Bajaj Allianz Life Insurance Company Limited

March 28, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Issuer rating	-	CARE AAA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The issuer rating assigned to Bajaj Allianz Life Insurance Company Limited (BALIC) continues to derive strength from its strong parentage along with financial, managerial and operational support. By virtue of parentage, the company benefits from high degree of business synergies and brand linkages with its promoters. The rating further takes into account the company's continued strong solvency position, stable growth in the business with moderate profitability, comfortable liquidity metrics, comfortable asset quality of its investment portfolio, established franchise, strong systems and processes.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors- Factors that could individually/ collectively lead to positive rating action/ upgrade:

- Not applicable

Negative factors- Factors that could individually/ collectively lead to negative rating action/ downgrade:

- Any material dilution in the shareholding pattern and/or weakness in the credit profile of promoter entities.
- Solvency margin falling below 1.8x on a sustained basis.
- Significant deterioration in profitability on a sustained basis.

Analytical approach: Standalone factoring in parent support, given shareholding, brand linkage, business synergies, management & operational linkages.

Outlook: Stable

The Stable outlook reflects CARE Ratings Limited's (CARE Ratings') view that the company will continue its growth momentum and steadily increase its market share, while maintaining its profitability and solvency levels. The outlook also reflects the expectation of maintaining the credit quality of its portfolio investments along with managing the maturity profile to meet liabilities to policyholders.

Key strengths

Strong parentage, support and experienced management

BALIC is a joint venture (JV) between Bajaj Finserv Ltd. (holding 74% stake) and Allianz SE (holding 26% stake). The financial services business is an integral part of Bajaj Finserv Ltd.'s business strategy. Bajaj Finserv Ltd., a core investment company, is the holding company for all the financial service businesses of the Bajaj Group and has presence in lending (both assets backed and unsecured), life insurance and general insurance through its various subsidiaries. BALIC's strategic importance is evident from high degree of capital, managerial, brand and operational linkages it derives from its promoter companies. Allianz SE is one of world's leading insurers and asset managers globally with over 130 years of financial experience with presence in over 70 countries around the world. BALIC benefits from business, global branding and marketing initiatives of Allianz SE given its long-standing presence in the insurance sector.

On the managerial front, the Board of the company is well represented by 13 directors, of which four are independent directors. BALIC has representation on its Board from the promoter groups, with Sanjiv Bajaj - Chairman & Managing Director of Bajaj Finserv Limited - serving as the Chairman of the company. The Board also has two representative directors from Allianz SE. BALIC has a management team of experienced professionals handling various departments headed by Tarun Chugh as the Managing Director and Chief Executive Officer (MD & CEO) who joined BALIC in April 2017. He has over 27 years of experience in the financial services space, including over 17 years of experience in the Indian life insurance sector.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Given the healthy internal accruals, profitability track record and strong parentage, CARE Ratings expects the company to continue to maintain strong solvency levels going forward.

Strong solvency position
BALIC continues to maintain strong solvency position and has highest solvency ratio among the Indian life insurers of its scale. It reported a solvency ratio of 5.81x as on March 31, 2022 [P.Y.: 6.66x] vis-à-vis regulatory requirement of 1.5x. The reported solvency ratio as on December 31, 2022, stood at 5.29x, approximately translating into surplus capital of ₹9,068 crore.

While CARE Ratings notes the growing share of non-participating business on consistent basis, the company has strong capitalisation levels to support its future business growth.

Established franchise and strong systems
BALIC is one of the biggest life insurance players with market share of 6.69% in terms of individual rated new business (in the private life insurance segment) as on March 31, 2022. BALIC's distribution has traditionally been agency dominated until few years back and had limited retail business contribution from non-agency channels. The company has been focusing on increasing the proportion of its retail business through creation of own sales team which will help it to upsell and cross sell products, tie-up with corporate distributors and partners. As on December 31, 2022, the distribution channel for retail business comprised individual agents (35%), corporate agents – banks (41%), corporate agents – others (2%), brokers (8%), and direct business (14%).

BALIC has IT systems capable of handling high customer and transaction volumes, which have helped the company to improve productivity and efficiency of operations. BALIC has a Board level Risk Management Committee which oversees the functioning of the overall risk management framework of the company and implementation of the risk management strategy. It has supervisory level Risk Committee comprising a Chief Risk Officer and Heads of various departments/functions, which establishes centralised risk monitoring and management.

Stable growth in business with moderate profitability
BALIC registered a 34% growth in gross written premium (GWP) during FY22 to ₹16,127 crore [P.Y.: ₹12,025 crore] and a 25% growth during 9MFY22 to ₹13,029 crore [9MFY22: ₹10,408 crore].

During FY2022, traditional products contributed to 61% of the individual rated new business premium [P.Y.: 59%], while unit-linked products contributed to 39% [P.Y.: 41%]. Within group business, the protection business contributed to 44% of the new business premium for FY22 as compared with 42% for FY21. Moreover, the company has shifted its focus to non-par products. This is in line with the individual rated new business for industry players with the shift in increased contribution from non-linked products to 78% for FY2022 from 73% in FY18. While Unit-linked insurance plans (ULIPs) still hold a significant share of the business mix at 22%, its share has been gradually reducing.

