

Insurance

India

Sector View: **Attractive** NIFTY-50: **21,958**

May 09, 2024

Not a bad start to the year

Private life insurance companies reported 23% APE growth in April 2024 on a low base, translating to 11% on 2-year CAGR basis. This is an 'okay-ish' start considering sluggish activity at the beginning of the year and moderate growth outlook by all listed players. Among listed players, HDFC Life and Max Life fared better than peers, reporting 14% 2-year APE CAGR. ICICI Prudential Life and SBI Life reported muted 7-9% growth in APE (2-year CAGR) and 1-3% decline in NoP. Aditya Birla SL and Tata AIA reported strong 22-25% 2-year APE growth, Bajaj Allianz was slower at 15%.

April 2024 growth was strong on a low base

The life industry reported 33% yoy APE growth in April 2024 on a low base. April 2023 was a weak month for most life insurers due to front-ending of demand in March 2023. 2-year CAGR was muted at 8% for the industry. While top-4 players reported 10% growth (2-year CAGR), tier-II players such as Aditya Birla Sun Life and Tata AIA reported 22-25% growth.

Player-wise comments

- ▶ HDFC Life reported 23% yoy APE growth and 14% on 2-year CAGR basis in April 2024. HDFC Life fared better than most private players (up 11% on 2-year CAGR) as its base did not weaken in April last year. Yoy growth in April 2023 was 6%. NoP growth remains strong at 40% yoy, 27% on 2-year CAGR basis and ticket size is down 7% (up 7-21% for peers), likely driven by penetration into lower tier cities.
- ▶ While ICICI Prudential Life's APE shot up 63% yoy in April 2024, 2-year APE CAGR was moderate at 9%; this reflects weak momentum in April 2023, which picked up toward the end of the year. As such, 2-year CAGR may not be accurate representation. Ticket size growth was strong at 61% yoy likely due to sustained growth in ULIPs. NoP declined 3% on 2-year CAGR basis for ICICI Prudential Life.
- ▶ Max Life reported 34% yoy APE growth and 14% on 2-year CAGR basis in April 2024. While we expect Max Life to report higher growth than peers, April 2024 trends are in line with peers. April tends to be a weak month for insurance and growth should pick up in the subsequent months. NoP growth was lower than HDFC Life at 9% on 2-year CAGR (up 7% for private players).
- ▶ SBI Life reported 22% yoy APE growth and 7% on 2-year CAGR basis in April 2024. APE growth tapered down to 15% yoy in 2HFY24 from 18% in 1HFY24. Concerns of mis-selling of insurance at public sector banks may have had an impact and the weakness continues in April 2024. NoP was flat on both yoy and 2-year CAGR basis.

Quick Numbers

Private players reported strong 24% yoy APE growth

Tier-II players reported 22-25% growth

Ticket sizes up 7-61% yoy for most players

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- ▶ Bajaj Allianz Life reported 23% yoy APE growth and 15% on 2-year CAGR basis. The differential in growth rate between Baja Allianz and top-4 players has narrowed likely due to weaker volumes at Axis Bank channel.
- ▶ LIC reported 45% yoy APE growth, higher than private players (23%), leading to pick-up in market share to 35% from 27-33% in the previous eight months. This is likely a temporary reversion, we expect LIC to lag private peers and report muted 6% APE growth.

