भारतीय जीवन बीमा निगम
LIFE INSURANCE CORPORATION OF INDIA

Ref. No.: LIC/SE/2024-25/131

Date: November 18, 2024

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

The Manager
Listing Department,
National Stock Exchange of India Ltd.,
Exchange Plaza, 5th Floor, Plot C/1,
G Block, Bandra Kurla Complex,
Mumbai-400051
Scrip Code: LICI

Dear Sir/Madam,

Sub: Transcript of Earnings Conference Call with the Analyst/Investors

Pursuant to Regulations 30 and 46(2) (oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of Earnings Conference Call of Life Insurance Corporation of India ("the Corporation") with Analyst/Investors held on November 08, 2024.

The said transcript is also available on the website of the Corporation and can be accessed from the link: https://licindia.in/web/guest/call-transcript-of-analysts-/-investors-meet.

Please take the above information on record and arrange for its dissemination.

Yours faithfully,

For Life Insurance Corporation of India

ANSHUL KUMAR SINGH
Digitally signed by ANSHUL KUMAR SINGH
Date: 2024.11.18 17:17:11 +05'30'

(Anshul Kumar Singh)
Company Secretary & Compliance Officer

Encl.: a/a

"Life Insurance Corporation of India

H1 FY '25 Earnings Conference Call"

November 08, 2024

MANAGEMENT: **MR. SIDDHARTHA MOHANTY – CEO & MD – LIFE INSURANCE CORPORATION OF INDIA**
MR. M. JAGANNATH – MANAGING DIRECTOR – LIFE INSURANCE CORPORATION OF INDIA
MR. TABLESH PANDEY – MANAGING DIRECTOR – LIFE INSURANCE CORPORATION OF INDIA
MR. SAT PAL BHANOO – MANAGING DIRECTOR – LIFE INSURANCE CORPORATION OF INDIA
MR. R. DORAISWAMY – MANAGING DIRECTOR – LIFE INSURANCE CORPORATION OF INDIA
MR. DINESH PANT – APPOINTED ACTUARY AND EXECUTIVE DIRECTOR, ACTUARIAL TEAM – LIFE INSURANCE CORPORATION OF INDIA
MR. K. R. ASHOK – EXECUTIVE DIRECTOR, ACTUARIAL TEAM – LIFE INSURANCE CORPORATION OF INDIA
MR. SUNIL AGRAWAL – CHIEF FINANCIAL OFFICER – FINANCE TEAM – LIFE INSURANCE CORPORATION OF INDIA
MR. RATNAKAR PATNAIK – EXECUTIVE DIRECTOR, INVESTMENT FRONT OFFICE AND CHIEF INVESTMENT OFFICER – LIFE INSURANCE CORPORATION OF INDIA
MR. K. SESHA GIRIDHAR – EXECUTIVE DIRECTOR, INVESTMENT-BACK OFFICE, INVESTMENT TEAM – LIFE INSURANCE CORPORATION OF INDIA
MR. R. SUDHAKAR – EXECUTIVE DIRECTOR, MARKETING AND CHIEF MARKETING OFFICER – LIFE INSURANCE CORPORATION OF INDIA

MR. HEMANT BUCH – EXECUTIVE DIRECTOR, B&AC – LIFE INSURANCE CORPORATION OF INDIA
MS. MANJU BAGGA – EXECUTIVE DIRECTOR, PENSION AND GROUP SCHEME – LIFE INSURANCE CORPORATION OF INDIA
MS. RACHNA KHARE – EXECUTIVE DIRECTOR – CUSTOMER RELATIONSHIP MANAGEMENT, POLICY SERVICING – LIFE INSURANCE CORPORATION OF INDIA
MR. C. V. RAMANA – ADDITIONAL EXECUTIVE DIRECTOR, CUSTOMER RELATIONSHIP MANAGEMENT, POLICY SERVICING – LIFE INSURANCE CORPORATION OF INDIA
MS. VANDANA SINHA – EXECUTIVE DIRECTOR, CUSTOMER RELATIONSHIP MANAGEMENT, CLAIMS/ANNUITIES
MR. SANJAY BAJAJ – HEAD INVESTOR RELATIONS – LIFE INSURANCE CORPORATION OF INDIA

Moderator: Ladies and gentlemen, good day, and welcome to the LIC's H1 FY '25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded. We have the senior management of LIC led by Mr. Siddhartha Mohanty, CEO and MD on this call.

I now hand the conference over to Mr. Siddhartha Mohanty, CEO and MD, LIC. Thank you, and over to you, sir.

Siddhartha Mohanty: Good evening, everyone. I am Siddhartha Mohanty, Chief Executive Officer & Managing Director, LIC. I would like to welcome all of you to the half yearly results call of the Financial Year 2024-25.

Our results declared today have been uploaded along with press release and the Investor Presentation on our website as well as the websites of both the exchanges - BSE and NSE.

Along with me, on this call, I have four Managing Directors, Mr. M. Jagannath, Mr Tablesh Pandey, Mr. Sat Pal Bhanoo and Mr. R Doraiswamy. Senior officials of the Corporation present on this call are Mr. Dinesh Pant, Appointed Actuary & Executive Director & Mr K. R. Ashok, Executive Director from the Actuarial team, Mr. Sunil Agrawal, CFO from the Finance team, Mr. Ratnakar Patnaik, Executive Director (Investment-Front Office & CIO) and Mr K. Seshagiridhar, Executive Director (Investment – Back Office) from the Investment team, Mr. R. Sudhakar, Executive Director (Marketing & CMO), Mr. Hemant Buch, Executive Director (MBAC), Ms. Manju Bagga, Executive Director (Pension & Group Schemes), Ms. Rachna Khare, Executive Director (CRM/Policy Servicing), Shri C. V. Ramana, Addl. Executive Director (CRM/Policy Servicing), Ms Vandana Sinha, Executive Director (CRM/Claims/Annuities) and Mr. Sanjay Bajaj, Head (Investor Relations).

