

Insurance

India

Sector View: **Attractive** NIFTY-50: **24,751**

May 30, 2025

What happens next?

Life insurance stocks had a good month with a 5-17% rally following an in-line 4Q performance and optimistic outlook. Management guidance remains moderate/mixed—we believe falling rates will buoy non-par policies; while ULIP sales remain challenging to forecast, the outlook on protection remains strong—all of the above providing tailwinds to VNB. Non-life's earnings were distorted by the 1/n rule; while low vehicle sales remain a concern, pricing for commercial lines seems to have improved. HDFC Life remains our preferred pick; LIC has strong equity tailwinds. ICICI Lombard is well-placed in the non-life space; PB Fintech remains SELL.

FY2025: A year of two halves

Life insurance companies (listed private sector players) reported 9-18% APE growth in FY2025, largely front-ended with (-)4% to +11% APE growth in 4QFY25. The annual margin compression, down 35-300 bps yoy, largely reflects a shift in business mix (higher ULIPs, lower credit protect) and the impact of surrender value guidelines, although lower than initially expected.

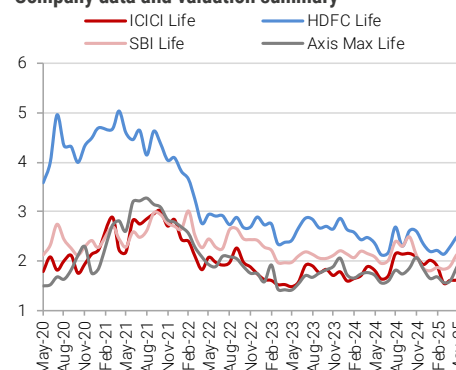
Uneasy weakness over the past few months; we remain assertive

APE growth for the private sector has moderated progressively in FY2025: 7% in 4QFY25 and 13% in 3QFY25, from 24% in 1HFY25. This may be due to two reasons—(1) lower ULIP sales versus 1H and (2) lower momentum at agency likely reflecting the impact of surrender value guidelines. Insurance companies are using a combination of clawback and deferrals to align distributor incentives with new surrender value guidelines. A high base of 1H may lead to weaker business. LIC has reported maximum slowdown (APE down 24% in 3Q and 11% in 4Q). As such, the management outlook (detailed later) is moderate/mixed.

Non-par, ULIPs, retail protection and credit life. We believe (bank) deposit rate cuts will prompt sales of long-term savings, mainly non-par policies. ULIP sales may hold on as well, after the recent bounce in equity markets; inflows to MFs declined marginally in April. Credit life, which faced the heat from the meltdown in MFI, will likely benefit from an increase in disbursements on a low base in FY2026E; the non-MFI book is growing steadily. Retail protection has grown at a brisk pace and the momentum will continue; SA growth has been more impressive.

Margins versus growth. Life companies have focused on growing the agency business. Most companies continue to guide for sustaining investment to grow a number of policies; as such, margin expansion may be muted despite a shift in higher-margin products. Our forecasts remain moderate with upside risks if all the catalysts play out. Valuations stay low; we continue to be the most bullish on HDFC Life, which has toggled well on products and channels.

Company data and valuation summary



Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of May 30, 2025

Quick Numbers

Muted premium growth of (-)11% to 10% yoy in 4QFY25

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Non-life: Mixed bag

Non-life's 4QFY25 results were tempered by the 1/n rule. Weak industry growth across most segments, reflecting low vehicle sales and subdued pricing in commercial lines, added to the woes. Going forward, we see signs of improvement in commercial pricing with welcoming growth in April. Competitive intensity in the motor business is currently low from private players but PSUs are aggressive, even as the industry is assertively expecting TP rate hikes. ICICI Lombard remains our preferred pick in the sector. PB Fintech remains a SELL—high valuations coupled with normalizing growth (21% in 4QFY25, 60-66% in 1HFY25, 30% in FY2026E) in the digital new business and moderating margins in the renewal business.

Moderate/mixed guidance by life companies

Exhibit 1: Summary of APE/VNB guidance provided by life companies

	APE	VNB/VNB margin
Axis Max Life	13-14% APE growth / 300-400 bps market share gain	24-25%
HDFC Life	Faster than sector	Doubling or near-doubling VNB over 4-5 years
ICICI Prudential Life	Build yoy	Endavor to grow VNB ahead of APE
SBI Life	13-14% growth: 10% of low-double digits in banca	27-28%

Source: Company, Kotak Institutional Equities

Life insurers reported moderate APE growth and margin expansion in 4QFY25

Exhibit 2: APE, VNB and VNB margins, March fiscal year-ends, 4QFY24-4QFY25

	Key metrics					YoY (%)				
	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
APE (Rs bn)										
Axis Max Life	29	15	22	21	30	13.2	30.5	31.3	17.4	5.8
HDFC Life	47	29	39	36	52	(8.4)	23.1	26.7	11.8	9.7
ICICI Prudential Life	36	20	25	24	35	9.6	34.4	21.4	27.8	(3.2)
LIC	212	116	165	100	189	10.7	21.3	25.7	(24.4)	(11.0)
SBI Life	53	36	54	69	55	16.6	20.1	3.1	13.2	2.3
VNB margin (%)										
Axis Max Life	29	17	24	23	28	-175 bps	-471 bps	-157 bps	-404 bps	-54 bps
HDFC Life	26	25	24	26	27	-317 bps	-115 bps	-199 bps	-77 bps	43 bps
ICICI Prudential Life	21	24	23	21	23	-1052 bps	-593 bps	-458 bps	-166 bps	124 bps
LIC	17	14	18	19	19	-201 bps	27 bps	257 bps	-65 bps	154 bps
SBI Life	28	27	27	27	30	-321 bps	-200 bps	-168 bps	-40 bps	234 bps
VNB (Rs bn)										
Axis Max Life	8.2	2.5	5.1	4.9	8.5	6.6	2.8	23.1	—	3.8
HDFC Life	12.3	7.2	9.4	9.3	13.8	(18.3)	17.7	17.1	8.6	11.5
ICICI Prudential Life	7.8	4.7	5.9	5.2	8.0	(26.4)	7.8	1.6	18.6	2.4
LIC	36.5	16.1	29.4	19.3	35.3	(0.9)	23.7	46.9	(26.9)	(3.0)
SBI Life	15.0	9.8	14.4	18.8	16.6	4.7	11.8	(3.0)	11.6	10.8

Source: Company, Kotak Institutional Equities

We model moderate mid-teen growth and stable margins for most players

Exhibit 3: APE, VNB and VNB margins, March fiscal year-ends, 2023-28E

	Key metrics (Rs bn/%)						YoY (%)					
	2023	2024	2025	2026E	2027E	2028E	2023	2024	2025	2026E	2027E	2028E
APE (Rs bn)												
Axis Max Life	62	74	88	102	118	137	12	19	18	16	16	16
HDFC Life	133	133	155	180	210	246	37	(0)	16	16	17	17
ICICI Prudential Life	86	90	104	118	135	156	12	5	15	13	15	15
LIC	567	570	568	540	551	562	12	1	(0)	(5)	2	2
SBI Life	168	197	214	242	277	319	18	17	9	13	15	15
VNB margin (%)												
Axis Max Life	31.2	26.5	23.5	24.2	24.8	25.0	385 bps	-465 bps	-301 bps	64 bps	61 bps	21 bps
HDFC Life	27.5	26.3	25.6	26.0	26.3	26.6	14 bps	-121 bps	-75 bps	40 bps	30 bps	30 bps
ICICI Prudential Life	32.0	24.6	22.8	23.8	24.2	24.3	403 bps	-738 bps	-185 bps	104 bps	37 bps	13 bps
LIC	16.2	16.8	17.6	17.0	16.4	16.2	103 bps	67 bps	80 bps	-62 bps	-65 bps	-18 bps
SBI Life	30.2	28.1	27.8	28.1	28.0	28.0	426 bps	-202 bps	-37 bps	36 bps	-15 bps	0 bps
VNB (Rs bn)												
Axis Max Life	19	20	21	25	29	34	28	1	7	18	18	17
HDFC Life	37	35	40	47	55	65	37	(5)	13	18	18	18
ICICI Prudential Life	28	22	24	28	33	38	28	(19)	6	18	17	16
LIC	92	96	100	92	90	91	20	5	4	(8)	(2)	1
SBI Life	51	56	60	68	78	89	37	9	7	14	14	15

Source: Company, Kotak Institutional Equities

Long term growth implications of 6-8% for private players

Exhibit 4: Kotak estimates versus market price implied estimates, March 2027E

	FV (Rs)	AV/EV (X)	EV/share (Rs)	NBM (X)	VNB/share (Rs)	Long term growth (%)	Cost of equity (%)
Axis Max Life							
Kotak estimates	1,540	2.1	726	13.3	61	8.6	13.5
CMP implied	1,490	2.1	726	12.5	61	8.4	13.5
HDFC Life							
Kotak estimates	875	2.5	350	20.4	26	10.0	13.0
CMP implied	781	2.2	350	16.8	26	8.4	13.0
ICICI Pru Life							
Kotak estimates	790	1.8	436	15.4	23	9.8	13.5
CMP implied	668	1.5	436	10.1	23	5.9	13.5
SBI Life							
Kotak estimates	1,825	1.9	979	10.9	78	7.7	13.0
CMP implied	1,825	1.9	979	10.9	78	7.7	13.0

