June 30, 2025

ICICI Lombard General Insurance Company Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Issuer Rating	-	-	[ICRA]AAA (Stable); reaffirmed

**Instrument details are provided in Annexure I*

Rationale

The rating factors in ICICI Lombard General Insurance Company Limited's (ICICI Lombard) strong market position. The company is the largest private general insurer with a market share of 9.0%[1] in terms of gross direct premium income (GDPI) in FY2025. It has an established presence across the retail as well as corporate segments, supported by its diversified distribution mix, which has aided growth.

ICICI Lombard's capitalisation remains strong with a reported solvency of 2.69 times as on March 31, 2025 (compared to the required regulatory level of 1.50 times), supported by healthy internal accruals. Its profitability remains healthy with an average combined ratio of 103.8% and an average return on equity (RoE)[2] of 16.8% in the last five years. The combined ratio and profitability remain strong in relation to the industry average. Given the strong solvency and the expectation that internal accruals will remain healthy, ICRA does not expect the company to require any capital infusion in the medium term.

The rating also factors in the strong promoter profile with ICICI Bank Limited[3] (ICICI Bank) holding an equity stake of 51.60% as on March 31, 2025. The rating considers the shared brand name, ICICI Lombard's strategic importance to ICICI Bank and the bank's representation on its board of directors, which strengthen ICRA's expectation of adequate and timely capital support if required.

ICRA notes the high share of motor-third party (Motor-TP; 19.7% of GDPI in FY2025), which exposes ICICI Lombard to reserving risks as this segment is long tail in nature. However, the company's loss-reserving triangle, which involves actuarial estimates, indicates that it has maintained adequate reserves in the past as evidenced by the favourable claims experience in the last few years in the Motor-TP segment as well as other lines of business.

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

Key rating drivers and their description

Credit strengths

Strong parentage ensures financial flexibility and managerial support – ICICI Lombard is a publicly listed general insurance company, with ICICI Bank as a promoter, holding 51.60% of the outstanding shares as on March 31, 2025. ICICI Bank is a systemically important private sector bank in India. As per ICRA's estimates, it had a 7.4% share in the Indian banking sector advances on March 31, 2025 (7.2% as on March 31, 2024) and an 18.5% share (17.8% as on March 31, 2024) in private sector bank advances as on March 31, 2025. With a presence in banking, insurance, asset management, investment banking and

[1] The market share calculation excludes ECGC Ltd. and Agriculture Insurance Company of India Limited (AIC)
[2] Return on equity (RoE) = Net profit/Net worth excluding fair value change account
[3] Rated [ICRA]AAA (Stable) for its Basel III Tier II bonds

private equity, the ICICI Group is a large player in the Indian financial system. As on March 31, 2025, it had 6,983 branches and 16,285 ATMs. The strong parentage and shared brand name strengthen ICRA's expectation that the company will receive timely support, if required. Moreover, ICICI Lombard benefits from a strong and experienced management team as well as board representation by senior executives of the parent company.

Established market position, supported by diversified products and distribution channels – ICICI Lombard is the largest private general insurer with a market share of 9.0%[4] in FY2025 (8.9% in FY2024) in terms of GDPI. Its products are relatively well diversified, and its key segments include motor, health and fire. The motor segment continued to grow and remains the largest segment in the overall business. However, its share declined to 40.0% of the total GDPI in FY2025 from 50.1% in FY2021. Driven by significant growth in recent years, the share of the health, travel and personal accident segments increased substantially to 28.6% in FY2025 (21.6% in FY2021). Apart from motor and health, the company has a strong presence in the segment, which accounted for 11.8% of the GDPI in FY2025.

ICICI Lombard sources its business from diversified distribution channels, thereby strengthening its business profile. Brokers and direct business contributed 51.9% and 17.4%, respectively, to the GDPI in FY2025, while the GDPI share of bancassurance, from all banking partners, remained limited at 7.0% in FY2025

Strong capitalisation, supported by healthy profitability – ICICI Lombard's capitalisation remained strong with a solvency of 2.69 times as on March 31, 2025, significantly above the regulatory requirement of 1.50 times. The capitalisation has been supported by healthy internal accruals, with an average RoE of 16.8% in the last five fiscals (FY2021 to FY2025). Despite an average dividend payout ratio of 23.7% during FY2021-FY2025, the adjusted net worth[5] increased at a compound annual growth rate (CAGR) of 17.8% during this period. The capitalisation profile has been strong without any capital infusion from the promoters in the recent past. ICRA does not expect any capital infusion requirement as the solvency ratio is sufficiently strong for supporting the growth in the medium term. Further, the headroom to raise sub-debt provides some financial flexibility. ICICI Lombard's reserving levels for the long-tail business segments have historically remained prudent with the claims experience staying within the original estimates, providing comfort regarding the level of provisions created against the risk underwritten. The company has a reinsurance programme with highly rated reinsurers, protecting profitability.

ICICI Lombard's profitability remains healthy with a RoE of 17.5% in FY2025 (16.0% in FY2024). Although it has been reporting underwriting losses, the underwriting performance improved with a combined ratio of 102.8% in FY2025 (103.3% in FY2024) and it continues to perform better than the industry. Investment income earned from the float generated through business (investment leverage[6] stood at 3.74 times as on March 31, 2025) and strong realised gains have helped the company report a healthy RoE despite the underwriting losses.

