

Indian Life Insurance

Company	NBP (FY08) Rs bn	APE % CAGR (FY08-10E)
ICICI Pru	83.1	27
Bajaj Az	66.7	23
SBI Life	47.9	34
Reliance Lf	27.5	50
HDFC SL	26.9	27
Birla SL	19.6	37
Max NYL	16.0	32

Source: ENAM Research, IRDA and Company

Providing Protection to Parent

Financial summary (FY10E)

Company	Listed parent	Total val. (USD bn)	Emb. Val. (USD bn)	Value of new business (USD bn)	Val. of parent's stake (USD bn)	Per share val. to parent. (Rs)	Parent's current price (Rs)	Parent's target price (Rs)
ICICI Pru	ICICI Bk	8.3	1.1	7.2	6.1	220	592	1,050
Bajaj Az	Bajaj Finsv	6.1	0.8	5.3	1.6	443	479	Not Rated
SBI Life	SBI	4.5	0.6	3.9	3.3	209	1,222	1,601
HDFC SL	HDFC	3.4	0.4	3.0	2.5	348	1,998	3,160
Birla SL	ABNL	3.3	0.4	3.0	2.5	1,042	1,188	1,853
Reliance Lf	Rel Cap.	3.2	0.2	3.0	3.2	524	1,027	1,921
Max NYL	Max India	1.8	0.3	1.5	0.9	160	159	Not Rated

Source: ENAM Research; Embedded value calculated as of FY08; Total valuation = Embedded value + Value of new business; Market prices as of 11th July 2008

Executive summary ...

- **No material slowdown in Life premiums despite bearish stock markets**
 - Under-penetration and negligible individual wallet-share
 - FY08 new business premiums at USD 23bn and total premiums at USD 48bn
 - Life insurance to grow at higher rate vs overall BFSI, thereby providing **downside protection to Parent**
- **Most large players targeting 40-60% growth in New Business Premiums in FY09**
 - We estimate Private players to grow at a lower 27% CAGR over next couple of years vs ~100% for past 5 years
- **Past growth largely driven by linked products (9% in FY 03 to 66% in FY 08); Pension and health to emerge as new focus**
- **Competition intensifying, however top 5 players expected to maintain their collective market share**
 - LIC share has reduced to ~48% in FY08 from 85% in FY04; We estimate it to fall to ~38% by FY10
- **Massive investment in building up distribution capabilities to delay profitability**
- **Capital requirements of USD1-1.5 bn by top 5 players in FY09, given higher solvency requirements to meet growth targets**
- **Persistency ratio key to profitability and valuations**
 - Persistency ratios of private players have **declined from 95% in FY03 to 75% in FY08**
 - **HDFC and MAX NY** are best placed, with ratios at 85% and 83% respectively in FY08
 - However, absence of adequate disclosures and a uniform methodology makes it **difficult to estimate persistency ratios**

... Cont'd

Note: We have calculated persistency on a 12 months basis as current year's renewal premium as a proportion of previous year's renewal premium and first year premium. In the event of more disclosures from the companies in future, we believe this method can be improvised further.

Executive summary.. (cont'd)

- **Current Expense ratio at 20-30% high, needs to be managed at 10-15% to become profitable**
 - **SBI Life with its low cost distribution** is best placed at 7-10%, hence has turned profitable
 - **Reliance Life & Max NY are high** at ~31% due to early growth phase & higher average duration respectively
 - Most **others**, like ICICI Pru, Bajaj Allianz, Birla SL and HDFC SL are at ~20%
 - Private players to achieve profitability over only after couple of years due to high expense ratios
- **Disclosures weak: None disclose EV. NBAP disclosed only by ICICI Pru and Bajaj Allianz**
- **NBAP margins estimated to marginally fall to 16-18% over next couple of years**
- **Due to accounting losses in initial phase, need to use Appraisal value methodology, which accounts for value of : a) new business, b) embedded existing policies & c) network**
- **Conclusion**
 - **NBAP margin:** Highest for HDFC SL, followed by ICICI Pru & Birla Sun Life, due to low expense and lapse ratios
 - **Growth:** Highest for Reliance Life, Birla Sun Life and SBI in next two years
 - **Exposure to parent's value:** Bajaj Allianz and Birla Sunlife, followed by Reliance Life
- **Key risks**
 - **Lower than targeted growth** for private players may result in further cost overruns & reduced margins.
 - As most policies are Unit linked with high equity component, sustained **bearishness in capital markets** can further reduce persistency ratios, thereby putting further pressure on profitability

Abbreviations

- APE – Annualized Premium Equivalent
- EV – Embedded Value
- NBP – New Business Premiums
- NBAP – New Business Achieved Profit
- SP – Single Premiums
- TP – Total Premiums
- VONB – Value of New Business
- WNRP – Weighted New Received Premium

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Growth led by favorable demographics

Among the fastest growing markets in Asia...

➤ India is the 4th largest life insurance market in the Asia-ex Japan region

- Total life premiums of USD 47bn and new business premium of USD 23bn in FY08
- 2% share of world life premiums
- 7.6% share of Asian life premiums

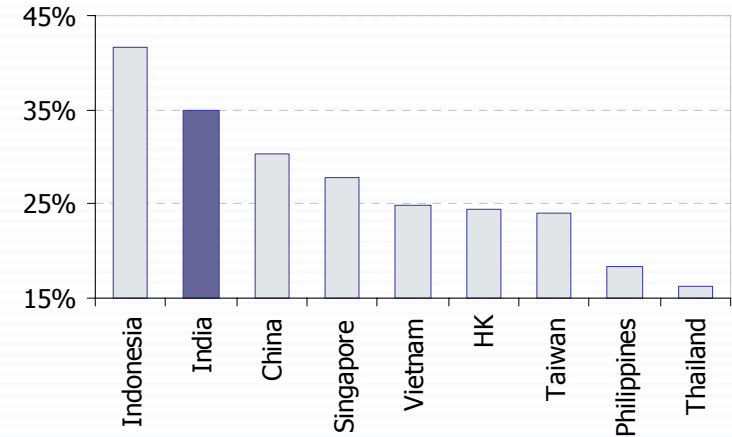
➤ Among the fastest growing markets

- India has posted second fastest growth over the last 6 years, only after Indonesia, which grew most during last year
- Total life premiums have grown at a 5yr CAGR of 32.6% compared with 5.6% for Asia

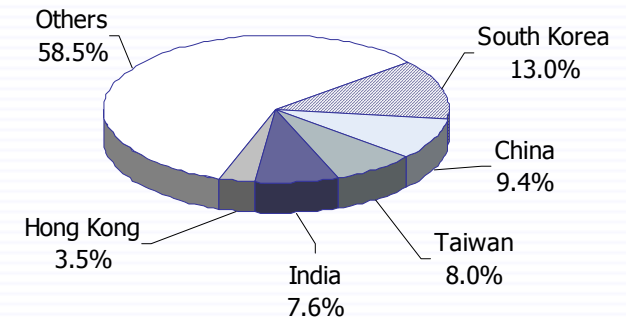
➤ Gaining share in the Asian life premiums

- Asia's share in total world premiums has declined to 26% from 31% 5 years ago
- However, India's share of Asian premium has grown from 2.4% to 7.6% during the same period
- India's 5yr premium CAGR is over 5 times the growth rate of Asia

2nd highest growth in the Asian region
6yr CAGR - Total premiums



Growing share in the Asian life premiums



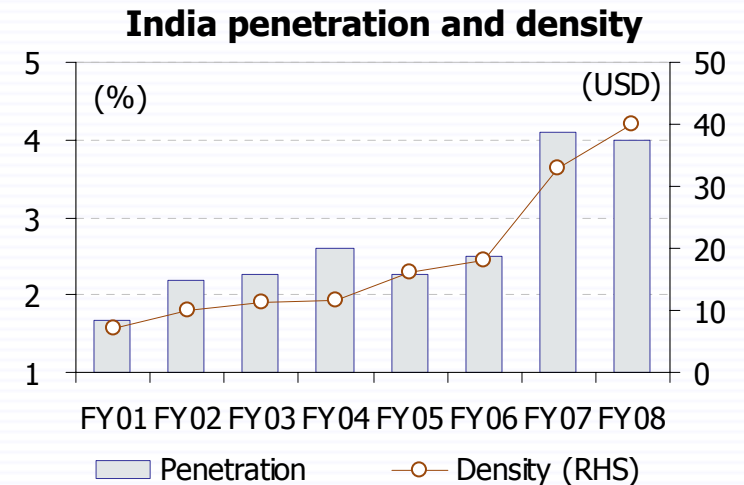
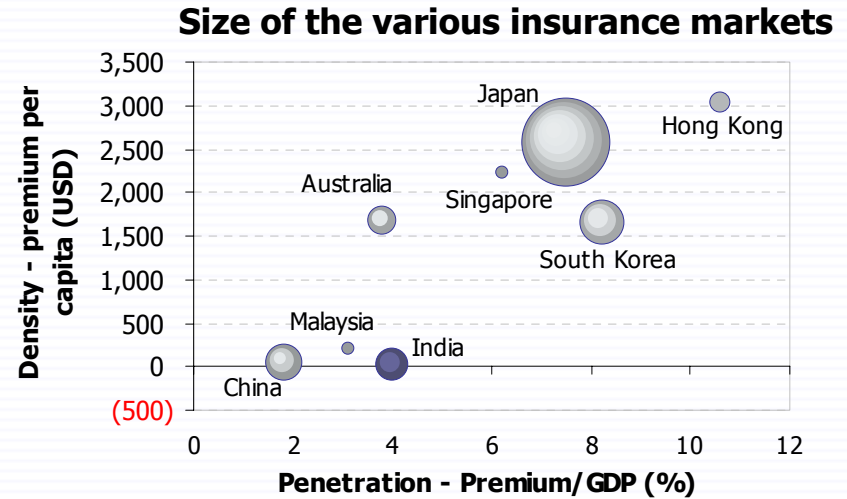
Source: ENAM Research and Swiss Re Sigma Research 2008

...with modest penetration levels...

- ➔ **Penetration levels still lower than other developed countries**
 - Premiums/GDP is at 4% compared with 6-9% for developed nations
 - Premium per capita is USD 40 against an average of USD 157 for Asia
 - Still under-penetrated, with existence of a parallel economy estimated as big as the real one

- ➔ **Growth largely driven by investments linked products rather than protection**
 - Perceived as investment and tax saving product as evinced by the popularity of linked products
 - Protection based market is still under-penetrated and has huge potential for growth

- ➔ **Large segment of under penetrated rural population**
 - 60% of rural and 40% of total population does not even have access to banks accounts
 - Only a third of target population is estimated to be insured, reflecting huge untapped potential



Source: ENAM Research and Swiss Re Sigma Research 2008
 Note: Bubble indicates size of life premiums

...an emerging middle class...

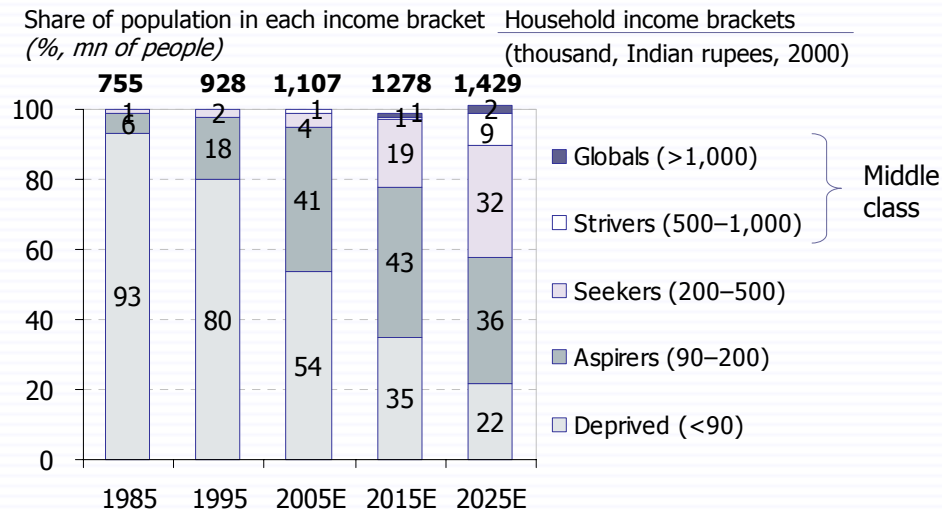
➤ Emergence of a rising 'middle class' in India

- By 2025, 41% of the population is estimated to be a part of the 'middle class' i.e. population with higher income levels

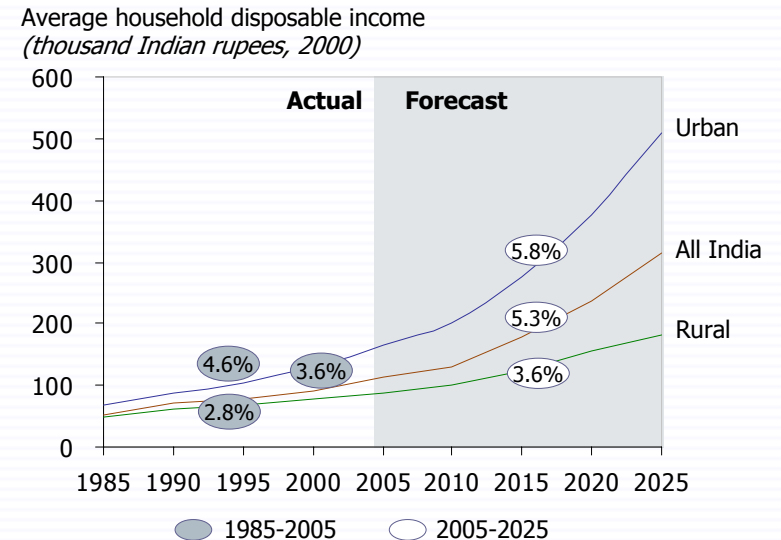
➤ Higher disposable income in the hands of households

- Disposable income estimated to grow at a CAGR of 5.3% over 2005-2025 compared with 3.6% during 1985-2005

Emergence of 'middle class' with higher income levels



Accelerating household income



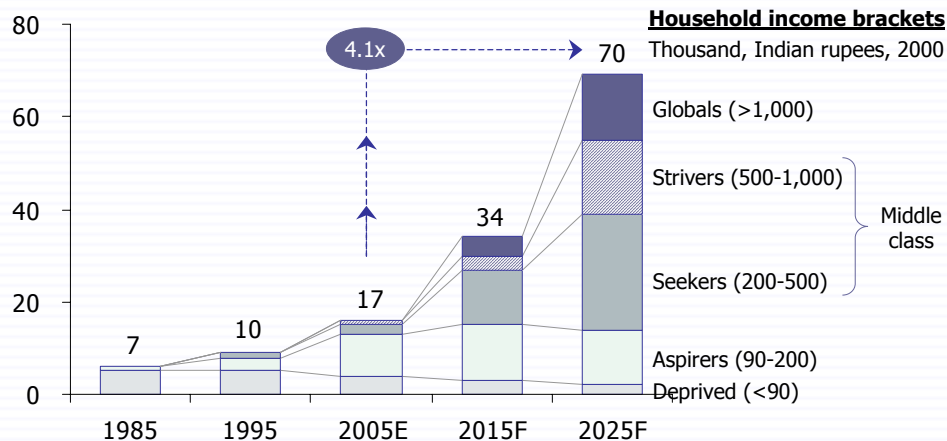
Source: Mckinsey Global Institute

...and a favorable demographic profile

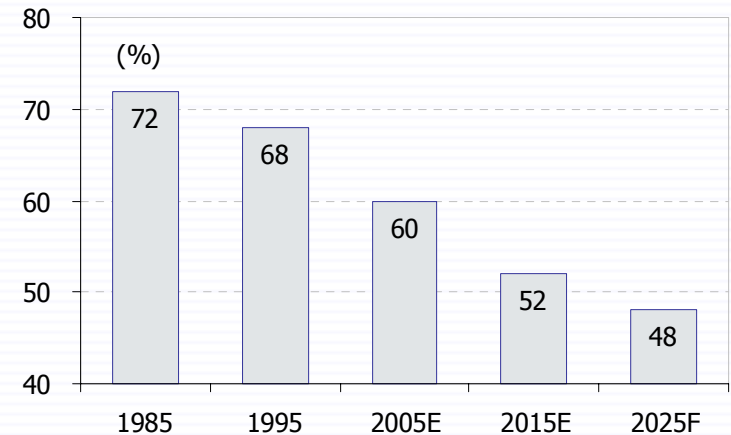
- **Aggregate consumption of households is estimated to quadruple in the next 20 years**
 - Significantly driven by the rising 'middle class'
- **Favorable demographics with an increasingly younger population**
 - Dependency ratio is expected to fall to 48% by 2025 from 60% at present

Four-fold growth estimated in aggregate consumption

Aggregate consumption across income brackets
Trillion, Indian rupees, 2000



Declining Dependency ratio leading to a younger population



Source: Mckinsey Global Institute ; Dependency ratio is defined as the number of children (population in age group 0-14 year) and elderly (65 years and older) as a percentage of the total working population (age group 15-64 year)

Semi-urban and rural to drive growth

➔ India still has a relatively lower penetration

- Presently, India has penetration levels of 4% compared with 6-9% for Asian countries
- Considering the present linked dominated market, there is a huge scope for protection based insurance
- We estimate penetration levels to reach to 4.4% levels over the next couple of years
- We estimate total life premiums to grow to USD 66bn by FY10

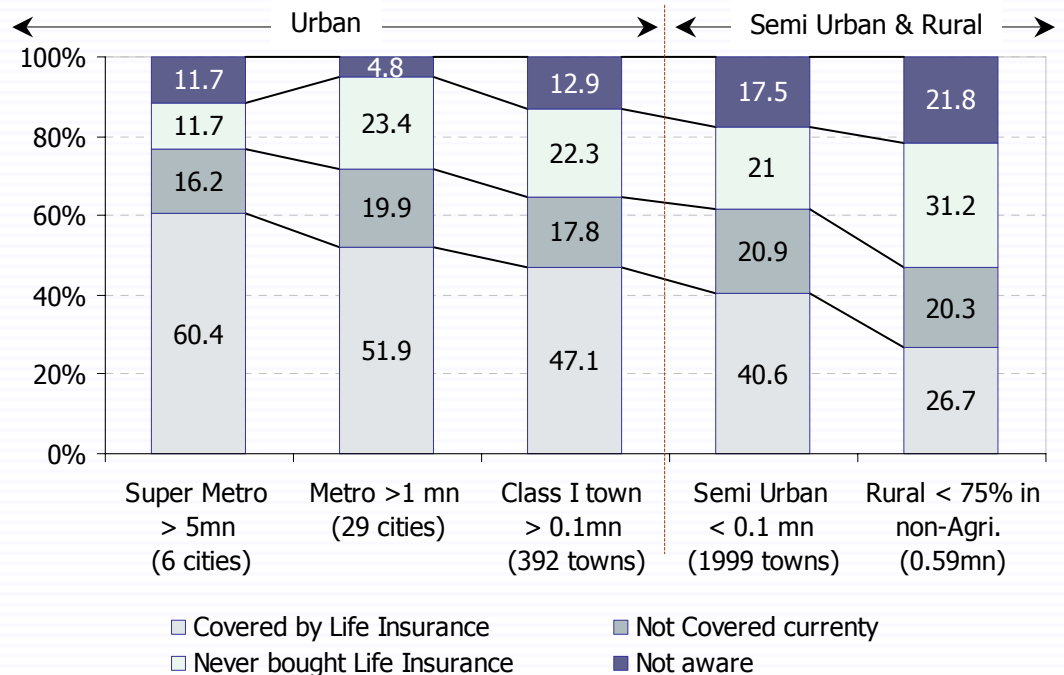
➔ Increasing focus on semi urban and rural areas

- Only 26% of the population is covered in rural areas compared with 50-60% in metros
- Players to increasingly focus on building up distribution capabilities in Tier-II & III cities

Penetration and growth estimates

In Rs bn	2006	2007	2008	2009E	2010E
Nominal GDP	35,296	41,059	46,983	53,326	60,259
<i>Growth rate</i>	<i>14.1%</i>	<i>16.3%</i>	<i>14.4%</i>	<i>13.5%</i>	<i>13.0%</i>
Total Life Premiums	1,000	1,696	1,898	2,306	2,626
<i>Growth rate</i>	<i>27.8%</i>	<i>69.6%</i>	<i>11.9%</i>	<i>21.5%</i>	<i>13.9%</i>
Penetration	2.5%	4.1%	4.0%	4.3%	4.4%

Demographics – Urban & Rural



Source: ENAM Research, Swiss Re and IIMS



China and India: A Comparison

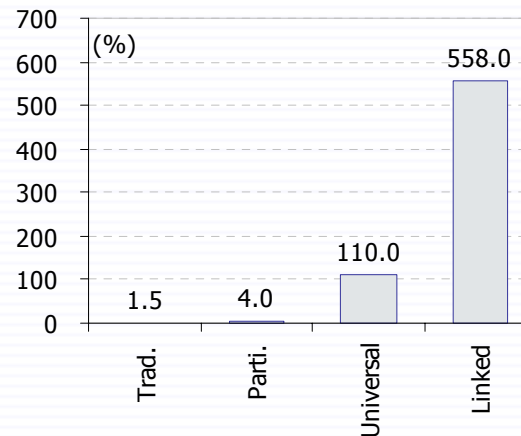
China: Similar growth; different dynamics

- **India liberalized; China influenced in terms of decision making**
 - In China, foreign ownership capped at → 50% in foreign JV → 25% in domestic → Decision making process tend to be influenced by the government → India has a superior management quality
 - Foreigners merely have a ~6% market share in China → Restriction on opening branches → Banks only recently allowed to enter insurance business → Bancassurance yet to evolve in China
- **Young India: Ageing China**
 - Increasingly, India to grow younger → China to age → One-Child policy legacy
- **Linked business led growth in India; China traditional**
 - More than 2/3rd of new premiums is from linked business for India → For China its merely ~10%, but growing
- **Participating policies favorable to insurance companies**
 - 70:30 profit sharing rule in China → 90:10 rule in India → Policy holder shares a larger pie in the surplus

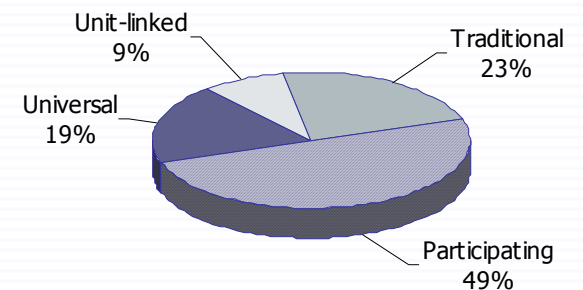
At a glance

	India	China
Total premiums (USD bn)	47.1	58.7
Premium per capita (USD)	40.0	44.0
6Yr CAGR (%)	35.0	30.4
Premium/GDP (%)	4.0	1.8
Asia market share (%)	7.6	9.4
World market share (%)	2.0	2.5
NBAP Margins (%)	16-18	35-40
Single premiums (%)	43.7	7.5
Linked premiums (%)	80.0	8.8
Persistency ratio (%)	75.0	90.0

China Premium growth (2007)



China Premium breakdown (2007)



Source: ENAM Research, CIRC and China Life



Remarkable business growth

Market has witnessed remarkable growth...

