# Star Union Dai-ichi Life Insurance Company Limited

September 22, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Subordinate debt* | 125.00 | CARE AA; Stable | Reaffirmed |

Details of instruments/facilities in Annexure-1.

* The rated subordinate debt issuance exhibits following key features:
- The company can pay interest only if its solvency ratio is above the regulatory minimum.
- If the solvency ratio falls below the regulatory threshold, or if paying interest causes the solvency ratio to drop below the regulatory minimum, then the company must get approval from the regulator before making interest payments.
- If payment of interest results in a net loss or increases an existing net loss, regulatory approval is needed.

Delays in payment of interest / principal (as the case may be) following invocation of covenants, would constitute an event of default per CareEdge Ratings' definition of default and as such these instruments may exhibit sharper migration of the rating.

## Rationale and key rating drivers

The rating reaffirmation considers capital infusion by existing promoters, Union Bank of India and Dai-ichi Life Holdings, aggregating to ₹550 crore in FY25 improving solvency levels to 2.29x as on June 30, 2025. The rating continues to factor in Star Union Dai-ichi Life Insurance Company Limited's (SUD Life) strong parentage and synergies emanating from access to bancassurance tie-ups, management oversight and shared branding with promoter banks. The company is promoted by Union bank of India (UBI; rated CARE AAA; Stable) holding 25.1%, Bank of India (BOI; rated CARE AA+; Stable) holding 27.5% and foreign partner, Dai-ichi Life Holdings (Dai-ichi Life) holding 47.4%. The rating continues to factor in strategic importance of the company for its promoters as demonstrated by continued capital, technical and managerial support.

However, the rating is constrained by relatively moderate size of operations amid highly competitive environment and moderate persistency ratio compared to peers. The rating is also tempered by the intensely competitive nature of the life insurance industry and evolving regulatory landscape and its impact on the business profile of SUD Life.

## Rating sensitivities: Factors likely to lead to rating actions

**Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:**
- Significant improvement in the market share of life insurance business and sustained improvement in profitability metrics.

**Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:**
- Material reduction in shareholding of existing promoter banks and impact on bancassurance partnerships and or weakness in credit profile of promoters.
- Solvency margin falling below 1.7x on a sustained basis.
- Deterioration in profitability on a sustained basis.

## Analytical approach:

Standalone, factoring in financial strength of promoters and operational and financial linkages with promoters.

## Outlook: Stable

The Stable outlook reflects CARE Ratings Limited's (CareEdge Rating's) expectation of continued capital support from parent entities, and operational and managerial oversight, to drive SUD Life's business growth in the near-to-medium term.

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

## Detailed description of key rating drivers:

## Key strengths

**Strong promoter profile and expectation of support**
SUD Life is a joint venture (JV) between UBI (25.1%), BOI (27.5%) and Dai-ichi Life (47.4%). With a strong promoter profile, the company benefits from access to capital, managerial and technical support. Promoters have demonstrated track record of capital support to SUD Life at regular intervals; so far, promoters have collectively infused ₹1,278 crore, of which ₹550 crore was infused in FY25. Dai-chi and UBI participated in recent capital infusion, with Dai-chi's stake rising to 47.4% (PY: 45.9%] while BOI's stake declined to 27.5% (PY: 29.0%]. UBI continues to maintain its stake at 25.1%.

SUD Life derives benefits from business and operational synergies emanating from distribution franchise of promoter banks, which provides it access to pan-India branch network of over 15,000 branches as of June 30, 2025. The network of parent banks includes ~2,700 branches of regional rural banks sponsored by BOI and UBI. While the company has been focusing on diversifying its distribution channels and increasing share of direct business, CareEdge Ratings expects promoter banks to continue contributing predominantly to its overall business profile in the medium term.

SUD Life benefits from business, technical and strategic support given Dai-ichi's long-standing presence and expertise in life insurance business. Besides management oversight, Dai-ichi supports SUD Life via knowledge sharing, optimizing underwriting practices, distribution channels developments among others, given its vast experience in insurance.

Given, SUD Life's strategic importance to its promoters, CareEdge Ratings expects the company to continue receiving need-based capital support, and strategic backing from Dai-ichi and distribution support from the promoter banks, enabling it to scale up its overall insurance business.