Before I get into details of our performance for H1FY25 i.e. for six months ended September 30th, 2024, I would like to thank all of you for joining this call during late evening on a Friday. In today's call, we are aware that you will have many questions for us as a management pertaining to the new product regulations.

Let me now mention the key business, operational and financial highlights for the half year ended September 30th, 2024.

Premium Income

For the six months ended September 30th, 2024 we have reported a Total Premium Income of INR 2,33,671 Crore as compared to total premium income of INR 2,05,760 Crore for the six months ending September 30th, 2023 registering a growth of 13.56% on Year on Year basis. The Individual New Business Premium Income for six months ended September 30th, 2024 was INR 29,538 Crore and for the corresponding six months of last year it was INR 25,184 Crore thereby registering a growth of 17.29% on Year on Year basis. Renewal Premium Income (Individual business) for six months ended September 30th, 2024 was INR

1,15,158 Crore as compared to INR 1,09,599 Crore for six months ended September 30th, 2023. Therefore, for the six months ended September 30th, 2024, our Total Individual Premium Income including renewals was INR 1,44,696 Crore as compared to INR 1,34,783 Crore for six months ended September 30th, 2023 registering a growth of 7.35% on Year on Year basis.

The Group Business total premium income for six months ended September 30th, 2024 was INR 88,975 Crore comprising of New Business Premium of INR 86,056 Crore. In comparison, for six months ended September 30th, 2023 last year, the Group Business total premium income was INR 70,977 Crore and comprised of New Business Premium of INR 67,505 Crore. Therefore, for this six months ending September 30th 2024, the Total Group Premium has increased by 25.36% as compared to similar period of previous year.

Market Share

Our market share by First Year Premium Income for six months ending September 30th 2024 is 61.07% (as per IRDAI data) as compared to 58.50% for the similar period ended September 30th, 2023. Once again, we have reinforced our dominant position in the Indian life insurance market and continue to be the leader in both - Individual as well as Group business segments.

Now, if we bifurcate this overall market share of 61.07% into segment wise share of individual and group business, we would have a market share of 39.79% in Individual business and 74.77% in the group business for the six months ending September 30th 2024. On a comparable basis for the six months ending September 30th 2023, the respective market shares for Individual and Group business were 40.35% and 70.26%, respectively. At this stage, I would like to mention that for full year ended March 31st, 2024 our overall market share was 58.87%. I would like to remind you of our analyst call post FY24 results wherein we had mentioned about our regaining the market share in FY 2024-2025. As you can see, we are on right track for achieving the same.

Break up of business on APE basis:

Total Annualized Premium Equivalent (APE) for six months ended September 30th 2024 is INR 28,025 Crore which is comprised of Individual APE of INR 18,163 Crore and Group APE of INR 9,862 Crore. Therefore, on APE basis, the individual business accounts for 64.81% and Group business accounts for 35.19%. Further, of the Individual APE, the Par business accounts for INR 13,385 Crore and Non Par amounts to INR 4,778 Crore. Therefore, our Non Par share of Individual APE is 26.31% and Par is 73.69% for six months ended September 30th 2024. As you may recall, for the six-month period ending September 30th, 2023, our Non-Par share of total individual business, based on APE, stood at 10.76%. Since then, our Non-Par APE share has surged from INR 1,575 Crore to INR 4,778 Crore, increasing from 10.76% to 26.31%. This marks a significant year-on-year growth of 203.37% in Non-Par APE. Therefore, it is now evident that another pillar of our strategy which is changing product mix towards Non Par is bearing fruits and has gathered significant momentum of its own.

Profit After Tax

The Profit after Tax (PAT) for the six months ended September 30th 2024 was INR 18,082 Crore as compared to INR 17,469 Crore for six months ended September 30th 2023 registering a growth of 3.51% on Year on Year basis.

VNB and VNB Margins

Net VNB is INR 4,551 Crore for the six months ended September 30th 2024 as compared to INR 3,304 Crore for the six months ended September 30th 2023 registering a growth of 37.74% on Year on Year basis. Further, the net VNB margin is 16.2% for the six months ended September 30th 2024 as compared to 14.6% for the six months ended September 30th 2023 showing improvement by 160 basis points on a Year on Year basis.

Solvency Ratio

The Solvency Ratio as on September 30th,2024 improved to 1.98 as against 1.90 on September 30th,2023.

Indian Embedded Value (IEV)

The Indian Embedded Value (IEV) as on September 30th,2024 has been determined as INR 8,21,716 Crore as compared to INR 6,62,605 Crore as on September 30th, 2023. Therefore, IEV has registered an increase of 24.01% on Year on Year basis.

Assets Under Management (AUM)

AUM as on September 30th 2024 was INR 55,39,516 Crore as compared to INR 47,43,389 Crore as on September 30th 2023. Therefore, our AUM has registered a growth of 16.78% on year on year basis.

Product Mix and New Product launches

During the first six months period of FY25, we have launched four new Non Par products on August 6th 2024, namely, LIC’s Yuva Term, LIC’s Digi Term, LIC’s Yuva Credit Life and LIC’s Digi Credit Life.

As you may be aware, starting from October 1st, 2024, we have launched products in compliance with the IRDAI (Insurance Products) Regulations, 2024, and the IRDAI Master Circular on Life Insurance Products, which are available on our website. Further, we have made a total of 32 products (including Pradhan Mantri Jeevan Jyoti Bima Yojana) available for New Business, including 19 Individual Products, 7 Group Products, 5 Individual Riders, and 1 Group Rider.

