



“SBI Life Insurance Company Q2FY25 Conference Call”

October 23, 2024

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 MR. SANGRAMJIT SARANGI - PRESIDENT & CFO
 MR. ABHIJIT GULANIKAR - PRESIDENT, BUSINESS STRATEGY
 MR. SUBHENDU BAL - CHIEF ACTUARY & CHIEF RISK OFFICER
 MR. PRITHESH CHAUBEY - APPOINTED ACTUARY
 Ms. SMITA VERMA – SVP, FINANCE & INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day and welcome to SBI Life Insurance Company Q2 FY25 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

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

Amit Jhingran: Good evening, everyone. We are happy to welcome you all to the results update call of SBI Life Insurance for half year ended September 30, 2024. We appreciate and thank you wholeheartedly for your time for analyzing our results and attending our Earnings Call. Updates on our financial results can also be accessed on our website as well as on the websites of both the Stock Exchanges.

Along with me, Mr. Sangramjit Sarangi – President & CFO; Mr. Abhijit Gulanikar – President (Business Strategy); Mr. Subhendu Bal – Chief Actuary & Chief Risk Officer; Mr. Prithesh Chaubey – Appointed Actuary and Ms. Smita Verma – SVP (Finance) & Investor Relations are present here on the call.

I am pleased to share that we have seen progress in several key areas as compared to previous corresponding periods, demonstrating the strength and dedication of our teamwork. We are building a strong base for the year ahead by improving the Banca and agency productivity levels, onboarding new agents and digital initiatives. This will ensure that in the long run the Company meets its goal.

In response to the evolving needs of our customers, we have taken significant steps to enhance our product offerings. Over the past period, we successfully relaunched 15 existing products, ensuring they align with regulatory requirements, current market trends and customer expectations. In addition to our relaunch efforts, we introduced nine new products that cater to the emerging needs of our customers. Five unit linked insurance products, two term insurance products, one endowment product, etc. Further, in its endeavor to provide retirement solutions to the Company has also launched annuity product. As of today, the Company has 24 products in its portfolio. These new offerings reflect our commitment to proactive approach to addressing the changing landscape of customers and regulatory requirements.

By leveraging insights from the market research and customer interactions, we developed these products to provide greater flexibility, improved protection and tailored solutions. While we have experienced slower growth in premium numbers than anticipated, due to the high base from last year, we are optimistic that our new product

launches and approach in reaching out to the customers will drive growth moving forward.

Our focus on adapting to customer needs underscores our dedication to delivering value and security. We believe these initiatives not only strengthen our portfolio but also reinforce our position as a trusted partner in the insurance industry. Moving forward we remain committed to continuously assessing and refining our offerings, ensuring that we are well equipped to meet the dynamic demands of our customers. We recognize that staying attuned to customer preferences and market trends is essential for our continuous success.

Now let me give you some key highlights for this half year-ended September 30th, 2024:

The New Business Premium stands at Rs. 157.3 billion and maintains private market leadership with share of 21.3%.

Individual New Business Premium stands at Rs. 114.9 billion with a growth of 13% and private market share of 25.7%. Gross written premium stands at Rs. 359.9 billion, a growth of 7%.

Protection New Business Premium stands at Rs. 17.2 billion. Profit after tax stands at Rs. 10.5 billion with a strong growth of 38% over the corresponding period of last year. The value of New Business stands at Rs. 24.2 billion. The value of the New Business margin stands at 26.8% for the period ending September 30, 2024. Embedded value stands at Rs. 660.7 billion registering a growth of 29% over Rs. 512.6 billion in the last period.

Our Assets Under Management stand at Rs. 4.39 trillion. The solvency ratio is at 2.04 as against the regulatory requirement of 1.50.

Now I will update you on each of the key parameters in detail:

Individual New Business has grown to Rs. 114.9 billion with a growth of 13% over last period. Single premium contribution is 33% of individual New Business Premium. If we exclude the annuity business, single premium contribution is at 17% of Individual Business. The Company's private market share stands at 25.7% and industry market share stands at 15.5%.

On Individual Rated New Business Premium, we stand at Rs. 81.0 billion with a growth of 15% over last period and maintain our leadership position with private market share of 22.7% and total market share of 15.4%. The Company's two-year CAGR of individual rated New Business Premium stands at 16% out facing the industry CAGR of 14%. This

is on backdrop of a consistent growth in performance which Company delivered year-on-year.

We have witnessed some headwinds in group business particularly with our group savings product due to unsustainable rates offered by few in the market. Group New Business Premium stands at Rs. 42.4 billion with a contribution of 27% in New Business Premium. Having said that, we have collected a total New Business Premium of Rs. 157.3 billion. The Company's Private Market Share stands at 21.3% and total market share stands at 8.3% on the New Business Premium parameter.

Renewal premiums grew by 16% to Rs. 202.6 billion which accounts for 56% of the gross written premium.

To Sum Up:

Gross written premium stands at Rs. 359.9 billion with a growth of 7% over corresponding previous period.

In terms of APE, premium stands at Rs. 90.3 billion, registering a growth of 9%. Out of this, individual APE stands at Rs. 82.6 billion with a growth of 16%.

During the half year ended September 30, 2024, total 9.87 lakhs new policies were issued. Number of lives covered during the half year ended September 30, 2024, is 11 million.

The growth in sum assured serves as a positive indicator of consumer confidence and the increasing awareness of the importance of financial protection. This upward trend reflects a shifting mindset among individuals who recognize the need for comprehensive coverage to safeguard their future. Individual New Business Sum Assured registered a growth of 20% over the corresponding previous period. Further as we continue to innovate and customize our offerings to meet evolving needs and demands, we anticipate growth in the upcoming period. This is already evident in our quarterly growth of individual New Business sum assured which stands at 51%.

Let me give you details about the product mix:

As on September 30, 2024, our guaranteed non-PAR saving products are contributing 19% on an Individual APE basis. Individual ULIP New Business Premium is at Rs. 70.4 billion with a growth of 19% over corresponding last year. And it constitutes 61% of individual New Business Premium.

