

# Bajaj Allianz General Insurance

# AGENDA

**General Insurance Industry**

**Financial performance**

**Business mix and ratios**

**Milestones**

**Focus areas**

# General Insurance Industry

## Privatized in 2001/02...

	<u>2000-01</u>	<u>2006-07</u>
Number of companies	4 (Govt) + ECGC	4 (Govt) + 8 ( private) + ECGC + 1 health
Major players	Public Sector	PSUs, ICICI Lombard, Bajaj Allianz, Reliance, Iffco Tokio, TATA AIG
Gross Written premium	Rs 114 Bn (01/02)    circa USD 2.5 bn	Rs 250 Bn circa USD 6 bn
Channels	Mostly Direct - limited agency	Bancassurance, agency, brokers, direct
Main products	Fire, Marine, Motor, Group Accident	Plus Travel, Health, Individual accident
Pricing	Tariff driven	Mostly out of tariff
Coverage	As per tariff	one third free and two thirds tariff based

**Market more than doubled in size in 5 years – new products, channels, more aggression, innovative claims delivery mechanisms from private cos**

# Industry snapshot

<u>(Rs Mn)</u>	<u>06-07</u>	<u>05-06</u>	<u>Growth</u>	<u>Share</u>	<u>Accretion</u>	<u>Last 3 months</u>
ICICI	30,030	15,920	89%	12.0%	14,110	83%
BJAZ	18,030	12,850	40%	7.2%	5,180	55%
ITGI	11,500	8,960	28%	4.6%	2,540	-4%
Reliance	9,120	1,620	463%	3.6%	7,500	492%
TATA AIG	7,420	6,120	21%	3.0%	1,290	-2%
RSA	6,000	4,590	31%	2.4%	1,410	22%
Chola	3,150	2,220	42%	1.3%	920	86%
Private Total	87,170	54,350	60%	34.9%	32,820	54%
Public Total	162,860	149,970	9%	65.1%	12,880	6%
Grand Total	256,430	210,100	22%		46,330	19%

**Private sector share increased from 25.9% to 34.9%**  
**Private sector garnered 70% of growth in the market**  
**Bajaj Allianz market share increased from 6.2% to 7.2%**

# Financial Performance

# Story so far

<i>(Rs Mn)</i>	<u>2001-02</u>	<u>2006-07</u>
<b>Gross Written Premium</b>	308	18,030
<b>Underwriting Profits</b>	-320	249
<b>Profit Before Tax</b>	-182	1,170
<b>Profit After Tax</b>	-182	753
<b>Number of Policies (nos)</b>	310,000	4,863,000
<b>Number of Claim settled (nos)</b>		309,000
<b>Number of employees on rolls</b>	141	2,540
<b>Motor mix</b>	100%	47%
<b>Invested Assets</b>	1,902	14,754

# Summarized results 2006/07 **BAJAJ | Allianz**

<i>(Rs Mn)</i>	<u>2006-07</u>	<u>2005-06</u>
Gross Premium	18,033	12,846
Underwriting result	254	271
Investment Income	895	527
Other income	21	21
Profit Before Tax	1,170	818
Profit After Tax	754	516
Technical Reserve	9,764	6,362
Cash + Investment	15,244	8,561
Total Assets	16,961	10,633
Capital Expenditure	221	171

