August 29, 2025

HDFC Life Insurance Company Limited: Rating reaffirmed; reaffirmed and withdrawn for matured instruments

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	2,350.00	2,350.00	[ICRA]AAA (Stable); reaffirmed
Subordinated debt programme	600.00	-	[ICRA]AAA (Stable); reaffirmed and withdrawn
Total	**2,950.00**	**2,350.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating factors in HDFC Life Insurance Company Limited's (HDFC Life) established market position as the second largest private life insurer with a market share of 11.1% in FY2025 {10.4% in FY2024; in terms of individual annualised premium equivalent (APE)[1]}, a balanced product mix, diversified distribution network, and strong persistency supporting its profitability. The profitability remains healthy with average RoE[2] and RoEV[3] of 12.2% and 17.8%, respectively, in the last five years (FY2021-FY2025). The company's solvency profile, supported by healthy internal accruals, remained comfortable at 1.92 times as on June 30, 2025, compared to the regulatory requirement of 1.50 times.

The rating also considers HDFC Life's strong parentage, with HDFC Bank Limited[4] (HDFC Bank) holding a majority stake of 50.28% as on June 30, 2025. Following the amalgamation of erstwhile Housing Development Finance Corporation Ltd (e-HDFC) with HDFC Bank, HDFC Life became a subsidiary of HDFC Bank with effect from July 1, 2023. The rating considers the company's strategic importance to the bank, its representation on the company's board of directors and the presence of a shared brand name, strengthening ICRA's belief that the bank will provide support to the entity as and when required. While HDFC Life does not have an exclusive distribution partnership with HDFC Bank, it has a strong counter share of ~65% in terms of the individual APE in the bank in FY2025, which has increased after it became its subsidiary. Before the merger, erstwhile HDFC had increased its stake in HDFC Life to more than 50% after HDFC Bank received regulatory approval to hold a stake of more than 50% in HDFC Life.

While HDFC Life has recorded healthy growth in FY2025 and YTD FY2026 in the individual business, which was largely impacted in FY2024 due to changes in taxation on non-par policies, its ability to continue growing this business will be a driver of its overall profitability as the value of new business (VNB) growth will incrementally depend largely on APE growth. The profitability and solvency may, however, remain susceptible to changes in the actuarial assumptions, leading to long-term changes in reserving requirements.

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

In accordance with its policy on the withdrawal of credit ratings, ICRA has reaffirmed and withdrawn the rating assigned to the Rs. 600.00-crore subordinated debt programme, as it has been fully repaid by exercise of call option on due date.

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[1] *APE is the sum of the annualised first year premiums on the regular premium policies and 10% of the single premiums*

[2] *Return on equity (RoE) = Profit after tax/average of opening and closing equity*

[3] *Return on embedded value = Embedded value operating profit/Opening embedded value*

[4] *Rated [ICRA]AAA (Stable) for its Basel III Tier II bonds*

Key rating drivers and their description

Credit strengths

Strong promoter profile – HDFC Bank held a 50.28% stake in HDFC Life as on June 30, 2025. Following the amalgamation of e-HDFC with and into HDFC Bank, the bank became the promoter of the company. HDFC Bank is a systemically important as well as the largest private sector bank in India. With a presence in banking, insurance, and asset management, the HDFC Group is an important part of the Indian financial services sector. HDFC Life benefits from the bank's strong brand recognition. As on March 31, 2025, HDFC Bank had a robust distribution network of 9,455 branches spread across the country. This enables HDFC Life to leverage the bancassurance channel to source business, with HDFC Life having a wallet share of ~65% of individual APE in HDFC Bank in FY2025. HDFC Bank's majority stake, its representation on HDFC Life's board of directors and the presence of a shared brand name strengthen ICRA's belief that the bank will provide support to the company as and when required.

