Star Health and Allied Insurance Co. Ltd.

Date: October 31, 2026
Place: Chennai

Ref: SHAI/B & S/SE/147/2026-27

To,
The Manager
Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400001
Maharashtra, India
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
Maharashtra, India
Symbol: **STARHEALTH**

Dear Sir/ Madam,

Sub: Earnings Call Transcript – Q2 & H1 FY 2027

Further to the Company's letter SHAI/B & S/SE/130/2026-27 dated October 16, 2026 regarding intimation of Q2 & H1 FY 2027 - Earnings Call, please find attached transcript of the call dated October 28, 2026 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: 2026.10.31 11:13:38 +05'30'

Jayashree Sethuraman
Company Secretary & Compliance Officer

Encl: as above.

Star Health and Allied Insurance Company Limited

Q2 & H1 FY2027 Earnings Conference Call

October 28, 2026

Management:

Mr. Anand Roy – Managing Director and Chief Executive Officer

Mr. Amitabh Jain – Executive Director & Chief Operating Officer

Mr. Himanshu Walia – Executive Director & Chief Marketing Officer

Mr. Nilesh Kambli – Chief Financial Officer

Mr. Aneesh Srivastava – Chief Investment Officer

Mr. Sombit Bhattacharyya – Head Investor Relations

Moderator: Ladies and gentlemen, good day and welcome to Star Health and Allied Insurance Company Limited's Q2 & H1 FY27 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Devyanshi Dave from Adfactors PR Investor Relations Team. Thank you, and over to you, Ms. Dave.

Devyanshi Dave: Good morning, everyone. From the senior management, we have with us Mr. Anand Roy, Managing Director and Chief Executive Officer, Mr. Amitabh Jain, Executive Director and Chief Operating Officer, Mr. Himanshu Walia, Executive Director and Chief Marketing Officer, Mr. Nilesh Kambli, Chief Financial Officer, Mr. Aneesh Srivastava, Chief Investment Officer, and Mr. Sombit Bhattacharyya, Head Investor Relations.

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 financials 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 may involve risks and uncertainties.

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

Anand Roy: Thank you, Devyanshi, and a very good morning to everyone. Thank you for joining Star Health's Earnings Call for the second Quarter and the first half of the Financial Year 2026-2027. As we enter the festive season, let me also wish you and your loved ones a very Happy Diwali in advance.

My remarks today will comprise three parts. First, we will talk about our operating performance for Quarter 2 and H1 of Financial Year '27. Second, we will also see how the second half and beyond is shaping up for Star Health, and finally, we will also just give a brief perspective on the recent regulatory developments, which all of you are much aware of.

So let me begin with the first part, our operating performance for Q2 and the first half of the Year FY26-27. The recalibration of our strategy that we started last year has delivered a turnaround in underwriting performance in FY26, and the run has continued through H1 of FY27. Quarter 2 of FY27 has marked the 5th successive quarter of improvement in our loss ratios and underwriting results. This is a clear evidence of a structural turnaround in our operating performance.

The highlights of our performance for Q2 and H1 FY27 are as follows:

The gross written premium on reported 1/n basis increased 19% year-on-year to Rs. 5,275 crore for Quarter 2 and also by 19% year-on-year to Rs. 9,562 crore for the H1. The fresh retail health GWP sustained its growth momentum. On the reported 1/n basis, the fresh retail health has grown by 35% year-on-year for the quarter and 36% year-on-year for the half year.

The new-to-insurance mix rose to 93% for the quarter from 89% in Quarter 2 FY26, reflecting our continued focus on first-time buyers of health insurance and selecting a more healthier pool. The growth during the quarter was led by both volume and value, with the number of new-to-insurance policies growing over 10% year-on-year and the average sum insured also rising 13% year-on-year.

A brief note getting into financial numbers: From this quarter, we have discontinued the practice of recognition of insurance finance charges. The previous periods have also accordingly been restated for comparability. There is no impact of this treatment on profitability metrics such as PAT and underwriting results.

Now coming to the underwriting result for the quarter was Rs. 99 crore compared to a loss of Rs. 40 crore in Quarter 2 of last financial year. This is a positive swing of about Rs. 139 crore. For H1 FY27, our underwriting results stood at Rs. 210 crore as against a loss of Rs. 24 crore in H1 of FY26, giving a positive swing of Rs. 234 crore for H1. The underwriting results for H1 FY27 surpassed the full-year FY26 underwriting result of Rs. 198 crore.

The Combined Insurance Service Ratio, CISR, improved by 2.9% to 98% in Quarter 2 FY27 and by 2.4% to 97.9% for H1 of FY27. The profit after tax for the quarter increased over threefold to Rs. 265 crore from Rs. 80 crore in the last year same quarter. And the PAT for the half year increased by 57% year-on-year to Rs. 815 crore.

