"Niva Bupa Health Insurance Company Limited Q4 FY'25 Earnings Conference Call"

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MODERATOR:	**MR. RUSHAD KAPADIA – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Q4 Results of Niva Bupa Health Insurance Company Limited hosted by ICICI Securities.

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I now hand the conference over to Mr. Rushad Kapadia from ICICI Securities. Thank you and over to you, sir.

Rushad Kapadia: Thank you. Good evening, ladies and gentlemen, and welcome to the Q4 FY25 Results Conference Call for Niva Bupa Health Insurance.

We have with us from the Management, Mr. Krishnan Ramachandran – Managing Director and CEO, Mr. Vishwanath Mahendra – Chief Financial Officer, Mr. Ankur Kharbanda – Chief Distribution Officer, Dr. Bhabatosh Mishra – Director (Claims, Underwriting and Products), Mr. Dhiresh Rustogi – Chief Technology Officer and Mr. Vikas Jain, Chief Investment Officer.

So thank you and over to you, sir.

K Ramachandran: Thank you, Rushad. Good evening and thank you to everyone of you who is participating in this call at a late hour. It is my privilege to present the full year financial results of Niva Bupa the first time after we listed as an organization in November 2024.

I will walk you through some "Key Highlights of FY25" and I will request my colleagues to chip in as we move along. As much as possible, I will refer to numbers on a like-to-like basis because as you are all aware, there was a significant accounting change effected by the insurance regulator on October 1 last year, so for ease of comparison, I will refer to a bunch of numbers on a like-to-like basis.

So we closed last year in terms of GWP at Rs.7,406 crores, a growth rate of 32% without the "1/N" accounting change. We closed the year on an IFRS profit after tax of Rs.203.3 crores on a full financial year basis. We continue to maintain consistently a high claims settlement ratio; 92.4 claims settled out of every 100 claims that we get. And we improved our weighted average NPS to 55 for the full financial year, up from 50-odd in FY24.

Just to walk you through progress on strategic pillars:

- Pillar #1 is being the health partner of choice for customers.
- Pillar #2 is building out a multi-channel and diversified distribution mix.
- Pillar #3 is a business model that's underpinned by technology and analytics, keeping discipline around underwriting and claims and a big focus on talent management.

On a full year basis in terms of product mix, we closed the year with 65.5% retail and the balance split between group, PA and travel. Our group mix increased on the full book, primarily because we had the privilege of writing two large corporate accounts that valued our propositions specifically around the wellness ecosystem and our ability to deliver on a total cost of ownership platform centered around not just insurance, but also managing the health of employees at very acceptable economics. We also grew our retail market share from 9.1% in FY24 to 9.4% on a full year basis.

During the last quarter, we launched a new product called “Rise.” We are very excited with this product because it targets what in our assessment is the largest unserved population in health insurance in India, which is the “Missing Middle” as NITI Aayog refers to it, middle class, lower middle-class Indians. So we launched this product in February, and we believe this opens up a whole new and large customer segment for us as a company.

We continue to make solid progress on our health and wellness ecosystem; borrowing of Bupa's global healthcare strategy. And all of this is delivered through our customer app. We have more than 11 million downloads of our app as of last financial year and our monthly active users on the app is in excess of half a million.

As I already mentioned, our episodal NPS moved to 55 from 50 and specifically we improved on what is the moment of truth in the health insurance business which is the claims NPS specifically at the time of discharge we moved that number to 67 for the full financial year up from 63.

We continue to expand on our distribution. During the last quarter, we added 8,000 agents and between banks and brokers, we added 30 new distribution partners during the quarter. Again, we continue to make progress on analytics and technology and one KPI I will highlight is our auto adjudication rate on claims moved up to 28.5% on a full year basis.

We also continue to execute on our Preferred Provider Network strategy which delivers in our opinion the right combination of quality and value for customers. Our PPN network is now present in 40 cities across India and covers close to 600 hospitals.

The average claim size, which is a good proxy for medical inflation that we experienced in our portfolio, grew by 5% and broadly the CAGR on this has been about 6.5%, 7% on our portfolio. So last year we experienced unit cost inflation as measured by ACS of 5%.

And before I hand over to my colleague, I think one aspect that we are especially proud of, and we measure ourselves is how well we do on talent. And we did get recertified as a Great Place to Work, and we rank once more in the Top-25 Places to Work in Banking and Financial Services.

