

Business trends steady; persistency rate to improve

Banca channel witnessing healthy growth

To get an update on business trends across key products, distribution channels, and persistency trends, we interacted with Mr Prashant Tripathy – MD & CEO of Max Life Insurance. Here are the key insights from our discussion:

Business update: Non-PAR and Protection to drive growth and contribute 40–45% to the total mix for FY21E

- MAXLIFE has been delivering relatively stronger growth trends v/s peers as the industry recovers from sharp premium decline amid the COVID-19 pandemic. **This is primarily led by a shift in the product mix toward the Protection & Non-PAR segments, which are seeing healthy demand in the current environment.** Also, a strong push via the banca channel has supported premium recovery.
- In the Protection segment, while initially the fear psychosis was playing out, resulting in strong business trends over 1HFY21, the initial **euphoria is now waning, thus resulting in moderation in Protection business growth.** Although, this segment is highly under-penetrated, and long-term growth trends are therefore expected to remain robust.
- **The Non-PAR Savings segment has also delivered a strong performance as the customer wants some nature of guarantee in these trying times; thus, expect the share of Non-PAR to be 30–35% of total APE for FY21E.** On the other hand, expect the share of Protection and Non-PAR to jointly form over 40–45% of total APE for FY21E. The company uses FRA to hedge risk in the Non-PAR segment v/s the earlier practice of using interest rate swaps.
- MAXLIFE suggested that ULIPs would take time to revive as 5–6 months of stable market performance is needed to restore buyer confidence. Currently, retail consumers are very conservative on ULIP investments due to pandemic-linked volatility.

Product mix shift to drive VNB growth; VNB margin target of ~25%

The product mix shift toward high-margin Protection and Non-PAR would drive VNB growth. The management targets a ~25% VNB margin v/s 24.2% in 1HFY21. MAXLIFE lost some of the VNB margin in the Protection business as it has not fully passed on the re-insurance hike to customers. This is primarily attributable to high competitive intensity in the segment. Overall, the company expects double-digit growth in absolute VNB in FY21.

Banca channel driving business growth, while agency channel picking up

MAXLIFE is demonstrating robust business growth trends (+8% YoY in 1HFY21 APE; 17% YoY in 2QFY21), aided by a strong performance from the bancassurance channel, although growth in the agency channel remains muted. The banca channel (both Axis Bank and Yes Bank) is pushing Non-PAR Savings products aggressively; the contribution of Non-PAR in the banca APE has thus increased to 40% v/s 27% in 1HFY20. Overall, continuous work is underway with existing banca partners on product and customer propositions to drive incremental growth. On the other hand, the agency channel has been affected due to COVID disruption and is likely to revive from FY22, while the focus remains on augmenting proprietary channels.

Max Life Insurance



Mr Prashant Tripathy
MD & CEO

Mr Prashant Tripathy is the MD & CEO of Max Life Insurance. He is a seasoned professional with over two decades of experience across Finance, Company Strategy, Operations, Risk Management, Investor Relations, etc. He has been associated with the firm for the last 12 years. Through his years with the company, he has anchored Max Life's efforts toward expansion, growth, and strategic partnerships.

AXSB deal update – hope to receive IRDAI approval in FY21

The deal has undergone a couple of iterations, with AXSB (along with subsidiaries) now proposed to acquire ~13% (Bank -9.99% + Subs -3%), with the option to invest an additional 7% stake in the future only through subs. Overall, AXSB (along with subs) can acquire a maximum of 19.99%. Overall, the regulatory approval of IRDAI is needed, and the company hopes to receive this within the remaining fiscal.

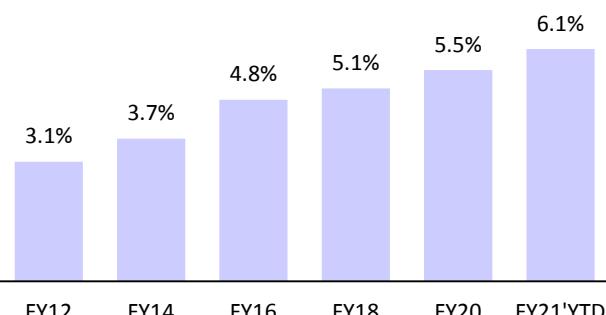
Other highlights

- Persistency has been improving sequentially; expect the upward trajectory to continue going forward. Collection trends were very weak in the initial few months following the COVID outbreak. However, the last few months' data suggests collection trends have been improving. Thus, expect persistency trends to improve over 2HFY21. Among the segments, persistency in Protection remains strong.
- Web aggregators are gaining pace in the industry. However, they account for single-digit share in the total Life Insurance Distribution business. Do not expect them to gain significant market share in the medium term (5–10 years).
- Once the AXSB deal goes through, the company expects more inputs from Mr Amitabh Chaudhry (CEO – Axis Bank) on strategic decisions given his vast experience in the Life Insurance space.