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Actual impact of new surrender value guidelines is benign

Exhibit 5: Guaranteed surrender values across tenure of a Rs100,000 ticket size non-par policy (%)

Year	Guaranteed surrender value of old products				SSV as per final guidelines						Surrender value of new products			
	HDFC Life Sanchay Plus	ICICI Prudential GIFT Pro	Max Life Smart Wealth Plan		HDFC Life Sanchay Plus (Case a)	HDFC Life Sanchay Plus (Case b)	ICICI Prudential GIFT Pro	Max Life Smart Wealth Plan (Case a)	Max Life Smart Wealth Plan (Case b)	SBI Life Smart Plaitna Assure	HDFC Life Sanchay Plus	ICICI Prudential GIFT Pro	Max Life Smart Wealth Plan	SBI Life Smart Plaitna Assure
1	-	-	-		61	33	56	67	40	58	26	58	41	59
2	30	30	30		66	35	60	72	44	62	31	62	45	58
3	35	35	35		71	38	65	78	47	67	36	67	48	65
4	50	50	50		76	41	70	83	50	72	52	72	51	70
5	50	71	50		82	44	75	90	54	77	52	77	55	74
6	50	77	50		88	47	81	96	58	83	52	83	59	79
7	50	84	50		95	51	87	103	62	89	52	89	63	83
8	75	91	70		102	54	93	111	67	96	81	96	68	87
9	90	99	90		109	58	100	120	72	103	84	103	73	91
10	90	107	100		117	63	108	129	78	111	101	111	78	95

Source: Company, Kotak Institutional Equities

Sharp rise in back book surplus for Axis Max Life in 4QFY25

Exhibit 6: PAT and surplus for Axis Max Life, March fiscal year-ends, 4QFY24-4QFY25, 2020-2025 (Rs bn)

	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	YoY (%)	2020	2021	2022	2023	2024	2025	YoY (%)
Undewriting profits	(1.5)	(0.7)	0.8	0.0	(0.6)	NM	4.3	3.8	1.5	2.5	0.2	(0.4)	(271)
New business strain	(5.7)	(4.5)	(5.6)	(5.4)	(5.7)	(1)	(7.6)	(8.6)	(9.3)	(13.2)	(16.0)	(21.2)	32
Backbook surplus	4.2	3.8	6.4	5.4	5.1	20	11.9	12.4	10.8	15.6	16.3	20.8	28
Shareholders surplus	1.0	1.0	1.2	1.1	1.2	24	1.1	1.4	2.4	1.9	3.4	4.5	33

Source: Company, Kotak Institutional Equities

Back book surplus up 17% yoy for HDFC Life

Exhibit 7: PAT and surplus for HDFC Life, March fiscal year-ends, 4QFY24-4QFY25, 2020-2025 (Rs bn)

	Merged 4QFY24	Merged 1QFY25	Merged 2QFY25	Merged 3QFY25	Merged 4QFY25	YoY (%)	2021	2022	Merged 2023	Merged 2024	Merged 2025	YoY (%)
PAT	4.1	4.8	4.4	4.1	4.8	16.3	13.6	12.1	13.6	15.7	18.0	14.6
Underwriting profits	2.2	2.7	1.9	2.1	2.4	7.1	7.3	4.4	5.9	6.7	9.1	35.8
New business strain	(14.1)	(11.5)	(11.4)	(12.7)	(16.8)	NM	(25.0)	(30.5)	(38.3)	(45.5)	(52.4)	15.2
Existing business surplus	16.3	14.2	13.3	14.8	19.1	17.0	32.3	34.9	44.2	52.2	61.4	17.6
Shareholder's surplus	1.8	2.2	2.3	2.0	2.5	39.8	6.3	7.7	7.7	8.9	9.0	1.1
Solvency (%)	187	186	181	188	194	700 bps	201	176	203	187	186	-100 bps

Source: Company, Kotak Institutional Equities

Product mix shift drives margin compression for private players

Exhibit 8: VNB walk, March fiscal year-ends, 2024-2025 (%)

	HDFC Life	LIC	SBI Life
FY2024			
Opening VNB margin (FY2023)	27.6	16.2	30.1
Change in assumptions	(0.2)	0.3	1.0
Change in product mix	(0.4)	4.7	(2.9)
Impact of product benefits	-	(4.4)	-
Economic variance	-	-	(0.1)
Fixed cost absorption	(0.7)	-	-
Closing VNB margin (FY2024)	26.3	16.8	28.1
FY2025			
Opening VNB margin (FY2024)	26.3	16.8	28.1
Change in assumptions	-	1.4	0.2
Change in product mix	(0.6)	2.2	(0.4)
Impact of product benefits	(0.2)	-	-
Economic variance	-	(2.8)	(0.1)
Fixed cost absorption	0.1	-	-
Closing VNB margin (FY2025)	25.6	17.6	27.8

Source: Company, Kotak Institutional Equities

Growth remains moderate in April 2025

Exhibit 9: Yoy growth in total APE across life insurers, March fiscal year-ends, April 2024-April 2025 (%)

	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
Aditya Birla Sun Life	13	15	34	42	25	68	34	25	24	46	26	32	(4)
Axis Max Life	34	30	17	44	20	38	15	24	10	13	9	11	22
Bajaj Allianz	23	16	33	50	19	25	12	(12)	3	6	1	(5)	(1)
Canara HSBC	123	65	37	21	21	21	14	260	(43)	(8)	(17)	(9)	13
HDFC Life	23	21	28	54	9	22	24	5	9	25	5	5	8
ICICI Prudential Life	63	52	26	32	27	30	23	58	8	10	(10)	(7)	(12)
India First	(42)	(33)	(28)	(21)	(21)	(5)	5	(14)	25	59	111	72	19
Reliance Life	(23)	1	10	(1)	1	36	(23)	1	(15)	4	(7)	(13)	0
SBI Life	22	19	20	9	0	8	7	9	16	3	(5)	0	2
Star Union Daichi	14	14	7	14	77	19	(18)	(4)	(24)	118	(37)	1	1
Tata AIA	30	21	18	13	14	61	6	6	16	13	7	2	(1)
Private sector	23	22	21	25	13	26	13	18	11	16	2	3	3
Top 4	30	26	23	28	9	20	15	17	13	12	(0)	2	4
Private (ex-Top 4)	14	16	19	22	19	35	10	19	7	22	6	4	1
Select tier-II players	26	19	25	30	16	44	9	(3)	10	10	4	(1)	(1)
LIC	45	12	14	6	14	33	(5)	(20)	(27)	(11)	(21)	(1)	2
Total	32	17	18	17	13	29	6	3	(2)	5	(7)	2	2

Source: IRDA, LI Council, Kotak Institutional Equities

Player-wise 4Q results summary:

- **Weakness in core channels drags down growth for Axis Max Life.** Max Life reported muted 5.8% yoy APE growth and 3.8% VNB growth in 4QFY25. Margin compression was contained at 54 bps in 4QFY25, likely driven by a shift in product mix. Par and protection growth was strong at 34-81% yoy, driving overall APE growth. The share of ULIPs is down to 40% from 44-45% in the previous two quarters, supporting margins. Growth in proprietary and Axis Bank channels was moderate at ~3% yoy. Non-Axis Bank bancassurance channels delivered strong 53% yoy APE growth, albeit on a low base.
- **HDFC Life reported moderate APE growth and stable margins.** APE growth moderated to 9.7% yoy in 4QFY25 from 12% yoy in 3QFY25, 26.7% in 2QFY25 and 23.1% in 1QFY25. The company reported VNB margin of 26.5% in 4QFY25, up 47 bps qoq and 43 bps yoy. Despite weakness in 4Q, APE growth for full year FY2025 was strong at 16.5% yoy. 75 bps yoy VNB compression was driven by a shift in product mix (60 bps) and new surrender guidelines (20 bps); the latter reflects higher growth in ULIPs over traditional and a decline in group protect business due to a slowdown at MFIs. Agency APE growth was up 21% in 4QFY25 (18% in 1HFY25), driving overall premium growth.
- **Adverse product mix drags down margins for ICICI Prudential Life.** ICICI Prudential life reported 3.2% yoy APE decline in 4QFY25, largely due to a high base. The 3-year CAGR of APE was moderate at 10.3%, similar to 10.4% reported for the full-year FY2025 (3-year CAGR). VNB margins were weak at 22.7% in 4QFY25 compared to 23.4-24% in 1HFY25 and ~23% (ex-group) in 3QFY25. Lower expense absorption, higher share of ULIPs, lower credit protect business and lower margins in group protection likely led to moderation in margins.
- **SBI Life reported strong margins expansion.** Despite muted APE growth of 2.3% yoy, SBI Life reported VNB growth of 10.8% yoy driven by margin expansion. Weakness at core bancassurance sustains with 9.4% yoy APE growth. The company focused on improving product mix and productivity of agents, leading to muted APE growth but elevated margins (up 234 bps yoy) of 30% in 4QFY25. Change in surrender regulations and taxation of high-ticket traditional policies had lower impact on margins for SBI Life compared to peers, driving highest margins among listed players.
- **LIC's weak volumes were partially offset by margin expansion.** LIC reported 11% APE decline during the quarter. Volumes were weak in 2HFY25 (down 16% yoy) post implementation of surrender value guidelines (up 24% in 1HFY25). VNB margin was up 154 bps yoy to 18.7% in 4QFY25, as the shift in the product mix (up 220 bps) and benefit of lower expenses (up 140 bps) were partially offset by the drag of lower G-Sec yields (down 280 bps). Operational efficiencies led to a 477 bps yoy decline in the cost-to-APE ratio to 19% in FY2025.

