"Niva Bupa Health Insurance Company Limited
Q2 and H1 FY25 Earnings Conference Call"
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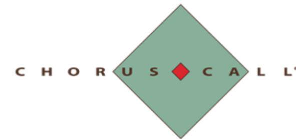

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Moderator: Ladies and gentlemen, good day and welcome to the Niva Bupa Health Insurance Q2 and H1 FY25 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star and then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Krishnan Ramachandran, MD and CEO. Thank you and over to you, sir.

Krishnan Ramachandran: Thank you very much. A very warm welcome on behalf of the entire management team of Niva Bupa to each and every one of you for making time to be with us today. With me in the room are Vishwanath, our CFO, Ankur, our Chief Distribution Officer, Dr. Bhabatosh, Director for Underwriting Product and Claims, Dhiresh, our Chief Technology Officer and Vikas, our Deputy CFO and CIO. Thank you again for making time for us today.

As a team, this is our first earnings call after we got listed and I just wanted to convey that we are very, very excited about the health insurance opportunity in India. As Niva Bupa, we do feel we make a significant positive contribution to the economic development of the country by making sure that we provide affordable and high quality health insurance solutions to the citizens of our country.

Indeed, our purpose is to give every Indian the confidence to access the best healthcare. What we'd like to do over the next 15 minutes is to give you an overview since this is the first time we have the opportunity to address you, an overview of the Company's strategy as well as, of course, the financial results. From a strategy standpoint, there are six pillars that underpin our strategy of competing and winning customers in the marketplace.

The first is a growth strategy. It's about building a granular, growth-oriented and profitable health insurance franchise. The second pillar is being the health partner of choice for our customer. The third is to build a multi-channel, diversified distribution network with an emphasis on digital sales. The fourth is to have a business model that's underpinned by technology and analytics. Fifth is disciplined underwriting and claims management, again, underpinned by expertise.

Our majority partner, Bupa, brings global expertise spanning over eight decades in health insurance and we, in India, do leverage that expertise significantly. And last but perhaps most important in our mind is a focus on talent management and execution. On our growth strategy, for the first half of this year, the overall health insurance market in the country grew at 9.6%. Niva Bupa grew at 33.1%.

Retail grew at 18.3%. Niva Bupa grew at 32.2%. Our overall market share improved on a year-on-year basis from 4.1% to 5%. And our retail market share, on a year-on-year basis, improved from 8.9% to 9.9%. In terms of product mix, as of H1, 67.9% of our business comes from retail health, 29.7% from group health, and 2.4% from personal access and travel.

For the customer, we believe today that we have a comprehensive portfolio of innovative health insurance products covering all life stages. We use several segmentation variables to design and offer our products. Many of our products are innovative and offer relevant features to the segments.

Three broad variables that we have used with much success in the marketplace include health status, age, as well as income. And today, we have a wide bouquet of products covering significant customer segments in the Indian market. Over time, our strategy has been not just product, but also to build propositions around health.

We believe that we are a partner not just in illness, but equally in wellness for our customer. And towards that, we have enabled access to a 360° health and wellness ecosystem. And we have put in place what we believe is a solid and holistic customer health proposition, all made available through our customer app.

And as of H1, we had 4.8 million downloads, monthly active users of 400,000. And through this platform, more than 30,000 people get their health check-ups done on a monthly basis. More than 6,000 people get their consultations done. And we have a range of health services that are available. And our customer app is very, very highly rated, both on Android as well as iOS. We believe that it's important to continuously improve customer experience.

We indeed are focused on measuring customer experience across 35 critical touch-points. And through small and large improvements, we continuously focus on improving customer experience. Claims is the moment of truth in our business. And we have continuous improvement programs to improve customer experience across all critical touch-points. But importantly, the claims touch-point and our NPS score has been steadily improving over time.

We are a multi-channel company. This is by choice. As I mentioned, this is a carefully thought through strategy for the company. As of H1, about 30% of our business comes from agency, about 20.8% comes through corporate agents banks, 8.7% through corporate agents other than banks, and 27.2% comes from brokers, including digital brokers such as Policy Bazaar. And a very high proportion of our business, close to 13%, comes from the direct-to-consumer channel.

