

ICICI Prudential Life Insurance Company Limited
Earnings Conference Call
Year ended March 31, 2022 (FY2022)
April 16, 2022

N.S. Kannan:

Good evening to all of you and I welcome you to the results call of ICICI Prudential Life Insurance Company for the Financial Year 2022. I have several of my senior colleagues with me on the call; Satyan Jambunathan, Chief Financial Officer; Judhajit Das, who heads Human Resources, Customer Service and Operations; Amit Palta, who heads Distribution, Brand & Marketing and Products; Deepak Kinger who is responsible for Audit, Legal, Risk and Compliance; Manish Kumar, who manages Investments; Souvik Jash, our Appointed Actuary, and Dhiren Salian, Deputy CFO.

At the start, I would like to talk about three major developments during the last quarter of the financial year:

First, the country saw the third COVID-19 wave hit us in the last week of December of 2021 and continued till mid-February 2022. While the mortality outcome of the wave was materially lower than the second wave, the rate of infection was quite significant. The higher infection rate amongst our employees, as well as partner's employees, resulted in loss of productivity in the months of January and February. Since the receding of the third wave and other restrictions being eased by the state governments across the country, we have started to see an easing back to normalcy across the country.

Second, the global economic and financial environment has worsened with the escalation of the geopolitical conflict. Consequently, the financial markets have exhibited increased volatility, amongst other consequences. This event has exacerbated inflationary pressures across advanced as well as emerging market economies alike.

Third, on the regulatory front. The insurance regulator, IRDAI Chairman has been appointed in March of 2022. The new Chairman has met with all the life insurance companies and has stated his 25-year vision for the industry to coincide with India's centenary of independence. In a public statement, the Chairman has stated his intent to shift to a principle-based regulatory regime, to use the strength of technology and data for closing the protection gap to support the growth of the insurance sector. We view these developments as a huge positive for the industry and we expect to engage and collaborate with the regulator even more closely in the months to come.

Our results need to be viewed in light of the above three developments.

Before I go on to talk about the results, I am happy to inform you that during the quarter, we have won multiple awards across business functions. Innovation in products has always been a focus area for us. Our product, "ICICI Pru Guaranteed Pension Plan" has been voted the 'Product of the Year' in the Life Insurance Category by Product of the Year (India) Private Limited. Recently, we also won the "Tech Innovator Company of the Year" awarded by the 'India Insurance Summit and Awards 2022', organized by Synnex India.

I would also like to add here that our revamped customer app has crossed the milestone of 1 million downloads with ratings of 4.5 on the Android Play Store, and 4.3 on the iOS App Store, our app is one of the best rated in the industry. Today, one out of every four service transactions is carried out on our mobile app.

I will now move on to our performance for the quarter. Our four key strategic elements that is Premium growth, Protection business growth, Persistency improvement, and Productivity enhancement continue to guide us towards our objective of growing the absolute Value of New Business (VNB), while ensuring that our customer is at the core of everything we do, we operate on these four key strategic elements. Along the way, we have been integrating ESG aspects into the management of our business itself. Our robust performance across customer-centric parameters is presented in slide 5 of our presentation. Our 13th month persistency for non-linked savings, has reached 89% as of March 2022. Our claim settlement ratio stands at 97.8%. The Company has settled around 260,000 claims in FY2022, which is more than twice the number of claims we handled in FY2020. The surge in volumes was handled through various initiatives implemented by the Company by way of ramping up the claims adjudication capacity, deployment of analytics in claims processing and facilitating hassle free claims documentation through offering doorstep document pickup services, amongst several other initiatives. These initiatives ensure that the average claim turnaround time for non-investigated claims was just 1.5 days from the receipt of last requirement in FY2022 despite the higher intensity of claims that I talked about, and also the challenges prevailing in the ecosystem in handling claims.

I now take you through our performance on the 4P's through slides 6 to 10 of our presentation, and then conclude with a commentary on the VNB.

Let me start with the first 'P' of our strategic elements which is premium growth. As mentioned earlier, despite the impact of the third wave of COVID-19 during the months of January and February, our annualized premium equivalent (APE) grew by 4% to ₹ 26.08 billion in Q4-FY2022, resulting in a robust 20% growth of APE for the entire financial year. Our new business composition over the years was dominated by unit linked products. As you can see on slide 7, in FY2019, which was the year prior to our articulation of VNB doubling, linked products alone had contributed 80% to our top line. Since then, we have been systematically working on broadening our customer base through a combination of distribution build up as well as product propositions.

Through the year, we introduced two new fund options within our linked products and some new products on the non-participating as well as protection platforms. My colleague, Amit, will talk about this in more detail later.

As we speak today, for FY2022, linked products contributed less than half of our top line with 28% being contributed by the non-linked savings products and 17% by protection products. With this, we believe that our diversification agenda on product mix is well on track, enabling us to manage the impact of external developments and respond to changing consumer preferences much better than any time in the past. The testimony to this has been our performance during the year on premium growth despite market challenges and fulfillment related challenges.

Similarly, on the distribution front, we continue to maintain a diversified distribution mix. In FY2021, we had added significant bank partnerships. I am pleased to note that the share of other banks has further grown from 11% of APE in FY2021 to 14% of APE in FY2022. Coming to the other channels, in FY2022 APE, ICICI Bank channel share was 25%, agency share was 24%, direct business share was 13%, the share of other partnerships was 9% and the balance was contributed by group business.

With this, let me move on to the second 'P' of protection business growth presented on slide 8. As you are aware, during the year, we saw an increase in end consumer prices for retail protection plans, driven by reinsurer-led price increases. Supply side constraints in the live pandemic environment, including the general reluctance to visit medical centers and revised underwriting guidelines also impacted the retail protection business. As discussed in our results call last quarter, our response was to emphasize sourcing of preferred customer profiles with only minimal price increases and by increasing our retention limit, from ₹ 2 million to ₹ 10 million in our retail term product. We haven't changed the retention limit in other aspects of our protection business. Our solvency ratio has been broadly steady across the quarters and stood at 204.5% at March 2022, well above the required ratio of 150%.

As also mentioned in our last call, we launched the return of premium protection product in December 2021. Given that this is an entirely new consumer proposition, it's quite heartening to note that in the very first quarter of our launch, the ROP product contributed to 17% of the retail protection APE. We continue to take advantage of the opportunity available in the group segment, specifically on group term products.

As a result of all these steps, our total protection APE grew by 33% to 4.57 billion in Q4-FY2022, resulting in a 25% year-on-year growth and increasing the protection mix further to 17% in FY2022. I would like to highlight that based on the total new business sum assured, our market share has increased from 12.5% for financial year 2021 to 13.4% for the 11M-FY2022. With this, we continue to maintain private market leadership. This performance gives us a lot of satisfaction having overcome the challenges posed by the environment in the protection line of business.

We expect supply side constraints to reduce with easing back to normalcy across the country, and therefore, we expect a revival of the retail protection business over the coming quarters.

Moving on now to the third 'P' of persistency improvement in slide 9, we saw further improvements across most cohorts of persistency. Our 13th month persistency ratio has increased by 90 basis points to 85.7% at the end of March 2022 as compared to March 2021. Similarly, our 49th month persistency ratio has improved to 63.7% at the end of March 2022.

And the fourth 'P' of productivity improvement in slide 10. Our total expenses grew 27% year-on-year for FY2022. As you would recollect, our total expenses in FY2021 had declined by ~6% over FY2020. In light of the ongoing COVID-19 pandemic, we had curtailed some of our discretionary spends in the financial year 2021. However, given the relative improvement in the economic activities in the current fiscal, we have focused on increasing our distribution presence and strengthening our brand. If you compare our new

business premium growth with our expense increase in FY2022 over fiscal 2020, the new business premium grew by about 22%, while the increase in expenses was about 20%.

