Management Discussion

Prayesh Jain - Analyst, Motilal Oswal Financial Services Ltd
Thank you, Ikra. Good evening everyone. It's a privilege to host the senior management of Canara HSBC Life Insurance for their H1 '27 earnings conference call, and especially at a time when the industry is at a very important juncture. From the management we have Mr. Anuj Mathur, MD and CEO; Mr. Soly Thomas, Deputy CEO and Chief Distribution Officer; Mr. Tarun Rustagi , the CFO; Mr. Nitin Agarwal , the appointed actuary; and Mr. Amit Jain, the Head of Investor Relations.

I now hand over the call to Mr. Anuj Mathur, MD and CEO. Over to you, sir.

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
Thanks, Prayesh. Good evening, friends, and welcome to H1 FY '27 earning calls of Canara HSBC Life Insurance. We sincerely appreciate your time and thank you for joining us today. Your continued engagement and valuable insights are highly appreciated. The financial results and investor presentation are available on our website as well as the websites of both the stock exchanges. I'll talk about our performance and then floor will be open for questions, so please feel free to ask questions.

So I'll start with the macroeconomic front, and despite multiple global headwinds, the Indian economy has continued to exhibit resilience. Supported by strong domestic fundamentals and a stable growth outlook. In its latest monetary policy, RBI has also reiterated confidence in India's economic resilience, raising its FY '27 GDP growth forecast to 7.1%. So while inflation remains a concern, the broader economic environment continues to support long-term savings and protection needs. We believe that these structural changes will augur well for the life insurance industry. We will also remain watchful of the evolving global uncertainties and will continue to navigate the environment with prudence and agility.

So coming now to our company's performance, happy to share that we have delivered a healthy overall performance in H1 FY '27, with our individual WPI, Weighted Premium Income, growing by 15% year -on -year and AP increasing 14% year -on -year, which is better than the industry growth of 13% year -on -year and 12% growth which has been reported by private players. However, beyond top line growth, our strategic focus remained on deepening channel penetration and expanding customer reach, which is reflected in a robust NOP growth of 16% during the period. So this is something which I like to mention, it's very, very important that the number of policies have actually grown 16% during this period which was higher than 9% growth which we reported -- 9% growth reported by private players growth and 2% growth for the industry.

We continue to focus on traditional products during H1 FY '27, supported by customer preferences and market volatility. As a result, the share of traditional products has increased to 59% of APE in H1 FY '27 compared to 50% the last year in H1 FY '26. So this is again a major shift which we have seen in case of our product mix, which has actually helped us in terms of our overall profitability. Friends, within the traditional portfolio, demand for individual protection remains strong, growing significantly faster than the company average. This led to an increase in the share of individual protection to 4.4% of our APE. Our individual protection business grew 96% year -on -year in H1 FY '27 versus H1 FY '26. And this is what I had mentioned in the last call also, that as a company our focus is on protection business, and I'm happy to share that we are seeing very good outcomes.

Overall, protection accounted for 10% of APE in H1 FY '27, up from 8% in H1 FY '26. And will

continue to be a key strategic focus area for us. Also, I would like to mention that our credit life business has maintained strong growth momentum, delivering growth of 35% year-on-year, supported by healthy growth across both Home Loans and Education Loan segment. During this period, we also saw share of our non-par business increasing to 25% in H1 FY '27 versus 17% in H1 FY '26. So there's significant growth in the non-par segment also, while annuity and participating products remain largely stable at 14% and 10% of APE, respectively. This evolving product mix reflects our focus on balancing customer needs, profitability, and long-term value creation.

Friends, the share of ULIPs moderated to 41% in H1 FY '27 from 50% in H1 FY '26, primarily driven by customer preference, volatile equity market conditions. However, we continue to see demand from targeted customer segments, reinforcing our strategy of maintaining a well-diversified product mix which balances growth, profitability, and customer relevance, customer preference. Renewable premium growth continued to grow at a healthy pace of 18% year-on-year for H1 FY '27, reflecting the improving quality of our business and strong customer engagement. Friends, our 13-month persistency also improved to 85.6% compared to 84.4% in H1 FY '26, while our 61st-month persistency stood at 54.6%, highlighting the durability of our book and effectiveness of retention initiatives along with robust sales quality. We believe these trends are a testament to the strength of our customer proposition, prudent underwriting and distribution practices and our continued emphasis on delivering superior customer experience.

Strong persistency remains a key contributor to embedded value creation and long-term profitability. Friends, on our agency channel, I am happy to share that we have onboarded over 1,900 sales distributors and generated an APU of INR40 crores during H1 FY '27. We will continue to scale up this channel in a phased manner and we are very confident of further growth throughout FY '27. I'll now come to financial and operating metrics, and on that, I'm happy to share that we continue to focus on maintaining our VNB growth, which is higher than the APE growth. Our value of new business for H1 FY '27 stood at INR266 crores, registering a healthy growth of 24% year -on -year, driven by shift towards traditional products.