On October 7th, 2024, we launched LIC’s Single Premium Group Micro Term Insurance Plan and on October 14th, 2024, we launched two new individual Non Par products, namely, LIC's Nivesh Plus and LIC's Bima Jyoti. As of today, we offer a total of 35 products (including Pradhan Mantri Jeevan Jyoti Bima Yojana), which include 21 individual products, 8 group products, 5 individual riders and 1 group rider.

No. of Policies Sold

During the six months ended September 30th, 2024, we sold 91,70,420 new policies as compared to 80,60,725 new policies in six months ended September 30th 2023, registering a growth of 13.77% over the corresponding period of last year.

Agency Workforce

As on September 30th 2024, the total number of agents was 14,39,658 as compared to 13,45,891 as on September 30th 2023. The market share by number of agents as on September 30th, 2024 stands at 47.56% as against 49.35% for September 30th 2023.

On number of policies sold basis, the agency force sold 89,21,078 policies during the six months ended September 30th 2024 as compared to 77,68,037 policies during the corresponding period of last year registering an increase of 14.84%. Further, approximately 97% of our policies in the six months ended September 30th 2024 were sold by our Agency force. Even on premium basis, a little above 95% of New Business Premium came from our Agency channel in the first six months of current financial year.

Contribution by Banca and Alternate Channel (BAC)

The Banca Channel collected New Business Premium Income of INR 854.23 Crore for the six months ended September 30th 2024 and for the corresponding six months of last year it was INR 648.24 Crore thereby registering a growth of 31.78% on Year on Year basis. Further, the Alternate Channel collected New Business Premium of INR 353.31 Crore for the six months ended September 30th 2024 as compared to INR 275.64 Crore for six months ended September 30th, 2023 registering a growth of 28.18% on Year on Year basis. Therefore, for the six months ended September 30th 2024, total New Business Premium collected by Banca and Alternate Channel was INR 1,207.54 Crore which was INR 923.88 Crore for the six months ended September 30th 2023 registering a growth of 30.70% on a Year on Year basis. With this the share of Banca and Alternate Channel by New Business Premium has increased to 4.09% for the six months ended September 30th 2024 as compared to 3.67% for similar period last year. Further, the Banca and Alternate Channel sold 2,45,124 policies for the six months ended September 30th 2024 as against 2,89,753 policies for six months ended September 30th 2023 registering decline of 15.40% on Year on Year basis.

If we look at the contribution of purely Banca channel, it contributes 71% of New Business Premium to Banca and Alternate Channel.

Our Overall Expense Ratio

For the six months ended September 30th 2024, the overall expense ratio was 12.74% as compared to 15.14% for the first six months of last year. You will observe that there is decrease of 240 basis points on Year on Year basis.

Persistency

On premium basis, the persistency for 13th, 25th, 37th, 49th and 61st month upto the six months ended September 30th, 2024 stands at 77.62%,72.24%, 67.24%, 66.33% and 61.46%, respectively, as compared to 78.49%, 71.98%, 70.16%, 64.57% and 62.53%, respectively upto the six months ended September 30th 2023.

On number of policies basis, the persistency for 13th, 25th, 37th, 49th and 61st month, upto the six months ended September 30th 2024 stands at 67.23%, 59.73%, 54.06%, 53.84% and 48.92%, respectively, as compared to 66.80%, 58.79%, 57.61%, 51.73% and 50.35%, respectively, upto the six months ended September 30th 2023.

Therefore, while we make efforts to improve persistency across cohorts, during this first six months of this financial year we have seen improvement in persistency on premium basis for the 25th and 49th month and on policy basis the improvement is seen for the 13th, 25th and 49th month.

Operational efficiency and Digital Progress

In our digital initiative through the Agent assisted ANANDA app, we have completed 7,23,281 policies through this App during the six months ended September 30th 2024 as compared to 5,33,393 policies for the period ending September 30th 2023 thereby registering a growth of 35.60% on Year on Year basis. There is a growth of 32.36% in number of active agents in ANANDA app for six months ended September 30th 2024.

Claims

On the individual claims front, during six months ended September 30th 2024, we have processed 89,70,019 number of claims which includes 85,55,689 maturity and Survival Benefit claims. On an amount basis during first six months ended September 30th 2024, the total maturity claims were INR 94,531 Crore and the total death claims were INR 11,645 Crores. On a comparable basis for first six months of last year ended September 30th 2023, the maturity claims were INR 78,984 Crore and death claims were INR 10,826 Crore. Therefore, the death claims are higher by 7.57% and the maturity claims are higher by 19.68% on a Year on Year basis.

Awards and Accolades

The list of awards won during H1FY25 is presented on Slide 63 of the results presentation which indicates that our customer-centric efforts have been recognized by various industry platforms.

LIC is now the strongest insurance brand globally, according to Brand Finance Insurance 100 2024 report.

Before I close my opening remarks, I would like to list down significant achievements during the quarter: -

1. There has been a significant increase in our H1FY25 market share to 61.07% from 58.87% for full year ended March 31, 2024. Also, for first six months of FY24 we had a market share of 58.50%.
2. Our overall APE growth is 23.86% on a Year on Year basis. This represents strong underlying secular growth in both Individual and Group Business.
3. Our Non Par share of Individual APE business has further grown to 26.31% for H1FY25 as compared to 10.76% of the same period for previous year.
4. VNB has also increased by 37.74% on a Year on Year basis for first six months of FY25.
5. VNB margin have shown as positive bias with a 160 basis points increase to 16.2% for H1FY25.
6. IEV has increased by 24.01% on a Year on Year basis for first six months of FY25.
7. AUM has increased by INR 7,96,127 Crore in H1FY25 registering a growth of 16.78% on a Year on Year basis.
8. While maintaining growth in all parameters we have kept a focus on costs and as you can see the Overall expense ratio is down by 240 basis points to 12.74% in H1FY25.
9. Our agency is growing in numbers and now stands at 14.40 lakh as at end of H1FY25 increasing by approximately 7% Year on Year.

