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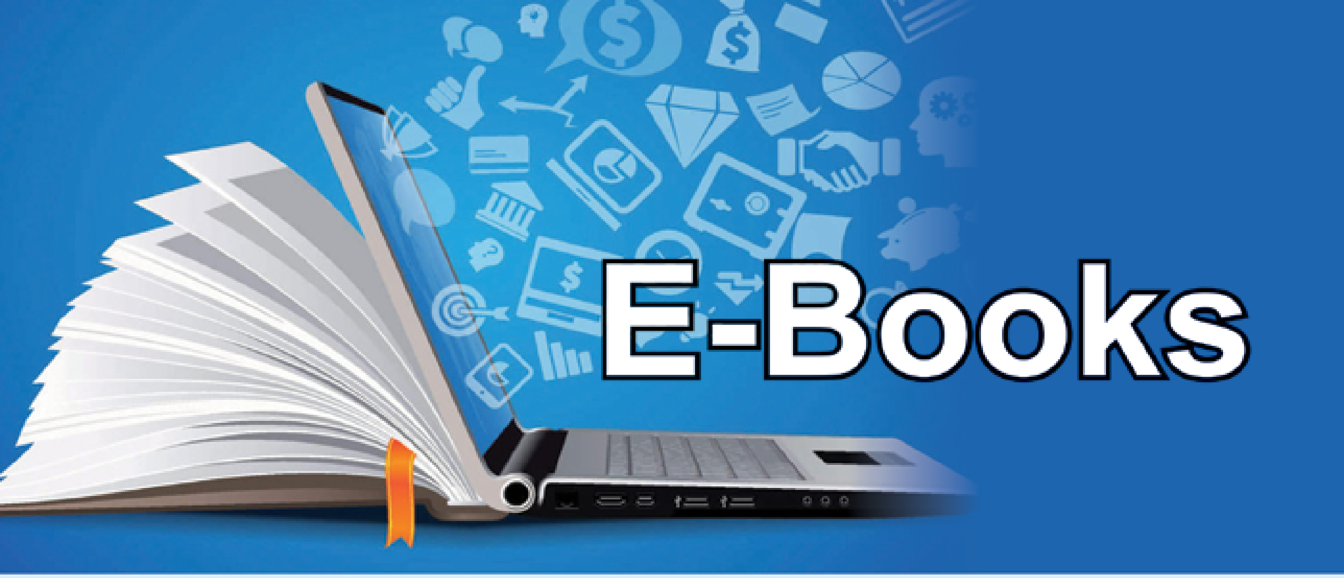

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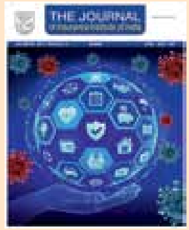

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EDITORIAL

As we write this, India is witnessing an unprecedented surge in Covid active cases, which is characterized as the second wave. The number of active cases in Mid - April has surpassed the previous high, recorded during September, by a significant margin. Even as the lockdowns and related problems of the previous year have come to revisit us, there is some hope in the fact that we have the vaccines now and the battle between the virus and science is growing in intensity each day.

There is a saying "History repeats itself ". When news of the pandemic broke out, archives were explored to find if there were earlier such events. Sure enough, the Spanish flu between 1918-20 popped up. It followed a certain pattern. The first phase followed by a severe second phase and subsequent milder third and fourth phases. The number of lives lost was huge, though data collection processes were less developed and it's accuracy could be disputed. There were no medicines or vaccines. The pattern followed by this pandemic shows similarities with the Spanish flu and we are now in the second more intense wave. But the human race is better prepared. Vaccines have come out and medicines are also being developed. Communication systems are way ahead helping in information spread as well as reducing the need for physical contact.

We may also do well to remember here that our human body, down the ages, has had hundreds of trillions of 'microbial invaders' and these microbes [collectively known as the microbiome], which includes viruses, bacteria and other organisms, are today absolutely essential to our survival. Would the current pandemic be seen in some distant future as another instance of disorder and mayhem giving way to order and equilibrium as the body battles and later assimilates the latest invaders on the block into itself... This is just a thought!!

The current issue is a non - theme one and we have articles on a number of topics under varied themes. We hope it would be interesting and informative and would keep our readers engaged, especially in the current 'stay at home' milieu. The next issue would be on the theme of 'Insurance and ESG [Environmental, Social and Governance Risks]'. The last date to submit the articles is 31st May 2021.

Editorial Team

A Conundrum of Cascading Covid-19 Challenges for Insurers

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The World Health Organization (WHO), the medical fraternity and the local governments have been relentless in the fight to reduce the impact of the Novel Corona Virus or Covid-19 Pandemic on human lives, healthcare systems, livelihoods and societies. Old medicines were rehashed and new medicines were innovated; vaccines being tested and refined for better efficacy and reduced side effects; while self-styed pundits were skeptical about whatever science was doing.

Cascading Legal Challenges

While the medical fraternity was busy fighting the Covid-19 Pandemic, the WHO recognized the impending legal challenges the world would be facing due to the pandemic. The resultant launch of WHO's Covid-19 Law Lab[1] in July 2020, to gather and share legal documents from over 190 countries to help establish and implement strong legal frameworks to manage the pandemic, was thus a timely initiative. The goal was to ensure that laws were in place to protect the health and wellbeing of individuals and communities and that they adhere to international human rights standards. Well-designed laws are required for building strong health systems, evaluating and

[1] New COVID-19 Law Lab to provide vital legal information and support for the global COVID-19 response, WHO, 22 July 2020, New York/Geneva - https://www.who.int/news/item/22-07-2020-new-covid-19-law-lab-to-provide-vital-legal-information-and-support-for-the-global-covid-19-response

approving safe and effective drugs and vaccines, as also for creating healthier and safer public spaces and workplaces. Laws are key to effective implementation of the WHO International Health Regulations, surveillance, infection prevention and control, management of travel and trade; and implementation of measures to maintain essential health services. WHO states that laws that are poorly designed, implemented, or enforced can harm marginalized populations, entrench stigma and discrimination, and hinder efforts to end the pandemic.

"Strong legal frameworks are critical for national COVID-19 responses," reminds[2] the WHO Director-General, underscoring this line of thinking; adding that *"Laws that impact health often fall outside the health sector. As health is global, legal frameworks should be aligned with international commitments to respond to current and emerging public health risks. A strong foundation of law for health is more important now than ever before."* WHO's research on different legal frameworks for COVID-19 focuses on the human rights impacts of public health laws and helps countries *"identify best practices to guide their immediate responses to COVID-19 and socioeconomic recovery efforts once the pandemic is under control."*

Some Lockdown Connected Legalities

The Covid-19 situation has raised a number of challenges in many countries in diverse areas like administration, border crossings, health services, civic behavior, technology and diplomacy. This is while struggling with the duties of saving lives and saving livelihoods. The fact that public health is a State Subject and not a Central or Concurrent Subject, makes the Indian context more complicated. Again, matters of public health are closely interlinked with the larger issue of livelihoods. When India declared a complete nationwide lockdown, there were criticisms, concerns and questions whether the lockdown was necessary. However, a month later, erstwhile critics started appreciating the government's farsightedness in imposing the nation-wide lockdown, of course in hindsight.

The lockdown brought in multiple challenges in its wake - the protection of basic civil rights, protection of people at the bottom of the socio-economic pyramid, especially migrant workers have been the worst hit by the lockdown. The critical question was how to balance the civil liberties of individuals with the larger responsibilities towards the community, state and the country – which is still being debated upon.

The World Health Organization officially declared the outbreak of COVID-19, a public health emergency of international concern, on 30 January 2020. From a global perspective, there are at least two cardinal mandates in this regard, which are valid globally.

International Covenant on Economic, Social and Cultural Rights - Article 12.2(c) Right to Health,[3] the provisions of which are excerpted below:

"Article 12: 1. The States Parties to the present Covenant recognize the right of everyone to the enjoyment of the highest attainable standard of physical and mental health.

2. The steps to be taken by the States Parties to the present Covenant to achieve the full realization of this right shall include those necessary for: …

(c) The prevention, treatment and control of epidemic, endemic, occupational and other diseases;

(d) The creation of conditions which would assure to all medical service and medical attention in the event of sickness."

[2] *Ibid - Dr. Tedros Adhanom Ghebreyesus, WHO Director-General.*

[3] *Office of the High Commissioner, United Nations Human Rights - International Covenant on Economic, Social and Cultural Rights, Adopted by General Assembly resolution of 16 December 1966 effective from 3 January 1976 - https://www.ohchr.org/en/professionalinterest/pages/cescr.aspx*

Siracusa Principles - Clause 25[4] which contains UN accepted and internationally applicable norms which read as follows: *"Public health may be invoked as a ground for limiting certain rights in order to allow a state to take measures dealing with a serious threat to the health of the population or individual members of the population. These measures must be specifically aimed at preventing disease or injury or providing care for the sick and injured."*

Constitution of India on the Right to Health Care: Looking at the matter from an Indian perspective, the Supreme Court has held that Article 21 of the Constitution of India in relation to human rights has to be interpreted in conformity with international law. It has also observed that the right to live with human dignity, enshrined in Article 21, derives from the directive principles of state policy, and therefore, includes protection of everyone's right to the highest attainable standard of physical and mental health[5]. In multiple judgements, the Supreme Court has held that the right to health is integral to the right to life and the government has a constitutional obligation to provide health facilities.

Article 39(2) of the Constitution enjoins the State to direct its policies to secure the health and strength of workers. The health and strength of a worker is an integral facet of right to life[6]. The apex Court has also pointed out that the International Covenant on Economic, Social and Cultural Rights make it obligatory upon the government to treat patients to the highest attainable standard, even during a pandemic[7]. It also states that in a welfare state (such as India), the "State is obliged to protect and promote the economic and social well-being of the citizens on the principles of equality, parity and public responsibility"[8].

Restriction of Civil Liberties and Intrusions to Privacy

Governments across the world have resorted to restricting civil liberties and movement to unprecedented levels, to contain the pandemic. To facilitate the safety of people and easing out public health restrictions, technologies for surveillance and contact tracing apps were and are still being rolled out to contain the spread of the virus. Such measures entail regulatory and policy issues across a range of key jurisdictions.

Contact Tracing: '*Function Creep'* of the Australian Government[9] originally intended only for law enforcement purposes had to be repealed by the Privacy Amendment Act 2020 so that the data collected by the *COVIDSafe* App for contact tracing could be used by the authorities. Initial concerns around the Government tracking people had to be allayed by deciding that the *COVIDSafe* App would not use GPS.

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[4] "Siracusa Principles on the Limitation and Derogation of Provisions in the International Covenant on Civil and Political Rights" Annex, UN Doc E/CN.4/1984/4 (1984) - by the American Association for the International Commission of Jurists, Inc. Geneva, Switzerland, a non-profit public corporation - https://www.uio.no/studier/emner/jus/humanrights/HUMR5503/h09/under visningsmateriale/SiracusaPrinciples.pdf

[5] The Fundamental Right to Health Care, K Mathiharan, Health and Law, Issues in Medical Ethics Vol XI No 4 October–December 2003 - http://www.ppsraj.org/public/admin/uploads/download/1543421835-article21oftheconstitutionofindia.pdf

[6] Bandhua Mukti Morcha v. Union of India (AIR 1984 SC 802); ESC Ltd v. Subhash Chandra Bose (1992) 1 SCC 441 at 462

[7] State of Punjab v. Mohinder Singh Chawla (1997) 2 SCC 83;

[8] TNeed a comprehensive law on epidemics in post Covid-19 situation – Opinion, Hindustan Times, 28 April, 2020 - https://www.hindustantimes.com/opinion/need-a-comprehensive-law-on-epidemics-in-post-covid-19-situation-opinion/story-1bcV6lECgCR6HWXozn8YQN.html

[9] Contact tracing apps: A new world for data privacy - Norton Rose Fulbright - https://www.nortonrosefulbright.com/en-gb/knowledge/publications/d7a9a296/contact-tracing-apps-a-new-world-for-data-privacy

A cybersecurity review by the Cyber Security Cooperative Research Centre, confirmed that the personal information collected was limited. Privacy professionals generally accepted that the *COVIDSafe* App does seek to protect Australians' privacy; and had a balanced[10] *"policy perspective against the ability of government to most effectively track potentially infected persons and to reduce the spread of COVID-19 in a manner consistent with the objects of the Privacy Act."* There were technical concerns that the App had to be kept running in the background. In November 2020, a new code was released for public review by the Australian Government to improve integration with State level contact tracing processes with improved Bluetooth function. It was, however, clarified that the data in the *COVIDSafe* App cannot be used by private organizations including Amazon Web Services (AWS), which supplied the infrastructure and associated support services for the National COVIDSafe Data Store. Also, the Australian Government stated emphatically that it was not possible for the US Government to get access to the data via AWS. The proactive moves by the Australian government have successfully prevented many of the entailing liabilities, which could have otherwise affected many of the stakeholders and their insurers in train.

Challenges Faced by Financial Institutions

A Fulbright study[11] points out that financial institutions had two challenges to deal with because of the Covid-19 pandemic. (a) Financial - to address and mitigate the sharp drop in the value of financial assets or loss of liquidity. (b) Operational - to address the risk of failure of resources and have clear, robust and dynamic plans in place, to deliver consistent services to customers and other stakeholders.

Electronic Signatures: With work-from-home becoming the new normal, documents need to be executed remotely and signatures affixed electronically. There are legal variations on managing this process in different parts of the globe. A Fulbright study[12] discusses the laws in 30 jurisdictions on electronic execution of documents; i.e. (a) Whether electronic signatures can be used in legal proceedings? (b) What types of contracts can they be used for? (c) What are the issues? (d) Can they be used on cross-border deals? The findings indicate that multiple similar challenges do exist across various countries, entailing multiple liabilities.

Reopening Workplaces: Companies trying to reopen their workplaces and reintegrate their workforces in a safe, efficient, and legally compliant manner, face new questions[13] such as -

- What risk mitigation efforts should the prudent employer take before employees return to the workplace?
- Who should be involved in the decisions to return to the workplace?
- How can an employer screen its employees, including temperature taking, COVID-19 testing and questioning?
- What are the requirements regarding travel - either to or from the office or business travel?
- How does the prudent employer decide which employees should return to the workplace?
- What if an employee refuses to return to the workplace?

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[10] *Ibid.*

[11] *OGlobal operational resilience and COVID 19 survey, How financial institutions globally are managing their*

[12] *Electronic Signature Law: A global guide - A comparative analysis of eSigning in over 30 jurisdictions, May 2020 – Fulbright Study - https://www.nortonrosefulbright.com/en-gb/knowledge/publications/6cc39168/electronic-signature-law*

[13] *Global interactive guide on returning to the workplace, Comparative perspectives across eleven jurisdictions, March 2021 - Fulbright Study - https://www.nortonrosefulbright.com/en-gb/knowledge/publications/88d24f7b/global-interactive-guide-on-returning-to-the-workplace*

- What are the safety and employment issues for consideration regarding the COVID-19 vaccines?

Potential employment, contractual and common law liabilities that might follow these questions, are for the companies to decipher and their insurers to make good.

Duties of Directors: Companies, especially those facing financial distress, face concerns over their good governance, changes in insolvency laws, as also governmental acquittals allowing them to continue to trade with or without incurring liability. This includes the duties and liabilities of directors of the distressed companies, their accountability on transactions, and their manner of exercising the authority granted by the government. The extent to which these liabilities fall on the companies, depend on the insurance coverage that they have.

The Legal Profession

The pandemic has fundamentally changed the legal, economic and social order in the uncertain situation and rapidly changing environment. The effect[14] of the pandemic on the legal business includes closure of law firms, the slowdown in services, absence of clients, cancellation of appointments and agreements by clients, decrease in the available workforce due to illness or isolation and difficulty in holding specific meetings and providing services. Lawyers are experiencing a transformation of their practice and in the management of their law firms. The measures to fight COVID-19 have impacted the legal profession significantly. The professional and civil responsibility of lawyers can be questioned if they do not comply with the code of conduct in an emergency.

Legal professionals have been significantly affected by social restrictions as many firms are seeing reduced client demand since the start of the coronavirus outbreak as per a recent Survey.[15] The survey says that consumers are more likely to delay seeking legal help if they were to experience a problem. Also, 77% of legal professionals surveyed, experienced many changes to the day-to-day operations of their law practice. While 67% of legal professionals surveyed were worried about the success of their law business, and 57% were worried about making a living over the next few months, the survey found that 46% of their clients also were anxious about making a living over the next few months. The Report said that 56% of legal professionals had seen a significant decrease in the number of people reaching out to their law practice for legal services, and 53% report being significantly less busy at work. 49% of consumers said that if they were to experience a legal issue in the next two months, they would probably put it off until the Coronavirus pandemic goes back to normal.

However, the ongoing situation is expected to bring in new claims arising from disputes related to the spread of the virus. This is expected to be a business opportunity for lawyers. The new disputes caused by Covid-19 would include breach of fiduciary duties, breach of shareholders' or partnership's agreements, breach of contracts and disputes related to the relationship between creditors and debtors. Business owners would expect lawyers to assist them in protecting their business legally. Whether the breaches would cause damages or attract liabilities; and whether the entailing costs are to be borne by insurers, depend on the coverage chosen and rules prevailing in the particular market.

Access to Law - Employee Relations: The employer employee relationship, unemployment and re-entry of the workforce are new issues arising from the lockdown. Employees who have been laid off or fired may require immediate

[14] Impacts of the Coronavirus COVID-19 on Legal Professionals, Dr. Abbas Poorhashemi, September 24, 2020 - https://www.lawtechnologytoday.org/2020/09/impacts-of-the-coronavirus-covid-19-on-legal-professionals/

[15] Highlights from the 2020 Legal Trends Report, Clio - https://www.clio.com/blog/highlights-from-2020-legal-trends-report

assistance to obtain their rights. Liabilities get triggered based on the local labour laws, contractual obligations, common law and government policies and the insurance follows.

Access to Law – Increased Vulnerability: Another impact of Covid-19 is an increase in domestic violence. Limited access to the legal profession, the closure of the courts, the limitation of services for victims and shelters have been flagged as the main issues in gender-based violence and domestic violence. Vulnerable populations like immigrants (especially the undocumented ones) need to have priority access to justice and legal professionals. In such situations, often, lawyers require to speak to the client to understand and accomplish the client's objectives, especially in emergency situations. Another challenge is that of the potential client being too impoverished to avail of legal services due to the economic crisis.

Access to Law – Technology Barriers: Situations of closures or limited access to courts and law firms have been seen across countries. Lawyers are participating in judicial hearings via teleconferencing, videoconferencing and other digital technologies. The environment of legal practice being digitalized, remote working of courts, virtual workforce and distance-practising, all these require lawyers and judges to acquire new skills of digital technology.

The American Bar Association enumerates the challenges[16] of the logistics and financial demands of going back to in-person hearings and trials as the pandemic dragged on. This includes safely getting thousands of people in and out of court buildings every day, arranging social distancing in courtrooms, sanitizing courtrooms in between proceedings, getting clients in custody brought safely into courtrooms and the singular demands of examining mask-wearing jurors and witnesses.

A survey[17] conducted by the American Bar Association (ABA) on the legal issues surrounding the pandemic crisis revealed two primary substantial legal needs, (a) unemployment benefits claims (19% of respondents) and (b) housing-related issues, particularly evictions and landlord-tenant issues (17% of respondents). Responding to another question, about 56% of respondents said there was an increase in demand for legal services. According to Jo-Ann Wallace, the CEO of the National Legal Aid and Defender Association and a Liaison to the Pandemic Task Force, an estimated 23 million people out of a total population of about 110 million renters across the country, might face the prospect of eviction. She said, *"I think it is fair to say that the pandemic has really created what I would call a dizzying array of legal issues,"* particularly for people of color and disadvantaged communities[18]. The financial impact of these situations on the insured would depend on the coverage opted.

Expecting a large number of cases coming up, ABA formed a 'Coordinating Group on Practice Forward', to support the practice of law and the judicial system, amid the potential long-term changes due to Covid-19.

The Indian Judicial System: In India, it is opined that corporate players might prefer to avoid going into litigation at all costs in the post-Covid scenario. On the contrary, as the nature of cases before the district courts, being principally inevitable, such litigations may still continue[19]. The big and mid-size law firms are expected to suffer the consequences of the post-

[16] *Tsunami of legal issues in wake of COVID-19 – American Bar Association - https://www.americanbar.org/news/abanews/ aba-news-archives/2020/07/_tsunami_-of-legal-issues-in-wake-of-covid-19/*

[17] *ibid.*

[18] *ibid.*

[19] *Post Covid-19 Legal Sector Challenges and Remedies, Business World, 23 April, 2021. http://www.businessworld.in/article/ Post-COVID-19-Legal-Sector-Challenges-And-Remedies/08-04-2020-188635/*[17] *ibid.*

pandemic disruption of the social and economic order. In the Indian context, it is perceived that the greater challenge would be of those needing legal help not being able to access the legal systems. Even when able to do so, their inability to communicate across the barriers posed by new technology, posed a challenge.

Physical hearings in many Courts were suspended in the last week of March 2020, when the numbers of Covid-19 cases in Maharashtra were rising[20]. The Bombay High Court registry issued a standard operating procedure (SOP) for the resumption of physical hearings in Mumbai, Aurangabad and Nagpur, from December 2020. Associations representing thousands of lawyers and senior advocates raised concerns over this and sought to defer the opening of physical courts for the time being. Alternatively, they asked the courts to allow lawyers the option of appearing virtually, should they feel at risk. Senior lawyers stated that Mumbai alone had seen a 24 per cent rise in the active number of Covid-19 cases in the previous seven days. In the face of this growth, the risk of transmission of coronavirus in courts to judges, lawyers, court staff, members of registry and clerks was stated as a real threat. Many lawyers practicing in courts in Mumbai had gone back to their native places during these hard times.

The Delhi High Court resumed physical hearings in July 2020 and the same had to be suspended after a spike in Covid-19 cases in the national capital. The Supreme Court of India also had to suspend physical hearings. The Jaipur bench of the Rajasthan High Court suspended physical hearings after some staff members, including the Chief Justice, tested Covid-19 positive in August. The High Courts of Karnataka, Madras, Patna, Allahabad, Jharkhand, Meghalaya and others which had reopened, were forced to shut down due to detection of positive cases.

"This COVID pandemic is going to present us with huge pendency of cases. I do not see any way out of it. We have to decide cases," said S. A Bobde, the Chief Justice of India[21]. He stressed on the need to focus on mental health and referred to the "uncomfortable prediction" that there might be a suicide pandemic following the Covid-19 crisis.

Regulatory Compliances

Regulatory guidance and legislation[22] by Australian Securities and Investments Commission (ASIC) of December 2020 require the players to have a sharper focus on customer fairness and conduct risk. Consequently, expectations across the areas of breach reporting, complaints management, product governance and customer remediation have increased. This entails stricter civil penalties for non-compliance and severe consequences for failing to meet community and regulatory standards. Expectations from financial service providers with regard to the appropriateness of their products and the conduct of their employees could become more rigorous and they may have to face stricter measures when compliance concerns arise. These measures have brought timeliness, transparency and vigilance more into focus. The impact of the new regulations on banks, credit providers, superannuation trustees, insurers, fund managers and fin-tech firms are yet to unfurl.

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[20] Post Covid-19 Legal Sector Challenges and Remedies, Business World, 23 April, 2021. http://www.businessworld.in/article/ Post-COVID-19-Legal-Sector-Challenges-And-Remedies/08-04-2020-188635/

[21] There will be 'flood' of pending cases post-COVID, mediation needs to be emphasised: CJI, Omkar Gokhale, 12 September 2020, The Economic Times - https://economictimes.indiatimes.com/news/politics-and-nation/there-will-be-flood-of-pending-cases-post-covid-mediation-needs-to-be-emphasised-cji/articleshow/78077676.cms?utm_source=contentofinterest&utm_medium = text&utm_campaign=cppst

[22] The perfect regulatory reform storm, New regulatory requirements commencing October 2021, Claudine Salameh, Helen Taylor, Danielle Avery, Rebecca Laban - March 2021 - https://www.nortonrosefulbright.com/en/knowledge/publications/1166afde/the-perfect-regulatory-reform-storm

Stoppage of Emergency Supplies

Justice Vipin Sanghi of the Delhi High Court,[23] while hearing an urgent plea regarding the immediate need for oxygen at Max Hospitals in the Delhi NCR Region said that *"Citizen can only fall back on the State. So you have to beg, borrow or steal and ensure the protection of fundamental emergency".* The Court was hearing a plea by Balaji Medical and Research Centre (popularly known as Max Hospitals), seeking urgent directions for the supply of oxygen in its various hospitals. The judgement on the State's duty to provide oxygen, raises questions about the timely and uninterrupted supply of vaccines, medicines, ventilators, and other essential materials during the lockdown conditions.

Professional Liability Insurance

Several professional liability insurances[24] include clauses to cover revenue and remuneration of lawyers in the event of a business interruption. Legal professionals would respond to a crisis by anticipating, managing and adopting new measures and taking appropriate measures for reducing the harmful effects on their businesses. This could mean that more professional liability insurances would be issued entailing more liability claims. In markets where such policies are in vogue, lawyer's professional indemnity insurance provides protection against litigation related to errors and omissions, negligence or failure to deliver the service agreed upon. Some of the income losses of lawyers and law firms might get covered under professional (legal) business interruption insurance in the countries where such policies are in vogue.

Unexpected Trends

Insurers worldwide have been pondering over the meanings of many terms, definitions and clauses that they had been using over the years and trying to understand and interpret them in the new context.

In many other countries, insurers are facing post-pandemic litigation relating to disrupted travel plans. Business houses are turning to insurers and Courts to address revenue losses caused by supply chain disruptions and lower sales in the new scenario. Insurers are facing cases of cancellations and postponements of insured events. Adverse reactions to certain new drugs and vaccines could be expected to trigger Clinical Trial losses in markets where insurers cover professional liabilities of drug manufacturers. Liabilities of business houses to employees, customers, suppliers or shareholders due to negligent responses to pandemic situations could form another area of litigation.

Courts have been pondering whether traditional Business Interruption (BI) coverages that can be triggered only by physical loss or damage, and 'interruption by civil authority' would mean anything more in the current situation where certain locations/ venues were closed or movements were restricted due to actions by public authorities. A Paris Court decided that administrative decisions to close bars and restaurants would qualify as the cause of loss for BI policies and instructed the insurer to pay for the revenue losses. A Court in New Jersey decided that the loss of use of property caused by compulsory closure needs to be taken as a direct physical loss triggering BI coverage. Views have been expressed that virus attacks were direct physical losses because the virus infects the surface of materials and contaminates the premises for days. Though insurers in markets where 'interruption by civil authority' is covered would find Non-physical Damage Business Interruption (NDBI) events as cascading disasters, Indian insurers

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[23] Beg, Borrow Or Steal Oxygen, Otherwise We Might Lose Thousands of Lives for Lack of Oxygen: Delhi High Court To Centre, Nupur Thapliyal, Live Law, 21 April 2021. https://www.livelaw.in/top-stories/beg-borrow-or-steal-oxygen-delhi-high-court-to-centre-might-lose-thousands-of-lives-172916?infinitescroll=1

[24] Impacts of Coronavirus Covid 19 on Legal Professionals, Dr. Abbas Poorhashemi, President of the Canadian Institute for International Law Expertise (CIFILE), 24 September 2020- Law Technology Today - https://www.lawtechnologytoday.org/20202020/ 09/ impacts-of-the-coronavirus-covid-19-on-legal-professionals/

may not face such litigation as there are certain express provisions to the contrary. The need for insurance solutions covering NDBI risks caused by events that may not produce physical damage to insured property; as well as for Contingent Business Interruption (CBI) Insurances that cover property losses occurring at suppliers'/ customers' locations has become more pronounced in the post-Covid times. As per an OECD study,[25] Insurance companies would face reduced revenues as the demand for various types of insurance coverage (event cancellation, travel, etc.) would decline. Another cascading effect for Insurance companies, being significant investors in equity and fixed income markets, is that they would face losses due to equity market losses, bond impairments and reinvestment risks, due to central banks around the world trying to support the economy with interest rate cuts. For some insurers, this could cascade into solvency impairments. Pandemic situations can expose individual insurers to increased risks of mechanical breakdown of refrigerated containers carrying vaccine, resulting in a temperature variation triggering mammoth claims.