I am now going to request Vishwanath – our CFO to talk about our Financials.

V Mahendra: Thank you, sir. Good evening everyone.

So like Mr. Krishnan talked about, the growth rate on like-to-like basis in terms of GWP it was 32%, on “1/N” basis it is 21% in FY25 over last financial year. Net Earned Premium grew by 28% to Rs.4,894 crores.

The PAT under IFRS grew around 91% from Rs.106 crores in FY24 to Rs.203 crores in FY25. The profit under iGAAP has also registered a significant growth from a profit of Rs.82 crores in the last financial year to Rs.214 crores in the current financial year, resulting in around 161% improvement.

There is an increase in combined ratio for FY25 by around 245 basis points to 101.2% from 98.8% in FY24 due to “1/N” impact. The increase in combined operating ratio is majorly driven by loss ratio which is 59.0% in last financial year and 61.2% in current financial year. Without “1/N” impact, the combined ratio for FY25 is 96.1% with an improvement of around 270 basis points from FY24, of which 80 bps is coming from improvement in loss ratio and 190 bps from improvement in expense ratio on like-to-like basis.

Investment yield in the last financial is 7.4% with AUM of Rs.8,175 crores. Solvency ratio is at an healthy level of 3.03x against regulatory minimum of 1.50 as on 31st March 2025. So, this was broadly an overview of last financial year.

Happy to take questions.

Moderator: Thank you, sir. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question comes from the line of Supratim Datta from Ambit Capital. Please go ahead.

Supratim Datta: Thanks for the opportunity. Just wanted to understand if you could split the loss ratio between retail and group and within group, your affinity products and group employer-employee, how would those have tracked in FY25 versus FY24 if you could give us some color on that, that would be very helpful? And the second part is I understand in the commentary you have mentioned that you have increased the share of employer- employee at a favorable economics. Typically, this business has shown time and again that loss ratios can be very volatile. So, what are you doing different that will allow you to arrest this volatility in this product, if you could help me understand that, that would be again, you know very helpful? And lastly on the claim inflation, the claim inflation appears to have reduced versus FY24, it was around 7.4%, it has now come down to around 5%. Now, this again seems to be in contradiction with what we hear in the industry that claim inflation continues to go up. So again, if you could help us understand what you are doing differently which is allowing you to arrest this claim inflation, that would be very helpful? And if the claim inflation is coming down, does that mean that the price hikes that we have been taking around 10%, does that need to be revised downwards as well? Those are my three questions. Thank you.

V Mahendra: Thank you, Supratim. So in terms of loss ratio, I will talk about IFRS loss ratios, which are on 1 by 365 and since these are IFRS, there's some loading for claims handling expenses, which is to the tune of 3 percentage point, so just to give you context. So last year the overall loss ratio on 1 by 365 IFRS was around 63% which is 63.8% to be precise in FY25. So FY24 63% moving to 63.8%. So in terms of retail and group, retail was around 65% last financial year, which is 66% in this financial year. So there is a 100 basis points increase in retail loss ratio. In group, we don't bifurcate in employer-employee, non-employer-employee. So in IFRS we look at group on a combined basis, which was 57.7% last year which has increased to 58.2%. So that's the group loss ratio. In terms of medical inflation, 5% inflation, this is more or less in line with what we have been experiencing between 5% to 6%, 6.5% medical inflation year-on-year. Doc you want to talk about anything on medical inflation we are doing differently.

Dr. Bhabatosh Mishra: Sure. Thank you for your question. At Niva Bupa entire provider management and tariff management strategy is deeply driven by insights coming from data analytics. Instead of a generic approach of volume-based and other instrument-based discount, we have a targeted discussion with providers. In terms of providers strategy as you would have seen now we are present in 40 cities with a provider network which is preferred to us which is of reasonably good quality treatment at affordable cost to our customers generating value. So that is the strategy we have taken forward and scaling up, more than nearly 600 hospitals right now and gradually customers are happy to move into there because it helps them. We also deploy specific negotiation tactics based on data as I mentioned which is about packaging of procedures and discounting on specific diagnosis and procedures, which have a disproportionately larger impact on our book and positive impact. And last but not the least, we do deploy as you may possibly be aware that billing review, case management, these are measures we deploy so that protocol basis consultation with treating doctors and protocol applications ensuring right treatment and billing review to ensure that the billing format and practices of hospitals are as per the SoC agreed with them. These are some of the measures which help us achieve better control on medical inflation trends.

