November 06, 2025

Ref: NIVABUPA/EQ/2025-26/73

To,

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051

Symbol: NIVABUPA

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001

Scrip Code: 544286

Sub: Transcript of the Earnings call conducted on November 03, 2025

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Para A, Part A of Schedule III, please find enclosed transcript of the Earnings call conducted on November 03, 2025, with Investors/Analysts in respect to the Unaudited Financial Results of the Company for quarter & half year ended September 30, 2025.

Kindly take the same on records.

Thanking you,
Yours sincerely,
For **Niva Bupa Health Insurance Company Limited**

VISHWANATH Digitally signed by VISHWANATH Date: 2025.11.06 16:14:30 +05'30'

Vishwanath Mahendra
Executive Director and Chief Financial Officer
DIN: 11019011

"Niva Bupa Health Insurance Company Limited

Q2 FY '26 Earnings Conference Call"

November 03, 2025

MANAGEMENT:	**MR. KRISHNAN RAMACHANDRAN – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – NIVA BUPA HEALTH INSURANCE COMPANY LIMITED** **MR. VISHWANATH MAHENDRA – EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER – NIVA BUPA HEALTH INSURANCE COMPANY LIMITED** **MR. ANKUR KHARBANDA – EXECUTIVE DIRECTOR AND CHIEF BUSINESS OFFICER – NIVA BUPA HEALTH INSURANCE COMPANY LIMITED** **MR. BHABATOSH MISHRA – CHIEF OPERATING OFFICER – NIVA BUPA HEALTH INSURANCE COMPANY LIMITED** **MR. DHIRESH RUSTOGI – CHIEF TECHNOLOGY OFFICER – NIVA BUPA HEALTH INSURANCE COMPANY LIMITED** **MR. VIKAS JAIN – CHIEF INVESTMENT OFFICER – NIVA BUPA HEALTH INSURANCE COMPANY LIMITED**
MODERATOR:	**MR. ANSUMAN DEB – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Niva Bupa Health Insurance Company Limited Q2 FY '26 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ansuman Deb from ICICI Securities Limited. Thank you, and over to you, sir.

Ansuman Deb: Good evening, ladies and gentlemen. It's a privilege to host the management team of Niva Bupa Health Insurance Company Limited for their Q2 FY '26 Results Conference Call. From the management, we have Mr. Krishnan Ramachandran, MD and CEO; Mr. Vishwanath Mahendra, ED and CFO; Mr. Ankur Kharbanda, ED and Chief Business Officer; Mr. Bhabatosh Mishra, Chief Operating Officer; Mr. Dhiresh Rustogi, Chief Technology Officer; and Mr. Vikas Jain, Chief Investment Officer.

Without further ado, I will now hand over the call to Mr. Krishnan Ramachandran, MD and CEO. Over to you, sir.

Krishnan Ramachandran: Thank you, Ansuman, and thank you to every one of you listening in on this call for your time late evening today. H1 for us was a productive and eventful quarter. Given the accounting changes that happened in the second half of last financial year, to make sure that we are able to assess or view our results on a like-to-like basis, for most part, I will focus on our IFRS financials or without 1/N numbers specifically when it comes to things like growth rate.

So in summary, for H1, we achieved an overall growth rate of 23% and a retail growth rate of 28% without 1/N. Our IFRS PAT for H1 improved to INR132 crores, up from INR60 crores similar period last year. And our combined insurance service ratio for H1 improved by more than 100 basis points to 103.1% down from 104.2% last year.

And our retail market share, which is basis reported numbers and to that extent, has noise because of the 1/N accounting change, held steady at 9.9%. We continue to trend very well on a range of customer metrics. Our settlement rate -- our settlement ratio for Q2 on claims was 95.2%. And our weighted average NPS, to remind all of you, we measure this across 35 critical customer touch points, improved to 57 for H1.

We continue to sell the right sum insured and products to our customers as evidenced by our industry-leading ATS at more than INR31,000, and also close to 83% of our policies have a sum insured 1 million or above.

In Q2, we also launched what we believe is the next-generation retail health insurance product, ReAssure 3.0. It has found very good reception and is doing very well in the marketplace as we speak. We also made good progress on our health ecosystem or as Bupa calls it pay-vider strategy with in H1 more than 13 million downloads.

We have 5.8lac monthly active users on the customer app and more than 51,000 health check-ups every month and about 6,700 doctor consults every month using our customer app. Our product and distribution mix has been largely stable. We added one more city in our preferred provider network, which is our strategy to manage a great customer experience and claims costs at the same time.

And about 17% of our claims in the cities where our PPN is present go through these PPN hospitals. We've also seen incidence rates and average claim size range bound and within what we call a stable trend. And also consequently, our retail health claims ratio H1 to H1 this year to last year is more or less flat.

So broadly, that's been a summary of our performance. And I do -- before I hand over to Vishwanath, want to touch upon a topic that I understand has fired up our collective imagination, if you will, which is this whole topic of GST. And I really want all of us to step back and look at this change for what it really is, in my opinion. The first part is GST has come down from 18% to 0%. And I'll quote what the Chairman, IRDAI has stated, which is that food is at 0% GST.

