

# India Inc's terror cover may fall short

Mayur Shetty  
MUMBAI

**M**OST boards and managements are unaware of the level of terror risk faced by their companies. Even after buying terror insurance covers for their properties and possible business disruptions, companies may be clueless about how the death and devastation from a terror attack could impact their balance sheets.

"The current environment proves that terror is a catastrophic risk. Terror protection should have an adequate limit and not be capped at Rs 700 crore, which is what is available for large corporates," country head of leading insurance brokerage Marsh India, Sanjay Kedia, said.

What many large buyers do not realise is that Rs 700 crore is the limit per location. In places where the risk is concentrated such as the Panchratna Building, which houses the diamond business in South Mumbai, the total sum at risk might run into thousands of crores. This means the liability of the Indian

## DIRECT ATTACK

Companies usually buy small quantities of terrorism cover for their fixed assets but rarely purchase a terror cover to protect them against claims from outsiders

insurance industry for the whole area is Rs 700 crore and has to be shared among all policyholders in that location, even if they have individually bought Rs 700 crore of cover. If there's a terror strike in any such location, a company operating there would receive a fraction of the cover he has bought.

And that's not all. Companies end up buying only small quantities of terrorism cover for their fixed assets but rarely buy a terror policy to protect them against claims from outsiders. Companies with a high-level of physical interaction with customers, like hospitality and travel industry, may end up being slapped with claims from their clients.

According to India Insure Risk Management and Insurance Broking Services' Rad-

hakrishna Chamarty: "The awareness of terrorism risk is already there and many are buying terror cover for property insurance. But companies could still be exposed since they buy in low values and never expect to be hit by the catastrophic damage caused by terror."

Currently, the claims against the terror cover sold by insurance companies is paid out of a terror pool. The pool money doesn't exactly lie in a bank, but is created out of the commitments given by insurance companies to meet claims arising out of terrorism. Currently, no brokerage commission is paid out for providing terror cover. As a result, some brokers feel that there is little incentive for them to push for such business.

"I believe that most companies now go for terror insurance. However, some small and medium enterprises might not be going in for this," Bajaj Allianz General Insurance CEO Swaraj Krishnan said. "Liability insurance cover is quite recent in India and many companies do not buy back the terrorism risk that is excluded in their liability insurance covers," he added.

