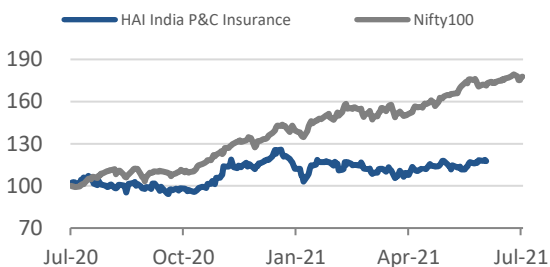


India P&C Insurance

Key Takeaways From Star Health DRHP

Investment Focus



Source: Factset, HTI

Related Reports

India General Insurance: Summary Of Our Detailed Notes Over The Last 2 Years (23 Jun 2021)

HDFCB to acquire 5% stake in HDFC ERGO to Strengthen distribution partnership (20 Jun 2021)

Crop Insurance: Underwriting Profitability is Possible but Generating High RoEs is a Challenge (26 Mar 2021)

Strong Business Growth and Market Share: Star Health (unlisted) has been leading the growth in health insurance industry with 36% CAGR in its Gross Direct Premium (GDPI) over the last 5 years (FY16:21) compared to Health Industry growth rate of 18% over this period. As a result, Star Health has been improving its market share on YoY basis and now commands a healthy market share of 16% (ex. Travel & PA) in FY21. Strong growth for Star Health is attributable to its leadership in retail health segment, which has grown at a CAGR of 33% over FY19-21 and commands the industry's highest market share of 31% in retail health segment (ex. Travel & PA) in FY21.

Key Operating Parameters: Star Health has built a robust agency network with 0.46m agents as of Mar'21. It also has a hospital network of 10,871 as of Mar'21.

- The company enjoys a comfortable solvency Ratio of 223% as of Mar'21
- Retail Health renewal premium ratio is very strong at 98% for FY21.
- Reported a combined ratio of 94% and 93% in FY19 and FY20 respectively.
- In FY21, however, the company reported an elevated combined ratio at 115% resulting in overall Net loss in FY21. This was primarily owing to covid impact and certain exceptional changes as discussed below.

Impact of Covid in FY21: Star Health settled 0.15m covid related claims in FY21 (in line with its overall health insurance market share).

- Overall COVID-19 gross incurred claims amounted to Rs16.4bn (gross claims paid of Rs15.3bn + Outstanding claims of Rs1.1bn) as of Mar'21.
- Net incurred Covid-19 claims after reinsurance was Rs12bn as of Mar'21.
- The increase in net paid claims due to the COVID-19 accounted for 30% of total net paid claims by value in FY21
- For COVID-19 paid in FY21, average net claim size was Rs0.08 million, compared to average non-COVID-19-related net claim size of Rs0.04 million. This was due to longer hospitalization and severity of COVID-19.
- The higher average claims paid on account of COVID-19 claims has resulted in exceptional Net Incurred Claims impact of Rs6.1bn [(Difference in ticket size of covid and non covid claims) * Covid claims]

Withdrawal from Voluntary Quota Share Reinsurance Treaty (VQST) with GIC:

The company has discontinued from VQST reinsurance treaty on a clean-cut basis with effect from April 1, 2021 based on IRDAI Circular on Capital Gearing Reinsurance Treaties ([Circular](#)). The implications on FY21 financials are:

- Under IRDAI regulations, companies that discontinue 1 year reinsurance treaty on a clean-cut basis are required to hold unearned premium reserve (UPR), which resulted in an additional UPR of Rs4.4bn and led to reduction in NEP by same amount
- Discontinuing this reinsurance treaty has a one-time impact of reduction of net earned premium of Rs4.8bn on account of portfolio entry without corresponding portfolio withdrawal
- Additional capital infusion as the computation of Required Solvency Margin (RSM) is Factor based on the Net Premium and Claims.
- The timing of revenue recognition may get impacted as Commission on Reinsurance is booked upfront as against premium from direct business which is credited to Revenue Account over the tenure of the policy.

Other Accounting changes: The company was following 50% Unearned Premium Reserve (UPR) method up to FY20 and shifted to 1/365-day method of accounting UPR for FY21. This change in accounting policy will necessitate a reduction in Net earned Premium owing to the creation of an incremental UPR Reserve by Rs5.7bn as of Mar'21.

Star Health Key Performance Parameters

(Rs mn) unless Specified	FY19	FY20	FY21
Gross Written Premium	54,154	68,907	93,490
<i>YoY Growth</i>	30.1%	27.2%	35.7%
<i>Retail Health Renewal Premium Ratio</i>	95.9%	94.5%	97.9%
Number of policies Sold (in mn)	4.30	5.06	6.99
Number of agents (in mn)	0.29	0.36	0.46
Number of hospitals in network (no.)	9,295	9,964	10,871
Net Incurred Claims Ratio	64.2%	65.8%	87.0%
Opex + Commission Ratio	30.1%	27.4%	27.8%
Combined Ratio	94.3%	93.2%	114.8%
Underwriting Profit/(Loss)	355	1,626	(13,318)
Investment Income	1,954	2,935	4,237
Profit after tax	1,282	2,680	(8,256)
Net worth (excl. FV Change A/C)	13,926	16,437	42,242
Return on equity	10.6%	17.7%	-28.1%
Solvency ratio (x)	1.53	1.50	2.23

Source: Company Data

Note: (i) Retail health renewal premium ratio is defined as current retail health renewal premiums divided by total retail health premiums in the prior period

Star Health Overall Business Financials Summary

Rs mn unless specified	FY19	FY20	FY21
GWP	54,154	68,907	93,490
Net Insurance Ceded	12,739	16,293	22,042
NWP	41,415	52,614	71,448
Net Retention Ratio	76%	76%	76%
Increase/(decrease) in URR	5,620	5,684	21,219
NEP	35,795	46,930	50,228
Net Claims Incurred	22,976	30,874	43,695
Claims Paid	21,397	29,453	40,145
Change in Claims Reserves	1,579	1,422	3,549
Commission	2,637	3,409	5,838
Commission paid	7,460	9,196	13,065
Net commission ceded	4,822	5,787	7,227
Opex	9,827	11,020	14,014
Employee Benefit Expenses	7,220	8,536	11,750
Advertisement & Publicity	1,336	1,298	1,359
Legal & Professional Charges	171	222	304
Other exp.	1,100	963	601
Underwriting Profit / (Loss)	355	1,626	(13,318)
Investment Income	1,954	2,935	4,237
Policyholder Investment Income	1,340	1,924	2,606
Shareholder Investment Income	614	1,011	1,631
Other Income	1	0	3
Other Expenses	488	428	1,382
Profit before Tax	1,823	4,134	(10,460)
Profit After Tax	1,282	2,680	(8,256)
Claims ratio	64%	66%	87%
Commission Ratio	6%	6%	8%
Opex Ratio	24%	21%	20%
Combined Ratio	94%	93%	115%

