Apne liye. Apno ke liye.

February 01, 2024

SBIL/CS/NSE-BSE/2324/216

Assistant Vice President
Listing Department,
National Stock Exchange of India Limited,
Exchange Plaza,
Plot No. C/1, G Block, BKC,
Bandra (East), Mumbai 400051
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 Q3 of FY 2023-24

This is in continuation to our intimation letter ref. No.: SBIL/CS/NSE-BSE/2324/208 dated January 22, 2024 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 Thursday, January 25, 2024.

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,

Sangramjit Sarangi

Digitally signed by Sangramjit Sarangi
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Date: 2024.02.01 15:25:03 +05'30'

Sangramjit Sarangi
President & CFO

Encl: A/a

“SBI Life Insurance Company Limited
Q3 FY '24 Earnings Conference Call”

January 25, 2024

MANAGEMENT:	**MR. AMIT JHINGRAN – MANAGING DIRECTOR AND CEO**
	MR. S. VEERARAGHAVAN – DEPUTY CHIEF EXECUTIVE OFFICER
	MR. SANGRAMJIT SARANGI – PRESIDENT AND CFO
	MR. RAVI KRISHNAMURTHY – PRESIDENT, OPERATIONS AND IT
	MR. ABHIJIT GULANIKAR – PRESIDENT, BUSINESS STRATEGY
	MR. SUBHENDU BAL – CHIEF ACTUARY AND CHIEF RISK OFFICER
	MR. PRITHESH CHAUBEY – APPOINTED ACTUARY
	MS. SMITA VERMA – SVP, FINANCE AND INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY '24 Earnings Conference Call of SBI Life Insurance Company Limited. 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.

I now hand the conference over to Mr. Amit Jhingran, Managing Director and CEO. Thank you, and over to you, sir.

Amit Jhingran: Good evening, everyone. We welcome you all to the results update call of SBI Life Insurance Company Limited for period ended December 31, 2023. We appreciate and thank you whole heartedly for your time here.

Update on our financial results can be accessed on our website as well as the websites of both the stock exchanges. Along with me present here today are Mr. S. Veeraraghavan, Deputy CEO, Mr. Sangramjit Sarangi, President and CFO; Mr. Ravi Krishnamurthy, President, Operations and IT; Mr. Abhijit Gulanikar, President, Business Strategy; Mr. Subhendu Bal, Chief Actuary and Chief Risk Officer; Mr. Prithesh Chaubey, Appointed Actuary; and Ms. Smita Verma, Senior Vice President, Finance and Investor Relations.

With respect to our performance for the period ended December 31, 2023, our comprehensive product suite aligned with customers' need coupled with our continued focus on business growth, maintaining a best-in-class cost ratio and persistency level led to a decent performance on an exceptionally high base of last year's period.

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

Now let me give brief highlights of our performance for the period ended December 30. Our new business premium registered a growth of 21% over previous period and stands at INR260.0 billion and maintained private market leadership with a share of 25.3%. Individual new business premium now stands at INR177.6 billion with a strong growth of 17% and a private market share of 29.1%.

Gross return premium stands at INR561.9 million with a growth of 19%. Protection new business premium grew by 17% to INR29.7 billion.

Profit after tax stands at INR10.8 billion with 15% growth over corresponding period last year. Value of new business stands at INR40.4 billion, registering a growth of 11% over last period. VoNB margin stands at 28.1% for period ended December 31. Asset under management grew by 24% to INR3,714.1 billion. Robust solvency ratio of 2.09 as against the regulatory requirement of 1.50.

We provide comprehensive insurance catering to customers' unique needs and aspirations. In addition, we enhance their experience through personalized and innovative solutions, and this has been acknowledged by prestigious awards and accolades. The company had bagged Quality Award in Service Industry, Indian Merchant Chambers Ramakrishna Bajaj National Quality Award 2022 and became eligible for Global Performance Excellence Award. We are happy to announce that the company was awarded as World-Class in Service Category at 23rd Global Performance Excellence Award 2023 held in November 2023. These awards demonstrate our commitment to achieve excellence across all spheres of its activities and operations.

Last week, we launched two new return of premium products: Saral Swadhan Supreme and SBI Life Smart Swadhan Supreme, which offers higher sum assured as compared to previous versions at affordable pricing. As we move forward, we aim to deliver a strong performance and drive positive impact.

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 INR177.6 billion with a year-on-year growth of 17%. Single premium contribution is 31% of the individual NBP, which is mainly attributed to growth in our individual annuity products. The company gained in private market share by 184 basis points to 29.1% and industry market share by 173 basis points to 17.8%.

On individual rated new business premium, we stand at INR127.9 billion with a growth of 15% over previous period, and maintaining our leadership position with private market share of 26.5% with a gain of 80 bps. And at industry level, we gained 115 bps with a market share of 17.9%. Also, group new business premium stands at INR82.4 billion with a share of 32% in new business premium and growth of 31% over previous period.

Having said that, we have collected total new business premium of INR260.0 billion registering private market share of 25.3% with a gain of 219 basis points. And at industry level also we gained 240 bps and market share stands at 10.4%. Renewal premium grew by 17% to INR301.9 billion, which accounts for 54% of the gross written premium. To sum up, the gross written premium stands at INR561.9 billion with a Y-o-Y growth of 19%.

In terms of APE, premium stands at INR143.9 billion, registering a growth of 17%. Out of this, individual APE stands at INR129.1 million with growth of 15%.

During the period ended December 31, 2023, total 16.42 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 Y-o-Y growth over the years. This reflects the clear goal of the company to increase the penetration and achieve holistic growth.

