Axis Max Life Insurance Limited

February 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Subordinate Debt*	1,300.00	CARE AA+; Stable	Assigned

Details of instruments/facilities in Annexure-1.

**CARE Ratings Limited (CARE Ratings) has rated the aforesaid subordinate debt considering the regulatory conditions and in view of their sensitiveness to the company's solvency ratio and profitability due to the regulatory covenants during the long tenure of the instrument. Interest payable on subordinate debt will be subject to the following:*

- *The solvency of the issuer remains as per regulatory stipulation*
- *Where the impact of such payment may result in net loss or increase the net loss, prior approval of the authority for such payment will be obtained.*

Any delays in payment of interest / principal (as the case may be) following the invocation of covenants, would constitute an event of default as per CARE Ratings' definition of default and as such these instruments may exhibit sharper migration of the rating.

Rationale and key rating drivers

The rating assigned to Axis Max Life Insurance Limited (AMLI) derives strength from its strong parentage (Axis Bank Limited [ABL-rated CARE AAA, Stable] and its subsidiaries hold 19.02% stake in AMLI). The rating also factors in AMIL's increasing strategic importance to the Axis group as demonstrated by increase in shareholding and recent re-branding of company from Max Life Insurance Company Limited to Axis Max Life Insurance Limited. CARE Ratings expects synergies arising from ABL's shared brand name and its significant board representation on AMLI's Board to further strengthen the company's distribution franchise and managerial oversight. The rating further factors in AMLI's established market position and is among top five private life insurance players with a market share of 9.4% in FY24 (PY: 8.8%) based on individual adjusted first year premium[2] supported by strong distribution franchise and individual new business growth, comfortable solvency levels and strong liquidity buffers.

The rating, however, takes into account AMLI's relatively higher operating expenses and exposure to evolving regulatory landscape and its impact on the company's business growth and profitability.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Significant increase in the shareholding of the Axis Group in AMLI.
- Healthy improvement in the market position, profitability and solvency on a sustained basis.

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Material stake dilution or weakening in expected support from and strategic importance to Axis Bank Limited
- Deterioration in credit profile of ABL.
- Solvency margin remaining below 1.7x on a sustained basis.
- Significant decline in market position on a sustained basis.

Analytical approach:

Standalone and factoring in the strength of the promoter, ABL. Through shareholding, AMLI benefits from operational, financial, managerial and branding linkages with ABL.

Outlook: Stable

CARE Ratings expects AMLI to remain strategically important to ABL and receive need-based capital support to maintain its growth and profitability.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

[2] Adjusted individual first year premium is first year regular premium + 10% of individual single premium

Detailed description of key rating drivers:

Key strengths

Strong parentage and expected support from ABL

AMLI is jointly promoted by ABL and Max Financial Services Limited (MFSL). Increasing strategic importance of AMLI to the Axis group is demonstrated by a gradual increase in shareholding in the last few years to ~19.02% as of September 30, 2024 (March 2024: ~13.00%). ABL infused preferential equity capital of ₹1,612 crore in April 2024. In the near to medium term, shareholding of ABL and group companies is expected to increase to 20.00%.

AMLI derives business synergies from ABL, which is evident through capital, managerial and business support apart from the recent brand and logo sharing. AMLI also has five board representatives from ABL. ABL also provides access to its strong distribution franchise of 5,577 pan-India branches as on September 30, 2024, with ABL contributing majority to the banca annual premium equivalent (APE) and AMLI having 65% to 70% counter share for FY24 in ABL's life insurance business.

ABL is the third-largest private bank in India with advances base of ₹9,99,979 crore as of September 30, 2024. ABL's subsidiaries are engaged in providing a wide array of financial services and operating areas of asset management, investment management, broking, non-banking financial services and others. AMLI is a strategically important entity for the Axis Group providing access to life insurance business.

AMLI's Board is chaired by Rajiv Anand (Deputy Managing Director - Axis Bank) and the board has four additional Nominee Directors from ABL bringing in strategic oversight, industry expertise, corporate governance and standard risk management practices on board. Further, the Board consists of four non-executive directors and four independent directors. AMLI is led by Prashant Tripathy (Managing Director & Chief Executive Officer) having over two decades of experience in the life insurance industry.

