

News & Views

Marsh India Newsletter

May 2022





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Message from the CEO



Dear all,

I am pleased to share the latest issue of our Newsletter - News & Views, which provides an insight into the current developments during the quarter as well as a succinct review of the key facets surrounding the key risks, preparedness, and risk management solutions in India.

Despite the challenges of hardening rates and shrinkage in capacity, the insurance market in India has been resilient throughout 2021-22 (April-March).

According to the data published by the Insurance Regulatory Development Authority of India (IRDAI), during 2021-22, the general insurance industry premium collection rose to INR 2.21 trillion, up 11% compared to the previous financial year. The health insurance industry also grew by over 25% in the same period.

In this edition of the Newsletter, we have tried to analyze the latest trends in the energy sector amid the changing dynamics of the use of cleaner alternatives and the latest medical inflation trend in Asia.

Feature: Doing business in the New Norm - Green Hydrogen

With the world debating on the use of fossil fuel and alternatives, "Green Hydrogen" has emerged as one of the long-term solutions for future energy needs. In an increasingly electrified world, the benefits of green hydrogen as a storable, and transportable energy source is widely recognized. The article sheds light on the potential of green hydrogen and its feasibility as a long term sustainable alternative.

Feature: MMB Health Trend Report 2022

The employer-sponsored medical benefits programs in India is expected to rise by 15% in 2022, the highest increase anticipated in the Asia region and three times the predicted general inflation rate for India. The article share the main takeaways from the recent report by Mercer Marsh Benefits (MMB), which surveys 210 insurers globally, including 74 in Asia, and identifies key trends influencing the future of employer-provided medical benefits.

The current edition also includes our usual news and media segments, as well as the initiatives and innovations done by Marsh India to support our clients during the quarter.

We aim to make this newsletter a forum for discussion on issues relevant to the insurance industry and hope you find it informative and insightful. We welcome your feedback and encourage you to share it with us.

Warm regards,

Sanjay Kedia
Country Head and CEO
Marsh India

Doing business in the New Norm: Green Hydrogen

With the narrative around the energy production witnessing a shift from traditional fossil fuels to cleaner alternatives, “Green Hydrogen” has emerged as one of the long-term solutions for future energy needs.

The changing dynamics and the focus on cleaner alternatives to fossil fuel have given an impetus to the emerging hydrogen economy aimed at limiting carbon emissions and achieving net-zero. In an increasingly electrified world, the benefits of green hydrogen as a storable, and transportable energy source is now widely recognized.

What works for green hydrogen is the potential to make the entire life cycle of production, transportation, and usage eco-friendly. However, as with any new technology, the teething troubles are many and the cost of production is yet to reach sustainable levels.

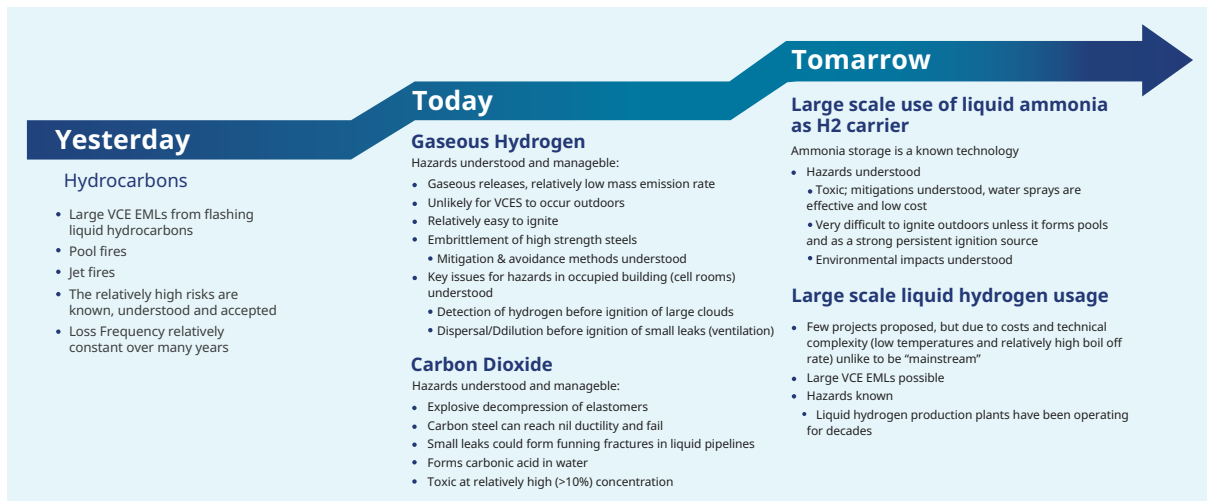
The good news is that governments across the world are providing a lot of impetus to this sector. As the race to decarbonize the economy dramatically accelerates, governments and industries are investing heavily in green hydrogen production and carbon capture and storage (CCS) facilities.