Friends, despite the GST impact and our ongoing investments in the agency channel, we have reported a healthy VNB margin of 21.3% for H1 FY '27 as compared to 19.6% reported in H1 FY '26. So there is healthy growth in the VNB margin. The margin improvement was led by a favorable product mix, shift towards traditional yield curve benefit and improving operating leverage driven by higher volumes. Our embedded value, Indian embedded value grew by 16% year -on -year, reaching INR7,622 crores with a healthy operating RoEV growth of 19.8%. During the period, we achieved key milestone of crossing INR50,000 crore in AUM, registering 14% year-on-year growth. Our profit after tax for H1 grew by 11% to INR71 crores. Our total expense ratio for H1 FY '27 stood at 20.5% compared to 19% in the corresponding period last year. However, excluding the impact of GST, our opex stood at 19.2% compared to 18.5% for H1 FY '26 and remains broadly in line with the range.

Friends, solvency ratio remains comfortable at 180% and is well above the regulatory requirement. Last, I'd like to touch upon the regulations, the draft regulations, the consultation paper which has come and I think it's a step in the right direction. The latest discussion paper on distribution framework issued by IRDAI is aimed at building a more transparent, customer-centric, and efficient insurance ecosystem. We believe these reforms represent a significant step forward for the insurance industry, fostering greater transparency, customer centricity, and long-term sustainability. While we await the final framework, we are confident in our ability to adapt swiftly and effectively. We will continue to stay agile, innovate proactively, and strive to outperform our medium-term

objectives. However, we'll wait for the final guidelines before drawing any conclusions.

So thank you very much. Thanks for your time, and I'm very happy to take questions which you people may have. Over to you.

Questions & Answers

Operator
Thank you very much. We will now begin the question -and -answer session. [Operator Instructions] We will take our first question from the line of Sanketh Godha from Avendus Spark . Please go ahead.

Sanketh Godha - Analyst, Avendus Spark Institutional Equities Private Limited
Yeah, thank you for the opportunity. Sir, my first question is on your solvency which is at 180, despite raising sub-debt in that sense. So is it fair to say that if your growth seems to be driven by protection or non-par or annuity, which are typically capital-consuming and RBC norms don't come, maybe as quickly from the regulator, is it fair to say that we if this growth momentum continues in these product segments, then you might go for a capital raise?

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
Okay, thanks, Sanketh for asking that question. S ee solvency ratio as of 30th of September is actually a factor of many things and one of the factors is also the equity market. And we all know that towards the end of September, in the equity market there was correction. So that is one reason. Similar thing we saw in March also. But at the same time, I would like to mention that we have actually our plans. In fact, if required we are going to raise sub debt, subordinate debt. We don't foresee requirement coming for the equity fundraise at this point in time. So I think we are fairly kind of capitalized and our solvency is much above the regulatory minimum of 150%. And the subordinate debt which we are going to raise in this quarter should help us in further improving the solvency. And as I mentioned, I think the market conditions also play an important role. So hopefully, as market kind of we have seen today, if market reverses what it was on 30th of September, there will be also automatic benefit which will accrue to us.

Sanketh Godha - Analyst, Avendus Spark Institutional Equities Private Limited
Sir, is it fair to say that in your shareholders' investments you have equity book to, and, and that's why you, you are seeing a solvency impact in that sense? Otherwise equity market should ideally not be impacting the solvency, right?

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
Yeah, so we don't have equity in our shareholder portfolio. It's there in the policyholder fund. So both par as well as non-par, we have equity proportion. So that is where the equity play comes in.

Sanketh Godha - Analyst, Avendus Spark Institutional Equities Private Limited
Okay, understood, sir. And the second question, sir, is on the new, new norms. And what we understand is that the credit life is probably the most impacted product in the new norms which is proposed if it goes in the same format. And for us in 1H, credit life is almost or non-retail protection, which I believe is largely credit life, is 6% of the total APE. So just wanted to understand, sir, what

are the commission structures what we follow today, whether they will see a material change compared to the proposal, what is mentioned and current practice. And given that payment structures are also changed, means it can't be topped up with the loan but need to be paid separately. If payment dynamics change with respect to that particular product by the consumer, how do you see the impact and how do you think to mitigate the impact on that line of business, which in my view is a margin-accretive product for you?

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited

Right, so first of all, Sanketh, I'd like to say that we should not draw conclusion from what is there. I think regulator is seeking feedback from various stakeholders and we are expecting that maybe the final guidelines may be different from what they are currently. And in the past also, I had mentioned this, that as far as we are concerned, our commission structure was very moderate, continues to be moderate. So the impact on us will be not to that extent as the industry will be. So I think there'll be some changes in the regulations and then accordingly we can see what is the final rate and basis that we can, but one thing which I would also like to mention, Sanketh, in our case, actually a lot of this business comes from our two shareholders. And because they're not just the distributor, they're also the shareholders of the company, I don't foresee drop in the business.