To provide the right perspective on profitability insulated from short-term mark-to-market volatility, we report the normalized PAT pegged at a normalized annual investment yield of 8%. Under the normalized framework, our profit after tax for Quarter 2 increased 70% year-on-year to Rs. 390 crore. The profit after tax for H1 increased 56% year-on-year to Rs. 775 crore, with a normalized ROE on annualized basis increasing from 11.2% of last year's H1 FY26 to 15.1% ROE in H1 FY27.

On the business side, we continue to build a diversified and granular retail franchise with disciplined and prudent risk selection across geographies, segments, channels, and products that meet our defined ROE threshold. Our Retail Health market share stood at 29% for H1 FY27 and 30% for the quarter. As highlighted earlier, the reported market share continues to be influenced by the share of long-term policies and the consequent 1/n reporting and like-for-like comparability will be restored only by FY28.

More fundamentally, our scale reflects our deliberate focus on preferred segments and our conscious avoidance of riskier pools. Our proprietary channels, agency and digital D2C,

contributed over 90% of our retail business, giving us greater control over customer selection, quality of sales, and the economics of acquisition. We added 39,000 new agents during H1 FY27, taking our network to 8.7 lakh agents.

Our agency productivity improved by 19% year-on-year during H1. The agency continues to deepen penetration where it matters most, with fresh business growth from semi-urban and rural geographies at over 3 times that of metro and urban geographies. Our proprietary digital D2C channel remains the fastest growing, with 137% year-on-year growth in H1, led by younger customers, higher sum insured levels, and rising participation from non-metro and tier 2 markets. Our D2C channel continues to have superior combined ratios.

Beyond our proprietary channels, Bancassurance and alternate channels remain focused on profitable segments, while our group SME business through our agency network remains our priority within this segment.

Our sustained trajectory of underwriting profitability reflects the rigorous execution of core levers that we have deployed which is enhanced risk selection, portfolio optimization towards preferred segments, and our risk-based pricing strategy, our robust mitigation of fraud, waste, and abuse, and the scaling up of our wellness-focused consumer ecosystem.

In a seasonally demanding quarter, as you all know, the Quarter 2, our expanded home healthcare and telemedicine capabilities gained significant traction and served as a critical mechanism to manage our fever and infection-related cases.

Our customer-focused metrics continue to demonstrate improvement. Our retail claim settlement ratio increased by over 1% to 92.4% for H1 FY27. Our renewal ratio improved by 4% to 102%. Overall company-level NPS also improved by 4 points to 65 as of September 2026. We settled 22.5 lakh claims during the first half of this year and 83% of those claims were settled on a cashless mode, which is probably the highest in the industry.

Digital and AI remain central to our long-term growth strategy, serving as key drivers of operating leverage and productivity. During the quarter, we upgraded our core customer relationship management platform to Salesforce. This upgrade optimizes our D2C acquisition by enhancing the lead management precision and conversion. We have also scaled up deployment of AI bots across both our customer acquisition and service channels. Initial trends are highly encouraging. The bots processed over 7.5 million minutes of call volume while operating at less than 20% of the cost of equivalent human deployment.

To further refine our digital acquisition strategy, we scaled our AI-driven quality assurance capabilities, analyzing over 10 million minutes of customer interaction across 9 languages. Concurrently, our service bots operated autonomously, independently resolving over 1,000 customer interactions per day. On the distribution side, ecosystem engagement on our

proprietary ATOM Pro platform continued to deepen, with more than 50% of our active agents are utilizing the platform.

In underwriting and claims, our partnership with Amplify Health has gone live with automation of FWA capabilities. Sharper analytics is increasingly refining our risk selection and claims decision, and our detection of fraud, waste, and abuse has been considerably strengthened across billing, tariff, and medical necessity parameters. Our analytics capabilities rest on extensive proprietary data, which remains an enduring competitive advantage for Star Health.

Details of our operational and financial performance are provided in our quarterly update presentation, which is available on the stock exchanges and on our website as well. We would request you to refer to it for a more detailed analysis.

Now let me come to the second part of my remarks, our preparation for H2 and beyond. As we enter the second half, last year's GST-led growth becomes part of the base, and headline growth rates will start to normalize for the industry as well as for Star Health. What matters most is the quality and durability of our operating performance, and we believe it is structurally sound and resilient for the following reasons:

First, our underwriting performance is anchored in the strength of our vintage book, which accounts for about 80% of our portfolio. The improvement in our underwriting performance began in Quarter 2 of FY26, well before the GST-led growth set in, and it has now sustained for 5 successive quarters. This is the outcome of prudent management of the entire portfolio through risk-based pricing, better portfolio selection through our data and analytics, and our highly efficient claims processing and FWA savings, our provider relationship and our negotiation with them, and also the strong wellness program that we run for our customers.

