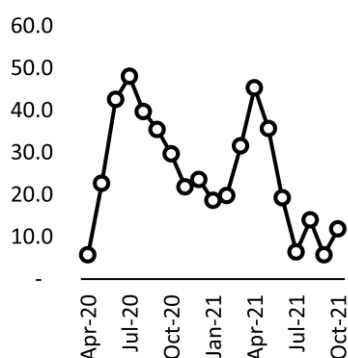


Retail health premium growth



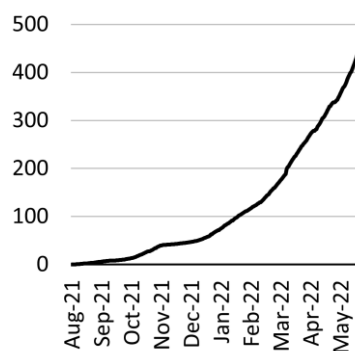
Source: General Insurance Council, MOSL

Impact of second wave on claim ratios

	4QFY21	1QFY22
Star Health	64	91
Care Health	42	104
Niva Bupa	49	87
BAGIC	74	120
HDFC ERGO	86	168
ICICI –Lom	91	169
SBI General	73	119
New India	114	135

Source : Company, MOSL

No of individuals completing 6m post 2nd dose



Source : Media reports, MOSL

Third COVID wave to drive premium growth if it manifests, but will impact claims

With a new COVID-19 variant emerging in many countries, there are expectations about a third wave in India as well. In this report, we highlight the impact of the first two waves on premium growth, claims frequency, and claims severity for Health insurers in India.

- Health Insurance in India is highly underpenetrated, with less than 4% of the population having a retail health cover. The pandemic helped increase awareness of buying a medical cover, **which translated in a 28%/18% YoY growth in retail Health Insurance in FY21/1HFY22.**
- In Apr'20 (after the COVID-induced nationwide lockdown), growth in Health Insurance was muted at 5.7%. While demand was strong during this phase, the challenge in distribution, owing to the lockdown and limited preparedness of insurers to conduct business online at such a large scale, restricted growth. **During the second COVID wave, growth was strong (up 18% YoY) in 7MFY22.**
- The frequency of claims surged during the second wave, with COVID-related claims during Apr-Aug'21 at 1.4m v/s 1m in FY21, an increase of 44%. The severity of claims declined by 24% during the same phase to INR112,366.** The key reason for the fall in severity was the preparedness of hospitals, established cost of treatment, discovery of the line of treatment, and rollout of vaccination.
- In case of a third COVID wave, we believe a sizeable chunk of India's population would be vaccinated with both doses (currently ~32% of the population has received both doses) and preparedness of hospitals and the government administration will be much better, thus reducing its severity.
- At present, ~8.3m doses are being administered daily, of which 2.6m/5.7m are for the first/second dose. At this pace, **almost 80% of the population will be vaccinated with both doses in the next 3-4 months.**
- While there has been a steady rise in the number of individuals vaccinated with both doses, it is widely believed that its **efficacy reduces after six months of the second dose.** As a result, there will be a steady increase in the number of individuals vulnerable to a third wave from the currently vaccinated population.
- From a Health insurers' perspective, the momentum in premium growth will sustain in case a third wave occurs. Growth will accrue from: 1) a higher number of individuals subscribing to Health Insurance, 2) existing customers increasing their sum assured, and 3) a possible price hike, considering a sharp increase in claim ratios for most players in FY21 and 1HFY22.**
- Claim ratios are expected to remain elevated throughout FY22 as non-COVID claims have seen a sharp increase in frequency as well as severity. Non-COVID claims pertaining to Respiratory disorders, Dengue, and Chikungunya have seen a sharp surge.
- SAHI's have seen a high growth in premium owing to its distribution advantage (higher number of agents). Momentum should sustain, enabling them to gain further market share. Vulnerability to higher claims is relatively high for SAHI as compared to multi-line insurers. This will drive them to raise capital in the medium term to meet their solvency needs.

