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REPORT OF THE WORKING GROUP TO STUDY AND MAKE RECOMMENDATIONS ON FORMATION OF AN INDIAN PANDEMIC RISK POOL

SEPTEMBER 2020

01st September 2020

To,
The Chairman,
Insurance Regulatory and Development Authority of India (IRDAI)
Hyderabad

Subject: Report on formation of an Indian Pandemic Risk Pool

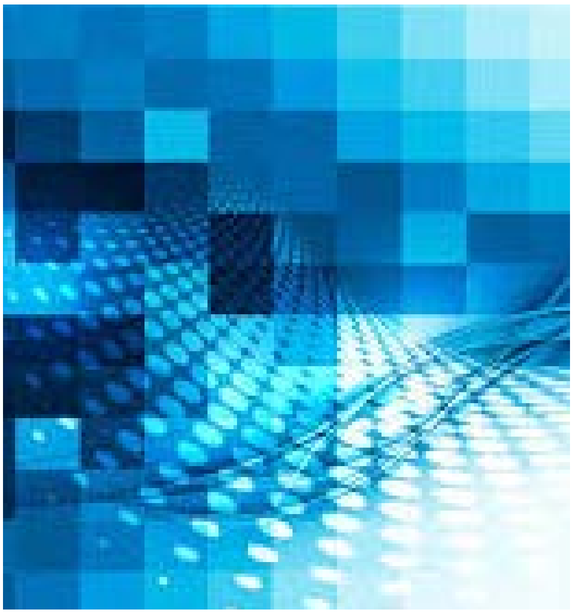
Respected Sir,
I have immense pleasure in submitting the report of the Working Group constituted to examine and make recommendations on formation of an Indian Pandemic Risk Pool vide circular IRDA/RI/ORD/MISC/182/07/2020 dated 08th July, 2020.

The report and recommendations contain extensive review on the subject after several meetings with Life & General Insurers, Re-insurers, FRB's, International market experts, and Industry Associations. The analysis of the report contains the following points:

1. Need and rationale behind setting up a Pandemic Risk Pool. Issues faced by various stakeholders, their suggestions and expectations to that effect.
2. Structure, framework and coverage under the Pool
3. Financial capacity of the Pool
4. Pool Product Structure and its Pricing
5. International Practices.
6. Recommendations

On behalf of the all the members, I sincerely thank you for entrusting this responsibility to us. I thank you for giving us the opportunity and support in framing this report.

Suresh Mathur
Chairman of the Committee



ACKNOWLEDGEMENTS

At the outset, the Working Group expresses its gratitude to the Chairman, IRDAI for providing the opportunity to work on the formation of an Indian Pandemic Risk Pool.

We would like to profusely thank the CEOs of Indian Life and General Insurers Companies, Indian Reinsurer, Foreign Reinsurer Branches in India, Lloyd's India and Insurance Intermediaries for sharing their valuable inputs and suggestions. The suggestions provided a collective industry view and were extremely useful in striking a balanced approach.

The Working Group acknowledges the contributions of Federation of Indian Chambers of Commerce and Industry (FICCI), General Insurance Council and Life Council and is thankful for their participation and insights on the subject.

The Working Group would also like to mention that the update on global activities in the current pandemic situation given by Mr. Vijay Kalavakonda from International Finance Corporation (The World Bank Group) were very helpful for designing the pool structure. We also would like to express gratitude to Mr. Arup Chatterjee from Asian Development Bank for giving us a view of the risk financing study conducted worldwide for covering pandemics in different parts of world.

We would also like to mention that all the meetings were successfully conducted through the online platform and the Working Group would like to place on record its gratitude to IRDAI for providing the online platform in facilitating the discussions.

f. No: IRDAI/RI/ORD/MISC/182/07/2020 Date :08-07-2020

b: Working Group to study and make recommendations on formation of an Indian Pandemic ꞩk Pool

The COVID-19 pandemic which started as a public health crisis has led to significant disruption in ɔnomic activity mainly due to the measures taken to limit the spread of the disease. It has affected not t health but all sectors of the economy including but not limited to manufacturing, aviation, tourism, nsportation, construction, services, agriculture and many others. There is a need to examine long-term utions to address the various risks which have been triggered by the current pandemic and offer ɔtection in case of a future similar crisis. Some of the risks like Business Interruption losses without ncurrent Material damage loss, Loss of employment would result in huge losses much beyond the pacity of Government /Insurers /Reinsurers. Therefore, there is a need to explore the possibility of dressing these risks and any other related risks arising out of a Pandemic through the mechanism of a andemic Risk Pool".

To examine the matter in detail, the Authority has decided to constitute a Working Group with the lowing participants:

r. o.	Name	Designation	Organization	Chairperson / Member
1	Shri. Suresh Mathur	Executive Director	IRDAI	Chairman
2	Smt. Suchita Gupta	General Manager	GIC Re	Member
3	Shri. Hitesh Kotak	Chief Executive Officer	Munich Re India Branch	Member
4	Shri Ankur Nijhawan	Chief Executive Officer	AXA India Reinsurance Branch	Member
5	Shri. Susilendra Rao	Chief Manager	United India Insurance Co. ltd.	Member
6	Smt. Shilpa Yadav	Assistant Vice President	Bajaj Allianz General Insurance Company Ltd	Member
7	Shri M.N.Munshi	Assistant General Manager	Health Department, IRDAI,	Member
8	Shri. Ajay Kumar	Assistant General Manager (OSD)	Non-Life Department, IRDAI	Member
9	Smt. Saba Talukdar	Manager (OSD)	Re-insurance Department, IRDAI	Convenor

The **Terms of Reference** for the Working Group are as follows:

a) Study the need for setting up a Pandemic Risk Pool giving rationale for the same.
b) Recommend the Structure and Operating model for the Pool.
c) Examine any other matter relevant to the subject.

The Working Group shall submit its report within eight weeks of the date of this Order.

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ember (Non-Life)

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EXECUTIVE SUMMARY

BACKGROUND

The world has witnessed several disease outbreaks and epidemics in the past years such as Spanish Flu, H1N1, SARS, Ebola etc., among which some have taken the form of a pandemic as well. This has affected both human life and economies across the globe. The COVID-19 pandemic is no exception, albeit this being on a much larger scale and followed by a worldwide lockdown has unsettled an overwhelming proportion of society at an individual and group level.

IMPACT OF COVID-19 IN INDIA

- All business houses suffered immense financial setbacks which will take years to recover.
- The Medium, Small and Micro Enterprises, who were unable to handle the financial burden were forced to make tough decision like furlough staff or close their business altogether. As per CMIE Reports, Unemployment rate saw a steep rise from 8.75% in March to 23.52% in April 2020. The spike in unemployment rate has been unprecedented in the months of April and May. With businesses shuttered causing a huge wave of reverse migration, the country's overall unemployment rate rose as high as 27.11% for the week that ended May 7, 2020.
- The daily wage earners, who are often migrants, lost their livelihood due to lockdown which led to limited access to basic facilities like food, accommodation and health.
- The economy has faced a huge financial loss and our growth rates have been revised down by various international agencies. Though Government introduced provisions of extended moratoriums on loan, it hasn't served enough. Government also announced a major financial stimulus equivalent of 10% of India's GDP amounting to Rs. 20 lakh Crore. However, this one-time stimulus was ad-hoc and took a huge toll on the Government's coffers. Possibility of occurrence of such future pandemics can no longer be ruled out. Doling out one-time ex gratia packages is not a viable long-term solution to such occurrences.
- Though business groups have suffered huge losses due to business interruption, they can't get insurance claims as most of their policies exclude pandemic cover.
- One-time stimulus by Government equivalent to such huge proportion of GDP is not economically viable each time a pandemic occurs.

Thus arises the need for systematically designed well-structured pandemic pool.

NEED FOR A PANDEMIC POOL

There are estimates that current business interruption premiums in some markets would need to be collected for over 100 years to cover two months of COVID-19-related business interruption costs. The lock-down measures, by which national or local authorities have restricted movement of (parts of the) population, have augmented the risk of business interruption. On the demand side, inability to insure has significant wider economic and social consequences such as businesses and individuals being unable to obtain loans and mortgages. For example, small businesses may find it harder to obtain cover ("availability) or only at an extreme price ("affordability"). Moreover, business interruption insurance for small business is not common in Indian market. Thus in circumstances such as the current COVID-19 crisis there are at least in the future likely to be market failures in respect of the provision of private insurance of both supply and demand necessitating the need of a far larger public-private partnership approach.

The pandemic risk exhibits accumulation potential across several lines of insurance business, for example life and health, travel, liability, credit and others. Moreover, the asset side of an insurer's balance sheet is also affected by the adverse market conditions caused by the economic impact of the response to a pandemic. According to the Insurance industry these factors constrain the supply of insurance. Therefore, it is evident that cover for pandemic risk cannot be provided solely by private commercial insurance and reinsurance systems. If the further availability of this

COVERAGE FOR PANDEMIC RISK

- Insurers/Re-insurers - Insurance and Re-insurance works well and remains affordable when a relatively small number of claims are spread across a broader group, however, in the current pandemic situation, business across all geographies have been hit at the same time.
- Government - Due to massive economic disruption, governments also struggle to provide the effective and timely assistance by introducing aid programs on ad hoc basis to most needed section of the society.

PROPOSED SOLUTION FOR INDIA

Pandemic risk being a systemic risk it is too large to be taken on by the public and /or private insurance sector or governments alone. To protect individuals and the economy from suffering because of business failure due to such epidemic/ pandemic events in future, it was considered appropriate to explore the option of risk sharing by public, private insurers with the Government of India in form of an Indian Pandemic Risk Pool. Mechanism of sharing this risk would provide a low-cost product. Countries across the globe are in the process of forming similar pools. Further, it has been seen that making the product accessible is not sufficient. More often than not covers that are made optionally available are not taken by the intended beneficiaries.

Therefore, a working group with members representing the Indian Insurance/Re-insurance industry was constituted by the Authority to examine the requirement and rationale for setting up a pandemic pool.

The working group took views of various other insurance industry participants including but not limited to Insurers, Re-insurers, Intermediaries and Multilateral organisations. After extensive discussions, the key recommendations of the working group are summarised below.

CORE RECOMMENDATIONS

CORE RECOMMENDATIONS

The Working Group recommends formation of the proposed Indian Pandemic Risk Pool to address losses and unsettlement caused to the informal and low income sectors of the society and serve as a medium of providing relief to these sectors by the Government in case of any such pandemic or epidemic events in future.

1. **Formation, Structure and Administration of the Pool**
   The quantum of loss due to an epidemic/pandemic risk event is huge and hence is beyond the capacity of public and/ or private companies and/or government alone. Hence a risk pooling mechanism with public-private-government participation would be an appropriate resolution to address this similar concern in future. Indian Reinsurer, GIC Re, who has experience of managing the Indian Terrorism Pool and Indian Nuclear pool in India shall be an apt administrator for the proposed pandemic pool.

2. **Participation**
   The participation shall be mandatory for the sectors which have been covered under the pool. This can be with as a Standalone Product providing coverage for the event or as an add-on with the existing products.

3. **Trigger & Claim payment**
   Multiple trigger mechanism shall be set separately for an epidemic and a pandemic event. Claim payment shall be parametric in nature.

4. **Size and Financial capacity**
   An ideal size to start the pandemic pool could be designed to cater approximate 4 crore MSME workers which would lead to a pool capacity of appx INR 75,000 crores wherein a capacity of approximate INR 2000 crores could be expected from the industry participants and a substantial part coming from government in the form of backstop. The pool premium collection is proposed to be invested in government securities or specifically designed bonds by Indian government. The premiums accumulated over the years and the Investment surplus would help in gradually reducing the government backstop.

5. Government backstop

The Working Group believes that for pandemic pool to have an adequate purpose, it needs to cover at least 4-5 crores MSME workers in first phase and to accomplish that, the assurance from government to provide a backstop is necessary. It is pertinent to note that the backstop triggers only at the event of pandemic striking and the total loss payouts are higher than the capacity garnered by the local insurance/reinsurance and international market. Globally all pandemic pool (including USA, France, Germany) proposals are heavily hinged on their national government's support in form of similar backstop and are at different stages of approval. The Working Group has proposed a government backstop of appx. INR 75000 crores at the initial stages.

6. Coverage

The pool shall provide coverage in a phased manner. As MSME and the unorganized sector are the worst affected segments of society during the current COVID-19 pandemic in India, first phase of the pool shall cover Income losses due to non-damage business interruption resulting from a future pandemic event and subsequent lockdown. Pandemic losses are covered under presently available health insurance products, hence the coverage for losses in health segment caused due to a Pandemic event, beyond a threshold, may be covered under the Pool in the second phase. The coverage under the pool may be expanded to life insurance segment also in the later phases.

CHAPTER 1:
INTRODUCTION, OBJECTIVE AND METHODOLOGY

1.1. INTRODUCTION

1.1.1 Characteristics of Pandemic/Epidemic risk

Pandemics or Epidemics are caused by outbreaks of infectious diseases that can lead to an increase in morbidity and mortality rate in a wide spread area. The coronavirus (COVID-19) pandemic has spread rapidly across the world and infection rates are still rising. Lockdown restrictions imposed by governments to limit the spread of the infectious virus and increase in health casualties is causing widespread disruption to travel, business operations and supply chains, restaurants, retail establishments and other unorganized sector. Significant cost and losses are incurred by both individuals and enterprises.

1.1.2 The cost of coverage may be substantial

While it is difficult to assess the frequency of pandemics, the potential severity of losses is immense. The magnitude of business interruption losses that are likely to be incurred is much higher than the losses incurred as a result of any recent single catastrophe event.

1.1.3 Correlated exposures across countries and markets

Given the potential for a pandemic to affect all parts of the world, the financial benefits of diversifying exposure geographically are limited. Reinsurance markets can provide coverage for risks at a lower cost than primary insurers operating in a single market through their ability to pool uncorrelated risks from around the world, however, in case of a pandemic, this facility is not available.

1.1.4 Pandemic/Epidemic Risk Insurance Cover

Insurance plays a key role to individuals, firms, and the economy as a whole. However, there is a gap in providing protection against the kind of losses caused due to pandemic such as business interruption losses caused due to lockdown and not any physical damage, loss of income to daily wage earners due to the lockdown and the like.

1.2. OBJECTIVE

> In a developing country like India, where a huge chunk of the population survives on daily wages, the lockdown subsequent to pandemic or epidemic outbreak causes severe disruption to this unorganised sector, resulting in downturn of the economy. At present, there is no insurance protection for the same and the government alone cannot hold the burden of reviving the economy.

1.4. METHODOLOGY

- A working group was constituted with representatives from Insurance and Re-insurance Industry to explore the option of formation of Indian Pandemic Risk Pool, focussing on risk considerations of business continuity planning, to ease the stress on companies and individuals.

- The Working Group further subdivided into smaller sub-groups to focus and deliberate on specific areas.

- General Insurers, Life Insurers, Foreign Reinsurers, Intermediaries were called on board to discuss the impact of Current COVID-19 Pandemic on the Insurance Industry, the economy as a whole and the sectors which are uncovered presently and should be covered in case a similar situation arises in future.

- Representatives from World Bank and Asian Development bank were also invited to the forum to have a global perspective and understand how other nations are tackling the current situation and preparing for such future calamities.

- Recommendations were sought from Industry Bodies like FICCI, GI Council, LI Council to gain a holistic outlook.

- Post several meetings and considering all the viewpoints, a framework of the proposed pandemic pool was created, and an online survey was conducted with ninety participants from the Insurance Industry to analyse in depth the operational side of the proposal.

- Finally, the entire group deliberated on the collated observations of sub-groups and inputs from all Stakeholders before arriving at the recommendations.
- The objective of the study has been addressed extensively and the outcome is being proposed to the Government Authorities for further considerations.
- The record of discussions for the five meetings are placed at Annexure 1.

