# "Niva Bupa Health Insurance Company Limited Q3 FY'26 Earnings Conference Call"

**January 29, 2026**

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**MODERATOR:** **MR. ANSUMAN DEB - ICICI SECURITIES LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Niva Bupa Q3 FY'26 Earnings Conference call hosted by ICICI Securities Limited.

Please note that any statements and comments made in today's call that may look like forward-looking statements are based on the information presently available to the Management and do not constitute any indication of any future performance, as future involves risks and uncertainties which could cause results to differ materially from the current view being expressed.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

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

**Ansuman Deb:** Good evening, ladies and gentlemen. It gives us immense pleasure to host the Senior Management of Niva Bupa Health Insurance Company Limited for their Q3 FY'26 Results Conference call.

I now hand over the call to Mr. Krishnan Ramachandran – Managing Director and CEO. Over to you, sir.

**Krishnan Ramachandran:** Thank you very much, Ansuman, and thank you to each and every one of you who has joined this call.

Let me start off our presentation:

There has been a number of very, very important developments in Q3, specifically from a policy standpoint and also a number of industry initiatives are picking up momentum.

So, I thought I would spend a minute or two to walk you through all of what is happening from an overall industry landscape standpoint.

- I think the first one is the awareness campaign, which all of you are aware of. But just to reiterate, the industry is committed to spending a sizable amount to the tune of Rs. 120 crores-Rs. 140 crores every year on spreading insurance awareness, general lines as well as health, health being a significant part of this spend. This campaign, one more burst of this campaign is currently live as we speak. So, this is an important initiative which is being sustained by the industry.
- The second important initiative is how we build a more transparent, a more sustainable and better ecosystem of insurance and hospitals for the benefit of the policyholder; promoting both access to high quality care as well as affordable care. And as you are

all aware, there is a significant common empanelment initiative underway. There is a lot of focus on bringing about commonality around evidence-based practice of medicine through standard treatment protocols and use of technology. While the overall initiative is underway and we are making great progress, I do want to update all of you that we are very excited that Dr. Prakash, who's an outstanding clinician as well as somebody who has deep experience in the insurance industry, being the Joint Managing Director at Star Health, has now joined the General Insurance Council as the CEO for Health. So, I think his leadership will be very, very instrumental in driving and giving fresh impetus to a number of initiatives around health insurance and health care that the industry has embarked on.

- I think the third big one, which was a big topic of discussion last time, is specifically how is GST going to play out as far as economics as well as consumer demand is concerned. The signs are clearly quite positive as far as Q3 is concerned. And my colleague Ankur will give you an update on business and Vishwanath will give you an update on what it's meant from a financial performance standpoint.
- And the last update on, along this theme is the insurance amendment bill, which got passed.

I guess a few key highlights:

Of course, a big one from our standpoint is the 100% FDI, which really clears the way for more foreign participation, not just in Niva Bupa, but also into the industry. But a few things which have been topics of discussion amongst us several times.

So, I just thought I would highlight what is not there that was expected to be there is the composite license has not come about. The ability to generate fee income through value-added services is not there, as well as open architecture on agency is not there. So now there is certainty in terms of what the bill or the Insurance Amendment Act contains. So, I would say that's the other big policy update as far as Q3 is concerned.

Coming on to the business performance of the Company itself:

On a like-to-like basis, I want to repeat, because of the accounting change, we will still continue to focus on giving you an update both on an N as well as 1/N basis. But on a like-to-like basis for 9 months, we overall had a growth rate of 26% as a Company and a retail growth rate of 33%. Our 9-month PAT was Rs. 208 crores and our retail market share improved for the 9-month period to 10%.

I am also particularly proud that we have been recertified for the sixth time in a row as a "Great Place to Work". We have sustained a very "High Trust Index Score". We will figure in the "Top 100 Companies, Great Places to Work in India" and also in the top 25 in "Banking and Financial Services".

And I cannot overemphasize how important a KPI this is for us because, as you all know, this business is a daily execution-intensive business. And talent, we believe, is a significant differentiator. And this KPI, gives you, the audience, the investor, the analyst, a sense on how well we are doing on what I believe is the most essential raw material for our sustained success.

A couple of key customer metrics on NPS:

We have improved by 5 percentage points. 5 points, rather. Our blended NPS stands at 58. Our cashless NPS holds steady at a very strong 67 and we continue to maintain best-in-class claim settlement ratios at close to 95%.

And last time when we spoke, I gave you a brief update on how we are transforming our value chain using AI. We will give you a more robust update when we do our next call. But just to give you a flavor, while we are already fairly mature when it comes to using, let me just call it traditional AI techniques such as machine learning, we are also making significant progress using Gen AI. I updated, we were on the implementation path of Sprinkler. So, Sprinkler has gone live. And we are adding, continuously adding, infusing AI capabilities, which the product has to offer. We also have a functioning AI Lab, as we speak. And every element of the value chain, and we put this out in the investor presentation, we are working through how we transform it using both traditional AI as the exciting generative AI capabilities through the large language models.

