

# ICICI Prudential Life Insurance

BSE SENSEX 82,963  
S&P CNX 25,389

**CMP: INR756**      **TP: INR890 (+18%)**      **Buy**



Bloomberg	IPRU IN
Equity Shares (m)	1442
M.Cap.(INRb)/(USDb)	1091.3 / 13
52-Week Range (INR)	773 / 463
1, 6, 12 Rel. Per (%)	-1/12/9
12M Avg Val (INR M)	1256
Free float (%)	26.8

## Financials Snapshot (INR b)

Y/E March	2024	2025E	2026E
Net Premiums	417.6	474.5	544.9
Surplus / Deficit	15.9	16.8	18.9
Sh. holder's PAT	8.5	8.9	11.7
NBP growth unwtd (%)	7.3	16.9	16.2
APE	90.5	112.2	131.0
APE growth - (%)	4.7	24.1	16.8
VNB (INRb)	22.3	27.5	32.8
VNB margin (%)	24.6	24.5	25.0
EV per share	294	351	421
RoEV (%)	18.8	19.5	19.9
Total AUMs (INRt)	2.9	3.5	4.2

## Valuations

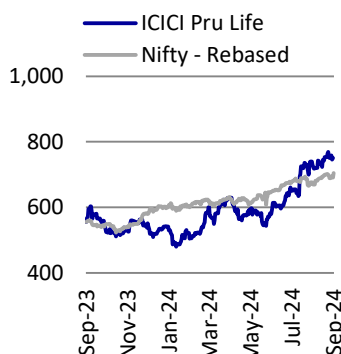
P/EV (x)	2.6	2.2	1.8
P/EVOP (x)	21.8	17.2	14.4

## Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	73.2	73.2	73.3
DII	8.8	8.5	6.3
FII	13.2	13.4	15.4
Others	4.8	4.9	4.9

FII Includes depository receipts

## Stock Performance (1-year)



## Building a robust business model

- IPRU held an analyst meet to outline its granular strategy that has helped it deliver industry-beating growth in the past few months and will be key to maintaining the growth momentum in the medium term.
- The company has reiterated its target to grow at a faster rate than the industry in a profitable manner.
- From Oct'24, new surrender charges will be implemented and the company is getting its products ready to sell in the new environment. With non-linked share at just 17%, the impact would be limited and offset by altering commission structures (mix of trail-based commissions or clawback clause).
- IPRU believes that ULIP, despite being margin-dilutive, offers reasonable returns for limited risks to the balance sheet. Annuity and protection have large growth opportunities.
- Agency, direct and exclusive partners would be the key channels to support growth over the medium term. The company has invested in these channels over the past couple of years, and scale benefits will accrue over the medium term.
- While IPRU aims to grow in lower-tier cities, it is cognizant of varied experiences in terms of mortality, persistency, healthcare access and others. Commensurately it is building an ecosystem to strengthen its underwriting practices.
- IFRS and risk-based capital, if implemented together, will lend more substance to the financial statements, along with the release of capital, which can be used for organic and inorganic growth opportunities.
- Under a composite license (as and when announced), the company would look at varied options, including a partnership with group company ICICI Lombard.
- ICICIPRU is witnessing strong growth in premiums, albeit on a low base of FY24. Sustaining this growth, especially from agency and ex-ICICI banca partners, will drive significant re-rating. Further, the company has been a pioneer in exploring new product and commission constructs. We maintain our BUY rating with a one-year TP of INR890, based on 2.1x FY26E P/EV.

