Thought Leadership Initiative of Insurance Institute of India

भारतीय बीमा संस्थान
INSURANCE INSTITUTE OF INDIA
कॉलेज ऑफ इन्श्योरेन्स
COLLEGE OF INSURANCE

III Survey "Post Covid-19 Times - Strategic Concerns for the Insurance Industry"

June 2020

Insurance Industry:

Covid-19 Corona Virus - “from threat to opportunity”

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About Us

Insurance Institute of India (III) formed in 1955 as a Federation of Insurance Institutes, is recognized by the Indian Insurance Industry, SAARC countries and many other developing insurance markets, as a pioneer in insurance education, responding to the academic needs of the industry as well as addressing the causes of building and developing professionalism. III certifications are internationally recognized.

College of Insurance (COI) the training arm of III, founded in 1966, provides training in all technical and functional domains of Insurance. A large number of private and public sector insurers, brokers, surveyors, purchasers of insurance and others benefit from COI's classroom sessions, workshops, seminars, industry research and knowledge sharing activities. COI has a fully functional campus in Kolkata, catering to the academic needs of the Eastern and North Eastern Regions of India and those of the neighboring countries.

In view of the current restrictions on travel and need to follow social distancing, COI has begun virtual training from June 2020. (COI Virtual Training calendar is available on - https://www.coi.org.in/ and on https://www.insuranceinstituteofindia.com

III's Research Centre is recognized by the University of Mumbai for Ph. D. Research. It conducts research studies for the Institute and for reputed national and international entities. III fosters research by supporting budding researchers through research based essay competitions and by extending financial support to researchers. Under its Knowledge Management Initiatives, III reaches out to around 1,00,000 practitioners of insurance and keep them abreast of the latest in the industry every week. Institute news is published on a monthly basis, while the III Journal is quarterly.

Intellectual Property Rights: The Research Centre of III has prepared and published this Research Study *III Survey Post Covid-19 Times - Strategic Concerns for the Insurance Industry.* All intellectual property rights related to the research study vest with the Insurance Institute of India.

Research Studies: Indicative

- ☐ Challenges in Insuring Flood-prone areas of Mumbai – for General Insurance Corporation of India (2019)
- ☐ Property Insurance in New and Existing Housing – for National Housing Bank (2019)
- ☐ Insurance Requirements of the Indian Logistics & Warehousing Industry and its Customers (In-Country Operations) 0 Transport Corporation of India (2017)
- ☐ Country Landscape Study on Mutual and Cooperative Insurers in India - Cooperative and Mutual Insurance Federation (2017).
- ☐ Design and Product Performance of the Industrial All Risks Policy – for General Insurance Corporation of India (2016)
- ☐ Building Financial Resilience of SAARC Countries against Natural Disasters: The Insurance Option - SAARC Disaster Management Center (2015)
- ☐ Microinsurance Regulations in India - Situational Analysis and Assessment – for GIZ (2014)

Foreword

Covid-19 will have long-lasting impact on the Insurance Sector

With the world battling the novel coronavirus pandemic, the impact has been felt on each and every sector and, perhaps, the financial services industry and the insurance industry would be among the sectors most affected.

Insurers need to plan for taking necessary actions for protecting their businesses, maintaining consumer confidence and managing regulatory compliances.

With a recession threatening the global economy, the insurance industry will be experiencing unprecedented challenges.

Insurers have to meet with the expectations of the insured, investors and regulators. Covid-19 situation poses a series of challenges for insurers to maintain their operations as the normal ways of working have already been disrupted and the 'New Normal' has set in.

To know how insurers are faring during lock down, what the critical flashpoints are and how different stakeholders will react to the challenges and bring in changes to insurance business, Insurance Institute of India contacted about 150 current and retired decision makers to know their views and vision for the insurance industry.

A snapshot of findings was published on 29th May 2020. We are happy to present now a detailed report.

We are sure you will find the report interesting and useful.

***Deepak Godbole**,*
Secretary General, Insurance Institute of India
Mumbai, India, 30th June 2020.

About the Survey

Insurance is a fairly complex business involving multiple processes to administer existing policies, price new ones, sell the products, renew the exisitng policies, address customer inquiries, and most importantly, process claims.

Insurers are struggling to maintain their basic operations and live up to the normal expectations of the insured, the investors and the regulators during the lockdown period. Meanwhile, as customers are getting exposed to different standards of service from other industries, their expectations of service from insurers are fast changing. Now, Insurers have to grapple with a new set of customer expectations, the need for tougher corporate governance and rigorous regulatory compliances. Further, insurers are slowly realizing that these disruptions may outlive the short-term and they may have to live with the new challenges for a considerable time.

Insurers are in the same boat and need to collaborate to ride the rough seas. This is the time for the industry to share their agonies over what hurt them and share their experiences on which balm would sooth the pains. As thought leaders of the insurance industry, III engaged with 64 industry seniors, both working and retired, who were willing to share their thoughts for common good. This include a cross section of professionals having intimate knowledge of managing companies, underwriting, settling claims, developing products and pricing them, managing risks, managing finance and investment, from India and the SAARC region.

III is profoundly thankful to the respondents for completing the questionnaire taking time of their busy schedules and challenges of working from home.

Research Department of III places on record the support and guidance from Secretary General in conducting this survey.

Looking forward to your feedback on this survey and the outcome. Please contact us for any need for conducting research studies surveys in future.

Research Department
Insurance Institute of India
Email: research@iii.org.in

Survey Highlights:

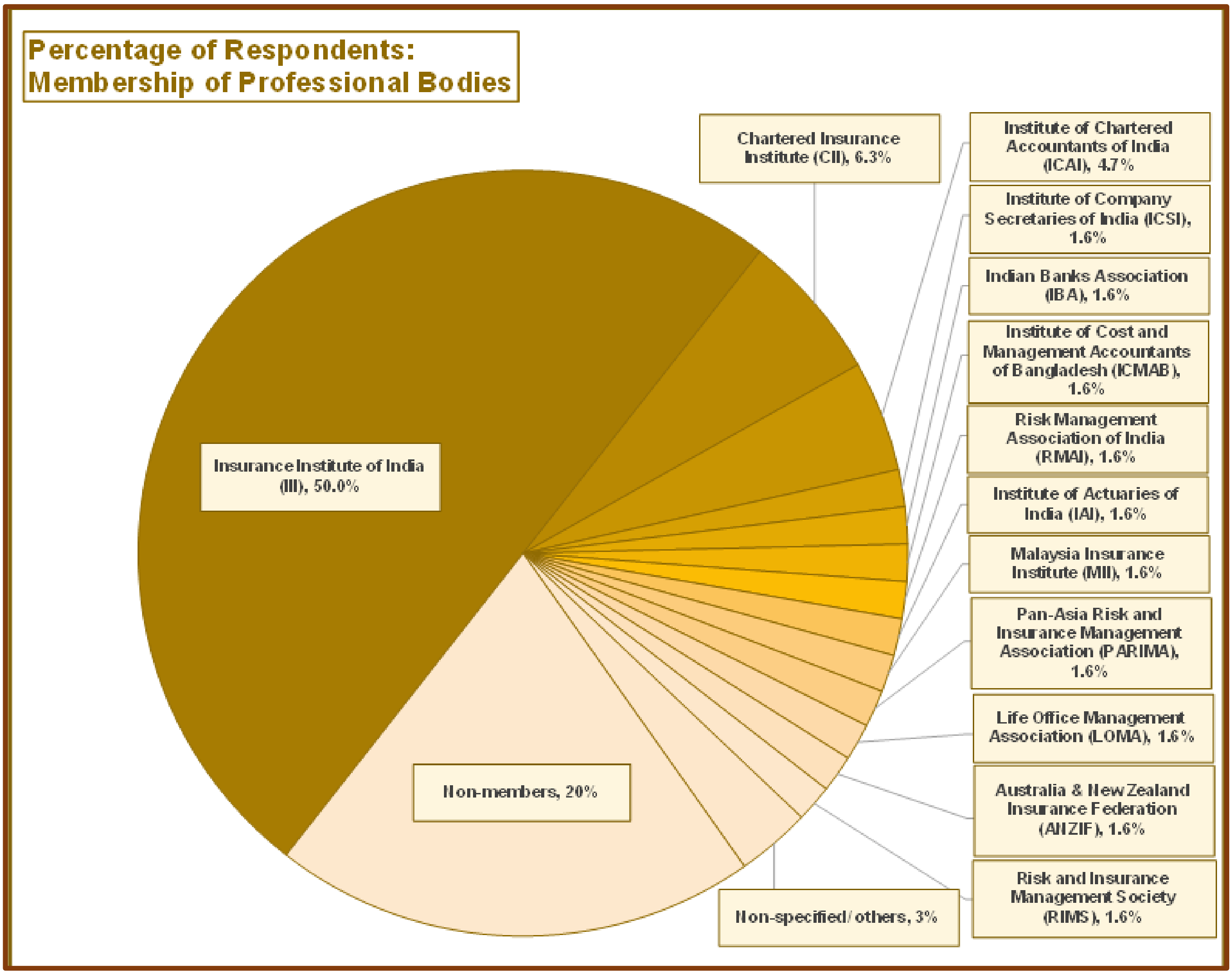
While the details of the survey are discussed in the following pages in detail, a snap-shot of the findings is presented here:

- ☐ Among recent global disasters, Covid-19 has assumed the top place in the industry's mind-space, due to its horrifying global influence and impact.
- ☐ Health Insurance would be most affected in the immediate future due to the Corona virus followed by Business Interruption Insurance.
- ☐ Sales of Health Insurance will increase due to the impact of the Covid-19 situation.
- ☐ Enterprise Risk Management and Business Continuity Planning would engage immediate attention of insurers in the post Covid-19 situation.
- ☐ A gradual growth may be expected in insurance business in the post-Covid-19 scenario.
- ☐ Online sales is predicted to increase, among all the distribution alternatives. Almost all respondents agree on this.
- ☐ Customers' attitude towards purchasing insurance would become very positive.
- ☐ Regulations would become more lenient and certain norms would be relaxed. Governmental directives/ policies would need to be followed.
- ☐ Insurers' appetite for risk-taking would increase on the one hand, while underwriting standards are expected to become more strict and scientific.
- ☐ Insurers will rely on enhanced reinsurance support and possibly, new reinsurance pools will emerge.
- ☐ Adjusting to remote working would be the major operational challenge in the post-Covid-19 scenario.

