Life Insurance Sector

Risk Pooling | Risk Pricing | Risk Management

INTELSENSE

Shree Rama Managers

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- **Service: Long Term**
  - For Long Term investors looking to build a quality portfolio
  - Fees: Rs 12,000 (1Y), Rs 20,000 (2Y)
- **Quantamental**
  - Quant based algorithmic stock selection
  - High churn model with weekly/monthly rebalance
  - Fees: Rs 15,000 (1Y), Rs 25,000 (2Y)
- **Hitpicks**
  - Technofunda approach
  - Discretionary positional trading with holding period between 2-6 months
  - Fees: Rs 15,000 (1Y), Rs 25,000 (2Y)
- **Quiver**
  - Trend following model
  - Use of quant + human discretion
  - High churn model
  - Smallcase only
  - Fees: 2% of capital, min – 5 lakhs

श्री Shree Rama Managers

- **Fund - SRI Lakshmi**
- **Investment Approach –**

  Long Term orientated fund with **fundamentally strong companies** with a **growth oriented** approach.

  Concentrated portfolio (**15-20 stocks**) with flexibility to remain in cash up to 50% if situation demands

  Typical holding period of 1-3 years (varies based on opportunity)

  Low to moderate portfolio churn
- **Benchmark -** Nifty 500
- **Minimum Investment -** 50 Lakhs
- **Fees -** 0.9% management fee and performance fee of 9% of profits

- **Fund - SRI Vriddhi**
- **Investment Approach –**

  Opportunistic fund. Main idea is to use **quantitative factors** in addition to an overlay of fundamentals.

  Highly concentrated portfolio (10-12 stocks) with flexibility to remain in cash up to 50% if situation demands

  Typical **holding period of 2-6 months** (varies based on opportunity)

  Moderate to high portfolio churn
- **Benchmark -** Nifty 500
- **Minimum Investment -** 50 Lakhs
- **Fees -** 0.9% management fee and performance fee of 9% of profits

For queries: email us at equity@intelsense.in

Disclosure

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Research Report prepared by Prateek Dugar. SEBI Registered Corporate Research Analyst. Registration: Cupressus Enterprises Pvt Ltd (owner of Intelsense.in) - INH000013828.

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INTRODUCTION

What is Insurance?

- Contract to provide guaranteed compensation to the insured (buyer) by the insurer (seller) in return for a specified payment (premium)

Why Insurance is important?

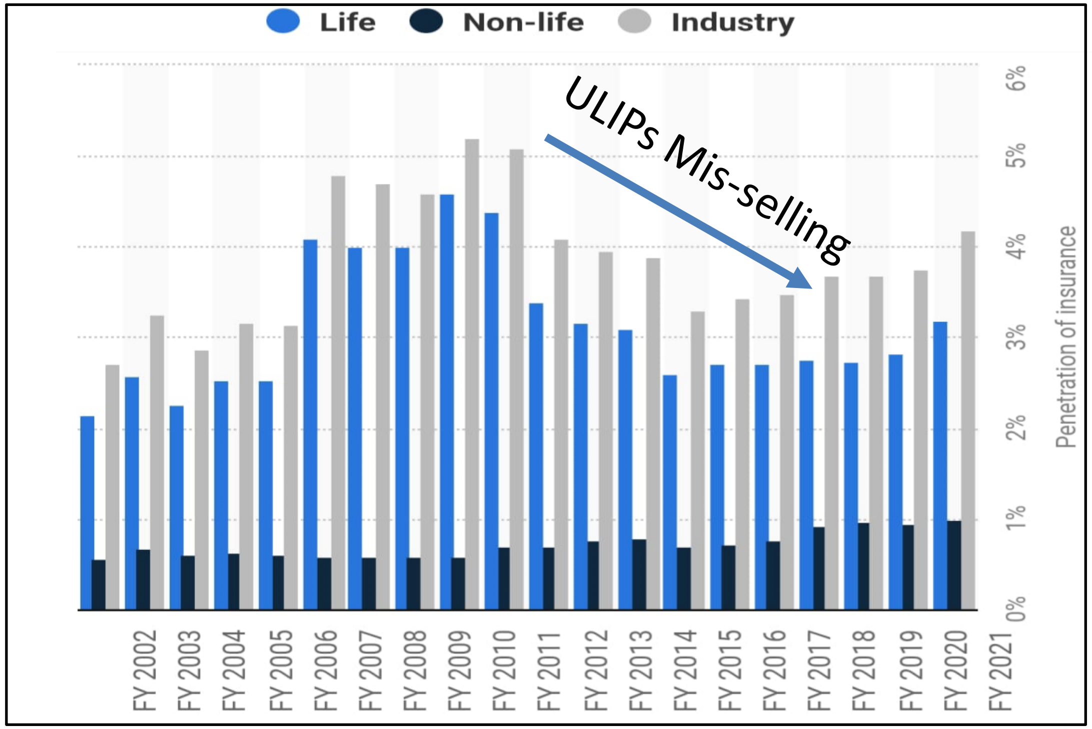
- Financial security and protection against unforeseen events
- ‘Principle of transfer of financial risk from the insured to the insurer’

Indian Insurance Industry – A brief history

- In 1999, the Insurance Regulatory and Development Authority (IRDAI) was constituted as an autonomous body to regulate and develop the insurance industry. The IRDAI was incorporated as a statutory body in April, 2000.

- The key objectives of the IRDAI include promotion of competition so as to enhance customer satisfaction through increased consumer choice and lower premiums, while ensuring the financial security of the insurance market.

- **India Insurance market stood at $131 Bn as of FY22**. The Indian insurance industry grew at a rapid pace over the last two decades and is expected to continue its commendable growth trajectory in the future years



Source :STATISTA

Types of Insurance & Prominent Players

Insurance Categories fall under 3 Buckets – **Life | Non –Life /General | Re-insurance**

Broadly, there are 6 types of insurance products :

Life Insurance -	**Term Plan | Endowment Plan | ULIPs | Whole Life Insurance Child's Plan | Money-Back | Retirement Plan**
Motor insurance -	**4 Wheeler | 2 Wheeler | Commercial Vehicle 3rd Party | Comprehensive Cover | Own Damage Cover**
Health insurance-	**Individual | Family | Sr. Citizen | Group | Maternity Preventive | Personal Accident | Critical Illness**
Property insurance-	**Home | Shop | Office | Building Fire | Flood | Theft | Natural Calamity**
Travel insurance-	**Flight | Baggage | Travel Documents | Trip Cancellation**
Re-insurance-	**Insurance for Insurance**

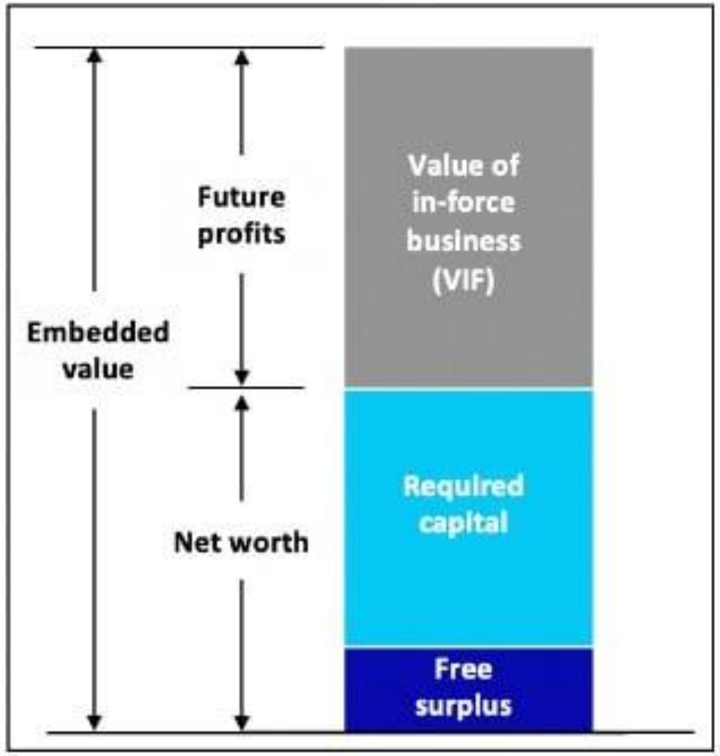
Apart from the one mentioned above there is also Cargo insurance that falls under General insurance bucket and other insurance products such as Mobile insurance and Crop Insurance

IMPORTANT TERMS, KEY METRICS & MONITORABLES

Industry key metrics / monitorable

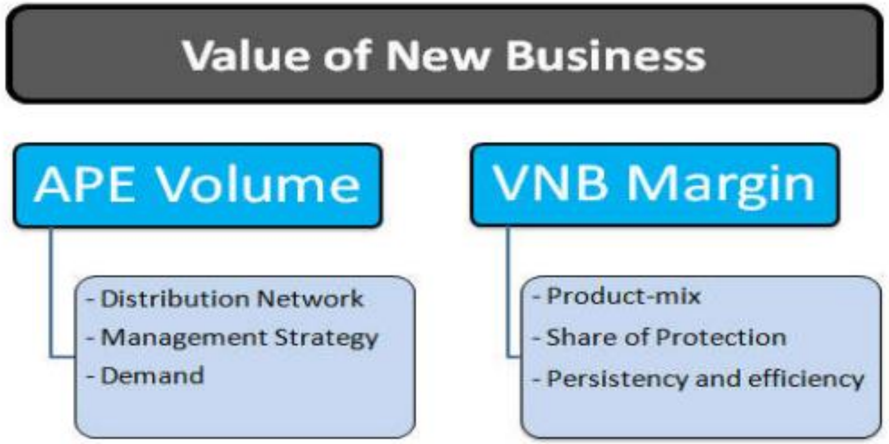
❖ EV (Embedded Value)

- EV is a measure of the consolidated value of the shareholders' interest in the life insurance business.
- It is calculated as the sum of the Company's Adjusted Net Worth (ANW) and the Value of In-force business (VIF).
- ANW comprises Free Surplus (FS) and Required Capital (RC).
- The VIF includes the present value of future profits attributable to shareholders from the in-force business of the Company (which includes the new business written during the previous year).