The Indian Realty: Post-Corona, Courts in Mumbai saw around 300 per cent increase in cases pertaining to divorce and women-related issues. From an average of 1,280 cases in a month, the numbers went up to 3,480 during the lockdown. Delhi followed second. Practitioners[26] went on record that there was "a rising trend of divorce cases and in the long run, we don't see a respite... (as) couples spend more time together with all the restrictions around." Challenges related to work from home and handling the pressure of household work are cited as reasons for this trend. The potential impact of these on the practitioners depends on the extent of insurance protection that they have.

Another category of legal cases, where there was a big increase in the post-lockdown period, pertain to job losses. A sudden spurt in terminations were seen during the lockdown. Salary-cut related cases were also on the rise as many business establishments were trying to get settled in the new scenario. Instances of businesses being unable to pay monthly wages to their staff, and sacking employees, while struggling for their own survival, have caused many employees to resort to legal recourse against termination and unpaid salaries. How these cases can impact the affected industries and persons depends on the type of insurance protection that they have purchased.

The outbreak of the pandemic, the ensuing lockdown, the new ways people find to cope with the new business and scenarios - all these have caused new challenges for insurers. Insurers need to decide how to handle the risks that they have already accepted, in the new context and with the new legal interpretations. Insurers have to decide whether to innovate, design and take up new risks on their plate for short-term gain, or whether they can actually visualize a longer horizon. They need to find out whether a conservative outlook would serve them better in tiding over the difficult times. Rabbi Zelig Pliskin's words are even more relevant today, "It is hard to know what is good luck and what isn't, and therefore, whether we should be happy or sad about it. Only time will tell." Only time can tell whether the insurers' strategies were successful or otherwise.

[P.S.: Views expressed in this article are purely from an academic point of view and non-prescriptive. The views expressed are those of the author and may not reflect the views of his employer, the publisher or any other entity.]

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Significance of 'Values' in Marine Insurance

Abstract

Various types of Marine insurance losses are 'value-sensitive' in that they may be subject to underinsurance by virtue of Marine Insurance Act 1906 (as amended in 2015), [MIA-1906/2015], or by the provisions of the Institute Time Clauses Hull - 1.10.1983 [ITCH-83]. Marine Insurance policies with Institute Clauses, are subject to English Law and Practice and hence [MIA-1906/2015], come into picture when the Institute Clauses are silent on a particular issue. Most of the Sections of MIA-1906/2015 give precedence to the policy terms and become effective only when the policy is silent. In most cases, the Clauses ITCH-83, provide 'otherwise' than MIA-1906/2015 and hence take precedence. In the case of Sue & Labour, while MIA-1906/2015 has no provision for underinsurance penalty, ITCH-83 has a provision. More importantly, unlike other lines of business where the application of the underinsurance is uniform, in Marine Hull Insurance the penalty for underinsurance varies with the nature/ type of the claim.

Keywords

Marine Insurance Act (MIA) 1906, Actual Total Loss (ATL), Constructive Total Loss (CTL), Institute Time Clauses-Hull (ITCH) 1.10.1983, General Average (GA), Particular Average (PA), Insurable Value, Agreed Value policies and Unvalued policies.

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Marine insurance is the oldest form of insurance having mainly two limbs, Cargo insurance and Hull Insurance. The voyage of marine insurance commenced with 'Bottomry' and 'Respondentia' and has progressed to the needs of modern shipping with number of coverage and clauses like General Average Absorption Clause and General Average Disbursement insurance. Though the marine insurance contracts lay down the terms conditions and standard clauses, MIA-1906/2015 remains in the center of it, rather as 'the soul' of it.

In the words of J Kenneth Goodacre, *"it is interesting to note that modern clause phraseology ignores the possibility of the sum insured being less than the insured value, as provisions therein are related to the insured value rather than the sum insured. For example, Clause 8 of the Institute Time Clauses, Hulls (the Collision Clause) limits Underwriters' liability to three-fourths of the insured value. This must, of course, logically mean a limit of three-fourths of the sum insured."* ***(Marine Insurance Claims – J. Kenneth Goodacre, A.C.I.I. 3rd Edition, p.190)***

"All Marine policies are agreed value policies and the value agreed by the parties to the contract that is the assured and the underwriter are binding upon them." This is the general statement when it comes to the Sum Insured for Marine policies for acceptance and underwriting of the business. When we talked about the uniqueness of Marine insurance line of business we highlighted about the agreed value as being one of them.

'Maximum Liability' or 'Limit of Liability' of the underwriter is capped to the Sum Insured (less policy excess/deductibles if any), in other lines of business. Marine insurance is an exception since it incorporates the concept of 'successive Losses' under Hull insurance and payment of Sue and Labour charges (Loss minimization expenses), which are supplementary to the contract of Marine insurance. Further, with Collision Liability also being a supplementary cover, the limit of liability for any one accident is 275% of the Sum Insured!

Valuation Under Marine Insurance

When we refer to any contract of marine insurance, either Hull or Cargo, we come across the term 'Value', For example, Sum Insured, Insured Value, Agreed Value, 'Valued at' or 'So Valued.'

When the Sum insured which is the maximum liability of the underwriter in all cases, then why there are so many references to 'Values' in underwriting document? On what 'value' is the final premium calculated? Is premium calculated on the Sum Insured or the Insurable Value? Another question that arises is whether 'Insured Value' is the same as 'Sum Insured'?

In this article we will try to demystify the terminology of 'Value' as far as Marine line of business is concerned and also try to find out the significance of these 'Values'.

Section 27 of MIA-1906/2015 defines 'Valued Policies' and Section 28 of MIA 1906 defines 'Unvalued Policies'. An interesting Marine Insurance Case Law on 'Sum Insured' & 'Agreed Value' can be sited here before moving to the policy valuation. Case Title: Thor Navigation Inc. -v- Ingosstrakh Insurance Co Ltd and Another, January 2005. Name of the Vessel: Thor II

Thor II was insured under two fleet policies of hull and machinery insurance. One policy, issued by the Russian insurer Ingosstrakh Insurance Co Ltd.,for 40% of the risk; the remaining 60% was insured by a second policy issued by Ingosstrakh's German subsidiary, The policies, which provided cover in materially identical terms, set out details of each vessel insured, its owners, the particular cover terms applicable to that vessel, and a ***'Sum Insured'*** for each. ***Thor II*** **was listed with a 'sum insured' of US$1.5m.**

On 15th September 2002 the vessel Thor II was immobilized when her intermediate shaft broke, causing further damage to her main engine.

She was towed to Piraeus for inspection. At Piraeus, a repair specification was prepared, which was sent to three repair yards. Their quotations indicated that the **cost of repairs would exceed US$2m.** The Owners gave notice of abandonment to the insurers, claiming that their vessel was a constructive total loss. However, the insurers declined the notice and soon afterwards notified the Owners of their belief that the vessel could be repaired for less than the sum insured. The Owners reacted by selling the vessel for scrap two days later.

The policies were subject to English law and jurisdiction and, in the course of the proceedings commenced by the Owners against the insurers, it emerged that efforts to resolve the dispute by mediation would be assisted if the Commercial Court determined certain preliminary issues. **Foremost amongst those issues was whether the policies were unvalued policies, as the insurers claimed.**

The judge acknowledged that the authorities that had been cited to her showed that it was not essential that the words 'agreed value' or 'valued at' were used in order to create a valued policy, provided the intention of the parties was clear. In her judgment, the term 'sum insured' had two purposes. First, it fixed a figure by which the premium could be calculated; second, it established the limit of recovery. The judge concluded that the mere use of the words 'sum insured' without reference to any words of valuation denoted an unvalued policy. The Owner relied, in particular, on the unchallenged evidence that it was the invariable practice in the English marine insurance market that trading vessels are insured on a valued basis. The judge held that whether a policy was valued or unvalued depended on the actual words used, and there was no evidence of any custom or practice that use of the words 'sum insured' in a marine policy meant that the policy is a valued policy.

This finding made it necessary for the judge to consider the Owners' alternative submission that the policies should be rectified to reflect the Owners' belief that they were valued policies. The judge had no doubt that the Owners, through their brokers, intended to contract on a valued basis, but they made the mistake of assuming that the words 'sum insured' and 'agreed value' had the same meaning. She was satisfied, however, that the insurers had not made the same mistake. On the contrary, she accepted that the insurers had always intended to contract on an unvalued basis, and had not realized that the Owners had made any mistake. In her judgment the insurers were entitled to assume that they were dealing with experienced brokers who understood the legal effect of the cover being provided. She rejected the suggestion that they should have taken steps to ensure that the nature of the cover was properly understood and to correct any mistakes. The Owners' claim for rectification therefore failed.

Finally, the court turned to consider the insurable value of the vessel, which was the measure of indemnity that would be due to the Owners under the unvalued policy if they succeeded at trial. Adopting the approach taken in *The Captain Panagos DP* (1985), the judge concluded that the insurable value of *Thor II* was her market value at the time and place of her loss (which the parties had agreed as US$800,000)

Valued Policies

Valued policies are those policies where the value of subject-matter has been agreed between the parties to insurance contract and binding upon them **unless there is an element of fraud** involved. (Section 27 (3) of MIA 1906).

In case of valued policies, the true value of the subject matter of insurance may be different from the value agreed by the parties to the contract of insurance. It is the agreed value that would be the measure of indemnity for a claim under Marine Cargo or Marine Hull policies, irrespective of the true market value which usually is not steady and fluctuates over time during the policy period. By agreeing to the valuation in at the time to taking insurance the assured is being guaranteed the payment of an agreed amount irrespective of volatile market fluctuations.

Will the Sum Insured be conclusive in determining the measure of indemnity for all type of losses i.e., Actual Total Loss (ATL), Constructive Total Loss (CTL) and partial losses (Particular Average)? As per MIA-1906/2015, the answer to this question is 'NO'. With reference to Section 27(4) of MIA-1906/2015, the agreed value is not conclusive for Constructive Total Losses since Clause 19 of Institute Time Clauses Hull (ITCH) 01.10.1983 overrides the Act stating that the *"given loss will be treated as CTL when the cost of recovery and or repair of the vessel exceeds the Insured Value".*

Very interestingly, Clause 19 of ITCH-83, refers to insured value, repaired value and damage/break-up value to ascertain the CTL. Insured value will be taken as repaired value without considering the damage/breakup/wreck value. When it comes to valued policies, the mentioned value/amount is prefixed by word 'So valued' or 'Valued at'. To give an example it will be worded as follows:

Example I - Sum Insured Rs. 4,00,000/- Valued at Rs. 5,00,000/-

In this example, the actual value (Market Value) at the time of taking out the insurance was Rs.5,00,000/- which value was agreed by the parties. But the Sum Insured was Rs. 4,00,000/- fixed by the assured which was stated in the policy. By way of explanation, this was a Valued Policy in which the Sum Insured was less than the Agreed Value, and hence the provisions of Section 81 of MIA-1906/2015 applied and the Assured was deemed to be his own insurer for the difference between the Agreed Value and the Sum Insured. In the case of Total Loss claim, the measure of indemnity would be the Sum Insured even if the market value at the time of the loss was greater. In the case of partial losses, the measure of indemnity would be subject to the 'condition of average', namely such claims would be reduced in the proportion of the Sum Insured bears to the Agreed Value - that is, 4/5 which is 80% or an underinsurance penalty of 20%.

Example II - Sum Insured Rs. 4,00,000/-. Valued at Rs. 4,00,000/-

In this case, there would be no application of under insurance on any type of claim and the maximum settlement would be the Sum Insured agreed between the parties. In the absence of the wording 'So valued' or 'Valued at' the subject policy would be treated as an 'Unvalued' policy.

An Unvalued Policy

Section 28 of Marine Insurance Act 1906 defines an unvalued policy as: *"An unvalued policy is a policy which does not specify the value of the subject matter insured, but subject to the limit of the sum insured, leaves the insurable value to be subsequently ascertained, in the manner herein before specified."*

In this definition, the words 'herein before' refer to the section 16 of the MIA Act 1906 which defines the ascertainment of the 'Insurable value' for Ship, Cargo, Freight and also any other subject matter. Accordingly, the insurable value for the ship (at the commencement of the risk) will be:

(a) the Value of the ship, including her outfit, provisions and stores for the officers and crew,

(b) money advanced for seamen's wages, and other disbursements (if any) incurred to make the ship fit for the voyage or adventure contemplated by the policy, plus:

(c) the charges of insurance upon the whole.

The insurable value, in the case of a steamship, includes also the machinery, boilers and coals and engine stores if owned by the assured, and, in the case of a ship engaged in a special trade, the ordinary fittings requisite for that trade.

The Insurable Value for the cargo would be the prime cost of the property insured, plus the expenses of and incidental to shipping and the charges of insurance upon the whole.

Example III - Sum Insured Rs. 4,00,000/-. The policy is an Unvalued Policy.

The Market value of the ship is Rs. 4,00,000/- at the time the H&M Policy issued. When the claim is lodged for total loss, the market value of the said ship had fallen down to say Rs. 3,00,000/-. The policy pays only Rs. 3,00,000/- which is the insurable value at the time of loss.

There is a misconception that Marine Insurance has no provision of underinsurance, as all policies are valued policies. There is specific provision for application of underinsurance as per section 81 of MIA 1906 which reads as under: *"Where the assured is insured for an amount less than the insurable value or, in the case of a valued policy for an amount less than the policy valuation, he is deemed to be his own insurer in respect of the uninsured balance."* This section refers to the losses as well as to the Principle of Subrogation.

Apart from the Total Loss, now we will analyze how the provision of underinsurance applies to the other losses and expenses/ charges admissible under the policy by virtue of MIA-1906/2015 and insurance policies on Hulls which are subject to Institute Time Clauses 1.10.1983.

Categorization of Marine Losses

Apart from the policy valuation, while calculating the above losses/ charges various 'values' will be referred which will play a vital role in the claim adjustment by the underwriters/average adjusters.

Various values which will be referred will be for example are repaired value, sound value, residual value, scrap value, replacement value, 'as is where is' value, salvage value, salved value, damaged value, break-up value, contributory value. These values will also be referred at a particular time and a particular place. There will be references to the value of the subject matter at the place where adventure ends and also value at the place of destination while working out/adjusting the General Average claim on vessel and cargo respectively.

1) Actual Total Loss (ATL) settlements:

For the settlement of ATL values referred will be Agreed value - for valued policies and insurable value for unvalued policies subject to application of under insurance as per Section 81 of Marine Insurance Act 1906.

2) Constructive Total Loss (CTL) settlements:

As per Section 60 (2) (i) (b) and Section 60 (2) (ii) of MIA 1906, in determining whether the loss is a CTL, it would be ascertained whether the cost of recovering the ship or goods as the case may be, would exceed their value when recovered. In the case of damage to a ship, when the cost of repairing the damage would exceed the value of the ship after it is repaired, (the 'repaired value'), then, the ship is a CTL. Clause 19 Constructive Total Loss of ITCH-83, overrides the MIA Act - 1906/2015 and provides that the subject loss will be treated as CTL if the cost of recovery and repair exceeds the Insured value, that is the Sum Insured.

3) Particular Average Loss (Partial Loss):

Settlement of the PA losses will be the reasonable cost of the repairs or replacement (less the policy deductibles). The provision of underinsurance will also be applicable to these type of losses as per Section 81 of MIA 1906.

Sum Insured under the Hull policy will be automatically reinstated

without the payment of additional premium following a claim for repair unlike the other line of business as elaborated later.

4) General Average (GA) Losses:

As defined in the Section 66 of MIA 1906, a General Average Loss is a loss caused by or directly consequential on a general average act. There is a general average act where any EXTRAORDINARY SACRIFICE OR EXPENDITURE is VOLUNTARILY AND REASONABLY made or incurred in time of peril (insured against) for the purpose of preserving the property imperiled in the COMMON ADVENTURE.

The General Average fund comprises of GA expenditure and GA sacrifice. Contribution from all the interests which have been saved as well as from interests which were sacrificed will be computed to arrive at the respective contributory values of the various interests in the maritime adventure, which will be basis of contribution of the interests to the GA Fund.

Contributory values will be worked out as follows: The sound value of ship minus the cost of repairs of accidental damages (Particular Average damage), minus the cost of sacrificial damage or the sacrifices (like jettison), to which, the amount made good (GA Sacrifice) has to be added back, to arrive at the Contributory value of each of the interests to the maritime adventure.

As per Section 73 of MIA 1906, subject matter liable to contribution should be insured for its full contributory value (worked out as mentioned above) or else the indemnity payable by the insurer must be reduced in proportion to the under-insurance. In determining the adequacy of the Sum Insured, the contributory value requires to be compared with the Sum Insured diminished by the amount of Particular Average claims admissible. This provision has also been incorporated vide clause No 11.1 of ITCH-83 of the Institute Time Clauses Hull- 1.10.1983.

5) Salvage Charges:

Provision of section 73 of MIA-1906/2015 and Clause 11.1 of ITCH-83, is also applicable for the salvage charges, the only difference being that the 'salved value' is substituted for 'contributory value'.

6) Sue and Labour Charges:

Section 78 of MIA-1906/2015, provides that the Sue and Labour charges towards the loss minimization incurred by the assured are supplementary to the contract of insurance which means these charges are payable to the addition of any claim under the policy, even when effort to save the ship or cargo are futile and is paid over and above a Total Loss Claim.

Though the MIA Act 1906 is silent about the application of under insurance to the Sue and Labour charges, Clause No 13.4 of the ITC Hull 1.10.1983 provides for the application of underinsurance. For calculating the underinsurance for sue and labour charges, the sound value of the vessel at the time of the occurrence giving rise to the expenditure will be considered.

7) Liability claims- ¾ Collision liability claims:

The limit of liability for the collision liability claims will be least among

(a) The limitation Tonnage

(b) ¾ of the liability towards other the vessel or

(c) ¾ of the Insured value of the vessel.

8) Unrepaired Damage:

Clause No 18 of the Institute Time Clause Hull 1.10.1983 provides the measure of indemnity for the unrepaired damage as the reasonable depreciation in the Market Value of the Vessel at the time this insurance terminates arising from such unrepaired damage, but not exceeding the reasonable cost of repairs.

9) Successive Losses:

Section 77 of MIA-1906/2015, also provides for the successive losses even if amount of such losses may exceed the sum insured during the policy period.

10) Funeral Voyage (vessel sailing with an intention of being broken up/sold for breaking up):

Clause No 1.3 of Institute Time Clauses Hulls, 1.10.83 Provides for valuation of the vessel while on Funeral Voyage that is the market value of the vessel as scrap at the time when the loss or damage is sustained (unless the previous notice has been given to underwriters).

Conclusion

Considering the various types of claims which can be reported on the marine policies and the complications that may arise due to valuation issues of the subject-matter of insurance, during the computation of the measure of indemnity or in other words the adjustment of the claims, determining the insurable value for purposes of fixing the Sum Insured should be done scientifically thorough risk evaluation.

Considering the current market practices for underwriting the marine business which shows

that the cargo rating is almost going down below one paise per hundred and for the Hull insurance with premium rates having increased decimals points, after the Hull Manual and Rating recommendations of the erstwhile Tariff Advisory Committee were made redundant prior to privatization, these portfolios would sooner, than later, bleed the profitability of Marine Insurance to the detriment of both the assureds and the insurers since underwriting losses cannot be sustained indefinitely.

Knowledge is one of the essential ingredients in underwriting risks after a careful assessment is made of the risk exposure and the potential losses payable based on the policy terms, (read with the provisions of MIA-1906/2015) for which an adequate premium requires to be charged to ensure profitability and growth of marine insurance.

In order to improve the TAT for the Marine claim settlements, which generally takes years, and to have a 'Win-Win' approach for the insurer and the insured, a thorough evaluation of the risk to be underwritten is the only option. This is the urgent need of the hour as well! TJ

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Inherent Vice and Concurrent Causation in Marine Insurance – Issues and Judicial Trends

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Abstract

The implication of the exclusion for "inherent vice" in the Marine Insurance Act and the Institute Cargo Clauses and its impact on insurance claims has been the subject of varied judicial decisions over the years leaving behind many unresolved issues. Another intriguing topic in insurance law which has been subjected to divergent judicial interpretation has been that of "causation" in insurance, more particularly that of concurrent causes.This article attempts to take the reader through the various issues surrounding the concept of inherent vice and the principle of concurrent causation, as they have evolved through judicial interpretations. Landmark cases, (like the Cendor Mopu case), mostly pertaining to English law but having an universal impact, are discussed in detail. This article also makes an attempt to lift the veil of obfuscation around these topics and points to the several inconsistencies and unanswered questions remaining to be addressed.

Keywords

Inherent Vice, Inevitable Risk, Included and Excluded Risks, Proximate Cause, Burden of Proof, The Cendor Mopu and Concurrent Causation.

Concept of Inherent Vice

"Inherent vice" finds a mention as an excluded risk in Sec 55(2) (c) of Marine Insurance Act, 1963 {corresponding to Sec 55(2) (c) of UK Marine Insurance Act, 1906} as below:

"unless the policy otherwise provides, the insurer is not liable for ordinary wear and tear, ordinary leakage and breakage, inherent vice or nature of the subject-matter insured, or for any loss proximately caused by rats or vermin, or for any injury to machinery not proximately caused by maritime perils."

Inherent vice is not specifically defined in the Marine Insurance Act or in the commonly used Institute Cargo Clauses.

The most cited and vivid definition of inherent vice is probably the one by Lord Diplock in the case of Soya GmbH Mainz Kommanditgesellschaft v White {Soya G.M.b.H. v White [1983] 1 Lloyd's Rep122}:

"It means the risk of deterioration of the goods shipped as a result of their natural behavior in the ordinary course of the contemplated voyage without the intervention of any fortuitous external accident or casualty"

Implication of this definition will be dealt with in detail in the course of this article.

Insurability of Inherent Vice: Fortuity vs. Inevitability

At the outset let us delve into the question of whether inherent vice is a fortuity or inevitability and consequently whether it is insurable?

Lord Mance in *Global Process Systems Inc v Syarikat Takaful Malaysia Berhad (The Cendor Mopu) {[2011] UKSC 5}* addressed this issue thus:

"Inevitability is not the test of inherent vice, just as lack of inevitability is no proof of a fortuitous external accident or casualty."

The House of Lords in *Soya vs. White* (supra) held that the words 'inherent vice' referred to the peril, or risk, by which the loss was caused and not to the loss itself. The House of Lords went on to conclude that the question whether particular kinds of inherent vice were covered under a particular policy was a question of construction of that policy.

Sec 55(2) c) starts with the words, "unless the policy otherwise provides…" indicating that inherent vice is excluded only when not covered by the express wordings of the policy. The Institute Cargo Clauses (A), (B) & (C), however specifically contain an exclusion for inherent vice in the General Exclusions

.4.4 "...loss damage or expense caused by inherent vice or nature of the subject-matter insured"

If inevitability is equated with uninsurability, an event like death could not be covered under insurance. To conclude, even if inherent vice carries with it an element of inevitability, it is not beyond the scope of insurance. In practice we can find insurance coverages for certain forms of inherent vice such as spontaneous combustion and latent defects in Marine cargo and hull insurance respectively.

Causation-Sec 55(1) of the Act and Proximate Cause

Sec 55(1) of the Marine Insurance Act, 1963(Corresponding also to Sec 55(1) of Marine Insurance Act, 1906) goes as follows:

Included and excluded losses.- (1) Subject to the provisions of this Act, and unless the policy otherwise provides, the insurer is liable for any loss proximately caused by a peril insured against, but, subject as aforesaid, he is not liable for any loss which is not proximately caused by a peril insured against.

Let us examine in detail some of the phrases used in this Section.

1).....Proximately caused by

The classic definition of proximate cause is the one in *Pawsey & co. v. Scottish Union & National Insurance Co:(1907) reported in Ivamy's General Principles of Insurance Law ,{6thedition,pages 415-17}*

“Proximate cause means the active, efficient cause that sets in motion a train of events which brings about a result, without the intervention of any force started and working actively from a new and independent source.’’

The concept of proximate cause dates back to 1596 when in *Maxims of the Law,* Sir Francis Bacon wrote that *"In jure non remota causa sed proxima spectator,"* which translates as, "In law, one looks to the near cause, not the remote one."

In following this maxim for ascertaining the "cause" of an end result, courts for a long time looked at the nearest cause in time to the damage or loss. This maxim was followed in two leading cases on delay, *Taylor v. Dunbar{*(1869) LR 4 CP 206} and *Pink v Fleming{*(1890) 25 QBD 396} .In both the cases it was held that the delay was the last or immediate cause in time and that the adverse weather or sea perils were only earlier links in the time chain, without any legal impact.

A most remarkable turnaround in insurance causation law was given by a decision of the House of Lords in *Leyland Shipping Co. Ltd. v. Norwich Union Fire Insurance Society Ltd., (1918-19) ALL ER 443,* the crux of which is, summarized by Lord Shaw in his concurring judgment as under:

"........... But the idea of the cause of an occurrence or the production of an event or the bringing about of a result is an idea perfectly familiar to the mind and to the law, and it is in connection with that the notion of proxima causa is introduced. Of this, I will venture to remark that one must be careful not to lay the accent upon the word "proximate" in such a sense as to lose sight of or destroy altogether the idea of cause itself. The true and overruling principle is to look at a contract as a whole, and to ascertain what the parties to it really meant. What was it which brought about the loss, the event, calamity, the accident? And this not in an artificial sense, but in that real sense which parties to a contract must have had in their minds when they spoke of cause at all. To treat proxima causa as the cause which is nearest in time is out of the question. Causes are spoken of as if they were as distinct from one another as beads in a row or links in a chain, but-if this metaphysical topic has to be referred to-it is not wholly so. The chain of causation is a handy expression, but the figure is inadequate. Causation is not a chain but a net. At each point influences, forces, events, precedent and simultaneous, meet, and the radiation from each point extends infinitely. At the point where these various influences meet it is for the judgment as upon a matter of act to declare which of the causes thus joined at the point of effect was the proximate and which was the remote cause."

Thus it is evident that the proximate cause is not the one proximate in time order. It refers "...to the dominant and effective cause, the one that has really triggered the natural sequence of causes that led to the loss." *{H.B. Nickerson & Sons Ltd. v. Insurance Co. North America, {[1984] 1 FC 575 (CA)}.*

2)....Subject to the provisions of this Act

The implication of this term is to make it amply clear that notwithstanding the provisions of Sec 55(1), other principles embodied in the Act governing liability under the policy, such as insurable interest, utmost good faith or indemnity, continue to apply.

