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# To insure or not... That's the question

**Saurabh V. Dharadhar**Chief Financial Officer & Ethics Officer,  
Mahindra Insurance Brokers Limited

The year 2022 marks the 75<sup>th</sup> independence anniversary of India – independence from foreign rule. The Indian government presented a bold and confident budget, with a clear focus on growth with governance.

But in a totally different context, are any of the decisions taken, really 'independent' of any other event? More importantly, are such dependencies known (or made known) to all parties having a financial exposure, typically, underwriters? One of the 6 basic underlying principles of insurance is 'utmost good faith'. But what do underwriters do when the existence of this basic principle itself is under question?

Take another instance, the issue that has eaten up headlines of late, the Ukraine – Russia issue. Is it independent of the planned Nord Stream 2 from Russia to Germany? Is it really independent of US interests – both financial and military? Does this not preclude European insurers from participating in undertaking the risks on account of sanctions? More importantly, could this not have been known in advance? To insure or not... is often the question faced by underwriters. Insuring such risks may mean risking claims, litigations and possible brand erosion (if claims are not entertained). On the other hand, abstaining from participating in such risks could come at the cost of growth, and is principally against the concept of insurance itself! So, it is indeed a dilemma in case of certain risks at the least. Cyber insurance prices are soaring. Prices have increased by 90% to 130% in a single quarter in 2021. True, cyber criminality is a real problem the corporate world faces

through ransomware attacks. But if this price surge continues, companies may no longer be certain that their current level of insurance coverage would continue to be available on economically reasonable terms. I suspect the price increase has a direct 'dependence' on the minimal disclosures (and in some cases, incorrect disclosures) that most companies make in their cyber insurance proposal forms. So naturally, underwriters become extra cautious, and this reflects in their pricing, or worse still, lack of participation in such risks.

We are now witnessing the rise of digital assets. The crypto insurance industry is only starting to emerge along with it. Though it has big potential, most crypto assets are not covered by insurance... today. This can perhaps be attributed to the relative immaturity of the cryptocurrency market and their unregulated status. But with most governments now formally taxing cryptocurrency gains, it wouldn't be out of place to expect formal insurance coverage also to follow. Cryptocurrency to my knowledge is inevitable, despite the 1000+ fails so far... and is an area of real opportunities for insurance.

The numerology meaning of 2022 is "Hope Is Ahead". A new year of opportunities awaits all of us in the insurance industry. In conclusion, a great mix of (1) independence in thinking and approach to risks (path-breaker approach) (2) honest and complete disclosures of dependencies by insureds, would create a solid platform for newer products on economically reasonable terms.

# Global News

## General insurers in an alien territory on surety bonds

General insurance companies are wading into uncharted territory with surety bonds as they grapple with regulatory, process and product related challenges on the unique product announced in the budget.

[Read the complete article](#)



## Small entrepreneurs can now tap insurance companies for sureties

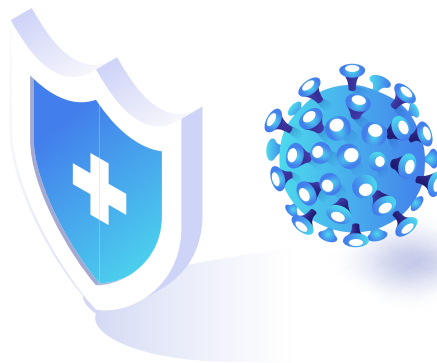
Small suppliers and work contractors can now tap insurance companies for surety of their payments without collateral instead of depending on bank guarantees.

[Read the complete article](#)

## COVID brings Life Insurance penetration in India to global levels

COVID has pushed life insurance penetration in India from 2.82% in 2019 to 3.2% in 2020 (the year COVID hit) which is close to the global average.

[Read the complete article](#)



## Demand for Supply Chain Insurance to rise

The global supply chain crisis has exposed the limits of business interruption insurance -DBRS Morningstar.

[Read the complete article](#)

# Global News

## China – a cyber powerhouse?

It is clear that China has stepped up its cyber espionage capabilities, but what is its aim?

