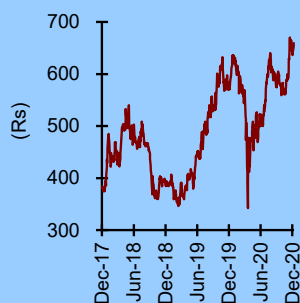


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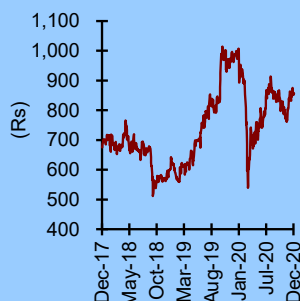
Sector update

Insurance

HDFC Life (BUY)



SBI Life (BUY)



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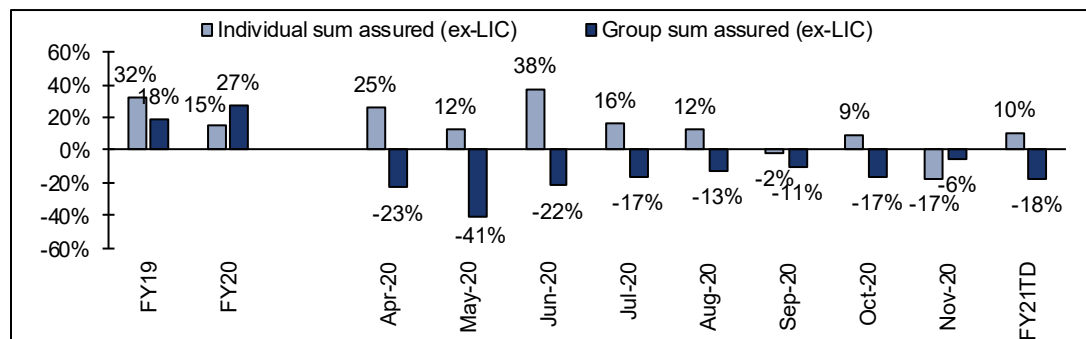
Insurance

Outlook CY21: Sector tailwinds to continue

We believe CY21 will continue to have tailwinds for Indian life as well as non-life insurance sectors. Health premiums and motor recovery along with price hikes should be the main levers for non-life insurance. Life insurance will have growth from positive outlook on protection and from new distribution tie-ups. We provide relevant charts for all these pointers in this report.

Protection can bounce back with improvement in medical tests and credit disbursement: Growth in sum assured (ex-LIC), has moderated from 25% / 12% / 38% in Apr'20 / May'20 / Jun'20 to 9% / (-)17% in Oct'20 / Nov'20 for individual sum assured while growth in group sum assured (ex-LIC) has improved from (-)41% in May'20 to (-)6% in Nov'20. Improvement in credit disbursements can further increase credit life while individual protection should benefit from better possibility of medical testing.

Chart 1: Growth in individual and group sum assured (ex-LIC)



Source: IRDAI

Savings segment should see sustained relative attractiveness over bank deposits amidst low interest rates. Higher government borrowing program to aid cash flow management to insurers. (charts 2,3 and table 2)

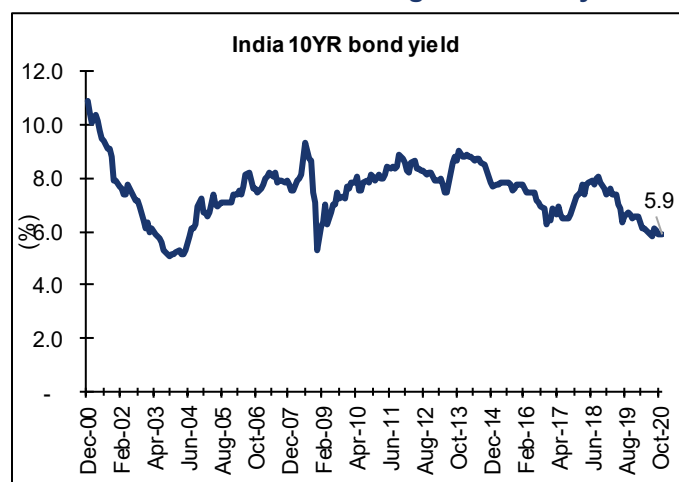
Premium growth can be aided by increasing bancassurance partnerships.