**Strong board of directors and experienced management**
SUD Life is governed by a board of eleven directors, comprising three representatives from Dai-ichi, two each from UBI and BOI, three independent directors, and one executive director. The company is led by an experienced management team under Abhay Tewari (MD & CEO), who brings over two decades of experience in the insurance industry. The team also includes Masato Negishi (Deputy CEO & CFO) and Ken Obuch (Chief Risk Officer) from Dai-ichi.

In addition, the management is supported by seasoned professionals having average experience of over a decade across strategy, underwriting, actuarial, risk management, investment, and technology functions.

**Strong solvency position**
SUD Life reported a solvency ratio of 2.29x as of June 30, 2025 (March 2025: 2.30x), translating into an excess capital of ₹789 crore (PY: ₹385 crore). Solvency is primarily supported by recent capital infusion of ₹550 crore by existing promoters, apart from internal accruals (4-year average return on net-worth [RONW] stood at 9.5%). The company's internal accruals declined in FY25, led by rise in benefits paid due to increase in claim payout related to retirement benefits.

The company has headroom to raise ~₹514 crore of additional subordinate debt which is expected to support its solvency position.

Going forward, while CareEdge Ratings expects the company's solvency levels to be maintained at current levels given expectations of continued business growth and higher opex for strengthening proprietary distribution channels.

**Comfortable profitability metrics**
SUD Life's absolute value of new business (VNB) has been range bound over the years. This is primarily led by high share of group business and increasing share of unit linked insurance plan (ULIP) in the product mix, which is yet to achieve economies of scale. The share of ULIP increased to 36% of annualised premium equivalent (APE) for FY25 (PY: 22%) while share of non-participating (non-PAR) and participating (PAR) decreased to 39% (PY: 51%) and 5% (PY: 9%) respectively.

Going forward, upward trajectory of VNB margins depends on the company's ability to strength its distribution franchise and scale up its propriety channels.

Consequently, due to reduced underwriting margins and moderate persistency, the company's RONW decreased to 5.5% in FY25 (PY: 14.7%). In Q1FY26, the RONW of the company stood at 4.8% (PY: 2.0%).

## Key weaknesses

**Moderate and concentrated scale of operations**
SUD Life commenced operations in 2009; however, its scale remains moderate with a market share of 1.4% (PY: 1.4%) in overall individual APE and 1.1% (PY: 0.9%) in overall new business premium (NBP) for FY25. The company's NBP has grown at a 4-year compound annual growth rate (CAGR) of 39%, reaching ₹4,297 crore in FY25 (PY: ₹3,317 crore). However, this growth has been primarily driven by the group business, which accounted for 61% of total NBP in FY25 compared to 24% in FY21. The company has a limited presence in the retail life insurance space, making its business less granular.

SUD Life's distribution franchise remained highly concentrated towards banca channel, 46% (PY: 61%) of overall NBP. Within the individual business, distribution is concentrated towards the banca channel (primarily UBI), which accounted for 96% of individual NBP in FY25 (PY: 98%). Going forward, SUD Life is expected to diversify its distribution franchise by strengthening its proprietary channels (agency + direct).

**Moderate persistency ratio**
Though SUD Life's has been reporting improved persistency ratio for some cohorts in the last few years, the persistency continues to remain lower than its peers. The company's persistency ratio is impacted by higher share of term business within group insurance business, which has relatively low renewal rates. As of March 31, 2025, the company reported 13th month persistency of 77.7% (PY: 78.9%), 25th month persistency of 63.2% (PY: 63.3%), 37th month persistency of 55.5% (PY: 54.4%), 49th month persistency of 50.4% (PY: 55.7%) and 61st month persistency decreased to 23.2% (Mar-24: 31.03%) due to increased surrender from ULIP segment.

Going forward, the company's ability to improve persistency ratios across cohorts, and the impact of changes in surrender value norms on persistency and, in turn, on profitability, will remain key rating monitorable.

**Liquidity**: Strong
The SUD Life's liquidity remains strong with majority investments in fixed income securities (largely central government bonds), and money market instruments, which are readily marketable. Of the total non-linked investments of ₹24,728 crore as on June 30, 2025, ~74% were invested in central/state securities and ~24% in AAA rated debt securities. Unencumbered cash and bank balances stood at ₹336 crore.

