

# India Insurance

## Policy reforms continue

The lower house of the Indian Parliament passed the much awaited “*Sabka Bima Sabki Raksha (amendment of Insurance laws) Bill, 2025*” yesterday proposing significant changes as well as streamlining of a few provisions. The key amendments include 1) 100% foreign direct investment (FDI) in insurance, 2) significant reduction in initial capital requirement for re-insurers, 3) merger between insurance and non-insurance entities, 4) increase in approval thresholds for stake sale in insurers; 5) empowering the insurance regulator to regulate distribution commission payouts, 6) operational flexibility for LIC, and 7) creation of reserve fund by LIC. In our view, the newly inserted section 40 (2A) indicates no material changes to the existing payout structure for insurance intermediaries. However, contrary to the expectations, the bill does not address composite licensing, the open architecture in the individual agency channel, and offering of value-added services by insurers. We believe these proposed amendments coupled with recent GST rate rationalization shall drive improving insurance penetration and awareness with streamlining of regulations. Our top picks across life/general/standalone health insurers are SBILIFE (BUY)/ICICIGI (BUY)/NIVABUPA (BUY) respectively and POLICYBZ (BUY) as platform play for the insurance ecosystem.

- **India insurance gearing up for higher competitive intensity?** The amendment bill proposes to increase the FDI limit from 74% currently to 100%. This measure is unlikely to have a material impact on the competitive intensity for the incumbents in our view, given currently only one-fourth of the insurers have more than 49% as foreign investment.
- **Lower initial capital requirements for foreign reinsurance branches (FRBs):** The net owned funds requirement for the FRBs has been reduced to INR 10bn from INR 50bn earlier. Currently, Indian reinsurance market has a presence of only 13 FRBs. Hence, this measure is likely to increase the reinsurance capacities in the market and is likely to be instrumental in bringing down the overall cost for the end customer, driving better affordability of insurance products. However, these changes are likely to have a negative impact on GICRE (~30-35% market share in domestic reinsurance market).
- **Amendment bill paves the way for AMLI and MFSL merger:** The amendment bill proposes to amend the section 35 of the IRDAI Act, which had prohibited merger of an insurance entity with any non-insurance entity and now allows such a merger with regulatory approvals. This paves the way for the reverse merger of Axis Max Life Insurance (AMLI) with Max Financial Services (MFSL), that could eliminate the holding company discount.
- **No change in stance in payout to distribution channels:** The amendment bill proposes to empower the IRDAI to limit the commission payouts to insurance agents or insurance intermediaries (in the form of commission, remuneration or reward of any kind), manner of such payments and the manner of disclosures. However, IRDAI had been proactively framing regulations in the past with respect to the distribution partner payouts on the insurance business. For e.g. IRDAI had replaced the product-wise commission payout limits with the introduction of the expense of management (EoM) in FY23. Given such limits on the distribution channels payouts had existed in the past as well, there is limited immediate impact on the commission income of the distribution partners such as POLICYBZ, Banks and NBFCs.
- **Improving prospects of insurance penetration:** We believe these proposed amendments coupled with recent GST rate rationalization shall drive higher insurance penetration and awareness through increased competition as well as simplification of certain regulations. We believe stabilization of government policies and minimal regulatory interventions would be the key monitorable for re-rating of the insurance sector. Our top picks across life/general/standalone health insurers are SBILIFE (BUY)/ICICIGI (BUY)/NIVABUPA (BUY) respectively and POLICYBZ (BUY) as platform play for the insurance ecosystem.

Company	CMP (INR)	Reco.	TP (INR)
SBILIFE	2,040	BUY	2,100
ICICIGI	1,945	BUY	2,210
NIVABUPA	78	BUY	95
POLICYBZ	1,825	BUY	2,210
MFSL	1,663	ADD	1,700

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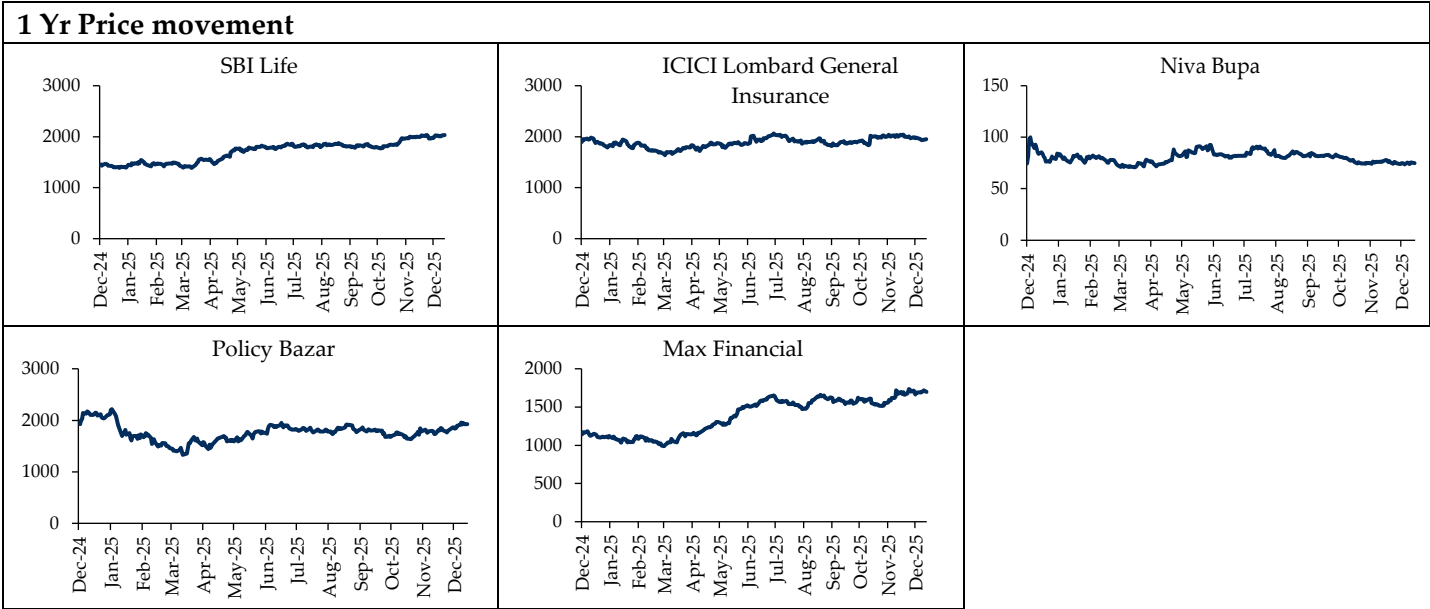
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Rating Criteria

- BUY: >+15% return potential  
ADD: +5% to +15% return potential  
REDUCE: -10% to +5% return potential  
SELL: >10% Downside return potential



**Disclosure:**

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