

## Bajaj Allianz Life Insurance Company Limited

March 27, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Short Term Bank Facilities	2,000.00	CARE A1+	Reaffirmed
Issuer Rating	0.00	CARE AAA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings reaffirmation of Bajaj Allianz Life Insurance Company Limited (BALIC) continues to derive strength from its strong parentage (74% held by Bajaj Finserv Limited [BFS] as on December 31, 2024) along with demonstrated financial, managerial and operational support. By virtue of parentage, BALIC shall continue to benefit from management oversight in the form of Bajaj Finserv representatives on board and strong brand linkages. The rating further takes into account BALIC's market position as one of the leading life insurance company, strong solvency levels, moderate profitability metrics, established franchise and comfortable liquidity metrics.

The ratings, however, take into account BALIC's relatively moderate profitability and exposure to evolving regulatory landscape and associated impact on the company's business growth and profitability.

BFS vide its press release dated March 17, 2025, has intimated the stock exchange that it has signed Share Purchase Agreements (SPAs) for the acquisition of interest owned by Allianz SE in its insurance businesses, viz. Bajaj Allianz General Insurance Company (BAGIC) and BALIC. Under the terms of the SPA, it is proposed that BFS will acquire approximately 1.01%, Bajaj Holdings and Investment Ltd. approximately 19.95% and Jamnalal Sons Pvt. Ltd. approximately 5.04%, aggregating to 26% in each of the insurance companies. Post acquisition, BFS stake will stand at 75.01% while ownership of Bajaj Group will increase to 100%. CARE Ratings takes cognizance of the recent developments and believes that the same will not have any material impact on the company's credit profile. BALIC is expected to continue to derive operational, business, and managerial support from the Bajaj Group as has been demonstrated so far.

### 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:

CARE Ratings has analysed standalone credit profile of BALIC and its strategic importance to and expectation of continued support from its parent Bajaj Finserv Limited.

### Outlook: Stable

The Stable outlook reflects CARE Ratings Limited's (CARE Ratings') view that the company will continue its growth momentum and steadily improve its market share and profitability, while maintaining its solvency levels.

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

## Detailed description of key rating drivers:

### Key strengths

#### Strong promoter, support and experienced management

BALIC currently is a joint venture (JV) between Bajaj Finserv Limited holding 74% stake and Allianz SE holding 26% stake as of December 31, 2024. BFS vide its press release dated March 17, 2025, has intimated the stock exchange that it has signed Share Purchase Agreement (SPA) for the acquisition of interest owned by Allianz SE in BALIC. Under the terms of the SPA, it is proposed that BFS will acquire ~1.01%, Bajaj Holdings and Investment Ltd. ~19.95% and Jamnalal Sons Private Limited ~5.04%, aggregating to 26% in the company. Post acquisition, BFS stake will be 75.01% in the company while ownership of Bajaj Group will increase to 100%. The acquisition is subject to regulatory approvals, including approvals from the Competition Commission of India and the Insurance Regulatory and Development Authority of India. CARE Ratings takes cognisance of this development and believes that this development will not have material impact on the company's credit profile. The business continues to be driven by key managerial person having average vintage of up to a decade in the company with Bajaj Group's oversight at Board level.

The insurance business is an integral part of Bajaj Finserv Limited's business strategy. Bajaj Finserv Limited, a core investment company, is the holding company for all financial service businesses of the Bajaj Group having presence in lending (both assets backed and unsecured), life insurance and general insurance business through its subsidiaries. BALIC being a life insurance arm of the group remains a strategically important entity, which is evident from high degree of capital, managerial and operational support it derives from its promoter companies apart from the benefits of shared branding.

On the managerial front, the company's board is well-represented by 13 directors including four independent directors. BALIC has representation on its Board from the promoter groups, with Sanjiv Bajaj (Chairman & Managing Director, Bajaj Finserv Limited) chairing the company's board. The Board also has three representative directors from Allianz SE. BALIC's management team is led by Tarun Chugh (MD & CEO), who joined the company in April 2017 and has over 29 years of experience in financial service industry including over 19 years of experience in the Indian life insurance sector. The management team consists of experienced professionals handling different departments.

#### Strong Solvency Position

BALIC continues to maintain strong solvency position with its solvency levels being one of the highest among Indian life insurers of its scale. The reported solvency ratio as on December 31, 2024, stood at 3.69x (March 2024: 4.32x) against the regulatory requirement of 1.5x, translating into liquidity surplus of ₹8,306 crore (March 2024: ₹8,851 crore), which is expected to enable greater flexibility to the company to grow its traditional business mix. The company's solvency position is supported by modest internal accruals (three-year average return on net worth [RONW] of 3.91%) and strong financial flexibility. Going forward, CARE Ratings expects that BALIC will continue to maintain healthy solvency buffers above regulatory requirements.

#### Strong growth in business with moderate profitability

Gross written premium (GWP) of the company grew by 18% Y-o-y to ₹23,043 crore in FY24. The company has been focusing on increasing its retail insurance business with individual business share being 80% of total GWP in 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% Y-o-y to ₹6,326 crore in FY24 with the company's focus on augmenting its retail portfolio. As for business mix, the share of unit linked insurance plan (ULIP) fund as percentage of total IRNBP for the company increased to 47% for 9MFY25 (FY24: 39%), PAR reduced to 25% (FY24: 27%) while the share of non-PAR fund has reduced to 28% (FY24: 34%).

