

## Star Health and Allied Insurance Company Limited

April 02, 2026

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Issuer rating	0.00	CARE AA+; Stable	Reaffirmed
Subordinate debt*	470.00	CARE AA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

\* CARE Ratings Limited (CareEdge Ratings<sup>1</sup>) has rated the subordinate debt considering regulatory conditions and in view of their sensitiveness to the company's solvency ratio and profitability due to the regulatory covenants in long tenure of the instrument. Interest payable on subordinate debt will be subject to the following:

- Solvency of the issuer remains 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.

Delay in payment of interest / principal (as the case may be) following the invocation of covenants, would constitute an event of default per CareEdge Ratings<sup>1</sup> 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 adequate profitability supported by healthy investment book. Ratings further factor in reputed promoter profile and resulting financial flexibility to raise capital, when needed.

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

### 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 continued growth and market share gain on a 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:

- Material decline in the scale of operations and market share.
- Sustained deterioration in underwriting performance (combined ratio sustaining over 110%) and decline in profitability metrics.
- Decline in the solvency margin below 1.70x on a sustained basis and material changes in the shareholding pattern, impacting assessed financial flexibility to raise funds, when needed.

### Analytical approach:

Standalone

### Outlook: Stable

The Stable outlook reflects CareEdge Ratings<sup>1</sup> view that the company will maintain its established market position and healthy profitability.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

## Detailed description of key rating drivers:

### Key strengths

#### Leading market position in retail health insurance space

Star is among the leading health insurance providers, holding an overall market share of 12.5% in 9MFY26 (FY25:13.9%) across standalone health insurance companies (SAHIs) and general insurance (GI) companies. Within the SAHI segment, the company maintains a market share of 41.0% in 9MFY26 (FY25: 44.0%).

Star's core focus is the retail health insurance segment, which accounted for ~93% of its gross direct premium (GDP) in FY25. In this segment, the company held a market share of 31.3% in 9MFY26 (FY25: 32.6%). Moderate decline in market share in the recent period has been driven by growth below the industry, attributable to the company's underwriting approach focused on financially viable policies, and increasing competitive intensity. Star recorded a compounded annual growth rate (CAGR) in GDP of 13.5% between FY22 and FY25, compared to 17.3% for the overall industry and 23.2% for SAHIs.

Star's market position is further supported by over 19 years of industry experience, backed by market knowledge and technical expertise developed over time. As of December 31, 2025, the company operates 913 branches (March 2025: 881), reflecting a wide pan-India presence.

Its extensive agency network, comprising 8.19 lakh agents as of December 31, 2025, contributed 84% of gross written premium (GWP) in 9MFY26 (March 2025: 83%). While the company is diversifying its distribution mix through digital and bancassurance channels, the agency channel is expected to remain the primary contributor.

Star also had a wide hospital network of ~14,900 hospitals as of December 31, 2025. Notably, 78% of claims in 9MFY26 were processed through agreed network hospitals (ANH), where treatment pricing is pre-negotiated, supporting better cost management and efficiency.

Going forward, CareEdge Ratings expects the company to maintain its market share within retail health at 30% levels. The company's ability to maintain its market share in the competitive health insurance space will be our key rating monitorable.

#### Comfortable solvency margins

Star has a comfortable solvency position supported by growing internal accruals (3-year average return on net-worth [RONW] of 13.4%). The company reported a solvency margin of 2.14x as on December 31, 2025 (March 2025: 2.21x) against regulatory requirement of 1.5x, translating into excess liquidity surplus of ₹2,150 crore (March 2025: ₹2,230 crore).

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 initial public offering (IPO) in FY22. The solvency is also supported by ₹470 crore of subordinate debt issued by the company.

However, going forward, CareEdge Ratings expects solvency buffer to remain sensitive to growth and profitability; deterioration may necessitate capital infusion. The expectation of need-based capital support from the promoters provides comfort.