- **Product mix shift supports margins for Bajaj Allianz Life.** Bajaj Allianz Life reported strong 14.4% yoy VNB growth in 4QFY25, driven by sharp 400 bps yoy margin expansion. Sharp rise in share of non-par and retail protection (up 300-400 bps yoy) during the quarter led to margin expansion. Bajaj Allianz Life's APE declined 6.4% yoy in 4QFY25, largely due to weak volumes in the agency channel (APE down 17% yoy). Recalibration of commission rates/payout structures after the implementation of surrender value guidelines has likely led to weak volumes in the agency channel.

Strong retail protection growth for most, group protection weak

Exhibit 10: Protection APE, March fiscal year-ends, 4QFY24-4QFY25, 2021-2025 (Rs bn)

	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	YoY (%)	2021	2022	2023	2024	2025	YoY (%)
Axis Max Life												
Retail protection	1.8	1.5	2.2	2.1	3.0	65.0	4.5	4.2	3.7	5.9	6.5	9.5
Group protection	0.5	1.5	1.1	0.9	0.9	80.7	2.5	3.6	3.1	3.7	3.9	6.2
HDFC Life												
Retail protection	1.4	1.5	2.0	1.9	1.4	1.9	4.9	4.6	4.4	5.8	6.8	18.3
Group protection	3.0	2.5	2.7	2.8	2.2	(25.9)	5.8	8.7	12.7	11.5	10.2	(11.3)
ICICI Prudential Life												
Retail protection	1.4	1.1	1.7	1.7	1.7	23.7	5.7	3.9	3.3	4.8	6.1	28.2
Group protection	3.0	2.4	2.5	2.5	2.5	(14.8)	4.7	9.2	11.8	10.5	10.1	(4.0)
SBI Life												
Retail protection	2.9	1.5	1.7	2.1	3.0	3.4	7.3	9.2	9.8	9.4	8.3	(11.7)
Group protection	2.9	1.5	3.3	3.3	4.1	41.4	4.7	6.2	8.0	11.6	12.2	5.2

Source: Company, Kotak Institutional Equities

Growth in sum assured has been strong

Exhibit 11: Yoy growth in individual sum assured, March fiscal year-ends, 2019-2025 (%)

	2019	2020	2021	2022	2023	2024	2025
Aditya Birla Sun Life	113	(3)	(3)	5	(10)	13	93
Axis Max Life	89	7	22	(2)	1	33	31
Bajaj Allianz	139	11	124	(9)	82	37	79
Canara HSBC	87	11	35	(25)	(5)	34	5
HDFC Life	57	21	(4)	(1)	7	46	18
ICICI Prudential Life	67	11	(14)	(14)	(11)	38	37
India First	36	19	108	53	(16)	(37)	139
Kotak	57	5	38	(12)	(15)	(12)	18
Reliance Life	79	4	30	(12)	(5)	8	(8)
SBI Life	72	6	(2)	16	13	13	43
Star Union Daichi	25	(10)	29	40	24	8	20
Tata AIA	172	71	1	41	44	37	31
Private sector	76	15	6	3	12	30	35
LIC	35	12	(9)	14	4	(9)	(7)
Total	60	14	1	6	10	18	25

Source: IRDA, LI Council, Kotak Institutional Equities

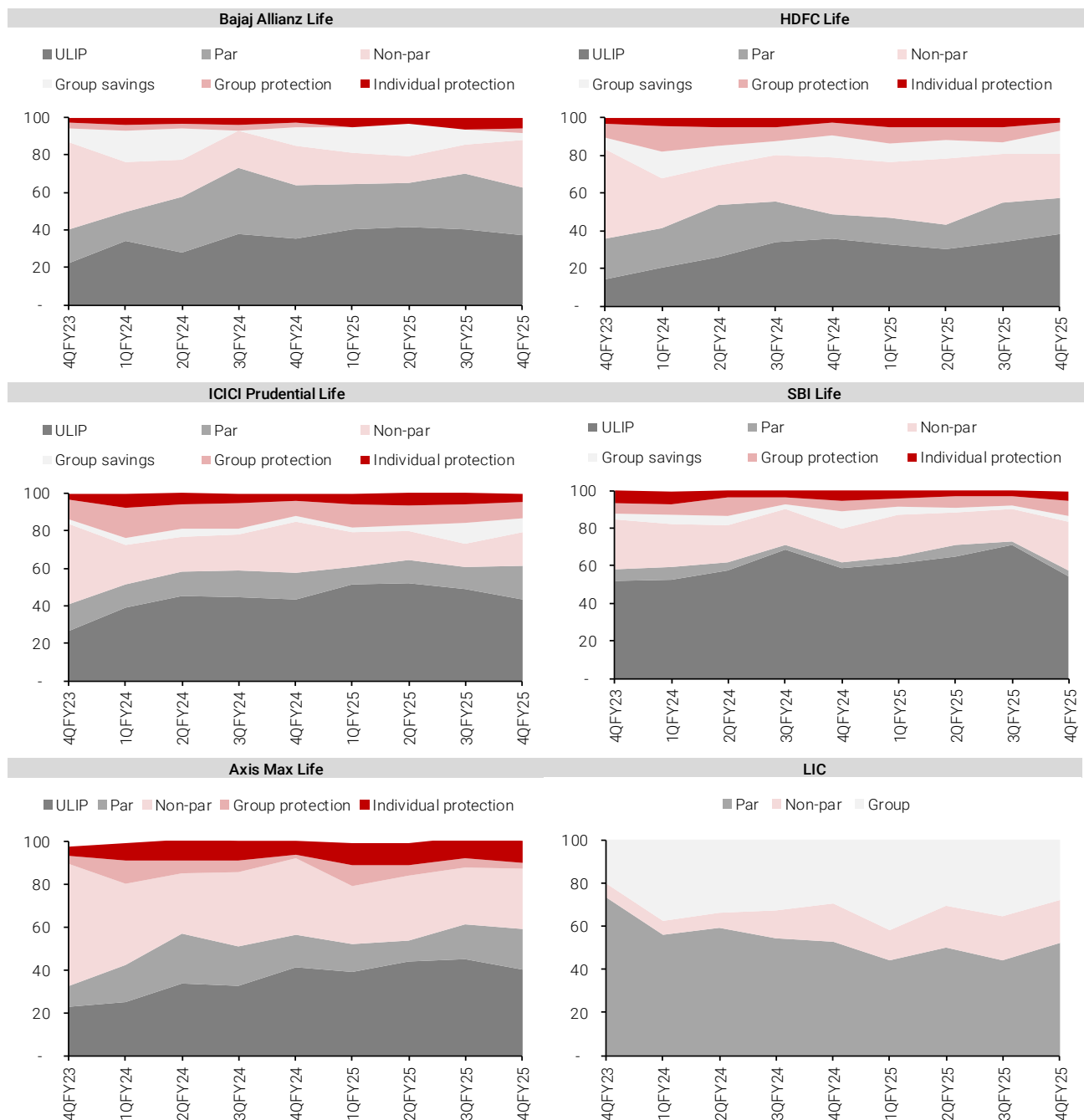
ULIP remains dominant; non-par picks up

- **Share of non-par has picked up sequentially for most players.** While HDFC Life reported decline in share of non-par to 23% (26% in 3QFY25 and 30% in 4QFY24), rest of the private players reported 170-970 bps sequential rise in share of non-par to 18-28%. Decline in deposit rates (Exhibit 14) has likely led to higher demand for long-term guaranteed return products.
- **Retail protection holds on well for most on annual basis.** HDFC Life and SBI Life reported muted 1.9-3.4% growth in retail protection APE, ICICI Prudential Life and Max Life fared better (up 24-65% yoy) in 4QFY25. For full-year FY2025, SBI Life reported 11.7% decline and Axis Max Life reported 5% growth in the segment. HDFC Life and ICICI Prudential Life reported strong 18-28% retail protection growth.

- ▶ **ULIP growth has moderated.** ULIP growth at (-)5% to 17% yoy across players has moderated from 13-61% in 3QFY25. Volatility in equity markets has likely driven this moderation in growth. Equity markets have bounced back in May 2025 as well as ULIP demand. SBI Life operates at the higher end with 64% share of ULIPs in FY2025, while HDFC Life is at the lower end (28%). Axis Max Life, ICICI Prudential Life and Bajaj Life have 40-45% share of ULIPs in overall APE.
- Notably, sum assured growth for private players at 18-43% is higher than protection growth, likely due to higher rider attachment in ULIPs. This may have improved the margin profile of ULIPs.
- ▶ **Group protection trends remain weak across players.** Growth in group protection was weak at (-)11% to 6% in FY2025. Lower disbursements in MFI segment (credit protect) were the likely cause of muted group protection APE.

