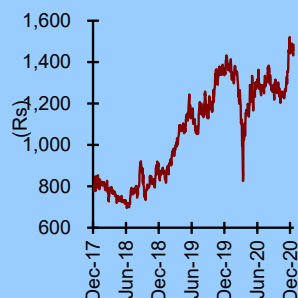


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### Sector update

ICICI Lombard (BUY)



## General insurance

### Motor improves, while health softens in Nov'20

There is a noticeable recovery in motor premium growth in Nov'20 across the industry with ICICI Lombard (ICICIGI) continuing to outperform in this category. However, health GDPI growth (+1.6% YoY) softened in Nov'20 as group health GDPI declined 8% YoY while retail health GDPI growth slowed down to 17% YoY. ICICIGI / BAGIC reported a decline of 19% / 13% YoY while SAHI GDPI grew 14% YoY in Nov'20. We continue to remain constructive on non-life insurance space driven by (1) expected recovery in motor premiums, (2) expected price hike in motor TP in FY22, (3) moderating Covid claims and (4) strong outlook for health premiums.

► **ICICI Lombard (ICICIGI) has consistently outperformed in motor. November has been stronger.** FY21-TD, ICICIGI has registered +3.5% GDPI (ex-crop) growth till Nov'20 largely in-line with industry growth of +3.6% YoY. For the month of Nov'20, GDPI (ex-crop) grew 7% YoY.

- **Motor premium:** Total motor premiums for ICICIGI changed by +14%/0.1% YoY in Nov'20/FY21-TD compared to industry change of +6.6% /-8%. Overall motor share has improved from 9.8% in FY20 to 11% in FY21TD.
- **Motor package:** There has been a change in disclosure from the month of Nov'20 in terms of motor GDPI segment. New disclosures are given in three types; 'pure motor OD', 'pure motor TP' and 'motor package (OD + TP)'. ICICIGI market share in motor package segment stood at 13% in FY21-TD. ICICIGI's mix of motor package in overall motor segment stood at 88% vs industry mix of 71% as on FY21-TD.
- **Health premiums** for ICICIGI changed by -19%/-1% YoY in Nov'20/FY21-TD compared to industry change of +2%/+13%. Health premiums declined in Nov'20 due to a sharp decline of 27% YoY in group health segment. Nov'20 group premiums came in at Rs1.34bn vs monthly average of Rs1.84bn (Apr'20-Oct'20). Retail health premiums grew 11% YoY in Nov'20 as against 30% average growth seen in Apr'20-Oct'20. In absolute terms, retail premium softens to Rs0.5bn vs an average of Rs0.6bn seen in Apr'20-Oct'20.

► **BAGIC shows improving trends in motor health premiums:** FY21-TD, BAGIC's GDPI (ex-crop) declined 9.6% YoY. For the month of Nov'20, GDPI (ex-crop) declined 3.4% YoY.

- **Motor premium:** BAGIC's overall motor GDPI declined 2% / 19% YoY in Nov'20 / FY21-TD (vs average decline of 18% YoY seen during Jun'20-Sep'20). BAGIC's total motor market share declined to 6.9% in FY21-TD compared to 7.6% in FY20.
- **Motor package:** In terms of motor package, market share stood at 7.9% in FY21-TD and mix of motor package stood 81% in FY21-TD.
- **Health premium:** Health GDPI has declined 13% / 16% YoY in Nov'20 / FY21-TD. Group GDPI declined 21% YoY while retail premium grew at a marginal pace of 0.5% YoY in Nov'20.

