Star Health and Allied Insurance Co. Ltd.

Date: February 06, 2024
Place: Chennai

Ref: SHAI/B & S/SE/ 194/2023-24

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

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

Dear Sir/ Madam,

Sub: Transcript of Q3 & 9M-FY2024 Earnings Call – December 31, 2023.

Further to the Company's letter SHAI/B & S/SE/182/2023-24 dated January 24, 2024 regarding Earnings Call Intimation for Q3 & 9M-FY2024, please find attached transcript of the call dated January 31, 2024.

In compliance with Regulation 46 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 the above information is 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: 2024.02.06 13:43:40 +05'30'

Jayashree Sethuraman
Company Secretary & Compliance Officer

Encl: as above.

Star Health and Allied Insurance Company Limited
Q3 & 9MFY24 Earnings Conference Call
January 31, 2024

Management:

Mr. Anand Roy – Managing Director & Chief Executive Officer

Mr. Nilesh Kambli – Chief Financial Officer

Mr. Aneesh Srivastava – Chief Investment Officer

Mr. Amitabh Jain - Chief Operating Officer

Mr. Aditya Biyani – Chief Strategy and Investor Relations Officer

Moderator: Ladies and gentlemen, good day and welcome to Star Health and Allied Insurance Company Limited Q3 & 9MFY24 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 this conference call, please signal an operator by pressing * then 0 on your touchtone phone. I now hand the conference over to Mr. Pratik Patil from Adfactors PR - Investor Relations team. Thank you and over to you, Mr. Patil.

Pratik Patil: Thank you, Nirav. Good evening everyone. From the senior management, we have with us Mr. Anand Roy - Managing Director and Chief Executive Officer, Mr. Nilesh Kambli - Chief Financial Officer, Mr. Aneesh Srivastava - Chief Investment Officer, Mr. Amitabh Jain - Chief Operating Officer and Mr. Aditya Biyani - Chief Strategy and Investor Relations Officer.

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

Anand Roy: Thank you so much and a very good evening to all of you. Thank you very much for joining us today. As we connect for the first time in this New Year 2024, let me begin by wishing all of you a healthy and prosperous 2024.

The Indian Insurance Industry is going through a very rapid transformation. We all know that the Insurance Regulator IRDAI has put customer at the centre of every decision and moved away from a Rule-Based Regime to a Principle-Based Regime with an overarching focus to provide insurance for all by 2047 and the entire industry stands committed to this vision.

The Indian demography combined with the low levels of insurance penetration, today offers a large opportunity to insurance players. While 37% of our population is covered under health and various health insurance programs, the Retail Health Coverage remains very low at 4%, implying a long runway for growth.

Health Insurance business is the most preferred business segment within the General insurance landscape, thanks to the lower retail penetration rate, higher customer engagement that ensures confirmed renewals, high lifetime value of customers and the higher ROE that the business offers. As a key stakeholder and a leader in the health insurance ecosystem, Star Health remains fully committed to support every initiative that is undertaken to ensure a robust development of the Indian Insurance Industry.

Having talked about the opportunity in the market and our commitment to make health insurance available to every Indian, Star Health is best positioned in the market to play a very pivotal role in the industry. Star Health has continued to lead the segment, demonstrating our leadership on various fronts of business. On the retail front, we continue to be the largest player with the size that is 3X the size of the second largest player in the industry. On the distribution front, Star Health has the largest agency network with the highest agent productivity amongst all SAHI companies. The third most important measure where Star Health stands distinguished is that we operate at the lowest EOM (Expense of Management), which is significantly lower than the mandated limit of 35% by IRDAI.

I would like to reiterate here that at Star Health we focus on sustainable and long-term growth with our emphasis on profitability by ensuring quality business. 'Risk First, Growth Later' is our defined mantra and going forward I would like to highlight some strategies and measures we have chalked out so far in this direction.

- Realignment of group strategy that we have done towards profitability through stringent underwriting guidelines
- Adopting a risk-based pricing mechanism
- Changing the distribution and product mix towards better combined ratios
- We have recalibrated our portability strategy,
- Increasing share of higher sum insured policies
- Consistent rise in network hospitals and pricing arrangements with our network partners.

