BUY

CMP: **INR 74** Target Price: **INR 90** ▲ 22%

ICICI Securities

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15 April 2025

India | Equity Research | Initiating Coverage

Niva Bupa Health Insurance Company

General Insurance

Strong execution delivering sector-leading performance

Niva Bupa has been able to deliver standout growth in health insurance premiums (~40% CAGR between FY20-25) while its improved scale and assets under management should help improve margins and earnings growth ahead (expect IFRS PAT CAGR of 53% over FY25-27E). The relative high growth could continue driven by diversified channel which in turn creates positive flywheel on loss ratios, especially when players across industry including Niva have taken multiple price hikes. In this report, we have detailed the key tenets of earnings trajectory under accounting methods of IGAAP (without and with 1/n) and IFRS which should help appreciate the impact of long-term business mix and deferment of acquisition costs in the quest of realising the normalised annualised earnings.

Initiating coverage with BUY; INR 90 TP basis 35x FY27E EPS of INR 2.6 (IFRS)

Niva Bupa is likely to be a beneficiary of the structural growth story of India's under-penetrated health insurance market given its customer-centric focus, tech-based capabilities and historical growth track record. It has showcased strong CAGR of ~40% in GWP between FY20 and FY25 leading to improvement in its retail market share from 4% in FY19 to 9.1% in FY24 and 9.4% in 11MFY25. Loss ratio remains good at average of ~58% in last six years (FY19-24).

We prefer IFRS financials for arriving at target valuation as it provides better matching of revenue with costs/claims expenses. We expect 53% earnings CAGR between FY25-27E in terms of IFRS driven by higher-than-industry growth, improvement in combined ratio and growth in investment AUM/yields. Under IFRS, we estimate PAT of INR ~4.7bn for FY27E and ascribe a multiple of 35x to the same to arrive at target valuation of INR 165bn. We have given higher valuation multiple of 35x PE to Niva Bupa (vs 30x for Star Health) to factor in higher than peer earning growth period in near horizon.

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Market Data

Market Cap (INR)	135bn
Market Cap (USD)	1,566mn
Bloomberg Code	NIVABUPA IN
Reuters Code	NIVA.BO
52-week Range (INR)	109 /61
Free Float (%)	13.0
ADTV-3M (mn) (USD)	1.0

Price Performance (%)	3m	6m	12m
Absolute	(4.2)	0.0	0.0
Relative to Sensex	(1.3)	0.0	0.0

ESG Score	2023	2024	Change
ESG score	NA	NA	NA
Environment	NA	NA	NA
Social	NA	NA	NA
Governance	NA	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Financial Summary

Y/E March (INR mn)	FY24A	FY25E	FY26E	FY27E
NEP	38,113	48,859	60,225	75,839
PAT	819	2,108	1,552	2,192
EPS (INR)	0.4	1.2	0.8	1.2
P/E (x)	164.8	64.0	86.9	61.5
P/BV (x)	6.6	4.2	4.0	3.8
Combined Ratio (%)	98.8	100.7	101.6	100.4
RoE (%)	5.7	8.1	4.8	6.3
Note: Above financial numbers are in with 1/n method				
Under IFRS				
GEP	44,179	58,767	75,296	94,101
PAT	1,064	2,021	3,941	4,719
RoE (%)	6.9	7.5	11.6	12.3

Points of strength include: (1) Niva Bupa's overall higher ticket size per policy signifies its ability to capture mass affluent customer segments, (2) In FY24/9MFY25, claim settlement ratio was 91.9%/92.1% and 82%/89.5% of pre-authorised cashless claims were approved in less than 30 minutes, indicating efficiency and reliability for customers, (3) Niva Bupa has diversified distribution channel among agency, brokers and direct with higher presence in online platforms, (4) Niva Bupa has adopted a conservative investment management approach to provide balance between yield enhancement (average investment yield of 6.6% in FY21-24 & 7.4% in 9MFY25) and liquidity management and enjoys strong solvency ratio of 303% as of Dec'24. (5) It is backed by experienced management team and established promoters (Bupa Global) with health insurance and healthcare experience.

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Investment thesis - strong player in a high growth industry

Health insurance has a big opportunity in India

Health premium as a percentage of GDPI increased from 0.22% in FY18 to 0.37% in FY24. This remains lower compared to other countries like UK, China, Germany and USA having penetration of 0.61%/0.64%/2.3%/4.10%, respectively. Niva Bupa is likely to be a beneficiary of the structural growth story of the under-penetrated insurance market, given its customer-centric focus, tech-based capabilities and historical growth performance.

Growth track record with focus on affluent segments

The company has showcased strong CAGR of 40% in GWP between FY20 and FY25. Niva Bupa's overall average ticket size per policy stands at INR ~29k (vs Star Health's at INR ~18k) and ticket size among individual agents is ~25k (vs Star Health's at INR ~17k), which is higher among SAHIs, signifying its ability to capture mass affluent customer segments. Niva Bupa has gained market share in retail health from 4% in FY19 to 9.4% in 11MFY25. Niva Bupa has launched many products with industry-first features covering each age group of customers. Product offering also includes high value proportion products like affinity-based group product for non-employer-employee groups.

Digital expertise may help in better customer proposition

The company has a 'Digital-first' approach in business, having implemented technology integration across every step of the customer journey. 99.9% of new policies are being applied digitally and 96.9% of payments in value terms are received digitally. Digital stack, which is a combination of in-house and tools co-created with digital partners carry out underwriting and risk-based pricing, contributes towards improved conversion, claims management, claims adjudication and real-time fraud detection using machine learning algorithms. **As of 9MFY25, 91% of claims got submitted digitally, 51% of retail policies were auto-decisioned and 28.6% of cashless claims (vs 28% in H1FY25) are being auto-adjudicated without any human reviewing the claim.** Strong database built over the last 16 years of operations in India allows to run data analytics to drive renewals and implement cross-sell strategies. 90.8% of renewals are happening without human intervention. 360-degree health and wellness ecosystem platform 'Niva Bupa Health' has 0.44mn monthly active users with rating of 4.5/4.7 on Android/iOS. This has resulted in improved customer experience and higher Net Promoter Score (NPS) (improved from 38 in FY23 to 53 in 9MFY25).

Underwriting prowess as evident from better loss ratio should translate to earnings outperformance

Loss ratio remains good among SAHIs as well as multiline players at average of ~58% in last six years (FY19-24) compared to SAHI average of ~69% and ~89% for private multiline players. Company's underwriting and analytical capabilities have helped it in remaining prudent on risk selection, pricing product in a risk-based manner, drive upsell, cross-sell and customer retention, while ensuring claims are under control. It had higher claims settlement ratio of 91.9%/92.1% in FY24/9MFY25. In FY24, company pre-authorised 81.5% of cashless claims within 30 minutes and processed 95.3% of reimbursement claims under 15 days. Niva Bupa has fully automated underwriting model and leverages extensively on technology to simplify the process supported by back-end processes that entail a sophisticated, complex and robust rule-based auto-underwriting system. Based on that, it has developed 5-point LTV (Life Time Value) based model for business selection and identification of opportunities to cross-sell or upsell to higher LTV-based customers.

Distribution strength is based on better diversification

Niva Bupa has diversified distribution channel among agency, brokers and direct, with higher presence in online platforms (like PolicyBazaar). As of 9MFY25, Niva Bupa had 172,505 individual agents (addition of +9K in Q3FY25), 97 banca and other corporate agency partners (addition of +11 in Q3FY25) and 516 brokers (addition of 8 in Q3FY25). It has diversified presence with no state or union territory accounting for more than 20% of GWP. Niva Bupa has higher contribution from direct channel compared to peers (13% of GWP, as of FY24).

Hospital network is a business moat- drives customer retention and attracts new customers

Out of total 10,299 network hospitals as of Dec'24, 455 were PPN hospitals, providing benefits to customers such as free ambulance services, designated relationship manager in the facility, discount on pharmacy, diagnostics and consultations even after discharge. Arrangements with network hospitals seek to increase customer satisfaction levels by providing them with a cashless claims settlement process, while also providing favourable discount packages and enabling improved control on the cost of claims for the insurer.

Bupa brand and experienced management are key strengths

Niva Bupa is backed by international healthcare insurance experience of Bupa group which is more than 75 years old with ~50mn customers worldwide. Bupa holds 56% of shareholding in Niva Bupa. Earlier, most of the key managerial personnels were associated with Apollo Munich Health Insurance (later merged with HDFC Ergo).

Investments management borders on prudence but will generate recurring revenue stream

Niva Bupa has adopted a conservative investment management approach to provide balance between yield enhancement (average investment yield of 6.6% in FY21-24) and liquidity management with strong solvency ratio of 303%. For 9MFY25, investment yield was 7.4%. AUM has increased from INR 24bn in FY22 to INR 73bn in 9MFY25 aided by fund infusion during IPO, reporting a CAGR of 50%.

Health insurance has structural high growth outlook

Health premiums could grow at CAGR of 15-17% by FY28

India's health insurance sector has witnessed rapid growth since FY18. The health insurance GDPI has more than doubled from INR 0.38trn (USD 4.5bn) in FY18 to INR 1.09trn (USD 13.0bn) in FY24, a CAGR of 19.5%. As per Niva Bupa RHP, total health GDPI is expected to reach INR 1.8–2.0trn (USD 22-24bn) by FY28, reporting a CAGR of 15-17%.

Exhibit 1: Health insurance growth trend and penetration in India

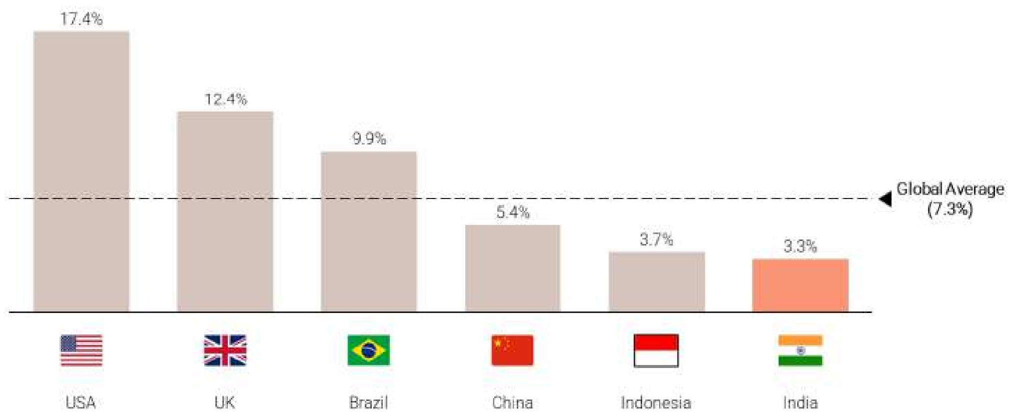
INR bn	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Retail Health GDPI (INR bn)	158	183	205	262	307	354	422
Non-Retail Health GDPI (INR bn)	219	272	311	323	429	552	668
Total Health GDPI (INR bn)	377	455	516	586	736	907	1,090
Retail GDPI Mix (%)	42%	40%	40%	45%	42%	39%	39%
GDPI CAGR			(FY18-FY20)		(FY20-FY22)		(FY22-FY24)
Retail			14%		22%		17%
Non-Retail			19%		17%		25%
Overall			17%		19%		22%
Overall, Health premium penetration	0.22%	0.24%	0.26%	0.30%	0.31%	0.33%	0.37%

Source: I-Sec research, IRDAI, RBI

India's healthcare trends are supporting need for health insurance

The current health expenditure (CHE) of India as a percentage of its GDP is lower than other larger and comparable economies. In CY21, India's CHE was about 3.3% of its GDP. For comparison, in other developed and emerging economies such as the USA and China, it was 17.4% and 5.4% of their respective GDPs.

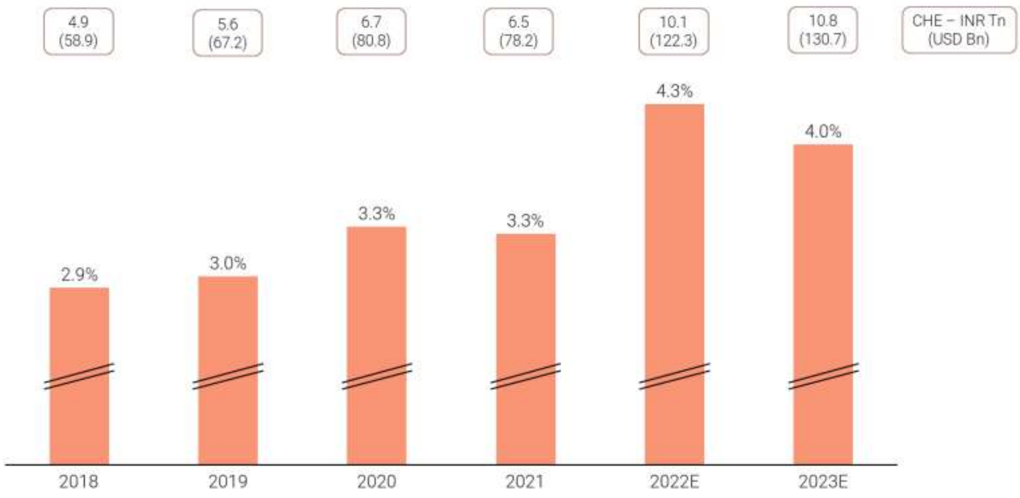
Exhibit 2: Current health expenditure (CHE) as a % of GDP – global benchmark (CY21)



Source: I-Sec research, Company data. *Note(s): (1) Current health expenditure (CHE) consists of inpatient & outpatient curative care, lab & imaging, prescribed & OTC medicines, preventive care, patient transport and other pharmaceutical expenses Source(s): World Health Organization (WHO), Redseer analysis from Niva Bupa RHP*

However, India's CHE as a % of GDP has grown rapidly from 2.9% in CY18 to an estimated 4.0% in CY23, as per Niva Bupa RHP. This indicates a positive shift in the importance of healthcare in India, with more resources being channelled towards it.

Exhibit 3: Current health expenditure (CHE) as a % of GDP – India



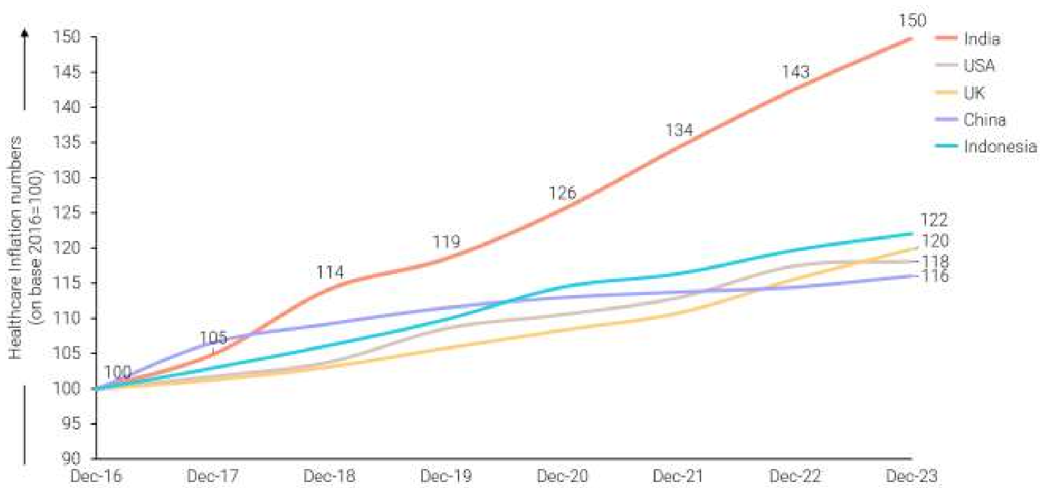
Source: I-Sec research, Company data, Source(s): World Bank, Ministry of Finance Press release, MOSPI "Provisional Estimates of National Income 2022-23", Redseer analysis and estimates from Niva Bupa RHP

Increasing healthcare inflation

One of the primary reasons for high healthcare inflation in India as compared to several developed countries lies in the differences in how healthcare is insured and assisted by the government. Developed nations often have universal healthcare systems or government-sponsored insurance programmes. However, a large portion of healthcare expenses in India is borne out-of-pocket by individuals, leading to less effective regulation of healthcare costs.

At global scenario, developed countries like USA and China have healthcare inflation at 0.5% and 1.4%, respectively, while that of India stands at 5.1% as of Dec'23. India has one of the highest healthcare inflations as highlighted by the inflation values indexed at 100 in 2016. Since then, India has comparatively seen the highest medical inflation, touching the 150-mark in 2023, while other countries like UK, USA, China and Indonesia hovered between 115-125 in 2023.

Exhibit 4: Healthcare inflation- global trends

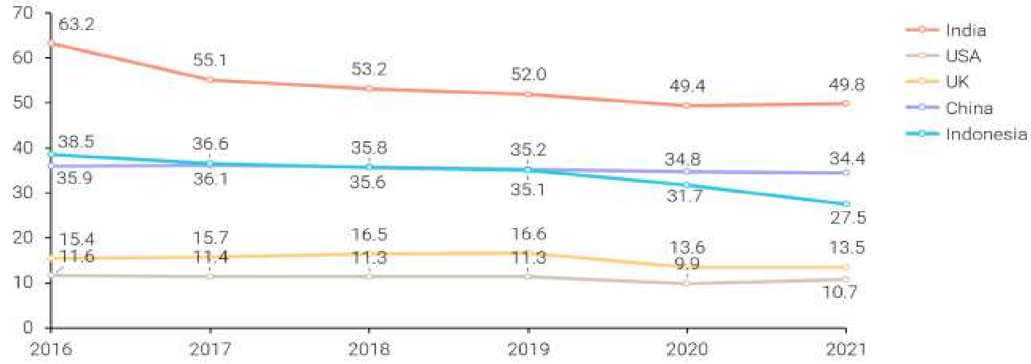


Source: I-Sec research, Company data. Note(s): (1) Healthcare/Medical Inflation in December 2016 considered 100 and subsequent Decembers are indexed against it; (2) Inflation values for UK, India and Indonesia were calculated from respective indexed values Source(s): MOSPI/ Press Information Bureau, U.S. Bureau of Labor Statistics, National Bureau of Statistics of China, Bank Indonesia, Redseer analysis from Niva Bupa RHP

High out-of-pocket medical expenses

Out-of-pocket expenses (OOPE) refer to medical expenses that households pay directly. OOPE tends to decrease as insurance coverage increases. OOPE as a % of CHE in India dropped from 63.2% to 49.8% between 2016 and 2021. Despite the drop, this metric remains higher for India than for countries such as US, UK, and China which are at approximately 10.7%, 13.5%, and 34.4%, respectively. As per Redseer estimates from Niva Bupa RHP, OOPE as % of CHE in India dropped to ~47% in 2023.

Exhibit 5: Out-of-pocket expenses as % of CHE – global trends



Source: I-Sec research, Company data. Note(s): (1) Out-of-pocket expenses as % of CHE constitute the expenditures borne directly by a patient where insurance does not cover the full cost of the health good or service Source(s): WHO, Redseer analysis from Niva Bupa RHP

Greater disease burden indicates ever-increasing importance of health insurance

Over the last couple of decades, India witnessed a significant uptick in disease burden across various non-communicable diseases. This led to increased healthcare expenses on diagnosis, treatment and post-treatment care. As the prevalence of non-communicable diseases (NCDs) rises, public awareness of these health risks will also increase. This awareness is expected to lead to higher demand for insurance as individuals seek financial protection against high costs of managing chronic conditions.

Exhibit 6: Proportion of disability adjusted life years (DALYs - measure of overall disease burden)

Non-Communicable Diseases (NCDs)	1990	2009	2019
Cardiovascular diseases (IHD)	3.3%	5.8%	8.0%
Chronic respiratory diseases (CRDs)	3.3%	4.9%	6.4%
Diabetes and kidney diseases	1.4%	2.9%	4.3%
Cancer (Breast)	0.2%	0.3%	0.6%

Note(s): (1) DALYs measure the total burden of disease – both from years of life lost due to premature death and years lived with a disability. One DALY equals one lost year of healthy life; (2) DALYs computed for both sexes and all ages; (3) IHD stands for Ischemic Heart Disease
Source(s): Indian Council of Medical Research (ICMR), Public Health Foundation of India, Institute of Health Metrics and Evaluation (IHME)

Source: Niva Bupa RHP

Supporting regulatory framework to help insurers

IRDAI is enhancing health insurance growth through supportive initiatives like Insurance for All by 2047, Bima Sugam, Bima trinity, IRDAI Regulatory Sandbox, among others. **Ayushman Bharat- Pradhan Mantri Jan Arogya Yojana** (AB-PMJAY) scheme covering diverse medical treatments has significantly contributed to achieving universal health coverage, especially for rural India and the underprivileged sections. Additionally, employer-provided insurance to employees further contributes to this collective effort towards comprehensive healthcare coverage.

IRDAI has issued master circular on health insurance products which calls for insurers to giver more options, faster authorisation and discharge along with exhaustive hospital tie-ups and service requirements to the customer. These changes are aimed at increasing market penetration, enhancing customer experience and improving operational efficiencies.

Exhibit 7: Key highlights of master circular on products

1. CIS to be provided to CIS to be provided to every policy holder of Individual Insurance policies as well as members of Group Insurance policy
2. **Free look Period:** Enhanced to 30 days from the existing 15 days from the date of receipt of the policy
3. **Cancellation by Policy Holder:** Notice period by policyholder reduced to 7 days from existing 15 days Refund on pro rata basis as against the existing short period basis
4. **Nomination of the policy:** Mandatory at the time of proposal for fresh policies and for existing policies at the time of renewal
5. **Grace Period Cancellations:** 15 days for monthly instalment payments and 30 days for quarterly, half yearly and annual payments. Cover to be provided during the grace period
6. **Moratorium period:** Reduced to 60 months (5 years) from the existing period of 8 years
7. **No Claim Bonus:** The Insurer **may** reward the policyholders who do not make claim in the form of No Claim Bonus (NCB) and / or Discount. Such NCB shall be paid as per the choice/ express consent of the policyholder at the time of every renewal
8. **Cashless Approval:** Cashless Authorization to be provided immediately but not more than one hour
9. **Final Approval:** Final authorization to be **provided within Three hours** of the receipt of discharge authorization request
10. **Short term and long-term products:** Insurers can offer short term (less than 1 year) and long term (more than 1 year) policies
11. **Products for All ages/ medical conditions / types of treatment etc.**

Source: I-Sec Research, Company data

National Health Claims Exchange is a step towards 100% cashless claim settlement

IRDAI and National Health Authority (NHA) recommended creation of National Health Claims Exchange (NHCX), developed by NHA and Union Ministry of Health and Family Welfare as part of Ayushman Bharat Digital Mission (ABDM). The claim exchange will act as a portal for exchanging health insurance claims-related information among various stakeholders- payer (insurers, TPAs, governments) and providers (hospitals, diagnostic centres). NHCX portal will play an important role for insurers to decide on cashless authorisation within one hour of the request and final authorisation on discharge from hospital within three hours of request from the hospital. It will help to speed up and standardise the claims settlement process through seamless exchange of information and documents between payer and providers.

NHCX will help to cut down claim time, reduce manual errors and improve policyholders' experience. It will result in standardised information format ensuring uniformity in data presentation and insured's digitalised details can be accessed via ABHA number (Ayushman Bharat Health Account). Both hospitals and insurers will be able to go paperless and reduce their operational and claim processing costs. Insurers can introduce enhanced fraud analytics to reduce fraud and abuse. Additional major anticipated benefits include reduced insurance premiums and hospital charges as there will be slashing of operational costs in claim processing and approvals. Onboarding of maximum hospitals, insurers, TPAs and other stakeholders will play an important role in success of NHCX platform.

ASBA facility for insurance premiums

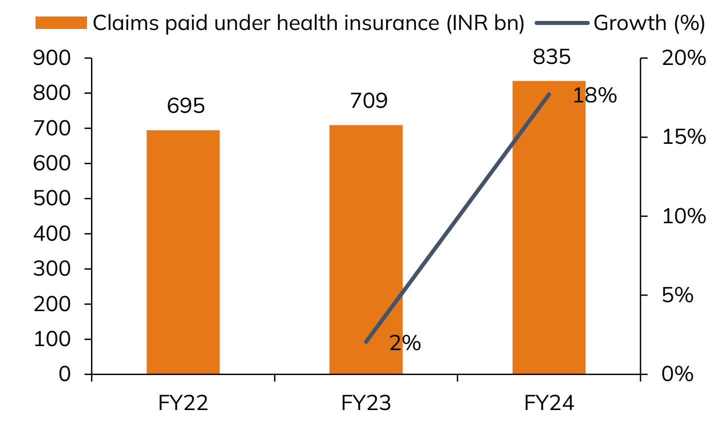
Insurers should partner with multiple banks and have appropriate systems and process in place for UPI-OTM (UPI- One Time Mandate) service facilitating smoother transaction processing. Insurers are allowed to use Bima-ASBA mechanism for blocking of premium up to the limit specified by NPCI from time to time. (IRDAI)

Threat and challenges for health insurance industry

Health insurance companies navigate a complex landscape that is filled with many challenges. Understanding and effectively addressing these challenges are crucial for sustained growth and success of the industry in India.