Leading market position with balanced product mix and diversified distribution network – HDFC Life is the second largest private life insurer with a market share of 11.1% in terms of individual APE and 8.5% in terms of the overall new business premium (NBP) in FY2025 (10.4% and 7.9%, respectively, in FY2024). The company has a balanced and diversified product mix with unit-linked insurance plans (ULIPs) accounting for 38.7% of the individual APE in FY2025, followed by non-participating (non-par) at 31.8%, participating (par) at 19.3%, protection at 5.4%, and annuity at 4.8%. Within group business, the portfolio comprises group protection (49.8% of the group NBP; both credit life and group term), with a sizeable portion of the credit life business coming from HDFC Bank. The product mix is likely to remain diversified, with the company looking at growth across segments.

The company's growth is supported by a diversified distribution network with bancassurance and corporate agents accounting for 54.5% of the individual NBP in FY2025, followed by the direct channel including online (22.3%), agency (17.3%), and brokers/others (5.9%). The bancassurance channel's contribution to individual NBP increased to 50% in both FY2024 and FY2025, up from 44% in FY2023. This growth was primarily driven by an increase in HDFC Bank's wallet share, which expanded to approximately 65% in FY2024 and FY2025 from 56% in FY2023.

HDFC Life has a diversified distribution mix with over 300 partners, including traditional partners such as non-banking financial companies (NBFCs), microfinance institutions (MFIs) and small finance banks (SFBs) along with new ecosystem partners. The new ecosystem partners or alternative distribution channels include health, e-commerce, auto, telecom, mutual funds, and fintech companies. HDFC Life operates through ~650 branches across the country and enjoys better cross-selling and upselling opportunities after becoming a subsidiary of HDFC Bank.

Healthy profitability supports capitalisation – HDFC Life's absolute VNB grew at a healthy pace and stood at Rs. 3,962 crore in FY2025 (Rs. 2,185 crore in FY2021), supported by growth in APE as well as VNB margins. The embedded value (EV) increased to Rs. 58,360 crore as on June 30, 2025 (Rs. 26,617 crore as on March 31, 2021), with operating RoEV of 16-19% in the last five years.

The VNB margin declined to 25.6% in FY2025 (26.3% and 27.6% in FY2024 and FY2023, respectively) due to the impact of new surrender guidelines and continued high share of ULIP products, which have lower margins. However, margins remained healthy, supported by a higher share of protection and riders within ULIPs, along with improved persistency. In the near term, margins are expected to remain range bound as any margin expansion will likely be reinvested into strengthening the agency channel, expanding branch infrastructure, and people. Going forward, the improvement in absolute VNB will largely depend on growth in individual APE, as margins are expected to remain range bound.

The 13th month and 61st month persistency ratios stood at 87% and 64%, respectively, in FY2025 (87% and 53%, respectively, in FY2024). The improvement in the 61st month ratio in FY2025 was aided by enhancements to the savings product profile. Higher persistency supports renewal premiums, which, in turn, aids in profitability as well as liquidity.

The company's solvency profile was mainly supported by healthy internal accruals, with no equity capital infusion [except through employee stock ownership plans (ESOPs)] for 11 years until FY2022. The capital infusion of Rs. 2,000 crore in FY2023 was to support the acquisition of Exide Life (which involved a cash payment of Rs. 726 crore) and to build a cushion. The solvency ratio remained comfortable at 1.92 times as of June 30, 2025, compared to the regulatory minimum of 1.50 times, partly supported by Rs. 2,950 crore of subordinated debt, which adds 0.29 times to its reported solvency.

The ability to maintain prudent asset-liability management, to mitigate 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 key drivers of long-term profitability and capitalisation.