➤ Robust growth witnessed post-liberalization, largely driven by private sector

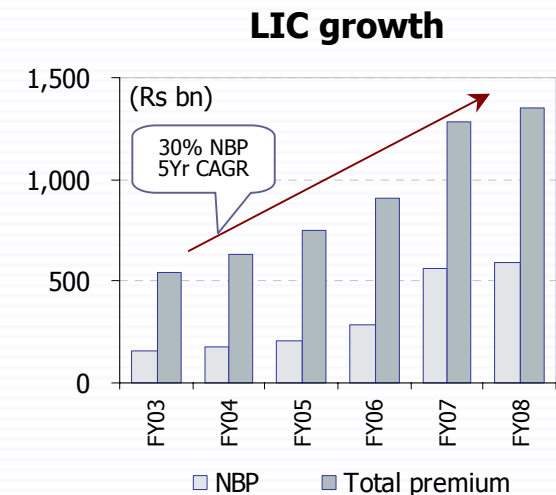
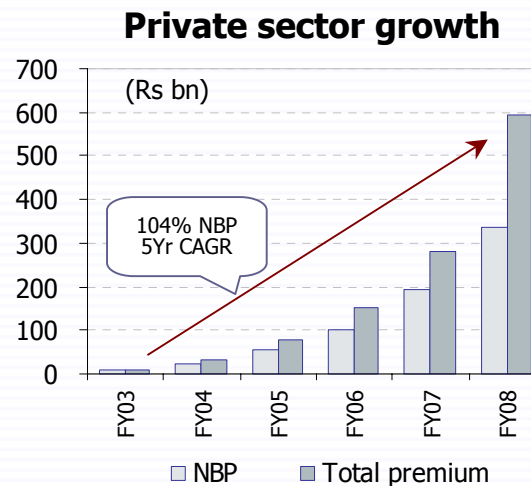
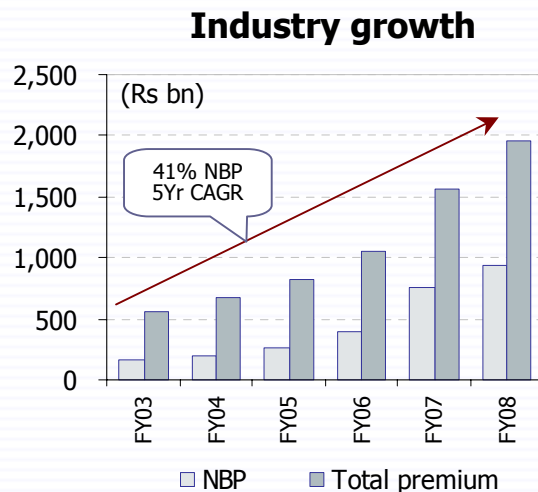
- New business premium have grown to USD 23.3bn (5yr CAGR – 41%)
- Private sector new business premiums at USD 8.5bn (5yr CAGR – 104%)
- However, LIC is still the largest player with NBP of USD 14.8bn (5yr CAGR – 30%)

➤ Higher level of sophistication in products and distribution

- Entry of private players has led to the introduction of innovative product offerings
- Development of alternative distribution channels like bancassurance has played a key role

➤ Private sector would continue to grow at brisk pace

- We estimate NBP for private sector to grow at 27% CAGR to USD 14bn by FY10
- Total premiums for the industry is estimated to grow at 18% CAGR to USD 66bn by FY10



Source: ENAM Research, IRDA and Industry research

...with private sector gaining market share...

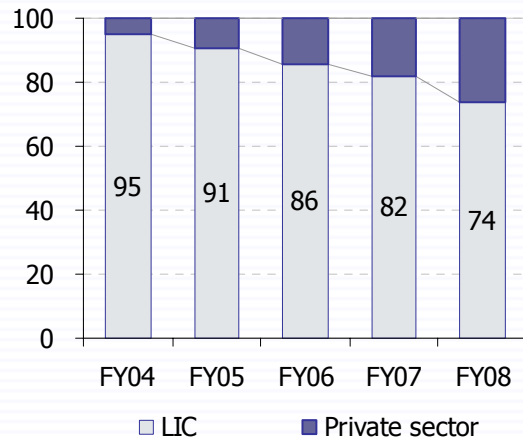
➤ LIC has been losing market share since the entry of private players

- LIC's market share has fallen to 64% in FY08 from 85% in FY04
- However, is still the largest player with NBP of USD 14.8bn against USD8.5bn by private sector players

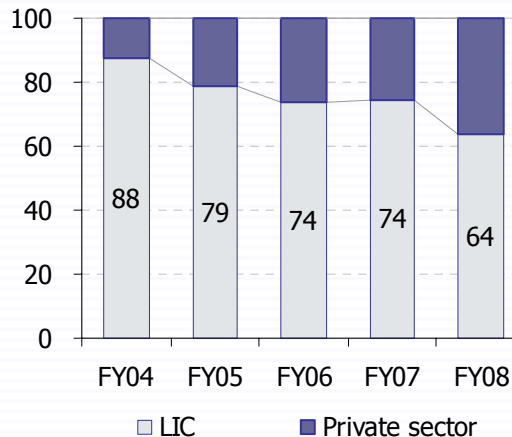
➤ Aggressive growth registered by the private sector

- Heavy spending on brand promotions and awareness
- Intensive ramp up in tied agency with aggressive marketing strategies
- Development of alternative distribution channels including bancassurance
- Innovating product offerings across different life segments and income levels
- Greater promoter focus and product development expertise from the foreign joint venture partner

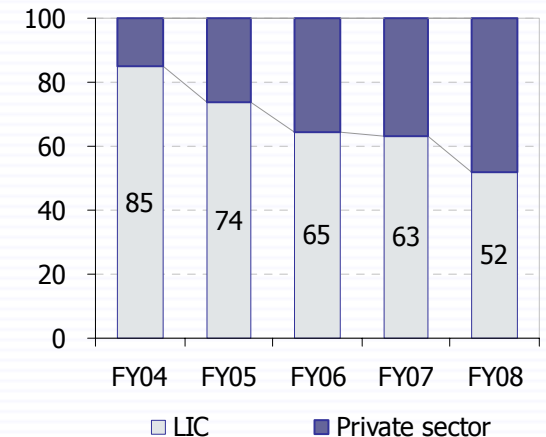
Total premiums – Mkt share (%)



NBP – Mkt share (%)



WNRP based – Mkt share (%)



Source: ENAM Research, IRDA and Company

Note: WNRP denotes weighted new received premiums i.e. 10% of single premium + 100% of first year non single premium on received basis

... and newer players entering the market

➤ Sector has continuously invited interest of new players

- With FDI investments limited to 26%, foreign players have formed JVs with local partners
- Number of private players have grown to 19

➤ ICICI Prudential, the largest private sector player and has been undisputed leader

- Having a 26.3% market share, ICICI Prudential has maintained its leadership position

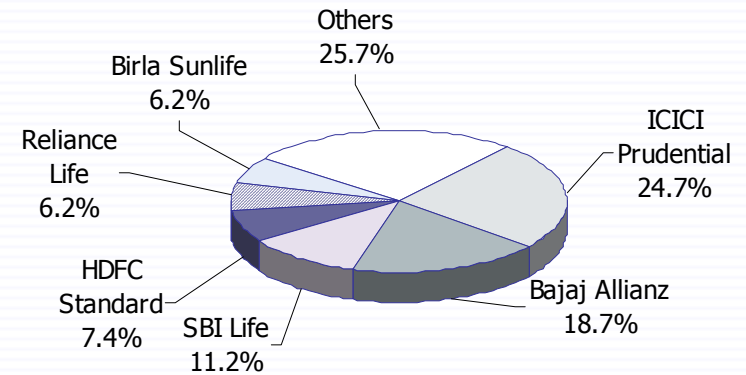
➤ Newer players cannibalizing into the market share of existing players

- Market share of top 5 players has reduced to 72.7% in FY08 from 75.3% in FY04

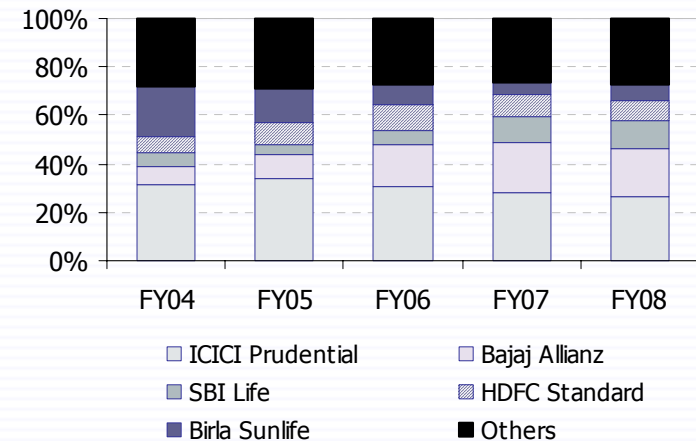
➤ Many more new players lined up to enter the market

- Religare - Aegon
- DLF - Pramerica
- Indiabulls - SocGen

Private sector market share – WNRP basis (FY08)



Market share of the top 5 players- WNRP basis



Source: ENAM Research and IRDA

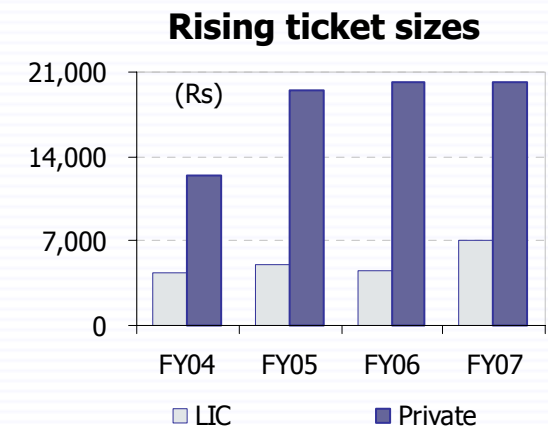
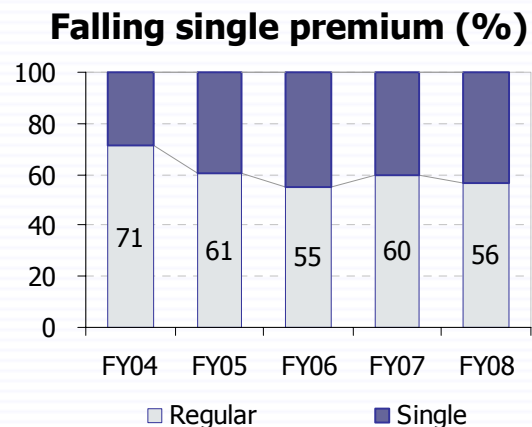
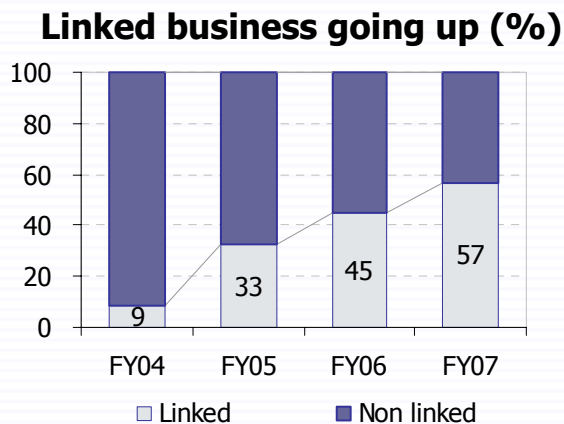
Note: WNRP denotes weighted new received premiums i.e. 10% of single premium + 100% of first year non single premium on received basis



Product portfolio and distribution

Strong growth in linked business...

- **Over the past few years, market has shaped into an overwhelmingly linked products market**
 - High popularity due to attractive equity linked returns
 - Lower capital requirements for insurers as the risk is borne by policy holders
- **Share of single premium policies has been coming down**
 - Previously used to capture market share gains
 - Lost its charm post the regulatory changes proposing minimum sum assured and lock in period
- **Increasingly higher ticket sizes reflecting a profitable customer base**
 - Largely a function of business focus; Reflects benefits of scale
- **Group business becoming increasingly competitive; pension and health to grow further**
 - Share of group business has fallen to 15.5% in FY08 from 22.4% in FY04; Losing its charm due to lower margins
 - Significant part of the incremental growth was attributed to pension and health products in FY08
 - Presently, pension contributes ~10% of total premiums; Health care spend is merely ~2% of GDP



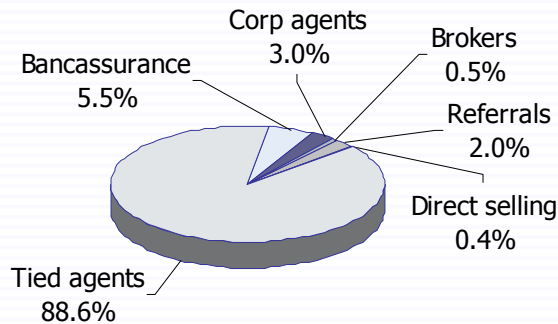
Source: ENAM Research and IRDA; Linked and single premiums as a % of total premiums

... and rapid scale-up in distribution

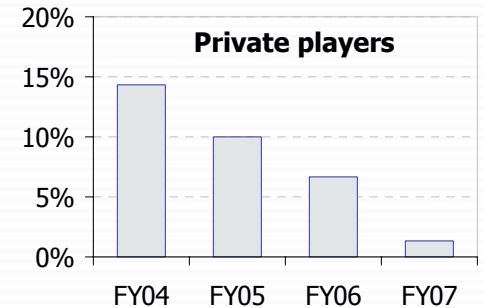
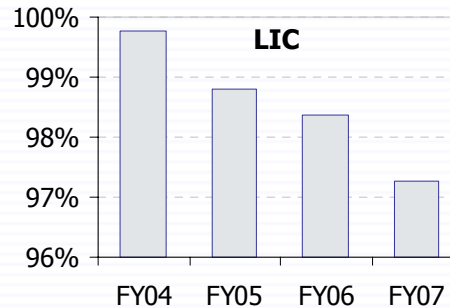
➤ Tied agency continues to dominate; direct selling coming down for private players

- Inadequate training, lack of professionalism and low productivity remain key concerns

Industry Distribution mix (FY07)



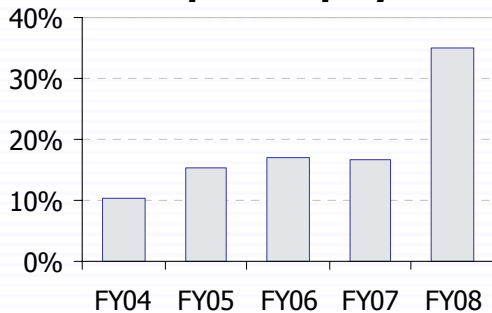
Declining agency share and direct selling (FY07)



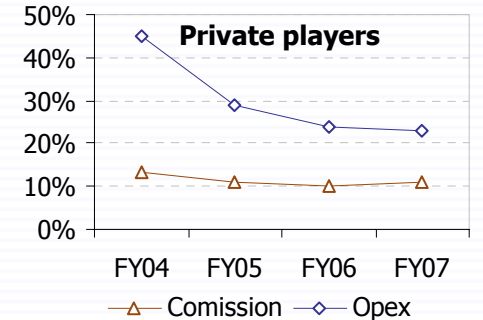
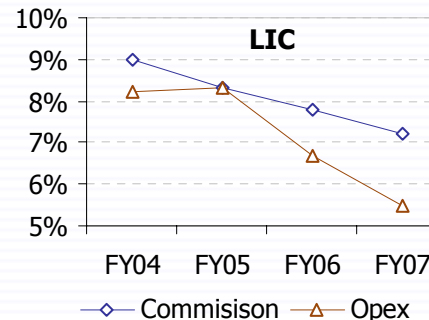
➤ Alternative low cost channels gaining importance

- Bancassurance, corporate agencies and brokers have been instrumental in driving business growth for private players

Increasing bancassurance for private players



Declining trend in expenses ratios across players



Source: ENAM Research and IRDA; Operating expenses and commission as a % of total premiums



Competitive landscape

Benchmarking

FY08 (In Rs bn)	ICICI Pru	Bajaj Az	SBI Life	HDFC SL	Rel Life	Birla SL	Max NYL
Scale							
New business premium	83	67	48	27	28	20	16
Total premium	138	97	56	49	32	33	27
APE	65	58	35	23	19	22	13
No. of new policies (mn)	2.91	3.74	0.93	0.95	1.07	0.69	0.87
Average ticket size (Rs)	26,455	15,548	37,608	24,395	18,029	28,033	15,449
Agents (Nos)	290,000	230,000	40,643	145,000	184,201	115,000	38,500
Branches (Nos)	1,956	1,007	187	572	744	339	266
Growth (%)							
APE CAGR (FY05-08)	73	134	168	81	287	54	82
Market share (Industry)	13.7	10.3	6.2	4.1	3.4	3.4	2.4
Market share (Private)	26.3	19.9	11.9	7.9	6.6	6.6	4.6
Efficiency (%)							
Persistency ratio*	78	74	40	86	62	76	83
Commisison ratio	8	15	6	7	9	10	14
Opex ratio	20	21	9	21	31	21	32
Portfolio (%)							
Single premium/NBP	12	12	30	15	33	2	17
Linked/Total premium	90	95	73	85	96	98	67
Renewal/Total premium	40	31	15	45	15	40	41
Group business/NBP	15	3	22	13	15	11	3
Capital							
AUM	285.8	135.7	104.9	85.6	37.5	68.9	35.8
Share capital	37.8	12.1	10.0	12.7	15.1	12.7	10.3
Net worth	8.0	7.2	10.0	5.8	2.1	3.8	4.3
Capital infusion	16.7	5.1	5.1	4.3	8.5	6.0	3.0
Accumulated Profit/Losses	(29.8)	(4.9)	0.0	(6.9)	(13.1)	(8.9)	(6.0)
Profit/Loss for the year	(13.8)	(2.1)	0.3	(2.4)	(7.7)	(4.5)	(1.6)

Source: ENAM Research, IRDA and Company

Note: Persistency ratios are not disclosed by all the players; We have calculated persistency on a 12 months basis as current year's renewal premium as a proportion of previous year's renewal premium and first year premium; Persistency on a 13 months basis will be higher; Persistency ratio for Reliance Life on a 13 month LIMRA basis is 83%. For SBI Life, if we exclude the group business, 12 month persistency will be 50%; APE for ICICI is as disclosed by the company, others are calculated as per IRDA figures; Reliance Life formed in 2005 through the acquisition of AMP Samnar

Market share evolution

Rank	2004	2005	2006	2007	2008
1	ICICI Prudential	ICICI Prudential	ICICI Prudential	ICICI Prudential	ICICI Prudential
2	Birla Sun Life	Birla Sun Life	Bajaj Allianz	Bajaj Allianz	Bajaj Allianz
3	Tata AIG	Bajaj Allianz	HDFC Standard Life	SBI Life	SBI Life
4	Bajaj Allianz	HDFC Standard Life	Birla Sun Life	HDFC Standard Life	HDFC Standard Life
5	HDFC Standard Life	Tata AIG	SBI Life	Birla Sun Life	Reliance Life

Source: ENAM Research and IRDA; Ranking on WRNP based market share

Note: WRNP denotes weighted new received premiums i.e. 10% of single premium + 100% of first year non single premium on received basis

Overview of top five players

Players	Products	Distribution	Key strengths	Concerns
ICICI Prudential	<ul style="list-style-type: none"> High product innovation Presence in all product segments Multi stage/Life 	<ul style="list-style-type: none"> Multi level distribution Trained agency force Strong bancassurance partnerships 	<ul style="list-style-type: none"> Brand acceptance Strong management focus Sponsor commitment 	<ul style="list-style-type: none"> More susceptible to losing market share to newer players
Bajaj Allianz	<ul style="list-style-type: none"> High product innovation Presence in low ticket products including micro insurance 	<ul style="list-style-type: none"> Highly incentivized agency force Strong presence in Tier II/III cities 	<ul style="list-style-type: none"> Strong and diverse distribution Small/mid town presence 	<ul style="list-style-type: none"> Challenges in maintaining the market position Higher than average commissions
SBI Life	<ul style="list-style-type: none"> Strong presence in group and credit products Group constituted 22% of NBP 	<ul style="list-style-type: none"> Leveraging parents franchise Strong contribution form bancassurance 	<ul style="list-style-type: none"> Massive distribution reach Strong Brand acceptance Low acquisition costs 	<ul style="list-style-type: none"> Over dependence on bancassurance channel Relatively lower persistency
HDFC Standard Life	<ul style="list-style-type: none"> Well balanced product portfolio Relatively higher allocation charges 	<ul style="list-style-type: none"> Multi level distribution Skilled agency force Strong parent's network 	<ul style="list-style-type: none"> Focuses on quality growth High persistency ratio Higher allocation charges 	<ul style="list-style-type: none"> Over emphasis on quality might lead to slower growth than peers
Reliance Life	<ul style="list-style-type: none"> Innovative product offerings Strengthening product portfolio 	<ul style="list-style-type: none"> Massive build-up in agency force and at a rapid pace 	<ul style="list-style-type: none"> Sponsor commitment Aggressive management Rapidly growing distribution 	<ul style="list-style-type: none"> Dominance of agency channel for distribution Nascent bancassurance partnerships

Source: ENAM Research

Key features of select unit-linked products

Players	Allocation charges	Other Charges	Other features
ICICI Prudential (Lifetime Gold)	<ul style="list-style-type: none"> ■ 20% in 1st year ■ 7.5% in 2nd year ■ 4% thereafter 	<ul style="list-style-type: none"> ■ FMC – 0.75-2.25% of NAV ■ Free switches – 4 per year ■ Partial withdrawal allowed after 3 years 	<ul style="list-style-type: none"> ■ 6 investment funds ■ Additional units allocation every 4th yr at the rate of 4% annual premium
Bajaj Allianz (Century Plus)	<ul style="list-style-type: none"> ■ 2% in 1st and 2nd year 	<ul style="list-style-type: none"> ■ Policy admin charges – 1.75% of sum assured ■ FMC – 0.95-1.75% of NAV ■ Free switches – 3 per year ■ Partial withdrawal allowed after 3 years 	<ul style="list-style-type: none"> ■ 7 investment funds ■ Loyalty units form 6th year onwards at the rate of 7% of annualized premium
SBI Life (Horizon II)	<ul style="list-style-type: none"> ■ 15% in 1st ■ 10% in 2nd and 3rd year ■ 5% thereafter 	<ul style="list-style-type: none"> ■ Policy admin charges – Rs 72 per month ■ FMC – 0.25-1.5% of NAV ■ Free switches – 4 per year ■ Partial withdrawal allowed after 4 years 	<ul style="list-style-type: none"> ■ 2 different plans under 3 investment funds
HDFC Standard (Unit Linked Enhanced Life)	<ul style="list-style-type: none"> ■ 60% in 1st year ■ 7% in 2nd year ■ 2% in 3rd year 	<ul style="list-style-type: none"> ■ Policy admin charges – Rs 60 per month ■ FMC – 1.25% of NAV ■ Free switches – 24 per year ■ Partial withdrawal allowed after 5 years 	<ul style="list-style-type: none"> ■ 7 investment funds ■ Loyalty units at the end of every policy year at the rate of 0.10%
Reliance Life (Automatic Investment Plan)	<ul style="list-style-type: none"> ■ 25% in 1st year (for premium up to 25,000) ■ 5% thereafter 	<ul style="list-style-type: none"> ■ Policy admin charges – Rs 40 per month ■ FMC – 1.25-1.5% of NAV ■ Free switches – 52 per year ■ Partial withdrawal allowed after 3 years 	<ul style="list-style-type: none"> ■ Offers tailor made and ready made fund options ■ 4 Investment funds under tailor made and 3 funds under ready made
Max New York Life (Life Invest)	<ul style="list-style-type: none"> ■ 14% in 1st year ■ 2% thereafter 	<ul style="list-style-type: none"> ■ Policy admin charges – Rs 50 per month ■ FMC – 0.90 -1.25% of NAV ■ Free switches – 6 per year ■ Partial withdrawal allowed after 3 years 	<ul style="list-style-type: none"> ■ 4 investment funds ■ Provision for annual target premium payment i.e. single, limited or regular payment options

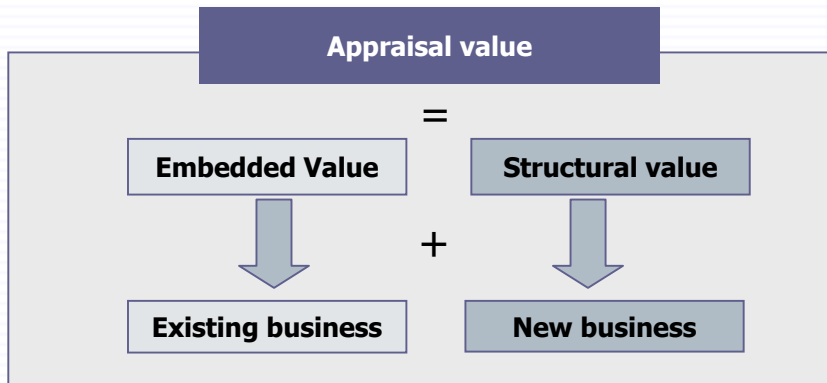
Source: Company



Valuation summary

Valuation methodology

Appraisal value method is the most suitable valuation methodology applicable in fast growing markets