3)....Unless the policy otherwise provides

The term opens the possibility of the contracting parties deviating from the proximate cause doctrine through mutual agreement expressed through the wordings of the insurance policy.

With regard to exclusionary clauses in a policy, there is room for wordings to be suitably altered to vary the scope of cover .In this context if we examine the wordings of exclusion clauses of ICC 2009 we find the usage of varied phrases such as "attributable to", "caused by" or "arising from", as illustrated below:

4.1 loss damage or expense <u>attributable to</u> willful misconduct of the Assured

4.4 "...loss damage or expense <u>caused by</u> inherent vice or nature of the subject-matter insured"

In no case shall this insurance cover loss damage or expense <u>arising from</u>

5.1.1 Unseaworthiness of vessel or craft or unfitness of vessel or craft for the safe carriage of the Subject-matter insured…

'Caused by' undisputably denotes proximate cause irrespective of whether "proximately" is used before it or not {Aikens J in *Sea Shore Marine SA vs. Phoneix Assurance plc (The Vergina) (No 2), {2001}*1 Lloyds Rep, 698.}

There are however divergent opinions and decisions on whether the phrases ,"attributable to" and "arising from" signify a deviation from the common doctrine of proximate cause

In *Coxe v Employers' Liability Assurance Corp. Ltd* {[1916] 2 KB 629, 634 }, Scrutiny J stated that "caused by "and "arising from" has always been construed as relating to proximate cause.

However in *Nacional v Hispanica Aseguradora SA (The Playa de las Nieves)* [1978] AC 853}, Lord Diplock analyzed that "consequent on" and "arising from" were similar by enunciating that the exclusion "…contemplates a chain of events expressed to be either consequent on or arising from one another". It was sufficient if the loss of time was within the chain of events between the "Event which is in marine insurance law, the proximate cause of that loss" and the loss for which the claim is made. In other words it was implied that "arising from" justifies the legal effect of the intermediate cause in ascertaining the insurer's liability instead of the proximate cause.

Burden of Proof

In the Canadian case H.B. Nickerson & Sons Ltd. v. Insurance Co. North America, (supra,pg 3),Justice Marceu in the Court of Appeal explained the onus of proof of the assured in a case where a fishing boat was insured against perils of the seas :

"The onus is of establishing that a peril of the sea was at the origin of the loss, not of identifying the exact cause, and the standard of proof applicable is only that of a balance of probabilities. If the owner, although unable to put his finger on the precise cause of the loss, can nevertheless demonstrate on a balance of probabilities that, because of the circumstances of the case and the clear seaworthiness of his vessel, most of the events that could not be included into the concept of peril of the sea have to be disregarded as possible causes, he may very well satisfy the onus that rested upon him."

It can be observed that the standard of proof required is that of, "balance of probabilities" as opposed to the criminal law standard of, "beyond reasonable doubt". In the "balance of probabilities" the requirement is to prove what is most likely to have caused the loss under the given circumstances...

It can be further noted that once the assured has discharged his burden of proof it is upon the insurer to prove that the loss was caused by an excluded peril. This implication was asserted by the Indian Supreme Court in *National Insurance Co. Ltd v M/S Ishar Das Madan Lal* {(2007) 4 SCC 105}

"However, there may be an express clause excluding the applicability of insurance cover. Wherever such exclusionary clause is contained in a policy, it would be for the insurer to show that the case falls within the purview thereof"

However the burden of proof of an assured also depends on whether his policy is a specified perils one or issued on "all risks" basis. Lord Birkenhead in *British & Foreign Marine Insurance v Gaunt* {[1921] 2 A.C. 41} explained the distinction thus,

"We are,of course, to give effect to the rule that the plaintiff must establish his case, that he must show that the loss comes within the terms of his policies; but where all risks are covered by the policy and not merely risks of a specified class or classes, the plaintiff discharges his special onus when he has proved that the loss was caused by some event covered by the general expression, and he is not bound to go further and prove the exact nature of the accident or casualty which, in fact, occasioned the loss"

Thus in case of a named perils policy such as those issued with ICC(B or (C), where the perils covered are specific and not generic, the onus is on the insured to establish a causal link, on the balance of probabilities, between the loss and the peril named in the policy. However where the policy is issued on 'All Risks "such as those incorporating the ICC (A) clause, the assureds' burden is significantly lighter in that he has to prove that the loss was accidental or fortuitous and prima facie caused by an event which comes under the generic meaning of "All Risks".

The *Cendor MOPU* Case and Its Impact on the Inherent Vice Exclusion

Facts of the case

In 2005, Global Process Systems bought the oil rig *Cendor* MOPU and arranged for her to be transported from Texas to Malaysia on an unmanned barge with her three massive tubular legs extending some 300 feet into the air. The oil rig was insured with Syarikat Takaful (the insurers), on a policy which incorporated the Institute Cargo Clauses (ICC A), including exclusion clause 4.4 which states that 'loss, damage or expense caused by inherent vice or nature of the subject matter insured' is excluded from cover.

The rig consisted of a watertight working platform which could be jacked up and down on three 312ft tubular legs each weighing 404 tons. It was towed on an unmanned barge with its legs extending 300 feet into the air. On the evening of 4 November 2005, having passed the Cape of Good Hope, the rig's starboard leg was lost at sea just north of Durban. When the first leg broke, the stresses on the remaining legs increased causing them to also break. The remaining two legs fell off in quick succession the following evening. The legs were lost as a result of fatigue cracking caused by the repeated bending of the legs due to the pitching and rolling motion of the barge as it was towed through the sea, being subjected to what was described as a "leg breaking" stress, in conditions that were within the range that could reasonably have been contemplated.

The assured claimed for the loss of the three legs. The insurers rejected the claim arguing that the loss was proximately caused, solely or concurrently, by the excepted peril of inherent vice.

Legal issues and reasoning

The trial Court held that the insurers were not liable as the cause of loss was inherent vice due to the inability of the legs to withstand the ordinary incidents of the contemplated voyage. The trial court relied on the judgment in *Mayban General Insurance v Alstom Power Plants Ltd* {[2004] 2 Lloyd's Rep 609} where Mr. Justice Moore-Bick had held that if the goods are not able to withstand the ordinary conditions of the voyage that itself amounts to inherent vice and recovery is not possible . The Court of Appeal did not concur with this view, concluding that the proximate cause of the loss was not inherent vice but an insured peril in the form of a 'leg breaking wave', which constituted a peril of the seas and therefore the insurers are liable for the loss. The matter was then taken on appeal by the insurers before the Supreme Court.

The Supreme Court

The insurers appealed to the Supreme Court, where their claim was unanimously dismissed. The five Supreme Court justices concluded that the loss was not caused by the intrinsic nature of the rig but by an external fortuitous accident or casualty of the seas, this being the pitching and rolling motion of the barge as it was towed. This constituted a peril of the seas and was therefore an insured peril under the policy. According to the judgment of the Supreme Court, there is no possibility of the two particular perils working in tandem - if there is a loss by perils of the seas then there can be no loss by inherent vice.

Issues and Implications Arising From the Supreme Court Decision in the *Cendor MOPU*

1. Perils of the Seas

Perils of the seas are defined in Rule 7 of the Schedule to the 1906 Act, (also Rule 7 of the Indian 1963 Act) as referring only to fortuitous accidents or casualties of the seas which does not include the ordinary action of the winds and waves. The Supreme Court in *Cendor Mopu* approved the decision in *J J Lloyd Instruments Ltd v Northern Star Insurance Co Ltd, the Miss Jay Jay* {[1985] 1 Lloyd's Rep 264}, on the interpretation given to perils of the seas and reiterated that the word 'ordinary' describes the 'action' and not the 'wind and the waves'. The Court gave a wide definition to 'perils of the seas' and a narrow interpretation to 'inherent vice'. The Court unanimously held that the proximate cause of loss, applying common sense principle was not inherent vice, or indeed ordinary wear or tear or the ordinary action of the wind and waves, but an external fortuitous accident or casualty of the sea.

2. Seaworthiness of cargo and *Mayban General Insurance Bhd v Alstom Power Plants Ltd*

"Where in my view the judge (Blair J, in the trial court, who relied on the principle laid down in Mayban) erred was in giving the phrase inherent vice or nature of the subject-matter insured too wide a meaning and, as the other side of the coin, giving the risk of perils of the seas too narrow a meaning, by in effect including in the former and excluding from the latter external fortuities that were unexceptional or which were foreseen or foreseeable; and then answering the question of fact on this erroneous basis. All or virtually all goods are susceptible to loss or damage from the fortuities of the weather on a voyage; this does not mean that such loss or damage arises from the nature of the goods; it arises from the fact that the goods have encountered one of the perils of the seas'

–Lord Saville in *Cendor Mopu*

It is argued that the reasoning of Moore-Bick J in *Mayban* regarding the cause of the loss was such as to turn inherent vice into a default outcome. The inability of the insured to show that any exceptional event had occurred led the judge to the conclusion that the loss must have been caused by inherent vice. Applicability of policy exclusions such as inherent vice must usually be proven by the insurer but the *Mayban* judgment had the effect of reversing the burden of proof. The Supreme Court observed that *Mayban* envisages, in effect, a requirement for the cargo to be capable of withstanding the normal and expected sea conditions on the insured voyage which is nothing but a seaworthiness requirement for cargo. Although the trial court deciding *Mayban* and The *Cendor* MOPU did not discuss seaworthiness, the Court of Appeal and the Supreme Court in The *Cendor* MOPU did draw a parallel. In Sec 39 of the Marine Insurance Act 1906 (which corresponds to Sec 41 of Marine Insurance Act, 1963) there is a requirement of seaworthiness for ships. But it can be observed that there is no such implied requirement with regards to cargo vide Sec 40(1) of the Marine Insurance Act,1906{Sec 42(1) of Marine Insurance Act,1963}. Lord Seville in *Cendor* MOPU accepted the argument of the assured that if the logic of *Mayban* is held to be correct it would lead to an inference that cargo insurance would not provide cover for losses attributable to ordinary perils of the seas but would only extend to extraordinary perils and the all risks insurance policy would be deprived of most of its purpose.

3. Concurrency of causes

"…..the sole question […] is whether the loss or damage is proximately caused, at least in part, by perils of the seas (or more generally, by any fortuitous external event or casualty). If that question is answered in the affirmative, it follows that there was no inherent vice, thereby avoiding the causation issues that arise where there are multiple causes of loss, one of which is an insured risk and one of which is an uninsured or excluded risk."

-Lord Clarke in *Cendor* MOPU

The issue of causation is at the heart of The *Cendor MOPU:* the question was whether the loss of the rig's legs proximately caused by an inherent vice in the legs, or by a peril of the seas or by these two causes in concurrency? The competing or rival causes were the physical condition of the rig (the alleged inherent vice), and the "leg breaking wave" (the peril of the sea). Liability would fall upon the insurers under the policy if the insured peril is the proximate cause of the loss .This is to be determined by "applying the common sense of a business man or seafaring man" {*T M Noten BV v Harding* [1990] 2 Lloyd's Rep 283, 286-287}. The accepted general rule when concurrent causes are involved is that the assured can still recover under the policy., if one of those perils is insured, while the other is unmentioned However, when one peril is insured, while the other is expressly excluded in the policy, the excluded peril prevails and the insurer is not liable under the policy. Under this principle the assured in the Candor *Mopu* would not have been able to recover under the policy. However, the Supreme Court distinguishes the cases involving perils of the sea and inherent vice by observing that finding out the dominant cause under such circumstances, would involve a weighing exercise of grading the weather. The uncertainty that would be caused if inherent vice were to be defined by reference to the gradations of weather conditions was unanimously rejected in favor of the simple conclusion that a peril of the sea (or more generally, any fortuitous external event or casualty) forecloses the possibility of inherent vice as the proximate cause. Thus the Supreme Court, supporting the definition laid down in Soya v White, finds that the exclusion for inherent vice would stand limited to situations where the loss is caused solely by the nature of the cargo and where the loss would have occurred irrespective of external fortuitous events.

Some Further Observations on the Theory of Concurrent Causation

Sec 55(1) of the Marine Insurance Act lays down the rule that the insurer is liable for losses proximately caused by an insured peril and not liable for a loss not proximately caused by an insured peril. It however does not allude to the possibility of "concurrent causation" in insurance losses .Professor Erik S. Knutsen, (Confusion about Causation in Insurance: Solutions for Catastrophic Losses" (2010) 61:5 Ala. L. Rev. 957) sheds academic light on the meaning of "concurrent causes "when he states that:

"In insurance law, concurrent causation occurs when a loss is brought about by two or more potential causes. The cause, or causes, of a loss dictate whether or not a person who has an insurance policy (an insured) in fact has insurance coverage for that specific loss. The causation question is complicated in situations of concurrent causation because one cause of the loss may be covered by an insurance policy and another cause either not covered or specifically excluded from coverage."

Prof Knutsen has identified three approaches followed by Courts to solve concurrency causation disputes in insurance. Though he is writing essentially in the context of American jurisprudence, the approaches stated by him can be said to be followed by Courts universally.The three approaches found by him are, (a) Dominant, (b) Liberal, (c) Conservative

(a) Dominant cause approach consists of identifying one cause among several as the "dominant" cause and deciding the admissibility of loss on the basis whether it is a covered cause or not.

This approach seems deceptively simple and is therefore popularly followed by Courts...However as Prof Knutsen explains below, the approach is prone to invite inconsistencies:

"….Being able to determine coverage disputes by saying "that is the cause that most brought about the loss" carries with it a profound sense of finality and fairness. But its application has been anything but fair on a systemic level. The reason is simple: courts are not consistent in choosing a dominant cause. Answers to the dominant cause question differ based on how the factual story leading up to the loss is told. "Dominance" is often in the eye of the beholder. There is little consistency among jurisdictions and even among the same courts with similar fact patterns in cases over time."

(b) Liberal approach follows the principle that if one of the causes is a covered cause and the other not specifically excluded, then the insured can recover under the policy.The landmark judgment affirming this position was by the Court of Appeal in the Miss Jay Jay case (supra, pg. 6). Lord Mance in *Cendor Mopu* brings forth the essential principle enunciated in the Court of Appeal decision in The Miss Jay Jay, when he states that:

"……..Slade LJ took the same view, regarding it as clear on "a commonsense view of the facts" that "both these two causes were …. equal, or at least nearly equal, in their efficiency in bringing about the damage" (p 40). That being so, the court referred to the general principle of insurance law that, where there are two proximate causes of a loss, one insured under and the other not expressly excluded from the policy, the assured will be able to recover….."

(c) Conservative approach can be best explained in the words of Prof Erik S. Knutsen :

"The purest form of the conservative approach to concurrent causation holds that if one cause in a causal chain is excluded from insurance coverage, the entire loss must be excluded from coverage, even if other causes may be covered by the policy. In other words, if there are two concurrent causes and one cause is covered by the policy and one excluded, the exclusion takes precedence and the loss is not covered. "

The leading case in this regard is that of Wayne Tank & Pump Co Ltd v Employers' Liability Assurance Corp Ltd,{ [1974] QB 57} the crux of which is once again captured in the words of Prof Knutsen,

"…… A factory that used liquid wax suffered a fire resulting from two possible causes: failure to install proper equipment (an excluded cause) and employee negligence in leaving the factory unattended (a covered cause). The English appellate court held that, even if a dominant cause was determined, the exclusion would trump the covered peril because a specifically excluded cause acted concurrently with a covered cause."

Concurrency of Causes and The *Cendor MOPU*

The judgment in Global Process Systems Inc v Syarikat Takaful Malaysia *Berhad (The Cendor Mopu)* {supra, pg 4} is a groundbreaking one for the theory of concurrent causation in insurance .If we look at the Supreme Court decision in *Cendor Mopu* we would find that it involved two competing causes (peril of the seas and inherent vice), one of which was specifically excluded by the policy. Applying the rule established in Wayne Tank would mean that the exclusion clause would prevail and the loss would not be covered. However the approach in *Cendor Mopu* was to consider the exclusion of inherent vice as not exclusion at all but as only a limitation of the scope of perils of the seas and thus an example of a circumstance of a loss not proximately caused by a peril insured against. It follows hence that the rule established in Wayne Tank will not apply to inherent vice at all, so that when it is a concurrent proximate cause with any insured peril (including perils of the seas) the assured would be able to recover.

In fact Lord Mance while deciding a subsequent case - *Navigators Insurance Company Limited and others v. Atlasnavios-Navegacao LDA* {[2018] UKSC 26} ,agreed with the Court of Appeal in that matter that if there are two concurrent causes, one insured and the other excluded, the exclusion will prevail .He differentiated his views in the Cendor MOPU case by stating as below:

". …In *Global Process Systems Inc v Syarikat Takaful Malaysia Bhd*, I expressed a reservation in the very different context of the inter-relationship in the light of the Marine Insurance Act 1906 and of existing authority between hull cover against perils of the seas and inherent vice. That reservation does not on any view have traction in relation to the present careful exclusion of the peril of loss arising from detainment by reason of infringement of customs regulations from cover under the Institute War and Strikes Clauses Hulls-Time"

In conclusion one can say that what the *Cendor MOPU* has apparently done is to reject the concurrency between internal and external causes to bring about an insurance loss, by holding them as mutually exclusive An intriguing point left open to debate is how far this principle can be stretched .Will it for example, be applied in a situation where the competing causes are perils of the sea and insufficient packing or perils of sea and delay? We also have to deal with spontaneous combustion losses under covers like the Institute

Coal Clauses which covers fire, explosion or heating even when caused by spontaneous combustion, inherent vice or nature of the subject-matter insured .The debatable point here would be the position of the insurer if a loss is proved to be occasioned solely by the natural behavior of coal or its own propensity to combust.? Since there is specific coverage for inherent vice in the policy and no exclusion, would such a loss fall under coverage of the policy or would it be declined following *Cendor Mopu* and Soya vs. White, on the ground of being an inevitable loss resulting solely from the ordinary behavior of the subject matter insured?

This is left for the courts in future to dwell upon and decide. TJ

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Value Added Services in Insurance

Abstract

Value Added Services have potential of being great differentiator in the insurance marketing. This article explores the various aspects of value-added services in the field of insurance. The article depended heavily on the information on value added services available online and in marketing brochures of various insurance companies.

Keywords

Value-Added Services, Customer Relationship, Collaboration and Cooperation.

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Introduction

Given a choice between two pencils of identical size and color, a child most of the times prefers an eraser tipped pencil over the non-eraser tipped pencil. The small, less than 0.5 cm eraser tip is the differentiator. This makes one pencil better than other in the eyes of the child.

The same child when grows in adult, given the two choices of insurance policies with identical terms will prefer one which provides little extra (reminiscent of 0.5cm eraser tip). This extra may become USP (unique selling point) which differentiates between two identical products. Value added services may play the role of that extra eraser tip for now grown up child.

International Risk Management Institute describes Value added services as services provided in conjunction with the sale of insurance that go beyond the mere provision of insurance. These may entail risk control services or claims management services.[1]

Classification of Value-Added Services

We may classify Value added services as follows[2]:

1. Customer Self Service – Value added service of this class covers range of services which allow the insured to better manage the insured risk including the health and the property of the insured. For example, certain nonlife insurance companies have partnered with pharmacies to provide discount to their insured customers.

2. Advice and Assistance to customers – This class of services provide customers with timely assistance in time of need as well as makes available information that can help the insured customers better manage their lifestyles, property or funds. For example, certain nonlife insurance companies provide specialized services to those covered under home insurance policy. The insurers have partnered with electricians, plumbers and such other service providers to help insured customers in their need.

3. Anticipating customer needs – Some value-added services are designed to fill gaps in the customers' overall journey by anticipating their needs and catering to those needs by providing bespoke services.

4. Collaboration and Customer engagement – Value added services for collaboration and engagement are primarily focused on fostering deeper customer relationship. These differentiated services can aid insurance companies improve customer acquisition and retention.

Value Added Services Associated With Various Insurance Products

Life[3]

Value-added services that are often included with life insurance deliver extra layers of support for decisions that are made at an overwhelming and unsettling time of deep loss. Some of these services, for example, include:

- Will and funeral preparation services, which can help beneficiaries of the life insurance to pre-plan and work through key decisions before a crisis event with professional advocates, including licensed attorneys.
- Beneficiary counseling services, which can help bereaved beneficiaries to cope with emotional, financial and legal issues.
- Accelerated benefit, which is a cash advance for insured customers diagnosed with a terminal illness.
- Online enquiry system, to access the insurance information such as premium payment history and records of insured customers and access benefits schedule.

Health

Value-added services that health insurers offer is aimed at primary concern of health of insured and may include:

- Support in filling out insurance claims requirements and obtaining necessary documentation
- Education on preventative health, safety or other topics

[1] *https://www.irmi.com/term/insurance-definitions/value-added-services retrieved on 01.02.2021*

[2] *https://www.capgemini.com/wp-content/uploads/2017/07/value_added_services_in_insurance_2017_2_web.pdf retrieved on 01.02.2021*

[3] *https://www.thehartford.com/employee-benefits/employers/insights/value-added-services-life-insurance retrieved on 02.02.2021*

linked to health outcomes
- Health screenings and preventative consultations
- Tele-medicine
- Discount cards to pharmacies, suppliers of agricultural inputs or other businesses

An example of such services is that provided by a Indian insurer by its site.[4]

Motor

Motor insurance or auto-insurance also offer a bouquet of value-added services that aim at both convenience and cost saving for insured customers. This may include:

- Road side assistance in case of breakdown which may be restricted to refueling and repair or may extend up to providing accommodation if breakdown happens beyond a certain distance from the place of origin.
- Campaign for safe driving skills.

An Insurance company from India for example provides 25 such value-added services to the insured customers.[5]

Home Insurance

The home insurers provide value added services that aim at preserving the insured property. For this purpose, insurance company partners with several professionals such as plumbers, electricians and concierge services. The value-added services for insured home owners may include:

- Repair work carried through professionals such as electricians and plumbers.
- Maintenance work, such as painting.

Travel Insurance

Some of the travel insurers offer the value-added services which take care of few domestic responsibilities of the insured when the insured is travelling. This may include:

- Medical Concierge Services for dependents
- Automotive Assistance Services for dependents
- Lifestyle Services for dependents

These services aim to delight customer into the product bought and increase customer retention.

Marine

Marine insurance is differentiated from other insurance policies as bulk of marine insurance policies are bought by commercial entities. This insurance is also different in that, it is offered as value added service by many of the logistics companies.

An innovation in the Marine insurance by the way of value-added service is that of a leading global insurer. This insurance company now offers instant shipment insurance on the networked trade platform (NTP) via its value-added service (VAS) listing, to instantly insure a wide range of goods including commercial containerized cargo, household goods, parcel freight, and specialty items, like works of art.[6]

Accident Insurance

Accident insurance itself is offered as value added services with wide range of products from credit cards to savings accounts. The Value-added services offered by different insurance companies may include:

- Emergency travel assistance
- Children's education.
- Transport of mortal remains.

Advantages of Value-Added Services

- Competitive differentiation – In the competitive market marked by insurance industry, Value Added Services (VAS) can be the differentiator between identical products. It makes

[4] *https://www.icicilombard.com/IL-Health-Care retrieved on 02.02.2021*

[5] *https://www.cholainsurance.com/car-insurance/chola-value-added-services retrieved on 03.02.2021*

[6] *https://www.insurancebusinessmag.com/asia/news/breaking-news/chubb-innovates-in-marine-insurance-173914.aspx retrieved on 03.02.2021*

a product stand out in the plethora of products with similar coverage and price points. It may act as USP (Unique selling point) for a product.

- Customer acquisition – Value Added Services (VAS) being service differentiator attracts customers to service propositions of the insurer. Value added services such as mobile or net based distribution opens new channels for customer outreach and increase insurance penetration. Some of the times these are more cost efficient than traditional channels.

- Customer retention – Customer retention is increased through deeper and more meaningful relationship afforded by value added services. The regular interface with the customer afforded by some of the value-added services enhance customer retention.

- Better claim management – The value-added services aid in risk mitigation, this in turn aids in better claim management. The cost per claim is also reduced as the insured is educated through VAS to better manage insured property. This may include practices such as lifestyle changes which reduce claim outgo for health and accident policies.

- Additional revenues – Some of the Value-Added Services can be monetized over a course of time and provide separate stream of revenue. In a 2019 study made by McKinsey based on North American and European market and projected Asian demand, it was stated that the global market for value added service in global commercial market is \$2 billion.[7]

Disadvantages of Value-Added Services

- Cost of services – The cost of value-added services is added to costs of service provider. This may put pressure on the profitability of business if the commensurate increase in the acquisition and retention of premium do not concur.

- Data Security and Privacy – As the value-added services make extensive use of customer data to customize the value-added service offering for the customer, customer is tracked, and resultant data is stored. It may give rise to data issues relating to data security and privacy.

Conclusion

Value added services have potential to change the way the insurance business is carried out. If the value-added services are designed that they cater to the needs of target market and increase premium acquisition and retention, it is a win-win situation for both the insurers and the insureds. There is no limit to the kinds of value-added services that an insurer can offer. The only limitation is innovativeness of the insurer. Even in other sectors such as banking and telecommunication, we find that value-added services are playing great roles in projecting products to their competitive advantage. The insurance companies may also explore collaborative efforts with other sectors in providing value-added services to their mutual advantage.

The value-added services have the potential to increase insurance penetration as well as consequent benefits of giving rise to a new set of relationships based on growth of various value-added service providers. This may ultimately help economy by increasing economic activities and employment generation (Which may be taken as positive side -effect of the effort).

[7] *https://www.mckinsey.com/industries/financial-services/our-insights/the-hidden-benefits-of-value-added-services-in-commercial-lines-insurance#:~:text=Value%2Dadded%20services%20can%20help,services%20beyond%20a%20core%20offering retrieved on 05.02.2021*

Comparison of Distribution Channel in Developed Market vis a vis a Developing Market in Indian General Insurance Industry

Abstract

Indian general insurance industry is undergoing changes. GDPI in India has increased almost 5 times from Rs.33,565 Crores in 2008-09 to 1,69,448 Crores in 2018-19. The penetration in insurance industry has increased from 0.61% in 2009-10 to 0.89% in 2018-19.

The importance of channel in Insurance industry is evident from the fact that intermediaries (i.e. Individual Agents, Corporate Agents, Bancassurance, Brokers) have contributed around 63% market share of the business. With growing number of general insurers in Indian market having generic products; the availability of various distribution channel options provide a cherry on the cake. Shifting customer loyalty due to price consideration is rendering the customer retention theory critical. Hence IRDAI is playing an important role through various innovations in channel like web aggregators and IMF etc.

With changing times and technological advancements insurers have started exploring various alternate distribution channels which are providing improved customer service at reduced costs. Traditional channel still holds large chunk of market, however insurers are still exploring various innovative channels to cater to and reach the new far and wide markets and in order to target new segments.

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Among various channels bancassurance is gaining importance in the developing market of India; general insurers are collaborating with banks to target tied business. National Insurance Company ltd has recently revamped its bank partnership with Bank of Baroda and launched a NIMA(National Insurance Mobile) App for customers, agents and other intermediaries for issuance of policies from anywhere in India. Increasing internet penetration is encouraging formation of new digital platform companies Go-Digit which is one among the first few of latest baby boomers in this type of company; the company does not have a presence of physical offices like a brick mortar company. An example of innovation in channel itself has led to the formation of a company with huge cost cutting and reduction in management expenses.

