

QUARTERLY NEWSLETTER

SPOTLIGHT

INDIA



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INDEX

- ➔ [Cyber Threat Landscape in India](#)
- ➔ [In Focus](#)
- ➔ [Changing Employee Benefits Landscape During Covid-19](#)
- ➔ [India's Covid Vaccination Scenario: Testing, New Vaccines, Travel](#)
- ➔ [A Step Towards Mandatory Vehicle Recall](#)

Namaskar,

A warm welcome to news and perspectives from India!

We are pleased to share the first edition of Spotlight India, our quarterly newsletter designed to bring you key developments across the Indian insurance market and introduce you to Prudent's thought leaders.

We lead with an article on cyber risk. Our Cyber Liability specialist, Neha Anand, offers her perspective on the cyber liability exposures for Indian companies, claims witnessed in the past year, Indian carriers' risk appetite for cyber liability as well as the exponential rise in demand for cyber insurance.

In our section In Focus we interview Karthik Kalyanaraman, Vice President - Risk Engineering, who shares with us how his team used technology to carry out virtual risk control inspections effectively during the past year of lockdowns.

June marks the onset of monsoon. As the season changes, it is critical for organisations to prepare for eventualities that are specific to the season. Karthik Kalyanaraman brings valuable insights from his experience on the impact of the monsoon in India and advice on assessing scenarios, adopting safety measures, and mitigating risk of property damage. We've included his guidance as a link in the interview section.

Our Employee Benefits Consulting team brings you insights on the impact of Covid-19 on employee benefits as well as an update on Covid testing, vaccination, and travel.

Prior to going to press, India announced the launch of a portal on which consumers can report defects in motor vehicles. We give you a quick update on this important development which is expected to lead to more product recall claims.

We hope this edition gives you helpful guidance to further develop your risk management program for India.

Our next edition will reach you in October 2021. Happy Summer!



Alda Dhingra

Vice President, Multinational Practice
Prudent Insurance Brokers Pvt. Ltd.



CYBER THREAT LANDSCAPE IN INDIA

Digitalisation has been a boon for businesses during the pandemic. As people continue to work, learn, shop, and invest online, organisations are keeping pace. This momentous shift has made businesses vulnerable to cybercriminals.

2020 witnessed 1.16 mn cyberattacks, a substantial jump of 300% in cyber incidents in India. The objective of these threats is to encash easy money by way of ransomware or social engineering attacks.

65% of companies that were victims of ransomware attacks ended up paying the ransom. Surprisingly, the manufacturing sector became an easy target, and the hardest hit. Without appropriate cyber security controls in place, the claims in this sector ranged from a few hundred thousand dollars to USD 20 mn.

Pharmaceutical, automobile, chemical, and electronic components are some of the most affected sectors by ransomware attacks in the past 15 months. E-commerce and fintech companies faced data breaches, which raised a lot of regulatory eyebrows.

As a result, cyber security is being taken seriously and a lot of resources and efforts are being allocated to prevent cyber attacks. Although no measure is infallible, having cyber insurance acts as a risk transfer solution where losses are covered. There are allied services being offered along with cyber insurance such as incident response management, data breach counselling, and ransomware experts to handle complex situations. We have observed that these services are of extreme value to clients, just as much as the insurance.

Cyber insurance in India is relatively new but growing exponentially at a double-digit rate, as businesses across industries are warming up to the idea of indemnifying themselves from cyber attacks. Today, cyber threat is imminent in virtually every industry ranging from financial institutions, IT/ITeS, manufacturing and hospitality, pushing even small and mid-sized companies to opt for cyber insurance. All the big four tech firms in India have cyber coverage.



Average Cyber Insurance limits purchased:

- USD 1 mn to USD 5 mn - Small and medium businesses
- Up to USD 50 mn - Large corporations

A typical cyber insurance policy covers:

- Data and Privacy Breach Liability
- Business Interruption
- Cyber Extortion
- Forensics, legal assistance, and financial loss due to IT theft

Currently, social engineering attacks are not covered, and business interruption coverages offered aren't holistic.

With increased claims, the insurance market has adopted a conservative approach, rates have hardened, and coverages are being reduced.

