NATIONAL
INSURANCE
ACADEMY

Changing Dimensions of Insurance Risks- Strategies to Combat Emerging Challenges

7th December, 2020

16th INSURANCE SUMMIT

Summit Proceedings

Preface

National Insurance Academy, Pune, the Premier Training and Research Institute for Insurance in India, has organized the 16th Insurance Summit on the theme "**Changing Dimensions of Insurance Risks- Strategies to Combat Emerging Challenges**" on **7th December 2020** through virtual mode. The summit was attended by over 400 delegates including CEO's and the senior executives of insurance companies, reinsurance companies, risk management professionals, brokers, and management students.

The main objectives of the Summit were to examine fundamental assumptions on the changing dynamics of risk and coverage, explore new opportunities for the future and discuss possible solutions for combating the emerging insurance risks. Eminent speakers were CEOs from life insurance, health and general insurance companies, reinsurers, brokers, risk management professional from the insurance industry, deliberated on the implications of changing elements of the existing risks and the dynamics of emerging risks on the insurance business, and what are the new changes, technological adoptions and innovations that the industry need to bring out in order to mitigate and tap the opportunities arising from these new risks.

We are happy to bring out this knowledge paper based on the deliberations held at the seminar. I hope that this report would create an enormous interest and enrich further knowledge on this topic among various stakeholders; particularly, insurers, reinsurers, brokers, intermediaries, and other professionals connected to the Insurance Industry.

Best Regards,

G. Srinivasan,

Director

National Insurance Academy, Pune.

CHANGING DIMENSION OF INSURANCE RISKS-STRATEGIES TO COMBAT EMERGING CHALLENGES

Insurance Summit 2020 | National Insurance Academy | 7th December 2020

Background

National Insurance Academy, Pune, organised the 16th Insurance Summit virtually on 7th January 2020 on the theme **"Changing Dimension of Insurance Risks-Strategies to combat Emerging Challenges".**

With the globalisation and advancement in communication technology, the dynamics of insurable risks and exposures are undergoing a significant change including the environment, interdependence, pandemics, New Technology and cyber and a host of other emergent exposures which all require the attention of corporate leaders.

Developing solutions to manage risks has been the forte of insurers. Insurance players need to adapt to the frenzied pace of dynamic change in the existing risks and absorb the pace of dynamic change in existing risks and absorb new risks (that changes bring in) with new age solutions to stay competitive. A deep understanding of the implications of these changing dimensions in the insurance industry is the need of the hour.

This insurance summit by NIA, aims to initiate discussion on the different facets of the changing risk dynamics, emerging challenges and the exciting opportunities that beckon. The deliberations among Policy Experts, Insurance Executives and Thought Leaders is intended to focus on conceptual and strategic aspects relating to

- Understanding new dimensions of risk and risk management strategies
- Tapping the emerging opportunities through innovative products and services
- Leveraging new age technologies to enhance operational efficiency

The objective of the seminar was to exchange views, stimulate discussions on emerging issues and gain new perspectives on the "Changing Dimension of Insurance Risks-Strategies to combat Emerging Challenges". Particularly insurers, reinsurers, brokers, regulator, and eminent speakers from the industry, regulator, and academic institutions in India and abroad, explored the theme through their deliberations on a host of topics. The summit was attended by over 400 delegates including CEO's and the senior executives of insurance companies, reinsurance companies, risk management entities, brokers, and management students.

INAUGURAL SESSION

Welcome Address by Mr. G Srinivasan, Director, National Insurance Academy (NIA)

At the outset, Mr G Srinivasan, welcomed Mr M.R Kumar Chairman LIC of India and Chairman of the Governing Board of National Insurance Academy, Ms T.L Alamelu, Member (Non-Life), IRDAI; CEOs, other personalities, students, and all others attending the Summit. Before getting into the theme of the seminar, Mr Srinivasan apprised the audience about NIA and its activities.

About National Insurance Academy

Mr Srinivasan mentioned that NIA has been doing phenomenal service by increasing the insurance knowledge and talent of the insurance industry over the last 40 years. The Academy has been contributing to reskilling of insurance professionals through its Management Development Programmes (MDPs). Every year NIA trains 7000 professionals from India and abroad. The PGDM course, which has been there for the last 14 years has produced many young graduates who have gone onto contributing enormously to the Insurance and Technology industry not only in India but USA, Middle East and Singapore. Complementing the students for organizing the Summit, Mr Srinivasan also congratulated the Alumni for bringing laurels to NIA. He mentioned that he was glad to see the alumni occupying senior positions in the insurance sector within a short period of time

Recent Activities of NIA

NIA has been focussing on research with a lot of vigour. The recent colloquium on "Stakeholders Value Creation" has received lot of accolades from eminent people both in India and abroad. In the recent past NIA had the privilege of training to 150 Independent Directors of Insurance Companies on Insurance and Corporate Governance. NIA also conducted a few useful programmes for the industry. Webinars organized included one on "Intricacies of BI Insurance and the other on 'Advance Loss of Profits & DSU'. NIA also collaborated with IUMI for a programme on "Marine Cargo Accumulation" and another programme in December2020. NIA's Programme in collaboration with RIMS was very well received.

Objective of NIA

Mr Srinivasan added that the objective of NIA is to bring lot of knowledge to the market. The insurance industry is growing phenomenally, and the growth requires lot of talent. A challenge which the industry is facing is the shortage of real insurance talent, and this is where NIA feels that it is its responsibility to step in and contribute to skilling and reskilling people so that the growth can be managed very well.

Seminar Theme

Alluding that it was in the above context that the theme of the Summit was relevant, Mr Srinivasan took the opportunity to congratulate the students for coming out with the theme i.e. 'Changing Dimension of Insurance Risks-Strategies to combat Emerging Challenges', which according to him was different from the often-repeated themes of other programmes. The Programme he opined, will add value to the fund of insurance knowledge.

Climate Risks

Referring to the two major cyclones within a fortnight emanating from the Bay of Bengal and a there being a talk of a third disturbance; repeated floods with half of Kerala under water, climate risks is assuming lot of importance. Even the Arabian Sea, which was a benign sea, was producing lot of cyclones, creating problems for the Indian businessmen and the Indian risks. Climate risks is a major issue; not only it causes losses to the insurance industry, but also causes problems for the huge population who are largely uninsured, the protection gap being almost 90 percent

Other Risks

Even in the case of normal industrial risks, in case of a Fire loss of INR 300 crores /400 crore, which probably a decade back would have shaken the market, is today taken as quite normal. Large losses are happening, the technologies are becoming complex; there is a need for collaborative risk management steps from the insurers and the customers to make sure that the risks are handled very efficiently. This takes us to the question of reinsurance. How adequately is the Indian insurance industry reinsured? Do they have proper understanding of their exposures? Do they buy adequate reinsurance covers, is also a risk which is required to be understood and probably mitigate?

Cyber Risks

Cyber risks which has become relevant especially in the pandemic era where technology is being used in a very big way by everyone. There have been repeated cyber-attacks, cyber-attacks have increased manifold; financial losses, data breaches, system breaches; these need to be handled. Insured do not know how much cover to buy, and the insurance industry need to know, how much they can take on themselves, how much they need to reinsure oneself, how do they handle the aggregation of risks.

Liability Risks

Similarly, changes in the Company's Act, various regulations have increased the responsibilities of Directors; recent corporate failures have given the possibility of class action suits. So, the D&O Policy is also facing lot of risk.

Conclusion

Mr Srinivasan, in conclusion said, that due to the pandemic, many people have died, and he did not think that any actuary or underwriter could have foreseen this kind of loss and priced it. These are some of the major risks which are happening at this point of time, and the risks seems to be evolving and changing dramatically. Mr Srinivasan added that there are eminent speakers who would be addressing sessions and he was confident that the programme would provide lot of inputs and knowledge for the Insurance Industry.

Special Address by Ms. T. L. Alamelu, Member (Non-Life), IRDAI

Thanking Mr. Srinivasan, for inviting her to the summit, Ms. T. L. Alamelu expressed regret for not being physically present at the Academy to enjoy the pleasant surroundings and the beautiful nature. She mentioned all are trapped in their offices or working from home and with the talks of the vaccine happening sooner or later she hoped that people could start visiting the Academy.

About the Theme of the Workshop

Expressing her happiness on the theme of the Summit, Ms. Alamelu mentioned that it was very topical and happening and at a very crucial time, when the insurance industry was thinking of a rejig of their strategies, their goals, altering their business models, considering the fact, that there were few months for the year to get over, and for a fresh year to begin for the industry from 1st April 2021.

Impact of the Pandemic

In the early days, it was thought that the pandemic crisis which started off as a health crisis would peter out like the SARS and other epidemics. Nobody thought that it would become a pandemic, but it was declared a full-blown pandemic on March 11th by Dr. Tedros Adhanom Ghebreyesus, Director General of WHO, who stated very prophetically that this is not just a public health crisis, it is a crisis that would touch every sector. It has been experienced that it touches everything including personal lives, leave alone the economy and the places of work.

The insurance business turned on its head and it took a few days from end of February and beginning March 2020 and slowly people in the insurance industry understood that things are not going to be normal ; and then came the lockdown from 25th March and everything had now a different way of doing, which is the new normal .The silver lining is that the insurance industry not only in India, but across the globe has shown resilience, unlike the crisis of 2008 and it has acted as more of a shock absorber and not as an amplifier of the shock. Most of the companies reacted in a way, that industry should, and it is hoped that the worst part of the crisis is over.

While crisis is being talked about, it needs to be seen what Covid has exposed. It has exposed lot of existing vulnerabilities among the insuring public and the insurance community. The risks which were hitherto lurking in the background has shown up and the risks can no longer be ignored. The corona crisis has acted as a catalyst for the insurance industry and prompted it to spur into action on many fronts.

The industry no longer has the luxury of time to tackle these challenges; they must have action plans and strategies in place to tackle them effectively. They probably would have plans on what could be their response; what would be their business plans if some other crisis of this nature appears. While the risks are potential opportunities to the insurers, they have to view them with caution to maintain their operational resilience.

Dwelling on the subject, Ms Alamelu said that she would be deliberating on some of the risks which have been briefly touched upon also by Mr Srinivasan for which the industry needs to develop solutions, as well as the perspectives from the Regulator as to what the industry needs to keep in mind, while they are tackling the risk, and the way they do business, so that they are sustainable in the interest of the policyholders.

The insurance industry was not prepared for a pandemic of such proportion, severity, and the long-term consequences. The long-term consequences are not known. The policy holders too, had not thought of the potential risks they have to face. Thus, comes the first issue which is the gaps in the coverage. They discovered that their property policy would not cover loss of profit, loss of wages that too in a government enforced lockdown, where everyone was cut off and had to work in a restricted manner. The travellers who went overseas for a holiday realized while there was a possibility of the coverage getting extended, the policy would not pay for the hotel charges for extended stay. These are some of the unknown risks.

Protection Gap

The industry is already grappling with a huge protection gap which in India is as high as 90%, but with this pandemic, the protection gap has become wider and more of concern. There is protection gap not only which was highlighted by the pandemic, but it has also been affected by natural catastrophes, cyber, health insurance. The pandemic has highlighted that the government needs to improve its economic resilience for financial shocks. The pandemic has resulted in huge shocks and it will take a few years for the economy to come up to the stage where it was, not only prior to the pandemic, but also for future growth.

Climate Risks

In India, the number of states which face the fury of the nature, along with the pandemic are Amplan in Bengal, Naisarga in Maharashtra / Gujarat, Floods in Telangana and neighbouring state, cyclones in Tamilnadu. Ms Alamelu added another storm was brewing up and there is a prediction of a few more by the Met Department before the close of 2020. All these events have confirmed the lack of insurance, enormous spends by the government to mitigate the hardships of the people.

A government which is backed by insurance solutions could protect the government budget and mitigate the potential for economic instability. It has been seen that in countries with mature insurance markets like the US, Europe, Japan recovers much faster and more efficiently when they are struck with such disasters and natural catastrophes. In India much of the burden falls on the government to compensate the States and the protection gap is steadily growing.

It is the responsibility of the insurance industry to suggest to the government that there are solutions which could lighten their burden. In this regard, IRDAI has been encouraging the governments, both Central and State, to adopt such a solution and start pilots in vulnerable geographies, so that they know how good the solution is and probably iron out the differences, when it is rolled out on a much larger scale.

