

**Report
of the Working Group
to revisit the
Retail business
of Engineering Tariff**



LETTER OF TRANSMITTAL

Dr. Subhash Chandra Khuntia

Chairman
IRDAI
Hyderabad

Respected Sir,

**Report of Working Group (WG) on Revisiting the retail business of Engineering
Tariff**

I have great pleasure in submitting the Report of the WG on Revisiting the retail business of Engineering Tariff constituted by the Authority (vide order IRDAI/NL/WG/ENGG.RETAIL / 240/2020-21 dated 5th November 2020) for Authority's consideration.

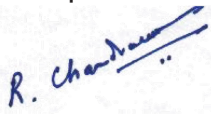
The Report has dealt with in detail all the aspects of Authority's Terms of Reference and contains WG suggestions on

- 1) Revisiting the Structure of the Tariff products
- 2) Suggestions on Standard Retail Products with in-built Add on covers
- 3) Revisions to General Regulations governing the proposed Products.
- 4) Simplifying Policy wordings and form

WG deliberations were aided by qualitative inputs received from key stakeholders and the Questionnaire responses from many Insurance Practitioners. I would like to place on record appreciation of the efforts put in and the excellent work done by all the WG group members in bringing out this Report.

On behalf of the Members of the WG, and on my behalf, I sincerely thank the Authority for giving us the opportunity and all support in finalising this Report.

Place: CHENNAI
Date: 10TH April 2021


(Chandrasekaran Ramamurthy)
Chairman of the Working Group

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Shri. Sunil Kumar Singh
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ACKNOWLEDGEMENT

IRDAI Working Group (WG) expresses its gratitude to the Chairman, IRDAI for providing the opportunity to work on the report on Revisiting the retail business of Engineering Tariff.

WG would like to profusely thank the Confederation of Indian Industry(CII), General Insurance Council (GI Council), General Insurance Companies (GI Companies), the Insurance Brokers Association of India (IBAI), the Indian Institute of Insurance Surveyors and Loss Assessors (IISLA) for sharing their valuable inputs and suggestions. Their suggestions provided a comprehensive perspective of all the key stakeholders and were extremely useful in the deliberations of WG in striking a balanced approach to revisiting the Engineering insurance products for retail segment.

The WG would like to thank the GI Companies, Insurance professionals and practitioners, GI policyholders and Customers for having participated in the online Survey and submitting their responses to the WG Questionnaires and for sharing their views on the present Engineering insurance products.

WG would like to thank the Senior Executives of IRDAI viz. Smt. Yegnapriya Bharath, CGM(NL) and Shri. K. Mahipal Reddy, GM(NL) for their valuable suggestions and inputs during the WG deliberations. Chairman and Members of WG would like to specifically acknowledge the technical inputs, excellent co-ordination and timely follow up, assistance and support provided by Shri V. Satish,(OSD-DGM), NL- Member and Convener of WG and Shri. Ajay Kumar, OSD(NL) who joined WG in all its deliberations and for giving his suggestions, views, and contributions. Thanks are due to Shri. Sagar Bangal AM(NL) designed a beautiful and attractive cover page for WG Report.

WG would like to place on record its gratitude to IRDAI for providing online connectivity and video conferencing facility for WG interactive meetings with Stakeholders and for discussions amongst them.

EXECUTIVE SUMMARY

The existing Engineering product (tariff) wording developed almost two decades back, although comprehensive in nature, did not undergo revision or refinement in line with rapid innovations and developments. WG members felt that retail policyholders / customers are often were unaware of the covers to be opted.

Working Group grouped the Retail Engg. Insurance Products and Add-ons filed with the Authority into a few broad categories and then focused on the Product features, Coverage and Conditions thereon.

WG felt that there is an urgent need to redesign Project All Risks policy and or Operational Package Policy with maximum inbuilt coverage devised appropriately to help the retail Engineering policyholders get the right insurance protection and thus facilitate their business continuity and revival following a disaster or accident.

WG further opined that the Retail products with Standard wordings with uniform coverage of a good range of essential covers are needed to give a comprehensive protection boost to the SME / MSME sector entities and units. These products should be offered by all Indian Insurers without any changes or modifications.

Sum Insured definition for Retail segment for Engineering products

Considering a near unanimous view from all stakeholders, WG suggests Sum Insured limit of up to Rs.50 crores is recommended for Retail segment. The SI limit definition for retail policies can be revised for the Retail Project All Risk policy (covering CAR, EAR and CPM) and for the Retail Operational Package Policy (covering MBD, BPP and EEI).

Simplifying and standardising the product structure

WG deliberations concluded the following:

1. All Risk and / or Package Policies for Retail Engineering Segment.
 - a. A Project All Risk policy (combining Construction and Erection Policy with a section for CPM) with a provision for issue of Annual policies. WG suggest following name for the proposed All Risk Project policy - ***Laghu Yojana Sadharan Bima (LYSB) – [Retail Projects Suraksha Shield]***.
 - b. An Operational Package Policy (Combining MBD, BPP and EEI policy coverage) as an Annual policy. A wide range of hitherto add-on covers can be in-built in these policies leaving other ADD On Covers aspects to insurers discretion / option of the insured. WG suggest the following name for the Operational Package policy: ***Laghu Udyog Sadharan Bima (LUSB) [Retail Operational Suraksha Shield]***.

Two Variants of the Operational Package Policy can be offered (1) Covering selected machineries as per the existing practice (2) all machineries and equipment without any option i.e. no selection to be covered Insured would be required to

provide complete details of each equipment or machinery valued Rs. 50 lacs or more.

2. Electronic Equipment and Gadgets Industry consisting of Computer equipment, Gadgets and Medical Electronics of Consumer, Personal and Industrial have made vast strides today. The Electronic Equipment's have ingress in the fields of Telecommunication Equipment and Internet of Things (IOT), the R&D in this sector is so strong that new products are emerging, making the existing ones obsolete.
3. A Standalone CPM Policy is perceived to cater to Contractors/Owners. Similarly, a Standalone EEI policy becomes technological developments in the field of Electronics like Mobile / Portable gadgets and Electronic components used in Construction / Erection of Projects and / or Machinery, Apartment and commercial complexes, and industrial and commercial units. Present EEI wordings and clauses was found to be not catering these innovations and changes. . A revamp of EEI wordings is recommended.
4. For standalone CPM or EEI .
 - a. All the equipment lying within the insured's premises shall have to be covered (without selection).
 - b. There shall be no specific exclusion for Portable/Mobile equipment lying within the same operational premises.
 - c. EEI product scope should be holistically reviewed along with changes in the basis of settlement of claims.
 - d. There is an urgent need to address the old wordings and clauses in the Tariff product under this category
5. CECR is designed to take care in covering the high value structures and generally does not comes in the ambit of retail segment, the WG felt that the existing terms and conditions of the policy may continue as it is and has not recommended for any changes.
6. WG felt that a revision of DOS may not be required as the existing tariff policy wordings and underwriting practices are comprehensive, and the same status quo can be maintained.
7. As the Loss of Profits products (ALOP, MLOP, DSU,) operates in conjunction with the material damage policy and irrespective of retail or commercial segment the LOP covers would operate in the same manner, hence WG is of the opinion that the terms and conditions of LOP policies shall continue with same wordings and may not require major changes.
8. Authority has already formulated standard Fire Insurance products for Dwellings and SME Units Viz. 1) Bharat Griha Raksha, 2) Bharat Sookshma Udyam Suraksha and 3) Bharat Laghu Udyam Suraksha wherein the Sum Insured for Plant, and Machinery and Equipment are to be declared on Reinstatement value basis.
9. WG recommends that the proposed Operational Package Policy with RIV basis can be offered as another option for
 - a. Dwelling units to cover all Electrical and Electronic equipment and machinery in Dwelling Units - such as Refrigerator, Micro Oven, Washing Machine,

- Television, Music System, Desktop, Laptop, water pump, Air conditioner, (No Mobile phone), and other gadgets and equipment; or
- b. An Apartment complex, a Residential condominium or a Housing Society, to cover Plant and machineries like water pumps, Sewerage treatment plant, Lifts, Air conditioning units, Solar power units or
 - c. SME units falling within the scope of Authority's Retail Fire Policies

In-built Addons:

300 Plus Retail Engg. Insurance Product add-ons filed with the Authority can be broadly grouped into around **40 common add-ons**.

Many of the Common Add-ons can be offered as in-built cover in the Project All Risks, Operational Package policy or CPM or EEI products. Other add-ons can be optional for Insurers and Insureds. WG would suggest that the in-built add on wordings can be standardised and all insurers may be advised to offer the add-on wordings without any change.

Claim Settlement

There is a general perception in the market about high dissatisfaction in claim settlement for Engineering Operational policies as compared to Fire operational policies.

Simplified Policy wordings:

The first step toward more effective and less troubling claim management is to ensure the policy wordings are in simple language, and to include the common add-ons as in-built part of the basic policy..

Key Feature Document:

Clear cut definitions of Sum Insured for equipment's obsolete or otherwise and basis of Indemnity, Depreciation Chart / Table, Clarity on deductions under RIV based claim settlements with a depreciation chart. Excess / Deductible and other key aspects of claim settlement should be brought out in the Key Feature Document forming part of the Policy.

Claim notification days can be reduced from 14 days up to say 5 days. Risk inspection may not be feasible for retail segment; inspection can be done with the help of pictures/ images.

Changes in other General Regulations

In the light of the suggestions and comments received from stakeholders and also keeping in tune with the present-day requirements. WG recommends that the Regulations dealing with Premium rates or having a bearing of Premium such as various type of discounts and loadings, Excess, Special rates can be deleted. Some of the Regulations which hitherto provided for covers in the nature of ADD On covers can be deleted, as WG recommends many Addon covers can be inbuilt in the proposed All Risk / Package / Stand-alone policies.. A few other regulations are recommended to be continued with some modifications.

Standard Products to be offered by all Insurers

WG suggests that for all the four revised Retail Engineering Insurance Products viz. Retail Projects All Risks, Retail Operational Package Policy, CPM (Revamped) and EEI (Revamped), the Product Structure, Wordings, In-built Add-ons with sub-limits, Optional add-ons at Additional Premium, Terms and Conditions and General Regulations can be mandated across all Insurers.

Draft standard policy wording / document

The working group strongly recommends simplifying the policy wordings and a standard format / structure for the policy documents.

Simplified proposal Form - A simplified version of Proposal Form for this new policy shall be drafted incorporating only the relevant information as required for underwriting the risks (apart from standard information as required to fulfil statutory requirements and issuance of policy).

A separate Section containing major precautions to be observed by insured (e.g., immediate intimation in case of address change, increase in sum insured).

Key Feature Document (KFD) as part of Policy document to bring in better clarity of coverage, terms, and conditions. This will help to realigning the industry to meet customer expectations better and vice versa.

The working group has attempted a first cut draft of the policy wordings. However, WG felt the drafting of detailed policy wordings, clauses, warranties, and conditions would take some more time.

If the recommendations in this WG report are acceptable, then the WG can re-work and finalise the revised Proposal form and draft of Policy wordings for the Four revamped products, with clarity on scope of coverage, basis of indemnity, exclusions and conditions and ADD ONS that can be easily understood leaving no chances for misunderstanding or misinterpretation.

1. Introduction

1.1. History and Evolution of Engineering Insurance

Origin of Engineering insurance products can be traced to the nineteenth century industrial revolution era in Great Britain when the need for developing separate insurance covers for Plant and Machinery were felt. During mid-to-late nineteenth century, thousands of boilers were in operation throughout the country and there was widespread ignorance about the boiler collapse/explosion and properties of steam. Boiler explosion has threatened the existence of the industrial organization.

To safeguard the serious property damage and peace of mind for economic activities, it was necessary to safeguard against such damages. These products were developed parallel with the growth of Fire Insurance. This led to new range of insurance cover as Boiler & Pressure Vessel Insurance and Machinery Insurance which were designed to protect steam boilers, turbines, power generators and motors along with the third-party liabilities and latter Workmen Compensation insurances etc.

Concept of All Risks cover was also introduced covering damage due to any cause except those specifically excluded. Engineering insurance products covered various stages – from Construction to Testing till the Plant and Machinery became operational units. The policyholders were small, medium, and large-scale Industrial Units.

Slowly, Engineering Machinery insurance emerged as the most important protection product in the development civil and industrial activities of various economies.

The evolution of these insurance policies have led to the development of other engineering lines of business during 20th century. CAR (Contractor all risk) policy can be traced back to 1929 to cover the construction of Lambeth Bridge in London. After this, German Insurers also started to offer CAR insurance cover and this policy has grown after the World War II. During late 20th century the EEI & CECR policies evolved.

1.2. Classification and Types of Engineering Insurance policies:

Engineering policies are broadly classified into three major groups:

1. Project Insurance
2. Annual / Operational Insurance
3. Business Interruption Insurance

A summary of these insurance products given by Swiss Re knowledge material is reproduced here for easy comprehension of the portfolio.

From feasibility study to operation			
Off-site activities		On-site activities	
Phase	Feasibility study	Transport	
	Design		Construction
	Manufacturing		Erection
Possible covers	Fire & Extended Coverage	Marine	Commissioning/testing
	Professional Indemnity	Storage	
		Contractors' All Risks (CAR)	Fire & Extended Coverage
		Erection All Risks (EAR)	Fire Loss of Profits
		Contract Works All Risks (CWAR)	Liability
		Advance Loss of Profits (ALOP)	Contractors' Plant and Equipment (CPE)
		Contractors' Plant and Equipment (CPE)	Boiler and Pressure Vessel Explosion (BPVE)
			Machinery Breakdown (MB)
			Loss of Profits following MB (MLOP)
			Deterioration of Stock following MB (DOS)
			Computer All Risks (COMP)
			Low Voltage and Electronic Equipment All Risks (LVEE)

Engineering insurance involvement
Engineering covers

Source: Swiss Re: Engineering Insurance and Reinsurance – an Introduction

Most of the Construction or Erection **Project Insurance policies** incept when the feasibility study is initiated and the policies end when the construction / erection is completed. Project insurance products are issued for the Project duration. Thereafter, depending upon the type of risks, **Annual operational insurance policies** cover traditional and operational risks as well as Loss of Profits or business interruption covers.

Insurance policy for Contractors' Plant and Machinery is insured during the Construction phase or Operational Phase of the project or for both phases put together.

1.3. Engineering Insurance in India

India became important springboard for the spread of the various lines of insurance. The East India Company dominated insurance in later 18th century through agency houses in Kolkata to set up their own insurance, thereby bringing the insurance business in India. Modern Engineering Insurance in India has its roots associated with British era and latter industrial development during late 20th century. Post-independence, the engineering classes of business were limited to commercial entities like industrial houses and contractors.

After setting up of TAC in 1968 and passing of General Insurance Business (Nationalisation) Act, 1972 during late 80's insurance product in Fire Insurance segment were sold in significant volume to customers. Under engineering segment Machinery Breakdown, CPM & EEI products were offered and sold.

1.4. Retail and Commercial Insurance Products

Authority's Guidelines on "Product filing procedure for General Insurance Products" issued in February 2016, classified all General Insurance products into Retail products and Commercial products.

Both of these classifications are made on the basis of "who buys the product". All categories of products called in whatever name, for the purpose of filing, irrespective of whether falling under 'File and Use' or 'Use and File' procedures, shall necessarily be classified under "Retail" or "Commercial" products".

(a) Retail Products: Retail products are those products that are sold to individual customers including their families. However, there is no bar on selling a retail product to commercial customers if the insurer feels that the product meets the insurance needs of a segment of commercial customers. Wherever there is a joint insurable interest in a subject matter of insurance and one of them is individual, they will also be treated as Individual customer for the purpose of this product classification.

(b) Commercial Products: Commercial products are those that are sold to entities other than individuals and will include firms, companies, trusts etc. A product filed for commercial customers shall not be sold to individual customers.

1.5. Authority's Product File and Use guidelines:

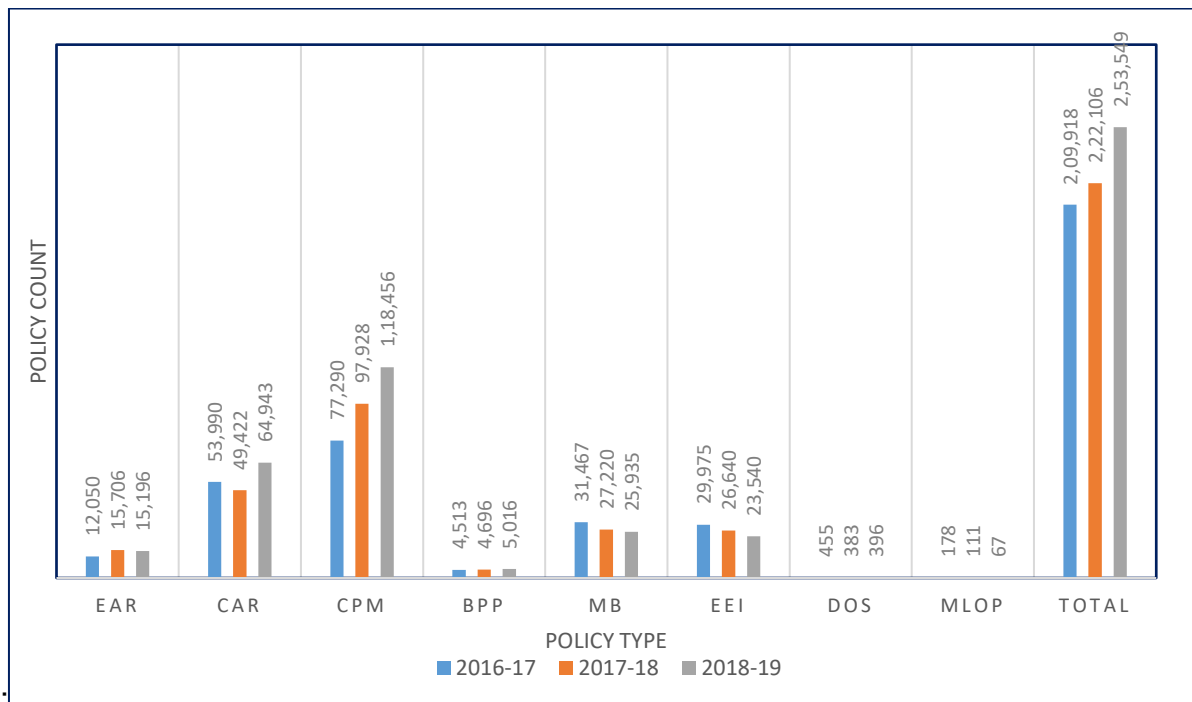
All Retail Products (including their modifications) shall be filed with the Authority under File and Use Procedures. However, the commercial products offered to commercial customers (such as Micro, Small & Medium Enterprises, small shops and establishments, trustees, cooperative societies etc.,) with a policy Sum Insured up to INR 5 Crores (for package policies fire section Sum Insured) or as prescribed by the Authority from time to time shall be filed under File and Use Procedures.

As per the Authority's product filing procedure in vogue, in Engineering LOB, **315 Insurance Products (both retail and commercial)** are filed with Authority by 21 Insurers. **18 insurers**

have filed 121 products and around 300 add-ons in the retail segment of Engineering Insurance under File & Use guidelines.

1.6. Engineering Insurance Portfolio - Retail

Following is the summary of Engineering insurance policies whose SI is less than Rs. 5 Crs for the period 2016 to 2019.



Source: IIBI data -

This Chart shows that the total number of Engineering Insurance policies issued with SI less than or equal to Rs. 5 crores ranged between 2.09 lacs to 2.53 lacs. In 2018-19, Contractor's Plant and Machinery was the highest with 118,500, while EAR policies were 15,000 and EEI 29975 only. These figures clearly indicate that there is enormous potential and scope for Engineering Insurance.

2. IRDAI WORKING GROUP TERMS OF REFERENCE

Authority vide its Order dated 5th November 2020 (reproduced below) constituted a working Group to study and submit its report by revisiting the Engineering Insurance (Retail) products filed with the Authority:



भारतीय बीमा विनियामक और विकास प्राधिकरण
INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY OF INDIA

IRDAI/NL/WG/ENGG-RETAIL/240 /2020-21

5th November, 2020

Sub: Working Group for revisiting the retail business of Engineering tariff.

