

Cyclone Hudhud: Insurance claims to cross Rs 4,000 cr

Given the enormity of losses in natural calamities, the call for setting up of a natural catastrophe pool gets louder

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Andhra Pradesh Chief Minister N Chandrababu Naidu visiting the Hudhud cyclone affected people in Vishakhapatnam

Insurance claims from Cyclone Hudhud are likely to cross Rs 4,000 crore. According to senior public-sector insurance executives, the largest claims are expected to come from Visakhapatnam (Vizag), where there has been severe damage to commercial units and the naval base, as well as the airport. Initial estimates show that the claims on these could be as high as Rs 1,800-2,000 crore.

Similarly, the crop insurance business is expected to take a hit of Rs 2,000 crore owing to destruction of crop-fields, especially in the coastal areas of Odisha. While not all general insurance companies have exposure to the crop insurance schemes in Odisha and Andhra Pradesh, most insurers have some exposure to the property claims that have begun to emerge. A few claims on motor insurance have also been reported.

On Tuesday, Prime Minister Narendra Modi urged insurance companies to expedite the claims of the farmers who have been badly affected by the cyclone.

Public general insurers are expected to take a major hit as large commercial establishments in Vizag are insured by them.

This could impact their books in the third quarter of the current financial year. Private general insurers seem to have taken only a marginal hit.

K K Mishra, CEO of TATA AIG General Insurance, said the sector has been taking a pro-active approach in handling of such claims arising out of catastrophic incidents. He added the company has already deployed their personnel in Vizag for looking into claims settlement.

Whenever there is a large catastrophe, insurance companies deploy their own personnel, apart from loss surveyors and assessors, to determine the size of the claim and payment, whether total or partial. The extent of damage is also assessed and the payment amount is decided based on the size of the loss and the sum insured for the property or crop. Life insurance claims are expected to be minimal, given that the penetration of insurance is not very high in the regions affected by the cyclone. P Nandagopal, managing director and CEO of IndiaFirst Life Insurance, said the company will take all efforts to expedite claims processing. The cyclone has claimed 24 lives so far.

With the rise in catastrophic incidents, the call for setting up a natural catastrophe pool to fund the losses is getting louder. The proposed pool will cover losses arising out of catastrophic events and the claims will be paid out of a common pool, in which all general insurers will be stakeholders.

The recent floods in Jammu and Kashmir had led to claims of more than Rs 3,000 crore, where state-owned general insurers were asked to settle claims without any verification. The Supreme Court had upheld the order of the J&K High Court, asking insurers to settle claims in a timely manner.

The J&K High Court had asked public-sector insurance companies to pay 95 per cent of the cover for those who had taken insurance cover for Rs 25 lakh or less, and 50 per cent of cover for those who had taken cover for more than Rs 25 lakh.