While the government may support a section of the population, like the case of Ayushman Bharat, it is for the insurance industry to ensure that much of the middle class with considerable disposable income become insurance savvy and have enough insurance covers at the minimum, to protect their household, health, and motor vehicle. There is lot of talk on the missing middle class and the time has come for tapping this section of the population who are willing to pay the premium and get the proper cover. This would solve a lot of the penetration issues and lighten the financial burden.

The spate of catastrophic events, with increasing severity, means severe stress for the economy. The climate change has an impact not only on the economy but on the Insurance companies.

Insurers are institutional investors, and they invest in a number of companies. It is a distinct portfolio on which they are completely dependent for their sustainability. As institutional investors, insurers could support the transition to a low carbon economy by allocating investment towards assets which reduce greenhouse gas emissions. The climate change has implications for an insurance company on both side of the balance sheet i.e., asset and the liabilities. Regulators across the world have started stepping into this area and are nudging the insurers to invest in green companies and to move to more disclosures as the new climatic conditions could give rise to new type of losses, example is warmer temperature, heat waves causing complete failure of grid leading to loss of property, melting polar ice could even compromise foundation of the building. Therefore, Regulators are concerned; they do not want a Covid like situation where after the event they are reacting. In most of the jurisdictions, Regulators are ensuring that there are more disclosures, appropriate underwriting so that the policy holders are protected, and the protection gap is minimized.

Cyber Risks

The next big challenge is cyber, which is a risk arising out of digitalization and has been put on a fast track. Almost anything to do with any financial transaction is digital and it comes with a complete dependence on technology. One can now pay a vegetable vendor who has a g pay, without dealing with cash. But with this, crimes started looming in the dark net and other cyber-crime which have increased rapidly in the past few months. This is again a huge commercial opportunity for insurance market as this insurance is in a very nascent stage.

Cyber Policy

Though the cyber policies have been there, but the scale at which it can grow and the scale at which corporates need to buy the cover is becoming phenomenal. A retail policy holder too needs a cyber liability insurance because everyone is using digital and e commerce platforms for purchases and for settlement of monies.

A jargon free and simple policy would be welcome by the retail customers. Ms. Alemalu nudged the industry to work towards providing such a policy to the retail customers. For the corporates and financial institutions, the insurers should study the risk holistically and ensure reinsurance support and expertise.

Regulators across the globe have recognized that the cyber risks require an in-depth study including the affirmative and non-affirmative cyber coverages, overlapping of the coverages in cyber insurance, wordings of the various cyber policies and its implications. This is to minimize the disputes between insurers and policy holders and to ensure that insurers are underwriting after proper assessment of risks. There is also a thought that these cyber risks, if not handled very carefully will become the next asbestosis for the insurance industry.

Health Risks

The pandemic has also exposed the weakness in the health system and revealed that there is not only a huge protection gap but there is no protection to large masses of the population. Health insurance has numerous stakeholders and there are myriad issues which faces the industry. Industry needs to address an underlying concern as far as insurance in general and specific to health insurance, is that of trust deficit.

Initiatives of IRDAI

It is in this context that Authority

- standardized most of the areas of concern in Health insurance, especially definitions, scope of exclusions, widening the norms of portability and migration, trying to make it simpler for the policyholders and enabling the insurers to handle the portfolio better.
- brought about increased disclosures by TPAs and service providers.
- introduced three standard health insurance products, Arogya Sanjivani, Corona Kavach and Corona Rakshak for the customers to purchase the cover from any insurer without the hassle of getting into the terms and conditions which are differential or use of jargon which they do not understand.
- will be introducing a few more standard products which will be useful for the policy holders and insurers.
- has recently introduced Wellness features to encourage the public to buy health insurance; a prod or a nudge to the insuring public to buy health insurance.
- has been laying emphasis on the policyholders; at the same time IRDAI is aware that insurers too are facing issues from service providers; there is a lack of clarity on the charges for treatment.
- IRDAI received numerous complaints during this period for non-acceptance of cashless, charges disproportionate to the treatment given and basic issue faced by insurers i.e., the issue of frauds. The solution lies in all the stakeholders working together. It should start with at least three common procedures; cataract, appendicitis, etc. This sort of standardization will lend some degree of standardization of charges which will give a big boost to the Health Insurance industry.

Financial Inclusion

Another big challenge is Financial Inclusion where in for a country like India, it is essential if it is to achieve the objective of penetration, it must look at financial inclusion very closely.

Premium which is procured from Micro business is unfortunately micro. Presence of insurers in aspirational district is low.

The Regulator had introduced the concept of Insurance Marketing Firm with the motive that such firm sponsored by the insurers would be there in almost all districts, but it is found that insurers are sponsoring Insurance Marketing Firm which are crowding in the metro cities and capital cities where there is already a presence of multiple insurers and intermediaries. In the process insurers are cannibalizing each other and not working towards horizontal coverage of the public.

There are 2.5 lakh common service centres but not tapped very well by insurance industry probably as it is small ticket business. Extra efforts need to be put in to educate the CSC, IMF salesperson for this to take on.

The government has taken many initiatives towards financial inclusion, which are laudable including the introduction of PMSBY, PMFBY, PMJJY but there are issues in implementation which need to be discussed with the government; and if these issues are corrected it will not only contribute to the insurance penetration but also add to the credibility of the insurance industry.

Finally, the solution does not lie in mandating insurance, because a stage has come, where the product should be on demand and not post demand

Mandating Insurance

There has been a demand of mandating Title Insurance, Drone Insurance, and Householder Insurance. In this context, reference was made to Motor Third Party insurance which despite being mandatory, results in huge number of vehicles remaining uninsured. IRDAI is encouraging States to share the details of uninsured vehicles so that reminders and messages can be sent to the vehicle owners.

Conclusion

Ms. Alamelu mentioned that the Authority would come out with new ideas and solution from which the industry and the economy will benefit. She complimented NIA and extended wishes for a very successful Summit.

Keynote Address by Mr. M.R. Kumar, Chairman, LIC of India

Background

At the outset, Shri M. R. Kumar, congratulated Mr Srinivasan, and the NIA team for timely selection of the theme of the summit. He commented that in the times the industry is going through a better theme cannot be thought of i.e., "Changing Dimension of Insurance Risks-Strategies to combat Emerging Challenges". He mentioned that both Mr Srinivasan and Ms. Alamelu have dealt with the topic; in fact, Ms. Alemalu had comprehensively dealt with various kinds of risks that are being encountered globally and within the country.

Mr Kumar mentioned that when he was reading up for speaking at the summit, he came across similar kinds of risks, but he would like to reiterate some of the risks that were crucial in the way one moved forward as an insurance industry. Perhaps, everyone was looking at COVID-19 as a predominant risk which has really affected us. No doubt it is true, for that is in the mind. The whole dynamics of the insurance risks has changed drastically, starting from the climate changes, the Ebola, MERS, the frequency of the catastrophic risks, the cyber-attacks and finally COVID- 19 has come as a final nail in the coffin to make people sit up and start thinking about the way that the things are to be done.

Major Risks

The World Economic Forum in 2020, has identified three basic top risks impacting the insurance industry globally. According to the Forum, these risks are Climate Change, Pandemic, and Technology.

Climate Risks

The international panel on climate change, had an assessment report highlighting that the average surface temperature is rising faster than ever; in fact, it is more than 1 degree Celsius, and because of increasing greenhouse gases, particularly carbon dioxide, result of fossil fuel consumption, industry pollution, urbanization, etc. and by 2100, the temperature is expected to rise by 3 degree Celsius. Therefore, climate change would impact insurance industry significantly by way of higher severity of cat losses, increasing frequency of pandemics, vector borne diseases, environmental pollution, food scarcity, volatility of financial markets, increasing social economic responsibility for the government and the policy makers.

Pandemic Risk

The report of the World Economic Forum also indicates that the first global pandemic over 100 years, the COVID 19, has triggered an economic crisis with severe societal impact on lives and livelihood of most of the world's population. The government businesses and households had to balance the health imperatives against the economic fallout, rising social anxieties, relying on digital infrastructure in unprecedented times. As the world seeks to recover slowly, some of the more lasting economic, environmental, societal, and technological challenges are only becoming visible. Anticipating the emerging risks from this pandemic, is vital for the insurers, reinsurers, and the Policy Makers.

Health is considered as a priority by all. If one looks at the COVID-19 impact; India alone contributed 10% of the total positive cases of the world with more than 9 million cases and more 1.5 lakh people already succumbing to this deadly disease as on 26th November 2020.

Financial Losses

The impact of this pandemic is expected to be huge as the IMF has predicted a severe economic recession in 2020 globally and it will continue for another two years and it will not only impact the GDP growth, but also trigger trade disputes, monetary deficit, political uncertainty, and geopolitical tensions. The economic degrowth followed by the socio-political uncertainties are expected to impact the insurance industry including the Life insurance industry.

The impact would be in many areas including investment income as the financial market volatility has also increased followed by ULIP as well pension and annuity businesses getting impacted severely.

Social lockdown would impact premium collection as most of the middle and old age people find it difficult to pay premium upfront. Even though it is said that people may have come out of the issue by digitization by using online payment, but some of the elderly people may not be interested to interact or like to go online. However, increasing customer awareness will push traditional life insurance like Term and Endowment positively.

Fall out of Health Risks

Health systems around the world are at risk of being unfit for purpose. New vulnerabilities resulting from demographic patterns threaten to undo the dramatic gains made with wellness and prosperity over the last century.

Non-communicable diseases including cardiovascular diseases, mental illness have replaced infectious diseases as the leading cause of death. The number of deaths due to COVID-19 as 1.35 lakhs but the number of people who died of cancer in the same period is not known. When people are so scared of COVID why they are not scared of cancer, cardiovascular diseases? This is something that awareness continuously has to be built by insurance companies and increase in longevity notwithstanding, the economic and societal cost of managing chronic diseases have put health care systems in many countries, under stress. Progress of pace of pandemic is undermined by the vaccine and drug resistance that is going to happen and making it increasingly difficult to land the final blow against humanities biggest gift. As existing health risks resurge, and new ones emerge, our past successes in overcoming health challenges are no guarantee of future results.

According to a Swiss Re Institute Sigma research, global health, resilience is likely to worsen as a result of Covid19 driven recession. A lot of financial stress is happening in families and societies. The health protection gap according to this article, is likely to cross US 588 billion which was witnessed in 2019.

India has been witnessing high growth rate with an increase in construction activity leading to exposure and aggregation of risks. This rapid unplanned expansion tends to increase vulnerabilities in the event of natural calamities, which with together with low penetration leading to a large protection gap which is between 80 to 90%.

Power of Technology

In recent times artificial intelligence and Machine Learning is transforming the way insurance business is being done. The acceleration of AI is being driven by exceptional technological advances with major shift in customer expectations, increasing volume of data, higher computing power. Cloud computing has enabled the machines to run complex algorithms faster than humans including recognizing images, communicating with customers in their native languages, interpreting Xray, MRI etc. Today the machine has the capability of visualizing, planning, understanding, interpreting, communicating in such a manner, that we are reaching a situation where the AI is going to be more human, almost doing all the functions of human.

Changing Customer Expectations: A risk for Insurers

Another risk that insurers will face in the coming days, is that customer expectation itself can be to be a risk itself. The kind of products customers are looking at, the servicing standards they are looking at is itself a risk particularly the millennials and their expectations is based on what they are seeing around them in terms of Amazon, Apple, etc. Insurers will have to offer convenience, simplicity and greater transparency ensuring their insurance experience match the lifestyle and needs of the customers.

