold 80,47,578 policies during the half year ended September 30th 2022 as compared to 70,13,133 policies during the corresponding period of last year registering an increase of 14.75%. Therefore, you can see that more than 96% of our policies for the first half of FY23 were sold by our Agency force. Even on premium basis, a little above 96% of NBP came from our Agency channel for H1FY23.

During the half year ended September 30th 2022, other channels (BAC – Banca and alternate channels) contributed to 1.72% by number of policies and 3.37% by NB premium. For the half year ended September 30th 2021, the BAC (banca and alternate channels) had contributed 1.41% by number of policies and 2.31% by NB premium. Therefore, you can see this channel has grown by approximately 39% on number of policies basis and 63% on new business premium on year-on-year basis.

Our Management Expense Ratio stands at 16.69% for the half year ended 30th September, 2022, as compared to 15.33% for the same period of last year.

On premium basis, the persistency for 13th, 25th, 37th, 49th and 61st month, for H1FY23 stands at 77.62%, 73.84%, 67.85%, 64.73% and 62.77% respectively, as compared to 78.77%, 70.91%, 67.60%, 64.81% and 60.57% respectively for H1FY22.

On number of policies basis, the persistency for 13th, 25th, 37th, 49th and 61st month, for H1FY23 stands at 65.21%, 61.63%, 54.93%, 52.46% and 51.61% respectively, as compared to 67.69%, 58.27%, 55.35%, 53.67% and 49.38% respectively for H1FY22.

We continue to focus on making our processes efficient and as you are aware that in the previous call on August 12th 2022, I had mentioned to you about our "Print to Post" initiative. I am happy to report and update that we have completed dispatching of 1.22 crore policies to policyholders since Jan 2022 till 30th September 2022 using this initiative.

In our digital initiative through the Agent assisted ANANDA app, we have completed 3,14,955 policies through this App during the six months period ended Sep 30th 2022 as compared to 1,44,645 policies for the comparable period ending September 30th 2021 thereby registering a growth of 118% on YoY basis.

On the claims front, during H1FY23, we have processed 87,65,411 total number of claims which includes Individual and group claims together. On an amount basis during H1FY23, the total maturity claims were INR 72,988 crore and the total death claims were INR 11,665 crores. On a comparable basis for H1FY22, the total maturity claims were INR 78,146 crore and total death claims were INR 21,314 crore. Therefore, the death claims are lower by 45.27% and the maturity claims are lesser by 6.60% on a year-on-year basis.

We are having a committed and trained workforce (employees) of 1,01,313 as of September 30th 2022 out of which 95% are in Branch and Divisional Offices enabling them to be in close proximity to our customers reinforcing our "Feet on street" approach.

Given the business progress you will appreciate that we are firing on all cylinders of changing product mix, enhanced digitization, increasing market share, diversification of channels for distribution and new product launches.

While doing all the above, each and every LICian holds close to their hearts, our philosophy of "Yogakshemam Vahamyaham" which means "Your welfare is my responsibility" while discharging their duties to all our stakeholders.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Swarnabh Mukherjee from B&K Securities. Please go ahead.

Swarnabh Mukherjee: So, my first question is on the VNB margin walk that you have disclosed so margins are expanded sequentially between first quarter and second quarter now if I compare the VNB margin walk for what you have disclosed in first quarter and what is going to be disclosed now I see that between these two quarters there is a significant impact of change in assumptions that is driving the sequential margins increase while there is a slight negative impact of product mix sales, so if you could give some color on what is this change in assumption that is the first part and the second part is that in terms of product mix I see that share of group has increased while share of PAR has gone down slightly now in the gross VNB margins that you have disclosed the margin for the group products are slightly higher than PAR, so my second question on this is the if the higher margin product is going up slightly or there is a negative impact so that would be my first question if you could take that?

K R Ashok: Regarding the first part the major component of assumption that has changed and that is having a profound impact on VNB is the risk-free rate. The risk-free rate is derived from the market basis and it changes on a frequent basis and the increase in the risk-free rates has actually helped in increasing the VNB margin. Coming to the second part yes, it is true that the group business has shown an increase in the margin overall the reason being that within the group business the annuity increased the proportion of annuities are increased compared to the previous period that has resulted in the increase.