## Developing a holistic strategy to sustain strong growth

- IPRU has seen industry-beating growth of 10%/11.5%/46.8%/34.6% in 3QFY24/4QFY24/1QFY25/Jul-Aug'24 vs. industry growth of 5.9%/0.3%/19.7%/14.5% and private industry growth of 9.4%/2.4%/23.8%/21.8%. IPRU aims to sustain industry-beating growth over the medium term.
- IPRU had introduced a 4P strategy in FY19, which included the focus on premium growth, protection, persistency and productivity. While the share of protection, persistency and productivity across channels improved in the following years, volume growth was restricted due to a slowdown in the ICICI Bank channel. Nevertheless, the company created new channels and products of annuity and protection, leading to the doubling of VNB in four years.
- It further expanded the 4D framework, i.e., Data analytics, Diversified positions, Depth in partnerships and Digitalization. Depth in partnership with banks and agency has to be built for granular growth.

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- IPRU recently introduced the 3C framework: 1) Customer centric 2) Competency, 3) Catalyst. It aims to give customers a seamless onboarding, 24X7 assistance, and the best-in-class servicing and claim settling (industry leading at 99.35% and settlement within 1.2 days). In terms of competency, it is building tools to provide the right product at the right time to meet the dynamic needs of customers. With people as a key catalyst for growth, IPRU is investing in learning and development programs for upskilling its resources.
- The underlying factors behind every innovative product launch by IPRU are: 1) the product should be desirable by customers whether explicitly or implicitly, 2) it should be feasible to be manufactured and distributed, and 3) it should be viable from a profitability perspective.
- Guaranteed Pension Plan (GPP), which has found decent success since its launch, fits across all three parameters. The viability criterion for the product is met via a deferred commission structure. Even for ULIPs, the company believes it earns reasonable margins on the limited risk it brings to the balance sheet.
- Going ahead, annuity and protection segments continue to offer large growth opportunities in the medium term.

#### **Tech and data analytics being used extensively across ecosystem**

- IPRU is investing in technology across its ecosystem – 1) pre-sales, which include lead management system, training platforms and digital demand generation tools; 2) onboarding and issuance – complete digital onboarding tool along with quick policy issuance technology; and 3) providing digital tools for partner integration. It has also developed customer apps, which allow them to access end-to-end service requirements.
- Data analytics is being used across the board, with 1) customer segmentation and ‘right product to right customer’ offering, 2) ML-based upsell/cross-sell propensity models, 3) analytics-driven agent activation, 4) ML-based leads assistance, 5) smart revival identification model, 6) early warning model for customer dissatisfaction, 7) robust claims investigation framework, and 8) robust fraud detection mechanism, among others. IPRU has seen a 71% reduction in cases with higher propensity for fraud claims for savings policies during Oct’23 to Jun’24.

#### **Customer-centric regulations pave way for longer-term growth**

- Regarding the surrender charges regulations, IPRU believes that the impact of the first year surrenders can be offset by higher growth (product will now bear better liquidity) and altered commission structures (trail-based commissions and clawback clauses). IPRU has been proactive and has already launched products with 100% surrender rates and trail commission structures.
- IFRS and risk-based capital, if implemented together, will lend more substance to the financial statements, along with the release of capital, which can be used for organic and inorganic growth opportunities.
- In order to facilitate business expansion, IRDAI has issued favorable regulations such as EOM (which gives flexibility to manage expenses across products and channels), no approvals were required for opening of branches, and faster filing of products enabling quick resets of rates, among others. On the other hand, the Insurance Information Bureau has been strengthened and the quantity and quality of information have improved considerably.

### Strong risk management practices

- IPRU uses AI/ML models along with data analytics for proactive risk management. It led to a ~71% reduction in cases with a higher propensity for fraud claims
- It has developed strong tools for risk management across the customer's journey: 1) ML models to mitigate insurance risk at onboarding stage, 2) IIB data on policies sourced from other insurers, 3) alert/pattern-based field checks for identifying frauds, 4) regular trainings & communications on early claims, 5) industry collaboration for multi-insurance frauds, etc.
- For investment risk management, IPRU has adopted a product approach, which includes 1) articulated portfolio strategy: Benchmarking of funds & use of ALM principles for fund management; 2) investment norms more stringent than set by regulator, 3) Fixed income: Stringent credit focus ensures quality, 4) Equity: Issuer/sector limits in addition to deviation limit vs. benchmark.