The company is aligned with regulators vision and we'll continue to focus on various reforms, enabling deeper penetration of life insurers industry. Number of lives covered during the period ended December 31, 2023, is 25.8 million, registering a growth of 104% over corresponding period last year. Total new business sum insured registered a growth of 32% over corresponding last period as compared to growth of 29% at industry level.

Let me give you details of our product mix. As on December 23, our guaranteed non-par saving products are contributing 14% of individual new business and on individual APE basis, it attributes 19%. Individual ULIP new business premium is at INR101.7 billion, which now constitutes 57% of individual new business premium. Growth in ULIP is attributed to positive movement in equity markets.

Individual protection new business premium is at INR6.7 billion. Group protection stands at INR23.1 billion with growth of 25%. Credit life new business premium has grown by 11% and stands at INR16.0 billion.

On APE basis, protection contributes 11% and registered growth of 24%. Annuity business is at INR44.4 billion and contributes 17% of new business premium. Under annuity, the company is offering immediate as well as deferred annuity options. Individual annuity business is growing at 35% over last period, and this is mainly due to new business contribution of smart annuity plans of INR38.7 billion. Total annuity and pension new business underwritten by the company is INR67.9 billion registering growth of 12% over the same period last year.

Moving to update on distribution partners. With strength of more than 59,000 CIFs, State Bank of India and RRBs, bancassurance business contributes share of 67% and grew by 13% in individual new business premium, and on individual APE basis, it stands at INR89.6 billion with growth of 15%.

Agency channel registered new business premium growth of 21% and contributes 18% in new business premium. Agency channel individual APE showed a growth of 14% over same period last year and stands at INR33.7 billion. As on December 31,2023 the total number of agents stands at 243,590 with a growth of 26% over previous period. During the period ended, the company added net 34,816 agents.

During the period ended December 31 2023, other channel that is direct, corporate agents, brokers, online and web aggregators grew by 55% in terms of individual NBP and 20% in individual APE. Linked business through other channel registered growth of 45% on APE basis.

Coming to profitability. The company's profit after tax for the period ended December 31, 2023, stands at INR10.8 billion with 15% Y-o-Y growth. Our solvency ratio remains strong at 209% as on December 31,2023.

The value of new business stands at INR40.4 billion with growth of 11% as against INR36.3 billion in last period. VoNB margin is at 28.1% for the period ended December 31, 2023. The shift to VoNB is mainly on account of increase in share of ULIP business as compared to previous year.

Update on Operational efficiency, the opex ratio stands at 5.1% for the period ended December 31,2023. Our total cost ratio stands at only 9.9% for the same period. With respect to persistency, our individual regular premium and limited premium paying policy 13th month persistency stands at 85.3%. The company has registered improvement in 61-month persistency also by 449 basis points.

As mentioned in my opening remarks, asset under management stands at INR3.71 trillion as on December 31st,2023; having a growth of 24% compared to December 31, 2022. Death claim settlement ratio now stands at 98.8%. The company has registered an improvement of 148 basis points over last period in claim settlement ratio.

We are committed to deliver need-based solutions that addresses the ever-evolving customer needs based on customer profile, life stage and goal prioritization. The company continues efficient usage of technology for simplification of processes with 99% of the individual proposals being submitted digitally. 47% of individual proposals are processed through automated underwriting.

Before I conclude, I would like to clearly state that the company's aspiration to expand its distribution reach, branch network, product suite, investment in digital technology bringing larger customers in ambit of insurance coverage and improving customer experience remains unchanged, and our endeavour is to continue delivering better than industry growth. Our company is well positioned to capitalize the growth opportunity offered in the dynamic insurance landscape.

Thank you all. And now we are happy to take any questions that you may have.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The question is from the line of Avinash Singh from Emkay Global.

Avinash Singh: Good set of numbers, particularly on the margin, in the backdrop of how the product mix had changed and everything. A couple of questions here. First one on agency channel. I'm cognizant of the fact that the quarter 3 is typically more a banca-dominated, however, on a year-on-year basically the seasonality is added, but somehow agency channel growth seemed to have slowed down meaningfully in quarter 3. So, what is happening there and how are you trying to improve in the next quarter and going forward on the agency channel? So that is question one.

Second piece is more on the cost, of course your costs are by far better in the industry and among the peer set. However, I mean, if we were to look at the numbers, there seems to be certain increase happening. I mean, of course, in the total premium ratio, it will not reflect, but in the absolute basis, the costs, I mean, commission and rewards as well as the opex seems to be increasing.

So, what is leading to this, is it because of headcount increase or certain commission reward structure, linking across partners? So, what is sort of leading and where should one see it going forward? So, these are my two questions.

Management: So, agency channel growth you were talking about, we have grown in the 9-month period by 15%. And if you look at the overall growth, that is also around 15%. Our banca channel growth is also on the same numbers almost. So, I don't see any slowdown in the agency. Rather agency is more of a focus area to strengthen our distribution total mix. So that continues to be a focus area.

As far as increasing expenses you are talking about, there is no such perceptible increase. There is only minor tweaking and commission here and there, but there is no major change in our stance on commission payment also. So, the overall opex ratio marginal bps here and there. Otherwise, we are in almost in the same ratio.

Avinash Singh: Okay. Sir, actually, yes, so agency actually are referring. In the first half, the agency channel was growing at close to 20-odd percent in retail APE -- individual APE terms. That 20% has gone to 15% whereas banca is more or less like maintaining at 15% and others are kind of maintaining in and around 20%. That's why what I was referring that in the first half, it was like 20%, now in the 9 months, it's 15%. So basically, the quarter gone by has seen a material sort of a slowdown so that's why.