The improvement in productivity is also demonstrated by 11% increase in APE per employee in FY2022 over FY2021.

Alongside our four 'P' strategy framework, we continue to maintain a resilient balance sheet as presented in slide 11.

On mortality rates, for FY2022, gross claims on account of COVID-19 stood at ₹ 21.07 billion and net of reinsurance the claim amount was ₹ 10.17 billion. This net claim amount includes settled, as well as notified and in-process claims. Further, at March 2022, we hold reserves of ₹ 0.24 billion towards COVID-19 claims.

Our solvency ratio, as I said earlier was 204.5% as of March 2022 as compared to the required ratio of 150%.

On credit risk, only 0.3% of our fixed income portfolio is invested in bonds rated below AA. And we continue to maintain our track record of not having a single NPA since inception of our Company.

Of our total liabilities, non-par guaranteed return products comprise about 1.9%. We continue to closely monitor our liquidity and ALM positions, and we have no issues to report.

Moving on to the Value of New Business (VNB) presented in slide 12. As a result of the above drivers, the VNB for FY2022 was ₹ 21.63 billion, a significant growth of over 33% over FY2021. Given our APE of ₹ 77.33 billion, the resultant VNB margin was at 28% for FY2022 as compared to 25.1% in FY2021. As we have always articulated in the past, we continue to focus on absolute VNB growth, which is our stated objective.

You may recall that when we articulated our objective to double the FY2019 VNB, our reliance on unit linked as a product category was significant. Also, we had been heavily dependent on one partner's contribution to new business. In the journey since then, we have encountered a number of challenges like limited bank partners, change in prioritization of our key distribution partners, COVID-19 pandemic, subsequent countrywide lockdown, capital gains tax on high ticket ULIPs, supply side constraints in the protection business, devastating COVID-19 second wave and the consequent elevated claims, volatile financial markets and reinsurer-led price increases and protection, just to name a few significant challenges over this period.

I am happy that while all these challenges had an adverse impact on our business growth and profitability levers, we continue to pursue a resilient and growth-oriented strategy with a series of interventions such as the right product for the right customer, comprehensive product suite to cater to all customers preferences, greater digital adoption, new partner acquisition, limited protection price increase for the customer, recalibration of underwriting guidelines, and also capitalizing on group protection segment, which was a great opportunity in the market to grow our protection business.

I believe that the results of all these interventions is what you see and is visible in our results for FY2022.

I'm happy to report that we have met our expectations on each of the four 'P' strategic elements as is evident in our results. Just to illustrate, on premium growth, our APE has grown by 20% year-on-year, on protection, our year-on-year APE growth was 25%, well above the overall growth in savings APE, on persistency our metrics have improved significantly across most cohorts, and on productivity front, our APE per employee has grown by 11%. So, I get a lot of satisfaction from the outcome for FY2022 along the lines of our stated objectives.

Going forward for the immediate term, we continue to maintain our objective of doubling FY2019 VNB by FY2023, which requires a growth rate of about 22% to 23% over FY2022 VNB. With the VNB growth of 33% for FY2022 and with more growth levers and margin expansion levers available with us, we believe we are on track to achieve this immediate aspiration.

Now, as we look at FY2023 and beyond, we are poised to take advantage of all the good work that has gone into building a strong foundation for sustainable growth in the Company. Our pursuit towards building a sustainable and growing institution will continue. And the unfinished agenda such as revival of retail protection business, expansion of annuity business streams, expansion of agency business, and direct channels would be pursued in a focused manner.

Our primary objective is to outperform the industry on VNB growth over the medium term, even if our APE growth relative to the market, may be influenced by the distribution strategies of some of our partners. Towards this, we believe that all necessary levers are available with us.

Now, Amit, Satyan and Jit would be taking you through the business update, financial update, and ESG update respectively. Thank you once again for joining the call. Thank you for your patience. And over to you, Amit.

Amit Palta:

Thank you, Kannan. So, I will be taking you through the business update, which I have divided into three sections: Product, Distribution, and Persistency.

Let me first start off with the steps taken on the product front from slide 16 to 18. In the early phase of the pandemic, we have witnessed volatile markets, reduction in incomes and uncertainty around loss of jobs and pay cuts. This led to a significant shift in consumer preferences towards products with guaranteed benefits, especially in the form of regular income. Recognizing this trend in the last quarter of F2021, we launched Guaranteed Income for Tomorrow, called GIFT. GIFT is a guaranteed income product on the non-par savings platform, with income period up to 10 years. We also launched Guaranteed Pension Plan called GPP, which is Guaranteed life-long income plan on the annuity platform. It has the option of deferred annuity for those customers who wish to plan for retirement well before their retirement. Both these plans had innovative, industry-first features and were very well received by customers in FY2021 itself.

In FY2022, we strengthened our product portfolio even further by introducing long term income as a benefit under the GIFT product. With GIFT Long Term, we have extended the duration of guaranteed income from 10 years to 30 years now. This product also offers life insurance cover to the customer for the full income tenure. So, with GIFT Long Term, we are now in position to address the income needs of the customers, right from the duration of 5 to 30 years.

We also introduced the GPP Flexi Plan, which is a regular pay variant of our GPP product in March 2022. With GPP Flexi, we created a proposition for the customer who intends to save for his retirement in a regular and systematic manner over a period of time. Now, with immediate and deferred annuity options, we are able to cater to a much wider segment of customers, those who are planning for retirement well before retirement, those who are nearing retirement, as well as those who have retired.

Moving on to protection, our iProtect Smart has been our flagship term plan, which has been recognized as one of the most innovative term plans in the industry. We do recognize that there is a segment of mass and mass affluent customers who value return of premium at the end of policy term. Keeping this in mind, we launched iProtect Return of Premium in FY2022 wherein 105% of premium paid are returned to the customer at the end of the policy term.

In addition to the return of premium feature, the product also offers customers the choice of either a fixed life cover or a dynamic cover option, wherein the insurance cover changes with the change in life stage. This feature has found favour with younger customers who see the merit of having a plan with a cover which increases with their age.

The new products introduced have been identified in orange on slide 16. In the linked saving category, we launched two new funds in FY2022. We launched Balanced Advantage Fund (BAF) in August 2021. BAF as a category has become well established to ride over the volatile market conditions.

Later in the year, we launched the Sustainable Equity Fund, the life insurance industry's first ESG fund. This fund invests in companies which conduct business in a socially and environmentally responsible manner while maintaining governance standards. While ESG as an investment theme is an emerging trend, we believe that having this fund in our portfolio allows us to have a differentiating presence in the unit linked space.

It is heartening to note that the new funds introduced on the unit linked platform, guaranteed products on the nonparticipating platform, and the return of premium products on the protection platform, have contributed in excess of 25% of our FY2022 APE.

In terms of our performance on slide 19, we have registered a strong growth year-on-year across all segments, except group funds business, which tends to be a little lumpy in nature.

Our annuity business grew by 31%, linked savings grew by 21%, non-linked savings grew by 19% and protection grew by 26% resulting in an overall APE growth of 20% year-on-year for FY2022.

Moving on to slide 20, given the pandemic environment, supply side constraints, including revised underwriting guidelines, continue to impact the pure term retail protection business. However, for FY2022, the overall protection APE that includes retail, group term and credit life grew by 26% to ₹ 13.13 billion. We had launched the Return on Premium product in December 2021, and for Q4-FY2022 its contribution to retail protection APE was at 17%.

In terms of new business received premium, protection segment contributed 29% of total new business premium for FY2022.

Our overall new business sum assured stood at ₹ 7.73 trillion for FY2022, a growth of 25% year-on-year. We continue to be the private sector market leader on overall new business sum assured with the share of 13.4% as compared to 12.5% in FY2021.