Alternate channel development is the new focus point of companies for an end to end seamless customer experience which would lead to improved efficiency and profitability of the companies. The new geographical markets having huge premium potential is within reach due to digital channels which has no geographical boundaries. Scaling up of companies would be easy with cost efficiencies due to channel innovations. New alternative channels also bring more choices, convenience and transparency for the customers.

Developed market has already seen this transformation with robust growth in direct channels and internet led companies. In Europe; the direct channel finds prevalence. USA accounted for 57%, Canada 74% and UK as 56% in insurance broking business in 2014.

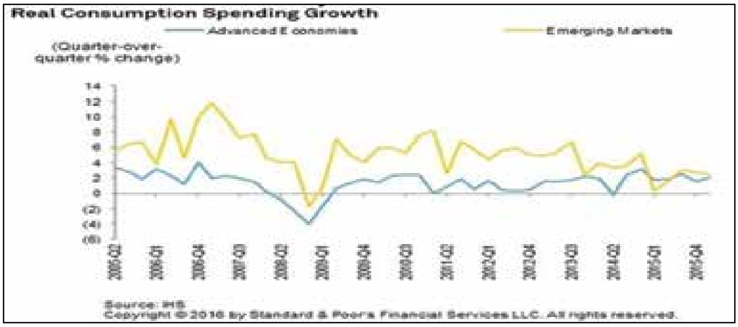
Venture capitalists are also lining up for providing more funding in the sector. Distribution start-ups are attracting 2/3rd of all venture capital funding. Digital entrants are eager to relish the pie of the cake leveraging IT and networking capabilities. No single channel model would provide a solution for best service in the industry for all customers. Companies holding onto traditional channels along with development of innovative channels would hold the key to disrupt the market. There couldn't have been a better time for more opening of insurance sector after Government allowed 100% FDI in insurance intermediaries. Many general insurance companies are yet to be listed on stock exchanges and probably in next 5 to 10 years and increased FDI's activity would bring in more expertise, capital and experience of foreign entities from worldwide market to Indian consumers who would be spoilt for choices.

The objective of this research paper is to understand and compare the channel preference of customer's in general insurance industry in developing market verses developed market. For this research paper; developed market is represented by USA, Canada and UK and developing market by India. This research paper aims to understand which channel is in a growth stage and which is at a maturity stage in both the markets and preference of each channel.

The research paper intends to throw light on the increasing or decreasing market penetration trend of various channels like broking, agency, direct, IMF and Web Aggregators in developing market of India and in developed market of USA.

Trend in growth of various channels was tabulated from various sources and researches. The data was considered from 2013 onwards to get the latest trends and changing landscapes in general insurance distribution channel and to note the preference of Indian consumers while opting for general insurance products. The comparison of projected market share of various channels taken into consideration in Indian context with respect to US insurance market in this research paper is that developing market of India would follow the path and trajectory of growth in US general insurance market as far as development of various distribution channels is concerned. This assumption is corroborated from the fact that real consumption spending growth rate of emerging markets follow the trend in advanced economies as seen in graph below. The basic premise of research paper would be this finding, however any variation in projected trend in Indian channel market would be noted for

Table 1: Real Consumption Spending Growth



comparison with developed market of USA.

From this research paper it is found that broking channel is already in highly developed stage in US compared to Indian market. Market share of Agency channel is almost similar both in US and in the Indian market. Direct market is far more developed in Indian market compared to US market. Due to various factors including increased internet penetration, market share of digital channels like web aggregators is steadily growing in India. Current trends suggest a profound shift of customers from traditional approach to newer, internet led and direct channels. Bancassurance, Corporate agents, IMF and CSC are also picking up the pace. However traditional channels still hold dominance in both the markets of USA and India.

Introduction

In order to reach consumers far and wide and to manage efficiencies; companies are focussing on exploring different distribution channels. This has resulted in expansion of various channels; like expansion of agency channel and development of bancassurance channel. Insurance industry gained a lot due to success of these distribution channels from 2000 to 2010. With expanding market and development of new products a need was felt to focus more on development of newer channels for effective distribution. This led to the development of channels like IMF, Corporate Agency and Web Aggregators etc. Internet led channels have started getting prominence. Broking channel has been consistently growing along with the market. Broking channel is the only channel which represents customers and not insurers. The uniqueness of this channel is acknowledged by the regulator, insurers and customers alike. It clocked a CAGR of 27.7% from FY10 to FY15 among the various channels in non-life insurance. The broking channel's contribution was of 23.2% of non-life insurance i.e. around INR19,300 Crores of gross direct premium in FY15.

Various channels are still evolving on various fronts like convenience, expertise, reach etc. Hence insurers are keen to develop various channels for optimum utilisation of available resources. The widespread diffusion of the Internet has created an explosion in the growth of electronic channels, including direct channels (that is, individual company web sites), electronic markets, or "electronic intermediaries over

Graph 1: Distribution Channel

which multiple buyers and sellers do business" (Malone et al., 1987), and other cybermediaries (Sarkar et al., 1995).

Earlier insurance products were mostly sold through traditional agent led distribution channels. Electronic channel have started gaining popularity and significance. Company owned marketing force channel have also seen increasing growth. There is plethora of options available for customers to choose from distribution channel of its choice. Consumer's VALS i.e. Values, Attitudes and Lifestyles would be deciding factor for channel preference by customers. GDP of American non life sector increased to $1 Trillion in 2018 from $0.9 Trillion in 2013 growing at a CAGR of 3%. In developed market the general insurance industry is expected to rise only 1.8% through 2020. Emerging markets would grow by 7% which is less than 10-year average owing to China's slowing economy and trade frictions with the U.S. Property and Casualty market hardened worldwide however it expanded through most of the worldwide geographies. Pacific region grew at 18 percent, UK at 6% and US at 5% however Europe trailed by growing at 2%. Slowing US economy would impact top-line of its industries' growth.

Key Developments and Emerging Trends Across Insurance Channels

Insurers are engaging customers through multiple distribution channels. Traditionally mostly brokers and agents were employed to sell insurance. Call centres, bancassurance and electronic channel are gaining prominence. The need for a low cost distribution channel was felt by insurers; with time innovative channels like web aggregator; internet led direct channel and IMF channels were formed.

These innovative channels would lead to better customer response time and better illustration of product features enabling wider reach. Ex: like Flipkart or Amazon has features which allow comparison of various products and its features, price, customer ratings etc. Similarly in general insurance segment Web Aggregators like PolicyBazaar.com allows comparison of multiple insurance products simultaneously. Policy Bazaar allows customers to make the best choice by allowing comparison of various health plans of different companies, option of various plans, hospital room eligibility, sum insured option, top up option and premium etc. Web aggregators provide the ease, convenience and seamless experience to customers and also allows comparison of various products, selection of product and add ons along with ease of online payment.

Various affinity groups and supermarkets joint ventures are being partnered with general insurers as an alternate channel. Leveraging brand names is the norm which is picking up pace enabling wider reach at reduced cost through co-branding. Ex: IRCTC floated a tender to general insurers for insuring its passengers creating a huge potential market for general insurance companies and convenience for IRCTC customers. Cab aggregators like Ola and Redbus, a travel bus aggregator have been partnering with general insurers to provide insurance coverage to its passengers. Social media platforms like Facebook and Youtube are being leveraged to advertise insurance products and to generate awareness about insurance products.

Increased competition, digitisation and changing customer behaviour and preferences paved the way for the growth of newer sales channels. Many of these channels evolved in a new avatar as a result of insurers' efforts to improve their operational efficiencies, aided by technological advancements. This has led to creation of various customer touch points. Initially these channels were used for advertisement only and to provide various policy related information, however insurers now leverage these channels to directly communicate with customers and sell suitable insurance products.

With these new technological developments, customers' preferences of buying insurance products through different channels also changed with time. Companies have started focusing more on building a robust distribution network.

The conversion ratio through web platforms into sales is dependent on complex nature of products, said Mahavir Chopra, Director, health, life and travel insurance, Coverfox.com. For car insurance, the conversion ratio ranges from 60-70%.

Convenience and competitive rates online is a big boost to the industry's channel. Digital channel has lead to simplification of claims process & is convenient for the customers. In digital space Express Group has acquired insurance web aggregator MyInsuranceClub.

Speaking about his outlook for the next decade Mr Ravichandran; MD and CEO of Tata Motors Insurance Broking and Advisory Services said, "This is an age of the survival of the fittest. We have competition from various channels of intermediaries and also direct sales channels of the insurers. The next 10 years will be as challenging as the previous decade in terms of changing business environment and changing socio-economic situation not only in India but globally."

Distribution Channel in Developing Market

Insurance market globally is undergoing a rapid expansion; especially in emerging markets of Asia and Latin America. The premium growth globally grew from $2.4 trillion in 2001 to $4.6 trillion in 2011 with U.S premium volume transitioned from $904 billion to $1.2 trillion i.e. a 33% growth. Growth of 70% occurred in global P/C insurance market of emerging markets like Asian and Latin America.

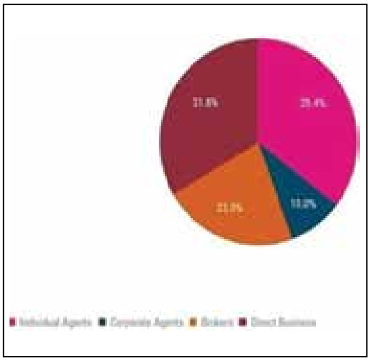
Privatisation of the sector lead to emergence of many regulated distributed channels apart from agents which were earlier developing the business. With passage of time and development of the sector brokers and corporate agents (including Bancassurance models) have established their credentials as Insurance Intermediaries. Several distribution channels such as CSC (common service centre) of Govt. of India, IMF (Insurance Marketing firm) and Banks as Brokers are developing gradually.

Subsequently these channels of distributions would lead to increase in insurance awareness and penetration in the semi-urban and rural areas of the country.

Channel wise GDPI (% of Total)

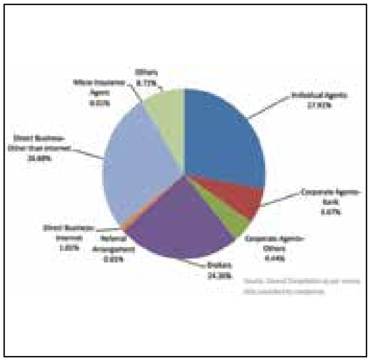
Graph 2: Channel Wise GDPI (2013-14)

2013-14



Graph 3: Channel Wise GDPI (2018-19)

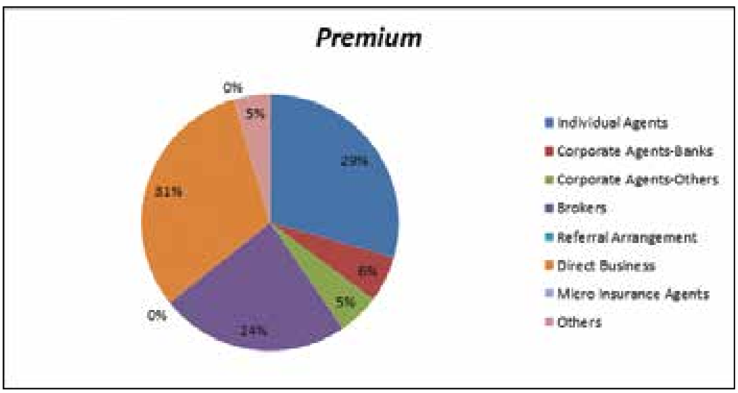
2018-19



Source: Council Database

2016-17

Graph 4: Channel Wise GDPI (2016-17)



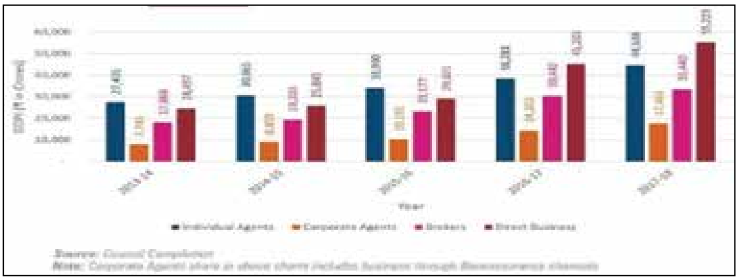
Considering channel wise market of Indian Insurance Industry the above graph depicts that GDPI share of agency channel has de-grown from 35.4% in 2013-14 to 27.91% in 2018-19. GDPI share of corporate agents has slightly grown from 10% in 2013-14 to 11.11% in 2018-19.

GDPI share of broker has slightly increased from 23% in 2013-14 to 24.36% in 2018-19. GDPI share of Direct business has degrown from 31.6% in 2013-14 to 27.89% in 2018-19.

GDPI share of other channels is 8.73% which includes micro-insurance agents which indicates emergence of new channels and probably GDPI share of other insurance channels like web aggregators, IMF, CSC etc.

Growth in GDPI (Split by Distribution Channel)

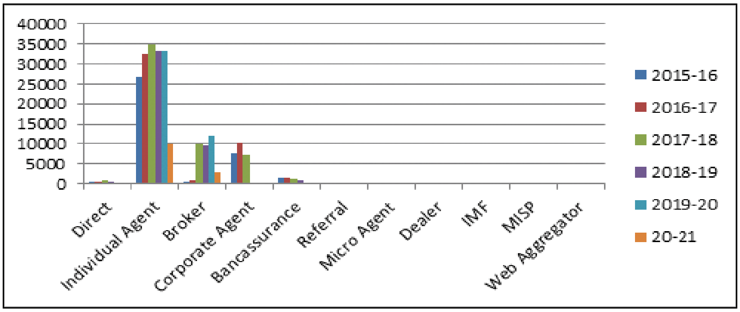
Table 2: Growth in GDPI (Split by Distribution Channel) - 2013 to 2018



In GDPI terms the individual channel has grown 62.34% i.e. from Rs.27,435 Crores in 2013-14 to Rs.44538 Crores in 2017-18, for corporate agents the GDPI increased by 125.45% from Rs.7745 Crores in 2013-14 to Rs.17,461 Crores in 2017-18, for Brokers the GDPI increased by 87.15% from Rs.17,868 Crore in 2013-14 to Rs.33,440 Crore in 2017-18, for Direct business increased by 125.43% from Rs.24497 Crores in 2013-14 to Rs.55,223 Crores in 2017-18.

Channels In Indian General Insurance Sector

Table 3: Channels performance from 2015 to 2021



From the above graph it is evident that individual agents hold prominence in a developing market of India which has gradually grown substantially and YOY growth remains steady. Corporate agent channel is catching up with broking channel while bancassurance is yet to bloom to the level of broking channel. Web Aggregator, IMF and MISP are still in very nascent stage however it holds a very promising growth and expansion in coming years.

The importance of digital channel and companies and its growth is evident from above table for September; Acko General Insurance grew at over 600% YOY and Go Digit Insurance grew at over 260%.

Table 4: Premium and Growth rate of digital insurers (2018-2020)

Digital Insurers	September (Rs, cr)		Upto September 2019 (Rs, cr)		Growth (YoY)
	2019-20	2018-19	2019-20	2018-19	
Acko General Insurance	41.56	6.53	165.46	22.91	622.22
Go Digit General Insurance	233.2	58.76	994.47	273.59	263.49

Source: IRDAI

“Being a digital-only company, we are able to provide the lowest price to the customer by passing on the benefits of a low opex and non-intermediary model," said Janani Viswanathan, Head of Strategy, Acko General Insurance.

The next level market growth opportunities will be through increasing focus on online policy distribution through web aggregators, the web aggregator market estimated at Rs 4.5bn ($65 million) in FY19 estimated to reach to Rs 38.5 billion ($550 million) by FY25 i.e CAGR of 43 per cent. The prime reason for this growth of channel would be attributed to 460 million internet users in India which is a second largest online market and internet users would increase to about 635.8 million internet users in 2021 since most of the digital population is mobile internet users.

The importance of digital channel is evident from the fact that web aggregators has grown from 13 billion in 2016 to 54 billion in 2019 and projected to 269 billion in 2025. The market share of web aggregators was 2% in motor, 1% in health and 1% in others in total general insurance premium in 2019. The web aggregator started exploring market in 2013 and within a short span of time it is projected to capture market share of 4% in motor, 2% in health and 2% in others in 2025.

Graph 5: Share of web aggregators in total premiums (for FY19 to FY25F)

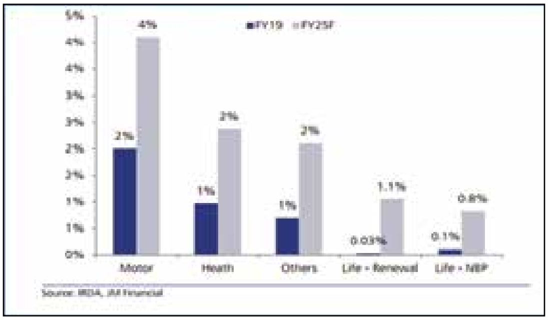
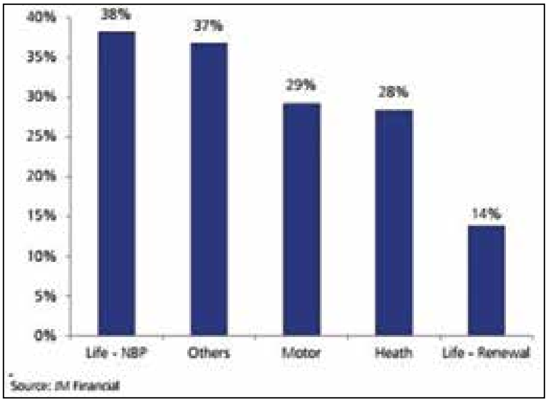


Table 5: Channel-wise distribution (FY2018)

Channel	Life-NBP	Motor	Health
Brokers	1.1%	26.0%	25.2%
Corporate Agents	14.5%	14.3%	11.1%
Individual Agents	31.8%	45.8%	1.3%
Direct - online	0.26%	7.9%	28.6%
Direct - offline	52.2%		30.0%
Web Aggregators	0.04%	NA	0.5%
Others	0.1%	6.0%	3.3%

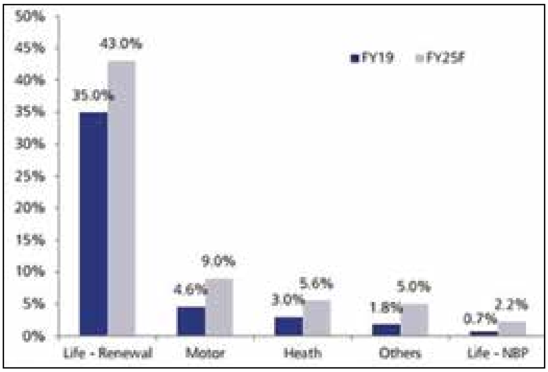
From the table 5 and graph 5 it can be observed that market share with web aggregators for motor was negligible in 2018 which increased to 2% in 2019 and in Health insurance premium it increased from 0.5% in 2018 to 1% in 2019.

Graph 6: Growth forecast in digital premiums (FY19-FY25F)



The above graph depicts that the growth in digital space for Health business is estimated at 28%, for Motor it is estimated at 29% and for others at 37%.

Graph 7: Digital insurance penetration (premium) FY 19 to FY 25F



From above graph the total digital insurance penetration for non-life in 2019 was 4.6% in motor, 3% in health, 1.8% in others which is expected to grow to 9% in motor, 5.6% in health and 5% in others in 2025.

Table 6: Digital insurance market premiums (INR bn)

	FY16	FY17	FY18	FY19	FY20F	FY21F	FY22F	FY23F	FY24F	FY25F
Non-life	13	18	27	54	72	95	123	162	210	269
Life - NBP	6	9	12	16	22	32	43	61	84	112
Life - Renewal	456	608	794	1,010	1,175	1,362	1,537	1,733	1,952	2,199
Total digital insurance market premiums (INR bn)	**476**	**635**	**833**	**1,080**	**1,269**	**1,489**	**1,702**	**1,956**	**2,246**	**2,580**

Source: IRDA, Industry, JM Financial

From the above table it is observed that in FY 16 the digital insurance market in non life segment was Rs.13 Billion which is expected to grow to Rs.269 Billion in FY25F indicating the steady penetration of digital channel in general insurance premium market.

Table 7: Gross online premium penetration- Non Life (FY20F to FY25F)

Please note that we have derived past data from media sources and insights from our meetings with insurance companies, web aggregators and new-age insurers.

Exhibit 48. Key assumptions on penetration – Non-Life

Gross online premium penetration - Motor	FY20F	FY21F	FY22F	FY23F	FY24F	FY25F
New-age Insurance Companies - Direct	1.6%	1.8%	2.0%	2.4%	2.8%	3.2%
Traditional Insurance Companies - Direct	1.0%	1.0%	1.1%	1.2%	1.3%	1.4%
Web Aggregators	2.2%	2.4%	2.6%	3.1%	3.6%	4.1%
Corporate Agents (Banks + Others)*	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Total	**5.0%**	**5.5%**	**6.0%**	**7.0%**	**8.0%**	**9.0%**
Gross online premium penetration - Health	**FY20F**	**FY21F**	**FY22F**	**FY23F**	**FY24F**	**FY25F**
New-age Insurance Companies – Direct	0.2%	0.3%	0.4%	0.5%	0.6%	0.7%
Traditional Insurance Companies - Direct	1.5%	1.6%	1.7%	1.8%	1.9%	2.0%
Web Aggregators	1.3%	1.6%	1.8%	2.0%	2.2%	2.4%
Corporate Agents (Banks + Others)*	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Total	**3.5%**	**4.0%**	**4.4%**	**4.8%**	**5.2%**	**5.6%**
Gross online premium penetration - others	**FY20F**	**FY21F**	**FY22F**	**FY23F**	**FY24F**	**FY25F**
New-age Insurance Companies - Direct	0.8%	1.0%	1.2%	1.4%	1.6%	1.8%
Traditional Insurance Companies - Direct	0.6%	0.7%	0.8%	0.9%	1.0%	1.1%
Web Aggregators	1.0%	1.3%	1.5%	1.7%	1.9%	2.1%
Corporate Agents (Banks + Others)*	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Total	**2.4%**	**3.0%**	**3.5%**	**4.0%**	**4.5%**	**5.0%**

Source: JM Financial

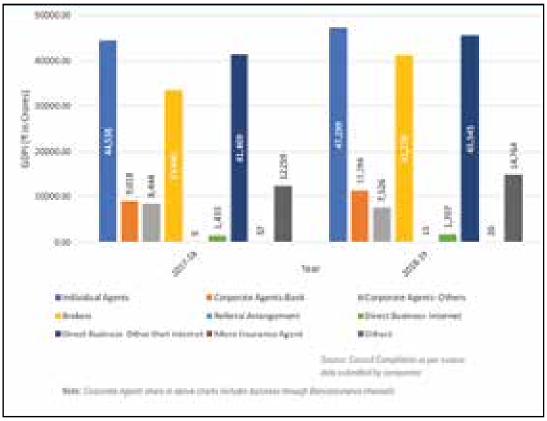
Table 8: Web Aggregator revenue (INR bn) – FY16 to FY25F

	FY16	FY17	FY18	FY19	FY20F	FY21F	FY22F	FY23F	FY24F	FY25F
Non-life	0.4	0.9	1.8	3.6	5.1	6.3	8.8	11.8	15.5	20.0
Life - NBP	0.0	0.2	0.2	0.8	1.5	2.7	4.3	6.9	10.2	14.4
Life - Renewal	0.0	0.0	0.0	0.1	0.2	0.3	0.9	1.5	2.6	4.0
Total web aggregator revenue (INR bn)	**0.4**	**1.1**	**2.0**	**4.5**	**6.8**	**10.1**	**14.0**	**20.3**	**28.3**	**38.5**

Source: IRDA, Industry, JM Financial

From the table 8 the revenue of web aggregator in non life segment for the FY16 was Rs.0.4 bn which is projected to be increased to Rs.20 bn in 2025.

Graph 8: Growth in GDPI split by Distribution Channel



From above graph latest trend can be noted for the year 2018-19, share of premium sourced through direct channels has decreased slightly to 36.6%. The share of premium via Individual agents has decreased marginally to 27.9%. Offsetting these reductions, Corporate Agency share has increased to about 11.0% and share of premium via Brokers has increased marginally to 24.4%.

Distribution Channel in Developed Market

US industry's net income increased to US$60 billion in 2018, breaking even on underwriting as also due to 10.8% boost in net underwritten premium (after loss of US$23.3 billion). Results in 2019 reduced a bit in 1st half with slight positive results with the underwriting gain of US$5.4 billion (in 2018 it was US$6.1 billion) and a combined ratio of 97.3 (which improved from 96.2).

Growth in premium underwritten in 2018 increased to 5.1% which was an improvement from 4.5% from 2015–2017 due to good economic conditions. But growth would be indolent over a long period of time. The business environment being favourable to insurers helped it to realise 20% growth in net income in 2019 1st half results; margin pressure remains acute due to high value claims and costs.

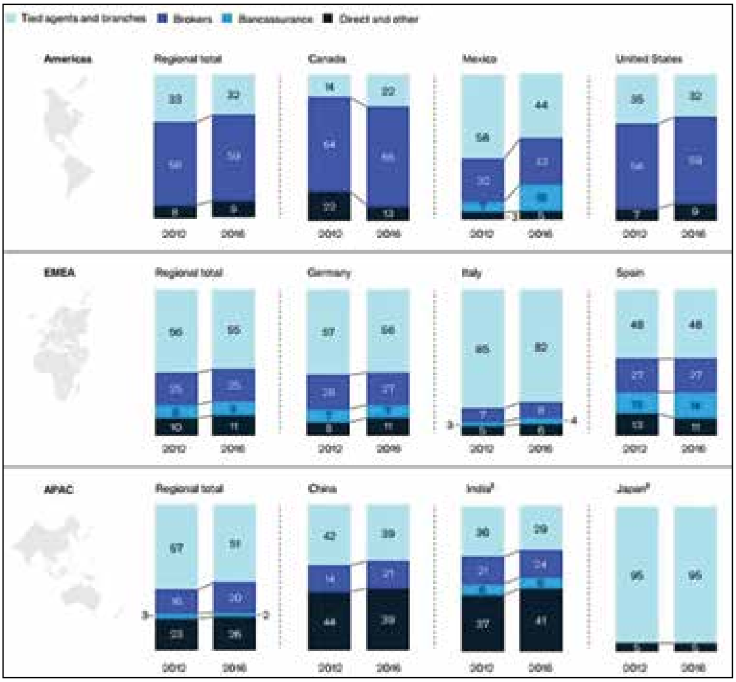
U.S. insurance industry in 2018 recorded net written premium totalling $1.22 trillion. The premium recorded by Property and Casualty insurers was 51 percent and premium by life/annuity insurers was 49 percent, as per S&P Global Market Intelligence.

In USA the broker's market share increased from 58% in 2012 to 59% in 2016.Tied agents business decreased from 33% in 2012 to 32% in 2016 and Direct channel increased from 8% in 2012 to 9% in 2016. Hence indicating the customer's preference towards broking channel in a developed market of USA.

