Illustrative Business Plan - ABC General Insurance Co. Ltd. Rs. Crore

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Gross Direct Premium Income (GDPI)	50.00	100.00	170.00	250.00	300.00	360.00
Net Written Premium	45.00	85.00	136.00	187.50	210.00	252.00
Net Earned Premium	22.50	65.00	110.50	161.75	198.75	231.00
Net Incurred Claim	28.13	74.75	110.50	153.66	178.88	207.90
Operating Exps.	10.13	26.00	38.68	48.53	49.69	46.20
Underwriting Profit	(15.75)	(35.75)	(38.68)	(40.44)	(29.81)	(23.10)
Investment Income	10.80	13.20	16.52	20.83	23.66	27.33
Net Profit	(4.95)	(22.55)	(22.15)	(19.61)	(6.15)	4.23
Required Solvency Margin	**50.00**	**50.00**	**50.00**	**50.00**	**50.00**	**54.00**
Shareholders Fund						
- Opening Capital	**100.00**	**95.05**	**87.50**	**85.35**	**85.74**	**89.59**
- Capital Infusion during year.	**-**	**15.00**	**20.00**	**20.00**	**10.00**	**-**
- Loss for the year	(4.95)	(22.55)	(22.15)	(19.61)	(6.15)	4.23
Total	95.05	87.50	85.35	85.74	89.59	93.81
Solvency Ratio	**1.90**	**1.75**	**1.71**	**1.71**	**1.79**	**1.74**

Assumptions - Financial Projections						
- Growth rate of GDPI	NA	100%	70%	47%	20%	20%
- Net Retention Ratio	90%	85%	80%	75%	70%	70%
- Incurred Claim Ratio	125%	115%	100%	95%	90%	90%
- Expenses of Management (as % of net earned premium)	45%	40%	35%	30%	25%	20%

Assumptions:

1) **Business Growth:** In the initial years, the growth rate may be high due to smaller denominator, the same may gradually move toward industry average.

2) **Claims Experience:** The ICR may be high in the initial years. As the company gains market experience, it may improve its underwriting practices and accordingly, the ICR may stablise.

3) **Operating Expenses:** In the initial years, the compay may be required to incurred higher expenditure on advertisement, brand building and IT exps. The same may gradually reduce as the business grows.

4) **Business Mix:** It has been assumed that the business is dervied from mix of various segments.

5) **Distribution Channels:** It has been assumed that major business of the company is derived through intermediaries. Direct sales may result in variance in profitablity.

6) **Break-even point:** It has been assumed that the company will reach to break-even in the 5th year of operation.

7) **Capital Infusion:** The promoter shall infuse capital in order to maintain the minimum solvency requirement, to support growth of the company and to ensure the liquidity to meet the policyholders liabilities.

8) **Branch expansion:** It has been assumed that the company shall use a mix of digital mode as well as physical branches to source the business.

9) **Corporate Governance:** It has been assumed that the KMPs, Composition of Board and its various committees shall be as presribed by the Authority.

10) **Rural & Social Sector Obligation:** It has been assumed that the business shall be sourced from rural areas and shall be in compliance with Rural and Social Sector Obligations prescribed by the Authority.

Note 1: The above business plan and assumptions given are only indicative and has been provided for illustrative purposes. The actual business plan needs to much more detailed to enable the Authority to examine the same from various aspects including but not limited to capital adequcy, IT systems in place, internal controls, measures for protection of policyholders interests, shareholding structure etc.

Note 2: The figures, calculations, formulas etc. in the above illustration have been kept simple for ease of understanding and are only for indicative and illustrative purposes. The same may not correspond / tally when computed with actual numbers in real world scenario.

Note 3: The above illustrtaion shall not be used or construed as any guidance/comments/commitments by the Authority with regard to performance, break-even, profitability, growth etc.