Together We Serve

GENERAL INSURANCE COUNCIL

Newsletter

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Message

Dear Readers

Industry is trying its best to come out of the impact of Covid- 19 and figures up to 2nd quarter are indicating modest recovery. Till March 2020, before we were hit by the pandemic the industry was steadily growing in double digits. But April 2020, onwards the growth has been hit hard. Reviewing the initial industry figures up to September 2020, it is seen that while standalone health insurers have grown by 28% and specialized insurers by 8% the overall industry growth has shown increase of 1.37% only. Still this is a welcome trend compared to negative growth of last few months. While Fire and Health segments are outlier in industry growth for well understood reasons, marine, motor and misc. lines are showing steep fall due to Covid induced downturn in the economy.

As expected, Health is emerging as the biggest portfolio of the non life insurance industry. As on 30th September the health premium stands at INR 28805 crs. compared to INR 28098crs. of motor OD and TP combined. In the health segment it is observed that individual health insurance has grown much faster which may be attributed to increased awareness about health protection amongst common people due to pandemic.

It is said there that there is no education like adversity. Many new and innovative covers have been launched by the industry to meet with Covid crisis in health and other lines. Relaxations have been given in premium payment and claims procedures overall industry has risen to the challenge in helping the public in these difficult times and has been flexible around the problems difficulties faced by the insured people.

IRDAI has setup a working group for suggesting solutions to the protection gaps exposed due to Covid. The working group has come out with recommendations to set up a Pandemic Pool. Another working group set up by IRDAI has given detailed recommendations for setting up a Loss prevention organization. Both these initiatives have a long term and very beneficial impact for stability of the industry. I am sure that the non- life Industry will come out of this crisis as one of the best performing segments of the economy in the coming days.

I wish you all the very best and good health during the festive season.

MN Sarma

Secretary General, General Insurance Council

Pandemic Risk Pool in India – Challenges & Solution

Bhargav Dasgupta, MD & CEO, ICICI Lombard General Insurance

A pandemic is fundamentally different from other, more traditional business continuity threats like fires, terrorism, riots, earthquakes, and hurricanes. Unlike these, a pandemic is not a localised or isolated incident but rather an unfolding global event which affects many individuals simultaneously and potentially over a long period of time. The Covid-19 pandemic is one such example. Causing unprecedented damage to health, livelihoods, and economic stability, it has caught nations off-guard across the world.

While the lockdown may have helped slow down the spread of virus and given time to healthcare systems to prepare to save millions of lives, its economic impact has been enormous. The lockdown induced by the pandemic caused severe disruption to businesses, be it in the organized or unorganized sector, leading to significant loss of revenues. At the same time, a large section of the population that survives on daily wages has suffered significant loss of income and livelihood. While the government has taken measures to support the impacted segments, compensating for the losses fully is a challenge as even government finances have been stretched due to lower revenues.

As we hope for the best, we must prepare for the worst. Some of the greatest lessons are learnt during the worst of times. The sooner we learn and take the right actions, the better. Covid - 19 may not be the last pandemic that the world or our country will face.

The complex nature of pandemic risk necessitates close cooperation by the public and private sector in managing its impact and restoring confidence in the functioning of markets, economies, and society at large. Key to building a more proactive and agile response to the next pandemic will

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Pandemic Risk Pool in India – Challenges & Solution

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be a risk management driven partnership that helps facilitate coverage, aligns the needs of both insurers and insurance purchasers to avoid losses, and incentivizes pandemic risk preparedness and mitigation efforts. To protect individuals and the economy from the impact of such events, it is important that key stakeholders come together to create a risk mitigation mechanism.

The business of business is to take risks, which leads to innovation, economic growth, and job creation. The insurance industry plays a critical role in this by mitigating risks, thereby encouraging risk taking by other sectors of the industry. The industry similarly supports individuals for their health, life and asset protection needs and mitigates episodic personal financial losses. Insurance is a financial product which is based on this social and economic need and serves not just the interest of one but of many.

Insurance has always operated on the principle of risk diversification, wherein losses of a few are paid from the premium contribution of many. A pandemic risk cover contrasts with this logic as the loss scenario applies to everyone. Such a dilemma cannot be solved with existing structures and standard insurance products are inadequate to bridge this gap. It is hence crucial to come up with a new collaborative model that addresses this challenge. The need of the hour is to introduce a Pandemic Risk Pool.

Such a risk pool can help limit, though not eliminate business risk, providing critical assurance to lenders and markets, helping to accelerate economic recovery. It can also limit the financial impact of a future pandemic by absorbing the initial shock, enabling businesses to retain employees and meet financial obligations through the peak of uncertainty.