So at the highest level of policymaker -- policymaking, health insurance has been recognized as being equivalent to food in terms of how essential it is in the arsenal of financial services products that a customer should have. So I think this is an incredible win for the industry, having personally been involved year after year in lobbying for GST coming down.

So I think 0% GST is an incredible step from the highest level of policymakers in our country. Second is we should look at it beyond maybe this quarter or next quarter for what it really is, which is that it is a drop in price. And one of the -- and survey after survey on health insurance has suggested that affordability is a barrier to purchase of health insurance, which is to say that this is a category where demand does see a price elasticity curve as in many other categories.

So to that extent, this should be a significant fillip to demand for the category. And indeed, as many of my friends in the industry have already commented, we, like many others, are seeing demand go up.

As a case in point, October, in spite of being a Diwali month, which is historically a low season for health insurance, we have seen very, very good uptick in demand, but I'm sure my colleague Ankur can talk more about that.

Now on the topic of ITC, what I can say is that today is when we processed commissions, we have passed on commissions. But I think using the term passed on commissions is not reflective of our philosophy of what this change means for every stakeholder.

We truly feel or we truly believe it's a win for customers through lower price. We believe it's a win -- we believe and we will make this a win for our distribution. And we're confident that whatever income loss there is will be more than made up through increased volumes. And also, one of the other problem statements for the category is there is significant underinsurance.

So the 18% fall in price, we should think about it in terms of what can we do to give customers more adequate insurance, both at the time of acquiring new customers as well as renewal. And all of these measures, we truly believe will make it a win for our distribution as well in spite of ITC being passed on.

And in closing, before I hand over to Vishwanath, I mentioned this last time as well, there's been a lot of change in the last 12, 18 months and change necessarily has meant that all of our minds have been focused on the change. But I think now is the time for us to also step back and look at health insurance for what it truly is, which, in our opinion, it is one of the few secular multi-decadal growth opportunities in our country.

As I stated last time, we are very, very excited about this opportunity and we are putting our investments where our mouth is, so to speak, right? So in distribution, for example, this year, we have increased our headcount by more than 1,000 feet on street.

We have set up an AI lab to explore many of the exciting capabilities that Gen AI has to offer. And indeed, one of our customer projects got rated in the top 10 in the global ecosystem of Bupa. So this is something that we are very keenly invested in, focused on in terms of what it can do for our business, both from a sales, customer experience as well as cost standpoint.

And we've also gone live along with the launch of ReAssure 3.0 with a modern microservices-based core system, which we believe will be transformational to us as we move along in terms of our ability to launch products and serve customers.

So significant investments we continue in making as a company to pursue the opportunity of health insurance. Growth with profit has been our mantra and that's the journey that we've been progressing on, and this year is no different.

Over to you, Vishwanath.

Vishwanath Mahendra: Thank you, sir. Good evening, everyone. So following are some of the financial highlights for H1 FY '26. GWP for H1 is INR3,983 crores, registering a growth rate of 23% over last financial year on like-to-like basis, which is without 1/N impact. The profit after tax under IFRS more than doubled from INR60 crores in last financial year to INR132 crores this financial year H1.

Combined ratio for H1 FY '26 under IFRS has improved by 105 basis points to 103.1%. While there is increase in overall loss ratio by 1.2%, this has been more than offset by reduction in expense ratio by 2.3%, resulting in improvement of combined ratio. The retail loss ratio, which was slightly elevated in last quarter, has also moderated to last financial year level of H1.

IFRS basis retail loss ratio for first half in current financial year is 68.1%, which is in line with last financial year H1 loss ratio of 68%. There is year-on-year improvement in expense of management ratio to the tune of 3.7% with H1 EOM being 36.3% as against last year of 40% same period.

This is mainly on account of following factors. One is decrease in gross commission as a percentage of GWP due to change in mix, etc. But most importantly, because of operating leverage with expenses have gone up by low single digit, GWP has gone up by 23%. For first half, the allowable EOM ratio comes to 35.8%. So actually it is above allowed by 50 basis points.

We are confident of bringing down EOM ratio within regulatory limit in the current financial year as per glide path submitted to the IRDAI. Annualized investment yield for H1 FY '26 is 7.3% with AUM of INR8,482 crores. Solvency ratio is at a healthy level of 2.85x as on 30th September 2025.

So this was an overview of H1 FY '26. Happy to take questions.

Moderator: Thank you very much. We will now begin with the question and answer session. Our first question comes from the line of Supratim Datta from Jefferies.

Supratim Datta: I have 3 questions. The first is on the October demand. And like you rightly pointed out that the demand has been fairly strong. Wanted to understand if you could break it down what is driving this growth? Is it new products, new demand coming through or is it existing customers taking higher sum assured or is it greater rider attachment that is really driving growth here? So if you could break it down into what has been the key factor behind the stronger growth we are seeing in October, that would be very helpful.

