

# INSURANCE

## December premiums: Some revival, but long road ahead

India Equity Research | Banking and Financial Services



Post a weak November, growth momentum partially improved in December with individual APE growing 15% YoY—private players' growth improved to 14% YoY and LIC grew 16% YoY. Among private players, the improvement, though broad based—SBI Life, HDFC Life and ICICI Prudential Life—the momentum remains soft with growth belying expectations. With some growth revival and given that H2 is seasonally strong for insurers, we do expect the pace to pick up (YTD growth of mere 8%); hence, data points for the next couple of months are critical. From a structural perspective, we expect the shift towards financial savings to sustain, which is envisaged to help the industry log sustained growth.

### Growth momentum perks up a tad...

Overall growth (individual APE) improved to 15% YoY (6% decline in November) following improvement in private players (up 14% YoY versus flat in November) and LIC (up 16% YoY versus 13% dip in November). Within private players, the improvement was broad based with SBI Life (up 24% versus 10% in November), HDFC Life (down mere 4% YoY from 20% decline) and ICICI Prudential Life (down 5% YoY from 24% dip). Aditya Birla (up >79%) and Tata AIA (up >130%) sustained strong growth (albeit, on a low base).

### ...broad-based improvement, but still long way to go

- **ICICI Prudential Life:** Individual APE growth improved a tad and declined 5% from 24% YoY dip in November. Management highlighted that while growth on received basis is lower given focus on monthly pay policies, on accrued basis including group and individual there is some growth. While growth did improve, persistent softness over the past few months calls for close monitoring.
- **SBI Life:** Volatility persisted even as it clocked 24% YoY growth (10% in November, sub-12% YoY over June–August and 23/16% YoY in September/October). YTD growth has been 14% and hence a sustained pick up is crucial, in our view.
- **Max Life:** Growth was soft at 7% YoY growth; however, YTD growth of ~20% is still on track. The company is investing in proprietary channel and build up of growth from this is critical.
- **HDFC Life:** Growth momentum continues to be volatile—down 4% YoY (20% decline in November, sub-7% YoY growth over June–August and 20/35% YoY in September/October). The insurer reported YTD growth of sub-10% YoY and growth improvement holds key.
- **Aditya Birla Sunlife:** Growth momentum sustained (up >79% YoY, YTD growth of 68%) largely supported by better growth traction through the HDFC Bank channel. The bank has opened further channels to Aditya Birla Sunlife, which can help the latter sustain growth momentum.

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Private players' growth improved at the margin

ICICI Prudential Life—Growth improved, but still soft; improvement key

SBI Life—Persistent growth volatility

Max Life—Growth momentum soft for December

Aditya Birla Sunlife—Good growth

**Table 1: Industry growth—Some recovery in growth momentum**

(INR mn)	Dec-17 Ind. APE	Dec-18 Ind. APE	Growth YoY (%)	YTDFY17 Ind. APE	YTDFY18 Ind. APE	Growth YoY (%)
SBI Life	10,402	12,886	23.9	53,492	61,060	14.1
ICICI Prudential Life	7,220	6,879	(4.7)	54,012	48,154	(10.8)
HDFC Life	4,828	4,655	(3.6)	29,817	32,512	9.0
Max Life	3,534	3,781	7.0	18,747	22,443	19.7
Tata AIA Life	1,201	2,763	130.1	7,841	13,032	66.2
Bajaj Allianz Life	1,487	1,829	23.0	9,226	10,527	14.1
Aditya Birla Sun Life	1,310	2,349	79.3	6,184	10,393	68.1
Kotak Mahindra Life	1,758	1,780	1.3	8,619	9,187	6.6
PNB Met Life	1,334	1,396	4.6	7,807	8,710	11.6
Reliance Nippon Life	760	950	25.0	4,681	6,128	30.9
Canara HSBC OBC Life	954	894	(6.3)	5,430	5,644	3.9
India First Life	552	610	10.6	3,707	4,104	10.7
Bharti Axa Life	457	566	23.7	2,623	4,386	67.2
Exide Life	586	604	3.1	3,801	4,216	10.9
Star Union Dai-ichi Life	677	736	8.7	3,749	3,502	(6.6)
IDBI Federal Life	431	442	2.6	3,006	2,981	(0.8)
DHFL Pramerica Life	331	246	(25.8)	2,080	2,360	13.5
Shriram Life	506	464	(8.4)	2,845	3,026	6.3
Future Generali Life	327	398	21.6	1,543	1,915	24.1
Edelweiss Tokio Life	260	342	31.7	1,212	2,033	67.7
Aviva Life	144	97	(32.6)	995	912	(8.4)
Aegon Life	109	83	(24.0)	770	652	(15.3)
Sahara Life	1	-	NA	18	0	NA
<b>Private Total</b>	<b>39,165</b>	<b>44,748</b>	<b>14.3</b>	<b>2,32,207</b>	<b>2,57,354</b>	<b>10.8</b>
L I C	21,789	25,227	15.8	1,79,775	1,88,988	5.1
<b>Grand Total</b>	<b>60,954</b>	<b>69,974</b>	<b>14.8</b>	<b>4,11,982</b>	<b>4,46,342</b>	<b>8.3</b>