1. With continuous advancement in technology, engineering insurance requirements are constantly evolving. Customer expectations regarding insurance are changing significantly. There is a need to modify the current products under the Engineering retail segment in line with the changing needs and demand. With this view, it has been decided to constitute a Working Group to revisit the Engineering products (which are as per the erstwhile tariffs) for the Retail segment of products.
2. The Working Group is constituted as follows:

Sr. No.	Name	Designation	Organization	Chairperson / member
1	Shri.R Chandrasekaran	Former Secy. General	GI Council	Chairperson
2	Smt.Geeta Santhaseelan	General Manager	Oriental Insurance Co. Ltd.	Member
3	Shri. Sunil Kumar Singh	Deputy General Manager	The New India Assurance Co. Ltd.	Member
4	Shri.Sandip Karmakar	AGM	GIC Re	Member
5	Shri. Pratik Bansal	Vice President-Property, Products & Digital customer service	ICICI Lombard GIC Ltd	Member
6	Shri. Anuj Mallik	National Head – Engg. UW	Bajaj Allianz General Insurance Company Ltd	Member
7	Shri. Prashant Desai	Head of Property UW & CUO-Non Life	Munich Re	Member
8	Shri. George Thomas	Professor	Insurance Institute of India	Member
9	Shri. V Satish	OSD (DGM)	NL, IRDAI	Member-Convener

3. The **Terms of Reference** of the working group are as under:
 - i. Revisit the product structures of the erstwhile Engineering tariffs relevant for the Retail Category and make suitable recommendations for revising them.
 - ii. Recommend new suitable and appropriate standard products in line with advancements in technology, for the Retail segment.
 - iii. Make recommendations regarding revisions to the General Regulations in the tariffs and suggest framework relevant for (i) & (ii) above.
 - iv. Any other matter relating to Engineering Insurance relevant for Retail segment.
4. The Working Group shall submit its report in three months' time from the date of this order.


(Yegnapriya Bharath)
Chief General Manager (Non-Life)

3. METHODOLOGY ADOPTED BY WORKING GROUP

3.1. Existing Retail products and Add on

Working Group decided to broadly group Retail Engg. Insurance Products and Add-ons filed with the Authority into a few categories and then focus on the Product features, Coverage and Conditions thereon.

121 Retail Engineering Insurance Products filed with IRDAI are mainly classified into following:

Sl. No.	Project Insurance policies	
1	EAR – Erection All Risk Insurance; Also known as SCE- Storage cum Erection, MCE- Marine cum Erection Insurance	This is a comprehensive policy protecting the interests of the Principals, Contractors and Sub contractors of any project being erected, as the project is exposed to various physical damage risks during construction.
2	CAR - Contractor All Risk Insurance	This policy protects the interests of Principals and Contractors including sub-contractors engaged in Civil Engineering projects from small buildings and factories to large dams, buildings, bridges, tunnels etc.,
Sl. No.	Annual / Operational Insurance policies	
1	MBD - Machinery Breakdown Insurance	Suitable for every industrial or manufacturing unit operating plant and machinery. Breakdown of machinery would cause financial loss. This policy covers all types of mechanical & electrical machinery like generators, transformers and lifting machineries, etc., against any unforeseen and sudden physical damages.
2	BPP – Boiler and Pressure plant Insurance	This policy covers damage or loss to boilers and pressure vessels against the risk of explosion and collapse including damage. Normally this policy is taken in addition to Standard Fire Insurance
3	EEl – Electronic Equipment Insurance	This policy is issued to cover various kinds of electronic equipment – Computer systems and auxiliary equipment, power conversion systems etc., This policy covers any unforeseen and sudden physical loss or damage

		including Fire, Machinery Breakdown and Burglary risks
4	CPM – Contractors Plant and Machinery Insurance	This policy is suitable for Contractors to cover their machinery like Cranes, excavators, and other construction equipment against any unforeseen sudden physical damages.
5	CECR – Civil Engineering Completed Risk Insurance	This policy provides comprehensive cover to Owners and Contractors of large infrastructure and Major Construction projects after completion of Construction or Erection, and it is a named peril policy.
Loss of profits policies		
1	ALOP - Advance Loss of Profit Insurance	These are provided to cover financial consequences of a project getting delayed due to accident or damage caused by insured perils. This is also given as an extension to Marine cargo insurance for major Projects
2	DSU – Delay in Startup – normally given as an extension to cargo insurance of major Projects.	
3	MLOP – Machinery Loss of Profit Insurance (In conjunction with MBD / BPP)	This is suitable for industries where interruptions or delays as a result of Machinery Breakdown or Boiler explosion results in consequential financial loss
4	DOS – Deterioration of Stock Insurance.	This policy is issued to owners or operators of cold storage units for storing perishable commodities – such as Vegetables, Sea foods, Dairy and Agricultural products.

WG analysed the 300 Plus Retail Engg. Insurance Product add-ons filed with the Authority and agreed that these Add-ons can be broadly grouped into around **40 common add-ons. (Annexure 6)**

3.2. Consultations and meetings with stakeholders:

Letters and communications were sent to representative stakeholders Pan India - Govt., National and Sectoral Industry Associations, Chamber of Commerce seeking their inputs and suggestions.

The WG sent across meeting requests to various industry stakeholders like insurance companies, brokers, surveyors, and industry associations, to gather a 360⁰ view of how Engineering Insurances are perceived and understood in the retail market. Accordingly, multiple consultations and interactions were held with representative bodies like the General Insurance Council (GI Council), the Insurance Brokers Association of India (IBAI), the Indian Institute of Insurance Surveyors and Loss Assessors (IISLA) and the Confederation of Indian Industry (CII).

Three Subgroups were formed to focus on (1) Products structure review, (2) Ascertain International best practices and (3) for obtaining Stakeholder views and comments, respectively.

Product Sub-group examined the existing products and tariff wordings; as well as the changes that can be brought out in these products. **Sub-group on International practices** examined the Engineering products structure available in various overseas markets. **Sub-group on Stakeholder comments and views** prepared two Survey Questionnaires to elicit views from Policyholders (Customers) and Insurers and Practitioners.

WG held detailed consultative and feedback meetings with Insurers (through GI Council), IBAI and IISLA delegations. These three key industry stakeholders had eagerly participated in the WG deliberation and submitted their views both in person and through written communications.

3.3. Submissions by Key Stakeholders:

While some of the stakeholders documented their views and mailed them across, the views gathered from the others through structured interactions were documented by the WG.

The General Insurance Council, the most important stakeholder, representing insurance companies, after elaborating internal discussions, summarized the views of all its members as follows:

1. *“For small and medium-sized contractors, a package covers with no option to delete or include covers can be devised combining MCE/EAR and Operational covers including the cover of Machinery and Electronic equipment with a sum insured categorization. This package cover can be extended on annual and declaration basis also. The deductible should be fixed either as % of SI or claim but should be uniform across the industry.*
2. *For the same categories as above a full-pledged package cover can be devised with an option to include and delete add-ons, increase, or decrease the deductibles with adequate premium adjustments and flexibility in choosing the basis of Sum insured and claim settlement as per the chosen method of valuation. This flexibility is required*

as a client can choose to get a claim settlement without requiring reinstating the property/ machinery.

3. *In any package cover suggested above the following covers are to be included as the basic cover. TP liability, owners surrounding property, debris removal, goods held in trust.”*

Detailed views of GI Council are reproduced at **Annexure 3**

The Confederation of Indian Industry (CII), representing the Insured, gave key suggestions/ comments on the following heads:

1. Simplifying the present policy wordings of Engineering Insurance policies,
2. Including additional covers that are not presently available under Engineering policies and
3. Solving difficulties that are experienced at the time of claim settlement.

The Insurance Brokers Association of India (IBAI) offered detailed suggestions on multiple matters including the following:

1. The need for defining Retail products
2. Developing Engineering products for the retail segment
3. Bringing better clarity on matters relating to claim settlement such as deductibles, depreciation, underinsurance, coverage of consumables and obsolete parts as well as on the type of indemnification – On Reinstatement value or on Indemnity.
4. Merging policies like Machinery Break-down (MBD) and Electronic Equipment Insurance (EEI) and creating structured package policies.
5. Providing Machinery Break-down coverage under Contractors’ Plant and Machinery (CPM) Policies.
6. Simplifying policy wordings, reducing disparity, many Having better clarity.

The Indian Institute of Insurance Surveyors and Loss Assessors (IIISLA) also provided various suggestions, and some of the most important ones are listed below:

1. Defining scope of coverage of electronic parts of machinery, coverage of refurbished medical equipment,
2. Making the basis of claims settlement of Contractors’ Plant and Machinery (CPM) Policies clearer – whether on Reinstatement value basis or on Market value basis and how the average clause would apply.
3. Bringing better clarity on matters like underinsurance, provisions relating to annual maintenance contracts, input tax credits, provision for escalation clause etc.
4. Creating uniform depreciation scales for Engineering Insurances.

3.4. Survey of Insurance Practitioners and Customers

In order to gather the sentiments of the wider market, the WG conducted surveys of individual insurance practitioners and customers across the country.

Structured questionnaires were designed by the WG through multiple sittings, so that all the vital aspects of the retail market could be covered. Surveys were designed using Microsoft Teams Forms, which allows ease of use to the respondents and facilitates easy analysis of the responses. In order to get precise answers on certain specific issues in focus, multiple options were provided.

To elicit uninhibited expression of innovative views and unorthodox opinions beyond the expectation of the WG, text boxes for unstructured opinions were also provided. The approach yielded significant value for the WG in two ways. While many of the individual responses endorsed the views of the stakeholder groups, some of them helped the WG in seeing divergent points of view and also provided alternate solutions to the problems raised.

Two Survey questionnaire forms were circulated to (i) industry practitioners with technical questions (Insurance professionals working in the Insurance companies, Broking organisations, and Surveyor firms) and to (ii) customers on their awareness and knowledge levels on the Engineering insurance products and coverage. whereas A meagre number of responses were received from the Customers.

Around 150 practitioners of the industry responded to the surveys and many gave significant insights,. The questionnaire used (**Annexure 1**) and the key findings of the survey have been annexed to this report in a quantified manner, (**Annexure 2**).

3.5. Review of grievances and complaints

The General Insurance Council (GI Council), the Confederation of Indian Industry (CII), the Insurance Brokers Association of India (IBAI), the Indian Institute of Insurance Surveyors and Loss Assessors (IISLA) and Survey Respondents pointed out the existence of certain sore areas that are causing customer dissatisfaction.

For identifying the pain points in an objective manner, the WG analysed the grievances received by the Integrated Grievance Management System (IGMS) during 2018-19, 2019-20 and 2020-21.

Among the grievances specifically related to Engineering policies, 13% (18 out of 143 grievances) could be broadly classified as related to Policy issuance/ Policy servicing, and 87% (125 out of 143 grievances) could be identified as related to claims and related processes.

Grievances Related to Policy Issuance/ Policy Servicing	Percent
Refund of premium as per policy conditions not done	2
Imposed additional conditions without basis	2
Insurer overcharging by calculating premium wrongly	1
Certificate of Insurance/ Policy not received	1
Differences in details given in the Policy and the Cover Note	1
Insurer refused to renew the policy without giving any reasons.	1
Details in the Policy incomplete	1
Non issuance of Endorsement for modification of the Policy/ Add on covers	1
Details shown in the Policy or Add-on are incorrect.	1
Imposing new conditions in CAR/ EAR at the time of policy extension	1
Total	13

A granular analysis of the remaining 125 claims related grievances (contributing to 87% of all grievances) cause-wise, yielded the following findings.

	Reasons	Instances	Percent
1	Delay in settlement of claim - unspecified reasons	38	27
2	Repudiation alleging breach of policy condition/ warranty without giving reasons	18	13
3	Difference between assessed loss and amount settled	11	8
4	Insurer failed to clarify queries raised by Insured.	9	6
5	Delay in submission of documents by Insured	8	6
6	Delay in submission of survey report	6	4
7	Reduction in quantum of claim for reasons not indicated in the policy.	5	3
8	Delay in claim intimation	4	3
9	Repudiation as location of claim was different from what was stated in the policy	3	2
10	Delay in appointment of surveyor	2	1
11	Reinstatement not done as per policy conditions	2	1
12	Repudiation due to serial number not matching with policy document.	2	1
14	Repudiation as loss by theft as not intimated immediately/ no FIR	2	1
15	Claim settled after complaint lodged with authority	1	1
16	Claim settled on Market Value Basis instead of Reinstatement Value	1	1
17	Delay due to appointing Surveyor for small claim less than Rs. 20,000	1	1
18	Delay in conducting survey.	1	1
19	Dispute on mode of claim settlement - total loss/ cash loss vis-à-vis repair basis	1	1
20	Dispute relating to Interpretation of perils/ exclusions/ conditions/ warranties	1	1
21	Insurer asked for irrelevant claim documents	1	1
22	Reduction by application of wrong underinsurance	1	1
23	Refusal to register claim	1	1

24	Repudiation as Claims being within Excess	1	1
25	Repudiation due to alleged non-cooperation of Insured	1	1
26	Repudiation due to change in ownership in CPM.	1	1
27	Repudiation due to latent defect and inherent vice.	1	1
28	Repudiation due to wrong usage or due to overloading	1	1
29	Repudiation of Laptop Battery claim under wear & tear	1	1
	Total	125	87

These 125 Claims related grievances [87% of 143 grievances] can be grouped as (i) caused by Delays - 60 [42% of 143 grievances], (ii) caused by Repudiations - 31 [22% of 143], (iii) caused by Reductions in quantum - 21 [15% of 143], (iv) caused by not clarifying queries - 9 [6% of 143] and (v) other grievances - 4 [3% of 143].

Grievances	Instances	Percent
Delays	60	42
Repudiations	31	22
Reductions in Quantum	21	15
Not Clarifying Queries	9	6
Other Grievances	4	3
Total	125	87

The WG observed that some of the grievances like “Repudiation as Claims being within Excess” cannot be deemed as Insurers fault, as they clearly indicate the absence of Insurance Literacy and the inability of the Insurer to clarify the coverage to the insured. Also, the view that undue ‘Delay in claim intimation’ should not be treated as a reason for repudiation,

Grievances due to Delay	Instances	Percent
Delay in submission of documents by Insured	8	13
Delay in submission of survey report	6	10
Delay in claim intimation	4	7
Delay in appointment of surveyor and conducting the survey	3	5
Delay due to appointing Surveyor for small claim less than Rs.20,000	1	2
Delay in settlement of claim - unspecified reasons	38	63
Total	60	100

smack of a lack of appreciation of the Insurers’ difficulties in getting the claims surveyed and assessed before the trail goes cold.

Analysing further, the 60 grievances due to delay can be understood as consequent to (i) the insured not submitting the required documents in time - 8 (13% of grievances due to delay), (ii) survey reports not being submitted in time - 6 (10%), (iii) delays in claims intimation by the insured - 4 (7 %), (iv) delays by the insurer in appointing surveyors and conducting surveys - 3 (5%), (v) the odd case of the insurer allegedly having appointed a surveyor when the claim was less than Rs.20,000 and the survey was not required - 1 (2%) ; and (vi) 38 delays (63%) caused due to multiple unspecified reasons.

4. INTERNATIONAL PRODUCT COVERAGE AND PRACTICE

WG Review of Market wordings and practices for CAR, EAR, EEI, MB, DOS, CPM products from various international markets like South East Asia (Singapore, Indonesia, Philippines, Cambodia, Thailand), China, Africa, and London markets.

In the overseas markets reviewed by WG, no separate product classification as Retail Engineering products is found.

4.1. Policy Wordings Comparison:

Comparing the policy wordings used by primary insurer In India with a few overseas markets, following differences are identified for various Primary Engg. Insurance products. A synopsis of the comparison is given in **Annexure 4** to this report.

<p>Contractors' All Risk (CAR)/ Erection All Risk (EAR)</p>	<p>Coverages and exclusions under this policy is same for different market wordings. In India market.</p> <p>More add-on covers are offered as compared to Munich Re policy CAR/EAR form</p> <p>For example :</p> <ol style="list-style-type: none"> 1. Loss minimization, 2. Removal to place of safety 3. Cover for temporary structures 4. Cessation of works 5. Valuable documents
<p>Electronic Equipment Insurance (EEI)</p>	<p>Under EEI Policy, portable electronic equipment like notebook, lap top computer, sonography are excluded in India market wordings. In Munich Re policy wordings and South East Asia market wordings, Act of God, theft, and failure of utilities are excluded, but not in India market wordings.</p> <p>In Indian market, coverages are available, but individuals are not able to buy equipment specific covers conveniently for e.g., all household white goods.</p> <p>Under Indian policy wordings, clarity on coverages for new acquired equipment and new locations is missing.</p> <p>Depreciation in case of partial loss and total loss remains as a major concern in Indian policy wordings.</p>
<p>Contractor's Plant and Machinery (CPM) and Machinery Breakdown (MB):</p>	<p>Same exclusions and coverages offered in Indian policy wordings and Munich Re policy wordings.</p>

Deterioration of stocks (DOS) :	More detailed and comprehensive policy available in India when compared to other market policy wordings.
Boiler and pressure plant (BPP) :	In India, BPP is a standalone policy covering boiler and pressure vessels losses caused by explosion Various international market follows boiler and pressure vessel policy wordings by Munich Re. Comparing both policy wordings, exclusions and coverages offered are same.
Loss of Profits following MB/ BPP (MLOP), Advance Loss of Profit (ALOP) and Civil Engineering Completed Risks (CECR)	These policies are less relevant for retail customers as the sum insured values are generally high.

4.2. Suggestions:

Following comments are made based on review of International scenario:

To increase the penetration of CAR/EAR insurance

1. **Mandatory CAR / EAR insurance for Real Estate projects and houses:**
Insurance protection can be mandated by Municipal Corporations while they grant approval for plans / drawings for construction of houses.

Real estate sector in India is expected to reach US\$ 1 trillion by 2030**. By 2025, it will contribute 13% to country's GDP. Real Estate stock in India was expected to reach 3.7 million square feet (msf) in 2019, with addition of 200 msf during the year.

Emergence of nuclear families, rapid urbanization and rising household income are likely to remain the key drivers for growth in all spheres of real estate, including residential, commercial, and retail.

2. Banking channel can be explored to sell CAR/EAR insurance when customers approach bank to buy home loan for construction of their own house.
3. Mobile apps/ websites can be explored to sell Engineering insurance policies to retail customers

In European countries, mobile apps/websites are used to buy insurance (CAR, EAR, CPM etc.) for small sum insured values (up to € 2 million ~ INR 17 Crores*).

An example : VHV construction insurance : "you can insure construction projects up to € 2 million. The maximum insurance period is 2 years and is offered for general building construction".

4. **Short duration CPM policies** as well as Annual policies with facility of payment of premium as and when the CPM is put to use ("**Pay when you use**") facility can be permitted.
5. Following machinery can be included machinery breakdown coverage: Cotton spinning machine, dyeing machine, Lift used for carrying passengers and goods

installed in office, shopping complex, residential building and business establishments Milk processing plant and machines (for SME customer involved in dairy business).

6. Coverages under EEI policy can be widened so as to cover new range of electronic equipment.

7. **Clarity in Indian Policy wordings**

- a. New acquired equipment and new locations can be provided.
- b. Depreciation in case of partial loss and settlement in case of total loss (by waiving the depreciation for equipment up to certain age) can be examined.
- c. Coverage for leased equipment and territorial scope (alternative premises cover specifically for data media).
- d. Cyber exclusion to be mentioned clearly under policy wordings.

8. **General Regulations:** Claim notification days can be reduced from 14 days up to say 5 days. Risk inspection may not be feasible for retail segment; inspection can be done with the help of pictures/ images.

4.3. **Reinsurance:**

Retail business being smaller in size (sum insured values less than INR 5 Crores) is easily absorbed within the net retention of primary insurance companies, therefore such proposals are not seen by Reinsurance market in India. If the Retail Sum Insured limit is enhanced to INR 50 crores, then some of the risks would get ceded to Proportional Reinsurance treaties.

Comparing the Reinsurance treaties in Indian market with those in South East Asia, (South East Asia – Singapore, Vietnam, Cambodia, Laos, Thailand, Myanmar, Indonesia) it is observed out that Indian Reinsurance treaties offer wider RI covers than other market treaties.

There were a few differences as regards exclusion of Wind Turbines, Gas Turbines, Boilers in some markets; whereas in Treaties for Indian Insurers such exclusions were not specifically mentioned. Similarly, wet risks are covered in some markets, whilst in India there is an option to cover wet risks up to 10% of Sum Insured.

