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POWER
POINT

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IT'S IMPORTANT TO BE PREPARED FOR NATURAL DISASTERS



Every time there's a large-scale disaster in India, it is proclaimed to be once-in-a-100-years event, and post facto relief measures are carried out. Lives and properties are lost, mostly due to the disaster and because of the lack of adequate pre- and post-disaster preparedness measures in place. Public awareness to carry out rescue operations in the wake of an emergency is close to zero. It won't affect us, or probably it is not going to repeat itself is the common pre-supposition, and life goes on until the next event strikes. With the changing climatic conditions, India is turning more perilous in terms of getting affected by flash floods, droughts, cyclones, earthquakes, storms and other natural disasters. Instead of depending on post-disaster relief mechanisms, which is turning out to be a costly affair, the country now needs to build resilience through a new framework which maps vulnerable regions and carries considerable disaster preparedness and mitigation drives there.

As an insurer, we have been in the business of aiding disaster loss recovery since ages. But with the capricious climatic conditions that the world is experiencing, soon, insurance as a financial protection tool might not remain affordable for everyone. This is because global warming is not just causing damage, but also giving rise to several vector-borne diseases.

Also, infrastructure losses and health-related issues are on the rise, and farm incomes are being threatened, resulting in an overall economic crisis. It is said that globally, the insured loss total stood at \$219 billion, for the years 2017 and 2018, representing the highest level of associated insurance payouts over two periods ever. The total combined economic loss from natural disasters was a huge \$497 billion, bringing the protection gap for the two years at an unprecedented \$280 billion, which could be put to better use. Closer to home, a recent example can be taken of Kerala floods of 2018, where, as per UN reports the cost of recovery and reconstruction was an estimated ₹310 billion, while the state received only around ₹29.04 billion as additional assistance from the National Disaster Relief Fund. Insurance claims, on the other hand, only amounted to about ₹10 billion, as per industry records.

The gap is staggering, and it shows the dismal state of insurance in India, with general insurance penetration at a mere 0.9%

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of the GDP. Though mass-scale schemes are gaining momentum in terms of health insurance and crop insurance, a lot more needs to be done. Parametric-based insurance solutions need to be implemented for homes and farm lands, where on crossing a certain threshold of rains/or the lack of it, automatic payouts should be made to the insured population. While these

will again enhance relief in the wake of a calamity, facilitating instant payouts and plugging the gap of infra reconstruction financing, they still do not serve as a viable solution.

Insurance, which remains a post loss risk mitigation tool, needs to position itself as a pre-loss risk preparedness entity, albeit collaborating actively with governments and communities. After all, repeated exposure to disasters would lead to a vulnerable and frustrated community, and have huge gross economic impact. This would result into a disaster, and the issue needs to be addressed by governments, businesses and communities alike.

Hence, innovations centered around tech- and data-based predictive models need to be devised. Satellite-based weather mapping and predictions need to be implemented to enhance risk preparedness. For this, insurers and re-insurers need to team up with governments and other tech and community entities, offering a win-win solution to everyone. For governments, money will be directed to building more resilient cities, instead of providing post loss relief and rehabilitation. For people, it will mean instant payouts, rather than depending on relief funds. For communities, it will bring more awareness, more collaboration and hence more preparedness both in ecological and psychological terms. Last but not the least, sustainable organizations need to build awareness on climate change and how it impacts each of us, steps we need to take to reverse the situation before a time comes when we would just be able to minimize the damages.

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