August 31, 2026

HDFC 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#
Issuer Rating	-	-	[ICRA]AAA (Stable); reaffirmed	-$
Subordinated debt programme	3,100.00	3,100.00	[ICRA]AAA (Stable); reaffirmed	SEBI
Total	**3,100.00**	**3,100.00**		

**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

$Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in the SEBI master circular for credit rating agencies (CRAs) are being followed

Rationale

The rating factors in HDFC Life Insurance Company Limited's (HDFC Life) established market position as the second largest private life insurer, with a market share of 10.8% in FY2026 (11.1% in FY2025) in terms of individual annualised premium equivalent (APE)[1]. Moreover, it considers the company's balanced product mix, diversified distribution network, and strong persistency, which supports the profitability. HDFC Life's profitability remains healthy with average RoE[2] and RoEV[3] of 11.0% and 17.1%, respectively, in the last five years (FY2022-FY2026). The company's solvency profile, aided by the equity infusion of approximately Rs. 1,000 crore through a preferential allotment in Q1 FY2027 from the promoter (HDFC Bank Limited) and healthy internal accruals, remained comfortable at 1.85 times as on June 30, 2026 compared to the regulatory requirement of 1.50 times.

The rating also considers HDFC Life's strong parentage with HDFC Bank[4] holding a majority stake of 50.54% as on June 30, 2026. The rating takes into account the strategic importance of the company to the bank, its representation on the company's board of directors and the presence of a shared brand name, strengthening ICRA's belief that the bank will provide support as and when required. While HDFC Life does not have an exclusive distribution partnership with HDFC Bank, it has a strong counter share of above 60% in terms of the individual APE in the bank in FY2026, which has increased after it became its subsidiary.

HDFC Life's growth in individual premium moderated in Q4 FY2026 and remained subdued in Q1 FY2027 due to the rise in competitive intensity and softer business traction in the bancassurance channel, particularly through HDFC Bank. The growth in the value of new business (VNB), VNB margin and profitability would depend on the company's ability to increase its APE and improve its operating efficiency. The profitability and solvency may 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 HDFC Bank, if required, and will maintain its solvency level above the negative rating trigger.

[1] APE is the sum of the annualised first year premiums on the regular premium policies and 10% of the single premiums

[2] Return on equity (RoE) = Profit after tax/Average of opening and closing equity

[3] Return on embedded value = Embedded value operating profit/Opening embedded value

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

Key rating drivers and their description

Credit strengths

Strong promoter profile – HDFC Bank held a 50.54% stake in HDFC Life as on June 30, 2026. Following the amalgamation of HDFC Limited with and into HDFC Bank, the bank became the promoter of the company with effect from July 1, 2023. HDFC Bank is a systemically important institution 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 Life benefits from the bank's strong brand recognition. As on June 30, 2026, HDFC Bank had a robust distribution network of 9,694 branches spread across the country. This enables HDFC Life to leverage the bancassurance channel to source business, with a wallet share of above 60% of individual APE in HDFC Bank in FY2026. HDFC Bank's majority stake, its representation on HDFC Life's board of directors and the presence of a shared brand name strengthen ICRA's belief that it will provide support to the company as and when required.

Leading market position with balanced product mix and diversified distribution network – HDFC Life is the second largest private life insurer with a market share of 10.8% in terms of individual APE and 8.0% in terms of the overall new business premium (NBP) in FY2026 (11.1% and 8.5%, respectively, in FY2025). The company has a balanced and diversified product mix with unit linked insurance plans (ULIPs) accounting for 44.3% of the individual APE in FY2026, followed by participating (par) at 24.7%, non-participating (non-par) at 18.5%, protection at 7.2% and annuity at 5.3%. Within group, the portfolio comprises group protection (53.4% of the group NBP; both credit life and group term) with HDFC Bank accounting for a sizeable portion of the credit life business. The product mix is likely to remain diversified with the company looking at growth across segments.

HDFC Life's distribution network continues to be diversified with bancassurance and corporate agents accounting for 54.1% of the individual NBP in FY2026, followed by direct channel (including online; 21.7%), agency (17.5%), and brokers and others (6.8%). The bancassurance channel's contribution to individual NBP remained above 50% in FY2026, significantly up from 44% in FY2023. This was primarily driven by the increase in HDFC Bank's wallet share, which stayed above 60% in FY2026, up from 56% in FY2023. HDFC Life has a diversified distribution mix with over 500 partners as on June 30, 2026, including traditional partners such as non-banking financial companies (NBFCs), microfinance institutions (MFIs) and small finance banks (SFBs) along with new ecosystem partners. The new ecosystem partners or alternative distribution channels include health, e-commerce, auto, telecom, mutual funds and fintech companies. HDFC Life operates through more than 700 branches across the country and has better cross-selling and upselling opportunities after becoming a subsidiary of HDFC Bank.