In fact, with this change happening it's quite possible that the product may become further affordable. So which means there is a big opportunity for us to scale up this business in volume terms. So I think that is where we stand out differently and we feel that the final commission rates which will come should be slightly higher. And also that because our shareholders are distributing this credit life, it should actually the value acquisition is much more important compared to just the commission.

Sanketh Godha - Analyst, Avendus Spark Institutional Equities Private Limited

Understood, sir. Maybe a follow-up on this particular question is that out of the total credit life what we do, how much is contributed either by HSBC and Canara Bank? Is it more than 90%? Point number one. And second question is, sir, maybe, maybe if you can quantify the commission structure, if you are okay, comfortable telling that number, quantify the commission structure what is followed as a practice today. And lastly, my more concern was that I completely understand that if the commissions are lower, given you have your own shareholders doing bulk of the business, you will probably make the product affordable. But our worry was that if the payments are to be done by the end user rather than being topped up bundled in the loan, it could have an implication even for the companies which have shareholders bringing bulk of the business. So I was looking for comments more from that perspective, sir.

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited

Okay, I'll just add something and then maybe I'll ask our CFO also to respond. So first of all, Sanketh, I would like to mention that in our case, our process was always compliant. We never used to bundle. In our case, the EMI and funding for premium, there were two different kind of payouts for the customer. So we never bundled it in the past. The loan given for insurance premium was always separate, so complete transparency. So we don't expect any kind of problem in terms of process. And as I mentioned, in our case, I will not be able to disclose the exact rate, but yeah, as I had mentioned in the past also, our commission rates are very, very moderate.

Tarun, anything you want to add.

Tarun Rustagi - Chief Financial Officer, Canara HSBC Life Insurance Company Limited
So you also ask how much is the percentage of contribution of Trade Life by Canara. It is upward of 90%, and the differential commission, which is what we are paying and what is proposed is not that , it is there definitely, which Anuj just mentioned, in terms of, there will be some adjustment which we have to make. But we also need to understand, as a bank, and as a shareholder, they totally understand the importance of this particular product because this is a win-win product for all three stakeholders which is from the bank perspective, from the customer perspective. And since our pricing was always reasonable, therefore we saw a good attachment in this particular product. So that will continue.

So there is a natural demand also for this product, for what we have seen in our case. So that will continue. And therefore, we expect that any, let's assume that there is a gap in the commission what they are earning will be taken care by the higher attachment and the higher demand, because that particular proportion of commission relief will be somehow will be passed to the customer at the end of the day. So this is what, what we see is still going to be a win-win situation for all three stakeholders.

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
Yeah, and just to add, we have seen in case of other financial products also, and even in case of term business, when it became more affordable, the volumes have gone up. So I think this is the point which Tarun is also saying that we should witness higher volumes coming in on the basis of a product being more affordable.

Sanketh Godha - Analyst, Avendus Spark Institutional Equities Private Limited
Got it, sir. Got it, sir. Sir, maybe, maybe last two. I'll come back in queue.

Operator
We will take our next question from the line of Mohit Mangal from Centrum Broking. Please go ahead.

Mohit Mangal - Analyst, Centrum Broking
Good evening everyone and thanks for the opportunity. So my first question was in terms of the VNB walk. So we saw about 200 basis point impact because of expenses. So just wanted to clarify, was it a GST impact or there's something else as well?

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
Okay, so I'll request our appointed actuary, Nitin to give detail.

Nitin Agarwal - Appointed Actuary, Canara HSBC Life Insurance Company Limited
So yes, that is primarily on account of GST.

Mohit Mangal - Analyst, Centrum Broking
Understood. My second question, I was reviewing your sensitivity analysis And financial year '26, a 1% change in the reference rate, it could improve your VNB margin by 1.7% and EV by 1%. So if this, I mean, if this yield curve continues to steepen, can we see some kind of further upside to VNB

margin and EV?

Nitin Agarwal - Appointed Actuary, Canara HSBC Life Insurance Company Limited
That's correct. We can see some amount of uplift on the VNB margin if this continues to go up.

Mohit Mangal - Analyst, Centrum Broking
My last question is in terms of, last call you said that your protection growth comes, I mean, primarily from the Tier 3 and Tier 4 cities. N ow we saw a weak monsoon and the rural incomes can kind of disappoint. Do you see any risk to the growth momentum from the business coming from those cities, smaller towns and cities?

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
No, no, no. In fact, I like, just like to clarify, actually it's traditional business which is hard portion, not just protection business, which comes from Tier 3, Tier 4 cities. And I don't think so there should be any impact in terms of demand. And with product becoming more affordable with IRR increasing, I think there will be increased market for these products going forward.

Mohit Mangal - Analyst, Centrum Broking
Fine, thanks a lot. And I'll join back.

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
Thank you.

Operator
Thank you. Next question is from the line of Vinod Rajamani from Nirmal Bang. Please go ahead.

