

October 07, 2026

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	Financial sector regulator [#]
Issuer Rating	-	-	[ICRA]AAA (Stable); reaffirmed	- ^{\$}
Subordinated debt programme	1,400.00	1,400.00	[ICRA]AAA (Stable); reaffirmed	SEBI
Total	1,400.00	1,400.00		

*Instrument details are provided in Annexure I

[#] SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI

^{\$} As no instrument is being rated, FSR is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs

Rationale

The rating factors in HDFC ERGO General Insurance Company Limited's (HDFC ERGO) established position in the Indian general insurance industry, as reflected in its market share of 4.6%¹ of gross direct premium income (GDPI) in FY2026. The company was the tenth-largest general insurer and the fifth-largest private sector general insurer in FY2026. Its business profile is supported by its broad presence across the retail and corporate segments and its diversified distribution mix, which drives growth.

The rating also draws comfort from HDFC ERGO's strong ownership profile, with HDFC Bank Limited (HDFC Bank; rated [ICRA]AAA (Stable)/[ICRA]A1+) and ERGO International AG (ERGO) holding equity stakes of 50.2% and 49.6%, respectively, as on June 30, 2026. HDFC ERGO became a subsidiary of HDFC Bank with effect from July 1, 2023, following the amalgamation of Housing Development Finance Corporation Limited (HDFC Limited) with and into the bank. ICRA derives comfort from HDFC Bank's majority ownership, its representation on HDFC ERGO's board of directors, and the strategic importance of the insurance business within the Group. The shared brand identity and demonstrated track record of capital support, including the rights issue in August 2024, underpin ICRA's expectation of timely capital support from the parent, if required.

HDFC ERGO's capitalisation remains comfortable, with a solvency ratio of 2.18 times as on June 30, 2026. The company's capital position has historically been supported by healthy internal accruals and capital-efficient risk retention practices. While its profitability moderated in FY2024 and FY2025 due to increased reserving in the Motor-Third party (Motor-TP) segment, earnings improved in FY2026. Additionally, lower capital consumption due to the decline in GDPI in FY2026 supported the solvency position. The contraction in GDPI reflected the sharp reduction in crop insurance premiums and HDFC ERGO's calibrated moderation of motor business volumes. While the pace of growth has increased in YTD FY2027, ICRA expects the current solvency to support the company's growth plans.

ICRA notes HDFC ERGO's exposure to reserving risks arising from its participation in the Motor-TP segment, which is inherently long-tailed in nature. Motor-TP accounted for 14-15% of the company's GDPI over the last few years. Although its share had moderated to 7.3% in FY2025, HDFC ERGO has increased its focus on the motor portfolio, leading to a rise in its share to 7.5% in FY2026 and further to 8.3% in Q1 FY2027. ICRA also notes the historically significant contribution of the crop insurance segment, which accounted for 18.3% and 20.6% of GDPI in FY2024 and FY2025, respectively, before declining to 9.9% in FY2026. Given its tender-based nature, the crop business remains susceptible to volatility in premium volumes and profitability.

ICRA takes note of the [proposed Insurance Regulatory and Development Authority of India \(IRDAI\) consultation paper](#) aimed at rationalising distribution expenses and improving pricing discipline through tighter expense of management (EoM) limits,

¹ Market share excludes Agriculture Insurance of India and ECGC Ltd.

commission caps and enhanced transparency. The implications for HDFC ERGO's growth, profitability and distribution economics will depend on the final regulatory framework and its implementation timeline.

The Stable outlook reflects ICRA's expectation that HDFC ERGO will continue to benefit from the financial flexibility and support available from HDFC Bank, if required, while maintaining capitalisation and solvency metrics at levels commensurate with the current rating.

Key rating drivers and their description

Credit strengths

Strong parentage – HDFC Bank is the largest shareholder in HDFC ERGO with a 50.2% stake as on June 30, 2026, followed by ERGO International AG (ERGO; 49.6%), while the balance is held by employees pursuant to the company's employee stock option plan (ESOP) scheme. Following the amalgamation of HDFC Limited with and into HDFC Bank, HDFC Bank became the holding company and promoter of HDFC ERGO. HDFC Bank is a systemically important bank as well as the largest private sector bank in India. With a presence in banking, insurance and asset management, the HDFC Group has a significant presence in the Indian financial services sector.