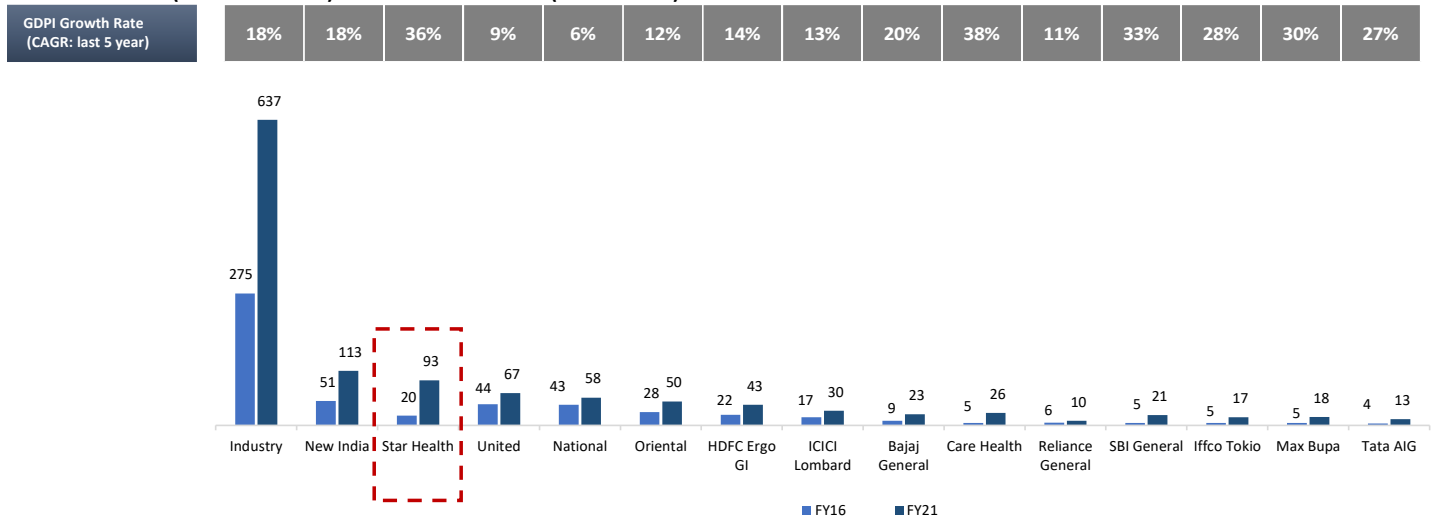
Source: Company Data

Standalone Health Insurers Insurance Segment Key Financials

(in INR bn unless otherwise stated)	Star Health				Care Health				Max Bupa Health			
	FY18	FY19	FY20	FY21	FY18	FY19	FY20	FY21	FY18	FY19	FY20	FY21
Gross Written Premium	41.6	54.2	68.9	93.5	10.9	18.3	23.9	25.6	7.5	9.5	12.4	17.5
Add: Premium on Reinsurance Accepted	-	-	-	-	0.2	0.2	0.2	0.3	-	-	-	-
Less: Premium on Reinsurance Ceded	9.7	12.7	16.3	22.0	2.9	5.8	7.8	6.1	1.7	2.2	2.9	4.0
Net Written Premium	32.0	41.4	52.6	71.4	8.2	12.7	16.3	19.8	5.1	7.3	9.5	13.5
Adj. for Chng in Reserves for Unexpired Risk	4.6	5.6	5.7	21.2	1.4	1.7	1.2	2.5	(0.7)	0.7	1.1	2.0
Net Earned Premium	27.4	35.8	46.9	50.2	6.8	10.9	15.1	17.3	5.8	6.6	8.4	11.5
Net Claims Incurred	16.9	23.0	30.9	43.7	3.5	6.0	8.9	9.5	2.9	3.6	4.5	6.5
Net Commission Expense (X- Y)	1.4	2.6	3.4	5.8	(0.4)	(0.3)	(0.2)	0.3	0.2	0.3	0.4	0.6
Commission Paid (X)	5.0	7.5	9.2	13.1	1.4	2.1	2.6	3.5	0.9	1.1	1.5	2.2
Commission Ceded (Y)	3.7	4.8	5.8	7.2	1.8	2.4	2.8	3.3	0.6	0.8	1.1	1.5
Opex	8.6	9.8	11.0	14.0	4.4	5.3	6.6	7.2	2.9	3.6	4.2	5.5
Underwriting Profit / Loss	0.5	0.4	1.6	(13.3)	(0.7)	(0.1)	(0.2)	0.3	(0.3)	(0.8)	(0.7)	(1.1)
Investment Income on Poly Float	0.9	1.3	1.9	2.6	0.4	0.7	1.0	1.1	0.3	0.3	0.4	0.6
Shareholder Investment Income	0.6	0.6	1.0	1.6	0.2	0.2	0.2	0.6	0.2	0.2	0.3	0.3
Policyholder Float	14.9	24.3	29.1	52.0	5.9	7.9	11.1	15.6	3.6	4.7	6.5	9.7
Net Worth (excl. FV change a/c)	10.3	13.9	16.4	42.2	5.9	7.0	7.8	11.3	9.3	9.8	11.3	13.5
Investment Assets	26.7	39.2	49.0	87.2	9.5	13.4	18.1	26.8	6.9	8.5	10.9	16.5
Claims Ratio	62%	64%	66%	87%	52%	55%	59%	55%	50%	54%	54%	56%
Commission Ratio	4%	6%	6%	8%	-5%	-2%	-1%	1%	5%	4%	4%	5%
Opex Ratio	27%	24%	21%	20%	54%	42%	41%	36%	57%	49%	44%	41%
Combined Ratio	93%	94%	93%	115%	100%	95%	98%	93%	112%	107%	102%	102%

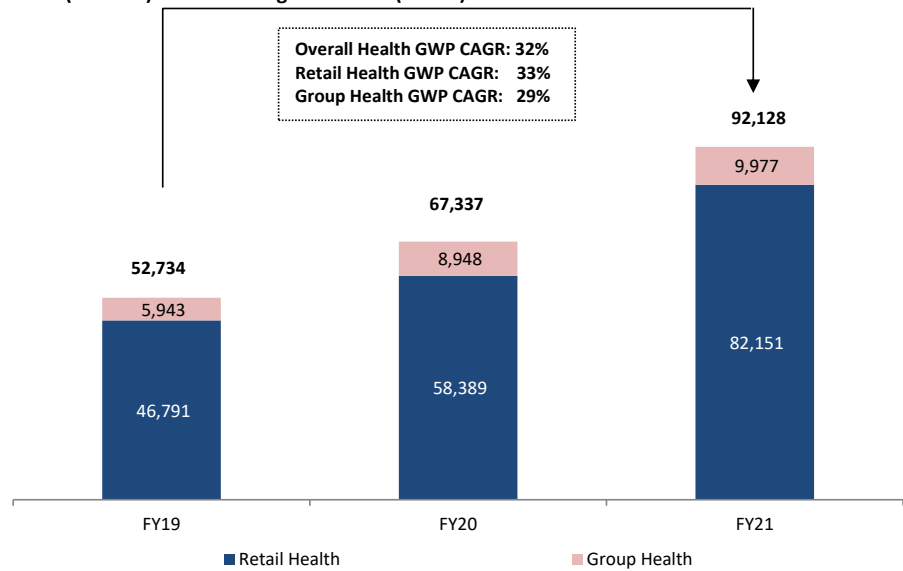
Source: Company Data

Health Insurance (Incl PA & Travel) Gross Direct Premium (GDPI - Rs bn)



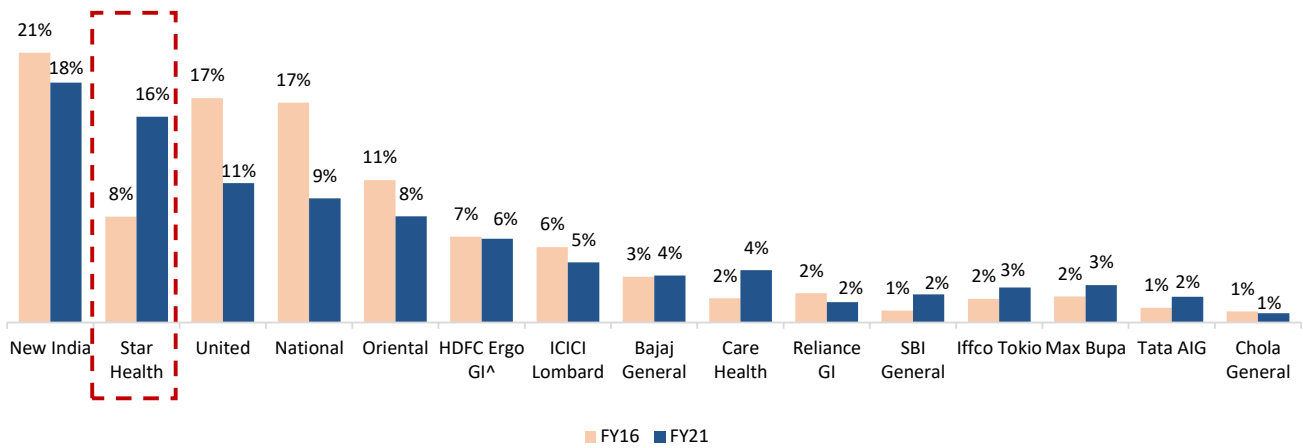
Source: IRDAI, GIC Council
 Note: HDFC Ergo GI Data shown incl. Apollo Munich Health Insurance

Star Health (excl. PA) Insurance Segment GWP (Rs mn) Growth



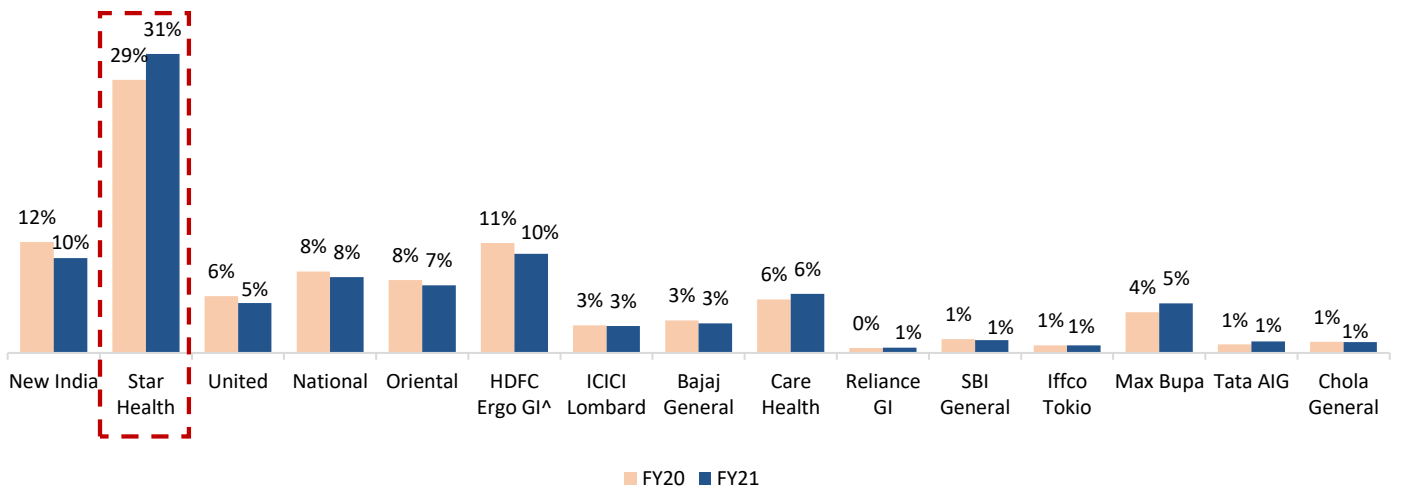
Source: Company Data

Health Insurance (excl. PA & Travel) Segment Market Share on GDP



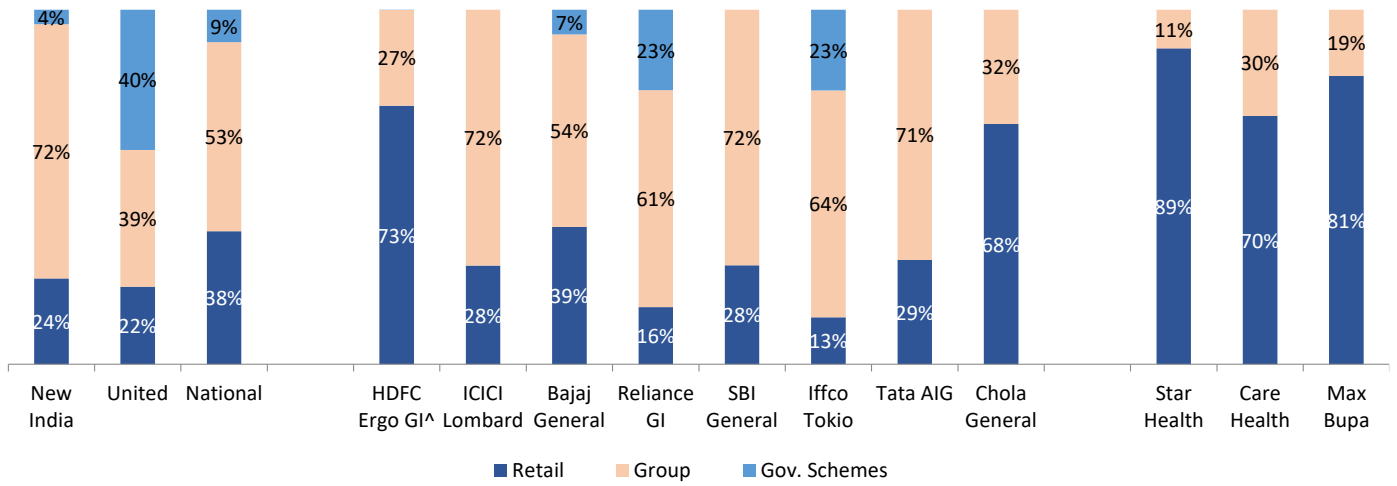
Source: IRDAI, GIC Council
 Note: HDFC Ergo GI Data shown incl. Apollo Munich Health Insurance

