Date: August 3, 2022
Place: Chennai

**Ref: SHAI/B & S/SE/ 77/2022-23**

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.
Scrip Code: **STARHEALTH**

Dear Sir/ Madam,

**Sub: Transcript of Q1 FY23 Earnings Call – June 30, 2022**

Further to the Company's letter SHAI/B & S/SE/71/2022-23 dated July 27, 2022 regarding Earnings Call for Q1 FY 2023, please find attached the transcript of the call dated July 30, 2022.

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

This is for your kind information.

Thanking You,

**For Star Health and Allied Insurance Company Limited,**

JAYASHREE SETHURAMAN
Digitally signed by JAYASHREE SETHURAMAN
Date: 2022.08.03 17:25:41 +05'30'

**Jayashree Sethuraman,**
**Company Secretary & Compliance Officer**

# Star Health and Allied Insurance Company Ltd.
# Q1- FY2023 Earnings Conference Call
# July 30, 2022

**Management:**

**Dr. S Prakash – Managing Director**

**Mr. Anand Roy – Managing Director**

**Mr. Nilesh Kambli – Chief Financial Officer**

**Mr. Aneesh Srivastava – Chief Investment Officer**

**Moderator:** Good Morning, Ladies and gentlemen welcome to the Star Health and Allied Insurance Companies Limited Q1 FY2023 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there would be opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal the operator by pressing "* then '0' on your touchtone phone. I now hand the conference over to Mr. Pratik Patil from Adfactors PR - Investor Relations Team. Thank you and over to you, Sir.

**Pratik Patil**: Good morning everyone. From the senior management we have with us Dr. S. Prakash – Managing Director, Mr. Anand Roy – Managing Director, Mr. Nilesh Kambli – Chief Financial Officer and Mr. Aneesh Srivastava – Chief Investment Officer. Before we begin the conference call, I would like to mention that some of the statements made during the course of today's call may be forward looking in nature including those related to the future financial and operating performances, benefits and synergies of the company's strategies, future opportunities and growth of the market of the company's services.

Further, I would like to mention that some of the statements made in today's conference call may involve risks and uncertainties. Thank you and over to you Mr. Anand Roy Sir.

**Anand Roy**: Thank you Pratik and a very good morning to all of you. Thank you for joining the Earnings Conference Call of Star Health and Allied Insurance Companies for Q1 FY2023. This is Anand Roy here, I am the Managing Director of this company. I will give you a brief overview of the industry trends and developments that we have witnessed in the last few months as well as walk you through the company's performance in terms of premium and distribution. My colleague, Dr. Prakash will cover the financial performance and aspects related to claims including the steps that are underway to manage them.

In Q1 FY2023 for the health and PA industry the size was INR 22,833 crore and with the growth rate of about 20.6%. The growth was driven by 27% growth in group health, 33% growth in government health. Retail health insurance grew at 11.1% in Q1 FY2023 on a very high base in the last year. The four year CAGR of the retail health segment has been 18%.

Now coming to respect to Star Health Insurance our GWP grew by 13% in Q1 FY2023 over Q1 FY2022 to INR 2,466 crore with a retail health segment growing by 20.3% in the same period versus industry retail health growth of 11.1%. So, we have grown at double the size of the industry as far as retail health segment is concerned. In Q1 FY2023 Star Health has registered 32% market share in retail health which is 3x the second largest player in the industry. We have also increased our market share by almost 300 basis points in the Q1 FY2023 as far as retail health business is concerned.

As far as premium accretion share is concerned Star Health has registered 53% retail health attrition market share which is the highest for us in the last three quarters. Agency business has continued to contribute around 81% of the overall business. Our agency strength has increased to 566,000 with an addition of approximately 17,000 agents in the first quarter over FY22. Corporate agents, banks and other tie ups have picked up momentum and the premium from this segment has grown by 57%.

The highlights for Q1 FY2023 for us were as follows:

Premium and distribution:

We introduced a product Star Women's Care Policy and Star Premier Policy. The products launched in the Q4 FY2022 are doing very well. Our contribution from specialized products have increased to 17% in Q1 FY2023 which is the highest contribution ever we have recorded and we continue our journey of premiumization of our product portfolio. The average sum insured of new policies have increased by 19% on a year-on-year basis to INR 8.7 lakhs per policy.

