



GENERAL INSURANCE COUNCIL

Newsletter

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Message



Dear Readers

I convey my best wishes to you, to the member companies, insurance professionals, insuring public and all stakeholders in general insurance industry during this festive season and look forward to your continued support and cooperation.

The half yearly results of the industry are out, and the growth

story of general insurance continues with 17% accretion in business, adding Rs 13660 crs over the comparable period last year with almost all segments showing healthy growth. My congratulations to all member companies for continuing the journey of general insurance industry steadily on growth path.

However, industry still has a long way to go as far as penetration is concerned and our Pan India insurance awareness program slated to be launched shortly is precisely aimed at emphasizing the usefulness of general insurance products in the minds of all strata of society.

The awareness program is part of our commitment towards realizing a "safe, secure and thriving society" while "stabilizing and improving the economy and people's lives".

Each member company within the general insurance industry is committed to prop up society and the economy by,

making prompt claim payments and incorporating ingenuity in management, developing new products that correspond to various risks and improving their underwriting ability against natural disaster risks.

Focus of General Insurance Council will be to also help industry grow sustainably by curtailing losses. The GI Council is working actively to roll out a fraud analytics program in near future which will benefit all member companies as well as insuring public by thwarting the unscrupulous elements from causing fraudulent losses to the General Insurance industry

The world today is very much concerned with environmental issues such as climate change and global warming. Insurance industry is also not indifferent to this serious concern especially when such climatic changes bring in its wake huge losses. There is a global consensus that principles of sustainable insurance must be adopted in underwriting norms at the earliest. Council believes that one of its roles is to strongly promote sustainable insurance in keeping with the UN guidelines for environmental social and governance risks.

Our member companies and the GI Council will continue to work together towards a bright future for the industry as well as our customers.

MN Sarma

Secretary General, General Insurance Council

Insurers in India need to keep pace with technology

An Interview with Mrs. T. L. Alamelu, Member (non-life), IRDAI



Your views on major challenges for the non-life insurance industry i.e. market penetration, service levels, technological change etc

Major challenge remains penetration. The Insurance industry has grown vertically but for horizontal spread a lot of work is still required to be done.

The rural middle-class population with substantial disposable income is still not in the Insurance net.

The economically weaker section... (thanks to govt schemes like PMSBY (Pradhan Mantri Suraksha Bima Yojna), PMFBY (Pradhan Mantri Fasal Bima Yojna) and Ayushman Bharat is approached and provided some sort of safety net. The elite and HNI is aware and do financial/ insurance planning.

It is the bulk of middle class to whom benefits of insurance are yet to reach.

Regarding customer satisfaction, unfortunately, the public image of the industry is still not very favourable. The service levels leave customers dissatisfied.

While govt has created awareness about insurance the positive image needs to be developed through delivery of efficient service and by high lighting the good work done by the industry. A positive image build-up and awareness campaign on the lines of mutual funds is needed.

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Insurers in India need to keep pace with technology

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I am happy to know that a massive awareness program is being launched by General Insurance Council very soon.

Insurers in India have not kept pace with the most dominant factor of change today-Technology. There is so much happening through technology in the outside world. The rise in InsurTech investment globally acknowledges the enormous role technology must play in our industry.

Insurers should start taking deep interest in using cutting edge technology to improve service and penetration. Digitalisation, automation, use of AI and ML in insurance is no longer advancing in a linear fashion, but rather at an exponential rate and Indian non-life industry must adapt fast.

You have been a renowned marine underwriter. Your views on domestic P&I cover: Is it still a distant dream for Indian shipowners

For P&I insurance the experience, expertise and quick thinking on one's feet is very important. There is a need to develop infrastructure and train people in India to attract business.

India has a vast coastline and development of marine insurance products indigenously is important. The initiative of offering P&I to coastal vessels at a fixed premium is a good development. The secret is to start small and gradually develop in this area. A full-fledged P&I cover for ocean going vessels may take some time, but I am sure it will be available, and cover being provided to coastal vessels will show the way.

Why niche & specialty insurances like marine, aviation, fine arts, bullion specie and other non- conventional covers are not growing well. Is it because of lack of expertise or the Indian market is too focused on volumes?

Regarding niche and specialty business the kind of expertise and experience required is still lacking although recent trade credit

insurance supported with quota share reinsurance is getting good results. Some companies have partnered with specialist reinsurers to offer trade credit insurance. Specialty insurance will require skills, training and experience which can be obtained through proper RI support. It will of course depend on individual companies' appetite for such risks.

What are your views on UN initiative on Principles of sustainable insurance (PSI) & ESG norms?

While awareness is there, not much concrete action has taken place on the ground in insurance. Climate change and NAT/CAT events have direct impact on all insurance segments.

There is deep concern for environmentally sustainable programmes in every sector which is being addressed either by making laws or creating strong awareness. In insurance awareness is the way to go. May be in time to come the underwriting will have a green principle so embedded that rating and covers will benefit clients only if they choose to adopt environment friendly measures.

How is the response to Regulatory Sandbox: How it will affect non-life insurance in India?