K Ramachandran: But more broadly, Supratim, I will just add to what Vish & Doc have said. Ultimately the focus of all of this is to manage to a target claims ratio and we deploy broadly five levers to do that. One is the risk selection method that we have and we would have spoken in the past as well about our lifetime value approach to selecting risk. We believe that this is the most critical determinant to underlying portfolio quality and therefore claims ratio. Second is the risk assessment framework which is making sure that we are pricing risk appropriately. So, somebody who is diabetic we need to make sure that the risk is priced for average cost, which is over lifetime 1.5 to 2 times more than the averagely healthy individual. Claims management, Dr. Bhabatosh referred to. The other one is good rhythm of continuously cross-selling and upgrading to our customers underpinned by next best offer analytic models. And as we have updated in the past we do execute annual premium revisions to negate overall medical trends that we experience in our portfolio. To your question on employer groups, again, yes, you are right, this is a market where pricing levels fluctuate in the industry, but just making sure that we're disciplined around what price points we're able to write this business at and also making sure that we have a healthy mix of small and medium enterprises. That's a very focused effort within the company to make sure that overall as a portfolio we run this in a way that delivers economic value. Somewhat long answer, but that's broadly the essence of what we do to address your question.

Supratim Datta: Got it, got it. Thank you.

Moderator: Thank you. The next question comes from the line of Prayesh Jain from Motilal Oswal Financial Services Limited. Please go ahead.

Prayesh Jain: Yes. Hi. First of all, good set of numbers. Congratulations for that. The first question is what would be your gross level expense of management in FY25 and how will give us the glide path in achieving the expense of management regulation, how would you meet that? That would be point one. Question two would be on your network hospitals that doesn't seem to be growing in that sense. So what are the thoughts there? And just extending that hospitals question, what is the status with respect to your negotiations with hospitals coming down to a common agreed rate? And last question, what will be your AUM mix between debt and equity? Thanks.

V Mahendra: So I will address the expense of management question. So the expense of management ratio for FY25 is 37.4%; there is an improvement of 190 basis points over the last financial year where it was 39.3%. And incidentally, the same improvement we have seen in FY24 over FY23 also; so in FY23 41.2% improving to 39.3% in FY24 and 37.4% in FY25. And if you just see FY25, let's say, what is the allowable expense ratio, so it is 35.5% considering 35% and some allowances on insure tech, etc. So we are again around 190 basis points away. So we are very confident that we will be able to achieve this in current financial year looking at the trajectory.

Dr. Bhabatosh Mishra: You are right. The network hospital strength has not grown substantially and that's a conscious decision. While what you see there is a net of additions, deletions, 80%+ of claims come from a limited number of few 100 hospitals. It thus having a network of 10,500 close to that, also enable servicing our customers across the length and breadth of this country and we follow a rigor of reviewing hospital from quality, cost and other point of view, and other practices point of view periodically and thus while we add quality hospitals based on where we are getting reimbursement claims from, we also consciously de-panel some hospitals based on the practices as I spoke about earlier on cost, quality and on some of other practices around customer service, etc.

K Ramachandran: On your question, Prayesh, on where are we on the common empanelment initiative of the industry, the initiative as you know has been led by the General Insurance Council. It is well underway. The entire country has been broken up into a number of geographies, teams have been formed and allocated specific hospitals. So discussions are underway. These hospitals to get them to sign up with the Council as the representative authority to build out this common network. It's work-in progress. As you can expect in an initiative like this, there's obviously a pushback because what we are asking for is we tie up with offers the industry the lowest rate that they have with any provider. So there is pushback, but there are also early positive signs of willingness to accept and move forward. So all I can say is very much underway and solid work in progress.

Vikas Jain: Prayesh, to your question on the investment book, all of our investment book is debt as of now. We have a very negligible portion that we have invested in NIFTY ETF as of recently, but it's all practically debt for us.

Prayesh Jain: On the industry, the way things are shaping up, one is there is a price hike that has come through, second is there is a lot of commentary on the rejection of claims, then there is commentary of hospitals not tying up with the insurance companies or discontinuing the tie-ups and then now again there is talk of about insurance companies sending third-party investigators at homes of people to check, the industry seems to be riled with negative news flow. Is this kind of impacting demand or how are you seeing this kind of behavior in the industry?

