Apne liye. Apno ke liye.

October 31, 2023 SBIL/CS/NSE-BSE/2324/166

Assistant Vice President
Listing Department,
National Stock Exchange of India Limited,
Exchange Plaza,
Plot No. C/1, G Block, BKC,
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NSE Symbol: SBILIFE

General Manager
Listing Department,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400001
BSE Scrip Code: 540719

Dear Sir / Madam,

Subject: Transcript of Earnings Conference call for Q2 of FY 2023-24

This is in continuation to our intimation letter ref. No.: SBIL/CS/NSE-BSE/2324/158 dated October 23, 2023 and in compliance with the provision of Regulation 30 read with Schedule III (Part A) (Para A) (15) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose transcript of the earnings conference call held on Friday, October 27, 2023.

The transcript of the earnings conference call with analysts/investors is hosted on the Company's website at www.sbilife.co.in

You are requested to kindly take the same on record.

Thanking you,

Yours faithfully,

Vinod Vijay Koyande

Digitally signed by Vinod Vijay Koyande
Date: 2023.10.31 20:28:13 +05'30'

Vinod Koyande
Company Secretary
ACS No. 33696

Encl: A/a

SBI Life Insurance Company Limited

Q2 FY '24 Earnings Conference Call

October 27, 2023

MANAGEMENT:

MR. AMIT JHINGRAN – MANAGING DIRECTOR & CEO

MR. S. VEERARAGHAVAN – DEPUTY CHIEF EXECUTIVE OFFICER

MR. SANGRAMJIT SARANGI – PRESIDENT & CFO

MR. RAVI KRISHNAMURTHY – PRESIDENT, OPERATIONS & IT

MR. PRITHESH CHAUBEY – APPOINTED ACTUARY

MS. SMITA VERMA – SVP, FINANCE & INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day, and welcome to the SBI Life Insurance Company Limited Q2 FY '24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing star then zero on a touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Amit Jhingran, MD and CEO, SBI Life Insurance Company Limited. Thank you, and over to you, sir.

Amit Jhingran: So good evening, everyone, and I welcome you all on my personal behalf as well as on the company's behalf, SBI Life Insurance Company Limited, for the results update of quarter 2 and half year ended September 30, 2023. We appreciate and thank you wholeheartedly for your time.

An update on the financial results can be accessed on our website as well, as on the websites of both the stock exchanges. Along with me present here are Mr. S. Veeraraghavan, Deputy CEO; Mr. Sangramjit Sarangi, President and CFO; Mr. Ravi Krishnamurthy, President, Operations and IT; Mr. Prithesh Chaubey, Appointed Actuary; and Ms. Smita Verma, Senior Vice President, Finance and Investor Relations.

So, with respect to our performance for the half year ended September 30, 2023, our comprehensive product suite aligned with customer's needs, coupled with our continued focus on business growth, maintaining our best-in-class ratio and persistency levels, led to a decent performance on an exceptionally high base of last year during the same period.

During this half year, we have strengthened our market position and invested in capacity building for the employees and distributors with respect to handling the emerging need of the customers and to support long-term growth.

Now let me give you brief highlights of our performance for this half year ended September 30, 2023.

The new business premium registered a growth of 24% over the same period of last year and stands at INR162.6 billion and this maintained a private market leadership with share of 24.7%. This registered an increase of 209 bps. Individual new business premium stands at INR101.7 billion with a strong growth of 20% and a private market share of 27.3%. The gross written premium stands at INR337.3 billion with a growth of 21%. The protection new business premium grew by 25% to INR20 billion.The profit after tax for this period stands at INR7.6 billion with 19% growth over last period. Value of new business stands at INR23.6 billion, registering a growth of 12% over last period. The VoNB margin stands at 28.6% for half year ending September 30, 2023. The embedded value stands at INR512.6 billion, registering a growth of 21% over INR424.1 billion in the last period. The asset under management grew by 22% Y-o-Y to

INR3,451.5 billion. Robust solvency ratio of 2.12 as against a regulatory requirement of 1.50 as at the half year ended September 30.

We will now update you on each of the key elements in detail.

Let me start with the premium:

Individual new business premium has grown to INR101.7 billion with a Y-o-Y growth of 20%. Single premium contribution is 34% of individual new business premium, which is mainly attributed to growth in our individual annuity product. The company gained the private market share by 169 basis points to 27.3%.

On individual rated new business premium, we stand at INR70.6 billion with a growth of 17% over previous period and maintain our leadership position with private market share of 24.6%.

Also, group new business premium stands at INR61 billion with share of 37% in new business premium.

Having said that, we have collected total new business premium of INR162.6 billion, registering private market share of 24.7%.

Renewal premium grew by 17% to INR174.7 billion, which accounts for 52% of the gross written premium.

To sum up, the gross written premium stands at INR337.3 billion with a Y-o-Y growth of 21%.

In terms of APE. Premium stands at INR82.6 billion, registering a growth of 21%. Out of this individual APE stands at INR71.4 billion with a growth of 17%.

