

Insurance

India

Sector View: **Attractive** NIFTY-50: **23,264**

June 03, 2024

As blurry as it gets

4QFY24 business trends were weak for a variety of reasons across different players—margin compression, slowdown in agency/primary banking partner and higher payouts. Takeaways remain similar across players—lack of clarity on FY2025E product strategy, focus on expansion/growth coupled with higher payouts and regulatory developments, all of which provide low near-term visibility. We await clouds to recede and more clarity to emerge; valuations remain undemanding across the board.

Weak readings from 4Q results for a variety of reasons

Weak takeaways from 4QFY24 results of life companies—(1) ICICI Prudential Life reported weak margins of 21.5% in 4QFY24 as compared to 26.7% in 9MFY24, (2) despite acquisition of Exide, HDFC Life lost share in agency business with 27% decline in agency APE (9% decline for the year as compared to 15-28% growth for peers) and (3) SBI Life reported 5% APE growth in SBI (13% in FY2024), raising some concerns of slower near-term trajectory at the parent bank even as it continues to hold on better than most peers. Max Life reported margin compression by 180 bps yoy in 4QFY24 but had strong 31% adjusted (for one-offs) growth in 4QFY24, translating to 19% overall APE growth for the year.

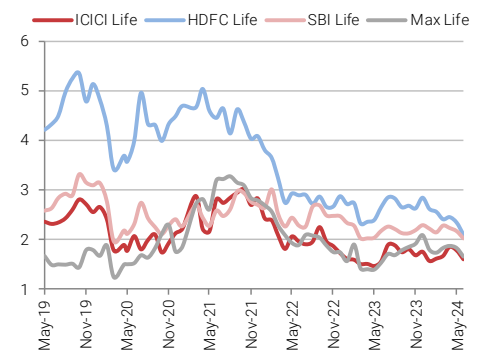
Lack of clarity on multiple issues

FY2024 saw sharp rise in share of ULIPs reflecting capital-market buoyancy over non-par. Individual protection picked up for three private players in FY2024 though base effect seems to be hitting in gradually. We don't have visibility on FY2025E product strategy—depends on trends in capital markets, shape of yield curve and regulations on surrender penalties.

- ▶ Bancassurance has seen mixed trends in FY2024 likely due to the bank's focus on deposit mobilization. HDFC Life fared well in HDFC Bank (up 20% yoy) due to gain in counter share, Max Life was up 13% at Axis Bank for the year. SBI, though, moderated (APE up 5% in 4QFY24) for SBI Life; it is not clear if this is due to concerns on bancassurance practices expressed by the government.
- ▶ Competition is intensifying in third-party channels, i.e. banks and brokers. Most players seem to suggest that payouts are increasing with distributors focused only on commissions, providing little moat to insurers in this channel. With anxieties increasing, payouts in this channel are likely to remain elevated.
- ▶ Agency channel has held on well in FY2024. Even here, HDFC Bank lost share (down 9%) while Max has stepped up (up 28% yoy). Market sources suggest increasing competition for seasoned agents as well.
- ▶ Per unconfirmed media sources, IRDA may revisit surrender guidelines ([link](#)).

We have never found near-term outlook so hazy. We have modeled 15% APE growth for all players for now (except 18% for Max) and almost flat margins. We will revisit the same once we get more clarity on the business.

Company data and valuation summary



Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of May 31, 2024

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Soft guidance of various life players

Guidance of most players is soft. HDFC Life has guided for 12-15% APE growth, at higher-end of industry band with flat margins; the company will continue to invest in lower ticket growth and is expanding in interiors. ICICI Prudential Life has guided for faster-than-industry growth but with flat margins (its VNB anyway was down to 24.6% in FY2024 from 32% in FY2023). SBI Life has guided for industry-level (15%) growth with product shift to expand margins. Max Life seems to be guiding for significant share gains with stable margins.

Non-life companies have shown some positive trends

Amid nat cat events tempering FY2024 performance, Bajaj Allianz and ICICI Lombard have reported improvement in motor OD profitability—higher new vehicles sales, stable pricing and premiumization have likely driven the same. Max Life improved profitability in 4Q, getting back on track within in its long-term guidance band; the company has guided for turning the corner in profitability.

HDFC Life struggled to maintain market share in FY2024; ICICI Prudential Life near flattened

Exhibit 1: Individual APE market share, March fiscal year-ends, 2014-24, 11MFY23-11MFY24 (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	YoY (bps)	11MFY23	11MFY24	YoY (bps)
Bajaj Allianz	2.2	1.9	1.6	1.9	2.2	2.5	2.6	3.3	4.2	5.0	5.8	79	4.9	5.6	74
Birla Sunlife	1.8	1.8	1.5	1.7	1.7	2.4	2.3	2.6	2.5	2.9	2.8	(9)	2.7	2.8	3
Canara HSBC	0.6	0.8	1.0	1.2	1.3	1.3	1.3	1.4	1.6	1.6	1.6	(3)	1.5	1.5	(2)
HDFC Life	5.2	7.3	7.6	6.8	7.5	8.2	9.0	10.0	10.1	10.8	10.4	(39)	10.4	10.4	3
ICICI Prudential	7.2	11.3	11.3	12.0	11.8	10.3	9.0	7.2	7.2	6.5	6.6	14	6.2	6.3	2
Max Life	3.9	4.8	4.8	5.0	5.1	5.6	5.5	6.4	6.2	5.8	6.4	59	5.4	6.1	71
Reliance Life	2.5	3.0	2.0	1.3	1.1	1.3	1.2	1.2	1.1	1.0	1.0	4	1.0	1.0	-
SBI Life	6.2	7.7	9.7	11.2	12.3	12.9	13.3	13.5	14.7	14.6	15.8	118	16.1	17.1	97
Tata AIA	0.5	0.6	1.4	2.0	2.2	3.2	3.7	4.5	5.1	6.8	6.8	(2)	6.4	6.6	16
Private sector	37.9	48.9	51.5	53.9	56.2	58.0	57.2	59.7	62.9	65.8	67.8	201	65.2	67.5	232
LIC	62.1	51.1	48.5	46.1	43.8	42.0	42.8	40.3	37.1	34.2	32.2	(201)	34.8	32.5	(232)
Top 4	22.5	31.1	33.3	35.0	36.6	37.0	36.9	37.2	38.2	37.7	39.3	151	38.1	39.8	172
Private (ex-top 4)	15.4	17.9	18.1	18.9	19.6	21.0	20.3	22.5	24.7	28.0	28.5	50	27.1	27.7	59
Select tier-II players	2.7	2.5	3.0	3.9	4.4	5.7	6.3	7.8	9.3	11.8	12.6	77	11.3	12.2	91

Source: IRDA, LI Council, Kotak Institutional Equities

APE growth picked up and margins compressed for most players in 4QFY24

Exhibit 2: APE, VNB and VNB margins, March fiscal year-ends, 4QFY23-4QFY24

	Key metrics					YoY (%)					Adj growth (%)	
	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	4QFY24	4QFY24
APE (Rs bn)												
HDFC Life	52	23	30	32	47	69	22	15	(2)	(8)		14
ICICI Prudential Life	33	15	21	19	36	26	(4)	3	5	10		
LIC	191	95	131	132	212			(12)	7	11		
Max Life	25	11	17	18	29	38	10	39	19	13		31
SBI Life	46	30	52	61	53	11	4	33	13	17		
VNB margin (%)												
HDFC Life	29.3	26.2	26.3	26.8	26.1	-8 bps	-58 bps	-197 bps	-2 bps	-317 bps		
ICICI Prudential Life	32.0	30.0	28.0	22.9	21.5	226 bps	-101 bps	-308 bps	-1106 bps	-1052 bps		
LIC	19.2	13.7	15.3	20.0	17.2			5 bps	539 bps	-201 bps		
Max Life	30.3	22.2	25.2	27.2	28.6	-156 bps	108 bps	-615 bps	-1203 bps	-175 bps		
SBI Life	31.3	28.8	28.5	27.4	28.1	269 bps	-154 bps	-300 bps	-42 bps	-321 bps		
VNB (Rs bn)												
HDFC Life	15	6	8	9	12	69	20	7	(2)	(18)		
ICICI Prudential Life	11	4	6	4	8	36	(7)	(7)	(29)	(26)		
LIC	37	13	20	26	36			(12)	46	NA		
Max Life	8	2	4	5	8	31	16	12	(18)	7		
SBI Life	14	9	15	17	15	21	(1)	21	11	5		

Source: Company, Kotak Institutional Equities

APE growth picked up in 4QFY24

Exhibit 3: APE, March fiscal year-ends, 4QFY23-4QFY24, 2019-24 (Rs bn)

