Star Health and Allied Insurance Co. Ltd.

Date: August 05, 2024
Place: Chennai

Ref: SHAI/B & S/SE/85/2024-25

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 Q1 - FY 2025 Earnings Call – June 30, 2024.

Further to the Company's letter SHAI/B & S/SE/74/2024-25 dated July 25, 2024 regarding Earnings Call Intimation for Q1 - FY 2025, please find attached transcript of the call dated July 31, 2024.

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

This is for your kind information and records.

Thanking You,

For Star Health and Allied Insurance Company Limited,

JAYASHREE SETHURAMAN
Digitally signed by JAYASHREE SETHURAMAN
Date: 2024.08.05 17:45:03 +05'30'

Jayashree Sethuraman
Company Secretary & Compliance Officer

Encl: as above.

Star Health and Allied Insurance Company Limited
Q1-FY2025 Earnings Conference Call
July 31, 2024

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: Good day and welcome to the Star Health and Allied Insurance Company Limited Q1 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 the "*", then "0" on your touch tone phone.

I now hand the conference over to Mr. Pratik Patil from Adfactors PR, Investor Relations team. Thank you and over to you, sir.

Pratik Patil: Thank you, Steve. 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 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 on this Wednesday morning. Thank you for taking time and joining this conference call of Star Health Insurance.

At our company, we continue to focus on our planned journey of growth with profit, while maintaining the leadership in the health insurance domain. These are very interesting times for the industry with multiple regulatory changes being brought about focusing on customer centricity and also how to be improving the services of the industry in general. We are gearing up for meeting those regulatory changes and we are already ahead of the curve on many of those areas. We are totally committed to delivering on the “Insurance for All” guideline, which the regulator has set for the industry. We are taking multiple steps to increase our distribution and penetration.

I will now request my colleague, Aditya, to give you a brief about the company's performance in the Quarter 1, and then we are open to questions and answers from your side. Thank you so much.

Aditya Biyani: Thank you, Anand. A very good morning to all of you. Thank you very much for joining us today for the Q1 FY2025 Earnings Conference call of Star Health and Allied Insurance Company Limited.

Before delving into the company specifics, I would like to give you a brief overview on the industry trends and developments that we have witnessed in the last few months, and then walk you all through the company's strategic vision and our performance.

The RBI's Economic Survey has pegged India's GDP growth at 6.5% to 7% for the current financial year, which is a testament to the India growth story. On the other hand, for a burgeoning nation on track to become an economic powerhouse, there is a hidden vulnerability. While the nation is rapidly surging forward, a majority percentage of individuals and households are exposed to financial risk by virtue of being uninsured or underinsured.

On an individual level, this potentially limits access to quality healthcare, thus giving an opportunity to the health insurance segment with a long headroom for growth. However, there are further complications, which are likely to become more acute as we move forward. Like for example, climate change, which is the biggest challenge that we all are facing today. A very carefully glance at empirical data shows the increase in climate change related diseases across the globe. This has to be proactively addressed by the healthcare industry through innovative products and services.

Having said that, the Indian insurance industry is quite resilient and ready to face these challenges. The initiative of Insurance for All by 2047, driven by the Insurance Regulatory and Development Authority of India, coupled with the steadfast growth of the Indian economy provides an opportune period for the expansion of the insurance sector. In line with this vision, IRDAI has issued a master circular on insurance. This emphasizes on customer centricity by mandating insurers to design and offer products that are fair, transparent and easy to understand, ensuring that customers are well informed about the features and benefits of their policy. This approach aims to enhance customer trust and satisfaction, promoting a customer-first culture within the insurance industry. We have welcomed this change to invest more on customer-centric projects.

In the last couple of years, we had consciously embarked on the journey of putting risk first and growth later. Our CAGR of 23% between Financial Year '19 to Financial Year '24, and overall business performance of gross written premium and the underwriting profit which grew at the rate of 24% during the same period demonstrates the effectiveness of the execution of strategy we had adopted. This thrusts to performance at a calibrated risk undertaken has enabled us to shift towards growth with profit very effectively. As outlined previously during our Analyst Day, we have four engines of growth, namely ABCD.

A is for Agency:

Our agency business contributed around 80% of our overall business for the three months ended June '24. Our agency strength has increased to 718,000 agents with a net addition of 17,000 agents in the June quarter.

B is for BANCA:

As regards Banca partnerships and corporate agencies, we now have 61 tie-ups in the banks and NBFC space. This channel contributes to around 8% to our GWP in Q1 FY '25, including Alternate Channels.

C is for Corporate:

The corporate business comes via individual agents, banks and brokers. This channel contributed 5% of our overall business in Q1 FY 25. As most of the top brokers, banks are already our partners, along with our agency force; we are getting an opportunity to work with SMEs and MSMEs for corporate business.