Now, I would like to end by stating that:

"We are focused on adapting and evolving in line with market demands and regulatory expectations, while staying true to our core values of "Yogakshemam Vahamyaham" which means "Your Welfare is my Responsibility". The results of this half-year demonstrate both our resilience and our commitment to sustainable growth, built on foundations of decades of trust, customer-centricity and life cycle product design."

I now request the moderator of this call to open the floor for the Question and Answer session. Thank you,

Moderator: Our first question comes from Avinash from Emkay Global.

Avinash: Two questions. The first one is on the margin movement sequentially, particularly for the par products. So the first quarter margin is close to 7%-odd. And now the first half margin is close to 10%-odd. That suggests that, I mean, if we were to do that math, the Q2 margin for par has suddenly gone to a different level, like 14%-odd.

Now in the same period, I mean, there has not been much of a changes in the economic renewal, including interest rate. What has changed, I mean, that is kind of leading to such volatility in the par product margin where margin is supposed to be more stable. So if you can just help because, I mean, if I see the non-par, if I see the group, margins are where they are typically more or less stable. So if you can just help us understand this par margin?

And the second question now will be more related to what is happening on the regulatory front, this new surrender regulation and all. And if you -- if we see the persistency, the persistency for you is still on the lower side. And now with this kind of a higher surrender value, you will have to adjust. Now if you were to protect your margins, you will have to sort of cut the payout to the agent that will be again a challenging task.

And more than that, how is your par products going to remain attractive, because there are kind of a double whammy on the bonus -- your ability to pay bonus. One is the new surrender regulation and in the past anyway, the fund bifurcation would have some impact. In this backdrop, the par product attractiveness comes under question. So these are my 2 questions.

K.R. Ashok: On the par margin, though it is -- you have compared the quarter-to-quarter movement. Actually, what happens is the -- we have a sort of a business cycle among the various quarters. So the directly comparing the quarter-to-quarter movement may not give a clear picture. However, since you have asked, let me throw some light on why the par movement -- par margins have moved up during this quarter.

What exactly has happened is this quarter has been a bumper business you must have noticed for our -- for the corporation. And we have seen -- noticed that the within the par business, there has been a very good movement towards certain products, which give us a good margin. So that is specifically -- that is a specific reason why the par margin has moved up during this quarter.

Avinash: And the second question, that is around...

Dinesh Pant: Yes. As far as the second part of your question, which was on surrender factors, you would appreciate that when this regulation has come, prior to this, we had some 64 products. In a calibrated approach, we have launched only 32 products in the first tranche and now some more products being launched in October.

While doing this, we have looked into various aspects. Many of the products have undergone revision in premium rates to factor for the benefits, probabilities of those high benefits. Design changes have also been done.

So considering all the trends and economic parameters being same -- expected to be same, then the margins would not get a hit on the account of those products. In fact some of the high yielding -- high-margin products, seamlessly have been retained even the benefit and for the intermediaries have also been retained. So we have realigned our product offering to ensure that there is no adverse effect on the margins because of that thing.

But beyond that, we are working in a manner because we understand the approach for us cannot be only margin-driven. It has to be ultimately to overall profit driven VNB being enhanced as well as the embedded value being taken into consideration. So all those needful steps have been taken to align to ensure that our journey remains on the line on which we have planned.

Moderator: The next question comes from Uday Pai from Investec.

Uday Pai: I just had 2 questions. Firstly, since your non-par share has increased materially, can you share some light on your hedging strategy? And your peers have seen some margin impact due to yield curve movements. So how are you hedged on that, some light on that? And secondly, your number of policy for the month of October that was released today by LI counsel has reduced significantly. So is that the new product filing delays or something like that? Can you give some colour on that as well?

Dinesh Pant: See, as far as non-par hedging strategy is there, we have all the policies and processes and systems in place. And very soon, we'll be into the context for this hedging purpose also. Yes, the interest rate movement is something to be essentially looked into whenever the hedging strategy is being worked out. And the interest rate in pricing will have to be dependent upon the available investment opportunity, hedging opportunities. So that will take care -- second part of the question...

Management: October number of policy...

Dinesh Pant: Yes. As far as October NOP is concerned, we will have -- see, we are conscious that some of the parameters of the important issues for us has been like ensuring persistency. So we have rejigged some of the products. Last year also that we had done some of the products which were selling in good numbers, but where the persistency was a challenge, we had withdrawn them. In the new product offerings also, we have revisited the minimum sum assured levels, which were there where we found challenges in terms of persistency.

We are aware that in the initial basis, as our intermediaries get used to the higher ticket size or appropriate ticket size, which is not only from a consistency point of view, but from the point of view, the ultimate customer delivery at the point of maturity or at the time of any eventuality which happens. So initially, we were aware and we are aware that in this month, there could be an impact, but we are confident that going forward, like the strategy we adopted for non-par, this will become the norm, and we'll pick up on this.

Moderator: The next question comes from Supratim Datta from Ambit.

Supratim Datta: My first question is on the hedging strategy. Now you indicated that the processes and systems are in place, do you know, when could we see that the par mechanism -- you entering that par market, if you could give us some time line that would be helpful?

And 2, the other thing that I wanted to understand on this part is now once you have that mechanism in place, how would that increase your competitiveness with some of the private peers when it comes to yields on the non-par side? If you could give some colour on that? Could you -- give higher interest rates or you will remain at the current IRR level. If you could give some colour on that, that would be helpful.

Now again, trying to understand the second question is on the September, there was a big jump in growth in September that we saw. Was that a result of some fully forward in demand, because on 1st October, the surrender value was changing -- surrender value regulation was changing. So if you could give us some colour on that?

