Management Discussion

Ansuman Deb - ICICI Securities Ltd
Yeah, good evening, ladies and gentlemen. It's an honor to host the senior management team of Niva Bupa. From the management, we have Mr. Krishnan Ramachandran, Managing Director and Chief Executive Officer, Mr. Ankur Kharbanda, Executive Director and Deputy Chief Executive Officer, Mr. Vishwanath Mahendra, Executive Director and Chief Financial Officer, and Mr. Bhabatosh Mishra, Chief Operating Officer. I now hand over the call to Mr. Krishnan. Over to you, sir.

Krishnan Ramachandran - Chief Executive Officer & Managing Director, Niva Bupa Health Insurance Company Limited
Thank you very much, Ansuman, and thank you everyone for making time for us this evening and good evening to all of you. Very briefly, to update you on a couple of broad topics. One is at the industry level, and this is in continuation of the update that I usually give, and also to give you a sense of the progress that we continue to make, as an industry. Firstly, from the awareness campaign, we've gone live with one more edition of the campaign. To update all of you, there is some background. [Speech Overlap] [Technical Issues]. Can you mute everyone else? Possible at your end?

Operator
Yes, everyone else is mute. Please continue.

Krishnan Ramachandran - Chief Executive Officer & Managing Director, Niva Bupa Health Insurance Company Limited
Sure. The creative set are being used in the industry awareness campaign and about INR150-odd crores is being spent over three years, to remind all of you, have been recognized as and judged as being award-winning ones, and there is impact on awareness of health insurance and specifically the fact that health insurance as an industry pays claims. So I think the KPIs for the campaign are moving in the right direction and this is something that we are, or we continue to be invested in as an industry. As far as overall industry growth is concerned, the industry continues to benefit from the GST tailwind as well as the one-by-one industry impact and Niva Bupa specifically for H1, our reported growth on retail health has been 47%. On the industry initiative around standardization, common empanelment, we continue to make great progress under the leadership of Dr. Prakash, who is the CEO of Health Partnering within the council. So as we speak, the MOU has been signed with more than 5,000 hospitals under the common empanelment initiative and we will be going live with 18 standard treatment workflows out of the 154 that ICMR has defined. To remind all of you, this is on top of admission criteria for eight infectious diseases and the position statements that the industry has rolled out for robotic treatments, modern treatments. So again, lots of progress and work being done on standardization. And again, to remind all of you, a good part of claims cost is captured in the pathway, and that is what the industry is addressing through the standardization initiatives. Specifically on Niva Bupa, as far as H1 performance is concerned, we've had a very encouraging H1 performance both on top line as well as bottom line. As far as our overall numbers without [Indecipherable] is concerned, we've grown 26% to reach INR5,004 crores in terms of GWP. Retail growth without [Indecipherable] is 37% and a number of INR3,800-odd crores. And on this basis, at this point, as of H1, 77% of our book is retail, up from the 75%-odd number that we had at the end of Q1. Our profit after tax and again, to remind all of you, we have transitioned to Ind AS , so our profit after tax on an Ind AS basis closed at INR273 crores, up from INR132 crores same period

last year. Our retail market share improved to 11%, up from 9.9% same period last year. On talent, we improved our ranking in the Great Places to Work survey to 41st out of the Great Places to Work, and we continue to figure in the top 25 in banking and financial services. On NPS, same period last year, we improved our blended NPS to 63, up from 57 last year. And on expense EoM, we are at 34.7%, well below the requirement of 35% plus allowances in our case. On claim settlement rate, we closed H1 at 95.6%, up from 94.6%. Our journey on technology, analytics, Generative AI, all of those are progressing apace and we continue to mature what we do specifically with GenAI. On PPN, which is a strategic initiative around steering our customers to the right care setup at the right cost. We are now present in 49 cities, 1,132 hospitals, and 22% of cashless claims in those hospitals are going to PPN setup. And, just to remind all of you, The PPN hospitals are 15% to 20% less expensive on a like-to-like basis compared to tertiary, quaternary care facilities. So that's a brief update from my side. Over to Vishwanath for financials, and then and then we're happy to take your questions.