Global valuation methodology not presently applicable due to following reasons:

Price/Embedded Value:

- EV is not disclosed by Indian companies
- EV forms merely a 10-15% of total valuation

Price/ Earnings or Price/Book Value

- Nascent Indian companies make accounting losses in initial years
- Except SBI all the insurance companies are yet to break even
- Accumulated losses on the balance sheet

Global insurance comparables

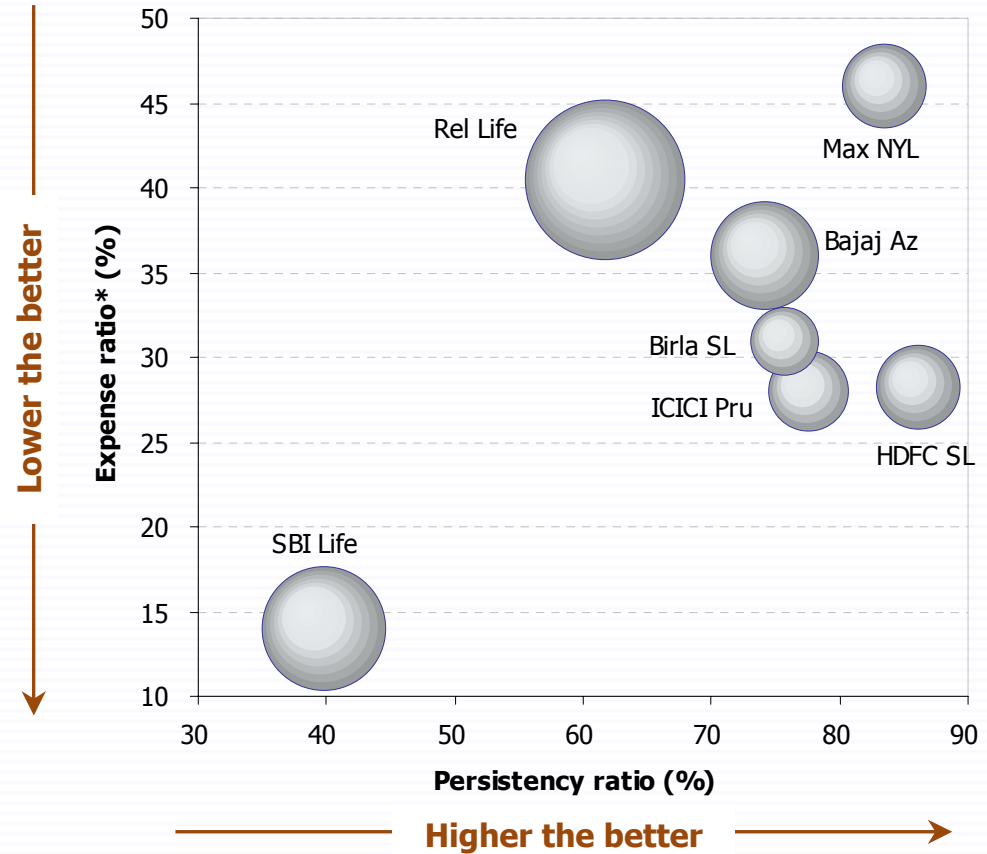
Company	Country	Mkt Cap (USD mn)	Embedded Value (USD mn) FY08/ CY07	P/EV FY08/ CY07	P / E (x)			P / B (x)			RoE (%)		
					FY08/ CY07	FY09/ CY08E	FY10/ CY09E	FY08/ CY07	FY09/ CY08E	FY10/ CY09E	FY08/ CY07	FY09/ CY08E	FY10/ CY09E
CHINA LIFE INSUR	China	89,227	34,532	2.6	19.1	24.9	21.3	3.6	3.2	2.8	22.5	14.1	14.5
PING AN INSURA-H	China	47,541	20,551	2.3	20.5	25.0	22.0	3.5	3.2	2.9	23.6	13.9	15.4
AVIVA PLC	UK	25,684	40,364	0.6	9.9	6.0	5.6	0.9	0.8	0.8	9.7	14.3	14.0
PRUDENTIAL PLC	UK	25,927	29,358	0.9	12.5	13.8	12.4	2.1	2.3	2.1	17.5	14.4	14.8
LEGAL & GEN GRP	UK	11,680	17,791	0.7	8.8	7.5	7.0	1.1	1.1	1.0	13.3	10.8	11.8
FRIENDS PRO PLC	UK	4,597	7,400	0.6	-	7.0	6.8	0.8	0.9	0.9	-	8.9	10.3
ING GROEP NV-CVA	Europe	65,768	42,697	1.5	4.6	6.0	5.6	1.4	1.1	1.0	24.5	18.2	18.8

Source: ENAM Research and Bloomberg as of 2nd July 2008

What will drive valuations?

➤ Key parameters for determining valuations

- HDFC SL with higher allocation charges and low lapse ratios is likely to achieve better NBAP margins
- We are ascribing higher NBAP multiple to Reliance Life and Birla Sunlife on account of high growth expectations in next two years
- ICICI Pru and Bajaj Allianz have strong distribution set up, which should help them withstand rising competition
- SBI is expected to show better profitability on account of the low expense ratio. However, lower persistency ratio and over-dependence on bancassurance can impact margins and growth going ahead
- Max NY enjoys high duration on its policies, better trained agents and hence should enjoy higher persistency ratio going ahead



Source: ENAM Research, IRDA and Company

Note: * Expense ratios includes both commissions and operating expenses; Size of the bubble represent the FY05-08 APE CAGR

How the key players stack up

	Growth expectation	Persistency	Distribution strength	Expense efficiency	Product Innovation	Comments
ICICI Prudential						<ul style="list-style-type: none"> ■ Leadership position in product innovation and distribution
Bajaj Allianz						<ul style="list-style-type: none"> ■ Strong distribution but higher than average commissions
SBI Life						<ul style="list-style-type: none"> ■ Most efficient due to enviable parent distribution network
HDFC Standard Life						<ul style="list-style-type: none"> ■ Quality product portfolio with higher persistency
Reliance Life						<ul style="list-style-type: none"> ■ Rapid build-up in distribution and aggressive premium growth
Birla Sun Life						<ul style="list-style-type: none"> ■ Ramped up distribution and product profile
Max New York Life						<ul style="list-style-type: none"> ■ Strong persistency with higher duration of policy



Note: On a relative basis with respect to the top private players

Source: ENAM Research

Valuation snapshot

FY10E	ICICI Prudential	Bajaj Allianz	SBI Life	HDFC Standard	Reliance Life	Birla Sun Life	Max New York
Premiums (Rs bn)							
New business premium	132	99	83	44	62	42	28
Renewal premium	79	49	17	34	10	20	19
Total premium	212	148	101	78	72	62	47
APE	106	89	62	38	43	42	24
APE CAGR (FY08-10E) (%)	27	23	34	27	50	37	32
NBAP							
NBAP Margin (%)	16.0	16.0	15.5	17.5	15.5	16.0	16.0
NBAP (Rs bn)	17	14	10	7	7	7	4
NBAP Multiple (x)	17	15	16	18	18	18	16
Valuation							
Value of new business (Rs mn)	288	213	155	118	121	120	61
Embedded Value - FY08 (Rs mn)	42	32	23	18	8	14	10
Total value (Rs mn)	330	246	178	136	129	134	71
Value of new business (USD mn)	7,203	5,327	3,868	2,962	3,025	2,992	1,516
Embedded Value - FY08 (USD mn)	1,059	811	584	441	190	351	258
Total value (USD mn)	8,262	6,138	4,452	3,403	3,216	3,343	1,774
Contribution to parent							
Parents stake (%)	74	26	74	73	100	74	50
Value of parents stake (Rs bn)	245	64	132	99	129	99	35
Per share value (Rs)	220	443	209	348	524	1,042	160
Parents share o/s (in mn)	1,113	144	631	284	246	95	222

Source: ENAM Research



Companies Section

In Rs mn	FY08
New business premiums	83,058
Total premiums	138,278
Agents	290,000
Branches	1,956
NBP CAGR (FY06-08)	79%

Source: ENAM Research, IRDA and Company

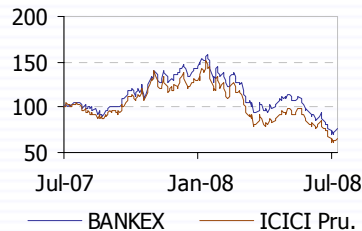
ICICI Prudential Life

USD 8.3bn

Per share value to ICICI Bank: Rs. 220

ICICI Bank target price : Rs. 1,050

Parent's Relative Performance



Source: ENAM Research, Bloomberg

The undisputed private sector leader

Reported financial summary (in Rs mn)

Year	Profit / loss	NBP	Net worth	Capital	AUM	NBAP	NBAP Margin
FY05	(2,116)	15,843	2,393	9,250	38,310	3,120	24.8%
FY06	(2,671)	26,025	2,555	12,083	88,210	5,280	24.4%
FY07	(6,489)	51,621	5,010	21,027	158,190	8,810	20.1%
FY08	(13,755)	83,058	8,000	37,772	285,780	12,540	19.2%

Source: ENAM Research, IRDA and Company

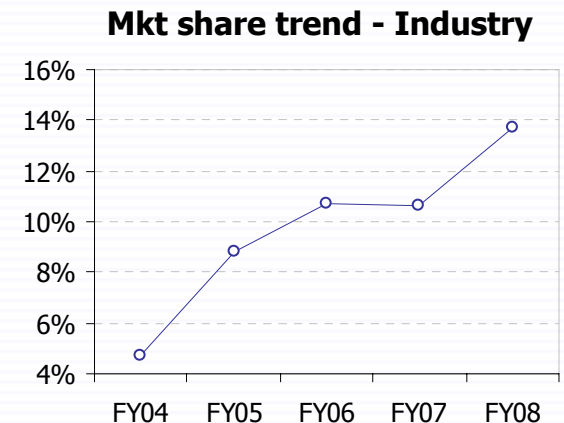
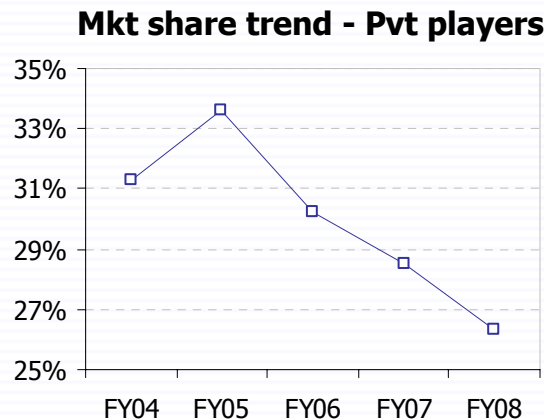
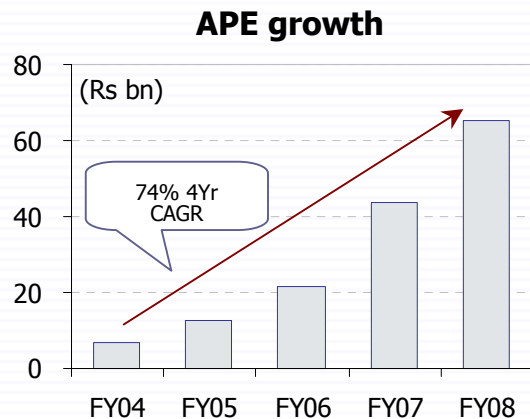
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Sumit Agrawal
sumit.agrawal@enam.com

July 14, 2008

ICICI Prudential: Undisputed market leader

- **ICICI Prudential Life is the largest private sector player**
 - Established as a 74:26 JV between ICICI Bank and Prudential of UK, in December 2000
- **Undisputed leader in the industry since inception**
 - Has been the market leader among the private sector players since beginning
 - Registered a 74% and 82% CAGR in APE and NBP during FY04-08 respectively
 - NBP of USD2.1 bn, APE of USD1.6 bn and total premiums of USD3.5 bn in FY08
 - We estimate APE to grow at a CAGR of ~27% to USD2.7 bn over the next two years
- **Declining but highest market share amongst the private players**
 - Industry wide APE based market share increased to 13.7% in FY08 from 8.8% in FY05
 - However, private sector APE based market share decreased to 26.3% in FY08 from 33.6% in FY05

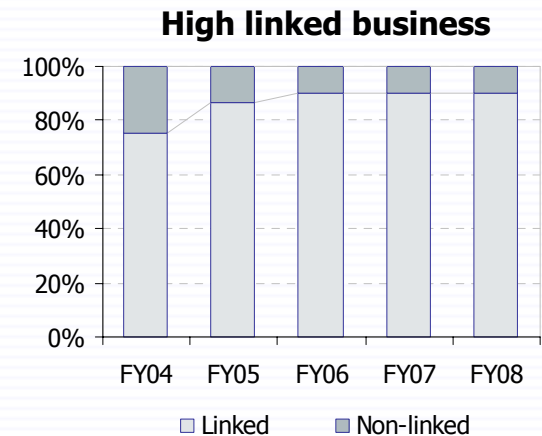
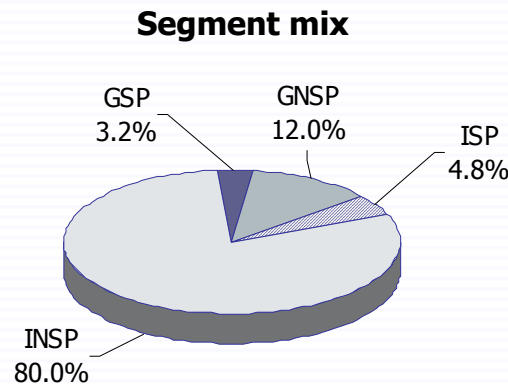
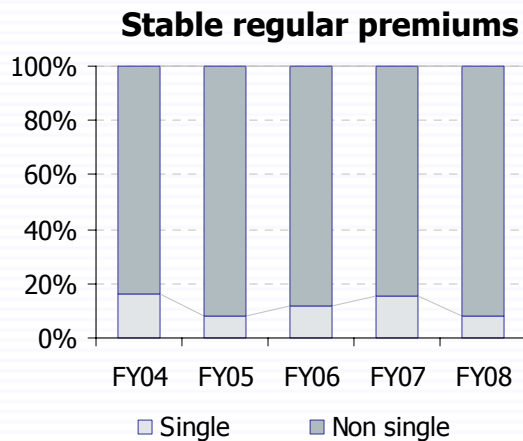


Source: ENAM Research, IRDA and Company

Note: APE as disclosed by the company; Market share on WRNP basis i.e. .10% of single premium + 100% of first year non single premium on received basis

ICICI Prudential: Comprehensive portfolio

- **Diverse product portfolio dominated by linked products**
 - Linked products formed 87% of total assets held by the company in FY08
- **High product innovation; across life stages and income levels**
 - One of the most comprehensive product portfolio in the industry
 - Recently focusing on health business, has introduced 9 health products so far
 - Largest private sector pension provider, introduced a unique Annuity debit card product
 - Presently pension contributes ~35% of total business; health has also emerged as another key focus area
- **Single premium products declining, but popular**
 - Single premium products formed 8% of NBP in FY08 compared with 16% in FY04
 - Group business contributed 15% of NBP in FY08
- **Offers varied products across customer segments**
 - Flagship products include LifeTime Gold, LifeLink Super, LifeStage RP and LifeTime Super Pension



Source: ENAM Research, IRDA and Company

Note: GSP-Group single premiums, GSNP-Group non single premiums, ISP- Individual single premiums and INSP-Individual non single premiums

ICICI Prudential: Strength in distribution

➤ Largest agency force amongst the private players

- 1,956 branches, 1,004 micro-offices and 290,000 agents
- Pan-India presence through 3,300 touch points
- Strong brand acceptance

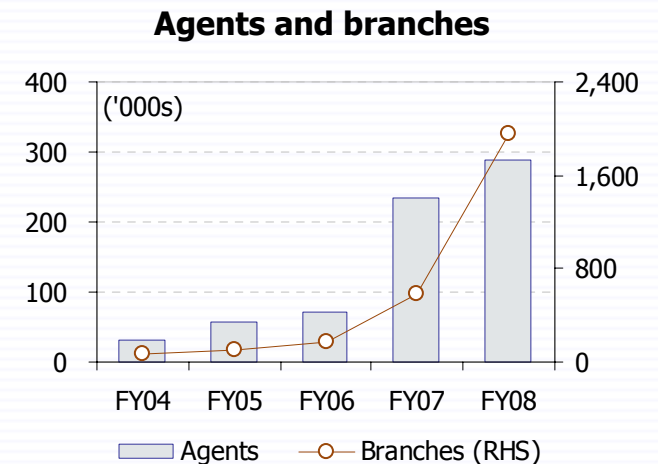
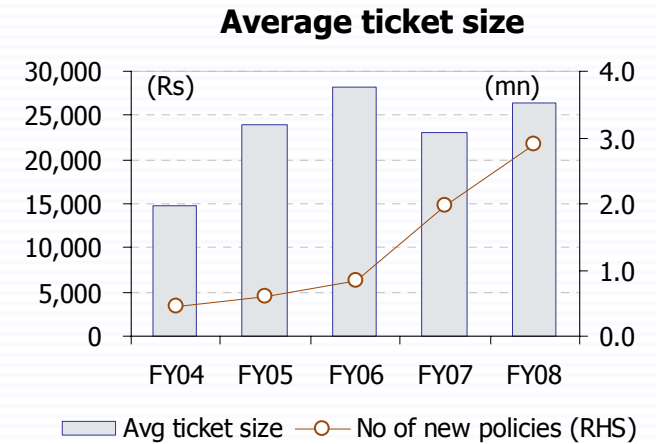
➤ Multi-channel distribution network

- Over 21 bancassurance partners and direct distribution channels in 53 cities
- Alliance with micro finance institutions and NGOs, also has offices in Dubai & Bahrain
- Plans a calibrated approach in expansion in smaller towns
- Agency contributed 61% of premium collections in FY08

➤ Huge cross selling opportunities with parent group companies

- ICICI Bank is the largest private sector bank and has presence in other financial services business as well
- Bank itself has a large network of over 1,300 branches

➤ Average ticket size higher than peers



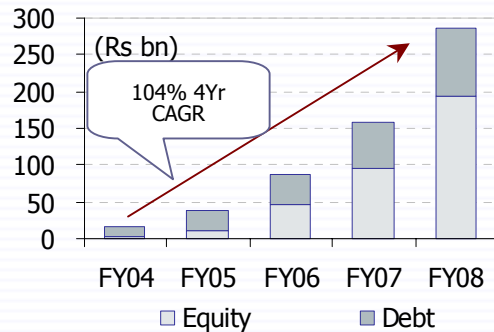
Source: ENAM Research, IRDA and Company; Average ticket sizes calculated as WNRP/No. of new policies

ICICI Prudential: Other key parameters

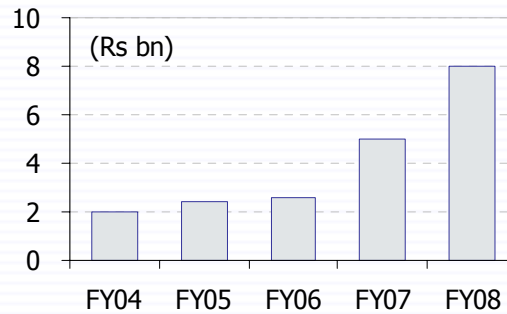
➤ Robust growth in assets under management

- Assets under management have grown at a 104% CAGR during FY04-08
- Over USD 950mn of capital infusion is estimated over the next couple of years to fund growth

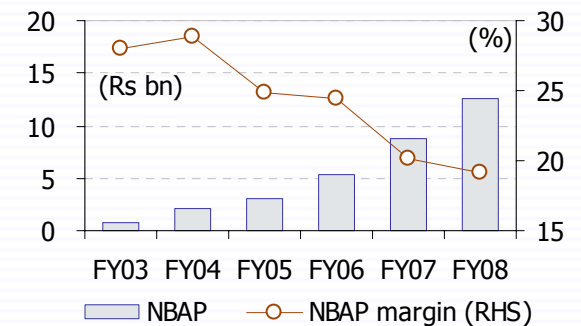
Assets under management



Net worth



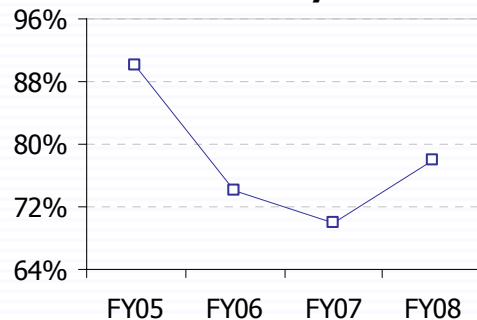
New business achieved profit



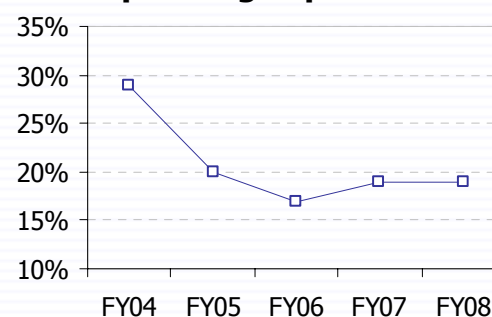
➤ Beginning to leverage the established distribution network

- Reduced operating and commission expenses after recent ramp up in distribution
- Commands a strong brand acceptance

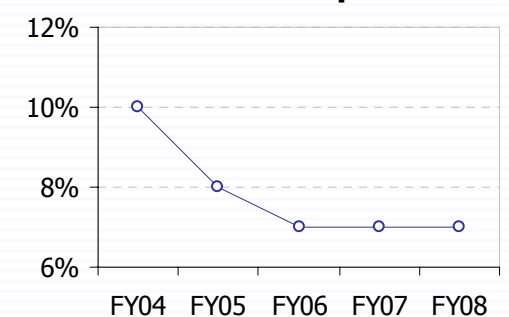
Persistency ratio



Operating expense ratio



Commission expense ratio



Source: ENAM Research, IRDA and Company

Note: Persistency calculated on a 12 months basis as current year's renewal premium as a proportion of previous year's renewal premium and first year premium

ICICI Prudential: Valuations

- ➔ We have valued ICICI Prudential Life on a appraisal value basis at USD 8.2bn (FY10 basis)
- ➔ Value of new business is estimated at USD 7.2bn and Embedded value as at FY08 is estimated at USD 1bn
- ➔ We estimate the life insurance business to contribute Rs 220 per share to the parent i.e. ICICI Bank on FY10 basis

Sensitivity analysis (FY10E)

		Margin multiple sensitivity				
		14%	15%	16%	17%	18%
Multiple (x)	15	6,620	7,017	7,415	7,812	8,209
	16	6,991	7,415	7,838	8,262	8,686
	17	7,362	7,812	8,262	8,712	9,162
	18	7,732	8,209	8,686	9,162	9,639
	19	8,103	8,606	9,109	9,613	10,116

Premiums (Rs bn)	FY06	FY07	FY08	FY09E	FY10E
New business premiums	26,025	51,621	83,058	105,934	132,417
Renewal premiums	16,585	27,509	55,220	63,560	79,450
Total premiums	42,610	79,130	138,278	169,494	211,868
APE	21,630	43,909	65,190	84,747	105,934
APE growth	72%	103%	48%	30%	25%

Value of business	FY09E	FY10E
NBAP Margin	16.5%	16.0%
NBAP (FY10E)	13,983	16,949
NBAP multiple	17	17
Value of new business (Rs mn)	237,715	288,140
Value of new business (USD mn)	5,943	7,203
Embedded Value (Rs mn) FY08	42,341	42,341
Embedded Value (USD mn) FY08	1,059	1,059
Value of total business (Rs mn)	280,056	330,480
Value of total business (USD mn)	7,001	8,262

Value of parent's stake	FY09E	FY10E
Parents stake	74%	74%
Value of parents stake (Rs mn)	207,241	244,556
Value of parents stake (USD mn)	5,181	6,114
Parent shares outstanding (mm)	1,113	1,113
Per share value attributable to parent	186	220

