

July 30, 2024

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Vice President
Listing Department
National Stock Exchange of India Limited
'Exchange Plaza',
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Dear Sir/Madam,

Subject: Earnings Call Transcript for the quarter ended June 30, 2024

This is further to our letter dated July 8, 2024, and July 23, 2024. The Company had hosted an earnings conference call with investors and analyst on Tuesday, July 23, 2024, at 7:00 p.m. IST, to discuss the performance of the Company for Q1-FY2025.

Please find attached the transcript of the 'earnings conference call' for Q1-FY2025. The same is also made available on the website of the Company.

Please note that no unpublished price sensitive information was shared during the meeting.

Thanking you,

Yours sincerely,

For ICICI Prudential Life Insurance Company Limited

Priya Nair
Company Secretary
ACS 17769

Encl.: As above

ICICI Prudential Life Insurance Company Limited
Earnings conference call
Quarter ended June 30, 2024 (Q1-FY2025)
July 23, 2024

Anup Bagchi

Good evening and welcome to the results call of ICICI Prudential Life Insurance Company for the quarter ended June 30, 2024.

I have several of my senior colleagues with me on this call, Amit Palta, who heads Distribution, Brand, Marketing and Products; Dhiren Salian, CFO; Judhajit Das, who heads Human Resources, Customer Service and Operations; Deepak Kinger, who handles Audit, Legal, Risk and Compliance; Manish Kumar, Chief Investment Officer; Souvik Jash, Appointed Actuary; and Dhiraj Chugha, Chief Investor Relations Officer.

Let me take you through the key developments during the quarter before moving on to discuss the Company's performance:

We held our 24th AGM over video conference on June 28, 2024. All items specified in the AGM notice were approved by the Shareholders of the Company. We express our sincere gratitude to Mr. Ramachandran, who has retired from the position of Chairman of the Board of Directors effective June 30, 2024. Mr. Sandeep Batra has been re-designated as Chairman with effect from the same date.

I am also pleased to inform you that Mr. Suresh Vaswani has been appointed as an additional Independent Director effective July 4, 2024, subject to the approval of the Shareholders. Mr. Vaswani is a highly experienced leader in global technology and IT services. He is recognized for effectively building, scaling up and transforming businesses, and serves on the board of various public and private companies.

On the regulatory front, we welcome IRDAI's efforts to increase insurance penetration by improving the customer's value proposition for non-linked products. It will lead to an improvement in the surrender value in case of early exits and comes into force effective October 1, 2024. We believe that such customer-centric changes will boost the industry's long-term growth.

As you are aware, even before the revised surrender value norms came into force, we had launched ICICI Pru GPP Flexi with Benefit Enhancer, which provides customers the option to receive 100% money back of premiums paid any time. The commission structure in this product is more level based, while keeping the overall lifetime payment at a similar level. The product has been well accepted in the market segments where it was launched.

We have also experimented with a trail-based commission on the ULIP platform where again we have seen acceptance by distributors in the market segment where it has been launched. We believe that by aligning the interest of all the three stakeholders, namely customers, shareholders, and distributors, we will be able to absorb any impact that might come due to the change in Regulations.

We continue to work on process innovation in line with our objective to become the most customer and distributor friendly life insurer. 85% of our policies have been issued using digital KYC, and 48% of our policies were issued on the same day for savings line of

business in Q1-FY2025. Notably, we are also the first life insurer to pay out commissions on the same day to our distributors.

Our focus is on building customer trust by enhanced coverage and superior claim settlements. Our AUM is over ₹ 3 trillion, and we cover 98.4 million lives for ₹ 35.1 trillion total in-force sum assured, as of June 30, 2024. Claim settlement is the moment of truth for any insurer, and we have an industry leading claim settlement ratio of 99.2% for FY2024, with an average turnaround time of 1.3 days for settling non-investigative claims.

Our customer-centric efforts have been recognised by various industry platforms. The list of awards won during Q1-FY2025 is presented on Slide 39.

Now let me talk about the key performance highlights:

- We have delivered RWRP growth of 46.8% year-on-year in Q1-FY2025, outperforming both the private and the overall industry for the third consecutive quarter in a row.
- In line with our focus on proprietary channels i.e., agency and direct together have delivered 54.0% APE growth year-on-year in Q1-FY2025.
- On the product side, annuity and linked business grew strongly by 135.2% and 78.3% year-on-year in Q1-FY2025.
- The overall Company APE grew by 34.4% to ₹ 19.63 billion, and number of policies increased by 15.1% year-on-year in Q1-FY2025.
- 13-month persistency stood at 89.7%, and 49-month persistency stood at 70.7%.
- The Value of New Business grew by 7.8% year-on-year to ₹ 4.72 billion. With an APE of ₹ 19.63 billion, margins stood at 24.0%.
- Lastly, our business growth and profitability has been delivered with risk and prudence and is exhibited in our strong and resilient balance sheet.

To summarize, we will continue to offer the right product to the right customer and deliver it through the right channel. With customer centricity at the core of everything that we do, we will continue to work on our strengths, that is product leadership, extensive distribution network, and business excellence, aided by the building blocks of people, digitalisation and analytics. With the strong business fundamentals, our endeavor will be to deliver sustainable VNB growth with our efforts pivoted towards balancing business growth, profitability, risk and prudence.

Thank you, and I will now hand it over to Amit to take you through the business updates.