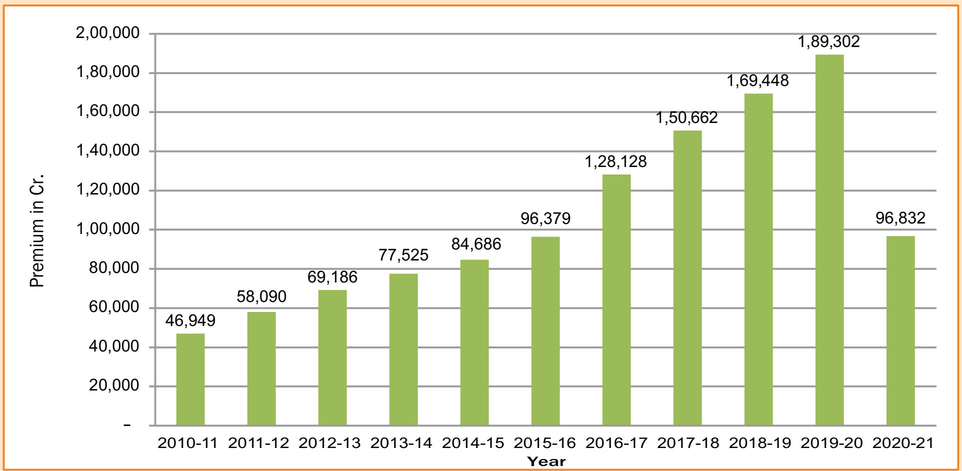
On its part, the insurance industry has already taken steps to propose a pandemic pool structure. Based on public private partnership, it has recommended providing cover, first to the critical MSME segment that employs crores of workers across the country and has been amongst the worst impacted. The proposal includes offering cover to the tune of Rs 6,500 per month for a 3-month period for a capped number employees per MSME. This compensation may be offered in the form of business interruption claim to the firm to support its employees or directly providing financial support to the workers. Even at this scale, such a pool would not be sustainable initially and would require a government backstop for some time. Hence, the scope could be initially limited to very small enterprises covering 4-5 crore MSME workers who are economically most vulnerable. In future, it can be expanded to cover mid-sized organisations as well as to provide benefits such as health insurance as the pool capacity builds up.

While creating the right pool structure is important, what is more critical is to ensure the sustainability of this risk mechanism. A government-backed pandemic risk insurance pool can provide support to businesses and organizations as they recover from the effects of the pandemic to date, prepare for a potential re-emergence or another future pandemic. While a support mechanism in the form of government backstop is essential till the pool expands in terms of capacity over time, it should be minimized by pursuing mandatory participation of the beneficiary firms. The mandatory pandemic cover could be bundled with Fire or Employee Health insurance to minimise the cost of distribution. We are seeing several countries, including the developed ones, moving forward on a similar path to cushion their populace and key employment generating sectors from such widespread disruptive events, while limiting dependence on a single stakeholder.

As we look ahead, there will eventually be a vaccine and treatments for the virus, and humanity will adopt to the new normal. However, it is important that we work towards a framework for risk mitigation of future pandemics, facilitated by collaborative partnership. The key aspect is to make sure it becomes self-reliant over time, helping create a secure and resilient nation with public welfare as its top priority.

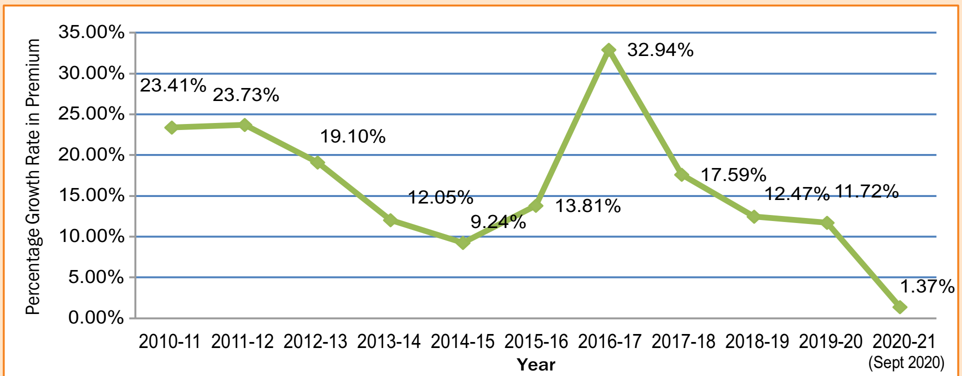
GDPI and growth of Non-Life Insurance

Gross Direct Premium Income-Indian Business



The data from April to September 2020 is provisional and unaudited

Growth Rate in Premium



GROSS DIRECT PREMIUM INCOME UNDERWRITTEN BY NON-LIFE INSURERS WITHIN INDIA (SEGMENT WISE): UPTO THE MONTH SEPTEMBER 2020 (PROVISIONAL & UNAUDITED) IN FY 2020 - 21

(Rs. In Crs.)

