

INSURANCE

Insurance premiums: Private players extend strong run

India Equity Research | Banking and Financial Services



Private insurance players sustained strong growth momentum in August—individual APE grew ~29%, while LIC grew at a softer 9% YoY. SBI Life turned in yet another good performance (up >50% YoY, >48% YTD), overtaking ICICI Life. The latter's growth normalised to 14% YoY (>100% growth in April/May) as higher base played out (as anticipated); nonetheless, its YTD growth is still strong at >44%. Max Life sustained the improving trend—up 23.2% YoY, 18.9% YTD. Bajaj Allianz also maintained momentum (up >30% YoY), vindicating management's business revamp efforts. Having said that, these growth numbers do not capture the rising tilt towards protection business, which though entails lower ticket size products, is comparatively more profitable. In our view, rising financial savings and higher inflows post demonetisation helped the industry register impressive growth. Further, we anticipate proclivity for financial savings to continue and industry growth momentum to sustain.

Private players outperform PSUs...

Industry momentum (individual APE) sustained >19% YoY spurt in August, spearheaded by private players—jumped ~29% compared to LIC, which clocked sub-10% YoY growth. Robust momentum in higher ticket size (private sector ticket size rose >30% YoY) lent impetus to growth, implying tilt towards ULIPs.

...SBI Life sustain momentum, ICICI Prudential Life growth normalises

- **SBI Life** registered yet another strong month (individual APE grew >50% YoY, albeit also a function of lower base), largely driven by rise in ticket size (though number of policies declined), indicating sustained momentum in ULIPs.
- **ICICI Prudential Life:** ICICI Prudential Life's growth normalised to ~14% from 100% YoY in May, as base normalisation played out. Growth in the number of policies sustained, indicating focus on protection business. We expect growth to sustain (balanced contribution from distribution channels and strong ULIP traction), but H2FY18 may see some moderation due to base effect (strong flows post demonetisation).
- **Max Life:** Improving trend continued (up >23% YoY), largely driven by volumes (up >18% YoY). Consequently, YTD, growth also improved—~19%. Media articles about Axis Bank tying up with other company could have some bearing on Max Life's growth, which needs to be monitored.
- **Reliance Nippon Life:** After a good Q1FY18, growth softened—individual APE up <12% YoY (from >20%). Interestingly, this was despite the >68% YoY rise in ticket size, indicating decline in volume of policies. While the dip seems to have been arrested (16.1% YTD growth), its sustainability is key.
- **Bajaj Life & Birla Sunlife:** Bajaj Life grew a strong >30% (albeit, on low base, but largely driven by volume growth). Birla Sunlife's, after softer growth in July (individual APE up <14%), growth momentum improved to 24.8% (ticket size jumped >57% YoY, indicating drop in number of policies sold).

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Private players maintained growth pace

SBI Life sustained momentum

ICICI Pru Life growth normalisation plays out

Max Life's growth improved; sustainability key

Reliance Nippon Life's growth soft post good Q1FY18

Bajaj Allianz gained momentum, vindicating management's efforts to revamp business