❖ VNB (Value of New Business)

- VNB is the present value of expected future earnings from new policies written during a specified period and it reflects the additional value to shareholders expected to be generated through the activity of writing new policies during a specified period
- VNB Margin is the ratio of VNB to New Business APE for a specified period and is a measure of the expected profitability of new business.



Industry key metrics / monitorable

❖ **APE (Annualized Premium Equivalent)-**

- The sum of annualized first year premiums on regular premium policies and 10% of single premiums, written by the Company during the fiscal year from both retail and group customers.

❖ **Persistency Ratio**

- It is the ratio of life insurance policies remaining in force to all policies issued in a fixed period. Persistency can be measured in terms of number of policies or in terms of premium

❖ **Solvency Ratio**

- Every insurer is required to maintain an excess of the value of admissible assets over the amount of liabilities of not less than an amount prescribed by the IRDAI, which is referred to as a Required Solvency Margin.
- The actual excess of admissible assets over liabilities maintained by the insurer is termed as the Available Solvency Margin. The ratio of the Available Solvency Margin to the Required Solvency Margin is the Solvency Ratio

Low Persistency Ratios

Industry-wide

- Irregular sales periods – The majority of life insurance policies are bought in the last quarter of the financial year
- Insurance seen only as a tax-saving instrument
- Lack of proper communication to policy holders
- New emerging competition in online insurance portals

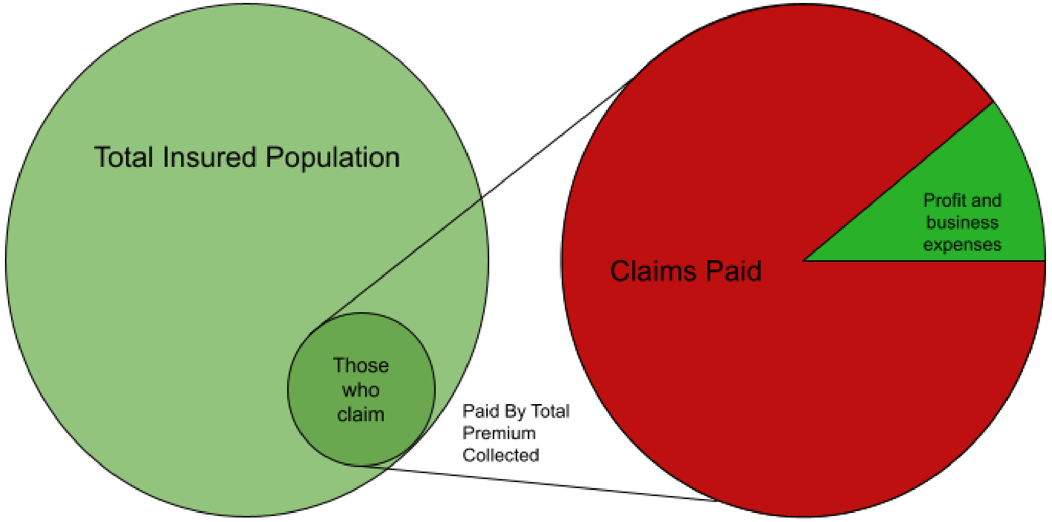
Organizational

- Poor data collection & management
- High churn in the sales force
- Overlapping channel strategies
- Departments working in silos
- Legacy systems designed for human intervention

Insurance – The business

❖ Product Pricing (Underwriting Income) -

- Calculating premiums for various products and preparing premium charts to be used by underwriters for charging premiums (age-wise) to all proposers who want insurance
- Various assumptions such as **Mortality rates, Life Expectancy, Inflation rates, Rates of Return on Investments, Expected number of policies to be sold**, etc. are taken into account



❖ Revisiting Assumptions (Underwriting Expenses) -

- Economic and demographic assumptions are revised time to time to keep them relevant to the changing scenario
- Analyze expected past liabilities of the policy and the actual liabilities incurred and strategizing product mix

❖ Creating Reserves (Investment Income) -

- Reserves need to be created to meet with future liabilities by choosing right set of investment to match future liabilities as and when they arise

Mortality Table

	Male			Female		
	Probability			Probability		
Age (Yrs)	Death w/n one year	Survival	Life Expect	Death w/n one year	Survival	Life Expect
...	...	...	...	...	...	...
30	0.001467	0.975197	47.820000	0.000664	0.986345	52.01
31	0.001505	0.973766	46.890000	0.000705	0.985690	51.04
32	0.001541	0.972301	45.960000	0.000748	0.984995	50.08
33	0.001573	0.970802	45.030000	0.000794	0.984258	49.11
34	0.001606	0.969275	44.100000	0.000845	0.983477	48.15

SECTOR OVERVIEW

Indian Insurance Sector Current Scenario

10th Largest Life Insurance market | 15th Largest Non-Life Insurance market

Robust Demand –

- The gross first year premium of Life insurers increased by 6.94% in 2021-22 until 31st January 2022, this was Rs. 2,27,188 crore

Emerging opportunities –

- **IRDAI allowed insurers to invest debt securities of InvITs and REITs**
- Insurance reach is still low in India. Penetration (premiums as % of GDP) was 4.2% in FY21, providing a huge underserved market.

