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SBI Life Insurance Company Ltd (SBILIFE) Q1 FY22 Earnings Concall Transcript

SBILIFE Earnings Concall - Final Transcript

August 4, 2021

SBI Life Insurance Company Ltd ([NSE:SBILIFE](#)) Q1 FY22 earnings concall dated Jul. 26, 2021.

Corporate Participants:

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer***Prithesh Chaubey** — *Appointed Actuary***Sangramjit Sarangi** — *President & Chief Financial Officer***Abhijit Gulanikar** — *President - Business Strategy*

Analysts:

Ajox Frederick — *Batlivala & Karani Securities India Pvt. Ltd. — Analyst***Madhukar Ladha** — *Elara Capital — Analyst***Pritesh Uppal** — *IDBI Capital Markets — Analyst***Jayant Kharote** — *Credit Suisse AG — Analyst***Shyam Srinivasan** — *Goldman Sachs (India) Securities Pvt Ltd — Analyst***Abhishek Saraf** — *Jefferies LLC — Analyst***Nidhesh Jain** — *Investec — Analyst***Manish Shukla** — *Citigroup — Analyst***Nischint Chawathe** — *Kotak Securities — Analyst***Sanketh Godha** — *Spark Capital Advisors — Analyst***Deepika Mundra** — *JPMorgan Chase — Analyst***Neeraj Toshniwal** — *UBS Securities — Analyst*

Shashank Mundra — *Reliance Nippon Life — Analyst*

Prateek Poddar — *Nippon India Mutual Fund — Analyst*

Mitesh Gohil — *Ambit Capital — Analyst*

Mayank — *Star Union Daiichi — Analyst*

Manish Gupta — *Solidarity Advisors — Analyst*

Presentation:

Operator

Ladies and gentlemen. Good day and welcome to SBI Life Insurance Company Limited Q1 FY 2020 Earnings Conference Call. [Operator Instructions] Please note that this conference is being recorded. I now hand the conference over to Mr. Mahesh Kumar Sharma, MD and CEO, SBI Life Insurance. Thank you, and over to you, sir.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Thank you very much Nirav. Good evening, everyone. And we heartily welcome you all to the results update call of SBI Life Insurance for the quarter ended June 30, 2021. Hope you are all taking due care of yourself and your family members. Along with me on this call I have Sangramjit Sarangi, President and CFO; Anand Pejaware, President, Operations, IT and IB; Abhijit Gulanikar, President, Business Strategy; Subhendu Bal, Chief Actuary and CRO; Prithesh Chaubey, Appointed Actuary; and Smita Verma, SVP, Finance and Investor Relations.

Update on our financial results can be accessed on our website as well as on the websites of both the stock exchanges. Before I brief you all on performance highlights let me acknowledge the efforts taken by all our employees, distribution partners and business associates who have worked tirelessly to provide continued support to our customers. Thanks to their efforts we have delivered a satisfying performance in this unprecedented conditions. Now let me give you some key highlights for the first quarter FY '22. Individual new business premium stands at INR18.4 billion, a growth of 37%. Renewal premium stands at INR50.3 billion, a growth of 10%.

Gross written premium stands at INR83.8 billion. Individual protection new business premium grew by 75% over the quarter ended June 30 2020 to INR1.3 billion. Annuity business witnessed 26% growth and stands at INR6.5 billion. Profit after tax stands at INR2.2 billion. On actual tax rate basis value of new business is INR3.4 billion registering a strong growth of 45% over the quarter ended 30 June 2020 and value of new business margin is at 21.2% with an improvement of 250 basis points. Assets under management grew by 32% to INR2.3 trillion. We will update you on each of these elements in details.

Let me start with Premium. Individual business has always been a focus area for the company. Individual new business premium has grown to INR18.4 billion, a growth of 37%. Single Premium contribution is 27% of individual new business premium. Individual rated new business premium stands at INR13.9 billion leading to a private market leadership with share of 18.9%. We collected new business premium of INR33.4 billion and private market share of 19.5%. Group new business premium stands at INR15.1 billion. Credit Life business has grown by 56% and stands at INR2.4 billion. Fund Management business is at INR7.9 billion.

The renewal premium grew by 10% to INR50.3 billion, which accounts for 60% of the gross written premium. Our gross written premium stands at INR83.8 billion, a growth of 10%. Total APE stands at INR16.2 billion, registering a growth of 27%. Out of this individual APE stands at INR13.9 billion, a growth of 36%. During the period total 2.6 lakh individual policies were issued and it registered a growth of 35%. Let me give you details about the product mix. Individual Protection is at INR1.3 billion, registering a growth of 75%. Group Protection stands at INR3 billion. An APE basis Protection contributes 13% of new business and has registered a growth of 37%.

Annuity business is at INR6.5 billion, a growth of 26% and contributes 90% of new business premium. Individual ULIP business is at INR12.4 billion, which constitute 58% of individual new business premium and has shown a growth of 59%. Guaranteed non-par saving product is contributing 6% of individual new business. So something about our distribution partners; Bancassurance business marks a share of 58% and grew by 30% in Individual New Business Premium. Individual APE stands at INR8.7 billion, a growth of 34%. Instant protection policy issuance through YONO app of SBI has covered more than 51,000 lives. Agency, another strong channel registered growth of 36% and contributed 32% in individual business premium. Individual APE stands at INR4.6 billion, a growth of 36%. During the quarter, other channels, direct, corporate agents, brokers, online and web aggregators grew by 32% in terms of the individual new business premium has 79% in individual APE.

Protection new business premium through other channels registered a growth of 7%. New partnerships like Indian Bank, UCO Bank,

South Indian Bank, Yes Bank registered growth of 86%. We are confident that all these partnerships will start contributing significantly in the coming period. Update on profitability, during the quarter COVID claims net of reinsurance paid, as well as outstanding stands at INR5.7 billion covering various lines of businesses. The company has made additional reserve amounting to INR4.4 billion for COVID-19 pandemic over and above policy liabilities. Our mortality assumptions are well within our estimates. The company's profit after tax for the quarter ended June 30, 2021 stands at INR2.2 billion.

Our solvency remains strong at 215% as on June 30, 2021. As mentioned in my opening remarks value of new business is INR3.4 billion on actual tax rate basis a growth of 45% and on effective tax rate basis it is INR3.9 billion, a growth of 52%. VoNB margin is at 21.2% on actual tax rate basis an improvement of 250 basis points and on effective tax rate basis, stands at 24.1% an improvement of 400 basis points. Coming to operational efficiency, cost efficiencies continued to maintain — we maintain with total cost ratio at 10.5% and opex ratio of 7.2% for the quarter ended June 30, 2021. Our 13th month persistency ratio has improved 88.4% as compared to corresponding previous quarter.

On regular premium basis 13th month persistency stands at 85.9% versus 82.6% in the corresponding previous quarter. As mentioned in my opening remarks, AUM having crossed INR2.3 trillion on June 30, 2021 has a growth of 32% as compared to June 30, 2020. The company continues efficient use of technology for simplification of processes with 99% of individual proposals being submitted digitally, 45% of individual proposals are processed through automated underwriting. Customer satisfaction is a key focus area. Our grievances with respect to unfair trade practices stands at 0.08% one of the lowest in the industry. Our rapid adoption of online capabilities paved an increase in business activity.

Automation and digitalization have significantly enhanced customer experience and uninterrupted services during the times of the pandemic. To summarize, we will continue to focus on protection and other lines of profitable business. Efforts are on to enhance our vibrant distribution network to penetrate our reach. We will continue to maintain sustainable and consistent product mix, improve customer satisfaction and provide value to all our stakeholders.

Thank you very much and we are now happy to take any questions that you may have.

Questions and Answers:

Operator

Thank you very much. [Operator Instructions] The first question is from the line of Ajox Frederick from B&K Securities. Please go ahead.