Private players reported strong 24% growth in APE

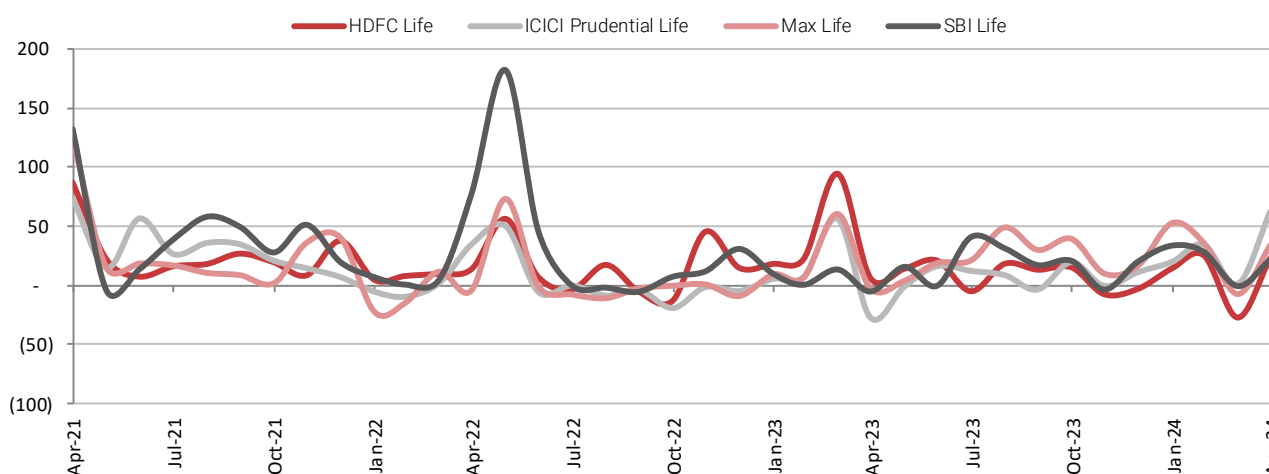
Exhibit 1: APE of life insurers, April 2024 (Rs mn)

	Apr-24				Total	yoy growth (%)
	Individual	yoy growth (%)	Group	yoy growth (%)		
Aviva Life	92	(15)	16	(18)	108	(15)
Bajaj Allianz Life	3,329	22	317	29	3,645	23
Bharti Axa Life	245	(27)	2	(91)	247	(31)
Aditya Birla Sun Life	1,445	16	225	19	1,670	16
Canara HSBC	902	136	24	(26)	926	123
Pramerica Life	154	38	8	(87)	162	(4)
Future Generali Life	76	33	36	101	112	49
HDFC Life	6,114	30	755	(18)	6,869	22
ICICI Prudential Life	4,007	72	1,059	33	5,066	62
Aegae Federal Life	285	53	24	50	309	53
India First Life	446	(50)	100	80	546	(42)
Max Life	2,842	32	101	22	2,942	32
Reliance Life	817	(24)	6	146	823	(23)
SBI Life	8,199	20	530	82	8,729	22
Shriram Life	376	59	48	32	424	56
Star Union Dai-ichi Life	522	26	33	(22)	555	22
Tata AIA Life	3,924	30	57	(24)	3,981	29
Private players	35,888	25	4,143	19	40,031	24
Private (ex-Top 4)	14,728	15	1,698	21	16,425	16
LIC	19,160	18	9,594	183	28,754	46
Total Premium	55,048	22	13,737	100	68,785	33

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, April 2021-April 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	540	1.8	301	10.9	22	4.1	13.0
ICICI Pru Life							
Kotak estimates	685	1.8	388	14.1	21	8.1	14.5
CMP implied	578	1.5	388	9.0	21	5.8	14.5
Max Life							
Kotak estimates	1,200	2.0	586	10.8	57	8.5	14.5
CMP implied	963	1.6	586	6.7	57	2.3	14.5
SBI Life							
Kotak estimates	1,675	2.0	829	11.2	76	9.0	14.0
CMP implied	1,422	1.7	829	7.8	76	4.8	14.0