We have introduced one new product that is Star Health Assure Insurance which is an upgraded version of our Family Health Optima policy which is one of our leading products. The Star Health Assure Product has extended features and with much better pricing. We have taken a price revision in Star Medi Classic Insurance Policy of approximately 25% which is effective from 22nd July, 2022 onwards on the new premium. This product contributes 6% to our retail premium.

We have recently tied up with Common Services Centres (CSC) under Ministry of Electronics and Information Technology which has 5 lakh CSC functioning across the country as delivery points of government and public services for the rural population in rural semi urban and urban areas. This tie up is a step towards increasing our health insurance penetration in rural markets and the rural business for us is growing in excess of 75% with increasing contribution coming from online policy issuance in these markets also.

We also continue to focus on strengthening our bancassurance distribution for both indemnity and benefit products. We have recently tied up with IDFC First Bank for distribution of various health insurance solutions. The health benefit plans including groups such as critical illness and hospicash grew by 30% in Q1 FY2023. As discussed, in our previous quarterly earnings call, we have exited large group health insurance business as demonstrated by the 41% reduction in group health premium during Q1 FY2023. This segment is currently characterized by poor lifetime value and we are very selective in this particular line of business.

As reiterated, previously we remained very positive on the SME segment and non-employer employee groups. The non-employer employee group policies are largely sold to the retail customers of our banks and NBFCs tie-ups and if we include these policies our overall retail growth would be 22% for the first quarter. We intensified our digital initiatives during the quarter some of the outcomes of the digital initiatives were: our app downloads have reached 1.56 million downloads, 73% of our active agents are now using our digital solutions. Digital policy issuances has gone up to 64% in the Q1 FY2023 versus 60% in FY22.

Digital sourcing defined as premium collected directly from our website as well as from a third party web aggregators and online brokers has grown by 29% year-on-year and now accounts for 8% of our overall GWP for Q1 FY2023. Now I hand over to my colleague Dr. S. Prakash to handle the claims and other related matters.

**S. Prakash**: Thanks Anand. A very good morning to all of you. Within overall cashless claims, the share of hospitals with pricing arrangements Agreed Network Hospitals (ANH) cashless claims is 85% Cashless turnaround time (i.e. claims settled within 2 hours) came in at 90%.

We have also initiated the process of identifying hospitals called valuable service providers. Currently, we have all over India 1,559 hospitals as Valuable Service Providers (VSP) and this VSP helps our customers to get hassle-free medical attention and quick processing of claims. Over time we expect to have better control on claims traffic to VSPs by negotiating better prices and offering a superior experience.

We stepped up our teleconsultation (Talk to Star) (7 lacs consultations till date) and wellness programs. Talk to Star cuts claims costs by giving customers access to experienced doctors for second opinions and alternative medical solutions.

Coming to the financial performance, the combined ratio for Q1 FY2023 has improved to 98.2% versus 121.1% in Q1 - FY2022. The improvement in combined ratio is achieved through claims ratio improvement. The claims ratio in Q1 FY2023 has improved to 66.3% versus 91% in Q1 FY2022. The current period claims ratio has 0.7% impact of COVID claims. In Q1 FY2023 there is an element of claims inflation for non-COVID claims due to hospital charging for RTPCR test, mask, gloves and other protective equipment.

Expense ratio for Q1 2023 increased by 1.8 percentage points to 32.0% from 30.1% in Q1 2022 due to lower premium base and claims processing cost of 3% in Q1 2022 versus 1% in Q1 2023. So, in terms of profitability Q1 FY2023 was a profitable quarter for us with a profit before tax of INR 288 crore and profit after tax of INR 213 crore. The gross COVID claims incurred during the quarter amounted to just INR 20 crore and non-business ESOP cost was INR 55 crore. Profit after tax before non-business ESOP cost stood at INR 255 crore.

Our investment assets have grown to INR 11,463 crore in Q1 FY2023 versus INR 8,302 crore in Q1 FY2022. Investment leverage which is investment book to network is now 2.3 times as on 30th June 2022. Solvency as on 30th June, 2022 is 1.87 times compared to 1.67 times as on 31st March, 2022.