Ajox Frederick — *Batlivala & Karani Securities India Pvt. Ltd. — Analyst*

Thanks for the opportunity, sir. Sir, again this on COVID, so you have been additional reserve of INR4.4 billion. What is the total reserve, sir, including the business as usual debt amidst during COVID?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Pritesh?

Ajox Frederick — *Batlivala & Karani Securities India Pvt. Ltd. — Analyst*

And anything out of the results we made in March, were we able to carry it forward those as a result of COVID?

Prithesh Chaubey — *Appointed Actuary*

So the COVID reserve let me tell you as on March 2021, we had INR183 crores COVID reserves. As of June 2021 we have INR445 crores COVID reserve.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

See our total result for this quarter one FY '22 which includes my all lines of businesses amounting INR9,930 crore, so a mixture of par, non-par and ULIP altogether.

Ajox Frederick — *Batlivala & Karani Securities India Pvt. Ltd. — Analyst*

Okay. On average, alright, sir. Sir, second question is on group protection split, if you can give us group term credit life this quarter versus last quarter. And what is the thought process behind group protection, yeah, sure sir.

Prithesh Chaubey — *Appointed Actuary*

Credit Life, this quarter we have done as far as my NBP is concerned, INR240 crores. As far as NBE is concerned so that is INR24 crore, so with a growth of 56% quarter-on-quarter.

Ajox Frederick — *Batlivala & Karani Securities India Pvt. Ltd. — Analyst*

This is year-on-year, right?

Prithesh Chaubey — *Appointed Actuary*

Yeah, yeah, quarter one INR22 crore, this is quarter one INR21 crore and GPI specifically GPI taken together, we have done almost kind of INR500 crores.

Ajox Frederick — *Batlivala & Karani Securities India Pvt. Ltd. — Analyst*

Do you have separate numbers, sir?

Prithesh Chaubey — *Appointed Actuary*

At this moment, I don't have separate number.

Ajox Frederick — *Batlivala & Karani Securities India Pvt. Ltd. — Analyst*

Okay. No worries, I will take it with you. So what is your thought process on GPI? Some of the peers have diverging views like what is your view with this for the future.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

So GPI, we will evaluate and continue with GPI and it will depend a lot on what kind of business we are looking at and also the reinsurer and you know the whole thing put together. So we are evaluating on a case to case basis and we will take good business.

Ajox Frederick — *Batlivala & Karani Securities India Pvt. Ltd. — Analyst*

All right. So just a final question on the non-par fees where both agency and bank slowdown during the quarter. So what's happening out there on the non-par side?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

So basically what is happening is that in the first quarter, we saw good traction on ULIP possibly because the markets are on a rebound and very, very — doing very well. So I think that was one of the reason we saw good traction in non — this ULIP business. But going forward, we have targeted for good growth in non-par and we are also coming out with slightly revised pricing on our non-par offerings. So I think that will also help us to get more non-par business.

Ajox Frederick — *Batlivala & Karani Securities India Pvt. Ltd. — Analyst*

All right sir. Sir, I'll join back in the queue. Thank you for your answers.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Yeah, thanks. Thank you very much.

Operator

Thank you. The next question is from the line of Madhukar Ladha from Elara Capital. Please go ahead.

Madhukar Ladha — *Elara Capital — Analyst*

Good afternoon, sir. Thank you for taking my question. First on this COVID provisions and reserves, so what is the closing outstanding provision at the end of 1Q?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Yeah. So that is INR445 crores.

Madhukar Ladha — *Elara Capital — Analyst*

Okay. So in the beginning of the year we had INR180 crores approximately.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

INR1.83 crores.

Madhukar Ladha — *Elara Capital — Analyst*

Yeah, INR1.83 crores. And then benefits are at 5 point — benefits paid are at INR5.7 billion.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Yeah, correct. Correct, correct.

Madhukar Ladha — *Elara Capital — Analyst*

Okay. And so then what would be the hit in this quarter's P&L?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Well, our reserves are enough to take care of the changed situation also but having said that, we have made prudent provisions going forward, because you don't know really how things are going to pan out in the future. Our hope is that with the vaccination rollout and almost 24% people already being vaccinated and the numbers coming down, we are hopeful that this will tide over. But knowing that there are a lot of imponderables we have actually set aside a larger number as COVID reserve.

Madhukar Ladha — *Elara Capital — Analyst*

Sure. And sir, can you give us some idea in terms of severity? So in FY '21 what was the severity on a per claim basis and how does it trend in 1Q?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

See really, last year was not a time to actually look at it because there was a total lockdown kind of situation and claims really were not coming in. And as a result the claims were much lower and all. So it's a totally different situation then and now. So really can't compare those two things.

Madhukar Ladha — *Elara Capital — Analyst*

No, sir, what I meant was if we take the full-year number, full year FY '21 number versus 1Q FY '22 number?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Yeah, so there is — the numbers, if you look at our position it cannot be very different from what is happening in the country. So if you look at what is happening in the country, so last year, the numbers sort of grew till let's say October or something and then started coming down, but it was a very gradual kind of increase and a gradual kind of decrease. Now, we have seen from say March, April, May we have seen a sudden spike so those two are not really comparable. And this is not in anybody's experience. So, really speaking, we take it as it comes and we make conservative estimates.

Madhukar Ladha — *Elara Capital — Analyst*

Right. So just — I just did some calculation. So if 257 are the additional resource and then INR570 crores is the net claims so then the total hit in the P&L for this quarter is INR827 crores, would that be correct?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

See, claims you have to look at in different kind of way. There are COVID claims. There are other claims. So we look at all claims as one thing because a claim is a claim. So a person dies COVID, heart attack or whatever we have to pay, okay?

Madhukar Ladha — *Elara Capital — Analyst*

Sir, but you've mentioned in the PPP COVID-19 claims net of reinsurance as INR570 crores.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Yeah, yeah, yeah. So this is those deaths which are marked as death to due to COVID in the death certificate, okay? So I think what I will do is I'll ask one of my colleagues to clarify, okay?

Prithesh Chaubey — *Appointed Actuary*

Thank you sir. Just to explain to you, see when we look into the — any impact of death, you look into the overall claims, correct? So for the quarter our overall claims is well within the provision that we made for — as on March 31. If you remember in the March 31 we have extended terms our mortality assumptions on top of we had additional provision on INR183 crores. So if you look into this quarter performance, our claims are within that provision. As a company we wanted to be prudent and side. So despite our claim is within that limit we made additional provisions and increased INR183 crore to INR45 crores, as on June 30.

Madhukar Ladha — *Elara Capital — Analyst*

Understood. And can you verify on the INR827 crores which I just said INR570 crores of COVID claims plus INR257 crores of additional results.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

So that's what I'm saying — that's what I would like to say. It is not a direct hit on P&L or anything, okay? So the INR570 crores, even though it has come from COVID we look at overall mortality yeah.

Prithesh Chaubey — *Appointed Actuary*

So just to aid that, what the way you are calculating doesn't make sense because when you're looking to the impact you will see the overall claim rather than looking one part of the claims. COVID claim is a part of overall claims. So when you look into the impact you look into total claims and what we have provided for and the differential is impact will come on the P&L so that perspective, we are saying that our actual claim for the Q1 is well within the provision we made for as on March 31. But I think prudent we increased COVID provisic from INR183 crores to INR445 crores.

Madhukar Ladha — *Elara Capital — Analyst*

Okay. I'll come back in the queue. Thank you.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Yeah, please. Thank you very much.

Operator

[Operator Instructions] The next question is from the line of from Pritesh Uppal [Phonetic] from IDBI Capital Markets. Please go ahead.