It is remarkable to note that for the P&C sector, 75 percent of the growth in the global P&C insurance market came from North America and Western Europe between 2000 and 2007.

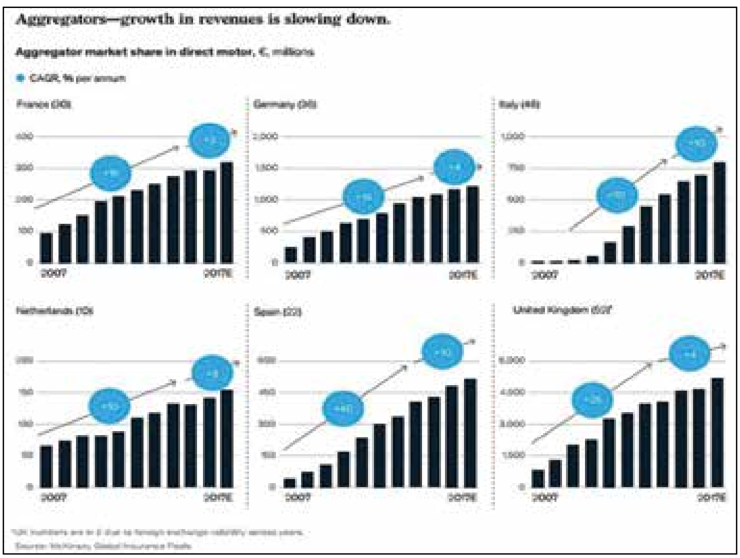
Graph 9: P&C distribution channel preference varies by region

Premium %,

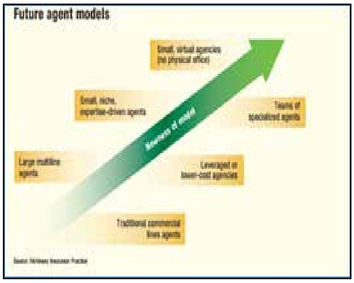


1. Figures may not sum upto 100%, because of rounding
2. In china, "direct and other" represents both direct and other, while in India it primarily represents direct distribution channel.
Source: McKinsey Global Insurance Pools

Graph 10: Aggregator market share in direct motor



The above graph depicts that the American lean toward brokers and independent financial advisers, EMEA prefers the agency channel, and many APAC countries favour agency and direct sales channel. (In the United States, from 2012 to 2016, the agency channel declined slightly while brokers gained slightly). Agents were once the front line channel however predictive models are rendering it obsolete. Increasing awareness is leading customers to connect to insurance companies through multiple channels.



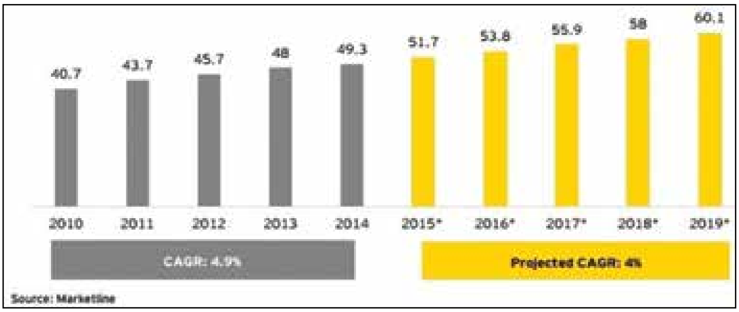
Graph 11: Future agent models

In Germany, the direct channel has gained market share however tied agents and brokers remain the preferred segment. Consumers can purchase these products easily without the need for advice, making them a natural fit for the direct channel.

In Western Europe growth of direct channel is slowing down due to profitability concern however in Eastern Europe it is on a rise. The insurance aggregator as online channel is encouraged and has been progressing since a decade. Insurers are expanding their customer reach through insurer aggregator. In whole of European market, aggregators have witnessed double-digit CAGR for motor gross written premiums (GWP) from 2007 to 2017. The graph suggests that aggregator's growth is slowing down in developed market.

In U.S, about 25% people shop for auto insurance online directly from the carrier hence leading to high growth and profitability for underwriters. In the U.S, carriers selling directly have the lowest combined ratios which results into the highest growth in direct written premiums. The shift in trend is evident from the fact that call centre handle 50% of business in North America. In Canada, direct writers owned 21.1% of the premium in 1993 which increased to 31.1% in 1998. However; the market share of direct business declined from 22% in 2012 to 13% in 2016. The market is mainly broker driven. The mature market like UK which has a flat consumer demand, it is observed that customers prefer different distribution channel to procure insurance instead of increase in demand.

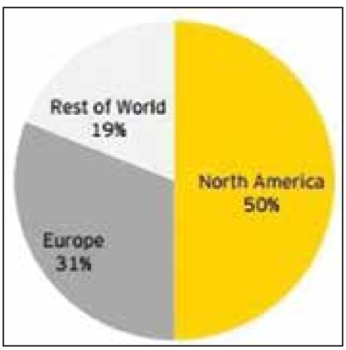
Graph 12: Global Insurance Broking Market Size in US $ billion (from 2010 to 2019)



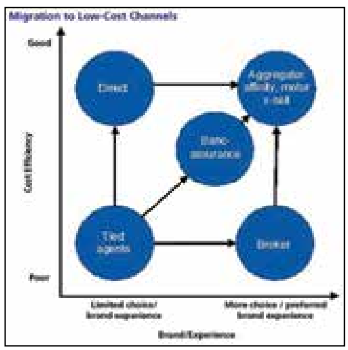
In 2014 Broker's market share in North America was about 50% and market share in Europe was about 31% of total revenue.

Global insurance broking market by geographical segmentation (2014)

Graph 13: Global segmentation in broking (2014) Channels

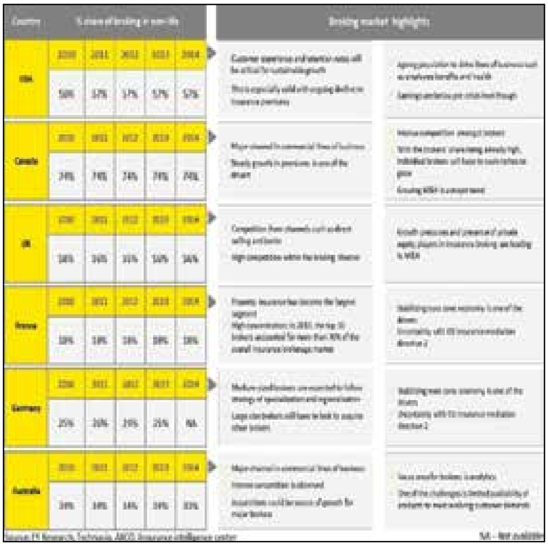


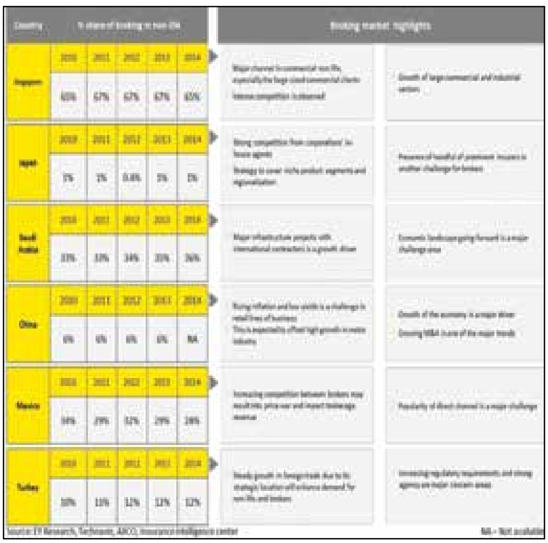
Graph 14: Migration to Low cost channels



Share of broking in non life of various countries is shown in the table below. The broking channel is prominent channel in most of these markets. However the preference of the developing markets is still agency and bancassurance.

Table 9: % share of broking in non-life in various countries





Direct sale is high in Europe through online channel. In developed market the market share for agent is on a declining trend barring Middle and East European countries where it enjoys a strong position. In USA, Europe and in Asia agents have the highest market share. In order to avoid conflict with interest of agents; direct channel business is being encouraged. Bancassurance is one of the most significant channels in Europe which is duly aided by banks.

Conclusion

The growing Indian general insurance market offers scope for high insurance penetration and accessibility through diversified distribution channels. Insurers have an opportunity to differentiate their brand image and services through their innovative distribution channels. There is substantial value to be unlocked in each channel. Innovative and customized products can be offered to customers through multi channel strategy. A company's ability to offer an integrated multi-channel experience will be the key to customer satisfaction with profitable growth.

The comparison of market share of various channels in developed and developing nations is enumerated in the following table:

Table 10: Channel-wise market share comparison of US and Indian market for 2016-17

Channel	Developed Market (American region Total) 2016	Developing Market (INDIA) 2016-2017
Broking	59%	23.8%
Agency/Tied Agents	32%	29.4%
Direct Channel/others	9%	31.2%
Bancassurance	Specific details NA	5.9%
Corporate Agents	Specific details NA	5.2%
Others: Micro, IMF, CSC, Web Aggregator, referral	Specific details NA	4.5%

From the above tabulation it can be noted that broking in developed market of Total American region is 59% and in Indian market it is 23.8% signifying that broker channel has dominance in developed market.

Agency in developed market of Total American region has a share of 32% and in Indian market it has a share of 29.4% indicating similarity in channel preference. Direct channel in developed market of Total American region is at 9% however in Indian market it is at 31.2% hence indicating that various customers are preferring direct mode in Indian market.

Moreover bancassurance, corporate agents and other channels like web aggregators, IMF, Micro are also picking up the pace in the Indian market.

However important point to be noted here is that in spite of highly developed internet led channel in USA, broking still holds dominance in general insurance market with 59% share in the total market.

From these facts it can be inferred that broking channel has a dominant role in developed market of Total American region and in Indian market; agency and direct channel dominate the general insurance market.

The Indian General insurance channel market growth rate was projected from 2017 on a linear graph pattern to 2025 F. The findings of the linear projection are tabulated below:

Table 11: Channel-wise Linear graph projection (from 2017 to 2025)

Channel	Developing Market 2017 (INDIA)	Developing Market (India) Linear graph projection (for year 2025)
Broking	23.8%	29%
Individual Agents	29.9%	25%
Direct Channel/others	35.3%	35%
Corporate Agents	11.1%	11%

From the above projected market share on linear projection basis for the year 2025; it can be inferred that market share of broking would probably increase from 23.8% in 2017 to 29% in 2025, market share of agency would probably decrease from 29.9% to 25%, market share of direct channel would be flat at 35% in 2025 from 35.3% in 2017 and it would be nearly flat for Corporate Agents at 11% in 2025 from 11.1% in 2017.

On overall basis it can be inferred that broking would get a boost in its market share as compared to agency channel with a declining trend in coming years. Additional years of working of internet led channels like web aggregator, company websites, IMF etc. in the Indian market would be required to infer its development and market share in future. However it is evident that market share of web aggregator channel as of 2019 is less than 1% which is poised for greater market pie in coming years in General insurance distribution space.

The latest changing trend in market channel for the year 2018-19 enumerate the changing trend i.e. share of premium sourced through direct channels has decreased slightly to 36.6%. The share of premium via Individual Agents has decreased marginally to 27.9%. Offsetting these reductions, Corporate Agency share has increased to about 11% and share of premium via Brokers has increased marginally to 24.4%. This clearly indicates the changing preferences of the customer as far as opting for various channels is concerned for availing insurance.

The life and non-life insurance market in the Unites States is estimated to register a CAGR of approximately 6% for forecasted period from 2020 to 2025 i.e. a marked slowdown in CAGR, industry in developing market of India is growing at a CAGR of 17.65% over a 10 year period. It implies a lot of activities still yet to happen in developing nations probably on the similar growth pattern of channels in developed market. Hence insurance companies in developing market on the basis of above findings can focus more on developing newer channels to explore newer markets and geographies.

The developed market like that of US had an insurance penetration of 7.8% in 2017 however a market in a developing country like India has a marked insurance penetration of only 0.89 % i.e. in a population of 130 Crores; a tremendous unexplored opportunities. The general insurance in India has a high growth rate, general insurance penetration (measured as a % of GDP) is very low in India and stands at less than 1%. This leaves a lot of untapped market which FDI would be eyeing to increase their business. Lot of action remains to be seen on stock exchanges after listing of General Insurance companies in developing market especially India along with Merger and Acquisitions. HDFC completes majority acquisition in Apollo Munich Health insurance for Rs.1495.81 Crore. ICICI Lombard has got in-principle approval from IRDAI to acquire Bharti AXA's general insurance business. Even emerging markets like China and Brazil have higher penetration of 1.8% and 3.3%, respectively.

The complexity of product, convenience, expertise, claim settlement ratio underwriting capacity by various customers etc. are many factors which explain the preference for alternative distribution channels by various customers. The dominance of any channel in different markets of different countries would depend on various factors and on customer preference.

The companies that mostly use direct channel have the lowest combined ratios. The developed market like USA; channel preference clearly points out the interest of consumer's preference are not limited to a single channel however in embracing multiple distribution channels to purchase insurance especially through broking and agency channel. Broking channel preference was 59% in USA and 65% in Canada in 2016.

In 2014 share of broking was 57% in USA, 74% in Canada, 56% in UK and 33% in Australia implying importance of broking channel in developed market.

- ➢ USA and Canada market shows Broker dominance in general insurance market.
- ➢ In 2016 direct channel pre-dominated Asian market.

In conclusion, the Non-Life Insurance industry in India 5continues to show maturity and resilience over the last 10 years despite facing many operational and expertise challenges, since de-tariffing. The industry players are well poised to take advantage of the favourable business climate emerging from various Government initiatives to tap the huge untapped potential in the Indian insurance markets in the years to come. The channel preference of customers in developed market is towards broking and in developing market the channel preference is towards agency model. In developing markets like India; channels such as agency and direct channel play a dominant role.

Current trends suggest a pronounced shift of customers from traditional approach to newer and direct channels. However traditional channel still hold dominance in the market.

Resistance to what lies ahead is futile. Companies that fail to adapt to technology will weaken under the pressure exerted by those that use digital technology to slash costs and get better returns on their investments. Personal lines in general insurance have been greatly impacted from digital technology.

From a mature and developed market of UK where demand is almost flat and stable and not incremental the customers prefer different forms of distribution channels. The digital culture has contributed a lot to U.S insurance market's success; they have moved swiftly to embrace technological innovation keeping customer needs in perspective. Companies embracing digital channels, AI and IOT would win over companies failing to adopt technology. Companies which would increase investments towards development of new channels would be winners. In India companies can also deleverage their costs through adopting call centre culture for marketing of products.

The transformations happening in general insurance industry in India like FDI in insurance intermediary market is another milestone for development of the insurance sector and highlight of shift of Government's focus towards this sector.

Successful digital transformation would enable insurers to maximize the profitability and market share (in the form of richer value propositions, more efficient operations and enhanced experiences, improved customer relationships) and tackle competitive market threats of new entrants. TJ

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Woman Assurance - Gender Gap in Life Insurance Coverage

Abstract

Role of women in national development cannot be denied. Women remain the foremost artisans of any society because they are our first teachers and nurses. Throughout history, the central role of women in society has ensured the stability, progress and long-term development of nations.

Women are half the population worldwide; therefore, it would be imprudent to ignore them while planning for national development. All sectors and industries should ensure active participation of women, in order to reach a conducive socio-economic condition across the world. This article explores the contribution of women in the growth of Life insurance industry, the gender gap in buying and owing life insurance products and the reasons for the gender gap and the effects of the gender gap to the life insurance industry and why and how to overcome the gender gap, which can transform the socio economic condition of the nations in a focussed and sustainable manner.

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Introduction

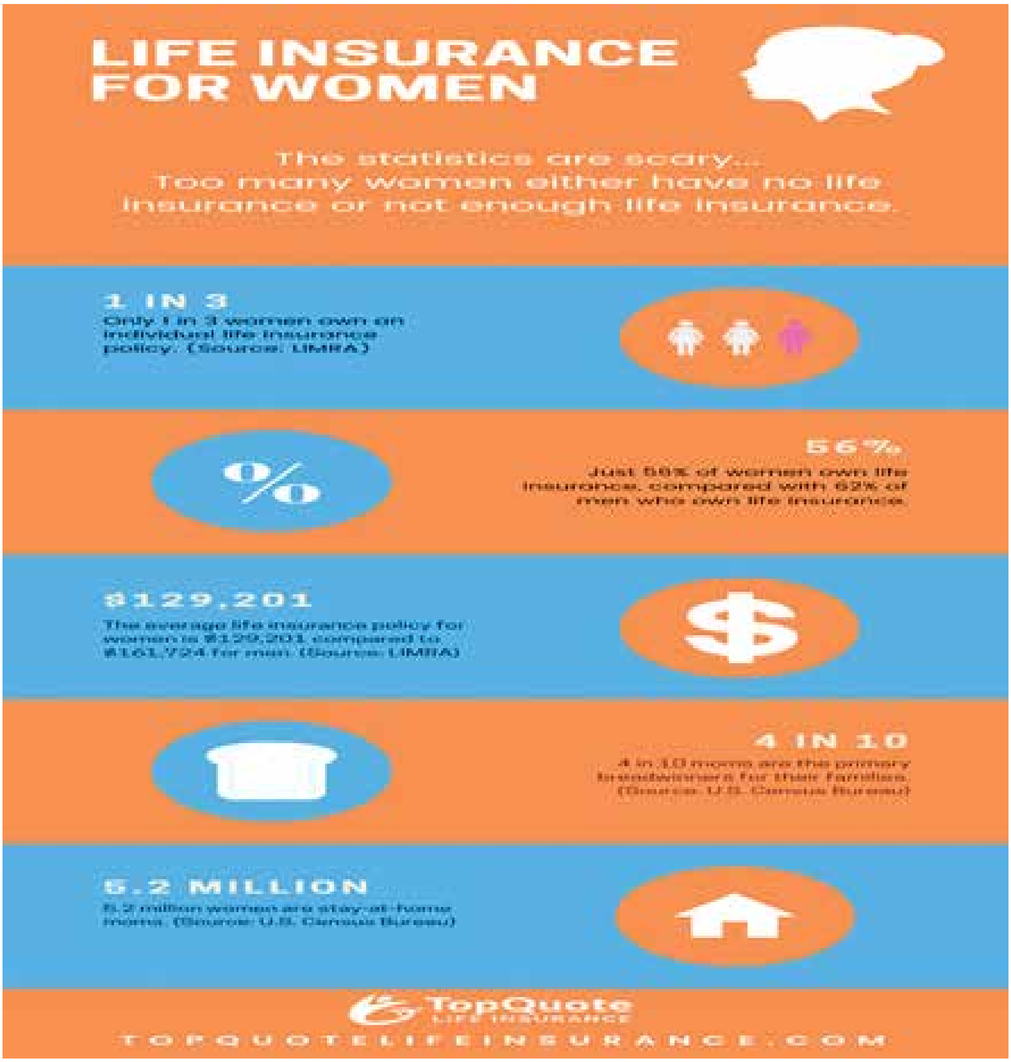
Women's economic empowerment includes women's ability to participate equally in existing markets; i.e. their access to and control over productive resources, access to decent work, control over their own time, lives and meaningful participation in economic decision-making at all levels from the household to international institutions.

Today, the median female share of global work force is 45.4 percent. Women's formal and informal labour can transform a community from a relatively autonomous society to a participant in the national economy. The role of women in the urban and rural workforce has expanded to a great extent in recent decades.

Gender Gap in Life Insurance Coverage

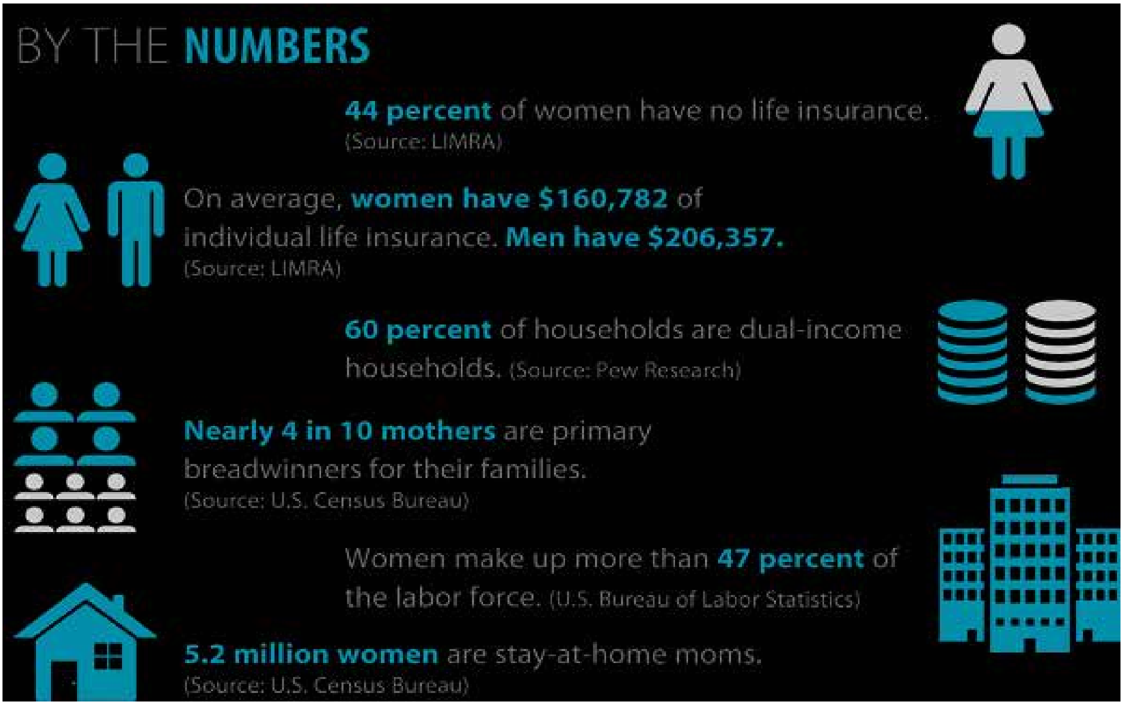
Women's economic empowerment boosts productivity, increases economic diversification and income equality in addition to other positive development outcomes. Though it is an undisputed fact and a well acknowledged truth across the nations that when more women work, economies grow, still there is a clear gender difference in insurance coverage for women, both in developing and developed economies. LIMRA's report states that only 1 in 3 women are having an individual life insurance policy. Just 56 % of women are having life insurance compared to 62 % of men having life insurance as shown in pic 1 below :-

Pic.1 Life Insurance for Women



Source : Top Quote Life Insurance.com

Pic 2: Numbers & Percentage of Women having life Insurance



While the amount of coverage that women purchased spiked nearly 21% since 2010, researchers say it's still inadequate relative to men at $160,782 vs. $206,357 as detailed in pic 2.

In the Indian context, Indians have high regard for women, from worshipping of female Goddess, respecting the nation as Bharath Matha, affinity to mother and mother tongue. Indians continuously raised voices against inequality of gender bias; several social and political movements led to enhancing the position of women to one of due respect and high regard. With regard to Life insurance for Women, prior to nationalisation **(1956)**, many private insurance companies would offer insurance to female lives with some extra premium or on restrictive conditions. However, after nationalisation of life insurance, the terms under which life insurance is granted to female lives have been reviewed from time-to-time.

When it comes to life insurance, the majority of women are underinsured. Many don't have coverage at all. Women need life insurance more than ever before, regardless of career choice or marital status.

Whether one is the primary breadwinner, a stay-at-home mom, a single parent or somewhere in between there is a Gender Gap in Life Insurance Coverage with various reasons. How to overcome this gender gap with regard to Life Insurance Coverage as detailed in picture 3 below :-

Pic.3

Male - Female Proportion analysis of Population & Individual Life Insurance New Business 2018-19

Particulars	Total (Cr)	Male (Cr)	Female (Cr)	Male %	Female %
Population	134	69	65	52%	48%
No of policies	2.86	1.83	1.03	64%	36%
FY Premium	97690	61120	36525	63%	37%

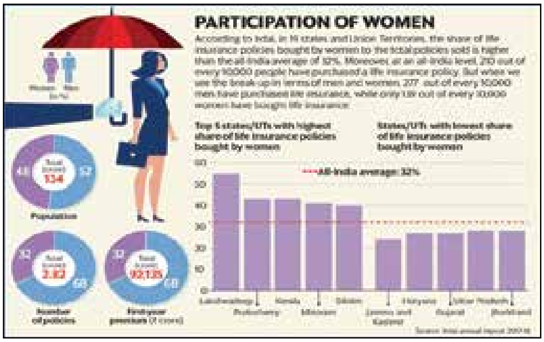
 # Transgender:- No. of Policies - 1286 and FYP - 45crs.
**Premium in Rs. Crores. *Population estimation as at 2018 from UIDAI web site*

Source : IRDAI annual report 2018-19

During 2018-19, Female proportion of population having life insurance coverage as against the male population is 36 % : 64 % with proportion of first year premium being 37 % : 63 %.

As per IRDAI annual report 2017-18, 277 out of every 10000 men have purchased life insurance, while only 139 out of every 10000 women have purchased a e insurance policy. The average share of life insurance policies by women in India is 32 % while the share of males is 68 %. States / UTs like Lakshadweep, Puducherry, Kerala, Mizoram and Sikkim have a higher than average share of life insurance policies bought by women. States/UTs like Jammu & Kashmir, Haryana, Gujarat, Uttar Pradesh and Jharkhand are having less than the average share of life insurance policies bought by women as stated in picture 4.

Pic.4. Participation of Women in Life Insurance In India



As per IRDAI annual report 2018-19, women comprise roughly 48% of the total population in India. Their contribution to the economic activity of the country is significant and is increasing every year. In this context, a brief study is made on the share of women in life insurance business. Only individual new business data – number of policies and first year premium for the FY 2018-19– has been considered for the purpose. The total number of policies sold in the year 2018-19 stands at 2.86 Cr, with a first year premium (FYP) of 97,690 Crore. The Share of Women in the FY 2018-19 has increased to 36% in number of policies and 37% in First Year Premium compared to 32% on both counts in FY 2017-18. Out of 103 lakh policies bought by women, more than one-third have come from three States, West Bengal (16.51%), Uttar Pradesh (10.53%) and Maharashtra (10.16%), Similarly, out of Rs. 36525 crore FYP contributed by women, slightly more than one-third have come from three States, namely, Maharashtra (15.74%), West Bengal (10.05%) and Uttar Pradesh (9.55%). The Proportion of Women Policies in case of Private Life Insurers is 27% and that of LIC is 39%.

In 17 States/UTs, the share in no. of policies bought by women to the total policies sold is higher than the all-India average of 36%. The following table provides data of top and bottom five states/UTs in terms of share in no. of policies bought by women to the total policies sold in that State/UT.

Top 5 States/UTs with highest share in number of policies bought by women to the total number of policies in that State/UT	
State	Percentage
West Bengal	59%
Meghalaya	49%
Manipur	46%
Assam	46%
Arunachalpradesh	44%
All India Average	36%

Bottom 5 States/UTs with highest share in number of policies bought by women to the total number of policies in that State/UT	
State	Percentage
Sikkim	11%
Dadar & Nagar Haveli	19%
Punjab	22%
Gujarat	23%
Tamilnadu	27%
All India Average	36%

Source: IRDAI annual report 2018-19

The share in average number of policies bought by women to the total number of policies has risen from 32 % to 36 % during 2018-19, still there is a long way for life insurance to bridge the gender gap and reach a level of 40 % to 50 % share of average number of policies bought by women to the total number of policies bought. Though women's liberation and equality is highly propagated across the globe, the reality is that the legal, social economic conditions relegate women to a back seat position. The following are few statistics about global gender bias which deter women in the path of their progress and constitute a vital block for women to actively play in financial and insurance industry.