At this point, I am going to hand over to Vishwanath for an update on our financial performance.

**Vishwanath Mahendra:** Thank you, sir. Good evening, everyone.

So, to start with profit, profit after tax under IFRS increased by 74% from Rs. 120 crores in 9 months last financial year to Rs. 208 crores current financial year YTD. The profit for Quarter 3, Rs. 77 crores in current financial year, against Rs. 60 crores last financial year. This is after taking into account one-off impact of around Rs. 20 crores on account of impact of new wage codes, related to past service cost for gratuity and leave encashment.

Combined ratio for 9 months under IFRS has improved by 50 basis point to 102.9%. If we remove the one-off impact of gratuity and leave encashment, the COR comes to around 102.6% for same period. While there is increase in overall loss ratio by 1.1%, mainly because of mix change, this has been more than offset by reduction in expense ratio by 1.6%, resulting in improvement in combined ratio. Retail loss ratio on IFRS basis for 9 months in current financial year is 66.9%, which is a shade better than last financial year nine month retail loss ratio of 67%.

The expense of management, EOM ratio for 9 months improved to 35% from 39% in last financial year on without 1/N basis. When calculated on 1/N basis, the ratio stood at 36.3%. This improvement is driven by mainly decrease in gross commission ratio as percentage of GWP from around 23% in H1 this financial year to around 21% in Q3, mainly due to including GST as part of commission. Most importantly, because of operating leverage, where the expenses have gone up by 13%, GWP has gone up by 32%. The allowable EOM including additional allowance comes to 35.9%. And hence on without 1/N basis, we are compliant and with 1/N basis, it is higher by around 40 basis points. We are very confident that we will meet the regulatory requirement on both 1/N accounting and without 1/N accounting for current financial year.

Annualized investment yield for 9 months is 7.3% with AUM of around Rs. 9,000 crores. Solvency ratio is at a healthy level of 2.49. So, that was financial highlights for 9 months.

Let me now hand over to Ankur for more detailed update on business.

**Ankur Kharbanda:** Thank you, Vishwanath. Good evening, everyone.

Overall, our growth in Q3 was 31%. And for the 9 months, it is 26% overall. And when I give you new business numbers, the growth in Q3 was 46%. And the total of YTD, which is 9 months is 30%, which helped us to gain market share from a 9.6% in H1 to a 10.2% in Q3 and taking our overall market share to 10% in the first 9 months.

Let me now go to channel-wise and give you a view on some of the large channels:

Agency saw growth of 43% in Quarter 3 and for the 9 months the growth is 32%. When I give you numbers for bank and non-bank financials as NBFCs, the Quarter 3 growth was 27.5% and 19% on a YTD basis. And most importantly, our digital, direct digital channel, the business overall grew by 70% in Quarter 3. And overall, they are maintaining a healthy growth of 49%. And last time, I updated all that GST will have a very positive impact. And all our Q3 numbers are signaled to one of the reasons is also we got tailwinds from GST. And important to share that Q3 volume growth was also 29%. And the value growth additional was 15% there, which means the ticket size went up by 15% in Q3. Vis-à-vis H1, H1 volume growth was 22% for us, and the value growth, which is the ticket size growth was only 5%.

These are the highlights of this quarter and overall, 9 months performance on the business side and the channel side. I would now request Dr. Bhabatosh to talk about the products and the claim side.

**Bhabatosh Mishra:** Thank you, Ankur.

Our most recently launched product Reassure 3.0 has found really great favor with the market. It has in a short period of time become the fastest growing product. This product, if you may recall, or if you may know has very unique features. This is India's first inflation proof product for lifetime. With unlimited sum insured, it beats the high level of medical inflation that our country continues to witness. With features like comprehensive OPD wellness and prevention, it offers coverage not traditionally as for hospitalization, but also for complete suite of OP expenses like diagnostics, various consultations and pharmacy as well. With Niva Bupa One membership available in certain variants of the product, customers can access superior services or really wide comprehensive suite of health checkups in top tier institutions, faster delivery of services and assistance programs throughout their journey, whether it is with regards to application policy or claims or endorsements. Complete customization is possible through a range of optional benefits like global coverage, varied pre-existing waiting periods, small to medium size co-payments, very small to high-deductible options. Interestingly, a tiered network which accrues discounts to customer and many more.

On our Digital Health Services through our health ecosystem, we continue to witness wide adoption. On an average more than 50,000 annual preventive checkups and diagnostic tests are booked through our mobile app as a digital asset. Nearly 3,000 HRAs are completed on the platform. We also went live with Phase 1 of completely upgraded and revamped provider page to help our customers make right health care setup decisions. This also allows them not just to review the ratings, clinical and other parameters of the hospital, but simultaneously compare multiple hospitals to make the right decision. Our app continues to enjoy 4+ rating, 4.2 on iOS and 4.4 in Android. And our MAU, monthly active users, continue to grow at nearly 600,000 active users on a month-on-month basis.