Retail Health Insurance (excl. PA & Travel) Market Share (GDP Basis)



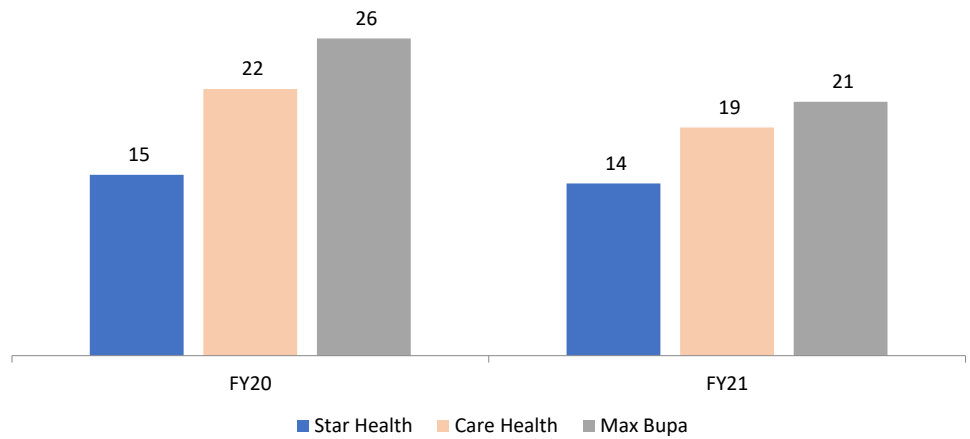
Source: IRDAI, GIC Council
 Note: Data shown above for Domestic Health Insurance Business, HDFC Ergo GI Data shown incl. Apollo Munich Health Insurance

Health Insurance (excl. PA & Travel) Player-wise Product Mix, FY21



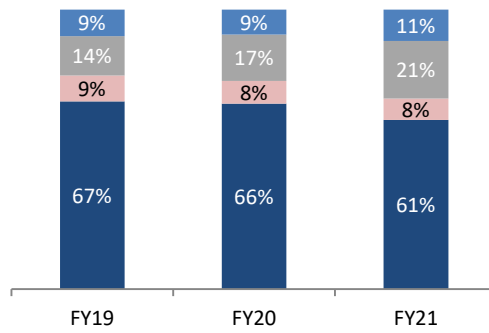
Source: IRDAI, GIC Council
 Note: Data shown above for Domestic Health Insurance Business, HDFC Ergo GI Data shown incl. Apollo Munich Health Insurance

Health Insurance (excl. PA & Travel) Player-wise Premium Ticket Size (in Rs'000)



Source: Company Data

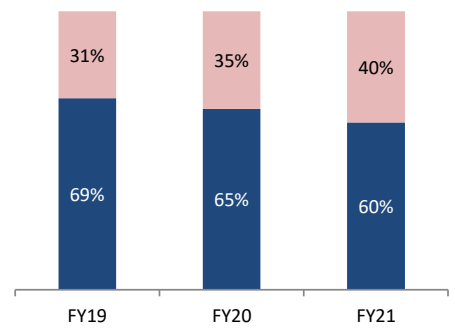
Star Health Retail Health (excl. PA) mix



■ Family Floater ■ Individual
■ Individual / Floater ■ Specialised

Source: Company Data

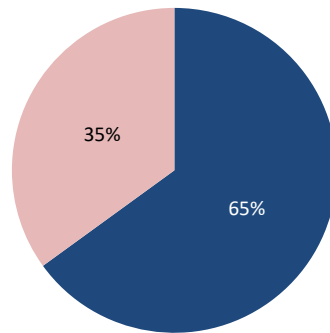
Star Health Group Health (excl. P.A) mix



■ Non-SMEs ■ SMEs

Source: Company Data

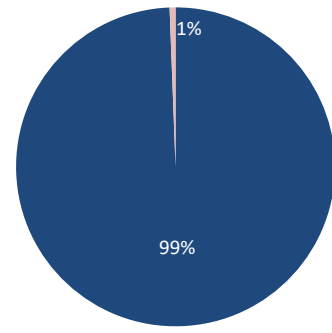
ICICI Health Insurance Segment (excl. PA) Mix, FY21



■ Indemnity ■ Benefit

Source: Company Data
Note: Above data shown for retail and group segment

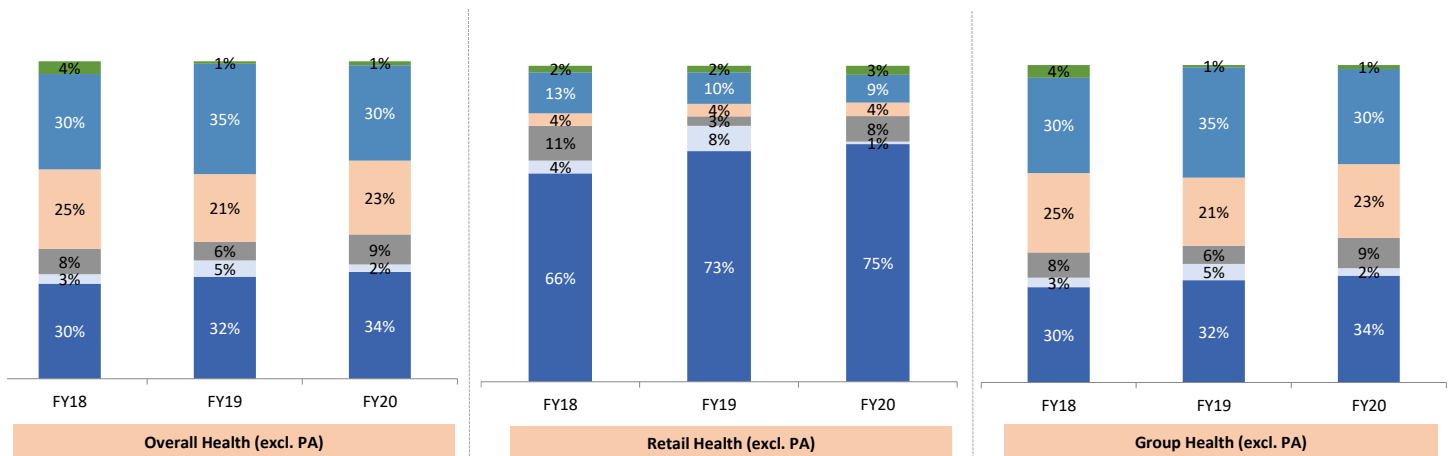
Star Health Health Insurance segment (excl. PA) Mix, FY21



■ Indemnity ■ Benefit

Source: Company Data
Note: Above Data shown for retail health insurance segment

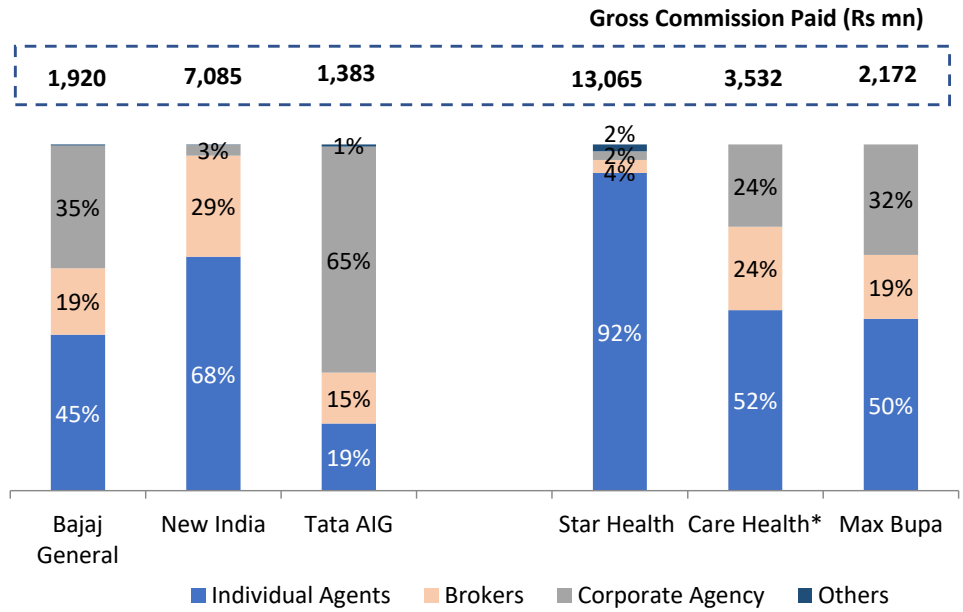
Health Insurance (excl. PA & Travel) Industry Distribution Mix



■ Individual Agents ■ Corporate Agents ■ Bancassurance ■ Brokers ■ Direct ■ Others

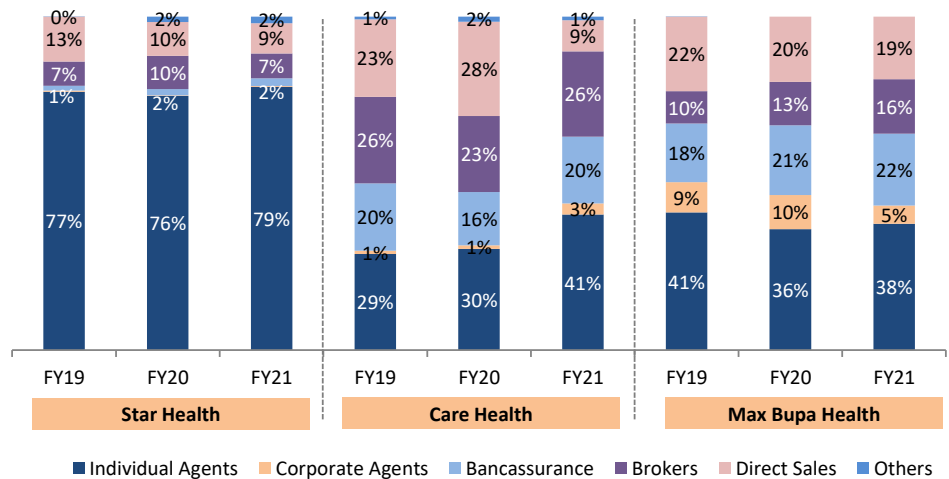
Source: IRDAI

Health (incl. PA) segment Commission paid mix across distribution channels, FY21



Source: Company Data
 Note: * for Care Health Gross Commission Paid to Brokers incl. Web-Aggregators

