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GST exemption and performance of life insurance companies in India: A comparative study of LIC, SBI Life Insurance and HDFC Life Insurance

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Abstract---The Indian life insurance industry has undergone significant structural, regulatory and technological changes since its nationalisation in 1956 and subsequent liberalisation in 2000. The introduction of the Goods and Services Tax (GST) in July 2017 brought changes to the indirect taxation of insurance products, influencing the cost structure of life insurance policies. A significant policy development occurred on 22nd Sept. 2025, when the Government of India exempted individual life insurance policies from GST. Against this background, the present study examines the performance of three major life insurance providers: Life Insurance Corporation of India (LIC), SBI Life Insurance and HDFC Life Insurance. The study adopts a quantitative and comparative research approach based exclusively on published secondary data. It examines premium income, new business premium, renewal premium, profitability, market position and growth performance. Historical industry developments are considered alongside the financial performance reported for FY 2024–25 and FY 2025–26. Percentage analysis, year-on-year growth, comparative financial analysis and trend evaluation are used to understand the performance of the selected insurers. The preliminary comparison indicates that all three companies recorded growth in total premium during FY 2025–26. LIC registered approximately 9.80 per cent growth, SBI Life recorded 19.18 per cent, and HDFC Life achieved approximately 11.74 per cent. However, these results represent the combined influence of market conditions, product composition, distribution strategies, regulatory developments and the GST transition rather than an isolated GST effect. The study contributes to the understanding of how tax-policy changes interact with the financial performance of insurance providers. It also proposes the application of

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emerging analytical technologies, including Python, Power BI, R, predictive analytics and interrupted time-series modelling, for future insurance-sector research.

Keywords---GST exemption, life insurance, LIC, SBI Life Insurance, HDFC Life Insurance, premium income, financial performance, insurance market, comparative analysis, India.

Introduction

Life insurance is an important component of the financial services industry because it provides financial protection, encourages long-term savings and supports capital formation. In India, the development of life insurance can be traced to the establishment of the Life Insurance Corporation of India in 1956, following the nationalisation of the life insurance business. Before nationalisation, the industry consisted of numerous Indian and foreign insurance companies and provident societies. LIC subsequently became the principal life insurance provider in the country.

The insurance industry entered a new phase following the Insurance Regulatory and Development Authority Act, 1999, which facilitated the entry of private insurance companies. Commercial operations of private life insurers began in 2000, creating a competitive environment involving public and private sector providers. The introduction of digital distribution, bancassurance, online premium payments, customer relationship management and data-driven underwriting further transformed the industry.

The industry's expansion is evident from its historical premium collections. During FY 2000–01, total life insurance premium was approximately ₹34,898 crore. By FY 2017–18, the industry's premium income had increased to ₹4,58,809.44 crore. In FY 2024–25, the total premium income reached ₹8,85,772 crore, registering growth of 6.73 per cent over the preceding year (IRDAI, 2025). These figures demonstrate the considerable expansion of the Indian life insurance market over the past two decades.

The introduction of GST on 1st July, 2017 replaced the earlier indirect taxation framework. Life insurance products were subject to different GST treatments depending on their nature, including term insurance, traditional policies and single-premium policies. Consequently, it is important not to assume that every life insurance product was subject to an identical GST rate before exemption.

A major development occurred when the GST Council recommended exemption for individual life insurance policies. The exemption became effective on 22nd Sept., 2025, reducing the GST rate on eligible individual life insurance policies from the applicable tax rate to zero. However, group life insurance policies continue to attract 18 per cent GST.
This policy change raises an important research question: whether removing GST from individual life insurance premiums can influence affordability, consumer demand, new business generation and the overall financial performance of insurance companies.

The present research focuses on three major insurers representing different competitive positions. LIC represents the established public-sector insurance model, while SBI Life and HDFC Life represent major private-sector insurance providers. Their financial performance provides an opportunity to examine differences in growth, business composition and competitive positioning during the GST transition.

Significance of the Study

The study is significant because GST exemption represents an important policy intervention in India's financial protection ecosystem. Lower tax incidence on eligible individual life insurance policies may improve affordability and encourage insurance adoption among households. The comparative assessment of LIC, SBI Life and HDFC Life helps understand whether the policy environment affects insurers with different business models and distribution networks in similar ways.

