

Sir,

Re: Suspension of certain policy conditions during lockdown period

This is in response to the subject letter dated 13th April 2020 requesting GIC Re's views on the same.

The Government has declared lockdown due to outbreak of Coronavirus and the phase 1 of lockdown which ended on 14th April 2020 has been extended to May 3,2020. There is however some likelihood of partial lifting of the lockdown in some places effective 20th April 2020.

The Government has also declared insurance as an essential service and reasonable sized organisations across industries are working online to keep their businesses running.

As a treaty reinsurer, we rely on the prudence and competence of insurers to take decisions in the matter and would normally not enforce our views. As a basic tenet of insurance, the insured is expected to behave as though he is uninsured and take all reasonable measures with due diligence and do everything practicable to protect the insured property in accordance with statutory requirements.

However, since our views are sought, kindly note our observations below which may be used as guidance by insurers so that referral on each and every risk is avoided :

1. Operational Policies –

- a. In respect of all Risks of Retail / MSME upto Sum Insured of Rs 5 crs may be shown leniency and allowed continuity of cover for unoccupied premises upto 3rd May 2020 or till such time the lockdown is extended by the Government, without taking written consent from insurer subject to all risk management systems and security systems being in place.
- b. In respect of all other risks, since online facilities are available, insured may intimate insurer regarding non-occupancy of the premises and specific approval maybe given by the insurer for continuity of cover upto 3rd May 2020 or till such time the lockdown period is extended by the Government, subject to risk management systems (eg. Fire extinguishers, sprinklers, 24/7 security, CCTV cameras, electric power supply being shut down in storage blocks etc.) being in place and operational. Wherever the risk is deemed as a silent risk, insurer to be intimated accordingly and silent risk coverage conditions to apply.
- c. In both the above cases, Business Interruption cover is not operative during the period of non-occupancy.

2. Cessation of work-

- I. Cover may be extended subject to –
 - a. All Risk Management systems being in place (Eg. security systems , fire systems / power to be shut down in case of storage facilities /burglary protection systems/ flood protections measures / fences and video control systems / regular inspection service etc.)
 - b. Upto date progress work report to be provided.
 - II. Cover does not apply for ALOP / DSU
 - III. Any cover does not prolong original policy period.
3. For facultative acceptances, since these would be mostly large risks and more complicated, all risks will have to be examined on a case to case basis by GIC Re.

It may be mentioned here that no refund may be allowed on premium for any case arising out of these extra ordinary circumstances under which waiver of policy condition and extension of coverage is being granted.

Hope the above clarifies our stand on the matter.

Sincerely,

(Devesh Srivastava)

Chairman and Managing Director

18th April 2020