Source: Companies, IRDA, Kotak Institutional Equities

Top-4 players reported 2-year CAGR of 10%

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

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

Source: IRDA, LI Council, Kotak Institutional Equities

HDFC Life reported strong 2-year CAGR of 18% in individual APE

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

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

Source: IRDA, LI Council, Kotak Institutional Equities

Top-4 players' market share up to 38% in individual segment

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

	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
Bajaj Allianz	6	6	6	5	6	6	6	6	5	5	6	7	6
Canara HSBC	1	1	1	2	1	2	2	2	2	2	2	2	2
HDFC Life	10	11	11	8	11	10	9	11	10	11	12	11	11
ICICI Prudential	5	6	7	6	6	6	6	6	5	7	9	8	7
Kotak	2	2	2	2	2	2	2	2	2	3	4	4	2
Max Life	5	5	6	5	6	6	6	6	6	6	7	8	5
Met Life	2	2	2	2	2	2	2	2	2	2	2	2	2
Reliance Life	2	1	1	1	1	1	1	1	1	1	1	1	1
SBI Life	15	15	15	17	18	17	17	18	25	16	12	9	15
Tata AIA	7	7	7	6	6	7	7	6	7	6	6	8	7
Private sector	64	63	66	63	68	68	67	68	73	67	69	69	65
Top 4 players	36	36	38	37	41	40	39	40	46	40	40	36	38
Private (ex-top 4)	28	27	28	27	27	29	28	28	27	27	30	33	27
Select tier-II players	13	12	12	12	12	12	12	12	12	12	13	15	13
LIC	36	37	34	37	32	32	33	32	27	33	31	31	35

Source: IRDA, LI Council, Kotak Institutional Equities

Number of policies up 7% on 2-year CAGR for private players

Exhibit 7: YoY growth in number of individual non-single policies, April 2023 – April 2024 (%)

	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	2-yr CAGR Apr-24
Bajaj Allianz	5.7	15.9	29.7	37.4	30.2	16.1	15.0	31.7	6.3	18.2	16.6	33.1	7.8	6.7
Birla Sunlife	52.2	19.4	14.4	17.5	18.3	12.8	27.7	5.3	17.6	29.1	29.6	7.5	(12.3)	15.6
Canara HSBC	(6.1)	(14.2)	(11.5)	6.6	5.4	23.5	43.9	10.3	2.0	2.3	(18.3)	(20.8)	285.0	90.1
HDFC Life	16.3	29.5	29.6	26.8	35.5	28.2	33.2	2.4	1.1	10.7	21.6	11.6	39.5	27.4
ICICI Prudential	(14.4)	(0.0)	3.2	8.3	6.6	2.9	11.6	(10.8)	(9.8)	2.2	33.3	(5.7)	8.9	(3.4)
Max Life	(3.1)	10.5	5.0	18.7	60.2	28.1	54.1	3.4	8.5	72.9	23.2	(3.9)	23.5	9.4
Reliance Life	29.0	(14.8)	10.5	31.6	23.1	22.7	31.4	(0.9)	9.6	18.4	14.9	74.1	(33.9)	(7.7)
SBI Life	(3.4)	7.3	(2.9)	11.7	17.6	2.1	10.8	(8.5)	6.3	4.4	9.0	(12.3)	(0.1)	(1.7)
Tata AIA	11.1	5.0	5.1	26.8	13.0	9.9	15.3	(7.2)	41.3	36.6	21.4	23.9	2.5	6.7
Private sector	0.2	5.7	5.2	14.4	17.8	6.4	18.3	1.1	7.7	15.3	15.6	4.3	13.3	6.5
Top 4 players	(1.3)	11.5	5.6	15.3	25.3	11.0	20.9	(4.7)	3.8	14.4	17.9	(3.9)	13.1	5.7
Private (ex-top 4)	1.9	(0.6)	4.9	13.4	9.4	1.4	15.2	8.5	13.2	16.6	13.1	14.1	13.5	7.6
Select tier-II players	8.5	10.6	16.9	31.8	21.3	12.9	15.2	11.3	24.9	27.2	18.9	28.2	4.9	6.7
LIC	(13.4)	(8.9)	(15.4)	(2.9)	2.9	11.6	22.7	(6.5)	(8.3)	8.9	6.4	1.3	8.7	(3.0)

