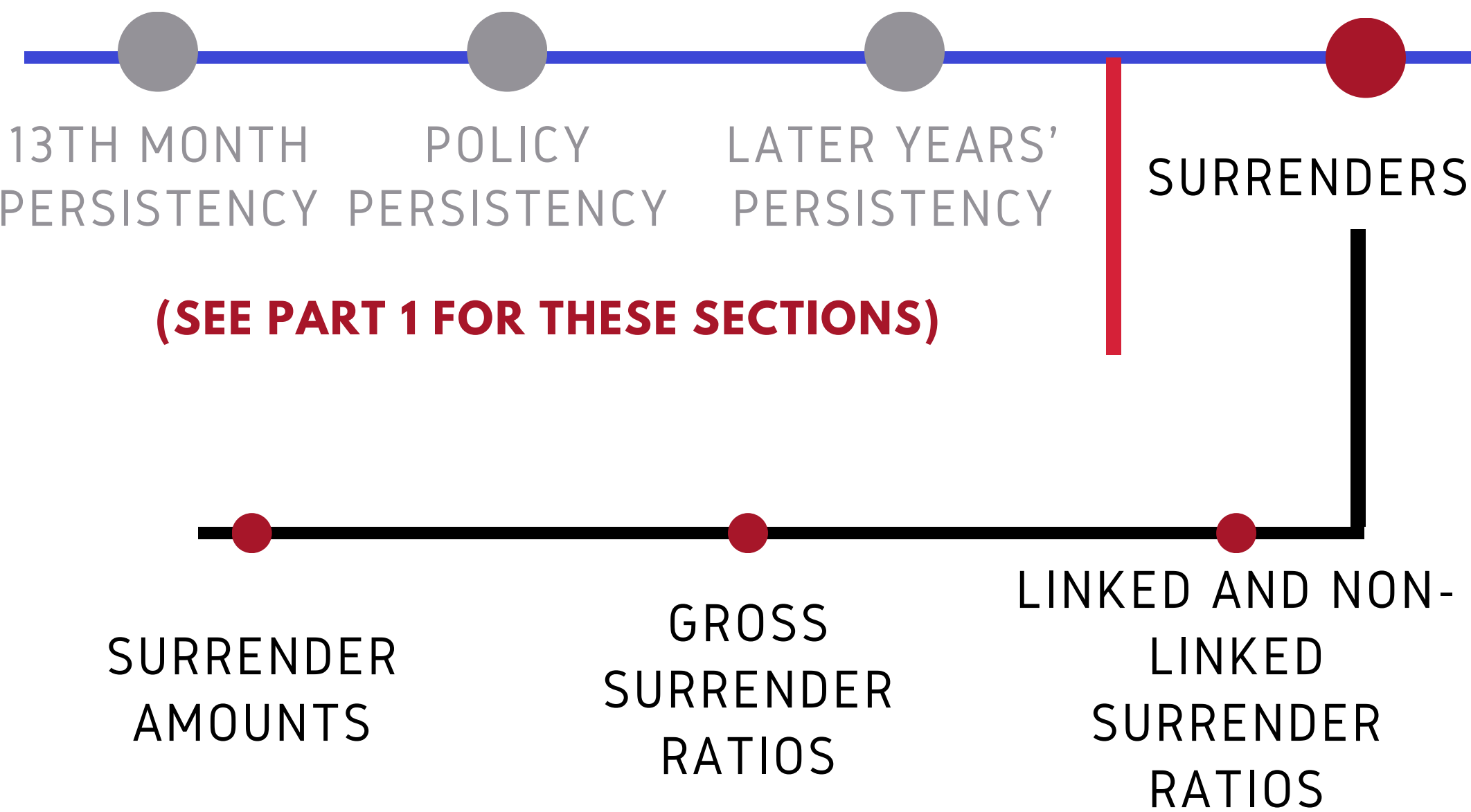


LIFE INSURANCE CUSTOMER RETENTION DASHBOARD

9M- FY'23
(2 OF 2)

CONTENTS



Prelude...

SURRENDER

- VOLUNTARY EARLY EXIT FROM LIFE INSURANCE CONTRACT
- SURRENDER LEADS TO SIGNIFICANT LOSS OF VALUE VS. STAYING TILL MATURITY, ESP. IN TRADITIONAL SAVINGS POLICIES
- PURE LIFE INSURANCE (TERM) POLICIES MOSTLY HAVE NO SURRENDER VALUE

FOR THE PURPOSE OF THIS POST, PARTIAL WITHDRAWAL AND LAPSE TERMINATION ARE ALSO CONSIDERED IN "SURRENDER" BUCKET

INR 1485 **BN**

SURRENDERS IN 9M FY'23
FOR LIC + TOP 10 PRIVATE
PLAYERS

WHICH IS...