► **Covid claim amount rose by US\$209mn in Aug'20, US\$374mn in Sep'20, US\$305mn in Oct'20 and US\$249mn in Nov'20 – signalling a sign of moderation.**

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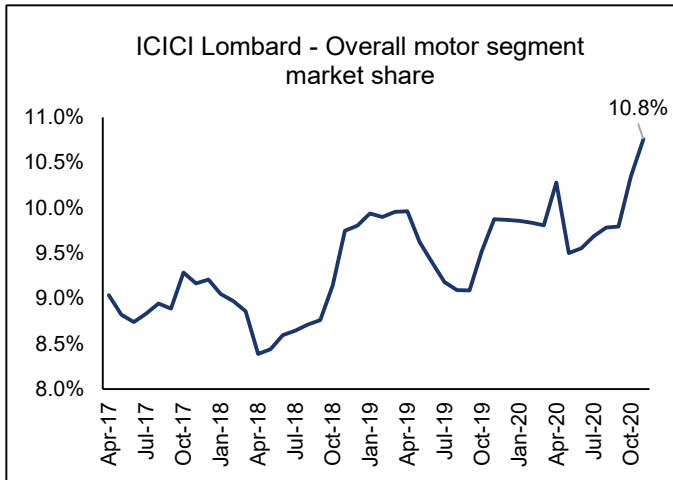
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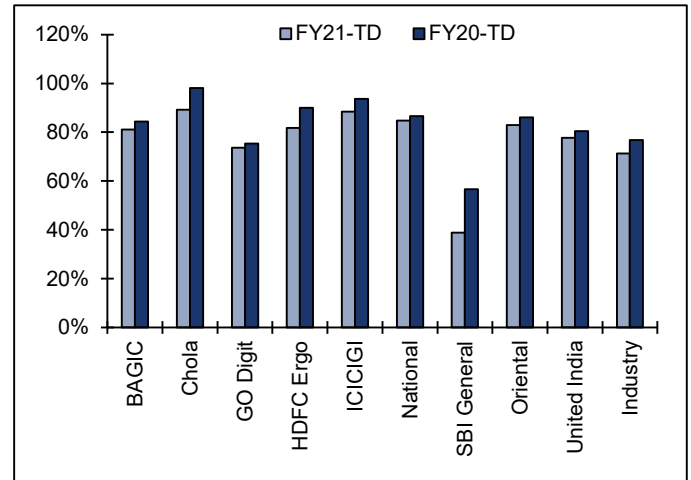
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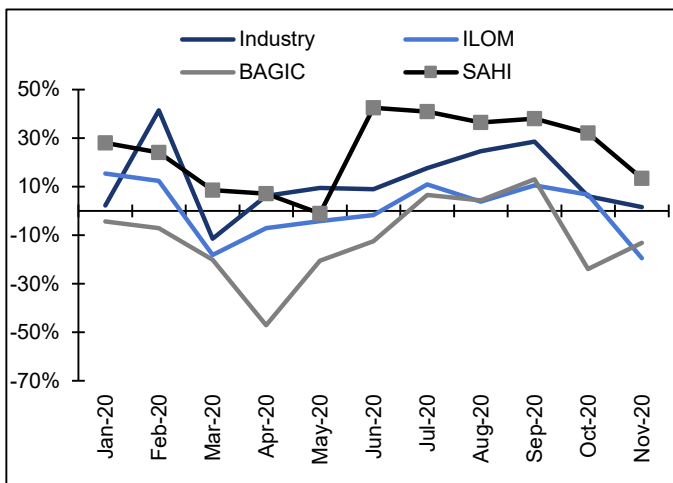
**Chart 1: ICICI Lombard has seen consistent improvement in overall motor segment market share**



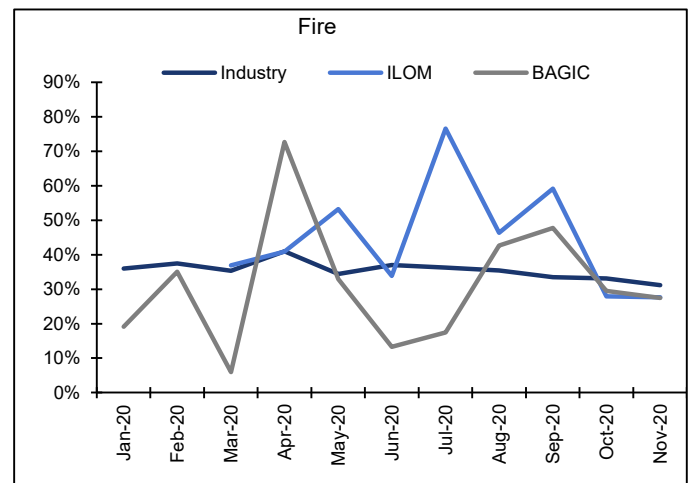
**Chart 2: Motor package mix for non-life insurers**