	APE (Rs bn)					YoY (%)					APE (Rs bn)						YoY (%)	
	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	2019	2020	2021	2022	2023	2024	2023	2024
Baja Allianz Life	22	13	17	16	27	41	5	39	13	19	21	23	29	44	61	73	40	19
HDFC Life	52	23	30	32	47	69	22	15	(2)	(8)	63	74	84	98	133	133	37	(0)
ICICI Prudential Life	33	15	21	19	36	26	(4)	3	5	10	78	74	65	77	86	90	12	5
LIC	191	95	131	132	212		(7)	(12)	7	11	NA	NA	422	504	567	570	12	1
Max Life	25	11	17	18	29	38	10	39	19	13	40	41	50	56	62	74	12	19
SBI Life	46	30	52	61	53	11	4	33	13	17	97	108	115	143	168	197	18	17

Source: Company, Kotak Institutional Equities

VNB growth ranged -26% to +16% in 4QFY24

Exhibit 4: VNB, March fiscal year-ends, 4QFY23-4QFY24, 2019-24 (%)

	VNB (Rs bn)					YoY (%)					VNB (Rs bn)						YoY (%)	
	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	2019	2020	2021	2022	2023	2024	2023	2024
Baja Allianz Life	4	1	2	3	5	35	(30)	25	20	16	2	4	6	10	11	53	12	
HDFC Life	15	6	8	9	12	69	20	7	(2)	(18)	15	19	22	27	37	35	37	(5)
ICICI Prudential Life	11	4	6	4	8	36	(7)	(7)	(29)	(26)	13	16	16	22	28	22	28	(19)
LIC	37	13	20	26	36	NA	(7)	(12)	46	(1)	NA	NA	42	76	92	96	20	5
Max Life	8	2	4	5	8	31	16	12	(18)	7	9	9	12	15	19	20	28	1
SBI Life	14	9	15	17	15	21	(1)	21	11	5	17	20	23	37	51	56	37	9

Source: Company, Kotak Institutional Equities

Margin compressed sharply in 4QFY24

Exhibit 5: VNB margin, March fiscal year-ends, 4QFY23-4QFY24, 2019-24 (%)

	VNB margin (%)					YoY (bps)					VNB margin (%)						YoY (bps)		
	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	2019	2020	2021	2022	2023	2024	2023	2024
Bajaj Allianz Life	18.6	7.4	13.7	15.6	18.1	216	(82)	(372)	(160)	79	(50)	9.9	12.3	14.2	15.5	14.6	130	(94)	
HDFC Life	29.3	26.2	26.3	26.8	26.1	12	(8)	(58)	(197)	(2)	(317)	24.6	25.9	26.1	27.4	27.5	26.3	14	(121)
ICICI Prudential Life	32.0	30.0	28.0	22.9	21.5	722	226	(101)	(308)	(1,106)	(1,052)	17.0	21.7	25.1	28.0	32.0	24.6	403	(738)
LIC	19.2	13.7	15.3	20.0	17.2	NA	NA	6	5	539	(201)	NA	NA	9.9	15.1	16.2	16.8	103	67
Max Life	30.3	22.2	25.2	27.2	28.6	1,441	(156)	108	(615)	(1,203)	(175)	21.7	21.6	25.2	27.3	31.2	26.5	385	(465)
SBI Life	31.3	28.8	28.5	27.4	28.1	292	269	(154)	(300)	(42)	(321)	17.8	18.7	20.3	25.9	30.2	28.1	426	(202)

Source: Company, Kotak Institutional Equities

Post-correction life insurance valuations factor a low-growth scenario

Exhibit 6: Kotak estimates versus market price implied estimates, March fiscal year-end, March 2026E

	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	552	1.8	301	11.4	22	4.5	13.0
ICICI Pru Life							
Kotak estimates	685	1.8	388	14.1	21	8.1	14.5
CMP implied	551	1.4	388	7.7	21	3.9	14.5
Max Life							
Kotak estimates	1,200	2.0	586	10.8	57	8.5	14.5
CMP implied	925	1.6	586	6.0	57	2.4	14.5
SBI Life							
Kotak estimates	1,675	2.0	829	11.2	76	9.0	14.0
CMP implied	1,385	1.7	829	7.3	76	4.0	14.0

Source: Bloomberg, Kotak Institutional Equities estimates

Product mix shift drives margin compression for HDFC Life and SBI Life

Exhibit 7: VNB walk, March fiscal year-ends, 1QFY24, 1HFY24, 9MFY24, 2024 (%)

	HDFC Life	LIC	SBI Life
1QFY24			
Opening VNB margin (1QFY23)	25.1	13.6	30.4
Change in assumptions	0.1	2.0	0.7
Change in product mix	0.5	0.6	(1.2)
Economic variance	-	(2.5)	(1.1)
Fixed cost absorption	0.5	-	-
Closing VNB margin (1QFY24)	26.2	13.7	28.8
1HFY24			
Opening VNB margin (1HFY23)	26.2	14.6	31.0
Change in assumptions	0.1	1.9	0.9
Change in product mix	0.4	2.3	(2.4)
Impact of product benefits	-	(4.2)	-
Economic variance	-	-	(0.9)
Fixed cost absorption	(0.5)	-	-
Closing VNB margin (1HFY24)	26.2	14.6	28.6
9MFY24			
Opening VNB margin (9MFY23)	26.5	14.6	29.6
Change in assumptions	0.1	0.7	0.9
Change in product mix	0.7	4.9	(2.0)
Impact of product benefits	-	(3.8)	-
Economic variance	-	-	(0.5)
Fixed cost absorption	(0.8)	-	-
Closing VNB margin (9MFY24)	26.5	16.4	28.1
FY2024			
Opening VNB margin (FY2023)	27.6	16.2	31.2
Change in assumptions	(0.2)	0.3	-
Change in product mix	(0.4)	4.7	(4.7)
Impact of product benefits	-	(4.4)	-
Economic variance	-	-	-
Fixed cost absorption	(0.7)	-	-
Closing VNB margin (FY2024)	26.3	16.8	26.5

Source: Company

New business strain remains up 19% in FY2024

Exhibit 8: PAT and surplus for HDFC Life, March fiscal year-ends, 4QFY23-4QFY24, 2018-24 (Rs bn)

	Merged 4QFY23	Merged 1QFY24	Merged 2QFY24	Merged 3QFY24	Merged 4QFY24	YoY (%)	2018	2019	2020	2021	2022	Merged 2023	Merged 2024
PAT	3.6	4.2	3.8	3.6	4.1	15	11.1	12.8	13.0	13.6	12.1	13.6	15.7
Underwriting profits	0.4	2.1	1.3	1.1	2.2	460	8.5	9.0	10.8	7.3	4.4	5.9	6.7
New business strain	(13.4)	(9.9)	(10.0)	(11.5)	(14.1)	5	(10.6)	(16.5)	(19.1)	(25.0)	(30.5)	(38.3)	(45.5)
Existing business surplus	13.8	12.0	11.3	12.6	16.3	18	19.1	25.5	29.9	32.3	34.9	44.2	52.2
Shareholder's surplus	3.2	2.0	2.6	2.5	1.8	(44)	2.6	3.8	2.1	6.3	7.7	7.7	8.9
Solvency (%)	203	200	194	190	187	-1600 bps	192	188	184	201	176	203	187

Source: Company, Kotak Institutional Equities

New business strain up 22% yoy in FY2024

Exhibit 9: PAT and surplus for HDFC Life, March fiscal year-ends, 4QFY23-4QFY24, 2020-24 (Rs bn)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY (%)	2020	2021	2022	2023	2024	YoY (%)
Undewriting profits	(0.1)	0.2	0.5	1.1	(1.5)	NM	4.3	3.8	1.5	2.5	0.2	(90)
New business strain	(4.8)	(3.5)	(3.3)	(3.4)	(5.7)	20	(7.6)	(8.6)	(9.3)	(13.2)	(16.0)	22
Backbook surplus	4.7	3.7	3.8	4.5	4.2	(9)	11.9	12.4	10.8	15.6	16.3	4
Shareholders surplus	0.7	0.7	1.2	0.4	1.0	41	1.1	1.4	2.4	1.9	3.4	78

Source: Company, Kotak Institutional Equities

Player-wise 4Q results summary: Growth picked up, margins remain weak for most players

