

Indian Motor Insurance

Favorable auto sales mix driving premium growth

Rising share of UVs, CNG, automatics, EVs & top-end models

- The motor insurance premium has seen a CAGR of 5.5% over FY20-23, with YTD growth standing at 15%. Specifically, for Motor OD, the three-year CAGR/YTD growth has been 6.2%/18%, whereas for the Motor TP segment, the CAGR/YTD growth has been 5.1%/11%.
- The auto industry sales for passenger vehicles/2Ws have registered a three-year CAGR of 12%/-4%, while YTD growth stood at 9%/12%.
- New vehicle sales account for a significant portion of the motor segment's insurance premium. However, the correlation is stronger with the value growth of the industry than the volume growth.
- We note that the auto industry trends such as rising share of UVs, preference for top-end models, the growing adoption of CNG/EVs, acceptance of automatic variants, and the rising popularity of scooters and higher cc 2Ws, have all played a favorable role for the motor insurance industry.
- These trends are structural in nature and will provide support to the motor insurance premium growth even in a phase of a slow auto sales growth.
- We note that the insurance premium for CNG vehicles of the same variant is 18% higher, for automatic vehicles, it's 4% higher, and for UVs of the same CC, it is 12% higher.
- We remain positive of ICICIGI as it improves its market share in the auto segment and we maintain our BUY rating on the stock with a one-year price target of INR1,900 (33x FY26E EPS).

Passenger vehicle segment seeing marked changes in product mix

- **Top variant:** As per media reports (<https://tinyurl.com/yck9n6kv>), the share of customers choosing the top variant while purchasing a passenger vehicle has increased from 27% to 43% in the past one year. The insurance premium for Swift Zxi is 22% higher than the base variant (Lxi) and 11% higher than the mid-variant (Vxi).
- **CNG:** The share of CNG vehicles in the domestic PV industry has increased to 14% in 9MFY24 from about 4% in FY20. The preference for CNG vehicles has been increasing on the back of multiple launches by OEMs, reduced waiting times at petrol pumps, and the cost advantage of CNG vehicles. For Maruti Swift, we note that the insurance premium for its Zxi model in the CNG variant is 18% higher than that of the petrol variant.
- **Automatic variant:** As per Crisil estimates (<https://tinyurl.com/5n7zmdha>), the share of automatic variants has increased to 27-29% in FY23 from 8-10% in FY18. With increasing traffic and evolution of automatic transmission, the share is expected to increase further to 40-45%. The insurance premium for the automatic variant of Swift Zxi is 4% higher than that of the manual variant.
- **UVs:** The share of utility vehicles in the overall mix has increased to 53% in YTFY24 from 31% in FY20. We note that the insurance premium of 1,200cc UV (Hyundai Exter) is 12% higher than the 1,200cc passenger car (Maruti Swift). In the automatic variant, the insurance premium is higher by 21%.

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Growing adoption of electric vehicles

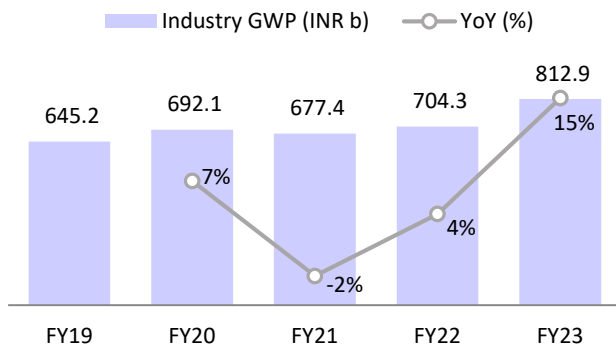
- As per media reports, EV adoption in passenger vehicle sales stood at 2.3% as of December 2023 vs. 0.48% in 2021. Despite the current scale being relatively small, the trend is expected to sustain due to the increasing range of EVs, a growing number of launches, and improving infrastructure for charging.
- The claim experience in the EV segment has been challenging due to higher share of plastic parts and limited availability of spare parts. However, the claim experience in this segment is still evolving, primarily because vehicle usage is currently relatively lower and mostly confined to intra-city travel. Furthermore, EVs are still not the primary vehicle for large section of owners. As the EV market matures, insurance pricing for EVs could potentially increase.
- The insurance premium for Tata Nexon EV is 27% higher than Tata Nexon petrol variant.