Concluding Remarks

The emerging risks pose a huge challenge to the insurance industry. Mr Kumar hoped that the summit would deliberate and provide great learning outcome to the industry. He suggested that the deliberations should focus on implications of the change risk dynamics of the insurance industry and the strategies that the insurers and reinsurers need to develop to combat these emerging risks and provide inputs to the policy makers to bring out with policy guidelines and regulatory changes. He wished the summit all success and looked forward to the outcome of all the discussions

VOTE OF THANKS

Mr. Segar Sampathkumar, Chair Professor (General Insurance) National Insurance Academy

Thanking Ms. T.S. Alamelu for a wonderful inaugural address, stimulating discussion and for setting the tone for the summit, Mr. Segar Sampathkumar added that from a regulatory perspective, she highlighted a few points including market penetration and the protection gap. He thanked Mr. Kumar for highlighting the kind risks which we will be facing specially with respect to health, protection gap. What was interesting was that Mr. Kumar mentioned not only about the insurance risks but the risk of the insurer in terms of the exposure of failing to meet the expectation of the customers; the millennials have increased expectations and insurers as an industry need to meet them. Mr. Segar also thanked the Director for coming out with a wonderful theme, for organizing the summit and for delivering the welcome address. He extended his thanks to the distinguished CEO panel and Panel of experts who would be addressing after the CEO roundtable. He also expressed his thanks to the Press for having accepted NIA invitation to attend the summit, ladies and gentlemen from the entire insurance ecosystem, students, and faculty.

Mr. G. Srinivasan (Moderator) Director, National Insurance Academy, Pune
Panel Discussion on "Changing Risk Dynamics – Strategies and Business Opportunities"

The first was the CEO Round Panel Discussion on the topic- **"Changing Risk Dynamics – Strategies and Business Opportunities".** The panel comprised of:

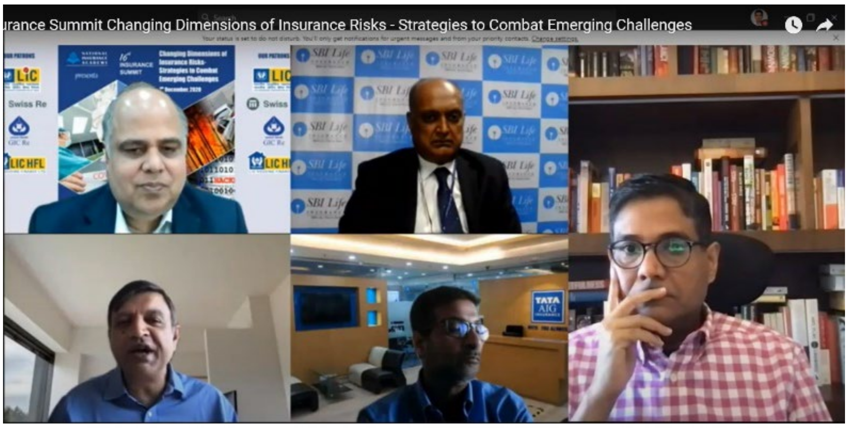
Mr. Devesh Srivastava, CMD, General Insurance Corporation of India,

Mr. Mahesh Kumar Sharma, CEO, SBI Life Insurance Co. Ltd.,

Mr. Neelesh Garg, CMD, Tata AIG General Insurance Co. Ltd.,

Mr. Mayank Bathwal, CEO, Aditya Birla Health Insurance Co. Ltd. and

Mr. G. Srinivasan, Director, NIA as a moderator.



The CEO's shared their views visualising how the risk landscape is changing now and what new risks like climate change risk, pandemic and cyber risks, etc. are evolving and the implications on insurance business. The insurers need to be aware of these changes and develop innovative risk solutions and strategies to encash the business opportunities and reach new market segments.

Mr. G. Srinivasan welcomed the panellists, the CEOs of Insurance Companies and participants of the summit. He mentioned that the inaugural session was illuminating, and panel discussion was going to be very interesting. Both the speakers in the inaugural session spoke eloquently on various risks to which the insurance industry and the customers are exposed. Risks are evolving, risks are changing very fast, and the pandemic only showed a mirror and brought to focus the kind of risks insurers are taking and how insurers have to keep themselves thinking of the kind of risks that are happening and the strategies they have to adopt to mitigate them.

Mr Srinivasan mentioned that all the panellists are very experienced, and he was fortunate to have a diverse panel, which comprised members, one each from a Reinsurance industry, General insurance company, Life insurer and a Stand-alone health insurance company and this would really give a 360-degree view of the entire insurance industry. He initiated the discussion with Mr. Devesh Srivastav enquiring that, in view cyclones battering the eastern coasts, the Atlantic region with the largest number of hurricanes in the season, how an insurer or a reinsurer can handle such risks.

Moderator: Talking about Climate Risks, cyclones have been battering the eastern coasts with the largest number of hurricanes in the season! How can an insurer or a reinsurer handle this risk?

Mr. Devesh Srivastava, CMD, General Insurance Corporation of India

Mr. Devesh Srivastava mentioned that the world is experiencing climate change, and in this context, he was reminded of what Barrack Obama said "we are the first generation of experiencing climate change and possibly the last one to do something about it." He also added that

In reinsurance context since 2017 onwards, when Erma, Harvey and Maria, battered the Caribbean and US coasts like never before, and similar hurricanes continued through 2018, 2019 and 2020. Upsetting the entire equation which GIC was tuned to, as it was busy feathering its nests with the NAT-CAT perils due to the climate change

GIC was into attritional claim pay-outs as it was not the time trying to increase the rates which it was trying for long. The consequence is the hardening of rates as the capacity has shrunk. In fact, in the US the first of January renewals, the rates are almost 15+ percentage on the treaties acceptance on the first of January, 2020.

Climate change is here to stay. The incremental one-degree centigrade change in the next 15-20 years and by the end of the century it should be almost touching 2 and a half to 3 degree centigrade will severely affect all. It is high time that reinsurers started building a fund for such impact which will only come when a small part of the entire premium that is collected from cedants.

Moderator: Insurers set apart some part of their premium towards building a fund for meeting contingencies. There is a concept of catastrophe reserve creation in many countries specially the CAT prone like the Caribbean Islands. Do you think the Indian market should also set apart a portion of profit as catastrophe reserve to face pandemics and CAT events?

Mr. Devesh Srivastava said that his vote is very strongly for catastrophe reserve creation for the simple reason that even in the Indian context where GIC is a mega-player, it is witnessing NAT-CAT events with a high frequency. It is no longer one of event anymore. Floods are battering India; Nisar and Amphan have also not been very kind. It is now something that which is happening every year. It is high time; reserves were built up for claims pay out. There is no point buying protection year on year, when it is known that the losses will happen, and claims are going to be lodged. It is a very good idea whose time has come, that catastrophe reserves should be built upon.

Moderator: The pandemic has done enormous economic damage and health damage across the world, with people succumbing to the pandemic. The way life insurance industry would look at the risk, in view of this kind of mortality and uncertainty of future pandemics, how would the way one looks at risks, will change from the life insurance perspective.

Mr. Mahesh Kumar Sharma, CEO, SBI Life Insurance Co. Ltd.

Mr. Mahesh Kumar Sharma: felt that there is going to be a change in the way the insurers are going to look at the risks. This is a kind of an event nobody thought about earlier, and this has brought home the point strongly that the industry needs to be prepared for this kind of a sudden event.

The pandemic is still playing out and has been quite disruptive impacting everybody and this impact will probably be there for some more time. It not only gives a flavour of more pandemics to come, but also brings home very strongly, how a time risk event could play out in the future and has forced the industry to think differently.

The life insurance industry has been able to handle situation very well. This has been an opportunity where there is more awareness, which the industry has been trying to create for a very long time. The pandemic has created a lot of awareness and it is to be seen how the awareness can be turned into action by the insurers, insurance industry and the people in general.

Risks have come to the fore and this is something which one has to live with, but it also has a positive side that it has actually crystallised something which we have been preparing for a long time when insurers made business continuity disaster management plans.

Moderator: Pandemics not only caused health consequences but also posed serious economic challenges. Lot of people lost their jobs, and the Indian economy is in the negative and in recession. Would this have an impact on the persistency ratios in Life Insurance?

Mr. Mahesh Kumar Sharma: The trends point to slight drop in persistency. Basically, there is an increase in the persistency in the protection related products and a slight drop in the saving related products which goes with the economic downturn. Going forward it will not be a major change, as awareness has grown, and people will think more seriously about their insurance covers and try not to let their policies lapse.

There are people who have lost their jobs or lost income and will not be able to continue with some of their savings product but it is to be seen how it plays out but the need for investment has heightened; this year has probably been best for Annuity and Pension products in a very long time because people realize that in 10 /20 /30 years down the line, it is insurance and the pension scheme which can protect them from uncertainties in the future.

Life insurance being a long-term business, persistency will start improving if the awareness that has been created due to the pandemic can be converted into concrete action. This can be done by introducing simple products and innovative ideas and by deepening the channels of distribution and distributing more efficiently. This way the persistency is likely to go up in the medium term.

Moderator: The liability scenario has changed dramatically not only due to the pandemic but even earlier. The awareness of the public of their legal rights has also increased. The D&O is much more exposed, and liability is an emerging portfolio. As Tata AIG is a major liability underwriter, how does the company look at Liability Policy and handle it?

Mr. Neelesh Garg, CMD, Tata AIG General Insurance Co. Ltd.

Mr. Neelesh Garg, CMD, Tata AIG General Insurance Co. Ltd: Greeting the participants and members of the panel, Mr. Neelesh Garg thanked Mr. Srinivasan for inviting him to the prestigious panel. Following are his thoughts

Liability is slightly different from other lines of business as it is a knowledge line and there are there are certain nuances which differentiate it from all other lines of business.

One, the entire nature of risk is very dynamic which the topic of the seminar is. It is much true in liability as it is an intangible risk and keeps evolving, if not every year but every second year.

Second, lot of efforts have been made by industry to increase the awareness of the clients about liability insurance compared to what the Indian market was, probably a decade ago. There has been a bit of a sore point, as big corporate clients, SMEs, and even self-employed sectors do not consider liability insurance as important. There is huge gap in demand and supply, the total industry liability premium being INR 2700 crore. When compared to markets like US, the situation is very different. However, the liability market is growing in importance every day. Much more effort is required from the industry, to create awareness of the risks which many corporates are not aware.

Third, the enabling environment in terms of the law and the judiciary which has been benign and wants to correct whatever wrong that has happened. The quantum and intensity of claims has been going up. Hence

First: Contract Certainty is extremely important as there can be a lot of ambiguity and disagreement regarding what is the event. The quality of wordings and contract certainty is a very big aspect

Second: Insurers over the time, should have experience of having settled large meaningful claims.

Third: There should be a collaborative approach between the customers and the insurers for offering training programs for Independent Directors and all board members for creating awareness on the do's and the don'ts; having processes in place for corporates to avoid or mitigate P&I, E&O claims. This can result in the quality of documentation in Indian Corporates becoming better thereby reducing ambiguity.

- The liability insurance business currently Rs2700 crore, is going to grow much faster and it will continue to grow at 20 % + for the next decade.
- Cyber liability will grow much faster. As far as the development of the industry is concerned, the policy wordings need to be become better. This will help in risk mitigation and management. Also, the risk understanding of the client needs to become much better.

Moderator: Cyber is most talked about, as everyone is using technology and that too using quickly. Do customers fully understand the implication of the cyber insurance cover, for how much they should really insure and does the insurance industry know how to provide the cover and how to protect the customers from losses?

Mr. Neelesh Garg: Every month cyber claims are being filed. Though it is not much talked but cyber-attacks have increased manifold; hackers have become sophisticated, and ransomware has emerged as a major threat especially during the current covid period. Major healthcare, pharma and covid vaccine supplier companies have been actively targeted, so from a theoretical construct this has become a very real construct. Whether it is banks, financial services companies, industries, and pharma etc. are under very severe threat. Regular cases of cyber-attacks are happening, where very large data of customer are made available in public domains; this whether in US or India can start to create lot of problems.

The industry, both the global and Indian sector are ready. Initially the Cyber Policy which was available earlier had mainly coverage for third-party liability. Currently the cover has become comprehensive including first policyholder response costs, administrative fines, and penalties, first party business interruption, extortion demands. Cyber risk is real and insurance industry has products to cater to this risk.

Regarding managing cyber risks proactively, top cyber insurers adopt a partnership approach, and do not wait for cyber-attacks to happen. Insurers assist policy holders; a lot of support starts presales benchmarking. Cyber capability maturity is used in assessment to help the clients to be aware as to where they are in the cyber maturity journey, where there are gaps and how to fill those gaps.

Some of these sophisticated tools used are bit sized security score card platform to evaluate, assess and monitor the cyber security posture of the client which is regularly monitored and if there is any vulnerability found in their systems, the customer is alerted pro-actively. Complementary loss mitigation services including shunning device to block any malicious attacks, mitigation services to serve clients, are very important aspects that give confidence to customers that the risk can be managed.