Swarnabh Mukherjee: So, my question is that since the product mix is turning favorable from end of FY22 numbers why do we see a negative impact of product mix that you have disclosed in VNB?

K R Ashok: Actually, if you look at the total volumes that is being done group has done a significant volume, but if we look at the average the VNB for the company as a whole which is the average the group's VNB is less than the average and, therefore, it is actually pulling it down from the 15%

reported as at March, but however because of the internal product mix within the group it has resulted in increase in VNB over what was reported in the previous quarter as at June.

Swarnabh Mukherjee: Actually, sir what I see that in group individually also margin has increased from 40 crores last quarter, so that is where my confusion is. Anyway I will take this offline also if you could give the drivers of EV, so EV has been broadly stable in the last 6 months, so is there any non-operating variance impact which is driving this or any operating variance also if you can throw some color on that?

K R Ashok: Actually, we will be disclosing the AOM which is walk of EV on an annual basis and I think in that next reporting period when we disclose I think it will be more clearer.

Swarnabh Mukherjee: And even if not exact numbers if you can give some qualitative comments on that, that will help us understand please little better?

K R Ashok: Qualitatively actually what is happening is there are some market movements and the impact on market movements actually brings the IEV down and the operating variances including the unwind plus the VNB increases the top and that has resulted in overall increases.

Swarnabh Mukherjee: And last one a book keeping question if you could share last year is second quarter APE by product line of channels that would be very helpful because otherwise last year first quarter was impacted by the delta wave and hence there is some distortion in the normalized business environment it is difficult to gauge the total performance in isolation, so if you could share that, that would be very helpful?

M R Kumar: We can do that later separately.

Moderator: Thank you. The next question is from the line of Deepika Mundra from JP Morgan. Please go ahead.

Deepika Mundra: Just two questions from me sir firstly if we look at the EV breakup the VIF is down quarter versus March 22 and ANW is actually increased, so can you give the reasons for both because with the VNB accumulation ideally and unwind we should have seen the VIF doing a little bit better, so can you explain both of those two components of EV?

K R Ashok: Actually, you must have heard our chairperson saying that there has been a movement from ASM fund to the profit and loss account in order to make the, use the, capital efficient and that has resulted in the movement between value in force and ANW. Therefore, overall, it does not have much of an impact, but amongst the VIF and the ANW there has been a movement due to these transfers.

Deepika Mundra: And sir any thoughts on the draft commission in expense of management rules put by IRDAI and how LIC falls within that framework?

Dinesh Pant: We have examined the draft regulations which has come from IRDAI and LIC has been, except few lines of business, get well with it and we are sure whatever actually has been proposed now also will make LIC positions more comfortable than existing so we are okay with it. So, I think the draft regulation which is now related to commission etc. on overall basis we expect to be well within that.

Deepika Mundra: So well within the 70% limit?

Dinesh Pant: I am not sure whether the 70% which have been talked about continues because since then our discussions are within the industry and IRDAI and fortunately the draft is still in review stages lot of discussions are happening. So, I am not sure of it at the end of it whether the 70% thing will remain or whether it will be linked to overall, but to our understanding whatever last draft was shared between the industry our position becomes more comfortable than before.

Moderator: Thank you. The next question is from the line of Suresh Ganapathy from Macquarie. Please go ahead.

Suresh Ganapathy: Sir just a two questions first you know of course we do not get the EV breakup but you know sir the market will give valuations only if EV goes up and if your EV is flat since first half of last year even if you record any amount of VNB, people would not give valuations so we need to get the EV growth up, so we are seeing 10,000 crores of VNB addition, but EV is flat then clearly that is a challenge, so we want to know the outlook that what kind of EV growth that one can expect going forward because it is absolutely flat since first half of 22 so that is an outlook questions. The second thing is I am looking at your net earned premium that is up 27%, but your gross written premium is down 4% in the P&L that we have seen now this is net of reinsurance and this number is usually lower than the gross written premium, but this quarter it is 30% higher than GWP the net earned premium, can you explain what exactly is this discrepancy here?

