April 01, 2025

Bajaj Allianz General Insurance Company Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Issuer Rating	-	-	[ICRA]AAA (Stable); reaffirmed
Total	-	-	

**Instrument details are provided in Annexure I*

Rationale

The rating factors in Bajaj Allianz General Insurance Company Limited's (BAGIC) strong market position. The company is the second largest private general insurer with a market share of 7.5%[1] in terms of gross direct premium income (GDPI) in 10M FY2025. BAGIC's significant presence is supported by its diversified distribution mix, which has aided growth. The capitalisation remains strong with a reported solvency of 3.00 times as on December 31, 2024 (compared to the required regulatory level of 1.50 times), supported by healthy internal accruals and lower retention on larger risks. The earnings profile has remained strong with a return on equity (RoE)[2] of 16.0% in the past five fiscals (FY2021 to 9M FY2025). Given the good solvency and the expectation that internal accruals will remain healthy, ICRA does not expect the company to require a capital infusion in the medium term. ICRA notes the high share of the crop and government health segments (28.0% of GDPI in 9M FY2025 vs. 27.2% in FY2024), which is driven by tenders and could be lumpy and volatile in nature.

The rating also factors in BAGIC's strong parentage with Bajaj Finserv Limited (Bajaj Finserv; holding company of Bajaj Finance Limited[3]) holding an equity stake of 74% as on December 31, 2024. The rating considers the shared brand name, the strategic importance of BAGIC to the Bajaj Finserv Group and the representation on BAGIC's board of directors, which strengthens ICRA's expectation of adequate and timely capital support if required.

ICRA takes note of the recent agreement between Bajaj Finserv and Allianz SE announced on March 17, 2025. Under this agreement, Bajaj Finserv (along with promoter and promoter group companies) will acquire the entire 26% stake held by Allianz SE subject to regulatory approvals. Pursuant to this acquisition, BAGIC will become a 100% subsidiary of the Bajaj Group, thereby further strengthening the parent support.

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

Key rating drivers and their description

Credit strengths

Strong parentage – Bajaj Finserv and Allianz SE held a stake of 74% and 26%, respectively, in BAGIC as on December 31, 2024. The majority shareholder, Bajaj Finserv, is a core investment company (CIC) under Reserve Bank of India (RBI) Regulations. It is the holding company of the Bajaj Group's financial services businesses such as lending, insurance and wealth management. BAGIC has access to the large distribution network of its promoter's (Bajaj Finserv) group companies.

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[1] *The market share calculation excludes ECGC Ltd. and Agriculture Insurance Company of India Limited*

[2] *RoE = PAT/Net worth excluding fair value change account*

[3] *Rated [ICRA]AAA (Stable) for its non-convertible debentures and [ICRA] A1+ for its commercial paper programme*

BAGIC's board has 14 directors and has representation from both shareholders with four from Bajaj Finserv, three from Allianz SE and four independent directors. The strong parentage and shared brand name strengthen ICRA's expectation that the company will receive timely support if required.

Established market position; diversified distribution channel – BAGIC is the second largest private general insurer in India with a market share of 7.5% in 10M FY2025 in terms of GDPI (up from 6.4% in FY2023, aided by robust growth in government health and group health segments). Excluding the tender-driven businesses of the crop and government health segments, BAGIC's GDPI grew by 9.2% YoY in 10M FY2025 compared to the industry growth of 9.1% YoY.

The growth in other segments has been supported by BAGIC's diversified distribution network with a mix of agents, bancassurance (banca), brokers and alternate channels such as online, virtual sales office (VSO) and point of sale (POS). Excluding the crop and government health businesses, the broker channel contributed the highest share in 9M FY2025 at 50.7% of the GDPI, followed by individual agents (16.6%), corporate agents {14.9%; including banca (12.9%)}, direct business (11.3%) and others (6.5%).

Strong capitalisation, supported by healthy profitability – BAGIC's capitalisation remained strong with a solvency of 3.00 times as on December 31, 2024, significantly above the regulatory requirement of 1.50 times. The capitalisation has been supported by healthy internal accruals, with an average RoE of 16.0% in the last five fiscals (FY2021 to 9M FY2025), despite the impact of the Covid-19 pandemic. The capitalisation profile has been strong without any capital infusion from the promoters; the promoters last infused equity in FY2008. ICRA does not expect any capital requirement as the solvency ratio is strong for supporting the growth in the medium term. Further, the headroom to raise sub-debt provides some financial flexibility. The company's reserving levels for the long-tail business segments have historically remained prudent while the claims experiences have remained within the original estimates, providing comfort regarding the level of provisions created against the risk underwritten.

BAGIC's underwriting performance is among the best in the industry with an average combined ratio of 99.8% in the past five years (FY2021 to 9M FY2025). The company's combined ratio increased to 101.8% in 9M FY2025 from 99.3% in 9M FY2024, driven by the higher net loss ratio (78.2% in 9M FY2025 vs. 75.1% in 9M FY2024), owing to the increasing share of business from the group health segment, which typically has a higher loss ratio. The overall expenses ratio was lower in 9M FY2025 (23.6% vs. 24.2% in 9M FY2024) as the share of the government health and group health businesses, which are directly sourced, increased.

