July 20, 2026

Star Union Dai-ichi Life 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#
Subordinated debt programme	125.00	125.00	[ICRA]AA (Stable); reaffirmed	SEBI
Total	**125.00**	**125.00**		

**Instrument details are provided in Annexure I*

 # The Securities and Exchange Board of India's (SEBI) grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments that fall under the regulatory purview of financial sector regulators (FSRs) other than SEBI

Rationale

The rating factors in Star Union Dai-ichi Life Insurance Company Limited's (SUD Life) strong promoter profile with Daiichi Life International Holdings LLC (ultimate parent is Daiichi Life Group, Inc. (Daiichi Life) with key operating subsidiary – Daiichi Life Insurance Co. Ltd.[1]), Bank of India[2] (BOI), and Union Bank of India[3] (Union Bank) holding 47.42%, 27.48% and 25.10%, respectively, as on March 31, 2026. The rating considers the stated intent of Daiichi Life and Union Bank to provide timely support to SUD Life when required. Both Daiichi Life and Union Bank have demonstrated their support to the company through regular capital infusions (including the capital infusion of Rs. 550 crore in FY2025, in which both participated). Further, ICRA takes notes of the strong representation on the board and the shared brand name. Given the shareholding of the promoter banks, SUD Life has access to their extensive branch networks (over 15,000 branches as on March 31, 2026), enabling it to leverage the bancassurance (banca) channel to source business.

The company's capitalisation has been aided by regular equity infusions. SUD Life's solvency ratio stood at 1.67 times as on March 31, 2026 (2.30 times as on March 31, 2025). It was adversely impacted by mark-to-market (MTM) losses on the company's forward rate agreements (FRAs) linked to government bonds amid the rise in bond yields. However, these losses were largely reversed in Q1 FY2027, supporting a recovery in solvency. Further, SUD Life is looking to raise equity capital from shareholders in the near term, which should support its growth plans.

The rating is constrained by SUD Life's moderate scale of operations, with a market share of 1.5% in terms of individual annual premium equivalent (APE) and 1.1% in overall new business premium (NBP) in FY2026. While the company has been diversifying its distribution channels, its dependence on the parent banca channel for sourcing retail business remains high. Further, the group business accounts for a higher share of the NBP (60.0% in FY2026), which makes it less granular and volatile in nature. The company's ability to grow its individual business and diversify its business sourcing channels while improving its persistency levels will be a key driver for enhancing its market position and improving its profitability.

The Stable outlook factors in the expectation that SUD Life will continue to receive support from Daiichi Life and Union Bank, if required, and will maintain its solvency level above the negative rating trigger.

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[1] Rated Aa3 based on Insurance Financial Strength by Moody's
[2] Rated [ICRA]AA+ (Stable) for its Basel III Tier II bonds
[3] Rated [ICRA]AAA (Stable) for its Basel III Tier II bond

Key rating drivers and their description

Credit strengths

Strong parentage ensures capital, strategic, and operational support – SUD Life is a joint venture between Daiichi Life (47.42% stake as on March 31, 2026), BOI (27.48%), and Union Bank (25.10%). The company has historically received capital support through multiple tranches of equity infusions from its promoters. The latest capital infusion of Rs. 550 crore was undertaken in FY2025, with participation from Daiichi Life and Union Bank. While BOI did not participate in the capital raise, Daiichi Life subscribed to its share, resulting in an increase in its ownership stake. The rating considers the stated intent of Daiichi Life and Union Bank to provide timely support to SUD Life when required. Further, the rating draws comfort from the shared brand name and the strong representation on SUD Life's board with Daiichi Life having three representatives while Union Bank and BOI have two representatives each. ICRA expects that capital support will be forthcoming from Daiichi Life and Union Bank, as and when required.

SUD Life has access to the extensive branch network of over 15,000 branches of the promoter banks. Additionally, BOI and Union Bank are sponsors of a few regional rural banks (RRBs), enabling the company to tap rural markets. SUD Life sourced 85.8% of its individual NBP through the banca channel (majority from promoter banks) in FY2026 and had a high counter share in the life insurance policies sold by these banks. Moreover, it benefits from Daiichi Life's vast experience in the life insurance industry, benefits SUD Life in product approval and reinsurance arrangements, among others. Daiichi Life was established in 1902 and is one of the major life insurance companies in Japan.

Adequate capitalisation supported by capital infusions – SUD Life's solvency ratio moderated to 1.67 times as on March 31, 2026, from 2.30 times as on March 31, 2025, though it remained above the regulatory requirement of 1.50 times. Apart from strong growth, the decline was due to the MTM losses on the company's FRAs for Government securities due to the rise in interest rates at the end of the fiscal year, which impacted its available solvency margin. These FRAs were made to hedge the interest rate risk for non-participating (non-par) savings products. In the absence of MTM losses, solvency would have been higher at 1.90 times as on March 31, 2026. These MTM losses were reversed in Q1 FY2027 as bond yields declined. The company's solvency has been supported by regular capital infusions (Rs. 200 crore in FY2023 and Rs. 550 crore in FY2025). It is also aided by the funds for future appropriation (FFA) related to participating (par) funds. FFA accounted for 16.3% of the available solvency margin as on March 31, 2026. To support its strong growth trajectory and maintain comfortable solvency buffers, SUD Life has planned a capital infusion in FY2027, with participation across shareholders.