5. SURVEY RESPONSE, ANALYSIS AND FINDINGS:

Respondent Profile: Profile-wise, 124 practitioners from General Insurance Companies constituted the bulk (82.7%) of the respondents, followed by 12 from the Broking profession (8%), 5 Surveyors (3.3%), 3 Agents (2%) and 6 (4%) from other categories.

Of the 124 respondents from General Insurance Companies, 70 (47%) were from the Public Sector and 54 (36%) from Private Sector Insurance Companies. From a different angle, 140 (93%) of the total respondents were in active service and 10 (7%) were retired professionals.

Geographical Profile: The survey could elicit responses from 20 States, with Maharashtra accounting for 18.7%, Gujarat - 12%, Delhi - 11.3%, Tamil Nadu - 10%, Kerala - 6.7%, Telangana - 6%, West Bengal - 4%, Karnataka – 3.3%, Rajasthan 2.7% and the remaining states contributing to 25% (12 respondents did not mention their state names). This broadly reflects the states that are more active in the insurance business.

Respondents	Number	Percentage
General Insurers	124	82.7%
Brokers	12	8.00%
Surveyors	5	3.3%
Agents	3	2%
Others	6	4%
Total	150	

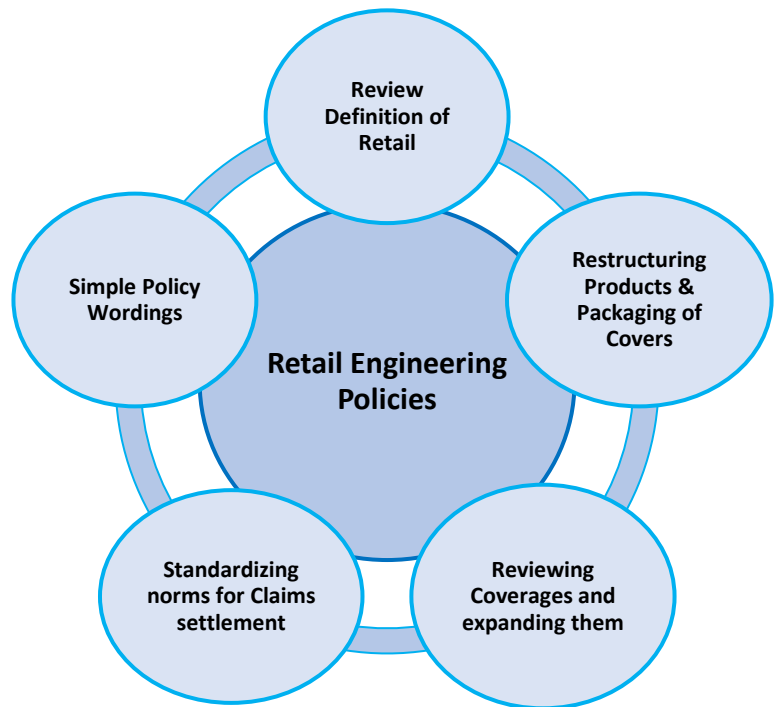
Respondent Opinions – Simplification of Policies: A significant number of 119 (79.3%) participants suggested that the existing products be modified and/ or simplified for the retail segment, while 14 (9.3%) felt that no change was required and 17 (11.3%) did not express any opinion.

Respondent Opinions – Packaging of Policies: 95 (64%) of the respondents preferred packaging of the Annual Policies – MBD, BPP, EEI and DOS, 35 (23%) were not in favour of such packages. 8 (5%) respondents had no clear views in the matter while 12 (8%) professionals offered diverse suggestions which have been examined on merits by the WG.

As regards Project Policies, 104 (70%) professionals suggested that the products required to be offered as a package for the retail market, while 33 (22%) felt that status quo may be maintained. 4 (3%) did not have a clear stand in the matter and 9 (6%) made different suggestions which were examined by the WG on merits.

Gist of the Survey: The views that emerged from the survey gave the WG multiple insights, some of which were in line especially can be broadly summarized as

- ❑ Reviewing the definitions of Retail Policies
- ❑ Simplifying Policy Wordings and making the terms used easily comprehensible to the retail customers
- ❑ Restructuring existing products and packaging them based on the needs of the retail market
- ❑ Reviewing the scope of coverage, terms and conditions and expanding them as required
- ❑ Standardizing norms and practices to make the claims settlement process easeful, efficient, timely and transparent.



6. STAKEHOLDERS' VIEWS AND RESPONSES: (Synopsis)

All suggestions, views, and feedback received from different segments of Insurance industry are summarised below:

6.1. Definitions:

Retail Engineering Products may be defined as those with a Sum Insured up to Rs.50 crores for the Annual/ Operational Policies and Rs. 50 crores for Project Policies.

6.2. Product simplification:

Simple Package Policies with simplified wordings and limited coverages are needed for retail markets comprising all machines of households and small industries. Hence, Retail Engineering Products need to be simplified and standardized as only two comprehensive policies for easy understanding.

Many of the present generation of machinery work on electronic control modules, making it difficult to define electronic and mechanical equipment. Section 2 and 3 of EEI are obsolete and are not required. Maintaining these aspects, the language may be modified from legal to common language and common terms may be used.

Retail Project All-Risks Policy for the retail market based on user needs as a single policy merging the existing Contractor's All Risks (CAR) + Erection All Risk (EAR) with Marine, Storage covers., An Annual policy for Projects is suggested to take care of various small projects within the policy period on declaration basis.

Retail Operational Package Policy Engineering Risks merging the existing Machinery Breakdown (MBD) + Boiler and Pressure Plant (BPP) + Electronic Equipment Policies (EEI) This would be an Annual Policy with MBD, EEI, BPP as different sections, from which the insured can choose options as required.

Two Variants of the Operational Package Policy can be offered (1) Covering selected machineries as per the existing practice (2) all machineries and equipment without any option i.e. no selection to be covered. i.e., No anti-selection against the insurers.

6.3. Coverage:

There were suggestions to keep the coverage to the minimum and allow customers to pick up the clauses that they required. There were also views that a good range of clauses may be provided by default; and insured be allowed to opt out of them at a discount. However, the Working Group noted that as retail customers often were not aware of the covers they should opt for, standard policies should have basic coverage of a good range of essential covers.

6.4. In-built covers:

1. Off-site storage and inbuilt coverage for testing of some machinery may be added as part of the basic policy. This would include civil works and contractor's plant and machinery.
2. Under CPM, Inland Transit Coverage for any construction equipment including self-propelled vehicles whilst at site, can be covered during transit in a vehicle.
3. Removal of Debris and 'Dewatering' inclusive of cost of clean-up (including foreign debris) with sub-limits can be inbuilt covers.
4. Third Party Liability (TPL) with cross liability up to 10% of the project value, not exceeding Rs.1 crore would also be an inbuilt cover.
5. Covers like Surrounding Property with sub-limits and Third-Party Liability cover under CPM, may be given only to Contractors and not to the Lessors, who give equipment on lease.
6. Continuity of cover up to 3 months for the completed works to be an automatic cover not exceeding 50% of project value. 'Put to use' cover under the project policy for three months should be made inbuilt in add-on cover.
7. SRCC cover may be provided as part of Basic Standard policy
8. Terrorism also should be included as an inbuilt cover.
9. Software may be covered.
10. Cancellation clause should continue as per the existing policy conditions.

6.5. Add-On Covers (optional; with additional premium):

Add-on covers like 'Civil Authorities', 'Design Defects', 'Additional TP Liability', 'Electrical & Mechanical derangement', 'Professional Fee', '72 hours clause', Temporary repair cost, 'Work Stoppage'/ 'Cessation of work' (partial or total) beyond the control of insured (on condition that the project is not abandoned by the principal) subject to defined conditions can be add-on cover.

Property being held in care and custody clause may be added after review. Similarly, Third Party Liability cover during maintenance period may be made available as add-on covers at extra cost.

Additional Customs Duty and Extended Maintenance can be optional add-on covers. Transit outside the project site subject to distance and other restrictions may be given as an add-on cover within the policy. '

Worldwide coverage on all-risk basis for Portable Electronic Equipment, may be offered. 'Transformer oil as insulation media' may be covered, subject to loss due to insured perils. Similarly, under CPM Policy, loss, or damage to replaceable parts such as bits, knives, ropes, belts, chains, blades, batteries, connecting wires, etc. may be covered only when these are part of a larger loss. Faulty design and defective material may be covered.

MBD Policies generally exclude the plinth and foundation as also lubricants and catalysts. These may be covered under the retail policy as add-ons.

Most of insurers have package products for SME and MSME where Workmen Compensation is already there with Fire, Engineering class of business. Workmen's Compensation cover may be included for both Project and Operational Policies.

Cover for 'Winchester Drives' and Increased Cost of Working under EEI may be dropped as these have become redundant.

6.6. Terms and conditions:

Norms for fixing of Sum Insured requires to be on simple and standard terms, based on the Bill of quantities/ Material cost + Erection cost + Freight + Customs duty. The Sum Insured for CAR and EAR would be up to Rs.50 crores,

Inland Transit would have a per sending limit (PSL) of 10% of the project value and Offsite storage value would be up to 25% of the project value, subject to a maximum of Rs.10 crores.

CPM would have up to 10% of project sum insured or a maximum of Rs.50 lakhs - as inbuilt section with annual/ long-term project policies.

The policy would be on Reinstatement Value (RIV) basis and Automatic Escalation would be inbuilt, up to 10% of the project value. 'Waiver of Underinsurance' up to 15% may be inbuilt, but this should be allowed only for Annual Policies but not for Project Policies.

Repair of Minor damage amount be increased to Rs.10,000 replacing the current Rs. 5,000. As fixing the adequacy of Sum Insured for refurbished medical equipment and secondhand machinery is often a matter of interpretation, the year of manufacturing should be taken as the uniform date to be reckoned with.

While giving discounts for AMCs/ or making AMCs compulsory the differences between the simple AMC where part replacements are not covered and the comprehensive AMC where replacements of parts are covered need to be evaluated. Provision of adjustment of premium at the end of policy period would not be applicable to keep the product simple. [It was pointed out to the Group that in practice, such adjustments were not being practiced in the market.].

Pro rata extension for 6 months if ICR is less than 100 % may be inbuilt in the policy conditions

Premium for extensions should be well defined at the commencement of the policy and not linked to matters like pending/ paid claims, legal cases etc. Testing period should be clearly defined under the policy wording for each class of risk.

Declaration policy for SCE may be offered for manufacturers/ service providers having multiple small value contracts.

For the ease of operation and to avoid being uninsured inadvertently, there should be Declaration facility for small contractors to automatically cover all their projects, and the insured be given an option to opt for either Market value or Reinstatement Value as the

basis of valuation and claim settlement. The Concept of Loss Minimization may be included and provisions to reward loss control may be included.

6.7. Claims settlement:

There is a general understanding about disparity in claim settlement for Engineering Operational policies as compared to Fire policies. To bring in better clarity, the following are suggested. Deductibles may be uniformly applied across the industry as a percentage of the claim amount (say, 2.5% or 5% subject to a minimum amount) instead of applying on the sum insured. However, fixing minimum amounts for AOG, major collapse, testing, other claims are suggested. Depreciation factor is not clearly defined for EEI and Surveyors use the scale available in the Companies Act or as per the Income Tax Rules. Depreciation scales/ charts on common types of equipment (and major parts) based on the age of the equipment or on the basis of working hours could also be considered. This has become more relevant nowadays, as most mechanical equipment has some electronic controller and counter systems.

It was argued that as the sum insured is on new replacement value basis, the settlement of total loss should also be on the same basis, without depreciation.

6.8. Retail Project and Operational Package Policies:

The General Insurance Council pointed out that the Insurers would need four package policies for Engineering – (1) Two simple package policies with minimum covers for both Operational and Project risks and (2) Two full-fledged package policies with all possible extensions and enhancements with minimum and maximum Sum insured criteria for both Operational and Project risks.

The simple package policies for small and medium-sized customers/ contractors would provide no option to delete or include covers. This package can be on declaration basis. The full-fledged packages for these same categories, would have an option to include and delete add-on covers, increase, or decrease the deductibles with adequate premium adjustments and have flexibility in choosing the basis of Sum Insured and Claim Settlement as per the chosen method of valuation. This flexibility was recommended by the Council to allow customers choose claim settlements without requiring reinstating the property/ machinery.

7. WORKING GROUP DELIBERATIONS

7.1. Economic Development and Engineering Insurance products

There is a direct co-relation between the growth of the economy and penetration of Insurance. People opt for insurance only after generating assets that they are worried about losing.

Protection against loss, damage and liability is required at every stage of construction from conceptualization and design to implementation, handover, and operation and thus, comprehensive insurance coverage is imperative. This is because the inherent risks associated with construction projects are numerous and substantial.

7.2. A vital Risk Mitigation Tool

To ensure full compliance with obligations in the works contract and adequate insurances for the works and ancillary risks the insurance policies must align. The importance of establishing an insurance strategy early on cannot be understated – the risks are simply too great.

Protection provided by the policy should meet not only the minimum state and contractual requirements but much more i.e., in addition to the main coverages, there are also standard inclusions [such as debris removal and professional fees] designed to ease financial pressure as well as optional extras that can be added to provide more protection. But there is lack of awareness of this important social security tool.

IIB data shows that in 2018-19, approx. 2.53 lakh Engineering Insurance policies were issued by General insurance companies. This low penetration level shows that knowledge and understanding the importance of these Engineering insurance products is lacking.

7.3. Technology Advancements

Homes, Workplaces And Commercial Complexes:

In a short period of time smartphones, tablets, and computers, connected Web applications to answer common needs of consumers

Internet of Things (IoT) is creating a network of physical devices – like handheld gadgets, vehicles, home appliances or any kind of electronic item with embedded software or technology – connected together and are able to exchange data.

Smart devices and artificial intelligence (AI) technology continues to evolve - Smart homes - Smart doorbell, with the ability to instantaneously record HD video; Smart sensors and detectors, Smart surveillance using home video cameras; –Innovations in these areas is impacting the daily lives of people in as much as it seems one would find it hard to function without these equipment and gadgets.

Construction / Erection Projects

Construction has come a long way in the last 100 years and gone are the days when labours were cutting boards and drilling holes by hand (without heavy equipment), excavating sites, and digging trenches with shovels and pickaxes (without heavy equipment), buildings had only a few stories tall (without the elevator).

Construction technology may be defined here as "the collection of innovative tools, machinery, modifications, software, etc. used during the construction phase of a project that enables advancement in field construction methods, including semi-automated and automated construction equipment.

Advancements in new construction technology is driving construction forward and helped build stronger, taller, and more energy efficient structures. Technology is making made construction sites safer and workers more efficient. It has allowed to increase productivity, improve collaboration, and tackle more complex projects.

The internet of things is likely to lead to advancements of construction software. The internet of things, commonly abbreviated to IoT, is making previously dormant objects, devices , and 'things' into smart objects, which can communicate with each other. For example, on a construction site, an IoT enables the machine would be able to 'tell' a piece of software or system when it is or was being used so that hours and productivity are automatically being logged.

Connected equipment and tools, telematics, mobile apps, autonomous heavy equipment, drones, robots, augmented and virtual reality, and 3D printed buildings are being deployed and used Construction and Erection projects

Offsite construction activity is used extensively on projects with repetitive floorplans or layouts in their design (such as apartment buildings, hotels, hospitals) and is performed in a controlled environment, similar to an auto manufacturing plant. It comes in two forms: modular and prefabricated. With modular construction, entire rooms can be built complete with MEP, finishes, and fixtures already installed. These modular units are transported to the construction site and can be fitted together onsite to create larger spaces like apartment units. With prefabricated construction, building components (such as framing, internal, and external wall panels, door, and window assemblies) are built offsite and then assembled or installed once they have been transported to the construction site.

Construction equipment fitted with telematics capabilities help the owners monitor operator behavior and machine usage to identify periods of inactivity when machines can be switched off. Equipped with an auto engine shutdown feature that automatically engages if the machine has been motionless for a predetermined time, set by the operator.

All the smart technological innovations have brought in a number of Hybrid Machinery and equipment with Mechanical, Electrical and Electronic components and functionalities in Homes, Housing complexes, Commercial complexes and Malls, Offices and Workplaces.

7.4. WG deliberations on Technology

WG discussed the technological advancements in Construction Projects and Erection Machinery and Equipment, Variety of Hybrid as well as Electronic Equipment and Gadgets becoming common place in many Homes, Apartments, Shopping malls, Manufacturing, Industrial and Commercial enterprises.

WG felt that Tariff Engineering Insurance Products under review did not envisage these technological changes and advancements in everyday life. The risks in Project Construction sites have become more complex. Named perils insurance perils many a times falls short of the protection of needs of current day projects.

As Retail and Commercial enterprises and policyholders embrace new and innovative technology and equipment, the Engineering Project and Operations insurance covers, wordings and associated terms, conditions and regulations requires comprehensive review and revamp to provide protection against all risks of damages or loss to Policyholders..

8. REVISITING ENGINEERING INSURANCE (TARIFF) PRODUCTS

8.1. Present Tariff Engineering insurance products

The present Tariff Engineering insurance products for retail segment can be bifurcated into various Project related insurance and Operational risk protection products. The Project as well as Operational risks are complex in every business and needed different policies to cover the risks . Each product has different terms of coverage and exclusions.

WG members discussed threadbare Stakeholder comments and Suggestions in respect of erstwhile Engineering tariff products comprising of the following insurance policies viz., CAR, EAR, MB, BPP, EEI and CPM.

Insurance policy	Suggestions from Stakeholders	WG Remarks
EAR CAR	To club CAR & EAR in one Retail Project All Risk Insurance package – bundle the products and provide different sections – Policyholders to all Risk covers and Insurance companies to offer standard products to Retail customers.	Need of the hour and Package policy drafted accordingly a combined PAR Policy.
CECR	No comments due to less demand. No need to review at this stage, as this product is used for large infrastructure and construction projects.	Low demand could be due to overlapping with fire insurance.
MBD EEI BOILER AND PRESSURE PLANT	EEI , BPP and CPM coverage can be covered and bundled into Retail Operational Package Policy	MBD ,EEI and BPP coverage can be clubbed: but not CPM to avoid confusion the coverage with MBD
CPM & EEI	To make it comprehensive There is also need for Stand-alone CPM and EEI policies. EEI coverage to be refined to include Portable equipment and other gadgets.	In addition to Retail All Risk policies for Projects and Operations, Standard CPM & EEI product would be required.
DOS	To continue with the existing policy	The existing policy wordings and underwriting practices are comprehensive, and the same status quo can be maintained.
ALOP, MLOP, DSU,DOS	These covers are given in conjunction with Basic policy covers -	Hence status quo can be maintained

8.2. Necessity for All Inclusive Coverages

These Engineering Insurance products, though comprehensive in nature, allowed certain covers to be chosen at the option of the policy holder, and many a times the inadvertent or otherwise conscious omission to include certain perils / covers have led to uninsured losses to retail policyholders. If the wrong option is chosen, then there would be no protection when the actual loss is suffered

WG, in their deliberations felt the need for providing all-inclusive and simple insurance products for Engineering / Construction Projects as well as Engineering operational risks in a way the policyholder sees it as an adequate offering which provide solutions to their risks.

WG members unanimously felt that it is essential to have products tailored to the needs of this segment by identifying all the coverages in one policy rather than leave the choice to the potential customer who may or may not be fully aware of the importance of the same until a claim incident occurs exposing the gap in insurance protection. This predicament is most predominantly seen in respect of the retail segment where the proprietor / principal / contractor himself deals with all functions of his business including insurance protection.

WG felt that there is a need to redesign Project and or Operational package policies with maximum inbuilt coverage devised appropriately to help the retail policyholders get the right insurance protection and thus facilitate their business continuity and revival following a disaster or accident.

In respect of Operational Policies, WG perceived that to avoid overlapping of similar type of insurances, in addition to Package policies, it would be more prudent to have standalone Operational Policies e.g., CPM and EEI especially when various types of machineries were involved.

WG members opined "Put to Use" operational covers can be provided for a limited period after completion of the Construction / Erection of the Project / Equipment.

As regards, CECR, DOS, Loss of Profit Insurance, WG felt that these products can continue to remain as existing.

8.3. Retail Project All Risk Insurance.(CAR and EAR)

A study of the CAR and EAR policies revealed the existence of almost similar general regulations, conditions exclusions except for those pertaining to maintenance and testing under EAR policy.

To eliminate ambiguity on the type of policy to be chosen it has been proffered to condense the common features under Construction All Risks (CAR) and Erection All Risks (CAR) into one single Retail Projects All Risk policy so that the insureds understand the operation of both the policies as a single project insurance. Addition of CPM coverage as an optional third section is also suggested.