Happy to announce that our PPN or preferred provider network grows from strength to strength. Now having presence in 47 cities in India with nearly 1,100 hospitals and thus the contribution of PPN to overall has gone up to 20% of total claims coming through PPN and consumer experience, superior consumer experience at PPN exhibited through NPS of 80 plus now.

Over to you, Krishnan, sir.

**Krishnan Ramachandran:** No, I think just to summarize before we throw this open to Q&A, we did have a strong Q3, at least the early signal with respect to some of the, specifically the change around GST, the signs are definitely positive in terms of both volume and value increase. And in spite of, there is a hit on account of GST on non-commissioned services and there is also the one off which Vishwanath mentioned on account of labor code changes, we have had a strong Q3.

So, that's it from our side. Over to every one of you for your questions, comments, suggestions.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Supratim Datta from Jefferies. Please go ahead.

**Supratim Datta:** Thanks for the opportunity. My first question is on the retail claim loss ratio. So, the retail claim loss ratio has been broadly stable at around 67% despite the very strong growth in new business. Just wanted to understand why is that, because typically new business would have a lower loss ratio? So, just wanted to understand, is there any other offsetting factor that is going into this, which we should be aware about? That's one. Second thing on the growth side, there has been

GST tailwinds, your ReAssure 3.0 product has seen very significant traction as well. But are you seeing these GST tailwinds continue into January as well? And, is that traction continuing? Or should we think of it as more of a structural tailwind as compared to one-off impact that would have played out for three months? And I just wanted to understand, how the trends there are playing out? And then, lastly, Vishwanath, on your commentary around, the regulation bit. Just wanted to understand that there are multiple initiatives, you are right, being taken by the General Insurance Council. But when it comes to medical inflation or commissions, we are not seeing any improvement at an overall industry level. So, when should we start seeing these initiatives, which either the General Insurance Council or companies are taking really flow down to and resulting in the industry profitability improve? How far are we from that point? And what really needs to change for that to happen? If you could throw some light there. Thank you.

**Vishwanath Mahendra:** Supratim, I will just start with loss ratio. So, loss ratio is stable around 67% and see, this is based on earned premium and all the business growth. Of course, we have been consistently growing. But the one which Ankur mentioned, the supernormal growth in last quarter, the earned premium of this will take time. So, the mix change we have to see not only in terms of GWP**,** but more like earned premium. It will reflect over a period of time. So, in that sense, if we look at our planning, our modeling, etc., this loss ratio being stable itself is, I mean, looking pretty good to us.

**Ankur Kharbanda:** And on your next question in terms of GST tailwinds to sustain, from October to November and to December, the December growth was even better. And January also looks very healthy to us, which to me looks like it's not a one-time benefit which we have got. Looks like a sustained one to us.

**Krishnan Ramachandran:** And Supratim, in terms of your question on broadly the two sets of initiatives, right, or three sets of initiatives. Let me take the one on acquisition cost first. I would say as an industry, and we updated last time as well, that the GST impact on commissions would be passed through. That is evident in our data, right? If I look at gross commission ratio for H1, it was 23%. For Q3, it is 21%. So, there is a 2 percentage point fall. And largely this is on account of GST. That's one example. Also, as you may be aware, on senior trail, the commission rates have been dropped to for many, many participants, 10% including GST. So, that's another. And, the senior book is between 15% and 20% of several companies; several large platforms. So, that's another significant development, which is actually operating at the industry level. So, clearly there is action happening, and that action is also evident in the data, at least in terms of what I just told you. With respect to, look, the other point is the awareness campaign, where GST has certainly been an important tailwind. But more broadly, I think the overall spend on awareness should play out. I am sure there is some impact of that in terms of the business growth numbers that Ankur alluded to. But these are things that take time to play out with any such campaign. This is a multi-year impact item, not something that you can expect to see results for in a quarter or two. That's generally how sustained brand building and awareness works. Now, to the point on what is happening on the hospital side. Look, there are close to a thousand hospitals that are empanelled with common rates with the industry today. Again, and these are at rates of the industry with its collective bargaining power has empanelled these hospitals. So, for sure, the impact of this and this number will go to 5,000 in the next 6 to 9 months. So, the impact of this will also play out. But let me also add, it's not just tariffs. I would say tariffs is only one part of what the industry initiative on, with respect to hospitals about. It's also about standardization. So, last time I mentioned that, we have standardized protocols for seven medical conditions. We have also standardized protocols for seven treatments. This is also having an impact. We are not yet in a position to quantify it for you. But for sure, this will have an impact on claims cost and therefore ongoing affordability of health insurance.