And lastly, when I look at your VNB movement, you addressed it in our previous participant's question on this regard. So I just wanted to understand in a bit more detail. So when I look at the VNB walk, your operating assumptions have turned slightly positive compared to being negative in the first quarter. While your economic assumptions have been more -- maybe had a larger negative impact. So just wanted to understand that is the operating assumption improvement only due to operating leverage because the growth was very strong? Or is there something else also at play?

K.R. Ashok: Yes. I'll take that VNB movement question first. As regards to the VNB movement, you must have observed that the business mix is the leading contributor to a good improvement in the VNB margins. And the level of improvement is to the extent of 4.3% due to improvement in the business mix.

The non-par businesses has grown. A considerable proportion has improved in the half year that is -- it has moved from -- in the individual business, it has moved from 7.6% to 18.2%. And overall, it has -- the proportion has moved from 4.9% to 11.8%. Actually, this increased because our -- if you look at our -- the proportion of non-par business, within the non-par business, we are strong in the savings product. And therefore, this has increased the -- helped us to increase the margin by 4.3%.

The negative movement due to economic assumption is due to the falling RFR across all tenors and that has contributed to the negative movement of 2.9%. And that's a small positive 0.2%, which is normally what we do is based on the experience analysis, we try to have an outlook on the -- expected outlook on the future experience, and we realign the assumptions. And we have observed that the term plans, mortality is showing improvement, and that has been factored in that.

Dinesh Pant: As far as the hedging issue that you mentioned about, typically, hedging would not help improve or make the products competitive. It only largely allows you to have better certainty when we are pricing the products. The competitiveness of product will depend upon eventual available opportunities in the investment market. And in order to ensure they are in line with the property margins. That is the reason that will be continuously reviewed in line with the -- in fact, there are limitations of the capacity in the hedging market, that is one issue that will have to be seen when we get into it.

But as of now, our volume of business in non-par, though we have shown tremendous growth is not that alarming that hedging becomes very imminent or unavoidable situation for us. But as we already have all policies and systems in place, and as we have now picked up significantly on the non-par side, we are ready for getting into these arrangements so that greater certainty is there about pricing of these products.

Moderator: Mr. Datta, you have any further questions?

Supratim Datta: Yes. On the September, what really drove that jump in? Was that a pull forward in demand or was it some other driver? If you could give some colour on that?

Dinesh Pant:: As far as September business is there, it has not been a very conscious strategy on our part that September should become big, because we really have come out -- we are ready with the products that yet to come about. Naturally, intermediaries or markets seek an opportunity in which they feel enthusiast, possibly people wanted to cover up for the October month when the season for festivals are there.

And that gives an opportunity and that some of the -- even for general public also which is very fascinated by these products, they would like to take those products. So that helped us garner a good momentum among intermediaries. We always try to work every month actually, very sincerely that every month should be like September, but every month cannot become like September or March.

And it was good that we could get a good business in the month of September. And now with the new products being available with their own benefits to the customers, and the design feature, we expect after some slowness possible in October, which is expected because once we have a very good month, the following months tend to become slightly relaxed. And we also expected our agents and our marketing team to understand the new products, their nuances. We are sure that once it has percolated down the line, the coming months will be good from the business point of view.

Supratim Datta: Got it. And just 1 follow-up question. I wanted to understand how has the commission structure for agents changed from 1st October versus pre-1st October, if you could give us some colour on that...?

Dinesh Pant: As we mentioned earlier also, the purpose of all the redesigns has been that when the new product regulations have come, we have to ensure that the policyholders' benefits are in line with the expectation of the regulation. On the same side, actually, we also had to ensure that the profitability expectations from the investor point of view does not suffer. Third balancing important point is that distributors' attractiveness for the products or the distributor should also not suffer. But what we thought was that largely because the concern of the regulator was that insurance company should not benefit out of lapsed business. So that is possibly the driving purpose for higher exit values.

So it was necessary for us as a response that we ensure that in the first place, the quality of the sales is such that it is driven towards long-term survival of the policies, because that's the win-win proposition for insurance company, the intermediaries and for the public trust. So what we are trying to do is, we have no intention to reduce the benefits of our intermediary, because we have seen from the presentation from CMD also that 95%, 96% of the business is sold by them.

What we are trying to develop and create a culture in which the reward should be linked to the level of the persistency. And therefore, very minimal changes have been done. But let me clarify that. In many of the products, we have not even touched the commission rate. In fact, in some of the policies -- big ticket size policies, we have rather incentivized for better -- in fact, some of the products, we have increased the commission rate at the later stages.

So the idea is that the intermediate should not lose out on it, but our behaviour and our sales are driven in a manner so that long-term perspective is kept in mind. So that's all. In fact, some of the popular products, we have not even changed premium rates also. So wherever -- because this last point has been that the profitability should not get compromised, the quality of the business should not get sacrificed in this process and the persistent business should be rewarded for it.

Moderator: The next question comes from Aditi Joshi from JPMorgan.

Aditi Joshi: A couple of questions. Firstly, on the VNB margin walk that you earlier have provided. If we compare the VNB walk in the first quarter, there was a negative impact from the higher product benefits. But in the first half one, it wasn't there at all. So can you please help me understand how shall we read it?

And secondly, if you look at the share of urban business, versus the rural, we have seen it has improved. So can you just help us understand like what strategy you're using -- you're adopting as you're focusing more on the urban and will it be continuing going forward?

And just last very quick question on the duration average policy term of the non-par savings. I can see in the presentation, it's somewhere around 72 years. So just wanted to understand like what is the typical premium payment term of these very long-term policy? And just -- also, you can share some trend on the hedging costs for these products. Do you see any higher hedging costs in this particular segment? And that's all.