K Ramachandran: So I will make one comment, and I will request Ankur to address the question on demand. Yes, you are right. There has been a lot of recent negative press, and I will only speak about health insurance, not the rest of -- There has been a lot of recent negative press around the topics that you mentioned. But what we did is to actually pull out the real data. There is publicly available data around in the NLs around complaints per 10,000 claims, around complaints per 10,000 policies and claim settlement ratios. And actually we internally did an exercise to look at it, in the aggregate, are we doing a better job, worse job, or are we sort of doing what we have been doing on these three specific KPIs because that's then a very data-driven answer to, is the industry really experiencing this or there is just more negative reporting. And the answer to this, Prayesh, you can actually download the NLs and do this exercise for yourself. On every KPI the industry has actually improved, claim settlement rates, and when I say industry I am referring to the aggregate of all the industry data on this, the claim settlement rate has improved, complaints have come down both on the claim side as well as on the policy side. But the reality is that obviously the industry has grown, the absolute count of complaints has increased. But more broadly, if I have to sort of sum up the core issue that health insurance is grappling with, it is more a problem of perception driven by anecdote as opposed to what the data or the statistic is saying. Therefore, again, the Council will be embarking on a fairly ambitious PR and awareness program, and we would like to fundamentally combat this perception because genuinely the industry on balance is doing a better job than it was doing three years ago and this is something that you will also witness in the days and weeks to come. Specifically on whether this is having an impact on demand, I will refer to Ankur.

Ankur Kharbanda: Yes. Thank you. On the demand side as well, if you look at all of the numbers, be it our numbers or the industry numbers, the industry is growing at a double-digit today and we are also growing, you would have seen our number. we have grown at a 30%-plus growth. So all of this is continuously happening for industry and us as well from last few years now. So somehow we feel that there are so many levers which we need to work on, which can really create demand and get customers to be insured, which helps the overall agenda on insurance for all by 2047 as well. And as Mr. Krishnan also referred, all the industry is coming together to create more demand and awareness together as well the way some of the other industries are doing.

Prayesh Jain: Thank you and all the best.

Moderator: Thank you. The next question comes from the line of Ananga Rana from A91 Partners LLP. Please go ahead.

Ananga Rana: Hi. I had two questions. First is that given group health for us has grown much faster than retail, just wanted to understand what is driving that growth between like employer-employee and the loan attached product? And again for both of these, what would be our outlook going into FY26? That's my first question. The second is that our AUM also has grown much faster than our GDP. Now of course some of that would be because of the equity fund raise that we have done as part of our IPO. But wanted to understand if anything has changed on the business side because of which we may be generating more AUM. Those were my two questions.

Ankur Kharbanda: I will answer the first question. Largely, our contribution has been similar to what it was earlier, except for the two large groups which we have in the last quarter we have picked up and that's where our overall contribution towards the group side has gone up by 2.5% there. Otherwise, our group business was ranging towards 10%, now it is getting towards 12%, 12.5%. That's the difference between earlier and now. And as earlier also mentioned, overall growth is at 32%, which is a mix of both retail and group whereby all three segments, whether it is B2B which is group or it is B2B2C which is the attached group and the retail, all of them are growing significantly.

V Mahendra: AUM, actually, you are right. It has grown higher because of the primary capital raise we had. If you adjust for that, it is in line with our GWP growth. So no change as such in the products or other things.

Ananga Rana: Got it. Thanks.

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

Sanketh Godha: Yes. Thank you for the opportunity. So, sir, I have a few questions. On group health, which is around Rs.2,185 crores for the entire year, can you give how much is contributed by benefit-based plans and how much is employee-employer, a broader breakup and how the breakup looks for FY24 if possible?

K Ramachandran: Sure. Sanketh, of the total book, 65%-odd is retail, about 13% is B2B or employer-employee as Ankur referred to and the balance is benefit based plus indemnity, plus personal accident, broadly affinity business is about 22%.

Sanketh Godha: Okay, got it. And another again data keeping question. Out of this Rs.4,400 crores of retail, which is 65% of your total portfolio, how much is driven by three-year cover? And I just want to understand with “1/N” accounting, have you changed a bit of strategy to not to focus on three year as such and any implication of that on the growth?