Amit Palta

Thank you, Anup. Good evening, everyone. I will be talking about performance updates for Q1-FY2025.

Let me start with premium growth, which is presented from slides 10 to 12. As highlighted by Anup, our market-leading performance is continued in Q1-FY2025 for the third consecutive quarter in a row on the back of our innovative and comprehensive suite

of products, distribution strength, robust technology, superior customer service, and strong risk management architecture.

Our total APE grew by 34.4% year-on-year to ₹ 19.63 billion, and retail APE grew by 42.2% year-on-year to ₹ 16.66 billion for Q1-FY2025.

Agency business APE grew by 61.6% year-on-year and contributed 29.4% to overall APE and 34.6% to retail APE in Q1-FY2025.

Direct business APE grew by 40.6% year-on-year and contributed 15.2% to overall APE and 17.9% to retail APE in Q1-FY2025.

Together, agency and direct distribution now contribute 52.5% of our retail APE mix in Q1-FY2025 and we will continue to invest in our proprietary channels to drive the business growth further.

Bancassurance business APE grew by 33.6% year-on-year and contributed 28.8% to APE mix.

Partnership distribution APE grew by 24.9% year-on-year and contributed 11.5% to APE mix and group business APE grew by 2.8% year-on-year and contributed 15.1% to APE in Q1-FY2025.

To ensure our products are delivered extensively, it is our continuous endeavor to deepen our partnerships, which is presented on slide 37. We continue to build capacity and have added more than 12,000 agents during Q1-FY2025 spread across geographies. We have tie-ups with 43 banks with access to more than 21,500 bank branches and 1,150 + non-bank partnerships with an addition of 47 non-bank partners during Q1-FY2025.

Contribution from linked savings product to overall APE increased from 38.8% in Q1-FY2024 to 51.4% in Q1-FY2025 on account of customer preference shifting towards unit products from non-linked products. In this category, we have recently launched 'Protect n Gain growth' which offers differentiated value proposition to our customers preferring ULIPs and comprehensive life, accidental death and accidental disability cover.

Non-linked savings contribution to overall APE decreased from 27.7% in Q1-FY2024 to 16.8% in Q1-FY2025. In this segment, we have seen an increase in the customer's demand of immediate liquidity products.

Each company has different products across participating and non-participating segment to cater to this demand. In the par category, our flagship product, 'Gold' caters to immediate income need of the customer. It continues to deliver a very strong growth for us.

Our annuity business contribution increased from 6.2% in Q1-FY2024 to 10.9% in Q1-FY2025. Within annuity, we continue to witness a tilt towards regular premium annuity over single premium annuity.

The overall protection APE stood at ₹ 3.55 billion and contributed 18.1% to overall APE in Q1-FY2025. Retail protection business grew by 1.8% in Q1-FY2025, with the number of policies growing by 6.7%. On a two-year basis, retail protection APE has grown at a CAGR of 28.3% for us. Retail protection continues to be one of our focus areas, and we expect a strong growth trajectory going forward.

Credit life business continues to do well in line with the strong credit growth in the economy as we continue to add partners and introduce propositions aligned to their various lines of business

Coming to Group term business, it is a yearly business which comes up for renewal on an annual basis. Therefore, if you also include the renewals, our Premium is actually flat. We understand this segment well and will underwrite business only if it matches our risk reward expectations.

Our focus on data analytics to mitigate insurance risk at onboarding stage has led to 71% reduction in cases with higher propensity for fraud and early claims for savings policies.

Overall, I am very pleased with our performance in Q1-FY2025. I would like to reiterate that we have been undertaking various initiatives over the last two years on various building blocks of the business to strengthen our fundamentals across products, distribution, and processes. The results you see now are the consequence of the consistent work we have put in over the last few years, and not an outcome of some short-term initiatives.

With a diversified and innovative product portfolio, extensive distribution network, and customer-centric initiatives aimed at delivering best-in-class customer journey and superior claim settlement, we endeavor to deliver sustainable VNB growth through business growth. Thank you.

Dhiren Salian

Thanks, Amit. This is Dhiren. Good evening. Now let me take you through the financial metrics.

The VNB for Q1-FY2025 grew by 7.8% year-on-year to ₹ 4.72 billion. The VNB margin stood at 24.0%. The relevant comparison of Q1-FY2025 margin is with FY2024 margin, as that captures the impact of all assumption changes done at March 31, 2024.

The movement in margin is primarily on account of product mix shift. While quarter-on-quarter, the overall product mix may vary, given customer preference, the wide range of our distribution partners spread across geographies with access to varied customer segments will always help us sustain a balanced product mix.

Coming to expenses. Our overall cost to TWRP ratio stood at 32.6% in Q1-FY2025. Our cost to TWRP on the savings line of business has shown a marginal increase and stood at 19.2%. We monitor cost ratios for the savings line of business separately. Our

objective is to bring efficiency in the savings line of business while we continue to focus on growth in the protection business.

We will continue to invest in creating capacity, greater digitalisation, and improving brand awareness in order to deliver sustainable VNB growth.

Moving to other financial metrics. The Company's PAT for Q1-FY2025 stood at ₹ 2.25 billion, an increase of 8.7% year-on-year. Our solvency ratio continues to be strong at 187.9%. Our AUM is over ₹ 3 trillion, and we cover 98.4 million lives for ₹ 35.1 trillion total in-force sum assured at June 30, 2024.