Despite the underwriting losses, BAGIC reported strong return ratios with an RoE of 16.8% in 9M FY2025 (14.3% in FY2024). The return ratios were mainly supported by the healthy net investment income on the float generated through advance premium income. The company's investment leverage[4] stood at 2.65 times as on December 31, 2024. ICRA notes that BAGIC's investment leverage remains below peers, mainly driven by the strong capitalisation levels.

Credit challenges

Dependence on tender-driven business – BAGIC has underwritten a high share of crop and government health business compared to peers. The crop and government health segments had a share of 9.0% and 19.1%, respectively, in the GDPI in 9M FY2025 (13.7% and 13.5%, respectively, in FY2024). These businesses are driven by tenders and remain lumpy and volatile in nature. With many of the crop tenders coming with an 80-110 scheme[5], the extent of losses is likely to be capped. However, in a year of natural calamities, the business can lead to losses and volatility in the overall earnings, particularly from tenders that do not come under the purview of the 80-110 scheme. Other issues stemming from a high share in the crop business are potential delays in payments from state governments and fluctuations in reserves. Further, competition is expected to increase in these segments in the near term to manage the expenses of management (EoM) regulations implemented by the regulator.

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[4] Investment leverage = (Total investment – Sub-debt)/Net worth

[5] Under the 80-110 plan, the insurer's potential losses are restricted to 110% of the gross premium with the state government bearing the cost of any claims above 110% of the premium. If the compensation is less than the premium collected, the insurer will refund the premium surplus (gross premium minus claims) exceeding 20% of the gross premium to the state government

The company remains selective in these tender-driven segments; however, this could result in a relatively higher net loss ratio if not priced suitably. To mitigate losses in bulk business segments, reinsurance is high in these segments, leading to lower retention and net premium written in relation to the GDPI. BAGIC's ability to consistently underwrite profitable business in the crop and government health segments would have a bearing on its overall revenues and profitability.

Sizeable share of Motor-TP segment exposes the company to reserving risks – 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 third-party (Motor-TP) segment, which accounted for 15-22% of BAGIC's total GDPI in the last few years (declined to 13.2% in 9M FY2025). 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. The company's loss-reserving triangle, which involves actuarial estimates, indicates that it has maintained adequate reserves in the past and witnessed favourable claims experience in this segment vis-à-vis reserving during the last few years. However, the eventual outcome for the risk-in-force may be known with considerable lag, which could impact its future profitability and solvency. Further, the profitability of this segment could be impacted as the pricing of Motor-TP rates is regulated.

Liquidity position: Strong

BAGIC's net premium was Rs. 9,568 crore in FY2024 in relation to the maximum net claims paid of Rs. 5,464 crore in the last few years. The company's operating cash flow remained positive, reflecting its strong ability to meet expenses and claims payments through premium inflow. It had investments in Central/state government securities of Rs. 16,314 crore, accounting for 50.5% of the total investments as on December 31, 2024, which further supports its liquidity to meet any unexpected rise in the claims of policyholders. BAGIC's shareholders' investment of Rs. 7,849 crore also remains strong in relation to the nil sub-debt outstanding as on December 31, 2024.

Rating sensitivities

Positive factors – Not applicable

Negative factor – A deterioration in the credit profile of the Bajaj Finserv Group or a decline in the strategic importance of BAGIC to the Bajaj Finserv Group or in the expectation of support from the promoter will be a negative factor. A decline in the company's solvency ratio to less than 1.70 times on a sustained basis will also be a negative factor.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	General Insurance
Parent/Group support	Parent/Group company: Bajaj Finserv Group The rating factors in the high likelihood of financial support from the Bajaj Finserv Group to BAGIC, driven by reputational and strategic considerations.
Consolidation/Standalone	Standalone

About the company

BAGIC is a joint venture between Bajaj Finserv Limited and Allianz SE, with the former holding a 74% stake. It is the second largest private general insurance company in India with a market share of 7.5% in 10M FY2025. BAGIC offers a comprehensive and well-diversified range of products, including motor, health, crop/weather, fire, personal accident, marine, engineering and liability insurance, through multiple distribution channels. It had 221 branches and more than 64,000 individual agents as on December 31, 2024.

Key financial indicators (audited)

Bajaj Allianz General Insurance Company Limited	FY2023	FY2024	9M FY2025
Gross direct premium	15,337	20,473	17,112
Profit after tax (PAT)	1,348	1,550	1,470
Net worth (excluding FVCA)	9,589	10,841	11,649
Total investments	27,002	30,168	32,289
Combined ratio	100.5%	99.9%	101.8%
Return on equity^ (annualised)	14.1%	14.3%	16.8%
Solvency ratio (times)	3.91	3.49	3.00

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

^ PAT/Net worth excl. FVCA

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					
FY2026				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	April 01, 2025	Date	Rating	Date	Rating	Date	Rating
Issuer Rating	Long term	-	[ICRA]AAA (Stable)	Apr-02-2024	[ICRA]AAA (Stable)	Apr-04-2023	[ICRA]AAA (Stable)	Apr-08-2022	[ICRA]AAA (Stable)

Source: Company, ICRA Research

Complexity level of the rated instruments

Instrument	Complexity indicator
Issuer Rating	Not applicable

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
NA	**Issuer Rating**	NA	NA	NA	NA	[ICRA]AAA (Stable)

Source: ICRA Research

Annexure II: List of entities considered for consolidated analysis

Not applicable

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