

# STAR Health

Refer to important disclosures at the end of this report

## 'A Pole Star'

We initiate coverage on STARHEALTH with a Buy rating and a Mar'23 TP of Rs1,135 (+25% upside). Our TP implies a valuation multiple of 47x FY25E EPS and a FY25 P/GWP of 2.9x. Our high-conviction Buy on Star Health is underpinned by three factors: 1) health insurance industry is still in its infancy - we expect heady growth rates of ~20% in the next decade; 2) Star Health's dominant market share (>3x nearest competitor) in the sticky retail sector offers network effects - trio of hospitals, customers and agents feed off each other in a virtuous cycle. Sub-scale competitors will struggle to outdo this moat; and 3) we expect margin gains with scale. We estimate Star Health's GWP to see a 25% CAGR through FY25. Unit economics are extremely favorable - we expect ROE of 18%+ as claims normalize in a 66-67% band (after Covid-19 hump), capping combined ratio at 94-95%. We apply a DCF model to arrive at our Mar'23E TP of Rs1,135. We are of the view that investors should not be deterred by high valuations, which are rightfully anchored to STARHEALTH's nearly unassailable position in a high-growth industry.

- **Heady industry growth rate of ~20% for a decade or more:** The Indian retail health insurance industry is well-slated for a strong ~20% premium CAGR in the coming decades as penetration within the total addressable market (TAM) of 400mn continues to improve from the current abysmal level of ~12%. Increase in sum assured to catch up with medical inflation, age cohort pricing gains and re-pricing will likely account for half of the premium growth.
- **Dominant position in retail health protected by flywheel effect:** Star's relative market share gap (>3x share than next competitor) in the profitable retail business is less appreciated. The relative size offers a flywheel effect to the interlinked levers of network hospitals, customers and agents. Hospitals and customers feed off each other's ease of availability, and agents are most productive with market leaders. We estimate that this moat is tough to negotiate - calling for an upfront and disproportionate investment in agents and incentives, unfavorable terms to accelerate network of hospitals, and above all, destructive pricing to port existing/new customers. STARHEALTH's execution prowess has been flawless. Its 31% share in retail health and 16% share in overall health have come against established PSU behemoths (for which the profit motive is secondary) and well-entrenched private multiline insurers. If at all, future execution risks are lower with size and scale on its back. STARHEALTH is now a 'pole star'.
- **Scale will invariably lead to more margin gains, and better margin control than peers:** After reaching a threshold, STARHEALTH's scale can help drive hospital traffic in exchange for better rates - keeping claims cost - the largest expense item - in check. Likewise, the company will have levers to tweak renewal commission rates and will benefit from a natural leverage to opex. All of these levers power the company to maintain the combined ratio in ~94-95% band. It is worth noting that a 100bps improvement in the combined ratio leads to ~250bps improvement in RoE.
- **Initiate with Buy and a TP of Rs1,135:** We arrive at our Mar-23E TP of Rs1,135 for STARHEALTH using future profit discounting, with PAT rising to Rs14.1bn in FY25E from Rs7.4bn in FY23E. We assume: 1) 12% cost of equity; 2) steady-state combined ratio of 94.3% from FY26E; 3) 16.7% PAT CAGR in FY25-38E; and 4) terminal growth rate of 7.5% for PAT starting FY38. Our TP implies a FY25E P/E of ~47x and P/GWP of 2.9x.
- **Key risks:** 1) any further damaging wave of Covid-19 can have a material impact on Star's financials, but increased immunity due to vaccination and natural infection reduce the chance of a severe wave; and 2) being a regulated industry, regulatory risks always remain. However, we see little possibility of any adverse regulatory development in the near- to medium term.

Please see our sector model portfolio (Emkay Alpha Portfolio): [BFSI-Insurance \(Page 49\)](#)

### Financial Snapshot

Y/E March, in Rs mn	FY20	FY21	FY22E	FY23E	FY24E	FY25E
GWP	68,907	93,490	1,18,776	1,49,639	1,84,104	2,26,509
Combined ratio (%)	93.2	114.8	107.6	95.8	95.2	94.6
U/W result	1,684	-13,318	-11,894	1,104	2,632	4,953
Net profit	2,720	-8,256	-3,880	7,624	10,356	13,937
RoE (%)	17.9	-28.2	-8.2	12.1	15.6	18.1
Solvency ratio (%)	150.0	223.0	233.4	209.2	196.2	189.6
EPS (Rs)	5.6	-16.5	-6.9	13.2	18.0	24.2
P/GWP	6.5	5.3	4.4	3.5	2.8	2.3
P/E	162.2	-54.8	-131.3	68.5	50.4	37.4
P/B	27.0	14.2	10.0	8.8	7.5	6.2

Source: Company, Emkay Research. [am.emkay@whitemarquesolutions.com](mailto:am.emkay@whitemarquesolutions.com) use and downloaded at 12/13/2021 12:09 PM

CMP	Target Price
Rs 907 as of (December 12, 2021)	Rs 1,135 12 months
Rating	Upside
BUY	25.2%

Change in Estimates	
EPS Chg FY21E/FY22E (%)	-/
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus		
EPS Estimates		
	FY21E	FY22E
Emkay	NA	NA
Consensus	NA	NA
Mean Consensus TP (12M)	NA	

Stock Details	
Bloomberg Code	STARHEAL IN
Face Value (Rs)	10
Shares outstanding (mn)	576
52 Week H/L	940 / 828
M Cap (Rs bn/USD bn)	522 / 6.9
Daily Avg Volume (nos.)	NA
Daily Avg Turnover (US\$ mn)	NA

Shareholding Pattern Sep '21	
Promoters	NA
FIIIs	NA
DIIIs	NA
Public and Others	NA

Price Performance				
(%)	1M	3M	6M	12M
Absolute	-	-	-	-
Rel. to Nifty	-	-	-	-

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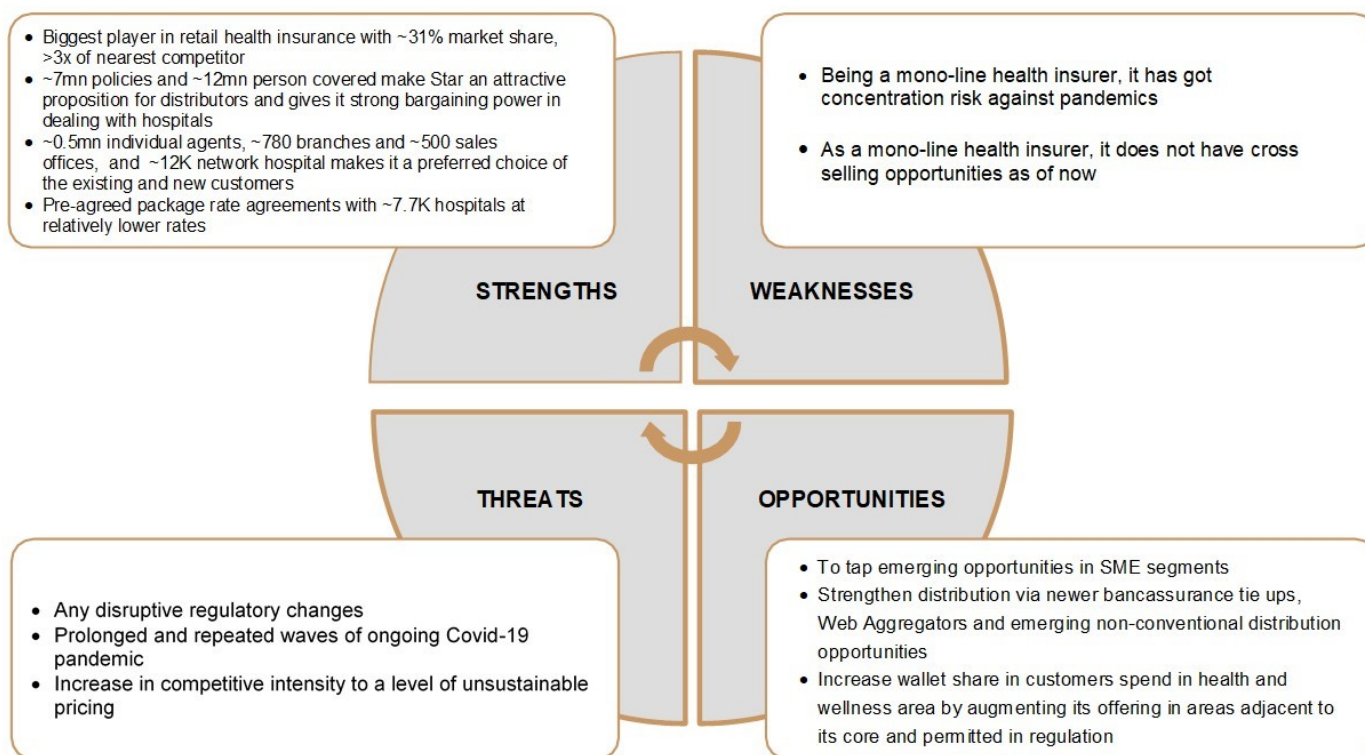
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## Exhibit 1: Star Health SWOT analysis



Source: Company, Emkay Research

## Exhibit 2: Appraisal value method valuation of STARHEALTH

Cost of Equity	12.00%
FY23 PAT (Rs mn)	7,624
FY25 PAT (Rs mn)	13,937
PAT CAGR FY25-38	16.7%
Terminal growth	7.5%
Mar-23 Fair value (Rs mn)	665,888
No. of shares (mn)	575.5
Mar-23 Fair value per share (Rs)	1,157
Dilution assumed in FY-26	2.0%
<b>Mar-23E Target Price</b>	<b>1,135</b>
CMP	907
<b>Upside</b>	<b>25.2%</b>

Source: Company, Emkay Research

## Exhibit 3: Valuation multiples

Valuation multiple on Target price	Rs 1135
FY25E P/E	46.9x
FY25E P/B	7.8x
RoE (%)	18.1%
FY25E P/GWP	2.9x
Valuation multiple on CMP	Rs 907
FY25E P/E	37.4x
FY25E P/B	6.2x
RoE (%)	18.1%
FY25E P/GWP	2.3x

Source: Company, Emkay Research

## The health insurance business model in India

The general insurance business in India has two sources of profitability: Underwriting results (premium income netted against claims cost, commission cost and opex); and investment income from float money in the business and shareholder's capital.

Due to the nature of the business, in Motor Third-Party (TP) Liability insurance, where the timeline from premium received to claim payment is very long (on an average ~4-5 years), the policyholder's float money is significantly higher; hence, investment income is the key part of the profit pool. While in business lines such as Motor Own Damage (OD) and Health, the premium received to claims settlement has a relatively shorter time window. Hence, underwriting profit is the key to the profitability of these businesses. Exhibit 4 depicts the approximate profitability for these key business lines.

**Exhibit 4: Profitability table for key business lines**

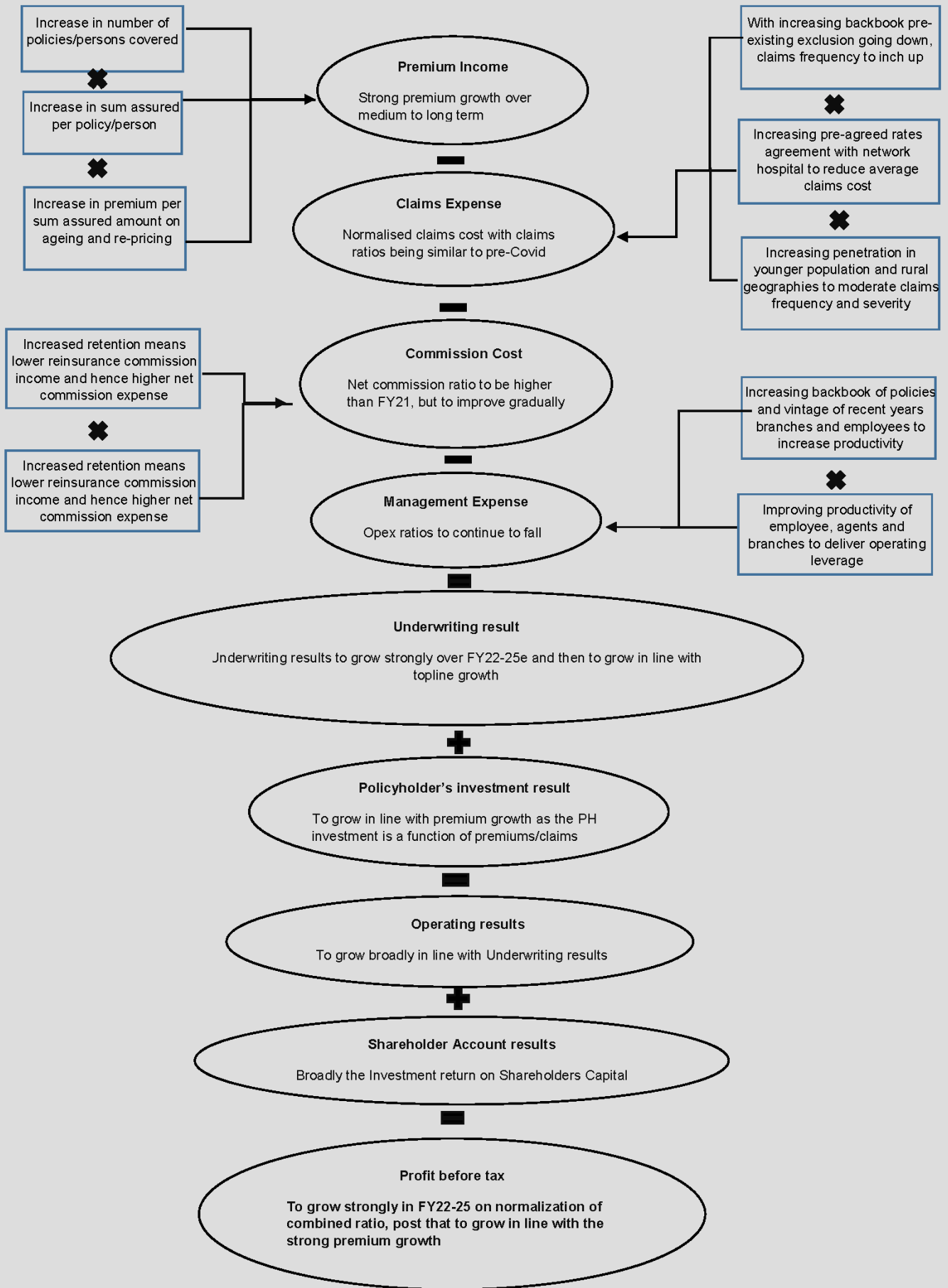
S. No.	Key financials	Motor - OD	Motor - TP	Health	Health - lower growth
A	Gross written premium	100.0	100.0	100.0	100.0
B	Premium ceded	10.0	10.0	5.0	5.0
C = A - B	Net written premium	90.0	90.0	95.0	95.0
D = R/2	Changes in unexpired risk reserve	5.0	5.0	10.0	5.0
E = C - D	Net Earned premium	85.0	85.0	85.0	90.0
F	Net incurred claims	59.5	72.3	57.0	60.3
G	Net commission cost	9.9	0.0	11.4	11.4
H	Operating expense	13.5	18.0	15.2	15.2
I = F + G + H	Total expense	82.9	90.3	83.6	86.9
J = E - I	Underwriting result	2.1	-5.3	1.4	3.1
K	PH Investment income	3.4	12.8	3.6	3.6
L = J + K	Operating result	5.5	7.6	5.0	6.7
M	Shareholders' Account result	1.8	2.2	1.9	1.9
N = L - M	Profit before tax	7.3	9.8	6.9	8.6
O	Tax	1.8	2.4	1.7	2.1
P = N - O	Profit after tax	5.5	7.3	5.2	6.4
<b>Q = P/(W-0.5*P)</b>	<b>Return on Average Equity (%)</b>	<b>18.5</b>	<b>20.7</b>	<b>16.5</b>	<b>20.8</b>
R	Premium growth (%)	10.0	10.0	20.0	10.0
S = F/E	Claims ratio (%)	70.0	85.0	67.0	67.0
T = G/C	Net commission ratio (%)	11.0	0.0	12.0	12.0
U = H/C	OpEx ratio (%)	15.0	20.0	16.0	16.0
<b>V = R + S + T</b>	<b>Combined ratio (%)</b>	<b>96.0</b>	<b>105.0</b>	<b>95.0</b>	<b>95.0</b>
W	PH Investments	45.0	171.0	47.5	47.5
X	Shareholder capital (at 180% Solvency)	32.4	39.0	34.2	34.2
Y	Investment yield (%)	7.5	7.5	7.5	7.5
Z	Tax rate (%)	25.0	25.0	25.0	25.0
Z1 = (W+X)/X	Investment leverage (x)	2.4	5.4	2.4	2.4

Source: Company data, Emkay Research

### Are health insurance RoEs understated currently?

In Exhibit 4, it is important to note that the Health Insurance RoE changes from 16.5% to 20.8% if the growth moderates from 20% to 10%. This is because the Indian accounting method mandates expensing all the acquisition costs and opex upfront but recognizing premiums as revenue on an accrual basis. This approach tends to overstate acquisition cost and opex in a high-growth phase. As a result, the RoEs in high-growth lines of businesses have to be seen in this context. And, given the sticky nature of the retail health insurance business, driven by customer loyalty, it makes sense to capture the growth opportunity without worrying about short-term RoEs, as long as underwriting is profitable.

**Exhibit 5: Drivers in place for long-term profitable growth**



Source: Emkay researchs

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## Investment thesis

Our high-conviction Buy on Star Health is underpinned by three factors: Heady industry growth rates ~20% CAGR in the coming decade, STARHEALTH's dominant market share (>3x of the next competitor) in the lucrative retail health, protected by its difficult-to-destroy business moat, and the network effect, giving it the levers to safeguard or improve margins. We expect STARHEALTH's GWP to rise 2.5x (or 25% CAGR) in FY21-25E, and then continue to remain high for a decade or more. The past track record of STARHEALTH in careful planning and near-perfect execution to reach the pole position in the lucrative retail sector gives us confidence in its future outlook. Its unit economics are extremely favorable, with ROEs likely in the region of 18% once the Covid-induced claims ratio normalize at a 66-67% band, capping the combined ratio at about 94-95%. Our DCF model yields a Mar-23E TP of Rs.1,135, which implicitly values FY25E EPS at a premium multiple of 47x. Given the flywheel effect that STARHEALTH offers in a traditional industry, the premium valuation is well-deserved, in our view.

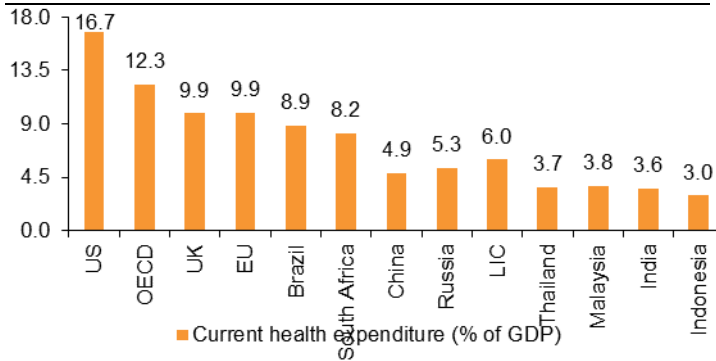
## Indian retail health insurance: Very long and clear growth runway

With just 50mn of lives, out of Total Addressable Market (TAM) population of ~400mn, currently covered under health insurance, the growth runway for retail health insurance is very long and clear. The abysmally low level of healthcare expenditure per capita and extremely high level of out-of-pocket-expenditure (OOPE) in health expenditure mean that the contribution of healthcare insurance can only go up from here, and for very long term. In FY12-20, the number of covered persons in retail health saw ~10% CAGR and the retail health premium saw ~20% CAGR. Considering the current state of coverage, rising affluence and medical inflation, this growth trend of past decade is going to continue for many decades. The three growth drivers – increasing number of people covered; increasing sum assured per person covered; and medical cost inflation, including premium inflation with ageing – are well in place to drive this multi-decadal growth story.

### #1 Current healthcare expenditure (CHE) in GDP and OOPE share in CHE are at extremes for India

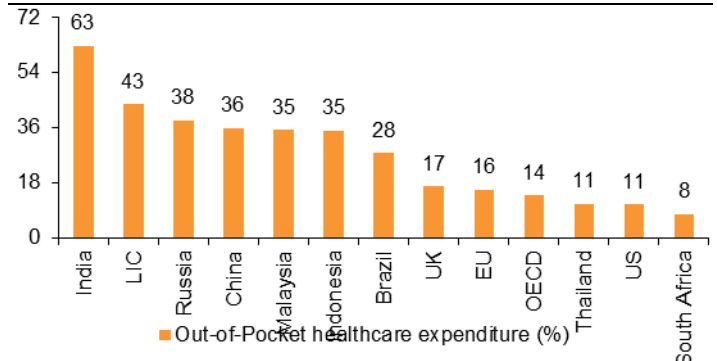
When it comes to healthcare expenditure, India is an outlier in many aspects, even when compared with many developing and low-income countries. At ~3.5% of GDP as current health expenditure, India among the lowest in the world. And, on the other hand, ~60% Out-of-Pocket-Expenditures (OOPE) in current health expenditure, India is among the highest in the world. These two extremes set the perfect platform for long-term strong growth for the health insurance business in India. The current share of health expenditure in GDP should gradually go up and OOPE should gradually come down. The reduction in OOPE will be driven by rising share of health insurance.

**Exhibit 6: India is among the lowest when it comes to current health expenditure as % of GDP- Health Expenditure Comparison**



Source: World Bank

**Exhibit 7: Out-of-pocket-expenditure (OOPE) in current health expenditure very high for India**



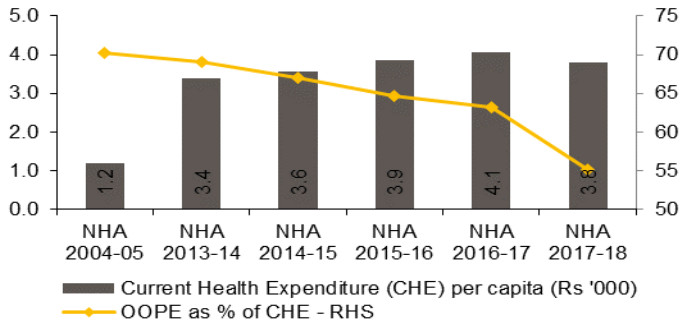
Source: World Bank

Not surprisingly, the current healthcare expenditure (CHE) has been growing at a healthy rate in the last decades and the gradually the share of OOPE in CHE has been coming down. However, given that India still remains very low on healthcare expenditure and very high on OOPE, the scope for healthcare expenditure to grow strongly over medium- to long term is very high, and so is the scope for OOPE reduction.

