

Bajaj Allianz Life Insurance Company Limited

March 29, 2024

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 (74% held by Bajaj Finserv Limited) along with demonstrated 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 market position, strong solvency levels, stable growth in the business with moderate profitability, established franchise and comfortable liquidity metrics.

Rating sensitivities: Factors likely to lead to rating actions.

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

- Not applicable

Negative factors: Factors that could, individually or 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 along with factoring in the strength of the promoters; operational and financial linkages of BALIC with its promoters.

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.

Detailed description of the key rating drivers:

Key strengths

Strong promoter, support and experienced management:

Bajaj Allianz Life Insurance Company (BALIC) is a joint venture (JV) between Bajaj Finserv Ltd. holding 74% stake and Allianz SE holding 26% stake. The Insurance 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 having presence in lending (both assets backed and unsecured), life insurance and general insurance business through its various subsidiaries. BALIC being a life insurance arm of the group has strategic importance, which is evident by high degree of capital, managerial and operational support it derives from its promoter companies apart from benefits derived via shared branding. The foreign partner, Allianz SE, is one of world's leading insurer and asset management company with global presence (present over 70 countries) and over 130

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

years track record and experience in financial service industry. BALIC benefits from business, global branding, marketing initiatives and experience of Allianz SE given its longstanding presence in the insurance sector.

On the managerial front, the Board of the company is well represented by 13 directors including four independent directors. BALIC has representation on its Board from the promoter groups, with Mr. Sanjiv Bajaj (Chairman & Managing Director, Bajaj Finserv Limited) chairing the board of the company. The Board also has three representative directors from Allianz SE. BALIC's management team is led by Mr. Tarun Chugh (MD & CEO) who joined the company in April 2017 and has over 28 years of experience in financial service industry including over 18 years of experience in the Indian life insurance sector. Further, the management team consists of experienced professionals handling various departments.

Given the healthy internal accruals, profitability track record and strong parentage, CARE Ratings expects the company to continue its growth momentum.

Strong Solvency Position:

BALIC continues to maintain strong solvency position with its solvency levels being one of the highest amongst Indian life insurers of its scale. The reported solvency ratio as on March 31, 2023, stood at 5.16 times [P.Y.: 5.81 times] against the regulatory requirement of 1.5x. As on December 31, 2023, the reported solvency ratio was at 4.46 times [P.Y.: 5.29 times] translating into excess liquidity surplus of ₹8,753 crores. The solvency position of the company is supported by internal accruals (3-year average RONW of 4.08%) as well as strong financial flexibility.

Going forward, CARE Ratings expects that BALIC will continue to maintain comfortable solvency buffers over and above regulatory requirement.

Strong growth in business with moderate profitability:

Gross written premium (GWP) of the company grew by 21% YoY to ₹19,461 crores during FY23 and further by 14% YoY to ₹14,860 crores during 9MFY24. The company has been focusing on increasing its retail insurance business with individual business share being 74% of total GWP during FY23 [P.Y.: 68%] while the group business consists of 26% of total GWP [P.Y.: 32%].

The individual rated new business premium (IRNBP - 100% of first year premium & 10% of single premium excluding group products) grew by 41% YoY to ₹5,214 crores during FY23 and further by 24% to ₹3,996 crores during 9MFY24. The share of non-par as percentage of IRNBP increased to 52% during FY23 [P.Y.: 41%] which in line with industry trend. Given the rising interest rates and market volatility, FY23 witnessed a rising customer preference for non-par policies such as guaranteed return plans and saving plans there by resulting into overall contribution of non-linked products increasing to 81% for 9MFY24 from 74% in FY19 across industry. While the share of ULIP fund reduced to 31% [P.Y.: 39%] and share of par was stable at 17% [P.Y.: 20%]. However, during 9MFY24 in sync with customer traction for ULIPs, the share of ULIP fund as percentage of total IRNBP for the company increased to 38% [P.Y.: 35%], par increased to 28% [P.Y.: 19%] while the share of non-par fund has reduced to 34% [P.Y.: 46%].

Going forward, CARE Ratings expects the company to continue to focus on growing the non-par business.

Led by increase in share of non-par products during FY23 and continued growth momentum in individual rate new business premium the net new business margin (NBM) on annualized new business premium (ANP) increased to 15.5% [P.Y.: 14.2%]. Therefore, calculated RONW increased to 3.59% during FY23 [P.Y.: 2.99%] and ROTA increased to 0.44% [P.Y.: 0.40%]. During 9MFY24, RONW and ROTA stood at 5.59% [P.Y.: 4.46%] and 0.62% [P.Y.: 0.55%] respectively.

