

India Insurance



2QFY26 Preview: All eyes on 2H growth

Private life insurers reported 8% YoY growth over Jul-Aug'25. We expect a slight pickup in September and a stronger 2H, given GST cuts and normalising base of both individual business and credit life. As far as margins are concerned, while falling deposit rates and rising G-sec yields bode well, GST cuts should keep margins in check. We expect YoY VNB growth of 14%/12%/11%/6%/2% for Axis Max Life/HDFC Life/SBI life/LIC/IPRU in 2Q. Amongst general insurers, we prefer ICICI Lombard – we expect it to report 8% YoY and flat QoQ results at INR 7.5bn, with a combined ratio of 104.9%. We expect Star Health to report a 150bps YoY improvement in claims ratio; however, with weak investment income, we expect PAT of INR 0.9bn. These are good outcomes in a quarter affected by monsoon and monsoon-borne diseases. We prefer life insurers, led by HDFC Life and IPRU, as we expect growth to return to double digits in 2HFY26, even with a quarter of sub-par margins.

■ **Despite near-term profitability pressures, we expect life insurers to do well on growth front:**

Over July-August, private life insurers reported a YoY growth of 8% in individual APE, sluggish with expectation of GST cuts. Channel checks indicate strong growth post 22nd Sep.; however, full quarter growth in total APE is expected to remain range-bound at 15%/15%/13%/9% for Axis Max Life/HDFC Life/SBI life/LIC while IPRU is expected to report flat total APE. On the margins front, the quarter was fundamentally strong with deposit rates falling with a rise in G-sec yields. However, the impact of ITC (Input Tax Credit) following the GST cut is expected to weigh on margins. We expect margins to remain flat YoY for HDFC Life while we expect IPRU, LIC and SBI life to report ~1pp improvement YoY. Hence, we expect VNB growth of 14%/12%/11%/6%/2% for Axis Max Life/HDFC Life/SBI life/LIC/IPRU. We expect pressure on profitability in 3Q as well, before insurers can adjust their product portfolio to align with GST 2.0. At current valuations, we prefer HDFC Life for an expected 18% VNB CAGR over FY25-FY27e. We also like IPRU, which has shown strong margin performance despite weak growth. We expect the stock to do well hereon as it returns to growth from Dec'25 (with its base normalising).

■ **General insurers to see weak profitability growth:** Over July-August, Star Health has grown in line with the industry at 2% YoY, while ICICI Lombard has seen 5% contraction in gross direct premiums. We expect NEP (Net Earned Premiums) to grow 12%/12%YoY for ICICIGI/Star Health. We expect loss ratio to improve by 40bps YoY for ICICIGI (to 71.0%) and 150bps for Star Health (to 71.3%). Without accounting for any surprise in investment income in 2Q26, we build in PAT of INR 7.5bn for ICICIGI (+8% YoY) and INR 0.9bn for Star Health (-23% YoY). As the base gets adjusted for 1/n with effect from 1st Oct'25, reported growth for the sector will improve. We like SAHIs for the strong growth in health insurance and the recent pass-through of ITC impact to intermediaries. However, we remain circumspect on claims performance in the near term for Star Health, while we expect a sharp rerating once the claims ratio improves with the price rise taken over the last year getting earned. With strong growth in fire and expectation of an improvement in motor growth, with GST 2.0 and potential hike in motor TP rates, we see a potential uptick in growth for ICICI Lombard, which is the key as the company is already delivering strong 19%+ RoEs.

■ **Valuations and view – continue to prefer life insurers over general insurance names:** With higher growth and supporting macros (expanding spread between deposit rates and G-sec yields) and an uptick in growth with GST 2.0, supported by a normalising base in 2HFY26, we expect life insurers to do well, as concerns around profitability are incrementally addressed, with product innovations. We prefer HDFC Life and IPRU in the space. In general insurance, we expect strong headline growth to support stock prices post November. At CMP, we prefer ICICI Lombard in the space.