Healthy profitability supports capitalisation – HDFC Life's embedded value (EV) increased to Rs. 65,860 crore as on June 30, 2026 (Rs. 26,617 crore as on March 31, 2021), with operating RoEV in the range of 15-19% in the last five years. The absolute VNB grew during this period and stood at Rs. 4,034 crore in FY2026 (Rs. 2,185 crore in FY2021), supported by the rise in the APE, but was partly offset by the slight moderation in the VNB margins.

HDFC Life's VNB margin moderated to 24.2% in FY2026 from 25.6% in FY2025, impacted by regulatory changes relating to goods and services tax (GST) and surrender values, lower fixed cost absorption, and strengthening of persistency assumptions. Nevertheless, margins remained healthy, supported by the favourable product mix, including protection, riders, and higher-margin annuity products. Going forward, the improvement in the absolute VNB will largely depend on the growth in individual APE, as margins are expected to remain range-bound.

The 13th and 61st month persistency ratios stood at 85% and 64%, respectively in FY2026 (87% and 64%, respectively, in FY2025). While there has been some moderation in the 13th month persistency, the persistency ratio remains healthy, supporting renewal premiums, which aid profitability as well as liquidity.

HDFC Life remained the second largest private life insurer, in terms of individual sum assured written during the year, with a market share of 12.7% in FY2026 (12.6% in FY2025). The mortality risk underwritten in the individual business has increased over the years. Given the long tail nature, a rise in the mortality risk increases 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 EV walk. Further, ICRA takes note of the comfortable solvency buffer maintained by the company.

The company's capitalisation, with solvency of 1.85 times as on June 30, 2026 (compared to the regulatory minimum of 1.50 times), was mainly supported by healthy internal accruals and the equity infusion of Rs. 1,000 crore through a preferential allotment in Q1 FY2027. Historically, there was no equity capital infusion (except through employee stock ownership plans – ESOPs) in the 11 years till FY2022. The capital infusion of Rs. 2,000 crore in FY2023 was to support the acquisition of Exide Life (which involved a cash payment of Rs. 726 crore) and build a cushion. The solvency position was also partly supported by subordinated debt (sub-debt) issuances.

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 the key driver of the long-term profitability and capitalisation.

Credit challenges

Ability to maintain NBP growth in individual segment – The regulatory landscape for the life insurance sector has changed significantly in recent years, with implications for growth and profitability. Following the moderation in demand after the taxation of returns from life insurance policies with annual premiums exceeding Rs. 5 lakh, the sector witnessed a recovery in FY2025 and FY2026, with individual NBP growth of 11.2% and 10.8% respectively. This was supported by strong ULIP sales amid favourable equity market conditions. In FY2026, while growth was supported by the GST exemption on pure protection policies, profitability was under pressure due to the increased cost pressure because of the loss of input tax credit (ITC). Further, the implementation of revised Insurance Regulatory and Development Authority of India (IRDAI) surrender value regulations adversely affected margins and profitability.

HDFC Life outperformed the private sector in FY2025, reporting individual NBP growth of 14.7% compared with 12.9% for private players. However, its individual NBP growth moderated to 9.0% and 5.0% in FY2026 and Q1 FY2027, respectively, trailing the corresponding private sector growth of 12.3% and 13.9%, respectively, resulting in a marginal decline in market share.

With VNB margins expected to remain range-bound in the near term, APE growth is likely to be the key driver of absolute VNB expansion. ICRA notes HDFC Life's balanced product mix and diversified distribution franchise, which should support business growth and earnings generation over the medium term.

Environmental and social risks

Life insurance companies like HDFC Life 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 affect mortality rates to some extent 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, HDFC Life 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 rise in mortality rates could adversely impact the company's financial performance, as it would need to increase its 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 HDFC Life, with challenges that concern the recruitment and retention of key employees.

