September 12, 2025

National 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	895.00	895.00	[ICRA]A+ (Stable); reaffirmed
Total	**895.00**	**895.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating considers National Insurance Company Limited's (NICL) sovereign ownership, as it is entirely held by the Government of India (GoI), with demonstrated capital support of Rs. 9,275 crore during FY2020-FY2022, and the expectation of support from the GoI in future. The rating also continues to reflect NICL's position as one of the leading insurers in the general insurance industry in India. The company has regulatory forbearance for servicing its subordinated debt for the entire tenure of the instrument, even if the solvency ratio is below the minimum regulatory requirement.

The rating remains constrained by the weak solvency position {negative 0.72 times as on June 30, 2025, excluding fair value change account (FVCA)} due to its net losses 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. NICL's solvency profile has deteriorated in the last few years and is unlikely to improve unless supported by a sizeable capital infusion from the GoI. However, a key credit positive is NICL's shareholding of 1.42% in National Stock Exchange (NSE), which is currently unlisted, and potential gains are not included in the FVCA. Upon NSE's potential listing, the fair value gains arising from this investment could significantly enhance NICL's FVCA, materially strengthening its capital base (solvency including FVCA).

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 129.6% in FY2025, thus constraining the profitability and leading to net losses since 2018. NICL is working to improve its underwriting performance by rationalising its presence in unprofitable segments, reducing expenses, and enhancing its pricing. The ability to successfully implement these plans and receive the required equity from the GoI would be critical. ICRA also notes the high share of Motor-Third party (Motor-TP; 22-25% of NICL's total GDPI in the last few years), which exposes the company to reserving risks as this segment is long tail in nature.

NICL has applied to the regulator to include 100% of the FVCA on its investments for solvency purposes for FY2025, though approval is still pending. If it is included, the solvency will turn positive to 0.75 times as on June 30, 2025, though it will remain below the regulatory requirement of 1.50 times.

The Stable outlook largely factors in the expectation of support from the GoI in the form of capital infusions.

Key rating drivers and their description

Credit strengths

Sovereign ownership with entire equity owned by GoI – NICL is wholly owned by the GoI and ICRA expects the company to receive support from the sovereign entity. Considering the extremely low insurance penetration in India, the role of Government-owned insurers, such as NICL, becomes important. Further, the GoI's support is evidenced by the capital infusions of Rs. 2,500 crore (NICL received Rs. 2,400 crore), Rs. 9,950 crore (NICL received Rs. 3,175 crore) and Rs. 5,000 crore (NICL received Rs. 3,700 crore) in FY2020, FY2021 and FY2022, respectively, across three public sector general insurance companies.

Established player with long operating history – Established in 1906, NICL is among the leading general insurance companies in the country with a strong presence in eastern India and a long operating history. It is the eighth largest player in the general insurance industry with a market share of 5.6% in terms of gross direct premium income (GDPI) in FY2025 (5.4% 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 47% and 32%, respectively, in FY2025 (46% and 33%, respectively, in FY2024) compared to the industry average of 40% and 33%, respectively. NICL has a strong presence with more than 850 branches and over 60,000 agents nationwide. As a result, individual agents accounted for 36% of the total GDPI while direct sourcing stood at 28% in FY2025.

Credit challenges

Weak solvency ratio; largely dependent on GoI for capital infusion – In the absence of equity infusions by the GoI during FY2023-FY2025 and given its subdued profitability, NICL's solvency remains weak (negative 0.72 times as on June 30, 2025 compared to negative 0.29 times as on March 31, 2023). It has applied to the regulator to include 100% of the FVCA for solvency purposes. Post approval and inclusion of 100% FVCA, the solvency will turn positive to 0.75 times as on June 30, 2025, though it will remain below the regulatory requirement of 1.50 times. 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 from the solvency ratio calculation. It continued to report net losses since 2018 due to weak underwriting and wage revision expenses, leading to a negative net worth of Rs. 1,745 crore as on June 30, 2025.

As per ICRA's estimates, NICL requires an equity infusion of Rs. 3,300-3,400 crore to meet the regulatory solvency requirements as on June 30, 2025, after 100% inclusion of the FVCA. Excluding FVCA, the capital requirement is much higher at ~Rs. 10,000 crore. However, this could reduce significantly in the event of the listing of NSE shares, which may unlock substantial FVCA gains, 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 reported a net loss of Rs. 483 crore in FY2025 compared to a net loss of Rs. 187 crore in FY2024 (net loss of Rs. 3,866 crore in FY2023). The drag on profitability was due to the continued weak underwriting performance with a combined ratio of 129.6% in FY2025 and 126.9% in FY2024 (despite improving from 145.5% in FY2023, which was impacted by wage revisions). ICRA also notes that the underwriting performance in FY2025 was affected by the provision for wage revisions of Rs. 364 crore and is expected to worsen further because of incremental provisions towards wage revision in FY2026. However, the underwriting loss was partly offset 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 22-25% of NICL'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 NICL 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. 14,764 crore in FY2025 in relation to the maximum net claims paid of Rs. 12,330 crore in the last few years. Its operating cash flow, after meeting operating expenses, was negative due to the elevated combined ratio but turned positive for the first time in the past five years. NICL had investments in Central/state government securities, accounting for 32.5% of the total investments or Rs. 35,788 crore as on June 30, 2025, supporting its liquidity to meet the claims of policyholders. However, it has completely eroded its shareholders' investments, given the historical negative operating cash flows because of losses. At present, the company's ability to service its subordinated debt is solely reliant on regulatory forbearance which the company has already obtained from IRDAI for the entire tenure of the subordinated debt.