K R Ashok: Regarding the question on IEV we are actually you will be aware that the fund bifurcation effect is performed on IEV and that is one of the reasons that initial growth in IEV is little bit slow, but I think the way corporation is performing we can hope to see better numbers going forward.

Suresh Ganapathy: And the second question sir Net written premium being higher than gross written premium and significantly higher?

Sunil Agrawal: Which number are you referring to?

Suresh Ganapathy: No, so if you look at it the GWP is Rs. 1 trillion in Q2 the NEP is Rs. 1.3 trillion this is a 30% higher number GWP and NEP whereas this number is always lower in the earlier quarters it is before the investment income line item that is NEP?

Sunil Agrawal: It is not there in the presentation anywhere.

Suresh Ganapathy: It is there in your release that you have given the financial result release. Maybe I can take this offline because this is the biggest contributor to your surplus from operations so therefore we thought this line item becomes important?

Sunil Agrawal: Please can you refer which paragraph.

Suresh Ganapathy: Okay I will just have a look at this and come back to you. I just wanted to know this transfer from VIF to ANW what line item will it to go to the P&L where will you reflect it?

KR Ashok: Actually, it is movement from the investment income from the ASM fund and it is little bit did reflected in the PAR business – Non Par business.

Sunil Agrawal: And it will be ultimately residing in the balance in the profit and loss account under reserve and surplus.

Moderator: Thank you. The next question is from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.

Shyam Srinivasan: Just the first one on the Non-par the vision or strategy that we have to increase it if it is grown for the first half at 75%, individual Non-par I am talking about, sir can you highlight some of the products that are doing well it was 300% last quarter YoY growth maybe there is a base effect there, but it come down to 75 sir just your thoughts on how this particular piece will likely plan out?

Dinesh Pant: In the current year almost if you see the current mix of LIC's product is 20 Non-par (including PMVVY) products and 16 participating products and in the recent past we have launched in fact in the current year itself there have been 5 products (including 1 Group Rider) which have been launched and if you look into this product details they cater to different segments including specific niche segment of banca as well as saving as well as pension segment also. Currently, we are doing very well. The pickup has taken place in all this segment. The large one of the great contributors that we expect to be the pension plus products which we have launched in ULIP product. Plus the saving product and the Non-par also going to lead the growth in VNB margins as well as VNB and the change in product portfolio mix. So, the strategy we are in fact you would see in the group segment we have added certain riders because rider though seem to be very smaller part of it, but they also can add value to the regular products and the margins there in are very strong. So, the strategy is now I think the growth strategy for the corporation coming to the engine of Non-par products would be all around in fact ULIPs we have now full range of products in the ULIPs and the saving products are also there. So, all of them are getting attraction now and pickup has started in that direction. So, I think all these saving products as well as ULIPs products are good drivers and plus protection products also we are having a relook into. So, entirely it is going to be combination of now the revised marketing strategy as well as the available product basket which is there. We are also expecting some more products to be added to the basket?

M R Kumar: Just to give a perspective on the Non-par saving as at September 22 we are growing at almost 251% and on the annuity Non-par annuity is growing at 7% and the ULIPs have grown at 79%.

Shyam Srinivasan: 251% on Non-par savings you said 7% on Non-par annuity is that what you are saying true?

M R Kumar: True. Annuity because of the base and quite a large base I can give the figures if you want Non-par annuity in terms of premium is 5,833 crores that is growing at 7.15% and ULIP 1,507 crores growing at 79%, Non-par saving slightly slower start, but still it has picked up to almost 200 crores growing at 251%.

Shyam Srinivasan: Sir, whatever you are selling so is there a guaranteed product now that we are selling fully in the Non-par savings?

Dinesh Pant: The Non-par products typically itself means guaranteed that the classic difference between participating and Non-participating products everything therein guaranteed. Though you may have certain features of guaranteed additions, but the benefits in the Non-par products have guaranteed. So, typically all these Non-par products have guarantee.