SAHI Distribution Mix (basis GWP)



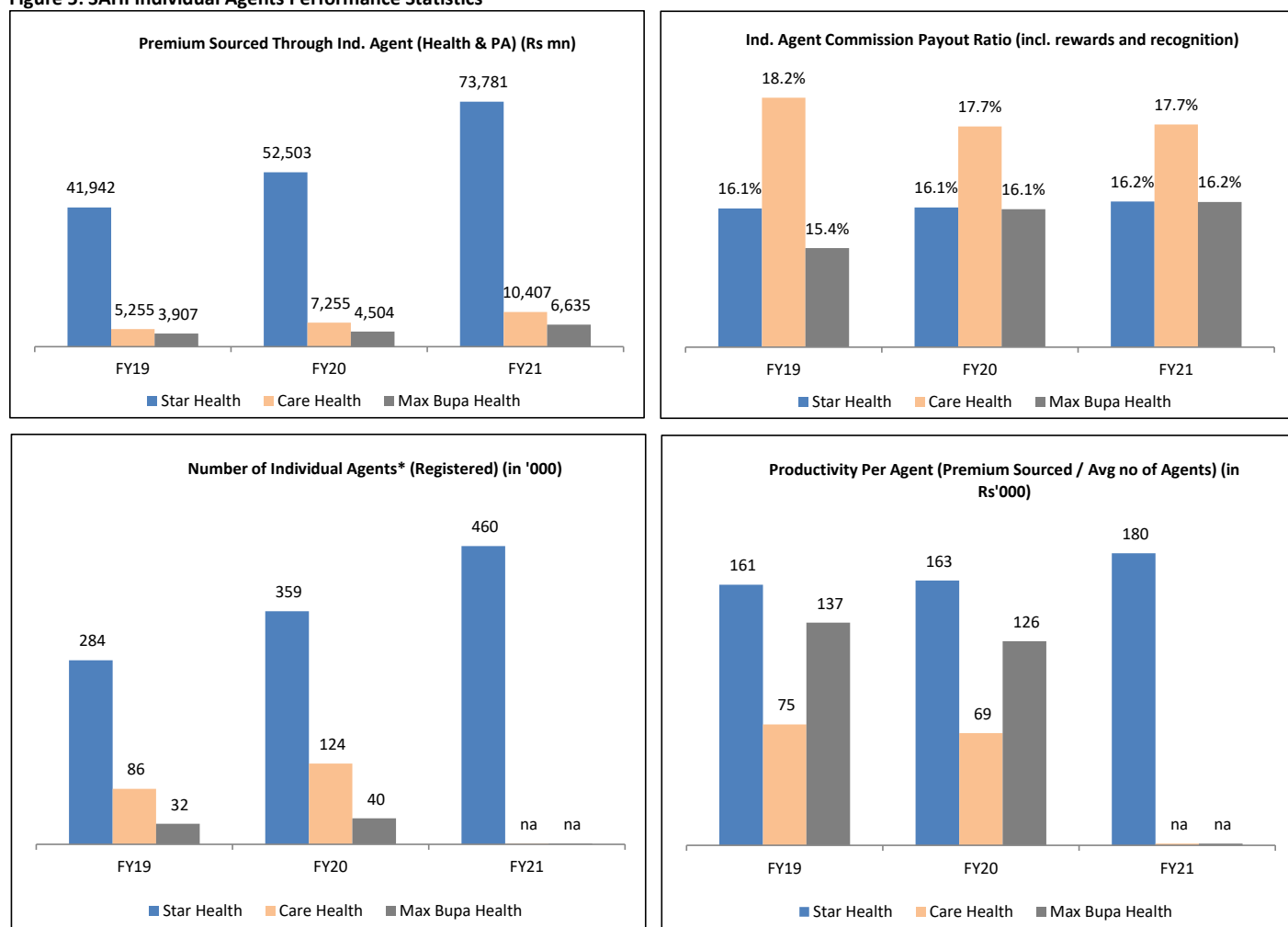
Source: Company Data
 Note: * for Care Health Gross Premium sourced from Brokers incl. Web-Aggregators, above data shown for overall business of SAHI

IRDAI guidelines on commission paid to Intermediaries and Individual Agents rate structure

Commission Rate to be paid to intermediaries and individual agents	
Individual Health	15%
Group (Employer - Employee) Annual	8%
Group (Non Employer - Employee) Annual	15%
Group (Credit linked upto 5 years)	15%

Source: IRDAI
 Note: Above Commission Paid excl. rewards and recognition

Figure 5: SAHI Individual Agents Performance Statistics



Source: Company Data, IRDAI

Note:

Non-Life Insurance Industry Covid related health insurance claims summary

Period	No. of Claims Reported ('000) (A)	Reported Claims Amount (Rs bn) (B)	No. of Claims Settled ('000) (C)	Claims Amount Settled (Rs bn) (D)	% of amounts Claims Settled (D / B)	% of No. of Claims Settled (C / A)
As of 10th Apr'21	1,014.3	148.2	865.9	79.6	54%	85%
As of 14th May'21	1,482.8	229.6	1,233.4	117.9	51%	83%
As of 11th Jun'21	1,804.4	244.0	1,461.9	140.6	58%	81%
As of 22nd Jun'21	1,911.4	na	1,539.4	150.0	na	81%

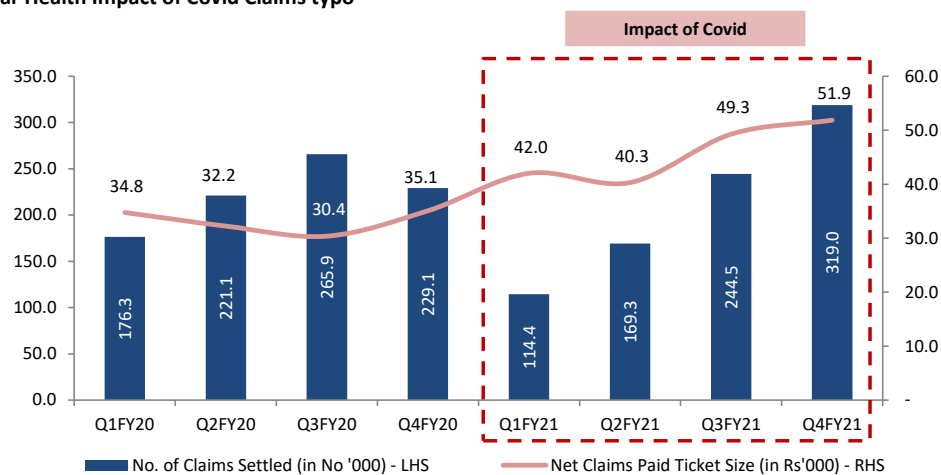
Source: Company Data

Star Health Covid Claims Summary

Rs mn unless specified	FY21	Parameters	FY21
Gross Covid Claims Incurred (C = A + B)	16,390	No. of Overall claims paid during the year (J) (in mn)	0.85
Gross Claims Paid (A)	15,286	No. of Covid Claims Settled (in mn) (K)	0.15
Covid Claims O/S at the end of year (B)	1,103		
Reinsurance Ceded (D)	(4,329)		
Net Covid Claims Paid (E = C + D)	12,061	Overall Claims Ticket Size (F / J) (in Rs mn)	0.05
		Covid Claims Ticket Size (E / K)	0.08
Overall Net Claims Paid (F)	40,145	Non-Covid Claims Ticket Size ((F-E)/(J-K))	0.04
Net Covid Claims Paid as % of Overall net Covid Claims Paid (E / F)	30%		
Overall Net Claims Incurred (G)	43,695		
Overall NEP (H)	50,228		
Net Incurred Claims Ratio (G/H)	87%		
Impact due to Net Covid Claims (E / H)	24%		

Source: Company Data

Star Health Impact of Covid Claims typo



Source: Company Data

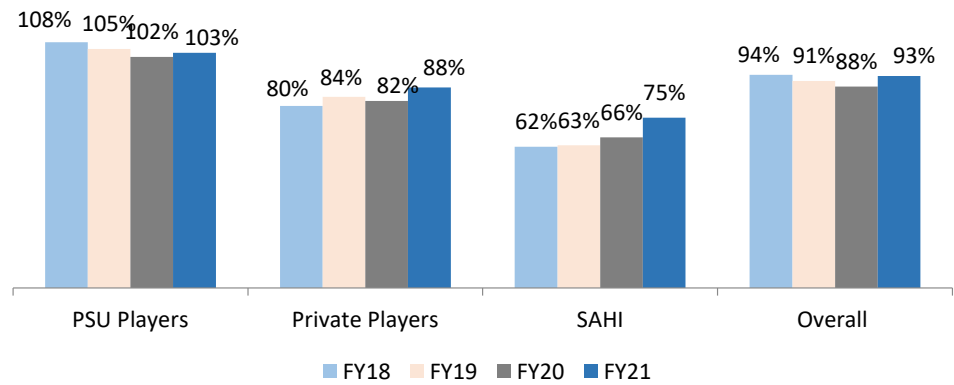
Health (excl. PA) Insurance Industry Underwriting Ratios

Player Category	Claims Ratio		Commission Ratio		Opex Ratio		Combined Ratio	
	FY20	FY21	FY20	FY21	FY20	FY21	FY20	FY21
PSU General Insurers	102%	103%	6%	7%	22%	22%	130%	132%
Private General Insurers (exc. SAHI)	82%	88%	-2%	4%	27%	25%	107%	116%
Standalone Health Insurers (SAHI)	66%	75%	5%	6%	32%	30%	104%	111%
Overall Industry	88%	93%	4%	6%	26%	24%	118%	123%

Source: IRDAI, Company Data

Note: Overall Industry Data calculated considering the financials of all the registered non-life insurers Health Insurance Segment Financials, United India Insurance data available till 9MFY21

Health (excl. PA) Insurance Industry Claims Ratio



Source: Company Data, IRDAI
 Note: Overall Industry Data calculated considering the financials of all registered non-life insurers Health Insurance Segment Financials, United India Insurance data available till 9MFY21