Thank you, 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. Our first question is from the line of Swarnabha Mukherjee from B&K Securities. Please go ahead.

Swarnabha Mukherjee: So, I had, sir, first question is on the cost side. So, if you could give some color on, you know, why the cost-to-TWRP number has gone up? And also you had mentioned in the result release that there is a ₹ 446 crore impact on policy liabilities because of some allocation methodology changes that you have undertaken. So, I just wanted to check whether, you know, what is the reason for that, what changes have you taken, and whether that is already in our VNB assumption, or should we expect that to flow in any upcoming quarters? So, if could give some color on that? So, that is my first question.

Second is on the agency side, if you could give some further cuts on which product agency is selling and given that annuity growth has been very, very strong, whether agency is driving that, which product is seeing some traction, whether it is the product where we have a trail commission kind of a structure? So, if you could highlight?

And lastly on the impact of the surrender value regulation, how you are seeing that? How should we see that and what to expect on VNB and in your strategy? Yes, sir, that would be my question.

Dhiren Salian: Hi, Swarnabha. This is Dhiren. Coming to your question on cost-to-TWRP, I think you should note that the cost-to-TWRP for savings business is roughly at about 19%. So, that's broadly stable. The larger increase that you see in the cost ratio is primarily on the group side. If you recall, April last year is when the new commission guidelines came into effect. Quarter one last year was subject to the effect where we were still working through our commission guidelines. A large portion of that is now being seen on the Group side, which is visible in terms of the overall cost ratio. And that's stable at this point from quarter to quarter, sequentially.

Coming to your other point on the expense of management change that we had done, that primarily is a change around the expense drivers. IRDAI requires us to disclose if there is a change in expense drivers. It has been done for a specific segment of expenses such that we are able to allocate them more appropriately for that line of business. This

doesn't really have any material impact on the VNB at this point. The larger impact, as we had disclosed, is on the statutory liabilities.

In terms of the surrender value regulations, Anup spoke about it. We have already had experience across a couple of products. We have tried out a trail commission structure or level commission structure. As we have always said, we will look at a win-win-win situation for customers, distributors, as well as us, as we modify our structures into the coming quarter.

Amit Palta: So, coming to agency business, your question on the reasons for success in agency, as you know that agency overall has delivered a 61% growth for us in Q1-FY2025. It is a combined effort of initiatives taken on distribution, capacity, capability and products.

So, while products have played an important role and in alignment with our overall strategy of trying out a trail-based commission product on ULIP platform and 100% money-back feature launched by us on the Annuity platform, both these products did extremely well with agency and we are very happy that large part of our distribution on the value side really aligned to this organisation objective of long-term customer investments product portfolio. And hence, they were very happy with the deferred or a level commission structure that we designed for them and they have done exceedingly well both on trail-based commission product on ULIPs, as well as on annuity range of products.

The rest of the product performance has been in line with what we have witnessed with other channels as well. On immediate liquidity feature, which has been quite in demand in the market today through our participating product called Gold, they have been able to deliver quite a decent growth for us on an overall basis.

But like I mentioned, the product was only one element of growth that we witnessed in agency. It was also about capacity that we built by almost 20% over Q1-FY2024, and also the increase in productivity that we witnessed by having invested enough on building learnings and cutting the learning curve and converting our capability architecture to support them to deliver better productivity. So, we have seen productivity right across various cohorts of employees as well as various segments of our advisors.

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

Supratim Datta: So, on the VNB margin side, first thing that I wanted to understand was that how do you allocate costs across quarters? Do you assume a similar cost across quarters or is there a cost loading in the later quarters? That would be my first question.

Secondly, in the fourth quarter, or in FY2024, you had indicated that there was a change in operating assumption. Now that had a negative impact on the VNB margin. Can you let us know what has been the impact from that in this quarter? That would be the second question.

And the third question was that from 1st October, there is going to be a shift towards a new product design in non-par segments due to the higher surrender charges. Could you let us know what kind of impact from that do you expect on margins and how are you looking at mitigating that?

And finally, on the group protection side, could you give us a breakdown of what is your credit protect versus what is your GTI? You know, after several quarters, this category seems to be growing. Just wanted to understand what is driving the growth in this category.

Dhiren Salian: So, Supratim, Dhiren here. From a cost perspective, as we look at VNB, we look at forecasted expense of cost for the full year. Absolute cost, obviously, when you look at from a cost to premium perspective will be higher in the first quarter, and you will get an operating leverage as you look through the coming quarters. What we do is we look at a build out of cost for the full year, and we factor that as part of our expense setup.

At quarter one, as you look at the margin, the reason why I told you to look at full year numbers is because whatever assumptions that we have had, primarily which were around the expense impact that we had taken at the end of last year, that's been built into full year margins, and therefore it is more relevant to look at Q1-FY2025 movement from the full year numbers, rather than Q1-FY2024.

The group business, we haven't broken that out. We do that on a yearly basis, Supratim, across group credit as well as group term.

Amit Palta: So, broadly on group protection, as you know, there are two elements of our group protection business. One is credit life, which is through our bank and NBFC partners. And second is group term, employer-employee businesses.