V Mahendra: Multi-year proportion is around 20%, Sanketh.

Sanketh Godha: It was on similar lines last year or you toned it down in the current year with “1/N”?

Ankur Kharbanda: Last year it was slightly higher. We have not done specifically anything to tone it down, but naturally it is going down because the distributor now may not get the full remuneration but will get it annually and that's the reason naturally some of the numbers will get toned down.

Sanketh Godha: Okay. So it's not a conscious decision from your side to slow it down, it's more natural, it has come down a bit?

Ankur Kharbanda: Correct.

Sanketh Godha: Okay. A couple of more things. One is maybe if you can give a bit of color of again the retail health, to what extent it is contributed from port-in if you are okay to share that number?

K Ramachandran: As in the past, Sanketh, that number is in the 20s and this has been consistent with what we have updated in the past as well.

Sanketh Godha: So no material change as such in the current year compared to the last year, right?

K Ramachandran: No material change.

Sanketh Godha: Okay. Maybe if I can ask, has the company witnessed any intense competition in affinity products, basically what you attach with the loans and where typically the long term gets attached because of "1/N" accounting from multi-line players, especially who have very meaningfully better expense of management, just wanted to understand whether the competitive intensity has meaningfully gone up in that line of business which is honestly a very profitable segment for us?

Ankur Kharbanda: Sanketh, the competitive intensity, we have been seeing all across, not just this channel, all across goes up and down. But specifically to this, some of the competitors were trying to get in because of various reasons, but we have been able to get more accounts in these last six months, we have been able to get more number of partners as well in the last six months and we have been able to get more number of lines within our partner institutes within the last six months.

Sanketh Godha: Okay. Broadening of your channel partners help in the growth. That's the way I need to understand?

K Ramachandran: Breadth plus depth, both

Sanketh Godha: Okay. Lastly, this Rs.12 crores of other income what you reported in the shareholder account, which looks a little higher than usual. What exactly it is related to? That's the last question I have.

Ankur Kharbanda: Sorry, can you repeat your question?

Sanketh Godha: In the shareholder account, there is other income line item which is Rs.11.9 crores which seems to be meaningfully very high compared to your usual run rate. Just wanted to understand what it is related to?

V Mahendra: Actually there were some debts, IIFL, RCap, etc., which were written off in the past. So there was recovery from those. So that's the one under other income.

Sanketh Godha: Okay. Got it, sir. That is it for my side. Thank you very much.

K Ramachandran: Thank you.

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

Shreya Shivani: Yes. Hi! Thank you for the opportunity. My first question is on our hospital network of 10,500 hospitals that we have. Can you help us understand what percentage of these hospitals would be the corporate hospitals that we know of and what percentage would be just standalone hospitals, if you could give some broad indicative color, not an exact number is also fine? And is it possible to share how many of the hospitals would be present in bigger like tier one and metro cities and how much are like smaller cities and beyond? That's my first question. And my second question is also on your claim reserve, IBNR reserve, etc., Versus 4Q'24 that number outstanding claims reserve as a percentage of net claims incurred was about 67% or so this is down to 61%. I mean just wanted to understand how is our outlook on IBNR and IBNER book -- have we reduced that book in the quarter and in the year, just wanted understanding of that?

V Mahendra: I just address the second question first. So if you see the whole year, as a percentage of net incurred claim, IBNR + outstanding has not changed, on quarter-on-quarter there is certainly a movement because there's different season of infection disease. So sometimes when you have last quarter, some infection, etc., so you end up having higher outstanding in IBNR. So if you see whole year, there's no change as such.

Shreya Shivani: Sure. Yes.

Dr. Bhabatosh Mishra: On the question around network hospitals, first of all, 80% of the claims, as I mentioned earlier come from few 100 hospitals and the balance contribute 20%. The corporate hospitals in India are largely concentrated into larger cities. So in that sense, the vast majority of hospitals are non-corporate hospitals, and I am not referring to standalone only, but there could be few hospitals here and there, but mostly as I said standalone and few small chains contribute the largest part of this 10,500-odd hospitals that we have.

Shreya Shivani: Sure, sure. And just a follow up on the IBNR question. So yes, I did check, that on annual basis actually your claim reserve plus IBNR has been range bound in FY25 to what it was in FY24. However, in the years prior like say FY23 because FY22 becomes a COVID year, this was a much higher percentage. So have we become more comfortable in carrying lesser claim reserve now in the past two years versus what it was in FY23?