Shyam Srinivasan: I am just trying to compare versus say competition what are your some of your guarantee for your flagship products where are the guarantees like rough range and also associated in terms of hedging if you could highlight us please?

Dinesh Pant: As far as guarantees are there in some of the products we have recently launched our one product single premium product which is a close ended product where the return IRR to policy holder it's a typical model points can go up to 6% plus. Also there is a range you would appreciate that depending on the age and term that you select and the returns could vary that I am telling you the top end of that could be 6% also which is fairly attractive.

Shyam Srinivasan: What is the name of this product?

Dinesh Pant: LIC Dhan Varsha. So it is a typical 10-year, 15 year product where we are allowing single premium and lot of options are there and so it really works out very well starting from age 3 to age 60 that is the range at which it is available. Another product are also not exactly since it is a close ended product and we still have some other products in the pipeline also so that will continue to work.

Shyam Srinivasan: And the last question is on the gross margins that you share on some of the product lines. We do not have net margins per product, but looks like group business margins have gone up half over half, so can you just walk us through some of the drivers of that?

Dinesh Pant: See what happens in the group business also you would appreciate that there is a mix of business. It ranges from products and typical risk cover to annuity then annuity are higher with the margins. So, within the group also when the product portfolio within the group changes higher annuity product or protection product would lead to higher VNB margins. So yes, you are right in there that within the group also the margins can move from 10 plus to 12 plus around 2.5% also roughly there is a change because the driver of the growth there has been annuity products we think is the pension products.

Shyam Srinivasan: And would you share some split of the group business between annuity and non annuity?

Dinesh Pant: Exactly at this point of time because right now we are giving on the largest overall line of business wise that is what we can share.

Moderator: Thank you. The next question is from the line of Dipanjan Ghosh from Citigroup. Please go ahead.

Dipanjan Ghosh: Few questions from my side first you have eluded to the fact that you will not be giving embedded value on a bi-annual basis, but if you can share some light on if you are unwinding rates are materially different during the first half of the current fiscal compared to the second half of the last fiscal. This is my first question?

K R Ashok: I will answer that. I think you are referring it to the unwind of the EV portion.

Dipanjan Ghosh: Unwind of the embedded value.

K R Ashok: See as I have already mentioned, the unwind portion I can give you a flavor of it because we will be preparing and disclosing the analysis of movement on a yearly basis, but now since you have asked what I can suggest is the unwind is the expected experience which is in the interest rate and in the long run we can expect the unwind to be close to the best estimate assumptions which should be between 8% and 9%.

Dipanjan Ghosh: Second question is on the gross VNB margin that your report product size you have launched some amount of new products on the individual Non-par business and if I look at the last one or two halves of the last fiscal or even the last annual numbers it means that your individual non participating gross VNB margins has tapered down a bit, so would you want to shed some color on that it is like something related to product level construct?

K R Ashok: Actually, the major reason for this is the rephrasing of annuities to make it more competitive.

Dipanjan Ghosh: My third question is more on a data keeping question since the time of your listing and the first management report we have not got some color on the global reserve that we have been holding and I understand it is dynamic and we keep some change, but if you want to state any color on that portion of your book?

K R Ashok: Global reserves more or less it does not vary much on a quarter-to-quarter basis. So we can assume that it is more or less at the level of the March 22.

Dipanjan Ghosh: And your COVID-19 reserve which were around 70 to 75 billion will stay around that number?

K R Ashok: Though the claims have started falling we have not yet reduced the COVID reserve. We are still maintaining it and we are continuously reviewing it. So, when the opportunity comes, right when the time comes we will look at it.

Moderator: Thank you. The next question is from the line of Anuj Singla from Bank of America. Please go ahead.

Anuj Singla: Sir first question is with regards to persistency so the persistency for the 13 months is very muted for us and it has declined actually in this half year as well and when I look at the press release there seems to be a 500 basis points decline in persistency from the 13 month in September versus June quarter, can you sir talk about the drivers of arriving at this and is it leading to any kind of operating variance in our EV walk?