Overall awareness in India of cyber risk especially in the manufacturing side, is low with a few clients buying cyber insurance. Cyber insurance is extremely important not only for Pharma, BFSI and other financial services but for the entire industrial sector. Cyber is s an emerging risk and will keep evolving as we go along, and this is something that needs to be dealt with.

Moderator: Health insurance is in the limelight with everyone wanting to get insured. There is more business for insurers but claims in this covid-19 is still raging; how will health insurance sector pan out during the pandemic and post pandemic.

Mr. Mayank Bathwal, CEO, Aditya Birla Insurance Co.

Mr. Mayank Bathwal, CEO, Aditya Birla Insurance Co.: Greeting the participants and co-panellists, Mr. Mayank Bathwal thanked Mr. G Srinivasan for giving him the opportunity to be a part of the panel discussion. Mentioning that the insurance industry has witnessed unprecedented situation during Covid-19 he added that there are 2-3 outcomes of this situation.

It has made people realize the importance of health insurance, especially given the fact that corona could happen to anyone; hence advisable to cover not one or two members but the entire family. This awareness, he hoped, would continue post pandemic as such a pandemic could happen anytime and the industry must be prepared for it.

The industry has realized that by using digital medium and using products like Corona Kavach, the Regulator has enabled the entire environment very well in terms of new products and services. The industry is now better prepared to satisfy customer needs both from product and service perspective.

The bigger issue with which the Industry is grappling is with the Covid claims. All the products available cover Covid-19 hospitalization costs completely, where many of the insurers have provided the coverage for home care, which technically was not there in the product, but insurers felt that it was the right thing to do from customers' perspective; however, none of the insurers had priced the risk in their books. While there was some sort of catastrophic cover available earlier, there was no pandemic insurance cover available from reinsurance perspective available in India and he hoped that GIC would look at how these covers can be brought to India and the realization of the insurance companies will be much more given the impact industry is facing

In the early days, it was felt that while Covid claims were few and other claims were down, and covid-19 claims were not of a size which the industry was worried about. In effect there were net savings. But over the last 3-4 months, from September 2020 onwards the number and quantum of claims has increased exponentially; the time lag in providing reimbursement claims to the insurance companies that spread out more than it used to be was pre Covid due to the lockdown. The industry is seeing a surge in the number of claims which is taking its toll on the books. So far, the claims were managed due to the previous reserves maintained in the times when the claims were low

It is foreseen that there will not be a reduction in the number of claims, with the coming down of the infection from the peak 96-97 thousand to where it is now, previous week it was 40000 cases per day.

The other aspect is that the average claim size (ACS), is one lakh +. The ticket size should be at best 45,000-50,000 but it is two times of what was expected. Even if the number of claims is lower, the industry is hit hard.

The non-covid-19 claims which is surging because people now cannot wait any longer wherever there was an elective. The occupancy in some of the bigger hospitals has gone up to 80 %, vis-a vis 30 to 40 % in the early days; there the costs has gone up by 6000/-/7000 as they have to conduct Covid tests. Overall, it is having an impact. It is hoped that these will not have to be taken into account and pass on the costs to the customers and it will still be manageable. The good news on the vaccines side that will create the situation that we can manage. But however, it is worrisome and has learnings for the industry that how such risks can be managed in future.

Moderator: None of the companies factored in pandemic in the pricing of the health insurance products. Would the actuaries look at possibilities of pandemic? Does the health insurance pricing need to be revised because the expectation will be that the pandemic will be covered as insurers will not be allowed to exclude pandemic from the cover?

Mr. Mayank Bathwal: Such events happen once in a century the last one happens in 1890 and the next may happen 100 years from now. The fact is now organization may want to protect themselves from this risk by pricing it. A way to create pandemic re-insurance risk coverage can be found out as these coverages are available globally. The cost of the reinsurance cover if at all, will have to be to be passed on through the product pricing as basis for ascertaining frequency is difficult. Ultimately there will be requirement for reinsurance cover and what will be the price of the product is relevant. The question is at what price it will be available for including the risk mitigant in the way the product will be priced, going forward.

Moderator: The reinsurance industry has been hit very hard across the globe due to pandemic claims, business interruption claims and catastrophic losses. Whenever reinsurance market hardens, it hardens for a few years. Is it real and will the customers and insurers will have to handle the hardening of the reinsurance markets? How open is the reinsurance market for the pandemic cover?

Mr. Devesh Srivastava: As far as the hardening of the markets which is being witnessed, for the first time in the history that the rates from the insurance market, rates in the reinsurance market and in the retro market - all three spokes in the wheel have become hardened simultaneously. This is an indication that these rates will sustain for a while and not be a short-term measure that has been witnessed in the past.

1st January renewals are on, when most of the western market renews and sets the trend for the globe as well. Rate hardening is going to be there for a while. The ILS capacity which has been the additional capacity coming into the market, resulting in a soft market condition, is not as much forthcoming, due to the hurricanes hitting with such regularity. Ball park figures about 20 to 25 billion dollars are still trapped in claims that are yet to come and hence capacity is not available. Hardening of rates is going to sustain and be there for a while. Though everyone will have their own take on the time for the hardening of the market to last, but 18 months is a good time period to have before the market starts to behave in an earlier manner.

Reinsurers are happy to pay claims for events which do not come with regularity; events which are a one-off event. Regarding pandemic, reinsurers were not demanding enough. In this context he spoke about the Wimbledon Cover, which is a case in point, where the Managing Committee of the Wimbledon not only covered the pandemic but also the passing away of the Queen, an extremely important event in the mindset of the Brits. This is a wider cover, one, the basic cover for event cancellation and bells and whistles added makes it a comprehensive cover. This cover has been taken, not just before the pandemic but the Managing Committee of the Wimbledon has been taking this cover for more than a decade. Reinsurers are happy to pay the claims as they are participating in it.

If the demand is there for a pandemic cover, not now as the pandemic is on, it will be difficult for GIC to stick their neck out and provide such a cover. But going forward, GIC could factor and look at it in an actuarial manner to see how this rate can be factored in and build a nest and feather it accordingly to pay claims later.

Moderator: One of the negative points from an insurance perspective, is that the interest rates are falling so obviously investment income of insurance companies is also falling and for life insurers the amount is big. How will the life insurance industry manage to provide better returns to the policy holders specially the millennials looking at life incurrence from a risk perspective, looking at investment with a much more open mind, how will the life insurers manage to provide better returns and to continue to be seen as a good investment product

Mr. Mahesh Kumar Sharma: The investments that the insurance companies make is subject to what is happening in the world. The performance of the investments that the insurers do is directly linked to what is happening in the market. If the interest rates are going down, there is no guarantee that they will remain low forever. There are some upside risks that can be seen in the future about three quarters away. There is a possibility that the interest rates could change either way. More importantly the expectations from the customers would be also determined by what is happening around. If the savings rate is going down and even the government saving schemes are going down which has been happening over the last few years, the expectations of the customers who invest in life insurance products also is affected in a similar manner. So really speaking life insurers are not out of tandem with the market, there is nothing very specific to life insurance companies. Of course, companies which have sold guaranteed return products without hedging their position properly could be adding risk to their Companies.

Regarding participating products there is some element of equity (e.g., 10% equity in some of the traditional products); insurers are still able to meet the expectations of the customers and it works across the board. Being in the insurance industry, one has to be conservative, and the returns cannot be substantially different from what is happening in the market.

Moderator: There have been large Property losses in the recent past, big fire losses largely because industry has become very complex, technology is also advanced. After de tariffing, it is observed that risk management is not given much importance, both from the insurer's side and that of the customers. Do you think that we should focus on risk management now to mitigate losses, bring in loss control measure, and risk improvement steps?

Mr. Neelesh Garg: Risk Management and risk improvement is always extremely desirable and important. A large loss of INR 300/400 crore which used to be a rare event, and now for the same amount, people do not blink too much. In the current year lot of chemical plants, when they were restarted after the lockdown, there were significant number of large losses. A more organized way of creating risk awareness, risk management and risk mitigation is always desirable in the industry. Tata AIG engages with RIMS, a worldwide forum, which engages with the risk managers of the corporates, while we have moved lot of distance in the last two decades from insurance becoming more important function in the hierarchy. Some bit of it has happened already but the current pandemic has made it; the number of CFO s spoken would be much higher compared to the previous years. Today every company is looking at not only, controlling costs but how to manage risks in a more effective manner and insurance as a tool to manage risks is arguably the most important.

Regarding cat risks, lot of research has been done on primary perils like earthquake and tropical cyclones; but due to climate change a significant increase in frequency in secondary perils like river floods, flash floods, torrential rains, thunderstorms, etc. is being witnessed. To compound the problem, the quality of the data and the models available, are not well developed for secondary risks.

Industry needs to lot of work with the reinsurance support. Strong robust models need to be developed. As can be seen land use in India is becoming dynamic. The secondary effect of the perils that are not captured properly like Fire following an earthquake, hurricane induced precipitation or tsunami.

- First: these are some of the perils on which one needs to do research, build better models
- Second: start using more technology to understand the risks and monitor them better
- Third-: the more awareness is created awareness in the customer's minds. It is surprising to find when risk survey is done and the findings are provided to the clients, the cost of doing the improvements is so small in terms of capex. It is not that one wants to change the structure of the plant; these are small hygiene factors which are sometimes the risk improvement issues in the plant; this not been given enough attention both from the insurer and client side.

Referring to what the Chairman GIC, said this is a very important time where prices are corrected, insurance and risk management is on the top of the mind of the clients. This is the point in time when insurers need to go aggressive and educate clients that these are the small improvements, which if they make in the risks, can go a long way to be made, small capex and small apex, which can mitigate the risk that can improve the risk.

Moderator: Price correction is happening, and the industry is happy with the price going up, due to the IIB rates being used. Of course, customers are unhappy that prices have gone up. There is also a sense that it does not differentiate the good and bad customer. Should the insurance industry, while ensuring that appropriate rates are charged, should also make the distinction between customers who follow the practice of risk management practices and those who do not.

Mr. Neelesh Garg: Subscribing to the theory, he said that there are two arguments

Though Companies have memory of prior year, but trends of 10 years /20 years needs to be seen to understand what has happened. The pricing overall of the industry had reached levels which were totally unsustainable. If this trend had continued, it meant that the industry knowingly or unknowingly would have cut corners in terms of risk management and claim servicing.

First the entire trend of alternate capital availability is happening not only in India, but worldwide has gone down, number of cat events have gone up, hence the price improvement in all the three vectors is a good development in making the insurance industry much more sustainable going forward.

Second, there is a big difference between a good risk and bad risk. There should be incentives built in, as clients are willing to invest in better risk management, in risk improvement, in better maintenance of the risk vis-a vis some clients who are not doing that. There are today, in the same occupancy, same industry there are significant differences in the risk management practices of the clients.

Hopeful that industry will engage in a dialogue with the reinsurers to start providing incentives to good clients for better quality risk management while maintaining sustainable pricing in the industry.

Moderator: There is lot of technology in the health care space. Unlike other sectors the innovation in the health care is very expensive but it is convenient and comfortable to the customers. How can the health insurance sector encourage the new technologies and at the same time ensure that there is no need to for the prices to go up?

Mr. Mayank Bathwal: The problem is important and requires to be discussed jointly. Like to answer the question in two ways

First, what is the good time for any new technology to be included as a benefit that will be covered by insurance companies? Conversation with providers and Regulator led to the following. One of the ways to do that, have some kind of forum e.g., health forum which the Regulator runs. The forum looks at the new technology and states that a technology is ready to be covered for which the forum must have someone from the medical readiness side. A health care technology which is in the very experimental stage cannot be considered as not only the cost will be high, but too much of an element of discretion in its usage by health care facility, is also to be addressed. There has to be some sort of certification that this new technology is ready to be covered, that is reasonably wide coverage is given.

Second, how it can be included in the product and ensured that the risk of anti-selection is protected. The wider the coverage, the more the number of products which cover these treatments; overall it helps as it becomes pervasive in terms of the benefit being covered by larger number of products and insurance companies. Overall cost will be not selective. Over a period of time, the cost will be higher; typically, the initial cost of new technology is higher, and it keeps coming down, as that has been the experience. He wished over a period of time, there are less and less of exclusions in the products, so that the product becomes more and more relevant for the consumers and the risk of anti-selection of Company A or B reduces, and the chance of A is over B as it is including, its prices are high, is not seen as an issue in the market and everyone is covering the benefit.