The study is also relevant to policymakers, insurance regulators, financial analysts, investors and insurance management professionals. It provides an evidence-based framework for evaluating premium growth, profitability and market competitiveness. Furthermore, the research offers a foundation for future studies examining the relationship between taxation, household financial decisions and insurance penetration.

Objectives of the Study

1. To examine the historical development and growth of the Indian life insurance industry in the context of regulatory and GST reforms.
2. To analyse the financial and operational performance of LIC, SBI Life Insurance and HDFC Life Insurance.
3. To compare the premium income, new business performance and profitability of the selected insurance providers during the pre-exemption and post-exemption transition.
4. To evaluate the potential implications of GST exemption for insurance affordability, business growth and future market competitiveness.

Research Hypotheses

Hypothesis 1:
H_0: There is no significant difference in the premium growth performance of LIC, SBI Life Insurance and HDFC Life Insurance between the pre-exemption and post-exemption periods.
H_1: There is a significant difference in the premium growth performance of LIC, SBI Life Insurance and HDFC Life Insurance between the pre-exemption and post-exemption periods.
Hypothesis 2:
H_0: GST exemption has no significant association with the growth of individual new business premium among the selected life insurance companies.
H_2: GST exemption has a significant association with the growth of individual new business premium among the selected life insurance companies.

Review of Literature

The following studies provide the theoretical and empirical foundation for examining life insurance development, financial performance, economic growth and insurance demand.

- **Browne and Kim (1993):** Examined international determinants of life insurance demand and identified the importance of income, dependency patterns and social factors in explaining differences in insurance consumption.
- **Outreville (1996):** Investigated the relationship between financial development and insurance market development, highlighting the influence of economic and institutional conditions on insurance demand.
- **Beck and Webb (2003):** Analysed the determinants of life insurance consumption across countries and established the relevance of income, inflation, banking development and institutional factors.

- **Ward and Zurbruegg (2000):** Examined the relationship between insurance market development and economic growth, demonstrating the importance of insurance in supporting economic activity.
- **Arena (2008):** Investigated the relationship between insurance market activity and economic growth in developed and developing countries, highlighting the economic contribution of insurance services.
- **Han et al. (2010):** Examined insurance development and economic growth, providing evidence of the relationship between insurance-market expansion and economic development.
- **Feyen et al. (2011):** Analysed the determinants of insurance-sector development across countries and identified the influence of economic, institutional and financial conditions.
- **Lee et al. (2010):** Examined the relationship between life insurance activities and economic growth, offering insights into the contribution of life insurance to financial development.
- **Das and Swaroopa (2025):** Investigated the factors influencing life insurance demand in India during 1991–92 to 2021–22, considering macroeconomic and demographic developments.
- **IRDAI (2018):** Documented the expansion of the Indian insurance industry following liberalisation and the entry of private insurance companies.
- **IRDAI (2022):** Presented the financial and operational developments of the Indian insurance sector, including premium collections, insurer-wise performance and regulatory developments.
- **IRDAI (2024):** Reported the growth of the Indian life insurance industry and the changing contribution of public and private insurers.
- **IRDAI (2025):** Documented the life insurance industry's FY 2024–25 premium performance, showing total premium income of ₹8,85,772 crore and growth of 6.73%.
- **Ministry of Finance (2025):** Explained the exemption of GST on individual life and health insurance policies effective from 22 September 2025 and clarified the continued taxation of group policies.
- **LIC, SBI Life and HDFC Life annual reports (2025–26):** Provide company-level evidence of premium growth, profitability, new business generation and financial performance during the GST transition.

The literature indicates that life insurance demand is influenced by several economic and institutional variables. However, a company-level comparative examination of GST exemption and financial performance among major Indian insurers remains an important area for further empirical investigation.

Research Methodology

The study follows a descriptive, analytical and comparative research design. It relies entirely on published secondary data from IRDAI, the Ministry of Finance, the GST Council and the annual reports and financial disclosures of the selected insurance companies.
The study uses historical industry statistics and the audited FY 2024–25 and FY 2025–26 financial results available for the three insurers. The principal analytical indicators include total premium income, new business premium, renewal premium, profitability and growth percentages.
The study uses percentage analysis, year-on-year growth, comparative analysis and trend interpretation. FY 2025–26 is treated as a transition year because the exemption commenced partway through the financial year.

Tools for Data Analysis

The increasing availability of digital financial information provides opportunities to improve the accuracy and depth of insurance-sector research. For this study, Excel and Power BI can be used for

the initial company-wise comparison, while Python or R can be applied to quarterly and monthly datasets for more robust hypothesis testing.