- ▶ **Banca supports APE growth for HDFC Life.** While APE declined 8% yoy in 4QFY24 on reported basis, adjusted for one-off in base period, APE was up 14% yoy. High growth in low-margin ULIPs was partially offset by sequential pickup in high-margin non-par products leading to 317 bps yoy and 70 bps qoq decline in VNB margins in 4QFY24. Share of ULIPs was up to 36% in 4QFY24 from 34% in 3QFY24 and 14% in 4QFY23. Share of non-par was up to 30% from 24% in 3QFY24. Impact of fixed cost absorption due to IT investments was high at 70 bps in FY2024. Bancassurance was the saving grace for HDFC Life driving APE growth of 20% yoy in 4QFY24 (up 17% yoy in FY2024). Strong pickup in ULIPs has supported growth in the channel. Operating RoEV was down 560 bps yoy to 18.4% in 4QFY24 due to decline in VNB (down 18% yoy).
- ▶ **Growth picks up sequentially for ICICI Prudential Life.** ICICI Prudential Life's APE growth picked up to 9.5% yoy in 4QFY24 from 2% in 9MFY24, leading to 4.7% APE growth for full year FY2024. Growth was largely driven by ULIP and annuity products; pickup was spread across channels with agency, banca and direct reporting 19-29% yoy APE growth. VNB margins compressed by 1,050 bps yoy to 21.5% in 4QFY24 and 740 bps to 24.6% for FY2024. The company attributes 410 bps of the compression during FY2024 to increased expenses, 150 bps to change in product mix and 180 bps to change in yield curve.
- ▶ **Max Life reported a strong performance in 4QFY24.** VNB growth at 7% yoy reflected 14% growth in APE (up 31% excluding one-offs) and contraction in VNB margins by 190 bps yoy. Unlike most peers, margins expanded qoq to 28.5% from 27.2%, reflecting the benefit of higher volumes despite sequential decline in share of protection in favor of ULIPs. Par and ULIPs drove growth, reporting 66-107% yoy APE growth; retail protection growth was also strong at 60% yoy. Non-par was down 42% yoy in 4QFY24. Banca growth picked up in 4QFY24 to 16% yoy from 3% yoy growth reported in 3QFY24. Agency growth moderated to 10% yoy in 4QFY24 (23-57% in the previous three quarters) due to an inflated base. Adjusted for one-off in the base period, agency APE was up 44% yoy in 4QFY24.
- ▶ **SBI Life's APE growth was weak.** While SBI Life reported APE growth of 17% yoy in 4QFY24, it was largely driven by pickup in group savings (up 233% yoy). Individual APE growth was muted at 9% yoy in 4QFY24 due to low 5% yoy growth in parent bank channel. Agency fared better, reporting 15% yoy APE growth. Increase in share of low-margin ULIPs (up to 59% from 52% in 4QFY23) led to 321 bps yoy decline in margins. VNB margin was up sequentially to 28% from 27% in 3QFY24 largely due to increase in share of protection.
- ▶ **LIC results were weak on both growth and margins.** LIC's APE growth was strong at 11% yoy in 4QFY24, up from 7% yoy growth in 3QFY24 and decline of 7-12% yoy during 1QFY24-2QFY24. This was largely driven by the group business (up 61% yoy in 4QFY24 and 21% in 3QFY24); individual APE declined 2% yoy in 4QFY24 and 1% for full-year FY2024. An increase in product benefits offset the impact of margins accretive product mix shift, leading to a 200 bps yoy decline in VNB margin in 4QFY24 to 17.2%. While share of higher margin non-par savings was up to 11% of APE from 1% in 4QFY23, the margins in par business (53% of APE) were down 303 bps to 8.0%. Management highlighted that the downward revision in the reference rate led to moderation in par margins.
- ▶ **Bajaj reported strong growth and lower margin compression than peers.** Bajaj Life reported strong APE growth of 19% yoy in 4QFY24, up 34% yoy on adjusting for high base in 4QFY23. VNB margin compression was contained at 50 bps yoy despite high base of non-par in base period. Margins compressed by 94 bps for full year FY2024 to 14.6% driven by sharp rise in share of ULIPs (up 708 bps). Both agency and institutional channels reported moderate 10-12% yoy APE growth. High base in 4QFY23 may have impacted growth in both agency and banca in 4QFY24. Strong off-take in the newly launched par product (ACE) led to 111% yoy growth in par business.

Top-4 players have gained market share in FY2024

Exhibit 10: Individual APE market share, March fiscal year-ends, 2020-24, 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	2020	2021	2022	2023	2024
Bajaj Allianz	6	6	6	5	6	6	6	6	5	5	6	7	6	2.6	3.3	4.2	5.0	5.8
Canara HSBC	1	1	1	2	1	2	2	2	2	2	2	2	2	1.3	1.4	1.6	1.6	1.6
HDFC Life	10	11	11	8	11	10	9	11	10	11	12	11	11	9.0	10.0	10.1	10.8	10.4
ICICI Prudential	5	6	7	6	6	6	6	6	5	7	9	8	7	9.0	7.2	7.2	6.5	6.6
Kotak	2	2	2	2	2	2	2	2	2	3	4	4	2	2.2	2.4	2.4	2.6	2.6
Max Life	5	5	6	5	6	6	6	6	6	6	7	8	5	5.5	6.4	6.2	5.8	6.4
Met Life	2	2	2	2	2	2	2	2	2	2	2	2	2	2.6	3.3	4.2	5.0	5.8
Reliance Life	2	1	1	1	1	1	1	1	1	1	1	1	1	1.2	1.2	1.1	1.0	1.0
SBI Life	15	15	15	17	18	17	17	18	25	16	12	9	15	13.3	13.5	14.7	14.6	15.8
Tata AIA	7	7	7	6	6	7	7	6	7	6	6	8	7	3.7	4.5	5.1	6.8	6.8
Private sector	64	63	66	63	68	68	67	68	73	67	69	69	65	57.2	59.7	62.9	65.8	67.8
Top 4 players	36	36	38	37	41	40	39	40	46	40	40	36	38	36.9	37.2	38.2	37.7	39.3
Private (ex-top 4)	28	27	28	27	27	29	28	28	27	27	30	33	27	20.3	22.5	24.7	28.0	28.5
Select tier-II players	13	12	12	12	12	12	12	12	12	12	13	15	13	6.3	7.8	9.3	11.8	12.6
LIC	36	37	34	37	32	32	33	32	27	33	31	31	35	42.8	40.3	37.1	34.2	32.2

Source: IRDA, LI Council, Kotak Institutional Equities

Retail protection growth was strong for listed players

Retail protection growth was strong at 30-59% for HDFC Life, ICICI Prudential and Max Life in FY2024. The benefit was largely front-ended for HDFC Life and with base effect playing out, retail protection was down 23% for the company. ICICI Prudential Life and Max Life continued to benefit from the push with 29-59% yoy growth. SBI Life has launched new protection products to support growth in the segment over FY2025E (down 4% in FY2024).

Retail protection growth strong for most players in FY2024

Exhibit 11: Protection APE, March fiscal year-ends, 4QFY23-4QFY24, 2021-24 (Rs bn)

	2021	2022	2023	2024	YoY (%)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY (%)
HDFC Life											
Retail protection	4.9	4.6	4.4	5.8	29.9	1.8	1.1	1.6	1.7	1.4	(23.9)
Group protection	5.8	8.7	12.7	11.5	(9.3)	3.9	3.1	3.1	2.3	3.0	(22.1)
ICICI Prudential Life											
Retail protection	5.7	3.9	3.3	4.8	47.1	1.1	1.1	1.3	1.1	1.4	28.6
Group protection	4.7	9.2	11.8	10.5	(11.2)	3.5	2.3	2.6	2.5	3.0	(14.6)
Max Life											
Retail protection	4.5	4.2	3.7	5.9	58.6	1.2	0.9	1.6	1.6	1.8	59.9
Group protection	2.5	3.6	3.1	3.7	19.0	0.9	1.2	1.0	1.0	0.5	(41.7)
SBI Life											
Retail protection	7.3	9.2	9.8	9.4	(4.1)	3.0	2.1	2.1	2.3	2.9	(3.3)
Group protection	4.7	6.2	8.0	11.6	45.0	2.5	1.6	4.9	2.2	2.9	16.0

