

Insurance

ICICI Lombard	Q4 FY23	Q4 FY22	Q3 FY23	YoY	QoQ	FY23	FY22	YoY
Gross Premium	5,340	5,001	5,600	7%	-5%	21,772	18,562	17%
Total Income	5,256	4,636	4,362	13%	20%	18,095	16,130	12%
Underwriting P/L	-251	-309	-293			-890	-1,303	
Operating P/L	1,279	1,010	276	27%	363%	2,382	1,794	33%
PBT	573	410	465	39%	23%	2,113	1,683	26%
PAT	437	313	353	40%	24%	1,729	1,271	36%
Investment Book	43,180	38,786	41,451	11%	4%	43,180	38,786	11%
Net worth	10,392	9,109	9,953	14%	4%	10,392	9,109	14%
Investment/NW	4.16	4.26	4.16			4.16	4.26	
Combined Ratio	104.2%	103.2%	104.4%			104.5%	108.8%	
Solvency Ratio	2.51	2.46	2.45			2.51	2.46	
Expense Ratio	31.4%	31.5%	31.2%			29.6%	30.0%	

Product Mix for FY23 - Motor OD 20%, Motor TP 21%, Health Travel and PA 27%, Fire 15%, Marine 3%, Crop 3% & Others 10%

Motor OD segment plagued by high competition in PV segment, Motor GDPI Mix at PV 50%, 2W 28% and CV 22%. Motor TP fared better than OD, to increase focus on the CV and TP segments through partnership with PSOP aggregators

Loss ratio rose to 75%+ in motor in Q4, at 72% for FY23 and within normal range. Loss ratio at 77% in Health, down from 92% in FY22 due to COVID related strain on the business. Within retail the loss ratio is ~64% while it is ~95% for group health

Health travel and PA GDPI Mix - Individual 20%, Group-others 31%, Group employer-employee 50%. Retail health indemnity renewal pricing improved 19% in Feb 2023

Bancassurance and key relationship groups grew 26% in Q4FY23. ICICI bank distribution up 15%, non-ICICI bank up 32%

Hired 1000 agency managers who brought in 10,000 agents, investments into agency channel continues. SME segment up 15% YoY

Global factors have led to losses for reinsurers in the last two years, which has led to a hardening of reinsurance rates

Management read is that regulator is pushing for lower expenses on direct policies, online policies are 2.5-5% lower already

Sold motor pool (~280 Cr to its peer in Feb 23, adjusted for this one off motor premium was flay YoY, else degrowth of 11%. Transaction had a marginal contribution to profitability, helped in earning higher inward commission, no impact on combined ratio

Portfolio mod duration at 4.99 years and YTM at 7.2%. Equity allocation at 11.2%, G-Sec at 46% and Corp bonds 35%

Target to bring combined ratio to 102% from current level of 104% by FY25

Business trades at market cap of 53,000 Cr, the cheapest on Price Book value it has ever traded at 5.1x

SBI Life	Q4 FY23	Q4 FY22	Q3 FY23	YoY	QoQ	FY23	FY22	YoY
Renewal Premium	11,937	10,843	10,908	10%	9%	37,727	33,302	13%
New Business Premium	8,077	6,666	8,424	21%	-4%	29,589	25,457	16%
Investment Income	1,186	2,999	7,443	-60%	-84%	13,260	23,567	-44%
Total Income	22,805	21,428	26,627	6%	-14%	81,598	83,027	-2%
Commission	871	677	845	29%	3%	2,936	2,084	41%
Operating Expense	959	873	874	10%	10%	3,409	2,974	15%
PBT	794	694	311	14%	155%	1,758	1,560	13%
PAT	777	672	304	16%	155%	1,721	1,506	14%
AUM	3,07,340	2,67,410	2,99,990	15%	2%	3,07,340	2,67,410	15%
Net Worth	13,017	11,622	12,580	12%	3%	13,017	11,622	12%
Solvency Ratio	2.15	2.05	2.25			2.15	2.05	
Expense mgmt ratio	9.36%	9.01%	9.10%			9.61%	8.74%	
Value of New Business						5,070	3,700	37%
VNB Margin						30.10%	25.90%	16%
Protection NBP %						12%	12%	3%
Indian Embedded Value						46,040	39,630	16%

