November 11, 2025

PNB MetLife India 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	400.00	400.00	[ICRA]AA+ (Stable); reaffirmed
Total	**400.00**	**400.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating takes into account PNB MetLife India Insurance Company Limited's (PNB MetLife) strong promoter profile with MetLife International Holdings LLC (MIHL; a part of MetLife Inc.[1] with key operating subsidiary – Metropolitan Life Insurance Company[2]) holding a 49.73% stake and Punjab National Bank[3] (PNB) holding a 30.00% stake as on September 30, 2025. The rating factors in PNB MetLife's strategic importance to MetLife Group (the Group), as demonstrated by the significant investment made by the Group since the company's inception, consistent increase in shareholding, recent capital infusion, the strong oversight on the board and the shared brand name. The company reported a solvency of 1.86 times as on September 30, 2025 was supported by capital infusion of Rs 300 crore in Q1 FY2026 through right issue of equity shares. It has the headroom to raise additional sub-debt of ~Rs. 625 crore, which is likely to support its growth plans in the near term. Further, ICRA expects that PNB MetLife will receive timely support from the Group as and when required. The company also receives strategic and operational support from MIHL, including product strategy. It benefits from PNB's shareholding, given the shared brand name and access to PNB's wide distribution network with the bank contributing 46-54% to the individual new business premium (NBP) over FY2021 to FY2025.

The rating also considers the company's diversified product profile, which is likely to support growth. Its embedded value (EV) increased at a compound annual growth rate (CAGR) of 14.8% during FY2020-FY2025 with average return on embedded value (RoEV) of 15.6%. The value of new business (VNB), however, declined in FY2024 and FY2025 with the decrease in the VNB margin. VNB growth will largely depend on annual premium equivalent (APE) growth and improvement in the operating efficiency. The profitability and solvency may also remain susceptible to changes in the actuarial assumptions, leading to long-term changes in the reserving requirements.

The rating is constrained by PNB MetLife's moderate scale of operations with a market share of 2.0% in FY2025 on the basis of individual APE and 1.2% on an overall NBP basis (improved from 1.8% and 0.7%, respectively, in FY2020). The company's ability to diversify its distribution channels and enhance the persistency levels would be a key determinant of improving its overall market position and profitability.

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

[1] *Rated A3 for senior unsecured debt*

[2] *Rated Aa3 by Moody's Investors Service, basis Insurance Financial Strength*

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

Key rating drivers and their description

Credit strengths

Strong parentage – MIHL and PNB held 49.73% and 30.00%, respectively, in PNB MetLife as on September 30, 2025. MIHL has been increasing its stake in the company (acquired ~15% from the existing investors in FY2022, 2.04% in November 2024, 0.81% in April 2025, thereby raising its stake to 49.73%). MIHL is a part of the MetLife Group, and its ultimate parent company is MetLife Inc. The Group's operating subsidiaries – Metropolitan Life Insurance Company, American Life Insurance Company[4] and Metropolitan Tower Life Insurance Company – have strong credit profiles. The Group is a leading global provider of insurance and financial services products with PNB MetLife enabling it to establish a foothold in the Indian life insurance business. The rating factors in the strategic importance of PNB MetLife to the MetLife Group, which is demonstrated by the significant investment made by it since the company's inception and the shared brand name. This strengthens ICRA's expectation that the company will receive timely support from the Group, if required.

MetLife, along with PNB, has oversight on PNB MetLife's board. Of the overall board of 14 members, MetLife has three representatives while PNB has two representatives. PNB is the third largest public sector bank in terms of net advances with a distribution network of 10,228 branches, as on September 30, 2025, spread across the country. This enables PNB MetLife to leverage the bancassurance channel to source business, with PNB contributing 46-53% to the individual NBP during FY2021-FY2025.