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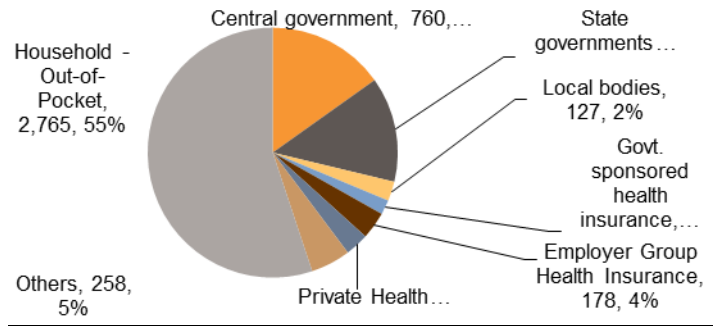


**Exhibit 8: OOPE as % of CHE has been coming down gradually, FY18 looks like a blip than trend**



Source: National Health Account of various years

**Exhibit 9: NHA 2017-18 Current Health Expenditure financing (Rs bn): Share of Insurance in current health expenditure to go up**

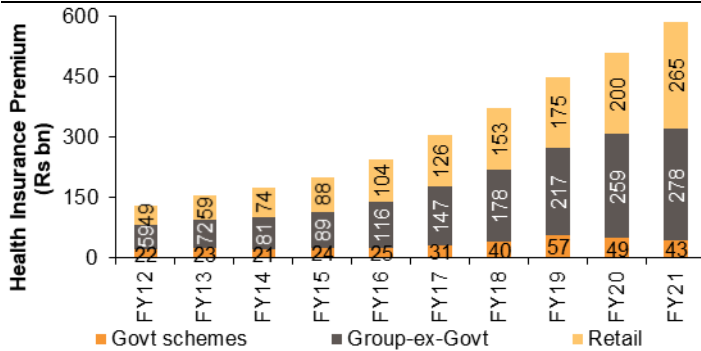


Source: National Health Account of various years

**#2 Despite strong growth of the past decade, a tiny section of TAM population covered under retail health insurance**

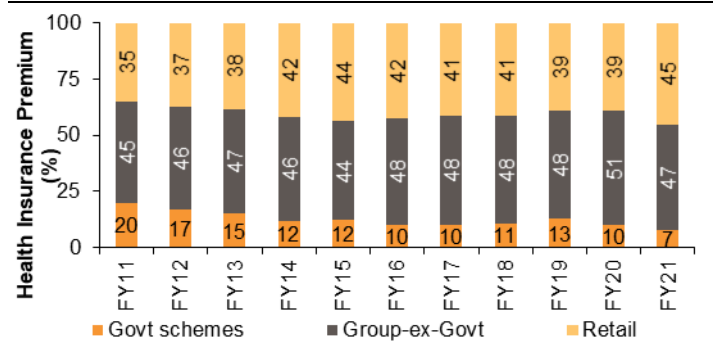
Health Insurance in India has seen very strong growth over the last 1-2 decades, driven by an abysmally low level of existing coverage and penetration, rising affluence and healthcare costs and government and regulatory support and push. This strong growth reflects in solid premium growth and growth in the number of persons covered by health insurance schemes. Over FY12-21, the overall health insurance premiums have grown at a solid CAGR of ~18%, while the growth in retail health premium has been even stronger at 21% CAGR. In FY12-20, the number of persons covered (without eliminating duplications) has grown at 11% CAGR, while the growth in persons covered under retail health policies has been ~10% CAGR.

**Exhibit 10: Overall health insurance premium has grown ~4.5x in FY12-21; retail has grown 5.4x**



Source: GIC, Industry data, Emkay research

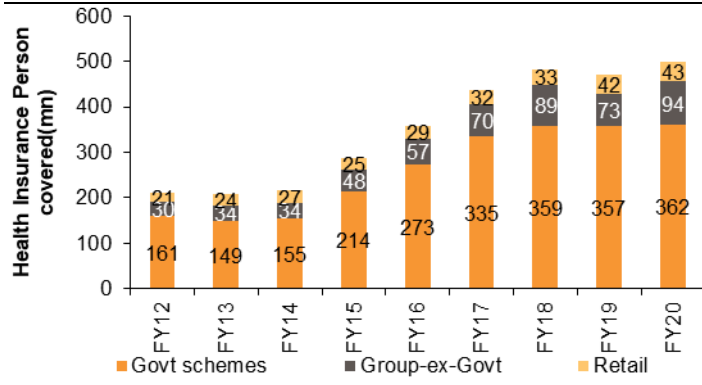
**Exhibit 11: Retail health has outgrown overall health premium growth; trend likely to continue**



Source: GIC, Industry data, Emkay research

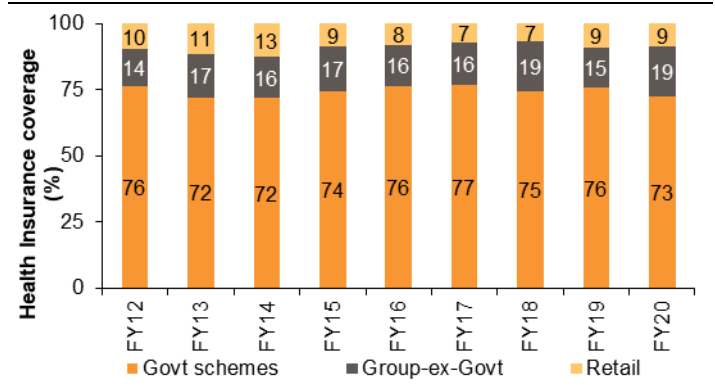
Despite this strong decadal growth, the overall number of persons covered under health insurance was ~500mn as on FY20, a large number of this covered under government schemes that provide very basic level of coverage. When it comes to number of persons covered under retail health, this was a meagre 43m in FY20, estimating this to be ~49m as on FY21, it's still at a meagre ~12% of Total Addressable Market (TAM) population of ~400mn.

**Exhibit 12: No. of persons covered has seen good growth across the segments; still <40% of population covered overall and <4% covered under retail**



Source: GIC, Industry data, Emkay research

**Exhibit 13: Government schemes account for ~3/4<sup>th</sup> of overall persons covered under health insurance**

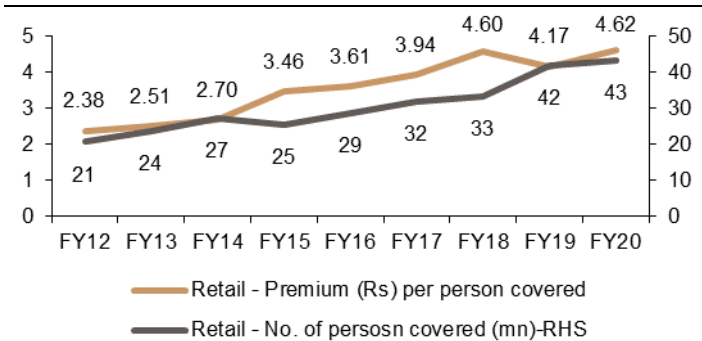


Source: GIC, Industry data, Emkay research

**#3 Retail health insurance has grown profitably, and driven by increasing persons covered and growing ticket size**

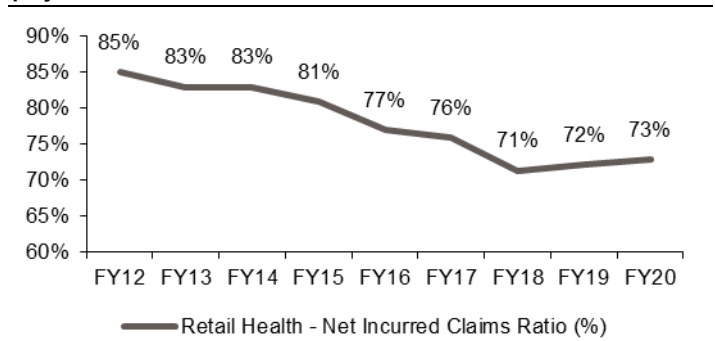
As suggested by all the available surveys and data, India’s expenditure on health is abysmally low and further the contribution of insurance within health expenditure is also abysmal. Against this backdrop, the extent of non-coverage and under coverage is huge. This means that the trend of strong growth in health insurance premium, especially in retail health, will continue to play driven by increased number of persons covered, increasing sum assured and price increases with increased age.

**Exhibit 14: Retail premium growth has been driven by the combination of increased number of person covered and ticket size**



Source: GIC, Industry data, Emkay research

**Exhibit 15: Retail growth has come with profitability; a further drilldown of retail suggest that it’s highly profitable for private players**



Source: GIC, Industry data, Emkay research

**#4 Our multifactor model estimates strong growth outlook for Retail Health**

Retail health insurance premium growth of ~20% CAGR in the previous decade has come on the back of ~10% CAGR in the number of persons covered, while the rest being contributed by a combination of increasing sum assured and other factors such as age-cohort based price increases. We estimate the future growth outlook for retail health insurance by applying the multifactor approach, where the three drivers are: 1) increasing number of persons covered; 2) increasing sum assured; and 3) price changes.

**Exhibit 16: Even at the impressive growth rate of ~18%-20% premium CAGR, Retail health, at ~222mn persons covered, will cover only ~50% of Total Addressable Market population**

Retail Health Insurance	FY11-16	FY16-21	FY21-26E	FY26-38E
No. of persons covered at period end (mn)	28.7	49.0	78.9	222.0
No. of persons covered (CAGR)	9.8%	11.3%	10.0%	9.0%
Sum Assured (CAGR)	8.0%	6.0%	7.0%	5.0%
Price change (Ageing & re-pricing) CAGR	2.6%	2.3%	2.5%	2.5%
<b>Retail Health Premium CAGR</b>	<b>21.7%</b>	<b>20.7%</b>	<b>20.6%</b>	<b>17.3%</b>

Source: IRDA, Emkay research

The sum assured growth has been assumed to be reflecting the medical cost inflation.



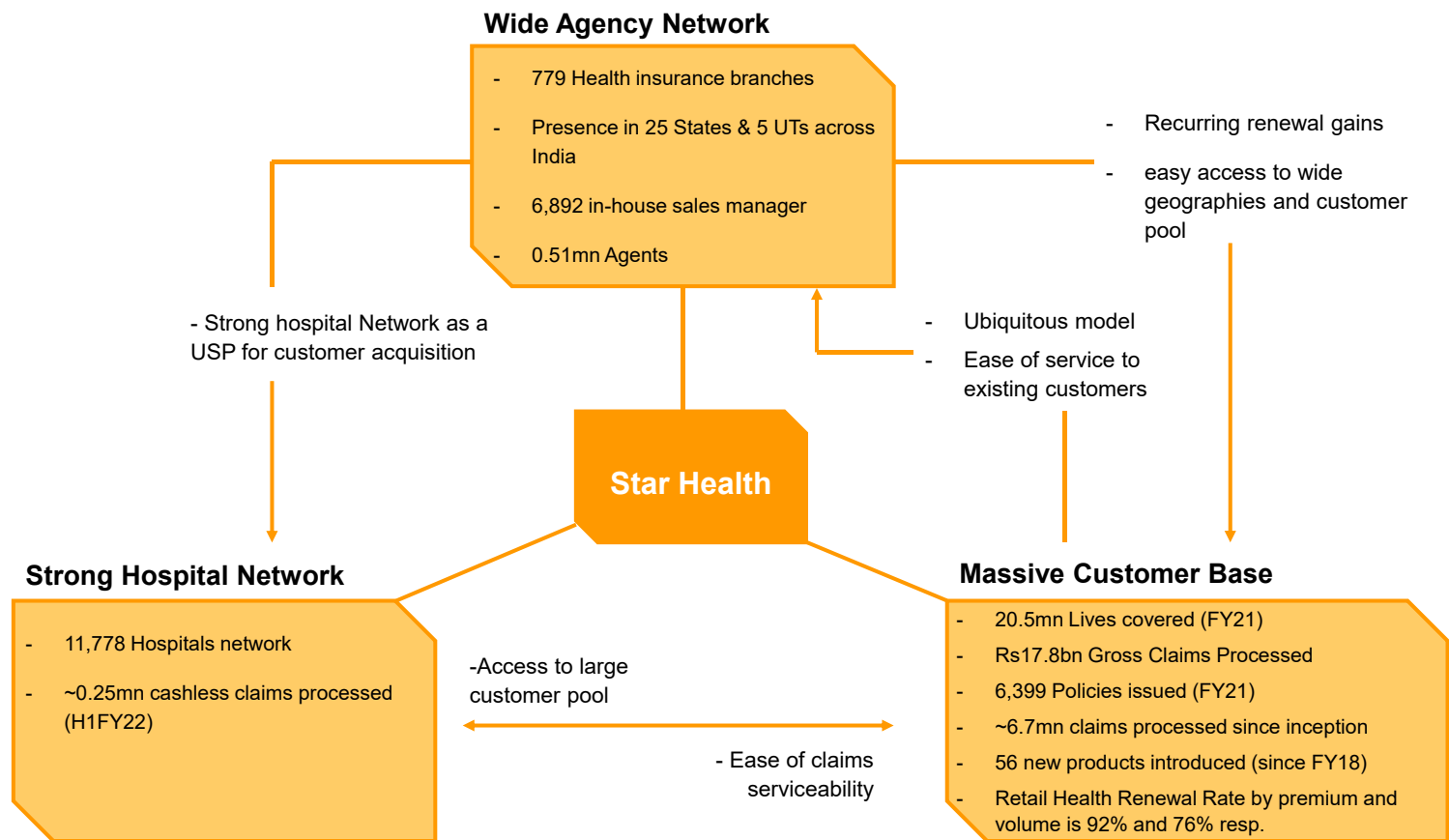
# Flywheel effect to protect STARHEALTH's dominant market position

Star's relative market share gap (>3x share than next competitor) in the profitable retail health business is less appreciated. The relative size offers a flywheel effect to the interlinked levers of network hospitals, customers and agents. Hospitals and customers feed on each other's ease of availability and agents are most productive with market leaders. We estimate that this moat is tough to negotiate – calling for an upfront & disproportionate investment in agents and incentives, unfavorable terms to accelerate network of hospitals, and, above all, destructive pricing to port existing/new customers.

## #1 Virtuous cycle of large customer base, widespread agency force and vast hospital network

Testament to STARHEALTH's strength is that it has reached the current position in the very sticky and granular retail health business, where PSU giants and private multi-liners promoted by financial services bellwethers are present. Its ~0.5mn strong individual agent network (Sep-21), ~12K network hospitals (Sep-21) and ~15m persons covered (Sep-21E) form a very strong virtuous cycle that feeds into each other and drive cost and productivity gains. This means any other incumbents or newcomers need to burn significant capital for many years in these three areas to make a credible dent to STARHEALTH's position, which may include: 1) material undercutting of prices to incentivize old customers to switch from STAR and also make new customers less interested in it; 2) massive spending in branding and distribution, including notably higher incentives and rewards for agents so they shift from STAR's network; and 3) burning higher cost in claims of similar nature as STAR enjoys better rate based on its scaled-throughput to partner hospitals.

**Exhibit 17: Widespread distribution network (agents & branches), strong hospital network and a large pool of retail customers create a virtuous cycle for Star that strengthen its positions sustainably**



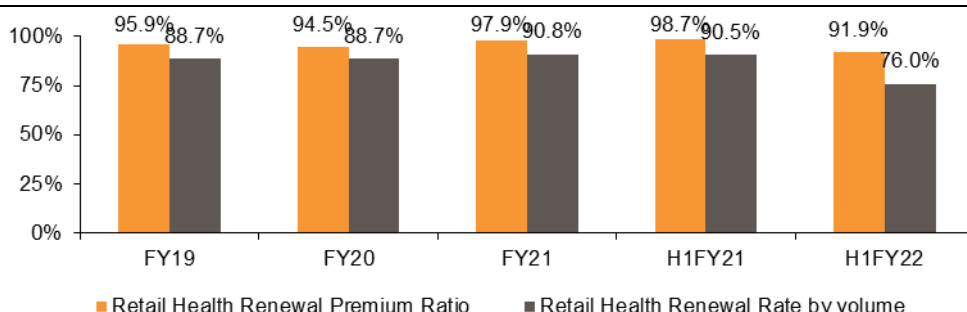
Source: Emkay Research

## #2 For agents it's all about the reach, regulation, volume and stickiness of retail health business

STAR boasts having the largest individual agent network, with ~1/3<sup>rd</sup> of total agents of general insurers and SAHI agents working for it. This has been an outcome of its business strategy and regulatory environment that make it very attractive for individual agents to work with the company in a mutually beneficial relationship. The key attractions for the agents are:

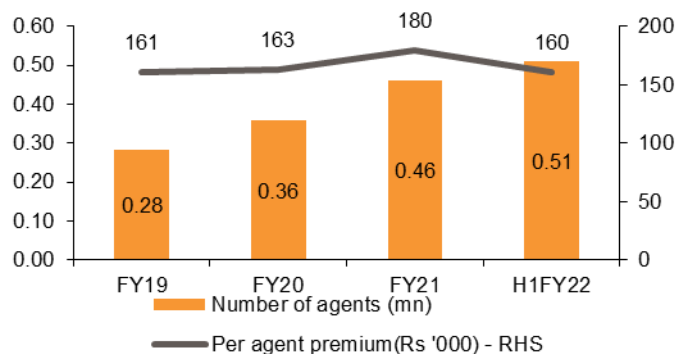
- The regulation permits agents to work for a SAHI in addition to one Life and one General Insurance company. So, working as a SAHI agent provides an additional benefit to traditional agents working for a life and a general insurance company already.
- Very high stickiness (~90% renewal rate by volume) in health insurance makes it an annuity income kind of model for the agents.
- There is a flat commission rate on new business and renewal business in health insurance unlike life where renewal commissions are much lower. This makes health insurance commissions comparable or higher vs. life insurance renewal commission despite the lower policy ticket size.
- Unlike life insurance, where the majority of policies have a flat premium, health insurance premiums are increasing (owing to age band change, re-pricing and increase in sum assured), and hence provides increasing commission income to the agents.
- STAR, being the early entrant as a SAHI, became the first choice of the agents who wanted to augment their distribution to add a SAHI. Over the years, with its large and expanding pan-India branch and sales network, it continued to be the preferred choice of agents.
- With a large pool of existing policies and commission pool (average commission per agent at ~Rs25K in FY21 despite ~50% agents being less than three years old), Star enjoys great amount of loyalty from its ~0.5mn strong agency force as the agents tend to lose on renewal commission if they were to switch out of the company to any other insurer.

**Exhibit 18: Strong renewal rates in retail health endorses the sticky nature of this business; adjusted for short term Covid-19 specific product sold last year, H1FY22 renewal rate by volume ~85%**



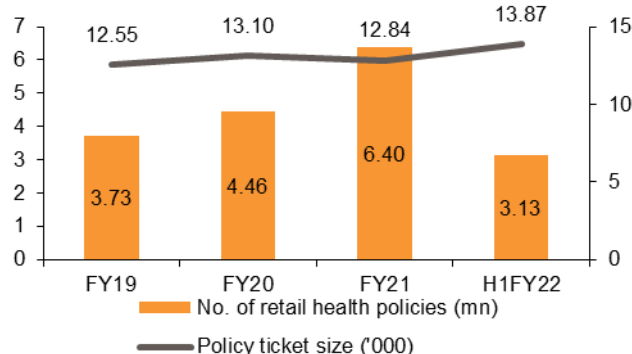
Source: Industry, GIC, Emkay research

**Exhibit 19: Stable agent's productivity despite ~50% of agents being < 3 years vintage**



Source: Industry, GIC, Emkay research

**Exhibit 20: Gradual growth in average policy ticket size, FY21 ticket size deflated by short term Covid-19 specific products**



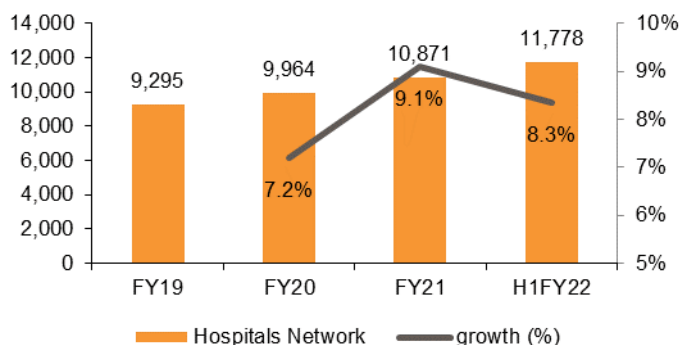
Source: Industry, GIC, Emkay research

### #3 Large pool of retail policies sets the foundation of a mutually beneficial relationship between Star and network hospitals

STAR has an extensive network of hospital partners, with 11,778 hospitals as on 30<sup>th</sup> September 2021. It has pre-agreed package rates, with ~2/3<sup>rd</sup> (7,741) of network hospitals. With ~7mn policies and ~12mn person covered in FY21, Star has paid gross claims ~Rs57bn for 0.85mn claims. With such large volumes, Star becomes a great partner for hospitals that provide them a stable revenue source and by entering into cashless settlement arrangements with Star the hospitals tend to benefit from reduced administrative costs and faster settlements. The key rationale for the hospitals to be part of the company's network and also to have pre-agreed rates:

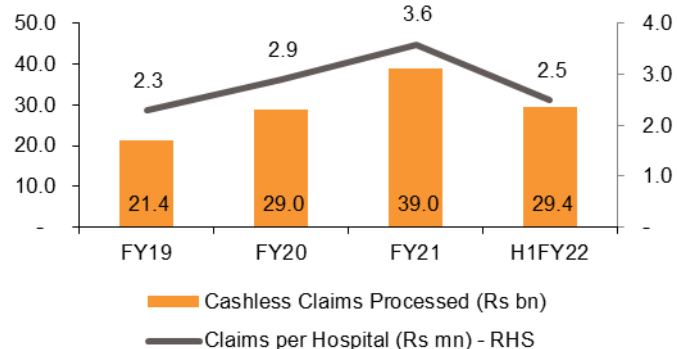
- STAR has provided, on average, ~55 claims/network hospital and ~Rs3.6mn in claim amount per hospital in FY21. This is significant and stable inflow of cases for small- to midsize hospitals. So, it makes sense for such hospitals to be part of STAR's network to cut time and administrative cost delays, and have faster cashless settlements for the benefit of the policyholders, the hospital and STAR itself.
- Given the high volume of hospital admissions provided by Star to network hospitals, it is for the hospital's benefit to enter into pre-determined package rates, typically ~6-8% lower than the standard rate, to be the preferred hospital partner of Star and access higher volume of claims, faster and frictionless cashless settlement, among others. Given the operating leverage in the hospital business, generally hospitals are better off by offering slightly lower rates for a higher throughput.
- Hospitals also benefit by partnering with STAR by being able to cross-sell their non-insurance or non-admission services to a large number of patients who visit them for insurance-related claims.

**Exhibit 21: Hospital Network witnessed a growth of ~8.3% in H1FY22**



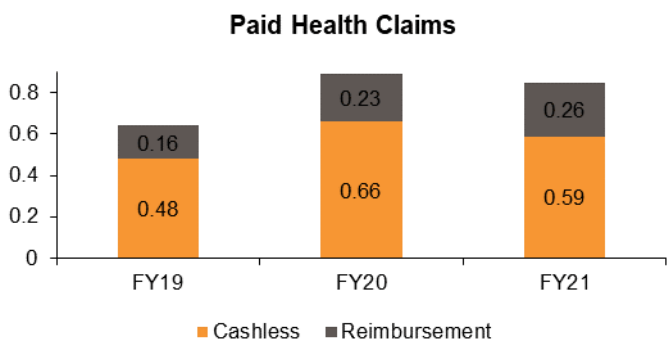
Source: Company, Emkay research

**Exhibit 22: Claims grew to ~Rs2.5mn per hospital in H1FY22**



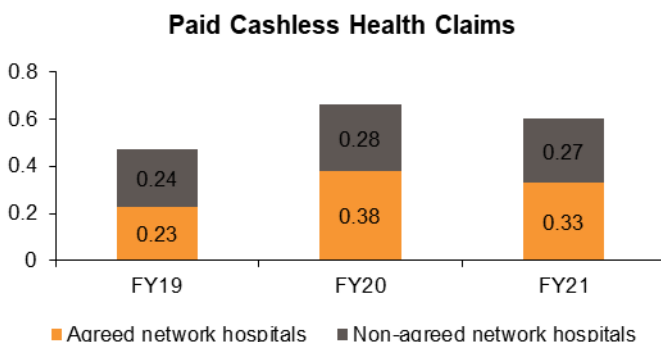
Source: Company, Emkay research

**Exhibit 23: Cashless and reimbursement of claims maintain a 70:30 ratio**



Source: Company, Emkay research

**Exhibit 24: ~55% of cashless claims paid to pre-agreed network of hospitals**



Source: Company, Emkay research

#### #4 For customers, it's about product, price, hospital network and distribution reach

From a customer's point of view, the two key aspects of health insurance policy purchase are the distribution reach (easily accessible distribution touch point that understands customer's requirement and demystifies the product) and comfort around claims processing, when needed. In this backdrop, with 0.5mn individual agents (majority being LIC and PSU GI agents) backed by ~780 branches and ~500 sales offices provides ease of access to the customers in pre-purchase stage. The vast network of ~11.8K hospitals, geographically widespread, supported by ~725 claims processing offices and in-house claims processing gives a lot of comfort to the customers regarding claims processing.