Moving to slide 21, annuity business contributed 19% in terms of total new business received premium. With a premium amount of ₹ 30 billion in FY2022, we were one of the largest pension and annuity providers in the market. Our wholly owned subsidiary ICICI Prudential Pension Fund Management Company Limited (PFM), distributes products under the National Pension System and is registered as a pension fund manager and a point-of-presence. This business, we believe is synergistic to our annuity offerings, and is expected to support growth of the annuity business in future. The AUM managed by PFM has increased by 54% from ₹ 76 billion in March 2021 to ₹ 116 billion at March 2022. The PFM has a market share of 15% in the private sector AUM at March 31, FY2022.

With this, I would like to highlight that almost 50% of our new business premium has been contributed by the protection and annuity segments, which are significantly under-penetrated parts of the market.

Moving on to distribution on slide 23, we have continued to enhance our distribution network across channels. In the agency channel, the approach has been to ring fence our highly productive agents. We also added about 25,000 new agents in FY2022.

Within the bancassurance channel, we have a total of 27 bank partnerships. On partnership distribution, we added 107 new partnerships during FY2022 and now have about 800 partnerships across traditional and non-traditional distributors, such as web aggregators, payment banks, small finance banks, and insurance marketing firms. For the direct channel, the strategy has been that of upsell to our existing customers aided by analytics.

Coming to the performance of the distribution channels on slide 24. We saw strong growth across distribution channels. Our bancassurance channel APE grew by 10% year-on-year to ₹ 30.12 billion in FY2022. Within the bancassurance channel, ICICI Bank channel declined by 5%; however, the other banks grew by 53%. Specifically the business share of ICICI Bank channel to overall APE was at 25%, while the share of other bank partnerships grew significantly to 14%. The annuity business from ICICI Bank channel grew by 25% year-on-year in FY2022. Our agency channel APE grew by 19% to ₹ 18.28 billion and direct and partnership channels grew by 23% and 22% respectively in FY'22 over the same period last year.

We will continue to consolidate the gains of our product and distribution diversification efforts. We aim to ring fence our presence in the affluent customer segments and work

towards deepening our presence in mass and mass affluent segments by offering the right product to the right customer and reaching them through the appropriate distribution channels.

In the agency channel, we will continue to ring fence our value advisors and invest in growing our geographical footprint by expanding towards smaller cities. We will work towards identifying whitespaces in customer segments and geographies within our partnership network, leading to an increase in the overall business of our partners. We will also continue to explore opportunities for new tie-ups. In the direct channel, we will leverage synergies between physical upsell and online digital sales processes.

Lastly, moving on to the element of persistency on slide 26. We continue to have strong focus on improving the quality of business and customer retention, which is reflected in our persistency ratios. We have seen further improvement in persistency ratios across most cohorts during FY2022. Our 13th month persistency ratio improved from 84.8% in March 2021 to 85.7% in March 2022. Similarly, our 49th month persistency ratio has improved from 63.0% in March 2021 to 63.7% in March 2022. Thank you and over to you, Satyan.

Satyan Jambunathan:

Thank you, Amit. Good evening. I will be taking you through some of the financial metrics. The outcome of our focus on these four P's, as you may see on slide 28 has resulted in a VNB of ₹ 21.63 billion for FY2022 as compared to ₹ 16.21 billion for FY2021. VNB margin for FY2022 stood at 28% as compared to 25.1% in FY2021.

The diversification in the sources of profit that we have achieved gives us a robust base for the future. The movement in margin from 25.1% to 28.0% can broadly be explained by the following:

- 4.3% of margin improvement on account of business mix, which includes higher non-linked savings and protection mix compared to last year
- Negative 2% in the margin on account of operating assumptions change, primarily reflecting current costs and some strengthening of assumptions on the credit life part of the business
- Balance 0.6% margin improvement is due to yield curve movement, which was favorable during the year. A comparison of the yield curve is provided on slide 65.

If we refer to slide 29, our Embedded Value at March 31, 2022 was ₹ 316.25 billion as compared to ₹ 291.06 billion at March 31, 2021, a growth of 8.7%. This growth was led by an 18.8% growth in the Value of Inforce (VIF) business.

Our Embedded Value Operating Profit for the year was ₹ 31.92 billion as compared to ₹ 35.05 billion in FY2021. The breakup of EV operating profit is as follows:

- Unwind contribution for FY2022 was at 7.2% of the opening Embedded Value, similar to FY2021
- Value of New Business of ₹ 21.63 billion was 7.4% of the opening Embedded Value compared to 7% that we had in FY2021

- The two of these together, that is Unwind and VNB was 14.6% of the opening Embedded Value
- Operating assumption change was a negative ₹ 0.91 billion, primarily on account of strengthening of mortality assumptions for some of the credit life businesses
- We continue to see a positive persistency variance of ₹ 1.51 billion on the back of an improved persistency across most cohorts
- Mortality variance for the year was negative at ₹ 11.87 billion. In FY2022, there were COVID-19 tagged claims of ₹ 10.17 billion. Even in the claims not reported as cost by COVID-19, particularly in the group protection portfolio, such as credit life and micro insurance, we have seen patterns of claims that synchronize with the COVID-19 spike. In our estimation, this could be as high as 20% to 25% of the non-COVID claims. Allowing for these patterns, we believe that claims for the year have been broadly in line with the assumption using the VNB and EV computation. The true underlying mortality patterns, however, would only be clear by the end of 2023 if there is no further spike in COVID cases.

As a consequence, the Return on Embedded Value (ROEV) for FY2022 stood at 11%. If we were to exclude the impact of the mortality variance, the ROEV would have been 15% for FY2022 broadly in line with the past three to four years.

The negative mark-to-market impact on shareholder debt funds, due to a rise in the yield curve, primarily contributed to the negative ₹ 4.37 billion impact on EV through economic assumption change and investment variants.

The closing EV therefore stood at ₹ 316.25 billion at March 31, 2022, with a VIF growth, like I said, of 18.8% and an overall EV growth of 8.7%.

Our VNB and EV have been reviewed independently by Milliman advisors LLP, and their opinion is available in the results pack submitted to the exchanges.

On slide 31, sensitivity details have been provided across various parameters. Within the financial metrics, the profit after tax for FY2022 stood at ₹ 7.54 billion. Our Solvency ratio continues to be strong at 204.5% at March 2022, an improvement from 202.2% in December 2021. At our last results call in January, we had discussed at length the changes to our retention strategy in retail protection and had also spoken of there being no change in the other business segment retention. This retention strategy has now been in place for Q4-FY2022. Our solvency ratio has remained stable over the quarter, even with the higher retention. Our AUM was over ₹ 2.4 trillion at March 2022, a growth of 12% from March 2021. Our COVID-19 claims gross and net of reinsurance stood at ₹ 21.07 billion and ₹ 10.17 billion respectively for FY2022.

With claims due to the pandemic reducing in the quarter, we have released most of the COVID-19 reserves that we had been holding. We now hold reserves of ₹ 0.24 billion towards potential COVID-19 claims that have occurred but have not been reported to us. Also, refer to as incurred but not reported or IBNR.

To summarize, we monitor ourselves under 4P framework of Premium growth, Protection business growth, Persistency improvement and Productivity improvement to improve

expense ratios. Our performance on these dimensions is what we expect to feed into our VNB growth over time. Thank you and I will now hand over to Judhajit.

Judhajit Das:

Thank you, Satyan. Good evening. I will be taking you through ESG at ICICI Prudential Life. Sustainability is intrinsic to our vision of building and enduring institution, as we serve the long-term savings and protection needs of customers. We are committed to integrating sustainability in our business processes and embedding sustainability in our culture. We adopted the ESG framework in 2020, and our ESG initiatives are monitored by the Sustainability Committee, which comprises all members of our management committee. Each ESG focus area is anchored by a senior leader who oversees implementation of initiatives, and they are supported by a dedicated ESG resource. Their collective efforts have led to upgrade our ESG ratings by two of the leading rating agencies. We understand that we are the highest ranked ESG Company in the Indian life insurance industry.