[Read the complete article](#)



## Axa extends oil and gas exclusions in fight against climate change

The transformation needed to become a low carbon economy 'can only happen by enabling companies from the energy sector to implement ambitious transition plans', says insurer chief executive, Thomas Buberl.

[Read the complete article](#)

## Kuwait introduces new compulsory Health Insurance costing KD130

Kuwait's Health Insurance Hospitals Company (Dhaman) has announced it will be introducing a new KD130 (Dh1.592) compulsory Health Insurance for two million residents working in the private sector.

[Read the complete article](#)



## Russian invasion of Ukraine likely to have 'significant fallout': AM Best

Russia's invasion of Ukraine will likely have significant fallout in the capital markets, impacting the entire industry in the short-to-medium term, says AM Best.

[Read the complete article](#)

# Global News

## UK shuts out Russian companies from aviation insurance market

Britain will ban Russian companies from the multi-billion dollar aviation and space insurance market in London, the world's largest commercial and speciality insurance centre, the finance ministry said on Thursday.

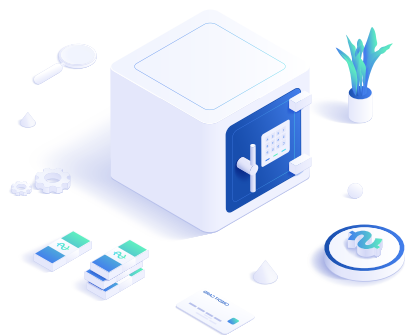
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## Russian banks isolated, UK cuts insurance ties with Moscow

Britain's finance ministry will legislate to prohibit UK-based insurance and reinsurance providers, such as those who use the Lloyd's of London market, from undertaking transactions linked to a Russian entity or for use in Russia.

[Read the complete article](#)



## Brown & Brown to acquire Global Risk Partners

Brown & Brown has agreed to buy the insurance operations of Global Risk Partners (GRP) for an undisclosed amount in a deal expected to close in Q3.

[Read the complete article](#)



## Australian flood costs reach \$1.45bn

The current cost for the floods in South-East Queensland and New South Wales has reached \$1.45bn, according to the Insurance Council of Australia (ICA).

[Read the complete article](#)



# Contract Frustration Insurance

## Scope of Cover

International trading often entails expectation of significant revenues and profits. It is only upon the successful conclusion of the contract or on full receipt of an Obligor's payment, that these revenues can be realized. Any delay or deferment of such payment can be insured by means of this cover.

## Insurable Interest

Any individual or entity involved in trade, or financing of trade who is interested in overcoming hindrances such as political risk or solvency issues. This insurance would also be of interest to manufacturers of bespoke goods with a limited ability to find alternative buyers.

## Modus Operandi

This cover can be easily customized to suit the nature of an individual transaction and can offer protection against exposures arising both – before and after delivery of goods or commodities. This is especially befitting for situations where bespoke manufactured goods are involved, increasing the costs of production and supply whilst reducing the ability to locate alternative buyers.

This cover can protect an Exporter or their Financier against the potential loss before shipment of:

- Costs and expenses incurred up to the date that the contract is frustrated
- Additional costs in liquidating contracts with sub-contractors and suppliers
- Loss of expected profit

## Perils covered

- The financial failure or non-performance of the buyer, including unilateral contract cancellation by a government for public sector buyer
- Cancellation of the contract due to import or export licenses, or the imposition of an export embargo
- Frustration of the contract due to War in the supplier's country or any relevant third country

After the goods or commodities have been delivered, the cover will protect an exporter against the loss of unpaid invoices (inclusive of profit) arising from:

- Non-payment by the buyer or any guarantor (including non-honouring by the opening bank of any letter of credit)
- Exchange transfer embargo or currency inconvertibility of locally deposited funds
- The imposition of any law or government regulation frustrating performance of the contract

## Limitations

A contract will not be found to be frustrated when:

- A party faces loss, inconvenience or hardship
- The event in question could have been reasonably foreseen
- The frustrating event is self-induced
- The contract is merely delayed or interrupted
- Specific provisions have been made for the frustrating event (such as in a force majeure clause)
- One party has expressly or impliedly agreed to the frustrating event
- The frustrating event already existed when then the parties entered into the contract



