

August 07, 2025

The Oriental Insurance Company Ltd.: Rating reaffirmed

Summary of rating action

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

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation factors in The Oriental Insurance Company Ltd.'s (OICL) importance as a government-owned general insurer with a long operating history, broad distribution network, and demonstrated support from the Government of India (GoI) in the form of capital infusions in the past. The GoI had infused Rs. 3,170 crore and Rs. 1,200 crore in FY2021 and FY2022, respectively, to help the company augment its solvency ratio. The reaffirmation also factors in OICL's position as the fifth largest player in the general insurance sector, with a 6.7% market share in terms of gross direct premium income (GDPI).

However, the rating continues to reflect OICL's persistently weak solvency profile due to its subdued profitability and the lack of clarity on the timing of capital infusions by the GoI despite the sustained weakness in the capital position. This could adversely impact the company's business volumes and market position in the medium to long term. While the underwriting performance improved in FY2024 and FY2025 compared to prior years, which were adversely impacted by wage revisions and the loss-making business, it remains weak as reflected in the combined ratio of 123.0% in FY2025, thus constraining the profitability. OICL continued to report a negative net worth of Rs. 3,683 crore as on March 31, 2025, due to the substantial losses reported by the company in FY2022 and FY2023 and the small profit of Rs. 19 crore and Rs. 144 crore in FY2024 and FY2025.

The company's solvency is expected to remain weak. The solvency ratio deteriorated sharply to negative 0.96 times {excluding fair value change account (FVCA)¹} in FY2023 as OICL provided Rs. 2,425 crore for the payment of employee wage arrears for the period of August 01, 2017, to July 31, 2022. It remained weak at negative 1.06 times and negative 1.03 times (excluding FVCA) as on March 31, 2024, and March 31, 2025, respectively. ICRA further notes that the company made a provision of Rs. 628 crore for wage revisions in FY2025 and is likely to make a higher additional provision in FY2026, which could lead to a further impact on the profitability and solvency position. However, a key credit positive is OICL's shareholding of 1.42% in National Stock Exchange (NSE), which is currently unlisted, and potential gains are not included in the fair value change account (FVCA). Upon NSE's potential listing, the fair value gains arising from this investment could significantly enhance OICL's FVCA, materially strengthening its capital base (solvency including FVCA). ICRA also notes the high share of Motor-Third party (Motor-TP; 15-17% of OICL's total GDPI in the last few years), which exposes the company to reserving risks as this segment is long tail in nature.

The company has applied to the regulator for the inclusion of 100% FVCA for the calculation of solvency for FY2025, though approval is yet to be received. Even after including the entire FVCA, the solvency would have been 0.33 times as on March 31, 2025, lower than the regulatory requirement of 1.50 times.

OICL's statutory auditors continue to draw attention to its ability to continue as a going concern, given the negative net worth. As defined in its business and strategy plans, the company is exploring different avenues to turn around the situation such as

¹ Unrealised gains on equity investments

focussing on profitable businesses, discontinuing loss-making policies and reducing controllable management expenses among others. Its ability to successfully implement these plans and receive the required equity from the GoI would be critical.

The outlook on the rating remains Negative, given ICRA's expectation of continued weak profitability and solvency over the medium term, unless supported by capital infusions from the GoI.

Key rating drivers and their description

Credit strengths

Sovereign ownership – OICL is wholly owned by the GoI. ICRA expects the company to receive support from the GoI. Considering the extremely low insurance penetration in India, the role of Government-owned insurers, such as OICL, becomes important. Further, GoI support is evidenced from the capital infusion of Rs. 9,950 crore (OICL received Rs. 3,170 crore) and Rs. 5,000 crore (OICL received Rs. 1,200 crore) in FY2021 and FY2022, respectively, across three public sector general insurance companies.

Established player with long operating history – OICL has a long operating history with a recognised brand value in North India. It is the fifth largest player in the general insurance industry with a market share of 6.7% in terms of GDPI in FY2025 (6.6% in FY2024). While the company has a presence in all major segments, the health and motor segments continued to account for a significant share of the GDPI at 41% and 23%, respectively, in FY2025 (42% and 24%, respectively, in FY2024) compared to the industry average of 40% and 33%, respectively, in FY2025.