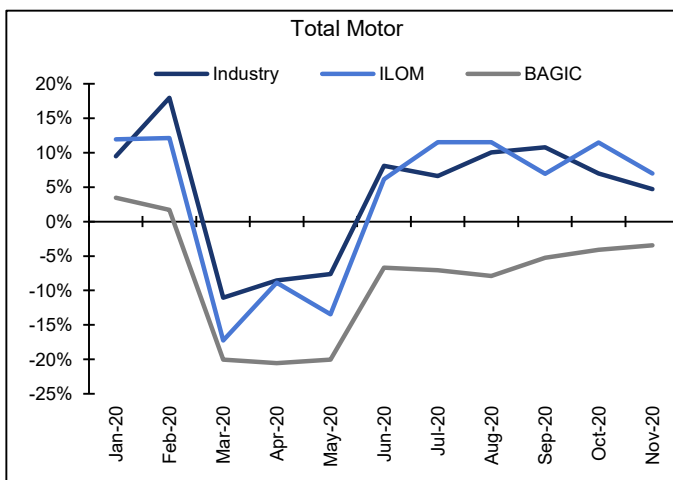
**Chart 3: Health premium growth**



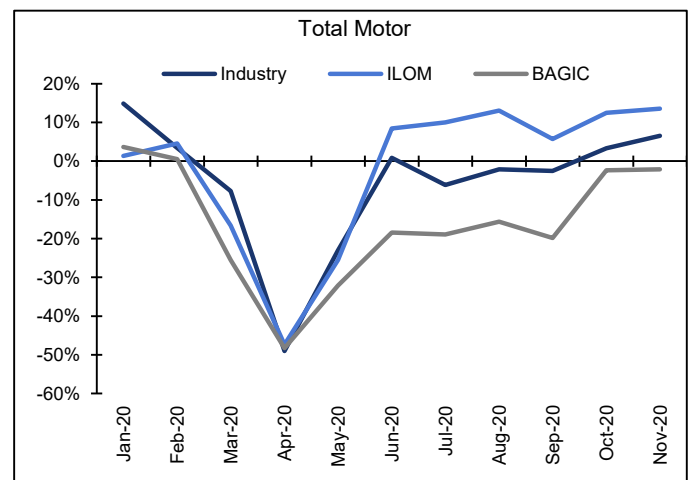
**Chart 4: Fire premium growth**



**Chart 5: Overall GDP growth (ex-crop)**



**Chart 6: Motor premium growth see improving trend**



Source: IRDAI

**Table 1: Monthly premium growth**

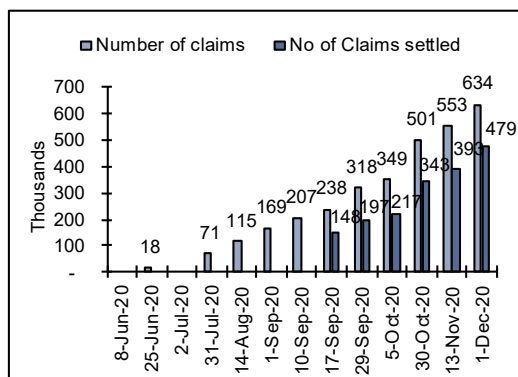
| Rs bn<br>Segment | Industry |      | ICICIGI |      | BAGIC  |      |
|------------------|----------|------|---------|------|--------|------|
|                  | Nov'20   | %chg | Nov'20  | %chg | Nov'20 | %chg |
| Fire             | 11.8     | 13%  | 1.1     | 28%  | 0.8    | 27%  |
| Motor            | 63.5     | 7%   | 8.3     | 14%  | 4.5    | -2%  |
| Healthcare       | 40.4     | 2%   | 1.9     | -19% | 1.3    | -13% |
| Retail           | 18.6     | 17%  | 0.5     | 11%  | 0.5    | 0%   |
| Group            | 21.8     | -8%  | 1.3     | -27% | 0.7    | -21% |
| Marine           | 2.9      | -2%  | 0.5     | 4%   | 0.1    | -10% |
| Engineering      | 2.0      | 10%  | 0.3     | 48%  | 0.1    | 29%  |
| Aviation         | 0.3      | -54% | 0.1     | -13% | 0.0    | 100% |
| Liability        | 2.3      | 21%  | 0.4     | 8%   | 0.2    | 19%  |
| PA               | 3.6      | -8%  | 0.3     | -35% | 0.2    | -35% |
| Crop             | 18.7     | -10% | -       |      | 1.4    |      |
| Misc             | 4.1      | 2%   | 0.4     | 58%  | 0.4    | -23% |
| Total            | 149.6    | 2.7% | 13.1    | 7%   | 9.0    | 14%  |
| Ex crop          | 130.9    | 5%   | 13.1    | 7%   | 7.6    | -3%  |

Source: IRDAI

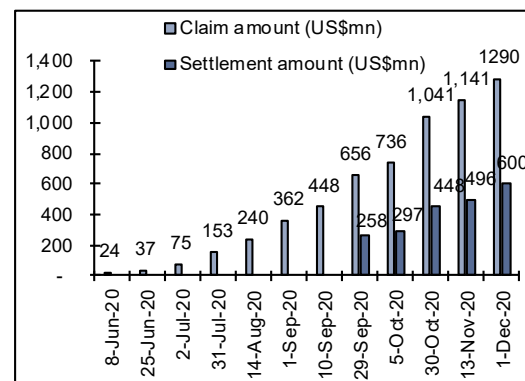