Raghvesh

raghvesh@jmfll.com | Tel: (91 22) 66303099

Ajit Kumar

ajit.k@jmfll.com | Tel: (91 22) 66303489

Shreyas Pimple

shreyas.pimple@jmfll.com | Tel: (91 22) 66301881

Mayank Mistry

mayank.mistry@jmfll.com | Tel: (91 22) 62241877

Sunita Nayak

sunita.nayak@jmfll.com | Tel: (91 22) 66301889

Shubham Karvande

shubham.karvande@jmfll.com | Tel: (91 22) 66303696

Arun Nalkara

arun.nalkara@jmfll.com | Tel: (91 22) 69703640

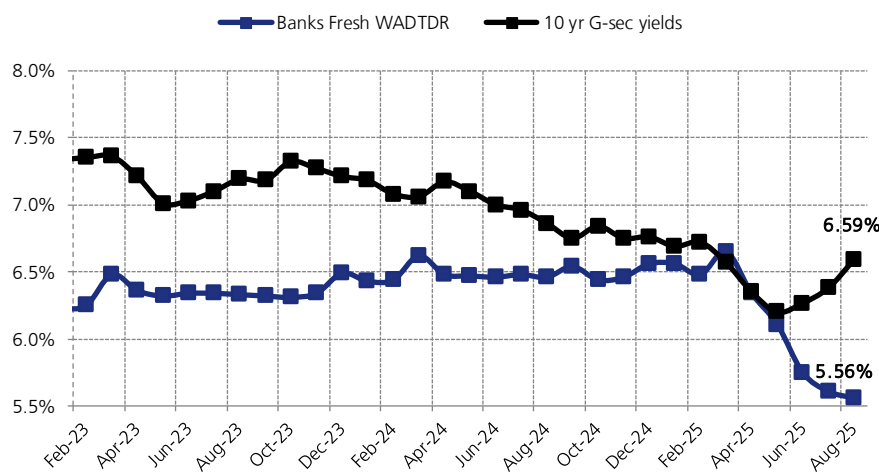
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Life Insurance

In July-August, private life insurers reported a YoY growth of 8% in individual APE, sluggish with expectation of GST cuts. Channel checks indicate strong growth post 22nd Sep; however, full quarter growth in total APE is expected to remain range-bound at 15%/15%/13%/9% for Axis Max Life/HDFC Life/SBI life/LIC while IPRU is expected to report flattish total APE. On the margin front, the quarter was fundamentally strong with deposit rates falling with a rise in G-sec yields. However, the impact of ITC (Input Tax Credit) following the GST cut is expected to weigh on margins. We expect margins to remain flat YoY for HDFC Life while we expect IPRU, LIC and SBI life to report ~1pp improvement YoY. Hence, we expect VNB growth of 14%/12%/11%/6%/2% for Axis Max Life/HDFC Life/SBI life/LIC/IPRU. We expect pressure on profitability in 3Q as well, before insurers can adjust their product portfolio to align with GST 2.0. At current valuations, we prefer HDFC Life for an expected 18% VNB CAGR over FY25-FY27e. We also like IPRU, which has shown strong margin performance despite weak growth. We expect the stock to do well hereon as it returns to growth from Dec'25 (with its base normalising).

Exhibit 1. Falling fresh deposit rates with rising G-sec yields provides pricing flexibility



Source: RBI, JM Financial

Exhibit 2. Aug'25: Private players grow 1.3% YoY, LIC growth contracted by 5.1% YoY in individual APE