With the normalisation of claims, our solvency is shifting to premium basis as discussed during previous calls. This solvency is achieved through only mandatory 4% reinsurance. All things being same, on the premium-basis of solvency, our solvency as on June 30, 2022 would have further improved by approximately 20 points.

We appreciate the steps taken by IRDAI which will catalyse greater penetration and expand total addressable market for the entire industry. It will make the industry more competitive based on market-determined, rather than regulatory-determined terms. The regulator's recent extension of the Use and File guidelines to all Health Insurance products will enable the industry to launch innovative and customised products at a faster frequency.

To conclude, our focus on the attractive retail health segment continued during the quarter and our efforts are in progress to manage and control claims outgo and claims inflation.

We believe that we in a good position to take advantage of the industry's long growth runway. Thank you all.

**Moderator**: Thank you. Ladies and gentlemen, we will now begin with 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 my first question is on the claim side so two parts, first of all you mentioned that there has been a claim inflation in terms of additional cost that the hospitals are charging, does this mean that this could be something that will continue and does that mean that you would continue to expect a slightly higher loss ratio then you have guided previously that is the first part of the question. The second part is on the COVID claims so this INR 20 crore of COVID claims like you highlighted, is this from claims raised in current quarter or is this some old claims and given that we are going through some wave of COVID right now, do we expect this to spill over to the current quarter that is Q2 as well so that is my first question?

**S Prakash**: So, the impact of COVID claims the 0.7% which we are trying to mention it is for this quarter. Disease that occurred in this quarter, claims that have come in this quarter and what we have paid in this quarter and with regard to the hospital charging for the RTPCR test and other stuff protective equipment this have become the routine given that the long run of the pandemic and we have taken all efforts to see that a very basic price is paid for this protective activities. So, hence going forward I do not think that it should have a big impact on the average we pay for any hospitalization cost.

**Swarnabha Mukherjee**: Impact of that on the loss ratio if you could throw some light on?

**S Prakash**: So, the real impact of COVID is 0.7%, but a non-COVID impact it is a small percentage maybe I can say from 2% to 4% in every claims will be the cost of this COVID related test done on medical admissions and surgical admissions.

**Swarnabha Mukherjee**: Sir two clarifications from your opening remarks if I could ask one in terms of OPEX ratio what you mentioned if I understood correctly it is because of a lower scale in the first quarter that has resulted in the number to slightly higher or anything else reason for that is the first one and second is on the solvency so you mentioned that you are moving to a premium method so this quarter you have completely applied the premium method or if you know fully towards premium method should we have that what increase you have highlighted?

**-Nilesh Kambli**: The first thing on the expense ratio Q1 is a small quarter so it is a low premium base whereas the expenses are fixed. So, Q1 will always have a slightly higher expense ratio compared to the full year average. Second, we used to transfer 3% cost from OPEX to claims till last year and now we have changed this method in Quarter 2 to 1% so which is applied in the current period as well, but for Quarter 1 we still had transferred 3% cost of OPEX to claims so that is the slight anomaly in Quarter 1 which will get corrected Quarter 2 onwards. These are the two reasons of expense ratio.

**Swarnabha Mukherjee**: If you could kindly explain the rationale for moving 3% of the cost from claims to OPEX sorry I am not aware if you could just explain better?

**Nilesh Kambli**: Swarnabha we can take this offline, basically the logic is that our TPA is in house when it is an external TPA you pay the cost of the TPA and you book it indirectly as claims, but because we have an in house TPA we have our own set of doctors who are employees so we transfer these cost from OPEX to claims, and this applies to the companies who have in-house TPA. So, with scale this cost has reduced which we have taken the impact in Quarter 2 onwards. On the solvency ratio currently we are still on the claims basis of solvency what we mentioned in the script that there is still some headwinds left between premium and claims and if we do currently on premium basis the solvency on further improve by 20 points. So, the convergence will happen by September, 2022 as we keep on growing the premium and the claim ratio starts to normalize. We believe that around September, 2022 it should converge.

