

Insurance

India

Sector View: **Attractive** NIFTY-50: **23,259**

June 10, 2024

NoP drives APE growth for private players

Private life insurers reported strong 22% yoy APE growth and 16% two-year CAGR. The growth was largely driven by higher volumes, NoP up 17% yoy and at a two-year CAGR of 11%. Growth trends look promising compared with moderate outlook of listed players. Though ICICI Prudential delivered a 23% APE two-year CAGR, HDFC Life, SBI Life and Max Life reported 16-18% two-year CAGRs.

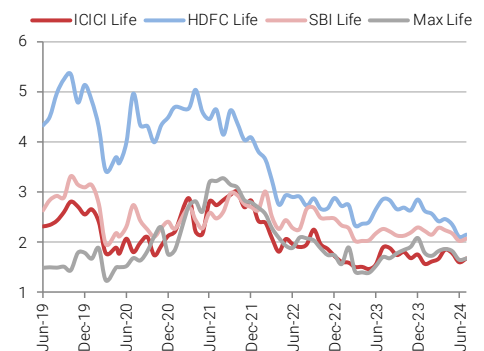
APE growth driven largely by higher volumes

Life industry reported strong 17% yoy APE growth in May 2024 on a low base. Two-year CAGR was muted at 10% for the industry. Similar trends are visible in NoP growth at 17% yoy and at a 2-year CAGR of 11%. Product mix stabilization likely resulted in stable ticket sizes. While the top-4 players reported strong 18% growth (2-year CAGR), tier-II players reported lower 15% 2-year CAGRs in APE.

Player-wise comments

- ▶ HDFC Life reported 21% yoy APE growth and 18% two-year CAGR in May 2024. Growth was largely driven by higher volume of policies underwritten. NoP growth remains strong at 18% yoy and 23% two-year CAGR, likely driven by penetration into lower tier cities.
- ▶ While ICICI Prudential Life's APE shot up 52% yoy in May 2024, two-year APE CAGR was at 23%; this reflects weak momentum in April to May 2023, which picked up toward the end of the year. As such, the two-year CAGR may not be an accurate representation. NoP growth picked up to 36% in May 2024 from 9% in April 2024, even based on a two-year CAGR, NoP growth was strong at 17% similar to other listed peers.
- ▶ Max Life reported 30% yoy APE growth and 16% two-year CAGR in May 2024. While we expect Max Life to report higher growth than peers, April-May 2024 trends are in line with peers. April and May tend to be weak months for insurance and growth should pick up in the subsequent months. NoP growth picked up to 43% yoy and at a 26% two-year CAGR in May 2024.
- ▶ SBI Life reported 19% yoy APE growth and 17% two-year CAGR in April 2024. Growth for SBI Life in line with other listed peers. Contrary to peers, SBI Life's NoP growth was muted at 7% yoy and at a 7% two-year CAGR. This is likely driven by a shift in product mix toward ULIPs; notably, ticket sizes were up 18% yoy ((-)8% to 5% for other listed private peers).
- ▶ Bajaj Allianz Life reported 16% yoy APE growth and 9% two-year CAGR. Weaker volumes at the Axis Bank channel have likely led to its underperformance.
- ▶ LIC reported 12% yoy APE growth, largely driven by group business (up 21% yoy). Individual APE growth was muted at 7% yoy in May 2024. We expect LIC to lag private peers and report muted 6% APE growth in FY2025E.

Company data and valuation summary



Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of June 10, 2024

Quick Numbers

Private players reported 22% growth in APE in May 2024

ICICI Prudential Life reported strong two-year CAGR of 28% in individual APE

Number of policies up at a two-year CAGR of 11% for private players

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Private players reported 22% growth in APE in May 2024