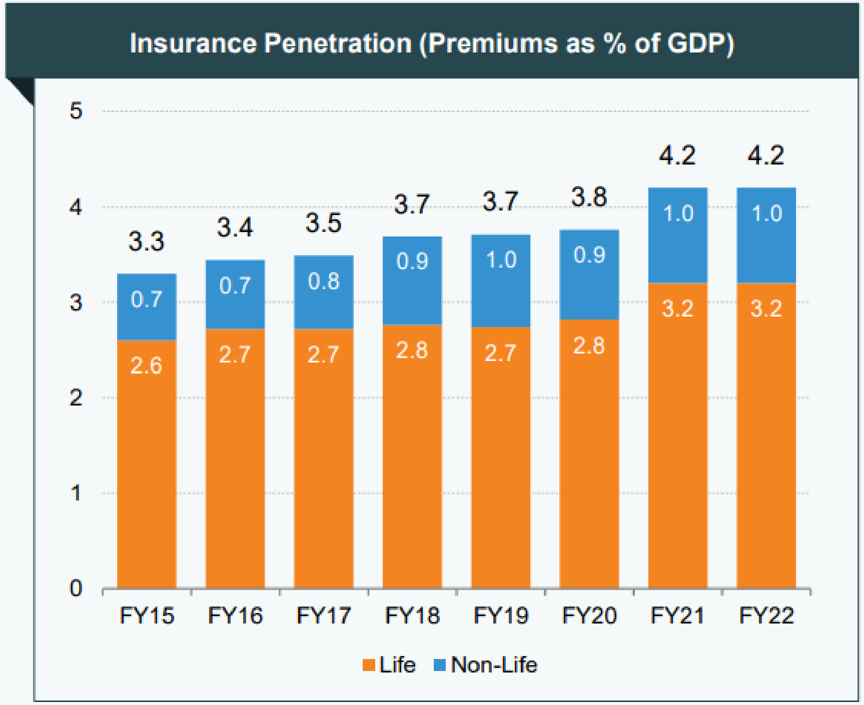
Policy support-

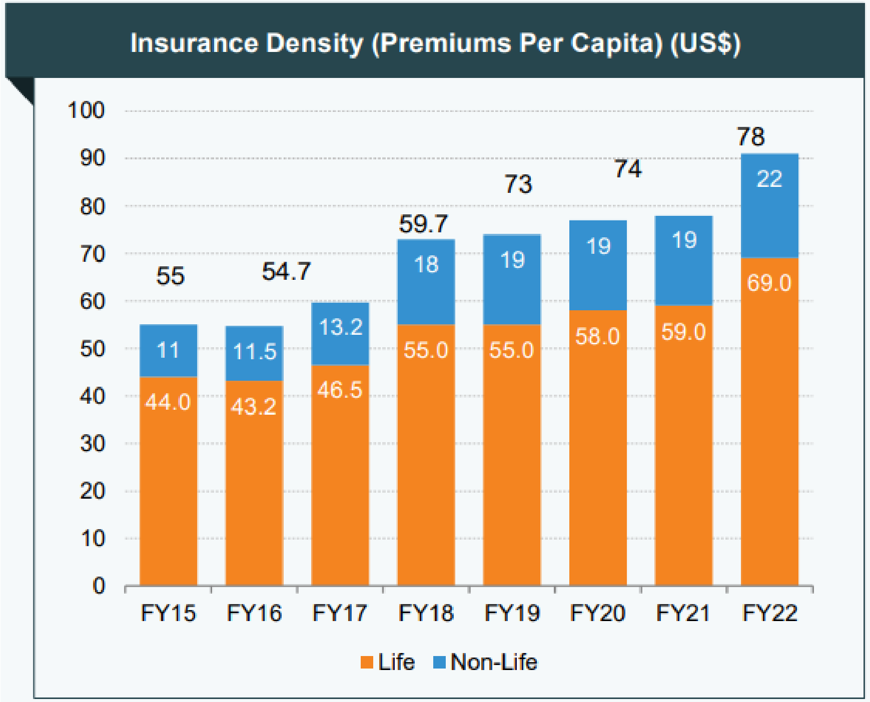
- In 2021, the Union Cabinet approved an investment of Rs. 6,000 crore into entities, offering export insurance to facilitate additional exports worth Rs. 5.6 lakh crore over the next five years.

Increasing investments-

- In 2021, the Finance Ministry announced to infuse Rs. 3,000 crore into state-owned general insurance companies to improve the overall financial health of companies.

$97 Bn	$30 Bn	17.91%	$45
Premium Volume : Life Insurance : 2021	Premium Volume: Non Life Insurance : 2021	Growth in New Business Premium (Life) in FY23	New Business Premium (Life) in FY23



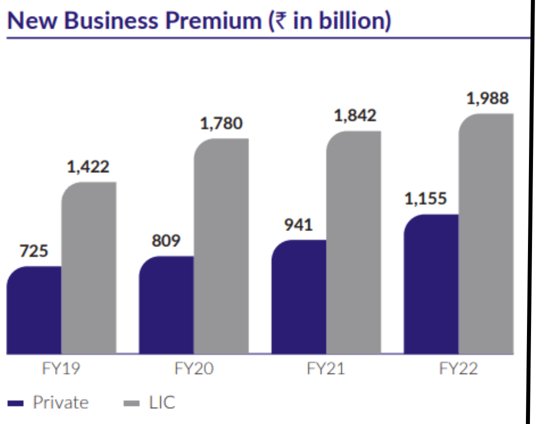


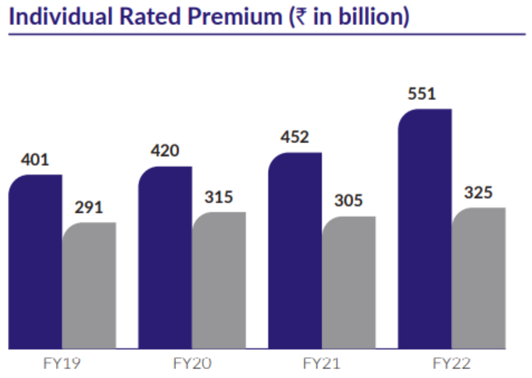
Source : IBEF & INVEST INDIA

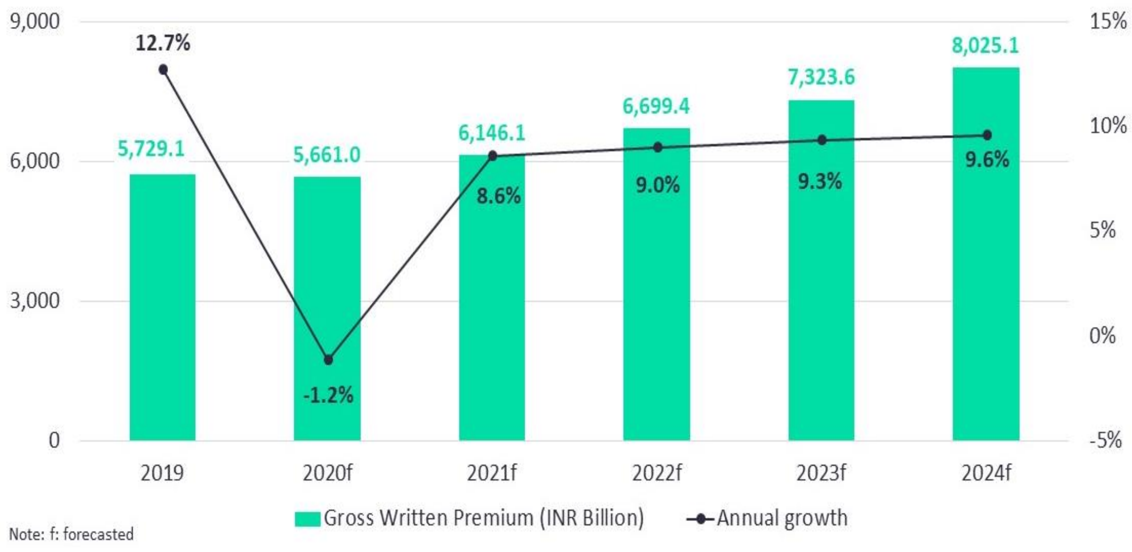
Indian Insurance Sector Future Outlook

- Private Life Insurers are expected to grow their retail APE at a CAGR of over **17% over next 3 years**, and to double new retail term premiums in 5 years.
- Private Non-Life insurance segment is forecasted to grow at **14% over next few years**. Standalone Health Insurers are expected to grow by **over 25% in the near term**
- The **insurance industry size in India is expected to grow at 12.5% CAGR over the next decade 2020-30** led by specialized products and use of AI/ML and analytics on the **BIMA SUGAM** platform

Revenue Boost	Underwriting Excellence	Claims Suite	Customer Service	Others
Sales force reactivation	Renewal Prize Optimizer	Claims Optimization	Maturity Reinvestment	Attrition Management
Churn Predictor (Incl. lapse)	PASA	Fraud Detection	Prioritization	Investment Risk Modelling
Product Optimization	Medical Waivers	Reserving	Complaints Analytics	Footprint Optimization







Emerging Indian Insure-Tech Unicorns

Policybazaar	**App-based policy comparison and purchase platform**	**Acko**	**Digital first insurance platform**	**Digit**	**Fast growing insurer with strong technology capabilities**

Source : IBEF , INVEST INDIA , GlobalData Insurance

BIMA TRINITY & IRDAI's vision of 'Insurance For All By 2047'

The 'Bima Trinity' is a part of IRDAI's vision, 'Insurance For All By 2047', which primarily aims to make the insurance processes in India hassle-free.

The product will offer a bundled solution with health, life, accident, and property coverage while ensuring accessibility, affordability, and availability. The scheme also aims to create a robust claim settlement mechanism and reshape the nation's insurance sector to make it globally attractive.

The availability of a centralized database in future will mean that **InsurTech firms can leverage rich, standardised data to develop tailored solutions** that will meet the evolving needs of consumers across various demographics. Moreover, the standard API integration will expose InsurTech players to multiple products from all categories, facilitating **seamless interaction and interoperability**.

Here is an Overview of the Product- Bima Vistaar:

Item	Life	Health	Personal Accident	Property
Coverage/ Sum Insured	Rs. 2 Lakhs	Rs. 5000	Rs. 2 Lakhs	Rs. 2 Lakhs
Covers	Death	Hospital Cash	Disability	Damage/Loss to the property
Available as	Single Payment	Rs. 500 for 10 days	Single Payment	Single Payment
Individual Premium	Rs. 820	Rs. 500	Rs. 100	Rs. 80
Overall Per Person Premium	Rs. 1500/-	Rs. 1500/-	Rs. 1500/-	Rs. 1500/-
Family Floater Premium	Rs. 2420/-	Rs. 2420/-	Rs. 2420/-	Rs. 2420/-
Claims Bills	Necessary	Not required	Necessary	Necessary
Agent Commission for selling Bima Vistaar	10%	10%	10%	10%
Distribution by	Bima Vahak	Bima Vahak	Bima Vahak	Bima Vahak
Availability in Online portal	Bima Sugam	Bima Sugam	Bima Sugam	Bima Sugam

THE PRODUCT	THE PEOPLE	THE PLATFORM
BIMA VISTAAR	BIMA VAAHAKS	BIMA SUGAM
It is Bima Trinity's lynchpin product that provides comprehensive coverage under a **single policy- covered for health, life, property, and accident.** IRDAI has proposed to price Bima Vistaar, at Rs 1,500 per policy – as an all-in-one affordable mass product aimed at the rural areas of the country	IRDAI will appoint a **women-centric workforce** that will operate at the 'Gram Sabha' level to educate and convince women heads of various households about the benefits of comprehensive insurance like 'Bima Vistaar'. This initiative will not only empower various women in the country but also enhance their financial security.	It will be a one-stop shop platform that will bring insurers and distributors together. The primary aim of this unified platform is to provide a **single and convenient portal** to customers for simplifying policy purchases, claim settlements, and service requests. The launch date of the platform has been pushed late twice by IRDAI, first from January 2023 to August 2023 and then to June 2024.