CHAPTER 2:
GLOBAL ACTIVITIES AROUND PANDEMIC POOL FORMATION

2.1 Propositions across various nations:

The COVID-19 pandemic and the lockdown following it has impacted all major economies and all countries while in the economic activity repair mode have also constituted various initiatives to plan reduced impact of such pandemic in the future. The Insurance industry in most countries through its regulator, council and with the support of government have initiated discussions to find solutions to tackle this situation if it occurs again.

It has become quite evident that that such a pandemic event affects an overwhelming proportion of society, and on a worldwide basis, insurance supply would not be enough and its not so much about price but more about capacity as the risk cannot be pooled or diversified geographically.

As is the case in India, in many other countries, the local Governments have initiated discussions in partnership with the Insurance Industry Stakeholders and have come together to create a facility to cover risks arising from Pandemic/ Epidemic events.

Some of the global initiatives are elaborated below:

Country	Pandemic/Epidemic Risk Covers Suggested Pool
United States of America (USA)	Three parallel discussions tracks are going on in USA 1) Business Continuity Pandemic Plan (BCPP), started by the Council of Insurance Companies, 2) By PRIA, which is part of the Pandemic Risk Insurance Act of USA and has some government participation as well. 3) Initiative by Chubb
France	Pandemic Pool (CATEX)
Europe	Shared resilience solutions for pandemics and other catastrophes by EIOPA
Germany	Pandemic and Epidemic Insurance Pool
Africa	Outbreak and Epidemic Program (O&E)
Asia	Pandemic Pool initiative by ADB

USA discussions at a glance:

Provisions	Business Continuity Pandemic Plan (BCPP) Started by Council of Insurance Companies	Chubb	PRIA - Pandemic Risk Insurance Act of USA (with Govt. Participation)
Product Design	Expense reimbursement program (Covering Standing charges)	Two structures Proposed 1) BIP – Payroll + expenses for some classes (was to be tied to either a WC or BOP policy – current version unclear) 2) PR – A new governmental reinsurance entity	Incorporated as part of private business interruption insurance (BI)

Types of Business Covered	- Targeted toward small businesses - Lower % coverage for large businesses with a potential cap.	Two different programs for Small, and Medium/Large	N.A.
Insurer Participation	Voluntary	Mandatory	Voluntary, however, policymaker may make it mandatory if enough insurers are not providing coverage.
Triggers	- Presidential viral emergency declaration and State mandated closure	1) Treasury certification based on U.S. Centres for Disease Control and Prevention medical criteria 2) Declaration of Emergency by U.S. Department of Health and Human Services or President 3) Federal, state, or local lockdown in force	Public health emergency (infectious disease/ pandemic) declared an emergency under the Public Health Service Act and a certification by HHS
Payment Funding	Servicing entities have line of credit from government	Insurers have line of credit facility from government	Voluntary participation by insurers.

France discussions at a glance:
he discussions in France are at a more mature stage compared to other territories. Brief of the proposed Pandemic Pool in France is as under:

CATEX

- Mandatory cover in all BI policies sold domestically.
- Reinsurance would be on a non-proportional basis.
- Insurers would be protected by stop loss reinsurance cover from CCR backed up by an unlimited guarantee from state.
- Pros – Insurers would be protected for losses that exceed a predetermined limit rather than on an individual claim basis.
- Cons – Concerns from the risk management community, Whether insurers would take on more risk.
- This approach is similar to the to the government-backed terrorism reinsurance pool Gareat, which was launched in 2002, following 9/11, and includes an unlimited state-guaranteed cover. As of 1 January 2020, the government-backed guarantee attaches at Eur2.72bn through the CCR fund.

2.2 Deliberations by Multilateral Development Banks

- **World Bank**
  Since the start of COVID-19, World Bank has put together major emergency lending operations to support the various sectors through working with the Government of India. These operations are:

  - Supporting the health system response post COVID-19
  - Extending support to the social sector, particularly providing relief to effected households, in terms of cash payments and social safety measures.
  - Providing relief and assistance to MSME sector.
  - Second round of support to social safety net system.

- **Asian Development Bank (ADB)**

  - In the past, ADB has done extensive disaster risk financing study for countries focussing only on physical hazards. Now, they are expanding that methodology and framework to cover pandemics also.
  - ADB is in discussion with the Government of India to carry out a disaster (epidemic/pandemic) risk financing study to develop some risk financing products
  - ADB's approach for Indian Territory would take into consideration social security schemes, at both federal and state level/ municipal level, if any.

2.3 Conclusion from global initiatives:

From the above initiatives that are under discussions globally, the WG concludes that:

- Most countries are focusing on business interruption support to small businesses (MSMEs in Indian context) as which is considered to be the most vulnerable section of the society.
- Since this section is often a backbone of the country and the overall economic impact is higher, the insurance sector would need considerable support from government to provide the financing. The government support is largely in the form of backstop.
- Most governments prefer insurance sector to support the execution and governance of such program to help enrolment and execution of relief.
- The coverage structure preferred is temporary relief in expenses but triggered on parametric basis.
- Most pandemic pools are at various stages of discussion with their respective government in terms of quantum and methodology of support with US and France at the forefront.

CHAPTER 3:
INDIA STAKEHOLDERS RESEARCH AND FINDINGS

The Working Group (WG) during the process of various meetings and interactions with stakeholders realised that there were quite good ideas and suggestions – some of which were received as documentation and some were as verbal information. The WG tabulated these ideas and suggestions and supported by its secondary research and internal deliberations came up with multiple options in terms of:

- Product forms
- Sections of society to be covered
- Values and duration of cover
- Approach towards capacity
- Possible risk transfer mechanisms, etc.

In order to further refine the approach and help WG prioritise on the product framework and sections to be covered, it was proposed to do a survey amongst its key stakeholders. This survey was constituted in very short time using a sharp questionnaire and leveraging technology to reach out to 100+ focused respondents.

3.1 Research Objective

To understand the perspective of key stakeholders and obtain prioritisation of section of society, product coverages emerging out of pandemic risks and formation of an Indian Pandemic Risk Pool.

3.2 Instrument used for Research

An online questionnaire was administered to focused respondents. The responses were filled in through the link sent in an email from Chairman of the WG. The responses were tabulated and analysed for further discussions within the WG.

Considering limited time window available, the link was active for only 5 days and respondents were urged to send their responses within 5 day time window. No reminders were sent since the questionnaire was targeted to focused audience group.

The questionnaire has been annexed to this report as Annexure I.

3.3 Sample Size

An email was sent to 90 participants representing CXO community within Insurers, Reinsurers, FRBs, Key Brokers, Regulatory authority representatives. Response was received from 59 participants representing 65% response rate.

3.4 Configuration of the respondents

General Insurers	30
Brokers/ Intermediaries	9
Health Insurers	5
Indian Reinsurer/ FRBs	10
Life Insurers	3
Others	2
Total	**59**

3.5 Research Findings

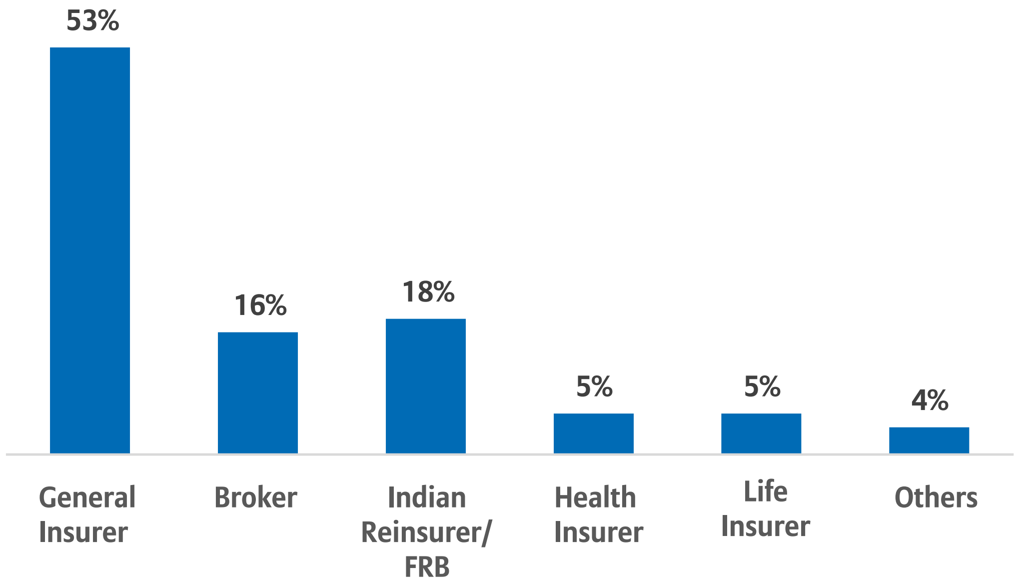
The responses from the 59 filled questionnaires were analysed by the WG and the outcome has been summarised in the charts below:

1. Industry Segment:

Represents the stakeholder mix with 60% from insurers

Profile of Respondents (%)

Sample size: 57

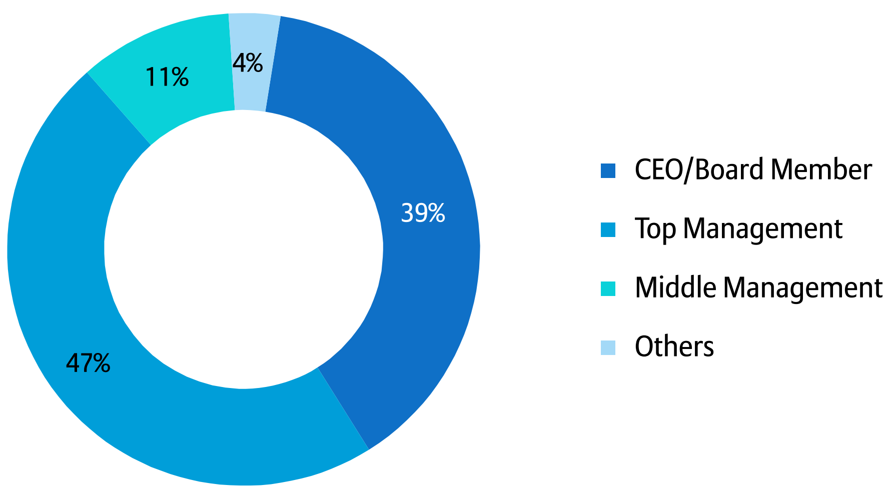


2. Designation:

We had 85% of the responses coming from CXO's and Top Management

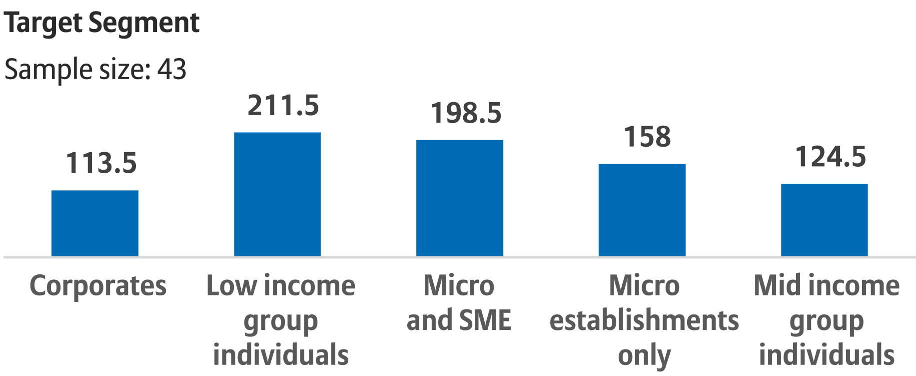
Designation of Respondants (%)

Sample Size : 57



3. Target Segment:

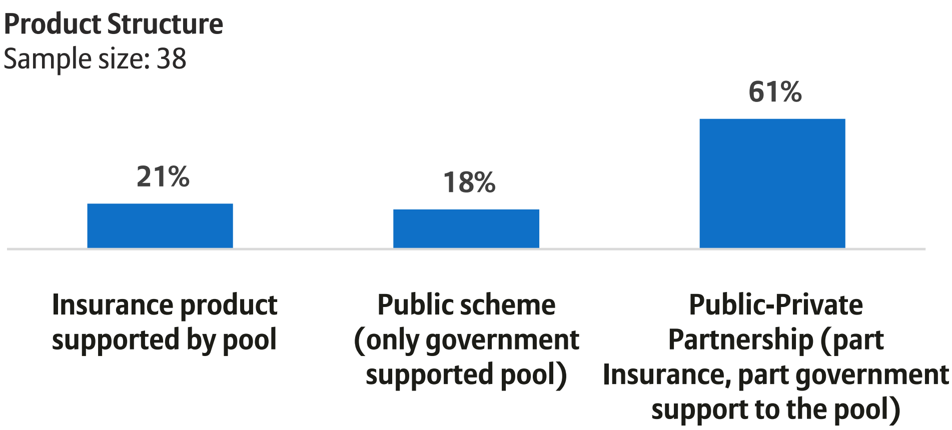
Low income group & MSMEs has been suggested to be the primary beneficiaries from this pool



Scoring based on weightage assigned to ranks. Rank 1 assigned 10 pts, Rank 2: 7 points, Rank 3: 4 points, Rank 4: 1 point and Nil to Rank 5.

4. Pool Structure:

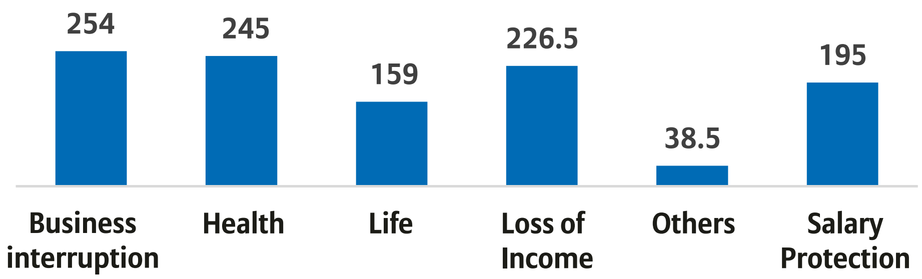
61% suggest that Pool be structured in a public-private partnership mode



5. Product Preference:

Products of Business Interruption, Health & Loss of Income in that order have been proposed by the respondents.

Product Preference
Sample size: 43

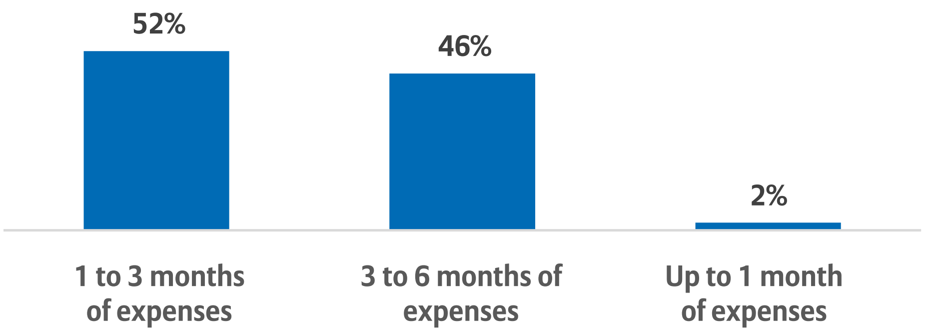


Scoring based on weightage assigned to ranks. Rank 1 assigned 10 pts, Rank 2: 7 points, Rank 3: 4 points, Rank 4: 1 point and Nil to Rank 5.