### Agency and direct distribution channels to grow faster

- IPRU has a well-diversified distribution channel mix, with the agency and banca channels contributing 29% each, the group and direct channels contributing 15% each, and the balance by partnerships.
- However, it will focus more on growing the share of direct, agency and single-insurer partner at a faster pace.
- A diversified distribution channel will go a long way in terms of reducing the risk, hence IPRU's dependence on ICICI Bank may remain modest.
- It currently has over 216,000 agents and tie-ups with 43 banks with over 21,500 partners at bank branches.
- In the direct channel, the product mix is dominated by ULIPs. IPRU will be focusing more on changing the mix.
- While IPRU aims to grow in the lower-tier cities, it is cognizant of varied experience in terms of mortality, persistency, healthcare access and others. Accordingly, it is building an ecosystem to strengthen underwriting practices.

### Valuation and view

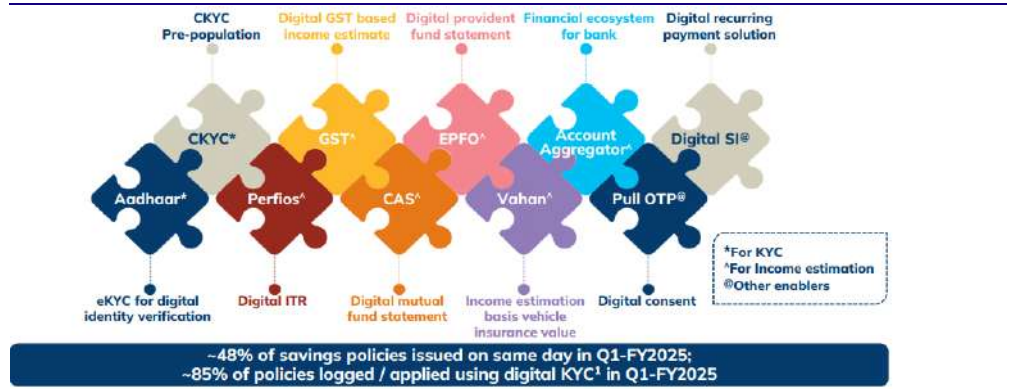
- IPRU has diversified its product mix as well as distribution mix over the past few years. ULIPs have seen increased traction owing to the optimism in the Indian equity markets. Protection momentum is picking up with supply-side pressures easing.
- On the distribution side, the share of the banca channel increased to ~29% in FY24. The company has been investing in the agency and direct channels over the past couple of years.
- IPRU achieved its stated guidance of doubling its FY19 VNB by FY24 and expects healthy growth in VNB to continue, aided by: 1) opportunities in the long-term savings/protection businesses, and 2) improving persistency and cost ratios.
- In FY24, the Protection business accounted for ~17% of total APE, while the Non-Linked business made up 40%.
- **We estimate IPRU to deliver a 21% CAGR in VNB over FY24-26E. VNB growth will be fueled by premium growth and a slight improvement in margins, thereby enabling an operating RoEV of ~20% over FY26E. We reiterate our BUY rating with a TP of INR890 (based on 2.1x Mar'26E EV).**

Exhibit 1: Key parameters

<b>Physical footprint</b>	458 Branches across India	>19,600 Employees	>216,000 Agents <sup>1</sup>	>21,500 Partner bank branches
<b>Digital footprint</b>	>3.0 mn Mobile app downloads	>24.5 mn Website visits <sup>2</sup>	96.2% Self help <sup>2</sup>	98.0% NB application logged digitally <sup>2</sup>
<b>Financial position</b>	₹ 3.17 tn Assets managed <sup>1</sup>	₹ 432.36 bn Total premium <sup>4</sup>	₹ 423.37 bn Embedded value <sup>3</sup>	₹ 1,087 bn Market capitalisation <sup>1</sup>
<b>Social footprint</b>	₹ 35.1 tn In-force sum assured	98.4 mn Lives covered	₹ 397.46 bn Total benefit payout <sup>4</sup>	₹ 317.28 bn Infrastructure investment