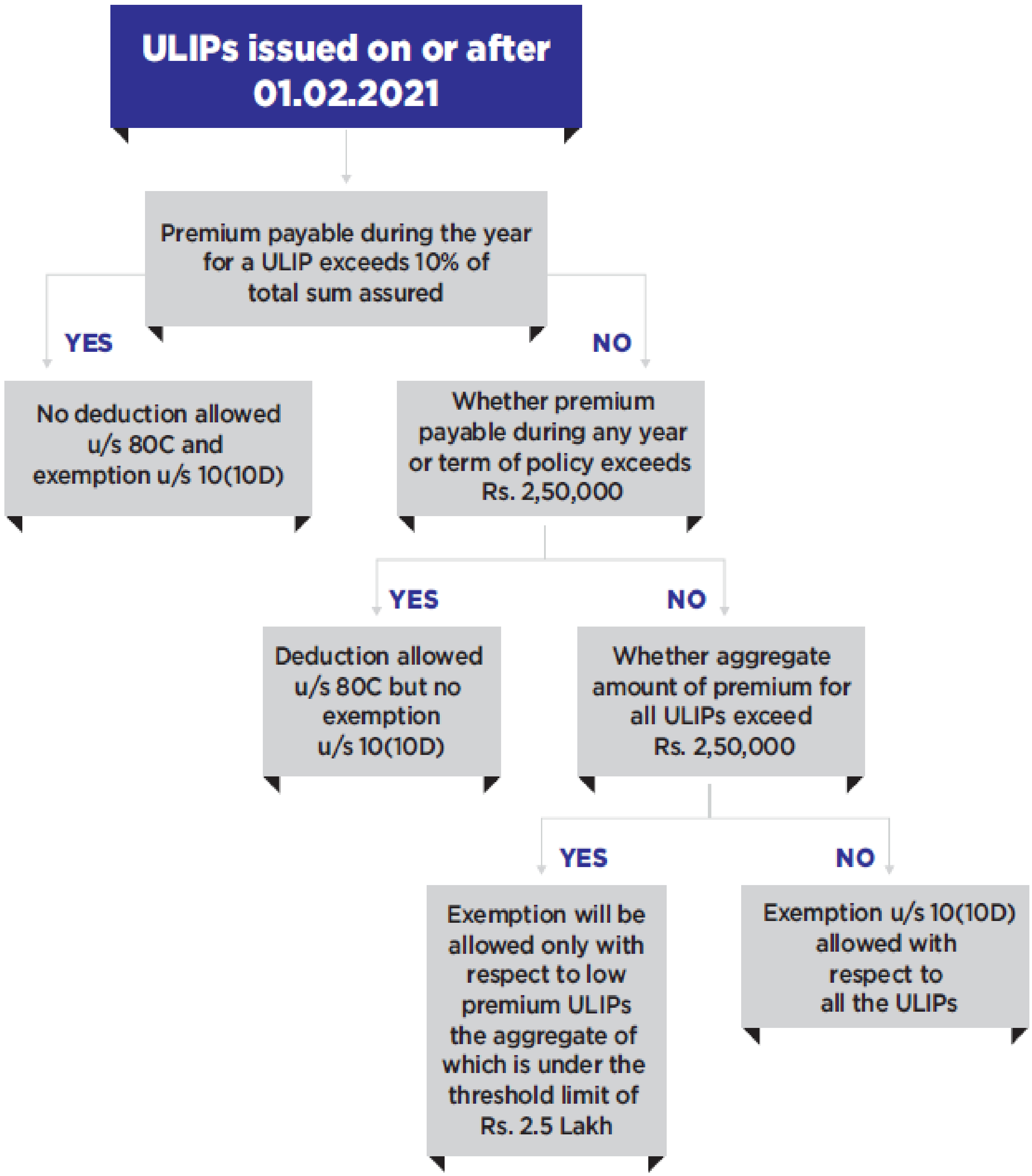
RECENT CHANGES –

The Finance Bill, 2021 proposes to tax certain Unit Linked Insurance Plans (ULIPs). The relevant change in the taxation regime of ULIPs is proposed by withdrawing the exemption under Section 10(10D) in respect of such plans and consequently, taxing them under Section 112A of the Act.

It is proposed that no exemption under Section 10(10D) shall be available in respect of ULIPs issued on or after the 01-02-2021 if the amount of premium payable for any of the previous year during the term of the policy exceeds Rs. 2,50,000.

Further, if the premium is payable by a person for more than one ULIPs, the exemption shall be available only for those policies whose aggregate premium does not exceed Rs. 2,50,000, for any of the previous years during the term of any of the policy (hereinafter referred to as 'high premium ULIP').

The new taxation regime of ULIPs shall apply only to those insurance policies which are issued on or after 01-02-2021. This article will answer all your questions about the taxability of the ULIPs



RECENT CHANGES –

As per Finance Act 2023, any sum received under a life insurance policy, other than a unit-linked insurance policy, issued on or after 1 April 2023 will not be exempt under Clause 10(D) of Section 10 of the IT Act if the amount of premium payable for any of the previous years during the term of such policy is more than Rs 5 lakh. This will be applicable from AY 2024-25.

The Central Board of Direct Taxes (CBDT) via a circular issued on August 16 notified new guidelines under clause (10D) of section 10 of the Income-Tax Act, 1961 to put this into effect. The CBDT further said, “the premium payable/aggregate premium payable for a life insurance policy/ policies, other than a unit linked insurance policy, issued on or after the 1st day of April, 2023, for any previous year, shall be exclusive of the amount of the Goods and Service Tax payable on such premium.”

	Traditional Plans					
	Pre-Budget		Post-Budget		Ulips (equity-oriented)	
Number of policies	1	5	1	5	1	5
Sum insured	₹12.84 lakh	₹64.2 lakh	₹12.84 lakh	₹64.2 lakh	₹12 lakh	₹60 lakh
Annual premium (paid for 5 yrs)	₹1.2 lakh	₹6 lakh	₹1.2 lakh	₹6 lakh	₹1.2 lakh	₹6 lakh
Maturity proceeds (after 10 yrs)	₹10.24 lakh	₹51.2 lakh	₹10.24 lakh	₹51.2 lakh	₹9.95 lakh	₹49.75 lakh
Taxation	No tax on maturity	No tax on maturity	No tax on maturity	₹6.36 lakh @30%	No tax on maturity	₹1.97 lakh LTCG @10%

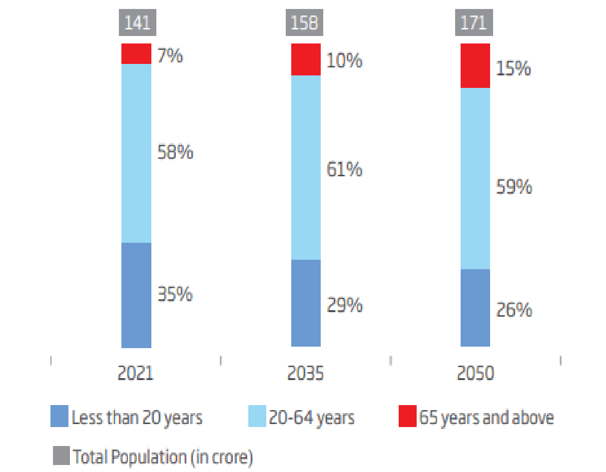
Max Life endowment & Ulip plans considered. Same policy considered multiple times for simplicity.