57%

OF TOTAL NEW BUSINESS
PREMIUM COLLECTED BY THEM IN
THE SAME PERIOD

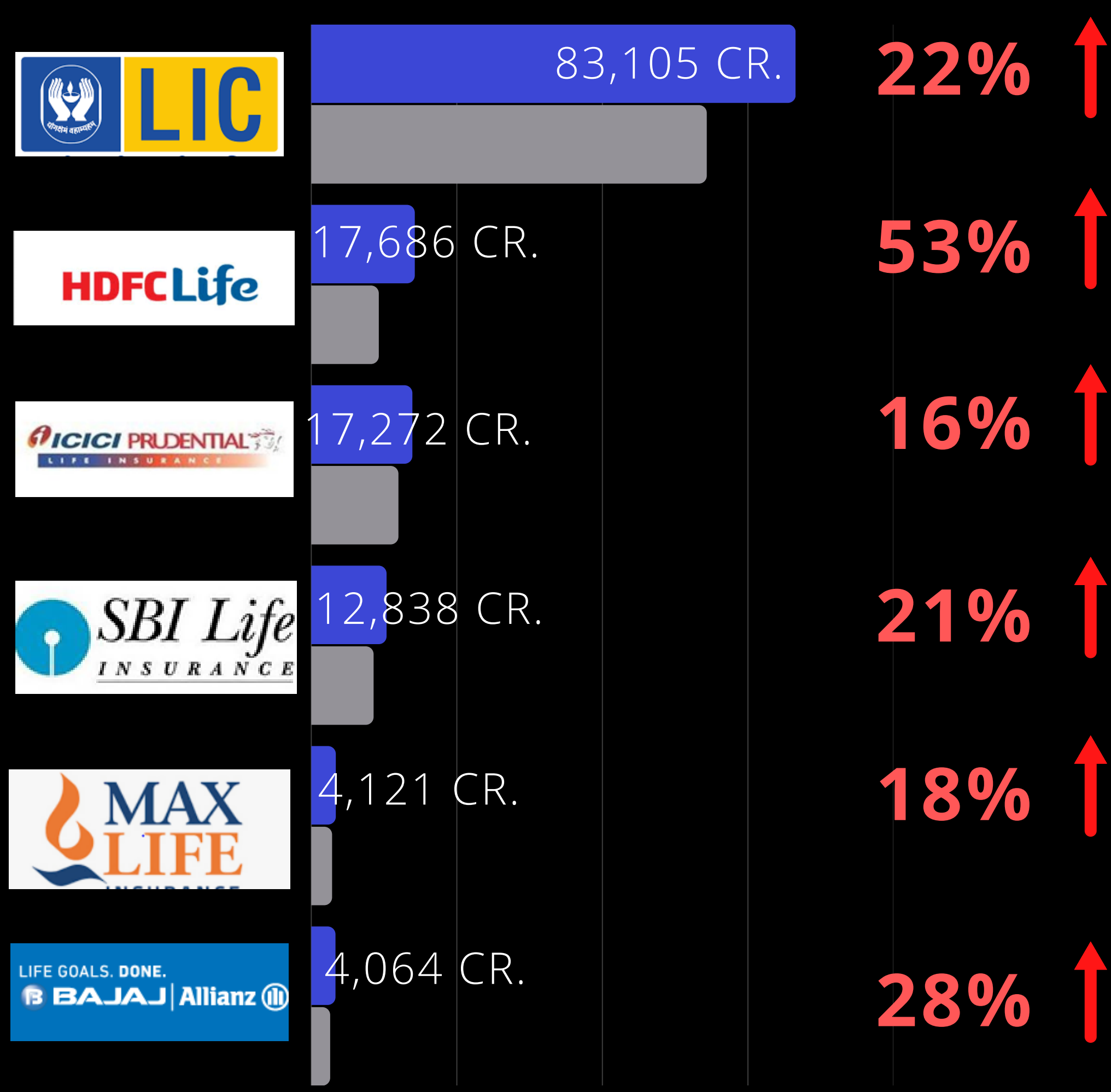
Notes:

- Includes group business figures
- Pvt. insurers ranked by individual weighted new business premiums for 9M FY'23

23%

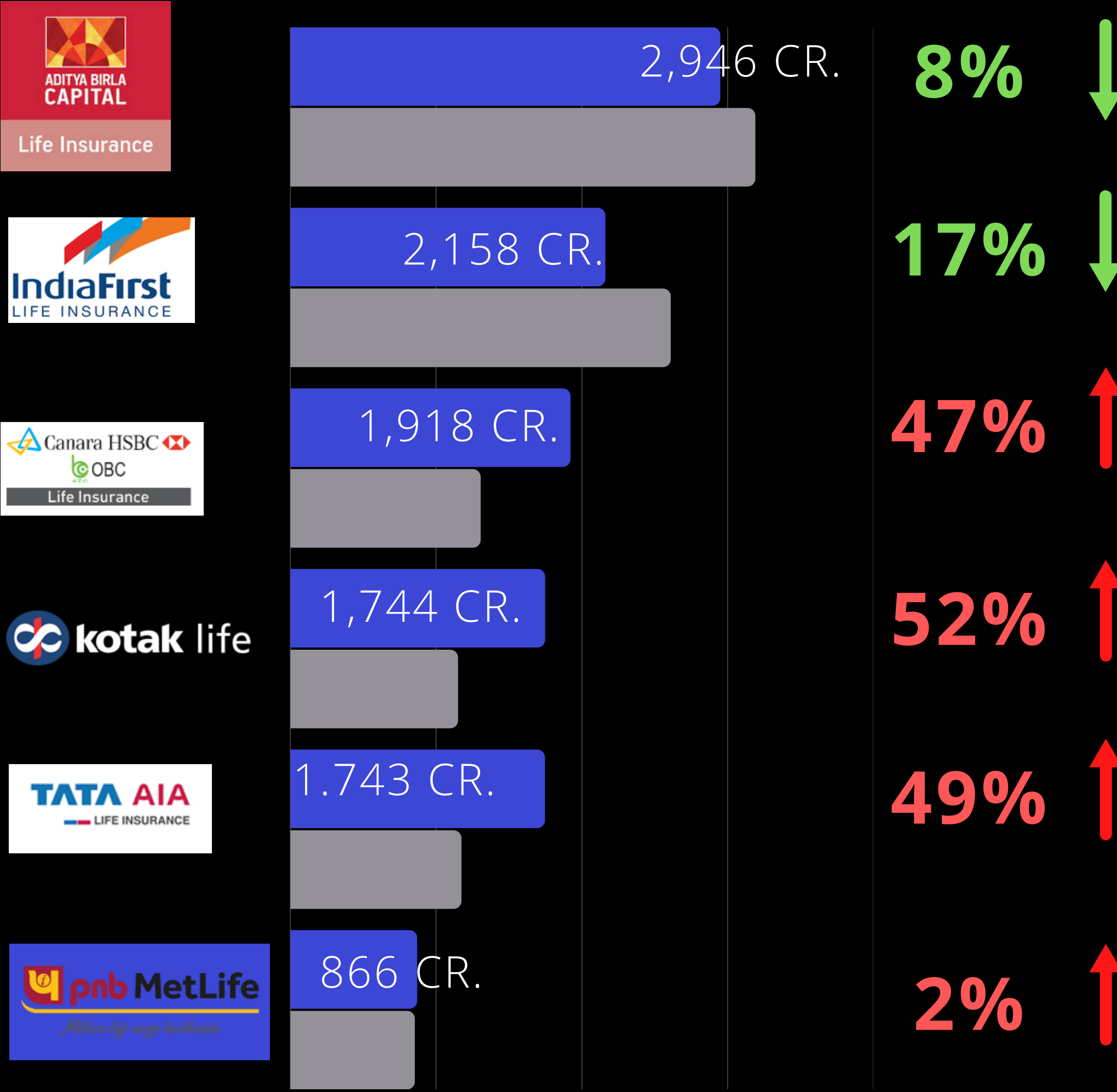
GROWTH IN SURRENDER
AMOUNT VS. 9M OF LAST YR.
(LIC + TOP 10 PVT.)

