

October 09, 2025

ICICI Prudential 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	2,600.00	2,600.00	[ICRA]AAA (Stable); reaffirmed
Total	2,600.00	2,600.00	

*Instrument details are provided in Annexure I

Rationale

The rating factors in ICICI Prudential Life Insurance Company Limited's (ICICI Pru) established market position – it is one of the largest private life insurers. ICICI Pru has a diversified product offering and distribution network and ICRA expects it to maintain its market position. The company's capitalisation remains supported by healthy internal accruals with a reported solvency of 2.12 times as on June 30, 2025 (compared to the required regulatory level of 1.50 times). The profitability remains healthy with an average RoE¹ and RoEV² of 9.6% and 14.1%, respectively, in the last five years.

The rating also factors in the strong promoter profile with ICICI Bank Limited³ (ICICI Bank) holding 51.0% and Prudential Corporation Holdings Limited⁴ (Prudential) holding 22.0% in ICICI Pru as on June 30, 2025. The rating considers the company's strategic importance to ICICI Bank and the shared brand name, strengthening ICRA's expectation that it is likely to receive timely and adequate support from ICICI Bank, if needed.

ICICI Pru's value of new business (VNB) remained healthy and increased to Rs. 2,370 crore in FY2025 from Rs. 2,227 crore in FY2024, driven by growth in annual premium equivalent (APE), whereas the margin declined to 22.8% from 24.6% during this period. While the company recorded healthy growth in the business in FY2025, its ability to continue growing this business will be a driver of its overall profitability as VNB growth will incrementally depend largely on APE growth. The profitability and solvency may also remain susceptible to changes in the actuarial assumptions, leading to long-term changes in the reserving requirements.

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 promoter profile – ICICI Bank and Prudential held 51.0% and 22.0%, respectively, in ICICI Pru as on June 30, 2025. The majority shareholder, ICICI Bank, is a systemically important private sector bank in India. As per ICRA's estimates, the bank had a 7.4% market share in the Indian banking sector's advances and an 18.6% share in the private bank sector's advances as on June 30, 2025. With a presence in banking, insurance, asset management, investment banking and private equity, the ICICI Group is a large player in the Indian financial system. ICICI Pru is the life insurance subsidiary and an exclusive life insurance partner of ICICI Bank. The strong parentage and shared brand name with ICICI Bank, along with board supervision, strengthen ICRA's expectation that the company will receive timely support if required. The foreign promoter, Prudential Plc, is a

¹ Return on equity (RoE) – Profit after tax/Net worth excluding fair value change account

² Return on embedded Value (RoEV) – Embedded value operating profit/Opening embedded value

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

⁴ A2 is Long Term Issuer Rating

multinational insurance company headquartered in London and Hong Kong. It provides life and health insurance along with asset management.

Leading market position with diversified products and distribution channels – ICICI Pru is a well-established player in the life insurance space. It is one of the largest private life insurers and had a market share of 6.9% in terms of individual APE⁵ and 5.7% in terms of overall new business premium (NBP) in FY2025 (6.6% and 4.8%, respectively, in FY2024), as per ICRA's estimates. The company has a diversified product offering across the savings, annuity, and protection businesses with a focus on serving varied customer needs across the life stages of the customer. The product mix comprises unit linked insurance plans (ULIPs; 48.3% of the overall APE in FY2025), non-linked savings at 21.2%, protection at 15.7%, annuity at 8.4%, and group funds at 6.4%. Within protection, retail contributed 36.5%, followed by credit life at 37.1% and group term at 26.4%.

ICICI Pru's strong proprietary channel which comprises of agency & direct contributed 43.3% to overall APE & 51.8% to individual APE in FY2025. The company has an exclusive tie-up with ICICI Bank. However, the proportion of business generated from ICICI Bank has decreased over the past few years due to the bank's increased focus on its banking products. As a result, the share of business sourced, in terms of individual APE from ICICI Bank, decreased to 12-15% of the overall APE in FY2025 from 51.0% in FY2019, leading to a decline in the share of bancassurance sourcing to 29.4% from 55.8% during this period. However, during the last five years, the company has transitioned its distribution profile, and its diversification strategy ensures that all channels contribute to growth. Apart from ICICI Bank, the company has tie-ups with 49 banks and more than 1,350 non-bank partnerships. It continues to build capacity and had more than 2,40,000 agents as on June 30, 2025.

Healthy profitability supports solvency position – ICICI Pru's embedded value (EV) increased to Rs. 47,950 crore as on March 31, 2025 (Rs. 23,030 crore as on March 31, 2020), with an average operating RoEV of 14.2% during the last five years. The absolute VNB grew during this period and stood at Rs. 2,370 crore in FY2025 (Rs. 1,605 crore in FY2020), supported by APE growth as well as healthy VNB margins. Additionally, the company's 13th month and 61st month persistency ratios remained healthy at 85.1% and 63.9%, respectively, in FY2025, supporting renewal premiums, which, in turn, aid the profitability as well as liquidity.