RESPONDENTS' PROFILE

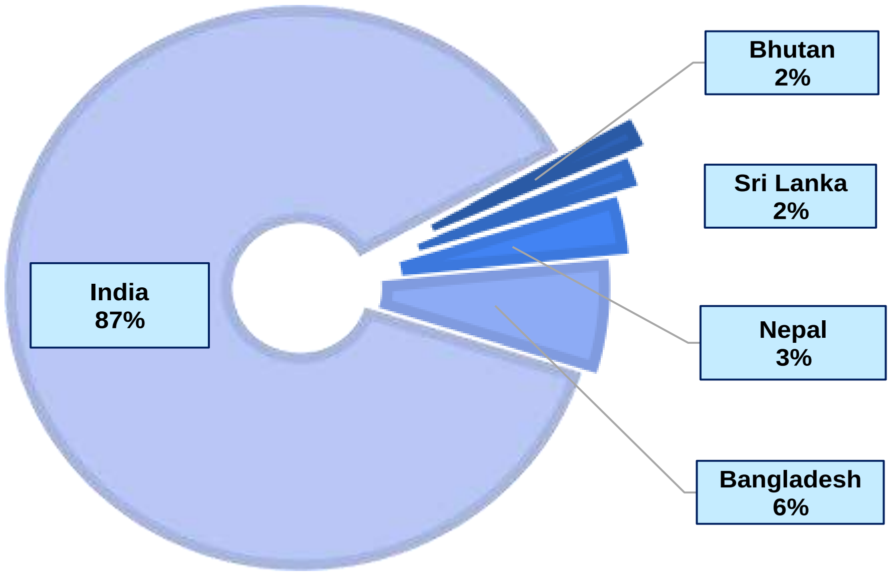
Percentage of Respondents: Working and Retired	Percent
Working	83%
Retired	17%

Percentage of Respondents: Membership of Professional Bodies	Members	Percent
Insurance Institute of India	32	50%
Insurance – CII, ANZIF, MII, LOMA , PARIMA, IAI, RIMS, RMAI	11	17%
Non-Insurance – ICAI, ICSI, IBA, ICMAB, Others	8	13%
Non-Members	13	20%

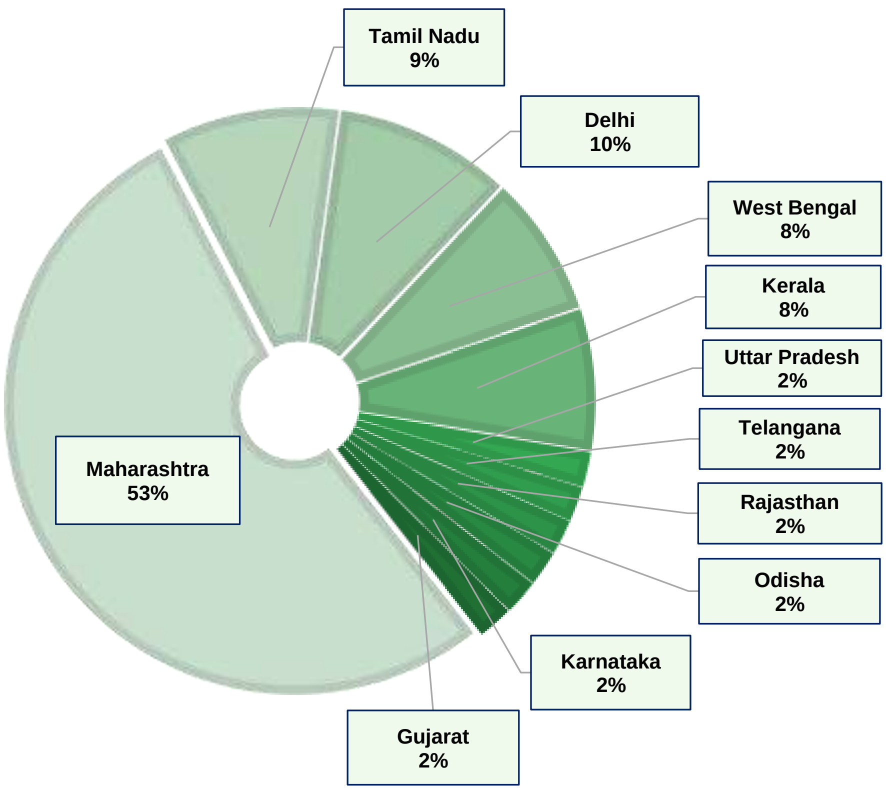


RESPONDENTS' PROFILE

PERCENTAGE OF RESPONDENTS: COUNTRY-WISE



PERCENTAGE OF RESPONDENTS: INDIAN STATES



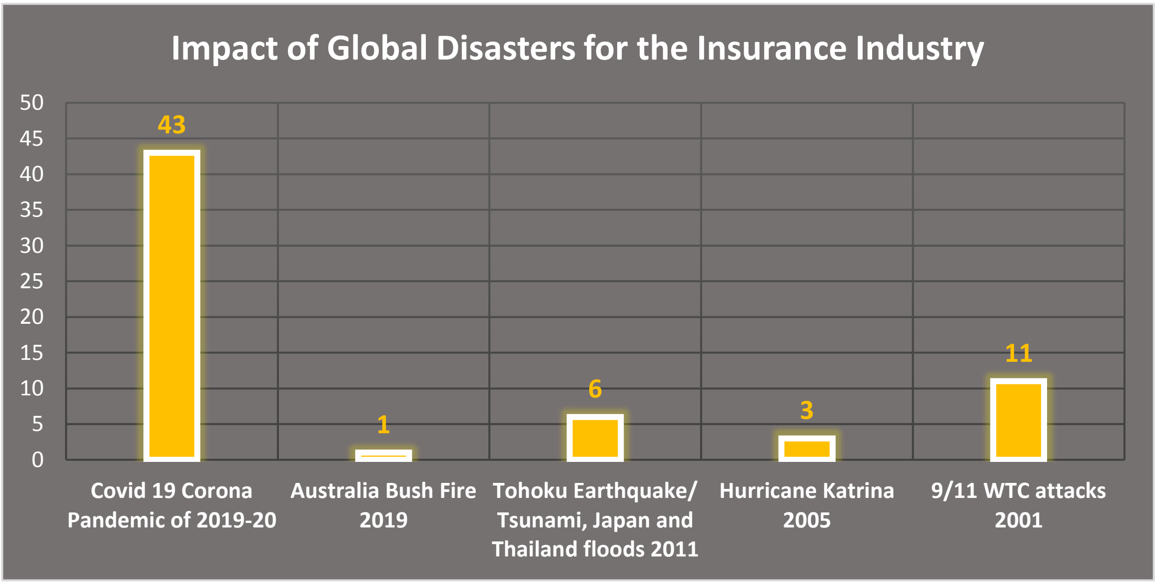
Question-wise Findings

Q.1

How would you rank the following disasters in terms of their impact on the insurance industry globally?

(Rank the following. Give Rank 1 for the best option and Ranks 2, 3, 4 & 5 for the lesser options)

Covid-19 Corona Pandemic of 2019-20	43	67%
Australia Bush Fire 2019	1	2%
Tohoku Earthquake/ Tsunami, Japan and Thailand floods 2011	6	9%
Hurricane Katrina 2005	3	5%
9/11 WTC attacks 2001	11	17%



- 67% of the respondents ranked Covid-19 Pandemic of 2019-20 as the most impactful, followed by 17% respondents who ranked 9/11 WTC attacks of 2001.
- Another 9% voted for the catastrophic events in Japan and Thailand in 2011, 5% ranked Hurricane Katrina 2005 most impactful, while 2% assigned the top rank among the recent disasters the Australian Bush Fire 2019.
- Experts perceived that Covid-19 has assumed the top place in the industry's mind-space among recent global disasters, possibly, due to its horrifying global spread and impact.

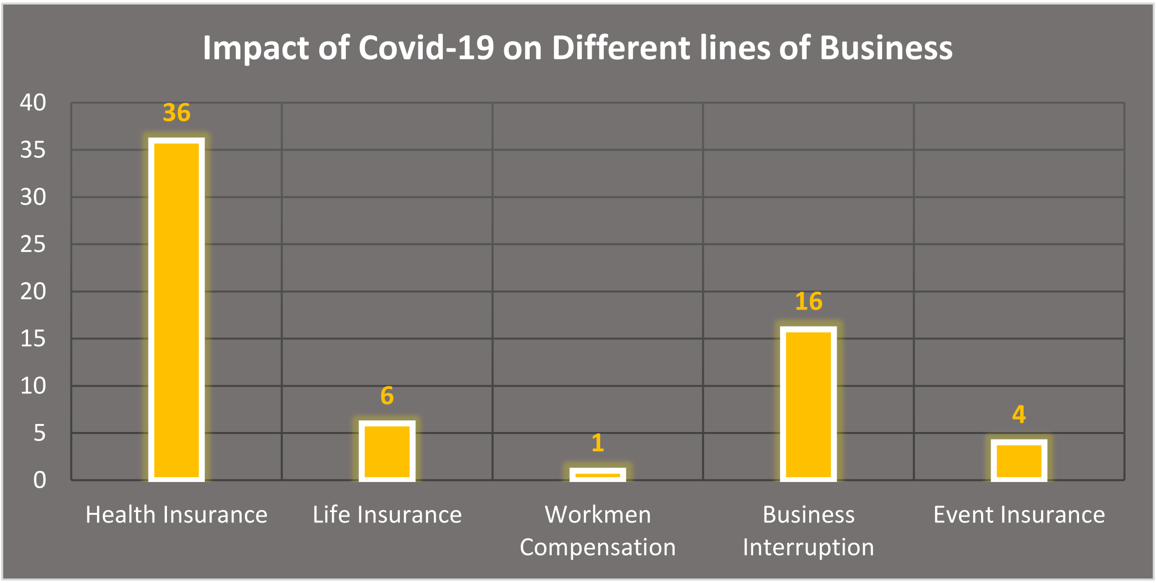
Question-wise Findings

Q.2

Which lines/ types of insurance will the Corona virus situation impact in the immediate future? (in terms of requirement of making changes in products, terms, rates etc.)

(Rank the following. Give Rank 1 for the best option and Ranks 2, 3, 4 & 5 for the lesser options)

Health Insurance	36	57%
Life Insurance	6	10%
Workmen Compensation	1	2%
Business Interruption	16	25%



- 57% of the experts opined that the Coronavirus situation would impact Health insurance most, while 25% voted for Business Interruption, 10% for Life insurance, another 6% for Event insurance and a mere 2% for Workmen's Compensation.
- This perception could be possibly, due to the fear of healthcare costs.

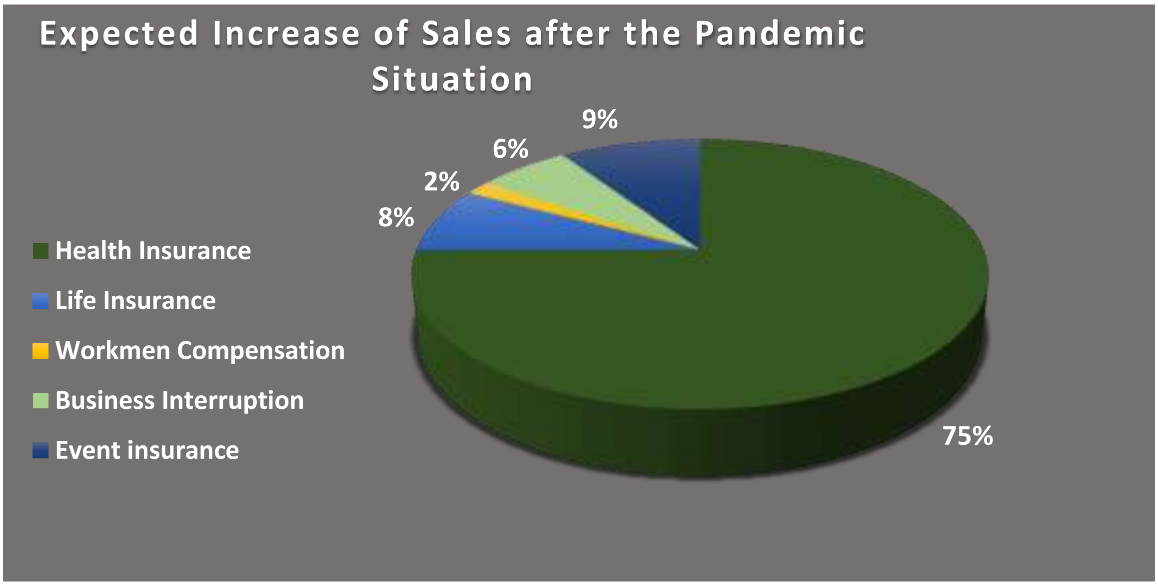
Question-wise Findings

Q.3

Will the Corona virus situation be instrumental in boosting the sales of these lines/ types of insurance in future?

