October 10, 2025

HDFC ERGO General Insurance Company Limited: Rating reaffirmed

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	1,400.00	1,400.00	[ICRA]AAA (Stable); reaffirmed
Total	**1,400.00**	**1,400.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating factors in HDFC ERGO General Insurance Company Limited's (HDFC ERGO) established market position, with a market share of 5.3%[1] of gross direct premium income (GDPI) in FY2025. It is the ninth largest general insurer in India and the fifth largest among private insurers. It continues to maintain a strong presence across both retail and corporate segments, supported by a diversified distribution mix that drives growth.

The rating also considers HDFC ERGO's strong parentage with HDFC Bank Limited (HDFC Bank; rated ICRA]AAA (Stable) /[ICRA]A1+) and ERGO International AG (ERGO) holding an equity share of 50.3% and 49.5%, respectively, as on June 30, 2025. Following the amalgamation of Housing Development Finance Corporation Limited (HDFC) with and into HDFC Bank, HDFC ERGO became a subsidiary of HDFC Bank with effect from July 1, 2023. The rating derives comfort from HDFC Bank's shareholding and its representation on HDFC ERGO's board of directors. Further, the presence of a shared brand name strengthens ICRA's expectation that the company will receive capital support from HDFC Bank as and when required as evidenced by the last capital infusion in August 2024 in the form of a rights issue.

In the past, HDFC ERGO's capitalisation was supported by healthy internal accruals and lower risk retention, which aided capital optimisation. However, profitability was impacted in FY2024 and FY2025 due to higher reserving in the motor-third party (Motor-TP) segment and is likely to remain muted in the current fiscal, given the elevated combined ratio. With the higher net loss ratio in the Motor-TP segment and lower profitability, the solvency level declined to 1.68 times and 1.56 times as on March 31, 2024 and June 30, 2024, respectively. It improved to 1.78 times as on September 30, 2024, following the capital infusion by the promoters in Q2 FY2025 and further improved to 2.0 times as of March 2025 with the sub-debt raise of Rs. 325 crore in Q4 FY2025. HDFC ERGO's GDPI declined on a YoY basis in FY2025, resulting in lower capital consumption. The decline was primarily due to the conscious strategy to scale back the Motor-TP business. Additionally, the GDPI was partly impacted by the 1/n[2] method of accounting for long-term policies in which the company has a higher share compared to peers.

ICRA notes the historically high share of Motor-TP (14-15% of HDFC ERGO's total GDPI in the last few years), which exposes the company to reserving risks as this segment is long tail in nature, though its presence in the Motor-TP segment declined to 7.3% in FY2025. ICRA also notes the high share of the crop segment (18.3% and 20.6% of GDPI in FY2024 and FY2025, respectively), which is driven by tenders and could be lumpy and volatile in nature.

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.

[1] *Market share excludes Agriculture insurance of India and ECGC Ltd.*

[2] *1/n refers to the method of recognising and reporting long-term premium income over the period of risk, where 'n' represents the number of days of the policy term*

Key rating drivers and their description

Credit strengths

Strong parentage – HDFC Bank is the largest shareholder in HDFC ERGO with a 50.3% stake as on June 30, 2025, followed by ERGO International AG (49.5%), while the balance is held by individuals pursuant to the Company's ESOP. Following the amalgamation of HDFC with and into HDFC Bank, HDFC Bank has become 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 ERGO's operations are handled by a team of senior managers with considerable experience in the general insurance (GI) industry. Its board has fifteen directors and has representation from both shareholders with two each from HDFC Bank and ERGO International AG and seven independent directors. The shared brand name with HDFC Bank strengthens ICRA's belief that HDFC ERGO will receive capital support from its parent company as witnessed by the last capital infusion of Rs. 570 crore in August 2024 in the form of a rights issue.

The company's solvency declined to 1.68 times as on March 31, 2024 and further to 1.56 times as on June 30, 2024. This was largely on account of the higher net loss ratio in the Motor-TP segment, leading to an increase in the required solvency margin. With the equity infusion of Rs. 570 crore in Q2 FY2025 and sub-debt raise of Rs. 325 crore in Q4 FY2025, HDFC ERGO's solvency stood at 2.00 times as on March 31, 2025 (2.06 times as on June 30, 2025). It also has the option to reduce the dividend payout (Rs. 145 crore in FY2025; average payout of 40.6% of the profit after tax (PAT) during FY2021-FY2025), which is relatively higher than peers.

In the past, the company's solvency was supported by healthy internal accruals, with an average return on equity (RoE) of 17.2% during FY2019-FY2023, and lower risk retention, wherein reinsurance helps better capital optimisation. Profitability was, however, impacted in FY2024 and FY2025 (RoE of 10.8% and 10.7%, respectively) by the higher net loss ratio in the Motor-TP segment due to the increased reserving with the change in the actuarial assumptions pertaining to the frequency and severity of road accidents.

