



Impressive background and business model..

Life Insurance Corporation of India ("LIC") was established on September 1, 1956, under the LIC Act by merging and nationalizing 245 private life insurance companies in India. LIC has been providing life insurance in India for more than 65 years and is the largest life insurer in India, with a 61.6% market share in terms of premiums (or GWP), a 61.4% market share in terms of New Business Premium (or NBP), a 71.8% market share in terms of number of individual policies issued, a 88.8% market share in terms of number of group policies issued for Fiscal 2021, as well as by the number of individual agents, which comprised 55% of all individual agents in India as at December 31, 2021.

LIC had the highest gap in market share by life insurance GWP relative to the 2nd largest life insurer in India as compared to the market leaders in the top seven markets globally (in 2020 for the other players and in Fiscal 2021 for the LIC). LIC is ranked 5th globally by life insurance GWP (comparing the LIC's life insurance premium for Fiscal 2021 to the global peers' life insurance premium for 2020) and 10th globally in terms of total assets (comparing the LIC's assets as at March 31, 2021 with other life insurers' assets as at December 31, 2020). LIC is the largest asset manager in India as at December 31, 2021 with AUM of Rs. 40.1 trillion, on a standalone basis which is 1.1 times the entire Indian mutual fund industry's AUM.

The Corporation's brand, LIC, was recognised as the 3rd strongest and 10th most valuable global insurance brand as per the "Insurance 100 2021 report" released by Brand Finance.

LIC has a broad, diversified product portfolio covering various segments across individual products and group products. The Corporation's individual products comprises of (i) participating insurance products and (ii) non-participating products, which include (a) savings insurance products; (b) term insurance products; (c) health insurance products; (d) annuity and pension products; and (e) unit linked insurance products. The Corporation's group products comprises (i) group term insurance products, (ii) group savings insurance products; (iii) group savings pension products; and (iv) group annuity products.

In addition to LIC's life insurance operations in India, LIC has one branch each at Fiji, Mauritius and the United Kingdom and subsidiaries in Bahrain (with operations in Qatar, Kuwait, Oman and the United Arab Emirates), Bangladesh, Nepal, Singapore and Sri Lanka in the life insurance industry. For Fiscal 2019, Fiscal 2020, Fiscal 2021 and the 9 months ended December 31, 2021, on a consolidated basis, their premium from outside India represented 0.93%, 0.99%, 0.73% and 0.69%, respectively, of their total premium.

Investment recommendation and rationale

At the upper end of the price band of ₹949, LIC's IPO is valued at Implied Market Cap/Indian Embedded Value (as on H1FY22) of 1.1x at which is at a discount to its peers like SBI Life Insurance Company Limited, HDFC Life Insurance Company Limited, ICICI Prudential Life Insurance Company Limited which are trading in the range of 2.5 - 4x. We recommend investors to "SUBSCRIBE" to the issue owing to the following factors: a) Fifth largest life insurer globally by GWP and the largest player in the fast growing and underpenetrated Indian life insurance sector; b) Amongst the top global insurers, LIC is the only Indian player. LIC is ranked fifth globally in terms of life insurance premium and tenth in terms of total asset, c) LIC has the highest RoE amongst the global peers; d) Trusted brand and a customer-centric business model; e) Cross-cyclical product mix that caters to diverse consumer needs and an individual product portfolio that is dominated by participating life insurance policies; f) Presence across India through an omni-channel distribution network with an unparalleled agency force;

Issue opens on	Wednesday, May 04, 2022
Issue closes on	Monday, May 09, 2022
Listing date	May 17, 2022
Price Band	₹902 - ₹949 (Face value:₹ 10)
Discount	₹Rs. 45 for Retail Individual Bidders in Retail Portion and Eligible Employees in Employee Reservation Portion; ₹60 for Eligible Policyholders in Policyholder Reservation Portion
Bid lot	15 equity shares and in multiple thereof
Issue type	Offer for sale of 221,374,920 Equity shares
Issue size	₹19,517 - ₹20,557 Crore
Issue structure	QIB - 50%, NIB - 15%, Retail - 35%
Reservation for	LIC Employees: 1,581,249 Equity Shares LIC Policyholders: 22,137,492 Equity Shares
Post issue shares	6,324,997,701
Promoters Public - Other	Pre IPO: 100 % Post IPO: 96.50% Pre IPO: 0.56% Post IPO: 3.50 %
Post issue implied market cap at upper end of price band	₹ 6,00,242 Crore
BRLMS	Axis Capital, Kotak Mahindra Capital, BofA Securities, Citigroup Global, Goldman Sachs, ICICI Securities, JM Financial, J.P.Morgan, Nomura Financial, SBI Capital Markets
Registrar to the issue	KFin Technologies Ltd