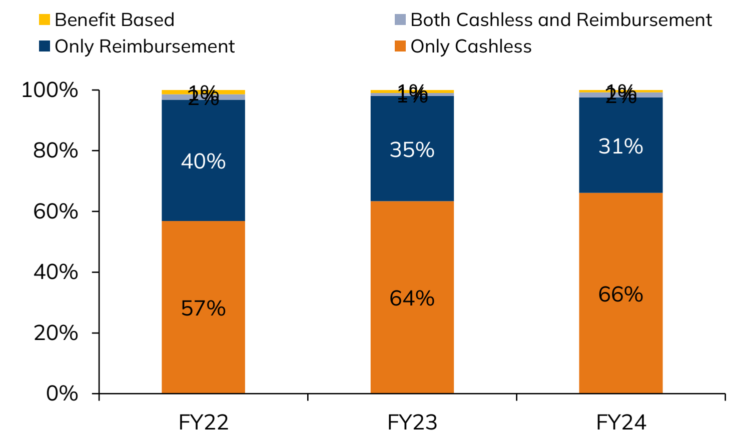
- **Rising healthcare costs:** The escalating costs of medical treatments and procedures directly affect the claim amounts faced by health insurance companies. *According to ACKO India Health Insurance Index 2024, healthcare costs in India are increasing by 14% annually. The index also noted 23% of hospital charges in the country are financed through borrowings which puts a significant strain on families' financial health. The report also noted that 62% of healthcare expenses are paid out of pocket in India, stressing the necessity for better healthcare coverage to protect against unexpected health crises. (Link)*
- **Rising claims**: In FY24, insurers settled about 83% of total number of claims registered in their books and have repudiated about 11% of them and the remaining about 6% were pending for settlement as on Mar'24.

Exhibit 8: Claims paid increased by 18% YoY in FY24



Source: I-Sec research, IRDAI

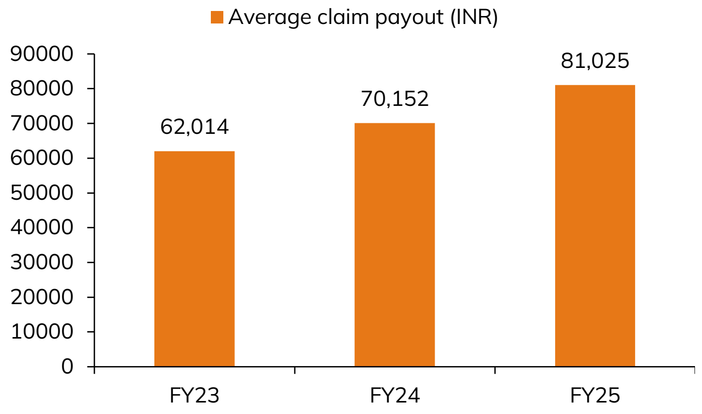
Exhibit 9: Within claims, share of cashless claims is rising



Source: I-Sec research, IRDAI

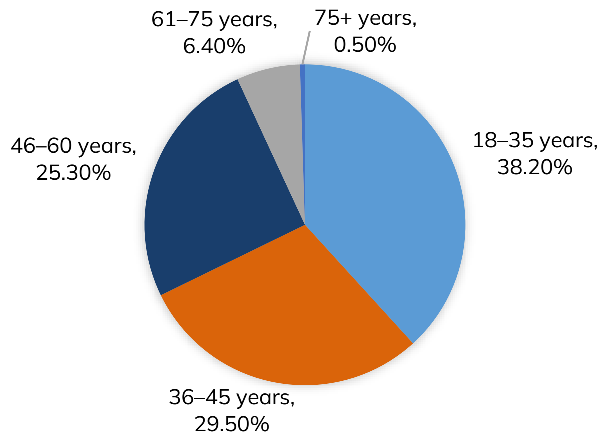
<u>PB Fintech survey of healthcare expenditure:</u> Health insurance claims in India have grown by 30% over three years, driven by rising costs, seasonal illnesses, and chronic conditions such as diabetes and cancer. Heart disease accounts for 25–30% of term insurance claims, according to a report by Policybazaar. "The rising cost of healthcare is putting a strain on people's pockets. For many families, a single hospitalisation can result in substantial financial strain, depleting years of savings or forcing them to take loans. This is particularly evident in urban areas like Delhi/Maharashtra where higher costs of advanced medical facilities have led to average claims exceeding INR 100k," said Siddharth Singhal, Head of Health Insurance, Policybazaar. Policybazaar's data shows Maharashtra accounts for 14.5% of total claims, with an average pay-out of INR 86,402. Delhi contributes to 10.2% of claims but has a higher average pay-out of INR 100,600, followed by Haryana and Tamil Nadu, with payouts averaging INR 97,573 and INR 113,074, respectively. (Link)

Exhibit 10: Average claim payout has grown steadily



Source: I-Sec research, PB fintech

Exhibit 11: Younger adults (18–35 years) contribute the most to health insurance claims



Source: I-Sec research, PB fintech

- **Fraudulent claims:** Health insurance companies often encounter instances of fraudulent claims, where policyholders submit false claims or inflate medical expenses.

  ***As per Deloitte's Insurance Fraud Survey 2023 (link), about 60% of survey respondents believe that there has been a significant rise in fraud, while further 10% experienced a marginal increase**. Insurers consider mitigating fraud as a priority. Technology-led innovation in the insurance sector has brought agility, speed, superior customer experience, and ease of use. However, it has led to vulnerabilities and risks in the overall ecosystem. New fraud trends, such as data theft emerge in the insurance segment, and traditional frauds, such as collusion between third parties and mis-selling of insurance products continue to prevail and are still a concern for the sector.*

- **Regulatory compliance:** Health insurance companies operate within a highly regulated environment and must continuously adapt to changes in regulations and compliance requirements. The dynamic nature of regulatory changes can impose a significant administrative burden on insurers.

  - ✓ ***IRDAI caps insurance premium increase for senior citizens at 10%:** Effective from 30 Jan'25, IRDAI has directed insurance companies to ensure that renewal premium increases do not exceed 10% in case of senior citizen policies without prior approval. They will also have to seek its approval before withdrawing health insurance products offered to senior citizens. This directive aims to prevent steep and arbitrary premium hikes, ensuring affordability for senior citizens. (Link)*

  - ✓ ***Free look-in period to increase from one month to one year:** Recently, Union Finance Minister Nirmala Sitharaman asked insurance companies to increase the free look period to one year from one month at present. This means the purchaser of the policy will not be charged any penalties in case he/she decides to terminate the policy agreement within the set period. (Link)*

- **Standardisation issues:** Variability in healthcare standards and practices across different regions. Furthermore, there is uneven distribution of healthcare facilities across rural and urban areas in India affecting the accessibility and utilisation of health insurance.

- **Cybersecurity risks:** As insurers increasingly rely on digital platforms for their operations, they face heightened risks of data breaches and cyberattacks.

  Recently, India's insurance sector has faced significant cyber accidents. In Oct'24, country's largest health insurer experienced a data breach of over 30mn customers. This accident underscores the pressing need for robust cybersecurity measures within India's insurance industry to protect the sensitive customer information.

Case study 1: Hospitals vs insurers - can the advantage swing

Overall occupancy rate across industry has largely been stable (62-63% since FY22). Overall, average revenue per operating bed (ARPOB) increased by ~9% during FY24 for the list of hospitals.

ARPOB growth trend is likely to continue: Increasing speciality case mix/insurance penetration has led to increase in ARPOB for hospitals. Patients covered with insurance opt for higher category of rooms and high-end surgeries have become affordable. Management of hospitals expects this growth to be sustainable.

A (1) positive movement in average revenue per operating bed (ARPOB), (2) stable occupancy levels, and (3) a positive outlook on ARPOB from hospitals could ultimately also mean steady/elevated loss ratios for insurers. This balance between hospitals and insurers is important to ascertain for investors in hospitals/insurers. Key hospital commentaries and numbers indicate hospitals have benefitted from increasing ARPOB, better mix and insurance penetration.

However, noise is increasing over rising rates in large hospitals which will make incremental price hikes difficult. Improvement in mix which has supported till now will also be challenging incrementally for hospitals. Regulators have started to weigh cut in taxes in insurance underlying the recognition of problem of affordability. Private players like Narayana Hrudayalaya and Apollo have started to talk about own insurance products and there are talks of aggregators who are trying to network with smaller hospitals (PB Health). Incremental volumes may move to smaller from larger hospitals and the efforts of insurers to improve margins may bring more equilibrium ahead between insurers and hospitals. This is an evolving situation.

Exhibit 12: ARPOB trend for hospitals (quarterly)

ARPOB	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Apollo Hospitals	51,999	50,353	51,482	53,232	57,760	57,391	56,368	59,523	59,703	59,011	60,893
Fortis Hospitals	53,589	53,973	55,224	57,476	60,076	60,548	61,096	63,442	65,924	64,932	67,123
HCG	38,296	36,914	37,014	39,864	39,686	42,054	42,788	42,741	44,342	45,188	44,284
KIMS Hospitals	30,192	29,237	29,812	30,573	31,697	31,140	30,741	34,270	38,458	38,263	38,472
Medanta	58,961	58,203	58,367	60,880	63,148	61,003	60,880	63,063	64,035	62,140	61,307
Aster (India division)	36,300	34,900	37,200	37,900	39,400	38,650	39,700	42,400	44,200	43,600	44,200
Yatharth Hospitals	26,457	26,168	25,804	27,706	28,140	27,561	29,347	29,266	30,551	30,597	30,652

Source: I-Sec research, Company data

Exhibit 13: Occupancy rates have largely been improving

Occupancy	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Apollo Hospitals	60.0%	68.0%	65.0%	64.0%	62.0%	68.0%	66.0%	65.0%	68.0%	73.0%	68.0%
Fortis Hospitals	65.0%	69.6%	66.1%	67.1%	63.7%	68.7%	64.0%	67.0%	67.0%	72.0%	67.0%
HCG	61.0%	66.4%	65.7%	65.1%	66.9%	65.8%	59.8%	63.9%	65.6%	65.6%	62.1%
Medanta	59.6%	58.9%	59.1%	57.9%	58.1%	64.9%	64.0%	59.0%	58.8%	64.3%	63.6%
Aster(India division)	63.0%	72.0%	68.0%	68.0%	64.0%	70.0%	70.0%	67.0%	67.0%	69.0%	67.0%
Yatharth hospitals	40.0%	45.0%	49.0%	49.0%	50.0%	57.0%	52.0%	57.0%	61.0%	61.0%	60.0%

Source: I-Sec research, Company data

Exhibit 14: Occupancy rates have largely been stable on annual basis

Occupancy Rate (%)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Apollo Hospitals	63.0%	64.0%	66.0%	68.0%	67.0%	55.0%	63.0%	64.0%	65.0%
Fortis Hospitals	72.0%	75.0%	70.0%	67.0%	68.0%	55.0%	63.4%	67.0%	65.0%
HCG	51.0%	46.9%	44.5%	43.7%	42.9%	40.8%	58.2%	65.4%	64.2%
KIMS Hospitals			51.4%	48.7%	55.7%	57.6%	58.5%	52.6%	54.0%
Medanta					55.0%	52.0%	62.0%	59.0%	62.0%
Aster(India division)			65.0%	63.0%	61.0%	56.0%	66.0%	68.0%	68.0%

Source: I-Sec research, Company data

Exhibit 15: Percentage share of revenue from insurance for select hospitals

	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY23	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
% of Revenue from Insurance											
Fortis Hospitals	36%	36%	35%	34%	35%	35%	36%	35%	36%	36%	36%
KIMS Hospitals	24%	28%	23%	29%	27%	25%	29%	27%	27%	29%	28%
Medanta	24%	24%	23%	23%	24%	24%	23%	25%	25%	25%	27%
Revenue from Insurance INR (mn)											
Fortis Hospitals	4,340	4,708	4,422	4,606	4,766	5,086	5,000	5,220	5,592	5,975	5,891
KIMS Hospitals	1,194	1,561	1,299	1,660	1,636	1,636	1,762	1,711	1,859	2,245	1,696
Medanta	1,230	1,353	1,341	1,359	1,540	1,681	1,609	1,698	1,787	1,765	2,202

Source: I-Sec research, Company data

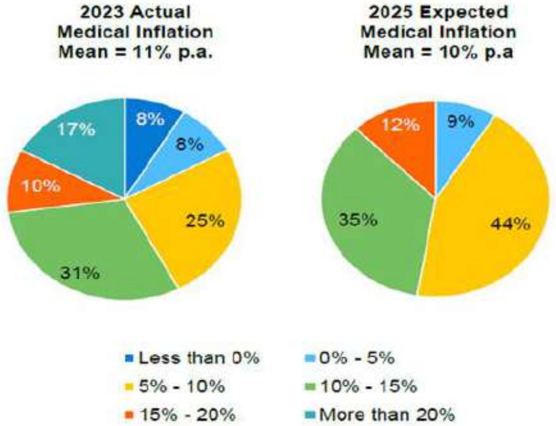
Case study 2: Medical inflation is not a problem of India alone! *(this case study is from Milliman report)*

Health insurance claim inflation has been a widespread point of discussion among companies. However, this is not a problem of India alone. **Milliman's recent survey** among insurers in seven Asian regions and 59 companies indicate the widespread similar trends across nations.

Current and future outlook on medical inflation rate

Most survey participants anticipate 2025 inflation rates to range between 5% and 15%, although around 10% of survey respondents still believe that medical inflation will exceed 20% p.a. in the short term. The continued high medical inflation is expected to pose a substantial challenge for companies operating in the medical business sector in the near future.

Exhibit 16: Medical inflation

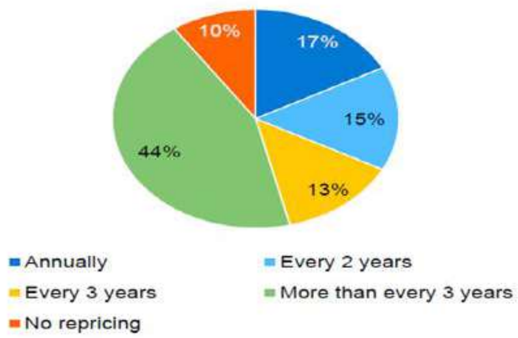


Source: Milliman

How often did insurers reprice their M&H business?

Survey revealed that 90% of survey respondents have undertaken repricing exercises for their medical business in the last decade. However, only about one-third reported doing so frequently—annually or every two years and most of them are Singapore/Hong Kong based insurers where annual repricing reflect market practice. The majority indicated they reprice their M&H business less often, typically every three years or longer. Infrequent repricing is a key issue contributing to the high loss ratios observed by insurers in their M&H business.

Exhibit 17: Repricing exercise taken

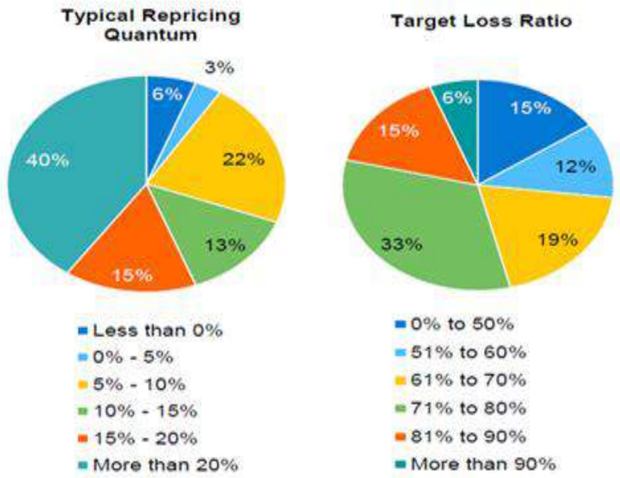


Source: Milliman

What are the future repricing expectations and target loss ratio?

Survey results indicated that around 80% of respondents would set their target loss ratios upon repricing of M&H business to 80% or below. Consequently, in terms of the quantum of repricing, survey respondents have increased their premiums by 16% on average during each repricing. From the survey, only 17% of respondents have conducted their repricing annually. Hence, if repricing was performed every two to three years or longer, and the historical medical inflation is 10% p.a., then the premium increase is likely to be insufficient relative to the medical inflation. This suggests that profit margins for M&H products are likely being eroded despite repricing efforts. Additionally, most survey respondents plan to implement more frequent repricing in the future, with majority targeting an annual or biennial schedule. This marks a shift in practice, as only one-third of survey respondents reported conducting repricing annually or every two years. The change reflects a growing commitment among companies to take a more proactive approach in managing the profitability of their M&H business, ensuring pricing remains aligned with rising medical costs.

Exhibit 18: Repricing expectations and target loss ratio



Source: Milliman

Does more frequent repricing solve the problem of increasing claim costs?

More frequent repricing can help address increasing claim costs by ensuring that premiums are adjusted in line with rising medical expenses and inflation in short to medium term. However, while it is an important strategy, it may not fully solve the problem on its own in the long run. More frequent repricing will give rise to other challenges such as affordability and sustainability issues for policyholders.

What are the key drivers of increasing claim costs?

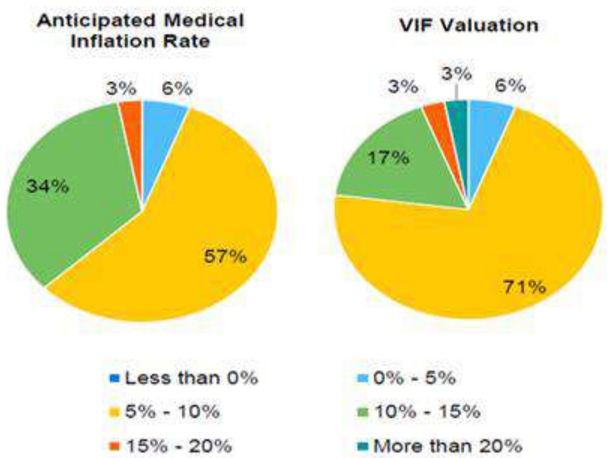
Survey asked whether medical inflation is driven by an increase in frequency, severity or both. Most companies indicated that both factors have contributed to rising inflation over time. Advancements in medical technology may have led to newer, more effective yet often more expensive treatments, which could contribute to an increase in both claim severity and frequency. While there may be legitimate reasons that have contributed to the rise in medical inflation, factors such as fraud, wastage or abuse within the healthcare system may also be concerning contributors. Survey identified the following top three concerns for insurers in managing their medical business: (1) Excessive doctor and hospital charges (for example, where hospital charges are not subject to appropriate controls, resulting in abuse), (2) unnecessary hospitalisations (for instance, when the patient is hospitalised despite outpatient treatment being sufficient, resulting in both wastage and abuse) and (3) fraud cases.

To address the issue of rising medical claims ratio, the most common risk mitigation strategies adopted by survey respondents are outlined below: (1) Provider management, where insurers negotiate better rates or form preferred provider networks to control costs. (2) Tighter underwriting rules, enabling insurers to more accurately price their risk. (3) Incorporating claims deductibles in their M&H products which encourages policyholders to be more mindful of their healthcare usage and minimise abuse and wastage.

Long-term assumptions pose risk to margins?

Survey respondents indicated the anticipated long-term medical inflation rate to be around 9.2% p.a. on average. This is broadly in line with the average best estimate medical inflation rate of 8.7% p.a. assumed by insurers in the calculations of VIF and VNB. However, around 40% of survey respondents expect a long-term medical inflation rate in excess of 10% p.a. In contrast, only around 20% of survey respondents have assumed such levels of inflation rates in their valuations. This discrepancy suggests that some companies may adopt a more optimistic view of future medical inflation in their valuations. Given the rising claim costs and challenges of repricing, the survey also revealed that insurers are using various approaches to determine the VIF and VNB of their M&H business. Over a third of respondents do not account for future medical inflation and future repricing when calculating VIF and VNB. Among those that do, more than 85% assume implicitly that future repricing will align with the rate of medical inflation, thus, maintaining a constant loss ratio. However, in practice, companies cannot always adjust premiums to achieve their target loss ratios. This discrepancy creates a gap between model assumptions and actual practices.

Exhibit 19: Anticipated medical inflation rate



Source: Milliman, *Excluding companies that assume medical inflation aligns with medical repricing and do not include it under VIF/VNB valuation*

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Case study 3: Is 70 the new normal retail loss ratio?

Insurance company results and commentaries have incrementally pointed towards retail health loss ratio to be more around 70% compared to 65% earlier. While this trend continues to develop, there has been no relief from continuous price hikes.

- Star Health's loss ratio over the years has increased from lows of ~65% (pre-Covid) in FY20 to ~72% in Q2FY25. As per management, medical inflation has bitten everyone in the industry. Tariff increase remains the only option to catch up with medical inflation. Going forward, it could be risk/claim-based pricing (claimant and non-claimant wise pricing) and price hike will be an annual thing. Star Health has taken price hikes in various products, like Family Health Optima, which formed ~45% of portfolio by 25% in FY24. In Q1FY25, Star was planning to take price hike for 30% of portfolio, which it increased to 50-60% in Q2FY25. Similarly, various other players like HDFC Ergo, Niva Bupa, New India Assurance are actively looking for price increases.
- In Q3FY25, on health insurance pricing, ICICIGI mentioned that it is not shielding away from taking price changes. Four years back, in Q3FY21, prices were increased by ~8% of overall renewal book and again by 20-22% around one and half years back (Q2FY23). In retail health, company is comfortable in running the book in the range of 65-70% loss ratio, slightly towards the higher end of the range (it is playing out in that higher range only). If portfolio warrants any kind of price revision, company will not shy away from that.

Exhibit 20: Price hike taken by various players

PERIOD	PRODUCTS	PRICE HIKES	% OF PORTFOLIO/GWP
Star Health			
Q2FY25	Family Health Optima and other products	10-12%	50-60% of portfolio
	Senior Citizen Red Carpet Policy & Young Star Insurance Policy		10% of GWP
Q1FY25		10-15%	Planning to take price hike of +30% of portfolio
Q3FY23	Family Health Optima (FHO)	Price revision of 25% in one of the leading products	Share of FHO is 46%
Q2FY23	Star Medi Classic Insurance Policy	Approx. 25% effective from 22nd Jul'22	Product contributes 6% of retail premium
Q3FY22	Family Health Optima	Approx. 15% effective from Aug'21	
Niva Bupa			
Q2FY25	2 products (one was Health Companion product)	Price increase of around 10%	Contributes around 25% of retail portfolio
	For one or two products	Plans to take price increase of ~10%	Contributes around 10% of portfolio
New India Assurance			
Sep'24	On few products	10%	
HDFC Ergo			
Sep'24	Optima Secure and Optima Restore	Starting Aug'24	

Source: I-Sec research, Company data

Case Study 4: More overlaps emerging among hospitals, insurers and distributors

Over the last few quarters, hospital ARPOB trends remain on a growth trajectory driven primarily by product mix and partly by payor mix. Most hospital managements expect this growth to be sustainable. Additionally, some hospitals have started to hint at possible price hikes now. However, the bigger trend is that of convergence like (1) Apollo is foraying into agency and considers insurance distribution as a margin expander. (2) Narayana is foraying into insurance (inpatient as well as outpatient) and expresses better serviceability as a competitive moat and (3) players like PB Fintech (and also Bajaj) are foraying into some intermediary position between insurers and hospitals. Both PB and Narayana highlight the need to bring more people into healthcare through affordable pricing and consider continuous price hikes unsustainable. Among all of these, Go Digit is now incrementally positive on retail health insurance. This is interesting but has underlined competitive elements amidst the quest for growth.

Key hospital commentaries from Q3FY25 result calls

- **Apollo Hospitals:** ARPOB grew by 8% YoY reaching INR 60,839. Management believes key levers such as high surgical volumes, enhanced clinical case mix and improved payer mix may continue to drive ARPOB growth in future. Revenue from cash and insurance patients saw YoY increase of 15%. Collectively, these segments accounted for 83% of total inpatient revenue for Apollo.
    - **Foray into insurance (corporate agency) business** – Apollo has received all the necessary approvals from IRDAI, such as the entire corporate agency license and certain other securities/digital clearances. As of now, GMV is around INR 35mn for Q3FY25. In Q3FY25, at least three life insurance companies and three health insurance companies will get enabled on the Apollo 24/7 platform. Apollo will be focusing on retail health insurance and retail term which will help margins in a big way as margin percentages in such products are reasonably large. *As per management, insurance will start off as primarily a margin expander as company has a very strong base. Apollo already has a reasonably good understanding of the medical records and due to this unlike other players, Apollo will not be pushing insurance. Its intent is to give the right product to the right customer.*
- **KIMS:** ARPP with respect to Andhra Pradesh witnessed significant scale up due to change in case mix as well as payer mix. There is a price hike because of insurance renewals. There has also been a case mix change. Queen's NRI hospital is largely driven by cash and insurance as payer and very little scheme work. So, all these three factors pulled up the ARPP.
- **Global Health:** ARPOB for matured hospitals grew by 3.3% YoY to INR 67,303 in Q3FY25 due to a change in case mix. ARPOB for developing hospitals stood at INR 52,502 in Q3FY25. ARPOB for developing hospitals is hovering around INR 52-53k range due to PPP business in Patna (in Bihar). The length of stay for some PPP scheme patients tends to be significantly higher than cash patients which ends up being a little dilutive towards ARPOB though there is no reduction in average realisation per patient which continues to grow. PPP business in Patna is around 15-17% which is below the 25% agreement with Patna government. On scope of price increase for hospital, excerpt from transcript – "*And then the other thing that I just wanted to mention is that we have now been operational in Lucknow for five years. We have not taken a single tariff increase in Lucknow. This January (CY25),*

we would have been operational in Patna for three years. We have not taken a single tariff increase in Patna. So, a lot of our insurance contracts, a lot of our cash patients, a lot of our other corporate contracts are still running on five-year-old tariffs in case of Lucknow and three-year-old tariffs in case of Patna. So, we do have these opportunities available with us, but like we have always maintained, we try to drive as much growth as possible through volume. But we will of course keep in mind how the market dynamics play out to look at what we should be doing on tariffs and realizations."