(Rank the following. Give Rank 1 for the best option and Ranks 2, 3, 4 & 5 for the lesser options)

Health Insurance	48	75%
Life Insurance	5	8%
Workmen Compensation	1	2%
Business Interruption	4	6%
Event Insurance	6	9%



- 75% of the market expects that the sales of Health Insurance would get boosted by the Coronavirus situation, while 9% voted for Event Insurance, 8% for Life Insurance, 6% for Business Interruption and 2% for Workmen's Compensation Insurances.
- The reasons for this could be the increased awareness created by the media about the global spread of the pandemic and the large number of people hospitalized.

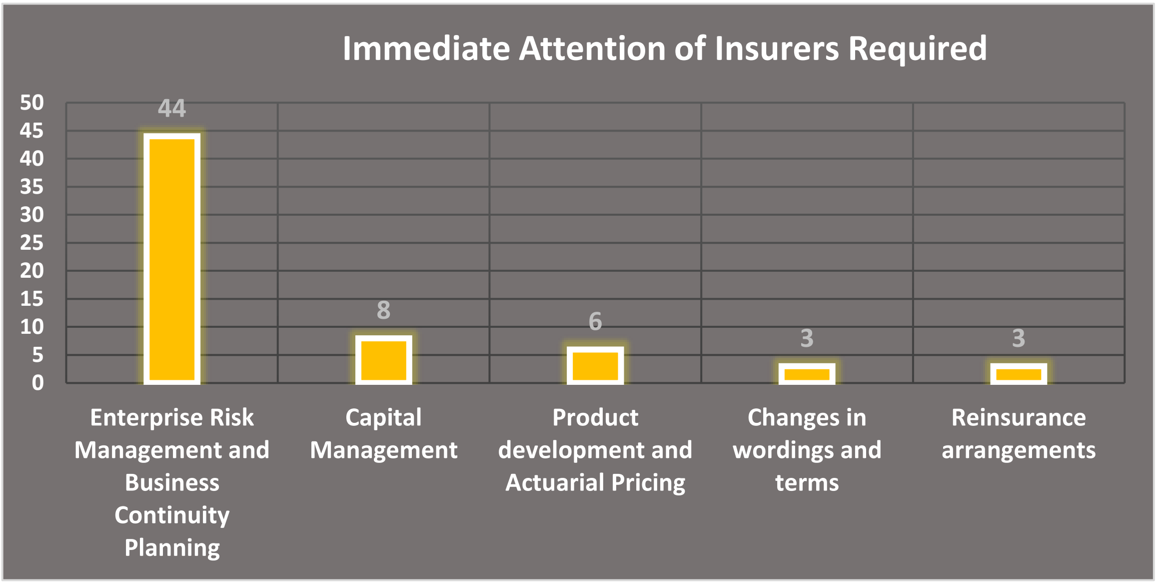
Question-wise Findings

Q.4

Insurers' response to the Covid-19 situation should be mainly on (attention required in order of priority)

(Rank the following. Give Rank 1 for the best option and Ranks 2, 3, 4 & 5 for the lesser options)

Enterprise Risk Management and Business Continuity Planning	44	68%
Capital Management	8	13%
Product development and Actuarial Pricing	6	9%
Changes in wordings and terms	3	5%
Reinsurance arrangements	3	5%



- 68% of those interviewed flagged that Enterprise Risk Management and Business Continuity Planning should be the first priority areas for insurers, whereas 13% ranked Capital Management as the first priority.
- 9% ranked Product Development and Actuarial Pricing foremost, while 5% ranked Reinsurance arrangements and another 5% ranked Changes in wordings and terms as the highest priority.
- Experts advise that Enterprise Risk Management and Business Continuity Planning would merit the immediate attention of insurers in the post Covid-19 situation.

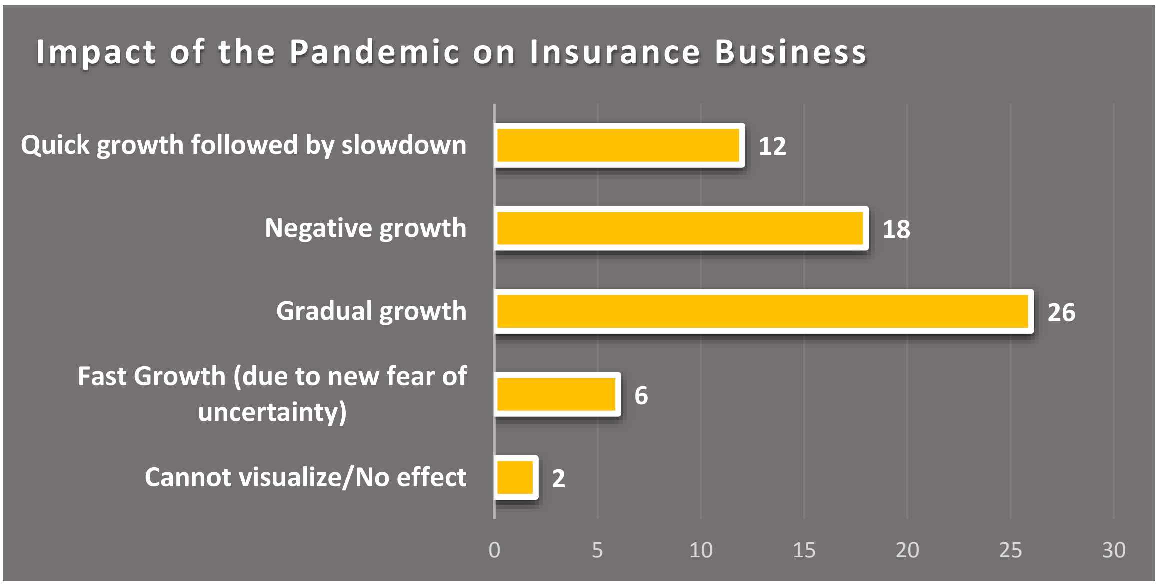
Question-wise Findings

Q.5

What would be the impact of the pandemic situation on insurance business globally, post Covid-19?

(Select one of the following options)

Cannot visualize/No effect	2	3%
Fast Growth (due to new fear of uncertainty)	6	9%
Gradual growth	26	41%
Negative growth	18	28%
Quick growth followed by slowdown	12	19%



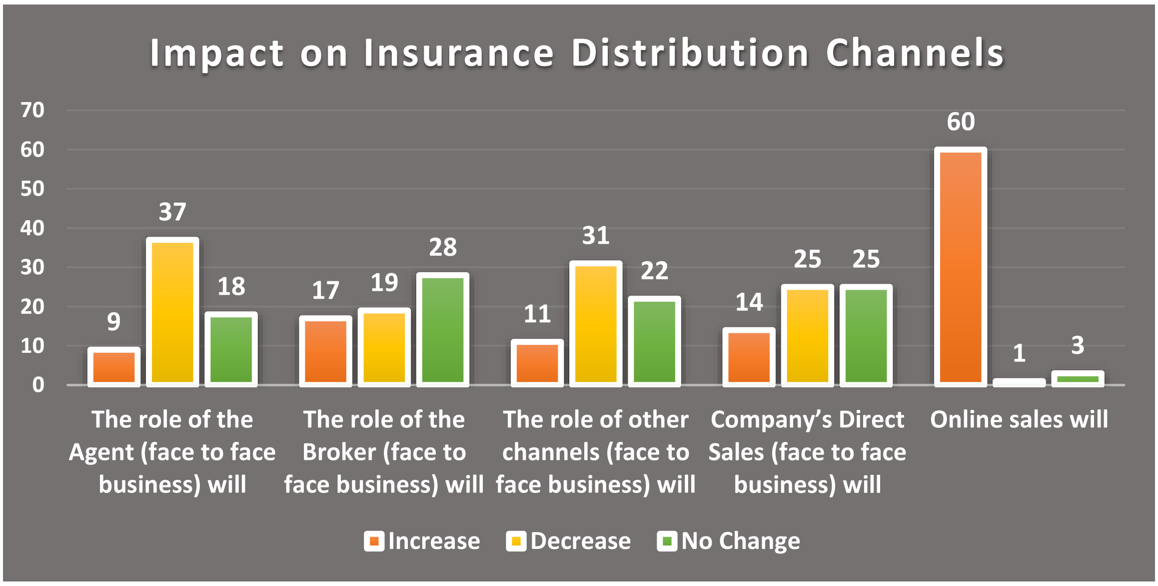
- 41% of the respondents expect a gradual growth of business post Covid-19 while 28% feel there will be a negative growth.
- 19% feel that there would be quick growth followed by a slowdown.
- 9% think that the fear factor will push the growth fast while 3% said that they do not expect any notable effect.
- Experts predict that a gradual growth is expected in the insurance business in the post-Covid-19 scenario.

Question-wise Findings

Q.6

Would notable changes be seen in insurance distribution?

In face to face business,	Increase	Decrease	Have no change
- the role of the Agent will	9	37	18
	14%	58%	28%
- the role of the Broker will	17	19	28
	26.5%	29.5%	44%
- the role of other channels will	11	31	22
	17%	48.5%	34.5%
- the Company's Direct Sales will	14	25	25
	22%	39%	39%
- the Online sales will	60	1	3
	94%	1.5%	4.5%



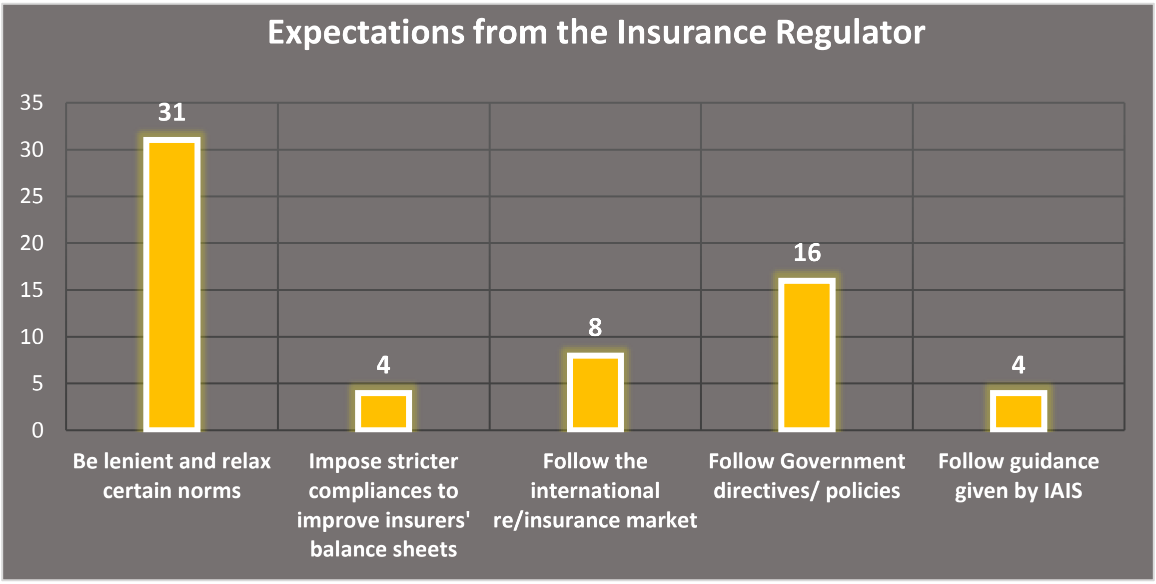
- 94% of the respondents expect Online Sales to increase while the importance of Agents' and Direct Sales channels would decrease.
- Around 70% of the Experts felt that the role of Brokers would increase or have no change.
- The logic for this appears to be social distancing and the increased preference for contactless dealings.