Dinesh Pant: See actually the persistency from quarter-to-quarter the can at a time be little variable and because of the type of the business which we sold wherein as far as persistency's impact on EV walk I am not sure it is not going to be very significant that would not be much significant. However, the corporations has done lot of steps have been taken in the recent times. We looked into a product portfolio and there were certain products which had the challenge in terms of persistency. So, actually within this we had review on two of our large selling products of the corporation in a micro segments and they were modified the ticket size were increased and in recently in last month also some of the products which we found persistency to be a challenge have been revised and the ticket size have been changed, the structures have been changed because few of them were large selling products with some persistency issues and we are very sure that with this sort of correction even this short term persistency correction will happen very fast because that remains the area of very important focus for the corporation.

Anuj Singla: Sir second question is on the group side of business while you did not give the breakup for the group business as such, is it possible to get some sense of what group savings will be contributing to the group business. The reason I asked this question because a lot of growth in this quarter has been driven by group and we understanding that group saving business tends to be lumpy, so just trying to get a sense of the sustainability of the growth in the group side?

Dinesh Pant: Within group business also the largest contributor is the fund-based business pension business which is a significant contributor for this thing for our group business. Almost I would say that around 60%* would be coming from fund based business, but then almost 40%** or so slightly less than around that is also coming from other lines of businesses including assurance and the annuity. So, it is a fairly because this business has been there for quite long and let us also appreciate at times we are concerned about the VNB margins frankly speaking, but group business has been contributing almost equivalent amount of embedded value as the overall portfolio of our business. So, in that context in context of contribution to VNB group has been contributed significantly after the VNB margins are lower and good thing is that even in the group business as explained earlier because of largest contribution now coming from annuity business, the pension business the VNB margins have also taken upside.

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

Nischint Chawathe: I am looking at slide number 34 and this is essentially the breakup of new business premium, is it possible for you to share breakup in terms of APE in a similar manner?

M. R. Kumar: We can do that. As of now immediately we may not have it. We can share with you no problem.

Nischint Chawathe: The other thing is in this EV calculation what proportion of business have you included I mean is it like 92%, 95% have we not been able to model the entire 100% business?

K R Ashok: Sorry you can repeat that question.

Nischint Chawathe: If I go back in the EV that we have calculated in the past you had included around 92% of the business and some part of the business could not be modeled in the EV calculation, so the current EV that we can see for first half FY23 does it model 100% of a business?

MR Kumar: Yes. All the products have been modeled and every time a new product is launched that is also modeled it is all taken it up.

Nischint Chawathe: So, there is no business at the corporation which is currently not part of the Embedded Value?

K R Ashok: It's been captured now.

Moderator: Thank you. The next question is from the line of Neeraj Toshniwal from UBS India. Please go ahead.

* *Erratum: to be read as "90%"*

***Erratum: to be read as "10%"*

Neeraj Toshniwal: So, on slide 21 just wanted your thoughts as you already explained that obviously margin has steped down in the individual Non-par business, but can we further expect it to taper off here because market are getting competitive of annuities and given this competition would be rise in IRR in the Non-par saving as well, how do you think this will even go further down from this level?

Dinesh Pant: Here let us be clear that though we are saying that VNB margins have come down it is not a significant come down from there. You would appreciate that this VNB margins even from any period of review would also depend upon the type of business, the model point, the nature of these because within a product also depending upon which areas or which age groups or which terms it is sold the VNB margins can vary. As rightly said earlier also yes it has to be a right balance between what should be because in a competitive market we have to be careful about what type of corrections and benefits are being offered in the competition. So, it is the right mix and right balance between VNB margins as well as what is available and what is most useful for the policyholders is also going to be of concern. So, this typically, VNB margin would also depend upon what is available in the market, what is our overall strategy. But largely as we said earlier also not VNB margins corporation is focused on consistent improvements in VNB as a values. So, it is very difficult to say VNB margin will come down or go up because when the products have the margin will pick up that can go up also, but ultimately market will reach because we appreciate because this 100% sort of margins cannot be achieved by any company. So, right balance will have to be there between the benefits which are given and as the benefits increase margins can come down, but then VNB as such a value can go up. So, we are focused on striking the right balance keeping the balance between what is good for the customers, what is good for the shareholders and what is overall good for the company as a whole in overall.