Secondly, on your comments around GST and the growth offsetting any loss of commissions for distributors, while I do understand that, would you be taking a one-size-fits-all strategy here or it would be more nuanced and depending on the type of distributor would this strategy play out? That's one part of that question.

The other is how much of this impact would you be able to offset through a price hike? And given the GST has just played -- have taken place, would you be able to take a price hike in the next 6 to 8 months? That's the other question we would like to understand. And lastly, on your retail health loss ratio, it has been stable, that's great. But insurers who have reported till now have shown an improvement actually versus last year to this year.

And even if I look at on a IFRS basis, second quarter versus second quarter last year, it's broadly flat. So wanted to understand why is there a difference or should we look at you versus peers differently? So those are my 3 questions?

Ankur Kharbanda: Thank you very much. So first, let me take the first 2 questions, which is on October performance & GST and I will ask my colleagues to talk about the rest 2 on the pricing and the retail loss ratio. First, on the October performance, very happy that one thing which we were pushing for on the GST side, lowering down the GST side from last few years is now a reality.

One is it has become a reality, and it has -- for the month of October, which was a Diwali month, has given us substantial results. The numbers which are coming on the retail side are more than 50% growth for the month of October, which clearly talks about that this is really playing out well. It has -- what it has done is if I just give you numbers on the -- one of the platforms which we look at is how are we doing on the queries coming on the Google side.

That has gone up drastically. The conversion has also gone up drastically. So both in terms of queries and the conversions, both are -- both have gone up for us and I'm assuming that's the case for the industry as well.

The second thing which it has done is the per person buying in terms of the sum insured and the adequacy of the sum insured has also gone up. The proof for that is the ticket size. And for us, the ticket size for the month of October versus H1 is on the retail new business is plus 15%. That's the big difference which it has made. That's on the new business.

But even on the renewal side, our ticket size has gone up. So one of the things which people are realizing is 18% lower GST means that there's a cushion of 18% for us to sell. We have gone up with our analytics model straight away from 1st October in terms of understanding which customer payability, etc.

And we have seen that there is a massive growth there as well on the renewal upsell, both in terms of sum insured and in terms of adding a rider. Both of them have really, really worked well for us. And let me now get on to your second question on GST. As we know that GST exempt helps the citizen of India, everyone to get closer to our universal health coverage as well.

And to ensure that we give full benefit to the customer, we have passed on the GST impact to the distributors. And our distributors have also understood this that overall income will go up. And October has shown them as well that the overall income has gone up because the number of people buying insurance is going up and the number of people also are taking a better cover there.

So my point and the answer to it is we have done it for all, and distributors have also understood this. And just to relate a mutual fund industry in 2016-17 when this came in, in 7 years, mutual fund industry is 3x of what they were earlier. Same thing happened, a cut, etc., happened.

But the real thing was the customers were getting a better value. And this is also happening in our industry. When the customers are getting a better value, distributors understand that overall sales will go up, and which would mean that overall their income will go up as well.

Krishnan Ramachandran: On the point on price revision, Supratim, given what we have seen and what Ankur said around volumes, we do not intend to take in a revision at least this quarter. We'll monitor how things are and as needed to manage overall portfolio economics, we'll review it at the end of the quarter only. And on your question on loss ratio, I'll defer to Vishwanath to address that.

Vishwanath Mahendra: Yes, Supratim, so on loss ratio, for H1, we have seen same as last year and last year was also kind of stable loss ratio. It was not too elevated. So it is at same level. Q1, it was higher 2.5% to 3%. This year, Q2 is lower. Similar range. Trend perspective, yes, we're also seeing loss ratio on better in recent months. But for whole H1, it is at the same level.

Moderator: Our next question comes from the line of Varun Palacharla from Kotak Securities.

Varun Palacharla: My first question is again on the claims ratio part. So last quarter, if I remember correctly, we had provided a higher amount for claims which are outstanding. And as they run down, there should be some benefit coming in this quarter, right? If we include that benefit, how much is the claims ratio increased by in 2Q? That's one thing I wanted to ask.

And second is with regard to the auto adjudication system. Last time, we had some disruption with regard to IT supplier. So are we doing any changes on that front? Or are we still continuing with the same IT service provider?

Vishwanath Mahendra: So in terms of IT service provider, we have taken assurance for Infosec risk, etc., from third party. And after that only, we have started with that. So we are very comfortable. And that was the reason it was -- outstanding was on a higher side. So if you see whole H1, it is at the same level.

As I was mentioning, 2%, 2.5%, it was higher last quarter. The same is lower this quarter. Now quantifying exactly how much is coming from last quarter versus this quarter, that's not something which I have handy. But broadly, for the H1, we are very comfortable. And the trend perspective also is comfortable downward trend.

Varun Palacharla: But the trend would be upward, right, then if we include that impact, likely like 120 basis points, whatever up we are seeing in the first half basis, largely a similar impact would be in 2Q. So it's actually an uptick in claims. Is it not?

Vishwanath Mahendra: Okay. I'll just explain. So there is a trajectory loss ratio has, there Q1 is lower, Q2 is higher than Q3 again lower and Q4 lower. That's the kind of curve. It is following the same curve. It's not that Q2 is lower than Q1. It is more like the trend is lower than last year as we speak in recent months.

