

January 06, 2025

Axis Max Life Insurance Limited: Rating assigned/reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Subordinated debt programme	496.00	496.00	[ICRA]AA+ (Stable); reaffirmed
Subordinated debt programme	-	1,300.00	[ICRA]AA+ (Stable); assigned
Total	496.00	1,796.00	

*Instrument details are provided in Annexure I

Rationale

The rating factors in Axis Max Life Insurance Limited's (Axis Max Life) established presence in the individual life insurance segment with a diversified distribution network. The company was among the top 5 private insurers¹ with an overall market share of 6.3% in H1 FY2025 (6.4% in FY2024) in terms of individual adjusted first year premium². The rating also considers the comfortable solvency with a solvency ratio of 1.98 times as on September 30, 2024, up from 1.72 times as on March 31, 2024, following the capital infusion of Rs. 1,612 crore³ in April 2024. The profitability is healthy with an annualised return on embedded value (RoEV) of 20.2% in FY2024 (22.1% in FY2023). Moreover, the embedded value (EV) increased at a compound annual growth rate (CAGR) of 17% during FY2019-FY2024 to Rs. 19,494 crore as on March 31, 2024 (Rs. 23,338 crore as on September 30, 2024).

The rating factors in the company's strong promoter profile, with Axis Bank Limited (Axis) holding a 19.02% stake along with its subsidiaries (Axis Capital Limited and Axis Securities Limited), as on September 30, 2024 (up from 12.99% as on March 31, 2024). On December 13, 2024, the company rebranded itself to Axis Max Life Insurance Limited from Max Life Insurance Company Limited, further strengthening its strategic importance to the bank and ICRA's expectation of support as and when required. Axis has been associated with Axis Max Life as a distributing partner with a share of more than 52% in its individual annual premium equivalent (APE) in FY2024 (declined to ~45% in H1 FY2025). Axis has strong board representation at the company (five directors nominated by Axis, including the Chairman). While Axis has a presence across the financial services segment, Axis Max Life's foothold in the insurance business is of strategic importance to the bank. The other promoter, Max Financial Services Limited (Max Financial), is a widely-held listed company with an 80.98% stake in Axis Max Life as on September 30, 2024.

The company's operating expenses remain high compared to large private life insurance players, given the significant share of individual business in its overall business. The growth in the value of new business (VNB), VNB margin and profitability would depend on Axis Max Life's ability to increase its APE and improve its operating efficiency. The profitability and solvency may remain susceptible to changes in the actuarial assumptions, leading to long-term changes in the reserving requirements.

The Stable outlook factors in the expectation that the company will continue to receive support from Axis, if required, and will maintain its solvency level above the negative rating trigger of 1.70 times.

¹ Among top 3 private insurers basis individual new business premium (NBP) with an overall market share of 6.2% in FY2024 (5.6% in FY2023)

² Adjusted First Year Premium is equal to First Year Regular Premium + 10% of Single Premium

³ By Axis Bank Limited (Axis; rated [ICRA]AAA (Stable) for its Basel III Tier II bonds)

Key rating drivers and their description

Credit strengths

Strong promoter profile – As on September 30, 2024, Axis had a 19.02% stake in the company, along with its subsidiaries (Axis Capital Limited and Axis Securities Limited), up from 12.99% as on March 31, 2024 with the capital infusion of Rs. 1,612 crore through preferential equity in April 2024. Axis has received board approval for the acquisition of the balance stake of 0.98% in Axis Max Life.

Axis is the third largest private sector bank in India. Although it has a diversified presence in the financial services segment spanning asset management, securities broking, and investment banking through its subsidiaries, Axis Max Life helps the bank improve its foothold in the life insurance business. Axis already had a well-established relationship with Axis Max Life as a bancassurance (banca) partner and the recent rebranding of the company further improves the importance of Axis Max Life to Axis. Axis is a promoter of Axis Max Life (along with Max Financial) and has strong representation on the company's board (five directors nominated by Axis, including the Chairman). Axis' wide distribution network has also supported the company's growth. However, with the diversification in the distribution channels, the reliance on Axis and banca has reduced over the years (Axis accounted for ~45% of individual APE in H1 FY2025).

The strong parentage and shared brand name with Axis, along with board supervision, strengthen ICRA's expectation that the company will receive timely support if required.

Established player in individual segment with balanced product mix – Axis Max Life is among the top 5 private life insurers with an overall market share of 6.3% in H1 FY2025 (6.4% in FY2024), in terms of individual adjusted first year premium, even though its limited presence in the group business moderated its overall market share to 2.7% in H1 FY2025 (2.9% in FY2024) in terms of the total new business premium (NBP⁴). The company has a balanced and diversified product mix with unit linked insurance plans (ULIPs) accounting for 37% of the individual APE in FY2024, followed by non-participating (non-par) at 35%, participating (par) at 19% and protection at 9%. The group portfolio, which accounted for 16% of the NBP in FY2024, largely comprised group protection (90% of group NBP with focus on credit life) and group annuity. The product mix is likely to remain diversified with Axis Max Life looking at balanced growth across segments.