**Supratim Datta:** Got it. Just one follow up question there, Krishnan. On the senior citizen plan, it has come down from 15 to 10. I just wanted to understand can this be extended to the other products as well? Because not a lot of effort is really required to drive renewal business. And the renewal commissions actually goes as the person ages as well, because the premium goes up. So, I wanted to understand if this could be extended for the entire renewal piece as well.

**Krishnan Ramachandran:** Supratim, it's always about keeping a balance. And it's about taking a measured approach, because as I mentioned last time, we want to make sure that as we do this, of course, there is a win for the customer, distribution and us. So, it is about finding the balance over time. So, could it be done? The answer is yes. But, it's about having a balanced approach and measured approach to do some of these things. But the point really is in the last 12 months, there has been some fairly serious action.

**Supratim Datta:** Got it. Understood. And just one data keeping question. What is the IFRS loss ratio in 3Q FY'26? And if you could also mention the gross-earned, the insurance revenue from IFRS, those two could be helpful.

**Vishwanath Mahendra:** So, Supratim, on IFRS result, this time we are publishing all the results, including with limited review by statutory auditor. So, they should be there in Stock Exchange's website. Maybe in an hour or so. So, you will get everything. But we can talk about, you wanted to know, quarter three IFRS loss ratios overall? This is 64.4%.

**Supratim Datta:** Okay, that's helpful.

**Vishwanath Mahendra:** And you will get all insurance revenue, etc., everything.

**Supratim Datta:** Okay, that would be very helpful. Thank you, Vishwanath.

**Moderator:** Thank you. The next question is from the line on Sanketh Godha from Avendus Spark. Please go ahead.

**Sanketh Godha:** Thank you for the opportunity. Vishwanath, can you spell out your group claims ratio for 9 months, current year, and last year? Just to understand, because overall loss ratio is lower than the retail. So, naturally, the group is better. So, just if you can give the color, how the number is and how it has changed from last year.

**Vishwanath Mahendra:** Yes, Sanketh So, group loss ratio last year was around 57%. This year is 62%. That's the increase. And that has to do mainly with mix change. And you can see the drop in expenses, I mean, this is one of the factors.

**Sanketh Godha:** Understood. And just related to that point, maybe I don't know the corporate plans, if they have helped to reduce your EoM or accelerate the compliance of your EoM. Just wanted to understand whether the behavior in that business has been in line with your expectations? So, when it comes to the 4th Quarter renewal, you will continue to do it? Or any thoughts on those lines? Or how the contracts are behaving? Suppose you want to withdraw any compliance burden with respect to EoM?

**Krishnan Ramachandran:** So, Sanketh, as we have always maintained, we write this business wherever we believe it makes economic sense for us. So, in terms of writing corporate business, it is not about EoM. It is about doing it for entirely business reasons. In fact, this portfolio has actually grown slower for us. It's grown at 12% this year, just to give you a sense. So, we write this business when the pricing is supportive for us, and also when our value proposition is resonating. So, compared to last year, this business is only growing at 12%. So, materially slower than the Company's overall growth rate.

**Sanketh Godha:** Understood, Krishnan. So, actually, that was my next question, that if your group growth is 12, and if the corporate part also has grown by 12, then your banca business has meaningfully slowed down. Maybe I am asking this question very similar to the previous quarter, whether this is market share loss, or in general, disbursements being weak, is leading to that slowdown?

**Ankur Kharbanda:** No. So, on the banca side, as I mentioned, Sanketh, our growth is 27.5% in Quarter 3, banca NBFC. And YTD, we are almost at 20% growth on the banca side. It's not slowing down overall. The 12%, which Mr. Krishnan mentioned, was on the B2B side, employer-employee side.

**Sanketh Godha:** Okay, understood. Okay, maybe I was looking at the wrong number. Sorry, my bad there. So, understood that point. And which means, eventually, means that your mix in the favor of benefit-based products improved. So, which should be boding well for overall loss ratios in group business to improve going ahead compared to 62, what you reported now?

**Vishwanath Mahendra:** Yes, in future, you are right. So, when we look at this next year, because this is basis earning, the weights of earning, and that's why we are here, yes.

**Sanketh Godha:** Understood. And lastly, two questions. One is, can you spell out contribution of your long-term policies in the fresh business you are doing? You said that the growth is on fresh 47, if I got the number right. So, how much was the contribution of long-term in the current 3rd Quarter or 9 months? And how was it in 3rd Quarter last year and 9 months of the last year? And the second question is on solvency. See, our solvency was 300 plus, now has dipped to 249, maybe because of 1/N accounting thing. Assume profit pools remain slow and the growth remains as strong as it is in the IGAAP numbers, the solvency is based on IGAAP numbers. So, do you think these numbers will see a challenge or you will go for a sub-debt? I know it's too early to ask, but I just wanted to understand when the convergence in the profits will happen and therefore it might not trigger solvency to fall below 200?

