Star Health and Allied Insurance Co. Ltd.

Date: August 05, 2025
Place: Chennai

Ref: SHAI/B & S/SE/71/2025-26

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: Earnings Call Transcript –Q1 FY 2026

Further to the Company's letter SHAI/B & S/SE/52/2025-26 dated July 11, 2025 regarding Earnings Call Intimation for Q1 FY 2026, please find attached transcript of the call dated July 30, 2025 for your information and records.

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

Thanking You,

For Star Health and Allied Insurance Company Limited,

JAYASHREE SETHURAMAN

Digitally signed by JAYASHREE SETHURAMAN
DN: C=IN, O=PERSONAL, OID.2.5.4.65=2b9b529ae63e411c98cd943364a9a28c, Phone=1e4b042a68c7737412574511b0886414dd758416bc9941b0d0349740bb7480b1, PostalCode=600092, S=TAMIL NADU, SERIALNUMBER=72f8ae5e418159f90966b50870ab70155208246a474f72ae1f31fcfc355ef55b, CN=JAYASHREE SETHURAMAN
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Jayashree Sethuraman
Company Secretary & Compliance Officer

Encl: as above.

Star Health and Allied Insurance Company Limited
Q1-FY2026 Earnings Conference Call
July 30, 2025

Management:

Mr. Anand Roy – Managing Director & Chief Executive Officer

Mr. Amitabh Jain - Chief Operating Officer

Mr. Himanshu Walia – Chief Marketing Officer

Mr. Nilesh Kambli – Chief Financial Officer

Mr. Aneesh Srivastava – Chief Investment Officer

Mr. Aditya Biyani – Chief Strategy & Investor Relations Officer

Moderator: Ladies and gentlemen, good day and welcome to Star Health and Allied Insurance Company Limited Q1-FY2026 Earnings Conference Call.

As a reminder, all participants' 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. 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. Devyanshi Dave.

Devyanshi Dave: Good morning, everyone. From the Senior Management, we have with us, Mr. Anand Roy – Managing Director & Chief Executive Officer; Mr. Amitabh Jain – Chief Operating Officer; Mr. Himanshu Walia – Chief Marketing Officer; Mr. Nilesh Kambli – Chief Financial Officer; Mr. Aneesh Srivastava – Chief Investment Officer; and Mr. Aditya Biyani – Chief Strategy & Investor Relations Officer.

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

Thank you and over to you, Mr. Roy.

Anand Roy: Thank you so much and a very good morning to everyone. Thank you for joining us for Star Health's Earnings call for the 1st Quarter of FY2026.

Over the past 2 years, during my tenure as the CEO, our strategy has been grounded in four fundamental pillars. A risk-first approach, customer-centricity, a digital-first mindset, and a steady ROE focus. All the measures that we have been implementing in the pursuit of long-term sustainable and profitable growth are now yielding results.

The key pillars of the strategy has been emphasis on businesses, geographies and channels that meet our ROE thresholds, our focus on improving claims and customer experience, various initiatives that we have taken are demonstrating better NPS trends, product innovation and shift towards risk-based pricing with prudent underwriting.

Products such as Super Star and Health Assure incorporate innovative features and have been very well received in the market. They constitute nearly 80% of our new business now. Our Super Star product is probably the first product in the industry to cross Rs. 1,000 crores of GWP within 10 months. Initiatives such as discount based on claims experiences, shift to zonal pricing from Pan-India pricing, these are all a marked shift in our pricing strategy to ensure that we select the price/risk appropriately.

We would also like to reiterate here that our long-term competitive moats remain very much intact. We have the widest agency-led distribution with our agency base now at 7.89 lakh, which is 2x of the next largest competitor. Our diversified distribution mix with our direct digital channel is now growing the fastest at 73% on new business. We have more than 11,300 crores agreed network hospitals, which are supported by better negotiated pricing. Our lowest claims processing cost in the industry, less than a percent of our GWP also holds us in good state in terms of our competitive advantage.

Finally, the IFRS expense ratio has also reduced by 100 basis points to 30.1% from 31.1% the previous year. I would like to reiterate here, for the last two years, we have been reporting annual IFRS numbers. As mentioned in our last call, we are moving towards quarterly IFRS reporting. As per the latest IRDAI guidelines, IFRS is expected to go live by 1st April 2027, we would like to emphasize that all our business and investment-related decisions are nowadays taken, considering the IFRS reporting only.

We have closed Q1-FY2026 with a gross written premium of INR 3,936 crores, a 13% year-on-year growth over the previous quarter. These numbers are on N basis. There are multiple reporting standards now, so, for ease of understanding, we are reporting our premiums on N basis.