The cyber attack events of last year have made organisations realise the need for, and importance of, this cover. In the coming 12 months, we foresee a lot of new buyers opting for cyber insurance.



Neha Anand

Assistant Vice President - Liability Lines
Prudent Insurance Brokers Pvt. Ltd.

✉ neha.anand@prudentbrokers.com



IN FOCUS

In this edition, we bring you Karthik Kalyanaraman, Lead of Property Loss Control Engineering (PLCE) at Prudent. PLCE provides advice on loss control measures to help businesses maintain smooth operations and prevent losses at manufacturing facilities and warehouses. Our Q&A with Karthik will help you understand how PLCE helps clients.

What is risk engineering and what does a typical day of a risk engineer look like?

Risk engineering is a practice that involves in-depth study of the client's business operations to formulate risk management advice that helps businesses mitigate losses and increase resilience.

Risk inspection forms the core of a risk engineer's responsibilities. It usually starts with a list of activities planned for the risk inspection that is shared with the client. Upon reaching the facility, an introductory round is held with site team members, in sync with the list of planned activities. This is followed by an interaction with various departments and a walkthrough of the facility, to understand the process flow, review management controls, and human element programs. Ongoing and future projects are also discussed. Depending on the size and complexity of the operation, an inspection may require multiple days. The program concludes with a final round of discussion with the senior management and a suggestion to implement the risk engineering advice that is presented.

What are the challenges while performing these surveys during Covid-19 and how do you manage them?

Given the pandemic, it is imperative to respect social distancing norms, making it a challenge for physical inspections of client sites.

To address this challenge, we moved to digital platforms and introduced virtual inspections as early as October 2020. Over 70 virtual inspections have been conducted over the past eight months. Our clients have benefitted greatly from our suggestions based on international risk standards like NFPA and FM Global data sheets.

Why should companies opt for virtual risk inspections?

There are several advantages of virtual risk inspections, some of which are:

- Ensures business continuity during the pandemic due to restricted/no physical contact
- Flexibility - inspections scheduled as per client's availability
- Quick turnaround for inspections and processing of risk reports
- Meets underwriters' criteria - virtual risk reports are acceptable and help insurers make underwriting decisions
- Economical - saves cost of travel & stay
- Convenience for low-hazard occupancies such as offices and warehouses

How do you see virtual risk inspections faring post-Covid?

Clients are willing to accommodate virtual inspections as they are convenient for everyone involved. Despite the inspection team following current Covid protocols and being vaccinated, some clients prefer virtual inspections over physical ones. In addition, as virtual inspections are acceptable to underwriters, it remains a viable option, especially for inspection of facilities that are difficult to travel to.

Physical inspections are slowly picking up, with easing of Covid-related restrictions and travel measures.

PLCE has published an advisory for warehouses and large manufacturing occupancies to help with risk mitigation and loss prevention measures during the monsoons.

[Click here](#) to read the advisory.



Karthik Kalyanaraman
Head - Risk Engineering
Prudent Insurance Brokers Pvt. Ltd.

✉ karthik.k@prudentbrokers.com



CHANGING EMPLOYEE BENEFITS LANDSCAPE DURING COVID-19

The second wave of the pandemic has impacted every aspect of businesses, and potential long-term effects are beginning to emerge. Business leaders along with Rewards Managers are trying to solve novel challenges arising from remote working, such as employee engagement and productivity, and their physical, mental & financial well-being. The rewards landscape is rapidly changing, and benefits are at the core of every conversation. Benefits managers have realised that their customers are not only employees but their families as well.

Prudent conducted a survey on the changing landscape of employee benefits during Covid-19. The survey was intended to determine changes employers are looking to implement with respect to insurance benefits, Covid-19 support benefits, mental health, families of deceased employees, and vaccination.