I would now like to share some key highlights for each ESG focus area. On human capital, employee health and well-being has been our number one business priority. 99% of our workforce is fully vaccinated, and we have successfully transitioned to a work-from-office mode, with all our offices now fully operational. We are an equal opportunity employer. And this year our diversity has improved to 27% women employees, with women constituting 40% in non-sales roles. On responsible investing, ESG is now integrated in our equity investments, and the investment team refers to ESG ratings of companies as provided by an external service provider. Where ratings are not available, the team analyses ESG issues based on company disclosures. We continue to focus on stewardship by engaging with investee companies and corporate actions of material importance and disclosing our voting actions.

As Amit alluded, we launched the ESG Fund recently, and we are the first Indian insurance company to become a signatory to the United Nations Principles for Responsible Investment.

On governance, our Board is chaired by an Independent Chairman, and all our committees are headed by Independent Directors. The Board has a majority of Independent Directors, enabling more independents and also the separation of the Board's supervisory role from executive management.

On data privacy and risk management, for third-party service providers who process customer information, we have included requirements on data security standards in our agreements with them. We have integrated sustainability as part of our risk management framework. This involves stress testing of risk to a balance sheet like mortality risk arising from any severe incident and other risks, like customer data privacy risk, outsourcing partner risk, etc.,

On access to finance, specially designed micro insurance products, targeting socially and economically weaker sections covering 45.6 billion lives as of March 2022. We settled around 260,000 retail and group claims last year and provided bereaved families with a financial safety net.

On CSR, we spent ₹ 68.2 million for CSR initiatives, largely through ICICI Foundation. Over 155,000 children and adults have been the beneficiaries of the COVID-19 vaccination program that we ran.

On environment, being a financial services company, our focus has been on recycling and reducing what we consume. Approximately 1,700 tons of carbon footprint were saved during FY2022 to initiatives that reduce energy consumption. We focus on water conservation and waste management, and we have transitioned to green energy in some of our offices. Our efforts will be to reduce the carbon footprint going forward each year and increase employee awareness.

We ran a Go-Green campaign where 4,000 employees participated in activities like planting a sapling, working in a paperless environment, and so on and so forth.

In closing, I would like to once again, reaffirm our commitment to creating a culture that embraces sustainability and goes beyond goals and targets by integrating best-in-class sustainability practices with our business processes. Thank you and we are now happy to take any questions that you may have.

Arav Sangai: On the PPT table, I just want you to have thoughts on the increase in the sensitivity on interest rates, like why we have a steep increase.

Satyan Jambunathan: The increase in sensitivity on the interest rates is a consequence of the increase in the non-linked and non-par savings in the product mix. The way we are managing that again is explained in the appendix on risk management strategy explained through the use of forward rate agreements. The way we approach it is that, all future premiums are locked into yield at inception through forward rate agreements. Through that instrument, we are trying to reduce the implication of any downside risks that may happen from an interest rate perspective. So, the sensitivity changes on reference is predominantly coming from product mix changes.

Arav Sangai: Another question I had was on the sensitivity of the mortality reference that we have given. So, assuming that our retention was increased last quarter and like we have been selling the newer products from Q4, so, I just wanted to have thoughts on logically, going ahead, should we see an increase on the mortality sensitivity? Because we have increased the retention risk in our protection products like last quarter.

Satyan Jambunathan: From a retention strategy, when we increase the retention in December, yes progressively on our new business, there is a higher retention. But as a proportion of the overall book, it is still a very small movement from the time we increased retention. Therefore, going forward, as the book grows on the increased retention, the sensitivity will increase to some extent. But I would go back to what I said at January during the results call; where I had indicated that given the capital credit that we get for protection on reinsurance at 50% of the sum insured, we will gravitate back to 50% over a period of time. So, the higher retention is more of a here and now thing. But over a period, we will let it gravitate back to 50%. So, overall versus last year, I wouldn't expect to see a very meaningful change to the mortality sensitivity over time, except if the mix of protection increases quite dramatically into our product mix. Otherwise, I would expect the sensitivity to remain stable or if it changes, change gradually over a period of time.

Arav Sangai: We have done any changes in the operating assumption. Any colour on that, like even in the margin, we have a huge impact.

Satyan Jambunathan: The impact on margins, we have seen is about 2%. Like I said there are two main contributors to that. One, we strengthened assumptions on some of our credit life partnerships, where we felt that we should be increasing the mortality assumption. This has also been passed on prospectively in the prices to those partnerships. Going forward that should stabilize. It should not cause any margin impact. Second, the expenses for this year. Given the strong growth that we had over the first nine months of this year and given the development of VNB, we actually felt comfortable, like Kannan described in his opening remarks, to increase our outlay in some of the discretionary expense elements to make sure that we build for the future. In the short term, that has indeed resulted in the cost ratios being higher than last year; which is the other impact that you see. As this in the next year would help us generate a robust new business growth, I wouldn't expect expenses to worsen our margin in any sense going forward. But this year, we had the capacity to invest and we chose to invest.

Nischint Chawathe: You have guided for sort of doubling of VNB in 2023 and that kind of implies almost a 22% growth in VNB for the next year. What kind of confidence do you have for this increase given the fact that when it comes to growth, you probably don't have full control in terms of what ICICI Bank is doing. And even in terms of margins, I think we are sort of almost in line with some of the other players. The difference between ourselves is not as much. So, if you could spell the breakdown between growth in terms of APE and margin expansion?

N.S. Kannan: The way we look at this year's numbers is exactly what you said, that to get to about 22.5% growth on VNB over the last year. That's the ask we have for doubling of our VNB aspiration. So, to answer your question, are we confident? Yes, absolutely, we are confident. We are not changing the aspiration number which we had put out earlier. So, what's the confidence we have in giving this? On the growth I think several of the areas have sort of bottomed out, we feel. If we look at retail protection as an example, there have been a very sharp decline over the previous year into FY2022. With the environment also getting a little better and we have got our act together in terms of calibrating our underwriting norms as well as desired profiles. So, we do believe that we should be able to expand from here on. So, that should not only give us a growth on the top line, but also on the margin expansion. On the annuity side, we have introduced a regular premium annuity product, which we have just about launched and that becomes an additional lever for us to market to our customers. And again, if we talk about ICICI Bank, one of the reasons for decline in ICICI Bank has also been the protection of supply-related challenges, which really did not help the bank distribution. So, even for ICICI Bank, we do believe that these couple of products will provide growth from here on. And of course, I talked about 14% being constituted by other banks in terms of channel mix. And that as well, we are into the second year in some of the shops, but we think that the potential is much higher going forward. So, we do have a set of growth levers available with us as well as some product levers available. So, it will be a combination of both growth and expansion of margin. Getting to about 28% margin, I do not view it as something which cannot be crossed. Because it is a very focused hard work which we have done over a period of time, work on product mix, within a particular product line work relating to elongating the maturity of the products with a view to get higher margins. A lot of that work has gone in. So, at this

stage, we wouldn't say that there is a limit to our margins. We expect the margins to grow from here on. And some point in time, the efficiencies also will kick in. And as Satyan mentioned I think in one of his opening remarks that the persistency gains are still there for us to take. So, there are enough and more levers available. And as executive management, I can only assure you that we are confident of achieving that 22.5% growth which is required for doubling of our VNB aspiration which we have articulated.

Amit Palta: Apart from the product levers that we just spoke about, we also mentioned in our opening remarks that we are going about investing in scaling up both our agency as well as direct business, where we have started investing towards the latter part of our Q4 as well, which holds us in good stead. Because as we understand, these are organic channels and need upfront investment. And that is something that we've already initiated. So, with the pandemic behind and with the kind of cost containment measures that we had taken in FY2021 now behind us. We are very well poised with the investment in these two channels also to further add to our top line aspirations, which of course will go on to add to our absolute VNB.

