

India Insurance

Q1FY26 - a mixed bag; Growth Profitability

Indian insurers, across life, multi-line general and health businesses, reported a mixed bag for Q1FY26, with many franchises prioritizing profitability over topline growth. Outliers such as GODIGIT, NIACL, GICRE, and MAXL ticked both boxes, while IPRULIFE continued to disappoint on both fronts. In the LI business, companies witnessed green shoots on product mix alignment in the banca channel. Multi-line GI players witnessed muted growth and continued to prioritize EOM compliance and profitability on the back of investment gains. Standalone health insurers (SAHIs) grappled with rising incidence rates and accounting changes, reflecting in distorted reported numbers. The reinsurance business is witnessing structural changes with the likely entry of a couple of potentially disruptive franchises, which could trigger regulatory changes and consequently, changes in insurers' ceding behavior. We maintain our BUY on SBILIFE, ICICIGI, and NIVABUPA in the LI, GI and HI segments, respectively.

- Life insurers - product interventions drive margin surprise:** We saw early signs of a shift in the banca channel product mix with AXSB, and SBIN to move away from low-margin ULIPs, which is likely to benefit the overall banca channel economics. We reiterate SBILIFE (BUY; TP INR2,100) as our top pick in the LI space, given its inherent moats around lowest cost ratio, parent's distribution strength and strong sustainable RoEV of 18-20%. As outlined in our [insurance thematic](#), we expect BALIC to deliver substantial margin expansion on the back of its revised product proposition.
- Multi-line general insurers - focused on profitability:** As highlighted in our [insurance thematic](#), multi-line general insurers are singularly focused on EOM compliance and delivering RoE with less focus on combined ratio (CoR). Given growth headwinds, earnings were driven by capital gains for ICICIGI and NIACL, while GODIGIT benefitted from growth, expense rationalization and higher mix of recurring investment income. Our channel checks suggest that the IRDAI and other stakeholders are solving for dropout on renewals in the motor segment. We maintain ICICIGI (BUY; TP INR2,210) as our top pick, for its prudent risk selection and conservative reserving.
- SAHIs - focus on secular trends amidst accounting distortions:** SAHIs reported weak outcomes, as growth and profitability were distorted due to transition to 1/n accounting norms. Given the noise around accounting changes, we argue that investors need to focus on claims management and incidence rates. We reiterate NIVABUPA (BUY; TP INR95) as our top pick, anchored on its superior customer franchise and quality of risk management.
- Insurtech:** POLICYBZ reported slower new business premium, given focus on the health insurance business, which is likely to emerge as a strong annuity business. As highlighted in our [insurance thematic](#), there were early signs of improving operating leverage, contributing to improved profitability. We reiterate POLICYBZ (BUY; TP INR2,280) as our highest-conviction pick.
- GST rate rationalization:** Media reports suggest that the government is likely to rationalize GST rates or introduce exemptions for key insurance segments. We believe efficient rate transmission will be critical for benefits to accrue to policyholders. However, in case of an inverted duty structure for insurers, the pass-through could be diluted, failing to adequately address the affordability challenge. We believe health insurers are likely to be prime beneficiaries of any potential rate rationalization.

Company	CMP (INR)	Reco.	TP (INR)
InsurTech			
POLICYBZ	1,867	BUY	2,280
Conglomerate			
BJFIN	1,994	BUY	2,430
Life Insurers			
IPRU	636	ADD	690
LICI	890	ADD	1,040
MFSL	1,640	ADD	1,550
SBILIFE	1,863	BUY	2,100
Standalone Health Insurers			
NIVABUPA	86	BUY	95
STARHEAL	447	ADD	450
Multi-line General Insurers			
GODIGIT	365	ADD	395
ICICIGI	1,946	BUY	2,210
NIACL	195	ADD	200
Reinsurer			
GICRE	389	ADD	450

