Star Health and Allied Insurance Co. Ltd.

Date: January 31, 2025
Place: Chennai

Ref: SHAI/B & S/SE/186/2024-25

To,
The Manager
Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400001
Scrip Code: **543412**

To,
The Manager
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot C/1,
G Block, Bandra-Kurla Complex
Mumbai – 400051.
Symbol: **STARHEALTH**

Dear Sir/ Madam,

Sub: Transcript of Q3 & 9M – FY2025 Earnings Call

Further to the Company's letter SHAI/B & S/SE/174/2024-25 dated January 10, 2025 regarding Earnings Call Intimation for Q3 & 9M – FY2025, please find attached transcript of the call dated January 29, 2025 for your information and records.

The above information is being hosted on the Company's website at www.starhealth.in

Thanking You,

For Star Health and Allied Insurance Company Limited,

JAYASHREE SETHURAMAN
Digitally signed by JAYASHREE SETHURAMAN
Date: 2025.01.31 16:34:30 +05'30'

Jayashree Sethuraman
Company Secretary & Compliance Officer

Encl: as above.

Star Health and Allied Insurance Company Limited
Q3 & 9M -FY2025 Earnings Conference Call
January 29, 2025

Management:

Mr. Anand Roy – Managing Director & Chief Executive Officer

Mr. Nilesh Kambli – Chief Financial Officer

Mr. Aneesh Srivastava – Chief Investment Officer

Mr. Amitabh Jain - Chief Operating Officer

Mr. Aditya Biyani – Chief Strategy & Investor Relations Officer

Moderator: Ladies and gentlemen, good day and welcome to the Star Health and Allied Insurance Company Limited Q3 & 9M-FY2025 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. I now hand the conference over to Mr. Pratik Patil from Adfactors PR - Investor Relations team. Thank you, and over to you.

Pratik Patil: Thank you, Yashashri. Good morning, everyone.

From the senior management, we have with us, Mr. Anand Roy – Managing Director & Chief Executive Officer, Mr. Nilesh Kambli – Chief Financial Officer, Mr. Aneesh Srivastava – Chief Investment Officer, Mr. Amitabh Jain – Chief Operating Officer and Mr. Aditya Biyani – Chief Strategy & Investor Relations Officer.

Before we begin the conference call, I would like to mention that some of the statements made during the course of today's call may be forward-looking in nature, including those related to the future financial and operating performances, benefits and synergies of the company's strategies, future opportunities and growth of the market of the company's services. Further, I would like to mention that some of the statements made in today's conference call may involve risks and uncertainties.

Thank you, and over to you, Mr. Anand Roy.

Anand Roy: Thank you, Pratik, and a very good morning to all of you. As we begin today's earnings call, let me take a moment, first of all, to wish everyone a Happy and Prosperous New Year 2025. I know it's towards the end of January, but it's the first time we are connecting so, it's a privilege to connect with you today as we step into what promises to be a year of very positive changes and welcoming regulations for our industry.

To take you through the details, I would like to hand over to our colleague Aditya, over to you, please.

Aditya Biyani: Thank you, Anand. Good morning, everyone, and wishing everyone a very happy and prosperous 2025.

The insurance landscape is evolving rapidly, shaped by significant regulatory and accounting developments. These changes, while complex, are a reflection of our industry's maturing framework, one that emphasizes transparency, global alignment and customer-centric approach.

Let me take a moment to outline how each of these regulatory changes will impact the industry and why they are critical.

Firstly, the new reporting framework for long-term policies, effective October 1st, 2024, marks a shift in premium recognition. Previously, insurers could account for the entire premium of a long-term policy in a single year, reflecting a higher gross written premium. Under the new framework, the premiums will be annualized, with the total premium divided by the policy tenure and recorded proportionately for each year.

For instance, for a three-year policy, only one-third of the total premium will be recognized in the first year's gross written premium. This change will lead to a reduction in the reported gross written premium, which in turn will reflect changes in net earned premium and net written premium having an impact on the expense ratio and loss ratio of the insurer. At Star Health, we are following "1/365" days unexpired risk reserve method resulting in no deviation in net earned premium under the new regulatory framework.

Secondly, the adoption of IFRS standard is on the curve for implementation in the next couple of years which marks the pivotal shift in how insurers align revenue and expenses. This transition will enhance clarity in key financial metrics including net earned premium, investment income and acquisition cost.