The VNB rose to Rs. 2,370 crore in FY2025 (Rs. 2,227 crore in FY2024), driven by APE growth and partially offset by the compression in the VNB margin. The VNB margin declined to 22.8% in FY2025 from 24.6% in FY2024 due to the strengthening of the operating assumption and economic assumption change along with higher ULIPs in the product mix. However, margin compression has been partially negated by the company's profitability initiatives, whereby it has increased the average policy term, attached riders and raised the sum assured. Going forward, the improvement in absolute VNB will largely depend on growth in APE as margins will largely be a function of product mix.

ICICI Pru remained the fourth largest private insurer, in terms of individual sum assured written during the year, with a market share of 9.6% in FY2025 (8.8% in FY2024). The mortality risk retention in the individual business has increased over the years. Given the long tail nature, a rise in the retention of mortality risk heightens the exposure to deviations in actual claims vis-à-vis reserving, potentially impacting the company's profitability and solvency. ICRA notes that the mortality experience is regularly monitored and is reflected in the embedded value walk. Further, ICRA takes a note of the adequate solvency buffer maintained by the company.

ICICI Pru's reported solvency stood at 2.12 times, as on June 30, 2025, compared to the regulatory requirement of 1.50 times. Capital consumption over the last few years was driven by the high growth in the sum assured. No equity was infused in the company in the recent past (except through employee stock ownership plans – ESOPs) and the solvency level was largely supported by healthy internal accruals and issuance of sub-debt.

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

⁵ Private market share in terms of retail weighted received premium (RWRP) (individual APE)

interest rates), in line with the assumptions at the time of policy underwriting, will remain a key driver of long-term profitability and capitalisation.

Credit challenges

Ability to improve premium growth in individual segment – The regulatory landscape for the life insurance sector has been evolving and is likely to have a bearing on its overall growth and profitability. Industry growth was impacted in FY2024 (individual NBP growth of 3.7% in FY2024) largely by 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. Growth, however, revived in FY2025 (11.2% YoY), driven by the sharp increase in ULIPs, supported by the buoyancy in the equity markets. Further, the impact of the recent regulatory change leading to an increase in the surrender values of life insurance policies on the persistency ratios and profitability will remain monitorable.

ICICI Pru has seen a decline in the private premium market share in the individual segment⁶ (8.7% in 5M FY2026, 9.8% in FY2025 from 15.8% in FY2020). With the VNB margin likely to remain range-bound, APE growth is expected to be the driver of the absolute VNB growth. ICRA takes note of ICICI Pru's balanced product mix and diversified distribution network, which are likely to support its growth.

The removal of the goods and services tax (GST) on individual life insurance policies is expected to lead to higher sales volume, thereby enhancing market penetration and providing long-term benefits to insurers. However, the profitability of life insurers could be impacted in the near term due to the strain in the absence of input tax credit. Ability of the insurers to mitigate the impact by rationalising commission payouts and improving operating efficiency is to be seen.

Environmental and social risks

Life insurance companies like ICICI Pru 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, ICICI Pru 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 ICICI Pru, with challenges regarding the recruitment and retention of key employees.

Liquidity position: Superior

The company's net premium (excluding ULIP) stood at Rs. 23,267 crore in FY2025 in relation to the maximum net claims and benefits (excluding ULIP) paid of Rs. 8,907 crore in the last few years. While its operating cash flow was negative in the last two years because of higher surrender and maturities in the ULIP segment, this does not pose any liquidity risk as the underlying investments are liquid and marked to market and the gains/losses are pass-through to policyholders. The investments in Central and state government securities stood at Rs. 87,701 crore, accounting for 59.3% of the total investments (excluding ULIP) as on June 30, 2025, further supporting the liquidity to meet the claims of policyholders. The shareholders' investment of Rs. 15,491 crore also remains strong in relation to the sub-debt outstanding of Rs. 2,600 crore as on June 30, 2025.

⁶ Private market share in terms of retail weighted received premium (RWRP) (individual APE)

Rating sensitivities

Positive factors – Not applicable

Negative factors – A deterioration in the credit profile of ICICI Bank or a decline in the strategic importance of ICICI Pru to ICICI Bank or dilution in the expectation of support from ICICI Bank would have a negative impact. 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	Life Insurance
Parent/Group support	Parent/Investor: ICICI Bank Limited The rating factors in the high likelihood of financial support from ICICI Bank to ICICI Pru, driven by reputational and strategic considerations.
Consolidation/Standalone	Consolidated

About the company

ICICI Pru is promoted by ICICI Bank Limited – one of India's foremost financial services companies, and Prudential Corporation Holdings Limited (Prudential), which is a part of a leading international financial services group – the Prudential Plc Group (headquartered in London and Hong Kong). As on June 30, 2025, ICICI Bank held 51.0% and Prudential held 22.0% in the company while the rest is publicly held.

Incorporated in July 2000, ICICI Pru offers vast and diversified products to cater to the specific needs of customers across different stages of life, enabling them to meet their long-term savings, life protection, healthcare, and retirement planning requirements. These products are offered under unit linked insurance plans (ULIPs), participating, non-participating, annuity, protection and group businesses. These are distributed through individual agents, corporate agents, banks, brokers, the company's proprietary sales force, website, micro agents, web aggregators, insurance marketing firms, etc.

