

ICICI Prudential Life Insurance Company Limited

Instrument/Facility	Amount in INR Crores	Rating Action (March 2016)
Claims Paying Ability	-	iAAA Reaffirmed

ICRA has reaffirmed the claims paying ability rating of iAAA for ICICI Prudential Life Insurance Company Limited (ICICI Prudential). The claims paying ability rating indicates a fundamentally strong position and that the prospect of meeting policyholder obligations is best. The rating takes into account the strong parent support from ICICI Bank Limited (ICICI Bank; Rated at [ICRA]AAA with a stable outlook) & Prudential PLC (Prudential; Rated at A2¹ with a stable outlook by Moody's), the company's position as the country's largest private sector life insurer, its strong bancassurance channel, healthy profitability metrics and comfortable solvency levels. Majority of the business of the company is linked premium business (84.6%² in 9MFY2016) which provides comfort as the market risk is borne by the policyholder and the capital requirements are much lower. ICICI Prudential's ability to comply with multiple regulatory changes while maintaining growth and profitability targets will remain a key determinant.

ICICI Prudential derives significant synergies from its major shareholder ICICI Bank in the form of strong business flows through the bancassurance channel which leverages the bank's extensive distribution reach. Its other parent, Prudential, brings in strong operational and risk management expertise, thereby assisting in building/maintaining robust systems & processes. In addition to the bancassurance channel, ICICI Prudential has an extensive distribution network with a healthy mix of various channels thereby avoiding dependence on a single channel for sourcing business. ICICI Prudential has consolidated its agency and branch network in the past few years in order to improve productivity and control costs. The company has also been investing in IT infrastructure and intends to leverage the IT ecosystem for the entire policyholder life-cycle. The sourcing continues to be driven majorly by the bancassurance channel and, as on 9MFY2016, the proportion of individual business³ from this channel stood at 62% (59% in FY2015).

During 9MFY2016, ICICI Prudential registered a healthy growth of 27.7% YoY in gross premium collections with renewal premium collections growing at 24.8%YoY. In terms of new business APE⁴, the company witnessed a rise of 11% to Rs 3,494 crores in 9MFY2016 from Rs. 3,146 crores in 9MFY2015. The company's operations continue to reflect moderate geographic concentration risk with the top 5 states contributing 56% to the total individual new business premium during 9MFY2016 (vis-a-vis 55% during 9MFY2015). During FY2015, the company had witnessed a substantial growth in linked premiums on the back of the capital market rally. Consequently, the linked premium proportion increased to 84.8% in FY2015 from 66.5% in FY2014. The Policyholder's Investments book grew by around 30% during FY2015 and registered a relatively lukewarm growth (of around 9%) during 9MFY2016 while the proportion of linked premium remained stable at 84.6%. The company's persistency ratio has been improving over the last 2-3 years. The 13th month persistency improved to 81% in 9MFY2016 from 77% in 9MFY2015 while in FY2015, it stood at 79%.

The extensive use of technology enabled the company to mildly reduce its total expense ratio⁵ (to 16.0% for 9MFY2016 as compared to 16.9% for 9MFY2015). Consequently, during 9MFY2016, the company generated a PAT of Rs. 1247 Crores with an RoE of 34.5% (vis-a-vis a PAT of Rs. 1243 Crores and an RoE of 34.5% in 9MFY2015).

The company remains adequately capitalized, with a regulatory solvency ratio of 3.20 times as on Dec 31, 2015 (as compared to a regulatory minimum of 1.50 times). The company would not require capital over the medium term given the strong accruals and relatively higher proportion of ULIPs in its portfolio mix where the investments risks are borne by the policy holder. It also has strong cushion in the form of parent support for infusing capital to meet any exigencies to support growth and solvency margins.

¹ As at September 30, 2015

² Retail weighted received premium (RWRP) basis

³ Retail weighted received premium (RWRP) basis

⁴ Annualized Premium Equivalent is defined as a sum of annualized first year premium and 10% of single premium during a given period

⁵ Calculated on Total Weighted Premium, excluding unit costs



Company Profile

ICICI Prudential Life Insurance Company Limited (ICICI Prudential) is a joint venture between ICICI Bank - one of India's foremost financial services companies and Prudential PLC - a leading international financial services group headquartered in the United Kingdom. Total capital infusion stands at Rs. 4,821 Crores, with ICICI Bank holding a stake of 68%⁶ and Prudential PLC holding 26%. Incorporated in December 2000, the company has a nation-wide team comprising ~520 branches and over 1.4 lakh agents as on December 31 2015.

Recent Results

During 9MFY2016, ICICI Prudential reported net profits of Rs. 1247 Crores on a net premium of Rs. 12,655 Crores with a solvency ratio of 3.20 times as on December 31, 2015.

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⁶ As on March 31, 2016

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