ULIP maintains share; non-par picks up

Exhibit 12: Product mix of select life insurers, March fiscal year-ends, 4QFY23-4QFY25 (%)



Source: Company, Kotak Institutional Equities

ULIP growth has slowed down across players

Exhibit 13: Product-wise growth, March fiscal year-ends, 4QFY23-4QFY25 (%)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
APE growth yoy (%)									
HDFC Life	69	22	15	(2)	(8)	23	27	12	10
Savings	74	20	14	(1)	(7)	30	31	11	12
ULIP	9	22	62	88	132	99	50	13	17
Par	41	5	35	(2)	(44)	(19)	(43)	7	59
Non-par	161	16	(15)	(30)	(41)	36	91	17	(13)
Protection	42	33	21	(10)	(23)	(6)	1	17	(17)
Individual	62	46	110	54	(24)	31	31	12	2
Group	34	28	0	(31)	(22)	(19)	(13)	22	(26)
ICICI Prudential Life	26	(4)	3	5	10	34	21	28	(3)
Savings	32	(6)	3	5	12	44	24	32	(5)
ULIP	(24)	(8)	13	9	77	78	40	42	(3)
Par	114	50	47	65	10	2	12	-	22
Non-par (incl annuity)	96	(18)	(23)	(21)	(26)	12	1	35	(19)
Annuity	102	(7)	(7)	17	261	135	74	50	(58)
Protection	(1)	4	3	5	(5)	3	8	9	9
Max Life	35	9	39	19	16	31	29	19	6
Savings	44	8	35	13	16	29	30	20	0
ULIP	(10)	(27)	43	70	107	104	73	61	3
Par	(31)	10	93	82	66	(0)	(46)	5	34
Non-par savings	153	55	2	(25)	(29)	(7)	42	(11)	(17)
Protection	(20)	16	70	75	15	37	26	16	68
Individual	(24)	26	74	66	60	63	36	30	65
Group	(13)	10	65	90	(42)	19	10	(8)	81
SBI Life	11	4	34	13	17	21	3	13	2
Savings	10	3	31	14	18	26	8	13	(0)
ULIP	(9)	17	50	18	32	40	16	18	(5)
Par	36	18	(4)	(25)	(43)	(30)	39	(39)	-
Others	65	(18)	6	10	7	14	(17)	3	10
Non-par	119	(20)	(4)	6	(21)	15	(6)	5	51
Protection	15	16	56	(2)	5	(19)	(29)	20	22
Individual	(3)	5	(5)	(12)	(3)	(29)	(19)	(9)	3
Group	39	33	113	10	16	(6)	(33)	50	41
Bajaj Life	48	14	31	24	17	27	34	(0)	(0)
ULIP	3	27	28	46	87	41	97	13	(0)
Par	2	(22)	81	141	93	86	1	(14)	(18)
Non-par	132	28	(3)	(38)	(43)	(17)	0	(0)	22
Protection	122	91	76	24	17	51	34	75	100
Non-par savings	133	22	(9)	(44)	(46)	(28)	(5)	(15)	12

Source: Company, Kotak Institutional Equities

Deposit rates have moderated

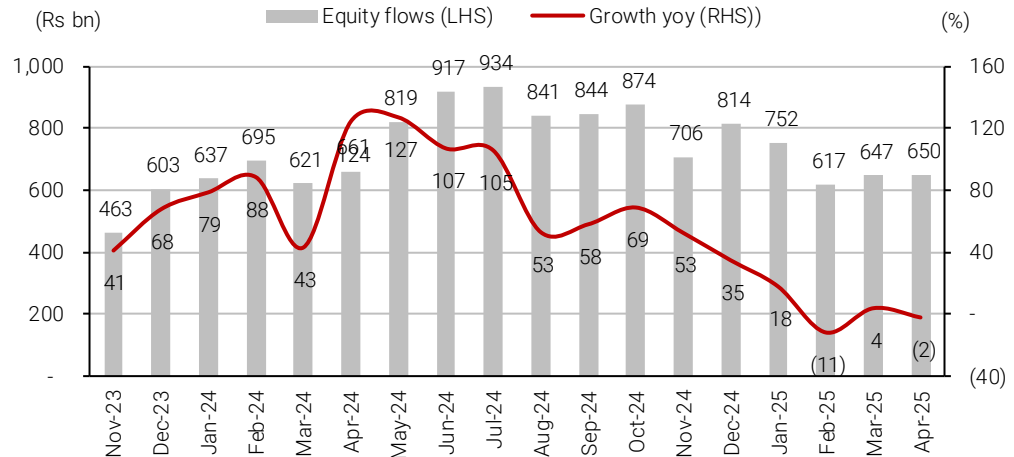
Exhibit 14: 1-year term deposit rates of banks, March 2021-April 2025 (%)

	Mar-21	Mar-22	Mar-23	Mar-24	Apr-24	Jun-24	Sep-24	Dec-24	Mar-25	Apr-25	YoY (bps)
Bank of Baroda	5.0	5.0	6.8	7.1	7.1	7.2	7.2	7.3	7.3	7.2	5
Canara Bank	5.2	5.1	7.2	7.3	7.3	7.3	6.9	7.3	7.3	7.3	0
Punjab National Bank	5.2	5.0	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.1	(15)
State Bank of India	5.0	5.1	7.1	7.1	7.1	7.1	7.3	7.3	7.3	7.1	(5)
Axis Bank	5.2	5.2	7.2	7.2	7.2	7.2	7.3	7.3	7.3	7.1	(15)
HDFC Bank	4.9	4.9	7.1	7.3	7.3	7.3	7.3	7.3	7.3	7.1	(20)
ICICI Bank	5.0	5.0	7.1	7.2	7.2	7.2	7.3	7.3	7.3	7.1	(15)
Indus Ind	6.5	6.0	7.8	7.8	7.8	8.0	8.0	8.0	7.8	7.8	0

Source: Company, Kotak Institutional Equities

Equity flows down just 2% yoy in April

Exhibit 15: Gross equity flows into mutual funds, November 2023-April 2025



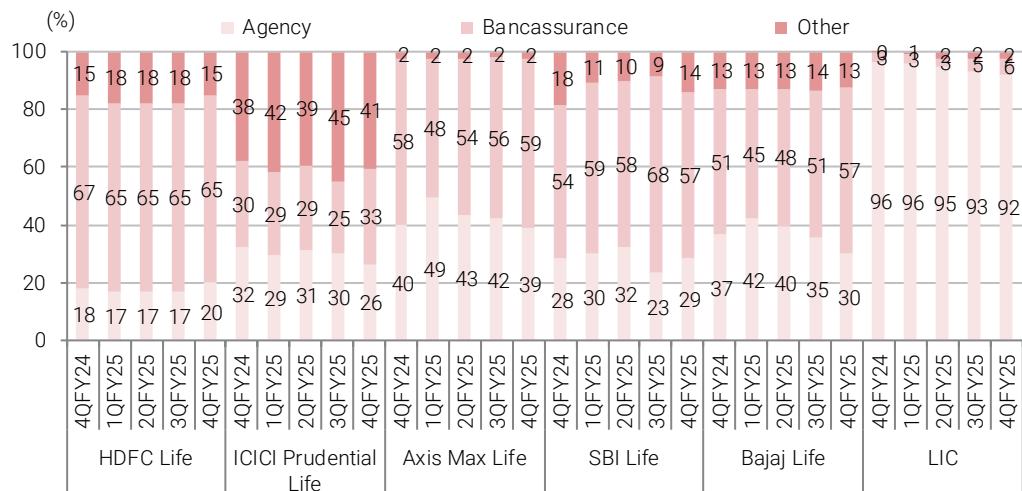
Source: AMFI, Kotak Institutional Equities

Growth was muted across both agency and bancassurance

- **Bancassurance volume was muted.** Banks have likely focused on deposit gathering, leading to yoy flat bancassurance APE at top-5 banks, up 7% in 3QFY25 and 14-17% in 1Q-2QFY25. Based on our rough estimates, HDFC and SBI reported 4-9% yoy growth. Axis Bank's APE likely declined 7% yoy.
- **Agency volumes declined for most players.** While HDFC Life reported strong growth of 21%, rest of the players reported either muted APE growth or sharp decline in APE. Axis Max Life and SBI life reported muted 3-4% yoy APE growth. Bajaj Allianz Life and ICICI Prudential life reported 17-20% yoy APE decline. Agency growth, for top four listed players, was higher at 14-21% for FY2025; 4Q moderation seems to be a pause, most players are committed to making further investments in agency.