Liquidity position: Superior

The company's net premium (excluding ULIP) stood at Rs. 53,209 crore in FY2026 in relation to the maximum net claims and benefits (excluding ULIP) paid of Rs. 22,541 crore in the last three years. As a result, its operating cash flow remained positive, leading to growth in its investment book. Additionally, investments in Central and state government securities (excluding ULIP) stood at Rs. 1,73,889 crore, accounting for 61.2% of the total investments (excluding ULIP) as on June 30, 2026, further supporting the policyholder's liability. The shareholders' investment of Rs. 21,719 crore also remains superior in relation to the sub-debt outstanding of Rs. 3,099 crore as on June 30, 2026.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Deterioration in HDFC Bank's credit profile or a decline in the strategic importance of the company to the bank or dilution in the expectation of support from the promoter 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/Group company: HDFC Bank The rating factors in the high likelihood of financial support from HDFC Bank, driven by reputational and strategic considerations.
Consolidation/Standalone	For arriving at the rating, ICRA has used the standalone financials of HDFC Life. However, in line with ICRA's consolidation approach, ICRA has factored in the capital requirement of HDFC Life's subsidiaries, which are listed in Annexure II.

About the company

HDFC Life Insurance Company Limited commenced operations in 2000 and was a joint venture between HDFC Limited and Abrdn (Mauritius Holdings) 2006 Limited (formerly Standard Life (Mauritius Holdings) 2006 Limited). HDFC Life was listed on the stock exchanges in November 2017. Abrdn (Mauritius Holdings) 2006 Limited sold its stake over the years and its remaining stake of 1.66% in the company was sold in May 2023. Following the amalgamation of HDFC Limited with and into HDFC Bank, HDFC Life 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 Life provides life insurance, pension, savings, investment, annuity and health insurance to individuals and groups. Its products are offered under the participating, non-participating, and unit linked lines of business. HDFC Life's products are distributed through more than 700 branches along with individual agents, corporate agents, banks, brokers, and online channels.

Key financial indicators

HDFC Life Insurance Company Limited	FY2025	FY2026	Q1 FY2027
Gross direct premium	71,045	79,387	17,166
PAT	1,802	1,910	611
Net worth*	16,126	17,696	19,509
Total investments^	3,36,282	3,75,198	4,00,870
13th month persistency	86.9%	84.9%	83.8%
61st month persistency	63.5%	64.4%	65.4%
Solvency ratio	1.94	1.77	1.85

*Source: Company, ICRA Research; Amount in Rs. crore; All calculations are as per ICRA Research; * Includes fair value change account*
^ Including linked investments

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)**	**Aug 31, 2026**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Issuer Rating	Long term	-	[ICRA]AAA (Stable)	Nov 26, 2025	[ICRA]AAA (Stable)	09-Sep-2024	[ICRA]AAA (Stable)	11-Jul-2023	[ICRA]AAA (Stable)
	-	-	-	Aug 29, 2025	[ICRA]AAA (Stable)	15-Apr-2024	[ICRA]AAA (Stable)	21-Apr-2023	[ICRA]AAA (Stable)
Subordinated debt programme	Long term	-	-	Aug 29, 2025	[ICRA]AAA (Stable); withdrawn	09-Sep-2024	[ICRA]AAA (Stable)	11-Jul-2023	[ICRA]AAA (Stable)
	-	-	-	-	-	15-Apr-2024	[ICRA]AAA (Stable)	21-Apr-2023	[ICRA]AAA (Stable)
Subordinated debt programme	Long term	350.0	[ICRA]AAA (Stable)	Nov 26, 2025	[ICRA]AAA (Stable)	09-Sep-2024	[ICRA]AAA (Stable)	11- Jul-2023	[ICRA]AAA (Stable)
	-	-	-	Aug 29, 2025	[ICRA]AAA (Stable)	15-Apr-2024	[ICRA]AAA (Stable)	21-Apr-2023	[ICRA]AAA (Stable)
Subordinated debt programme	Long term	2,000.0	[ICRA]AAA (Stable)	Nov 26, 2025	[ICRA]AAA (Stable)	09-Sep-2024	[ICRA]AAA (Stable)	-	-
	-	-	-	Aug 29, 2025	[ICRA]AAA (Stable)	-	-	-	-
Subordinated debt programme	Long term	750.0	[ICRA]AAA (Stable)	Nov 26, 2025	[ICRA]AAA (Stable)	-	-	-	-
	-	-	-	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Issuer Rating	Not Applicable
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#
NA	**Issuer Rating**	NA	NA	NA	NA	[ICRA]AAA (Stable)	-$
INE795G08027^	**Subordinated debt programme**	Jun-22-2022	8.20%	Jun-22-2032*	350.0	[ICRA]AAA (Stable)	SEBI
INE795G08035^^	**Subordinated debt programme**	Oct-09-2024	8.05%	Oct-09-2034*	1,000.0	[ICRA]AAA (Stable)	SEBI
INE795G08043^^	**Subordinated debt programme**	Feb-14-2025	8.10%	Feb-14-2035*	1,000.0	[ICRA]AAA (Stable)	SEBI
INE795G08050^^	**Subordinated debt programme**	Dec-15-2025	7.63%	Dec-15-2035*	750.0	[ICRA]AAA (Stable)	SEBI