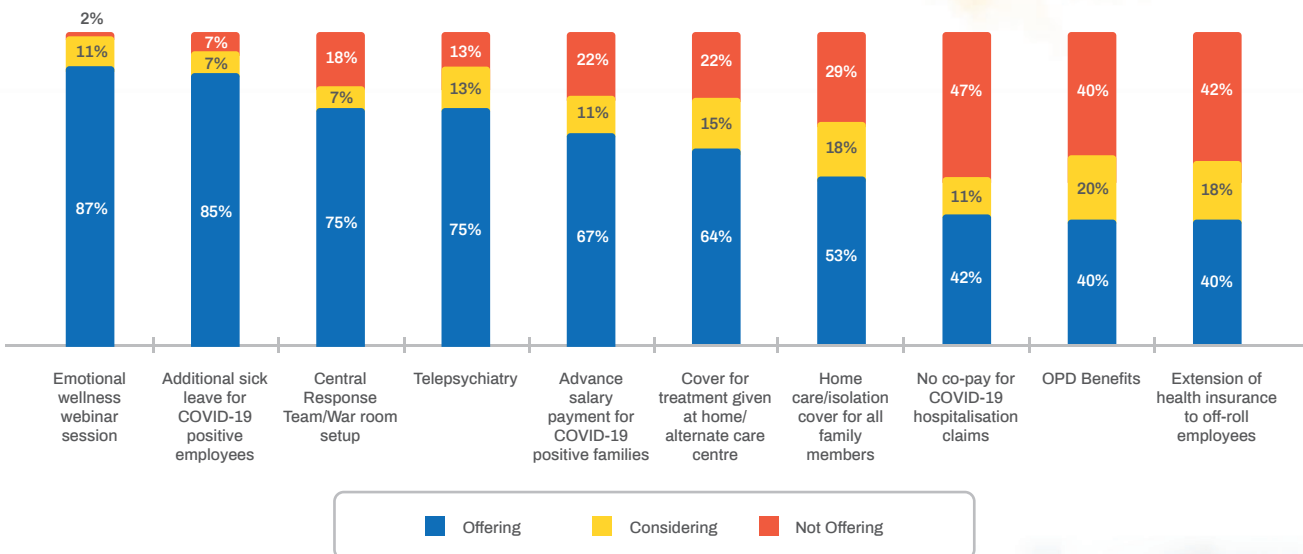
To help employees better cope with the challenges of Covid-19, 84% of employers changed their benefits strategy.

Insights from Claims Analysis-Wave 2

- Decrease in average claim size by 22%
- Increase in claim frequency
- Claim payout up from 73% to 80%
- Increase in home care claims by 139%
- Increased demand for Corona Kavach (lower premium cover for Covid-19 only) and top-up plans

The graph below shows the composition of insurance and non-insurance benefits currently offered, under consideration, and not offered.

Top Benefits Adopted by Organisations to Support Employees Through Covid-19



In these unprecedented times, companies are regularly evaluating their employee benefits programs and offering customised programs that are relevant and effective for their most valuable assets.



INDIA'S COVID VACCINATION SCENARIO: TESTING, NEW VACCINES, TRAVEL

As India recovers from the 2nd wave of Covid-19, there have been multiple developments to fight and contain the spread of the virus. This article offers our insights into the efforts underway.

Covid-19 Testing

As of June 28, 2021, the total number of Covid tests conducted were 408,139,287, placing India among the countries who have achieved the milestone of 400 mn Covid tests.

The leading medical bodies of the country have been working on an efficient strategy of 5 Ts, Test, Track, Trace, Treat, and use of Technology, which has helped to contain the spread of the pandemic.



The Possibility and Severity of a 3rd Wave

A recent study by the leading Government body Indian Council of Medical Research (ICMR) has highlighted that a possible third wave of Covid-19 is unlikely to be as severe as the second wave, given the extent of spread of coronavirus infections that has already taken place in the country.

The study takes 4 factors into consideration:

- Waning immunity that makes previously exposed individuals susceptible
- Emergence of a new viral variant that is capable of escaping immunity to previously circulating strains
- Emergence of a new viral variant that is more transmissible than the previously circulating strains
- Release of current lockdowns, providing fresh opportunities for transmission

Presenting a vaccine ramp up scenario where 40 percent of the population has received two doses within three months of the peak of the second wave, and the potential of vaccination (conservatively) to reduce severity of the infection by 60 percent, a study* conducted by the ICMR illustrates how vaccination could substantially reduce the overall burden during the possible third wave.