Source: ENAM Research

In Rs mn	FY08
New business premiums	66,700
Total premiums	97,253
Agents	230,000
Branches	1,007
NBP CAGR (FY06-08)	57%

Source: ENAM Research, IRDA and Company

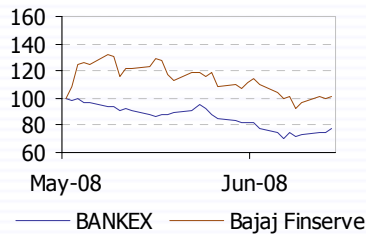
Bajaj Allianz Life

USD 6.1 bn

Per share value to Bajaj Finserve: Rs. 443

Bajaj Finserve target price : Not Rated

Parent's Relative Performance



Source: ENAM Research, Bloomberg

Strong distribution network

Reported financial summary (in Rs mn)

Year	Profit/loss	NBP	Net worth	Capital	AUM	NBAP	NBAP Margin
FY05	(2,848)	8,575	1,617	2,674	9,374	1,089	-
FY06	(985)	27,168	2,955	4,998	33,240	3,121	-
FY07	(717)	42,698	4,245	7,005	67,456	7,036	22.0%
FY08	(2,139)	66,700	7,208	12,107	135,700	12,029	20.7%

Source: ENAM Research, IRDA and Company; Note: NBAP not disclosed by the company for FY05 and FY06

Analyst: **Punit Srivastava**
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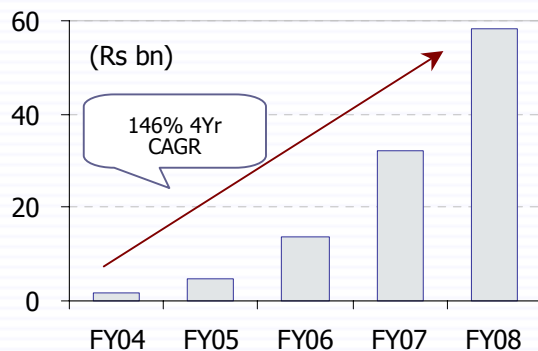
Sumit Agrawal
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July 14, 2008

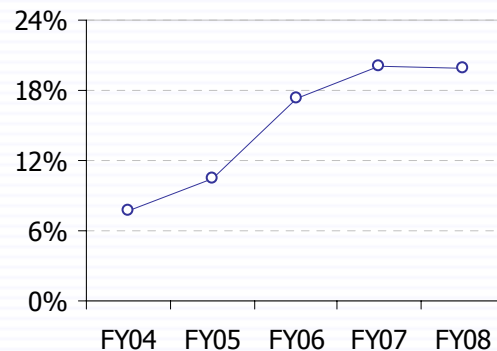
Bajaj Allianz: Growth moderating

- **Bajaj Allianz is the 2nd largest player in the private sector**
 - Established in 2001, as a 74:26 JV between Bajaj Auto and Allianz of Germany
 - Post the restructuring of Bajaj Group in May 2008, became a part of Bajaj Finserve
- **26% economic ownership, 74% equity ownership**
 - Allianz has a call option to increase its stake to 74%, in the event of regulations permitting the same in future
- **Growth moderating after a high growth phase**
 - Registered a 146% APE CAGR during FY04-08
 - NBP of USD1.7 bn, APE of USD1.5 bn and total premiums of USD2.4 bn in FY08
 - We estimate APE to grow at a CAGR of 23% to USD2.2 bn over the next two years
- **Market share has seen substantial improvement in the past**
 - Industry wide APE based market share increased to 10.3% in FY08 from 2.7% in FY05
 - Private sector APE based market share increased to 19.9% in FY08 from 10.4% in FY05

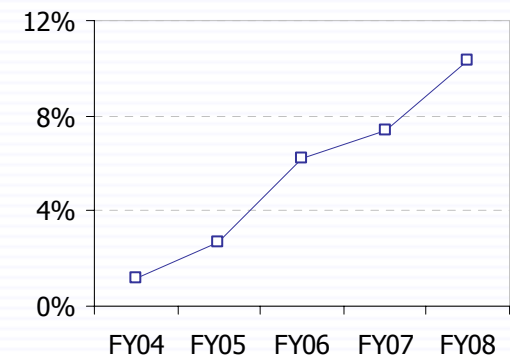
APE growth



Mkt share trend - Pvt players



Mkt share trend - Industry

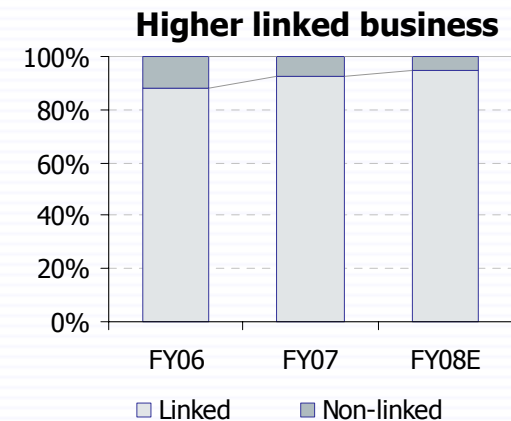
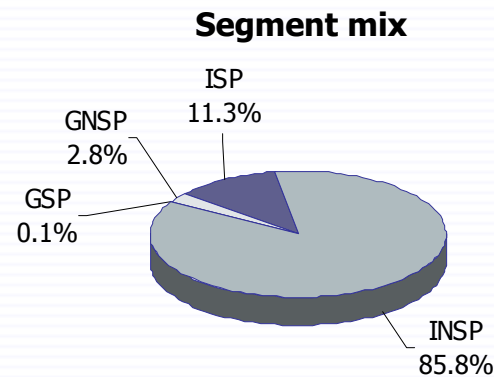
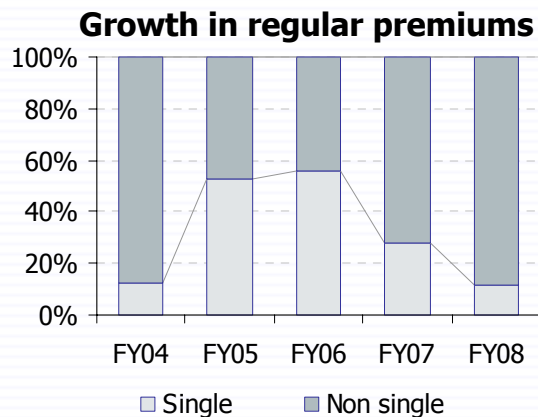


Source: ENAM Research, IRDA and Company

Note: Market share on WRNP basis i.e. 10% of single premium + 100% of first year non single premium on received basis; APE as per IRDA figures

Bajaj Allianz: Linked dominated portfolio

- **Bajaj Allianz has a healthy product profile, dominated by linked products**
 - Linked products are estimated to form ~95% in FY08 compared with 38% in FY04
- **Amongst the better ones in terms of regular premiums**
 - Has been able to successfully move towards retail and regular premium business against the single premium
 - Single premium products formed 11.5% of NBP in FY08 compared with 52.5% in FY05
- **One of the least proportion of group business**
 - Individual premium contributed ~97% of NBP in FY08
- **Innovative in product designing and development**
 - Presently has over 40 products, of which 12 have been introduced in FY08
 - Flagship products include Century Plus, UnitGain Plus Gold and Pension Guarantee

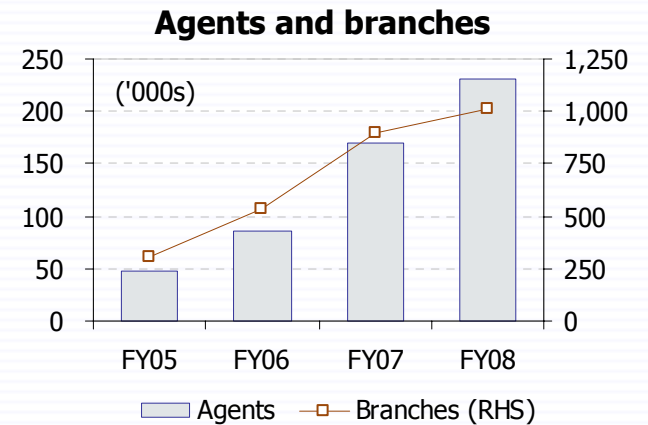
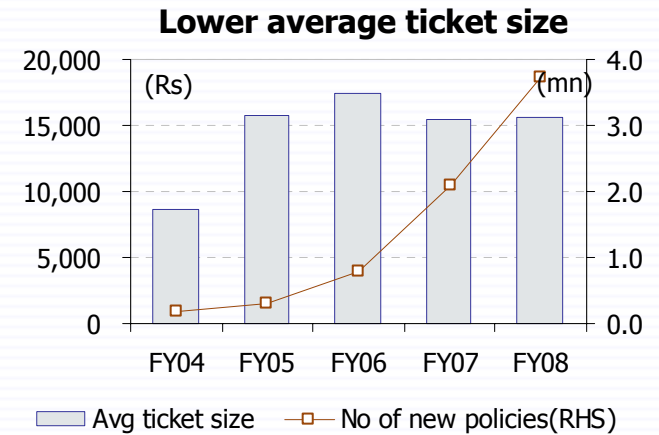


Source: ENAM Research, IRDA and Company

Note: GSP-Group single premiums, GSNP-Group non single premiums, ISP- Individual single premiums and INSP-Individual non single premiums

Bajaj Allianz: Strong distribution

- **Largest number of policies sold in FY08**
 - High cross selling opportunities within the group's other business
- **Highly incentivized and strong agency force**
 - Has over 260,00 agents and employees as at FY08
 - Highly incentivized sales force as reflected by highest commissions/premiums ratio of 15%
- **Strong presence in lower and mid-tier cities**
 - Emphasizes on building own network and has strong presence in lower and mid-tier cities
 - Has strong relationships with banks in cities where there no presence of group companies
 - Agency contributed ~74% of premium collection in FY08
- **Average ticket size is lower than peers**
 - Has products in low premium mass market segment like micro insurance

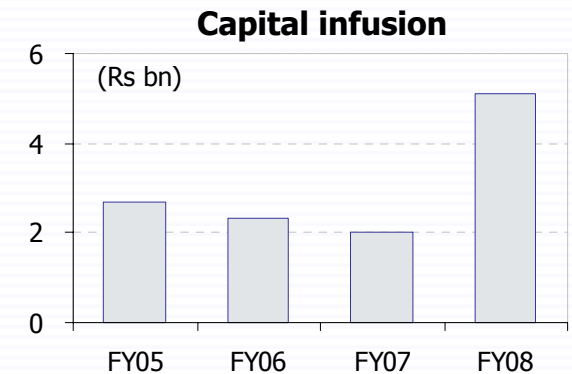
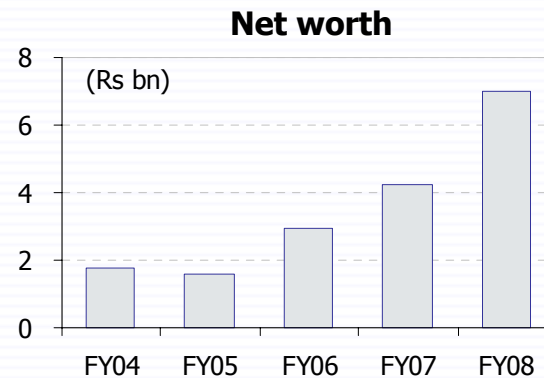
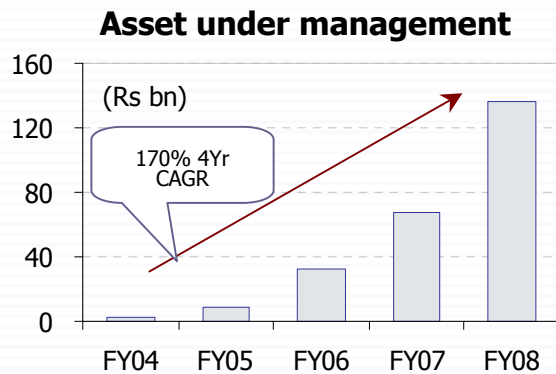


Source: ENAM Research, IRDA and Company; Average ticket sizes calculated as WNR/No. of new policies

Bajaj Allianz: Other key parameters

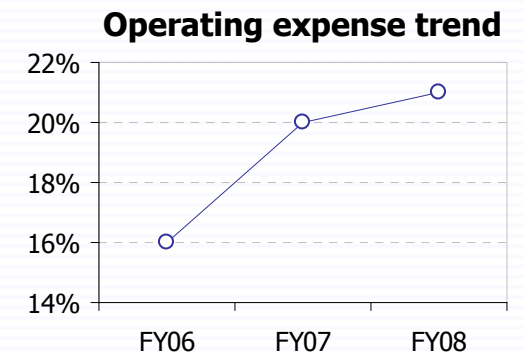
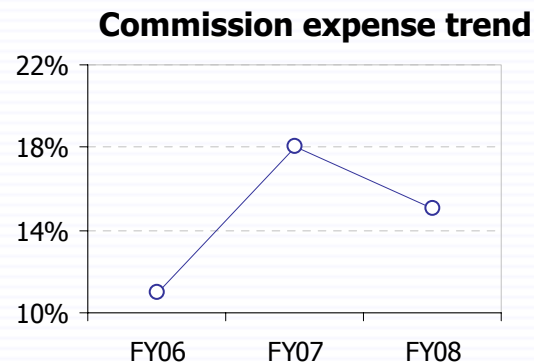
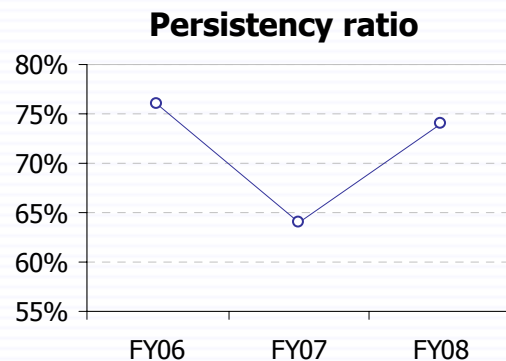
➤ Strong growth in assets under management

- Assets under management have grown at a CAGR of 170% during FY04-FY08
- Capital infusion of ~USD300 mn is estimated over the next couple of years to fund growth



➤ Highest commission to premiums ratio in the industry

- Highly incentivized agency force as reflected in the highest commission to premiums ratio



Source: ENAM Research, IRDA and Company

Note: Persistency calculated on a 12 months basis as current year's renewal premium as a proportion of previous year's renewal premium and first year premium

Bajaj Allianz: Valuations

- ➔ We have valued Bajaj Allianz Life on a appraisal value basis at USD 6.1bn (FY10 basis)
- ➔ Value of new business is estimated at USD 5.3bn and Embedded value as at FY08 is estimated at USD 811mn
- ➔ We estimate the life insurance business to contribute Rs 443 per share to the parent i.e. Bajaj Finserv on FY10 basis

Sensitivity analysis (FY10E)

		Margin multiple sensitivity				
		14%	15%	16%	17%	18%
Multiple (x)	13	4,851	5,139	5,428	5,716	6,005
	14	5,161	5,472	5,783	6,094	6,404
	15	5,472	5,805	6,138	6,471	6,804
	16	5,783	6,138	6,493	6,848	7,204
	17	6,094	6,471	6,848	7,226	7,603

Premiums (Rs bn)	FY06	FY07	FY08	FY09E	FY10E
New business premiums	27,168	42,698	66,700	80,866	98,657
Renewal premiums	4,168	10,402	30,553	40,433	49,328
Total premiums	31,336	53,100	97,253	121,299	147,985
APE	13,570	32,033	58,224	72,780	88,791
APE growth	199%	136%	82%	25%	22%

Value of business	FY09E	FY10E
NBAP Margin	16.5%	16.0%
NBAP (FY10E)	12,009	14,207
NBAP multiple	15	15
Value of new business (Rs mn)	180,129	213,099
Value of new business (USD mn)	4,503	5,327
Embedded Value (Rs mn) FY08	32,425	32,425
Embedded Value (USD mn) FY08	811	811
Value of total business (Rs mn)	212,554	245,524
Value of total business (USD mn)	5,314	6,138

Value of parent's stake	FY09E	FY10E
Parents stake	26%	26%
Value of parents stake (Rs mn)	55,264	63,836
Value of parents stake (USD mn)	1,382	1,596
Parent shares outstanding (mm)	144	144
Per share value attributable to parent	384	443

Source: ENAM Research

In Rs mn	FY08
New business premiums	47,928
Total premiums	56,220
Agents	40,643
Branches	187
NBP CAGR (FY06-08)	141%

Source: ENAM Research, IRDA and Company

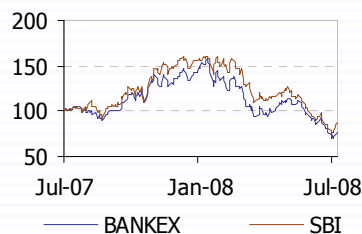
SBI Life

USD 4.5bn

Per share value to SBI: Rs. 209

SBI target price : Rs. 1,601

Parent's Relative Performance



Source: ENAM Research, Bloomberg

Enjoying parent's franchise

Reported financial summary (in Rs mn)

Year	Profit/loss	NBP	Net worth	Capital	AUM	NBAP	NBAP Margin
FY05	(115)	4,849	3,161	3,516	10,527	-	-
FY06	21	8,258	3,986	4,320	20,561	-	-
FY07	38	25,638	4,610	4,906	45,783	-	-
FY08	343	47,928	10,067	10,000	104,930	-	-

Source: ENAM Research, IRDA and Company; Note: NBAP not disclosed by the company

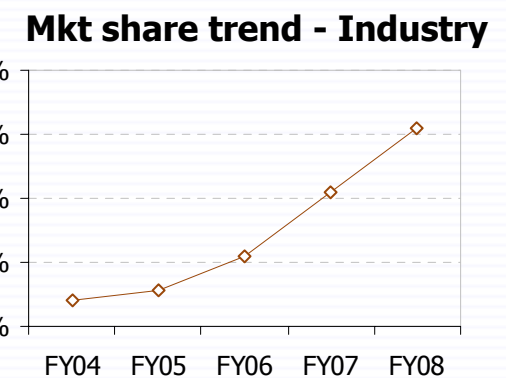
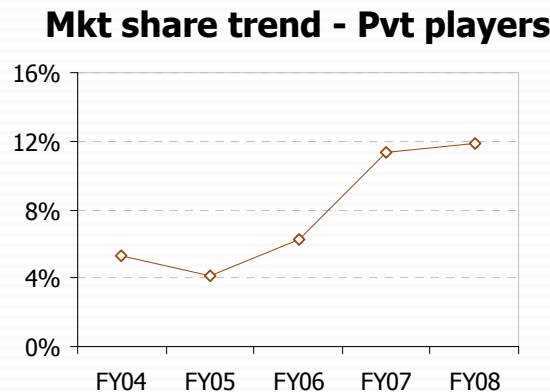
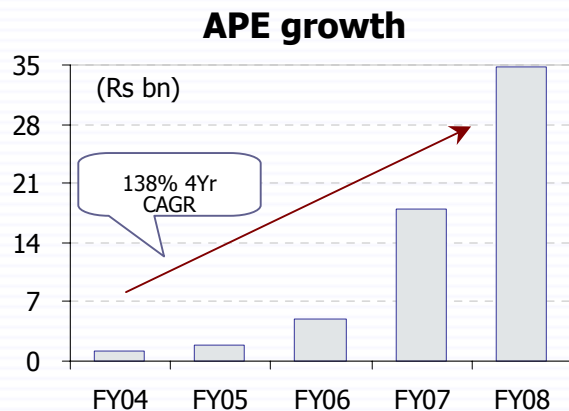
Analyst: **Punit Srivastava**
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Sumit Agrawal
sumit.agrawal@enam.com

July 14, 2008

SBI Life: Enjoying parent's franchise

- **SBI Life is the 3rd largest player in the private sector**
 - Established in 2001, as a 74:26 JV between State Bank of India and BNP Paribas (Cardiff) of France
- **Emerged as one of the leading players over the last couple of years**
 - NBP of USD 1.2bn, APE of USD 870mn and total premiums of USD 1.4bn in FY08
 - We estimate APE to grow to USD 1.6bn to USD1.6 bn over the next two years (34% CAGR)
- **Improvement in market share**
 - Industry wide APE based market share increased to 6.2% in FY08 from 0.8% in FY04
 - Private sector APE based market share increased to 11.9% in FY08 from 5.3% in FY04

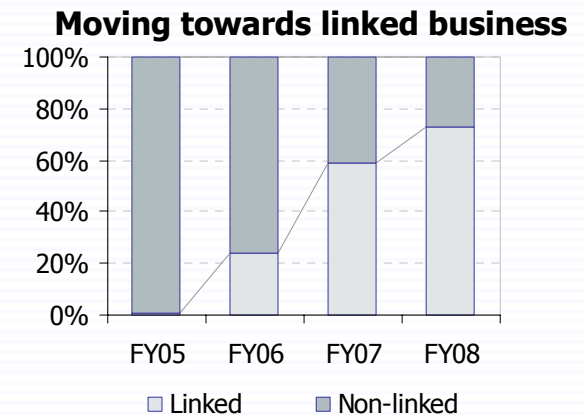
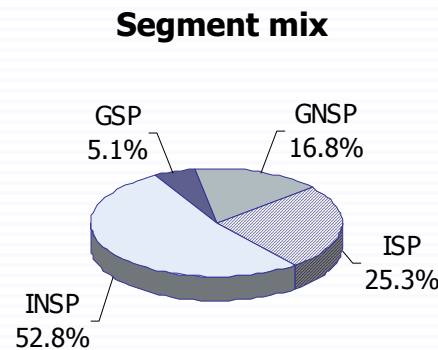
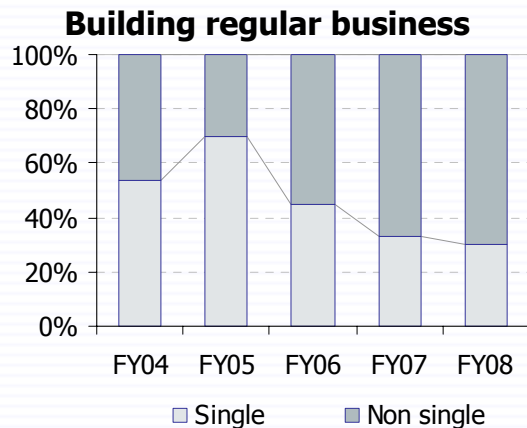


Source: ENAM Research, IRDA and Company

Note: Market share on WRNP basis i.e. .10% of single premium + 100% of first year non single premium on received basis; APE as per IRDA figures

SBI Life: Moving towards linked portfolio

- **One of the lowest proportion of linked products**
 - Previously focused on credit and group business, however incremental growth coming from linked products
 - Linked products formed 73% of total premiums in FY08 compared with 0.4% in FY05
- **Focusing on building regular premium business**
 - Single premium products formed 30.4% of NBP in FY08 compared with 53.8% in FY04
 - Also planning to introduce health insurance products in next couple of months
- **Group business has decline but still higher than the industry**
 - Share of low margin and competitive group business has reduced to 22% in FY08 from 57% in FY04
 - However, SBI is still the largest player in group business
 - Has been able to leverage parent's corporate relationships
- **Moving towards linked business from group and credit products**
 - Flagship products include Unit Plus II and Horizon II
 - Planning to launch a range of health insurance plans and micro insurance products



Source: ENAM Research, IRDA and Company

Note: GSP-Group single premiums, GSNP-Group non single premiums, ISP- Individual single premiums and INSP-Individual non single premiums

SBI Life: Robust and low cost distribution

➤ Leveraging parent's infrastructure

- Enjoys cost competitiveness with access to parent's robust infrastructure and network
- SBI group has a vast network of over 14,000 branches across distant geographic locations

➤ Plans to scale up its agency force

- Presently has over 40,000 agents and 187 branches
- Plans to expand agency force to 100,000 and over 250 branches in FY09