Nischint Chawathe: One is the margin on the protection business this year looks like has gone down. I think somewhere you had guided that on overall blended basis for the protection vertical, your margins should remain stable. Just trying to understand is anything that change this year?

N.S. Kannan: Because of the mix inter se of group and retail within protection. That would primarily account for this. But as we said in both these cases, including the return of premium product which we have introduced, we are very confident that as a portfolio in protection, we should be able to hold the margins.

Nischint Chawathe: Just one last point is when the unwinding rate of 7.2 sort of start going up given we have already seen rising interest rates.

Satyan Jambunathan: It will show up in FY2023, because unwind happens at the opening yield curve. To the extent that 31st March 2022 yield curve is higher than 31st March 2021, FY2023 unwind should start off at a higher level than FY2022.

Nischint Chawathe: And will there be a difference in the 10-year G-Sec for increasing the unwinding rate?

Satyan Jambunathan: It may not be that straightforward, but it will give you an indication. At the end of the day, it will be the weighted average of the duration of the cash flow. So, it's not going to be just a 10-year.

Deepika Mundra: On protection, I mean this quarter potentially supply-side challenges coming down and your pricing strategy being put into place, volume trend actually weakened sequentially. So, while we understand the longer-term opportunity, any colour that you can give us to why the trend weakened even further in the quarter?

Amit Palta: As you know the change in guidelines is a process which takes a little long, because we are actually moving from a regime of selling protection in the times when the environment was very different. And hence I would believe that it is a transition phase that we are going through. Distribution will have its own learning curve. And we will see over

a period of time distribution will get used to selling protection in a different way. So, I think this is a learning phase. I will qualify it as a starting point where as we go quarter-on-quarter, we will see learning curve moving up and probably you know the results will start returning. But this is too early to comment on that. For very long time, protection was sold in a way which is now being changed, driven by the entire change in the ecosystem.

N.S. Kannan: Apart from what Amit mentioned about some of the changes being recent and slowly will settle in, the fourth quarter normally, what happens is the general push to close the year well, always means that saving sometimes take precedence. This we have seen tactically happened in the fourth quarter in general for our Company. So, that could also be one of the reasons why Amit mentioned during his call. I also mentioned that March number was the best monthly APE we ever had for this Company in the last 20-21 years. So that momentum sometimes takes the savings line of business far ahead compared to protection. And you know that distribution partners are focused on their income for the year, they are focused on the commissions. So, whatever can be done quickly, that sells a bit more easily, especially in the last quarter of the financial year, and especially in the month of March. So, I think these two factors you should keep in mind. Otherwise, as I articulated to, I think Nischint's point, that we would expect this base to have got set at a lower level and from here on we can grow into the current financial year.

Deepika Mundra: The second question would be on the rising interest rate environment. How are you tweaking your product offering to customers as well as on the risk management side for non-par given that the interest rates are set to rise, you think you would want to leave some of the premiums, slightly unhedged because of a potential benefit of better reinvestment rates?

N.S. Kannan: If you look at from a strategic perspective, how we have moved the Company in the last four years, is that we do have all the product lines available to sell to the customers. It's not that we would prefer one product line over the other. So, that has been made clear. Now that we are so well diversified to our addressable segment, we are happy to sell any product which a customer wants. I think as a company we have moved to that stage rather than having to say that I would like to prefer Product A over Product B. That's a good news. So, we will be very nimble to the emerging opportunities in terms of consumer preferences and be ready to sell the product what is appropriate. That's the first point. Second, same approach will continue for non-linked also. We are not going to put any artificial limits on how much to sell, how much not to sell. And third, how much non-linked we will sell. I want to tell you that we are not in this situation of taking open calls, we don't want to do that. We will be totally hedged like we have articulated irrespective of the interest rate regime, because it's a very long term business and we don't want to be putting too much of net PV on risk on the books. So, we will continue with our approach to hedge it through FRAs as we have articulated. And the last point I want to make is that as of now, I do see any constraint on the hedging capacity available from our counterparties. We do have limits which we have put on counterparties in terms of how much we can do with them as a percentage of the net worth. We monitor the mark-to-market from counterparty wise and all those things are currently under control. And over a period of last few quarters, Satyan can correct me, we have been able to add two, three more counterparties to our list, all blue chip names, you should not have any credit risk issues there. So, given all this, capacity today is available for future non-linked business. We will continue to be fully hedged. That is going to be our approach and we are very happy to

align our product mix to meet the customer demand. So, those are the points I want to leave.

Satyan Jambunathan: The only thing I would reiterate what Kannan said, that we are not comfortable leaving open unhedged risks in anticipation of interest rate movements. We are much more comfortable locking into rates. So, far every tranche of hedging that we have done, we have been able to lock in at rates which are better than the implied guarantees. And that to our mind is a good place to be in.

N.S. Kannan: We will also keep adjusting our future rates depending on general basis what we can deliver at that point in time. So, that is for fresh stock of businesses we could keep looking at it. But we won't take any open calls.

Prakash Kapadia: In the backdrop of rising interest rates, what's the outlook for non-par products, are HNIs preferring that? And on the ULIP side what are we seeing given the current volatility in the current environment?

Amit Palta: What I want to mention here is that during my opening remarks as well I mentioned that having introduced our Balanced Advantage Fund in the month of August last year, actually it holds us in good stead because in these volatile times is what we anticipated as a concern coming from the customer, which was introduction of new fund. What we have seen is that as markets have turned volatile towards the end of Q3 and a large part of Q4, large part of a unit-linked composition has actually moved towards Balanced Advantage and Debt-oriented funds. So, to that extent, the same customer either has started looking at options which are outside equity, which is within Balanced Advantage Fund and second also what we have looked at is that our affluent customers have started looking at an option of non-participating guaranteed products as part of their overall portfolio. So, I think in these volatile times, you are seeing the pickup rate go up on Balanced Advantage as well as non-participating guaranteed products. This is how we have seen as a trend as recent as much.

Prakash Kapadia: Earlier also we had some Balanced Fund as an option available?

Amit Palta: That was a Balancer Fund, but this Balanced Advantage is designed differently. It is also tax-friendly product which allows unit linked large value ticket size to be tax-friendly for HNI customers. So, it was really different from the Balancer Fund that we had in the past.

Prakash Kapadia: Just one data question. In walk-through, there's a ₹ 4.37 negative variance on the investment side. Is it debt or equity if you can just quantify the amount?

Satyan Jambunathan: It is debt, mark-to-market on fixed income securities in the net worth.

Swarnabh Mukherjee: In terms of the group term life segment and your margin from the protection and the VNB aspiration also. In FY2022, a large portion of your growth in VNB as well in group term life segment came from this category. Now, generally you have mentioned that this segment is trivial and IPRU has done really well but sometimes not as linear as other individuals. Wanted to know your thoughts on whether you see any downside risk in terms of your VNB growth in FY2023 that might come from how this

segment grows and also the margin from the protection business you have recorded this year, how can this segment impact us?

Satyan Jambunathan: The way we look at it and we have said this in the past as well, our focus is on growing absolute VNB. Margin as a percentage is not the primary driver of our making some of these decisions. I say this particularly in the context of the protection business because the protection business comprises three pools of opportunity which are distinct and non-overlapping. One is retail protection, one is employer provided group protection, and one is credit life. Now, to the extent that they are non-overlapping business opportunities and do not cannibalize each other, we see each of these as distinct, absolute VNB opportunities and it wouldn't worry us or bother us if the portfolio margin went in line with whatever was the emerging mix. Particularly in this year, because of the challenges on retail protection, we had to make sure that in absolute VNB level, there were other levers and engines available to deliver absolute VNB. And therefore, to that extent, the success that we have been able to achieve on the group term is giving us that protection and cover against the environmental challenges that we saw. Going forward, we are perfectly comfortable for this mix to drift in whichever way depending on the opportunity. It really doesn't matter too much what the composite portfolio margin is. What is most important for us is each of these in isolation, retail protection, credit life and group term, are we diluting margins or not. And that I can confirm to you in this year, there has been absolutely no dilution in margins in each of these categories.