The first step of the Regulator where they said that these new treatments must be covered, and exclusions have to be reduced. It is a good first step, but this must continue with the journey if health insurance is to make more pervasive and inclusive in our products going ahead.

Moderator:

- Crop insurance is very important in the current context of focus on farmers and rural challenges. How do we sort out the issue of charging the right price, the good product and good claim settlement? Does the Indian market have enough capacity to provide this kind of cover?
- With respect to the IIB rates should we differentiate between the good and bad risks?

Mr. Devesh Srivastava: Crop insurance, when one looks at the length and breadth of the Indian subcontinent, with 15 Agro climatic zones, is a good proposition. Over the years, Crop insurance, which will be completing 5 years of the PMFBY has stabilized.

Loads of feedback received by the Ministry of Agriculture from the State government has helped them modify the scheme. It has undergone changes; it has become a three-year scheme, optional and no longer mandatory for the farmers who have taken loans. All the changes which have come into effect, have made it a good proposition.

GIC was committed to the scheme from day one and continued with the commitment and ensured that there would never be a shortage of capacity in the Indian market.

With the Kharif season having been rolled out we never saw capacity crunch. Certain states which left the scheme and certain states who prefer their own model and gone ahead with it. The long and short of it is that it has been covered.

The initial bit covering the whole scheme is part A of the game but more important is the heartburn that is at the time of the crop cutting experiment. The use of technology, which is being witnessed in the crop sector, will pay dividends as farmers get to parametric sort of mode and get their claims in time. With lack of human intervention there will no one to complain to, or to feel that there has been some wrong judgment and therefore farmers will know, and it will be a stable system going ahead.

Crop insurance is a big part of GIC's portfolio, it is also something which GIC owes to the farmers of the country. It is going to be a sustainable model going forward, as the pricing in most of the States is on a three-year basis which will be there on for the next three years.

Bold Step-Taking up the IIB rates

For GIC, working in a global environment it was a bold step, to go ahead take the IIB rates up in the first place. To start with, there was no choice but to paint the entire market with the same brush. But now that the rates have gone up, over one decade or more of rates being detariffed, insurance had ceased to matter as a cost to any CFO. The fact that he had spoken to more CFOs in the last six months than he had before, was clearly an outcome of the fact that insurance is becoming a cost now.

The next logical step would be that now CFOs will start to look at insurance and they could manage the risks better. A better risk, getting them better benefit by way of insurance premium. It is here the concept of a deductible or a good feature discount, which will be the next step for GIC logically, because it is not desired to have the entire market not to have any differentiation. The differentiation should be made now that the insurance costs make a difference in the CFO's head and is a cost in the entire scheme of things. Risk management has to be made a part of CFOs thought process that is a larger game, which is wished to be achieved going forward.

Moderator: Pandemic creating a huge insurance awareness which probably the insurance industry could not do over a period of time, but the pandemic had done it in a few months. How could the life insurance industry use it to bring more people into the life insurance net, and more importantly how to make them adequately insured, though people in India have taken life insurance but for small amounts which is not enough.

Mr. Mahesh Kumar Sharma: The idea is to offer simple products which can be easily understood by the customers and demystify the insurance to the customers to create an awareness that insurance is not something from which one can get something but if there is an eventuality, the client and his family is protected. This has to be taken forward and the way is offering simple products, making the journey easier, making it more transparent and also trying to evolve.

There is a lot of push and pull in the protection space. A huge growth vis-a vis previous year in the protection products is being seen. That is the direction to go, to adequately cover people. Savings products are good but actual insurance cover will come when everyone is adequately covered with some form of term insurance, to the extent that it will replace the person's earning capacity which will take care of the family when he is no longer there. We are moving towards that and to make the journey easier we focus on digital enablement than going purely digital because India still has a huge digital divide, and the huge number of people who do not have the digital means to transact cannot be ignored.

Going forward there has to be huge digital enablement , the journeys have to be made simpler; we have to reach out physically to the corners of the country and try to see that the last person gets to know about insurance; create an awareness; as an industry, we are already working on that; the Regulator is helping a lot, creating the transparency ,bringing out uniform products which can be sold simply without too much explaining the products and that is the way to go forward which will help people to go forward and that is the direction he sees the industry moving.

Moderator: One: There is no awareness of Cyber cover even among the big financial institutions, they do not insure for adequate amount. What can the industry do to create the awareness?

Second: Now that insurers are willing to provide pandemic cover would you really encourage non damage BI covers?

Mr. Neelesh Garg: It has been a journey even to create awareness for D&O liability insurance, it has taken significant time including some of the other covers; somehow claims are the best advertisement. Once the customers see, there are incidents which are happening and are being paid; cyber claims of 2/3/4 million dollars being paid in India; these are from cyber perspective important ones. Seminar and webinars can be conducted

The good part is that risk is an important part of the boardroom conversation of every corporate irrespective of any industry. This is a good sign. As an industry it is to be figured out, how to talk to the Board members to make them aware. Unfortunately, cyber risks are not very visible. Everybody has had a cyber-incident, but not aware of it. How to create the awareness that this is a real challenge.

More seminars and webinars can be conducted, have more awareness conversation with the right decision makers. It is a journey which has to be undertaken jointly along with the industry. It is important for the industry to create clarity in the coverage and policy wordings so that industry should end up paying the claims which are defined clearly otherwise there is a big deficit of confidence in case of dispute around claims.

On the pandemic, health being a product covering hospitalization has covered almost every pandemic hospitalization which happened in the country. Almost of products ended up covering the incidental expenses of consumables which was a surprise to the customers and the industry.

Non-Damage Business Interruption:

For Non- Damage Business Interruption (BI), the industry will be guided by the reinsurers and the global conversations. According to the IMF, the world economy will shrink by 3 %. Whether the insurance industry is in a position to fill up the gaps, especially if people buy. Pandemic by its very definition strikes everybody. He referred to Amphan which happened in Bengal, but rest of the country was safe. That is the difficulty in a pandemic based BI. If it impacts the entire county or the world, it is extremely difficult to insure. The situation will have to be unique and dynamic. It will not be a public, private partnership but more in the form of pools. Terrorism pool was nothing ten years ago but now it is significant and so is the case of nuclear pool. Baby steps and hopefully after 5/10 years, India as a country we will be in a position able to take the economic severity and pain which any of the pandemic can bring on us

Moderator: The Health insurance sector continues to face the problem of the rates not under anyone's control and also customers unhappiness because part of his claims not getting paid. Do you think, this needs to be solved as there seems to be a general unhappiness in cutting claims?

Mr. Mayank Bathwal: This is a very big issue for the industry, if the customers are unhappy in context of what they really bought the product for and sustainable growth is not possible; one of the main reasons for discontent of the customers is the experience they have in claims, sometimes money not being paid, etc., so there should be focus on the pricing part.

There is no Health Regulator in the country. Health is a state subject and even if the Central government passes a model law like the Clinical Establishment Act, the fact is that every state must adopt.

The ability to regulate the health care side is very limited. As penetration increases, the industry must come together, more and more, like the PSU players came together for initiating PPN arrangement.

More conversations are required to be had with the health care side. A beginning has to be made in reducing the exclusions and covering more, so that customers are not aggrieved with the exclusions, waiting period, etc. which sometimes they are not aware. If there are exclusions, it must be ensured that the customer understands them.

In the event of a claim, some part is payable and the other not payable. Why should there be something not payable if the customer is admitted in the hospital for a genuine need. Such issues need to be sorted out between the payer and the provider at a larger scale so that customer does not have to be bear the brunt.

Ultimately the industry will have to move to adopting standard treatment guidelines and clinical care pathways. It was seen during Covid, where the treatment protocol adopted by the hospitals, both private and public, was the same, though the costs may have been different. This is the direction in which, at least for some, the treatment having large volumes where there can be standard treatment protocol. It is a journey and that will not happen fast, and it is time to take some serious steps in that direction.

Moderator: Referring to GST on annuities, Mr Srinivasan mentioned that there is a sense that why GST should be charged on annuities, as it results in double taxation.

Mr. Mahesh Kumar Sharma: These aspects need to take up with the Regulator and Authorities. This is subject to a lot of debates. Nobody wants taxes on whatever, he assumes to be his right and income. Finally, it is a matter which needs to be sorted by the Companies, the Regulator, and the Government. This should be taken up with the Authorities. The Life Insurance Council has taken up lot of issues, including the GST issue, with the Regulator and the outcome is awaited.

Moderator: Mr Srinivasan thanked all the panel members for their valuable insights, being forthright in their comments, lot of things came out from the deliberations. He also thanked the audience for their questions as it helped him to raise them with the panellists

Presentations on Theme: Embracing Emerging Insurance Risks & its Implications

Second Session has five presentations on the topic of "Embracing Emerging Risks – Implications on the Insurance/Reinsurance Business, Property Insurance, Liability Insurance, Health and Life Insurance". The presenters were Mr. Hadi Riachi, Market Head India, Swiss Reinsurance Co. Ltd (India Branch); Mr. Sanjay Kedia, Country Head & CEO, Marsh India Insurance Brokers Pvt. Ltd; Mr. P Umesh, Consultant; Mr Dinesh Pant, Appointed Actuary, LIC of India and Ms. Anuradha Sriram, Chief Actuary, Aditya Birla Health Insurance Co. Ltd. Each of the speakers in this session have made their presentations on implications of emerging risks on all the major lines of business-like Property & Liability Insurance, Health & Life Insurance, and Reinsurance, and emphasised the need to develop appropriate risk mitigation strategies to compact the emerging risks effectively.

Mr. Hadi Riachi, Market Head India, Swiss Reinsurance Company Ltd., India Branch

Expressing his pleasure to be present in the Summit Mr. Hadi Riachi mentioned was a that the previous sessions were insightful and engaging as he listened to the addresses and dynamic conversations by the panel along with his fellow peers in the industry.

He wanted to share a few insights on emerging risk from his perspective and what was interesting that as he picked the three risks that he would like to talk to, he noticed from the previous conversations that much of the conversation revolved around it. He hoped that he would be able to bring additional insights, concrete configuration of risk, as well as different perspective on how to look at emerging risks and what is significance for them, particularly for India as well.

The three risks which he picked from emerging landscape of twenty-three risks which they track at Swiss Re is no surprise to anyone attending the summit today. COVID-19; then really look at the long-term effects of the pandemic on our lives and on the world. Cyber continues to be a big topic for India. Being one of the most digitalized country in the world. Climate change is obviously one of them, particularly in context of India. The danger is that in the current environment, Covid-19 & Pandemic will overshadow other emerging risk particularly climate change. This was discussed actively in the morning session and that is the right focus which is required to continue focus on how to make world more sustainable.

Pandemic Risk

He started by looking at COVID-19, as a pandemic risk There are quite few implications of the emerging risk for us.

- The economic impact of it; has been a challenging year globally for the world, for the industry and for many other industries. It has been an unusual year and world continues to grapple with impact of COVID-19.
- The world is experiencing one of the deepest recessions of our lifetime, economists are expecting contraction of the economy to the extent of 1.4 %. India is experiencing the deepest recession in 2020, at least in the first quarter of 2020.
- There is clearly an expectation for the economy to recover and all though India for this year, has taken quite a significant hit to the GDP growth, the expectation is India to lead the pack in terms of growth next year and having a strong recovery.

About impact and implications of an emerging risk, in the context of economy clearly the output that has been lost will not be recovered. The growth is not going to be where it was. It will take longer to reach some of the target that were set for us globally.

So clearly a concrete economic impact and it is the destruction or disappearance of economic value is one side of the coin. From another perspective it is really important to understand that implications of the pandemic have been far reaching and it's been really not restricted to an economic impact

The pandemic has put the global resilience to the test and has widened the protection gap across health, mortality, natural catastrophic risk. India has been lucky blessed to have lowest mortality rate globally. The reality is that still society resilience has been put at the challenge and there has been a lot of effort, in terms of initiatives that have been done to support the country.

According to IMF report issued in May 2020. when pandemic comes, it hurts people who are below the income level the most, and so the result is double negative impact on societal resilience. Here, on one hand first negative is the lower income level and savings will strain the financial position of households making it difficult for them to rebound in case of adversity, and on the other hand, the protection gap is going to further increase due to financial stress.