Our retail health GWP grew 18% to INR 3,667 crores in Q1-FY2026, fueled by a 25% growth in fresh retail premiums and a strong renewal persistency of 98% on premiums. Despite our very large base, we have successfully maintained our market share in retail health at 31%. Retail now contributes to 94% of our overall portfolio, which used to be 90% in the last year. Retail fresh NOPs grew by 8%. Overall NOPs grew by 5%, reaffirming our strategy to drive business through both value and volume-led growth.

We closed Q1-FY2026 with an IFRS PAT of INR 438 crores, marking a 44% Y-o-Y increase over the last quarter of the last financial year. Our net incurred claim ratio for Quarter 1 stood at 69.5%.

We will now cover the highlights on the strategy of our various channels and the steps we have taken for improving outcomes. Finally, we will close with an overview of the key financial metrics for this quarter.

The growth updates of our various channels are on N basis, for ease of understanding. Our agency channel, our largest channel, contributed 82% of our overall GWP, with both fresh and overall growth standing at 16%. The agency fresh growth comes despite a very low share of portability business, which we have maintained as a conscious decision in pursuit of quality growth. Our portability share is around 10% only.

In Q1-FY2026, we added 14,000 new agents, taking our total agency base to 7.89 lakh, which is the largest in the industry, and agency productivity also improved by 13%.

Our preferred geographies are now growing at 1.5x faster than the overall business. These preferred geographies obviously demonstrate better ROEs, and that is why we are focusing on these areas.

Our digital business now contributes around 20% of our new business versus 12% in the first quarter last year. Our digital business, fresh business is growing at an impressive 73%. We witnessed a 75% year-on-year growth in brand search volumes in Quarter 1, a clear reflection of the rising brand equity of Star Health Insurance.

Additionally, our organic rankings for long tail keywords has also improved by 75%, significantly enhancing visibility amongst high intent customer segments. These gains have enabled us to meaningfully increase our digital leads. The quality and performance of the digital business is very promising and we plan to create a digital SBU to accelerate this business. Details of this will be shared in due course.

Our Bancassurance channel contributed 7% to overall GWP in Q1-FY2026. We have made a significant shift towards our preferred product offerings, which are basically retail and benefit plans, which now contributes 92% of our fresh business versus 74% last year. With this improved mix in business, we envisage that Banca margins will improve in the coming quarters.

Our corporate business channel contributed 2% of our mix. This is in continuation of our strategic decision to focus on profitable SME segments, which now contributes 65% of our corporate channel versus 40% in the previous year.

In the corporate group segment, as we have communicated earlier, we decided to exit from large corporates and co-insurance segments, including both large and mid-sized group accounts, which were not viable.

A few updates on the claims. The industry continues to witness very high healthcare cost escalation in the recent years. We have seen claim ratios increase across industry players, forcing health insurance industry players to pass on a portion of this inflation to the end customers.

On the retail side, we have implemented pricing corrections, covering nearly 65% of our book in the last fiscal year. This will be followed by an annual repricing strategy, which we have communicated earlier as well. On the group and Bancassurance side, we implemented price corrections in some of our low profitability accounts. Our vigilance and in-house fraud detection models, which are proprietary to Star Health, have delivered great value. We continue to invest in our efforts to reduce fraud, waste and abuse. Our FWA savings improved by 30% in Q1-FY2026 over the last year.

Star Health claims NPS has improved consistently over the last quarters. We now have a claims NPS of 57 from 46 in the same quarter last year. Our claim settlement ratio also now stands at 90% versus 85.7% in the first quarter of last financial year.

Some of the key financial metrics for the quarter under IFRS reporting standards were as follows. Our combined ratio for Q1-FY2026 stood at 99.6% compared to 99.2% in the last year. Our claims ratio stood at 69.5% in Q1-FY2026 compared to 68.1% in Q1 of last year. Our retail loss ratio stands at 68.5% and group loss ratio stands at 85.1%.

The investment income in Q1-FY2026 has grown to Rs. 586 crores versus Rs. 388 crores in Q1-FY2025. We accounted for Rs. 292 crores of mark-to-market gains in our investment income under IFRS accounting. Please note that the mark-to-market gains has been applied only to non-debt portfolios, which are now 17.5% of our investment book. On the debt book, our MTM gains for the quarter is around Rs. 200 crores, which is not considered under IFRS reporting.

