

# FINANCIAL SUSTAINABILITY IN THE HEALTH INSURANCE SECTOR AT STAR HEALTH INSURANCE

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**Abstract:** This research analyses the financial sustainability of Star Health and Allied Insurance Co. Ltd., a top private standalone health insurer in India. With the healthcare sector becoming more complex as medical expenses rise, regulatory demands increase, and customers become more demanding, financial sustainability has emerged as a key driver of long-term success. This study employs a mixed-methods strategy of ratio analysis, trend analysis, and comparative financial performance between the years 2020 and 2024. Performance indicators such as the claims ratio, expense ratio, net profitability, solvency, and liquidity are examined to determine how Star Health developed and responded to internal and external forces. The results show significant enhancements in claims handling, operational effectiveness, and profitability despite liquidity and working capital challenges. The report points to the need for digitalization, investment prudence, and forward-looking risk management in ensuring business continuity. This study provides useful insights to stakeholders in the insurance industry, including policymakers, investors, and financial analysts who wish to know the dynamics of private health insurance in India

## I. INTRODUCTION

The Indian health insurance market has witnessed a paradigm shift over the last ten years, characterized by increasing private sector participation and government efforts towards universal coverage. Financial viability in this area is crucial, especially with increasing claim payouts, policyholder aspirations, and technology disruption confronting insurance companies. It is characterized by an insurer having the capability of staying solvent, earning returns, and managing risk while offering affordable products to an increasing number of people.

Star Health and Allied Insurance Co. Ltd., set up in 2006, is India's first health insurer and has carved a niche by delivering customer-specific, disease-oriented, and digitally enabled products. With rising healthcare demands, Star Health's approach to keeping costs low but profitable makes it an interesting case study.

This paper discusses the financial trajectory of Star Health over four years of its fiscal cycles, monitoring key indicators that indicate its operational well-being. The aim is to determine if the existing practices and strategic moves of the company are compatible with long-term sustainability. The significance of this study is not merely its corporate orientation but its application to the larger discourse regarding the changing scenario of health insurance in India. Knowing how a large player such as Star Health manages financial risks, market fluctuations, and regulatory issues will give important insights into what sustainability is in concrete, quantifiable terms.

## II. REVIEW OF LITERATURE

### 1. Kumar and Rangarajan (2011)

This study explores the factors affecting synergy between insurers and healthcare providers in India. They analyse the dynamics of collaboration and its impact on the financial sustainability of health insurance schemes. Their findings suggest that effective partnerships can enhance service delivery and financial performance.

**2. Maurya and Asher (2021)**

It discusses the need for a sustainable health financing system in India, emphasizing the importance of shifting focus from healthcare to health. They propose strategies to reduce production costs and align incentives to mitigate inefficient behaviours among stakeholders, contributing to financial sustainability.

**OBJECTIVES OF THE STUDY****Primary Objective:**

- To assess the financial sustainability of Star Health Insurance by evaluating key financial indicators such as liquidity, solvency, and asset management.

**Secondary Objectives:**

- To analyse balance sheet and income statement performance of the company
- To assess the profitability of Star Health Insurance by examining trends in net profit margins and return on equity
- To study the financial health of the company by using various reports.

**III. RESEARCH METHODOLOGY**

- **Research Design:** Descriptive
- **Data Sources:**
  - **Secondary:** Internal company documents, journals, and online sources report.
- **Tools Used:**
  - Ratio analysis
  - Trend analysis

**DATA ANALYSIS AND INTERPRETATION (SUMMARY)**

- **Claims Ratio Improvement:** The claims ratio has declined substantially from 94.44% in FY 2020–21 to 66.47% in FY 2023–24.
- **Expense Ratio Stability:** The expense ratio has been relatively stable around 30%, demonstrating Star Health's consistent cost control measures.
- **Profitability Turnaround:** Star Health's financial turnaround is clearly demonstrated by the shift from consecutive losses in FY 2020–21 and FY 2021–22 to a net profit of ₹845 crores in FY 2023–24.
- **Liquidity Trends:** Star Health's current ratio fell from 2.01 to 0.70, and working capital turned negative, indicating tightened liquidity post-IPO.
- **Solvency Maintenance:** Throughout FY 20–24, Star Health maintained equity ratios above 30% and kept debt levels manageable.
- **Asset Management Efficiency:** Total asset turnover improved from 0.53 to 0.73, indicating better revenue generation from assets.
- **Comparative Growth:** Assets and liabilities have both grown steadily, reflecting business expansion.

**SUGGESTIONS**

- Star Health Insurance has significantly enhanced its claims management practices. The claims ratio saw a sharp decline from 94.44% in FY 2020–21 to 66.47% in FY 2023–24, reflecting effective underwriting, fraud control measures, and improved risk assessment. This directly contributes to increased profitability and financial resilience.
- The company has maintained an expense ratio of approximately 30%, indicating stable and efficient management of operational and administrative expenditures. This consistency demonstrates the company's ability to control costs even as it scales up its operations and invests in digital transformation.

- Star Health achieved a remarkable turnaround by reporting a net profit of ₹845 crores in FY 2023–24, following losses in FY 2020–21 and FY 2021–22. This improvement is attributed to better claims management, disciplined expense strategies, innovative product offerings, and stronger investment performance.
- Despite these gains, there is concern regarding liquidity. The current ratio declined from 2.01 to 0.70, and working capital became negative. Although there was slight recovery in FY 2023–24, this calls for improved cash flow forecasting, better premium collection mechanisms, and proactive liquidity management to maintain financial stability.

#### **IV. CONCLUSION**

Star Health and Allied Insurance has emerged as a strong and adaptive player in India's dynamic health insurance sector. The company's financial performance reflects sustained growth driven by robust underwriting practices, a diversified product portfolio, and an extensive distribution network. These elements have enabled Star Health to maintain operational strength and expand its market presence. The company's steady improvement in profitability and asset utilization further highlights its disciplined approach to financial management, positioning it favorably among private health insurers in a competitive landscape.

In response to evolving healthcare needs and regulatory developments, Star Health has proactively adopted digital technologies and customer-centric innovations. Its focus on technological integration, streamlined claims processes, and accessible service delivery showcases a deep understanding of modern consumer expectations. These strategic initiatives not only improve operational efficiency but also enhance customer satisfaction and loyalty. Such forward-thinking measures are crucial in a rapidly changing environment where flexibility, innovation, and responsiveness determine long-term relevance and industry leadership.

Ultimately, the financial sustainability of Star Health is not merely a reflection of past performance but a testament to its resilience and strategic foresight. The company's ability to navigate market complexities, manage financial risks, and seize emerging opportunities underscores its long-term viability. With a commitment to excellence, innovation, and trust, Star Health stands poised to shape the future of India's health insurance sector—setting a benchmark in financial strength, service quality, and industry leadership that others can aspire to follow.

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