Second, the share of the multi-year policies in our portfolio has risen steadily over the last few quarters. Premium on these policies is earned over the term of the contract, and a growing portion of our future earned premium is already contracted. This lends visibility and stability to our earned revenue base, while multi-tenure policies also strengthen persistency.

Third, our growth engine is proprietary. We continue to add agents and expand our distribution network at a very consistent pace, deepening our presence in semi-urban and rural markets, and at the same time scaling our D2C channel amongst the digitally native segments such as the younger customers and salaried professionals. More than 9 in 10 of our fresh customers are new to insurance, drawn from preferred geographies and segments. This is the profile of a franchise that expands the market rather than one dependent on an external catalyst alone.

We therefore enter H2 from a position of strength and confidence. The GST exemption demonstrated how strongly affordability unlocks demand for retail health insurance, particularly amongst the first-time buyers. We believe the distribution reforms proposed by the authority represent the next lever of affordability.

This brings me to the third part of my remarks, our perspective on the recent regulatory developments. The IRDAI has set out an ambitious reform agenda for the sector over the past few months, and let me touch upon the key developments. We welcome the proposed Public Insurance Registry envisaged as a digital public infrastructure for insurance by enabling policyholders, insurers, and other participants to discover, verify, and exchange information in a consistent manner.

The PIR can meaningfully reduce information asymmetry, strengthen underwriting controls, simplify claims processing, and strengthen fraud detection across the ecosystem. It marks a decisive step towards a more transparent and efficient insurance market, and we look forward to participating in its development.

Turning to the IRDAI's consultation paper, Recalibrating Economics of Insurance Distribution, released on 23rd September, on which we have already submitted our views to the authority. At the outset, we welcome the direction of the proposed reforms and support the intent of better outcomes for customers. The framework envisaged in the paper is closely aligned with the distribution model that Star Health has built over 2 decades. We are prepared to meet the new requirements and play our part to contribute meaningfully towards the national ambition of insurance for all by 2047.

Our core business model is very resilient, with over 90% of our retail business being sourced through proprietary channels. Individual agents remain the better rewarded distributors under the proposed framework, and we are engaging closely with our agents to sustain and enhance their earnings through higher productivity.

As commercials cease to be a differentiator, insurers will increasingly focus on the strength of the product and the product proposition, claims experience, service and brand, and distribution, in which we believe we are very strongly positioned. Several other proposals are also encouraging quoting commissions aligned to renewal rates removes incentive for commission-driven churn between insurers, which we see happening in large numbers as you know. This shift will encourage insurers to expand insurance penetration by enrolling new customers as against market cannibalization through higher commissions.

Equally, the proposed higher commissions for smaller towns and rural areas and the requirement that an agent represents only one insurer with a product segment are well aligned with our distribution footprint.

Our internal estimates indicate a credible path to the proposed expense of management limits as a combination of prudent management, operating leverage, and productivity enhancements through our digitization and automation initiatives. Star Health has a consistent track record of demonstrating compliance with EOM requirements and is committed to maintaining that standard in the future as well.

We are cognizant of the authority's sharp focus on dark patterns in digital journeys and we fully share the emphasis on consumer trust. As digital channels account for a growing share of how consumers buy and service their policies, we continue to review our digital journeys and will ensure full alignment with the evolving framework. We believe that consent-led data collection, transparent access to product features and pricing, and clear disclosures will over time reinforce the advantage of trusted and direct brands.

Our comments pertain to the consultation paper in its current form, and we await the final regulations. In the evolving paradigm, our advantage rests on a principle that is central to the paper, which is dedicated distribution, which builds lasting customer relationships and is rewarded appropriately.

With that, we come to the end of our opening remarks. I once again thank you for your continued trust in Star Health, and I look forward to your questions. Thank you so much.

Moderator: Thank you. We will now begin the question-and-answer session. The first question comes from the line of Swarnabha Mukherjee from 360 ONE Capital. Please go ahead.

Swarnabha Mukherjee: Thank you for the opportunity and congratulations for the superb performance this quarter. I have two questions. First of all, sir, it is very encouraging to see the level of fresh growth that is panning out for few quarters now. Just wanted to understand that now that the GST change etc., are in the base, in October, how are you seeing the quantum of fresh growth, particularly in the agency channel? If you could call out maybe how you are seeing through in the different channels, that would be very helpful. That is one.

And secondly, specifically for this quarter, how the markets have moved, both the yield curves as well as the equity markets. I just wanted to understand, it seems that from your asset mix, your investment performance has come out to be significantly better than what we would have estimated.

So, just wanted to understand that whether either on the fixed income side or the equity side you have done any active positioning to manage how the portfolio performance will play out in terms of, say, maybe some duration movement or active equities. If you could highlight that, sir, that would be very helpful. Yes, these will be my two questions.