Per the cashflow statement for FY25, cash inflows (premiums received+ investment income) stood at ₹9,276 crore against claims payouts of ₹2,391 crore, total expense (opex + commission) of ₹1,587 crore and next one year interest expense of ₹9.7 crore.

## Assumptions/Covenants
Not applicable

## Environment, social, and governance (ESG) risks
Not applicable

## Applicable criteria
Definition of Default
Factoring Linkages Parent Sub JV Group
Rating Outlook and Rating Watch
Life Insurance Sector

## About the company and industry

## Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry |
|---|---|---|---|
| Financial services | Financial services | Insurance | Life insurance |

Established in 2009, SUD Life is a JV between BOI (27.48%), UBI (25.10%), and Japan's leading insurer, Dai-ichi Life (47.42%). Originally, BOI held a 51% stake and UBI 26% as on March 31, 2009, eventually Dai-ichi Life has since increased its share, while BOI's stake has reduced.

Leveraging an extensive network of over 15,000 parent bank branches and 2,700 regional rural bank branches sponsored by BOI and UBI, SUD Life has access to semi-urban and rural markets. The company's bancassurance-driven model serves over 10 million customers nationwide, offering a diverse portfolio including savings, market-linked, annuity, health, and protection products for individuals and groups.

| Brief Financials (₹ crore) | March 31, 2024 (A) | March 31, 2025 (A) | Q1FY26 (UA) |
|---|---|---|---|
| New Business Premium | 3,317 | 4,297 | 762 |
| Net Premium Earned | 6,435 | 8,034 | 1,552 |
| PAT | 165 | 82 | 18 |
| Policy Liabilities^ | 23,077 | 28,631 | 30,049 |
| Tangible Net worth* (Including Fair value change) | 1,198 | 1,811 | 1,825 |
| Total Investments | 23,962 | 29,878 | 31,578 |
| Solvency (x) | 2.03 | 2.30 | 2.29 |
| RONW (%) | 14.7 | 5.5 | 4.8 |

A: Audited UA: Unaudited; Note: these are latest available financial results
*Adjusted to intangible assets and deferred tax assets
^Policy liabilities also include provision for linked liabilities and funds for discounted policies

**Status of non-cooperation with previous CRA:**
Not applicable

**Any other information:**
Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated**: Annexure-4

**Lender details**: Annexure-5

## Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook |
|---|---|---|---|---|---|---|
| Subordinate Debt | INE503V08016 | 24-Nov-2021 | 7.75% | 24-Nov-2031 | 125.00 | CARE AA; Stable |

## Annexure-2: Rating history for last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2025-2026 | Date(s) and Rating(s) assigned in 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 |
| 1 | Subordinate Debt | LT | 125.00 | CARE AA; Stable | - | 1)CARE AA; Stable (24-Sep-24) | 1)CARE AA; Stable (25-Sep-23) | 1)CARE AA; Stable (28-Sep-22) |

LT: Long term

### Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

### Annexure-4: Complexity level of instruments rated

| Sr. No. | Name of the Instrument | Complexity Level |
|---|---|---|
| 1 | Subordinate Debt | Complex |

### Annexure-5: Lender details

| |
|---|
| To view lender-wise details of bank facilities please click here |

**Note on complexity levels of rated instruments:** CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

**Contact us**


| **Media Contact** | **Analytical Contacts** |
| --- | --- |
| Mradul Mishra<br>Director<br>**CARE Ratings Limited**<br>Phone: +91-22-6754 3596<br>E-mail: mradul.mishra@careedge.in | Sanjay Agarwal<br>Senior Director<br>**CARE Ratings Limited**<br>Phone: 022-675543582<br>E-mail: Sanjay.agarwal@careedge.in |
| **Relationship Contact**<br><br>Pradeep Kumar V<br>Senior Director<br>**CARE Ratings Limited**<br>Phone: 044-28501001<br>E-mail: pradeep.kumar@careedge.in | Priyesh Ruparelia<br>Director<br>**CARE Ratings Limited**<br>Phone: 022-67543593<br>E-mail: Priyesh.ruparelia@careedge.in<br><br>Geeta Chainani<br>Associate Director<br>**CARE Ratings Limited**<br>Phone: 912267543447<br>E-mail: Geeta.Chainani@careedge.in |


**About us:**

Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com



**For detailed Rating Report and subscription information,**
**please visit www.careratings.com**