We have significantly transformed our operation using technology and analytics. In the company, we refer to the value chain transformation as intelligent automation. As of H1, close to 100% of our policies were applied, you know, from customers digitally. More than 95% of payments were done digitally. Close to 51% of cases were auto-decisioned using an intelligent and sophisticated underwriting rule engine.

And we have a very advanced capability around auto-adjudication when it comes to claims. And this is one of the more complex problems to solve in the Indian healthcare ecosystem. And as of H1, close to 28% of our claims were auto-adjudicated. We are very careful about and disciplined about our risk selection approach.

And more broadly, if I talk about our approach on portfolio management, we have a five-pronged approach to managing loss ratios on a sustainable basis, especially in the retail health portfolio. The first is our approach to risk selection, and we have a lifetime value approach to that. It's a proprietary model that we have refined over the last four years. And we believe that this stands us in good stead, especially when it comes to building a retail book which has sustainable loss ratios over time.

Second is our approach to risk assessment, where at the individual level, depending on health status, we do charge premiums that are appropriate for lifetime risk. So we have a very mature and sophisticated approach to pricing risks appropriate to health status, which we believe is quite different from what is there in the market.

On claims management, we have a five-pronged approach, including rolling out a preferred provider network, auto-adjudication, which I spoke about, robust analytic capabilities around fraud detection, and capabilities that we borrowed from Bupa around billing review and case management.

And last, but perhaps the most important in my mind is this business we believe firmly is about talent and execution. It is an execution-intensive business. It is a complex business. We believe that talent, which is able to execute well, which is able to develop expertise over time that comes from focus, is critical to sustaining success.

We have placed a lot of emphasis on talent management within the company, and we use an important marker, external marker, to sort of guide us in terms of how we are doing on talent, which is the Great Places to Work Trust Index score. And there, in the most recent ranking, we rank or we feature amongst the top 25 in banking and financial services. We feature as amongst the best places to work for millennials.

And we also feature as a leading player, as the leading player, if you will, in the non-life and health insurance segment in India. At this point, to talk about financials, I'm going to hand over to my colleague, Vishwanath, the CFO.

Vishwanath Mahendra: Good evening, everyone. Following are some of the financial highlights for H1-FY25, our gross written premium grew by 33% from INR2,436 crores to INR3,242 crores. The growth rate in GWP for Q1 and Q2 are 31% and 35%, respectively. Net earned premium grew by 36% to INR2,231 crores in H1. The PAT under IFRS has more than doubled from around INR28 crores to INR60 crores in this financial year. There is seasonality of profit under IGAAP, with H1 having losses.

The losses under IGAAP has also shown significant improvement and has moved from loss of around INR80 crores last financial year first half to loss of INR6 crores in first half current financial year, resulting in around 93% improvement. Combined operating ratio has improved by around 120 basis points to 103.5% in current financial year YTD from 104.7% in last financial year. The upside is driven by improvement in loss ratio, which was 63.8% last financial year H1 and is 62.5% in current financial year.

Annualised yield is 7.5% in H1 with AUM of INR5,965 crores. Solvency ratio is at healthy level of 2.25 against regulatory minimum of 1.50 as on 30th September 2024. So this was overview of H1 for FY25. Happy to take questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question comes from the line of Varun P from Kotak Securities.

Varun P: I just had a question regarding to the agency channel. So if you look at the share of agency, it has been on a decreasing trend for us largely because of higher growth in banca and others. But even in 2Q, I think the share has come down by about 200 basis points. So what is the growth in the agency channel and agency force and do you see this picking up over the second half or this is what is to be expected for a full year?

Krishnan Ramachandran: As of H1, our growth on agency was 25.6%. In terms of look, the reason why the share of agency has come down frankly is that Banca has grown faster. We have opened up more white spaces within our banks. We have added more bank partners. So it is the outcome of an organic process. We would be comfortable with the channel mix as it stands today. So that is broadly the reason.

It is the outcome of what has happened with other channels as opposed to anything inherent with respect to agency. Agency is doing as we have envisaged as of H1. In fact, I would submit it is doing marginally better than our own internal ambitions. Overall, in terms of retail new business growth, we have grown H1 at 40% -- that was the growth as of H1.