VNB margin expanded by 420 bps to 30.2%. Reflects the shift to high-margin, non-par business; share of non-par increased to 26.3% in Q4 FY23 from 13.3% in Q4 FY22 and 25.3% in FY 2023 from 13.2% in FY2022

Non-par savings grew 120% YoY to 26% of APE in Q4 FY23. The high growth in the non-par segment can be attributed to its recently launched income product (SBI Life Smart Platina Plus)

Protection NBP up 19% YoY to 3,640 Cr in FY23. Individual protection up 6% YoY, group protect up 25% YoY

Significant increase in agency force in FY 2023 up 43% YoY, benefits have started to show as the new agents have starting contributing. Agency business is up 15% in Q4 FY23 and 17% in FY2023. Management continues to make investments into non Banca channels

Business continues to have the best expense management ratio across the industry, expected to increase slightly as the business mix and channel mix changes away from SBI Bancassurance channel. Commission at 4.5% from 3.7% YoY

Persistency ratio has fallen for the 25th month YoY, probably a reflection of equity market not doing well over past 2 years

OCF for FY23 at 28,650 Cr. Market share for FY23 at 24% within private insurers, AUM at 3.1 lakh Cr higher by 15% YoY. Equity to debt mix at 71:29, 94% of fixed income in AAA & G-Sec instruments

APE mix for FY23 - Bancassurance 64%, Agency 26% and other channels 10%

Surrender ratio has increased in FY22 (4.6%) and FY23 (5.1%) from 3.9% in FY20. Management reiterates that they will sell what the customer wants and do not have any product mix in mind, there is no explicit sales push at point of sale towards anything particular

Business trades at 1.14 lakh Cr at 2.5x market cap to IEV, IEV has grown at 16% over FY23

HDFC Life	Q4 FY23	Q4 FY22	Q3 FY23	YoY	QoQ	FY23	FY22	YoY
Renewal Premium	9,254	8,326	7,187	11%	29%	28,448	22,793	25%
New Business Premium	7,372	7,422	7,388	-1%	0%	29,085	24,497	19%
Investment Income	1,192	1,689	4,930	-29%	-76%	12,604	19,512	-35%
Total Income	21,471	17,682	19,718	21%	9%	70,828	67,060	6%
Commission	1,114	686	693	62%	61%	2,891	2,008	44%
Operating Expense	2,924	2,043	2,123	43%	38%	8,449	5,853	44%
PBT	273	473	315	-42%	-13%	1,282	1,303	-2%
PAT	362	506	316	-28%	15%	1,368	1,327	3%
AUM	2,38,700	2,04,100	2,33,800	17%	2%	2,38,700	2,04,100	17%
Net Worth	12,993	15,613	12,700	-17%	2%	12,993	15,613	-17%
Solvency Ratio	2.03	1.76	2.09			2.03	1.76	
Expense mgmt ratio	20.60%	17.30%	19.30%			19.70%	16.60%	
Value of New Business						3,670	2,675	37%
VNB Margin						27.50%	27.40%	
Protection NBP %						29.00%	24.00%	
Indian Embedded Value	39,500	30,000	37,702			39,500	30,000	32%

19.7% operating RoEV in FY 2023 driven by 37% APE growth, stable margins (following integration with Exide Life)

Non-par showed fabulous growth as agency and broker channels went into overdrive to cater to the HNI segment to capture the limited time opportunity before March 31, 2023. March inflow specific to this was ~1,000 Cr

Annuities grew 17% YoY in FY23 compared with 16% growth overall, though annuities do not enjoy the tax arbitrage available to non-par products the demand has been strong for these products

ULIP growth was muted at 9% YoY in Q4 and 2% for FY 23. Volatility in markets and high surrender/lapse ratios have made this segment unattractive for private players over the past couple of years

Channel Mix - Agents:bancassurance:Direct: Brokers is 20%:56%:13%:11%

Persistency ratios for the 13th and 61st-month buckets were down 150 bps and 190 bps YoY due to the merger with Exide Life

