Star Health and Allied Insurance Company Limited

April 04, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Issuer rating	-	CARE AA+; Stable	Reaffirmed
Subordinate debt*	470.00	CARE AA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

* CARE Ratings Limited (CARE Ratings') has rated the aforesaid subordinate debt considering the regulatory conditions and in view of their sensitiveness to the company's solvency ratio and profitability due to the regulatory covenants during the long tenure of the instrument. Interest payable on subordinate debt will be subject to the following:

- The solvency of the issuer remains as per regulatory stipulation
- Where the impact of such payment may result in net loss or increase the net loss, prior approval of the authority for such payment will be obtained.

Any delay in payment of interest / principal (as the case may be) following the invocation of covenants, would constitute an event of default as per CARE Ratings' definition of default and as such these instruments may exhibit sharper migration of the rating.

Rationale and key rating drivers

Ratings of Star Health and Allied Insurance Company Limited (Star) factor in its leading market position in retail health insurance space, comfortable solvency margins, and healthy profitability metrics. Ratings further factor in ownership and expectations of need-based capital support from promoters.

However, ratings are constrained by company's presence in single line of business, which exposes its profitability to event risks when compared to insurers operating in multiple line of businesses.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Ability to demonstrate growth and increase market share on sustained basis.
- Sustained improvement in underwriting profitability and overall return metrics.

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Any material changes in the shareholding pattern, leading to expectation of diminishing shareholder support.
- Deterioration in underwriting performance and thereby decline in profitability metrics.
- Decline in the solvency margin below 1.70x on a sustained basis.
- Significant decline in the size of operations and market share

Analytical approach:

Standalone

Outlook: Stable

The Stable outlook reflects CARE Ratings' view that the company will maintain its market share with continued focus on underwriting profitable business.

Detailed description of key rating drivers:

Key strengths

Leading market position in retail health insurance space

Star has a sizeable 13% market share for 9MFY25 (FY24: 14%) among general insurance (GI) and standalone health insurance (SAHI) players, in terms of gross direct premium income (GDPI). It is the largest SAHI player with a market share of 44% for 9MFY25 (FY24: 46%).

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Star largely caters to individuals, and retail business accounted for 92% of its total health GDPI in 9MFY25. Considering only the retail health insurance business of GI+SAHI players, Star's market share was 32% in 9MFY25 compared to 33% in FY24.

Star's GDPI has grown at a compound annual growth rate (CAGR) of 23% through 2019-2024, compared to 10% growth of the overall industry (GI + SAHI) and 25% of SAHI players. CARE Ratings notes slowdown in the Star's GDPI growth in 9MFY25 and slight decline in market share, as the company curtailed some of non-profitable group business in addition to impact of recent regulations, where IRDAI has mandated non-life insurers to report premiums annually (long tail policies account for ~10% of Star's premium). The y-o-y growth rate without regulatory impact on 9MFY25 GDP would be 16% against 13%. Despite moderation, the company continues to remain a dominant player in the health insurance space.

Star's market position is further supported by over 18 years of industry experience with market and technical expertise gained over the years. As of December 31, 2024, the company operates 910 branches (March 2024: 881) with pan-India presence. Its agency network, comprising 7.61 lakh agents as of December 31, 2024, accounting for 80% of GWP in 9MFY25 (March 2024: 82%). The company is diversifying its distribution through digital and bancassurance channels, resulting in a slight decline in the agency channel's share. In addition, Star has a network of 14,343 hospitals as of December 31, 2024, with 77% of claims paid in 9MFY25 processed through agreed network hospitals (ANH), where a pre-decided pricing for treatments is in place.

Going forward, company's ability to maintain its market share in the competitive health insurance space will be our key rating monitorable.

Comfortable solvency margins; supported by demonstrated ability to raise growth capital

The company's solvency position derives support from its ability to raise timely growth capital at regular intervals from designated promoters (WestBridge Capital and Rakesh Jhunjhunwala family) and via capital markets. The reported solvency margin for Star was at 2.22x as on December 31, 2024 (March 2024: 2.21x), comfortably above regulatory requirement of 1.5x.

In the past, the Star's solvency has been supported by internal accruals and need-based capital support from promoters. In FY21, the Star's designated promoters and other investors infused ₹2,644 crore followed by a ₹2,000 crore via IPO in FY22. The solvency is also supported by ₹470 crore of subordinate debt issued by the company.

Star's healthy solvency levels is expected to support its growth plans in the medium term. Considering the company's focus on underwriting profitable business, CARE Ratings expects the company's internal accruals to improve in the medium term, enhancing the solvency. This, and demonstrated need-based capital support by promoters provide comfort.

Healthy profitability

Star reported underwriting profits in FY23 and FY24, however, made underwriting loss in 9MFY25. The management's conscious call to curtail growth in risker geographies, repricing of premium, pausing large group business has led to improvement in claims to net earned premium (NPE) to 66.5% in FY24 (PY: 65.0%). Reported expense of management (EOM) to net written premium (NWP) stood at 30.7% in FY24 (PY: 30.3%), which is below regulatory requirement of 35.0% providing flexibility in terms of operating expense for future growth. Led by improved claims ratio and stable EOM combined ratio increased to 99.3% (PY: 98.1%) with company booking underwriting profits of ₹90 crore in FY24 compared to ₹205 crore in FY23. Profitability was further supported by investment income of ₹1,085 crore (PY: ₹835 crore) with reported investment yield of 7.7%. Consequently, the company's calculated return on net worth (RONW) in FY24 stood at 16.0% (PY: 14.4%).