Question-wise Findings

Q.7

How would you like the Insurance Regulator to respond to the Covid-19 situation? (Rank the following. Give Rank 1 for the best option and Ranks 2, 3, 4 & 5 for the lesser options)

Be lenient and relax certain norms	31	49%
Impose stricter compliances to improve insurers' balance sheets	4	6%
Follow the international re/insurance market	8	13%
Follow Government directives/ policies	16	26%
Follow guidance given by IAIS	4	6%



- 49% of the interviewees opined that the Insurance Regulator should be lenient and relax norms in Covid-19 situation, whereas 26% felt that it should merely follow government directives.
- 13% felt that the Regulator should follow the international reinsurance market, 6% opined that the stricter regulatory compliances were to be imposed to improve the insurers' balance sheets while another 6% felt it appropriate to follow the International Association of Insurance Supervisors.
- The expectation that regulations would become more lenient and certain norms would be relaxed appear to be due to the operational and financial difficulties of insurers. Experts are cognizant that Governmental directives/ policies would require to be followed.

Question-wise Findings

Q.8

After the Covid-19 situation, would notable changes be seen in insurance related behavior globally, in the following areas?

i) Customers attitude towards purchasing insurance

Positive	58	91%
Negative	4	6%
No Change	2	3%

ii) Changes in buying behavior would affect

All lines of business	16	25%
Partially some lines of business	48	75%
No Effect	0	

iii) Insurers' appetite for risk taking

Increases	30	47%
Decreases	22	34%
No Change	12	19%

iv) Underwriting may become

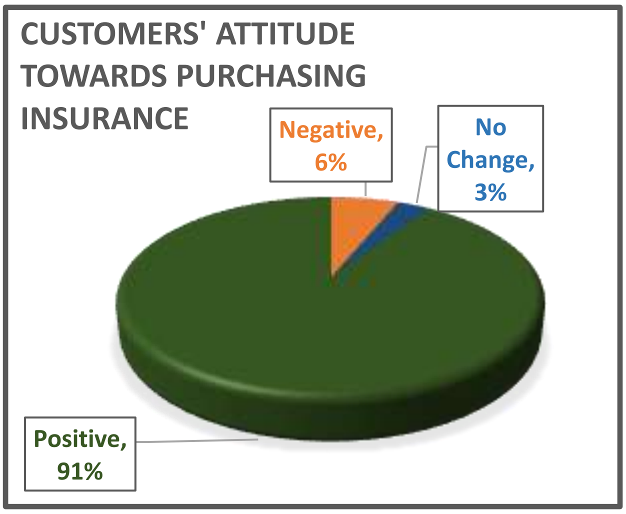
Lax	5	8%
Strict	49	77%
No Change	10	15%

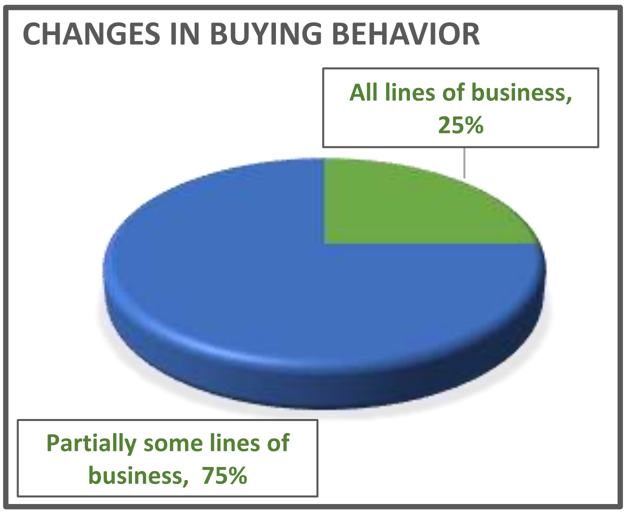
v) Claims settlement would become

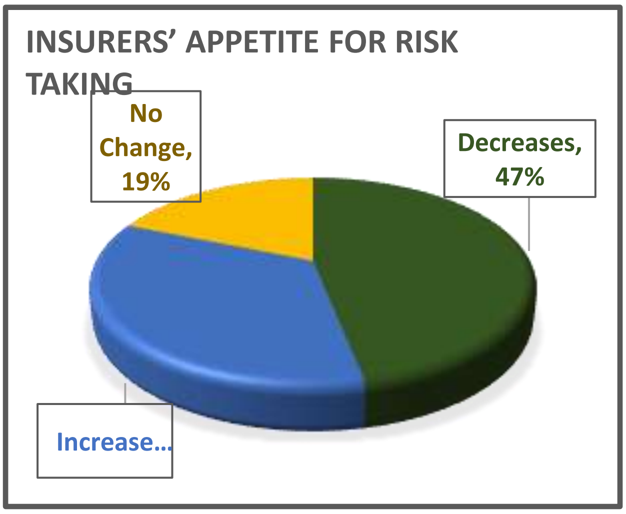
Complicated	13	20%
Simpler	31	49%
No Change	20	31%

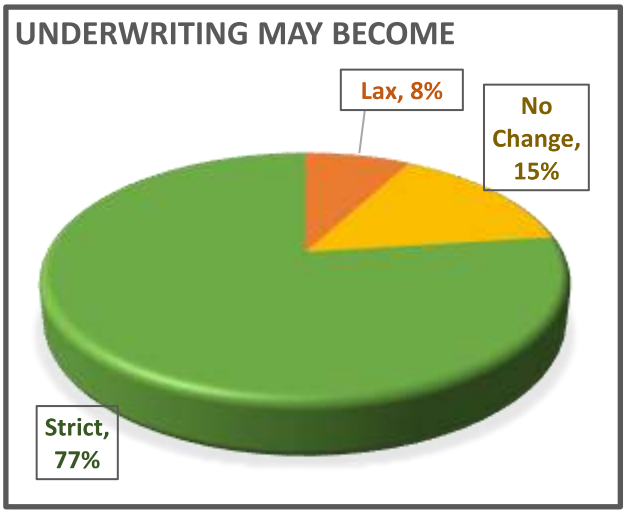
- 91% feel that Customers' attitude towards purchasing insurance would be more positive, though changes in buying behavior would not be uniform across all lines. .
- As per 47% of interviewees, Insurers' appetite for risk-taking would increase (34% felt that there would be a decrease).
- 77% of the Experts predicted that underwriting standards would become stricter.

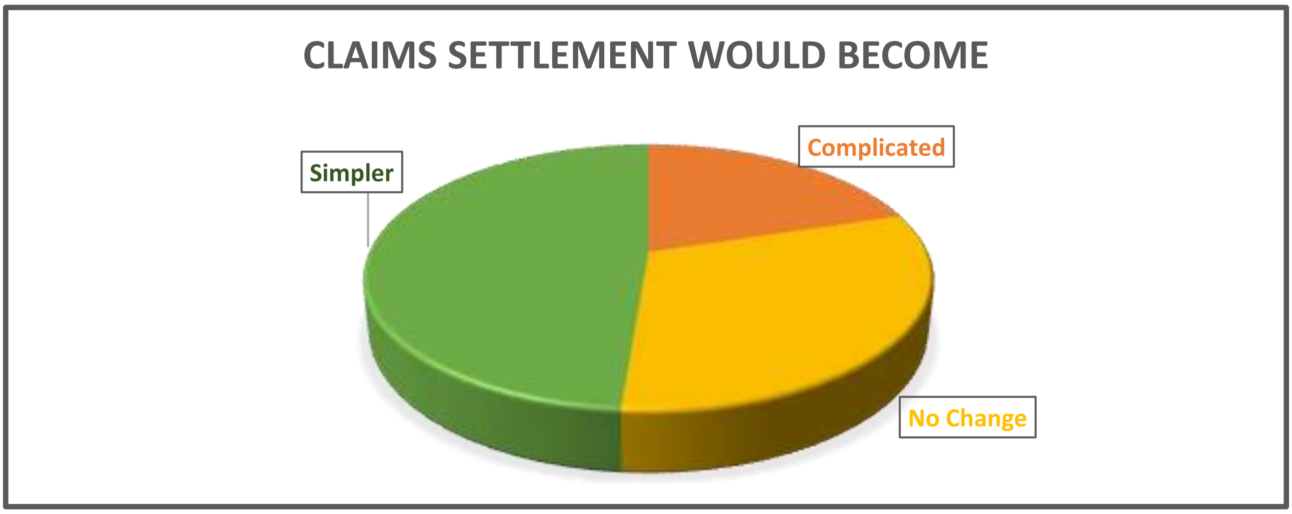
Question-wise Findings









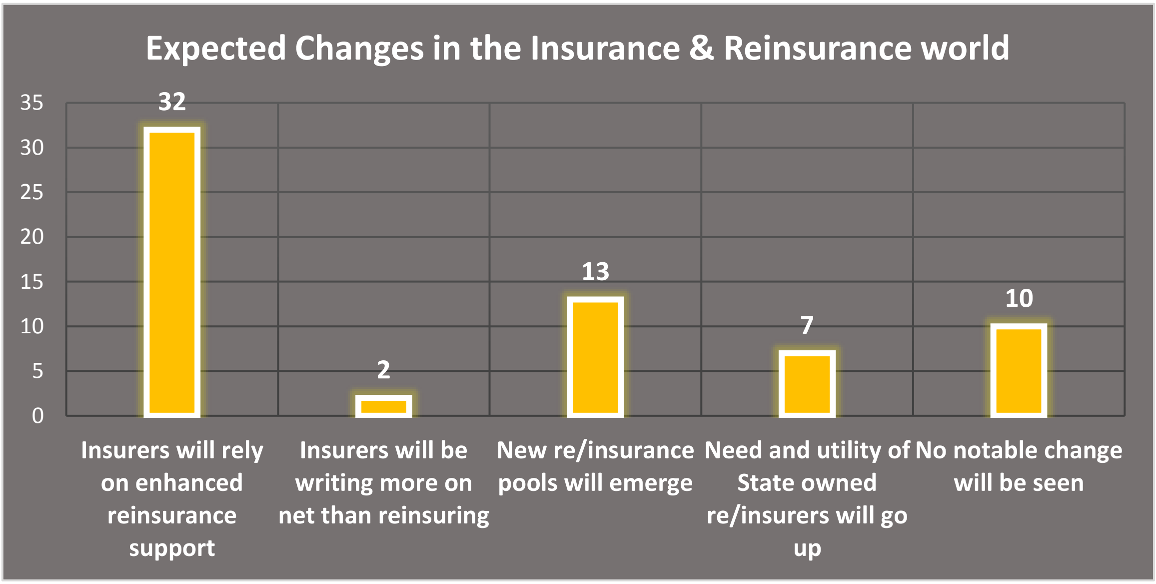


Question-wise Findings

Q.9

Notable changes that would happen in the world of insurance and reinsurance. (Rank the following. Give Rank 1 for the best option and Ranks 2, 3, 4 & 5 for the lesser options)