➤ Bancassurance, the key strength

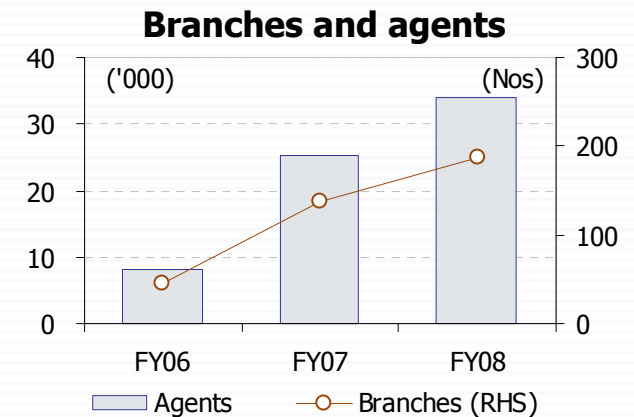
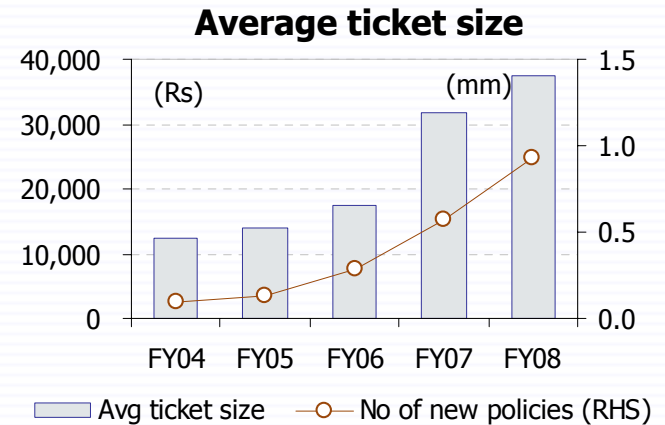
- Bancassurance contributed ~38% in FY08
- Plans to increase this proportion to 50% in FY09
- More than 8,000 active branches sells SBI Life's products

➤ Immense cross selling opportunities

- Over 100 million customers within the SBI Group

➤ Average ticket size highest among peers

- Primarily due to the higher ticket size in the group business products



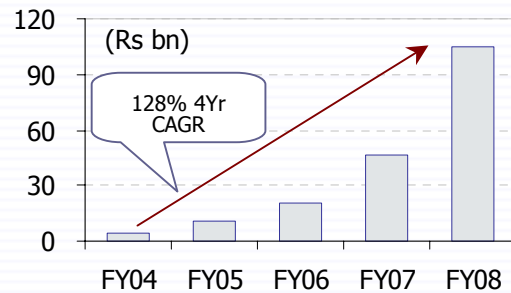
Source: ENAM Research, IRDA and Company; Average ticket sizes calculated as WNR/No. of new policies; Branches in the chart refers to the SBI Life's branches

SBI Life: Other key parameters

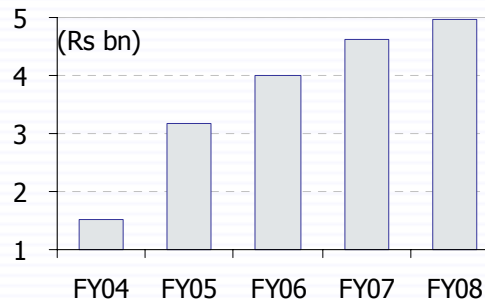
➔ Lower capital requirements going forward

- Assets under management have grown at a CAGR of 128% during FY04-FY08
- We do not envisage large capital requirements over the next couple of years

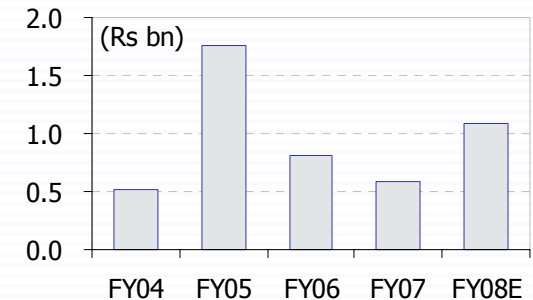
Assets under management



Net worth



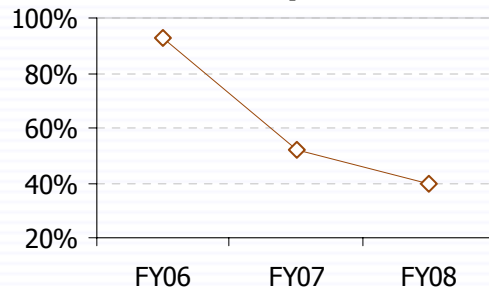
Capital infusion



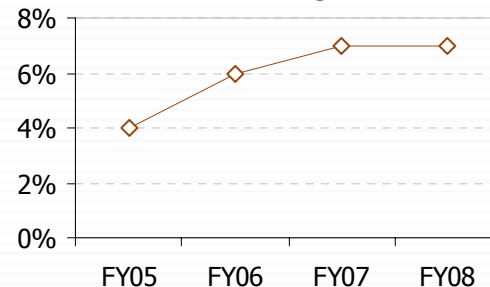
➔ Relatively lower expense ratios

- Cost competitiveness comes from access to parent's infrastructure and network
- Lower commission expenses due to larger contribution from the low cost bancassurance channel
- Fall in persistency due to short term ULIP policies sold in past years and a higher proportion of group products

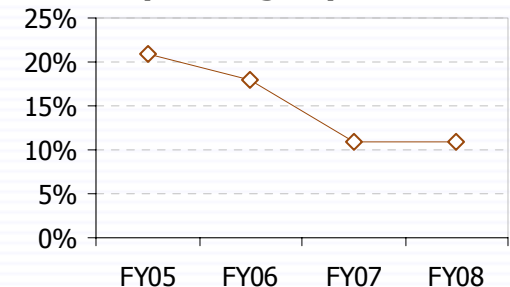
Persistency ratio



Commission expense trend



Operating expense trend



Source: ENAM Research, IRDA and Company

Note: Persistency calculated on a 12 months basis as current year's renewal premium as a proportion of previous year's renewal premium and first year premium; If we exclude the group business, 12 month persistency will be 50%

SBI Life: Valuations

- ➔ We have valued SBI Life on appraisal value basis at USD 4.5bn (FY10 basis)
- ➔ Value of new business is estimated at USD 3.9bn and Embedded value as at FY08 is estimated at USD 584mn
- ➔ We estimate the life insurance business to contribute Rs 209 per share to the parent i.e. SBI on FY10 basis

Sensitivity analysis (FY10E)

		Margin multiple sensitivity				
		13%	14%	15%	16%	17%
Multiple (x)	14	3,423	3,641	3,860	4,078	4,296
	15	3,626	3,860	4,093	4,327	4,561
	16	3,828	4,078	4,327	4,577	4,826
	17	4,031	4,296	4,561	4,826	5,092
	18	4,234	4,515	4,795	5,076	5,357

Premiums (Rs bn)	FY06	FY07	FY08	FY09E	FY10E
New business premiums	8,258	25,638	47,928	64,983	83,179
Renewal premiums	2,475	3,646	8,292	13,626	17,441
Total premiums	10,733	29,285	56,220	78,609	100,619
APE	4,951	18,044	34,812	48,737	62,384
APE growth	174%	264%	93%	40%	28%

Value of business	FY09E	FY10E
NBAP Margin	16.0%	15.5%
NBAP (FY10E)	7,798	9,670
NBAP multiple	16	16
Value of new business (Rs mn)	124,768	154,712
Value of new business (USD mn)	3,119	3,868
Embedded Value (Rs mn) FY08	23,374	23,374
Embedded Value (USD mn) FY08	584	584
Value of total business (Rs mn)	148,142	178,086
Value of total business (USD mn)	3,704	4,452

Value of parent's stake	FY09E	FY10E
Parents stake	74%	74%
Value of parents stake (Rs mn)	109,625	131,784
Value of parents stake (USD mn)	2,741	3,295
Parent shares outstanding (mm)	631	631
Per share value attributable to parent	174	209

Source: ENAM Research

In Rs mn	FY08
New business premiums	26,850
Total premiums	48,590
Agents	145,000
Branches	572
NBP CAGR (FY06-08)	60%

Source: ENAM Research, IRDA and Company

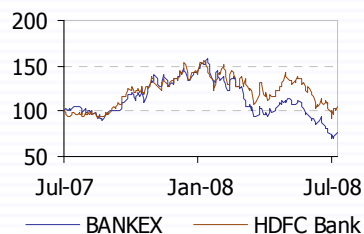
HDFC Standard Life

USD 3.4bn

Per share value to HDFC: Rs. 348

HDFC target price : Rs. 3,160

Parent's Relative Performance



Source: ENAM Research, Bloomberg

Steady growth, quality portfolio

Reported financial summary (in Rs mn)

Year	Profit/loss	NBP	Net worth	Capital	AUM	NBAP	NBAP Margin
FY05	(897)	4,862	1,316	3,194	8,010	-	-
FY06	(1,288)	10,427	3,166	6,332	23,630	-	-
FY07	(1,256)	16,489	3,939	8,360	46,300	-	-
FY08	(2,440)	26,850	5,849	12,710	85,600	-	-

Source: ENAM Research, IRDA and Company; Note: NBAP not disclosed by the company

Analyst: **Punit Srivastava**
punit@enam.com (+91 22 6754 7609)

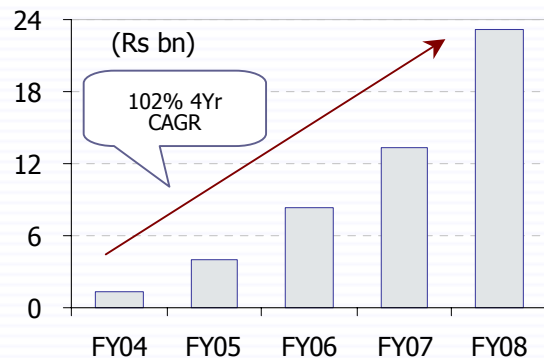
Sumit Agrawal
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July 14, 2008

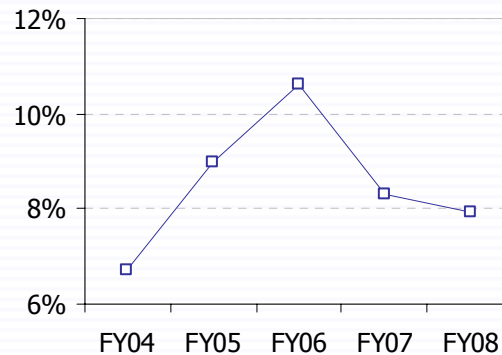
HDFC Standard Life: Quality growth

- **HDFC Standard Life is the 4th largest player in the private sector**
 - Established in 2001, as a 74:26 JV between HDFC and Standard Life of UK
- **Maintained a steady premium growth with focus on quality business**
 - NBP of USD 671mn, APE of USD 578mn and total premiums of USD 1.2bn in FY08
 - We estimate APE to grow to USD 940mn over the next two years (27% CAGR)
- **Lost market share to new private sector players**
 - Industry wide APE based market share increased to 4.1% in FY08 from 2.4% in FY05
 - Private sector APE based market share decreased to 7.9% in FY08 from 9.0% in FY05

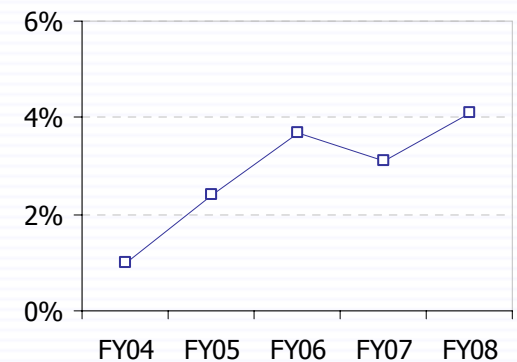
APE growth



Mkt share trend - Pvt players



Mkt share trend - Industry



Source: ENAM Research, IRDA, and Company

Note: Market share on WRNP basis i.e. .10% of single premium + 100% of first year non single premium on received basis; APE as per IRDA figures

HDFC Standard Life: Healthy portfolio

➤ HDFC Standard Life has one of the most diversified product portfolio

- Linked products formed 85% of total premiums in FY08 compared with 12% in FY04
- Linked business products have relatively higher allocation charges but a smaller fund management charges
- Pension products contributed 40% of new business in FY08; Average ticket size is relatively higher in this segment
- Offers 20 individual products and 5 group plans along with 5 optional riders
- Offers 8 fund options with market linked products

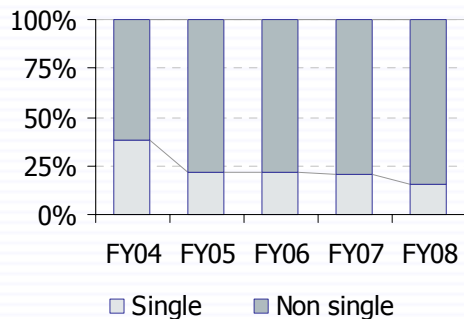
➤ Modest level of regular premium business; highest renewal premium ratio

- Single premium products formed 15% of NBP in FY08 compared with 38% in FY04
- Has a renewal to total premium ratio of 45% in FY08, the highest in the industry
- Group business constituted 13% of NBP in FY08

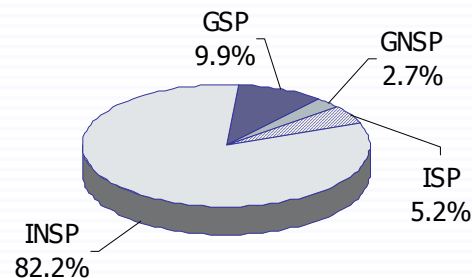
➤ Diversified products offerings under different segments

- Flagship product includes Unit Linked Pension and Unit Linked Young Star
- In FY08, 40% of NBP were towards pension products and 30% towards children’s linked products

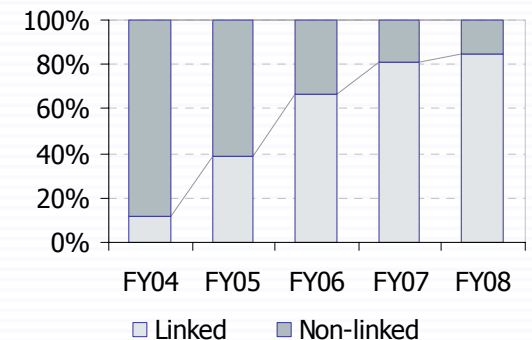
Stable regular premiums



Segment mix



Moving towards linked business



Source: ENAM Research, IRDA and Company

Note: GSP-Group single premiums, GSNP-Group non single premiums, ISP- Individual single premiums and INSP-Individual non single premiums

HDFC Standard Life: Multi-level distribution

➤ Multi level distribution and physical presence

- Operates out of 572 offices across the country serving over 450 locations
- Network of over 1,45,000 financial consultants, 379 corporate agents and other sales intermediaries
- Plans to double the agency force and add another 100 offices in FY09
- In FY08, agency contributed 59% and bancassurance contributed 37%; HDFC Bank contributed 22%

➤ Highly skilled and trained agency force

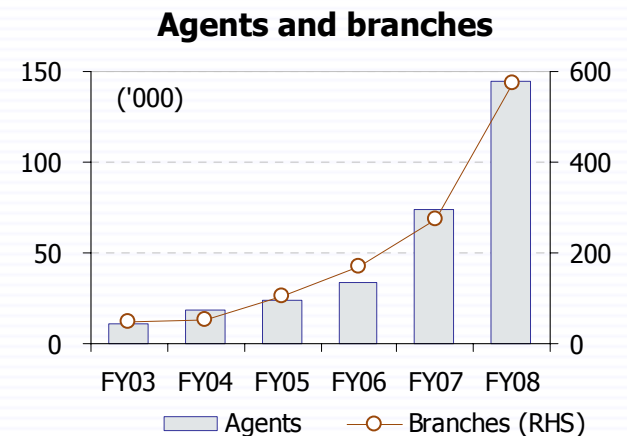
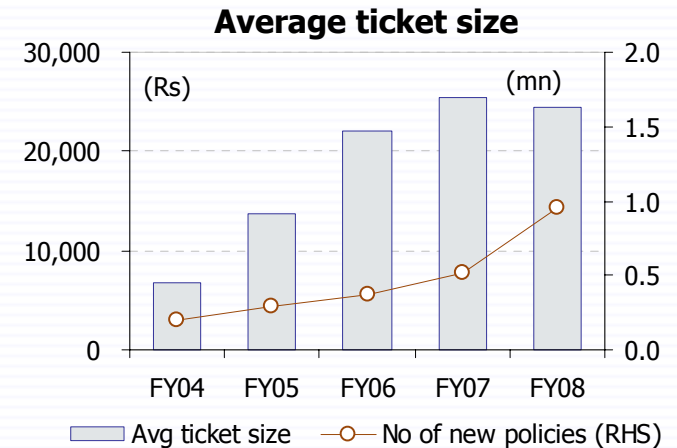
- High involvement in agent training; Prevents mis-selling

➤ Cross selling opportunities with the parent group

- HDFC is the largest mortgage service provider in the country

➤ Average ticket size higher than peers

- Relatively higher sum assured on policies underwritten

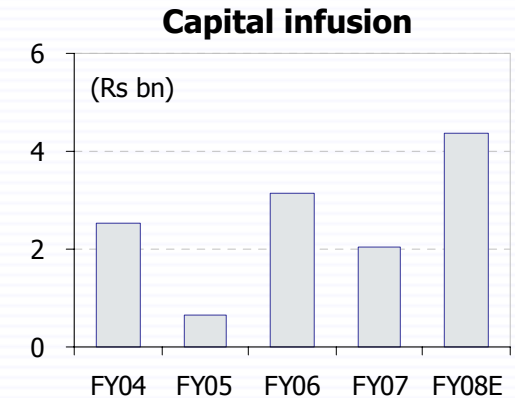
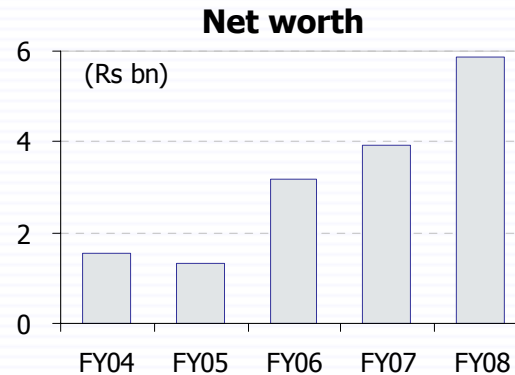
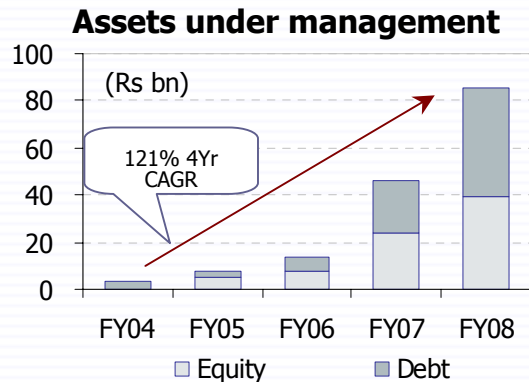


Source: ENAM Research, IRDA and Company: Average ticket sizes calculated as WNRP/No. of new policies

HDFC Std Life: Other key parameters

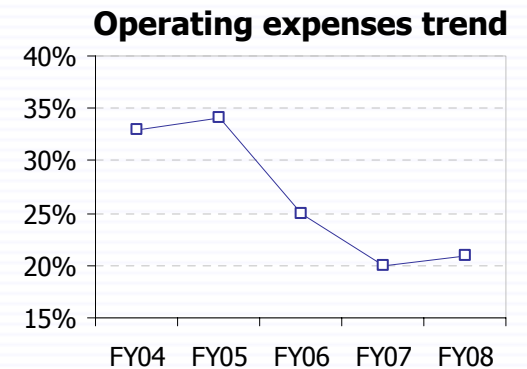
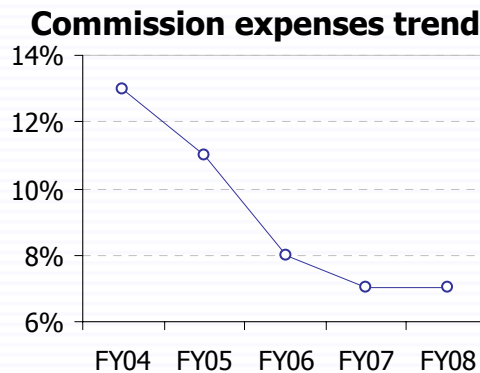
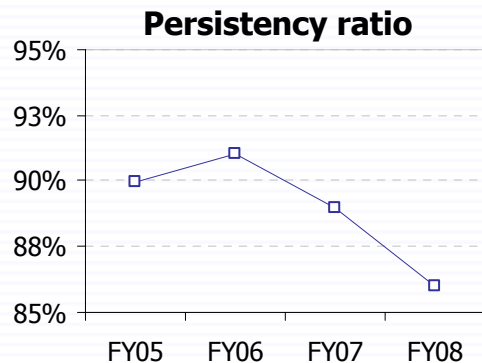
➤ High growth in assets under management

- Assets under management have grown at a 121% CAGR during FY04-FY08
- Capital infusion of USD250 mn is estimated over the next couple of years to fund growth



➤ Highest persistency ratio amongst private players

- Lower commission expenses due to larger contribution from low cost bancassurance
- Has the highest proportion of renewal premiums and persistency ratio in the industry



Source: ENAM Research, IRDA and Company

Note: Persistency calculated on a 12 months basis as current year's renewal premium as a proportion of previous year's renewal premium and first year premium

HDFC Standard Life: Valuations

- ➔ We have valued HDFC Standard Life on appraisal value basis at USD 3.4bn (FY10 basis)
- ➔ Value of new business is estimated at USD 3.0bn and Embedded value as at FY08 is estimated at USD 441mn
- ➔ We estimate the life insurance business to contribute Rs 348 per share to the parent i.e. HDFC on FY10 basis

Sensitivity analysis (FY10E)

		Margin multiple sensitivity				
		15%	16%	17%	18%	19%
Multiple (x)	16	2,697	2,848	2,998	3,149	3,299
	17	2,838	2,998	3,158	3,318	3,478
	18	2,980	3,149	3,318	3,487	3,657
	19	3,121	3,299	3,478	3,657	3,835
	20	3,262	3,450	3,638	3,826	4,014

Premiums (Rs bn)	FY06	FY07	FY08	FY09E	FY10E
New business premiums	10,427	16,489	26,850	35,402	44,252
Renewal premiums	5,273	12,070	21,740	27,289	34,111
Total premiums	15,699	28,559	48,590	62,691	78,364
APE	8,262	13,255	23,147	30,092	37,615
APE growth	110%	60%	75%	30%	25%

Value of business	FY09E	FY10E
NBAP Margin	18.0%	17.5%
NBAP (FY10E)	5,416	6,583
NBAP multiple	18	18
Value of new business (Rs mn)	97,497	118,486
Value of new business (USD mn)	2,437	2,962
Embedded Value (Rs mn) FY08	17,622	17,622
Embedded Value (USD mn) FY08	441	441
Value of total business (Rs mn)	115,119	136,108
Value of total business (USD mn)	2,878	3,403

Value of parent's stake	FY09E	FY10E
Parents stake	73%	73%
Value of parents stake (Rs mn)	83,531	98,760
Value of parents stake (USD mn)	2,088	2,469
Parent shares outstanding (mm)	284	284
Per share value attributable to parent	294	348

In Rs mn	FY08
New business premiums	27,528
Total premiums	32,300
Agents	184,201
Branches	744
NBP CAGR (FY06-08)	277%

Source: ENAM Research, IRDA and Company

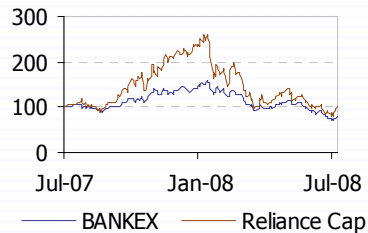
Reliance Life

USD 3.2bn

Per share value to Reliance Capital: Rs. 524

Reliance Capital target price : Rs. 1,921

Parent's Relative Performance



Source: ENAM Research, Bloomberg

Aggressive growth, building distribution

Reported financial summary (in Rs mn)

Year	Profit/loss	NBP	Net worth	Capital	AUM	NBAP	NBAP Margin
FY06	(984)	1,936	1,109	3,329	4,019	-	-
FY07	(3,151)	9,321	1,270	6,641	12,097	-	-
FY08	(7,681)	27,528	2,068	15,120	37,460	-	-