Lastly, D is for Digital:

The digital business comprising of our own direct-to-consumer and online brokers and web aggregators contributed around 7% of our overall GWP in Q1 FY '25. At a more granular level, 70% of our GWP comes from own direct-to-consumer channel, and the balance 30% comes from online brokers and web aggregators.

In lockstep with our four growth engines, we have three competitive advantages:

- The first competitive advantage which we have is of cost leadership. Streamlining internal processes, leveraging technology and fostering cost consciousness has resulted in maximizing efficiency and minimizing waste. These tests have ensured that we are able to keep our expenses of management well below the 35% now, as mandated by IRDAI.
- The second competitive advantage we have is of unparalleled distribution. Along with agency, which is our core competence, our diversification to Banca, corporate and digital is our four-pronged distribution strategy to service the insurance needs of all customer segments.
- And lastly, we have the best in-house claims servicing. Our in-house claims management system and adoption of new age technology has enabled us to process 92% claims in less than two hours and a 24x7 service availability for a seamless experience, along with a 30,000-plus healthcare provider network.

With the aid of the four growth engines and three competitive moats, by FY '28, we aspire to double our GWP to Rs. 30,000 crore and triple our PAT to Rs. 2,500 crore.

Coming to our Q1 FY '25 Performance for the three months ended June '24, our (Gross Written Premium) GWP grew at a rate of 18% to Rs. 3,476 crore compared to Rs. 2,949 crore during the same period last year. We are the largest standalone health insurance company in India, and our share of GWP is close to 42% of the entire standalone health insurance industry. Our market share for Q1 FY '25, amongst all general insurance companies, is up by 20 bps to 4.8% versus 4.6% in the previous year.

In Q1 FY '25, we ticked all the boxes as far as fresh business is concerned. The ratio of fresh to renewal business in Q1 FY '25 improved to 25:75 as compared to 23:77 in the same quarter last year. Retail fresher premium and agent activation rate also grew in the mid-teens in Q1 FY '25. Coming to Banca, fresh business grew by 25% with an uptick in the partner count to 61. We expect the share of this channel to keep increasing in the coming quarters. As regards the corporate channel, other than Banca, the fresh business growth was 110%. The digital channel grew by 25% in Q1 FY '25 in fresh business terms. With 50% market share in the direct-to-consumer space, we will continue to leverage this channel for further growth.

In order to increase penetration in semi urban and rural geographies, we have added 165 sales manager stations during the quarter, taking the total to 1,319 sales manager stations, which are small individual service centres. During the quarter, the total number of rural agents has gone up by 30% on Y-o-Y basis. The number of rural agents active on retail fresh is also up by 40%. With 887 branches, we have 2,000-plus customer touch points to ensure better service. Off the 19,000 plus PIN codes in India, we are present in 17,253 PIN codes via our sales distribution network.

While keeping our focus on growth levers, we will continue our focus to further strengthen our customer centricity and take pride in staying true to our belief that all citizens have a right to get access to affordable health insurance. In line with this, we have recently launched our home healthcare service segment. This facility will be available to our policyholders at no extra premium. However, the expenses incurred will be deducted from the sum insured. We have collaborated with four home health care service providers, which has enabled us to provide this facility in more than 50 cities in the country.

I will now talk about some of our claims initiatives and outcomes:

In terms of claims, 90% of the paid claims in Q1 FY '25 were cashless versus 84% in Q1 FY '24. The auto adjudication of claims helps us in drastically reducing the turnaround time. 33% of agreed network hospitals that equate to 76% of the cashless claims have been onboarded under our authorized adjudication initiative. Our anti-fraud rate and abuse, AI and machine learning models continued to yield savings for us. In terms of claims outgo, we were able to save 2.4% of the reported claims as a direct result of these measures.

Let me now elaborate further on the financial performance of the company:

The combined ratio for Q1 FY '25 is 99.2% versus the combined ratio for the same period last year, which was 97.8%. The claims ratio in Q1 FY '25 was 67.6% versus 65.4% in Q1 FY '24. The preventive health check, telemedicine, OPD and wellness contribution in the claims ratio was 0.66% in Q1 FY '25. The expense ratio of Q1 FY '25 stood at 31.6% versus 32.4% for the corresponding quarter last year.

Coming to our investment income, our investment assets have grown to Rs. 15,802 crore in Q1 FY '25, showing a growth of 19% year-on-year. The yield for Q1 FY '25 was 7.5% versus 7.4% in Q1 FY '24. The investment income during Q1 FY '25 grew by 18% to Rs. 295 crore versus Rs. 250 crore in the same period last year.

Coming to our profitability, our profit before tax of Rs. 426 crore for Q1 FY '25 was up by 11% from the same period last year. Our PAT for Q1 FY '25 came in at Rs. 319 crore, and this represents a year-on-year growth of 11%. The non-annualized ROE for Q1 FY '25 has come in at 4.9% versus 5.2% in Q1 FY '24.

