April 30, 2025

Tata AIG General Insurance Company Limited: Rating reaffirmed; reaffirmed and withdrawn for Rs. 185-crore subordinated debt programme

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Issuer Rating	-	-	[ICRA]AAA (Stable); reaffirmed
Subordinated debt programme	545.00	545.00	[ICRA]AAA (Stable); reaffirmed
Subordinated debt programme	185.00	-	[ICRA]AAA (Stable); reaffirmed and withdrawn
Total	**730.00**	**545.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating considers Tata AIG General Insurance Company Limited's (Tata AIG) established market position as the third largest private general insurer with a market share[1] of 6.0% in terms of gross direct premium income (GDPI) in FY2025. The company has a well-established presence in the motor segment (51.3% of GDPI). Its strong growth has been supported by the diversified and expanding distribution network. Given the continued scale-up in its business franchise, operating expenses remain high, resulting in an elevated combined ratio, even though the loss ratio remains comparable to peers. The overall net profitability remains healthy, supported by the higher investment leverage driven by the relatively higher retention levels and the presence of motor-third party (Motor-TP) policies. As on December 31, 2024, Tata AIG's solvency was comfortable at 2.00 times with an adequate cushion over and above the regulatory requirement on a sustained basis. The company's solvency has been supported by both healthy internal accruals and capital infusions from the promoters in the past. While Tata AIG has a relatively diversified product portfolio, the share of the long-tail Motor-TP business is high. This, along with the higher retention of risk on its own balance sheet, exposes the future profitability and solvency to reserving risks.

The rating also factors in the strong parentage with Tata Sons Private Limited (Tata Sons; rated ICRA]AAA (Stable)/[ICRA]A1+) holding a majority stake (73.95%) and American International Group, Inc. (AIG; rated Baa2/Positive by Moody's Investors Service) holding 25.98%. The shared brand name and representation on the board strengthen ICRA's belief that Tata AIG will receive adequate and timely capital support from Tata Sons if required. Tata AIG has a track record of capital infusions from promoters (Rs. 960 crore of equity infused by the sponsors during FY2016-FY2020).

The Stable outlook factors in the expectation that the company will continue to maintain a leading market position in the industry and receive support from Tata Sons, if required, while keeping the solvency level above the negative triggers.

In accordance with its policy on the withdrawal of credit ratings, ICRA has reaffirmed and withdrawn the rating assigned to the Rs. 185.00-crore subordinated debt programme as no amount is outstanding against the same.

Key rating drivers and their description

Credit strengths

Strong parentage – As on December 31, 2024, Tata Sons and AIG held a stake of 73.95% and 25.98%, respectively, in Tata AIG. Tata Sons is the principal holding company of the Tata Group and holds a stake in Tata Group companies operating in numerous sectors, including information technology, power, steel, chemical, vehicle manufacturing, financial services, consumer goods,

[1] *Excluding specialised insurers (AIC and ECGC)*

and jewellery, among others. AIG is a leading global insurance organisation serving customers in more than 190 countries and jurisdictions. The rating factors in Tata AIG's strong parentage and its importance to its sponsors, with the same underscored by the shared brand name, board-level supervision and the track record of equity infusions. Tata AIG's board comprises nine directors, representing both promoters: two from Tata Sons, two from AIG and four independent directors. Going forward, the continued support of Tata Sons would be a key rating sensitivity.

Comfortable solvency profile supported by healthy internal accruals – Tata AIG's capitalisation profile remains comfortable with a solvency ratio of 2.00 times as on December 31, 2024, compared to the regulatory requirement of 1.50 times. The solvency profile is supported by the company's healthy internal accruals with an average return on equity (RoE)[2] of 14.2% during FY2021-FY2024 and 22.9%[3] in 9M FY2025. The healthy RoE in 9M FY2025 was supported by the strong realised gains on the equity portfolio. However, strong investment gains were partly offset by increased reserving in Motor-TP, which resulted in a higher overall loss ratio (78.0% in 9M FY2025 vs. 71.4% in FY2024). The higher loss ratio along with the elevated expense ratio, resulted in a deterioration in the combined ratio (117.5% in 9M FY2025 vs. 109.3% in FY2024). The investment leverage[4] (5.9 times as on December 31, 2024) and the associated investment income remained high, driven by the higher share of the Motor-TP business in the overall business.