Varun Palacharla: Okay. And with regard to the long-term ROE guidance, so now that you've had more of a handle, so are you able to change your guidance? Or would you want to just reiterate the long-term guidance?

Vishwanath Mahendra: We stick to long-term guidance, which is, let's say, FY '29 mid to high teens ROE. We stick to that.

Moderator: Our next question comes from the line of Prayesh Jain from Motilal Oswal.

Prayesh Jain: The first question is on the GST front, where you mentioned that the commissions you have kind of passed on to the distributors. So you are saying that the ITC impact would not be there at all for Niva Bupa. Is that the fair statement or you passed on partially and there is some still impact, which would come on the books for us? And if so, what would be the quantum of that?

Ankur Kharbanda: Yes. Yes, we have passed on entirely to the distributor. And as I explained, the distributor has also understood this that this is ultimately benefiting him because his income is going up. His income is not going down because the volume is going up, ticket size is also going up.

Prayesh Jain: Right, right. And second is, again, Vishwanath, again, on the loss ratio front, if you adjust for that first quarter kind of one-off, this seems to be much elevated than what we would have expected, right?

So is that the benefit -- is there some pockets where the loss ratio have come in higher in some cohorts or is the group business working against or -- I'm talking about the overall loss ratio for the company level. That's what I'm asking. So do you think that the group business or any other place where you've seen some higher loss ratios?

Vishwanath Mahendra: Sure, Prayesh. So in terms of retail, as we explained, it is at the same level as last year. Group, of course, is higher because of mix change. We talked about one large group we have written, which has very, very low expenses -- expense ratio. So in terms of overall, there is a 1.2% increase and largely, it is coming from group and group is because of mix change, where group has gone up by 5 percentage points.

So in that sense, you're right, this 1.2% is driven by group. And that is again more than offset by a reduction in expense ratio. That's why combined ratio is lower by more than 100 basis points.

Krishnan Ramachandran: Prayesh, while analyzing loss ratio, it's best to split it between retail and group because they have very different combined ratio profiles because of the costing. Retail, as Vishwanath said, is flat compared to H1 last year. And group has gone up because of certain large corporates, but obviously, there's been a relief on the expense side because of which the combined ratio has come down overall.

Prayesh Jain: And it is fair to assume that the second half there will be a significant improvement in loss ratio as a group business because under IFRS, there should not be any change. But on the reported accounts, would that change?

Vishwanath Mahendra: Yes. Under reported in Q4, the loss ratio will be on lower side because that business was written in the Q4 last financial year. But that is, yes, only reported. IFRS, they will not be.

Krishnan Ramachandran: IFRS will be steady. And if you go to the -- we actually have a bridge this time in the investor presentation because that was also something that many of you have. So this time, we have put out a bridge explaining the difference in loss ratio. And clearly, as Vishwanath mentioned, by Q4, you should see it swing on the positive -- in a positive way.

Moderator: Our next question comes from the line of Shobhit Sharma from HDFC Securities Limited.

Shobhit Sharma: Sir, my first question is on your group health business. So what is the strategy on that business now? Because we have seen we had a good growth in last year, first quarter was also good. But in the second quarter, we have seen some slowdown. And secondly, coming to the loss ratio, on the first quarterly call, you mentioned that we have provided for some 1.5% extra provisioning.

So have we taken some reserve releases out of it or still we are holding on that? Now coming on to the expenses, there is some multifold increase in the business support-related expenses, advertisement and publicity-related expenses. How to read about it? Have we increased our spending on that? And you mentioned about the growth in the October month.

So would you like to give some emphasis on which channels are driving this growth? And what kind of conversion rates and the renewal increase we are going to see because of the GST-related impact? And one important thing which I can note from your slide is the share of the direct business has come down by 2%, 2.5% on a Y-o-Y basis. So have we -- are we pushing more on to the more scalable, faster scalable channels or what's our strategy on that?

Ankur Kharbanda: Let me take the first one which was on the group side. As you know, we have been selective. We have been looking at this channel as a -- wherever we find opportunity whereby the combined, we just don't -- on the group business, we don't look at the LR. We look at the combined ratio. Wherever we feel that the combined is within our side, we do that.

And that's where you have seen last quarter, first -- last year, last quarter, we have taken that basis opportunity there. And this quarter, we have not done that much. So we have been very selective there. On your question on why is the direct business a little lower this one, this is largely an impact of 1/N. If you look at apple-to-apple, there's no difference, largely no difference between us because our strategy remains the same on this side of business.

We want to grow our direct -- our digital business in a better way and we are really emphasizing on how do we grow that. And just to give you a good sense, our growth of business from our direct digital for the first half has been very good, almost 1.5x of our average growth of the organization. That's how we have been emphasizing on that. And one more question you had on...

Shobhit Sharma: On October.

Ankur Kharbanda: On October, so channel-by-channel split, I would not get into the channel-by-channel split, but what I will tell you is this impact is in all channels, largely in agency and our digital business and digital partnerships. These are the 3 channels which has seen the maximum, maximum impact of this.