Broadly, when you were to look at credit life business, I think that this business has been almost growing twice the rate of credit growth in the banking setup. So, there we are quite happy with the progress of the 27% and 28% growth that we have on the credit life business and that is largely on account of new partner additions that we are doing consistently. And also we are exploring various opportunities with our partners to align differentiated propositions across various lines of businesses of theirs. So, both have led to us managing our growth quite significantly and creating an alpha.

Coming to group term business, now this is little different because we have been actually in this business for very long. We understand this business. We laid out our entire relationship structure to reach out to large corporates, the organised sector to offer this group proposition. And we have done very well over a long period of time.

Now, incidentally, since we have the largest share of this business, we do see that this business being a one-year business comes up for renewal every year. While we are persisting with 85% to 88% of our old customers to come and renew with us, but incidentally 12% to 15% of the business that doesn't get renewed and gets renewed with any other competition insurer is counted as a new business.

So, from that perspective, the way we look at our group business is new deals, new corporate deals, plus the business that we renew. And both the deals, if we were to look together, I think our total premium has been quite similar. However, the growth has been relatively subdued because of very, very competitive practices. So, that's what is my view on the group term and credit life business.

Dhiren Salian: And Supratim, on your question on surrender value impact, I think the old set of products don't matter anymore and they will cease to exist beyond 30th of September. As we have mentioned earlier, the focus for us is to align all three stakeholders, customers, shareholders and distributors. And we believe that we will be able to absorb any impact that might come about due to the change in regulations.

As we also spoke about, there are experiments that we have done along two sets of products and which have met with very reasonable success in the market statement that we have launched. As we look at what happens beyond 1st October, I believe the market will switch to some degree towards some of these products.

Supratim Datta: And just one follow-up question. So, have you seen any increased competition in the credit life business in the recent months? Because one of your competitors indicated that competition in that segment has increased. So, are you seeing similar kind of impact?

Amit Palta: No, see, I have to still come across a distribution segment or a customer segment where we are not facing competition. Competition is common right across the customer segments and credit life is no different. So, to that extent, there will always be an action across product lines. We are in a competitive environment, and you see insurers present in most of these businesses, may not be the same insurer present everywhere, but we have competition across all segments.

Moderator: Thank you. The next question is from the line of Shreya Shivani from CLSA. Please go ahead.

Shreya Shivani: Congratulations for delivering a good set of growth numbers over here. Sir, my question is again on the margins itself and 24% margins, while the quarters of 50% mix coming from ULIP is quite good, going ahead, two questions over here, is there any artificial limit that we maintain on the product mix on the ULIPs or is it just going to be dependent on what is the flavor of the season and what is selling more?

And second is this 24%, I mean, one can expect this to continue for another quarter, but after once second half starts, that is after October begins, where should we see the trajectory? If you could give us some numerical, some numbers around it, maybe 50 bps contraction, any numbers that you can help us with on where would this 24% be in third quarter or maybe nine month or FY2025, that would be very useful.

Amit Palta: So, on products trajectory, I will speak about, and I will ask Dhiren to talk about VNB trajectory. See, on products where the mix will eventually move and what is the targeted mix, these are the questions we have answered at various point in time, that our focus over years has been about ensuring that we stay relevant irrespective of what the economic environment is around us.

So, when the markets are good, we are happy to serve with unit linked products. When markets are tilting towards guaranteed products, we should be ready with and have the products available with us. And hence, lot of time and energy and capacity has been deployed to create options and create choices across platform of products and make it available to the customers depending upon the prevailing economic environment.

So, we actually don't look at a targeted product mix. But yes, we do look at margin maximization initiatives within product lines and that could happen by increasing the tenure of the policy and looking at riders which adds value to the customer as well as to the company and by looking at sum assured multiples over the premium that you can get customers to be convinced on to drive a higher profitability for us.

But for every step that we take towards profitability within the product line, what is sacrosanct is something which has to add value to the customer. So, whether a longer tenure or whether riders or whether increasing sum assured multiple, all three elements you will see adds value to the customer. So, as long as it adds value, we will be more than happy to let customers choose what is the most relevant depending upon the economic environment.

On the VNB trajectory, I will ask Dhiren to explain.

Dhiren Salian: Hi, Shreya. So, on the VNB trajectory, I think it is still a little too early to call, primarily because of two fronts. One, the products are still in a development phase at this stage and conversations with our distributors is still live at this stage. So, until these come to an end, it is a little difficult to identify where the margin would be. But as we mentioned before, fundamentally what we are trying to do is to align interests of all three stakeholders, customers, shareholders and distributors and we want to create a win-win-win situation out of this.

Moderator: Thank you. The next question is from the line of Ravi Purohit from Securities Investment Management Private Limited. Please go ahead.

Ravi Purohit: Sir, I have a more fundamental question in the sense, when I look at our reported profits, when I look at our reported net worth, right, it gives you a number of return on equity of some 8%, right? Of course, we understand a lot of expenses get booked in year one and income is spread over a longer period of time.

But just like health insurance companies have started kind of indicating what are their IFRS-based numbers and ROEs, can you help understand what is ICICI Pru Life Insurance businesses through normalised ROE of the business, right? Is it like if all those accounting norms were to be changed, would our economic profits be ₹ 1,500 crores today on a net worth of ₹ 11,000 crores or if you could just indicate some ballpark to understand and evaluate, you know, what's the real true economic profit of this company or business?