Overall Sum Insured of the Policy shall not exceed 50 Crore in respect of Construction / Erection projects.

Review of stakeholders' suggestions

The working group deliberated on the stakeholder's comments and the observations are tabulated below:-

<u>Existing regulations</u>	<u>Stakeholder's comments</u>	<u>WG suggestions</u>
Scope	For combination of both Erection and Construction	WG concurred with the Stakeholder's comments that a Retail Project all risk cover was the solution
Marine/Transit Risks connected with Erection All Risks Insurance	To include as inbuilt.	Marine Cum Erection policies cover Marine risks without SI limitations. WG has opined to include Marine Inland Transit with per sending limit of 10% of project value.
Sum insured	Basis of The Sum Insured to be declared could also be bill of quantities (BOQ) i.e. material cost + Erection / Construction cost + Freight + Customs Duty.	WG observed that in respect of most of the Construction / Erection work tenders of smaller value the basis of Sum Insured is mostly on BOQ basis which is on par with the basis of sum insured as in the Erstwhile Tariff products. Hence no change in SI is suggested.
Basis of Indemnity	Option should be given to the insured to either insure at Market Value or Re-instatement Value basis	WG felt that MV based indemnity could lead to higher chances of abandonment of the Project after a claim incident. Hence, in policyholder's interest and for successful completions of projects, WG members felt RIV based indemnity alone would help the insured to continue the project.
Extra for Deletion of Exclusion on Breakage of glass	To be included as In-built	WG suggest maintaining the same existing tariff provision since any moderation in this cover as in-built cover may lead to compromises in upkeep and preservation and bring about an inevitable loss.
Storage Risks at the Fabricator's Premises/Workshop	To be in-built	WG concurred with the suggestion
Additional rates for earthquake (fire & shock) STFI perils	To be in-built	WG concurred with the suggestion
Terrorism		Terrorism will be as per Terrorism pool Underwriting terms and conditions.
Midterm increase in sum insured	On pro rata basis	WG concurred with the Suggestion as the target group is the retail segment.
Clearance and removal of debris	To be in-built	WG concurred with the same and also to include foreign debris to avoid disputes during claim settlement up to a specified percentage of claim amount.

Third Party Liability cover and Cross liability	To be in-built	WG agreed that this cover can be included as In built as many a time the customers do not understand the importance of this coverage. Hence WG suggests TPL cover can be included as Section II under the Retail project all risk policy specifying the scope of coverage, conditions and exclusions and SI limited to 10% of the Sum insured or Rs1 crore whichever is lower in the following manner i.e., Any one person : Any one Accident – Rs 1 crore .
Surrounding Property of the Insured	To be in-built	The customer always has a mistaken perception that the Surrounding property are included automatically. In view of this, to remove the misperception and disputes arising therefrom, WG opines that Surrounding property can be made in-built but limiting the cover up to 5% of the Sum insured subject to maximum of INR 1 crore .
Escalation provision	To be inbuilt	WG concurred for provision for automatic escalation up to 10% of Sum insured
CPM	To be inbuilt	WG concurred for the inclusion of the same up to a certain limit as detailed in Section III Retail project all risk .
Additional rate for express freight, holiday, and overtime rates of wages.	To be inbuilt	WG deliberated and differed with the stakeholder's view to make it inbuilt as this may not be a required for majority of the contractors and thus would be a burden on the premium charged
Additional rate for Air Freight only	To be inbuilt	WG deliberated and differed with the stakeholder's view to make it inbuilt as this may not be a required for majority of the contractors and thus would be a burden on the premium.
3 Month operational cover provided under the project policies	As inbuilt cover	If Contractor takes the policy and he has handed over the project to principle, then contractor has no insurable interest if any claim arises. This add-on can be given to Owner of the Project, as he would continue to own the property / asset

A comprehensive comparison of the Existing Regulations, Product Terms and Conditions in the Tariff CAR and EAR product and the WG Proposed Retail Projects All Risk Policy are shown in **Annexure 5** to this report.

8.4. Retail Operational Package Policy (MB ,BPP AND EEI)

MB/EEI/BPP policies cover various types of industrial machineries/equipment during operational phase. These policies broadly cover accidental loss or damage (including breakdown) arising due to perils other than Fire & Allied perils.

As per existing specific annual operational policies under Engineering line of business, MB (Machinery Breakdown) policy provides coverage to equipment of Electrical/Mechanical in nature, an EEI policy to Electronic equipment and BPP to Boilers and Pressure Plants.

In view of this, insureds are required to take 3 different Annual policies to cover their various equipment operating within their industry premises.

Review of stakeholders' suggestions

The Working Group discussed the various views of stakeholders and recommends the followings:

Existing Regulations	Stakeholders Suggestions	WG remarks
Sum Insured is on New Replacement Value Basis	Option should be given to the insured to either insure at Market Value or Reinstatement Value as most of the machineries in industrial premises are greater than 5-7 years i.e. about to exhaust their shelf life. Agreed value policies / First Loss basis policies to be provided for policies like MBD, EEI, Boiler etc.	Most of the losses are partial losses and in that case there is no deduction for depreciation applicable under the policy. Hence, the sum insured should remain as the New replacement value as per existing provision.
Premium Rates	Long term standalone products for CPM/MBD/EEI policy can be taken into consideration at a fixed premium rate For e.g. Contractor procuring a new machine can buy long term policy at defined discount either for 3 years or 5 years	Pricing of product shall be the prerogative of Individual Insurance company as per File & Use guidelines.
Period of Insurance	.Annual Insurance policies (MB/EEIP/BPP/CPM): Merging of above policies into one to avoid buying multiple policies	ONE Retail Operational (Engineering) Package insurance policy can be designed and provided

Wear and Tear	Remove wear and tear and material defect from exclusion list as lot of claims are denied or cause disputes in settlement which discourage customers for buying Engg insurances.	This is a standard exclusion across all engineering products including in international market, this exclusion as per existing policy provision may remain unchanged.
Technology improvements		<p>Since non-adjustment for technology improvement would lead to mis match with principal of indemnity</p> <p>WG opined to have adjustment for technology improvement should be continued.</p> <p>WG would feel that views of experts in relevant fields and decision on this suggestion can be taken at the time of drafting of the policy wordings.</p>
Exclusion of Fire and special perils in MBD	<p>Include Fire and special perils covers in to MBD which are currently excluded</p> <p>Insured should be allowed to opt in/opt out for Fire perils coverage in Boiler Policy</p>	Fire and Allied perils (which shall be covered under Property Line of business) shall be excluded under each section of Operation to avoid duplication of cover.
Depreciation rates	<p>Needs a fresh look in respect of certain valves, tubes (including picture and x-ray tubes) and light sources, medical equipment</p> <p>For EEI policy depreciation scale for major parts may be defined</p>	<p>Depreciation can be based on the time used up until the time of failure bears to the normal service life expected by the manufacturer or supplier.</p> <p>To introduce or incorporate depreciation chart; to take views of experts in relevant fields including various OEMs and finalize on this at the time of drafting of the policy wordings</p>
Definition of Equipment	Under EEI, scope of equipment needs to be defined as most of mechanical equipment's has some electronic controller.	To incorporate in the definition of equipment at the time of drafting of the policy wordings, so that during claims, there is no scope for disputes or repudiation.
Under insurance Currently recommended by surveyor based on usage and maintenance	Underinsurance waiver for 15%	To incorporate waiver of Under insurance up to 15% in line with similar features under new products launched under property LOB.

8.5. Stand Alone CPM Insurance Policy

CPM is an all-risk policy covering most of the perils which are accidental in nature. We have seen from our experience that there is significant amount of overlap that happen between equipment insured in CPM and Misc. D section of Motor tariff, as far as retails segment is considered. WG looked at the entire CPM considering majority in terms of process / Product and claim related issued. WG suggests the following changes / amendment in CPM insurance product.

The working group deliberated and suggested following in Contractor Plant & Machinery Insurance for the retail customers:

Review of stakeholder suggestions

Sl. No.	Existing Tariff Provisions	STAKEHOLDER SUGGESTIONS	WG Remarks
1	Sum Insured is on Reinstatement Value Basis only	Option should be given to the insured to either insure at Market Value or Reinstatement Value as most of the machineries in industrial premises are greater than 5-7 years i.e., about to exhaust their shelf life.	CPM policy can be issued on market value basis. A mechanism needs to develop here where basis of sum insured is on market value and a uniform methodology to arrive at market value is defined, so under insurance or adjustment for wear and tear (depreciation) can also be addressed.
2	Annual policy are available	Long term standalone products for CPM/MBD/EEI policy can be taken into consideration at a fixed rate. For e.g., Contractor procuring a new machine can buy long term policy at defined discount either for 3 years or 5 years.	While penetration of such insurance for annual policy itself is low Providing long term would lead to higher premium out go which could lead to further reduction in penetration.
3	Agreed value or First loss policies Currently not available	Agreed value policies / First Loss basis policies to be provided for policies like MBD, CPM, EEI, Boiler etc.	Since considering retail customers, standard CPM product are designed, loss limit insurance might help adequate coverage.
4	Deduction for Technology improvements	.	Since non-adjustment for technology improvement would lead to mis match with principal of indemnity WG opined to have adjustment for technology

			<p>improvement should be continued.</p> <p>WG would feel that views of experts in relevant fields and decision on this suggestion can be taken at the time of drafting of the policy wordings.</p>
5	<p>Loss or damage to replaceable parts such as Belts , Knives, Ropes, Belts, Chains, Blades, Batteries, Connecting Wires, etc are excluded.</p>	<p>Since they are also high value items they should be covered under CPM policy.</p>	<p>The customers for CPM are industrial customer and understand the wear & tear in equipment.</p> <p>The exclusion in currently wording is mentioned to avoid losses which are not accidental losses Hence, WG opines that this exclusion should be continued.</p>
6	<p>TPL and OSP is available as add on and transit insurance needs to take separately</p>	<p>CPM is the most widely used policy add-on to make surrounding property and TPL as inbuilt cover. Transit outside the project site restricting to certain kilometres may be given as an add-on cover within the policy. Electrical and Mechanical Breakdown as on add-on may be looked at. In CPM- any construction equipment including self-propelled vehicles whilst at site, during transit if carried in a vehicle to be covered</p>	<p>Considering these are common challenges to most of customers, WG has proposed to make TPL,OSP and marine transit as in-built cover. As far as breakdown cover is concern this would be kept as optional add on cover</p>
7	<p>Under Insurance waiver not available</p>	<p>Underinsurance waiver for 15%</p>	<p>WG would suggest a uniform methodology to arrive at sum insured so that adequacy of SI is ensured</p>
8	<p>Currently excess is defined as % of sum insured on the basis of slab of sum insured</p>	<p>Policy deductible may standard like “2.5% or 5 % of claim amount subject to minimum of” or “Flat deductible depending on SI band may be created”. Only two category claims may be thought of like Normal or AOG for the simplicity.</p>	<p>WG propose to have excess on the basis of claim amount</p>

9	Currently definition section is not part of the wording	Retail policies coverage based on all risk cover or named peril basis of cover was discussed.	<p>To follow the present all risk cover but with definition section where the Sum Insured, Coverage and others are predefined.</p> <p>This will bring the clarity to the customer.</p> <p>WG proposes to introduce a definition section in policy wording</p>
10	Claim settlement mechanism is not defined for refurbished machine	Refurbished equipment's are as good as second-hand machinery. So, when adequacy of SI is being checked it becomes very ambiguous whether adequacy of SI should be of first-hand or second-hand equipment.	<p>WG is of the view that practice of using refurbished machine in CPM is quite common.</p> <p>A methodology of claim settlement in case of refurbished machine would be necessary.</p> <p>“To avoid any confusion, it should be clearly mentioned as year of manufacturing in place of year of purchase.”</p>
11	Currently depreciation is adjusted by claim adjuster on the basis of condition of machine which incl Age , usage etc.	Depreciation factor to be relooked.	<p>WG is of the view that many CPM machine has overlap with motor insurance.</p> <p>A standard rate (table) of depreciation to be arrived at in line with motor insurance, so that challenge relating to depreciation can be managed</p>

8.6. Stand Alone Electronic Equipment Insurance (EEI)

Electronic Equipment and Gadgets Industry consisting of Computer equipment, Gadgets and Medical Electronics of Consumer, Personal and Industrial have made vast strides today. The Electronic Equipment's have ingress in the fields of Telecommunication Equipment and Internet of Things (IOT), the R&D in this sector is so strong that new products are emerging, making the existing ones obsolete.

The existing Engineering product (tariff) wording was developed almost two decades back although comprehensive in nature did not undergo revision or refinement and kept pace with rapid innovations and developments in which Electronic Equipment, Portable devices, Medical equipment, and Personal Gadgets.

Stakeholders suggested that EEI product scope should be holistically reviewed along with changes in the basis of settlement of claims. There is an urgent need to address the old wordings and clauses in the Tariff product under this category.

Review of Stakeholder suggestions

EXISTING REGULATIONS	STAKEHOLDER'S COMMENTS	WG SUGGESTIONS
Sum Insured	No specific suggestion regarding the sum insured to be fixed for this standalone insurance although there were some suggestions in general for Rs.10 crores	Sum Insured of Rs.50 crores may be fixed for sake of uniformity for the retail segment.
Product Forms and Sections	There were suggestions to omit Section (II) and Section (III) as according to them it was outdated but to ensure that it is a comprehensive insurance	The policy will be maintained as a Comprehensive Insurance without any deletion of Fire and Allied Perils. However, it is suggested that Section II and III be maintained as in existing policy as they continue to be relevant covers. Let there be uniformity in standalone and Operational Package Policy.
Basis of Sum Insured	Option should be given to the insured to either insure at Marker Value or Re-instatement Value as most of the electronic equipment in industrial premises are greater than 5-7 years i.e., about to exhaust their shelf life.	EEI policy can be issued on market value basis. A mechanism needs to develop here where basis of sum insured is on market value and a uniform methodology to arrive at market value is defined, so under insurance or adjustment for wear and tear

	Agreed value policies / First Loss basis policies / RIV clause for total loss claims	(depreciation) can also be addressed.
Equipment's under Scope of Coverage	<p>All Electronic equipment like Computers, Medical, Biomedical, Micro-processors; Audio/Visual equipment including the value of Systems Software. The term equipment shall include the entire computer system consisting of CPU, Keyboards, Monitors, Printers, Stabilizers, UPS, System Software etc. and mechanical equipment with electronic controller.</p> <p>Further portable Electronic equipment like notebook, lap top computer, sonography, projectors audio systems, domestic electronic equipment's including home theatres and new age equipment like drones and robots to be included under EEl Policy within the Country.</p> <p>Portable equipment like laptops, notepads and projectors used inside and outside the country also to be included .</p>	WG concurred but suggested deletion of drones and robots and to maintain exclusion of dish antenna from the scope of the policy.
Rules for cancellation, Midterm increase in Sum Insured, Midterm decrease in Sum Insured, Short period policies	Suggested to continue to remain as in existing tariff.	WG agrees with the Suggestion to continue as in Existing Tariff wordings.
Warranty in respect of maintenance	Suggested for removal.	WG suggests maintaining this Warranty in respect of AMC for electro medical equipment with parts and without parts.
Wear and tear and material defects	Remove wear and tear and material defect	This is a global standard exclusion across all engineering products. This exclusion may remain unchanged.
Depreciation on medical equipment particularly X-ray tube. Regulations say that	Policy wording says that depreciation will be based on exposure. But few X-ray	For Valves, Tubes including picture and X-ray Tubes and light sources, Deduction

depreciation will be based on exposure	tubes do not exposure counter and for such tubes claims there is separate chart of depreciation.	from claims, a proportion of the replacement cost as the time used up until the time of failure bears to the normal service life expected by the manufacturer.
Long term standalone products for EEI policy	For e.g., Contractor procuring a new machine can buy long term policy at defined discount either for 3 years or 5 years	Can be taken into consideration

9. REVIEW OF OTHER ENGINEERING INSURANCE PRODUCTS

9.1. Civil Engineering Completed Risks (CECR) Insurance:

The Owners and operators of civil engineering structures look for a comprehensive insurance protection against loss or damage after the construction work has been completed and the facilities have been taken over.

This insurance is generally offered covering the structures like:

- i. Roads
- ii. Dry docks
- iii. Runways
- iv. Bridges
- v. Tunnels
- vi. Dams of all kinds
- vii. Irrigation systems
- viii. Canal systems
- ix. Water reservoirs
- x. Harbours

This Insurance is a named peril policy, in addition to the fire and allied perils, the other perils which plays a major role, and the following perils are covered in addition:

1. Impact by any Rail/Road or water borne vehicle or animal.
2. Wave action of water.
3. Earthquake Fire and Shock (Including flood due to earthquake)
4. Tsunami
5. Frost, avalanche, ice.

Taking into consideration that this policy is designed to protect large value civil works, WG is of the opinion that the existing scope and terms and conditions of the policy may continue as it is and not recommended for any changes.

9.2. Deterioration of Stock (DOS) Insurance:

The Deterioration of Stock Insurance is a form of consequential loss cover granted for stocks contained in cold storages against the risk of deterioration / putrefaction and or contamination of stocks as a result of change in temperature of the cold storage chambers due to breakdown of the refrigeration plant and machinery; a claim for such breakdown being admissible in terms of the concurrent Machinery Insurance Policy.

Currently in Indian market we have two different forms of policies:

Deterioration of Stocks Insurance (Other than potatoes) – This policy is for stocks of fish, prawns, frog legs and other types of sea foods, fruits, cheese and other dairy and agricultural products, etc.,

Deterioration of Stocks Insurance (Potatoes) – This policy is exclusively for the contents of potato in cold storage.

This policy is sold mostly in a specific geographical locations and not popular throughout the country because of a smaller number of cold storage units.

This Insurance pose a serious loss potential, hence generally the Insurer accepts the risk purely based on

1. the satisfactory Technical Inspection report for both new and/or renewal with a view checking of standard of refrigeration plant and additions and alterations of the storage arrangements.
2. As already mentioned this is concurrent policy and admissibility of claim under this policy a claim should be admissible under the Machinery Insurance.
3. Maintenance contract in respect of plant and machinery throughout the currency of the policy.
4. Maintenance of logbooks showing the temperature reading at regular intervals.
5. Maintenance of all stocks in the cold storage unit date-wise.

Taking into consideration of all the above facts, WG is of the opinion that the existing procedure followed by the Insurers appears to be in order and the scope and terms and conditions of the policy may continue as it is and not recommended for any changes.

9.3. Loss of Profit Insurance:

The industrialisation and technological advancement has resulted in use of machines of high production capacities, compact designs accompanied with more and more automation. Though the machines of such sophisticated designs have increased efficiency and quality of production, the exposure to accidents has also increased. Any breakdowns may lead to longer periods of interruptions. In today's world of high competition, no business can survive unless it can either successfully avoid such interruptions or it is adequately protected with insurance for financial loss due to such interruptions.

To take care of such financial losses of any interruptions in the business, following Insurance are available:

- a) Advance loss of Profit Insurance – Delay in commencement of earnings due to accidents occurred during the construction / erection of the project.
- b) Machinery loss of profit Insurance – Interruption in business activities due to electrical and/or mechanical breakdown of Machinery and explosions / collapse of boilers and /or pressure vessels.

Since these policies operate with a condition of Material damage proviso such as the claim must first be admitted under the concurrent material damage (i.e., CAR/ EAR, Machinery Insurance, BPP policies) before a claim becomes admissible under the LOP Policy and the WG recommended a few changes in the material damage policy for retail segment. The LOP policy wordings, Terms and conditions may continue as it is and not recommended for any changes.

10. WORKING GROUP RECOMMENDATIONS

10.1. Retail definition (Sum Insured Limit)

Considering a near unanimous view from all stakeholders, WG suggests that the definition for retail policies can be revised “**as those policies with a sum insured of up to Rs 50 Crores**” for the CAR, EAR and CPM (**Project**) policies and Rs50 Crores for all 3 sections MBD, BPP and EEI (**Operational**) policies.”

There was no specific suggestion from Stakeholders regarding the sum insured to be fixed for the standalone EEI although there were some suggestions in general for Rs.10 crores. For the sake of uniformity, as a limit of Sum Insured of up to Rs.50 crores is recommended for **standalone CPM or EEI**.