Growth Drivers

I. Growing workforce and middle-class population

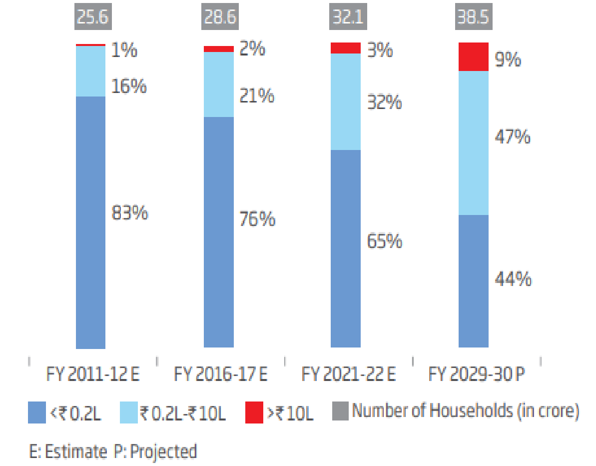
Population composition

crore



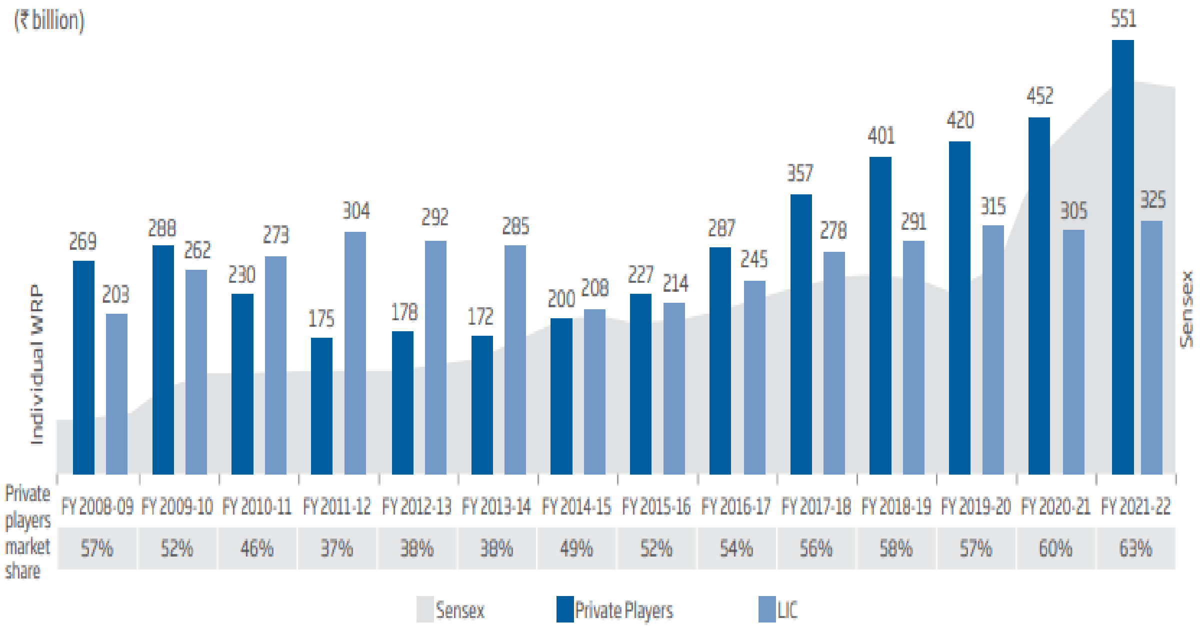
Households distribution by income

crore



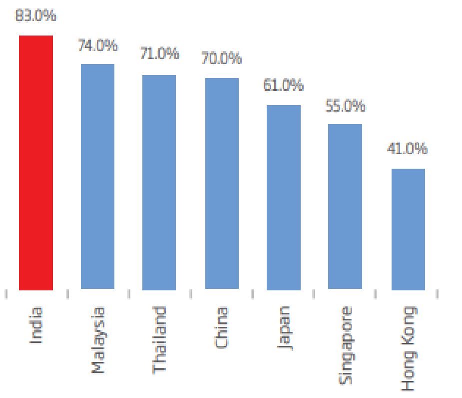
Source: United Nations World Populations Prospects Report (2022), CRISIL "The big shift in financialisation" report 2022

III. Financialisation of savings

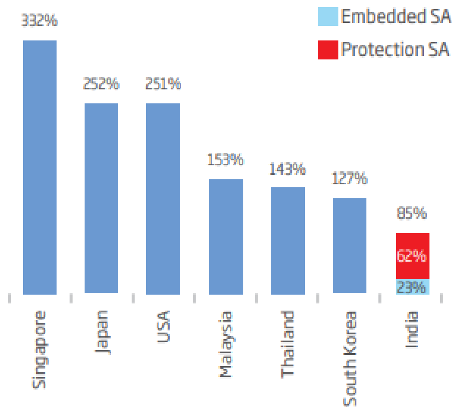


II. Low insurance penetration

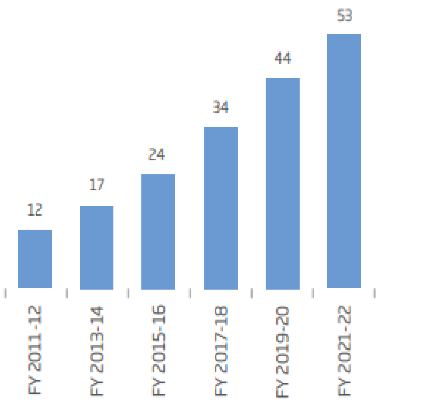
Protection gap[3] (2019)



Sum Assured as a % of GDP[4]

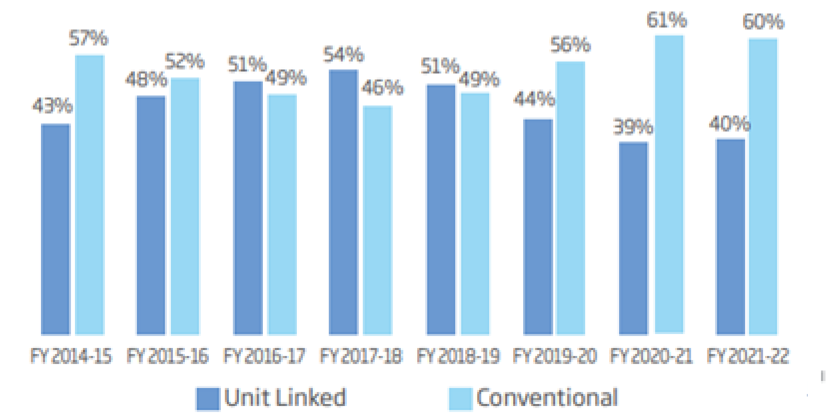


Trend of retail loans[5] (₹ lakh crore)



Product Mix across Private Insurers

Product mix[1]



Source: 1. Based on Overall WRP (Individual and Group)

COMPANY OVERVIEW

HDFC Life Insurance Company Ltd

HDFC Life — Sar utha ke jiyo!

VNB Margin – 27.4% | PAT – 1360 Cr | Solvency – 203%

Protection | Pension | Savings | Investment | Annuity and Health

M Cap - 121722 Cr

EV - 39527 Cr

VNB - 3670 Cr | AUM - 238800 Cr

About the company:

- Established in 2000 as JV between HDFC Ltd and Standard Life
- 3 subsidiaries –

1. HDFC Pension Management Company Limited
2. HDFC International Life and Re
3. Exide Life Insurance Company Ltd

- Company offers wide product portfolio with 39 Individual and 13 group products + 7 optional riders

Distribution Mix & Reach :

Channels	FY 19-20	FY 20-21	FY 21-22
Bancassurance	55%	61%	60%
Direct	22%	19%	19%
Agency	14%	13%	14%
Brokers and others	9%	7%	6%

372 Branches | 300 Distribution Partners | 106000 agents

61 Digital Branches - Web | Mobile | Chat bot | Call Centre

Management :

Mrs. Vibha Padalkar is the MD & CEO since September 2018

- Associated with the company since 2008
- Member of the Institute of Chartered Accountants India and of England and Wales, felicitated multiple times by the institute
- To 30 Most Powerful Women in Business , Forbes Magazine

Strengths :

- Strong and respected parentage with shared brand name
- Rising Protection Share in APE- FY 18 – 11.3% | FY 22 – 13.6%
- Rising Direct channel sales- FY 18 – 14% | FY 22 – 19%
- Increasing VNB Margin- FY 18 – 23.2% | FY 22 – 27.4%
- Strong liquidity position and Solvency Margin of 203%

Products Mix :

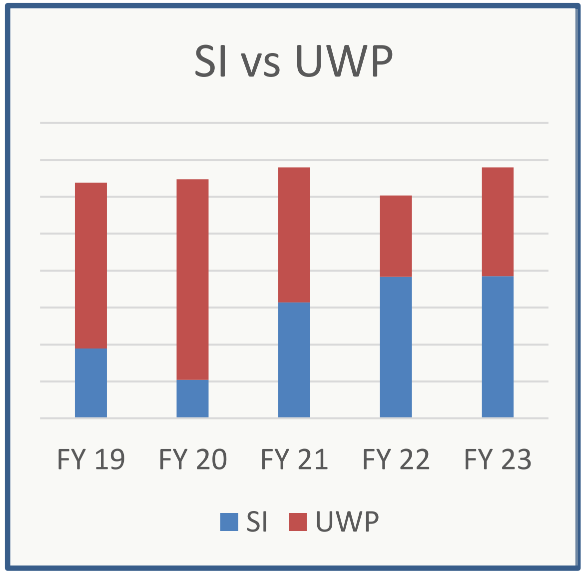
Total Annualized Premium Equivalent (APE)			
Par	25%	Annuity	5%
Protection	14%	ULIP	22%
Non Par Savings	28%	Group Retailers	6%