V Mahendra: Yes. So at that time, we were keeping some reserve because there was apprehension that some claims may rebound and we have seen that nothing of that sort is required now. And this testing of adequacy of IBNR, we do every quarter, so we are very comfortable with this number.

Shreya Shivani: Okay, okay. Yes, sure. This is very useful. Thank you and all the best.

Moderator: Thank you. The next question comes from the line of Akshay J from Exponent Tribe. Please go ahead.

Akshay J: Thank you for the opportunity. Sir, can you help us understand what claim incidence rates are like in retail business versus your employer-employee business?

K Ramachandran: In employer-employee, is that your question?

Akshay J: Yes. And the claim incidence rate in retail versus employer-employee business?

K Ramachandran: Typically, the employer-employee incidence rate tend to be higher than retail by maybe 2.5 to 3 percentage points primarily driven by maternity, because maternity is typically not a benefit that you offer in retail plans. So that's broadly the gap.

Akshay J: Sure. What is like a steady state claim incidence rate for the retail book like, is it sort of 4%, 5% or is it like 7% 8%, 9%, what is it like for us?

K Ramachandran: Yes, I'd say steady state you could expect 7%, 7.5% for retail.

Akshay J: Sure. So you would be far lower than that right now, no?

K Ramachandran: We are lower than that, yes.

Akshay J: So as we grow and sort of book matures, our growth rates become somewhat lower than where we are today, should we sort of expect a higher incidence rate and intensity kind of grow that inflationary, so claims ratio to sort of inch up over the medium term?

V Mahendra: See, I will just address this. So it is not just one factor. So it's multi-factorial. For example, let's say it also has to do with age of the person. So as your book matures, the average age increases, but so is the increase in the premium you realize because age is a rating factor. So, yes, incidence rate inches up, but it doesn't mean necessarily your loss ratio will go up. And also if loss ratio goes up then expense issue goes down because if you have lot of renewal book, so your expenses are much lesser there. So what we really look at combined ratio and return on equity.

Dr. Bhabatosh Mishra: As Vishwanath mentioned that's true because age is a rating factor, a 55-year-old pays a higher premium than a 35-year-old. So that adjusts for the enhanced morbidity rates which you can read it as frequency. And lot of this also is at the point of origin where appropriate underwriting, risk assessment, careful selection based on lifetime value models, etc., go towards managing this pool of risk or ensure the pool in the long run better than possibly one would expect. So these are inherently the inputs into eventual frequency of claims one would expect.

K Ramachandran: Look, I will add one more point. Any risk pool if it's sufficiently large, would have some underlying steady state of morbidity, right. Of course, as people age that will go up, but there's also a continuous influx of younger lives. So there will be some steady state. It's not that continuously incidence rates keep going up and people become sicker and sicker over time. And it starts to mirror the population plus something because it is at the end of the day a large pool, but a selected pool. So broadly incidence rate and the best proxy for that is to look at B2B portfolios. In the last 18, 19 years that we have been in this business, those are range bound, right? So it's not that corporate incidence rates have been going up and up and up. They've been range bound between X&Y, right. So the same thing will happen on the retail side. So therefore what you are left with is to manage unit cost inflation for a mature book and there one important lever is to pass on that inflation every year through premium revision but there are also the other levers that I refer to, including what Dr. just said around risk selection, making sure that you are pricing adequately, cross-sell, up-sell, claims management. So broadly if you take a static view, claims ratios will go up. But then as an operator, there's a range of levers that we will deploy to make sure that we manage the book to a target loss ratio if you will.

Akshay J: Sure. Sure. So one last thought on this is in our conversations with the channel, one of the things that sort of comes out is that over the last two, three years since COVID, there has been a general significant expansion in incidence rate and what we pick up is that as insurance has become more accessible, there is a perverse incentive for the healthcare industry to sort of get more hospitalization done because it's now paid by some third-party, right? And as a result, the incidence rate seems to have shot up, which kind of is not getting under control and which kind of reflects in some of your peers numbers which are far, far higher than what you think is a steady state, right. So is this something that you also see, is this something that as an industry kind of really worry about, would be great to hear your thoughts on it?