Coming to our solvency, we have a strong capital base and our solvency as on 30th June, 2024, is 2.29 times compared to the regulatory requirement of 1.5 times.

Now, for some key highlights of Q1 FY '25:

- In Q1 FY '25, the average sum insured of new policies has increased by 8% on a year-on-year basis to Rs. 10 lakhs approximately. Rs. 5 lakhs and above sum insured now constitute 81% of the retail health portfolio versus 76% in Q1 FY '24.
- The share of the long-term policies within retail GWP has increased to 7% in Q1 FY '25 versus 5% in Q1 FY '24.
- Furthering our consumer-centric approach, our NPS score stands at 60 for the quarter ended June '24.
- The digital issuance as a percentage of premium collection stands at 72% in Q1 FY '25 versus 66% in Q1 FY '24.
- The proportion of cashless claim with agreed network hospital has gone up to 74% versus 61% in Q1 FY '24.
- Coming to prevention and wellness, our engagement with customers on prevention and wellness has seen a significant jump. Preventive health checks has increased by 156% in Q1 FY '25. On customers using telemedicine, there has been a 51% increase this quarter over Q1 FY '24. On wellness enrollment, there has been 100x jump in Q1 FY '25 over the same quarter last year.
- As regards Star Health App, our customer app downloads have increased to 6.6 million plus in Q1 FY '25 versus 5.7 million as of FY '24. Our monthly active users have increased by 26% compared to FY '24.
- The organic traffic to the website grew by 57% in Q1 FY '25 over the same period last year.

Lastly, if the regulator goes ahead with the rollout of composite licences, we would certainly like to explore offering newer protection plans in life and non-life segments in the future. We would be well positioned to cater to the strong customer adjacencies and would be able to expedite leveraging our proprietary distribution for cross sell and upsell to our existing customers. Our vast network and footprint will help us in greater monetisation of assets and tap new customers as well. Our extensive experience and understanding of the customer needs will help empower us to innovate on integrated products. We are already working with a leading consultant to explore various strategies on the opportunities ahead of us.

To conclude, we at Star Health continue to believe and invest in the profitable and sustainable growth opportunities available in the health insurance segment. And we are on our desired path of realising the same.

Thank you for attending the call. We are happy to take your questions now.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Swarnabha Mukherjee from B&K Securities. Please go ahead.

Swarnabha Mukherjee: Sir, three questions. Sir, my first question was on the claims part. The claims numbers have seen some inflation, I think last quarter it was around slightly lower than Rs. 2,200 crore, now this is almost as much as Rs. 2,400 crore. So, is there any one-off here or is this something steady state? And should we think about the upcoming three quarters of this financial year based on this number? And consequently, what would be your expectation on the loss ratio for the remaining three quarters of the year? That is my first question.

Second is on the NEP growth. So, this quarter still NEP growth lags the overall GWP growth. So, wanted to understand when do you expect this NEP growth or basically the price hike impact in NEP to flow in in this year?

And lastly, in terms of the renewal premium, the retail health renewal premium ratio has gone down to around 93%. So, what is playing out here? Is there any challenge in renewals? And would like to get your comments on that. Those will be my questions.

Amitabh Jain: On the claims part, what we've seen is that more than expected frequency as far as the medical claims go, for example, fevers and related cases, which never used to be part of the Quarter 1 experience earlier, this is the first time occurrence that has happened and therefore we see a slightly higher than expected number.

Let me also give you a context about the overall increase of the loss ratio. So, what has happened is that, if you look at the non-health part of the portfolio, that has contributed to about close to 1% of the overall increase, it is a reason because of some of higher PA cost ratios, personal accident cost ratios, as well as our spends going out further on our wellness and prevention activities. Overall if you look at on the health side, the actual increase is just above 1%. That's how the claims stack up.

Swarnabha Mukherjee: Just a follow-up on that, this looks like that this could be a steady state sector, and that way should we expect that loss ratios in second, third and fourth quarter be slightly above what we had recorded last year, given that this seems like a trend? And also wanted to understand the rationale of this higher expenses in the wellness side of things so that why this is booked under the claims part as opposed to the expense part, if you could explain that also?

Amitabh Jain: Yes. See, so how this will sort of trend down, we are still to see that but clearly it seems that the cycle has moved up in terms of what we used to see earlier starting from sometime in end of June and July and going further. Maybe this time it has started sometime in May so, if that is the case then this might just get over by August or September, which earlier, for example, last year it went up to October and some part of November. We still have to wait and see how it pans out. We are obviously getting ready in terms of, given this increase, how to deal with this for the rest of the year, we are getting ready for that. As far as our spends on wellness and prevention is concerned, the costs are much lower than the benefits that we are seeing, the initial trends that are there but these are long term investments, and they pan out over a period of time. But the cost versus benefit is clearly favouring us.