The company's GDPI rose by 8.4% in FY2025, outperforming the industry growth of 6.2%. Premium growth in FY2025 was largely supported by OICL's strong performance in the crop segment (Rs. 2,027 crore in FY2025 and Rs. 1,752 crore in FY2024) and healthy traction in the personal accident (PA) segment (Rs. 1,754 crore in FY2025 and Rs. 1,130 crore in FY2024). The growth was, however, moderate in key segments such as fire, health and motor in FY2025. In terms of distribution, OICL has a strong agency channel with individual agents sourcing 22% of its business, especially in the health and motor segments. Further, direct sourcing in segments such as crop, PA, fire and government health accounts for 32% of the business.

Credit challenges

Weak solvency levels; largely dependent on GoI capital infusions – In the absence of equity infusions by the GoI during FY2023 -FY2025 and given its subdued profitability, OICL's solvency remains weak (negative 1.03 times as on March 31, 2025 and negative 1.06 times as on March 31, 2024). It has applied to the regulator for the inclusion of 100% of the FVCA for solvency purposes. Post approval, the solvency will turn positive at 0.33 times as on March 31, 2025, though it will remain below the regulatory requirement. Further, the company had a significant amount of 90+ days receivables from its co-insurance and reinsurance arrangements as well as other disallowances, which are excluded while calculating the solvency ratio. OICL reported a net profit of Rs. 19 crore and Rs. 144 crore in FY2024 and FY2025, respectively, primarily supported by realised gains from the sale of investments. However, its net worth remained negative at Rs. 3,683 crore as of March 2025 due to the significant losses incurred in the previous fiscals.

As per ICRA's estimates, OICL requires an equity infusion of Rs. 6,000-7,000 crore to meet the regulatory solvency requirements as on March 31, 2025, after 100% inclusion of the FVCA. However, this capital requirement could reduce significantly in the event of the listing of NSE shares, which may unlock substantial FVCA gain, provided the FVCA is allowed to be included in the solvency computation. Nevertheless, given the expectation of continued weak profitability, the equity capital requirement is expected to remain sizeable in the medium term. Weak profitability and capitalisation on a sustained basis could adversely impact the company's ability to grow its business in the medium to long term, which may also affect its market position.

Weak underwriting performance – The company's underwriting performance improved in the last two fiscals compared to FY2023, which was adversely impacted by the retrospective wage revision (impact of Rs. 2,425 crore). OICL reported an underwriting loss of Rs. 3,468 crore and Rs. 3,964 crore in FY2024 and FY2025, respectively, compared to Rs. 7,693 crore in

FY2023. Besides the impact of the wage revision, the strategic decision to discontinue some of the loss-making businesses contributed to the improvement in the underwriting performance in FY2024 and FY2025. Although the combined ratio improved to 121.4% and 123.0% in FY2024 and FY2025, respectively, from 138.0% in FY2023 (excluding impact of wage revision), it remains elevated. The underwriting performance in FY2025 was affected by the provision for wage revisions of Rs. 628 crore and is expected to be further worsened by incremental provisions in FY2026. The company reported a net profit of Rs. 19 crore and Rs. 144 crore in FY2024 and FY2025, respectively, supported by the gain on the sale of investments.

Adequacy of reserves in long-tail business – 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 15-17% of OICL's total GDPI in the last few years. 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. While OICL creates or releases reserves, the eventual outcome for the risk in-force or adequacy of current reserves against future claims payouts may be known with considerable lag, which could impact the future profitability and solvency. Further, the profitability of the Motor-TP segment could be affected as the pricing of rates is regulated.

Liquidity position: Adequate

The company's net premium was Rs. 17,274 crore in FY2025 in relation to the maximum net claims paid of Rs. 15,924 crore in the last few years. However, its operating cash flow remained negative in the last few years because of the high combined ratio. As a result, the growth in the investment book remained weak as the operating cash deficit was partially funded by the sale of investments. OICL had investments in Central/state government securities, accounting for 43% of the total investments or Rs. 28,489 crore as on March 31, 2025, supporting the liquidity to meet the claims of policyholders. It does not have any subordinated debt outstanding.

Rating sensitivities

Positive factors – The outlook may be revised to Stable if there is a consistent improvement in the underwriting performance and/or improvement in solvency position.

Negative factors – ICRA could downgrade the rating on a dilution in OICL's importance to the GoI or on inadequate capital infusions by the GoI.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	General Insurance
Parent/Group support	The rating factors in OICL's sovereign ownership and the demonstrated track record of capital infusions by the GoI. ICRA expects the GoI to continue supporting OICL.
Consolidation/Standalone	Standalone

About the company

The Oriental Insurance Company Ltd. (OICL), incorporated on September 12, 1947, is a general insurance company fully owned by the Government of India. It offers general insurance services across a variety of segments. With its head office in New Delhi, OICL has 29 regional offices and more than 1,500 operating offices. OICL's gross direct premium written was Rs. 20,327 crore in FY2025 and it reported an underwriting loss of Rs. 3,964 crore and a net profit of Rs. 144 crore.