6. Duration of Cover:

Over 92% agree that benefit should be for immediate short term relief ranging from 1-6 month payout with majority favouring 1-3 month support

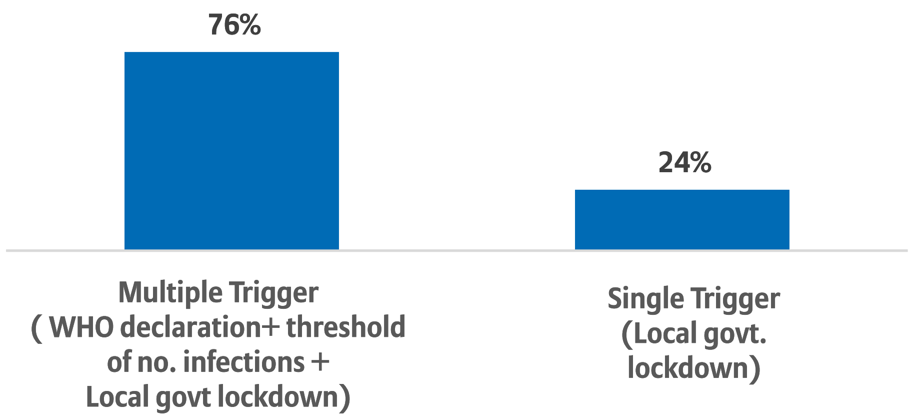
Duration of Cover
Sample size: 46



7. Trigger structure:

76% feel that there must be multiple triggers ensure it indemnifies the actual sufferers

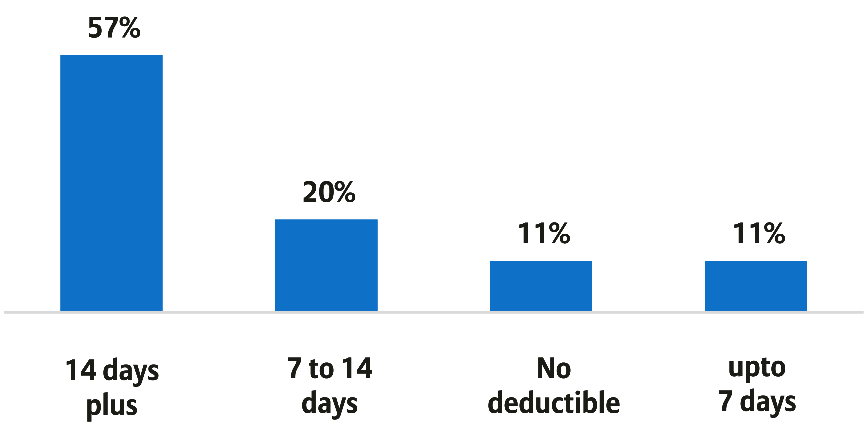
Possible Trigger (%)
Sample size: 51



8. Deductible:

Over 3/4th respondents feel that deductible should be over 7 days, with more than half suggesting 14+ days

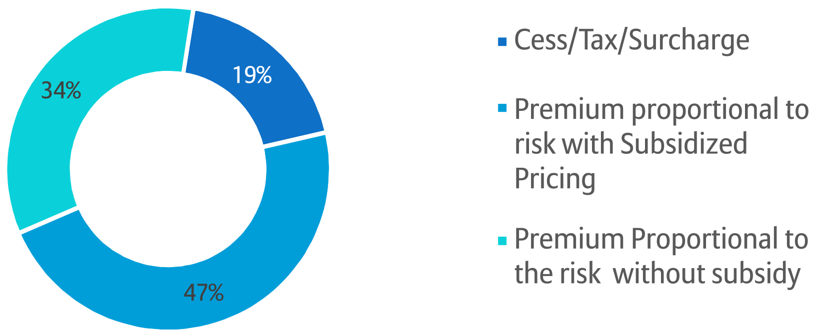
Deductible Option (%)
Sample size: 44



9. Cost Structure:

Over 80% feel the premium should be proportional to the risk, but amongst them more than half feel it must have some subsidization

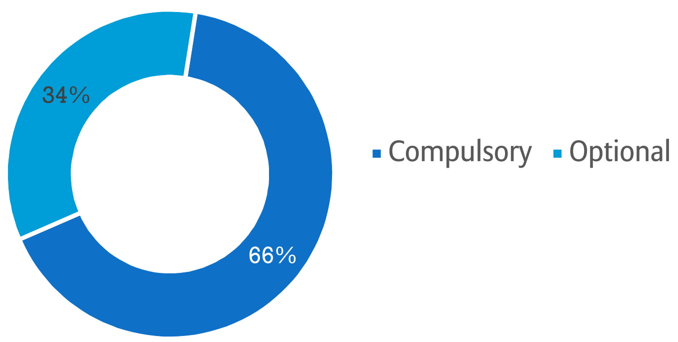
Cost Structure %
Sample size: 53



10. Participation:

Over 3/4th of respondents feel that it must be mandatory

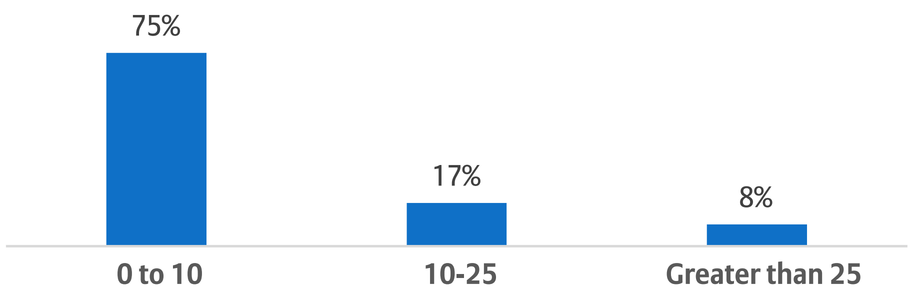
Participation Option %
Sample size: 50



11. Retention for Pool:

3/4th of the respondents feel that retention should be less than 10% in this structure

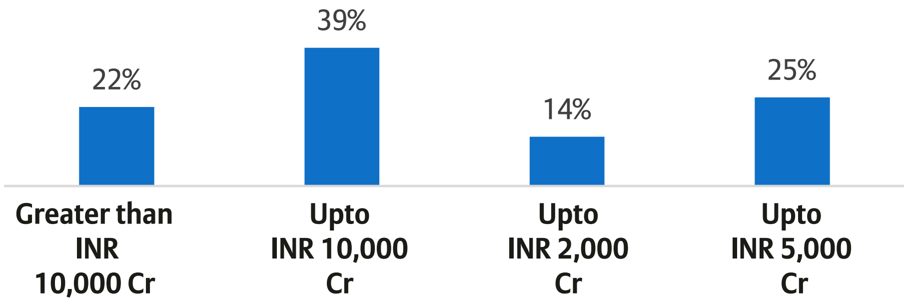
Retention for Pool structure
Sample size: 36



12. Event Limit:

Majority of respondents feel that Event Limit for single event be around INR 10,000 cr

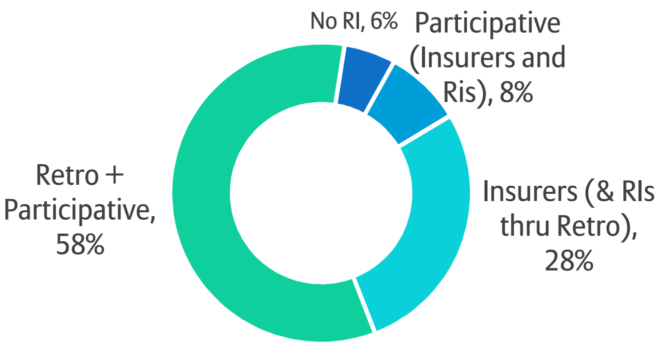
Single Event Limit
Sample size: 36



13. RI Structure for Pool:

Most respondents are in favour of having a retro + participative Reinsurance structure

RI Structure for Pandemic Pool
Sample size: 36



14. Exploring other Financial Instruments:

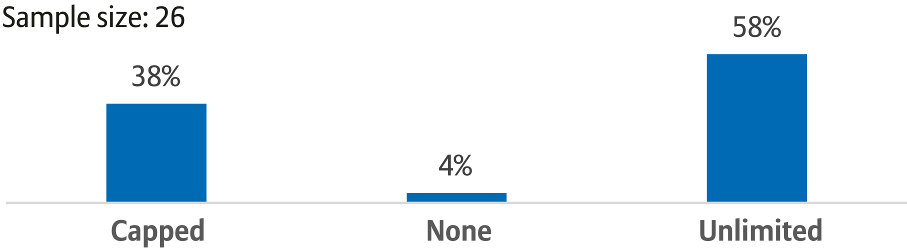
Majority of the respondents feel that other market instruments like Bonds should also be explored

Should other Market Tools like bonds be explored
Sample size: 36

15. Government Guarantee:

58% of respondents feel that the Govt Guarantee must be unlimited, while another 38% felt that it could be capped suitably.

Limit of Government Guarantee
Sample size: 26



16. Structure Flexibility:

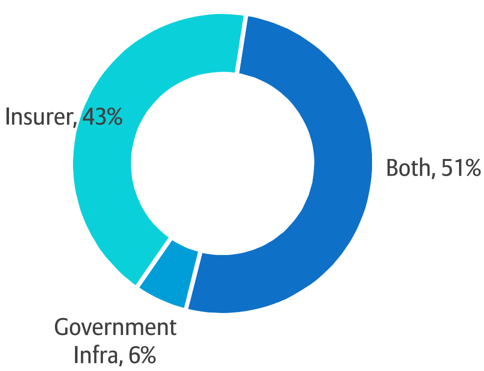
92% respondents feel that the structure should be flexible and adapt to future needs

Structure Flexibility
Sample size: 36

17. Claims Infrastructure:

While many believe the claims be managed by Insurers, majority are inclined to have them do it together with govt. support.

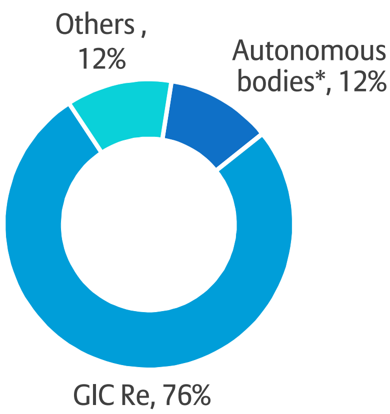
Claims infrastructure should leverage
Sample size: 35



18. Preferred Admin:

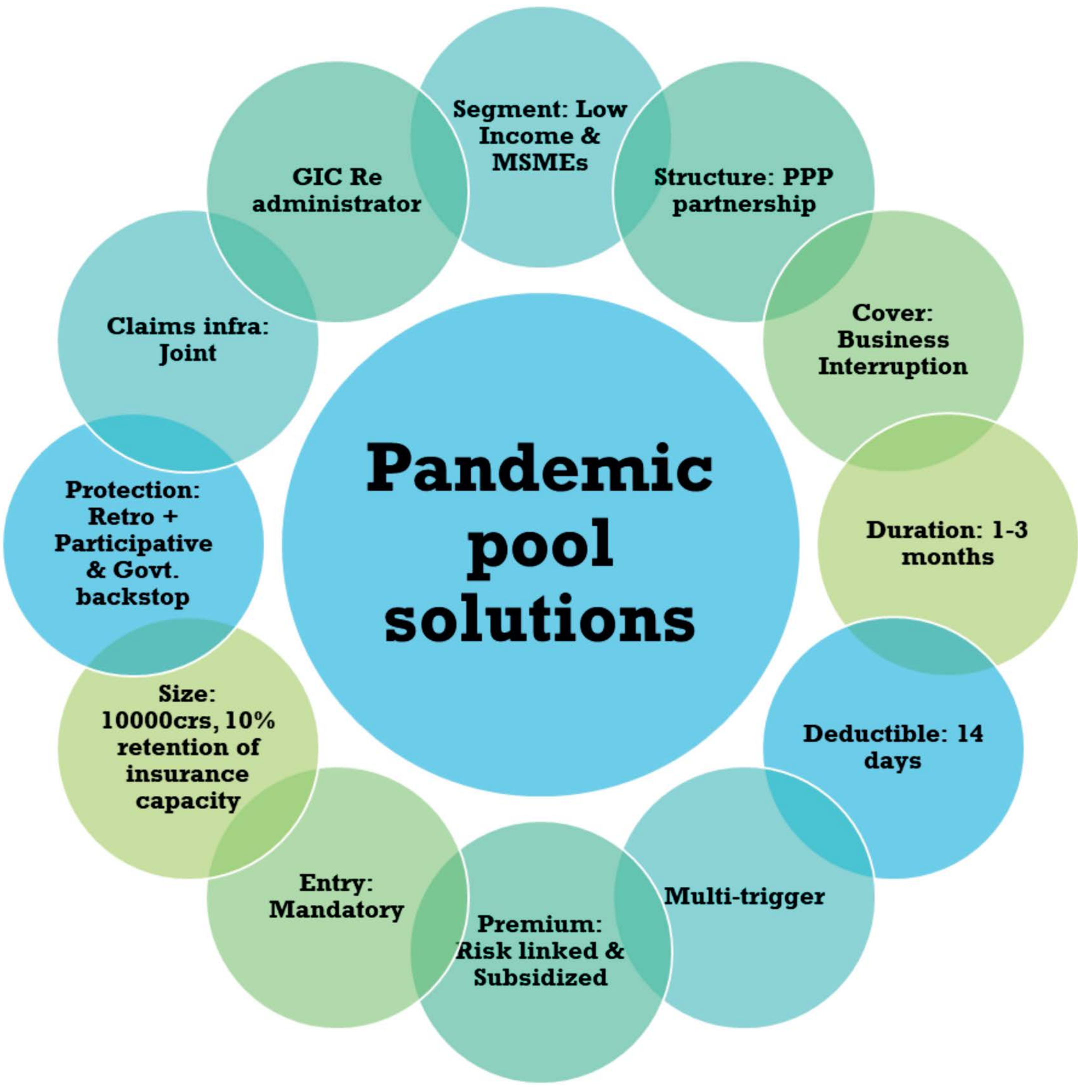
Over 3/4th of respondents feel that GIC Re is best suited to be the Administrator of the pool.

Preferred Administrator for Pandemic Pool
Sample size: 34



3.6 Summary of Findings

The research findings have been summarised in the chart below:



CHAPTER 4:
POOL PRODUCT STRUCTURE

4.1 Target Segment

The Pandemic risks have been explained in Chapter 1 and it has become quite evident from our experience of COVID-19 that the loss to businesses have been quite unprecedented and the losses are more on account of the lockdown than the actual pandemic itself. The lockdown has resulted in the slowing of activities especially manufacturing and trading which resulted in loss of employment (either temporarily or in some cases even permanent) further leading to reverse migration of labour population and stretch on government resources to provide livelihood support for now and in the medium to long term employment support.

The design of a pandemic pool programme would need to consider, the best way to achieve broad coverage to support the most vulnerable section and affected segment of Industry in the best efficient way to face the moment of truth. COVID-19 has impacted each and every individual and organisations in one way or other. On one hand, individuals are facing financial crisis due to loss of job and/or reduced or no pay, during lockdown and at same time it has posed a significant threat to mainstream industry and commerce. But, it will be much more devastating to Micro & Small-to-Medium Enterprises (MSME), as a large number of these may not survive the economic impact of the crisis. Based on the survey result, it was observed that most of the respondents are of the opinion that low income group and MSME should be the target segment as first priority and the beneficiary of this pool.

The unintended consequences of such lockdown followed by pandemic and leading to temporary or permanent closure of small business were observed to be the highest and hence the Working Group (WG) felt that any pandemic product must first cater to prevention of such closure and hence provide some sort of compensation to such businesses which provide large employment and provide with some temporary relief in such difficult times. This relief could lead to protection of employment of such workers and hence not only support in providing running expenses of such households but also prevent reverse labour migration. Such migration not only prevents spread of pandemic but also creates less strain on government resources in mid to long term period.

As per current data , there are 6.35 crore MSMEs across rural and urban India which provide employment to 10.8 crore individuals (with 5 crore in rural and 6.1 crore in urban India). 3.6 crores of such employees are in manufacturing; 3.9 crores in trading and 3.6 crores in Services. 24% of 10.8 crore employed in MSMEs are females. Amongst states – Uttar Pradesh, West Bengal, Tamilnadu, Maharashtra and Karnataka form top 5 concentration with 50% of them employed in these states.