K. R. Ashok: Yes. On the VNB movement, actually, what has happened is earlier we were showing it business mix and the benefit as 2 components. And we now align it with the market where both these components are merged and the walk which we have shown as business mix incorporates this item also.

Aditi Joshi: And I had a couple of questions more if you can address that as well.

Dinesh Pant: What is happening, as you talked about the strategy regarding urban and rural. That way, our strategy, because a large part of our business, almost if we go almost 50% to 60%, 60% around business is coming from rural places also. Now it is not -- strategy is not that we should get business from urban places only. We are equally focused in urban and rural places. All our policies are available irrespective of the geographies which are there. But different places do have different preferences.

And it is quite natural that in the urban centers, the average ticket size is higher than as compared to rural. But we have many pockets of rural where the average ticket size is even very high. So, it's not that, right? And second was about the duration, possibly that is getting reflected because some of the very large sales are happening on the side of annuities. In recently, we have reduced the minimum entry age for annuity. Earlier it used to be 35/30. Now we have even allowed from age of entry from 18 years there.

Also in our very popular products in non-par segments, which they are whole life policies. So there also the age of entry is now revised to even 18 years. So the average because the whole life is considered something around 80 years to 100 years that is how we price for it. In fact, the maturity value is taken up to 100 years. So from that perspective, the longer duration can be seen in the savings side.

Aditi Joshi: And just 1 follow-up. What is the typical premium payment term of these 2 policies that you have mentioned?

Dinesh Pant: The premium payment terms for typically for the annuity products come under 2 options. Immediate annuity means, it is bound to be single premium. And the deferred annuity option, which earlier was up to 12 years premium paying, now under the revised product filings, we have up to 5 years being offered. For the other products, the premium paying terms can be 15 to 20 years. So the premium payment -- there are limited premium products. So these are not regular premium products.

Aditi Joshi: Okay. Sure. And just 1 last follow-up. On the trends in the hedging costs that we have seen, is there any increase that you have seen in this year as compared to last year?

Dinesh Pant: As of now, actually, we have not entered into any contract into hedging cost. So that has not triggered for us at this point of time. So that cost may possibly be incurred in case of changing interest rate scenarios going upward. But that's the situation. As of now, we still have to -- so there is no hedging cost for us at this point of time.

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

Gaurav Jain: First of all, congratulations to the team for such encouraging set of results. Few question from my side, sir. First is on par margins, a follow-up. So should we expect this 10.1% VNB margin for par to continue? Or was there something exceptional this quarter? And going forward, we should expect a little lower number?

Second, on product mix. So we are seeing very encouraging shift towards non-par in the individual is now at upwards of 26%. So what is the sustainable number towards product mix that we think we should -- we should achieve for FY '25 and say going forward?

Third is on distribution mix that we are seeing encouraging shift here also in favour of bank and alternate channels are now closer to 5% of individual NBP. So if you can highlight what are the steps that we have taken? Have we added new opening or worked with additional channels, etc? And fourth is sir, update on the investment in SAHI that you were planning to do? Yes, that is all.

K. R. Ashok: Regarding the par margin. If you look at the margin for first half yearly FY '24 of par margin compared to half yearly FY '25, it is flat. It was 10.3% at '24, and now it 10.1%. So this 10.1% is not something which is completely out of place. So you will have to...

Gaurav Jain: Should be sustainable.

K. R. Ashok: From that, yes.

Gaurav Jain: On product mix, sir, non-par.

Dinesh Pant: On the product mix on non-par, the impact of the margin is being...

K. R. Ashok: You want to know the impact of margin due to product mix going forward?

Gaurav Jain: No sir, my question is, what should be the sustainable product mix that we should see? Should we expect this non-par as a percentage of individual APE to continue? Or was there something exceptional this quarter?

Dinesh Pant: Yes. See, there our strategy is very clearly that we want to have a modest growth as far as the par growth is concerned. And in non-par, we consider that the pace of growth should continue and shall continue in this manner only. So participating business, has been slightly dipped from single digit negative has been there. Our endeavour is that even this should continue its journey, it should not be negative. So we are working towards direction in participating should grow. But we continue to -- we expect the nonparticipating business growth to continue on these lines or...

Gaurav Jain: Next question was on distribution mix. We have seen bank and alternate channel share increasing. So what steps have we taken and...

Hemant Buch: The approach has been to expand the partnership bandwidth and engagement with the overall relationship size that we have in bank and alternate portfolio. And that has helped in the sense is that we could add some significant kind of partnerships on the bank side. And to be precise, we have added 2 major banks within first 6 months. One being IDFC first and second being Canara, which has started delivering in terms of volume.

And at the same time, we have also started leveraging in the form of engaging more with the alternate side that is through marketing firms as well as broker side. And that also has been given very encouraging kind of response in terms of overall numbers. So this focus will continue with more engagement in terms of expanding the bandwidth, both on Banca and Alternate Channels side and we are hopeful of continuing with the same growth momentum and improving our share within the overall performance of the corporation going forward.

Gaurav Jain: Last question on update on investment, any plan, sir?

Dinesh Pant: Investment -- what is the question? Come again, please.

Gaurav Jain: Standalone health insurance, sir?

Dinesh Pant: See, as far as a stand-alone insurance is concerned, our CEO & MD has already discussed and elaborated upon that. That's a very interesting and exciting sector for us to look at. We are looking for all the opportunities there, and it's a work in progress with great enthusiasm and focus into it. So it's a work in progress. We are going in that direction. It's a growth opportunity area. So, we consider that it's a good ally for life insurance.

Moderator: Next question comes from Prayesh Jain from Motilal Oswal.