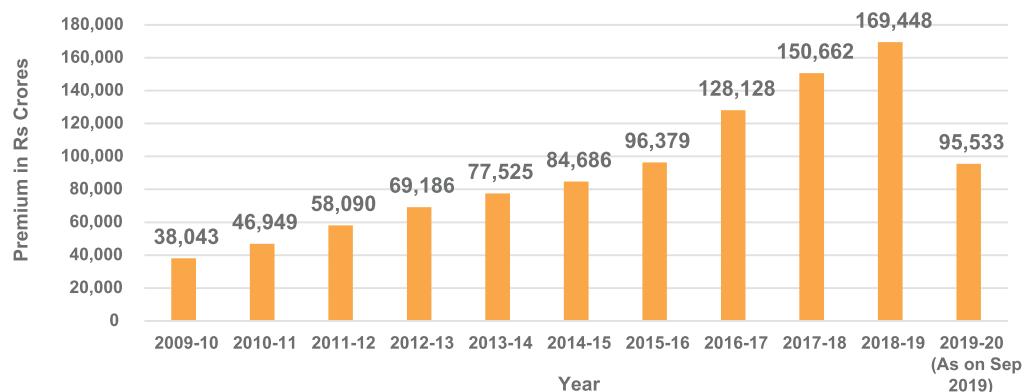
Response to Regulatory Sandbox has been extremely encouraging and almost 170 applications have been received.

They are being examined.

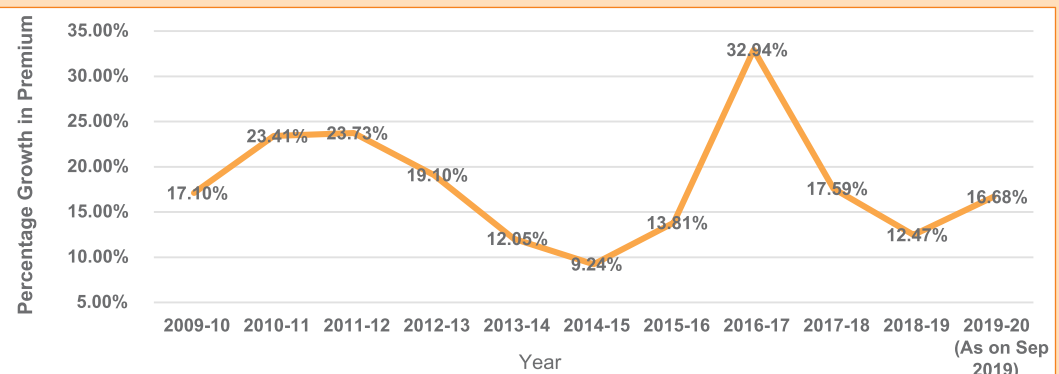
Stakeholders have participated with great enthusiasm.

Regarding next steps-we will be going forward very soon. Lot of innovation is expected, and it is time to remedy opportunities missed due to lag in use of technology in past. Technological disruption in insurance is already in the market and it is necessary for the companies move forward very fast.

Gross Direct Premium Income - Indian Business



Growth Rate in Premium



India sends largest delegation to IUMI 2019, Toronto

International Union of marine Insurance IUMI organized their annual conference from 15.9.2019 to 18.9.2019 in Toronto. The theme of conference was “Confronting the chaos for a sustainable future?”

The IUMI 2019 conference was organised by Canadian Board of Marine Underwriters (CBMU) at the Fairmont Royal York Hotel, one of Canada's oldest and most prestigious hotels

Toronto is one of the most dynamic and culturally diverse cities in the world and it served as the perfect backdrop for this international meeting of marine professionals.

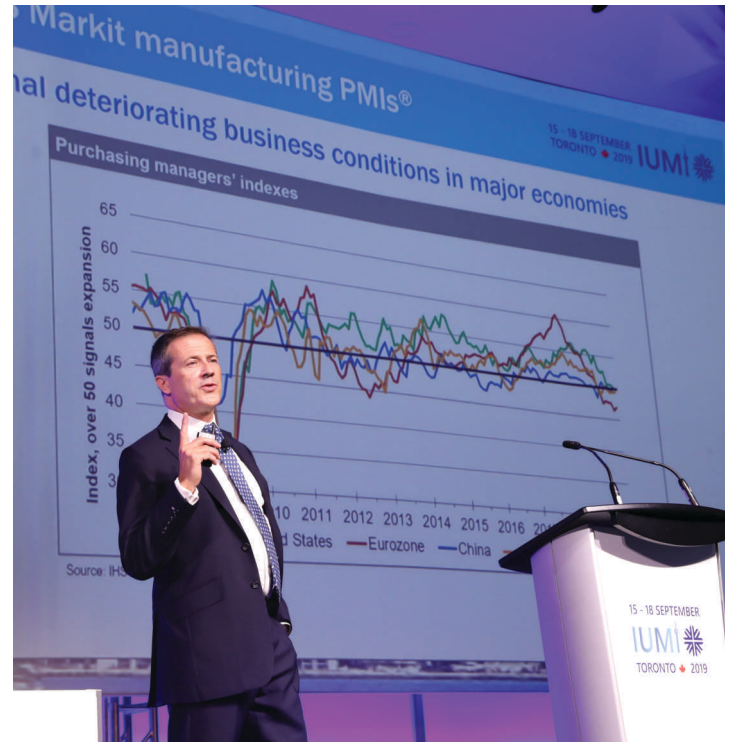
14 participants attended IUMI annual conference this year from India. It was the largest delegation from India in many years keeping in line with the Indian market's aspirations to play a key role in the international marine market.