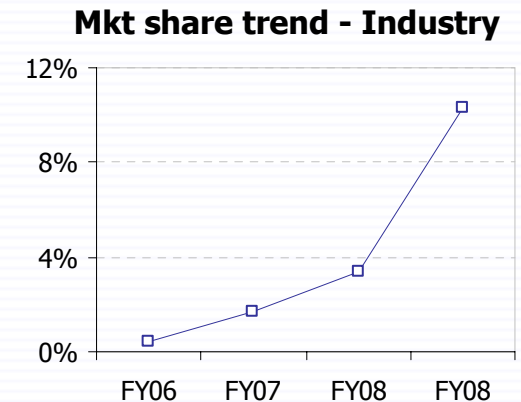
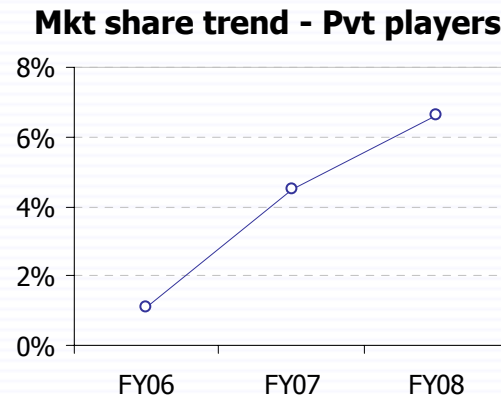
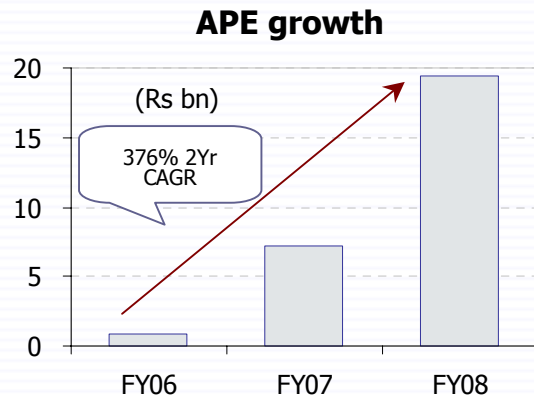
Source: ENAM Research, IRDA and Company; Note: NBAP not disclosed by the company

Reliance Life: Aggressive growth

- **Reliance Life is the 5th largest player in the private sector**
 - Formed in 2005, with the acquisition of AMP Samnar
 - 100% economic interest held by Reliance Capital along with its affiliates

- **Fastest growing player among the peers**
 - Registered a 376% CAGR in APE during FY06-08
 - NBP of USD 688mn, APE of USD 484mn and total premiums of USD 808mn in FY08
 - We estimate APE to grow to USD1.1 bn over the next two years (50% CAGR)

- **Gained substantial market share, driven by aggressive growth**
 - Industry wide APE based market share increased to 3.4% in FY08 from 0.4% in FY06
 - Private sector APE based market share increased to 6.6% in FY08 from 1.1% in FY06



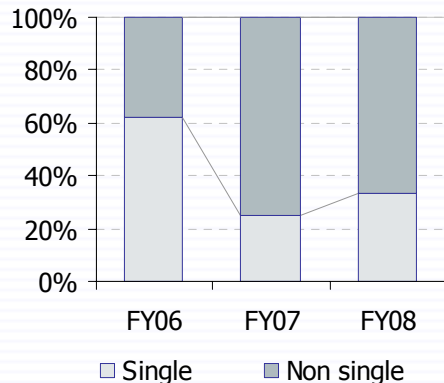
Source: ENAM Research, IRDA and Company

Note: Market share on WRNP basis i.e. .10% of single premium + 100% of first year non single premium on received basis; APE as per IRDA figures

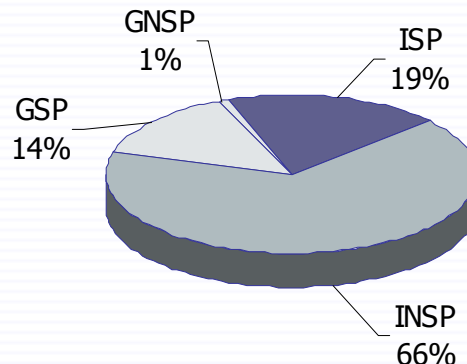
Reliance Life: Expanding product portfolio

- **Product portfolio moving towards linked products**
 - Linked products formed 96% of total premiums in FY08 compared with 69% in FY06
- **Falling share of single premium products**
 - Single premium products formed 33% of NBP in FY08 compared with 62% in FY06
- **Introduced a wide range of products**
 - Has 26 products including 21 Individual and 5 group business products
 - Group business contributed 15% of NBP in FY08
 - Weighted average policy duration over 12 years
 - Pension products constituted 50% of the business in FY08; Health remains a key focus segment
- **Expanding product portfolio**
 - Launched 4 products during FY08 including 'Reliance Wealth +Health Plan' and 'Reliance Secure Child Plan'
 - Flagship products include Market Return Plan and Automatic Investment Plan

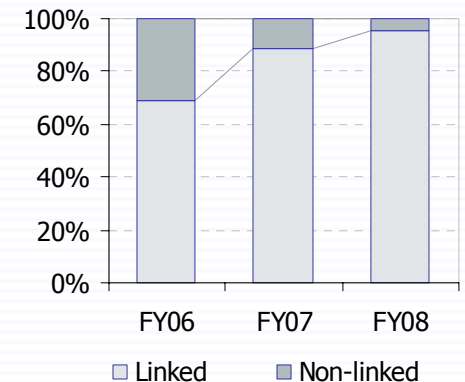
Growth in regular premiums



Segment mix



Increasing linked business

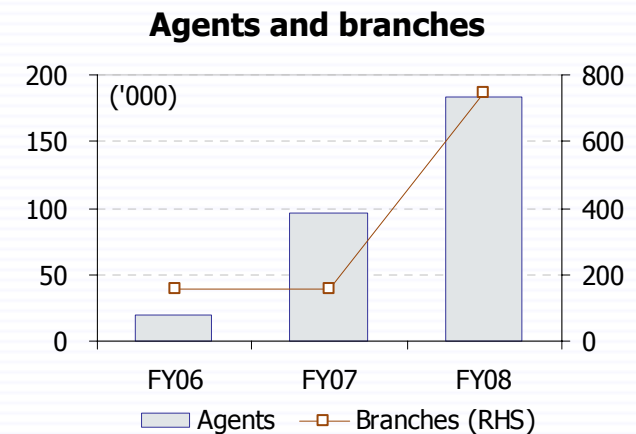
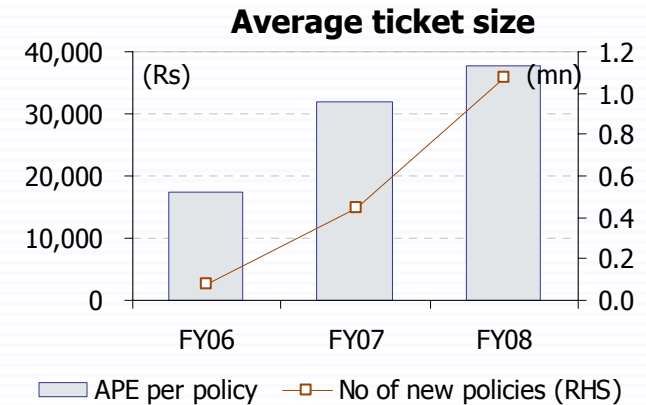


Source: ENAM Research, IRDA and Company

Note: GSP-Group single premiums, GSNP-Group non single premiums, ISP- Individual single premiums and INSP-Individual non single premiums

Reliance Life: Rapid scale up in distribution

- **Formidable sales force in a very short time span**
 - Sales force of over 200,000 agents and 744 branches and plans to expand to 1,500 branches and over 400,000 agents
- **Agency driven distribution model**
 - Primarily has developed an agency driven distribution model
 - Could not develop major bancassurance partnerships as majority banks had already tied up with existing insurers
 - Alternatively, company is increasingly leveraging its arrangements with cooperative banks and other group companies
- **Immense cross selling opportunities with group companies**
 - Reliance Capital has over 14 million customers across its different business segments
 - Large network with over 10,000 outlets, 250,000 distributors in 4,300 locations
 - Rapid growth in Tier-II and III cities by leveraging infrastructure of Reliance Communications and R-Money
- **Average ticket size in line with peers**



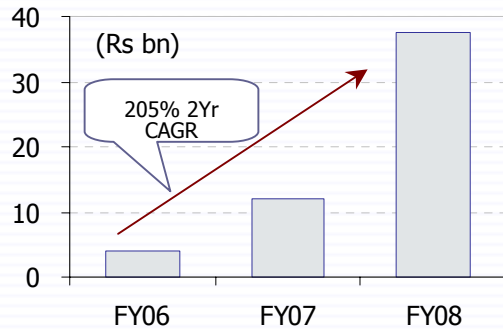
Source: ENAM Research, IRDA and Company : Average ticket sizes calculated as WNRP/No. of new policies

Reliance Life: Other key parameters

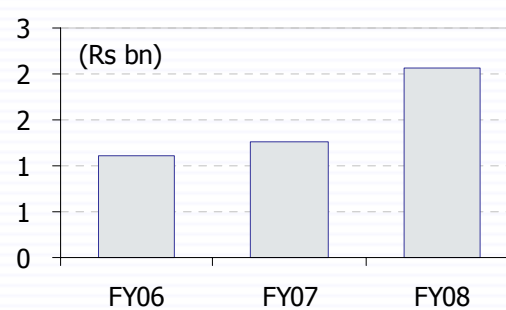
➤ Aggressive growth will need higher capital

- Capital infusion of USD500 mn is estimated over the next few years to fund growth

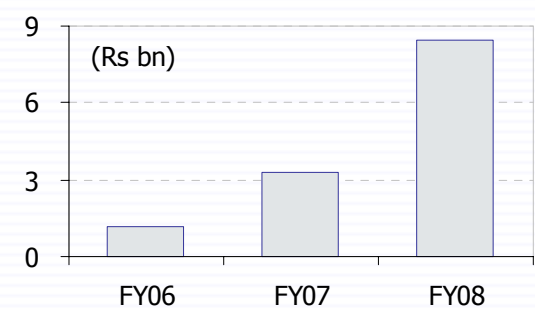
Assets under management



Net worth



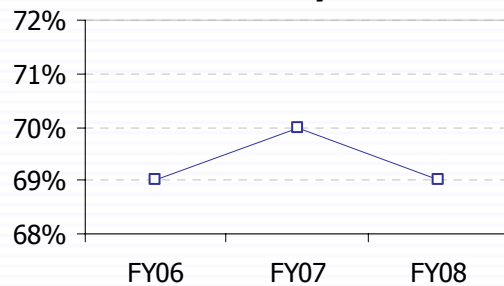
Capital infusion



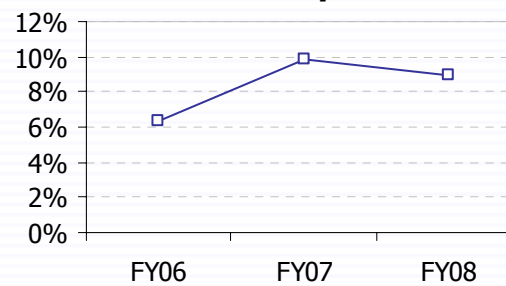
➤ High expense ratios due to rapid expansion in distribution

- High operating expenses due to high set up cost

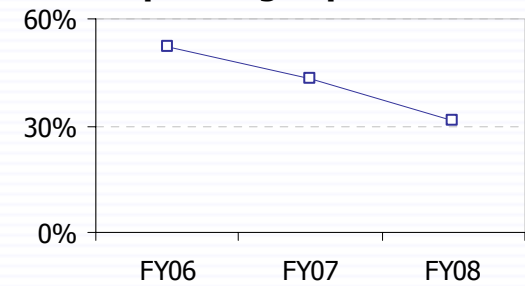
Persistency ratio



Commission expense trend



Operating expense trend



Source: ENAM Research, IRDA and Company

Note: Persistency calculated on a 12 months basis as current year's renewal premium as a proportion of previous year's renewal premium and first year premium; 13 month LIMRA persistency ratio is 83%

Reliance Life: Valuations

- ➔ We have valued Reliance Life on appraisal value basis at USD 3.5bn (FY10 basis)
- ➔ Value of new business is estimated at USD 3.3bn and Embedded value as at FY08 is estimated at USD 190mn
- ➔ We estimate the life insurance business to contribute Rs 571 per share to the parent i.e. Reliance Capital on FY10 basis

Sensitivity analysis (FY10E)

		Margin multiple sensitivity				
		13%	14%	15%	16%	17%
Multiple (x)	16	2,446	2,619	2,793	2,966	3,140
	17	2,587	2,771	2,956	3,140	3,324
	18	2,728	2,923	3,118	3,313	3,509
	19	2,869	3,075	3,281	3,487	3,693
	20	3,010	3,227	3,444	3,660	3,877

Premiums (Rs bn)	FY06	FY07	FY08	FY09E	FY10E
New business premiums	1,936	9,321	27,528	44,261	61,965
Renewal premiums	307	725	4,772	7,377	10,327
Total premiums	2,242	10,047	32,300	51,637	72,292
APE	853	7,219	19,364	30,982	43,375
APE growth	155%	746%	168%	60%	40%

Value of business	FY09E	FY10E
NBAP Margin	16.0%	15.5%
NBAP (FY10E)	4,957	6,723
NBAP multiple	18	18
Value of new business (Rs mn)	89,229	121,017
Value of new business (USD mn)	2,231	3,025
Embedded Value (Rs mn) FY08	7,614	7,614
Embedded Value (USD mn) FY08	190	190
Value of total business (Rs mn)	96,844	128,632
Value of total business (USD mn)	2,421	3,216

Value of parent's stake	FY09E	FY10E
Parents stake	100%	100%
Value of parents stake (Rs mn)	96,844	128,632
Value of parents stake (USD mn)	2,421	3,216
Parent shares outstanding (mm)	246	246
Per share value attributable to parent	394	524

Source: ENAM Research

In Rs mn	FY08
New business premiums	19,650
Total premiums	32,722
Agents	115,000
Branches	339
NBP CAGR (FY06-08)	70%

Source: ENAM Research, IRDA and Company

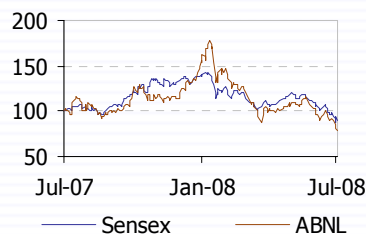
Birla Sun Life

USD 3.3bn

Per share value to ABNL: Rs. 1,042

ABNL target price : Rs. 1,853

Parent's Relative Performance



Renewed focus, regaining lost ground

Source: ENAM Research, Bloomberg

Reported financial summary (in Rs mn)

Year	Profit / loss	NBP	Net worth	Capital	AUM	NBAP	NBAP Margin
FY05	(606)	6,213	1,063	3,500	13,330	-	-
FY06	(671)	6,781	1,551	4,660	25,550	-	-
FY07	(1,338)	8,827	2,269	6,715	40,200	-	-
FY08	(4,453)	19,650	3,846	12,745	68,930	-	-

Source: ENAM Research, IRDA and Company; Note: NBAP not disclosed by the company

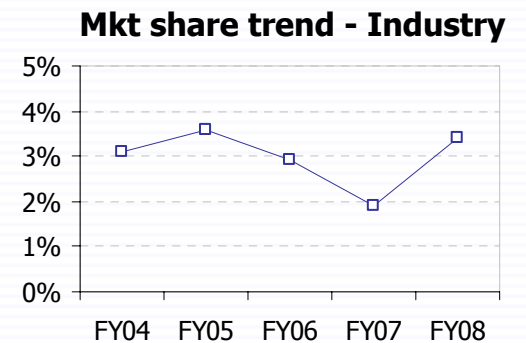
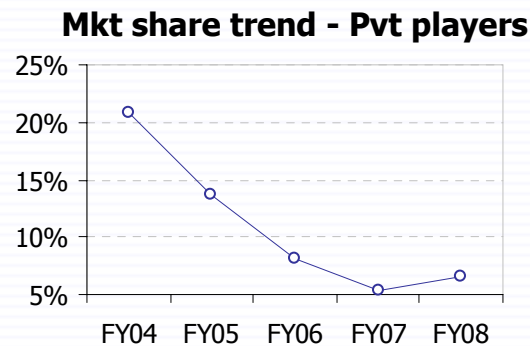
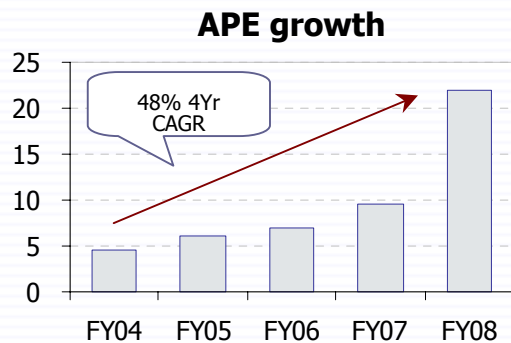
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July 14, 2008

Birla Sun Life: Regaining lost ground

- **Birla Sunlife is the 6th largest player in the private sector**
 - Established in 2001, as a 74:26 JV between Aditya Birla Group and Sun Life Financial of Canada
- **Registered 2nd highest growth in FY08**
 - APE grew 130% in FY08, which was 2nd highest amongst private sector players
 - NBP of USD 491mn, APE of USD 483mn and total premiums of USD 818mn in FY08
 - We estimate APE to grow to USD 1 bn over the next two years (37% CAGR)
- **Lost market share until recently, but growing fast now**
 - Industry wide APE based market share decreased to 3.4% in FY08 from 3.6% in FY05
 - Private sector APE based market share decreased to 6.6% in FY08 from 13.7% in FY05



Source: ENAM Research, IRDA and Company

Note: Market share on WRNP basis i.e. .10% of single premium + 100% of first year non single premium on received basis; APE as disclosed by the company

Birla Sun Life: Expanding product portfolio

➤ Birla Sunlife has a healthy product mix of regular and linked premium products

- Among the first insurance companies to introduce unit-linked products in India
- Inclined towards linked and regular premium products since beginning
- Linked products formed ~98% while single premium products formed 2% of NBP in FY08

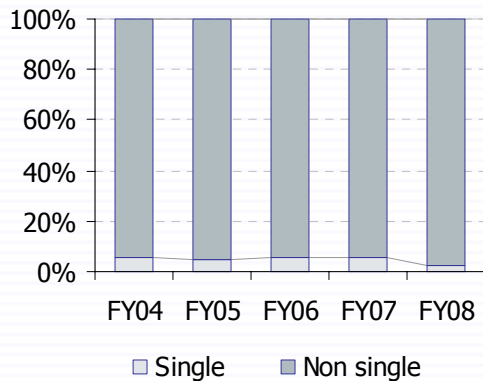
➤ Strengthening product portfolio

- Company has an ambitious plan to be among the top three private insurance players
- Launched 12 new products in FY08; Also planning to launch new pension and health products
- Targeting penetration in health, pension and traditional product segments
- Among the few to offer guaranteed return products
- Flagship products include Saral Jeevan, Dream Plan, Gold Plus and Platinum Plus

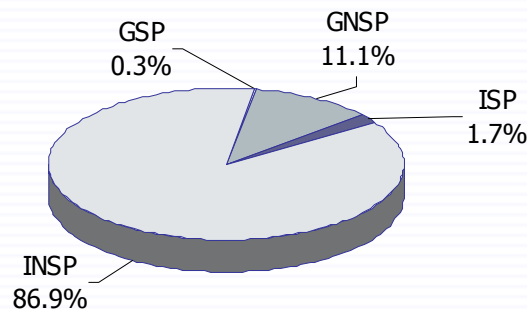
➤ Relatively higher share of group business

- Group business contributed ~11.5% of NBP in FY08

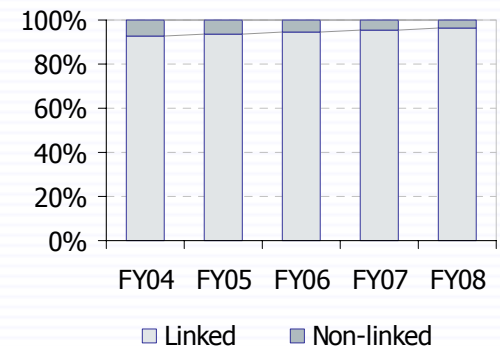
Stable regular premiums



Segment mix



Product composition

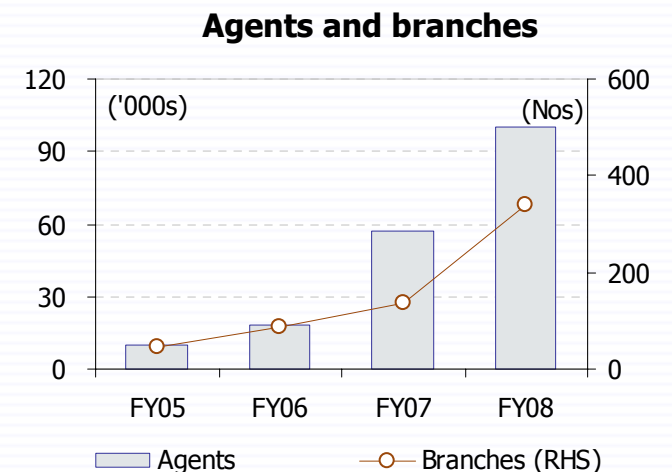
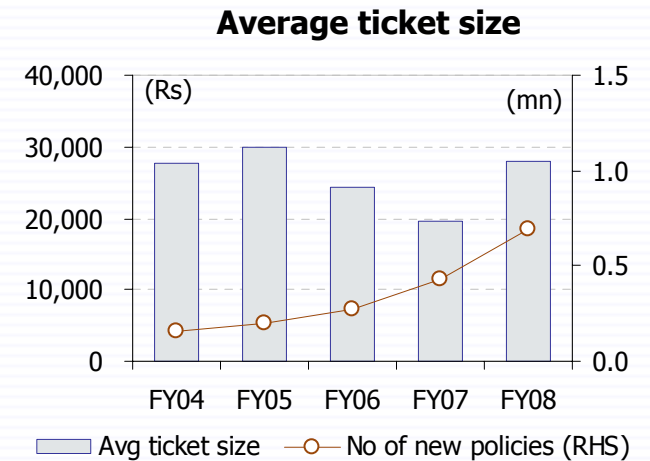


Source: ENAM Research, IRDA and Company

Note: GSP-Group single premiums, GSNP-Group non single premiums, ISP- Individual single premiums and INSP-Individual non single premiums

Birla Sun Life: Catching up on distribution

- **Low on agency force, but catching up**
 - Presently has 115,000 agents and 339 branches
 - Plans 1,000 branches and 200,000 agents in FY09
 - Increasingly focusing on agent training to build a quality sales force
- **Leveraging parent’s infrastructure**
 - Aims to leverage the group’s distribution network especially in the under penetrated towns
 - Plans to spend aggressively on promotion
- **Agency remains the core: Focus on building alternate channels as well**
 - Tie-ups with 6 banks and over 250 corporate agents
 - Agency contributed 63% of premium collection, while bancassurance contributed 21% in FY08
- **Strengthened key leadership positions**
 - Has strengthened leadership team and realigned the sales structure to improve productivity and focus
- **Average ticket sizes higher than peers**
 - Concentration on small and mid size towns



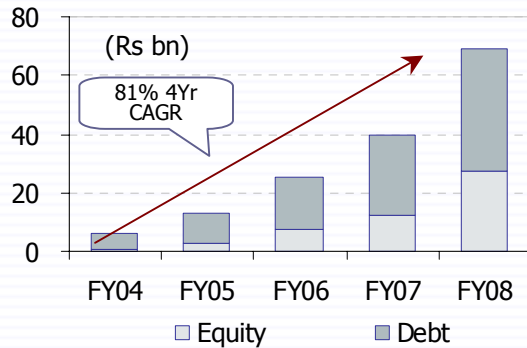
Source: ENAM Research, IRDA and Company: Average ticket sizes calculated as WNR/No. of new policies