**Swarnabha Mukherjee**: So, sir 20 points means from 1.87 to around 2.07 odd that is what?

**Nilesh Kambli**: Yes.

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

**Sanketh Godha**: Unexpired reserve release which happened should we assume this will be a common phenomenon in first quarter given fourth quarter is such a big quarter, should we expect that this reversal will consistently happen in first quarter of every year and which will lead to higher NEP probably even better than GWP number?

**Nilesh Kambli**: This will be a feature of the first quarter every year on 1/365 day-basis because Quarter 1 is small compared to Quarter 4 that is where we say in Quarter 4 though the combined and everything is fine because we do not have the concept of that in Quarter 4 in spite of having a good combined ratio it is always underwriting neutral or loss. Similarly, in Quarter 1 because that earnings release happens in Quarter 1, the Quarter 1 GWP is small this will always be phenomena in Quarter 1 this was there in last year as well. On a 1 by 365 basis NWP is lower compared to the net earned premium.

**Sanketh Godha**: Is it safe to assume or is it okay to tell that if there is URR increase in every quarter-on-quarter for second, third and fourth quarter then is it remain at 65%-66% kind of a loss ratio for Q2, Q3, Q4, the quantum of underwriting profit which we would make for 95%-96% combined ratio will be lower compared to what we have made in Q1 FY2023?

**Nilesh Kambli**: So, the combined ratio of 95% -96% will give a certain underwriting profit for the whole year once you do the whole year number, it will not be reflected in the Quarter 1 but it will start to normalize.

**Sanketh Godha**: Another question which was that in the current quarter if you see the ANH claims the claims at the preferred network hospital has come down to 56% compared to 64% in the last year, so is it anomaly or this reduction is also one of the reasons the claims ratio came higher, it played a role or this is just a quarter aberration?

**S Prakash**: So, here when it comes to pricing arrangement with a hospital that 56% refers to the number of hospitals which have a package for surgical procedures with us, but there are hospitals specializing in surgical procedures, there are multi-specialty hospitals and those that do mostly medical and pediatric cases only. So, in medical and related conditions we have what is called as SOC arrangements where we fix the cost on the professional charges, the room rent and the common diagnostic test that are done and there are hospitals which give us overall discount on the total amount. So, I am trying to say that overall the pricing arrangement is what we discussed and 56% is what is mentioned is the surgical package that we have with hospitals, but for your understanding overall our pricing arrangement with the hospital is on the progress and we are able to control our average claims paid quarter-on-quarter and we are also able to see that we are progressing in that direction.

**Sanketh Godha**: Sir out of the total claims paid in the current quarter how much would be cashless and how much will be reimbursement because this 56% is referred only to the cashless part?

**S Prakash**: Cashless is around 65% -70% and if we look at the medical inflation vis-a-vis the average increase in the claims that we paid you will observe that is we are able to have a much lesser price hike compared to the inflation and that is because we are in the industry for 15 years, we know the language, we talk to hospitals and we have a strength of large numbers.

**Sanketh Godha**: Sir second thing just wanted to mention you now we have use and file way of repricing the products and you alluded to the points that the average claim size for the same payment structurally probably has gone up because of the procedures adopted by hospital to treat a patient because probably they are doing mandatory RTPCR, they are doing some other test which previously they have not done sir there is an inflation in the claim side. Sir repricing in the products will be seen very frequently even Anand when he said that we have seen a price hike of around 25% in Medi Classic product which is 6% of the retail business, is it actually done under Use and File and we can see these kind of changes happening more frequently compared to what we have experienced in the past and therefore we have a better control on the loss ratios going ahead?

**Anand Roy**: Repricing of the product will be a constant phenomenon we will be evaluating our internal loss ratios and combined ratios and then taking corrective measures, but having said that the company has always been very judicious in pricing and repricing its products. We are very well aware of the market dynamics and we do not intend to make repricing as the only option. Our agenda is to negotiate with the hospitals bring the medical inflation under control and also simultaneously look at pricing products appropriately. Medi classic products has been repriced after three years and the value that the products provides justifies the repricing.