Our PAT for Q1-FY2026 stood at Rs. 438 crores compared to Rs. 304 crores in Q1-FY2025. Our return on equity non-annualized for Quarter 1 stood at 4.9% versus 3.8% of Quarter 1 of last financial year. Our solvency as on June 30th of 2025 was 2.22x versus the 1.5x minimum requirement.

On the management side, I am happy to announce and extremely pleased to welcome Mr. Rajeev Kher, former Commerce Secretary, as the new Chairperson of our Board. Mr. Kher's extensive experience in public policy and governance will bring invaluable support and guidance to our business. This appointment further reinforces our commitment to strong corporate governance.

In addition to Mr. Kher's appointment, I am very thrilled to announce the elevation of my colleagues, Mr. Amitabh Jain, our COO, and Mr. Himanshu Walia, our CMO, to the Board as Executive Directors, of course, subject to regulatory approvals. They have been instrumental in steering this company, handling various business functions over the last few years.

I again thank you all for your continued trust in Star Health Insurance. With that, I am happy to now open the floor for your questions. Thank you very much.

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. Please go ahead.

Shreya Shivani: I have three questions. Sorry, I missed the part on fresh and renewal growth. Did you say 98% persistency in renewal and retail business? Can you give the breakup of your premium growth into fresh and renewal once again?

My second question is on reinsurance treaty. It seems like your reinsurance ceded is down to 4%. This number has been quite volatile over the past couple of quarters. Can you help us understand what the new treaty that started from this quarter is? As this is probably one of the reasons why your commission expense has also been slightly higher.

My last question is, based on your public disclosure data. It is on your claim rejection ratio that I was seeing. There has been quite a significant improvement over there. It is down to about 11% on volume basis in FY2025. I don't have the Q1-FY2026 numbers. Can you help us with Q1-FY2026 and how much more improvement can possibly come over here? Since you guys have improved, this is still slightly higher than some of the other players in the industry. These are my three questions.

Anand Roy: Thanks, Shivani. Let me just reiterate. The new business has grown in retail for us by 25% on an N basis, and our GWP persistency is 98% on value basis, as you rightly put it. We continue to have a very strong performance on new business, and we hope to maintain this momentum in the months forward as well.

As far as our claims rejections are concerned, as a principle, we have always been quite clear that all genuine claims will be paid, which we have been doing. Our business mix is quite different from the rest of the players in the industry. We are a 95% retail-oriented business which has different terms and conditions, so we are continuing to see good traction in our claim settlement ratios and our rejection rates are going down as well. We hope to improve as we go forward with the multiple measures we are taking.

As far as the reinsurance is concerned, that's largely the obligatory section that is available right now. We used to have a treaty last year which we have exited. Nilesh, you want to add anything more on that?

Nilesh Kambli: Yes, for long-term treaty, basically, now the reporting is on 1-by-N basis, we have not reviewed the long-term treaty, but here again, I would like to reiterate that this is where IFRS becomes important because with 1-by-N reporting, the last results are not comparable to the current year. That is the reason we have moved to IFRS basis where both the commission paid, and the reinsurance commissions are based on the policy period basis. All the decisions that we are taking are based on IFRS financials.

Shreya Shivani: Understood. On long-term policies, we don't have any reinsurance treaty. The only obligatory part is there. Is that the correct way to understand this? Only the obligatory 4%-5%.

Nilesh Kambli: Correct.

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

Madhukar Ladha: Our loss ratios continue to sort of remain elevated despite having taken a lot of price corrections on the retail portfolio. Yet on a year-over-year basis also, our claim ratio continues to be on the higher side. I wanted to get some sense, is there any sort of abnormality in this quarter or are we being more on the conservative side given what we saw last year happen over here.

The second question on the digital side, how much of the business that you have acquired is through your own digital channel and how much is it from partners like Policybazaar etc.?

Third, our underwriting profit under IFRS is lower than our IGAAP underwriting profit. Is that mainly because in the previous quarter, we have written a lot of business, and the amortization of acquisition cost is happening right now? These would be my three questions.

Anand Roy: Thanks, Madhukar. As far as the loss ratios are concerned, let me answer that. You know, if you look at the trend in our loss ratios, we are seeing some improvements quarter-on-quarter, but all the measures that we have taken in terms of our price corrections, in terms of our underwriting strategies and also in terms of recalibrating certain businesses that probably there were some mistakes in the past which we have exited. I think these are the corrections that will flow over a period of time into the books, and I am very confident that loss ratios will improve going forward.

Having said that, you know, the focus of the business is not only on the loss ratios but also to grow profitably and also to ensure that the customer experience becomes better and better. I hope that we will be able to deliver all the three areas consistently.