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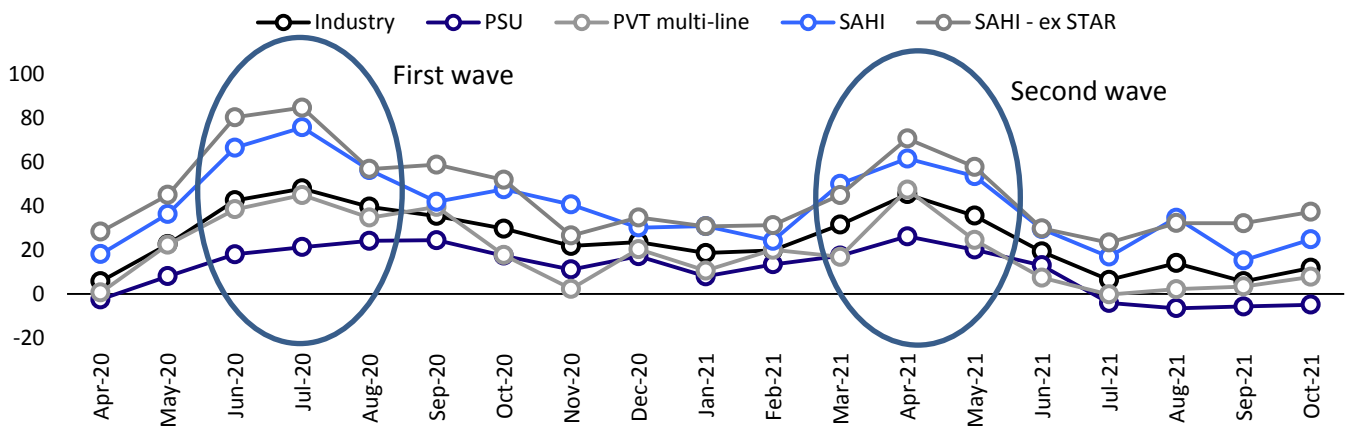
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Exhibit 1: Second wave witnessed a higher number of COVID-19 claims, but severity fell significantly

	FY21	5MFY22	Change (%)
No. of claims (m)	0.99	1.42	43.96
Amount of claims (INR b)	145.6	159.56	9.6
Severity per claim (INR'000)	147.6	112.4	-23.9
Settled claims (m)	0.85	1.17	38.19
Amount of settled claims (INR b)	78.3	104.0	32.7
Severity of settled claims (INR'000)	92.3	88.6	-3.9
Repudiated claims (m)	0.04	0.07	61.30
Amount of repudiated claims (INR b)	3.6	5.0	37.7
Severity per repudiated claim (INR'000)	86.4	73.8	-14.6
Outstanding claims (m)	0.10	0.18	87.70
Amount of outstanding claims (INR b)	63.7	50.6	-20.5
Severity per outstanding claim (INR'000)	666.1	282.2	-57.6

