**August 31, 2026**

# National Insurance Company Limited: Rating reaffirmed; outlook revised to Negative

## Summary of rating action

| Instrument* | Previous rated amount (Rs. crore) | Current rated amount (Rs. crore) | Rating action | Financial Sector Regulator# |
|---|---|---|---|---|
| **Subordinated debt programme** | 895.00 | 895.00 | [ICRA]A+ (Negative); reaffirmed and outlook revised to Negative from Stable | SEBI |
| **Total** | **895.00** | **895.00** | | |

**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 revision in the outlook to Negative factors in National Insurance Company Limited's (NIC) persistently weak solvency profile due to its subdued profitability and the lack of clarity on the timing of the capital infusion by the Government of India (GoI) despite the sustained weakness in the capital position. Its underwriting performance has remained weak and deteriorated further in FY2026 due to the increase in management expenses on account of wage revisions and payment of associated arrears. Given the substantial losses reported by the company since 2018 and the sizeable net loss in FY2026 (Rs. 2,534 crore), the net worth deteriorated further to negative Rs. 4,069 crore as on March 31, 2026 {negative Rs. 567 crore including fair value change account (FVCA)[1]}.

NIC's solvency ratio (excluding FVCA) worsened to negative 1.11 times as on March 31, 2026 (negative 1.22 times as on June 30, 2026) from negative 0.67 times a year earlier, primarily due to the impact of wage revision and arrears payments in FY2026. While regulatory approval for the recognition of 100% FVCA is pending, the solvency ratio would improve only to negative 0.34 times even after such inclusion, remaining well below the regulatory requirement of 1.50 times. A credit positive is NIC's 1.42% stake in National Stock Exchange (NSE), which is currently unlisted; potential gains are not included in the FVCA. Upon NSE's potential listing, the fair value gains arising from this investment could significantly enhance NIC's FVCA, materially strengthening its capital base (solvency including FVCA). However, the company's ability to restore solvency to the regulatory requirement is expected to remain dependent on capital support from the GoI and substantial improvement in its underwriting performance. ICRA also notes the high share of Motor-Third party (Motor-TP; 22-25% of NIC's total GDPI in the last few years), which exposes NIC to reserving risks as this segment is long tail in nature.

The rating considers NIC's sovereign ownership (entirely held by the GoI, with capital infusions of Rs. 9,275 crore during FY2020-FY2022) and the expectation of continued support from the GoI. The rating also continues to reflect NIC's position as one of the leading insurers in the general insurance industry in India. The company has regulatory forbearance for servicing its subordinated debt for the entire tenure of the instrument even if the solvency ratio is below the minimum regulatory requirement.
The Negative outlook on the rating reflects ICRA's expectation of continued weak profitability and solvency over the medium term unless supported by capital infusions from the GoI.

[1] *Unrealised gains on equity investments*

## Key rating drivers and their description

### Credit strengths

**Sovereign ownership with entire equity owned by the GoI** – NIC is wholly owned by the GoI, and ICRA expects the company to continue receive support from the sovereign entity. Considering the extremely low insurance penetration level in India, the role of Government-owned insurers, such as NIC, becomes important. Further, the GoI's support is evidenced by the capital infusions of Rs. 2,500 crore (NIC received Rs. 2,400 crore), Rs. 9,950 crore (NIC received Rs. 3,175 crore) and Rs. 5,000 crore (NIC received Rs. 3,700 crore) in FY2020, FY2021 and FY2022, respectively, across three public sector general insurance companies.

**Established player with long operating history** – Established in 1906, NIC is one of India's leading insurers in the general insurance industry, with a long operating track record and a strong franchise in eastern India. The company was the eighth-largest general insurance provider in the country, with a market share of 5.4% based on gross direct premium income (GDPI) in FY2026 (5.6% in FY2025).

NIC has a diversified presence across major business segments, with the health and motor portfolios contributing a significant share to its GDPI at around 47% and 32%, respectively, in FY2026, compared to the public sector undertaking (PSU) insurers' average of 43% and 30%, respectively. The company benefits from an extensive distribution network, comprising over 850 branches and more than 68,000 agents across India. This has supported its well-diversified business mix, with individual agents accounting for 35% of GDPI and direct business for 27% in FY2026.