Vishwanath Mahendra - Executive Director and Chief Financial Officer, Niva Bupa Health Insurance Company Limited
Thank you, sir. Good evening, everyone. So in terms of few financial KPIs, post-tax return on equity for last four rolling quarters is 13.8%. Combined insurance service ratio for H1 has improved by 365 basis points to 99.5%. Reduction is visible in both expense ratio, which is 78 basis points, and claims ratio, which is 287 basis points, resulting in improvement in CISR. Retail loss ratio has also improved by 77 basis points to 67.4% in H1. Like Mr. Kishan mentioned, EoM has improved to 34.7% from 38% last year, H1. The allowable EoM including additional allowances comes to 36.1%, so we are well within regulatory threshold. Annual investment yield excluding ETF for H1 is 7.4% with EoM of close to INR10,500 crores. Solvency ratio is at a healthy level of 2.03x as on 30th September against regulatory minimum of 1.50. So that was the key financial highlights for H1 '27. Happy to take any questions.

Questions & Answers

Operator
Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handset while asking a question. Ladies and gentlemen, let's wait for a moment while the question queue assembles. The first question is from the line of Shreya Shivani from Nomura. Please proceed.

Shreya Shivani - Analyst, Nomura Holdings
Yeah, thank you for the opportunity. I have two questions. First is on the loss ratio with the improvement that we are seeing on a YOY basis. Can you probably, I don't know if you can quantify it or if you can give some color around how much of it is to do with the weaker monsoon, lower seasonal diseases, in this quarter versus last year same quarter, or how much is to do with certain improvements or better efficiencies from our front? Maybe the wellness program is helping, etc. That's my first question. My second question is, on the working committees that have been, there were five working committees under Dr. S. Prakash. So are there any updates we should be expecting in terms of, apart from the common empanelment, will there be updates that probably will be shared with the larger public on maybe NHCX or any other development that you can talk about on that front? That would be useful. Thank you.

Vishwanath Mahendra - Executive Director and Chief Financial Officer, Niva Bupa Health Insurance Company Limited
Hi, Shreya. Thanks. Thanks for the question. So in terms of infection, what we have experienced is, it is in line with, let's say, last three years average. Which is slightly lower than last financial year, but the loss ratio improvement is driven, one, to some extent by this, but more about , our philosophy of writing high LTV. LTV is lifetime value of business. So it's a contribution of both, but at this point we can't segregate like how much is the contribution by each of those. But broadly, the business we have written in last two to three quarters, and you have seen the retail health growth. So that's one major factor which is driving implementing loss ratio.

Shreya Shivani - Analyst, Nomura Holdings
Right? And wellness programs would have a benefit on the loss ratio that's getting included in, like, there would be some benefit of those which continues to come in our loss ratios, right?

Bhabatosh Mishra - Director & Chief Operating Officer, Niva Bupa Health Insurance Company Ltd
We do embed and also facilitate, this is Bhabatosh here, sorry, facilitate healthy living programs and habits by product design and outside of product as well. Now needless to say, and you would agree, these programs take significant amount of time and sustained intervention to show up in results, especially when we talk of loss ratios. And it is not feasible or easy to delineate the impact of wellness vis-a-vis moderation in infection, vis-a-vis better quality business we write. Those colors and this, delineation is not possible. But we'll continue to invest in, healthy living habits, incentives through product and non-product means. Coming to the committees under the council and others, the council, as you know, most common initiative of common empanelment has become meaningful right now with more than 5,000 hospitals having signed MOUs and many thousands in queue and under process right now. The other big initiative is about adoption of clinical protocols, which is a hugely important consumer-centric initiative to award a clarity of what is the right treatment for them. Where eight infectious disease conditions went live some time back and followed by 18 more going live, which is out of the 157 STWs by ICMR a nd in phases, in collaboration, more of standardization and transparency in treatment guidelines for consumers will be adopted. Apart from that, the initiatives around position statements have seen the light of the day. It started with robotic surgeries and modern treatment like immunotherapies, and few others are already underway at a fairly advanced stage of discussion and alignment with relevant stakeholders. [Speech Overlap].

Shreya Shivani - Analyst, Nomura Holdings
[Indecipherable]

Krishnan Ramachandran - Chief Executive Officer & Managing Director, Niva Bupa Health Insurance Company Limited
Shreya just one other pointer to you. All of these are [Technical Issues] very well described on the GIT website. If you go to the website, all of what Dr. Bhabatosh mentioned are very well captured and described. [Speech Overlap]

Shreya Shivani - Analyst, Nomura Holdings
Sure, that's useful. Yeah, okay.