Insurers	Fire	Marine Total	Motor Total	Health	All Other Misc (Crop Insurance + Credit	Grand Total	Growth %
General Insurers							
Bajaj Allianz	**879.97**	**89.96**	**1929.79**	**1011.52**	**2032.46**	**6408.95**	-9.56%
Previous year	616 67	93 57	2570 58	1187 46	2185 41	7086.06	
Bharti AXA	**182.4**	**36.86**	**494.91**	**206.17**	**567.65**	**1555.96**	-0.94%
Previous year	118.08	45.08	668.45	198.05	479.89	1570.69	
Cholamandalam MS	**221 48**	**34.60**	**1314.83**	**237.57**	**12.13**	**1950.96**	-10.88%
Previous year	172.22	44.97	1610.61	166.90	21.21	2189.24	
Future Generali	**231.99**	**30.91**	**538.95**	**176.21**	**535.45**	**1597.40**	12.15%
Previous year	175.44	35.60	609.18	147.59	370.52	1424.28	
Go Digit	**257.73**	**1.26**	**846.45**	**136.54**	**0.94**	**1300.03**	30.73%
Previous year	121.63	0.94	841.03	12.92	3.49	994.47	
HDFC ERGO	**671.06**	**70.90**	**1355.53**	**611.25**	**1731.60**	**4884.65**	-3.28%
Previous year	562 70	99.50	1526.40	609.00	1677.52	5050.55	
ICICI -Lombard	**1259 23**	**222.36**	**2751.56**	**1447 42**	**159 49**	**6491.46**	0.81%
Previous year	853 03	252.83	2944.52	1430 03	243 06	6439.52	
IFFCO -Tokio	**507.36**	**72.65**	**1532.03**	**972.17**	**967.76**	**4227.96**	1.14%
Previous year	324.64	96.53	1686.53	756.46	1157.22	4180.18	
National	**699.89**	**98.61**	**2148.52**	**2939.81**	**788.99**	**7017.53**	-7.71%
Previous year	593.57	110.17	2619.03	2859.65	1066.61	7603.70	
New India	**2074.96**	**327.50**	**3879.78**	**5423.85**	**1362.24**	**14100.00**	4.11%
Previous year	1535.62	385.04	4231.91	5173.00	1355.20	13544.00	
Oriental	**1001.79**	**179.15**	**1598.25**	**2465.22**	**664.45**	**6261.35**	-8.67%
Previous year	739.86	170.56	2019.20	2061.55	1541.54	6855.56	
Reliance General	**596.84**	**49.08**	**1439.14**	**635.14**	**1630.45**	**4500.57**	1.25%
Previous year	455.62	82.36	1675.68	942.74	1156.52	4445.04	
Royal Sundaram	**167.40**	**17.43**	**792.88**	**175.89**	**6.80**	**1220.08**	-31.98%
Previous year	139.21	21.15	988.61	199.61	371.13	1793.69	
SBI General	**643.63**	**16.65**	**625.86**	**517.63**	**1431.29**	**3619.69**	16.24%
Previous year	587.18	16.33	478.26	351.93	1309.19	3114.09	
Shriram General	**18.29**	**0.56**	**971.81**	**0.42**	**5.17**	**1008.94**	-14.26%
Previous year	17.04	0.89	1136.26	0.47	4.93	1176.70	
Tata-AIG	**818.67**	**163.99**	**1856.52**	**530.09**	**101.13**	**3781.01**	-4.56%
Previous year	560.32	176.95	1978.26	527.72	422.59	3961.49	
United India	**1039.89**	**165.2**	**2572.96**	**3242.77**	**641.18**	**8266.17**	4.69%
Previous year	844.13	198.94	3244.5	2053.68	998.51	7895.85	
Universal Sompo	**134.25**	**16.49**	**356.66**	**139.31**	**652.30**	**1353.68**	13.60%
Previous year	117.91	16.62	319.08	88.03	613.26	1191.66	
General Insurers Sub Total	11545.43	1618.92	28098.05	21221.73	13338.22	81316.84	-1.25%
Previous Year Sub Total	8646.19	1873.01	32394.18	19061.95	15021.62	82349.00	
% Growth	33.5%	-13.6%	-13.3%	11.3%	-11.2%	-1.3%	
Stand-alone Health Insurers							
Care Insurance	**0.00**	**0.00**	**0.00**	**1060.97**	**0.00**	**1140.17**	0.33%
Previous year	0.00	0.00	0.00	1064.53	0.00	1136.41	
HDFC ERGO Health Insurance $$	**0.00**	**0.00**	**0.00**	**1006.90**	**0.00**	**1032.05**	-2.87%
Previous year	0.00	0.00	0.00	973.70	0.00	1062.51	
Star Health	**0.00**	**0.00**	**0.00**	**3983.92**	**0.00**	**4041.70**	44.62%
Previous Year	0.00	0.00	0.00	2736.77	0.00	2794.64	
Stand-alone Health sub Total	0.00	0.00	0.00	7582.85	0.00	7812.37	28.09%
Previous Year Sub Total	0.00	0.00	0.00	5802.46	0.00	6099.11	
% Growth				30.68%		28.09%	
Specialised Insurers							
AIC (Crop)	**0.00**	**0.00**	**0.00**	**0.00**	**7250.68**	**7250.68**	10.62%
Previous year	0.00	0.00	0.00	0.00	525.11	**525.11**	
Specialised sub Total	0.00	0.00	0.00	0.00	7702.47	7702.47	8.80%
Previous Year Sub Total	0.00	0.00	0.00	0.00	7079.47	7079.47	
% Growth					8.80%	8.80%	
Industry Total	11545.43	1618.92	28098.05	28804.58	21040.69	96831.68	1.37%
Previous Year Sub Total	8646.19	1873.01	32394.18	24864.41	22101.09	95527.58	
% Growth	33.5%	-13.6%	-13.3%	15.8%	-4.8%	1.37%	