10.2. Simplifying and Standardising the Product Structure

WG members felt that retail policyholders / customers are often were unaware of the covers to be opted and standard wordings / products with basic coverage of a good range of essential covers are needed. Many of the Common Add-ons can be offered as in-built cover. Other add-ons can be optional for Insurers and Insureds.

Overall Sum Insured of the Retail Segment Engineering policy would be up to INR 50 crores combining all the 3 sections of the Policy.

The product structure shall be standard for Retail Customers and Authority can mandate all insurers to adopt uniform Structure, Features, Add-ons, Wordings and Terms and conditions

Underinsurance is required to be relaxed to a fairly liberal level up to 15% as an inbuilt provision under the policy (this is also in line with new product under property LOB).

10.3. Basis of Indemnity

- 1) Introduction of settlement on Constructive Total Loss basis for operational policies is suggested.
- 2) **Standard Depreciation charts** / scale can be incorporated after further deliberations with experts in the fields including OEMs.
- 3) Deduction for depreciation in case of total loss, shall be made only if the damaged item is more than 5 years old as on date of loss.
- 4) **For New for Old** replacements of items like valves, tubes (including picture and x-ray tubes) and light sources, deduction from claim amount, based on the proportion of the replacement cost as the time used up until the time of failure bears to the normal service life expected by the manufacturer or supplier.
- 5) **A standard single excess** of 5 % of claim amount subject to minimum of INR 10,000/-
- 6) Limit for repair or replacement of any minor damage not exceeding 10% of the sum insured of the affected machine / equipment subject to maximum of Rs. 10,000/-
- 7) AMC warranty shall be applicable only for electro-medical equipment under Section-I and the definition of the same shall be clearly provided.

- 8) Fire and Allied Perils (which are covered under specific products of Property Line of business) shall be excluded.

Definitions: A Section on Definitions can be included in the policy wording

10.4. Retail Projects All Risk Policy

An All-Risk Package policy covering any Construction and /or Erection projects will help the retail customer to have a ready grasp of all the required information for the project insurance and also avoid confusion as to the selection of construction or erection policy.

The existing Engineering tariff products viz., CAR and EAR policy covers can be merged into one single **Retail Project All Risk policy**. An annual policy for Projects is also recommended to take care of various small Construction and Erection projects within the policy period.

WG suggest following name for the proposed All Risk Project policy -
Laghu Yojana Sadharan Bima (LYSB)] – [Retail Projects Suraksha Shield]

The proposed **Retail Project All Risk Insurance** would have a far wider scope with many of the present Add on covers recommended to be inbuilt in the All-risk coverage with Sub-limits.

- a. Section I – Material Damage Cover for the Project.
- b. Section II –Third Party Liability is proposed to be included as in built but limited to 10% of the Sum insured or INR 1 crore whichever is lower in the following manner i.e. Any one person : Any one Accident – INR 1 crore
- c. Section III – CPM is proposed to be covered as in built but limited up to a limit of 10% of the Sum Insured or INR 50,00,000 whichever is lower with description and identification number of the CPM equipment with separate value against each item to be given . Addition or deletion of these items during the policy period is suggested on pro rata basis.
- d. Section IV – Other Coverages [Add On suggested over and above the In-built coverage] are detailed here .
 - i. Breakage of glass –
 - ii. Clearance of debris, third party liability, surrounding property and escalation in excess of the limits mentioned as in-built covers.
 - iii. Additional rate for express freight, holiday, and overtime rates of wages.
 - iv. Additional rate for Air Freight only.

10.5. Retail Operational Package Policy:

Keeping in line with a Retail Project All Risk insurance policy , the various annual operational covers can be combined into **Retail Operational Package Policy** with MBD/EEI/BPP covers.

For the retail customers including in SME/MSME segment, ONE Annual Policy with MBD, EEI and BPP as different sections to cover various types of operational machineries/equipment in an industry. This will help insured, particularly in SME/MSME sectors, and meet all their operational risk protection and avoid administration hassles to a great extent.

There shall be following 3 different sections under the policy:

- Section-I: Electronic Equipment
- Section-II: Electrical & Mechanical Equipment
- Section-III: Boiler & Pressure Plant

WG suggest following name for the proposed All Risk Project policy -**Laghu Udyog Sadharan Bima (LUSB) [Retail Operational Suraksha Shield]**

All the equipment lying within the insured's premises shall have to be covered (without selection). There shall be no specific exclusion for Portable/Mobile equipment lying within the same operational premises. Insured would be required to provide the complete details of each equipment or machinery wherein the value of each equipment exceed Rs. 50 lacs or more.

Section II and III of existing Electronic Equipment Policy is recommended to deleted in the proposed Retail Operational Packages Policy.(but these sections would be revamped and maintained in the Stand alone EEI Policy).

Overall Sum Insured of the policy shall not exceed INR 50 crores combining all the 3 sections of the Policy.

The product shall be standard across all insurers for Retail Customers.

Authority has already formulated standard Fire Insurance products for Dwellings and SME Units Viz. 1) -Bharat Griha Raksha, 2) Bharat Sookshma Udyam Suraksha and 3) - Bharat Laghu Udyam Suraksha wherein the Sum Insured for Plant, and Machinery and Equipment are to be declared on Reinstatement value basis.

WG recommends that the proposed Operational Package Policy with RIV basis can be issued to

- Dwelling units to cover all Electrical and Electronic equipment and machinery in Dwelling Units - such as Refrigerator, Micro Oven, Washing Machine, Television, Music System, Desktop, Laptop, water pump, Air conditioner, **(NO Mobile phone)**, or
- To an Apartment complex, Residential condominium, or Housing Society, to cover Plant and machineries like water pumps, Sewerage treatment plant, Lifts, Air conditioning units or
- SME units falling within the scope of Authority's Retail policies as above

10.6. Revamped Stand-alone CPM Policy

WG suggests following revisions in Retail CPM Insurance policy coverage:

Sum Insured:

Sum insured requirement in CPM insurance is on reinstatement basis, however at the time of total loss claims, claim settlement mostly is made on market value and as such no insured ever gets the sum insured for which premium has been collected. WG suggests change in the methodology of arriving at sum insured and the basis of settlement. Basis of sum insured can be on market value up to INR 50 Crores as sum insured.

Third Party Liability:

Due to mis-selling some customers buy CPM to cover mandatory Motor third-party insurance. There are many third-party liabilities claims pending with MACT for CPM. Courts do not admit the plea that CPM insurance is limited liability.

Motor Third-party Liability cover for registered vehicle should not be allowed in the CPM. All the CPM vehicles registered under MV Act should be covered in Motor Insurance for TPL.

Flexibility in Risk Locations

Process of risk location and identification can be made flexible and by providing customer the flexibility to move the equipment any project site in India. There would be no requirement for Location intimation to insurer and claim to be settled for all project locations.

Standard Depreciation schedule

Currently depreciation of Misc. section D of Motor Tariff is being used. A standard depreciation schedule can be incorporated in CPM policy wordings.

Clarity regarding assessment and settlement of claim for refurbished machinery is required.

Add on (in built)

1. Coverage of mechanical breakdown.
2. Escalation cover : up to 10% of Sum Insured
3. Third Party Liability (other than Motor TPL): up to 25% of Sum Insured
4. Owner's Surrounding Property : up to 10% of Sum Insured
5. Earthquake Peril can be part of standard coverage
6. In built coverage for Marine transit insurance up to 10% of the claim amount maximum of INR 25 Lakhs any one occurrence (Only in cases where equipment is selected as imported)

10.7. Revamped Product Structure Stand-alone EEI Policy

Working Group suggests that a revamped Standalone Electronic Equipment Insurance be drafted by defining the Insured and Insurer, Responsibilities of the Insured – to declare correct description of the equipment, and Scope of coverage.

Following major changes are suggested in the Product Structure for Electronic Equipment.

All Electronic equipment like Computers, Medical, Biomedical, Micro- processors; Audio/Visual equipment including the value of Systems Software may be covered under Electronic Equipment Policy. The term equipment shall include the entire computer system consisting of CPU, Keyboards, Monitors, Printers, Stabilizers, UPS, System Software etc. and mechanical equipment with electronic controllers.

Dish Antenna can be excluded from the scope of cover under this policy.

Portable and handheld Electronic Equipment like Laptops, Notebook, Sonography, Projector audio systems, Domestic electronic equipment, and appliances, including home theatres can be included under EEI Policy.

Geographical scope can however be restricted to India. An option for Global geographical scope can be given for Portable equipment and Personal gadgets and personal medical equipment for Individuals and families.

Scope of Coverage to be elaborated under various Sections with specific conditions and exclusions as detailed below.

Section I – material damage covers to equipment

Section II – external data media

Section III – increased cost of working

EEI Policy would have the definitions and terms more explicitly to avoid any ambiguity

Mandatory Section I will cover Electronic equipment as basic cover. EEI Policy will be available any equipment having in-built electronic components, (but not for the machines having mechanical components). The cover would commence after installation, certification, and commissioning of the insured equipment in sound working order without any material defects.

Perils covered: Fire and allied perils including STFI and Earthquake perils. Coverage would include theft but exclusions for unattended equipment or unlocked premises as well as exclude theft of the equipment outside the jurisdiction. Terrorism covers as per terrorism pool to be included whilst the equipment is used within the country

Section II will cover data media while at the insured location, and while temporarily at any alternative premises for processing or safekeeping. This includes any period during which the data media is in transit to or from the alternative premises.

EEI Policy will have the **following optional cover** sections-

- a) Electronic Data Restoration Costs (Loss of Information)
- b) Increased Cost of Working
- c) Moveable Equipment

Following **Add on as in-built cover-**

- a) Acquired equipment
- b) Additional repair costs
- c) Demolition and Increased cost of construction
- d) Equipment on loan
- e) Hazardous substances
- f) New location – Automatic coverage(first 15 days)
- g) Professional fees
- h) Reinstatement of the sum insured
- i) Air Freight

Basis of Indemnity :

a) Repairable Physical Damage (Partial loss)

If the insured equipment can be repaired,

(a) All the expenses needed to restore the physically damaged item(s) to their former state of serviceability and b) the cost of dismantling the item(s) and the cost of reassembling the item(s);(c) freight to and from a repair shop;(d) any customs duties and dues which are incurred to repair the item(s); and (e) any reasonable extra charges would be considered.

If the equipment is repaired at the Authorised workshops of the Manufacturer the cost of materials, wages / labour charges and a reasonable percentage to cover overhead charges would be indemnified.

No amount would be deducted for the depreciation of any parts replaced except for items with limited lifetime / cycle.

For these items, the proportion of the replacement cost as the time used up until the time of failure bears to the normal service life expected by the manufacturer or supplier less the value of any salvage.

b) Total Loss

If the repair cost is equal to or greater than the replacement value of the insured equipment immediately before the insured damage occurred, the claim would be settled on 'Total Loss' basis.

If an insured item is physically damaged beyond repair, Insurers can choose any of the following indemnity methods.

(a) replace the item with an equivalent item. Any reasonable charges incurred would be paid subject to conditions and limits not exceeding the sum insured or each item or items listed in the schedule to the policy. Or. (b) pay an amount up to the cost of an equivalent item, if the physically damaged item is less than five years old. Or (c) pay the actual value

of the item immediately before the insured damage occurred, if the damaged item is more than five years old.

10.8. Standard Products to be offered by all Insurers

WG suggests that for all the four revised Retail Engineering Insurance Products viz. Retail Projects All Risks, Retail Operational Package Policy, CPM (Revamped) and EEI (Revamped) , the Product Structure, Wordings, In-built Add-ons with sub-limits, Optional add-ons at Additional Premium, Terms and Conditions and General Regulations can be mandated across all Insurers

11. IN-BUILT ADD-ONS COVERS

In Engineering LOB, as per the Authority's product filing data, **315 Insurance Products (both retail and commercial)** are filed with Authority by 21 Insurers. **18 insurers have filed 121 products and around 300 add-ons in the retail segment** of Engineering Insurance under File & Use guidelines.

300 Plus Retail Engg. Insurance Product add-ons filed with the Authority can be broadly grouped into around **40 common add-ons**. WG is of the opinion that the following 26 add-ons may be brought into the basic coverage under the Project / Operational Package Engineering insurance policies.

Taking into consideration of stakeholders' inputs and in order to make most comprehensive cover for the proposed Project all risk Insurance and for Operational Package (Engineering) Insurance, following **existing add-ons / special covers** are suggested to be a part of basic coverage.

S.No.	Policy	Covers suggested as part of basic policy
1.	OPP/EEI	Extending the product to portable and mobile electrical and mechanical machinery
2.	PAR	Continuity of cover during operational phase for Unit/Plant tested but awaiting integral testing
3.	PAR	Put to Use Cover for 3 months in built in Projects All Risk policy
4.	EEI	Cover for mobile and portable equipment outside the premises
5.	PAR	Cover for offsite storage/fabrication
6.	PAR	CPM to be covered up to 10% of the Sum Insured subject to a maximum of INR 50 lakhs.
7.	PAR	Costs including in taking exceptional measures to reduce/mitigate loss/or prevention /firefighting clauses
8.	PAR	Cover for insured contract works taken over or put into service
9.	PAR	Clearing / Removal of debris (including foreign debris) and dewatering cost up to a specified percentage of claim amount. maximum of INR 25 Lakhs any one occurrence
10.	PAR	Free automatic reinstatement clause
11.	PAR	Free Issue materials
12.	PAR	Incompatibility of undamaged machines considered but excluding vitiation act of banks or financier.
13.	PAR	Repair investigation cost
14.	PAR	Repair of minor damages
15.	PAR	Testing of Machinery and Installations under CAR
16.	PAR	Temporary protection
17.	PAR	Temporary / immediate repairs
18.	PAR	Cessation of Work under Contractor's All Risk Insurance for 30 days.
19.	PAR	Cessation of Work Cover for a maximum period of 30 days due to NAT CAT Perils
20.	PAR	Third Party Liability with cross liability up to 10% of the Project value not exceeding INR.1 crore. (Motor TPL to be excluded)
21.	PAR	STFI, Earthquake, SRCC and Terrorism to be included as inbuilt cover
22.	PAR	Off-site storage would be up to 25 % of the Project Value subject to a maximum of 10 crores.

23.	PAR	Escalation up to 10% of the Project value to be in-built in Project All risks policy
24.	OPP	Underinsurance waiver up to 15% in Operational Package Policy
25.	PAR	Surrounding property of the Insured as in-built up to 10% of Sum Insured subject to maximum of INR 1 crore.

In addition to above, WG suggests following features to the proposed **Retail Project as well as Operational Package Policies (as applicable)** .

- 1) Sum Insured for CAR and EAR would be BOQ / material cost + Erection / Construction cost + Freight + Customs Duty.
- 2) Increase in SI Mid-term for additional projects on pro-rata basis.
- 3) Provision for Multiple projects running simultaneously for the principal or contractors can be covered on the basis of declaration under Annual policy.
- 4) Extension of project period on pro rata if the claims experience is less than 50%
- 5) Express Freight (excluding Air Freight), Overtime and Holiday rates of Wages : 10% of claim amount maximum of INR 25 Lakhs any one occurrence
- 6) Air Freight : up to 10% of the claim amount maximum of INR 25 Lakhs any one occurrence
- 7) Additional Custom Duty: up to 10% of the claim amount maximum of INR 25 Lakhs any one occurrence
- 8) In PAR package policies, CPM to be covered up to 10% of the Sum Insured subject to a maximum of INR 50 lakhs.
- 9) Simplified Excess of 5% of claim amount subject to a minimum of INR 10,000 for all type of claims including the AOG Claims.
- 10) Waiver of Underinsurance' up to 15% may be inbuilt, only for Operational Policies.
- 11) Repair of Minor damage amount be increased to Rs.10,000 replacing the current Rs. 5,000.

Add on covers in built in CPM Policy

1.	Machinery Breakdown Cover-Add on cover under CPM
2.	Escalation cover : up to 10% of Sum Insured
3.	Third Party Liability (other than Motor TPL): up to 25% of Sum Insured
4.	Owner's Surrounding Property : up to 10% of Sum Insured
5.	Earthquake Peril can be part of standard coverage
6.	Dismantling of CPM Equipment and shifting to a new location
7.	Inland transit (marine) risk to include with a capping per sending limit of 10% of the Project Value maximum of INR 25 Lakhs any one occurrence

WG would suggest that the in-built add on wordings can be standardised and all insurers may be advised to offer the add-on wordings without any change.

12. SIMPLIFYING THE CLAIMS PROCESS

12.1. Stakeholder suggestions

Suggestions received from GI Council, the IBAI, the IISLA, CII and Survey Respondents towards simplifying the claims procedure and reducing irritations in claims settlement are summarized below.

1. Making uniform rules for Excess/ Deductibles across the industry - either as % of SI or % of claim, subject to minimum of INR 10,000/-.
2. Allowing insured to choose Type of Indemnification - reinstatement or market value.
3. Making uniform practices for claim settlement on matters like - Depreciation, Underinsurance, Coverage of consumables and obsolete parts, Provisions on Annual Maintenance Contracts, Input Tax Credits under GST, Escalation etc.
4. Standardizing norms and practices to make the claims settlement process easeful, efficient, timely and transparent.
5. Conducting inspections with the help of pictures/ images for retail segment, where physical risk inspection may not be feasible.
6. Removing certain 'Exclusions' that discourage customers for buying Engineering insurances.
7. Creating uniform rules for exposure-based on 'Depreciation'. Depreciation in case of partial loss and total loss remains as a major concern in Indian policy wordings.

12.2. WG suggestions

Retail Policyholders look for clarity and certainty regarding on losses / claims; yet face disputes due to either the complexity of policy wordings or the improper selection of policy or its add-on covers. Such a situation is bad for both Insured and Insurer.

For retail customers, it is essential to have products meeting their needs.. EAR and CAR gives an impression to retail customer that it is All risk cover, and everything is covered, and every loss is payable under the Policy. Many a times the Policyholders are not aware of the importance of some add-on covers until a claim incident occurs exposing insurance protection gaps. To bridge these gaps WG suggests having wider coverages by offering in-built add-ons, which are generally relevant to retail policy holders.

There is a general perception in the market about high dissatisfaction in claim settlement for Engineering Operational policies as compared to Fire operational policies. The Working group suggests following recommendation for simplifying the claim settlement under the Engineering insurance policies.

1. **Simplified Policy wordings:** The first step toward more effective and less troubling claim management is to ensure that policies are free from terms that cannot be

complied with or worse still, of which the insurance buyer is unaware. Therefore, the policy wordings are to be drafted in simple language, and to include the common add-ons as part of the basic policy.

2. **Clear cut definitions of Sum Insured** for equipment's obsolete or otherwise and basis of settlement with a depreciation chart is required to be defined in the Policy form.
3. **Basis of Indemnity** in the case of Partial loss and Total Loss should be spelt out in the Policy wordings / Regulations
4. **Uniform excess / deductible** for the Engineering Operational risk policies. Standard policy deductible uniform across the insurers is simple to understand. WG recommends policy deductible of 5 % of claim amount subject to minimum of Rs 10,000.
5. There is a need for clarity on basis of deductions for Depreciation (**Depreciation chart**) under both RIV and MV basis
6. **Waiver** of Under insurance up to 15%, no deduction for technology improvements and flat excess can be considered under RIV indemnity option for Operational Package policy as well as for Stand-alone CPM or EEI policies.
7. In Project All Risk policy, **RIV based indemnity** would help the Insured to continue the project after a claim incident. Hence, in policyholder's interest and for successful completions of projects, MV based indemnity may not be offered for Retail Construction / Erection Projects.
8. Existing tariff does not explicitly tell about the claim methodology for **Refurbished machinery**. To avoid disputes and confusion, for the Re-furbished machinery, "year of manufacturing in place of year of purchase" should be clearly mentioned. This may be mentioned in the policy wording to avoid any confusion after the occurrence of claim.
9. **Key Feature document** forming part of the Policy should clearly mention the, Definition of Sum Insured, Basis of Indemnity, Deductibles, Depreciation, and any other claim related key aspects.
10. Claim notification days can be reduced from 14 days up to say 5 days. Risk inspection may not be feasible for retail segment; inspection can be done with the help of pictures/ images.

13. SUGGESTIONS ON GENERAL REGULATIONS-

13.1. Retail Projects All Risk Policy

WG after an analysis of the General Regulations and its applicability to the retail segment in the present scenario along with the stakeholders inputs has observed that some regulations require modifications to help Principals / Owners / Contractors proceed with the project construction / Erection in a smooth manner.