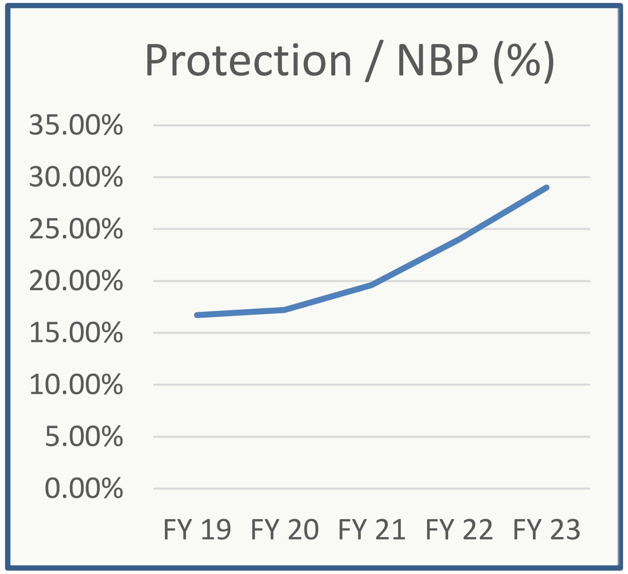
Weakness :

- Higher Operational expenditure compared to peers
- Integration challenges related to Exide Life merger

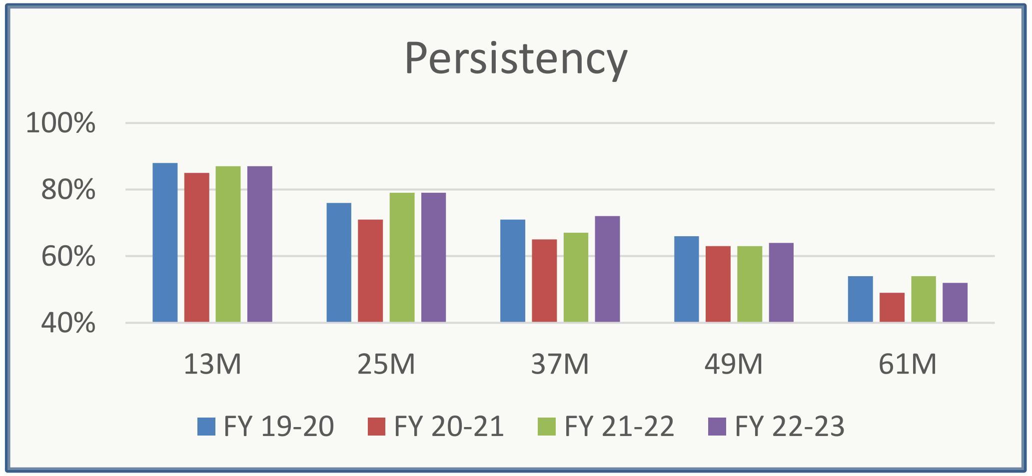
Valuation : PEV- 4.26 | M cap to Sales – 1.20 | Div Yld- 0.35%

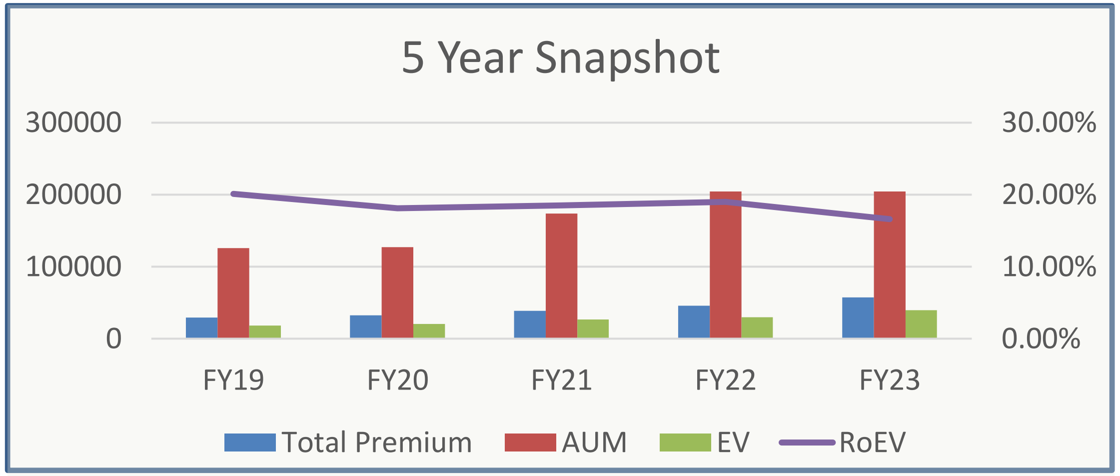
Business Focus	Underwriting Practise	Sensitivity | Persistency & Historical Performance
Product Mix Protection Concentration	U/W Profits & Shareholders Income	





Sensitivity analysis (FY23)			
Analysis based on key metrics Change in parameter	**Scenario**	**Change in VNB Margin**	**% Change in EV**
Reference rate	**Increase by 1%**	**-1.50%**	**-2.40%**
	Decrease by 1%	**0.70%**	**2.10%**
Equity Market movement	**Increase by 10%**	**0.10%**	**1.30%**
	Decrease by 10%	**-0.10%**	**-1.30%**
Persistency (Lapse rates)	**Increase by 10%**	**-0.30%**	**-0.30%**
	Decrease by 10%	**0.30%**	**0.30%**
Maintenance Expenses	**Increase by 10%**	**-0.50%**	**-0.80%**
	Decrease by 10%	**0.50%**	**0.80%**
Acquisition Expenses	**Increase by 10%**	**-3.90%**	**NA**
	Decrease by 10%	**3.90%**	**NA**
Mortality I Morbidity	**Increase by 5%**	**-1.40%**	**-1.10%**
	Decrease by 5%	**1.40%**	**1.10%**
Tax rate (Current :14.56%)	**Increased to 25%**	**-5.80%**	**-8.90%**





ICICI Prudential Insurance Company Ltd

VNB Margin – 32% | PAT – 811 Cr | Solvency – 208%

Linked | Non-linked | Protection | Annuity | Group

M Cap - 83092 Cr

EV - 35634 Cr

VNB - 2765 Cr | AUM - 251191 Cr

About the company:

- Promoted by ICICI Bank Ltd and Prudential Corporation Holdings Ltd
- ICICI Bank – 51.30% & Prudential Corporation Holdings Ltd – 22%
- Began its operations in the fiscal year 2001
- Became the first private life insurer to attain AUM of Rs. 1 trillion
- First insurance company in India to be listed on NSE & BSE
- Wholly owned subsidiary - ICICI Prudential Pension Funds Management Company is a registered pension fund manager

Distribution Mix & Reach :

Channels	FY 19-20	FY 20-21	FY 21-22
Bancassurance	50.80%	42.30%	38.90%
Direct	12.60%	12.50%	12.90%
Agency	21.20%	23.80%	23.60%
Group	8.00%	12.30%	15.30%
Others	7.40%	9.10%	9.30%

471 Company Branches | 41000+ Partner Branches | 15000+ Workforce

Management :

Mr. N. S. Kannan is the MD & CEO of the company since June 2018

- Associated with ICICI Group for over 3 decades in major roles
- B.E (Hons.)- NIT Trichy | PGDM – IIM Bangalore
- Gold Medalist – CFA, ICFAI
- Best CFO in India – Finance Asia, 2013

Strengths :

- Strong and respected parentage with shared brand name
- Structural improvement in 61st Month Persistency-

  5M FY22 – 51% | 5M FY23 – 61%
- Increasing VNB Margin- FY 18 – 18% | FY 22 – 28%
- Maintained Solvency Margin >190% for last 10 years

Products Mix :

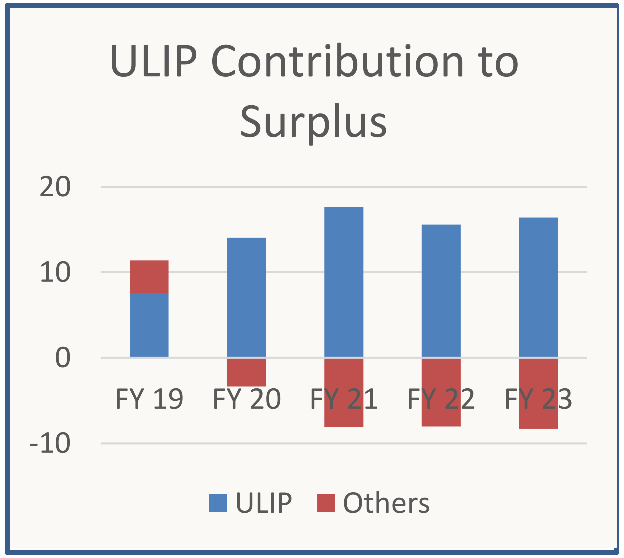
Total Annualized Premium Equivalent (APE)			
Protection	17%	Annuity	3.9%
Non-Linked	27.4%	Group	3.4%
Linked		48.3%	

