

## Bajaj Allianz Life Insurance Company Limited

July 23, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Short Term Bank Facilities	2000.00	CARE A1+	Assigned
Issuer Rating	-	CARE AAA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings 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,

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

is one of the world's leading insurers and asset management company with global presence (present over 70 countries) and over 130 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, 2024, stood at 4.32 times [P.Y.: 5.16 times] against the regulatory requirement of 1.5x, translating into excess liquidity surplus of ₹8,851 crores. The solvency position of the company is supported by internal accruals (3-year average RONW of 3.90%) as well as strong financial flexibility.

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

### **Strong growth in business with moderate profitability:**

Gross written premium (GWP) of the company grew by 18% YoY to ₹23,043 crores during FY24. The company has been focusing on increasing its retail insurance business with individual business share being 80% of total GWP during FY24 [PY.: 74%] while the group business consists of 20% of total GWP [PY.: 26%].

The individual rated new business premium (IRNBP - 100% of first year premium & 10% of single premium excluding group products) grew by 21% YoY to ₹6,326 crores during FY24. During FY24 in sync with customer traction for ULIPs, the share of ULIP fund as percentage of total IRNBP for the company increased to 39% [PY.: 31%], PAR increased to 27% [PY.: 17%] while the share of non-PAR fund has reduced to 34% [PY.: 52%].

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

Led by increase in share of ULIP and par products during FY24 the net new business margin (NBM) on annualized new business premium (ANP) reduced to 14.6% [PY.: 15.5%]. However, led by the continued growth momentum in individual rate new business premium, reductions in claims payout as a percentage of net premium and supported by investment income the calculated RONW increased to 5.13% during FY24 [PY.: 3.59%] and ROTA increased to 0.56% [PY.: 0.44%].

Profitability has also been supported by improvement in persistency ratio (based on premium) across all cohorts during FY24 with 13<sup>th</sup> month persistency being at 84.8% [PY.: 82.4%], 25<sup>th</sup> month persistency being at 72.2% [PY.: 72.1%], 49<sup>th</sup> month persistency being at 64.50% [PY.: 62.9%] and 61<sup>st</sup> month persistency being at 54.1% [PY.: 51.60%] except for 37<sup>th</sup> month persistency which reduced to 64.2% [PY.: 66.9%].

**Strong & established distribution franchise:**

BALIC is one of the leading private life insurance players with a market share of 8.6% in terms of individual rated new business (in the private life insurance segment) as on March 31, 2024 [PY.: 7.6%]. BALIC's distribution had traditionally been an agency dominated with limited retail business contribution from non-agency channels. The company has been focusing on increasing the proportion of its retail business through the creation of own sales team which will help it to upsell and cross sell products, tie-up with corporate distributors and partners. As on March 31, 2024, the Individual New business premium sourced via direct channel increased to 24% [PY.: 15%] while the other channel comprises 30% of individual agents [PY.: 34%], 36% of corporate agents – banks [PY.: 40%], 2% of corporate agents – others [PY.: 3%], 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 increase in surrender value, 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 March 31, 2024, ₹43,141 crores (39%) are held in G-secs, ₹43,370 crore (40%) is held in equity shares and equity exchange traded funds (ETFs), and ₹15,197 crores (14%) in the form of AAA/AA+ rated corporate bonds. The company reported cash and bank balance of ₹562 crores. As against this, net benefit paid during FY23 stood at ₹12,372 crores which was highest in last 5 years, while the net benefits paid during FY24 stood at ₹12,012 crores which offers significant comfort.

**Assumptions/Covenants**

Not Applicable

**Environment, social, and governance (ESG) risks**

The Company has voluntarily adopted Business Responsibility and Sustainability Reporting (BRSR) from FY2023 onwards, as part of its efforts to increase the transparency on reporting of ESG practices. Further, during the year, in order to strengthen the governance on ESG Reporting, the Company's BRSR is being independently assured. Similarly, the Company continues to voluntarily track the Green House Gas (GHG) emissions, accounting for them and also obtain independent limited assurance thereon. The Company has also completed ESG Materiality Assessment and identified 18 material topics, which have been aligned with respective functions, and initiated medium to high impact initiatives, as applicable. Employee awareness on ESG, human rights and health & safety is covered through mandatory trainings. Awareness session is conducted for shortlisted / strategic vendors on ESG topics. ESG Steering Committee met during the year to review the progress of ESG initiatives and projects identified. Further, Responsible Investment Policy has been implemented by the Company and, as on 31 March 2024, 79% of total eligible assets under management is deployed in securities with internal ESG rating of 5 & above (high ESG rated investments).

## Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Issuer Rating](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Insurance Sector](#)

[Short Term Instruments](#)

[Insurance Sector](#)

## 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 March 31, 2024, the company operates via network of 533 branches pan India including urban and rural areas [P.Y.: 511 branches]. As on March 31, 2024, the company's distribution channel individual new business premium wise consist of Individual Agents (30%), bancassurance (36%), Corporate agents - others (2%), Brokers (8%), and Direct Business (24%).

Brief Financials (₹ crore)	FY22 (A)	FY23 (A)	FY24 (A)
Net Premium Earned	15,925	19,115	22,663
PAT	324	390	563
Tangible Net worth (Including Fair value change)	10,939	10,785	11,139
Policy Liabilities	38,532	43,656	52,619
Solvency Ratio (times)	5.81	5.16	4.32

A: Audited UA: Unaudited; 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
Fund-based - ST-Daylight Overdraft Credit Facility		-	-	-	2000.00	CARE A1+
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 2024-2025	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
1	Issuer Rating	LT	0.00	CARE AAA; Stable		1)CARE AAA; Stable (29-Mar-24)	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)
2	Fund-based - ST-Daylight Overdraft Credit Facility	ST	2000.00	CARE A1+		-	-	-

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	Fund-based - ST-Daylight Overdraft Credit Facility	Simple
2	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**

Not Applicable

**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](mailto:care@careedge.in) for any clarifications.

## Contact us

<p><b>Media Contact</b></p> <p>Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a></p> <p><b>Relationship Contact</b></p> <p>Pradeep Kumar V Senior Director <b>CARE Ratings Limited</b> Phone: 914428501001 E-mail: <a href="mailto:pradeep.kumar@careedge.in">pradeep.kumar@careedge.in</a></p>	<p><b>Analytical Contacts</b></p> <p>Sanjay Agarwal Senior Director <b>CARE Ratings Limited</b> Phone: 91-22-675543582 E-mail: <a href="mailto:Sanjay.agarwal@careedge.in">Sanjay.agarwal@careedge.in</a></p> <p>Gaurav Dixit Director <b>CARE Ratings Limited</b> Phone: 91-120-4452002 E-mail: <a href="mailto:gaurav.dixit@careedge.in">gaurav.dixit@careedge.in</a></p> <p>Geeta Chainani Associate Director <b>CARE Ratings Limited</b> Phone: 912267543447 E-mail: <a href="mailto:Geeta.Chainani@careedge.in">Geeta.Chainani@careedge.in</a></p>
---	---

### 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.

### Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,  
please visit [www.careedge.in](http://www.careedge.in)**