Varun P: Regarding to investment yield, do you expect this to moderate given that Gsec yields are coming off and there is an expectation of rate cut and even the equity markets are not being as favourable as they were previously?

Vikas Jain: We do not expect this to come down. What we did was implemented a strategy since last two years of investing in duration. Therefore, given the fact that the current portfolio we have significant duration, we do not expect this number to come down significantly despite the falling yields in the GSEC. We should be able to maintain. We do not do equity. This is all debt I am talking about.

Largely, from a debt perspective, we expect this to be the yield we envisage going forward roughly around these levels.

Moderator: We have the next question from the line of Manish Bhatiya, an Individual Investor.

Manish Bhatiya: Sir, I would like to ask a question. As we have seen the trend, the results for Q3 and Q4 are better than Q1 and Q2. Can we expect the same to follow this year as well?

Krishnan Ramachandran: Firstly, thank you, Manish, for the comment. Yes, on the Indian GAAP basis, historically, if you look at the last several years, our Q1 and Q2 are the weakest quarters and Q3 and Q4 are the strongest quarters. So you can expect the same this year as well. I'll request Vishwanath, our CFO, to add. Just one other comment. We do declare and for the last two financial years, we have published our audited IFRS statements.

As you may all know, this has been notified by the Ministry of Corporate Affairs. The Indian insurance regulator is in the process of finalizing the timelines for the insurance industry. So IFRS will become the standard sooner or later as far as insurance in India is concerned. We consolidate our reports with Bupa on an IFRS basis.

And we have our audited results available. And there, the results are a lot smoother, if you observe. Vishwanath spoke about the IFRS numbers as well. The results there are much smoother, but on an Indian GAAP basis, there is this lumpiness.

Vishwanath Mahendra: Nothing more to add.

Manish Bhatiya: All right. One more thing. I would like to tell you that I use your app as well and you have wonderful features on your app. So I would like to congratulate you on that part as well.

Krishnan Ramachandran: Thank you very much. Credit to Dr. Bhabatosh. Thank you.

Moderator: The next question is from the line of Prayesh Jain from Motilal Oswal Financial Services.

Prayesh Jain: Firstly on claims, could you break down your claims ratio into what was the loss ratio in H1 on retail and what was the loss ratio on group in H1 versus the same thing for last year?

Vishwanath Mahendra: Yes, Prayesh. So I will talk about loss ratio on IFRS basis. So last full financial year, the loss ratio on IFRS basis and this is based on published accounts was 63% and for retail it was around 65%. Current year H1, the loss ratio, given the seasonality of infection, it's around 64.5% H1 and the loss ratio for whole year for retail, we expect that to settle around the same number, 65%-odd.

Moderator: Prayesh, do you have any further questions?

Prayesh Jain: Yes, I was just clarifying, this is on IFRS basis, right?

Vishwanath Mahendra: Yes, Prayesh, that's right.

Prayesh Jain: And the IFRS loss ratio for H1 was how much for these?

Vishwanath Mahendra: Overall, 64.5%.

Prayesh Jain: Okay, got it. Second question was on the expense ratio, which you have reported that on GWP basis, it's at 40% and I think by the end of next year, for the full year next year, we have to be at 35%, right?

Krishnan Ramachandran: For the full year next year, we need to bring this down to 35% plus allowances, so roughly 36%, Prayesh.

Prayesh Jain: Okay, so what is the glide path that you would kind of look at?

Krishnan Ramachandran: So in terms of the glide path, we have submitted a glide path and we are committed to conforming to the glide path and being compliant by next financial year. I think there's only one caveat that I'll add, which is that because of the 1 by N change, and we recently had a discussion with the regulator as well, on a like-to-like basis, we'll certainly comply. But given this change, there will be a second order impact as far as fixed expenses is concerned.

And we believe the regulator is reviewing the definition because they have changed the goalpost in the middle of this financial year. But otherwise, we are on a path to comply on a like-to-like basis.

Prayesh Jain: Okay, and this largely would come in from which line item, so commission broadily should not be impacted?

Krishnan Ramachandran: Largely the fixed costs. So the fixed costs will now be defrayed over a different denominator. And that's a second order impact. We are still assessing the impact on a full year basis. But that is a second order impact, just to be clear.