##### Exhibit 25: Star Health's distribution reach for easy customer serviceability

	FY21	H1FY22
Health Insurance Branches	737	779
Hospital Network	10,871	11,778
Sales Offices	750	562
Sales Officers	1,632	1,691
Claims Processing officers	710	735
Cashless claims (Rs bn)	39.0	29.4
Cashless Claims Processed in >2hrs	86.9%	85.2%
New Product Launches (since FY18)		56

Source: Company, Emkay Research

## Multiple levers to control profitability

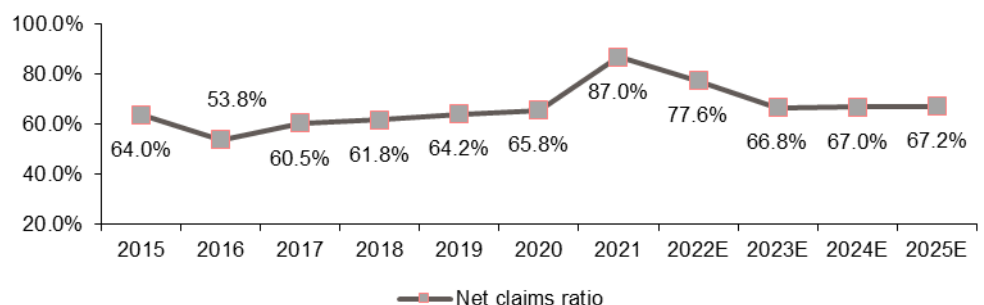
The network effect of large customer base, hospital network and agents equip STARHEALTH with multiple levers to control claims cost (negotiating better rates with hospitals on account of higher throughput), commission cost (by tweaking renewal commission) and opex (with increasing renewal book leading to lower opex). These levers will enable STARHEALTH to maintain its combined ratio at ~94%-95%, except for multi-sigma events such as Covid-19.

### #1 Better rate negotiation power with hospitals and re-pricing flexibility to power normalized ~66%-67% claims ratio

Notwithstanding the Covid-19-led adverse impact on profitability, STARHEALTH is well-positioned to grow profitably over the medium to long-term with multiple levers available to improve profitability. With rising scale and an expanding renewal book (policies written in earlier years), the company will continue to see improvement in opex ratios. And, this gradual increase in the renewal book should also allow the company to improve the commission ratios, if needed.

With the exception of FY21 and FY22, where the claims costs were ballooned due to Covid-19 and the claims ratios were adversely impacted by accounting-related and reinsurance-related changes, STAR has been delivering ~63-65% net incurred claims ratio sustainably. This has been an outcome of a combination of efforts, including the risk selection and pricing the products adequately, strong growth meaning a material share of policies with exclusions and better negotiated procedure rates with hospitals. As with every passing years, the back-book becomes bigger the share of policies with all illness included will keep on rising and that could put some pressure on claims ratio. However, changes in premium with age band shift of the insured, re-pricing of product based on claims experience, increasing the share of network hospitals with pre-agreed package rates and penetrating deeper into geographies leading to relatively lower procedure costs are some of the many cushions available to the company to keep the claims ratios in check.

**Exhibit 26: Except for FY21/22 when Covid-19 led losses and termination of a large reinsurance treaty impacted adversely, the net claims ratio has been good**



Source: Company data, Emkay research

Going forward, with the back-book becoming bigger (meaning the proportion of policies with pre-existing exclusion getting lower) and age profile of the insured pool increasing gradually, the company could see some pressure on the claims cost front. However, there are a number of levers that would help the company to keep the claims ratio in check. They include:

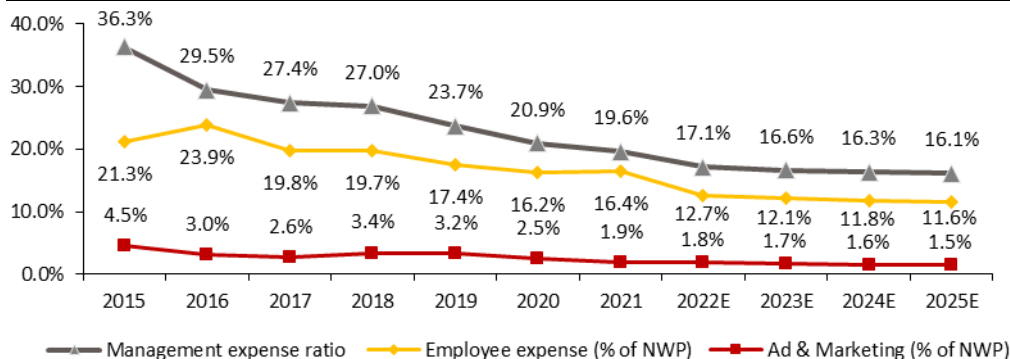
- Increasing the numbers of network hospital with pre-agree agreed procedure prices. In the company's past experience, the average claims cost are ~7-8% lower in hospitals with pre-agreed prices
- Adjusting product pricing based on the claims experience
- Diversifying more into younger and rural population that would lead to some lowering of claim frequency and severity.

### #With growing scale operating leverage will continue to play out

Despite being in a high-growth phase, Star Health has already seen the operating leverage playing out over the years. From FY16 to FY21, the gross premium has grown ~4.6x vs. opex growth of 3.1x, and within opex, employee costs grew 3.2x and advertisement and marketing costs grew 2.9x. This reflects in Management Expense Ratio (opex as % of NWP) going down

to ~20% in FY21 from ~30% in FY16. So, contrary to the perception of employee and advertisement costs being truly variable, these costs display strong operating leverage as the branches mature, back-book becomes bigger and productivity of employees increase. With strong growth of recent years leading to a sizeable back-book, this trend of improvement in opex ratio should continue, with FY22 also benefiting from increased retention leading to higher NWP. However, the higher retention would lead to increased net commission ratio.

#### Exhibit 27: Operating leverage has been playing out and will continue to play



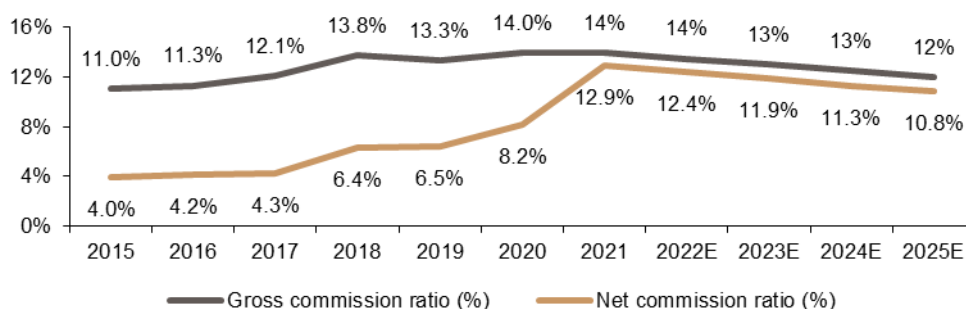
Source: Company data, Emkay research

### #3 Productivity gains to come over years on back of recent years aggressive expansion

It is worth noting here that STAR has been very aggressive in recent years in adding branches, employees and expanding hospital network. This means that going ahead the productivity of employees and branches will increase; hence, the expense ratios will further go down. FY22 will see an additional dip in the expense ratio on account of increased retention, owing to termination of Voluntary Quota Share Treaty (VQST). However, this gain will be offset by an increase in net commission expenses as the commission income from reinsurance premium ceded will dip.

As far as the net commission cost and ratios are concerned, it would be a net outcome of gross commission paid and commission received on premium ceded to the reinsurers. With retention going up (or ceded premium share going down) post termination of capital gearing kind treaty, the net commission cost will go up (and the ratio as well). However, as the back-book becomes much bigger, the company can, if needed, tweak the commission rate to a lower levels on renewal premiums. This unorthodox lever can be used in future years when the company needs to focus more on reducing the commission cost to offset any adverse regulatory developments or to offset for any structural increase in claims costs.

#### Exhibit 28: Higher retention from FY22 would mean net commission and gross commission ratio converging; going forward the company may lower gross commission ratio by tweaking renewal commission



Source: Company data, Emkay research

### #Scope to innovate on product side to enhance profitability

In addition to these measures, continued innovation on the product side will help Star improve or maintain profitability at a healthy level. On the product side, it can launch products with differential co-pay structure in case of admission at pre-agreed network hospitals vs. other hospitals. Further, Star can look to create revenue and profit pool by offering ancillary services and offerings in the areas adjacent to its core offering of health insurance. These offerings could include products and services around health and wellness.



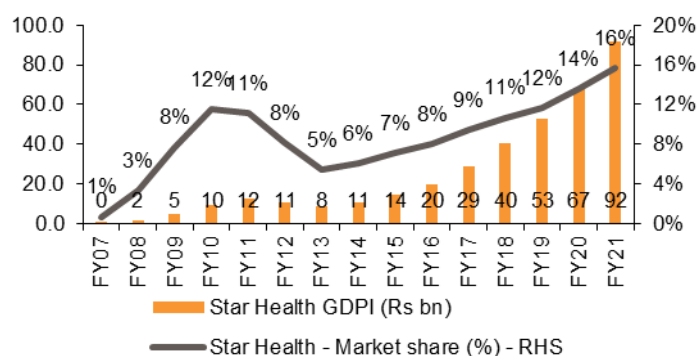
## From a rising star to ‘pole star’

STARHEALTH’s stellar track record of securing the pole position in the lucrative retail health insurance segment gives the much-needed confidence about its ability to deliver in future. Over FY12-21, it has grown at ~2x the industry growth in terms of number of persons covered and the premium in the retail health segment, resulting in its market share going above 30% in FY21 from ~10% in FY12.

### #1 Stellar performance by STARHEALTH in the retail health segment in the past decade

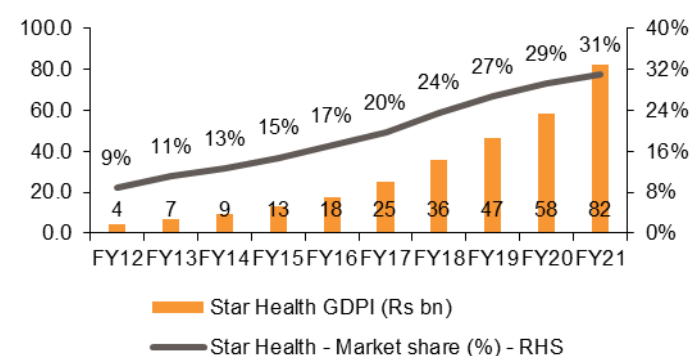
Star Health is the largest retail health insurance player in India, with ~31% retail health premium market share and ~30% market share in the number of persons covered (as of FY21). Star Health has come a long way, with ~16% premium market share in overall health insurance in FY21 vs. ~8% overall health insurance premium market share in FY12. The key pillar of this growth has been the company’s marked shift to the retail segment, where its market share has increased from 9% in FY12 to 31% in FY21. This is remarkable because it was achieved in a sector dominated by the four large PSU multiline general insurers and a host of private sector multiline general insurers, many of which promoted by the large financial conglomerates.

**Exhibit 29: Withdrawal from unprofitable group schemes led to decline in overall health insurance market share in FY10-13**



Source: Company data, Emkay Research

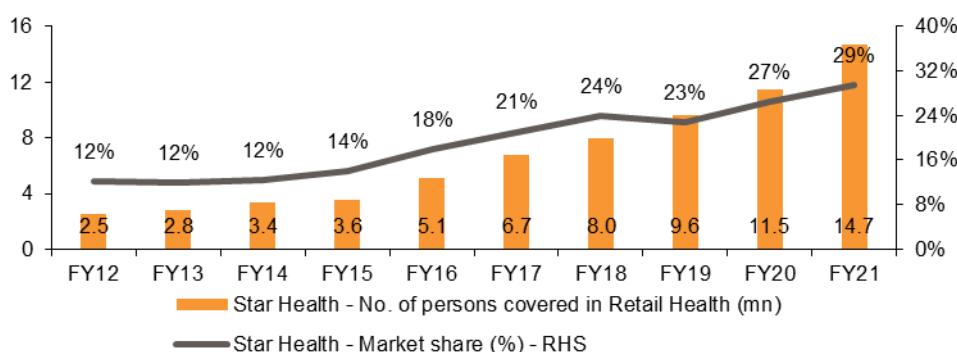
**Exhibit 30: Retail premium growth has been impressive in last decade, leading to market share expanding to 31% from 9% in FY12**



Source: Company data, Emkay Research:

The impressive show of STARHEALTH in the retail segment has been the outcome of solid execution of a carefully crafted strategy. After experiencing losses in Group Health segments in its initial years, the company realized that a large part of the group health business (large corporates and government schemes) is largely loss-making and is meant only for cross-subsidizing other lines of businesses. So, this segment does not make sense for a Standalone Health Insurance (SAHI) player like STAR. After this, it completely focused on retail health, where it exploited the regulatory arbitrage allowing SAHIs such as STAR to appoint a vast network of PSU general insurer agents as its own agents that the multiline private general insurers could not have done. Led by this wide individual agent network, STAR grew at 2x the industry average in the retail health segment in the past decade.

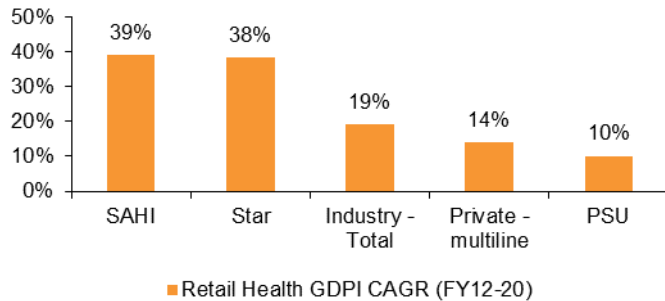
**Exhibit 31: Star Health has grown its share in No. of persons covered in Retail Health to ~30% of Industry total in FY21 from ~9% in FY12**



Source: Company data, Emkay Research:

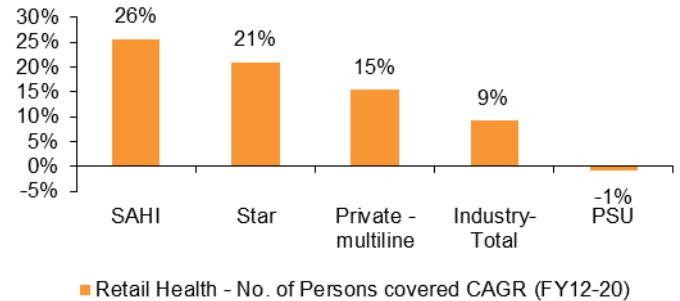
STAR has delivered an impressive 38% CAGR in retail GDPI in FY12-20, supported by an equally impressive 21% CAGR in number of persons covered. STAR's CAGRs in terms of GDPI and the number of persons covered have been ~2x of the industry average. Not surprisingly, the biggest loser in this retail health growth has been the PSU multiline general insurers that have seen the number of persons covered under retail health to be mostly stagnant in this period.

**Exhibit 32: Star Health's Retail Health GDPI CAGR (FY12-20) is 2x that of the industry**



Source: Industry, GIC, Emkay research

**Exhibit 33: Retail Health No. of persons covered CAGR (FY12-20) stood at 21%**

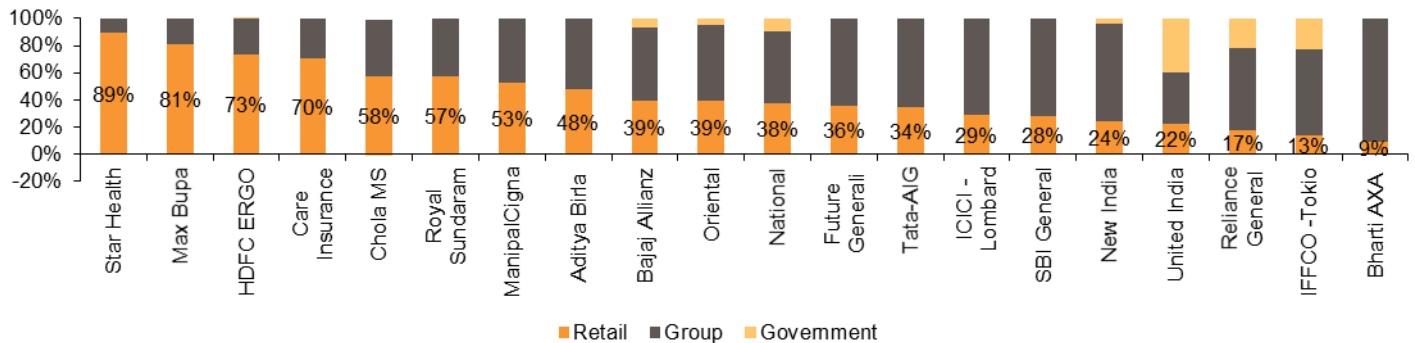


Source: Industry, GIC, Emkay research:

**#2 Even among the SAHIs, STARHEALTH has highest retail share in its business mix**

Given the regulatory advantage the SAHI players possess in terms of appointing individual agents and the lack of cross-subsidizing opportunities like multiline general insurers, SAHIs have focused mostly on the retail health business.

**Exhibit 34: FY21 Health GDPI Mix: SAHIs have very high Retail in their Health insurance premium mix**



Source: IRDAI, GIC, Emkay research

## Initiate with Buy and TP of Rs1,135

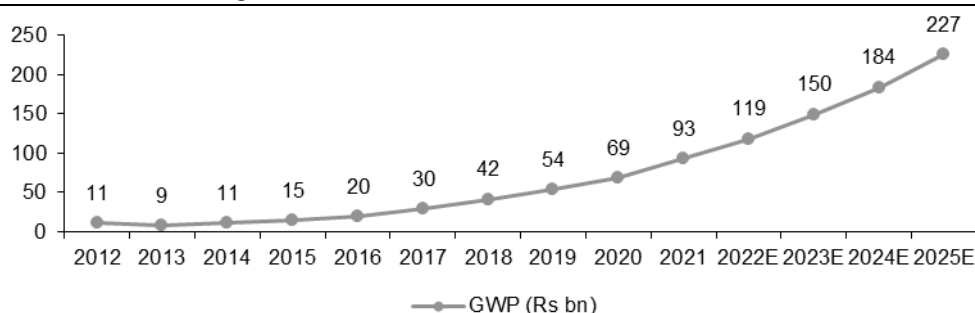
On juxtaposing the micro story of the STARHEALTH with the macro story of the Indian health insurance sector, we arrive at the conclusion that STARHEALTH is a 'pole star in the thriving galaxy, Indian health insurance. The flywheel effect powering STARHEALTH's dominance and profitable growth in the structurally attractive retail health insurance make it a must-own stock. We initiate coverage with a Buy rating and a TP of Rs1,135 (25.2% upside), implying a premium PE multiple of ~47x on FY25E. Given the growth outlook of the sector and the STARHEALTH's ability to capture a large share of it, we believe this premium valuation is warranted.

### Franchise strength and favorable macro to deliver strong numbers

#### #1 Premiums to grow ~2.5x in FY21-25E

Star Health's business moat, coupled with the favorable external macro environment for Indian health insurance sector, should lead to its gross premium growing ~2x to ~Rs240bn by in FY22-25, delivering ~26% CAGR. We expect STAR to deliver a premium CAGR of 16% in FY25-38E.

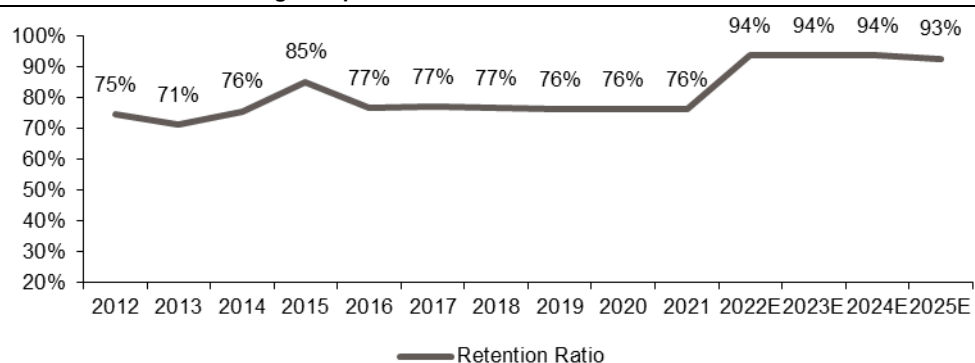
**Exhibit 35: Premium to grow ~2x in FY22-25E**



Source: Company data, Emkay Research

After the termination of the VQST reinsurance arrangement, the retention ratio goes up starting FY22. Once the Covid-19-led losses are behind and the continued operating leverage at play, we expect STAR to deliver ~94.5% combined ratio from FY25.

**Exhibit 36: Retention ratio goes up in FY22**



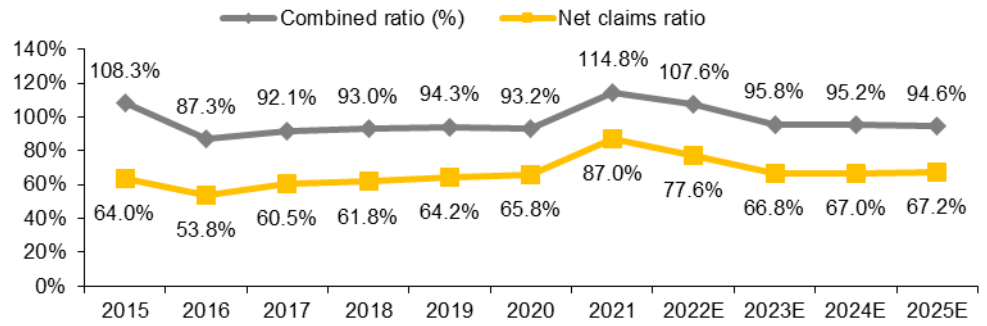
Source: Company data, Emkay research

#### #2 Claims ratio to normalize at ~66-67% band

The claims ratio has seen an unusual spike in FY21 and FY22, led by Covid-19-driven claims costs and some accounting and reinsurance treaty led adjustments. With these one-offs behind, the claims cost should start to normalize, with some of the structural factors showing its gradual impacts. With the back-book share increasing and ageing of insured pool, there will be a gradual pressure on claims frequency. However, the company can offset that by a host of actions, including higher share of pre-agreed price with network hospitals, re-pricing the product, penetrating deeper in smaller towns and rural population. In summary, we see the claims ratio normalizing at ~66-67% after FY22E.