(INR mn)	Individual APE				2 year CAGR		Private market share (%)			
	Aug-25	YoY (%)	YTD	YoY growth	Aug-25	YTD	Aug-25	YTD	Aug-25	Aug-24
Industry	95,360	-0.6%	426,046	4.8%	4.7%	10.8%				
Total Private	68,615	1.3%	300,094	8.1%	7.8%	15.2%				
LIC	26,745	-5.1%	125,952	-2.4%	-2.1%	2.0%				
SBI Life	15,277	-4.1%	67,944	5.1%	-0.2%	10.5%	22.3%	22.6%	22.3%	23.5%
HDFC Life	11,017	0.7%	51,541	11.6%	5.1%	20.1%	16.1%	17.2%	16.1%	16.2%
Tata AIA	6,977	12.8%	32,376	19.8%	13.7%	19.0%	10.2%	10.8%	10.2%	9.1%
ICICI Prudential	5,917	-13.1%	26,016	-10.9%	6.0%	12.0%	8.6%	8.7%	8.6%	10.1%
Axis Max Life	7,445	15.9%	30,035	19.0%	17.8%	23.9%	10.9%	10.0%	10.9%	9.5%
Bajaj Allianz	5,602	-5.6%	24,027	-4.6%	7.5%	11.3%	8.2%	8.0%	8.2%	8.8%
Birla Sunlife	3,081	3.7%	14,483	20.5%	16.3%	22.8%	4.5%	4.8%	4.5%	4.4%
Kotak Mahindra	1,941	12.0%	8,187	11.7%	2.5%	10.5%	2.8%	2.7%	2.8%	2.6%
PNB MetLife	1,991	-32.8%	8,163	-5.5%	7.6%	6.2%	2.9%	2.7%	2.9%	4.4%
Star Union Dai-ichi	986	-31.8%	4,499	-15.6%	-9.4%	0.3%	1.4%	1.5%	1.4%	2.1%
IndiaFirst	1,501	35.1%	5,324	38.3%	3.2%	-2.5%	2.2%	1.8%	2.2%	1.6%
Reliance Life	785	7.4%	3,816	-0.5%	4.2%	-2.3%	1.1%	1.3%	1.1%	1.1%
Shriram Life	1,073	14.3%	4,214	10.5%	30.5%	29.9%	1.6%	1.4%	1.6%	1.4%
Bharti Axa Life	483	9.9%	1,897	-4.7%	1.2%	-3.8%	0.7%	0.6%	0.7%	0.6%
Ageas Federal Life	791	2.3%	3,451	17.2%	12.8%	30.4%	1.2%	1.1%	1.2%	1.1%
Edelweiss Tokio	448	19.5%	1,638	10.1%	6.2%	9.9%	0.7%	0.5%	0.7%	0.6%
Future Generali Life	698	210.6%	1,761	89.6%	66.6%	38.3%	1.0%	0.6%	1.0%	0.3%
Aviva	114	2.7%	479	-11.3%	-8.6%	-22.0%	0.2%	0.2%	0.2%	0.2%
DHFL Pramerica	281	45.1%	1,238	37.3%	47.5%	44.4%	0.4%	0.4%	0.4%	0.3%
Bandhan Life	250	922.4%	1,019	1063.4%	484.9%	566.8%	0.4%	0.3%	0.4%	0.0%

Source: IRDAI, JM Financial

Exhibit 3. Average ticket size continues to grow for all listed players, except IPRU Life

ATS - ind regular (INR)	FY18	FY24	CAGR FY18-FY24	FY25	FY25, YoY (%)	Aug-25 YTD	YoY growth
LIC	13,046	17,214	4.7%	19,880	15.5%	22,041	13.4%
SBI Life	54,570	76,221	5.7%	87,866	15.3%	87,170	8.8%
HDFC Life	45,289	97,567	13.6%	105,463	8.1%	112,430	15.3%
ICICI Prudential	89,177	116,530	4.6%	125,873	8.0%	105,320	-12.0%
Max Life	57,265	97,129	9.2%	104,721	7.8%	95,464	8.5%
Bajaj Allianz	45,305	84,720	11.0%	90,700	7.1%	90,750	13.8%
Industry	22,536	37,350	8.8%	44,560	19.3%	46,650	16.2%