To answer your second question on the share of business between digital direct and partners, it is around 70-30. 70% of our business is digital direct and 30% is coming through our partners.

As far as the underwriting profits are concerned, you were right. I mean, you kind of answered the question. The growth of new business, which has been demonstrated in the last few quarters, will flow into the earned premiums in the quarters ahead and definitely the underwriting profits should get better, so, it is a function of both earned premium growth as well as the improvement in loss ratios, which will help us improve our underwriting profits.

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

Dipanjan Ghosh: Three questions from my side. First, in terms of the persistency number that you have given, would it be possible to give some clarity of the persistency across customer behavior or cohorts for the segments where you have taken price hikes over the past six to nine months? I just wanted to get a sense of the quality of persistency out here.

The second question is on the claims ratio part. While you have given the retail health claims ratio number and I know that, you know, your price likes normally take around a year or more to flow through to the NEP, but even for the first six to nine months, can you give the claims ratio or some qualitative understanding of the claims ratio increase on a Y-o-Y basis for the cohorts where price hikes are taken versus others and a similar reference for FY2025?

Lastly, on the claims part, in terms of the rise on a Y-o-Y basis, how much would it be driven by medical cost inflation and how much would it be by claims frequency or intensity? Those were my three questions.

Anand Roy: Thanks for the question. Let me just answer the persistency part and I will request my colleague Amitabh to answer the other two questions.

On the persistency, I would say that, given my knowledge of the industry, Star Health has probably the best persistency in the business. As we have always demonstrated, very high persistency rates in terms of value and both volumes.

As far as value is concerned, we have 98% persistency on value, but in terms of even on volume, we have seen high levels of persistency, upwards of 84%-85% in terms of volume. Given our large base, I think this kind of speaks very highly about how customers perceive our services and the trust in the brand that they have. We take persistency very seriously.

We are also seeing good traction in our various cohorts of customers in terms of R1, R2. We track them obviously at different cohorts, claimants, non-claimants, geography-wise, channel-wise, and in all the parameters, we are seeing an upward trend. We can have a separate discussion on one-to-one basis too with you in case you want to get deeper into it.

Amitabh Jain: With regard to your point on loss ratio movements, so if you look at last year, Q1 was higher by more than 350 basis points over Q4 of the previous year. Whereas this year, the increase has been less than 100 basis points in Quarter 1 over Quarter 4. If you look at the last few quarters, we are getting more stable and the trend is improving. We hope to continue that trend and we expect to improve further.

As far as combination of what has caused the increase, that is always a mix of frequency and severity. The good part is that we are seeing better trends on frequency. Severity also is more or less in line with our expectations. We hope to be controlling the portfolio going forward more and more and on expected lines.

Dipanjan Ghosh: Just one small follow-up on the second part. In terms of the claims ratio between products where price hikes have been taken versus products where price hikes have not been incurred, any color on the trajectory of claims ratio in these two different product baskets?

Amitabh Jain: Yes. See, as you yourself mentioned that it takes time for the earned premium to start showing and bringing the LRs under the targeted numbers. What is also very important to look at is that the granular underwriting approach that you have taken in terms of focusing on various profitable cohorts and micro-segmentation of the market, all those cohorts, we are seeing very healthy growth in our business mix, as well as de-growth of some of the unprofitable segments. That is also driving the loss ratios and the full effect of that will come over a period of time.

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

Avinash Singh: A few questions. The first one would be, again, on a trend that, I mean, anecdotally and some commentaries from some of the lenders and all, it seems like there is a kind of a divergence in terms of how patients' flow are, whereas large corporate hospitals continue to see good kind of growth across all the parameters, whereas smaller nursing homes or maybe shops are seeing challenges.

Now, in terms of, of course, you have been taking price hikes, but if this trend continues to sort of incremental flow going towards the bigger corporate-led hospital, I mean, do you think or do you see right now the trend is stable so that your current price hike should be taking care of that? And what else could be your kind of incremental move if this trend continues because that will continue to have an impact on the average claims cost? That's a similar kind of problem going to a smaller nursing home versus going to a large corporate hospital. What are the kind of measures taken that can kind of address these concerns? And of course, you can also tell that if the trend is there or not, because, I mean, I will have a limited anecdotal point on what I am seeing. That is one.