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**Exhibit 37: Claims ratio and combined ratio to normalize from FY23**

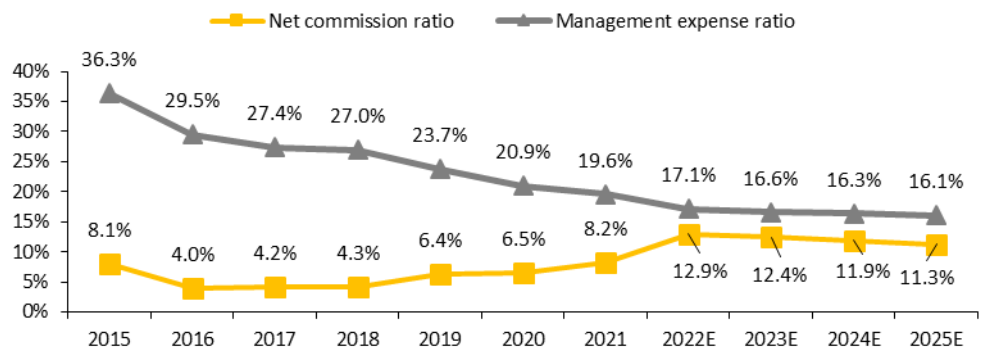


Source: Company data, Emkay research

**#3 Operating leverage to continue to play out**

With productivity of recent year’s expansion (branch, employee and agents) improving and the renewal book becoming bigger, the operating leverage will continue to play out for STARHEALTH. For net commission cost, it is more of a function of premium ceded to the reinsurers. FY22E is seeing a number of adjustments: 1) Higher retention or lower reinsurance (owing to termination of VQST) leading to optically lower expense ratio and increased net commission cost; and 2) Reduction in expense ratio is partly offset by management decision to reduce in-house claims processing cost related chargeback to 1% from earlier ~3%. In summary, the overall non-claims cost ratio (Commission and Opex) will continue to see gradual improvement with productivity rising with vintage of branch and employees, and increasing the renewal book.

**Exhibit 38: Operating leverage to continue to play out**

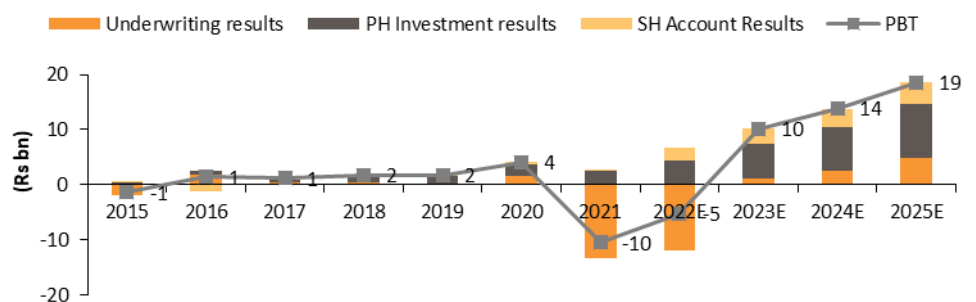


Source: Company data, Emkay research

**#4 Underwriting, policyholders’ investment and shareholders’ investment, all to contribute in strong PBT growth**

The sustainable health insurance business model requires a company to deliver ~95% combined ratio so that based on ~2.4-2.5x investment leverage the company can deliver 18-19% RoE. With the combined ratio normalizing for STARHEALTH post FY22, the underwriting results and investments results (Policyholder and Shareholder) both should contribute toward strong compounding in PBT.

**Exhibit 39: Profitability to normalize starting FY23**



Source: Company data, Emkay research

## Valuation: Sustained high growth with normalized profitability drives the premium valuation

We value STARHEALTH by discounting future profit after tax starting FY23. Our PAT estimates grow from Rs7.6bn in FY23 to Rs13.9bn in FY25. In FY25-38E PAT compounds at ~16.7%, broadly in line with premium growth. We use terminal growth rate of 7.5%. The 7.5% terminal growth is very realistic as in the earlier sections we have demonstrated that with our growth assumptions of FY25-38E, the retail health insurance coverage will still be at ~222mn persons, about half of current total addressable market (TAM) population. And, given that medical inflation will continue to contribute to the premium growth, ~2-3% increment in persons covered will drive 7-8% premium growth.

Using 12% cost of equity, we arrive at our Mar-23E TP of Rs1,135, implying 47x on FY25E P/E. The valuation multiple is premium given the long runway of strong profitable growth.

### Exhibit 40: Appraisal value method valuation of STARHEALTH

Cost of Equity	12.00%
FY23 PAT (Rs mn)	7,624
FY25 PAT (Rs mn)	13,937
PAT CAGR FY25-38	16.7%
Terminal growth	7.5%
Mar-23 Fair value (Rs mn)	665,888
No. of shares (mn)	575.5
Mar-23 Fair value per share (Rs)	1,157
Dilution assumed in FY-26	2.0%
<b>Mar-23E Target Price</b>	<b>1,135</b>
CMP	907
<b>Upside</b>	<b>25.2%</b>

Source: Company, Emkay Research

### Exhibit 41: Valuation multiples

Valuation multiple on Target price	Rs 1135
FY25E P/E	46.9x
FY25E P/B	7.8x
RoE (%)	18.1%
FY25E P/GWP	2.9x
Valuation multiple on CMP	Rs 907
FY25E P/E	37.4x
FY25E P/B	6.2x
RoE (%)	18.1%
FY25E P/GWP	2.3x

Source: Company, Emkay Research

**Exhibit 42: Key financials**

<b>Policyholder Account (Y/E Mar, Rs mn)</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
Gross Direct Premium (GDPI)	20,073	29,601	41,611	54,154	68,907	93,490	1,18,776	1,49,639	1,84,104	2,26,509
Gross Written Premium (GWP)	20,076	29,602	41,611	54,154	68,907	93,490	1,18,776	1,49,639	1,84,104	2,26,509
Net Written Premium (NWP)	15,397	22,832	31,960	41,415	52,614	71,448	1,11,379	1,40,322	1,72,634	2,10,161
Net Earned Premium (NEP)	15,139	19,115	27,396	35,795	46,930	50,228	96,277	1,25,762	1,55,619	1,90,873
Net incurred claims	8,146	11,567	16,920	22,976	30,874	43,695	74,721	83,966	1,04,278	1,28,358
Net commission expense	611	953	1,366	2,638	3,409	5,838	14,409	17,406	20,493	23,736
Operating expense	4,539	6,253	8,614	9,827	11,020	14,014	19,040	23,286	28,217	33,825
Other expense	0	0	0	48	-58	0	0	0	0	0
Total Expense	13,296	18,774	26,900	35,488	45,246	63,546	1,08,171	1,24,658	1,52,987	1,85,920
Underwriting result	1843	341	496	307	1684	(13318)	(11894)	1104	2632	4953
Investment income	642	624	888	1,340	1,924	2,606	4,478	6,251	7,888	9,696
Insurance result	2,485	965	1,384	1,647	3,608	-10,712	-7,416	7,355	10,520	14,649
Other income	0	0	0	0	0	0	0	0	0	0
Operating profit	2,485	965	1,384	1,647	3,608	-10,712	-7,416	7,355	10,520	14,649

**Shareholder Account**

<b>(Y/E Mar, Rs mn)</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
Operating profit	2,485	965	1,384	1,647	3,608	-10,712	-7,416	7,355	10,520	14,649
Investment income	181	382	592	614	1,011	1,631	3,023	3,315	3,794	4,440
Other income	0	0	0	1	0	3	75	0	0	0
Expenses and provisions	1,301	168	264	440	485	1,382	856	506	506	506
Profit before tax	1,366	1,179	1,712	1,822	4,134	-10,460	-5,174	10,165	13,808	18,583
Tax expense	0	0	10	540	1,415	-2,204	-1,293	2,541	3,452	4,646
Profit after Tax	1,366	1,179	1,702	1,282	2,720	-8,256	-3,880	7,624	10,356	13,937

**Balance Sheet**

<b>(Y/E Mar, Rs mn)</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
<b>Source of Funds</b>										
Net worth	7,187	10,301	10,301	13,926	16,437	42,242	63,135	63,135	69,989	83,926
Fair value gains	0	0	0	0	31	-76	0	0	0	0
Net worth including fair value gains	7,187	10,301	10,301	13,926	16,468	42,166	63,135	63,135	69,989	83,926
Borrowings	0	0	2,500	2,500	2,500	2,500	6,500	6,500	6,500	6,500
Total	7,187	10,301	12,801	16,426	18,968	44,666	69,635	69,635	76,489	90,426
<b>Application of Funds</b>										
Investments	8,067	14,285	21,647	30,301	42,900	68,367	1,19,285	1,46,570	1,78,638	2,15,230
Shareholders	0	5,428	8,659	9,523	14,782	26,321	40,956	46,293	53,542	63,298
Policyholders	0	8,857	12,988	20,778	28,117	42,046	78,328	1,00,277	1,25,096	1,51,932
Other Assets	654	838	970	2,401	2,486	5,203	6,546	4,057	1,146	1,203
Cash & Bank Balances	2,719	3,311	5,020	8,930	6,114	18,790	7,472	8,397	10,428	12,836
Other current assets	2,280	3,692	5,835	7,093	9,767	12,650	10,000	10,000	10,000	10,000
Current liabilities	2,380	2,782	5,375	9,003	11,794	15,643	17,966	21,504	25,321	31,153
Provisions	7,739	11,450	16,001	24,939	30,506	51,946	66,827	81,387	98,402	1,17,690
Net Current Assets	-5,120	-7,228	-10,521	-17,920	-26,418	-36,149	-67,321	-84,494	-1,03,295	-1,26,007
Accumulated losses	3,586	2,407	705	1,644	0	7,245	11,125	3,502	0	0
<b>Total</b>	<b>7,187</b>	<b>10,301</b>	<b>12,801</b>	<b>16,426</b>	<b>18,968</b>	<b>44,666</b>	<b>69,635</b>	<b>69,635</b>	<b>76,489</b>	<b>90,426</b>

Source: Company, Emkay Research



**Exhibit 43: Key ratios**

(Y/E Mar, %)	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E
Retention ratio	76.7	77.1	76.8	76.5	76.4	76.4	93.8	93.8	93.8	92.8
Incurred claims ratio	53.8	60.5	61.8	64.2	65.8	87.0	77.6	66.8	67.0	67.2
Net commission ratio	4.0	4.2	4.3	6.4	6.5	8.2	12.9	12.4	11.9	11.3
Expense ratio	29.5	27.4	27.0	23.7	20.9	19.6	17.1	16.6	16.3	16.1
Combined ratio	87.3	92.1	93.0	94.3	93.2	114.8	107.6	95.8	95.2	94.6
NWP/Net worth	2.1	2.2	3.1	3.0	3.2	1.7	1.8	2.2	2.5	2.5
Return on Equity				10.6	17.9	-28.2	-8.2	12.1	15.6	18.1
Solvency ratio	599.4	161.1	177.4	153.0	150.0	223.0	233.4	209.2	196.2	189.6

Source: Company, Emkay Research

## India health insurance: Still in early stage of growth

The Indian health insurance sector has seen an impressive CAGR of 19%, 18% and 24% in the periods of 5 years, 10 years and 15 years prior to FY21, respectively. However, considering the fact that health insurance penetration (as% of GDP) in India is at ~0.3% vs. the global average of ~1.8%, the Indian health insurance sector still appears at the early stages of growth. In addition, when looked in the context of very low healthcare expenditure in GDP and extremely high level of out-of-pocket-expenditures in healthcare expenditure, the Indian health insurance sector is well-poised to deliver a very strong growth in the medium- to long term. Standalone Health Insurers (SAHIs) have made a great start in the sector by growing fast and capturing the profitable retail health market. Given their focus on this segment and some regulatory advantage, SAHIs will continue to outgrow the retail health market over the coming years

## India at extreme ends in Current Healthcare Expenditure and OOPE

India's healthcare expenditure and out-of-pocket healthcare expenditure show extreme patterns. As demonstrated in the exhibits below, India, despite some gradual improvements, is still at the extremes of low healthcare expenditure in GDP and very high out-of-pocket healthcare expenditure, even when compared with the developing nation peers and lower-income countries (LIC).

**Exhibit 44: Current health expenditure (% of GDP): India's number abysmally low**

Country/Union	2000	2005	2010	2015	2016	2017	2018
India	4.0	3.8	3.3	3.6	3.5	3.5	3.5
China	4.5	4.1	4.2	4.9	5.0	5.2	5.4
Brazil	8.3	8.0	7.9	8.9	9.2	9.5	9.5
Russia	5.0	4.8	5.0	5.3	5.3	5.3	5.3
South Africa	7.4	6.7	7.4	8.2	8.1	8.1	8.3
Thailand	3.1	3.2	3.4	3.7	3.8	3.8	3.8
Indonesia	1.9	2.6	3.0	3.0	3.1	2.9	2.9
Malaysia	2.5	2.8	3.2	3.8	3.7	3.7	3.8
UK	7.3	8.5	10.0	9.9	9.9	9.8	10.0
EU	8.4	9.1	9.9	9.9	9.9	9.9	9.9
US	12.5	14.6	16.3	16.7	17.0	17.0	16.9
LIC	4.1	5.4	6.0	6.0	5.9	5.8	5.2
OECD	9.4	10.5	11.6	12.3	12.5	12.5	12.5

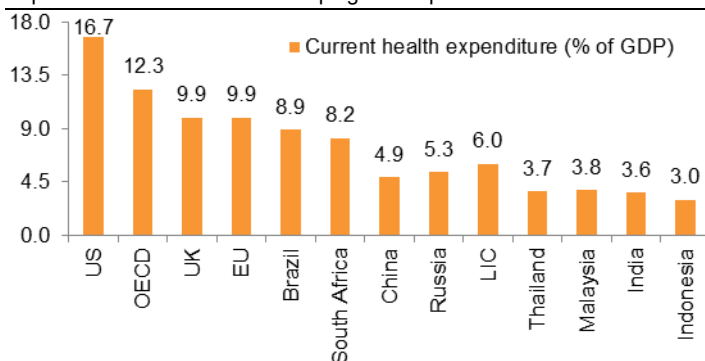
Source: World Bank, Emkay research; Note: LIC = Low Income Countries

**Exhibit 45: Out-of-pocket-Expenditure (OOPE) in current health expenditure: India is the highest extreme**

Country/Union	2000	2005	2010	2015	2016	2017	2018
India	72	73	65	65	63	62	63
China	60	58	41	35	36	36	36
Brazil	37	36	29	28	27	27	28
Russia	30	32	35	39	40	40	38
South Africa	15	12	9	8	8	8	8
Thailand	34	28	14	13	11	11	11
Indonesia	44	54	57	41	38	36	35
Malaysia	41	38	35	33	34	34	35
UK	17	13	13	15	15	16	17
EU	16	16	16	16	16	16	16
US	15	14	12	11	11	11	11
LIC	52	49	50	50	50	51	43
OECD	17	16	15	14	14	14	14

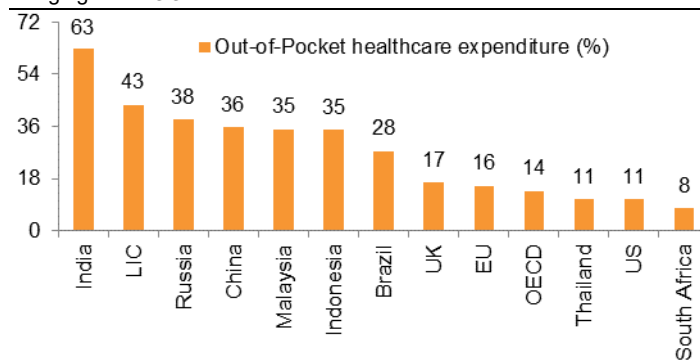
Source: World Bank, Emkay research

**Exhibit 46: 2018 CHE as % of GDP: India has to increase healthcare expenditure even to be at developing nation peers**



Source: World Bank, Emkay research

**Exhibit 47: Insurance and government healthcare has to play big roles in bringing down OOPE share in India**

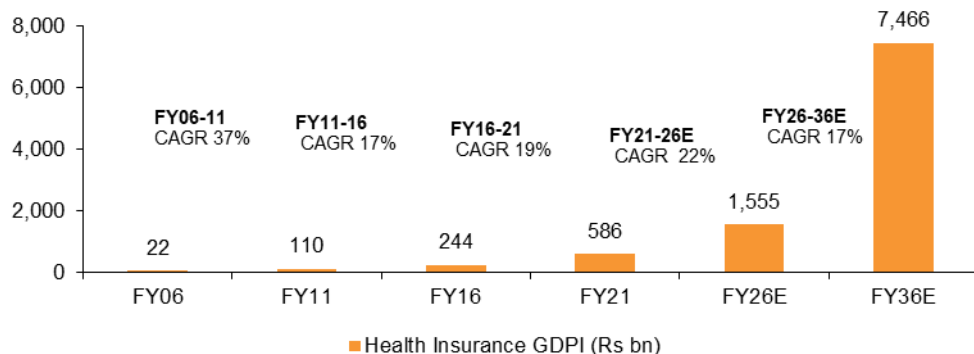


Source: World Bank, Emkay research

## Growth outlook is as strong as in the past

In the last decades, health insurance in India has grown very strongly, and outperforming the overall general insurance sector growth. In the five years to FY21, health insurance premium has grown at an impressive CAGR of 19%. With the extent of high out-pocket-expenditure on healthcare, extent of non-coverage and under-coverage, we are confident that the sector will continue to deliver strong premium growth. This premium growth will be an outcome of a combination of three underlying drivers: increasing number of policies and persons covered; increasing sum assured; and price increase on account of increasing age of population under coverage. Against this backdrop, we expect the sector to deliver ~22% CAGR in premiums in FY21-26, helped by strong growth in FY22. In FY26-36, the sector should deliver a 17% CAGR.

**Exhibit 48: Structural drivers in place, set for long-haul growth**



Source: Industry, GIC, Emkay research

Retail segment should be mirroring overall sector growth. In the near term, the growth in group can outperform retail, largely led by pricing led actions in the group health segment and some government focus on mass schemes. However, the retail story will be more of a secular and stable one.

**Exhibit 49: Retail growth to be driven by increasing number of persons covered, increasing sum assured and pricing changes**

Retail Health Insurance	FY11-16	FY16-21	FY21-26E	FY26-38E
No. of persons covered at period end	28.7	49.0	78.9	222.0
No. of persons covered (CAGR)	9.8%	11.3%	10.0%	9.0%
Sum Assured (CAGR)	8.0%	6.0%	7.0%	5.0%
Price change (Ageing & re-pricing) CAGR	2.6%	2.3%	2.5%	2.5%
GDPI CAGR	21.7%	20.7%	20.6%	17.3%

Source: IRDA, Emkay research

## Indian Health Insurance: Insurers, customers and product

### Product classification

Health insurance products in India typically fall under the following categories:

**Health indemnity:** Health indemnity insurance is indemnity based and covers expenses in the event of sudden illness, accidents or surgery.

**Health insurance benefit:** Defined benefit type plans under which payouts are on pre-decided limits calculated as proportion of the sum insured

**Critical Illness:** Critical illness coverage is limited to certain prominent medical conditions  
**Personal accident insurance** provides benefit-based coverage to policyholders for accidents suffered by them.

### Customer segment classification

Health insurance coverage is offered to the individuals under three buckets: 1. **Individual or Retail Health** (Insurer to Customer or B2C); 2. **Corporate Group of Employer provided**

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**Health Insurance** (Insurer to Corporate to Customer or B2B2C) and; 3. Government schemes such as Aayushman Bharat or RSBY earlier (Insurer to Government to Customer or B2G2C)

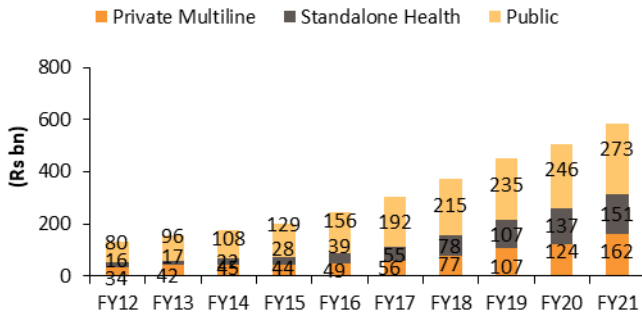
The corporate health segment consists of policies purchased by corporations for employees and their dependents; the mass or government segment consists of policies issued through participation in government health schemes; and the individual health segment consists of retail sales to individuals. The corporate health segment, which represents ~ 50% of health GDP, has historically impacted the profitability of the sector due to the lack of pricing discipline across all insurers in the industry, presenting corporate customers with strong bargaining power. Further, the multiline private and PSU players have used the group health business as a cross-subsidy tool to get other commercial line businesses from the corporates. This has led to typically thin margins in the large corporate group health. Given that the SAHI players do not have other lines of offering, it's difficult for them to compete here with the multiline players.

#### **Insurer classification**

In the general insurance industry, there are following companies in the health insurance segment:

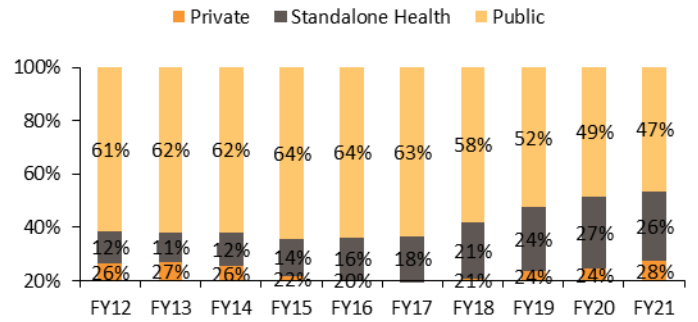
1. There are **five specialized standalone health insurance (SAHI) companies** – Star Health, Care Health, Max Bupa, Aditya Birla and ManipalCigna.
2. **Eighteen private sector multi-line general insurance companies** such as ICICI Lombard, Bajaj Allianz, HDFC Ergo, IFFCO Tokio, Tata AIG, Reliance General, Cholamandalam MS, and SBI General offer multiple products. However, not every such company has a significant health insurance portfolio.
3. **Four public sector multi-line general insurance companies** such as National Insurance Company, The New India Assurance, Oriental Insurance Company, and United India Insurance offer multiple products.