Under IFRS, net acquisition costs will be deferred in line with the policy tenure and will reflect true economic return on equity. Additionally, these updated standards will enable greater transparency and improve comparability between industry players. With implementation of "1/ N" methodology mentioned above, there is a partial move towards the IFRS reporting in terms of net acquisition cost which gets accounted in future.

Thirdly, the expenses of management regulation, which came into force from 1st April 2023, mandates maintaining an EOM to gross written premium cap of 35% for SAHI players. At Star Health, we are well below this requirement, which enables us to strategically focus on retail market expansion and enhanced service delivery.

Moving on to the industry performance on "1 / N" basis:

In 9-months FY '25, health insurance industry has grown by 11% and has reached Rs. 94,908 crore. This robust growth was driven by 14.3% growth in retail health and 12.4% growth in group health. In order to maintain consistency, clarity and comparability of numbers, we will be showcasing our business numbers in "1/ N" and without "1 / N" for this financial year.

Coming to Star Health Performance:

In 9-months FY '25, without "1/N" framework, on an overall basis, our GWP has grown by 16% and the fresh GWP grew by 27%.

Coming to our retail health segment:

Our overall business has grown by 14%, and the fresh retail health GWP grew by 22%. We have retained our retail health market share, which now stands at 32.2%, which is three times larger than the second player in the industry.

Fresh retail number of policy growth stood at 13%, emphasizing our focus on volume growth and value growth. Our fresh to renewal ratio for 9-months FY '25 is 24:76 as against 22:78 over the same corresponding period last year.

We continue our focus on the "risk first, growth later" strategy, and these numbers are in context of this strategy with prudent and tighter underwriting standards.

Now, moving on to our four engines of growth ABCD without "1/N" basis for the first 9 months.

Firstly, I would like to highlight A, Agency:

Our agency vertical contributed around 80% of our overall business in 9-months FY '25. Our agency strength has increased to 7,61,000 agents with net addition of 19,000 agents in the December quarter. The agent recruitment number has now reached 66,000 in the first nine months of this financial year. We have also seen a strong 14% increase in fresh GWP in 9 months FY '25 over last year through this channel. Agency activation for 9-months FY '25 has grown by 13% over 9-months FY '24.

Coming to Banca:

In 9-months FY '25, our Banca channel contributed 8% to our total business and the business has grown by 20% on overall basis. Our number of Banca partners now stands at 69. In this quarter, we added names like Bajaj Finance and NeoGrowth to our portfolio.

C is for corporate:

In 9-months, FY ’25, our corporate business contributed 4% to overall business. Our proprietary over-the-counter SME calculator has strengthened our association with intermediaries who have been generating new business focusing on SME and MSME business segments.

Coming to digital business:

Our digital business comprises of our own direct-to-consumer, online brokers and web aggregators which contributed 8% to our overall business in 9-months FY ’25. Our own direct-to-consumer channel contributes 72% to the digital business and the remaining 28% comes from online brokers and web aggregators. Our fresh business from digital grew by 58%.

Coming to the financial performance for 9-months FY '25 on "1 / N" basis:

Our combined ratio for 9-months FY '25 stood at 101.8% versus 98.3% in 9-months FY '24. I would just like to highlight our combined ratio without "1/ N" stands at 101.3% for 9-months FY '25. Our claim ratio for 9-months FY '25 stood at 70.7% versus 67.3% in 9-months FY '24.

We would also like to highlight our retail loss ratio for 9-months FY '25 which stands at 69.2% and group loss ratio is 90.4%.

Expense ratio for 9-months FY '25 stood at 31.2% versus 31% in 9-months FY '24. I would like to highlight the expense ratio without 1 / N. It stands at 30.6% for 9-months FY '25.

For 9-months FY '25, PBT stood at Rs. 862 crore. PAT for 9-months FY '25 stood at Rs. 645 crore. Our non-annualized ROE for 9-months FY '25 stood at 9.7%.

Our investment income in 9-months FY '25 has grown to Rs. 996 crore versus Rs. 790 crore in 9-months FY '24. Our investment assets have grown by 15% and has reached Rs. 16,666 crore in 9-month FY '25.