Second, in terms of the fresh versus renewal, and this is more of a, I would say, data-keeping request, this fresh and the renewal retail premiums, if you can help, I mean, I will separately get in touch. The absolute numbers in terms of the quarterly trends, these premiums, because many times, since this 1 by N has come into picture, and then there are certain other things mixed up. The actual number looks a bit difficult because for the quarter, the number says 25% fresh retail growth, despite a 97.7% kind of a premium persistency, but based on that, because the last year, same quarter, your premium persistency was lower. What I am getting is a higher base number for fresh last year. Could you provide the absolute number?

Anand Roy: Yes, Avinash, thank you. We can definitely provide that to you offline. As far as your first question is concerned on the trends in utilization of services of large corporates versus regular hospitals, see, let us accept that people buy insurance so that they can go for higher quality of treatment than they would have otherwise been able to afford from their pockets. Okay, so that is one of the main reasons why people buy health insurance. I think that is, to be fair to the consumers, they do look for that options. Having said that, how are we mitigating our business outcomes with this trend? We see that, as I spoke in my speech, the company has very granular risk-based pricing now. All our products are based on zone pricing. Customers in higher zones obviously pay higher premiums to match that trend.

Similarly, now there are products which are also having facilities like network-based discount. If customers so choose that they want to have an affordable premium, they can opt out of certain network of hospitals and take a lower premium, which is more affordable. All these options are available to consumers. Ultimately, it is what the consumers want that we have to solve for, and we are making our products and pricing strategies to reflect that trends.

Avinash Singh: Just a quick follow-up on this. How are you seeing the traction of that product, you know, or rather rider that kind of allows the premium to reduce by excluding a certain set of hospitals? Is that traction, I mean, if you can quantify, I mean, how has that traction been where, I mean, a customer can choose to sort of buy and add the rider that excludes certain hospital and premium become affordable? There has been kind of, I would say again here, a bit of a diversion commentary, some of the large distributors saying that there is a good traction, whereas some insurers saying that it is not really seen. What is your experience on that front?

Anand Roy: We launched this Flexi Rider only about a couple of months ago. It is too early to comment as far as our business is concerned, but what we are doing is we are obviously promoting that as a concept, and if the customer so chooses, he or she can opt for it.

While we do that, Avinash, you are aware that there are multiple other efforts going on at a larger level, both at the company side as well as at the industry side, to create some kind of discipline in the hospital in terms of the pricing and in terms of protocols and so on and so forth. I hope that as the days go by, things will become better in that management as well.

Moderator: The next question is from the line of Aditi Joshi from J.P. Morgan. Please go ahead.

Aditi Joshi: In the comments, I think you have shared that the share of Super Star, Health Assure in the new business is roughly around 80%. Are you also able to share the portion of those policies in the already written business and in the existing book of policies, if you are able to share the portion of other products like family health optima, if that's possible?

The second question is, again, if you are able to share the number of multi-year policies in the new business as well as in the already existing business that would be helpful. Yes, that’s all from me.

Anand Roy: Thanks, Aditi, for that question. In my speech, I have said that Assure and Super Star combined contributes 80% of our new business. If you want product-level data, we are one of the few companies that is publishing product-level data on our public disclosures. We can share it with you. That is not a problem.

As far as multi-year policies’ numbers are concerned, multi-year policies on the retail side now contributes 8% of our overall Volume. In terms of value, it is obviously higher.

Aditi Joshi: In the new business or in the fresh business, what is the share of multi-year policies? Is it 8% based on the fresh business?

Anand Roy: No, this is our total business. On our new business, it is around 30%, in terms of number of policies.

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

Sanketh Godha: We have been following IFRS profits, but if I exclude honestly mark-to-market gains from IFRS, then we see that actually, in your IFRS, the profit has deteriorated a little higher compared to what you have reported in the accounting profit because it has shown a decline by 18%. If I exclude mark-to-market, it has declined by 31%. Given you are getting that benefit, still the pain point seems to be claims, so, obviously, again, it circle backs to the same point that on claims any respite we can see in foreseeable future? And if it is, how will it play out.

Anand Roy: I will ask Nilesh to answer, Sanketh, but before that I just want to again reaffirm that we are as an organization now tracking only IFRS reporting numbers because we believe that is a true reflection of our business. I am requesting Nilesh to answer more.

Nilesh Kambli: Sanketh, you know, if for Q1 you are excluding MTM gains, for Q1-FY2025 also you will have to exclude MTM games to have a better comparison. One more point to stress is, if you see our portfolio mix, it has moved 17.5% when it comes to equity, ETF, AIF. There is a loss of interest income also on that. You cannot completely exclude the MTM gains. Even if you had 2.5% as income of that, you will clearly see that there is a good improvement in the IFRS results like-to-like compared to last year. You will have to consider all the factors.