Note: Compiled by GI Council on the basis of data submitted by the Insurance companies

For more detailed data click :http://www.gicouncil.in/statistics/industry-statistics/segment-wise-report-on-homepage/

The Pandemic and its impact on health insurance Industry

Sashi Nair, Advisor, General Insurance Council

The Pandemic named – COVID 19 or Corona Virus Disease 19 has taken the world to a level of Panic unknown to Mankind for many decades. It has not only affected most of the countries financially but has also taken a heavy toll on Humans especially elderly citizens

No one had any clue of the danger the Corona Virus posed when it surfaced in Wuhan- China and spread was in limited areas without any inkling about the danger it posed to humans and the speed at the which Virus was spreading

Most of the Countries took precautionary measures when the threat became more evident. Smaller Countries with lesser population and proper network and Infra managed to arrest the Spread and could also restrict the infection and Deaths. In fact as per latest report New Zealand has completely come out of the Epidemic with no known case and they even held their First Rugby League Game with Full Jam packed Stadium. This was mainly possible due to measures taken and the fact that the Country is small and well disciplined.

The above has not been the case with Large Countries with High Population where the Infected Cases have crossed millions and in USA one of the most advanced Country in the World the death toll has been highest in the world coupled with highest infection rate.

India and Brazil follows as second and third with highest rate of infections. In India the total number of deaths rate have been relatively lower compared to US.

The pandemic also exposed India's Frail Health Network which could not cope up with the High number of infections which was expected with the Huge Population and density of Population the Country has in its fold. A complete lockdown at most of the Places in India had arrested the Spread to some extent but same has again increased due to infections spreading to Interior areas.

General Industry like all other Industries have been hit badly with the Motor Insurance Premium Coming down drastically in view of no new vehicles being purchased and also Vehicle Owners who are not using the vehicles cutting down on their Motor OD cover. Similarly slowdown in Industrial Activity has affected the Premium from Project Insurance, Marine Insurance etc. The only Class of Insurance that has shown some demand is Health Insurance for Obvious reasons. By September 2020 the health insurance segment has become largest in the industry at INR 28808 crs.constituting 30% of the total non-life business in the country.

The biggest impact has been the number of claims lodged under Health Policies by Claimants who had to undergo Hospitalization due to COVID. As on 21st October 2020 the total number of COVID Claims lodged are around 4.45 lacs out of which over 3 lac claims have been settled amounting to approx. Rs 2914 crores. (See statement alongside). The industry is doing its best through expeditious settlement of claims by Providing Cashless facility to Insured in more than 90% of the cases. The Health Insurance Portfolio had never factored this while pricing the product and with the number of cases increasing the huge claims outgo will have an adverse impact on the financials of Health Portfolio of all Insurers selling Health Products.

General Insurance Industry under the guidance of IRDAI has also come out with new Products which are economical and specifically addresses the Coverage required to take care of the cost of COVIC treatment in Hospital in the event of unfortunate infection. Two COVID products named Corona Kavach and Corona Rakshak which are indemnity and Benefit Products respectively. These policies have proved to be quite popular since they are offering only Cover against COVID treatment have been priced at a lower level as compared to normal Health Policies which covers all ailments subject to terms and conditions.

Statewise Covid Claims: Status As On 21 October 2020,05:00 PM

State	Reported Claim Number	Reported Claims Amount	Settled Claim Number	Settle Claim Amount	Status Death	Status Under-Treatment	Status Discharged
Mizoram	1	22000	1	14000	0	0	1
Nagaland	2	106880	0	0	0	0	2
Lakshadweep	2	400692	1	208777	0	0	2
Arunachal Pradesh	6	1370902	4	678291	0	2	4
Sikkim	7	533933	2	39000	0	1	6
Daman & Diu	10	1448313	1	208515	0	0	10
Manipur	18	1103327	12	451207	0	5	13
Andaman & Nicobar Islands	21	2994577	4	272295	0	5	16
Dadra & Nagar Haveli	26	1741488	11	547330	0	4	22
Himachal Pradesh	43	5732340	29	2705619	0	6	37
Others	61	8331300	31	3337048	0	3	58
Tripura	92	8022513	68	3927561	0	15	77
Chandigarh	136	24578985	77	9546763	3	16	117
Goa	251	44220867	137	16910252	2	58	191
Jammu & Kashmir	257	33866770	181	15137786	4	36	217
Meghalaya	278	6899590	211	4913213	3	65	210
Puducherry	492	51946126	303	19260290	6	97	389
Uttarakhand	747	130396490	540	54723483	10	119	618
Bihar	955	152576276	630	63258721	12	107	836
Assam	1643	271643543	1078	112171382	11	238	1394
Chhattisgarh	2034	263780005	1143	96481158	13	365	1656
Odisha	2151	301878317	1214	114266455	19	621	1511
Jharkhand	2249	260241224	1368	113333379	26	509	1714
Kerala	4863	404548625	3177	165674234	17	1254	3592
Rajasthan	5239	609880240	3630	291137290	57	709	4473
Punjab	5637	950776971	4500	501116592	120	461	5056
Madhya Pradesh	6351	994550550	4483	421209597	77	792	5482
Haryana	12394	2229736923	9759	1149038737	131	1186	11077
Uttar Pradesh	14388	2717399849	10623	1266812527	165	1507	12716
West Bengal	16316	3184002591	12236	1477349419	576	2011	13729
Andhra Pradesh	16646	2533220773	8676	847624210	101	3871	12674
Delhi	24283	4908652510	20138	2550166045	434	2417	21432
Telangana	24402	5954426229	16708	2305102629	298	2107	21997
Gujarat	40741	6249738450	27422	2492173841	435	2960	37346
Karnataka	40851	6150355857	26833	2544575537	589	6199	34063
Tamil Nadu	44690	8147612244	31726	3222140365	510	5189	38991
Maharashtra	177282	21752072973	115551	9274997030	2808	43878	130596
Total	**445565**	**68360811243**	**302508**	**29141510578**	**6427**	**76813**	**362325**