General Regulations	WG SUGGESTIONS
Sum Insured	As most of the tenders in the retail segment are on the basis of BOQ / material cost + Erection / Construction cost + Freight + Customs Duty. On this basis, another option for declaring the Sum insured can be enabled.
Mid-term increase in SI	For additional construction work on pro-rata basis. Additional construction work refer to balance of plant activities which a contractor may be awarded during the course of construction/ erection in the same project e.g., Construction of utilities viz Effluent Treatment plant, Cooling Towers, and internal road
Provision for Annual Policies (for Contractors)	For the principal or contractors who are having multiple projects running simultaneously, covered under Annual policy on the basis of declaration
Extension of project period	On pro rata if the claims experience is less than 50%
Repair of minor damage	Can be increased to INR 10,000/-: The surveyors confirmation of the admission of liability under the Policy and the minor repairs executed will be sufficient.
Certain provisions	Volume discounts, additional rates and excess for NAT/CAT Perils, higher excess amounts can be deleted as they are of not much relevance to the retail segment

13.2. Retail Operational Package Policy

General Regulations	WG SUGGESTIONS
AMC for electro-medical equipment's and provision loading in case of other equipment	Deletion of such provision and recommends continuing with the mandatory provision to have AMC warranty only for electro-medical equipment's.
Different excess slabs for various category of equipment depending on their Sum Insured of each item.	Single excess in terms of claims amount i.e., 10% of claims amount subject to minimum INR 10,000/- for each and every claim.
Most of the equipment's (e.g., Winchester drive etc.) As defined under existing tariff	Deletion of obsolete and no more in use and a new definition be incorporated taking due diligence of advancement in technology over the period
Fire and allied Perils cover	To delete Fire & Allied perils since Fire & Allied perils are primarily covered under Property LOB. to avoid duplication of cover.
Prohibition to cover breakdown risks of electronic equipment under existing Machinery Breakdown Insurance policy	All types of equipment's lying in an operational industrial premise be covered under single Operation All Risks policy
Insurance of Foundations	Including value of foundation, transformer oil etc. within the proposed Sum Insured (without any option for exclusion)
Cancellation rules	<p>For cancellation of insurance during the currency of the policy either wholly or in part</p> <p>a) At the option of the Insurer, a pro-rata refund of premium on ground of misrepresentation, fraud, non-disclosure of material facts and non-co-operation by the insured, or any additional and reasonable grounds</p> <p>b) At the Insured's request, refund of premium may be allowed after charging premium on pro-rata basis for the time insurance was in force subject to no claims under the policy.</p>
Mid-term increase / decrease in sum insured	Allowing increase in Sum Insured on pro-rata premium basis; or pro-rata refund; subject to no claims under the policy.
Machinery / equipment owned or lying in Insured's premises	Making it mandatory for entire machineries/equipment in the insured's premises are covered. No selection against insurers.
Refund of premium for lockout/standstill period	Not to allow any refund for standstill period including for seasonal industries, during the currency of the policy period.
<p>Definitions</p> <p>The present policy wording does not have definitions of key terms to enable a buyer of insurance to understand the meaning in context of insurance being offered</p>	Definition helps in proper interpretation of coverage and reduces changes of dispute following a loss and Key feature document to be made as part of the policy.

13.3. Contractor's Plant And Machinery (CPM)

General Regulations	WG Suggestions
Machinery in all locations Existing Tariff wording does not automatically cover the machinery in all project location until "All India floater" cover is opted	To automatically cover the machinery in all the project locations for Retail customers.
Marine transit Existing tariff does not cover the "marine leg" or the transit cover for the machinery while being transported to one project location to other project location	To cover the machinery being transported on carrying conveyance meant to carry such machinery/cargo
Scope Currently the insurance for all type of equipment are provided under CPM insurance	Motor Third-party Liability insurance as per MV Act should be issued separately and not included in the scope of CPM policy.
Definitions The present product does not have definitions of key terms to enable a buyer of insurance to understand the meaning in context of insurance being offered	Definition helps in proper interpretation of coverage and reduces chances of dispute during claims settlement / process. Key feature document be part of policy.
Basis of Sum Insured In present product, Sum insured is on reinstatement basis (RIV) However at the time of total loss claims the settlement happen on market value (MV)	Basis of sum insured can be on market value Sum insured up to 5 Crores can be allowed under this policy
Prohibition to issue MB cover for CPM Equipment.	To allow covering of machinery breakdown cover as an add on the CPM policy
Additional rates for Earthquake(Fire and shock) perils	EQ to be made as mandatory cover as an inbuilt.
Escalation provision	Providing the escalation cover with calculation of sum insured on basis RBI inflation index appropriately to provide the escalated value
Claims process	A mandatory On account payment on recommendation of loss adjuster for any claim above INR 10 Lakh
Refund for standstill period	Many times, a project gets stalled for various reason in such cases; a refund of premium in case of standstill CPM equipment
Add On Cover.	Following add on cover apart from one already part of existing wording. <ul style="list-style-type: none"> • Loss of income arising out of non -usage on benefit basis • Breakdown Cover

13.4. Electronic Equipment Policy (EEI)

General Regulations	WG Suggestions
Rules for cancellation	To be retained
Loading for waiver of warranty in respect of Annual Maintenance Cover	Premium related issue - no Suggestions
Loading or discount for Claim experience	Premium related issue – no Suggestions
Prohibition to issue MB policies for Electronic equipment	To be retain existing Regulations
Discount for deleting Fire Perils. Or Insured should be allowed to opt in / opt out for Fire perils coverage in EEI Policy	Discourage deletion of Fire peril from EEI. EEI policy should be primary policy. Fire policy can include this Sum Insured for Fire cover
Mid-term increase / Decrease in sum insured.	Can be on Pro rata basis
Rates for Short period policies	To retain existing regulations
Rounding of Rates	No comments
Special contingency polices	To be deleted
Special Rating	To be deleted

14. STANDARD POLICY WORDINGS / DOCUMENT

WG has proposed All risk and package policy structure, scope of policy, inbuilt Add-ons, Standardisation of Add-on wordings, as well as changes in General Regulations for Retail customers. The working group strongly recommends simplifying the policy wordings in the following manner:

14.1. Policy structure

The construct of the policy document would follow the following format / structure

1. **Index:** A paragraph, briefly mentioning the contents or parts of the policy wordings may be mentioned in the beginning so that a customer is able to understand at a glance the structure and important sections of the policy.
2. **Insuring Clause:** Should be drafted in plain English and preferably in small sentences. Insuring Clause followed by General Regulations, General Exclusions and General Conditions
3. **Scope of coverage** elaborated under various sections with specific conditions and exclusions.
4. **Defining the insured and insurer:** Insured to be defined and named “You” and insurer as “We” in the policy to make it sound user friendly.
5. **Responsibilities of insured –** [to declare correct description of the Project, immediate intimation in case of Address Changes, Increase in Sum Insured etc.]
6. **List of definitions** of major terms used in the policy. Clear cut definitions of Sum Insured for equipment’s obsolete or otherwise and basis of settlement with a depreciation chart and the claim’s procedure is required to be defined in the Policy form. This will bring the clarity on the various aspects of the policy to the customer.
7. **General claims instructions** and basis of settlement under the three sections
8. General **Grievance redressal** mechanism
9. **Schedule of Policy**
10. **Simplified proposal Form** - A simplified version of Proposal Form for this new policy shall be drafted incorporating only the relevant information as required for underwriting the risks (apart from standard information as required to fulfil statutory requirements and issuance of policy).
11. **A separate Section containing major precautions** to be observed by insured (e.g., immediate intimation in case of address change, increase in sum insured).
12. **Key Feature Document (KFD)** as part of Policy document to bring in better clarity of coverage, terms, and conditions. This will help to realigning the industry to meet customer expectations better and vice versa.

14.2. Policy wordings for Standard Products:

The working group has attempted a first cut draft of the policy wordings. However, WG felt drafting of detailed policy wordings would need some more time.

If the recommendations in this WG report are acceptable, then WG can re-group and finalise revised Proposal form and draft of Policy wordings for the Four revamped products, with clarity on scope of coverage, basis of indemnity, exclusions and conditions and ADD ONS that can be easily understood and executed and leaving no chances for misunderstanding or misinterpretation.

Annexure 1 Working Group Questionnaire

The survey questions for Insurance Practitioners are given below. The questions are presented verbatim. Comments in Italics have been added for the purpose of this report.

Engineering Working Group – Survey Questionnaire for Insurance Practitioners

“Survey Context: The Working Group constituted by Insurance Regulatory and Development Authority of India (IRDAI) to examine erstwhile tariff Engineering Insurance products coverage for retail customers in urban and rural markets (with Sum Insured per location not exceeding Rs. 5 crores).

To elicit expert views of experienced insurance practitioners and thought leaders of the industry on the retail market, the Working Group has designed the attached questionnaire; to take stock of the retail policyholder needs and issues. Working Group would welcome you to kindly answer the questions. As a topic of this nature cannot be entirely covered by multiple choice questions, boxes have been incorporated for unstructured observations and additional comments as well.

Email address – Enter valid email address

- 1. Presently Retail Engineering products are defined based on their Sum Insured being less than 5 crores. In this regard, please let us know whether this Sum Insured limit needs any review / change?** *(Options and text box provided)*
- 2. Do the present Retail Engineering products require modification?** *(Options and text box provided)*
- 3. Do you think that Retail Engineering Products be re-categorized based on different parameters?** *(Options and text box provided)*
- 4. Continue with the existing basis Would it make better sense if following Annual Engineering products for the retail market are combined based on user needs as a single[package] policy – [i.e. Machinery Breakdown (MB) + Boiler and Pressure Plant (BPP) + Electronic Equipment Policy] (EEI).** *(Options and text box provided)*
- 5. Would it make better sense to combine following Engineering Project policies for the retail market based on user needs as a single policy – i.e. Contractor All Risks (CAR) + Erection All Risk (EAR)/ Storage Cum Erection (SCE)/ Marine (MCE)** *(Options and text box provided)*
- 6. Rank the following Engineering products based on their usefulness in the retail/ rural market segments of India?** *(Options given for ranking Engineering products and text box provided for comments)*
- 7. The following covers are presently offered only in some policies. Do you think any of these need to be offered uniformly for other Annual Engineering policies (MB, EEI, BPP) as well?** *(Yes/ No - Options given and text box provided for comments)*

8. **Among the core coverages offered for Annual Engineering policies - MB, EEI, BPP, are there any coverages that are redundant and need to be dropped/ modified? Please write your comments. (Text box provided for opinions)**
9. **Give your observations on the Contractors' All Risks, Contractors' Plant and Machinery, Erection All Risks, Storage cum Erection, Marine cum Erection, Civil Engineering Completed Risk, Advance Loss of Profits covers/ protection presently offered in terms of their utility to the Indian Retail market/ Rural market. (Text box provided for opinions)**
10. **Name the Engineering Insurance coverages that are not available today but are specifically required for the Indian retail/ rural markets? (Abbreviations/ Generic names may be used. (Text box provided for opinions)**
11. **Name the Engineering Insurance policies that are not available today but are available in other countries that can be useful for the Indian retail/ rural markets? (Abbreviations/ Generic names may be used). (Text box provided for opinions)**
12. **Name the specific products to be focused upon while dealing with the Indian retail/ rural Engineering Insurance markets? (Abbreviations/ Generic names may be used) Please rate the products. (Options given for ranking Engineering products and text box provided for comments)**
13. **Any other comments/ remarks/ observations (Text box provided for opinions)**
14. **Do you suggest any specific marketing approach for popularizing/ reaching out to the target groups? (Options given for ranking Engineering products and text box provided for comments)**
15. **Name of the respondent (Text box provided)**
16. **Name of organization (Text box provided)**
17. **Designation (Text box provided)**
18. **Are you in presently service? (Yes/ No options provided)**
19. **Mobile number (Text box provided)**
20. **Responses are based on market experience of the following States of India (Drop-down list given)**
21. **In case your experience is from multiple States, please list them in the text box (Text box provided)**

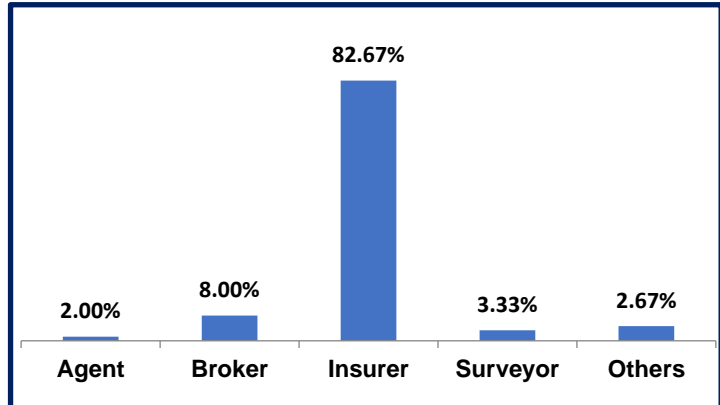
Thank you very much for your time and inputs. Working Group on Engineering Retail Products.

Disclaimer: Survey data collected will be used by Working Group for the study purpose and these data will not be used by any third party.

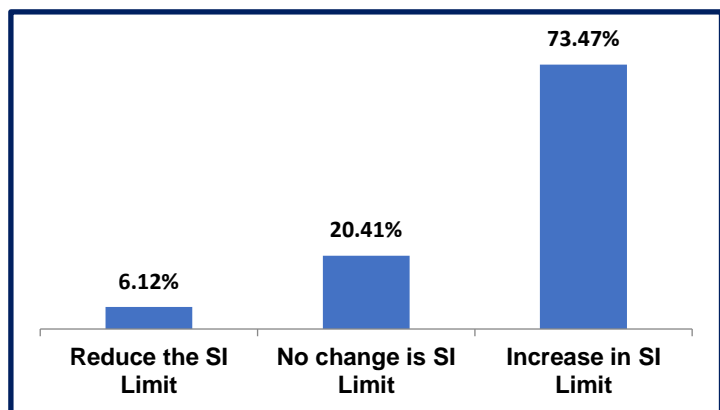
Annexure 2 Working Group Survey Analysis and Findings

The responses from the 150 responses in the questionnaires were analyzed by the WG and the outcomes summarized below:

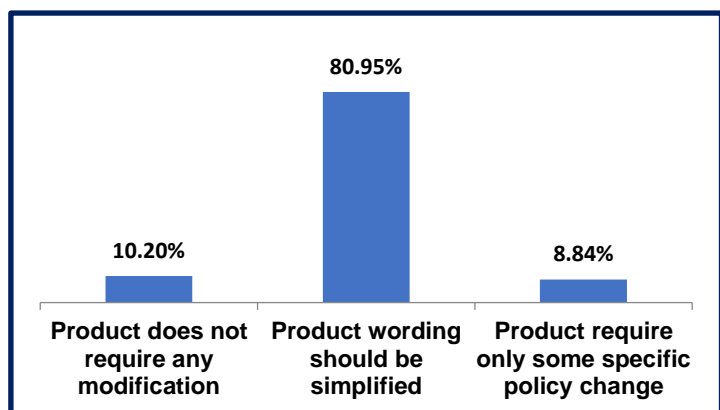
- 1. Industry Segments:** The charts are drawn from the 150 responses received representing the various stakeholders; with 82.7% from insurers, 8% from Brokers, 3.3% from Surveyors, 2% Agents and 4% from other categories. Most of the charts are cast in percentage for easier appreciation.



- 2. Retail Engineering Product SI Limit:** 73.47% of participants suggested that the Sum Insured (SI) limit for Retail Engineering products be increased from the present limit of INR 5 Cr. 20.41% stated that there was no need to change the SI levels, whereas 6.12% recommended reducing the SI. [Of the 73.47% that recommended an increase, 6.12% wanted the SI to be INR 7.5 Cr, 57.82% wanted it to be increased to INR 10 Cr. and 9.53% wished that the increase should be beyond INR 10 Cr.



- 3. Changing/ Modifying present Retail Engineering products:** Most participants have recommended that policy wordings need to be changed. 80.95% recommended simplification of the policy wordings so that retail customers can easily understand the complexities of Engineering insurance and 8.84% of participants have suggested to change some clauses in the present policy wording.

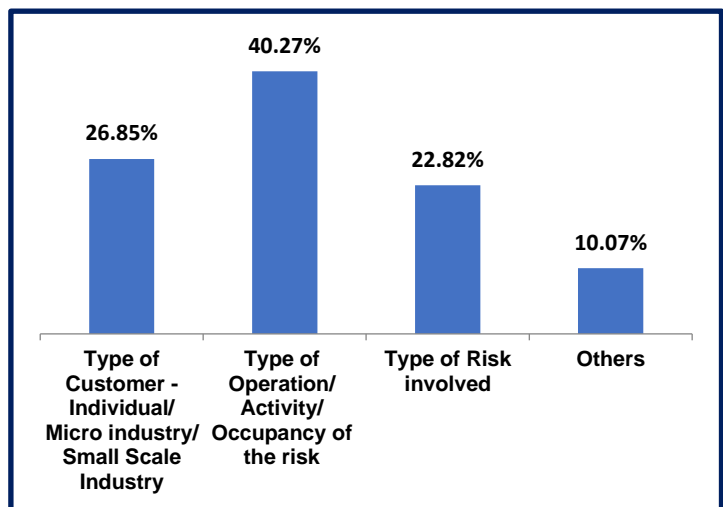


- 4. Changing some of the present retail engineering policy conditions:** Some Respondents recommended that some specific conditions of the present retail engineering policy need changes; a few of them are mentioned below:

- a. Provide comprehensive package covers to the retail customer.
- b. Option of Market value as the basis of SI declaration for Annual and Project policies. Present tariff is on RIV basis.
- c. Policy wording needs refinement as per the technological advancement of the product.
- d. Standard rate of depreciation for equipment of MBD, CPM & EEI should be introduced.
- e. Depreciation factor for total loss under the MBD, CPM policies require modification.
- f. Marine cover should be covered under the CPM equipment.

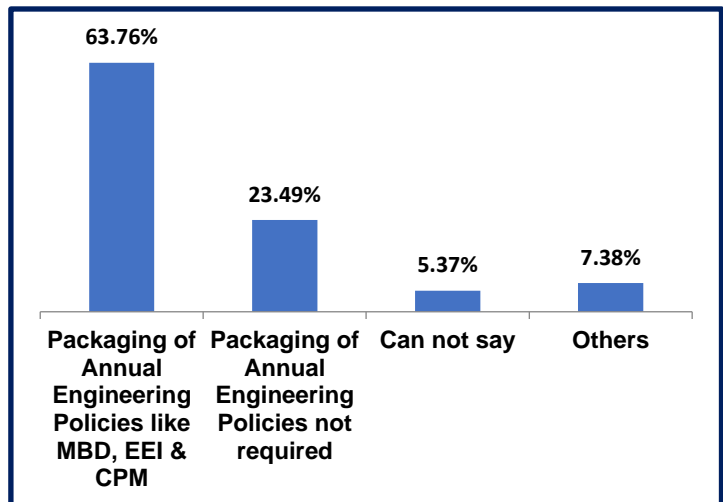
5. Re-categorization of Retail Engineering Products:

Presently, as the SI is the only basis used for defining/ classifying Retail Engineering Policies, the WG tried to explore an alternate basis. 40.27% of the participants recommended that Retail Engineering products need to be re-categorized based on the type of operation and/ or activity. 26.85% felt that the categorization should be based on the customer type – individual, micro industry, small-scale industry, and the like. 22.82% felt that it should be based on the type of risk, while 10.07% recommended other factors to define Retail Products.

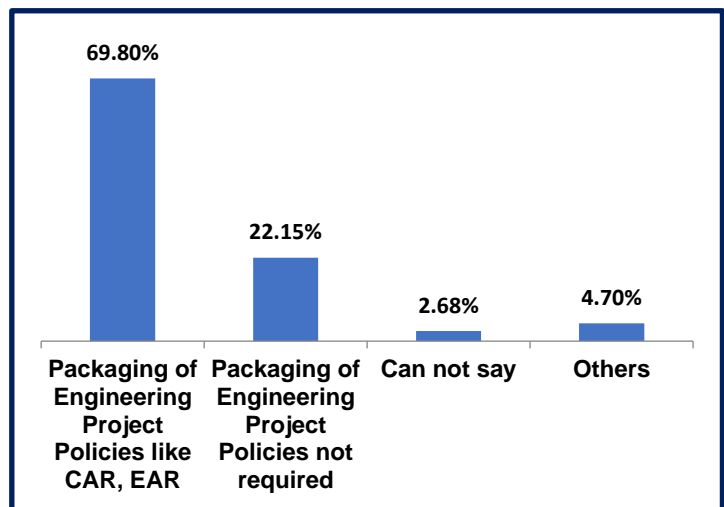


6. Packaging Annual Engineering Products for the Retail market:

Pondering over a question whether it would make better sense to consolidate Annual Engineering Products as a single package policy for the Retail customer, 63.60% of the participants preferred package policies combining MBD, EEI, BPP and DOS for ease and simplicity. 23.49% were not in favor of such packaging. 5.37% of respondents had no views on the subject while 7.38% proposed multiple parameters for packaging Annual Policies. Some of them proposed packaging MBD and EEI only, some suggested packaging MB and DOS only, and some others suggested changing the policy wording and designing new products.