**Exhibit 50: Impressive premium growth in Health insurance sector**



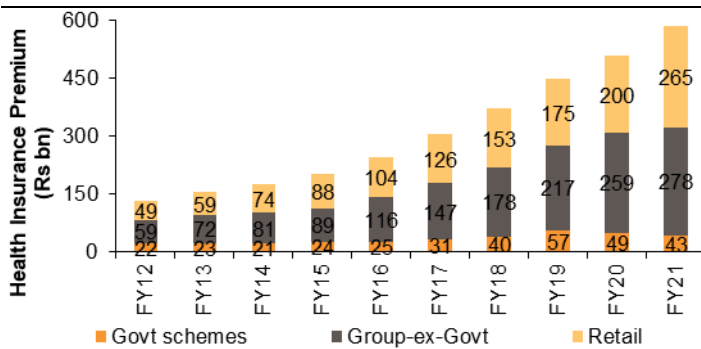
Source: IRDAI, Emkay Research

**Exhibit 51: Health GDP market share: SAHI Players have grown at fast pace to more than double their market share; FY21 has the impact of Apollo Munich (SAHI) merged with HDFC Ergo (Private multiline)**



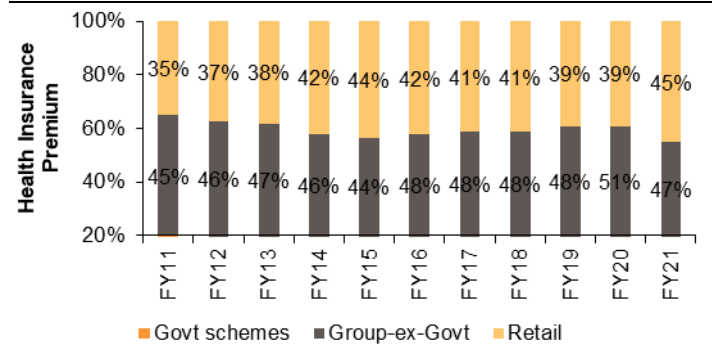
Source: IRDAI, Emkay Research

**Exhibit 52: Retail premium growth has been impressive**



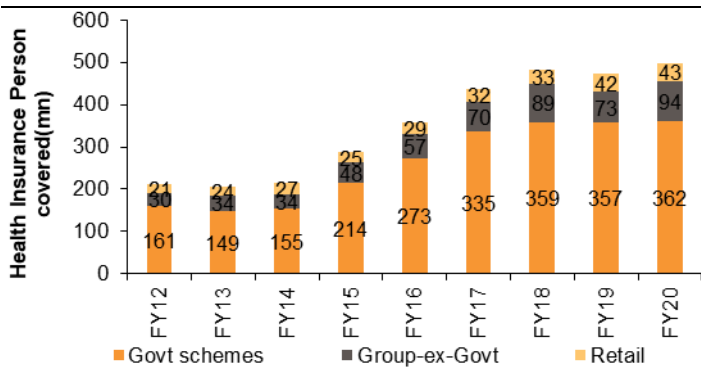
Source: IRDAI, Emkay Research

**Exhibit 53: Government sector premium growth has lagged overall growth**



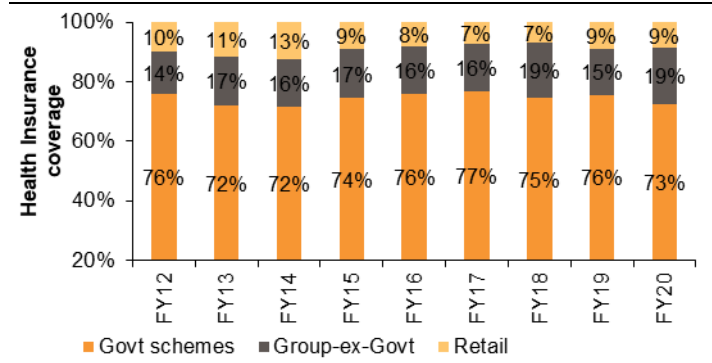
Source: IRDAI, Emkay Research

**Exhibit 54: No. of persons covered has grown across categories**



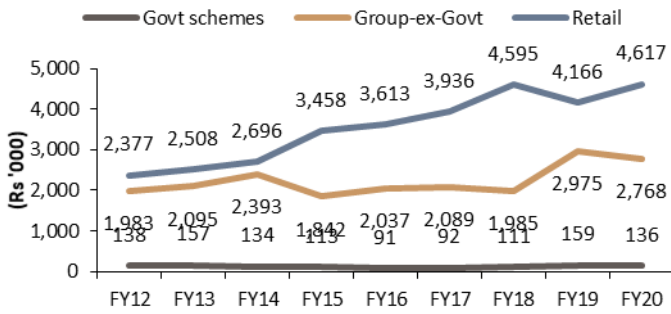
Source: IRDAI, Emkay Research

**Exhibit 55: No. of persons covered under government schemes still counts for 3/4 of overall**



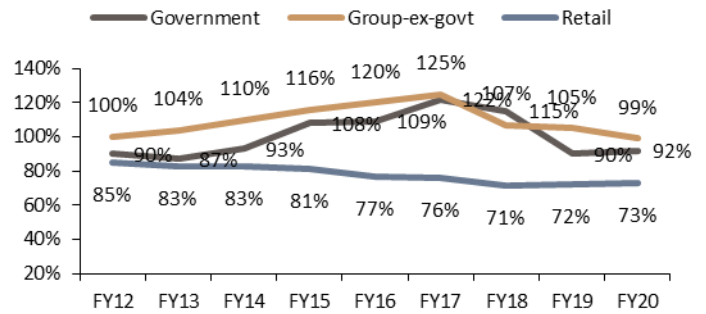
Source: IRDAI, Emkay Research

**Exhibit 56: Government scheme premium per person covered is abysmal**



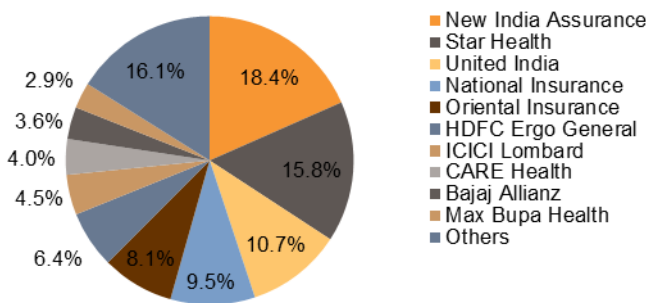
Source: IRDAI, Emkay Research

**Exhibit 57: Incurred claims ratio (%): Despite recent improvements, Group and government schemes claims ratio unsustainably high**



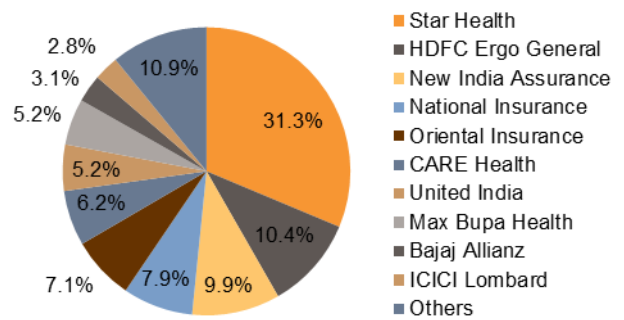
Source: IRDAI, Emkay Research

**Exhibit 58: Pie chart of Health Insurance Market share (Top 10 and others)**



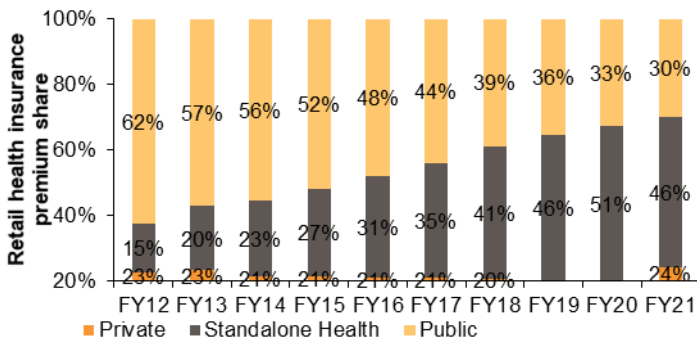
Source: IRDAI, Emkay research

**Exhibit 59: Pie chart of Retail health market share (Top 10 and others)**



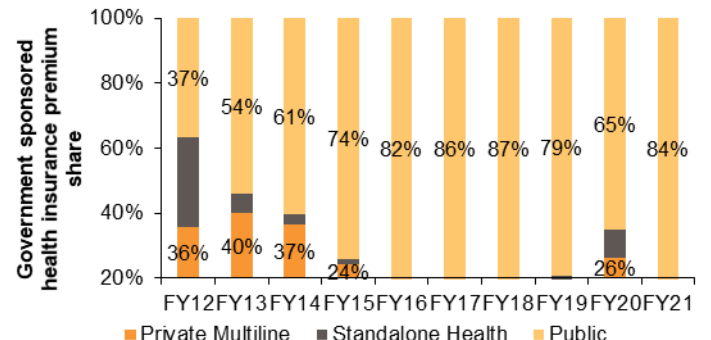
Source: IRDAI, Emkay research

**Exhibit 60: PSUs have been cornered in retail Health Segment; FY21 numbers of SAHI and Private impacted by Apollo Munich merger in HDFC Ergo**



Source: IRDAI, Emkay research

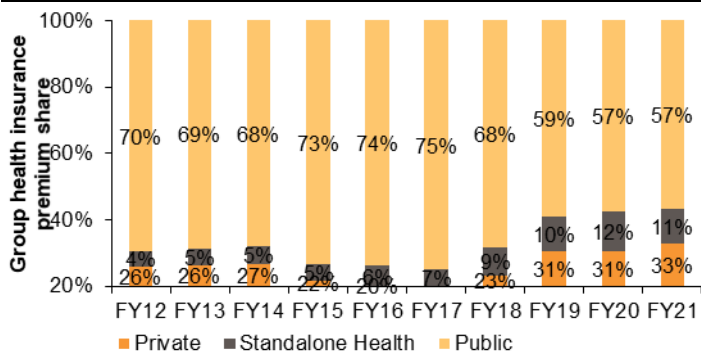
**Exhibit 61: Near complete market share of PSUs in government program signals pricing to be unsustainable**



Source: IRDAI, Emkay research

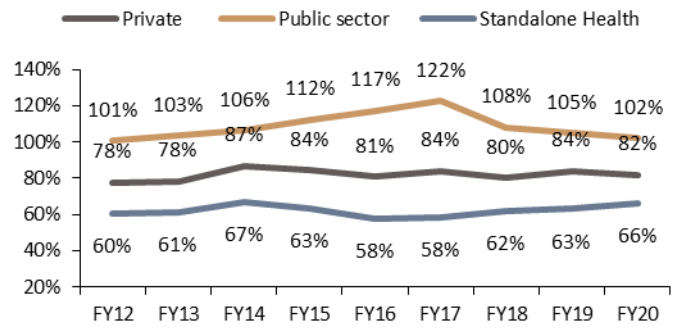


**Exhibit 62: Group Health is the battleground for PSUs and multiline private insurers (who gained from Banca partnership group offering)**



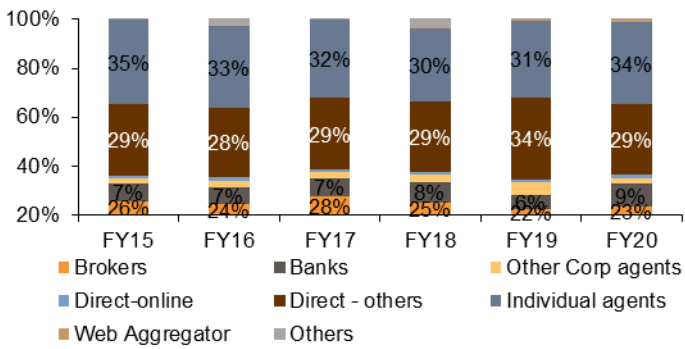
Source: IRDAI, Emkay research

**Exhibit 63: Given their business mix (Retail, Group and Government), the claims ratio of Private multiline, PSUs and SAHI display wide gaps**



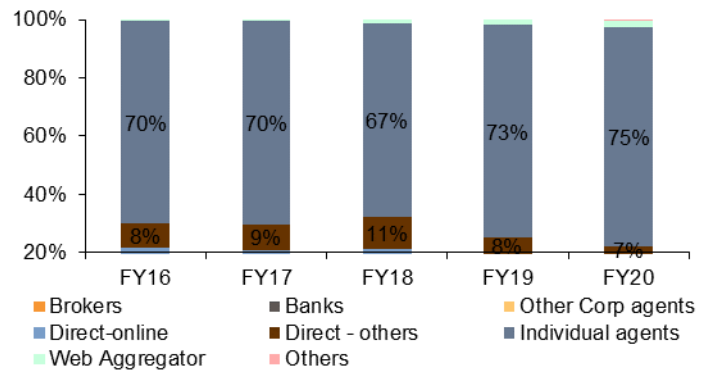
Source: IRDAI, Emkay Research

**Exhibit 64: Distribution of Health Insurance premium (%): Agents, brokers and direct remain the key**



Source: IRDAI, Emkay research

**Exhibit 65: Retail Health GDPI distribution (%): Agency remains the dominant force**



Source: IRDAI, Emkay research

# Star Health: Strengths and strategy

## Company Background

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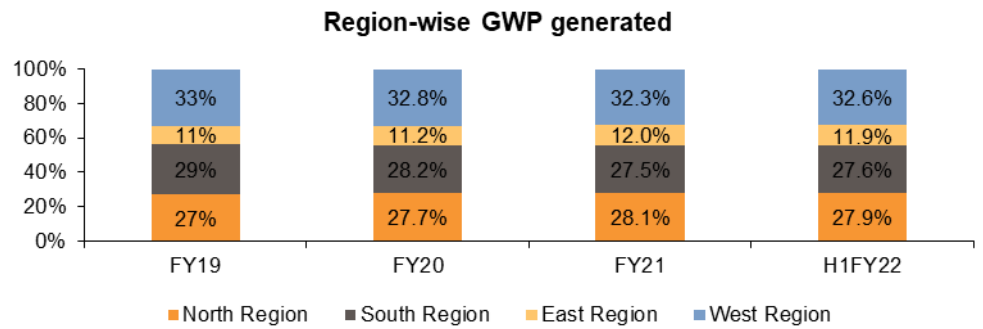
Star Health & Allied Insurance Co Ltd, commonly known as Star Health Insurance, was established in 2006. From being India's first IRDA-licensed stand-alone health insurer (SAHI) it has now grown into the largest SAHI in the overall health insurance market in India, according to CRISIL. The firm has been offering health, personal accident, and international travel insurance services. The company has one of the largest and well-spread distribution networks with 779 health insurance branches spread across 25 states and 5 union territories in India. It distributes health insurance policies primarily through individual agents and had the largest number of individual agents among SAHI insurers. It has successfully built a strong health insurance hospital networks in India, with more than 11,778 hospitals. It has also entered into pre-agreed arrangements with more than 7,741 hospitals. Its comprehensive health insurance product suite insured ~20.5mn lives in Fiscal 2021 in retail health and group health. The retail health insurance segment accounted for 9% of the total number of lives covered by health insurance in India in FY20. It has a 15.8% overall health insurance market share and a 31.3% retail health insurance market share in Fiscal 2021.

## Strengths

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- **Leadership in the attractive retail health segment:** The company holds a significant market share of 15.8% in overall health insurance and 31.3% in retail health insurance as of March 2021. It has consistently issued the highest number of policies among all health insurance providers with 4.3mn, 5.1mn, and 7.0mn policies issued as of Mar 2019, 2020, 2021. The company recorded retail health GWP of over 3x the GWP of the next highest retail health insurance market player in each of Fiscal 2019, 2020 and 2021. It is ahead in procuring new business each year, with a steady stream of customers reporting ~97.9% renewals by GWP value for retail health business in Fiscal 2021, and a 63.4% higher inward portability compared to Fiscal 2020, reflecting the increase in retail health GWP from new customers choosing to switch to Star Health insurance plans from other health insurance providers. Average retail health sum insured for the Company grew at a CAGR of 11.7% for FY19-21 indicating new policies sold with higher sum assured or upgrade in existing policies. Going ahead, the retail health segment in India is expected to emerge as a key growth driver for the overall health insurance market due to its lower claims ratio of 73%, as compared to government health and group health with claims ratios of 92% and 99%, respectively. Star Health's retail health GWP witnessed a CAGR of 32.5% for FY19-21, supported by its size and established market share, it is well-positioned to continue to benefit from ongoing market dynamics.
- **Ubiquitous distribution network and integrated ecosystem to access growing retail health insurance market:** The company has a pan-India distribution network spread across 25 states and 5 union territories with 779 health insurance branches supplemented by an extensive network of over 562 SMS and over 6,892 in-house sales managers in India as of Sep'21. Its total number of individual agents grew at a CAGR of 27.3% from 0.29mn to 0.46mn from FY19 to FY21 and 0.51mn in Sep'21. The company also maintains a diversified channel mix with agency network, including distribution by direct online sales through telemarketing, website and interactive applications, brokers, insurance marketing firms and web aggregators. The key corporate agent banks include Bank of Baroda, Punjab National Bank and Karur Vysya Bank. It also engages with other corporate agents, such as Pay TM and ICICI Securities, on API technology integrations, as well as PolicyBazaar, a broker, each of which enables it to distribute policies and conduct underwriting processes without human intervention.

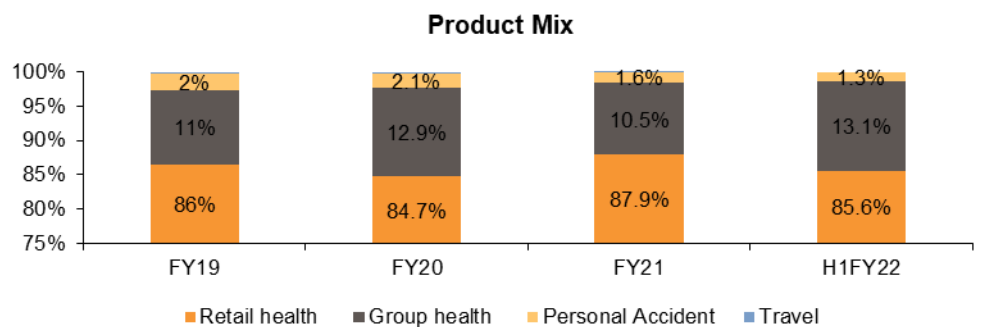
**Exhibit 66: West region continues to contribute maximum in the GWP mix**



Source: Company, Emkay Research

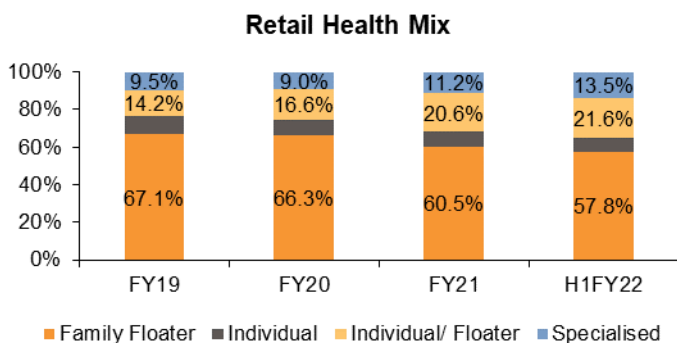
- Diversified product suite with a focus on innovative and specialized products:** The company offers a range of flexible and comprehensive coverage options primarily for retail health, group health, personal accident and overseas travel. It has introduced 56 new products from FY18 to Sep'21. It practices innovation-driven product development process taking into account family and economic profile, the age profile, the disease profile and the geographic profile of our customers. Its family floater policies accounted for 60.5%, individual floater policy 28.3%, and specialized policies based on age of the customer stood at 11.2% of the of total retail health GWP for FY21 and (57.8%, 28.7%, and 13.5% for Sep'21). The company focuses on introducing innovative health products that go beyond traditional health insurance policy coverage, such as our top-up health insurance, and products tailored for specific geographies such as Star Micro Rural and Farmers Care. Going forward, it will continue to innovate to design new products and solutions to cater to the varying needs of existing and potential customers through the use of advanced analytics and data.

**Exhibit 67: Product mix highly inclined towards Retail Health**



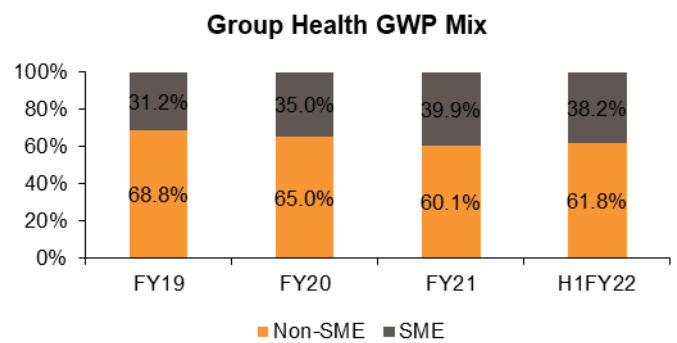
Source: Company data, Emkay research

**Exhibit 68: Retail Health mix inclined towards Family Floater**



Source: Company data, Emkay research

**Exhibit 69: Non-SME continues to form higher proportion of Group Health mix**



Source: Company data, Emkay research

- **Tech-enabled risk management system driving superior claims ratio and customer service:** To reduce the costs associated with claims, the company engages with the customers through their in-house tele-medicine service, 'TALK TO STAR', which provides customers with access to experienced doctors over telephone or internet. It has invested in technology that enables customers to self-administer claims online with built-in automatic checks and alerts to minimize processing errors and reduce turnaround times and human intervention. 94% of health claims were processed within 30 days in FY21. As of Sep'21, Star Health has employed 590 in-house full-time medical professionals to support product development, by providing opinions on risk incidence and claims mitigation. The company has a hospital network of over 11,778 hospitals, 65.7% of which had agreed packages as of Sep'21. This has resulted in a positive impact on customer engagement and improved loss ratios. It intends to use advanced analytics of data on customer patterns and behaviors and claims to reduce claims costs and improve customer selection, while better tailoring our products to our customers' needs.
- **Superior operating and financial performance:** The company has consistently invested in building an efficient, scalable platform with focus on reducing costs and exercising strong control over expenses in order to support profitable growth over the longer-term. It has made use of technology across business and has re-negotiated lease agreements of branches to bring down rental expenses. As a result, the net expense ratio for FY21 stood at 27.8% vs. 30.1% in FY19. The net expense ratio stood at 31% as on Sep'21. Going forward the company plans to further reduce net expense ratio by continuing to eliminate, standardize and automate internal processes. Except for FY21, the company has delivered the combined ratio below 95% from FY16 onwards.

## Strategy

The Indian health insurance market remains in the early stages of its life cycle and continues to be one of the most underpenetrated health insurance markets globally. A number of demographic factors are expected to continue to drive growth in the health insurance industry in India. The complicated nature of health insurance products and the associated specialized proprietary distribution and customer assistance that are required to service customers result in higher entry barriers and more attractive claims ratios. The company intends to use the following strategy to maintain its leadership and leverage it further.

### Continue to leverage and enhance market leadership in retail health insurance space:

The company intends to expand its customer base in parallel with India's favorable demographics, while growing profitability and increasing operating leverage. In particular, it intends to use health analytics, customer patterns and behaviors from the large customer base for better customer selection and products development; leverage its strong brand in the retail health insurance sector to attract quality agents and build its agency distribution network; expand the use of alternate distribution channels, such as corporate agent banks channel and other channels that complement agency network; expand offerings of innovative and custom products and wellness benefits tailored to the customers' needs.

### Strengthen existing distribution channels and develop alternative channels

In order to generate new business and drive up-selling of products, consistent with profitability objectives.

- **Expand agency and branch networks** – The company intends to use its dedicated agency care cell to train and educate agents on various products and underwriting principles, as well as other channels that promote retention, such as agency club, which recognizes strong agent performance and facilitates networking among agents. In order to expand our geographic and customer reach, the company plans to pursue collaborations with other corporate agents, such as LIC Housing Finance and ICICI Securities.
- **Digital sales** - As consumer purchase preferences continue to shift supported by the increasing use of mobile and digital devices, digital sales will continue to increase as a percentage of our total sales. The company intends to facilitate this by making digital sales more accessible to customers, including in local languages. It also intends to continue to expand sales through web aggregators.

- **Collaborations with Fintech and Insurtech companies** – Star Health intends to develop disruptive technology to differentiate its business from competitors and improve customer experience, such as collaborations with digital wallets that enable making and receiving payments and distributing products through their digital applications, as well as collaborating on smaller "bite-sized" insurance products, which are more affordable insurance offerings that can be purchased for specific health needs, in order to target underpenetrated markets.

### **Product innovation and value-added services**

The company plans to design and offer innovative and tailored products to a broad base of customers, including in the premium and high net worth markets, that go beyond traditional health insurance policy coverage, such as top-up health insurance products. It intends to focus on launching disease-specific, demographic-and-geographic-specific products.

**Telemedicine Services** - It plans to continue to engage with customers, through telemedicine service 'TALK TO STAR' by encouraging customers to contact them in an effort to help assist them on the availability of various treatments and hospitals in order create a better customer experience.

**Value-added-services** - Increase emphasis on value-added services to promote wellness, such as surveys of customer risk profiles, including reviewing medical records and measuring heart rates and other indicators of health by doctors, which can help reduce morbidity and mortality, as well as by coaching customers to take preventive actions and get appropriate care to improve their health, as well as assisting and comforting customers through the healthcare and health insurance process.

### **Utilize Digitization to improve operational efficiencies and customer service**

It aims to use advanced analytics of data on customer patterns and behaviors and claims to reduce claims costs and improve customer selection, while better tailoring products to customers' needs.