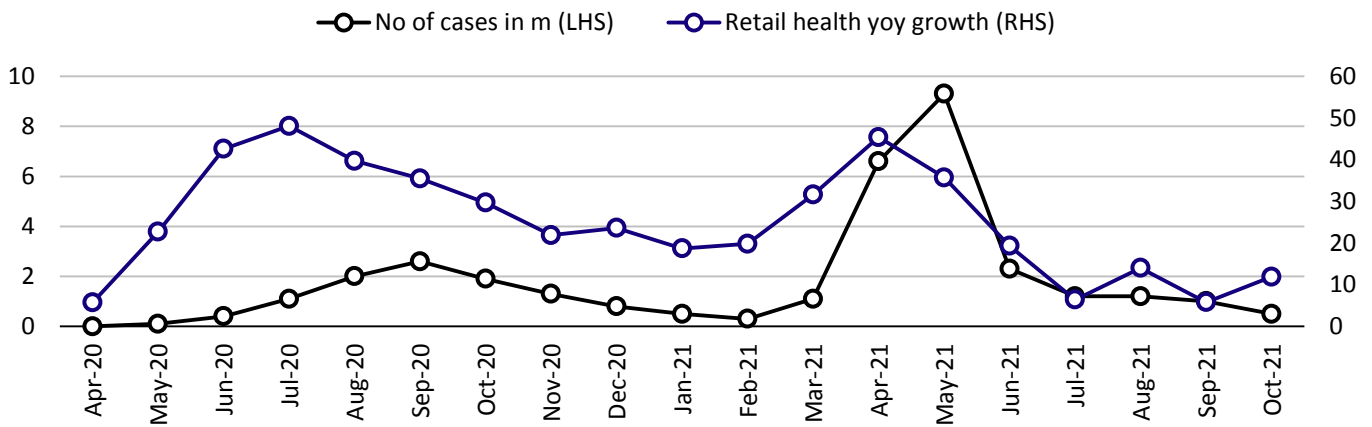
Source: Media Reports, MOFSL

Exhibit 2: Premium growth for retail health accelerated in the first and second COVID waves



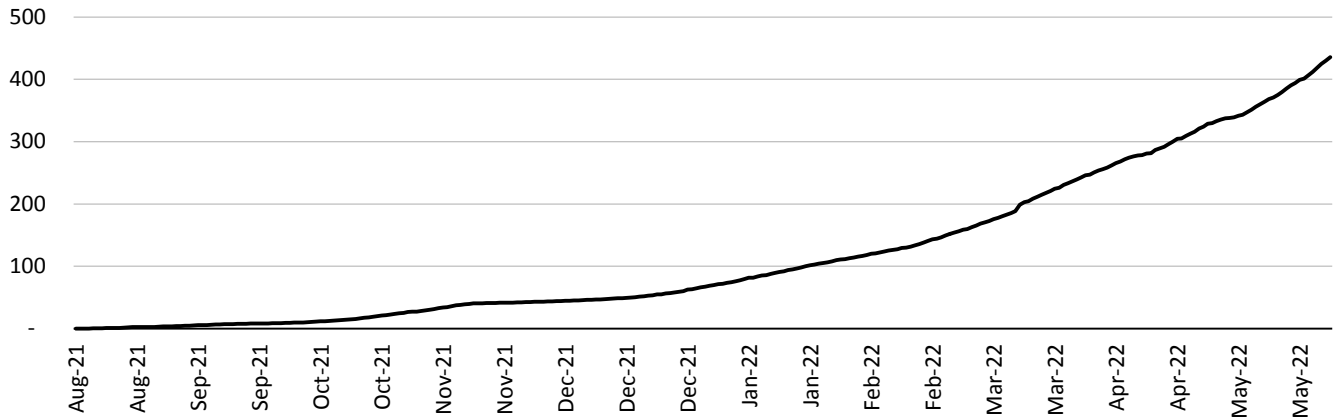
Source : General Insurance Council, MOFSL

Exhibit 3: Strong correlation seen with the number of COVID-19 cases and retail health premium growth



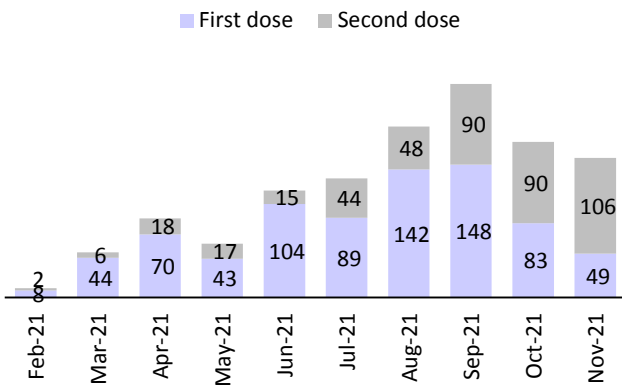
Source: Media reports, General Insurance Council, MOFSL

Exhibit 4: Number of individuals who are completing six months post their second vaccination dose (m)