While the company's distribution channel was concentrated towards banca, the increased focus on the growth of the proprietary channel has led to diversification. Hence, the share of the banca channel declined to 58% of the individual APE in FY2024 (52% in H1 FY2025) from 70% in FY2019.

Solvency supported by recent equity infusion – Axis Max Life's solvency remained comfortable at 1.98 times as on September 30, 2024, post the capital infusion in April 2024 (up from 1.72 times as on March 31, 2024) compared to the regulatory requirement of 1.50 times. It was supported by the capital infusion of Rs. 1,612 crore by Axis in April 2024 to meet its growth requirements. The solvency ratio is aided by internal accruals and funds for future appropriation (FFA) related to par funds. FFA accounted for 40% of the available solvency margin as on September 30, 2024. While dividend payouts had been high till FY2021, the company did not announce any dividend payout between FY2022 and FY2024 to retain profits for business growth and to maintain solvency. Axis Max Life has headroom for raising additional sub-debt of ~Rs. 1,300 crore as on September 30, 2024, which could help boost the solvency. Further, ICRA expects support from the parent to be forthcoming if required.

Healthy profitability – Axis Max Life's absolute VNB was Rs. 1,973 crore in FY2024 (Rs. 766 crore in H1 FY2025) supported by the growth in the VNB margin as well as the APE. The EV increased to Rs. 19,494 crore as on March 31, 2024, and further to Rs. 23,338 crore as on September 30, 2024, with operating RoEV of ~19-22% in the last five years. The VNB margin, though healthy, declined to 26.5% in FY2024 from 31.2% in FY2023 due to the change in the product mix with the increase in the share

⁴ Among top 3 private insurers basis individual NBP with an overall market share of 6.2% in FY2024 {5.6% in FY2023}

of ULIP and the reduction in the share of the higher margin non-par segment in individual business. Going forward, the improvement in the absolute VNB will largely depend on APE growth.

Axis Max Life's accounting profitability has moderated in recent years with an average return on equity (RoE) of ~9-12% in FY2023 and FY2024 (compared to 19-20% in the five years ending FY2021). Profitability was lower due to the higher initial reserving in the non-par segment in the last two years and rising operating expenses. While the persistency⁵ ratio is satisfactory in the 13th month and improved to 87% in FY2024 (87% in H1 FY2025), it is lower in the later cohorts, which also impacts profitability. The ability to maintain prudent asset-liability management, to mitigate the interest rate risk arising from the deployment of future policy premiums at remunerative rates, and achieve operating experience (such as persistency, mortality, operating costs, and interest rates), in line with the assumptions at the time of policy underwriting, will remain the key driver of the long-term profitability and capitalisation.

Credit challenges

Operating expenses relatively higher than peers – Axis Max Life's operating expenses (including commissions) remained higher than other larger private life insurance peers and increased further to 22.2%⁶ of the gross written premium (GWP) in FY2024 from 20.8% in FY2023. The comparatively higher operating expense was due to the significant share of retail premium in the overall business. It was also on account of the scale-up in the proprietary channels and the opening of new branches under agency. The operating expenses are expected to remain elevated in the medium term.

Ability to maintain premium growth in individual segment – The growth in FY2024 was lower for the industry (individual NBP growth of 3.7% in FY2024), largely on account of the headwinds faced by the industry due to the change in taxation, given the Budget announcement regarding taxation on returns from life policies with a premium of more than Rs. 5 lakh per annum applicable after March 2023. Axis Max Life's individual NBP, however, grew strongly by 14.5% YoY in FY2024, which was higher than the private life insurers' growth of 7.4% (though lower than private life insurers' growth in the previous two years). Additionally, the company's individual adjusted first year premium grew by 31.0% YoY in H1 FY2025, higher compared to private life insurers growth of 23.9% YoY.

The regulatory landscape for the life insurance sector has been evolving and is expected to have a bearing on the overall growth and profitability of the sector. The impact of the recent regulatory changes, leading to an increase in the surrender values of life insurance policies, on the commission structure, persistency ratios and profitability will remain monitorable. ICRA, however, takes note of Axis Max Life's diversified product mix and improved distribution network, which are likely to support its growth.