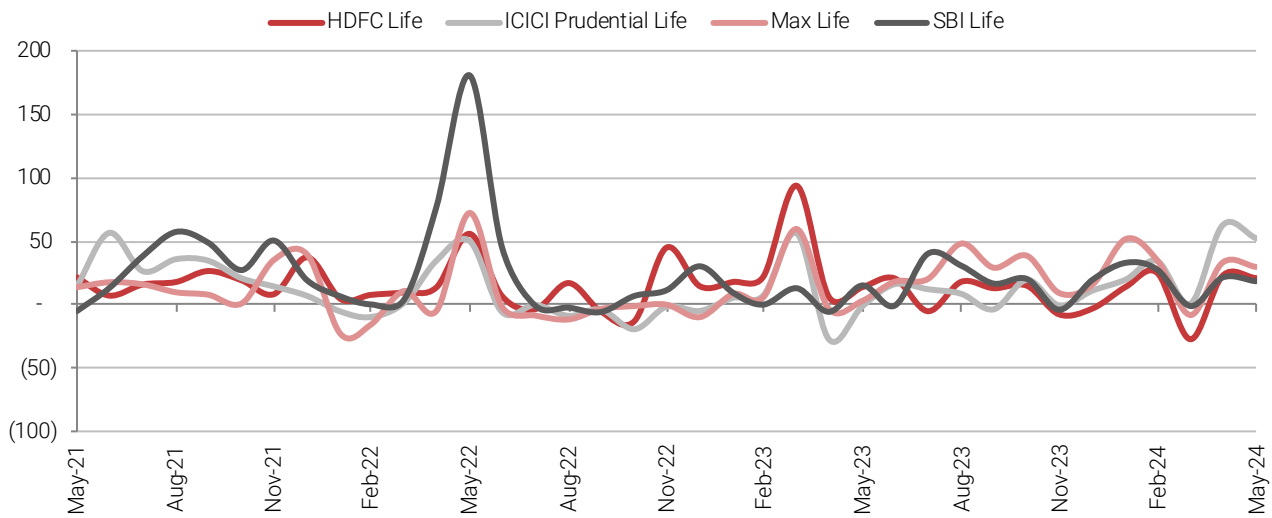
Exhibit 1: APE of life insurers, May 2024 (Rs mn)

	May-24					
	Individual	yoy growth (%)	Group	yoy growth (%)	Total	yoy growth (%)
Aviva Life	92	(38)	15	(25)	107	(37)
Bajaj Allianz Life	4,156	18	312	(7)	4,467	16
Bharti Axa Life	357	3	4	(71)	361	(0)
Aditya Birla Sun Life	2,174	18	310	(4)	2,484	15
Canara HSBC	1,204	92	25	(79)	1,228	65
Pramerica Life	165	57	68	10	233	39
Future Generali Life	152	(5)	8	(64)	160	(13)
HDFC Life	8,053	23	1,207	10	9,261	21
ICICI Prudential Life	5,422	57	664	24	6,087	52
Aegae Federal Life	461	71	22	51	483	70
India First Life	588	(35)	50	4	638	(33)
Max Life	4,157	31	117	15	4,274	30
Reliance Life	613	1	4	36	616	1
SBI Life	11,343	25	664	(36)	12,007	19
Shriram Life	633	48	103	28	736	45
Star Union Dai-ichi Life	900	20	47	(42)	948	14
Tata AIA Life	5,026	22	54	(29)	5,080	21
Private players	48,336	25	4,032	(8)	52,369	22
Private (ex-Top 4)	19,360	19	1,380	(14)	20,741	16
LIC	24,179	7	12,632	21	36,811	12
Total Premium	72,515	19	16,665	12	89,180	17

Source: IRDA, LI Council, Kotak Institutional Equities

Growth picked up for top-4 players on a low base

Exhibit 2: APE growth, March fiscal year-ends, May 2021-May 2024 (%)



Source: IRDA, LI Council, Kotak Institutional Equities

Implied growth rates are benign for most life insurers

Exhibit 3: CMP implied multiples and long-term estimates, March fiscal year-ends, 2025E

	FV (Rs)	AV/EV (X)	EV/share (Rs)	NBM (X)	VNB/share (Rs)	Long term growth (%)	Cost of equity (%)
HDFC Life							
Kotak estimates	775	2.6	301	21.5	22	10.2	13.0
CMP implied	569	1.9	301	12.2	22	5.3	13.0
ICICI Pru Life							
Kotak estimates	685	1.8	388	14.1	21	8.1	14.5
CMP implied	581	1.5	388	9.2	21	6.1	14.5
Max Life							
Kotak estimates	1,200	2.0	586	10.8	57	8.5	14.5
CMP implied	954	1.6	586	6.5	57	3.5	14.5
SBI Life							
Kotak estimates	1,675	2.0	829	11.2	76	9.0	14.0
CMP implied	1,432	1.7	829	8.0	76	5.1	14.0

Source: Companies, IRDA, Kotak Institutional Equities

Top-4 players reported strong 2-year CAGR of 18%

Exhibit 4: Overall APE growth yoy, May 2023-May 2024 (%)