Vinod Rajamani - Analyst, Nirmal Bang Equities
Yeah, yeah, thank you for taking my question. I just had one question on this opex. So I mean, just assuming that the regulation, I mean, it's a little speculative right now, we don't know what final shape and form the regulation will take, but just assuming that it stands where it is right now given that you are planning to kind of roll out agency and so on and how do you kind of marry that with this, these new opex regulations? That is the question I had.

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
Right. So on agency, in fact, our approach, which I had articulated in the past also, is of phased growth. So we are building it up in, and we don't want our profitability to get impacted. In fact, we see that if, the final regulations there, the commission cap is there, it may actually help our agency business. Because from where the market is currently, and from where it will go to, I think the overall reduction will happen, which will help us to kind of do more business, c ost of acquisition will come down.

Vinod Rajamani - Analyst, Nirmal Bang Equities
Okay, but, what about, say for example, I mean, you'll also have to reduce your opex, so is, is there any impact on, on volume volumes? Could there be any, any negative impact on volumes if, if the regulations stand as they were? B ecause if you have to bring it down to something like 15%, which is, what is, the regulator is expecting, I mean how will that be managed?

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
Yeah, so see, we have a competitive edge there. If you look at our current number, we are hovering somewhere around 18%. So for us, the gap from 18% to 15% to cover in two years' time with business increasing and all that is not going to be a big challenge. This will be a challenge for people who are sitting on 25% plus. We are actually very close to the number which the regulator has as of now mentioned in the consultation paper, so I don't foresee any kind of challenge on that front.

Vinod Rajamani - Analyst, Nirmal Bang Equities
Thank you. That's the only question I had.

Operator
Thank you. Next question is from the line of Gaurav Nigam from Tunga Investments. Please go ahead.

Gaurav Nigam - Analyst, Tunga Investments
Yes, sir. Thank you for taking my question. On this fundraise, I think you alluded to solvency as being the reason. I mean, just wondering, is there any other reason? Because I mean, there is also an NDAS transition which is expected next year, and market is doing significantly. So I mean, what are the reasons behind this fundraise?

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
So you see, in a growing business, there will always be requirement to kind of put money to grow the business. So that is the primary purpose. And as I mentioned, our solvency is not way off. If you look at the industry, I think our current levels are pretty okay. But yes, we want to do this so that we can further grow the business. And obviously, protection business also involves higher solvency and all that. But also...

Gaurav Nigam - Analyst, Tunga Investments
Sorry, just going back, you're saying that it's largely driven by growth and there is corresponding solvency requirement. Is it solvency only practically?

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
Yeah. So growth, business growth, focus on protection, and some bit of new investments which we are making in various other alternate channels. Hello?

Operator
Yes, sir, you may please continue.

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
Yeah, yeah. So I think he has got dropped, it seems.

Operator
Yes, sir. The current participant has left the queue, sir. So we will move ahead and the next question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain - Analyst, Motilal Oswal Financial Services Ltd
Yeah, hi. Thanks for the opportunity to ask question. So just firstly, more broader industry-level question. You have this consultation paper now. Risk-based solvency norms possibly are likely to be announced. You have possibly IFRS implementation coming in. There are many changes that the industry is likely to witness from FY '28, right? How do you see your product structures or distribution structures evolving in the next year. I think this will be a very inflection year for all the companies in the sector. So for us, how do you think that this will really see changing the way we think about the business?

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
Yeah, so Prayesh, thanks for asking this question. And actually, we are very optimistic with all these changes happening because what it effectively means for us is actually that we can grow business much faster. And as I had mentioned earlier also, our commission rate is very, very moderate. So for us it's not a big change. Our expenses of management are very close to the desired position. So we don't foresee any challenge. And IFRS and other things is now BAU for us. In fact, as required by the regulator, we are actually submitting our financials basis IFRS also in addition to the statutory reporting. So it's all BAU. And as I said, like with products becoming more affordable, we see actually this as an opportunity to grow business much faster. So the way our financials are right now, I think this is, this is an opportunity actually for us rather than being a challenge.

Prayesh Jain - Analyst, Motilal Oswal Financial Services Ltd
But this, sir, an extension to this question is, do you think any major changes in the way you will approach products, say credit life, right, you know, where the commissions possibly will go down and the incentive for your bank, for the banks to sell goes down, right? I understand that for us both of, both the partners are shareholders as well, so they would keep our, keep our interest in mind as well. But just from a customer perspective also, the bundling stops. Also, on the other hand, do you think that products like, say, ULIPs or non-par, probably on the risk-based solvency side, one product becomes more profitable versus others or where the solvency required is more? So there could be a lot of changes here. So how do you see the product structure also evolving and do you will you have to undergo a massive shift in product mix to kind of maintain profitability or even improve for that matter?

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
Fine. So first of all, I'd like to clarify that we never did bundling in the past. Our current process also doesn't involve bundling. And I'm requesting our appointed actuary, Nitin, to clarify on the products, please.