Going forward, CARE Ratings expects ABL to continue to provide managerial, business and need-based capital support to AMLI, augmenting its business growth and market presence.

Adequate solvency position

The solvency position of the company is supported by strong capital raising ability and financial flexibility given its parentage and improving internal accruals. AMLI had an adequate solvency position as on September 30, 2024, with a solvency margin of 1.98x (as on March 31, 2024: 1.72x) supported by capital infusion of ₹1,612 crore by ABL in April 2024. The company's solvency margin remained well above the regulatory requirement of 1.50x translating into surplus (after considering 1.5x of required solvency margin) of ₹2,474 crore as on September 30, 2024 (March 2024: ₹1,030 crore).

The company had an additional headroom to raise ~₹1,300 crore of subordinate debt as on September 30, 2024, which is expected to support medium term growth plans.

Going forward, CARE Ratings expects the company to continue to maintain solvency margins above 1.7x on a sustained basis.

Established market position

In the last two decades, AMLI has strengthened its market position and is among the top five private life insurance players with a market share of 9.4% in FY24 (PY: 8.8%) in terms of adjusted individual first year premium. Apart from an own network of 325 pan-India branches as on September 30, 2024 (March 2024: 304), AMLI also derives benefits from ABL's pan-India branch network. While the company benefits from strong banca franchise and tie up with Axis Bank, it has been ramping up its proprietary channel (consisting of agency and direct channel) network as well. The growing proprietary channel business has led the new business premium (NBP) to grow by four-year compounded annual growth rate (CAGR) of 19% to ₹11,023 crore in FY24, against the industry growth of 10%. Consequently, the share of proprietary channels increased to ~40% of Annualized Premium Equivalent (APE) in FY24 (PY: ~37%) while the share of banca channel reduced to ~58% of APE in FY24 (PY: ~62%).

Though the share of banca channel has been decreasing, its contribution continues to remain significant with ABL contributing ~52% to the individual APE for FY24. Apart from ABL, the company has tie-ups with other private and regional banks apart from tie-ups with NBFCs, other finance institutions, and fintech companies.

Led by a strong distribution franchise, the company has an adequately balanced and diversified product mix with increasing share of Unit Linked Insurance Plans (ULIP - in line with industry trend) to ~35% in terms of APE for FY24 (March 2023: ~27%). Consequently, share of non-participating (Non-PAR) savings in total APE decreased to ~28% for FY24 (March 2023: ~44%) while share of participating (PAR) increased to ~18% (March 2023: ~13%), protection & health increased to ~8% (March 2023: ~6%), annuity was stable at ~6% (March 2023: ~5%) and group funds was stable at ~5% (March 2023: ~5%).

Going forward, CARE Ratings expects AMLI to benefit from brand and logo sharing with ABL, which shall facilitate greater brand recall, and aligns with the company's overall strategic focus on individual segment.

Healthy profitability supported by improving persistency

AMLI's operating return on embedded value (ROEV) ranged between ~19% to ~22% in the last five years. Operating ROEV is supported by continued growth momentum in individual business and growth in absolute value to new business (VNB), which grew by four-year CAGR of 22% to ₹1,973 crore for FY24. However, VNB margins declined in FY24 by 470 bps to 26.5% due to change in product mix (share of ULIP in total APE increased to 35% for FY24 from 27% for FY23, which is an industry-wide trend) and high opex. Reported expense of management to GWP (EOM) remained high compared to peers at 22% for FY24 (PY: 20%). The high EOM is attributed to the focus on augmenting retail business through scaling up its proprietary channels.

In FY24, company reported an investment income of ₹17,404 crore (PY: ₹6,393 crore). Supported by growing absolute VNB the total embedded value of the company increased to ₹19,494 crore as on March 31, 2024 (PY: ₹16,263 crore). However, the company's Return on Net-worth (RONW) moderated to 10.1% for FY24 (PY: 13.6%) due to changes in product mix and investments made in distribution channels.

In H1FY25, APE grew by 31% YoY leading to absolute VNB growth of 16% to ₹766 crore. However, VNB margins declined by 280 bps on YoY basis to 21.2% due to high opex and product mix.