Credit challenges

High share of long-tail business exposes the company to reserving risks – A major risk faced by an insurance company is the underwriting of the business at adequate premium pricing in relation to the underwritten risk. The uncertainty regarding the extent of claims is relatively higher in the Motor-TP segment, which accounted for 19-23% of ICICI Lombard's total GDPI in the last few years (declined to 19.7% in FY2025 from 23.8% in FY2021). The long-tail nature of the Motor-TP segment, given the legal process involved for 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 experiences in this segment vis-à-vis reserving during the last few years. However, the eventual outcome for the risk-in-force may be known with considerable lag, which could impact its future profitability and solvency. Further, the profitability of this segment could be impacted as the pricing of Motor-TP rates is regulated. Additionally, the general insurance industry is highly competitive with an overall combined ratio

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[4] *The market share calculation excludes ECGC Ltd. and Agriculture Insurance Company of India Limited (AIC)*

[5] *Net worth excluding fair value changes*

[6] *Investment leverage = (Total investment – Sub-debt)/Net worth*

of 113.0% at the industry[7] level in FY2024. Ability to grow the business while maintaining adequate pricing for risk underwritten will be key for long-term profitability.

Environmental and social risks

The health, mortgage, and trade credit insurance businesses undertaken by ICICI Lombard face low environmental risks, unlike property or asset insurance that is exposed to risks emanating from natural or climate change related calamities. Such events pose material risk of elevated claims, higher than those modelled, which could adversely impact the financial performance. While the ability of insurers like ICICI Lombard to reprice insurance policies on an annual basis mitigates this risk slightly, the increasing incidence of catastrophic losses linked to climate change adds to the underwriting complexity. Climate change contributing to water shortage and droughts can also result in losses in the business relating to agricultural insurance, but this is just one among the other lines of business of ICICI Lombard and does not by itself contribute to pushing up the credit risk materially.

The social risk faced by general insurance companies stems from the potential mishandling of sensitive customer data and privacy breaches. This could impact their credit profile in the form of regulatory penalties or reputational damage. ICICI Lombard, however, has not faced material lapses over the years which highlights its ability to manage such risks. Human capital risks are also quite high for general insurance companies with challenges related to the recruitment and retention of key employees.

Liquidity position: Strong

ICICI Lombard's net premium was Rs. 20,761 crore in FY2025 in relation to the maximum net claims paid of Rs. 12,487 crore in the last few years. The company's operating cash flow was positive in FY2025, reflecting its ability to meet its expenses and claims through premium inflows. Additionally, it had investments in Central/state government securities of Rs. 17,784 crore, accounting for 33.2% of the total investments as on March 31, 2025, supporting the liquidity further to meet any unexpected rise in the claims of policyholders. Shareholders' investments of Rs. 13,726 crore remained strong with no outstanding sub-debt as on March 31, 2025.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Deterioration in the credit profile of ICICI Bank or a decline in the strategic importance of ICICI Lombard to ICICI Bank or 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	Rating Methodology – General Insurance
Parent/Group support	Parent/Group company: ICICI Bank Limited The rating factors in the high likelihood of financial support from ICICI Bank to ICICI Lombard, driven by reputational and strategic considerations.
Consolidation/Standalone	Standalone

[7] *Industry includes 14 private general insurers, 4 public sector undertakings (PSUs) and 4 standalone health insurers (SAHI) contributing ~98% to the industry GDPI (excluding AIC and ECGC Ltd.) in FY2024*

About the company

ICICI Lombard is a publicly listed general insurance company. ICICI Bank is a promoter, holding 51.60% of the outstanding shares.

ICICI Lombard offers a comprehensive and well-diversified range of products, including motor, health, crop/weather, fire, personal accident, marine, engineering and liability insurance, through multiple distribution channels. It is the largest private general insurance company in India with a market share of 9.0% as on March 31, 2025.

Key financial indicators (audited)

ICICI Lombard	FY2024	FY2025
Gross direct premium	24,776	26,833
PAT	1,919	2,508
Net worth (excluding FVCA)	11,960	14,303
Total investments	48,907	53,508
Combined ratio	103.3%	102.8%
Return on equity^	16.0%	17.5%
Solvency ratio (times)	2.62	2.69

Source: Company, ICRA Research; Amount in Rs. crore; All calculations are as per ICRA Research; ^ PAT/Net worth excluding fair value change account (FVCA)

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	**Type**	**Amount rated (Rs. crore)**	**Jun 30, 2025**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Issuer rating	Long term	-	[ICRA]AAA (Stable)	11-Jul-24	[ICRA]AAA (Stable)	12-Sep-23	[ICRA]AAA (Stable)	26-Sep-22	[ICRA]AAA (Stable)
Subordinated debt programme^	Long term	-	-	11-Jul-24	[ICRA]AAA (Stable); withdrawn	12-Sep-23	[ICRA]AAA (Stable)	26-Sep-22	[ICRA]AAA (Stable)

^ Transferred from Bharti AXA General Insurance Company Limited, the company has exercised the call option and redeemed the debentures in full by paying the principal and final interest on April 30, 2024

Complexity level of the rated instruments

Instrument	Complexity indicator
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	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Issuer Rating**	NA	NA	NA	NA	[ICRA]AAA (Stable)

Source: ICICI Lombard, ICRA Research

Annexure II: List of entities considered for consolidated analysis

Not applicable

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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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