There were excellent speeches and presentations covering the theme from experts all over the world. The presentations are available to members on IUMI website. The presentations and panel discussions were quite interactive with Q&A and voting at the end of session.

General Insurance council is expected to host IUMI Asia Forum conference in Mumbai in 2022 followed by the annual IUMI conference few years later.



Mr Richard Turner, President IUMI



Mr Philip Graham Chair, Facts & Figures Committee



During coffee break



Indian Delegates at IUMI conference



Q&A session



Indian delegates with Mr Lars Lange

Climate Change litigation- the new tobacco? *

In 1998, 46 states and the District of Columbia signed on to the largest civil litigation settlement in US history, the tobacco Master Settlement Agreement. Stunning in its scope and scale, the agreement forced the four largest tobacco companies to stop advertising to youth, limit lobbying, restrict product placement in media, and fund anti-smoking campaigns. It also required them to pay out more than \$206 billion over 25 years.

Tobacco companies had in previous decades successfully swatted down hundreds of private lawsuits. But states found an opening by suing companies for the harm they caused to public health. "This lawsuit is premised on a simple notion: You caused the health crisis, you pay for it," said then-Mississippi Attorney General Michael Moore in 1994.

Now another wave of lawsuits is trying to hold powerful institutions accountable for an even bigger crisis, by making them pay and change their ways.

The storm of litigation could have a broad impact if it succeeds in holding fossil fuel companies accountable for the kinds of damages they foresaw decades ago, said Harold Koh, a professor of international law at Yale Law School who served as senior legal adviser to former Secretary of State Hillary Clinton.

"The industry has profited from the manufacture of fossil fuels but has not had to absorb the economic costs of the consequences," Koh said. "The industry had the science 30 years ago and knew what was going to happen but made no warning so that preemptive steps could have been taken.

"The taxpayers have been bearing the cost for what they should have been warned of 30 years ago," Koh added. "The companies are now being called to account for their conduct and the damages from that conduct."

Jason reeves at a recently concluded IUMI conference in Toronto made a presentation on how this could impact Liability Insurers and policyholders. Citing Lliuya v RWE case where lawsuit is filed by a Peruvian farmer against Energy Giant that RWE knowingly contributed to climate change and should pay a contribution for the costs of protective measures.

Under climate litigation liability exposure is like any other liability exposure. It will involve duty to defend, duty to settle - duty to indemnify, long tail liability claim, vertical and horizontal liability exposures, captives and reinsurance. Business Line Exposures will involve Liability, Financial Lines D&O, Agribusiness, Heavy Industry, Manufacturing, Power, Transport and Professional Indemnity.

The lawsuits make a public nuisance claim and, in some cases, allege negligence. Essentially the lawsuits say the oil and gas companies have known for decades that burning fossil fuels is one of the biggest contributors to global warming. Instead of acting to reduce harm, the cities charge, companies attempted to undermine climate science and mislead the public by downplaying the risk posed by fossil fuels.

In California, where the lawsuits seek billions of dollars to pay for mitigation measures, such as sea walls to protect coastal property, the oil and gas companies responded by seeking to move the cases to federal courts, where nuisance claims are less likely to succeed. That jurisdictional battle rages on. Two California cases that were moved to federal court were dismissed by a judge who said the

dangers of climate change are "very real" but that the issue should be handled by Congress.

"Until recently businesses might not have considered a climate change lawsuit to be a risk, but this is something all corporations should now be taking into account"

- Joana Setzer, Research Fellow at the Grantham Research Institute on Climate Change and the Environment at the London School of Economics and Political Science (July 2019)

Citizens around the world are taking climate action to the courtroom by suing their own governments and some of the world's biggest oil and energy companies over failing to protect against the risks and consequences of climate change.

Acknowledgments: * Title of Jason Reeves's presentation- Legal and liability committee, IUMI 2019

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Editor's Note

This edition carries the first message from our new Secretary General Mr MN Sarma who joined in August 2019.

In a telephonic interview with the editor Mrs TL Alamelu, Member non-life, IRDAI expressed her views on some of the issues facing non-life industry. That insurance penetration is still a challenge is a matter of concern for the industry.

We also include an article on climate change litigation which is gaining ground in the developed markets and may be cause of concern for liability underwriters especially those who write energy risks. Also covered in this edition are glimpses of largest Indian delegation to IUMI in Toronto.

Wishing you all the best.

Sanjiv Singh

In lighter vein



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