The growth in ULIP can be attributed to the positive movement in equity markets and evolving customer preferences. This trend is evident across the industry as more customers seek products that blend investment opportunities with protection.

Individual Protection New Business Premium is Rs. 3.2 billion. Individual Protection Business for Q2FY25 has grown 15% on NBP basis as compared to Q1FY 25.

Group Protection New Business Premium stands at Rs. 13.9 billion. Credit Life New Business Premium has grown by 3% and stands at Rs. 10.5 billion. Protection Business contributes 8% of APE and stands at Rs. 8 billion. Retirement plans assist customers in building a substantial corpus of funds to maintain the desired lifestyle and manage expenses in their golden years. Total annuity and pension New Business underwritten by the Company is Rs. 32.8 billion.

Now moving to update on distribution partners

With the strength of more than 58,000 CIFs, State Bank of India and RRBs Bancassurance business contributes a share of 58% on total APE basis and on individual APE basis it stands at Rs. 50.9 billion with a growth of 7%. SBI branch productivity on individual APE terms stands at Rs. 4.3 million for the period and registered a growth of 8%.

In the first half of the year, we witnessed slower growth in our Bancassurance Channel as we are prioritizing on the development of robust digital platforms and advanced data analytics with a clear goal to reinvigorate the business model and enabling the Bancassurance channel to better serve specific customer needs both in person and digitally. While this may result in a temporary slowdown, we view the phase as a strategic investment for future. The focus will be on customer-initiated journeys on Yono platform of State Bank of India with little or no manual intervention. By enhancing these capabilities, we are laying the groundwork for sustainable growth and improved customer engagement in the long run.

With enhanced focus on agency channel and strategic launch of Agency 2.0, we have witnessed improvement in agent activation, agency channel productivity and onboarding of new agents and better collaboration between agents. Our agent productivity for the period stands at Rs. 2.6 lakhs on individual NBP terms registering a growth of 21% over corresponding previous period.

Agency registered New Business Premium growth of 14% over corresponding previous period and contributes 23%. Agency channel individual APE showed a growth of 36% over last period and stands at Rs. 27.9 billion. As on September 30, 2024, the total number of agents for the Company stand at 2,64,058, a growth of 11% over the previous period. During the half year end, the Company added more than 50,000 agents, a fair

mix of both urban and rural areas. The share of agency channel in individual rated premium has increased from 29% in previous period to 33% in current period.

During the half year ended September 30, 2024, other channels that comprise of direct channel, corporate agents, brokers, online web aggregators etc. grew by 28% in terms of Individual New Business Premium. Linked business through other channel registered a growth of 59% on APE basis. We are investing in building our online business channel. Individual rated premium through this channel has grown by 73% for the current period as compared to the previous period. Last year and protection business through this channel on IRP terms grew by 10% as compared to previous period. We are focused to strike optimum balance among various distribution channels and we expect to grow by leveraging these multiple drivers and further strengthen our distribution network.

Coming to updates on profitability:

The Company's profit after tax for the half year ended September 30, 2024, stands at Rs. 10.5 billion with a robust growth of 38% as compared to previous period. Our solvency margin remained strong at 204% as against regulatory requirement of 150%.

Value of New Business stands at Rs. 24.2 billion with a growth of 2%. VONB margin stands at 26.8% for the half year ended September 24. The shift in VONB is mainly on account of increase in share of ULIP business as compared to previous period. Embedded value stands at Rs. 660.7 billion, a growth of 29% over previous period. Embedded value operating profit stands at Rs. 54.4 billion and operating return on embedded value is 19.5%.

Coming to operational efficiencies:

OPEX ratio stands at 5.8% and total cost ratio stands at 10.6% for the half year ended September 30th. With respect to persistency of individual regular premium, 13th month persistency stands at 86.4%, an improvement of 98 basis points and 61st month persistency stands at 61.9%, an improvement of 438 basis points.

As mentioned in my opening remarks, Assets Under Management stands at Rs. 4.39 trillion as at September 30th having grown at a rate of 27% over corresponding period. Death Claim Settlement Ratio stands at 99.2%. The Company has registered an improvement of 68 basis points over last year.

An unwavering commitment to our customer-centric approach remains at the heart of everything we do. Our mis-selling ratio stands at 0.03%, which is one of the lowest in the industry.

Digitization is transforming the life insurance industry, enabling us to deliver enhanced services and a more seamless experience for our customers. As we embrace this digital transformation, we remain committed to innovation and excellence, ensuring that we stay ahead in an increasingly competitive landscape. The Company continues efficient usage of technology for simplification of processes, with 99% of individual proposals being submitted digitally. 44% of individual proposals are processed through automated underwriting.

We have aligned our business strategies with IRDAI vision and other regulatory initiatives, emphasizing the importance of customer empowerment in driving growth of the industry.

To conclude:

By fostering a culture of resilience and continuous improvement supported by our multi-distribution network and dedicated team, we are confidently positioned for the future. Our commitment to exceptional customer service strengthens client relationships and reinforces our status as a trusted leader in the market. With a focus on long-term, sustainable and profitable growth, we aim to create lasting value for our customers, shareholders and communities paving the way for a prosperous future together.

Thank you all and now we are happy to ask any questions that you may have.

Moderator:

Thank you very much sir. We will now begin the question-and-answer session. First question is from the line of Avinash Singh from Emkay Global. Please go ahead.

Avinash Singh:

Two questions. First one, broadly on the growth outlook, we heard you outlining your priorities. Now, if we see the reality, I mean, even the first half, 15% retail APE growth has broadly come, the challenges were partly also on the group side and even retail within your bank SBI. And you sort of suggested some kind of a strategic shift you are doing within that channel. Now in this backdrop, I mean, the reality of what is happening in the group saving markets or the pricing pressure on GTI, that's all affecting, credit life depending upon off take of loans, entirely affecting the group business. And on the retail side, what you are sort of doing within banks. So, now, how do you see the growth panning out and also, we have this new surrender that led to some bit of disruption and also, we are getting festive months. So, a lot of externalities as well. How do you see sort of a growth panning out in H2? And within bank, I mean, how will it take this transition and how long this phase will last? I mean, when can we expect sort of a growth to ramp up within banks also? So, a broader sort of your commentary on growth.