Stable channel mix for most players

Exhibit 16: Channel mix, March fiscal year-ends, 4QFY24-4QFY25 (%)



Source: Company, Kotak Institutional Equities

Bancassurance business was flat yoy in 4QFY25

Exhibit 17: Bancassurance premium growth across banks, March fiscal year-ends, 4QFY23-4QFY25 (% yoy)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Axis Bank	19	4	28	(5)	10	0	11	0	(7)
HDFC Bank	51	16	8	(1)	9	27	28	8	4
State Bank of India	7	9	21	15	5	9	3	9	9
Five key banks	21	5	14	5	11	17	14	7	(1)

Source: Company, Kotak Institutional Equities estimates

Weakness across channels

Exhibit 18: Channel-wise growth yoy, March fiscal year-ends, 4QFY23-4QFY25 (%)

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Axis Max Life	(5)	35	9	39	19	16	31	29	19	6
Proprietary	13	86	22	57	47	12	70	37	26	3
Banks	(12)	10	(3)	31	4	19	9	19	14	7
Others	(43)	437	659	(100)	577	17	(30)	NM	NM	NM
HDFC Life	30	79	22	18	(4)	(4)	30	29	17	7
Individual agents	46	190	52	34	3	(27)	11	34	6	21
Bancassurance	25	57	32	22	3	20	40	25	17	7
Direct	(4)	(7)	(34)	(12)	(6)	2	20	40	12	(20)
Brokers and others	122	311	39	4	(57)	(60)	15	46	78	28
ICICI Prudential Life	(6)	26	(4)	3	5	10	34	21	28	(3)
Individual agents	4	57	5	4	12	29	62	44	26	(20)
Bancassurance	(34)	(8)	(20)	(3)	2	19	34	27	19	7
Direct	3	19	28	19	12	22	41	33	24	(8)
Partnership distribution	30	137	7	25	(1)	(26)	25	(15)	7	(11)
Others	31	1	(9)	(12)	(5)	(6)	3	(2)	63	33
SBI Life	19	11	4	34	13	17	21	3	13	2
Agency	23	15	(3)	45	3	15	46	24	23	4
Bancassurance	25	7	8	21	15	5	9	3	9	9
Others	(29)	23	(4)	77	27	83	30	(34)	26	(22)
Bajaj Life	21	48	15	32	24	17	26	34	(0)	(0)
Agency	28	65	23	34	22	10	15	29	(14)	(17)
Institutional	18	39	8	28	16	12	23	33	9	13
Others	14	38	15	47	78	78	104	57	12	(1)

Source: Company, Kotak Institutional Equities

Agency growth was muted in 4QFY25

Exhibit 19: Agency channel premium and productivity, March fiscal year-ends, 2018-2025, 4QFY23-4QFY25

	2018	2019	2020	2021	2022	2023	2024	2025	YoY (%)	4QFY23	4QFY24	4QFY25	YoY (%)
Premium (Rs bn)													
Axis Max Life	8.9	11.6	12.8	14.0	13.4	19.2	22.7	26.4	16.3	10.5	11.5	11.8	2.8
Bajaj Allianz Life	11.1	12.0	10.8	11.0	14.9	21.2	25.5	25.5	0.1	7.8	8.5	7.1	(17.4)
HDFC Life	5.3	6.8	8.6	9.3	11.4	22.8	20.7	24.5	18.3	10.5	7.6	9.2	21.1
ICICI Pru Life	19.8	16.9	15.6	15.4	18.3	22.8	26.4	30.1	14.2	9.0	11.6	9.3	(20.2)
SBI Life	20.9	25.6	27.7	29.8	30.3	43.2	49.6	60.0	21.0	13.1	15.0	15.6	4.0
Agents (# 000')													
Axis Max Life	57	51	46	55	61	70	103	125	22.0	70	103	125	22.0
Bajaj Allianz Life	71	73	81	88	96	126	151	161	6.8	126	151	161	6.8
HDFC Life	77	91	108	112	115	179	214	244	13.7	179	214	244	13.7
ICICI Pru Life	152	171	191	188	199	201	210	229	9.5	201	210	229	9.5
SBI Life	108	124	130	170	146	209	246	240	(2.3)	209	246	240	(2.3)
Annualized premium per agent (Rs mn)													
Axis Max Life	156	228	279	254	219	273	221	210	(4.7)	596	447	377	(15.8)
Bajaj Allianz Life	156	166	134	125	155	168	169	158	(6.2)	246	226	175	(22.6)
HDFC Life	68	74	80	83	99	127	97	101	4.1	234	142	152	6.5
ICICI Pru Life	131	99	82	82	92	113	126	131	4.3	179	222	162	(27.1)
SBI Life	193	207	212	175	207	207	202	250	23.9	251	244	260	6.5

Source: IRDA, Company, Kotak Institutional Equities

Mixed trends in persistency

Axis Max Life, HDFC Life and ICICI Prudential Life reported improvement in persistency in most buckets. LIC and SBI Life reported decline in persistency in certain cohorts. LIC has implemented specific measures such as increase in ticket sizes and realignment of distributor incentives to improve persistency. The effect of these measures will likely be visible in the next 2-3 quarters. SBI Life called out the portfolio originated during Covid as the reason for sharp decline in 49th month persistency. The company is running revival campaign to improve the persistency of this cohort.

Mixed trends in persistency

Exhibit 20: Persistency, March fiscal year-ends, 4QFY23-4QFY25 (%)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	YoY (bps)
Axis Max Life										
13th month	84	84	84	85	87	87	87	87	88	100 bps
25th month	68	69	70	70	70	71	71	72	74	400 bps
37th month	61	61	62	63	61	64	64	64	63	200 bps
49th month	57	57	65	65	58	67	67	67	57	-100 bps
61st month	51	51	58	58	52	58	58	58	53	100 bps
HDFC Life										
13th month	87	87	86	86	87	87	88	87	87	-10 bps
25th month	79	79	79	80	79	76	78	78	78	-120 bps
37th month	72	73	72	73	73	73	74	74	74	80 bps
49th month	64	65	68	68	70	68	69	70	70	30 bps
61st month	52	53	53	54	54	60	60	61	63	950 bps
ICICI Prudential Life										
13th month	87	86	87	87	89	90	87	90	89	10 bps
25th month	78	78	79	80	81	81	79	82	83	210 bps
37th month	71	72	71	72	72	73	72	75	75	290 bps
49th month	64	65	66	67	69	71	68	69	70	100 bps
61st month	66	67	65	65	64	66	66	65	64	-30 bps
SBI Life										
13th month	86	85	83	82	86	87	84	83	87	88 bps
25th month	76	76	75	74	76	78	77	75	76	-21 bps
37th month	75	75	68	68	71	72	71	70	71	-55 bps
49th month	70	70	72	70	73	73	66	66	68	-479 bps
61st month	56	57	56	56	59	59	66	62	62	261 bps
LIC										
13th month	77	78	78	78	78	78	78	77	75	-282 bps
25th month	70	72	72	72	71	72	72	72	71	-1 bps
37th month	70	71	70	67	65	68	67	67	66	64 bps
49th month	64	65	65	65	66	67	66	63	62	-480 bps
61st month	62	63	63	62	61	62	61	62	63	224 bps

Source: Company, Kotak Institutional Equities

Cost ratios have declined for most players

Most private players have renegotiated commission structures with distributors, this likely resulted in decline in cost ratios. HDFC Life, ICICI Prudential and LIC reported 78-820 bps decline in cost/APE ratio. SBI Life was already operating at the lower end of commission rates; hence, they haven't revised their commission structures.

Cost ratios have declined for most players

Exhibit 21: Cost ratios, March fiscal year-ends, 4QFY24-4QFY25, 2020-2025 (%)

	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	YoY (%)	2020	2021	2022	2023	2024	2025	YoY (%)
Cost/APE (%)													
HDFC Life	24.6	29.9	28.2	27.2	23.8	-78 bps	25.4	23.6	24.0	27.3	26.2	26.7	53 bps
ICICI Prudential Life	21.7	32.5	27.1	24.8	20.0	-173 bps	15.8	14.7	18.5	21.4	23.3	25.0	166 bps
LIC	25.4	19.6	20.9	19.1	17.2	-820 bps	27.8	26.3	22.0	24.5	23.9	19.1	-477 bps
SBI Life	9.2	13.6	12.7	11.3	10.1	92 bps	11.8	10.2	10.8	11.9	11.5	11.7	16 bps
Cost/average AUM (%)													
HDFC Life	5.5	3.6	4.6	4.3	5.2	-30 bps	4.6	4.2	4.0	4.8	4.3	4.2	-1 bps
ICICI Prudential Life	3.5	2.6	2.9	2.6	3.2	-31 bps	2.8	2.3	2.4	2.6	2.9	2.9	5 bps
LIC	19.6	10.6	12.2	10.5	12.1	-752 bps	17.7	22.5	18.3	22.6	29.4	22.2	-715 bps
SBI Life	1.8	1.6	2.0	2.2	1.8	4 bps	2.7	2.2	2.1	2.3	2.6	2.5	-16 bps

Source: Company, Kotak Institutional Equities

All insurers under coverage have comfortable solvency ratio

Exhibit 22: Solvency ratio, March fiscal year-ends, 2012-2025 (%)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Axis Max Life	534	521	485	425	343	309	275	242	207	196	201	190	206	201
HDFC Life	188	217	194	196	198	192	192	188	184	201	176	203	187	194
ICICI Prudential Life	371	396	372	337	320	281	252	215	194	217	205	209	192	212
LIC	NA	NA	NA	NA	NA	NA	NA	160	155	176	185	187	198	211
SBI Life	534	215	228	216	212	204	206	213	195	215	205	215	196	196

Source: Company, Kotak Institutional Equities

Medium-term RoEV of 14-18% for private players

Exhibit 21 shows that private life insurance companies reported operating RoEV of 13% to 20% in FY2024. VNB contributed 42-56% to EVOP while unwinding contributed 41-63%. Private players will likely deliver 14-18% operating RoEV over FY2026-28E. We expect operating variance to be moderately positive over the medium term, driven largely by improvement in persistency. Unwinding rate will largely be stable in the range of 8.0-8.2% for all players. APE growth will likely remain moderate at 10-16% in FY2026E, picking up to 15-18% over FY2027-28E. VNB margin will likely remain stable for all private players as the product mix, the main driver of margins, is already optimized.