**Ankur Kharbanda:** So, let me take the first one. Sanketh, our overall multi-year policies has been stable since last year. There has been not very significant change over last year to this year. This is hovering around 20%-21% even in last year and this year as well. Neither the quarter wise there is any change which I should highlight here.

**Sanketh Godha:** Sir, this 20%-21% is on total premium, including renewals. If I consider only new-new, then also the number is same?

**Ankur Kharbanda:** Around some change, but not very significant here. I don't have immediate handy number, but not very significant is what I will tell you.

**Sanketh Godha:** Understood, Thanks.

**Vishwanath Mahendra:** Yes, on solvency, Sanketh. So, as you know, there is a seasonality in IGAAP profit and Quarter 4 is always heavy in terms of results, so we don't see that to be challenge. 2.5 should only go up. So, I mean, it is as per our plan when we raise this capital. So, we are good with that.

**Sanketh Godha:** Understood. Perfect, those were my questions.

**Krishnan Ramachandran:** The growth on banca that Ankur mentioned is the channel growth. It doesn't necessarily translate into, channel has both retail as well as group. So, just keep that in mind, as you think through how it will play out over time.

**Sanketh Godha:** Yes, I understood, Krishnan. Thanks for the clarification.

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

**Prayesh Jain:** Thanks for the opportunity. Firstly, you mentioned about seven surgeries or something, which is kind of agreed rates. So, is it with the entire hospital network or how is it? And what would be the contribution of these, say, in your 9 months claims?

**Bhabatosh Mishra:** Thank you, Prayesh. It's not on rate, what Mr. Krishnan referred to is, as an industry, most players have come to an agreement to apply evidence-based medicine, driven standard protocols for hospitalization in seven common, seven most common infectious diseases. Now, the same is also available, ratified by and thus is available on General Insurance Council's website as well.

Now, all the insurers, one of the challenges that we used to, as insurers face is ambiguity about admission criteria in infections mostly. Now, these guidelines, as I said, very evidence-driven guidelines were created. These were circulated and discussed with more than 10,000-15,000 providers and consequent to their input, and with their input, these have been agreed and have been put on General Insurance Council's website. That removes any ambiguity whether a hospitalization was necessary or not. This is about standard treatment protocols and guidelines and not about the cost.

**Krishnan Ramachandran:** Maybe you should stick with the ICMR standard treatment workflows.

**Bhabatosh Mishra:** Yes. So, as you would have heard, as many of you know, ICMR also has come up with standard treatment workflows or call it care pathways or guidelines for a range of more than 100 health conditions and diagnosis and procedures. Industry is at actively and at advanced stage of adopting this premier institution's very scientific body of work on creating these guidelines under the aegis of General Insurance Council. That is, as I said, at a fairly advanced level. This removes ambiguity and awards a lot of clarity even to consumers. Based on very clearly when is the admission required and whether the treatment is appropriate or not.

**Krishnan Ramachandran:** Whole point, Prayesh, is we tend to talk a lot about tariffs, but actually the larger impact of how medicine plays out is on admissions, is about over care, it's about unnecessary care, right? So, the whole drive from an industry standpoint, in addition to, of course, common empanelment is on standardization, right? And the idea is, look, when we have standards on when is an admission necessary, what is the appropriate standard of care for a particular presenting diagnosis, right? And these are all, medicine is science. So, the idea is to, as an industry, of course, in collaboration, in consultation with hospitals, do this so that we have a handshake that is great from a consumer standpoint, both from an experience as well as from a cost angle.

**Bhabatosh Mishra:** And if I may add, Prayesh, there the common empanelment, which Mr. Krishnan referred to earlier, again, driven through General Insurance Council, where already thousand hospitals have, we have achieved closure and sooner than later, likely to go to 5,000 is a combination of both standard tariffs with them and the simultaneous activity, standard treatment protocols, guidelines, what is already live and through the ICMR in combination addresses both the components, which is appropriate care, right admission at right cost.

**Krishnan Ramachandran:** And do visit the council website to get a flavor of what these protocols are about. They are displayed on the General Insurance Council website.

**Prayesh Jain:** I will do that. Just more color on it. So, obviously you would have been, you would have a better understanding on this with respect to what has been the average claim sizes on these diseases and current tariffs or whatever savings. Do you think that those are significantly or materially lower than what we are looking at average claim size on these diseases right now?

**Bhabatosh Mishra:** As I mentioned, the standard protocols primarily are about admitting the patient when admission is required based on clinical condition and parameters.

**Prayesh Jain:** There could be number of reasons it can go wrong?

**Krishnan Ramachandran:** That's correct. So, in our, for example, post-monsoon, we have historically witnessed a significantly high level of admissions, for example, for dengue fever. Now there is a protocol on when an admission is warranted. And by the application of this protocol consistently as an industry, we are in a position to say, hey, all of the signs and symptoms and presenting diagnosis does not warrant an admission. And an unwarranted admission is actually harmful to the customer. So, that, it will lower admissions, completely eliminating the claim as opposed to dealing with average claim size.