Particulars (₹ Crore)	9MFY22	FY21	FY20	FY19
Premium earned	2,85,342	4,05,399	3,82,476	3,39,972
Income from investments	2,26,254	2,85,520	2,42,836	2,25,044
EBITDA	1,757	2,980	2,719	2,642
Profit after tax	1,715	2,974	2,710	2,627
EPS (₹)	2.71^	4.70	4.29	4.15
Share capital	6,325	100	100	100
Networth#	8,231	6,515	855	815
Book value (₹)	13.01	10.30	1.35	1.29
RoNW(%)	20.84	45.65	317.14	322.25

Source: RHP, *Restated Consolidated, ^not annualised, #Net worth is net of reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

g) Harnessing technology capabilities to support customer connect and drive operating efficiencies; h) largest asset manager in India with an established track record of financial performance and profitable growth; i) Highest RoNW amongst other listed players in India in the same industry. j) Robust risk management framework, k) LICs focus on diversifying the product mix by increasing the contribution of the non-participating portfolio will augur well in the future, l) Highly experienced and qualified management team, distinguished Board and strong corporate governance framework, m) In addition, LIC has raised Rs. 5,627 Crore from anchor investors like Society Generale, Government Pension Fund of Norway, Government of Singapore, Monetary Authority of Singapore, BNP Investments, SBI, ICICI Prudential, HDFC which include instills confidence in the issue.

The key operating and financial performance parameters for the insurance business on a consolidated basis (except as indicated)

(₹ In Crore, except % and ratios)

Particulars	9MFY22	FY21	FY20	FY19
Premium consolidated	285,729.96	405,850.80	382,811.45	340,294.62
New Business Premium ("NBP")	126,777.71	185,523.22	180,274.21	144,037.96
Renewable premiums	158,952.25	220,327.59	202,537.24	196,256.66
Total annualised premium equivalent ("APE") in India	29,923.32	45,587.92	47,972.34	40,565.58
Operating expenses related to insurance business to premium ratio (as a % of premium) (Consolidated)	9.54%	8.66%	8.99%	8.33%
Conservation Ratio (in India) (Standalone)	93.72%	84.48%	88.79%	92.19%
Individual new business sum assured	390,346.12	586,083.89	645,398.81	575,131.71
13th month Persistency Ratio in India for individual products (%)				
- regular premium and limited premium	77%	79%	72%	77%
- single premium and fully paid-up premium	100%	100%	100%	100%
- total premium	88%	87%	85%	88%
49th month Persistency Ratio in India for individual products (%)				
- regular premium and limited premium	65%	63%	58%	60%
- single premium and fully paid-up premium	96%	97%	96%	95%
- total premium	80%	79%	72%	73%
61st month Persistency Ratio in India for individual products (%)				
- regular premium and limited premium	62%	59%	54%	63%
- single premium and fully paid-up premium	96%	95%	94%	92%
- total premium	79%	72%	70%	72%
Net Premium	285,341.93	405,398.50	382,475.52	339,971.63
AUM (consolidated)	4,032,170.05	3,692,967.27	3,338,107.94	3,271,032.73
Solvency Ratio (within India Business)	1.77	1.76	1.55	1.60

Source: Red Herring Prospectus (RHP)

APE is the sum of annualised first year premiums on regular premium policies, and 10% of single premiums of both individual and group business written by LIC, adjusted for new business cancellations, effected during the relevant Fiscal Year or period. For the purposes of calculating APE, LIC considered all new premiums received in LIC's group business and any top-up premiums as single premiums. The premiums received in LIC's group business have been classified into new and renewal business for the purpose of calculating APE, based on IRDAI guidelines. The APE set forth in the Embedded Value Reports was not based on all policies and are therefore less than the amounts set forth in the table.

Individual APE is the sum of annualised first year premiums on regular individual premium policies, and 10% of single individual premiums, adjusted for new business cancellations, effected during the relevant Fiscal Year or period. LIC's individual APE does not include renewal premiums paid after the initial policy term.

Operating expenses related to insurance business to premium ratio is ratio of operating expenses related to insurance business to premium ("Operating Expenses Related to Insurance Business to Premium Ratio").

Conservation Ratio represents the total renewal premium for individual products in India for the year or period, expressed as a percentage of total premium for individual products in India for the previous year or period ("Conservation Ratio").

Indian Embedded Value ("IEV") (₹ In Crore except % and ratios)

Particulars	6MFY22 (post segregation of policyholders' funds)	FY21	FY20	FY19
Value of New Business ("VNB") (Consolidated)	1,583.0	4,167.0	N.C.	N.C.
VNB Margin (consolidated)	9.3%	9.9%	N.C.	N.C.
Indian Embedded Value (consolidated)	539,686.0	95,605.0	46,497.0	N.C.
Indian Embedded Value operating earnings (consolidated) ("IEVOE")	N.C.	17,151.0	N.C.	N.C.
Operating return on Indian Embedded Value (consolidated) ("ORIEV")	N.C.	36.89%	N.C.	N.C.