	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	2 yr CAGR	
														Apr-24	May-24
Bajaj Allianz	2	3	21	34	37	30	21	18	33	30	6	23	16	15	9
Aditya Birla Sun Life	9	47	7	(4)	(12)	27	(22)	14	23	16	(20)	13	15	25	12
Canara HSBC	(8)	(14)	24	(1)	16	36	14	(27)	29	(6)	(14)	123	65	33	23
HDFC Life	14	21	(5)	18	13	15	(7)	(3)	14	25	(27)	23	21	14	18
ICICI Prudential Life	(1)	16	12	9	(3)	20	(0)	11	20	35	1	63	52	9	23
India First	(1)	4	6	4	(6)	(16)	(2)	(38)	(22)	(48)	(51)	(42)	(33)	(20)	(18)
Kotak	9	1	8	19	(2)	16	4	(5)	3	31	(3)	7	6	5	7
Max Life	3	18	21	49	30	39	9	16	52	35	(8)	34	30	14	16
Reliance Life	2	22	20	12	3	20	(12)	11	7	1	13	(23)	1	(7)	2
SBI Life	15	(1)	40	31	17	20	(4)	20	33	28	(1)	22	19	7	17
Star Union Daichi	7	23	7	(1)	6	21	(5)	18	26	23	(3)	14	14	(12)	10
Tata AIA	22	23	21	7	15	23	(13)	16	19	(0)	(19)	30	21	22	21
Private sector	10	12	18	20	12	21	(2)	10	23	22	(10)	23	22	11	16
Top 4	10	11	20	25	14	21	(3)	13	28	30	(11)	30	26	10	18
Private (ex-Top 4)	9	15	15	12	10	20	(2)	7	15	12	(9)	14	16	12	13
Select tier-II players	11	13	21	19	25	27	1	17	25	13	(9)	26	19	18	15
LIC	(6)	3	(21)	(16)	(13)	1	(21)	31	14	32	(2)	45	12	5	3
Total	3	8	(2)	4	1	12	(11)	17	19	25	(7)	32	17	8	10

Source: IRDA, LI Council, Kotak Institutional Equities

ICICI Prudential Life reported strong 2-year CAGR of 28% in individual APE

Exhibit 5: Individual APE growth yoy, May 2023-May 2024 (%)

	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	2 yr CAGR	
														Apr-24	May-24
Bajaj Allianz	18	17	33	33	30	27	27	20	32	34	5	22	18	15	18
Aditya Birla Sun Life	33	35	9	(3)	(1)	21	(19)	10	36	9	(25)	16	18	21	25
Canara HSBC	(20)	(14)	21	(9)	14	37	13	19	28	(2)	(14)	136	92	38	24
HDFC Life	10	18	(7)	16	13	17	(4)	(5)	17	28	(28)	30	23	18	16
ICICI Prudential Life	4	12	8	12	(5)	21	(3)	13	22	34	(1)	72	57	9	28
India First	0	(17)	3	5	(2)	(16)	(1)	(40)	(24)	(50)	(53)	(50)	(35)	(24)	(19)
Max Life	2	12	19	49	29	38	8	15	51	34	(8)	32	31	13	15
Reliance Life	4	24	20	12	3	21	(12)	11	7	2	12	(24)	1	(7)	2
SBI Life	8	5	31	34	16	16	(3)	20	17	26	(7)	20	25	7	16
Star Union Daichi	33	7	10	20	9	11	(3)	21	30	7	(3)	26	20	(11)	26
Tata AIA	21	22	21	7	15	23	(14)	17	18	—	(19)	30	22	21	22
Private sector	10	12	16	21	12	20	(1)	11	20	20	(12)	25	25	11	18
Top 4	7	11	15	27	13	20	(1)	12	22	30	(13)	32	30	11	18
Private (ex-Top 4)	15	14	16	12	11	19	(1)	10	17	10	(11)	15	19	11	17
Select tier-II players	20	20	26	18	21	25	2	18	24	14	(9)	26	20	18	20
LIC	(1)	(11)	14	3	5	2	(9)	2	7	13	(16)	18	7	6	3
Total	6	3	15	14	10	13	(4)	9	15	18	(13)	22	19	9	12

Source: IRDA, LI Council, Kotak Institutional Equities

Top-4 players market share up to 40% in individual segment

Exhibit 6: Trend in adjusted individual market share, May 2023-May 2024 (%)