During the half year ended September 30, 2023, total 9.84 lakh new policies were issued. Since 2010, the company has maintained its leadership position amongst private market in number of policies issued and consistently delivered year-on-year growth over the years. This reflects the clear goal of the company to increase the penetration and achieve holistic growth.

Total new business sum assured registered growth of 48% over corresponding last period as compared to growth of 45% at industry level.

Let me give you details about the product mix:

So as on September'23, our guaranteed non-par saving products are contributing 14% of individual new business and on individual APE basis, it contributes 20%. Individual ULIP new business premium at INR54.5 billion now constitutes 54% of individual new business premium. Growth in ULIP is attributed to the positive movement in the equity markets.

Individual protection new business premium is at INR4.3 billion. Group protection stands at INR15.7 billion with a growth of 34%. Credit life new business premium has grown by 12%, hence stands at INR10.2 billion. On APE basis, protection contributes 13% of new business and registered growth of 39%.

Annuity business is at INR28.6 billion and contributes 18% of new business premium. Under annuity, the company is offering immediate as well as deferred annuity options. Individual annuity business is growing at 50% over last period, and this is mainly due to the new business contribution of smart annuity plus of INR24.3 billion.

Total annuity and pension new business underwritten by the company is INR41.8 billion, registering growth of 27% over same period of previous year.

Moving to update on distribution partners:

With strength of more than 59,000 CIFs of the State Bank of India and the regional rural banks, bancassurance business contributes share of 65% and grew by 16% in individual new business premium and on individual APE basis. It stands at INR47.2 billion with growth of 15%.

Agency channel registered new business premium growth of 32% and contributes 19% in new business premium. Agency channel individual APE stands at INR20.6 billion as on September 30, 2023 the total number of agents stands at 236,978 a growth of 33% over previous period. During the half year, the company added net of 28,204 agents.

During the half year ended September 30, 2023, other channels, the direct, the corporate agents, brokers, online and web aggregators grew by 56% in terms of individual new business premium and 22% in individual APE. Linked business through other channel registered growth of 48% on APE basis.

The updates on profitability are:

The company's profit after tax for the half year ended September 30, 2023, stands at INR7.6 billion with 19% growth Y-o-Y. Our solvency remained strong at 212% as on September 30, 2023.

Value of new business stands at INR23.6 billion with growth of 12% as against INR21.2 billion in the last period. VoNB margin is at 28.6% for the half year ended September 30, 2023. The shift in VoNB is mainly on account of increase in share of ULIP business as compared to previous year.

Embedded value stands at INR512.6 billion, a growth of 21% over previous period. Embedded value operating profit stands at INR44.4 billion. Operating return on embedded value is 20.2%.

On operational efficiency parameters, the opex ratio stands at 5.4% for the half year ended September 30, 2023. Our total cost ratio stands at 10.0% for the half year ended September 30, 2023.

With respect to persistency of individual regular premium and limited premium paying policies, 13th month persistency stands at 85.4%. The company has registered improvement in 49th month and 61st month persistency by 92 basis points and 509 basis points, respectively.

As mentioned in the opening remarks, assets under management stands at INR3.45 trillion as on September 30, 2023, having a growth of 22% as compared to September 30, 2022.

The company continues efficient usage of technology for simplification of processes with 99% of the individual proposals being submitted digitally. 50% of the individual proposals are processed through automated underwriting.

Before I conclude, on behalf of management, I would like to clearly state that the company's aspiration of financial year '24, growth remains unchanged and our endeavour is to deliver better than industry growth. With our widespread, robust distribution network complemented by the digital technology and above all, our people power, we are very well positioned to capitalize the growth opportunities that is offered in the dynamic insurance landscape. The company is aligned with the regulator's vision and will continue to focus on various reforms, enabling deeper penetration of life insurance industry.

Thank you all. And now we are 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 Swarnabha Mukherjee from B&K Securities.

Swarnabha Mukherjee: I guess my first question is on the VoNB margins. So just wanted to understand that if I look at the margins say from first quarter vis-a-vis that from the second quarter, you see that the product mix now has a fairly large share of ULIP compared to what it was last quarter. Despite that, I think the margins have remained steady, of course, group protection has gone up also a bit.

So just wanted to understand that is group protection the only offsetting component for the increase in ULIPs? Or are there other factors, say maybe some cost element that is there or some kind of assumption changes which is helping us to sustain the margin profile? So that will be my first question, sir.

Management: Thank you so much for your question. I think margin side, you're right that despite the higher ULIP in Q2, how margin is steady? So, you have to take a note that margin accretion comes not only on account of the product mix, but also due to the change in the profile and the products sold within the product segment mix.

During this period, we have sold higher protection. We also sold the annuity and even lower non-par, but we have repriced our annuity product and non-par product, thus giving higher margins. So, if I look into, there is a fall coming on the margin on account of the product mix, but due to better profile and better product within this product segment, has helped us to gain those margins. And that's the reason we see that the adverse impact on the margins is not too much.