Moderator: We have the next question from the line of Dipanjan Ghosh from Citi Group.

Dipanjan Ghosh: Sir, if you can give some color on -- you know, you mentioned your new business growth around 40%-41%. If you can kind of break that down across channels, or at least give some color on which channels are growing faster. My second question would be more of a qualitative question, which may not be pertaining to the quarter. It is more on, how do you see the claims ratio evolve as the vintage of the book really changes?

Or in your portfolio over the past few years, when the customers are moving from, let's say, the three-year bucket to the five-year bucket, or when you're moving across different demographics or geographies, how does the triangulation really work in terms of the overall combined movement or the loss ratio movement, whichever you think is a better metric to look at? The third question is, the third and the fourth questions are more of data-keeping questions.

One is if you can break your overall business between new and renewal for 1H or FY 2024. And the last question is, what proportion of your policies will be less than three years in terms of premiums or number of policies on the retail indemnity side?

Krishnan Ramachandran: So, I'm going to request the CDO to take up your first question on new business, the CFO to handle claims, and we'll address the third and fourth after that.

Ankur Kharbanda: Hi, Dipanjan. So, overall, as Mr. Krishnan mentioned, overall, new business grew at a 40% number. Largely, all channels grew in the similar manner. The direct digital and our own digital business grew better than the average. Agency channel was also in the similar number, plus 30, early 30s. And all other channels are also into the similar manner of growth.

Vishwanath Mahendra: Yes. In terms of cohort-wise experience, so I would like to mention about combined ratio. So, as book matures, waiting periods get over, claims ratio increase, but at the same time, there is drop in expense ratio. So, combined ratio is the right metric to look at. In terms of combined ratio, if we just divide in new and renewal, so the renewal book has better combined ratio compared to new book for retail channel, retail book, retail portfolio.

Krishnan Ramachandran: And in terms of your question on the proportion of new and renewal, as of H1 on the retail side, roughly 40% of our book was new and the balance is renewal. With respect to proportion within three years, Dipanjan, we don't disclose that at this point, but we can maybe offline connect to see if we can help you, depending on what your requirement is.

Dipanjan Ghosh: Got it, sir. Just to follow up on the second question, you mentioned that your combined experience on the renewal book is better than the new book. This seems a little difficult to triangulate when I look at some of your other listed peers, be it the SAHIs or the multiline players. I just want to get some sense of, is it more of a function of the new business distribution mix and the corresponding pay-out that is prevalent for your business as of date?

And is that the driving factor of your combined experience on the back book being better? And is that subject to change based on how the new business origination or the pay-outs change? Maybe not today, but maybe let's say from a 3 to 5 year perspective.

Krishnan Ramachandran: So broadly, one of the things that I mentioned in terms of our approach to risk selection, I think the most important lever when it comes to building out sustainable loss ratios over the long term is having the portfolio built from the right mix of risks. So when Vishwanath says that our combined ratio on renewal is better than our new business combined ratios, it's fundamentally how the portfolio loss ratios play out over time.

And for the renewal book as a whole, it is the case that the combined ratios are lower, because on the new business side, almost the entire fixed expenses that the company has, including sales teams, et cetera, the payouts to distribution, all of that means that there's a fairly heavy cost of acquiring a new customer, which is why the new business combined ratios do tend to be higher than the renewal combined ratios. That's been the case that we've observed both here as well as in my prior experience, Dipanjan.

Dipanjan Ghosh: Got it, sir.

Krishnan Ramachandran: The whole idea is to keep the renewal claims ratios at a target level so that the combined ratios are sustainable and deliver value over time.

Dipanjan Ghosh: Got it, sir. Thank you and all the best.

Moderator: The next question is from the line of Supratim Datta from Ambit Capital. Please go ahead.

Supratim Datta: Thanks for the opportunity. My first question is on the loss ratio bit. If I understood correctly, last year, first half, the retail loss ratio was 65%. Could you let me know what is the corresponding retail loss ratio under IFRS this year, first half? That would be helpful. That's the first one.

Secondly, I wanted to understand that based on some of your peers, what we understand is the industry is going through another round of price hikes. Just wanted to understand how you are thinking of price hikes and what proportion of your portfolio could be repriced on the retail side over the next one year. Lastly, on this one by N regulation, which has come in from 1st October for long term health.