We expect RoEV of 14-18% for private insurers

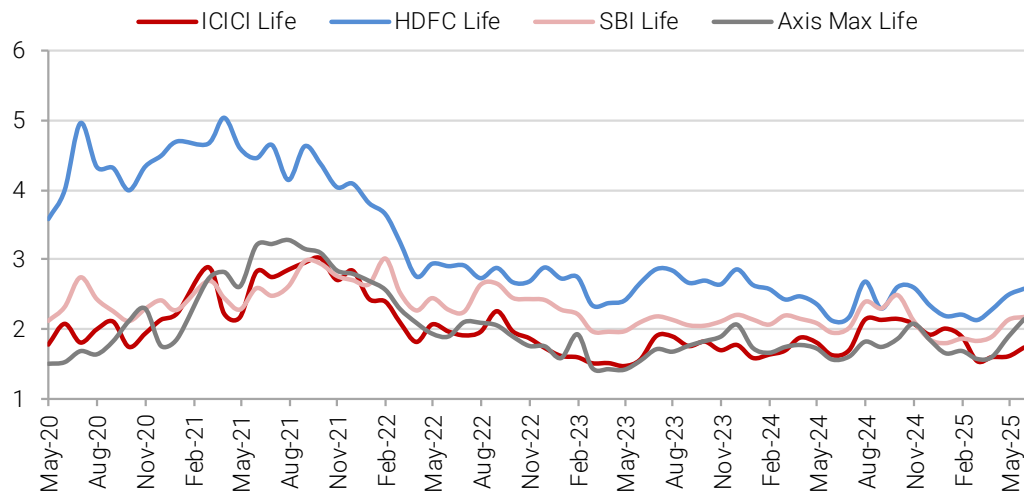
Exhibit 23: EV walk for life insurers, March fiscal year-ends, 2025-2028E

	Bajaj Allianz Life				HDFC Life				ICICI Prudential Life				LIC				Axis Max Life				SBI Life			
	2025	2026E	2027E	2028E	2025	2026E	2027E	2028E	2025	2026E	2027E	2028E	2025	2026E	2027E	2028E	2025	2026E	2027E	2028E	2025	2026E	2027E	2028E
EV walk (Rs bn)																								
Opening EV	217	238	268	302	475	554	645	752	423	479	549	628	7,273	7,769	8,869	9,548	195	252	296	348	583	703	832	980
EVOP	28	33	38	44	79	93	109	127	55	68	78	90	826	651	729	778	37	45	54	63	118	129	149	173
Unwinding	17	20	22	25	38	44	52	60	34	39	45	52	701	559	639	687	16	21	24	29	49	58	68	80
VNB (post-overrun)	12	13	15	18	40	47	55	65	24	28	33	38	100	92	90	91	21	25	29	34	60	68	78	89
Assumption/methodology changes	(1)	—	—	—	—	—	—	—	(3)	—	—	—	18—	—	—	—	—	—	—	—	2	—	—	—
Operating variance	(1)	1	1	1	1	2	2	2	0	1	1	1	7	—	—	—	—	—	—	—	7	3	3	3
Non-operating variances	(7)	(4)	(4)	(4)	0	(2)	(2)	(3)	1	1	1	1	(331)	450	(50)	(50)	20	(2)	(2)	(2)	2	1	(1)	6
Investment variance	(2)	1	1	1	4	3	3	3	(0)	2	2	2	(293)	500—	—	—	4	1	1	1	—	—	—	—
Economic assumption changes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	4	3	2	2
Dividend payouts/ESOPs	(5)	(5)	(5)	(5)	(3)	(5)	(5)	(6)	1	(1)	(1)	(1)	(38)	(50)	(50)	(50)	16	(2)	(2)	(2)	(2)	(3)	(3)	4
Closing EV	238	268	302	343	554	645	752	877	479	549	628	719	7,769	8,869	9,548	####	252	296	348	409	703	832	980	1,158
Key metrics																								
Unwinding rate (%)	8.0	8.2	8.2	8.2	8.1	8.0	8.0	8.0	8.0	8.2	8.2	8.2	7.1	7.2	7.2	7.2	8.3	8.2	8.2	8.2	8.4	8.2	8.2	8.2
Operating ROEV (%)	13	14	14	14	17	17	17	17	13	14	14	14	11	8	8	8	19	18	18	18	20	18	18	18
ROEV (%)	9.6	12.4	13.0	13.3	16.8	16.4	16.5	16.6	13.3	14.4	14.5	14.5	6.8	14.2	7.6	7.6	29.2	17.5	17.6	17.6	20.6	18.4	17.8	18.2
APE (Rs bn)	79	87	103	122	155	180	210	246	104	118	135	156	568	540	551	562	88	102	118	137	214	242	277	319
APE growth (%)	9.2	10.0	18.0	18.0	16.5	16.0	17.0	17.0	15.0	13.0	15.0	15.0	(0.2)	(5.0)	2.0	2.0	18.0	16.0	16.0	16.0	8.6	13.0	14.5	15.0
VNB margin (%)	14.5	14.7	15.0	15.0	25.6	26.0	26.3	26.6	22.8	23.8	24.2	24.3	17.6	17.0	16.4	16.2	24.0	24.4	24.8	25.0	27.8	28.1	28.0	28.0
Contributors to EVOP (%)																								
Unwinding	63	59	57	57	49	48	48	47	61	58	57	57	85	86	88	88	43	45	45	45	41	45	46	47
VNB	42	39	40	42	50	50	51	51	43	41	42	42	12	14	12	12	56	55	55	55	51	53	52	52

Source: Company, Kotak Institutional Equities estimates

Sharp bounce-back in valuations of HDFC Life and Axis Max Life

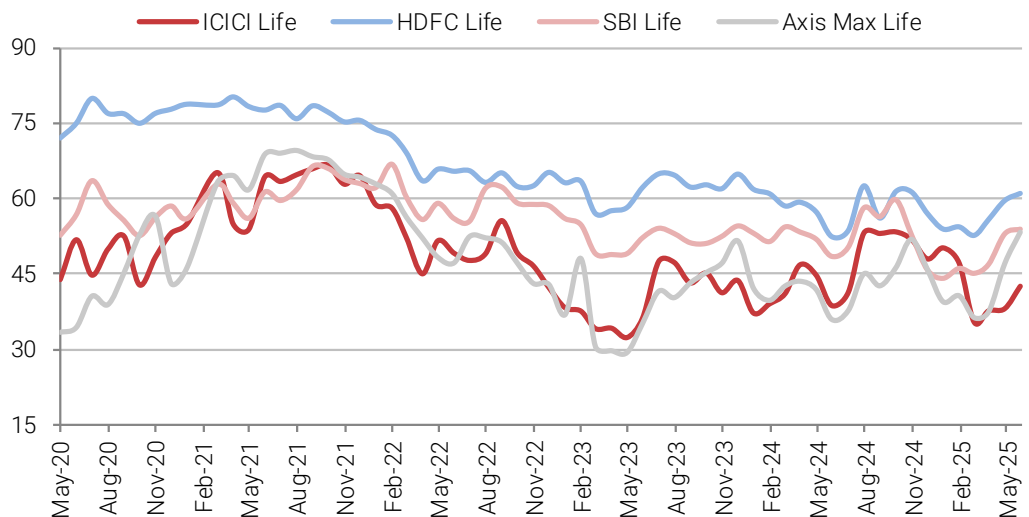
Exhibit 24: One-year forward rolling P/EV, May 2020-May 2025 (X)



Source: Company, Bloomberg, Kotak Institutional Equities estimates

Contribution of SV to AV has moderated for HDFC Life; range-bound for rest

Exhibit 25: Contribution of SV to AV, May 2020-May 2025 (X)



Source: Company, Bloomberg, Kotak Institutional Equities estimates

Exhibit 26: Valuation summary, March fiscal year-ends, 2025-2028E

	Rating	FV	Price	Market cap.		Embedded value (Rs bn)				Price/EV (X)				Price/VNB (X)				Operating RoEV (%)			
		(Rs)	(Rs)	(Rs bn)	(US \$bn)	2025	2026E	2027E	2028E	2025	2026E	2027E	2028E	2025	2026E	2027E	2028E	2025	2026E	2027E	2028E
HDFC Life	BUY	875	781	1,682	20	554	645	752	877	3.0	2.6	2.2	1.9	42	36	30	26	16.7	16.7	16.8	16.9
ICICI Prudential Life	BUY	790	668	966	11	479	549	628	719	2.0	1.8	1.5	1.3	41	35	30	26	13.1	14.2	14.3	14.3
LIC	BUY	1,260	944	5,974	70	7,769	8,869	9,548	10,276	0.8	0.7	0.6	0.6	60	65	66	66	11.4	8.4	8.2	8.2
LIC core			441	2,791	33	4,079	4,680	5,358	6,086	0.7	0.6	0.5	0.5	28	30	31	31	NA	NA	NA	NA
Max FS	BUY	1,540	1,490	514	6	252	298	348	409	2.8	2.4	2.1	1.7	34	29	24	21	19.1	18.0	18.1	18.0
SBI Life	ADD	1,825	1,825	1,829	21	703	832	980	1,158	2.6	2.2	1.9	1.6	31	27	24	21	20.2	18.3	17.9	17.6

Source: Company, Bloomberg, Kotak Institutional Equities estimates

NON-LIFE: WEAK GROWTH, MIXED TRENDS IN PROFITABILITY

GWP growth in the non-life industry was muted at 3.8% in 4QFY25, retail health and motor premium growth was also moderate at 6.8-7.3% yoy. Growth remains moderate for most listed players as well; Niva Bupa is an exception, delivering strong growth of 36% (without 1/n). Bajaj Allianz General stepped up, growing at 2X industry in the motor OD segment. This likely led to elevated combines ratio of 104.8% (up 320 bps yoy). ICICI Lombard was more measured, leading to 23-bps sequential moderation in combined ratio to 102.5% (up 26 bps yoy). Claims ratio remains elevated for Star Health at 69.2%, leading to combined ratio of 99.2% (up 642 bps yoy). Niva Bupa fares better with like-for-like claims ratio of 63.8% (IFRS).