Swarnabha Mukherjee: Okay, sir. So, if I understood correctly, so even if I see in the APE mix that your non-par has gone down or your annuity has gone down, but the impact on the margin is not so much. It has been offset by product level margin improvements. That is a right assumption, right?

Management: Yes, that's correct.

Swarnabha Mukherjee: Yes. Okay. And also, sir, just wanted to understand that when you give the VoNB walk between last year's first half versus where it is right now, there is this additional benefit coming from operating assumption changes. Is there something new that you have added or is it what you have done at the end of fourth quarter, that is basically reflecting there?

Management: So, we have not made any assumption changes. The impact that's reflecting is the same that we have made in year-end as on 31st, March 2023. So operating assumptions there's no change. Absolutely, the impact is coming because you're comparing from the September last year to this September, so that you're getting this impact.

Swarnabha Mukherjee: Okay, sir. Got it. And a couple of bookkeeping question, sir. If you could give us a breakup of the group protection APE between credit life and group term life. And also, the INR110 odd crores positive operating variance that is there, if you could give us a breakup of that?

Management: Just to give you the bifurcation between the group and individual protection. Overall, I can tell you that both group credit life plus GTI together consists of almost 60% of the protection portfolio and the rest is from individual, so 40-60.

Swarnabha Mukherjee: Sir, I actually wanted the breakup between the group portfolio. So, between group credit life and group term life, if you could give us?

Management: No, I don't have rightly in front of me, but we will discuss later on this.

Swarnabha Mukherjee: Okay, sir. All right. And on the positive operating variance, if you could give us the breakup?

Management: So, if you see even at the year-end, we have disclosed the component of the operating variance. So being a most efficient company and we have done a lot of good work in terms of improvement in the persistency and others. So, our operating variance and most of the positive operating variance, both on mortality side, significantly higher on mortality side, then we have expenses and then coming on the persistency. And we expect as and when we move to the year-end, operating variance will further improve from this level as well. So just to confirm, all component is giving a positive variance on this.

Swarnabha Mukherjee: Perfect, sir. Got it. And just one quick follow-up on the first response, sir. So, within the Ulip category also, is there any kind of margin change because of product profile or that remains kind of steady state?

Management: Not significant, but I think there will be some products which will not be able to replicate exactly last quarter profile coming to this quarter. But most component is coming on the account of non-ULIP products.

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

Shreya Shivani: Thank you. Sir, I have two questions. First is on the growth outlook. So in the first half on the individual APE, you've delivered 17% growth on a 21% base. So sir, can you help us understand what is the outlook for second half and which will be the key products that could drive? Where you're seeing better demand? And will we be closing the full year on 20% growth guidance that you had spoken about in the last quarter?

My second question is on the number of policy growth. So, for the first half, the number of individual policies is up 6%, while the individual APE growth, like I said, was 17%. So, sir, can you help us understand what exactly, where is the ticket size growth? And is there more potential for NOP growth going ahead? These are my two questions. Thank you.

Management: Okay. So, we stand by the growth projections given at the start of the financial year. And as you know, there is some seasonality. So, although our growth in this first half year is around 16%- 17%. But we stand by the 20% projection and we are working in that direction only. So, by the end of the year, we stand by the 20% growth.

Now coming to your second question regarding ULIP, of course, the increase in share percentage of ULIP has also led to increase in the ticket size, as you rightly mentioned. And the growth in number of policies at 6% is lower because of this higher ticket size.

Going forward, though we welcome the increase in number in the ULIP sales but we are also working internally to increase the share of non-par and protection plans and also par plans, so that a healthy mix is maintained.

Shreya Shivani: Sure, sir. And just following-up on the first question. So, I believe that the growth of 17% on individual APE for the first half largely is because of the bancassurance only growing at 16%, right? So, should we expect that, that would be the one of the key channels that could pick-up in second half?

Management: Yes, go ahead.

Management: Just to add here, this quarter, if you have seen agency has grown by 35%. Bank has also grown by 16%. And generally, our OND and JFM are very high composition of business mix of almost 60%. And the way SBI channel has been poised to do now, we expect that not only as MD said about the product mix, but also the growth will be in tandem as we have guided, it will be the range bound between 19% to 20% for FY '24.

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

Nischint Chawathe: My question actually pertains to channel-wise business. We have seen that agency has grown quite impressively this quarter. And there is a fair bit of increase or almost doubling of business of ULIP business from the agency channel.

Now when you speak to some of your peers, their argument typically is that the persistency of agency may be somewhat lower than the bancassurance channel and which is the reason they would and ULIP being a product which is extremely sensitive to persistency, they would probably resist or pushing ULIPs through the agency channel.

And I think you've grown ULIPs pretty aggressively through agency. So I was just trying to understand how are your persistency ratios in ULIPs versus banca? And how comfortable are you with this kind of growth of ULIPs through agency?