Lesser impact in banks because banks we do a large portion of our business is as -- considered as booked under the group RUG rather than a retail, retail platform there. So these are some of the pointers which I wanted to talk about.

Vishwanath Mahendra: And Shobhit, on other 2 points, loss ratio reserve, we have largely released because now it's -- auto adjudication is back. So -- that's on outstanding. And other question on advertisement, it really depends. It's never smooth across sequential quarter. Last quarter, we had a new product launch. So we spend more on advertisement and publicity.

Shobhit Sharma: Okay. Just 2 follow-ups. One to the -- Ankur, if you can give us some colour around the renewal rates. Have you seen renewal rates increasing because one of your peers have highlighted that they observed some positive traction on that side. And Vishwa, one thing on the loss ratio.

You mentioned that we have seen improving trend going the recent months. So is it particularly because of the lower incidence rate which you have been observing or is it because of the lower average claim sizes? Yes, that's it.

Ankur Kharbanda: On the -- let me first take on the renewal rates. Renewal rates have gone up for us. Specifically, last year to this year, it has gone up by 100 basis points more than that. Just for the month of October, this I'm talking about H1, but when I look at just for the month of October, it has definitely gone up much higher than that. Second point is it's not just about the renewal rate.

It is also the ticket size, which is the GWP which is coming from a renewal side. That has further gone up. So both impacts put together, we definitely have a big upside coming from -- on the renewals largely because of the cut in GST.

Vishwanath Mahendra: Yes. On loss ratio, actually, it is coming from a mix of both. Average claim size, medical inflation is also benign. And incidence rate also we have seen on lower side.

Moderator: Our next question comes from the line of Sanketh Godha from Avendus Spark.

Sanketh Godha: Sorry, my question is again on group health. So group health, if you see without 1/N, for the half, it is 13% and for the quarter, it is 6% year-on-year. So naturally, it is little lower than typically what you used to report in the past. The slowdown is predominantly visible in corporate plans, that is indemnity plans, or it's more because of the benefit-based products, if you can clarify?

And related to that, out of the total group, which you did around INR1,173 crores in 1H FY '26, how much will be affinity-based products and whether the contribution has gone up or declined compared to last year?

Ankur Kharbanda: I'll talk about the first part. This is largely on the corporate group, whereby, as we said that our strategy has always been be selective, wherever you are able to get a good client basis, the COR calculation, not the LR, but the overall calculation, then only we are picking that. That's the point there.

But let me ask Mr. Krishnan to talk about the second question.

Krishnan Ramachandran: Sanketh, on your -- in terms of overall group, roughly in the past also we have mentioned of the 30-odd percent that's overall group, roughly, it's one-third, two-third in terms of the split. And that broadly maybe has shifted -- broadly it has been the same, although the growth has slowed down, but given some of the large corporate business that we wrote, that's broadly stayed the same from an earning standpoint, yes.

Sanketh Godha: Krishnan, the reason I was asking is that if the mix remains broadly the same, then even your highly profitable benefit-based plans have grown in low teens. So that's the reason I was asking that question?

Krishnan Ramachandran: Yes. So I mean, we grew our business in those 2 segments quite rapidly last year as well as last. So the growth is off a fairly close to 40%, 50% growth last year and prior year, you would have seen those numbers. It's a double digit growth on top of a 40%, 50% growth rate last year, just to put that in context.

Sanketh Godha: Understood. Maybe -- sorry to harp on that point. But just wondering whether the -- we know that multiline companies are paying on N basis on commission, but we moved to 1/N strategy. So...

Krishnan Ramachandran: That has not impacted us. That's not had any impact. I can reconfirm that.

Sanketh Godha: Okay. Perfect. And can you quantify your group health loss ratio in IFRS basis for the current half and the previous half?

Vishwanath Mahendra: That's not something we publish, but...

Sanketh Godha: I think you gave it last time, Vishwanath, that 61 percentage was 1Q FY '26 group health loss ratio and 68% was retail and blended, it was 66.8%. So on similar lines, if you can give the number, it will be useful?

Vishwanath Mahendra: You are saying overall group, not B2B and B2B2C...

Sanketh Godha: No, no, overall group. Yes, yes, actually overall group, I'm asking, sorry.

Vishwanath Mahendra: Okay. So this H1, we have overall 65.9%, where 68.1% is retail and 60.9% group, so roughly 68% retail, 61% group.

Sanketh Godha: And in the last year, same 68% -- what's the number?

Vishwanath Mahendra: 56%. I'm just rounding. Okay.

Sanketh Godha: Okay. So 56% gone to 61%, 68% is flat. That's the way I need to understand it?

Vishwanath Mahendra: Yes, yes. That's -- got it.

Krishnan Ramachandran: And just to remind you, all our ratios include claims settlement cost.

Sanketh Godha: Yes, yes, I understand that point. I understand that point. Yes. And just a fundamental question, see, IRDAI probably allowed or in one of the circulars said that -- or master circular said that your pricing based on claim experience or discount given to the customer based on the claim experience can be implemented.