Established market position with diversified product portfolio and distribution network – HDFC ERGO is the fifth largest private GI company with a market share[3] of 5.3% in FY2025 (6.7% in FY2024) in terms of GDPI. The health & personal accident segment continues to be the largest contributor, accounting for 38.6% of the total GDPI in FY2025. Within health, retail health drives a major share of the business. The motor segment's growth was lower at 13.6% in FY2024 and declined by 41.9% in FY2025 against the healthy growth of 30.9% in FY2023 due to the subdued performance of the Motor-TP business. The deceleration in Motor-TP growth resulted from the management's strategic decision to scale back the segment, anticipating higher reserving driven by the higher frequency of accidents in the recent past and the absence of price hikes. Apart from retail health and motor, the company has a strong presence in the crop and fire segments, which contributed 20.6% and 11.1%, respectively, to the GDPI in FY2025. The growth and market share in FY2025 was also impacted by the 1/n method of accounting applicable since October 2024 with HDFC ERGO having a higher share in the long-term business compared to peers.

Business growth is supported by HDFC ERGO's diversified distribution network with brokers, direct business and individual agents contributing 31%, 30% and 22%, respectively, to the total GDPI in FY2025 (34%, 27% and 19%, respectively, in FY2024). Excluding the crop business, which is sourced directly, the share of bancassurance stood at 12.8% and 14.0% of the GDPI in FY2024 and FY2025, respectively. Although HDFC Bank operates under an open architecture and does not have an exclusive agreement with HDFC ERGO, there is closer alignment with the bank after it became the parent.

The removal of goods and services tax (GST) on retail health insurance policies is expected to increase the sales volume, thereby enhancing the market size. HDFC ERGO, which is the fourth largest player in the retail health segment, is likely to benefit. However, the impact on the profitability in the absence of input GST credit is to be seen.

[3] *Market share excludes Agriculture insurance of India and ECGC Ltd.*

Credit challenges

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 14-15% of HDFC ERGO'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. As on March 31, 2025, the Motor-TP segment accounts for 51.5% of total reserves for future claims, the payout against which will happen over many years. The company's loss-reserving triangle showed an unfavourable development in FY2024 and FY2025 due to the change in the actuarial assumptions, factoring in a higher mortality rate in road accidents and an increase in accident frequency. While the company creates or releases reserves, the eventual outcome for the risk-in-force or adequacy of current reserves against future claim payouts may be known with considerable lag, which could impact the future profitability and solvency as seen in the recent past. Further, the profitability of this segment could be affected as the pricing of Motor-TP rates is regulated. ICRA notes the decline in the company's presence in the Motor-TP segment in FY2025, given the elevated net loss ratios.

Dependence on tender-driven business – HDFC ERGO has underwritten a high share of the crop business compared to peers. The crop segment had a share of 20.6% in the GDPI in FY2025 (18.3% in FY2025). It is driven by tenders and remains lumpy and volatile in nature. With many of the tenders coming with an 80-110 scheme[4], the extent of losses is likely to be capped. However, in a year of natural calamities, the business can lead to losses and volatility in the overall earnings, particularly from tenders that do not come under the purview of the 80-110 scheme. Other issues stemming from a high share in the crop business are potential delays in payments from state governments and fluctuations in reserves. Further, competition in this segment has increased to manage the expenses of management (EoM) regulations implemented by the regulator.

The company remains selective in these tender-driven segments; however, this could result in a relatively higher net loss ratio if not priced suitably. To mitigate losses in the bulk business segment, reinsurance is high in these segments, leading to lower retention and net premium written in relation to the GDPI. HDFC ERGO's ability to consistently underwrite profitable business in the crop segment would have a bearing on its overall revenues and profitability.

Liquidity position: Strong

The company's net premium was Rs. 7,172 crore in FY2025 in relation to the maximum net claims paid of Rs. 6,387 crore in the last few years. Investments in Central/state government securities, accounting for 34% of the total investments or Rs. 9,370 crore as on June 30, 2025, support its liquidity position to meet the claims of policyholders. HDFC ERGO's shareholders' investment remained strong at Rs. 6,050 crore in relation to the sub-debt outstanding of Rs. 1,400 crore as on June 30, 2025.

Rating sensitivities

Positive factors – Not applicable

Negative factors – A deterioration in HDFC Bank's credit profile or a decline in the strategic importance of HDFC ERGO to HDFC Bank or in the expectation of support from the promoter could impact the rating. Additionally, a decline in the company's solvency ratio below 1.70 times on a sustained basis would be a negative factor.

[4] Under the 80-110 plan, the insurer's potential losses are restricted to 110% of the gross premium with the state government bearing the cost of any claims above 110% of the premium. If the compensation is less than the premium collected, the insurer will refund the premium surplus (gross premium minus claims) exceeding 20% of the gross premium to the state government

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Rating Methodology – General Insurance
Parent/Group support	Parent/Investor: HDFC Bank Limited The rating factors in the high likelihood of financial support from HDFC Bank to HDFC ERGO, driven by reputational and strategic considerations.
Consolidation/Standalone	Standalone

About the company

HDFC ERGO General Insurance Company Limited (HDFC ERGO) is a joint venture between HDFC (50.33% stake as on June 30, 2025) and ERGO International AG (49.46%), while the balance is held by individuals pursuant to the Company's ESOP. With the amalgamation of HDFC Limited with and into HDFC Bank, HDFC ERGO 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 ERGO offers a complete range of general insurance products including crop, motor, health, travel, home and personal accident insurance in the retail space and customised products like property, marine and liability insurance in the corporate space. It has a presence across the country with 299 branch offices as on March 31, 2025.