Swarnabha Mukherjee: Yes, sir, the rest of the query if you could address.

Nilesh Kambli: The NEP growth for the quarter is 16%. The NWP growth after ceding is 13% so, what we see there is clearly an improvement in the earned-premium growth this could have been slightly higher. But for the long-term reinsurance arrangement that we have done, for the long term business we have a 50% reinsurance ceding, which is impacting the earned premium, but the benefit is coming to the reinsurance commission. If you see the reinsurance commission against last year of Rs. 34 crore, we have reinsurance commission of Rs. 117 crore. So, there is a benefit coming through the expense ratio.

Swarnabha Mukherjee: And in terms of the renewal premium ratio, what is happening in case of renewals?

Nilesh Kambli: See, renewal ratio is 93%. If you remember, last year there was FHO which has taken the renewal ratio up to 97%. Our historical averages are between 96%, 95% and we continue to maintain that. What we are seeing is growth in terms of number of policies and that continues to see a good improvement, because there is no price increase this is in line with our historical average.

Moderator: Thank you. The next question is from the line of Avinash Singh from Emkay Global. Please go ahead.

Avinash Singh: Yes. The new-to-renewal policy breakup is 25:75, the 25% policies are new, and 75% policies are renewal. If I go and look in premium terms, you have a 15% retail premium growth and you have 92% renewal premium coming from your existing. So, basically in this 115 the break up will be something like a 23 premium is coming from your new and 92 is coming from your existing book. So, basically this is a 75% existing policy contributing to Rs. 92 of premium and this 25% contributing Rs. 23, so that broadly ballpark gives me that new fresh policy ticket size is 20% lower than existing. That's partly possible because, I mean, typically your acquisition is younger. But just I want to understand that, yes, is the understanding correct that broadly the average ticket size of new policy is 20% lower than my stock, or average ticket side of my stock or renewal policy? That's the first question.

Aditya Biyani: Avinash, as we mentioned, the fresh numbers have ticked in all the boxes including agency, including Banca, including corporate and digital. Coming to your particular thing, we can always take it offline and we can deep dive into this question. Can we have your second question, please?

Avinash Singh: Yes. Now second is that given where sort of the claims or issues are moving, the price hikes are largely done and dusted, and there are some kind of, I would say, tweaking around some of the parameters in this new master circular around health business product, there's some kind of tweaking in parameter that might have some just at the margin, some impact on cost and all. In this backdrop, do you see, I mean, if this claim situation continues and all, are you okay with your usual pricing? Or again you will have to sort of look for a fresh price hike?

Anand Roy: So, Avinash, we have planned for a couple of products price increases already, as you are aware, which one product has gone live, two more products will go live in the next one month's time. So, we have already planned for that. Given the new master circular which has come in, we are still evaluating the impact of that. On a cursory glance, we see that most of them are related to operations and turnaround times and stuff but there are certain conditions, which may have long-term impact on the pricing, for example, reduction in the moratorium period, reduction in the pre-existing disease period and so on. We will take price increases if required, looking at the impact of these changes in the larger products. As we speak, we are looking at two three products we repriced already.

Avinash Singh: And just finally, I mean, with this Q1 in backdrop and now Q2 development one month you will have an idea, is sort of the 50 basis points claims your improvement and 50 basis point Opex improvements Y-o-Y very much on track or will there be some rethinking on that?

Anand Roy: No, we remain on track, Avinash. When we spoke to you about that in the end of June, we were aware of the situation and we are remaining on track as far as that particular commitment is concerned.

Moderator: Thank you. The next question is from the line of Supratim from Ambit Capital. Please go ahead.

Supratim Datta: Now, coming back to the question of retail health renewal premium ratio, now if I see in FY '22-'23 you had a ratio of around 94%, 95%. Compared to that this time it has dropped to around 92.8%. And if I take into consideration that you had the price impact, price hike that you were taken in May, one month of that price impact also flowed into this quarter. So, the renewal ratio would have been even lower. Now just wanted to understand here, which cohorts are actually moving out where you are seeing porting happening outwards?

Two, my second question was that when I look at your retail health new business growth, that improvement in trend which started in the fourth quarter has continued in the first quarter. Now wanted to understand here what would be the breakup of indemnity policy? And within that if you could give us what is the kind of growth you're getting from porting inwards that's happened for you, that would be very helpful.

And lastly on commissions, like you rightly pointed out that the reinsurance contract that you entered for long-term policies, that has contributed to the reinsurance commissions going up significantly. Despite that, the commission ratio moved up by around 40 basis points for the quarter. So, wanted to understand, has there been any renegotiation with respect to commission structure? Or is the new business that you are acquiring coming from higher cost channels?

Anand Roy: So, a couple of things. One is, as far as retention is concerned, we are happy to let you know that our policy-wise retention remains constant, and in fact it has improved by a percentage point. We track policy-wise retention, which is a true picture of customers believing in our services and products.