Source: Red Herring Prospectus (RHP)

It may be noted that - Following the amendments to the LIC Act, the Corporation's **single consolidated "Life Fund" was bifurcated into separate funds for par fund and a non - par fund** from September 30, 2021

VNB represents the present value of the Shareholders' interest in the earnings distributable from the assets allocated to the covered business, after making sufficient allowance for the aggregate risks in the covered business. The allowance for risk is calibrated to match the market price for risk, where reliably observable. The "covered business" is all life insurance and pensions business, accident and health insurance business across both individual and group segments: (a) that has been written by LIC in India; and (b) that has been written by LIC's entities outside of India, either through its branches, subsidiaries or joint ventures.

VNB margin is the ratio of VNB to APE (as set forth in the Embedded Value Reports) for the relevant period and is a measure of the expected profitability of new business in percentage terms.

Indian Embedded Value is derived from the Embedded Value Reports. Indian Embedded Value consists of the Adjusted Net Worth ("ANW") (consisting of LIC's free surplus and required capital) and the value of in-force business ("VIF"). The free surplus is the market value of assets allocated to, but not required to support, the in-force covered business as at the applicable valuation date. The required capital is determined as the amount of assets attributed to the covered business over and above that required to back liabilities for covered business, the distribution of which to shareholders is restricted. The VIF is a measure of the value of the Shareholders' interest in LIC "covered business". The VIF represents the present value of the Shareholders' interest in the earnings distributable from the assets allocated to the covered business, after making sufficient allowance for the aggregate risks in the covered business. The allowance for risk is calibrated to match the market price for risk, where reliably observable. Indian Embedded Value was not calculated as at March 31, 2019 as there is no requirement for it be calculated.

IEVOE is the summation of the (i) VNB added during the year; (ii) expected return on existing business; and (iii) variances in operating experience.

ORIEV is the ratio of IEVOE for any given period to the IEV at the beginning of that period.

Changes in surplus distribution policy and bifurcation of funds

Prior to September 30, 2021, LIC had one fund – a participating fund. An amendment to the LIC Act in the Finance Act, 2021, which was notified on June 30, 2021, resulted in LIC having a participating fund and non-participating fund since September 30, 2021. The amended Section 28 of the LIC Act provides that 90% or more of the valuation surplus, as the Government may approve, shall be allocated to or reserved for the policyholders. The Government allowed LIC to continue with the existing surplus distribution pattern of 95:5 between policyholders and the shareholders, while retaining the flexibility to reduce it to 90:10 between policyholders and the shareholders in the future.

This amendment brought LIC to be in line with the private players in India. The Top-5 private players transfer a maximum of 1/9th of the participating policyholder's surplus to the shareholder's account. The surplus includes the bonus allocated to the participating policyholders and the interim bonus paid. Therefore, each of the Top-5 the private allocated approximately 10% of the participating policyholder's account surplus to its shareholders in Fiscal 2021.

In accordance with LIC's approved surplus distribution policy, the surplus in respect of the participating fund will be allocated between policyholders and shareholders in the ratio of 95:5 for Fiscal 2022, 92.5:7.5 for each of Fiscal 2023 and Fiscal 2024 and then 90:10 for Fiscal 2025 onwards. The shareholders have a 100% allocation in the non-participating fund. The increasing allocation of the surplus of the participating fund to the shareholders and the 100% allocation to shareholders of the non-participating business (previously at 5%, which was flowing through the declaration of bonuses for the participating business in lieu of a single fund) results in a higher allocation of the surplus to shareholders.

Value of New Business ("VNB") (₹ In Crore except % and ratios)

Particulars	6MFY22
VNB before Time Value of Financial Options and guarantees (TVFOG), Frictional cost of required capital (FC) and Cost of residual non - hedgeable risks (CRNHR) (A)	3,064
Individual participating	1,406
Individual non-participating	885
Group	773
TVFOG in respect of new business (B)	(101)
FC in respect of new business (C)	(643)
CRNHR in respect of new business (D)	(736)
Value of new business (VNB) (= A + B + C + D)	1,583
New business annualised premium equivalent ("APE")	17,074
Individual participating	10,925
Individual non-participating	750
Group	5,399
VNB Margin (= VNB / APE)	9.3%
Present value of new business premium ("PVNBP")	118,181
Individual participating	60,800
Individual non-participating	6,612
Group	50,770
PVNBP Margin (=VNB/PVNBP)	1.3%

Source: Red Herring Prospectus (RHP), Note: (1) 'Group' includes group annuities, group funds management and group term; (2) APE is calculated as 100% of annualised premium for regular and limited premium plans and 10% of single premium for business sold during the 6 months ending 30 September 2021; (3) The Present Value of New Business Premium ("PVNBP") at the point of sale for the new business sold during the 6 months ending 30 September 2021.

LIC continues to account for around two-thirds of the industry's premium

LIC accounts for approximately 2/3rd market share in terms of both GWP and NBP in the life insurance industry for Fiscal 2021, driven by its individual agent network especially in rural areas, wide range of products and a sense of trust created by brand LIC among individuals. Private sector players, however, have been gaining market share, supported by their diversified product mix and strong distribution through bancassurance partners. Private players have increased their focus towards individual NBP and increased their market share from 44% in Fiscal 2016 to 50% in Fiscal 2021. In group NBP, LIC continues to dominate the market, accounting for more than 75% of the market share for Fiscal 2021.