Table 1: Industry growth momentum sustains

(INR mn)	Aug-16 Ind. APE	Aug-17 Ind. APE	Growth YoY (%)	YTD-16 Ind. APE	YTD-17 Ind. APE	Growth YoY (%)
Bajaj Allianz	685	895	30.6	2,553	4,505	76.5
Exide Life	476	385	(19.1)	2,087	1,840	(11.8)
Reliance Nippon Life	467	522	11.8	2,079	2,414	16.1
SBI Life	4,409	6,646	50.7	16,227	24,146	48.8
Tata AIG	640	889	38.9	2,501	3,716	48.6
HDFC Standard	2,662	3,314	24.5	10,278	13,394	30.3
ICICI Prudential	5,269	6,010	14.0	19,540	28,212	44.4
Birla Sunlife	506	631	24.8	2,233	2,817	26.2
Aviva	95	107	12.5	379	481	26.7
Kotak Mahindra Old Mutual	714	1,005	40.7	2,755	3,789	37.5
Max Life Insurance	1,743	2,147	23.2	7,047	8,379	18.9
Met Life	706	779	10.4	2,994	3,570	19.2
Sahara Life	11	NA	NA	39	NA	NA
Shriram Life	281	322	14.6	1,321	1,415	7.1
Bharti Axa Life	308	280	(9.0)	1,279	1,169	(8.5)
Future Generali	88	193	118.8	410	677	65.2
IDBI Fortis Life	270	331	22.6	1,105	1,546	39.9
Canara HSBC OBC	326	683	109.2	1,437	2,504	74.2
Aegon Religare	42	95	124.3	251	383	52.5
DHLF Pramerica	128	229	78.7	575	1,008	75.2
Star Union Dai-ichi	308	389	26.3	1,124	1,536	36.7
IndiaFirst	251	443	76.5	860	1,888	119.7
Edelweiss Tokio	98	135	37.6	365	489	33.8
Private Total	20,484	26,429	29.0	79,439	109,892	38.3
LIC	18,377	20,079	9.3	78,860	90,059	14.2
Grand Total	38,862	46,509	19.7	158,299	199,951	26.3

Source: IRDA

Table 2: Growth momentum supported by rise in ticket size

Ticket Size (NR) - Ind. APE	Aug-16	Mar-17	Aug-17	MoM (%)	YoY (%)
Bajaj Allianz	39,065	37,989	38,581	(2.4)	(1.2)
Exide Life	31,138	31,816	27,785	6.2	(10.8)
Reliance Nippon Life	18,690	26,910	31,417	4.7	68.1
SBI Life	34,381	50,845	56,801	6.8	65.2
Tata AIG	40,743	60,366	67,790	7.8	66.4
HDFC Standard	30,720	49,313	45,210	10.4	47.2
ICICI Prudential	87,730	95,895	91,857	(0.9)	4.7
Birla Sunlife	20,120	35,806	31,623	9.8	57.2
Aviva	41,603	83,429	58,047	(1.3)	39.5
Kotak Mahindra Old Mutual	42,237	54,342	48,862	5.5	15.7
Max Life Insurance	50,661	53,529	52,845	8.6	4.3
Met Life	43,266	53,728	50,510	(5.2)	16.7
Sahara Life	12,933	12,050	NA	NA	NA
Shriram Life	14,608	19,689	18,458	(4.2)	26.4
Bharti Axa Life	43,958	40,932	37,718	3.6	(14.2)
Future Generali	29,731	75,050	32,349	10.0	8.8
IDBI Fortis Life	36,163	41,705	42,595	6.7	17.8
Canara HSBC OBC	53,104	75,171	76,570	(3.4)	44.2
Aegon Religare	11,074	28,173	26,427	16.3	138.7
DHLF Pramerica	34,557	27,990	36,579	4.4	5.9
Star Union Dai-ichi	47,096	67,650	44,438	2.7	(5.6)
IndiaFirst	27,893	38,462	38,874	8.0	39.4
Edelweiss Tokio	36,939	51,981	34,252	9.3	(7.3)
Private Total	39,942	50,642	52,602	4.7	31.7
L I C	9,649	9,930	9,718	(31.4)	0.7
Grand Total	16,611	17,537	19,048	(19.6)	14.7

Source: IRDA

Table 3: Top private players (bancassurance led) and LIC control >80% market share

