

Private players pip LIC in FY16 APE growth

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Big insurers saw positive APE growth in Oct

Life Insurance Corporation of India (LIC) saw its annual premium equivalent (APE) grow below private players in the current financial year. According to the Kotak Institutional Equities Research, private players reported on-year growth of 18% at R10,927.6 crore in APE while LIC saw its growth at 5% at R13,299.2 crore for the April-October period.

Market participants said one of the reasons for average performance of LIC can also be attributed to falling number of individual agents and big drop in individual business premiums. LIC reported high (63% yoy) growth in the individual APE segment on a low base (50% yoy decline in October 2014). On a month-on-month basis, LIC was down 9%, it had reported 10% y-o-y decline in 1HFY16, according to the Kotak Institutional Equities Research report.

However, in October, things have turned positive for the insurance industry, as a pick-up in both unit-linked insurance plans (Ulips) and traditional plans boosted the APE to 22% year-on-year at R1,657.8 crore for private players.

According to Kotak Institutional Equities Research, “Growth has picked up across players and it now appears that the weakness in September 2015 was an aberration. We expect growth rate for private players to moderate over the next few months, as the base of 2HFY15 is higher. On a low base of October 2014, LIC reported high (63% yoy) growth.”

Most big insurance companies such as HDFC Life, Kotak Life Insurance, SBI Life, Tata AIA, and Max Life witnessed positive APE growth. Manoj Kumar Jain, CEO and whole time director at Shriram Life Insurance Co, said, “If we look at overall numbers for the industry its quite encouraging for the month of October. Industry has received participation from traditional policies as well as unit-linked plans.”

Data from the Life Insurance Council shows that private insurance companies grew by 26.90% year-on-year in new premiums to R19,888.55 crore in the current financial year. “Though the numbers look positive, but growth has been coming only in the group insurance business. Insurance industry needs more branches and agents in order to grow further. But as of now, large part of the premium is coming through Ulips,” CEO of a leading insurance company said.

Source : The Economic Times