Nitin Agarwal - Appointed Actuary, Canara HSBC Life Insurance Company Limited
Yeah, hi, Prayesh. So on the product, see, currently also we have a very balanced product mix. If you see, we are not very heavy on any particular, any particular product mix. You know, we sell annuity protection, non-par savings, ULIP, and everything. And what we are seeing is for both the regulations that you mentioned, from the risk-based and IFRS, from our initial evaluation that we've been doing, we are seeing positives on both sides. So even RBC is going to be a welcome change, as we can see that that will give us in fact a little more headroom from a solvency perspective. So that's what we've seen in the past submissions of both quiz 1 and quiz 2. And even on the IFRS side,

we definitely see an upside. So in fact, in fact, that will also allow us, give us a room for the capital intensive where the new business is probably on the higher side. So that will also get slightly better under IFRS. So both these regulations will only be more positive towards , towards the growth that we are planning to do.

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
And do you also want to clarify on the solvency impact of these new consensus -- guidelines?

Nitin Agarwal - Appointed Actuary, Canara HSBC Life Insurance Company Limited
Solvency, so I think IndAS will not have any impact on solvency because solvency will continue to be reported as -- before we move to RBC, it will continue to be reported on the current Indian GAAP. And as Anuj had already specified that we are raising certain subordinated, that should be -- that should keep us comfortable to ensure that our growth doesn't get compromised. A nd any of the lines of business like protection where the solvency requirement is tight here, we can continue to focus on those. And RBC, as I mentioned, that RBC will only we are seeing a positive impact as we've seen in the current format. And over there also, RBC is also we've given a lot of feedback to the regulator. So if any changes happen, that can only be even more positive.

Prayesh Jain - Analyst, Motilal Oswal Financial Services Ltd
But that is helpful. Just one question on the consultation paper. Any color you have got on the cut in commissions on the renewal book, whether it will be prospective or retrospective? And if yeah, any color there? How should we think about this?

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
It will be prospective. I don't think so the existing book will...

Nitin Agarwal - Appointed Actuary, Canara HSBC Life Insurance Company Limited
And also just to add that actually our renewal commissions, we are actually seeing a positive over there in terms of the allowable limits are mostly more than what we are currently paying in terms of renewal commission. So I think actually that is probably be -- there'll be probably be an upside.

Prayesh Jain - Analyst, Motilal Oswal Financial Services Ltd
Got that. Thank you so much.

Operator
Thank you. Next question is from the line of Ansuman from ICICI Securities. Please go ahead.

Ansuman Deb - Analyst, ICICI Securities
Yeah, hi, thanks for the opportunity. So, you're -- I know it's very heartening to hear the commentary around the confidence that we have in the prospective post despite the consultation paper in terms of challenges. So can you just tell us in terms of what are the key challenges which you think, in front of us, especially under the context of this consultation paper? Because one of the things which we have been wondering about is the credit life bundling product that you said is not going to be a problem because of the -- all the three parties benefiting. And also the traditional product demand, also you said it's like quite, quite okay. So what, in your assessment, what could be the challenges from the -- from Canara HSBC perspective? I know we are better placed than the industry, but what

are the things which you think are the challenges as of now today?

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
First of all, I would like to say that we should not jump the gun and I think let's not draw any conclusion from whatever is there in the consultation paper. I think, one area where probably, maybe change can help is in terms of AUM. So while we are largely in line with the regulatory expectation, but I think if further headroom is given by the regulator that will help us to even accelerate our further investments. Because as of now, we are comfortable, and regulator is as of now talking about two years' time to bring down to that percent, 15%. But if there's any change which happens, it will further help us to accelerate our growth.

So I don't see any as I mentioned earlier also, we don't foresee any challenges for us in terms of this. Yeah, credit life is an area to watch out for. We are also very keen that , that, that the rate which is currently there gets revised upwards. But I don't foresee any big challenge because, as I mentioned, I think we're very close to the desired position which the regulator is looking at. So I don't foresee. In fact, cost is a big advantage for us. I think amongst the industry, we are amongst very few players who are actually, running very, very efficient business. So I think for us, we don't foresee any challenge. Operationally t here could but I think overall we see this as an opportunity to grow business from here.

Ansuman Deb - Analyst, ICICI Securities
Understood. And just as an industry observer, we sometimes wonder whether the banks or the partner banks will lose motivation of selling credit life. In your discussion with your parent or in terms of as your opinion, is there any possibility that the credit life as a product loses the relevance from your banking partner?

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
I don't think so. See, as I mentioned, commission is just one part of it. A s a shareholder, there are other things. There is value acquisition we look at. And let's not forget, actually, this helps in protecting the bank's exposure to the customer in an unfortunate event. So I think purely looking from protection perspective also, I don't see any drop happening in terms of business, just because commission rate is getting reduced. That's one factor which is I'm not saying that it is irrelevant, but at the same time, there are other pressing things which will help actually for us to grow this business. So affordability in terms of product being more affordable, value accretion from shareholder perspective, and they protecting their exposure by providing this cover through credit life. So I think there are more positives if I look at and as I mentioned, our product was never -- we were never doing bundling and all that. So that way there is no challenge on the process side also.