7. Packaging Engineering Project Policies for the Retail Market: An almost similar set of responses came on packaging Project Insurance Policies like CAR, EAR, CPM, SCE, MCE and CECR. 69.80% of the participants voted for offering package policies, 22.15% for not doing so, while 2.68% could not make up their mind and 4.7% of the respondents had other suggestions. Some suggested that only CAR plus Marine need be the package and some others suggested variations of the CPM Policy.



8. Usefulness of Engineering Insurance Policies to Retail Customers: The usefulness of current Engineering products for Retail customers, was assessed through another question. This gathered multiple insights, the salient among which are presented below:

- Among Annual policies, MBD and EEI policies are most useful to retail customers.
- Among Project policies retail customers are finding CPM, EAR & CAR most useful.
- Retail customers are not much interested in BOP and MB (DOS) policies.
- CECR, LOP and ALOP policies are not popular in the retail segment and very few require them.

9. Offering Add-on covers Uniformly to all Annual Engineering Policies: Most of the respondents suggested offering a cache of clauses uniformly under all Annual Engineering policies. However, suggestions regarding the modus operandi were different. Some opined that usually customers do not avail of the optional covers out of their ignorance and when a loss happens in an Add-on area they do not get the benefit of insurance, affecting their financial stability. At the same time, they feel short-changed by insurers, which again causes trust deficit. Hence some practitioners suggested to make them mandatory (as part of the basic cover). Some respondents suggested making all the Add-on covers as part of the package with a provision to opt out and reduce premiums while some others suggested to offer the Add-Ons at additional premium. When asked which covers are recommended to be an integral part of the coverage the practitioners voted as follows:

Cover/ Clause	Yes	No	Yes %
Escalation (Presently in MB)	133	17	88.7
Third Party Liability (Presently in MB & BPP)	129	21	86.0
Removal of Debris	123	27	82.0
Surrounding Property (Presently in MB & BPP)	121	29	80.7
Immediate Repair	118	32	78.7
Expenses for Loss Prevention/ Prevention of Aggravation of Loss	116	32	77.3
Cost of Dismantling and Re-erection (Presently in BPP)	109	41	72.7
Waiver of underinsurance up to 15%	103	47	68.7
Express Freight, Air Freight, Holiday Wages, Expediting Expenses (Presently in MB & BPP)	100	50	66.7
Hire Purchase or Lease Agreements for properties/ consignments under care, custody, and control.	99	51	66
Additional Custom Duty (Presently in MB & BPP)	98	52	65.3
All Risks cover only	93	57	62.0

10. Annual Engineering Policies MB, EEI, BPP – Redundant Coverage to be dropped or modified: Practitioners have recommended withdrawal of some cover which have become redundant due to various reasons, including technological advancement. Some coverages required to be modified as well. The details are given below:

No:	Covers Recommended to be Dropped
1	Winchester Drive, External Data Media and Increased Cost of Working under EEI.
2	Cost of dismantling and re-erection needs to be deleted under BPP
3	New for Secondhand Machinery to be dropped being contradictory to basic Principles of Insurance

No:	Covers Recommended to be Modified
1	Retail policies being of smaller Sum Insured, it is desirable to make present Optional Covers as Inbuilt Covers for Retail Annual Policies (MB, EEI, BPP, DOS)
2	Coverage for the Annual Engineering Policies need to be made uniform and option for selection should not be given
3	Coverage of Valves and X-ray Tubes under EEI need to be updated as technology has changed (Munich Re wordings which are considered standard, have changed)
4	Depreciation scale to be simplified. Deprecation under MBD cover for Crank, Piston etc. should be revisited
5	Policy Excess to be set on claim amount and not on SI. Also, Excess should be modified to take care the age factor
6	Basis of SI definition should be simple so that the retail customer can understand
7	AMC clause under EEI should differentiate simple AMC or AMC with part replacement
8	Current exclusions of belt, rope, chain oil, transformer oil, refrigerant, di-electric medium etc. under MBD needs to be covered if damaged along with the machine
9	Duties following the accident wording to be modified. Word "Telegram" need to be replaced with e-mail etc.
10	Basis of Indemnity for Total Loss Claims should be without deducting depreciation.
11	Simplify the Claim Settlement Clause for the retail customer
12	Limit for Third Party Liability may be increased
13	Limit for Owner's Surrounding Properties may be increased
14	Limits under Minor Damage Clause may be increased

11. Present coverage under Project Engineering policies – EAR, CAR, SCE, MCE & CECR which need to be dropped or modified: Unlike the case of Annual Engineering Policies, the respondents have not recommended to deletion of any of the existing covers. However the following changes have been recommended.

No:	Covers Recommended to be Modified
1	SCE is Storage Cum Erection Cover. But EAR already covers Erection. As these policy names can create confusion in the retail segment, these need simplification.
2	Optional covers under CAR/EAR may be made in-built for Retail Policies as small-scale contractors and their principals, who need them, may not be capable of selecting proper Add-ons.
3	Loss Payee Clause and Non-Vitiation Clause need modification
4	Cessation of work except in case of abandonment may be covered
5	CAR/ EAR Policy should be combined
6	Put to Use Cover may be granted for 3 months
7	CPM Cover may be broadened by including (a) Transit cover, (b) Floater cover and (c) Electrical and Mechanical Breakdown covers.
8	CPM Cover may be granted without any SI Limit along with CAR/EAR Policies
9	An IDV approach as in the case of Motor Policies may be considered for CPM Policies
10	Civil Works of 50 % to be revisited to differentiate CAR/ EAR policies
11	Section warranty may be revisited and simplified
12	Limits under the Minor Damage Clause may be increased
13	Faulty Design may be covered
14	Limits for CPM under Project Policies CAR/EAR/ SCE/MCE need to be reviewed
15	Limits for Third Party Liability may be increased
16	Limits for Owners' Surrounding Properties may be increased

Practitioners mentioned that there is low demand for CECR in the retail market and the few customers who opt for it restrict themselves to the Fire Risk part of the cover.

Similarly, the demand of ALOP cover for Retail Projects is very limited because the contractors/ their principals are not aware of such covers. This may be addressed from an insurance awareness perspective.

12. Need for Specific Policies: Some stakeholders suggested to have appropriately worded exclusive policies for the following risks. This would induce retail customers benefit from Engineering Policies based on their needs.

No:	Specific Policies that the Market Needs
1	Medical/ Biomedical Equipment Policies
2	Air Conditioning Plant Policies
3	Diesel Generator Set Policy
4	Windmills Policy (other than for Wind Farms)
5	Solar Panel Policy (other than for Solar Farms)
6	Household Equipment Policy covering equipment like refrigerator, television, washing machine, dish washer, smart home devices (like IOT devices)

Annexure 3 Stakeholder inputs (consolidated)

1.General Insurance Council:

1. *The consolidated comments and suggestions received from Member companies are as below:*
2. *Retail product -Engg- to increase sum insured up to Rs.50 CR*
3. *Two package construct-*
4. *Project Shield -CAR, EAR up to Rs.50 CR, Marine with PSL 10% of project value , storage -offsite up to 25% of Project value or Max Rs.10 CR, CPM up to 25% of project sum insured or Max Rs.25 CR - as different sections with an option to Choose- Annual or Long-term option*
5. *In CPM- any construction equipment including self-propelled vehicles whilst at site, during transit if carried in a vehicle to be covered*
6. *Operational Shield - MBD,EEI, Boiler as different sections with an option to choose- Annual policies*
7. *Sum insured to be defined in simple terms – bill of quantities/material cost+ erection cost+ freight+ customs duty*
 - a. *On RIV basis*
 - b. *Automatic escalation up to 10% of project value*
8. *No adjustment of premium at the end of policy period as the practical adjustment is not happening in any policies and to make the product simple*
9. *Underinsurance waiver up to 10% to be inbuilt*
10. *Debris removal including foreign debris, surrounding property, TPL with cross liability up to 10% of project value not exceeding 1 CR and Terrorism to be inbuilt add-on covers*
11. *Continuity of cover up to 3 months for the completed works to be an automatic cover not exceeding 50% of project value*
12. *Over time, additional customs duty, Extended maintenance to be optional additional covers*
13. *Claim settlement -Operational policies -MBD/EEI – whilst the sum insured is on new replacement value basis, the total loss settlement to be without depreciation.*
14. *Cessation of work -partial or total-beyond the control of insured, for example covid like situations, where the workmen are not allowed to perform any activity, the cover should continue to run.*
15. *Deductible a % on claim amount with a minimum amount for AOG, major/collapse/testing, other claims*
16. *RSMD can be covered instead of SRCC*

17. *Order of preference for the products-EEI, MBD, Boiler and then CECR*
18. *In overseas- comprehensive policies with marine, project and operational sections are available in the project all-risk policies*
19. *Annual policy to be available to take care of various small projects within the policy period.*
20. *Declaration policy for small contractors to automatically cover all their projects with an option to insured to choose either Market value or RIV as the basis of valuation and claim settlement. This is for the ease of operation and to avoid being uninsured inadvertently.*
21. *Deductible to be common and uniform across the industry,*
22. *EEI cover and MBD covers were outdated and require revamping.*
23. *Two package policies can be introduced one with simple and minimum covers both project and operational risk and another full-pledged package cover with all possible extensions and enhancements with minimum and maximum Sum insured Criteria.*
24. *In view of all members can be summarized as under:*
25. *“For small and medium-sized contractors a package cover with no option to delete or include covers can be devised combining MCE/EAR and Operational covers including the cover of Machinery and Electronic equipment with a sum insured categorisation. This package cover can be extended on annual and declaration basis also. The deductible should be fixed either as % of SI or claim but should be uniform across the industry.*
26. *For the same categories as above a full-pledged package cover can be devised with an option to include and delete add-ons, increase, or decrease the deductibles with adequate premium adjustments and flexibility in choosing the basis of Sum insured and claim settlement as per the chosen method of valuation. This flexibility is required as a client can choose to get a claim settlement without requiring reinstating the property/ machinery.*
27. *In any package cover suggested above the following covers are to be included as the basic cover. TP liability for surrounding property debris removal goods held in trust.*

2. Insurance companies

Stake Holder -	
Sr. No	Inputs/ Suggestions received at virtual meeting on 07 th January 2021
1	Offer a bundle product by combining current policy based on some similarity between them. For e.g.,
a	CAR & EAR can be offered as a single policy by providing sections for CAR, EAR, TP, and WC along with widening of the base cover like offsite storage, testing of some machinery. Some members have also suggested clubbing CPM together with the EAR & CAR.
b	Similarly, EEI and MBD policy can be modified to meet the present generation and covered under a single policy as most of the Machineries are coming with the electronic module to control the operations.
c	CPM is the most widely used policy add-on to make surrounding property and TPL as inbuilt cover. Transit outside the project site restricting to certain kilometres may be given as an add-on cover within the policy. Electrical and Mechanical Breakdown as an add-on may be looked at. Depreciation chart based on the age of the equipment may be included. In CPM- any construction equipment including self-propelled vehicles whilst at site, during transit if carried in a vehicle to be covered
d	An annual policy covering the various small contracts on a declaration basis to avoid issuance of multiple policies.
e	Liberty to choose the SI on RIV or on Market value basis. In some cases, if they are not in position to RI allow to settle claim on MV basis.
f	If the project Insurance retail SI to increase from Rs. 5 crores to 50crs, then the freedom of Use & File will go and all the products up to Rs. 50Crs will become the file and use only.
g	Majority felt the deductible to link with the claim amount instead of SI.
h	In built covers like Debris removal, Surrounding property with sublimit. To make it simplified and not to keep a long list of add-on cover for this segments.
i	In operational policy we may look at settlement of claim on MV basis also. But in Project RIV to continue.
j	Cancellation clause to continue as per the existing policy
k	SRCC cover for the retail policies can be included. Some insurers were not inclined to provide the cover.
l	Currently, Cessation of work is excluded. Limited waiver may be given which is beyond the insured control.
m	Sum insured to be defined in simple terms – bill of quantities/material cost+ erection cost+ freight+ customs duty -On RIV basis & Automatic escalation up to 10% of project value
n	No adjustment of premium at the end of policy period as practically adjustment is not happening in any policies and to make the product simple.

o	Under insurance waiver up to 10% to be inbuilt
p	Debris removal including foreign debris, surrounding property, TPL with cross liability up to 10% of project value not exceeding 1 crore and Terrorism to be inbuilt add-on covers
q	Continuity of cover up to 3 months for the completed works to be an automatic cover not exceeding 50% of project value
r	Claim settlement -Operational policies -MBD/EEI – whilst the sum insured is on new replacement value basis, the total loss settlement to be without depreciation.
2	<p>Some of the present and new add-on cover can be brought in the main base policy coverage as in-built cover so that the retail customers are covered compressively, and their claim are not denied. For e.g., Owner surrounding property, TPL liability with sublimit can be included in the base cover. CAR/EAR policy should cover transit cover can be inbuilt cover.</p> <p>CPM policy can cover Transit cover from one place to another along with Electrical and mechanical breakdown cover which are currently excluded.</p> <p>Some members suggested both options i.e., inbuilt cover and optional cover.</p>
3	<p>Option to indemnify the loss on both RIV and Market value basis. As some of the works are not completed by the small vendors. As per current policy wording the claim cannot be paid unless reinstated.</p> <p>Insurers were agreeable for operation policies but for the project policies few in agreement for total loss only. But few insurers were not in agreement for project policies. Definition of RIV should be made simple as the current policy says that prime cost is not covered, and the retail customers do not understand the prime cost.</p>
4	Policy wording may have provision for issuing a policy on annual basis where the small contractor can be held covered for multiple projects on declaration basis which they will be working for 12 months.
5	Depreciation chart can be pre-defined as per age of the machineries / equipment's.
6	<p>Policy deductible may standard like "2.5% or 5 % of claim amount subject to minimum of" or "Flat deductible depending on SI band may be created".</p> <p>Only two category claims may be thinking of like Normal or AOG for the simplicity.</p>
7	Retail policies coverage based on all risk cover or named peril basis of cover was discussed and it was concluded to follow the present all risk cover but with definition section where the Sum Insured, Coverage and others are predefined. This will bring the clarity to the customer.
8	<p>Following coverage under policy are absolute or not sold much:</p> <p>Section 2 and 3 of EEI is obsolete and it is not required.</p> <p>DOS due to moral hazard. CECR are not sold for the retail. So, it may require some revision.</p>



Confederation of Indian Industry
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3. Confederation of Indian Industry views

REVISITING THE RETAIL BUSINESS OF ENGINEERING INSURANCE

CII's views with important suggestions/comments on the below mentioned points are -

- Simplifying the present policy wording under the Engineering insurance.
- Additional covers required which is not presently available in various Engineering policies.
- Difficulties come across at the time of settlement of claim.
- Any other relevant matter in respect of above-mentioned Engineering Insurance.

Simplifying the present policy wording under the Engineering insurance.

1. Annual Insurance policies (MB/EEIP/BPP/CPM):

- a) MB/EEIP/BPP/CPM policies provide cover to various types of industrial machineries/equipment during operational phase. As per existing norms, MB (Machinery Breakdown) policy provides cover to equipment of Electrical/Mechanical in nature, an EEIP policy to Electronic equipment, BPP to Boilers and Pressure Vessels; and CPM to movable machineries in an industry.

Because of above norms, insureds are required to take 4 different policies to cover their various equipment operating within their industry premises. Instead of having these different policies, **there is a need to develop ONE Policy which may cover all types of machineries/equipment in an industry** (may be named as e.g. Industrial Machinery/Equipment Insurance Policy). This will help insured, **particularly in SME/MSME sectors**, avoid administration hassles to a great extent.

- b) As per tariff provisions, insured is required to declare each and every machinery/equipment with their detailed list including serial no., make, model, YOM, sum insured for each of this machineries/equipment. Many of the insureds are facing challenges in providing such a comprehensive list of equipment for insurance purpose.

There is need to review in detail and look into simplification OR waiving off this requirement for submission of individual details of equipment/machineries for insurance purpose. This requirement may be waived off with a condition that Insured should declare single Sum Insured for specified risk occupancy and location representing new replacement values of entire assets lying within the industry premises. In the event of claims, the insured need to prove insurable interests as well as adequacy of sum insured by providing all necessary details as required. In case Sum insured is inadequate, underinsurance provision would apply.

2. Project Insurance policies (CAR/EAR):

These policies are issued to Contractors/Owners providing cover to contract works during construction phase of the project. Tariff based CAR/EAR policies are All Risks based policies and coverages provided are quite comprehensive in nature. There is no provision to alter or amend or delete certain group of perils like STFI, FLEXA etc. under these tariff-based policies.

In retail segments, insurance proposals get referred are small size projects (value up to 5 crores) which gets completed within very shorter span of time (e.g. within one monsoon season) and hence are less exposed to certain group of perils.

*Examples :*a) Interior decoration projects or building technology projects, electrification projects in a Highrise building of commercial establishments are very less exposed to STFI (Storm, tempest, Flood, tempest) Group of perils.

b) Projects involving laying of small-scale drinking water supply pipeline or storm water pipeline projects within housing society or municipal city have very less exposure to FLEXA perils are less.

These projects are executed by small contractors with very tight profit margin and their budget allocation for taking insurance policy is also very limited. Since loss exposure is also minimum in many such small duration projects, these contractors very often seek project insurance policy just to meet contract requirement with basic coverages OR to have exposure-based policy coverages, as they do not want to incur additional money for All Risks Policy with comprehensive coverage.

Hence, **there is a need for Customization of coverages under CAR/EAR policy** based on insurance needs of the customer This may be done by developing Standard project Policy with Basic coverages OR to have necessary provisions for deletion of certain group of perils from existing All Risks based policy as described below:

- a. **By introducing necessary provisions for deletion of certain group of perils e.g. STFI, FLEXA, RSMD under existing All Risks based tariff CAR/EAR products, so that insurer may offer some discounted premium in lieu of the same. OR**
- b. **By developing Standard Named Perils based policy (e.g. in line with SFSP policy under Property LOB) with very basic coverages with options to add/include certain group of perils like STFI, FLEXA, RSMD as per requirement, at additional premium.**

Additional covers required which is not presently available in various Engineering policies.

1. **Operational/Annual Engineering Policies** : These policies have very small Sum Insured and premium base. Most of the tariff-based add-on covers may be sufficient for these insurance policies to be offered to retail segments.
2. **Project policies - CAR/EAR** : there is need to review on the requirements and common **add-on covers like continuity of cover during cessation of works (e.g. during pandemic times), Cover for Civil commotion, higher degree of design defects cover etc.** may be incorporated for the selection of the insured at additional premium to meet their insurance requirements.

Difficulties come across at the time of settlement of claim

Most common and frequent one for retail segments are:

1. Ambiguity in identification of insured items/machineries/ particularly in Annual policies due to mismatch in serial no., make, model resulting in dispute in settlement of claims. This happens mostly due to error in reporting correct details of individual machineries/equipment at the time of taking insurance policy.
2. Most of the theft claims are reported without keeping proper record of police intimation and insureds find it difficult to prove actual theft incident.
3. At many times, accumulated losses are reported as Single Incident.

Any other relevant matter in respect of above-mentioned Engineering Insurance

There is an urgent need to:

1. Create **digital infrastructure** to meet all insurance needs of the customers in retail segments including claim settlements.
2. **Review, Upgrade and Simplify existing tariff-based Proposal Form, Policy Schedule, and Policy wordings** in order to make it more appealing and affordable to retail customers.
3. Introduce & attach **clear and unambiguous definitions of complex insurance terminology** e.g., Testing period definition etc. to avoid any ambiguity or dispute at the time of claim settlement.
4. **Develop & create robust industry database** on various insurance parameters for each occupancy of risks and to be made available to all insurer on demand.
5. **Review existing tariff based minimum excess** & ensure their adequacy to represent current level of monetary value and equivalent to risk occupancy based on past claims data.
6. **Develop new products** which may provide insurance solution to the needs of the retail customers e.g., for their Solar power projects.

