

July 22, 2025

## Star Union Dai-ichi Life Insurance Company Limited: Rating reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Subordinated debt programme	125.00	125.00	[ICRA]AA (Stable); reaffirmed
<b>Total</b>	<b>125.00</b>	<b>125.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The rating factors in Star Union Dai-ichi Life Insurance Company Limited's (SUD Life) strong promoter profile with Dai-ichi Life International Holdings LLC (Dai-ichi Life; key operating subsidiary – Dai-ichi Life Insurance Co. Ltd.<sup>1</sup>), Bank of India<sup>2</sup> (BoI), and Union Bank of India<sup>3</sup> (Union Bank) holding 47.42%, 27.48% and 25.10%, respectively, as on March 31, 2025. The rating considers the strategic importance of SUD Life to Dai-ichi Life and Union Bank, as demonstrated by the regular capital infusions (including the capital infusion of Rs. 550 crore in FY2025, with both Dai-ichi Life and Union Bank participated), the strong representation on the board and the shared brand name. These factors strengthen ICRA's expectation that the company will receive timely support from Dai-ichi Life and Union Bank when required. Given that BoI and Union Bank are promoters, SUD Life has access to their extensive branch network (~15,000 as on March 31, 2025). This enables it to leverage the bancassurance (banca) channel to source business. The rating also considers SUD Life's strong solvency position with a solvency ratio of 2.30 times as on March 31, 2025 compared to the regulatory requirement of 1.50 times.

The rating is constrained by SUD Life's moderate scale of operations, with a market share of 1.3% in individual annual equivalent premium (APE) and 1.1% in overall new business premium (NBP) in FY2025 and high dependence on the parent banca channel for sourcing the retail business. Further, the group business accounts for a higher share of the NBP (44.4% during the last five years and 60.6% in FY2025), which could be lumpy and is volatile in nature. The company's ability to grow its individual business and diversify its business sourcing while improving its persistency levels will be a key driver for enhancing its market position and improving its profitability.

The Stable outlook factors in the expectation that the company will continue to receive support from Dai-ichi Life and Union 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 capital, strategic, and operational support** – SUD Life is a joint venture between Dai-ichi Life, BoI and Union Bank. The company recently received equity infusion of Rs. 550 crore in FY2025 wherein Union Bank participated and maintained its shareholding (25.10%) while Dai-ichi Life's stake increased to 47.42% as on March 31, 2025 from 45.94% as on March 31, 2024. BoI's (27.48% vs. 28.96%) share declined. The company's importance to Dai-ichi Life and Union Bank is demonstrated by their track record of equity infusions and the shared brand name. Further, they have strong representation on SUD Life's board with Dai-ichi Life having three representatives while Union Bank and BoI have two representatives each. ICRA expects that capital support will be forthcoming from Dai-ichi Life and Union Bank, as and when required.

<sup>1</sup> Rated A1 based on Insurance Financial Strength by Moody's

<sup>2</sup> Rated [ICRA]AA+ (Stable), on notice of withdrawal for its fixed deposit programme

<sup>3</sup> Rated [ICRA]AAA (Stable) for its Basel III Tier II bonds

SUD Life has access to the wide network (~15,000 branches as on March 31, 2025) of the promoter banks. Additionally, BoI and Union Bank are sponsors of a few regional rural banks (RRBs) with more than 2,700 branches, enabling the company to tap the rural markets. SUD Life sourced 95.6% of its individual NBP through the banca channel (90.5% from promoter banks) in FY2025 with its promoter banks and had a high counter share in the life insurance policies sold by these banks. Dai-ichi Life was established in 1902 and is one of the major life insurance companies in Japan. Its vast experience in the life insurance industry benefits SUD Life in product approval and reinsurance arrangements, among other.

**Solvency supported by internal accruals and capital infusions** – SUD Life’s solvency position remains strong with a solvency ratio of 2.30 times as on March 31, 2025 compared to the regulatory requirement of 1.50 times. It improved in FY2025 (compared to 2.03 times as on March 31, 2024) with the equity infusion of Rs. 550 crore. The strong solvency position has been supported by internal accruals (average return on equity (RoE) of 9.3% during FY2021-FY2025) and capital infusions (Rs. 200 crore in FY2023 and Rs. 550 crore in FY2025). It is also supported by the funds for future appropriation (FFA) related to participating (par) funds. FFA accounted for 14.8% of the available solvency margin as on March 31, 2025. The company has headroom for raising additional sub-debt of ~Rs. 514 crore as on March 31, 2025, which provides financial flexibility. ICRA expects SUD Life’s capitalisation to support the growth in the medium term.

The company reported a net profit of Rs. 82 crore in FY2025 with an RoE<sup>4</sup> of 5.4% (Rs. 165 crore and 14.5% in FY2024). The accounting profitability was impacted by the strong growth in the linked business, which is in the early phase, but was supported by the profit in the non-par segment.

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 capital position.