Management: You, yourself, acknowledged that quarter 3 usually is more of the banca focus, and agency comes back strongly in Q4. So that is what we are expecting in the current year also, and we are expecting good numbers, same growth numbers in Q4 of this year.

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

Shreya Shivani: Congratulations on a good set of numbers. Sir, I have two questions over here. So, we've seen many players are now refocusing or pivoting their business model to enter into the Tier 2, 3, 4 cities, right? So clearly, the competition in these geographies are set to rise. Sir, in the backdrop of this, knowing that next year onwards, many more private players who were more metro city focused are going to be in your geographies, what gives us an edge in competition versus these players, what would be our guidance for next year, or at least for the medium term, if you can help us understand that, it will be useful?

Sir, second is on the surrender value regulation. While we understand that things are currently under discussion, but what is your view on how things are moving? What will be the timelines? And what could be the impact on your overall margins with the way the regulation comes in? These are my two questions.

Management: This Tier 3, Tier 4 cities you are talking about, almost 39% of our business is from rural and semi-urban areas. And you are aware that our main banca partner, SBI, has the largest presence in the rural and semi-urban areas, 3, 4, or even 5, 6 kind of cities, also, cities or towns or villages, whatever you say. So, we don't see much challenge on this front, although the other players are moving to that market, but it will take them a while to match our strength.

And in the meantime, we are also strengthening our network in those towns and cities and villages by employing more agents and ensuring better coverage by our existing and the branches that we are going to open.

Shreya Shivani: Sure, sure. So, does that also mean that you will also expand your presence in SBI branches? And sir, any guidance for growth for next year?

Management: So, there is no question of expanding our SBI branches because we are present in all branches of SBI. So, all SBI branches are authorized to sell insurance business, and that is what they are doing also currently. Of course, we will make maybe more and more branches active.

Shreya Shivani: Sir, I had a question on surrender value regulation also.

Management: Would you like to answer that, Sangram?

Management: Surrender value regulation currently it is under draft stage. So, we have given our representation in both ways, one is to the regulator as well as to the Life Insurance Council. But we don't see any much big impact to SBI Life per se because it all depends on what kind of product mix and what kind of product feature we have already built-in in our system. So, we will wait that in which avatar it will come finally from the regulator. But at this moment, we are not having any concern as far as this regulation is concerned.

Shreya Shivani: Sir, any timelines on that?

Management: We are awaiting the final...

Management: Final guidelines from the regulator are still under works and the discussions are going on in that direction. But I'm sure that the regulator will take a very balanced view of people who are cashing out in the short term and the long-term persistency, that is the stated goal of the insurance products. That is the long-term investment and risk protection.

Moderator: The next question is from the line of Swarnabh Mukherjee from B&K Securities. Please go ahead.

Swarnabh Mukherjee: Congrats on a good set of numbers. Firstly, as a follow-up on previous participants' question, I just wanted to understand from you why agency 4Q generally would be a larger quarter and 3Q would be relatively tepid because if I understand currently in 3Q, particularly in December, it is the MDRT period and agents would also try to focus on increasing volume. So, is there any difference how the focus would be on banca versus agency in the third quarter from your distribution point of view? So that is the first question.

Secondly, sir, I had questions on the protection segment. So, first of all, in group protection, if you could delineate the growth which has come this time from which segment it has come, credit life or term life, what are the trends you are seeing in those areas?

And in retail protection, given that you have mentioned that you have introduced ROP product that we had a tepid quarter now. Going ahead, do we expect growth coming back to this segment on the retail production side?

And also, just couple of confirmations I wanted to take was one is on persistency. So, if I just look at 3Q persistency versus 2Q persistency reported, the numbers in that case look a slight dip. Is there anything to read into that, apart from the fact that maybe in all third quarters, there is a higher mix of ULIP that hits the persistency number?? Anything else to read into that?

And on the changes in assumptions that we see in the VNB walk, is there anything additional you have done or is this what we had done at the end of 31st March, that is what is visible? That would be my questions.

Management: So, Abhijit here. So, I'll take on the channel. As of now, I don't see if we would read too much into quarter-on-quarter channel numbers. There could be some fluctuations here and there. Like Mr. Jhingran already explained that the focus remains strongly both on agency and banca channel and we don't see any meaningful difference in the expected growth rate from the current levels for both channels for the financial year. That was your first question.

On the second, on protection, yes, we would expect some growth coming from individual protection in quarter four. That is our endeavour, that we will try and grow, the flattish growth we have seen in individual protection to take it higher because this year, growth has come primarily from group. So, we would also want to work on individual protection to increase our individual protection share.

Swarnabh Mukherjee: Right, sir. On group protection, if you could spell out which are the segments -- which segment is driving the growth?

Management: It's group term mainly at the moment. So, both are growing, but group term is growing faster in this year so far.

Swarnabh Mukherjee: Okay. Sir, one of your peers who report they have highlighted that there is a price correction in group term. So, in your case, is this more volume led? And if so, where the volume is coming from, if you could give some colour?

Management: No comments on that.

Swarnabh Mukherjee: And on the persistency and the economic assumption changes if you could highlight.

Management: So, assumptions, just to clarify that we have not made any changes in assumptions at this time. Assumptions remain unchanged. And the assumption impact that you are looking into is the same assumption that we make at year end. As a process we review the assumption once in a year. So, we'll do in the March. As of now we have not changed that.

Second part on the persistency, I think persistency is good. I think there is nothing specific to read into numbers. And quarter-on-quarter, maybe 10 basis points here. We will get even better in the other one. And even when you look into the other than 36-month persistency, all persistency has improved over the periods.