Profitability is supported by improving persistency ratio across cohorts. As on September 30, 2024, persistency ratio for 13th month improved to 87% (March 2024: 87%to 71% (March 2024: 70%) for 25th month, to 64% (March 2024: 63%) for 37th month, to 67% (March 2024: 66%) for 49th month and to 58% (March 2024: 58%) for 61st month.

Going forward, CARE Ratings the company's ability to maintain its growth momentum while improving profitability and reducing opex remains a key rating monitorable.

Key weaknesses

Ability to sustain growth in its individual business

In FY24, AMLI's NBP grew by ~23% to ₹11,023 crore (PY: ₹8,960 crore) against the industry growth of ~12%. The company's growth is largely driven by individual segment, which grew by ~14% for FY24 (H1FY25: ~26%) on NBP basis against industry growth of ~7% for FY24 (H1FY25: ~20%). Individual NBP accounts for ~84% of the total NBP for AMLI, while private industry's individual NBP accounts for of ~59% of its total NBP for FY24.

While CARE Ratings notes that the growth in individual business is enabled by its diversified distribution channels, the company's ability to continue to maintain growth momentum in individual business remains a key rating monitorable.

Changing regulatory dynamics and competitive industry landscape

Long-term growth prospects for Indian life insurance sector remains robust with low penetration of life insurance as a percentage of GDP in India supported by strong socio-economic growth drivers. As Indian life insurance sector continues to evolve, the sector has been witnessing slew of regulatory changes. Some of key regulatory changes include increase in surrender values of life insurance policies, and expected introduction of composite licence, risk-based capital framework in the medium term. While these measures are expected to improve product proposition and propel the Indian insurance industry towards greater efficiency and effectiveness leading towards the vision of Insurance for All by 2047, which is expected to increase competition in the industry and lead to changes in operating models/ technology adoption in the medium term.

Liquidity: Strong

AMLI has a strong liquidity profile, as on March 31, 2024, AMLI's cash inflows (premiums received+ investment income) stood at ₹43,750 crore against cash outflows (claims payouts + total expense) of ₹20,345 crore, indicating a healthy liquidity buffer to meet these obligations. The company continues to have positive operating cashflow in the past three years.
Additionally, 65% of total investments including linked investments amounting to ₹1,10,661 crore were invested in G-secs and AAA rated bonds as of September 30, 2024.

Assumptions/Covenants
Not applicable

Environment, social, and governance (ESG) risks
Not applicable

Applicable criteria
Definition of Default
Factoring Linkages Parent Sub JV Group
Rating Outlook and Rating Watch
Financial Ratios - Insurance Sector
Insurance Sector

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Insurance	Life insurance

AMLI is a joint venture between Max Financial Services Limited (MFSL – holding ~80.98% as on September 30, 2024) and ABL (with ABL and group companies holding ~19.02% stake) established in 2000. The company is among the top five life insurance companies in India, offering protection and long-term savings insurance product via its multi-channel distribution including bancassurance, agency among others. The company has pan-India presence via 325 own branches and in FY24 company has sold over 7 lakh policies.

Brief Financials (₹ crore)	FY22 (A)	FY23 (A)	FY24 (A)	H1FY25 (A)
Gross Written Premium	22,414	25,342	29,529	13,137
Net Premium Earned	21,987	24,882	28,985	12,810
PAT	387	435	360	231
Tangible Net worth* (Including Fair value change)	3,052	3,349	3,765	5,696
Policy Liabilities	67,282	80,535	97,355	1,04,406
Linked Liabilities	33,443	35,250	44,179	50,395
Solvency Ratio (times)	2.01	1.90	1.72	1.98

A: Audited UA: Unaudited; Note: these are latest available financial results
*Excluding intangible assets and deferred tax assets, including realised hedge reserve fund

Status of non-cooperation with previous CRA:
Not applicable

Any other information:
Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debt-Subordinate Debt	Proposed	01-Jan-2025	Not applicable	Not applicable	1300.00	CARE AA+; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Debt-Subordinate Debt	LT	1300.00	CARE AA+; Stable				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debt-Subordinate Debt	Complex

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

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