Anand Roy: Thank you, Swarnabha. I will request Aneesh to handle the second question, but let me answer your first question on the fresh growth. See, the GST reforms last year was a very significant development and it led to a huge growth in the market, as you all are aware. So that base is available for Quarter 3 and Quarter 4 for all the players.

So some kind of moderation on the growth rate will definitely happen optically, but we are looking at the number of policies that we sell and the number of activation of agents and our

digital platforms. So as a company, we aspire to grow at 20% plus on fresh business consistently for a long period of time. We hope to maintain that for this year as well.

On the investment side, I will request Aneesh to add.

Aneesh Srivastava: Swarnabha, when we invest in markets, we are basically looking at the markets from long-term perspective, given the fact that we have a continuous growth in the AUMs and the portfolios. From this perspective, our equity positions have remained where they were in last quarter.

As you are aware that we have around slightly less than 14% exposure in equities, and at this point of time we have not done any incremental purchases, but we may decide to do it depending upon the attractiveness of the asset classes. Because today, given the fact that the yields have gone up, see, many of the asset classes are trading at very, very attractive levels. So that is one.

Secondly, in terms of your question regarding duration, yes, we have increased the duration of the portfolio given the fact that G-Sec yields have substantially shot up. We have taken some long-duration assets in the portfolio. Our desire is to be somewhere around 4 years duration for the portfolio. Currently we are somewhere there, but if yields continue to increase, which is the possibility given the fact that we still expect policy rate hikes by RBI, so we may start looking at relatively longer duration assets in this environment.

The only thing that we have changed today is that we have started looking at longer durations. We have taken some G-Sec calls on longer durations. Otherwise, broadly, the strategy remains the same.

Swarnabha Mukherjee: So just a follow-up. I wanted to check that in your, that 14% equity book, would it be primarily passives or would there be also active positions there? Secondly, in terms of the investment performance, say, if you could give some color on what proportion of the new money has gone at higher yielding part of the portfolio, that would be useful. We are just trying to understand the investment performance, that's why, sir.

Aneesh Srivastava: Yes. We don't take stock calls, but we do take sector calls. Some sector biases are there in the portfolio, and most of these sector biases are through either index fund, through investing in index, or through ETFs.

Besides that, in terms of high-yielding portfolios, as you are aware that we do invest in REITs and InVITs, and we do invest in AIFs. So that is one portfolio which takes time actually. AIF portfolio takes time to build. It is a slow and gradual process. We are building that.

As far as REITs and InVITs are concerned, that is something that we have invested. We are kind of fully invested in REITs and InVITs as of now. So, that is what we have done as of now in high-yielding assets.

Moderator: Thank you. Mr. Mukherjee, please rejoin the queue for more questions. Next question comes from the line of Shreya Shivani with Nomura. Please go ahead.

Shreya Shivani: Thank you for the opportunity. I wanted to check, how are we thinking about, I mean, I got your comments around the EoM guidelines, but how are we thinking about product pricing? I am sure that the regulator's intention is to reduce the pricing for the end customer, will we be taking any decision in that regards?

Also, as far as your EoM caps are concerned, to reach 20%, there may be major changes you may have to make in the other OpEx apart from the commission numbers as well. So, any calculation or any estimates that you have made on how much efforts you will have to make on the other OpEx line item?

Anand Roy: Shreya, on the product pricing piece, we have more than 35 health insurance plans catering to different segments of the population. So, the product pricing will continue to be determined by the performance of the portfolio, and we believe that Star Health products are reasonably priced at different levels with different zoning across the country. That's why our growth is coming because of our affordable products which we are selling in tier 2, tier 3 cities and the semi-urban areas as well. We will await any further regulation, but right now we don't have any intent to do anything particular.

As I have already mentioned in my opening speech, I think probably we are one of the few companies which is operating under EoM regulations as we speak today, amongst all the SAHI companies. We are very well compliant and we are very mindful of our operating expenses and the guidelines, whenever it becomes a regulation, we will definitely comply with it. We have our plans in place. We will speak about it once we have more clarity on the regulation.

Shreya Shivani: Just to follow up on the product pricing bit, the price hike that we took in this calendar year, have we done it for all the products, or are some products still getting repriced through the year? If you can remind us on that.

Amitabh Jain: Whatever we had taken in the last cycle, that was close to 80% of the book. So largely we had covered the entire thing, but whatever got left out, we are taking it this year, and we have plans in place for that.

Shreya Shivani: So the 80% of the book got repriced last financial year. This financial year, probably remaining 20% you are doing. Is that what you mentioned?

Amitabh Jain: Whatever got left is there, and anyway, whatever further needs correction basis our loss ratio requirements, that will anyway happen.

Shreya Shivani: All right. This is useful. Thank you and all the best.