While growth, profitability and managing risk is quintessential to our business, one significant factor that goes a long way is ensuring the sustainable value creation by customer experience and customer delight. We are able to deliver the same through various initiatives such as Teleconsultation, Wellness and various prevention programs that we run apart from our efficient Claims Management under which digitization and increased automation has led to better turnaround times, benefiting our customers. Initiatives such as Anywhere Cashless and Home Healthcare Solution provided to customers at their doorstep are examples of our customer centric approach.

Coming to our business performance on the business side, in 9MFY24 our Gross Written Premium (GWP) grew at a rate of 18% to Rs. 10,286 crore compared to Rs. 8,753 crore during the same period last year. As a largest standalone health insurance company in India, our share of GWP is close to 46% of the entire SAHI Industry. In fact, our market share in 9MFY24 amongst all general insurance company is up by 14 bps from 4.68% to 4.82% this year. Our market share in Retail health for 9MFY24 has remained stable at 33% versus the previous year.

Our Agency business contributed around 82% of our overall business in 9MFY24. Our Agency strength has increased to 684,000 agents with a net addition of around 19,000 agents in the December 2023 quarter and 63,000 agents in the last 9MFY24.

Regulatory changes have ushered in an era of equal opportunities for insurance players. The opening up of the Bancassurance segment set up an open architecture, continues to add muscle to our growth with 48 tie ups in the banks and NBFC segment, this channel now contributes to around 5% of our GWP and is growing at a healthy pace of more than 40% in fresh business. We expect this growth to accelerate as we move forward.

Digital business contributed to around 7% of our overall GWP. Digital channels, including our own channels and 3rd party aggregators have been growing at a healthy rate of 33% in fresh premium growth. To put numbers in perspective, 5% of our GWP comes from our own digital channels and web aggregators accounts for close to 2% of our GWP. For 9MFY24, contribution to fresh business from all non-agency channels is 33%.

In order to increase penetration in semi urban and rural geographies, we plan to open 1,000 plus Sales Managers Stations, which are small individual service centres of which 859 have already become operational in the first 9 months. With 877 branch offices, we now have a total of 1,700 plus customer touch points to ensure better service. Of the 19,000 plus PIN codes in India, Star Health is present in 17,000 PIN codes via our sales distribution network. A larger presence across sales channels calls for a wider range of service points to cater to our customers. With this in mind, we have 20,000 customer touch points for servicing.

I will now talk about some of our claims initiatives and the outcomes. In terms of claims amount, 84% of the paid claims in 9MFY24 were cashless which were 80% in the previous financial year. Our Cashless TAT has improved to 94%, claim settled within 2 hours' time. The auto adjudication of claims helps us in drastically reducing the turnaround times. 34% of agreed network hospitals representing 74% of the Cashless Claims have been on-boarded under our authorized auto adjudication initiative. Our antifraud digital initiatives continue to yield good savings. We have upgraded from the SAS platform based triggers to an in-house system equipped with dynamic functionality to fine-tune the rules to show effectiveness in our claims management.

On our financial performance, the combined ratio for 9MFY24 was 98.2% and the combined ratio for the Q3FY24 was 97.8%. The claim ratio for 9MFY24 was 67.3% and 67.7% for Q3FY24. Our expense ratio for 9MFY24 stood at 30.9%, for Q3FY24 it was 30.1%. Our investment assets have grown to Rs. 14,450 crore in Q3FY24, showing a growth of 20% year-on-year. The yield for 9MFY24 rose to 7.6% versus 7% in 9MFY23. The investment income during Q3FY24 grew by 39% to Rs. 285 crore versus Rs. 205 crore in the previous year.

Our PBT of Rs. 388 crore for Q3FY24 was up 38% from last financial year. The Q3FY24 PAT came in at Rs. 290 crore, registering a growth of 38% over the same period last year. The 9MFY24 recorded of PBT of Rs. 939 crore a growth of 36% over same period of last year and the PAT for 9MFY24 was Rs. 703 crore also a growth of 36%. The non-annualized ROE for 9MFY24 was 12.1% versus 10.4% in the previous financial year.

Solvency of the company as of 31 December 2023 was 2.2 times compared to the regulatory requirements of 1.5 times.