Bajaj Allianz General reported sharp rise in combined ratio

Bajaj General (BAGIC) reported yoy flat GWP (ex-crop and govt health); even adjusting for the impact of 1/n rule growth, it was muted at 8% yoy versus 4% for the industry. Weakness in commercial lines (down 10% yoy) and group health (down 21%) were likely reasons for muted growth during the quarter. The company remains aggressive in motor with 16% growth versus 7% growth across the industry; while the loss ratio in the OD business was rangebound, a sharp (2,320 bps yoy) reduction likely reflects release from the TP pool. The health claims ratio declined 400 bps to 84.5%, as no government business was booked during the quarter. The crop/government business drives about 30% of the annual business, 18% in 4QFY25. With a higher share of retail businesses, overall claims ratio was down 290 bps to 65.4%, though high expenses/commissions led to a combined ratio of 104.8%, up 320 bps yoy.

ICICI Lombard reports stable claim ratios and moderate growth

The high growth in health insurance was offset by a weakness in the motor business and commercial lines, leading to a moderate 10% yoy GWP growth for the company. The combined ratio remains elevated at 102.5% (up 26 bps yoy) despite a 23-bps sequential moderation in 4QFY25. The claims ratio was elevated at 71.6%, as claims in motor business normalized from 3QFY25 trough (the lowest in 11 quarters). The expense ratio (commission and operating expenses) moderated to 30.9% from 36.9% in 3QFY25 and 33.6% in 4QFY24, as the share of the motor OD business (high commissions and expenses) tapered off. ICICI Lombard reported a sharp decline in the claims ratio of commercial lines (down 400-1,400 bps yoy) and a sharp rise in health and motor OD claims (up 600-1,000 bps yoy). Release from reserves has also been moderate at Rs3.5 bn. Investment yield declined sharply to 6.3% due to lower capital gains booked during the quarter. The company reported Rs18 bn of unrealized gains, up from Rs15 bn in 3QFY25 and Rs12 bn in 4QFY24.

Star Health reels under elevated claims

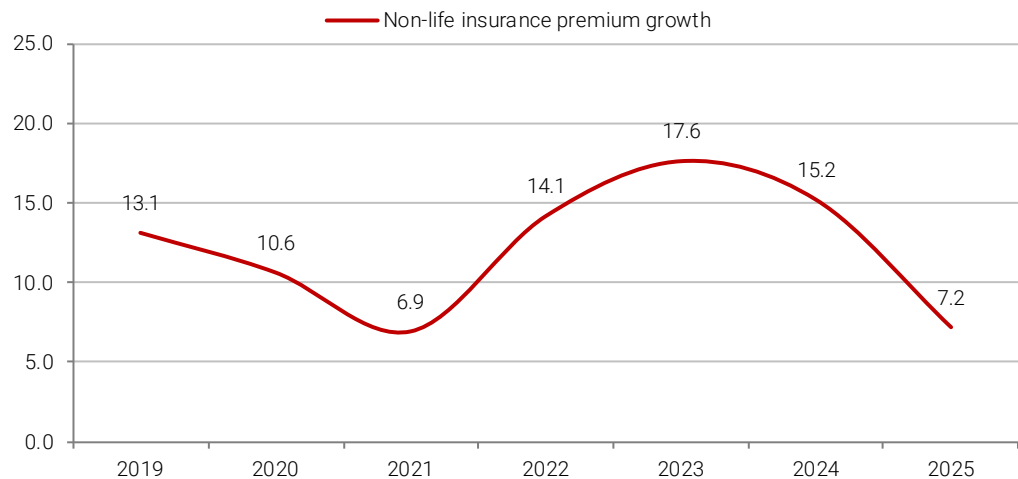
The GWP growth was muted at 3.4% yoy due to the impact of the 1/n rule, adjusting for which, growth would have been higher at 12-14% yoy. NEP growth was moderate at 11.9%. New business growth was strong at 33% in 4QFY25 and 25% in FY2025. Claims ratio remains elevated at 69.2% compared to 64.1% in 4QFY24 due to sustained medical inflation. Expense ratio is elevated at 29.9% (28.6% in 4QFY24) due to the impact of the 1/n rule. Expense ratio has moderated sequentially by ~200 bps. The combined ratio for the quarter was below 100% at 99.2% (up 642 bps yoy). Investment yield moderated to 6.4% from 7.3-8.6% in the previous three quarters. The investment book growth was strong at 15.5% yoy.

Niva Bupa delivers strong growth

GWP growth was strong at 36% (without 1/n) in 4QFY25, driven by strong ~60% yoy growth in group business. According to management, two key accounts were onboarded in the employer-employee segment during the quarter; resultantly, the share of employer-employee business is up to 13% from 10% earlier. Despite a sharp rise in employer-employee business (high claims), claims ratio moderated to 56.4% from 65.1% in 3QFY25. Overall expense ratio moderated to 36.4% from 43.1% in 3QFY25 and 38.9% in 4QFY24, likely driven by faster growth in the group business (lower operating expenses). The broker business was up 36% yoy likely buoyed by the large corporate business in FY2025. Bancassurance also grew fast at 24%. Growth in proprietary channels such as agents and direct was muted at 6-12%.

Premium growth was moderate at 7% in FY2025

Exhibit 27: Non-life insurance premium growth, March fiscal year-ends, 2019-2025 (%)



Source: IRDA, GI Council, Kotak Institutional Equities

PSUs have grown at a faster pace in commercial lines

Exhibit 28: Fire premium growth across insurers, April 2024-April 2025 (%)

	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
Bajaj Allianz	36	5	4	(3)	(1)	(10)	7	(12)	(6)	(10)	(13)	(9)	12
Cholamandalam MS	17	28	(18)	(7)	(6)	(0)	(37)	(28)	(43)	(11)	(24)	11	2
Go Digit	22	(1)	(21)	34	(29)	(20)	(23)	(19)	(36)	23	1	(15)	44
HDFC ERGO General	29	20	13	(2)	(2)	(12)	(27)	(32)	(35)	(14)	(12)	(13)	3
ICICI -Lombard	9	17	(10)	(8)	(0)	(29)	(31)	(34)	(14)	(4)	10	(2)	14
IFFCO -Tokio	(6)	(6)	(13)	(11)	3	(27)	(31)	(23)	5	(6)	28	12	21
New India	(1)	(13)	(12)	4	(28)	(7)	(42)	(39)	(3)	6	8	2	34
Reliance General	23	(3)	(34)	(8)	2	(36)	5	6	(49)	(3)	25	(8)	13
Royal Sundaram	(21)	22,481	27	(43)	(15)	(5)	1	(10)	(22)	36	21	8	14
SBI General	34	7	9	(19)	(14)	(12)	(33)	(48)	(32)	(36)	(35)	(16)	30
Shriram General	23	20	12	37	2	6	(5)	(37)	(38)	(15)	(18)	(17)	28
Tata-AIG	8	10	(6)	15	(3)	(33)	(13)	(41)	(48)	(20)	(10)	(8)	(17)
United India	5	(4)	(22)	(55)	(13)	(11)	14	(17)	(22)	7	(16)	2	23
Universal Sampo	23	9	(36)	(15)	111	16	(43)	(6)	(5)	84	(11)	(13)	54
Total	13	4	(8)	(9)	(7)	(17)	(24)	(27)	(17)	(2)	(5)	1	16
Total (PSU)	3	(9)	(12)	(16)	(17)	(12)	(32)	(27)	(4)	9	0	6	29
Total (private)	17	14	(5)	(5)	(2)	(19)	(19)	(27)	(27)	(6)	(8)	(4)	11

Source: IRDA, GI Council, Kotak Institutional Equities

PSUs have grown at a faster pace in motor business

Exhibit 29: Motor premium growth across insurers, April 2024-April 2025 (%)