Moderator: Next question comes from the line of Supratim Datta with Jefferies. Please go ahead.

Supratim Datta: Thanks for the opportunity. My first question is on the loss ratio where you have been surprising positively for the last 5 quarters here. Wanted to understand if you could give us some color on how has the loss ratio in the older policies been, trying to triangulate whether the loss ratio improvement is particularly driven by new fresh growth, or is the older book also seeing a similar kind of improvement? So if you could give us some color there. How is the retail loss ratio been tracking? If you could give us some color there, that also will be helpful.

Secondly, coming to that expense of management question, I do understand that you will give us more color down the road. But wanted to understand that in the previous framework, there was a separate expense of management threshold for health insurers and another one for multi-line insurers. Is there any proposal to go to a similar kind of structure considering that they are two different business models? Have you had any discussion on that front with the regulator? Yes, those were my two questions.

Anand Roy: So I'll just answer the last question first, and then I will request Amitabh to talk about the loss ratios. I believe that as the consultation paper puts it, general insurance companies and standalone health insurance companies should have a common EOM structure. But what we also believe is that products which are driven by regulations and by mandate, for example, motor third party or crop insurance, or let's say the government-sponsored health insurance programs which ideally should come at zero cost, should be removed from the base so that the EOMs are more reflective of the actual cost that is being used for distribution of consumer-facing products. So, I think that's the way we are thinking about this. Let's see how it eventually pans out.

Amitabh Jain: On the loss ratio, see, group now makes a very small portion of our overall premium. So the loss ratio and its improvement is largely reflective of the retail loss ratios, and you have seen the improvement in the overall loss ratio. We do not disclose fresh and renewal loss ratios separately, but directionally pricing interventions work mainly on the renewal book. So if you have seen the kind of improvements we have been doing over the last two years, that is what is now very, very clearly coming out in the portfolio loss ratios. Fact is that, the sustained improvement points on improving the loss ratio in the vintage book. The fresh book at around 20% slice of the portfolio could not have driven outcomes on its own. So, that is how the improvement has happened.

Himanshu Walia: Just to add what Amitabh has just mentioned, you know, we have been highlighting that over the last many quarters we have been focusing on the right geographies and right set of consumer cohorts avoiding portability and largely focused on new-to-insurance. That has led to quite a significant improvement in the loss ratios. That is more to say on how the portfolio has behaved on overall basis. But as far as renewal book on standalone basis is concerned, that is now operating less than 100% combined ratio.

Supratim Datta: Sorry, if I got the last one correct, the renewal book is operating at less than 100% CoR?

Himanshu Walia: Yes.

Moderator: Next question comes from the line of Nidhesh Jain with Investec. Please go ahead.

Nidhesh Jain: Thanks for the opportunity. First question is, what will be your market share on the fresh business? Should I take all my questions or should we go one by one?

Anand Roy: No, please give all your questions.

Nidhesh Jain: Second question is, so it is very heartening to see that your D2C business is showing very strong growth. So, if you can throw some light that how are you sourcing these customers, what is the marketing expense on D2C, and what percentage of customers are, let's say, completely digital versus driven by call center? And how do you see this business shaping up with the new proposal around dark patterns? That is the second question.

Third question is on home care and telemedicine. There also, I think there is a significant development over on a YoY basis. If you can share some quantification that what percentage of claims or what is the claim savings that you have been able to show because of these initiatives, home care and telemedicine?

Amitabh Jain: For the quarter, we could actually do more than lakh of consultations as well as home care services. That's the number that we already provided. The specific impact on the loss ratio is something that we do not disclose, but that's one of the big contributors in terms of medical frequency of claims coming down. Even though there was an increase in surgical frequency, but overall this helped us to manage our frequency below last year Q2.

Nidhesh Jain: Sorry, can you talk about what percentage of your claims, let's say, if you are getting 100 claims, how many of them are going through telemedicine/home care?

Amitabh Jain: We do not disclose these details. I think the frequency movement itself should give you some indication.

Nidhesh Jain: Sure.

Anand Roy: On the market share, Nidhesh, fresh business thankfully as per the new consultation paper will be divided into fresh, renewal and portability. Right now the fresh business which everyone reports includes portability business, which is a significant portion. So I will not be able to give you those exact number, but my estimation is that on new-to-insurance, Star Health will have significant market share probably closer to 40-odd percent. I think that is our estimate, but we may be wrong.

On the digital side, as you have rightly put it, it is a very, very strong focus area for us. We created a digital SBU, a strategic business unit, last year where we have invested a lot in building the capabilities of that team, both from not only sales point of view but from

technology, from product, from underwriting, operations. Everything is independently run, and we are seeing good traction in that business, and we will continue to invest there as well.

As far as the regulation goes, that will apply to all industry players whenever it becomes the dark patterns and on the data side. I think we will adapt to it. We don't see any particular challenge in that.