Dhiren Salian: So, Ravi, you are perfectly right. ROE in the current Indian GAAP doesn't make too much sense. The true ROE will start to emerge when we move to IFRS. We are awaiting instructions from the regulator as to when we could move to IFRS. There are a set of conversations live, but we are still waiting for notification on this.

I think it would be sufficient to say that we expect to have a release of capital based on the regulation that we expect coming out of IFRS. But it's too early to figure out what these numbers would be. In the current context, given that we are still working with the Indian GAAP, we are looking at VNB and EV and ROEV is the more relevant metric at this point to look at from a return perspective.

Ravi Purohit: But if you could just do an exercise, I mean, if this was a case study and if you were actually doing a study and trying to assess, just to give some ballpark range also, not even like a pinpointing thing that, you know, health insurance companies have gone to the extent of actually reporting both the P&Ls and ROEs. But let's say even if you are not able to do at least some ballpark range, would that kind of not help investors kind of make some sense of the reported numbers, as though the reported numbers are absolutely like no connection with the true economic power of the business, which we are never able to assess in that sense?

Dhiren Salian: Yes, you're right, Ravi. I think at this point, we work with ROEV. It's a little easier to do on the health insurance side, given that they are shorter-term businesses. But in our case, the nature of the business is quite different, and it is long-term. So, until we get to IFRS, it will be really difficult to call out these numbers.

Ravi Purohit: Thanks a lot.

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

Prayesh Jain: Couple of questions. Firstly, just a clarification on the budget. There have been some calculation changes with respect to expenses that can be identified and does that impact our tax rate in any form? That is one. Second is on the surrender charges. You know, you mentioned that you will create a balance between all the three stakeholders.

So, is it fair to assume that the returns will go down, commission structure obviously are changing, and for that matter even VNB margins could be hit? And within that agency you mentioned that moving to trail has been quite successful, but with your Bancassurance or your corporate partner, corporate agents, would you feel that a claw back would be a better option and how the kind of negotiation? Yes, this is my question.

Dhiren Salian: So, right now, Prayesh, from the budgetary aspect we are not seeing any material impacts onto us. So, on the surrender aspect, I think we have been able to demonstrate that there is a segment of distribution who are looking at picking up level commission products and that essentially we are not losing margin in these sets of products, and we discussed that in the previous call as well.

The very fact that the pickup has been quite good in segments that we had launched this in, gives us a great deal of confidence that you can actually manufacture products that create a win-win for all the stakeholders. So, that's the direction that we are going around.

Yes, our conversation with our Bancassurance and other partnership distributors are live and these are some of the offerings that we would take to the table as we have conversations with them and figure out what the right commission structures would be, which create value for all parties.

Amit Palta: In fact, just to add here, actually Bancassurance partners or non-bank partnerships CABR that we have, they contribute ~ 23% of our business. So, remaining part of our business is mostly proprietary apart from ICICI Bank which as you know focuses on protection and Standard Chartered Bank, which also is single insurance.

So, our multi-insurance business that you are talking about actually forms only 23% of our business and there also we are in discussions. Some of them, select partners have picked up our 100% money back on a level commission kind of a structure. So, we will see how discussions span out, but eventually that is not an as large an issue and that is probably an advantage of having a proprietary distribution contributing almost 55% of our retail business.

Dhiren Salian: Just to add to that, Prayesh, if you look at the entire non-linked mix, we are looking at about a 20% mix and even within that you are looking at par and non-par. So, actually the impact onto us is quite muted compared to what the rest of the industry may be at.

Moderator: Thank you. The next question is from the line of Vinod Chandra Kailash Chandra AG, who is an individual investor. Please go ahead.

Vinod Chandra/ Kailash Chandra AG: I just have one question. What is our Q1-FY2025 ending embedded value?

Dhiren Salian: We have not disclosed that to market yet. We do that half a year, once in every half year.

Moderator: Thank you. The next question is from the line of Madhukar Ladha from Nuvama Wealth Management. Please go ahead.

Madhukar Ladha: So, a couple of questions from me. One, your bank channel has done quite well. There is a growth of about 33%/34% of that. So, what's driving the growth? Some color on how ICICI Bank has done? Are we still in the ₹ 80 to ₹ 100 crores type of range? Or is there any sort of pickup of the new businesses there?

Second, you mentioned about the ₹ 446 crores expense allocation methodology change, which has resulted in policy liabilities coming down. Is this more like expenses getting allocated to par policies, which is sort of helping this?

And also, finally, on the annuities side of the business, annuities seen a very good growth, whereas protection on a year-over-year basis, retail individual protection is very muted. So, I wanted to understand what's wrong, what's not working with protection, and what sort of growth should we be looking at for the year, and what's actually doing very well for annuities, and how we are able to grow that piece of the business so well? So, those would be my questions.

Amit Palta: Yes, thanks, Madhukar. I will take your questions pertaining to distribution. So, I will start with ICICI Bank. So, ICICI Bank is now stable, like we have maintained even in our previous earning calls as well. ICICI Bank is consistently at around ₹ 100 crores kind of top line. But what is very heartening is that they have been creating a delta on retail protection very well. So, they are doing well on retail protection. And this is a choice that they have made. And we are quite happy with the outcome on retail protection, specifically on ICICI Bank.

On banks, other than ICICI Bank, our growth has been close to around 31%. So, 31% growth is what we have actually delivered on banks other than ICICI Bank and Standard Chartered Bank. We look at ICICI Bank and Standard Chartered Bank as businesses which are only with ICICI Prudential. So, what is driving our growth in those bancassurance channels is actually again multi-fold.