The rise in bond yields also resulted in a decline in the market value of the investment book in relation to its book value. While this does not impact the reported solvency ratio, maintaining steady business growth and improving persistency levels will be required to ensure stable growth in the investment book.

The company reported a net profit of Rs. 32 crore in FY2026 with RoE[4] of 1.7% (Rs. 82 crore and 5.4% in FY2025). Its accounting profitability was impacted in FY2026 by temporary MTM losses on its FRA hedge portfolio, changes in labour laws and the absence of input tax credit under the new goods and services tax (GST) reforms. Moreover, the accounting profitability was also impacted by the strong growth in the linked business, which has witnessed disproportionately higher growth compared to other business segments over the past few years. This was partly offset by the profit in the non-par segment.

While SUD's market share in individual sum assured written during the year was limited at 0.6% in FY2026, it is likely to increase, going forward. 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 profitability and solvency.

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 achieving operating experience (such as persistency, mortality, operating

[4] *Return on equity (RoE) = Net profit/Average net worth excluding fair value change account*

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

Credit challenges

Modest scale of operations; high dependence on banca – SUD Life's operations remain modest with a market share of 1.5% in individual APE (1.3% in FY2025) and 1.1% in the overall NBP in FY2026 (1.1% in FY2025). The growth in the company's NBP over the years was largely driven by the group business, with its share increasing to ~60% of the total NBP in FY2026 from ~40% in FY2022. ICRA notes that the group fund business (82.3% of the group NBP in FY2026) is less granular and usually witnesses a high churn rate as corporates remain sensitive to the rates offered, leading to volatility in premium income. SUD Life is currently implementing a strategic plan to diversify the sourcing mix. However, the individual business remains significantly concentrated towards the banca channel, which accounted for 85.8% of individual NBP in FY2026 (95.6% in FY2025), with the majority of the business being sourced through the promoter banks.

Persistency levels witness gradual improvement but remain lower than peers – Despite the improvement over the past few years, with the 13th month persistency increasing to 77.8% in FY2026 from 72.7% in FY2022, the company's persistency metrics remain lower than those of its peers. Furthermore, persistency in the later cohorts continues to be relatively weak, with the 61st month persistency at 39.6% in FY2026, remaining below peers. The company has been focussing on various initiatives to improve its persistency levels. SUD Life's ability to improve its persistency level across cohorts and product segments would remain crucial for incremental profitability in the individual business. Moreover, the impact of the regulatory changes that have increased the surrender value payable on life insurance policies remains a key monitorable.

Liquidity position: Strong

SUD Life's net premium (excluding unit linked insurance plan; ULIP) stood at Rs. 7,235 crore in FY2026 in relation to the maximum net claims and benefits (excluding ULIP) paid of Rs. 2,289 crore in the last three years. Its operating cash flow was positive in FY2026, reflecting its ability to meet expenses and claims through premium inflows. Additionally, investments in Central and state government securities stood at Rs. 22,678 crore, accounting for 73% of the total investments (excluding ULIP) as on March 31, 2026, further supporting the liquidity to meet the claims of policyholders. The shareholders' investment of Rs. 1,816 crore also remains strong in relation to the sub-debt outstanding of Rs. 125 crore as on March 31, 2026.

Rating sensitivities

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

Negative factors – A deterioration in the credit profile of Daiichi Life/Union Bank or a decline in the strategic importance of SUD Life to these entities or in the expectation of support from them would have a negative impact. Additionally, a decline in the company's solvency ratio to less than 1.60 times on a sustained basis would be a negative factor.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	[Rating Methodology – Life Insurance]
Parent/Group support	Parent/Investor: Daiichi Life Group, Inc. and Union Bank The rating factors in the high likelihood of support from Daiichi Life and Union Bank, driven by reputational and strategic considerations.
Consolidation/Standalone	Standalone

About the company

Established in 2007, SUD Life is a joint venture between Daiichi Life, BOI, and Union Bank. BOI and Union Bank are public sector banks with established track records. Set up in 1902, Daiichi Life is one of the major life insurers in Japan. Initially, BOI was a major shareholder with a stake of 51.00% as on March 31, 2009, followed by Union Bank (26.00%) and Daiichi Life (23.00%). Daiichi Life's stake has since increased to 47.42% while BOI's share declined to 27.48% and Union Bank's share decreased slightly to 25.10% as on March 31, 2026.