Ansuman Deb - Analyst, ICICI Securities
Understood. Thanks a lot and wish you all the best. Thank you.

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
Thank you.

Operator
Thank you. Next question is from the line of Gaurav Nigam from Tunga Investments. Please go ahead.

Gaurav Nigam - Analyst, Tunga Investments
Yeah, apologies, sir, for the dropping my call. I just had one follow-up question on the HSBC channel. Its share has come down, so it would be great if you can help understand what happened in the channel.

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
No, share has not gone down.

Gaurav Nigam - Analyst, Tunga Investments
I think Q1 share on an APE basis is 21% in Q1 and H1 share is 17% HSBC.

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
Yeah, so overall the business has grown, but yeah, Canara has also done slightly better in Q2 compared to Q1, so that's why on relative basis, what you are saying is maybe correct, but overall business in HSBC has increased.

Gaurav Nigam - Analyst, Tunga Investments
Okay, because HSBC is on a growth path and more expectation was that the foreign currency flows which are happening should ideally do better. That's why this question.

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
Yeah, so there are multiple factors actually behind HSBC growth. I think the bank is growing their number of branches. They have presence in Gift City also. So I think all these things overall, and in terms of licensed people also who are selling insurance, they have increased the number of planners also. So all these things are very positive and is going to give growth even in medium to long term.

Gaurav Nigam - Analyst, Tunga Investments
Understood, understood. Thank you, thank you for taking my question.

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
Thanks.

Operator
Thank you. Next question is from the line of Sanketh Godha from Avendus Spark. Please go ahead.

Sanketh Godha - Analyst, Avendus Spark Institutional Equities Private Limited
Yeah, thank you for giving the opportunity for the follow-up. I just wanted to know, this time you did not give the EV walk. So given we are typically sensitive to interest rates positively, like unlike others, so just wanted to understand how much operating variance and economic variance contributed to the current EV. If you can call out that numbers, it will be useful. And second, maybe,

I was trying to check your follow-up on credit life itself. I just want to understand what are our current penetration rates in credit life, which means out of how many loans, do we, do we attach a credit life in Canara Bank or HSBC Bank in that sense?

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
Right. First you want to answer on the walk?

Nitin Agarwal - Appointed Actuary, Canara HSBC Life Insurance Company Limited
Okay. So I'll answer on the walk. So, yes, because there is generally seasonality, we've seen the EV box, we've not provided it this time, we'll be providing at the year end. But the operating variance continues to remain positive. So that is something which we've been seeing since beginning. Economic variance also, there's not, anything major significant to highlight over there. There has obviously been some impact of the market, but otherwise, as we had shown in the sensitivity, it continues to, there's interest rate positive movement over there. So yeah, the generally seasonality, there is an impact. Generally, we see that first half, the EV growth itself is slightly low, but full year, the number EV growth is on the higher side. So we will show this at the year end.

Sanketh Godha - Analyst, Avendus Spark Institutional Equities Private Limited
But economic variance, is it fair to say it's positive, just for you in assets?

Nitin Agarwal - Appointed Actuary, Canara HSBC Life Insurance Company Limited
It's slightly negative, but that's primarily driven by the markets.

Sanketh Godha - Analyst, Avendus Spark Institutional Equities Private Limited
Okay, understood. Thank you.

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
Just to answer you on attachment rate, so our current attachment in Canara is around 43% on home loans and about 72% on education loans. So that way, in education loan, it's pretty decent and we have scope to further improve our attachment rate in home loans. Also, I would like to mention that we have witnessed 30% growth actually happening in this particular business in Canara as well.

Sanketh Godha - Analyst, Avendus Spark Institutional Equities Private Limited
Understood. Yeah, that's it from my side. Thank you. Thank you for the answers.

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
Thanks.

Operator
Thank you. Next question is from the line of Mohit Mangal from Centrum Broking. Please go ahead.

Mohit Mangal - Analyst, Centrum Broking
Yeah, uh, thanks for the follow-up. I've got a couple of questions. My first question is on APE growth. I, I we saw our A PE growth kind of softening this quarter. Last few quarters were very good. So just wanted to know, how should we look at APE growth, say, for the next maybe two to three years, are we going, expected to grow higher than the industry or match the industry growth rate?

What are our internal expectations on it?

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
Yeah, so see, our APE growth, I'll not like to put a number to it right now, but yeah, our APE growth is going to be higher than the industry, which we are seeing currently also, and I think that should continue. A lso I would like to mention that, our growth in APE or WPI is also a factor of traditional mix and unit linked mix. So as our traditional mix has gone up, so that's where, we have seen, our WPI growth of 15%. So overall, we are very positive, but I would refrain from giving any kind of estimate for next two to three years, but definitely it will be better than the industry growth.