*The study has been authored by Sandip Mandal, Balram Bhargava and Samiran Panda from the Indian Council of Medical Research (ICMR), and Nimalan Arinaminpathy from the Department of Infectious Disease Epidemiology, MRC Centre for Global Infectious Disease Analysis, School of Public Health, Imperial College London, London, UK.

<https://www.thehindu.com/news/national/third-covid-19-wave-unlikely-to-be-as-severe-as-second-icmr/article34978011.ece>

Latest Developments on Covid Vaccines in India

Moderna: The Drugs Controller General of India has granted restricted emergency use authorisation to Moderna for its Covid-19 vaccine. It has also allowed Indian pharma major Cipla to import this vaccine.

Covovax: US pharmaceutical firm, Novavax, signed a deal with Serum Institute of India to produce their vaccines in India. It is set to launch the vaccine, known as Covovax, by September 2021.

The Novavax jab, which is given in two doses, was shown to be 91% effective among volunteers at high risk of severe infection, and 100% effective in preventing moderate and severe cases of Covid-19 in the US trials.

The Government has also ordered 300 million doses of another vaccine from an Indian firm Biological E. The vaccine has been developed in collaboration with US-based Dynavax and Baylor College of Medicine.

The Government gave emergency approvals to vaccines already in use in other countries to expand the basket of vaccines for domestic use and hastened the pace and coverage of vaccination.

This implies that vaccines made by Pfizer could become available to Indians soon.



India's COVID Vaccination Status as of 29th June

Total no. of doses administered:
321 mn+

% of population administered at least one dose:
15.6%

Fully vaccinated population:
56 mn+

% of population fully vaccinated:
4.1%

% distribution of the 3 vaccines in circulation:



Covishield
88.95%



Covaxin
11.03%



Sputnik
.02%

Exceptional Relaxation to Foreign-bound Students/Professionals:

All states have been asked to designate a competent authority in each district to grant permission for administration of the second dose of Covishield before the prescribed interval of 84 days to foreign-bound students/professionals.

Mention of the vaccine type as 'Covishield' is sufficient and no other qualifying entries are required in the vaccination certificates, as per the Government of India*.

*<https://www.businesstoday.in/coronavirus/story/covid-19-vaccine-these-3-categories-can-now-take-covishield-jabs-before-84-days-297844-2021-06-07>

The Govt. of India's Covid-19 vaccination program is being administered through the CoWIN platform. CoWIN

is a cloud-based IT solution that tracks in real time the beneficiaries of vaccines, at national, state, and district level, which helps monitor the utilisation as well as wastage.