In 9MFY25, the company reported an underwriting loss of ₹103 crore (PY: profits of ₹181 crore) with a combined ratio of 100.94% (PY: 98.1%). This is led by increase in loss ratio (increased to 70.7% against 66.5% in FY24) considering increase in accidental rates, better health care precautions and increase in hospitalisation by policyholders. Supported by investment income of ₹963 crore (PY: ₹791 crore), the company's RONW remained healthy at 13.9%.

Going forward, CARE Ratings expects the company to continue to maintain healthy business growth and underwriting profitability with combined ratio expected in the range of 95% to 97%.

Key weaknesses

Single line of business

Focused solely on health insurance, SAHI companies face greater exposure to event risks compared to players operate in multiple lines of business. While CARE Ratings acknowledges Star's granular retail business, which typically shows a lower claims ratio than group business, the company remains vulnerable to significant event risks, which could impact profitability and solvency, prompting the company to raise additional capital.

Liquidity: Strong

Star has a strong liquidity profile, where the company's liquidity coverage ratio (liquid investment + cash & cash equivalent / technical reserves including sub debt repayment) stood at 120% as of December 31, 2024 (March 2024.: 117%) with liquid investment (G-secs and AAA rated bonds) being ₹11,246 crore (March-24: ₹10,459 crore). Per the cashflow statement in 9MFY25, the company has positive operating cashflow with the reported cash inflows (premiums received+ investment income) of ₹14,813 crore against claims payouts of ₹6,665 crore and total expense (opex + commission) of ₹7,113 crore.

Assumptions/Covenants

Not applicable

Environment, social, and governance (ESG) risks

The company is committed to sustainability, driven by a comprehensive and structured approach to understand relevant issues impacting stakeholders and business. Being a key player in health insurance space, the company is conscious about the general community's needs and the same in considered in decision-making process. This is reflected in the company's focus specifically on health, accident, and travel insurance - all characterised by quick turnaround times, high frequency, and high value claims. Formal inclusion of ESG / sustainability as an additional lens helps the company identify new ways to integrate sustainability into everyday functioning. The company's materiality assessment process for 2022-23 has aided in identifying key material topics on sustainability through engagement with both internal and external stakeholders. The company has undertaken a Materiality Assessment in consultation with a third-party organisation for the first time and intends to review progress on ESG initiatives under each material topic yearly.

Applicable criteria

Definition of Default
Issuer Rating
Rating Outlook and Rating Watch
Non - Life Insurance Sector

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Insurance	General Insurance

A publicly listed insurer based in Chennai, Star is majority-owned by Safecrop Investments India LLP (40.24%, an entity controlled by WestBridge Capital) and Rakesh Jhunjhunwala & family (17.14%). As on December 2024, it holds a 44% market share among standalone health insurers (SAHI) and 13% of the overall insurance market.

The company offers retail and group health insurance, personal accident, and travel insurance, with retail business contributing 92% of its Gross Written Premium (GWP) in 9MFY25. Star operates 910 branches, employs 7.61 lakh agents (80% of GWP), and partners with 69 channel partners. It has tie-ups with 14,343 hospitals, 77% of claims, from which, are covered by agreed network hospitals (ANH).

Brief Financials (Rs, crore)	FY22 (A)	FY23 (A)	FY24 (A)	9MFY25 (UA)
Gross Written Premium	11,463	12,952	15,254	11,643
PAT	-1,041	619	845	645
Claims outstanding	940	842	907	1,498
Total assets	12,684	14,614	17,127	18,517
Tangible Net-worth* (Incl. fair value changes)	3,785	4,832	5,744	6,609
NNPA (%)	0.00	0.00	0.00	0.00
Solvency Margin (times)	1.67	2.14	2.21	2.22

A: Audited UA: Unaudited; Note: these are latest available financial results
*Adjusted to deferred tax assets and intangible assets

Status of non-cooperation with previous CRA:
Not applicable

Any other information:
Not applicable
Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debt-Subordinate Debt	INE575P08040	28-Oct-2021	8.75%	29-Oct-2028	70.00	CARE AA; Stable
Debt-Subordinate Debt	INE575P08032	29-Sep-2021	8.75%	29-Sep-2028	400.00	CARE AA; Stable
Issuer Rating-Issuer Ratings	-	-	-	-	-	CARE AA+; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Debt-Subordinate Debt	LT	470.00	CARE AA; Stable	1)CARE AA; Stable (05-Apr-24)	-	-	-
2	Issuer Rating-Issuer Ratings	LT	0.00	CARE AA+; Stable	1)CARE AA+; Stable (05-Apr-24)	-	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debt-Subordinate Debt	Complex

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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