Insurers will rely on enhanced reinsurance support	32	50%
Insurers will be writing more on net than reinsuring	2	3%
New re/insurance pools will emerge	13	20%
Need and utility of State owned re/insurers will go up	7	11%
No notable change will be seen	10	16%



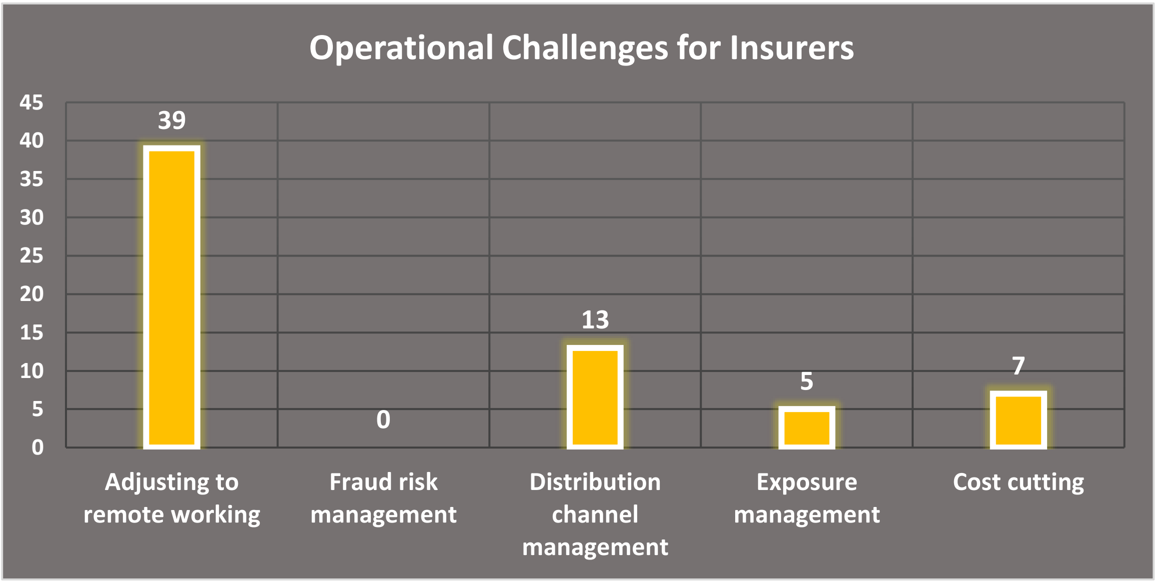
- 50% respondents opined that the most notable change that insurers would see in the post Covid-19 scenario would be an increased dependence on reinsurance support.
- 20% respondents felt that new reinsurance pools would emerge.
- Another 11% predicted that the need and utility of the state-owned reinsurers would increase while 3% opined that insurers would be writing more on net that reinsuring.
- However, 16% felt that there would be no notable change
- Experts' views that Insurers will rely more on reinsurance support and that new reinsurance pools would emerge, appear to be due to them anticipating capital crunch and stressed balance sheets.

Question-wise Findings

Q.10

Operational challenges (beyond core business challenges) for insurers post Covid (Rank the following. Give Rank 1 for the best option and Ranks 2, 3, 4 & 5 for the lesser options)

Adjusting to remote working	39	61%
Fraud risk management	0	0%
Distribution channel management	13	20%
Exposure management	5	8%
Cost cutting	7	11%



- 61% of the interviewees felt that the main operational challenge (beyond core business challenges) for insurers in the post Covid-19 scenario would be adjusting to remote working.
- 20% ranked distribution channel management as the main challenge, while 11% voted for cost cutting, 8% for exposure management.
- Experts appear to be concerned that the show must go on. Hence, adjusting to remote working is seen as the major operational challenge in the post-Covid-19 scenario.

Findings beyond the Questions

Additional Insights

In addition to the direct questions asked, a few interviewees provided us with some additional insights. Some of them are presented below:

RISK AND PRODUCTS

- ☐ Insurers should see their roles as partners, preventers and payers.
  - ✓ Risk Management exercises should be done at least for major customers.
  - ✓ Expert advice should be provided to customers on what to do and what not to do at the time of opening up businesses after the Lockdown (through webinars).
  - ✓ They should plan for preventing property insurance losses due to risks while restarting after lockdown.
  - ✓ They should also plan for paying the losses professionally and expeditiously.
- ☐ Insurers have been grappling with natural and man-made calamities. The insurance industry needs to search seriously for answers to the menace of pandemics as well.
- ☐ The Covid-19 crisis should lead to many ‘disruptive innovations’ in the world around us which would become the new normal.

  For e.g., the environment may become cleaner and work related transactions may become simpler. Insurers should diligently observe these changes and to design new products.
  - ✓ We may design newer health and employee benefit products with proper caps.
  - ✓ Insurers should develop more need-based customized covers, providing for loss of jobs, reduction of wages, and interruption due to force majeure.
  - ✓ Property and engineering lines will witness higher demand for inclusion of pandemics as an additional force majeure cover.
  - ✓ Wordings of Business Interruption policies would need greater thought and better clarity. We need to provide for consequential loss situations due to the breaking down of supply chains and logistics because of pandemics and similar causes.

Findings beyond the Questions

Additional Insights

In addition to the direct questions asked, a few interviewees provided us with some additional insights. Some of them are presented below:

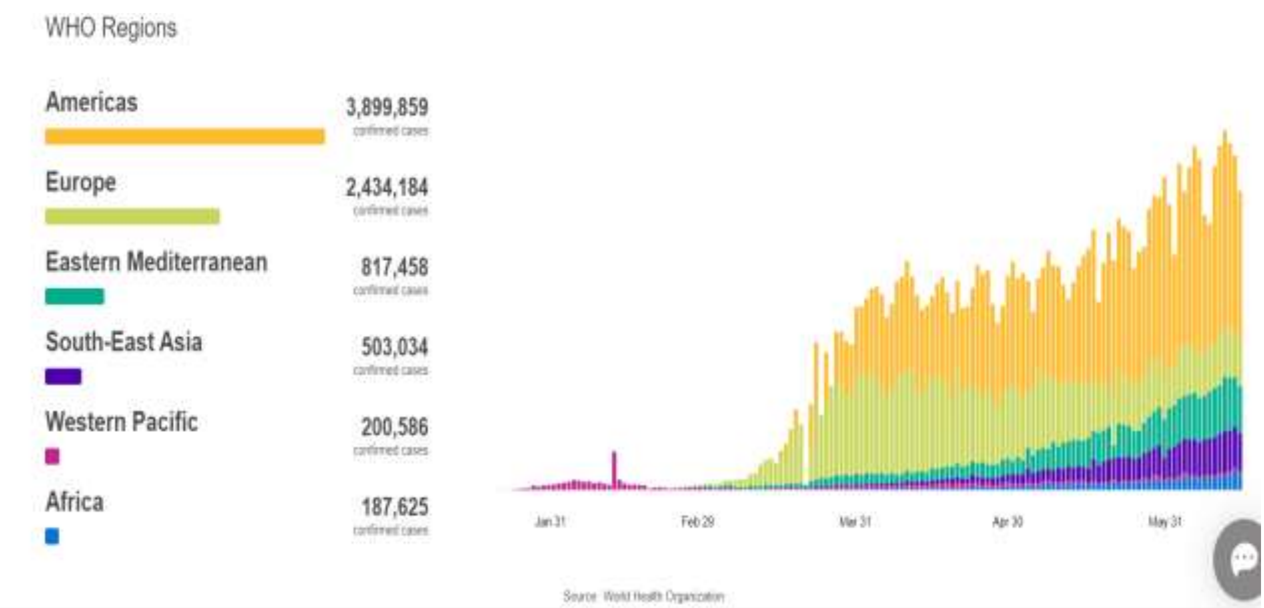
MANAGEMENT
☐ Despite scientific advances, it is possible that severe health-hazards with no known cure can occur, threaten human existence and devastate business activity. Insurers should be aware of this as a Risk for their organization.
☐ Insurers should give importance to investment management and create investment strategies to (i) avoid Credit Risk and (ii) earn optimum Return on Investments (ROI) in such situations in future.
☐ Insurers should their capacity through research studies - both individually and at the industry level.
☐ Insurers need to conduct a thorough exercise or reviewing their business models including reinsurance arrangements.
☐ There should be more reliance on technology, the Internet of Things (IoT) and Artificial Intelligence (AI).
☐ Insurers should focus on digital end-to-end delivery and service as well as develop seamless communication and customer engagement.
☐ Insurers should look at seamless work environments both from office and remotely with robust cyber security systems.
☐ Insurers and reinsurers should visualize a new normal post Covid-19.
✓ At the corporate management level, they need to review all their important matters like product flexibility, pricing, product mix, reliance on actuarial tools, management expenses controls, distribution strategies, regulatory compliances, risk management, IT implementation, standardization of IT amongst players, work from home as well as possible mergers and accusations of insurers and reinsurers; and be adjusted for the new normal, for their own success and the success of the industry.

The Implications of Covid-19 on Insurance Industry

Health Insurance

Although first detected in Wuhan, China, the Covid-19 outbreak is now truly global in scale. On 11 March 2020, it was officially declared a pandemic by the World Health Organization (WHO). With multiple shifting epicenters, the number of confirmed Covid-19 cases outside China started exceeding the number of confirmed cases within China.

Covid-19 is the biggest crisis of our generation. Just as new data is often difficult to analyze, clear answers too are in short supply. Globally as of, 17 June 2020, there have been 8,043,487 confirmed cases of Covid-19, including 439,487 deaths, reported to WHO. The national capacities have been tested to the brink, in more than a century trying to respond to health emergency by the outbreak of Covid-19. This chart presents the epidemiological curve for Covid-19, how the virus spread rapidly and globally, affecting nearly every country and territory.



The impact of this pandemic has been such that it has seen the best of health care facilities collapse under the sheer magnitude of the numbers of Covid-19 patients. India is now the fourth most affected country and is struggling with its healthcare infrastructure to cater to the huge demands. This has put the spotlight on rising out of pocket expenses which people have to incur to take treatment, thus pushing them into abject poverty. Barely 4% of Covid-19 victims in India have Health Insurance[i].

Covid-19 has been a game changer for the Health Insurance Industry as the awareness of health insurance has seen a sharp spike, something which years of marketing have not been able to achieve. There has been a substantial increase in inquiries on health insurance policies with customers seeking protection against Covid-19.