Solvency of the company as on December 24 was 2.22x compared to the regulatory requirement of 1.5x.

Coming to the other key highlights:

Our NPS scores stands at 56 for the quarter ended on December 24. Our claims NPS stands at 63 as on December 31, 2024 versus 53 on September 30, 2024.

Our claims rejection rate stands at 10.22% for the quarter ended December 31st, 2024. Our renewal persistency has improved to 87% on number of policies.

Our app downloads have reached 8.6 million as on 9-months FY '25. Our monthly active users have crossed 1 million as of December 24. The organic traffic to our website has grown by 28% over last 9 months. The digital issuance as a percentage of premium collection stands at 70% in 9-months FY '25 versus 65% in 9-months FY '24.

The PHC and wellness contribution to total claims outgo stands at 0.6%. Our home healthcare initiative has now been expanded to 100 locations and has been widely embraced by customers steadily gaining recognition. With support of trusted partners like Apollo, Max Home Health and Portea, we ensure reliable personalized care that meets the diverse needs of customers across India.

The average sum insured of new policies has increased by 10% to 10.6 lakh per policy. Rs. 5 lakh and above sum insured policies now constitute 82% of our retail health portfolio versus 77% in 9-months FY '24. The share of long-term policy within our GWP has increased to 10% in 9-months FY '25 versus 7% in 9-months FY ‘24 without 1 / N.

We have had to align our product pricing strategy to match the market reality. Up to Jan 25, we have implemented price increase across 5 products which is approximately 65% of our retail health portfolio.

Our recently launched new product "Super Star" offering unparalleled flexibility and customization offers 21 optional covers in addition to its exhaustive list of base covers. Unique benefits such as freeze your age, limitless care, Super Star bonus, wellness program and premium waiver make it stand out in the market.

We are proud to share that Super Star has achieved remarkable success driving fresh growth for the business. It has also become the top selling product on our digital platform and also on the leading web aggregator and digital partners.

And with all these updates, we can now open the floor for Q&A. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. We will take our first question from the line of Shreya Shivani from CLSA. Please go ahead.

Shreya Shivani: I have two questions. First, I wanted a clarification. You mentioned that your GWP growth without "1 / n" is 16%. However, in your sub-notes in the P&L, you have given the exact amount of premiums that have been deferred because of this "1 / N" accounting. If I adjust for that, which is about 30 lakhs or so, the growth looked more like 13.5% to 14%. I just wanted a clarification if what I heard was correct.

Second, what I wanted to understand was on the commissions and how it may have played out in this quarter. So, clearly, your reinsurance also got deferred along with the 1/N long-term policies, which means that the income that you were earning from the reinsurance commission has become smaller. Ideally your commission absolute amount should have picked up in the quarter or should have at least been larger than the last quarter. I mean, that was the rough math I was arriving at, but that's not the trend that has come up. Can you help me understand why that hasn't played out?

Also the way the expense ratios have become elevated, it's fair to say that this is going to be the standard going ahead. Are we looking at a fourth quarter where with the reserves being added, our PAT can be much lower? In fact, could it be a very weak fourth quarter? Those are my questions.

Nilesh Kambli: On the GWP growth, the number you are talking about is quarter 3, which is 13.7%. For 9-months with the "1/N" impact, it is 16%. In terms of RI Commissions, yes, for long-term policies there will be no RI Commissions, but if you are comparing it with last year, last year we had the RI Commission treaty, which came in Q3 itself, which was effective from 1st April 23. From April 23 to December 23, there was a onetime impact in Q3 last year, which is spread out in all the quarters this time and in Q3, we had an impact because with "1/N" on long-term policies there is no seeding and there is no reinsurance commissions.

Shreya Shivani: The Reinsurance Treaty itself has changed this time. There is no change because of the way the accounting is done. Is my understanding correct?

Nilesh Kambli: No, because of the change in accounting, there is a deferment of Reinsurance Commission which has happened. As I am not booking the top line, hence there is no seeding and no RI commission. There is a change.

Shreya Shivani: The reinsurance ceded is about 6.3% or so. Will this be the steady state going ahead?

Nilesh Kambli: Yes, it will be in the similar range going forward.

Shreya Shivani: What about the fourth quarter?