SUD Life provides life insurance, savings, investment and annuity to individuals and groups. The products are offered under the protection, participating, non-participating and unit-linked lines of business. It operates through a wide network of over 15,000 promoter bank branches across India.

Key financial indicators (audited)

Star Union Dai-ichi Life Insurance Company Limited	FY2025	FY2026
Gross premium written (GPW)	8,260	9,592
PAT	82	32
Net worth	1,847	1,880
Total investments	29,878	36,505
13th month persistency	77.7%	77.8%
61st month persistency	23.2%	39.6%
Solvency ratio (times)	2.30	1.67

Source: Company, ICRA Research; Amount in Rs. crore; PAT: Profit after tax

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					
				FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	July 20, 2026	Date	Rating	Date	Rating	Date	Rating
Subordinated debt programme	Long term	125.00	[ICRA]AA (Stable)	Jul 22, 2025	[ICRA]AA (Stable)	Jul 25, 2024	[ICRA]AA (Stable)	Jul 28, 2023	[ICRA]AA (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Subordinated debt programme	Highly 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	Financial sector regulator#
INE503V08016	**Subordinated debt programme**	Nov 24, 2021	7.75%	Nov 24, 2031*	125.00	[ICRA]AA (Stable)	SEBI

Source: Company

**The company has a call option, which is exercisable five years from the date of allotment, i.e. on November 24, 2026, 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.

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 level stipulated by the regulator[5]
- If the interest payouts lead to a net loss or an increase in the net loss, the 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 the Insurance Regulatory and Development Authority of India (IRDAI), insurers are required to maintain a minimum solvency ratio of 1.50 times*

ANALYST CONTACTS

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

Anil Gupta
+91 124 4545314
anilg@icraindia.com

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

Shubham Deokar
+91 22 6114 3427
shubham.deokar@icraindia.com

Abhilash Rathi
+91 20 6606 9923
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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ICRA Limited

Registered Office

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

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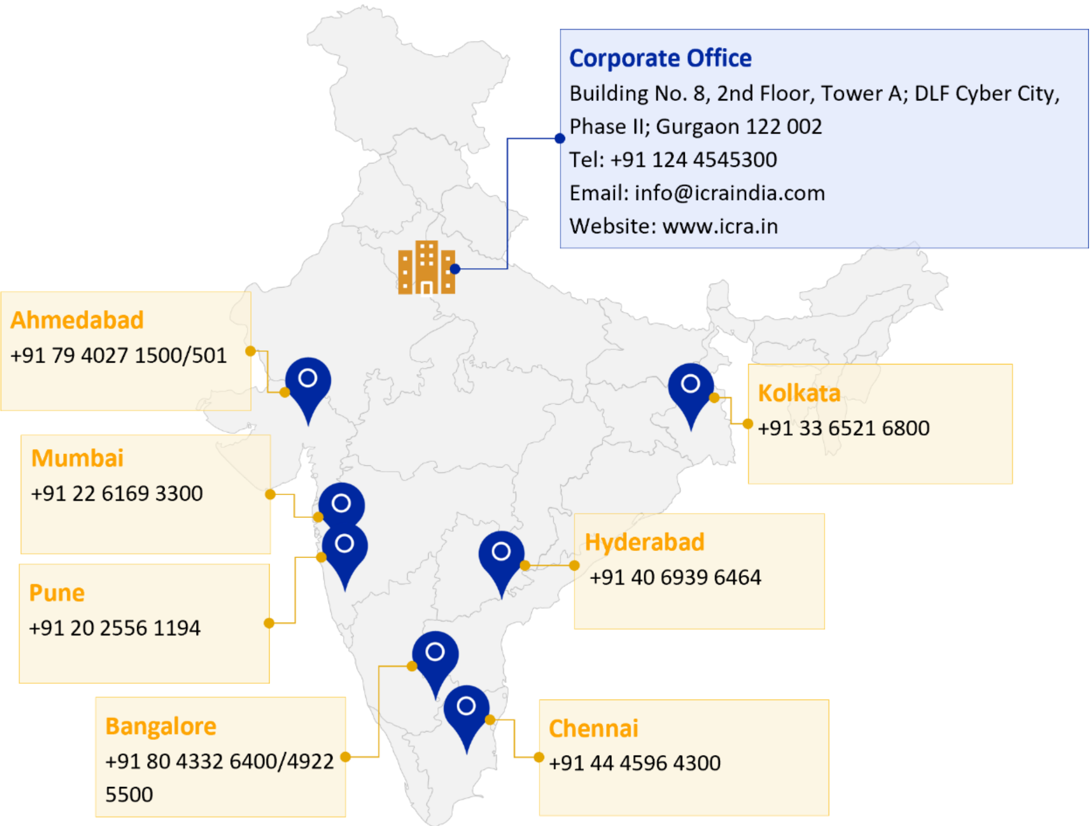

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