Gender Bias at Global level :-

As per the International Labour Organisation Report it is stated that :-

- Globally, over 2.7 billion women are legally restricted from having the same choice of jobs as men.

- Of 189 economies assessed in 2018, 104 economies still have laws preventing women from working in specific jobs.

- 59 economies have no laws on sexual harassment in the workplace, and in 18 economies, husbands can legally prevent their wives from working.

- Women remain less likely to participate in the labour market than men around the world. Labour force participation rate for women aged 25-54 is 63 per cent compared to 94 per cent for men. When including younger (aged 15 years and up) and older women (aged 55 and up), in 2018 women's global labour force participation rate is event lower at 48.5 per cent, 26.5 percentage points below that of men.

- Women are more likely to be unemployed than men. In 2017, global unemployment rates for men and women stood at 5.5 per cent and 6.2 per cent respectively. This is projected to remain relatively unchanged going into 2018 and through 2021.

- Women are over-represented in informal and vulnerable employment. Women are more than twice as likely as men to be contributing family workers. From the latest available data, the share of women in informal employment in developing countries was 4.6 percentage points higher than that of men, when including agricultural workers, and 7.8 percentage points higher when excluding them.

- Globally, women are paid less than men. The gender wage gap is estimated to be 23 per cent. This means that women earn 77 per cent of what men earn, though these figures understate the real extent of gender pay gaps, particularly in developing countries where informal self-employment is prevalent. Women also face the motherhood wage penalty, which increases as the number of children a woman has increases.

- Women bear disproportionate responsibility for unpaid care and domestic work. Women tend to spend around 2.5 times more time on unpaid care and domestic work than men. The amount of time devoted to unpaid care work is negatively correlated with female labour force participation.

- Unpaid care work is essential to the functioning of the economy, but often goes uncounted and unrecognized. It is estimated that if women's unpaid work were assigned a monetary value, it would constitute between 10 per cent and 39 per cent of GDP.

- Women are still less likely to have access to social protection. Gender inequalities in employment and job quality result in gender gaps in access to social protection acquired through employment, such as pensions, unemployment benefits or maternity protection. Globally, an estimated nearly 40 per cent of women in wage employment do not have access to social protection.

- Women are less likely than men to have access to financial institutions or have a bank account. While 65 per cent of men report having an account at a formal financial institution, only 58 per cent of women do worldwide.

- The digital divide remains a gendered one: most of the 3.9 billion people who are offline are in rural areas, poorer, less educated and tend to be women and girls.

- Women are less likely to be entrepreneurs and face more disadvantages in starting businesses: In 40% of economies, women's early stage entrepreneurial activity is half or less than half of that of men.

- Women are constrained from achieving the highest leadership positions: Only 5% of Fortune 500 CEOs are Women.

- Violence and harassment in the world of work affects women regardless of age, location, income or social status. The economic costs – a reflection of the human and social costs – to the global economy of discriminatory social institutions and violence against women is estimated to be approximately USD 12 trillion annually.

Financial Inclusion of Women

The Financial Inclusion agenda continues to be on the rise, as demonstrated in 2017 data set published by the World Bank, Global Findex. Although significant progress has been achieved, there is a persistent gender gap with regard to access to basic accounts in the financial system. Thus 72% of men have access to an account while only 65% of women have an account; this gender gap remains unchanged since 2011. In terms of use, recent research based on 18 countries states that, at a global level, men represent 65% of customers, they handle 80% of loan volume and 75% of deposits (Global Banking Alliance for Women, 2018).

Closing the gender gap in financial inclusion could have positive effects in the economy. This will lead to smoothing consumption, lowering financial risks and costs, providing security, increasing saving and investment rates, and facilitating new business opportunities. Women can contribute to growth not only by building businesses but also by better managing their financial resources. Having access to and use of a range of financial services enhances not only the contribution of women and women-led business to growth, but also contributes to women's autonomy, allows for better use of their personal and household resources, and reduces the vulnerability of their households and businesses. In short, closing the gender gap in financial inclusion can act as an enabler of countries' development, economic growth, inequality reduction, business evolution, and social inclusion.

However, greater women's financial inclusion requires a more gender inclusive financial system that addresses the specific demand- and supply-side barriers women face. An inclusive regulatory environment is also relevant.

It is important to acknowledge that broader social constraints related to intra-household bargaining power and the social status of women limit the broader impact of financial inclusion on women's economic empowerment. While these are cross cutting constraints that are beyond the scope of financial inclusion programming, it is crucial to recognize them to ensure financial inclusion can have a transformational impact.

Need for Life Insurance for Women

Accurate and proportional representation of women in social systems has been shown to be important to long-lasting success of the human race. Additionally, a study shows that "absence is not merely a sign of disadvantage and disenfranchisement", but the exclusion of women from any position also compounds gender stereotypes and retards the place of equalisation.

The woman of today not only plays the traditional role of fostering and nurturing the family but also multi-tasks by showing an equal responsibility as men, towards being a breadwinner for the family.

Till a decade ago, there was a wide gender gap when it came to financial planning and insurance coverage for women. That gap has narrowed in recent years due to more equal opportunities for women in education and employment, a growing awareness about the need for life insurance and, more importantly, the fact that women's lives matter as much as men's.

Insurance companies are realising that the demise of a woman breadwinner has as much impact on the family as that of a male wage earner. With this in mind, insurers are encouraging more and more women to purchase life insurance and even customising the products to meet their financial needs. Greater insurance penetration is also ensuring greater financial protection for women.

While women and men equally believe that their death would have a substantial impact on their family, women are not purchasing life insurance as frequently as men, nor purchasing as much.

The question still persists - Why do women value their life less than men do?

Maybe it's because the traditional rule of thumb for how much life insurance is needed is based on one's current income, usually 8 to 10 times approx. With women still earning less than men overall, and more likely to take on the role of child care, according to these calculations, women need less life insurance than men.

On the contrary, the value of a women's life and role in the family is so much more than income.

From traditional job profiles like a housekeeper, dietitian, day-care teacher to evolved professions like network administrator, social media communications, and research scientist - a woman performs all!

The primary purpose of life insurance is to replace lost income when a provider of the family dies.

The problem is that there is so much more lost than just income when a homemaker dies. What about the value of the unpaid roles she is responsible for? Try estimating the value of a stay-at-home mother's work by tracking real-time market prices of all the jobs a mother performs.

Savings and protection type Insurance product are for women who are changing roles, from homemakers to breadwinners, as it fulfils the twin objectives of financial independence and financial security, for themselves and their loved ones. Be it insurance or investment, a woman should be included in the financial planning of her family.

Women are having multifarious risks like unique health issues at each stage during their life cycle from their child hood to risk living long, living alone without partner, and risk of death leaving the family under a huge financial and emotional loss. When more and more women participates and purchases life insurance, a sustainable socio economic growth can be reached. Now, let us see how to overcome this gender gap in buying of life insurance.

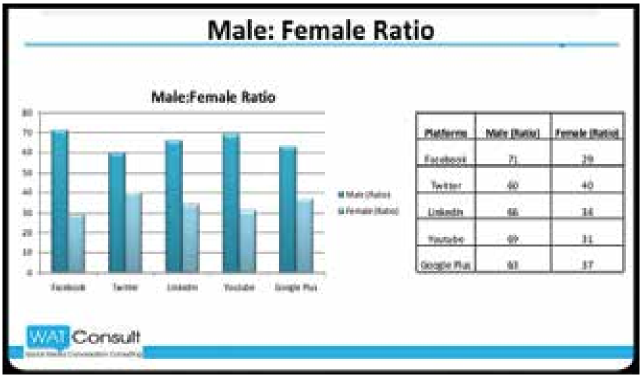
How to Overcome This Gender Gap

Simplified female specific health, life and annuity products with affordable cost and which are tailor made to suit the requirements of female to be rolled out by the insurance service providers.

Regulator has to assist and encourage female specific products to meet their needs and requirements.

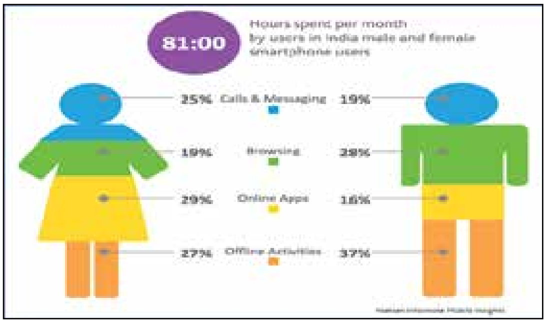
Exposure of Female in various digital platform have to be enhanced. The current Female ratio in digital platform is given below in pic 5.

Pic 5 Male Female Ratio in Social Media



The hours spent by women in smart phone is higher than that of men as detailed in pic.6. Insurance providers should use this as an opportunity and should develop mobile based female specific applications and insurance products and services to enable women population to purchase the insurance products.

Pic. 6 hours spent per month in smart phone\



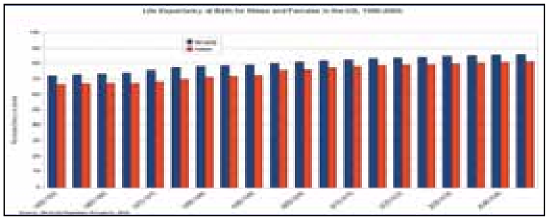
Social Security Administration, 2014 data reveals that widows and widowers aged 55 and older face greater financial challenges than married men and women. It is also reveals that 14.8 % widows live below poverty line as a result of losing one income compared to 12.1 % of widowers as detailed in Pic.7.

Pic. 7 Widows & Widowers below poverty line.

Along with other societal and biological risks associated with females lives, risk of living longer is also a perennial risk which has to be addressed by the Insurance providers by providing better annuity products which are to be designed specifically to meet the female population.

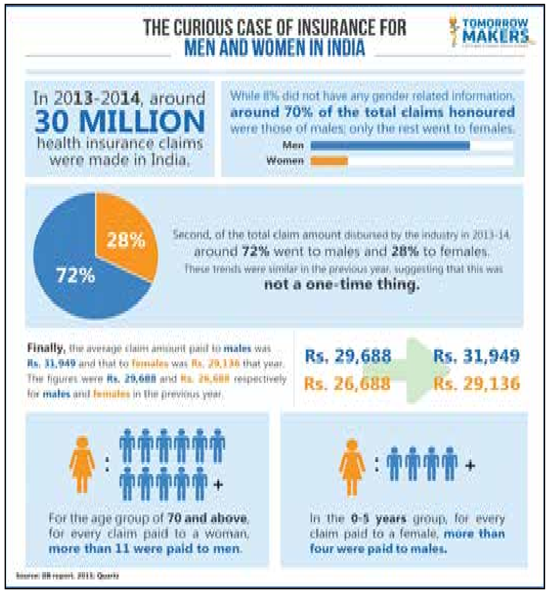
As per the UN World population Prospects 2008 Life expectancy of females are generally higher than Males as detailed in picture 8.

Picture 8 Life Expectancy for Male & Females in US 1950-2050



Apart from the above type of plans, focus and attention need to be given for health related products specifically suitable for females. The existing health products are mostly purchased and claimed by males as detailed in the picture 9.

Picture 9 Health insurance claims for males and females



Participation of women in Life Insurance Marketing has to be increased. As per IRDAI annual report 2018-19 currently, 6,03,208 women are working as agents in the Life Insurance Industry, making it 27.5% of the total individual agency force as at 31.03.2019. This number has to be increased and also have to play an active role in representing and driving to bring in the exact need and requirement of women population to the insurers and regulator.

Apart from women's participation in marketing, females should play a dominant role as senior executives of life insurance companies in deciding the products and understanding the needs of women, so that they can bring in products suite the needs of women.

After all, life insurance is often branded as a means of replacing lost income from one's job. But if a is mother looking after children and taking care of the household and preparing meals, how much would it cost for the partner if the mother is no longer there to manage? "Many people fail to understand how expensive it would be to replace the mother. One needs to discover the real-time economic price of the multiple employees that would be required to be engaged for the multiple roles played by her. The unpaid muti-tasking has enormous economic value, which as a concept has to be infused to the society from child hood stage and life insurance and need for insurance for women should be a part of school education for children.

Research has shown that women migrant workers are often more likely than men to remit on a regular basis owing to women's stronger links to family members and self-insurance motives underlining the link between a woman's gendered caregiving role in the household and her increasing propensity to remit.

Although many migrant women are highly skilled and well-educated, they face challenges in accessing foreign labour markets. Relaxation in employment restrictions for migrants coupled with the de-skilling prevalent in gendered labour markets and pervasive stereotypes associated with migrant women in countries of destination, has to positively impact their job prospects which will lead to income and lead to insurance protection.

Women have different needs as they grow. From birth of the girl

child, education of girl child, and various biological stages of life cycle of women including child birth and longevity of women demands and upsurge of new products or revamping the existing products to suite the various needs of women population in segments of life insurance, health insurance and annuity related products.

The Regulator has to play a pivot role to bridge this gender gap and to bring in more and more women to get insurance. A minimum count or percentage or proportion of total insurance in individual and group platform for females can be fixed by the regulator for insurance companies. Regulator has to encourage simplified and low cost products for women and self help groups and socially weak and self employed segments of the women population.

Conclusion

In today's day and age, women are empowered socially and are working shoulder to shoulder with men in almost every profession. Their contribution to household income has become very important to maintain the lifestyle and build better future for their children. Many women today have actually become the main breadwinner or co-breadwinners but when it comes to insurance, they unfortunately underestimate their own value and don't take financial protection offered by life insurance against many risks in life. Now, it is the need of the hour for the society, government and regulators and insurers to innovate new products and benefits and pricing structure and flexibility to meet the changing need of women population and also taking into account the upcoming changes and requirements of women to bridge the gender gap as quick as possible in the interest of the society and economy as a whole. TJ

Can Moments Marketing in Insurance Drive Penetration and Boost Growth?

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Introduction

India is fifth largest economy in terms of nominal GDP and it ranks third in terms of purchasing power. This sets the tone for insurance industry to penetrate the market. The insurance penetration in India is 3.76% of GDP in terms of the premium while the global average is 7.23%. In life insurance, India's penetration is a dismal 2.82% (world average is 3.35%). The penetration of non life insurance is 0.94% as against a world average of 3.88%. There is a huge insurance protection gap of 80 to 90% in India as per IRDAI Chairman Dr Subhash C Khuntia.

Indians seek life insurance more as investment tool considering protection benefit as a by-product. Life insurance penetration is 2.82% in traditional life insurance policies. Term life plans need larger focus and moments marketing can be used to popularize term insurance plans.

Today, technology has engendered customized and on-demand customer experiences. Yolo, an insurer, delivers on-demand products. This Italian startup has an app through which people can buy instant and pay-per-use insurance products –for travel, sports on a monthly basis. Trov is an insurer that allows insurers to buy insurance for laptop, camera or mobile device using an app. Lemonade, a US-based insurer sells low-cost insurance to homeowners has built a loyal customer base using a personalized approach. Thus, technology-based insurance selling is slowly picking up momentum. This is the right time for insurance industry to use digital communication technologies and social media to drive insurance penetration in India.

In this article, we shall be looking at what moments marketing is, its benefits and demerits and how use of moments marketing can be beneficial to insurance businesses.

Moments of Truth in Insurance

Consumer expectations of insurance focus on connectivity, immediacy, simplicity and a superlative experience whenever they interact with the insurance company. To better understand the customer journey and enhance customer experience, it is essential to optimize those moments that matter most to consumers and to insurance business. Moments of truth are make or break incidents that can influence a customer's decision. If these are executed well, customers will stay loyal to the business, else they will defect to competition.

Technology can play a role in ensuring consistent customer experiences. A low-touch industry is one that requires annual attention. Insurance is a low-touch industry. So, as the process occurs only once a year, a poor performance by insurance industry is easily noticed. Technology must be smooth and seamless for micro-moments.

Let us understand - someone is shopping for insurance. But he is unaware about insurance. He thinks it is a complicated subject and is looking for someone to help him through this process. Insurers must therefore be ready for the micro-moment.

The three important moments of truth in insurance are

1. The Quote process
2. Customer onboarding process
3. Claims process

Communication with customers must be clear, consistent and timely.

It is strange – neither customers nor insurers want claims. But when claims occur, it is important for both these stakeholders. Customers seek speedy resolution of their claims accompanied by clear communication about status. Insurers, worried about their bottom line seek efficiency and accuracy in claims processes and are keen to obviate the risks of frauds. A bad claims experience will destroy customer trust and will impact future business prospects. Insurance is not a business wherein customer has a daily interaction with the service providers. So, a claim is a real moment of reckoning for the insurance sector. If the sector only focuses on costs without worrying about customer experience, the sector will be at a disadvantage in the long run. This is the reason data driven and analytics enabled customer experience is crucial. This will lead claims to be transferred from a back office function into a source of competitive advantage for the insurer. Therefore, insurers must move beyond incremental improvements to look at how Insurtech firms are managing the customer experience. Speed,

Table 1: Moments of Truth in Insurance

Quote Process	Customer takes action based on information. They may compare information from competitors, so they must get an idea of value as early as possible. Is the information personalized? Is the information delivered via a channel that they prefer? What is the role played by agents, employees and brokers in the process? How can they add value?
Customer Onboarding Process	This process sets the tone for future expectations. Insurers are establishing a customer-centric experience. Every step has to be simple and meaningful. Insurers should avoid flooding customers with information.
Claims Process	The claims process is an emotional one for customers and should be as smooth as possible. Besides the use of digital communications, insurers must also deliver a greater sense of empathy towards customers assuring them of a seamless claims experience.

efficiency and transparency are characteristics of a quality claims experience. Insurers have to take advantage of data and use sophisticated analytical tools to improve financial performance and gain competitive advantage.

What is Moments Marketing?

Google coined the term Micro moment in 2015. Micro moments are critical touch points within customer's journey.

Consumers want to

- To learn something
- To do something
- To buy something
- To watch something

Customer loyalty has become more complicated. *Consumers are now under greater control of the shopping process. In case of insurance, customers can compare quotes from different insurers in a matter of minutes.*

The simplified version of the buyer journey:

Step 1: Become aware of a product

Step 2: Consider the product

Step 3: Buy the product

Google's research on micro moments

- "I want to know" moments - consumers are just beginning to contemplate a product or service
- "I want to go" moments - the second stage happens when they are actively researching and comparing products
- "I want to do" moments - the third stage is about getting things done, solving problems
- "I want to buy" moments - these occur when they are actually purchasing

It is only by understanding micro-moments that a business can have a better understanding of customer needs. There is a huge opportunity for insurance industry to attempt moment marketing. Google's advice, as highlighted in the "micro-moments" research came down to:

What do insurers need to do?

- Ensure visibility to consumers.
- Create useful content at the right time within the right environment
- Offer a great user experience, respond to consumer needs and keep listening

Example of Moment Marketing

Moments marketing can be used to drive awareness among consumers about insurance.

Future Generali India Insurance launched social media campaign #CoverTheDistance to emphasize on the need for social distancing during the pandemic. The video showed the importance of staying connected with loved ones. The campaign reached more than 15 million viewers. The insurer used moment marketing to increase awareness of health insurance products. The company assured its customers that they will provide uninterrupted services even during the lockdown.

Benefits of Moments Marketing

Often consumers take only a few seconds to make certain important decisions. Micro moment marketing targets focused interest of a buyer or a moment in time that is of relevance to that person. Mobile technology has made micro-moment marketing a reality.

Creating a connection with consumers when they are searching or reading about a particular trend or news is what makes moments marketing unique. Moments marketing is not a one-time process but an ongoing process. Brand visibility at various touch points reinforces ties with consumers.

Moments marketing can ensure greater brand recall and promote two-way communication. Technology has empowered consumers to take control of conversations directed towards them. This has made moments of marketing campaigns very effective. Micro moment marketing helps people to accomplish what they want to achieve in a particular moment. The moment of engagement must appeal to consumers.

Pitfalls of Moments Marketing

Brands are now attempting to create unique moments that customers can relish and remember by using digital platforms. This can improve customer engagement and elevate brand equity. However, if moment marketing falters then it can have adverse repercussions on business.

Moment marketing can elevate a brand's appeal but in case of insurance, miscommunication can adversely affect consumer sentiment.

What Should Insurers Do?

1. Stay away from negative publicity.
2. Use moments marketing to build trust
3. Wait for the right opportunity
4. Be authentic and honest to the brand promise
5. Do not exaggerate brand's communication

Insurers can pick up a trending topic on Internet and if this topic is aligned with the insurer's strategic narrative, then campaigns can be created around it - the victory of Indian team against the Australian team in Gabba. This can enhance brand recall. The challenge is to establish a connection between the subject matter and the brand attribute. In case of India's historic win, what attributes of insurance sector can be highlighted? Protection, fighting against challenges and emerging a winner, managing risks …celebrating these heroes, using them as brand ambassadors, sharing their success story, inspiring others … how did these cricketers face the challenge with mental tenacity and emotional intelligence … if these can be related to the brand values of an insurance firm … this will indicate successful use of moments marketing strategy. Trending opportunities can build brand salience.

To Sum Up

Changes in regulatory norms, changes in FDI limits and demographic shifts will need insurance industry to alter the way it conducts its business. There are more than 100 Insurtech startups in India reflecting the pervasiveness of technology in insurance operations. A growing middle class, a young insurable population (India's demographic dividend) and growing awareness about the need for protection and retirement planning will drive future growth of insurance sector.

Good moment marketing tries to achieve a fit between what a brand stands for and what the moment depicts. Brands must decide the appropriate moments that can be marketed and when they do indulge in moment marketing, brands must stay ahead of the curve.

Moments marketing should not be attempted just to create visibility - rather the genuineness of the efforts should sparkle and attract customer's attention. The moments have to be leveraged in an entertaining manner using storytelling and establishing an emotional connection with customers.

When insurers compete only on prices, commoditization of products and services is the result. Disruptive digital interruptions have begun threatening the traditional insurers. **Businesses must therefore understand the importance of pleasant experiences for customers during "moments of truth". But insurance business model is such that human interactions cannot be ignored despite digital developments. Insurers can offer road side assistance, give tips for safe driving habits, give tips for retirement planning.** Insurers must improve customer experience while contacting, reporting, and filing claims on the spot.

In the West, it has been well understood that insurance buying experience improves when consumers get the opportunity to talk to representatives to improve the customer experience. A research study by Google along with Shopper Sciences highlighted the following

- Insured can take a month or more to arrive at a decision to purchase a new insurance policy.
- Insured can compare premiums and information between different insurers
- An informative website plays a useful role

In case of health insurance, a moment of truth campaign can focus on making customers aware of the Do's and Don'ts of health care policy. Customer's experience must be simplified when they stake a claim. In case of health insurance, there is a gap between the customer's understanding of the product, terms and conditions of the policy and expectations. If this gap is bridged by insurer, he stands to gain.

By educating and empowering customers with useful information that can improve access to quality healthcare, insurers can build trust with customers. Using the concept of storytelling through videos, an insurer can reach out to customers. But effortless execution of the plans is important.

Enhancing value at every stage in the customer journey is possible through a robust content marketing strategy.

1. Use of blogs and user guides as part of brand building
2. Answering questions of customers to clarify their doubts
3. Staying connected to existing customers
4. Planning strategies to win over new customers
5. Enhancing search engine optimization
6. Attractive website – easy to navigate
7. Email marketing
8. Use of social media channels
9. Use of videos that are impactful

Insurers must be available to customers at the time that customers need them. We can learn lessons from the FMCG sector that pursued innovations and new product launches during the pandemic by exactly understanding the customers' needs. Production schedules were altered to manufacture those products on priority that customers needed - be it masks, face shields, sanitizers, surface disinfectants etc. Even those organizations that were manufacturing paints and perfumes began manufacturing sanitizers and disinfectants. They sharpened their knowledge curve to stay ahead of the competition. This made perfect business sense. Reviewing the business models to suit the needs of the market and being responsive to the needs of a rapidly changing market dynamic is what is needed to sustain in the market. When companies show that they care about customers, communities and environment, customers reward such companies with repeat businesses. Customers will express their gratitude by patronizing those organizations that stepped in to alleviate their problems and offered solutions. The E-commerce sector in India did exceedingly well during the pandemic and their demonstration of customer-centricity was clearly visible.

The insurance industry cannot be compared to the FMCG sector. However, the insurance sector must imbibe lessons learnt during the pandemic. The insurance sector must continue to innovate with new products, new processes and revamping of their business models. Every touch point during the customer journey must be mapped well to maximize customer satisfaction.

In insurance, payment of claim is regarded as the moment of truth. In digital era, insurers must not think of a single moment but several moments of truth. These moments of truth will increase companies focus on customer engagement. Technology must be used to simplify the underwriting process and ask relevant information from customers. Interactions between insurers and customers must happen more and every time an interaction happens, a moment of truth gets recorded.

What needs to be remembered that insurance selling is not about selling policies alone. It is also about giving assurance to customers that the insurance sector will step up when customers need them the most. The claims experience of customers must be unmatched. There are fraudulent claims, no doubt. But this cannot be the basis for treating all customers alike.

The key to win in a tough market is personalization. Experts have pointed out that the moment of truth for an insured is when he receives a claim as committed by the insurance firm. As part of the onboarding process, customers must be briefed about the dos and don'ts and expectations must be clarified to avoid a misunderstanding at a later stage. The claims process has been one of the weakest links in the insurance industry. As insurance business is based on mutual trust, a bad claims experience of customers will make them lose trust in the insurance firm.

Insurance industry must create awareness about insurance policies by thinking out-of-the-box. Use of videos and social media marketing will reap rich dividends in the long run. The sector must also launch educational initiatives aimed at winning the confidence of customers. For example - what does LIC do with all the premiums collected? If customers are informed about the various investments made by insurers for capital appreciation and to support national development programmes and if they can ensure that they are able to pay claims to insured as committed, this will go a long way in making customers feel comfortable.

Insurance industry must use service quality as a lever to gain competitive advantage. If the sector can reach out to the customers when they need them the most, they can win customers' trust and continued patronage. Community initiatives undertaken by insurance industry must be socialized with customers but this should not look like a blatant marketing effort. The challenge here is to communicate a message that is relevant to the audience but is also subtle at the same time.

Amul has been using moments marketing since the last so many years. Parle, Fevicol, Uber Eats and Zomato are brands that have successfully leveraged moment marketing.

Customer journey has ceased to be linear after invasion of technology. Now decisions are made by customers in real time. Using data to understand customer experience is integral to success. Customer insights across platforms are needed to understand customer behavior at every point in the customer journey. This can build brand loyalty and increase sales revenue.

Moments-based marketing relies on next generation marketing technology. Insurers have to provide solutions across platforms that can simplify the customer journey across multiple channels.

Advertisements across channels have to take current events into consideration. Initially, moments marketing began as a way of connecting with viewers online and offline. Companies have to monitor viral trends, observe national events related to sports/ cinema etc., and create an interesting social media campaign that can engage consumers. If insurers can gain knowledge about what will connect best with customers, efforts in moments marketing will meet with huge success.

