ICRA

INDIAN GENERAL INSURANCE INDUSTRY REPORT

Pricing discipline key to GDPI recovery

JUNE 2025

List of abbreviations

FY: Financial year; refers to 12-month period starting from Apr 1 and ending on Mar 31

9M FY: Refers to the nine-month period starting from Apr 1 and ending on Dec 31

YoY: Year-on-year

CAGR: Compound annual growth rate

IRDAI: Insurance Regulatory and Development Authority of India

SAHI: Standalone health insurers

1/n: 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

OD: Own damage

TP: Third party

PA: Personal accident

GDPI: Gross direct premium income

Net loss ratio: Net loss incurred/Net earned premium (NEP)

Total expense ratio: (Net commission + Management expenses)/Net written premium (NWP)

Combined ratio: Combined ratio: Net loss ratio + Total expense ratio

RoE: Return on adjusted equity (net worth excluding FVCA)

NAT CAT: Natural catastrophe

PAT: Profit after tax

ASM: Available solvency margin

RSM: Required solvency margin

FVCA: Fair value change account

For this analysis, ICRA has classified insurers into the following categories:

Classification	
Public sector insurers (PSUs)	The New India Assurance Co. Limited, National Insurance Company Limited, United India Insurance Co. Limited, and The Oriental Insurance Company Limited
Select private insurers	14 private sector general insurers: ICICI Lombard, Bajaj Allianz General Insurance, SBI General Insurance, HDFC ERGO, Tata AIG, Cholamandalam MS, IFFCO TOKIO General Insurance, Future Generali, Go Digit, Reliance, Royal Sundaram, Shriram, Magma, and Universal Sompo General
Private insurers	Private insurers including SAHI
Industry	Total general insurance, industry excluding specialised insurers – ECGC Ltd. (ECGC) and Agriculture Insurance Company of India Limited (AIC)

Agenda

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1 Key Updates and Takeaways on ICRA's Outlook

2 Industry Performance Analysis and Outlook

3 Financial Performance and Analysis

4 Solvency Position and Capital Requirements

5 ICRA's Coverage of General Insurance Sector

6 Industry Financials

Highlights

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Industry GDPI expected to grow to Rs. 3.21-3.24 trillion and Rs. 3.53-3.61 trillion in FY2026 and FY2027, respectively, from Rs. 2.97 trillion in FY2025; private insurers' share to expand further to 69.5% of GDPI in FY2027 from 67.9% in FY2025

- The industry GDPI growth moderated to 6.5% YoY in FY2025 (CAGR of 14.5% during FY2021-FY2024) due to the slowdown in economic activity and vehicle sales. It was further impacted by the 1/n method of accounting, applicable since October 01, 2024, and pricing pressure in the commercial lines of business.

- GDPI growth is expected to recover in FY2026 (8.2-9.2%), with improvement in economic activity, pricing discipline and higher vehicle sales as compared to FY2025. It is likely to improve further in FY2027 (10.1-11.6%) in the absence of the impact of 1/n. Any revision in Motor-TP pricing could support GDPI growth. Private insurers are projected to outpace PSU insurers in GDPI growth.

- The combined ratio of select private insurers is expected to improve, supported by better pricing. In the declining interest rate environment, pricing could increase to offset lower investment income. Despite the deterioration in their combined ratios in FY2025, the RoE of select private insurers was higher at 13.3-14.0% in FY2025E due to the increase in realised gains on equity investments.

- While the underwriting performance of PSU insurers (excluding New India) remained weak, they (excluding New India) reported a net profit in 9M FY2025, supported by the sizeable realised gains on equity investments and lower combined ratios. The underwriting performance of PSU insurers is likely to remain weak, leading to higher loss ratios.

- The solvency of the three PSU insurers (excluding New India) remained weak at negative 0.85 times as on December 31, 2024 (excluding FVCA), resulting in sizeable equity requirement of Rs. 152-170 billion to meet the solvency of 1.50 times as of March 31, 2026, assuming 100% forbearance on FVCA. Private insurers remain comfortably capitalised to meet their growth plans.

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Thank You!