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The Carnival Cruise Ship That Spread Coronavirus Around the World

How were hundreds of infected " Ruby Princess " passengers allowed to disembark in Sydney and return to homes from Tasmania to Florida?

Although multiple cruise ships recorded large numbers of Covid-19 cases in the early stages of the pandemic, the Ruby was unique, and not simply because 28 people died of the illness, the most of any voyage. Two other notorious Carnival ships—the Diamond Princess, which was sealed off for weeks on a Japanese pier, and the Zaandam, which sailed up the entire west coast of South America looking for a country that would allow it to dock—were vessels that guests couldn't leave. The Ruby was the opposite, the incubator of a devastating outbreak discovered only after passengers were on dry land.

None of the thousands of passengers who crowded the quay's cruise port to board the Ruby on March 8 appeared deterred by the growing alarm over the novel coronavirus. Although Australians were getting nervous—shops in Sydney had begun to run out of hand sanitizer and canned food, and arrivals from China, Iran, and South Korea had been banned—the country had only a handful of cases. In New Zealand, where the 13-day cruise was heading, there were even fewer.

What they didn't know was that at dawn that morning, just after the ship pulled in from its previous cruise, a government epidemiologist named Kelly-Anne Ressler had boarded with seven other staff. They carried suitcases full of masks, gloves, and testing swabs. The New South Wales health agency wanted to screen arriving passengers who appeared to be at risk of having Covid-19, whether because they'd reported respiratory symptoms or had recently been in an affected country. Ressler was shocked by the number she found gathered in a dining room—more than 300, in all. She and her team handed out masks, took temperatures, and asked about travel histories. They decided to test nine people for the virus and allow the others to disembark. Until the results came in, a doctor told the crew, new passengers shouldn't be allowed on board.

At 5:30 p.m., the tests came back: all negative. The Ruby was cleared to depart on its next cruise. Boarding proceeded, and the ship left its berth late in the evening, easing past the Opera House and out of the harbor. Some guests watched from their balconies, the lights of the city fading as they reached the open Pacific.

There was plenty to occupy passengers on the way across the Tasman Sea. Launched in 2008, the Ruby was far from Princess's newest or biggest ship, but it was still impressive. It had 19 decks, four swimming pools, and dozens of restaurants and attractions, many of them arrayed around a central atrium called the Piazza—inspired, as Princess's marketing copy optimistically put it, "by the vibrant squares of Europe." The Ruby's Italian captain, Giorgio Pomata, was the commodore of the entire Princess fleet.

After arriving in New Zealand, the ship passed first through Fiordland, a region of spectacular mountain bays in the far southwest, before stopping in Dunedin. The Ruby then began port-hopping northward, with the final stop, in the Bay of Islands, planned for March 18.

On March 15, the Ruby stopped in Napier, on the edge of North Island wine country, and throngs of passengers spilled into town, hitting souvenir shops and piling onto tour buses. The same day, Australia's prime minister, Scott Morrison, announced that his country was significantly stepping up its efforts to keep out the coronavirus. Everyone arriving from overseas would have to spend 14 days in isolation, no matter where they were traveling from. Cruise ship arrivals from foreign ports would be banned as of midnight.

No one at Carnival's regional office was sure what the announcement meant for vessels such as the Ruby, which was carrying a large number of Australian passengers. But that evening an announcement went out over the ship's public-address system: The cruise would head straight back to Sydney.

Stephen Keal, an accomplished sailor, had been tracking the Ruby's progress online, and he soon noticed the bridge crew was flooring it, traveling at 24 or 25 knots instead of the 18 or so on the way to New Zealand. In the aftermath of the Diamond Princess, Carnival managers were well aware of what could happen to the ship if it was delayed. "We don't want to get yourselves stranded anywhere or have a protest at a port due to cruise ships in the region," a Sydney-based executive wrote to Commodore Pomata.