And second, again, related to the margin, now ULIP, of course, has grown, and thankfully for you also, non-PAR has grown, and that is where the margin has come relatively better. But again, the credit life has been slower, probably group term

insurance pricing seeing some pressure, and now you have this surrender regulation. So, how do you sort of, in this backdrop, with changing sort of your product distribution mix and growth trajectory, how do you see that margin to be playing out? So, these are my two questions, thank you.

Management:

So, talking of the growth first, we have grown in the first half on IRP basis at the rate of 15%. And when you compare our base for the last year and the industry base for the last year, this 15% growth has come on a much higher base. If you look at the two-year CAGR, we are better placed in that industry. Talking of the bank, we are trying to shift the business to the digital channel, where the customer will be initiating the journey on the YONO platform itself. And that shift is creating this temporary kind of blip, but we are very sure that this growth will return. Again, bancassurance and particularly SBI is providing the bulk of the business to the Company and this growth again is coming on a very high base. So, we must be cognizant of that fact. Regarding the future, we are sure that we will be able to maintain and maybe improve on this 15% growth. So, for the entire year, we look forward to a 15% to 17% kind of growth on an IRP basis. Talking of margin, you have seen that our margin are the best in the industry and you are already talking about the product mix and that it is helping the Company. In the recent past, we have launched two new products in the protection segment which offer higher margins and one of these products is a protection product for HNI individuals and there the product is very competitive when compared to the industry rates and we expect good growth with good numbers in that. In the Banca channel also we have launched a protection product which is based on the data analytics, and it is kind of a pre-approved and auto underwritten kind of product and in the first month itself we have seen more than 33,000 policies being sold on the Yono channel initiated by the customer himself. So, going forward we expect that the protection numbers will be better, and they will affect us, they will positively affect our margin also.

Moderator:

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

Nischint Chawathe:

First of all, if I look at the business trends on a sequential basis, have we seen margin changing at a product level, which means that either you let margins going up or down on sequential basis or non-PAR margins going up or down on sequential basis?

Management:

This is the timing issue. There is some point in time that when you try to optimize the value both for the customer and for the shareholder in terms of the margin, we do try to reflect the reality of the market. So, some point in time, if you see the last quarter, we have passed on the interest. We have not repriced. So, there was pressure coming on the non-PAR. Last month, we have repriced our non-PAR product and ULIP. And hence, we'll see some improvement coming on the margin side. So, point we are trying to make is that, in the business, we try to optimize the value for both the customer and

shareholder. In this context, you may see there will be some change in the line of business margin, but not significant on that.

Nischint Chawathe: So, what you are essentially trying to say is that non-par margins were probably a little lower in 2nd Quarter. I think that is what you are trying to say?

Management: No, I am saying that first quarter was slightly lower, 2nd Quarter is higher and we are expecting that in the Q3 it will be even better from the current level.

Nischint Chawathe: Another data, essentially on operating variances change in assumptions, you know in EV walk and VNB walk if you could just kind of fill out the components?

Management: First to clarify, there is no change in assumption. So, if you look into the VNB walk since we are doing from last September to this September there is impact coming from. This impact is only what assumption we made the change in March, there is no change and other aspects. If come to the EV walk, there is no change in the assumption, because you are comparing from March to September, and you see there is the operating variance coming from, and just to clarify, this operating variance is on account of positive variance coming on account of expenses, mortality and persistency. There is no off setting impact from us, or each and every variance is giving a positive contribution to this. And like we are always mentioning that we follow a sustainable approach in long term and always we get a positive variance all the component on this.

Nischint Chawathe: And the economic assumption between debt and equity, it's a fairly large number for you this quarter?

Management: So, we don't disclose basically, but you see this component of the economic moment in the market. So, you see the equity has grown up around 13% to 14% in the period of six months. The bond has gone down by 30 basis points. So, most of the contribution is coming mainly on account of the equity side as well.

Nischint Chawathe: And just one last qualitative question is on the agency business. You reported almost a 25% growth on the agency's side. So, how should we think about this going forward and what gives you confidence on sustaining such a high growth rate?

Management: So, we are consciously driving our agency business. And as you must have heard in my initial remarks, we started a program called Agency 2.0 at the Company level, where the focus is on improving not only our physical infrastructure, that is the number of branches, but also the number of active agents, the agent productivity, the agent activity per frontline manager. So, there are several initiatives we are taking on the agency's side to push the agency business further. And we are happy to note that the first half year our growth on IRP basis in agency is 33% which exhibits that our efforts are paying

dividend, and we expect to continue this agency enhancement program for the full year and in the medium term also.

Nischint Chawathe: And are you facing any pushback or resistance from agents as you implement the new, the surrender value guidelines that you'll probably share some part of the burden with them?

Management: No, so we have not changed our commission structure at all, unlike many players in the industry. And in fact, on the surrender value front, our surrender values earlier also were much better than the industry level and the new guidelines have affected us as a Company in the least. So, as such there is not much effect of surrender value. Our product mix, also if you see it is very heavily tilted towards ULIP where again there is no effect of surrender value.

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

Shreya Shivani: My question is on the protection segment. So, last quarter, we had mentioned about launching a new product on the YONO app and an HNI product from August. So, in spite of that, the growth is not very strong for the quarter. Is it purely a function of that digital transformation happening in the YONO side? Or if you could give some color on how has the uptick been on that product given that it's been around for two months to three months at least. And so my second question is on the topic of surrender value itself. So, you'd mentioned last time that if at all there's whatever impact there is from surrender value maybe up to 50 bps for us, so is it fair to say that the 26.8% VNB margin that we are at right now will decline to a 26.3% in the second half or keeping everything else constant that is, so some color on that will be useful. Thank you.