K Ramachandran: Look, structurally anywhere in the world, this is the problem to solve if you will in health insurance and certainly during COVID we have also put that out in our presentation, there was a significant increase in inflation and it did not revert, right, so it's moved up from a fairly sizable jump and any third-party payer system anywhere in the world suffers from this incentive of fraud, waste and abuse, let me call it that. But that's the problem to solve and it is an ongoing problem, at the industry level, we are addressing it, as an operator we address it through all the levers that I described. Is it a problem? The answer is yes. Do we need to manage it? Are we managing it? The answer, I guess to that also, has to be yes.

Akshay J: But you don't see that kind of going out of control and sort of leading to far worser economics than they are?

K Ramachandran: No, we don't see that going out of control.

Akshay J: Sure, sure. That's helpful. Thank you so much.

Moderator: Thank you. The next question comes from the line of Gaurav Nigam from Tunga Investments. Please go ahead.

Gaurav Nigam: Hi, sir. Thank you for taking my question. The first question was on the term that you use. Just wanted clarification. You use the term claim inflation. I think some of your peers use the term medical inflation. Is there a definition difference or just you are using the same definition?

K Ramachandran: It's the same.

Gaurav Nigam: Okay. Some of your peers are talking about double-digit inflation while you are experiencing mid-single-digit inflation. That's correct, right? Just to clarify.

Dr. Bhabatosh Mishra: Yes, look, I can talk to what our portfolio is experiencing.

Gaurav Nigam: Sir, second question was on the hospitals. Again one of the earlier analysts asked about this hospitals blacklisting from the insurance companies and we keep on hearing some of these things. Is there anything which insurance companies do to understand the hospital satisfaction, and is that an important metric, how are you doing, how are you ensuring that because providers are one of the important ecosystem partners, how are you ensuring that they are equally responsible and will continue to work with you?

Dr. Bhabatosh Mishra: Thank you for that question. We do check and our robust provider management team regularly periodically engages with all network hospitals and several non-network hospitals as well. It's a collaborative process. The collaboration is with regards to these following things. One, obviously the tariff, the cost of treatment, etc., The second is processes how can ease it for the hospital and help this patient, customer in the most effective timely manner and third is of course discussions around protocols and treatment protocol applications right treatment for the right kind of conditions. These are the three important levers on which we periodically engage with hospitals and that yields good results.

Gaurav Nigam: I mean just wanted to understand, is there something which you are doing differently from others, is this something that you are only uniquely doing, what is Niva Bupa doing differently on this?

Dr. Bhabatosh Mishra: Well, I can speak of few initiatives which we feel unique, but I wouldn't have the complete overview of everybody's initiatives. Let me start with the preferred provider network. I mentioned earlier as well. 40 cities, nearly 600 hospitals, these are quality hospitals delivering quality treatments at affordable cost. That is the initiative we continue to scale up and see at least 15% of our claims in these cities and increasing number is moving to PPN. That's one. The second initiative is analytics-driven triggers for billing review to ensure that the billing practices by the providers follow the SoC norms and what is agreed between us. That's the second one. And third one is, as I mentioned, things like case management, which is direct engagement with treating doctors on protocol applications, right amount of stay required for a certain procedure or treatment in hospitals, things which are very medically-oriented where a doctor speaks to a doctor defining what is the right treatment for that condition, for the right duration of stay.

Gaurav Nigam: Very interesting, sir. Thank you for sharing a detailed answer. Thank you, sir.

Moderator: Thank you. The next question comes from the line of Bhuvnesh Garg from Magma Ventures. Please go ahead.

Bhuvnesh Garg: Yes. Thank you for the opportunity, sir. Couple of questions from my side. Firstly, is on the product side. So as you mentioned that there is a tendency for some people to abuse the product benefit. So are you making any changes in your product structure so as to reduce this leakage? And so what are your targets and how are you tracking your progress on those lines? That's my first question.