The Insurance Regulatory and Development Authority of India (IRDAI), has stepped up quickly in view of the severity and gravity of the situation where major part of the population is grappling with the expenses of hospitalization arising out of Covid-19. Taking cognizance of this, the government and IRDAI, came out with a slew of measures to effectively combat the spiraling disastrous situation which are briefly mentioned as under:

- Provision for payment of premium in installments
- All insurers have been instructed to cover Covid-19 expenses under existing policies of customers.
- Where insured has not been able to pay premium on account of lockdown, the renewed policy date will be the date of the original policy.
- Insurers to give pre authorization within two hours (the same limit applies at the time of discharge).
- Decision on final discharge to be communicated to the network provider within two hours from the time of receipt of final bill and last necessary requirement from the hospital either to the insurer or to the Third Party Administrator (TPA), whichever is earlier.
- Insurers to simplify procedures, which means they should not ask for too many documents or conduct time-taking checks.

Globally 58% of countries are using telemedicine to replace in-person consultations; in low-income countries this figure is 42% and being the need of the hour in times of Covid-19, telemedicine counselling charges have been allowed under the policy if OPD cover is there.

Government guidelines have been issued requiring companies to provide medical insurance to all workers while restarting operations during the lockdown.

It is heartening to note that under the sandbox regulations, a lot of specific COVID-19 products have been launched by various insurance companies which are mostly benefit based plans and some of those also provide cover for loss of income. Another indemnity based product has also been introduced to take care of quarantine expenses as well for a higher sum insured .These have been well received by the customers. Due to limitation of face-to-face interaction, insurers are increasingly engaging the customers with digitally assisted platforms with claims team working on end-to-end processing of pre-authorization claims and reimbursement claims. There has been a massive jump in online sales after Covid-19.

However, there are issues galore with the insurers concerned about the rising costs of the claims, which do not fall under any packaged rates, as the cost of treating Covid-19 is expensive due to antivirals, ventilators, personal protective equipment kits (PPE) and separate wards. On the other hand, insured is worried about the deductions, exclusions and waiting period under the policy. There is no clarity on reimbursement of home quarantine expenses, even as the hospitals are offering packaged rates for same, in view of the severe shortage of beds in hospitals.

It is necessary that for protection from new age diseases, there are innovative insurance policies available to end users at this hour of need that do not come with multitude of terms and conditions. The companies also need to ramp up digitization to proactively reach out to customers.

This crises could enable insurers to demonstrate their higher purpose and value to society and be a turning point for the insurance industry. Hope Covid-19 proves to be a catalyst for product simplification accelerating the development of Health Insurance Sector.

Ms. Madhuri Sharma, Faculty, College of Insurance

Covid - 19 has no doubt become a top of mind issue today – it has led to severe lockdowns all around the world; had a crippling effect on incomes and livelihoods in many economies and has adversely affected life insurance business as well. The immediate response of the industry is to shift to on line/ remote modes of operations, including business solicitation and services. There is also a concern for reduction of costs and this is likely to result in cut-back on brick and mortar offices to the extent possible. Similarly, life insurers like other insurers, would be concerned with the conservation of their capital in the wake of fall in new business and increase in Claims, partly fueled by Covid-19 related morbidity and mortality.

If the past is something we can learn from, it is likely that the Covid -19 menace may also rise and ebb in a couple of months, like the other virus linked Pandemics before it. It is also likely that many a life insurer may settle back to 'business as usual.' Yet, Covid -19 has done one thing that previous pandemics has not. It has forced millions of people across the world to confront the reality of their lives and the world around them. It has provided time and the wherewithal for introspection and deeper exploration of deeper questions related to the meaning [or lack of it] and quality of their lives, their relationships and the values they held.

In this sense, Covid – 19, which has come smack at the beginning of the third decade of this century, would be a powerful trigger of events that have already been set in motion over last two decades.

In Perspective:

A reflective look at the evolution of business and marketing in general would reveal four stages in its growth. The first stage of the industrial revolution was that of *Commodities* and Mass Production, during which the focus was on making 'things' available to people at affordable cost. In course, this gave way to the era of '*Products'* [which are defined as 'bundles of features or attributes]. This paved the way for Product differentiation and pitching around the unique features and benefits of each product. By the closing years of the twentieth century and early years of the twenty – first, we could see the results of digital age technology in the form of global value chains; mass customization and replication of products with multiple lookalikes. Pitching around product functionality and features made little sense in a cluttered world. It was the beginning of a new era of Business and Marketing around *Brands.* The focus shifted from acquiring customers to building Clients – and from products to relationships.

If we look at the life insurance industry we would find that the first era was typically marked by the design of basic savings products (as bundles of protection and savings – like Endowment). In many countries including India, there was an additional crutch of tax savings that industry could depend upon. The focus was largely on building 'distribution channels' to somehow get the products into the wider market. Some demographic shifts and increased competition from other financial products signified the second era – when development of new investment linked products led to pitching of features and benefits, particularly the pitching around *Illustrations.* One result of carrying illustrations selling too far was mis-selling – especially in the case of ULIPs and other investment linked Products. A good number of life insurance companies and practitioners are still in that era, perhaps wondering why their strategies no longer work like before. The third era could be when insurers moved towards building deeper inroads into their customer minds and focused on building their brand and identity in terms of what they might mean for their customers to deal with challenges of trust deficit and customer dis-enchantment with their value offerings. This is especially seen in the case of top Life Insurance Sales Producers (like MDRT – COT – TOT members) who have built their brand and deep customer footprints through years of service and relationships.

The fourth era, which is gaining in momentum in several industries, is an era of Business and Marketing around the *Meaning and Quality of Life*[ii]. The Digital (Information and Communication Technology) Revolution, which ushered the 'power shift' towards Knowledge, paved the way. Another critical variable has been the rise of Millennial and Gen Z cohorts, who are set to be the dominant buyers of life insurance and other products in the twenties and thirties. A third force is the withering away of the industrial economy - where companies including life insurers produced goods and services and delivered them in linear sequence to passive consumers. That fabric is fast being replaced everywhere by the platform economy, where customers and service providers, including a host company, are bought together on a single platform to create an ecosystem. Finally, we have the powerful impact of what the UNEP - FI has[iii] described as Environmental – Social – Governance (ESG) Risks.

The implications of the above forces are momentous. They have two critical implications for marketers everywhere: Firstly, the *Needs Economy* – with focus on providing goods and services to meet needs is gone and has been replaced by the *Experience Economy* (which goes beyond needs satisfaction). Secondly the era of connecting to and providing goods/ services to customers is giving way to Connecting Customers and Providers in a web of Value Co-creation. The third implication, which the current pandemic is going to heighten, is the end of an age when being was associated with having, giving rise to the worship of wealth and mad pursuit of lifestyles. A new global pool of values has already emerged in its place, which focuses on a search for Meaning and Quality of life.

As the currents and elements of era four become more and more ubiquitous, life insurers will begin to feel the impact and many would reel from it. The wiser ones would realize the necessity and urgency for moving out from their traditional moorings in insurance as a contract to a new value paradigm based on insurance as a way of life.

Dr. S. K. Kutty, Faculty, College of Insurance

The Implications of Covid-19 on Insurance Industry — Life Insurance

The Covid-19 pandemic has spread throughout the world. As of now, there is no medicine to cure this disease or vaccination to prevent it. To contain the spread of this disease, the governments have adopted a strategy of maintaining social distancing, placing restrictions on mobility and clamping a lock-down from the fourth week of March 2020. Transport services were brought to the minimal levels for emergency services.

Covid-19 has impacted both social and economic activities, the impact of which are expected to be severe and long lasting. Almost all the industries have been impacted. Production of goods and distribution services have suffered, and the service industry is badly impacted. Cash flows are impacted and as business entities face liquidity concerns, some organizations have found it difficult to pay the salaries of their employees. MSMIs are a badly hit lot. This situation has created unemployment and under employment. The consumption demand has reduced.

It is expected that industrial activity will improve from September, 2020. Certain industries like hotel and hospitality may not revive immediately as these are linked to tourism which may start off only after restoration of normalcy. Experts foresee that the GDP growth may get reduced to 1.2% - 1.5% in the FY 2020-21.

The Covid-19 situation has impacted the Life Insurance industry also adversely as it did to other industries. In fact the Life Insurance Industry has grown around 10% in FY2020 in total premium with around 20% growth in New Business Premium Income. However, the premium inflows have come down considerably in April and May, 20 compared to the same period in the previous year. This is expected to have impact on marketing operations, like sales, product distribution channels, policyholders' service delivery, persistency ratio, etc.

At present a large part of life insurance sales are generally done through face-to-face interactions. Prospecting, taking appointments of the prospect, sales interviews, closing sales – are the various steps followed in insurance sales. In the present environment and in the future this process may have to undergo change. Presently, the tied channels (individual agents) and Bancassurance are the major channels accounting for around 90% of the total sales. Now, these channels have to change their way of working for reaching out and engaging customers.

This may also bring about a change in the product preferences. In the present scenario, customers may be more security conscious to cover the death risk and morbidity risk, at low premium. The market may prefer term assurance policies and life insurance policies with critical health riders. Customers might prefer life insurance and health insurance policies separately. Customers those who are part of organized groups may prefer group insurance for life and morbidity risks.

Present systems may become redundant for customer service processes like claim settlement, change of nomination, alteration of policy conditions, sanctioning and disbursement of policy loans etc. Providing services online would become order of the day. In the recent months one must have observed that the interest rates are falling. The Repo rate came down to 4% over a period of one year. This is going to have impact on the returns on the investments. The Capital Market is very volatile. This will create a market sentiment that investment in various instruments are less attractive.

This may help to boost the sale of insurance products in the short run. It can also be observed here that the fall in investment income will have impact on the bonus on the insurance policies in the long run. These present conditions may also dissuade customers to go for ULIP policies. Last but not least, there will be change in the customers' behavior. He may prefer spending for paying premium to secure his life and that of his family members. This is a good opportunity for Life Insurance companies to spread insurance awareness and get more new policy holders into the insurance fold. Life Insurance companies may have to adopt short term and long term strategies to manage the changes in the present situation. There should be innovation in the product design, selling processes, and service delivery. Digital Marketing has to be explored and taken advantage. Insurers need to use this time for re-engineering their Business Processes. Cost reduction and cost control through reduction in expenses and leveraging fixed expenses may also be given priority.

P. K. Rao, Faculty, College of Insurance

Efforts by governmental authorities across the globe to mitigate the spread of the Covid-19 virus has caused shutting down of large areas, demarcation of quarantine zones and restrictions of travel. These measures have cascading effects on business activities and on insurance.

Property insurance as a *genre*, provides[iv] many time-related and other coverages[v] including (i) business interruption, (ii) contingent business interruption, (iii) extra expenses, (iv) contingent extra expenses, (v) loss of use, (vi) loss of rents, (vii) decontamination costs (viii) prevention of access/ denial of access, and (ix) interruption by civil authorities affecting ingress/ egress. However, many of these Non-physical Damage Business Interruption (NDBI) covers are not available in India. Specific coverages like (a) communicable disease clean-up, and (b) interruption by communicable disease are also not in vogue in the country.