As far as the drop in GWP retention is concerned, our averages have been around 94% to 95%, we hope to get there by end of the year. As the business mix is changing, moving more towards digital and alternate and bancassurance, these channels typically have a little lower retention rates as compared to our traditional agency channel so, there may be a little bit of a drop given the business mix change. However, we are very mindful of customer retention and we ensure that we are up there. We are happy to report that more than 50% of our customers are renewing their policies online through our digital channels without any intervention of any human being. We are investing a lot in technology and processes to improve our retention.

As far as our commission rates are concerned, those are largely driven because the new business growth is higher, and it might be a reflection of that. There is no specific negotiation in terms of higher commissions or anything. In fact, our aim is to reduce wherever the opportunities arise, not go higher.

And what was the other question, I'm sorry? Does that answer your question?

Supratim Datta: I had just one last question that in the fresh business growth that you are reporting that there has been an improvement. Just wanted to understand what would be the proportion of porting inwards within that space?

Anand Roy: Inward porting, honestly, as we have articulated in the past, we have been a little conservative as far as inward portability is concerned. It is still less than 10% of our overall new business coming in but having said that, we are definitely creating strategies to go more aggressive in this area given the changes in the regulations, especially in the markets where we are comfortable with the loss ratios so, that is what we are planning to do and you will see some action in this area going forward.

Moderator: Thank you. The next question is from the line of Shreya Shivani from CLSA. Please go ahead.

Shreya Shivani: Sir, I have one question regarding the larger healthcare ecosystem. So, last year we had heard that the hospital rates had revised upwards after the COVID and they never corrected, and they remained elevated. Has there been any movement in hospital rates, hospital prices that you are seeing this year, this quarter, any trend that you can help us understand? And as in, is that one of the reasons why you're taking another price hike? That's my question, yes.

Amitabh Jain: I feel a very, very relevant question in terms of the overall ecosystem in which we operate. We see continued activity rather focus by the healthcare industry on this side in terms of attempts to boost the revenue and come across cases of abuse as well as efforts in smart billing and inflation of bills and so on. But we are up to the task, and we've been managing it, yes, there is a concern on this side and therefore, the larger issue of pricing of products effectively has to be addressed and that's what we are doing with the kind of plans we have on some of these products. At the same time, if you look at some of the other activities that we've been doing on the wellness and prevention side is a way to ensure that we can keep our customers healthier and keep them out of the hospital so, that's what the overall attempt is, and keep working on these efficiencies.

Shreya Shivani: Sir, is there any colour that you can give us on whether the hospital prices are worse or increasing in the metro, Tier-1 cities, more in Tier-3-4 cities, or does it vary by geography? Or do you see all India pan-India there is an increase in pricing or jack up in pricing for hospitals? Is there any colour you can help us with on this?

Amitabh Jain: There are multiple factors that go into it. We see it happening more in the metros than in sub-metros as of now but it's also a function of the demand and supply, right. So, there are specific geographies where there could be monopolistic situations of one good hospital or two good hospitals being present in the geography and they trying to dictate terms so, all of that happens, but then there are ways of managing that, we also are trying to work for influencing our customers to choose wisely as to which network to go to.

Shreya Shivani: And sir, just trying to understand if the health insurers like the PSU health insurers have this one group where they negotiate with the hospitals, I think it's called GIPSA or something. So, do the private health insurers, private general insurers, do you guys also have certain, or are you planning to have like a, I don't know what to call it, like a group which can negotiate with the hospital bodies? Because if you individually keep negotiating, obviously, the negotiating power decreases. But yes, is there anything of that sort in plans?

Amitabh Jain: Yes. So, you would be aware that the GI Council has taken this initiative and as an industry we want to sort of take this up across the segment and work on a common platform. Some progress has happened on that but given the nature of the complex issue, it will take some time for it to sort of start manifesting, but yes, that's an effort that we are making along with the GI Council.

Moderator: Thank you. The next question is from the line of Madhukar Ladha from Nuvama Wealth Management. Please go ahead.

Madhukar Ladha: First, in volume terms, can you tell me what is the renewal rate? And second, what is the total volume growth year-over-year? Yes, that's my first question.

And second, can you tell me what is the equity percentage in the investment book? And what were the capital gains this year versus last year? And lastly, you've reclassified the channel mix, you've got ABCD now. So, if you could give me comparable numbers on a year-over-year basis and also similar numbers for FY '23 and '24, that would be helpful.

Aneesh Srivastava: Let me answer this question on equity. Our current non-fixed income book is approximately 12% of the portfolio and this is having approximately 11% to 12% kind of gains mark-to-market.

Madhukar Ladha: So, 12% of portfolio and gain, so this is on cost basis you are saying, and then 11%, 12% additional? I didn't understand that, I'm sorry.