	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
Bajaj Allianz	6	6	5	6	6	6	6	5	5	6	7	6	6
Canara HSBC	1	1	2	1	2	2	2	2	2	2	2	2	2
HDFC Life	11	11	8	11	10	9	11	10	11	12	11	11	11
ICICI Prudential	6	7	6	6	6	6	6	5	7	9	8	7	7
Kotak	2	2	2	2	2	2	2	2	3	4	4	2	2
Max Life	5	6	5	6	6	6	6	6	6	7	8	5	6
Met Life	2	2	2	2	2	2	2	2	2	2	2	2	2
Reliance Life	1	1	1	1	1	1	1	1	1	1	1	1	1
SBI Life	15	15	17	18	17	17	18	25	16	12	9	15	16
Tata AIA	7	7	6	6	7	7	6	7	6	6	8	7	7
Private sector	63	66	63	68	68	67	68	73	67	69	69	65	67
Top 4 players	36	38	37	41	40	39	40	46	40	40	36	38	40
Private (ex-top 4)	27	28	27	27	29	28	28	27	27	30	33	27	27
Select tier-II players	12	12	12	12	12	12	12	12	12	13	15	13	13
LIC	37	34	37	32	32	33	32	27	33	31	31	35	33

Source: IRDA, LI Council, Kotak Institutional Equities

Number of policies up at a two-year CAGR of 11% for private players

Exhibit 7: Growth in number of individual non-single policies yoy, May 2023-May 2024 (%)

	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	2-yr CAGR	
														Apr-24	May-24
Bajaj Allianz	15.9	29.7	37.4	30.2	16.1	15.0	31.7	6.3	18.2	16.6	33.1	7.8	(0.6)	6.7	7.4
Birla Sunlife	19.4	14.4	17.5	18.3	12.8	27.7	5.3	17.6	29.1	29.6	7.5	(12.3)	16.4	15.6	17.9
Canara HSBC	(14.2)	(11.5)	6.6	5.4	23.5	43.9	10.3	2.0	2.3	(18.3)	(20.8)	285.0	104.1	90.1	32.4
HDFC Life	29.5	29.6	26.8	35.5	28.2	33.2	2.4	1.1	10.7	21.6	11.6	39.5	17.6	27.4	23.4
ICICI Prudential	(0.0)	3.2	8.3	6.6	2.9	11.6	(10.8)	(9.8)	2.2	33.3	(5.7)	8.9	36.3	(3.4)	16.7
Max Life	10.5	5.0	18.7	60.2	28.1	54.1	3.4	8.5	72.9	23.2	(3.9)	23.5	42.7	9.4	25.6
Reliance Life	(14.8)	10.5	31.6	23.1	22.7	31.4	(0.9)	9.6	18.4	14.9	74.1	(33.9)	13.0	(7.7)	(1.9)
SBI Life	7.3	(2.9)	11.7	17.6	2.1	10.8	(8.5)	6.3	4.4	9.0	(12.3)	(0.1)	6.5	(1.7)	6.9
Tata AIA	5.0	5.1	26.8	13.0	9.9	15.3	(7.2)	41.3	36.6	21.4	23.9	2.5	13.9	6.7	9.3
Private sector	5.7	5.2	14.4	17.8	6.4	18.3	1.1	7.7	15.3	15.6	4.3	13.3	16.6	6.5	11.0
Top 4 players	11.5	5.6	15.3	25.3	11.0	20.9	(4.7)	3.8	14.4	17.9	(3.9)	13.1	18.1	5.7	14.7
Private (ex-top 4)	(0.6)	4.9	13.4	9.4	1.4	15.2	8.5	13.2	16.6	13.1	14.1	13.5	14.7	7.6	6.7
Select tier-II players	10.6	16.9	31.8	21.3	12.9	15.2	11.3	24.9	27.2	18.9	28.2	4.9	6.1	6.7	8.3
LIC	(8.9)	(15.4)	(2.9)	2.9	11.6	22.7	(6.5)	(8.3)	8.9	6.4	1.3	8.7	9.6	(3.0)	(0.1)

Source: IRDA, LI Council, Kotak Institutional Equities

Mixed trends in ticket sizes

Exhibit 8: Average policy size in individual non-single segment, May 2023-May 2024