Wanted to understand what proportion of your, again, portfolio gets impacted due to this. And how does this impact the commission that you were previously able to pay banks or your other distributors in the older regime versus the newer regime. How does that change? And are those negotiations already completed? So if you could give me some color on these two things, that would be very helpful.

Krishnan Ramachandran: Sure. I'll request Vish to take the first two questions. And the third, I'll split between Ankur and myself.

Vishwanath Mahendra: Sure. So in terms of loss ratio for H1 for retail book, it is around 67% odd. And as we discussed, there is seasonality of loss ratio in the first half because of infection. In terms of price increase, we have taken price increase of around 10% for two products, which contribute around 25% in retail portfolio.

And we plan to take, again, some price increase close to 10% for one or two products, which contribute around 10% of the portfolio. And this is our practice to take a smaller price increase, single digit or 10% max for all older mature products every year to take care of inflation and mix change. All other products other than these are new and they don't warrant any price increase this financial year.

Supratim Datta: And this 10 percent portfolio will be repriced by around 10%. Is that correct?

Vishwanath Mahendra: Yes, that's right. So, correct. So overall, 35% portfolio will see increase of around 10%.

Krishnan Ramachandran: And to your question on 1 by N, I'll separate the response into two parts. One is the business part, which I request Ankur to cover. But as far as the accounting part is concerned, number one, on an IFRS basis, there is no change because there is full matching.

As far as the accounting system otherwise is concerned, all commissions do get matched to when the business gets booked. So from a commission standpoint, there is no change. As I mentioned earlier, fixed costs end up getting defrayed on a different denominator than has been historically the case.

So there is a second order impact there. It's not a material impact, but there is a second order impact, which when we spoke to the regulator last week as well, they are cognizant of that. And they are hopeful that they'll be – definitionally, EOM recognizes that they changed the goalpost during the financial year.

So that's as far as the accounting part is concerned. To reiterate, no impact on IFRS, which is the measure of economic value of the company. As far as EOM is concerned, there is a second order impact because of the fixed cost commissions just get booked along with the business booking. As far as the business itself is concerned, Ankur?

Ankur Kharbanda: On the business side, we have been talking to a lot of our partners, advisors, etc. to understand. There is definitely an income loss to some of the people for the current year. But this is our arrangement, agreements, and this is our discussions with them. We are comfortable that it should be in the similar mode of what it was earlier. But there can be some plus-minus here and there on that business. But largely, we are comfortable on that.

Supratim Datta: Got it. And just to understand this, so currently, under the iGAAP, you will be booking the first year premium, right? And hence, the commission will also be corresponding to that one year's premium or would you continue to pay?

Ankur Kharbanda: No, no. That's correct.

Supratim Datta: And this renegotiation of these terms with distributors that has been broadly completed, would that be a correct assumption?

Krishnan Ramachandran: I would say to a very large extent. There is a habit change, especially on the retail business with smaller distributors. We are working our way through it as we speak.

But as Ankur mentioned, by the end of this quarter, we believe that we'll be in a situation where the change has been absorbed. And we'll get back into our normal rhythm of business. But to a very large extent, I think that the process of change and what it means to distribution, we've had those conversations. And we feel that we're arriving at a situation where the business impact is going to be mitigated.

Supratim Datta: Understood. And just lastly, I think, what proportion of your book gets impacted due to this one by N change?

Krishnan Ramachandran: So by the time the year is done, we believe about in the mid-20s is where the overall proportion of business is the multi-year book for us.

Supratim Datta: Understood. That's very helpful. Thank you.

Moderator: We have the next question from the line of Varun P from Kotak Securities. Please go ahead.

Varun P: Hi, sir. Just I had a follow-up question regarding the hospital network. It appears that we have pruned it a bit from the end of last year. So have you found any fraudulent cases that are emerging

out of certain hospitals? Or was there any proactive action taken on that front? Or is it something else?

Krishnan Ramachandran: Dr. Bhabatosh.