You know, we have invested in creating a seven-block enablement framework called 'Partner Stack' to help our bank partners grow end-to-end right from opportunity identification to choosing value propositions which are unique to their customer segments, then investing hugely on capability building on offline, online channels, then doing a network digitisation, creating integrated sales processes, investing in demand generation and then through onboarding process and policy lifecycle management, we have completely been able to integrate our business with their banking end-to-end, and I think that is what has been able to give us the alpha on growth over a period of time.

So, it is not necessarily only price or commercial considerations. It is also the investment that we have done through our sheer hard work and our presence in these shops over a long period of time now.

Coming to on product, your comment on annuity, you are right, we have done very well on annuity and within annuity, we actually chose customers at 50 years of age as a huge opportunity because we thought that large number of customers less than 50 were still investing in life insurance, but there was an opportunity where customers would start investing for their retirement subsequently. And to reach out to this customer segment, we have segmented our distribution to see where and who has access to these customers, and then came out with this product which has a differentiation of 100% money back, which basically takes the crisis away from the minds of the customer, and they can without any fear buy a life insurance product without having apprehension of losing the principal in case he was to lose his ability to pay premiums later. So, annuity was a natural success which we have already spoken.

On retail protection, see if you look at a longer time frame, two-year time frame like you will see a CAGR of around 28%/29% growth on retail protection. Now both our own online business as well as our web aggregator business has been a significant contributor to our retail protection business and the consequence of that also in that channel is extremely competitive nature of business because extremely competitive platform that they operate on.

So, in between, there are few price considerations, few interventions done by us, few interventions that competition did on pricing and specific sum assured bands where we were very strong. I think we saw some impact on a short-term basis which has been

corrected now and we are quite confident that absolute business will come back once again.

But good part is that since this business will always remain volatile, it is important to keep investing in proprietary channels, keep building capability to sell protection through them. ICICI Bank is already doing very well on retail protection. And like the way what the agency has done on the overall top line, we are very confident that they will become significant on retail protection as well.

So, while we'll stay invested on online channels where there is a natural disadvantage of very stiff competition, but I think we will reduce our volatility by improving capability through our proprietary channels.

So, we are not very worried. This is an interim phase. Practically, we will handle it. And we are quite confident with the focus that we have and new products which are there in pipeline on retail protection. In the later part of the year, you will see growth coming back.

Dhiren Salian: So, on the expense of management policy change that we spoke of, within the quarter, the expense reallocation has actually given some relief to par. So, it has not loaded the par book at all. In fact, the ₹ 446 crore that you referred to, does not have any par impact.

Madhukar Ladha: And one final follow-up. To maintain this VNB margin of 24%, what is sort of the full-year growth that you have built in in your assumptions? Because you work on unit cost method for the year, right? So, that would at least give us some idea on how to think about margins versus our sort of projections on APE growth.

Dhiren Salian: So, Madhukar, I think we have built out a fairly decent growth in this current financial year, with, of course, looking at how the product mix will evolve. As we would do at every quarter, we would reassess where we are in terms of how expenses are evolving and how the top line also moves in that direction. So, we'll keep coming back to the market every quarter and let you know how that's headed.

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

Avinash Singh: A couple of questions. The first one, more sort of a near term. Of course, you have touched upon this point many times. On the retail protection, I mean, is sort of your growth in line broadly with the market? And also going forward, the growth, will it be kind of driven by volume or the ticket sizes? I mean, any sort of a pricing action, because the media was reporting very recently that there are kind of scenarios where, you know, leading life insurer taking price hike in this business So, I mean, the outlook on sort of the volume growth and the pricing action. That's one.

Second, more from a medium-term a bit of I would say jumping on, as, I mean, IndAS lead to sort of some release of capital or like a scenario being overcapitalized, so what would be sort of alternate available for insurer like you in terms of optimising your capital allocation? I mean, what to do with the surplus capital, whatever preferred option that

regulatorily that you will be allowed, I mean, to take out that capital or do something else?

Dhiren Salian: So, Avinash, in terms of protection pricing, this is a continuous process. We keep looking at where we are in the market space. We keep looking at various segments. We look at how the emerging trends are in each of them from the risk and a profitability perspective and we keep taking price actions in specific cohorts.

So, I know there are some media reports that have spoken about the various price rises, but this is the nature of the industry. I am sure other companies would also be taking similar actions along that front.

With respect to IndAS, IFRS I think we will have to allow that to come first. It's a little difficult to estimate what would happen and what could potentially happen with the release that comes into networth. little difficult for us to say at this point.

Moderator: Thank you. The next question is from the line of Sanketh Godha from Aventus Spark. Please go ahead.

Sanketh Godha: See, our growth on individual APE has been very strong around 42% for the quarter. Just wanted to understand how you are looking at the full-year number and honestly, the growth was largely driven by proprietary channel around 53% for the quarter. Whether this number with base increasing is sustainable? How do you see the number to play out from full-year perspective? That's point number one. And if growth remains as strong as it was in Q1, then given our solvency at 187%, will it be sufficient, or we would also plan to do a sub debt to fund the growth if the growth sustains at the current level? So, that was my first question.