Source: Company, Kotak Institutional Equities

Sharp shift to ULIPs from non-par for private players

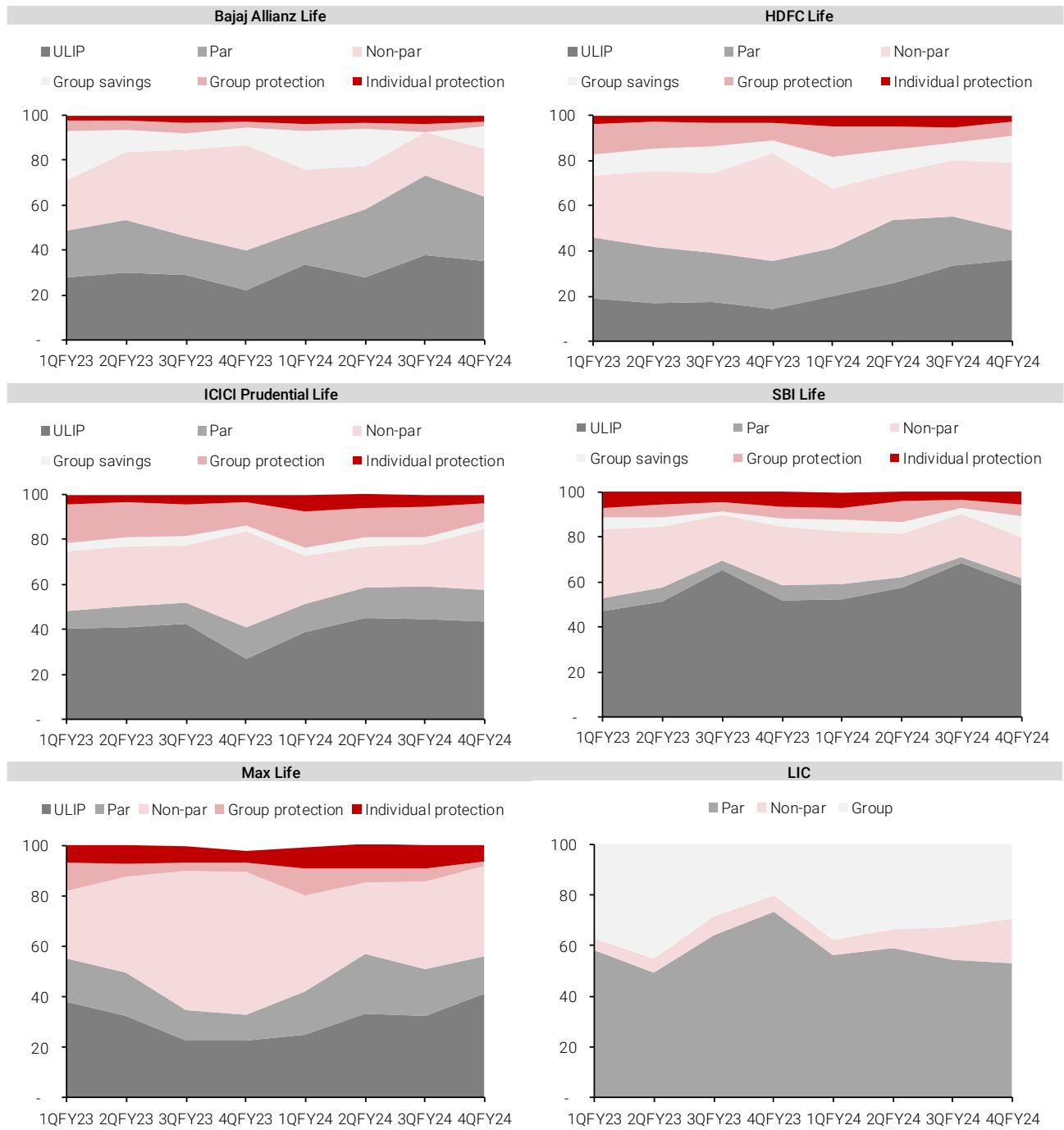
ULIP supported growth for most players. ULIP growth was strong at 32-132% yoy during the quarter for private players driven by favorable market environment. ULIP now contributes 35-59% of APE for these players. LIC has low share of ULIPs (3% in 4QFY24 and 2% in FY2024).

Non-par under stress. Weak demand for non-par products due to change in taxation norms, and lower IRRs driven by moderation in market yields, led to sharp decline in non-par business. Private players reported 21-46% yoy decline in non-par APE in 4QFY24, dragging down margins in 4QFY24. The base period had high share of non-par at 26-57% exacerbating the impact; share of non-par at 18-36% in 4QFY24 and 13-31% in 4QFY22. LIC fared better reporting 914% yoy growth in non-par savings APE driven by new launches. LIC launched six new non-par products during the year.

Par fared well for Max and Bajaj. Exhibit 13 shows that growth in par was high for Bajaj Allianz and Max Life, replacing non-par. Fastest growth in par at 93% yoy was reported by Bajaj Allianz Life; up 66% for Max Life. ICICI Prudential reported muted 10% growth in the segment, and others reported 20-44% yoy decline on par APE.

Share of non-par stabilized for most players, ULIP continues to gain share

Exhibit 12: Product mix of select life insurers, March fiscal year-ends, 1QFY23-4QFY24 (%)



Source: Company, Kotak Institutional Equities

Non-par continues to drag overall growth; players have focused on ULIP or par to make up

Exhibit 13: Product-wise growth, March fiscal year-ends, 4QFY22-4QFY24 (%)

	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
APE growth yoy (%)									
HDFC Life	6	22	4	26	69	22	15	(2)	(8)
Savings	6	20	2	26	74	20	14	(1)	(7)
ULIP	17	13	(12)	2	9	22	62	88	132
Par	(7)	24	(3)	10	41	5	35	(2)	(44)
Non-par	6	27	23	45	161	16	(15)	(30)	(41)
Protection	6	31	18	25	42	33	21	(10)	(23)
Individual	(21)	(28)	(39)	(7)	62	46	110	54	(24)
Group	23	77	53	40	34	28	0	(31)	(22)
ICICI Prudential Life	4	25	1	(6)	26	(4)	3	5	10
Savings	(1)	25	(5)	(9)	32	(6)	3	5	12
ULIP	(1)	15	(18)	(24)	(24)	(8)	13	9	77
Par	(34)	20	12	(6)	114	50	47	65	10
Non-par (incl annuity)	17	45	17	27	96	(18)	(23)	(21)	(26)
Annuity	(20)	69	69	33	102	(7)	(7)	17	261
Protection	33	22	36	11	(1)	4	3	5	(5)
Max Life	(4)	15	(7)	(5)	35	9	39	19	16
Savings	(9)	17	(4)	(5)	44	8	35	13	16
ULIP	(23)	18	(0)	(52)	(10)	(27)	43	70	107
Par	(12)	15	(23)	(45)	(31)	10	93	82	66
Non-par savings	18	15	5	118	153	55	2	(25)	(29)
Protection	45	9	(24)	(7)	(20)	16	70	75	15
Individual	20	(19)	11	2	(24)	26	74	66	60
Group	106	41	(49)	(19)	(13)	10	65	90	(42)
SBI Life	4	78	(1)	19	11	4	34	13	17
Savings	1	83	(3)	20	10	3	31	14	18
ULIP	(6)	33	(26)	15	(9)	17	50	18	32
Par	(31)	42	14	20	36	18	(4)	(25)	(43)
Others	64	289	91	35	65	(18)	6	10	7
Non-par	30	394	116	64	119	(20)	(4)	6	(21)
Protection	30	45	10	10	15	16	56	(2)	5
Individual	24	54	(4)	4	(3)	5	(5)	(12)	(3)
Group	50	33	28	18	39	33	113	10	16
Bajaj Life	36	81	31	21	48	14	31	24	17
ULIP	11	77	21	(7)	3	27	28	46	87
Par	41	49	4	(26)	2	(22)	81	141	93
Non-par	70	128	78	124	132	28	(3)	(38)	(43)
Protection	(32)	(22)	31	62	122	91	76	24	17
Non-par savings	87	181	83	132	133	22	(9)	(44)	(46)

Source: Company, Kotak Institutional Equities

Mixed trends in channels

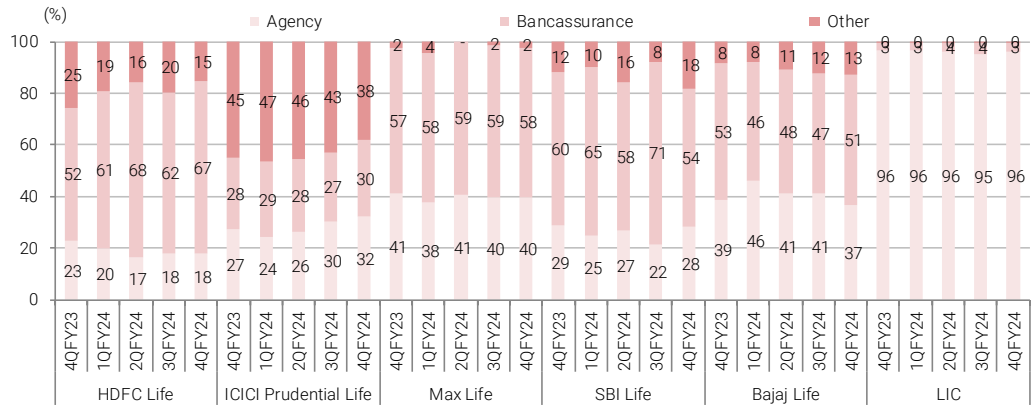
While HDFC Life and Max Life reported strong growth in bancassurance, ICICI Prudential Life reported strong growth in agency channel in 4QFY24.