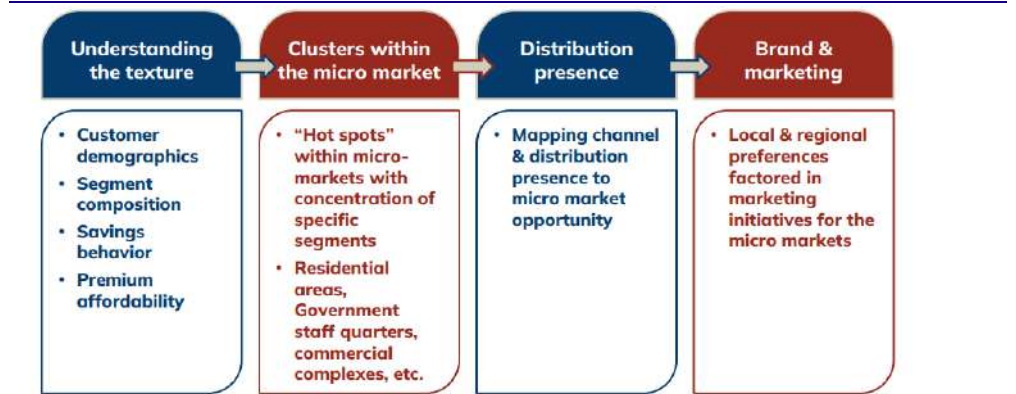
Source: MOFSL, Company

Exhibit 2: Simplified digital onboarding process



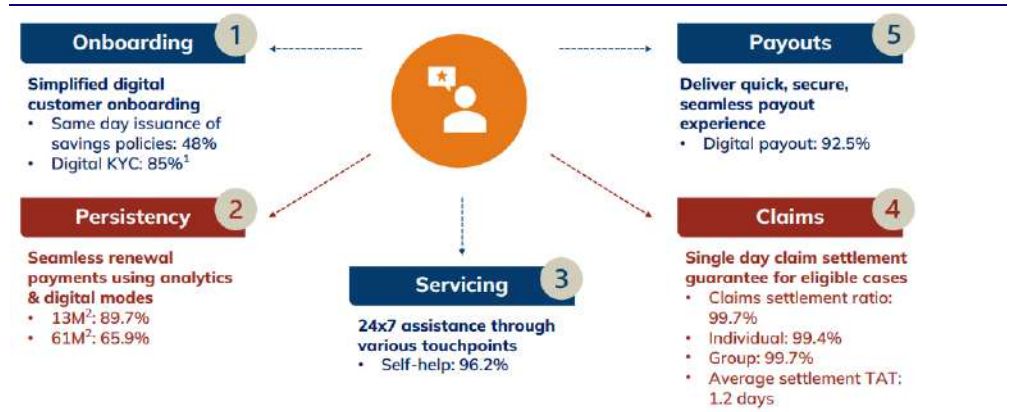
Source: MOFSL, Company

Exhibit 3: Micro-market strategy



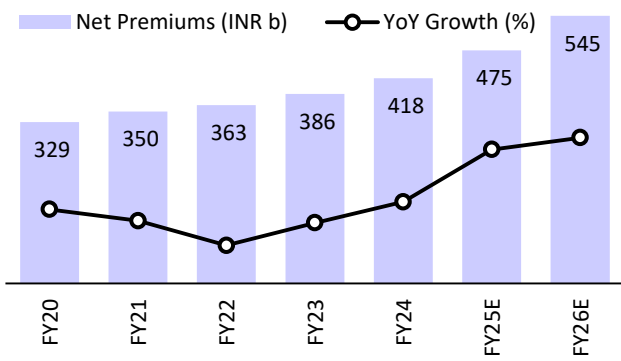
Source: MOFSL, Company

Exhibit 4: Operational efficiency at every stage



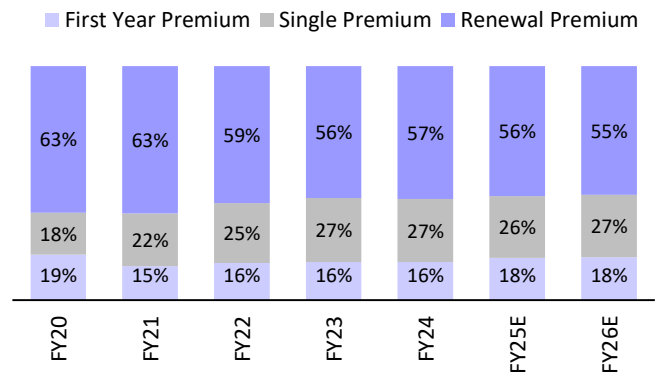
Source: MOFSL, Company

**Exhibit 5: Net Premiums are on an increasing trend**



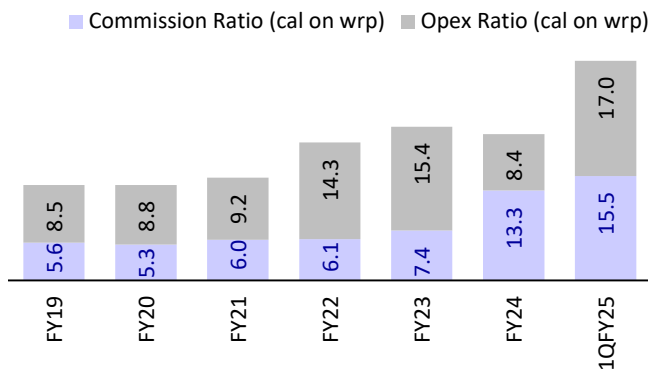
Source: MOFSL, Company

**Exhibit 6: Share of first-year premium is stable at 16% (FY24)**



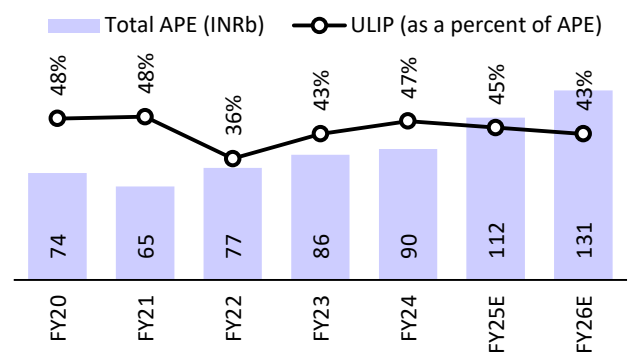
Source: MOFSL, Company

**Exhibit 7: Trend in Commission and Opex ratio**



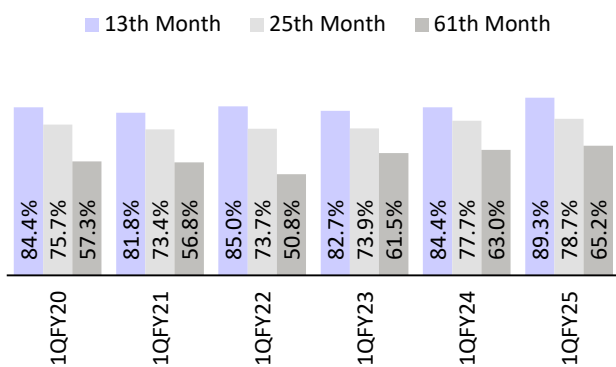
Source: MOFSL, Company

**Exhibit 8: Share of ULIP in total APE rose to 47% in FY24**



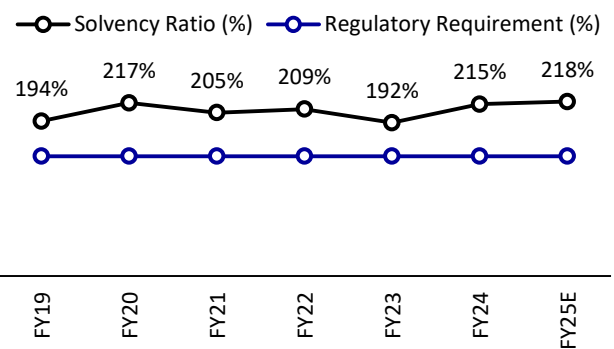