Limitations of the Study

The study is restricted to three selected life insurance companies and may not represent the performance of the entire Indian life insurance industry. The GST exemption commenced on 22 September 2025, and FY 2025–26 includes both pre-exemption and post-exemption months. Therefore, annual financial results cannot independently establish the direct impact of GST exemption. Differences in company accounting presentations, product portfolios, distribution networks and customer profiles may also influence the comparative results. The research relies on publicly available secondary data, and the accuracy of the analysis depends on the completeness and consistency of reported disclosures.

Growth rate formula:

$$\text{Growth Rate (\%)} = \frac{\text{Current-year value} - \text{Previous-year value}}{\text{Previous-year value}} \times 100$$

Data Analysis and Interpretation

Table 1. Historical Development of the Indian Life Insurance Industry

Year / Period	Major development or premium indicator
1956	LIC established through nationalization
2000–01	Industry premium approximately ₹34,898 crore
2017–18	Industry premium ₹4,58,809.44 crore
2023–24	Industry premium ₹8,29,929 crore
2024–25	Industry premium ₹8,85,772 crore
22-Sep-25	GST exemption on individual life insurance

Source: IRDAI historical statistics, Government of India and Ministry of Finance.

Interpretation: The Indian life insurance industry has experienced considerable expansion since nationalisation and subsequent liberalisation. Premium income increased from approximately ₹34,898 crore in FY 2000–01 to ₹8,85,772 crore in FY 2024–25. The exemption introduced in September 2025 represents a new regulatory phase intended to reduce the tax burden on eligible individual policyholders.

Table 2. Life Insurance Industry Premium Growth

Financial year	Total premium (₹ crore)	Growth
2023–24	8,29,929	—
2024–25	8,85,772	6.73%

Source: IRDAI Annual Report 2024–25.

Interpretation: The industry recorded an increase of approximately ₹55,843 crore in total premium income during FY 2024–25. The growth indicates continued expansion before the implementation of GST exemption. It also establishes a useful baseline for examining the subsequent financial year.

Table 3. Comparative Total Premium Performance

Company	FY 2024–25 (₹ crore)	FY 2025–26 (₹ crore)	Growth (%)
LIC	4,88,148	5,35,984	9.80
SBI Life	84,985	1,01,286	19.18
HDFC Life	71,045	79,387	11.74

Source: FY 2024–25 and FY 2025–26 company financial disclosures. Figures rounded to the nearest crore. LIC figures represent net premium income; SBI Life figures represent gross written premium; HDFC Life figures represent reported total premium.

Interpretation: All three companies recorded positive premium growth during FY 2025–26. SBI Life registered the highest reported growth at 19.18%, followed by HDFC Life at 11.74% and LIC at 9.80%. LIC maintained the largest absolute premium base, while SBI Life demonstrated comparatively stronger growth. Different accounting measures are used in this table, so the growth rates are more suitable for within-company comparisons than direct comparisons of absolute scale.

Table 4. LIC Financial Performance

Particulars	FY 2024–25	FY 2025–26
Net premium income (₹ cr.)	4,88,148	5,35,984
Profit after tax (₹ cr.)	48,151	57,419
PAT growth (%)	—	19.25%
Overall, first-year premium market share (%)	57.05	56.66%

Source: LIC annual reports and FY26 financial results.

Interpretation: LIC recorded an increase in premium income of approximately 9.80% during FY 2025–26. Profit after tax increased by 19.25%, indicating an improvement in reported profitability. Although LIC continued to hold the leading overall first-year premium market share, its share declined marginally from 57.05% to 56.66%, indicating increasing competition.

Table 5. SBI Life Financial Performance

Particulars	FY 2024–25	FY 2025–26
Gross written premium (₹ crore)	84,985	1,01,286
New business premium (₹ crore)	35,577	42,551
Renewal premium (₹ crore)	49,408	58,735
Profit after tax (₹ crore)	2,410	2,470
Solvency margin (%)	196	190

Source: SBI Life annual reports and FY26 financial disclosures. Figures rounded.

Interpretation: SBI Life recorded strong growth in gross written premium and new business premium during the period. Renewal premium also increased, indicating the importance of its continuing policyholder base. Its solvency margin remained above the regulatory minimum, although it declined slightly during FY 2025–26.