Moment marketing, as a strategy, will be increasingly used in the future as businesses scramble to garner attention from fickle and fastidious consumers in an attempt to drive greater customer engagement. Using automated tools, effectiveness of moment marketing initiatives can be measured - number of mentions received by a brand, nature of conversations generated by the brand, sentiment (positive, negative or neutral) surrounding the conversations. TJ

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Achieving Quality Excellence in Insurance

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Abstract

Considering customer expectations and being cost effective are key considerations to running a sustainable insurance business. Although this business today faces a lot of challenges, the above considerations can both be achieved through the use of TQM techniques of Lean and Six Sigma.

Keywords

TQM Application Areas - Benefits - Obstacles.

Introduction

Creating a sustainable insurance business requires the consideration of two vital aspects. First is to build and sustain customer relationships by delivering value[1]. The second is to remain profitable or “in the green” i.e. to be cost effective. Cost effectiveness via cost reduction is an intrinsic activity for a company while value creation is extrinsic, that is to say, it is how a customer perceives the entity. It is vital for a company to take into account customers' expectations (i.e. value) in order to create strong relationships with them. This is where quality plays a critical role. It adds to a company's competitive advantage and its long-term profitability.

Unique Challenges

The insurance industry today faces monopolistic competition (substitute entities sell similar products through product differentiation). It means that with any increase in price, the demand for the product will fluctuate greatly due to the availability of choice. This not only eats into profits but also makes the task of increasing the company’s customer base and therefore its top-line a challenging one. Few of the key area challenges are explained below.[2]

Underwriting

This is a process whereby the company decides to undertake the financial risk. Today, most of the data received by underwriters is unstructured on account of the varied sources through which data is gathered (proposal form, email, images, WhatsApp chats, etc.). Separating the relevant information from the rest is not only a time and energy consuming task but could also impact risk assessment.[2]

Customer Expectation

Due to greater levels of consumerization and increased competition in an already competitive market space customer expectation is at an all-time high. To keep customers happy, there is an urgent need to reduce customer waiting time.

Claims Processing

Companies review claims for determining validity of pay-out. Severity of the claim is an important factor to be considered by the reimbursement department. Insurance fraud can lead to financial loss for the company. Damage estimation is not easy as at times bias may enter the process.

Policy Administration

Accounting and record keeping of all policies written by the company is a basic requirement. It also includes processes like rating, issuing, endorsements and renewals. A lot of the time, insurance companies have administration systems that are inflexible, expensive, stunt growth and do not meet requirements of complex covers such as marine, fire, etc.

Sales & Marketing

Lack of trust stemming from non-payment of claims, long claims' processing time, lack of awareness of the need for insurance, increasing consumer protection regulations due to incorrect selling of insurance policies are some of the major challenges facing an insurance company. There is also considerable difficulty faced in sales forecasting. Additionally, companies face challenges in Cross-selling / Up-selling to customers.

Actuarial Services

In insurance, actuaries deal with creation of life tables, mortality analysis, compound interest rates and annuity pay-outs. This is the quantification of risk using probability and has a direct impact on the financial bottom line. Traditional actuarial analysis process slows down response to customer demand and drives up insurance product prices in the long run.

Product Development & Pricing

The insurance industry is based on statistical & actuarial models keeping in mind price elasticity. Developing customer churn models is difficult due to varied reasons for switching insurers. Products also need to be developed to suit the needs of an aging population. Reducing interest rates on long term debt securities pose additional challenges thus affecting revenue streams.

Given the long list of challenges faced by insurers/insurance agents, let's take a look at TQM and its application areas.

TQM History & Techniques

Companies in their pursuit to become the best evolved newer and more guaranteed ways of achieving the quality objective. TQM is one such technique. Total Quality Management (TQM) believes customer satisfaction to be the way to achieve long term business success.[3] It focuses on attaining quality by improving processes, products/services and organisation culture.

In the 1950s, TQM was first applied in Japan under the guidance of W. Edwards Deming.[4] Through his teachings, Deming influenced a new generation of top management personnel in Japan. In their effort to rebuild their industries and its economy post WWII, the Japanese industrialists realised that a serious push was needed to improve the quality of their products. A number of Japanese manufacturers applied Deming's teachings and achieved unheard levels of quality and productivity. The combination of improved quality and lowered costs allowed Japan to develop international repute especially in electronics and consumer goods.

Deming stressed that quality improvement cannot happen without organisational change. Upper management must be committed to quality and they need to create a system to support this commitment all while involving employees and suppliers. Deming pioneered three ideas while in Japan.[5] They are as follows:

1. PDCA Cycle:
   - Plan – Defining the problem
   - Do – Training and execution
   - Check – Evaluating the results of the implementation based on metrics
   - Act – Taking corrective action to bridge the performance gap
2. Deming pioneered the power of 'managing by fact, not by gut' through the use of statistical techniques for quality control.
3. Differentiating between controllable and uncontrollable errors so as to eliminate the controllable errors.

Deming's 14 Points on TQM (in brief) that increases quality and productivity are as follows:[6]

1. Adoption of a new philosophy that strives towards improvement that is constant and forever.
2. Instituting leadership which is distinct from supervision.
3. Focusing on training on the job, instilling self-improvement, driving out fear and eliminating roadblocks to pride of workmanship.
4. Removing the barrier between departments by treating departments as internal customers.
5. Eliminating management by objectives (i.e. setting targets which encourages delivery of poor quality)
6. Moving towards a single supplier for one item and ceasing dependence on inspection.
7. Recognises that transformation is everyone's job.

Lean System Techniques

Charles Darwin has said, "It is not the strongest of species that survives nor the most intelligent but the one most responsive to change". A lean system empowers this. As per lean philosophy, there are two kinds of activities. A 'Value added' (VA) activity is one that delivers a satisfactory product/service to the customer and 'Non-Value Added' (NVA) activity is one that does not. NVA activities are removed from the system so as to reduce wastages and consequently costs. A lean system is an organized method that strengthens VA activity, and minimizes NVA without sacrificing productivity. It optimises workflows through strategic procedures. A lean system enables adaptability. An organisation is essentially a chain of activities which are interrelated and interdependent. Value / benefits that a customer derives accumulates over the entire chain of activities.

There are seven types of wastes here: Overproduction, Inventory, Waiting, Motion, Transportation, Defects and Over processing.[7]

McKinsey & Company made the following findings regarding long term benefits of Lean in Insurance:[8] Increased efficiency to the extent of 20% - 30%, reduced cycle time across various business lines by 15-20%, reduced error rate by 90-95%, increased customer satisfaction by 15-20% and improved return on equity by 20%.

Six Sigma Techniques

Six Sigma is a quality improvement technique focusing on eliminating defects that affect customer satisfaction. The premise is that by measuring defects in a process, an entity can develop ways to eliminate them and thus practically achieve zero defects. Six Sigma measures process performance, the goal being to achieve Six Sigma.[9]

Numerical Concept of Six Sigma is as follows:[10]

Level of Sigma	Defects per Million item produced	% Defectives	% Accuracy
1 σ	6,91,462 defects per million	69%	31%
2 σ	3,08,538 defects per million	31%	69%
3 σ	66,807 defects per million	6.7%	93.3%
4 σ	6,120 defects per million	0.62%	99.38%
5 σ	233 defects per million	0.023%	99.977%
6 σ	3.4 defects per million	0.00034%	99.99966%

Six Sigma can be thought of as an extension to TQM with a focus on defect reduction.

There are 2 approaches for Implementation:[11]

a. DMAIC for existing processes/products/services

Define	Defining the goal to be achieved with consistency to overall entity strategy
Measure	First measure existing performance to facilitate comparison with redesigned process
Analyse	Causes of problems identified and its effect on service quality determined
Improve	Redesign existing process to deliver better performance
Control	Variation in performance should be carefully studied to make improvements

b. DMADV for new processes/products/services

Define	Same as in DMAIC
Measure	Identifying key factors to measure success and the lay down standards of performance to facilitate comparison of performance
Analyse	Analysing the performance of alternatives and selection of the best alternative
Design	Designing a detailed plan of action for implementation of the best alternative
Verify	Verifying the results of the six sigma process to understand whether desired outcome is achieved or not (using quantitative techniques like simulation)

In the next section, we shall see the application areas of TQM techniques to common challenges.

TQM Application Areas

Underwriting

By applying six sigma principles, companies can reduce average handling time for Underwriting. Also, distribution curves can be statistically determined for more optimal underwriting. Rule driven decision making and straight-through processing helps improve compliance to regulatory requirements.

Using Lean techniques, insurance agencies/carriers can support smoother flow of data and information providing consistency in support and better performance metrics.

Customer Expectation

Six Sigma can be used to accurate interest calculations on annuities. In order to reduce customer wait time, digitization can be leveraged which can help customers become channel-agnostic. This helps improve overall customer experience.

Claims Processing

Six Sigma can help standardising claims submission procedure resulting in reduced follow-up and one-time complete information submission. Thus, it would help reduce overall Turn Around Time for Claims Reimbursement. Improvement in customer satisfaction can be achieved through standardising performance procedures and reducing delays[12] By applying lean principles to automate cashless claims routing, companies can achieve overall reduced claims processing time by enabling straight-through intimation of claims by customers/agents. Customer touch points can be enhanced through online claims settlement / pay-outs journey.

Policy Administration

Lean principles can be applied to automatically initiate policy renewals and thus reduce waiting time. Improved TPA coordination and processing can be achieved through system integration. Delays in accounting and record keeping can be reduced through holding fewer customer requests in "wait-queue". Timely and accurate payments tracking can be made for agent commission/rewards, hospitals cashless disbursements etc. along with performance.

Sales and Marketing

Six Sigma techniques can be used to monitor performance of channel partners, their claims ratio etc. By applying lean, better Top Line can be achieved through creation of automated proposal generation. Marketing budgets can be reallocated by region based on distribution curve.

Product Development & Pricing

Six Sigma can be applied to reduce error margin while developing new insurance products that meet customers' needs and company profit goals. It can also be used to reduce margin between committed outflows and future earnings of interest. Lean methodologies can help reduce overall risk using predictive data analytics for identifying potential fraud coordination. Also, competitive pricing can be achieved through better customer acquisition based on prior claims-experience.

Improved efficiency frees up time, thus allows employees to focus on quality service leading to improved customer relationships. Another added advantage is that it allows the prioritisation of tasks thus enabling employees to not only concentrate on the most important ones first but also to distribute their workload evenly throughout the day.

TQM Benefits

Customer Excellence

TQM results in higher customer satisfaction through reduction in waiting and queuing time and prompt resolution of customer complaints. The goal is to resolve the complaint on the first contact and if not then latest by the second contact. Regular customer surveys are used to track customer satisfaction levels.[13] Since TQM is customer-centric, processes are rearranged for higher quality services. A satisfied customer increases an entity's sales and thereby its market share. A happy customer has a lower probability of switching insurers and serves as the best source of advertisement.

Operational Excellence

Companies that adopt TQM, hold regular training, workshops that improve transparency which makes employees kept abreast of customer satisfaction/dissatisfaction levels.[13] Employee reward programs are implemented to motivate project completion and regular feedback provided to employees via departmental meetings permits continuous and sustained improvements. Responding to customer complaints and resolving their problems quickly along with identifying root causes of problems helps identify issues in internal processes. It enables effective coordination, eliminates unproductive activities, reduces the entity's Loss Ratio, contributes to profit and increases employee satisfaction.

Financial Profitability

TQM stream-lines processes, reduces errors and wastages to a minimum if not completely, emphasises on continuous improvement; all of which lowers an entity's outflows. It encourages innovation, information driven decision-making and makes the entity more conscientious towards all stakeholders especially the environment. This builds reputation and goodwill for the entity which in turn contributes to higher sales (inflows) and thus profit.

Employee Happiness

TQM stresses on the importance of continuous improvement. Every single employee shares a responsibility towards quality. TQM highlights the importance of training and education.[13] When employees are educated and well trained, they not only improve their own performance but also deliver good quality products/services. Training and education give rise to more productive, motivated and satisfied employees. Thus, employee turnover is lower. This allows the entity to quickly adapt to changes thus adding to its competitive advantage. Access to key metrics of performance such as targets sets, actual performance and customer feedback must be given to employees. This allows them to identify flaws, offer suggestions for improvements, motivate them and thus achieve entity goals.

Partnerships

Good quality inputs give rise to good quality output/services. In TQM, hospitals, doctors, third party administrators, reinsurers are made a part of the product/ service development so as to take advantage of their expertise and to ensure that quality inputs are always delivered. This also encourages everyone to get on board the TQM train themselves.

TQM Obstacles

In order to implement TQM, following obstacles / preparations need to be kept in mind:[13]

1. Since TQM leads to changes that are permanent, before it is implemented the outcomes must be defined and cause and effect relationships must be examined.

2. Employees need to accept projects more readily when success is defined in measurable terms (target v. actual performance).

3. Top Management must be committed and must treat TQM programmes as a priority. It must be applied across the entire organisation but should be tailored to meet the requirements of individual departments.

4. The biggest threat to the success of TQM / Lean / Six Sigma is the resistance to change. This can be countered by making employees a part of the implementation process. Informing employees of the expected goals of the improvement project allows them to understand the extent of improvements required.

Impact & Conclusion

In the long run, adopting TQM Techniques would help insurance companies to improve customer satisfaction, employee satisfaction, automate & optimize IT workflows, reduce loss ratio (claims paid and reserved / total premium paid), improve claims handling through standardisation, reduce claim cycle time, reduce system complexities thus making it more adaptable and flexible.

From the above discussion, it can be concluded that TQM techniques enable insurance companies to strengthen their strengths (Lean) while weakening their weaknesses (Six Sigma) thus helping them to recognise new opportunities and take full advantage of them. TJ

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Emerging Risks in Insurance – A Futuristic Scenario

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Insurance is a business which has risk as its core element. We insurance professionals assume risks, cede risks, transfer risks and pool risks on a day to day basis. Risk is the raison de atre of the very existence of insurance companies. Risk management is the primary activity of our business which has many facets- assumption of risks, cession of risks, transfer of risks, pooling of risks, forecasting of risks etc. In a relative comparitive perspective with other activities mentioned above, forecasting of risks primarily portends to the future scenario even though other activities also have implications for the future and their probable impact on the future is assessed both at micro and macro levels at the time of making both routine and strategic decisions. Forecasting of risks spans a vast multitude of activities primarily aimed at analysing the wide gamut of risks from a futuristic perspective viz envisioning the development of risks & their impact, likelihood of changes in behaviour of known risks & their implications, compatibility of the current risk management techniques & systems in vogue to effectively combat unforeseen risks and evolving risks.

All the major stakeholders in the ecosystem of insurance business are subject to various risks whether be they insurers, intermediaries,reinsurers or insureds. Each player evolves its own set of risk management techniques namely risk transfer, risk pooling, risk management etc. Forecasting of risks supplements all the above techniques. Insurance business is influenced by various factors.The emerging political scenario, the breakthroughs in technology, the deveopments in the economy, novel management techniques, demographic factors, everchanging regulations and statutory changes all have their impact on the insurance sector. The travails and fortunes of one set of players in the ecosystem impacts the other. For eg., a severe impact of a catastrophe or a major event that affects reinsurers will impact insurers, intermediaries and even the insureds. The reinsurance market may move from a soft market to a hard market, impacting the pricing of risks and having a consequent influence on the insurers and the insureds.

We live in an everchanging dynamic world. Change is a constant phenomenon in modern times which governs the global order. Gradual and intermittent change with far reaching implications or a single cataclysmic event like a terrorist attack or a pandemic with an evanescent affect; all have a profound impact. We shall envision the emerging scenarios in insurance by studying the following risks/ trends:-

a) The political scenario
b) The economic ecosystem
c) Tectonic shifts in technology
d) The climatic changes
e) Influence of social media & internet
f) Cyber risks
g) Pandemics

a) The political scenario

The political scenario has a profound impact on all the sectors of the economy and insurance is no exception. Changes in policies, in governments, global relations etc. all influence the insurance sector. Both macro and micro political events assume importance for the sector. Political events all over the world may have an impact on the entire spectrum of the insurance sector. e.g., political turmoil in say the Middle east may cripple the economies of that region. This may reduce the sovereign wealth of the nations of that region which may reduce the flow of investment into the Alternate Risk Transfer instruments for the global reinsurance sector. This may lead to a shortage of capital or an increase in cost of capital for the entire global reinsurance market. It may result in hardening of rates for reinsurance driven risks across various geographies including India. A seemingly innocuous event like political turmoil in the Middle east may have repercussions on the pricing of a risk in India. This is due to the interconnectedness of the globe. This is the new global order. The unpredictability of the occurrence and the magnitude of any political event is the biggest problem with such scenarios. One cannot have any forecasting techniques or matrices to predict or even envisage the occurrence of any political event. Grave and devastating occurrences like wars, terrorist attacks, embargoes etc are even more difficult to envision. Even relatively gradual events like Brexit are difficult to fathom and endure. Moreover, insurers and other players are not prepared for such events. The element of uncertainty of the occurrence of a political event is a big threat to the plans of the insurers. Many insurers try to avoid political perils like war, civil war, terrorism risks, nuclear risks etc as they are perils which may impact the entire gamut of risks should they occur and if they are covered. Due to avoidance or minimisation of exposure to such political perils the underwriting risk is minimised but classes of business like Marine insurance, film and event insurance, political risks insurance and even property/casualty insurance bear underwriting risks due to political factors. Apart from underwriting risk, political factors cast their influence on other aspects like reinsurer risk, economic risks, market risks, capital risks etc which may affect not only business operations but also may impact investment income, capital raising activities etc. A peek into the history of the world over the past 30 years revels a number of major unforeseen events like the Gulf war, the 9/11 terrorist attacks, Brexit etc. which have had a wide reaching impact on the various facets of insurance. These events were mostly not foreseen with reasonable uncertainty. So, insurers need to factor in unforeseen political events which may occur in the future and be prepared for their consequent contingencies by incorporating this element in their planning activities.

b) The Economic Ecosystem

The insurance sector is a sub-set of the economy. Hence, it is significantly influenced by it as well. A changing economic order calls for a modification in the approach of the insurance companies. The global economy is moving towards a lower interest rate regime. In countries like Japan and Denmark, the interest rates are at sub-zero levels. In US, the interest rates are plummeting and are moving closer to zero. Even in high growth economies like India, the rates are on a downward march. The lower interest rate order has ramifications for the insurance sector. It results in lower investment income and is a risky scenario as insurers globally are dependent upon investment income to generate profits. This calls for better underwriting prudence as insurers will have to improve their combined ratios in the emerging scenario to maintain the same level of profitability. Due to the ongoing global economic slowdown, exacerbated by the pandemic, the world might face a shortage of capital which will have ramifications for the growth of the insurance industry in the medium term. Insurers will have to adopt to the new scenario by tapping novel sources of capital or by resorting to a less capital intensive strategy.

c) Tectonic shifts in technology

Probably the most profound impact on the practices of the insurance sector will be due to the emerging technological trends. Innovative technologies are bringing about a paradigm shift in the global economic order. Breakthrough innovations are disrupting the existing practices in almost every sector. The realm of insurance is very much influenced by the technological trends as insurance carriers alleviate the risks of other sectors vide various instruments. The advent of new technologies like Internet of Things, Nanotechnology, driverless cars etc. will not only issue a clarion call for change to the existing risk management practices but also will emphasise the need to devise new insurance solutions for the insureds. Let us examine some of the latest and wannabe technological trends & their likely impact:-

i) Internet of Things

Internet of Things is a system in which devices connect with each other, communicate with each other and exchange information via the Web. This technological system will have wide ranging applications in smart homes, household devices & security, household and consumer appliances, healthcare systems, vehicles etc. It is even used for military purposes. The devices which communicate with each other may belong to different parties. In the Internet of Things system, the companies collect and store information pertaining to various parties in the cloud and use the data for various purposes. This poses various threats to security as well as the privacy of the data. We live in an age wherein cyber attacks & incidents of hacking are becoming more frequent and commonplace. The consequent liabilities for data breach and privacy breach will be on the companies and their insurers. Any sort of breach to the private data or a hacking incident may lead to claims under Cyber liability and Crime Insurance policies. Medical devices are also interconnected. This may lead to claims under Professional Indemnity policies of doctors and Medical establishments in addition to claims under Cyber

Liability and Crime Insurance. Medical devices can also be remotely controlled due to the phenomenon of IOT. Parts of automobiles which are highly utilitarian and sensitive like brakes, engine, locks etc. are also connected to other devices and can be remotely controlled. This may have ramifications for several classes of general insurance like product liability, Motor Vehicle Insurance, Motor Third Party Liability, Accident Insurance etc. If the devices are hacked, the incorrect information may be exchanged deliberately which may result in severe destruction and damage. This may lead to property losses as well. This technology is a nascent one. Hence, the probable risks are uncertain and cannot be established with any reasonable degree of accuracy. The technology is very sparsely regulated. All these elements aggrandise the risk factors and pose formidable challenges for the insurance sector.

ii) Nanotechnology

Nanotechnology focuses on utilising minute particles such as molecules, atoms & their structures in industrial applications. It is applied in various industries like Medical Technology, food products, cosmetics, clothing, household appliances etc. It is a highly resourceful technology and pervades across a wide range of industries. However, nanotechnology& its applications are highly toxic and pose hazards for the environment and its inhabitants including humans. Carbon nanotubes could be as harmfu as asbestos. Nanotechnology in the near future could morph into a phenomena similar to the one faced by the insurance industry for asbestos a few decades ago. Nanotechnology and its widespread usage may result in increased claims in classes of business like health insurance, Employer's liability insurance(due to higher incidence of occupational diseases), product liability, product recall etc.

iii) Driverless cars

Driverless cars are cars without drivers. They are wholly technology driven and automated. They were only in the realm of fantasy a few years ago. But, now they are a reality and a technological marvel, a testimonial to the development of automation and artificial intelligence. They are a precursor to the futuristic trends in technology wherein automation & artificial intelligence may disrupt the way we live. Driverless cars will not only change the way we commute but also will change the very DNA of Motor Insurance. Driver less cars are touted as a technology which will drastically reduce the number of accidents on the roads. A number of accidents happen due to human error and if human mistakes are eliminated by replacing the error prone humans by a flawless technology, a significant number of accidents can be avoided. This is of course based on a well backed assumption that the technology will develop to the extent envisaged. At first glance, this may appear to be a conducive development for Motor Insurance. As the number of accidents decreases the claims will drastically reduce. However, in a competitive market even the premium will reduce significantly. The Motor insurance portfolio will shrink and so will the entire sector as the Motor insurance portfolio forms a significant component of the entire portfolio of the sector. This will lead to fewer funds for investment and smaller balance sheets. Driverless cars also have tremendous implications for Motor third part liability insurance. Currently, the TP liability is being fixed on the driver/owner of the vehicle and the underlying risk is being transferred to the insurers. As the cause of the accident is primarily due to human error, the liability for negligence will be on the owner/driver. In case of driverless cars, the cause of the accident will most likely be due to technology failure or security breach of the technology/ software driving the vehicles. This will be due to product failure or security breach for which the owner/driver will not be responsible. In future, the Motor TP liability will be fixed on the manufacturers. So, the add-on of technology failure which is a small component of the product liability cover will occupy centrestage in times to come. The entire pattern and the policy coverage of the product liability/recall cover of automobiles will undergo a metamorphosis. The insurers may include the above cover under a traditional liability cover or under a separate policy. A lot will depend on the number of accidents which are likely to occur after the phenomenon of driverless cars becomes widespread. The statutes also need to be changed to reflect the changing reality. Of course, if there is a huge reduction in the number of accidents then matters may not be that complicated in terms of the changes required in the various facets of liability insurance viz. Acts governing Motor liability, Motor TP insurance, Motor OD insurance, Product liability, Product Recall etc. But, there is also a possibility of the driverless cars being prone to hacking incidents because of the inbuilt technology/software like internet of things etc. This may lead to an increase in the number of accidents happening due to novel risks like hacking etc. which will necessitate changes to the way traditional insurance products/ risk management measures are developed.