Source: Red Herring Prospectus (RHP)

Global positioning of LIC (₹ In Crore)

Globally, Allianz S.E is the largest life insurer in the world in terms of life insurance premium and is second in terms of total assets. This is largely due to its presence in multiple geographies like Europe, USA and Asia Pacific. Amongst the top global insurers, LIC is the only Indian player. LIC is ranked fifth globally in terms of life insurance premium and tenth in terms of total assets.

Company name	Country	Gross Written premium in USD Millions (2020)	Total Assets in USD Millions (2020)	Life Insurance Premiums USD Millions (2020)
Allianz SE	Germany	99,583	1,272,014	88,853
Ping An Insurance	China	115,635	1,380,851	74,134
China Life Insurance	China	88,734	616,291	69,651
Assicurazioni Generali S.p.A	Italy	84,845	653,652	58,268
Life Insurance Corporation of India*	India	56,405	507,333	56,405
Nippon Life Insurance	Japan	39,838	705,002	39,838
AXA S.A	France	112,698	965,747	37,829
Japan Post Insurance	Japan	24,369	633,845	34,223
Dai-ichi Life Holdings	Japan	41,644	559,853	27,024
NorthWestern Mutual	US	19,323	308,767	15,720
Metlife Inc.	US	49,486	795,146	14,200
People's Insurance Company of China	China	75,447	182,038	13,665

Source: Red Herring Prospectus (RHP), Note: Players are arranged in terms of life insurance premiums, *Data as of FY21 Source: Company reports, CRISIL Research

Peer benchmarking

Amongst the peer set, LIC's dominance is unparalleled globally with no other life insurance player in any country enjoying such high market share in its geography.

LIC ranks fifth in terms of net premium earned amongst the peer set analysed

LIC ranks fifth in terms of net premium earned, with premium of USD 56 billion in Fiscal 2021. Over a period of 12 months ending in CY 2020, AXA S.A. (USD 113 billion), Ping An Insurance (USD 110 billion), Allianz SE (USD 909 billion), China Life Insurance Company (USD 88 billion) are the only global peers having a net premium higher than LIC. In terms of growth, Ping An Insurance has grown at a CAGR of 15% over the last four years, followed by China Life Insurance Company (9%) and LIC (6%).

LIC is the 8th largest life insurer in terms of assets amongst the peer set analysed

Ping An Insurance is the largest insurer in terms of total assets followed by Allianz SE. and AXA S.A. Life Insurance Corporation is the eighth largest player with total assets of USD 507 billion at end of Fiscal 2021. It had a CAGR growth of 8% between Fiscal 2017 and 2021. At end of December 2020, Ping An Insurance, China Life Insurance Company and Samsung Life Insurance Company are the only peers that had higher CAGR growth of 14%, 12% and 9% respectively between 2016 and 2020 in terms of total assets.

Group financial performance of key life insurers (2020)

Players	Total Assets (USD Mn)	CAGR Growth (FY16-FY20)	Net Premium Earned (USD Mn)	CAGR Growth (FY16-FY20)	Total PAT (USD Mn)	CAGR Growth (FY16-FY20)
Ping An Insurance	1,380,851	14%	109,797	15%	23,096	22.0%
Allianz SE	1,272,014	5%	90,857	2%	8,560	-0.7%
AXA S.A.	965,507	-3%	112,698	-0.1%	3,997	-14.4%
Metlife Inc.	795,146	-3%	42,034	3%	5,418	67.0%
Nippon Life Insurance	705,002	4%	39,838	-6%	1,609	-17.4%
Aviva PLC	657,338	4%	34,595	4%	3,986	37.5%
China Life Insurance Company	616,291	12%	87,633	9%	7,285	27.5%
Life Insurance Corporation of India	507,333*	8%^	54,865*	6%^	406	5.1%
Samsung Life Insurance	309,270	9%	15,837	4%	1,163	-9.1%
NorthWestern Mutual Life Insurance Company	308,767	5%	19,323	2%	425	-14.9%
AIA BHD Malaysia	14,927	8%	2,463	8%	110	-14.2%

Source: Red Herring Prospectus (RHP), Note: *Data as of FY 2021, ^ CAGR growth of FY17-F21, Companies are arranged in decreasing order of total assets. 2) Exchange rates: 1 USD= 6.9 Chinese Yuan, 1 USD =4.4 Malaysian Ringgit, 1 USD = 0.77 GBP, 1 USD = 116.9 Japanese Yen, 1 USD = Rs. 73.5047 (Indian Rupee), 1 USD = 1175 South Korean Won, 1 USD = 0.83 Euro.

LIC has the highest RoE amongst the global peers

In Fiscal 2021, LIC had the highest RoE of 82% amongst its peers, followed by Ping An Insurance (19.5%), Aviva PLC (14.8%) and China Life Insurance (11.9%).