It plans to reduce its net expense ratio by continuing to eliminate, standardize and automate internal processes. It has added focus on software development and process optimization where it intends to upgrade its technologies to improve efficiencies and productivity and reduce waste, such as using scaling and agile software and frameworks across businesses.

### **Respond and adapt to the post-COVID-19 environment**

The company had seen an increase in claims across network, and the increase in net paid claims due to the Covid-19 accounted for 30.0% and 41.0% of total net paid claims by value in FY21 and the six months ended Sep'21, respectively. In FY21 and as on Sep'21, Covid-19 net paid claims had an average claim paid size of Rs0.08mn and Rs0.09mn, respectively, compared to an average non-Covid-19-related net paid claim size of Rs0.04mn and Rs0.05mn, respectively, due the longer hospitalization days and the severity of Covid-19.

Star Health plans to continue to utilize and launch applications and technologies that enable us to provide uninterrupted and quality customer service to facilitate seamless electronic document submissions and the posting cashless approvals for claim payments, as well as the sharing of medical records and documentation through cloud technologies.

The company has launched a Corona Kavach Policy and a Corona Rakshak Policy, which cover the treatment cost of the coronavirus disease, based on guidelines issued by the IRDAI, and closely monitor claims relating to COVID-19 and provide daily reports of confirmed cases and suspected cases to the Indian General Insurance Council for onward transmission to the Ministry of Health and the IRDAI

**Exhibit 70: Star Health's strong ESG framework**

Source: Company, Emkay Research

**Exhibit 71: Awards, accreditations and recognitions received by the company**

Year	Award
2021	<ul style="list-style-type: none"> <li>• Awarded "Dream Companies to Work for Insurance- Private Sector" at the World HRD Congress;</li> <li>• Awarded under the category of "Most Innovative New Product Launches or Customer Propositions" at the 13th Global Insurance E-Summit and Award by the ASSOCHAM;</li> <li>• Awarded "India's Best Health Insurance Company selected by Democratic Process (voting)" by Insurance Alertss;</li> <li>• Awarded "India's Best Health Insurance Company Award for Retail Products" at the 4th Insurance Alertss Conclave and Excellence Awards hosted by Insurance Alertss at Conclave and Excellence Awards.</li> </ul>
2020	<ul style="list-style-type: none"> <li>• Recognized as India's leading Health Insurance Company at the Dun &amp; Bradstreet BFSI Summit &amp; Awards, 2020.</li> </ul>

Source: Company data, Emkay research



**Exhibit 72: Management Team**

Sr. No.	Name	Designation	Profile
1	Venkatasamy Jagannathan	Chairman and CEO	Mr. Venkatasamy Jagannathan is the Chairman and CEO of the Company. He holds a master's degree of arts in economics from the Annamalai University, Tamil Nadu. He has more than 47 years of experience in the insurance industry. He has also been awarded the "Social Entrepreneur for Star Cancer Care" award at the Six Sigma Excellence Awards, 2017. He has previously worked with United India Insurance Company in the capacity of chairman cum managing director.
2	Subbarayan Prakash	Managing Director	Mr. Subbarayan Prakash is the Managing Director of the Company. He holds a bachelor's degree in medicine and surgery from the Bharathidasan University, Tamil Nadu and a master's degree in surgery in the branch of general surgery from the Tamil Nadu Dr. M.G.R. Medical University. Further, he has been admitted as a fellow qua surgeon of the Royal College of Physicians and Surgeons of Glasgow. He has also been registered in the Tamil Nadu Medical Register. He has several years of experience as a surgeon and has previously worked with Saudi Operation & Maintenance Company Limited as a specialist in general surgery/traumatology.
3	Anand Shankar Roy	Managing Director	Mr. Anand Shankar Roy is the Managing Director of the Company. He holds a bachelor's degree in commerce from the University of Madras and a post graduate diploma in management from International Management Institute, New Delhi. He has 21 years of experience in the insurance industry and has previously worked with American Express Travel Related Services and ICICI Lombard General Insurance Company Limited.
4	Nilesh Kambli	Chief Financial Officer	Mr. Nilesh Kambli is the CFO of the Company. He holds a bachelor's degree in commerce from the University of Mumbai. He has cleared the final examination held by the Institute of Chartered Accountants of India. He has also completed the INSEAD leadership program for senior Indian executives. He has previously worked with Bharti AXA General Insurance Company Limited, Citicorp Finance (India) Limited and ICICI Lombard General Insurance Company Limited.
5	Aneesh Srivastava	Chief Investment Officer	Mr. Aneesh Srivastava is the Chief Investment Officer of the company. He holds a bachelor's degree in science and a master's degree in business administration from the Lucknow University. He also holds a certificate in quantitative finance from the CQF Institute and is a financial risk manager certified from Global Association of Risk Professionals. He is a member of the Council of Chartered Financial Analysts. He has over 25 years of experience in fund management and the insurance industry. He has previously worked with Bajaj Allianz Life Insurance Company Limited, IDBI Fortis Life Insurance Company Limited, India Advisory Partners Private Limited and Sahara India.

Source: Company, Emkay Research



**Exhibit 73: Key financials**

<b>Policyholder Account (Y/E Mar, Rs mn)</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
Gross Direct Premium (GDPI)	20,073	29,601	41,611	54,154	68,907	93,490	1,18,776	1,49,639	1,84,104	2,26,509
Gross Written Premium (GWP)	20,076	29,602	41,611	54,154	68,907	93,490	1,18,776	1,49,639	1,84,104	2,26,509
Net Written Premium (NWP)	15,397	22,832	31,960	41,415	52,614	71,448	1,11,379	1,40,322	1,72,634	2,10,161
Net Earned Premium (NEP)	15,139	19,115	27,396	35,795	46,930	50,228	96,277	1,25,762	1,55,619	1,90,873
Net incurred claims	8,146	11,567	16,920	22,976	30,874	43,695	74,721	83,966	1,04,278	1,28,358
Net commission expense	611	953	1,366	2,638	3,409	5,838	14,409	17,406	20,493	23,736
Operating expense	4,539	6,253	8,614	9,827	11,020	14,014	19,040	23,286	28,217	33,825
Other expense	0	0	0	48	-58	0	0	0	0	0
Total Expense	13,296	18,774	26,900	35,488	45,246	63,546	1,08,171	1,24,658	1,52,987	1,85,920
Underwriting result	1843	341	496	307	1684	(13318)	(11894)	1104	2632	4953
Investment income	642	624	888	1,340	1,924	2,606	4,478	6,251	7,888	9,696
Insurance result	2,485	965	1,384	1,647	3,608	-10,712	-7,416	7,355	10,520	14,649
Other income	0	0	0	0	0	0	0	0	0	0
Operating profit	2,485	965	1,384	1,647	3,608	-10,712	-7,416	7,355	10,520	14,649

**Shareholder Account**

<b>(Y/E Mar, Rs mn)</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
Operating profit	2,485	965	1,384	1,647	3,608	-10,712	-7,416	7,355	10,520	14,649
Investment income	181	382	592	614	1,011	1,631	3,023	3,315	3,794	4,440
Other income	0	0	0	1	0	3	75	0	0	0
Expenses and provisions	1,301	168	264	440	485	1,382	856	506	506	506
Profit before tax	1,366	1,179	1,712	1,822	4,134	-10,460	-5,174	10,165	13,808	18,583
Tax expense	0	0	10	540	1,415	-2,204	-1,293	2,541	3,452	4,646
Profit after Tax	1,366	1,179	1,702	1,282	2,720	-8,256	-3,880	7,624	10,356	13,937

**Balance Sheet**

<b>(Y/E Mar, Rs mn)</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
<b>Source of Funds</b>										
Net worth	7,187	10,301	10,301	13,926	16,437	42,242	63,135	63,135	69,989	83,926
Fair value gains	0	0	0	0	31	-76	0	0	0	0
Net worth including fair value gains	7,187	10,301	10,301	13,926	16,468	42,166	63,135	63,135	69,989	83,926
Borrowings	0	0	2,500	2,500	2,500	2,500	6,500	6,500	6,500	6,500
<b>Total</b>	<b>7,187</b>	<b>10,301</b>	<b>12,801</b>	<b>16,426</b>	<b>18,968</b>	<b>44,666</b>	<b>69,635</b>	<b>69,635</b>	<b>76,489</b>	<b>90,426</b>
<b>Application of Funds</b>										
Investments	8,067	14,285	21,647	30,301	42,900	68,367	1,19,285	1,46,570	1,78,638	2,15,230
Shareholders	0	5,428	8,659	9,523	14,782	26,321	40,956	46,293	53,542	63,298
Policyholders	0	8,857	12,988	20,778	28,117	42,046	78,328	1,00,277	1,25,096	1,51,932
Other Assets	654	838	970	2,401	2,486	5,203	6,546	4,057	1,146	1,203
Cash & Bank Balances	2,719	3,311	5,020	8,930	6,114	18,790	7,472	8,397	10,428	12,836
Other current assets	2,280	3,692	5,835	7,093	9,767	12,650	10,000	10,000	10,000	10,000
Current liabilities	2,380	2,782	5,375	9,003	11,794	15,643	17,966	21,504	25,321	31,153
Provisions	7,739	11,450	16,001	24,939	30,506	51,946	66,827	81,387	98,402	1,17,690
Net Current Assets	-5,120	-7,228	-10,521	-17,920	-26,418	-36,149	-67,321	-84,494	-1,03,295	-1,26,007
Accumulated losses	3,586	2,407	705	1,644	0	7,245	11,125	3,502	0	0
<b>Total</b>	<b>7,187</b>	<b>10,301</b>	<b>12,801</b>	<b>16,426</b>	<b>18,968</b>	<b>44,666</b>	<b>69,635</b>	<b>69,635</b>	<b>76,489</b>	<b>90,426</b>

Source: Company, Emkay Research

**Exhibit 74: Key ratios**

(Y/E Mar, %)	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E
Retention ratio	76.7	77.1	76.8	76.5	76.4	76.4	93.8	93.8	93.8	92.8
Incurred claims ratio	53.8	60.5	61.8	64.2	65.8	87.0	77.6	66.8	67.0	67.2
Net commission ratio	4.0	4.2	4.3	6.4	6.5	8.2	12.9	12.4	11.9	11.3
Expense ratio	29.5	27.4	27.0	23.7	20.9	19.6	17.1	16.6	16.3	16.1
Combined ratio	87.3	92.1	93.0	94.3	93.2	114.8	107.6	95.8	95.2	94.6
NWP/Net worth	2.1	2.2	3.1	3.0	3.2	1.7	1.8	2.2	2.5	2.5
Return on Equity				10.6	17.9	-28.2	-8.2	12.1	15.6	18.1
Solvency ratio	599.4	161.1	177.4	153.0	150.0	223.0	233.4	209.2	196.2	189.6

Source: Company, Emkay Research

## Appendix

**Exhibit 75: Gross Written Premium (overall health insurance) – Market share and Growth**

	Type of Player	GDPI (Rs mn)					Market Share (%)					CAGR FY18-FY21
		FY18	FY19	FY20	FY21	H1FY22	FY18	FY19	FY20	FY21	H1FY22	
New India Assurance	Public	69,959	82,412	93,818	107,238	78,469	18.9%	18.4%	19.2%	18.4%	21.2%	15.3%
Star Health	SAHI	40,317	52,718	67,079	92,039	51,319	10.9%	11.8%	13.7%	15.8%	13.9%	31.7%
United India	Public	56,060	53,570	53,298	62,402	31,892	15.1%	12.0%	10.9%	10.7%	8.6%	3.6%
National Insurance	Public	53,291	58,900	52,776	55,492	33,257	14.4%	13.2%	10.8%	9.5%	9.0%	1.4%
Oriental Insurance	Public	35,764	40,444	46,343	47,419	34,836	9.7%	9.1%	9.5%	8.1%	9.4%	9.9%
HDFC Ergo General	Private	9,742	12,542	15,743	37,335	18,369	2.6%	2.8%	3.2%	6.4%	5.0%	14%*
HDFC Ergo Health	SAHI	15,662	19,873	23,598	NA	NA	4.2%	4.4%	4.8%	NA	NA	
ICICI Lombard	Private	18,488	22,672	26,952	26,392	17,868	5.0%	5.1%	5.5%	4.5%	4.8%	12.6%
CARE Health	SAHI	9,320	16,112	21,513	23,101	15,192	2.5%	3.6%	4.4%	4.0%	4.1%	35.3%
Bajaj Allianz	Private	13,695	22,062	20,869	20,746	19,601	3.7%	4.9%	4.3%	3.6%	5.3%	14.8%
Max Bupa Health	SAHI	7,433	9,145	11,776	16,660	12,243	2.0%	2.0%	2.4%	2.9%	3.3%	30.9%
SBI General	Private	4,726	5,134	7,425	12,563	7,016	1.3%	1.1%	1.5%	2.2%	1.9%	38.5%
Aditya Birla Health	SAHI	2,304	4,234	7,555	11,658	6,943	0.6%	0.9%	1.5%	2.0%	1.9%	71.7%
TATA AIG General	Private	4,043	6,313	8,354	10,702	6,207	1.1%	1.4%	1.7%	1.8%	1.7%	38.3%
Reliance General	Private	7,373	10,189	14,218	8,872	5,997	2.0%	2.3%	2.9%	1.5%	1.6%	6.4%
Manipal Cigna Health	SAHI	3,265	4,688	5,673	7,445	4,335	0.9%	1.0%	1.2%	1.3%	1.2%	31.6%
Cholamandalam MS General	Private	2,607	2,737	3,169	4,287	2,010	0.7%	0.6%	0.6%	0.7%	0.5%	18.0%

Source: GIC, Emkay Research. Note: NA = Not available; (\*) CAGR growth is for merged entity (HDFC Ergo General and HDFC Ergo Health); HDFC Ergo General Fiscal 2021 and Fiscal 2022 numbers include HDFC Ergo Health's data as well, post-merger; Cholamandalam MS General includes premium includes only for health insurance retail and group as government health insurance premium is not meaningful.

**Exhibit 76: Gross written Premium (Personal Accident and overseas) – Market share and Growth**

	Type of Player	GDPI (Rs mn)					Market Share (%)					CAGR FY18-FY21
		FY18	FY19	FY20	FY21	H1FY22	FY18	FY19	FY20	FY21	H1FY22	
SBI General	Private	4,670	6,101	8,330	8,660	3,268	9.20%	9.80%	14.20%	16.30%	9.00%	23%
New India Assurance	Public	4,773	5,388	3,653	6,171	9,653	9.40%	8.70%	6.20%	11.60%	26.50%	9%
HDFC Ergo General	Private	6,115	7,190	6,867	5,481	2,974	12.00%	11.60%	11.70%	10.30%	8.20%	-10%
HDFC Ergo Health	SAHI	1,513	2,071	1,618	NA	NA	3.00%	3.30%	2.80%	NA	NA	
United India	Public	2,471	4,391	5,398	4,930	2,342	4.90%	7.10%	9.20%	9.30%	6.40%	26%
ICICI Lombard	Private	6,265	7,018	6,369	3,822	2,281	12.30%	11.30%	10.90%	7.20%	6.30%	-15%
CARE Health	SAHI	1,596	2,143	2,377	2,497	1,588	3.10%	3.50%	4.10%	4.70%	4.40%	16%
Cholamandalam MS General	Private	2,137	2,874	3,062	2,482	1,134	4.20%	4.60%	5.20%	4.70%	3.10%	5%
Oriental Insurance	Public	5,043	5,502	2,423	2,415	1,624	9.90%	8.90%	4.10%	4.50%	4.50%	-22%
TATA AIG General	Private	3,202	4,881	3,186	2,305	1,117	6.30%	7.90%	5.40%	4.30%	3.10%	-10%
Bajaj Allianz	Private	3,236	3,908	3,880	2,272	1,219	6.40%	6.30%	6.60%	4.30%	3.30%	-11%
National Insurance	Public	3,172	1,719	1,953	2,229	1,472	6.20%	2.80%	3.30%	4.20%	4.00%	-11%
Star Health	SAHI	1,294	1,408	1,462	1,495	679	2.50%	2.30%	2.50%	2.80%	1.90%	5%
Aditya Birla Health	SAHI	128	734	1,165	1,348	693	0.30%	1.20%	2.00%	2.50%	1.90%	119%
Max Bupa Health	SAHI	112	325	653	848	247	0.20%	0.50%	1.10%	1.60%	0.70%	96%
Reliance General	Private	737	1,079	1,153	678	552	1.50%	1.70%	2.00%	1.30%	1.50%	-3%
Manipal Cigna Health	SAHI	199	160	89	110	82	0.40%	0.30%	0.20%	0.20%	0.20%	-18%

Source: GIC, Emkay Research. Note: NA = Not available; (\*) CAGR growth is for merged entity (HDFC Ergo General and HDFC Ergo Health); HDFC Ergo General Fiscal 2021 and Fiscal 2022 numbers include HDFC Ergo Health's data as well, post-merger

**Exhibit 77: GWP Product Mix**

GWP Product Mix	Retail	Group	Government	Overseas
Star Health	89%	11%		0%
Max bupa Health	81%	19%		0%
HDFC Ergo General	73%	27%		0%
CARE Health	69%	30%		1%
Cholamandalam MS General	68%	32%		0%
Manipal Cigna Health	53%	47%		0%
Aditya Birla Health	48%	52%		0%
Oriental Insurance	39%	56%	5%	0%
Bajaj Allianz	38%	54%	7%	1%
National Insurance	38%	53%	9%	0%
SBI General	28%	72%		0%
TATA AIG General	27%	66%		7%
ICICI Lombard	27%	71%		2%
New India Assurance	24%	72%	4%	0%
United India	22%	39%	40%	0%
Reliance General	16%	60%	22%	2%

Source: Industry, Emkay Research Note: HDFC Ergo General Fiscal 2021 number include HDFC Ergo Health's data as well, post-merger.

**Exhibit 78: Retail Health insurance business – Market share and Growth**

	Type of Player	Retail Business Premium (Rs mn)					Market Share (%)					CAGR FY18-FY21
		FY18	FY19	FY20	FY21	H1FY22	FY18	FY19	FY20	FY21	H1FY22	
Star Health	SAHI	36,291	46,789	58,658	82,075	44,364	19.80%	22.80%	28.60%	31.30%	31.60%	31%
HDFC Ergo General	Private	7,804	5,388	6,263	27,236	13,703	4.30%	2.60%	3.10%	10.40%	9.80%	14%*
HDFC Ergo Health	SAHI	10,803	13,920	17,203	NA	NA	5.90%	6.80%	8.40%	NA	NA	
New India Assurance	Public	21,423	23,386	23,670	25,997	12,992	11.70%	11.40%	11.50%	9.90%	9.30%	7%
National Insurance	Public	14,935	16,343	17,380	20,830	10,774	8.20%	8.00%	8.50%	7.90%	7.70%	12%
Oriental Insurance	Public	14,075	15,270	15,599	18,579	8,575	7.70%	7.40%	7.60%	7.10%	6.10%	10%
CARE Health	SAHI	6,165	8,690	11,431	16,190	9,669	3.40%	4.20%	5.60%	6.20%	6.90%	38%
United India	Public	10,160	10,577	12,140	13,646	6,635	5.50%	5.20%	5.90%	5.20%	4.70%	10%
Max Bupa Health	SAHI	6,342	7,367	8,694	13,555	9,652	3.50%	3.60%	4.20%	5.20%	6.90%	29%
Bajaj Allianz	Private	5,303	6,088	6,920	8,035	4,169	2.90%	3.00%	3.40%	3.10%	3.00%	15%
ICICI Lombard	Private	10,806	9,678	5,852	7,357	4,141	5.90%	4.70%	2.90%	2.80%	3.00%	-12%
Aditya Birla Health	SAHI	769	1,983	3,496	5,590	3,162	0.40%	1.00%	1.70%	2.10%	2.30%	94%
Manipal Cigna Health	SAHI	2,199	2,665	3,123	3,936	2,168	1.20%	1.30%	1.50%	1.50%	1.50%	21%
SBI General	Private	991	1,758	2,879	3,514	1,654	0.50%	0.90%	1.40%	1.30%	1.20%	52%
TATA AIG General	Private	2,578	4,427	1,759	3,156	2,121	1.40%	2.20%	0.90%	1.20%	1.50%	7%
Cholamandalam MS General	Private	2,193	2,295	2,361	2,479	1,363	1.20%	1.10%	1.20%	0.90%	1.00%	4%
Reliance General	Private	734	863	998	1,432	821	0.40%	0.40%	0.50%	0.50%	0.60%	25%

Source: Industry, Emkay Research. Note: NA = Not available; (\*) CAGR growth is for merged entity (HDFC Ergo General and HDFC Ergo Health); HDFC Ergo General Fiscal 2021 and Fiscal 2022 numbers include HDFC Ergo Health's data as well, post-merger

## Exhibit 79: Accretion in retail health business premium (FY 21) – Market share

	Type of Player	Retail Business Premium (Rs mn)						Market Share (%)						New Retail Business	
		Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	FY21	Incremental Market Share
Star Health	SAHI	14,054	21,254	20,031	26,737	20,130	24,234	28.20%	30.60%	32.40%	32.70%	30.60%	32.60%	23,418	40.50%
HDFC Ergo General	Private	1,593	1,922	6,285	8,654	6,407	7,296	3.20%	2.80%	10.20%	10.60%	9.70%	9.80%	3,770*	6.5%*
HDFC Ergo Health	SAHI	3,761	5,020	NA	NA	NA	5,079	7.50%	7.20%	NA	NA	NA	6.80%		
Max Bupa Health	SAHI	2,591	3,309	3,033	4,622	4,573	5,213	5.20%	4.80%	4.90%	5.60%	6.90%	7.00%	4,862	8.40%
CARE Health	SAHI	3,110	4,241	3,727	5,111	4,455	NA	6.20%	6.10%	6.00%	6.20%	6.80%	NA	4,759	8.20%
National Insurance	Public	4,035	4,932	5,212	6,650	5,275	5,499	8.10%	7.10%	8.40%	8.10%	8.00%	7.40%	3,450	6.00%
Oriental Insurance	Public	3,611	5,742	4,309	4,917	4,250	4,326	7.20%	8.30%	7.00%	6.00%	6.50%	5.80%	2,980	5.10%
New India Assurance	Public	5,372	6,912	6,024	7,691	6,386	6,606	10.80%	10.00%	9.70%	9.40%	9.70%	8.90%	2,327	4.00%
Aditya Birla Health	SAHI	1,196	1,511	1,160	1,723	1,552	1,610	2.40%	2.20%	1.90%	2.10%	2.40%	2.20%	2,094	3.60%
United India	Public	2,939	3,437	3,186	4,084	3,175	3,460	5.90%	5.00%	5.20%	5.00%	4.80%	4.60%	1,507	2.60%
ICICI Lombard	Private	1,483	1,904	1,740	2,231	1,906	2,234	3.00%	2.70%	2.80%	2.70%	2.90%	3.00%	1,505	2.60%
TATA AIG General	Private	639	778	704.2	1,035	980	1,141	1.30%	1.10%	1.10%	1.30%	1.50%	1.50%	1,398	2.40%
Bajaj Allianz	Private	1,551	2,298	1,745	2,441	2,029	2,140	3.10%	3.30%	2.80%	3.00%	3.10%	2.90%	1,115	1.90%
Manipal Cigna Health	SAHI	818	1,074	902	1,142	991	1,177	1.60%	1.50%	1.50%	1.40%	1.50%	1.60%	813	1.40%
SBI General	Private	559	967	900	1,088	616	1,038	1.10%	1.40%	1.50%	1.30%	0.90%	1.40%	634	1.10%
Cholamandalam MS General	Private	524	858	442	1,083	538	825	1.00%	1.20%	0.70%	1.30%	0.80%	1.10%	545	0.90%
Reliance General	Private	316	414	257	444	409	412	0.60%	0.60%	0.40%	0.50%	0.60%	0.60%	433	0.70%