- **Aster DM Healthcare:** On IRDAI capping price hikes on Senior Citizen health insurance policies and probability of health insurers renegotiating packages-excerpt from transcript – *"As of now, we don't have any such response from any insurance companies. Today, very specifically in Maharashtra, Telangana and Karnataka that's where the GIPSA is there. Almost 50-60% of our insurance company businesses come from GIPSA, as usual. Recently, we had a price increase after two years. We are not seeing any such requirements which have come up as of now, maybe going forward we are expecting some discussions, sometime in Q1FY26. But as of now, it's very early to comment on this."* In Karnataka-Maharashtra cluster, the ARPOB has gone up. The reason why ARPOB is good is because of the case mix, especially in Whitefield where high-end cases have risen. The surgical numbers in oncology/neurology have been performing very well. It's all about the surgical mix where ARPOB has really gone up. Management expects surgical numbers to continue growing. The company has seen a positive shift in its payer mix, with insurance segment's contribution increasing by over 300 basis points to 30%, partly offset by a corresponding reduction in the scheme business.
- **Yatharth:** Focus on patient-centric, high-quality healthcare combined with strategic acquisitions and investments have helped Yatharth achieve an ARPOB of INR 30,614 in 9MFY25. Noida Extension achieved an ARPOB of INR 37,886 in Q3FY25, driven by 70% contribution from Super Specialty Services, reflecting focus on high-end healthcare solutions. Increase in super specialty business and specifically oncology which is now contributing to a larger share is driving this good ARPOB growth. Yatharth has also reduced its government business which it has selectively chosen, and is leading to a good ARPOB growth. *Management feels 10% ARPOB growth that the company has seen YoY for last year should be sustainable for years to come.*
- **Narayana Hrudayalaya:** Narayana on advantage it has in insurance business-excerpt from transcript – *"There are some things that we know are quantile and manageable, because we are in the healthcare business. We know the certain risks that you face and at the various ages, there are. Most insurance companies, they just say, no, I do not want the hassle, forget about it. But for us, we can make very customizable solutions to offer to our customers. But a senior citizen specific one, that's something definitely we are working on and would like to have a rollout sometime next year."*
    - **Narayana's insurance product Aditi (only for inpatient) and Arya (for both inpatient and outpatient):** Excerpt from transcript – "*So, Aditi is a missing middle product, and therefore, it is priced in a very affordable way. Because Aditi is like an entry level for people who are not able to access insurance today. And Arya is for people, who are actually having insurance or are able to afford insurance, or but are not happy with the experience of insurance. So, Arya is an end-to-end seamless experience that is available right from outpatient to management of services that are needed, clinical services that are needed, as well as if there is an inpatient event that happens, then management of that as well. …we are still working with*

these products in a very controlled way, so that we are able to manage the overall thing. So, it will take some time for us to be able to share numbers on these products. Though from customer feedback and people who have experienced the product point of view we are getting very, very positive traction. The biggest advantage that you have in both these products is a complete walk-in walk-out experience. So, when a patient is in our network and they walk in, there is no pre-approval and pre-auth and clearance and then waiting for insurance clearance and no deductions, no copays. So, it's a very clean walk-in, walk-out 100% trustable kind of product. And that's what we see the people, who are now buying the product are understanding the product, like about them. But like we have said these are still in very early stages and as these products build up, we'll be able to share more information."

- **Underwriting process for insurance products and expected ROI:** Excerpt from transcript - *"So, we have a very strong underwriting process that we are following as well as a mathematical model by which we are managing the risk. Obviously, only with scale, the risk balancing will happen and as we build scale, we will be able to balance out the risks. But whatever norms are available and whatever our judgment on those is, we have considered the risk in the pricing of the product. See, the biggest risk we face are the thousands of crores of capex we are putting up for hospitals. And people are complaining a lot in the market that healthcare is becoming very unaffordable and I do not blame them. The sort of price increases what you are seeing is ridiculous and the sort of price increase in insurance also what you are seeing is ridiculous. So, for us, all this capacity what we are making, we want people to utilise healthcare more, because that is what the natural order of things is.* ***Your great grandparents never went to a hospital. Your grandparents with some reluctance went. Your parents would have gone once or twice. You will go quite often. Your children, for every cough and cold, you are taking them to ICU. That is just how it is worldwide. You cannot stop that and insurance is the one that removes the barriers.*** *So, the ROI, it's something we will dynamically adjust. We don't - we are not insurance experts. We don't know it, but we know healthcare, and we know you need to access more healthcare and we know that once you make an offering that works with the patient and does not look to extract as much value as you can, you - patients pay over a long period of time and they are loyal and you can lose money upfront, but eventually you make it back."*

- **On risk of group business:** *As per management, one gets faster rollout but also gets to lose money faster in group insurance.* Narayana is targeting small employers, SME employers, smaller companies, because they tend to find these things a lot more attractive. Large employers will not find a restricted narrow network plan very attractive, whereas smaller companies in the vicinity of hospital network will say that the value is much worth to them. So, those are the targets Narayana will go after.

Case Study 5: Should IFRS benefit on RoE have a separate impact on stock price of non-life insurers?

Investors could be curious about any pending stock price reaction of non-life insurers basis possible increase in RoE as they move to IFRS. Companies have started disclosures of reconciliation between IGAAP and IFRS. While the intrinsic value obviously remains unchanged, an increase in reported RoE can lead to additional positive sentiment. However, clarity is still pending on final implementation date of IFRS *(indicative date is from FY27)*.

We have highlighted a profit reconciliation between the two accounting norms as provided by companies below.

Exhibit 21: IFRS comparison of listed players

INR mn	Star Health		Niva Bupa			
	FY23	FY24	FY23	FY24	9MFY24	9MFY25
Profit as per IGAAP (A)	**6,190**	**8,450**	**125**	**819**	-752	74
Net worth/equity as per IGAAP			8,311	20,498		
RoE as per IGAAP	12.40 %	14.40%	1.9%	5.7%		
IFRS Adjustment						
Lease and Security Deposit	-7	-7	-32	-30	-24	-12
Deferred Expense on Procurement Cost	1,622	2,137	138	687	1458	1689
Unrealised Gain / (Loss) on Investments	211	1,035	-17	35	4	-23
Provision - Expected Credit Loss (ECL)	-20	-23				
Discounting Impact [IFRS 17]						
IFRS-02 (Share-based Payment			-94	-88	-65	-106
IAS-19 (Employee Benefits)			-	7	5	16
Provision for Tax	-408	-791	-35	-366	-175	-442
IFRS Impact (B)	**1,400**	**2,350**	**-40**	**245**	1203	1122
Profit as per IFRS (A+B)	**7,590**	**10,800**	**85**	**1,064**	**451**	**1195**
Impact on profit	***23%***	***28%***	***-32%***	***30%***		
Net worth as per IFRS			**9,089**	**21,975**		
RoE as per IFRS	14.90 %	17.70%	1.1%	6.8%		
Impact on RoE	***2.50%***	***3.30%***	***-0.77%***	***1.16%***		

Source: I-Sec research, Company data

Niva Bupa's key business tenets

Digital-first approach

Niva Bupa adopted a '**digital-first**' approach in business and implemented technology integration across every step of the customer journey including customer onboarding, underwriting, claims and renewals. For more than 16 years of operations as a standalone health insurer in India, the company has built data bases which allows it to run data analytics to drive renewals and cross-sell strategies. Its technology integration across its distributors is enabled by core API stack, developed by the company in-house, which aims to facilitate a seamless onboarding journey for its distributors.

Customer sourcing: Customer onboarding is almost entirely digitised, with 99.9% of new policies being applied digitally through its website and mobile applications, supported by automated rule-based underwriting decision making; 96.9% of payments in value terms were received digitally for 9MFY25.

Underwriting and claim management: As of 9MFY25, 91% of claims have been submitted digitally. The company relies on its digital stack, which is a combination of in-house and also tools co-created with its digital partners, for carrying out underwriting, risk-based pricing, which contributes towards improved conversion, claims management, claims adjudication and real-time fraud detection using machine learning algorithms. As of 9MFY25, 51% of retail policies were auto-decisioned. 28.6% of cashless claims (vs 28% in H1FY25) are being auto-adjudicated without any human reviewing the claim.

Policy renewals: As of 9MFY25, 90.8% of renewals are happening without any human intervention. The company developed predictive machine-based learning model to target high lapse probability cases.

Partner onboarding: Niva Bupa offers digital features such as **'Digital Dukaan'** on '**Niva Bupa UNO**' mobile application to support individual agents in its sales and marketing processes, including its origination efforts. 'Digital Dukaan' also includes features to build individual agents' social media profiles, generate social media marketing content for products and other functions aimed at generating leads to drive agent productivity, loyalty and engagement.

Billing review and case management also use digital capabilities. Niva Bupa has outlier detection tool powered by hybrid machine learning-based models which identify anomalies in functions like billing review. Based on cases identified either through a random selection or through a trigger-based selection of exceptional cases, the team would review anomalies against the usual, customary and reasonable benchmarking, discuss with the medical provider and review the cost components of the claim thoroughly to arrive at the reasonable cost of the claim to be paid. In cases where there are multiple breaches of agreements by a hospital, company would provide a warning letter to such hospital.

In the event, if there is any detection of fraudulent practices in relation to hospital providers, for instance due to fake billing practices or document forgery, Niva Bupa would publish such hospitals under a list of unrecognised hospitals on website, details/web link of which shall be provided in the customer information sheet. As per applicable law, a policyholder shall not be provided coverage from such hospitals except in emergency situations.

Bupa parentage

Bupa Global -well known global player with health insurance and healthcare experience has had a meaningful influence and impact on the company.

Niva Bupa's promoters, Bupa Singapore Holdings Pte. Ltd. is member of the Bupa Group. Through association with the Bupa Group, company has access to its international healthcare insurance experience. Established in 1947, the Bupa Group is an international healthcare organisation serving over 50mn customers worldwide, as of Dec'23. According to the Niva Bupa RHP, with no shareholders, it reinvests profits into providing more and better healthcare for the benefit of current and future customers. Bupa offers health insurance, healthcare provision and aged services and it has businesses around the world but, principally, in the UK, Australia, Spain, Chile, Poland, New Zealand, Hong Kong SAR, Türkiye, Brazil, Mexico, India, the US, Middle East and Ireland. Bupa also has an associate business in Saudi Arabia. With Bupa Singapore Holdings Pte. Ltd. as Promoter, Niva Bupa is the only health insurance company in India, where majority is controlled by a foreign global healthcare group.

Exhibit 22: Bupa Global- footprint and participation

		Bupa Asia Pacific			Europe and Latin America							Bupa Global and UK		Other	
		Australia	New Zealand	Hong Kong	Spain	Poland	Türkiye	Chile	Brazil	Bupa Global Latin America	Mexico	United Kingdom	Bupa Global[1]	Saudi Arabia[2]	India[2]
Funding	Health insurance	■		■	■	■	■	■	■	■	■	■	■	■	■
	Health subscription			■	■	■		■				■			
	Dental insurance	■		■	■	■	■	■	■			■			
	Dental subscription			■								■			
Health provision	Clinics	■		■	■	■		■		■		■		■	
	Hospitals				■	■		■				■			
	Dental centres	■		■	■	■		■	■			■[4]			
	Optical and audiology	■				■									
Aged care provision	Care homes	■	■		■[3]							■			
	Retirement villages	■	■									■			

Source: I-Sec research, Company data

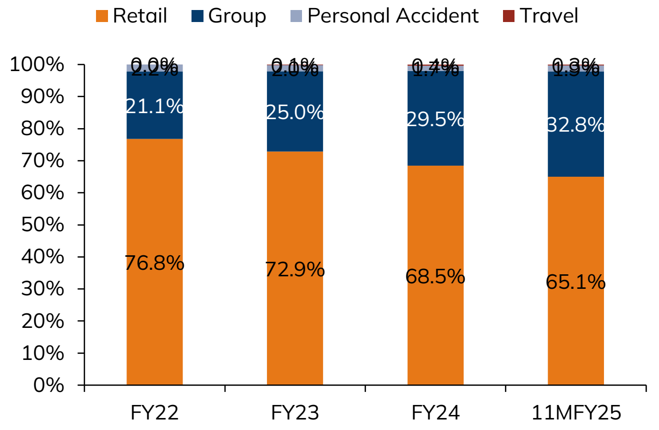
Diversified product offerings

Niva Bupa offers retail products (for individuals and families) and group products (intended for employers and employees, as well as third parties such as customers of banks and other corporate agents). It also includes personal accident and travel insurance. The company is strategically focused on retail health market with 68%/65% of GWP coming from retail segment in FY24/11MFY25, respectively.

Group products comprise customisable health, personal accident and travel products based on the specific needs of an organisation along with various group plans for SMEs, large and very large corporates, for their employees and dependents. Niva Bupa strategically focused on selling its group health products to SME customers.

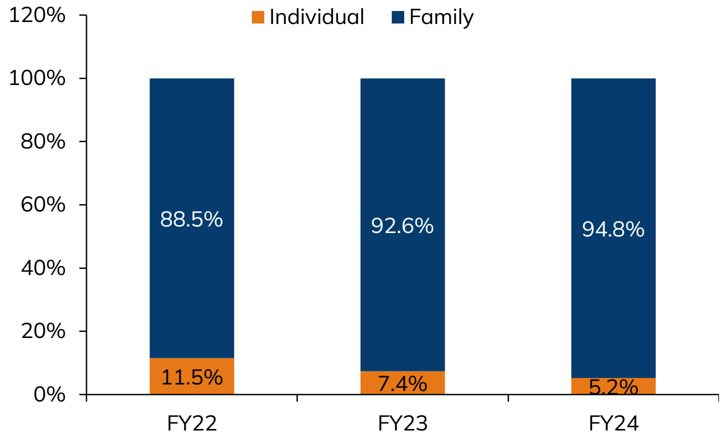
Apart from this, it offers high value proposition products like curated affinity-based group products to non-employer-employee groups. These groups include customers of banks and other corporate agent distributors, or other financial or other institutions such as residents of a housing society.

Exhibit 23: Product mix of Niva Bupa (GWP basis)



Source: I-Sec research, Company data

Exhibit 24: Within retail health, share of individual and family policies GWP



Source: I-Sec research, Company data

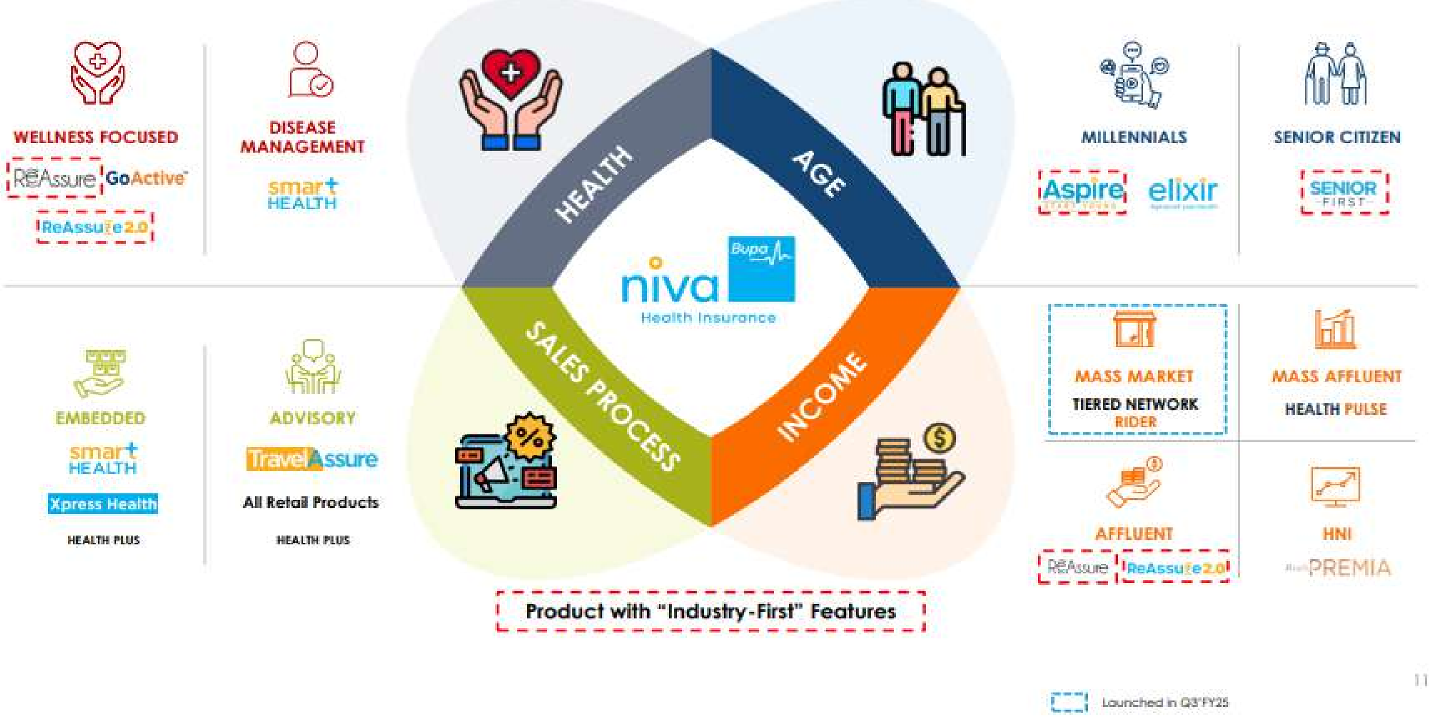
Niva Bupa has product offerings for each age group of customers. For example: 'Reassure' product is aimed at needs for upper class / aspiring affluent customers as well as customers looking for wellness-focused products, and 'Aspire' product aims to target millennials (26 to 40 years old) and generation Z (18 to 25 years old), and offers features tailored to target the distinctive needs of these demographics. Most of the products have industry-first features.

Exhibit 25: Niva Bupa's key retail products

Product	Target Demographic	Certain Key Features
"ReAssure 2.0"	• 31 to 60 years old • Married individuals with or without children • Middle-aged and close to retirement age	• **"ReAssure Benefit"** - Unlimited reinstatement of sum insured • **"Lock the Clock"** – Age of person for premium calculation purposes is locked/fixed at the entry age until the time a claim is paid • **"ReAssure Forever"** – Base sum insured carried forward after renewal. Customers are entitled to two times sum insured post claim payment without any additional cost • **"Booster+"** – Unutilized base sum insured can be carried forward to the next policy year after renewal however max cap is up to 10 times the base sum insured. • **"Live Healthy"** – Up to 30.00% discount on renewal premium based on a minimum step count achieved • **"2 Hours Hospitalization"** - All hospitalizations for 2 or more hours are covered • **"Extended Family First"** – Provides the ability to add up to 19 extended family members to the plan
"Aspire"	• 21 to 35 years old • Young Adults • Customers who have recently started working or are at the early part of their career • Unmarried or recently married	• **"M-iracle"** – Covers expenses around maternity, in vitro fertilization, adoption, surrogacy. Unutilized sum insured may be carried forward up to a maximum of 10 times • **"Lock the Clock"** – Age of person for premium calculation purposes is locked/fixed at the entry age until the time a claim is paid • **"Booster+"** – Unutilized base sum insured can be carried forward to the next policy year after renewal up to 10 times the base sum insured. • **"Cash-bag"** - Accumulate cashback on every claim-free year • **"Future Ready"** - Guaranteed issuance and continuity of policy for future spouse
"Smart Health +"	• Customers with diabetes and hypertension	• **"Day 1 Coverage"** for pre-existing diabetes and hypertension • Unlimited tele-consultations • Up to 20% off on renewal premium based on quarterly test results • Diagnostics tests covered up to ₹ 3,000 per year
"TravelAssure"	• Customers who are travelling abroad	• Emergency in-patient medical treatment coverage for overseas hospitalization of up to $500,000 without any sublimit • Coverage for pre-existing diseases.
"Senior First"	• 61 to 75 years old • Retirees and elderly	• **"ReAssure" benefit** – Unlimited reinstatement of sum insured, which is triggered after the first claim • **"2 Hours Hospitalization"** - All hospitalizations for 2 or more hours are covered • Health check-up from day 1 on a cashless basis • No sub-limits on common health conditions such as cataracts, joint replacements, cancer or any other common health conditions
"Health Recharge"	• 31 to 65 years old • Customers looking for an enhanced coverage • Salaried customers	• Coverage of up to ₹ 9.5 million • Unlimited tele or online consultations
"Health Premia" (Platinum)	• 18 to 65 years old • Customers looking for a premium product with comprehensive coverage • Available to non-resident Indians	• Comprehensive coverage up to ₹ 30 million • Maternity (worldwide) and newborn baby cover • Modern treatments coverage • International coverage for specified illness and medical emergencies

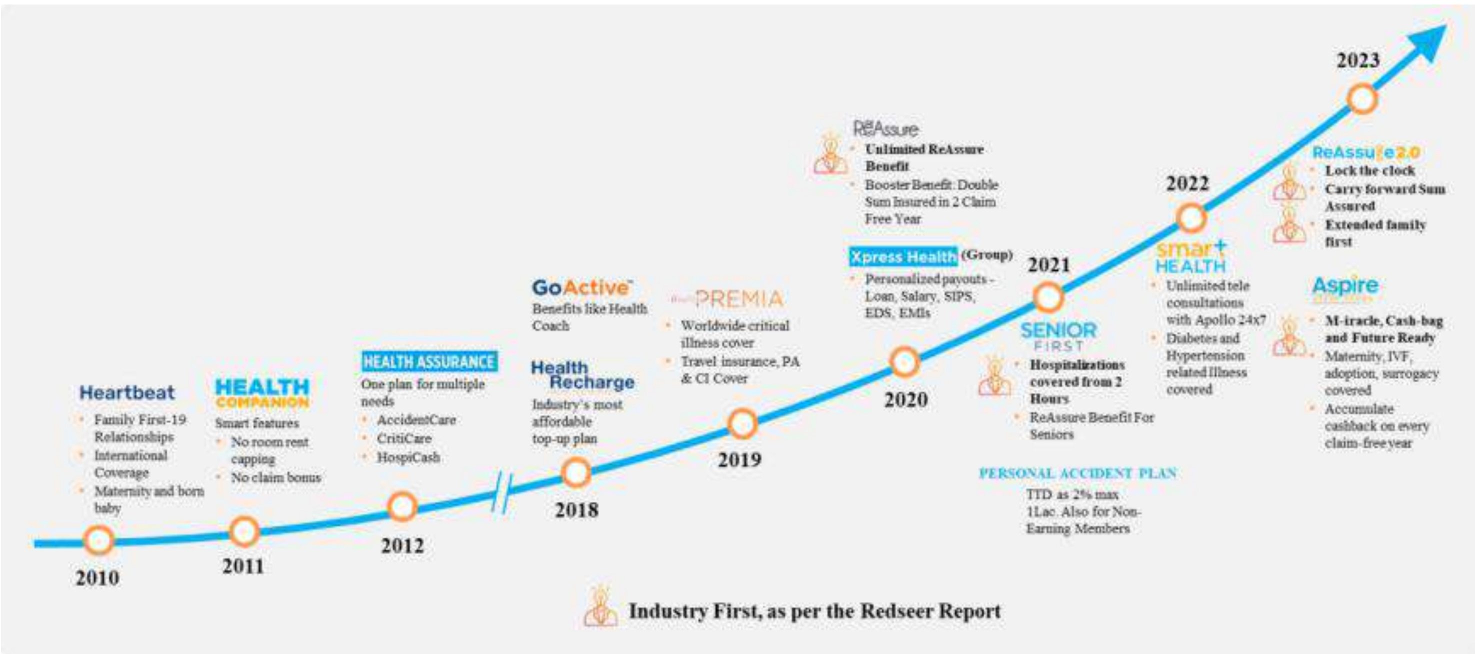
Source: Company data

Exhibit 26: Comprehensive portfolio of health insurance products across all stages of the customer lifecycle



Source: Company data

Exhibit 27: Products introduced, along with 'industry-first' features



Source: Company data

For instance, certain products include features or riders such as 'Borderless', which enables customers to obtain treatment globally, 'Fast Forward', which allows customers to combine their sum insured across multiple years, as well as 'Smart Health+' for customers suffering from diabetes and hypertension.

As part of product development strategy, the company aims to develop products that cater to various customer groups based on three main attributes of customers, namely:

- **Life stage**, depending on the age of the customer, whether they are students, married with children or elderly;
- **Health status and requirements**, such as healthy customers who are wellness focused, consumers who are at risk or have chronic health conditions with disease management requirements; and
- **Socio-economic status**, depending on their net worth and income profile.