Management: Okay, so since you talked about the protection guidance we gave it last time, unfortunately the products that I referred to in the last call were a bit delayed and were launched only in the middle of September. So, in fact the numbers for the September quarter and the effect of the new product launches could not be captured. As I told you that in the last one month we have sold around 30,000 policies, more than 33,000 policies on the YONO platform, that product I was talking about. So, that number will be reflected in the current quarter. So, that is what is making us give the guidance of higher protection percentage in the third quarter of the year. And talking of surrender value as I already explained, we as a Company are the least affected by the surrender guidelines. And in line with the IRDA's prescription, I think we were the first Company to start relaunching our products from the middle of September itself instead of waiting for the quarter end because we found that these steps, these guidelines are in the interest of the customer and we at SBI Life value the customer centricity as the most. So, the effect of the same on the margin, we don't foresee any effect on the margin of

the Company, and we continue to stick to say 26% to 27% is kind of margin for the full year also.

Shreya Shivani: One just follow up on that bit. You spoke about you launched your products in September itself. So, any color you can give us around how has been the off take of the new surrender value products to the customers? Are customers finding it more attractive? Are distributors finding this one easier to sell because it favors the customers? Something on that line.

Management: When the sales pitch happens, the surrender value is never talked. Let us be honest, you talk to customers that you have to pay premium for 7 years, 10 years, 12 years. So, surrender value is in rare cases if customer raises objections only then surrender value discussions happen. So, you would not have any you know color from the customer of surrender value acceptance honestly. He said eventually customers will benefit from the new regulation there is no doubt about that but in the sales conversation surrender is not the topic that you got discussed when the sales conversation happens.

Management: If you are launching a new product for a long term, say 15 years-20 years, you don't tell the customer that you come and get it surrendered in the first year itself.

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

Supratim Datta: I have two questions, and both are on the growth side. So, I wanted to understand the strategy that you are taking within the banca channel a bit more. So one, in the previous quarter, you have indicated that there is a lot of opportunities still to penetrate within the bank branches. Now, I wanted to understand if there is still so much opportunity within the bank branches, why are you looking at YONO, the digital platform as a key source of growth going forward. That's one reason why we pivot towards YONO. And the second one was on the YONO, the self-drive business we have seen aggregators also move from a self-drive model to an assisted model when it comes to growth through digital channels. Now, I wanted to understand that, would you be supporting the YONO channel with your own direct sales team? Or how do you, once it reaches a certain size, how do you plan to drive growth after that? So, those were my two questions. Thank you.

Management: So, YONO, the State Bank of India is developing YONO as a marketplace also. It is already working towards launching YONO 2.0 with very enhanced features. So, our initiation of customer-initiated transactions for the insurance on the YONO platform is also step in that direction only where we will be offering our products on the YONO marketplace. Having said that the opportunities you were talking about in the State Bank, you know that our penetration in State Bank account is only around 2% of the actual coverable accounts, so the opportunities remain huge, and we are developing

this YONO channel as an eye on the digital transaction and digital is the future in coming years. So, we want to initiate that journey from the very start itself.

Supratim Datta: Just one last question. So, if I look at your product development, it has happened. A lot of the product development that has been on the protection side or non-PAR-side or agency side, now, typically in the bank, your model is a bit different wherein you don't have your own people in the branches. So, wanting to understand, and typically these are products which are more difficult to sell. So, how are you bridging this gap? Are you providing more education to the branch reps or how are you incentivizing the branch reps to sell these new policies or motivating them to sell these new policies where I understand there is no incentive?

Management: So, yes, you are right that we don't have our employees at the bank who do the sales. The entire banker sales is being done by what we call certified insurance felicitators, the CIFs. For that, they have to pass examination, and then only they are certified as CIF. To these CIFs we provide regular training about all our products, including all the products that are being newly launched, be it ULIP, be it non-PAR or PAR product. As far as the protection product that I was talking about, that is a product which is offered through YONO platform to the pre-selected customer based on the data analytics. The bank is running a lot of data scrubbing based on the customer balances, customer income level and his age profile etc. And based on that, this product is being offered on selective basis to the customers and this product sales are the customer oriented itself which are, I will say that this is a three-click kind of product offered to the selected customers. So, the leads are going, the offer is going to the YONO customer on his YONO app itself and they are initiating their journey. The role that the branches will play here is making the customer aware that this product is available on your YONO app.

Supratim Datta: And on the motivation side, is there something that we are going to motivate the branch reps?

Management: No, so that we have made very clear from the very start that the individual incentives to motivate staff were stopped by Reserve Bank of India since 2017 itself and there is no incentive for any of the bank employee to sell the insurance.

Supratim Datta: You've this HNI protection for that. Just wanted to understand, you know, what is the contribution of that to your overall protection you see and how are you selling that? Are you clubbing that with your ULIP for that? Or how is that being sold if you could get some color on that? That would be helpful.

Management: So, this product has very recently been launched and this is again a product with a minimum sum-assured of Rs. 2 crore and to tell you the actual sales experience, the product has been very recently launched so I will not be able to comment on actual sales experience. Maybe next quarter we can talk about the numbers and everything

but we have trained our agency force as well as the bank CIFs about this product and we hope to see good numbers because this I assure is a very competitive kind of product when compared to the protection plans being offered by other companies.

Supratim Datta: And is it being clubbed with the ULIP product or is it being sold separately?

Management: It is not clubbed as such but yes, the ULIP customers with good premium it can be a good option. I will not say that it is being clubbed but it may be offered to those customers also.

Moderator: Thank you. The next question is from the line of Manas Agarwal from Sanford-C. Bernstein. Please go ahead.

Manas Agarwal: Sorry to harp on this again, some things are not making sense. So, I'll ask it in a different way. Has there been any change in the channel dynamics with SBI? I'll lay the context before you answer. ULIP is doing very well for the market and you guys are the leader in that. Banca channel is very skewed towards ULIP. 2Q and 3Q is seasonally strong for Banca for us historically. So, all of that does not tie in with the fact that our growth in the Banca channel is not doing well. Your comment on investing in the digital sales on the bank side is an incremental effort. I don't understand why that should harm your BAU sales. So, is there any change in how SBI is approaching SBI life sales? That's the question.