Swarnabh Mukherjee: On credit protect to ICICI Bank, the growth looks a bit flattish. So, I wanted to know your thoughts on what will be the bank strategy going forward in this while other banks are clocking very good. And the other one is the persistency in the protection business, which is even lower than what is there in the non-linked segment. Is there any specific development related to this cohort or could this actually be a growth headroom which you can capitalize on this?

Amit Palta: A large part of our portfolio on protection is of the age segment of the customer, which is much younger, which is customers less than 35 years of age, and these are good healthy profiles, which we have seen as larger part of our overall portfolio. As you know that this is the segment which is most price sensitive, and last year actually went through quite a few transitions on pricing change, whether it was with us or with other players in the market. So, in between we observed some kind of price sensitivity leading to some impact on persistency. But we are watching it closely and see how we can improve it further up from current levels. But this is something which will settle because now this transition, these couple of changes that happened in the ecosystem are now all settled. So, probably now we will have a clean run of 12 months to see how persistency pans out now in the newer ecosystem. Coming back to ICICI Bank, there have been few changes in the way we are approaching our attachment business at ICICI. There are a few business segments that have been prioritized over short term loans business that we have been attaching in the past. So, that is something that will pan out, but we are working on some product innovations as well to increase our attachment on the long-term mortgage products at ICICI Bank. So, there has been a conscious decision to move away from very short-term loans and attachment on those businesses. That may have been the reason that you have seen relatively a flattish growth on credit life in ICICI Bank.

Satyan Jambunathan: The only other thing I would add to what Amit said is, I would actually agree with what you said on the protection persistency that is actually an opportunity of upside. And in any case, when I look at the margin assumptions, the margin assumptions are indeed set to be consistent with emerging experience. So, I wouldn't be too concerned about that at this stage.

Nitin Aggarwal: It's really commendable to see how the Company has compensated for a declining share of ICICI Bank without giving up the VNB revenue guidance. The share of ICICI Bank has now like declined to almost half of what it used to be. Just want to understand how do you see the banca channel mix moving from where as ICICI Bank shares bottomed out and overall, which channels are more positive in terms of premium growth when we talk on FY2023?

N.S. Kannan: The first thing I would like to say is that ICICI Bank side, we still have a lot of room to grow on the protection side. Again, all the supply challenges we have seen in rest of the channels are applicable for ICICI Bank as well. So, that created its own challenges and Amit and team have worked very hard with ICICI Bank analytics teams to look at some of the pre-qualified offers and so on. And that I think going forward will really come in, in terms of supporting the growth, as well as more importantly, the VNB growth development. Now coming to the other banks, as I said, they have gone up, I think about three years back would have been about 4%, now we are 14%. So, it's been a tremendous journey. I can only tell you that we have not really put any target of the teams on how much percentage it should be. The mandate to the team is that there are so many white spaces in those banks that we should be able to with additional products in our case like the term ROP as an example, then annuity RP and various products, we still have a huge room to grow. So, I would not be too concerned about how much we should be putting as a percentage mix, but I would expect the whole banca piece to actually grow. That's the way we are learning. You asked apart from this, what are all the other channels which will be putting energy around. As Amit mentioned during his speech, two channels we have picked out where we would put in a lot of effort. One is agency, where again, agency if you really look back, you would know that we were pretty focused on the top agents and ULIP again in the agency channel also. Today we have all this par, non-par products being available, we are able to give a better proposition to the agents who are covering mass, mass affluent customers. So, that we believe is a big lever available agency. And finally, as Amit mentioned, direct to consumer is one area where as an industry we can do a lot. So, if some other aggregators can do, we could also do. So, that is an area where we would focus on going forward. So, banca, other banks will continue, the agency will be momentum and direct business. So, these are the 3-4 areas which we can pick. To your question about the percentage of the APE, we have come to a stage again to say that we should be able to manage the VNB growth in line with the private sector, irrespective of what happens, that's a statement I had made in my opening remarks. So, with this, I will request Amit to talk about any other channel dynamic in this context and what energy he wants to be putting behind in these channels.

Amit Palta: Kannan, you currently covered all. What I want to believe in bancassurance channels other than ICICI, Kannan mentioned that we are looking at white spaces with a primary objective to contribute to the overall pie growth of our banca partners. And we do understand that there is an opportunity and fee income is being seen as one of the priority items for banca partners. So, in their effort to grow over their fee income previous year,

we will participate in addressing some of those opportunities that exist in white spaces and hence there is a room available still in the years to come. On ICICI, just one point I wanted to make, actually, if we were to look at annuity business, ICICI still grew close to around 25% over last year. And this is one of those prioritized products that ICICI has chosen as part of their strategic intent. And also on savings, actually, there was no degrowth, they have actually done quite reasonably okay, in lines with expectations on savings business. It is the protection which was largely because of the challenges that overall ecosystem went through, where ICICI could not capitalize on their intent on doing well on protection. But however, we have the design in place. We are working closely with bank to see how we can create exclusive term by invite offers to their prioritized customer segments. And once the ecosystem normalizes, we are quite confident that we'll have our design implemented and bring protection back on course for ICICI.

Avinash Singh: First one on changing operating assumptions impacting VNB margin, that's by almost 2%. Broadly, at a portfolio level, you describe that largely due to mortality changes, almost like a 10% increase in mortality. So, what are the sort of cohorts of products wise or if at all any has led to this sort of trueing up of mortality exemptions? Second on your distribution, the direct-to-consumer focus, any channel conflict particularly on the web aggregator or agency side? When it comes to pricing a product, I mean, generally the differential pricing across channels in not in practice largely, what is there for a customer to sort of get attracted or look away from or say a bank or an agent?

Satyan Jambunathan: Assumption change, just to clarify, I had said the two factors that are affecting it are one, that cost that we have incurred in this year, and I spoke about a conscious outlay of cost on the discretionary expenses, predominantly on the marketing & advertising related areas. This is something which is reflected in the margin. The other one is strengthening of mortality assumption on certain groups in credit life. It is not widespread, there has been no need to strengthen mortality assumptions in generic terms, but it has been with very specific partnerships, we have to do it. And like I also said on a going forward basis for those partners, we have also revised their pricing to reflect the underlying mortality.

Amit Palta: On direct-to-consumer business, actually, it comprises the following businesses. One is online business that we do to our own website, and our own mobile application, what we call it as buy online, we run campaigns and we get customers to come and visit our websites and application from where we generate leads, and then close it end-to-end on an online platform. Second, direct business is what we do through our partner's property which is websites as well as applications like ICICI Bank website, ICICI bank application, some of our bank partner's applications is where we look at an opportunity to reach out to customers directly. And third is what we do to our existing clients as an upsell process, where we have our direct proprietary sales force, which after having identified the customers intelligently through analytics model, we identify next best product that can be chosen as the most appropriate one for the customer with a change in life each stage. So, all these businesses put together are part of our direct business. And we see an opportunity in synergizing both these physical model as well as our online model to improve our efficiencies in managing dropouts of both the channels in an efficient manner.

Satyan Jambunathan: Just one thing I would have here, on the direct model is, at the end of the day, the consumer is making a choice of how he wants to buy. And if we are going to as a manufacturer, put artificial constraints and say that I will only distribute through one channel or the other, then you end up only losing opportunity. So, what we cannot forget and what we have to keep foremost is the choice that the customer is making of how they want to buy and where they want to buy from.