- ▶ Bancassurance growth was muted at 3% for the industry due to weak volumes at most banks. ICICI Bank was an exception delivering 31% growth driven by strong traction for ULIPs and annuities. While HDFC bank reported muted growth, increase in counter share of HDFC life led to 20% bancassurance APE growth for the insurer.
- ▶ ICICI Prudential Life delivered strong 29% yoy growth in agency APE leading to increase in share to 32% in 4QFY24 from 27% in 4QFY23. While HDFC Life reported 27% decline in agency APE, Bajaj Allianz and Max Life reported muted 10-12% yoy growth in 4QFY24 due to inflated base. Agency channel has better access to HNI and had highest impact of sunset period sales of high-ticket non-par policies in 4QFY23.

- ▶ HDFC Life’s agency was down 9% (FY2024, per management, growth for policy below Rs0.5 mn was 9% in agency channel); agency ticket size was down 24%. Max Life stepped up on agency to deliver 28% growth during the year (even as 4Q was tempered by higher base). This is followed by Bajaj Allianz Life, up 20% for the year. ICICI Prudential Life was up 16%, mostly driven by higher tickets (up 11% yoy); all other players reported decline in agency ticket size.

ICICI Prudential Life’s banca share continues to decline

Exhibit 14: Channel mix, March fiscal year-ends, 4QFY23-4QFY24 (%)



Source: Company, Kotak Institutional Equities

Mixed trends in channels across players

Exhibit 15: Channel wise growth yoy, March fiscal year-ends, 3QFY22-3QFY24 (%)

	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
HDFC Life	2	20	5	30	79	22	18	(4)	(4)
Individual agents	(1)	26	28	46	190	52	34	3	(27)
Bancassurance	6	19	9	25	57	32	22	3	20
Direct	5	13	(28)	(4)	(7)	(34)	(12)	(6)	2
Brokers and others	(29)	38	23	122	311	39	4	(57)	(60)
ICICI Prudential Life	4	25	1	(6)	26	(4)	3	5	10
Individual agents	(2)	24	8	4	57	5	4	12	29
Bancassurance	(7)	12	(24)	(34)	(8)	(20)	(3)	2	19
Direct	6	3	(2)	3	19	28	19	12	22
Partnership distributio	6	66	37	30	137	7	25	(1)	(26)
Others	55	50	42	31	1	(9)	(12)	(5)	(6)
Max Life	(4)	15	(7)	(5)	35	9	39	19	16
Proprietary	14	32	17	13	86	22	57	47	12
Banks	(10)	8	(17)	(12)	10	(3)	31	4	19
Others	(13)	100	43	(43)	437	659	(100)	577	17
SBI Life	4	78	(1)	19	11	4	34	13	17
Bancassurance	6	97	(2)	25	7	8	21	15	5
Agency	(7)	63	(9)	23	15	(3)	45	3	15
Others	26	34	24	(29)	23	(4)	77	27	83
Bajaj Life	36	81	31	21	48	15	32	24	17
Agency	12	62	17	28	65	23	34	22	10
Institutional	64	107	47	18	39	8	28	16	12
Others	13	65	22	14	38	15	47	78	78

Notes:

(1) HDFC Life figures from 3QFY23 onwards are on merged basis and not comparable with previous periods.

Source: Company, Kotak Institutional Equities

Bancassurance business was up 3% in 4QFY24

Bancassurance premiums across banks, March fiscal year-ends, 1QFY23-4QFY24 (% yoy)

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	2023	2024
Axis Bank	20	(2)	(1)	24	4	28	(0)	2	10	7
HDFC Bank	28	6	21	51	16	8	(1)	(1)	28	3
ICICI Bank	(11)	(40)	(50)	(41)	(35)	(16)	(7)	31	(38)	(7)
State Bank of India	98	(2)	25	7	9	21	15	5	20	13
Five key banks	41	(2)	12	22	5	14	6	3	15	7

Source: Company, Kotak Institutional Equities estimates

Agency growth was strong for most players in 4QFY24

Exhibit 17: Agency channel premium and productivity, March fiscal year-ends, 2018-2024

	2018	2019	2020	2021	2022	2023	2024	YoY (%)	CAGR (%)
Premium (Rs bn)									
Bajaj Allianz Life	11	12	11	11	15	21	25	20	14
HDFC Life	5	7	9	9	11	23	21	(9)	26
ICICI Pru Life	20	17	16	15	18	23	26	16	5
Max Life	9	12	13	14	16	23	30	28	21
SBI Life	26	28	30	30	37	43	50	15	11
Agents (# 000')									
Bajaj Allianz Life	71	73	81	88	96	126	151	20	12
HDFC Life	77	91	108	112	115	179	214	19	19
ICICI Pru Life	152	171	191	188	199	201	210	4	6
Max Life	57	51	46	55	61	70	103	46	4
SBI Life	108	124	130	170	146	209	246	18	14
Annualized premium per agent (Rs mn)									
Bajaj Allianz Life	156	166	134	125	155	168	169	0	1
HDFC Life	68	74	80	83	99	127	97	(24)	6
ICICI Pru Life	131	99	82	82	92	113	126	11	(1)
Max Life	156	228	279	254	263	328	288	(12)	16
SBI Life	236	224	228	178	254	207	202	(3)	(3)

Source: IRDA, Company, Kotak Institutional Equities

Persistency on an upward trend

Most players reported improvement in persistency across most buckets in 4QFY24. This increase likely reflects (1) change in product mix of back book (protection and non-par savings tend to have higher persistency) and (2) strong focus on renewals and collections (further amplified by push through digital engagement and renewal channels).

Persistency trends have improved for private players

Exhibit 18: Persistency, March fiscal year-ends, 4QFY22-4QFY24 (%)

	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY (bps)
HDFC Life										
13th month	90	86	85	87	87	87	86	86	86	-70 bps
25th month	85	76	76	77	79	79	79	80	80	50 bps
37th month	79	70	74	67	72	73	72	73	73	70 bps
49th month	68	64	61	63	64	65	68	68	68	440 bps
61st month	58	52	50	53	52	53	53	54	54	150 bps
ICICI Prudential Life										
13th month	87	86	86	86	87	86	87	87	87	80 bps
25th month	78	78	77	77	78	78	79	80	80	180 bps
37th month	70	68	69	70	71	72	71	72	72	20 bps
49th month	66	63	65	66	64	65	66	67	67	290 bps
61st month	60	56	61	64	66	67	65	65	65	-80 bps
Max Life										
13th month	85	84	84	83	84	84	84	85	87	300 bps
25th month	68	68	67	68	68	69	70	70	70	200 bps
37th month	61	61	61	61	61	61	62	63	63	200 bps
49th month	56	56	56	57	57	57	65	65	66	900 bps
61st month	50	50	50	51	51	51	58	58	58	700 bps
SBI Life										
13th month	85	86	85	85	86	85	83	82	85	-25 bps
25th month	77	79	78	76	76	76	75	74	77	133 bps
37th month	73	72	73	73	75	75	68	68	72	-213 bps
49th month	67	70	70	70	70	70	72	70	72	133 bps
61st month	61	50	53	54	56	57	56	56	58	248 bps
LIC										
13th month	69	76	71	71	70	75	71	71	78	784 bps
25th month	68	68	63	63	64	71	65	65	72	808 bps
37th month	60	64	61	65	65	64	60	60	67	242 bps
49th month	57	61	57	58	57	62	58	62	65	793 bps
61st month	56	59	56	56	56	59	55	56	62	641 bps

Notes:

(1) HDFC Life figures from 3QFY23 onwards are on merged basis and not comparable with previous periods.

Source: Company, Kotak Institutional Equities

Cost ratios declined for private players

Lower new business strain led to lower expenses for private players in 4QFY24. Private players reported 111 to 361 bps yoy decline in cost-to-APE ratio in 4QFY24. The base period had high volumes of high payout products like non-par. Moderation in non-par has likely led to decline in cost ratios for private players in 4QFY24. For FY2024, cost ratio increased for ICICI Prudential Life by 191 bps, the company cited increase in payouts as key reason for compression in margin.

Cost ratios moderated for most players

Exhibit 19: Cost ratios, March fiscal year-ends, 4QFY23-4QFY24, 2018-2024 (%)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY (%)	2018	2019	2020	2021	2022	2023	2024	YoY (%)
Cost/APE (%)														
HDFC Life	28.2	28.5	27.0	26.2	24.6	-361 bps	24.0	24.3	25.4	23.6	24.0	27.3	26.2	-106 bps
ICICI Prudential Life	22.8	27.7	24.9	21.4	21.7	-111 bps	13.5	14.9	15.8	14.7	18.5	21.4	23.3	191 bps
LIC	23.0	19.7	25.2	24.1	25.4	238 bps	NA	22.5	27.8	26.3	22.0	24.5	23.9	-63 bps
SBI Life	11.4	14.1	12.5	11.6	9.2	-224 bps	12.5	12.1	11.8	10.2	10.8	11.9	11.5	-37 bps
Cost/average AUM (%)														
HDFC Life	6.8	3.7	4.6	4.4	5.5	-134 bps	4.3	4.2	4.6	4.2	4.0	4.8	4.3	-54 bps
ICICI Prudential Life	3.7	2.3	2.9	2.7	3.5	-18 bps	2.6	2.8	2.8	2.3	2.4	2.6	2.9	26 bps
LIC	19.4	11.2	16.2	15.0	19.6	18 bps	NA	NA	17.7	22.5	18.3	22.6	29.4	675 bps
SBI Life	2.7	1.8	2.3	2.4	1.8	-89 bps	2.7	2.7	2.7	2.2	2.1	2.3	2.6	38 bps

Notes:

(1) HDFC Life figures from 3QFY23 onwards are on merged basis and not comparable with previous periods.

