

Bajaj Allianz Life Insurance Company Ltd.

April 05, 2019

Ratings

Facilities/Instruments	Ratings ¹	Rating Action
Claims Paying Ability/Financial Strength	CARE AAA (In); Stable [Triple A (Insurance); Outlook: Stable]	Reaffirmed

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating factors in strong parentage, strong solvency position, experienced management, good asset quality of portfolio, comfortable liquidity and strong systems & processes and improving persistency ratio. The rating further takes into account Bajaj Allianz Life Insurance Company Limited's (BALIC) high degree of business synergies and brand linkages with the promoter groups viz. Bajaj group and Allianz group. Continued strong parentage, business growth, solvency position and profitability are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Strong promoter support and synergies

BALIC has strong promoter group viz. the Bajaj group and Allianz, SE (Germany) with a shareholding of 74% and 26% respectively. The Bajaj group is a 93 year old Indian conglomerate with major presence in the auto sector and financial services sector through Bajaj Auto Limited (BAL) and Bajaj Finserv Limited (BFS) respectively. BFS is the parent company of BALIC which has presence in Lending, Life insurance, General insurance, Health insurance and Investment management through its various subsidiaries. Allianz SE is a leading insurance conglomerate globally with an established presence in general (property and casualty), life and reinsurance businesses. Allianz SE has over 125 years of financial experience and is present in over 70 countries around the world. Allianz SE is one of the largest insurance companies globally. The two promoter groups also have joined hands for a general insurance venture [Bajaj Allianz General Insurance Company Limited (BAGIC)] indicating the strategic importance of the insurance business for the promoters and the business synergies.

The promoters of BALIC have infused total capital of Rs. 1,211 crore till now and the net worth of the company was Rs. 9,501 crore as on December 31, 2018 (March 31, 2018: Rs.9,218 crore).

Strong solvency position

The Company has been reporting profits consistently since FY10 and has maintained a high solvency margin. BALIC reported very strong solvency ratio at 5.92 times computed as per IRDAI norms as on March 31, 2018 as

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

compared to 5.82 times as on March 31, 2017. The solvency ratio was well above the minimum requirement of 1.5 times prescribed by IRDAI. The solvency ratio was 7.67 times as on December 31, 2018. Considering high solvency margin, the company is not likely to require additional capital infusion for supporting business growth as per its long term plans.

Experienced Management

The management team comprises of experienced insurance professionals headed by Mr. Tarun Chugh as the Managing Director and Chief Executive Officer (MD & CEO) who joined BALIC in April 2017. Mr. Chugh has over 23 years of experience in financial services space, including over 13 years of experience in Indian life insurance sector. BALIC has put in place team of officials having strong experience in the insurance sector to head various functions.

Good asset quality of the portfolio

The Company had an AUM portfolio of Rs 54,687 crore as on December 31, 2018 (Rs. 51,970 crore as on March 31, 2018) out of which 44% was attributable to non-linked portfolio, 16% to shareholders' fund and 40% to linked portfolio. Within the linked portfolio, 53% was invested in equity followed by government securities and other approved securities (G-Sec, T-Bills, etc.) which formed 21% of linked portfolio. In the non-linked portfolio, 57% of the investments were done in government securities and other approved securities.

Comfortable liquidity

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), equity and money market which are readily marketable, thereby extending it ample liquidity support.

Strong systems and processes

BALIC has IT systems capable of handling high customer and transaction volumes which have helped the company 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 of a Chief Risk Officer and Heads of various departments/functions which establishes centralised risk monitoring and management.

Persistency ratios

Persistency ratio indicates the strength of the consumer franchise. The 13th Month Persistency ratio of the Company has improved from 68.20% in FY17 to 77.20% in FY18 and from 75.80% for 9MFY18 to 77.80% for 9MFY19 (refers to period from April 01 to December 31)

Analytical approach

BALIC has been assessed on its standalone financials along with factoring in the linkages with its parents.

Liquidity profile

As on March 31, 2018, BALIC's liquid assets to technical reserves stood at 60.98% (P.Y.: 59.68%) against claims incurred to technical reserves at 19.30% (P.Y.: 15.43%) giving it sufficient liquidity to meet claims.

Applicable Criteria

[Criteria on assigning outlook to Credit Ratings](#)

[CARE's policy on default recognition](#)

[Financial Ratios-Financial Sector](#)

[Claims Paying Liability of Insurance Company](#)

[Factoring Linkages in Ratings](#)

About the Company

Bajaj Allianz Life Insurance Company Ltd. (BALIC), incorporated on March 12, 2001 under the Companies Act, 1956, is a joint venture between Bajaj Finserv Limited (holding company for financial services of the Bajaj group) having 74% shareholding and Allianz SE, one of the world's largest insurance company headquartered in Munich, Germany having 26% shareholding. The company obtained a license from the Insurance Regulatory and Development Authority (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 works essentially through a diversified set of channels including agency, Proprietary channel, web sales and some banks. The company has a pan India presence through a network of around 612 branches across India as on December 31, 2018.

Brief Financials

(Rs. crore)

	FY17 (A)	FY18 (A)
Net Premium Earned	6,122	7,517
PAT	836	716
Tangible Net Worth	8,476	9,218
Total Policyholders Fund	39,987	41,722
Solvency Ratio (times)	5.82	5.92

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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Disclaimer

CARE's CPA/FS rating does not apply to non-policy obligations of the insurer, such as debt, nor does it address the suitability of terms of any individual policy or contracts. The rating does not take into account any limitation that the insurer might face in settling its foreign claims due to exchange control/sovereign restrictions that might be placed on foreign currency payments by the Government of India. CARE's CPA/FS rating is not a recommendation to buy, hold or terminate any insurance policy.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Claims Paying Ability/ Financial Strength	-	-	-	-	CARE AAA (In); Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Claims Paying Ability/Financial Strength	LT	-	CARE AAA (In); Stable	1)CARE AAA (In); Stable (02-Apr-18)	-	1)CARE AAA (In) (19-Apr-16) 2)CARE AAA (In); Stable (14-Feb-17)	-

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