Further, 96% of such MSMEs are proprietary based depicting their smaller size and hence higher vulnerability to social impact to its employees during a lockdown preceded by such pandemics.

4.2 Product Design (Compensation, Duration)

The deliberations of WG and further validation of the Survey suggested that the Pandemic pool structure in its first phase should propose a Business Interruption protection focusing on Salary of employees of MSMEs. It is hence proposed to have a product which covers basic salary protection of MSME employees covering upto 3 months or pandemic induced lockdown opening up whichever is earlier.

In terms of compensation, it is proposed to provide a cover of INR 6,500 (30-40%) of average minimum wage for maximum of 10 employees in a MSME for a maximum period of 3 months.

This compensation provided to the employer (INR 6500 per month for a max of 3 months and for max of 10 employees) is expected to provide substantial relief to the MSME and hence to its large workforce as it would help compensate majority of the standing charges and help the MSME remain afloat and help survive such a crisis.

From our current experience, it is felt that a duration of maximum 3 months or actual lockdown (earlier of the two) is sufficient as post 3 months most places the lockdown was partially lifted and with essential services in priority most manufacturers and traders commenced their activities (some at work place, some remote and mostly with limited attendance).

Examples:
in case the lockdown is lifted after 3 months days, the compensation would be INR 6500 x 90/30
in case the lockdown is lifted after 40 days, the compensation would be INR 6500 x 40/30;

in case the lockdown is lifted after 20 days, the compensation would be INR 6500 x 20/30
in case the lockdown is lifted after 10 days, the compensation would be NIL

The pool to begin with would cover actual employees up to a limit of 10 and in subsequent phases as discussed in ensuing chapters, the limit could be enhanced to 15 employees.

Similarly, the compensation period (lockdown period or 3 months, whichever is lower) and the amount compensation of INR 6,500 per month per employee is proposed in the first phase. It is then proposed to be enhanced to INR 7,000 per month per employee in subsequent phase as discussed in the ensuing chapters.

Potential claim amount per MSME: INR 195,000 increasing to INR 292,500 and INR 315,000 in subsequent phases.

Also, it is important to note that the pool is designed to cover future pandemics and hence any subsequent waves of COVID-19 or any mutations related to COVID-19 cannot be covered and are excluded from the scope of this pool.

4.3 Trigger

Well defined qualifying triggers which are combined with claims attestation, based on self-certification by the policy-holder, could be a good way to keep the coverage, as well as claims handling simple and ensure a quick payout. As a minimum, the following two triggers are required:

- Declaration of an epidemic (caused in more than 5 states in India) or pandemic by an appropriate official body (e.g. World Health Organization (WHO) - Public Health Emergency of International Concern or WHO's Disease Outbreak Notification (DON), or Ministry of Health, Govt. of India notification declaring pandemic)

- Legally ordered lockdown in place for the insured by the State government or Central government.

EPIDEMIC: The term "epidemic" defined as an outbreak of a disease that occurs over a wide geographic area and affects an exceptionally high proportion of the population. Diseases with a stable number of infected people such as recurrences of seasonal influenza are excluded

PANDEMIC: The terms "Pandemic" defined as epidemic that has spread over several countries or continents, usually affecting a large number of people

Preferably a minimum cover duration of 1 to 3 months can be worked out, to cater to the expected risk exposure and to model the insurance pool cover.

The WG also proposed the triggers to be parametric to support following aspects:

- Faster pay-out mechanism to the MSME firm. Non-parametric or indemnity covers would mean longer claims process, higher documentation and delay in making payments. During such events, timely payout would be of utmost criticality and trigger-based approach would be most suited

- Insurance companies would also be expected to have impact of such lockdown and hence facilitating elaborate claims process could be challenging in such times. Parametric triggers as defined above would have administratively less burden on the infrastructure of insurers.

4.4 Deductible/Franchise

The payout under pool mechanism is proposed to be triggered after 15 days of lockdown following a pandemic and then for each month till the lockdown lasts or 3 months, whichever is earlier. The payout for the first month would be paid for entire month even though it would trigger after the 15th day (paid as franchise for first month) and paid before 10th of subsequent month. For subsequent months, the payout would be made by 10th of subsequent month.

4.5 Product bundling (Voluntary/Mandatory)

Voluntary covers have often a low take up rate and are prone to adverse selection. In case of a substantial loss, there is often pressure on the state to provide financial support also to uninsured which could be fiscally challenging. Therefore, a mandatory cover should be the preferred approach. It is hence proposed to offer mandatory Pandemic pool product cover to MSMEs along with Property (Fire) cover.

Currently, the insurance sector has approximately two crore Fire policies issued to MSMEs and hence mandatory cover would be the best option to start with. The cover would also be available on stand-alone basis in case the MSME has no Fire cover. Fire cover was chosen as suitable vehicle as compared to all other insurance covers targeted for such segment (Marine, Group health, Group PA, Liability etc.) Fire cover has the highest reach.

4.6 Premium

Pricing is prospective in nature. To determine insurance rate levels, Statistical & forecasting models are created to analyse historical premiums, claims, geographic and demographic changes among others on the basis of which loss ratios can be predicted on a sample population that represents the insurer's target audience. With this information, cash flows can be projected on the product. The insurance rate can also be calculated that will cover all future loss costs, contingency loads, and profits required to sustain an insurance product.

Although Pandemic have occurred in the past, the quantum of COVID-19 Pandemic is too huge to be compared to any another event. Hence, historical data is also not available for modelling. As we sail through this Pandemic, with information and experience, many statistical tools may be developed for modelling appropriate risk rate, however, in present scenario, our pricing is based merely on assumptions.

The premium has been estimated based on global experiences and then artificially reduced to fall within premium paying range of the MSME. The actuarial data is not available to ascertain the exact price. The estimated pricing based on what we have seen commercial products is usually in the range of 8-10% which means the estimated price could be INR 1600-2000 per employee. Since this could be felt to be higher for MSME segment, it is proposed that we commence at INR 999 and then gradually enhance this price every year.

The premium has been estimated to be INR 999 per employee (excluding GST) during first year of the pool gradually increasing each year to INR 1,596 per employee (in 10 yrs).

The state governments where we have large MSME concentration could also potentially look to subsidize this premium in which case, the premium could be brought down in the first few years. The WG requests further dialogues with state governments to promote subsidy on this product to make it more affordable and push for higher penetration thereby supporting the pool through higher coverage.

Apart from the state governments which could provide some subsidy, the premium may be also reduced further subject to the support multilateral institutions like Asia Development Bank, World Bank etc.

4.7 Advantages of Pool Structure

Affordability of coverage

With pooling a large share of country's exposure to an event like pandemic, given peril (or set of perils), a pandemic pool formation might be able to achieve a lower aggregate cost of coverage than individual insurers could achieve on their own.

Risk diversification

A single pool providing coverage for all the MSME's of a country on mandatory basis would create a more diversified portfolio of risks and reduce the anti selection. A pool with a higher level of risk diversification will have lower economic and capital needs and can therefore offer lower pricing.

Reduced cost of reinsurance

The cost of reinsurance tends to decline as the level of participation from the government increases so the cost to reinsure a single and diversified pool of risks with public participation would be lower.

Maximizing the role of private insurers

The objective of pandemic pool should be to maximize the contribution of private markets to providing coverage over a period of time.

Anti-selection

Pool can also be made available only to policyholders who are not covered by the private insurers. A compulsory cover through pandemic pool can eliminate the possibility of anti-selection which otherwise is a major challenge if the coverage is provided as traditional insurance products.

Flexibility to leverage market capacity

Pandemic pool with government participation and direct insurers can absorb the smaller-scale events and only high loss events above the threshold reinsured. Many of the catastrophe risk reinsurance programme make reinsurance available but do not require direct insurers to make use of that reinsurance capacity which allows direct insurers to retain the risk if they have sufficient capacity.

4.8 Policy Wording

Policy wording coverage for first phase of pandemic event can be broadly made available as per the sample policy wording mentioned below.

The Company agrees that if any employee/worker of insured (MSME sector only) sustains Loss of income or salaries or wages during the period of insurance, arising out of lockdown & curfew whether total or partial or in phases called by either state and/or central government under Epidemic Diseases Act, 1897 (EDA) and the Disaster Management Act, 2005 (DMA) and other relevant act, the company will subject to the terms, exclusion, conditions and sum Insured limits or limit of liability, indemnify the insured for such benefit.

Scope of Cover:

This insurance provides the benefits to MSME sector enterprises for non-business interruption standing charges limited to loss of income or salaries or wages in the course of employment, during the public health emergency arising out of pandemic/epidemic outbreak, for which an emergency is declared. The coverage shall be limited maximum to 10 employees per MSME enterprise. For playout following will be followed.

1. Loss by way of wages and salaries means the amount payable to the employees who were unable to come to work.
2. The amount payable will be based on the amount paid during the previous month or INR 6,500 whichever is lower.
3. The amount payable will be restricted to a period of 3 months only from the date of closure.

The maximum liability of the Company in respect of any one employee/worker during the period of insurance shall be the sum insured (INR 19500) or limit of liability.

Exclusions:

The Company shall not be liable in respect of:

1. the franchise of 15 days;
2. any liability of the Insured which attaches by virtue of an agreement, but which would not have attached in the absence of such agreement;
3. the Insured's liability to employees of independent contractors engaged by the Insured;
4. any late payment fines, penalties or punitive aggravated or exemplary damages for which the Insured may become liable under the Law.
5. any bodily injury to any Worker of the Insured resulting from an accident
6. any incapacity or death resulting from a deliberate self-injury or the deliberate aggravation of an accidental injury;
7. accidents, injury, occupational diseases
8. acquired immune deficiency syndrome (AIDS) or AIDS related complex (ARC) or any syndrome or condition of a similar kind howsoever it may be named.
9. loss of wages and salaries arising out of
    a. riot, civil commotion, strikers or locked-out workers;
    b. war, invasion, act of foreign enemy, hostilities or warlike operations (whether war be declared or not), civil war;
    c. acts of terrorism;
    d. mutiny, military or popular uprising, insurrection, rebellion, military or usurped power, martial law or state of siege or any of the events or causes which determine the proclamation or maintenance of martial law or state of siege.

Conditions
Statements: The truth of the statements and answers in the proposal shall be conditions precedent to any liability of the Company to make any payment under this Policy and shall be the basis of this contract.

False or Fraudulent Acts: Any fraud, misstatement or concealment in the information provided or in the making of a claim or otherwise howsoever, shall render all claims thereunder forfeited.

Duty of Disclosure: The Insured must disclose to the Company fully and faithfully the facts he knows or ought to know, otherwise the Insured may not receive any benefit from this Policy.

Written Notice: Every notice or communication to be given or made under this Policy shall be delivered in writing to the Company.

Waiting period: The waiting period in the policy will be 60 days applicable for those policies which came for underwriting after 2 years launch of the pool.

Claims Procedures: It is a condition precedent to our liability under the Policy that in the event of any claim Insured shall follow:

a. confirm the facts in writing as soon as possible, with as much information as available;
b. make no admission of liability without Our prior written consent of the Underwriters;
c. provide Us or Our appointed representatives with:
- all information required,
- all documentation and records necessary to establish and assess indemnity hereunder and copies or extracts as may be required;

d. Payment of Benefit to Worker Any benefits shall be calculated based upon the Monthly Salary received by the Worker at the time of loss.

The Company shall be entitled if it so desires to take over and the Insured shall give such information and assistance as the Company may require.

Cancellation: The Company may cancel this Policy by giving 15 days' notice by registered letter to the Insured at his last known address and in such event the Company will return to the Insured the premium paid less the pro rata portion thereof for the period during which the Policy had been in force.
This Policy may be cancelled by the Insured at any time by giving written notice to the Company and provided no claim has arisen during the period during which the Policy had been in force, the Insured shall be entitled to a return of premium less the premium computed at the Company's Short Period Rates for the period during which the Policy had been in force.

Short Period Rates:

Period Premium Up to 3 months	30% of Annual Premium
Between 3 to 6 months	60% of Annual Premium
Between 6 to 9 months	90% of Annual Premium
Over 9 months	100% of Annual Premium

In the event of any change in the law the Company reserves the right to cancel this Policy or allow the Policy to remain in force and charge additional premium therefor.

Maintenance of Records: Insured shall maintain adequate records in connection with the subject matter insured hereunder.
Premium Adjustment and Declaration of Salaries

(a) The Premium payable by the Insured shall be based on the total number of employees and total amount of salaries paid by the Insured to every employee/ worker in his employment during the Period of Insurance.
(b) If the total number of employees and total amount of salaries paid by the Insured during the Period of Insurance differs from the figures on which the Premium was calculated at the commencement of this Policy, the difference in the Premium shall be met by an additional payment or by a refund as the case may be.
(c) For the purpose of the premium adjustment, the Insured shall keep and maintain a proper record of the name and full personal particulars of every employee /worker in his employment together with the amount of salaries

paid by the Insured during the Period of Insurance and the Insured shall at all times allow the Company to inspect such records.

(d) The Insured shall without demand and within a month after the expiry date or termination of this Policy, furnish the Company an account of the total number of employees and all salaries paid by the Insured to every Worker in his employment during the Period of Insurance.

Geographical Limits: The Geographical Limit of this Policy and jurisdiction shall be India. All claims under this Policy shall be settled in Indian Rupees only.

Double insurance: No claim shall be recoverable if risk is insured previously or subsequently insured elsewhere. However, if all the policies are underwritten and ceded to pandemic pool then payment will be made only once. Double/duplicate compensation in the pool is prohibited.

Arbitration: If any dispute or difference shall arise as to the quantum to be paid under the Policy (liability being otherwise admitted) such difference shall independently of all other questions be referred to the decision of the sole arbitrator to be appointed in writing by the parties to or if they cannot agree upon a single arbitrator within 30 days of any party invoking arbitration the same shall be referred to a panel of 3 arbitrators, comprising of 2 arbitrators, 1 to be appointed by each of the parties to the dispute/difference and the 3rd arbitrator to be appointed by 2 such arbitrators and arbitration shall be conducted under and in accordance with the provisions of the Indian Arbitration and Conciliation Act, 1996.It is clearly agreed and understood that no difference or dispute shall be referable to arbitration as herein before provided, if We have disputed or not accepted liability under or in respect of this Policy. It is understood, however, that You shall have the right at all times during currency of the Policy to communicate only with the leading or Policy issuing office in all matters pertaining to this insurance. Subject otherwise to the terms, exceptions, conditions and limitations of this Policy.

CHAPTER 5:
POOL STRUCTURE, FINANCING & FINANCIAL DETAILS

There are various mechanisms to form and fund an Insurance pool like Public scheme, private scheme, Public private partnership or Non Insurance Scheme. However, considering the complex nature of pandemic risk, it requires close cooperation by the public and private sectors in managing its impacts and restoring confidence in the functioning of markets, economies, and society at large. Key to building a more proactive and agile response to the next pandemic will require partnership of insurance and risk management that would help facilitate coverage, aligns the desires of both insurers and insured to avoid losses, and incentivize pandemic risk preparedness and mitigation efforts.

The pandemic risk is too systemic to be covered by the insurance industry, and yet we will need insurance to enable business to keep trading, and to help kickstart our economy following the lockdown. COVID-19 has demonstrated the potentially significant limitations around the extent to which property and liability insurance can respond to pandemic-related losses.