Management: So, in fact, our ULIP persistency in the agency channel is better than the banca channel. So, there is no challenge on this front, and we will continue to push the products in the agency channel. You would have noticed that our agency growth was 35% compared to banca. So, the focus remains on having a healthy mix of all the channels.

Nischint Chawathe: The 13-month persistency on agency versus banca?

Management: Yes. So, 13-month persistency in agency is better than the company average. So, agency used to be always far better than the company average as far as the 13th month is concerned. Secondly, our agency persistency is one of the best in the industry and which we will continue to explore on this particular 13^{th} month. Not only on 13^{th} month rather, now our agency channel persistency for 37th, 49th and 61st also have been growing significantly for us and which is almost kind of one of the best in the industry.

We don't see much instance on the side of the ULIP business coming down because of persistency because our ticket size and our geography where we present in India, it has been helping, and that is what is our USP in the success of agency channel for SBI Life. And we will continue to monitor that and continue more penetration will be there for our Tier 2, Tier 3 cities going forward as far our agency is concerned.

Nischint Chawathe: On the product mix side, I think in the last quarter, you had guided that the overall share of ULIPs will sort of moderate down for the year. So would you still kind of go with that sort of a guidance? I know it's gone up in this quarter. But separately, as we go towards the end of the year, how do you see the mix panning out?

Management: So, while we continue to work towards some intended ratio of 55:45 kind of ULIP and non-ULIP, but you will appreciate that this mix is somewhere & sometimes also directed by the market conditions. Equity markets are doing pretty well. So generally public are more inclined to go for ULIP in this scenario. But our focus on other products remains the same and our intended goal also remains the same for getting a 55:45 kind of mix.

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. Number one, see market conditions are good and that helped you achieve a pretty good growth in Q2 and partly also offset the bad performance or the subpar performance in Q1. So, but market conditions now are not that good, right? So, markets have become a lot more-shaky. So, in that context, if ULIP does not do well and even the IRRs on some of the non-par products have come off given the interest rate curve has flattened quite a bit. Would you see that as a challenge in the second half to growth, right? So that's question number one.

Second, a very large growth has come also in your group APE, if I'm correct. So in first half, the growth from group APE is pretty solid and a lot of it happened in Q2. So it will be important to just understand where is it coming from? How much is sort of credit life and how much is GTI? And if a lumpy GTI business has contributed to this?

And third, we've got some feedback that commissions for the agency channel have also gone up, in general commission rates have gone up. So how are we reacting to the market condition? And how has this sort of managed to get such a good growth in agency? Yes, these would be a few of my questions. Thank you.

Management: So first of all, I will say that the first quarter, you cannot say it was bad. It was maybe a little subdued. But we have made up that in the second quarter and the first half overall is pretty good. As far as market conditions, you are saying this temporary kind of volatility will always continue. These market corrections keep happening every quarter, every half year at frequent intervals. So exactly, I will not say that the market conditions have gone adverse.

And in any case, this is an insurance, this is not purely investment. So, we will continue to push it insurance products and our channels, various channels, including the predominant banca channel, they continue to work to push insurance and they tap all the available opportunities. So, as I earlier also said, we stand by our 20% growth projection. And we are sure that with the right kind of product mix and right use of channel, we will be able to achieve our intended growth numbers.

Madhukar Ladha: Right. Sir, just a follow-up. See, your ULIP is predominantly debt, so almost, I guess, about 68% of the linked AUM is debt AUM, still market conditions have such a big impact. So that's the conundrum, which I'd like to just, if you can explain that a little bit that how are we selling this to be a market product, but with equity component being much lower?

Management: See, just to give you the perspective about our new business inflows, it is not debt dominant. You are referring to the AUM. That is the reason you are seeing this debt to equity. As far as our new business inflow or the renewal businesses are concerned, it is quite balanced. So, we don't see any challenge per se, as such for SBI Life, and we are pretty confident, as MD said, we have been spread across India from the SBI network as well as for our agency channel.

We are quite confident that, our mix as well as debt equity to the various strata of the customers whom we are catering, we are quite confident that we will able to maintain our composition in the debt equity. So, there is no challenge per se, either of the market going up and down.

Madhukar Ladha: Right. And on the group business side, if you could help me understand, this quarter, we've seen a very strong growth?

Management: In fact, in the group business, we have done very strongly on some of the segments. So particularly on the GTI, we have done good. Group Credit Life, as you know, we have been doing good. So that is also growing in double digit. So overall group business, if you see group protection is around 15%. And this is the overall at this moment on the group business side and group credit life has been growing at 12% to 13%.

Madhukar Ladha: Okay. And finally, on the commission rates in the agency channel and what is happening over there?

Management: See, as far as our commission structure is concerned, there is no change as we have been very consistent about all our channels commission payouts, and we'll continue to do that. And specifically, to the agency, there is no change, as I said, because across our channels, the same rate of commissions is being paid. When it is required, we will discuss. And accordingly, we take a call based on the sentiment at that point of about the market. If it's a non-par or ULIP or any other segments, we will appropriately take. But at this moment, there is no call taken about any commission restructuring as far as the products are concerned.