Nilesh Kambli: On the fourth quarter, with the "1/N " accounting coming in, there will be a deferment of cost in terms of the long-term policies so, there won't be much impact on the PAT with RI commission and the cost also getting deferred.

Shreya Shivani: In this quarter we got a bit of support because it's a quarter when we release reserves. The change in URR is negative. Fourth quarter is usually when that number becomes much bigger, right? The PAT is always sequentially or fourth quarter PAT is always weaker. Now your expense ratios are also elevated. Unless there is a very sharp improvement in the loss ratio, the quarter can look very weak, right?

Nilesh Kambli: I will explain it to you on one-on-one basis, but what will happen is because there is deferment of GWP, there will be a lesser impact on the URR as well. The earned premium will not change and expense ratio is only an accounting number. Due to lower NWP, the expense ratio shows an increase. On a like-to-like basis, there is no increase. In fact, we are doing well on the expense ratio.

Moderator: Thank you. We will take our next question from the line of Avinash Singh from Emkay Global. Please go ahead.

Avinash Singh: The first question is with regards to data keeping. If we look at this impact on GWP from "1/ N " that's close to Rs. 300 odd crore or like say 8% decline in the quarter. If I do sort of a very crude simple math assuming that the average tenure of the long-term policy to be 3 years, is it correct to assume that nearly close to 12% of your entire GWP in this quarter was kind of, impacted by this "1/N " accounting? Broadly, is 12% a figure for 1/N? So, that's question one.

Secondly, and this is more from a very fundamental and directional perspective, you have been taking actions in terms of pricing or whatever you can do with your network hospital. Yet the claims ratio remains way beyond the comfort zone for a model as a standalone health insurer. I mean, you would like it to at least go below say 67 odd percent. Currently, you are running at 70 plus for the 9 months. The question is how long do you see your action and the market reality is going to take before we are anywhere closer to the desirable sort of a range in terms of claims ratio? I mean, expense and all are sorted, so, there is not much I think that you can do there. It becomes imperative to do whatever you can on the claim side and there, of course, despite your actions, things are not kind of improving the way you would like to.

What kind of a timeline would you see before these things start to play out and the numbers looks somewhere where you could be comfortable relatively?

Amitabh Jain: On your second question regarding the loss ratio, if you look at sequentially, the loss ratio has come down from quarter 2 to quarter 3 by almost 1.4% but if you look further, if we segregate between retail and group, retail has actually come down by almost close to 2%, roughly 180 basis points so, clearly there is an improvement.

Yes, we would like it to be better than this and some of the actions that we have been taking are towards that but there has been a consistent increase in frequency and severity largely driven by heightened awareness in cashless availability, accessibility, active reach out by hospitals, and generally more higher preference for going for surgical interventions rather than going for conservative treatments and all.

Keeping that in mind, we have taken consistent price increases across our products and by the time we enter Q4, which is our biggest quarter, we have already re-priced close to 65% of our retail portfolio so, to that extent, you know, I think whatever we need to do given all the changes we are seeing, we have done most of that and we should start seeing the impact of this coming in the next few quarters.

As far as Banca and group business is concerned, yes, there has been more worsening on that side and those are annual policies where we can intervene much faster and do corrections much faster, those corrections we have already taken in Q3 and therefore going forward that would look better.

Nilesh Kambli: Avinash, in terms of your first question, there is a mix of two years and three years as well. The long term for Q3 will be 9% of our portfolio. 91% continues to be one-year policy.

Avinash Singh: Just as a follow-up, if it was 9%, then the impact, I mean, because of "1/N" that is coming close to 7-8%. I mean, if it was 9%, then typically you will account nearly, say, assuming that it took 2-3 years, so, 3-odd percent you will account, so, impact should have been lesser, because the impact appears to be close to 8% of your premium. That's why I sort of asked that, if it is higher.

Nilesh Kambli: Yes it will keep on normalizing as we keep on booking the premium going forward.

Avinash Singh: Just a quick follow-up. I mean, how has been the growth trend looking so far in Jan? Because I mean, today we are on 29th, you would have senses because December for whatever reason, despite it's just more of a year end, was weak for industry, and you have sort of taken the price hike as well. What does the growth trend look like in the month of Jan?