Worldwide Pandemics already is one of top accumulation scenarios with impact on solvency ratio and capital ratings for (Re/)Insurers. Due to lack of geographical diversification additional financial capacity of (Re/)Insurers for pandemic risks needs to be split among the various national pandemic pools. Due to the global nature of pandemic risks the pools are highly correlated and could all be triggered simultaneously. As a consequence, the ability of the (Re/)Insurance industry to support individual pandemic risk pools is (in relative and absolute terms) significantly lower than it typically is for NatCat or Terrorism pools. Therefore, a mandatory pool with ideally an unlimited government backstop would be the preferred structure and solution for a Pool

5.1 Capacity Design

The economic cost associated with COVID-19 could be far higher. We would not know until the pandemic has passed – and that is not likely to happen for some time to come. The problem with COVID-19 compared to any other cataclysmic global event is that its impact presents a seemingly endless cascade of negative economic impacts – think of one domino falling on the next for as far as the eye can see. To create a pool of such risk would require substantially higher capacity as compared to terrorism pool. The following sources have been considered for funding the pool:

i. Premium from products providing pandemic coverage
ii. Capacity from Insurers, Indian Reinsurer and FRBs
iii. Interest earning from prior year surpluses (and after deducting pool expenses)
iv. Government of India in the form of backstop
v. Pandemic Bonds

In order to estimate the overall capacity, the WG adopted a complete claim payout scenario wherein the entire country is in lockdown for 3 months and all policies covered under pandemic are triggered for compensation.

In such a scenario and with an assumption of approximate 4 crore MSME employees covered, the pool could have a payout of INR 78,000 crores in the first year with premium collection of only INR 1,560 crores. Since such a scenario is quite likely and so is the possibility of payout to all MSMEs covered in the even of similar pandemic as in the case of COVID-19, it is necessary that the pool is well capacitate by all possible sources of the pool financing.

Based on the year in which pandemic is triggered, the pool could have a payout of anywhere between INR 78,000 crores (year 1) to INR 157,000 crores (Year 5) to INR 177,000 crores (Year 10). Since the pool would have premium inflow from policyholders and interest income from its surplus in year the pandemic doesn't strike, the effective deficit would be lower and would be in the range of approximately INR 74,400 crores (Year 1) to INR 125,400 (Year 5) to INR 83,400 (Year 10). With premium rates kept in affordable range, the pool could only be self-sustainable in Year 20-22nd year. Till such time the pool would have significant dependence on the government backstop.

The detailed computation of the pool funding and payout triggers, surpluses etc. are provided as Annexure 2 to this report.
Referring to the funding sources, (i) premium collection has been explained in the previous chapter, the subsequent section explains the funding from other sources.

5.1.1 Premium from products providing pandemic coverage

Referring to the funding sources, (i) premium collection has been explained in the previous chapter, the subsequent section explains the funding from other sources.

5.1.2 Insurers and Reinsurer's capacities

The General insurers and Reinsurers (Indian, FRBs) would play an important role in funding the pool and initiating the process. The Insurers apart from distribution of the product could also provide inward capacity in form of quota share to the pool. This capacity of insurers could be further augmented by the Indian Reinsurer (GIC Re, at present) and FRBs also in form of quota share arrangement.

The pool administrator would also attempt to obtain additional quota share capacity from international reinsurance market and follow it up with an additional excess of loss capacity. It is widely believed by the WG that in the initial 2-3 years, such international capacity in any form (proportional or non-proportional) would be quite challenging as nations/regions are all in the process of forming such pools and international capacity might be divided or not available considering the fact that pandemic is widely considered a globally accumulated event and diversification modes otherwise available for NatCat or terrorism pools might not be possible in the case of pandemic pool.

The WG has hence in the initial year assumed only locally domiciled capacities and has estimated this capacity to be in the range of INR 1400 crores . An additional capacity from INR 1000-1500 crores in combination from international reinsurance (retro market) or WB/ADB bonds has been assumed from 3rd year.

5.1.3 Interest income from surpluses of prior years

The WG has estimated an expense of 12.5% average comprising of acquisition costs, admin expenses, claims handling expenses, pool administration costs, retro costs (if any) and after applying such expenses on the premium account estimated that surplus would be then invested in government securities. For the purpose of pool computation, the government securities have been estimated to provide yield of 6% in the beginning and reducing to a level of 3% by year 10.

It is also proposed that the pool administrator/WG approach the government (Min of Finance, DFS) to seek issuance of special Pandemic Pool Bonds which could have a favorable coupon rate of 7% and liquidated in case of triggers as defined in previous chapters. This would ensure steady flow of pool surpluses into special government designated instruments. This return would also support pool surplus and help in reducing the government backstop in the event of trigger (pandemic).

5.1.4 Government backstop

The foundation of the initiative, as in the case of other nations where this pool is being discussed needs to be spearheaded by the national government. In most cases as we have seen in USA, France, Germany the initiated is largely designed in cooperation with the local insurance industry, international capacity providers but with commitment of support from the national government. The pool could be administered by the insurance industry, but given the size of the risk in relation to available market capacity, a government back-stop is key along with additional capacity support from the international reinsurance and capital markets. Government participation is vital as it helps in distributing the risk component and in creating a safety net for insureds to provide pandemic coverage.

The pool has done the computation of various scenarios and estimated the government back stop be in the range of INR 75,000 crores (Year 1), peaking at INR 123,000 crores and then to INR 80,000 crores (Year 10).

The government backstop could be reduced in the event of:

- Pandemic induced lockdown is not triggered in the entire country but is localised to few cities/towns or states
- Availability of international reinsurance
- Availability of bonds from intuitions such as WB, ADB
- Higher interest rate for pool surplus from Govt. of India investment instruments
- Premium rate increases if the product is well received by the customers

The government backstop is understood to trigger only when pandemic trigger strikes and the pool payout is higher than the premiums collected, capacity offered by insurers/reinsurers, capacity offered by other bonds, surplus of the prior years. The back stop would thus fill the difference between the total payout and other funding sources of the pool, if the other funding sources are lower than the total payout.

5.2 Pool Administration

The WG deliberated on this point and also based on the survey findings proposes GIC Re as the pool administrator. GIC Re is most suited to administer this pool based on experience of handling similar pools in the past.

Currently, Indian Market has two pools i.e. Indian Terrorism Risk Insurance Pool (ITRIP) and Indian Nuclear Insurance Pool (INIP) administered by GIC Re, National reinsurer. Their experience in managing Indian pool will help to manage the pandemic Pool of the country efficiently at the lowest cost. Setting up a new entity for pool administration will involve higher overheads for managing the pool. Hence, the Pool can be managed by GIC Re, the national reinsurer. Broadly, the Pool shall constitute two committees as under for smooth functioning of the Pool -

- Pandemic Pool Technical Committee
- Pandemic Pool Investment Committee

5.2.1 Role of Pandemic Pool Committees

The WG proposes to set up a Technical committee comprising of representatives from GIC, Re, FRBs, Indian insurers to finalise the capacity and process product filing, investment modalities, technical accounting setup, claims processes. The committee would also meet every quarter to review the product penetration and make any process alterations. It would also meet annually to explore changes to pricing based on its attempt to obtain reinsurance capacities/bonds support. The cost of the reinsurance cover shall be borne by all the members.

The Investment committee would set up the process for the ceded pool reinsurance premium surplus of expenses to be invested in designated govt. security or special pandemic pool bonds as set up by govt. of India. The pool administrator shall manage the Pool Funds on behalf of the participating companies. The Investment Committee periodically reviews the Pool's investment guidelines to ensure optimum returns.

5.2.2 Pool Accounts

It is proposed that insurers collect premium from policy holders and on quarterly basis render statement of accounts to Pool administrator. The Pool administrator would then cede back the quota share premiums to capacity providers (Insurers, GIC Re, FRBs and international reinsurers if any) after paying for expenses (commission to cover expenses of insurers, retrocession cost (if any), pool administration costs).

Each Member shall provide accounts to the Administrator and remit the balance due, on a quarterly basis. The Administrator shall credit the amounts received, after deducting its remuneration as per rate determined by the technical committee of 100% of original premium, to the account of the Members for their respective shares and the funds shall be invested for the benefit of the Members. Each Member, in proportion to its participation, shall follow the fortunes of the original insurance in all respects. All Members shall bear in proportion to their participation, the obligations of any Member who becomes unable to meet its obligations due to bankruptcy or liquidation or any other reason and likewise share in the failure of recovery of any reinsurances placed for common account.

The Administrator will render quarterly accounts to all Members within 15 days of receipt of accounts from all the pool members, showing their respective shares of the business covered by the pooling arrangement in respect of both their own retentions on business written directly by them and by way of reinsurance on business written by other Members. The entire balance of account will be carried forward as a reserve deposit and no cash settlement of balances to Members will be made.

5.2.3 Claims and Recoveries

For making the payment with respect to insured losses that is covered by a participating insurer, following procedures to be followed:

- the policy that suffers the insured loss, or a person acting on behalf of that person, files a claim with the participating insurer;
- the participating insurer processes the claim for the insured loss in accordance with appropriate business practices, and any reasonable procedures that Administrator may prescribe; and
- the participating insurer provides the loss bureaux for insured losses covered by the Program.
- A Member can settle claims up to their authorised claims settling limits, without reference to the Administrator. Only claims exceeding the members' claims settling authority are referred to the Administrator.

Claims are paid by the members from current amounts payable to the Pool. Where current amounts are inadequate for the purpose, the Member may request a special settlement and the Administrator shall transfer the necessary amount to the Member. Where the Administrator does not have adequate funds to make such transfer, the Administrator will make a special cash call from the Members of the Pool.

The Administrator shall have the powers and authorities necessary to carry out:

- to investigate and audit premium collected under the Program;
- to investigate and audit all claims under the Program; and
- to prescribe regulations and procedures to effectively administer and implement Pandemic Pool

In case of claims payout, the issuer insurer would make the claims payout and recover from the pool which in turn would recover from capacity providers as per proportional (and non-proportional) arrangements (if any). In case the payouts are higher than capacity then investments would be liquidated and if that is also not enough then govt back-stop would be called upon.

5.2.4 Other Administrative Matters

Admission of New Member and their Participation
WG has recommended that participation of general insurers (Excluding Specialised insurers), GIC, FRBs, reinsurance to be mandatory for effective functioning of pool. A new insurer can join the Pooling arrangement during the course of a year and utilise the entire capacity of the members for underwriting Pandemic insurance within the scope of this Agreement subject to the agreement of all the members, which agreement shall not ordinarily be refused. However, such new insurer may be invited to participate in the Pandemic risk insurances underwritten by other members only from the nearest future convenient date as decided by the members.

Withdrawal of Member Companies
A Member may give notice at least three months prior to 31st March of any year of its intention to withdraw from the Pool or to alter the extent of its participation. Once a Member withdraws its participation in the Pool, it will simultaneously cease to have the facility to reinsure risks underwritten by it, through the pooling arrangement. However, the Member shall remain fully responsible for its share in the Pooling arrangement in respect of all business reinsured through the Pooling arrangement by all Members up to the date of effect of its notice of cancellation, until the expiry of such insurances. The withdrawing Member is entitled to receive, and the Pool is obliged to timely pay to the withdrawing Member its Proportionate share of any surplus at the close of each underwriting year of account in which the withdrawing Member participated

Dismantling of Pool
The Pool shall be wound up if there is a massive withdrawal of Members, which reduces the current capacity to less than 50% or if a loss of the whole or major part of its reinsurance protection to the extent that would in the opinion of the Technical committee, impair its ability to operate as intended or if there is an issue of a Regulatory/Court Order winding up the pool.

In the event of liquidation of the Pool, the Technical Committee/Court shall appoint the liquidator and fix their remuneration. The authority of the Administrator shall terminate upon the appointment of the liquidator, but the Technical committee shall continue to perform its duties during the period of liquidation with its powers being limited to the acts not falling within the powers of the liquidator. The Pool shall maintain its pooling arrangement as per this agreement during liquidation to the extent necessary for the liquidation proceedings. The liability of the Members for the pool obligations shall continue to be in force until discharged by the liquidator.

CHAPTER 6:
PHASES OF POOL STRUCTURE

Phase-wise Coverage under the Pool
Pool intends to provide coverage in a phased manner:

- First Phase – From Inception to completion of three years of Pool operations
- Second Phase – From fourth year of commencement to seven years of Pool operations
- Third Phase – From eighth year of commencement of Pool operations and beyond

6.1 First Phase

The coverage under this phase shall be limited to only Loss of Income due to non- damage business interruption for MSME sector (maximum up to 10 employees per enterprise) and with max reimbursement of INR 6500 per employee per month for 3 months or lockdown opening whichever is earlier. The other lines of business and other heads under BI are not covered at this stage. The WG deliberated on health as a category and proposed to cover Health in subsequent phase as current insurance products presently cover the losses due to a Pandemics.

Rationale

- Smaller businesses (MSME's) and the low income self-employed/unorganised sector have suffered immensely and has been the worst affected sector in the COVID-19 pandemic situation.

- To enable them to survive a complete or partial shutdown in future, due to an epidemic or pandemic event and subsequent lockdown, where movement restrictions create an impediment to businesses continuing their normal business operations, this coverage is essential.

- The cover shall be restricted to only salary protection for MSME's (as per the definition of Micro, Small or Medium enterprise prescribed by Ministry of MSME, Government of India) and loss of income for low income self-employed informal sector.

- For adequate sustenance of the pool, the cover shall be limited to a maximum of 10 employees per entity and the wages shall be covered as per actual salary or INR 6500, whichever is lower and for duration of 3 months or lockdown whichever is earlier.

6.2 Second Phase

Health insurance may be covered in this phase on excess of loss basis when overall losses cross a threshold for an insurer (General or Stand-alone Health insurer). In addition to Health cover and depending on market requirement, coverage under Pandemic Pool may be extended to provide salary protection for more employees under MSME segment, i.e. exceeding ten employees and/or providing coverage for standing charges or other addon covers.

Rationale for Health and no. of employee threshold

- Awareness of health insurance due to COVID-19 pandemic has led to an increase in the demand for health insurance products.

- Number of claims due to hospitalisation for COVID-19 has seen an increase over the Non-Covid claims.

- The average claim size (quantum) has also increased over the period of pandemic and so has the frequency.

- The Insurance Industry might not be able to sustain the burden of health segment beyond a capacity and might collapse.

- Hence coverage is proposed for the health segment beyond a certain threshold (and excess of loss or a stop loss arrangement)

- The successful implementation of the first phase of the pool shall open grounds for new participants and increased capacity.

- With the increase in capacity, the coverage may be extended to cover the entire vulnerable sector, not limiting the coverage to only salary protection or number of employees.

- Reinsurance protection can be sought globally, providing more leverage.

- The administrator shall have experience and be more prepared to handle higher coverage.

6.3 Third Phase

Once the Pool is sustainable in providing coverage to vulnerable sections of the society affected by an epidemic or pandemic, the coverage can be extended to life insurance segment. On the Salary protection for MSMEs, the pandemic pool may also increase the minimum compensation from INR 6500 to higher amount.

Rationale for Life add-on and enhancement of salary thresholds

- Life insurance industry operates in the space of both mortality and morbidity risks, having both life and health products.

- The pandemic/epidemic at a mature stage may observe a rise in mortality rate and hence a capacity crunch may be seen in the industry.

- Life insurance being a long tail portfolio, shall not have immediate impact on the corpus of the pool

- The capacity of the pool shall increase with participation from life insurers, leading with to higher sustainability.

- Reinsurance protection can be sought globally, providing more leverage and higher surpluses could support enhancement of salary thresholds for MSME employees.

CHAPTER 7:
RECOMMENDATIONS & NEXT STEPS

7.1 Recommendations

The current situation has illustrated the potential harm that a pandemic can have on our people, business, society and economy with the current limitation of insurance coverage available to provide protection. Hence Public-private pandemic pool with participation from insurers and government support as a backstop can be a best suitable option to prepare us better from similar future events.

7.1.1 Need of National Pandemic Risk Pool:

COVID-19 is affecting business indiscriminately and sparing none. Subsequently, lockdown has created the need for a cover against an epidemic or pandemic cover for non-property business interruption losses. Most of these losses are absorbed by the policyholders as policy excludes business interruption losses arising out of pandemic. Some enterprises may sustain during initial period; however, they are undergoing financial setbacks and some business which can't sustain are forced to make tough decisions like reduce the staff strength or close their business altogether. The covers for these losses are not provided by the market as it is beyond the risk appetite of the insurance and re-insurance market. If insurance companies are required to cover such claims, such an action would create substantial solvency risks for the sector, significantly undermine the ability of insurers to pay other types of claims, and potentially exacerbate the negative financial and economic impacts.