	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
Average ticket size (Rs)													
Bajaj Allianz	69,714	68,866	74,177	83,128	88,283	90,438	76,288	97,889	83,101	94,187	95,075	88,102	82,984
Birla Sun Life	104,975	109,185	97,768	106,543	102,623	101,765	103,179	118,956	108,699	111,194	127,264	102,915	104,013
HDFC Life	89,871	93,594	81,596	104,999	102,982	80,352	97,506	105,284	108,624	108,114	98,603	87,361	94,554
ICICI Prudential	93,469	104,244	100,486	108,158	105,054	109,560	117,372	134,325	134,337	125,556	168,719	124,763	109,002
Max Life	76,814	87,559	88,987	81,511	91,131	88,927	102,085	116,489	75,500	98,421	123,525	81,185	70,767
Reliance	61,791	58,301	48,501	49,734	51,050	53,875	59,711	74,058	64,233	58,324	74,913	77,511	55,121
SBI Life	62,612	65,821	75,414	77,721	79,412	74,625	79,627	98,307	86,543	69,004	63,111	71,034	73,618
Tata AIA	93,429	98,283	87,821	97,990	100,761	100,037	101,894	89,719	89,429	103,355	105,698	93,711	101,472
Private sector	72,882	76,217	76,865	82,575	84,411	79,372	82,755	95,517	88,100	88,371	95,425	78,294	78,638
LIC	19,609	18,314	17,635	15,888	18,680	17,363	17,771	19,151	16,050	17,110	12,850	21,892	19,006
YoY growth (%)													
Bajaj Allianz	2	(10)	(4)	3	12	10	(3)	14	12	15	(21)	13	19
Birla Sun Life	11	17	(7)	(17)	(11)	(5)	(23)	(6)	5	(17)	(31)	30	(1)
HDFC Life	(7)	(0)	(20)	(8)	(0)	(9)	(5)	(5)	7	6	(36)	(7)	5
ICICI Prudential	7	11	1	7	(6)	10	11	26	21	1	5	61	17
Max Life	(9)	8	1	(6)	2	(10)	6	7	(12)	8	(6)	7	(8)
Reliance	22	12	(9)	(9)	(16)	(8)	(11)	1	(10)	(11)	(35)	15	(11)
SBI Life	(1)	6	18	15	15	5	6	13	13	16	6	21	18
Tata AIA	15	16	(5)	(6)	5	7	(7)	(17)	(13)	(17)	(34)	28	9
Private sector	4	7	1	3	6	2	(2)	4	5	4	(16)	10	8
LIC	9	3	18	(0)	(7)	(17)	(2)	13	(1)	7	(18)	7	(3)

Source: IRDA, LI Council, Kotak Institutional Equities

Share of single premium at 49% for private players

Exhibit 9: Share of single premium, May 2023-May 2024 (%)

	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
Bajaj Allianz	35	48	40	46	56	46	30	26	39	39	39	34	37
Aditya Birla Sun Life	62	69	56	60	59	70	49	54	43	66	59	62	62
HDFC Life	66	69	66	64	63	69	60	59	56	54	61	62	65
ICICI Prudential	46	42	36	48	47	46	49	45	43	41	32	47	43
Kotak Life	53	56	57	48	56	58	55	48	54	42	38	64	59
Max Life	40	53	40	34	37	36	36	33	35	42	33	43	40
Reliance Life	5	2	3	4	3	3	4	2	3	4	2	5	4
SBI Life	64	55	66	49	42	53	41	35	68	55	62	53	54
Private sector	53	53	52	48	48	51	43	39	51	46	44	49	49
LIC	82	90	79	77	81	84	84	85	76	84	83	84	86
Total	70	78	67	64	67	70	68	67	65	69	68	71	72

Source: IRDA, LI Council, Kotak Institutional Equities

Private sector's market share in group business down to 25% in April 2024

Exhibit 10: Market share in group business, May 2023-May 2024 (%)

	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
Bajaj Allianz	2.3	1.6	1.5	2.7	3.4	2.3	1.5	1.2	1.8	2.0	2.0	2.6	1.9
Aditya Birla Sun Life	2.2	2.0	1.4	2.4	1.8	2.9	1.3	1.8	0.9	2.9	2.0	1.7	1.9
HDFC Life	7.4	5.4	6.4	9.6	6.9	7.5	6.7	6.1	5.1	5.4	6.3	6.2	7.2
ICICI Prudential	3.6	2.6	6.0	4.5	3.9	4.5	4.8	3.2	3.7	3.7	4.3	3.6	4.0
Kotak Life	2.2	1.1	1.9	2.8	1.6	1.7	1.9	1.6	1.6	2.7	1.8	2.0	1.7
Max Life	0.7	1.2	0.7	0.8	0.7	0.8	0.8	0.8	0.7	0.8	0.5	0.9	0.7
Reliance Life	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.0
SBI Life	7.0	3.3	12.9	7.1	4.5	5.8	3.1	3.2	15.0	4.8	5.9	3.6	4.0
Private sector	29	22	35	35	26	30	23	21	32	27	25	25	24
LIC	71	78	65	65	74	70	77	79	68	73	75	75	76