MASSIVE RISE IN SURRENDERS ACROSS TOP INSURERS (Y-O-Y)



Note: Includes group business figures, partial withdrawals and lapse terminations

...WITH SOME EXCEPTIONS



Note: Includes group business figures, partial withdrawals and lapse terminations

GROSS SURRENDER RATIOS

SURRENDERS IN RELATION
TO BOOK SIZE (AUM)

WHAT ARE WE TRYING TO COMPUTE

- SURRENDERS OF EACH INSURER IN THE QUARTER AS A % OF THEIR END OF PERIOD FUND SIZE (AUM) $\times \frac{4}{3}$ (FOR ANNUALISING)
- **CRUDE MEASURE** BUT COMPARABLE AND EASILY DERIVABLE FROM PUBLIC DISCLOSURES

GROSS SURRENDER RATIOS RISING SHARPLY FOR MOST LARGE INSURERS VS. LAST YR



2.6% | 26 bps up
over last yr.



10.7% | 239 bps up



9.6% | 87 bps up



6.0% | 19 bps up



6.9% | 104 bps up



4.8% | 10 bps up



3.6% | 66 bps up

Note: Includes group business figures, partial withdrawals and lapse terminations | HDFC Life figures on post merger basis.

MIXED BAG FOR MID-SIZED INSURERS



6.1% | 149 bps
lower over last yr.