7.1.2 Formation and administration of the Pool:

The best way to address this is a pooling or sharing mechanism with all the stakeholders. Pool will help to provide forward looking coverage for business during the pandemic event which is currently not available in Indian market. Pandemic risk exists, and it is not going anywhere. So, pooling of all resources is optimum solution to create something from nothing.

GIC Re is recommended as the pool administrator as they have prior experience in handling similar pools in Indian Market like Indian Terrorism Risk Insurance Pool (ITRIP) and Indian Nuclear Insurance Pool (INIP). Their experience in managing Indian pool will help to manage the pandemic Pool of the country efficiently at the lowest cost since setting up a new entity for pool administration will involve higher overheads.

7.1.3. Pool Capacity:

An insurance pool can be formed to offer cover for the epidemic and/or pandemic by the various stake holders with the expectation of capacity in the range of INR 1500-2000 crores from industry through its own and external capacity. The rest of the capacity in the form of government backstop, which triggers only in the event of a pandemic and if the payouts to policy holders exceed the industry and its arranged capacity.

7.1.4. Pool Structure:

Category	Details
Structure	Public Private partnership backed by govt support as backstop
Internal Capacity	(i) Internal capacity through premium collection
	(ii) Capacity from Insurers, Indian Reinsurer and FRBs
	(iii) Interest earning from prior year surpluses
Outside Capacity	(i)Government of India in form of backstop to be triggered only in case of event
	(ii)Pandemic Bonds

7.1.5. Pool Size and Backstop:

The actual pool size will depend on the risk covered and its estimated potential losses. So far, experts say that business interruption losses caused by COVID-19 pandemic will be huge and unprecedented and it is hardly an estimate which can be the basis of formation of insurance pools and backstops. During first phase of Pandemic pool implementation, business interruption focusing wages of MSME sector and Migrant workers were given priority. With assumption of 4

Cr employee and workers gets benefited and pay out limited to 3 months maximum then the total pay-out will be INR 78,000 cr.

Since, pandemic pool of this size is not feasible during its first year of operations. As per recent Indian Nuclear Insurance Pool (INIP) it is recommended to start with pandemic pool of INR 5000 Cr. The remaining amount of INR 75, 000 Cr will be required as backstop guarantee from the Government of India. During the subsequent phases the pandemic coverage will be extended to other lines of business then the exposure will go up and the government backstop requirement will peak upto INR 125 000 Cr and then it will start gradually reducing. Approximately 20 to 25 years will be required to grow the pool size to make it as self-sufficient.

7.1.6. Product Recommendation:

Category	Details
Customer segment	Micro & Small-to-Medium Enterprises (MSME)
Product Type	Business interruption
Coverage	Salary protection up to 3 months or actual lockdown period whichever is lesser. INR 6500 per month for a max of 3 months and for max of 10 employees
Trigger	Multiple trigger (WHO declaration of pandemic + Lock down by state/ central govt.)
Exclusion	The franchise of 15 days, current pandemic COVID-19
Participation	Mandatory
Event Limit	Single event with exclusion of Covid19
Pricing	INR 999 per employee
Claim payment	Parametric

7.1.7. Phase Wise Coverage:

The pool is intended to cover all the affected segments of general insurance, Health & Life, over a period. However, looking at the current capacity and need, the pool will first cater to the most vulnerable segments of MSME to cover salary charges. As the capacity of the pool will build up, the pool will be extending to SME segment & increased coverage for MSME segment. The pool would like to cover Health insurance in next phase and in the later phases, it would also like to incorporate life insurance risks.

Phase	Coverage	Details
Phase 1	Business interruption GI	To cover salary charges up to 10 employees MSME.
Phase 2	Health insurance & Enhancement of no. of employees of MSMEs	Health insurance to be covered on excess of loss basis when overall losses crosses a threshold basis. Cover salary charges for MSME >10 employees, SME, other add on covers and standing charges coverage
Phase 3	Life Insurance & Enhancement of min. salary reimbursement for employees of MSMEs	Over a period of time once the impact of pandemic is established on morbidity and mortality, considering the overall exposure separate pool for Life insurance. The increase in capacity and surpluses could also support increase in compensation amount to MSME employees.

7.1.8. Roles & Responsibilities

Category	Role
Pool Administrator	Overall administration of pool. To manage the Pool Funds on behalf of the participating companies
Technical Committee	capacity management, product filing process, investment modalities, accounting setup, claims processes
Investment Committee	To set up investment process for the ceded pool reinsurance premium in govt. securities and pandemic bonds, review of investment guidelines
Pool accounts	Render Quarterly statement of premium from insurers, Pool administration cost, ceding of quota share premium

7.2 Next steps

- Pool formation to be formalised by the Authority by drafting a regulation
- Announcement of pool administrator and technical committee constitution with inclusion of Working Group members to set up the pool
- Technical committee to finalise the product structure, evaluate retrocession capacity and multilateral organization support for Bonds to augment capacity (or reduce govt. backstop), capacity build up and file the product with the Authority
- Representation by WG to National/State Government for following support:
  - National Government: backstop discussions
  - State government(s): Subsidy for premium discussions
  - GST Council for waiver of GST for pool premium collection
  - National government: for Pandemic pool bond discussion with fixed coupon rate for investment of surpluses
- Press-release on pool structure post pool set up and Government support on backstop, GST waiver, subsidy on premium

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9. Llyod's Report on Supporting global recovery and resilience for customers and economies : the insurance response to COVID-19

10. Aon's Position Paper on Epidemic and Pandemic Risk Financing

11. Draft Bill by the US Congress – Pandemic Reinsurance Facility

12. Pandemic Emergency Bond (issued by the World Bank)

13. Recent report by OECD to advance the need for Pandemic Insurance Program

14. Views of insurance expert from the ADB about the role of government, tech and COVID-19 in the context of the changing insurance landscape

ANNEXURE 1 – RECORD OF MEETINGS
RECORD OF MEETING :1

Record of Discussions of first meeting of Working Group to study and make recommendations on formation of an Indian Pandemic Risk Pool

1. First Meeting of Working Group to study and make recommendations on formation of an Indian Pandemic Risk Pool was held on 14th July, 2020 at 1100 hrs., through WebEx (VC). The list of participants is appended as Annexure 1.1

2. The meeting was inaugurated by Mrs. T.L. Alamelu, Member (Non-Life), IRDAI, who briefed the members on the purpose of formation of this working group, which is to locate the present gaps in insurance coverage and seek a solution for any such crisis in future. She also gave a synopsis of the statistics of claims in various segments due to current Covid -19 pandemic and subsequent lockdown, wherein major claims seem to have been reported in travel insurance, health insurance and consequential loss policies. She also emphasized on the need to debate the coverage under pool and recommend related products as well.

3. The Chairman of the working group, Mr. Suresh Mathur, apprised the members on the heightened impact of pandemic threat to both public health risks and economic damage. He highlighted the fact that Pandemic being a systemic risk, is too large to be taken on by public and/or private insurance sector or government alone. Hence, it is imperative to explore the option of the pool, focussing on risk considerations of business continuity planning, to ease the stress on companies and individuals.

4. The synopsis of the discussion by the working group is as under :
   a) Demand :
      Market Demand should be studied for formation of Pool and the coverage requirement therein. In the present COVID-19 scenario, coverage is majorly sought for :
      i. Loss of Business
      ii. Loss of Income

   b) Coverage :
      The coverage under the Pool should be defined with regard to :
      i. Product : Whether Stand Alone new products should be developed and/or add-on covers should be provided in existing insurance covers.
      ii. Beneficiary : The coverage under pool should be limited to specific segments like unorganised sector/ MSME/SME or extended to corporate/individual as well.

   c) Funding :
      The following sources can be considered for funding the pool :
      i. Premium from products providing pandemic coverage
      ii. Capacity from Insurers/Indian Reinsurers/FRBs
      iii. Government of India
      iv. Pandemic Bonds

   d) Compulsory Cover :
      Coverage under Pool should not be optional, as with the motive to cover small medium losses, the pricing cannot be on a higher side. Hence, to develop a sustainable corpus, coverage should be mandatory.

   e) Indian Government's perspective :
      i. It was informed by CEO, Axa India Reinsurance Branch that they have been in discussion with the Government of India. The focus of the Government is mainly on the unorganised sector.
      ii. The Central Govt. is looking at a possibility of participating as an aggregator or facilitator and creating a fund for the MSME/unorganised sector.
      iii. On the State Government front, around six-seven state governments are ready to fund for unorganised/ MSME sector, focussing on loss of income.
      iv. Employees' State Insurance Scheme revamp is also being discussed with inclusion of pandemic cover.

f) Pool Administration :
In line with the terrorism and nuclear pool, it was proposed that GIC Re should be the administrator for the proposed Indian Pandemic Risk Pool. This proposal of the group was agreed to by the General Manager of GIC Re.

g) Global activity on Pandemic Pool :
The discussions for formation of Pandemic Pool are happening globally including USA, Europe, African nations, Asia etc. UK has set up Pandemic Re for the purpose.

5. Conclusion :
The discussions concluded with a group consensus on the following actions :

I. Two Sub-committees to be formed within the working group for discussions on :

a) Product Structure & Framework of the Pool
Members :
1) Shri. Hitesh Kotak, CEO, Munich Re India Branch
2) Shri Ankur Nijhawan, CEO, AXA India Reinsurance Branch
3) Smt. Shilpa Yadav, AVP, Bajaj Allianz General Insurance Company Ltd.
4) Shri M.N.Munshi, AGM, Health Department, IRDAI

b) Legal & Regulatory aspects of the Pool
Members :
1) Smt. Suchita Gupta, GM, GIC Re
2) Shri. Susilendra Rao, CM, United India Insurance Co. ltd.
3) Shri. Ajay Kumar, AGM (OSD), Non-Life Department, IRDAI

II. Subsequent meetings to be held with stakeholders, to get a holistic perspective on formation, requirement and expectation from the Pandemic Pool. Schedule of tentative meeting dates and participant details are as given below :

Meeting No.	Tentative Date	Tentative Time	Participants
2nd	20-07-2020	10.00 a.m.	Representatives from FRB, General Insurers, International Market Experts
3rd	23-07-2020	10.00 a.m.	Life Insurers, Industry Associations
4th	27-07-2020	11.00 a.m.	Government Department and Agencies

6. Structure of the Report of Working Group is placed at Annexure 1.2.

Annexure 1.1

List of participants for the meeting on Indian Pandemic Risk Pool held on 14th July, 2020 at 1100 hrs. through WebEx (VC)

1 Shri. Suresh Mathur, Executive Director, IRDAI (Chairman of the Working Group)
2 Smt. Suchita Gupta, General Manager, GIC Re (Member)
3 Shri. Hitesh Kotak, Chief Executive Officer, Munich Re India Branch (Member)
4 Shri Ankur Nijhawan, Chief Executive Officer, AXA India Reinsurance Branch (Member)
5 Shri. Susilendra Rao, Chief Manager, United India Insurance Co. ltd. (Member)
6 Smt. Shilpa Yadav, Assistant Vice President, Bajaj Allianz General Insurance Company Ltd. (Member)
7 Shri M.N.Munshi, Assistant General Manager, Health Department, IRDAI (Member)
8 Shri. Ajay Kumar, Assistant General Manager (OSD), Non-Life Department, IRDAI (Member)
9 Smt. Saba Talukdar, Manager (OSD), Re-insurance Department, IRDAI (Convenor)

Annexure1.2

Structure of the Report of Working Group to study and make recommendations on formation of an Indian Pandemic Risk Pool,

The contents of the report shall broadly cover the following :

1. Chapter 1 - Need and rationale for setting up a Pandemic Risk Pool
2. Chapter 2 - Structure of the pool
3. Chapter 3 - Funding and Operating model for the Pool.
4. Chapter 4 - Coverage and Exclusions
5. Chapter 5 - Pricing methodology
6. Chapter 6 - International Practices

RECORD OF MEETING :2

Record of Discussions of second meeting of Working Group to study and make recommendations on formation of an Indian Pandemic Risk Pool

1. The second meeting of Working Group to study and make recommendations on formation of an Indian Pandemic Risk Pool was held on 20th July, 2020 at 10 a.m., through WebEx (VC). CEO's of few Indian General Insurance Companies and Foreign Reinsurer Branches in India participated in the discussion. A team of executives from Llyods London Office were also part of the forum. The list of participants is appended at the end as Annexure 1.

2. The Llyods team briefed about the white paper published by them on the basis of feedback from their customers, outlining the following :

   a. Short term Commercial solutions
   These are aimed to cover current and future waves of COVID-19 Pandemic. Coverages like Non Damage Business Interruption, Film/TV Shooting, Trade credit etc., which were not prevalent in the insurance market are now sought after. Risk pooling can be considered as an option for this coverage. Managing Agents at Llyods are working on this and the product is expected to be launched by 01.01.2021.

   b. Medium term products
   Increasing demand to cover cyber threat, digital liability, supply chain risk have established the need to develop medium term products which could cover future pandemics.

   c. Long term products
   The focus of these products could be at protecting the insurance customers and economic recovery not just from pandemic but from a wider range of systemic risks. These systemic risk could be either those which are excluded by insurance covers or all sorts of risks which are there on national risk registers. Llyods is laying out a framework which can be implemented in every country according to their specific requirement.

3. The invitees from General Insurance Companies and Foreign Reinsurer Branches in India discussed on the following areas :

   a. Structure of the Pool :
      i. The pool could work in segregation for retail and commercial segment.
      ii. Opinions were put across on both - diversification and non-diversification of the pool. The pool could be a Stand Alone Pandemic Pool or a Pool covering other risks like terrorism, cyber, pandemic under the same umbrella.

   b. Coverage under the Pool :
      i. The coverage under the pool should be defined in terms of Pandemic, Epidemic & Endemic events with clarity.
      ii. For Corporates, the focus should be on covering standing charges to avoid migrant labour issue and loss of job due to business interruption.
      iii. Profitability should not be covered.
      iv. The coverage should be made mandatory should be made mandatory for corporates. However, as lack of

geographical diversification would be an issue in a pandemic event unlike terrorism, CAT events, the pool should be restricted for small enterprises.

v. For Individuals, retail customers (commercial vehicle owners, taxi drivers), loss of income cover can be provided as an add-on cover and kept optional.

vi. Along with business interruption and health, coverage could also be extended to Event Cancellation policies, Workmen Compensation, Directors and Officers Liability, Marine, Livestock etc.

vii. Insurable Interest, Event /Loss limit should be well defined.

c. Pricing, Premium and Claims:

i. Pandemic Premium should be a part of overall property insurance premium and not just to those opting for Business Interruption.

ii. Pandemic events should be priced adequately

iii. Beneficiary should share the financial burden, so as to ascertain sustainability of the pandemic pool in long term.

iv. To support the pool's sustenance, Insurance companies may claim from the pool only after the losses exceed their average loss ratio for last 2-3 years and not from ground up.

v. There should be an event limit and a deductible like time excess.

vi. Corporates should be allowed to account the premium paid for the pandemic in Corporate Social Responsibility funds, so as to ease their financial burden.

d. Funding :

i. Initial funding can be from Insurance Companies and Government of India.

e. Other aspects :

i. The pool could work with National Disaster Framework for better understanding of current scenario and future solutions.

ii. Excess of Loss reinsurance protection may be bought for the pool after two years of inception, identical to the Indian Market Terrorism Pool.

iii. Pool should be made with public-private partnership.