Nidhesh Jain: Can you elaborate on the margin expansion that we have seen in non-linked savings. There has apparently been almost doubling of margins on a YoY basis in that segment

Satyan Jambunathan: Yes, this is pretty much driven by product mix, par and non-par within that segment. And within the business that we were doing, Kannan also spoke about it earlier about a conscious effort to lengthen policy terms and therefore improve margins. This is just product mix, there is nothing else underlying.

Nidhesh Jain: The 200-basis points impact because of cost and mortality that we have seen are the actual expenses, right, we have not changed the expense assumptions in EV because of that?

Satyan Jambunathan: Absolutely actual expenses. If I were to give an example again, and you will see this from the disclosures, the margin for the unit-linked segment, the numbers are there, the margins in the unit-linked segment are 9% this year. Last year, it was at around 11%, a year before that it was 8%. Last year, we had also spoken about it that there was a very conscious curtailing of discretionary expenses, given lack of affordability in the environment. And therefore, to that extent, one wouldn't expect the same expense pattern to repeat itself. The way we looked at it really wants to say that in FY2020, the unit-linked business had a margin of 8%. That has adjusted over the pandemic curtail expenditure in FY2022, moved up to 9%. So, from a margin point of view, I still see that is positive, but on a year-on-year basis, when I compare it with 11% of last year, it does seem like a decline. And that's really the point I was making about expenses and impact of expenses, even an answer to the earlier question. So, these numbers are there in the slides, you can work them out. That's really where the implication of expenses is coming in in the margin for this year.

Nidhesh Jain: I was trying to understand that the impact of expense that we have seen in margins in FY2022, can it reverse in FY2023 if we see lower expense growth, is it the structural expenses that we have reached at are we expecting these things to reverse in future?

Satyan Jambunathan: Reverse in the sense, expense ratio should continue to improve. I am only choosing to look at FY2022 as a continuation of FY2020 as opposed to FY2022 being a continuation of FY2021. To my mind FY2022 as a continuation of FY2020 is a more appropriate pattern, because FY2021 was an aberration in terms of how we manage our expenses.

Nidhesh Jain: There is a line item, provision for diminution of investment. What is that?

Satyan Jambunathan: This is mark-to-market on equity. There were a couple of securities during the year which in terms of market price went to below the quantitative impairment trigger. It's purely mark-to-market on two equity stocks during the year, nothing else.

Shyam Srinivasan: Just the first one on this 25% of APE coming from new launch products. I do basic math. I think ROP is 1%. Let's remove that. So, I do the new products in annuity that totals the max to 3%. So, looks like GIFT short and long is 20% plus. Right? So, can you just walk us through some of the ingredients of success? Is it just the market was receptive? Also which channels are the ones that are doing it? If I look at slide 61, seems to suggest non-ICICI Bank banca as well. So, if you can help us understand the value proposition for non-linked savings?

Satyan Jambunathan: You are right on the ball with respect to identifying the drivers on new products on what has contributed to the growth. The only other element that Amit also spoke about which contributed to the growth was the new funds on the unit linked that we launched. When he spoke about the new business contribution, it also included some of the new fund composition. But, yes, largely, the GIFT and GIFT long term have been the most substantial contributors from a new product point of view. We have not separately disclosed the par and non-par mix, we only disclosed the overall non-linked mix. But your identification of the key drivers of growth from a new product launch is bang on.

Shyam Srinivasan: What is the sanctity or the number at which ULIP will remain. It's come down below 50% like you said in the opening remark. Can this go further lower because if that's the journey we are making, then the VNB margins can continue, right? Would that be one of the levers?

Satyan Jambunathan: We have been saying I guess quite a few times so far is we don't really manage the margin. And really it doesn't matter if unit-linked mix goes up. It doesn't matter if unit-linked mix goes down. What is imperative is that the unit-linked product opportunity and the customer opportunity is different from the non-linked opportunity. If we try to shift unit linked to non-linked and vice versa, it will only impact the business outcomes. Our approach is going to be to grow unit linked and our approach is going to be to grow non-linked. The only reason we want diversification is that we don't want to be too significantly impacted by one category through environmental changes. And therefore, getting to 40% to 50% of one product category is a good place to be in compared to 80% being from one product category. Other than that, we really have no objective in mind with respect to what the product mix should be with the exception of protection and annuity. In saving product, we are perfectly happy to end up with any product mix that is chosen by customers.

N.S. Kannan: I can add to that to say we have not really directed the business teams to limit ULIP to a certain level, we have not done it at all. And second, when I said that there could be a margin expansion going forward as well, it is not contingent upon reducing the percentage of ULIP to get a pick up on the margins that. So, those two things I can confirm to you. I would rather push the teams to focus on efficiency and all productivity related metrics on unit linked to sequentially increase the unit linked margins. That would be our approach rather than cutting any line of business. We don't want to go back to the situation of saying that I don't like to distribute a particular line of product. We don't want to get into

that anymore. We want options available to the customer. And we want to meet the consumer demand based on their preferences. That has been the approach of the Company. So, that will continue.

Sanketh Godha: The margins in non-linked closer to 33%. Just wanted to understand the supply chain benefit of a favorable market which led to such a strong margin can be unit-linked business. These numbers sustainable going ahead if the yield curve chooses whether the margins can come up in this particular product. That's the first question what I had. And the second question was the number of almost negative ₹ 5.4 billion rupees. If you can break it down into how much was it because of equity as equity could have contributed positively and how much it was because of the debt and how much it was FRAs because going out of the money when you've entered into derivative contracts? And finally, whether MTM gets reflected in solvency or not? That's the question because if that contributed, then whether it's part of the solvency calculation or not?

Satyan Jambunathan: The economic variance is predominantly led by mark-to-market negative on fixed income securities in the shareholder funds because of interest rates going up. FRAs mark-to-market will be negative at rising interest rates as that is the construct of the product. Solvency fully reflects the changes. The way the solvency norms is that if the fair value change goes to below zero, then it becomes a reduction from solvency ratio. Anything which goes through P&L anyway directly reflects into solvency. So, the FRAs are appropriately reflected in the solvency. In answer to your question on the non-linked savings, what can be the margin going forward, quite honestly, it will depend on the mix. If the linked, non-linked mix continues at the current level, this is what it will be. If the non-par, par mix changes, then the margin may very well change. Again, I'll go back to what I said before, that these are periods of time where some products may be more favored than others. With rising interest rates, where interest rates are now in absolute terms, we're still seeing non-par as being a very meaningful product of interest to customers. But to answer your question, if the mix of par and non-par changes, the composite margin on non-linked savings will reflect the interest rate mix between the two.

Sanketh Godha: On the non-ICICI Bank, just wanted to understand whether we have reached almost closer to like 30% market share because most of the banks operate, either we are sitting as a second or third player. So, at least, we have already reached the headroom to drive the growth in non-ICICI Bank channel.

Amit Palta: If you are talking about our share of business in some of these bancassurance partners, like I mentioned to you earlier, our driving principle, our entire philosophy with our partners, and the rationale that we pitched even prior to getting into partnership was about working along with them to see how they can increase their overall pie. So, what we see as an outcome as a share of the shop is just a resultant of what we do in terms of creating space and getting our partners to grow and get their fee income to build significantly. So, from that perspective, I can say the outcome on share of shop has been quite significant. Within one year, you can see it's close to 1/3 in some of our partners, and some are still in the process of building. And we do believe there is a room available for us to see different outcome by the time we end this year as well. And one of our partnerships, in fact, we are almost 3/4 of the overall business done by a partner. So, this is something which again we see as an outcome and feel happy, but we'll be happier to

see our partners growing and growing their overall fee income by increasing the overall pie.