Anand Roy: As you rightly said, there has been a lot of changes in the quarter 3, both from regulatory framework as well as the macro situation so, we saw some disturbance that time but quarter 4, January growth looks very positive. In fact, on all the areas, on the retail side we are doing very well and we hope to close this year on a very positive note.

Moderator: Thank you. We will take our next question from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: First question is on the expense ratio, right, that has stagnated around 30%, and we have been growing at 15-16%. Do we conclude out of this that the incremental acquisition is coming at a higher expense cost versus the, you know, what was the trend previously? And this is the levels or possibly even we can see some increase as the fresh-to-renewal ratio kind of increases further. Do you think that this expense of management ratio would continue to trend flattish or we can see some scale benefits if we grow at 15-16%?

Nilesh Kambli: While it looks flattish, we have been improving our share of Banca business, which is benefit product, which is a higher procurement cost. The second factor is for retail business also the proportion of long term has been increasing for us so April to September also has a proportion of long-term business, and that gets accounted upfront under the erstwhile before "1 / N" rule. Hence, the expense ratio looks to be flattish as we implement 1/N, as we are getting scale benefits, this will keep on coming down as we speak. We feel we will continue to get the 0.5%, 0.75% benefit going ahead especially with "1/N" implementation as well.

Prayesh Jain: You are saying including 1/N, there will be still benefits of 0.5%, 0.7%?

Nilesh Kambli: No, we have to normalize it for 1/N. On a like-to-like basis, there will be a benefit which will come in. It will move, the weight has moved up, and then it will keep on coming down again because the base has changed.

Prayesh Jain: If you can share the combined ratio of group and retail for the nine months that would be helpful. The suggestion was to start giving "1/N" numbers on a monthly basis, excluding "1/N" numbers on a growth basis on a monthly basis. That would be helpful to us. That was the suggestion, but the question is on the combined ratio of group and retail.

Aditya Biyani: Duly noted. I think we have already shared the retail loss ratios and group loss ratios. Considering retail is more driven by an agency, we are a retail-driven organization so, more or less if you see our combined ratio for the organization will reflect the retail loss ratios and retail combined ratios too. In the future we will make a note of it and if possible we will try to share the combined ratios too but no commitment right now on the conference call.

Moderator: We will take our next question from the line of Supratim Datta from Ambit. Please go ahead.

Supratim Datta: My first question is on the loss ratio. You have repriced 65% of your portfolio and you expect that to positively impact loss ratios, but if I remember last year as well, you had repriced the FHO product, which contributed around 40% of your portfolio by around 25%. However, we haven't seen that positive impact come in this year. Your retail loss ratios for nine months is around 300-350 basis points higher than what we were doing last year. Just wanted to understand why do you think this time the pricing actions will be different from what happened last year? If you could give us some color on that because from a regulatory side, what we are seeing is the regulator keeps tightening, be it the kind of policies that you underwrite, that there is tightening on that or on the claims and claim repudiation, there seems to be more focus on that, both from a regulatory as well as political standpoint. In this backdrop, why do you think these current price hikes should be sufficient to drive an improvement? If you could give us some color on that, that's the first question.

On the second one, I look at the Group business of yours, you went out of this in FY23. Again, you went in in FY24. You know, the idea was that SMEs will result in better loss ratios. However, that experience hasn't really played out. Now from here do you think that it's better to exit this business again or do you think a price hike will be sufficient enough to address the issue because this is again a very highly competitive business at the overall level so just wanted to understand what our strategy going to be here from this point onwards, that again would give us some clarity.

Lastly on the New business growth and the fresh business growth that you pointed out in the 2nd Quarter you had indicated that the first half fresh business growth was around 31% and this time you are saying nine months is around 22%. Has there been a slowdown in the 3rd Quarter or how should we read that or have I gotten my data wrong, if you could give some clarity on that it would be helpful.

Amitabh Jain: What is very clear is that pricing alone cannot solve for the entire portfolio loss ratio management and therefore along with price increases, we are taking various portfolio correction measures based on micro segmentation of our portfolio, which is to do with which products, which market, what kind of add-ons, etc, also, the overall strategy on what we do for specific markets in terms of the way we handle our distribution. All of that will go along with pricing to make some of these impacts and of course the work that is happening on the supply side, which is how we deal with the providers and so on. It's a 360-degree approach that we have to take and you know we are working on all of that to make things happen. We are aware that pricing alone won't and see we also have to be conscious that price increases beyond the point can be counterproductive because they might either lead to lower attention or may impact fresh sales. You know that also to be kept in mind while we are doing this, the whole idea is that we get to a cycle of good growth on the fresh side as well as have good retentions with the desired heed that we have designed in the increases, so that's how we are approaching it.