To personalise offering, the company also offers optional benefits and riders at an additional cost that can be added based on specific needs. In addition, it also formulates its product development strategy by considering the sales process by which products are sold, namely through advisory and embedded products sold through certain channels. Embedded products sold through certain channels are generally customised group products that are personalised to the core product being offered by the distributor, such as a hospital daily cash product.

New product launch

RISE: Niva Bupa has introduced **RISE** in Feb'25, a health insurance plan designed to offer flexible payment options and rewarding benefits. Our channel check highlighted the product is specifically tailored for tier-3/4 cities. Key features of the RISE plan include:

- **Flexi-pay:** Policyholders can choose their premium payment method—either flexible instalments or a one-time payment. Opting for earlier payments can lead to higher discounts.
- **Return Benefit:** The plan offers a return of 50% of the premium paid which can be accumulated over time. Additionally, policyholders receive a 10% bonus for life, with no waiting periods or exclusions on this amount.
- **Smart Cash:** Provides financial support during hospitalisations to cover incidental expenses, ensuring policyholders have access to necessary funds during medical treatments.
- **Unlimited Digital Consultations:** Policyholders have access to unlimited digital consultations, allowing them to seek medical advice conveniently from their homes.

The RISE plan is tailored to meet diverse healthcare needs, offering comprehensive coverage and financial flexibility to ensure policyholders can manage their health expenses effectively.

Distribution channels also benefit from diversification

The company has an extensive, diversified distribution network comprising direct sales channels through employees and website, as well as intermediated distribution channels, namely individual agents, corporate agents, brokers, insurance marketing firms, POSPs and web aggregators.

As of 9MFY25, Niva Bupa has 172,505 individual agents (addition of +9K in Q3FY25), 97 banca and other corporate agency partners (addition of +11 in Q3FY25) and 516 brokers (addition of 8 in Q3FY25).

Exhibit 28: Number of channel partners

Number of	As of March 31,		
	2022	2023	2024
Individual Agents	1,03,815	1,45,385	1,43,074
Corporate Agents	35	45	64
Banks	*15*	*18*	*18*
Others	*20*	*27*	*46*
Brokers	342	430	486
Insurance Marketing Firms	82	133	173
Point of Sales Persons	4,648	14,575	11,457
Web Aggregators	15	18	15
Total	**1,08,937**	**1,60,586**	**1,55,269**

Source: I-Sec research, Company data

Niva Bupa has major presence in Policybazaar channel and is one of the top insurers on the platform.

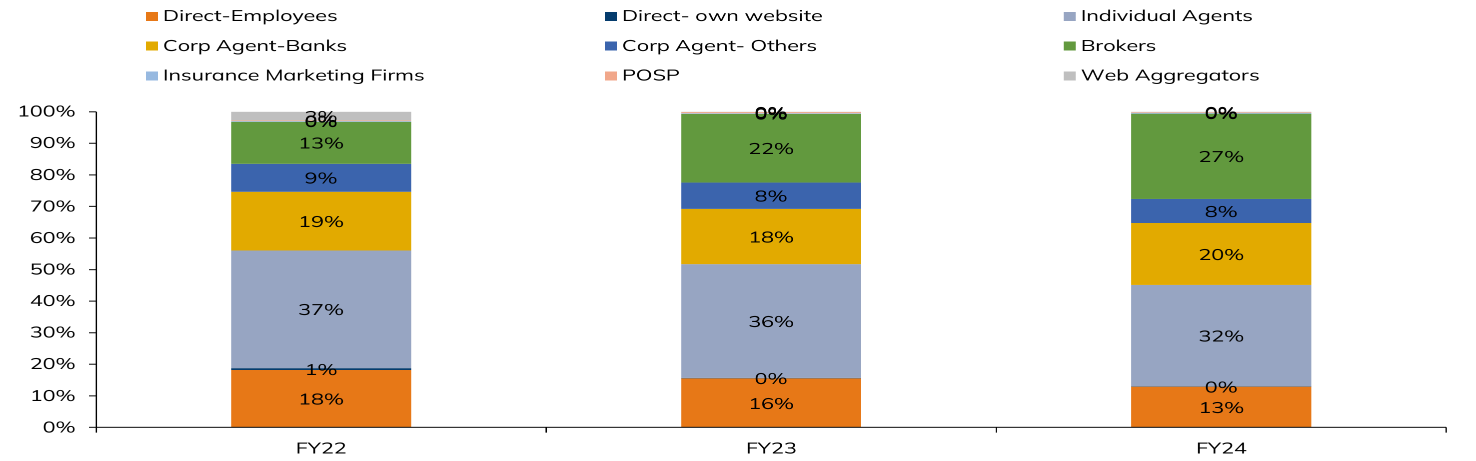
Exhibit 29: Banks and other corporate agents

Source: I-Sec research, Company data

Exhibit 30: Insurance brokers

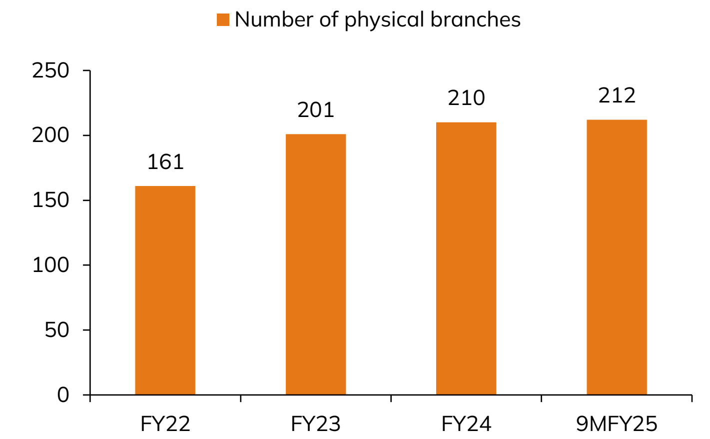
Source: I-Sec research, Company data

Exhibit 31: Diversified channel mix



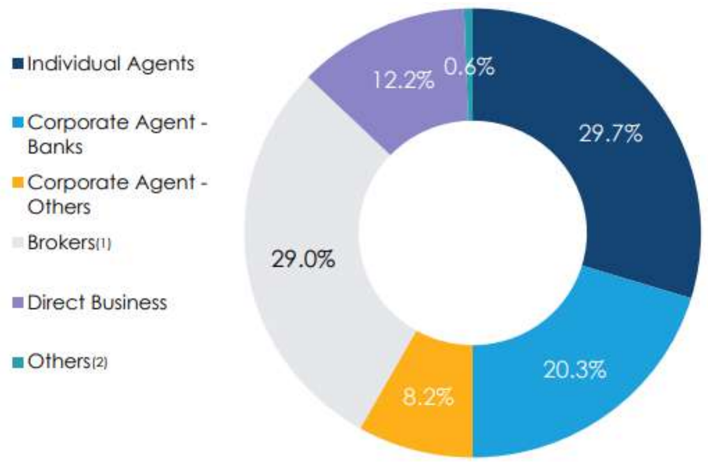
Source: I-Sec research, Company data

Exhibit 32: Pan-India presence



Source: I-Sec research, Company data

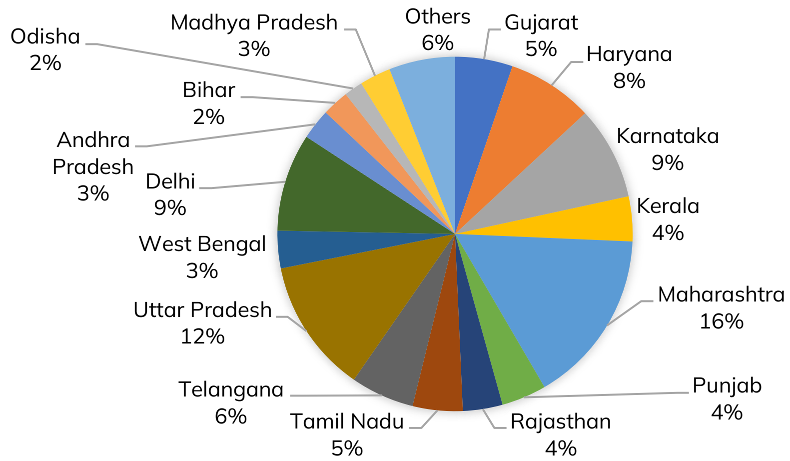
Exhibit 33: Distribution mix for 9MFY25 (GWP basis)



Source: I-Sec research, Company data

Niva Bupa is present across all states and union territories. The company has diversified presence with no state or union territory accounting for more than 20% of GWP. Top five states (Maharashtra, Delhi, Utter Pradesh, Haryana and Karnataka) contribute ~53% of GDPI.

Exhibit 34: State-wise share of GDPI for FY24



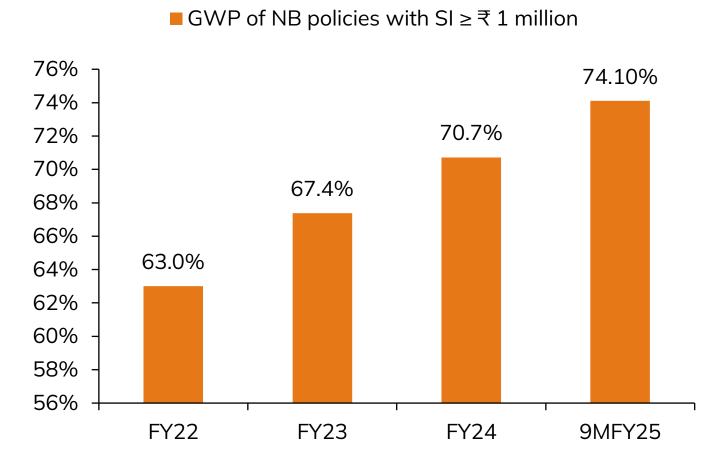
Source: I-Sec research, Company data, others represent remaining states and union territories

Unique features which strengthen business proposition

Higher average ticket size among SAHIs

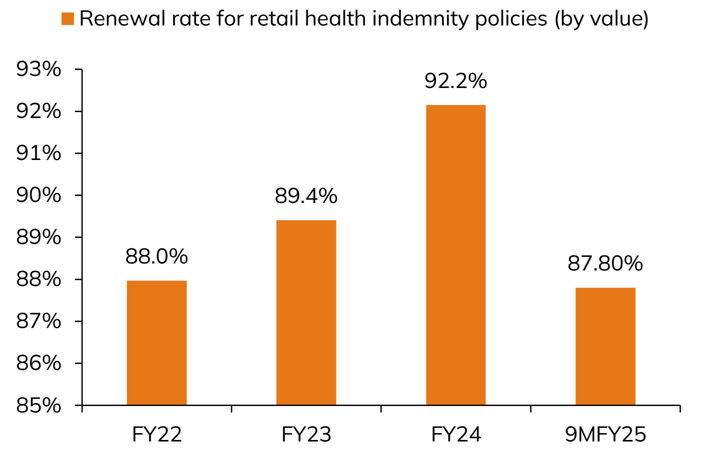
For Niva Bupa, GWP contribution of new retail health policies with sum assured of more than INR 1mn is increasing, it has increased from 63% in FY22 to 74.1% in 9MFY25. Similarly, renewal rates have remained above 85% for last couple of years.

Exhibit 35: GWP contribution of new retail health policies with sum insured >= INR 1mn



Source: I-Sec research, Company data

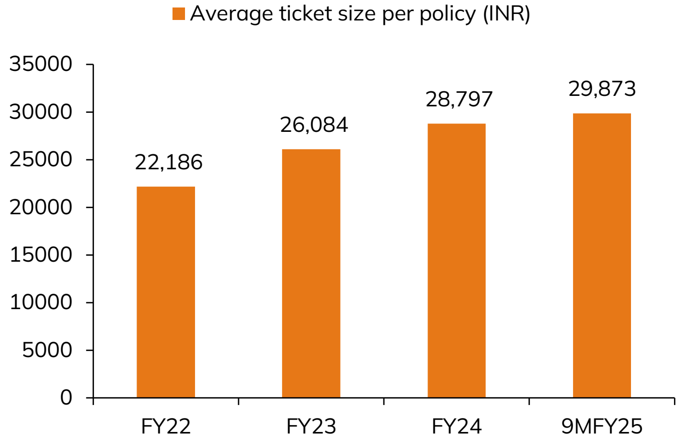
Exhibit 36: Renewal rate for retail health indemnity products (by value)



Source: I-Sec research, Company data

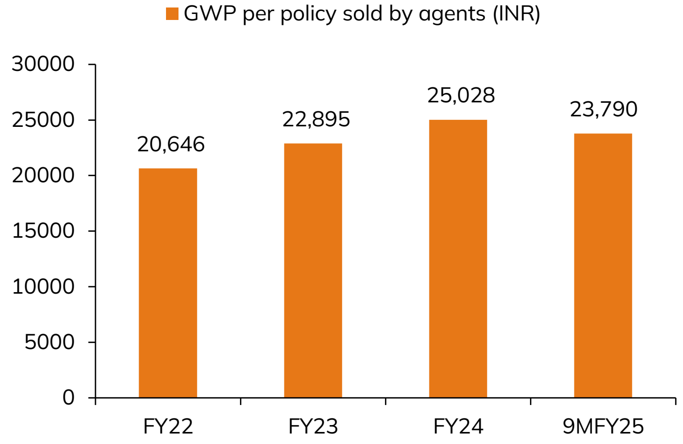
Niva Bupa's target customers, who are concentrated in tier-I cities and sold through agency channel (individual agents), are the highest among SAHI peers, signifying the enhanced ability of its agency channel to capture the mass affluent customer segment. Average ticket size has increased from INR 22,186 in FY22 to INR 29,873 in 9MFY25.

Exhibit 37: Average ticket size is increasing



Source: I-Sec research, Company data

Exhibit 38: GWP per policy sold by agents



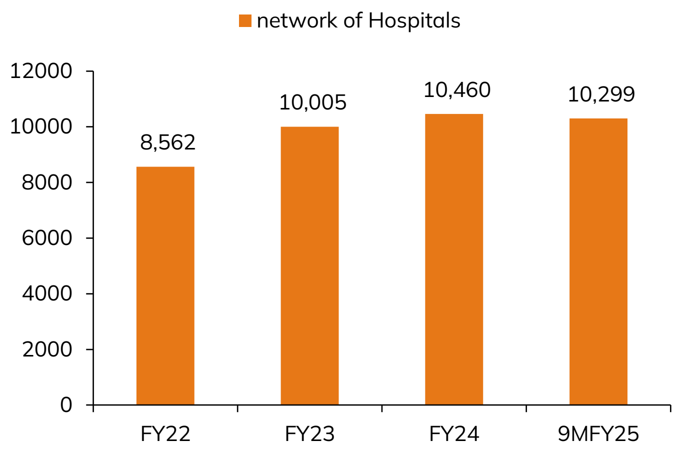
Source: I-Sec research, Company data

Rapidly growing network hospitals drive customer retention and attracts new customers

The company has focused on growing its network hospitals to 10,299 as of Dec'24 from 8,562 as of Mar'22, and has one of the largest networks of hospitals providing cashless treatment. Since 2023, it has strengthened its relationships with network hospitals and entered into special arrangements with PPN hospitals.

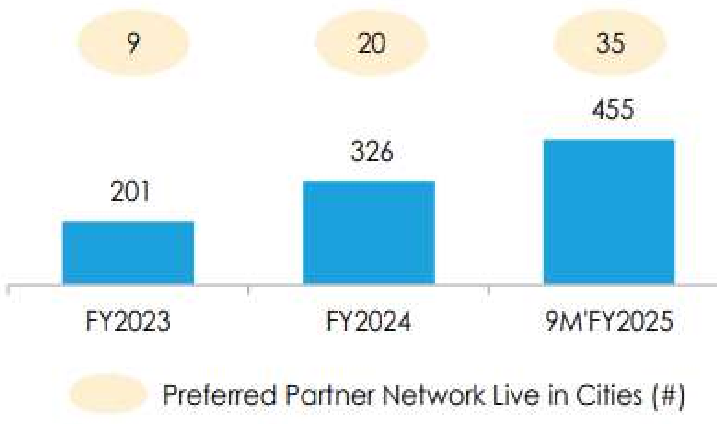
Out of total 10,290 network hospitals as of Dec'24, 455 were PPN hospitals, which provide benefits to customers such as free ambulance services, designated relationship manager in the facility, discount on pharmacy, diagnostics and consultations even after discharge. Company's arrangements with network hospitals seek to increase customer satisfaction levels by providing them with a cashless claims settlement process, while also providing Niva Bupa more favourable discount packages to improve control on the cost of claims. Through these arrangements, network hospitals gain access to company's customer base and also provide these network hospitals with access to customer feedback through reviews provided by customers on website and 'Niva Bupa Health' mobile application. The combination of health insurance products, access to health ecosystem and extensive customer service, coupled with multi-channel distribution capabilities, all underpinned by company's LTV-based approach, enable Niva Bupa to drive customer retention and attract new customers for business.

Exhibit 39: Rapidly growing network of hospitals



Source: I-Sec research, Company data

Exhibit 40: Rapidly growing preferred partner network



Source: I-Sec research, Company data

Exhibit 41: Employee intensive operations

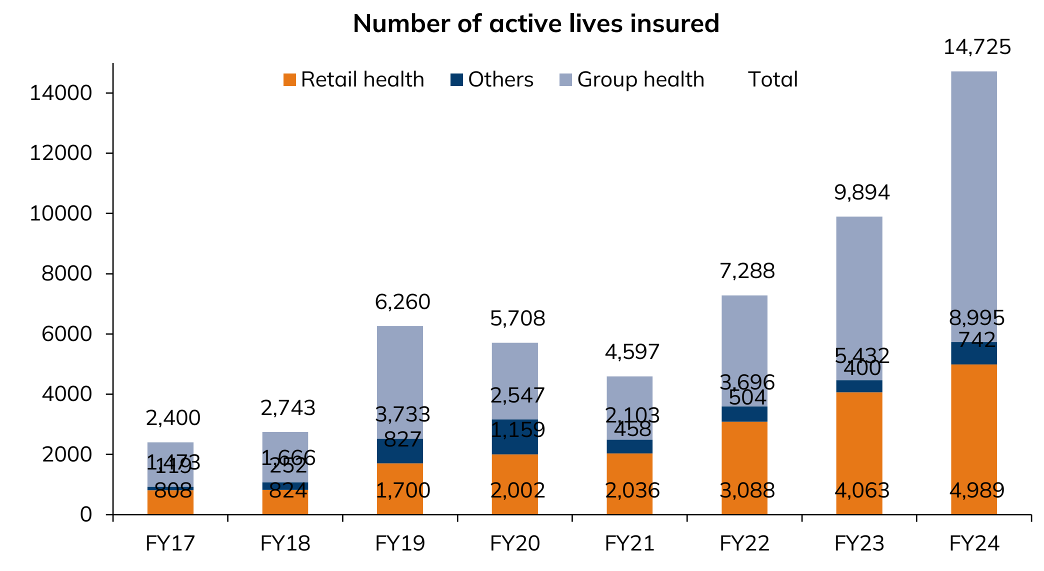
Employees	As of March 31,		
	2022	2023	2024
Sales	5,098	6,181	6,479
Claims, UW & Products (including HCP)	206	252	330
Operations	325	408	451
Technology	93	112	126
Human Resources	58	70	73
Others	259	352	409
Total	**6,039**	**7,375**	**7,868**

Source: I-Sec research, Company data

Lives insured has steadily increased over the years

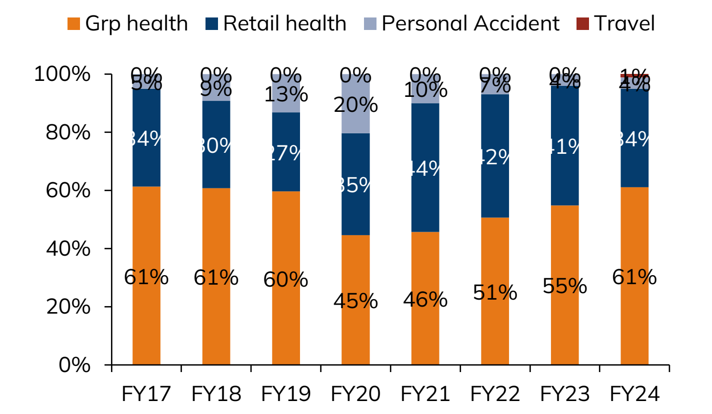
Niva Bupa has 19.8mn of active lives insured as of Dec'24. As of FY24, of total lives insured, 34% is for retail policies, 61% is for group policies and balance policies are for personal accident and travel.

Exhibit 42: Lives insured has increased (in '000)



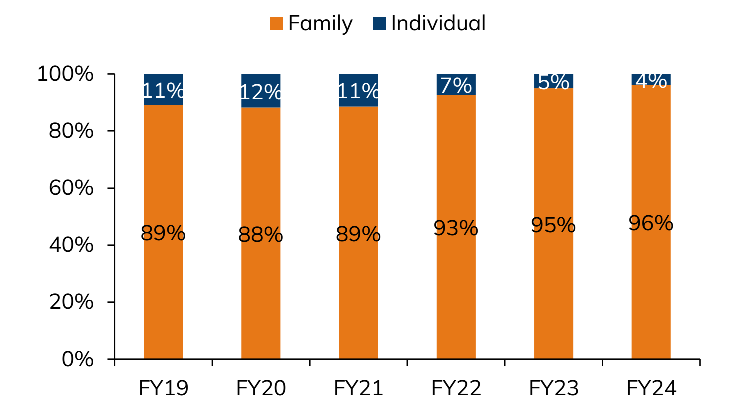
Source: I-Sec research, Company data

Exhibit 43: Mix of lives insured



Source: I-Sec research, Company data

Exhibit 44: Within retail health, share of individual and family policies



Source: I-Sec research, Company data

360-degree health and wellness ecosystem platform; improving NPS

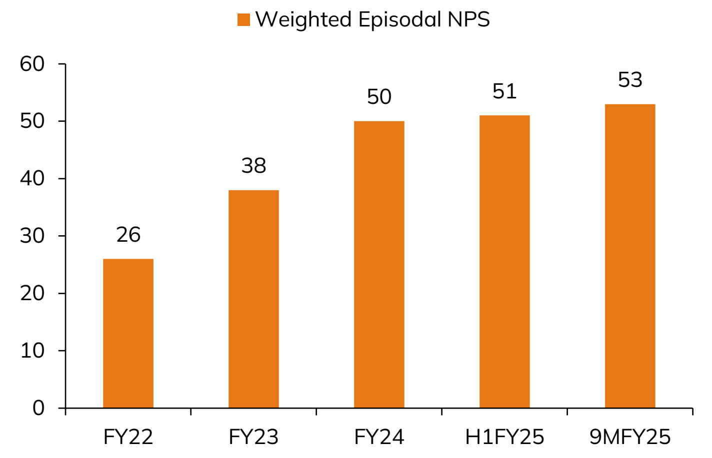
Niva Bupa augments customer experience while promoting customer well-being through a '360-degree' health and wellness ecosystem platform via 'Niva Bupa Health' mobile application and website. As of 9MFY25, the app has been downloaded by more than 7.2mn people, with monthly active users at 0.44mn. Monthly average health checkups/doctor consultations done on app is 30k+/6k+. The app has a rating of 4.5/4.7 on Android/iOS.

Exhibit 45: Health and wellness offerings

Source: Company data

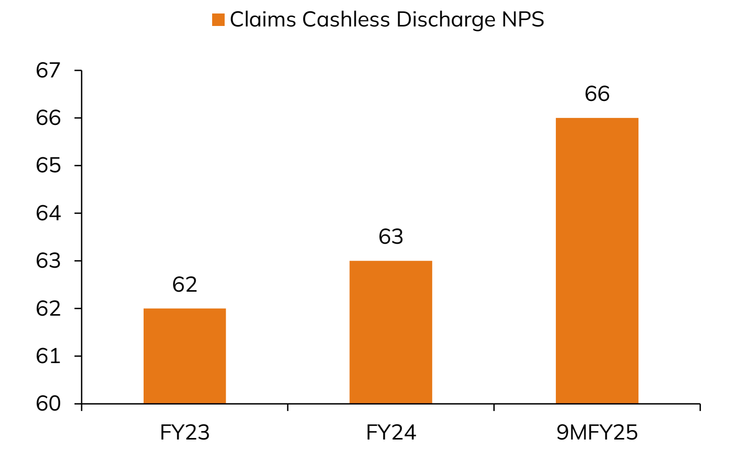
Niva Bupa's NPS (net promoter score) has continuously increased with focus on improving customer experience. Weighted Episodal NPS for 9MFY25 stands at +53 which is +3 points higher than FY24.