**Moderator**: Thank you. The next question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

**Prayesh Jain**: Sir firstly what would be your guidance for the claims ratio and combined ratio for this fiscal, earlier you were alluding to something like a 64% kind of a loss ratio and combined of around 94% for the full year, do you think that the same can be achieved after considering that the Q1 FY2023 numbers. My next question is on the premium growth for the full year again you have allunded in the past of doing a retail health book by 25% but we are still below that for the first quarter, so do you think the premium growth can also trend down and in that it is already seen a 18%-19% growth in sum assured per policy, you have taken a price hike of around 20% in one of your largest product, you have taken a 15% price hike last year in one of the key products, the pricing and your sum assured for increase and number of customers how do you see this will play out can you give a guidance for the premium growth in this year that is actually my question?

**Anand Roy**: As far as our guidance for claims ratio is concerned for the full year we stick to our original guidance of around 63% to 65%. There will be seasonality in claims ratios, health insurance claims go up and down depending on various factors, but we maintain our guidance 63% to 65%. As far as our combined ratio guidance is concerned we are looking at 93% to 95% as an overall combined ratio for the company. As far as the premium growth is concerned Star Health will continue to be a retail focused company and we have grown double than the industry growth rate as far as the first quarter is concerned in the retail business and we are going to be very selective as far as underwriting large corporate business is concerned while focusing on the SME and the smaller midsized corporate. Growth in premium we are very confident of the guidance that we have given in terms of retail business we will be able to grow at more than the industry growth rate and we hope that we will be able to achieve between 20% to 25% growth rate in the retail segment. As far as overall growth is concerned there might be a muted growth because of the group segment, but then that is by design and because of chance. The growth opportunities in the business is substantial, the awareness of health insurance is as you are aware has become very high. We have opened a new vistas of growth like rural markets where we are investing big time into the rural strategy and we expect good growth to come from there. Our Bancassurance partnerships are also taking shape very well, we are tying up new banks every quarter and we expect that this plus rural and also our digital business which is our core focus area apart from the agency model that we have obviously as the mainstay of our business so all of this put together we are very confident of doing very well under retail business growth and growing much faster than the industry, and that is going to our game plan.

**Prayesh Jain**: What will be the quality of the retail book that you are sourcing from Rural India today, do you think that the loss ratios there could be higher, how would you rate that book?

**Anand Roy**: So, the rural markets yes the initial signs that we are getting are very positive, we are seeing that average ticket size in the rural business is also very close to what we are seeing in the semi urban and urban markets of course metro cities will be quite larger, but we are very positive because the quality of business coming in is very good, our loss ratios are definitely much better right now, we are also looking at very granular distribution in the rural markets. We have opened up close to 300 spoke locations and 200 branch offices so, there are 500 distribution outlets in the rural markets and when I say rural, I mean really rural these are not small towns, but we are going into cities and towns which are less than 1 lakh population and we are very excited about this particular growth.

**Moderator**: Thank you. The next question is from the line of Madhukar Ladha from Elara Capital. Please go ahead.

**Madhukar Ladha**: First I think you mentioned in your opening remarks that you have taken a price increase in a product of about 25% I missed what product is it and what is the share of this product in the GWP that we write if you can give that. Second, if you can talk a little bit about the CSC initiatives and the tie-up and how large it can potentially be in the next sort of couple of years that will be helpful and third on the ESOP expenses I believe this quarter that is about INR 55 odd crore, what is the timeline for this so how much will be over FY23-24 if you can give those numbers out yeah those would be my three questions?

**Anand Roy**: So, the Medi Classic product is the product in which we have taken a price hike this is basically one of our oldest and most popular products and contributes close to 6% of our retail GWP. The second question about the CSC now CSC as you are aware is a Government of India initiative and there are about 5 lakh counseling outlets across the country and Star Health is the only SAHI company which is on their platform. The opportunity is very large we have just finished our technology integration on their platform. Training activities of all CSC members and the village level entrepreneurs is going on. We will be able to give you more guidance about exactly what numbers we are planning probably in the future, but right now we believe given the distribution and the brand of Star Health and the service capabilities of ours in the rural markets we will definitely be able to run a substantial market share here. As far as the ESOP expenses is concerned I request Nilesh.

**Nilesh Kambli**: In terms of ESOP we have expense around INR 55 crore. As discussed, during the last call this is a one year vesting period started from 1st December, 2021 and which will end 30th November, 2022. So, in Q2 FY2023 it will be INR 55 crore and Q3 FY2023 it will be INR 36 crore that will be the end of it, there will be no impact in FY2023-FY2024 it will be from 1st April, 2022 to 30th November, 22. Total impact of INR 145 crore for the current year.