Source: Industry, Emkay Research Note: NA = Not available; Accretion in Retail Health Business is calculated as total retail premium during Fiscal 2021 minus total retail premium during Fiscal 2020; (\*) Accretion in Retail Business is for merged entity (HDFC Ergo General and HDFC Ergo Health); HDFC Ergo General Q3Fiscal 2021, Q4Fiscal 2021 and Q1 Fiscal 2022 numbers include HDFC Ergo Health's data as well, post-merger

## Exhibit 80: Group Health insurance business – Market share and growth

	Type of Player	Group Business (Rs mn)					Market Share (%)					CAGR FY18-FY21
		FY18	FY19	FY20	FY21	H1FY22	FY18	FY19	FY20	FY21	H1FY22	
New India Assurance	Public	39,725	45,899	63,957	76,972	54,517	22.00%	22.40%	25.30%	27.70%	28.50%	25%
National Insurance	Public	33,561	21,043	19,793	29,594	21,155	18.60%	10.30%	7.80%	10.70%	11.10%	-4%
Oriental Insurance	Public	21,391	23,397	27,238	26,605	21,239	11.90%	11.40%	10.80%	9.60%	11.10%	8%
United India	Public	33,130	32,268	32,507	24,085	15,978	18.40%	15.70%	12.90%	8.70%	8.40%	-10%
ICICI Lombard	Private	7,304	12,918	21,082	19,035	13,728	4.00%	6.30%	8.30%	6.90%	7.20%	38%
Bajaj Allianz	Private	7,863	12,284	11,552	11,270	7,907	4.40%	6.00%	4.60%	4.10%	4.10%	13%
SBI General	Private	3,735	3,376	4,545	9,050	3,929	2.10%	1.60%	1.80%	3.30%	2.10%	34%
Star Health	SAHI	4,026	5,938	8,381	9,963	6,955	2.20%	2.90%	3.30%	3.60%	3.60%	35%
HDFC Ergo General	Private	1,938	6,148	6,215	10,091	4,666	1.10%	3.00%	2.50%	3.60%	2.40%	14%*
HDFC Ergo Health	SAHI	4,859	5,849	6,370	NA	NA	2.70%	2.90%	2.50%	NA	NA	
TATA AIG General	Private	1,465	1,886	6,596	7,545	4,086	0.80%	0.90%	2.60%	2.70%	2.10%	73%
CARE Health	SAHI	3,104	4,854	5,952	6,911	5,523	1.70%	2.40%	2.40%	2.50%	2.90%	31%
Reliance General	Private	3,732	5,660	5,808	5,430	3,959	2.10%	2.80%	2.30%	2.00%	2.10%	13%
Aditya Birla Health	SAHI	1,535	2,251	4,060	6,069	3,782	0.90%	1.10%	1.60%	2.20%	2.00%	58%
Manipal Cigna Health	SAHI	1,066	2,023	2,550	3,509	2,167	0.60%	1.00%	1.00%	1.30%	1.10%	49%
Max Bupa Health	SAHI	1,048	1,743	3,082	3,105	2,591	0.60%	0.80%	1.20%	1.10%	1.40%	44%
Cholamandalam MS General	Private	413	442	864	1,808	648	0.20%	0.20%	0.30%	0.70%	0.30%	64%

Source: Industry, Emkay Research Note: NA = Not available; (\*) CAGR growth is for merged entity (HDFC Ergo General and HDFC Ergo Health); HDFC Ergo General Fiscal 2021 and Fiscal 2022 numbers include HDFC Ergo Health's data as well, post-merger

**Exhibit 81: Government Health insurance business – Market share and growth**

	Type of Player	Govt. Business (Rs mn)					Market Share (%)					CAGR FY18-FY21
		FY18	FY19	FY20	FY21	H1FY22	FY18	FY19	FY20	FY21	H1FY22	
United India	Public	12,770	10,725	8,623	24,671	9,279	40.50%	18.00%	17.00%	57.00%	24.40%	25%
National Insurance	Public	4,795	21,514	15,234	5,068	1,328	15.20%	36.00%	30.00%	11.70%	3.50%	2%
New India Assurance	Public	8,811	13,127	6,262	4,359	10,960	28.00%	22.00%	12.00%	10.10%	28.80%	-21%
Reliance General	Private	2,908	3,666	7,412	2,010	1,217	9.20%	6.20%	14.70%	4.60%	3.20%	-12%
Bajaj Allianz	Private	530	3,690	2,396	1,441	7,525	1.70%	6.30%	4.80%	3.30%	19.80%	40%
Oriental Insurance	Public	298	1,877	3,563	2,235	5,023	0.90%	3.00%	7.00%	5.20%	13.20%	96%
HDFC Ergo Health	SAHI	0	104	26	NA	NA	0.00%	0.20%	0.10%	NA	NA	NA*
HDFC Ergo General	Private	0	1,007	168	8	0	0.00%	1.70%	0.30%	0.00%	0.00%	NA
Star Health	SAHI	0	0	41	0	0	0.00%	0.00%	0.10%	0.00%	0.00%	NA
CARE Health	SAHI	51	2,568	4,130	0	0	0.20%	4.40%	8.20%	0.00%	0.00%	-100%
Max Bupa Health	SAHI	43	35	0	0	0	0.10%	0.10%	0.00%	0.00%	0.00%	NA
Aditya Birla Health	SAHI	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	NA
Manipal Cigna Health	SAHI	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	NA
ICICI Lombard	Private	379	75	17	0	0	1.20%	0.10%	0.00%	0.00%	0.00%	-100%
SBI General	Private	0	0	0	0	1433	0.00%	0.00%	0.00%	0.00%	3.80%	NA
TATA AIG General	Private	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	NA
Cholamandalam MS General	Private	0	0	NM	NM	0	0.00%	0.00%	0.00%	0.00%	0.00%	NA

Source: GIC, Emkay Research Note: NM = Not meaningful; NA = Not available; (\*) CAGR growth is for merged entity (HDFC Ergo General and HDFC Ergo Health); HDFC Ergo General Fiscal 2021 number include HDFC Ergo Health's data as well, post-merger

**Exhibit 82: Number of policies issued and its growth**

	Type of Player	No. of Policies					Market Share (%)				CAGR FY18-FY21
		FY18	FY19	FY20	FY21	FY22	FY18	FY19	FY20	FY21	
Star Health	SAHI	3,090	3,734	4,463	6,399	1,446	13.80%	12.40%	15.00%	26.83%	27%
Bajaj Allianz	Private	1,133	2,281	2,911	3,550	659	5.10%	7.60%	9.80%	14.89%	46%
TATA AIG General	Private	821	2,270	3,058	349	97	3.70%	7.50%	10.30%	1.46%	-25%
Oriental Insurance	Public	1,306	1,235	1,194	2,430	295	5.80%	4.10%	4.00%	10.19%	23%
New India Assurance	Public	1,788	1,732	1,709	1,919	477	8.00%	5.80%	5.80%	8.05%	2%
HDFC Ergo General	Private	724	831	989	1,965	470	3.20%	2.80%	3.30%	8.24%	9%*
HDFC Ergo Health	SAHI	809	1,063	1,207	NA	NA	3.60%	3.50%	4.10%	NA	NA
National Insurance	Public	1,786	1,727	1,555	1,511	NA	8.00%	5.70%	5.20%	6.34%	-5%
CARE Health	SAHI	438	770	1,003	1,226	281	2.00%	2.60%	3.40%	5.14%	41%
ICICI Lombard	Private	7,895	11,476	8,130	747	145	35.30%	38.10%	27.40%	3.13%	-54%
Max Bupa Health	SAHI	310	360	822	788	275	1.40%	1.20%	2.80%	3.30%	36%
SBI General	Private	419	648	568	639	90	1.90%	2.20%	1.90%	2.68%	15%
Aditya Birla Health	SAHI	76	186	310	496	133	0.30%	0.60%	1.00%	2.08%	87%
United India	Public	1,257	1,207	1,103	1,120	NA	5.60%	4.00%	3.70%	4.69%	-4%
Manipal Cigna Health	SAHI	177	216	226	289	70	0.80%	0.70%	0.80%	1.21%	18%
Cholamandalam MS General	Private	91	112	124	251	41	0.00%	0.00%	0.00%	1.05%	40%
Reliance General	Private	249	272	312	171	53	1.10%	0.90%	1.10%	0.72%	-12%

Source: Industry, Emkay Research Note – Market share calculated on the basis of analysed companies only; HDFC Ergo General Fiscal 2021 and Fiscal 2022 numbers include HDFC Ergo Health's data as well, post-merger; (\*) ICICI Lombard Fiscal 2021 numbers are as per NL 38 - [https://www.icicilombard.com/docs/default-source/publicdisclosures/Health's data as well, post-merger](https://www.icicilombard.com/docs/default-source/publicdisclosures/Health's%20data%20as%20well,%20post-merger;); (\*) ICICI Lombard Fiscal 2021 numbers are as per NL 38 - <https://www.icicilombard.com/docs/default-source/publicdisclosures/>

**Exhibit 83: Number of Policies (Retail business)**

	Type of Player	No. of Policies (Retail)			Market Share (%)			CAGR FY18-FY20
		FY18	FY19	FY20	FY18	FY19	FY20	
Star Health	SAHI	3,083,551	3,727,348	4,456,341	21.90%	19.00%	26.00%	20%
New India Assurance	Public	1,710,267	1,619,170	1,590,510	12.10%	8.30%	9.30%	-4%
National Insurance	Public	1,799,378	1,718,608	1,549,984	12.80%	8.80%	9.00%	-7%
HDFC Ergo Health	SAHI	807,249	1,060,612	1,204,122	5.70%	5.40%	7.00%	22%
ICICI Lombard	Private	1,008,917	4,227,624	1,166,709	7.20%	21.60%	6.80%	8%
Oriental Insurance	Public	1,061,765	1,034,779	1,002,612	7.50%	5.30%	5.80%	-3%
United India	Public	1,082,880	1,042,255	960,698	7.70%	5.30%	5.60%	-6%
Max Bupa Health	SAHI	309,718	695,500	820,924	2.20%	3.60%	4.80%	63%
CARE Health	SAHI	435,079	687,999	802,915	3.10%	3.50%	4.70%	36%
HDFC Ergo General	Private	628,381	997,623	775,036	4.50%	5.10%	4.50%	11%
Bajaj Allianz	Private	511,678	515,858	566,983	3.60%	2.60%	3.30%	5%
SBI General	Private	415,704	754,750	562,266	3.00%	3.90%	3.30%	16%
Aditya Birla Health	SAHI	74,137	184,823	309,006	0.50%	0.90%	1.80%	104%
Manipal Cigna Health	SAHI	176,458	228,788	248,341	1.30%	1.20%	1.40%	19%
TATA AIG General	Private	164,986	185,634	157,348	1.20%	0.90%	0.90%	-2%
Reliance General	Private	76,660	85,887	95,140	0.50%	0.40%	0.60%	11%
Cholamandalam MS General	Private	56,758	52,345	48,084	0.40%	0.30%	0.30%	-8%

Source: IRDAI, Emkay Research

**Exhibit 84: Number of persons covered under Retail Health Insurance Business**

	Type of Player	No. of Persons covered ('000)			Market Share (%)			CAGR FY18-FY20
		FY18	FY19	FY20	FY18	FY19	FY20	
Star Health	SAHI	7,990	9,585	11,475	24.00%	22.80%	26.50%	20%
New India Assurance	Public	4,469	4,194	4,030	13.40%	10.00%	9.30%	-5%
National Insurance	Public	3,164	3,851	3,793	9.50%	9.20%	8.80%	9%
HDFC Ergo Health	SAHI	2,081	2,718	3,104	6.30%	6.50%	7%	22%
Oriental Insurance	Public	3,143	3,008	2,887	9.40%	7.20%	6.70%	-4%
SBI General	Private	490	880	2,627	1.50%	2.10%	6.10%	132%
United India	Public	3,645	2,578	2,371	11.00%	6.10%	5.50%	-19%
Max Bupa Health	SAHI	824	1,700	2,002	2.50%	4.00%	4.60%	56%
HDFC Ergo General	Private	1,073	1,738	1,933	3.20%	4.10%	4.50%	34%
CARE Health	SAHI	984	1,494	1,818	3.00%	3.60%	4.20%	36%
ICICI Lombard	Private	1,304	4,918	1,766	3.90%	11.70%	4.10%	16%
Bajaj Allianz	Private	1,127	1,838	1,600	3.40%	4.40%	3.70%	19%
Aditya Birla Health	SAHI	151	395	666	0.50%	0.90%	1.50%	110%
Manipal Cigna Health	SAHI	390	526	580	1.20%	1.30%	1.30%	22%
TATA AIG General	Private	298	336	290	0.90%	0.80%	0.70%	-1%
Reliance General	Private	188	203	215	0.60%	0.50%	0.50%	7%
Cholamandalam MS General	Private	154	144	133	0.50%	0.30%	0.30%	-7%

Source: IRDAI, Emkay Research



**Exhibit 85: Star health has maintained its pricing close to industry average**

	Type of Player	Average Ticket Size per policy (Family Floater)			Avg Ticket Size per policy (Individual)		
		FY18	FY19	FY20	FY18	FY19	FY20
CARE Health	SAHI	15,490	15,118	16,019	12,368	9,733	11,884
HDFC Ergo Health	SAHI	14,996	14,734	15,621	10,571	10,135	11,573
TATA AIG General	Private	9,975	11,769	14,935	6,438	6,211	8,630
Oriental Insurance	Public	13,094	13,926	14,649	10,046	10,504	11,123
Star Health	SAHI	10,344	12,348	14,298	16,169	12,982	7,003
Manipal Cigna Health	SAHI	13,098	13,003	14,075	11,736	10,054	11,184
Aditya Birla Health	SAHI	13,819	13,691	13,925	7,533	7,678	8,532
Bajaj Allianz	Private	10,152	12,861	13,300	8,856	12,006	10,671
United India	Public	11,757	12,443	13,293	9,109	9,132	12,342
New India Assurance	Public	10,604	12,503	13,053	13,100	14,996	15,356
Reliance General	Private	10,973	11,928	12,673	6,875	6,901	7,418
National Insurance	Public	6,556	8,019	12,251	9,909	10,439	10,854
Max Bupa Health	SAHI	20,477	11,741	11,807	20,476	7,440	7,529
ICICI Lombard	Private	15,829	15,473	11,176	9,839	1,743	2,924
SBI General	Private	9,585	9,607	9,362	2,033	1,833	4,365
HDFC Ergo General	Private	8,965	7,785	9,232	18,323	2,634	5,646
Cholamandalam MS General	Private	5,444	5,635	7,218	7,180	7,641	8,122
Industry Average	Industry	10,801	11,879	13,362	10,918	6,624	9,131

Source: IRDAI, Emkay Research

**Exhibit 86: Variations on current pricing across players**

Health Insurance companies	Products	Type of Player	Pricing* for Individual plan
Aditya Birla Health	Activ Health Platinum Plan (Essential and Enhanced)	SAHI	6,149
Bajaj Allianz	Health Guard (Gold and Platinum)	Private	9,524
CARE Health	CARE Advantage	SAHI	7,004
Cholamandalam MS General	Chola Healthline (Value, Freedom, Enrich and Privilege)	Private	9,102
HDFC Ergo General	MY:HEALTH SURAKSHA	Private	7,410
ICICI Lombard	Ihealth	Private	6,034
Manipal Cigna Health	ProHealth Insurance (Protect, Plus and Accumulate)	SAHI	8,798
Max Bupa Health	Reassurance	SAHI	6,523
National Insurance	National mediclaim policy	Public	5,953
New India Assurance	Mediclaim policy	Public	5,122
Oriental Insurance	Mediclaim insurance policy	Public	5,847
Reliance General	Health Gain	Private	6,933
SBI General	Retail Health Insurance Policy	Private	6,272
Star Health	Medi classic (Basic and Gold)	SAHI	6,749
TATA AIG General	Medicare (Basic and Premier)	Private	6,051
United India	Health policy	Public	5,450

Source: Company, Emkay Research Note: (\*) Based on disclosures in the product brochures available on the website as of mid-March 2021; For Individual - price is calculated for 35 years old person for cover of Rs.0.5 million for standard health policy offered by respective companies; For the companies which have multiple categorisation like Gold, Platinum, Plus and etc., the price has been considered as average of all the categorisation offered under standard policy

**Exhibit 87: Health Insurance companies**

Health Insurance companies	Products	Type of Player	Pricing* for Family Floater plan
Aditya Birla Health	Activ Health Platinum Plan (Essential and Enhanced)	SAHI	13,762
Bajaj Allianz	Health Guard (Gold and Platinum)	Private	15,271
CARE Health	CARE Advantage	SAHI	10,451
Cholamandalam MS General	Chola Healthline (Value, Freedom, Enrich and Privilege)	Private	15,837
HDFC Ergo General	Health Suraksha	Private	12,967
ICICI Lombard	Ihealth	Private	10,951
Manipal Cigna Health	ProHealth Insurance (Protect, Plus and Accumulate)	SAHI	17,529
Max Bupa Health	Reassurance	SAHI	15,092
National Insurance	National parivar mediclaim policy	Public	10,046
New India Assurance	Mediclaim policy	Public	8,662
Oriental Insurance	Mediclaim insurance policy	Public	7,706
Reliance General	Health Gain	Private	8,844
SBI General	Retail Health Insurance Policy	Private	12,544
Star Health	Medi classic (Basic and Gold)	SAHI	12,543
TATA AIG General	Medicare (Basic and Premier)	Private	15,106
United India	Health policy	Public	10,382

Source: Company, Emkay Research Note: (\*) Based on disclosures in the product brochures available on the website as of mid-March 2021; For Family Floater – Price is calculated for 35 years old married person of Rs.0.5 million which also covers Spouse and one child for standard health policy offered by respective companies; For the companies which have multiple categorisation like Gold, Platinum, Plus and etc., the price has been considered as average of all the categorisation offered under standard policy.

**Exhibit 88: Share of gross premium coming from Individual Agents**

	Type of Player	Business through Individual Agents				
		FY18	FY19	FY20	FY21	Q1FY22
Star Health	SAHI	76%	78%	76%	79%	77%
United India*	Public	49%	54%	50%	46%	NA
CARE Health	SAHI	30%	29%	30%	41%	39%
National Insurance*	Public	40%	41%	41%	43%	NA
Oriental Insurance*	Public	49%	39%	39%	41%	35%
Max Bupa Health	SAHI	45%	41%	36%	38%	34%
Manipal Cigna Health	SAHI	25%	25%	27%	27%	26%
New India Assurance	Public	36%	32%	19%	23%	13%
TATA AIG General*	Private	24%	20%	22%	23%	20%
HDFC Ergo Health	SAHI	51%	50%	55%	NA	NA
HDFC Ergo General*	Private	11%	10%	9%	20%	22%
Bajaj Allianz*	Private	20%	21%	20%	18%	20%
Aditya Birla Health	SAHI	15%	18%	15%	15%	15%
Reliance General*	Private	26%	20%	16%	14%	10%
ICICI Lombard*	Private	12%	11%	11%	12%	11%
SBI General*	Private	6%	1%	6%	7%	9%
Cholamandalam MS General*	Private	2%	1%	1%	1%	1%

Source: Company, Industry, Emkay Research Note – NA = Not Available; (\*) Distribution mix is calculated on overall business as these companies do not report distribution mix for Health insurance segment separately; HDFC Ergo General Fiscal 2021 and Fiscal 2022 numbers include HDFC Ergo Health's data as well, post -merger

**Exhibit 89: Share of gross premium coming through direct business**

	Type of Player	Business through Direct Business				
		FY18	FY19	FY20	FY21	Q1FY22
Reliance General*	Private	42%	39%	43%	42%	39%
Oriental Insurance*	Public	25%	33%	36%	30%	33%
New India Assurance	Public	44%	45%	55%	41%	49%
SBI General*	Private	24%	12%	39%	35%	14%
National Insurance*	Public	32%	30%	26%	33%	NA
United India*	Public	24%	25%	29%	28%	NA
Bajaj Allianz*	Private	0%	23%	25%	25%	22%
HDFC Ergo Health	SAHI	14%	15%	11%	NA	NA
HDFC Ergo General*	Private	40%	34%	32%	28%	15%
Manipal Cigna Health	SAHI	12%	11%	15%	24%	23%
Max Bupa Health	SAHI	26%	22%	20%	19%	20%
ICICI Lombard*	Private	38%	28%	17%	18%	26%
TATA AIG General*	Private	24%	26%	16%	11%	13%
CARE Health	SAHI	11%	23%	28%	9%	12%
Star Health	SAHI	17%	14%	10%	9%	9%
Aditya Birla Health	SAHI	7%	10%	11%	9%	11%
Cholamandalam MS General*	Private	28%	22%	5%	6%	9%

Source: Industry, Emkay Research Note – NA = Not Available; (\*) Distribution mix is calculated on overall business as these companies do not report distribution mix for Health insurance segment separately; HDFC Ergo General Fiscal 2021 and Fiscal 2022 numbers include HDFC Ergo Health's data as well, post-merger

**Exhibit 90: Share of gross premium coming through corporate agents – Banks**

	Type of Player	Business through Corporate Agents - Banks				
		FY18	FY19	FY20	FY21	Q1FY22
Aditya Birla Health	SAHI	10%	25%	27%	35%	32%
SBI General*	Private	46%	40%	32%	28%	23%
Cholamandalam MS General*	Private	27%	28%	33%	27%	19%
Max Bupa Health	SAHI	14%	18%	21%	22%	16%
CARE Health	SAHI	26%	20%	16%	20%	16%
HDFC Ergo Health	SAHI	16%	17%	16%	NA	NA
Manipal Cigna Health	SAHI	13%	18%	20%	17%	14%
HDFC Ergo General*	Private	20%	18%	16%	13%	14%
TATA AIG General*	Private	8%	8%	10%	14%	10%
Bajaj Allianz*	Private	17%	12%	12%	10%	11%
ICICI Lombard*	Private	7%	8%	11%	8%	6%
Reliance General*	Private	3%	3%	4%	3%	3%
United India*	Public	3%	3%	3%	2%	NA
Star Health	SAHI	1%	1%	2%	2%	3%
Oriental Insurance*	Public	1%	2%	2%	2%	2%
New India Assurance	Public	2%	2%	2%	1%	1%
National Insurance*	Public	2%	1%	0%	0%	NA

Source: Company, Industry Note - NA = Not Available; (\*) Distribution mix is calculated on overall business as these companies do not report distribution mix for Health insurance segment separately; HDFC Ergo General Fiscal 2021 and Fiscal 2022 numbers include HDFC Ergo Health's data as well, post-merger

**Exhibit 91: Number of Individual Agents and Individual Health insurance premium per Individual Agent**

	Number of Individual Agents					Retail Health insurance premium per Individual Agent (Rs. '000)				
	FY18	FY19	FY20	FY21	CAGR (FY18-21)	FY18	FY19	FY20	FY21	CAGR (FY18-21)
Star Health	238,240	283,829	359,341	462,502	25%	133	147	146	177	10%
HDFC Ergo Health	49,481	72,747	98,072	NA	NA	176	152	141	NA	NA
Max Bupa Health	25,368	31,540	39,998	68,290	39%	134	124	113	198	14%
CARE Health	55,520	85,544	124,340	156,669	41%	59	61	58	103	21%
Manipal Cigna Health	21,490	27,655	34,335	41,935	25%	40	44	45	94	33%
Aditya Birla Health	15,825	18,811	25,059	38,756	26%	23	48	54	42	52%