Key financial indicators (audited)

The Oriental Insurance Company Ltd.	FY2024	FY2025
Gross direct premium	18,794	20,327
PAT	19	144
Net worth (excluding FVCA)	(3,831)	(3,683)
Net worth (including FVCA)	5,041	3,622
Total investments	28,801	28,489
Combined ratio	121.4%	123.0%
Solvency ratio (times) – Excluding FVCA	(1.06)	(1.03)

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

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)	Aug 07, 2025	Date	Rating	Date	Rating	Date	Rating
Issuer Rating	Long term	-	[ICRA]AA- (Negative)	Aug 9, 2024	[ICRA]AA- (Negative)	Aug 14, 2023	[ICRA]AA (Negative)	Nov 14, 2022	[ICRA]AA+ (Negative)
Subordinated debt programme	Long term	-		Aug 9, 2024	[ICRA]AA- (Negative); withdrawn	Aug 14, 2023	[ICRA]AA (Negative)	Nov 14, 2022	[ICRA]AA+ (Negative)

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/ Sanction	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Issuer Rating	NA	NA	NA	NA	[ICRA]AA- (Negative)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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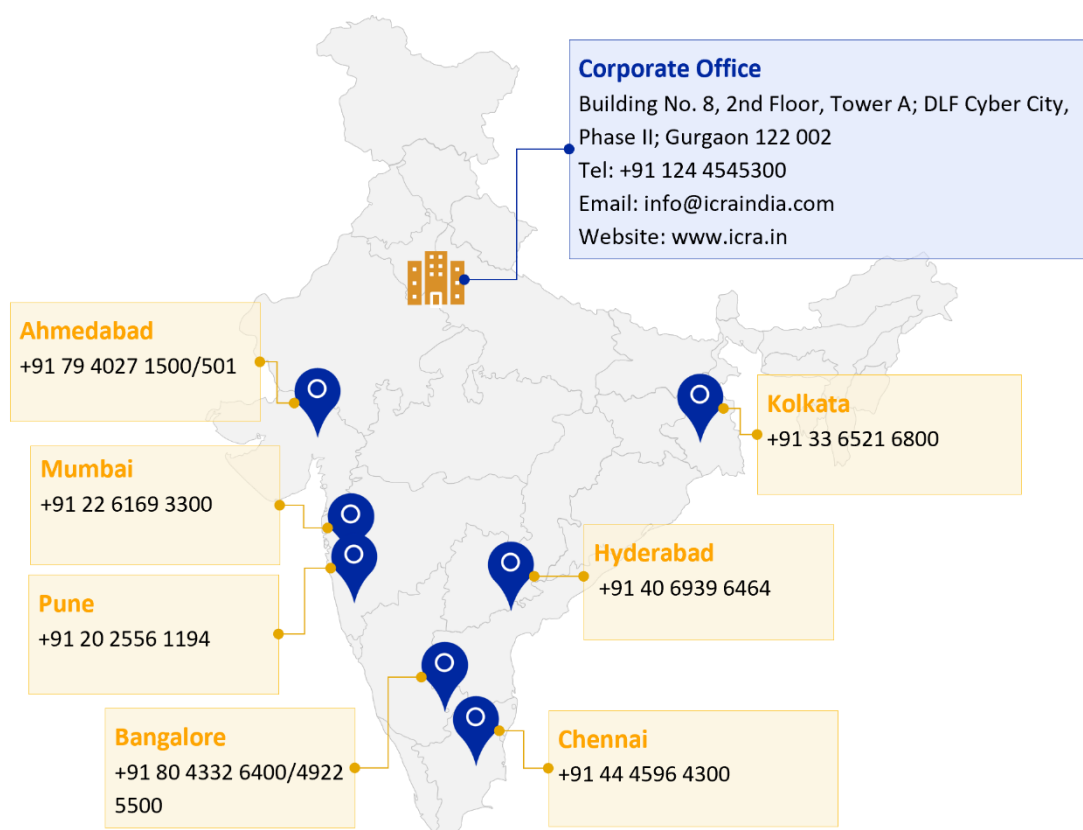
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