## Credit challenges

**Modest scale of operations; high dependence on banca** – SUD Life’s operations remain modest with a market share of 1.3% in individual APE (1.4% in FY2024) and 1.1% in the overall NBP in FY2025 (0.9% in FY2024). The growth in the company’s NBP over the years was largely driven by the group business, with its share increasing to 60.6% of the total NBP in FY2025 from 10.0% in FY2019. ICRA notes that within the group business, the group fund business accounts for a major share (84.5% of the group NBP in FY2025) and renewal every year not guaranteed. It typically witnesses a high churn rate as corporates remain sensitive to the indicative returns offered by insurers, leading to volatility in premium. The company’s sourcing mix in the individual segment remained highly concentrated towards banca, which accounted for 95.6% of the individual NBP (90.5% from promoter banks) and 46.2% of the overall NBP in FY2025. Sourcing through banca is primarily driven by the promoter banks. SUD Life’s ability to diversify and develop proprietary channels will be instrumental in improving its market position.

**Persistency levels improving but remain lower than peers** – Despite improving over the last few years {13<sup>th</sup> month persistency of 77.7% in FY2025 (74.0% in FY2021)}, the company’s persistency ratio<sup>5</sup> remains lower than peers. Further, the persistency in later cohorts was lower at 23.2% in the 61<sup>st</sup> month in FY2025 compared to ~62% among the industry leaders. SUD Life’s ability to improve its persistency level across cohorts and product segments would remain crucial for incremental profitability in the individual business. The impact of the recent regulatory changes, increasing the surrender values on life insurance policies, on the persistency ratios and profitability will remain monitorable.

## Liquidity position: Strong

The company’s net premium (excluding unit linked insurance plan; ULIP) stood at Rs. 6,648 crore in FY2025 in relation to the maximum net claims and benefits (excluding ULIP) paid of Rs. 2,289 crore in the last few years. SUD Life’s operating cash flow was positive in FY2025, reflecting its ability to meet its expenses and claims through premium inflows. Additionally,

<sup>4</sup> RoE = Net profit/Net worth excluding fair value change account

<sup>5</sup> Regular premium/Limited premium payment under individual category

investments in Central and state government securities stood at Rs. 16,572 crore, accounting for 65.0% of the total investments (excluding ULIP) as on March 31, 2025, further supporting the liquidity to meet the claims of policyholders. The shareholders' investment of Rs. 1,518 crore also remains strong in relation to the sub-debt outstanding of Rs. 125 crore as on March 31, 2025.

## Rating sensitivities

**Positive factors** – A substantial and sustained increase in the company's retail market share, diversification in the distribution channels and profitability, leading to an improvement in its financial risk profile.

**Negative factors** – A deterioration in the credit profile of Dai-ichi Life/Union Bank or a decline in the strategic importance of SUD Life to these entities or in the expectation of support from them. Additionally, a decline in the company's solvency ratio to less than 1.60 times on a sustained basis would be a negative factor.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Rating Methodology – Life Insurance</a>
Parent/Group support	Parent/Investor: Dai-ichi Life International Holdings LLC and Union Bank The rating factors in the high likelihood of support from Dai-ichi Life and Union Bank, to SUD Life driven by reputational and strategic considerations.
Consolidation/Standalone	Standalone

## About the company

Established in 2007, SUD Life is a joint venture between Dai-ichi Life, Bol, and Union Bank. Bol and Union Bank are public sector banks with established track records. Set up in 1902, Dai-ichi Life is one of the major life insurance companies in Japan. Initially, Bol was a major shareholder with a stake of 51.00% as on March 31, 2009, followed by Union Bank (26.00%) and Dai-ichi Life (23.00%). Over the years, Dai-ichi Life's stake has since increased to 47.42% while Bol's share declined to 27.48% and Union Bank's share decreased slightly to 25.10% as on March 31, 2025.

SUD Life provides life insurance, savings, investment and annuity to individuals and groups. The products are offered under the protection, participating, non-participating and unit-linked lines of business. It operates through a wide network of ~15,000 promoter bank branches across India.

## Key financial indicators (audited)

Star Union Dai-ichi Life Insurance Company Limited	FY2024	FY2025
Gross direct premium	6,718	8,260
PAT	165	82
Net worth	1,221	1,847
Total investments	23,962	29,878
13 <sup>th</sup> month persistency	78.9%	77.7%
61 <sup>st</sup> month persistency	28.4%	23.2%
Solvency ratio (times)	2.03	2.30

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

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)	Jul 22, 2025	Date	Rating	Date	Rating	Date	Rating
Subordinated debt programme	Long term	125.0	[ICRA]AA (Stable)	Jul 25, 2024	[ICRA]AA (Stable)	Jul 28, 2023	[ICRA]AA (Stable)	Aug 1, 2022	[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
INE503V08016	Subordinated debt programme	Nov 24, 2021	7.75%	Nov 24, 2031*	125.00	[ICRA]AA (Stable)

Source: Company, ICRA Research

\* The company has a call option, which is exercisable five years from the date of allotment on November 24, 2026 and at the end of every year thereafter before the redemption date

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

- » Servicing of interest is contingent on the company maintaining a solvency ratio above the levels stipulated by the regulator<sup>6</sup>
- » If the interest payouts lead to a net loss or an increase in the net loss, the prior approval of the regulator would be required to service the debt

## Annexure II: List of entities considered for consolidated analysis

Not applicable

<sup>6</sup> As per the Insurance Regulatory and Development Authority of India (IRDAI), insurers are required to maintain a minimum solvency ratio of 1.50 times

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