*Source: Company; *HDFC Life has a call option exercisable five years from the date of allotment and at the end of every year thereafter before the redemption date*

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Key features of rated debt instrument

The rating also factors in the key features of the instrument, in line with the applicable guidelines for sub-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

Company name	HDFC Life ownership	Consolidation approach
HDFC Pension Management Company Limited	100.0%	Full consolidation
HDFC International Life and Re Company Limited	100.0%	Full consolidation

Source: Company

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

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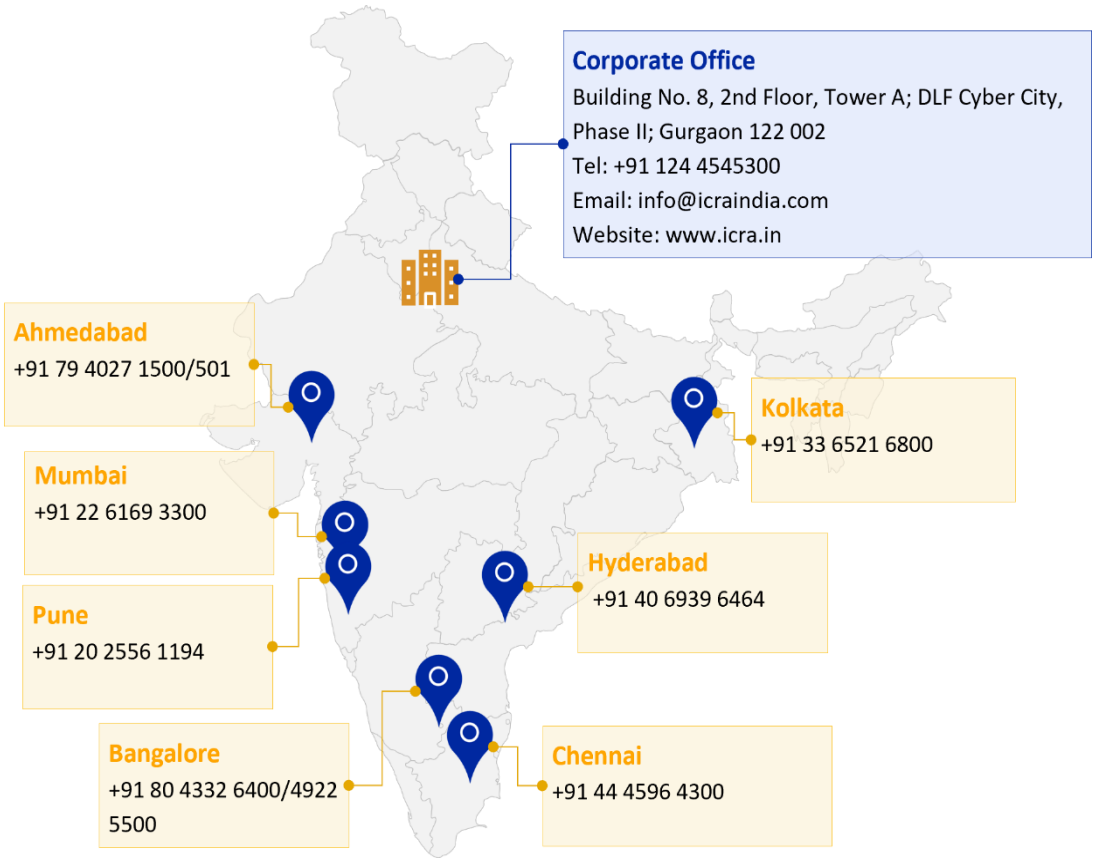
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