Madhukar Ladha: And 1 final question, sir. Any change or any update on the thought process at SBI in terms of increasing the commission payouts given that the EOM caps or the commission caps have gone. So, any update over there which you would like to share?

Management: So, CFO just confirmed that as of now, we have not looked into any changes in any of the commission structure, be it agency channel or banca channel. So, we will respond to the situation as the things pan out going forward.

Madhukar Ladha: Got it, all right.

Management: And if you see, the required whatever we plan to pay based on our own assessment and based on the various other features, we have appropriately taken into our accounts also. So, it is appropriately disclosed.

Madhukar Ladha: Understood. Thank you, sir. All the best.

Management: Thanks.

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

Prayesh Jain: Yes. Hi, thank you for the opportunity. Firstly, on the banca channel, particularly SBI, what would be the number of branches of SBI that would be selling SBI Life products today? And how do you plan to increase this going ahead?

Management: You see all the branches are authorized to sell and all branches continue to sell, but what we can say is that in any given month, say, from 55% to 65% branches are active. They actively sell every month. So that mix keeps changing. All our branches are authorized.

Prayesh Jain: Okay. Coming to the product mix. In the individual protection business, what's the mix of ROP and non-ROP?

Management: It is same, which has been every quarter-on-quarter, we used to publish between 85% to 15%.

Prayesh Jain: 85% is ROP and 15% is non-ROP?

Management: Yes.

Prayesh Jain: Okay. Got that. And what are the new product launches pipeline that you would have for the second half?

Management: So, we are working on the quite a few products. So maybe we will introduce one or two products in the non-par savings segment. We're also working on the comprehensive review of this rider portfolio because that will help us to not only increase the protection, but also in some of the saving product if you are having the waiver premium rider & other benefit rider then also enhance to sale up those products. So, we're working on that line.

We're also working on one or two ROP protection product. ROP on higher ticket size. Because, as you know, we continuous updating and we are saying that 86% is coming from ROP. So, if we have to do better, objective is to introduce another segment in the ROP things for a higher segment and then that will come. And also, we're looking to some of the things on deferred annuity side, so that will come concurrently.

Prayesh Jain: Okay. And last question from a protection supply standpoint, are we back to pre-COVID levels or in terms of medical underwriting or financial underwriting, back to pre-COVID levels or what is support from reinsurance companies. Where are we standing there?

Management: So, on the reinsurance side, we have seen a lot of improvement coming there. So, this is because now people have stabilized, the COVID claim is more or less stabilized, though we're not getting full benefit but we do see a lot of support coming from the reinsurance side, both in terms of the higher nonmedical limit also in terms of the premium reduction. So quite a few places where the reinsurer has in case of premium paid on account of COVID, they either looking case by case basis reducing that to some component like credit life, we have got some reduction, that's also helping us in the margin enhancement.

So we expect that going forward, maybe six months to eight months, we may get further support from the reinsurance, plus our ability to reach to the cross border insurer has also increased, and we're getting a lot of benefit and support from the reinsurance market.

So, COVID is though very difficult to assess this but in the corner and going forward, once the improving trend will get stabilized, we'll get some more benefit as well. As of now, both the reinsurer and we are also taking a cautious and prudence approach before going to the significant reduction on the premium base.

Prayesh Jain: Got it. Thank you so much.

Management: Thank you.

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

Dipanjan Ghosh: Hi, sir. Good evening, sir. Few questions. First, if I look at your non-par product and see the growth in non-banca and non-agency basically the other channels, that has been relatively robust on your non-par and protection growth. So, could you give some color on what will be the channels and whether it's non-par or par that is growing in this channel? And also, from a policy versus premium perspective, our ticket size perspective?

Second, in your other channels if you can give some color on what the mix would be of non-SBI banca? And how the growth has been shaping up and if you're planning on adding a few more banca tie-ups that may be there in the pipeline?

Lastly, in your last quarter, you had highlighted that you are taking certain strategic steps to improve productivity at agency, we see some granular data during the quarter, but if you can give some more granular information on how agency is shaping up from both near and from a medium-term perspective out there?

Management: You were talking about non-agency, non-banca channel, right?

Dipanjan Ghosh: Yes.

Management: So actually, the base there is pretty small. So, the growth percentage-wise looks pretty good. And we will continue to work with our existing partners as well as we are always on the lookout for the new partnership in this area. And as you know, we will continue to drive the business in all product segments, ULIP as well as non-par, par and protection. So new partners, of course, discussions are always on. And as and when they add up, the numbers will start increasing further.

Dipanjan Ghosh: Sure. Sir, I was asking more from the non-par and protection perspective, you gave the segmental breakup. It seems that on a low base also, while other channels have witnessed decline in non-par it seems that -- the non-banca, non-agency have seen some improvement. So, I just wanted to get some color on that?

Management: See, non-par others, which is our Smart Platina, so that is almost kind of a significant growth in the other banca partners, which is almost kind of 41%. In case of protection also, they have been growing in a good rate, which is almost kind of a 12%-plus and annuity also, they have been doing growth in the double digits.