Adequate capitalisation – PNB MetLife's reported solvency improved to 1.86 times as on September 30, 2025 (1.72 times as on March 31, 2025 and 1.71 times as on March 31, 2024), supported by the recent capital infusion of Rs. 300 crore through a rights issue in Q1 FY2026. Despite the growth, the company's solvency had remained steady in FY2024 and FY2025, aided by the capital conservation strategy of the management with reduced focus on segments with high capital consumption {protection and non-participating (non-par)}. However, this resulted in a moderation in the VNB margin and a YoY decline in the VNB in FY2024 and FY2025. With the recent capital infusion, PNB MetLife's ability to improve its market share and profitability is to be seen. The company has headroom for raising additional sub-debt of ~Rs. 625 crore as on June 30, 2025, which adds to financial flexibility. Further, ICRA expects support from the parent to be forthcoming if required. PNB MetLife's solvency is also aided by the funds for future appropriation (FFA) on the par products. The FFA stood at 20.8% of the company's overall available solvency margin (ASM) as on June 30, 2025.

Diversified product offering – PNB MetLife has a diversified product offering in the individual segment, which stood at 68.5% of the NBP in FY2025 (70.4% in FY2024), with a presence in the savings as well as protection business. The unit-linked insurance plan (ULIP) business formed 57% of the individual NBP in FY2025, followed by par (16%), non-par (15%), pension (11%) and protection (1%). While the share of linked product increased in FY2025, the growth is likely to be more diversified in the medium term with the company looking at growth across segments. Within group, the share of group fund increased significantly in the past two years, forming 56% of group NBP in FY2025 (18% in FY2023), to conserve capital. Further, the company has group protection (both credit life and group term) with a sizeable portion of the credit life business being sourced from PNB (including PNB Housing Finance Limited[5]).

Profitability remains adequate – PNB MetLife reported a net profit of Rs. 325 crore in FY2025 with a return on equity[6] (RoE) of 17.2% (Rs. 276 crore and 17.3%, respectively, in FY2024). Its accounting profitability is supported by the non-par segment while the linked business is in the initial growth phase. The accounting profitability remained strong as the share of capital-intensive segments reduced in the last two years, resulting in lower new business strain. The company's EV increased at a CAGR of 14.8% during FY2020-FY2025 with average RoEV of 15.6%. However, the VNB declined to Rs. 412 crore in FY2025 from

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[4] Rated as A1 by Moody's Investors Service, basis Insurance Financial Strength
[5] Rated [ICRA]AA+ (Stable) for its tier II bonds
[6] Return on equity (RoE) = Net profit/Net worth excluding fair value change account

Rs. 550 crore in FY2023 due to the drop in the VNB margin to 14.6% in FY2025 (21.3% in FY2023). This was on account of the higher share of ULIP, reduced contribution from the high-margin non-par and group protection segments, and lower individual sum assured written. Following the recent capital infusion, the company is likely to pursue growth in capital-intensive segments, which should drive an improvement in the VNB and VNB margins, as per ICRA.

While the market share in individual sum assumed written during the year was limited at 0.9% in FY2025, it is likely to increase going forward. Further, the mortality risk retention in the individual business grew in the last two 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 PNB MetLife's profitability and solvency. ICRA, however, notes the favourable mortality experiences in the embedded value walk (barring impact of Covid-19 pandemic) and adequate solvency buffer maintained by the company.

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

Credit challenges

Moderate scale of operations impacting operating efficiency – PNB MetLife's operations remain moderate with a market share of 2.0% in FY2025 on the basis of individual APE and 1.2% on an overall NBP basis (1.9% and 1.1%, respectively, in H1 FY2026). The company's operating expense ratio (including commissions) remained high at 22-23% of the gross premium written during FY2021-FY2024 compared to peers due to the moderate scale. However, its expense ratio improved to 19.3% in FY2025, mainly driven by the growth in single premium and group products, further supported by the increased mix of lower commission ULIPs. ICRA believes that PNB MetLife will require deeper penetration and widening of its distribution network, product development and continuous investment in technology and marketing to keep its business growth above the industry level and improve its market position. The company's ability to improve its operating efficiency while maintaining growth and profitability needs to be seen.

