Equity Research

June 24, 2020

BSE Sensex: 34869

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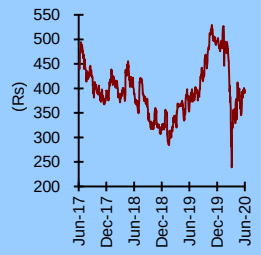
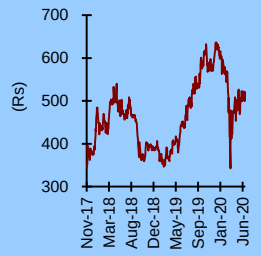
Monthly update

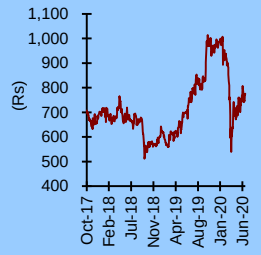
ICICI Pru-Life (BUY)



HDFC Life (BUY)



SBI Life (BUY)



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INDIA

ICICI Securities

Life insurance

Term protection price hikes lower for 'return of premium' segment

Prices of term protection plans have been steadily hiked by most life insurers. We compare term pricing (without and with return of premium options) for major insurers over the past three months. The rate increase has been relatively less for return of premium (RoP) products. With RoP accounting for ~80% of protection mix, SBI Life has until now managed to avoid price hikes and Max Life has taken small hikes. Tata AIA has taken most aggressive hikes across its suite of products followed by IPRU Life and HDFC Life.

Term pricing (without return of premium): We compare a range of sum insured from Rs5mn to Rs50mn. We have indexed all rates to old premium on Rs5mn sum assured, without return on premium for IPRU Life, which we take as 100 on our scale.

- TATA AIA has taken price hike in the range of 26% to 47%.
- SBI Life has not taken price hikes between Apr'20 and Jun'20.
- IPRU Life has taken price hikes in lower sum insured buckets while HDFC Life has taken prices in higher.
- Max Life has taken muted price hikes in lower sum insured buckets only.

Table 1: Rate comparison and growth within term premium segment

Term Premium rates (On the scale of 100, for Male, 35yrs of age, non-smoker and policy term of 30yrs and residing in Maharashtra)									Change in Premium			
	old rates	new rates	old rates	new rates	old rates	new rates	old rates	new rates				
Insurers	**5mn**		**10mn**		**30mn**		**50mn**		**5mn**	**10mn**	**30mn**	**50mn**
IPRU Life	100	141	175	212	452	457	718	722	41%	21%	1%	1%
HDFC Life	100	106	175	187	423	561	671	936	6%	7%	33%	39%
Max Life	82	89	150	162	394	394	641	641	8%	8%	0%	0%
TATA AIA	95	121	153	211	430	632	717	1,053	26%	38%	47%	47%
SBI Life	114	114	201	201	603	603	1,005	1,005	0%	0%	0%	0%
BALIC	na	93	na	169	na	477	na	795				

We have indexed rates to old premium (as on 10th Apr'20) on Rs5mn sum assured, without return on premium for IPRU Life, which we take as 100. Source: PolicyBazaar; Rates as of 24th Jun'20.

Term pricing (with return of premium): We compare a range of sum insured from Rs5mn to Rs50mn. We have indexed all rates to old premium on Rs5mn sum assured, without return on premium for IPRU Life, which we take as 100.

- Most companies have announced limited price hikes in the RoP category apart from Bajaj Allianz (BALIC). BALIC announced a hike of 39% in Jun'20 with life cover of Rs5mn and Rs10mn as it had a low base.
- TATA AIA has hiked rates by 14% across segments. IPRU has taken price hikes in the range of 11-16%. SBI Life and PNB Metlife have not increased rates.

Table 2: Rate comparison and growth within ROP segment

Term Premium (On the scale of 100, for Male, 35yrs of age, non-smoker and policy term of 30yrs and residing in Maharashtra)									Change in Premium			
	old rates	new rates	old rates	new rates	old rates	new rates	old rates	new rates				
Insurers	**5mn**		**10mn**		**30mn**		**50mn**		**5mn**	**10mn**	**30mn**	**50mn**
IPRU Life	100	116	129	143					16%	11%		
MAX Life	63	63	109	109	263	263	433	433	0%	0%	0%	0%
TATA AIA	54	62	92	105	277	315	461	526	14%	14%	14%	14%
BALIC	49	68	90	125					39%	39%		
PNB Metlife					363	363	606	606			0%	0%
SBI Life	na	193	na	385	na	1,156	na	1,926				

We have indexed rates to old premium (as on 10th Apr'20) on Rs5mn sum assured, without return on premium for IPRU Life, which we take as 100. Source: PolicyBazaar; Rates as of 24th Jun'20

SBI charges highest for longer duration, while TATA AIA charges lowest followed by Bajaj.

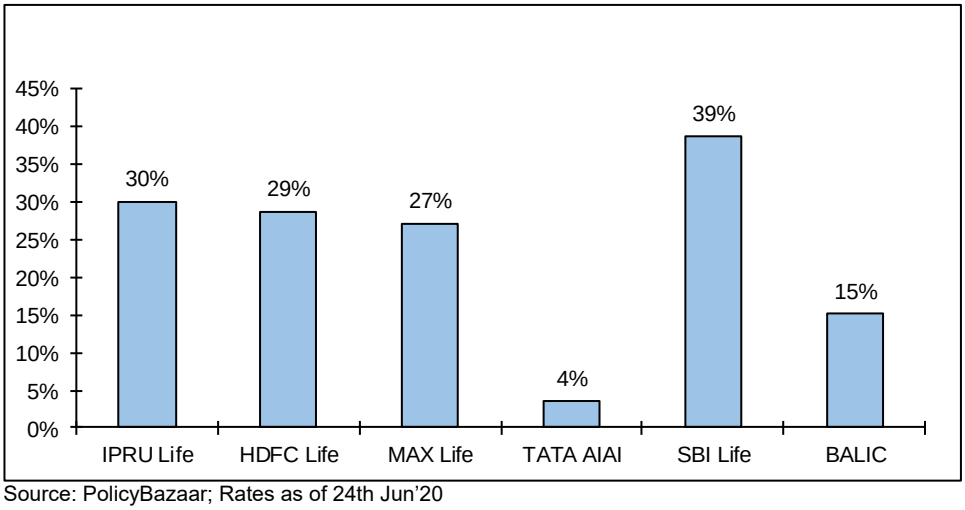
IPRU Life, HDFC Life and Max Life have similar rate differential for longer duration plans.

Table 3: Current rate comparison across tenures for Rs10mn and Rs20mn life covers

	Term rates (for Male, 35yrs of age, non-smoker and residing in Maharashtra)			
Policy term	**30yrs**	**40yrs**	**30yrs**	**40yrs**
Sum insured (Rs per annum)	10mn		20mn	
IPRU Life	16,423	21,439	25,077	32,480
HDFC Life	14,466	18,614	28,932	37,229
Max Life	12,508	15,812	22,184	28,320
TATA AIA	16,284	16,874	32,568	33,748
SBI Life	15,542	21,536	31,082	43,070
Bajaj Allianz	13,099	15,064	25,387	29,240

Source: PolicyBazaar; Rates as of 24th Jun'20

Chart 1: Premium difference between 30 years and 40 years premium rates



Source: PolicyBazaar; Rates as of 24th Jun'20

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