Operator
Thank you. The next question is from the line of Riddhesh Ram Gandhi from Discovery Capital, please go ahead.

Riddhesh Ram Gandhi - Analyst, Discovery Capital
Hi, sir. Congratulations on a good H1. We were just doing some amount of on-ground research just on the industry as a whole, ended up speaking to a whole bunch of, HNI insurance brokers just to get a sense on their take on the landscape and one of the consistent feedbacks which we've been receiving is that the claim payments which are being made by you and maybe Star Health c are are really, really low compared to some of the other insurance companies a nd the feedback from almost all consistently was, this was flagged as a large [Indecipherable] concern and a couple of cases where, people actually specifically pointed out where the cases were brought to the Ombudsman and there was no argument also from the Niva Bupa side, and obviously it was like ruled in favor of the patient. Just wanted to get your own take on this and what the longer-term implications could be, because this is a reputational issue which we are observing across about 11 brokers we spoke to.

Krishnan Ramachandran - Chief Executive Officer & Managing Director, Niva Bupa Health Insurance Company Limited
Yeah, look, I mean, I think it's fair to be informed by the voice of brokers, but what I would submit here is, we shouldn't mix the anecdote with the statistics. If you looked at [Speech Overlap] if you look at obviously available information on settlement rates, on complaint rates, that data is publicly available. That's the statistics and I articulated what the settlement rates are. These are available. You can glean this from public information. You can compare this what we have versus competition. And you can also look at complaint rates, and you can also compare benchmark us vis-a-vis [Indecipherable] competition. I think those are the true statistics of our performance and willingness, to do a great job on claims. I think, at the end of the day, health insurance company is in the business of paying claims. I think there's two other markers that I would draw your attention to. [Speech Overlap] One is retention rates. You know, if you look at our retention rates, consistently they have been improving. Second, this is a word-of-mouth business, and on balance, our ability to grow new business, is premised on having strong word-of-mouth around services, specifically claims. And therefore, if you look at, business growth for the company, 47% [Speech Overlap] business growth is not possible if on balance we are not doing a good job on claims. So I think what's important here is, of course, we also examine, we do our channel checks, we examine feedback from our distribution, bu t this is what the vast majority of, the statistics is telling us. And also, we measure NPS on claims, and this is also something that we publicly report, that NPS number has only been moving up. It's also been significantly assisted by GenAI. So in terms of consistency and accuracy of decision-making, that has also been consistently improving. So I would say your feedback is important, but the statistic actually says, and the results say something else. [Speech Overlap]

Riddhesh Ram Gandhi - Analyst, Discovery Capital
But there is a question on this NPS aspect. Obviously, NPS obviously takes into account a whole host of other things, and the claims settlement ratios is more of like numbers ratio. Is there any data you could share historically on your claims settlement ratio as the rupee value as opposed to in terms of the number of claims? Because we just want to sort of understand and dig deep a little bit there just to understand that.

Krishnan Ramachandran - Chief Executive Officer & Managing Director, Niva Bupa Health Insurance Company Limited
Look, that data is not publicly available, not for us, not for our competition. What I can tell you is

from our own channel checks, we are probably amongst the best, if not the best, " paymaster" on that front. [Technical Issues] That's one. Second is, look, when you talk about brokers, the vast majority of the business that the brokers do is actually B2B business. That business is in the scheme of things about 7% to 8% of what we do. And there, if the broker is sort of mixing groups or B2B with retail, you know, retail inherently because of product design does have terms and conditions which result in a higher proportion of rejections. But on the corporate side, there's, hardly any rejections. Settlement rates would be 98% to 99% for most companies, including us. So I also think that we need to filter out that , corporate from retail, and brokers by and large do corporate business.

Riddhesh Ram Gandhi - Analyst, Discovery Capital
So you're talking about retail? You're just saying that retail will continue to have higher rejection rates? And but I mean, any reason for that? [Speech Overlap]

Krishnan Ramachandran - Chief Executive Officer & Managing Director, Niva Bupa Health Insurance Company Limited
But because of the product design. The retail products have waiting periods, two-year exclusions, pre-existing waiting conditions, all of those inherently mean that there'll be more claims which are not payable, whereas in B2B policies These are open policies, close to 99% to 100% of claims get paid.

Riddhesh Ram Gandhi - Analyst, Discovery Capital
Okay, all right, okay. I would just recommend just doing some amount of work because look, it was just startling because all your numbers look good, but this is one aspect which has stuck out to us which I think might be worth digging in because obviously it could have a longer-term repercussion, these reputational issues as well.