**Bhabatosh Mishra:** And very important to note these two points, if I may add. One is because we had circulated to all providers, all hospitals and have taken their input and then only finalized. That means customer is not inconvenienced. Hospitals also know the protocol that is applied. So, unnecessary admissions are avoided, and consumers are not inconvenienced in that. Otherwise, once somebody unnecessarily admitted at the claim stage, only if you apply, maybe you are doing the right thing, still possibly customer may face some hardship that is also eliminated by providing clarity and removing ambiguity.

**Prayesh Jain:** Got that. Thanks for that detailed explanation. Last question, just on the commission bit again, there has been a very strong fresh growth in this quarter. And the commission ratios have come down. And with respect to passing on GST, is that a concluded agreement with all your partners or there are still negotiations going on and possibly some impact of it could come in the later quarters? Is there anything on that sorts?

**Ankur Kharbanda:** We have closed all discussions, and we have passed it on to our distributors. And as I mentioned earlier, they've also seen the results of this GST. Their overall income is not getting impacted. They're all very happy that overall, business is going up. If you look at all the distributor businesses, overall business is going up. That's a very good news. Yes, there is an impact, but overall income impact is not there. Percentage impact may be there.

**Prayesh Jain:** And isn't this fresh growth and in spite of that lower commissions, could you explain that?

**Ankur Kharbanda:** The growth numbers are much higher, which means the overall business has gone up for them. The ticket size has gone up for them.

**Prayesh Jain:** My question is on your IGAAP commission ratio. In spite of the fact that we had such a strong fresh growth, the ratio has come down. What explains that?

**Vishwanath Mahendra:** There is 2 percentage point, around 1.67 percentage point drop in commission ratio. Prayesh, that accounts for both new renewal mix, which would take it upward and passing on this 18%

GST. So, whatever commission we are paying on retail book, so it is divided by 1.18. So, if you just, let's just take a 70% retail book, if there is no change in this, so it should go down by 12.6%, just to give you mathematics. So, 21 divided by 1.126. So, it should have been lower, but it's not lower because of this change in mix where we have higher new business.

**Prayesh Jain:** I will take this offline. Thank you.

**Moderator:** Thank you. The next question is from the line of Shobhit Sharma from HDFC Securities Limited. Please go ahead.

**Shobhit Sharma:** Hi, sir. Thanks for the opportunity. So, my first question is on the recent letter, which we have received from the IRDAI on the EoM. So, though the letter mentioned about the revised methodology for calculating EoM, but why I am asking this question is because there is a lot of noise and there is a lot of statements made by the government and the regulator around the higher distribution cost. So, do you expect that the overall EoM for the industry should be brought, would be brought down by the IRDAI and how prepared are we on that? Secondly, interestingly, you have given a slide on the claims ratio on the IGAAP side, how it has moved. So, I just wanted to understand, last year, you mentioned that there was a favorable impact of 1/N accounting. So, can you help us understand that? And on H1, you mentioned that the 1/N impact was around 5.2%, somewhere close to that. This at the end of 9-month, this has gone up. So, I just want to understand why this has happened, because during the quarter, you would have received the second installment of the long term premiums underwritten last year. So, that's it. And lastly, on the loss ratio, usually Q3 on a seasonal basis should have a lower loss ratio, but it seems it has gone up as compared to the last quarter. So, have we inched up our reserving? So, these are my questions.

**Krishnan Ramachandran:** Sure. On EoM and commission, there has been a lot of discussion in the media, but in terms of what the position is, whether something is happening, if something is happening, how will it happen? To be honest, nobody has an answer to that. I would be just guessing, even if I told you anything on that. So, that's really where things are as far as both these topics are concerned. As of now, I guess the topic, as far as we are concerned, is what happens with respect to our own EOM, with respect to our glide path and compliance. And there Vishwanath has already confirmed that with respect to what is the regulation of the day, we are well on track to comply. On the IGAAP and loss ratio, I will ask Vishwanath.

**Vishwanath Mahendra:** So, loss ratio has not gone up, it has gone down. If you compare H1 to Q3 on retail side, group, of course, is a function of many things, including mix. So, retail loss ratio has gone down. And now your question on IGAAP. So, IGAAP, we mentioned that there is a one-time impact of one large group, which will get normalized in next quarter because the renewal is due on 1st January and that has been renewed. So, just to address that. And impact of 1/N accounting, maybe we can take offline. It is not very straightforward; that there is impact of business which was deferred last year, that plus what we are deferring now. So, net of, if you do, so that's the impact we have shown of 1/N, 5.9%.