Led by increase in share of ULIP and par products in FY24 the net new business margin (NBM) on annualised new business premium (ANP) reduced to 14.6% (PY: 15.5%). Despite moderation in margins, led by the continued growth momentum in IRNBP, reductions in claims payout as a percentage of net premium and supported by investment income the calculated RONW increased to 5.14% in FY24 (PY: 3.59%).

In 9MFY25, NBM on ANP reduced further to 11.0% (PY: 12.6%) due to continued decline in share of non-PAR segment and increase in share of ULIP segment. Subsequently, supported by investment income, the company's annualised RONW was stable at 5.65% (PY: 5.59%).

There was an improvement in persistency ratio (based on premium) across all cohorts in 9MFY25 with, 25th month persistency being at 73.5% (March 2024: 72.2%), 37th month persistency being at 64.9% (March 2024: 64.2%) and 61st month persistency being at 55.4% (March 2024: 54.1%) except for 49th month persistency, which reduced to 62.4% (March 2024: 64.5%) and 13th month persistency which reduced to 83.8% (March 2024: 84.8%).

### **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 in FY24 (PY: 7.6%). BALIC's has diversified its distribution to non-agency channels, which has traditionally been agency dominated. 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 December 31, 2024, the Individual New business premium sourced via direct channel increased to 27% (PY: 24%) while the other channel comprises 28% of individual agents (PY: 31%), 31% of corporate agents – banks (PY: 34%), 4% of corporate agents – others (PY: 3%), and 10% of brokers (PY: 8%).

Going forward, CARE Ratings expects diversification in distribution channel mix with focus on direct sourcing.

### **Key weaknesses**

#### **Changing regulatory dynamics and competitive industry landscape:**

Long-term growth prospects for Indian life insurance sector remains robust with low penetration of life insurance as a percentage of GDP in India supported by strong socio-economic growth drivers. As Indian life insurance sector continues to evolve, the sector has been witnessing slew of regulatory changes. Some key regulatory changes include increase in surrender values of life insurance policies, expected introduction of composite licence and risk migration to risk-based capital framework in the medium term. While these measures are expected to improve product proposition and propel the Indian insurance industry towards greater efficiency and effectiveness leading towards the vision of Insurance for All by 2047, which is expected to increase competition in the industry and lead to changes in operating models/ technology adoption in the medium term.

### **Liquidity: Strong**

BALIC has a strong liquidity profile with positive operating cashflows supported by healthy business growth. BALIC's cash inflows (premiums received+ investment income) in FY24 stood much higher at ₹27,290 crore against cash outflows (claims payouts + total expense) of ₹19,453 crore, indicating a healthy liquidity buffer to meet these obligations. Additionally, 58% of total investments to ₹68,913 crore invested in highest credit rated securities (Sovereign/AAA) as of December 31, 2024, providing liquidity buffer.

### **Assumptions/Covenants**

Not applicable

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

The company has voluntarily adopted Business Responsibility and Sustainability Reporting (BRSR) from FY23 onwards, as part of its efforts to increase the transparency on reporting of ESG practices. In FY24, to strengthen the governance on ESG Reporting, the company's BRSR was independently assured. 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 in the year to review the progress of ESG initiatives and projects identified. Responsible Investment Policy has been implemented by the Company and, as on 31 March 2024, 79% of total eligible assets under management were deployed in securities with internal ESG rating of five and 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 - Financial Sector](#)

[Life Insurance Sector](#)  
[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Insurance	Life Insurance

Incorporated on March 12, 2001, BALIC 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 life insurance business 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, 2024, the company operates via network of 574 branches pan India including urban and rural areas (March 2024: 533 branches). As on December 31, 2024, the company's distribution channel new business premium wise consist of individual agents (28%), bancassurance (31%), corporate agents - others (4%), brokers (10%), and direct business (27%).

Brief Financials (₹ crore)	FY22 (A)	FY23 (A)	FY24 (A)	9MFY25 (A)
Net Premium Earned	15,925	19,115	22,663	17,541
PAT	324	390	563	467
Tangible Net worth* (Including Fair value change)	10,922	10,772	11,128	10,894
Policy Liabilities	38,532	43,656	52,619	60,808
Solvency Ratio (times)	5.81	5.16	4.32	3.69

\*Adjusted to intangible assets and deferred tax assets

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:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of 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 and Rating Outlook
Fund-based - ST-Daylight Overdraft Credit Facility	-	-	-	-	2000.00	CARE A1+
Issuer Rating- Issuer Ratings	-	-	-	-	0.00	CARE AAA; Stable

**Annexure-2: Rating history for 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-Issuer Ratings	LT	0.00	CARE AAA; Stable	1)CARE AAA; Stable (23-Jul-24)	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+	1)CARE A1+ (23-Jul-24)	-	-	-

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

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities**

Not applicable

**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - ST-Daylight Overdraft Credit Facility	Simple
2	Issuer Rating-Issuer Ratings	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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### About us:

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### Disclaimer:

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