Rating sensitivities

Positive factors – Consistent improvement in the underwriting performance and/or sizeable capital infusions by the GoI, resulting in a sustained improvement in the cushion above the regulatory solvency requirement, would be a positive factor.

Negative factors – Dilution in NICL's strategic role and importance to the GoI or inadequate capital infusions by the GoI or further weakening of the capital position would have a negative impact.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	General Insurance
Parent/Group support	Parent/Group company: Government of India (GoI) The rating factors in NICL's sovereign ownership and the demonstrated track record of capital infusions by the GoI. ICRA expects the GoI to support NICL with capital infusions.
Consolidation/Standalone	Standalone

About the company

NICL is India's oldest general insurance company. It was incorporated in Kolkata, West Bengal on December 5, 1906. After the passing of the General Insurance Business Nationalisation Act in 1972, it was merged along with 21 foreign and 11 Indian companies to form National Insurance Company Limited. It is fully owned by the Government of India. NICL has offices all across India and an office in Nepal. It has a strong presence with more than 850 branches and over 60,000 agents spread across the nation.

Key financial indicators (audited)

National Insurance Company	FY2024	FY2025	Q1 FY2026
Gross direct premium	15,180	16,833	3,912
PAT	(187)	(483)	(227)
Net worth (excluding FVCA)	(995)	(1,510)	(1,745)
Net worth (including FVCA)	5,971	4,007	4,806
Total investments	34,225	34,740	35,788
Combined ratio	126.9%	129.6%	134.9%
Solvency ratio (times)	(0.45)	(0.67)	(0.72)

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

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					
				FY2026		FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Sep 12, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Subordinated debt programme	Long term	895	[ICRA]A+ (Stable)	Apr 04, 2025	[ICRA]A+ (Stable)	Sep 17, 2024	[ICRA]A+ (Stable)	Sep 19, 2023	[ICRA]A+ (Stable)	Oct 12, 2022	[ICRA]A+ (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/ Sanction	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
INE168X08014*	**Subordinated debt**	Mar-27-2017	8.35%	Mar-27-2027	895.0	[ICRA]A+ (Stable)

*Source: Company; * The bond had a first call option after five years of issuance, which was not exercised by the company*

Key features of the rated instrument:

The rating factors in the key features of the subordinated debt instrument:

- Servicing of interest is contingent on the company maintaining a solvency ratio above the level stipulated by the regulator[1]
- 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

NICL has, however, received approval from the regulator, which allows it to pay interest on its subordinated debt instrument even if its solvency ratio is below the minimum regulatory requirement of 150% and interest payouts lead to an increase in the net losses.

Annexure II: List of entities considered for consolidated analysis

Not applicable

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

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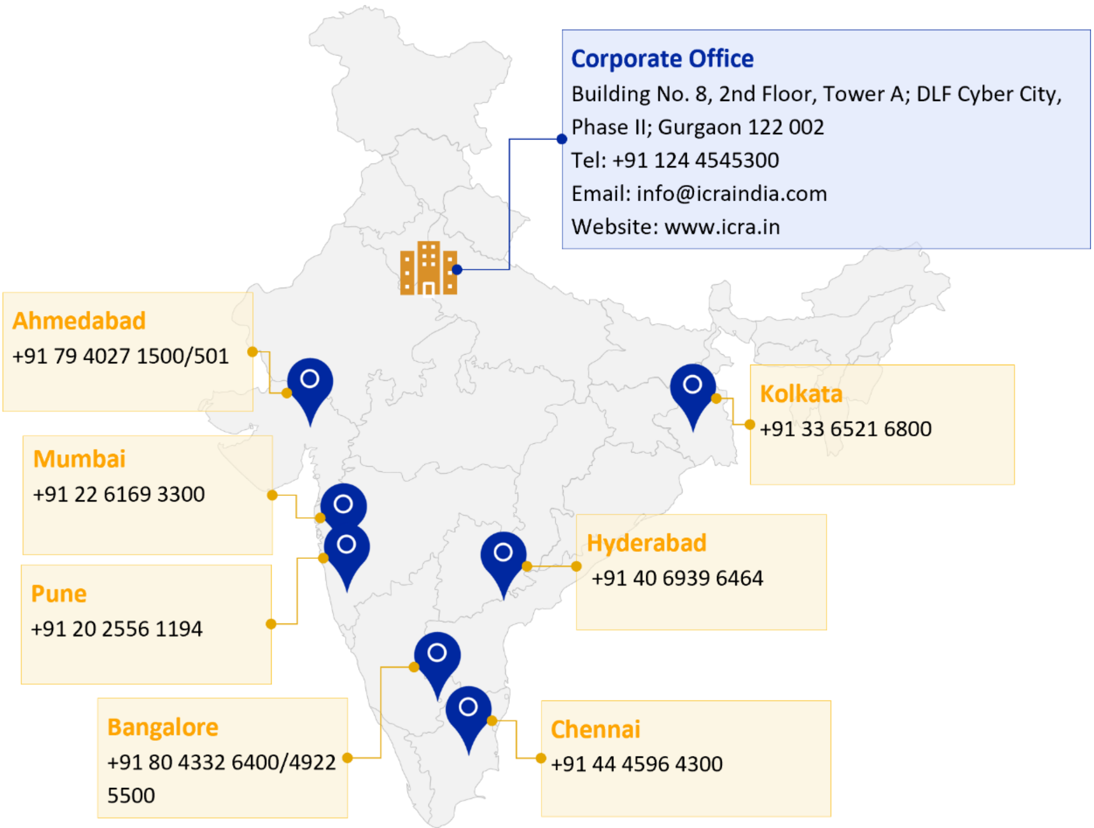

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