The passenger experience, meanwhile, remained largely unchanged. With social distancing still a novel concept outside of China, restaurants, bars, and other attractions stayed open. Crowded St. Patrick's Day celebrations went ahead.

Back in Sydney, officials were assessing whether and how to let the Ruby dock . On the morning of March 18, the day before the Ruby was due to arrive, Ressler, the government epidemiologist, was copied on an email from the ship's senior doctor, Ilse von Watzdorf. It answered a list of questions about passenger travel histories and conditions, noting that medical staff had collected swabs for "a few cases of 'febrile, influenza test negative' individuals." Von Watzdorf had attached the required spreadsheet listing the names, conditions, and temperatures of passengers with flu-like symptoms. The Australian medical panel determined that the Ruby was low-risk but advised that swabs from some of the symptomatic passengers be tested for coronavirus, just in case.

The port authority agreed that the Ruby was clear to land. At 2:30 a.m., it moored at Circular Quay. Disembarkation would begin first thing in the morning.

The Ruby's passengers were all over Australia and beyond, having in some cases caught the final flights before international borders closed. Carnival had provided officials with a list of emails and phone numbers so everyone could be reached, but the details weren't all correct, and some passengers didn't pick up their phones or had turned them off. By the evening of Friday, March 20, contact tracers had managed to reach only 44 of the 570 international guests they'd tried.

Only one group aboard the Ruby was treated almost from the start as potential carriers of the virus. Its 1,000-plus crew members, many from countries like Indonesia and the Philippines, weren't allowed to disembark in Sydney. "There are thousands of people, potentially, in cruise ships off our coasts that aren't members of our state, and if we take them in, then that could well flood our system," said Mick Fuller, the New South Wales Police Force commissioner. "It's time to go to your port of origin."

But that directive was all but meaningless for a company like Carnival, a tangle of financial engineering that's incorporated in Panama and the U.K., operates out of Miami, and flags its ships in tax havens such as Bermuda, the Ruby's nominal home port. For the moment, those on board would remain while the company figured out where it could sail.

With the passengers gone, the crew became, in effect, their own guests. On March 19 a "sail-away party" took place around one of the pools, with the Sydney skyline towering above. "We thought it was a holiday from then on," says Byron Sodani, an Italian fitness trainer who'd been working on the ship since January. "A cruise without passengers—it was really exciting."

But it was also a cruise without a destination.

The Ruby Princess is now anchored off the coast of Malaysia. It's not yet clear whether anyone will be held to account for what happened on board. In all, at least 663 guests and 191 crew are known to have been infected with coronavirus. The 28 people who died—20 in Australia and eight in the U.S.—represent a toll twice as large as that of the Diamond Princess, the vessel that recorded the next-highest number of fatalities. Barring stupendous negligence on some future voyage, the Ruby is likely, when the history of the pandemic is written, to retain the distinction of having incubated its deadliest marine outbreak.

(Source: Bloomberg Businessweek)

Loss Prevention in India

Background:

Underwriters increasingly must demonstrate their value to customers, management and shareholders and for this their risk management capability is critical. In some markets loss prevention is a well-developed mindset, whilst in others it is still developing. The effective use of data analytics, improved risk assessment, pricing and application of loss learnings to reduce or avoid loss are vital.

Going back in history, The Loss Prevention Association of India (LPA) Ltd was one such organization engaged in promoting safety and loss control through education, training and consultancy in India and abroad. It was sponsored by the GIC of India and its four subsidiaries. GIC and its subsidiaries provided the entire finances for all its activities. Membership subscription and fees for services were also source of finance for LPA.

LPA's work involved both educational and engineering aspects of safety. To meet these requirements, the Association employed a team of professionals with expertisein various technological aspects of loss prevention.

Along with the insurance companies as ordinary members, hundreds oforganizations such as CSIR, Central Building Research Institute, Central Road ResearchInstitute, Indian Institute of Packaging, and Indian Standards Institute, were honorary members of LPA.

However, after opening of insurance sector and entry of new players LPA started losing its importance. The four PSUs were delinked from GIC. GIC Re was converted to national reinsurer and LPA was dissolved in 2007 with its employees distributed to PSUs. The companies set up their own loss prevention wings and departments to manage this important activity.

Current practices in loss prevention:

With the end of LPA it was hoped that professional agencies will emerge to fill in the gap but sadly that has not happened. In fact, for risk management and loss prevention reinsurers insist on foreign agencies because of their strict quality control and reputation and do not rely on Indian entities. The in house loss prevention and risk management does not add value to industry.

Every company has Risk management committee (RMC), Enterprise Risk management (ERM) as mandated by IRDAI and every company has a CRO as part of corporate governance norms. It does address issues of risk management and loss prevention of different lines of business but most of the time the focus is on analytics and many other financial and market risks rather than prevention of loss of property, life or risk management per se.