Story in charts

Exhibit 1: Individual APE market share trends for MAXLIFE

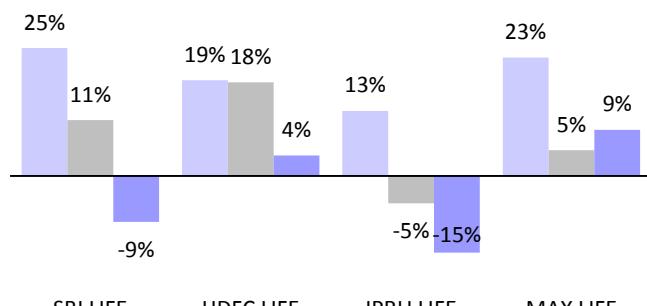
■ MAXLIFE Individual APE market share (%)



Source: Company, MOFSL

Exhibit 2: APE trends across major players – MAXLIFE outperformed peers in FY21YTD growth trends

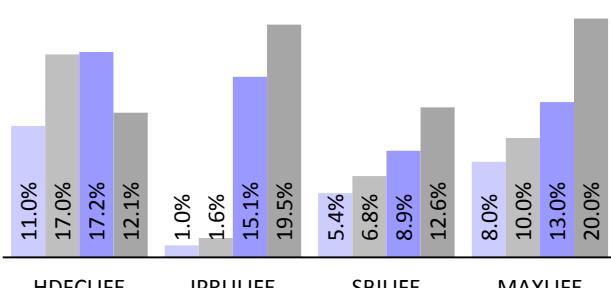
■ CAGR (FY16-FY19) ■ FY20 ■ FY21YTD



Source: Company, MOFSL

Exhibit 3: MAXLIFE had the highest proportion of Protection in the total APE as of 1HFY21

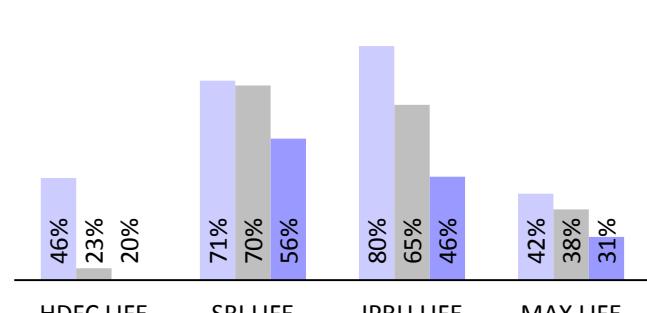
■ FY18 ■ FY19 ■ FY20 ■ 1HFY21



Source: Company, MOFSL

Exhibit 4: ULIP share across peers

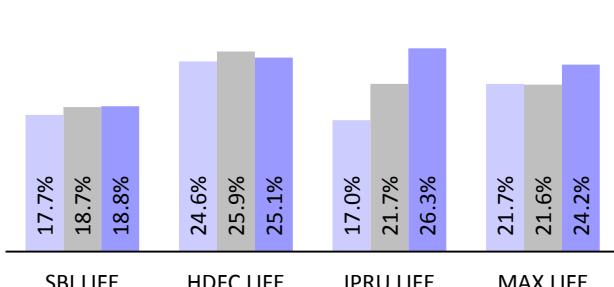
■ FY19 ■ FY20 ■ 1HFY21



Source: Company, MOFSL

Exhibit 5: VNB margins for MAXLIFE and IRPULIFE expanded sharply over 1HFY21

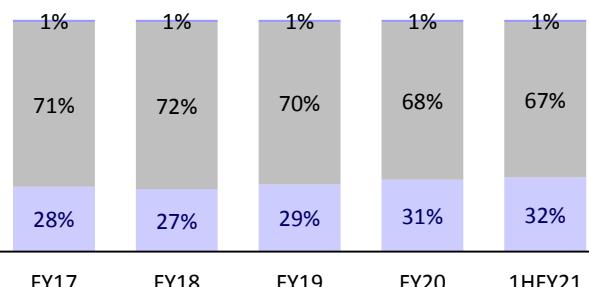
FY19 FY20 1HFY21



Source: Company, MOFSL

Exhibit 6: Share of banca channel in the total APE stood at 67%

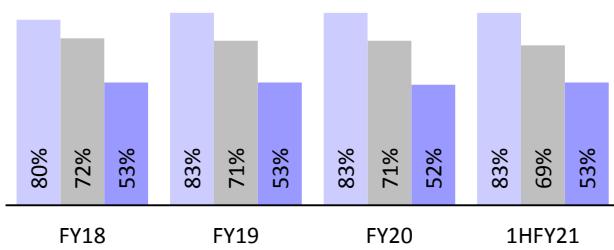
Proprietary Banca partners Others



Source: Company, MOFSL

Exhibit 7: Persistency trends over the past few years

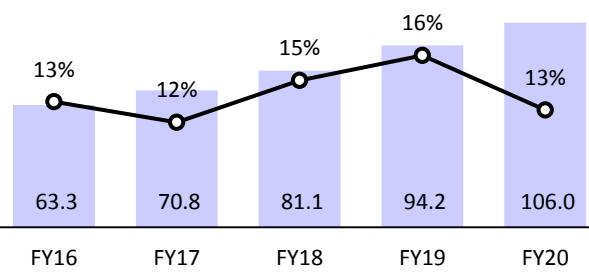
13th Month 25th Month 61st Month



Source: Company, MOFSL

Exhibit 8: Renewal premium growth trends for MAXLIFE

Renewal Premium (INRb) YoY growth (%)



Source: Company, MOFSL

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
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UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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