Source: IRDA

**Table 2: Ticket size trend indicates tilt towards higher ticket size, i.e., ULIPs**

Ticket Size (NR) - Ind. APE	Dec-17	Mar-18	Dec-18	MoM (%)	YoY (%)
SBI Life	63,665	46,443	71,315	19.9	12.0
ICICI Prudential Life	95,793	90,126	80,139	42.4	(16.3)
HDFC Life	50,243	50,556	52,082	10.4	3.7
Max Life	58,767	66,527	60,012	2.9	2.1
Tata AIA Life	53,128	66,269	73,309	25.3	38.0
Bajaj Allianz Life	52,935	51,681	59,936	10.3	13.2
Aditya Birla Sun Life	52,693	64,891	78,120	42.4	48.3
Kotak Mahindra Life	56,664	64,556	54,667	2.7	(3.5)
PNB Met Life	53,037	75,979	64,816	6.0	22.2
Reliance Nippon Life	36,539	37,736	40,983	9.6	12.2
Canara HSBC OBC Life	77,322	82,519	65,824	12.9	(14.9)
India First Life	41,788	43,271	50,401	16.1	20.6
Bharti Axa Life	41,701	43,704	38,907	0.4	(6.7)
Exide Life	30,540	42,273	32,796	7.9	7.4
Star Union Dai-ichi Life	59,552	64,634	69,733	19.2	17.1
IDBI Federal Life	41,058	43,048	45,636	6.0	11.1
DHFL Pramerica Life	35,246	39,458	35,950	(20.8)	2.0
Shriram Life	19,302	17,542	23,475	22.4	21.6
Future Generali Life	35,405	61,404	57,538	34.5	62.5
Edelweiss Tokio Life	39,133	51,012	48,296	7.9	23.4
Aviva Life	61,057	92,557	56,489	(4.0)	(7.5)
Aegon Life	20,061	31,410	23,172	(12.3)	15.5
Sahara Life	NA	NA	NA	NA	NA
<b>Private Total</b>	<b>57,226</b>	<b>56,076</b>	<b>62,309</b>	<b>18.4</b>	<b>8.9</b>
L I C	12,221	10,854	13,502	(6.6)	10.5
<b>Grand Total</b>	<b>25,117</b>	<b>19,355</b>	<b>27,957</b>	<b>10.4</b>	<b>11.3</b>