Exhibit 46: Weighted Episodal NPS



Source: I-Sec research, Company data, NPS score of few critical touch points (claims discharge, service, policy issuance, renewal etc.) is combined into a single, weighted NPS score, calculated as weighted average by response method, for the organisation

Exhibit 47: Claims Cashless Discharge NPS



Source: I-Sec research, Company data

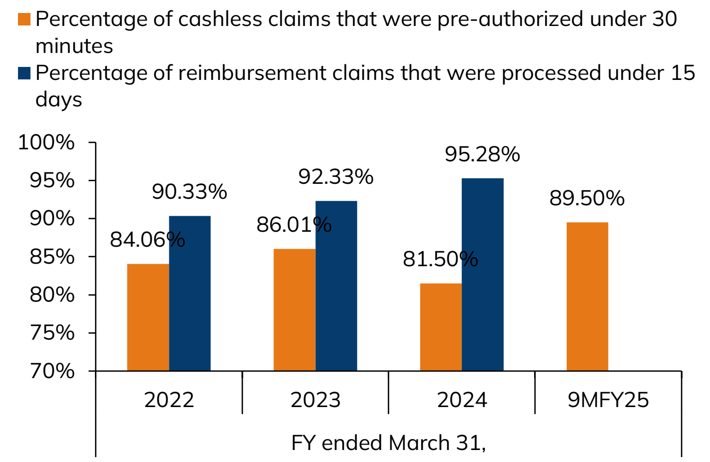
Higher claim settlement ratio is an important customer metric

Niva Bupa aims to ensure that customers' insurance claims are processed as quickly and seamlessly as possible. To improve the efficiency in claims process, it leverages on strengths in technology and network hospitals to streamline the claims process for its customers.

Niva Bupa has developed a multi-pronged strategy to manage claims process and to control claims ratio, namely through (a) the use of automated rule engines for underwriting decisions for careful risk selection, (b) expanding network hospitals, (c) claims review and auto-adjudication of claims, (d) fraud detection and (e) billing review and case management.

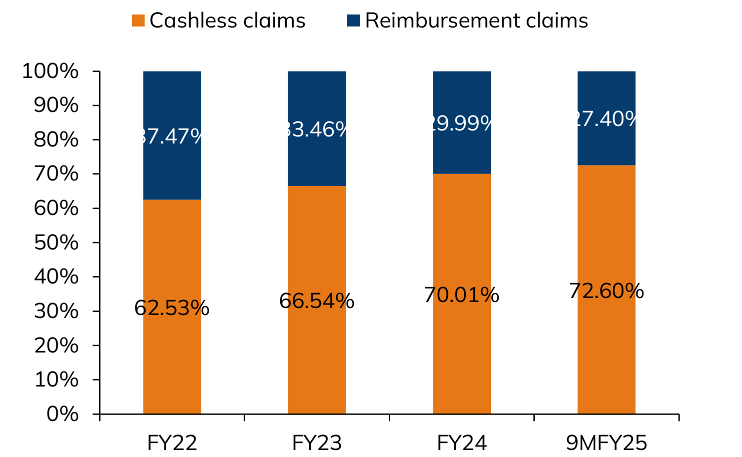
Niva Bupa provides customers with a 30-minute cashless claims promise and aims to respond to every preauthorisation cashless claim request from a network hospital within 30 minutes. For reimbursement claims, it aims to process each claim within 15 days of submission from the time when complete information and documentation has been provided. In FY24, the company pre-authorised 81.5% of cashless claims within 30 minutes and processed 95.3% of reimbursement claims under 15 days.

Exhibit 48: Cashless claims and reimbursement claims processed



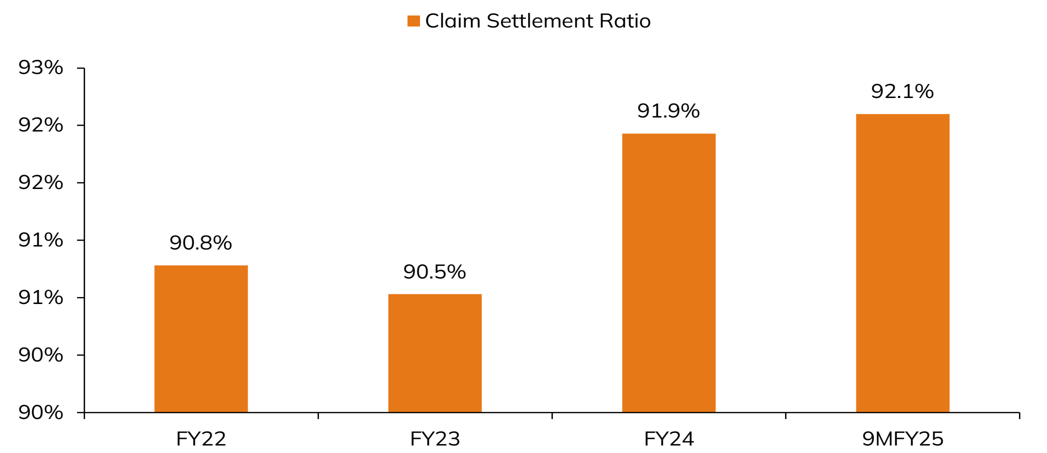
Source: I-Sec research, Company data

Exhibit 49: Proportion of cashless and reimbursements claims processed in network hospitals



Source: I-Sec research, Company data

Exhibit 50: Claim settlement ratio is rising for Niva Bupa



Source: I-Sec research, Company data

Underwriting model has delivered good results till date

Niva Bupa's underwriting philosophy is to "***provide right pricing for right risk, consistency in risk assessment and non-discriminatory underwriting practices***" (Niva Bupa RHP). As such, any underwriting decision taken is not limited to standard acceptance or rejection, but can have diverse outcomes, which enables it to offer products to a wider range of customers. Underwriting approach aims to adopt a rule-based approach supported by scientific and data-driven insights in a consistent manner. Underwriting model is fully automated and adopts technology which is created in-house by Niva Bupa. It leverages extensively on technology to simplify the process at the front end for customers and distributors, supported by back-end processes that entail a sophisticated, complex and robust rule-based auto-underwriting system.

For instance, if the customer's health condition questionnaire reveals that the customer has certain pre-existing health conditions such as diabetes and a history of smoking, rule-based in-house underwriting technology may automatically impose additional premium loading of a certain percentage. In cases where there are standard acceptance or additional premium loading or exclusions, the underwriting system automatically computes the applicable premium payable by the customer, and once paid, is able to issue the policy instantly.

Key features of underwriting models include:

- **Rule engines:** Adopts a myriad of rule engines, comprising non-medical rules and medical rules covering various types of diseases, created with multiple combinations of variables, across age, health conditions and distribution channels. Rules are reviewed on a half-yearly basis and examine factors such as loading adequacy tests as well as portfolio performance on various underwriting cohorts.
- **Health condition questionnaire:** As part of application, the applicant has to fill health condition questionnaire, which is dynamic and includes varying follow up questions depending on the responses provided, ensuring that required information is obtained for underwriting risks appropriately.
- **Risk decisions:** Based on responses, underwriting technology automatically assess and makes risk decisions from list of pre-defined decision options, ranging from (a) standard acceptance, (b) loading/additional premium, (c) exclusions, (d) medical test to better evaluate risk, request for additional information and (e) rejection. This is applied to even medical cases which are underwritten on a straight through processing (STP).

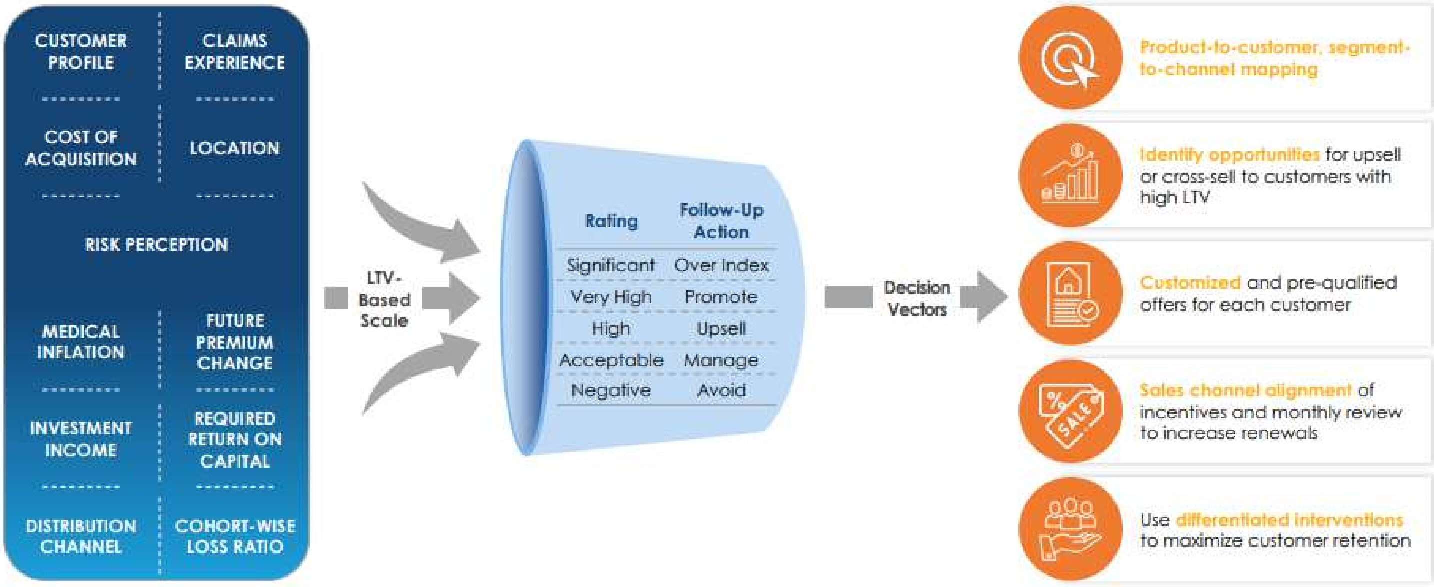
In-house technological capabilities

Niva Bupa has invested in building technology infrastructure supported by in-house technological team and product team which embraces a digital-first culture. As of Mar'24, the company had 126 employees in technology function focused on development of digital assets and software and mobile applications. It is also developing the use of data analytics, AI and machine-based engines, LTV data across key processes. This enables it to identify areas for upsell, cross sell and map out utilisation patterns and customer behaviour to better tailer products and services.

LTV model: LTV represents the estimated value that insurance companies expect to derive from a customer throughout their relationship with them. To measure LTV, the relevant risk variables that are considered include cohort wise loss ratio, medical inflation, future premium change, cost of acquisition, expenses, investment income, required return on capital, distribution channel and geography. This exercise is performed across various customer variables such as customer profile, claims experience, cost of acquisition and location.

A five-point scale is used to categorise these combinations into a range, starting from "*Significant*" (which contributes positively) to "*Negative*" LTV. High-LTV products are promoted by mapping the products to appropriate customer groups, with the aim of making the product portfolio sustainable in the long run. This five-point grid is reviewed annually and fine-tuned based on present data and experience.

Exhibit 51: Disciplined underwriting and business selection through LTV-based approach



Source: Company data

Exhibit 52: Features of LTV-based model

Features	Description
Analytics Driven Approach	Adopted an analytics-driven approach to determine the LTV of a customer based on rule engines created for multiple combination of variables, such as customer profile (including age, health, medical conditions), claims experience, acquisition cost, renewal persistency and risk perception. Also, considers factors such as credit scores of customers to assess the financial stability and creditworthiness.
LTV-Based Grid	Depending on the LTV-based scale of the customer, Niva Bupa applies LTV-based grid to identify opportunities to upsell to a particular customer through optimal product and channel mix decisioning.
Customized Offers	Once relevant opportunities are identified using the LTV-based grid above, it can create customised and pre-qualified offers for each customer.
Upsell	For customers eligible for upsell based on their LTV-based scale, it may also carry out upsell activities by offering personal accident coverage as an add-on to their existing policy, family member addons or offer customer the ability to switch to new products.
Alignment with Sales Channels	Based on the LTV-based scale, it can also determine appropriate sales and distribution channels for each customer. It can also align sales incentives, rewards and recognitions, commissions offered with distribution channels and conduct monthly reviews to increase renewals.
Lapse Model	It can also adopt the lapse model to predict the probability of lapses at the time of renewals and use differentiated interventions to maximise customer retention.

Source: I-Sec research, Company data

Review and auto-adjudication of claims improve cost efficiency

Leveraging on its strengths in technology, the company has entered into arrangements with *Vitraya Technologies* to provide an end-to-end automatic adjudication of cashless claims for customers. As of Mar'24, it had more than 3,500 network hospitals which were fully/ partially integrated with its auto-adjudication platform. Auto-adjudication claims system uses AI to process cashless claims in an automated manner, supported by the following features:

- **Digitisation:** Paperless process equipped with ICR and OCR image recognition technology which converts scanned hospital documents into digital entries. Using AI technology, it digitises, extracts and classifies information and automatically codes the diagnoses and procedures. As this technology is form and format agnostic, the company is able to add new network hospitals with different document formats without requiring additional back-end development.
- **Medical protocols:** Once a claim is received, auto-adjudication system processes the data entries in accordance with a set of pre-defined medical protocol rules to determine if the diagnosis and treatment provided to customer is an appropriate and reasonable course of action. As of Mar'24, the system was programmed with various diseases and procedures to adjudicate claims and the company continues to develop and configure more protocols.
- **Digital tariff:** Auto-adjudication system will also apply to the relevant policy and tariff rules to assess whether a claim is eligible to be paid, taking into account any exclusions and inclusions, before determining the appropriate amount of claim to be paid as a cashless claim. As of Mar'24, the company had digitally configured the tariffs and schedule of charges of various providers and procedures, which enables claims to be applied in an automatic manner without human effort.

As of 9MFY25, 51% of retail policies were auto-decisioned. 28.6% of cashless claims (vs 28% in H1FY25) are being auto-adjudicated without a human being reviewing the claim.

To support end-to-end auto-adjudication claims system, company also has in-house claims processing team to process cashless claims (up to a fixed financial limit). As of Mar'24, it had employed 77 doctors and medical professionals in claims department.

Fraud detection is an important area of digital capability

Awarded 'Fraud Prevention Insurance Company of the Year' at the India Insurance Summit and Awards 2024.

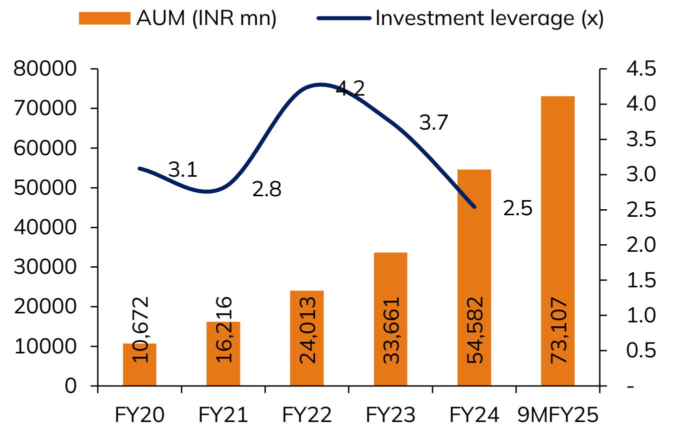
Niva Bupa's fraud detection mechanism leverages on both human experience and expertise as well as AI, to detect fraud and prevent non-genuine claims. Apart from in-house claim adjudicators who refer cases for investigation based on their judgement, the company uses AI and machine-based learning algorithms to detect fraud and refer cases for investigation. The following sets forth the key features of the company's fraud detection mechanism:

- **Predictive model**: Combination of supervised and automated predictive models to analyse historical and current data sets and formulate predictions for identifying any non-genuine claims.
- **Regression model** uses algorithm-based logistics regression models with unsupervised clustering techniques to predict the probability of a binary outcome, such as fraud or no fraud.
- **Incorporation of variables:** Predictive and regression models incorporate variables linked to the claimant's geography and genuineness of the claim based on the type of claim, disease, treatment provider and policy seller.
- **Real-time deployment of models** in real-time into existing processes and systems to avoid any risk of fraud, with minimal impact on customer experience.
- **Internal and external checks:** In-house Fraud Risk Control Unit (FRCU) comprising 70 employees, is in charge of monitoring and reporting of frauds and operationally maintaining the fraud prevention framework.
- **Review:** Conduct periodic reviews of fraud-management systems to monitor trends and respond tactically.

Investment management borders on prudence, offers strong growth potential

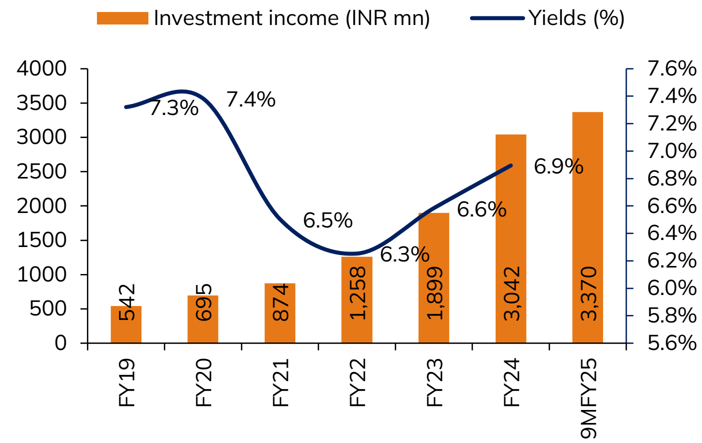
Niva Bupa employs a disciplined approach to investment management. Assets under management had grown at CAGR of 50% between FY20 and FY24 aided by fund infusion. Investment yields improved from 6.3% in FY22 to 6.9% (calculated) in FY24 and ~7% likely in FY25 (7.4% in 9MFY25). The company mainly invests in fixed income securities, accounting for more than ~98% of the AUM. As of 9MFY25, rating-wise, 63% of debt securities (book value) are invested in AAA-rated instruments and 69% are invested in corporate securities by issuer type.

Exhibit 53: Investment AUM and leverage



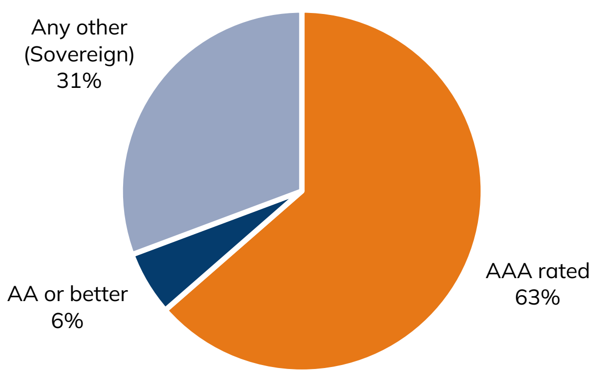
Source: I-Sec research, Company data

Exhibit 54: Investment income and yields



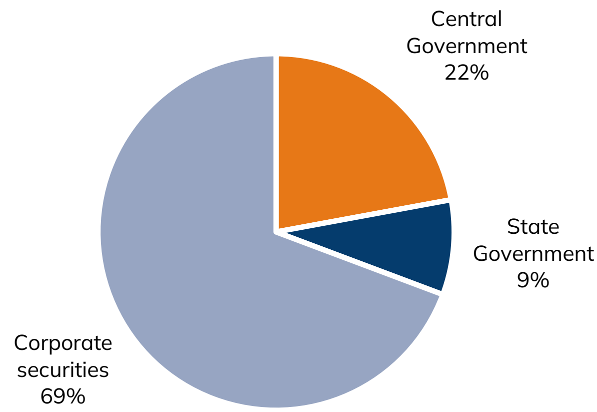
Source: I-Sec research, Company data, yields are calculated on avg. AUM

Exhibit 55: Breakdown of investment by rating of debt securities



Source: I-Sec research, Company data

Exhibit 56: Breakdown by type of issuer by debt securities



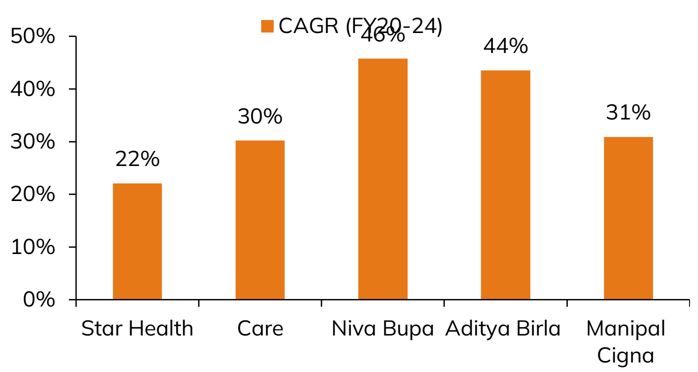
Source: I-Sec research, Company data

Competitive landscape: Niva Bupa stands favourably among peers

GDPI comparison among SAHIs

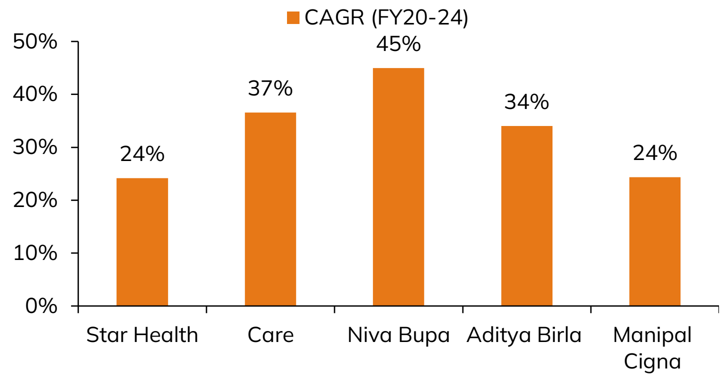
Among SAHIs, Niva Bupa is fastest growing company, with CAGR of 46% (FY20-24). Similarly, retail GDPI has reported a strong CAGR of 45% for the same period.

Exhibit 57: Overall GDPI CAGR is highest among SAHIs…



Source: I-Sec research, Company data

Exhibit 58: …similar is for retail health GDPI



Source: I-Sec research, Company data

Exhibit 59: Segmental snapshot

	FY19	FY20	FY21	FY22	FY23	FY24	11MFY25	*CAGR (FY19-24)*	*Growth in 10MFY25 (%)*
GDPI (INR bn)	**Industry**								
Total Health	455.3	516.4	585.8	735.8	906.7	1,090.1	1,078.9	*19%*	*9%*
Health retail	183.1	205.0	262.4	306.9	354.3	422.0	412.3	*18%*	*13%*
Health group	272.1	311.2	323.3	428.9	552.3	668.1	666.6	*20%*	*7%*
Personal Accident	53.9	51.6	50.8	68.9	70.1	77.4	89.2	*8%*	*12%*
Total GDPI	1,698.0	1,893.0	1,987.4	2,207.7	2,569.1	2,891.7	2,809.9	*11%*	*7%*
	Star health								
Total Health	52.9	67.2	92.0	112.9	127.6	150.4	143.3	*23%*	*11%*
Health retail	46.8	58.7	82.1	100.9	119.5	139.5	133.6	*24%*	*11%*
Health group	6.1	8.5	10.0	12.1	8.1	10.9	9.7	*12%*	*5%*
Personal Accident	1.2	1.4	1.5	1.7	1.9	2.1	1.7	*13%*	*-8%*
Total GDPI	54.0	68.6	93.5	114.6	129.5	152.5	145.0	*23%*	*11%*
	Niva Bupa								
Total Health	**9.1**	**11.8**	**16.7**	**27.5**	**39.9**	**55.1**	**58.4**	***43%***	***21%***
Health retail	**7.4**	**8.7**	**13.6**	**21.6**	**29.7**	**38.4**	**38.7**	***39%***	***17%***
Health group	**1.8**	**3.1**	**3.1**	**5.9**	**10.2**	**16.8**	**19.7**	***57%***	***31%***
Personal Accident	**0.3**	**0.6**	**0.8**	**0.6**	**0.8**	**0.9**	**1.1**	***23%***	***42%***
Total GDPI	**9.5**	**12.4**	**17.5**	**28.1**	**40.7**	**56.1**	**59.5**	***43%***	***22%***
	Birla								
Total Health	4.2	7.6	11.7	15.8	25.6	34.8	38.2	*52%*	*28%*
Health retail	2.0	3.5	5.6	6.8	8.4	11.3	12.5	*42%*	*30%*
Health group	2.3	4.1	6.1	9.0	17.2	23.5	25.8	*60%*	*27%*
Personal Accident	0.7	1.2	1.3	1.4	1.6	2.2	3.4	*25%*	*72%*
Total GDPI	5.0	8.7	13.0	17.3	27.2	37.0	41.6	*49%*	*31%*
	Care								
Total Health	16.8	22.3	23.3	34.9	48.2	66.6	72.6	*32%*	*23%*
Health retail	8.7	11.4	16.2	21.7	27.3	39.7	44.7	*36%*	*30%*
Health group	8.1	10.9	7.2	13.2	20.9	26.8	27.9	*27%*	*12%*
Personal Accident	1.4	1.6	2.3	3.9	3.2	2.1	1.7	*7%*	*-13%*
Total GDPI	18.3	23.9	25.6	38.8	51.4	68.6	74.2	*30%*	*22%*
	Manipal								
Total Health	4.7	5.7	7.5	9.7	13.3	16.6	15.4	*29%*	*5%*
Health retail	2.7	3.1	3.9	4.6	5.8	7.5	7.3	*23%*	*13%*
Health group	2.0	2.6	3.5	5.1	7.5	9.1	8.1	*35%*	*-2%*
Personal Accident	0.2	0.1	0.1	0.1	0.3	0.3	0.3	*17%*	*-10%*
Total GDPI	4.8	5.8	7.6	9.9	13.6	16.9	15.7	*28%*	*4%*

Source: I-Sec research, Company data

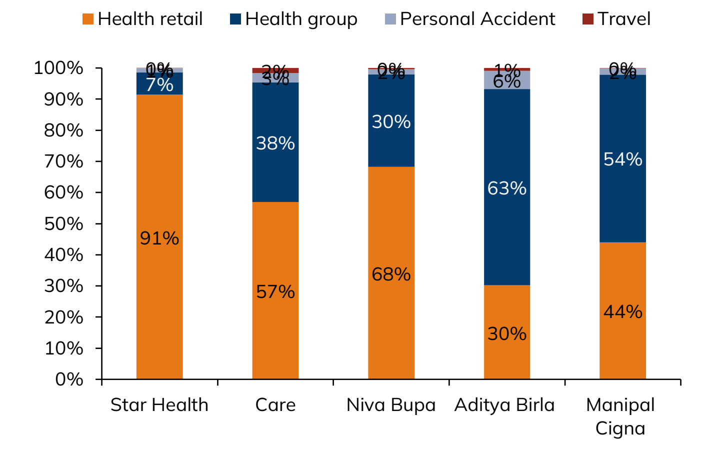
The company has seen improvement in its retail market share from 4% in FY19 to 9.1% in FY24. In 11MFY25, Niva Bupa reported a growth of 21.5% YoY and market share in retail health improved to 9.4% in 11MFY25.