Credit challenges

Ability to maintain NBP growth in individual segment – The regulatory landscape for the life insurance sector has been evolving and is likely to have a bearing on the overall growth and profitability of the sector. The industry's growth was impacted in FY2024 (individual NBP growth of 3.7% in FY2024) largely on account of the headwinds due to the change in taxation, given the Budget announcement regarding taxation on returns from life policies with a premium of more than Rs. 5 lakh per annum applicable after March 2023. The growth, however, revived in FY2025 (11.2% YoY), driven by the sharp increase in ULIP, supported by the buoyancy in the equity markets. In FY2024, HDFC Life's individual NBP growth was 2.0%, trailing the 7.4% growth observed among private players. However, HDFC Life's individual NBP improved to 14.7% in FY2025 on a YoY basis (higher than the 12.9% growth reported by private players) leading to improvement in market share.

The recent regulatory changes leading to an increase in the surrender values of life insurance policies had a marginal adverse impact on the profitability. The impact of the same on the persistency ratios will remain monitorable. APE growth is likely to be the driver of the absolute VNB growth. ICRA takes note of HDFC Life's balanced product mix and diversified distribution network, which are likely to support its growth.

Environmental and social risks

Life insurance companies like HDFC Life, typically invest in long-term debt securities and equity and have broadly diversified portfolios that include exposure to sectors affected by environmental risks. However, active portfolio management mitigates this risk. While pollution and other environmental damage could somewhat affect mortality rates in the long run, the overall trend towards increased environmental regulation mitigates this risk. Life insurers, which underwrite policies only in a limited region, could be more affected by natural and man-made disasters. However, HDFC Life does not face such risks, given its large scale and diversified business.

As for social risks, even as life spans have generally increased, changing lifestyles, rising obesity levels and pandemic/other disease-induced mortalities could have an adverse impact on the long-term mortality/morbidity rates. Thus, future claims could exceed current estimates. The increase in mortality rates could adversely impact the company's financial performance, as it would need to increase the reserves against possible future claims on the business written in the past. Other social risks stem from the potential mishandling of sensitive customer data and privacy breaches. This could impact the credit profile in the form of regulatory penalties or reputational damage. Human capital risks are also quite high for life insurance companies like HDFC Life, with challenges that concern the recruitment and retention of key employees.

Liquidity position: Superior

The company's net premium (excluding ULIP) stood at Rs. 49,927 crore in FY2025 in relation to the maximum net claims and benefits (excluding ULIP) paid of Rs. 22,541 crore in the last few years. As a result, its operating cash flows have remained positive, leading to growth in its investment book. Investments in Central and state government securities stood at Rs. 1,50,866 crore, accounting for 61.6% of total investments (excluding ULIP) as on June 30, 2025, further supporting policyholder liabilities. The shareholders' investment of Rs. 19,086 crore also remains superior in relation to the subordinated debt outstanding of Rs. 2,950 crore as on June 30, 2025.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Deterioration in credit profile of HDFC Bank or a decline in the strategic importance of HDFC Life to HDFC Bank or dilution in the expectation of support from the promoter. Additionally, 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	Life Insurance Policy on Withdrawal of Credit Ratings
Parent/Group support	Parent/Group company: HDFC Bank Limited (HDFC Bank) The rating factors in the high likelihood of financial support from HDFC Bank to HDFC Life, driven by reputational and strategic considerations.
Consolidation/Standalone	For arriving at the rating, ICRA has used the standalone financials of HDFC Life. However, in line with ICRA's consolidation approach, ICRA has factored in the capital requirement of HDFC Life's subsidiaries, which are listed in Annexure II.

About the company

HDFC Life Insurance Company Limited started its operations in 2000 and was a joint venture between HDFC Limited and Abrdn (Mauritius Holdings) 2006 Limited [formerly Standard Life (Mauritius Holdings) 2006 Limited]. HDFC Life was listed on the stock exchanges in November 2017. Abrdn (Mauritius Holdings) 2006 Limited sold its stake over the years, and its remaining stake of 1.66% in the company was sold in May 2023. Following the amalgamation of HDFC Limited with and into HDFC Bank, HDFC Life became a subsidiary of HDFC Bank from July 1, 2023. HDFC Bank is one of the three systemically important banks and the largest private sector bank in India.