Aneesh Srivastava: So, market price divided by cost price, so the gain which we calculate, the gain divided by the cost price is 12%.

Madhukar Ladha: And on market value basis it is 12% of the portfolio?

Aneesh Srivastava: No, not market value. When we calculate, we calculate based on the book values. All the calculations are on book values. Book value basis is 12% of the AUM and mark-to-market gains are approximately 11% to 12% of the book value.

Madhukar Ladha: And what is the capital gains proportion in the P&L?

Aneesh Srivastava: In the P&L capital gains proportion would be, put together, slightly less than 25 basis points.

Madhukar Ladha: Can you give an absolute number, sorry, for this quarter versus last year's quarter?

Aneesh Srivastava: I don't have the data in front of me. This quarter absolute gains in the book put together is approximately Rs. 12 crore.

Madhukar Ladha: Then moving to the next question.

Nilesh Kambli: The retail business we have grown by 15%, the volume and the value growth is 50%, 50% and though we have taken a price increase in the last year, it was in favour of value, but we see volume growth coming in for the current year.

Madhukar Ladha: So, you're saying, total volume growth is about 7.5% year-over-year?

Nilesh Kambli: Yes, 7.5%, and 8% of value growth.

Madhukar Ladha: And in renewal business, what is the volume renewal percentage, if you could give that?

Nilesh Kambli: The historical average is around 86% to 88%. We continue to be in that range of renewal growth. Last year it was slightly lower because of FHO outcome, but this year again it is back on track.

Madhukar Ladha: It's 86 to 88%?

Nilesh Kambli: Correct.

Madhukar Ladha: And finally on the ABCD, if you could give, like historical reclassified numbers?

Nilesh Kambli: The channel mix will continue to be the same, agency which was 82% is now 80% for this quarter, Banca and alternate is in the range of 6% to 7%, while these smaller channels have grown faster, the proportion is still in the range of last year. There is a 1% or 2% shift between agency, Banca and retail.

Moderator: Thank you. The next question is from the line of Aditi Joshi from JP Morgan. Please go ahead.

Aditi Joshi: Just I have one question. And actually, it was very interesting to hear from you that you have started planning for the composite licensing scenario, if at all it happens. So, just firstly, can you please help us elaborate more as in what sort of product structure you are planning under this scenario? As in likely in terms of let's say duration or just broadly mortality morbidity sort of structure, what can you share at this point? And secondly, related to this one, in terms of timeline, can you please share your thoughts as in by when, if at all this happens, could happen? So, these are my questions. Thank you.

Anand Roy: Thank you for the question. I think, see, as far as the composite business opportunity is concerned, we are very seriously evaluating our adjacencies, because we believe that amongst all insurance companies, Star Health has the maximum engagement with its customers, knows its customers well, customers know the brand well. And so, if there are any opportunities to cross-sell and sell additional protection plans to give a more comprehensive protection, we are definitely up for it.

As Aditya mentioned in his opening remarks, we have engaged BCG to develop the strategy for us, and we are looking at the overall strategy and various profit pools available in the life insurance business or the general insurance business where we can have a play. I think this is work under progress so it may take a few months for us to give you more insights about what we intend to do.

As far as the regulations are concerned, see, this has been under discussion for the last two years or so and the expectation is that it will come into Parliament very soon, the bill will be presented but we do not know, that is only for the government to act upon. We are keeping our preparedness totally ready and whenever it becomes a reality, we will be ready to go.

Moderator: Thank you. The next question is from the line of Nidhesh from Investec. Please go ahead.

Nidhesh: So, first is, what is the growth in fresh premium in this quarter?

Aditya Biyani: So, as mentioned, the retail health fresh premium growth was in the mid-teens. And the overall growth was in the range of 18 odd percent.

Nidhesh: And secondly, the cost of 66 basis point that we have allocated in the claims, so does it mean that claims ratio has structurally increased by 50, 60 basis points because this cost will always be in claims versus previous years?

Amitabh Jain: Sorry, I couldn't get the question fully. You mean the cost of the wellness activities you mean?

Nidhesh: Yes, the cost of wellness activities that we are allocating to claim ratio, does it mean that the claims ratio will be 60 basis points higher than the previous years because of this allocation? And the like-to-like comparison is 60 basis point lower, is that right way to look about it or?

Nilesh Kambli: See, the increase that is shown compared to last year Q1, we had increased the ratio in the later part of the year. So, on a year-on-year basis the increase will not be that much, it's Q1 versus Q1.

Nidhesh: So, on a year-on-year basis, last year 66 basis points for there was no wellness cost which was allocated to claims, this year there's 66 basis point allocated to claims, right?

Nilesh Kambli: For the Quarter 1.

Nidhesh: And going forward also the similar cost will be allocated to that, right?

Anand Roy: So, yes, as we keep investing in this wellness and prevention activities, there will be allocation of these cost in claims as we keep investing. But we will showcase this separately to give a better clarity on actual claims and investments in prevention and wellness.