Exhibit 60: GDPI market share trend

	FY19	FY20	FY21	FY22	FY23	FY24	11MFY25	Bps change (FY19-24)
Niva Bupa								
Total Health	2.0%	2.3%	2.9%	3.7%	4.4%	5.1%	5.4%	305
Health retail	4.0%	4.2%	5.2%	7.0%	8.4%	9.1%	9.4%	507
Health group	0.7%	1.0%	1.0%	1.4%	1.9%	2.5%	3.0%	185
Personal Accident	0.6%	1.2%	1.6%	0.9%	1.1%	1.2%	1.4%	59
Total GDPI	**0.6%**	**0.7%**	**0.9%**	**1.3%**	**1.6%**	**1.9%**	**2.1%**	**138**
Star health								
Total Health	11.6%	13.0%	15.7%	15.3%	14.1%	13.8%	13.3%	219
Health retail	25.6%	28.6%	31.3%	32.9%	33.7%	33.1%	32.4%	750
Health group	2.2%	2.7%	3.1%	2.8%	1.5%	1.6%	1.5%	-60
Personal Accident	2.2%	2.8%	2.9%	2.4%	2.8%	2.7%	2.1%	58
Total GDPI	3.2%	3.6%	4.7%	5.2%	5.0%	5.3%	5.2%	209
Birla								
Total Health	0.9%	1.5%	2.0%	2.2%	2.8%	3.2%	3.5%	226
Health retail	1.1%	1.7%	2.1%	2.2%	2.4%	2.7%	3.0%	159
Health group	0.8%	1.3%	1.9%	2.1%	3.1%	3.5%	3.9%	270
Personal Accident	1.4%	2.3%	2.7%	2.1%	2.3%	2.8%	4.2%	149
Total GDPI	0.3%	0.5%	0.7%	0.8%	1.1%	1.3%	1.5%	99
Care								
Total Health	3.7%	4.3%	4.0%	4.7%	5.3%	6.1%	6.7%	241
Health retail	4.7%	5.6%	6.2%	7.1%	7.7%	9.4%	10.8%	467
Health group	3.0%	3.5%	2.2%	3.1%	3.8%	4.0%	4.2%	103
Personal Accident	2.7%	3.0%	4.4%	5.7%	4.6%	2.7%	2.1%	-0
Total GDPI	1.1%	1.3%	1.3%	1.8%	2.0%	2.4%	2.6%	130
Manipal								
Total Health	1.0%	1.1%	1.3%	1.3%	1.5%	1.5%	1.4%	49
Health retail	1.5%	1.5%	1.5%	1.5%	1.6%	1.8%	1.8%	31
Health group	0.7%	0.8%	1.1%	1.2%	1.4%	1.4%	1.2%	62
Personal Accident	0.3%	0.2%	0.2%	0.2%	0.4%	0.4%	0.3%	15
Total GDPI	0.3%	0.3%	0.4%	0.4%	0.5%	0.6%	0.6%	30

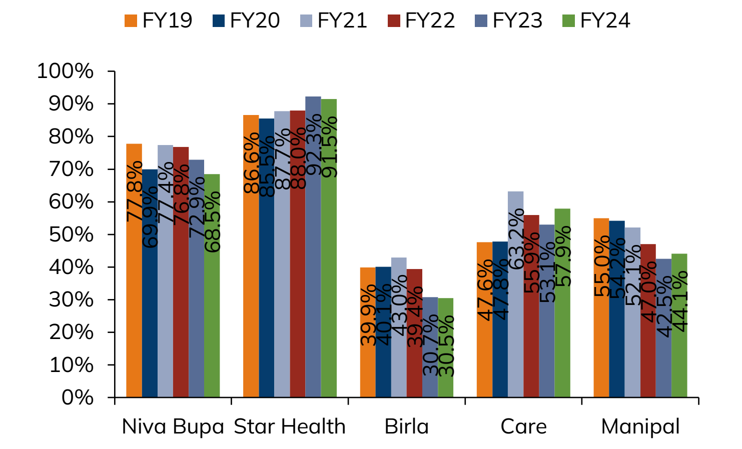
Source: I-Sec research, Company data

Exhibit 61: Product mix for FY24



Source: I-Sec research, Company data

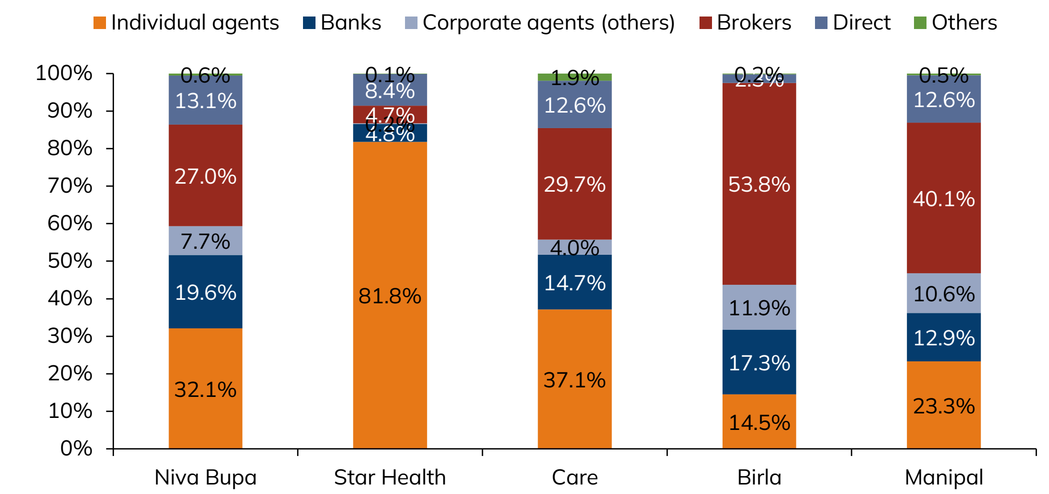
Exhibit 62: Retail health GDPI as % of overall health GDPI



Source: I-Sec research, Company data

More diversified channel: Among SAHIs, Niva Bupa has more diversified distribution mix. It has high presence in PB Fintech platform.

Exhibit 63: Distribution mix (FY24)

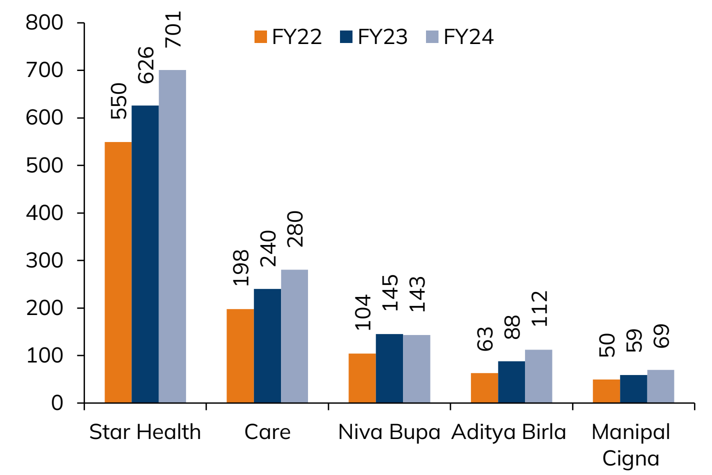


Source: I-Sec research, Company data

Among SAHIs, Niva Bupa has higher average ticket size in individual agent

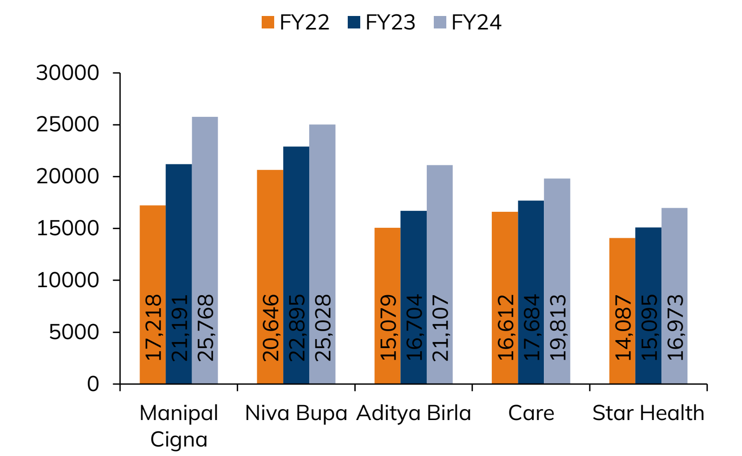
Average ticket size for Niva Bupa is higher among SAHIs, signifying enhanced ability of its agency channel to capture the mass affluent customer segment.

Exhibit 64: Number of individual agents are lower compared to SAHI peers...



Source: I-Sec research, Company data

Exhibit 65: ...however, average ticket size for individual agent's is higher



Source: I-Sec research, Company data

Peers' vs Niva Bupa's profitability trend

Niva Bupa has best in class loss ratio trend among SAHIs and other players in health insurance. Compared to industry average of ~93% and ~68% for SAHIs, Niva Bupa has maintained an average loss ratio of ~57% for FY18 to FY24. During 9MFY25, loss ratio for the industry has increased, however, Niva Bupa's loss ratio remained lower. Among SAHIs, except for Niva Bupa, there is on an average ~6bps YoY increase in claims ratio for players in 9MFY25, while for Niva Bupa, it has remained below 0.5bps YoY.

Exhibit 66: Health loss ratio trend for players

Loss ratio	FY18	FY19	FY20	FY21	FY22	FY23	FY24
BAGIC	87.1	89.8	85.3	77.0	100.8	79.9	88.9
Go Digit		20.6	100.4	71.4	48.3	85.6	100.0
HDFC Ergo	66.9	81.5	85.2	85.4	107.8	85.4	85.6
ICICIGI	77.6	85.0	83.6	89.6	101.6	83.1	82.8
Reliance General	114.4	97.9	94.4	100.4	101.8	95.8	96.9
SBI General	40.9	54.2	57.6	76.6	103.2	85.4	98.8
Tata AIG	67.3	86.5	71.9	70.7	90.2	79.7	83.1
Private Sector Insurers Total	79.9	84.0	82.2	85.8	105.1	86.8	88.7
Stand-alone Health Insurers							
Aditya Birla	95.3	62.1	53.8	54.8	77.9	71.3	73.0
Care	56.9	59.8	62.8	58.5	70.6	58.0	60.1
ManipalCigna	48.4	63.7	62.8	62.0	77.0	65.6	64.4
Niva Bupa	50.2	54.3	55.7	57.8	63.6	54.6	59.4
Star Health	62.2	63.0	66.1	95.4	87.3	65.3	66.8
Stand-alone Health Insurers Total	**61.7**	**62.7**	**66.2**	**78.1**	**81.2**	**62.2**	**64.8**
Grand Total	**94.2**	**91.0**	**88.4**	**93.8**	**109.1**	**88.9**	**88.0**

Source: I-Sec research, IRDAI

Exhibit 67: Total Health claims ratio increased in YTD FY25

(%)	Total Health Claims Ratio						
	Q1FY24	H1FY24	9MFY24	FY24	Q1FY25	H1FY25	9MFY25
HDFC ERGO	83.5	83.4	82.4	81.0	90.8	88.0	86.7
ICICI Lombard	78.7	80.6	80.1	78.9	83.6	83.2	82.5
Bajaj Finserv	81.1	83.1	84.2	85.0	82.3	88.4	88.6
Go Digit	82.5	84.5	92.9	93.9	85.6	83.4	83.4
Tata AIG	76.1	78.0	77.6	77.9	76.1	78.6	78.0
Star Health	65.4	67.1	67.3	66.5	67.6	70.2	70.7
Niva Bupa	65.4	63.8	63.0	59.0	64.0	62.5	63.4
Care Health	56.2	59.5	60.1	57.7	66.5	65.1	66.7
Manipal Cigna	65.1	67.3	66.0	63.8	71.3	75.1	78.9
Aditya Birla Health	72.7	75.5	76.0	68.3	73.3	75.4	77.3
SAHIs	**64.4**	**65.9**	**66.0**	**63.6**	**67.6**	**68.7**	**69.8**

Source: I-Sec research, Company data

Expense ratio for Niva Bupa is higher compared to other players. As per EOM guidelines, expense ratio should be capped at 35% for SAHIs. Its expense ratio has improved from 45.2% in FY22 to 39.9% in FY24. For Niva Bupa, expense ratio is likely to improve further and it has provided IRDAI with glide path for the same.

Exhibit 68: Expense ratio trend

	Expense Ratio			
	FY22	FY23	FY24	9MFY25
Care Health	38.0%	38.1%	36.4%	38.0%
Star Health	30.8%	30.4%	30.2%	31.2%
Niva Bupa	45.2%	43.0%	39.9%	41.3%
Bajaj Allianz	25.8%	31.2%	17.4%	11.8%
HDFC Ergo	22.1%	22.2%	21.9%	28.0%
ICICI Lombard	28.3%	24.6%	25.0%	32.0%
ManipalCigna	53.3%	50.3%	46.4%	47.0%
Aditya Birla	56.3%	44.8%	40.6%	37.0%
Tata AIG	26.0%	38.4%	34.1%	32.0%

Source: I-Sec research, Company data

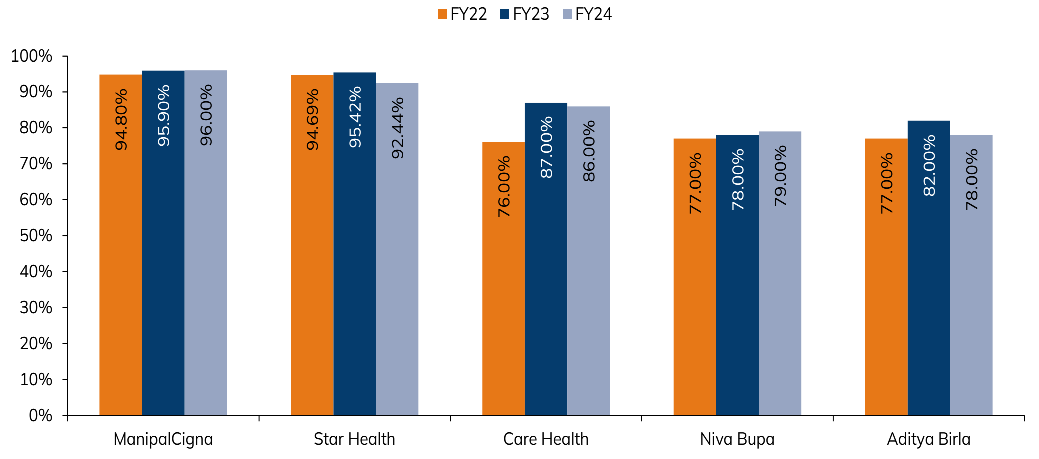
Exhibit 69: Combined ratio trend

	Combined Ratio			
	FY22	FY23	FY24	9MFY25
Care Health	109.3%	96.0%	96.5%	107.0%
Star Health	118.1%	95.6%	97.0%	102.1%
Niva Bupa	109.2%	97.6%	99.4%	105.1%
Bajaj Allianz	122.7%	111.1%	106.3%	103.6%
HDFC Ergo	130.0%	107.6%	107.6%	118.1%
ICICI Lombard	129.9%	107.7%	107.7%	112.5%
ManipalCigna	130.4%	115.9%	110.8%	126.0%
Aditya Birla	134.6%	116.1%	113.6%	121.0%
Tata AIG	116.2%	118.2%	117.2%	115.0%

Source: I-Sec research, Company data

Niva Bupa has less retention ratio compared to other SAHIs due to higher share of long-term policies (~20%) and higher share of group business.

Exhibit 70: Net retention ratio of SAHIs

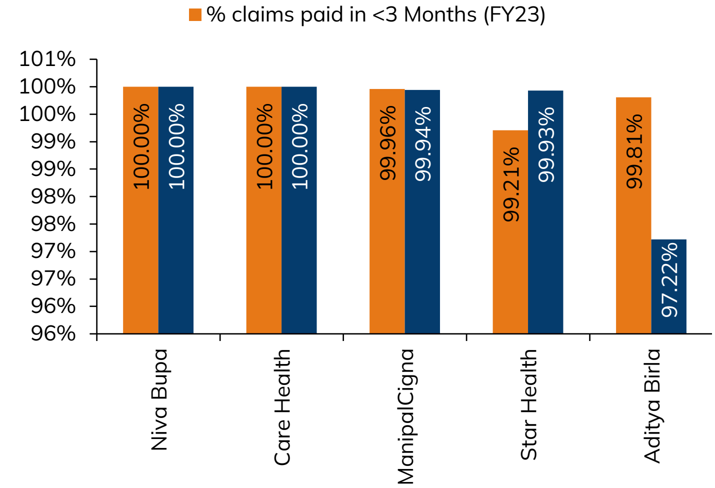


Source: I-Sec research, Company data

Claim settlement ratio is higher among SAHIs

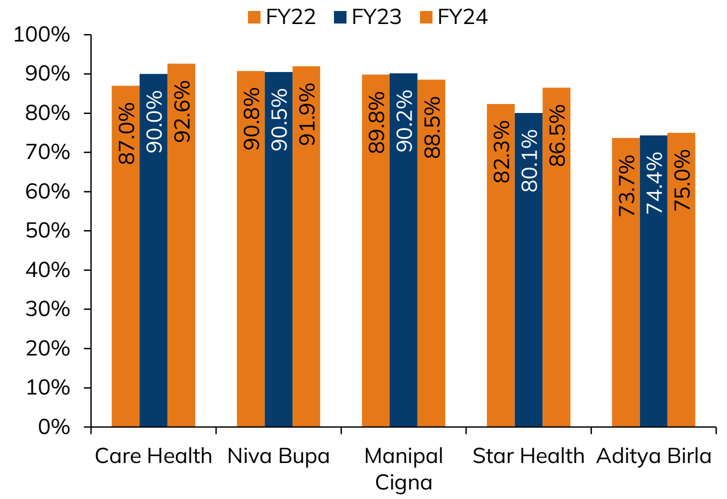
Niva Bupa and Care Health have paid 100% of the accepted claims in FY24 within 3 months. Private and public insurers have paid out equal to or less than 99.16% of the accepted claims within 3 months. Niva Bupa was the first insurer in the industry to launch a national campaign on 30 minutes cashless claim processing and has continued to build capabilities that allow it to process claims in-house and digitally.

Exhibit 71: % claims paid in <3 months is 100%...



Source: I-Sec research, Company data

Exhibit 72: ...similarly, total claim settlement ratio is higher



Source: I-Sec research, Company data

Number of lives insured has grown faster among SAHIs

For Niva Bupa, number of lives insured (health) has increased from 5.4mn in FY19 to 14mn/19.8mn in FY24/9MFY25. Star Health is the largest player in the market in terms of numbers of lives insured followed by HDFC Ergo and Niva Bupa. Niva Bupa saw the highest growth in the number of lives insured in retail health, rising from 3.1mn to 5mn from FY22 to FY24, marking a growth of 62%.

Exhibit 73: Lives insured- health

# of lives insured	Overall health				Retail health			
(in Mn)	FY22	FY23	FY24	*Growth (%)*	FY22	FY23	FY24	*Growth (%)*
Star Health	21.0	20.4	21.0	*3%*	17.4	18.7	18.8	*1%*
HDFC Ergo	8.8	10.9	14.0	*29%*	4.9	4.4	4.4	*0%*
Niva Bupa	6.8	9.5	14.0	*47%*	3.1	4.1	5.0	*23%*
New India Assurance	92.6	89.3	85.9	*-4%*	4.1	3.9	3.8	*-4%*
Care Health	13.5	19.5	22.1	*14%*	3.1	3.5	4.7	*35%*
National Insurance	48.3	50.5	38.9	*-23%*	3.1	2.8	2.6	*-8%*
ICICI Lombard	16.4	19.9	29.1	*46%*	1.7	1.7	1.8	*8%*
Bajaj Allianz	24.6	7.9	31.8	*301%*	1.5	1.4	1.8	*33%*
Aditya Birla	20.7	11.3	12.4	*10%*	2.2	1.0	1.4	*37%*
Tata AIG	4.4	5.8	8.0	*38%*	0.7	0.8	0.9	*12%*
Manipal Cigna	7.1	12.5	25.3	*102%*	0.8	0.8	1.0	*33%*

Source: I-Sec research, Company data

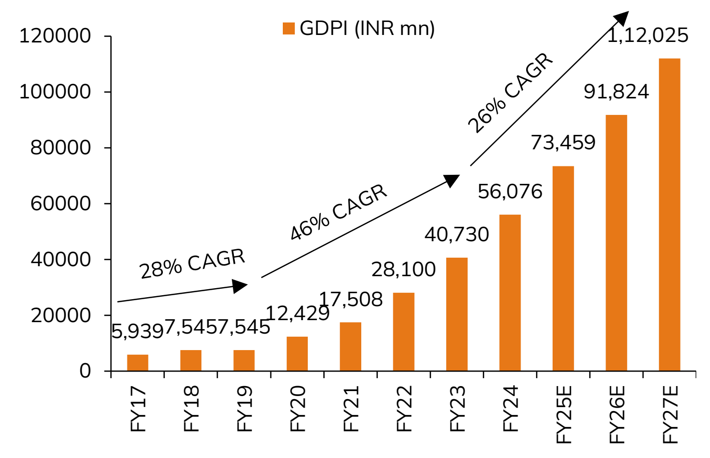
Financial Analysis

GDPI/GWP (IGAAP)

Niva Bupa's GDPI/GWP has increased at CAGR of 40% between FY20 and FY25. Its reported GDPI numbers have undergone change since Oct'24 with the implementation of '1/n' basis of premium accounting under which long-term policies are amortised rather than upfront recognition. For Niva Bupa, long-term policies form ~18-20% of annual GDPI which lead to reduction in reported GDPI under 1/n.

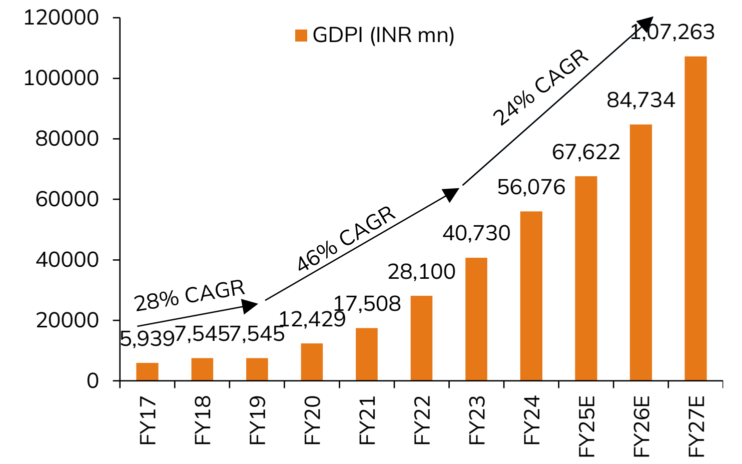
We have estimated GDPI to grow at ~26% CAGR between FY24 and FY27E; however, due to change in accounting for long-term policies, there is decline in growth rate with major impact seen in FY25/FY26 due to transition. This results in GDPI growth of 24% during the same period.

Exhibit 74: GDPI growth trend (without 1/n)



Source: I-Sec research, Company data

Exhibit 75: GDPI growth trend (with 1/n)



Source: I-Sec research, Company data

How GDPI looks without 1/n impact: We have calculated GDPI without 1/n for Niva Bupa for Jan'25 and Feb'25. Adjustment is done based on the assumption that impact remains similar as seen in Oct'24 and Q3FY25. For Niva Bupa, share of group policies has increased to 39% of total health GDPI in Jan'25 vs 28% for Jan'24. Therefore, we have reduced 'without 1/n' GDPI numbers by 10% for Jan'25 and Feb'25. Based on adjusted numbers, Niva Bupa has reported strong growth.