Sanketh Godha: Actually, when I did that math, I excluded MTM gain in Q1-FY2025 too, but I understand that if you are structurally moving towards more equity and then benefit is real, then you can factor in the gain. The reason I am asking is that typically MTM is not appreciated by the street if profit is driven by MTM. Excluding MTM, it seems to be still weak. That is the reason I asked that question in the sense.

Nilesh Kambli: Excluding MTM also, we have an underwriting profit. The drop is marginal. While the claim ratio has been higher, we have seen a 100 basis point reduction in the expense ratio, which is quite substantial and all the measures, be it the procurement cost, be it the CAG for digital businesses, be it our manpower cost, we have taken a good reduction over the years, which is helping us in terms of reduction expense ratio.

Sanketh Godha: My second question is on discount-based pricing to our portfolio. Just wanted to understand the two-three colors there. Basically, today, have you taken any price hike on any other product in the current quarter? If yes, whether it has been on discount-based pricing approach? Can you tell me today how much portion of the book is already moved to discount-based pricing? Subsequently, when you take price hikes for other products, if you follow the same approach, by when do you feel the entire book will move to discount-based pricing?

Anand Roy: Sanketh, let me give you the principle here before I get into the numbers. As an organization, we believe that we have to be fair to two populations in insurance. We spoke about this when you met me in person. There are two populations, right? Claimants and non-claimants. We have to be fair to both of them while we are doing our pricing strategy, and that is why this model of discount-based pricing which is now allowed under the regulations is also something that we are pursuing.

Specifically to your question, have we introduced this in any other product in this quarter? Not yet. We are looking at, as I told you, an annual price increase, so when the pricing comes up for reconsideration, at that point we will probably move most of our products into this model. We are happy to tell you that this model is well accepted in the market and also giving us the results in terms of yields and customer retention.

Sanketh Godha: Maybe from data point of view, how much is the entire book under discount-based pricing today? Maybe you might have plans to take price hikes in subsequent quarters for the other products. Maybe by end of next year or early next year, that is FY2027, the entire book will move to this pricing approach because this is ultimately a very good solution for the entire health insurance industry. Just wanted to understand when we will see the entire book to get reprised on this pricing model.

Anand Roy: Right now around 30%, the FHO is the only product which is of this pricing, which now constitutes around 30% of our book. As we end this year, hopefully that number will become more, you know, when we move towards other products as well, but we will keep you informed, Sanketh. Right now not able to give any particular number to it.

Sanketh Godha: Perfect. And last one. Just if you can give a bit of color of your loss ratio, maybe on new and renewal book in total. Maybe I don't want bucket-wise cohort, but 60-odd percent is loss ratio, what you have reported. Any color, how you are seeing the trend in new and renewal moving, whether new is improving and renewal is deteriorating or it is both moving in tandem? Just to understand whether we are getting granularity right to understand that maybe today the loss ratios are not that great, but eventually with the mix change or renewal improving, then loss ratios can structurally see an improvement going ahead.

Anand Roy: Sanketh, we can discuss that offline, but what I can tell you is that we track cohorts on combined ratio basis. Obviously we take decisions based on that. But I am happy to discuss that with you offline.

Moderator: The next question is from the line of Swarnabh Mukherjee from B&K Securities. Please go ahead.

Swarnabh Mukherjee: A couple of questions on the loss ratio side. First of all, I think we have net claims number of around Rs. 2,700 crores this quarter. I just wanted to understand that in the subsequent quarter now, because first quarter is not seasonally high for claims, how should we think about this for the subsequent quarter? And maybe if you can give some indication in terms of how the situation is there in July, given the monsoons and the period for seasonal diseases, that will help us understand maybe how we should expect the numbers to move over the next quarter. Also, if you can maybe, highlight that on the FWA savings, what is the impact that is there on the loss ratio, if you can give some number on that? That is the first question.

Secondly, sir, in terms of the new customers acquired and the fresh growth that is there, if you could give some color on how the customer cohorts are, maybe in terms of age profile, and how is the expected loss ratio from these customer cohorts vis-à-vis, say, maybe customers who used to acquire maybe 2-3 years prior because our channel mix up has, kind of, also moved quite substantially. Some color on that would be useful.

In the digital channels, sir, I see that the fresh premium growth is around 73%, but fresh NOP growth is 16%. Just wanted to understand, has there been any substantial product change in the digital channel or price hike if you could give some color?

Lastly, data keeping question, sir, on the persistency side, can you give the persistency or the renewal ratio on the volume basis? I mean, in terms of NOP, if you could. So, these would be my questions.