Krishnan Ramachandran - Chief Executive Officer & Managing Director, Niva Bupa Health Insurance Company Limited
Well, look, we're happy to engage in a conversation offline. But what I'm telling you is, this is many, many, many more data points than perhaps your channel checks have allowed for.

Riddhesh Ram Gandhi - Analyst, Discovery Capital
Got it. Okay, fine. All right, thank you. That's all.

Operator
Thank you. The next question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain - Analyst, Motilal Oswal Financial Services
Yeah, hi everyone. Good evening. A few questions. Firstly, while some bit of claim ratio improvement was discussed earlier, but, also there has been a big element of fresh growth that would have come in and that would have also played a part in improvement of, loss ratio. So a couple of points there. One, as to, how much has fresh growth played in the improvement of losses, or anything between fresh growth and the renewal growth, if you can highlight some bit. Second bit there is on the fresh business compared to your back book. How different is your fresh book, say, in terms of age, in terms of average ticket size? How is it different? Is it adding to the value or we are getting on a lower ticket size? How is it kind of shaping up?

Krishnan Ramachandran - Chief Executive Officer & Managing Director, Niva Bupa Health Insurance Company Limited
So, Prayesh, on your first question with respect to improvement in claims ratio, if I break out our cohorts between new and renewal, broadly, the number that you've been consistently talking about with respect to the claims ratio on the renewal book of circa to 75%, we continue to run that book in that range only. And in terms of fresh, there has been some improvement over what we have historically seen. And you would have also seen that our ticket sizes have improved. So the quality of the fresh business that we're writing, if you look at the proportion of higher sum insured policies, that has actually gone up quite a bit. So that book is, especially on the back of the ReAssure 3.0 product, is even better than what historically we've written. So there's actually been an improvement in the fresh claims ratios. And the renewal has been stable, maybe some marginal improvement. So that's the first question you had. On the second one? On second, I think,

Vishwanath Mahendra - Executive Director and Chief Financial Officer, Niva Bupa Health Insurance Company Limited
Second I think, Prayesh had a question whether this book is adding value. So, actually that also we have talked about in the past. The combined ratio of renewal book is better than, that of new business, because of the expenses. So let's say if new business has 102% to 103% combined ratio The renewal book has more like 97% to 98%, so just to give you a glimpse of numbers.

Prayesh Jain - Analyst, Motilal Oswal Financial Services
Oh, my God, that's pretty helpful. So when I ask about value addition and the quality of the book that's getting added, the other aspect is if you look at higher ticket sizes, then the age generally, my assumption would be the age also goes up with ticket size because people of higher age would prefer higher ticket sizes than a younger age. So does that kind of bring in more risk to the loss ratios of the back book getting older earlier than what you would have, say, started off, say, about five to six years back, and the book maturing, say, after five years. [Speech Overlap]

Krishnan Ramachandran - Chief Executive Officer & Managing Director, Niva Bupa Health Insurance Company Limited
Prayesh, yeah, understood. But I think we've also discussed in the past that age is a rating factor,

Prayesh Jain - Analyst, Motilal Oswal Financial Services
All right.

Krishnan Ramachandran - Chief Executive Officer & Managing Director, Niva Bupa Health Insurance Company Limited
So the fact that we have, regardless of age, the claims ratio is addressed by having age as a rating factor. And so the premiums are just for claims experience of that age cohort. [Speech Overlap]

Prayesh Jain - Analyst, Motilal Oswal Financial Services
Got that. [Speech Overlap]

Krishnan Ramachandran - Chief Executive Officer & Managing Director, Niva Bupa Health Insurance Company Limited
it does age, every year that customers stay with us, but that does get factored into the pricing depending on the age band.

Ankur Kharbanda - Executive Director and Deputy Chief Executive Officer, Niva Bupa Health Insurance Company Limited
And to close this, the new book which is coming in is similar age of what it was earlier years. It's not very different.

Prayesh Jain - Analyst, Motilal Oswal Financial Services
Got that. That's pretty helpful. The other part was, while so many things are being discussed at the, health general insurance council under Dr. Prakash, a lot of things are getting developed. There are still a lot of issues with hospitals, and currently whatever has been said has been done with the smaller hospitals, not the bigger chains and the bigger part of the claims would be, in my assumption would be coming from these bigger chain of hospitals rather than the small hospitals. So how do you kind of see this, panning out and whether these large hospital chains will come into this fray and kind of help improve the loss ratios on the medium to longer term?