**Shobhit Sharma:** Okay. Vishwa, just one more thing, because of the claims, so because of the GST rationalization on the consumable side, on the claims side. So, have you experienced any kind of reduction in the claim size or claims cost? So, that's one. And on the expenses side, anything else other than the commission rationalization we have done?

**Vishwanath Mahendra:** Yes, I can take both the questions and both are quite related also. So, we have done analysis in depth, looking at claims, what was the, let's say medicine cost, individual medicine cost, pre-GST and post-GST. So, we have seen there is certainly reduction in those. And if I can just share with you, for this, the impact is around 50 basis point on combined operating ratio. Of course, on loss claims is higher. Second part on GST, non-availability of input tax credit on other expenses. So, we have done 2-3 things. One, of course, we rationalized our expenses. We negotiated with some of the vendors. All those things have helped, but still there is impact on account of that, which is reflected in Q3 results, which incidentally is closer to that 50 basis point as far as COR is concerned. So, they almost nullify each other.

**Shobhit Sharma:** Okay. So, Vishwa, so you mentioned the 50 basis impact, this is on the 9-month number or for the quarter number?

**Vishwanath Mahendra:** It is for the quarter. The 9 months would be because H1 there was nothing. So, it is, you can see on underwriting basis.

**Shobhit Sharma:** Okay. Got it. Thank you. All the best.

**Moderator:** Thank you. The next question is from the line of Avnish Tiwari from Vaikarya Change LLP. Please go ahead.

**Avnish Tiwari:** On the positive things you mentioned about industry-wise efforts to control the claims, how much they would have benefited in terms of 9 months? Because the reported number shows sort of a flattish kind when I look at IFRS numbers. And if you look at a cohort-wise, because you have a mix of new, which helps you here, but if you can internally look at the cohort-wise to make a quantitative assessment, how much of impact, positive impact, these industry-wide efforts would have taken?

**Krishnan Ramachandran:** Look, I just want to emphasize that the industry-wise efforts are again, like the awareness campaign, on the claim side, these are multi-year efforts, right? It's not that there is one action that fills, that you will start to see results in one quarter. So, these are multi-year efforts. And also, the fact of the matter is, with these efforts as well, there will be an inflation that will operate. And the fact that claims ratio is flat last year to this year, in spite of an aging book, and Vishwanath also mentioned with respect to earnings, I would say that means that effectively inflation has been at some level negated, right? So, that also gives you a sense of overall what is happening in our portfolio. As far as the retail cohorts are concerned, I would say it's in line with our expectation, as well as planning.

**Avnish Tiwari:** Okay, so you also give this claims cost index, which is showing a not too much increase so far in this 9 months, right? Is that representation of all these efforts you are making? Is it fair to sort of draw a quantitative inference?

**Krishnan Ramachandran:** It's a reasonable proxy for you to look at.

**Avnish Tiwari:** Got it. And your cohort seasoning impact of the claims ratios, is being nullified by the new fresh mix ingredient. That is also a fair assessment. I think if, let's say, you didn't have this, what is going on in terms of seasoning and the new offsetting it, then you would have seen slightly improved ratio on the claims. Is that fair to think?

**Vishwanath Mahendra:** You are right.

**Avnish Tiwari:** Okay. Another question I had on this one, if I had to look at the claims ratio you report in IFRS versus the claims ratio you report in the 1/N basis, there is about 8% gap. Can you help me in this accounting wise, what causes this much gap?

**Vishwanath Mahendra:** Yes, sure. So, IFRS, the claims ratio is on 1/365 method. So, which is in a way, true reflection of underlying claims and earnings. So, this is consistent. On IGAAP, there are two impacts which are playing. One, because under IGAAP, we don't have DAC. So, we know that that issue is there. In terms of claims, the claims ratio is calculated on 50% earning. So, we set off 50% of NWP as UPR. So, in that sense, there is a seasonality impact. Also, seasonality is accentuated because there was 1 or 2 large groups which were written on 1st January, which will get renewed on 1st January this year, which are already renewed. And next year, next quarter, when you see for whole year, that will be more normalized. And also on top of this, there is a 1/N impact also, because some of the business of multi-year is now deferred, which was not the case historically. So, there is a lot of noise.

**Krishnan Ramachandran:** Yes, I would just add, and we have said this consistently, and I think all of you agree that the right way to look at our financials is on an IFRS basis. The Indian GAAP Accounting has a lot of noise, as Vishwanath mentioned. Also, because of the change in accounting that was introduced last year. Also, the regulator has also indicated that IFRS will become the local standard of accounting April 1, 2027, onwards. So, we will have to bear with this noise for this quarter as well as four quarters next year. But after that, it should hopefully be all IFRS.

**Vishwanath Mahendra:** Yes. And just to mention, our IFRS limited review accounts for 9 months, along with the auditor's attestation is available now on the Stock Exchange website. So, you can also download from the stock exchange.