Source: MOFSL, Company

**Exhibit 9: Trend in 13th/25th/61st month persistency**



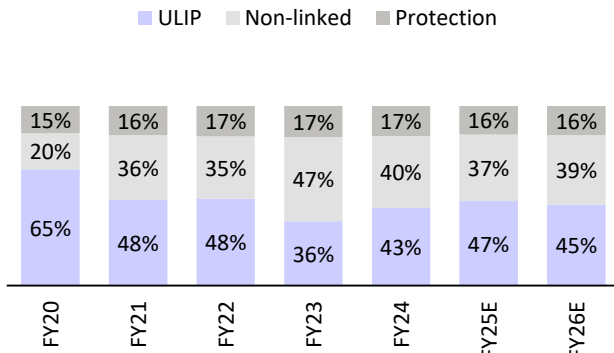
Source: MOFSL, Company

**Exhibit 10: Solvency ratio healthy at 215% FY24, well above the regulatory requirement of 150%**



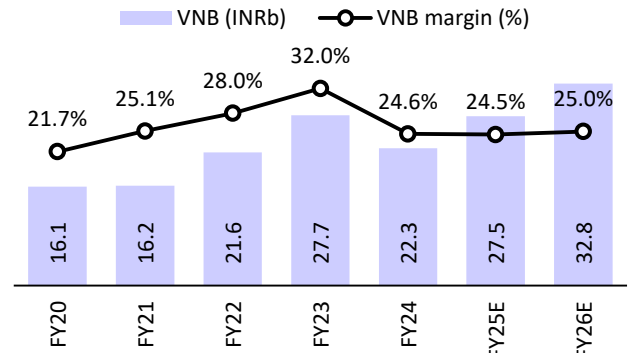
Source: MOFSL, Company

**Exhibit 11: Share of protection stood at 17% of total APE, while share of ULIP was at 43% (FY24)**



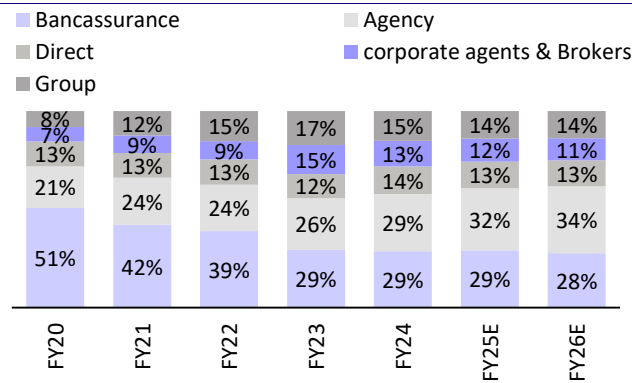
Source: MOFSL, Company

**Exhibit 12: VNB margin declined to 24.6% in FY24 driven by shift in product mix**



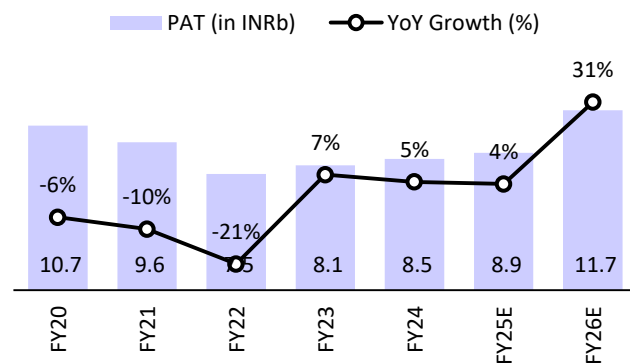
Source: MOFSL, Company

**Exhibit 13: Distribution mix**



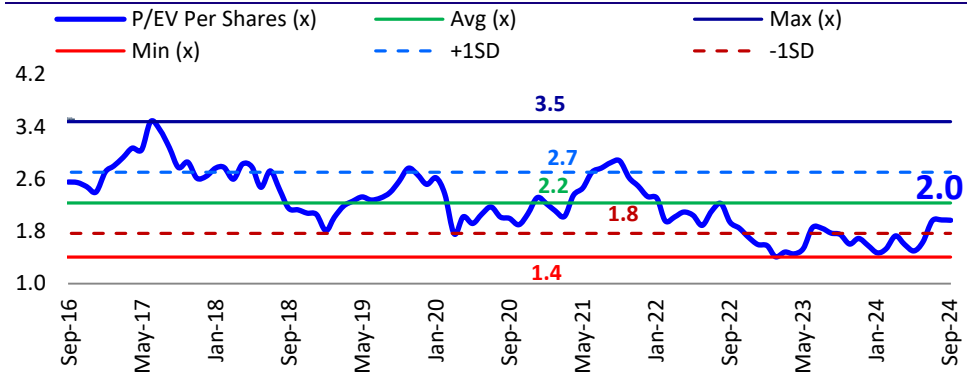
Source: MOFSL, Company

**Exhibit 14: Uptrend in PAT**



Source: MOFSL, Company

**Exhibit 15: One-year forward P/EV chart**



Source: MOFSL, Company