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

**Shreyas Shivani**: Sir I have three questions first is on your net commission rate so that has come at around 13.7% for the first quarter this is line with the full year FY22 number. Now given that the loss ratio is declining and reinsurance commission that you earn is on a rolling basis, should not this net commission ratio would have been lower because reinsurance commission should have been higher that is my first question. Second is on the net profit so the net profit I understand first quarter is going to be little weaker and there will be reserve reversals, so going ahead should we expect as the momentum of business increases your reserves will go up, so should we expect first quarter PAT to be the highest among all four quarters I mean I just wanted to understand the sustainability of INR 200 crore of PAT over the quarters and the last question is a little more macro, it is about your rural business, so as far as we understand that there are so many government policies, government insurance plans and how do you expect to grow in the rural market where more number of people will be covered by the government insurance plans, do you think they will need a private players insurance policy, so the sustainability of a rural business is the last question?

**Nilesh Kambli**: In terms of net commission, we only have obligatory reinsurance which is now 4%. In obligatory reinsurance the commission rate is fixed unlike sliding scale which is available in quota share treaty. So, for us even though the loss ratio has improved the net commission ratio will be in that range because 98% of that cost is the commission paid to the agents and obligatory 4% is the obligatory on that we get 15% commission. So, we do not see any change that will happen in spite of the reduction in the loss ratio in that segment. Of course with more and more benefits products the reinsurance commission will improve and that will have an impact on the overall commission ratio. So, that is the focus on the benefit business which will help in a reduction in the net commission ratio. In terms of profit after tax of Quarter 1 yes, Quarter 1 will be the highest a better profit quarter compared to the other three quarters, but the true profitability for the insurance company is the combined ratio which keeps on normalizing as we keep on moving forward and that is the potential of the business. As long as we are able to maintain the combined ratio at the levels that we have talked about 93% to 95% the investment income continuous to be robust. We will be meeting the guidance that we have given in terms of profitability.

**Anand Roy**: So, as far as the rural business is concerned we are extremely positive about the opportunity here because we are seeing good demand and as I told you the average ticket size in the rural business is also relatively higher than what we had initially expected. We believe that the rural markets do have a good potential because awareness and the need for quality health treatment is being felt even in those areas. Government businesses are not our direct competitors because they are catering to a different segment of the society. We are targeting the rural the middle income group and the rural upper income group. So, we are not looking at below poverty line segment which the government generally target. So, we are very confident about our rural strategy and we expect good profitable growth driver for the organisation.

**Moderator**: Thank you. The next question is from the line of Ajox Frederick from Unifi Capital. Please go ahead.

**Ajox Frederick**: Sir I just have one question particularly with the regulatory front where the regulator might allow life insurance to sell health insurance products, so what is our take number one. Number two is if at all let us say they come out with the guidance, what is our next step after that?

**S Prakash**: See health insurance we always believe it is service intensive and we have capabilities that we have built. We have the experience of handling more than 8 million claims and we are very confident that we can prove our efficiency to our services and continue to remain as a market leader.

**Ajox Frederick**: Still I mean I was coming from the angle that agency particularly LIC agents who have a good overlap might tilt towards LIC or for that matter any other life insurer.

**S Prakash**: That is why I am trying to say that something which create stickiness for the agent is the service efficiency of the organization, the scale, reach, presence, brand image which we all have a value of that.

**Ajox Frederick**: And what is your sense like will it happen if at all any indication?

**S Prakash**: That we have to wait and see it is not our decision primarily.

**Moderator**: Thank you. The next question is from the line of Neeraj Toshniwal from UBS. Please go ahead.

**Neeraj Toshniwal**: Just wanted your thoughts in terms of claim ratio between the retail portfolio and the group portfolio if we can share and the growth of 20% in the retail portfolio if you can explain further between the price hikes and the growth in terms of volume and value that will be helpful because if I look at the claims on sequential basis has been very flattish despite obviously due to the technical unwinding of the reserves it looks optically much lower, but otherwise it is almost there where it was, so just wanted your thoughts about these two things then I can ask another question.