Birla Sun Life: Other key parameters

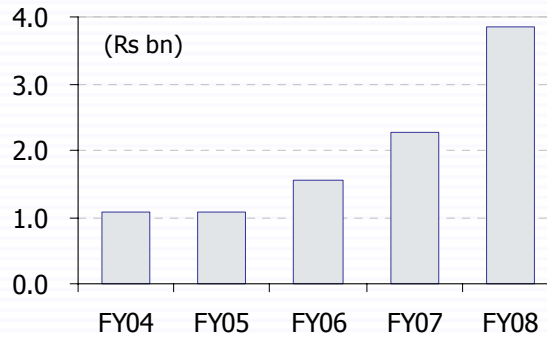
➤ High capital requirements to build up distribution strength

- Assets under management have grown at a CAGR of 81% during FY04-FY08
- Capital infusion of ~USD300 mn is estimated in FY09 to fund expansion and growth

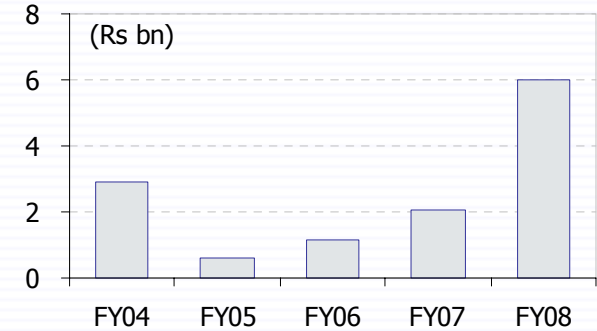
Assets under management



Net worth



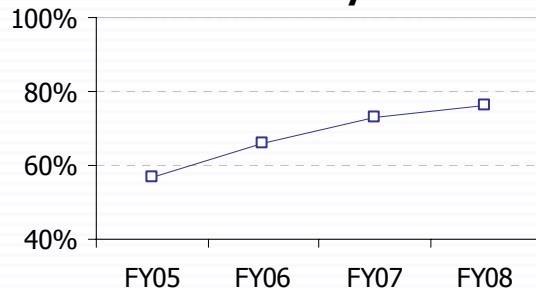
Capital infusion



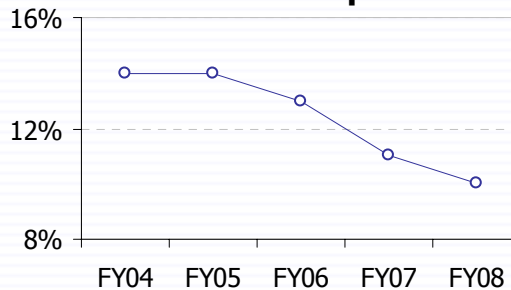
➤ Higher operating expenses due to scale up in distribution

- Higher operating expenses due to recent scale up in distribution
- Lower commission expenses with greater contribution from bancassurance

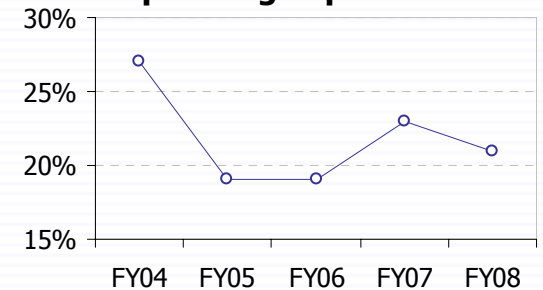
Persistency ratio



Commission expense trend



Operating expense trend



Source: ENAM Research, IRDA and Company

Note: Persistency calculated on a 12 months basis as current year's renewal premium as a proportion of previous year's renewal premium and first year premium

Birla Sun Life: Valuations

- ➔ We have valued Birla Sun Life on appraisal value basis at USD 3.3 bn (FY10 basis)
- ➔ Value of new business is estimated at USD 3.0bn and Embedded value as at FY08 is estimated at USD 351mn
- ➔ We estimate the life insurance business to contribute Rs1,042 per share to the parent i.e. Aditya Birla Nuvo on FY10 basis

Sensitivity analysis (FY10E)

		Margin multiple sensitivity				
		14%	15%	16%	17%	18%
Multiple (x)	16	2,678	2,845	3,011	3,177	3,343
	17	2,824	3,000	3,177	3,354	3,530
	18	2,969	3,156	3,343	3,530	3,717
	19	3,115	3,312	3,510	3,707	3,904
	20	3,260	3,468	3,676	3,884	4,091

Premiums (Rs bn)	FY06	FY07	FY08	FY09E	FY10E
New business premiums	6,781	8,827	19,650	32,618	42,403
Renewal premiums	5,816	8,940	13,072	15,092	19,619
Total premiums	12,597	17,767	32,722	47,709	62,022
APE	7,026	9,532	22,045	31,965	41,555
APE growth	16%	36%	131%	45%	30%

Value of business	FY09E	FY10E
NBAP Margin	16.5%	16.0%
NBAP (FY10E)	5,274	6,649
NBAP multiple	18	18
Value of new business (Rs mn)	94,937	119,678
Value of new business (USD mn)	2,373	2,992
Embedded Value (Rs mn) FY08	14,054	14,054
Embedded Value (USD mn) FY08	351	351
Value of total business (Rs mn)	108,990	133,732
Value of total business (USD mn)	2,725	3,343

Value of parent's stake	FY09E	FY10E
Parents stake	74%	74%
Value of parents stake (Rs mn)	80,653	98,961
Value of parents stake (USD mn)	2,016	2,474
Parent shares outstanding (mm)	95	95
Per share value attributable to parent	849	1,042

In Rs mn	FY08
New business premium	15,980
Total premiums	27,150
Agents	38,500
Branches	266
NBP CAGR (FY06-08)	84%

Source: ENAM Research, IRDA and Company

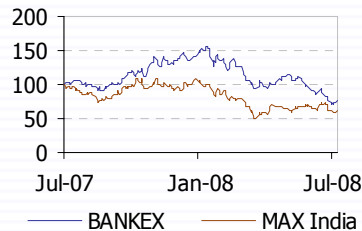
Max New York Life

USD 1.8 bn

Per share value to Max India: Rs. 160

Max India target price : Not rated

Parent's Relative Performance



Source: ENAM Research, Bloomberg

Moving up the ladder

Reported financial summary (in Rs mn)

Year	Profit / loss	NBP	Net worth	Capital	AUM	NBAP	NBAP Margin
FY05	(980)	2,336	1,356	4,661	4,830	-	-
FY06	(597)	4,714	1,672	5,574	8,861	-	-
FY07	(561)	9,121	2,861	7,324	18,333	-	-
FY08	(1,569)	15,980	4,357	10,324	35,750	-	-

Source: ENAM Research, IRDA and Company; Note: NBAP not disclosed by the company

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July 14, 2008

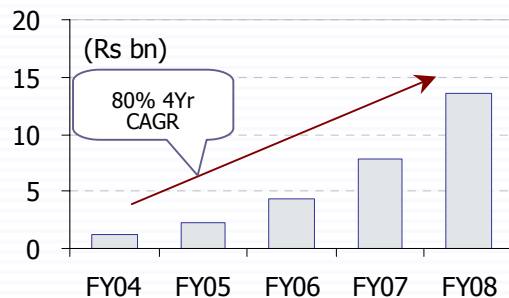
Max New York Life: Moving up the ladder

- **Max New York Life is the 7th largest player in the private sector**
 - Established in 2001, as a 74:26 JV between Max India and New York Life of USA
 - 50% economic interest held by Max India

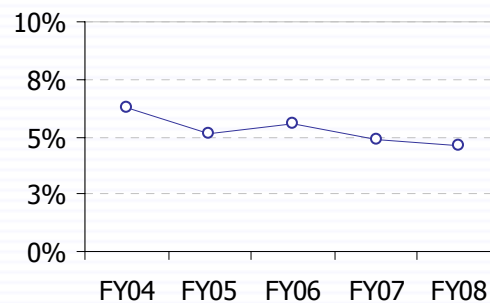
- **Growth in line with the industry**
 - Registered a CAGR of 80% in APE during FY04-08
 - NBP of USD 400mn, APE of USD 337mn and total premiums of USD 679mn in FY08
 - We estimate APE to grow to USD592 mn over the next two years (32% CAGR)

- **Building up distribution strength to gain market share**
 - Industry wide APE based market share increased to 2.4% in FY08 from 1.3% in FY05
 - Private sector APE based market share decreased to 4.6% in FY08 from 6.3% in FY04

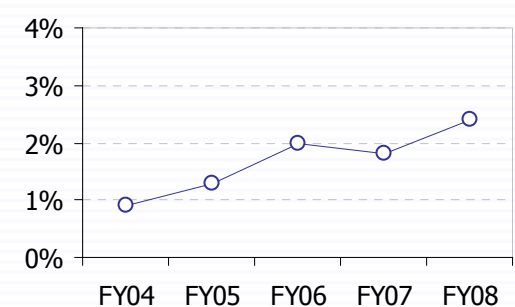
APE growth



Mkt share trend - Pvt players



Mkt share trend - Industry



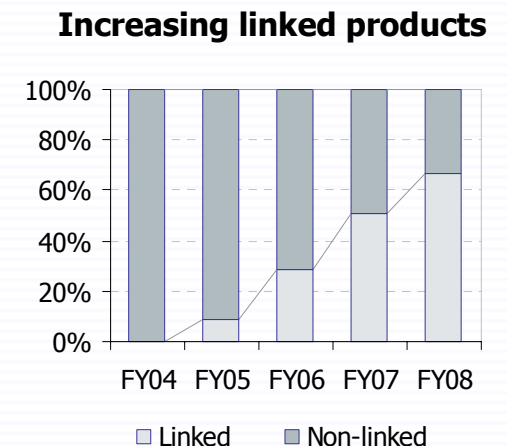
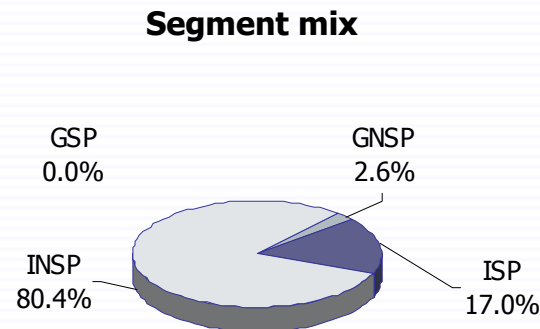
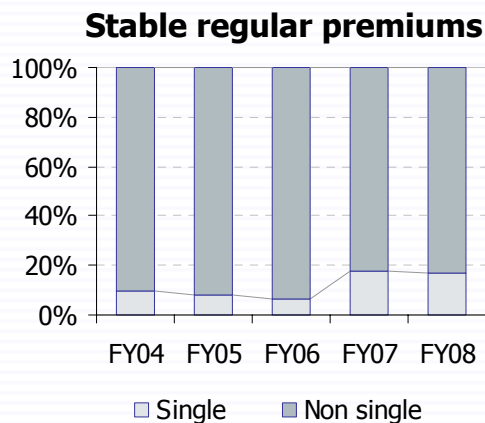
Source: ENAM Research, IRDA and Company

Note: Market share on WRNP basis i.e. .10% of single premium + 100% of first year non single premium on received basis; APE as per IRDA figures

Max NYL: Expanding product portfolio

- **Max NYL has a diversified product mix of regular and linked premium products**
 - Linked products formed 67% of total premiums in FY08; Lower than peers but building up
 - Single premium formed 17% of NBP in FY08

- **Relatively longer tenure policies**
 - Average tenure of policies is 26 years, which is much higher than the ~12 years for some of the leading players; Also due to significant whole life policies underwritten in the past
 - Flagship products include Life Maker Premium and Life Invest; Recently launched pension, health and children plans
 - Pension and health will be key focus areas going forward



Source: ENAM Research, IRDA and Company

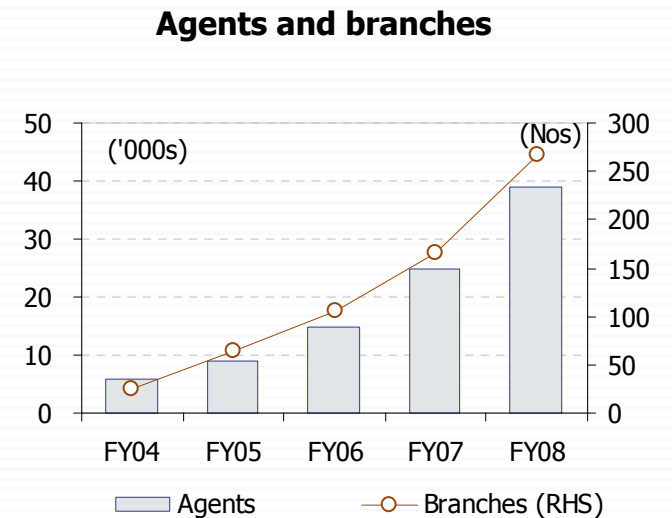
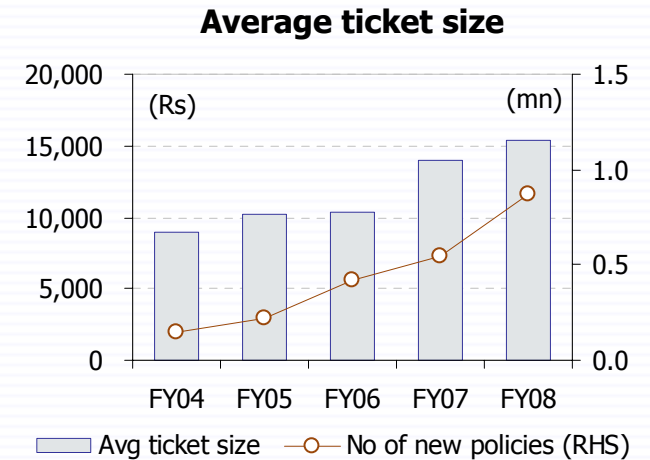
Note: GSP-Group single premiums, GSNP-Group non single premiums, ISP- Individual single premiums and INSP-Individual non single premiums

Max New York Life: Building distribution

- **Plans to aggressively expand agency force**
 - Has 38,500 agents and plans to expand to over 200,000 agents by the end of 2011-2012
 - Has 266 offices and plans to reach over 350 offices including 90 offices in FY09
 - Highly trained and skilled agency force with average training hours of 400 hours against minimum 50 stipulated by IRDA

- **Hub and spoke model for rural distribution**
 - Pioneered hub and spoke model of rural distribution
 - Rural marketing model has 39 offices, including 9 hubs
 - Strong rural team with 400 employees and 3,000 agents

- **Focusing on building alternate channels**
 - Currently has 33 bancassurance relationships, 14 corporate agency tie-ups and direct sales force at 14 locations
 - Agency contributed ~66% of premium collection in while bancassurance contributed ~7%



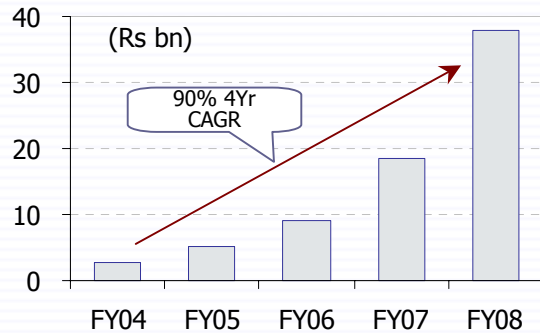
Source: ENAM Research, IRDA and Company: Average ticket sizes calculated as WNR/No. of new policies

Max NYL: Other key parameters

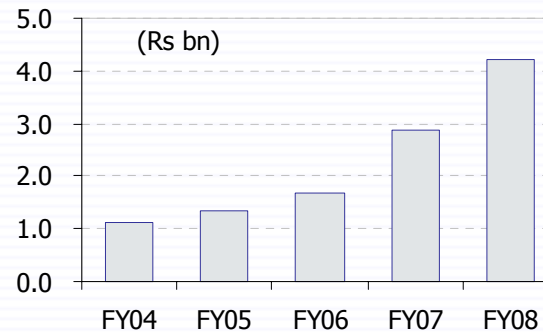
High capital requirements going forward

- Assets under management have grown at a CAGR of 90% during FY04-FY08
- Capital infusion of ~USD400 mn is estimated over the next couple of years to fund growth

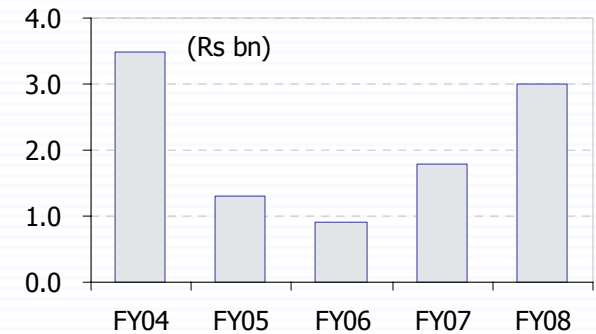
Assets under management



Net worth



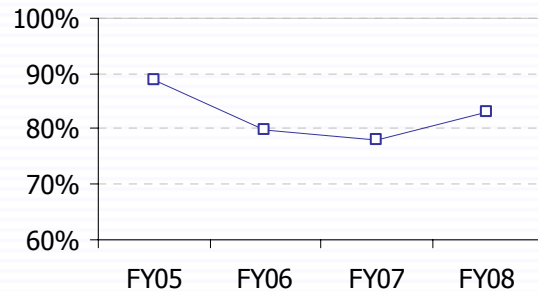
Capital infusion



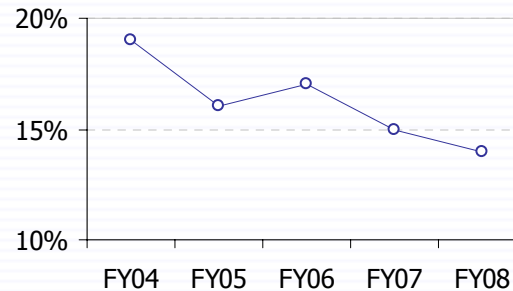
Higher operating expenses, but with a declining trend

- Largely due to recent ramp up in distribution and promotion

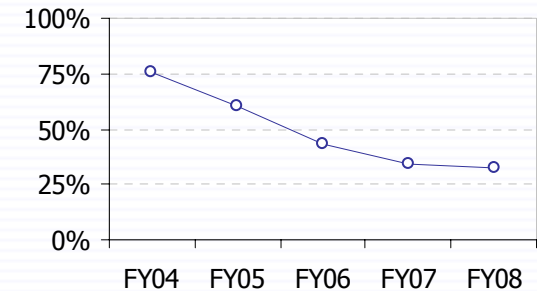
Persistency ratio



Commission expense trend



Operating expense trend



Source: ENAM Research, IRDA and Company

Note: Persistency calculated on a 12 months basis as current year's renewal premium as a proportion of previous year's renewal premium and first year premium

Max New York Life: Valuations

- ➔ We have valued Max New York Life on appraisal value basis at USD 1.8bn (FY10 basis)
- ➔ Value of new business is estimated at USD1.5 bn and Embedded value as at FY08 is estimated at USD 258mn
- ➔ We estimate the life insurance business to contribute Rs160 per share to the parent i.e. Max India on FY10 basis

Sensitivity analysis (FY10E)

		Margin multiple sensitivity				
		14%	15%	16%	17%	18%
Multiple (x)	14	1,418	1,501	1,584	1,667	1,750
	15	1,501	1,590	1,679	1,768	1,856
	16	1,584	1,679	1,774	1,868	1,963
	17	1,667	1,768	1,868	1,969	2,070
	18	1,750	1,856	1,963	2,070	2,176

Premiums (Rs bn)	FY06	FY07	FY08	FY09E	FY10E
New business premiums	4,714	9,121	15,980	21,690	28,198
Renewal premiums	3,168	5,882	11,170	14,749	19,174
Total premiums	7,881	15,003	27,150	36,440	47,372
APE	4,415	7,749	13,496	18,220	23,686
APE growth	98%	76%	74%	35%	30%

Value of business	FY09E	FY10E
NBAP Margin	16.5%	16.0%
NBAP (FY10E)	3,006	3,790
NBAP multiple	16	16
Value of new business (Rs mn)	48,101	60,636
Value of new business (USD mn)	1,203	1,516
Embedded Value (Rs mn) FY08	10,307	10,307
Embedded Value (USD mn) FY08	258	258
Value of total business (Rs mn)	58,407	70,943
Value of total business (USD mn)	1,460	1,774

Value of parent's stake	FY09E	FY10E
Parents stake	50%	50%
Value of parents stake (Rs mn)	29,204	35,471
Value of parents stake (USD mn)	730	887
Parent shares outstanding (mm)	222	222
Per share value attributable to parent	132	160

Source: ENAM Research



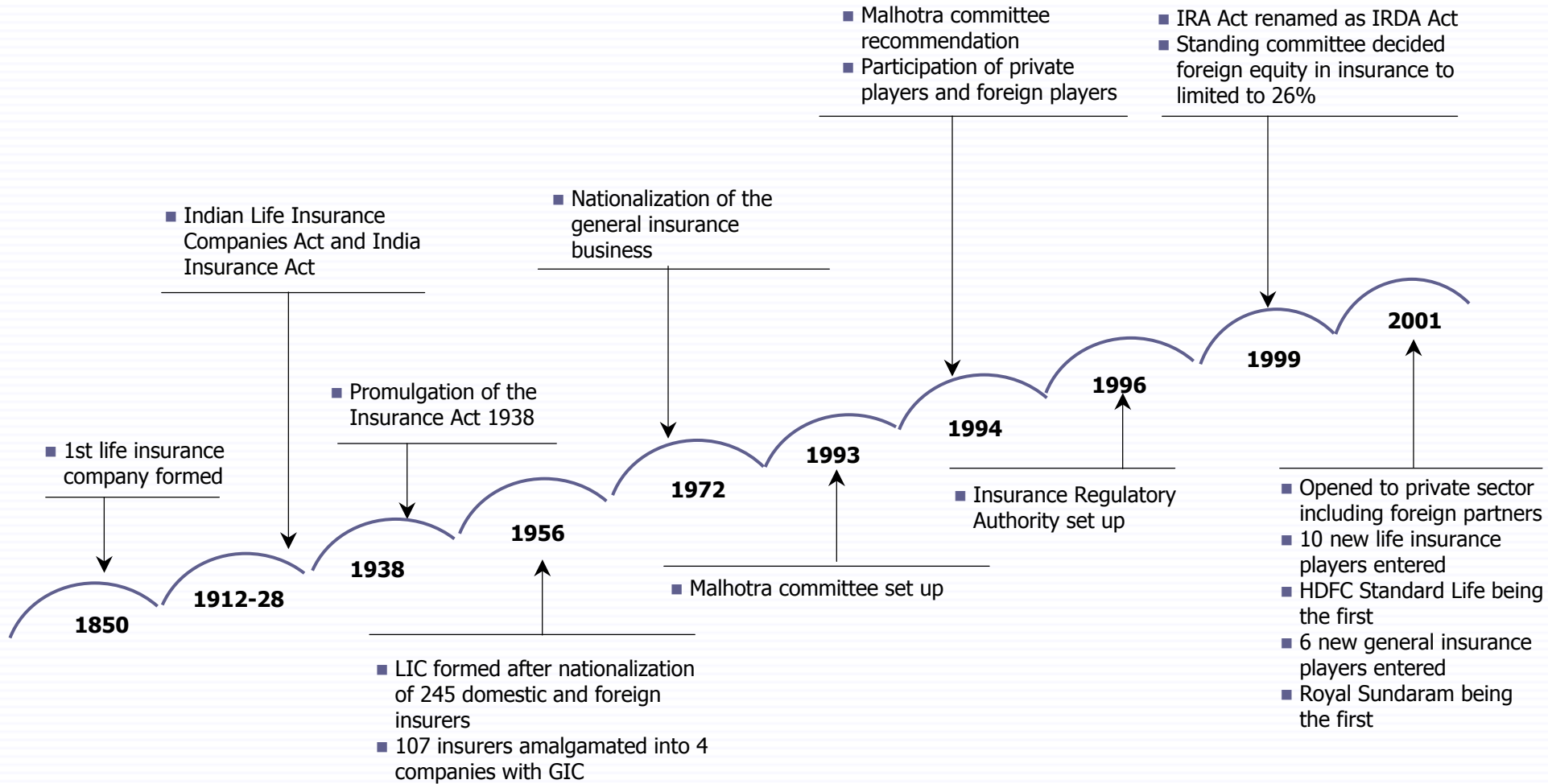
Annexure

Annexure: Industry evolution

	Pre-liberalization 2000	Post Liberalization 2008
Life insurance penetration (%)	1.8	4.0
Life insurance density (Rs.)	342	1,596
No. of players	1	19
New business premium (Rs bn)	91	929
Average premium (Rs.)	4,200	LIC > 15,000 Private > 25,000
GDP (USD bn)	40	1,000
GDP per capita (USD)	80	1,025