Swarnabh Mukherjee: Okay, sir. Got it. Thank you so much for your answers.

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

Madhukar Ladha: Hi. Congratulations on a good set of numbers. So, most of my questions got answered, but I wanted to understand, first, at the product level, are we seeing any changes in margins? Because some of the competition in life insurance is talking about that.

Second, within channels, and especially my understanding is also that within the agency channel, there has been some increase in commission payouts. So, has there been any increase in competitive intensity to acquire business that also probably may have impacted your growth in Q3? So, I wanted to understand if any of these things are playing out and how do you see that?

And lastly, obviously, again, we see that the proportion of ULIPs had gone up. And I know that you constantly talk about giving what the customer wants or selling what the customer really wants to buy. But again, in terms of our margins that will keep our margin subdued. So, I know that I'm probably asking this question again, but any sense on how our product mix could shape up over the next two, three years? That will also be helpful. Thanks.

Management: As far as product level margins are concerned, there is no perceptible change or we have not noticed any perceptible change. They are more or less in the same range. And agency channel, we have not made any changes in the commission structure other than minor tweaking that I already answered to one of the previous analysts, and we are confirming that again that there have not been any major changes in our commission structure.

Madhukar Ladha: So, is that sort of resulting in some sort of loss in our share in that channel and resulting in a little lower growth?

Management: No. We continue to be #1 in agency channel also in the private industry. And our growth rate is also comparable some of the smaller players may be having a smaller base. They may be having larger percentage-wise increase. But overall, our growth trend in agency is as per our earlier guidance.

When you were talking about the customer preference and ULIP share and all, so while we honour the customers' preference of ULIP and we do not stop anybody from buying or stopping our agents from selling any particular product. But for the benefit of the entire insurance industry, our focus on other insurance products, the protection products will continue, and we will continue to work to improve the protection business in our overall business scenario also.

Madhukar Ladha: Right. Got it. That's all from my side. All the best.

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

Nischint Chawathe: Hi. Thanks for taking my question. Going back to the surrender charges...

Moderator: Sir, your audio is not clear. May we request to kindly use your handset, please.

Nischint Chawathe: Sure. Is this better?

Moderator: Yes, sir. Please continue. Thank you.

Nischint Chawathe: Thanks. Going back to the surrender charges proposed regulation. Surrender charges do have kind of a contribution to the overall VNB. And I guess that's obviously a big point of discussion in the industry. So why do you think that this kind of does not really have an impact on SBI Life?

Management: Before I comment on this, what the draft regulation coming from regulators, I think we'll wait, what state it will come, but ultimately, it is in the best interest of the industry itself both for the customer, insurer and distributor as well.

Like one point we'd like to always mention that, our objective when we price the product is to ensure that we offer the long-term sustainable rate and fair return to the customer. And in this process, we also ensure equity between the surrendering policyholder and continuing policyholder.

So, to that aspect, we are not saying there will be no impact. I think there will be some impact, but not to that extent that our peers might have. The reason being if you see that in our process, our return that we offer the customer is not entirely backed by the surrender value, surrender penalty and other parts.

So, if you see our return to even the non-par saving product is not too aggressive as compared to others. And in that process, a reason being that we assumed very sustainable persistency on that perspective with objective improvement in this persistency from the current level, given that persistency has been continuously improving.

To that extent, some contribution coming to the VNB, we can't say that there is no contribution available. But in our case, that will be on the lower order, first thing. Second part would be, if we look at the product mix, our non-par contribution is much lower as compared to others. We continue to sell the ULIP, it is still dominated, and ULIP you see the surrender charge is much lower, still we are doing.

So, from that perspective, we conclude all the things. I think we don't expect there will be significant or material impact in our margin. I think even the regulation will come. Appropriately, we'll price those products and objective would be to, again, bring the balance between the customer return and our margin.

Nischint Chawathe: And what would be average ticket price in the non-par product? Or if you could give the average ticket size across par, non-par, and ULIPs?

Management: Around 90,000 approximately.

Nischint Chawathe: This is in the non-par?

Management: Yes.

Nischint Chawathe: And on ULIPs?

Management: It's more than 100,000.

Nischint Chawathe: Okay. And par would be?

Management: Par will be slightly lower side. And par depends again on product because some par has high things, but would be slightly lower from the non-par.

Nischint Chawathe: Sure. Just one small question. If I look at Slide 14, your surrender ratio has gone up in the last nine months. How should we really read that?

Management: See, Nischint, the surrender value has two aspects to it. One is that it depends on the market because it is predominantly ULIP products. And those products which are already five-year premium paying term and the policyholder has the option to surrender. And at this moment, when the returns are good, market is good. So, it has the implication into the surrender ratio to the AUM.

Nischint Chawathe: Sure. Got it. Great. Thank you very much. Those are my questions. All the best.

Management: Thanks, Nischint.

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

Dipanjan Ghosh: Hi. Good evening, sir. Two questions from my side. Firstly, if you can kind of mention the product pipeline for the next three months and maybe for next half year. Second, when you say that your agency payout has been tweaked here and there can you give some colour on that? Is it like more product mix being changed or you have been doing payouts to operational performance of products, or is it just payouts of change, etcetera? And lastly, you have added a lot of agents over the last few years and again market sharing that. But can you give some colour on how the vintage-wise agent productivity has changed historically versus, let's say, the last one or two years and currently?

Management: So, in terms of vintage-wise, there is a marginal improvement in agent productivity over a period of time, as I would not want to comment on vintage-wise agency productivity. That is what we would want to say as far as agency is concerned. On the product margin, I think Prithesh can build.