Source: IRDAI, JM Financial

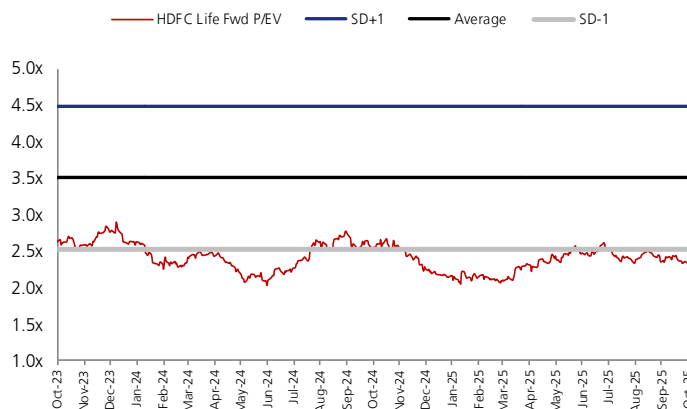
Exhibit 4. Life insurance companies - estimates for 2QFY26

Company	Individual APE (INR mn)				Total APE (INR mn)				VNB (INR mn)				VNB margins (%)			
	2Q25	1Q26	2Q26e	YoY (%)	2Q25	1Q26	2Q26e	YoY (%)	2Q25	1Q26	2Q26e	YoY (%)	2Q25	1Q26	2Q26e	YoY (bps)
Max Fin	21,450	16,410	24,611	14.7%	21,750	16,680	24,901	14.5%	5,120	3,350	5,839	14.0%	23.5%	20.1%	23.5%	-9
HDFC Life	33,970	27,770	38,493	13.3%	38,580	32,250	43,473	12.7%	9,380	8,090	10,500	11.9%	24.3%	25.1%	24.2%	-16
SBI Life	49,500	35,200	51,975	5.0%	53,900	39,700	58,795	9.1%	14,500	10,900	16,147	11.4%	26.9%	27.5%	27.5%	56
IPRU Life	21,610	15,110	20,530	-5.0%	25,040	18,640	24,989	-0.2%	5,860	4,570	5,988	2.2%	23.4%	24.5%	24.0%	56
LIC of India	114,160	70,610	119,868	5.0%	164,650	126,510	175,407	6.5%	29,410	19,440	31,282	6.4%	17.9%	15.4%	19.1%	120