Dr. Bhabatosh Mishra: As you would be aware, the provider network is a dynamic thing. Based on negotiation, based on patterns, whether it is about cost, whether it is about fraud, and more specifically abuse, we continue to look at it on a very periodical basis based and backed by data and analytics. Based on those, we keep on taking actions of adding and sometimes pruning the list a little bit here and there.

So it's a part of the dynamic overall policy of provider network building. Overall titrating customer demand need to have access to healthcare facilities on a cashless basis, plus having the right provider in the network to deliver best quality services at appropriate cost.

Varun P: Okay, so you mean it's business as usual, nothing out of the ordinary.

Dr. Bhabatosh Mishra: That's correct. Thanks.

Moderator: We have the next question from the line of Chirayu Maloo from Avendus Spark. Please go ahead.

Chirayu Maloo: Hi. I just have one question. The GDPI number for October month, which is reported, is on one by n basis or it is on full basis?

Krishnan Ramachandran: It is on a full basis. I think between the industry and regulators, there is still an ongoing discussion on how to report the sales numbers because, if you want to move to the new basis, then you have to adjust the prior year because the prior year is on – it's not on a like-to-like basis. So, as of now, it's on a full basis.

Chirayu Maloo: Okay. Thank you.

Moderator: We have the next question from the line of Swarnab Mukherjee from B&K Securities. Please go ahead.

Swarnab Mukherjee: Hi, sir. Good evening and thank you for the opportunity. I have a broad industry-level query. I just wanted to take the data that we have from IRDA in terms of the number of unique lives that are insured in the retail space. I think that number is somewhere around INR5.2, INR5.3 odd crores as of FY'23. I don't have any newer data.

So, I just wanted to understand that in FY'24 and FY'25, have we seen that number to increase or if you have a sense on how that is happening, how that is playing out and in case the number is stagnant and given the fact that the sense that we get from you and also other listed players is that a round of price hikes are again coming. So, in that way, would it become this the higher ticket size of a policy? Would it become an impediment for adding newer lives in the retail part?

So, I wanted to know your thoughts on that where this challenge has been in adding these newer lives from the industry as a whole and what are we doing to navigate through that. And also, sir, as an addition to that, we have been hearing that this porting as a process has also picked up in the industry.

So, I wanted to understand from your side your thoughts on this and if you could share what proportion of your fresh coming from porting and in porting also what could be the impact on the future claims of the customer because we'll be on-boarding customers who are slightly ahead in the cycle as opposed to somebody building a fresh - taking a fresh policy. So, I wanted to know your thoughts on this and psot that, maybe I can squeeze in some data keeping question.

Krishnan Ramachandran: Sure. Look, I think both are important questions. So, from a Lives growth standpoint on retail, look, the way we think about it and we'd request for all of you to think about it in similar lines is that this is very much “a retail business” and a retail conversation advisory business.

So, in order to see lives growth at the industry level, as you can expect from retail branch banking or as you can expect from, let's say, retail stores, in order to see growth, there are two levers, right? One is same store sales growth and the other is new store growth. So, for growth to happen at the industry level, given that the business model today is by and large conversation led, companies need to undertake capex programs.

You know, that could be adding, you know, adding offices, adding sales headcount, manning bank branches with more sales headcount and so on and so forth, right? So, at the industry level, whichever operator has embarked on a capex program. So, for example, in our case, we've embarked on a significant capex program over the last four and a half years.

We have added, you know, 150 odd offices. We have grown our agency strength over the last four years from 40,000 to ~160,000. We have grown our bank partners to from about 12 to about 21. Our own sales headcount has grown 4x in the last four years. So, all of that has meant that we have experienced retail business growth and volume growth.

So, the 40% new business growth number that I referred to on retail for H1 this financial year comes from a combination of value growth, which is roughly about 7%, 8%, and the balance actually is Lives’s growth. So, I would say rather than addressing the question at the industry level where if you have to find growth, then you have to look at what are the inputs that are going into growth in terms of investments, in stores, sales staff, brand building, et cetera.

Outside of that, I guess you have to look at the individual operators whoever is making the required investments into the inputs for driving retail growth. You should logically see outcomes. And, you know, the case in point is Niva Bupa itself, where we have seen not just overall business growth in retail, but a good balance combination of value as well as volume growth. I'd say that's the answer to your first question.