Source: IRDA, LI Council, Kotak Institutional Equities

Ticket sizes up yoy for most players

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

	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
Average ticket size (Rs)													
Bajaj Allianz	77,708	69,714	68,866	74,177	83,128	88,283	90,438	76,288	97,889	83,101	94,187	95,075	88,102
Birla Sun Life	79,427	104,975	109,185	97,768	106,543	102,623	101,765	103,179	118,956	108,699	111,194	127,264	102,915
HDFC Life	93,576	89,871	93,594	81,596	104,999	102,982	80,352	97,506	105,284	108,624	108,114	98,603	87,361
ICICI Prudential	77,477	93,469	104,244	100,486	108,158	105,054	109,560	117,372	134,325	134,337	125,556	168,719	124,763
Max Life	75,841	76,814	87,559	88,987	81,511	91,131	88,927	102,085	116,489	75,500	98,421	123,525	81,185
Reliance	67,272	61,791	58,301	48,501	49,734	51,050	53,875	59,711	74,058	64,233	58,324	74,913	77,511
SBI Life	58,881	62,612	65,821	75,414	77,721	79,412	74,625	79,627	98,307	86,543	69,004	63,111	71,034
Tata AIA	73,285	93,429	98,283	87,821	97,990	100,761	100,037	101,894	89,719	89,429	103,355	105,698	93,711
Private sector	70,940	72,882	76,217	76,865	82,575	84,411	79,372	82,755	95,517	88,100	88,371	95,425	78,294
LIC	20,405	19,609	18,314	17,635	15,888	18,680	17,363	17,771	19,151	16,050	17,110	12,850	21,892
YoY growth (%)													
Bajaj Allianz	2	2	(10)	(4)	3	12	10	(3)	14	12	15	(21)	13
Birla Sun Life	(17)	11	17	(7)	(17)	(11)	(5)	(23)	(6)	5	(17)	(31)	30
HDFC Life	0	(7)	(0)	(20)	(8)	(0)	(9)	(5)	(5)	7	6	(36)	(7)
ICICI Prudential	(18)	7	11	1	7	(6)	10	11	26	21	1	5	61
Max Life	(1)	(9)	8	1	(6)	2	(10)	6	7	(12)	8	(6)	7
Reliance	(12)	22	12	(9)	(9)	(16)	(8)	(11)	1	(10)	(11)	(35)	15
SBI Life	(5)	(1)	6	18	15	15	5	6	13	13	16	6	21
Tata AIA	2	15	16	(5)	(6)	5	7	(7)	(17)	(13)	(17)	(34)	28
Private sector	(2)	4	7	1	3	6	2	(2)	4	5	4	(16)	10
LIC	12	9	3	18	(0)	(7)	(17)	(2)	13	(1)	7	(18)	7

Source: IRDA, LI Council, Kotak Institutional Equities

Share of single premium at 49% for private players

Exhibit 9: Share of single premium, April 2023 – April 2024 (%)

	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
Bajaj Allianz	29	35	48	40	46	56	46	30	26	39	39	39	34
Aditya Birla Sun Life	53	62	69	56	60	59	70	49	54	43	66	59	62
HDFC Life	68	66	69	66	64	63	69	60	59	56	54	61	62
ICICI Prudential	51	46	42	36	48	47	46	49	45	43	41	32	47
Kotak Life	68	53	56	57	48	56	58	55	48	54	42	38	64
Max Life	40	40	53	40	34	37	36	36	33	35	42	33	43
Reliance Life	3	5	2	3	4	3	3	4	2	3	4	2	5
SBI Life	50	64	55	66	49	42	53	41	35	68	55	62	53
Private sector	49	53	53	52	48	48	51	43	39	51	46	44	49
LIC	67	82	90	79	77	81	84	84	85	76	84	83	84
Total	57	70	78	67	64	67	70	68	67	65	69	68	71

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, April 2023 – April 2024 (%)

	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
Bajaj Allianz	4.0	2.3	1.6	1.5	2.7	3.4	2.3	1.5	1.2	1.8	2.0	2.0	2.6
Aditya Birla Sun Life	3.6	2.2	2.0	1.4	2.4	1.8	2.9	1.3	1.8	0.9	2.9	2.0	1.7
HDFC Life	14.1	7.4	5.4	6.4	9.6	6.9	7.5	6.7	6.1	5.1	5.4	6.3	6.2
ICICI Prudential	6.5	3.6	2.6	6.0	4.5	3.9	4.5	4.8	3.2	3.7	3.7	4.3	3.6
Kotak Life	4.9	2.2	1.1	1.9	2.8	1.6	1.7	1.9	1.6	1.6	2.7	1.8	2.0
Max Life	1.0	0.7	1.2	0.7	0.8	0.7	0.8	0.8	0.8	0.7	0.8	0.5	0.9
Reliance Life	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.0
SBI Life	4.1	7.0	3.3	12.9	7.1	4.5	5.8	3.1	3.2	15.0	4.8	5.9	3.6
Private sector	47	29	22	35	35	26	30	23	21	32	27	25	25
LIC	53	71	78	65	65	74	70	77	79	68	73	75	75