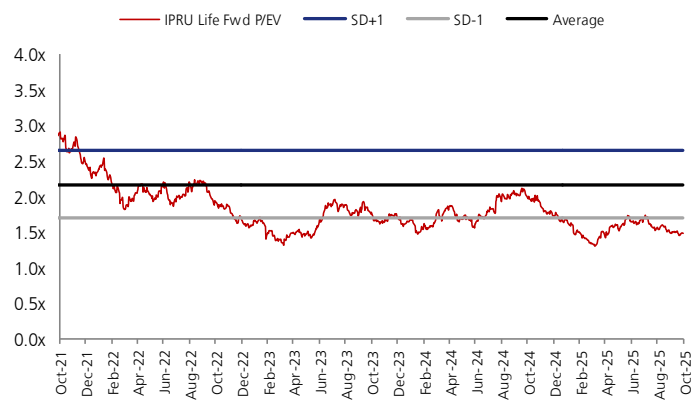
Source: Company, JM Financial

Exhibit 5. Valuation comps for life insurance companies under JMFL coverage

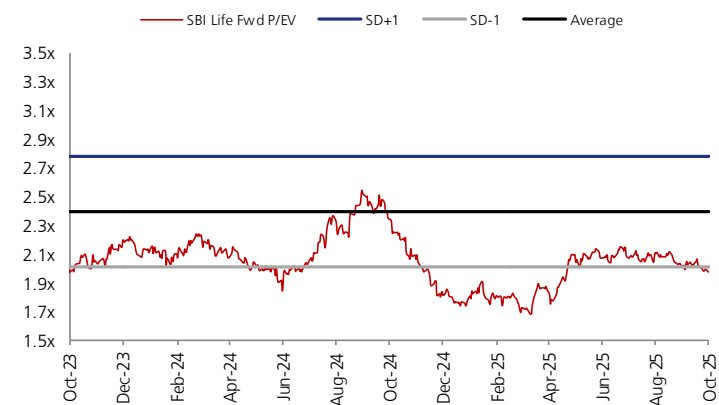
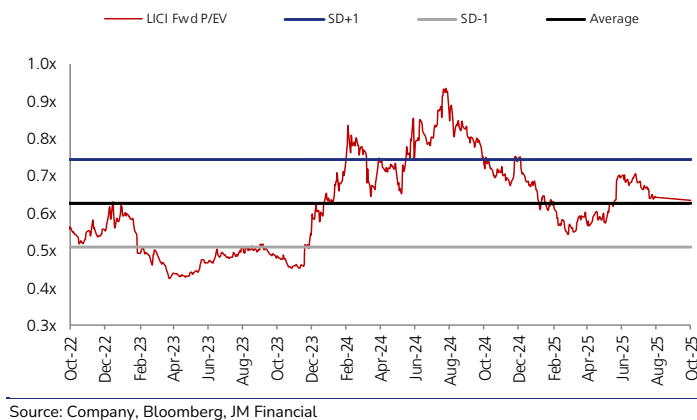
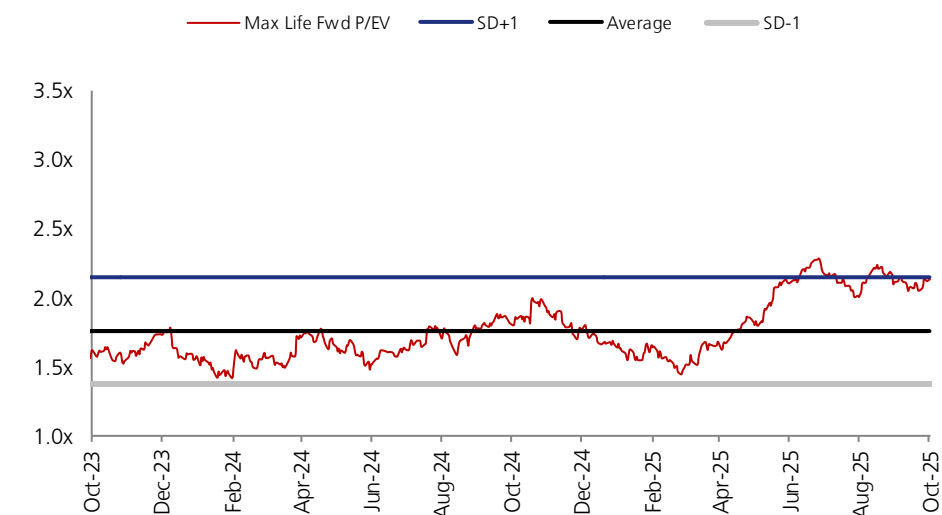
Company	Mkt cap	TP	Reco.	VNB margins (%)			P/EVOPx			P/EVx			EV growth (%)		
	USD bn			FY26e	FY27e	FY28e	FY26e	FY27e	FY28e	FY26e	FY27e	FY28e	FY26e	FY27e	FY28e
Max Fin	6.2	1,800	BUY	25.0%	25.5%	26.0%	14.6	12.4	10.5	2.3	1.9	1.6	18%	18%	18%
HDFC Life	18.5	855	BUY	25.7%	26.2%	27.0%	17.9	15.4	13.1	2.5	2.2	1.9	16%	16%	16%
SBI Life	20.0	2,222	BUY	28.0%	28.2%	28.5%	14.0	12.3	10.6	2.2	1.8	1.6	18%	17%	17%
IPRU Life	9.8	760	BUY	24.2%	24.5%	25.0%	13.3	10.9	9.7	1.6	1.4	1.2	13%	14%	14%
LIC of India	64.7	1,111	BUY	18.4%	18.9%	19.2%	7.2	6.9	6.3	0.7	0.6	0.6	10%	8%	9%