Liquidity position: Superior

The company's net premium (excluding ULIP) stood at Rs. 21,812 crore in FY2024 in relation to the maximum net claims and benefits (excluding ULIP) paid of Rs. 6,562 crore in the last few years. The operating cash flow remained positive, reflecting Axis Max Life's ability to meet operating expenses and claims through premium inflows. Additionally, investments in Central and state government securities stood at Rs. 76,633 crore, accounting for 64.0% of the total investments (excluding ULIP) as on September 30, 2024, which supports the liquidity to meet the claims of policyholders. The shareholders' investment of Rs. 7,562 crore also remains superior in relation to the sub-debt outstanding of Rs. 496 crore as on September 30, 2024.

⁵ Regular premium/Limited premium payment under individual category

⁶ Includes shareholder expenses

Rating sensitivities

Positive factors – A sustained increase in Axis Max Life’s market position and profitability will be a positive factor.

Negative Factors – A deterioration in credit profile of Axis or a decline in the strategic importance of Axis Max Life to Axis or a dilution in the expectation of support from the promoter. Additionally, a sustained decline in the company’s solvency ratio to less than 1.70 times will be a negative factor.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Life Insurance
Parent/Group support	Parent/Group Company: Axis Bank Limited The rating factors in the high likelihood of financial support from Axis to Axis Max Life, driven by reputational and strategic considerations.
Consolidation/Standalone	For arriving at the rating, ICRA has used the standalone financials of Axis Max Life. However, in line with its consolidation approach, ICRA has factored in the capital requirement of Axis Max Life’s subsidiary, which is listed in Annexure II.

About the company

Axis Max Life is a joint venture (JV) between Max Financial Services Limited and Axis Bank, holding a stake of 80.98% and 19.02% (including Axis Group entities), respectively, as on September 30, 2024. Max Financial is a listed entity with Mitsui Sumitomo Insurance Company and Max Ventures Investment Holdings Private Limited and individual promoters holding 3.34% and 21.86%, respectively, as on September 30, 2024.

Launched in 2000, Axis Max Life provides life insurance, savings, investment and annuity to individuals and groups. The products are offered under the protection, par, non-par and unit-linked lines of business with a presence across the country through 304 branches (own branches) and distribution partners.

Key financial indicators – audited

Axis Max Life	FY2023	FY2024	H1 FY2025
Gross direct premium income	25,342	29,529	13,137
PAT	435	360	231
Net worth	3,547	3,998	5,961
Total investments [^]	87,606	1,06,656	1,19,749
13th month persistency ratio	84.2%	86.7%	87.0%
61st month persistency ratio	57.9%	58.3%	58.0%
Regulatory solvency ratio (times)	1.90	1.72	1.98

Source: Company, ICRA Research; All ratios as per ICRA’s calculations; Amount in Rs. crore; [^] Excluding linked investments

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Current (FY2025)				Chronology of rating history for the past 3 years					
			Jan 06, 2025	Date	Rating	FY2024		FY2023		FY2022		
						Date	Rating	Date	Rating	Date	Rating	
Subordinated debt programme	Long term	496.0	[ICRA]AA+ (Stable)	25-Jun-24	[ICRA]AA+ (Stable)	07-Jul-23	[ICRA]AA+ (Stable)	11-Jul-22	[ICRA]AA+ (Stable)	15-Jul-21	[ICRA]AA+ (Stable)	
Subordinated debt programme	Long term	1,300.0	[ICRA]AA+ (Stable)	-	-	-	-	-	-	-	-	

Complexity level of the rated instruments

Instrument	Complexity Indicator
Subordinated debt programme	Moderately Complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE511N08016 [^]	Subordinated debt programme	Aug-02-2021	7.50%	Aug-02-2031*	496.00	[ICRA]AA+ (Stable)
Yet to be issued ^{^^}	Subordinated debt programme	-	-	-	1,300.00	[ICRA]AA+ (Stable)

Source: Company; *The company has a call option exercisable five years from the date of allotment and at the end of every year thereafter before the redemption date

The rating factors in the key features of the subordinated debt instrument:

- [^] Servicing of interest is contingent on the company maintaining a solvency ratio above the level stipulated by the regulator⁷
- ^{^^} In case the solvency ratio is below the level stipulated by the regulator, or the interest payouts lead to a decline in the solvency ratio below the regulatory requirement, prior approval of the regulator would be required to service the debt
- If the interest payouts lead to a net loss or an increase in the net loss, prior approval of the regulator would be required to service the debt

Annexure II: List of entities considered for consolidated analysis

Company Name	Axis Max Life Ownership	Consolidation Approach
Max Life Pension Fund Management Limited	100.0%	Full Consolidation

Source: Axis Max Life annual report for FY2024

⁷ As per IRDAI regulations, insurers are required to maintain a minimum solvency ratio of 150%

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