Prayesh Jain: Sir, just firstly, on the commission structures, there has been a lot of talk in the media about the agents showing dissent over all the commission structures, particularly on the upfront commissions going down. And secondly, also, there are some clawbacks as well. So is there -- is the comfort given to the agents? Or where are we in that? And how do we see this going ahead in that sense?

Siddhartha Mohanty: Commission has been realigned -- it is not reduced to whatever was given during the entire duration of the policy, agent still gets that. So some restructuring has been done. So there is no reduction per se, which is perception now.

Prayesh Jain: Okay. And are there any clawback clauses for the agent?

Siddhartha Mohanty: Claw back, that is an enabling provision, we are not going to implement it. It depends upon our experience, because the new products have been filed from first October, we are selling products as per the new regulation. So depending upon our experience and my belief is that there will no need to implement the clawback provision, that will not be required in LIC.

Prayesh Jain: So in the current product, there is no -- in the current structure, there is no clawback? It is an enabling provision that you have taken wherein with your experience in future, if need be, you will implement a clawback by intimating the agents?

Siddhartha Mohanty: Now we have not implemented a clawback.

Prayesh Jain: Okay. Got it. And sir, the second question is again on urban versus rural and rural has been your homestay relative to the other players in the market, the private players are now looking to get into Tier 2, Tier 3, expanding their brand presences, hiring far more agents at a much more rapid pace. You indicated that the market share in a number of agents has been reducing for us. So in that sense, do you see that you need to alter your product rates or commission structures in a way to maintain your position in the rural areas? Or how do we see this kind of panning out?

Dinesh Pant: Yes. As far as benefits to the distributor has to be considered, we have to be cognizant of the fact that the new AM regulations do allow insurance companies including us to decide we pay structure for the distributing channels in reference to the different parameters as per the approved policy. Commission is one of the basic benefits, which flow to the distribution channel. There are many other things like rewards, the membership benefits, different club membership, depending on their performance level, all those criteria are there. So we are open to have the benefit structures not necessarily commission is decided in a manner because it's become fixed and guaranteed as a part of the pricing of the products.

But depending upon our experience as it emerges, we can introduce rewards and benefits for the intermediaries to encourage the movement and the business to be driven in the areas, which is beneficial for having a wider spread, bring value for the customers, like if we have to segment -- go for the rural segments or for the policy points or model points, where the profitability is high.

So that option remains open, and we do exercise that option often. So let's not take that commission is the only thing which is paid to the intermediaries, depending upon the requirements of the institution as well as for the quality of the business different benefits. In fact, LIC offers its agents long-term benefits like gratuity, you know, sort of pension, group insurance scheme and many of the club member benefits, including many other benefits are available to them, which is linked to their performance on this parameter, which organization sets for the performance level.

Prayesh Jain: Got it. And thirdly, sir, on the SAHI on the health insurance, unless -- so is it here that unless the composite license comes through, you cannot acquire stake in any SAHI, right? The composite license has to come through for you to take stake in a stand-alone health insurance company, right?

Siddhartha Mohanty: It has nothing to do with composite license. We want to buy some stake in stand-alone health insurance company so that can be without the composite license.

Prayesh Jain: Okay. So would there be some restriction on acquiring a certain amount of stake?

Siddhartha Mohanty: There is no such restriction. As of now, there is no such restriction. But our investment regulation, it has its restrictions. Within that we have to operate.

Moderator: The next question comes from Dipanjan Ghosh from Citi.

Dipanjan Ghosh: Sir, just a few questions from my side. Firstly, when I look at your persistency ratios, be it for 2Q or 1H, across the few buckets, we are seeing deterioration. So just wanted to -- and especially in the early buckets, 13th month, for example, in 2Q is moving fully down. So I just wanted to understand, is it more of a function of mix change towards a little bit of high ULIP or if you can give some colour on the product level persistency how you are seeing that evolving, let's say, over the past few quarters?

Second question is more on the embedded value. I know that you don't give the breakup for the first half. But if you can at least give some colour on whether the operating variance would be positive on a Y-o-Y basis or up? And also, if -- correct me if I'm wrong, but has unwinding rates gone down a little bit? And if so, is there a change in the real world excess return that you're assuming?

The third question is on the investment mix in the non-par, given that the mark-to-market movements have been quite sharp, what would be the investment mix in your non-par book currently?

And the last question is going back to the surrender charge. The way I see it is this current circular on the backdrop of your persistency ratios basically means that there is a certain amount of drag that should come in everything else remaining constant. Now there are only a few places, which the drag can be absorbed either in your own margins or as lower as higher premiums for the customer or maybe at the distributor level.

Now your commentary seems to be that almost all these things will remain unchanged or in some cases, actually the distributor might be well off also for certain high-ticket policies. So just wanted to get an understanding of which of these 3 aspects or where is the pain really going to get absorbed, I mean, if you can give some broad qualitative colour on that?

K. R. Ashok: Yes, I'll take the question on IEV operating variance. Actually, the RoEV of annualized RoEV is similar to what we have reported for half year '24, which is at close to around 11.8%. The unwinding for half year '25 is slightly a notch above the -- what we have reported for half year '24, and it is around 9.5%.

Dinesh Pant: So as far as non-par investments is concerned, I guess you're asking in context of the policyholder fund, not solvency margin. So around 9% to 10% of the value is in equity. You would expect that in non-participating funds actually there's a greater asset liability matching requirement and the discretionary benefits not being there, the larger component of investment is in the fixed security. So in line with that principle, around 9% to 10% roughly would be the amount, which would be invested in the equity portion. The balance is in fixed.

As far as persistency is concerned, I would say half of the statement is correct, because you mentioned about 13-month persistency as was clarified in the initial speech. 13th and 25th persistency from the policy point policy, context is positive as compared to the comparable period. In fact, the 25th month persistency, 49th is also positive from the premium point of view.