14.3% | 584 bps
down



4.1% | 100 bps up



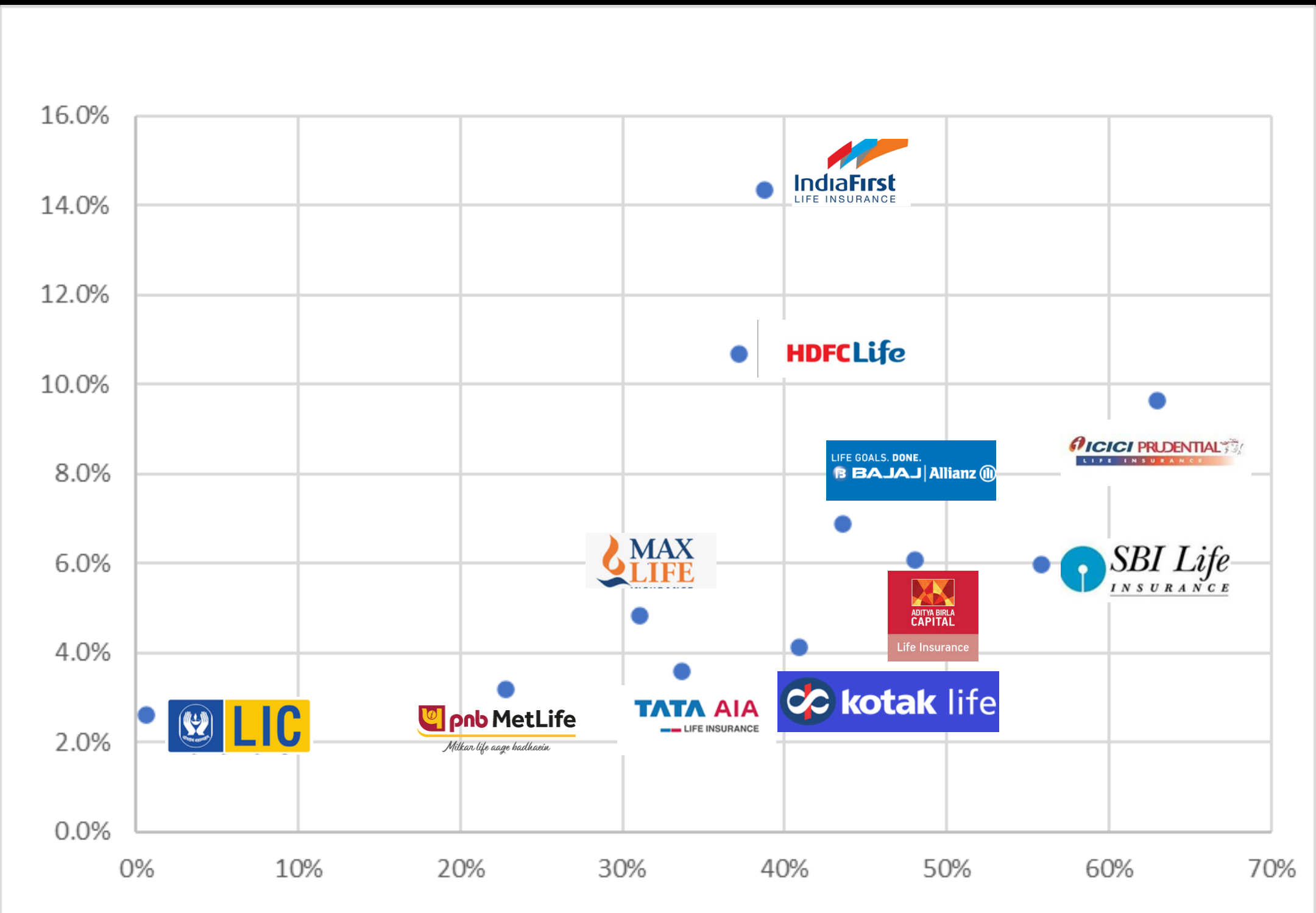
9.1% | 190 bps up



maintains the lowest ratio
(3.2%) among top 10 pvt. insurers

Note: Includes group business figures, partial withdrawals and lapse terminations

GROSS SURRENDER RATIOS & LINKED PRODUCT MIX IN AUM



% OF LINKED IN AUM 

Higher linked mix naturally leads to higher gross surrender ratios

SWIPE >> TO KNOW MORE

Note: Includes group business figures, partial withdrawals and lapse terminations

SPLITTING BY PRODUCT TYPE

LINKED AND NON-LINKED
SURRENDER RATIOS

WHY WOULD PRODUCT TYPE MATTER?

- LINKED PLANS (ULIPS)
HAVE A LOCK-IN PERIOD
BUT **NO CHARGES ON
SURRENDER** (BY
REGULATION) POST THAT
- LOW SURRENDER VALUES IN
NON-LINKED PLANS
**INHERENT DISINCENTIVE
FOR SURRENDER**

LINKED SURRENDER RATIOS UP SHARPLY

EXPECTED DUE TO EQUITY MARKET
VOLATILITY AMONG OTHER FACTORS



14.5% linked
surrender ratio | 199
bps up Y-o-Y
94% OF SURRENDERS FROM LINKED



6.6% | 28 bps up
62% OF SURRENDERS FROM LINKED



11.4% | 192 bps up
72% OF SURRENDERS FROM LINKED

Note: Includes group business figures, partial
withdrawals and lapse terminations

Our definition of 'Surrender' includes group business figures, partial withdrawals and lapse terminations