HDFC Bank's majority stake, its representation on HDFC ERGO's board of directors, the shared brand and strategic importance of the insurance business within the HDFC Group support ICRA's expectation of timely capital assistance from HDFC Bank, if required. This expectation is reinforced by the demonstrated track record of support, including the equity infusion of Rs. 570 crore through a rights issue in August 2024. As on June 30, 2026, the company's board comprised fourteen directors including two Non-Executive Directors nominated by HDFC Bank, two Non-Executive Directors nominated by ERGO, two Wholtime Directors and eight Non-Executive Independent Directors. HDFC ERGO also benefits from an experienced management team.

Adequate capitalisation – HDFC ERGO's solvency remained adequate at 2.18 times as on June 30, 2026, above the regulatory requirement of 1.50 times. It benefited from lower capital consumption in FY2026 due to the contraction in GDPI, resulting in an improvement in the solvency ratio to 2.07 times as on March 31, 2026. While its solvency had weakened to 1.68 times as on March 31, 2024, owing to elevated losses in the Motor-TP segment, it improved subsequently with the Rs. 570-crore equity infusion and the raising of subordinated debt. ICRA expects the current solvency position to support the growth plans in the medium term.

Historically, HDFC ERGO's capitalisation has been supported by healthy internal accruals, reflected in the average return on equity (RoE) of 17.2% during FY2019-FY2023, and its relatively capital-efficient reinsurance strategy. Profitability, however, moderated in FY2024 and FY2025, with RoE of 10.8% and 10.7%, respectively, due to higher net loss ratios in the Motor-TP segment. This was on account of higher reserving resulting from changes in actuarial assumptions relating to accident frequency and claims severity. Profitability improved in FY2026, with the RoE rising to 14.9%, primarily supported by the improvement in the combined ratio.

Established market position with diversified product portfolio and distribution network – HDFC ERGO is the fifth-largest private sector general insurer in India, with a market share² of 4.6% in FY2026 (5.3% in FY2025) based on GDPI. The company has a diversified business mix, with the health and personal accident segment remaining the largest contributor, accounting for 47.6% of GDPI in FY2026. Retail health continues to constitute a significant share of this segment.

The motor portfolio declined by 3.0% in FY2026 following the sharp contraction of 41.9% in FY2025. The moderation in the Motor-TP business was due to the management's calibrated approach towards this segment amid concerns regarding adverse claims experience, elevated reserving requirements and the absence of price hikes. However, with a renewed focus on the motor segment in FY2027, motor premiums recovered, registering a year-on-year (YoY) growth of 55% in Q1 FY2027. The company also maintains a meaningful presence in the fire and crop segments, which accounted for 11.9% and 9.9% of GDPI, respectively, in FY2026. While crop contributed meaningfully to premium volumes in the past, its share declined materially in FY2026. ICRA also notes that the implementation of the 1/n accounting methodology for long-term policies from October 2024

² Market share excludes Agriculture Insurance of India and ECGC Ltd.

had a relatively higher impact on HDFC ERGO's reported premium growth and market share, given its larger exposure to long-term business compared to several peers.

HDFC ERGO's business profile is further supported by its diversified distribution network, reducing dependence on any single channel. Brokers, individual agents and direct business accounted for 37%, 26% and 21% of GDPI, respectively, in FY2026. Excluding the crop portfolio, which is predominantly sourced directly, bancassurance contributed 14.0% and 12.0% to GDPI in FY2025 and FY2026, respectively. While HDFC Bank follows an open architecture model and does not have an exclusive distribution arrangement with HDFC ERGO, the company has strong alignment with the bank, thereby supporting business sourcing and franchise strength.

ICRA takes note of IRDAI's proposed consultation paper, which aims to reduce distribution costs and improve pricing discipline through tighter EoM limits, commission caps and greater transparency. The impact on HDFC ERGO's growth, profitability and distribution economics will depend on the final regulations and the implementation timeline.

Credit challenges

Adequacy of reserves in long-tail business – ICRA notes that underwriting performance and reserve adequacy remain key risks for general insurers. HDFC ERGO has historically maintained a meaningful presence in the Motor-TP segment. Given the long-tail nature of Motor-TP claims, where claims settlement is subject to lengthy legal and judicial processes, the segment is exposed to a relatively high degree of uncertainty regarding the ultimate claims cost and the adequacy of reserves held against future liabilities.

The Motor-TP portfolio accounted for 70.8% of HDFC ERGO's outstanding claims reserves as on March 31, 2026, with the associated claims payouts extending over a prolonged period. The company reported adverse reserve developments in FY2024 and FY2025, following revisions in actuarial assumptions that incorporated higher accident frequency and severity trends. While it periodically strengthens or releases reserves based on emerging experience, the adequacy of reserves for the existing risk portfolio can only be assessed over time, given the delayed settlement of claims.