## Financials and valuations

Technical account (INR b)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Gross Premiums	334	357	375	399	432	491	564
Reinsurance Ceded	6	8	11	14	15	17	19
Net Premiums	329	350	363	386	418	475	545
Income from Investments	(125)	474	250	100	465	458	435
Other Income	16	17	23	20	20	21	22
<b>Total income (A)</b>	<b>219</b>	<b>841</b>	<b>636</b>	<b>505</b>	<b>903</b>	<b>954</b>	<b>1,003</b>
Commission	16	15	17	19	37	38	51
Operating expenses	35	33	44	52.44	48	53	60
<b>Total commission and opex</b>	<b>51</b>	<b>48</b>	<b>60</b>	<b>71</b>	<b>85</b>	<b>92</b>	<b>111</b>
Benefits Paid (Net)	194	226	291	308	397	397	358
Chg in reserves	(51)	543	260	100	404	448	514
Provisions for doubtful debts	2	0	0	0.63	(0)	(0)	(1)
<b>Total expenses (B)</b>	<b>196</b>	<b>818</b>	<b>612</b>	<b>480</b>	<b>886</b>	<b>936</b>	<b>982</b>
<b>(A) - (B)</b>	<b>23</b>	<b>22</b>	<b>24</b>	<b>25</b>	<b>17</b>	<b>18</b>	<b>20</b>