Figure 5: Health Insurance (excl. PA & Travel) Underwriting Ratios

Company	Claims Ratio				Commission Ratio				Opex Ratio				Combined Ratio			
	FY18	FY19	FY20	FY21	FY18	FY19	FY20	FY21	FY18	FY19	FY20	FY21	FY18	FY19	FY20	FY21
ICICI Lombard	78%	77%	81%	89%	-22%	-15%	-11%	1%	26%	21%	25%	22%	81%	84%	95%	112.5%
Bajaj General	82%	90%	86%	82%	7%	4%	3%	5%	19%	22%	27%	25%	109%	115%	116%	112.0%
New India	104%	100%	100%	95%	8%	6%	6%	6%	17%	18%	16%	21%	129%	124%	122%	122%
SBI General	42%	54%	61%	79%	13%	11%	9%	7%	23%	22%	20%	18%	78%	87%	91%	104%
Tata AIG	61%	79%	68%	71%	-21%	-13%	-15%	9%	43%	23%	22%	19%	83%	89%	75%	99%
HDFC Ergo GI*	64%	80%	95%	85%	-24%	-19%	-16%	-1%	25%	21%	25%	24%	65%	82%	104%	108%
Iffco Tokio	90%	102%	97%	102%	6%	6%	5%	5%	19%	13%	16%	15%	115%	121%	117%	122%
Chola General	39%	25%	50%	116%	9%	7%	4%	11%	30%	27%	41%	36%	78%	59%	96%	163%
Reliance General	107%	95%	90%	96%	-4%	1%	2%	3%	18%	22%	28%	36%	122%	118%	120%	135%
Star Health	62%	65%	66%	88%	4%	6%	6%	8%	27%	24%	21%	20%	93%	94%	94%	116%
Max Bupa	51%	54%	56%	59%	5%	4%	4%	4%	58%	49%	44%	41%	113%	107%	104%	104%
Care Health	57%	59%	62%	59%	-6%	-3%	-3%	0%	53%	42%	41%	36%	103%	98%	100%	95%

Source: Company Data
 Note: * for HDFC Ergo FY20 and FY21 shown incl. Apollo Munich financials

Key Life Insurers Health (incl. PA) Insurance Reserving Analysis

Company	FY18	FY19	FY20	FY21	FY18	FY19	FY20	FY21
	Health & P.A Claims Reserves as% of NEP				Health & P.A Unexpired Risk Reserves as % of NWP			
ICICI Lombard	40%	34%	30%	34%	79%	70%	73%	70%
Bajaj General	23%	21%	19%	27%	44%	42%	43%	46%
New India	17%	16%	18%	18%	38%	40%	38%	37%
SBI General	53%	43%	46%	41%	35%	35%	32%	34%
Tata AIG	24%	32%	32%	41%	45%	41%	46%	55%
HDFC Ergo	19%	17%	49%	29%	33%	34%	34%	43%
Iffco Tokio	28%	22%	17%	18%	44%	37%	36%	33%
Chola General	15%	13%	15%	24%	33%	31%	31%	37%
Reliance General	36%	34%	35%	50%	24%	28%	33%	45%
Star Health	7%	10%	11%	17%	50%	60%	58%	72%
Max Bupa	9%	14%	12%	20%	58%	50%	50%	50%
Religare	16%	15%	17%	22%	48%	45%	42%	47%

Source: Company Data

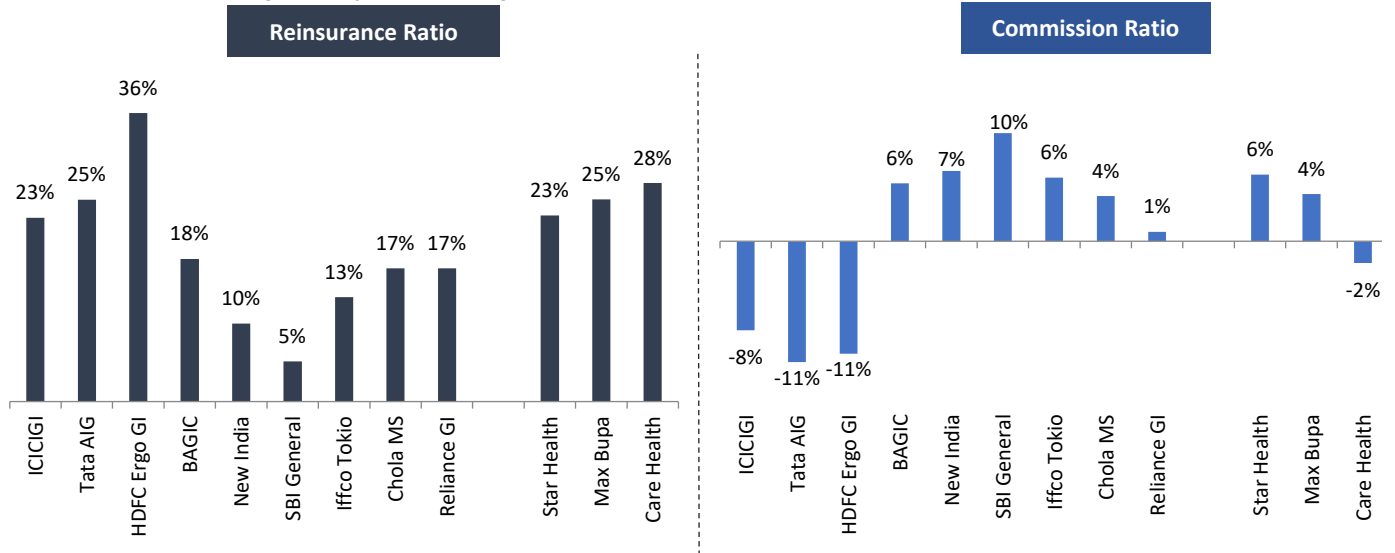
Note: HDFC Ergo FY20 and FY21 data shown above incl. Apollo Munich Health Insurance Financials

Star Health Policyholder Float Calculation Summary

Parameters (Rs mn)	Class	FY19	FY20	FY21
Reserve for Unexpired Risks	Liability	24,822	30,506	51,725
Reserve for Premium Deficiency	Liability	-	-	-
Claims o/s	Liability	3,623	5,045	8,594
Unallocated Premiums	Liability	76	94	118
Premiums received in Advance	Liability	273	335	469
Balances due to other Insurance companies (net)	Liability	13	234	25
Premiums o/s (Net)	Asset	343	1,958	1,015
Dues from other entities carrying on insurance business (including reinsurance) (net)	Asset	4,191	5,133	7,930
Policyholder Float		24,274	29,122	51,988

Source: Company Data

Health & Personal Accident Segment Key Metric (Average: FY18-21)



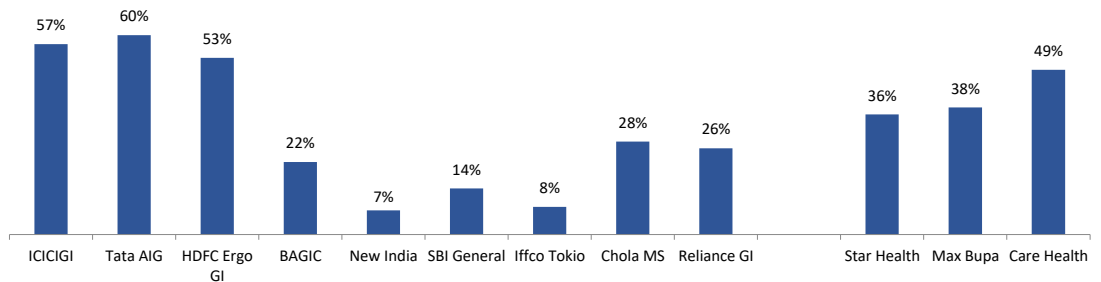
Source: Company Data

Note: For HDFC Ergo FY20 and FY21 shown incl. Apollo Munich financials

Health Insurance Reinsurance Commission Statistics (Average: FY18-21)

Health Segment Reinsurance Inward commission as % of Overall Business Reinsurance Inwards Commission	ICICI	Tata AIG	HDFC Ergo GI	BAGIC	New India	SBI General	Iffco Tokio	Chola MS	Reliance GI	Star Health	Max Bupa	Care Health
	44%	14%	16%	1%	24%	36%	3%	5%	9%	nm	nm	nm

Health Insurance Reinsurance Commission as % of Health Insurance Premium Reinsured



Source: Company Data

Note: Above data shown excl. P.A segment, For HDFC Ergo FY20 and FY21 shown incl. Apollo Munich financials

Star Health Adjusted Profitability Analysis

Rs mn unless Specified	FY21
Net Premium Earned (Restated) (A)	50,228
Additional UPR reserves created due to Withdrawn from VQST (B)	4,371
Impact on Revenue A/C (NEP) due to withdrawal from VQST (clean cut basis) (C)	4,833
Adjusted Net Earned Premium (D = A + B + C)	59,432
Indicative Claims ratio	
Net Claims Incurred (Restated) (E)	43,695
COVID-19 Net Incurred Claims (net of reinsurance) (F)	6,158
Indicative Adjusted Net Incurred Claims (G = E - F)	37,537
Reported net claims incurred ratio (E / A)	87%
Indicative net claims incurred ratio (G / D)	63%