Source: Company, Bloomberg, JM Financial as on 6th Oct, 25**Exhibit 6. HDFC Life – 1 year forward P/EV valuation chart**

Source: Company, Bloomberg, JM Financial

Exhibit 7. IPRU Life – 1 year forward P/EV valuation chart

Source: Company, Bloomberg, JM Financial

Exhibit 8. SBI Life – 1 year forward P/EV valuation chart**Exhibit 9. LIC of India – 1 year forward P/EV valuation chart****Exhibit 10. Max Fin – 1 year forward P/EV valuation chart**

General Insurance

Over July-August, Star Health has grown in line with the industry at 2% YoY, while ICICI Lombard has seen 5% contraction in gross direct premiums. We expect NEP (Net Earned Premiums) to grow 12%/12%YoY for ICICIGI/Star Health. We expect loss ratio to improve by 40bps YoY for ICICIGI (to 71.0%) and 150bps for Star Health (to 71.3%). Without accounting for any surprise in investment income in 2Q26, we build in PAT of INR 7.5bn for ICICIGI (+8% YoY) and INR 0.9bn for Star Health (-23% YoY). As the base gets adjusted for 1/n with effect from 1st Oct'25, reported growth for the sector will improve. We like SAHIs for the strong growth in health insurance and the recent pass-through of ITC impact to intermediaries. However, we remain circumspect on claims performance in the near term for Star Health, while we expect a sharp rerating once the claims ratio improves with the price rise taken over the last year getting earned. With strong growth in fire and expectation of an improvement in motor growth, with GST 2.0 and potential hike in motor TP rates, we see a potential uptick in growth for ICICI Lombard, which is the key as the company is already delivering strong 19%+ RoEs.