Krishnan Ramachandran - Chief Executive Officer & Managing Director, Niva Bupa Health Insurance Company Limited
Sure, thank you, Prayesh. In fact, I would say there are multiple initiatives, some are hospital size agnostic. For example, position statements and STW, standard treatment workflows, apply to all hospitals, large, medium, and small alike. Perhaps what you are referring to in terms of higher number of smaller and medium hospitals is with regard to the common empanelment process that has started with tremendous focus on smaller and medium hospitals, which have so far been, so to say, outside of the insurance ambit and there is tremendous positivity, interest, and spirit of partnership that council has experienced with this smaller hospitals and medium hospitals, which is reflected in the number, 5,000 MOUs done. But going back to the point, as I mentioned, many of, and this will gradually move on to the other set of hospitals. We started with hospitals which were outside of the ambit of insurance, and then gradually it would encompass others. The position statement in STWs, STGs apply to all hospitals alike. So there is significant movement, as I mentioned earlier. Started with eight, 18 getting added in this phase and more to come. Position statement two already live, many more under works at advanced stages are hospital size agnostic.

Prayesh Jain - Analyst, Motilal Oswal Financial Services
Got that, that's helpful. Last question is on the investment yield, that's gone up when we compare it with the full year FY '26. Markets, equity markets were flattish, bond yields have gone up. That would have impacted the yields on the bond side. Bond values would have been impacted. Still, the yields have gone up. What would you attribute that to, and what should we think about a more sustainable yield?

Vishwanath Mahendra - Executive Director and Chief Financial Officer, Niva Bupa Health Insurance Company Limited
Prayesh, let's say, the one we have given here, it is total EUM yield is 7.4%. As you mentioned also, the yield is on higher side. So all fresh investment is we are making is on high yield. So what that means is since we are investing at higher, so this 7.4% or 7.5% is sustainable in the, foreseeable future , and on equity side also, our book is, let's say, around 5.5% as we speak, on ETF, 5.5% of EUM. So there, that also we feel that, of course markets will, improve, so that will also add into investment income.

Prayesh Jain - Analyst, Motilal Oswal Financial Services
Got that. Thank you and wish you all a very happy Diwali. Thank you.

Vishwanath Mahendra - Executive Director and Chief Financial Officer, Niva Bupa Health Insurance Company Limited
Thank you.

Operator
Thank you. The next question is from the line of Karan Shah from CWC, please proceed.

Karan Shah - Analyst, CWC
Hi, thanks. Two questions, both on solvency, because it is one of the few metrics that has moved the other way while most of your numbers have improved consistently. So I understand that solvency is still comfortably above the regulatory minimum, but it's been trending down for the last seven to eight quarters. And reading the public disclosures, the reason seems like growth. Your required solvency margin is for the time being, being driven by net premium. So maybe at the pace of growth at which you've been growing, the ASM or the available solvency margin hasn't kept pace. Now I understand that under Ind AS, this is deferred acquisition cost, but solvency is still computed on the earlier basis where the costs are recognized upfront. So on that basis, my understanding is that the rapid growth absorbs capital before the book matures, and this ratio has stepped up in the past wherein fresh capital has come in, whereas the internal accruals have largely been absorbed by the pace of growth. So my question is that, is that the right way to read the decline? And as growth continues at this pace, how do you plan to manage solvency from here on?

Vishwanath Mahendra - Executive Director and Chief Financial Officer, Niva Bupa Health Insurance Company Limited
Sure. So you're right, solvency is still on Indian GAAP, and what we understand from various discussions we had with regulator, at some point in time it will move to risk-based capital, which will align with Ind AS [Indecipherable]. And as you know, we have higher net worth on Ind AS, but currently on H1, we have 2.03 solvency. So while you are right, it is declining, but it also has seasonality. Under IGAAP, the H1 has lower solvency on like-to-like basis. The profit coming H2, especially on Q4 . So that seasonality also you need to account for. We have done modeling, we are very comfortable with this level of solvency, and we don't think there will be any requirement to raise equity capital. We also have approval to raise debt capital up to INR500 crores from board. We will see if there is requirement, we can always always take debt. So otherwise we are very comfortable with, our growth and solvency level.