Source: IRDAI, Emkay Research

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**Exhibit 92: Business concentration in states**

Geography mix – Statewise for FY21	Type of Player	MH	TN	KR	DL	GJ	WB	KL	HR	UP	TL
Aditya Birla Health	SAHI	39%	4%	10%	11%	6%	3%	2%	4%	5%	3%
Bajaj Allianz	Private	47%	3%	8%	7%	10%	4%	1%	1%	1%	3%
CARE Health	SAHI	28%	3%	9%	8%	10%	4%	1%	7%	7%	6%
Cholamandalam MS General	Private	27%	31%	5%	6%	11%	3%	3%	3%	1%	3%
HDFC Ergo General	Private	20%	5%	10%	10%	11%	6%	2%	6%	9%	6%
ICICI Lombard	Private	40%	7%	7%	15%	6%	3%	1%	4%	4%	5%
Manipal Cigna Health	SAHI	23%	6%	15%	5%	5%	4%	4%	6%	5%	8%
Max Bupa Health	SAHI	17%	4%	8%	13%	5%	3%	4%	9%	9%	6%
National Insurance	Public	28%	7%	12%	16%	6%	15%	2%	1%	1%	1%
New India Assurance	Public	38%	12%	15%	4%	6%	3%	2%	5%	3%	5%
Oriental Insurance	Public	32%	13%	11%	6%	10%	2%	1%	3%	9%	5%
Reliance General	Private	27%	5%	12%	11%	7%	3%	11%	1%	1%	4%
SBI General	Private	46%	3%	3%	3%	3%	6%	2%	2%	5%	2%
Star Health Insurance	SAHI	22%	13%	8%	6%	2%	5%	8%	6%	6%	6%
TATA AIG General	Private	34%	7%	9%	7%	8%	5%	2%	1%	5%	7%
United India	Public	45%	20%	8%	4%	4%	3%	3%	2%	1%	5%

Source: Industry, Emkay Research

**Exhibit 93: Ageing of Claims and number of claims paid**

	Type of Player	FY21					No. of Claims Paid
		1M	1-3M	3-6M	6-12M	>1Y	
CARE Health	SAHI	100.00%	0.00%	0.00%	0.00%	0.00%	3,06,809
ICICI Lombard	Private	99.70%	0.30%	0.00%	0.00%	0.00%	3,37,814
Star Health Insurance	SAHI	94.40%	5.20%	0.30%	0.10%	0.00%	8,47,064
HDFC Ergo General	Private	85.40%	12.80%	1.50%	0.30%	0.00%	3,05,769
Bajaj Allianz	Private	96.80%	3.10%	0.20%	0.00%	0.00%	6,97,972
Manipal Cigna Health	SAHI	99.50%	0.40%	0.00%	0.00%	0.00%	2,20,145
Reliance General	Private	97.10%	2.40%	0.40%	0.10%	0.00%	6,49,933
Max Bupa Health	SAHI	96.80%	3.10%	0.10%	0.00%	0.00%	1,24,978
Cholamandalam MS General	Private	88.10%	9.80%	1.90%	0.20%	0.00%	73,589
SBI General	Private	98.70%	1.00%	0.20%	0.00%	0.00%	1,03,735
New India Assurance	Public	67.50%	23.40%	5.20%	3.50%	0.40%	32,91,572
United India Insurance	Public	71.00%	25.90%	2.00%	0.80%	0.30%	36,27,956
TATA AIG General	Private	58.20%	21.60%	10.30%	7.70%	2.30%	74,005
Aditya Birla Health	SAHI	96.60%	3.10%	0.20%	0.10%	0.00%	96,854
Oriental Insurance	Public	48.90%	36.20%	10.30%	2.80%	1.80%	8,82,593
National Insurance	Public	45.10%	49.30%	3.40%	1.30%	0.90%	13,49,053

Source: Company Filings, Star Health RHP, Emkay Research

**Exhibit 94: Expense as proportion of gross premium**

<b>SAHI Players</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>Q1FY22</b>
Star Health Insurance	33%	32%	29%	29%	29%
HDFC Ergo Health	34%	37%	38%	NA	NA
CARE Health	53%	40%	37%	41%	40%
Max Bupa Health	50%	49%	46%	44%	42%
Manipal Cigna Health	78%	72%	62%	55%	47%
Aditya Birla Health	94%	83%	72%	62%	52%
<b>Non-SAHI players (Considering Overall Insurance business)</b>					
SBI General	25%	21%	21%	19%	32%
ICICI Lombard	23%	21%	27%	29%	25%
New India Assurance	22%	24%	21%	25%	18%
Bajaj Allianz	21%	24%	25%	23%	27%
Reliance General	23%	21%	22%	24%	23%
HDFC Ergo General	21%	21%	23%	25%	29%
National Insurance	27%	24%	35%	32%	NA
TATA AIG General	29%	27%	30%	32%	29%
Oriental Insurance	29%	24%	31%	32%	30%
Cholamandalam MS General	25%	27%	31%	34%	39%
United India	21%	24%	25%	30%	NA

Source: Company Filings, Emkay Research

**Exhibit 95: Claim ratio (for Health Insurance)**

	Type of Player	Claim Ratio (Group)			Claim Ratio (Retail)			Claim Ratio (Overall)				
		FY18	FY19	FY20	FY18	FY19	FY20	FY18	FY19	FY20	FY21	Q1FY22
Aditya Birla Health	SAHI	133%	82%	64%	13%	35%	41%	95%	62%	54%	55%	108%
CARE Health	SAHI	84%	77%	80%	35%	38%	45%	57%	60%	63%	59%	110%
HDFC Ergo Health	SAHI	83%	81%	98%	59%	60%	67%	68%	68%	78%	NA	NA
Manipal Cigna Health	SAHI	59%	79%	67%	44%	54%	59%	48%	64%	63%	62%	111%
Max Bupa Health	SAHI	22%	34%	35%	54%	67%	62%	50%	54%	56%	59%	91%
Star Health Insurance	SAHI	99%	87%	112%	58%	59%	60%	62%	63%	66%	94%	91%
National Insurance	Public	125%	115%	104%	106%	104%	104%	117%	104%	103%	101%	NA
New India Assurance	Public	113%	111%	109%	80%	74%	74%	104%	99%	100%	95%	135%
Oriental Insurance	Public	111%	121%	101%	86%	89%	101%	102%	108%	102%	114%	157%
United India	Public	118%	115%	107%	84%	109%	101%	111%	112%	102%	106%	NA
Bajaj Allianz	Private	100%	102%	95%	66%	68%	68%	87%	90%	85%	82%	120%
Cholamandalam MS General	Private	30%	31%	41%	98%	104%	85%	39%	39%	46%	116%	279%
HDFC Ergo General	Private	100%	121%	99%	51%	62%	77%	67%	82%	85%	85%	168%
ICICI Lombard	Private	89%	94%	93%	58%	65%	62%	78%	85%	84%	89%	173%
Reliance General	Private	110%	94%	91%	106%	96%	92%	114%	98%	94%	96%	174%
SBI General	Private	45%	63%	76%	21%	25%	26%	41%	54%	58%	79%	119%
TATA AIG General	Private	86%	105%	79%	53%	56%	57%	67%	86%	72%	71%	117%

Source: Company Filings, Emkay Research

**Exhibit 96: Combined ratio and underwriting surplus**

	Combined ratio					Underwriting surplus (Rs mn)				
	FY18	FY19	FY20	FY21	Q1FY22	FY18	FY19	FY20	FY21	Q1FY22
<b>SAHI Companies</b>										
Star Health Insurance	93%	93%	93%	122%	121%	496	1,188	1,549	-17,316	-4,160
Max Bupa Health	104%	107%	104%	104%	134%	-252	-792	-785	-1,280	-1,550
CARE Health	103%	98%	100%	95%	145%	-712	-370	-381	-24	-2,371
HDFC Ergo Health	102%	101%	117%	NA	NA	-758	-705	-3,129	NA	NA
Manipal Cigna Health	130%	138%	127%	119%	159%	-1,217	-1,960	-1,625	-1,686	-1,132
Aditya Birla Health	190%	149%	138%	125%	159%	-2,031	-2,305	-2,635	-2,841	-1,460
<b>Non-SAHI players (Considering Overall Insurance business)</b>										
Bajaj Allianz	92%	97%	101%	97%	103%	2,928	175	-105	2,368	147
ICICI Lombard	100%	99%	100%	100%	121%	-2,309	-1,696	-1,052	-1,919	-5,082
SBI General	68%	95%	94%	96%	126%	5,928	828	748	169	-1,258
HDFC Ergo General	97%	99%	103%	103%	125%	-182	-779	-1,778	-2,350	-3,237
TATA AIG General	103%	108%	110%	103%	110%	-2,821	-4,853	-4,232	-5,004	-994
New India Assurance	111%	124%	116%	375%	114%	-25,243	-52,427	-41,048	-36,964	-10,910
Reliance General	107%	112%	110%	113%	111%	-3,953	-4,619	-3,727	-6,543	-1,368
Cholamandalam MS General	101%	105%	107%	107%	121%	-1,260	-2,252	-2,475	-2,871	-1,003
United India	121%	137%	132%	123%	NA	-25,422	-50,237	-43,985	-32,175	NA
National Insurance	149%	145%	161%	121%	NA	-56,170	-44,564	-57,594	-28,545	NA
Oriental Insurance	119%	135%	141%	131%	152%	-19,234	-37,706	-45,148	-34,290	-13,439

Source: Company Filings, Emkay research Note: Combined ratio = ((Total operating expenses + Net commission paid) / Net written premium + (Net claim incurred / Net premium earned)); Underwriting surplus = Net premium earned – Total operating expenses – Net commission paid – Net claim incurred

**Exhibit 97: Retention ratio**

	Type of Player	Retention Ratio				
		FY18	FY19	FY20	FY21	Q1FY22
Manipal Cigna Health	SAHI	94%	95%	95%	95%	95%
National Insurance	Public	69%	63%	61%	87%	NA
New India Assurance	Public	79%	79%	78%	82%	77%
Oriental Insurance	Public	83%	79%	77%	84%	79%
United India	Public	70%	83%	77%	84%	NA
HDFC Ergo Health	SAHI	84%	85%	77%	NA	NA
Max Bupa Health	SAHI	78%	77%	77%	77%	76%
CARE Health	SAHI	74%	69%	67%	77%	79%
Aditya Birla Health	SAHI	94%	94%	80%	77%	77%
Cholamandalam MS General	Private	78%	76%	77%	76%	73%
Star Health Insurance	SAHI	77%	76%	76%	76%	94%
ICICI Lombard	Private	62%	64%	71%	75%	65%
TATA AIG General	Private	68%	74%	63%	69%	62%
Bajaj Allianz	Private	71%	70%	63%	70%	60%
HDFC Ergo General	Private	47%	50%	49%	52%	54%
Reliance General	Private	62%	92%	52%	50%	53%
SBI General	Private	49%	54%	52%	49%	57%

Source: Company, Emkay Research

## Exhibit 98: Return on Equity and Dividend pay-out ratio

	Type of Player	Return on Equity					Dividend pay-out ratio			
		FY18	FY19	FY20	FY21	Q1FY22	FY18	FY19	FY20	FY21
National Insurance	Public	-28.00%	-39.90%	-225.90%	-13.48%	NA	-	-	-	-
HDFC Ergo General	Private	31.70%	20.50%	28.40%	21.08%	-1.09%	36.10%	-	-	36.08%
SBI General	Private	25.60%	19.90%	20.80%	21.98%	2.60%	-	1.30%	5.20%	3.96%
ICICI Lombard	Private	17.80%	19.20%	21.00%	21.32%	1.81%	9.50%	42.90%	32.10%	12.34%
Bajaj Allianz	Private	23.00%	16.20%	18.50%	20.20%	4.56%	-	-	13.30%	-
Cholamandalam MS General	Private	20.20%	12.90%	9.80%	16.20%	1.45%	-	-	-	-
TATA AIG General	Private	11.10%	6.20%	15.80%	15.75%	5.83%	-	-	-	-
Reliance General	Private	12.40%	14.30%	15.70%	10.94%	3.48%	4.60%	7.20%	-	-
United India	Public	10.80%	-24.40%	-40.80%	-25.38%	NA	-	-	-	-
New India Assurance	Public	5.90%	1.50%	4.30%	4.91%	0.23%	16.90%	-	-	-
CARE Health	SAHI	-2.90%	8.80%	8.90%	10.70%	-12.40%	-	-	-	-
Oriental Insurance	Public	12.70%	2.60%	-21.60%	-26.64%	-7.96%	-	-	-	-
Max Bupa Health	SAHI	2.50%	-5.10%	-5.80%	-3.93%	-8.33%	-	-	-	-
Star Health Insurance	SAHI	16.50%	14.50%	15.50%	-35.46%	-4.92%	-	-	-	-
Manipal Cigna Health	SAHI	-16.60%	-20.60%	-13.50%	-10.08%	-7.46%	-	-	-	-
HDFC Ergo Health	SAHI	2.50%	1.80%	-11.50%	NA	NA	-	-	-	NA
Aditya Birla Health	SAHI	-59.80%	-46.90%	-27.30%	-16.18%	-8.43%	-	-	-	-

Source: Company Filings, Emkay Research Note: Return on equity = Profit after tax/ average net worth of current year end and current year beginning; Dividend pay-out ratio = (Dividend distribution tax + Proposed final dividend + Interim dividend paid)/Profit after Tax; (\*) Return on equity = Profit after tax/ average net worth of current year end; ROE and dividend pay-out ratio is calculated on overall basis; HDFC Ergo General Fiscal 2021 and Fiscal 2022 numbers include HDFC Ergo well, post-merger

## Exhibit 99: Gross NPA and Gross Yield on Investment

	Type of Player	Gross NPA					Gross Yield (%)				
		FY18	FY19	FY20	FY21	Q1FY22	FY18	FY19	FY20	FY21	Q1FY22
Aditya Birla Health	SAHI	0.00%	0.00%	0.00%	0.00%	0.00%	7.00%	8.00%	8.00%	7.82%	6.96%
CARE Health	SAHI	0.00%	0.00%	0.00%	0.00%	0.00%	8.00%	8.00%	8.00%	7.00%	6.80%
HDFC Ergo General	Private	0.00%	0.00%	0.00%	1.62%	1.53%	8.20%	8.00%	8.20%	7.50%	6.80%
ICICI Lombard	Private	0.00%	0.00%	0.00%	0.00%	0.00%	8.80%	8.60%	7.60%	7.50%	9.32%
Manipal Cigna Health	SAHI	0.00%	0.00%	0.00%	0.00%	0.00%	8.00%	8.00%	9.00%	5.04%	7.12%
SBI General	Private	0.00%	0.00%	0.00%	0.00%	0.00%	8.00%	6.40%	6.80%	8.13%	9.68%
Star Health	SAHI	0.00%	0.70%	0.00%	0.00%	0.00%	8.00%	8.00%	7.00%	7.13%	6.86%
TATA AIG General	Private	0.00%	0.00%	0.00%	0.00%	0.00%	7.90%	7.20%	7.20%	6.82%	9.86%
Bajaj Allianz	Private	0.00%	0.30%	0.90%	0.76%	0.75%	7.90%	6.80%	7.80%	7.63%	8.40%
National Insurance	Public	1.80%	1.40%	1.20%	1.13%	NA	17.00%	13.40%	9.00%	9.97%	NA
New India Assurance	Public	0.30%	0.60%	1.60%	1.38%	1.32%	15.00%	15.00%	16.00%	13.00%	9.20%
Reliance General	Private	0.00%	0.40%	2.10%	1.26%	1.22%	8.10%	7.90%	8.90%	8.83%	7.81%
United India	Public	0.40%	1.30%	2.10%	1.85%	NA	15.00%	11.00%	10.00%	8.33%	NA
Oriental Insurance	Public	0.20%	2.10%	2.30%	2.23%	2.05%	21.80%	16.60%	19.20%	NA	8.51%
Cholamandalam MS General	Private	0.00%	2.20%	3.80%	1.46%	1.45%	8.90%	7.90%	9.10%	7.59%	6.59%
Max Bupa Health	SAHI	0.00%	7.30%	8.20%	4.95%	5.29%	2.00%	8.00%	7.00%	6.66%	6.28%
HDFC Ergo Health	SAHI	0.00%	4.80%	6.00%	NA	NA	8.00%	7.00%	8.00%	NA	NA

Source: Company Filings, Emkay Research Note: NA = Not Available; Gross NPA's calculated/Reported as per NL-30 public disclosure of respective companies; (\*) Annualized yield



**Exhibit 100: Private insurers comfortably placed in respect of solvency ratio**

	Type of Player	Net claim outstanding to net earned premium ratio				Solvency ratio (in times)				
		FY18	FY19	FY20	FY21	FY18	FY19	FY20	FY21	Q1FY22
Bajaj Allianz	Private	21%	19%	15%	29%	2.8	2.6	2.5	3.5	3.4
ICICI Lombard	Private	40%	36%	37%	43%	2.1	2.2	2.2	2.9	2.8
Manipal Cigna Health	SAHI	15%	12%	12%	15%	2.1	2.2	1.9	2.1	1.6
Star Health Insurance	SAHI	8%	11%	12%	19%	1.8	2	1.9	2.2	1.7
CARE Health	SAHI	15%	13%	17%	22%	1.6	1.6	1.6	2.5	1.8
TATA AIG General	Private	19%	27%	26%	37%	1.7	1.6	1.8	2.2	2.3
SBI General	Private	26%	33%	35%	26%	2.5	2.3	2.3	2	2.1
New India Assurance	Private	17%	16%	15%	19%	2.6	2.1	2.1	2.1	2
Aditya Birla Health	SAHI	15%	13%	12%	18%	1.7	1.6	1.8	1.8	1.6
HDFC Ergo General	Private	26%	23%	30%	36%	2.1	1.8	1.9	1.9	1.7
Cholamandalam MS General	Private	12%	14%	12%	28%	1.6	1.6	1.6	2.1	1.8
Reliance General	Private	32%	32%	33%	47%	1.7	1.6	1.5	1.7	1.7
Max Bupa Health	SAHI	11%	16%	15%	25%	2.1	1.8	1.8	2.1	1.7
HDFC Ergo Health	SAHI	15%	13%	15%	NA	1.7	1.6	1.7	NA	NA
Oriental Insurance	Public	22%	19%	20%	23%	1.7	1.6	0.9	1.5	1.5
United India	Public	28%	20%	19%	27%	1.5	1.5	0.3	1	NA
National Insurance	Public	26%	19%	23%	23%	1.6	1	0.02	1.2	NA

Source: Company, Emkay Research Note: NA = Not Available; Net claim outstanding to net earned premium ratio = Net claim outstanding at the end of year/net premium earned; Solvency ratio = Available solvency margin/ required solvency margin; HDFC Ergo General Fiscal 2021 number include HDFC Ergo Health's data as well, post-merger

**Exhibit 101: Premium per branch**

	Type of Player	Premium per Office				No of Office opened/closed				
		FY18	FY19	FY20	FY21	FY18	FY19	FY20	FY21	Number of offices Fiscal 2021
Manipal Cigna Health	SAHI	162	194	115	139	0	4	24	4	51
HDFC Ergo Health	SAHI	83	43	93	NA	48	28	8	NA	NA
Max Bupa Health	SAHI	193	176	164	112	2	10	15	59	114
HDFC Ergo General	Private	53	63	57	123	-1	15	7	74	203
CARE Health	SAHI	94	103	95	112	13	37	45	2	158
Aditya Birla Health	SAHI	37	67	74	97	50	1	19	10	90
Star Health Insurance	SAHI	74	90	91	97	68	26	115	162	737
ICICI Lombard	Private	52	70	74	84	4	12	8	3	276
Bajaj Allianz	Private	62	82	90	82	7	1	-42	17	202
SBI General	Private	41	43	60	90	0	3	10	14	137
Reliance General	Private	52	73	89	55	-1	3	0	-7	129
TATA AIG General	Private	24	28	37	49	2	55	-8	-5	200
New India Assurance	Public	26	30	38	46	16	-77	-103	-78	2,214
United India	Public	19	24	24	29	6	-52	-33	-54	1,999
Cholamandalam MS General	Private	27	28	7	23	-18	-1	0	6	141
National Insurance	Public	21	18	20	36	-255	-8	-211	-86	1,437
Oriental Insurance	Public	18	20	27	29	8	-8	-257	-47	1,631

Source: Company, Emkay Research Note: Premium per office = Net premium earned (Health insurance business) / Total number of active branch at the end of year; HDFC Ergo General Fiscal 2021 number include HDFC Ergo Health's data as well, post-merger

## Emkay Alpha Portfolio – BFSI-Insurance



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#### Sector

Insurance and Non-lending Financials

#### Analyst bio

Avinash Singh holds a PGDM and CFA. He has over 13 years of experience, including 10 years of research experience on the sell side. His team currently covers four insurance and one asset management stocks.

### EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight based on Current NAV	Change vs last published EAP (bps)
<b>BFSI-Insurance</b>	<b>1.55</b>	<b>1.55</b>	<b>0%</b>	<b>0</b>	<b>100.00</b>	
HDFC Life Insurance	0.62	0.56	-10%	-6	36.13	0
ICICI Pru Life	0.22	0.20	-11%	-2	12.64	0
Max Financial	0.21	0.21	0%	0	13.41	0
SBI Life	0.50	0.59	17%	9	37.82	0
<b>Cash</b>	<b>0.00</b>	<b>0.00</b>	<b>NA</b>	<b>0</b>	<b>0.00</b>	<b>0</b>

Source: Emkay Research

\* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

### Sector portfolio NAV

	Base					Latest
	1-Apr-19	9-Dec-20	10-Jun-21	9-Sep-21	9-Nov-21	9-Dec-21
EAP - BFSI-Insurance	100.0	146.6	171.4	191.6	185.6	177.0
BSE200 Neutral Weighted Portfolio (ETF)	100.0	147.5	172.3	192.7	186.8	178.3

\*Performance measurement base date 1<sup>st</sup> April 2019

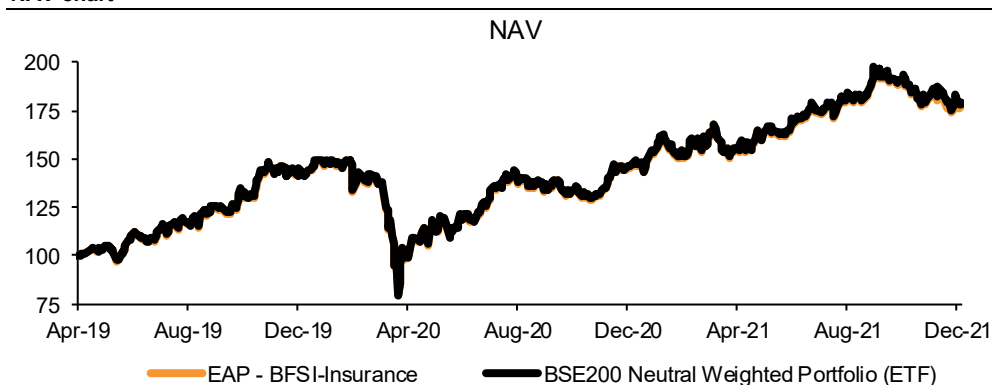
Source: Emkay Research

### Price Performance (%)

	1m	3m	6m	12m
EAP - BFSI-Insurance	-4.6%	-7.6%	3.3%	20.8%
BSE200 Neutral Weighted Portfolio (ETF)	-4.5%	-7.5%	3.5%	20.9%

Source: Emkay Research

### NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

## Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
<b>BUY</b>	Over 15%
<b>HOLD</b>	Between -5% to 15%
<b>SELL</b>	Below -5%

Completed Date: 13 Dec 2021 08:32:15 (SGT)

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