

PRESS RELEASE
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Life insurance sector poised for accelerated growth under the new GST regime: ICRA

- Individual new business premium growth estimated at ~9% and ~10% in FY2026 and FY2027, respectively
- Value of new business margins to improve with changes in product mix as steeper yield curves improve ability of insurers to offer higher margin for long-term guaranteed products

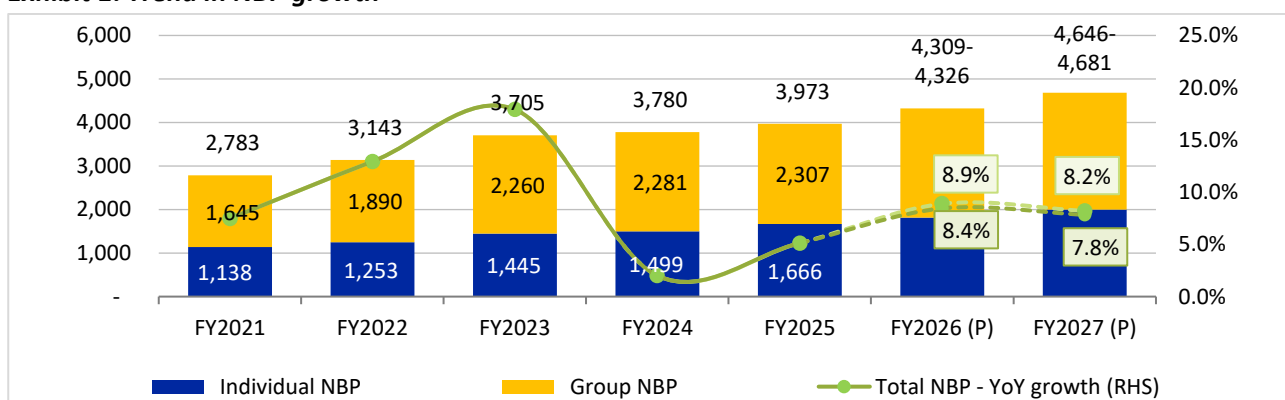
Rating agency ICRA expects individual new business premium (NBP) for the life insurance sector to grow to Rs. 1.8 trillion in FY2026 and Rs. 2.0 trillion for FY2027 from Rs. 1.66 trillion in FY2025. The rating agency highlighted that the value of new business (VNB) margins may face short-term pressure due to the loss of input tax credit, following the GST exemption, before improving over the medium term. In the light of anticipated strong growth and a continued rise in sum assured, solvency is projected to moderate, while continuing to exceed the regulatory minimum of 1.5x.

Ms. Neha Parikh, Vice-President and Sector Head – Financial Sector Ratings, ICRA, says: *“The GST exemption on individual life insurance policies, which enhances customer affordability, is expected to boost individual NBP growth in the medium term. After a subdued H1, this NBP growth is projected to recover in H2 FY2026, with an overall increase of ~9% anticipated for FY2026. Private insurers are expected to expand their share of individual NBP to ~65% by FY2027, up from 63% in FY2025.”*

The growth in individual NBP was subdued in H1 FY2026 at 3.1% YoY compared to 11.2% YoY in FY2025 due to a high base for H1 FY2025. On the other hand, Group NBP, which saw modest growth of around 1% each in FY2024 and FY2025 due to LIC’s subdued performance, expanded by 10.3% in 7M FY2026 as LIC recorded strong growth. The growth was further supported by group credit life and group term products from private insurers. The momentum is expected to continue with overall group NBP expansion projected at ~9% in FY2026.

Consequently, the overall NBP (Individual + Group) is expected to rise to Rs. 4.3 trillion and Rs. 4.7 trillion in FY2026 and FY2027, respectively, from Rs. 4.0 trillion in FY2025, translating into an NBP growth of ~9% for FY2026 and ~8% for FY2027.

Exhibit 1: Trend in NBP growth



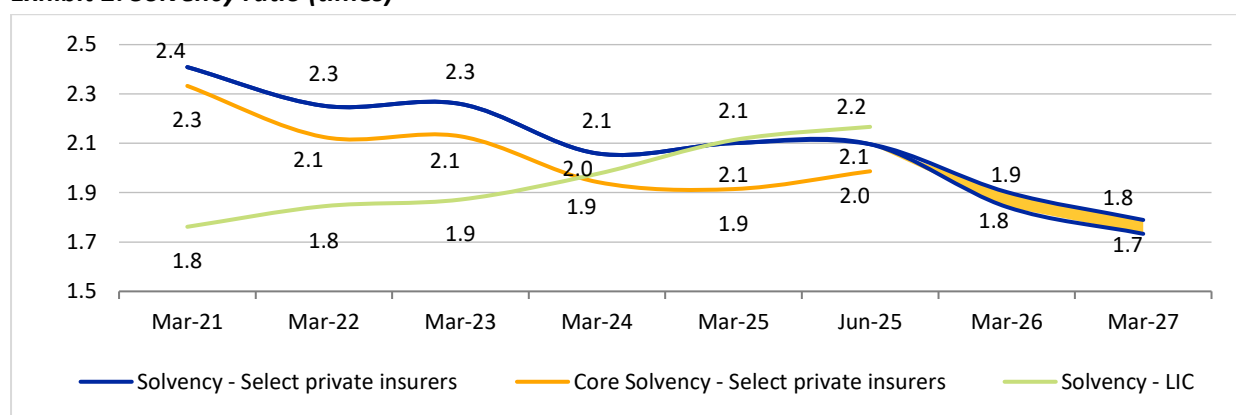
Source: ICRA Research, IRDAI, Amount in Rs. billion

The VNB margins had contracted in FY2025 due to a higher share of low margin-linked products and regulatory changes relating to surrender value guidelines. ICRA anticipates that margins may face short-term pressure due to the loss of input tax credit, following the GST exemption.

Parikh added: “VNB margins may, however, improve over the medium term, with a shift towards higher-margin non-par products (including protection). With the steep yield curve, the ability to offer better rates for long term guaranteed non-par products has improved. Robust premium growth is likely to support an increase in absolute VNB.”

The solvency position of private insurers remained strong at 2.1x as of March 2025, supported by equity infusions and the issuance of subordinated debt during FY2025. In the light of anticipated strong growth and a continued rise in sum assured, solvency is projected to moderate, while remaining above the regulatory minimum of 1.5x. Capital requirement for LIC is expected to remain negligible, given the current capital position and the high proportion of capital-light participating (Par) business in the portfolio.

Exhibit 2: Solvency ratio (times)



Source: Company disclosures, ICRA Research; Select private insurers includes 14 private sector life insurers, which accounted for ~95% of the private sector gross premium written (GPW) in FY2025

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For further information, please contact:

Media Contacts:

Naznin Prodhani

Vice President 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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