Inherently, you know, our own assessment is that the growth trajectory on retail will continue to be a CAGR of 17%-18% over the next four five years. We believe that the volume growth, which

is in single digit for the industry, our assessment is so the 17%, 18% will come from a mix of volume and value growth roughly single digit in both cases. Maybe single digit volume growth and double digit value growth is our assessment. And our own growth, I've given you the statistics as far as H1 of this year is concerned.

Now, to your question on porting, our point of view on porting is that we address it through the – see, ultimately, as you rightly pointed out, what matters is how do you adjust for economics at the time of on-boarding a new customer, right? And like-to-like, vintage-to-vintage, the claims experience is broadly the same. So a fifth-year ported customer is the same as a fifth-year fresh customer from a claims experience standpoint.

So what then matters is how do you adjust for the economics at the time of on-boarding the new risk and also making sure that you're careful about your risk assessment and pricing. So from a philosophy standpoint, our lifetime value approach addresses that. We adjust the economics. It falls in into the appropriate grid as far as our incentivization and commissions are concerned so that we adjust for the difference in claims ratios in the first year.

And as a proportion of our overall book, roughly that number is in the mid-20s. But from, you know, from our standpoint, from an economic standpoint, we neutralize, in terms of the incentives that we pay both to our commissions as well as sales incentives to our employees.

Swarnab Mukherjee: Just to clarify, so when you say the proportion of the book, it is the overall book or on the fresh side?

Krishnan Ramachandran: New business, on the fresh book, on the fresh book.

Swarnab Mukherjee: Understood, sir. And also, if I can kind of squeeze in a couple of more questions. So I wanted to understand on your Banca business, so what kind of products will you be selling? Is there a substantial share of indemnity there or is it predominantly benefit-based products? And how does the economics play out? So that is one question.

And the other one I wanted to understand a little bit from your side on the channel level, say, costs of acquisitions. So agency vis-à-vis Banca brokers and online platforms. How would you, what would be the order of costs of acquisitions in this channel and how, basically, what would be your thoughts on adjusting your sourcing mix based on that? Some color would be very helpful, sir.

Krishnan Ramachandran: On the product mix, I'll request Ankur to address. On economics, I'll request Vishwanath to address.

Ankur Kharbanda: Sure. On the product mix on the Banca side, it's a mix of both indemnity and some of the benefits as well. But largely, it is indemnity cover which we sell in the Banca side of it. And if you look at our overall growth, it is a very good growth which is coming on the Banca business coming today. And I'm, again, repeating, it's a mix of both indemnity plus benefit. But it is higher towards on the indemnity.

Vishwanath Mahendra: Yes. In terms of economics, I would say we look at combined operating ratio for those segments and channels. So, our loss ratio and expense ratio, both commission and manpower, our own expenses, direct-indirect, should make sense to us. So, not a major difference in combined operating ratio across channels. But one thing clear that digital is having better economics, lower combined ratio. That's something I can tell you with certainty.

Swarnab Mukherjee: Okay, sir. Very helpful. Can I ask one quick question? So, I just wanted to understand, you have given IFRS basis combined ratio as well as loss ratio. To compare with your peers, multiline insurers who are listed and who report on 1 by 365 basis, just to understand the computation, shall I take the loss ratio you have given on IFRS side and add to the expense ratio that is provided by GAAP to arrive at a like-for-like comparison? Would that be the correct way, sir?

Vishwanath Mahendra: Actually, I would suggest you take our IFRS accounts as a whole. The reason is, if you compare with, let's say, some other insurance companies, IFRS accounts not only adjust for loss ratio and expenses, it also normalizes for different growth rates. So, if you take our expenses of iGAAP and take loss ratio of IFRS, that may not be consistent because if there is another company which has lower growth rate, so the expense would be lower in that case.

Our expense on iGAAP may seem to be higher, but IFRS normalizes that difference in growth rate in terms of deferred acquisition cost. So, our request is to take our IFRS accounts, and a lot of other companies are publishing IFRS accounts, you compare IFRS to IFRS, that's better comparison.

Swarnab Mukherjee: Understood, sir. Very helpful. Thank you so much for your response, sir, and all the best.

Moderator: We have the next question from the line of Prayesh Jain from Motilal Oswal Financial Services. Please go ahead.