Yes, we agree that, in fact, a lot of steps have been taken by us in terms -- in the previous years in terms of correction at the point, for example, micro products where we were.. low persistencies, but possibly that impact did not flow fully because the volumes were not that high. You would have noticed that in new products, which we have launched in the month of October also, we are again reviewed minimum ticket size in mostly those products where we were experiencing lower persistency in the lower ticket size. So that we have tried to rationalize. So that our journey to better persistency continues.

Similarly, we have tried to, as I was explaining earlier also incentivized the behavior, for example, putting in extra rewards for policies with high ticket size or based on the longer duration to which they can -- they run. So that this persistency continues. In fact, some of the products, which were earlier available and which we have yet not launched because we still have the window for modifying the products. We have held them back only for the reason, because we did not have great persistency experience there.

So those also we'll relook so that the modified version of them comes in a manner so that it further helps the persistency. In fact, besides that also, at operational level also, the mode of payments and all those things also, we have relooked in many things, many low ticket size policies, for example, 1 lakh policies, which we consider are important for a wider spread of insurance and reaching nook and corner of the society in line of the Vision 2047.

But we have tried to address those low-ticket size policies still being offered, but in the mode, in which the persistency experience is good. So these are all steps we are continuously working out so that we continue to have a better persistency experience.

And the point that the 13th month consistency in count of policies and 25th month persistency in count of premium also has shown improvement is evidence that the steps taken in the direction has yielded the result.

Dipanjan Ghosh: And just the last question was on the surrender part. I mean, where is it getting absorbed exactly? I mean there has been a change in the surrender norms, right? So anything else remaining constant, there would be a certain negative cash outflow drag, right, over a longer time horizon, assuming everything else remains constant.

Now you obviously picked the product design. You mentioned that you have not materially changed the commission structure. In fact, in some cases, commission structure might have actually improved also. You also mentioned earlier in the call that margins should broadly remain where they are and in some cases, you have maybe taken a little bit of premium hike. So I just wanted to understand, in which of the areas, I mean the stakeholder, right, the corporation, the customer and the distributor right? So who will clearly going to bear the pain of this negative drag exactly?

Dinesh Pant: We would want that nobody should bear the pain of this. It should be a win-win proposition, because the spirit of the regulation, which is that customers should get value has to be ensured. So what I was suggesting earlier also that what we are trying to do is, we have looked into the possible cost impact on the benefits of this and therefore, necessarily repriced our products where we felt this could be an issue. Similarly, while we are saying that we have not reduced overall commissions, as our CEO & MD we explained earlier, we have redesigned them and in fact, so that what was being paid in the first year is now being paid, say, in the third and fourth years.

So that when the policy goes along, the commission gets paid. So it is not denied, but it is linked to the continuity of the policy, because as you rightly mentioned, there is going to be impact -- financial impact. So to that extent, it limits and restricts the financial impact to that extent.

Similarly, we have, in fact, made certain changes in our products. So that the benefits, it's not that if one year premium is paid or not paid and the benefits go away. We are giving proportionate benefit of the policy in the ratio to the premium we have paid. So that the customer sees the value that even if you're not able to, for example, if you take a high ticket size policy, if you're not able to run it beyond certain number of years, you do not lose out, you continue to get proportionate benefit. And -- so that you get whatever things you have decided to plan for you at the maturity or in any other eventuality, in proportion to the premiums paid.

So the aim is that we redesign features in a manner so that the lapsation itself should go down, policy should continue longer to the benefit of the customer as well as for the distributors, because it's not only about the first year commission. Let's not say because if we -- any distributor is -- or for any seller is just looking into the first year as the source for commission or income only. I think there is a basic defect in that entire business planning. It has to be seen across the long term of the policy. And we believe that with this, even the quality of the business that will come will be improved.

And another thing is that while their first year expenses -- may go up because of the higher surrender value, it does not necessarily mean that customers will choose to surrender their policies, because still they will lose out a significant portion of the premium.

So there can be a situation, and we expect the situation in which possibly the customer will see now more confidence and more liquidity being available in the product and maybe more sales can happen. So we all have to see how actually the situation comes about. As of now, we have repriced the products. We revised the products and the features in them so that all these parameters are balanced out.

And we'll continue to review our products as and when situations demand, we'll review them further also. And we'll continue to address. It's not about confining to the existing product. We have filed more products also. And we believe that beyond the returns only, we want to focus on the health protection side of it. We have shown tremendous growth in ULIP products, where there's hardly any impact of these changes.

And plus, we'll continue to, and we are really filed -- and we'll continue to work on the product where the concentration is not only in terms of returns, but it is also about the various features, which are the products which suit to their lifestyle requirements. So we have to operate in the regulatory environment in which the expectation is there, and we'll try to work out for a win-win formula from here.

Dipanjan Ghosh: Got it. Sir, just one follow-up on the first answer, which is on the operating variance. I did not really understand. Did you mean that it's positive during the first quarter? I mean...

K. R. Ashok: See operating -- I'm talking about ROEV, that's return on embedded value due to operations. And that was -- we have -- it will stay flat at the same as last year. Last year, it was 11.8% for the corresponding period. And currently, it is staying at the same number.

Moderator: Ladies and gentlemen, as we are beyond our conference time, we'll conclude this conference. So I'll hand the conference over to Mr. Mohanty for closing comments.

Siddhartha Mohanty: So thank you, friends. As we conclude our discussion for the first half of FY 25, I want to express my sincere gratitude to every one of you for your continued trust, partnership and engagement with LIC. Your insights and questions today reflect the best of understanding of LIC's business, and I hope we have addressed them in a way that reinforces your confidence in our strategy and direction.

Thank you once again for your valuable time, trust and support. We look forward to engaging with you further in the upcoming quarters and delivering on the commitment we have shared today. Wishing you all the very best. Thank you.

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