

# Health, motor policy sales jump on GST exemption, festival cheer

## Insurers upbeat as demand surges; input tax credit impact seen as marginal

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The abolition of the goods and services tax (GST) on insurance products, coupled with the festival season, has lifted sales of health and motor insurance policies in recent months, insurers said.

While general insurers expect the impact of the withdrawal of input tax credit (ITC) to be minimal and are exploring ways to mitigate it, health insurance companies are passing on the cost to distributors.

ICICI Lombard General Insurance Company, a private-sector insurer with a sizeable motor and health portfolio, reported sales growth in both segments. Star Health and Allied Insurance Co, the largest standalone health insurer, saw a 50 per cent rise in new health policy issuances.

During the post-earnings analyst call, ICICI Lombard's management said data from the Federation of Automobile Dealers Associations showed renewed on-ground momentum, with vehicle sales volumes picking up. This trend, in turn, enriched the company's motor insurance premium collection.

"While our growth in the first five months of the financial year (2025-26/FY26) stood at 1.3 per cent, September 2025 saw a sharp uptick due to festival demand and the moderation of vehicle prices attributable to the GST rate cut, taking our motor insurance growth to 6.5 per cent," said Sanjeev Mantri, managing director (MD) and chief executive officer (CEO) of ICICI

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Lombard, during the post-earnings call.

"The demand momentum looks very promising, and this is clearly reflected in the increased volume of retail health policies being sourced," the ICICI Lombard management added.

Naveen Chandra Jha, MD and CEO of SBI General Insurance, said the GST cut has also led to a sharp increase in its motor business. "We are growing by 17 per cent in motor insurance compared to industry growth of 8 per cent. We don't see a considerable impact from the GST removal. By year-end, the impact will be nearly zero. Larger health insurers might feel some pressure, but we aren't expecting a

major hit — maybe around 1-2 basis points on solvency and 3-4 per cent on profitability from health," he said.

In early September, the GST Council announced a complete tax exemption on all individual life and health insurance policies, including their reinsurance, to boost insurance penetration. The GST rate for small cars — with engine capacity not exceeding 1,200 cc (petrol) or 1,500 cc (diesel) and a length under 4 metres — was reduced to 18 per cent from the earlier 28 per cent plus cess.

These GST reforms have driven sales in the automotive sector, which, in turn, have spurred motor insurance growth.

Health insurance — the largest segment — accounts for around 40 per cent of total premiums collected by general insurers, while motor insurance contributes roughly 30 per cent of overall non-life premiums.

The health insurance segment has also seen a robust increase in premiums for both general and standalone health insurers. Star Health, the largest standalone health insurer, reported 50 per cent year-on-year growth in new business in October 2025.

In its post-earnings call, Star Health's management said it has revised commission rates to include GST. The company estimated the impact of ITC non-availability on commissions at around 3.1 per cent, with the overall impact for FY26 projected at 0.6-0.7 per cent of gross written premium. This could be partly offset by the benefits of the GST reduction on life-saving drugs.