Pritesh Uppal — *IDBI Capital Markets — Analyst*

Yeah, hi, sir. Am I audible?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Yeah, yeah, yeah. Go ahead Pritesh.

Pritesh Uppal — *IDBI Capital Markets — Analyst*

Yeah, thanks for taking my question. My question on the individual protection, so we've seen a good growth and peers have reported a slight slowdown in this segment. So, any color on like what helped us during this quarter in any and how is the outlook for individual protection going ahead? Are we still going to be aggressive in this segment and how are we looking at underwriting right now for this particular segment? So that's my first question.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Yeah, so individual protection if you see, we have been trying to grow this, I mean we have been actively growing this for the three years, three or four years, we've been focusing on this segment. And we feel that this is a way to increase the penetration of insurance in the country and also to get more and more customers, more and more coverage across so we have products in Protection which offer cover from say INR5 lakh cover to INR50 lakhs, INR1 crore or even above that. So there are various segments. So we are growing in all these segments. So that is the truth. And going forward we would very much like to grow this segment at least for now.

Pritesh Uppal — *IDBI Capital Markets — Analyst*

And sir, any break up between how much is the ROP versus your term like for individual protection for this quarter?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Yeah, so about 85%, 15% kind of thing.

Prithesh Chaubey — *Appointed Actuary*

So just to reiterate, the individual protection we do think that with appropriate re-pricing of the product and you know tactically enhanced underwriting to protect the risk that we are currently doing. We do think there is scope to grow this segment.

Pritesh Uppal — *IDBI Capital Markets — Analyst*

Okay. So any kind of number like for the growth rate target that we would look at?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

No, no, no. See, we generally don't look at any particular — we have our internal target, but those are only — that will depend a lot on the circumstances and the situation outside, demand from customers, acceptance of products, etc. But I wouldn't like to give any numbers, but you can say that we expect a steady growth in this build up.

Pritesh Uppal — *IDBI Capital Markets — Analyst*

Okay. Okay. Sir, my next question is in terms of the distribution, so how much — penetration within the SBI channel itself you see further give some ballpark number as to how much it is? And what are our plans to increase customer acquisition purely from SBI customize base? So how are we going about that?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

See, basically this whole strategy we've been doing, we have been increasing this business, we have been growing both the SBI business and the agency business and now we have other channels, which are also growing very well. So SBI business, we will look to continue the strong growth that we have and maybe if we don't have the limitations of the previous year then maybe the growth can be even more, but we are also looking to grow the other channels at a good rate.

Pritesh Uppal — *IDBI Capital Markets — Analyst*

Okay. Sir, within SBI how much penetration if you could share the number — based on their customer base, how much would be our share?

Prithesh Chaubey — *Appointed Actuary*

We have not penetrated very large base of SBI and there is still scope to increase. So what we do track is what is that penetration base for customers below age 55 what percentage of saving account we have penetrated. And similarly for pension product, we track for people about 50 also what we have penetrated and we will actively try to increase that penetration from current levels. The public figure that we do disclose is per brand productivity and that per brand productivity from INR34 lakhs will go up substantially in the current year.

Pritesh Uppal — *IDBI Capital Markets — Analyst*

Okay, fair enough. Thank you. I'll rejoin in the queue. Thank you.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Yeah, thank you.

Operator

Thank you. Next question is from the line of Jayant Kharote from Credit Suisse. Please go ahead.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Yeah, Jayant.

Jayant Kharote — *Credit Suisse AG — Analyst*

Am I audible?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Yeah, yeah, yeah, Jayant, go ahead.

Jayant Kharote — *Credit Suisse AG — Analyst*

Actually, I want to know what is the number for IBNR reserve as of March, and as of June?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Sorry, can you repeat the question?

Jayant Kharote — *Credit Suisse AG — Analyst*

The IBNR reserve number incurred, but not, but if you?

Prithesh Chaubey — *Appointed Actuary*

See, IBNR is the part of our liability and we generally don't call out what is our IBNR because is part of external liability [Indecipherable].

Jayant Kharote — *Credit Suisse AG — Analyst*

Okay. Sir, on operation side.

Operator

Jayant, sorry, to interrupt you. May I request you to talk over the handset?

Jayant Kharote — *Credit Suisse AG — Analyst*

Hello. Am I audible?

Operator

Yes, sir. Go ahead.

Jayant Kharote — *Credit Suisse AG — Analyst*

Yeah, actually, secondly on the reinsurance side have you had any communication with the reinsurers on the rates and what is your outlook on premiums? Some of the peers are indicating the rates might go through another round — so what your communication?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Reinsurers, we keep talking to them for each product, for each new launch. For each thing we have a meeting with the reinsurers. So we keep talking to the reinsurer. So there is nothing new to we are talking on a daily basis, we are following up with them for various things. So while reinsurer — high-grade rates based on tools, but at a company level 80% to 90% of the hike burden usually depends on the company specific factor, such as concentration, divergence and experience, etc. Okay. So to that extent SBI Life is relatively insulated from reinsurer hikes given that we have low dependence on reinsurance, risk-based pricing. We are very sustainably priced in most of our products. And then different protection products like I said, you know I already told you that we have different protection products with different sums assured. So all that lends us to a very diverse kind of a prediction basket and really speaking at this point of time, we are the ones who are not very, very worried about reinsurance itself as a per se, but then if it affects the industry it also affects us to some extent but we are relatively protected.

Jayant Kharote — *Credit Suisse AG — Analyst*

Okay. And sir, just on the following-up, some of the peers have also hinted that they'll be typing standard when it comes to right, for protection.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

See, we never lessened our standard, so there is no question of tightening. All those people who probably tried to cut prices, tried to gain market share by unethical practices of wrongly pricing, of increasing penetration by — I mean increasing protection business by undercutting and also by taking very optimistic assumptions on mortality, etc. They are having to look at all these things. So all those people who loosen their standard will have to tighten it. We are very, very sustainable. We are very boring as a company in that matter. We are very conservative, we are stable, steady and there is no way we are going to come down from our high standard just because somebody else is undercutting or something. We lose market share sometimes. We gain market share sometimes, but not because we wanted to gain or lose at the cost of ethical principles and strong insurance.

Jayant Kharote — *Credit Suisse AG — Analyst*

Thank you, sir. But slightly if I could squeeze this on. Higher mortality experience are more going to be for that matter. Is that undergone after onboarding protection business in last two years? And this question.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

See, in March we did change our mortality assumptions so March we have changed our mortality assumptions. And like Prithesh has already told you that those were enough to take care of our claims for the quarter.

Jayant Kharote — *Credit Suisse AG — Analyst*

Sir, actually I was referring to pre-COVID that is FY '20 March.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

So, every year we change our assumptions looking at the circumstances and COVID itself is one of the factor because of pandemic or some sudden catastrophe cannot be the reason for changing assumptions, mortality assumptions going forward. It has to have a more stable basis. So this will be one of the factors, which has been taken into account but definitely not based only on that. So Prithesh,

you like to add something on this?

Prithesh Chaubey — *Appointed Actuary*

Thank you, sir. Just to what sir has mentioned that each year as a part our annual exercise we revisit our assumptions. We consider our past experience. We also look into our emerging trend and accordingly we set our long-term mortality. So if you remember in the March despite our actual claim while within our expected assumption that is what we set in March 20 despite that as a company wanted to adopt a prudent approach and hence we went back and we revise our mortality assumption effort as on March 31, 2021 and we continue. But if you exclude the COVID, we don't see any adverse impact worsening trend in our current experience. It is very stable and in fact we see early sign up improvement on that side, if I assume the COVID.

Jayant Kharote — *Credit Suisse AG — Analyst*

Thank you very much sir.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Yeah, welcome. Thanks for the call.

Operator

Thank you. The next question is from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.