**1st private insurer to cross Rs 1bn in PBT while maintaining number 2 position in private sector**

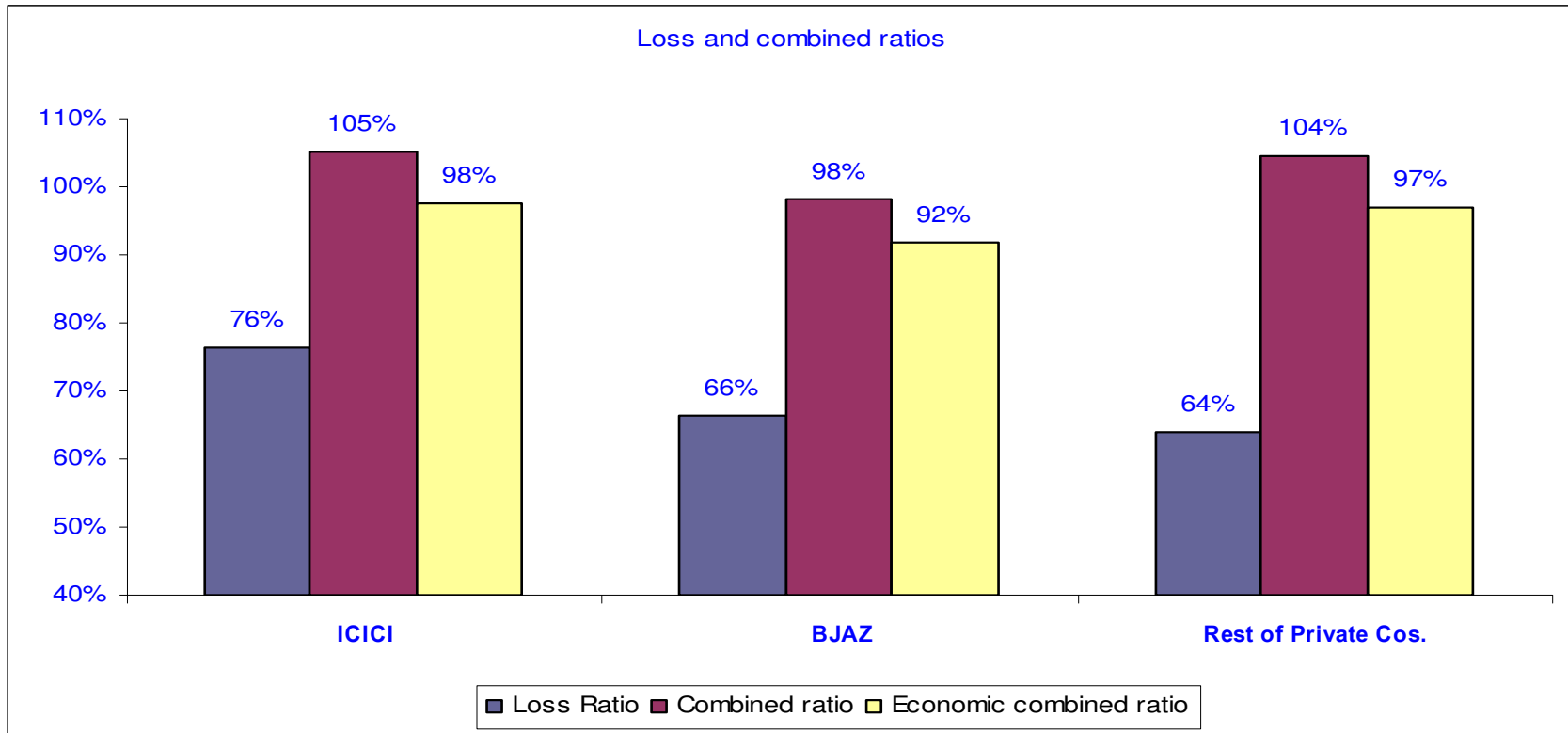
# Business Mix and Ratios

## Business mix – pre and post de tariff

Business Group	2005-06	Apr - Dec 06	Jan - Mar 07
CORPORATE (Fire/ Engg / Marine)	42%	40%	<b>26%</b>
MOTOR	42%	43%	<b>56%</b>
OTHERS (MAINLY RETAIL)	16%	17%	18%