Neeraj Toshniwal: My question is actually how much in the repricing journey how much we have actually achieved and how much we might see in the coming quarters?

Dinesh Pant: I think if we look at the path that is suggestive of it, it was around 9.6% in September 21 it was 15 % in March and slightly it came down to 13. 6 and now back to 14.6. So journey can be seen and if we compare the VNB values the significant growth is going to be there. We will like to remain focused on that upward journey only from here onwards.

Neeraj Toshniwal: And on the Non-par saving mix if you would like to give an internal targets to kind of you know change our product mix if you can give more color on that how are we planning to over the next to three years?

Dinesh Pant: Right so if you are listening to the earlier responses clearly the growth rate in Non-par products is very nice, but as a overall part of the portfolio they continue to be around 5% or 6% or so. I am talking about individual business while the overall it is 13%.*** So, of course the focus of the corporation if you observe that in the recent past for almost one year we have been filing Non-par products and now because the attraction is developing there. The immediate goal is that within next few years these product portfolio mix in the individual segment could possible turn around to 75-25 sort of proportion from current 95-5 or 93-7 sort of proportions. That is the ultimate goal. Once that happens there could be significant change in the VNB margins also we can just take the weighted average of what the value would be there. So, there could be significant change in the VNB margins as well as the VNB for the corporation.

Neeraj Toshniwal: On the sign up with Policy Bazaar I think now Bima Sugam coming in what would be the strategy to increase the business from the Policy Bazaar platforms or we will look other means and look at Bima Sugam more seriously and get an odd an over there, so what would be your strategy and with the guidelines which came from the government. Any color on that?

Dinesh Pant: Overall the government strategy is to leverage all the channels and scope and platform which are available without naming any because our ultimate goal is that we have to be on the trajectory of growth and naturally in that journey the digital is going to be very important and critical. So, whether available from outside platforms or within our own technology sophistication our corporation is working hard in that direction because we realize that this technology it is not that corporation has not done almost now large part of our business procurement as well as transactions are happening on digital platform. So, we are working on this direction that all the sources of handles of growth in that directions are taken care of that is important for us.

Neeraj Toshniwal: But Sir any particularly any feedback on the Bima Sugam platform?

Dinesh Pant: I think it is a good initiative and we are all examining in what best manner we can leverage that for within our marketing strategy.

Neeraj Toshniwal: And sir one generic last question on the sensitivity if I see between on slide 18 while the increase on 100 basis point is 1.2% on the VNB and 0.6% on the EV are they used variation on the same decrease of 100 basis points generally we see decrease, but it is quite on the higher side, what kind of mix we have in the portfolio and why such variation?

K R Ashok: I think you are referring to the sensitivity of reference states to embedded value or to VNB. In case of embedded value because of the base the impact on reference rates are not much. At the same time you cannot expect the movement both upside and downside to be the same because of the non linearity in the model itself. In case of value of new business the decrease in the reference rate is around 3.4% which has come down from 4.7% reported in the last period of March 22.

*** *Erratum: To be read as "about 30% by APE (including Group Business)".*

Moderator: Thank you. The next question is from the line of Mahek Shah from Emkay Global. Please go ahead.

Mahek Shah: I have two questions I would first like to ask where will the 115 billion wage revision appear in the EV more actually I am sorry if I just missed it and the second question is on the 145 billion transfer from Non-par to shareholder funds, so you have mentioned that 45 billion is pertaining to Q4 of FY22, so any color on how you could change the accounts like when they were already published they are my two questions?

Sunil Agrawal: We are not changing our accounts we are mentioning it as a disclosure of the accounting policy changes that happened during this reporting period and because of that there were certain accretions that have happened in the previous three quarters which has been accounted now and has been disclosed as a part of the change in the accounting policy and the breakup of all the three quarter figures net of taxes I have mentioned in the disclosures.