# Insurance Regulatory And Development Authority Of India

## FLASH FIGURES -- NON LIFE INSURERS (Provisional & Unaudited)

'Gross Direct Premium Underwritten for and up to the month of February, 2022  
(INR in Million)

SR.	Insurer	Up to the month of February	
		2021-22	2020-21
-	The New India Assurance Company Limited	2,99,617	2,60,203
↑+1	ICICI Lombard General Insurance Company Limited	1,65,260	1,30,293
↓-1	United India Insurance Company Limited	1,39,986	1,51,986
↑+1	Bajaj Allianz General Insurance Company Limited	1,26,787	1,16,987
↑+1	The Oriental Insurance Company Limited	1,24,933	1,13,150
↓-2	National Insurance Company Limited	1,17,989	1,26,428
-	HDFC Ergo General insurance Company Limited	1,17,319	1,08,957
↑+2	Tata AIG General Insurance Company Limited	89,005	73,981
-	Reliance General Insurance Company Limited	85,616	75,146
↑+1	SBI General Insurance Company Limited	81,132	73,526
↓-3	IFFCO Tokio General Insurance Company Limited	76,382	77,095
-	Cholamandalam MS General Insurance Company Limited	43,278	39,457
↑+4	Go Digit General Insurance Limited	41,787	20,885
↓-1	Future Generali India Insurance Company Limited	36,411	33,833
-	Universal Sompo General Insurance Company Limited	31,685	27,411
-	Royal Sundaram General Insurance Company Limited	25,679	25,553
↑+3	Magma HDI General Insurance Company Limited	15,809	11,647
-	Shriram General Insurance Company Limited	15,710	19,291
-	Liberty General Insurance Limited	13,610	13,212
↑+2	Acko General Insurance Limited	8,658	3,585
-	Kotak Mahindra General Insurance Company Limited	6,505	4,843
↑+1	Raheja QBE General Insurance Company Limited	3,381	2,365
↑+1	Edelweiss General Insurance Company Limited	3,220	1,940
↑+1	NAVI General Insurance Limited	911	945
3	Bharti AXA General Insurance Company Limited #		29,126
Stand-alone Pvt Health Insurers			
-	Star Health & Allied Insurance Company Limited	98,403	77,903
-	Care Health Insurance Limited	33,991	22,439
-	Niva Bupa Health Insurance Company Limited	24,310	14,970
-	Aditya Birla Health Insurance Company Limited	15,166	11,235
-	ManipalCigna Health Insurance Company Limited	8,616	6,543
-	Reliance Health Insurance Limited*	(0.16)	(0.13)
Specialized PSU Insurers			
-	Agricultural Insurance Company of India Limited	1,29,952	1,08,365
-	ECGC Limited	9,324	9,077

\*Takeover of Reliance Health Insurance portfolio by Reliance General InsuranceNA: Not Applicable

#BhartiAXA General Insurance Co.Ltd has been merged with ICICI Lombard General Insurance Co.Ltd w.e.f 08.09.2021.

## Meet the experienced Reinsurance Team



**Vedanarayan Seshadri**

MD & Principal Officer

veda.seshadri@mahindra.com

+91226642 3800



**Saurabh V. Dharadhar**

CFO & Ethics Officer,

dharadhar.saurabh@mahindra.com

+91226642 3800



**Nitin Firke**

Chief of Reinsurance

firke.nitin@mahindra.com

+91 97696 42382



**Yegnanarayanan Thyagarajan**

Head - Operations & Compliance

thyagarajan.yegnanarayanan

@mahindra.com

+91 98207 99202



**Deepak Tambe**

Head of Treaty

tambe.deepak@mahindra.com

+91 90046 17568



**Bhushan Bhare**

Head - Accounts & Compliance

bhare.bhushan@mahindra.com

+91 98193 55554



**Prathamesh Nalawade**

Facultative - Asia Pacific

nalawade.prathamesh@mahindra.com

+91 95947 82400



**Joydeep Das**

Facultative - MENA

das.joydeep@mahindra.com

+91 86574 12209



**Priyalata Patra**

Facultative - India

patra.priyalata@mahindra.com

+91 82910 91486



**Pronoy Das**

Facultative - SAARC Region

das.pronoy@mahindra.com

+91 99670 65696



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