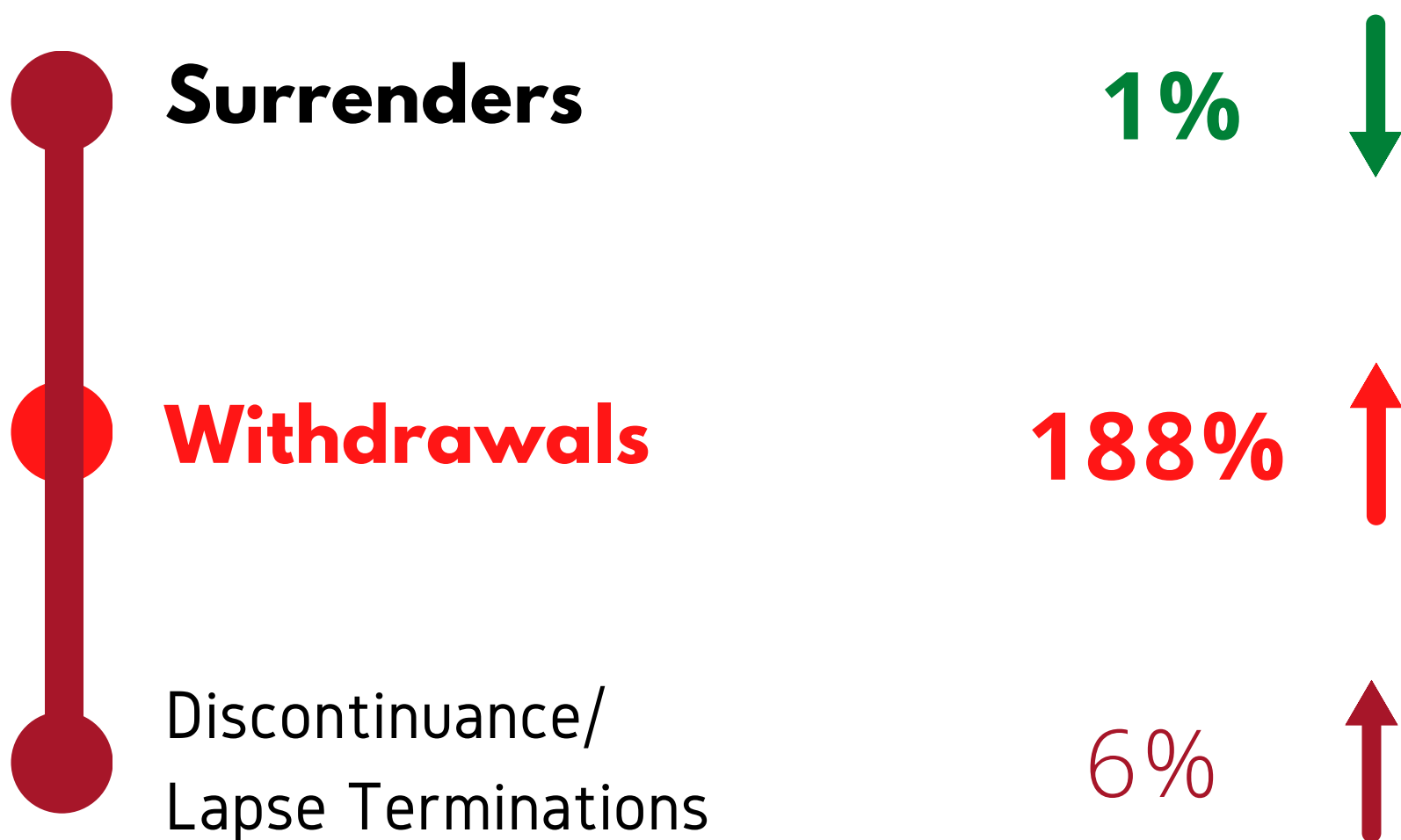
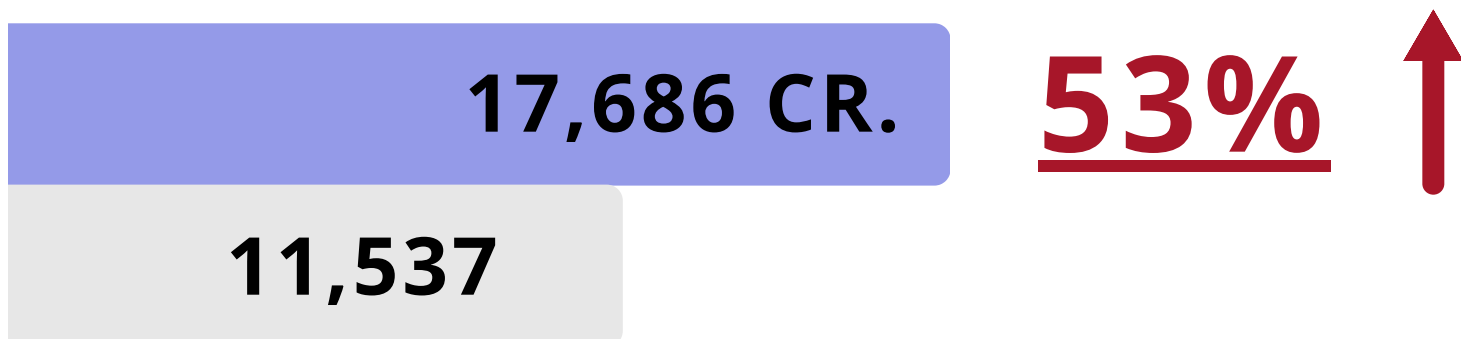