One of your peers have implemented that to 30% of the portfolio. Just wanted to understand where we stand and whether the incremental pricing, what we do for the portfolio, whenever we'll do it, will we follow this approach consistently?

Krishnan Ramachandran: So Sanketh, as we have mentioned in the past as well, the regulations permit favourable claims experience discount. In our case, favourable claims experience and experience basis, for example, if somebody does on an average 10,000 steps daily and records it on our customer app, they become eligible for as high as 30% discount at the time of renewal. So we continue to implement both of these when we reprice our products or when products come up for renewals as the case may be.

Sanketh Godha: Okay. But we don't have cohort-based pricing. Is it fair to understand? Basically, if it's an same age bracket, one has a little higher loss ratio, and some other guy has a little lower loss ratio. So the price hike, despite suppose morbidities being same, will he experience a differential pricing, or we don't have a cohort-based pricing? It's based on what you said, the softer points like steps covered and all those things?

Krishnan Ramachandran: And also favourable claims experience discount, right? I mentioned both. We have favourable claims experience discount as well as other health parameters. So it's not just the hospitalization parameter, but other health parameters to broad-base the kind of discounts we give our customers. Essentially, for people who have been healthy, the idea is to encourage them through premium discounts.

Sanketh Godha: And will you be okay to quantify how much percent of the portfolio follows this approach of pricing?

Krishnan Ramachandran: We can probably take that offline, Sanketh.

Sanketh Godha: Okay. Perfect. And the last one, the retail health growth has been very solid for us compared to the industry being little muted even on N basis. So just wanted to understand any colour you want to give on porting policies and what percentage it contributes to total premium or total GWP in first half?

Krishnan Ramachandran: So broadly, the porting percentage has been stable, Sanketh, if anything, it's probably come down. I think in the past, we have guided between 20% and 25% is where our porting has been and it's actually -- it's been range-bound in that level only. And the growth has actually -- let me sort of address another aspect, right?

So we said broadly our retail health has grown 28% for H1 in GWP terms. And I would say 6%, 7% of that has come from value growth and the balance has actually come from volume growth. So close to 20% of the growth has been lives growth and the balance has come from ticket size improvement.

Moderator: Our next question comes from the line of Uday Pai with Investec.

Uday Pai: Just one clarification question that the pass on to distributors, is it implemented for the full quarter or Q3 will still have some impact of GST? Just one question from my side?

Krishnan Ramachandran: We've done it effective October 1.

Uday Pai: Okay. So Q3 should not have any impact of this, right, it should be a clean quarter from GST?

Krishnan Ramachandran: That's correct. That's correct. Yes.

Moderator: Our next question comes from the line of Rachna K. from SiMPL.

Rachna K.: I had one question. Within our group health insurance portfolio, could you share how the premium mix or share between employee-employer versus SME customers have evolved? Further, if you could provide some perspective on the underlying business economics at a ballpark level of writing employee group health versus SME?

What factors make the SME business segment attractive? As you know, we had discussed previously that SME business is an attractive segment within the health business and how it is different from writing employee-employer business. In addition to this, what has been our approach to become better in SME business in terms of growth and profitability as this segment tends to be a bit price-sensitive? This is my question.

Krishnan Ramachandran: Actually, employer-employee -- SME is also employer-employee technically. So just want to be clear that both are employer-employee. Just depending on the size and the number of lives covered, we categorize something as large corporate versus SME. As we have stated in the past, our strategy is to focus on the SME segment or disproportionately focus on the SME segment.

And as Ankur mentioned earlier, we do believe we have a strong value proposition for large corporate, but we are opportunistic, right? It has to come at the right economics around combined ratio for us to write that, the case in point being that in early 2025, we wrote large -- a couple of large multinational companies because they believe very much in a health value proposition and we were able to write that large business using a health value proposition.

So strategically, I just wanted to clarify that. In terms of the split of the business, I'd say more than 2/3 of our business by volume account of policies comes from SME, probably closer to 70%, 75% or even higher. In terms of -- and SME in the company, we actually run almost like a retail business. We source SME business through direct-to-consumer channels.

We source it -- many of our bank partners have large SME lending franchises. We ride off our sizable agency network. And we also ride off the broker network. So it's a multichannel approach to the SME business, similar to what we do on the retail business. And indeed, we run it like retail, where the conversation to conversion ratio is something that we closely monitor on the SME side.

And this is a business that we've been strategically investing in and growing. This business has been growing. If I sort of deconstruct the overall growth, while our overall group business growth has been relatively slower than the retail growth, but the SME growth has been -- maybe has been close to 50%. You want to add? That gives you a sense of our overall employer-employee strategy, the role of SME and how -- what engines we're using for growth.

Rachna K.: Okay. And more on the economics perspective, if you could give a ballpark figure in terms of combined ratio?

Krishnan Ramachandran: We've spoken about group combined ratios in the past. I mean, that's what we've been talking about publicly.

Moderator: Our next question comes from the line of Vinod Rajamani from Nirmal Bang.