Exhibit 11. YTD growth for industry and listed players

Growth (% YoY) – YTD	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
Industry													
Fire	2.1%	0.0%	-3.1%	-5.1%	-6.3%	-5.8%	-5.8%	-5.3%	16.0%	16.4%	17.1%	19.1%	19.4%
Health	11.6%	8.9%	13.9%	12.3%	10.9%	10.4%	9.3%	8.9%	10.8%	10.2%	8.1%	6.7%	7.9%
Motor	10.3%	8.9%	9.6%	8.8%	8.4%	8.6%	8.0%	7.9%	11.1%	9.7%	8.7%	8.0%	7.5%
Crop	10.0%	-4.5%	2.1%	6.2%	5.8%	5.3%	3.9%	-0.2%	228.8%	33.6%	-37.5%	-36.3%	-34.9%
Others	15.6%	13.6%	16.5%	13.0%	9.7%	9.5%	5.8%	7.1%	15.7%	5.0%	11.6%	13.7%	12.6%
Total	10.5%	7.0%	9.9%	9.0%	7.8%	7.7%	6.6%	6.2%	13.4%	10.4%	9.0%	7.1%	6.0%
ICICIGI													
Fire	2.9%	0.1%	-4.2%	-7.1%	-7.7%	-7.1%	-6.1%	-6.0%	14.2%	11.2%	10.3%	13.3%	13.8%
Health	23.7%	20.8%	16.6%	14.0%	13.2%	13.5%	12.9%	12.3%	6.3%	3.9%	2.5%	2.9%	3.2%
Motor	24.0%	20.9%	20.9%	18.0%	16.1%	15.1%	13.2%	11.5%	8.6%	5.9%	3.2%	1.5%	1.3%
Crop	19.7%	21.8%	23.1%	23.9%	20.9%	21.5%	22.0%	21.3%	18.2%	88.9%	-92.0%	-57.7%	-45.3%
Others	8.9%	8.4%	10.7%	5.8%	4.4%	4.5%	3.3%	2.7%	-3.9%	-1.2%	-1.2%	-4.5%	-4.1%
Total	17.5%	15.5%	14.3%	11.6%	10.3%	10.0%	9.1%	8.3%	6.7%	5.1%	0.6%	-2.3%	-1.5%
Bajaj Allianz													
Fire	16.1%	13.4%	12.4%	10.8%	9.5%	7.0%	5.6%	4.8%	12.3%	14.3%	16.3%	16.8%	16.1%
Health	-20.2%	-16.3%	32.4%	30.8%	26.2%	19.1%	17.8%	16.6%	-9.8%	-5.5%	-4.5%	-20.2%	-10.1%
Motor	6.0%	5.6%	6.7%	5.2%	5.9%	7.2%	7.4%	8.4%	0.6%	13.2%	16.8%	17.0%	16.7%
Crop	-12.7%	-25.9%	-39.4%	-22.4%	-16.9%	-19.2%	-16.5%	-26.1%	-340.7%	-1371.4%	705.6%	152.9%	6.5%
Others	16.8%	16.4%	11.7%	5.8%	0.7%	0.1%	-3.4%	-1.8%	-4.7%	-3.8%	2.6%	6.8%	8.3%
Total	-3.9%	-4.5%	11.8%	11.8%	10.1%	7.3%	6.4%	4.6%	0.6%	7.0%	9.6%	2.0%	5.3%
Go Digit													
Fire	7.3%	4.8%	1.5%	0.1%	-2.8%	0.0%	0.0%	-0.6%	44.1%	53.0%	48.9%	52.9%	52.7%
Health	0.5%	-2.9%	-1.2%	-2.1%	1.1%	1.6%	-2.3%	-6.1%	-20.9%	-15.7%	-10.5%	1.5%	3.3%
Motor	7.0%	6.9%	8.7%	7.6%	7.4%	7.4%	6.6%	7.2%	26.3%	19.7%	14.9%	13.5%	13.1%
Total	12.7%	11.5%	10.9%	9.1%	8.7%	8.6%	7.3%	6.7%	12.4%	5.6%	7.3%	11.7%	12.0%

Source: IRDAI, JM Financial

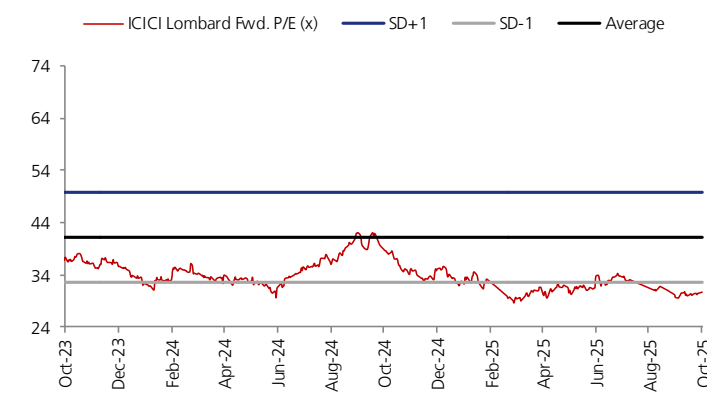
Exhibit 12. General insurance companies - estimates for 2QFY26