Market share on Ind APE (%)	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17
L I C	47.0	44.1	45.3	46.5	45.8	43.2
ICICI Prudential	6.9	18.1	16.5	12.6	12.6	12.9
SBI Life	8.6	10.7	9.3	10.9	13.9	14.3
HDFC Standard	8.3	4.4	7.6	6.7	6.9	7.1
Max Life Insurance	6.3	3.9	3.9	4.8	3.6	4.6
Bajaj Allianz	2.2	4.3	2.1	1.9	1.8	1.9
Tata AIG	2.7	1.5	1.9	1.9	1.9	1.9
Met Life	2.1	1.8	1.8	1.8	1.9	1.7
Kotak Mahindra Old Mutual	3.4	1.7	1.7	1.8	2.0	2.2
Birla Sunlife	2.1	1.2	1.4	1.8	1.2	1.4
Reliance Nippon Life	1.2	1.6	1.2	1.2	1.1	1.1
Canara HSBC OBC	1.5	0.9	1.1	1.4	1.2	1.5
Exide Life	1.0	1.0	1.0	1.0	0.9	0.8
Star Union Dai-ichi	1.5	0.3	0.8	0.9	0.8	0.8
IndiaFirst	1.0	1.2	0.7	1.0	1.0	1.0
Shriram Life	0.6	0.6	0.7	0.9	0.6	0.7
IDBI Fortis Life	0.9	1.0	0.7	0.9	0.6	0.7
Bharti Axa Life	0.7	0.4	0.6	0.7	0.6	0.6
DHLF Pramerica	0.3	0.6	0.5	0.5	0.5	0.5
Future Generali	0.6	0.3	0.3	0.3	0.4	0.4
A v i v a	0.5	0.1	0.3	0.3	0.3	0.2
Edelweiss Tokio	0.5	0.2	0.2	0.2	0.2	0.3
Aegon Religare	0.3	0.1	0.2	0.2	0.2	0.2
Sahara Life	0.0	0.0	0.0	0.0	-	-
Private Total	53.0	55.9	54.7	53.5	54.2	56.8
Grand Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: IRDA

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Recent Research

Date	Company	Title	Price (INR)	Recos
11-Sep-17	BFSI	Synergistic deal on the cards; <i>EdelFlash</i>		
08-Sep-17	HDFC Bank	Standing tall; <i>Visit Note</i>	1,788	Buy
04-Sep-17	Reliance Capital	Reliance Home Finance: A deep dive into business model; <i>Company Update</i>	857	Buy

Distribution of Ratings / Market Cap

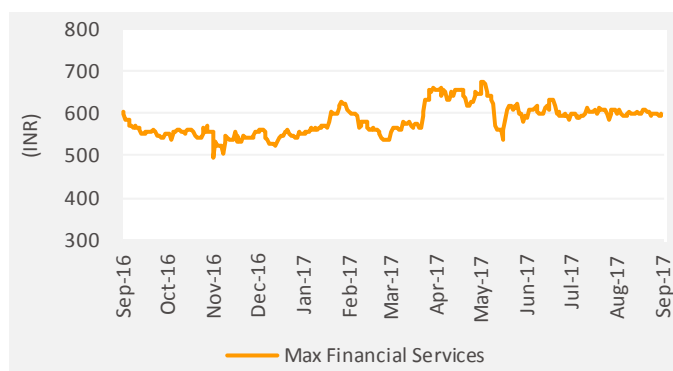
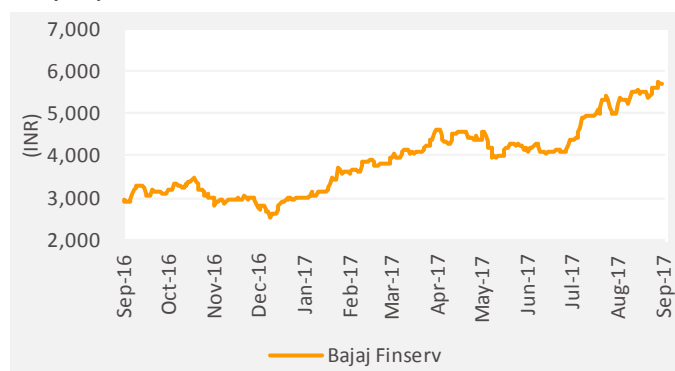
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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