

INDIAN LIFE INSURANCE SECTOR

Life insurance sector poised for
accelerated growth under the new
GST regime

NOVEMBER 2025



LIFE INSURANCE

List of abbreviations

FY: Financial year; refers to 12-month period starting from Apr 1 and ending on Mar 31
Q1 FY: Refers to the three-month period starting from Apr 1 and ending on Jun 30
H1 FY: Refers to the six-month period starting from Apr 1 and ending on Sep 30
7M FY: Refers to the seven-month period starting from Apr 1 and ending on Oct 31
YoY: Year-on-year
NBP: New business premium
APE: Annualised equivalent premium
IRDAI: Insurance Regulatory and Development Authority of India
GPW: Gross premium written
VNB: Value of new business

EV: Embedded Value
ROEV : Return on Embedded Value
Par: Participating product
Non-Par: Non-participating product
RoE: Return on Adjusted Equity (net worth excluding FVCA)
FVCA: Fair Value Change Account
ASM: Available Solvency Margin
ULIP: Unit Linked Insurance Plan (also referred to as linked)
ITC: Input Tax Credit

For the purposes of this report, ICRA has classified insurers into the following categories:

Classification	
LIC	Life Insurance Corporation of India
Select Private Insurers	14 private sector life insurers: HDFC Life, ICICI Prudential, SBI Life, Max Life, Aditya Birla Sun Life, PNB Met Life, Bajaj Allianz Life, Kotak Life, Canara HSBC Life Insurance, Reliance Life, India First Life, Star Union Dai Ichi, Bharati AXA, TATA AIA
Private Insurers	All private insurers
Industry	Total life insurance sector

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Overall NBP expected to grow to Rs. 4.31-4.33 trillion and Rs. 4.65-4.68 trillion in FY2026 and FY2027, respectively, from Rs. 3.97 trillion in FY2025, a growth of 8.4%-8.9% and 7.8%-8.2% in FY2026 and FY2027, respectively.

Individual NBP to increase to Rs. 1.81-1.82 trillion and Rs. 1.98-2.00 trillion in FY2026 and FY2027 from Rs. 1.67 trillion, a growth of 8.7%-9.2% and 9.4%-9.9% in FY2026 and FY2027 respectively driven by private insurers.



- Individual NBP grew 11.2% in FY2025, exceeding the 4-year CAGR of 10.0%. Growth slowed to 3.1% YoY in H1 FY2026 due to a high prior-year base and LIC's decline. Momentum, however, rebounded in October 2026, aided by a low base and partly due to favourable impact of Goods and Service Tax (GST) exemption.



- Individual NBP growth is projected to rebound in H2 FY2026, with overall growth of 8.7–9.2% anticipated for FY2026. The GST exemption on individual life insurance policies, which reduces costs and enhances affordability, is expected to partially support this growth, further aided by the low base of H2 FY2025. The Individual NBP growth for private insurers is expected to be higher at 10.4–10.9% in FY2026.



- In FY2025, growth in individual NBP was primarily driven by linked products, reflecting the positive momentum in equity markets. In FY2026, the product mix is anticipated to become more balanced. The recent reduction of GST to zero is likely to enhance the share of non-par products, including protection.



- VNB margins contracted in FY2025, attributable to the increased proportion of lower-margin linked products and the effects of surrender value regulations. Margins may experience short-term pressure due to the loss of input tax credit following the GST exemption; however, over the medium term, a shift towards higher-margin non-par products (including protection) and greater scale is expected to facilitate margin recovery. Robust premium growth is likely to support an increase in absolute VNB.



- The solvency position of private insurers remained robust at 2.1x as of March 2025, supported by equity infusions (~Rs.46 billion) and the issuance of subordinated debt (~Rs.45 billion) during FY2025. In the light of anticipated strong growth and a continued rise in sum assured, solvency is projected to moderate to 1.8–1.9x by March 2026, while remaining above the regulatory minimum of 1.5x.



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