Moderator: Thank you. The next question is from the line of Dipanjan Ghosh from Citigroup. Please go ahead.

Dipanjan Ghosh: Sir, just two or three questions from my side. First, it has been almost 14 months now since you took price hike on the FHO, and in this quarter you have at least two full months of where the NEP has flowed into your books. Now, have you done some back testing in terms of how the customer cohort that stayed back with you is behaving compared to, let us say, pre-price hike versus post price hike, just from a P&L claims ratio perspective? The reason I ask this is because this will give us some idea as analysts or investors to really understand how price hike cycles really behave from a P&L standpoint for a 12-to-24-month period.

Second, your renewal ratio on the retail side, what you mentioned is that your policy persistency has gone up by 100 bps, and while your overall persistency numbers are down, which basically means that the high-ticket customers or high sum insured customers are coming into either Banca or maybe digital has kind of gone. So, can you give some colour how this changing dynamics on the persistency side versus also on the new business growth side really have an implication on your claims ratio going ahead?

And finally on your porting strategy, you mentioned that you have devised a new strategy where you will be refocusing a bit for inward porting. Now wanted to understand that your historical view on that has been that porting can lead to some of the profitability dilution given that there is no waiting period on all those things. So, what's the new strategy you're devising? Which channels will be driving it out there?

And one data keeping question, you used to give a number of SME mix within your group health business as per MIS. Can you share that data?

Anand Roy: What was the last point, please repeat?

Dipanjan Ghosh: You used to mention the SME business mix within your group health called business, that used to be a presentation in the slide historically. So, I just wanted to get that number for the first quarter.

Anand Roy: Yes, we'll share that number with you. As far as our renewal retention are concerned, I think I've clarified, we are very watchful of our renewals, and we do not see any deterioration in our renewal book. In fact, we are seeing an improvement in the number of policies because the

GWP renewal value growth is largely because of the price increase that we had rather than the base effect, and that is playing out this year. But as I mentioned, traditionally the digital channels and the bancassurance channels have a little lower retention rate persistency for the entire industry as well as for us. So, as that book is becoming larger, it is showing some effect on the overall persistency. But we are very confident that our customers' retention is on track and we do not see any threat there.

As far as the porting strategy is concerned, we continue to maintain our stand that portability is a high risk business but with the data and the learnings that we have and the distribution we have in all parts of the country, we are quite aware of areas where we should avoid portability and areas where we can go ahead, we are planning to go ahead in those areas where we believe the loss ratios will not be adverse. Our business strategy is very clearly growth with profits, and we are not going to dilute that strategy at any cost.

Dipanjan Ghosh: On the FHO question, the first question?

Nilesh Kambli: On FHO price increase, we have seen an improvement in the earned premium. Now if we see, look, the increase in loss ratio was an industry-wide phenomenon. We see that the loss ratios have increased anywhere between 3% to 6% but on our health portfolio, the overall loss ratio increase is 2.2%. Split between health and personal accident, health loss ratio has increased by around 1.3%, which is also part of measures that we have taken in terms of preventive healthcare so, we see a good benefit coming in terms of gross business improvement. And that is when we are able to control the loss ratio vis-a-vis the market.

Dipanjan Ghosh: Sir, my question was basically, let's say if you were to, just hypothetically, we are done with expiry on back testing, if you just kind of let's say superimpose a similar sort of claims incidence on the existing customer cohort that remained with you, and now that you are seeing a 14 month window, would the portfolio behaviour be better after the price hike or significantly better? Any qualitative comments without going into the numbers?

Nilesh Kambli: On the like-to-like basis, with the price increase, the loss ratio has come down but if you talk only about FHO as a product, there are certain ways the portfolio behaves, it's a function of new and old. And what we have been maintaining is, earlier we only had FHO as a single family floater product, now we have comprehensive to Star Assure among health family floater products. The new business is coming into this product when the old business continues to be in FHO. There are some certain changing dynamics of the product portfolio as well, so, to just pinpoint the number of FHO and loss ratio, is a very difficult thing. We see an improvement in the overall loss ratio because of the price increase that we have taken.

Dipanjan Ghosh: And just on the SME mix, would you give it now or I can take it later?

Anand Roy: We'll give it to you later.

Moderator: Thank you. The next question is from the line of Sanketh Godha from Avendus Spark. Please go ahead.

Sanketh Godha: Sir, I have three key questions. So, Anand, you said that the porting is closer to 10% of the of new business premium, and you also highlighted that new business premium growth is around 18 odd percentage. So, if I remove porting from your new business numbers on like-to-like basis ex of porting compared to the last year, whether the growth will be lower than the overall growth what you have reported in retail of 15 odd percentage?