Moderator: Thank you. Mr. Jain, please rejoin the queue for more questions. Next question comes from the line of Sanketh Godha with Avendus Spark. Please go ahead.

Sanketh Godha: Thank you for the opportunity. Maybe, Anand, if you can break down your retail GWP growth, just to get clarity. How much is driven by price hike and how much is driven by NOP? Within that price hike-led, just qualitatively, just wanted to understand whether it is in general price hike or your quality of business with higher sum assured going up also played a role. So, if you can give that color on the growth of 19-odd percentage in retail GWP, it will be useful.

The second question is, just wanted to check that in 2Q generally is perceived to be higher on claims because of the vector-borne diseases. We know that in the current year, the rains probably were not that high, and so probably we are assuming that incidence of such kind of vector-borne diseases claims were lower. So, in any way, that has played a role to some extent to report a better loss ratio than usual. Though we understand that you are reporting an improving trajectory, but whether it played any role in the current quarter to report better loss ratio?

Last thing, of that Rs. 59 crore investment-related loss, can you break it down into realized and unrealized, other than the interest income, what you report? Within that, just investment book, I wanted to understand that entire investment book for us is classified as FVTPL as per the IFRS.

Anand Roy: I will request Nilesh to answer the last question.

Nilesh Kambli: Sanketh, for the equity book, the ETF book, the REITs and InVITs is classified fully as FVTPL for the purpose of IFRS.

Sanketh Godha: Nilesh, we don't have any OCI. So just wondering that even fixed income we classify as FVTPL.

Nilesh Kambli: Even equity can be classified as FVTPL or OCI. We have decided to classify as FVTPL.

Sanketh Godha: Even debt is FVTPL, right?

Nilesh Kambli: No, debt is held to maturity. There is no FETPL.

Sanketh Godha: Entire debt is held to maturity. Okay, understood. Perfect.

Anand Roy: Sanketh, on the retail GWP, I think it's a combination of everything. We have always been articulating that our growth is coming from both value and volume, and which I have already spoken about. So, it is a mix of price hike, it is a mix of volume, it is a mix of average sum insured being higher and everything. Not going to put any particular finger on where exactly it is coming from. It is a combination.

Your second question here, for a credit, if whatever, monsoon is not a factor. It is the home healthcare. It is the telemedicine, which is a factor. All this can be deployed. The improvement in loss ratios has come from efforts and strategies executed by the company. Gods are not playing a role in this. Not yet.

Moderator: Thank you. Next question comes from the line of Prayesh Jain with Motilal Oswal Financial Services Limited. Please go ahead.

Prayesh Jain: Congrats on good set of numbers. First question, we have seen a lot of fresh growth and a lot of it is also coming from D2C. A good part of that growth is coming from D2C as well. Could you give insights into what is the kind of customer additions that you are doing today compared to the back book in terms of age brackets, income brackets, so that whether the book that we are creating, the new book that we are creating in terms of customers, is significantly better than what we are having today? That is point number one.

Point number two is on the investment income side, again, how should we think about investment income in terms of equity allocation that you have been doing today, it's roughly about 14%, if I recollect well. How do you think about managing this investment book over, say, next 3-4 years? What's your view on it? Yes, those would be my two questions.

Himanshu Walia: Let me first answer the first part of the question. You're absolutely right, our D2C business is growing rapidly, and our share of D2C business in the overall has gone up from 8% to 13%. While other proprietary channel, which is our agency, which contributes to almost 70%-75% of our fresh business, has also grown significantly at 25-odd percent in Quarter 2. So, both these channels are contributing to the overall retail growth.

As far as the preference of consumers is concerned in both the channels, be it agency or D2C, we are absolutely focused on sourcing lower age profiles. We have recently launched a product, a revised version of Young Star, which is called Young Star neo targeted towards sub-40 consumers. That possibly answers your question. Our focus is on onboarding sub-40 consumers.

Aneesh Srivastava: Prayesh, on the allocation of the book, what is more important is that in any environment, what is the relative attractiveness of asset classes. It is extremely important for us to do asset allocation. As I have mentioned earlier, that we are seeing environment of rising yields, and hence we are getting active asset classes in fixed income as well.

Currently, our equity allocation is 14%. We have decided that it would be max up to 15%, and beyond 15%, we would take a call if markets are extremely attractively priced. But at this stage, we have decided to cap it at 15%, and all of the new opportunities which are evolving in the fixed income side, we are actively exploring that. This would continue to remain the strategy for short to medium term. This is what the medium-term strategy is.

Prayesh Jain: Just to follow up on the first one, is there any number that you want to kind of put out on the average age, how it has reduced in the last 3 years of the new customer base that you would be acquiring, and what would be the average customer base that you would have on the entire book?