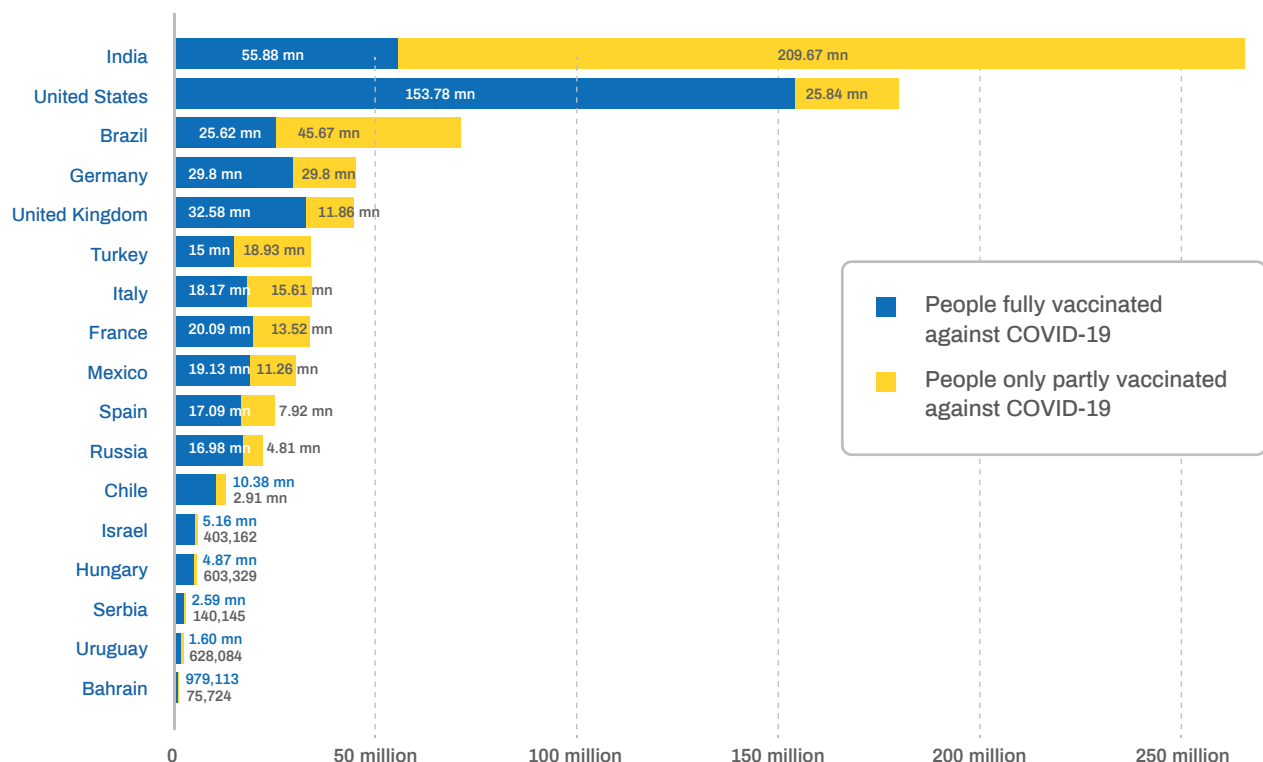
The Government has now allowed users to link their Covid-19 vaccination certificates to their passport numbers on the CoWIN portal.

The CoWIN platform also allows for a one-time name change to ensure the same name appears on the vaccine certificate and the passport.

The measures implemented over the last quarter to fight the pandemic have seen India tide over the 2nd wave. India is now better-equipped and poised to emerge stronger in the battle against Covid-19.

Number of People Vaccinated Against COVID-19, June 28, 2021

This data is only available for countries which report the breakdown of doses administered by first and second doses.



A STEP TOWARDS MANDATORY VEHICLE RECALL

India has progressively firmed up its stance on vehicle recall policy in the last few years. In addition to introducing rules for mandatory vehicle recall, the Ministry of Road Transport and Highways (MoRTH) launched a new initiative to enable vehicle owners in the country to register complaints regarding any defects with their vehicles. As on April 1, 2021, the MoRTH launched a webpage Vehicle Recall Portal to register complaints from consumers about defects in vehicles. The webpage is a part of Parivahan, a website for all regulatory matters related to automobiles.

Based on the complaints received, MoRTH will screen, analyse, and investigate the concerns, and issue a recall of the vehicle, if required.

The provision to register complaints on the vehicle recall portal is a step to move India's voluntary vehicle recall policy to a mandatory vehicle recall policy.

Prudent had written about the new Central Motor Vehicles (Fifth Amendment) Rules, 2021 ("Rules") under the Motor Vehicle Act 1988 ("Act"), which broadened the purview of motor vehicle product recall and created slabs for fines, in March 2021.

[Click here](#) to read the white paper

Source: <https://www.timesnownews.com/auto/features/article/you-can-now-register-complaints-about-defects-in-vehicles-via-parivahan-website/784199>





🌐 www.prudentbrokers.com

For more information, please write to: consulting@prudentbrokers.com

PRUDENT INSURANCE BROKERS PVT. LTD.
101 Tower B, Peninsula Business Park, Lower Parel, Mumbai 400 013
☎ +91 22 3306 6000



PRUDENT INSURANCE BROKERS PVT. LTD.
Registered Office at 101, Tower B, Peninsula Business Park, G.K. Marg, Lower Parel, Mumbai 400 013 Maharashtra
Tel: +91 22 3306 6000.

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