Management: If you are talking about any harm to our sales, I don't see any harm. We have grown. Only thing is that growth has come down from say 15%-18% kind of growth that we had last year to 9% this year. So, as such there is no harm, and you have to mind that this 9% growth is coming on a very high base. So, the sales are there and there is no change in dynamics between SBI life and SBI. We continue to be the sole Company being offered by SBI to its customers and we don't foresee any change in the near future in that dynamics.

Supratim Datta: Your investment in digital sales in the Banca channel, why should they affect the BAU sales is the question?

Management: It is definitely not affecting. The 9% growth is coming on from that channel and those partners only. The digital initiative is very recently launched. What I am saying is that, going forward the growth from this channel will be in addition to whatever is being sold from the branches and the CIS. But we are investing in that channel and we expect good numbers going forward.

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

Madhukar Ladha: Again, on the same point actually. So, what exactly are you doing in the SBI channel? Because I think you mentioned that you are trying to move that channel into digital. Does that mean that you are trying to also change the way a walk-in customer buys insurance from you, and is that what is impacting your sales? So, I think that has not come out clearly as to, how the digital channel is actually impacting your overall sales from the SBI channel. So, maybe if you can elaborate on that a little bit that would be useful. And second, you mentioned that your VNB margins will be in the range of 26% to 27% for the full year. In the first half, you are already at 26.8%. I understand that there may be some negative impact because of surrender value changes, but that you are yourself also saying that will be minimal. But shouldn't then with operating leverage, the margin then for the year should be higher than the current number? That's my second question. So, yes, so these would be my two questions right now.

Management: So, I think if you are referring to the operating leverage, we have already accounted for in our assumptions, correct? So, what we are saying is that currently we hold up the margin of 26.8% and depending on how the business will grow over the period, because we have to also optimize the VNB rather than the margin perspective. And in order to optimize the VNB, we need to ensure that there is appropriate growth in the APE term is coming out. And in that context, we are saying that our margin might be arranged between 26% to 27%. This is the lower side that we are looking into. There is always an upside on the side and that we long term guidance we are always saying that our aim is to maintain the margin of 28%. But I'm saying since we are sitting today, 26.8% we have to also optimize the APE growth. In that context, there is possibility that margin will be range bound, nothing else.

Madhukar Ladha: Just a follow up on that. So, then what would be sort of your VNB growth target, like in terms of optimizing, then instead of a margin target, maybe it's better to talk in terms of a VNB target for the year.

Management: It will be commensurate to the APE growth. So, if APE growth is happening around 15% to 16%, you are expecting 15% to 17% target, I think VNB growth will be in range of 12% to 15% kind of things.

Madhukar Ladha: And then on the sales in the SBI channel, that first question there?

Management: I already explained that we are trying to develop this digital channel where the SBI customer is able to initiate the insurance purchase journey on the YONO platform itself and the role of CIFs and the branches will continue and the customer base of SBI will be a captive kind of base for SBI Life also going forward too there is no impact as of now, but in future when we are able to develop this channel fully, there will be a positive impact on the number.

Madhukar Ladha: And so at the branch level, then for physical walk-ins or that the way the business is happening right now, that has not changed at all. Is that understanding, correct?

Management: Yes, Madhukar, you are absolutely right. The SBI, the way the sale is being happening today will continue. The CIFs will sell on behalf of SBI. As MD said, the digital penetration is also another way of looking at the sales, which SBI is looking very strongly and that is why they have developed the YONO. Now they are venturing into YONO 2.0. That will help definitely to penetrate the customer base of digital savvy customers. So, it will be a kind of a digital channel within the SBI channel, which we expect that both will flourish and we expect that the growth is, today it is a 7% growth on a higher base. We will see how it will develop in the next six months or so, but this is the best opportunity in SBI who are actually tech savvy to buy the insurance products. Many of these tech savvy customers who are digitally enabled and who are using internet banking and YONO platform, they are not even visiting the branches. So, this will be, that is why we said that it will be having a positive impact once we are able to develop it.

Madhukar Ladha: And just finally, then, you know, historically we've sort of done quite well on growth. And year after year, we've done quite well. We know that penetration within SBI also remain low. But you pointed out a high base, and especially if you look at the last two months, the APE numbers don't sort of add up or are a little weak, right? So, we do expect that to change. Anything specific that has played out over the last two months that you would like to comment on in the SBI channel?

Management: Madhukar, there is no change at all of the strategy in SBI is concerned. As already said, last year's base was quite high for us. So, we were actually growing at 18% and 2nd Quarter was also significantly high, almost 30% plus for us as compared to the industry. And Banca contributed the maximum for us. So, that is the reason the base effect has been seen this year. And the initiatives which we have taken now, we think that it will come back to the mainstream. But last year we grew by 12% in SBI. So, we expect similar kinds of numbers in this year also.

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

Sanketh Godha: Sir, again, sorry to ask the question on bank. But just the growth for half is 7% from the bank channel. Do you expect the growth from State Bank of India to be in teens, at least in the current year, given the current growth trajectory? And probably we'll have a little favorable base in fourth quarter. So, just wanted to understand how you are looking from a full year perspective, the growth to play out. And accordingly, you can also give us a guidance how agency will do going ahead, because that number is pretty strong, 36 percentage. So, how do you expect this number to play out in numbers? And the second thing is basically, they just wanted to check whether in non-PAR products have

you made any IRR change to just accommodate higher surrender value? You said that you did not change any in commissions, but any IRR meaningful change you have made just to accommodate surrender low limited impact on the non-PAR business?