Mohit Mangal - Analyst, Centrum Broking
Understood. Next question is in terms of guaranteed business, or basically the IRRs. So two subparts to that. First, I wanted to know how much of our proportion of guaranteed business is currently hedged. And second is that, with the recent change in interest rates and also expected to increase in interest rates, do you expect the IRRs to be revised further on your guaranteed business?

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
Yeah, Nitin, go ahead.

Nitin Agarwal - Appointed Actuary, Canara HSBC Life Insurance Company Limited
Yeah. So on the hedging part, so we currently are You know, we are hedged at about 75% to 80%, is our hedging ratio. So we are quite comfortable over there. On the second part, on the IRR, so we actually have multiple products with different IRRs. So based on the interest rate environment, we always have an option to offer more competitive products with higher IRRs through different distribution channels. So we don't need to necessarily come up with new products because in our book, in our shelf, we already have different products which have different level of IRR. And we can just offer based on the current interest rates.

Mohit Mangal - Analyst, Centrum Broking
Understood. So actually asking from competitive intensity, the competitive intensity within these products have kind of increased very, materially. So just wanted to know how equipped we are to handle this.

Nitin Agarwal - Appointed Actuary, Canara HSBC Life Insurance Company Limited
Yeah, so we will continue to remain competitive. I think that, that's what we keep doing. So that's -- so to remain more agile, what, as I mentioned, that depending on the competitive environment, rather than coming up with a new product, we offer the product that is already in our shelf with, which with higher IRRs depending on what the prevailing competitive environment is or the interest rate environment is.

Mohit Mangal - Analyst, Centrum Broking
Okay, so that's helpful. Thanks and wish you all the best.

Operator
Thank you. We will take our next question from the line of Prayesh Jain Jain from Motilal Oswal. Please go ahead.

Prayesh Jain - Analyst, Motilal Oswal Financial Services Ltd
Yeah, so just a couple of more questions. Firstly, one of the key differentiations in the industry between channels and products across brokers or distributors was the commission structure that one insurance company would offer to the other, right, to the distributor versus the other insurance company. That was one of the key differentiators in, say, wallet share in certain, certain channels. I understand, for us that's not a key risk, at least in -- that's not a risk at all in terms of Canara and HSBC. But when you are developing your agency channel, or you would like to get into some online web aggregators or brokers, that will start, that, that com that, commission doesn't play a role now under the new regulations. Everybody would be paying the same commission. So pricing becomes a very important element. Or are there any other moats that, say, an insurance company can offer in order to kind of compete with other insurance companies in any distributor for that matter?

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
So Prayesh, I think you have also answered your question. So I think with the commission rate becoming more reasonable, even where we have to compete in open architecture, we will be able to offer better pricing. See, because our cost base, as you would know, is we are very, very competitive. So our ability to price products competitively and obviously features have to be there, and I think it will only provide us, I'll now say maybe a level playing field, because we were never in that rat race. We were never able to offer or match those expectations which were there in the open architecture. So I think now with some kind of limits coming in, it will only provide us the level playing field. And we are fairly confident that we will be able to offer better customer outcome compared to other players because of the model which we have, which is at the cost base is very, very low.

Prayesh Jain - Analyst, Motilal Oswal Financial Services Ltd
All right. And just on the sensitivity part, if I look at sensitivity, the acquisition cost sensitivity, if it decreases by 10%, your VNB margin goes up by 2.9% is what you showed in FY '26 table. What is the kind of benefit you see and what kind of price adjustments would be needed for you to maintain the margins? I understand it will be different across different products, but still some ballparks across, say, term life and IRR adjustments.

Nitin Agarwal - Appointed Actuary, Canara HSBC Life Insurance Company Limited
Again, so as you mentioned that the acquisition, the cost is growing, so 10% would have resulted in, broadly 3% kind of margin upside that we mentioned. But a lot will depend on how much the repricing and how much is passed on to the customers and how the regulations come into play and how much they monitor some of these things. So definitely, there is a potential for an upside in the margins as well. But as I said, that a lot will depend on the final set of regulations, the competitive environment, how much regulator monitors, how much we pass on to the customer. So all of these things will play a role. But yes, overall, either the volumes or the margins, definitely there should be some upside, both perspectives.

Prayesh Jain - Analyst, Motilal Oswal Financial Services Ltd
But just last one, broader level, again industry-level question. Do you think FY '28, industry premium would be a decline or a growth? Just a guess if you want to make one.

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
It's better not to make any guess in this kind of environment. But yeah, see, all indications are when you make a product more affordable, that business will go up. This is what we have seen in case of GST removal also last year. So I think that's the direction I can give.

Prayesh Jain - Analyst, Motilal Oswal Financial Services Ltd
Sure. T hank you so much and wish you all the best.

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
Thank you.

Operator
Thank you. We will take a last question from the line of Siddharth Rajpurohit from Systematix Group . P lease go ahead.