The key highlights of quarter three are,

- The average sum insured of new policies has increased by 10% to Rs. 9.65 lakh per policy. Rs. 5 lakh and above sum insured policies now constitute 77% of the retail health portfolio versus 69% of the previous year.
- The share of long-term policy is within our overall retail GWP has increased to 6% versus 4% in the last financial year.
- Our Home Healthcare program is now live in 11 cities, customers can now avail Home Healthcare services by speaking to our doctors, and medical professionals through telemedicine who will visit their homes if necessary to provide them service.
- Our customer NPA on claims has improved to 63 points versus 55 points in the previous quarter.
- Our Star Health App launched during the initial quarters with new features, sees accelerated traction in terms of registered users availing the benefits of the app. The number of app downloads is more than 5 million as of December 2023 and has shown a 12% growth versus September 2023 quarter.
- Organic traffic to the website grew by 39% in 9MFY24 over the same period last year.

To summarize, I would like to reiterate again that we follow the Risk First, Growth Later strategy. This is our mantra to ensure a sustainable long-term profitable growth in the foreseeable future. Thank you so much and we are now open to questions.

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

Shreya Shivani: I have two questions. It is on the seasonal diseases and the impact which dragged second quarter margins. How many months of third quarter did that persist? And what about COVID cases? Where should we expect the loss ratios of fourth quarter to be? Or should we expect some one-offs in fourth quarter as well because of COVID? And what would be your guidance be for the next two years on loss ratio? Second is on the Health Insurance policy that you are selling via Banca channel, so now Banca is only a 5% of your channel mix, where do you expect in the coming two years Banca channel to grow to? What mix would it become? And is the loss ratio trend any different in the Banca channel versus your agency channel?

Amitabh Jain: This is Amitabh. I am taking the first part of the question. You are right, we had a significant increase in the incidence of fever and infectious diseases in the month of September 2023 and October 2023 that weighed on the overall ICR that we witnessed in Q3, but since then it has calmed down, and even January 2024 seems to be normal.

Shreya Shivani: The COVID cases?

Amitabh Jain: COVID cases, there is no significant increase, so there is no concern or worry on that aspect.

Shreya Shivani: So, sir should we expect that after fourth quarter is over for at least for the next two years, our guidance on loss ratio goes back to 63% to 65%, right?

Anand Roy: We are not giving any guidance as such, but yes, our endeavour is to keep improving our loss ratios by various measures, as we mentioned, in our call — including various strategic measures like price increases at the significant times, our efforts on Home Healthcare and other such measures. To answer your second question, Banca, as you rightly said, is an interesting channel for us which we are growing. It is right now contributing 5% of our books we hope to make it larger as the years go by. Many of our partnerships are only now taking shape in terms of the system integrations and product launches. We expect this to be a very significant contributor in the future. We already, as I mentioned in my speech, that almost 33% of our new business is coming from non-agency channel which is Banca and digital largely. We expect this to keep growing faster.

Shreya Shivani: Sir is there any difference in the quality of customer or the loss ratio trend between your main channel which is Agency and the Banca channel?

Anand Roy: Banca as you know has a very different business model. There is an attachment business contribution, which is quite significant, which the banks give out on their loan book. But, we also do a reasonable amount of indemnity policies through our public sector bank partnerships. It is going to be a mix of both and as far as loss ratios and combined ratios are concerned, we are very clear that we will do business where it is profitable for us, so we make sure that it is tracked very closely.

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

Prayesh Jain: Firstly on, if you look at the Star thinking about Q4 from here on you mentioned that the loss ratios are significantly better and you would have a full benefit of renewal price hike of the Family Health Optima because a large portion of it was sold possibly in Q4 of last year. So, big benefit of that should come in at least on the GDPI front, some of it will go through the URR, but how should we look at Q4 from a profitability perspective? And then I would extend this to FY25 as well, so your share of Group Premium has gone up to 6% today and the price hike that will happen in Q4 of Family Health Optima that quite a bit of that portion will go into the URR and will kind of unwind into FY25, so both the long term policy as well as the price hike of Family Health Optima that should unwind into FY25's Net Earned Premium without any OpEx against it, right? So, from a profitability perspective, how should this kind of transpire into FY25? That would be my first question.

Nilesh Kambli: You are right, the full benefit of price increase will come by 30th April, with Q4 being the biggest quarter, the earned premium will improve in FY25. That is why we are saying that we will ensure that the loss ratio keeps on improving as we keep on moving forward along with the price rise and the various initiatives that we have taken. In terms of Group business it is a combination of SME as well as Banca group business, which is very efficient when it comes to loss ratios and that should also help us in terms of overall profitability.