Management:

I will take the last question first and then pass on to MD sir to comment on that. I think non-PAR we do reprice the product and as a part of continuous pricing, we pass on the yield reduction to the customer because yield is going down and we have repriced. So, all the non-PAR product has been repriced and launched in the month of August. We do ensure that the product is in compliance with the regulation in terms of the surrender value. So, surrender value in our product is in line with the regulation. As we keep mentioning earlier as well, that our surrender value even before regulation is much higher than our peers. And when we change the product to comply with these things, there is not much impact on the surrender value. Except in the year on, where earlier regulations don't allow surrender in year one. Most of the impact in our surrender value coming in year one. To that extent, I can say that the repricing do take care of the falling interest rate and to some extent might be on the surrender value but not entirely with passing into the impact of surrender value to the customer because it is not beneficiary to the purpose of regulation to bring this surrender. If you are going to reduce IRR, then this means purpose get defeated. So, most of the repricing is drawn on account of falling interest rate. Some parts here and there might be passed on to the customer on account of surrender value.

Sanketh Godha:

On the Banca?

Management:

So, on the agency, I think MD already mentioned that we have grown at 33% in first half, and we expect similar kind of growth, 30% kind of growth for the second half also. And in Banca we should expect high single digit or 10% kind of growth.

Management:

So, on IRP basis in the first half in Banca we have grown by 9% and you are aware that October, November, December for the Banca channel for SBI Life has always been very strong. So, we have a very high base out there. So, I expect that the growth in the current quarter will also be somewhere around 9% only.

Sanketh Godha:

So, basically, sir, the second point is that 30% odd in agency and 10% in the banca is the most likely number to be achieved for the full year?

Management:

Yes, we agree with that.

Moderator:

Thank you. The next question is from the line of Aditi Joshi from J.P. Morgan. Please go ahead.

Aditi Joshi:

The first question is actually related to the product mix. Just some details will be helpful. I mean, firstly, why the annuity product was slightly weaker in the 2nd Quarter. And

also, can you explain as in especially related to the participating products? We saw very strong growth in the 2nd Quarter. So, just from a product proposition perspective, what is attractive to the customer and how are you trying to sell it because just very strong growth in that particular segment? And a related question is that if we are able to provide some mixed outlook for the second half will be helpful? Just one clarification is needed if I can ask that on the YONO, is it just select products that are gaining traction in the YONO especially only on the protection side because as you said that when the customer walks in, the employees in the banks or the CIF, they ask the customers to check the app and buy the product. Is my understanding correct? Thanks so much.

Management:

So, regarding the YONO product, what I said is that this protection product that we have launched in particular, that is a pre-approved kind of product, and this offer is going to select customers based on our data analytics. The offer is going to the YONO apps of these particular customers. In addition to that, the concerned branches are also aware about the offer to these customers and when these customers visit the branches, staff makes them aware that this offer is available to you. So, they can initiate the journey and complete the project.

Management:

On the annuity side, you know we had had some small degrowth in the current quarter, but I think there will be we don't expect that to be the guidance for full year. We would expect the annuity growth to come back, that market is large, and we would want to tap that market. On PAR, I think the base is very small and on that small base with some focus we had a substantial increase in Quarter 2. Our new products will be launched after product repricing very soon, one or two are already there, one is already there and the remaining will be launched very soon and we would expect PAR. But PAR is a small component, our main growth for traditional, we would expect from protection and focus will also be non-PAR.

Aditi Joshi:

And any guidance on how product mix will look like in the second half?

Management:

We will continue to maintain our stand of 60-40. So, that is what we have maintained, and we will continue to do that. So, as Abhijit said, our non-PAR protection and PAR will continue to be part of 40 and 60 will be in the ULIP

Moderator:

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

Dipanjan Ghosh:

Just two questions from my side. First, can you shed some color on your growth across the non-SBI banca partnerships? And do you see traction in some of these channels or your counter-share across those channels? And second, while you've seen improvement in persistency across most of the buckets on 1H or 2Q, I just want to get some color on, is it more a function of back book product mix? Are we seeing

improvement in persistency across each of the product classes? So, if you can give some color on the product level persistency trends?

Management: Amit, I think it's a combination of both. So, one is the product mix changes, and another is the one that we are trying to do. We do a lot of investment in terms of the sales initialization to ensure that the customer is buying the appropriate product, not pushing any particular product. We do have taken several initiatives at the Company level, both from the branches to the corporate level, to ensure that we should have a continuous connect with the customer, try to understand their pain point, and try to address those challenges. I think that both are helping us to improve the persistency. And there is improvement in persistency is being observed at most of the cohort at this point in time. And we hope this will be continued in future as well.

Management: So, on the non-banca partner, there is mix in some partners we have seen strong growth, some partners we have not seen growth. But taken as a group together, we have seen small degrowth in quarter to compare to the previous quarter. We are working on these partnerships how we can have growth across all partners and not only select partners.

Dipanjan Ghosh: Just to get some clarification on the second part, is it more of a degrowth at this partners or is it more of some competitive pressure?

Management: No, we have seen that in some of the partners, the overall business also has gone down. Overall business, not across all partners, all the life insurance players.

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

Nitesh: First, the data keeping question. What percentage of the retail protection is ROP for Q2?

Management: Same, actually the 90-10. So, at this moment ROP is 90 and 10% non-ROP.

Nitesh: And second, sir, on the non-PAR side, because surrender value, you have not increased, you have not changed the payout or the commission rates. And what I understand that IRR has also been not changed. So, just because the surrender value changes should we expect margins decline, margins will be absorbed by the Company, margin reduction will be absorbed by the Company?

Management: Not much, already I just clarified and mentioned that when we repriced those product we passed on to reflect the fall of the yield curve and also to some extent reflect the surrender value. Objective is not to pass on the entire impact of surrender value to the customer. This is for first. Second point, we keep mentioning that our surrender value was much higher as compared with our peers in the market earlier as well. And as and

when this regulation came and recomputed the surrender value, there is not much impact coming on the surrender value, except in year one where surrender was not allowed, and we are offering per policy getting loss. So, that's the reason there's not much impact coming from. We have passed on in partially to some extent to the customer. We try to optimize, and this is the other product category because within the non-PAR product, you see there are different product policy terms, PPT term, ticket size and other will have the different margin. So, we try to look into, analyze the aspects that how we can give the better value to the customer at the same time maintain this margin at the product level as well.