So in the IA, which is being the other than agency and banca channel is doing overall good as compared to last year with a balanced product segment. And we expect that they will do better in this next six months because the composition, which we are expecting from them is better non-ULIP as compared to ULIP.

Dipanjan Ghosh: Got it, sir. And if you can give some color on if you're looking for incremental banca tie-ups or if anything that is in the pipeline?

Management: So, as I said, that there are discussions always going on. And as and when we onboard new partner, we will let you know.

Dipanjan Ghosh: Sure. And lastly, sir last question on agency, your strategic initiatives and how they are shaping up and how agency is geared up for 2H and for medium term?

Management: If you see the numbers, the growth in agency channel in the second quarter is much better. And now they are more aligned to our annual growth targets also. The one thing is that the number of new agents added in the second quarter is pretty high. And as these new agents get active, they will start contributing to the top line of the company in a much better manner in the second half.

Dipanjan Ghosh: Sure. Thank you and all the best.

Management: Thank you.

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

Supratim Datta: Thank you, sir. Thank you for the opportunity. I had three questions. Starting with the first one. Now if I look at your commission to premium ratio and compare second quarter FY '24 with last year, there seems to be a 60-basis point impact in your commission to gross premiums.

But when I look at the product mix, the ULIP, which has typically had lower commissions, that has increased. So how should I think about this? Why has the commission into gross premium ratio increased? That's one. Number two is on the individual protection, that has declined in the second quarter, just reasons why that has been the case because your peers are seeing growth in that category?

And lastly, on the agency, you one of the key drivers for your agency growth has also been agent additions last year, on a gross basis, you added around 75,000 agents. This year, you have added till date around 50,000 agents. So how should we think about agent addition going forward? Can this pace continue? And what has been driving this significant agent addition because previously, you were not adding agents at this rate? So, if you could help me with these three questions that would be very helpful.

Management: See, first one is the commission percentage which you have mentioned about to the GWP. In fact, the commission has come down is due to the product mix. ULIP has gone up and non-par has come down. And that is the reason only the commission rate has been come down. Otherwise, as we already discussed, we will be focusing on the non-par and protection and par. So, this will take up the commission ratio further going forward.

Second one is the protection. Protection, particularly on the individual protection, we can say that it is flat. So, we anticipated a good growth, which already the second half numbers have started doing well. And we expect that we will achieve whatever targets we have fixed for ourselves in the FY '24 in the individual protection.

And as Prithesh has already mentioned about the new products, which we are planning to launch, that will also help us to achieve our numbers but that is continuously in the focus for us, and we will continue to deliver the numbers which we have planned for FY '24.

Agency channel, particularly, just to give you a perspective, we have been adding and we are the one of the best in the agency channel, particularly not only on the performance but also on the additions. There’re two factors to it. One is the additions for us is being very consistent. This year, we have added already in the books in SBI Life as far as the agency is concerned, we have crossed 2,36,000 agents, which is a growth of 33% over last year. And the gross additions if I can tell you, this is almost touching 50,000 in the first half itself. And the productivity also has gone up for our agency channel year-on-year.

So from the productivity as well as from the number of agents, we are very focused. And parallelly, what we are also focusing for agency channel is that the branch activation and the branches of SBI Life should be there across regions so that they get the assistance whatever is required for our agency channel. So comprehensively, the agency channel is being very, very focused for us and we wanted to take agency for higher growth. At this moment, they're growing at 20% plus on YTD, H1'24, but it will definitely grow for the bigger numbers in the going forward.

Supratim Datta: Got it. Sir, just to clarify one point. So, on the commission to gross premium, it has actually increased from last year. So last year, it was 4.4%, this year it's 5%?

Management: See, commission last year, if you see, as far as my number is concerned, it is 4.6% vis-a-vis 4.5% and that is almost flattish. That is what I said, it has almost kind of a flat number, commission is concerned.

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

Mahek: So, I have a couple of questions. So first one would be, sir, if we look at the margin trajectory, it will be dependent on the product mix, operating expenses and external factors such as interest rates. So now looking at the possible product mix, including some uptick in the credit life and non-par saving products. How do you see the margin panning out for the rest of the year? That would be the first one. The second one would be, I mean, the other channels have been doing well. So, can you help us understand what's going on there? That would be the two questions from my side.

Management: As far as margin projections are concerned, we stand by the guidance that we had provided about it being in the range of 28% to 30% and we continue to stand by that. As you see, our first half year margin is also at 28.6%. So, within the same range, depending on some basis points here or there depending on the product mix and the channel, it will continue to be in the same range.

As far as product mix is concerned, as I already said, earlier that ULIP because of the market conditions may be selling more, but they are more than welcome. What we have to do and what we are focusing upon is increasing the number of policies in the non-par and protection so that the healthy mix is preserved. And this same product mix, we are trying to push through all our channels, be it banca, agency or other alliances, other banks and all.

Mahek: And sir, on the other channel one?