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Valuation Summary

Life Insurers	CMP (INR)	Rating	TP (INR)	VNB Margins %			P/EV (x)			Implied P/EV (x) FY27E
				FY25	FY26E	FY27E	FY25	FY26E	FY27E	
SBILIFE	1,863	BUY	2,100	27.8	28.0	28.2	2.6	2.2	1.9	2.2
MAXF*	1,640	ADD	1,550	24.0	24.3	25.0	2.7	2.3	2.0	2.1
IPRULIFE	636	ADD	665	22.8	22.8	22.8	1.9	1.7	1.5	1.6
LICI	890	ADD	1,040	17.6	17.6	18.1	0.7	0.7	0.6	0.7
BALIC	NA	NA	NA	14.5	17.3	17.9	NA	NA	NA	NA

General Insurers & Reinsurers	CMP (INR)	Rating	TP (INR)	Combined Ratio			P/E(x)			Implied P/E(x) FY27E
				FY25	FY26E	FY27E	FY25	FY26E	FY27E	
ICICIGI	1,946	BUY	2,210	102.8	102.1	100.9	38.5	36.1	28.8	32.4
GODIGIT	365	ADD	395	109.3	107.0	105.5	79.2	45.1	37.7	40.7
NIACL#	195	ADD	200	116.7	116.1	114.8	0.8	0.8	0.7	0.7
BAGIC	NA	NA	NA	102.7	103.3	101.1	NA	NA	NA	NA
STARHEAL	447	ADD	450	101.1	100.7	99.7	40.6	31.4	24.9	25.1
NIVABUPA	86	BUY	105	101.2	103.1	101.8	74.2	72.5	61.7	40.7**
GICRE#	389	ADD	450	108.0	106.8	106.1	0.9	0.8	0.7	0.8

Others	CMP (INR)	Rating	TP (INR)	Cost/income ratio			P/E(x)			Implied P/E(x) FY27E
				FY25	FY26E	FY27E	FY25	FY26E	FY27E	
PBFINTECH	1,867	BUY	2,280	101.2	92.3	86.8	242.7	106.2	63.0	53.8
BJFIN	1,994	BUY	2,430	NA	NA	NA	NA	NA	NA	SOTP

Source: Company, HSIE Research. *Valuation adjusted for subsidiaries #Multiple on book value, ** on FY28E EPS

Return Ratios

Life Insurers	Ind APE Growth (%)			VNB Growth (%)			Operating RoEV (%)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
SBILIFE	12.2	11.4	14.0	7.2	11.8	14.3	21.8	20.2	17.6
MAXF	18.2	17.5	16.5	7.5	19.1	19.8	19.1	18.0	18.1
IPRULIFE	13.3	12.0	15.0	6.4	11.7	14.2	13.7	12.4	12.5
LICI	-0.6	1.0	6.5	4.5	-0.1	9.2	11.4	9.8	9.8
BALIC	11.7	13.0	17.0	8.6	33.4	19.5	11.9	14.5	14.7

General Insurers & Reinsurers	NEP Growth (%)			PAT Growth (%)			RoE (%)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
ICICIGI	17.4	11.1	14.4	27.7	9.7	25.8	18.0	16.7	18.4
GODIGIT	13.4	12.9	12.3	133.9	75.7	19.8	10.5	14.8	15.0
NIACL	4.0	7.6	9.2	-8.5	36.8	28.7	3.7	4.6	5.5
BAGIC	7.7	4.1	6.2	18.2	-4.8	16.1	15.3	13.3	14.2
STARHEAL	14.6	11.7	17.7	-23.6	29.4	26.2	9.7	11.2	12.6
NIVABUPA	28.4	20.5	25.6	161.4	1.6	17.5	6.3	5.6	6.2
GICRE	8.9	12.4	8.1	11.2	10.6	15.2	10.5	10.6	10.6