Nitesh: And on the credit life, in H1 what was the APE this year and last year, if you can get that number?

Management: Credit life is flat. So, last year it was 102 crores and currently also this year, YTD September is 104 crores.

Moderator: Thank you. The next question is from line of Harshit Toshniwal from Premji Invest. Please go ahead.

Harshit Toshniwal: I think on that Banca channel part itself, clearly that base effect fatigue is something which we saw probably this year in 10% YoY growth. But I just had two questions. One is that when we see this year, would it be good that at least from life insurance perspective, SBI Life perspective, that this is a year of reset of the base? But that 15%, the ability of SBI banks to be able to grow 15%, that still remains there. Or do you think that the base is becoming large incrementally every year to justify a 10% to 12% kind of a banca growth? That's the first question. And the second part is, so insurance as a product to what we have seen is that needs that physical element of understanding physical push. So, to that extent, do you think that so high focus on YONO, at least for a product like life insurance, can that lead to the CIF's distraction in terms of the ability to cross-sell their targets? If you can throw some light there from their KRA perspective, how have things changed versus a YONO distribution or selling through YONO or selling through a normal Banca channel? Is it the same for them or are they incentivized more if there is a KRA difference between the two channels per se? But I think the first part also if you can also help that if this 10% is a one-off as a reset of the base or the ability of bank to grow at this base is 10%-12% itself?

Management: So, I talked about the insurance penetration amongst the population in general and State Bank in particular which is our major partner. So, the under insurance or the insurance penetration remains quite low and lot of opportunities and with the kind of economic growth that the country is seeing and the financial awareness that is improving in the country, I am sure that the opportunities are even better than what were there say 5 years, 10 years back.

Harshit Toshniwal: So, one part itself sorry to interrupt that when we say a product like ULIP, PAR, non-PAR, I agree that the penetration is low, but these are in a way pseudo financial products cum insurance products, a mix of both of the coverage. Now in that case, that under penetration story has been there, but I am just thinking from the ability of the CIF to be able to do volume because to be very fair, we are at volumes which are exceptionally large. Even at Banca channel, the APE numbers of 13,000 crores, 14,000 crores per year is something which is very large. So, I just want to understand that from a practical viewpoint, should we have that expectation of the bank to keep running at 15% or internally we should moderate that to a rightly more modest number which is more sustainable?

Management: Another part I wanted to clarify you talked about the incentivization of the CIF. So, in response to one earlier question also I have told you that since 2017 there have been no individual incentives to any of the CIFs. Whatever sales are being generated they are sans any incentive to individual employees of the bank. The ability to sell and ability to make customer understand the product of the CIFs is in no doubt these CIFs are being trained by us at regular interval about various products about various new products about various opportunities available in the market and in addition to that now the bank is also running data analytics on its customer base and giving leads to the branches about the potential customers who can be insured. So, this data analytics will help in identifying the customers in more precise way in the future and our CIF and our branch managers will be in a better position to target the customers who need insurance. So, going forward, I will stick that the ability to grow at 15% remains intact.

Harshit Toshniwal: This is very helpful because I think that ability is the key thing to understanding. Maybe this year could be a one-off and reset of the base. And sir, on the second part itself that whether, I understand there is no incentive, but more from a KRA of the branch manager's perspective, is there some, because for them to be promoted, for them in normalcy of the business operations they would be targeting to grow the business by 10% of what it was last year or 15% of what it was last year. Now in that sense, is YONO as a channel or direct as a channel, do they have any different preferences from top level at SBI?

Management: YONO as a channel also the business is attributed to the branch to which the customer belongs to and as far as the target is concerned bank employee or a bank manager has 50 to 60 lines of businesses to cater to and cross selling is a very small part of that. So, it does not materially affect his KRA, but yes, it is a KRA amongst many lines of businesses, many lines of parameters that any branch manager has.

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

Rishi Jhunjunwala: Most of my questions have been answered. Just one thing, historically, if we see our business from a retail premium perspective used to be equally divided between 3Q and 4Q, it's probably 3Q being slightly better than 4Q in terms of absolute size. We saw that trend breaking down in the past couple of years and to some extent it was also driven by potentially SBI's focus a little bit more around CASA in the last quarter of the year. Given our guidance of 15% of growth on APE for the full year, it requires that trend to break and go back to a level where 4Q can match 3Q on absolute basis. Just wanted to understand, do we have any kind of visibility there? Is there a reason why the trends of the past two years may not continue this year?

Management: Q1 has always been stronger than 4Q as far as SBI Life is concerned and banca channel, SBI channel is concerned. So, 3Q this year also, I already said that we have a very high base of last year. The growth was pretty good. So, expecting a 9%-10% kind of growth in the Q3 is somewhat reasonable. And that is what will maintain going forward also.

Rishi Jhunjunwala: I was just trying to understand that drop in 4Q on a sequential basis was quite stark in the past two years. So, are we expecting a similar drop, or do you think that could be better this year?

Management: We are evaluating multiple strategies at how we can actually look into the, particularly on the January and February, because as you know, the third quarter used to be a very strong quarter for us. So, immediately post that, Jan-Feb used to be a little slow for us. But this year we are targeting in a different manner because a lot of products have been launched and we want to capitalize particularly on protection and non-PAR. So, these two we plan to run some campaign in SBI Life. So, let's see how it will step up in this year because yes, you are right. We plan to change that cycle for SBI Life, and we are optimistic that this will help in this year to see that result going forward.

Moderator: Thank you. The next question is from the line of Subramanian Nair from Morgan Stanley. Please go ahead.

Subramanian Nair: So, my question was on VNB margin. So, essentially you are talking about 26% to 27% margin percent for the second half. Now you already have 27% for the first half. And if you are targeting a 60-40 mix, it's actually going to be better in terms of margin accretive products in the second half, and plus you are also talking about a higher protection mix as well. So, is there anything else that is holding you back from guiding for a margin higher than 27%? Because mathematically, the margin has to be higher in the second half, assuming the product mix. So, yes, that's my first question. You can answer that.