Swiss Re released its Mortality Protection Gap Report. India has the second largest mortality protection gap in Asia and stands at 16.5 trillion dollars and is about 83 % of Indians having protection needs. It shows our importance as an industry to collaborate with other industries to help and close the protection gaps.

In the context of Covid the health implications, i.e. the physical health effects of Covid, it has been associated with diseases or long-term damage to the lungs, kidneys, cardiovascular diseases, neurological diseases, and permanent issues along these four areas. Probably the part that has not been actively addressed which he would like to highlight and put in perspective, is mental health challenge that Covid brings to us.

They had done a study, based on a survey done, is that younger part of the population is more concerned the about the long term impact of Covid, because the long term implication cannot be understood; it is just been a year and it is still to be understood; but what is known that mental health if left unaddressed, without the right support, within the community and society can be damaging to the health of individuals. We can start to see comorbidities, such as obesity, CVD, back pain, and Diabetes. It is important to see, how to create the support system. It is significant from a corporate perspective or protection perspective.

Cyber Risk

Cyber risk is in the broadest sense, risks in connection with electronic data collection, storage and processing Data consumption is on the rise. Cyber intrusions and attacks have increased dramatically over the last decade and exposed sensitive, personal, and business information. The cost of these breaches and attacks has been dramatically increasing. A study by IBM Security, has shown that the average cost of a mega breach is $ 388 million, which is a significant amount. The breach measured is average cost on the number of records breached. $ 388 million, applies on one million records either being hacked or breached.

The biggest part of the cost is actually the loss of customer confidence and the loss of business attraction, not just the damage to the property or business interruption. The average life cycle of a data breach is getting longer and longer. Some of the businesses which have experienced the breach have seen, implications of the cost unfold even 3 years down the line. It can be considered as of it as a three-year cycle and recovery especially the confidence and trust of the consumers is quite a challenge. From our industry perspective, we need to understand the risk and wider implications of big breaches. Large corporates are at risk, increasingly even SMEs and Personal cyber risk is also increasing. Hence there is a need for industry wise cyber exposure data collection and model development and that should be a priority.

India is second lowest globally in terms of the cost of breach but second highest for records lost per breach. Eventually everyone has learnt to adopt the digital economy, and everyone is engaging in transacting more and more online, and this trend is not going to go away as the pandemic goes away. Clearly the cost of breach is going to increase as the average transaction costs is increasing.

As per initial studies there is a significant increase in cyber-attacks and cost of breaches; 37% increase in the cyber-attacks in India. Based on Kaspersky report that cyber frauds will go up in 2021 the expectation are that it will go up. It is not only that Insurance will play a key role, but it is a risk significant enough, which has not been understood as a mega event which is national in nature has not experienced. It is like the Pandemic and it is important for the public sector and private sector to think together, to how best to address the risk.

Silent Cyber exposures needs to be monitored to avoid unexpected inclusions in other lines of business. These are cyber perils that are not explicitly included or excluded in a non-cyber policy. To create awareness is there for the need to move to the Affirmative side and have comprehensive solutions for cyber insurance.

Climate Change

The third risk which he wanted to discuss is around climate change. How can a joint movement be created for a sustainable for the world and particularly for India He spoke on the economic losses, the insured and the uninsured losses and the growing protection gap. Though climate change is real driver for protection gap widening, but not the only contributor, the others being the economy is growing, value of assets increasing, higher concentration in certain areas. There are multiple contributors, but the fact remains that climate change is a key driver.

The economy has to grow and the value of the assets to increase but the one climate change needs to be addressed.

To contextualize in the context of India, this must become a priority. Severity increase has been seen over the past years. This year the number of typhoons and events increased, and it should be reflected on how to support a more sustainable future either by developing solutions that support sustainable infrastructure or be part of the solution by committing to certain ESG policies as an industry and then push other industries as well, to embrace and support.

Concluding

Complete long-term implications have two dimensions:

One, complete economic value that will be eroded and projected losses of the global GDP, eight years down the line; and the big range depends on the actions that is taken today; our commitments to the action taken to address the risk, and the solutions brought to the industry to support the actions being taken.

Clearly there is flaw in models, we do not capture the large uncertainties that climate change can bring to us and there is a need for them to reflect the climate change in our models. On the transitional risks, if we are on a journey today to 2050 to become a global economy that is the transition period, to support a sustainable future obviously there are risks and opportunity. Risks certain assets will become worthless, economists call them stranded assets. These typically, urban heavy industry as the world is moving to renewable energy, more sustainable infrastructure.

Second is an opportunity to not only invest in green assets but be part of the solution to encourage funding to green assets resilient infrastructure and renewable energy.

The three risks are part of the 23 risks identified by Swiss Re Group strategy development and Performance Management team had identified 23 global macro trends that are likely to have a high impact over the next 5to 10 years form part of the emerging risks.

Mr. Sanjay Kedia, Country Head & CEO, Marsh India Insurance Brokers Pvt. Ltd.

Thanking Mr G Srinivasan, the NIA team and wishing the students and participants, Mr. Sanjay Kedia mentioned he enjoyed listening to panel discussion and it was rewarding for him personally.

The first message he wanted to share with the participants was that the dialogue which was being discussed in the seminar, is also strongly emphasized by the report prepared by Marsh &McAllen did with other institutes for the world Economic Forum (WEF). This was, a global risk report for 2020, for the W.E.F. It was found that top risks which has a big impact on society, business and people fall into similar categories; this is a global survey; which is around climate risk, cyber risk, natural catastrophic and pandemic; surprisingly pandemic has always been identified as a high impact risk, but it always wished away; this is not a black swan event, it is something which risk experts were aware but it was always wished that it will not happen to us, but it has arrived now.

A recent survey conducted by Marsh, of Indian corporate for RIMS, which was released in December 2020, is a survey about what are the Indian corporates worried about in terms of the top risks. The number one was pandemic continuing for a longer time or a new pandemic coming and hitting; so, the pandemic remains the topmost risk; cyber risk, and climate risk. Something interesting which was added in the Indian context, was the fiscal crisis – that is something India need to recognize as an emerging country, capital is scarce, and we have an extra challenge in terms of our ability in bringing significant amount of capital to invest in these challenging times.

Risk interlinkages

Talking about risks, in terms of impact, especially the infectious diseases which are high impact risk. These risks are interdependent, and the interlinkages of the risk are so significant that the impact of one lead to the other. Impact gets amplified due to interconnectedness of risks and globalization. The pandemic underlined potential exposures from other catastrophic events. Following are the various challenges arising out of these top risks.

Global Protection Gap

Protection Gaps present a huge social challenge to the community as well as to the State and Central government. Acute protection gaps for Nat Cat losses (uninsured losses 66%) and Cyber (uninsured losses 90%).Chronic protection gaps for Health (uninsured losses 43%) and Retirement (uninsured losses 49%).There is a need to drive innovation and competition to reduce protection gap. If the policy that is offered to the policyholders does not meet the insurance need of the customer, it results in a protection gap.

True Detarrifing and freedom in policy wordings are essential, particularly in commercial line insurance business to encourage product innovation. Sector specific policy wordings to be customized. New covers are to be developed in line with global markets. Policyholders to be allowed to pay premium in installments and also use of premium/ risk financing. Short and long tenure policy to be allowed as per market demand.

Demand for Non-Damage Business Interruption Cover

The Demand for Non-Damage BI cover from Policyholders is at all-time high.

- Except for a few Reinsurance markets with limited capacity, most insurers have completely withdrawn any form of Non-Damage BI cover but are now internally reviewing it.
- Country level pandemic pools are at different stages of development with significant demand from the government as protector of last resort.
- Govt. balance sheet are stretched and limited appetite in developing countries for higher fiscal commitment.
- Time is the essence and India should consider launching pilot/ limited pandemic risk pool at earliest and at least limited global reinsurance capacity is likely to get locked to first few pools as the first mover advantage.
- Active support from the State & Central Government is required for setting up of the pandemic risk pool.
- Alternative capital would also play a major role beyond tradition insurance market capital.

Pandemic Implications on Insurance Business

Health

- More Corporates are looking forward for COVID and Mediclaim policies /Indemnity plans which offer OPD and daily cash benefit along with hospitalization cover. There is likely to be an increase in parent and retired employee coverage. There is a renewed focus on enhancing the policy limit from current Rs 2-3 lacks to 3-5 lacks or even 5 to 10 lakhs.
- The demand for Super top up is also increasing but in limited way.
- Rise of telemedicine and online consultation coverage.
- OPD protection gap remains single biggest opportunity for the insurers.
- Cyber Resilience requires a Shift in Focus:

Cyber

- After the pandemic, the need for building strong cyber resilience is increasing across the industry verticals.
- Rapid digitalization causes increasing cyber risk exposures and now this is the fastest growing emerging risk.
- Cyber risk is like pandemic risk in terms of – high impact and not limited to a single geography.
- Cyber Loss modelling remains a weak spot.
- Global capacity over US $ 0.5 billion for a single risk remains a challenge for the insurers as the result of limited reinsurance capacity available globally, Insurance and reinsurance face

serious aggregation issue, apart from cross sectional or supply chain risks, which makes the cyber risk as the next pandemic.

Trade Credit

- Trade Credit insurance has gained much popularity among the financial institutions during this pandemic. It is likely to gain even more traction given the economic impact of this pandemic
- Trade credit policy typically offer comprehensive credit coverage, meaning that insured are covered for the nonpayment of eligible account receivables that are not expressly excluded.
- Insurers are withdrawing limits on buyers. However, it is expected that they will seek the global market support.
- IRDAI committee on trade credit insurance has suggested allowing trade credit insurance for bank and financial institution. This would bring India at par with other market globally and help policy holders and the economy at large get adequately protected from credit risk.
- While the insurers and reinsurers handle the emerging risks effectively, the Indian insurance industry requires the market competition truly in a freeway, ensuring customer's friendly policy conditions, premium payments, and simplified product offerings, etc.


Mr. P. Umesh, Consultant

Truly, the emerging risks are changing the risk landscape as the frequency and complexity of the risks have changed totally now. Particularly, climate risk which was earlier mainly a part of property insurance has now moved into multi-dimensions triggering new liability risk either due to environmental damage for the directors and senior officers of the companies. At this time, it is interesting to see how the insurers are handling these emerging risks and what are their risk response or mitigation strategies to combat these new risks.

Emerging insurance Risks

Emerging risks are new or familiar risks that become apparent in new or unfamiliar conditions (International risk Governance Council (IRGC)

Attributes or key characteristics of the emerging risks:

- New Risks-Unseen earlier and impact unknown, particularly climate risk and cyber risk, the potential exposures of aggregate risks are increasing. Old risks are now in new avatar: Bigger in scale, complexity, and unpredictability. Following are the characteristics of the emerging risks.
- Limited Data availability as the risks are evolving, Inadequate understanding, Uncertainty in probability, potential impact and likely losses are unknown and therefore, it has become highly difficult for the insurers to quantify the risk exposures and price it appropriately.

Some of the emerging Risks that has put huge challenges for the insurance industry are:

Financial Impact of the Pandemic

Wide ranging effects of Covid 19 are examples as it has impacted the global economy severely. Llyod's of London estimates global pandemics insurance losses are above $144 billion.

Cyber Risk Exposures

Cyber risks have significant cascading effect, and it can impact the entire value chain of an entity, including supply chain impact. Cyber risk poses many challenges for the insurers, difficulty in quantifying the exposures, limited coverage, and measuring the aggregate effect including accumulation challenges.

Social Inflation

This pandemic has increased the social inflation resulting in increased claims outgo or liability due to increased frequency of litigations, liberal judgements and higher awards.

Contract Rewriting

It is going to be one of the key risks now. For example, the BI risk resulting from Covid-19, is highly uncertain, as it was not conceptualized at the time of designing the insurance contract, but, at the time of claim, the risk of unintended interpretation of insurance contract is going to be huge problem for the insurers.

Artificial intelligence: Involvement of machines in decision making, may pose multiple challenges; regulatory issue, Algorithm issue, Privacy Violation, data protection issues and also harmful use endangering security, etc.

Nano Technology can create health issues, side effects, privacy breach issues and weaponizing technology, etc., but the implications are highly unknown.