Exhibit 76: Calculation of GDPI without 1/n method

INR mn	with 1/n	without 1/n	Difference	proportion of long-term policies	with 1/n	without 1/n
Oct'23		**Oct'24**				**Growth (%)**
4,138	4,129	5,403	1274	23.6%	-0.2%	30.6%
Q3FY24		**Q3FY25**				
1,41,245	1,44,210	1,76,980	32770	18.5%	2.1%	25.3%
Jan'24		**Jan'25**				
5,476	6,328	7,453	1124	15.1%	15.6%	36.1%
Feb'24		**Feb'25**				
5,034	6,363	7,494	1130	15.1%	26.4%	48.9%
Mar'24		**Mar'25**				
7.045	8.095	9,533	1,438	15.1%	14.9%	35.3%

Source: I-Sec research, Company data

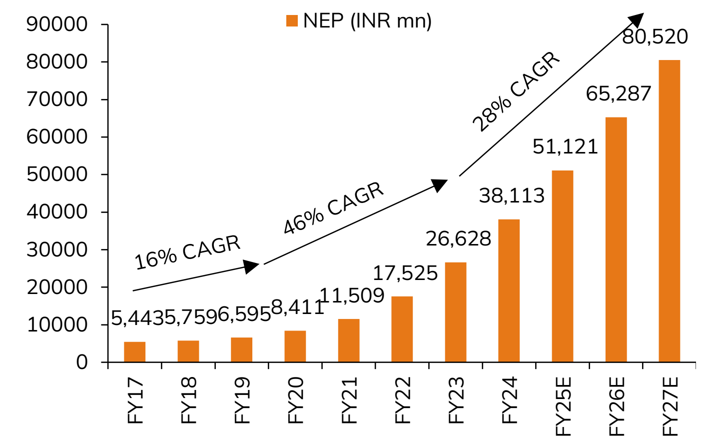
The above changes in accounting for long-term policies will impact the ratios/PAT as NEP and NWP reduce, while cost remains the same (except for re-insurance commission, which partially gets amortized on long-term policies). This impact will remain for the next 2-3 years.

NEP (IGAAP)

We expect NEP to grow at CAGR of 28% between FY24 and FY27 (without 1/n) and ~26% (with 1/n). Niva Bupa follows 50:50 method for reporting, which results in higher NEP compared to peers. Therefore, NEP numbers are not comparable with peers like Star Health and ICICIGI as they follow 1/365 method.

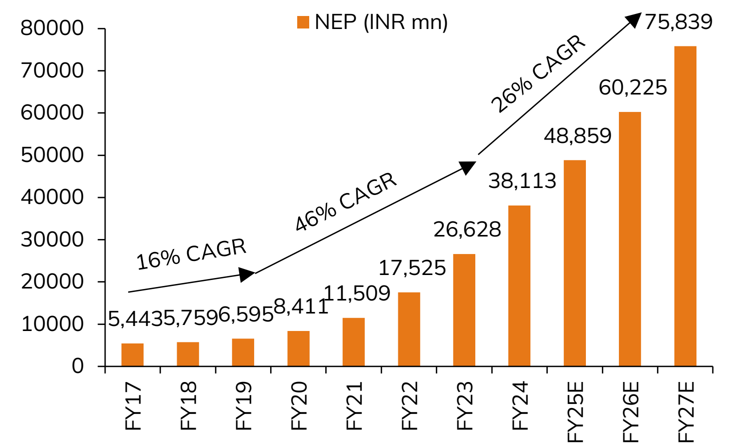
Two methods of accounting: General insurance companies use two approaches for recognition of earned premium (NEP) over a policy period. Under 50:50 method, 50% of the premium is recognised as income immediately in year of policy inception and the remaining 50% in next year, resulting in higher NEP. While under 1/365 method, NEP is recognised daily in proportion of number of days the policy is in force. The 1/365 method is more aligned with accounting standards and matching principle.

Exhibit 77: NEP growth trend (without 1/n)



Source: I-Sec research, Company data

Exhibit 78: NEP growth trend (with 1/n)



Source: I-Sec research, Company data

Due to the above differing method, claim ratios are lower, resulting in higher PAT under 50:50 method compared to 1/365 method.

Ratios (IGAAP)

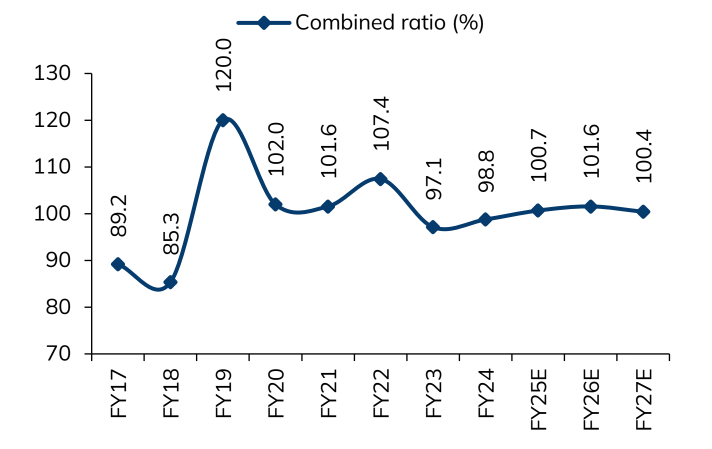
Loss ratio for Niva Bupa has remained best in the industry in the range of 55% to 62% for many years now. For future years, as the book gets older, claim ratios are expected to increase, while with larger scale of operations, expense ratios could moderate, resulting in improvement in combined ratio.

In H1FY25, management had taken price increase of ~10% for two products, which contribute ~25% of retail portfolio.

We expect loss ratio to increase from current levels (of 63%) to 67% in FY26E and slightly improve to 65% in FY27E. This reflects increasing medical inflation that has caused the claim ratio to increase to levels of 63% in 9MFY25. In Q3FY25 earning calls, management had stated that it will be taking price hike of single to 10% for all older/mature products to take care of inflation and mix change.

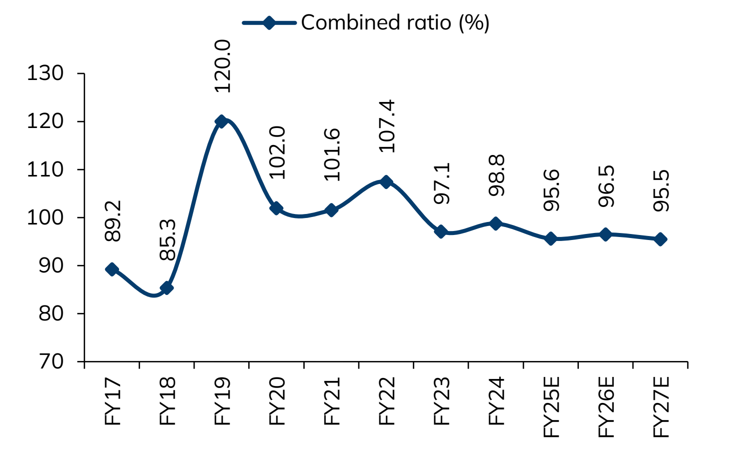
Basis above, we expect combined ratio to improve from 105% in 9MFY25 to 101.6%/100.4% in FY26/27E, respectively. This combined ratio looks higher because of change in accounting of long-term policies, which has lowered NEP. Under 'without 1/n' method, combined ratio movement is shown in Exhibit 80.

Exhibit 79: Combined ratio trend (with 1/n)



Source: I-Sec research, Company data

Exhibit 80: Combined ratio trend (without 1/n)



Source: I-Sec research, Company data

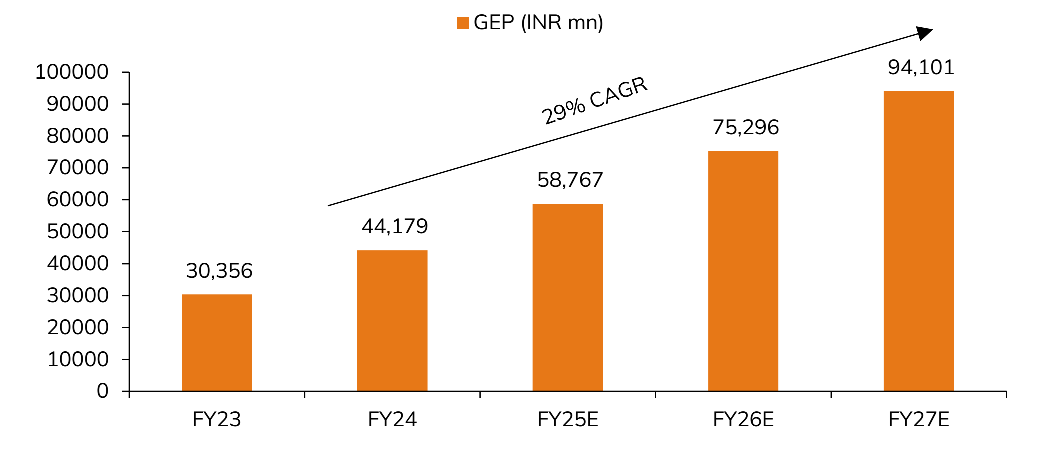
Basis above, we have provided underwriting results of the business under IGAAP, and now we move to IFRS numbers.

Gross earned premium (GEP) (IFRS)

Under IFRS, companies recognise insurance contract and re-insurance contract as a separate line item in profit and loss statement. We have provided a summary of the financials in Exhibit 91.

Under IFRS, GEP is equivalent to NEP of under IGAAP, which is obtained as '*GWP (-) reserve for unexpired risk*'. We expect GEP to grow at CAGR of 29% between FY24 and FY27. In FY24, it reported growth of 46% YoY.

Exhibit 81: GEP growth trend (IFRS)



Source: I-Sec research, Company data

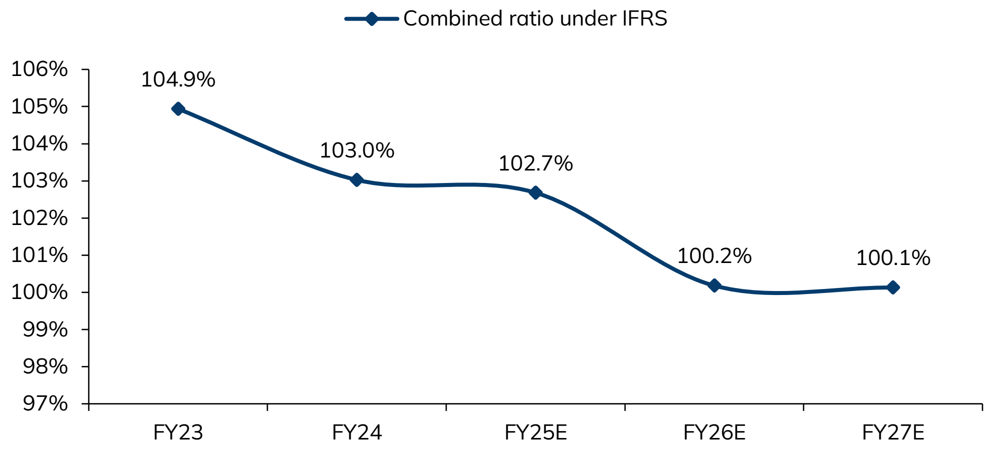
Expenses and ratio (IFRS)

After the GEP, under IFRS, insurance contracts (business) and re-insurance contracts (business) are reported separately. Under IGAAP, reinsurance (accepted and ceded) premium, commission, expenses and claims are adjusted with insurance business. Under IFRS, because of matching principle, acquisition costs (commission and other directly-related costs) are deferred over the tenor of policies. This provides better view of company operations compared to IGAAP where all costs are reported on upfront basis, resulting in lower profitability.

Operating costs that are not directly related to insurance and re-insurance business are reported separately under IFRS. As mentioned in IGAAP, as scale of operation increases, operating leverage comes into play, which may result in better profitability. Within other operating expenses, employee expenses formed 41%/51% and business promotion expenses formed 40%/31% for FY23/FY24 of total operating expenses. Operating expenses as % of GEP are likely to moderate from 13.8%/9.6% in FY23/24 to mid-single digits in future years.

Basis above, we expect combined ratio under IFRS for Niva Bupa to gradually improve from 104.9%/103% in FY23/24 to 102.7%/100.2%/100.1% in FY25/26/27E, respectively. Combined ratio under IFRS is '*(insurance expenses + re-insurance expenses + other operating expenses) divided by GEP*'.

Exhibit 82: Combined ratio under IFRS



Source: I-Sec research, Company data

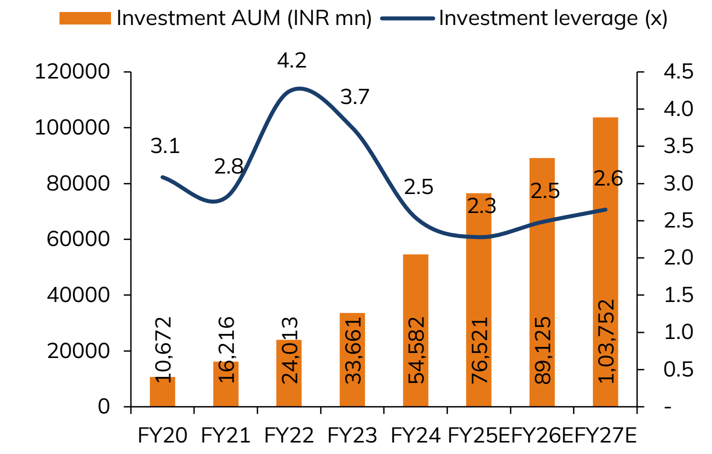
Investment income (IGAAP and IFRS)

Niva Bupa's AUM has increased at CAGR of 50% between FY20-24 (from INR 10.6bn in FY20 to INR 54.6bn in FY24). We expect AUM to increase at CAGR of 24% between FY24-27E.

Niva Bupa has investment yield of an average ~7% with investment leverage of ~3x over the last nine years. In FY24/9MFY25, investment yield was 7.1%/7.4% (reported) and investment leverage was 2.5x.

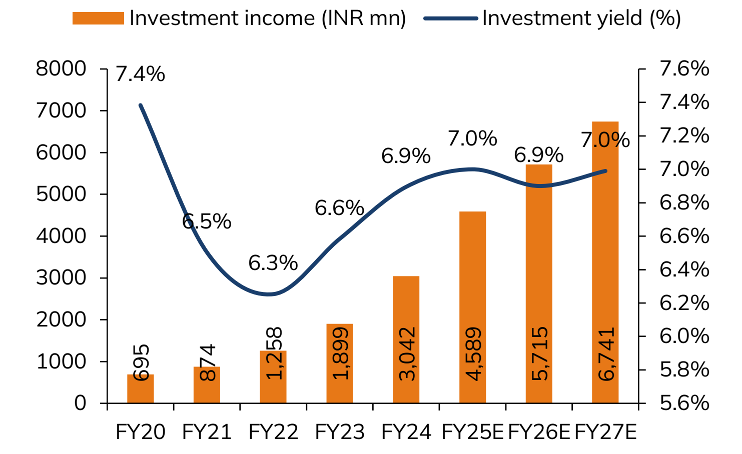
We expect investment yields to remain in the range of 6.9-7% and investment leverage in the range of 2.3x-2.6x between FY25-27E. This results in investment income reporting a CAGR of 30% between FY24 and FY27E. Under IGAAP and IFRS, investment income will remain the same.

Exhibit 83: Investment AUM and leverage trend



Source: I-Sec research, Company data

Exhibit 84: Investment income and yield



Source: I-Sec research, Company data

PBT/PAT (IGAAP)

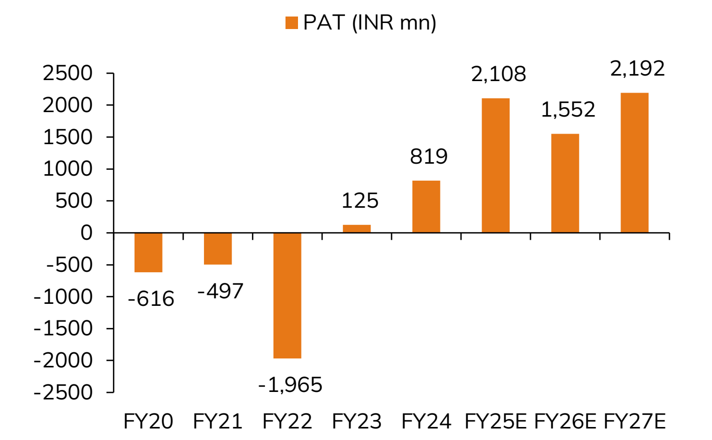
The company turned profitable in FY23 with PAT of INR 125mn, which increased to INR 819mn in FY24. Net worth has increased from INR 3.5bn in FY19 to INR 20.5bn in FY24, reporting CAGR of 56% (FY20-24). RoE stood at 1.9%/5.7% in FY23/24, respectively.

There is decline in PAT under IGAAP as NEP has reduced, but costs have remained similar.

We expect PAT to improve from current levels of INR 0.8bn to INR ~2.1bn/1.6bn/2.2bn in FY25/26/27E, respectively. These numbers may not look linear because of distortion caused by changing accounting method, as NEP has reduced due to long-term policies; however, overall costs remain the same. Under without 1/n method, these PAT numbers are expected to be INR 3.4bn/3.8bn/5.4bn in FY25/26/27E. From FY26, there will be tax expenses under both the methods.

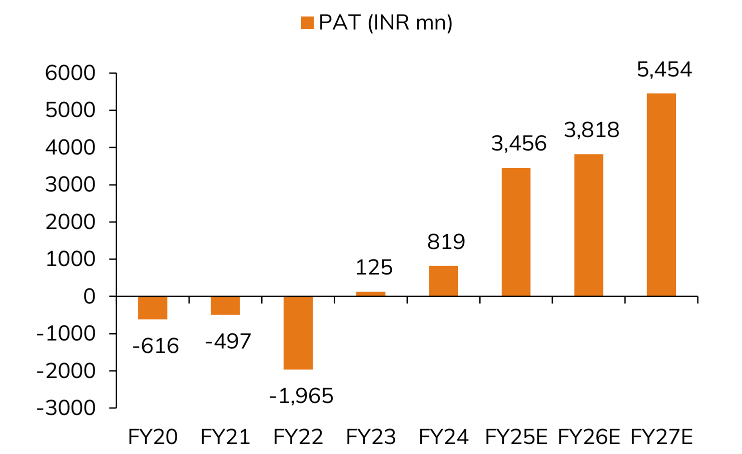
We expect with 1/n method RoE to improve from 5.7% in FY24 to 8.1%/4.8%/6.3% in FY25/26/27E. Under without 1/n method RoE could improve to 12.9%/10.9%/13.7% in FY25/26/27E, respectively.

Exhibit 85: PAT (with 1/n)



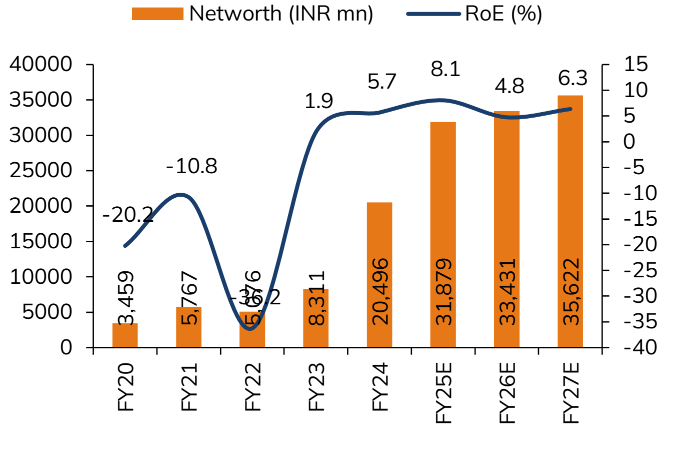
Source: I-Sec research, Company data

Exhibit 86: PAT (without 1/n)



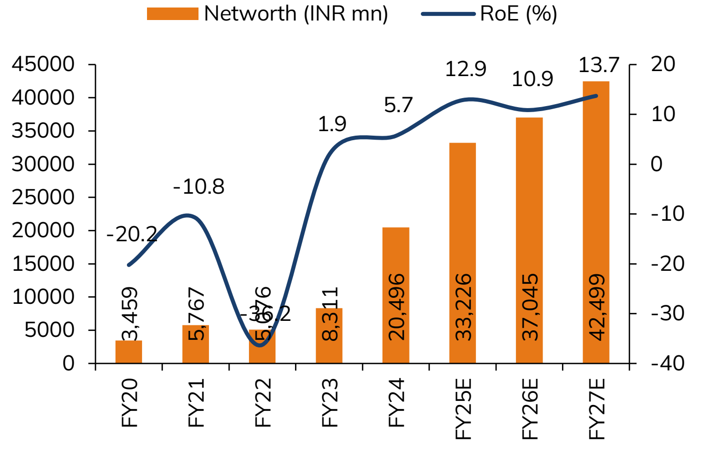
Source: I-Sec research, Company data

Exhibit 87: Net worth and RoE trend (with 1/n)



Source: I-Sec research, Company data

Exhibit 88: Net worth and RoE trend (without 1/n)



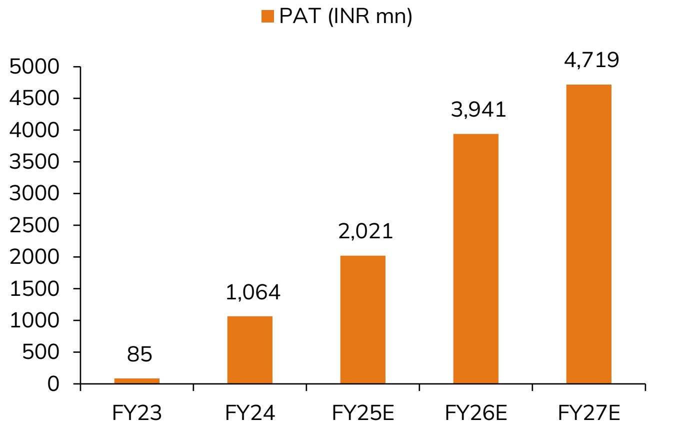
Source: I-Sec research, Company data

PAT under IFRS

Under IFRS, we expect PAT to improve from INR 1.1bn in FY24 to INR 2bn/3.9bn/4.7bn in FY25/26/27E, reporting a CAGR of 53% between FY25 and FY27E.

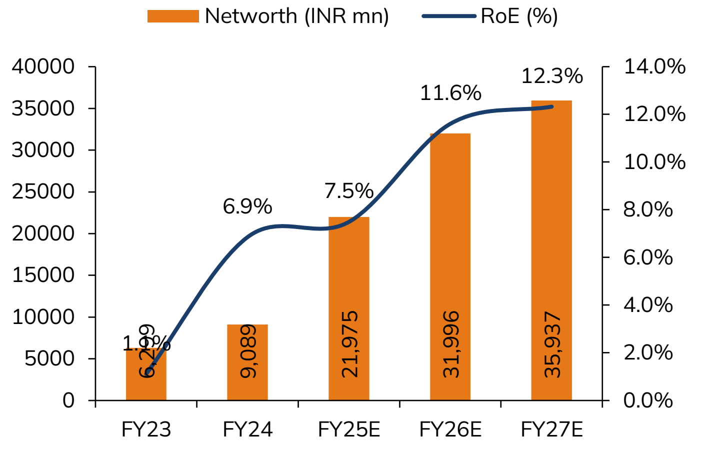
RoE is likely to improve from 6.8% in FY24 to 7.5%/11.6%/12.3% in FY25/26/27E, respectively.