Need of a loss prevention entity:

An industry activity which was considered an unnecessary burden in de-tariffed environment in 2007 has assumed renewed significance with insurers looking around for a reliable institution to advise them on loss control and risk management at micro and macro levels which can supplement their in house loss prevention and also make them aware of learning from large losses or events

There is an urgent need to promote the culture of loss prevention and risk management amongst insurers. Identifying new solutions, thinking and techniques, raising awareness, informing debates, creating solutions and supporting industry stakeholders will make a real and positive impact.

Loss prevention aims at minimizing losses and creating systems for all stakeholders to save the national wealth from losses whether insured or otherwise and in this endeavor the wholehearted support of government agencies and the industry is very important.

Loss prevention will help in more harmonious relations between insurers and insureds by bridging the communication gap and helping client and insurers follow best practices to minimize the loss.Therefore, it is vital to have an industry body to look after loss prevention and risk management in a holistic way for the entire market.

In earlier times the inspection of the site of large losses, subsequent analysis and findings provided valuable information to the underwriters and in large losses it was mandatory to have LPA inspection. Today this important activity is conducted by the individual companies and reinsurers, but the findings are not available for the benefit of the entire industry. In view of Increasing incidence of fire accidents, road mishaps, industrial accidents, damage to cargo resulting in loss to cargo and life need for a specialized body to help prevent such losses and minimize their consequences has assumed even greater significance

IRDAI Initiative for loss prevention:

IRDAI constituted a working group on 12.12 2019 towards this objective which submitted its recommendations on 18.8.2020. Main recommendations are as under:

- Setting up a Section 8 Company with the objective of promoting Safety and Loss Prevention.
- The Company should be promoted by the IRDAI as well as the industry.
- The Company should liaise with Government and other relevant agencies to achieve its objectives.
- The Company should not be directly involved in commercial activities like risk inspection, specific risk management, tracing of cargo, cargo supervision, route surveys, project monitoring etc—these activities should be left to private business units. However, the Company should capture experience and knowledge in a generic form for education and dissemination.
- The Company should collaborate with bodies such as Insurance Information Bureau of India as well as with various academic institutions, bodies dealing with insurance education and build synergies.
- The Company may start working on promoting safety and loss prevention in the areas of Property Insurance and Motor Insurance to begin with and can expand into all areas of general insurance as well as Health insurance in the future.

Implementation of these recommendations will result in having an effective and professional Loss Prevention organization and industry will greatly benefit from it.

***Sanjiv Singh**, Advisor, General Insurance Council*

IUMI Annual Conference goes online

Secretary General Mr. Lars Lange

President Richard Turner

Summer and autumn are the season for many international conferences. Major conferences this year International Union of Aerospace Insurers (IUAI) scheduled to take place in Dublin, Ireland between 1 and 3 June, The 2020 Rendez-Vous de Septembre, the annual international reinsurance meeting held in Monte Carlo, Monaco every year in September, got cancelled due to the pandemic.

International Union of marine Insurance IUMI, however decided to move online for its 2020 annual conference at Stockholm. It was conducted from 15 to 25 September in morning and evening sessions so that participants from all time zones could join the live sessions. "Navigating changing climates; delivering expertise to shape the future" was the main theme of the conference though most of the topics covered the impact of Covid pandemic also in detail. Key issues and priorities for marine insurers were discussed in each session and opportunities were provided to participants to interact with the panellists.

IUMI 2020 Facts and Figures Committee meeting

The conference which in past was only for members was opened to brokers and non members also this year. The conference attracted over 600 registrations including over 90 non-members attending the conference, including brokers, surveyors, lawyers and re-insurers. It was hailed as great success.

Presentations and other conference details available here: https://iumi.com/

News from International Associations

German Insurance Association (GDV): Insurance industry advocates a private public sector protective shield

The German insurance industry proposes a private-public sector hedging facility to provide protection against future pandemic losses. This model includes the capital market as well as insurers and would also have access to state aid as a last resort, according to a green paper issued by the German Insurance Association (GDV). For more details click the link below.

https://www.en.gdv.de/resource/blob/59854/079826b589006ed3bd4fc7a09e64cf1a/pandemiefonds-vorschlag-download-green-paper-data.pdf

Association of British Insurers (ABI) welcomes the High Court ruling to help bring clarity to customers

The London High Court handed down a landmark judgment in the COVID-19 Business Interruption insurance test case of The Financial Conduct Authority v Arch and Others on 15.9,2020. The proceedings were brought by the FCA, the regulator of the defendant insurers, as a test case. The purpose was to determine issues of principle on policy coverage and causation under sample insurance wordings.

Business interruption insurance will potentially cover loss of profits and additional expenses that an insured suffers as a result of insured damage to physical property such as following a fire or flood. Many policies, however, include specific extensions for matters other than physical damage. It is this non-damage business interruption cover that was squarely in issue here.

The FCA's aim in bringing the test case was to urgently clarify key issues of contractual uncertainty for as many policyholders and insurers as possible. The FCA did this by selecting a representative sample of policy wordings issued by eight insurers. The FCA's role was to put forward policyholders' arguments to their best advantage in the public interest. 370,000 policyholders were identified as holding policies that may be affected by the outcome of the test case.