The profitability of the Motor-TP segment is further constrained by the regulated nature of premium pricing, which limits the insurer's ability to immediately reprice risks in response to adverse claims trends. Given the elevated net loss ratios and reserving pressure, HDFC ERGO had reduced its participation in this segment, with the share of Motor-TP in GDPI declining to 7.3% in FY2025 (14.2% in FY2024). However, it subsequently increased its focus on the Motor-TP portfolio, with its share rising to 7.5% in FY2026 and further to 8.3% in Q1 FY2027. While this could support the company's business growth and market position, the claims experience, reserve adequacy and profitability of the Motor-TP portfolio will remain key monitorable factors.

Dependence on tender-driven business – ICRA notes that HDFC ERGO has historically maintained a relatively higher share of crop insurance compared to many private sector peers. The crop segment accounted for 18.3% and 20.6% of GDPI in FY2024 and FY2025, respectively, before declining to 9.9% in FY2026. The segment remains inherently volatile, given its tender-driven nature and dependence on underwriting opportunities offered by state governments.

While a significant portion of the portfolio is covered under the 80-110 scheme³, which limits the insurer's loss exposure and provides some protection against adverse claims experiences, earnings from the crop business remain susceptible to weather-related events, particularly for contracts that are not covered under such arrangements. In addition, the segment is exposed to operational and counterparty risks arising from delays in receivables from state governments. The business is also characterised by fluctuations in premium volumes and reserve requirements, which can contribute to earnings volatility across periods. Although HDFC ERGO follows a selective underwriting approach for tender-based businesses, the profitability of the segment remains dependent on disciplined pricing and risk selection. To mitigate this risk, the company maintains

³ 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

comparatively high reinsurance protection in the crop portfolio, resulting in lower retention levels and net premium written relative to GDPI.

Liquidity position: Adequate

The company's net premium was Rs. 6,506 crore in FY2026 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 32% of the total investments or Rs. 9,257 crore as on June 30, 2026, support its liquidity position to meet the claims of policyholders. HDFC ERGO's shareholders' investment remained adequate at Rs. 5,993 crore in relation to the sub-debt outstanding of Rs. 1,400 crore as on June 30, 2026.

Rating sensitivities

Positive factors – Not applicable

Negative factors – A deterioration in HDFC Bank's credit profile or a decline in the company's strategic importance to the 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.

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, 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 (50.2% stake as on June 30, 2026) and ERGO International AG (49.6%), while the balance is held by the company's employees pursuant to its ESOP scheme. Following the amalgamation of HDFC Limited with and into HDFC Bank, HDFC ERGO became a subsidiary of HDFC Bank with effect from July 1, 2023. HDFC Bank is one of the three domestic 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 256 branch offices as on March 31, 2026.

Key financial indicators

HDFC ERGO General Insurance Company Limited	FY2025	FY2026	Q1 FY2027
	Audited	Audited	Provisional
Gross direct premium	15,817	15,025	4,125
PAT	500	813	220
Net worth (excluding FVCA)	5,163	5,760	6,044
Total investments	27,373	27,896	28,765
Combined ratio	122.7%	116.5%	110.6%
Return on equity (PAT/Net worth excl. FVCA)	10.7%	14.9%	14.9%
Solvency ratio (times)	2.00	2.07	2.18