Management: Channel is a small part, but definitely, it also includes the digital part, digital channel, where we have some presence and we the base is very small. So, the growth that is shown in digital channel that is on a lower base. So, the percentage-wise, it shows very high, but we will continue to focus on this channel, keeping future in mind and we are also going to offer some more products on the digital channel in the digital market. As far as other relationships are concerned, we will continue to look for more opportunities with other banks as well as NBFCs wherever possible on the group side.

Moderator: Thank you. The next question is from the line of Neeraj Toshniwal from UBS India. Please go ahead. The line for the current participant seems to have disconnected. We will proceed with the next question, which is from the line of Raj Saya from Agam Capital. Please go ahead.

Raj Saya: Just wanted to understand on the SBI Bank channel. Just wanted to know is there any threat of new participants or partners in that channel like we are seeing in other banks in terms in the context of the open architecture? Do you see any threat there?

Management: So, State Bank, of course, is our strongest partner, and we don't foresee or I don't think there are any discussions going on at the current time for any other partnership in that sphere.

Raj Saya: Got it. Okay. Related, in the SBI bank channel, can you give any indication of what the sales in terms of rural versus urban area's branches? Or at least an indication of how this is going in terms of mining the rural area and the penetration?

Management: See the overall for SBI as a channel, it is kind of a 50-50. So, 50% rural and 50% urban. So, we have got four classifications within that. But in the broad terms, it is like metro, urban, semi-urban and rural. So, if you see, then it is kind of a 50-50 composition.

Raj Saya: Okay. 50-50 in terms of sales, sir? New business sales?

Management: Yes. New business.

Raj Saya: Okay. Great. Great. Another unrelated question. Just wanted to understand in the context of the long-term savings products that we sell, which are extremely long-term, sometimes more than 20 years. My understanding is that we may not have liquid hedging instruments for these kinds of products that we sell to protect the long-term risks. So, what is the strategy there? Or is it kind of a probability-based thing? Because we see that in the Western developed markets, there have been cases where insurance companies themselves have gone bankrupt because of losses on these long-term guaranteed products.

Management: So on this, when we are referring for the long-term saving product 30 years, 26 years in the policy term, what we do, we don't offer the regular premium long-term savings product, we do offer the limited price saving product. And if you look into our maximum policy premium paying term that we offer is 10 years. So, if you first premium you miss, you have to hedge only maximum to nine premiums. And as of now, we don't see any challenge. We are getting appropriate hedging. And our strategy is we'll keep writing this product till we get hedge.

If there will be challenge coming from the hedging perspective and revisit our strategy and we will work upon. No way we are going to take undue risk. And just to assure you and others that at SBI Life, whenever savings in a non-par guarantee product, all are hedged. We are taking appropriate ALM positions and there is no undue risk on account of interest rate movement in the future. So very secure product and that's the reason we are offering these products.

Moderator: Thank you. The next question is from the line of Prashant Kothari from Pictet. Please go ahead.

Prashant Kothari: Okay. Yes. I'd just like to understand in the last earnings call, this was asked about the kind of new guidelines by IRDA on commissions. And you mentioned that you'll be coming up with some new policy regarding that, any kind of update on that? And any kind of conversations going on with SBI on any potential kind of change in the commission structures?

Management: See, the overall commission structure for across partnerships, we have accordingly considered and under the new Expense of management guideline. And appropriately, wherever it is required, we have communicated and provided in the books. So, you can see it from the financials or whatever has been already provided is clearly mentioned there. So, the discussions with all the partnerships are being very productive and wherever required, we have appropriately provided for that.

Prashant Kothari: So, should we expect any change in the overall margin structure for the company, sir?

Management: No. So, we don't see anything any change in the margin structure at all because it is based on the product mix and various other parameters as already have been prescribed in our internal policy. So, we don't see any change in that.

Moderator: Thank you. The next question is from the line of Vivek Khanjode from Aditya Birla Sun Life Insurance. Please go ahead.

Vivek Khanjode: Sir, the first question is on credit life. So, I wanted to understand the portfolio mix for the credit life new business premium, how much of it -- the percentage of it coming from the captive SBI Bank and the other partners?

The second question is on the GTL front, where the group GTL has shown high growth. Is this because of the strategic any strategic calls that have been taken recently or is it because of some other reasons? And the third question is on the group annuity front. So, what is the percentage in terms of group fund, what is the percentage of annuity that has been contributed for the new business premium?

Management: Credit life generally is being done through our SBI channels. And this consists of almost around 15% of our total group business. And second one, you asked about?

Management: GTI business?

Management: GTI business, this quarter, we have done and which has been very significantly in the higher side. And there are some deals which have been fructified, which we have been trying for last two, three months. And that is the reason this group GTI has gone up significantly as compared to the previous period.

The third one you asked about the group annuity. Group annuity at this moment, you see, it is growing at around 20% plus. And we see both in the individual as well as group annuity, there is a good traction and we continuously focus on annuity business as we have been doing it for a few quarters now. And at this moment, group annuity is growing at 20% plus and individual annuity is also growing significantly more than that.