Prayesh Jain: Sir is it fair to assume that given the severity and the frequency of claims that we have seen in this year, if that would have sustained, possibly we can come within the guidance range of 93% to 95%? Would that be a fair assumption and with your Reinsurance treaty in place?

Nilesh Kambli: We do not want to comment on the guidance, but yes, we see that there will be improvement as we keep on moving forward with the various initiatives that we have taken.

Prayesh Jain: Secondly, if you could break down your Reinsurance treaty and could you explain that a bit such as the rationale for it? And if you could just give us for nine months as to how this has impacted each of the line items like the Premium ceded and your claims that would have come and the commission that you would have received on it?

Nilesh Kambli: Basically, we choose the risk which we want to retain in our books. We have always wanted to be risk averse for long-term treaties. We already have a RI arrangement for our long-term benefit policies. Even previously, we have mentioned that we want to look at Reinsurance as long as it is efficient, so since now long-term indemnity is a meaningful portion of our portfolio. We are choosing to keep a certain portion of our risk in the books as well as balance is reinsured, so that is a part of our long-term strategy on long term policies. In terms of impact of Reinsurance, NWP gets impacted because we cede the portfolio out, we get certain Reinsurance commissions, the earned premium goes down because the NWP reduces, so it impacts these 3–4-line items.

Prayesh Jain: So, can we get the quantum of each of these line items, commissions, claims and NWP?

Nilesh Kambli: RI arrangements are confidential and not in public domain, so we cannot give each and every line item.

Prayesh Jain: And secondly, from a growth perspective Anand, what would be the number of policy growth that you would have seen in nine months? And what has been the Family Health Optima renewal ratio in terms of number of policies so far? And how would you see that for say Q4 as well?

Anand Roy: The Family Health Optima is the biggest portfolio in which we took a good price hike. When we took the price hike, we were expecting about 5% approximate drop off in customers because that was based on our historical trend when we had taken price hike earlier and happy to let you know that that is where it is right now we have been able to retain our customers on our books and overall retention premium is almost 105% in terms of the Family Health Optima Premium. As far as our overall growth is concerned, we remain very optimistic around our growth, we see that the growth is driven both by new policies as well as by our price revisions and upgrades in terms of sum insured during renewals. It is a healthy mix and we are quite confident of keeping this going.

Prayesh Jain: Last question from my side, but if you look at the growth in the last couple of months, that has been significantly lower than what your other players and in fact that gap has only widened in the last couple of months, what has been causing that in the sense that the growth which you had guided for around a 20% kind of growth on the Retail Health is now trending more towards 15%, 16% kind of range and in spite of the fact that there is so many levers that place a sum assured has gone up. All those elements have been at play for some time now, but we still do not see the growth coming in. So, how should we think about growing from a longer term perspective more of 15% kind of a range or 20% is something that we should look for? How should we think about this?

Anand Roy: If you look at the growth we have been growing almost equal to the industry's growth rate, but as I have mentioned earlier our philosophy is Risk First Growth Later we are looking at the quality of book rather than only the quantity of growth. I think that is something that we are very mindful about, because we are building a business for a long term and health insurance is a business where you onboard customers and you stay with them for life so, that is what we intend to do and we are not going to run behind growth at the cost of quality of growth. We still have absolute conviction that we will be able to grow closer to our internal aspirations of course are to grow close to 20%, but at the same time we are calibrating areas where we see that the quality is not so good, we are slowing down there, but we are growing fast in the profitable areas where we are seeing good momentum.

Moderator: Next question is from the line of Madhukar Ladha from Nuvama Wealth, please go ahead.

Madhukar Ladha: Congratulations on the good performance. First, on coming back to the retention question, so there is definitely some rethink here, right, because your retention has reduced, you were doing about 95% and now it is at around 87%, so what has driven this? And I wanted to get some sense because of this your NWP has actually grown only 7% this quarter, right, so would mean that this trend sort of continues, what should we expect our NWP growth to be like because that is what will ultimately flow into NEP? Second, I also noticed that your expense ratio has gone up to about 19% this quarter and obviously Commission ratio has been aided by some Reinsurance Commission that you have got, so why are the expense ratio elevated? And how should like a normalized sort of Commission ratios look like? So, these would be my two questions I will come back with any follow up.