### Credit challenges

**Weak solvency ratio; largely dependent on GoI for capital infusions** – NIC's capitalisation profile remains weak, reflected in its deteriorating solvency position amid the absence of equity support from the GoI during FY2023-FY2026 and continued subdued earnings. The solvency ratio declined to negative 1.11 times as on March 31, 2026 (negative 1.22 times as on June 30, 2026) from negative 0.63 times as on March 31, 2022. Even after considering 100% of the FVCA, the solvency ratio remained negative at 0.34 times as on March 31, 2026. The company has reported net losses consistently since 2018, primarily due to weak underwriting performance and the impact of wage revision expenses, resulting in a negative net worth (excluding FVCA) of Rs. 4,069 crore as on March 31, 2026.

As per ICRA's estimates, NIC requires an equity infusion of Rs. 8,400 crore to meet the regulatory solvency requirements as on March 31, 2026, after 100% inclusion of the FVCA. Excluding FVCA, the capital requirement is much higher at ~Rs. 11,900 crore. However, this could reduce significantly in the event of the listing of NSE shares, which may unlock substantial FVCA gain, provided this is allowed to be included in the solvency computation. Nevertheless, given the expectation of continued weak profitability, the equity capital requirement is likely to remain sizeable in the medium term. Weak profitability and capitalisation on a sustained basis could adversely impact the company's ability to grow its business in the medium-to-long term, which may also affect its market position.

**Weak underwriting performance** – NIC's earnings profile remains weak, as reflected in the net loss of Rs. 2,534 crore in FY2026 compared with losses of Rs. 483 crore in FY2025 and Rs. 187 crore in FY2024. The company continued to report a substantial underwriting loss due to the high claims ratio and the weak combined ratio of 140.0% in FY2026 (129.6% in FY2025). The underwriting performance was further affected by retrospective wage revision expenses of around Rs. 2,685 crore in FY2026 (Rs. 364 crore in FY2025). While gains on the sale of investments partially supported profitability, they were insufficient to offset the sizeable underwriting losses, resulting in continued net losses since FY2018. NIC reported a net loss of Rs. 496 crore in Q1 FY2027.

**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 22-25% of NIC'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. While NIC has been creating additional reserves, the eventual outcome for the risk in-force or adequacy of current reserves against future claims payouts may be known with considerable lag, which could impact the future profitability and solvency. Further, the profitability of this segment could be affected as the pricing of Motor-TP rates is regulated, with no price hikes in the last many years.

## Liquidity position: Adequate

The company's net premium was Rs. 17,735 crore in FY2026 in relation to the maximum net claims paid of Rs. 13,455 crore in the last few years. Its operating cash flow, after meeting operating expenses, remained negative (barring FY2025) due to the elevated combined ratio in the past five years. NIC had investments in Central/state Government securities, accounting for 37.5% of the total investments or Rs. 32,924 crore as on March 31, 2026, supporting its liquidity to meet the claims of policyholders. However, it has completely eroded its shareholders' investments, given the historical negative operating cash flow because of losses. At present, the company's ability to service its subordinated debt is reliant solely on regulatory forbearance.

## Rating sensitivities

**Positive factors** – The outlook may be revised to Stable if there is a consistent improvement in the underwriting performance and/or improvement in solvency position.

**Negative factors** – ICRA could downgrade the rating on a dilution in NIC's importance to the GoI or on inability to improve the capital position.

## Analytical approach

| Analytical approach | Comments |
|---|---|
| **Applicable rating methodologies** | General Insurance |
| **Parent/Group support** | Parent/Group company: GoI<br>The rating factors in NIC's sovereign ownership and the track record of capital infusions by the GoI. ICRA expects the GoI to continue supporting NIC with capital infusions. |
| **Consolidation/Standalone** | Standalone |

## About the company

NIC is India's oldest general insurance company. It was incorporated in Kolkata, West Bengal on December 5, 1906. After the passing of the General Insurance Business Nationalisation Act in 1972, it was merged along with 21 foreign and 11 Indian companies to form National Insurance Company Limited. It is fully owned by the Government of India. NIC has offices all over India and an office in Nepal. It has a strong presence with more than 850 branches and over 68,000 agents spread across the nation.