Siddharth Rajpurohit - Analyst, Systematix Group
Thank you for giving the opportunity. We have kind of raised some protection product pricing. Even after that, our protection APE has grown meaningfully. I just wanted to understand what is kind of driving the retail APE growth 96% for 1H . And if some, some color could be given on the channels, which channels are currently driving it?

Nitin Agarwal - Appointed Actuary, Canara HSBC Life Insurance Company Limited
So just to understand, you're asking about the VNB growth of 24%? Absolute VNB growth of 24%?

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
Protection?

Siddharth Rajpurohit - Analyst, Systematix Group
No sir. I, I am telling on -- yeah, on the protection side, pricings, your product pricing has gone up in the quarter, but even after that, your overall 1H growth is very strong. So just wanted to have some color. So what is driving this retail growth? Any channel-wise indication, color could also be helpful.

Nitin Agarwal - Appointed Actuary, Canara HSBC Life Insurance Company Limited
So from the pricing perspective, our protection pricing has remained similar. So we've not really had any major changes to the pricing of protection. It's just that we post GST, there was an automatic demand that we saw in our distributors, in our channels, and we have been and even in Canara Bank, we've seen a good uptake of protection. So that is what has caused driven the increase in the protection mix.

Sanketh Godha - Analyst, Avendus Spark Institutional Equities Private Limited
Okay.

Nitin Agarwal - Appointed Actuary, Canara HSBC Life Insurance Company Limited
And we continue to be quite competitive in our -- sorry, just want to add that we, we actually are quite competitive in our prices of protection. So that we've done and that is something which we are very conscious of. So we continue to remain very competitive in that. So that obviously helps us to

drive volumes on that.

Siddharth Rajpurohit - Analyst, Systematix Group
Okay, this is, you have added agents, but what would be the mix, say, of, say, young, say, new agents, or some, or agents who's from, say, other life insurers?

Dinesh Tak - Chief Agency Officer, Canara HSBC Life Insurance Company Limited
So hi, good evening, this is , Dinesh. As you would know, agency is all about creating a scale So we are taking and onboarding people, of course, who have expertise in BFSI segment. So we are taking people from other insurance companies also, but overall, we are focusing on all three or four segments, which includes housewives, which includes retirees, which includes professionals from BFSI segments, also self-employed. So it's a complete mix of distribution that we are trying to create.

Siddharth Rajpurohit - Analyst, Systematix Group
Okay. A nd so Canara is kind of our most strongest channel contributing around 60%. Just wanted to understand, if you can give some color that of the total business drive, how much is kind of pushed by the bank and what is being pushed by the employees, specifically designated branches. If you can give some understanding of this.

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
See first of all in bancassurance model, it is a joint effort. So it is not one person who's driving, that's the overall team. And maybe I'll request Soly who is an expert in this area to further comment.

Soly Thomas - Deputy CEO and Chief Distribution Officer, Canara HSBC Life Insurance Company Ltd
So, as rightly said, see basically, it's both the employees of our sales, as well as the bank. Since we have specified people in each of the branches and they've been in, been selling insurance for last 18 years, we have asked. So that's more of our BAU business along with other financial products which they are selling. This is also a financial product based on the customer need along with our team which has been based out of the branches. They're jointly selling this insurance. If you ask me, it's both 50-50. I would say it's not unlike the model wherein total dependence is on the bank. It's our sales team which also works in the leads which has been generated, and based on, the leads which, they convert those leads in the branches.

Siddharth Rajpurohit - Analyst, Systematix Group
Okay. And lastly, sir, what aspects of opex do you see has scope of reduction, which will ultimately help us meeting whatever caps ultimately have merged?

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
Again, I'll mention this. See, cost is not a problem for us. I think we are very well-managed company, very efficiently running company. Our focus is on growth of business, because if you see the ratio also, in the denominator you have the business. So if you are able to expand business, grow business higher than the industry growth rate, that will automatically result in our overall cost ratios coming down. So cost has not been a problem, but yeah, at the same time, we are very, very conscious that we should be running a lean business and I think we have been able to manage it

efficiently.

Siddharth Rajpurohit - Analyst, Systematix Group
Okay, thank you, sir. All the best.

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
Thanks.

Operator
Thank you. That concludes our question -and -answer session. I now hand it back to the management for closing comments.

Anuj Mathur - Managing Director & Chief Executive Officer, Canara HSBC Life Insurance Company Limited
Okay, great. So first of all, thanks a lot for taking out time for this interaction. And as a company, I'll just summarize. I think if you look at our profitability, the VNB margin has gone up, the absolute VNB has gone up. If you look at our protection mix, that has gone up. The focus on traditional business has actually helped us. Our persistency is really good. So just to summarize, I think all our financial parameters are in a very strong zone and as a as management team, we are fully committed to grow this business further.

So once again, thanks a lot. Thank you.

Operator
[Operator Closing Remarks]