N.S. Kannan: Without naming the partner if I have to illustrate, we have seen a two-partner shop with our share going to something like 30% or so without the volumes of the other partner going down in the shop. So, that sort of illustrates our approach what Amit mentioned. We go and tell them that, we are not here to fight with other partner and to sort of share the existing pie, we will grow the pie because of which the additional value comes to you will essentially be because of us. That is our proposition. And thanks to the technology, thanks to the expertise where we have having worked in banca partners for a very long time. We have an ability to get this, this whole activity and everything going in a matter of weeks and in a matter of months or probably quarters, we've been able to get to 30% to 40% kind of levels. So, I think that approach will continue. And again, the white spaces part I mentioned comes in handy. Figure out where all there are gaps, which product can be used and what kind of customer mapping can be done. That has been our approach. So, I think this approach will continue and I believe that the non-ICICI Bank partnerships can grow based on this approach going forward as well.

Anand Bhavnani: One, with respect to our interest rate sensitivity is 350 bps. So, when we talk about hitting the VNB growth margin, are we accounting for the fact that there might be a 50 bps or 75 bps rise in interest rates in this financial year and accordingly the VNB growth has to be a bit higher than what the 22% figure? So, just wanted to clarify that.

Satyan Jambunathan: The sensitivity that is shown there is a percentage of the base number. So, when we are saying 3.5% sensitivity, it is 3.5% of the absolute VNB, it is not a margin delta. Second, from a prospective point of view, if interest rates change, I will also reprice my offering to the customer. And therefore, from a VNB point of view, as long as I maintain the spread between what I can earn and what I am paying the customer, my margin will be protected. I will gain or lose margin if my spread changes. Otherwise, purely interest rate changes should not affect my VNB, it will only affect it if I am neutral and not doing anything that are passive and not doing anything at all from the current status quo.

Anand Bhavnani: From a retention perspective in the protection business, you mentioned that in due course, we should be back to 50:50. Do you have a timeline which you expect this to happen?

Satyan Jambunathan: No, we don't have a timeline at this point of time. This is really contingent upon how the reinsurers pricing also evolves over the next few quarters. Right now, we are very comfortable from a capital position. So, we can afford to keep more risks on our balance sheet. But over a period of time, because I get maximum capital credit out of reinsuring 50%, I will gravitate to that. It's a function of reinsurance prices, which I do believe will fall in line with our experience over a period of time. Today, my experience on mortality is lower than the price that the reinsurer is quoting me. So, it really does not make sense for me to reinsure more.

Hitesh Gulati: On the EV walk, can you split the ₹ 91 crores negative assumption change? And also the plus ₹ 64 crores other variance?

Satyan Jambunathan: ₹ 91 crores like I described before, again, mainly comes from strengthening of mortality assumption for certain credit life groups. That's the biggest contributor to it. We have not given a more detailed break up than that. The ₹ 64 crores is a lot of other smaller things. This number typically fluctuates. It's usually a small positive or a negative. I don't think there is any structural implication out of the other variances of ₹ 64 crores. Some of it comes from dividend rates that we declare and effective tax rate. Some of it could be much smaller cross-effect between parameters. So, I wouldn't put too much on the ₹ 64 crores. ₹ 91 predominantly, like I said comes from strengthening of mortality assumptions on particular credit life business segments.

Hitesh Gulati: On the percentage change in VNB if a non-par proportion has increased, why the sign change from positive to negative? So, I believe if the rates have gone up, right, we have already guaranteed a particular rate and we are going to earn more on that. Can you just clarify on that?

Satyan Jambunathan: I go back to an earlier question, when I enter into FRA, if the interest rate goes up, the FRA will have a negative mark-to-market. So, to that extent, there will be an implication arising out of it. But fundamentally, the purpose of the FRA is actually hedge against interest rate down. It is not to try to gain from interest rate up, because we are anyway locked into the spread. If we hold on the FRA and settle to maturity, we have locked into that yield by that period of time. So, the mark-to-market gains that you might see on an FRA are typically transitory. And by the end of the contract tenure, it will go away. So, to that extent, it really doesn't matter. What will matter is a negative mark-to-market on FRA because that could very well mean, if I am not fully matched, then I end up with a real loss at the end of the contract term because of interest rates going down. So, to the extent that I am fully matched, and a gain with the drop in reference rates, I would actually suggest that's a good place to be in.

Hitesh Gulati: Conceptually if we were doing no FRA, so if interest rates go up, non-par guarantee margins should improve, right?

Satyan Jambunathan: No. Like I said, non-par margins will depend upon the spread at the time of sale between what I am locking into and what I am paying. Mark-to-market on interest rate up if I stay with my FRA to maturity, will actually disappear by the end of the contract. It is a transitory impact. It is not a lasting and permanent impact.

Hitesh Gulati: Is this positive impact of 2%-3% in VNB margin that we are seeing right now?

Satyan Jambunathan: It's not 2%-3% VNB. It is 2%-3% of absolute VNB.

Hitesh Gulati: I mean, 33% VNB margin that we have seen. Is there a positive impact in that because of FRA?

Satyan Jambunathan: No, because of FRA, there is no positive impact. Look at it this way, the day I am selling it, I know what is the rate at which I can invest my first premium today. I also know what is the rate I can lock into for the future five or 10 premiums that are expected to be received through the FRA. Together, I get a composite yield that I expect to lock into. That yield is my starting point of what I earn. What I promise to the customer in terms of the guaranteed rate is derived from what yield I can earn. Mark-to-market on

FRA has no meaning in my pricing. The only thing that matters in my pricing is what rate I am able to lock into.

Akshay Jogani: I had a question on the fundamentals of the volume growth of the business. So, if we go back like a few years, what we're seeing across private insurers is that volumes are not growing but premiums are growing. But on the other hand, we do feel that India is very far when comes to insurance. So, just want to understand why is number of policies not rising and why a lot of growth coming from the per policy premium growth?

Amit Palta: On the previous comment on number of policies, and the way we look at it is that on the channels front, if we were to look at all the channels other than ICICI, and specifically, if we were to look at saving side of business, we actually see a growth of close to around 18% to 20% on savings line of business in channels other than ICICI. You know that impact on protection is known to all and that had a significant impact on the overall number of policies coming down. So, one is, as you know, that in ICICI, there was a conscious attempt to look at prioritizing annuity and protection lines of business where both number of policies as well as at the channel level, we saw degrowth and also on protection line of business across all channels, we saw an impact on the number of policies. But in isolation if you were to look at only savings business in non-ICICI channel, it has grown at good healthy rate at 18-20%.

Sanketh Godha: What is our absolute FRAs exposure at the end of FY2022 which was ₹ 8.1 billion at the end of FY2021?

Satyan Jambunathan: It will get disclosed as part of the annual report. We have not yet done that. So, when we make it public as part of the annual report, you will see that. It should take some time before we get that done.

Sanketh Godha: If I look at the breakdown of unwind solely for this year, over and above reference rates seems to be substantially higher, which is really lower. So, can you explain why it has behaved in that way because we attribute to the fact that the open interest rate curve was much lower and that's why it's getting reflected this way?

Satyan Jambunathan: The risk-free rate in the unwind typically very closely reflects the government bond yield curve. The real world unwind on top of that reflects the underlying asset mix of the portfolio. So, to the extent that the underlying asset mix of the portfolio can change year-on-year, that number could well be different across years. I don't have the exact numbers of the asset mix underlying. So, maybe at a later point, Dhiren or team can connect with you and share that with you. But that's really the driver, the underlying asset mix is what drives the real world unwind beyond the risk free.

Sanketh Godha: The ANW, this year is less than the reported net worth. So, this is largely because of the debt security what you're seeing is in the part of shareholders account that is getting reflected in the ANW, but not will be reported in net worth, right?

Satyan Jambunathan: That is correct.

N.S. Kannan: I thank all of you for joining the call and patiently listening to all of us. And I do hope that most of the questions have been answered both in terms of our response to

your questions as well as in our opening comments which we made it exhaustive this time. However, if there are any unanswered questions, our team and I will be happy to take your questions offline. Thank you.

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