Management: I think product side, if you are looking for the products and pipeline, so basically, as you know, we always endeavour to offer a complete suite to the customer. So recently, we have launched this TROP product. We are working on some of the savings product in non-par segment. We're also working on par, individual par. And some of the selling through bank, like YONO, we are looking into the ease of sale prospective to long-term pure term product as well.

So, it's depending on the need. We're also evaluating bringing some new feature in our deferred annuity products as well. So, it will be difficult to comment earlier, further too for longer perspective, but currently three to six months, this is the target we are looking into.

Dipanjan Ghosh: On the agency pay-out strategy, are there any variables or is it linked to mix change or operational performance or something?

Management: No, there is nothing specific like that for our agency channel. So, what we have been doing, we are continuously being focusing on our agency, as Abhijit said, on the productivity as well as the activity levels, and we'll continue to focus on the recruitment also and training.

Dipanjan Ghosh: Got it, sir. If I can just squeeze in one small question. Your non-SBI non-agency channel growth has been quite strong, Y-o-Y, YTD. So, is it like you're gaining some higher volume from the PSU bank or is it from any broker or corporate agency partnership where you are gaining counter-share or higher volume? Can you give some colour on that? Thank you.

Management: No, that is predominantly on our own website where the volume has gone up as compared to last year. So that has reflected in that overall number for that particular channel.

Dipanjan Ghosh: Got it. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Rishi Jhunjhunwala from IIFL Institutional Equities. Please go ahead.

Rishi Jhunjhunwala: Yes, thanks for the opportunity. A couple of questions. So firstly, are there any considerations or pressure in terms of increasing payouts for your banca and agency channel? And one of the reasons I'm saying is because some of your larger peers have increased commission payouts by 2x to 3x over the year, especially on the traditional plan. So, any discussions around that for us as well?

Management: So, you have seen our commission payout numbers for the quarter, for last half year also. And I think the last half year results, post that also, the same questions were asked to us. And we had confirmed that at the present time, we are not going into any commission enhancement for our partners as of now.

Yes, we continue to be the lowest cost player in the industry and our cost of acquisition, we don't want to increase as of now. And since this strategy is giving us comfortable growth numbers as of now, we will stick to the present structure only for the time being.

Rishi Jhunjhunwala: Okay, sir. And secondly, just in terms of the margin mix that has changed over the last 12 months or so, you have indicated 200 basis points decline has come from the business mix and profile. And if you really look at APE mix change, it's predominantly a four to five percentage shift from non-par to ULIPs, so I just wanted to understand, I mean, is it primarily to do with just shift or at a product level also there might have been some compression on the portfolio side?

Management: It is mainly on the shift on account of the product mix because there has been shift in non-par by 5% to the ULIP. And there is no compression on the margin, infact, if you see this within the line of business within the non-par, we have seen some enhancement in the margin and the perspective. So, as we always mention that we reprice actively in trying to maintain the margin. So, in that perspective, the shift is coming only on account of the product mix.

Rishi Jhunjhunwala: Understood. Okay. Thank you. All the best.

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

Sanketh Godha: Yes. Thank you for the opportunity. Sir, if I see the numbers, your first-year commission ratio in nine months is around 14%. Last year, it was around 12.4%. And if I look at the product mix, naturally the product mix has moved in the favour of ULIPs. And ULIPs typically have lower commissions compared to non-par or par and even protection investment.

Sir, just wanted to understand what led to this increase in commission ratio in first year, again, maybe you are harping on the same point, but whether the payouts to the channels have marginally gone up? That's point number one. And related question is, since you report VNB margin based on last year cost.

If the commission payouts have gone up, the current year cost structure will be different compared to the last year. So, when you will revisit your assumptions in fourth quarter is there a probability of negative impact coming in because of the higher expense towards first year business on the margin?

And similarly, I just wanted to understand given the surrender rates have gone up, last year, it was benign at 4.3%. Today, it is at 6.1%. You might have reported last year margin based on surrender rate of 4.3%. Today, it's 6.1%. So, if you bake in 6.1%, whether it will have a negative impact on the margin.

So just wanted to understand this part very clearly why the payouts have gone up in first year? And second, any implication on the margins given the payouts have gone up and surrender rates have gone up?

Management: And so, one by one, I think if you look at the commission has gone up despite increase in Ulip, this is mainly a function of the product, and within the product, what PPT has been sold, despite you see the non-par proportionally has come down. There is a shift from the shorter pay to longer pay. And like we mentioned in September as well, we have some of the products that are operating in 6-pay, more shift has happened to 7-pay and 10-pay. And in general, the longer term has a higher commission. So that's reflecting in that prospective. So, this is one part.

Sanketh Godha: Sir, if I understood it right, what you're trying to say is that you are selling more long-term plans compared to what you sold last year. Given the long-term plans have higher payouts, that resulted increase in the commission ratio, right?

Management: That's right.

Management: Sanketh, just add one thing here that in this quarter, our non-par also has shown a growth and the PPTs have been actually based on that, the commissions have been fixed. So that is the reason for this quarter, the overall commission ratio has gone up.

Sanketh Godha: Sir, I was referring to nine-month to nine-month numbers, nothing to do with the third quarter. So, I was just referring nine-month to nine-month, 12.4% going to 14%. So that was the point.

Management: Sanketh, so my response was on year-on-year basis. So, if you look into the last nine months to this nine months, there is shift coming to the longer pay so that is explained Second part, question on the assumed expenses, I think except the renewal expenses that we looking into might be, but all actual expenses you consider that while computing the VoNB.