Dr. Bhabatosh Mishra: Let me start with saying this, that insured population is a selected pool and any selected pool tends to exhibit what you colloquially refer to as fraud, abuse and waste, not just at the end of a consumer, but at the end of the provider as well. Several changes, several provisions in product already in place and we continue to deploy more such things in revision of products and new products we bring in to manage this. So, there are tremendous benefits that we have brought into product well. Judicious behavior by customer creates more value for them. For example, carrying forward the sum insured, smaller deductibles so that the premium goes down and customer enjoys the benefit of events, which is beyond the threshold of certain claims, small claim values. So we deploy starting from very small as 20,000, 10,000 deductible all the way up to 5,00,000 deductible, etc., So in products we already have such provisions and we continue to build more to manage potential abuse that may happen. Now as you refer to the fraud, it is something that is very empirically analytics driven fraud triggers that we use. These are learning models which factor in trends that emerge because this is something that every insurer like us have to continuously upgrade. We deploy such sophisticated tools, techniques and methodologies to detect fraud and eliminate them. On the waste part, I have already covered in the earlier question things like case management, length of stay management and billing review with regards to the provider part.

Bhuvnesh Garg: Sir, any data if you can share that how in numbers you are tracking this progress like number of fraud cases prevented or how much benefit your initiatives have delivered to your claims ratio, any number you can share?

K Ramachandran: We are happy to share that offline.

Bhuvnesh Garg: Sure, sure. And second question is on your average age of retail indemnity customer, how it has changed in FY25 versus FY24?

K Ramachandran: Broadly, the age has not changed significantly. The average age has been in the mid-30s.

Bhuvnesh Garg: Okay. So considering that your claims ratio has increased year-on-year, so can we say that within that same cohort customer has shown the kind of worse behavior, so can we conclude that way?

K Ramachandran: No, I mean the thing is it's to do with the product design, right, so every product has waiting periods exclusions which go away over time. So it's not that behavior gets worse. Of course, morbidity curves go up with age. But as Vishwanath already mentioned, all our premiums are age is a rating factor. So the premium that's charged is appropriate for that age. So it's not that we cross subsidize across ages, so it's more to do with the product design and how that plays out over time.

Bhuvnesh Garg: Okay. And sir, what is our rejection rate in incoming cases? You said that you have a lot of focus on risk selection. So what is our rejection rate and how it has changed year-on-year?

Dr. Bhabatosh Mishra: That is reflected in our claim settlement ratios, which has consistently moved up year-on-year, closer to about 93% settlement ratio now

Bhuvnesh Garg: No, no, sir. I am talking about onboarding the customer, I mean, so whenever a customer approaches you for insurance, so how many of those customers you reject and how many of those customers you accept?

Dr. Bhabatosh Mishra: Less than 2% of customers, we are currently unavailable to offer an appropriate product.

K Ramachandran: But look, that's not a very useful statistic from your standpoint, because what happens is over time, the distribution understands what's the risk assessment and risk acceptance philosophy of a company and over time they bring in only cases that they believe will be accepted by the company. They would rather take the policy somewhere else because they get to know what is the policy of a company. So not very informative statistic in that sense.

Bhuvnesh Garg: Understood. And sir, how has the number of retail lives covered has changed in FY25 versus FY24?

V Mahendra: Number of retail lives have grown up by around 18% last year.

Bhuvnesh Garg: Okay. In FY25?

V Mahendra: Yes.

Bhuvnesh Garg: Okay. And sir, what's our guidance for FY26 and '27

K Ramachandran: We can take that offline.

Bhuvnesh Garg: Okay. Fine. Sir. That is it from my side.

Moderator: Thank you. The next question comes from the line of Prayesh Jain from Motilal Oswal Financial Services Limited. Please go ahead.

Prayesh Jain: Yes, hi. Thanks for the opportunity again. One question. Could you give us some indication on loss ratios on your three-year cohort say the retail indemnity book that you would have written in FY22, what kind of loss ratios it would be trending at so that can help us understand what's the kind of color of the book?

K Ramachandran: Prayesh, we can specifically answer that offline, but broadly, as we have indicated in the past, idea is to manage the overall renewal book to a loss ratio of about 75% and we are in that ballpark.

Prayesh Jain: Got that, got that. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for the closing comments.

K Ramachandran: Firstly, thank you very much for your time late in the evening today and thank you for your questions. In closing, I want to say that we continue to be very excited about the health insurance opportunities. Yes, as many of you have articulated, there have been some challenges especially around perception around the industry there have been rapid regulatory changes in the interests of the policyholder. But on balance, we believe that we have the right business model to continue to capitalize on the opportunity and to continue to deliver solid multi-stakeholder results, customer, employee and shareholder. Thank you again and look forward to a new financial year.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of ICICI Securities Limited, that concludes this conference. You may now disconnect your lines.