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PRESS RELEASE

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Health segment drives robust growth for insurance sector in FY2024; financial performance strong despite impact of natural catastrophic events: ICRA

- *Industry gross direct premium income (GDPI) expected to grow by 15.5% in FY2025, supported by continued strong growth in the health segment*
- *Private insurers' combined ratio likely to improve; return on equity (RoE) expected at 13.3% in FY2025 and 14.0% in FY2026*

ICRA expects the general insurance industry's **GDPI** to touch Rs. 3.7 trillion by FY2026, a robust 32% rise from Rs. 2.8 trillion in FY2024. While the growth for private insurers' is expected to remain strong, that of PSU insurers is likely to remain moderate because of the weak capital position. The profitability for private insurers is likely to improve supported by better underwriting performance. The **combined ratio**[1] for PSU insurers, though expected to be lower, will remain weak, thereby impacting the net profitability. Moreover, the **capital requirement** of three PSU general insurers (excluding New India[2]) is estimated at a sizeable Rs. 94-102 billion to meet solvency of 1.50x as of March 2025, assuming 100% forbearance on Fair Value Change Account (FVCA)[3].

Exhibit: Trend in GDPI growth and Profitability

	FY2023	FY2024 E	FY2025 P	FY2026 P
GDPI Growth - Industry	17.2%	15.5%	15.5%	14.7%
GDPI Growth - PSU	10.4%	9.0%	10.0%	9.5%
GDPI Growth - Private	21.2%	19.0%	18.2%	17.0%
Market Share- Private	66%	68%	69%	71%
Combined Ratio- PSU	134%	122%	121%	120%
Combined Ratio - Private	106%	107%	106%	105%
RoE- Private	12.1%	13.0%	13.3%	14.0%

Source: Company disclosures, ICRA Research, GI Council, IRDAI; Industry, excl. ECGC and AIC; E – estimated; P – projected; RoE for PSU insurers is not meaningful because of the significantly eroded Networth

Neha Parikh, Vice President and Sector Head – Financial Sector Ratings, ICRA, says: *"With higher growth, the market share of private insurers in terms of GDPI is likely to rise to 69% for FY2025 and 71% for FY2026 from 68% for FY2024. The health segment, which witnessed the strongest growth (accounting for ~50% of incremental GDPI of ~Rs. 375 billion in FY2024), is likely to remain the key driver with the rising awareness of health insurance as well as increased ticket sizes."*

The industry's GDPI saw a robust 15.5% year-on-year (YoY) expansion in FY2024, rising to Rs. 2.79 trillion supported by the health segment. Apart from this, the growth in the motor segment was healthy, supported by the increase in the new vehicle sales (two-wheelers, or 2W, rose by 13.3% YoY and passenger vehicles, or PVs, by 8.4% YoY in FY2024).

[1] *Combined Ratio = Net Claims/Net Premium Earned + Expenses/Net Premium Written*
[2] *The New India Assurance Company Limited*
[3] *Assuming FVCA remains the same as Dec-23*

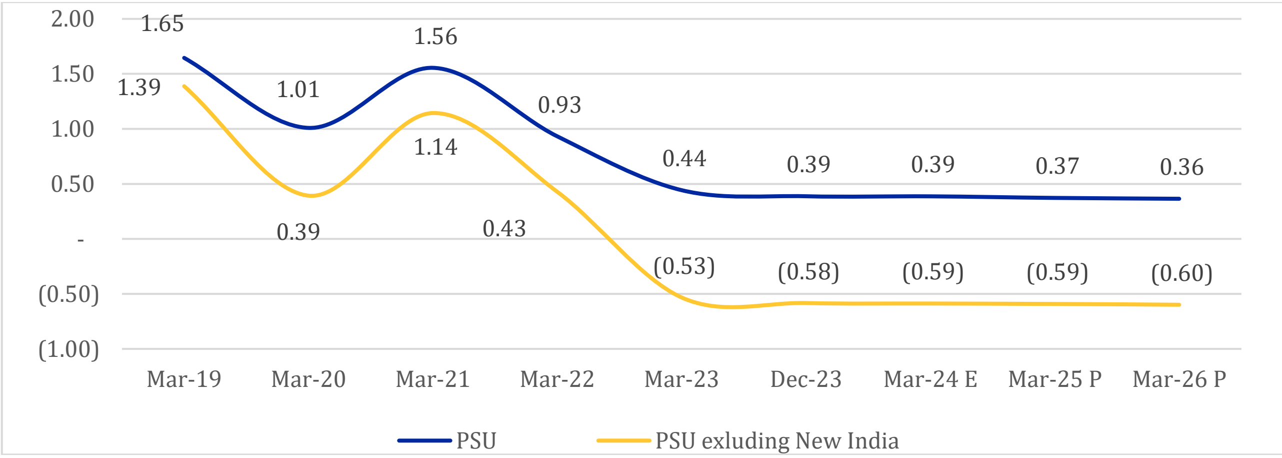
With the high frequency and severity of natural catastrophic (NAT CAT) events in FY2024, the net loss ratio of the fire segment was impacted; however, considering the reinsurance and low retention in this segment, the impact on the overall net loss ratio of the industry was manageable. Profitability for private players remained strong supported by improved investment income, which is likely to continue. The RoE for select private players in ICRA's sample set[4] companies is expected to improve to 13.3% in FY2025 as the underwriting performance improves (combined ratio of 106% in FY2025 over 107% (estimate) in FY2024).

The PSU insurers posted a small net profit in 9M FY2024 in contrast to the net losses in the previous years, driven by improvement in combined ratio (supported by the absence of the retrospective wage revision and payment of associated arrears in FY2024) and higher investment income. ICRA expects the combined ratio for PSU insurers to remain weak, albeit improving, at 121% in FY2025 (122% (estimate) in FY2024).

Solvency for the three PSU insurers (excluding New India) remains weak at negative 0.58 (excluding the fair value change account or FVCA on investments) as of December 2023 in relation to the regulatory requirement of 1.50x, resulting in sizeable capital requirement. Private players, however, remain comfortably capitalised to meet the strong growth.

***Parikh** added: "ICRA estimates the capital requirement of the three PSUs (excluding New India) to be sizeable at Rs. 94-102 billion to meet the solvency of 1.50x as of March 2025, assuming the inclusion of 100% FVCA in the available solvency margin. Excluding this, the capital requirement would be higher at Rs. 320-328 billion."*

Exhibit: Solvency ratio (times)– PSUs



Source: Company disclosures, ICRA Research; Mar-24E, Mar-25P and Mar-26P based on available solvency margin excluding FVCA; E – estimated; P – projected

[4] *ICRA sample set includes 13 private insurers accounting for 93% of the private sector GDPI (excluding SAHI)*

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