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FIRST LIGHT

09 January 2026

RESEARCH

INSURANCE | Q3FY26 PREVIEW

Better business growth, GST ITC impact to weigh on margins

SUMMARY

INSURANCE: Q3FY26 PREVIEW

- For our coverage companies including LICI, APE is likely to witness healthy growth at 20% YoY in Q3FY26
- VNB margins for most of the players are expected to contract, except for IPru
- Our top picks are HDFC Life and LICI

Click here for the full report.

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Q3FY26 – business growth expected to be healthy: Overall, life insurance companies under our coverage, including LICI, are expected to witness a stable ~11% YoY growth in the gross premium in Q3FY26. APE will likely grow healthy at ~20% YoY in Q3FY26, aided by LICI (APE to rise by ~29% YoY in Q3FY26, on a low base). The growth would primarily be aided by improved affordability following GST changes and normalisation of base effects, after implementation of revised surrender guidelines although the full impact is likely to be more visible in 2H. Private players are expected to deliver ~13% YoY growth. VNB margin for all the companies is likely to contract, except for ICICI Pru. However, VNB growth for our coverage is expected at 16% YoY in Q3FY26, a lower growth than APE growth, owing to the unavailability of GST input tax credit (ITC). This is likely to get partially offset by better product mix, cost optimisation and distributors commission rationalisation. Key things to be watched out would be the comments around the impact of GST changes, commission payouts, and growth strategy for FY27.

HDFC Life: HDFC Life is likely to see APE growth of ~13% YoY in Q3FY26 and 11% YoY in 9MFY26. Absolute VNB is expected to grow 5% YoY in Q3FY26 and 8% YoY 9MFY26. VNB margin will likely be at 24.2% in Q3FY26 vs 26.1% in Q3FY25 vs 24.1% in Q2FY26, aided by rider attachments and steady protection mix. The product mix is likely to be skewed towards traditional products. Gross premium income would grow by 15% YoY in Q3FY26.

ICICI Pru Life: ICICI Pru Life may see a soft quarter among private players with APE growth at 3% YoY in Q3FY26 and ~2% YoY decline in 9MFY26. VNB will likely rise by 7% YoY in Q3FY26 and 2% YoY in 9MFY26. VNB margin is likely to be at 21.9% in Q3FY26 vs 21.2% in Q3FY25 vs 24.4% in Q2FY26. Gross premium income is expected to grow at 11% YoY in Q3FY26.

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