Vinod Rajamani: I don't know whether you may have already addressed this because I joined slightly late. I just wanted to know the split between -- in the group segment, the split between employer-employee and benefits, what was the premium split and also the loss ratio split? That's all.

Krishnan Ramachandran: Premium split is roughly one-third employer-employee and balance affinity business. Loss ratios, we have not been disclosing publicly.

Moderator: Our next question comes from the line of Raghvesh from JM Financial.

Raghvesh: I had a couple of questions. First, on the claims ratio reserve release, which you have been discussing, in 1Q, you had mentioned it will take a couple of quarters for this to stabilize. But the commentary suggests it's now stabilized, and we can kind of consider this INR50 crores number adjusting for, of course, growth to be stable here. Is that a correct understanding?

Vishwanath Mahendra: Yes, that's correct.

Raghvesh: Okay, clear. Secondly, on the gross commission ratio you have been able to reduce. So any specifics you would like to give in terms of what channels have contributed to this? Or there is a change in mix in some way that we are missing?

Vishwanath Mahendra: No major movement in channel. It has more to do with the mix change.

Raghvesh: Okay. So the employer-employee is becoming larger. Is that the reason?

Vishwanath Mahendra: Employer-employee, new renewal, all those kind of mix changes.

Raghvesh: Okay. And finally, from October, the entire aspect about 1/N and N goes. Or is there something residual which will still be coming, and we'll have to look at another like-for-like growth number? What is published monthly is the like-to-like?

Vishwanath Mahendra: Not exactly because October, we started -- last year, October, we started 1/N. So whatever is the premium deferred in those months, it will keep coming. So there will be a cycle. So now we'll keep deferring and it will keep coming from previous months.

Raghvesh: But whatever will be reported will be like-to-like, right?

Vishwanath Mahendra: So last financial year in those months, the previous financial years deferred will not be there. But this financial year, these months will have deferral coming from previous financial year. So it will...

Raghvesh: It will be slightly higher than -- what will be the...

Vishwanath Mahendra: Yes.

Moderator: Our next follow-up question comes from the line of Sanketh Godha from Avendus Spark.

Sanketh Godha: Vishwanath or Krishnan, if you can answer. See, the claw back in the -- or reduction in the commissions is probably maybe 65%, 70% or 70%, 75% of your cost. Rest of 2/3 cost, excluding the non-employee cost still will have some GST implications with no input credit availability.

So do you think this will have an implication on overall COR or profitability in second half onwards? Or do you think it will be more than compensated by, say, better renewals or ticket size increase or higher sum assureds, which invariably will have lower loss ratios? Just on that point, if you can qualitatively address it will be useful?

Vishwanath Mahendra: Sure, Sanketh. So -- you're right, there will be some cost items, overhead items where there will be GST and input tax credit will not be available. One is we are looking at each and every item in detail and identifying if we can renegotiate, reduce, etc., on those cost items.

Still, there will be some residual, but that will be more than compensated by a few items, a few you mentioned and there's another additional item where in terms of claims, the GST on pharmacy or medicines has been reduced. So that's also something which will help us. So overall, we feel that there will not be any negative impact.

Sanketh Godha: Understood. Understood. Perfect. And one more thing, if I look at your ticket size numbers, average ticket size per policy for 1H to 1H and for both agency and overall, there is a kind of 12% to 13% decline even if I do that math on 1/N -- without 1/N basis. So any reason you think it has happened or is it because incrementally, distributors are selling less long-term policies and that's getting reflected in the ticket size?

Vishwanath Mahendra: Sanketh, there's no reduction. Without 1/N metric, we have given in Slide Number 8. So if you see GWP per policy sold by agent, so it is INR25,108, INR25,215. So it's marginally high. So probably you are looking at another slide where there is a reduction and that's coming because of 1/N impact. And that will also get addressed from next quarter onwards.

Sanketh Godha: Okay. Understood. Sorry, maybe I looked at a wrong slide. You're right. And finally, can you quantify your advance premium sitting in the balance sheet?

Vishwanath Mahendra: Not handy currently, but we disclosed that in our IRDAI financials...

Sanketh Godha: Yes, yes. But it will come with a lag, so I was asking?

Vishwanath Mahendra: I mean, since it will be available in public domain, we can find out and give you separately.

Moderator: Our next follow-up question comes from the line of Shobhit Sharma from HDFC Securities Limited.

Shobhit Sharma: So firstly, can you help us understand how much of our expenses related to outsourcing expenses contribute to total expenses? And what's our plan on that? Because I believe whatever ITC impact would be there on that portion of the expenses, if we are able to bring that in-house, we'll be able to offset some of that?

And secondly, on the investment AUM side, if I look at as compared to March '25 to September '25, the year has been more or less been flat. It has grown by 4% to 5% only. So what's the reason behind that? And what's our strategy on to the portfolio? Will it always be skewed towards the debt side? And what's our duration of the portfolio?

Vishwanath Mahendra: Sure, Shobhit. So first, on your question on outsourcing. So we have very small outsourcing vendors where we take help on manpower side for IT, etc. We are looking at each and every contract and seeing is there value in in-sourcing that. So in some cases, we may do.