Indian Market: Business Interruption (BI) and most coverages in the Indian Property insurance market can be triggered only by physical loss or damage following an insured cause of loss. There is reasonable clarity about Property insurance losses due to the Covid-19 pandemic and lockdown situation, in the following matters:

Silent Risks/ Unoccupied Premises: Traditional policies regard risks as silent when there is no manufacturing or storage activities for 30 days and more. In case a commercial property/ factory/ warehouse is unoccupied for 30 days, the property insurance covers could cease[vi] to operate. The lockdown mandated by the government in the COVID-19 situation has led to temporary shutdown of manufacturing and other commercial activity, across establishments.

Cessation of Works (CoW) would apply as an exclusion, where CoW is a direct result of a government order for the purpose of controlling the COVID-19 outbreak.

Waivers by Insurers - Silent Risks/ Unoccupied Premises: By way of a lenient step towards Retail/ MSME risks having Sum Insured up to Rs 5 crores, Indian non-life insurers/ reinsurers[vii] agreed to waive Silent Risks and Unoccupied Premises provisions thereby allowing them continuity of cover till such time the lockdown was extended by the Government, without taking written consent from insurer. In respect of all other risks, the insured had to intimate the insurer regarding non-occupancy of the premises and specific approval taken for continuity of cover till the lockdown period ended. In both cases, risk management systemsviii are required to be in place and operational. Wherever the risk is deemed as a silent risk, insurer to be intimated accordingly and silent risk coverage conditions to apply. It was also clarified that in both the above cases, Business Interruption cover would not be operative during the period of non-occupancy.

Waivers by Insurers - Cessation of Works: It was similarly clarified that CoW covers may be extended subject to all Risk Management systems being in place during the lockdown period and progress reports of work being provided. Insurers clarified that the cover would not apply for Advance Loss of Profits (ALOP)/ Delay in Start-up (DSU) covers and that it would not prolong the original policy period. It was also clarified that facultative acceptances being applicable mostly to large and complicated risks, GIC Re would examine them on a case to case basis. However, no refund on premium would be allowed for cases arising out of these extra ordinary circumstances under which waiver of policy condition and extension of coverage was being granted.

The Global Market: Traditionally BI coverages trigger only if there is physical loss or damage to the property due to a covered cause of loss such as fire, explosion, windstorm, or other specified events. Whether 'interruption by civil authority' provision due to which certain areas and venues are closed or movements are restricted due to actions by public authorities, has been debated in many countries.

A Paris Court ruled[ix] that the administrative decision to close bars and restaurants, qualified as the cause of loss under BI and directed the insurer to pay revenue losses. A New Jersey Court took a view[x] that the loss of use of property caused by a compulsory closure, would constitute a direct physical loss triggering BI coverage. Orders by the Mayor of New York, specifically cited 'property damage from COVID-19' as one of the underlying reasons for shutdowns. Some case laws[xi] suggest that the presence of contaminants may constitute 'physical loss', where the *"property is rendered unusable"*. Some court verdicts viewed[xii] nonstructural damages that make the premises unfit for occupancy, as direct physical losses. Lawsuits challenging the physical damage provision, argue that as the virus physically infects and stays on the surface of materials for days, contamination of premises by the coronavirus is a direct physical loss needing remediation cite case laws stating that contamination by bacteria could constitute physical loss if the functionality of the property was nearly destroyed, or if the *"property was made useless or uninhabitable."*

A state bill in New Jersey proposes that insurers should retroactively include virus transmission as a covered peril in BI policies. It also suggests that insurers may seek partial reimbursement from other insurers in the State, which do not offer BI coverage[xiii]. This would potentially shift business losses attributable to COVID-19 to all insurers in the state. If Courts or policymakers force insurers to pay for losses that are not covered under existing insurance policies, the stability of the sector could be impacted.[xiv]

Need for new covers and popularizing them: One specific piece of learning that Indian property insurers (and many similar markets) get from the Covid - 19 situation is that such 'black swan' events that cause no direct physical loss or damage, can cause massive economic damages to businesses by disrupting their earning capacity and affecting their viability. It would be difficult to mitigate or hedge such events through vehicles other than insurance.[xv]

The market needs insurance solutions covering Non-physical Damage Business Interruption (NDBI) risks, caused by events that may not produce physical damage to insured property. Contingent Business Interruption (CBI) insurances that cover property losses that occur at supplier's or customer's locations are also required. (Some of the most required covers are cited in the 2nd paragraph of this section.)

Insurers and Reinsurers need to work towards building NDBI and CBI Insurance covers into Property Damage and Business Interruption insurances and popularizing them among potential insured.

Dr. George E. Thomas, Professor, College of Insurance

Marine Insurance

Manufacturing of goods and their distribution are linked to economic activities. Marine Insurance demand is directly related to movement of goods at local and global level.

Covid19 pandemic has drastically slowed down the economic activities all over the world. Slowdown has been resulted from loss of demands. Continuous Lockdown has resulted delaying the project works, minimizing the manufacturing activities, reducing the market activities, restricting the movements of peoples & transport vehicles, denying the birth to the ship in the ports, sending the crew members of the ship to quarantine, withdrawing the Train & Metro rail and Air services except for essential commodities. Cross border activities between states and countries have been totally suspended leading to disruption of supply chain. All these have badly affected Marine Insurance portfolio from March 2020 when the Corona Virus started spreading rapidly worldwide including in India.

The following table will show how Indian Marine Cargo Insurance premium behaved from March 2020 to May 2020. Insured have also suffered in various ways. There are piling up of cargoes in the ports. Clearance were very slow due to shortage of manpower and vehicles. They were subjected to demurrage charges, extra rent for containers for engaging them beyond hiring period, loss of perishable items due to delay and so on. There is also increased risk for insurers as cargoes are piling up in the warehouses due to slow movement of the cargoes.

Month	**Marine Cargo Premium** *(INR Crores)*	**Growth** (%)
March 2020	148.49	(-) 7.30%
April 2020	363.34	(-)17.80%
May 2020	154.06	(-)18.90%

Similar are the situations on the international front. Though it is expected that Insurers will honor the contract agreement under Marine Insurance policies already issued, but they are finding ways to restrict any COVID related Damage considering its world wide spread with rapidity. Some new Clauses (LMA5391) have already been introduced to exclude the losses caused by or arising out of Pandemic diseases including Coronavirus disease (Covid-19). There are great difficulties in deploying surveyors in different parts of the world for assessment of losses due to imposition of restriction in movement.

There is little possibility that economic slowdown will be reversed rapidly, till then Marine Cargo portfolio will continue to be under great pressure. It may further lead to lowering the Transit premium rate worldwide due to fierce competition amongst Insurers as very less number of proposals will be generated in the market. However, this may not have any effect in India as Transit rate is already at rock bottom and further lowering will be suicidal.

However, in India there is good monsoon forecast. Govt. has also announced various economic packages to boost economy. These may lead to restoration of Indian economy more rapidly than many other countries. Side by side Indian Marine Insurance demand may also be increased.

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Cattle & Crop Insurance

The COVID-19 pandemic has led to a halt of economic activity globally, raising concerns regarding the demand and supply shocks to the food and agriculture sectors. Covid-19 is a zoonotic disease that has created a situation which has made a havoc on the lives of humans, animals and crop and significantly affected the global economy. India's complete lockdown to contain the spread of the Covid-19 pandemic has upended its agrarian economy.

In 2019-20, the food and agricultural sector contributed to 16.5 percent of the National Gross Value Added (GVA) in India, and provided direct employment to 43 percent of the population in 2019-20. The food and retail market is valued at USD 828.92 billion, and the food processing industry is worth an additional USD 543 billion (2020). The pandemic and the associated country-wide lockdown is bound to hit the agricultural sector in more ways than one[xvi]. We are already witnessing the initial impacts on the industry.

There are more than 145 million farmers in India, according to the Agriculture Census 2015-16. Assuming five persons to a household, there are 725 million people, or more than half of the country's population, who depend on agriculture and allied activities for a living. Food and Agriculture Organisation data shows that as many as 82% of the farmers are smallholders.[xvii] It is this massive segment that has been hit the hardest due to the lockdown forced by the Covid-19 pandemic. Even before the lockdown led to labour shortages and brought transportation of farm produce to a virtual halt, farmers were staring at losses in the winter harvest due to unusually heavy rainfall in March that flattened the crop in many locations across the country.

The fear- psychosis amongst the farmers regarding the morbidity and mortality because of Covid has made them to restrict them to their houses. The dairy sector has also suffered a lot. The major breakdown and lockdown has caused a dent in the supply chain systems including the transportation and migratory laborers and farmers going back to their home towns and the villages. The fleeing of the migratory laborers is another aspect leading to loss in production in the agri-produce. The Agri based factories and the key village industries are also suffering for ill receipt of farm produce[xviii]. This has led to the reduction in exports.

Now, let us examine how the intervention of the government will affect the agriculture insurance in the times of Covid. The government's move to increase the minimum support price (MSP) for 14 Kharif crops will have minimal effect[xix] on the Pradhan Mantri Fasal Bima Yojana (PMFBY) as well as the crop insurance market, according to insurance company executives. The underwriting process for PMFBY does not depend on the prices or MSP for a crop. Instead, we look at the results of crop cutting experiments, historical yield data, irrigation, drought, and other factors, to price the premium. The revised MSP might provide an incentive for more farmers to enroll in PMFBY. The existing PMFBY enrolments may increase the size of their cover under the scheme.

The government has given 50% subsidy for fruit, vegetable transport to help farmers cut post-harvest loss, avoid distress sale during the Covid era. The subsidy will be disbursed if the price in notified production clusters falls below the average of the preceding three years or if it falls more than 15% from last year's price at the time of harvest. It will also be given if the price falls below the benchmark price for procurement, for a specified period.

The government has also transferred over Rs 19,000 crore to bank accounts of 9.65 crore farmers under the PM-KISAN scheme during the lockdown period[xx]. The Centre provides Rs

6,000 per year to around 14 crore farmers in three equal instalments under the PM-KISAN scheme, which was announced last year in February.

Although authorities declared agriculture an essential service that could continue during the lockdown, much damage has already been done during the lockdown. Long supply chains remain broken in many parts of India. High-value agriculture has been badly hit. The sharp drop in demand, erratic functioning of wholesale produce markets and disruption in marketing services have led to vegetable cultivators abandoning as much as 30% of the crop. This has added to the financial stress among vegetable farmers, a large majority of whom cultivate less than two hectares of land.

The poultry sector, which employs some 1.5 million smallholder farmers, has been one of the worst-hit. Demand for broiler chicken and eggs fell precipitously on rumors linking them to Covid-19. Small, backyard poultry farms have been dealt a crippling blow and progress made in the past decades have been completely wiped out. Right now, it is uncertain whether smallholder poultry farmers – many of whom are women – will be able to recover at all. In the initial weeks of the lockdown, the meat trade in the country also collapsed and milk supply was thrown into disarray. This has caused distress to livestock farmers, who need a continuous cash flow to keep their animals fed.

Rearing goats is like an insurance for poor rural households and not being able to sell them in times of need leaves them short of cash for survival'. The insufficient supply of animal feed will lead to productivity losses that farmers will find difficult to cope with.