Source: IRDA

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

Market share on Ind APE	Mar-18	Jun-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
LIC	46.3	44.1	42.3	40.3	43.9	43.0	36.1
SBI Life	8.4	11.3	13.7	13.2	13.5	14.7	18.4
ICICI Prudential Life	7.5	11.5	11.9	10.4	9.4	10.1	9.8
HDFC Life	7.6	6.6	6.6	8.9	8.9	6.3	6.7
Max Life	6.8	5.5	4.9	6.0	4.5	5.2	5.4
Tata AIA Life	3.1	2.8	3.0	2.9	2.8	3.0	3.9
Bajaj Allianz Life	2.2	2.2	2.2	2.1	2.5	2.4	2.6
Aditya Birla Sun Life	2.4	2.4	2.2	2.3	2.3	2.2	3.4
Kotak Mahindra Life	3.6	1.8	1.8	2.0	2.1	2.2	2.5
PNB Met Life	2.1	2.1	1.8	2.0	1.9	2.0	2.0
Reliance Nippon Life	1.2	1.3	1.5	1.4	1.2	1.3	1.4
Canara HSBC OBC Life	1.2	1.4	1.5	1.6	0.9	1.1	1.3
India First Life	0.7	0.9	1.0	0.9	1.1	0.9	0.9
Bharti Axa Life	0.9	0.9	0.9	0.8	0.9	0.8	0.8
Exide Life	1.1	1.1	0.8	1.0	0.9	0.9	0.9
Star Union Dai-ichi Life	0.9	0.6	0.7	1.0	0.5	1.0	1.1
IDBI Federal Life	0.7	0.7	0.7	0.8	0.7	0.7	0.6
DHFL Pramerica Life	0.5	0.7	0.6	0.5	0.4	0.4	0.4
Shriram Life	0.7	0.9	0.6	0.7	0.5	0.6	0.7
Future Generali Life	0.7	0.4	0.4	0.4	0.4	0.4	0.6
Edelweiss Tokio Life	0.6	0.5	0.4	0.5	0.4	0.5	0.5
Aviva Life	0.5	0.3	0.2	0.2	0.2	0.2	0.1
Aegon Life	0.3	0.1	0.2	0.1	0.2	0.1	0.1
Sahara Life	0.0	0.0	0.0	0.0	0.0	0.0	-
<b>Private Total</b>	<b>53.7</b>	<b>55.9</b>	<b>57.7</b>	<b>59.7</b>	<b>56.1</b>	<b>57.0</b>	<b>63.9</b>
<b>Grand Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: IRDA

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Date	Company	Title	Price (INR)	Recos
11-Jan-19	<b>Karnataka Bank</b>	Improving in pockets; <i>Result Update</i>	116	Buy
09-Jan-19	<b>IndusInd Bank</b>	Core steady; merger synergies to drive re-rating; <i>Result Update</i>	1,602	Buy
08-Jan-19	<b>BFSI</b>	Banks better off; challenging times for NBFCs ; <i>Result Preview</i>		

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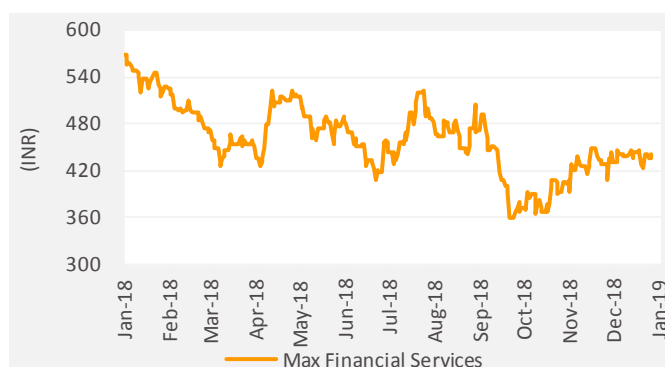
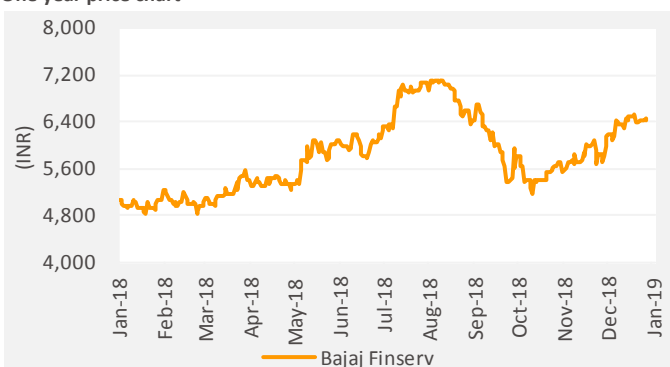
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	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

#### Rating Interpretation

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

#### One year price chart



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