PRESS RELEASE
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Industry gross direct premium income (GDPI) expected to grow by 8.7% in FY2026 and 10.9% in FY2027, supported by improvement in economic activity, pricing discipline: ICRA

- Private insurers' combined ratio likely to improve; return on equity (RoE) projected at 12.6% in FY2026 and 12.8% in FY2027

ICRA expects the general insurance industry's GDPI to rise to Rs. 3.21-3.24 trillion in FY2026 and Rs. 3.53-3.61 trillion in FY2027, up from Rs. 2.97 trillion in FY2025. While private insurers are projected to experience better expansion, the growth for public sector insurers is forecast to remain moderate due to their weak capital position. The underwriting performance for private insurers is likely to improve, supported by better pricing discipline. Although the combined ratio for PSU insurers is expected to improve, it will remain weak, negatively affecting their net profitability. Given the weak profitability, the capital requirement for three PSU general insurers (excluding New India) is estimated to be a substantial Rs. 152-170 billion to achieve a solvency ratio of 1.50x by March 2026, assuming 100% forbearance on the Fair Value Change Account (FVCA).

Exhibit: Trend in GDPI growth and Profitability

	FY2024	FY2025	FY2026 P	FY2027 P
GDPI Growth – Industry	15.5%	6.5%	8.7%	10.9%
GDPI Growth – PSU	9.0%	5.4%	6.6%	7.3%
GDPI Growth – Private	19.0%	7.0%	9.7%	12.5%
Market Share- Private	68%	68%	69%	70%
Combined Ratio- PSU	123%	121%^	120%	120%
Combined Ratio – Private	108%	111%^	110%	108%
RoE- Private	11.8%	13.7%^	12.6%	12.8%

Source: Company disclosures, ICRA Research, GI Council, IRDAI; Industry, excl. ECGC and AIC; ^ estimated; P – projected; RoE for PSU insurers is not meaningful because of the significantly eroded Net worth

Neha Parikh, Vice President and Sector Head – Financial Sector Ratings, ICRA, says: *"GDPI growth is expected to improve in FY2026 supported by pricing discipline in commercial lines and low base, continued growth in health and increase in vehicle sales vis-à-vis FY2025, partly offset by the impact of 1/n,[1] which is expected to continue in H1 FY2026. In the absence of the impact of 1/n, the growth in FY2027 is likely to further improve. Private insurers are expected to expand their share of GDPI to ~70% by FY2027, up from 68% in FY2025."*

The industry's GDPI growth moderated to 6.5% YoY, impacted by the slowdown in economic activity and vehicle sales. The implementation of the 1/n method of accounting, applicable since October 01, 2024, also affected growth, especially in retail health, resulting in a lower reported GDPI (in the absence of 1/n, the overall GDPI would have been higher by Rs. ~70 billion in FY2025 with a growth of ~9.0% on a YoY basis). Despite these

[1] *1/n refers to a method of recognising and reporting long-term premium income over the period of risk, where 'n' represents the number of years of the policy term*

challenges, the health segment remained the largest contributor to the GDPI (accounting for 54% of incremental GDPI of ~Rs. 180 billion in FY2025). Moreover, aggressive pricing led to moderation in the fire segment.

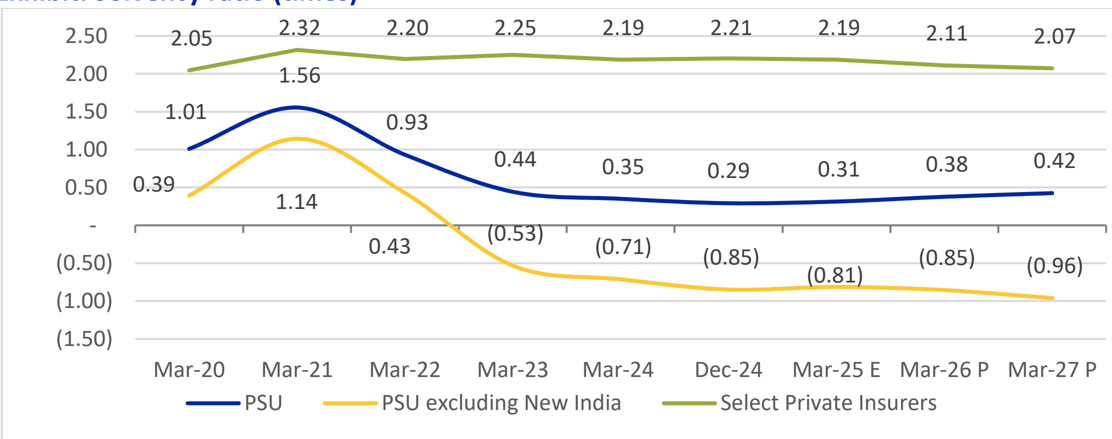
The combined ratio for private insurers worsened in FY2025 due to the higher loss ratio for a few insurers in the motor segment and higher expense ratio driven by 1/n regulations for long-term policies. Despite the deterioration in combined ratios in FY2025, the profitability for private players improved compared to the previous year due to the high realised gains on equity investments. The combined ratio for select private players in ICRA's sample set[2] companies is expected to improve, supported by better pricing to offset the impact of the declining interest rate environment. Despite the better combined ratio, the RoE is projected at 12.6% in FY2026 (13.7% (estimate) in FY2025) in the absence of strong realised gains.

The PSU insurers posted an improvement in profitability in 9M FY2025, driven by the higher realised gains on equity investment, partly supported by an improvement in the combined ratio. ICRA expects the combined ratio for PSU insurers to remain weak, despite an improvement, at 120.4% in FY2026 (121.3% (estimate) in FY2025). With the continued weak underwriting performance, the extent of realised gains on investments will be the driver of the bottom line.

Solvency for the three PSU insurers (excluding New India) remains weak at negative 0.85 (excluding the fair value change account or FVCA on investments) as of December 2024 in relation to the regulatory requirement of 1.50x, resulting in sizeable capital requirement. Private players, however, remain comfortably capitalised to meet the strong growth.

***Parikh** added: "ICRA expects sizeable capital requirement of Rs. 152–170 billion for the three PSUs (excluding New India) by March 2026 to maintain a 1.50x solvency ratio, assuming the inclusion of 100% FVCA in the available solvency margin. Excluding FVCA, the capital requirement would be higher at Rs. 332-340 billion."*

Exhibit: Solvency ratio (times)



Source: Company disclosures, ICRA Research; Mar-25E, Mar-26P and Mar-27P based on available solvency margin excluding FVCA; E – estimated; P – projected

[2] *ICRA sample set includes 14 private insurers accounting for 95% of the private sector GDPI (excluding SAHI)*

For further information, please contact:

Media Contacts:	
Naznin Prodhani Group - Head Media & Communications ICRA Ltd. Tel: + (91 124) 4545300, Dir – 4545 860 Email: communications@icraindia.com	**Saheb Singh Chadda** Manager - Media & Communications ICRA Ltd. Mob: +91- 9833669052 Email: communications@icraindia.com

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