Karan Shah - Analyst, CWC
Understood. And if I understand it correctly, right now your ASM is calculated on the basis of premium, right? Not on the basis of claims.

Vishwanath Mahendra - Executive Director and Chief Financial Officer, Niva Bupa Health Insurance Company Limited
Yeah, yeah, that's right.

Karan Shah - Analyst, CWC
Understood. And my second question is that, while we understand the the draft distribution norms that have come out cut commissions meaningfully, and regulator wants the savings to be passed on

to the policyholders. Now what this would mean is either lower premiums or a higher sum insured for the same premium. And today, as your RSM is being driven by premium, but the claims-based RSM, which is, calculated on claims, is not far behind, right? So if premiums come down while claims stay where they are, the claims-based measure, which is the claims-based RSM, could take over a nd beyond that point, price cuts would no longer ease the capital requirement. And at the same time, if savings in the premium go into a higher sum insured, claims would also rise basis the premium given. So the requirement, Insolvency would actually go up. Now my question is that, as these norms are finalized broadly as they are drafted, how do you expect to pass the benefit through to the policyholders and what this would entail for your solvency ratio?

Vishwanath Mahendra - Executive Director and Chief Financial Officer, Niva Bupa Health Insurance Company Limited
So in terms of passing on benefit, yes, whenever, these regulations are in place, we will certainly would like to pass on benefit. As we have mentioned earlier also, our target is to have mid to high teens ROE. So whatever is, excess, we'll pass on to customer. But seeing that claims solvency will trigger in, those kind of things are still, I would say, too premature to talk about those things. I mean, let's say tomorrow RPC comes, so it will have different formula altogether, but we have done a broader modeling on both sides, IGAAP and Ind As. We are comfortable with the current level of solvency.

Karan Shah - Analyst, CWC
Understood. And if you could just one, yeah, please, please. [Speech Overlap]

Krishnan Ramachandran - Chief Executive Officer & Managing Director, Niva Bupa Health Insurance Company Limited
Sorry, just to add to what Vishwanath said, I mean, yes, claims is one thing, but expense of management including acquisition cost is another thing. And broadly, the point is CISR of between claims and cost, 98% to 99% is what you should continue to expect from us.

Karan Shah - Analyst, CWC
Understood. And if you could just help me with the broad understanding on the IFRS-based solvency that you've computed yourself, where does that range lie, or on RBC or IFRS as you've computed?

Vishwanath Mahendra - Executive Director and Chief Financial Officer, Niva Bupa Health Insurance Company Limited
So what we understand is there will be some exposure draft or some, QIS which will be released by IRDA, and at that point in time we will share, what is the impact on solvency and capital requirement.

Karan Shah - Analyst, CWC
All right, thank you so much and wish you guys and your team a very happy Diwali.

Vishwanath Mahendra - Executive Director and Chief Financial Officer, Niva Bupa Health Insurance Company Limited
Thank you. Same to you.

Operator
Thank you. The next question is from the line of Srih ari from Avendus Sp ark. Please go ahead.

Srihari Venugopalan - Analyst, Avendus Spark
Yeah, can you hear me?

Vishwanath Mahendra - Executive Director and Chief Financial Officer, Niva Bupa Health Insurance Company Limited
Yes, please.

Operator
Yes sir.

Srihari Venugopalan - Analyst, Avendus Spark
Yeah, sir, just, I have three questions broadly. One is on loss ratio. There's a substantial improvement H1 to H1, 66% to 63% odd. But, if I can see, that there's an improvement in your retail claims ratio as well, but that is a little lower, from 68% to 67.4%. So broadly, the improvement has come in group health in terms of loss ratio. Is it basically because, corporate employed employees is something you've foregone to an extent, that is more focused on attachment products? That is what is helping the group loss ratios improving so much? Number one. Second is, on the similar line, obviously, if the regulation goes through as is, there is going to be some impact on this attachment business and also potentially on business from PB. So, how exactly would you plan to offset any potential growth impact on these two lines? Because the commission capping is going to be a lot stricter and there could be some disincentivization. And three, your investment book, I just want to understand what you're classifying in FVTPL and what you're classifying in FVOCI. Because if one of your competitors, the listed competitors, classifies debt as amortized cost, but I think here there's significant fair value loss in OCI. So, how exactly are we, classifying between, FVTPL and FVOCI on the instrument side? And the OCI loss, is it largely on debt or on equity?