Climate Risks

- Greater incidence of natural catastrophes/global warming
- ESG concerns. Impact on market and capital raising

Digital Distortion & Digital Misinformation: particularly social media risk can cause multiple issues to the corporates, data identity risk, reputation risks, Trust issues, reduction in stock values, revenue loss, etc.

Genetic modification &Interference with hormonal systems can impact the mortality of the person, cause health disorders, and can result in medical liability exposures to the medical practitioners and hospitals or service providers.

Supply Chain disruptions can arise from rising NATCAT exposures, cyber and pandemic.

Reputation Risks- it is going to be a major risk in the future, as quantum of the loss can be larger, and the spread of the risk is quicker. It can cause both direct and indirect losses. There is no required cover available today. Particularly determining the value of reputation is a huge challenge.

Geopolitical Issues: Brexit, Hongkong status issue, china and US trade war, etc., are some of the geopolitical issues that we have today. It is a highly evolving risk.

Regulatory Risks: The emerging risks can pose regulatory challenges, requiring regulatory change or guidelines to be issued in the light of the business implications caused by the emerging risks.

Emerging Risks -Outcomes

When the above challenges are not addressed effectively, then it can cause the following outcomes.

- Increase Protection gap: insured vs uninsured losses due to pandemic and cyber risks.
- Invites increased regulatory and judicial scrutiny
- Dents the image of the insurance industry. As it was witnessed in crop insurance, in spite of insurers settling large volume of claims, delay in claims settlement caused a serious trust deficit to the insurers.

However, in spite of these challenges, the emerging risks provides huge opportunity to the insurers.

Mitigation measures to combat the emerging risks:

While concluding, Mr. Umesh has suggested following mitigation measures for the insurers to combat the emerging risks in the near future.

- Continuously scan the horizon of risk universe for signals and ascertain the evolution of risks and their impact on customers and other stake holders.
- Study the insurability and market expectation relevant to the risks identified.
- Interactions with all stakeholders -it has been suggested that insurers need to interact with all key stakeholders while designing the insurance products, (not just the end users alone) and work on risk quantification with the help of data from traditional and non-traditional sources including social media and connected devices, etc.
- Artificial Intelligence and Machine Learning can help in understanding customer behaviours and developing risk protection model for the new segments like young customers or millennials.

- Focus on complete solution rather than just the insurance policies. For example, in cyber insurance, insurers need to offer value additions to the customers by way of risk assessment, post event monitoring, risk mitigation or cyber security measures, etc.
- Use of Technology to address emerging risks and play a more proactive role. Many Insurtech companies now undertakes innovative technological solutions, cyber vulnerability, and support for remedial measures post claims.
- Crowd source ideas about risk notion supported by automated web analysis and detailed studies (Swiss Re Sonar Process).
- Alternative Risk Transfer solution, like CAT Bonds, Pandemic Bonds, are really good risk mitigation measures for natural catastrophic or pandemic risks, when the insurers are not able provide adequate insurance capacity.
- Course correction in products and processes to meet customer expectation without compromising on business sustainability.

Embracing Emerging Insurance Risks

Risk Landscape is changing rapidly resulting in repercussions in unexpected ways. If there is no risk, there is no need for insurance. Risk Management is the raison d'etre for the insurance industry. Emerging risks do create new opportunities while all the risks may not be insurable. Embrace them after evaluation.

Mr. Dinesh Pant, Appointed Actuary, LIC of India

Beginning his talk, Mr Dinesh Pant said that he would be touching upon some of the issues of life insurance industry, in the context of embracing the emerging risks and their implications.

We are in the business of risks. To what extent these risks are assessable, to what extent the industry is ready to assess and accept the risk, price the risk, and present the risks, are some of the issues which he discussed.

One of the foremost important things is not something which the audience is aware of. The fact is that the globe or India was not aware of the risk pandemic. In 2013, 170 plus countries discussed about 1000 varieties of epidemics in a risk forum. Recently in the WHO Forum, the pandemic was discussed at length, nobody was expecting that the pandemics would happen so fast, but it has happened.

Overwhelmed with the complexity and enormity of changes that are going to require to attune ourselves, this pandemic poses a numerous challenge to the insurance industry. Possibly, this is going to be the future trend and the frequency & severity of these events of changes is going to be humungous and the industry will have to deal with it.

Whenever issues relating to known and unknown events are discussed, we tend to draw parallels or comparisons to animals. We talk about Black Swan, Grey rhinos, Black elephant, Jelly fish, but nobody puts a name to human beings but ultimately most of these pandemics are related to human beings, though most of these events are traced to humans. It is time we started owning these events.

The pace of changes has been rapid and our adaptability to the changes as an industry has not been fast and that is why the gaps are happening.

It is a good thing that Boards have started discussing about risks; but risk is our bread and butter; the fact is that most of the discussions is how to get top line, rather than assessing the risks. It is to be understood that whatever volume of business has brought in liability and that will not bring in profitability. We need to understand that liability is to be matched with various factors that contribute.

It is good that Covid has thought us at this point of time, that being positive is always not good and being negative may also be equally good. What it drives us to, for people who deal with risks assessment, what is important is to be an optimist, and also to be pessimist at the same time.

Some Issues

- Insurance industry will have to live with the current trend of the investment patterns. This is easier said than done. In the Life insurance industry, lot of effort has been made to divert various lines of business. Proper business strategy and proper mix of product is essential.
- Saving has been a big driver for the growth of life insurance industry and continues to be so.
- The patterns in the industry, if we tend to believe that they are not going to impact and can be aligned to our working, without any implication on the actual business, is being too optimistic.
- Can customer expectation be changed to what can be done, creating a gap between what the customers expects and what can be delivered
- With context to life insurance business, there is a change in the mortality and morbidity expectations. Mortality expectations has been stable and after Covid impact we can still expect the mortality pattern will not get affected. While we are in mortality business, we need to see the portion of the surplus is coming from the mortality /protection business?
- Protection gap is 90%. Are we doing something concrete to bridge the protection gap? Many protection products at low costs were introduced. They had a limited impact for broadening the market base. Recently the appetite for low-risk premium has gone away. Even reinsurers

developed cold feet. It is said that customer-oriented solutions should be introduced, but when the test of time comes, do insurers rise to the occasion and provide the solutions.

- We need to be fair to the insurers also. Everyone is in business and business needs to run on viable terms. In terms of crisis, the customers expect solutions to be provided readily and at low costs, it is not going to be viable. There is a need for customer education. When the crisis comes, everyone goes in a panic mode, authorities, everyone wants a quick solution; but the industry faced multiple challenges during this pandemic time.
- There is no credible data and no credible experience to price the products. Companies did try but when the products were ready, there were issues in launching the products.
- The real test is overwhelming on everybody. Every industry must prepare itself for such high severity & high frequency events similar to this pandemic.
- Need to introduce realistic solutions which would require lot of capital, innovation, lot of mutual understanding between different players in the ecosystem to work together as such situations cannot be faced in isolation.
- This would need a very dynamic approach to the entire way, way we price, promote, we educate our customers, and the way we deal with our distribution channels is going to be critical. Capital requirements will be high. The profitability of the measurement will be a key issue. Shareholder's expectations and Policyholder's reasonable expectations and prospects. The change in scenario is not due to competition, but the entire marketplace is changing due to changes in customer expectations, risk profile, demography shift and lifestyle changes, etc.
- There is a need for continuous realignment and the ability of the insurance company to become good crisis managers and being able to be on the top of the situation. Despite wanting to change, there is a huge inertia which does not let the change in the systems to come easily. Our ability to anticipate such situations and create it which we are ready for the changes to happen. At times, we get awed by the situations, despite we have the experience and understanding. The proactive way is to innovate, implement those innovations, and see whether these innovations are getting accepted in the market.

There are many challenges can come from technology, change in regulations, change in Accounting standards etc. Whatever we have learnt in the past, would help us but not good enough to sustain the business in future. We should be ready and have a mind set for accepting it. Such preparedness would help in handling such pandemic risks.

Ms. Anuradha Sriram, Chief Actuary, Aditya Birla Health Insurance Co. Ltd**.**

Drawing bit of a context from insurance risk during and post Covid, one must look at pure health insurance. There are two dimensions to how the health care landscape is impacted by Covid and how the health insurance industry is being impacted and the trends.

First from a healthcare perspective, digital utilization is here to stay. Nearly 45% who have never used telemedicine in their lives before even from rural areas have access to healthcare using digital mediums. This is encouraging from a healthcare landscape perspective digital medium and digital platform are here to stay; this is the important development of how Covid has changed the access and propensity to utilization of healthcare.

Second is the rub off effect on the liquidity of healthcare companies and how their charging patterns are going to change, only time can tell. In the Covid times it is seen that the costs have increased even for the non-covid treatments because of prevention, protection that the healthcare providers need to take to ensure that adequate safety is followed. This will continue which means that as a one-time impact may see increase in costs of treatment for non-covid as well because of increased safety measures.

Third is the supply chains are completely disrupted. Earlier ingredients were imported from China for pharmaceuticals. How this is going to impact quality, cost parameters only time can tell.

Fourth is patient and employee safety dimensions will also mean that the way of operation, the management and the cost parameters will have an implication.

Finally, the regulatory compliance aspects that are evolving. For example, the telemedicine protocols notified by the government. There may be other digital access regulatory provisions which means that there will be a radical shift in the healthcare landscape. Hence it is important for health insurance companies to keep in perspective while trying to manage the business of protection to consumers.

Health Insurance

- Customers' attitude towards protection has become more favorable. Customers who are experiencing the implication of not having protection of their financial security are now in favour of buying health insurance.
- There is an affordability issue due to the economic challenges posed by Covid on ability to buy health insurance. Companies selling health insurance need to keep that in mind.
- Associated risks due to changing customer preferences, the economic challenges, and the way of working of health insurance companies and the claim patterns will evolve
- List of risks that are important for health insurance companies to focus on.

It is known that something has to happen to really speed in a change. Covid has done that for us.

- The last 20 years, the mobile revolution has made many things possible which were never anticipated. Where there is a risk there is an opportunity and the way that one can respond to. There is a significant impact on technological and economic changes. From a risk perspective, one should look at in a context of assessment, action and the possible outcomes. The right investments to be made in this point of time to be proactive and able to manage the outcomes.
- Different risks can be broadly put in multiple buckets from a health insurance company perspective and some of these risks are broadly applicable to few other insurance segments. Customer preferences are changing, the way customers would like to use, buy, get serviced, get their claims paid has completely changed. For instance, customers are not comfortable with pre-policy medical check-ups because they do not want anybody to come home, even to do the check-up for fear of exposure. So how can insurers make operational changes to meet this changing customer preference, is an important aspect to consider.
- customers because of economic developments, can be put in 3 buckets.

One is their survival because of the loss of income, loss of job. They are probably relying on their savings so really affordability is an issue.

Second category is preserving where they are really in a preserving mode, they have reduced their discretionary spends and they are very cautious in how they spend their money.

Third category is the steady customers where their incomes fortunately as compared to others has not been impacted, though their income increases have not been there.

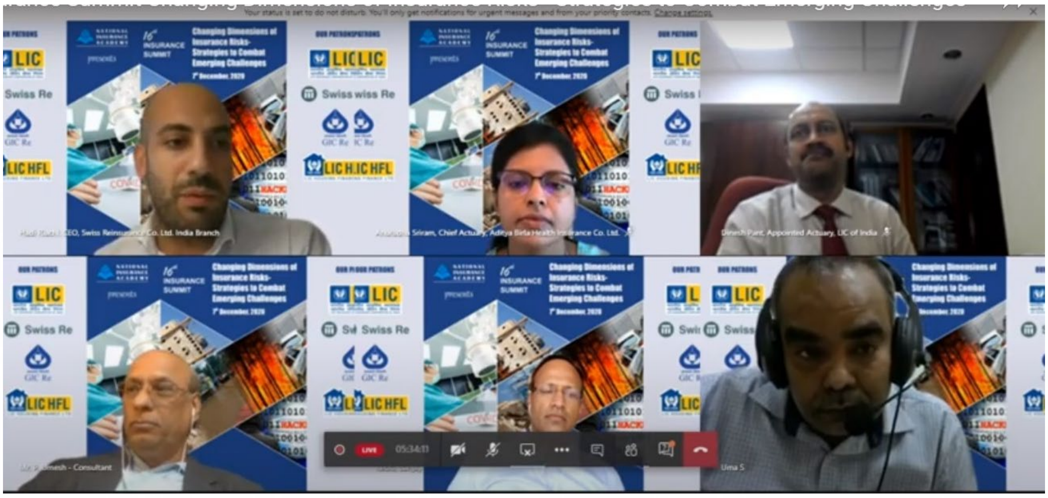
So, these are the broad, emerging categories of customers and their changing preferences and the way they will access use and get serviced from a health insurance perspective are changing.