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 (FY2027)				Chronology of rating history for the past 3 years					
Instrument	Type	Amount rated (Rs. crore)	Oct 07, 2026	FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating
Issuer Rating	Long term	-	[ICRA]AAA (Stable)	Oct 10, 2025	[ICRA]AAA (Stable)	Feb 10, 2025	[ICRA]AAA (Stable)	Jul 10, 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	-	-	-	-	-	-	Jul 10, 2023	[ICRA]AAA (Stable)
				-	-	-	-	Sep 04, 2023	[ICRA]AAA (Stable)
				-	-	-	-	Oct 05, 2023	[ICRA]AAA (Stable); withdrawn
Subordinated debt programme	Long term	375.0	[ICRA]AAA (Stable)	Oct 10, 2025	[ICRA]AAA (Stable)	Feb 10, 2025	[ICRA]AAA (Stable)	Jul 10, 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	80.0	[ICRA]AAA (Stable)	Oct 10, 2025	[ICRA]AAA (Stable)	Feb 10, 2025	[ICRA]AAA (Stable)	Jul 10, 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	300.0	[ICRA]AAA (Stable)	Oct 10, 2025	[ICRA]AAA (Stable)	Feb 10, 2025	[ICRA]AAA (Stable)	Jul 10, 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	320.0	[ICRA]AAA (Stable)	Oct 10, 2025	[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	325.0	[ICRA]AAA (Stable)	Oct 10, 2025	[ICRA]AAA (Stable)	Feb 10, 2025	[ICRA]AAA (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Subordinated debt programme	Highly 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	Financial sector regulator [#]
INE225R08022 [^]	Subordinated debt programme	Sep 19, 2022	7.72%	Sep 19, 2032 [*]	80.00	[ICRA]AAA (Stable)	SEBI
INE225R08014 [^]	Subordinated debt programme	Nov 09, 2021	7.10%	Nov 09, 2031 [*]	375.00	[ICRA]AAA (Stable)	SEBI
INE225R08030 ^{^^}	Subordinated debt programme	Feb 20, 2023	8.15%	Feb 20, 2033 [*]	300.00	[ICRA]AAA (Stable)	SEBI
INE225R08048 ^{^^}	Subordinated debt programme	Sep 26, 2023	8.15%	Sep 26, 2033 [*]	320.00	[ICRA]AAA (Stable)	SEBI
INE225R08055 ^{^^}	Subordinated debt programme	Mar 17, 2025	8.20%	Mar 17, 2035 [*]	325.00	[ICRA]AAA (Stable)	SEBI
NA	Issuer Rating	NA	NA	NA	NA	[ICRA]AAA (Stable)	..s

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

[#] SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI

⁵ As no instrument is being rated, FSR is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs

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 regulator⁴
- » ^{^^}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

⁴ As per IRDAI regulations, insurers are required to maintain a minimum solvency ratio of 150%

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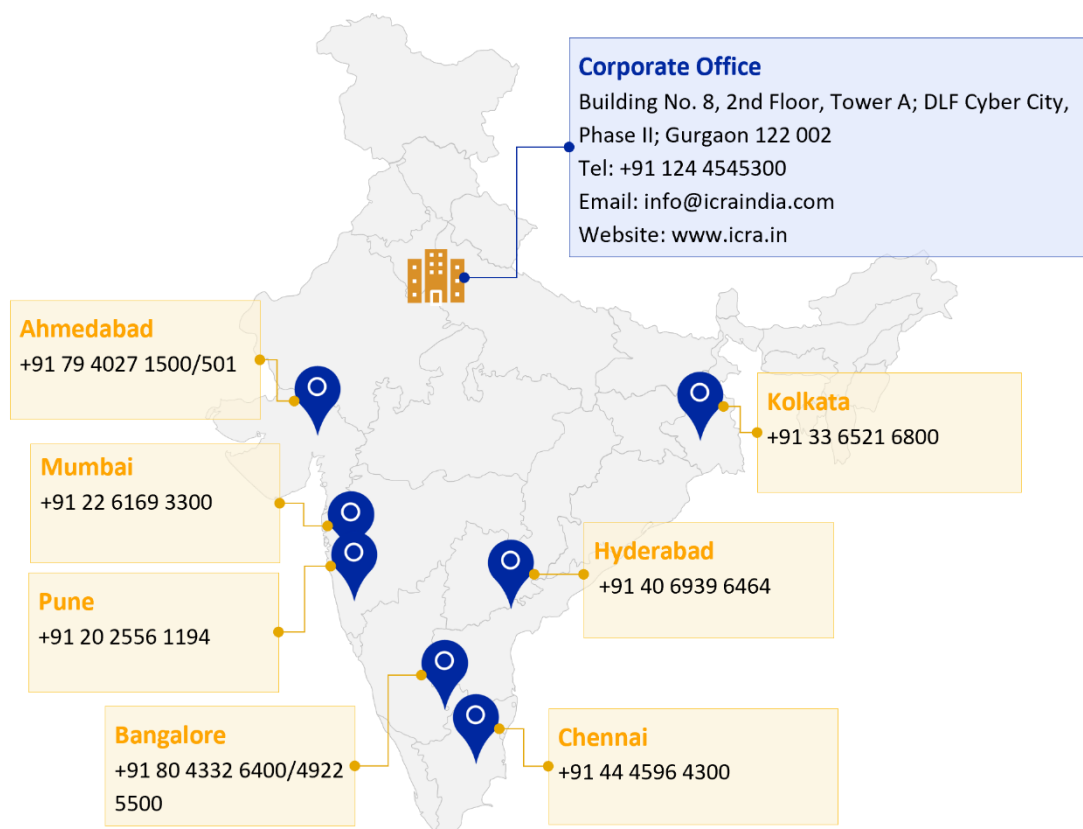
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