Source: Company Data – Star Health DRHP

General Insurers Health + P.A Insurance Segment Key Financials

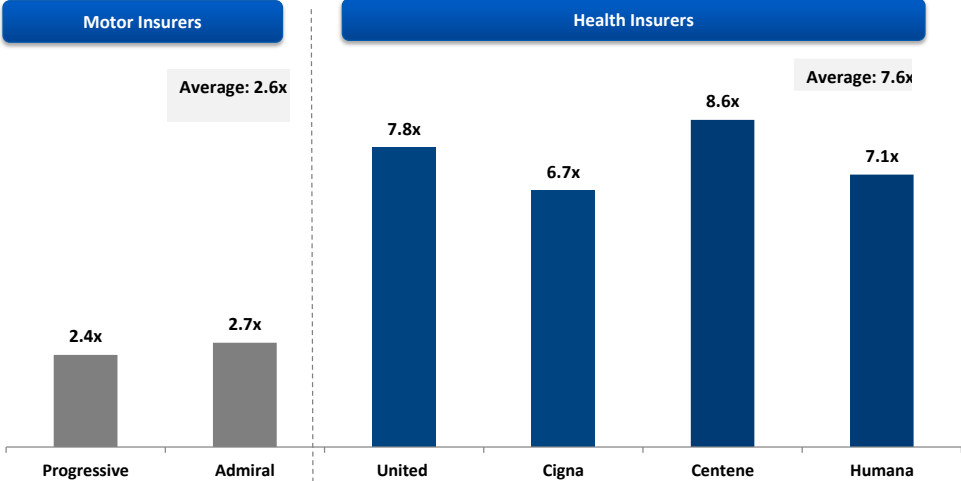
(in INR bn unless otherwise stated)	ICICI Lombard				New India				Bajaj General				HDFC Ergo General				Tata AIG General			
	FY18	FY19	FY20	FY21	FY18	FY19	FY20	FY21	FY18	FY19	FY20	FY21	FY18	FY19	FY20	FY21	FY18	FY19	FY20	FY21
Gross Written Premium	23.0	29.7	33.3	30.2	76.6	89.5	99.4	115.7	16.9	23.0	24.8	24.0	15.9	19.7	22.6	42.8	7.2	11.2	11.6	13.0
Add: Premium on Reinsurance Accepted	0.9	1.7	1.1	1.3	0.0	0.1	0.3	0.5	-	-	-	-	0.0	0.0	0.0	0.0	-	0.0	0.0	0.0
Less: Premium on Reinsurance Ceded	7.6	8.5	9.9	5.6	8.2	11.6	9.0	8.7	1.2	2.0	5.6	5.7	6.0	7.2	8.6	14.1	2.2	3.7	2.8	1.8
Net Written Premium	16.3	22.8	24.5	26.0	68.5	78.0	90.8	107.4	15.7	21.0	19.3	18.3	9.9	12.5	14.0	28.7	5.0	7.5	8.8	11.2
Adj. for Chng in Reserves for Unexpired Risk	2.8	3.1	1.9	0.4	3.7	3.5	5.0	4.9	2.4	2.3	(0.5)	0.1	1.8	2.0	2.1	(0.9)	0.8	0.8	0.7	2.1
Net Earned Premium	13.5	19.7	22.6	25.6	64.8	74.5	85.7	102.6	13.3	18.7	19.8	18.2	8.1	10.5	11.9	29.6	4.2	6.7	8.1	9.1
Net Claims Incurred	9.2	14.5	15.8	20.0	66.9	77.3	86.5	95.2	10.3	15.9	16.2	14.1	4.2	6.6	9.1	23.5	2.5	5.2	5.4	6.1
Net Commission Expense (X- Y)	(2.5)	(2.6)	(2.1)	0.3	5.4	5.0	5.8	6.5	1.2	1.0	0.8	1.0	(1.5)	(1.8)	(1.8)	(0.1)	(1.0)	(1.8)	(1.0)	1.0
Commission Paid (X)	3.0	2.6	3.2	2.6	5.8	5.8	6.5	7.2	1.5	2.0	2.0	1.9	2.1	2.2	2.9	5.8	0.6	1.0	1.1	1.4
Commission Ceded (Y)	5.4	5.2	5.3	2.3	0.4	0.9	0.7	0.7	0.3	0.9	1.2	0.9	3.5	4.0	4.7	5.9	1.5	2.7	2.1	0.4
Opex	4.7	6.3	6.9	6.2	11.5	14.2	14.2	22.0	3.3	4.9	5.3	4.8	2.2	2.5	3.4	6.8	1.9	2.3	2.5	2.8
Underwriting Profit / Loss	2.1	1.6	2.0	(0.9)	(19.0)	(22.0)	(20.7)	(21.0)	(1.5)	(3.2)	(2.5)	(1.7)	3.0	3.2	1.2	(0.6)	0.7	1.0	1.2	(0.8)
Investment Income on Poly Float	1.7	1.9	2.2	2.3	4.1	4.7	5.8	5.7	0.7	0.8	1.1	1.0	1.1	1.2	2.0	3.0	0.3	0.5	0.6	0.8
Required Solvency Margin (R)	3.8	4.7	5.2	5.9	18.9	20.7	25.9	28.6	2.0	4.5	4.9	4.6	1.5	3.0	2.9	7.0	1.1	1.7	1.8	2.2
Solvency Ratio (T)	205%	224%	217%	290%	258%	213%	211%	213%	276%	255%	254%	345%	206%	175%	189%	190%	169%	163%	184%	222%
Net Worth (N = R x T)	7.8	10.4	11.2	17.2	48.7	44.1	54.7	60.8	5.5	11.4	12.4	15.9	3.1	5.2	5.5	13.4	1.8	2.7	3.2	5.0
Average Policyholder Float (F)	17.5	22.0	27.2	30.3	30.9	36.7	41.7	47.2	8.3	11.3	12.3	12.1	12.6	14.5	26.1	39.3	3.7	6.3	8.2	10.1
Average Investment Assets (N + F)	25.5	31.1	38.0	44.5	76.3	84.7	92.5	105.0	14.6	19.8	24.2	26.2	14.7	18.7	31.4	48.7	5.3	8.6	11.2	14.2
Claims Ratio	68%	73%	70%	78%	103%	104%	101%	93%	78%	85%	82%	77%	53%	62%	77%	79%	61%	78%	67%	67%
Commission Ratio	-15%	-11%	-9%	1%	8%	6%	6%	6%	8%	5%	4%	6%	-15%	-14%	-13%	0%	-19%	-24%	-12%	9%
Opex Ratio	29%	27%	28%	24%	17%	18%	16%	20%	21%	23%	27%	26%	23%	20%	24%	24%	38%	30%	28%	25%
Combined Ratio	82%	90%	90%	103%	128%	128%	123%	119%	106%	113%	113%	109%	60%	68%	88%	103%	80%	85%	83%	101%

Source: Company Data

Note: For HDFC Ergo FY20 and FY21 financials incl. Apollo Munich Health Insurance Financials

Valuation

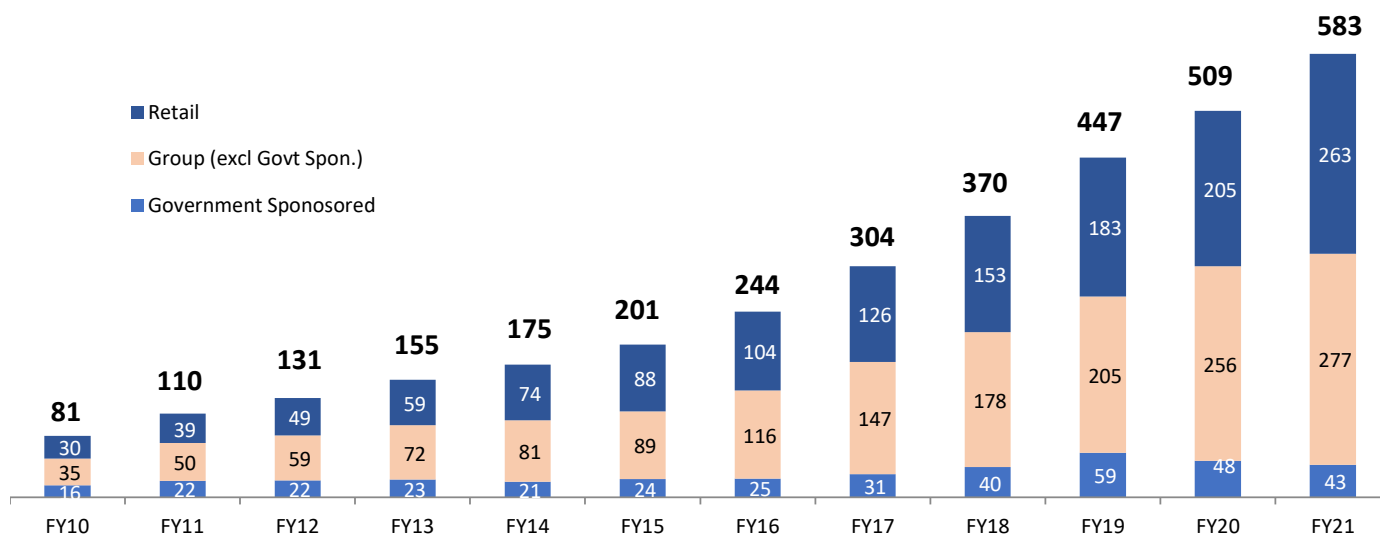
Key Global Insurers Trailing P/ Float (Last 3 Year Average: CY18-20)



Source: Company data, HTI Research, Bloomberg
Note: Global Players reports financials basis calendar year, Mkt cap considered basis daily avg.

Health Insurance segment will continue gaining importance

Health Insurance (excl. PA & Travel) Industry Category Wise GDPI Mix (Rs bn)



Source: IRDAI, GIC Council

Note: Data shown above for Domestic Health Insurance Business

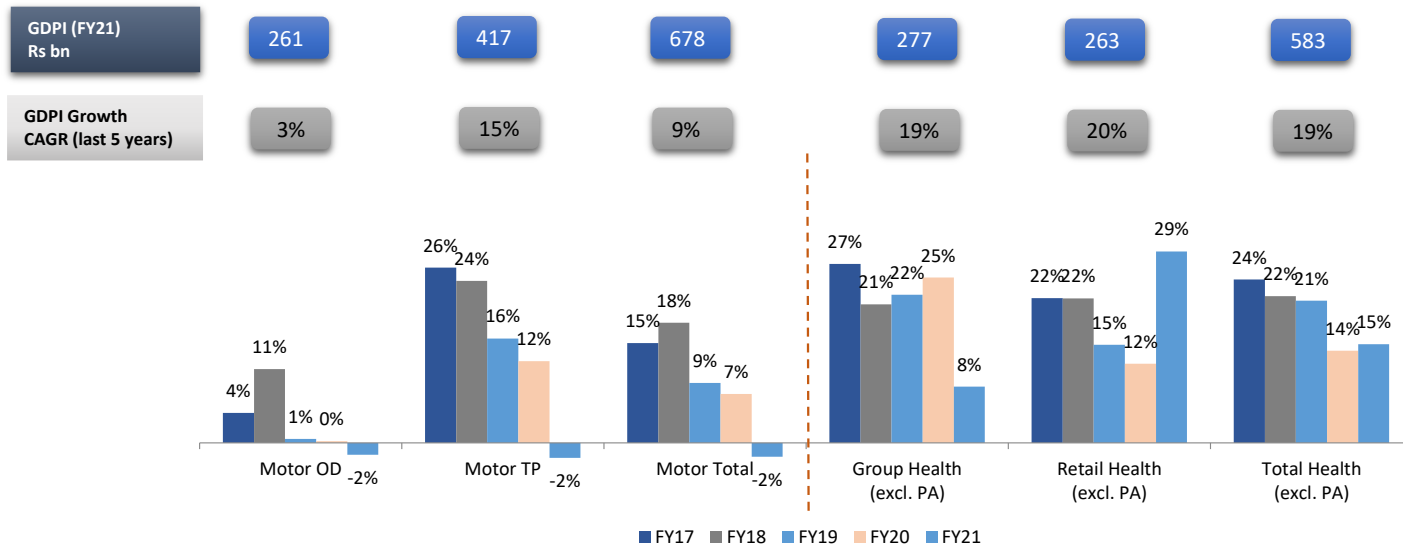
Health Insurance (excl. PA & Travel) Player-Wise of GDPI