HDFC Life continues to be the industry leader in product launches and penetration within large ticket size policies for urban HNI segment

Business impact of ~10% expected due to the tax related changes announced in recent budget, on high ticket policies

Recent tie ups for distribution include AU Small Finance Bank, Yes Bank, India Post payment bank; management plan is to increase penetration outside of the metros and Tier 1 cities where they are already very strong

HDFC Bank/HDFC Ltd can increase stake up to more than 50% in insurance subsidiaries - RBI clarification

Business trades at 1.14 lakh Cr at 2.9x market cap to IEV, down from a level of 4.5x a couple of years ago

ICI Prudential Life	Q4 FY23	Q4 FY22	Q3 FY23	YoY	QoQ	FY23	FY22	YoY
Renewal Premium	7,230	6,803	5,753	6%	26%	22,520	21,956	3%
New Business Premium	5,762	4,908	4,027	17%	43%	17,413	15,502	12%
Investment Income	-1,905	1,476	7,722			9,965	24,970	-60%
Total Income	11,500	13,846	17,535	-17%	-34%	50,478	63,565	-21%
Commission	754	556	391	35%	93%	1,864	1,673	11%
Operating Expense	1,567	1,299	1,044	21%	50%	4,583	3,763	22%
PBT	317	222	226	43%	40%	900	795	13%
PAT	235	187	222	26%	6%	813	759	7%
AUM	2,51,191	2,40,492	2,51,884	4%	0%	2,51,191	2,40,492	4%
Net Worth	10,090	9,158	10,089	10%	0%	10,090	9,158	10%
Solvency Ratio	2.09	2.05	2.12			2.09	2.05	
Expense mgmt ratio	17.90%	15.80%	14.70%			16.10%	14.30%	
Value of New Business	1,055	775				2,765	2,163	28%
VNB Margin						32.00%	28.00%	14%
Protection NBP %							12%	
Indian Embedded Value	35,634	31,625				35,634	31,625	13%

Gradual improvement in the persistency ratio by 90 and 1130 bps in the 13th month and 61st months. This improvement was due to a shift in the product mix towards non-linked products, misselling cases have been trending down over the past 5 years. High ticket non ULIP segment was ~6% of the business for 9M FY23, this stands to get impacted by the tax changes of Budget 2023

Growth at other Banca partners such as AU SFB, IDFC Bank, IndusInd Bank and RBL remained strong at 24% YoY in Q4 FY23 and 23% in FY23. The company onboarded 113 new partners within the non banking channel

Cost/APE has inched up 236 bps YoY and 340 bps QoQ to 22.8% (14-16% over FY2018-21). Expenses are elevated due to investments in new partnerships and agency channels. A higher share of NBP also pushed up the cost ratios.

Reported 17.4% operating RoEV in FY23, up from 11% in FY22. Higher interest rates and shifting mix to higher ticket size led to expansion in unwinding rate by 140 bps to 8.6%, driving its RoEV higher

Distribution Mix: Banca-ICI bank: Banca-Ex ICI bank:Agency:Direct: partnership distribution: Group is 14%:16%:26%:12%:15%:17%. Growth in the Banca channel ex-ICI remains robust which reduces dependence on parent to grow the business over time

Product Mix for FY23 is Linked: Non-linked: protection:Annuity: Group is 36%:37%:17%:6%:4%. Management has increased focus on growing protection and annuity business that has led to an increase in VNB margin over the past 5 years. ULIP share down from 80% in FY19 to 36% in FY23 in NBP terms

75% of liabilities largely pass on market performance to customers which helps to remain prudent in managing asset liability

Protection APE grew 14.5% YoY to 1,504 Cr from 1,313 Cr. Retail protection grew 28% in Q4 FY23

AUM mix - Debt to equity at 55:45, 97% of debt in AAA and G-Sec instruments

Distribution has been revamped massively over the past 3-4 years, the current head of distribution comes with extensive experience in driving cross selling within ICI Bank across the whole of the south region for more than 5 years. 13 new banks added in FY23, coverage now at 17,500 bank branches across the Banca channel

Business trades at 62,000 Cr at 1.7x market cap to IEV and 6.2x book value