Table 1: Key banca tie-ups of big-5 life insurers

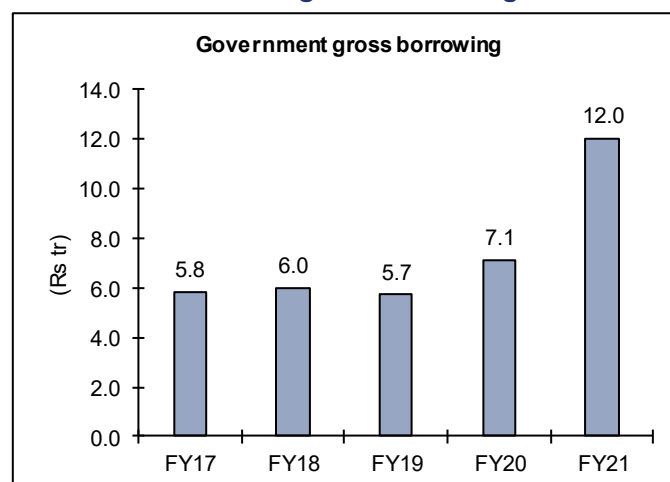
IPRU	BALIC	HDFC Life	Max Life	SBI Life
RBL Bank Ltd	Bandhan Bank	RBL Bank Ltd	Yes Bank Ltd.	State Bank Of India
Std.Chartered Bank	RBL Bank Ltd	IDFC First Bank Ltd.	Punjab & Mah. Bank	UCO Bank
ICICI Bank	Karur Vysya	The Cosmos Bank	Axis Bank Ltd	Indian Bank
New India Bank	IDFC First Bank	Equitas Small Finance Bank	Lakshmi Vilas Bank	Punjab And Sind Bank
Indusind Bank	Axis Bank	CSB Bank Limited	New India Bank	Yes Bank Ltd.
Saraswat Bank	Dhanlaxmi Bk	DCB Bank Limited		
CSB Bank		Yes Bank Ltd.		
IDFC First Bank		Bandhan Bank Ltd		
The Cosmos Bank		Ujjivan Small Finance Bank		
Equitas Small Finance Bank		HDFC Bank		
		The Saraswat Bank		

Source: IRDAI

Non-life should continue to outperform on the back of: (1) strong growth in health premiums (*chart 4*). We have seen similar trends in China (*table 3* and *chart 5*); (2) high but decelerating trend in Covid-related claims (*charts 6&7*); (3) gradually improving auto registrations (*table 4*); (4) declining market share of PSU insurers (*chart 8*).

Chart 2: Interest rates and long-term bond yields

Source: I-Sec Research

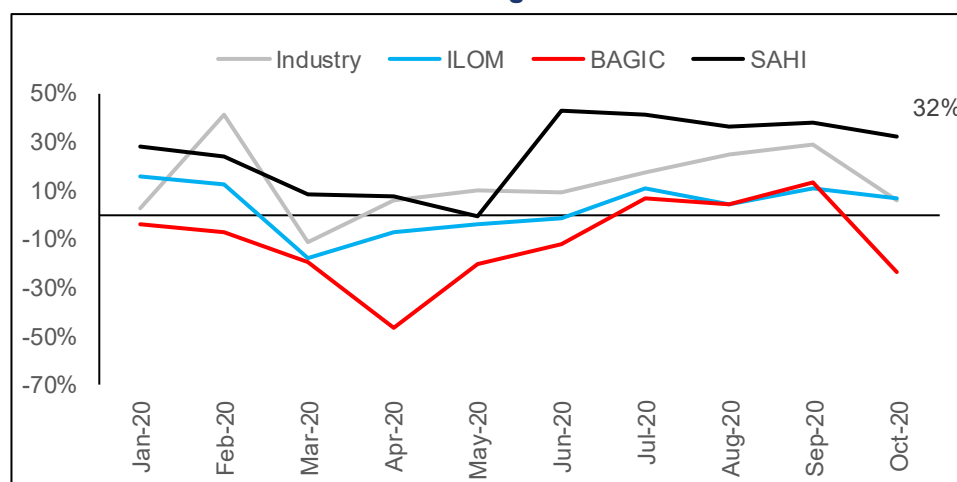
Chart 3: Government gross borrowings

Source: Budget Documents, RBI

Table 2: H2FY21 government borrowing calendar

Tenure	Amount (Rs bn)
2	210
3	550
5	1,110
10	840
14	840
30	490
40	630
FRB	210
Grand Total	4,880