(Rs bn)	FY18			FY19			FY20			FY21		
	Retail	Group	Gov. Schmes	Retail	Group	Gov. Schmes	Retail	Group	Gov. Schmes	Retail	Group	Gov. Schmes
PSU	60.6	127.8	26.7	65.6	122.6	46.7	68.7	145.8	31.7	79.1	157.3	36.3
Private GI	35.2	37.0	4.8	36.2	59.9	9.1	36.4	79.4	12.4	62.6	90.3	6.9
SAHI	62.6	15.6	0.1	81.5	22.7	2.7	99.6	30.5	4.2	121.3	29.6	0.0
Total	158.3	180.4	31.5	183.2	205.2	58.4	204.7	255.7	48.3	263.0	277.1	43.2

Source: IRDAI, GIC Council

Note: Data shown above for Domestic Health Insurance Business

1.
Non-Life Insurance industry Segmental Gross Direct Premium Income (GDPI) YoY growth (%)



Source: GIC Council

Note: a) Health Segment excl. P.A b) Total Health data incl. Gov. sponsored schemes GDPI and Overseas business premium b) Motor Segment yoy growth calculated basis GWP

India Health Insurance Segment Penetration

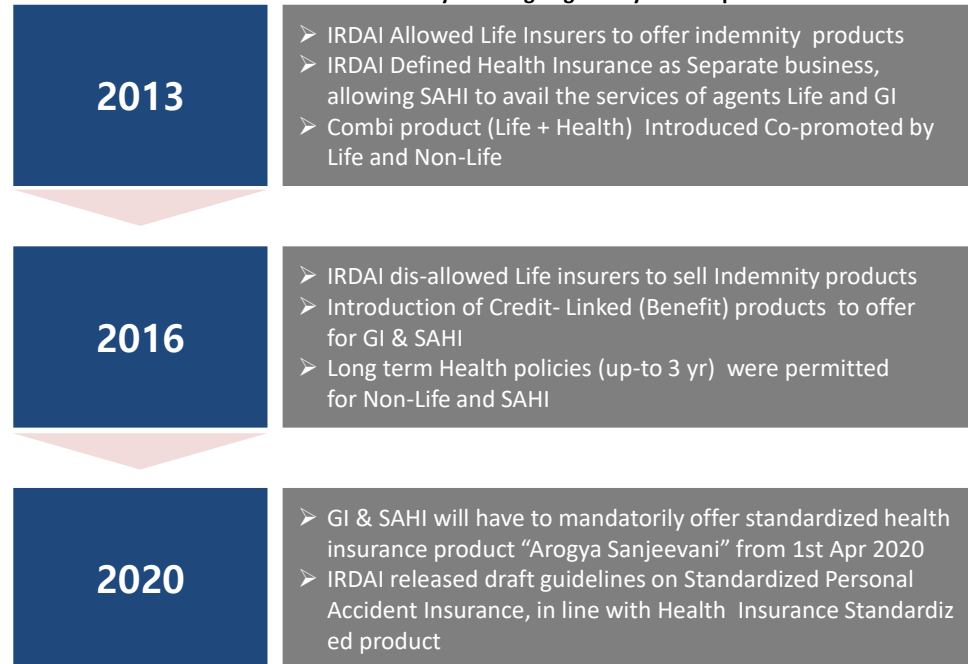
Particulars	No. of Persons Insured (in mn)				No. of Persons Insured % of Total Population			
	FY17	FY18	FY19	FY20	FY17	FY18	FY19	FY20
Retail	32	33	42	43	2.4%	2.4%	3.1%	3.1%
Group	71	89	73	94	5.3%	6.6%	5.3%	6.8%
Gov. Sponsored*	335	359	357	362	25.0%	26.5%	26.1%	26.2%
Overall	438	481	472	499	32.7%	35.6%	34.6%	36.1%

Source: IRDAI

Note: Data shown above excludes P.A & Travel Segment, * Gov Sponsored No. of Lives Person Insured shown excl. Retail & Group Segment

Health Insurance Industry key Regulatory Changes:

Health & Personal Accident Insurance Industry Evolving Regulatory Landscape



Source: IRDAI

1.

APPENDIX

IMPORTANT DISCLOSURES

This research report is distributed by Haitong International, a global brand name for the equity research teams of Haitong International Research Limited (“HTIRL”), Haitong Securities India Private Limited (“HSIPL”), Haitong International Japan K.K. (“HTIJKK”), Haitong International Securities Company Limited (“HTISCL”), and any other members within the Haitong International Securities Group of Companies (“HTISG”), each authorized to engage in securities activities in its respective jurisdiction.

Analyst Certification:

I, Hitesh Gulati, certify that (i) the views expressed in this research report accurately reflect my personal views about any or all of the subject companies or issuers referred to in this research and (ii) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this research report; and that I (including members of my household) have no financial interest in the security or securities of the subject companies discussed.

I, Deepak Sonawane, certify that (i) the views expressed in this research report accurately reflect my personal views about any or all of the subject companies or issuers referred to in this research and (ii) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this research report; and that I (including members of my household) have no financial interest in the security or securities of the subject companies discussed.

I, Kaushik Agarwal, certify that (i) the views expressed in this research report accurately reflect my personal views about any or all of the subject companies or issuers referred to in this research and (ii) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this research report; and that I (including members of my household) have no financial interest in the security or securities of the subject companies discussed.

Conflict of Interest Disclosures

HTI and some of its affiliates may engage in investment banking and / or serve as a market maker or hold proprietary trading positions of certain stocks or companies in this research report. As far as this research report is concerned, the following are the disclosure matters related to such relationship (As the following disclosure does not ensure timeliness and completeness, please send an email to ERD-Disclosure@htisec.com if timely and comprehensive information is needed).

EDEL.IN and Reliance General Insurance are/were an investment bank clients of Haitong currently or within the past 12 months.

AXSB.IN, HDFC.IN, HDFCLIFE.IN and HDFCAMC.IN are/were a client of Haitong currently or within the past 12 months. The client has been provided for non-investment-banking securities-related services.

Haitong received in the past 12 months compensation for investment banking services provided to EDEL.IN.

Haitong has received compensation in the past 12 months for products or services other than investment banking from AXSB.IN, HDFC.IN, HDFCLIFE.IN and HDFCAMC.IN.

Ratings Definitions (from 1 Jul 2020):

Haitong International uses a relative rating system using Outperform, Neutral, or Underperform for recommending the stocks we cover to investors. Investors should carefully read the definitions of all ratings used in Haitong International Research. In addition, since Haitong International Research contains more complete information concerning the analyst's views, investors should carefully read Haitong International Research, in its entirety, and not infer the contents from the rating alone. In any case, ratings (or research) should not be used or relied upon as investment advice. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations.

Analyst Stock Ratings

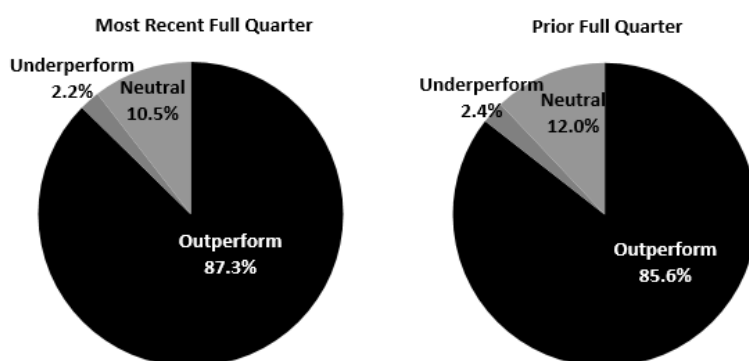
Outperform: The stock's total return over the next 12-18 months is expected to exceed the return of its relevant broad market benchmark, as indicated below.

Neutral: The stock's total return over the next 12-18 months is expected to be in line with the return of its relevant broad market benchmark, as indicated below. For purposes only of FINRA/NYSE ratings distribution rules, our Neutral rating falls into a hold rating category.

Underperform: The stock's total return over the next 12-18 months is expected to be below the return of its relevant broad market benchmark, as indicated below.

Benchmarks for each stock's listed region are as follows: Japan – TOPIX, Korea – KOSPI, Taiwan – TAIEX, India – Nifty100, US – SP500; for all other China-concept stocks – MSCI China.

Rating Distribution



Haitong International Equity Research Ratings Distribution, as of Jun 30, 2021

	Outperform	Neutral (hold)	Underperform
HTI Equity Research Coverage	87.3%	10.5%	2.2%
IB clients*	6.4%	6.1%	3.7%

*Percentage of investment banking clients in each rating category.

BUY, Neutral, and SELL in the above distribution correspond to our current ratings of Outperform, Neutral, and Underperform.

For purposes only of FINRA/NYSE ratings distribution rules, our Neutral rating falls into a hold rating category. Please note that stocks with an NR designation are not included in the table above.

Previous rating system definitions (until 30 Jun 2020):

BUY: The stock's total return over the next 12-18 months is expected to exceed the return of its relevant broad market benchmark, as indicated below.

NEUTRAL: The stock's total return over the next 12-18 months is expected to be in line with the return of its relevant broad market benchmark, as indicated below. For purposes only of FINRA/NYSE ratings distribution rules, our Neutral rating falls into a hold rating category.

SELL: The stock's total return over the next 12-18 months is expected to be below the return of its relevant broad market benchmark, as indicated below.

Benchmarks for each stock's listed region are as follows: Japan – TOPIX, Korea – KOSPI, Taiwan – TAIEX, India – Nifty100; for all other China-concept stocks – MSCI China.

Haitong International Non-Rated Research: Haitong International publishes quantitative, screening or short reports which may rank stocks according to valuation and other metrics or may suggest prices based on possible valuation multiples. Such rankings or suggested prices do not purport to be stock ratings or target prices or fundamental values and are for information only.

Haitong International Coverage of A-Shares: Haitong International may cover and rate A-Shares that are subject to the Hong Kong Stock Connect scheme with Shanghai and Shenzhen. Haitong Securities (HS; 600837 CH), the ultimate parent company of HTISG based in Shanghai, covers and publishes research on these same A-Shares for distribution in mainland China. However, the rating system employed by HS differs from that used by HTI and as a result there may be a difference in the HTI and HS ratings for the same A-share stocks.