	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
Acko General	36	31	29	33	24	24	18	12	17	18	11	19	15
Bajaj Allianz	28	(1)	(3)	7	2	4	12	(5)	11	19	8	19	1
Cholamandalam MS	(1)	2	9	8	12	12	26	20	17	16	(3)	(4)	6
Go Digit	1	8	14	11	1	6	17	1	7	7	(1)	12	26
HDFC ERGO General	11	(2)	(9)	(15)	(31)	(50)	(52)	(57)	(60)	(63)	(62)	(46)	(40)
ICICI -Lombard	33	29	18	24	18	7	21	4	3	7	(4)	(3)	9
IFFCO -Tokio	(10)	(23)	(26)	(17)	(21)	(32)	10	(5)	12	19	38	20	9
New India	6	9	(5)	5	3	5	20	10	17	20	12	17	20
Reliance General	43	23	0	5	11	(3)	6	5	6	5	(4)	3	(9)
Royal Sundaram	20	12	7	6	0	1	3	(3)	(10)	(19)	(24)	(13)	(3)
SBI General	129	124	92	71	47	18	27	1	(4)	16	20	16	23
Shriram General	42	39	23	17	14	16	28	27	26	33	23	24	32
Tata-AIG	1	7	9	17	25	23	33	30	35	38	21	23	19
United India	33	23	12	20	13	7	16	9	(0)	13	19	25	37
Universal Sampo	39	39	14	(0)	(29)	(25)	7	31	5	31	3	12	10
Total	18	13	6	10	6	2	13	4	5	10	3	7	11
Total (PSU)	11	6	(3)	8	5	6	14	7	10	19	15	18	25
Total (private)	21	15	9	11	6	1	13	2	4	7	(2)	3	6

Source: IRDA, GI Council, Kotak Institutional Equities

Health growth affected by 1/n rule; motor growth remains muted

Exhibit 30: Growth in premiums (ex-crop), March fiscal year-ends, 2019-2025, 4QFY24-4QFY25 (%)

	2019	2020	2021	2022	2023	2024	2025	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Overall insurance industry	13	11	7	14	18	15	7	13	14	4	8	4
Multi-line private	23	16	6	15	20	19	6	15	16	3	6	0
Bajaj Allianz General	26	7	(3)	16	8	41	9	21	24	(18)	53	(5)
ICICI Lombard	21	13	5	6	16	17	8	22	20	9	(1)	2
Others	23	19	7	18	23	16	5	13	14	7	1	0
Multi-line PSU	2	3	4	8	12	7	5	4	6	(1)	9	7
Standalone health	39	30	32	33	26	26	16	28	25	25	8	10
Star Health	30	27	36	23	13	18	10	18	18	16	5	3
Others	54	35	25	48	41	34	21	37	31	32	10	17
Retail health industry	16	12	28	17	15	19	12	20	19	18	7	7
Multi-line private	9	2	22	14	18	16	9	15	13	18	2	4
Bajaj Allianz General	15	14	16	4	6	11	13	11	12	19	4	14
ICICI Lombard	(10)	(38)	25	17	17	20	25	22	13	41	19	25
Others	15	11	23	15	20	17	5	15	14	14	(1)	(1)
Multi-line PSU	8	5	15	2	(0)	10	7	12	11	6	6	7
Standalone health	30	27	42	28	22	24	15	25	24	23	9	9
Star Health	29	25	40	23	18	17	10	16	15	15	7	7
Others	34	29	47	39	30	36	22	40	38	35	12	11
Motor	9	7	(2)	4	15	13	8	10	12	6	8	7
Multi-line private	21	14	2	9	18	15	7	12	15	6	6	3
Bajaj Allianz General	17	8	(10)	3	10	9	8	(2)	7	4	6	16
ICICI Lombard	20	9	1	(1)	4	12	11	27	26	16	9	0
Others	21	17	4	13	23	16	6	12	14	5	6	2
Multi-line PSU	(5)	(3)	(9)	(6)	9	9	10	3	4	6	11	17

Source: Company, Kotak Institutional Equities

Bajaj Allianz and ICICI Lombard continue to report >100% combined ratio

Exhibit 31: Combined ratio break-up across players, March fiscal year-ends, 2018-2025, 4QFY24-4QFY25 (%)

	2018	2019	2020	2021	2022	2023	2024	2025	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Bajaj Allianz General													
Net incurred claims ratio	66.7	68.6	70.7	68.5	73.0	72.9	73.8	74.6	70.3	77.1	79.7	77.7	62.9
Net commission ratio	4.7	4.8	1.1	0.7	1.2	(4.4)	6.7	6.0	NA	NA	NA	NA	NA
Operating expense ratio	21.4	23.2	28.9	27.8	25.4	32.0	19.3	19.3	NA	NA	NA	NA	NA
Combined ratio	92.8	96.7	100.8	96.9	99.6	100.5	99.9	99.9	101.6	103.7	101.4	101.1	104.8
ICICI Lombard													
Net incurred claims ratio	76.9	75.3	72.9	68.6	75.1	72.4	70.8	70.6	68.6	74.0	71.4	65.8	71.6
Net commission ratio	(3.6)	2.3	3.8	5.6	4.7	3.0	17.0	18.4	19.9	15.0	17.5	22.9	18.7
Operating expense ratio	26.9	20.9	23.8	25.6	29.1	29.1	15.5	13.7	13.7	13.3	15.6	14.0	12.1
Combined ratio	100.2	98.5	100.4	99.8	108.8	104.5	103.3	102.8	102.2	102.3	104.5	102.7	102.5
Star Health													
Net incurred claims ratio	61.8	64.2	65.8	87.0	87.1	65.0	66.5	70.3	64.1	67.6	72.8	71.4	69.2
Net commission ratio	4.3	6.4	6.5	8.2	13.8	13.7	13.2	14.4	14.3	13.5	13.8	14.1	15.8
Operating expense ratio	27.0	23.7	20.9	19.6	17.0	16.7	17.0	16.4	14.4	18.1	16.4	17.7	14.2
Combined ratio	93.0	94.3	93.2	114.8	117.9	95.3	96.7	101.1	92.8	99.2	103.0	103.3	99.2

Source: Company, Kotak Institutional Equities

Claims have moderated

Exhibit 32: Segmental claims, March fiscal year-ends, 2019-2025 (%)

	Bajaj Allianz General							ICICI Lombard						
	2019	2020	2021	2022	2023	2024	2025	2019	2020	2021	2022	2023	2024	2025
Fire	74.4	68.0	54.5	57.1	35.2	47.4	46.6	83.2	64.0	63.7	53.1	49.3	62.2	46.8
Marine	94.0	67.3	66.0	64.0	65.1	60.3	70.2	84.0	65.3	83.3	77.6	72.4	73.4	79.8
Motor OD	60.0	67.7	54.0	65.1	70.5	63.6	65.8	59.2	68.9	62.2	68.1	72.6	63.5	65.2
Motor TP	64.5	64.5	78.1	71.2	77.2	78.4	71.1	90.8	84.4	69.7	74.0	72.2	66.8	63.2
Engineering	43.5	52.8	36.1	49.7	39.9	41.7	30.4	37.1	40.7	57.7	69.3	55.1	63.8	36.8
Health	89.5	85.6	81.7	96.1	77.9	87.9	90.0	73.5	69.9	78.0	91.7	77.3	78.9	82.2
Overall	68.6	70.7	68.5	73.0	72.9	73.8	74.6	75.3	72.9	68.6	75.1	72.4	70.8	70.6

Source: Company, Kotak Institutional Equities

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ADD. We expect this stock to deliver 5-15% returns over the next 12 months.

REDUCE. We expect this stock to deliver -5+5% returns over the next 12 months.

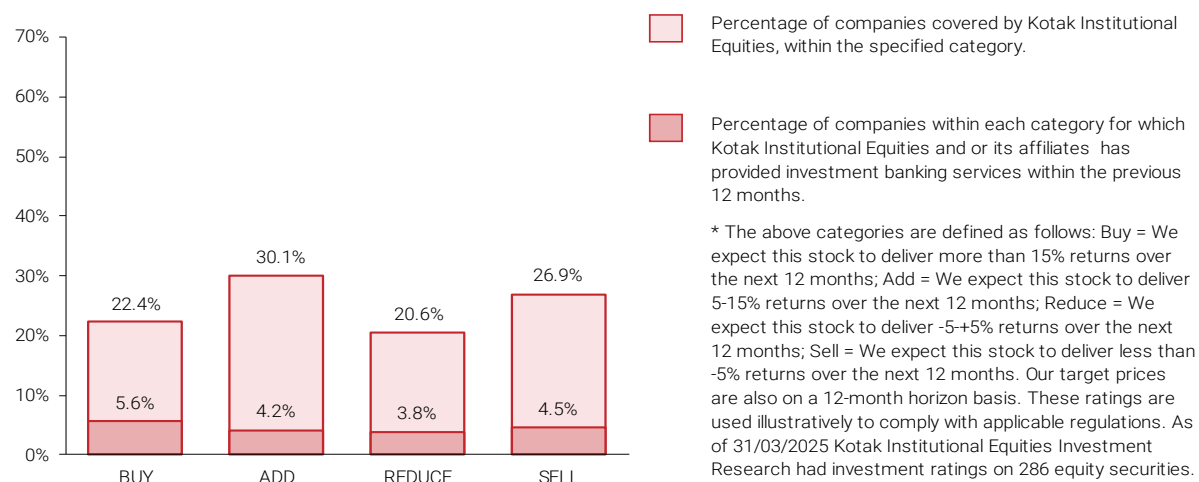
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