Management: I think you are right. So, if you look at the mathematical side, I think the margins should not be anything less than 27%. And we internally are also expecting that margin will be much more than what we are given guidance. Only the point that we are holding up is

to ensure the growth because the VNB growth is most critical for us and like we always keep mentioning that margin is a number, we are always aiming to grow the VNB. In that context, we are thinking that there is a possibility, though we are trying to drive the protection growth will be there, non-PAR growth will be there, and all the products will contribute. But we also need to ensure the growth in APE term. And there is a possibility if there is some changes happen over the period on the shift to the ULIP or even if slightly yield will fall, and then recently we have revised the product. And that point in time to be competitive with the market, if you are holding up our return to the customer, there will be certain pressure will come upon the margin. In that context, we are saying margin will be 27%. But internally, our long-term guidance and expectation is to our margin will be around 28%. So, that's a point I'm making. There's nothing hidden in between on this side.

Subramanian Nair:

The other question is the same question, unfortunately, everyone is harping upon that. But I will ask you very directly, this change in the nature of engagement with SBI, has it got to do with basically reducing the involvement of SBI employees? Because we obviously keep seeing a lot of media articles about mis-selling and all that. Although I do understand that your mis-selling ratios are best in class, they are the lowest. But is it basically got to do with reducing the involvement of SBI employees in any way? And does it also, I would say, kind of coincides with change in guard at SBI? So, does that have to play a role as well? So, yes, I'm asking it pretty directly.

Management:

I don't think what you are saying is correct in any way. The ability of SBI employees to sell insurance is well established and it has been growing over the years. In the last 10-15 years there have been several changes, regulatory changes, stopping of incentives etc. But all that the sales have withstood the test of times and have continued to grow. Our effort to digitalize the initiation of insurance purchase journey on digital channel that is something which we want to take advantage of the digital technology and the tech savvy customers. We are not undermining the CIF ability to sell and we don't want to lose that advantage also. And as far as mis selling is concerned, you already said that our Company is having one of the lowest mis selling ratio at 0.03%. But having said that even one case of mis selling is not acceptable to us and wherever customers are complaining any such thing, we are cancelling the policy and if anything is proved, we are also taking action against employees and all. So, that portion is very well taken care of. This initiation on YONO, I will again reiterate that we want customer to initiate journey and the role of CIF will be important even in that scenario because as earlier also somebody was saying that insurance is a product which needs some kind of explaining. So, the role of CIFs in the branch staff will continue to maybe explain the products and guide the customer to initiate the journey on the YONO platform also. So, this is one channel which we can use in multiple ways. Customers can initiate on their own, customers can initiate by the way of assisted journey from the branch staff and all. So,

that is what our stand on developing this product is and we are very sure that going forward this will be a very helpful and very potential channel.

Subramanian Nair: Just clarifying, so in terms of the CIF channel, you will continue basically investing in that and growing that as well. So, the investments in that will continue. Is that understanding correct?

Management: Yes, definitely. Our training programs for the CIFs are going on.

Subramanian Nair: And the footprint will increase basically?

Management: Yes.

Moderator: Thank you. Next question is from the line of Raghvesh from JM Financial. Please go ahead.

Raghvesh: I have some questions on the credit life business. So, I mean, it was sluggish for us. The understanding is the broader market, personal zones and MFI is going down. But SBI Life has traditionally had a, I think, an 80% share coming from home loans. So, why is credit life not growing for us?

Management: So, credit life is flattish with the penetration levels in the bank are slightly lower than what we were expecting but we expect the penetration levels to come back to the numbers we are expecting. So, we expect 9%-10% kind of growth in credit life for the full year. What we have seen is that the ticket size of the housing loan in the bank is increasing and keeping in mind that thing, we are also easing the process of underwriting on the credit life business that is supposed to take effect from sometime in this month itself or maybe in the first week or second week of November. So, there the underwriting process for the higher ticket size will be lower and we expect that the same will help in improving the coverage ratio.

Raghvesh: 80% remains mortgages for us in terms of the credit life business.

Management: Majority is mortgages. Majority is coming from mortgages, housing loans here.

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

Prayesh Jain: Just wanted to understand, on the HNI protection plan that you have been selling, what is the kind of premium that we've collected in this quarter or quarters?

Management: I told you this product was just launched towards the end of the quarter, September, so the numbers are negligible, but we expect this product to catch up and provide good numbers in coming quarters.

Prayesh Jain: And the profitability of the product would be similar to the retail protection plans?

Management: Yes, the profitability is similar to the retail and also competitiveness. So, both the perspective because the greater proposition for the customer and the shareholder perspective. We expect this product will have a financial different segment. So, there's no cannibalization happening from one product to another. We expect this will be more attractive and it will help us to not only increase our protection share but also fulfill the underinsured population because a lot of people have taken the insurance but with a lower sum assured that will help them.

Prayesh Jain: Last question, how has October result been so far? Any trends that re-trends on the new product with respect to growth or product mix?

Management: We will disclose the number by end of the month.

Moderator: Thank you. Ladies and gentlemen, that was the last question for the day. I would now like to end the conference over to Mr. Amit Jhingran – Managing Director & CEO for closing comments.

Amit Jhingran: So, thanks to all the analysts who are present here and thank you for giving this time and for all your queries. If you have any other questions you may get in touch with our investor relations team, and we will provide you the requisite clarification. Thank you.

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



Safe harbour: Please note that this transcript has been slightly edited for the purpose of clarity. Except for the historical information contained herein, statements in this release which contain words or phrases such as 'will', 'would', 'indicating', 'expected to' etc., and similar expressions or variations of such expressions may constitute 'forward-looking statements'. These statements by the Company and its management are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions and are not guarantees of future performance. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control, and actual results could differ materially from those presented in the forward-looking statements.