Source: IRDA, LI Council, Kotak Institutional Equities

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

	Rating	FV (Rs)	Price (Rs)	Market cap. (Rs bn)	Market cap. (US \$bn)	Embedded value (Rs bn)				Price/EV (X)				Price/VNB (X)				EVOP CAGR (2023-26E) (%)	Price/EVOP (X)				Operating RoEV (%)			
						2023	2024E	2025E	2026E	2023	2024E	2025E	2026E	2023	2024E	2025E	2026E		2023	2024E	2025E	2026E	2023	2024E	2025E	2026E
HDFC Life	BUY	775	540	1,161	14	395	475	555	646	2.9	2.4	2.1	1.8	32	33	29	25	13	18	17	14	12	21.6	17.5	17.1	16.8
ICICI Prudential Life	BUY	685	578	833	10	356	423	485	557	2.3	2.0	1.7	1.5	30	37	33	28	9	15	17	14	12	17.4	14.1	14.4	14.6
LIC	BUY	1,300	902	5,706	68	5,822	7,330	7,949	8,609	1.0	0.8	0.7	0.7	62	59	57	56	6	10	11	9	8	10.9	9.2	8.9	8.8
LIC core			425	2,685	32	2,794	3,302	3,921	4,581	1.0	0.8	0.7	0.6	29	28	27	26	6	5	5	4	4	NA	NA	NA	NA
Max FS	BUY	1,225	963	332	4	163	198	237	283	2.8	2.3	1.9	1.6	24	24	21	17	15	15	14	11	10	22.1	20.9	20.4	20.2
SBI Life	BUY	1,700	1,422	1,424	17	461	561	673	805	3.1	2.5	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.

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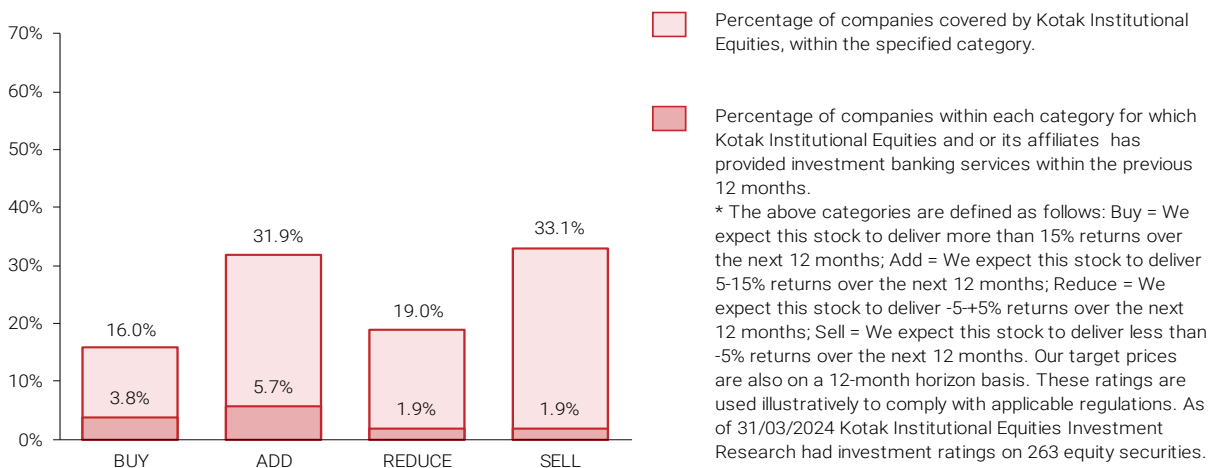
SELL. We expect this stock to deliver <-5% returns over the next 12 months.

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Kotak Institutional Equities Research coverage universe



Source: Kotak Institutional Equities

As of March 31, 2024

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