Prov for Tax	1	1	2	2	1	1	2
<b>Surplus / Deficit (Calculated)</b>	<b>22</b>	<b>21</b>	<b>22</b>	<b>23</b>	<b>16</b>	<b>17</b>	<b>19</b>

Shareholder's a/c (INR m)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Transfer from technical a/c	20	20	22	20	15	17	19
Income From Investments	7	8	10	9	14	14	16
<b>Total Income</b>	<b>26</b>	<b>28</b>	<b>32</b>	<b>29</b>	<b>28</b>	<b>30</b>	<b>35</b>
Other expenses	1	1	2	2	1	2	2
Contribution to technical a/c	15	16	22	18	18	19	20
<b>Total Expenses</b>	<b>16</b>	<b>17</b>	<b>24</b>	<b>20</b>	<b>19</b>	<b>21</b>	<b>22</b>
<b>PBT</b>	<b>11</b>	<b>11</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>10</b>	<b>13</b>
Prov for Tax	-	1	0	1	1	1	1
<b>PAT</b>	<b>11</b>	<b>10</b>	<b>8</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>12</b>
<b>Growth</b>	<b>-6%</b>	<b>-10%</b>	<b>-21%</b>	<b>7%</b>	<b>5%</b>	<b>4%</b>	<b>31%</b>