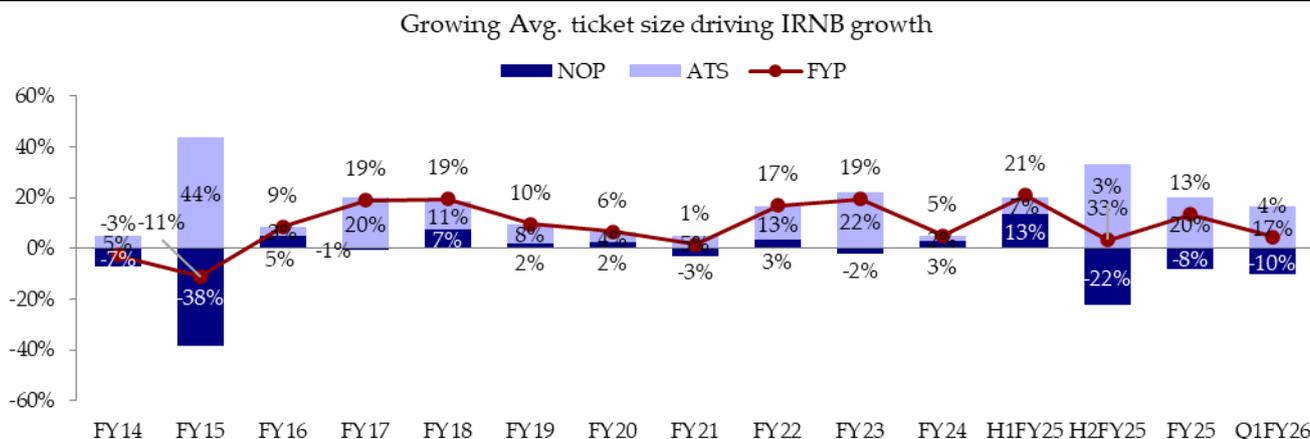
Others	Net revenue growth (%)			PAT Growth (%)			RoE (%)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
PBFINTECH	44.8	37.6	31.9	448.4	128.4	68.7	5.7	11.8	17.5

Source: Company, HSIE Research

LI - Product interventions drive margin surprise

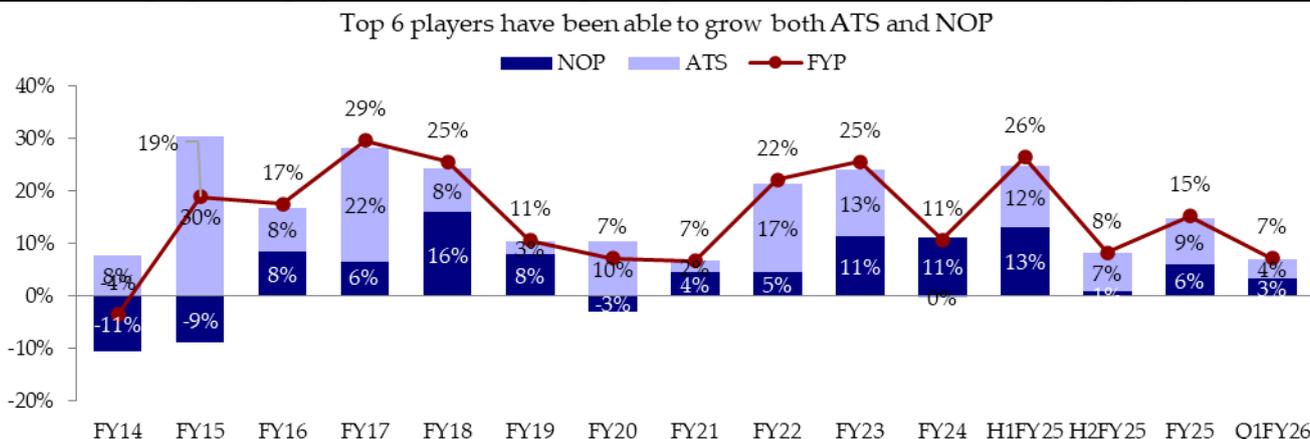
Life insurers revised their product constructs to mitigate the impact of the IRDAI’s surrender value guidelines on VNB margins - this impact had been relatively muted in H2FY25 on account of operating leverage benefits and year-end review of actuarial assumptions. Q1FY26 witnessed early signs of a shift in the banca channel product mix with Axis Bank moving away from low-margin ULIPs and State Bank of India shifting towards PAR segment, which is likely to benefit the overall banca channel economics. We reiterate SBILIFE (BUY; TP INR2,100) as our top pick in the LI space, given its inherent moats around lowest cost ratio, parent’s distribution strength and strong sustainable RoEV of 18-20%. As outlined in our [insurance thematic](#), we expect BALIC (life insurance subsidiary residing within Bajaj FinServ) to deliver margin expansion on the back of its revised product proposition.