Group Profitability (2020)

Players	Return on Total Assets		Return on Equity	
	2016	2020	2016	2020
Ping An Insurance	1.3%	1.7%	17.4%	19.5%
Allianz SE	0.8%	0.7%	10.7%	8.8%
AXA S.A.	0.7%	0.4%	8.3%	4.4%
Metlife Inc.	0.2%	0.9%	1.0%	7.7%
Nippon Life Insurance	0.7%	0.3%	0.8%	3.9%
Aviva PLC	0.3%	0.9%	4.4%	14.8%
China Life Insurance Company	0.7%	0.6%	6.2%	11.9%
Life Insurance Corporation of India	0.1%^	0.2%*	375%^	82.0%*
Samsung Life Insurance	0.5%	0.7%	2.4%	3.4%
NorthWestern Mutual Life Insurance Company	0.4%	0.3%	3.4%	1.4%
AIA BHD Malaysia	1.9%	0.7%	19%	9.0%

Source: Red Herring Prospectus (RHP), Note: * Data for Fiscal 2021, ^ Data for Fiscal 2017; ROE for a fiscal (n) calculated as profit after tax for the fiscal (n) divided by [average equity of fiscal (n)] and the [previous fiscal (n-1)]

Objects of the issue

The objects of the Offer are to (i) achieve the benefits of listing the Equity Shares on the Stock Exchanges; and (ii) carry out the Offer for Sale of up to 221,374,920 Equity Shares by the Selling Shareholder (President of India, acting through the Ministry of Finance, Government of India). Further, the Corporation expects that the proposed listing of its Equity Shares will enhance its visibility and brand image as well as provide a public market for the Equity Shares in India. The Selling Shareholder will be entitled to the entire proceeds of the Offer after deducting the Offer expenses and relevant taxes thereon. The Corporation will not receive any proceeds from the Offer.

Competitive strengths

1) 5th largest life insurer globally by GWP and the largest player in the fast growing and underpenetrated Indian life insurance sector

LIC is ranked 5th globally in terms of life insurance GWP (comparing LIC's life insurance premium for Fiscal 2021 to their global peers' life insurance premium for 2020), and 10th globally in terms of total assets (comparing LIC's assets as at March 31, 2021 with assets of other life insurers as at December 31, 2020). LIC is the largest life insurer in India in terms of GWP, NBP, number of individual policies issued and number of group policies issued for Fiscal 2021 and the 9 months ended December 31, 2021.

For Fiscal 2021, LIC issued approximately 21 million individual policies in India, representing approximately 75% market share in new individual policy issuances. The 2nd largest player in the industry issued 1.66 million individual policies and had a 5.9% market share for Fiscal 2021. LIC's market share in the Indian life insurance industry was 66.2% based on NBP, and NBP was 1.96 times the total private life insurance sector and 8.9 times the NBP for the 2nd largest player in the Indian life insurance industry. Nowhere in the Top-7 markets globally is the difference in market share between the largest and the 2nd largest life insurer as stark as in India (in 2020 for the other players and in Fiscal 2021 for LIC), with the 2nd largest player having only 8% market share of GWP in India compared to their market share of 64.1% market share in terms of premiums (or GWP) in India for Fiscal 2021.

2) Trusted brand and a customer-centric business model

The brand 'LIC' was recognised as the 3rd strongest and 10th most valuable global insurance brand in 2021, as per the "Insurance 100 2021" report released by Brand Finance. The brand value of LIC in 2021 was US\$8,655 million, with a Brand Strength Index (BSI) score of 84.1 out of 100, corresponding to AAA- brand strength rating. The brand 'LIC' was also recognised by WPP Kantar as the 2nd most valuable brand in the report "BrandZ™ Top 75 Most Valuable Indian Brands" for 2018, 2019 and 2020. The brand 'LIC' has won the Reader's Digest Trusted Brand Award numerous times and the prestigious Outlook Money Award Gold Award in Editor's Choice Category as the "Most Trusted Brand in Insurance" twice.

The trust in the brand 'LIC' is evidenced by the 27.91 crore in force policies under individual business being serviced in India as at December 31, 2021. The trust in the brand 'LIC' is further evidenced by the fact that approximately 75% of individual policies sold by LIC in India in the 9 months ended December 31, 2021 were sold to customers who had not purchased any life insurance policies from LIC prior to April 1, 2021.

3) Cross-cyclical product mix that caters to diverse consumer needs and an individual product portfolio that is dominated by participating life insurance policies

LIC has a broad, diversified product portfolio covering various segments across individual products and group products. The benefits of having a portfolio dominated by participating products includes a balance sheet that has lower interest rate and liquidity risks compared to a balance sheet that is dominated by non-participating products; Lower capital requirements compared to a balance sheet that is dominated by non-participating products, allowing for better product diversification; Less need to cede premium to reinsurers; Lesser burden of guaranteed returns; and Sticky customer base due to the stable long-term product offered to mass-market customer.