Exhibit 89: PAT under IFRS



Source: I-Sec research, Company data

Exhibit 90: Net worth and RoE under IFRS



Source: I-Sec research, Company data

Exhibit 91: Profit and Loss statement under IFRS

INR mn	FY23	FY24	FY25E	FY26E	FY27E
INCOME					
Insurance income (GEP)	**30,356**	**44,179**	**58,767**	**75,296**	**94,101**
Insurance service expenses	**26,955**	**40,770**	**54,947**	**70,025**	**88,031**
Net expenses from re-insurance contracts	**713**	**483**	**987**	**1,265**	**1,581**
INSURANCE SERVICE RESULT (A)	**2,688**	**2,925**	**2,833**	**4,006**	**4,490**
Investment income	1,893	3,081	4,589	5,715	6,741
Net impairment loss on financial assets	-0	-0	1	1	1
TOTAL INVESTMENT INCOME (B)	**1,893**	**3,082**	**4,588**	**5,714**	**6,740**
Other income	70	37	40	40	40
Other operating expenses	4,187	4,262	4,408	4,141	4,611
Finance costs	344	352	352	352	352
NET OTHER INCOME AND EXPENSES (C)	**-4,460**	**-4,577**	**-4,720**	**-4,453**	**-4,923**
Profit before tax	**120**	**1,430**	**2,701**	**5,266**	**6,307**
Income tax expenses	35	366	680	1,325	1,587
Tax Rate	29.1%	25.6%	25.2%	25.2%	25.2%
Profit for the year	**85**	**1,064**	**2,021**	**3,941**	**4,719**
Combined ratio (%)	**104.9%**	**103.0%**	**102.7%**	**100.2%**	**100.1%**
RoE (%)	**1.1%**	**6.9%**	**7.5%**	**11.6%**	**12.3%**
EPS (INR)		**0.6**	**1.1**	**2.2**	**2.6**

Source: I-Sec research, Company data

Key performance indicators

Exhibit 92: Key performance indicators

Particulars	Units	FY20	FY21	FY22	FY23	FY24	9MFY25	CAGR (%) (FY20-24)
Financial Metrics								
GWP	INR mn	12,429	17,508	28,100	40,730	56,076	46,836	*46%*
Net Premium	INR mn	9,537	13,485	21,576	31,831	44,210	36,973	*47%*
Premiums earned (net)	INR mn	8,411	11,509	17,525	26,628	38,113	33,670	*46%*
PAT	INR mn	-616	-497	-1,965	125	819	74	
PAT (IFRS)	INR mn				85	1,064	1,195	
AUM	INR mn	10,672	16,216	24,013	33,661	54,582	73,107	*50%*
Net Worth	INR mn	3,459	5,767	5,076	8,311	20,496	28,689	*56%*
Key Ratios								
Yield on total investments	%	7.4	6.5	6.3	6.6	6.9		*-49 bps*
Investment leverage	(times)	3.1	2.8	4.2	3.7	2.5		
Solvency Ratio	(times)	1.8	2.1	1.7	1.7	2.6	3.0	
Retention Ratio	%	76.7	77.0	76.8	78.2	78.8	78.9	*211 bps*
Claims Ratio	%	53.5	56.1	62.1	54.1	59.0	63.4	*551 bps*
Expense Ratio	%	48.5	45.5	45.3	43.1	39.7	41.6	*-874 bps*
Combined Ratio	%	102.0	101.6	107.4	97.1	98.8	105.0	*-323 bps*
Return on Net Worth	%	-20.2	-10.8	-36.2	1.9	5.7	0.4	
Operating Metrics								***(FY22-24)***
No of active lives insured	INR mn			7.3	9.9	14.7	19.8	*42%*
Network Hospitals	#			8,562	10,005	10,460	10,299	*11%*
Cashless claims through Network Hospitals	%			63	67	70	73	
Claim Settlement Ratio	%			91	91	92	92	
Retail Health Market Share	%			7.0	8.4	9.1	9.6	
Retail Health Accretion Market Share	%			18	17	13	13	
Average ticket size per policy	INR			22,186	26,084	28,797	29,873	*14%*
GWP per policy sold by agents	INR			20,646	22,895	25,028	23,790	*10%*
GWP of NB policies with SI ≥ ₹ 1 million	%			63	67	71	74	
Renewal rate for retail health indemnity policies (by value)	%			88	89	92	88	

Source: I-Sec research, Company data

Exhibit 93: Comparison under various accounting methods

INR mn	IGAAP (Without 1/n)			IGAAP (With 1/n)				IFRS			Remarks
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E		FY25E	FY26E	FY27E	
GDPI/GWP	73,459	91,824	1,12,025	67,622	84,734	1,07,263		73,459	91,824	1,12,025	There is no difference in GDPI/GWP under IFRS and without 1/n as it is actual premium received. However, under with 1/n, long term policies are adjusted, therefore GDPI is lower. We have assumed long term policies forms 18-20% of GDPI, with 3-year tenor. We factor GDPI CAGR of 26% between FY25-FY27E and use the long-term policy mix in order to arrive at GDPI under with 1/n method.
URR	6,912	7,254	7,980	4,650	6,716	8,899	URR	14,692	16,528	17,924	URR adjustment is higher under IFRS, because of adoption and usage of 1/365 method of accounting.
NEP	51,121	65,287	80,520	48,859	60,225	75,839	GEP	58,767	75,296	94,101	Under IGAAP (without 1/n), 50:50 method is followed, resulting in highest NEP. Long term policies are adjusted under with 1/n at GDPI, resulting in lower NEP. IFRS has lowest NEP as all premiums are adjusted basis matching concept (1/365). Under IFRS, re-insurance P&L is separately accounted, so to that extent we arrive at GEP and not NEP.
Total Expenses (Claims + Expenses)	51,434	65,577	79,650	51,020	63,545	79,330	Total expenses	60,342	75,431	94,223	Claims remains same under all methods as it already includes "Actually paid" and "Provisions made" for future liabilities. Gross commission expenses will be higher under "IGAAP-without 1/n" method due to non-deferment of long-term commissions. However, inward re-insurance commission is also deferred under "IGAAP-with 1/n". IFRS has benefit of Deferment of acquisition costs (DAC).
Investment income	4,589	5,715	6,741	4,589	5,715	6,741	Investment income	4,589	5,715	6,741	
PBT	3,956	5,105	7,292	2,108	2,075	2,930	PBT	2,701	5,266	6,307	PAT under IGAAP without 1/n > IGAAP with 1/n. Under IGAAP- with 1/n, topline is reducing by long term policies, but costs (commissions) are reducing by only re-insurance commission (long term policies), resulting in higher decline in topline and lower decline in costs, therefore PBT decline is more compared to IGAAP- without 1/n.
PAT	3,456	3,818	5,454	2,108	1,552	2,192	PAT	2.021	3,941	4,719	Under IFRS, PAT is > IGAAP with 1/n but < IGAAP without 1/n. This is because of 1/365 accounting and benefit of DAC.
Combined ratio (%)	**95.6**	**96.5**	**95.5**	**100.7**	**101.6**	**100.4**	**Combined ratio (%)**	**102.7**	**100.2**	**100.1**	

Source: I-Sec research, Company data

Valuation and view

Niva Bupa has established track record of delivering growth, reporting a GWP CAGR of 46% between FY20-24. It turned profitable in FY23 and reported a PAT of INR 125mn and INR 819mn in FY24. In overall product mix, retail health forms 68.5% of the mix, group health forms 30% and balance is personal accident segment. The company has seen improvement in its retail market share from 4% in FY19 to 9.1% in FY24 (9.4% in 11MFY25). Overall market share has moved from 0.6% in FY19 to 1.9% in FY24 (2.2% in FY25). Levers of operating leverage available, strong growth in premiums were driven by lowering the expense ratio, while loss ratios remain elevated. Niva Bupa has adopted a conservative investment management approach to provide the balance between yield enhancement and liquidity management and also enjoys strong solvency ratio of 303%.

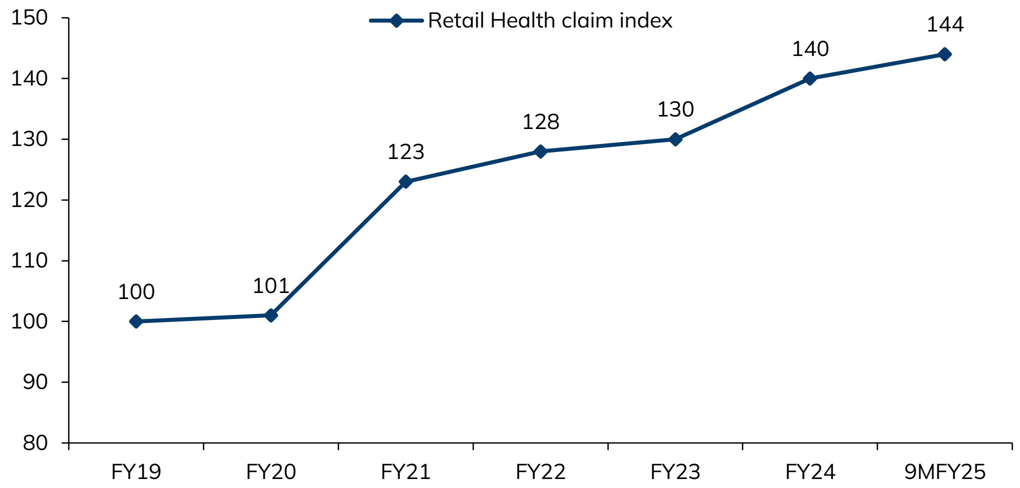
Initiating coverage with BUY rating and target price of INR 90

We prefer IFRS financials for arriving at our target valuation. IFRS provides better earnings estimate, eliminates all deficiencies of IGAAP with better matching of revenue with costs and claims expenses. **Under IFRS, we estimate PAT of INR ~4.7bn for FY27E, with multiple of 35x, we arrive at our target valuation of INR 165bn.**

Key risks

- **Higher medical inflation:** Retail claim cost index for Niva Bupa is increasing with CAGR of 6.6% between FY19 and 9MFY25. The change in index is on account of medical cost inflation, change in disease mix, medical advancement etc.

Exhibit 94: Retail Health Claims Cost Index (all indemnity claims excl. Covid claims)



Source: I-Sec research, Company data, Retail Health Claim Cost Index reflects Niva Bupa YOY average claim size with FY2019 as base year.

- Niva Bupa's profitability depends on its ability to manage underwriting risks and appropriately price its products and any failure to accurately estimate medical expenses or the frequency of claims could have a material adverse effect on its business. Company's ability to predict medical expenses claims and accurately price its products also depends on factors beyond its control, such as major epidemics, pandemics, or newly emergent viruses (such as Covid-19), and the resulting physical and mental health costs in broader society; changes in health care regulations and practices and/or the broader competitive landscape; amount of claims it receive from customers, increases in hospital and pharmaceutical costs, introduction of new medical technologies and other external factors, including general economic conditions such as inflation and unemployment levels.

- Business is susceptible to any adverse trends and other developments that may affect the sale of health insurance products. There are operational risks associated with the health insurance industry which, when realised, may have a material adverse effect on business.

- Failure to align retail health insurance or other products with the needs of targeted customer demographics in a profitable manner; company is dependent on its intermediated distribution channels and failure to develop and grow its network of distributors, failure to develop and maintain satisfactory relationships with Network Hospitals, unable to offer cashless claims to customers and ability to effectively manage its claims costs, could materially impact the business.

- If company does not meet certain mandatory ratio requirements including with respect to its solvency ratio and investment asset allocations, it could be subject to regulatory actions by IRDAI and could be forced to stop transacting any new business or change its business strategy.

- Niva Bupa operates in a highly competitive, evolving and rapidly changing industry and if it cannot effectively respond to increasing competition, its results of operation and market share could be materially and adversely affected. Additionally, financial performance may not be comparable with some of its competitors due to differences in accounting policies which are permissible under applicable laws and regulations.

- Company is dependent on the strength of its brand and reputation, as well as the brand and reputation of Bupa and other entities of the Bupa Group, and any adverse impact on their reputation and brand as well as those of Bupa could materially and adversely affect business, financial condition, results of operations, cashflow and prospects.
- Changing laws, rules and regulations and legal uncertainties, including recent regulatory changes announced by the IRDAI, may adversely affect operations, overall business and prospects.
- Company relies on third-party technologies that are critical to its business and any inability to continue to use such technologies may impact the operations of business.

Company details

Niva Bupa was originally incorporated as 'Max Bupa Health Insurance Limited' in New Delhi, Delhi as a public limited company on Sep'08. It was required to discontinue using the 'Max' brand in its name, pursuant to Max India Limited ceasing to hold equity shares in the company. Hence, the name of the company was changed to 'Niva Bupa Health Insurance Company Limited' pursuant to a fresh certificate of incorporation dated Jul'21. Further, it was granted its first certificate to carry out the business of general insurance dated 15 Feb'10, given by the IRDAI which has been renewed on an annual basis.

Exhibit 95: Events and milestones

Calendar Year	Particulars
2008	Company was incorporated in Sep'08 as a joint venture between Max India Limited and Bupa Singapore Holdings Pte. Ltd.
2010	Company was granted registration certificate by the IRDAI to carry general insurance business in Feb'10.
2016	Bupa Singapore Holdings Pte. Ltd. increased its shareholding in the company from 26% to 49%, following relaxation in FDI norms, in Jul'16.
2019	Fettle Tone LLP became an investor in the company pursuant to the acquisition of equity shares of the company from Max India Limited and Bupa Singapore Pte. Ltd.
2021	Pursuant to the acquisition of the equity shares of the company by Fettle Tone L.L.P from Max India Limited, the company changed its name from 'Max Bupa Health Insurance Company Limited' to "Niva Bupa Health Insurance Company Limited' in Jul'21. Niva Bupa raised INR 1,500mn of subordinated debt by issuing its non-convertible debentures.
2022	Niva Bupa raised INR 1,000mn of subordinated debt by issuing non-convertible debentures.
2023	Niva Bupa raised INR 8,000mn through preferential allotment of its equity shares to Paragon Partners Growth Fund II, V-Sciences Investments Pte Ltd, India Business Excellence Fund IV, and SBI Life Insurance Company Limited in December 2023.
2024	Company became a subsidiary of Bupa Singapore Holdings Pte. Ltd. upon its acquisition of 366,381,439 equity shares of company from Fettle Tone LLP.

Source: I-Sec research, Company data

Exhibit 96: Key Shareholders

As of Dec'24	Mn	%
Total NOSH	**1,827**	**100.0%**
Promoters and promoter group	1,023	56.0%
Public	804	44.0%
Key Shareholders	**NOSH (mn)**	**%**
Bupa Singapore Holdings Pte. Ltd	1,023	56.0%
Fettle Tone LLP	319	17.5%
India Business Excellence Fund IV	48	2.6%
V-Sciences Investments Pte Ltd.	45	2.4%
Amansa Holdings Private Limited	42	2.3%
Zulia Investments Pte. Ltd	38	2.1%
A91 Emerging Fund II LLP	39	2.1%
SBI Life Insurance Company Limited	22	1.2%
Total	**1,576**	**86.3%**

Source: I-Sec research, Company data

Exhibit 97: Board of Directors

Name of Directors	Designation	Brief description
Chandrashekhar Bhaskar Bhave	Chairman and Independent Director	He is an alumnus of Jabalpur Engineering College, Jabalpur, Madhya Pradesh. He has been associated with the company since 16 Dec'19. He has experience in state and central administrative services and securities regulation. He was with the Indian administrative services and has worked in different positions with state governments and central government. He held the position of a senior executive director of SEBI during 1992 to 1996. He has also served as the chairman and managing director of NSDL during 1996 to 2008. Further, he has served as the chairman of SEBI during 2008 to 2011. During this period, he was also the chairperson of the Asia-Pacific Regional Committee and a member of the technical and the executive committees of the International Organization of Securities Commission. He was a trustee of the IFRS foundation based in London.
Krishnan Ramachandran	Managing Director and Chief-Executive Officer	He holds a Bachelor's of Technology in electrical and electronic engineering from the Indian Institute of Technology, Madras, Tamil Nadu and holds a post-graduate diploma in management from the Indian Institute of Management, Calcutta, West Bengal. He has been associated with the company since Apr'20. He has over 24 years of experience across health insurance, healthcare and life sciences industries. Previously, he has been associated with Apollo Munich Health Insurance Company Limited as its chief executive officer and has been a consultant with Deloitte Consulting L.P. and Arthur Andersen. He has also been associated with Apollo DKV Insurance Company Ltd. as its chief operating officer in 2007.
Geeta Dutta Goel	Independent Director	She holds a bachelor's degree in commerce from University of Delhi and a post-graduate diploma in management from the Indian Institute of Management, Ahmedabad, Gujarat. She is presently the managing director, India at the Michael & Susan Dell Foundation.
David Martin Fletcher	Non-Executive Director and nominee of Bupa Singapore Holdings Pte. Ltd	He holds a bachelor's degree in modern history from Durham University, United Kingdom. He commenced in the role of chief risk officer for Bupa in 2017. He has been with Bupa since 2014 and previously held roles as chief internal auditor and managing director of Bupa International Development Markets. He is a member of the chief executive committee at Bupa and vice chairman and director of Bupa Arabia for Cooperative Insurance Company. Previously, he was serving as president director of Bank Permata in Indonesia and served as the group head, internal audit across the Standard Chartered Group. Prior to this, he held executive positions in general management and risk management at Standard Chartered Bank.
Mohit Gupta	Independent Director	He holds a Post Graduate Diploma in Management from the Indian Institute of Management, Calcutta and a Bachelor in Engineering in mechanical engineering from Birla Vishwakarma Mahavidyalaya, Sardar Patel University. He has 26 years of professional experience spanning across a diverse range of consumer product and service industries. He has worked with PepsiCo, MakeMyTrip. In 2018, he joined Zomato and was subsequently made its co-founder.
Sridhar Srinivasan	Independent Director	He is a seasoned financial services leader and strategic advisor with over 30 years of experience across Asia, Africa, and Europe. He has held pivotal executive roles at a large global bank. Sridhar has guided top tier organisations in management strategy, risk management, and digital transformation. As an angel investor and mentor, Sridhar supports early-stage startups. A CA with a Bachelor of Commerce (Hons.) from Delhi University.
Maninder Singh Juneja	Non-Executive Director and nominee of Fettle Tone LLP	He holds a bachelor's degree in civil engineering from Maharaja Sayajirao University of Baroda and a post graduate diploma in management from Indian Institute of Management Society, Lucknow, Uttar Pradesh. He has been associated with the company since Dec'19. Currently, he is associated with True North Managers LLP as a partner. Previously, he has been associated with Godrej GE Appliances Limited, SRF Finance Limited as business manager of corporate finance, Whirlpool of India Limited as business manager, ICICI Bank Limited as group executive and National Bulk Handling Corporation Private Limited as managing director and chief executive officer. He has over 25 years of experience in banking and finance industry.
Penelope Ruth Dudley	Non-Executive Nominee Director and nominee of Bupa Singapore Holdings Pte. Ltd	She holds a first-class honours degree in international business and law from Queensland University of Technology, Australia. She commenced in the role of chief legal officer for Bupa in 2016. She has been with Bupa since 2010 and previously held roles as legal & corporate affairs director of Bupa Global, legal director of Bupa Global and head of legal of Bupa International. She is a member of the chief executive committee at Bupa and a director of a number of Bupa's regulated subsidiaries and joint venture companies.
Carlos Antonio Jaureguizar Ruiz Jarabo	Non-Executive Director and nominee of Bupa Singapore Holdings Pte. Ltd	He holds a business administration degree from Complutense University of Madrid, Spain and has completed the Advanced Management Program (AMP) from the Harvard Business School, United States of America. He commenced in the role of chief executive officer for Bupa Global and UK Market Unit in 2021 (now known as Bupa Global, India and UK). He has been with Bupa since 2006 and previously held roles as chief financial & strategy officer of Europe & Latin America (ELA) Market Unit and general manager, Bupa Chile. He is a member of the chief executive committee at Bupa.

Source: I-Sec research, Company data

Exhibit 98: Key managerial personnel

Name	Designation
Krishnan Ramachandran	Managing Director and Chief-Executive Officer
Vishwanath Mahendra	Chief Financial Officer
Rajat Sharma	Company Secretary and Compliance Officer
Senior Management Personnel of the Company	
Padmesh Nair	Director- Operations and Customer service
Ankur Kharbanda	Chief Distribution Officer
Dr. Bhabatosh Mishra	Director- Claims, Underwriting and Product
Partha Banerjee	Director and Head –Legal, Compliance and Regulatory Affairs and Chief Compliance Officer
Tarun Katyal	Director and Chief Human Resources Officer
Dhiresh Rustogi	Director and Chief Technology Officer
Nimish Agrawal	Executive Vice President and Head of Marketing
Vikas Jain	Executive Vice President and Chief Investment Officer
Manish Sen	Senior Vice President and Appointed Actuary
Smriti Manchanda	Senior Vice President and the Head Internal Audit
Joanne Elizabeth Woods	Chief Risk Officer and the Senior Vice President

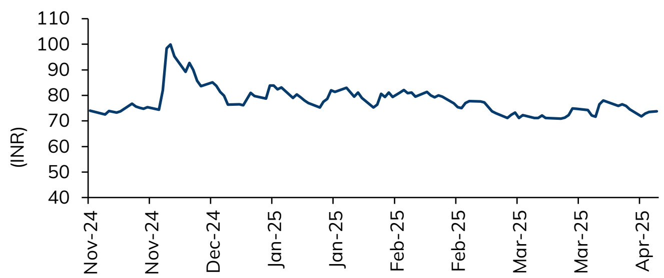
Source: I-Sec research, Company data

Exhibit 99: Shareholding pattern

%	Nov'24	Dec'24
Promoters	56.0	56.0
Institutional investors	18.2	18.6
MFs and others	2.7	2.8
FIs/Banks	0.0	0.0
Insurance	1.2	1.2
FIIs	14.3	14.6
Others	25.8	25.4

Source: Bloomberg, I-Sec research

Exhibit 100: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 101: Profit & Loss

(INR mn, year ending)

	FY24A	FY25E	FY26E	FY27E
Gross Direct Premium Income (GDPI)	**56,076**	**67,622**	**84,734**	**1,07,263**
Add: Reinsurance Accepted	-	-	-	-
Gross Written Premium (GWP)	**56,076**	**67,622**	**84,734**	**1,07,263**
Less: Reinsurance ceded	11,866	14,113	17,794	22,525
Net Written Premium (NWP)	**44,210**	**53,509**	**66,940**	**84,738**
Less: Adjustment for unexpired risk reserve	6,097	4,650	6,716	8,899
Net Earned Premium (NEP)	**38,113**	**48,859**	**60,225**	**75,839**
Incurred Claims (Net)	22,495	29,962	39,825	49,117
Commission expense	7,482	9,451	11,130	13,397
Operating expenses related to Insurance	-	-	-	-
Underwriting profit/losses	**(1,951)**	**(2,161)**	**(3,320)**	**(3,491)**
Total Investment Income (Policyholder)	1,667	2,514	3,131	3,693
Operating Profit/Loss	**(284)**	**354**	**(189)**	**202**
Total Investment Income (Shareholder)	1,375	2,075	2,584	3,048
Other expenses (including provisions)	304	320	320	320
PBT	**819**	**2,108**	**2,075**	**2,930**
Tax	-	-	523	738
PAT	**819**	**2,108**	**1,552**	**2,192**

Source Company data, I-Sec research

Exhibit 102: Balance sheet

(INR mn, year ending)

	FY24A	FY25E	FY26E	FY27E
Share Capital	16,995	18,270	18,270	18,270
Reserves & Surplus	12,820	13,609	15,160	17,352
Shareholders' Funds	**20,496**	**31,879**	**33,431**	**35,622**
Share Application Money	2	-	-	-
Fair Value Change Account	8	-	-	-
Borrowings	2,500	2,500	2,500	2,500
Total Sources of Funds	**32,326**	**34,379**	**35,931**	**38,122**
Investments	**54,582**	**75,173**	**85,511**	**96,876**
Fixed Assets	588	688	788	888
Deferred tax Assets	-	-	-	-
Current Assets (Inc. Cash)	6,748	7,320	7,895	8,473
Claims Outstanding including IBNR & IBNER	**16,637**	**19,615**	**21,822**	**23,695**
Provision for unexpired risk reserve	**22,275**	**29,187**	**36,441**	**44,420**
Other liabilities	-	-	-	-
Total Application of funds	**32,326**	**34,379**	**35,931**	**38,122**

Source Company data, I-Sec research

Above financial numbers and ratios are based on IGAAP with 1/n accounting method. However, for valuation purpose, we have considered IFRS financials (refer exhibit 91).

Exhibit 103: Key ratios

(Year ending)

	FY24A	FY25E	FY26E	FY27E
Growth ratios (%)				
GDPI Growth	37.7	20.6	25.3	26.6
GWP Growth	37.7	20.6	25.3	26.6
NWP Growth	38.9	21.0	25.1	26.6
NEP Growth	43.1	28.2	23.3	25.9
Shareholders' funds growth	146.6	55.5	4.9	6.6
Investment growth	62.2	37.7	13.8	13.3
PBT growth	552.7	157.6	(1.6)	41.2
PAT growth	552.7	157.6	(26.4)	41.2
Profitability Ratios				
Loss ratio (%)	59.0	61.3	66.1	64.8
Operational expenses ratio (%)	22.8	21.7	18.8	19.8
Commission Ratio (%)	16.9	17.7	16.6	15.8
Combined Ratio (%)	**98.8**	**100.7**	**101.6**	**100.4**
Underwriting Profit as a % of NEP	(5.1)	(4.4)	(5.5)	(4.6)
Investment Returns as a % of NEP	8.0	9.4	9.5	8.9
Other Opex as a % of NEP	0.8	0.7	0.5	0.4
PBT as a % of NEP	2.1	4.3	3.4	3.9
Taxes as a % of NEP	-	-	0.9	1.0
PAT as a % of NEP	2.1	4.3	2.6	2.9
NEP to Average Net Worth (x times)	2.6	1.9	1.8	2.2
Return on Equity (%)	5.5	8.1	4.8	6.3
Analytical Ratios				
Net Retention Ratio (%)	78.8	79.1	79.0	79.0
GDPI to Net Worth ratio (x)	2.7	2.1	2.5	3.0
Operating profit ratio (%)	(3.5)	1.7	(1.2)	0.9
Capital Structure				
Investment Leverage (net of borrowings)	2.5	2.3	2.5	2.6
Return ratios				
Return on avg Investments (%)	6.9	7.0	6.9	7.0
Valuation Ratios				
No. Of Shares (mn)	1,827	1,827	1,827	1,827
Basic EPS	0.4	1.2	0.8	1.2
Diluted EPS	0.4	1.2	0.8	1.2
Price to Earnings	164.8	64.0	86.9	61.5
Book Value/share (Rs)	11.2	17.4	18.3	19.5
Price to Book	6.6	4.2	4.0	3.8

Source Company data, I-Sec research

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