Exhibit 1: NOP growth remains a challenge since H2FY25 onwards for the industry



Source: LI Council, HSIE research

Exhibit 2: Top 6 private players continue to realign the product mix with focus on increasing policy ticket size



Source: LI Council, HSIE research

Exhibit 3: Shift in banca business product mix in Max Life’s banca channel

Segment	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
PAR	15%	9%	16%	18%	11%
NPS	26%	24%	22%	21%	34%
NPT	5%	7%	3%	8%	7%
ANN	5%	3%	7%	5%	7%
ULI	49%	57%	51%	48%	41%

Source: Company, HSIE Research

Multi-line GI - Focus on regulatory compliance, earnings

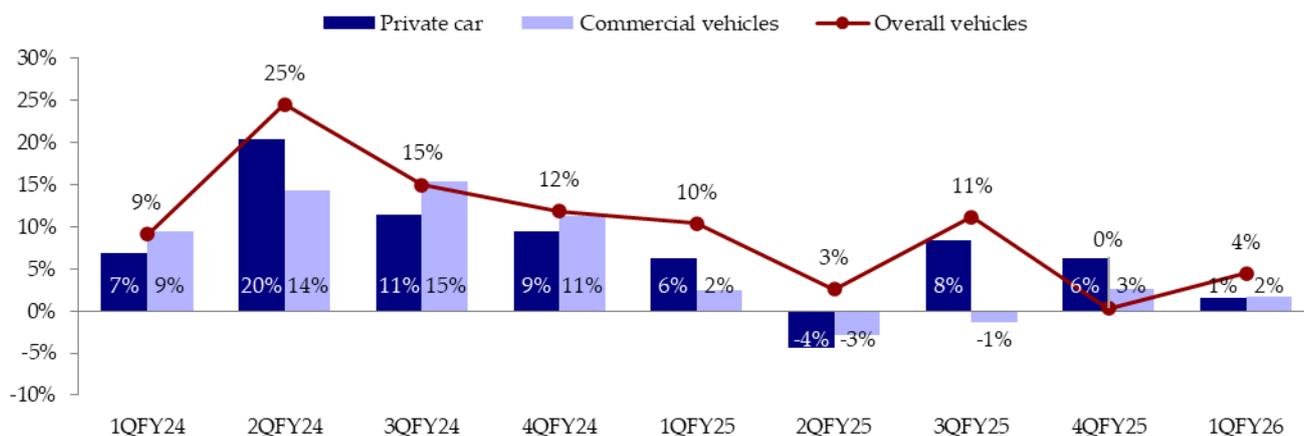
Given muted underlying new vehicle sales, increased dropouts in motor renewals, and sustained irrational pricing in the property segment, earnings were driven by capital gains for ICICIGI and NIACL, while GODIGIT benefitted from growth, rationalization of expenses and higher mix of recurring investment income. As highlighted in our [insurance thematic](#), multi-line general insurers are singularly focused on EOM compliance and delivering RoE/earnings growth with less focus on managing their combined ratio (CoR). Q1FY26 witnessed a strong earnings boost, driven by capital gains for ICICIGI and NIACL, whereas GODIGIT benefitted from higher growth coupled with rationalization of expenses and higher mix of recurring investment income. Our channel checks suggest that the IRDAI, alongside other stakeholders, is solving for structural dropouts on renewals in the motor segment. We maintain ICICIGI (BUY; TP INR2,210) as our top pick within the GI space, given its prudent risk selection and reserving.

Exhibit 4: Growth in motor impacted by lower new vehicle sales; elevated competitive intensity (for better EOM compliance) dragging growth in property and other lumpy segments

Industry	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Motor OD	22%	20%	15%	15%	15%	6%	8%	5%	5%
Motor TP	20%	10%	7%	7%	10%	6%	8%	8%	11%
Property	10%	9%	14%	7%	5%	-4%	-14%	0%	18%
Group health	23%	30%	9%	20%	20%	2%	15%	4%	10%
Crop	37%	-7%	15%	-16%	2%	-7%	29%	-19%	-48%
Others	14%	19%	17%	15%	15%	6%	11%	1%	9%
Total	18%	13%	12%	9%	13%	2%	9%	2%	9%