The regulatory landscape for the life insurance sector has been evolving and is likely to have a bearing on the 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. Nevertheless, growth revived in FY2025 (11.2% YoY), driven by the sharp increase in ULIPs, supported by the buoyancy in the equity markets. Further, 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. The ability of insurers to mitigate the impact by rationalising commission payouts and improving operating efficiency is to be seen.

Persistency levels improving with scope for further improvement – The company's persistency ratio improved over the last few years with a 13th month persistency of 80.8% in FY2025 (76.1% in FY2021). While the persistency levels are improving, there is scope for further improvement especially in the later cohorts (61st month persistency stood at 49.9% in FY2025 compared to ~62% among industry leaders). PNB MetLife's ability to improve its persistency level across cohorts and product segments would remain crucial for incremental profitability in the individual business. Further, recent regulatory changes, leading to an increase in the surrender values of life insurance policies, had a slightly adverse impact on profitability. The impact of the same on persistency ratios will remain monitorable.

Liquidity position: Strong

The company's net premium (excluding ULIP) stood at Rs. 8,036 crore in FY2025 in relation to the maximum net claims and benefits (excluding ULIP) paid of Rs. 3,685 crore in the last few years. The operating cash flow remained positive, leading to growth in the investment book. Additionally, investments in Central and state government securities stood at Rs. 25,859 crore, accounting for 59.0% 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. 2,793 crore also remains strong in relation to the sub-debt outstanding of Rs. 400 crore as on June 30, 2025.

Rating sensitivities

Positive factors – A substantial and sustained improvement in the company's market position and profitability, leading to an improvement in its financial risk profile, would have a positive impact.

Negative factors – Deterioration in the credit profile of the MetLife Group or a decline in the strategic importance of PNB MetLife to the MetLife Group or in the expectation of support from the MetLife Group could impact the rating. Additionally, a decline in the company's solvency ratio to less than 1.70 times on a sustained basis would be a negative factor.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Life Insurance
Parent/Group support	Parent/Investor: MetLife Group The rating factors in the high likelihood of financial support from the MetLife Group to PNB MetLife, driven by reputational and strategic considerations.
Consolidation/Standalone	Standalone

About the company

PNB MetLife India Insurance Company Limited (PNB MetLife), incorporated in April 2001, was promoted by the MetLife Group while other domestic groups made private equity investments. The company obtained a certificate of registration from Insurance Regulatory and Development Authority of India (IRDAI) to undertake life insurance business on August 6, 2001.

PNB MetLife entered into a distribution agreement with PNB in 2011 and entered into a joint venture with the bank in 2013. This led to a change in its name to PNB MetLife India Insurance Company Limited. Until 2015, MetLife held a 26% stake in the company (maximum foreign direct investment (FDI) limit allowed). Subsequently, the FDI limit for the insurance sector was raised to 49% in 2015 and 74% in 2021. Further, MIHL has increased its stake in the company (acquired ~15% from the existing investors in FY2022, 2.04% in November 2024, 0.81% in April 2025, thereby increasing its stake to 49.73% as on September 30, 2025).

Key financial indicators

PNB MetLife India Insurance Company Limited	FY2024	FY2025	H1 FY2026
Gross direct premium income	9,732	11,752	1,812
PAT	276	325	120
Net worth	1,736	2,059	2,515
Total investments	47,714	54,193	57,975
13th month persistency ratio	81.7%	80.8%	80.0%
61st month persistency ratio	46.7%	49.9%	48.9%%
Solvency ratio (times)	1.71	1.72	1.86

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					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Nov 11, 2025	Date	Rating	Date	Rating	Date	Rating
Subordinated debt programme	Long term	400.00	[ICRA]AA+ (Stable)	Dec 04, 2024	[ICRA]AA+ (Stable)	Dec 08, 2023	[ICRA]AA+ (Stable)	Dec 13, 2022	[ICRA]AA+ (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
INE207O08019	**Subordinated debt**	Jan 27, 2022	8.12%	Jan 27, 2032*	400.00	[ICRA]AA+ (Stable)

Source: PNB MetLife

** 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*

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[7]
- In case 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 for combined analysis with consolidated analysis

Company name	Ownership	Consolidation
NA	NA	NA

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

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