Shyam Srinivasan — *Goldman Sachs (India) Securities Pvt Ltd — Analyst*

Yeah, thank you for taking my question and good evening to all the participants.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Good evening, Shyam.

Shyam Srinivasan — *Goldman Sachs (India) Securities Pvt Ltd — Analyst*

Yeah, sir, one — first question on the persistency, especially on the linked book. Just noticed surrender ratio that you put on slide 11 has gone up in Q1, Y-o-Y if you look at it. So just want to understand how the ULIP book is behaving, are you seeing more surrenders now that market has started rallying? How should one look at the overall persistency for your tenure?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

The persistency we will go up. We are making effort to increase, improve our persistency and persistency as you know is a factor of the right selling and also follow-up on renewal. So that is happening already, but then obviously when the markets are buoyant and people who have policies, which can be surrendered or can be en-cashed upon some of them will do that. So that trend we do see now in the increased surrenders but then it is also true that people then realized that continuing with this will also be a good thing. So we have enough people who continue with the schemes.

Shyam Srinivasan — *Goldman Sachs (India) Securities Pvt Ltd — Analyst*

Sir, if I look at the fifth year persistency for you for your overall company, it's about 61%, but where will the ULIP trade will be? It will be lower, right?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Yeah. ULIP would be lower. Like you see rightly, it is a function of the product itself so.

Prithesh Chaubey — *Appointed Actuary*

Sir, it is similar, sir. ULIP for persistency, good persistency, it is very close to company average. In fact, marginally better than company average.

Shyam Srinivasan — *Goldman Sachs (India) Securities Pvt Ltd — Analyst*

Sir, it seems to be contrary to some of the peers. So what are we doing different just in terms of keeping policies even beyond the fifth year?

Sangramjit Sarangi — *President & Chief Financial Officer*

There are two things. The differentiator between us and the industry is that first is our ticket size. Second one is our spread across geography and third is our current performance of the ULIP and the strategy, which we have been following consistently about retention of the policyholders' renewal that has been working very well for us. And that is what we have seen for last five years. We have been consistently performing as far as our persistency is concerned and specifically for ULIPs, which in fact in case of any eventualities in the market or in the economy, it has been consistent.

Shyam Srinivasan — *Goldman Sachs (India) Securities Pvt Ltd — Analyst*

Got it, sir. Very helpful. Second question is on — you mentioned in the start that non-par you have done some revised pricing. So can you just walk us through how that is going to help the non-par growth for the remainder of the year?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

See, the whole idea is that non-par we keep repricing because it depends on the market circumstances. So, when we see that there could be a hardening of yields, then we take a look at that, because that is what the market expects a higher return. So non-par, we would keep aligning it with the realities.

Shyam Srinivasan — *Goldman Sachs (India) Securities Pvt Ltd — Analyst*

Sure sir, does that make it a less profitable kind of business given that we don't. You talked about repricing not been there from a reinsurance perspective. How should one look at even on the non-par product?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

No, no. We have never actually — what I would like to say is that this non-par product, the pricing is always sustainable, like I said, you know it is not with the, with an intention to grab market share or anything. So we will do business only which is profitable to the company and which is beneficial to the customer. So that is the true fact and this will be, this will have sufficient margin for the company after the change also.

Prithesh Chaubey — *Appointed Actuary*

Just to aid what sir is saying that as a company we follow very active pricing mechanism where we keep [Indecipherable] for this guaranteed product. The annuity being the savings and we align our pricing along with the interest rates. So the moment we are saying that we are repricing this product, this is reflecting the upward increase. You can see the simulation so you want to pass on to the benefit to the customer at the same time, we wanted to enhance our protect our margins. So there is no question compromising repricing on account of comprising margin. So we'll continue Lou this activity regularly and will ensure that our margin get protected if not against.

Shyam Srinivasan — *Goldman Sachs (India) Securities Pvt Ltd — Analyst*

Got it, sir. I missed the data point that was mentioned in the start of guaranteed as a percentage of the book there was some data point that has given any help?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

So, non-par book is, at the moment 7% and balance sheet value will be significantly less because that book has started much later than our other book. So, it is only 3% in individual business, non-par savings.

Shyam Srinivasan — *Goldman Sachs (India) Securities Pvt Ltd — Analyst*

Got it sir. Thank you. Last data point, COVID claims net of reinsurance, is INR5.7 billion. What was the gross amount and what is as our retention ratio relative to the past hasn't changed?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Sorry, can you please repeat?

Shyam Srinivasan — *Goldman Sachs (India) Securities Pvt Ltd — Analyst*

Sir, the COVID claims net of reinsurance INR570 crores. So I just want to know what the goal was. And as a retention perspective to reinsurance hasn't changed.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

So the overall COVID gross claim was INR713 crores and net off was INR572 crores.

Shyam Srinivasan — *Goldman Sachs (India) Securities Pvt Ltd — Analyst*

Got it. If I just do the ratio, it seems to be, we are north of 70% looks like. Has that changed over time is the question I had?

Prithesh Chaubey — *Appointed Actuary*

No, no. So it has no-change as far as the reinsurance proportion is concerned, it's really reflect the business segment. So, protection will have the higher proportion coming from the reinsurance pocket. Saving might be lesser coming from and thirdly it will also depend on the average ticket size. So it's a reflection. We can confirm that we have not — there is no change in that reinsurance — is concerned.

Shyam Srinivasan — *Goldman Sachs (India) Securities Pvt Ltd — Analyst*

Got it, sir. Thank you and all the best.

Prithesh Chaubey — *Appointed Actuary*

Thank you.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Thank you very much.

Operator

Thank you. The next question is from the line of Abhishek Saraf from Jefferies India. Please go ahead.

Abhishek Saraf — *Jefferies LLC — Analyst*

Yeah, hi, thank you.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Good afternoon.

Abhishek Saraf — *Jefferies LLC — Analyst*

Few follow-on questions. Most of my questions have been touched upon earlier by earlier participants so just looking at COVID claims plus reserving for this quarter. It comes to roughly around thousand odd crores not growing and if I see the next COVID claims what we've had in FY '21, I believe that was around or so right sir. Am I right on that?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

320 was the net COVID claims last year.

Abhishek Saraf — *Jefferies LLC — Analyst*

Sir, thanks for correcting me on that.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Sorry, am I right?

Sangramjit Sarangi — *President & Chief Financial Officer*

What number is in INR1,000 crores, how is it arriving in that number?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

I was asking about the net COVID claims last year.

Sangramjit Sarangi — *President & Chief Financial Officer*

Yeah, last year full year was INR320 crores, net of claims.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

INR320 crores net COVID claims. Yeah, go ahead. What was your question?

Abhishek Saraf — *Jefferies LLC — Analyst*

The multiple of the claims that we had last year and the claims reserving for this quarter — it's like around three-eighth of last year's claims and that somehow means is a bit different from what are — actually it's in the range of 4.5 to 5 times of the provision, plus expenses that our peer have seen. Do you think that these reserving and all will be sufficient or?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

I don't know where you are getting your figures from, because the calculation doesn't seem to be right. What is happening is that we have already said that we have increased our mortality assumptions last year round, okay, in March. And we have said that our claims have been taken care of largely by our increased assumptions. So now, can you ask the same — the question? I didn't understand.

Abhishek Saraf — *Jefferies LLC — Analyst*

[Technical Issues] that I was trying to understand is the quantity of claims or the multiple of claims that we could see this year versus last year. So last year, you said that there is INR320 crores, and right now based on [Technical Issues].