Other technological trends like automation, artificial intelligence, robotics etc. will have an impact on the insurance sector in several ways. Several traditional jobs would be displaced. This will reduce the paying capacity of the insureds for personal lines of insurance like householders, travel insurance, health insurance etc. At the same time, insurers will be required to design new covers for the sophisticated machinery and robots endowed with artificial intelligence.

d) Climatic changes

Climatic changes, notably rising temperatures due to global warming, are wreaking havoc across the globe causing widespread damage, destruction and affecting various groups like humans, biodiversity, fauna, flora etc. The effects of these changes on the economy in general and the insurance sector in particular are enormous. Climatic changes are leading to a higher incidence and greater severity of natural catastrophes. They include not just more storms & a higher level of precipitation but also occurrences like wildfires. All this is leading to higher losses in the property and casualty segment. Higher temperatures, especially unforeseen heat waves in Europe, lead to reduced crop yields which have an impact on classes of business like crop insurance. Climatic changes impose greater stress on animals which may lead to higher claims in cattle insurance. Natural catastrophes and their consequential impact are not a new phenomenon to the insurers. However, the increased severity and the greater frequency of the events coupled with the element of unforeseability and unpredictability is rendering conventional models like Cat modelling obsolete. Due to these reasons, past experience is not an adequate or an accurate guide to future decision making. Insurers and reinsurers will have to prepare for the unpredictability of the incidence and magnitude of the events. They have to adjust their business models accordingly. They will have to evolve new tools and techniques to accurately forecast the risks of climatic change.

e) Influence of social media and internet

The advent of social media has led to more connectivity and communication across the global population. The social media platforms lead to greater interaction amongst the persons who are unknown to each other. Several people with no prior acquaintance come together and communicate. Views and opinions are exchanged. People are influenced by the opinion of others. A single disgruntled customer can malign an insurer's reputation by spreading negative views of the company. This afflicts various sectors and insurance being a service oriented sector cannot be unscathed from this phenomenon. This is also a platform for people to learn about new products, services etc from each other.

f) Cyber risks

Cyber risks are another potent form of risk which is a major cause of concern for a wide swathe of industries. Incidents of hacking, incursion of malware etc. are becoming very commonplace. This risk is posing a tremendous challenge to information security and insurance professionals. Banking and finance, insurance companies, I.T. Industry viz. sectors which store personal data of customers and possess data/ knowledge which can be categorised as intellectual property are at the greatest risk of a cyber attack. Insurance companies which are providing cyber covers to their clients have the twin responsibility of protecting the privacy and data pertaining to their customers and also providing adequate cyber cover to their clients. Cyber risks are not just increasing in frequency but also getting much deeper in penetration i.e. more systems are affected and are deeply affected in case of a cyber attack. Hitherto, cyber attacks have been of two types viz those affecting more systems but not deep in penetration or deep in penetration but affecting fewer systems. The apprehension of cyber experts and insurance professionals is about what would happen if a cyber attack which affects more systems and is deep in penetration at the same time were to simultaneously occur. The occurrence of such an attack is not entirely improbable scenario for the insurers. The occurence of such a scenario will lead to a cornucopia of claims in terms of both magnitude and number for the insurers. This is because cyber insurance and crime insurance policies are becoming more common and the limits of both the covers given to clients are also indicating higher trends. The add-ons and expanse of coverage is also wider as compared to what they were a few years ago. This may result in large and unforeseen pay-outs for the insurers. Cyber incidents also affect a number of insureds at the same time across the globe. An incident affecting several systems across the globe with deep levels of penetration will have a debilitating impact on insurers and reinsurers across the globe. This calls for a better level of preparedness for such events by resorting to solutions such as non-proportional covers such as excess of loss covers, pooling of risks etc.

g) Pandemics

We are all in the midst of a global pandemic. A pandemic of such gargantuan scale and proportion with wide reaching consequences has occurred after several decades. The pandemic has affected a significant number of the global population. Normal lives and economic activities have been disrupted on an unprecedented scale. This has several consequences for the insurance industry. Claims in health insurance and life insurance have increased beyond the normal forecasts of the insurers. Due to the imposition of the lockdown, economic activity in general has been muted and there is a significant dent in economic demand. Claims under professional indemnity policies of doctors and medical establishments may also go up in the coming months. The growth trajectory of the insurance companies may be affected at least in the medium term. Pandemics have been categorised as an emerging risk by this article despite the fact that it has already occurred because the extent of the impact of the pandemic is not known yet and we are all still uncertain as to how long the pandemic will last. The consequences of this pandemic may have a dire impact on various facets for a longer time than we can imagine and also have a much more significant effect than we can envision at the moment. This makes the pandemic an emerging risk at least or the near future. Occurrence of another pandemic cannot be ruled out. Besides, even in the earlier years there have been pandemics which have portended to a frightening scenario. The H1N1 virus and viruses like Ebola, Sars, Mers etc have pointed to a pandemic like scenario which we are currently facing now. These have occurred only a few years ago, just in the immediately preceding decade or decades. Despite this, the level of preparedness of the global order and the insurance sector for Covid-19 is very sub-optimal to say the least. This pandemic has, and will further create a deep impact on the claims outgo for various classes of businesses viz. life insurance, health insurance, event insurance, professional indemnity of doctors and medical establishments, film insurance etc. So, insurers will have to develop financial and non-financial interventions to counter such risks which pose a threat not only to the underwriting models but also lead to reduced business prospects, contraction in the balance sheet, lower profits etc. due to their overall impact on the economy and the society at large.

h) Other emerging risks

There are other emerging risks like statutory changes, changes in regulations, alternate forms of risk management etc. Changes in statutory provisions, enactment of new laws, novel regulations are risks for which insurance professionals have to be geared up to face. Regulations of other sectors also influence the operations of the insurers. Some of the regulatory changes can be foreseen. Others cannot be predicted with ease. Changes in statutes, regulations, enactment of new laws etc. are eventualities over which the insurance sector has no control. Neither is it in a position to predict the same. Insurers will have to evolve business and operational models to endure such changes. Several other changes could be on the anvil for which the industry needs to be prepared. Peer to peer insurance could be a game changer over the years. And this is a phenomenon which is emanating beyond the insurance sector. Because of the advent of social media, several individuals without any prior contact or acquaintance can come together and pool risks. This may reduce the need for insurance altogether. Peer lending is already happening although on a minute scale as compared to the overall lending activity. Though there are several roadblocks and constraints for peer to peer insurance to become a formidable force, the development of such a scenario in the future and its impact on insurance cannot be ruled out. The social media platforms facilitate such developments. Demographics is another aspect which the insureds need to be prepared for. Demographics impact the economy in general and the insurance sector in particular in various ways. Classes of business like life insurance, health insurance etc. are widely impacted by the changing demographics which influence the insurance needs, types of coverage, pricing etc. in a significant way. Demographics also call for changes in business strategies to various age groups depending on the evolving needs and requirements of each group and their varying thought processes.

The futuristic trends pose enormous risks for insurance. But, at the sam time they present opportunities as well. There are various opportunities for devising new types of covers as we are faced with novel and nascent risks. Technology can be leveraged to provide more efficient and better levels of service. More frequent and better communication with the customers is enabled because of technology. Insurers need to foresee the emerging risks with an adequate degree of accuracy and devise strategies to minimise the effects of the risks creating opportunities from such scenarios to enable the growth and development of the insurance business. TJ

Biotechnological Approach for Evolution of Insurance Business Process - Technology as a New DNA or only an Enabler

Abstract

An Insurer prior to adopting new technology for its Insurance business should focus on customer needs, market and related stakeholders' requirements of the Insurance business. It must Study of the insurance market requirements for the end customer before catering to their needs, analysis of insurer business processes, redefining the business scope, fine-tuning the insurance business processes, creating an insurance process which is acceptable, simple and convenient for all the stakeholders, commencing from presales to Claim, before implementing technology. The insurer must ensure that the selected technology in any area is flexible, frequent, fast, simple, less time consuming, less operation cost, and can be implemented with minimum effort to cater to the need of both i.e., End Customers and Business stakeholders. Insurance is a Promise given by an Insurer to the Insured, for an intangible product whereas technology is a New DNA in the Host genome i.e., Insurance Business. The beauty of Insurance comes into the picture at the time of settlement of the claim, so that we can build a trustworthy relationship in the society.

Keywords

Host Genome, New DNA, Insurance Business, Technology.

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Introduction

As Insurance market is emerging in Covid scenario, Insurance distribution via technology has increased multifold to cater the individual requirement using various devices. While Technology is helping us in overcoming various issues related to health, its impact on home comforts has led to complete conversion of human life into Digital life. Emerging of New Technologies helps the end customers to get the insurance services at any stage of insurance business transactions. The questions now are, will only technology help the insurance companies to overcome the present challenging situation? OR as an Insurance organization we together need to revamp our insurance business process first? Is Technology a New DNA in a Host genome?

The important aspect, which affects insurance business in the present scenario, is the change in the need of the end customer (policy holder) which in turn requires product innovation, plan innovations, coverage innovation, terms & condition in the scenario of frequent and fast emerging new technologies. Technology impacts the entire life cycle of an Insurance business, starting from Presales to Policy Issuance to Claim settlement to Policy Servicing along with customer involvement at various stages of Insurance transaction.

When we talk about innovation in Insurance business it is more about response to customer demand in terms of insurance product, response to customer enquiries in terms of coverage, deduction and claims, business process knowledge, skills to find out the suitable technologies for various insurance processes.

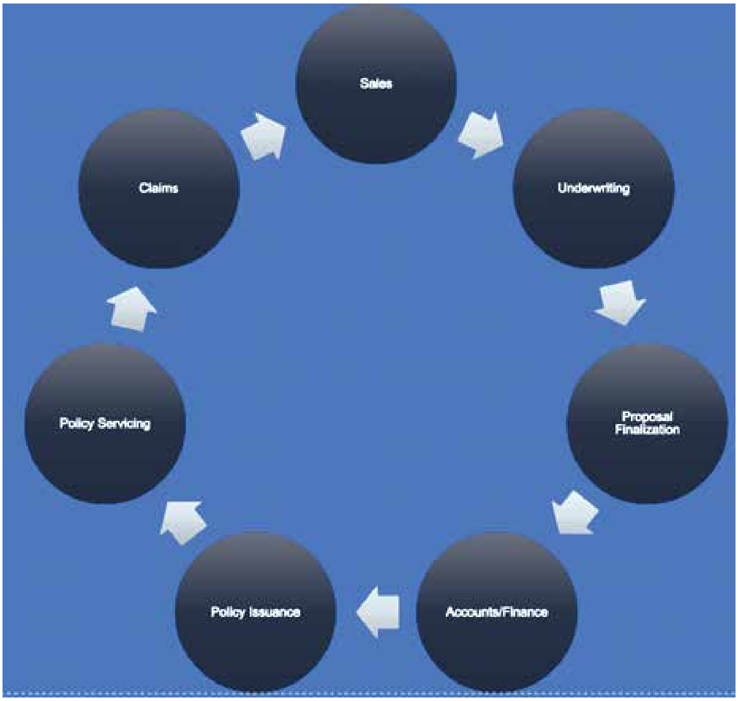

Fig-Insurance Policy Life Cycle

Key challenges faced by Insurer and barriers of Insurance business growth:

✓ Inability of the organization to think about customized/innovate an Insurance product as per the various customer i.e., Policy holder requirements, market requirements etc.

✓ Lack of knowledge of the sales people about the insurance product in terms of coverage, terms, claim and conditions.

✓ Distrust from the customer due to lack of knowledge in understanding or visualizing the Insurance product.

✓ Semi-skilled people bridging the GAP between the Insurer and the technology.

✓ Ineffective underwriting due to absence of quality data related to risk features or subject matter such as place, time, people, and security features etc.

✓ Past experiences of claim settlement or after sales services or add-on cover services reduces the demand of insurance.

✓ Claim settlement is a cumbersome process due to lack of relevant data.

✓ Intimation of more fraudulent claim or small claims due to unavailability of proper information.

✓ Long turnaround time for proposal finalization, Policy Issuance and claim settlement.

Technologies in Insurance Transactions

Technology and Insurance Distribution	Delivery of Quality Insurance product through various channels	• Mobile Network Operations • Agent-Led Insurance Platforms • Artificial Intelligence leading through whatsapp or facebook • Chatbot-customer queries and customer needs are catered • Digital Marketing-whatsapp or sms or email • Telemedicine-Doctors advise through videocall or whatsapp
Technology and Insurance U/W,Rating	Assesing quality and quantity of data related to risk making underwrting more targeted	• Statistical techniques-Mean,Median, Mode, Charts etc • Big Data,Data Mining,Data Extraction • Actuarial Data for determining rates • Various Data Analystics tools
Technology and Insurance Pay ments	Quick and convenient collection of premium and payment of claims	• Mobile Money or Mobile Airtime • Various payment tools-Net banking,UPI,Credit or Debit Cards,Wallet money.
Technology and Claim Adjudication	Claims administration process become which reduces expenses of Fraud and built customer trust	• Telematics • Drones • Blockchain • Desktop assessor • Analytics tools for claim assesment

Emerging of New Technologies helps in grasping new opportunities makes the product design better and helps the customers to get the insurance services at any stage of insurance business transactions.

Overview of the technologies in Insurance

✓ Machine learning in underwriting stage

Underwriting of the Insurance products is one of the challenging aspect in insurance due to lack of data which can generate risk profile. This can be overcome for by gathering BIG Data of people. Machine Learning and Statistical data makes underwriting more effective and targeted. Pricing tools help to automate the Pricing process. Data alone cannot advances technology, complex algorithms, machine learning and predictive analysis produces larger data sets. Data in the traditional method of business transaction cannot be accessed easily. Mobile Network operations provides various information on customer behavioral traits and profile creation. Machine learning helps in generating credit scores which help in risk profiling. Collecting huge amount of customer specific data helps in assessing risk characteristic.

✓ Mobile technology

Mobile is a front-end tool or handhelds or one of the most used technology in Insurance. Mobile changes the point of sales technology, it is mainly used a Biometric Smart Card device such a smart phone, digital pen etc. Voice technology implemented in a mobile can be a game changer for insurance business.

Mobile can be used as authenticable tool or a printer. Mobile also have a GPRS connectivity, which can be used as wireless internet use. A smart card can contain all relevant policy details such as name, address, photo ID, a digitally stored biometric fingerprint ID, insurance history and balance. By swiping the smart card through the handheld device all this information can be read by the insurance or health worker. If sometimes GPRS connectivity is not working, then also offline data can capture through offline Modus and once the connectivity is back it can be stored at back end. This does not require the presence of the customer in front of the same.

SMS is also a major functionality used by the rural customer a lot. By using the Identification number and the PIN code, the entire data can be stored from front to backend. Smart phones is one of the most important device in insurance helps in capturing data and transmitting the data. Many insurance companies has given smart phones to their tagging vendor to reduce the TAT, so that they can click and intimate the photos immediately when loss has incurred. The handheld device can carry various technologies required in insurance, for example a smart card reader, biometric authentication tools or a printer. The handheld may also have GPRS connectivity for wireless internet use. Such a device would be able to work perfectly in combination with a back-end software system if made compatible. The device could issue policies or print out other valuable information on location without the need for the customer to be in a place where a computer, internet and a printer is available. If the transfer of data is the only requirement then a modern mobile phone will be able to do the job as well and is less expensive in terms of hardware.

Mobile Money -In recent times mobile money is one of the mostly used technology for accessing financial services. Mobile money is not only used for premium payments but also for claim payments. It will help in both cash in cash out.

✓ Machine Learning and Data Mining in claims stage

“Machine-learning is a method of data analysis that automates analytical model building. It is a branch of artificial intelligence based on the idea that systems can learn from data, identify patterns, and make decisions with minimal human intervention”. “Data mining is defined as the discovery of interesting, unexpected, or useful patterns within large datasets”.

Machine Learning and Data Mining helps in Claim assessment (Minimum time), Fraud Detection, Loss Assessment-Data Mining also help in understanding the pattern of Fraudulent Claim. The said technology helps in reduction of overall claims turnaround time and improves the quality of the data collected which was earlier in high risk due to human error.

Fraud reduction is a must requirement in insurance business as it help in restoring customer confidence and trust. It also helps in restoring profitability of insurance companies.

✓ Telemedicine(M-Health)

M-Health or Telemedicine is typically an advice provided by the doctor over the telephone it can be prescription of medicines, suggesting appropriate medicine centers, help in booking appointments or with some specialized doctors, sending health tips and nutrition suggestion through SMS. Various communication technologies such as telephone, mobile phone, video calls, SMS text help in serving the purpose in an effective manner. Customers are getting discounts from the pharmacies in their bills. Tele doctors help in maintaining health care quality and patient outcomes. The World Health Organization (WHO) has defined telemedicine as “the delivery of health care services (where distance is a critical factor) by all health care professionals using information and communication technologies for the exchange of valid information for diagnosis, treatment and prevention of disease and injuries, research and evaluation.”

Decision before Adopting New Technology

Before adopting new technology, Insurance Companies should consider what are the various options available in the market for adopting the new set of technologies?

✓ New technologies considered till date and its impact on various transaction business?

✓ What is Turnaround time required to implement the new technology?

✓ Technology recommended whether it is improving the process makes insurance business more complex or simple?

✓ Whether the new technology is addressing my customer Insurance requirements or need?

✓ Whether to improve business processes and technology will make it faster?

✓ Whether the new technology is settling claim within 24hrs of time or business rules should be enhanced first?

✓ Lesson learnt how can be helpful in implementing in technologies in other countries.

✓ What are the success factors which are considered for Insurance penetration?

Conclusion

According to the World Resources Institute, “Technology does two key things that help drive the development of financial services: it cuts costs, and bridges physical distance.” The major issue of insurance is to reach the clients that are difficult to access and high operating costs. Technology plays a key role in bridging the GAP and helping people living various sections to overcome various hurdles faced by them.

Technology overcoming Insurance barriers:

✓ Technology which will help capturing data minimal and online real time data.

✓ Monitoring and tracking the

activities of the customers and their inquiries and need.

✓ Reduction in paper cost by providing Smart card reader facility

✓ Reduction in Distribution and channel cost

✓ Manage large volumes of customers Data

✓ Simplify the premium collection process and Claim payouts

✓ Providing health care services as and when required

✓ Reminders through WhatsApp, SMS

✓ Reducing hazards in claim settlement and enrollment process.

✓ Availability of the customer data to all the stakeholders involved in the transactions on real time basis

✓ Creating trust and Confidence of the policy holder TJ

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http://www.ruralfinanceandinvestment.org/

https://www.ilo.org/global/lang--en/index.html

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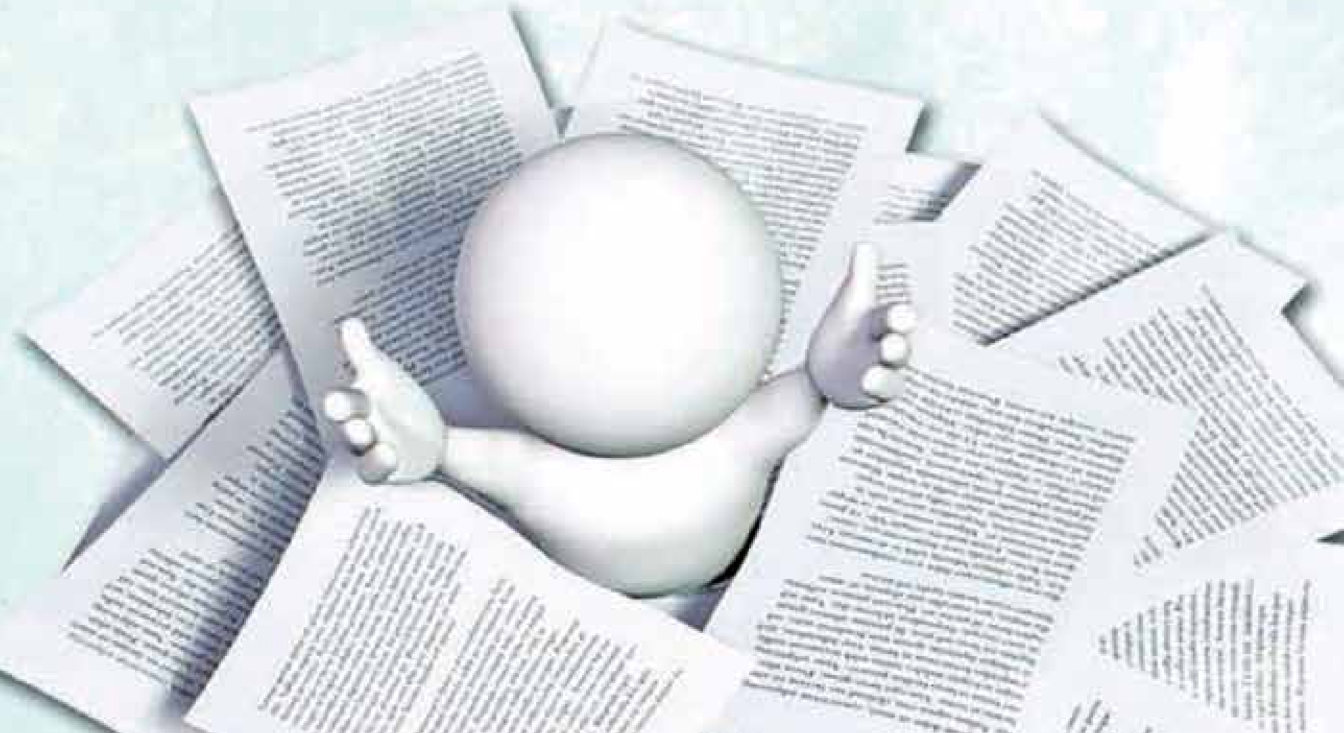

Guidelines for contributors of the Journal

Note to the Contributors:

"The Journal" quarterly publication of Insurance Institute of India, Mumbai. It is published in the month of Jan/April/July/Oct every year. "The Journal" covers wide range of issues related to insurance and allied areas. The Journal welcomes original contributions from both academicians and practitioners in the form of articles and case studies. Authors whose papers are published will be given honorarium and two copies of the Journal.

Guidelines to the Contributors:

1. Manuscript submitted to the Editor must be typed in MS-Word. The Length of the articles should not exceed 5000 words.

2. General rules for formatting text:

   i. Page size : A4 (8.27" X 11.69"

   ii. Font: Times New Roman - Normal, black

   iii. Line spacing: Double

   iv. Font size: Title - 14, Sub-titles - 12, Body- 11 Normal, Diagrams/Tables/ Charts - 11 or 10.

3. The first page of the Manuscript should contain the following information: (i) Title of the paper; (ii) The name(s) and institutional affiliation(s) of the Author(s); (iii) email address for correspondence. Other details for correspondence such as full postal address, telephone and fax number of the corresponding author must be clearly indicated.

4. **Abstract:** A concise abstract of maximum 150 words is required. The abstract should adequately highlight the key aspects or state the objectives, methodology and the results/ major conclusions of analysis. The abstract should include only text.

5. **Keywords:** Immediately after the abstract, provide around 3-6 keywords or phrases.

6. **Tables and Figures:** Diagrams, Tables and Charts cited in the text must be serially numbered and source of the same should be mentioned clearly wherever necessary. All such tables and figures should be titled accurately and all titles should be placed on the top after the number. Example: Table 1: Growth Rate of Insurance Premium in India (1997-2010).

7. **References:** all the referred material (including those from authors own publication) in the text must be appropriately cited. All references must be listed in alphabetical order and sorted chronologically and must be placed at the end of the manuscript. The authors are advised to follow American Psychological Association (APA) style in referencing.

- **Reference to a Book:** Author. (Year). *Title of book.* Location: Publisher.

  Example: Rogers, C. R. (1961). *On becoming a person.* Boston: Houghton Mifflin.

- **Reference to a Journal publication:** Author(s). (Year). Title of the article/paper. *Journal name,* volume (issue), page number(s).

  Example: Smith, L. V. (2000). Referencing articles in APA format. *APA Format Weekly,* 34(1), 4-10.

- **Reference to a Web Source:** Author. (Date published if available; n.d.--no date—if not). Title of article. *Title of website.* Retrieved date. From URL.

  Example: Landsberger, J. (n.d.). Citing Websites. In *Study Guides and Strategies.* Retrieved May 13, 2005, from http://www.studygs.net/citation.htm.

8. Usage of abbreviations in the text should be avoided as far as possible and if used should be appropriately expanded.

9. The papers and articles submitted must be original work and it should not have been published or submitted for publication elsewhere. The author(s) are required to submit a declaration to this extent in the format specified in Appendix 1, while submitting their articles.

10. All the submissions would be first evaluated by the editor and then by the editorial Committee. Editorial committee may require the author to revise the manuscript as per the guidelines and policy of the Journal. The final draft is subject to editorial changes to suit the journals requirements. Editorial Committee also reserves its right to refer the article for review/ delete objectionable content/ edit without changing the main idea/ make language corrections/ not to publish/ publish with caveats as per its discretion. The Author would be duly communicated with such decisions.

11. Contribution(s) should reach the designated email address at III on or before 30th November (January issue), 28th February (April issue), 31st May (July issue) and 31st August (October issue).

12. Please send your manuscripts to

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    The Journal of Insurance Institute of India,
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    Electronically Mail to <journal@ iii.org.in> with subject line as "Contribution for "The Journal" January/April/July/October (Mention Year) issue.

13. In case the author has submitted only the hard copy, an electronic version of the manuscript would be required once the paper is accepted for publication.

14. All enquiries related to the submissions should be addressed only to the Editor.

15. Copyright of the published articles and papers would rest with "The Journal of Insurance Institute of India" and any further reproduction would require prior and written permission of the Editor.

Appendix I

Declaration by Authors

I/we(Full Name of the Author(s)) ....

.... hereby declare that I/we are the author(s) of the paper titles

"..."

(Title of the paper), which is our original work and not the intellectual property of any one else. I/we further declare that this paper has been submitted only to the Journal of the Insurance Institute of India and that it has not been previously published nor submitted for publication elsewhere. I/we have duly acknowledged and referenced all the sources used for this paper. I/we further authorize the editors to make necessary changes in this paper to make it suitable for publication.

I/we undertake to accept full responsibility for any misstatement regarding ownership of this article.

....

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(Signature Author I) (Signature Author II)

Name: Name:

Date:

Place:

Virtual (Online) Training Schedule
(June 2021 to August 2021)

Sr. No.	Tittle of the Training Program	Tittle of the Training Program	Timings (IST)	Fees
		June 2021		
1	Insurtech and Digital Agriculture	1st June, 2021	10.00 am to 1.00 pm	Rs. 1500/- + 18% GST
2	Investment Management in Insurance Companies	4th June, 2021	10.00 am to 1.00 pm	Rs. 1500/- + 18% GST
3	Preparing for Retired Life (Second (innings	8th to 9th June, 2021	10.00 am to 1.00 pm	Rs. 3000/- + 18% GST
4	Winning in Bancassurance: a Programme for Managers of Bancassurance in Life Insurance	15th to 16th June, 2021	10.00 am to 1.00 pm	Rs. 3000/- + 18% GST
5	Program on Anti-Money Laundering and Counter-Financing of Terrorism	18th June, 2021	10.00 am to 1.00 pm	Rs. 1500/- + 18% GST
6	Cyber Liability Insurance	22nd to 23rd June,2021	10.00 am to 1.00 pm	Rs. 3000/- + 18% GST
		July 2021		
7	Programme on Appreciation of Labour Laws	1st July, 2021	10.00 am to 1.00 pm	Rs. 1500/- + 18% GST
8	Insurtech and Digital Marketing	6th July, 2021	10.00 am to 1.00 pm	Rs. 1500/- + 18% GST
9	Understanding Group Insurance -GTL, GSLI for Brokers	8th to 9th July, 2021	10.00 am to 1.00 pm	Rs. 3000/- + 18% GST
10	Pensions and Old Age Security	14th July, 2021	10.00 am to 1.00 pm	Rs. 1500/- + 18% GST
11	Marketing Strategies for Branch Managers and Heads of Marketing Unites: Life Insurance	19th to 20th July, 2021	10.00 am to 1.00 pm	Rs. 3000/- + 18% GST
12	Managing Marine Cargo Underwriting and Claims	22nd to 23rd July,2021	10.00 am to 1.00 pm	Rs. 3000/- + 18% GST
		August 2021		
13	ERM in Insurance Industry and the Role of CRO's	6th August 2021	10.00 am to 1.00 pm	Rs. 1500/- + 18% GST
14	Management of Fire Insurance (Material Damage and LOP)	10th to 11th August 2021	10.00 am to 1.00 pm	Rs. 3000/- + 18% GST
15	Managing Thermal Power Plant Insurance	23rd August 2021	10.00 am to 1.00 pm	Rs. 1500/- + 18% GST
16	Liability Insurance - CGL and Non-Financial Lines	24th to 25th August 2021	10.00 am to 1.00 pm	Rs. 3000/- + 18% GST
17	Comprehensive Programme on Insurance Customer Rights Protection	26th August 2021	10.00 am to 1.00 pm	Rs. 1500/- + 18% GST
18	Personal Financial Planning and Life Insurance	27th August 2021	10.00 am to 1.00 pm	Rs. 1500/- + 18% GST

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NOTES

Form IV (Rule 8)

Statement about ownership and other particulars about the Journal of Insurance Institute of India to be published in the first issue every year after the last day of February.

1.	Place of Publication	Mumbai
2.	Periodicity of the Publication	Quarterly
3.	Printer's Name Nationality (a) Whether a citizen of India? (b) If a foreigner, the country of origin Address	Sneha Vikas Pednekar Indian Yes N.A. Insurance Institute of India Plot No. C-46, G-Block, Bandra Kurla Complex, Mumbai – 400051.
4.	Publisher's Name Nationality (a) Whether a citizen of India? (b) If a foreigner, the country of origin Address	Sneha Vikas Pednekar Indian Yes N.A. Insurance Institute of India Plot No. C-46, G-Block, Bandra Kurla Complex, Mumbai – 400051.
5.	Editor's Name Nationality (a) Whether a citizen of India? (b) If a foreigner, the country of origin Address	Muktesh C Chaturvedi Indian Yes N.A. Insurance Institute of India Plot No. C-46, G-Block, Bandra Kurla Complex, Mumbai – 400051.
6.	Names and addresses of individuals who own the newspaper and partners or shareholders holding more than one per cent of the total capital.	

I, Sneha Vikas Pednekar, hereby declare that the particulars given above are true to the best of my knowledge and belief.

Date: 15th May, 2021

Sd/-
SNEHA VIKAS PEDNEKAR

Signature of Publisher

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