New business premium increased from ₹6,313 crore during FY21 to ₹9,136 crore during FY22. Of which, retail new business premium increased from ₹2,531 crore during FY21 to ₹3,961 crore during FY22, registering a premium growth of 57%, and group new business premium increased from ₹3,783 crore during FY21 to ₹5,175 crore during FY22, registering a premium growth of 37%.

Owing to the change in the product mix as well as concerted efforts, the persistency ratio (premium basis) of the company has been improving. For 9MFY23, the 13th month persistency ratio stood at 82.1% [March 31, 2022.: 81.7%], 25th month at 72.2% [March 31, 2022.: 74.4%], 37th month at 66.4% [March 31, 2022.: 64.3%], 49th month at 63.1% [March 31, 2022: 61.5%] and 61st month at 48.8% [March 31, 2022: 48.4%].

The investment income declined from ₹12,265 crore during FY21 to ₹8,178 crore during FY22, primarily on account of reduction in the ULIP fair value changes on investment portfolio from ₹6,495 crore during FY21 to ₹1,093 crore during FY22. During 9MFY23, the investment income stood at ₹4,471 crore as against ₹7,435 crore during 9MFY22, primarily on account of revaluation/fair valuation of the ULIP investment portfolio.

The benefits paid (including interim and terminal bonuses paid) increased from ₹6,257 crore during FY21 to ₹9,040 crore during FY22, and further to ₹9,076 crore during 9MFY23. Increase in the benefits paid during FY22 was on account of surrender and foreclosure of ULIPs due to volatility in the equity markets along with increase in mortality claims on account of COVID-19-induced claims. Higher claims, rising proportion of fund-based business and thereby rise in opex has led to moderation in return ratios of the company. The Expense of Management (opex and commission) (as percentage of gross direct premium) increased from 20.9% during FY21 to 23.0% during FY22 on account of higher opex spends for expansion and new business growth.

Comfortable asset quality of the investment portfolio

BALIC had an investment portfolio of ₹89,223 crore as on December 31, 2022, and ₹85,419 crore as on March 31, 2022 [P.Y.: ₹73,478 crore], out of which 38.89% were attributable to the linked portfolio (including discontinued fund), while the remaining were attributable to non-linked and shareholders' fund.

The investments of BALIC supporting both linked as well as non-linked products and shareholders' funds are largely invested in fixed income securities (largely central government bonds), listed equity shares and money market instruments. Of the total investment portfolio as on March 31, 2022, 39% was held in G-secs, 36% was held in Equity shares and Equity ETFs, 14% in the form of AAA/AA+ rated corporate bonds, and rest 11% was in the money market. Moreover, 99.4% of the fixed income portfolio is held in highest credit rated securities (Sovereign/AAA or equivalent).

The company reported NIL non-performing investments as on March 31, 2022.

Liquidity: Strong

Given the surplus capital and highly rated/ liquid investments, BALIC has a strong liquidity position.

The investments of BALIC supporting both linked as well as non-linked products and shareholders' funds are largely invested in fixed income securities (largely central government bonds), listed equity shares and money market instruments, which are readily marketable, thereby extending it ample liquidity support. Of the total investment portfolio as on March 31, 2022, 39% was held in G-secs, 36% was held in equity shares and equity ETFs, and 14% in the form of AAA/AA+ rated corporate bonds. The company reported cash and bank balance of ₹301 crore, against NIL borrowings, as on March 31, 2022.

Applicable criteria

Policy on default recognition
Factoring Linkages Parent Sub JV Group
Financial Ratios - Insurance Sector
Issuer Rating
Rating Outlook and Credit Watch
Insurance Sector
Policy on Withdrawal of Ratings

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Insurance	Life Insurance Companies	Private Sector

Bajaj Allianz Life Insurance Company Limited (BALIC), incorporated on March 12, 2001, is a joint venture between Bajaj Finserv Limited, having 74% shareholding and Allianz SE, one of world's leading insurers and asset managers globally, headquartered in Munich, Germany, holding 26% shareholding. The company obtained a license from the Insurance Regulatory and Development Authority of India (IRDAI) for carrying on the business of life insurance on August 03, 2001. The company has a wide range of products in traditional and unit-linked insurance business. The company had a network of around 509 branches as on December 31, 2022 [P.Y.: 509 branches] across India. Of the total, there are 497 urban branches and 12 rural branches. As on December 31, 2022, the distribution channel for retail business consisted of individual agents (35%), corporate agents – banks (41%), corporate agents – others (2%), brokers (8%), and direct business (14%).

Brief Financials (₹ crore)	FY20 (A)	FY21 (A)	FY22 (A)	9MFY23 (A)
Net premium earned	9,678.49	11,926.02	15,924.90	12,761.59
PAT	449.59	580.25	324.41	364.46
Tangible net worth (including fair value changes)	9,730.71	10,735.45	10,938.80	10,816.62
Total policyholders' fund	46,158.00	60,825.33	71,754.57	76,115.62
Solvency ratio (times)	7.45	6.66	5.81	5.29

A: Audited

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Issuer Rating		-	-	-	0.00	CARE AAA; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Issuer Rating	Issuer rating	0.00	CARE AAA; Stable	1)CARE AAA; Stable (26-Dec-22)	1)CARE AAA (Is); Stable (25-Mar-22) 2)CARE AAA (Is); Stable (05-Apr-21)	-	-

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Issuer Rating	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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