The solvency profile was aided by timely capital infusions from the sponsors with the last round of capital infusion of Rs. 200 crore in FY2020. ICRA does not expect any capital requirement as the solvency ratio is strong for supporting growth in the medium term. The company's reserving levels for the long-tail business segments have historically been prudent while claims experiences have remained within the original estimates, providing comfort regarding the level of provisions created against the risk underwritten. Additionally, it has sizeable unrealised gains on its investment portfolio, which act as a cushion for the internal accruals and solvency position.

Established market position; growth supported by diversified distribution channel – Tata AIG's GDPI growth has historically outpaced the industry average, except in FY2024 when growth was below the industry growth as a part of its strategy of selective underwriting in the motor segment. However, the company resumed its growth momentum in FY2025, exceeding the industry level, resulting in an improvement in its market share to 6.0% from 5.4% in FY2024. The strong performance enabled Tata AIG to become the third largest private general insurer in FY2025.

Additionally, the Insurance Regulatory and Development Authority of India (IRDAI) introduced a new accounting norm effective October 1, 2024, requiring insurers to recognise premium income from multiyear policies on a pro rata basis over the policy term (1/n method)[5]. While this change impacts the timing of revenue recognition, its effect on the company's profitability is expected to be minimal.

Tata AIG has a strong presence in the motor segment (market share of 9.2% in FY2025; second largest private insurer in the segment), accounting for 51.3% of its GDPI in FY2025. Besides motor, other key segments include fire (10.7% of the GDPI in FY2025) and health and personal accident (20.3%). Tata AIG has a reasonable presence in the commercial business segment due to the expertise derived from its parent, AIG.

The company's strong growth has been supported by its diversified distribution network. Given the high share of the motor segment in the overall business, its distribution mix is largely dominated by brokers with a 39.9% share in the total distribution in 9M FY2025. Other key distribution channels include individual agents (21.6%), which is a key driver of the health segment business and direct (13.4%), which is a driver of the crop and fire businesses. Over the past few years, the company has strengthened its distribution network and increased the number of agents, which has resulted in a rise in its market share in the retail health segment. Moreover, this is expected to help Tata AIG maintain its growth rate in the retail portfolio by expanding into new territories and diversifying its premium mix.

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[2] *Return on equity = PAT/Net worth excluding fair value change account (FVCA)*
[3] *Annualised*
[4] *Investment leverage = (Total investment – Subordinated debt)/Net worth excluding FVCA*
[5] *1/n refers to the method of recognising and reporting long-term premium income over the period of risk, where 'n' represents the number of days of the policy term*

Credit challenges

High share of long-tail business exposes the company to reserving risks – The major risk faced by an insurance company is the risk of underwriting at an adequate premium pricing in relation to the underwritten risk. The uncertainty regarding the extent of claims is relatively higher in the long-tail Motor-TP segment, which accounted for 25-30% of Tata AIG's total GDPI in the last few years (28.3% in FY2025). The long-tail nature of the Motor-TP segment, given the legal process involved in claims settlement, could result in uncertainty regarding the level of future claims in relation to the past reserves made for this segment. The company's loss-reserving triangle, which involves actuarial estimates, indicates that it has maintained adequate reserves in the past and witnessed favourable claims experience in this segment vis-à-vis reserving during the last few years. As a prudent measure in recent years, Tata AIG restricted the release from reserves until the claims experience emerged, reflecting a prudent reserving philosophy. However, the eventual outcome for the risk-in-force may be realised with a considerable lag, which could impact future profitability and solvency. Further, the profitability of this segment could be impacted as the pricing of Motor-TP rates is regulated.