Earnings Table (INR mn)	ICICI Lombard					Star Health				
	2Q25	1Q26	2Q26	YoY (%)	QoQ (%)	2Q25	1Q26	2Q26	YoY (%)	QoQ (%)
Net earned premiums	50,256	51,361	56,035	11.5%	9.1%	37,039	39,383	42,496	14.7%	7.9%
Net claims incurred	35,870	37,501	39,785	10.9%	6.1%	26,959	27,390	30,300	12.4%	10.6%
Net commissions	8,447	9,408	9,641	14.1%	2.5%	5,489	5,078	6,312	15.0%	24.3%
Opex re. to insurance business	7,548	7,384	8,025	6.3%	8.7%	6,538	6,197	7,192	10.0%	16.1%
Underwriting result	-1,609	-2,931	-1,416	-12.0%	-51.7%	-1,947	717	-1,308	-32.8%	-282.3%
Investment income	8,463	9,427	8,579	1.4%	-9.0%	2,084	1,766	1,876	-10.0%	6.2%
Other income	-212	45	0	100.0%	100.0%	19	4	19	0.0%	438.9%
Operating Profit	6,642	6,541	7,163	7.8%	9.5%	156	2,486	587	275.5%	-76.4%
Investment income-Shareholders' A/C	2,755	3,167	2,851	3.5%	-10.0%	1,461	1,180	1,315	-10.0%	11.4%
Profit before tax	9,190	9,937	10,014	9.0%	0.8%	1,488	3,520	1,141	-23.3%	-67.6%
Taxes	2,251	2,466	2,520	12.0%	2.2%	-375	-895	-287	-23.4%	-67.9%
Profit after taxes	2,251	2,466	2,520	12.0%	2.2%	1,113	2,625	854	-23.3%	-67.5%
Loss ratio	71.4%	73.0%	71.0%	-0.4%	-2.8%	72.8%	69.5%	71.3%	-2.0%	2.5%
EOM to NWP	33.1%	29.9%	33.9%	0.8%	13.3%	30.3%	32.6%	31.0%	2.4%	-5.0%
Combined ratio	104.5%	102.9%	104.9%	0.4%	1.9%	103.0%	102.2%	103.7%	0.7%	1.5%
RoE	21.7%	20.5%	19.2%	-2.5%	-6.3%	19.6%	19.6%	19.6%	0.0%	0.0%

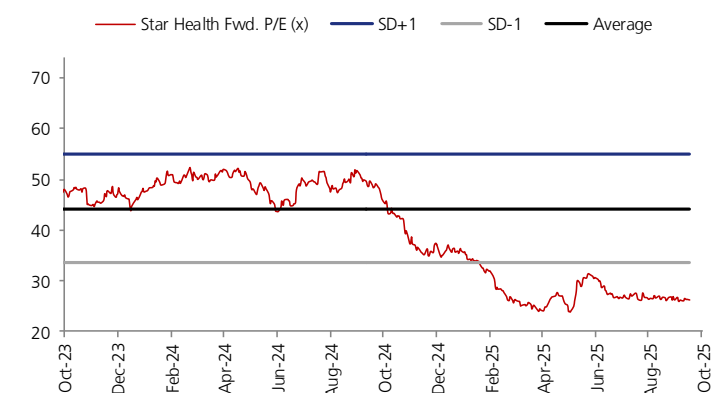
Source: Company, JM Financial

Exhibit 13. Valuation comps for general insurance companies under JMFL coverage

Company	M-cap (USD bn)	M-cap (INR bn)	Reco	TP	EPS			P/E			P/B		
					FY26e	FY27e	FY28e	FY26e	FY27e	FY28e	FY26e	FY27e	FY28e
ICICI Lombard	10.8	958	BUY	2,250	57.8	67.2	78.6	33.3	28.7	24.2	5.9	5.1	4.3
Star Health	3.0	269	HOLD	420	14.7	20.0	25.6	31.2	22.8	17.8	6.2	5.3	4.3

Source: Company, Bloomberg, JM Financial as on 6th Oct, 25**Exhibit 14. ICICI Lombard – 1 year forward P/E valuation chart**

Source: Company, Bloomberg, JM Financial

Exhibit 15. Star Health – 1 year forward P/E valuation chart

Source: Company, Bloomberg, JM Financial

APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.comCompliance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: ashley.johnson@jmfl.comGrievance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: instcompliance@jmfl.com

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return \geq 15% over the next twelve months.
ADD	Expected return \geq 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return \geq -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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