Table 6. HDFC Life Financial Performance

Particulars	FY 2024–25 (₹ crore)	FY 2025–26 (₹ crore)
New business premium	33,365	36,096
Renewal premium	37,680	43,291
Total premium	71,045	79,387
Profit after tax	1,802	1,910
Individual APE	13,619	14,635

Source: HDFC Life Integrated Annual Report 2025–26.

Interpretation: HDFC Life demonstrated growth in both new business and renewal premium. Total premium increased by approximately 11.74%, while profit after tax increased by approximately 5.99%. The growth in individual annualised premium equivalent indicates an improvement in its individual business contribution.

Table 7. Effect of GST Exemption on Individual Policyholders

Particulars	Before exemption: illustrative 18% GST	After exemption
Basic eligible premium (₹)	1,00,000	1,00,000
GST (₹)	18,000	0
Total payment (₹)	1,18,000	1,00,000
Tax saving (₹)	—	18,000

Interpretation: The exemption can reduce the direct tax component of eligible individual insurance premiums. In the illustrative example, a policyholder paying a basic premium of ₹1,00,000 saves ₹18,000 compared with an 18% GST treatment. Such savings may improve affordability and encourage policy continuation or new purchases, although actual consumer response requires separate empirical verification.

Major Findings

The study identifies several important observations from the available financial information.

- The Indian life insurance industry has expanded significantly since nationalisation and the liberalisation of the insurance sector.
- Total industry premium income reached ₹8,85,772 crore in FY 2024–25, indicating continued market expansion.
- LIC continues to dominate the Indian life insurance market in terms of overall first-year premium market share and absolute premium income.
- SBI Life recorded the highest year-on-year growth in reported total premium among the three selected companies during FY 2025–26.
- HDFC Life demonstrated consistent improvement in new business premium, renewal premium and profitability.
- LIC reported strong profit growth despite relatively moderate premium growth, indicating that premium expansion and profitability do not necessarily move at the same rate.
- GST exemption has the potential to improve affordability for individual policyholders, although its actual contribution to company-level growth requires more detailed quarterly analysis.

- Private-sector insurance providers continue to strengthen their competitive position through distribution expansion, digital services and product innovation.

Suggestions

Insurance providers should communicate the benefits of GST exemption transparently to existing and prospective policyholders. Companies should develop affordable protection-oriented products, strengthen digital policy servicing and improve customer awareness regarding the distinction between individual and group insurance taxation.

LIC should continue leveraging its extensive distribution network while improving digital engagement and customer service. SBI Life should focus on sustaining new business growth while maintaining adequate solvency and policy persistency. HDFC Life should strengthen individual protection products and improve customer acquisition and renewal performance.

Insurance regulators and policymakers should monitor the effect of GST exemption on policy affordability, insurance penetration and household financial protection. Companies should also disclose quarterly individual and group premium performance separately to facilitate more transparent evaluation of the policy change.

Conclusion

The Indian life insurance sector has experienced substantial transformation through nationalisation, liberalisation, private-sector participation, digitalisation and indirect tax reforms. The GST exemption introduced on 22 September 2025 represents an important policy development aimed at reducing the tax burden on individual life insurance policyholders.

The comparative financial analysis demonstrates that LIC, SBI Life Insurance and HDFC Life Insurance recorded positive premium growth during FY 2025–26. LIC maintained its leadership in overall premium scale, SBI Life recorded the highest reported premium growth, and HDFC Life demonstrated improvement in both new and renewal business.

However, the observed growth should not be interpreted as conclusive evidence of the direct impact of GST exemption. Market conditions, product composition, distribution strategies and regulatory developments also influence insurance performance. A more rigorous assessment requires quarterly or monthly individual-policy data covering sufficient pre-exemption and post-exemption observations.
Overall, the exemption provides an opportunity to strengthen insurance affordability and financial inclusion. Its long-term success will depend on the ability of insurance providers to convert the reduction in tax burden into greater policy adoption, sustained customer relationships and improved financial protection.

Future Research Directions

Future research can extend the present study by examining the quarterly performance of all major life insurance providers over a longer period. Interrupted time-series analysis and difference-in-differences methods can be used to distinguish the influence of GST exemption from other market developments. Further research can also investigate customer adoption, policy persistency, digital insurance distribution, rural insurance penetration and the relationship between tax reforms and household financial behaviour. The integration of artificial intelligence, machine learning and predictive analytics may provide deeper insights into insurance demand and future premium growth.

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