4. Post views shared by the guests, the working group members shared their insights on the subject, details of which are as given below :

1. CEO of Munich Re, India Branch, updated the group on pandemic solutions in other countries. The presentation covered the deliberations in USA, Europe, Germany, France, Africa, Asia and by the World Bank.
2. He briefed in detail about the three parallel discussions going on in USA. First is the Business Continuity Pandemic Plan(BCPP), started by the Council of Insurance Companies, second being the track initiated by Chubb and the third discussion is opened up by PRIA, which is part of the Pandemic Risk Insurance Act of USA and has some government participation as well. These programmes are designed on almost same parameters such as Product Design, Insurer participation, Trigger, Mandatory purchase, Conditions, Exclusions, Deductible, Rates, Funding, Reinsurance, Claims and so on.
3. Members were of the opinion that Pandemic Pool should be stand alone in nature, although, a separate pool/segregation in the pool can be considered for health segment. However, coverage under pool should be prioritized with respect to coverage to small businesses, non-damage business interruption, loss of income, EMI protection, health segment, life insurance etc.
4. As the geographical exposure in pandemic is not the same, reasons being severity and differential lockdowns by Central and State Governments among others, this concern should be addressed while deciding the coverage and claim disbursements from the pool.
5. Liquidity would be an important aspect while disbursing claims for pandemic and should be considered while creating a legal framework for the pool.
6. The functions of sub-committees formed were explained in detail. Legal team was directed to also study the pools functioning in other jurisdictions whereas the product team should list out the coverage, conditions, exclusions etc.
7. It was proposed that the structure of the report of the working group shall also include a section Claims Administration. The report is also proposed to be open to any additions/modifications with time, as the current pandemic situation is far from over and hence in coming days the market can have more sources to study the social behavioural model that will impact any country in case of a pandemic event.
8. This pool should cover future pandemic losses, if any. COVID-19 should not be covered under this pool, however,

if future waves of COVID-19, could be covered can be debated.

9. The Authority to declare the pandemic should be defined. It could be a double trigger – by WHO and later Government (Central/State).
10. It was decided to conduct a survey on various parameters such as coverage, premium, triggers and float a questionnaire to insurance companies, brokers, other stakeholders to have their views on the subject.

5. The meeting concluded with the Chairman of the working group thanking members for their participation and advising them to conduct meetings of sub-committees formed within the working group. The next meeting of the working group is scheduled on 23rd July 2020 at 10.00 a.m.

Annexure 1.3

List of participants for the meeting on Indian Pandemic Risk Pool held on 20th July, 2020 at 10.00 a.m. through WebEx (VC)

Working Group Participants :

1. Shri. Suresh Mathur, Executive Director, IRDAI (Chairman of the Working Group)
2. Smt. Suchita Gupta, General Manager, GIC Re (Member)
3. Shri. Hitesh Kotak, Chief Executive Officer, Munich Re India Branch (Member)
4. Shri Ankur Nijhawan, Chief Executive Officer, AXA India Reinsurance Branch (Member)
5. Shri. Susilendra Rao, Chief Manager, United India Insurance Co. ltd. (Member)
6. Smt. Shilpa Yadav, Assistant Vice President, Bajaj Allianz General Insurance Company Ltd. (Member)
7. Shri M.N.Munshi, Assistant General Manager, Health Department, IRDAI (Member)
8. Shri. Ajay Kumar, Assistant General Manager (OSD), Non-Life Department, IRDAI (Member)
9. Smt. Saba Talukdar, Manager (OSD), Re-insurance Department, IRDAI (Convenor)

Invitees :

1. Mr. Tapan Singhel, CEO, Bajaj Allianz General Insurance Co. Ltd
2. Mr. Anuj Gulati, CEO, Religare Health Insurance Co. Ltd
3. Mr. Ritesh Kumar, CEO, HDFC ERGO General Insurance Co.Ltd.
4. Mr. Rajive Kumaraswami, CEO, Magma HDI General Insurance Co. Ltd.
5. Mr. Shreeraj Deshpande, COO, Future Generali India Insurance Co. Ltd.
6. Mr. Amitabha Ray, COO, Swiss Re
7. Mr. N.G. Shankar Garigiparthy, CEO, Lloyd's India Reinsurance Branch
8. Mr. Iain Ferguson, Regional Director, APAC, Lloyd's London
9. Mr. Tom Allebone-Webb, Head of Strategy, Lloyd's London
10. Mr. Ben Reid, Senior Advisor, Office of the CEO, Lloyd's London
11. Ms. Jyoti Punja, CEO, RGA Life Reinsurance India Branch
12. Ms. Kuhu Mohapatra, DGM, The New India Assurance Co. Ltd
13. Mr. Avijit Ghosh, Chief Underwriting Officer (P&C), Hannover Rück SE India Branch

RECORD OF MEETING :3

Record of Discussions of third meeting of Working Group to study and make recommendations on formation of an Indian Pandemic Risk Pool

1. The third meeting of Working Group to study and make recommendations on formation of an Indian Pandemic Risk Pool was held on 23rd July, 2020 at 10 a.m., through WebEx (VC). The invitees included representative from International Finance Corporation (IFC) which is a member of the World Bank Group, CEO's of few Indian Life Insurance Companies and representatives from Insurance Intermediaries. The list of participants is appended at the end as Annexure 1.

2. The following facts, opinions and suggestions were put across in the discussion by :
   i. Mr. Vijay Kalavakonda from IFC, The World Bank Group:

The forum was briefed on the following :

a) Measures undertaken by the World Bank in India in COVID-19 scenario:
It was informed that, in India, since the start of COVID-19, World Bank has put together major emergency lending operations to support the various sectors through working with the Government of India. These operations are :
- Supporting the health system response post COVID-19
- Extending support to the social sector, particularly providing relief to effected households, in terms of cash payments and social safety measures.
- Providing relief and assistance to MSME sector.
- Second round of support to social safety net system.

b) Reasons for including Private sector funding:
Since the quantum of funding required in a pandemic system is quite enormous and Government is the risk bearer, the funds which could have been utilised for potential investments related to long terms measures for sustainable poverty reduction or to develop infrastructure is now being utilized to deal with these emergency requirements. Hence, its essential to bring in leverage from the Private sector to deal with such kind of scenarios.

c) Ways which can be considered to support the Government:
In the current COVID-19 situation, a significant cost is incurred by the Indian Government in the form of various social assistance programmes while dealing with risks faced by informal/ unorganised sector, low income households. As this is also a cost to the Government, the point that can this risk of the government be made part of the pool should be debated.

d) Global Pandemic Effect:
Pandemic Pool cannot be looked into isolation with respect to geography, hence issues like managing claim payment ability, reinsurance have to be addressed at a broader level.

e) Pandemic Emergency Bonds:
In the current COVID-19 situation, existing pandemic bonds did not trigger until the first two months of the outbreak, as the trigger was subject to events which took time such as number of people hit by the pandemic. Hence the claims payout has either not happened or if it has happened, it accounts for only 5%-10% of the loss. Hence designing such bonds in terms of trigger, threshold is extremely crucial.

ii. Life Insurers:

The representatives from Life Insurance Industry discussed on :

a) Present position of the Life Insurance Industry and mitigation approaches followed by them :
- It was discussed that life insurance industry operates in the space of both mortality and morbidity risks, having both life and health products. Pandemic has a different impact on each of these risks.
- COVID-19 related death claims are not seen much in life insurance segment yet, but queries are coming up related to Insurance requirements.
- COVID-19 is also increasing mortality from other diseases like heart diseases, other organ failures etc. Hence in such a pandemic situation, an overall increase in mortality may be seen.

■ Life Insurance industry is keeping a watch on the following :
- Spike in claims & uncertainty in emerging claims.
- The lasting impact this pandemic would have on morbidity and mortality in future.
- Concentration of risks geography-wise and customer type- wise (Age/Gender/occupation of the customer).

■ Mitigation approaches followed by Life Insurance Industry in present Covid -19 pandemic situation are :
- Holding reserves arbitrarily, as long tail losses are not yet projected/analysed, due to unavailability of data.
- Reinsurance approach, however the capacity is rather low or non-existent, as the pandemic effect is not modelled appropriately.

b) On formation, designing and administration of Pandemic Pool:
- Considering the capacity crunch, unavailability of data for pricing and reserving in such a pandemic situation, non- availability of reinsurance support, Pandemic Pool formation should be considered.

- Separate Pool should be created for Life and Non-Life segment or there should be sub-pools for health and life related issues.
- The incentive of anti-selection of risk at the time of underwriting should be ruled out while designing the pool.
- The regulator may be considered to govern the pool as they expertise in governance and shall have access to unlimited technical expertise.
- Claims data should be accumulated by the regulator in standard format to analyse the cumulative effect on the Industry and economy as a whole. This may address issues related to pricing of product covering pandemic and appropriate reserving.

iii. Insurance Intermediaries:

Participants from various Insurance intermediaries elaboarted on:

a) Key Considerations on formation of Indian Pandemic Risk Pool:

- Scope of the cover in terms of :
- Coverage being mandatory or optional.
- Cover should be in the form of standalone policies or as an add –on cover.
- Vulnerable areas /Lines of business to be covered.
- The coverage should be for a pandemic which is a multi-country cover or even for an infectious disease limited to one geography.
- Coverage should focus on frequency or severity.
- Different exclusions for different coverages like Business Interruption, Health, Liability etc.
- The pool coverage should address losses due to the following three factors, which are inevitable in an infectious disease model :
    - Time required for availability and distribution of vaccination.
    - Hospital resources and utilisation of those materials.
    - Effect of reduced social contact and changes in travel pattern.
    - Distribution and operating model with respect to role of Insurers/ Brokers/Technology supported distribution.
    - Claims process and the triggers which shall lead to these claims.
    - Appropriate Industry level retention.
    - Funding

This can be explored on the following lines:

- Capital requirement from Private sector.
- Government funding: Ministerial decision makers may question on cost benefit analysis on how much should be allocated from the budget to the Pool, risk transfer is of which form etc.

b) Availability of supporting resources:

Representative from Marsh Insurance Brokers advised about the following two resources which can be useful for pricing pandemic coverage and can lead to sustainability of the pool:

- A proprietary solution called the "Pandemic Navigator"
- Multi-model CAT modelling

c) Other discussion points:

- It was suggested that life and health segment may be combined for individuals. For corporate, business interruption cover should be provided.
- All stake holders could form a Special Purpose Vehicle and manage the pool.
- Risk minimization criteria should also be set up with detail underwriting practices such as focussing on business continuity plans for corporate risks, clarity policy wordings etc.
- Pool should provide support to MSME/SME sector but not for the entire Loss of profit, but only limited to wages.
- Clubbing of Pandemic Pool with other domestic pools like terrorism may be considered.

3. Some members of the working group discussed on appetite, size, trigger, limitations, funding of the pandemic pool with the representative of the IFC, World Bank group. Summary of the discussion is as given below :

- It was suggested that in Indian Pandemic Risk Pool, the capital market instruments like bonds should be on higher level of risk layers and not on working layer.
- Institutions like the World Bank can help the facility by putting its credit rating to back up the credibility of the instrument, as a result of which subscription of the bond can be very smooth.

- World Bank is active in this space and has done similar activities in the past. Hence it would be possible for them to get their global investor base for this kind of bond.
- As of now the World Bank is focussing more on emergency response operations available rather than engaging in risk transfer mechanism.
- World Bank has funded various state governments in this pandemic situation.
- Any funding coming from World Bank is a loan to the Government, which can be used to either subsidize or invest to make a robust system.

10. The meeting concluded with the Chairman of the working group thanking members and invitees for their participation. The next meeting of the working group is scheduled on 30th July 2020 at 3.00 p.m.

Annexure 1.4

List of participants for the meeting on Indian Pandemic Risk Pool held on 23rd July, 2020 at 10.00 a.m. through WebEx (VC)

Working Group Participants :

10. Shri. Suresh Mathur, Executive Director, IRDAI (Chairman of the Working Group)
11. Smt. Suchita Gupta, General Manager, GIC Re (Member)
12. Shri. Hitesh Kotak, Chief Executive Officer, Munich Re India Branch (Member)
13. Shri Ankur Nijhawan, Chief Executive Officer, AXA India Reinsurance Branch (Member)
14. Shri. Susilendra Rao, Chief Manager, United India Insurance Co. ltd. (Member)
15. Smt. Shilpa Yadav, Assistant Vice President, Bajaj Allianz General Insurance Company Ltd. (Member)
16. Shri M.N.Munshi, Assistant General Manager, Health Department, IRDAI (Member)
17. Shri. Ajay Kumar, Assistant General Manager (OSD), Non-Life Department, IRDAI (Member)
18. Smt. Saba Talukdar, Manager (OSD), Re-insurance Department, IRDAI (Convenor)

Invitees :

1. Mr. Vijay Kalavakonda, International Finance Corporation, The World Bank Group
2. Mr. Mukesh Kumar, MD, Life Insurance Corporation of India
3. Mrs. Eshwari Murgan, Executive VP (Actuarial), HDFC Life Insurance Co. Ltd.
4. Mr. N. S. Kannan, MD & CEO, ICICI Prudential Life Insurance Co. Ltd.
5. Mr. G. Murlidhar, MD & CEO, Kotak Mahindra Life Insurance Co. Ltd.
6. Mr. B. Ashwin, COO, Exide Life Insurance Co. Ltd.
7. Dr. R M Visakha, MD & CEO, India First Life Insurance Company Ltd.
8. Mr. Trevor Bull, MD & CEO, Aviva Life Insurance Company India Ltd.
9. Ms. Nymphea Batra, Marsh Insurance Brokers
10. Mr. Praveen Vashishta, Howden Insurance Brokers
11. Mr. Atul Boda, JB Boda Insurance Brokers
12. Mr. Anil, Ace Insurance Brokers
13. Mr. Augusto Hidalgo, Willis Tower Watson Insurance Brokers
14. Mr. Jyoti Majumdar; Willis Tower Watson Insurance Brokers

RECORD OF MEETING :4

Record of Discussions of fourth meeting of Working Group to study and make recommendations on formation of an Indian Pandemic Risk Pool

1. The fourth meeting of the Working Group to study and make recommendations on formation of an Indian Pandemic Risk Pool was held on 30th July, 2020 at 3.00 p.m., through Airtel Bluejeans Platform (VC). The participants included Mr. Arup Chatterjee, who was representing the Asian Development Bank along with all the members of the working group. The list of participants is appended at the end as Annexure 1.

   The meeting started with the Chairman of the working group giving a brief presentation on the discussions of the working group so far with reference to coverage, size, funding, financial capacity of the proposed pandemic pool. He also gave an overview of the activities undertaken globally by other nations in this context.

2. Representative from the Asian Development Bank expressed his views which are summarised below :

- Coverage:
  i. Epidemic risk financing framework should be preferred compared to pandemic risk financing framework, as this would provide coverage for both the events.
  ii. For covering business interruption & loss of income under the pandemic pool, threshold and triggers should be defined.
  iii. The coverage under the pandemic pool should evolve or increase over a period of time with experience and data/ information availability in future.
  iv. A risk layered framework should be followed, wherein first layer could be the government social security schemes, second and third layers could be insurance and reinsurance respectively.
  v. Risk management and risk reduction framework is also essential for the proposed pool.

- Premium :
  i. A risk based premium approach would be beneficial for the pool and the beneficiaries.

- Activities of Asian Development Bank (ADB)

- In the past, ADB has done extensive disaster risk financing study for countries focussing only on physical hazards. Now, they are expanding that methodology and framework to cover pandemics also.

- ADB is in discussion with the Government of India to carry out a disaster (epidemic/pandemic) risk financing study to develop some risk financing products

- ADB's approach for Indian Territory would take into consideration social security schemes, at both federal and state level/ municipal level, if any.