**Bajaj Allianz is seeing a greater shift towards retail, which has been our strength from inception**

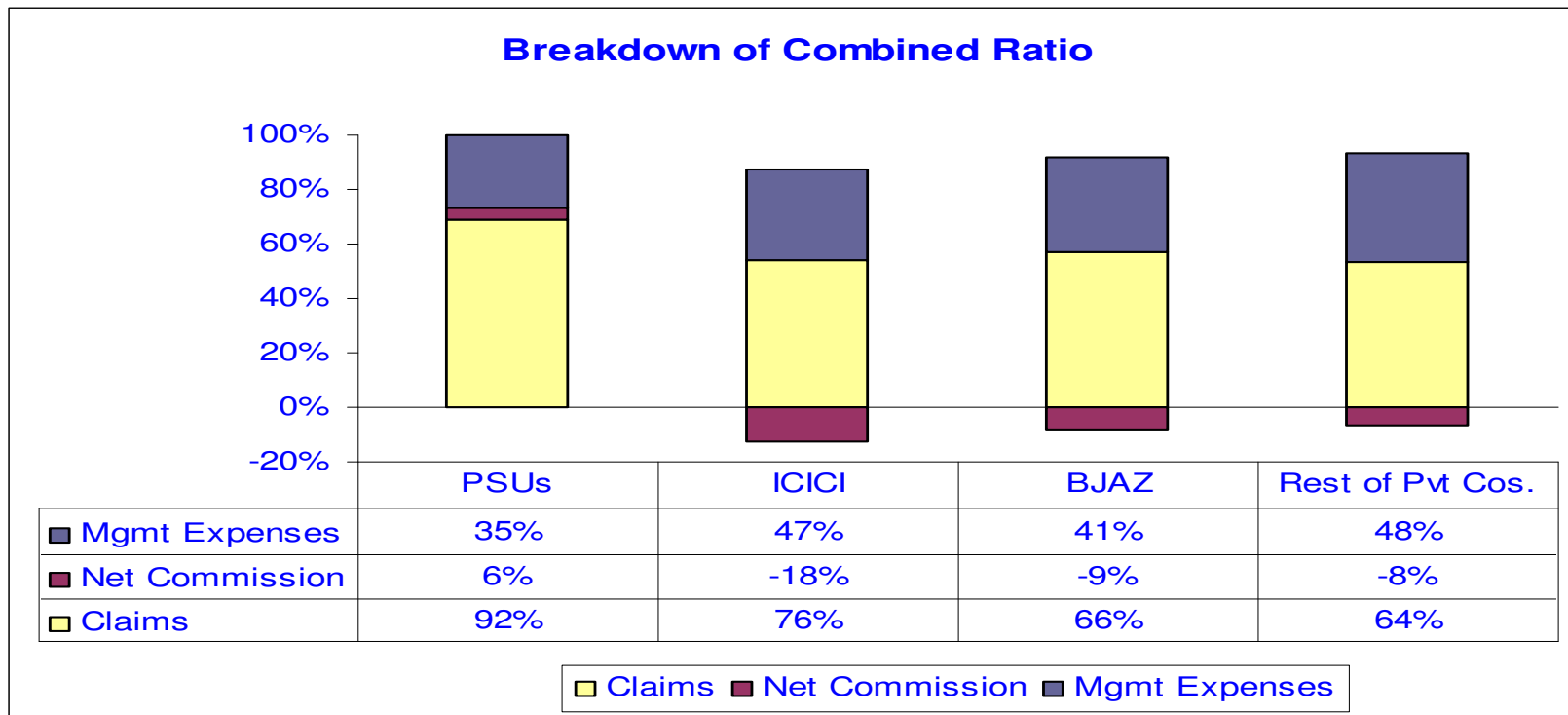
# Loss and combined ratios FY07



**Bajaj Allianz had lowest combined ratio – both accounting and economic**

- **Economic combined ratio = Net commissions/Net Written Premium plus Opr. expenses/Net Written Premium plus Net claims/Net earned premium.**
- **Pure or accounting combined ratio considers all ratios as percentage of Net Earned Premium and is internationally accepted.**