And if I understood you, Amit, properly, you said ICICI Bank is just ₹ 100 crores for the quarter which means that ICICI Bank would have declined by 49 odd percentage and other channels would have grown materially in the quarter. That's the way I need to understand it which includes StanC Bank.

And lastly, Dhiren, just hypothetically, you can choose to prefer to answer, but suppose the current product mix remains true for second half and then likely impact on the margin in absolute bps term or percentage terms for the second half because of the surrender rules, it will be great if you can give a directional quantification on the margins or you can otherwise tell me to what extent you need to claw back to make sure that margin doesn't get impacted?

Dhiren Salian: Sanketh, we are not able to get you. Can you just repeat the last part?

Sanketh Godha: The last part I was trying to ask is that if the current product mix what you have reported in Q1-FY2025 remains true for second half of the current year when the surrender rules becomes live, what is the likely impact on the margin, assume your projected cost in the margin remains true for the full year and suppose or you can otherwise tell me how much claw back you need to do to make sure that the margin will remain at the similar level what you have reported assuming the product mix remains at the current level?

Amit Palta: Sanketh, let me first clarify, Sanketh, your colleagues are also there in the call. Let me clarify. ICICI Bank I mentioned ₹ 100 crores on an average in a month, they are at that level, plus or minus 5% or 10%. It keeps happening. Growth numbers are only an outcome of what happened last year. So, within that ₹ 100 crores kind of a rate, they are doing much better on the choice that they have made, which is protection. So, protection is growing definitely quite consistently month-on-month. On overall top line is what I mentioned on a monthly basis.

Second question on sustainability of growth that you witnessed in Q1-FY2025, see, when we delivered an alpha growth in quarter three last year, we gave a guidance of 10% growth in Quarter four and we are very happy that we delivered that. And that happened not because what we did in Quarter four got us the results in Quarter four. That was on the confidence that investment we did over a period of few years was at the point of starting to deliver outcomes for us. So, to that extent that fundamentally doesn't change.

I will not comment on outlook on what we will do in Quarter two, but we will draw our confidence from what we have done over the period of last two to three years. After that I leave it for you to read how consistent and sustainable will be the growth from Quarter one.

By the way, after delivering an alpha in Quarter four, what you see now is the growth number. So, there is a consistency of performance from Quarter three to Quarter four and now Quarter one. Now, over to Dhiren.

Sanketh Godha: But just on this sub debt, okay, maybe Dhiren can answer that one.

Dhiren Salian: So, the question on sub-debt is always available and we keep assessing whether we need any help on solvency from time to time. We discuss with the Board and if we need to, we will go down the track as well. As you know, we already have ₹ 1,200 crores of sub debt on our book.

Sanketh Godha: Dhiren, my question was if the current growth rate maintained, then will it become inevitable for you to raise sub-debt?

Dhiren Salian: Those are actions that we will evaluate when we get there, Sanketh.

Sanketh Godha: On margin, if you can...

Amit Palta: There will not be any impact on margins because of surrender guideline changes from 1st October, Sanketh, if you can look at product mix slide, you will note that that side of business is only 17% of our portfolio. So, at a 17% of portfolio, the impact on margins that you see today, you can back calculate and see though we don't really visualize anything happening on demand, like I mentioned, we want to stay true to the customer proposition and want to manage with other two stakeholders, which is manufacturers and the distributors. I don't see demand going away anywhere. So, in that scenario existing 17% mix, even if it gets impacted by 1% or 2%, will not have an impact on the overall company.

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

Nidhesh: Firstly, sir, what is the share of trail-based or level commission products in our APE today?

Dhiren Salian: We have not called that out, Nidhesh. It has been launched in a specific segments and it has done quite well there.

Nidhesh: Secondly, the growth in annuity has been very, very strong for last two, three quarters. So, can you give some detail on what is product structure on the annuity side which is driving such high growth for us and how are we hedging that product?

Amit Palta: So, you can actually get in touch with us offline and we can detail out the product contours. You can consider for yourself and your family as well, but yes, it is feature packed and the biggest feature of course is to take the fear away from the minds of the customer of losing principal if he were to lose ability to pay his subsequent premiums. Apart from that also, it is very feature-rich, and we believe that annuity is a great opportunity to be unfolded. It's only a beginning. I guess, we will only get stronger from current levels.

Nidhesh: And from a hedging perspective, it's fully hedged.

Amit Palta: It's fully hedged, yes.

Dhiren Salian: We have been very, very tight about our hedging program. We do this on a very, very rigorous basis. Whenever we have launched all our non-linked products as well as annuity products, we have ensured that they have been fully hedged.

Nidhesh: So, this product is a regular pay annuity, right?

Dhiren Salian: Yes, the larger portion of the annuity business right now is a regular pay annuity. We do have a sizable single pay annuity as well.

Amit Palta: In single premium, as you know, for last four, five quarters has been relatively muted because of multiple options available whether it is bank deposits. So, this trend is kind of continuing this year as well on single premium platform.

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

Aditi Joshi: It's Aditi here from JP Morgan. I have two questions. So, firstly on the product side, on the non-linked segment, can you please help us understand that within that segment, split between par and non-par, so what was the reason for a weakness in that product segment?

And secondly, on the other partnership channel, it's still not majority portion of the business is coming from there, but see that in FY2024, we have added some significant number of new distribution partners in that segment. So, in that segment among the all

channels have delivered a strong double-digit growth but still lower than the other channels. So, going forward do you think that there might be some growth pick up in that segment? These are my questions.