Krishnan Ramachandran - Chief Executive Officer & Managing Director, Niva Bupa Health Insurance Company Limited
So, on your first question with respect to group business, so if I look at our group business overall, we have actually experienced flat or degrowth in that business. So it's not for lack of focus, but, on the B2B side specifically, we've always maintained that it's a function of the pricing environment, and we are happy to not get business if the pricing does not support our requirements on combined ratio. So that business has actually been either flat or degrowing, and specifically the B2B one is a smaller proportion of our overall book, and that's why you have seen the improvement in the overall claims ratio [Indecipherable]. On the attachment and PB, I'll request Ankur to it.

Ankur Kharbanda - Executive Director and Deputy Chief Executive Officer, Niva Bupa Health Insurance Company Limited
So on the attachment business, what we have understood is, and I'm sure data is also available, one of the big reasons for delinquency in the loans is hospitalization. So our product of hospitalization, health product is a very relevant and important product for any loan business[Indecipherable]. So from an overall business point of view, we feel that even if the commission goes down, the product remains relevant and an important one for all of them to use. That pricing may change, will be more product innovation, etc., etc., etc., will also happen there. So what we see is business remains as is, volume remains as is. In fact, volume goes up because of this. Value probably may go down on this, but we are figuring out, aligning all of the partners in terms of ensuring that, the consumer is protected, all the loanees are protected over there. Second, your point on PB, our sense on PB

business is that they are a machine which the customer today in India knows that if he wants to buy a health insurance, he goes to, a lot of times to Policy Bazaar. Their business overall, probably the growth may come down, but their business will still be going on at a market growth rate what it is today. And hence our business also stays, continues, a nd we work, with all our partners, not just PB, but all our partners, to ensure that the new business model, how are we coming up with the new business model basis the new regulations, we work with them so that we continue to grow, they continue to grow a nd the overall vision for the regulator is that when the price goes down, or if the commission goes down, the price holds for some time, doesn't go up, that would mean the demand goes up, which we have seen in GST. When the demand goes up, overall growth of the insurance goes up. That's how what we are looking at in all our business channels, including the PB as well.

Krishnan Ramachandran - Chief Executive Officer & Managing Director, Niva Bupa Health Insurance Company Limited
And if I may add, in terms of the employer-employee as well, our focus largely has been and then our strategy has been to stay prudent, look at financial profitability, viability, and thus a lot of focus and action around SME. Our proportion within the E2 employee-to-employee-employer groups, the SME groups, continues to perform robustly with the growth. That also helps overall in terms of the loss ratios.

Vishwanath Mahendra - Executive Director and Chief Financial Officer, Niva Bupa Health Insurance Company Limited
On your third question regarding investment, So, majorly it is at fair value. There is very small, FD which is at book value. In terms of, how it flows, so all ETF, EIF, liquid mutual funds, they are, fair value through P&L. All bonds which is sizable, which is a major investment, all government and corporate bonds, that is fair valued through OCI, other comprehensive income.

Srihari Venugopalan - Analyst, Avendus Spark
Okay, that's helpful, sir. Just one thing. So just to understand the loss ratio improvement, is it the case that the attachment business loss ratio has improved quite substantially then, or is it more that it's just a mix change and, there's a higher attachment versus B2B? Because a good chunk of the loss ratios seems to be driven by this group business only. Just want to understand that.

Krishnan Ramachandran - Chief Executive Officer & Managing Director, Niva Bupa Health Insurance Company Limited
No, it's more mixed. I think the loss ratios have been stable on the group, affinity side. It's more mixed which is driving this. Y eah.

Srihari Venugopalan - Analyst, Avendus Spark
Okay, okay, thank you.

Operator
Thank you. The next question is from the line of Nishchint from Kotak Securities. Please proceed.

Nischint Chawathe - Analyst, Kotak Securities
Hi, thanks for taking my question. Actually, I'm just going to start from, where we ended, the previous participant. The claims ratio in group business, seems to have gone up quite sharply this quarter. I'm comparing, YOY and QOQ. So I'm just curious, what really happened over here.

Vishwanath Mahendra - Executive Director and Chief Financial Officer, Niva Bupa Health Insurance Company Limited
Has not gone up Nischint. Total losses show H1 '26 is 65.9%, which has gone down to 63.1%, slide number 23 of our investment debt.

Nischint Chawathe - Analyst, Kotak Securities
That's right, I'm looking at the group business.