4. Insurance Brokers Association of India

The comments/ inputs received from IBAI by email dt. 26th November 2020:

Suggestions on Retail Business of Engineering Insurance

S No	Issues	Suggestions
1	In MBD and EEI policies, currently partial claims are settled on full value i.e., no depreciation deducted, and total loss are settled on Market Value (After Depreciation).	Option should be given to the insured to either insure at Marker Value or Re-instatement Value as most of the machineries in industrial premises are greater than 5-7 years i.e., about to exhaust their shelf life.
2	In case of Boiler Policy, Coverage of Fire Perils is not allowed	Insured should be allowed to opt in/opt out for Fire perils coverage in Boiler Policy
3	Currently only yearly policies are allowed in CPM/MBD/EEI Policies	Long term standalone products for CPM/MBD/EEI policy can be taken into consideration at a fixed rate. For e.g., Contractor procuring a new machine can buy long term policy at defined discount either for 3 years or 5 years.
4	For Portable Equipment, All Risk Policies are required to be purchased.	EEI policy being all risk to be extended to cover portable equipment also like Laptops, Mobile phones, Projectors etc for world-wide cover. Currently these electronics equipment are covered under separately All Risk Policy given by most of the Insurers
5	In case of Project policies, lot of assets are commissioned, and a separate policy is needed to cover the same	Put to Use clause should be given by default in EAR/CAR policy
6	Cover for New Age Equipment	Cover for new age equipment like Drones to be provided in engineering policy
7	Rating of Project policies are based on sum insured.	There should be no demarcation of value of projects for rating in the policy, all projects irrespective above 50 Cr sum insured or below 50 Cr sum insured should be similarly rated.
8	Coverage of Replaceable parts is currently excluded.	Under CPM policy loss or damage to replaceable parts such as Bits, Knives, Ropes, Belts, Chains, Blades, Batteries, Connecting Wires, etc are excluded. Since they are also high value items they should be covered.
9	Currently only Reinstatement value policies are allowed for MBD,CPM,EEI and Boiler	Agreed value policies / First Loss basis policies to be provided for policies like MBD, CPM, EEI, Boiler etc.
10	Most Burning issue as far as Engineering policies are concerned	Remove wear and tear and material defect from exclusion list as lot of claims are denied or cause disputes in settlement which discourage customers for buying Engg insurances.
11	Engineering claims are settled on Depreciated value in case of total loss	Provide RIV clause as similar to Fire products in Engg for even total loss cases

12	Deductions are made on account of improvement in technology	No deduction for technology improvisation in case existing technology is not available.
13	As on date separate policy has to be bought got Fire and MBD	Include Fire and special perils covers in to MBD which are currently excluded

The contents of presentation made by IBAI and its representative practitioners to working group on 13th January 2021:

A Presentation/Suggestions on Retail Engineering for IRDAI working Group

1. Classification between Retail and Commercial Engineering Products:

- Till date no such exists

2. Feature of any insurance products:

- A good host always prepares food as per the likings of the Guest
- Similarly, the insurance products should be as per the requirements of the Policyholder's

3. Products definition:

- MBD/EEI
- Portable Equipment's
- CAR/EAR

4. Current scenario for MBD/EEI/CPM

- Sum Insured –Replacement
- Claim settlement- maximum purchase price. As per T & C of the policy Depreciation is not applicable but applied on the plea that every parts of the equipment have limited life, but the total claim should not be more than the purchase price as per basis of Indemnity.

5. Probable Retail Engineering products

- Any equipment not used for earning should be treated as Retail Engineering Products.
- The equipment's used by Cooperative Group Housing Societies should fall under this category Or Any individual equipment up to certain limit say Rs 50 lakhs may fall under the Retail Engg Or Those industry who falls under MSME Act and registered under the Act (not otherwise) or Rs 20 crores whichever is higher Or As per IRDA circular on Fire policy to be effective from 1/4/2021

6. Sum Insured

- Replacement Value

Reason: When under Fire policy and IAR it is RIV same should be for retail products also

7. Features of any Engineering products irrespective of retail or commercial

- Same Coverage's
- Same method of claim settlement
- No depreciation should be applicable, or it should be defined or as applied in the books of accounts which is as per Company's Act 2013
- There should not be any concept of limited life component
- Cost of Advance of technology should be built in/Obsolescence of parts should be covered

- Excess should be as per age of the equipment
- Waiver UI up to 15%
- Lower deductibles for Retail product Features of any Engineering products irrespective of retail or commercial
- CPM should also have MBD features
- CAR and EAR should be clearly defined the scope not on the basis of more than 50% of civil work will fall under CAR but machines less than 50% will not be covered for Testing as defined under EAR
- Construction material in addition of CPM should also be covered
- The mandatory for the existing Insurer to renew the policy in case of delay the project.
- Premium for the extension should be well defined (irrespective of pending/paid claims, legal case)
- Testing period should be clearly defined
- Portable equipment's should cover should be clearly defined

Stake Holder - Broker	
Sr. No	Inputs / Suggestions received at virtual meeting on 13th January 2021
1	Retail product may be defined on the basis of following: a> Equipment not used for earning b> Equipment used by Co-operative Group Societies. c> Any individual equipment up to certain limit say Rs 50 Lac
2	Till date no specific retail product exists. Retail products may be developed for DG Set, AC, Transformers, Lifts, CCTV Camera, Swimming Pool, Solar Plant, Pumps, and motors.
3	Basis of Indemnification should be what. RIV or Market value.
4	Depreciation factor to be relooked.
5	Disparity in claim settlement for engineering products as compared to Fire class.
6	Advance technology should be considered up to certain % without any limit.
7	Non-Availability of parts to be considered.
8	Underinsurance due to govt levies should not be levied.
9	Excess should be defined.
10	Consumables should be covered.
11	EEI & MBD should be merged and made available as single product.
12	Structured package policy should be made available.
13	Simple policy wording as compared to commercial engineering products.
14	CPM policy machinery breakdown is not covered. This cover may be extended under CPM.
15	Under insurance waiver may be allowed up to 15 %
16	Cover for obsolete parts need to be covered.

5. Indian Institute of Insurance Surveyors and Loss Assessors (IISLA)

Inputs/ Suggestions received from IISLA and its representative practitioners:

1. Machinery Breakdown policy:

a) Depreciation -

While survey, Insured repeatedly ask that at one side, insurance should be on RIV basis and at another side, depreciation is deducted and that also up to 75% (Turbo charger, Piston in DG etc.). Hence, maximum depreciation should be fixed for 50%.

b) consumable/exchangeable parts/operating media Some of consumable/exchangeable parts/operating media like belts, refrigerant etc. are excluded from purview of the policy. If a compressor of an Air Conditioner is damaged due to an electrical breakdown, sometimes gas charging is not allowed taking base of above exclusion. To bring the AC in working condition, gas charging is must. Hence, if original cause of loss is a breakdown (which is a covered peril) , than such parts should be allowed. Yes, if a limited life part is going to replace, it should be subject to maximum 50% depreciation. In policy it should be incorporate that if original cause of loss is a covered risk, than such parts will be also allowed subject to depreciation.

2. CPM policy:

a. Issue of location –

Such chunk of machines are purchased through Bank finance and Insurance is also arranged by bankers, who are not expert of Insurance.

It is location-based policy. Suppose name of location is mentioned as Chhatarpur (MP) and the machine is working at 50 kilo meter from Chhatarpur at UP, the underwriter may deny the claim.

To avoid such issue, there should be 2 options in the policy. First for machine working within 200 kilo meter radius of the insured's premises and more than 250 kilo meter within India. Premium and Excess can be differing for both the options .

3. b. Issue of Transit risk

It is excluded in CPM policy should have an option to get cover for Transit risk also after paying additional premium, separate excess.

- 4.** If the insured face issues while settling claims in one department, it not only affects that department, but rest of departments also gets affected, with final feedback from the client that Insurance is useless.
- 5.** 'Machinery Break down' is one of the prime products of Engineering department insurance. that every machine has a certain life up to which extent it can be functioning ok and worthy. Though old machines beyond that life period also responsive and run well by periodic well maintenance, replacement of worn & torn parts or portions timely except the main core/ block of the machine by which it is identified.

That means life injection in time to time. And by this process the old machine is also functioning and extended the workable life. Then again the calculation of life is hard to calculate the depreciation of the parts damaged in partial loss.

Hence, we should consider, Standard Life for mechanical items, viz. Compressor of cold stores, Pneumatic m/cs, etc as 30 years. For Electrical machines, viz. Motor, Alternator etc as 30 years (winding is taken place time to time). For Engine, DG set (as high rpm m/ c) etc. as 25 years- provided they should have good maintenance . And if any parts have been replaced recently, then for that part the depreciation should be on the basis of the full span of life as 30 years or 25 years simultaneously as above. And never beyond 50% after passing its half of life span (as life injection is there). Before half of life span the normal depreciation can be calculated through $100/30(\text{span of life})$ as depreciation rate \times Total passed life (years). And after passing half of the life, 50% depreciation can be calculated maximum on a parts to be replaced by new. If a surveyor is willing to deduct then the guidelines can be framed by the Authority on aforesaid suggestion.

6. Now for the parts in friction area and the parts in non - friction area of machine, the depreciation rate should not be in the same ratio. Always the first one should be double per year than the second one. So, for the parts in non-frictional area the depreciation rate would be maximum 25% and that is also after passing half of the life span.
7. The consumable items and the items which can(should) not be re-use during assembling again after dismantling once, should be excluded from the limit of claim.

Stake Holder - Surveyor

Sr. No	Inputs / Suggestions received at virtual meeting on 13 th January 2021
1	In case of under insuring the CPM equipment the average clause is not applied for total loss. So, for total loss under the CPM the basis of settlement should be either on Reinstatement value basis or indemnity value basis.
2	For total loss under the MBD depreciation of 50 % is mentioned for equipment more than 5-year-old. Depreciation scale may be relooked on the basis of working hour.
3	Claims of EEI medical equipment's in particular X ray tube. Policy wording endorsement says that depreciation will be based on exposure. But few X-ray tube do not have exposure counter and for such X – ray tube claim there is separate chart of depreciation which is not appropriate.
4	Refurbished medical equipment's are as good as second-hand machinery. So, when adequacy of SI is being checked it becomes very ambiguous whether adequacy of SI should be of first-hand or second-hand equipment. To avoid any confusion, it should be clearly mentioned as year of manufacturing in place of year of purchase.
5	Under EEI, scope of equipment need to be defined as most of mechanic equipment's has some electronic controller.
6	Winchester drives are not in use so the policy wording revision for this.
7	For EEI policy depreciation scale for major parts may be defined.
8	AMC should be well defined in EEI policy. AMC can be two types – Simple AMC where part replacements are not covered, and second type is or comprehensive AMC where replacement of parts are covered.
9	Depreciation factor for EEI is not clearly defined. In market there are two scale – Companies act, and IT purpose is different. Surveyors use different scale.
10	Policy excludes the plinth and foundation, lubricants under MBD cover. This needs to be relooked and covered.
11	Tariff does not tell about the Input tax credit received by the insured.
12	Why purchase price cannot be basis of Sum Insured.
13	Escalation clause may be brought in like fire policy.

Annexure 4. Review of International Engineering Insurance policies

Contractors' All Risks (CAR) / Erection All Risks (EAR)

	Indian Market	Munich Re	South East Asia	London Broker Wording
General Exclusions	Same			
Exclusions to Section 1 – MD	Same			
Exclusion to Section 2 – TPL	Same			
Add-on Covers	<p>More add-on covers are offered as compared to Munich Re Policy Form like</p> <ul style="list-style-type: none"> • Loss Minimization • Removal to place of Safety • Cover for Temporary Structure • Cessation of Works • Valuable Documents 			

Electronic Equipment Insurance

	India	South East Asia	Munich Re Wordings
Equipment	Dish Antenna is excluded from scope of cover. Portable electronic equipment like notebook, sonography is excluded		
Exclusions pertaining to AOG/Theft and failure of utilities	Not in India	Excluded	Excluded
Exclusions under External Data Media	No major difference		

Contractor's Plant & Machinery

	Indian Tariff	Munich Re Wording	South East Asia	London Market
Insuring Clause and Exclusions	Same across markets			

Machinery Breakdown

	Indian Tariff	Munich Re Wordings	South East Asia	London
Coverage and Exclusions	No major difference in exclusions and cover			

Deterioration of Stocks

	Indian Tariff	Munich Re Wording	South East Asia	London
Policy Wording	Indian Tariff has more detailed and comprehensive policy when compared to other market policy wordings.			

Boiler & Pressure Plant

	Indian Tariff	Munich Re Wording	South East Asia	London
Coverage	Standalone policy covering boiler and pressure vessel losses caused by explosion	Munich Re Comprehensive Machinery Insurance(CMI) covers boiler explosion	Munich Re CMI Wordings	Munich Re CMI Wordings
Major Exclusions	Losses directly or indirectly caused by Fire	Fire losses are covered under Munich Re CMI Policy	Fire Losses are covered under Munich Re CMI Policy	Fire Losses are covered under Munich Re CMI Policy

Annexure 5: CAR & EAR Vs. Proposed Retail Project All Risk Insurance

<u>EXISTING REGULATIONS</u>	<u>STATUS QUO</u>	<u>STAKEHOLDER' SUGGESTIONS</u>	<u>INBUILT</u>	<u>MODIFIED</u>	<u>DELETED</u>
Jurisdiction	✓				
Scope	Expanded	For more covers as in-built	✓		
Marine/Transit Risks connected with Erection All Risks Insurance	✓	To include as inbuilt	As per stakeholders' suggestions		
Subcontractors Forming part of a project	✓				
Sum Insured	✓	✓		With more clarity	
Computation of Premium	✓				
Extra for deletion of Exclusion on breakage of glass	✓				
Storage Risks at the Fabricator's Premises/Workshop		To be made inbuilt	As per stakeholders		
'Erection All Risk' rates	✓				
Additional rate for dismantling cover	✓				
Additional rates for earthquake (fire & shock) perils		To be made inbuilt	As per stakeholders		
Excess for claims arising out of major perils/acts of god perils					✓
Rules for fire protection for construction/erection sites				✓	
Higher excess discount					✓
Midterms increase in sum insured		On pro rata basis		As per stakeholder suggestions	
Clearance and removal of debris		To be made inbuilt	As per stakeholders	✓	
Third Party Liability cover and cross liability		To be made inbuilt	As per stakeholders	✓	
Terrorism Cover			Made Inbuilt	✓	
Civil works	✓				
Cost of Erection	✓				

Surrounding Property of the Insured		To be made inbuilt	As per stakeholders	✓	
Escalation Provision		To be made inbuilt	As per stakeholders	✓	
Additional rate of Express Freight etc.	✓				
Additional rate for Air Freight		To be made inbuilt	As per stakeholders	✓	
Additional Customs Duty	✓				
CPM		To be made inbuilt	As per stakeholders n	✓	
Rate for Extension beyond Policy Period				✓	
Maintenance Visit Cover and Extender Maintenance Cover	✓				
Test Run Definition	✓				
Suspension of Testing Period for Thermal Power Plants	✓				
Testing Period of Plant other than Thermal Power Plants	✓				
Cover for Catalyst under Erection for Fertilizer and Chemical Plants	✓				
Refund of Premium for early completion of Project	✓				
Refund of Premium for cancellation due to abandonment				✓	
Breach of Tariff	✓				
Gross Rates	✓				
Issue of Fire Policy during Testing Period	✓				
Combined Cycle Power Plant	✓				

Annexure 6 : Grouping Of 300 Plus Add-Ons (40 Common Add-On)

Sl. No.	Main Product	Add-ons
1	EEI	Engg. Add-on EEI - Extending the product to portable and mobile electrical and mechanical machinery
2	CPM	Engineering products Add on - CPM - Transit risk
3	EAR	Continuity of cover during operational phase for Unit/Plant tested but awaiting integral testing (al
4	EAR/CAR	Cover for offsite storage/fabrication
5	EAR/CAR	CPM Extension
6	EAR/CAR	Costs incurred in taking exceptional measures to reduce/mitigate loss/or prevention /firefighting clauses
7	EAR/CAR	Cover for insured contract works taken over or put into service
8	EAR/CAR	Coverage of second-hand machinery at reinstatement value
9	EAR/CAR	Destruction of sound property
10		Employee personal tools and effects
11		External debris clause
12	EAR/CAR	Free automatic reinstatement clause
13	EAR/CAR	Free Issue materials
14	EAR/CAR	Highest single deductible clause
15	EAR/CAR	Immediate repairs
16		Incompatibility of undamaged machines
17	EAR/CAR	Inflation protection clauses/additional clause of completion clause
18	EAR/CAR	Multiple Insured Clause including Non vitiation version 1
19	EEI	Obsolete Equipment Clause
20	EAR/CAR	Pairs and Sets
21		Repair investigation cost
22		Repair of minor damages
23	CAR	Testing of Machinery and Installations under CAR
24		Temporary protection
25		Temporary repairs
26	CPM	Unnamed Locations

27		Waiver of depreciation
28	CAR	Breakage of glass cover Add-On under Contractor's All Risk Insurance
29	CAR	Cessation of Work Add-On under Contractor's All Risk Insurance
30	CPM	CPM Equipment Mounted on Floating Vessel-Add on cover under CPM
31	CAR	Involuntary Betterment Add-On under Contractor's All Risk Insurance
32	CPM	Machinery Breakdown Cover-Add on cover under CPM
33	CPM	Omission to insure / Inadvertent Omission-Add on cover under CPM
34		Involuntary betterment
35		Prevention of Access
36	EAR/CAR	Construction Machinery Plant and Equipment up to 5% of Sum Insured or Rs 25 lacs whichever is lower
37	CPM	Dismantling of CPM Equipment and shifting to a new location
38	EAR/CAR	External debris clause
39	EAR/CAR	Workways repairs including transit
40		Storage Risk at Fabricators Premises / Workshops

Annexure 7: List of Abbreviations used in the WG Report

Abbreviations	
AI	Artificial Intelligence
ALOP	Advance loss of profit
AMC	Annual Maintenance Contract
AOG	Act of God
BOQ	Bill of Quantities
BPP	Boiler and pressure plant
CAR	Contractor All Risk Insurance
CCTV	Closed Circuit Television
CECR	Civil Engineering Completed Risk
CII	Confederation of Indian Industry
CMI	Comprehensive Machinery Insurance
CPM	Contractors Plant and Machinery
CPU	Central Processing Unit
DG	Diesel Generator
DOS	Deterioration of Stock
DSU	Delay in start up
EAR	Erection All Risk Insurance
EEI	Electronic Equipment Insurance
EQ	Earthquake
FLEXA	Fire, Lightning, Explosion, Aircraft
GDP	Gross Domestic Product
GI	General Insurance
GI Council	General Insurance Council
GST	Goods and Service Tax
IBAI	Insurance Brokers Association of India
ICR	Incurred Claim Ratio
IGMS	Integrated Grievance Management System
IIB	Insurance Information Bureau
IIISLA	Indian Institute of Insurance Surveyors and Loss Assessors
INR	Indian Rupee
IOT	Internet of Things
IRDAI	Insurance Regulatory and Development Authority of India
KFD	Key Feature Document
LOB	Line of Business
LOP	Loss of Profit
MACT	Motor Accident Claims Tribunal
MBD	Machinery Breakdown
MCE	Marine cum Erection
ML	Machine Learning

MLOP	Machinery loss of profit
MSME	Micro, Small and Medium Enterprises
MV	Market Value
NAT/CAT	Natural Catastrophic
OPP	Operation Package Policy
OEM	Original Equipment Manufacturers
OSP	Owners Surrounding Property
PAR	Project All Risk
PSL	Per sending limit
R&D	Research and Development
RBI	Reserve Bank of India
RIV	Reinstatement Value
RSMD	Riot strike malicious Damage
SCE	Storage cum Erection
SFSP	Standard Fire and Special Peril
SI	Sum Insured
SME	Small and Medium Enterprises
SRCC	Strike, Riots and Civil Commotion
STFI	Storm, Tempest, Flood, and Inundation
TAC	Tariff Advisory Committee
TPL	Third Party Liability
UPS	Uninterruptible power supply
US\$	United States Dollar
WG	Working Group
YOM	Year of Manufacturing