Anand Roy: No, Sanketh, last year also we had some share of porting. We are not totally zero on porting, right. Our books were always less than 10% but continues to be that way. As we speak, I think we are going to go a little aggressive in certain markets where we see the opportunities and the loss ratios more comfortable.

Sanketh Godha: When you say the geographies, largely it will be South India? Because it is believed that South India is relatively healthy compared to North on claims at least I mean to say.

Anand Roy: Yes, you are right. South India, East India, North India porting is like an industry that is how it is going on there and so, that's not what we want to get into. We are more selective in our business onboarding.

Sanketh Godha: And you said that your claims have increased to 66 bps, or your wellness cost is 63 bps of your claims ratio. So, if I do a back calculation, it is around Rs. 23 crore, Rs. 24 crore. So, if I annualize that number, it is like Rs. 95 crore to Rs. 100 odd crore. So, sir, just wanted to understand, how you want to see this number to behave? I mean, this Rs. 100 crore number, if it is annual number, how it will play? And eventually this will increase the claims on the top line but improvement in the claims? I mean, how you will compensate these Rs. 100 crore what you are going to spend on wellness going ahead?

Anand Roy: Wellness and prevention is a long-term play. We do not expect any immediate returns but what we track is, are we able to get data which can help us in better customer engagement in terms of making sure that the health profile of these customers improves that's what the team tries. Second thing is, are we also able to make sure that our condition management programs are reducing repeat hospitalization? These are the numbers that we are tracking right now, in the long term, I think these investments will pay off. Right now we are not looking at an immediate ROI on what these investments are going to deliver, but we believe that in the long term interest of the business, this is essential.

Sanketh Godha: And one more, Anand, you said that you will take two, three products' price hike in the current year, so if you can quantify what proportion of your total premium comes from the products where you will take price hike?

Anand Roy: Approximately 30% of our product portfolio.

Amitabh Jain: We are planning to take the price hike at about 30% plus of our current portfolio. And the average price hike we are looking at between 10% to 15%. So, roughly about anywhere around 4% on the overall portfolio.

Sanketh Godha: But just wanted to understand, though it is today 30%, but typically customers switch from one particular product to another product when the price hike happens. So, if I factor in that impact which you might have historically done it, so whether this price hike will be even still 4%, 4.5% or it will be marginally lower than that benefit?

Amitabh Jain: This is the realized hike that we are looking at, we've had our lessons basis the last year's experience, so we are going to optimize the increase so as to maximize the yield out of the overall increase.

Moderator: Thank you. The next question is from the line of Nischint Chawathe from Kotak Securities. Please go ahead.

Nischint Chawathe: Thanks for taking my question. This 0.66% of OPD, telemedicine, etc., does this also include claims management expenses?

Amitabh Jain: Sorry, could you be a bit louder please?

Nischint Chawathe: Does this also include claims management expenses?

Amitabh Jain: Yes. You mean the overall loss ratio, right?

Nischint Chawathe: No, I mean the 0.66% where you say that this is OPD, telemedicine, wellness, etc. Does this include claims management or is that separate?

Nilesh Kambli: No, Nischint, claims management is separate, that is 1% of our GWP. This is over and above.

Nischint Chawathe: And that 1% would have been sort of almost similar last year and this year?

Nilesh Kambli: Yes.

Nischint Chawathe: And this 0.66% is completely additional this quarter, which was probably not there last year, is that what you're trying to say?

Nilesh Kambli: Yes. I mean, a very small percentage last time because we had started with this initiative in Q1. But yes, I mean, in comparison to last year this is additional.

Nischint Chawathe: And just one, you seem to have stepped up on the group business, so the increase in group business numbers that we can see, this is all employer-employee?

Nilesh Kambli: This is the combination of employer-employee, as well as non-employer-employee from the Banca segment. There is a lot of focus on the benefit products through the NBFC sector, which are profitable. It's a combination of employer-employee and non-employer-employee.

Nischint Chawathe: If I have to sort of look at the loss ratios, in both the products the loss ratios would be more or less similar. If you can quantify the impact of this product portfolio change on the loss ratio for the quarter.

Nilesh Kambli: There is some impact, because whilst the loss ratio has been higher in the employer-employee segment, the expense ratio is lower, it's around 0.1, 0.2 when it comes to Quarter 1 in terms of shift between loss ratio and expense ratio.

Nischint Chawathe: Sorry, so the point what you're trying to say is that probably your claims would have been lower by 15 basis points if the product portfolio had been similar, is that what you're trying to say?

Nilesh Kambli: Correct.

Nischint Chawathe: Thank you. Ladies and gentlemen, due to time constraints, that was the last question for today's conference call. I would now like to hand the conference over to Mr. Nilesh Kambli for closing comments.

Nilesh Kambli: Thank you very much for joining the call early morning. We continue to grow our business with the focus on profitability and ensuring healthy India. And we look forward to the coming quarters. Thank you very much.

Moderator: 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. Thank you.