Nilesh Kambli: This reinsurance treaty that we have done, it is retrospective from 1st April 23, what 87% that you are seeing is only for Q3 the correct number to look at is for nine months which is 92%, so from 95% It has shifted to 92.3%, which is not a significant change and it is in line with our strategy as we mentioned on the long-term policies. Coming back to your question on expense ratio and Commission ratio, while it is aided by the Reinsurance Commission, expense ratio what happens is while the numerator is the same, the denominator has gone down, it is more a technical thing. The correct measure is the overall expense ratio, which is constant in line with last year as well as it has improved compared to H1 as well.

Madhukar Ladha: This is helpful. And finally, I just have one more question on your investment income, so the yield has shot up in this quarter, is it because some capital gain booking has happened in this quarter? Is a result of that or? What is going on with that?

Aneesh Srivastava: Yes, we have booked some profits in this quarter, but the objective of booking profit was not that we have to take the profits, but we saw certain opportunities where we felt that the evaluation would be such that we should exists some positions. As far as booking profit is concerned, it is not that this is the first time that we have booked profit we have booked profits in earlier quarters as well. This is a very calibrated and conscious approach that we are taking on the investment book. For yields to go up, actually, you know that in general yields have hardened in the market, even shortened the yield curve is relatively elevated, so all that basically flows into the overall yield of the portfolio.

Madhukar Ladha: What is the kind of duration and yield that you are running right now like approximately?

Aneesh Srivastava: On fixed income book, we are running our duration of approximately slightly below 4, say somewhere around 3.9 and on the Core Fixed Income portfolio, if we set aside the liquidity that we maintain, that is approximately 7.71.

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

Avinash Singh: Couple of questions. The first one more on sort of industry with this latest kind of announcement on this Cashless Everywhere, how does this came sort of, the network hospital concept or agreed Network hospital I mean, because now with this concept at least for accessibility point of view, every policy holder from any insurer has cashless access to hospitals. So, I mean, how does this sort of thing changes? Does it change anything in terms of the positioning of a Health Insurance as far as the network hospitals are concerned and if at all anything in terms of pricing which you agreed Network Hospital, so that is one? Second question sort of what kind of a medical inflation you are seeing, I mean in so far say or calendar 23 or FY24 and has sort of changed towards up or down in the post COVID what you were seeing in the post COVID era? And related to that, based on this claim inflation or medical inflation trend and also that you and the industry has undertaken multiple price hikes in Retail Health. Going forward, you see that prices to be stabilizing or still some need to take price hike?

Amitabh Jain: The Anywhere Cashless is a great initiative led by the regulator and we believe that the consumers appreciation towards Retail Health Insurance will only increase and enhance the customer experience because of this easy access to cashless services. Generally, we have seen that the reimbursement claims come with higher incidence of fraud, waste and abuse, so increase in uptake of cashless is overall welcomed for the industry and for us as well. We have already launched this initiative for which we are getting good response. On the second question on medical inflation, the medical inflation remains high as far as the overall industry is concerned, but we are managing that through efficient claims and network management and that remains at levels that we believe we can manage. On price hike, yes, this is something that we will keep doing as per the requirement of a particular product, the portfolio overall yield and price requirements, we are expecting to have price hikes coming up in this quarter for a couple of products which are contributing to about 10% of the portfolio.

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

Supratim Datta: So, could you give me the loss ratio difference between the long-term indemnity policies and the regular indemnity policies? That's one and two, what I would like to understand is how does the ROE profile now for the long-term indemnity policy differ compared to previous regime, when you did not have the reinsurance, the 50% reinsurance? And thirdly, I understand you talked about growth and your philosophy on focusing on Risk First and Growth Later, however, as an insurance company you have always been focused on growth and you are focused on risk and you are growing much faster now in the Banca and in the group channels then why is the core agency channel not being able to drive growth? What are the challenges there if you could help us understand that and how you are addressing that? That would be very helpful. Thank you.

Nilesh Kambli: On this long term indemnity, as we said this portfolio has started to grow now and it has become substantial portion of our portfolio. The experience on whatever previous portfolios that we have is good, the loss ratios are better because all the customers are retained for two years or three years, so it is generally good in terms of loss ratios and hence the ROE profile of the customer is also good. As we have beaten a substantial portion now we will have a better experience as we keep on moving forward.