LIC also has a large market share in health insurance and annuity products. In health insurance provided by life insurance players, they had a market share in India of 46.9% and 53.6% and 54.4% in terms of GWP for Fiscal 2020 and Fiscal 2021 and for the 9 months ended December 31, 2021, respectively. In annuity products, LIC had a market share in India of 84.7%, 76.9% and 68.7% in terms of GWP for Fiscal 2020, Fiscal 2021 and December 31, 2021, respectively. LIC's growth in non-participating protection individual NBP, non-participating savings individual NBP, ULIP and annuity/pension individual NBP in India from Fiscal 2019 to Fiscal 2021 was a CAGR of 15.46%, 30.78%, 369.75% and 10.95%, respectively.

4) Presence across India through an omni-channel distribution network with an unparalleled agency force

LIC's omni-channel distribution platform for individual products currently comprises (i) individual agents, (ii) bancassurance partners, (iii) alternate channels (corporate agents, brokers and insurance marketing firms), (iv) digital sales (through a portal on LIC's website), (v) Micro Insurance agents and (vi) Point of Sales Persons-Life Insurance scheme.

LIC's individual policies are primarily distributed by their individual agents. Key metrics for their agent network in India include:

Largest agent network among life insurance entities in India. As at December 31, 2021, their individual agency force accounted for 55% of the total agent network in India and was 6.8 times the numbers of individual agents of the 2nd largest life insurer in terms of agent network.

Industry leading agent network growth in India, with the number of LIC's agents in India increasing at a CAGR of 7% between March 31, 2019 and March 31, 2021 compared to the next best player's agency force CAGR of 5% and the average of the private players agency force CAGR of 4% during the same period.



Most productive agent network in the Indian life insurance sector, as evidenced by the fact that for the 9 months ended December 31, 2021 and Fiscal 2021, LIC's agents had an average NBP of ₹260,069 and ₹412,934 per agent, respectively, compared to the average NBP of ₹108,888 and ₹124,892 per agent for the median of the Top-5 private players.

LIC has the highest Million Dollar Round Table ("MDRT") members among all the Indian corporates operating in financial services industry, with a total of 721 MDRT members for 2021.

High longevity 59.38% of their individual agents in India has acted for LIC for more than 5 years as at December 31, 2021.

81% of LIC's agents in India recruited in Fiscal 2021 were within the 18 to 40 years old group.

LIC has a wide presence across India and distribute their policies in all 36 states and union territories. As at March 31, 2021, they had offices in 91% of districts in India as compared to 81% for the entire private sector combined.

5) Harnessing technology capabilities to support customer connect and drive operating efficiencies

LIC has developed technological capabilities that help them provide a great customer experience and drive operating efficiencies. They have added technological capabilities across the customer journey from purchase to payments to claims processing. As at December 31, 2021, their portal had 18.60 million registered users and their mobile app for policyholders, available on both Android and iOS platforms had 5.13 million registered users. They spent ₹177.44 crore, ₹424.40 crore, ₹361.42 crore and ₹137.34 crore on information technology, on a consolidated basis, in Fiscal 2019, Fiscal 2020, Fiscal 2021 and the 9 months ended December 31, 2021, respectively.

LIC has 3 online on-boarding digital platforms through which their intermediaries can register new proposals for insurance and issue new policies:

e2e, which is an online customer on-boarding portal, enables Senior Business Associates to register new proposals for insurance and complete the process of underwriting and acceptance of risk for customers instantly, with immediate issuance of first premium receipt;

i-proposals, which facilitates the new proposal data capture by Senior Business Associates, select Development Officers, LIC Associates, Chief Life Insurance Advisors, empowered agents and the online submission of the proposal data to the servicing branch office for underwriting and completion of acceptance process; and

AtmaNirbhar Agents New Business Digital App ("ANANDA"), which was implemented in November 2020, is a completely paperless digital platform for procurement of insurance business. This is a digital platform for all LIC's sales channels. ANANDA is available as a mobile app and as a web portal.

6) Largest asset manager in India with an established track record of financial performance and profitable growth

As at December 31, 2021, on a standalone basis, LIC's Investment portfolio included 38.09% central government securities, 24.56% equity securities, 24.25% state government securities and 8.35% corporate bonds. As at December 31, 2021, 95.90% of LIC's debt AUM on a standalone basis was invested in sovereign and AAA-rated securities. Over 90% of their policyholders' equity investments on a standalone basis are held in stocks that are a part of the Nifty 200 and BSE 200 indices as at December 31, 2021.

LIC has a proven track record of strong financial performance, as demonstrated by the following metrics:

The net profit on sale/redemption of policyholders' investments (profit on sale/redemption of investments minus loss on sale/redemption of investments) (Policyholders' Account) was ₹23,897.21 crore, ₹19,387.48 crore, ₹39,809.63 crore and ₹36,462.78 crore in Fiscal 2019, Fiscal 2020, Fiscal 2021 and the 9 months ended December 31, 2021 on a consolidated basis, respectively.

The GWP on a consolidated basis increased at a CAGR of 9.21% from Fiscal 2019 to Fiscal 2021.