# Breakdown of combined ratio FY 07



*PSUs 2005/06 numbers*

**Bajaj Allianz has one of the lowest expense ratios  
and combined ratio less than 100%**

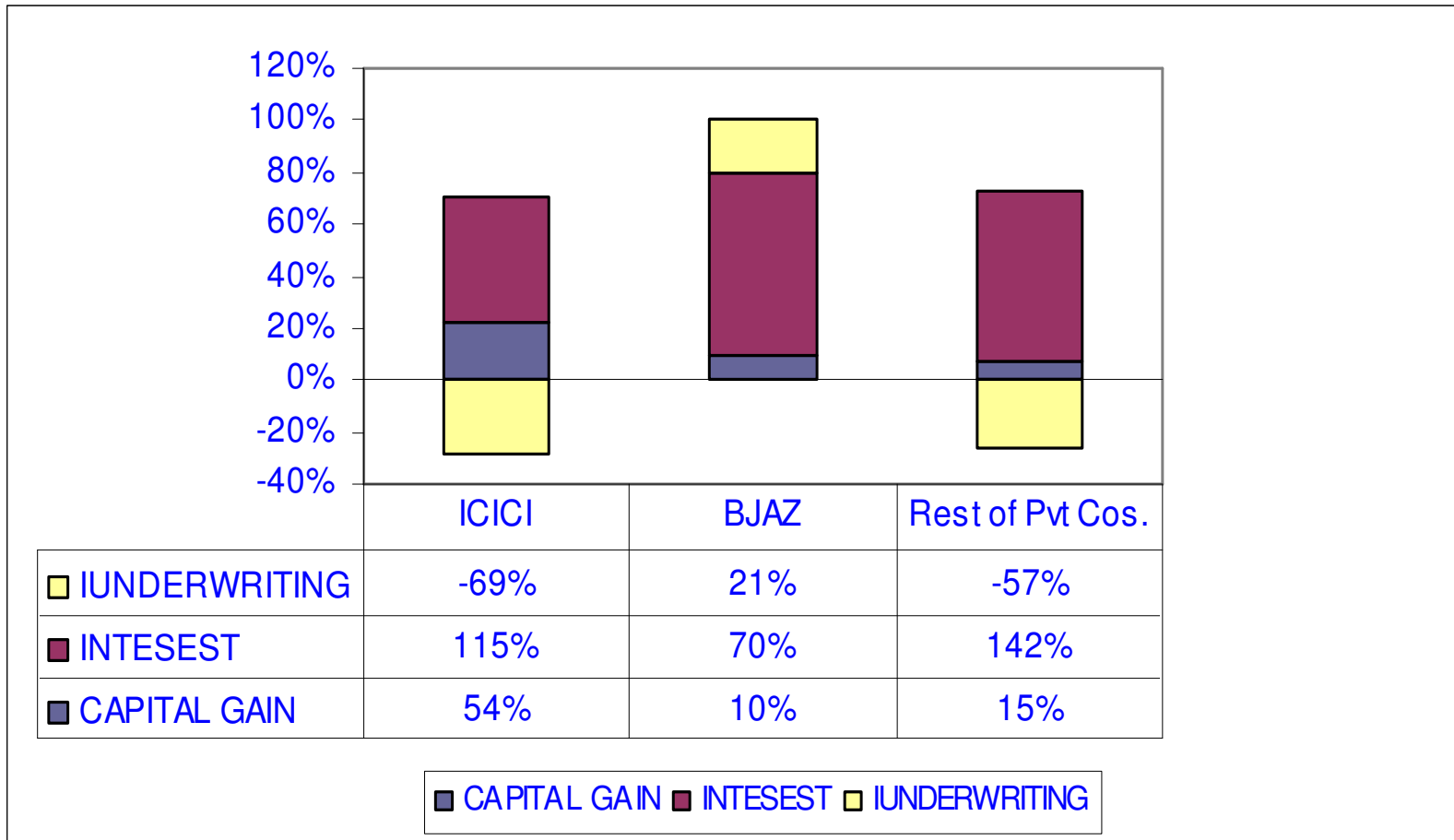
*Note: Combined ratio is pure combined ratio where a ratio less than 100% signifies underwriting profits – market practice may vary*