Prithesh Chaubey — *Appointed Actuary*

So, Abhishek, just to add two points on this. One is that when you look into the claim provisions for, you look into not only the COVID experience, you also look into the overall claim experience. So as a company, we first look into the overall claim experience and, accordingly, we make a provision on that. This is first part. Second part is that, if we compare the last year claim experience versus this year's claim experience for COVID, not very sure how we'll link into. If you look into the wave one, it is a longer with coverage flat. If you look into second, it is steeper, but if you see the decline, it is a sharp decline. This is coming from. So difficult to correlate on that part. Third point, normally as a company, we don't comment on the others. But I would like to add one point that — if your mortality — overall mortality assumption is well prudent, you may not need to make additional — significant additional provisions. If you are not having too strong on that side and is significant hit on the actual experience, there is a reason for revisiting your assumptions. So as far as us is concerned, like we mentioned in the March, despite our actuarial claim experience is closer to the estimate, we have strengthened our mortality business in March and top of it, we made the additional provision. If you look at the Q1, our actual claims, total, including COVID claims, are well within the provision we made for the claims. Despite we are not very sure how the COVID will behave, but we normally wanted to take a prudent approach, we have increased the provision for INR183 crore to INR445 crores. So this is something we wanted to make to you.

Abhishek Saraf — *Jefferies LLC — Analyst*

Just one follow-up on this number. Is this INR445 crore will be mostly IBNR or you have also provided for something which have not yet focused and could materialize in future as well?

Prithesh Chaubey — *Appointed Actuary*

I will say this is not totally IBNR. See, IBNR always be the part of our actuarial liability, and that is significant amount we keep on overall claim notification basis, so that IBNR. And then we — you have to make provision for the future. So this is a provision — the additional provision we are making on top of actuarial provision we made on the death for the — okay.

Abhishek Saraf — *Jefferies LLC — Analyst*

Okay, sir. I will take this on offline, sir. But one last bit on the non-par saving side. So obviously this is the — decline this first quarter, is it mostly related to pricing part or are we seeing some — happening in the market that we are probably [Technical Issues].

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

So what I said about this was that we have seen a lot of traction in ULIPs in the first quarter. And so going forward, we will definitely see increase in non-par savings really.

Abhishek Saraf — *Jefferies LLC — Analyst*

And, sir, you are saying that [Indecipherable] when pricing comes to [Speech Overlap].

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

That will definitely be one of the factors. Yes, definitely.

Abhishek Saraf — *Jefferies LLC — Analyst*

Sir, lastly on the protection, [Indecipherable] how the different channels have behaved in terms of driving protection — individual protection of 76% growth that was largely coming from [Speech Overlap].

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

It is across the board. It is across the board if you see. So we have banca, the growth is 55%, agency it is 57%.

Abhishek Saraf — *Jefferies LLC — Analyst*

So it's like — so other channel would have grown much, much faster that way, right, so because overall protection — individual protection has grown by 76% and when we say that the banca and agency has grown at around 50% plus...

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

So individual — I'll just check my figures, one second. Individual, Sangram, can you pull out individual channel-wise?

Sangramjit Sarangi — *President & Chief Financial Officer*

Yeah. So overall, for the other channels, the protection has grown by 73%.

Abhishek Saraf — *Jefferies LLC — Analyst*

Perfect. Thanks a lot for this.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Thank you.

Operator

Thank you. The next question is from the line of Nidhesh Jain from Investec. Please go ahead.

Nidhesh Jain — *Investec — Analyst*

Thanks for the opportunity, sir. Sir, firstly, the increase in margins on effective tax rate and the other margin that we reported is quite different on a Y-o-Y basis. So why, on the effective tax rate, margin increase is higher than the normal margin that we report?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

So, that is basically a function of calculation. It is just a function of calculation. So what we do is, our reporting is done on the actual tax rate basis. And then considering the product mix, there will be a difference in the tax rates applicable, and therefore, this will change. So it is — there is no correlation — direct correlation. It will actually be a function of what is the final product mix that have been achieved.

Nidhesh Jain — *Investec — Analyst*

Sure. Secondly, when we are saying mortality experience is in line with assumptions, are we talking about non-COVID mortality experience or mortality experience including COVID?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

No, we have said already that claim experience is claim experience, death claims are death claims. COVID or non-COVID, they are deaths. So what we do is, when we make the assumption, we make the assumption for death only. We don't make the assumption for COVID death, road accident death or something like that. We make an assumption for death and then we provide for that. So COVID would be one of the factors, which will be in our mind when we are actually making the assumptions. So — because we know that there is COVID, COVID will be one of the factors, which we will take into account.

Nidhesh Jain — *Investec — Analyst*

Sir, does that mean that the mortality variance will not be negative when we look at the full year EV walk? At that time, the mortality variance for us will not be negative?

Prithesh Chaubey — *Appointed Actuary*

So what we are expecting that, if our current experience will continue, there would not be any negative mortality variance by end of the year.

Nidhesh Jain — *Investec — Analyst*

Sure. That's quite useful. And lastly, how do we think about the SBI bank channel? Please correct my understanding. I think the decent portion of our sales from SBI Bank is from branch walk-ins. And slowly, I believe that branch walk-ins will reduce as the economy moves more towards digitization, and over a period of time, not probably in one year, but over the next five year, 10 year, the branch walk-ins that we are seeing today will continue to reduce. So in that light, how do we plan to change our selling strategy for life insurance products, specifically for the SBI Bank?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

We have already been doing that. And if you see last year, when there was this pandemic and it was — there was hardly any walk in, and we have — and the number of walk-ins throughout the year was much lesser than what was there earlier. We have still managed a net growth in business. So going forward, we have been developing strategies to market to customers to get — have contact with customers, have relations programs with customers over various online means and we have been doing very successfully. So we don't think that we have — we see a challenge out there. It is a great opportunity. We will probably be able to get more people when we — now that we are targeting people who are not walking in. So it would mean a lot of growth.

Nidhesh Jain — *Investec — Analyst*

Sure, sir. And in terms of penetration, we have reached almost all the viable branches that we plan to reach or there is more scope to...

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

There is always scope. There is always scope. So the number of people selling, the number of customers sold to, the number of branches from which you are selling, so now activation last year end was around 85% of the branches that sold policies, approximately, please correct me if I'm wrong. And so the idea is to get to 100%. So we want to come to a status, where all the branches are selling policies to their customers and ideally to all their eligible customers, but that will take some time. So we see some growth going forward, a lot of growth over a number of years.

Nidhesh Jain — *Investec — Analyst*

Sure, sir. And then can you say the quantum of premium that we originated from Yono channel last year?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Quantum of premium we are — we have that — one second...

Nidhesh Jain — *Investec — Analyst*

On APE terms or NBP terms, which ever is available.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Yeah, yeah. We will just give it.

Prithesh Chaubey — *Appointed Actuary*

INR30 crore was the — for whole financial year FY21.

Nidhesh Jain — *Investec — Analyst*

Is it, sir, NBP or APE.

Prithesh Chaubey — *Appointed Actuary*

NBP.

Nidhesh Jain — *Investec — Analyst*

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

Operator

Thank you very much. A request to all the participants, please restrict to one question per participant. If time permit, please come back in the question queue for a follow-up question. The next question is from the line of Manish Shukla from Citigroup. Please go ahead

Manish Shukla — *Citigroup — Analyst*

Good evening, and thank you for the opportunity. What was the net total claims in the first quarter? Total net claims?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Just a minute.

Manish Shukla — *Citigroup — Analyst*

The value and number ideally if you can give for.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

So total number of claims were 28,000 plus, and amount wise, it was around — we have disclosed, it is net of reinsurance is INR1,315 crores.

Manish Shukla — *Citigroup — Analyst*

INR1,350 crores. So of the INR1,350 crores, COVID was INR570 crores?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Manish, it is the INR1,315 crores.

Manish Shukla — *Citigroup — Analyst*

Sorry INR1,315 crores. So off INR1,315 crores, COVID was INR570 crores. Is that right?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Yeah. Yeah.

Manish Shukla — *Citigroup — Analyst*

And what were the same number be for full year FY21?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

June 20?