Management: Just to add on your question on the GTI business on account change in strategy. We'd like to clarify, there's no change in the strategy from our side. We are very much there in the group protection business and we are very much there today. So, depending on the profile that we're getting is making sense for us in terms of the profitability and the claim ratio, we do accept that.

And I think you look back in the COVID period, as and when most of our peers were hesitant taking any group business, we do participate in the GTI business. So, our strategy remained intact. There is no change. We look in the group business case-by-case basis, scheme-by-scheme basis and if scheme makes financially viable for us, we do participate and take on our book.

Vivek Khanjode: Okay, sir. And on the group front side, what is the mix on trad and ULIP for the new business premium?

Management: I think mostly coming on the group front mostly coming on the traditional part.

Management: Yes.

Moderator: Thank you. The next question is from the line of Roshan Chutkey from ICICI Prudential Mutual Fund. Please go ahead.

Roshan Chutkey: Essentially wanted to understand how should one think about the increase in surrender ratio that you are seeing for the last two quarters?

Management: See, the surrender ratio which you have seen, which is in the increasing trend, it is not due to anything other than the market movement. So, it is an MTM impact. So, because those who have surrendered during the last few years, after five years completion, we need to pay them out. So that is the reason at this moment, the market is quite significantly higher as compared to the previous period. So, the surrender ratio it's been seen in the highest side. Otherwise, we don't see any challenge as far as the surrenders are concerned.

Management: Even you compare the surrender as a percent of AUM is more or less similar.

Management: Yes.

Moderator: Thank you. The next question is from the line of Mohit from BoB Capital. Please go ahead.

Mohit: Yes. A couple of questions. So, if I look at the rewards within your policyholder account, we see that there is a substantial jump even sequentially and annually. So wanted to understand why the rewards have increased so significantly?

Management: See, as I said earlier, we have accordingly provided for depending upon our partnerships and the relationship with the various intermediaries. And this is based on our internal policy, and that is appropriately provided for in the books.

Mohit: All right. So, going forward also in the second half, we would see the rewards also, I mean, this amount being a little higher?

Management: See, this will be very technical because as you know, previous years, this was not available now since it is available. So obviously, the comparison for this year, we'll see in a little higher side.

Mohit: All right. Secondly, in terms of persistency, so we have seen a very -- increase in the 61st month persistency and our ULIP is also inching up. So, you see the ULIP, the customers actually holding on to SBI Life products quite longer, well that's why the 61st month has been higher? Any color on that?

Management: So, persistency is one area where we continue to work very diligently to improve the percentage because lower persistency not only harms the company, it also harms the customer more. So, we keep running various revival campaigns, various renewal campaigns and all to make the persistency high. And we are very happy that our efforts in this regard are paying good results. And of course, with the market on the high, the customer has more propensity to submit his instalment timely also to gain the market advantage.

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

Shreya Shivani: Sir, I just had one question on the non-par savings product, the Smart Platina Plus. So in the industry, what has been seen in the past six months, everybody has taken a cut on their IRRs. Sir, if you can help us understand how many rounds or if any rounds of cuts that you have on the IRRs that you were offering on your non-guaranteed product?

Management: So difficult to comment on what our peers and others are doing in the industry. We always have been offering the sustainable return, where some of them might be offering optimal or very competitive things. And when they're not able to meet, they have to go and reduce those returns.

We are always prudent in our offerings. Our approach is to offer any return to the customer which is sustainable in longer term. So that's that. Now responding to a question that we have just done one modification and that reduction is maybe five to 10 basis point reduction in the return on the customer not much. So that's all from our side.

Shreya Shivani: Okay. So just 1 round of cut is what you have done in recent times?

Management: Yes. Not very significant, only 10 to 15 basis point reduction in the IRR for the customer, not much.

Shreya Shivani: Sir, and just one follow up question on this. Whatever rate you offer, it's the same in all channels, right? If I go to an agent or a bank RM, I'll get the same for my product, right? Say, if I go for 10 years?

Management: Yes. All customer, we offer the same.

Shreya Shivani: Yes, yes. So, I'm saying that on your product structure, is it very long-term in nature or is it like up to a 10 year pay and then up to 25-year income? Or is it the usual product is very -- is it very long-term or is it a shorter-term income?

Management: No, no, it's not very long-term. We don't offer the whole life of a product. So, it's a 20, 26 years, 30 years, not beyond that.

Moderator: Thank you. Ladies and gentlemen, we will take that as our last question. I would now like to hand the conference over to Mr. Amit Jhingran, MD and CEO, for his closing comments. Over to you, sir.

Management: I thank all of you very much for the time you gave to SBI Life and all the queries. I hope all of you are satisfied with our responses. And if you have any more queries, you may get in touch with our investor relations team and we will definitely try to get back with the right clarification at the earliest. Thank you. God bless you all.

Moderator: Thank you. On behalf of SBI Life Insurance Company Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.