So, there is no possibility that we will get any hit on that account. So that's out of the question. Responding to the third question on the persistency, like we always mentioned that we, while setting the assumption, we take a longer-term view and not frequently changing. So even last year, we see the persistency has significantly improved over the previous year.

We have not changed the assumption to that extent. So even fluctuations will keep coming. But when we set the assumption that will reflect the long-term change, long term is not just current experience, looking to last three years, five years and other prospects, so that perspective, there's some change here and there in surrender ratio will not happen.

I think another aspect is that this circulation also considered in the projection. So, some of the cases particularly surrender coming on the unit-linked product where after lock-in period you see some spike in the surrender that already accounted for. So that prospect, if we don't see much any fallout impact that we may expect in the assumption process.

Sanketh Godha: And the reason I'm asking this question, sir, is that in last three years, this number hovered around four percentage. Suddenly it jumped to 6.1%, the surrender rate that is happening after a 5-year lock-in. So given your long-term trend is around 4%, now it is 6%. So just wondering whether it will have an implication or not?

Management: Sanketh, the way to look at it is, actuary will build persistency ratio into this; this surrender will have multiple generation of policies built into it, somebody which is a 10-year-old could also get surrendered right now. So, you see what is our persistency rates, that 60-plus month is also showing improvement.

And our longer term also, though we don't disclose it are showing improvement. So, to that extent, and as we said, we are conservatively budgeting while doing VNB, so we don't see any major concern on 31st March arising from the surrender rate.

Sanketh Godha: Perfect, sir. Sir, one more question I had. Again, on the productivity, if I look at banca channel productivity, it seems to have just grown by six percentage in the current nine months compared to last year, last year nine months it was around INR6 million. Today, it's INR6.6 million.

So, anything to read there, sir? There is something kind of plateauing in the banca channel? Are they expected or productivity levels actually can go meaningfully higher from some of the current levels?

Management: So, you're looking at productivity in what way, per branch? Or how do you want to look at it?

Sanketh Godha: Yes, the way you disclosed it in the PPT sir. The PPT number says that branch productivity is INR66 lakhs. That number was INR62 lakhs last nine months FY23. So, I was coming from that perspective.

Management: So, you see our penetration in the banca channel in State Bank customer group is less than 2%. So, there is a huge opportunity out there. And there are huge opportunities to grow, which will affect the branch productivity also. So, there is immense opportunity and we are ready to tap that. We don't see any challenge on the branch productivity growth front.

Sanketh Godha: Okay, sir. And lastly, I just wanted to understand whether you will ever pursue a inorganic growth opportunity? Or you're happy with the channels which give you the growth? Because there were some articles few days back in the paper that probably there is an inorganic opportunity you are scouting for. So just wanted clarity from you, from a strategy point of view, whether you are okay for inorganic part of growing the company? Or you think that your own channels will give the growth, no need to chase for inorganic part?

Management: No comments on that as of now.

Sanketh Godha: Okay, sir. That's it from my side. Thank you.

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

Neeraj Toshniwal: Hi, sir. Just wanted to understand in terms of product mix, we obviously have moved much higher in the ULIP, but our margins have actually kind of quite sustained and you're saying the margins have been quite similar. So, there's some disconnect, I just wanted to understand how the margin movement have supported the outcome what we are seeing currently?

Management: So, there are two parts to this. One is that when it is coming from the product mix, from the non-par to ULIP, there is a downward impact coming on the margin. At the same time, within the non-par, within the protection, within the ULIPs, within the particular line of business there is a margin enhancement coming from. So, remember last time also September, we mentioned that we have revisited, I think, three times our annuity price on the non-par products and other protection product as well.

Objective is to realign, maintain the margin. So like I mentioned, we have responded to earlier questions as well that while product mix being down by margin, within the LOB, particularly for longer-term policy having higher margins, that we have some comp off those part, that's the reason you're seeing, if you commensurate the margin fall on account of product mix might be looking lower as per your estimate.

Neeraj Toshniwal: So, there have been some enhancements in terms of the product level margins, which I think in the recent comments got missed out probably, is my understanding correct?

Management: No, your understanding is correct, there is a margin enhancement within the product and within the particular profile because depending on the policy term, what kind of combination we are selling, what kind of business happens. So, the margin will vary 100%, so we get some of the offsets to compensate the fall in the margin on account of higher term mix.

Neeraj Toshniwal: Got it. And hopping on this last question again because of the increase in cost and increasing surrenders and since the assumptions have not been changed since last year. Do we maintain the guidance range of between 28% to 30%? Or do we see that we could be little off to that because there could be some impact with the change in recent higher cost, what we are seeing currently here?

Or this already baked in? Because as we are seeing we look at the longer-term trend more rather than the short-term volatility, so how should one think about the overall VNB margin? And also, if you can give some guidance in terms of next year growth channel-wise, which channels, which will be the most accretive for us given the current changes and mis-selling news which is coming from the banca side and PSUs, if you can also throw some light on that?

Management: So, as you see, there are no such cost pressures seen in our results for the first nine months. And we stick to our guidance of, say, around 28% of VoNB margin in the coming this quarter also. So, we don't see any perceptible change, some bps here and there depending on the product mix, of course, we do not deny that, but 28% is something that we are sticking to.

Neeraj Toshniwal: And the growth guidance for next year in terms of APE?

Management: Pardon? I didn't get it.

Neeraj Toshniwal: APE growth guidance for next year?

Management: So next year, we are growing at around 15%, and next year is still a quarter away. We will be finalizing our numbers shortly. But seeing the industry trend and all and our past trend, we continue to stick to around the same number in the coming years.

