



Key Proposal

Tax rationalization for ULIPs

Under the new proposal, those ULIP's with an annual premium in excess of Rs 250,000 and issued on or after 1 Feb 2021 will no longer be exempt under section 10(10D). The death benefit, however, will continue to be tax free. Such ULIP policies will also be taxed capital gains tax in the same way as mutual funds.

Increased FDI limit to 74% from 49%

Proposal to amend the Insurance Act, 1938 to increase the permissible FDI limit in Insurance Companies to 74%. Under the proposed structure, the majority of the directors to be independent.

Disinvestment in LIC through IPO

The target receipts from disinvestments are Rs1,750 bn. The bill to modify the LIC Act is to be tabled in the current parliamentary session.

Budget Impact

IRPU to be impacted most followed by SBILIFE & MAX.

Tax benefit was one of key reasons for investments into ULIPs by HNIs

Avg ULIP ticket size (9MFY21) is highest for IRPU at 140K -180K followed by SBILIFE at 80K-90K while for HDFCLIFE was 55-65K.

ULIP mix (APE basis) 9MFY21: IPRU: 48.2% HDFCLIFE:23%, SBILIFE:62%, MAXF ULIP mix was 32% (H1FY21).

As of FY20, retail first year premium above Rs.125,000 was concentrated as 63.5% IRPU, 45.1% HDFCLIFE, 45.4% SBILIFE and 41% MAXF Per our estimate, the probable impact on APE could be 20-25% IPRU, 10-15% SBILIFE, 10-15% SBILIFE and 5-10% on HDFCLIFE.

Neutral to Negative for listed players

The top 4 life insurers are adequately capitalized with solvency margins in excess of 200% vs regulatory required 150 % . both IPRU and HDFCLIFE have raised debt in 9MFY21 to help drive growth in capital intensive products -annuities, non-per and protection.

The increased FDI limit will allow smaller players (unlisted) to raise more capital and thereby enable them to increase distribution and underwrite higher amount of capital intensive products.

This will lead to higher competitive intensity in the sector and we therefore see it as a negative for the listed peers (HDFCLIFE, IRPU, MAXF and SBILIFE) which have a cumulative market share (ex-LIC) of 55%

Neutral to negative for private players (IRPU, HDFCLIFE, SBILIFE and MAXF)

We believe that post IPO, LIC will look to ramp up its market share through product diversification and ramping up distribution which could be negative for private players.

LIC's market share as of 9MFY21 (NBP basis) was 60%.

For any queries, feel free to contact us.

Thanks & Regards,

Customer Service Team

+91-93979-98765

+91-99853-98765

contact@wealthmunshi.com