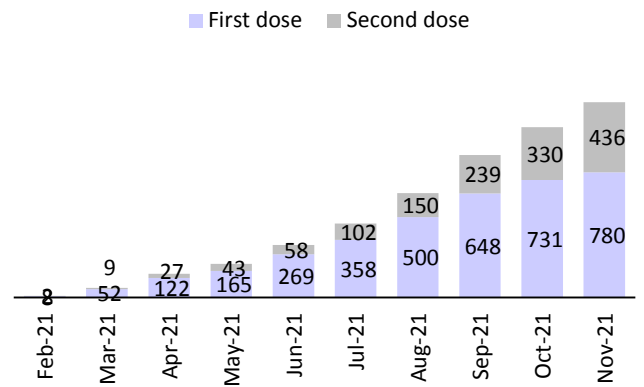
Source : Media reports, MOFSL

Exhibit 5: Number of vaccinations administered (m)



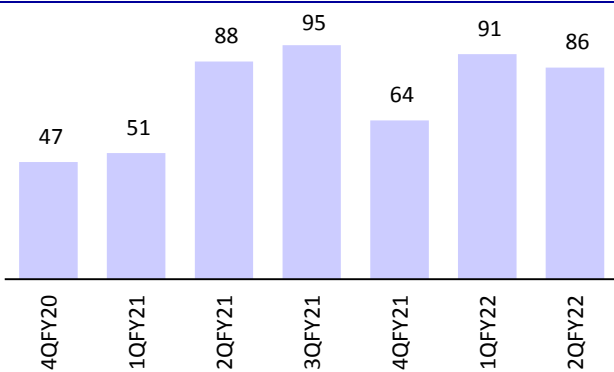
Source: COWIN, MOFSL

Exhibit 6: Cumulative number of vaccinations administered (m)



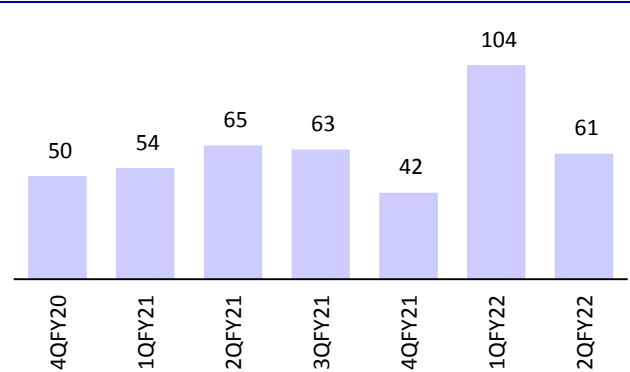
Source: COWIN, MOFSL

Exhibit 7: Claims ratio for Star Health



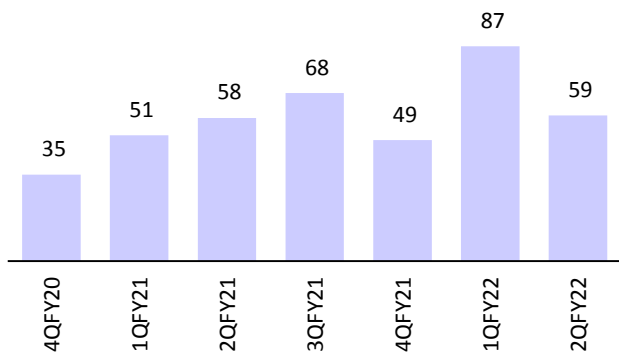
Source: Company, MOFSL, 4QFY21 claims ratios adjusted for one-offs of VQST and implementation of 1/365 URR accounting