Profitability has also been supported by improvement in persistency ratio (based on premium) across all cohorts during 9MFY24 with 13th month persistency being at 83.2% [Mar-23.: 82.4%], 25th month persistency being at 71.9% [Mar-23 71.9%], 49th

month persistency being at 63.6% [Mar-23: 62.1%] and 61st month persistency being at 51.1% [Mar-23: 49.2%] except for 37th month persistency which reduced to 64.3% [Mar-23: 66.4%].

Strong & established distribution franchise:

BALIC is one of the leading private life insurance players with market share of 7.6% in terms of individual rated new business (in the private life insurance segment) as on March 31, 2023 [PY.: 6.7%]. BALIC's distribution had traditionally been agency dominated with limited retail business contribution from non-agency channels. Agency channel contribution decreased from 25% of new business premium in FY19 to 18% in FY23. 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, 2023, the Individual New business premium sourced via direct channel increased to 24% [PY.: 14%] while the other channel comprises 32% of individual agents [PY.: 35%], 34% of corporate agents – banks [PY.: 41%], 2% of corporate agents – others [PY.: 2%], and 8% of brokers [PY.: 8%].

Going forward, CARE Ratings expects the distribution channel mix to continue to be diversified with focus on direct sourcing.

Key weaknesses**Changing regulatory dynamics and competitive industry landscape:**

Insurance demand is positively correlated with economic growth and grows at a multiple to the GDP. The long-term growth of the life insurance segment remains intact given the protection gap and insurance requirements. However, in the near to medium term, evolving regulatory changes as taxation of high-value policies, revision in commissions & expenses on management regulation, changes in operating models/ technology, Insurance product regulation, entry of new players in bancassurance space is expected to have better product proposition and increase competition in the industry. Further, all of these measures are poised to propel the Indian insurance industry towards greater efficiency and effectiveness leading towards the vision of Insurance for All by 2047.

Liquidity: Strong

The investments of BALIC are largely invested in fixed income securities (largely central and state 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 December 31, 2023, ₹40,380 crores (40%) are held in G-secs, ₹41,518 crore (41%) is held in equity shares and equity exchange traded funds (ETFs), and ₹15,520 crores (15%) in the form of AAA/AA+ rated corporate bonds. The company reported cash and bank balance of ₹216 crores. Net benefit paid during FY23 stood at ₹12,372 crores which is highest in last 5 years which offers significant comfort.

Assumptions/Covenants

Not Applicable

Environment, social, and governance (ESG) risks

Environment, Social & Governance (ESG) related risks are evolving with increased awareness amongst various stakeholders. In its efforts to institutionalize standard ESG practices in its business operations, company has adopted a Responsible Investment Policy around which a framework is being developed and implemented including ESG assessments as one of the investment decision considerations. ESG Governance Framework is in place to manage the ESG commitments. Company has also carried out an ESG Materiality & Risk Assessment to understand material topics for the business. The assessment of Green House Gas (GHG) emissions and independent assurance for FY 22-23 with voluntary adoption of SEBI's Business Responsibility and Sustainable Reporting in addition to the ESG Reporting for FY 22-23 has been undertaken. Further, to improve Diversity & Inclusion (D&I), teams are working towards various initiatives. There is a continued focus on reducing environmental impact through rooftop solar panels and movement of services to paperless mode.

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Insurance Sector](#)

[Factoring Linkage Parent Sub JV Group](#)

[Issuer Ratings](#)

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Insurance	Life Insurance

Bajaj Allianz Life Insurance Company Ltd. (BALIC), incorporated on March 12, 2001, is a joint venture between Bajaj Finserv Limited holding 74% stake and Allianz SE, one of the largest insurance companies, headquartered in Munich, Germany holding 26% stake. 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 non-linked and unit-linked insurance business. As on December 31, 2023, the company operates via network of 510 branches pan India including urban and rural areas [P.Y.: 509 branches]. As on December 31, 2023, company's distribution channel new business premium wise consist of Individual Agents (32%), bancassurance (34%), Corporate agents - others (2%), Brokers (8%), and Direct Business (24%).

Brief Financials (₹ crore)	FY21 (A)	FY22 (A)	FY23 (A)	9MFY24 (A)
Net Premium Earned	11,926	15,925	19,115	14,561
PAT	580	324	390	457
Tangible Net worth (Including Fair value change)	10,735	10,939	10,785	11,014
Policy Liabilities	32,264	38,532	43,656	49,115
Solvency Ratio (times)	6.66	5.81	5.16	4.46

A: Audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA:

Not Applicable

Any other information:

Not Applicable

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

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

Complexity level of 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 2023-2024	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
1	Issuer Rating	Issuer rating	0.00	CARE AAA; Stable	-	1)CARE AAA; Stable (28-Mar-23) 2)CARE AAA; Stable (26-Dec-22)	1)CARE AAA (Is); Stable (25-Mar-22) 2)CARE AAA (Is); Stable (05-Apr-21)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of 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](#)

Annexure-6: List of all the entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1		Full, proportionate or moderate	

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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