Balance sheet (INR b)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Sources of Fund</b>							
Share Capital	14	14	14	14	14	14	14
Reserves And Surplus	58	77	77	87	96	107	123
<b>Shareholders' Fund</b>	<b>72</b>	<b>91</b>	<b>92</b>	<b>101</b>	<b>110</b>	<b>122</b>	<b>137</b>
FV change	(3)	30	28	28	50	-	-
Policy Liabilities	474	602	737	903	1,102	224	495
Prov. for Linked Liab.	880	1,278	1,405	1,352	1,579	3,056	3,437
Funds For Future App.	103	122	118	105	83	90	99
Current liabilities & prov.	33	37	52	57	55	60	66
<b>Total</b>	<b>1,560</b>	<b>2,160</b>	<b>2,432</b>	<b>2,546</b>	<b>2,978</b>	<b>3,553</b>	<b>4,234</b>
<b>Application of Funds</b>							
Shareholders' inv	74	101	99	99	106	122	140
Policyholders' inv	468	636	774	943	1,143	1,403	1,770
Assets to cover linked liab.	971	1,385	1,509	1,441	1,648	1,912	2,199
Loans	5	7	9	13	18	19	21
Fixed Assets	5	5	5	6	7	8	8
Current assets	38	39	49	57	68	75	82
<b>Total</b>	<b>1,560</b>	<b>2,160</b>	<b>2,432</b>	<b>2,546</b>	<b>2,978</b>	<b>3,553</b>	<b>4,234</b>

## Financials and valuations

<b>APE mix (%)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>
Savings	85	84	83	83	83	84	84
ULIP	65	48	48	36	43	47	45
Non-linked	20	36	35	47	40	37	39
Protection	15	16	17	17	17	16	16
<b>Total APE</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Distribution mix (%)</b>							
Bancassurance	51	42	39	29	29	29	28
Agency	21	24	24	26	29	32	34
Direct	13	13	13	12	14	13	13
corporate agents & Brokers	7	9	9	15	13	12	11
Group	8	12	15	17	15	14	14
<b>Profitability ratios</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>
VNB margin (%)	21.7	25.1	28.0	32.0	24.6	24.5	25.0
RoE (%)	15.0	11.8	8.3	8.4	8.1	7.7	9.0
RoIC (%)	22.2	21.5	17.0	18.1	19.4	20.3	26.6
Operating ROEV (%)	15.2	15.2	11.0	17.4	14.1	15.0	15.0
RoEV (%)	6.5	26.4	8.7	12.7	18.8	19.5	19.9
<b>Valuation ratios</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>
Total AUMs (INR b)	1,530	2,142	2,405	2,512	2,942	3,512	4,204
Dividend payout ratio (%)	31.6	-	38.1	9.8	10.1	32.3	32.1
EPS (INR)	7.4	6.7	5.2	5.6	5.9	6.2	8.1
VNB (INR b)	16.1	16.2	21.6	27.7	22.3	27.5	32.8
EV (INR b)	230.2	291.1	316.2	356.3	423.3	506.0	606.6
EV/Per share	160.3	202.7	220.0	247.7	293.8	351.2	421.1
P/AUM (%)	71%	51%	45%	43%	37%	31%	26%
P/EV (x)	4.7	3.8	3.5	3.1	2.6	2.2	1.8
P/EPS (x)	101.8	113.4	144.5	134.5	128.1	122.6	93.6
P/EVOP (x)	33.2	31.1	34.2	19.9	21.8	17.2	14.4

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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