Key financial indicators

ICICI Prudential Life Insurance Company (consolidated)	FY2024	FY2025	Q1 FY2026
Gross direct premium income	43,236	48,951	8,954
PAT	851	1,186	301
Net worth	11,005	11,934	12,544
Total investments	2,89,728	3,03,979	3,19,450
13th month persistency ratio	88.7%	85.1%	85.9%
61st month persistency ratio	65.6%	63.9%	63.5%
Solvency ratio (times)	1.92	2.12	2.12

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					
Instrument	Type	Amount rated (Rs. crore)	Oct 09, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Subordinated debt programme	Long term	1,200.00	[ICRA]AAA (Stable)	Oct 01, 2024	[ICRA]AAA (Stable)	Oct 06, 2023	[ICRA]AAA (Stable)	Oct 12, 2022	[ICRA]AAA (Stable)
				Dec 02, 2024	[ICRA]AAA (Stable)	-	-	-	-
Subordinated debt programme	Long term	1,400.00	[ICRA]AAA (Stable)	Dec 02, 2024	[ICRA]AAA (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
INE726G08014 [^]	Subordinated debt	Nov-06-2020	6.85%	Nov-06-2030*	1,200.00	[ICRA]AAA (Stable)
INE726G08022 ^{^^}	Subordinated debt	Dec-12-2024	8.03%	Dec-12-2034*	1,400.00	[ICRA]AAA (Stable)

Source: ICICI Pru

* The company has a call option, which is 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 regulator⁷
- » ^{^^} 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

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation
ICICI Prudential Pension Funds Management Company Limited	100%	Full consolidation

⁷ As per IRDAI regulations, insurers are required to maintain a minimum solvency ratio of 150%

ANALYST CONTACTS

Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

Neha Parikh
+91 22 6114 3426
neha.parikh@icraindia.com

Rushabh Gohel
+91 22 6114 3427
rushabh.gohel@icraindia.com

Anil Gupta
+91 124 4545 314
anilg@icraindia.com

Abhilash Rathi
+91 22 6114 3421
abhilash.rathi@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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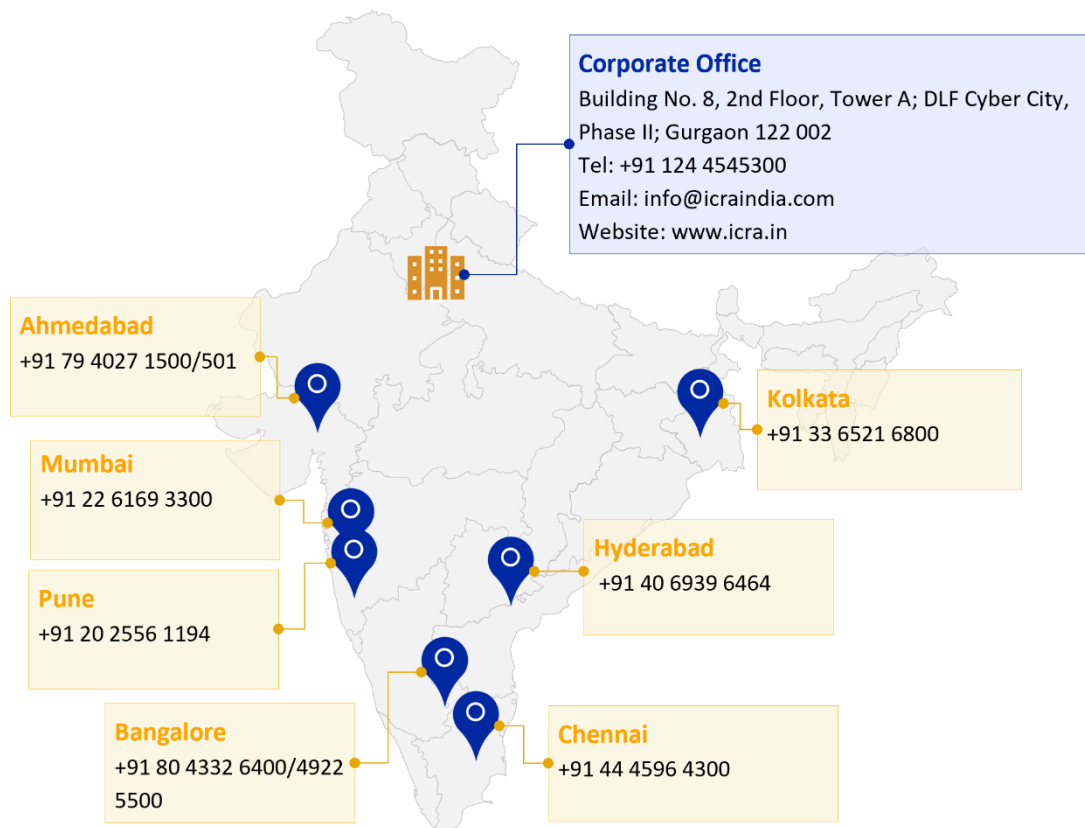


Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



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