Let's deep-dive into specific insurers to understand their 'Surrender' better

SWIPE >> FOR DETAILS

HDFC Life

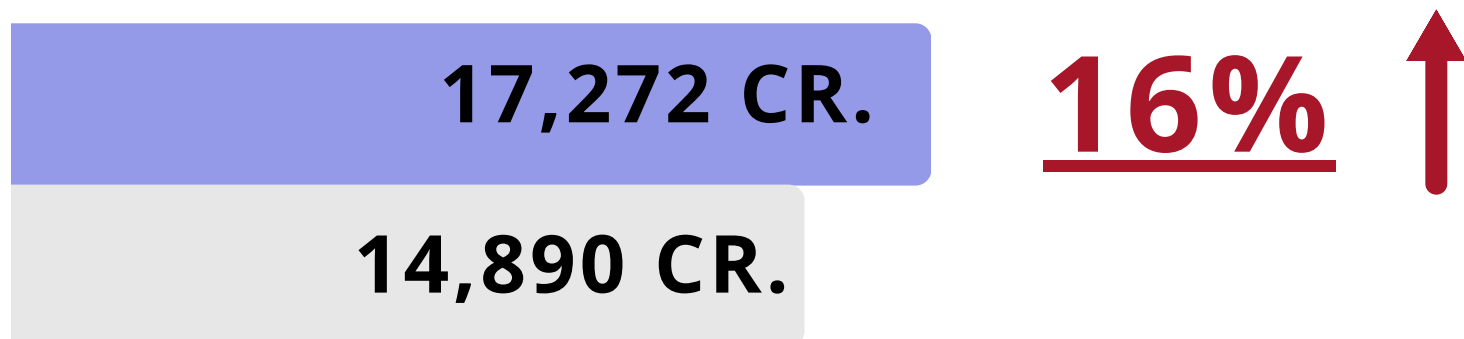
Overall numbers up sharply



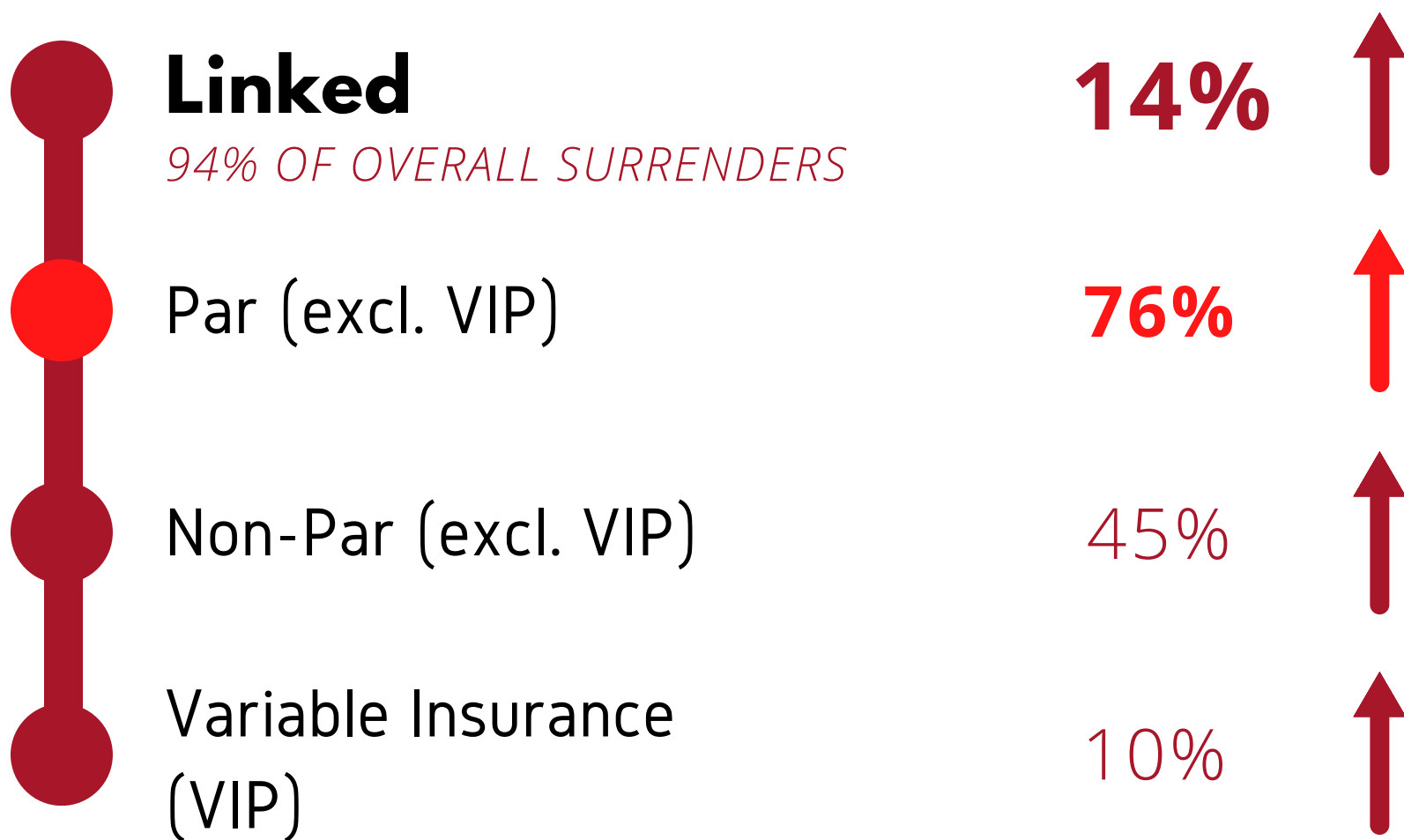
- The insurer has a large group funds business but does not disclose group surrenders/withdrawals separately.
- The huge jump in withdrawal could be due to withdrawal of group funds by institutional customers