Manish Shukla — *Citigroup — Analyst*

Full year '21.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Full year '21 will be around INR3,000 crores death claim, total death claims.

Manish Shukla — *Citigroup — Analyst*

Okay.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Yeah.

Manish Shukla — *Citigroup — Analyst*

And number of claims would be?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Around 68,130.

Manish Shukla — *Citigroup — Analyst*

Okay. Right. Thank you. That's very clear. The other question, which I had is, on the incremental individual protection that you are selling. How does the mix fare between metro and non-metro, or let's say Tier 1 and non-Tier 1 approximate split if you can give us.

Abhijit Gulanikar — *President – Business Strategy*

No. It spread well across the country. So say, roughly about 50%, 55% coming from Tier 1 cities and metros, and the remaining coming from other places in India.

Manish Shukla — *Citigroup — Analyst*

And Abhijit, how would this have changed over the last two years or three years in terms of mix?

Abhijit Gulanikar — *President – Business Strategy*

No, there has not been significant change in that. It's roughly similar proportion.

Manish Shukla — *Citigroup — Analyst*

Okay. Thank you. Okay. Last question really what is the average ticket size for ULIP and non-par savings of individual business? How does — how do that two compare? I mean, if you don't want to give absolute, I mean, how do the two compare?

Abhijit Gulanikar — *President – Business Strategy*

The average ticket size for ULIP is around INR1 lakh, touching INR1 lakh, and for non-par, it's around INR50,000 to INR60,000.

Manish Shukla — *Citigroup — Analyst*

Okay. Let me just a, one of the potential reasons...

Operator

Sir, sorry to interrupt you. I'll request you to come back in the question queue for a follow-up question. Participants are requested to restrict to one question per participant. The next question is from the line of Nischint Chawathe from Kotak Securities. Please go ahead.

Nischint Chawathe — *Kotak Securities — Analyst*

Yeah. Thanks. Just continuing from the previous conversation, what you said was that in this quarter, the total gross claim was around INR1,315 crores, and the total number of cases were around 8,956. Last year for the full year, you have obviously...

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

No, no, 28,000.

Abhijit Gulanikar — *President – Business Strategy*

Total number of claims were 28,756, amounting INR1,315 crores, net of reinsurance.

Nischint Chawathe — *Kotak Securities — Analyst*

Okay. Got it. Thanks. Thanks. That's it from my side. Thank you.

Operator

Thank you. The next question is from the line of Sanketh Godha from Spark Capital Advisors. Please go ahead.

Sanketh Godha — *Spark Capital Advisors — Analyst*

Yeah. Thanks for the opportunity. Sir my question is on the claims, again, with respect to COVID. So if you're saying that INR570 crores [Indecipherable] with respect to COVID is already part of your conservative mortality assumption, then the hit on the EV walk should be the difference between INR445 crores and INR183 crores on the EV walk. So gross of tax, it is INR262 crores, and net of tax, it should be closer to INR229 crores. That's the way I should be looking at the kind of mortality tightening assumption because INR570 crores is already part of your mortality assumption. Is my understanding right, sir?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

I think difficult to comment on that part. I think what I can say that when we look into, you look into the overall claims, Sanketh. The expected claims based on the assumptions that we set on 31 March, 2021, and again there, there is total claims. So this COVID claims of INR570 crore, net of the reinsurance is a part of that agree. So once you look into the overall expected claim to the actual total claim, the delta is that will be negative, then, we'll have the impact on the operating variance and the mortality.

Sanketh Godha — *Spark Capital Advisors — Analyst*

Yes, sir, precisely that is the question that INR570 crores, is any negative deviation you have expect — what you expected in first quarter and you had a negative deviation significantly away from — I mean, because you paid additional claims of INR570 crores COVID, so the deviation is positive on delta from what you're assuming for the quarter.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

No, no, so, what we are saying that for the quarter, if you consider the total claims including the COVID is well within the expected — that we expected for the quarter.

Sanketh Godha — *Spark Capital Advisors — Analyst*

Sir, then, it's simple to assume that any additional provisions, which you've made is likely because that is over and above what you have assumed, so is there likely hit on the EV, right, then, sir?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Yes, that will have impact on us. Yes, that will have the impact.

Sanketh Godha — *Spark Capital Advisors — Analyst*

Okay. Okay, sir. Perfect. And just wanted to understand this INR442 crores of provision what is sitting on the balance sheet, INR445 crore, does it provide only for the claims, which are reported — which are likely — which have already happened in the month of — in the quarter one or you have even provided for the likely claims coming in subsequent quarters either for the third wave or any other things, which are going to come in next three months and six months, nine months because of COVID?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

No, no, this is additional claims towards the COVID. And I mentioned earlier as well, IBNR that you're referring to that has not intimated, is a part of our actuarial liability that we always keep. And when we said IBNR, we look into the overall claims. So this provision is on top of the overall claim that we're holding.

Sanketh Godha — *Spark Capital Advisors — Analyst*

Got it. Got it. Understood, sir. Sir, finally, on — this is again on harping on the non-par business part. Sir, so entire industry did that business very aggressively in the current quarter, every player has reported a very strong growth. Sir, due to some reason that number is very weak for us, despite there is a strong demand for that kind of a product. Sir, just falling to understand, is it because our thoughts are not in place or partly paid debentures have got exhausted and therefore we're not seeing — we're a little restricted to grow that piece or is the reason something else in that sense?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

No, we don't have any such constraints. We don't have any such constraints. And like I said, we have seen a lot of demand for ULIP

products maybe as a factor of the market is doing very well. And I think that is the major difference. And as I've said, we're also repricing going forward. Our targets are to actually grow the book in non-par by the year end. So giving all those things together, I will not compare myself with any other peers in the market, because they have their own policies and practices to do whatever they do. But from our side, our action plan is very clear that we will probably end up with a good non-par percentage at the end of the year. Yeah, Abhijit, would you like to add something?

Abhijit Gulanikar — *President – Business Strategy*

Just to compare know, last year quarter one was higher than our average non-par book. Year-end, we ended up non-par being 9% of our individual APE. Currently, it is just above 7%. We do think that with the repricing and the other strategies, we will have to play that our non-par book will be a double-digit number in the current year by year-end. So it will go definitely above 9% which we had last year. Exact number is something, which will evolve.

Sanketh Godha — *Spark Capital Advisors — Analyst*

Got it, sir. Perfect. Thanks.

Operator

Thank you. The next question is from the line of Deepika Mundra from JPMorgan Chase. Please go ahead.

Deepika Mundra — *JPMorgan Chase — Analyst*

Good evening, sir. Can you hear me?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Yeah.

Deepika Mundra — *JPMorgan Chase — Analyst*

Okay, thanks. Sir, first is just one question on the renewal premium growth. It seems like last two quarters renewal premium growth has slowed down. I understand some of the single premium business is up by [Technical Issues] in the quarter. Can you walk us through what is driving that [Technical Issues] and expected impacted on [Technical Issues].

Operator

Deepika, sorry to interrupt you. We lost your audio in between. May I request you to repeat your question once again?

Deepika Mundra — *JPMorgan Chase — Analyst*

I just repeat again. So basically the renewal premium growth has slowed last couple of quarters. So just want to understand what is driving that and what would be the expected impact on cost issues because of the same? And secondly, more in the banca channel and agency channel we have seen better protection numbers. Can you talk us through of the incentive structure in both these channels to grow the protection business?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Yeah. So Abhijit, can you please answer?