Two-wheelers: Rising share of scooters and premiumization of motorcycles

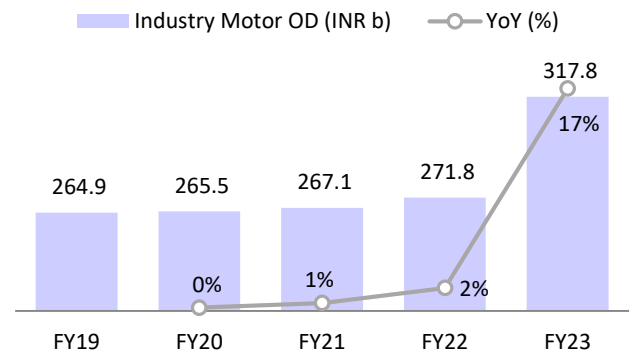
- The share of scooters in the overall two-wheeler sales in India has increased to 32.4% in YTD FY24 from 29.8% in FY22. Higher number of launches, favorable demographics, and poor availability of public transport in lower tier cities have driven the sales for scooters. Average insurance for 125cc scooters is 4% higher than average insurance for 125cc motorcycles.
- Within motorcycles, the share of 125cc has increased to 17.8% YTD FY24 from 13.3% in FY20. This has been at the cost of <125cc segment, wherein the share has reduced to 31.6% in YTD FY24 from 37% in FY20. The average insurance premium of 125cc motorcycles is 11% higher when compared with average insurance premium for 100cc vehicles.
- Also, the share of >300cc has increased to 5.2% YTD from 4% in FY21. The insurance premium for Royal Enfield 350cc classic is ~2.5x of average premium for 125cc vehicles.

Maintain BUY on ICICI; management aiming market share improvement in Motor segment

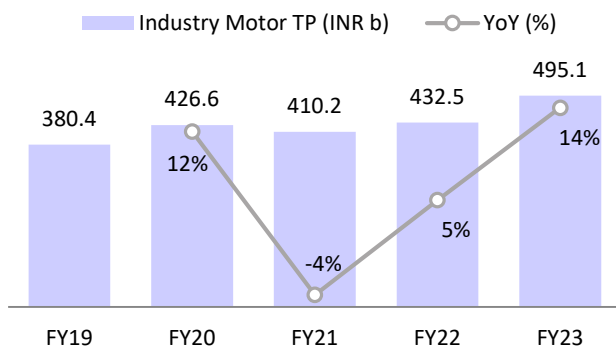
- ICICI has underperformed the industry with motor premium CAGR of 1.2%/- 3.1%/6% in overall Motor/OD/TP over FY20-23, while YTD growth stood at 12%/13%/10%. During FY20-23, the market share for ICICI fell to 13.1% from 17.2% and it further declined to 11.8% in 1H FY24. However, we have seen a recovery in 2H FY24 (up to Feb'24), wherein the market share stood at 13.4%.
- The company has a dominant share in the EV segment with a market share of ~18% in passenger cars and ~28% in two wheelers.
- We believe that in spite of a slowdown in vehicle sales (if any), the insurance premium for the motor segment will continue to be healthy, given the favorable product mix trends, which are expected to sustain over the medium term.
- We maintain our BUY rating on the stock with a one-year price target of INR1,900 (33x FY26E EPS).