Neeraj Toshniwal: And just...

Moderator: Mr. Toshniwal. I am sorry to interrupt. Sir I would request you to kindly re-join the queue for follow-up questions please. There are several others waiting for their turn. Thank you. The next question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: Yes, hi. Good evening. And congrats on a good set of numbers. Just a couple of questions. Firstly, the new product that you've mentioned in the opening remarks, you mentioned that the sum assured is higher and the pricing is lower. So, do we assume that the margins on this product would be lower and that so how do we look at that?

And secondly, there is a lot of talk about growth in deposits that some of the banks are that would be looking at. So do you think that the life insurance segment growth in the banca channel could be at some risk in possibly next year or in the next couple of quarters, those are my questions.

Management: So, on the product, that what we mentioned in the two products that we launched in the TROP category. You see that as a company we will sell around 86% TROP. This product, has come as a minimum premium size of INR25 lakhs where average will be approximately INR75 lakhs. So, when we're saying the premium rate is lower which is not that lower and priced that way. What we are saying is that when you compare the product, our existing term product which has been allowed to sell at INR5 lakhs and above, when we launched our higher sum assured product we have profiled, customer profile is much better.

To that perspective, we have, again, reemphasized our approach for segmented pricing and we priced those product. So, through that perspective, this product is competitively priced in these things with adequate margin. So, we expect that one side, this product will be able to attain the better profiling in the book. Also help with the higher ticket size, will help in the growth on the protection business. At the same time, it is competitive and it will be margin accretive to the company, as you know we keep mentioned protection product has a higher margin and sell will help us to further enhance this market.

Management: So as far as deposit growth you're talking about, if you look at the industry level also, the total new business of the life insurance industry is a fraction of the deposit growth. So, two as such are not very comparable. And in addition to that, the regulators vision, the government's target for increasing insurance penetration, I don't see a very perceptible or meaningful negative effect on the industry numbers in the coming quarter or the year also.

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

Supratim Datta: My first question is on a recent article in the newspaper, which talked about how SBI has stopped promotion in its circles until 31st March. Just wanted to understand how does this impact our growth in the fourth quarter?

And two, wanted to understand what kind of sales practice or changes in sales practices you will have to bring about to address some of the recurring concerns around big mis-selling, which keeps coming up? I understand that your ratios are low, but these are concerns which keep coming up. So, from a sales practice perspective, what are the changes that you are trying to bring about to address these?

Management: If you look at the newspaper reports and compare it with the numbers being reported by us or by regulator also regarding mis-selling, you will see that SBI Life is the lowest number of complaints and mis-selling complaints are only at around 0.03%. So that is almost negligible.

Having said that, compare it with the opportunities available in the banca channel, I'm sure that the growth rate that we have registered in the nine months will continue in this quarter also. And the first 20 days, we are not seeing any perceptible change in the sales that are being made in banca or agency channel.

Supratim Datta: Thanks for the answer. Just wanted to understand that if the current set of awards or remuneration for the agents or bank reps cannot continue then how do you go on rewarding them for the sales?

Management: So, I'll clarify here again that the individual levels, CIF level or branch manager level awards in the banca channel have been stopped by State Bank of India since 2017 end. And this is not something that has come up now. And there was no blip even at that time. We the bank has not been giving any individual awards to its employees or neither the insurance company is giving any direct benefit to any of the bank employees.

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

Ashish Agarwal: I just wanted to catch up on the growth guidance that you gave for FY'24 on the APE part?

Management: See, as we have already mentioned so we just wanted to reiterate that we will continue to see the same kind of growth which we have seen in the current fiscal and it will be a range bound as Mr. Jhingran said, it will be in the range the APE basis is around 18%. And we will focus on the product mix as we have always been very clear on that. So overall, we expect that next FY'25 will be a similar kind of growth for SBI Life.

Moderator: Thank you. The next question is from the line of Shobhit Sharma from HDFC Securities Limited. Please go ahead.

Shobhit Sharma: I have a few questions. So firstly, around the cost structure. So, if I look at our expenses of management other than the renewal commission to the APE ratio, it has moved up from 35% last year, 9-month period to 37% this year despite a huge deterioration in our product mix, if you can help us understand that what is playing over there?

Another thing is you mentioned that despite the equity markets being performing we see higher surrender towards the ULIP side. So how much of business are we able to channelize back in the form of new business there, means is the churning in the new business -- in the ULIPs surrender helping us in fuelling our growth?

Also, we understand that due to IRDA regulations, we can now attach some of the riders along with the ULIP products. Are we doing that? And what is that percentage, if we can understand as an attachment? Thank you.

Management: See, as far as the cost structure for the company is concerned, there is no change during the last quarter or vis-a-vis this 9 months to 9 months. Whatever numbers you are mentioning, it is predominantly due to the normal business expenditure, which has gone up, which we have appropriately taken into account that, for example, like some infrastructure costs and the cost towards the digital adoption and related to our employees are concerned. So, the employee strength also have gone up.

The new branches have gone up, and our digital adoption also has gone up. So, the predominantly increase of around 1% to 2% is immaterial as far as the overall expense structure of the company is concerned.

As far as this high ULIP surrenders you are mentioned about that I think it is a factor of the market and plus the product feature. So, as we already mentioned that if the product feature allows you to post 7 years of PPT, you can surrender and based on the market scenario today, and the best time to capitalize that opportunity. Some of the investors or the customers have done it. So that is the reflection, which has been shown here.