Cyber Risk

This is because of the expanded physical platforms for operation by virtue of work from home where customers are using broader network, employees are using broader networks they may use unsafe networks at times. If the quality of network is an issue etc. and the time that we have had to implement all of these is so small that whether these have been well assessed and implemented is also a question that needs to be assessed. This means that the cyber security threat is a great one and especially in the health insurance space it's so critical because we are handling very sensitive data which is health data of the customers. It is important that the risk is properly taken into perspective and considering the broader platform with which health insurance company is operating with and including the vendor and partner platforms that we work with.

There is an associated aspect in terms of the information security and the protection of sensitive data. A lot of changes have happened, and the Regulator has in an agile mode responded to the Covid situation by introducing specific products. The Covid Kawach product has been very well received product launch at the right time. The associated governance protocols that the regulator has put in place be it in terms of solvency assessments, requirement for cash flow management, claims management etc. There has been flurry of activity on a regulatory front. So, there is definitely a need to keep in pace with that and be more proactive to manage on that front. We are seeing that the pace of adoption to these emerging technologies is going to be fastened up and the use of artificial learning and machine learning and platforms to and robotics to manage underwriting and claims digitally is going to become passé and it's so important for us to assess these and be on top of this.

WRAP UP



Dr. G. Doss, Associate Professor, National Insurance Academy, Pune

The presentations were followed by a Q&A session conducted by Dr D Doss. Questions were invited from the participants and they were raised to the respective speakers who responded to the questions to the satisfaction of the participants

VOTE OF THANKS

Mr. P. Venugopal, Chair Professor (Life Insurance), National Insurance Academy, Pune

The summit concluded with a vote of thanks by Mr. P. Venugopal, Chair Professor

Encapsulating the Key Learning from the Summit

This insurance summit organised by National Insurance Academy, Pune, focused on the different facets of the changing risk dynamics, and the emerging challenges & opportunities for the Insurance Sector. The deliberations among Policy Experts, Insurance Executives and Thought Leaders were mainly focused on conceptual and strategic aspects relating to

- Understanding new dimensions of risk and risk management strategies
- Tapping the emerging opportunities through innovative products and services and
- Leveraging new age technologies to enhance operational efficiency.

The major learnings from the summit can be summarised as

The insurance Industry need to realise the importance of the new emerging risks including Climate change, Pandemic risk, Technology / Cyber risks, Economic recession, Increasing health risk, and Environmental changes. As a result, what implications does the changing risk dimension have for Insurance Industry, particularly need to develop innovative insurance solutions for the new and emerging risks. And also need to quickly adopt to the new age technologies to improve the operational efficiencies reducing the cost of operation and thereby making insurance affordable to the large segment of the uninsured population and improve the accessibility of the service to the market with faster claim settlement and valued added services like client risk management, better and quicker loss assessment, improving the health of the people with wellness programs. Further, it has been suggested that the insurance industry need to collaborate with new age technological partners like InsurTech, and Health Service providers, to bring necessary product and service innovations optimize their business opportunities. The opportunities includes investment by insurers in green assets and being part of the solution to encourage funding to green assets resilient infrastructure and renewable energy; providing cyber risk solutions. The industry needs to develop comprehensive risk mitigation solutions like Parametric insurance, Alternative Risk Transfer solutions like CAT Bonds, beyond traditional insurance &reinsurance protections. In the light of these changing risk dimensions, the Authority has introduced new regulations including the regulatory Sandbox enabling innovation in insurance business, launch of new standard policies in life insurance, Corona specific health insurance policies and standard home insurance policies.

SPEAKERS PROFILE

Mr. G. Srinivasan, Director, National Insurance Academy

Mr. Srinivasan assumed charge as Director of National Insurance Academy in 2018 and has had a distinguished career spanning over 39 years in the General Insurance Industry in both India as well as abroad. One of the most well-known personality in the industry, Mr. Srinivasan has the prestigious distinction of being the longest-serving CMD amongst all the public sector insurance undertakings. Before joining NIA, he led India's largest general Insurer the New India Assurance Co Ltd and also the United India Insurance Co Ltd as CMD. A recipient of the Personality of the year award by Asia Insurance Industry Awards, Singapore, Mr. Srinivasan has also led the New India Assurance Co Ltd.'s Trinidad and Tobago subsidiary at Port of Spain as Managing Director.

Ms. T. L Alamelu, Member (Non-Life), IRDAI

Ms Alamelu joined the general insurance industry in 1983 as a Direct Recruit Officer in The New India Assurance Co. Ltd. After serving the New India for over 25 years, she joined United India Insurance Co Ltd as Deputy General Manager in 2008, and subsequently got promoted to General Manager in 2012.In October 2016, she returned to the New India as Director & General Manager, one amongst the youngest Directors and General Managers in the Public Sector General Insurance Companies in India. She was promoted as Chairman cum Managing Director of Agriculture Insurance Company of India Limited in June 2017 where she served for more than two years. She was the first woman CMD of AIC. After serving the General Insurance industry for more than 36 years, Alamelu joined IRDAI as Member (Non-Life) on 1st July, 2019.

Mr. M. R. Kumar, Chairman, LIC of India

Mr Kumar took charge as Chairman, LIC of India on 14th March 2019. Having joined the reputed organization in 1983 as a Direct Recruit Officer, he has served LIC of India in different capacities and functions across the country. He has had the unique privilege of heading its three big Zones namely the Southern Zone, North Central Zone, and Northern Zone. As an Executive Director Sir headed the Personnel Department as well as the Pension and Group Insurance vertical of the Corporation. During his tenure, several initiatives were rolled out for the benefit of the employees and the reputed corporation. An avid reader considers people to be the biggest assets of an organization.

Mr. Devesh Srivastava, CMD, General Insurance Corporation of India

Mr. Srivastava is the Chairman & Managing Director at GIC Re and has been a part of the insurance sector since 1987. He has experience in both direct insurance and reinsurance and has gained international exposure through posting to the London branch, where he was overseeing operations in UK, Europe, Caribbean countries of Brazil, Argentina and Mexico territories. Mr. Srivastava has been a key player in setting up GIC Re's Lloyds Syndicate in London and is also serving on the Boards of LIC of India, Export & Credit Guarantee Corporation, Indian Register of Shipping, Kenindia Assurance Co. Ltd.- Nairobi, Agriculture Insurance Corporation of India, Health TPA Ltd., GIC Housing Finance Ltd, and GIC South Africa Re- Johannesburg.

Mr. Mahesh Kumar Sharma, CEO, SBI Life Insurance Company Ltd

Mr. Sharma is the Managing Director & Chief Executive Officer at SBI Life Insurance Co. Ltd. Holding a Master degree in Chemistry and a Certified Associate of the Indian Institute of Bankers, Mr. Sharma started his career with State Bank of India as a Probationary Officer. He brings with him over 30 years of experience in the Banking Sector and has held many important assignments in the Bank including overseas assignments as IBTO in the Bank's Paris Office and as Chief Executive Officer of Tel Aviv. In his last assignment, he was the Regional Head, East Asia at Hong Kong in State Bank of India.

Mr. Neelesh Garg, CMD, Tata AIG General Insurance Company Ltd.

Mr. Garg is the Managing Director & Chief Executive Officer at Tata AIG General Insurance Company Limited. He took over the current role in October 2015 and has been instrumental in driving the Company's growth and development in the General Insurance Sector. With over 25 years of experience in the financial sector, Mr. Garg has also worked with Citigroup and ICICI Lombard General Insurance Company for 13 years, where he was on the Board of the Company as Executive Director.An active member of CII National Committee in Insurance, Mr. Garg sits on the governing bodies of Insurance Information Bureau (IIB) and NSDC. He is also on the Board of Bombay Chamber of Commerce and Industry.A B.Com (Hons) graduate from Shri Ram College of Commerce, University of Delhi, he has also done PGDBM in Finance & Marketing from Indian Institute of Management, Bangalore.

Mr. Mayank Bathwal, CEO, Aditya Birla Health Insurance Company Ltd.

Mr. Bathwal is the Chief Executive Officer at Aditya Birla Health Insurance Co. Ltd. and has been with the Aditya Birla Group for more than 26 years. Founding team member and Deputy CEO of Aditya Birla Sun Life Insurance, Mr. Bathwal has held multiple roles in the business in India and Indonesia. He set up Aditya Birla Health Insurance in 2015, and under his leadership, within a short span of time, ABHI has grown into one of the recognized and fastest growing health insurance company in India. A fellow

Chartered Accountant and a member of the ICWA and ICSI, he is the co-chair of FICCI Health Insurance Committee and is also actively involved with a number of industry forums such as CII, and IAMAI.

Mr. Hadi Riachi, Market Head India, Swiss Reinsurance Company Ltd., India Branch

Mr. Raichi joined Swiss Re Group in 2015 in Shanghai and was appointed as the Market Head- India, of Swiss Re India Branch, in April 2020. Based in Mumbai, he is responsible for leading Swiss Re's reinsurance business in India and overseeing all products and solutions for Property & Casualty, and Life & Health, including innovative, non-traditional as well as public sector solutions.Prior to this appointment, Mr. Raichi was Head- North Africa, based in Zurich and was leading the development of Swiss Re's reinsurance business in the region.An experienced insurance professional, he has held a number of important roles in different markets like Oman, Dubai, Singapore, Shanghai and many more. Mr. Raichi earned his Bachelor of Science from the American University of Beirut with specialization in Computer Science and International Affairs.

Mr. Sanjay Kedia, Country Head & CEO, Marsh India Insurance Brokers Pvt. Ltd.

Mr. Kedia, is responsible for the management and growth of Marsh's business in India. He is a part of Marsh India since its inception in November 2002 and helped in setting up the business in a nascent insurance broking market in India. In addition to the above, Mr. Kedia also performs the role of Country Corporate Officer (India) for Marsh & McLennan Companies. He has an MBA from SP Jain Institute of Management and has done his Advance Management Program from the Harvard Business School.

Mr. P. Umesh, Consultant

Mr. Umesh holds with him more than 4 decades of experience. During this period he has worked with various reputed insurance, financial services, and broking firms…. and is now working as an independent consultant in Liability Insurance. His articles on liability insurance have been published in various reputed business dailies and journals like The Economic Times, The Hindu Business Line, IMA CFO Connect, The D&O Diary, to name a few.A recipient of Dronacharya of the year award by International Knowledge and Opportunities Network in June 2018, Mr. Umesh is also a member of Institute of Directors (IOD).

Mr. Dinesh Pant, Appointed Actuary, LIC of India

Mr. Pant, Chief & Appointed Actuary of LIC of India. He would be covering the life insurance aspect. A qualified Engineering as well as Law Graduate, Mr. Pant has done his Master's in Business Administration and is also a Fellow of the Institute of Actuaries of India as well as the Insurance Institute of India Prior to his current assignment, he has been the Product Actuary and the Actuary for International Operations of LIC of India. With over 3 decades of experience in life insurance industry, Mr. Pant also served as the General Manager (Life) for Ken India Assurance Company Ltd., Kenya.

Ms. Anuradha Sriram, Chief Actuary, Aditya Birla Health Insurance Company Ltd.

Ms. Sriram who is the Chief Actuarial Officer at Aditya Birla Health Insurance Co. Limited. She would be covering the health insurance part.With 26 years of rich work experience, Ms. Sriram joined Aditya Birla Health Insurance in 2016. In her current role, she oversees different aspects of actuarial function, and is responsible for the product function as well as product design and group portfolio management in the Company. Before joining Aditya Birla Health, she worked with the LIC of India, and Willis Towers Watson India in various capacities. MS. Sriram has been instrumental in launching a unique wellness proposition in India in Health Insurance, and she works very closely with relevant internal and external stakeholders in the Insurtech/ FinTech space to identify emerging trends that could be leveraged for product innovation and delivery efficiencies.

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