Exhibit 1: Motor insurance GWP remains strong

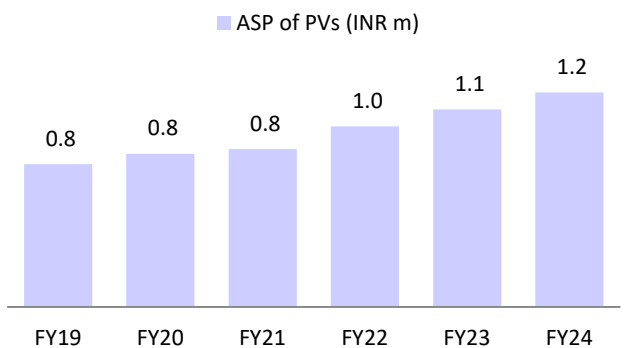
Source: General Insurance Council, MOSL

Exhibit 2: Motor OD growth continues to be healthy

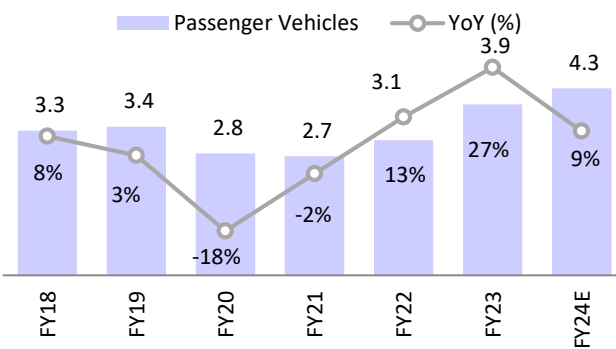
Source: General Insurance Council, MOSL

Exhibit 3: Motor TP growth continues to remain healthy

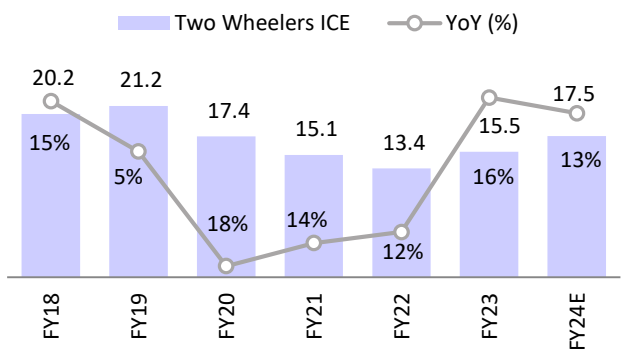
Source: General Insurance Council, MOSL

Exhibit 4: Average Selling Price trend

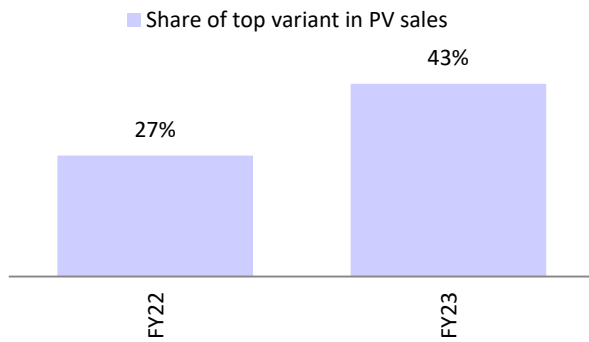
Source: Industry, MOSL

Exhibit 5: PVs growth trend

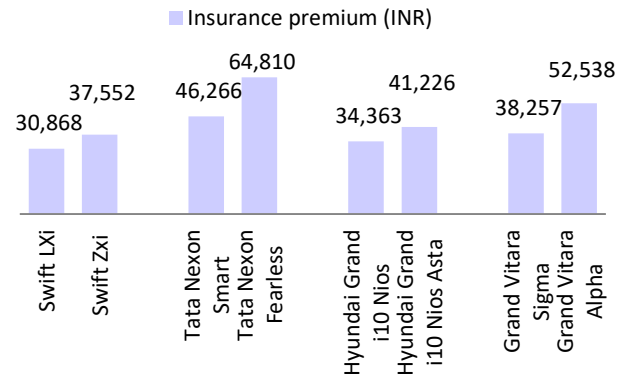
Source: SIAM, MOSL

Exhibit 6: Two-wheelers growth trend