The judgment is complex, runs to over 150 pages and deals with many issues. The full text of the judgment is available on the link below.

https://www.fca.org.uk/publication/corporate/bi-insurance-test-case-judgment.pdf

In order to establish liability under the representative sample of policy wordings, the FCA argued for policyholders that the 'disease' and/or 'denial of access' clauses in the representative sample of policy wordings provide cover in the circumstances of the Covid-19 pandemic, and that the trigger for cover caused policyholders' losses.

The judgment says that most, but not all, of the disease clauses in the sample provide cover. It also says that certain denial of access clauses in the sample provide cover, but this depends on the detailed wording of the clause and how the business was affected by the Government response to the pandemic, including for example whether the business was subject to a mandatory closure order and whether the business was ordered to close completely.

The test case has also clarified that the Covid-19 pandemic and the Government and public response were a single cause of the covered loss, which is a key requirement for claims to be paid even if the policy provides cover.

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News from International Associations

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ABI response to the business interruption insurance test case judgment is as under:

"Insurers have supported this fast-track court process led by the FCA to help bring clarity for customers and we welcome the speed with which the court has delivered a ruling. The judgment divides evenly between insurers and policyholders on the main issues. The national lockdown was an unprecedented situation that posed understandable questions of interpretation for some business insurance contracts".

"Insurers always regret any contract dispute with their customers and will continue to reflect on feedback from recent events. We recognise this continues to be a difficult time for many businesses, small and large, and for society as a whole. That is why insurers have made a range of commitments to help both businesses and individual customers through the crisis and why the industry expects to pay out over £1.7bn in Covid-19 claims.

"This is a complex judgment spanning 162 pages and 19 policy wordings and it will take a little time for those involved in the court case to understand what it means and consider any appeals. Individual insurers will be analysing the judgment, engaging with the regulator, taking account of the appeal process and keeping their customers informed in the period ahead."

Editor's Note

Corona outbreak remains the centre of focus all over the world as the year 2020 is nearing its end. As public health became the foremost concern in all countries, travel became minimal, annual conferences turned online, work from home became the norm.

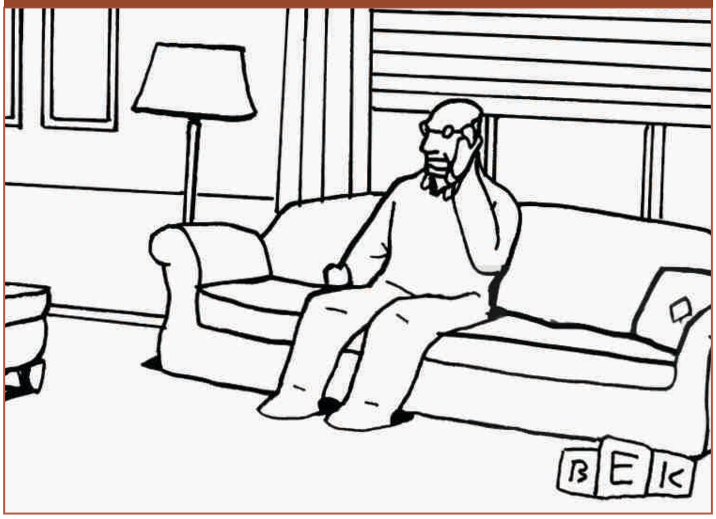
From early 2020 the world began what is undoubtedly the biggest work from home experiment in history. It was soon discovered that work from home is productive, smart and satisfying. In 2019 a report on the State of Remote Work by Buffer concluded that "remote work is here to stay." The survey of nearly 2,500 remote workers found that an overwhelming 99% said they wanted to work from home, at least some of the time, for the remainder of their careers. A Forbes report called remote work "standard operating procedure" (https://buffer.com/state-of-remote-work-2019) for 50% of the U.S. population. Covid 19 pitch forked the WFH to mainstream employment. Except in manufacturing, delivery, hospitality business and like industries many office workers find it easy to work from home.

In fact office places with emphasis on paperwork and face to face interaction is one of the most unproductive ways of working. Many government offices just don't know how to work from home as their work involves continuous talking to each other and voluminous paperwork .Office gossip and unnecessary interactions result in wastage and lack of focus on work at hand. In fact I have heard it often from people that had it not been for the countless meetings and discussions in office, they would have discharged the duties with much more focus and productivity.

But whereas WFH offers efficiency and savings it can also result in professional isolation and monotony. Learning from collaborative work and handling confidential matters still require a dedicated office place away from home. The solution perhaps lies in the middle. WFH may be combined with necessary office visits. There is already popular support on social media for 6 hours a day and 4 days a week as envisioned by Finnish PM Sanna Marin much before Covid 19 outbreak.

Sanjiv Singh

In lighter vein



Just sitting here widening. You?

General Insurance Council
Industry Association of General and Health Insurance & Reinsurance Companies in India
General Insurance Council, 5th Floor, National Insurance Building, 14, Jamshedji Tata Road, Churchgate, Mumbai-400020, Maharashtra, India, Phone : +91 22 2281 7511 / 12 Fax : +91 22 2281 7515
Email : sanjiv@gicouncil.in
Together We Serve