Himanshu Walia: If you have heard our commentary over the last 7 to 8 quarters, we have been highlighting that we are largely focused on younger age cohorts. So, in that sense, it has not changed much.

Moderator: Next question comes from the line of Samant Singh with Phillip Capital. Please go ahead.

Samant Singh: Thank you for taking my question. Congrats on good set of results. Coming back on the loss ratio improvement, that has been quite surprisingly positive. So if I sort of try to understand it, the Q2 improvement of around 250 bps, and if you can break it down in terms of the improvement in terms of claim frequency and severity this season. I understand you have alluded to the previous participant's answer some time back, but just three components like claim frequency in terms of lower senior citizen and group share and pricing. I just wanted to understand what is the sustainability part of it that leads to good sort of improvement this quarter. So yes, this is the first question. Then I will ask my second question after this.

Amitabh Jain: Generally we do not provide point-to-point guidance on individual metrics, but if you were to take a combined effect of frequency and severity, the loss cost is something that we have been able to hold on to mid-single-digit numbers. That is what has helped us manage this number because our earned premiums have grown close to a double-digit number, and the differential is what is helping us improve the loss ratio.

But as we go forward, we believe that we should not just focus on one part of the equation. We should ultimately focus on the combined ratio and the ROEs that we are wanting to drive from a mid-teens to a higher teens number over a period of time. So, the combined ratio is what will finally matter in that equation to really help us realize those numbers.

Samant Singh: Digging deeper into the senior citizens book, I think you suggested on 1Q call that the fresh sourcing is below 5% and almost 20% forms part of the in-force book. So how fast is that in-force share falling as policies renew? Loss ratio on senior citizen book, how does it compare with the rest of the retail? I believe you have done some repricing also senior citizen products. So, has that caused any lapses as a result?

Anand Roy: Samant, let me just add here. See, we look at all products, all portfolios on a regular basis, and we take corrective measures wherever it is required. I want to make it clear here that we want to bring in more senior citizens into our portfolio as well. It is not a negative segment for us or anything of that nature. So, we are not trying to reduce any percentage of senior citizens in our portfolio.

Our aspiration is to provide coverage to all segments of the society, all age groups, all income groups, and all geographies. That is why I think your question is not relevant, because that is not something that we target at all.

Samant Singh: Just one more question if I can squeeze in, in terms of restatement and that insurance finance income and expenses. Because I saw that Note 9, there is Rs. 39 crore of net interest accretion that are long-term policies that are booked in 1Q. Insurance finance income and expenses are now nil. So what is this? Is it like discounting of the liability for remaining coverage or the significant financing component? And why this reassessment has happened, if you can provide any color on it.

The second part of it, going forward, will this insurance finance income and expenses stay at nil? And then insurance revenue also, I think that has been restated 1% lower than previous base. So, can we sort of expect it to be going forward also, that this is permanently lower, like 1% or 2% versus the previous base?

Nilesh Kambli: Yes, so insurance finance expense and income was related to the significant financing component for the long-term policies. What we have done is we have reassessed what the industry practice is, what the international experience is, and decided that it is better to discontinue it because of the business in which we operate. This is always an optional treatment. Going ahead, this insurance finance expenses will be zero. Anyhow, what we have mentioned is it does not have any P&L impact because the corresponding income was part of the insurance revenue which has also been restated. So, that is how we will go about it.

Samant Singh: One accounting question is that 15% equity cap that you mentioned in, I think, third quarter last year, that remains as is, because you said that equity allocation is slightly less than 14%. Cap stays at 15% and then 3% for REITs and InVITs. Is that correct?

Aneesh Srivastava: See, Samant, there is no cap defined. This is what the internal strategy is at this point of time. So around 14% today is equity. We may go incrementally 1%. If markets are extremely attractive, we may further increase it.

As far as REITs and InvITs are concerned, regulatory limit is 3%, and we are more or less fully invested with some margin of safety there. AIF book is something which is growing. So currently approximately 2.1% or 2.2% of the funds are deployed in AIFs.

Moderator: Mr. Singh, please rejoin the queue for more questions. Next question comes from the line of Nischint Chawathe, Kotak Securities. Please go ahead.

Nischint Chawathe: Thanks for picking my question up. I just want to understand how are your negotiations with hospitals structured? I believe you have been in constant dialog with them and there was a fair intensity of these discussions already this year. I was just curious whether the Supreme Court verdict, whenever it comes in on drug pricing, if it has any impact on these issues.

Amitabh Jain: The Supreme Court order is not notified yet, and it will take its own time for it to get executed. Generally, these things do not directly impact the package pricing that we have negotiated with the hospitals. It generally reflects in the itemized bills that happens just on the medical admissions. But we will have to see how this develops. We have seen earlier that there was caps on stent pricing and so on, but the overall inflation on surgical claims has been going up only. So, we will have to wait and see how this gets implemented and the final effect.