Source: Company, Kotak Institutional Equities

All insurers under coverage have comfortable solvency ratio

Exhibit 20: Solvency ratio, March fiscal year-ends, 2012-2024 (%)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
HDFC Life	188	217	194	196	198	192	192	188	184	201	176	203	187
ICICI Prudential Life	371	396	372	337	320	281	252	215	194	217	205	209	192
LIC	NA	NA	NA	NA	NA	NA	NA	160	155	176	185	187	198
Max Life	534	521	485	425	343	309	275	242	207	196	201	190	206
SBI Life	534	215	228	216	212	204	206	213	195	215	205	215	196

Source: Company, Kotak Institutional Equities

RoEV of 16-20%

Exhibit 26 shows that private Life insurance companies reported operating RoEV of 14% to 22% in FY2024. VNB contributed 38-61% to EVOP while unwinding contributed 44-60%. We expect operating variance to be moderately positive over the medium term driven largely by improvement in persistency. Unwinding rate will largely be stable in the range of 7.5-8.8% for all players. APE growth will likely remain moderate at 15-17% for private players. VNB margin expansion will also remain moderate all private players as the product mix, the main driver of margins, is already optimized. LIC has a sub optimal product mix should continue to expands margins over the medium term.

We expect RoEV of 15-20% for private insurers

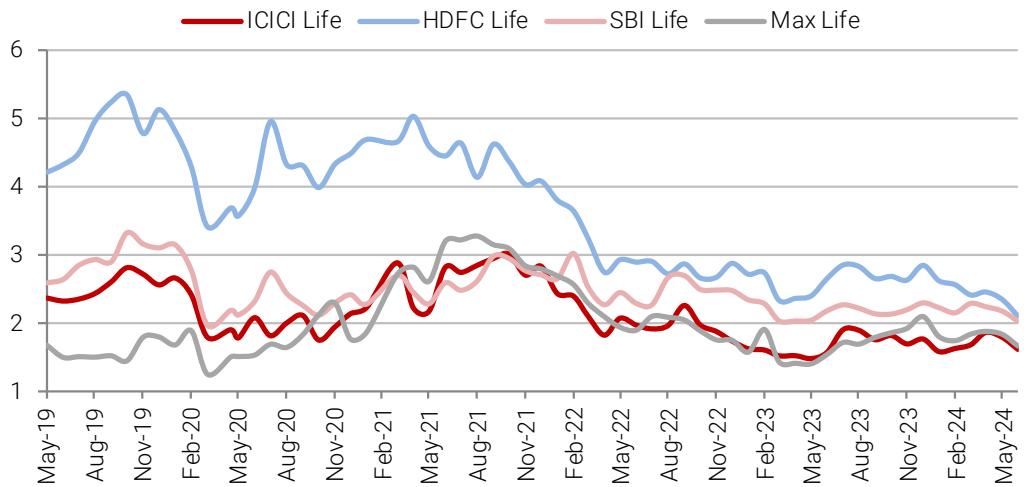
Exhibit 21: EV walk for life insurers, March fiscal year-ends, 2024-2027E

	HDFC Life				ICICI Prudential Life				LIC				Max Life				SBI Life			
	2024	2025E	2026E	2027E	2024	2025E	2026E	2027E	2024	2025E	2026E	2027E	2024	2025E	2026E	2027E	2024	2025E	2026E	2027E
EV walk (Rs bn)																				
Opening EV	395	475	555	646	356	423	485	557	5,822	7,273	7,870	8,516	163	195	235	281	461	583	696	829
EVOP	69	81	93	108	50	61	71	84	541	647	696	746	33	39	48	56	101	115	135	158
Unwinding	32	39	44	52	31	36	40	46	522	546	590	639	14	16	21	25	38	48	57	68
VNB (post-overrun)	35	41	47	55	22	26	30	36	96	102	106	108	20	23	27	31	56	65	76	88
Assumption/methodology changes	-	-	-	-	1	-	-	-	48	-	-	-	-	-	-	-	1	-	-	-
Operating variance	2	2	2	2	(4)	(1)	0	2	(125)	-	-	-	(1)	-	-	-	6	2	2	2
Non-operating variances	10	(1)	(2)	(3)	17	1	1	1	910	(50)	(50)	(50)	(1)	1	(2)	(2)	22	(2)	(2)	(3)
Investment variance	14	3	3	3	17	2	2	2	955	-	-	-	(1)	1	1	1	-	-	-	-
Economic assumption changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24	1	1	1
Dividend payouts/ESOPs	(3)	(4)	(5)	(6)	(0)	(1)	(1)	(1)	(44)	(50)	(50)	(50)	-	-	(2)	(2)	(2)	(3)	(3)	(4)
Closing EV	475	555	646	751	423	485	557	642	7,273	7,870	8,516	9,212	195	235	281	336	583	696	829	984
Key metrics																				
Unwinding rate (%)	8.2	8.2	8.0	8.0	8.6	8.5	8.3	8.3	7.2	7.5	7.5	7.5	8.4	8.4	8.8	8.8	8.3	8.3	8.2	8.2
Operating ROEV (%)	18	17	17	17	14	14	15	15	9	9	9	9	20	20	20	20	22	20	19	19
ROEV (%)	20.1	16.9	16.4	16.3	18.8	14.6	14.8	15.2	24.9	8.2	8.2	8.2	19.9	20.4	19.7	19.5	26.5	19.5	19.1	18.7
APE (Rs bn)	133	153	176	202	90	104	120	138	570	581	593	605	74	88	103	120	197	229	265	308
APE growth (%)	(0.3)	15.0	15.0	15.0	4.7	15.0	15.0	15.0	0.5	2.0	2.0	2.0	19.0	18.0	17.0	17.0	17.3	16.0	16.0	16.0
VNB margin (%)	26.3	26.6	26.8	27.1	24.6	24.5	25.3	26.2	16.8	17.5	17.9	17.8	26.5	26.1	26.4	26.2	28.1	28.4	28.6	28.6
Contributors to EVOP (%)																				
Unwinding	47	48	48	48	61	59	57	55	97	84	85	86	42	42	43	44	38	42	42	43
VNB	51	50	51	51	44	42	43	43	18	16	15	14	60	58	57	56	55	56	56	56
Assumption/methodology changes	-	-	-	-	1	-	-	-	9	-	-	-	-	-	-	-	1	-	-	-
Operating variance	2	2	2	2	(7)	(1)	0	2	(23)	-	-	-	(2)	-	-	-	6	2	1	1
Persistency variance	1	1	1	1	(1)	1	1	1	1	-	-	-	-	-	-	-	-	2	1	1
Mortality variance	-	-	-	-	(6)	1	1	1	1	-	-	-	-	-	-	-	6	-	-	-
Expense variance	1	1	1	1	-	(3)	(1)	0	(4)	-	-	-	-	-	-	-	-	-	-	-
Other variance	-	-	-	-	(0)	-	-	-	(21)	-	-	-	-	-	-	-	-	-	-	-

Source: Company, Kotak Institutional Equities estimates

Most life insurers are trading at lower than historical valuations

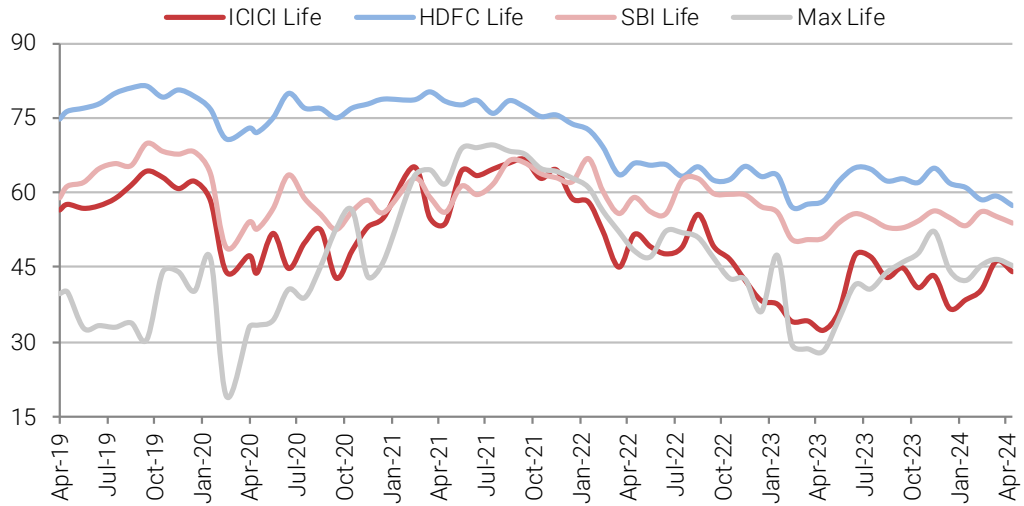
Exhibit 22: One-year forward rolling P/EV, March fiscal year-end, May 2019-May 2024 (X)