Anand Roy: The Core Agency business contributes 82% of our portfolio, so we are absolutely doubling down on agency there is no question of slowing down there. There are certain strategic steps that we have taken on focusing bit more on quality in certain areas where we were seeing consistent bad quality business coming in, for example, certain parts of North India, certain parts of Western India, so we have kind of calibrated our strategy there but let me assure you that Star Health is an aggressive growth focused company we are not going to slow down growth as such, but quality of growth will be a major driver in our plans. Just to put it in context, we have really slowed down our inward portability business in those markets which we saw that they were a loss leader in our overall books for a long period of time so those are the steps that we have taken, and we are not shying away from taking some aggressive steps to build a better quality of book. As you know, last year we took a conscious call to slow down our Corporate Group business, so we will continue to keep evaluating business basis on its merits and not do growth for the sake of growth.

Supratim Datta: Could you give me the ROE differential now in these long-term indemnity policy that you have put in place on reinsurance contract?

Nilesh Kambli: Long term is a very small portfolio until last year and it plays out over the next 2-3 years. Since the loss ratio for this portfolio is good, the customer remains with us, the ROE profile of this customer is also very good.

Supratim Datta: But how does it change now that you have put in a 50% reinsurance contract?

Nilesh Kambli: Nothing changes. Reinsurance contracts you know there are certain parameters, there is a loss ratio understanding, there is a commission understanding, these are all sliding scale basis. There is a certain cost associated with it.

Moderator: The next participant is Nilesh Saha from Julius Baer. Please go ahead.

Nilesh Saha: I joined the call a bit late, so I am not sure if you spoke about this earlier, but I was hoping if you can comment a bit over like this growth that you reported this quarter could you give some colour on the new customer volume growth part A? And Part B what is your retention metric looking like for your customers whose policy is completed a year in the quarter gone by?

Nilesh Kambli: We had answered this previously.

Nilesh Saha: I will just go on to the next question which I had. So, over the last three quarters, what I have heard a lot from you guys on the call, it is a lot of emphasis on managing risk, right improving the what you also spoke of on the call, right, making sure that the insurance policies that are live there of good loss ratios. Could you comment a bit on what you are doing at the back end, in terms of how your sales in terms of how you manage your agency, that is where you are implementing these sort of changes, and if that is having some sort of impact either on the growth side or on the cost side? Thank you, that is all from my end.

Amitabh Jain: This is a continuous sort of evolving exercise and training of agents and our own sales teams is something that we keep improving upon, some of the risk based selection criteria, underwriting guidelines, scoring models, those are the things that we are working on improving our analytics based on geography, customer segmentation, micro segmentation of risks and so on and that is something that we are training our teams as well as our agency force on a continuous basis. We expect that as we will sort of continue this and put more and more emphasis on the overall mantra that we have that Risk First and a Profitable on growth on that, is what we are going to continue to work up on.

Nilesh Saha: Just one small follow up. Have you been able to implement anything either at the level of your agents or the managers who handle your agents where you have tied commissions or payouts on the basis of the loss ratios of the policies that they sell. I remember that long back there were some plans on this front, but have you implemented something of this kind?

Anand Roy: All our branch managers and sales managers and above have their KPIs on profitability. We do ensure that they are well aware of the profitability of their business on a monthly basis. They have dashboards on which they are able to evaluate their business regularly available to them. As far as the payouts and commissions are concerned, we did roll out something, but we have made some changes based on market feedback and we will keep evaluating and making changes as and when necessary.

Moderator: Next question is from the line of Nidhesh from Investec. Please go ahead.

Nidhesh: Sir, firstly on the agency channel, if I just do some rough calculation, my guess is that the agency loss ratio will be around 70%. And we are taking steps to curtail loss ratio there. And last two quarters I have heard that you have taken a lot of steps to curtail loss making geographies. So, whatever the steps we are taking by when do you think that those will be visible in our portfolio, will it take full twelve months? The books have to run down and then the new book that we are building out, so whether it will take twelve months, or do you think that the stuffs that we are taking the benefit of that will be visible quite quickly?

Anand Roy: The agency loss ratio is not 70% and to answer the second question, the steps which we are taking, we are seeing good positive results as we talk. November, December, as Amitabh mentioned are trending well even January, 2024 we are seeing a good result. We have taken the price increase for which benefit is expected to come, has come in Q3, Q4 and for the next nine months to twelve months as well. The quality business that we are talking about, the reduction in portability, we are seeing some good benefits out of that as well. It has already started to be reflected in our portfolio and we see some good benefits coming in the future.

Nidhesh: And second is what is the fresh premium growth for Q3 and nine months on an overall basis? And in the agency channel if you can talk about these two numbers?