Source: RBI website

Chart 4: Health GDPI has shown strong trends

Source: IRDAI, GI-Council

Table 3: Ping premium growth trends

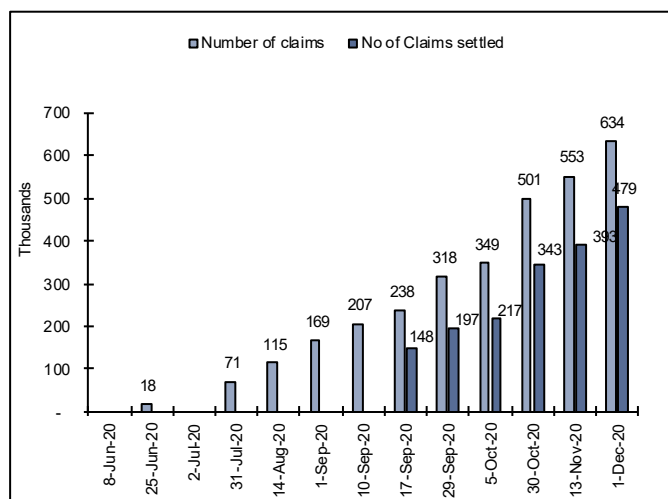
Monthly growth (YoY)	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20
Ping An Property & Casualty Insurance Company of China, Ltd.	7.2	-7.9	9.2	21.0	14.8	14.8	17.3	11.4	12.2	-4.2
Ping An Life Insurance Company of China, Ltd.	-13.7	-8.5	-4.9	2.9	5.4	1.3	5.1	2.9	0.2	-1.1
Ping An Annuity Insurance Company of China	-1.5	-11.6	21.7	25.4	-13.2	33.2	-6.1	-21.3	36.4	-12.8
Ping An Health Insurance Company of China	72.5	110.9	42.3	51.5	50.2	53.6	40.5	54.5	27.8	38.4
Life Insurance and Health Insurance Business										
Individual business	-13.3	-7.5	-4.6	3.4	5.9	1.9	5.6	3.4	0.6	-0.8
New business	-14.9	-28.9	-21.9	-6.0	-3.5	-15.5	-12.7	-11.0	-10.9	-19.5
Renewal business	-12.8	0.4	2.9	7.0	10.1	9.6	13.9	9.3	5.3	6.3
Group business	8.3	-12.7	27.9	31.7	-11.5	42.6	-4.3	-18.0	59.1	-10.0
New business	7.3	-12.9	27.8	31.7	-12.7	42.9	-4.3	-18.5	59.2	-10.3
Renewal business	364.7	82.8	141.9	41.6	124.1	-9.0	-6.1	76.1	51.8	43.5
Total	-13.0	-7.7	-1.9	4.9	5.2	3.9	5.1	2.4	3.1	-1.2
P&C										
Automobile insurance	1.3	-15.0	1.7	10.7	9.9	8.8	11.9	11.4	9.7	-4.3
Non-automobile insurance	16.8	16.1	30.5	52.8	25.0	26.3	29.1	7.2	12.6	-10.3
Accident and health insurance	27.0	18.5	12.0	51.0	46.0	36.8	34.2	32.9	40.8	26.6
Total	7.2	-7.9	9.2	21.0	14.8	14.8	17.3	11.4	12.2	-4.2

Source: Ping AN press releases

Chart 5: China Life premium growth

Source: China Life press release

Chart 6: Number of Covid claims



Source: Media reports

Chart 7: Claim amount

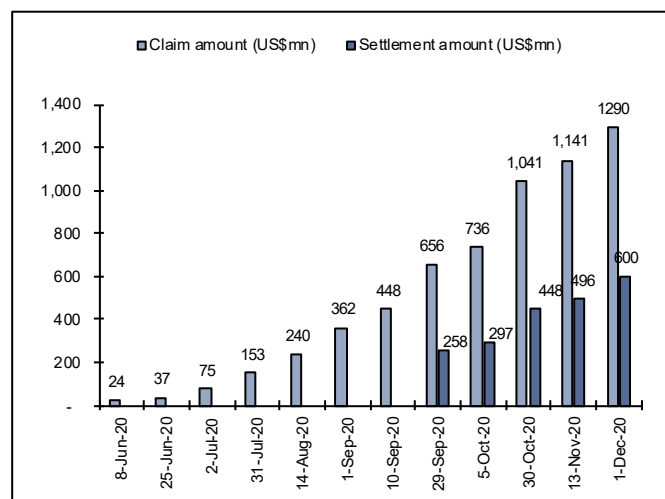


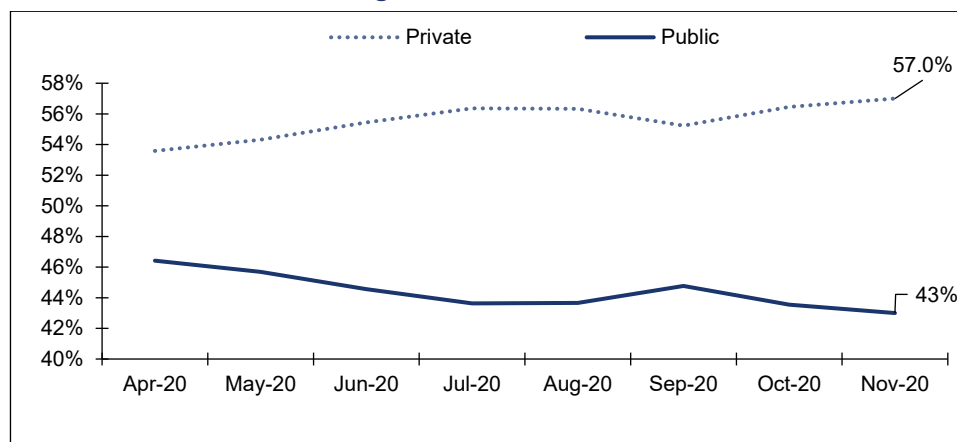
Table 4: Slowly improving auto registrations

('000)	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20
Passenger cars	21	32	128	159	175	192	249	282
2W	319	161	795	886	888	1,012	1,043	1,383
CV	20	2	12	21	27	40	47	50

YoY growth	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	YTD
Passenger cars	-91%	-86%	-37%	-23%	-7%	10%	-8%	2.1%	-31%
2W	-76%	-89%	-41%	-37%	-30%	-13%	-27%	-23%	-50%
CV	-59%	-96%	-72%	-55%	-36%	-2%	14%	-33%	-63%

Source: Vahan

Chart 8: PSU insurers losing market share



Source: GIC Council.

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