Amit Palta: Firstly, on distribution, if you see their growth being relatively lesser than other channel is largely on account of the choice that this distribution segment has made on prioritizing businesses other than linked. As you know that market forces positive sentiment in the market really got tailwind going for unit-linked products. Incidentally, unit-linked products form a very small proportion of partnership distribution space.

So, within the space that they are operating, I guess they have delivered quite a decent growth of 25% or so, but yes because they have not participated as much on unit-linked business, their growth is relatively lower to others.

Your second question was about participating.

Dhiren Salian: So, roughly about two-third, one-third is where the par, non-par split is actually, and the decline that you see in the non-linked product line is because of the stress that you have seen in terms of volumes of the non-par product.

Aditi Joshi: And is there a reason why we had seen some weakness in the non-par? And going forward, what is your sense where this product line will go ahead?

Dhiren Salian: So, I think, Aditi, the market buoyancy has been a big factor in this. You know, our principle has not been to set out product mixes but to drift where the customer demand is. Very clearly you have seen the market buoyancy affect positively the growth in the unit-linked segment and that's grown about 70%/80%. So, clearly we have seen some customers gravitate towards the unit-linked product, which is a great product in this environment.

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

Nischint Chawathe: If I you look at Slide 10, you know, which is essentially the channel wise breakup, partnership distribution is around 11.5% and in the call you mentioned that partnership as in multi- insurance partnership is around 23%. So, that effectively means that the balance sits in bancassurance.

Amit Palta: So, what I mentioned, let me clarify. I mentioned that multi-insurance banks and partnership distribution, which is 100% multi-insurance, both put together are 23%-odd. So, you are right. Outside this 11.5% mix, the remaining you can count it as banks who are multi-insurance partnership for us.

Nischint Chawathe: Which is essentially other than ICICI Bank and to some extent Stan C Bank.

Amit Palta: Yes, ICICI Bank and Stan C Bank, yes.

Nischint Chawathe: And in terms of the product mix in these channels, is there a substantial difference between partnerships and the proprietary channels? The product mix?

Amit Palta: Yes, product, see, product mix, of course, even within banks, every bank's product mix is very different from each other. So, these are the choices that our partners make. We only align and ensure that the resources are provided by us both in terms of products as well as people to build capability and systems to integrate our processes with them and give them a seamless distribution and customer experience. That is common. Otherwise, the choice of products and prioritisation of the customer segments where they want to offer our products is entirely our partners.

By the way, what you see as our product mix at a company level, not even a single channel has that product mix. What you see is the sum total product mix of all the channels put together which gives you a view on ICICI Prudential. Every partner is different. Very difficult. One or two here and there, you may see likewise distribution players who may have similar mix, but there is no player who has a similar kind of product mix.

Dhiren Salian: Nischint, full-year numbers in terms of channel wise product mix are there in Slide 60.

Nischint Chawathe: Yes, sure. I was just looking at the quarter. And finally, have you given any guidance on growth for the year? Because I missed some part of the call.

Dhiren Salian: No. Our idea is to be able to work sustainably and to look at delivering an alpha over the market.

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

Dipanjan Ghosh: So, just a few questions from my side. First, you know, going back to the cost by TWRP ratio, especially for your savings business, now what I understand is, your ULIP mix during the quarter has been substantially higher. Despite that your cost by TWRP has been stable or maybe marginally up. So, just wanted to get some colour on product level cost by TWRP within the savings business and how that is stacking up.

Second, have you seen any margin level changes ex of the cost impact or the operating assumption impact? Has there been any margin level change because of the sub-segment or sub-product mix change within respective product segments?

And lastly, if I heard correctly did you mention that ICICI Bank and StanC Bank growth was around 31%? I just wanted to get that number rectified.

Dhiren Salian: No, we didn't put that number out, Dipanjan. This is on the growth number. So, coming to your other questions, so the answer to your cost to TWRP increase lies of course in the redesign of the commission guidelines that was started last year but had its effect through quarter two and quarter three of last year as well. So, as we are in

quarter one of this year, we have the full impact of that available, which is why you see this cost increase.

We have not seen too much of a margin level change, but these are elements that we are working with especially in terms of delivering value to customers. As Amit spoke about improvement in terms of longer tenure which tying with the customers' goals that have been set, adding riders along the way which makes a lot of sense from a protection perspective for the customer as well.

So, these are some of the actions that we are having on the ground. They do help a little bit in improving margin at the segment level and that's what we will continue to work on.

Dipanjan Ghosh: Dhiren, just on the cost part, I mean, if I understand your fourth quarter cost by TWRP for the savings should have been anywhere ballpark around 14%/15% sort of a number, and I while I understand that fourth quarter is high on volumes and this quarter is like 19% despite ULIP mix thing like almost 8%/9% higher than fourth quarter. So, adjusted for the higher ULIP mix which probably gets offset by the higher volume that you see in fourth quarter, should one expect the exit run rate for Q4-FY2024 and Q1-FY2025 to be similar in terms of the payout across different savings products?

Dhiren Salian: Yes, if you assume the product mixes to be steady. There are multiple elements at play, but one of the big element is going to be the product mix.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Anup Bagchi for closing comments.

Anup Bagchi: Thank you everyone for joining. Have a good day.

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