Source: Company, Bloomberg, Kotak Institutional Equities estimates

Contribution of SV to AV has declined from peaks

Exhibit 23: Contribution of SV to AV, March fiscal year-end, May 2019-May 2024 (X)



Source: Company, Bloomberg, Kotak Institutional Equities estimates

Exhibit 24: Valuation summary, March fiscal year-ends, 2023-26E

	Rating	FV (Rs)	Price (Rs)	Market cap.		Embedded value (Rs bn)				Price/EV (X)				Price/VNB (X)				EVOP CAGR (2023-26E) (%)	Price/EVOP (X)				Operating RoEV (%)			
				(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	551	1,185	14	395	475	555	646	3.0	2.5	2.1	1.8	32	34	29	25	13	18	17	15	13	21.6	17.5	17.1	16.8
ICICI Prudential Life	BUY	685	549	791	9	356	423	485	557	2.2	1.9	1.6	1.4	29	36	31	26	9	14	16	13	11	17.4	14.1	14.4	14.6
LIC	BUY	1,300	993	6,283	75	5,822	7,330	7,949	8,609	1.1	0.9	0.8	0.7	69	65	63	62	6	11	12	10	9	10.9	9.2	8.9	8.8
LIC core			516	3,262	39	2,794	3,302	3,921	4,581	1.2	1.0	0.8	0.7	36	34	32	32	6	6	6	5	5	NA	NA	NA	NA
Max FS	BUY	1,225	925	319	4	163	198	237	283	2.7	2.2	1.9	1.6	23	23	20	17	15	14	13	11	9	22.1	20.9	20.4	20.2
SBI Life	BUY	1,700	1,380	1,382	17	461	561	673	805	3.0	2.5	2.1	1.7	27	25	21	18	14	15	14	12	10	22.9	20.8	20.5	20.1

Source: Company, Bloomberg, Kotak Institutional Equities estimates

NON-LIFE: Health supports growth, motor OD profitability improves

Growth in the non-life industry was moderate at 13% yoy in 4QFY24. While retail health premium growth was strong at 20%, motor premium growth was muted at 10% yoy. Competitive intensity in motor OD segment shows signs of moderation. Star Health reported significant improvement in profitability despite moderate growth. Motor profitability has improved for both ICICI Lombard and Bajaj Allianz General.

Motor profitability improves for Bajaj Allianz

Adjusting for crop and government health, GWP growth was moderate at 13% yoy for Bajaj Allianz General. While group health growth was strong at 46% yoy, motor business (down 2% yoy) dragged overall growth. Claims ratio moderated 580 bps yoy in OD segment and competitive intensity may be moderating in this segment, as per management. Health loss ratios were elevated at 88.7% in 4QFY24 (up 840 bps yoy) and 87.9% in FY2024 (up 1,000 bps) due to higher share of government and group health (up 46% yoy). Expense ratios moderated by 380 bps in FY2024 leading to 290 bps decline in combined ratio to 97.6%. This improvement is largely driven by increase in share of government health business.

One-offs drive earnings growth for ICICI Lombard

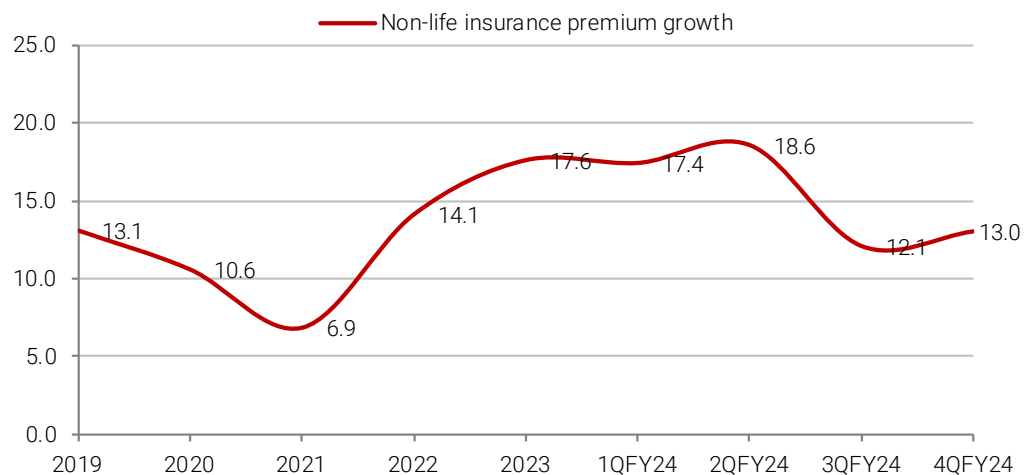
ICICI Lombard reported 19% yoy growth in PAT supported by (1) a high investment yield of 8.3% in 4QFY24 (this may not be sustained) and (2) the release from loss triangles increased yoy (FY2024 versus FY2023). On the core business, (1) ex-crop GWP growth was strong in 4QFY24 at 22% yoy, driven by the health (up 28% yoy) and motor (up 27% yoy) businesses, and (2) combined ratio was down 191 bps yoy and 137 bps qoq to 102.2%, driven by an improvement in the claims ratio. Claims ratio was down 559 bps yoy and 137 bps qoq, largely driven by an improvement in the motor loss ratios. Higher growth in new cars and a decline in the CV portfolio (down 2% yoy) supported improvement in loss ratios of the motor business. Opex + commission rate was flat qoq.

Profitability improves for Star Health, growth remains moderate

Star Health reported 40% yoy growth in PAT to Rs1.4 bn driven by improvement in combined ratio and investment income. Combined ratio was down 56 bps qoq to 92.8% driven by 356 bps qoq decline in claims ratio and 155 bps lower expenses (including commission). While GWP growth was at 18% yoy in 4QFY24, retail growth was lower at 16% yoy. Group health growth was strong at 61% yoy on a low base (2-year CAGR of 28%). Investment yield was 7.6% in 4QFY24 compared with 7.8% reported in 3QFY24 and 6.7% in 4QFY23.

Premium growth moderate at 13% for non-life industry in 4QFY24

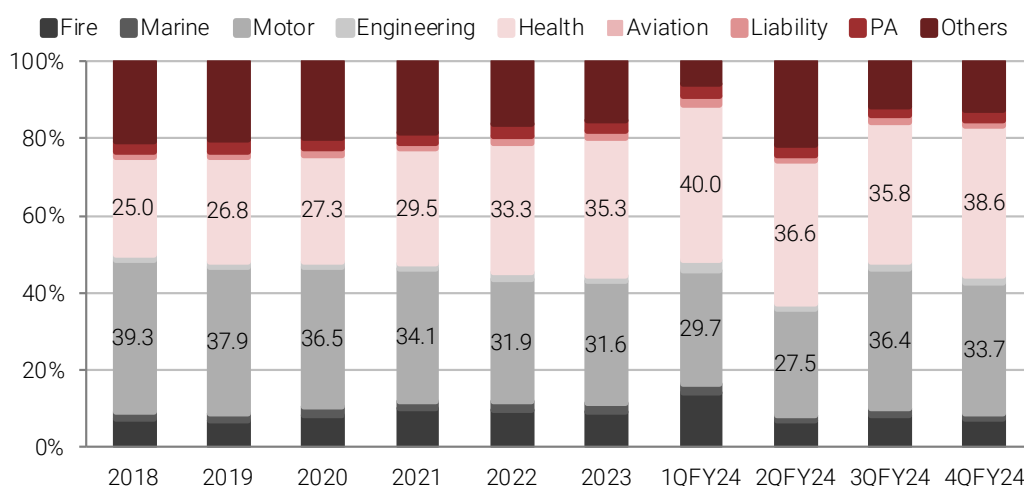
Exhibit 25: Non-life insurance premium growth, March fiscal year-ends, 2019-23, 1QFY24-4QFY24 (%)



Source: IRDA, GI Council, Kotak Institutional Equities

Share of health increased in 4QFY24 to 39%

Exhibit 26: Product mix for industry, March fiscal year-ends, 2019-2023, 1QFY24-4QFY24 (%)



