

Date: 12.8.2020

Publication: ET BFSI.com

[How can we put a stop to the domino effect of pandemics?](#)

Crisis always has a hidden learning and provides us with an opportunity to come out stronger if we face a similar situation next time. Pandemic pool is one such learning, which will go a long way in avoiding downfall of our economy and our society. I'm sure, with a pandemic pool in place, we can face a pandemic head-on without it rattling our economy. Thus, putting a stop to its current domino effect on each one of us, helping us stand strong as a society and allowing our economy to bounce back much faster.

Tapan Singhel | Aug 12, 2020, 12.03 PM IST



Tapan Singhel
MD & CEO, Bajaj Allianz General Insurance

Covid-19 pandemic has been a real eye-opener for all the sectors across economies. More so, for insurers as their basis of foundation is questioned i.e. covering risks and being there for the customers when they need us the most. As an insurer, this pandemic has made me wonder, what can we do more to safeguard our customers in a better manner? As apart from the health indemnity policies that covered Covid-19 treatment expenses, none of the insurance products could offer the respite that customers needed to face these challenging times.

The cost of a full lockdown due to Covid-19 on the Indian economy was estimated at \$26 billion as per the May 2020 report by Crisil. It has nearly halved its GDP forecast for India to 1.8% for FY 20-21. This shows us, how the pandemic has taken our economy back by a sizeable bit. It has affected our imports and exports, unemployment in our country went up by 26% in April 2020 and household income decreased from about 9% in late February to a drastic 45.7% in mid-April 2020 as per the report.

What is our learning from this pandemic?

Most factories, institutions, commercial establishments, constructions sites, etc. had to shut down during the lockdown period, which forced migrant labourers to move out of their workplace and go back to their hometowns. Additionally, a lot of companies by their sheer nature, couldn't operate in this lockdown environment. Thus, leading to people being asked to leave their jobs or take salary cuts to retain their jobs. This pandemic helped us identify the problems and loopholes that we need to work on. It showed us where we stand and look for solutions to these problems.

Now that we are aware about the huge impact a pandemic can have on our society and economy, what do we learn from it? Do we have a solution that can help us bounce back faster from it? Can we help businesses sustain during the lockdown period and reduce the financial burden on an individual if they lose jobs? Is there a way to build resilience amongst individuals, families, businesses, economy and society at large against such a pandemic? I

think, yes, we can certainly be prepared in a better manner when we are to face such a situation in the future i.e. by creating a pandemic pool. Now what is a pandemic pool? It is pooling funds and creating a contingency program that can help cover most of the economic losses caused due a pandemic induced lockdown. Let's look at how we can give shape to this idea.

What can we cover through the pandemic pool?

Today, a business interruption policy, which is bought along with the standard property policy doesn't cover losses faced due to the pandemic induced lockdown. We can make pandemic cover as a mandatory add-on cover along with the property policies for corporates. This cover will be triggered once the Government announces the lockdown due to a pandemic. Under this add-on, various standing charges of corporates can be covered like employee salaries, rent of premises, etc. due to the lockdown. This can be a maximum indemnity cover for say initial 2-3 months of the lockdown along with a maximum liability limit. Thus, avoiding a situation of salary cuts, lay-offs, business losses and helping companies recuperate from the pandemic and bringing in stability.

On retail basis, individuals can buy this as an add-on cover along with their dwelling/home insurance policy. This won't be mandatory, and it will be a customer's choice whether to opt for it or not. Under this add-on, insurer can pay the monthly EMI to the customer for their home loan for initial 2-3 months, up to a certain extent of liability in case of a job loss scenario due to the pandemic. Thus, reducing the financial burden on an individual by taking care of their home loan during the lockdown period.

How can we fund this pandemic pool?

Funding of this pool can be done through a public-private partnership wherein both the Government and Companies can contribute to this pool. We can look at making the contribution towards this pool as one of the CSR components for all companies, so they don't need to look at it as a separate expense. This is how we could build the pool to a sizeable figure. Post this, ofcourse the premium that corporates pay for pandemic add-on cover as a part of their property policy can come from their CSR fund too. Hence, there is no additional burden on the company for the premium paid towards this pandemic cover which goes towards the pandemic pool. We can also seek for reinsurance support, but for a limited capacity, may be for specific corporates wanting to opt for a longer limit of liability, i.e. more than 3 months. For instance, say the pandemic pool can provide cover for initial 2-3 months of the lockdown, reinsurance support can be activated after that period, like an excess of loss treaty. General insurance companies can also contribute as the current case is with terrorism/nuclear pool. Once the pool funds are strong enough and it becomes self-sufficient, Government can gradually lower its contribution to the pool and shift its focus more towards curtailing the spread of the pandemic. Also, as the pool surplus grows every few years, we can look at increasing the limit of liability for the insured.

Crisis always has a hidden learning and provides us with an opportunity to come out stronger if we face a similar situation next time. Pandemic pool is one such learning, which will go a long way in avoiding downfall of our economy and our society. I'm sure, with a pandemic pool

in place, we can face a pandemic head-on without it rattling our economy. Thus, putting a stop to its current domino effect on each one of us, helping us stand strong as a society and allowing our economy to bounce back much faster.