Abhijit Gulanikar — *President – Business Strategy*

So, second part, we will not want to make any comment on the incentive structure, as we said that there are strategies in place to promote the right lines of business within our Company. So that is something which we already have in place. We don't have any specific comment. Second, the way to look at renewal is to look at persistency number. So, in certain cases, even the business had — growth had slowed down a little in last — especially last couple of years. That is why you are seeing renewal percentage go down slightly. Persistency has kept on increasing. So there is no challenge as far as renewal is concerned.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Just to add, renewals are being growing for us for last few years at double-digit rate, which is beyond 20%. And at this moment also, double-digit growth. And growth, I think, we should set aside rather you should see what is my renewal bucket. As Abhijit said, our

persistence is the reflection of our renewal premium collection, and it is going in line as per our expectation. And we believe that it will continue also.

Deepika Mundra — *JPMorgan Chase — Analyst*

Okay, sir. Just that this quarter renewal premium growth is about 10%, which is why I was asking what is the [Indecipherable]. And then last question sir, on book [Technical Issues].

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

We can't hear you. Can't hear you.

Deepika Mundra — *JPMorgan Chase — Analyst*

Hello?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Yeah, now I can hear you.

Deepika Mundra — *JPMorgan Chase — Analyst*

Sorry. So in the VNB walk, the assumption changes given for mortality, minus 1%.

Prithesh Chaubey — *Appointed Actuary*

Yeah. So just to say this, we're not making any change in the assumption as on 30 June. Assumption change has been done in the 31 March. So that is reflected in the VNB walk, and this is mainly on account of mortality that we explained in the March.

Deepika Mundra — *JPMorgan Chase — Analyst*

Okay, sir. Thank you.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Thank you.

Operator

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

Neeraj Toshniwal — *UBS Securities — Analyst*

Hello, sir. So when we say we have not kind of taken any additional reserving in terms of taking the hit from the assumptions, this additional INR2.57 billion is the — from P&L and sitting in the ULIP, that is the only net additional impact we have from the COVID. Is it right or [Indecipherable]?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

I didn't get your question. Could you please repeat?

Neeraj Toshniwal — *UBS Securities — Analyst*

The additional rate of INR2.57 billion, the difference between INR4.45 billion and INR1.83 billion, that is the only pass-through we have from P&L on the additional basis, because we are already prudent in terms of reserving? That is what we meant when we have not touched upon in change in assumptions?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

You could possibly say that. I don't know, Prithesh, please elaborate.

Prithesh Chaubey — *Appointed Actuary*

So you're right, the incremental reserve that we provided for, along with the claim that we have paid, it will routed to the P&L [Speech Overlap].

Neeraj Toshniwal — *UBS Securities — Analyst*

And any top-up we might need to provide for in the subsequent quarter? Do we think that this is suffice or given — considering both the mortality assumptions, what is happening in the book plus the reserved [Phonetic] we have or what's your thoughts on that?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Yeah, I think Prithesh has already answered this in response to a question earlier. If everything goes according to how it is panning out now and there is no sudden spike or there is no third wave hitting us, and there is a sudden spike in deaths or something, then we will end up within our whatever we have reserved,

Neeraj Toshniwal — *UBS Securities — Analyst*

Okay. And between this 28,756, any change in trend we are seeing between individual and group in terms of the death claims in earlier quarters, and what would — largely, if at all, if we have that handy?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

I think it should be about the same, but can somebody take that heat?

Prithesh Chaubey — *Appointed Actuary*

It is the same actually. We do not have that separately. We do not go this side and [Indecipherable]. Overall claim experience-wise you just make the provision.

Neeraj Toshniwal — *UBS Securities — Analyst*

Got it. And on reinsurance price hike in terms of group term and credit life, have we also kind of done the — have we — first we have got the increase on the insurance like, [Indecipherable] and if at all, have we passed on the price increase to maintain the margin?

Prithesh Chaubey — *Appointed Actuary*

So if you see that, as of now, our reinsurance is what we had. So March we hit some hike in the individual side that we accounted in the March thing. So individual side, we don't see any challenge on the reinsurance side. Now, coming back to the group that we're particularly looking for, looking to the experience, as of now we have not seen, but looking at the overall claim experience of the country and the group, there is a possibility that reinsurance may come back and hike this thing. Only one summation I will make particularly for the GTL product that you're referring to is that, it is a price on case-to-case basis and yearly basis, and whenever any new scheme come, or any existing come for renewal, we look into the experience, consider the reinsurance support at that point in time and accordingly we price on that. So our individual rate, that should have impact on the margin per se. So because we appropriately price, we go to the customer, customer will like and we'll do. Like our MD sir has already mentioned that we wanted to do a profitable business without compromising any of the standard. So the credit life is a long-term. As of now we have not seen. There might be a possibility, very difficult to comment on behalf of the reinsurers. But as of now, we are holding up our reinsurance rates. As sir has mentioned, that our average ticket size is lower than the market. I compare to the other peers, so even that will happen, the impact will be not significant in our book as compared to others.

Neeraj Toshniwal — *UBS Securities — Analyst*

Got it. This is helpful. Thank you. Those are my questions.

Operator

Thank you. The next question is from the line of Shashank Mundra [Phonetic] from Reliance Nippon Life. Please go ahead.

Shashank Mundra — *Reliance Nippon Life — Analyst*

Hi, sir. Sir, you have mentioned that you have net claim for the quarter is INR1,315 crores. Can you please state the number of gross claims?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

One second.

Abhijit Gulanikar — *President – Business Strategy*

INR1,576 crores.

Shashank Mundra — *Reliance Nippon Life — Analyst*

Okay. And what's the embedded value for June?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

We don't calculate the embedded value in June. We calculate the embedded value only in March.

Shashank Mundra — *Reliance Nippon Life — Analyst*

Okay. Thanks, sir.

Operator

Thank you. The next question is from the line of Prateek Poddar from Nippon India Mutual Fund. Please go ahead.

Prateek Poddar — *Nippon India Mutual Fund — Analyst*

Yeah, hi, sir. Just one small clarification. This INR440 crore is for wave three, four, five, if at all they happen? Is that a fair understanding?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

See, I don't think there is any question about all these assumptions of various waves and all. What happens is because we saw this pandemic, before this pandemic we didn't have a significant pandemic reserve. We used to have some small amount as a reserve. And this last year was the first time that we actually saw there was this pandemic, and we had to make these additional reserves. Now, these additional reserves are a matter of abundant prudence. Abundant prudence, and it really is more psychological than anything else because when you ask me, whether I paid out of reserve or paid out of my profit, or I paid out of anything, it is all the same. The net result is the same. But what we do is because we are reserving and because we are in an uncertain situation, we are making an extra reserve, additional reserve and that is only for surprises. So that surprise can be in the form of the third wave, fourth wave, fifth wave, whatever you want to call it. So it can be any of those things, but really speaking, we can't predict the waves or anything. So — because the COVID epidemic is still playing out, we have made this prudent reserve.

Prateek Poddar — *Nippon India Mutual Fund — Analyst*

Great, sir. This is for surprises. Thanks. Thank you.

Operator

Thank you. The next question is from the line of Manish Shukla from Citigroup. Please go ahead.

Manish Shukla — *Citigroup — Analyst*

Yeah. Thank you for giving the opportunity again. So the question, which I was trying to ask earlier is, how do the ticket sizes for ULIP and non-par savings for individual business compare?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Yeah. There is INR116,000 is what I think Sangram said. Sangram, go ahead.

Sangramjit Sarangi — *President & Chief Financial Officer*

Yeah. So, Manish, specific for ULIP and this non-par Platina, it is kind of similar number, around INR116,000 to INR120,000.

Manish Shukla — *Citigroup — Analyst*

Okay. So both — okay. Because I was going back to the point of interchangeability of the two. So is that customer segment was buying the two products largely same because I would have thought that a ULIP customer would have slightly more risk appetite because there is some equity component, whereas non-par customer would want a short return. So interchangeability of the product for the customer is something, which I was trying to understand.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

No, same customers, they will change. I mean, like for example, when they look at the pandemic kind of situation, the customers' appetite can also change. Abhijit, would you like to add on this?