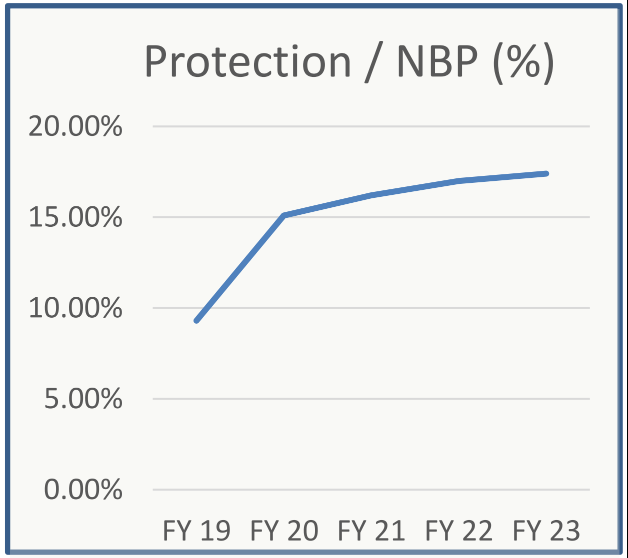
Weakness :

- ULIP continues to be a significant part overall premium – 54%
- Cost/TWRP has risen – 3 Yr Avg – 15.2% | FY 22 – 18.6%

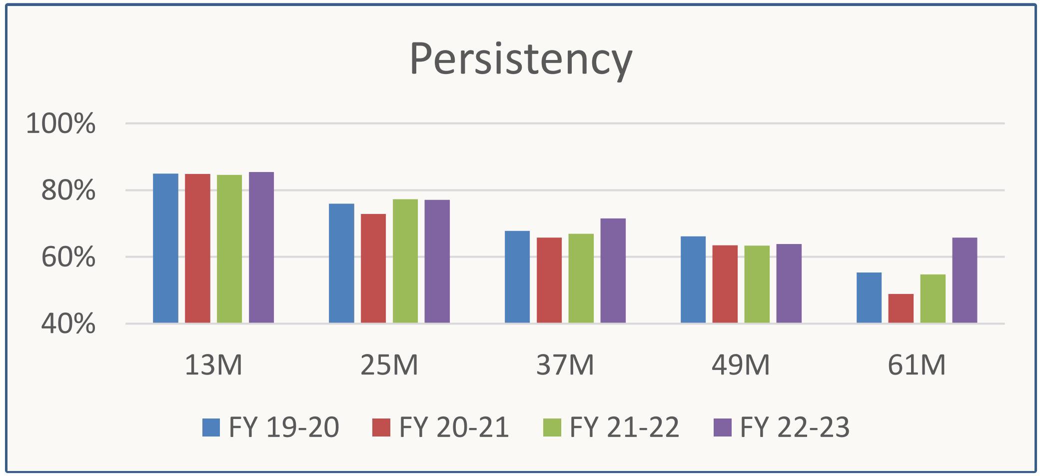
Valuation : PEV- 2.15 | M cap to Sales – 0.93 | Div Yld- 0.1%

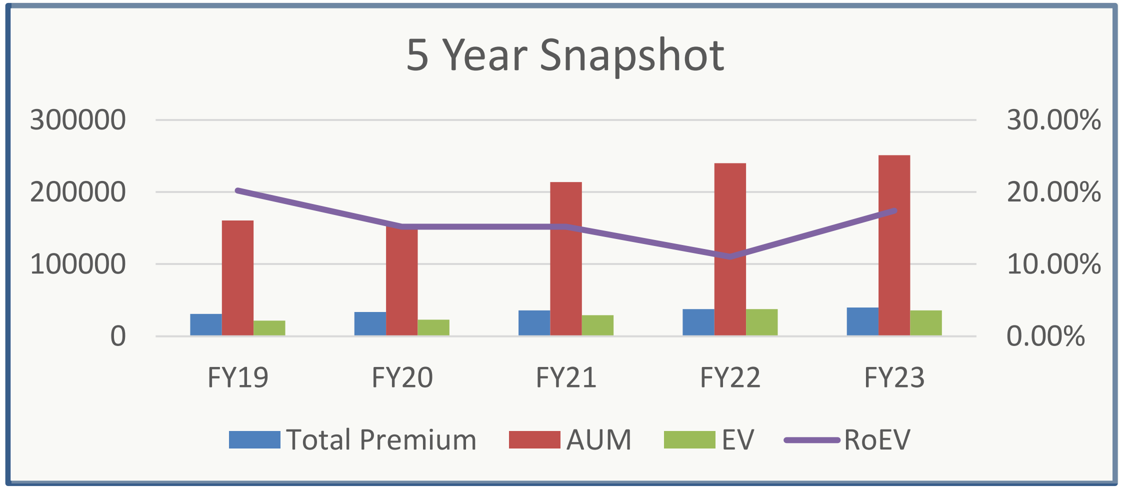
Business Focus	Underwriting Practise	Sensitivity | Persistency & Historical Performance
Product Mix Protection Concentration	ULIP Contribution to Surplus after Tax	





Sensitivity analysis (FY 23)			
Analysis based on key metrics Change in parameter	Scenario	Change in VNB Margin	% Change in EV
Reference rate	Increase by 1%	-4.20%	-3.50%
	Decrease by 1%	4.80%	3.70%
Equity Market movement	Increase by 10%	0.40%	1.70%
	Decrease by 10%	-0.40%	-1.70%
Persistency (Lapse rates)	Increase by 10%	-3.40%	0.50%
	Decrease by 10%	3.60%	0.60%
Maintenance Expenses	Increase by 10%	-2.30%	-0.80%
	Decrease by 10%	2.30%	0.80%
Acquisition Expenses	Increase by 10%	-11.80%	NA
	Decrease by 10%	11.80%	NA
Mortality I Morbidity	Increase by 5%	-10.00%	-1.90%
	Decrease by 5%	10.10%	2.00%
Tax rate (Current :14.56%)	Increased to 25%	-10.40%	-6.40%





SBI Life Insurance Company Ltd

SBI Life — Apne liye. Apno ke liye.

VNB Margin – 27.4% | PAT – 1505 Cr | Solvency – 205%

Par | Savings | Protection | Individual | Group | Linked

M Cap - 144536 Cr

EV - 39625Cr

VNB - 3704 Cr | AUM - 267410 Cr

About the company:

- Incorporated in Oct 2000 | Registered with IRDAI in Mar 2001
- Began as a joint venture between SBI and BNP Paribas Cardif
- First Private Insurance company to declare profit within 6 years of incorporation, PAT declared was Rs. 20 mn
- Achieved milestone of GWP of Rs. 100 bn in 2010
- Crossed the Rs. 500 bn AUM mark in 2013 and Rs. 1 tn in 2018
- Got listed on NSE and BSE in 2018 and included in F&O in 2020

Distribution Mix & Reach :

Channels	FY 19-20	FY 20-21	FY 21-22
Bancassurance	60.3%	55.7%	52.6%
Agency	19.9%	17.2%	18.1%
Brokers and others	19.8%	27.1%	29.3%

50 Corporate Agents | 35500 Partner Branches

18500+ Employees | 205700+ Trained Insurance Personnel

Management :

Mr. Mahesh Kumar Sharma is the MD & CEO since May, 2020

- Joined SBI as Probationary officer in 1990
- Bachelors and Masters in Chemistry, Delhi University
- C.A.I.I.B – Indian Institute of Bankers
- Has held several assignments in all areas of Banking

Strengths :

- Strong and respected parentage with shared brand name
- Strong distribution network with Banca channel base of SBI
- Increasing VNB Margin- FY 18 – 18.4% | FY 22 – 25.9%
- Strong liquidity position and solvency ratio of 205%
- Stable and healthy 61M persistency in last 5 years

Products Mix :

Total Annualized Premium Equivalent (APE)			
Par	3.0%	Linked	44.6%
Individual Protection	3.7%	Group Protection	8.3%
Individual Savings	13.6%	Group Savings	26.8%

Weakness :

- EV and VNB Margin% is extremely sensitive to Mass Lapse of ULIPS after surrender penalty period

Valuation : PEV: 3.23 | M cap to Sales: 1.1 | Div Yld: 0.19%

Apne liye. Apno ke liye.