4 Further there was an elaborate discussion among all the participants on various features of the pandemic pool, synopsis of which is as under:

i. Coverage :
- The group unanimously proposed to provide coverage in a phased manner, prioritizing risk cover for standing charges under business interruption and loss of income/ wages for unorganised sector.
- Considering the low penetration of business interruption insurance in India, the pandemic cover should be bundled with products such as Fire or Marine insurance.
- The pandemic coverage should be mandatory.
- Coverage for large scale epidemic can also be considered along with the pandemic coverage under the pool.
- The pool may follow a staggered participation approach with a basic cover for all states, and higher coverage/ additional benefits for few states, depending on the capacity/requirements.
- The society developmental aspect should also be considered while designing the pool model, as it would be of interest to the Government of India and other subscribers like World Bank & Asian Development Bank.
- Two types of products can be covered under the pool - 1) Retail product for MSME sector which can be directly taken by the beneficiary through Insurers. 2) Government. Scheme, wherein the Central or State Government may pay premium for the unorganised sector.

ii. Capacity :
- A capacity of around INR 5000 crs. should be ideal to start the Pandemic Pool.
- This may increase gradually depending on the coverage expansion and further analysis.

iii. Premium :
- Proposed rate on line is 7-12%, which may be reduced further subject to support from the Government Bodies and multilateral institutions like ADB and World Bank, Reinsurance protection etc.
- Sum Insured for loss of wages may be defined on the basis of minimum wages prescribed by the Government of India. Hence, it may be different for different states.

iv. Trigger & Claims :
- Two types of triggers may be considered - Number of lives affected or Number of states affected.
- For Business interruption or loss of wages, the pool may consider a deductible of fourteen days.

- Pay-out for claims arising due to pandemic could be limited to wages for two to three months.

v. Funding :
- Backstop arrangement from the Central or State Government would be essential to fund the pool.
- Financial support may be sought from institutions like ADB, World Bank in the form of pandemic bonds.
- An option of issuance of government securities should also be explored in this context.

5. Representative from the Asian Development Bank shall be sharing inputs on the Pandemic Bonds w.r.t. the cost and coupon rate.

6. The members of the working group were of the view that Government's support is crucial for the Pandemic Pool, reasons being :
   a) Pool Capacity – The Insurers, GIC Re, FRB's collectively may pool in a capacity of around INR 2000 crs., however, this size is too less for a pandemic risk event. Hence Government's BackStop would be essential to bring in a capacity of around INR 5000 crs.
   b) Coverage to unorganized sector – Insurance penetration is almost negligible in unorganised sector. Thus to reach the beneficiary (informal sector/ MSME/SME's) it would be imperative to have the government on board.

   In view of the these factors, the group proposed to approach various Government Bodies like the Department of Financial Services, Ministry of Labour & Employment, Ministry of MSME to have their perspective on the subject.

6. The meeting concluded with the Chairman of the working group thanking members and invitees for their participation. The sub-committees were advised to work prepare report on product and legal framework.

Annexure 1.5

List of participants for the meeting on Indian Pandemic Risk Pool held on 30th July, 2020 at 3.00 p.m. through Airtel Bluejeans

Working Group Participants :

19. Shri. Suresh Mathur, Executive Director, IRDAI (Chairman of the Working Group)
20. Smt. Suchita Gupta, General Manager, GIC Re (Member)
21. Shri. Hitesh Kotak, Chief Executive Officer, Munich Re India Branch (Member)
22. Shri Ankur Nijhawan, Chief Executive Officer, AXA India Reinsurance Branch (Member)
23. Shri. Susilendra Rao, Chief Manager, United India Insurance Co. ltd. (Member)
24. Smt. Shilpa Yadav, Assistant Vice President, Bajaj Allianz General Insurance Company Ltd. (Member)
25. Shri M.N.Munshi, Assistant General Manager, Health Department, IRDAI (Member)
26. Shri. Ajay Kumar, Assistant General Manager (OSD), Non-Life Department, IRDAI (Member)
27. Smt. Saba Talukdar, Manager (OSD), Re-insurance Department, IRDAI (Convenor)

Invitees :

15. Mr. Arup Chatterjee, Asian Development Bank

RECORD OF MEETING :5

Record of Discussions of fifth meeting of Working Group to study and make recommendations on formation of an Indian Pandemic Risk Pool

1. The fifth meeting of the Working Group to study and make recommendations on formation of an Indian Pandemic Risk Pool was held on 21st August, 2020 at 11.00 a.m., through Airtel Bluejeans Platform (VC). The participants included representatives from General Insurance Council, Life Insurance Council, FICCI, IRICS and AON Insurance Brokers along with all the members of the working group. The list of participants is appended at the end as Annexure 1.

2. The Chairman of the working group briefed the invitees on the activities and discussions of the working group so far covering all aspects of the proposed pandemic pool as also the global scenario in this space.

3. As there were discussions around the proposed pandemic product, the forum was run through the product structure with estimations done for the coverage, premium, capacity from insurers/reinsurers and government backstop.

4. After a view of the deliberations by the working group till date, the following recommendations were received from the invitees on board :
   - Segregation of the Pandemic Pool could be considered for life and non-life segments.
   - Government Support is fundamentally essential for the proposed pandemic pool, as capacity provided by other Industry Stakeholders shall be inadequate. A model with partial support form government and partial from insurers would be appropriate for this proposition.
   - The pool could have indemnity based or a parametric claims pay out, whereby the government would be more supportive of a parametric claims pay out.
   - Alongwith the backstop arrangement, it should also be proposed to the government to subsidize the cost/premium as well. This subsidy can be provided by the State Government whereas BackStop arrangement can be sought from the Central Government.
   - In future, the periodicity of pandemic can be more frequent and also the average claim size may increase, hence a risk defence mechanism like pandemic pool is necessary.
   - In European countries, USA, UK, there is a concept of risk equalisation reserve, wherein based on certain morbidity risk criteria, a pool is created at an industry level and is further redistributed amongst them. This serves as an incentive for the industry players to accept high risk portfolios in a universal health insurance schemes.
   - If health segment is included in the pandemic pool, it was suggested that :
     i. The threshold could be INR 6000 crs.
     ii. A Stop loss arrangement can be pursued.
   - In India, penetration of insurance is very less. Hence coverage for fire peril along with pandemic coverage should be made essential for MSME sector. This will help in increasing the size of the industry and to avoid risk selection.

5. Some additional points which were discussed by the members of the working group are :
   - For current Covid -19 pandemic situation, government is providing coverage for loss of income through Employee State Insurance Corporation.
   - The group shall make recommendations to the government seeking a backstop arrangement, which is crucial for the proposed pool. These recommendations shall include flexibility to either increase coverage or value in future phases of pandemic pool.

6. The meeting concluded with the Chairman of the working group thanking members and invitees for their participation. The next meeting of the working group is proposed on 25th August at 4.00 p.m. to discuss further on the report.

Annexure 1.6

List of participants for the meeting on Indian Pandemic Risk Pool held on 21st August, 2020 at 11.00 a.m. through Airtel Bluejeans

Working Group Participants:

28. Shri. Suresh Mathur, Executive Director, IRDAI (Chairman of the Working Group)
29. Smt. Suchita Gupta, General Manager, GIC Re (Member)
30. Shri. Hitesh Kotak, Chief Executive Officer, Munich Re India Branch (Member)

31. Shri Ankur Nijhawan, Chief Executive Officer, AXA India Reinsurance Branch (Member)
32. Shri. Susilendra Rao, Chief Manager, United India Insurance Co. ltd. (Member)
33. Smt. Shilpa Yadav, Assistant Vice President, Bajaj Allianz General Insurance Company Ltd. (Member)
34. Shri M.N.Munshi, Assistant General Manager, Health Department, IRDAI (Member)
35. Shri. Ajay Kumar, Assistant General Manager (OSD), Non-Life Department, IRDAI (Member)
36. Smt. Saba Talukdar, Manager (OSD), Re-insurance Department, IRDAI (Convenor)

Invitees :

16. Mr M N Sarma, Secretary General, General Insurance Council
17. Mr. S.N. Bhattacharya, Secretary, Life Insurance Council
18. Mr. Harshvardhan. FICCI
19. Mr. Anurag Rastogi, FICCI
20. Ms. Anuradha Sriram, FICCI
21. Ms. Madhu Damle, IRICS Insurance Brokers
22. Mr Subhash Chandra, Aon Insurance Brokers

ANNEXURE 2 - PANDEMIC POOL QUESTIONNAIRE
Strictly Confidential

The COVID-19 Pandemic has led to significant disruption in economic activities, mainly due to the measures taken to limit the spread of the disease. It has affected not just health, but all sectors of the economy. There is a need to examine long term solutions to address various risks, which have been triggered by the current Pandemic, and offer protection in case a future similar crisis arises through the mechanism of a Pandemic Risk Pool. Therefore, the Working Group of the Pandemic Risk Pool was constituted by the authorities vide Order no. IRDAI/RI/ORD/MISC/182/07/2020 dated 08-July-2020. The Working Group seeks the industry's views on the probable mechanism and functioning of the Pandemic Risk Pool.

Your valuable inputs will be vital for the Working Group to make appropriate decisions. The responses would be kept anonymous.

We request you to keep this questionnaire confidential and answer the questions yourself. The questionnaire is for the intended recipient and not to be forwarded. If you wish to nominate someone else in your company:

Please select as applicable for you: (Kindly Select)

1) General Insurer
2) Health Insurer
3) Life Insurer
4) Specialty Insurer
5) Indian Reinsurer/FRB
6) Broker
7) Agent/Corporate Agent
8) Industry Association
9) Government department/Regulator
10) Others (Please specify) ……………………………………….

    Please share your designation: (Kindly Select from below option)

    1) CEO/Board Member
    2) Top Management
    3) Middle Management
    4) Others (Please specify)

Name of participant

……………………………………………

Questionnaire

1) What should be the deductible for Pandemic Cover. : (Kindly Select from below option)
   A) No deductible
   B) upto 7 days
   C) 7 to 14 days
   D) 14 days plus

2) What should be the cost structure for the Beneficiary to be a part of the Pandemic Pool. : (Kindly Select from below option)
   A) Premium proportional to risk with Subsidized Pricing
   B) Premium Proportional to the risk without subsidy
   C) Cess/Tax/Surcharge

3) What should the possible trigger be : (Kindly Select from below option)
   A) Single Trigger (Local govt. lockdown)
   B) Multiple Trigger (WHO declaration+ threshold of no. infections + Local govt lockdown)

4) Should the participation in the Pandemic Pool be : (Kindly Select from below option)
   A) Compulsory
   B) Optional

5) Rank in Order of Preference the products to be covered
   A) Business interruption
   B) Loss of Income
   C) Salary protection
   D) Health
   E) Life
   F) Others (Pls specify)
   Specify the Sequence …………………………………

6) Duration for relief under Pandemic Pool could be (Kindly Select from below option)
   A) Up to 1 month of expenses
   B) 1 to 3 months of expenses
   C) 3 to 6 months of expenses

<<next section only for insurers/reinsurers>>

7) What should be the structure of the pandemic pool solution. (Kindly Select from below option)
   A) Insurance product supported by pool
   B) Public-Private Partnership (part Insurance, part government support to the pool)
   C) Public scheme (only government supported pool)
   D) Others (pls specify)

8) How should the subscription of Pandemic Pool be? (Kindly Select from below option)
   A) Standalone Compulsory product
   B) Standalone Opt-in product
   C) Attachment with existing policy

9) Rank in Order of Preference the section of society to be covered
   A) Low income group individuals
   B) Mid income group individuals
   C) Micro establishments only
   D) Micro and SME
   E) Corporates
   Specify the Sequence …………………………………

10) Primary Insurer Retention for the Pandemic Pool structure can be(Kindly Select from below option)
    A) 0 to 10 %
    B) 10-25 %
    C) Greater than 25%

11) Event Limit for a single event for the Pandemic Pool should be (Kindly Select from below option)
    A) Upto INR 2,000 Crores
    B) Upto INR 5,000 Crores
    C) Upto INR 10,000 Crores
    D) Greater than INR 10,000 Crores

12) What should the Reinsurance structure for pandemic pool be (Kindly Select from below option)
    A) No reinsurance
    B) Participative (Insurers and Reinsurers both participate)
    C) Retrocession (Insurers participate and Reinsurers participate through retrocession)
    D) Retrocession + Participative (combination of (B) and (C))

13) In addition to Insurance / Reinsurance capacity - Should the Pandemic Pool explore other financial market tools such as Bonds (Kindly Select from below option)
    A) Yes
    B) No

14) For the Pandemic pool, the Government Guarantee should be (Kindly Select from below option)
    A) None
    B) Capped
    C) Unlimited

15) Future Flexibility for Pandemic Pool should be (Kindly Select from below option)
    A) Set as one time
    B) Future optionality to extend

16) Claims Infrastructure under pandemic pool should be (Kindly Select from below option)
    A) Leverage Insurer
    B) Leverage Government Infrastructure

17) Pandemic Pool Administrator could be (Kindly Select from below option)
    A) GIC Re
    B) Autonomous bodies set up for Pandemic Pool
    C) Others (Please specify)

Scenario 1 (With Govt. backstop)												
Pool computation			Phase 1			Phase 2				Phase 3		
- increase in capacity each yr				5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
	Count	Avg. capacity	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
PSUs	4	75	300	315	331	347	365	383	402	422	443	465
large Pvt	5	50	250	263	276	289	304	319	335	352	369	388
Pvt others	16	25	400	420	441	463	486	511	536	563	591	621
GIC	1	200	200	210	221	232	243	255	268	281	295	310
FRBs	8	35	280	294	309	324	340	357	375	394	414	434
Health Insurers	5	15				75	79	83	87	91	96	101
Life Insurers	24	30				-	-	-	-	720	756	794
Total	34	42.1	1,430	1,502	1,577	1,730	1,817	1,908	2,003	2,823	2,964	3,113
Govt Backstop			72,968	76,364	78,732	1,31,318	1,28,571	1,24,916	1,26,562	1,11,640	96,637	80,462
Additional Capacity	10.0%		-	-	1,000	1,100	1,210	1,331	1,464	1,611	1,772	1,949
Sum of capacity			74,398	77,865	81,308	1,34,148	1,31,598	1,28,155	1,30,029	1,16,074	1,01,373	85,524
No of Lives covered under Employment BI cover (Lacs)			400	440	484	508	534	560	560	560	560	560
No of Lives under Health (Lacs)						40	42	44	46	49	51	54
No of Lives under Life (Lacs)										100	105	110
Premium collection			3,997	4,599	5,285	9,881	10,625	11,812	13,891	14,409	14,790	15,600
Costs (include admin, acq, claims, pool)	12.5%		500	575	661	1,235	1,328	1,476	1,736	1,801	1,849	1,950
Claims			0	0	0	0	0	0	0	0	0	0
Surplus for the year			3,497	4,024	4,625	8,646	9,297	10,335	12,154	12,608	12,941	13,650
Investment rate			6.0%	5.5%	5.0%	4.5%	4.0%	3.5%	3.0%	3.0%	3.0%	3.0%
Investmnt gains			105	309	512	783	1,086	1,332	1,519	1,936	2,377	2,847
Closing Surplus			3,602	7,935	13,072	22,501	32,883	44,550	58,223	72,767	88,085	1,04,583
Pandemic pool strikes in year-->			1	2	3	4	5	6	7	8	9	10
Premium Collection			3,997	4,599	5,285	9,881	10,625	11,812	13,891	14,409	14,790	15,600
Surplus of Premium & Investment over costs			3,602	7,935	13,072	22,501	32,883	44,550	58,223	72,767	88,085	1,04,583
Claims			78,000	85,800	94,380	1,56,649	1,64,481	1,72,705	1,88,253	1,88,841	1,89,458	1,90,106
Loss/Income			-74,398	-77,865	-81,308	-1,34,148	-1,31,598	-1,28,155	-1,30,029	-1,16,074	-1,01,373	-85,524
Govt support			72,968	76,364	78,732	1,31,318	1,28,571	1,24,916	1,26,562	1,11,640	96,637	80,462
Capacity from Insurers/Reinsurers/FRB			1,430	1,502	1,577	1,730	1,817	1,908	2,003	2,823	2,964	3,113
addl. support			-	-	1,000	1,100	1,210	1,331	1,464	1,611	1,772	1,949
Net Loss			0	0	0	0	-0	0	0	0	0	0