Source: IRDA, LI Council, Kotak Institutional Equities

Exhibit 11: Valuation comparison of life insurers, March fiscal year-end, 2023-2026E

	Rating	FV	Price	Market cap.		Embedded value (Rs bn)				Price/EV (X)				Price/VNB (X)				EVOP CAGR	Price/EVOP (X)				Operating RoEV (%)			
		(Rs)	(Rs)	(Rs bn)	(US \$bn)	2023	2024	2025E	2026E	2023	2024	2025E	2026E	2023	2024	2025E	2026E	(%)	2023	2024	2025E	2026E	2023	2024	2025E	2026E
HDFC Life	BUY	775	569	1,224	15	395	475	555	646	3.1	2.6	2.2	1.9	33	35	30	26	13	19	18	15	13	21.6	17.5	17.1	16.8
ICICI Prudential Life	BUY	685	581	837	10	356	423	485	557	2.4	2.0	1.7	1.5	30	38	33	28	9	15	17	14	12	17.4	14.1	14.4	14.6
LIC	BUY	1,300	997	6,309	76	5,822	7,330	7,949	8,609	1.1	0.9	0.8	0.7	69	66	63	62	6	11	12	10	9	10.9	9.2	8.9	8.8
LIC core				520	39	2,794	3,302	3,921	4,581	1.2	1.0	0.8	0.7	36	34	33	32	6	6	6	5	5	NA	NA	NA	NA
Max FS	BUY	1,225	954	329	4	163	198	237	283	2.8	2.3	1.9	1.6	23	24	20	17	15	15	13	11	10	22.1	20.9	20.4	20.2
SBI Life	BUY	1,700	1,432	1,434	17	461	561	673	805	3.1	2.6	2.1	1.8	28	26	22	18	14	16	15	12	11	22.9	20.8	20.5	20.1

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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BUY. We expect this stock to deliver more than 15% returns over the next 12 months.

ADD. We expect this stock to deliver 5-15% returns over the next 12 months.

REDUCE. We expect this stock to deliver -5+5% returns over the next 12 months.

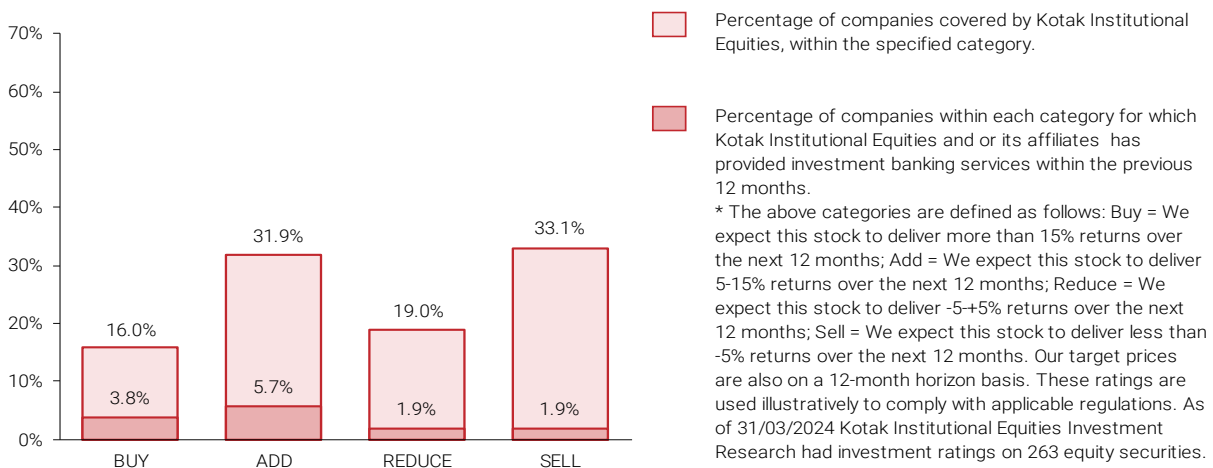
SELL. We expect this stock to deliver <-5% returns over the next 12 months.

Our Fair Value estimates are also on a 12-month horizon basis.

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Kotak Institutional Equities Research coverage universe



Source: Kotak Institutional Equities

As of March 31, 2024

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