

Business Interrupted. Insurers Face ₹1k-cr Claims

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Mumbai: Insurance companies are likely to face claims worth ₹1,000 crore, mainly due to business interruptions caused by damaged inventory of auto companies in Chennai and nearby areas, which have been experiencing unprecedented rains. This is similar to the claims of Jammu & Kashmir which experienced similar conditions in 2014.

According to a senior General Insurance Corporation (GIC) spokesperson, claims worth ₹500 crore came from losses to

shopkeepers and vehicles, and another ₹500 crore is expected to be reported by auto companies based in the south. GIC is gathering information from all insurance companies.

Insurance companies are seeing claims under fire policy mainly due to damage to industrial and commercial units, stock, equipment and machineries. However, business interruption claim has not been triggered yet.

"Loss of profit due to business interruption gets triggered only when business gets affected after a disaster," said an insurance executive.

"Here, claims are due to dam-

age to stocks and machinery. Shutting down production is not covered under business interruption."

The claim from Jammu & Kashmir and Uttarakhand was about ₹1,500 crore, while claims from Cyclone Hudhud, which hit Andhra last year, was to the tune of ₹4,000 crore.

After the deregulation in 2007, insurers have been undercutting each other in most lines

of business. Experts say insurers need to invest in actuarial capabilities to underwrite risk and price it accordingly while companies are focusing on grabbing market share even at a cost that could wipe them out.

"The total loss to insurance is expected to be around ₹1,000 crore from loss to property, cargo and inventory," said an insurance company executive based in Chennai.

Bajaj Allianz General Insurance sees claims mainly from property and motor vehicle.

"So far, the company has received over 580 claims worth over ₹30 crore from Chennai pertaining to motor and prop-

erty insurance," said Tapan Singhel, MD and CEO Bajaj General Insurance. "Of these, close to 400 claims are for motor vehicle damages. When it comes to property insurance, most of the claims are for losses to commercial units rather than those for home and contents, given that home insurance penetration is poor."

"However, these figures are for the claims the company received after the Chennai rains till last week. The company expects more claims post the incessant rains in the past two days – a clear picture will emerge once the rescue and relief operations are completed."