Nilesh Kambli: We will not like to comment channel specific, but the other growth in fresh business is in double digits as we speak.

Moderator: Thank you. Next question is from the line of Dipanjan Ghosh from Citi. Please go ahead.

Dipanjan Ghosh: Star is probably only one of the few companies on the SAHI side and excluding the PSU which have been in operation for almost more than a decade. So, given that your growth has kind of slowed down from pre-COVID levels on the gross premium side and you are seeing vintage of the book also rising. You are also taking some price hikes here and there. So, can you give some colour on how the vintage-wise loss ratio is shaping up, not quantitatively, but maybe if you can give some colour qualitatively, let us say what it was five years back versus what it is now? Will give us some understanding of both medical inflation and how the portfolio is behaving? Second, I think more from the FHO product where you have incurred the price hike and just wanted to understand for the customers who have fallen off or where you have seen persistency loss because of the price hike versus the customers who are still retained in your portfolio, how would be the claims ratio between these two cohorts? Or in other words just trying to understand is it higher claims ratio customer which falls off or the better-quality customers? Some kind of understanding on that? And lastly just going back to the previous participant question, if we do the back calculation schemes that fresh business through agencies probably has declined by a good margin compared to, let us say, your agency growth should be better. Also if you look at this growth on a 2 year basis, I mean because you have been adding agents also at a very sharp phase, it seems that the growth does not look that great, so what are the steps you are taking? And by when can we expect the agency growth to really kind of revive? So, those are my 3 questions.

Anand Roy: Let me take the question on Star Health being a 15-year-old company and about the vintage of customers, the fact that we are the only company, probably one of the few companies in the entire industry, which is making underwriting profits should answer your question about the quality of book and the selection and the way we are managing the portfolio, so cohorts and vintages do not make any significant impact as long as you are managing it scientifically and re-pricing the product at intervals when necessary so, that should be sufficient to say. We are not going to give obviously detailed cohort based data to you. As far as our FHO customers are concerned, we do not differentiate any customer with as a good customer or a bad customer we would like to retain all customers. Our target was to retain customers with a minimum drop off and we are very well within that range of our target, so I think that is what how we are looking at it.

Anand Roy: There is no decline in fresh agency business or as I told you that business is being calibrated based on profitability of the regions. We are seeing very high double digit growth in regions where we want to grow and we have kind of reduced our growth by design in certain areas. There is no compulsion for us to reduce our growth there technically speaking, but we are doing it in the long term interest of the business. That is how I would put it.

Moderator: Next question is from line of Swarnabha Mukherjee from B&K Securities. Please go ahead.

Swarnabha Mukherjee: I had one technical query that for the longer term policy, if you could explain why a reinsurance support is required? Because if I understand correctly, I mean these are also quite gradually underwritten businesses, so how different would be the expected experience between their one-year policy and the two-year policy that would warrant some risk pass out to the reinsurer? So, that is the first part of the question. The second thing was that you mentioned that I think fourth quarter the retention level would be 92%, would I be correct in assuming that as we go ahead and our share of long-term policies increase, this retention level will also kind of go down in time length with that? So, that is on the reinsurance side. And if you could also give me couple of additional data points, so first of all this 10% business in which you are re-pricing, what would be the increase? What is the quantum of re-pricing if you could highlight that? And if you could also give us the share of non-agency channel in the fresh business last year during third quarter, that would be very helpful?

Nilesh Kambli: On the reinsurance philosophy, we have a particular strategy to give an example for non-proportional risk or some there are philosophies of one in a 100-year event, one in 250 year event and companies buy one in 500 year event as well each has a different cost element, so this is the philosophy of the company. The long-term policy for two years and three years we have a philosophy of reinsuring it, so that is based on our philosophy that we have taken this decision to reinsure this risk. Your second question on 92%, see this is the nine months number as we keep on growing the long-term portfolio on an overall basis, it should remain constant or slightly reduced, but there will be no significant difference to this 92% that is reflected in the nine months number.

Swarnabha Mukherjee: Follow up for the next couple of years should we build in a number close to that 92 only or shall we maybe take it down slightly more as your share of long-term increase in the mix?

Nilesh Kambli: Yes, it is our strategy, so we will continue with as long as the terms are favourable, based on strategy will continue with this reinsurance arrangement that we have.