Source: GI Council, HSIE Research

Exhibit 5: Revival in demand of commercial and passenger vehicles to support growth in motor segment



Source: FADA, HSIE Research

Exhibit 6: Insurers aligning on reducing the dropout rates by integration with other stakeholders

Year	Motor TP Renewal Rate (proxy)	Motor OD Renewal Rate (proxy)	Motor OD/Motor TP policy
FY20	95.9%	83.7%	69.1%
FY21	93.0%	80.5%	62.8%
FY22	95.0%	84.7%	60.0%
FY23	94.2%	91.1%	63.3%
FY24	90.5%	84.0%	63.7%

Source: GI Council, HSIE Research

Health Insurance - Focus on secular trends

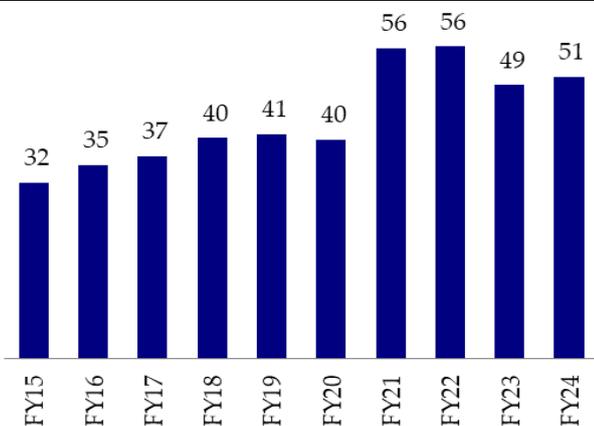
We believe health insurers will likely migrate to discussion on IFRS reporting, given the noise created by 1/n basis of accounting. We believe IFRS reporting will also create noise in terms of the mark-to-market income from the investments book. Additionally, there would be some benefit, which can accrue for business underwritten during H2 of the financial year, owing to deferral of acquisition cost. This benefit is now lower as most insurers have deferred their distribution payout over the policy tenure for long-term policies. Additionally, given that health insurance has a short tail of claims reporting (unlike in the Motor TP business, where claims development begins from year 3 onwards), we believe health insurers are unlikely to see any material benefit on the loss ratios in the longer term. We maintain BUY on NIVABUPA with a TP of INR95 (40.7x Mar-28E EPS), given superior customer franchise and risk management.

Exhibit 7: Impact of 1/n on the reported financial statements - FY28 to witness improvement in loss ratios (LR)

Year	Without 1/n			With 1/n			Change		
	GWP	NEP	Loss Ratio	GWP	NEP	Loss Ratio	GWP	NEP	Loss Ratio
FY23	77			77					
FY24	100	88	53.0%	100	88	53.0%	0%	0%	0.0%
FY25	125	113	53.5%	115	107	56.1%	-8%	-5%	2.6%
FY26	156	141	54.0%	135	125	60.8%	-13%	-11%	6.8%
FY27	191	173	54.5%	177	156	60.5%	-7%	-10%	6.0%
FY28	229	210	55.0%	220	198	58.2%	-4%	-5%	3.2%

Source: HSIE Research; Note: GWP has been indexed to 100 in both scenarios; we assume share of long-term policies at 25% every year; for FY25, the impact is considered only for the second half (H2FY25)

Exhibit 8: Average claims size (ACS) in retail health business grew 5% during FY15-24 (INR'000)



Source: IRDAI, HSIE Research

Exhibit 9: Steep rise in retail health incidence rates at industry level



Source: IRDAI, HSIE Research

Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: > 10% Downside return potential

Disclosure:

1 Yr Price movement		
<p>Policy Bazar</p>	<p>Bajaj Finserv</p>	<p>ICICI prudential</p>
<p>LIC</p>	<p>Max Financial</p>	<p>SBI Life</p>
<p>Niva Bupa</p>	<p>Star Health</p>	<p>Go Digit</p>
<p>ICICI Lombard General Insurance</p>	<p>New India Assurance Co</p>	<p>General Insurance Corp of India</p>

Disclosure:

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