Anand Roy: I will answer from the last question. Our persistency on volume basis is around 85% for the retail business that we have. On value basis it is around 98-odd percent.

On the digital channel, Swarnabh, as you rightly said, our digital channel continues to grow at 73%. We have seen an uptick of multi-year policies on digital channels, which we welcome because multi-year policies give us better retention and persistency in the R1, R2 years, which is the most critical years.

As far as age profiles are concerned, we can discuss that offline. Obviously, in this conference, we don't have time to get into those details. I am requesting Amitabh to talk about the FWA piece, which you had asked.

Amitabh Jain: Hi, Swarnabh. On the first point that you made on claims, yes, Q2 as a quarter has a seasonal effect and claims will be higher, but so will be our provisioning for the premium and the growth that we are going to get over the last year's premium because of the price hike we took from Q2 onwards till the end of the year. That will also play out.

What is good to know is that July is on expected lines and we have not seen any abnormal trends so far. We expect that it will continue and that will help us manage the overall loss ratios on expected lines that we had budgeted.

On the FWA, we have been working on this now for the last more than one year. As stated, we have got roughly a 30% increase because of our improvement in the models, etc., in the overall savings. We will continue to work on that to make an impact.

Swarnabh Mukherjee: Any quantification on loss ratios from FWA?

Amitabh Jain: We can take that offline and discuss that separately. As far as all the efforts that we have been taking is not simply because of FWA but also a lot of work that we have been doing on telemedicine and wellness that has helped us in managing the medical frequency much better. Due to our outreach to our distribution and our customers to offer telemedicine, home health care, and all the other wellness solutions, that's also now started playing out in both our frequency as well as severity.

Swarnabh Mukherjee: Just if I may ask a quick follow-up on the long-term product. Just wanted to understand how are we paying the commissions on that? Is it on N basis or a 1/N basis? How are you seeing the situation in the industry in terms of commission payout for long-term products?

Anand Roy: Swarnabh, why do you want to know our trade secrets? You look at our EOM (Expense of Management). That is the only thing that will give you guidance about how we are paying or not paying.

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

Prayesh Jain: Hi, everyone. There are similar questions to what have been asked previously. If you could highlight some parts on whether a fresh combined ratio versus the renewal combined ratio on the retail book that would be helpful for us to understand as to how are things really operating between fresh and renewal.

Second, Anand, when you had mentioned about the growth aspects of when the longer term guidance of doubling the premiums and tripling the IFRS PAT, what was the assumptions with respect to investment versus underwriting in that number to kind of understand as to whether we are on track for it or whether the mark-to-market is helping us more rather than the underwriting profit and we are kind of deviating from the underwriting assumptions that we would have made in that guidance?

And lastly, from my expense standpoint, while we see that the employee cost has not grown materially, even not in line with the inflation, what are the thoughts there as to whether we have not hired enough or we are not hiring more, or we have not given pay hikes? What is the thought? I am happy to see that number, but what's the thoughts behind the employee cost not going so much? Those are my three questions.

Anand Roy: As far as the guidance that we have given for FY2028 on Rs. 2,500 crores on IFRS basis, I think the broad split would be 20% on underwriting and 80% on our investment returns. Having said that, we will come back to you with more details on that.

What I would like to call out here is that there has been a change in our strategy in terms of corporate business going ever since we were looking at the numbers for the last two years. Probably, we will have to revisit that overall guidance of Rs. 30,000 crores may be moderated to adjust for the corporate business. On the bottom line side, we are quite confident to move that, but coming on your other question on fresh and renewal cost, we don't give those kind of data in the public domain, but we can have this discussion on a one-to-one basis.

Prayesh Jain: And just on the cost front?

Anand Roy: On the cost front, see, as you said, we are focusing more on productivity gains and increasing the existing manpower efficiency itself. All the investments that we have been making through technology over the last 2-3 years, which we have been calling out, is showing results as we speak. If you look at our digital business itself, we have been able to demonstrate such a large increase in growth with actually a lesser number of people. I am very confident that this efficiency will continue to be better and better and we will be able to do more business with same or lesser manpower.

Prayesh Jain: Last question on sum assured. Any thoughts as to how has the sum assured been moving for us on the retail side, especially on the fresh, are we writing more Rs. 10 lakh plus kind of sum assured? Some data around it would be helpful.

Anand Roy: I am requesting Himanshu to just answer the question.

Himanshu Walia: Our average sum insured is increasing consistently at a 15% and on the total basis, we are at Rs. 11 lakh on an average. When it comes to fresh that is growing at about 15% to 16%, about Rs. 12 lakh to Rs. 12.5 lakh. We are seeing consistent growth across all segments and year-on-year basis.