LIC's strong renewal book is evidenced by a market share of 62.5 percent and 61.8 percent compared to 8.5 and 8.8 percent market share of the second best player in the market by renewal premium for Fiscal 2021 and the 9 months ended December 31, 2021, respectively.

NBP on a consolidated basis increased at a CAGR of 13.49% from Fiscal 2019 to Fiscal 2021

For Fiscal 2021, LIC issued approximately 21 million individual policies in India, representing approximately 75% market share in new individual policy issuances. For Fiscal 2021, the 2nd largest player in the industry issued 1.66 million individual policies for Fiscal 2021 and had 5.9% market share in the fiscal year.

LIC's expense ratios on a standalone basis are considerably lower than that of the Top-5 private players in India as a whole. For Fiscal 2019, Fiscal 2020, Fiscal 2021 and December 31, 2021 LIC's operating expenses as a percentage of total premium ("**Operating Expense Ratio**") on a standalone basis was 8.4%, 9.0%, 8.7%, and 9.6% respectively, compared to the median of the Top-5 private players' Operating Expense Ratio of 13.0%, 13.0%, 11.9% and 12.1%, respectively, and LIC's total cost (commission and operating expenses) as a percentage of total premium ("**Total Cost Ratio**") on a standalone basis was 14.4%, 14.7%, 14.2% and 15.0% respectively, compared to the median of the Top-5 private players' Total Cost Ratio of 16.9%, 17.6%, 16.3% and 16.2%, respectively.

LIC is the best-in-class of Indian life insurance players in terms of profitability, with ₹2,889.01 crore surplus transferred to the shareholders' account in Fiscal 2021 on a standalone basis, relative to the private players, for which the highest surplus transferred to the shareholders' account in Fiscal 2021 was ₹1,984.86 crore.

The profit after tax on a consolidated basis increased from ₹2,627.38 crore for Fiscal 2019 to ₹2,974.14 crore for Fiscal 2021, representing a CAGR of 6.39%.

7) Robust risk management framework

LIC has a risk management framework where risk identification, risk measurement and risk mitigation are undertaken through structured procedures and various Board-approved policies and controls. Their enterprise risk management ("ERM") cell provides a framework for evaluating and managing risks inherent in LIC through risk and control self-assessment, incident management and top risk-key risk indicator analysis. The ERM cell is working on the implementation of the IT solution package for monitoring various risks LIC encounters in its business processes.

LIC proactively manages its financial risks through, among other things:

- a) Diversification of investment portfolio across asset classes, with significant exposure to sovereign and state-owned entities.
- b) Regular monitoring of interest rates to address market volatility;
- c) 95.90% of the debt portfolio in India is invested in sovereign and AAA-rated debt as at December 31, 2021.
- d) Stress and resilience testing of the investment portfolio.
- e) Matching of assets and liabilities on a quarterly basis at the line of business level where line of business liabilities account for over 5% of total liabilities.
- f) Conservative management of reserves.
- g) LIC price their products using prudent assumptions.

- h) LIC also proactively review the business mix to maintain alignment with customer needs and preferences.

8) Highly experienced and qualified management team, distinguished Board and strong corporate governance framework

LIC's Key Management Personnel have more than 20 years' experience in the insurance industry, with experience in different parts of India, in different capacities (both in administrative and marketing positions), and have headed branches, divisions and zones in India. A few of them have also worked overseas. Their Board includes highly distinguished representatives of the Government. The Board reviews their performance based on an objective range of performance indicators such as business performance and financial results, compliance and governance status, risk management, customer service, claims settlement and strategic growth. LIC has a strong corporate governance framework, with a multi-layered supervisory structure from the Government, the Board and its sub-committees, the Central Management Committee and the Policyholders Protection Committee.

Competition

LIC is the sole public sector life insurer in India's market and their competitors in India, as at March 31, 2021, are 23 private insurance companies. After 20 years of competition, LIC has been able to sustain their market leadership position. On April 1, 2021, the Insurance Laws (Amendment) Act, 2021 came into force, raising the limit of foreign investment in an Indian insurance company from 49% to 74%, subject to certain safeguards. This will lead to new entrants in the industry, better capitalisation of existing competitors and generally increase the level of competition. LIC's main competitors are SBI Life Insurance Company Ltd, HDFC Standard Life Insurance Co Ltd and ICICI Prudential Life Insurance Co Ltd.

Concerns

LIC's VNB margin of 9.3 percent is much lower than private sector VNB margin of above 25 percent. LIC is more dependent on Participating Products which results in lower margin as compared to private sector players focusing on Non-Participating products.

Background

Corporation and Directors

Promoted by the President of India, acting through the Ministry of Finance, Government of India ("GoI"), Life Insurance Corporation of India ("LIC") was formed by merging and nationalizing 245 private life insurance companies in India on September 1, 1956. From LIC's incorporation until 2000, they were the only life insurer in India. LIC was identified by IRDAI as a Domestic Systemically Important Insurer ("D-SII") on the basis of size, market importance and domestic and global inter-connectedness in September 2020. GoI, the Promoter currently holds 100% of the pre-Offer paid-up Equity Share capital of the Corporation.