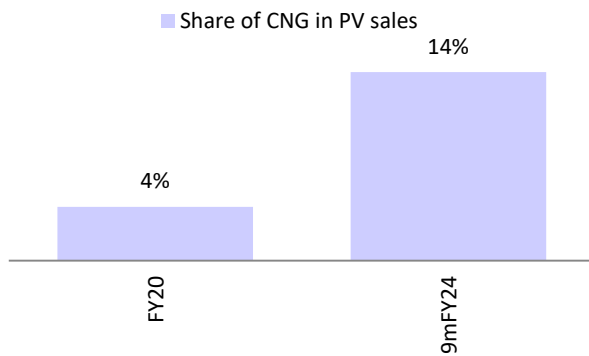
Source: SIAM, MOSL

Exhibit 7: Preference for top variant in PVs continue to increase

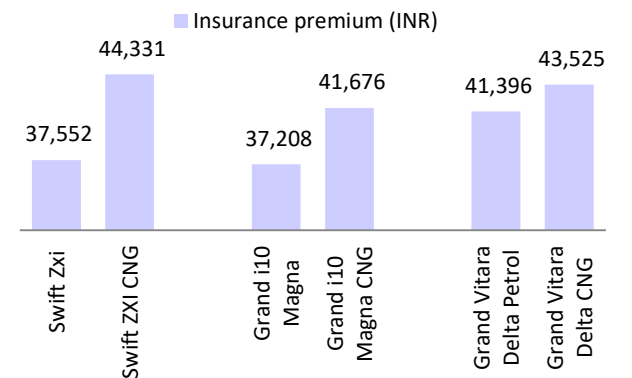
Source: Industry, MOSL

Exhibit 8: Insurance premium for top variant vs. base variant

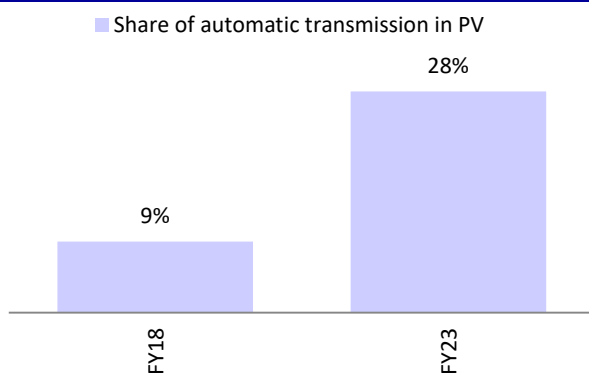
Source: CarDekho, MOSL

Exhibit 9: Increase in share of CNG vehicles in PVs (%)

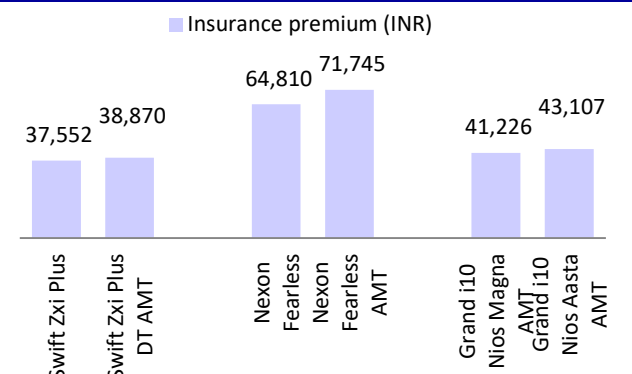
Source: Industry, MOSL

Exhibit 10: Insurance premium for CNG vs. petrol variants

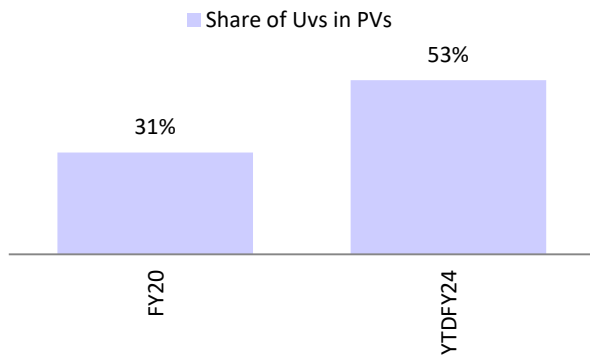
Source: CarDekho, MOSL

Exhibit 11: Increase in share of AMT vehicles (%)