Key financial indicators

HDFC ERGO General Insurance Company Limited	FY2024	FY2025	Q1 FY2026
Gross direct premium	18,568	15,817	3,421
PAT	438	500	207
Net worth (excluding FVCA)	4,152	5,163	5,370
Total investments	25,762	27,373	27,788
Combined ratio	112.1%	122.7%	120.1%
Return on equity (PAT/Net worth excl. FVCA)	10.8%	10.7%	15.7%
Solvency ratio (times)	1.68	2.00	2.06

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)	Oct 10, 2025	Date	Rating	Date	Rating	Date	Rating
Issuer Rating	Long term	-	[ICRA]AAA (Stable)	Feb 10, 2025	[ICRA]AAA (Stable)	Jul 10, 2023	[ICRA]AAA (Stable)	Sep 07, 2022	[ICRA]AAA (Stable)
				Sep 30, 2024	[ICRA]AAA (Stable)	Sep 04, 2023	[ICRA]AAA (Stable)	Jan 24, 2023	[ICRA]AAA (Stable)
						Oct 05, 2023	[ICRA]AAA (Stable)	-	-
Subordinated debt programme	Long term	-	-	-	-	Jul 10, 2023	[ICRA]AAA (Stable)	Sep 07, 2022	[ICRA]AAA (Stable)
						Sep 04, 2023	[ICRA]AAA (Stable)	Jan 24, 2023	[ICRA]AAA (Stable)
						Oct 05, 2023	[ICRA]AAA (Stable); withdrawn	-	-
Subordinated debt programme	Long term	375	[ICRA]AAA (Stable)	Feb 10, 2025	[ICRA]AAA (Stable)	Jul 10, 2023	[ICRA]AAA (Stable)	Sep 07, 2022	[ICRA]AAA (Stable)
				Sep 30, 2024	[ICRA]AAA (Stable)	Sep 04, 2023	[ICRA]AAA (Stable)	Jan 24, 2023	[ICRA]AAA (Stable)
				-	-	Oct 05, 2023	[ICRA]AAA (Stable)	-	-
Subordinated debt programme	Long term	80	[ICRA]AAA (Stable)	Feb 10, 2025	[ICRA]AAA (Stable)	Jul 10, 2023	[ICRA]AAA (Stable)	Sep 07, 2022	[ICRA]AAA (Stable)
				Sep 30, 2024	[ICRA]AAA (Stable)	Sep 04, 2023	[ICRA]AAA (Stable)	Jan 24, 2023	[ICRA]AAA (Stable)
				-	-	Oct 05, 2023	[ICRA]AAA (Stable)	-	-
Subordinated debt programme	Long term	300	[ICRA]AAA (Stable)	Feb 10, 2025	[ICRA]AAA (Stable)	Jul 10, 2023	[ICRA]AAA (Stable)	Jan 24, 2023	[ICRA]AAA (Stable)
				Sep 30, 2024	[ICRA]AAA (Stable)	Sep 04, 2023	[ICRA]AAA (Stable)	-	-
				-	-	Oct 05, 2023	[ICRA]AAA (Stable)	-	-
Subordinated debt programme	Long term	320	[ICRA]AAA (Stable)	Feb 10, 2025	[ICRA]AAA (Stable)	Sep 04, 2023	[ICRA]AAA (Stable)	-	-
				Sep 30, 2024	[ICRA]AAA (Stable)	Oct 05, 2023	[ICRA]AAA (Stable)	-	-
Subordinated debt programme	Long term	325	[ICRA]AAA (Stable)	Feb 10, 2025	[ICRA]AAA (Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Subordinated debt programme	Moderately Complex
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 date	Amount rated (Rs. crore)	Current rating and outlook
INE225R08022^	**Subordinated debt programme**	Sep 19, 2022	7.72%	Sep 19, 2032*	80.00	[ICRA]AAA (Stable)
INE225R08014^	**Subordinated debt programme**	Nov 09, 2021	7.10%	Nov 09, 2031*	375.00	[ICRA]AAA (Stable)
INE225R08030^^	**Subordinated debt programme**	Feb 20, 2023	8.15%	Feb 20, 2033*	300.00	[ICRA]AAA (Stable)
INE225R08048^^	**Subordinated debt programme**	Sep 26, 2023	8.15%	Sep 26, 2033*	320.00	[ICRA]AAA (Stable)
INE225R08055^^	**Subordinated debt programme**	Mar 17, 2025	8.20%	Mar 17, 2035*	325.00	[ICRA]AAA (Stable)
NA	**Issuer Rating**	NA	NA	NA	NA	[ICRA]AAA (Stable)

*Source: Company; *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 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

Annexure II: List of entities considered for consolidated analysis

Not applicable

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

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