Brief Biographies of Directors

Mangalam Ramasubramanian Kumar is the Whole-time Chairperson of LIC. He joined LIC in the year 1983 and has experience in the insurance sector. Previously, he was the zonal manager of South, North-Central and North zones of LIC and has also headed the personnel and pension & group schemes department.



Pankaj Jain is a Government Nominee Director of LIC and he is 1990 batch IAS officer. Presently serving as an additional secretary in the Ministry of Petroleum, Gol

Raj Kumar is the Managing Director of LIC. He joined LIC in the year 1984 and has experience in the insurance sector. He has also served as the CEO of LIC Mutual Fund Asset Management Ltd and was also the zonal manager, Bhopal, executive director (estate and office services), Mumbai, amongst others, of LIC. He was also the senior divisional manager of Gorakhpur and Jaipur divisions of LIC.

Siddhartha Mohanty is the Managing Director of LIC. He previously served as COO and CEO of LIC Housing Finance Ltd and has held various other positions. He joined LIC in the year 1985 and has experience in the insurance sector.

Ipe Mini is the Managing Director of LIC. She joined LIC in the year 1986 and has experience in the insurance sector. Previously, she was also the CEO of LICHFL Financial Services Ltd and has led the international operations of LIC.

Bishnu Charan Patnaik is the Managing Director of LIC. He joined LIC in the year 1985 and has experience in the insurance sector and has handled several positions in LIC.

Dr Ranjan Sharma is the Independent Director of LIC. He is experienced in the field of academics.

Vinod Kumar Verma is the Independent Director of LIC. He is experienced in electronics business. He is an Independent Director of LIC from October 29, 2021.

Anil Kumar is the Independent Director of the LIC. He is currently working as a professor in the Department of Commerce of the Shri Ram College of Commerce, University of Delhi.

Anjuly Chib Duggal is the Independent Director of LIC. She was also a director on the board of the Reserve Bank of India.

Gurumoorthy Mahalingam is the Independent Director of LIC. Previously, he was, amongst others, the whole time director of SEBI and was also the executive director of the Reserve Bank of India and has numerous years of experience in the financial sector.

Raj Kamal is the Independent Director of LIC. Previously, he was also the CEO of OYO Vacation Homes.

Vankipuram Srinivasa Parthasarathy is the Independent Director of LIC. Previously, inter alia, he was also the group CFO and group CIO of the Mahindra Group.

Vijay Kumar Muthu Raju Paravasa Raju is the Independent Director of LIC. Currently, he is the CFO at Sify Technologies Ltd. He is the independent director on the boards of, amongst others, Thejo Engineering Ltd.

Sanjeev Nautiyal is the Independent Director of LIC. Previously, he was, amongst others, the managing director and CEO of SBI Life Insurance Co Ltd.

Key Managerial Personnel

Debi Prasanna Mohanty is the Executive Director (Audit) and Chief Internal Auditor of LIC. He joined LIC on April 17, 1984 and has worked in various offices of LIC in different capacities.

Arun Kumar Anand* is the Executive Director (Investment Operations) and Chief Investment Officer of LIC. He joined LIC on April 17, 1984. Previously, he has held various other positions in LIC and has also been chief of investment operations of LIC.
*(*Arun Kumar Anand shall cease to hold the office on account of his retirement with effect from April 30, 2022 and Pramod Ranjan Mishra shall assume the charge of this designation with effect from May 2, 2022.*

Pramod Ranjan Mishra is the Executive Director (investment operations) and Chief Investment Officer of LIC. Previously, he has held various other positions in LIC and has also held the position of CEO, LIC (Nepal) Ltd.)

Muraleedharan Purushothaman is the Executive Director – marketing/ product development and chief marketing office of LIC. He joined LIC on November 1, 1985. He has also held several other positions in LIC and was also the CEO of Life Insurance Corporation (Nepal) Ltd.

Sunil Agrawal is the Chief Financial Officer of LIC. He joined LIC on February 21, 2022

Debashish Prasad Pattanaik* is the Chief (in-charge)(Corporate Governance/ golden jubilee foundation/ Regulatory Compliance) and Chief Compliance Officer of LIC. He was previously the general manager of LIC Housing Finance Ltd and was also the chief operating officer of LICHFL Financial Services Ltd. He joined LIC on September 18, 1989 and has held several other positions.
*(*Satyabrata Nayak shall assume the charge of designation with effect from April 25, 2022 pursuant to the transfer of Debashish Prasad Pattanaik, who will get relieved as and when expatriation procedures are completed.*

Research Analyst - Akash Jain, MBA (Financial Markets), Vice – President Research



Satyabrata Nayak is the executive director (corporate governance/ golden jubilee foundation/ regulatory compliance) and chief compliance officer of LIC. Previously, he has held various other positions in LIC. He joined the LIC on February 1, 1988).

Tablesh Pandey is the Executive Director (investment – risk management and research)/ chief risk officer/ actuarial core group central office) of LIC. He joined LIC in February 22, 1988.



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