Besides animal feed, farmers are also worried about potential shortages in farm inputs such as seeds and fertilizers ahead of the summer cropping season. More than 60% of the farmland in India depends entirely on rainfall. The main source of rainfall in the country is the June-September southwest monsoon, which would be average this year, as per the predictions[xxi] of the India Meteorological Department in its first monsoon forecast of the year dated April 15.

India needs about 25 million quintals (1 quintal = 100 kg) of seeds for the Kharif season, according to the National Seed Association of India (NSAI). Seed production that starts from the fields is complex and requires growers, processors, testing labs, packagers and transporters working in tandem. The lockdown has disrupted this completely. Since local authorities in many parts of the country restricted the movement of trucks loaded with agrochemicals, seeds and fertilizers, there is potential for a shortage of these key inputs for the Kharif (summer) sowing season.

There is trouble at the fertilizer front as well. Many fertilizer plants were shuttered in the initial weeks of the lockdown and most of them are not yet fully functional. There is a growing concern over the potential impact of shortage of fertilizers on a market such as India given its high population and its prominence as an importer, producer and consumer. "There cannot be any shutdown in agriculture. The shutdown of the agriculture will lead to the death of human and animal race. Work must go on."[xxii]

Agriculture insurance is going through its hardest times. There is perceptible decline in the insurances of crop, fish, cattle, livestock, horticulture and poultry. Looking at the dismal Covid climate, Insurers who deal with crop, cattle and rural insurances have crossed their fingers and hoping for better times.

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The Implications of Covid-19 on Insurance Industry — Travel Insurance

India is among the top worst-hit countries by Covid-19, which has impacted almost all industries across the world, including the insurance industry. Reduced travel hit the airline industry badly leading to a considerable decline in the travel insurance, which is very profitable.

According to available data, in 2018, over 26 million Indian nationals departed on outbound travel from India out of which nearly 21% were covered under travel insurance. Travel insurance portfolio is around 2.50% of Health Insurance Premium. Negligible number of Indian Nationals travelled within India opted for travel Insurance. Perhaps lack of awareness is one of the contributing factors of such dismal situation.

The impact of Covid-19 Pandemic has an impact in terms of behavioral changes in international travel; medical screening at the destination airport may become a new normal practice and at the same time awareness of insurance has also been increased to a great extent.

With the lifting of lockdown period, the market is expected to be shrank due to reduced number of passengers. But there will be substantial increase in penetration of travel insurance. Coverage such as medical emergency, trip cancellation, trip interruption under endemic and pandemic conditions will become absolute essential. But the travel insurance products are sure to become more expensive at least in the immediate future.

There will be introduction of new coverage, such as benefit to cover return travel, if destination airport finds medical screening fail and the insured is not allowed to enter the destination country and is required to travel back. Similarly in case the passengers or co-passengers develop sudden flu-like symptoms, trip cancellation may be covered. The need of the Insurer is to review the service terms of the assistance companies who are really a friend at the time of distress in the foreign country. Different concierge services may be introduced.

With the introduction of new products and services along with technological advancements, customers will opt more for travel insurance with wider options in the days to come.

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The Implications of Covid-19 on Insurance Industry — Event Insurance

The Covid-19 pandemic brought many countries to a stand-still position. Many important events such as award ceremonies, beauty pageants, conventions, conferences, trade shows, music and art shows, and sporting events were cancelled, postponed or shifted to virtual platforms. For many of these events, the preparation starts months in advance and cancellation due to any reason can result into huge financial losses to organizers. Hence to have an insurance policy to cover such events becomes a very important part of risk management.

In the pandemic situation, the Insurance industry has witnessed many claims and disputes arising in traditional lines of insurance such as property and business interruption as also in upcoming lines such as liability insurance.

Event Cancelation is one such insurance where the Covid-19 pandemic has caused a major impact. It is bought as financial protection against loss of revenue or expenses in the event of an unforeseeable abandonment, postponement, interruption, relocation or cancellation of an event. However, it is important to note that though many sporting events do buy event cancelation insurances, exhaustive coverages are not usually bought. Coverage for the following perils are typically bought:

- Direct physical loss/ damage caused to property insured by fire and allied perils or due to burglary or theft at venue.
- Death, personal accident, sickness of named person or his immediate relative (as defined in policy terms)
- Public liability claim arising due to the event or caused during the event
- Cancelation due to political riot, strike and terrorism

Some sporting events opt for the add-on cover of the event being cancelled due to weather conditions, though this is a standard exclusion in most of the other policies. Policies also can also provide cover for outbreak of diseases. Additional covers such as the transit of money by employees of the insured can be obtained by insured based on their requirements and risk perceptions.

During the Covid-19 situation, many sporting events were cancelled or postponed. This is considered as the biggest disruption in the sporting calendar after World War II. Summer Olympics of Tokyo 2020 has now been shifted to 2021.

Out of the four tennis tournaments which constitute the Grand Slam, only the Australian Open could take place in January 2020, while the French open was postponed from May 2020 to September 2020. On 1st April, Wimbledon announced a cancelation for the first time since World War II, and the fate of the US Open which generally takes place by the end of August or the beginning of September is yet to be decided considering that the host city, New York is badly affected by this pandemic.

As part of their risk management programme, the Wimbledon tournament organizers decided to buy Pandemic cover from 2003 after the SARS outbreak. During the last 17 years they have paid a total of USD 31.7 million as premium[xxiii] whereas this year, post cancelation of the Wimbledon Tennis tournament due to Covid-19, they would be receiving a claim amount of USD 142 million.

As per SportCal, a world-leading provider of sports market intelligence, Wimbledon earns around 160 million USD in media rights, USD 151 million in sponsorship and around USD 52 million in ticket sales annually[xxiv].

The proactive approach of Wimbledon Tennis tournament organizers have made them the poster boys for Event Insurance sales for all times to come and hopefully it will give the necessary push for others to look at this effective risk transfer mechanism.

In India, many trade fairs and other events, including the Indian Premier League Cricket (IPL), scheduled to start on 29 March have been cancelled/ postponed following government advice following the Covis-19 situation. Though it is possible for insurance companies to cover epidemics/ pandemics it is understood that such coverage are generally not popular in India[xxv]. While the new policies related to event cancellation and film insurance have clearly excluded Covid-19, there could be a few older products[xxvi] where there could be scope for interpretation.

Prof. Archana Vaze, Asst. Professor, College of Insurance

Directors' & Officers Liability Insurance

There is no denying that Covid19 pandemic has adversely affected all sectors of the economy with Auto, Travel, Tourism, Aviation and Hospitality taking the worst hit. The lockdown restrictions imposed has impacted the global financial markets, including India, and it may have accounting and reporting implications for many entities in times to come.

In view of this situation, SEBI has mandated it is important for a listed entity to ensure all available information about the impact of the pandemic on the company and its operations is communicated in a timely, updated manner to its investors and stakeholders. SEBI mandated[xxvii] that disclosures be made about impact of pandemic on financial condition, results of operations, future operations, liquidity, assets, internal financial control over financial reporting and procedures, demand for products/service etc.

Government has also been issuing guidelines from time to time for operating of offices and protocols of safety to be followed for employees at work place. In case of any laxity, the employers may be held responsible. Thus the company management is required to respond to the situation sufficiently and appropriately so as to protect the interest of the stakeholders.

Director and Officer's (D&O) Liability insurances offer coverages to the officials if they are held personally liable for financial losses through litigation from various stakeholders. Some of the scenarios where we could see more D&O claims arising could be due to 'erroneous disclosures' by way of misleading or inadequate statements by entities, with respect to the effect of pandemic on the organization's capacity to conduct business effectively and profitably. This could bring in a suit by investors and action by the regulator. SEBI has made an observation that many listed entities have made disclosures primarily intimating shutdown of operations and resultant lockdowns, actions taken towards sanitation, safety etc. However, the number of entities that have disclosed the financial impact is small.

Employee Practices Liability Insurance (EPLI) claims may arise due to employees contracting Covid-19 on the premises on account of regulations and health and safety protocols of the government being violated.

Neglect to follow government guidelines, failure to adopt business contingency plans, privacy breaches, or failure in dealing with the virus' effects on the business by way of better supply chain management, thus bringing about securities class action or shareholder derivative claims.

D&O exposures may also arise due to loss of liquidity and bankruptcy proceedings, by civil liability due to breaches of contract involving major customers or suppliers.

Breach of digital security and protection issues, given that many organization representatives are currently working remotely from home. If the organization's system is not adequately secured it gets exposed to cyber-attacks, ransom demands, loss of organization data. In mid-March 2020, the U.S. Health and Human Services Department was subject to a cyber-attack on its computer systems.

It is not surprising that in such an environment, Covid-19 related D&O claims have been filed since March 2020.Some examples are given below:

The Covid-19 will have its effects on the corporates due to the wrong decisions taken by its directors. For instance an organization in Noida "Cease Fire" called three employees who were supposed to be in quarantine, as they came from outside the state, to office, where they infected 15 other employees. The government has since lodged a FIR against the Company. Such kind of actions can and may give rise to class action suits in India and elsewhere.

A case has been filed against Norwegian Cruise Line Holdings, Ltd., for failing to disclose details regarding the sales tactics they were taking with respect to Covid-19 cancellations and bookings.

Second securities class action lawsuit claim has been filed against Inovio Pharmaceuticals pertaining to their statements about developing a Covid-19 vaccine "within three hours" and starting trials by April 2020. In response to these statements, Inovio's stocks shot up within a few trading days. Actually Inovio had not developed a Covid-19 vaccine. Subsequently, the stock price dropped by 71% and shareholders suffered a $643 million loss of market capitalization[xxviii].

Similarly an investor lawsuit is filed against a Utah company "Co–diagnostics" with allegations that its management has falsely claimed its coronavirus diagnostic test is"100% accurate" .This has been proved wrong later. As a result the stock prices which had risen sharply fell drastically. In the meantime, directors and officers of the company were selling off their own stock at inflated prices. The investors filed class action lawsuit and compensatory damages against all defendants, jointly and severally, plus legal costs.

Litigation against companies and their directors and officers are bound to rise. The implications are as fluid and changing as the Covid-19 pandemic scenario. The suitability and wordings of coverage's may also come under scrutiny in this evolving scenario.

Ms. Madhuri Sharma, Faculty, College of Insurance

The Implications of Covid-19 on Insurance Industry

Disasters and the Role of Insurance

As can be inferred from the survey findings, these are challenging times for Insurers and Reinsurers all over, as they have to judge each claim on a case by case basis and there can thus be no one- size- fits- all kind of a decision for them for claims arising out of the pandemic.

The full implications of the pandemic are still being comprehended and studied and there is likely to be considerable litigation in the days to come as Insurers are likely to be flooded with all kinds of claims, notable amongst which are claims for Business Interruption (BI).

It will be difficult for Insurers and Reinsurers as denial of liability will be difficult on the ground of this being a *force majeure* event. Already Insurers and Reinsurers are treading cautiously in taking on new risks.

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Post-Covid-19 Scenario → The New Normal

- Remote/ Off-site Working
- Digital Customer Journey
- Strategic Communications
- Refocus on Products and Processes
- Cost Curve Transformation
- Supportive Regulation
- Enhanced role of State
- Self-Learning/ Protocol based operations
- Training for Human + Machine Approach

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For more information on III and CoI, visit http://www.insuranceinstituteofindia.com.

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