Mahek Shah: And sir on the 115 billion wage revision which part of the EV will it appear in like the economic variance or operating variance. I am talking of that?

Dinesh Pant: First of all, it is a clarification that it is not actual wages, it is prudent step on part of the corporation to provide for it so that systematic provisioning can be made. It does not in any way comment upon actual wage revision or any distribution. Secondly, it is a part of the expense only.

Moderator: Thank you. The next question is from the line of Ashish Agarwal from BNP Paribas. Please go ahead.

Ashish Agarwal: I just have one question is that when I look at persistency numbers for 13 months or let us say on Q1 and Q2 basis I can see that there is an improvement year-on-year, but when I look at the press release and persistency has been disclosed on premium basis on H1 23 numbers I see a decline on 13-month level, so what is the reason behind that?

M R Kumar: I think this was answered partly earlier also. I think it depend on the nature of business as 13 months going forward I mean we will see how we can improve it, but it would mean we have looked at the 13 months of the previous year as well and the kind of business or lines of business that we had which is changing lines of business I believe short term there could be some fluctuation like this, but we are confident that the long term that we will be able to improve this substantially.

Dinesh Pant: Typically, it is a relaxation of the cohort of the business done for example as I was explaining to you there were certain products which had lower persistency in the past. The real steps which have been taken for them now will get reflected in the following 13 months persistency because the current 13 months would be including business done in the past. So, any number coming down today does not necessarily reflect the steps and decisions of today because as I was explaining four products have been reviewed recently. So, we will see the impact of the same will get reflected as going forward 13 months from quarter-to-quarter will be seen from there. Last thing we are continuously working on how to bring about higher value.

Ashish Agarwal: Just one thing is how is arithmetically how are we calculating because on quarterly levels both quarters Q1 and Q2 if we are showing improvement on year-on-year level then how on half year it is coming down by 1%, so I mean Q1 and Q2 are showing an improvement on 13 month year-on-year level, but half year it is coming down interestingly. So, I mean I am not able to understand that part.

B C Patnaik: Actually, if you see there is two metrics which are very important one is 13 months and other is 61st month. So, 13 months as Mr. Dinesh Pant answered to you there were some products which were seeing lot of lapsation so it is closed down along with some products we should not have been renewed also it did not get renewed. So, it is having that 0.5% what you can call it, but if you see the 61st month persistency it is risen almost to 150 to 200 basis points from 60.57 to 62.77. So, those are the areas of concentration so that large number of policies remain in force for longer period of time and yes on the first-year business when we find something going very wrong we have to take a corrective action that is what is reflected here.

Moderator: Thank you. The next question is from the line of Parkaban Kumarasamy an Individual Investor. Please go ahead.

Parkaban Kumarasamy: This is regarding their transfer of profit from accretion of Non-par account to the shareholders account, is there anything pending for the before period it is actually showing for pre quarter, is there anything pending that needs to be transferred to shareholder account?

Sunil Agrawal: So, bifurcation of the funds happened in the month of Jan and the accretion started when the fund was broken into participating and non participating although it happened effective September, but actually the fund got bifurcated in the month of Jan and since then whatever accretion happened in the Non-par Fund has been taken care by way of this transfer. The future accretions will be regularly now accounted for in the respective quarters.

Parkaban Kumarasamy: What is the dividend policy as a company?

M R Kumar: Dividend policy is something which is decided by the board only and we have not been able to comment on this.

Parkaban Kumarasamy: No prefixed policy like?

Raj Kumar: No prefixed policy. The call will be taken by the board. It is already provided in the relevant sections and the provisions of the act itself.

Moderator: Thank you. Ladies and gentlemen this was the last question for today. I would now like to hand the conference over to Mr. Kumar Chairperson LIC for closing comments.

M R Kumar: Thank you very much for all those who have joined in and thank you Rutuja, thank you management team and my colleagues here. Thank you and all the best to you.

Moderator: Thank you. On behalf of Life Insurance Corporation of India that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.