**Avnish Tiwari:** Got it. And the last piece on this, that the pricing increase, which is being taken by the industry-wide, including yourself, is that, if you look at 9-month '26, is it sufficient or more than sufficient to cover the medical cost inflation, all of those factors and problems in the industry? Or is this still what you probably will need to come to a profitable level for the industry?

**Krishnan Ramachandran:** I am not sure I understood the question.

**Avnish Tiwari:** I meant to say that the price increase you take on your products, right?

**Krishnan Ramachandran:** Yes.

**Avnish Tiwari:** The pricing increase, you talked about a few things in the call, but are these price increases enough, given that you have made some controlling effort towards the cost inflation side on the medical cost and industry? But now, are we meeting, matching that criteria where prices and costs are converging to each other, or still the cost inflation is ahead of price increase?

**Krishnan Ramachandran:** I think we have consistently maintained that our approach to pricing is to do it annually and to do it high single digit. That approach or strategy does not change. What that high single digit is, is a function of what is the underlying inflation that we are seeing. And as you pointed out, 9 months this year has been relatively all right, benign.

**Avnish Tiwari:** Great, thank you.

**Moderator:** Thank you. The next question is from the line of Sucrit D. Patil from Eyesight Fintrade. Please go ahead.

**Sucrit D. Patil:** Good evening to the team. I have two questions, both forward looking. My first question to Mr. Krishnan is, with rising healthcare inflation and increasing penetration of retail health insurance, how is Niva Bupa refining its product design, underwriting framework and distribution mix to drive sustainable growth? In this context, how do you balance expansion into your customer category with maintaining long-term claim discipline, customer experience and the existing portfolio quality? That's the first question. I will ask the second question after this. Thank you.

**Krishnan Ramachandran:** Sure, look, I will reiterate what we have consistently maintained as our approach to building a sustainable portfolio, is our underwriting approach of, which is basis, lifetime value. This is a fairly sophisticated and mature algorithm that we have been working on for the last, close to 6 years now, which is about matching the product, the sum insured, with the economics that we part with to distribution, geography, channel, age, etc, etc. And we are in a position to therefore then indicate, predict when we underwrite a particular risk, is it going to be sustainable over the long term, specifically with respect to how the cohorts behave. So, I think this approach has stood us in good stead. And this is fundamentally the approach that we use to select risk. Now, in terms of building a sustainable portfolio, this is the most powerful lever. But there are other levers that we have mentioned in the past, and I will reiterate some of them. One is, a discipline around inflation-driven price increase every year. We believe that it's better to do single-digit price increase annually as opposed to bunching it up over 2-3 years, where it ends up being a sticker shock and results in selective lapse. So, this is the other pricing discipline that we have maintained. There is a lot of work that we are doing on the claims side, both from a cost management and coincidentally, also improving customer experience. Dr. Bhabatosh referred to the preferred provider network. There is a bunch of industry initiatives that I spoke about, including medical protocols, etc, etc. So, I think that is the other lever that we use to build a sustainable portfolio. And also, on the renewal book, there is continuous opportunities to upgrade customers to more appropriate products, more appropriate sum insured. So, there is a, steady cross-sell, up-sell rhythm. And nearly one in five of eligible customers do get cross-sold or up-sold at the time of renewal. So, it's taken together. This is what we call our approach to portfolio management that delivers what we believe will be sustainable over time.

**Sucrit D. Patil:** Thank you. I have just one question to Mr. Vishwanath. Again, it's a forward-looking one, just want to understand your vision on this. Given the constant volatility in claims ratio and the ever-evolving regulatory compliance, how are you thinking about margin sustainability and profit normalization over the short to medium term? Additionally, can you elaborate on how capital allocation, investment tactics, and operating efficiency initiatives are being aligned to support growth while strengthening return metrics and keeping the balance sheet strong?

**Vishwanath Mahendra:** Yes, sure. See, our medium-term target is to get to ROE of high teens, let's say in next two financial years. And we are on IFRS basis, and we are very much there in that trajectory. So, and for that, of course, like Mr. Krishnan mentioned, underwriting, claims, growth in business, all those are levers which we are using. But if you see our trajectory of profits and ROE in last three years, and all those numbers are available in public domain on IFRS audited accounts, you will realize all those things, including maintaining loss ratios and operating leverage and economies of scale are helping us to achieve the target of high teens ROE in next two years' time.

**Sucrit D. Patil:** Thank you, and best of luck for the next quarter.

**Vishwanath Mahendra:** Thank you.

**Krishnan Ramachandran:** Thank you very much, everyone. Appreciate the questions and your patient listening.

**Moderator:** Thank you. Due to time constraint, as that was the last question, I will hand the conference over to Mr. Krishnan for closing comments. Over to you, sir.

**Krishnan Ramachandran:** I already said my thank you. Thank you to everyone for being with us on the call, your questions and very patient hearing.

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