Source: IRDA, GI Council, Kotak Institutional Equities

Health momentum is retained by SAHIs, motor growth remains moderate

Exhibit 27: Growth in premiums (ex-crop), March fiscal year-ends, 2019-2024, 4QFY23-4QFY24 (%)

	2019	2020	2021	2022	2023	2024	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Overall insurance industry	13	11	7	14	18	15	18	17	19	12	13
Multi-line private	23	16	6	15	20	19	14	21	24	16	15
Bajaj Allianz General	26	7	(3)	16	8	41	13	22	93	27	21
ICICI Lombard	21	13	5	6	16	17	7	19	16	12	22
Others	23	19	7	18	23	16	16	22	14	15	13
Multi-line PSU	2	3	4	8	12	7	22	10	10	2	4
Standalone health	39	30	32	33	26	26	25	26	24	26	28
Star Health	30	27	36	23	13	18	14	20	17	16	18
Others	54	35	25	48	41	34	38	33	31	35	37
Retail health industry	16	12	28	17	15	19	16	18	19	19	20
Multi-line private	9	2	22	14	18	16	20	18	17	16	15
Bajaj Allianz General	15	14	16	4	6	11	16	12	8	14	11
ICICI Lombard	(10)	(38)	25	17	17	20	19	23	19	16	22
Others	15	11	23	15	20	17	21	18	19	16	15
Multi-line PSU	8	5	15	2	(0)	10	3	7	9	11	12
Standalone health	30	27	42	28	22	24	20	23	23	24	25
Star Health	29	25	40	23	18	17	15	19	17	17	16
Others	34	29	47	39	30	36	31	30	34	37	40
Motor	9	7	(2)	4	15	13	13	21	14	10	10
Multi-line private	21	14	2	9	18	15	13	21	15	12	12
Bajaj Allianz General	17	8	(10)	3	10	9	13	26	14	5	(2)
ICICI Lombard	20	9	1	(1)	4	12	(11)	5	11	6	27
Others	21	17	4	13	23	16	18	23	16	14	12
Multi-line PSU	(5)	(3)	(9)	(6)	9	9	14	22	11	5	3

Source: Company, Kotak Institutional Equities

Cat losses shoot up claims in commercial lines, motor claims improve

Cyclone Michaung and floods in Tamil Nadu led to higher claims in the commercial lines for both Bajaj Allianz (up Rs745 mn) and ICICI Lombard (up Rs1,350 mn). This led to elevated overall claims ratio of 73.8% for Bajaj Allianz and 70.8% for ICICI Lombard in FY2024. Adjusting for the CAT losses, claims ratio was 72.5% for Bajaj Allianz and 70.0% for ICICI Lombard.

The motor OD claims ratio has also improved by 690-910 bps for both ICICI Lombard and Bajaj Allianz in FY2024, this likely signals moderation in competitive intensity for the industry. Motor TP claims ratios has also moderated significantly to 67% in FY2024 versus 72% in FY2023 for ICICI Lombard.

Bajaj Allianz and ICICI Lombard continue to report ~100% combined ratio

Exhibit 28: Combined ratio break-up across players, March fiscal year-ends, 2018-24, 4QFY23-4QFY24 (%)

	2018	2019	2020	2021	2022	2023	2024	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Bajaj Allianz General												
Net incurred claims ratio	66.7	68.6	70.7	68.5	73.0	72.9	73.8	66.4	74.3	78.0	72.9	70.3
Net commission ratio	4.7	4.8	1.1	0.7	(1.2)	NA	NA	NA	NA	NA	NA	NA
Operating expense ratio	21.4	23.2	28.9	27.8	27.8	NA	NA	NA	NA	NA	NA	NA
Combined ratio	92.8	96.7	100.8	96.9	99.6	100.5	97.6	97.3	100.7	95.3	102.9	101.6
ICICI Lombard												
Net incurred claims ratio	76.9	75.3	72.9	68.6	75.1	72.4	70.8	74.2	74.1	70.7	70.0	68.6
Net commission ratio	(3.6)	2.3	3.8	5.6	4.7	3.0	17.0	2.3	12.5	17.4	18.0	19.9
Operating expense ratio	26.9	20.9	23.8	25.6	29.1	29.1	15.5	27.7	17.2	15.8	15.5	13.7
Combined ratio	100.2	98.5	100.4	99.8	108.8	104.5	103.3	104.2	103.8	103.9	103.6	102.2
Star Health												
Net incurred claims ratio	61.8	64.2	65.8	87.0	87.1	65.0	66.5	62.0	65.4	68.7	67.7	64.1
Net commission ratio	4.3	6.4	6.5	8.2	13.8	13.7	13.2	14.1	13.1	13.7	11.1	14.3
Operating expense ratio	27.0	23.7	20.9	19.6	17.0	16.7	17.0	15.3	19.3	16.8	19.0	14.4
Combined ratio	93.0	94.3	93.2	114.8	117.9	95.3	96.7	91.4	97.8	99.2	97.8	92.8

Source: Company, Kotak Institutional Equities

Motor claims have declined yoy in 4QFY24

Exhibit 29: Segmental claims, March fiscal year-ends, 2019-24, 4QFY23-4QFY24 (%)

	Bajaj Allianz General											ICICI Lombard										
	2019	2020	2021	2022	2023	2024	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	2019	2020	2021	2022	2023	2024	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Fire	74.4	68.0	54.5	57.1	35.2	47.4	36.1	67.1	47.4	74.2	6.0	83.2	64.0	63.7	53.1	49.3	62.2	50.3	85.2	61.1	68.2	41.0
Marine	94.0	67.3	66.0	64.0	65.1	60.3	37.6	50.8	55.6	49.7	88.7	84.0	65.3	83.3	77.6	72.4	73.4	65.1	76.7	76.3	74.7	67.2
Motor OD	60.0	67.7	54.0	65.1	70.5	63.6	63.6	71.2	63.7	62.1	57.8	59.2	68.9	62.2	68.1	72.6	63.5	69.4	67.0	64.1	64.9	58.4
Motor TP	64.5	64.5	78.1	71.2	77.2	78.4	61.4	79.7	86.7	72.0	74.9	90.8	84.4	69.7	74.0	72.2	66.8	86.5	72.4	60.0	61.6	73.4
Engineering	43.5	52.8	36.1	49.7	39.9	41.7	21.0	72.2	38.1	85.8	(14.9)	37.1	40.7	57.7	69.3	55.1	63.8	11.6	98.6	84.1	60.6	23.1
Health	89.5	85.6	81.7	96.1	77.9	87.9	80.3	83.9	88.7	89.4	88.7	73.5	69.9	78.0	91.7	77.3	78.9	75.5	78.7	82.3	79.2	75.4
Overall	68.6	70.7	68.5	73.0	72.9	73.8	66.4	74.3	78.0	72.9	70.3	75.3	72.9	68.6	75.1	72.4	70.8	74.2	74.1	70.7	70.0	68.6

Source: Company, Kotak Institutional Equities

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

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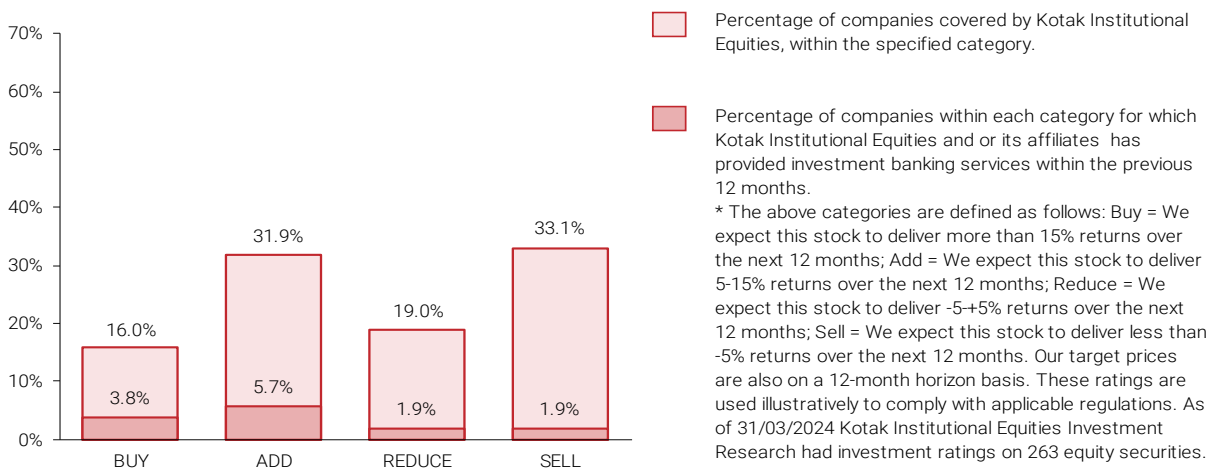
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