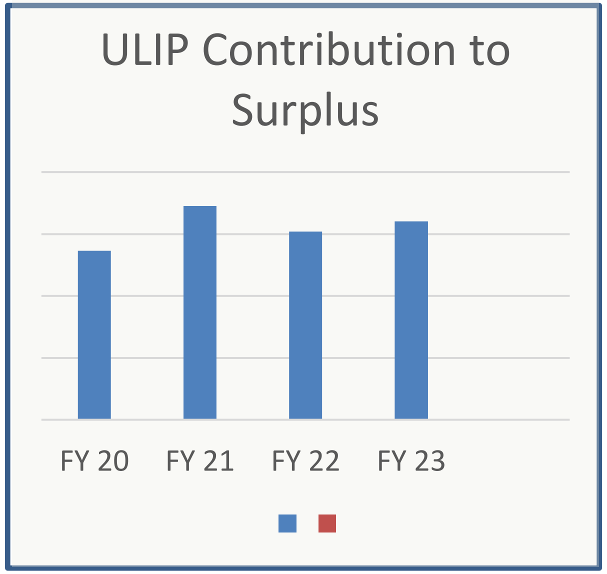
Business Focus

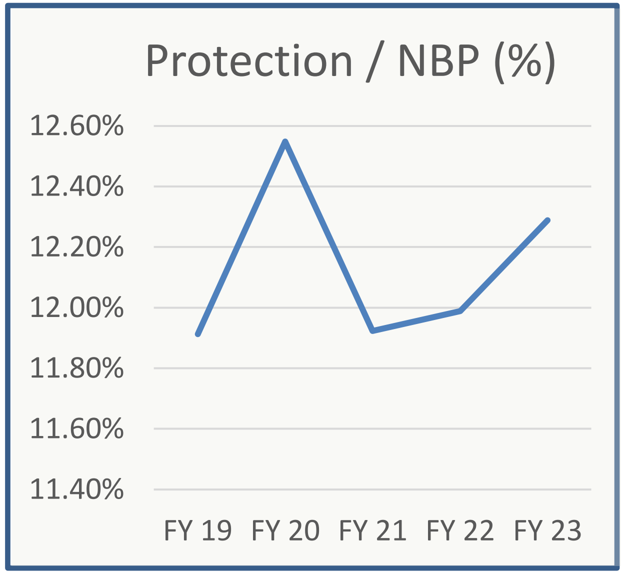
Product Mix
Protection Concentration

Underwriting Practise

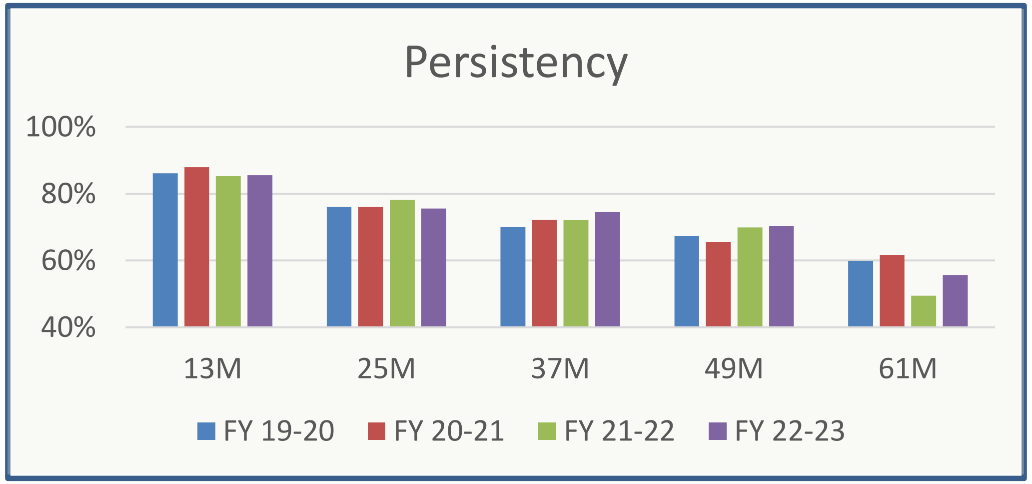
ULIP Contribution to Surplus after Tax

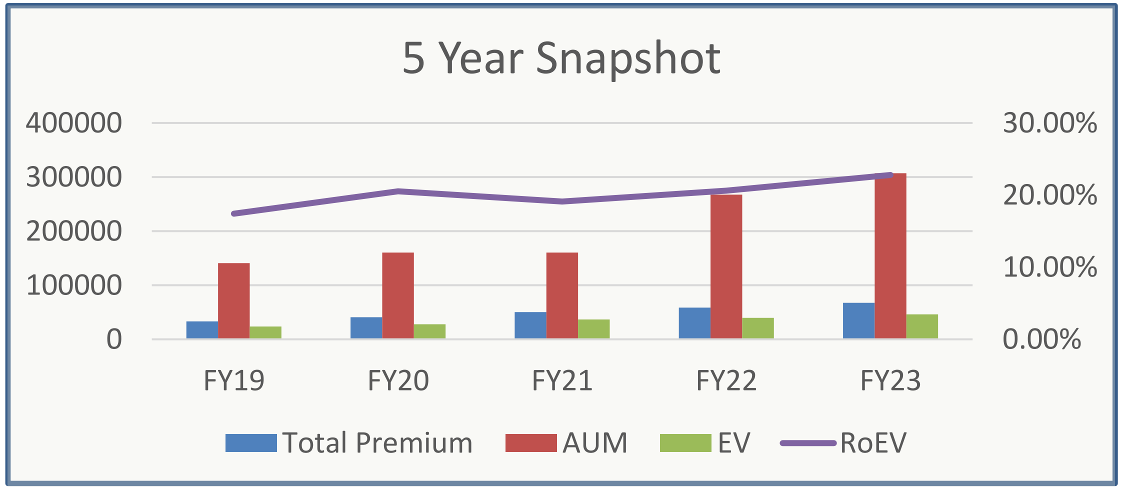
Sensitivity | Persistency & Historical Performance





Sensitivity analysis (FY22)			
Analysis based on key metrics Change in parameter	Scenario	Change in VNB Margin	% Change in EV
Reference rate	Increase by 1%	-0.40%	-1.80%
	Decrease by 1%	0.10%	2.10%
Equity Market movement	Increase by 10%	0.20%	1.50%
	Decrease by 10%	-0.20%	-1.50%
Persistency (Lapse rates)	Increase by 10%	-3.70%	-1.20%
	Decrease by 10%	4.70%	1.50%
Maintenance Expenses	Increase by 10%	-1.60%	-0.60%
	Decrease by 10%	1.60%	0.60%
Mass Lapse for ULIPS after surrender penalty period	of 25%	-7.50%	-2.80%
	of 50%	-17.00%	-6.20%
Mortality I Morbidity	Increase by 5%	-5.70%	-1.90%
	Decrease by 5%	5.70%	1.90%
Tax rate (Current :14.56%)	Increased to 25%	-7.00%	-4.70%





Sensitivity Analysis (FY22) – Quick comparison among the listed players

Sensitivity Analysis		HDFC LIFE		ICICI Pru Life		SBI LIFE		LIC	
Analysis based on key metrics Change in parameter	Scenario	Change in VNB Margin	% Change in EV	Change in VNB Margin	% Change in EV	Change in VNB Margin	% Change in EV	Change in VNB Margin	% Change in EV
Reference rate	Increase by 1%	-1.40%	-2.00%	-3.50%	-4.20%	-0.40%	-1.80%	1.80%	-0.40%
	Decrease by 1%	0.80%	1.60%	3.20%	4.60%	0.10%	2.10%	-4.70%	-0.30%
Equity Market movement	Increase by 10%	0.10%	1.40%	0.60%	1.90%	0.20%	1.50%	0.40%	6.50%
	Decrease by 10%	-0.10%	-1.40%	-0.60%	-1.90%	-0.20%	-1.50%	-0.40%	-6.50%
Persistency (Lapse rates)	Increase by 10%	-0.60%	-0.60%	-4.90%	-1.00%	-3.70%	-1.20%	-0.50%	-0.20%
	Decrease by 10%	0.70%	0.60%	5.30%	1.00%	4.70%	1.50%	0.50%	0.20%
Maintenance Expenses	Increase by 10%	-0.50%	-0.80%	-2.30%	-0.70%	-1.60%	-0.60%	-0.60%	-0.40%
	Decrease by 10%	0.50%	0.80%	2.30%	0.70%	1.60%	0.60%	0.50%	0.40%
Acquisition Expenses **	Increase by 10%	-3.40%	NA	-10.10%	NA	-7.50%	-2.80%	-0.30%	NA
	Decrease by 10%	3.40%	NA	10.10%	NA	-17.00%	-6.20%	0.30%	NA
Mortality & Morbidity	Increase by 5%	-1.20%	-1%	-8.30%	-1.90%	-5.70%	-1.90%	-0.10%	0%
	Decrease by 5%	1.20%	1%	8.40%	1.90%	5.70%	1.90%	0.10%	0%
Tax rate	Increased to 25%	-4.80%	-9.10%	-10.30%	-6.30%	-7.00%	-4.70%	-4.80%	-24.30%

Takeaways :

- HDFC Life seems most balanced in terms of sensitivity- All metrics except tax lead to change in EV of less than 2%
- Rise in Persistency can push up margins for ICICI, however rise in acquisition expenses can significantly erode margins
- For SBI Life – Mass lapse in ULIPs are reported and it can significantly depreciate the EV (** under acquisition expense)
- LIC is most sensitive to Equity Market Movement and Tax rate sensitivity is reported considering 34% tax vs 25% for others
- Morbidity & Mortality seems to be concern for ICICI and SBI on the margin front
- LIC may have some interest sensitive investments- Decrease in reference rates can affect margins for LIC
- I Pru Life seems most sensitive to the metrics and probably indicates lower quality underwriting and investments

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