Liquidity position: Strong

The company's net premium was Rs. 9,992 crore in FY2024 in relation to the maximum net claims paid of Rs. 4,680 crore in the last few years, reflecting the strong ability to pay claims from the operating cash flow. For 9M FY2025, the net premium stood at Rs. 8,467 crore against net claims of Rs. 4,086 crore. The long-tail Motor-TP business also aids Tata AIG's liquidity profile. In addition, its operating cash flows have remained positive. It had investments in Central/state government securities of Rs. 8,226 crore, accounting for 24% of the total investments as on December 31, 2024, further supporting its liquidity to meet any unexpected rise in policyholder's claims. Tata AIG's shareholders' investment of Rs. 6,708 crore also remains strong in relation to the Rs. 545-crore sub-debt outstanding as on December 31, 2024.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Deterioration in Tata Sons' credit profile or a decline in the strategic importance of Tata AIG to Tata Sons or in the expectation of support from the promoter could impact the rating. Additionally, a decline in the company's solvency ratio to less than 1.70 times on a sustained basis would be a negative trigger.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Rating methodology – General insurance Policy on withdrawal of credit ratings
Parent/Group support	Parent: Tata Sons Private Limited The rating factors in the high likelihood of financial support from Tata Sons Private Limited to Tata AIG, driven by reputational and strategic considerations
Consolidation/Standalone	The rating is based on the standalone financial statements of the issuer

About the company

Tata AIG General Insurance Company Limited (Tata AIG) is a joint venture between the Tata Group and American International Group (AIG). Tata AIG commenced operations in India on March 31, 2001. It offers a range of general insurance covers for businesses and individuals and has a comprehensive range of general insurance products, with a presence in 221 locations across India.

Key financial indicators (audited)

Tata AIG General Insurance Company Limited	FY2023	FY2024	9M FY2025
Gross direct premium	13,176	15,091	13,247
PAT	553	685	975
Net worth excl. FVCA	3,992	4,677	5,664
Total investments	23,493	31,154	33,988
Combined ratio	109.5%	109.3%	117.5%
Return on equity (PAT/Net worth excl. FVCA)	13.9%	14.6%	22.9%*
Solvency ratio (times)	1.94	2.09	2.00

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *Annualised*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

<table>
<tr><th rowspan="3">Instrument</th><th colspan="3">Current (FY2026)</th><th colspan="6">Chronology of rating history for the past 3 years</th></tr>
<tr><th rowspan="2">Type</th><th rowspan="2">Amount rated (Rs. crore)</th><th rowspan="2">Apr 30, 2025</th><th colspan="2">FY2025</th><th colspan="2">FY2024</th><th colspan="2">FY2023</th></tr>
<tr><th>Date</th><th>Rating</th><th>Date</th><th>Rating</th><th>Date</th><th>Rating</th></tr>
<tr><td>Subordinated debt programme</td><td>Long term</td><td>185.0</td><td>[ICRA]AAA (Stable); withdrawn</td><td>May 09, 2024</td><td>[ICRA]AAA (Stable)</td><td>May 15, 2023</td><td>[ICRA]AAA (Stable)</td><td>Aug 30, 2022</td><td>[ICRA]AAA (Stable)</td></tr>
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Complexity level of the rated instruments

Instrument	Complexity indicator
Subordinated debt programme	Moderately Complex
Issuer Rating	Not applicable

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/ Sanction	Coupon rate	Maturity date*	Amount rated (Rs. crore)	Current rating and outlook
INE067X08026^	**Subordinated debt programme**	Dec 19, 2019	8.85%	Dec 19, 2029	185.00	[ICRA]AAA (Stable); withdrawn
INE067X08034	**Subordinated debt programme**	Sep 27, 2023	8.15%	Sep 27, 2033	545.00	[ICRA]AAA (Stable)
NA	**Issuer Rating**	NA	NA	NA	NA	[ICRA]AAA (Stable)

*Source: Company; *Call option exercisable at the end of five years from the date of allotment; ^ Tata AIG has exercised the call option and redeemed the debentures in full by paying the principal and final interest on December 19, 2024*

Key features of rated debt instrument

The rating also factors in the key features of the instrument, in line with the applicable guidelines for subordinated debt:

» 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

Not applicable

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