## Capital efficiency 31 March 2007

<i>(Rs Mn)</i>	<u>Capital</u>	<u>Net Worth</u>	<u>Net premium / Net worth</u>
<b>ICICI</b>	<b>72,110</b>	<b>94,260</b>	<b>1.13</b>
<b>BJAZ</b>	<b>20,770</b>	<b>40,340</b>	<b>2.08</b>
<b>Tata AIG</b>	<b>22,500</b>	<b>24,380</b>	<b>1.57</b>
<b>ITGI</b>	<b>25,000</b>	<b>29,670</b>	<b>1.85</b>

**High efficiency of capital translates in high ROE – BJAZ is only company to have ROE > 20% for 3rd year running**

# Sources of profit (2006/07)



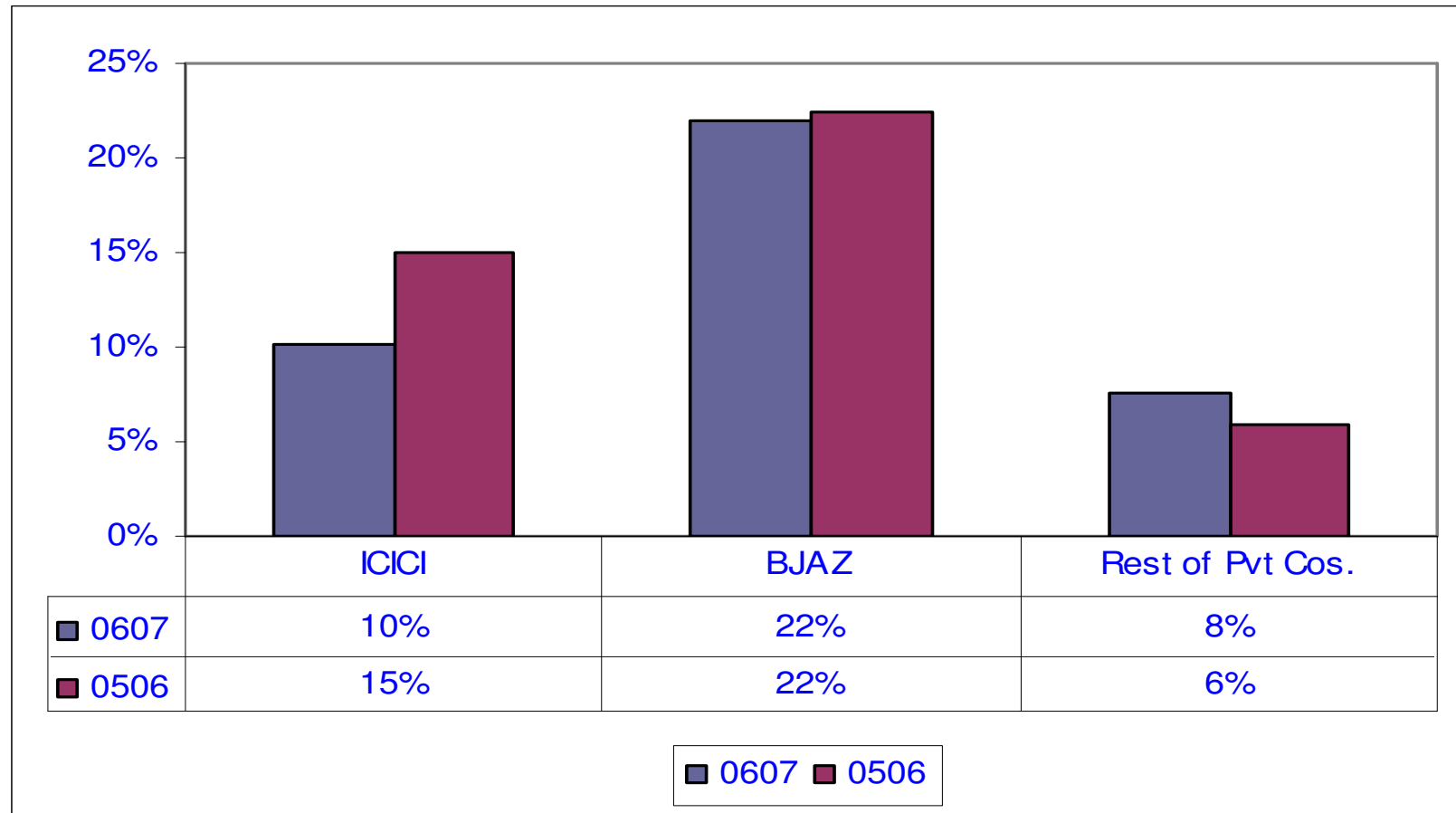
**Striking the right balance between underwriting, sustainable investment income is part of our financial strategy – capital gains only 10% of PBT.**