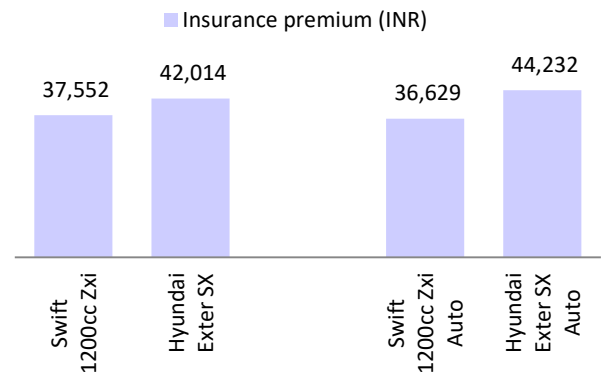
Source: Industry, MOSL

Exhibit 12: Insurance premium for Automatic vs. manual variants

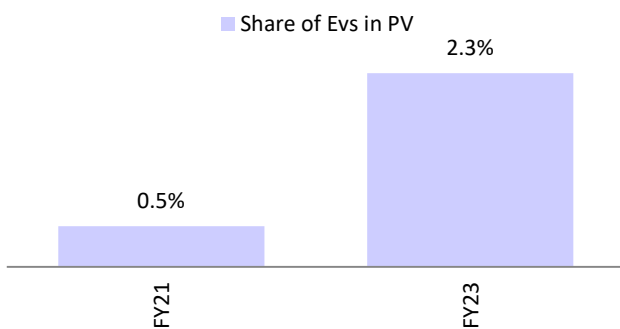
Source: CarDekho, MOSL

Exhibit 13: Increase in share of UVs (%)

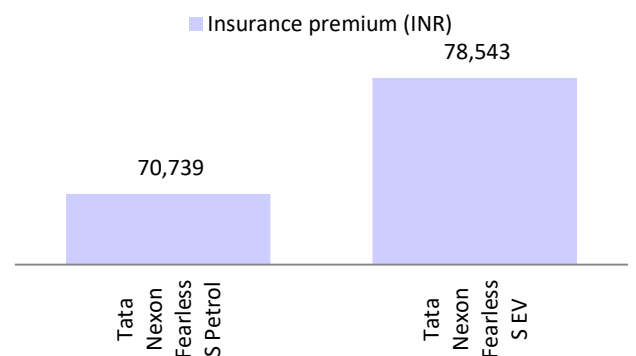
Source: Industry, MOSL

Exhibit 14: Insurance premium for Compact PV vs. SUV of 1,200cc

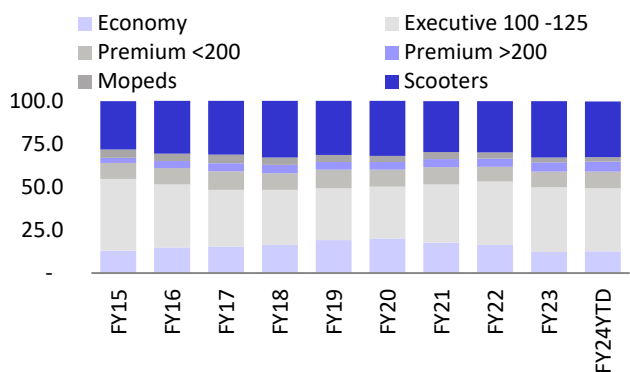
Source: CarDekho, MOSL

Exhibit 15: Increase in share of EVs (%)

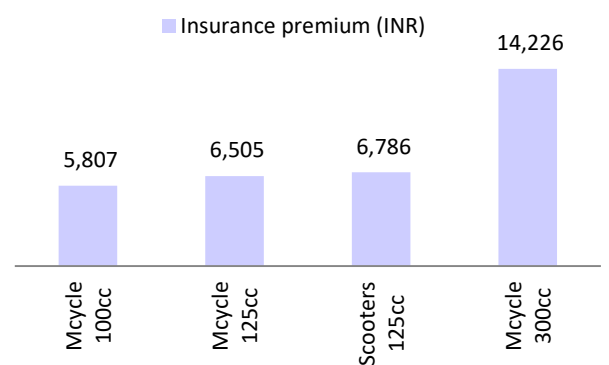
Source: Industry, MOSL

Exhibit 16: Insurance premium for EVs vs. petrol variant

Source: CarDekho, MOSL

Exhibit 17: Increase in share of AMT vehicles (%)

Source: SIAM, MOSL

Exhibit 18: Insurance premium for 2Ws

Source: BikeDekho, MOSL

NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
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