Vishwanath Mahendra - Executive Director and Chief Financial Officer, Niva Bupa Health Insurance Company Limited
See, this has gone down by almost 300 basis points. The improvement in retail is 77 basis points. What means is the group has only gone down. Which slide you are referring to?

Nischint Chawathe - Analyst, Kotak Securities
Sure. So the retail is 64.7%, right?

Vishwanath Mahendra - Executive Director and Chief Financial Officer, Niva Bupa Health Insurance Company Limited
Retail is 67.4%. You mentioned 64.7%, it's 67.4%.

Nischint Chawathe - Analyst, Kotak Securities
Okay, got it, got it, got it. Just moving on, so in terms of trends for October, I was just curious, are we seeing any slowdown, given the fact that the benefits of GST exemption are now in the base?

Ankur Kharbanda - Executive Director and Deputy Chief Executive Officer, Niva Bupa Health Insurance Company Limited
From a growth perspective for October, obviously the base has changed now. Base has changed now because last year October was very good growth, but we still, grew in the 30s in terms of our overall business, retail business, and I see this trend continuing as well from here.

Nischint Chawathe - Analyst, Kotak Securities
Got it. The other thing is that, we've done very well on the claims ratio side. So would you add, for this particular quarter specifically, kind of, give any sort of weightage to lower frequency versus previous years? Or is this kind of, more the new normal number where, we kind of move up, move whatever, from here on? Is there any one-off in this is what I think I'm asking.

Krishnan Ramachandran - Chief Executive Officer & Managing Director, Niva Bupa Health Insurance Company Limited
Now, as we referred to this earlier, it's a multifactorial, thing which is lower than anticipated. However, in line with last three years' infection rates, business growth, ticket size growth on retail, retail growth, higher sum insured proportion going up, and so on and so forth. So it's It's simply not possible to delineate each of the effects because each influences the other. It's a mix of all the factors that I mentioned. Nischint in keeping with broadly what we have said in the past, the idea is to work the retail loss ratio to an overall combined ratio, so our pricing actions, will be informed by that. So I would say no one-offs, but I would say steady portfolio management, portfolio steering is what you should continue to expect from us.

Nischint Chawathe - Analyst, Kotak Securities
Got it. And, if I look at the acquisition ratio, which is somewhere closer to around 29% today, if I

simply input the, commission rates that are proposed by the regulator, where would this go to?

Krishnan Ramachandran - Chief Executive Officer & Managing Director, Niva Bupa Health Insurance Company Limited
It's 21-point-something percent. Nischint [Indecipherable]

Nischint Chawathe - Analyst, Kotak Securities
Okay, so where will it go to?

Vishwanath Mahendra - Executive Director and Chief Financial Officer, Niva Bupa Health Insurance Company Limited
It's too early to say, because, there will be a lot of mixed impact, in case of some of these channels , there can be, price decrease, let's say Affinity, etc. So where it will end, we will wait for some more clarity from regulator side, and then we'll be able to share with you.

Nischint Chawathe - Analyst, Kotak Securities
Okay, okay, thank you very much.

Operator
Thank you. The next question is from the line of Ansuman Deb from ICICI Securities. Please go ahead. Ansuman, can you hear us? Hello, Ansuman sir, can you hear us?

Krishnan Ramachandran - Chief Executive Officer & Managing Director, Niva Bupa Health Insurance Company Limited
I guess he has dropped off, so we can take it offline.

Operator
No problem. As there is no response, Sir, can you please give the closing comments now? Management?

Krishnan Ramachandran - Chief Executive Officer & Managing Director, Niva Bupa Health Insurance Company Limited
No, I think just in closing, thank you once more, all of you, and wishing every one of you a very, very happy Deepavali. I just want to pick up what got discussed, what Ankur also mentioned with respect to the distribution reforms. You know, we have seen through GST that price elasticity of demand is very real. So regardless of where the level comes up with, clearly we believe that volume growth and expansion of market will get a significant steer from whatever comes out. And through that, whether it's our distribution partners, whether it's the customer or us, as this has been the case in the last one year, I'm quite confident that we will find an answer that works for all stakeholders. So just wanted to close on that note. Happy Diwali, all of you, in advance.

Vishwanath Mahendra - Executive Director and Chief Financial Officer, Niva Bupa Health Insurance Company Limited
Thank you. Thank you, everyone.

Operator
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.