Swarnabha Mukherjee: Sir I think you mentioned it is a 50% quota share kind of a policy, right? So, can there be design for that kind of things?

Nilesh Kambli: It is very difficult to comment now, but based on our philosophy will continue to have reinsurance now 40%, 50%, 60% it depends upon the reinsurance arrangement that we get in the market. We would like to be stable as far as possible.

Swarnabha Mukherjee: Sir, I have requested for couple of data points which is how much will be the quantum of price hike in the products that you are going to hike prices? And mix of non-agency channels in the fresh premium last year same quarter, if you could share that?

Amitabh Jain: On the price increases, we covered that in an earlier question that we are planning to take price hikes in couple of our products in this quarter, which amount to about 10% of our portfolio.

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

Sanketh Godha: You in the initial remark said that from a risk management point of view you started porting in lower compared to what you have done in the historical past, so just wanted to understand how much it has changed say couple of years back or last year to current? And how much has it impacted maybe on growth? And second, have you seen in your premium policies a little more port out happening in the current year compared to historical past? I just wanted to understand that trend how is your experience? Because I am coming from this point because of the growth and that is the reason I am asking this question?

Anand Roy: To answer your second question first, FHO, which was a big portfolio for us and if there is a 5% drop off because of the price revision, definitely some of those customers have ported out to other companies at their convenience, so there is a port out which is otherwise not seen in other times. This is a one off event and but every time we take a price hike we do see this happening once in 3-4 years. So, that is about porting out.

Sanketh Godha: But Anand this number of 5% drop off, I am just asking from a usual business trend point of view this number is relatively higher compared to what you have experienced in the previous years?

Anand Roy: Yes, of course. That is what I was trying to say, if we were doing on an average let us say 90% retention policy wise and if you are doing 85% this year on FHO, that is the 5% drop off which we have seen. Some of them might have gone to other companies, some of them might have not gone out of the insurance franchise itself, but that is possible. Porting in is concerned we have really tightened our underwriting standards in porting in because of two reasons, one is we have seen that there is significant amount of difference between loss ratios in terms of portability customers and new customers and second thing is we have also seen that porting customers, sometimes there is lot of dissonance in terms of expectations and it also leads to bad experience in customers and sometimes intermediaries will not give the true picture of the porting policies and conditions so we are kind of really tightened that area and we would like to keep it that way.

Sanketh Godha: But Anand if you can quantify the number means for example, it was porting by 5% of total premium was porting in say last year whether that number has reduced to say like one odd percentage means just wanted to understand that how much you have tightened this?

Anand Roy: It has come down to low single digits is what I can tell you.

Sanketh Godha: And second question I have one on data, see this long-term policy is when you say 6%, first I want to understand how is your comfort level because as you highlighted that this business also comes with the risk of higher claims because you are married to the customers for three years and don't have a choice to take a price hike. Then to what extent you want to get it to be as percentage of your total book, and then this 6% what you have told in the call or in initial remarks is only indemnity or you have included benefit based also in this 6%? That is my question. And second on data keeping with this I want 2 data points, what is the exact amount of capital gain you have booked in the current quarter? And what is the exact gross commission number you have paid in the current quarter and nine months?

Anand Roy: Long term, we never said it is in terms of adverse experience. In fact, it is better experience we say because these are customers locked in for the first few years of the engagement with the company and hopefully they will renew for future also so these are definitely better experience customers in terms of loss ratios. As far as capital gain is concerned, I will request Aneesh to add.

Aneesh Srivastava: We have booked approximately Rs. 30 crore of capital gains.

Sanketh Godha: Commission number for nine months and current quarter. Means in our release we have the Net Commission Number, I was looking for the Gross Commission Number.

Nilesh Kambli: Gross Commission Numbers will share separately. Sanketh it will come as part of our public disclosure on the IRDAI website.

Sanketh Godha: Anand to your answer the 6% I just wanted to check how much you want to take it to? And whether the 6% is completely indemnity or benefit based is also included in the 6%?

Nilesh Kambli: 6% includes indemnity and benefit and we want to grow this portfolio because this is a good portfolio.

Moderator: Thank you. Ladies and gentlemen, we will take that as a last question. I will now hand the conference over to Mr. Nilesh Kambli for closing comments.

Nilesh Kambli: Thank you everyone for joining the call. We see that this quarter ended well for us and we see lot of positives as we keep on moving forward and we are confident of improving for the next coming years. Thank you very much.

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