#### Healthy investment book supports profitability, amid volatility in claims ratio

Star has remained consistently profitable, reporting a profit of ₹646 crore in FY25 (PY: ₹845 crore). Consequently, the RONW stood at 10.2% for FY25, (PY: 15.7%). Profitability has been supported by investment income and underwriting performance. Investment income increased to ₹1,281 crore in FY25 (PY: ₹1,085 crore), with the investment yield of 7.4% (PY: 7.3%). However, Star reported an underwriting loss of ₹379 crore in FY25 compared to underwriting profits of ₹90 crore and ₹205 crore in FY24 and FY23, respectively. This was driven by increase in claims ratio to 70.3% for FY25 against loss ratio of 66.5% for FY24. Increase in loss ratio is an industry wide trend; it was further driven by increasing seasoning for Star (policyholders coming out of waiting period) with company generating 80% of the business via renewals and increase in medical inflation. To cater to increasing medical inflation company has been increase prices on a regular basis. The expense of management to GDP ratio continues to be range bound at 31.1% for FY25 (PY: 30.7) led company's ability to maintain opex at a stable level. Accordingly, driven by the increase in the claim ratio, the combined ratio<sup>2</sup> rose to 102.6% in FY25 (PY: 99.3%).

<sup>2</sup> Combined ratio = (opex + commission)/ Net Earned Premium

In 9MFY26, the company reported an underwriting loss of ₹257 crore (PY: profits of ₹103 crore) with a combined ratio of 102.1% (PY: 100.9%). This is led by increase in expense of management to GDP ratio to 33.2% for 9MFY26 (PY: 31.6%) while the claims ratio marginally decreased to 69.8% against 70.9% in 9MFY26. Supported by investment income of ₹908 crore (PY: ₹998 crore), the RONW stood at 8.6% (13.9%).

Going forward, CareEdge Ratings expects the company to continue to maintain strong business growth and underwriting profitability with combined ratio in the range of 96% to 98%.

### Key weaknesses

#### Operations in single line of business exposes Star to event risks

Focused solely on health insurance, SAHI companies face greater exposure to event risks compared to players operating in multiple lines of business. While CareEdge 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. This 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 119% as on December 31, 2025 (March 2024.: 115%), with liquid investment (G-secs and AAA rated bonds) being ₹11,647 crore (March-25: ₹11,487 crore). Per the cashflow statement for 9MFY26, the company had positive free cashflow with the reported cash inflows (premiums received+ investment income) of ₹21,307 crore against claims payouts of ₹9,936 crore and total expense (opex + commission) of ₹5,318 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, which is considered in the 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 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

Star is India's leading standalone health insurer, backed by investors such as Westbridge Capital and Rakesh Jhunjunwala's family. It is a public listed company with significant institutional shareholding. As of December 2025, it holds a ~41% share in the standalone health insurance segment.

The company offers a wide range of health-focused products but remains retail-driven, with ~96% of premiums coming from retail customers. It has a nationwide presence with 900+ branches, a large agent network contributing most of its business, multiple bancassurance partnerships, and a large hospital network supporting its operations.

Brief Financials (Rs, crore)	March 31, 2024 (A)	March 31, 2025 (A)	December 31, 2025 (UA)
Gross Written Premium	15,254	16,781	12,654
Net earned premium	12,938	14,822	12,270
PAT	845	646	446
Claims outstanding	907	1,473	1,397
Tangible Net-worth*	5,966	6,652	7,249
Total Investments	15,491	17,898	19,200
Combined ratio^ (%)	99.3	102.6	102.1
Solvency Margin (times)	2.21	2.21	2.14
RONW (%)	15.7	10.2	8.6

A: Audited UA: Unaudited; Note: these are latest available financial results

\*Adjusted to deferred tax assets and intangible assets

^Combined ratio = (opex + commission)/ Net Earned Premium

#### 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
Subordinate Debt	INE575P08040	28-Oct-2021	8.75%	29-Oct-2028	70.00	CARE AA; Stable
Subordinate Debt	INE575P08032	29-Sep-2021	8.75%	29-Sep-2028	400.00	CARE AA; Stable
Issuer Rating	-	-	-	-	0.00	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 2025-2026	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
1	Subordinate Debt	LT	470.00	CARE AA; Stable	1)CARE AA; Stable (04-Apr-25)	1)CARE AA; Stable (05-Apr-24)	-	-
2	Issuer Ratings	LT	0.00	CARE AA+; Stable	1)CARE AA+; Stable (04-Apr-25)	1)CARE AA+; Stable (05-Apr-24)	-	-

LT: Long 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	Subordinate Debt	Complex

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CareEdge 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.

## Contact us

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