**S. Prakash**: The loss on group portfolio depends on many factors like underwriting philosophy that we follow, the type of growth as my colleague Anand was pointing out we are trying to do a very selective approach to acceptance for the group cover. We are looking at SME and medium corporate and we are trying to look at the burning cost and our valuation and then trying to accept the two and we are seeing we have started with this strategy from mid-January and we are able to see a good progress and very profitable group loss ratio after we have started following this strategy. So, our mix of retail and group as you have been watching us committing here like we are going to be more dominant in the profitable retail segment and we have the wherewithal, the manpower and technological efficiency to create this continuous progress in this retail segment.

**Neeraj Toshniwal**: We have the numbers in terms of the loss experience between the group and the retail?

**Nilesh Kambli**: That is not in the public domain the group and retail loss ratio.

**Neeraj Toshniwal**: So, the unwinding of the group portfolio how much delta we are expecting to come in the improvement in the loss ratio going ahead that you can give some colour on that?

**Nilesh Kambli**: We are not able to get the question the overall loss ratio guidance that we have given the 63% to 65% as group keeps on declining you know it will have an impact on the overall loss ratio of the company.

**Neeraj Toshniwal**: With respect to the price hike and the volume if you can you touch upon more on that in terms of 20% growth in retail portfolio how much will be coming from price hike?

**Nilesh Kambli**: Typically, around 7% to 9% is the value growth that happens on account of the natural increase in the age bucket, the sum insured increase that we have taken, the price increase that we have taken and the balance is the volume growth.

**Neeraj Toshniwal**: 7% to 9% comes from price hike and given this launch of new product the new upgraded version in Star Health Assure or Family Health Optima, any price increase we have taken or how with the new features in terms of the viability just wanted to understand because the major products for us, how will things change in terms of overall growth and the loss ratio going forward?

**S. Prakash**: In the New products in the Health Assure, Women Care and the Star Premier we have come up with lot of innovative features which are much required like you know we have included lot of upcoming specialties, we are trying to cover for baby born from day one. We are including upcoming specialty in medicine like rehabilitation medicine, hospice care. So, we are looking into the growth and success of the health care services and the requirement of the common man and so we have incorporated all those value additions, value added features in these new products which are also priced appropriately. So, we are very confident that we are going to grow more on this new product and this can essentially help us to increase our average premium and also control our loss.

**Moderator**: Thank you. The next question is from the line of Jayant Kharote from Credit Suisse. Please go ahead.

**Jayant Kharote**: I just had one question on the Young Health Star product how has it done in the first quarter and if you could talk in general the direction of the average age for the incremental business, is it better than our portfolio levels or how is it moving that is the only question?

**S. Prakash**: Young Star as a product which is well received. We see that there is lot of traction on this product, lot of youngsters are showing interest and we are also giving a discount on the premium for people maintaining good health in this product. So, that is a very well received and we could see that Health Star today constitutes around 12% of our performance compared to all products.

**Jayant Kharote**: There is a growth in Young Star better than overall retail growth or inline?

**Anand Roy**: It is more than what we expected as we launched this product. We can call Young Star as one of our successful products.

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

**Avinash Singh**: First question I mean moving forward if the losses comes at by expectation largely I mean by end of Q2 you are going to move the claims so by year end of course they were two moving parts you will have sort of organic capital accretion as well as solvency moving from claims to premium at the same time premium growth. So, by year end I mean broadly if things go as per guidance where these solvency end up at FY23 more closer to 200% or 190% so that is the first question and second one I mean going forward which the kind of relatively de growth in group that largely happen, but still overall growth going to be a bit or slightly than lower time because of the group impact, by year end of course once this quarterly things normalizes and your OPEX in early movement what will be ex commission OPEX ratio that you would see in FY23 these are the two questions?

**Nilesh Kambli**: In terms of solvency what we believe by year end as we keep on moving towards premium basis and Quarter 4 which is the biggest quarter we believe the solvency should be in the range of 193% to 198% in that range by year end. In terms of expense ratio, we have given a guidance 93-95% combined ratio with loss ratio 63-65%, our expense ratio will be around 30% by the end of the year actually better than last year.