Haitong International Quality 100 A-share (Q100) Index: HTI's Q100 Index is a quant product that consists of 100 of the highest-quality A-shares under coverage at HS in Shanghai. These stocks are carefully selected through a quality-based screening process in combination with a review of the HS A-share team's bottom-up research. The Q100 constituent companies are reviewed quarterly.

IMPORTANT DISCLAIMER

For research reports on non-Indian securities: The research report is issued by Haitong International Research Limited ("HTIRL"), a wholly owned subsidiary of Haitong International Securities Group Limited ("HTISGL") and a licensed corporation to carry on Type 4 regulated activity (advising on securities) for the purpose of the Securities and Futures Ordinance (Cap. 571) of Hong Kong, with the assistance of Haitong International (Japan) K.K. ("HTIJKK"), a wholly owned subsidiary of HTISGL and which is regulated as an Investment Adviser by the Kanto Finance Bureau of Japan.

For research reports on Indian securities: The research report is issued by Haitong Securities India Private Limited ("HSIPL"), an Indian company and a Securities and Exchange Board of India ("SEBI") registered Stock Broker, Merchant Banker and Research Analyst that, inter alia, produces and distributes research reports covering listed entities on the BSE Limited ("BSE") and the National Stock Exchange of India Limited ("NSE") (collectively referred to as "Indian Exchanges"). HSIPL was acquired and became part of the Haitong International Securities Group of Companies ("HTISG") on 22 December 2016.

All the research reports are globally branded under the name Haitong International and approved for distribution by Haitong International Securities Company Limited ("HTISCL") and/or any other members within HTISG in their respective jurisdictions.

The information and opinions contained in this research report have been compiled or arrived at from sources believed to be reliable and in good faith but no representation or warranty, express or implied, is made by HTIRL, HTISCL, HSIPL, HTIJKK or any other members within HTISG from which this research report may be received, as to their accuracy, completeness or correctness. All opinions expressed herein are as of the date of this research report and are subject to change without notice. This research report is for information purpose only. Descriptions of any companies or their securities mentioned herein are not intended to be complete and this research report is not, and should not be construed expressly or impliedly as, an offer to buy or sell securities. The securities referred to in this research report may not be eligible for purchase or sale in some jurisdictions. If an investment product is denominated in a currency other than an investor's home currency, a change in exchange rates may adversely affect the investment. Past performance is not necessarily indicative of future results. Certain transactions, including those involving derivatives, give rise to substantial risk and are not suitable for all investors. You should also bear in mind that recommendations in this research report are not tailor-made for you. The analyst has not taken into account your unique financial circumstances, such as your financial situation and risk appetite. You must, therefore, analyze and should, where applicable, consult your own legal, tax, accounting, financial and other professional advisers to evaluate whether the recommendations suits you before investment. Neither HTISG nor any of its directors, employees or agents accepts any liability whatsoever for any direct or consequential loss arising from any use of the materials contained in this research report.

HTISG and our affiliates, officers, directors, and employees, excluding the analysts responsible for the content of this document, will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives, if any, referred to in this research report. Sales, traders, and other professionals of HTISG may provide oral or written market commentary or trading strategies to the relevant clients and the companies within HTISG that reflect opinions that are contrary to the opinions expressed in this research report. HTISG may make investment decisions that are inconsistent with the recommendations or views expressed in this research report. HTI is under no obligation to ensure that such other trading decisions, ideas or recommendations are brought to the attention of any recipient of this research report.

Please refer to HTI's website www.equities.htisec.com for further information on HTI's organizational and administrative arrangements set up for the prevention and avoidance of conflicts of interest with respect to Research.

Non U.S. Analyst Disclosure: The HTI analyst(s) listed on the cover of this Research is (are) not registered or qualified as a research analyst with FINRA and are not subject to U.S. FINRA Rule 2241 restrictions on communications with companies that are the subject of the Research; public appearances; and trading securities by a research analyst.

DISTRIBUTION AND REGIONAL NOTICES

Except as otherwise indicated below, any Recipient wishing to discuss this research report or effect any transaction in any security discussed in HTI's research should contact the Haitong International salesperson in their own country or region.

Notice to Hong Kong investors: The research report is distributed by Haitong International Securities Company Limited ("HTISCL"), which is a licensed corporation to carry on Type 1 regulated activity (dealing in securities) in Hong Kong. This research report does not constitute a solicitation or an offer of securities or an invitation to the public within the meaning of the SFO. This research report is only to be circulated to "Professional Investors" as defined in the SFO. This research report has not been reviewed by the Securities and Futures Commission. You should not make investment decisions solely on the basis of the information contained in this research report. Recipients of this research report are to contact HTISCL salespersons in respect of any matters arising from, or in connection with, the research report.

Notice to U.S. investors: As described above, this research report was prepared by HTIRL, HSIPL or HTIJKK. Neither HTIRL, HSIPL, HTIJKK, nor any of the non U.S. HTISG affiliates is registered in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" and "U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended. When distributing research reports to "U.S. institutional investors," HTI USA will accept the responsibilities for the content of the reports. Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Haitong International Securities (USA) Inc. ("HTI USA"), located at 340 Madison Avenue, 12th Floor, New York, NY 10173, USA; telephone (212) 351 6050. HTI USA is a broker-dealer registered in the U.S. with the U.S. Securities and Exchange Commission (the "SEC") and a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). HTI USA is not responsible for the preparation of this research report nor for the analysis contained therein. Under no circumstances should any U.S. recipient of this research report contact the analyst directly or effect any transaction to buy or sell securities or related financial instruments directly through HSIPL, HTIRL or HTIJKK. The HSIPL, HTIRL or HTIJKK analyst(s) whose name appears in this research report is not registered or qualified as a research analyst with FINRA and, therefore, may not be subject to FINRA Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account. Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to U.S. regulations. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the U.S. The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments. All inquiries by U.S. recipients should be directed to:

Haitong International Securities (USA) Inc.
340 Madison Avenue, 12th Floor
New York, NY 10173
Attn: Sales Desk at (212) 351 6050

People's Republic of China (PRC): In the PRC, the research report is directed for the sole use of those who receive the research report in accordance with the applicable PRC laws and regulations. Further, the information on the research report does not constitute "production and business activities in the PRC" under relevant PRC laws. This research report does not constitute a public offer of the security, whether by sale or subscription, in the PRC. Further, no legal or natural persons of the PRC may directly or indirectly purchase any of the security or any beneficial interest therein without obtaining all prior PRC government approvals or licenses that are required, whether statutorily or otherwise. Persons who come into possession of this research are required to observe these restrictions.

Notice to Canadian Investors: Under no circumstances is this research report to be construed as an offer to sell securities or as a solicitation of an offer to buy securities in any jurisdiction of Canada. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by Haitong International Securities (USA) Inc., a dealer relying on the "international dealer exemption" under National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations ("NI 31-103") in Alberta, British Columbia, Ontario and Quebec. This research report is not, and under no circumstances should be construed as, a prospectus, an offering memorandum, an advertisement or a public offering of any securities in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this research report, the information contained herein or the merits of the securities described herein and any representation to the contrary is an offence. Upon receipt of this research report, each Canadian recipient will be deemed to have represented that the investor is an "accredited investor" as such term is defined in section 1.1 of National Instrument 45-106 Prospectus Exemptions or, in Ontario, in section 73.3(1) of the Securities Act (Ontario), as applicable, and a "permitted client" as such term is defined in section 1.1 of NI 31-103, respectively.

Notice to Singapore investors: This research report is provided in Singapore by or through Haitong International Securities (Singapore) Pte Ltd ("HTISSPL") [Co Reg No 201306644N. HTISSPL is an Exempt Financial Adviser under the Financial Advisers Act (Cap. 110) ("FAA") to (a) advise on securities, units in a collective investment scheme, exchange-traded derivatives contracts and over-the-counter derivatives contracts and (b) issue or promulgate research analyses or research reports on securities, exchange-traded derivatives contracts and over-the-counter derivatives contracts. This research report is only provided to institutional investors, within the meaning of Section 4A of the Securities and Futures Act (Cap. 289). Recipients of this research report are to contact HTISSPL via the details below in respect of any matters arising from, or in connection with, the research report:

Haitong International Securities (Singapore) Pte. Ltd.
10 Collyer Quay, #19-01 - #19-05 Ocean Financial Centre, Singapore 049315
Telephone: (65) 6536 1920

Notice to Japanese investors: This research report is distributed by Haitong International Securities Company Limited and intended to be distributed to Financial Services Providers or Registered Financial Institutions engaged in investment management (as defined in the Japan Financial Instruments and Exchange Act ("FIEL") Art. 61(1), Order for Enforcement of FIEL Art. 17-11(1), and related articles).

Notice to UK and European Union investors: This research report is distributed by Haitong International Securities Company Limited. This research is directed at persons having professional experience in matters relating to investments. Any investment or investment activity to which this research relates is available only to such persons or will be engaged in only with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this research. Haitong International Securities Company Limited's affiliates may have a net long or short financial interest in excess of 0.5% of the total issued share capital of the entities mentioned in this research report. Please be aware that any report in English may have been published previously in Chinese or another language.

Notice to Australian investors: The research report is distributed in Australia by Haitong International Securities (Singapore) Pte Ltd, Haitong International Securities Company Limited, and Haitong International Securities (UK) Limited in reliance on ASIC Corporations (Repeal and Transitional) Instrument 2016/396, which exempts those HTISG entities from the requirement to hold an Australian financial services license under the Corporations Act 2001 in respect of the financial services it provides to wholesale clients in Australia. A copy of the ASIC Class Orders may be obtained at the following website, www.legislation.gov.au. Financial services provided by Haitong International Securities (Singapore) Pte Ltd, Haitong International Securities Company Limited, and Haitong International Securities (UK) Limited are regulated under foreign laws and regulatory requirements, which are different from the laws applying in Australia.

Notice to Indian investors: The research report is distributed by Haitong Securities India Private Limited ("HSIPL"), an Indian company and a Securities and Exchange Board of India ("SEBI") registered Stock Broker, Merchant Banker and Research Analyst that, inter alia, produces and distributes research reports covering listed entities on the BSE Limited ("BSE") and the National Stock Exchange of India Limited ("NSE") (collectively referred to as "Indian Exchanges").

This research report is intended for the recipients only and may not be reproduced or redistributed without the written consent of an authorized signatory of HTISG.

Copyright: Haitong International Securities Group Limited 2019. All rights reserved.

<http://equities.htisec.com/x/legal.html>