Exhibit 8: Claims ratio for Care Health



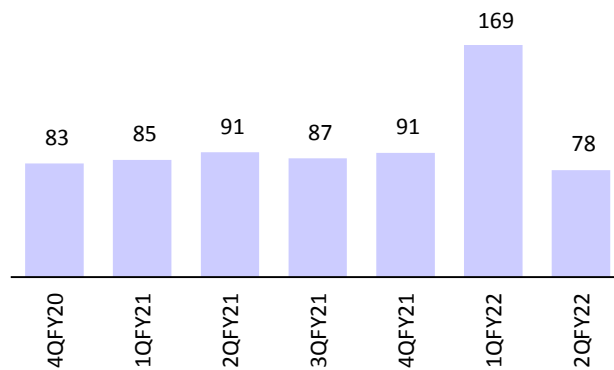
Source: Company, MOFSL

Exhibit 9: Claims ratio for Niva Bupa



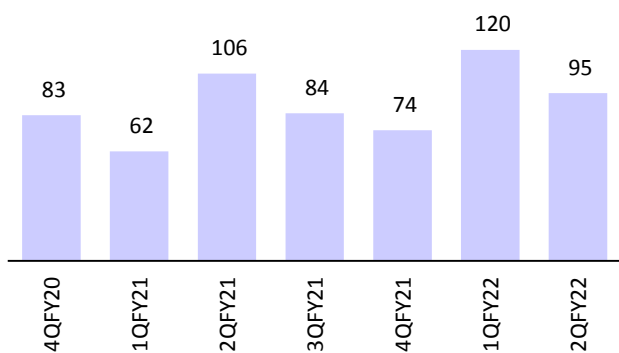
Source: AMFI, Company

Exhibit 10: Claims ratio of the Health segment of ICICI Lombard



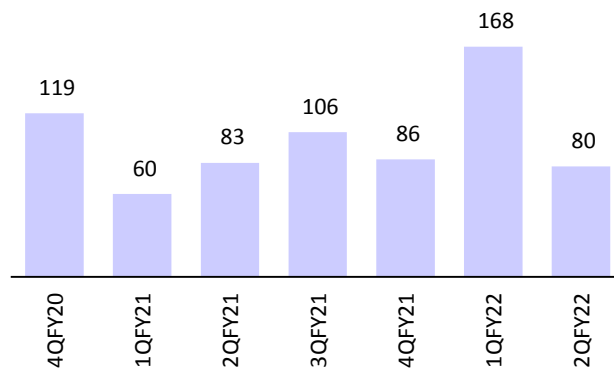
Source: Company, MOFSL, 1Q and 2QFY22 include Bharti AXA's premium and claims

Exhibit 11: Claims ratio of the Health segment of BAGIC



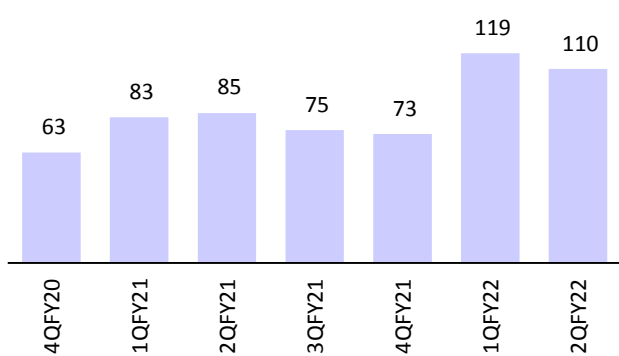
Source: Company, MOFSL

Exhibit 12: Claims ratio of the Health segment of HDFC Ergo



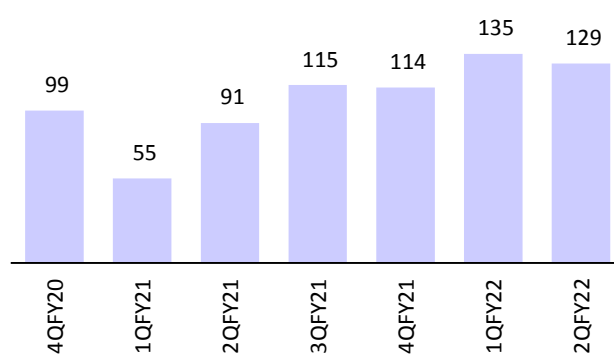
Source: Company, MOFSL, Data for 1QFY21 includes Apollo Munich's premium and claims

Exhibit 13: Claims ratio of the Health segment of SBI General



Source: Company, MOFSL

Exhibit 14: Claims ratio of the Health segment of New India



Source: Company, MOFSL

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SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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