

CATASTROPHE EVENTS A CHALLENGE

Karachi – 10th to 12th April 2012

Tsunami – Sri Lankan Experience

Presenter

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Tsunami 9.0

Magnitude : 9.0

Date - Time: Sunday, December 26, 2004

at 07:58:53 AM local time

Location : 3.30N 95.96E

Depth : 30 km

Region : Off The West Coast of
Northern Sumatra

Tsunami 9.0

- More than 300,000 people killed, including 14,100 listed missing and 1,126,900 displaced.
- 10 countries in South Asia and East Africa were affected by the tsunami.
- The earthquake was felt at Banda Aceh, at Meulaboh and at Medan, Sumatra. and the tsunami effected parts of Bangladesh, India, Malaysia, Maldives, Myanmar, Singapore, Sri Lanka, Thailand and Somalia.
- The tsunami caused more casualties than any other in recorded history and was recorded nearly world-wide on tide gauges in the Indian, Pacific and Atlantic Oceans.

Affected Countries

- Bangladesh
- India
- Indonesia
- Malaysia
- Maldives
- Myanmar
- Singapore
- Somalia
- Sri Lanka
- Thailand

Impact of Tsunami on Sri Lanka

Impact of Tsunami on Sri Lanka contd..

- Deaths 30,974
- Injured 23,176
- Missing 4,698
- Displaced 553,287
- Children who lost both parents - 1075



Impact of Tsunami on Sri Lanka contd...

- **Total loss was around US \$ 2.5 bn. Other than the economic loss**
- **Insured loss was US\$ 120 Mn where the size of the Non-Life market was US\$ 170 Mn in 2004**

Impact on Sri Lankan Insurance Industry

- **Total General Insurance Market - US \$ 170.M in 2004**
- **Total Life Insurance Market - US \$ 130.M in 2004**
- **Total claims - US \$ 120 Mn (including US \$ 50 Mn from risks written from Maldives)**
- **In addition to the above, Insurers have given various public commitments to settle claims on ex-gratia basis which was another US\$. 50 M**
- **These ex-gratia claims will be on Insurers' net accounts.**

**Sri Lankans who did not have
experience of Natural Perils were not
keen to purchase such cover.**

Classes of Insurance Affected

- **Life**
- **Health**
- **Property**
- **Engineering**
- **Personal Accident**
- **Motor**
- **Marine Hull & Marine Cargo**
- **Crop & Livestock**
- **Miscellaneous accident sub classes such as**
 - **Goods in transit**
 - **Cash in Safe etc.,**

Tsunami claims under property insurance

- Natural perils are excluded under the standard Fire policy.
- Floods, Cyclone, Storm & Tempest and Earthquake covers available at an additional premium.
- Above perils are included to the basic cover for large risks and approved Foreign investment projects. (similar to Industrial All Risks insurance, but perils are specified)
- Inundation by sea water is excluded under Floods & CST extensions.

Tsunami claims under property insurance

- **Earthquake extension:**
 - “Loss or damage to the property insured occasioned by or through or in consequence of an earthquake”.
 - Since the Tsunami was caused consequent to an earthquake, insurers admitted liability under this extension.

Tsunami Claims Payable Under Motor Insurance

- Natural perils were excluded under all Motor policies.
- Cover against floods is available at an additional premium.
- Inundation by sea water was neither included nor excluded under floods extension.
- All insurers agreed to pay claims on ex-gratia basis, if the insured has taken the flood cover. But on their own account.

Tsunami Claims Paid Under Non-property Classes

- **Life - Covered. if double // triple accident benefits are offered, Insurers are liable for the higher amounts.**
- **Personal Accident – Covered.**
- **Health – Covered**
- **CAR/EAR – Covered.**
- **Marine Cargo – Covered.**
- **Marine Hull – Covered.**
- **Miscellaneous Classes - Covered under most of the sub-classes.**

Reaction by Insurers *contd...*

- Special emphasis on Nat Cat perils during risk assessments and surveys
- Re-looked at PML exposures and Excess of Loss covers
- Construction details and asset valuations
- Strategies on handling large volume of claims; resources, loss adjusters, staff, call centers etc
- Strategies on post-loss minimizations; simplified documentation, salvage disposal, release of advance payments for reconstruction etc.
- Increased awareness of Nat Cat perils amongst public

Reaction by Insurers

- The Government has set-up some early warning systems and created a buffer zone of 100 m from the coast-line
- Insurers are collating data on past natural CATs to share data amongst the local players
- Geo-coding of risks and accumulation controls
- Mapping of 'Red Spots' for flood risks, especially risks in and around Colombo and suburbs
- Rating and deductibles
- Reduction in the number of years from 7 to 2 years for 'Missing' persons, thus processing death certificates and life claims

Thank You...