**Moderator**: Thank you. The next question is from the line of Bharti Sawant from Mirae Asset. Please go ahead.

**Bharti Sawant**: So, just wanted to understand within the digital channel growth of 29% which you have shared what would be the growth of our own channel and what kind of growth would be coming from web aggregators or other platforms?

**Anand Roy**: So, our own direct channel will grow faster than channel partners. So, we are noticing close to more than 35% growth in our direct channels and we are investing more in a direct business because as you are aware the direct business is more profitable in the long run because there are no trailing commissions and we are also able to control the quality of business. Today, the direct business is almost 60% of our overall digital business and all other channel partners constitute the balance 40%. So, that is the kind of business that we are driving. Other channel partners have grown I think around 20%.

**Bharti Sawant**: And sir just one more share of questions on the regulator front wherein they have allowed the Banca channel to opt for 9 as in they can go for the 9 insurance, so does that help us in growing the offline mode faster or our focus is more on the online side only?

**Anand Roy**: No, definitely it is a very positive move for Star Health Insurance because we are growing our Banca channel exponentially and growing much faster than our overall business and if new partnerships can come through because of this, if this happens the opening up of the regulations happens, I am sure that you know being a market leader there will be lot of partners who will naturally gravitate towards Star Health Insurance and we already have enough enquiries which we are not able to get into because of this restrictions currently. I think this will open up a good opportunity for us.

**Moderator**: Thank you. The next question is from the line of Sahej Mittal from HDFC Securities. Please go ahead.

**Sahej Mittal**: Sir couple of questions from my side sir which all products or I mean if you could quantify the number of products which are already in pipeline for repricing even if you could not name them, but at least give us some sense if there are some products in the pipeline for repricing.

Second was on what is the median age of the new book which we are writing given the kind of increase in the sum assured so I mean what is the median age of the new book versus what is the median age of the existing book and also what is the median sum assured of the new book which we are writing and the third one was on the new product which we have re-launched so any pricing differential compared to the Family Health Optima which was earlier there?

**Anand Roy**: See as far as price revisions of other products are concerned we will not be able to comment on that right now because these are not something that we would like to comment in advance. We are a company where we are constantly reviewing our products and if at all if it is required to take a price revision we take an overall comprehensive review and then we take a decision to go ahead with it and as you know right currently with the new use and file regulations we are more agile towards this particular price revision. So, we do not intend to make any comments on that, but as far as our average median age and median sum assured is concerned the medium age right now is around 41 years if I am not mistaken and the median sum assured of the new products that we are seeing is around 8.5 lakh which we have disclosed already in the presentation.

**Sahej Mittal**: What would be the medium age of the new book which you are writing?

**Anand Roy**: It would be similar to 41 years.

**Sahej Mittal**: Sir if you can quantify the total cashless claim from network plus non-network hospitals?

**S. Prakash**: The focus is more on encouraging customers go to network hospitals because in network hospitals we have acceptance, their performance, their quality, their expertise and the level of infrastructure and their accreditation status. So, we always encourage customers to go to network hospitals and our participation to non-network hospitals is gradually declining, declining year-on-year, quarter-on-quarter. We would see that already 13% to 15% of the outgo happens to non-network hospitals.

**Sahej Mittal**: In this decrease in the share of cashless basis a conscious approach which Star is taking to curtail the share of cashless claims given the kind of fraudulent claims which are being reported in the industry just to get a sense?

**Nilesh Kambli**: Sahej what we mentioned is the ANH part is what we have shown in the presentation is 56%. So, total cashless is 80% out of the INR 1,800 crore of claim that we are paying cashless is 80% out of the cashless 56% is towards agreed network hospital. So, as we keep on increasing the penetration there are certain kind of illnesses which are not available for agreed network hospitals kind of thing that is what Dr. Prakash has mentioned.

**Moderator**: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Nilesh Kambli for his closing comments.

**Nilesh Kambli**: Thank you all for joining this call on Saturday. It was a good quarter for us and we are confident we will be able to achieve the guidance that we have given for the next 9 months and the whole year. Thank you all for the participation.

**Moderator**: Thank you. Ladies and gentlemen, on behalf of Star Health and Allied Insurance Companies Limited.