Overall surrenders up



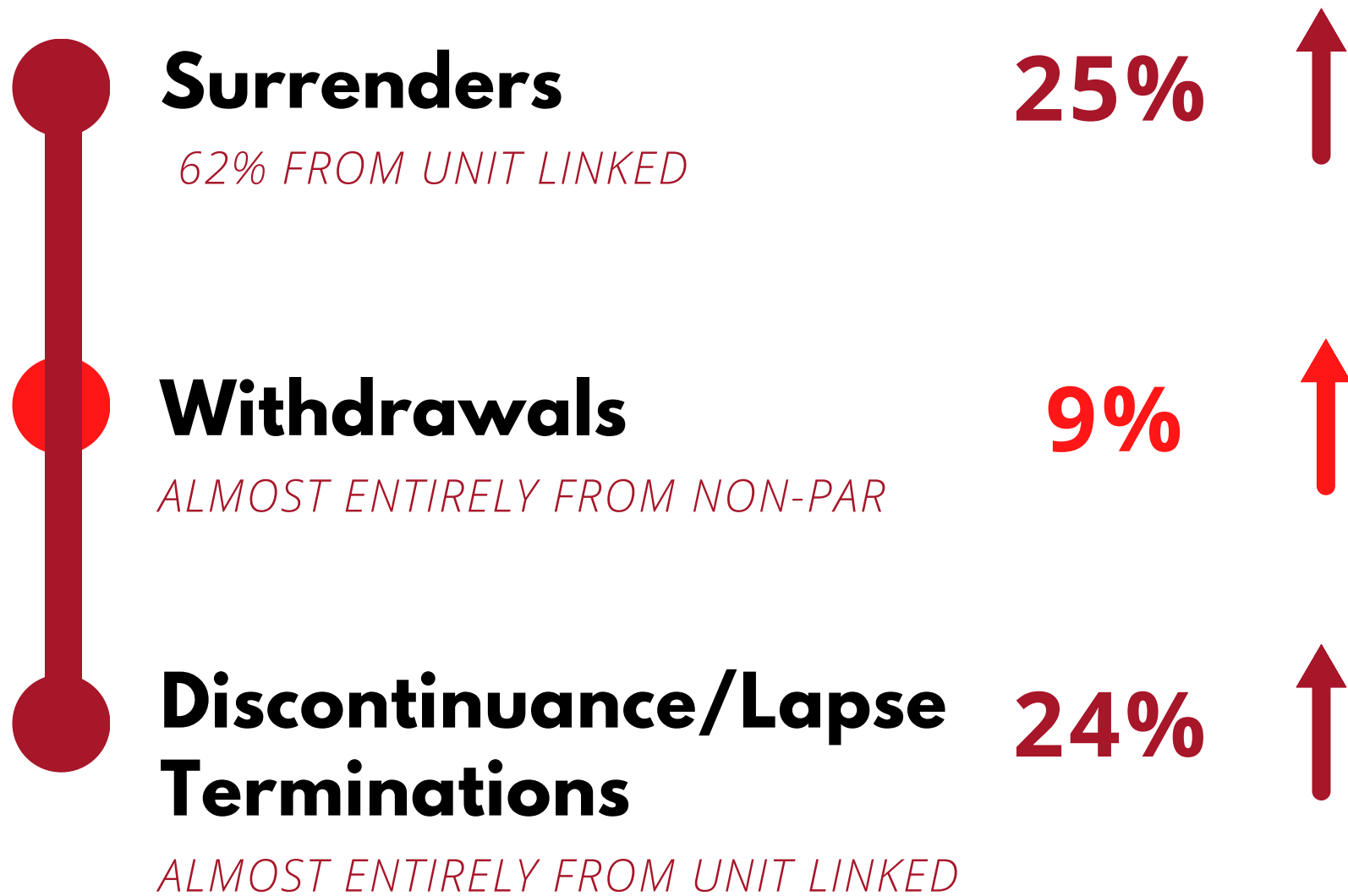
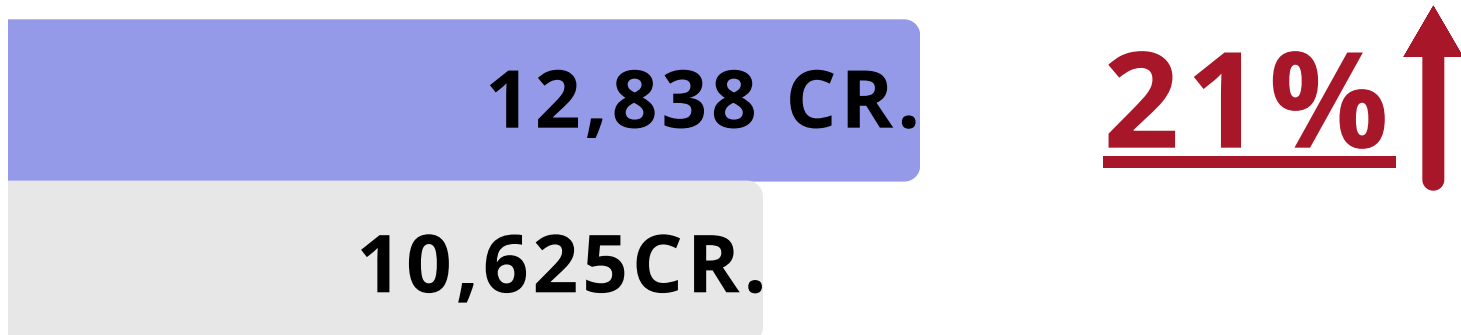
Given data availability, let's break surrenders *including* withdrawals by product type



- Like HDFC Life, ICICI Pru also has a large group funds business for which separate figures are not available
- Variable insurance (VIP) is likely to be almost entirely group funds