Source: ENAM Research, Swiss Re and IRDA

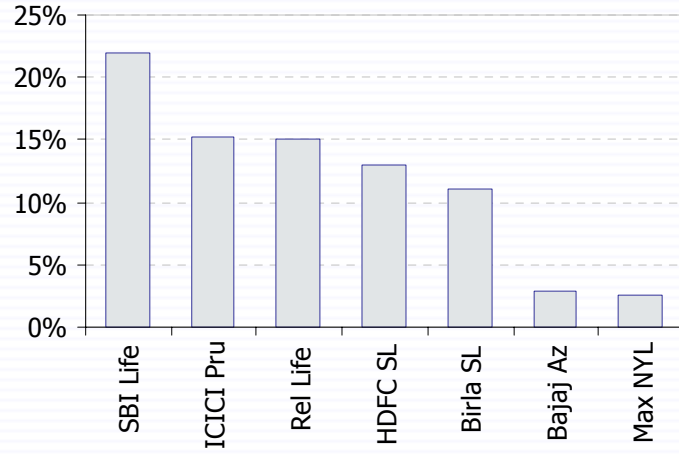
Annexure: Time line



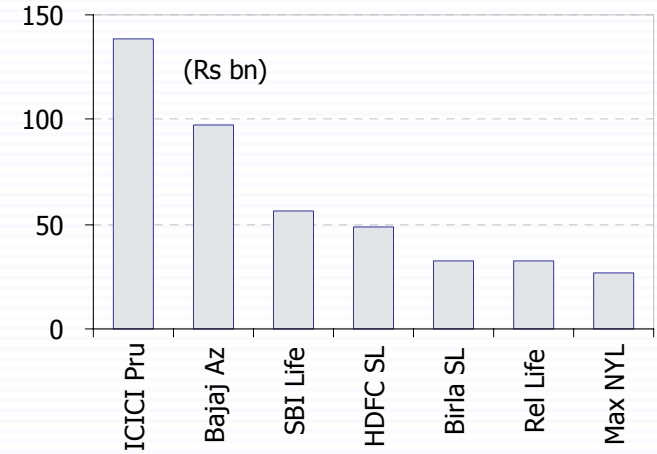
Source: ENAM Research, IRDA and Life Council

Annexure: Players at a glance – FY08

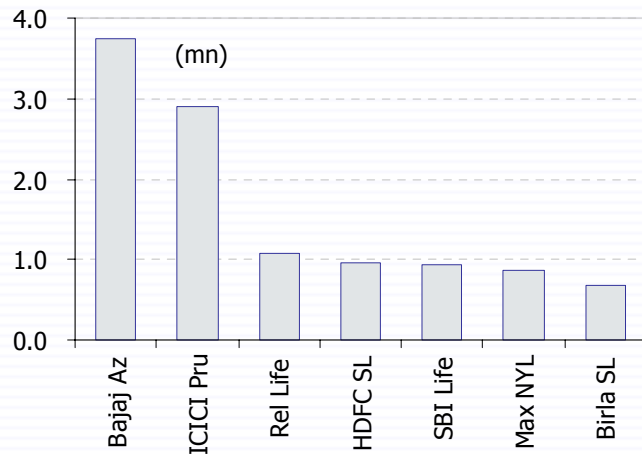
Group business/NBP



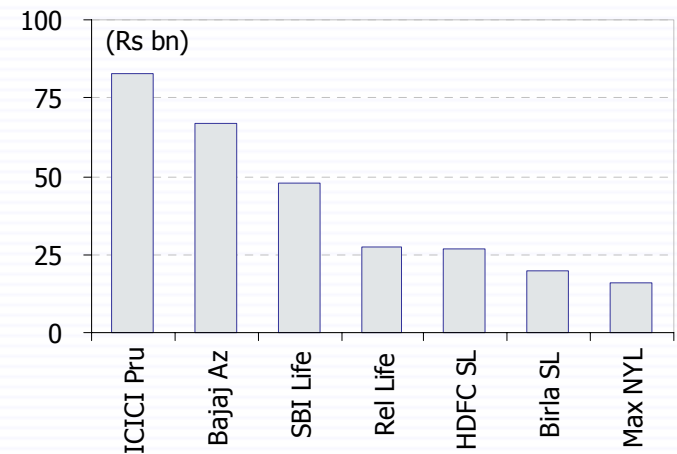
Total premium



Number of policies sold



New business premiums

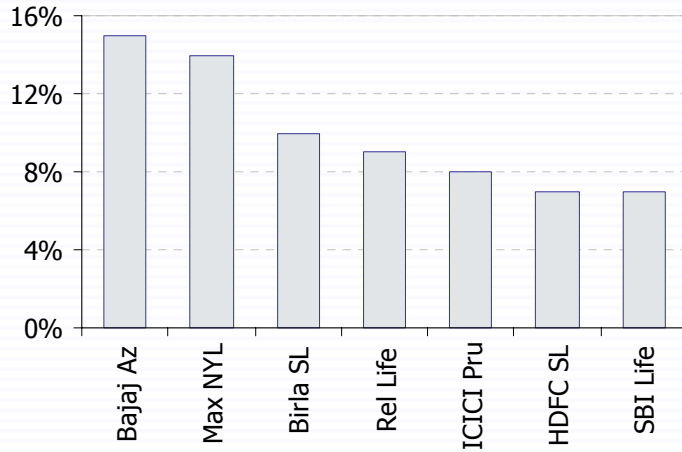


Source: ENAM Research, IRDA and Company

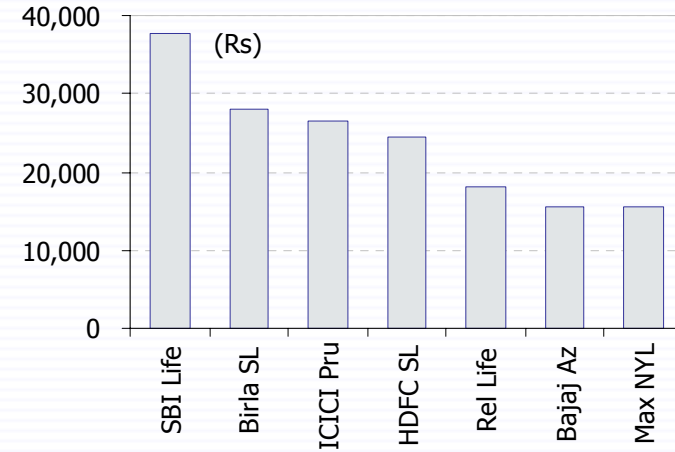
Note: Persistency calculated on a 12 months basis as current year's renewal premium as a proportion of previous year's renewal premium and first year premium

Annexure: Players at a glance - FY08

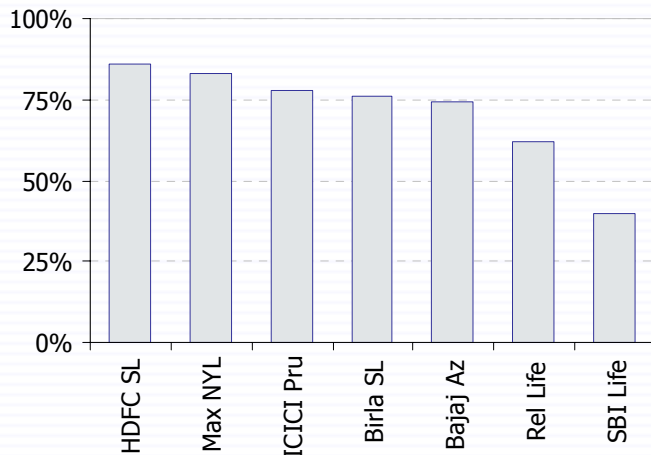
Commission/Total premium



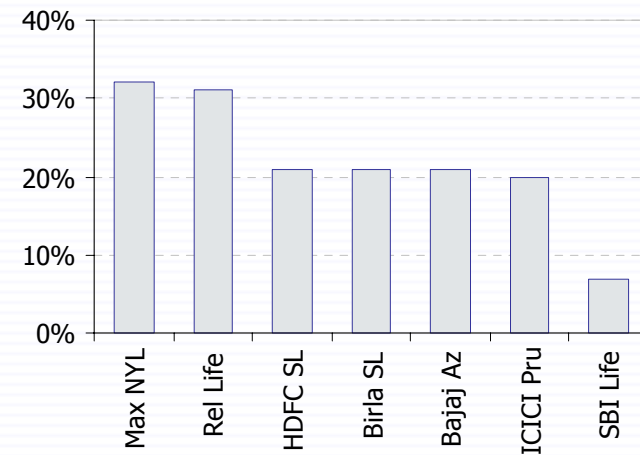
Average ticket size



Persistency ratio



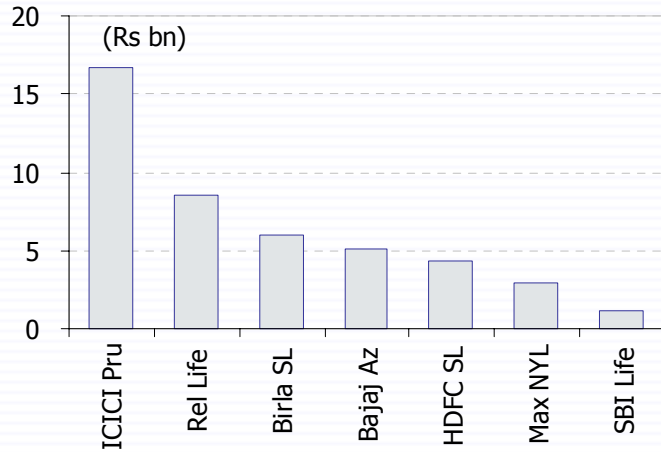
Opex/Total premium



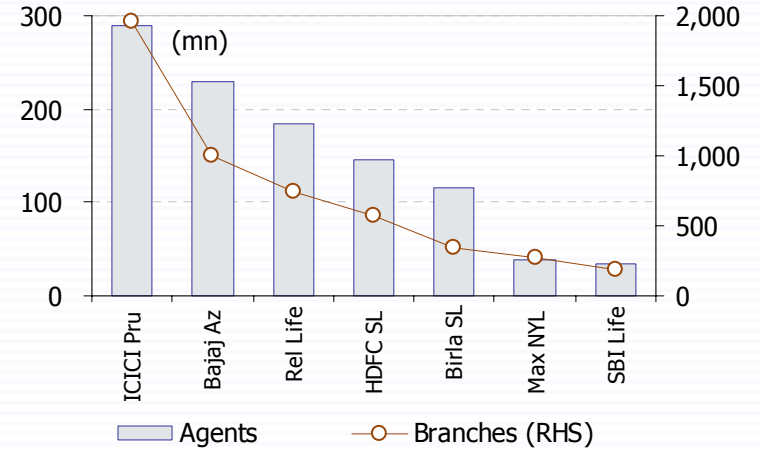
Source: ENAM Research, IRDA and Company ; Average ticket sizes calculated as WNR/No. of new policies

Annexure: Players at a glance – FY08

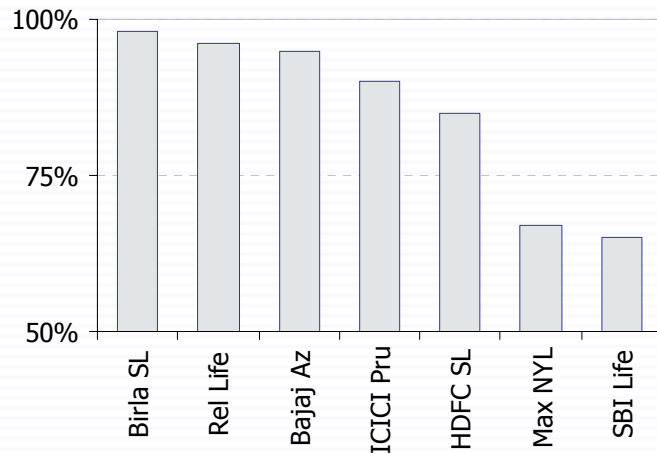
Capital infusion in FY08



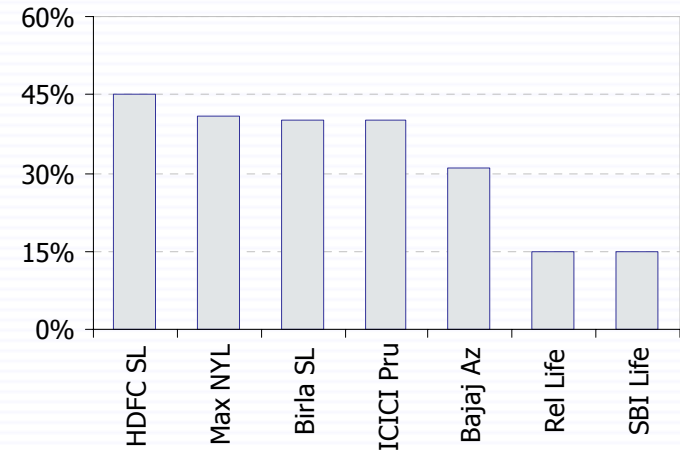
Distribution strength



Linked/Total Premium



Renewal/New business premium



Source: ENAM Research, IRDA and Company

Annexure: Product features

Product type	Key features	Benefit for insured	Benefits for insurer	Indicative NBAP margin
Term policies	<ul style="list-style-type: none"> Simplest form of insurance Pure risk protection product 	<ul style="list-style-type: none"> Lower premiums 	<ul style="list-style-type: none"> Higher return on investment 	<ul style="list-style-type: none"> 25%-30%
Endowment policies	<ul style="list-style-type: none"> Lump sum paid after death or on maturity Less transparent than ULIP 	<ul style="list-style-type: none"> Sum assured is payable even in case of survival 	<ul style="list-style-type: none"> Surplus return on investment 	<ul style="list-style-type: none"> 20%-22%
Linked policies	<ul style="list-style-type: none"> Combines risk protection with market return 	<ul style="list-style-type: none"> Very transparent 	<ul style="list-style-type: none"> Lower capital requirements Easier to sell 	<ul style="list-style-type: none"> 15%-20%
Health	<ul style="list-style-type: none"> Insurance against pre-defined critical illnesses 	<ul style="list-style-type: none"> Relatively higher margins 	<ul style="list-style-type: none"> Health cover including critical illness cover 	<ul style="list-style-type: none"> 35%-40%
Pension/Annuity	<ul style="list-style-type: none"> Periodic payments over lifetime of specified period 	<ul style="list-style-type: none"> Regular payments after a specified date 	<ul style="list-style-type: none"> Retirement planning 	<ul style="list-style-type: none"> 16%-20%

Annexure: Key regulations

Exposure norms for approved investments

Type of investment	Limit for Investee Co.
Equity/ Preference Shares/ Convertible portion of Debentures at face value	Not exceeding 20% of the total capital employed as on any date
Debentures - (face value) including private placed NCD and Non convertible portion of Convertible Debentures.	Not exceeding 20% of the total capital employed as on any date
Short/ Medium/ Long Term Loans and any other direct financial assistance	Not exceeding 5% of estimated annual accretion of funds during the year

Source: IRDA

Type of Investment	%
Government securities	Minimum at 25%
Government Securities or other approved securities	Not less than 50%
Total in government securities	50%
Approved investments as follows	
Infrastructure and social sector	Not less than 15%
Others to be governed by exposure/prudential norms	Not exceeding 20%
Total approved investments	35%
Any other securities	Not exceeding 15%

Source: IRDA

Rural sector requirements

Year	% of Total policies Rural sector	No. of lives insured Social sector
1 st	7%	5,000
2 nd	9%	7,000
3 rd	12%	10,000
4 th	14%	15,000
5 th	16%	20,000

Annexure: Private sector market share

Private sector market share

Market share (%)	F2004	F2005	F2006	F2007	F2008
ICICI Prudential	31.3	33.6	30.2	28.5	26.3
Bajaj Allianz	7.8	10.4	17.4	20.1	19.9
SBI Life	5.3	4.1	6.3	11.3	11.9
HDFC Standard	6.7	9.0	10.6	8.3	7.9
Reliance Life	-	0.8	1.1	4.5	6.6
Birla Sunlife	20.9	13.7	8.2	5.3	6.6
Max New York	6.3	5.1	5.6	4.9	4.6
Kotak OM	5.0	4.8	4.7	3.5	3.6
Aviva	3.5	4.2	5.1	4.3	3.5
Tata AIG	8.6	6.8	5.6	3.6	3.0
Met Life	1.1	1.2	1.7	2.1	2.6
ING Vysya	3.5	6.2	3.3	2.8	2.3
Shriram Life	-	-	0.1	0.6	0.5
Bharti AXA	-	-	-	0.0	0.4
Sahara Life	-	0.0	0.1	0.1	0.3
IDBI Fortis	-	-	-	-	0.0
Future Generali	-	-	-	-	0.0
Private players	100.0	100.0	100.0	100.0	100.0

Source: ENAM Research and IRDA

Note: Market share on WRNP basis i.e. .10% of single premium + 100% of first year non single premium on received basis; Reliance Life formed in 2005 through acquisition of AMP Samnar

Annexure: Industry market share

Total industry market share

Market share (%)	F2004	F2005	F2006	F2007	F2008
ICICI Prudential	4.7	8.8	10.7	10.6	13.7
Bajaj Allianz	1.2	2.7	6.2	7.4	10.3
SBI Life	0.8	1.1	2.2	4.2	6.2
HDFC Standard	1.0	2.4	3.7	3.1	4.1
Reliance Life	-	0.2	0.4	1.7	3.4
Birla Sunlife	3.1	3.6	2.9	1.9	3.4
Max New York	0.9	1.3	2.0	1.8	2.4
Kotak OM	0.7	1.3	1.7	1.3	1.9
Aviva	0.5	1.1	1.8	1.6	1.8
Tata AIG	1.3	1.8	2.0	1.3	1.5
Met Life	0.2	0.3	0.6	0.8	1.4
ING Vysya	0.5	1.6	1.2	1.0	1.2
Shriram Life	-	-	0.0	0.2	0.3
Bharti AXA	-	-	-	0.0	0.2
Sahara Life	-	0.0	0.0	0.1	0.1
IDBI Fortis	-	-	-	-	0.0
Future Generali	-	-	-	-	0.0
Private players	14.9	26.3	35.5	37.0	51.9
LIC	85.1	73.7	64.5	63.0	48.1

Source: ENAM Research and IRDA

Note: Market share on WRNP basis i.e. .10% of single premium + 100% of first year non single premium on received basis; Reliance Life formed in 2005 through acquisition of AMP Samnar

Annexure: List of private players

Existing private life insurance players:

Insurance Company	Domestic Partner (% stake)	Foreign Partner (% stake)	FY08 NBP (Rs bn)
ICICI Prudential Life	ICICI Bank (74%)	Prudential UK (26%)	83.1
Bajaj Allianz Life	Bajaj Auto (74%)	Allianz (26%)	64.9
SBI Life	State Bank of India (74%)	Cardiff (26%)	47.9
Reliance Life	Reliance ADAG (100%)	-	27.5
HDFC Standard Life	HDFC (73%)	Standard Life (26%)	26.8
Birla Sun Life	Aditya Birla Group (74%)	Sun Life Financial (26%)	19.7
Max New York Life	Max India (74%)	New York Life International (26%)	15.9
Kotak Mahindra Old Mutual	Kotak Mahindra (76%)	Old Mutual (24%)	11.1
Aviva Life	Dabur group (74%)	Aviva (26%)	10.6
Tata AIG Life	Tata group (74%)	AIG (26%)	9.7
Metlife India	J&K Bank (25%), M.Pallonji (31%) & Others (18%)	MetLife (26%)	8.3
ING Vysya Life	Vysya Bank (49%) & GMR Group (25%)	ING Group (26%)	7.0
Shriram Life	Shriram Group (74%)	Sanlam(26%)	3.1
Sahara India Life	Sahara Pariwar (100%)	-	1.2
Bharti AXA Life	Bharti (74%)	AXA (26%)	1.1
IDBI Fortis Life	IDBI (48%) & Federal Bank (26%)	Fortis (26%)	0.1
Future Generali India Life	Future Group (74%)	Generali (26%)	-
Canara - HSBC - OBC	Canara (51%) & OBC (23%)	HSBC (26%)	-

New entrants:

Proposed venture	Domestic Partner	Foreign Partner
Bank of India- Daichi- Union bank	BOI (51%) & UBI (23%)	Dai-ichi Mutual (26%)
Aegon - Religare	Religare (44%) & BCCL (30%)	Aeogn (26%)
DLF - Pramerica	DLF Group (74%)	Prudential US (26%)
BOB - Andhra Bank - Legal & General	BOB (40%) & Andhra Bank (34%)	Legal & General (26%)

Source: ENAM Research, IRDA and Industry Research



Glossary

Glossary

- **Acquisition costs**
 - Expense of soliciting and placing new insurance business. It includes agent's commissions, underwriting expenses, marketing support service and other related expenses.
- **Actuarial reserves**
 - Present value of the future cash flows of an insurance policy and the total liability of the insurer is the sum of the actuarial reserves for every individual policy. An insurer must keep offsetting assets to pay off this future liability.
- **Appraisal value**
 - Sum total of the net asset value, value of in-force business and the value of new business.
- **Annual premium equivalent (APE)**
 - Total amount of regular premiums from new business + 10% of the total amount of single premiums during the year. It smoothen out the effect of single premium payments.
- **Bancassurance**
 - Selling of insurance products, most commonly through bank branches
- **Embedded value (EV)**
 - Sum total of the value of in force business and net asset value
- **Endowment policy**
 - Life assurance policy designed to pay a lump sum after a specified term or on earlier death Policies are typically traditional with-profits or unit-linked (including those with unitised with-profits funds).

Glossary

- **Lapse ratio**
 - Percentage of previous year's policies that did not renew into the next year
- **Linked policies**
 - An investment linked policy which is a combination of an investment fund and an insurance policy. A major part of the premium amount received on such policies is invested in select funds depending on the risk level chosen by the customer
- **New business achieved profits (NBAP)**
 - Discounted value of future profits arising from new business written during the year. These profits are arrived at by attributing assumptions for parameters like surrenders, expense ratios, and claims experience, among others.
- **Non-participating policies**
 - Does not provide for the payment of dividends to the policy owner. It includes most term and permanent life policies.
- **Non single premium/Regular policies**
 - Policies in which premium is paid under regular intervals rather than one-time
- **Participating policies**
 - Policy that pays dividends to the policy holder. Dividends are generated from the profits of the insurance company that sold the policy and are typically paid out on an annual basis over the life of the policy. These policies generally charge higher premium.
- **Persistency ratio**
 - Indicator reflecting a percentage of policies that are continued in the next year. Presently, there is no uniform method of calculation of persistency ratios in India.

Source: ENAM Research, IRDA and Industry Research

Glossary

- **Single premium policies**
 - Policy in which a lump sum of money is paid into the policy in return for a death benefit that is guaranteed to remain paid-up until death.
- **Sum assured**
 - Lump sum amount payable on death or maturity under the terms and conditions of an insurance policy.
- **Solvency margin**
 - Minimum excess on an insurer's assets over its liabilities set by regulators. It can be regarded as similar to capital adequacy requirements for banks.
- **Surrender value**
 - Amount payable to policyholder in case the policy is discontinued or surrendered.
- **Term insurance**
 - Simplest form of life insurance where the amount is payable only if death occurs during a specified period of time.
- **Value in force business**
 - Present value of expected future earnings on in-force business. In force business represents the policies already underwritten by the insurer.
- **Weighted new received premiums (WNRP)**
 - Represents the actual new premium income received by an insurance company during a period (10% of single premiums and 100% of first year non single premiums) and is calculated from the numbers reported by IRDA

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