### Key financial indicators

| National Insurance Company (audited) | FY2025 | FY2026 | Q1 FY2027* |
|---|---|---|---|
| **Gross direct premium** | 16,833 | 17,735 | 4,306 |
| **PAT** | (483) | (2,534) | (496) |
| **Net worth (excluding FVCA)** | (1,510) | (4,069) | (4,567) |
| **Net worth (including FVCA)** | 4,007 | (567) | 183 |
| **Total investment** | 34,740 | 32,924 | 33,901 |
| **Combined ratio** | 129.6% | 140.0% | 134.4% |
| **Solvency ratio (times)** | (0.67) | (1.11) | (1.22) |

*Source: Company, ICRA Research; Amount in Rs. crore; All calculations are as per ICRA Research; *Limited review*

## 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 |
| **Subordinated debt programme** | Long term | 895.00 | [ICRA]A+ (Negative) | Sep 12, 2025 | [ICRA]A+ (Stable) | Sep 17, 2024 | [ICRA]A+ (Stable) | Sep 19, 2023 | [ICRA]A+ (Stable) |
| | | | | Apr 04, 2025 | [ICRA]A+ (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/ Sanction | Coupon rate | Maturity | Amount rated (Rs. crore) | Current rating and outlook | Financial Sector Regulator# |
|---|---|---|---|---|---|---|---|
| **INE168X08014*** | **Subordinated debt** | Mar 27, 2017 | 8.35% p.a. | Mar 26, 2027 | 895.00 | [ICRA]A+ (Negative) | SEBI |

*Source: Company; * The bond had a first call option after five years of issuance, which was not exercised by the company*

*#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 the rated instrument:

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[2]
- 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

NIC has, however, received approval from the regulator, which allows it to pay interest on its subordinated debt instrument even if its solvency ratio is below the minimum regulatory requirement of 1.50 times and interest payouts lead to an increase in the net loss.

**Annexure II: List of entities considered for consolidated analysis-** Not applicable

[2] *As per Insurance Regulatory and Development Authority of India (IRDAI) regulations, insurers are required to maintain a minimum solvency ratio of 150%*

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## ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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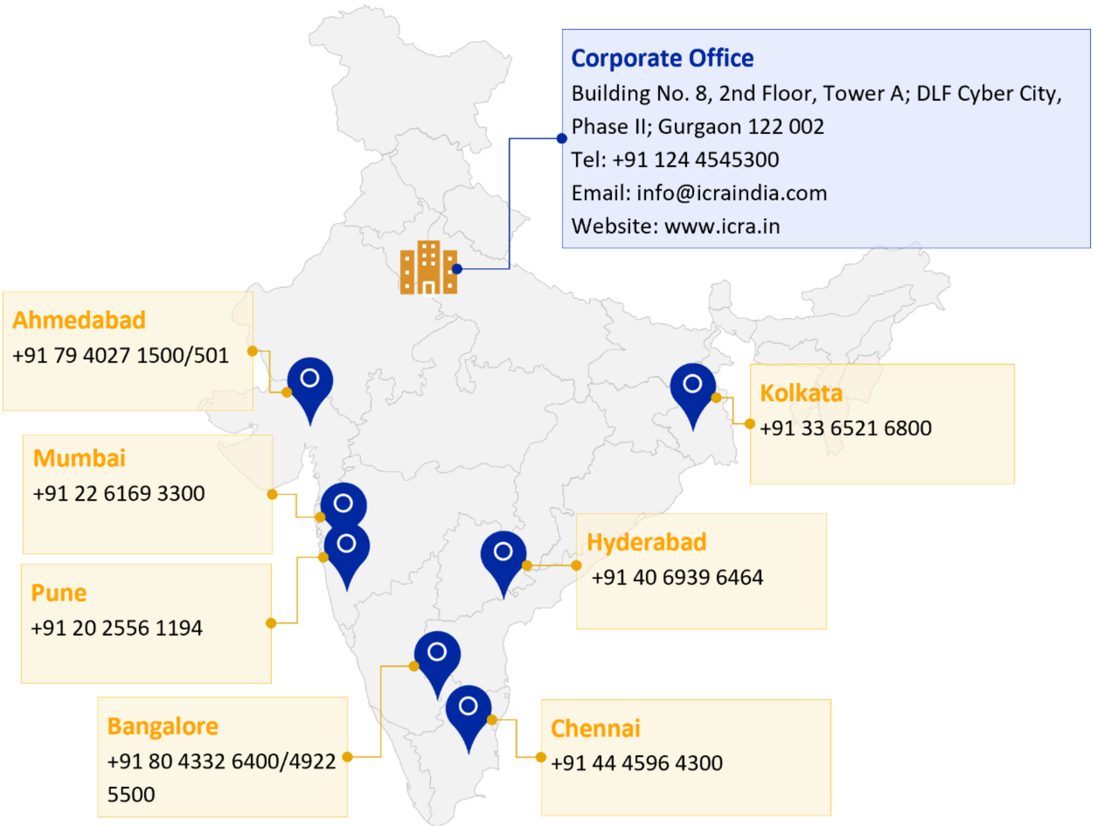




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