HDFC Life provides life insurance, pension, savings, investment, annuity and health insurance to individuals and groups. Its products are offered under the participating, non-participating and unit-linked lines of business. HDFC Life's products are distributed through its ~650 branches along with individual agents, corporate agents, banks, brokers, and online channels.

Key financial indicators

HDFC Life Insurance Company Limited	FY2024	FY2025	Q1FY2026
Gross direct premium	63,076	71,045	14,875
PAT	1,569	1,802	546
Net worth*	14,652	16,126	17,013
Total investments^	292,220	336,282	355,897
13th month persistency	87.1%	86.9%	85.8%
61st month persistency	53.5%	63.5%	63.9%
Solvency ratio	1.87	1.94	1.92

*Source: Company, ICRA Research; Amount in Rs. crore; All calculations are as per ICRA Research; *Net worth includes fair value change account;*
^ including linked investments

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 29, 2025	Date	Rating	Date	Rating	Date	Rating
Issuer rating	Long term	-	[ICRA]AAA (Stable)	09-Sep-2024	[ICRA]AAA (Stable)	11-Jul-2023	[ICRA]AAA (Stable)	26-May-2022	[ICRA]AAA (Stable)
	-	-	-	15-Apr-2024	[ICRA]AAA (Stable)	21-Apr-2023	[ICRA]AAA (Stable)	-	-
Subordinated debt programme	Long term	600.0	[ICRA]AAA (Stable); withdrawn	09-Sep-2024	[ICRA]AAA (Stable)	11-Jul-2023	[ICRA]AAA (Stable)	26-May-2022	[ICRA]AAA (Stable)
	-	-	-	15-Apr-2024	[ICRA]AAA (Stable)	21-Apr-2023	[ICRA]AAA (Stable)	-	-
Subordinated debt programme	Long term	350.0	[ICRA]AAA (Stable)	09-Sep-2024	[ICRA]AAA (Stable)	11- Jul-2023	[ICRA]AAA (Stable)	26-May-2022	[ICRA]AAA (Stable)
	-	-	-	15-Apr-2024	[ICRA]AAA (Stable)	21-Apr-2023	[ICRA]AAA (Stable)	-	-
Subordinated debt programme	Long term	2,000.0	[ICRA]AAA (Stable)	09-Sep-2024	[ICRA]AAA (Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Issuer Rating	Not Applicable
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
NA	**Issuer Rating**	NA	NA	NA	NA	[ICRA]AAA (Stable)
INE795G08019^	**Subordinated debt programme**	Jul-29-2020	6.67%	Jul-29-2030*	600.0	[ICRA]AAA (Stable); withdrawn
INE795G08027^	**Subordinated debt programme**	Jun-22-2022	8.20%	Jun-22-2032*	350.0	[ICRA]AAA (Stable)
INE795G08035^^	**Subordinated debt programme**	Oct-09-2024	8.05%	Oct-09-2034 *	1,000.0	[ICRA]AAA (Stable)
INE795G08043^^	**Subordinated debt programme**	Feb-14-2025	8.10%	Feb-14-2035*	1,000.0	[ICRA]AAA (Stable)

*Source: Company; *HDFC Life has a call option exercisable five years from the date of allotment and at the end of every year thereafter before the redemption date*

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:

» ^Servicing of interest is contingent on the company maintaining a solvency ratio above the levels stipulated by the regulator[5]

» ^^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

[5] *As per IRDAI regulations, insurers are required to maintain a minimum solvency ratio of 150%*

Annexure II: List of entities considered for consolidated analysis

Company Name	HDFC Life Ownership	Consolidation Approach
HDFC Pension Management Company Limited	100.0%	Full Consolidation
HDFC International Life and Re Company Limited	100.0%	Full Consolidation

Source: Company

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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.

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