**Table 2: YTD premium growth**

| Rs bn<br>Segment | Industry |       | ICICIGI |      | BAGIC  |      |
|------------------|----------|-------|---------|------|--------|------|
|                  | Nov'20   | %chg  | Nov'20  | %chg | Nov'20 | %chg |
| Fire             | 143.3    | 31%   | 15.4    | 44%  | 11.1   | 40%  |
| Motor            | 416.3    | -8%   | 44.8    | 0%   | 28.9   | -19% |
| Healthcare       | 369.2    | 13.0% | 18.7    | -1%  | 13.1   | -16% |
| Retail           | 157.7    | 31.4% | 4.5     | 28%  | 5.0    | 23%  |
| Group            | 211.5    | 2.3%  | 14.2    | -7%  | 8.1    | -30% |
| Marine           | 22.0     | -10%  | 3.1     | -11% | 1.1    | -7%  |
| Engineering      | 18.5     | 8%    | 2.4     | 16%  | 1.5    | 46%  |
| Aviation         | 4.5      | 11%   | 0.7     | 19%  | 0.1    | 113% |
| Liability        | 21.8     | 14%   | 3.5     | 11%  | 2.8    | 18%  |
| PA               | 31.6     | -6%   | 2.1     | -39% | 1.3    | -28% |
| Crop             | 215.1    | -8%   | 0.3     | -53% | 19.0   | 3%   |
| Misc             | 35.1     | -6%   | 1.9     | -21% | 3.5    | -24% |
| Total            | 1,277.4  | 1.4%  | 93.0    | 3.1% | 82.5   | -7%  |
| Ex crop          | 1,062.4  | 3.6%  | 92.7    | 3%   | 63.5   | -10% |

Source: IRDAI

**Chart 7: Pace of incremental Covid claims has moderated...**

Source: Media reports

**Chart 8: ...so has Covid claim amount**

Covid claim amount rose by US\$209mn in Aug'20, US\$374mn in Sep'20, US\$305mn in Oct'20 and US\$249mn in Nov'20 – signalling a sign of moderation

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