# Strong cash generation

<b>Rs. Mn</b>	<b>Free Cash Flow</b>	<b>Cash Flow/GWP</b>
<b>ICICI</b>	4,976	17%
<b>BJAZ</b>	5,736	32%
<b>Rest of Private Sector.</b>		17%

**Free Cash flow = total increase in investible surplus  
less financing cash flows**

# Return on equity continues above 20%



**BJAZ has been best in class for last 3 years**

# Per share key values

	<b>EPS</b>	<b>Cash Flow/Share</b>	<b>Book Value/Share</b>
<b>ICICI</b>	<b>2.15</b>	<b>14.82</b>	<b>27.71</b>
<b>BJAZ</b>	<b>6.85</b>	<b>52.08</b>	<b>37.37</b>
<b>Rest of Pvt. Cos.</b>	<b>0.90</b>	<b>6.96</b>	<b>12.33</b>

- *Based on shares of Re 10/- paid up value*
- *Cash flow equals increase in cash and investments during the year less financing cash flows.*
- *Cash flow per share is on shares outstanding at year end. EPS is as disclosed in financials*

# Milestones

# Milestones – 06-07

- ◆ **Above market growth**
  - Achieved gross written premium (GWP) > Rs 18 Bn.
  - Maintained 2<sup>nd</sup> position amongst private players and 6/12 overall
- ◆ **Market share grew**
  - From 6.3% in 2005/06 to 7.2% in 2006/07
- ◆ **Fourth successive year of underwriting profits – only private sector company to have underwriting profits in 06/07**
- ◆ **Profit before tax crossed Rs 1 bn at Rs 1.17 Bn (1<sup>st</sup> private sector company to do so)**
- ◆ **Profit after tax, ROE highest amongst private sector companies**
- ◆ **Strong retail franchise – further penetration geographically (155 locations), Strong bancassurance tie-ups including HDFC, UTI, IDBI, J&K Bank etc**
- ◆ **Largest number of policies and customer base amongst private sector nearly 5 million policies issued**

# **Focus Area – (2007-08)**

# BAGIC – Focus Areas (2007-08) **BAJAJ | Allianz**

## Smart distribution

- **Expand reach - Target of 175 offices by March 08.**
- **Leverage first class banking relationships – HDFC, UTI.**
- **Increasing agents' productivity – enlarge agent base.**
- **Push online / walk-in channels**

## Diversified product range

- **New product markets**

## Customer Solutions

- **Claims audit/investigations.**
- **Regional operations hubs for faster and more cost effective service**
- **Fast track claims settlement for small value claims**

# Thank you

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