Anand Roy: On your other two questions on Group and New Business growth, I think on the group side the strategy was always very clear to focus on the SME and mid-corporates and that's what we have been doing but as you have rightly pointed out even in those areas we have seen an elevated loss ratio compared to what we had initially planned for, and that's largely if you consider the whole industry's loss ratio on the group side, it has increased and Star Health also as has felt the impact of course so, we continue with our strategy. There is no change in the strategy. We will keep focusing on the SME and the mid-corporate segments and as we have already mentioned in our opening remarks, it's a smaller portion of our overall business plan but we will continue the same strategy. As far as new business is concerned, we are growing very well. In fact, we are very confident of doing much better as we go forward because this new product of Superstar has really taken off very well for us on all the channels and we expect this to become even better going forward. First half and second-half comparison cannot be maintained because bulk of the business comes in second-half so the growth rate on new business seems to be very comfortable for us.

Moderator: Thank you. We will take the next question from the line of Madhukar Ladha from Nuvama Wealth Management. Please go ahead.

Madhukar Ladha: Good morning and thank you for taking my question. First, what is the extent of price hike that we're looking at and this again gives me some fear that we may lose market share as a result of taking continuous price hikes. I think we're taking a price hike on Family Health Optima, last year we had taken 25%. On top of it again, we're taking a price hike, right now. How are we going to contain that element?

Can you also, maybe I missed this what is the fresh business growth for nine months and for Q3, if you can give those two numbers. Lastly loss issues remain, sort of. Elevated so what is your expectation of the trajectory going forward into '26 and '27, some sort of guidance could help us as to what sort of numbers you as management are probably going to be looking at or are working with. Those would be my questions.

Anand Roy: See, the price hike is the reflection of the market reality, which for us mostly, obviously, is driven by medical inflation. You know, as long as India continues to have a very high medical inflation, insurance companies will have to keep pace with it so, this is not the first court of call as we have always mentioned, but even if you look at it, the annualized yield that we are targeting on every product price that we do is between 10% to 12%, so I think inflation is a reality and customers have to unfortunately pay for that, and that is how we are planning our strategies. We are very mindful of the sensitivity of this whole business. We know that retaining customers, making sure that they don't feel aggrieved is important so, we have also designed our pricing strategy in that manner so that you know most customers do not feel aggrieved by this whole incident. As far as FHO is concerned, yes, you know, we had taken a price increase two years ago, but we have decided to take one more this year so, that will continue. As far as retail fresh is concerned, we have grown at 22% or nine month on a GWP basis and 13 percent on NOP basis. Our strategy continues to be pushing both on the volume side and the value side led growth, which will continue, and we are very happy to see these numbers coming back on track.

Madhukar Ladha: On the loss ratio sir what should we sort of start thinking? How should we think about it over '26-27 like any improvement numbers that we should target at?

Aditya Biyani: The price hikes have been taken and as we follow 1/365 method, the impact will be seen in the next 18 to 24 months. What's more important is the claim rejection rates have gone down and our customer NPS has gone up so, we are very cognizant of the fact that how the customer service delivery can be enhanced in these times. Price hikes have been taken only to mitigate medical inflation and this will continue going forward too so we will wait and see how it goes. The initial numbers when we have taken up a price hike the retentions have been good. We don't see any issue in our retention portfolio in the coming year.

Madhukar Ladha: Got it. If I could squeeze in one more question on the commission side. I understand that the larger aggregators are still not willing to accept yearly commissions and IRDAI does not allow deferring of this cost. In that context how have we dealt with this? It seems that we have managed to convert this for ourselves to a sort of yearly commission payment mechanism but I would like to hear your comments on that. Second is given this do you see industry dynamics changing in anyway because the EOM ratios for your competitors will then go up a lot more sharply than they would go up for yours. Does that help you in any way?