Abhijit Gulanikar — *President – Business Strategy*

So, if part of the — I mean broadly, it is affluent customer, but now we also have a pause non-par product, which we will start pushing from this quarter. So you would see ticket sizes as the portfolio may come down because there is current product where minimum ticket size for both ULIP and non-par is roughly INR50,000, and going forward we have another product where minimum ticket size is INR12,000 for non-par. So you might see some change there, but current portfolio is individual customers' risk appetite are part of the portfolio in this overall portfolio.

Manish Shukla — *Citigroup — Analyst*

Okay. Got it.

Abhijit Gulanikar — *President – Business Strategy*

Customer segment.

Manish Shukla — *Citigroup — Analyst*

Right. So then incrementally even after adjusting the repricing of the non-par segment, non-par product, sorry, and the new pricing that you've coming, how this would go down. How does the profitability part [Indecipherable] of the non-par product, I mean, in terms of VNB margin?

Abhijit Gulanikar — *President – Business Strategy*

So a profitable margin will be in tact. So our objective is to — because yield has gone up, we wanted to pass on the benefit to customer and that will give a better value in term of the VNB, and we will ensure that our margin will get in tact, if not enhanced.

Manish Shukla — *Citigroup — Analyst*

Okay, thank you. That was my question. Thank you.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Thank you, Manish.

Operator

Thank you. The next question is from the line of Mitesh Gohil from Ambit Capital. Please go ahead. Mitesh Gohil, may I request you to unmute your line from your side, and go ahead with you — yes, go ahead.

Mitesh Gohil — *Ambit Capital — Analyst*

Hello, sir, am I audible?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Yeah. Go ahead.

Mitesh Gohil — *Ambit Capital — Analyst*

My question has been answered. Just had a one data keeping question. So the NAT for the quarter is the INR0.7 billion APE. Sir, I just wanted to know the breakup between individual and group annuity.

Sangramjit Sarangi — *President & Chief Financial Officer*

Individual annuity is around INR224 crores, and group annuity is INR425 crores.

Mitesh Gohil — *Ambit Capital — Analyst*

Okay, sir. Thanks, sir.

Sangramjit Sarangi — *President & Chief Financial Officer*

NBP terms.

Mitesh Gohil — *Ambit Capital — Analyst*

On APE basis?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

INR110 crores.

Mitesh Gohil — *Ambit Capital — Analyst*

Okay, sir. I'll check it. Got it. Thank you so much, sir.

Operator

Thank you. The next question is from the line of Mayank from Star Union Daiichi. Please go ahead.

Mayank — *Star Union Daiichi — Analyst*

Yeah. Hi, sir. Just wanted to confirm, for COVID claim, which we had INR570 crores in net of reinsurance in this quarter, we have not utilized our existing COVID reserve of INR183 crore, which we made last quarter, meaning, existing mortality assumption that have taken care for INR570 crores of claims. Is that right?

Prithesh Chaubey — *Appointed Actuary*

Mayank, just to tell you, that's a — when you do the provision, you do the provision as a balance sheet debt. So balance sheet debt is 30 June. As on 30 June, we kept the provision towards COVID is INR445 crores. And other things doesn't matter, what we are carrying forward and all, because your liability will release and accordingly you pay the claims.

Mayank — *Star Union Daiichi — Analyst*

Yeah. So depends being like if we have not touched INR183 crores, then impact on EV walk would be lower, and if we have utilized that, then impact on EV could be higher. So we were looking from that perspective.

Prithesh Chaubey — *Appointed Actuary*

So just to explain, we don't look into the piecemeal manners. So if you look into this, we have to look into how much overall claims and how much we have paid for. I mean, that's the way we are looking into, not looking — COVID is one subset of the overall claim. So when looking the walk and our overall claim experience, we are looking in totality rather than going and looking to the COVID. COVID is just emerging. We don't have any understanding how COVID will behave. Who knows that one infection will go to the 4 lakh infection per day. So that's the reason we are not looking specific to the COVID. We are looking overall. And to be prudent, we wanted to keep additional buffer like we mentioned. So March, it was INR183 crore, today it is INR445 crores.

Mayank — *Star Union Daiichi — Analyst*

Okay. Thank you.

Operator

Thank you. Ladies and gentlemen, we'll take the last question from the line of Manish Gupta from Solidarity Advisors. Please go ahead.

Manish Gupta — *Solidarity Advisors — Analyst*

Sir, just wanted to check. Would it be fair to assume that our mortality assumptions in our VNB margins are more conservative than our peers?

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

See, when — once the event has happened, you can say so many things. So what we would like to just say is that whatever we had

reserved, has served its purpose. So our reserving has been correct. So that's what I would like to put it at. Prithesh, would you like to add something?

Prithesh Chaubey — *Appointed Actuary*

Yes, sir. So just to add what sir is saying that, we don't say that we are keeping prudent assumption or liberal assumption. What we say that and we clarified in the beginning of the call as well, we set our resumption, which is sustainable in long term. So that's the reason, it is neither prudent nor neither weak. In our view, as of now, it is long-term sustainable assumption that we are playing with.

Manish Gupta — *Solidarity Advisors — Analyst*

Sir, if I may just ask the follow-on question, if one is to understand what the mortality assumptions of different companies are, where can one find this data? Is this data in the public domain?

Prithesh Chaubey — *Appointed Actuary*

No. So it's not in the public domain. Public domain, you can see the industry data, so you can go and see the Institute of Actuaries of India. If you want, we can help on that side. So Institute of Actuaries of India published some standard mortality table that reflect the 20 insured mortalities. So there is nothing available on the earnings. What has been looked in — it is difficult to compare things. You have to — because it will depend on the mix of the product, whether you are selling protection, you are selling ULIP, you are selling saving, you are selling par, then again you look into the which area you are selling. Then again, you're saying, what is your customer segment in other part, so that's the reason it is extremely difficult to compare one company mortality assumption with the other company because it reflects their own portfolio experience.

Manish Gupta — *Solidarity Advisors — Analyst*

Right. Thank you very much.

Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Thank you.

Operator

Thank you very much. I now hand the conference over to Mr. Mahesh Kumar Sharma for closing comments.

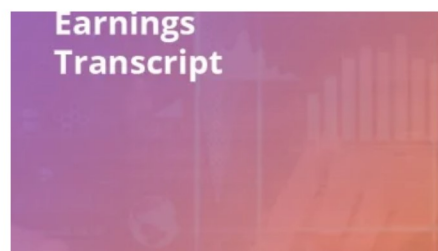
Mahesh Kumar Sharma — *Managing Director & Chief Executive Officer*

Yeah. Thank you very much, Nirav, and thank you very much for all the — to all the participants in this call for asking very relevant questions and keeping us on our toes. We propose to continue with our sustainable policies and our growth and hope to see you again with a very strong performance going forward. So thank you very much. Stay safe, get vaccinated. Good night.

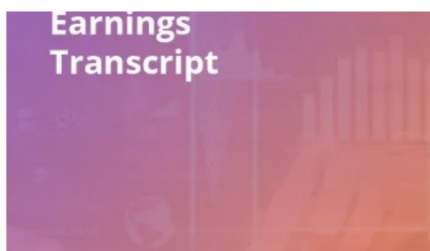
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[Operator Closing Remarks]

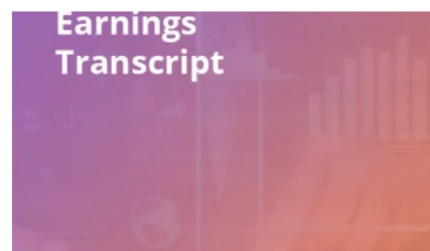
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