

**POWER POINT****TAPAN SINGHEL**

We welcome your views and comments at  
[mintmoney@livemint.com](mailto:mintmoney@livemint.com)

## INSURERS SHOULD STAY AHEAD OF THE CURVE WHEN DEALING WITH NEW AGE RISKS

**I**n the 1600s, with the dawn of the industrial revolution in Europe and with the emergence of maritime trade, the modern concept of insurance took birth. While overseas trade germinated the rudimentary forms of marine insurance, as we know it today, the Great Fire of London brought property insurance into picture. Thus, with the passage of time, as and when new forms of risks evolved, newer versions of insurance schemes were conceptualized.

Dealing perennially with risks, which are subject to socio-economic-political transitions, change has been the only constant in the insurance industry. While the most devastating risks in the bygone era were probably fire, cyclones, floods and epidemics; risk portfolios across the world are now changing. Some of these are familiar, some are new, some—at times—even interdependent.

In recent times, the most dominant form of new-age risk faced by industries across the globe is the plague of cyber-attacks. Facilities ranging from hospitals to airports to shipyards are all digitally operated and any interruption in their network leads to a state of chaos, even complete shutdown.

In India too, significant number of ransomware cases have been witnessed. Unlike the earlier instances where banking sector was the prime target, the recent cyber deluge eroded the immature and inadequately protected technology platforms of several industries, drawing ubiquitous attention towards the rising need of cyber security. According to the Indian Computer Emergency Response Team (Cert-In), from ransomware attacks to phishing and scanning rackets, at least one cybercrime was reported every 10 minutes in India during the first 6 months of the year 2017.

In addition to these, technologies such as artificial intelligence, blockchain, and robotics are breaking grounds across industries, disrupting several traditional methodologies. Increased connectivity through internet of things (IoT), smart data analytics and social media platforms are not only transforming business models, but are also changing the ways we collaborate and socialize. While on one hand these are remodelling the global lifes-

style, increasing easy accessibility to information, products and services at unprecedented levels, their potential adverse impacts are yet to manifest.

Apart from the threats to cyber security, there are several other new emerging risk avenues that have to be borne by various industries. Several of these are customer-friendly regulatory decrees rolled out to enhance transparency and to shift the liability of an unfavourable situation onto the service or entity provider. Take the Real Estate (Regulation and Development) Act, 2016, for instance. If a builder fails to contravene the provisions of this Act, which mostly aim at safeguarding consumers of residential and commercial projects, he shall be liable to a penalty. As per the Act, a builder needs to have a title insurance in place for the real estate project making ownership of built-up and landed property far more credible and secure. The buyer will no longer have to depend solely on the developer's assurances with regards to the title's legal sanctity. This will in turn lead to renewed confidence among buyers and will definitely impact the real estate market favourably.

Similar regulations across various sectors have been formulated, or are in the pipeline, placing greater onus on manufacturers and service providers. This would consecutively intensify the transfer of these risks to insurers who would have to be ready with newer products and covers for these new-age risks. While the insurance industry is itself involved in a major overhaul, transforming its traditional ways of doing business by leveraging on latest technologies, it also has to equip itself with products to answer these marketplace shifts.

Additionally, insurers also need to be present as risk management experts, on these new-age risks. As a tradition, insurers are known to be risk bearers, ones who help promote sustainable business models by pooling of risks.

### COLUMN

Most insurers have a global exposure to the emerging risk trends, thanks to the collaborative way insurance functions, transferring risks beyond borders. This gives them access to varied markets and stakeholders, helping them to study, analyse and predict possible solutions to these risks, which in turn can be leveraged as risk-mitigating techniques by the marketplace as a whole.

Also, the traditional way of using historical data to assess future exposure shall not be sufficient, at least not in such an evolving environment. The insurance industry would now need constant monitoring of the risk landscape. It would have to adapt its behaviour, market conduct and product portfolio. This does not mean an accurate prediction of the impending risks, rather an early indication of what might be lying beyond the horizon. This shall not only equip the insurance industry to deal with unforeseen liabilities, but shall also help it to act as risk management experts for the entire marketplace, preparing it to face challenges the future poses.

Hence in the changing times, Indian insurers need to understand these new developments and prepare well for the risks of tomorrow. They need to comprehend the fact that risks can no longer be generalised on the basis of occupations, industries, or territories. Despite occupational or functional similarities, in this new age, risks are varied for each individual and for each industry. To be ahead of the curve, it is thus imperative for the insurers to understand and gauge these differences, and offer unique and customised solutions.

*Tapan Singhel is managing director and chief executive officer, Bajaj Allianz General Insurance Co. Ltd.*