As far as our negotiations with hospitals are concerned, that is a business as usual activity. That is something that keeps happening as contracts come up for renewals, and we generally ensure that we get a good deal in terms of the kind of relationship we enjoy with these hospitals.

Nischint Chawathe: Very roughly, what proportion of your claims coming from packages?

Amitabh Jain: That's close to 80%.

Nischint Chawathe: So, the balance 20% probably can have leeway. Got it, thank you very much.

Moderator: The next question comes from the line of Dipanjan Ghosh with Goldman Sachs. Please go ahead.

Dipanjan Ghosh: Good morning everyone. First, I think you mentioned in your commentary that obviously because of the base of 2H of last year, business can see some moderation. I just wanted to get some color on the early trends in terms of new business from the, let's say, last week of September to till date, how things are, or in terms of some trajectory, if you can give some color.

Second, I just wanted to get some understanding of intra-company customer movement. So, let's say, if I'm a customer with policy X of Star Health and I move to policy Y, would I be classified as a new business or a renewal business? And in that context, when you mentioned that your renewal combined ratio has gone down to less than 100%, how is this particular movement, if any, adjusted for? Those are my two questions.

And two data keeping questions. If you can give the new retail health business number on n basis and the retail loss ratio on the indemnity business.

Anand Roy: Let me take a couple of those questions. We have a business plan for the year. Our focus is on meeting those business plans, Dipanjan, in terms of growth and combined ratio and loss ratio and customer experience and certain things. The GST impact and all that is part of the plan, and we have designed our monthly strategies accordingly. We will let you know about the growth at the end of the quarter.

Coming to the internal transfer of customers, of course, we treat them as renewal customers because they are our existing customers. While they may move from product A to product B, the benefits that they enjoy moves along with that. Of course, they get enhanced benefits because they go to a superior product. They are all counted in the renewal book.

Dipanjan Ghosh: If I can get the data on the retail indemnity loss ratio and the new business on n basis.

Anand Roy: Sombit will give it to you offline. You can just connect with him.

Dipanjan Ghosh: Sure. Thank you and all the best.

Moderator: The next question comes from the line of Shobhit Sharma with Elara Securities. Please go ahead.

Shobhit Sharma: Thank you for the opportunity. Sir, I have two questions. Firstly is on the commission ratio. If I look at that has kind of moderated on a YoY basis despite the strong fresh retail growth which we have seen. Can you help us understand what is driving that?

Secondly, if you can state what is our commission payout policy on the multi-year policies? Are we paying the commissions upfront on that? The reason I am asking this is because in the proposed distribution reforms, the rates will change. So, will the commission which would be paid, let's say, if we are paying it on a deferral basis, will the policies which will come on which the commission we will have to pay it in next year or let's say year after, will that be paid at a lower rate as is mentioned in the reforms, or it would continue at the rate at which it has been sourced?

Nilesh Kambli: On the commission ratio, we had taken certain initiatives last year. The senior citizen which was reduced from 15% to 10%, and certain other efficiencies also which we have taken. You can see the full-year impact coming now because now it is more than 12 months, and on a deferment basis, that is the full impact which is flowing to the book for the current year, which is reflecting in the moderation of the commission ratio.

On the multi-year policies, for a certain set of good agents, we are paying them upfront, which is the IGAAP treatment. On an IFRS basis, it gets deferred over the policy period. On your question on regulations for the second and third year, we are awaiting clarifications. We have sought clarification whether second and third year will be considered as fresh or renewal for the purpose of distribution regulations. We are awaiting clarifications.

Shobhit Sharma: Just a follow up on this, Nilesh. What would be the proportion of multi-year policies for us, let's say, on the fresh book that we are getting in or on the stock basis?

Nilesh Kambli: On a fresh basis, we are close to 50%.

Shobhit Sharma: 50%?

Nilesh Kambli: Yes.

Shobhit Sharma: That's it from my side. Thank you and all the best.

Moderator: The next question comes from the line of Raghav Garg with Ambit Capital. Please go ahead.

Raghav Garg: Good morning and thank you for the opportunity. I just wanted a couple of data points which you used to disclose earlier. If you can give the number of lives covered and the number of policies sold for each of the last two quarters, which is Q1 and Q2. That is the only ask from my side.

Anand Roy: We will give that to you offline.

Raghav Garg: Okay, sure.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. We have reached the end of question-and-answer session. I now hand the conference over to Mr. Nilesh Kambli for closing comments.

Nilesh Kambli: Thank you everyone for joining the call. Just to reiterate, this is the 5th quarter of consistent improvement in our underwriting profit driven by the improvement in loss ratio and expense ratio. We are committed to enhance our business performance on a consistent basis and are committed to it. Thanks everyone, and Happy Diwali in advance.

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

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