In some cases, we may still continue with outsourcing. But it's not a very major cost item, any which way. On AUM, so this has to do with reinsurance treaty. Last financial year, we had reinsurance treaty, which was there on -- where settlement was on annual basis. So in May this year, we settled that all voluntary quota share.

And this year onwards, it's on quarterly settlement. So that's why optically, it's looking that AUM has not grown. And the capital contribution was another point because last year, we had INR800 crores capital. So that's why there was a sudden jump, and we raised also some in private market before that. So those are the only reasons.

In terms of bonds, yes, we would like to continue majorly with bond strategy, but we also have close to 6%, which is there in Nifty ETF, AIF, InvIT REIT, etc. So we'll continue with that, but it's not that we want to ramp up that largely. And second, we are not investing in direct equity. It is only through Nifty ETF.

Shobhit Sharma: Vishwa, what's the duration of the portfolio on the debt portfolio?

Vishwanath Mahendra: Duration would be...

Krishnan Ramachandran: 61 months.

Vishwanath Mahendra: Maturity would be 61 months; Duration, yes, 4.5 years or so.

Moderator: Our next question comes from the line of Kushagra Goel from CLSA.

Kushagra Goel: Just one question. So there was earlier we had a news article, right, that General Insurance Council was...

Krishnan Ramachandran: Kushagra, your voice is not very clear.

Kushagra Goel: Sure. Is it better now?

Moderator: Yes, sir. Please go ahead.

Kushagra Goel: So just one question. If there is any update regarding the negotiation which was happening between the industry -- insurance industry body as a whole with the hospital in terms of keeping your expenses or the -- sort of harmonizing the expenses which are being charged. So if you can give some update on that because there was some recent news also on this front?

Krishnan Ramachandran: Yes. No, I think -- maybe I'll give a broader update on 3 big industry initiatives. One is an awareness campaign where as I updated last time, as an industry, we have committed to a sizable spend every year for the next 3 years. I think we had the second burst of that campaign happen during Q2. Second is on the common empanelment initiative.

It continues the pace. I think we have close to 3,500 or 4,000 hospitals that have applied under common empanelment. The third, maybe I can request Dr. Bhabatosh to talk about the work that we're doing specifically around standardization, which is also a powerful lever to control claims cost.

Bhabatosh Mishra: Yes. So a lot of focus on standardization of protocols as well for 7 conditions, 7 kind of conditions and more than 10, 12 diagnosis codes, standard protocol indication for hospitalization has already been adopted, largely by all SAHI players and increasingly by the entire industry for health insurance.

This is an initiative where more conditions are being added as we speak. And there is significant, not just push, but endeavour to standardize these protocols of indication for hospitalization and treatments as well, including position statement that is already underway, led by General Insurance Council on behalf of the industry.

Vishwanath Mahendra: And Shobhit, to your question on duration, it is 4.5 years.

Moderator: Our next follow-up question comes from the line of Supratim Datta from Jefferies.

Supratim Datta: One, just wanted to understand what is the GST impact this quarter? Because I understood that it's -- your renegotiated rate started from 1st October. So just wanted to understand what was the impact this quarter? And secondly, wanted to understand what proportion of your GWP currently comes from narrow network products? And how are you seeing that grow over the next 2 to 3 years?

Vishwanath Mahendra: GST is not major. It's INR5 crores, INR8 crores.

Krishnan Ramachandran: Narrow network is still early days. It's probably in the single digit on new sales. But keeping aside that the preferred provider network that we are executing on quite aggressively, which is now there in 44 cities, I think about 16%, 17% of our claims in those cities go through the PPN network.

The objective is the same, except that one is achieved through the product and the other is achieved through communication, providing superior benefits, working with our distribution and nudging customers -- better experience, nudging customers to go into the PPN.

Supratim Datta: And how is the claim experience different in a PPN versus non-PPN as in the loss ratio?

Bhabatosh Mishra: Loss ratio, did I get it right? The difference in loss ratio, between PPN and non-PPN?

Supratim Datta: Loss ratio. Yes.

Bhabatosh Mishra: That is not what we publish in public domain.

Krishnan Ramachandran: But look, broadly, the price difference, on a like-to-like basis and broadly, there's a difference of about 10% to 15% PPN versus a quaternary tertiary care facility.

Bhabatosh Mishra: Yes. In terms of the average claim cost for like-to-like treatment, definitively, the PPN is, as mentioned, 10% to 15% or perhaps a little lower in that range. However, you cannot also compute loss ratio at a provider level or a cohort of provider levels, right, given the calculation of loss ratio is claims upon earned, you can't compute earned for a set of providers, right? So that's not something that is even computable.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Krishnan Ramachandran: Thank you, everyone, for your patient hearing and your questions. Let me just close by saying that we continue to be super excited about health insurance, specifically retail is a big focus area for us, and we are continuing our journey of investing and growing the business in a profitable, valuable way. Thank you.

Moderator: Thank you. On behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.