But we don't see any concern per se at that point of view. So, we will continue to focus because our revival campaign as well as our surrender prevention measures, which we have been taking, that has also given us some good result and we're able to convert some of the surrenders also either by restricting them or by converting into the new business. So that has also given us a good number for us.

Shobhit Sharma: Sir, any number around this new business churn we are getting? And also, sir...

Management: No, no. There is no churning per se. So, what I meant to say is that the product feature allows you to surrender after 7 years. So, then the customers get convinced to put in money into the other products of the company.

Shobhit Sharma: Yes. So is there -- what kind of amount of, let's say, the surrender is INR100 crores. How much of percentage are we able to get back in the coming new business?

Management: No, very, very specific number. We are not tracking that kind of a number.

Shobhit Sharma: And sir, last question is on strategy towards the individual retail protection. We are seeing that on quarter-on-quarter basis we have been slowing down Q1, Q2, Q3. So, what is the strategy going forward? What are we doing to bring it back on track?

Management: So, as we said this quarter, our focus on increasing protection in the business mix is always there. And this quarter, we are taking some concrete steps. We are also introducing some products which can be easily sold online also and on the digital channel of SBI also. So that, particularly, we expect good numbers in the current quarter.

Shobhit Sharma: Okay, sir. And the attachment ratio in case of ULIP attaching the rider, any numbers around it?

Management: No, no, we don't have any specific number for that.

Shobhit Sharma: Okay. So, you also mentioned that the costs have increased because of shift towards a longer period. Can you give us some numbers around it, whether it is towards the 10 PPT or the 5 PPT, how it has moved in percentage terms?

Management: No, we have not exercised any number, but basically a longer-term product offers better returns because good for us as well because we are getting an instrument to lock in for longer term, we offer better returns to the longer term, and the customer -- hence, customer off on that perspective. So, there's nothing specific in that, we give the full bouquet of that, within the product 5pay, 7pay to 10pay to looking particular ramp up or that customers are looking to. We don't track those shifts moving from. But we do see traction coming from the longer-term product definitely on account of the better customer return to the longer PPT.

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

Mohit: Sir, first is the non-par, wanting to understand what the IRR that you provide? And have we repriced the products over the last 9 months? That's point number one.

Point number two. While we understand that retail protection, you are introducing new products and other things to increase the growth. But just wanted to understand, is there a scope to reprice the existing product line? So those were my two questions.

Management: I think on non-par, when you price a product, would try to optimize this value for that, so as we mentioned earlier as well the non-par product, we have repriced, twice or thrice, depending on the interest rate movement perspective. And there is a both the side momentum happened, some of the product IRR has increased, some of the product IRR is going down, so there is always opportunity to reprice it.

Looking to the second question, for all other products, we continuously reviewing our product portfolio, both customer value perspective, shareholder perspective, and institution perspective, particularly for demand and other prospects. And as when required we do that. I thanks to the IRDA and that perspective will allow us to reprice the product in several events. And as a result, we have been very active in that perspective. And as when required we do reprice those products. So, there is always the opportunity we revisit and reprice the products, particularly for the guaranty products.

Mohit Mangal: Understood. Sir, just wanted to understand what was the IRR earlier and what it is now? If you can just throw some colour, that would be more helpful.

Management: So not much impact. I will not give any specific number because it's very difficult, weren't tracking that because even the non-par product we have repriced 3times agreed, so version 1, version 2 and version 3. Its our reflection, just to clarify that the regulator allowed us to reprice the change in the interest movement as and when the interested movement happen, I'll be able to lock in the better return instrument. We increased the IRR. As and when it goes down, we also protect the shareholder value by revenue perspective, we reduce the IRR prospective.

Mohit Mangal: All right. So just wanted to confirm, we have repriced this product 3times over the last 9 months. Is that right?

Management: Yes.

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

Aditi Joshi: Most of my questions are answered. But just one quick one, can you please elaborate the reasons why we saw a good pickup in the non-par business, as you mentioned earlier? And also, can you also help explain the reasons behind the weakness in the participating products, please? Yes, that's it. Thank you.

Management: So, as we mentioned, the focus was on the product mix and which we have been ventured into this since the last 2 years. And this year, in the third quarter, particularly, we have seen a good traction in the ULIP plus the non-par. And as already mentioned by Mr. Jhingran, we will be focusing on the product mix in this last quarter also. And our focus is that definitely on the non-par segment within non-par, it will be non-par savings and protection. So, this is our focus area for the company on this particular FY'24 and going forward also into FY'25.

Moderator: Thank you. The next question is from the line of Sahej Mittal from 3P Investment Managers. Please go ahead.

Sahej Mittal: Sir, just one data keeping question. What would be your lapse rate for non-par guaranteed policy for 13, 25th and 37 months?

Management: We don't disclose those LOB levels persistency, the company-level persistency we already disclosed on that. And there's no specific differential in the persistency. Persistency they are more similar to the particularly by initial year more or similar to the ULIP and others. So, company-level persistency and non-par persistency are more or less similar part of that initial year. Later you can say the persistency is much better in non-par because ULIP there is no surrender charge and people will go up and probably we'll see the value on that persistency. Whereas in non-par products, you see much better value coming on the maturity. So, customer will keep sticking to these polices.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question for today. I would now request Mr. Amit Jhingran to give us the closing remarks. Over to you, sir.

Management: Okay. So, thanks a lot to all of you for taking out time this evening and being with us. I hope all your queries and curiosities have been satisfied by my team here. And for any other clarification, you may get in touch with our Investor Relations team. Thanks a lot. God bless you all.

Moderator: Thank you, members of the management. Ladies and gentlemen, on behalf of SBI Life Insurance Company Limited, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.

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