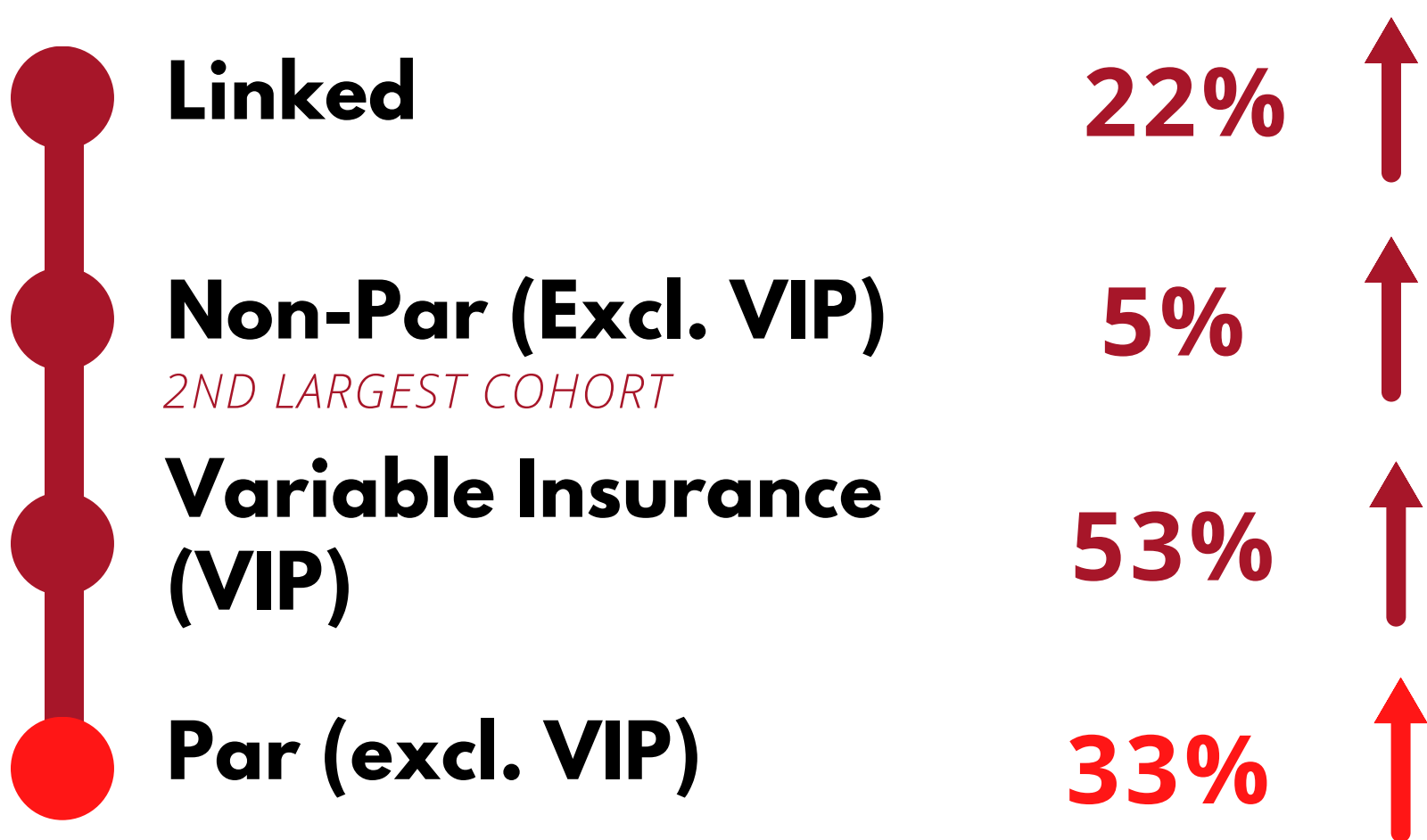
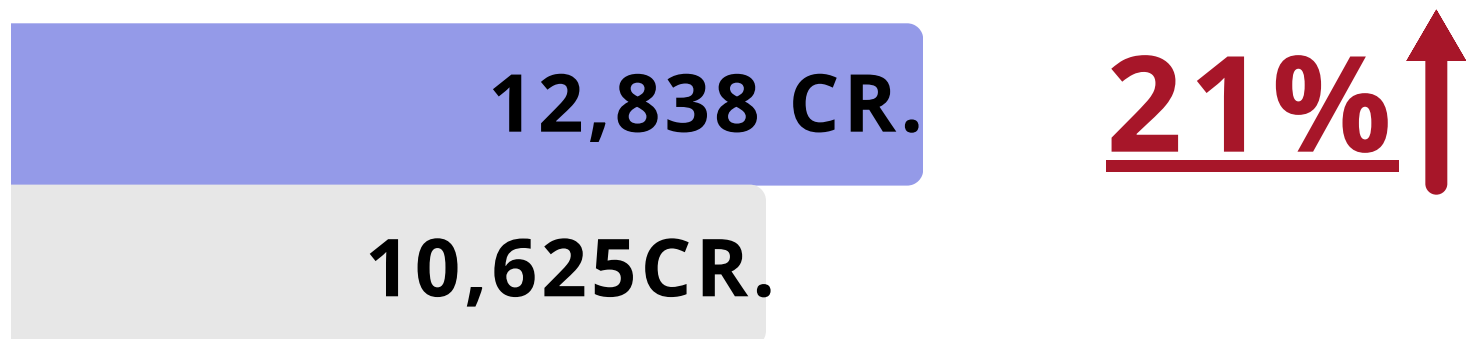
Let's slice the overall figures both ways...



- Figures for massive group fund business not disclosed separately.
- Withdrawal figures primarily represent withdrawals from non-par group funds by institutional customers



...Slicing by product type



- Par (excl. VIP) surrenders increasing massively could be an **alarming sign** (*trend similar to ICICI Pru*)
- Lower non-par surrenders an encouraging sign and likely due to customer propositions strengthening

THE LARGER PICTURE

- ABSOLUTE SURRENDER AMOUNT AND SURRENDER RATIOS INCREASING **NOT A GOOD SIGN FOR INDUSTRY**
- **LONG TERM BENEFITS** FOR CUSTOMER IN LIFE INSURANCE PRODUCTS **LOST DUE TO SHORT TERM LIQUIDITY ISSUES**
- OPPORTUNITY EXISTS FOR **ALTERNATIVE FINANCIAL OPTIONS** FOR CUSTOMERS VS. SURRENDER



VALUENABLE IS WORKING WITH LIFE INSURERS IN INDIA, WITH OUR PLATFORM DESIGNED TO IMPROVE THEIR CUSTOMER RETENTION METRICS.

WE ENVISION TO BE THE RISK SHARING PARTNERS FOR LIFE INSURERS WHEN IT COMES TO RENEWALS & RETENTION WITH OUR INTERESTS ALIGNED WITH EACH POLICYHOLDER WE HELP RETAIN

REACH US @

info@valuenable.in

[+91-97696-23603](tel:+91-97696-23603)

www.valuenable.in