Anand Roy: I think you answered the question yourself. The EOM regulations do not put any cap on the payment of commissions, the accounting method for your gross written premium is what is changed so, on a case-to-case basis, we are discussing with our partners and we are taking decisions based on what is beneficial to start it. Yes, we do have some headroom on the EOM side as compared to some of our peers when we will utilize it strategically wherever needed. Thanks.

Moderator: We will take our next question from the line of Uday Pai from Investec. Please go ahead.

Uday Pai: Thanks for the opportunity. I have a couple of questions. The first one is can you quantify the blended impact of the price hike that you have taken in FY25 on your total portfolio? Second would be you had introduced premium discounting for customers with no claims, a product with that feature. Can you share what is the contribution of that product to GWP? And also, if I can squeeze in last one, what would be the loss ratios in the Banca channel? You mentioned that it is a high procurement cost channel, but can you also share the loss ratios in that Channel? Those would be my questions.

Nilesh Kambli: The price hikes that we have taken are in the range of 8% to 9% of blended basis. In terms of Banca channel, you know we maintain a combined issue target which is below certain levels so very difficult to comment on the loss ratio, but these are very low loss ratios. These are attachment products, which are very beneficial to the customer. In the case of any need, these claims are paid out.

Uday Pai: What is the contribution of the no claims premium discounting product.

Nilesh Kambli: It's introduced for one of the products which is 30% of our portfolio as of now. It is introduced for SIP product.

Moderator: Thank you. We will take our next question from the line of Prakash Kapadia from Spark PMS. Please go ahead.

Prakash Kapadia: Thanks for the opportunity. If I were to look at nine months combined ratio it is 101.8 versus. 98.2. This is largely due higher loss ratios and you know, this quarter we have seen OPEX and commission being higher, you partly alluded to the 1/N impact which is, started recently. What I wanted to understand is we are already following 1/365. What is the impact of 1/N for us and from here on how does the trajectory of combined ratios look forward on a '26 or you know near term basis for us because, we were already 1/365 in terms of revenue recognition, so with 1/N is the impact still there, lesser? Are we better off? If you could give some insights that will be helpful.

Nilesh Kambli: When we calculate the loss ratio the numerator is claims and the denominator is net earned premium and hence for loss ratio purposes, the 1/N stage will not create an impact When it comes to expense ratio, that denominator is net written premium. While the NEP does not get impacted because of 1/N, the net premium does get impacted because GWP is going down and hence the expense ratio looks to be elevated by 1.6% for the quarter that is on a like-to-like basis, we see that the expense ratio is flat.

Prakash Kapadia: Are you saying that for Q3, if I were to take this impact, it is higher by 1.6%.

Nilesh Kambli: Yes because of the 1/N impact otherwise last year it was 30.3% expense ratio, now it is 30.2% which is flattish.

Prakash Kapadia: As you know, we build the book end and we are looking at growth coming forward from Q4 onwards. I'm not looking at a specific guidance but ideally in what direction should we be looking at for the combined ratios going forward, how lower can they be? Some kind of a direction?

Aditya Biyani: When we started this year, we had given that we would like to double our top line and work towards an IFRS path. Right now, at this critical juncture where there are so many regulatory and accounting changes happening, I think what's more important is whether the segment is growing and for us as retail players, whether the fresh business is going up or not. I think that is where the agency, the digital, the Banca retail, everyone is focusing on it and our growth has been very good. In fact, our retail fresh growth has been almost in the range of 22% -odd and is followed by a very good volume growth. More than anything, I think we should be focusing more on the IFRS path towards Financial Year '28 and whether we can keep growing at the rate which we have envisaged, which is 18%-odd, reaching and doubling our top line from Financial Year '24.

Moderator: Thank you. We will take a next question from the line of Dipanjan Ghosh from Citi. Please go ahead.

Dipanjan Ghosh: Hi, good morning, Sir. So, just a few questions. First, you know, when I look at your renewal premium growth, that tends to be in the retail health side, my calculations say that it should be around 10% to 13% range and you also mentioned the blended price hikes that you have taken over the last nine months is around 8% to 10%. Broadly speaking, I just want to understand how has the retail persistency ratio been holding up if I look at the number of policies? That will be my first question.

Secondly, What I understand is in your Group business you have scaled up the Banca business over the past maybe 8 to 10 quarters. Despite that, the claims are standing at like more than 80%. I just wanted to understand on the employer-employee side what would be the mix today in your Group Health and how has that segment really behaved including large corporates.