Prayesh Jain: Hi. So, just on this Banca business, there's a lot of talk from the finance ministry as well as the RBI to, and the pressure on banks to kind of slow down on insurances, particularly mis-selling. Some of it is directed towards life insurance, but is there any issue that you are witnessing, or do you expect that coming for the health insurance business as well? That would be the first one.

Second one, when you say that the digital business has a better profitability - relatively better profitability, does that also include Policy Bazaar as we considered that to be on the broker channel? So, in that sense, where would be the profitability of that channel particularly?

Krishnan Ramachandran: Thank you, Prayesh. To your question on bancassurance, yes, both the DFS, FM, as well as IRDA, have indicated some level of discomfort with respect to insurance. My understanding is that a lot of that stems from the life insurance industry to do with mis-selling and customer complaints around that line of business.

Because when I look at, one, if you look at the health insurance business over a per se, in the context of banks, it is still very, very small. Our assessment is the life insurance business is many

times the size of the health insurance business as far as banks are concerned. Certainly, that's the case with all of the bank partners that we work with.

So, yes, our understanding is that it is to do with complaints on the life side. Also, when I examine our own complaints with respect to policies that we distribute through our bank partners, there is actually no difference in terms of customer complaints specifically around mis-selling on banks versus any of our other channels. So that's as far as bancassurance is concerned.

But, yes, there have been these comments across policy makers across the spectrum. Our belief is it's about making the business more sustainable specifically around addressing complaints around mis-selling. To your question on digital, so when Vishwanath referred to digital, it is both what we do with digital partners like Policy Bazaar.

They are by far the biggest player in the industry as far as digital is concerned. They are categorized as a broker. It also includes our direct-to-consumer business. In the ranking, because there is no trail as far as our own direct-to-consumer business is concerned, it is the most attractive channel as far as the company is concerned.

Prayesh Jain: I got it. Just one more clarity. When we benefit based, is there a cause of concern on the benefit base? We maintain will be definitely does not qualify for a mis-selling unless it's wrongly priced. In terms of…

Moderator: May I interrupt? Your line is not very clear.

Prayesh Jain: One second. Is this better?

Moderator: This is much better, sir. Please proceed.

Prayesh Jain: Yes, I'm saying on the Banca business, the benefit base, does that pose any risk from the RBI side? And I think that is something that you can help me clarify.

Krishnan Ramachandran: If you look at the overall proportion of personal accident and travel, as far as the company is concerned, that's 2.4% on the overall company. And even within banks, as Ankur mentioned, I would say to a very large extent, it is indemnity. And also the benefit base, again, we are a relatively small player, and the benefit base would also include products like Daily Cash, which are essentially hospitalization products.

Prayesh Jain: Got it. And lastly, on the 1 by N for the long-term policy, how would you renegotiate with reinsurers? I think that business is reinsured quite a bit. So how would that change?

Vishwanath Mahendra: So we have not reached that position. So currently, our treaties are in place. And as per treaties, we are ceding the entire premium for, let's say, if it's three-year, five-year, two-year terms. So when those treaties come for renewal, maybe around March, we will negotiate with reinsurers.

Prayesh Jain: But from an accounting perspective, the NWP that is arrived after reinsurance reduction, that would reduce the net. So you will start reporting GWP, say, on a 1 by N basis. But your

reinsurance would be for the entire business? That is what you're saying? For the entire three years?

Vishwanath Mahendra: Yes. So currently, that is the case. But this clarity has to emerge. We are in touch with reinsurer also. I don't think this circular is applicable to them, but we are in touch with them.

Prayesh Jain: Got it. Thanks.

Moderator: As there are no further questions, I would now like to hand the conference over to Mr. Krishnan Ramachandran for closing comments. Over to you, sir.

Krishnan Ramachandran: Again, I'd like to thank all of you for your questions. As I stated at the very start, we are very, very excited about the health insurance opportunity. We have been delivering industry-leading growth as a company.

And I do believe that with the combination of strong shareholders, a very high-quality team that's been executing very well. We will continue to build a business model that's sustainable and delivers value to all stakeholders as we move along. Thank you once more for your hearing and your questions.

Moderator: On behalf of Niva Bupa Health Insurance, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.