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

Nischint Chawathe: Just one or two questions. See, one was on the Banca side, what we can see is that fresh GWP has come down a little bit on a year-on-year basis. Anything to read in this?

Himanshu Walia: Bancassurance continues to contribute 7% of our overall business, and in this business, we are largely focused on preferred segment across partnerships. We have seen a significant shift towards our preferred product portfolio. The fresh mix of preferred portfolio has increased to 92% from 74% over last quarter. On the non-preferred segment, we have exited a few accounts, and there we have seen de-growth. Overall, on the preferred segment, our growth rate is upwards of 20%.

Nischint Chawathe: Anything to read in the reduction in telecallers?

Aditya Biyani: We have been doing this telecalling direct digital business for the last couple of three years with a very good focus. We have realized that we probably have the better efficiency towards the number which we are moving towards the 1,500 to 1,600. The leads are increasing, the efficiency is improving and you must have seen the direct digital growth also. We are comfortable with this number, and that is where we want to be for a longer time too.

Nischint Chawathe: Just one clarification. You mentioned that around 30% of the new business volume and probably a much higher proportion on value comes in from multi-year policies.

Anand Roy: Yes, that is correct.

Nischint Chawathe: And what would this ratio be like two years back? I believe you were not focused much on multi-year policies in the past.

Anand Roy: Two years back data, we will get back to you, but this has been growing rapidly over the last few years. And I think it is good for all players in the ecosystem, whether it is the customer or the insurance company, because it helps everyone, you know.

Nischint Chawathe: I mean, numbers apart, fair to say that there is a change in the strategy out here.

Anand Roy: Of course. That's what I mentioned, because see, multi-year plans give two benefits to the customers. First is, of course, they get a visibility for three years in terms of their premiums.

Second, for the insurance company, first year, second year, persistency is the most important, and this helps us to attain that. Even for the distributors, it is an assured business model. I think everybody gains, and we are focusing more on pushing multi-year plans.

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

Nidhesh Jain: My question is on the investment yield, which has declined roughly around 100 basis points from the previous years. In that light, if I assume that the decline in investment yield will be there for some time because interest rates have declined, how do we change our pricing strategy to deliver the reasonable ROEs? Do we take into account investment yield when we are pricing the product?

Anand Roy: Of course we do, but I would request my colleague Aneesh to elaborate on that.

Aneesh Srivastava: Hi, Nidhesh. Obviously, whatever investment yields are, there are certain assumptions when we are doing a product pricing. Investment yield decline, from fixed income yield perspective, would be visible, but what we perceive is that over a, say, three-year period, investment yields would remain attractive, actually. Rather, because of equity being a higher yielding asset, our sense is that overall yields of the portfolio would be higher than what the strategy that we had so far of largely focusing on fixed income book.

Basically our equity book has grown from, say, 10% of AUM to, say, 15% somewhere around March. Today it stands at 17.5%. This includes equity, AIF, REIT, InVITS. Our sense is broadly that this would lead to, on a three-year rolling basis, higher yield. As I mentioned, obviously there are certain yield assumptions which go into product pricing.

Nidhesh Jain: Secondly, we have seen improvement in, I think, a lot of metrics, like fresh growth has picked up in FY2025 that continued, that has been quite a healthy trend in Q1. Then we have taken a decent price hike last year. This year also, I think we will be taking some price hike.

When do we expect our loss ratio trajectory to improve and reach, let's say, 65% sort of rate? Do we expect now loss ratios to consistently decline on a quarter-on-quarter basis? Since we have been seeing these improving trends for almost last three to four quarters now.

Anand Roy: Yes, I think you rightly put it, Nidhesh. We have taken multiple measures to improve the quality and the strategy of our book. I think, the loss ratio improvements are an outcome of multiple things, right? As you rightly put it, price increases, underwriting strategies, risk selection, and so on. We would expect the loss ratios to improve. We are not willing to give any guidance this year, but we stick to our long-term guidance of FY2028, which is the goal with which we are all working towards.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, this would be our last question. I would now like to hand the conference over to Mr. Nilesh Kambli for closing comments.

Nilesh Kambli: Thank you all for the questions and joining us today. To summarize, Q1-FY2026 has been a quarter of consistent executions. We have delivered a healthy growth in our retail portfolio, maintain focus on profitability through calibrated pricing and business selection and continue to invest in our technology, distribution and claims infrastructure. Thank you all for joining the call.

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

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