And last question one is on the overall book, let's say that you have originated post let's say FY22 or maybe in the last 10 to 12 quarters. What would be the composition of this new book?

Anand Roy: We have seen definitely an improvement in the renewal persistency this year at 87% in the number of policies as compared to 84% in the last quarter of FY24. I think you know the focus is on ensuring that customers renew their plans. We put significant efforts in reaching out to customers, giving them the ease of payment options and also most of these renewals happens digitally. I think this is something that we will continue to focus on. Our aim is to make sure customers continue to get the benefit of having a Star Health policy and do not fall out of the franchise. On the Banca side, there has been a slowdown in the PSU banks. You are aware that there has been multiple challenges on the Bancassurance business in terms of regulatory interventions, in terms of oversight by the ministry on insurance sales in banks. All of this has definitely affected the business growth than what we had planned, but we are very positive of the partners that we have, we continue to add new partners on the Bancassurance space and I definitely think this is an area on which we will remain focused. On the Group side, I had mentioned in my opening remarks is a small business that's 4% of our portfolio, focusing largely on SME and mid-corporates but yes, there has been a deterioration in the loss ratios on the Group side for industry and as well as for Star Health. We are taking some corrective measures in terms of the pricing and selection of business so that you know this business can continue to be profitable in the long run.

Moderator: Thank you. We will take our next question from the line of Jayant Kharote from Jefferies. Please go ahead.

Jayant Kharote: First question is regarding volume growth. If you could quantify the volume growth for this quarter for the firm and for the nine months and how is that shaping up? I'll come back with the second one.

Nilesh Kambli: 50% continues to be volume growth for the first nine months and 50% is the value growth that we are seeing you know with the price increase, which is effective December and Jan, we will see higher proportion of value going forward, but for the 9 months it is 50/50.

Jayant Kharote: Can you just quantify the number for the quarter, for the Retail Health?

Nilesh Kambli: It's around 7% volume growth and 7% is the value growth.

Jayant Kharote: One the claim side one thing is clear that this claims is not a Star issue, it is a broader industry issue and over the last three quarters is becoming more and more apparent. So, a slightly longer-term question that how do we address this issue that there's not dispersion of patients across hospitals and of course the issue of supply of the bed size, we see a lot of P/E investments coming in for the next but these hospitals take time to scale up and mature. So, what role can you, as a market leader play to sort of accelerate these hospital maturity cycles so that the supply of beds increases and at least the severity can if not decline, at least stop growing at this pace?

Amitabh Jain: This is something that Star and of course industries really trying to kind of get solutions for and it is not one particular thing or one particular strategy that will work, but one of the things that we have been working with the GI Council is to get to discussion with the major hospital groups to agree on certain basic hygiene, for example, the way billing happens, the kind of billing heads that get bill to customers and to insurers. What could be the basic protocol for medical admissions? Since we are seeing a heightened reach out to have admissions even for very basic medical requirements like simple fevers and so on. That is one. Two is of course, you know, how we sort of combine as an industry to look at what we can do on creating more awareness amongst customers to be more aware of wellness and health conditions and make that as a first protocol., In the long run ultimately, a healthy customer base will lead to a healthy portfolio so those are some of the things that we are doing. Third is specifically, Star is going all out to kind of use all the preventive measures that can be done, for example, we have been running a program on containing re-admission rates where we have seen a very appreciable movement of roughly 20% reduction in re-admissions that we have been driving post admission happen so, those are the kind of measures, a 360-degree approach that we will have to take to kind of contain some of this and of course we have been talking to the government for a regulator for the hospital industry, which I think is very essential for some of these things to fall in place.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question for today. I now hand the conference over to Mr. Nilesh Kambli from Star Health and Allied Insurance Company Limited for closing comments. Over to you.

Nilesh Kambli: Thank you everyone for joining. We are experiencing good growth in our retail business with expansion in our product and distribution profile. We are excited about Quarter 4, which is the largest quarter in terms of the premium for us. With the pricing intervention taken in December and Jan '25, the financials will continue to improve going ahead. Thanks for joining the call. Thank you.

Moderator: Thank you. On behalf of Star Health and Allied Insurance Company Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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