India too has been one of the frontrunners in the race with the government announcing the National Hydrogen Mission to make the country a global hub for the production and export of green hydrogen. This has led to the largest power, oil and gas sector companies both in the private and public sector announcing plans for large-scale investments in this sector.

While the benefit of such transition is undeniable, investments in this sector come with multiple risks and hence managing such risks becomes imperative.

What are the key risks?

Hydrogen Production Risks and Hazards Transition



Some Risks and Challenges	 Fire and Explosion	Poses threat of damage due to highly flammable nature of hydrogen gas; leaks are difficult to identify due to colorless and odorless nature of gas, and requires very less energy to ignite.
	 Nat-Cat & Environmental Risk	Natural catastrophe events could damage the hydrogen storage and transport facility leading to catastrophic losses. Release of captured CO ₂ and *NO _x into atmosphere could affect humans and animals in neighboring environment.
	 Cyber Risk	Adoption of technologies across the value chain and involvement of multiple third-party service providers increases the exposure of cyber-attack; in the past oil and gas along with other infrastructure related industries have been impacted owing to cyber warfare.
	 Business Interruption Risk	Corrosion of electrode, material degradation and H ₂ - O ₂ mixture explosion could cause business interruption.
	 Geopolitical Supply Chain Risk	Delay in timely procurement of the feedstock for chemical processes, terrorist attacks on storage and transport facility and politically influenced disruptions by supplier countries could hamper the hydrogen supply chain.

Managing the risk

The insurance of green hydrogen projects requires a thorough understanding of the evolving technology, its interplay with existing assets, global advancements, and bespoke risks of a particular project. Further Hydrogen projects can involve complex ownership and contractual arrangements which will require comprehensive risk management solutions to protect the interests of all project stakeholders. Hence, an effective insurance program becomes the cornerstone for protecting the investment from designing, construction to early operations stage.

On the other hand, the novelty of green hydrogen projects and rapidly changing technology often pose a challenge for insurers.

The key underwriting challenges:

- Technological aspects - type, scale, changes, mixes, installations.
- Contractors' experience in similar projects.
- Issues with inverters in respect of machinery breakdown (operational).
- Natural catastrophe: Location and novel equipment built for the project.
- Interplay of the new technology with the existing process structures of large power and energy installations.

Insurance solutions available

Today, comprehensive risk management and transfer solutions are available which also include feasibility studies through to the operational stages of the green hydrogen project.

Insurance solutions to a large group of emerging H2 investors globally including:

- Emerging projects (hydrogen production and hydrogen user applications).
- Emerging SPVs.
- Manufacturer / developer BOO schemes attached to industry, transport, and power.
- Cluster developers.
- Industry fuel switching/transport applications.
- Emerging green funds.

By Siddhartha Karmakar,
Executive Vice President
Marsh India

Coverages for a full range of Hydrogen applications (Project through Operational year 1)

- Balance sheet protection - 8 lines of coverage, construction to operational property damage, business interruption, cargo, third party liability.
- Bankability - Lenders compliant structure.
- Green incentive feature.
- Focus on revenue streams / business Models.

Given the risk associated, an experienced advisor, having risk engineering capability, influence on Hydrogen investments within the industry, and experience in supporting and facilitating insurability of new technologies, scale-up risks across both construction and operational markets, can play a key role.



India's employer-sponsored medical benefit costs expected to increase by 15% in 2022; highest in Asia: Mercer Marsh Benefits survey

Insurers expect the costs associated with employer-sponsored medical benefits programs in India to rise by 15% in 2022, according to a recent report by Mercer Marsh Benefits (MMB). The highest increase anticipated in the Asia region - at three times the predicted general inflation rate for India - it would mark the third consecutive year of double-digit increases in the country since the onset of the COVID-19 pandemic, according to the latest MMB Health Trends report.

The MMB Health Trends report surveys 210 insurers globally, including 74 in Asia, and identifies key trends influencing the future of employer-provided medical benefits. The results show that five countries in Asia experienced higher medical trend rates than the regional average (8.8%) in 2021. India had the highest medical inflation rate of 14%, followed by China (12%), Indonesia (10%), Vietnam (10%), and the Philippines (9%). Overall, 81% of insurers in Asia indicated an upward trend in medical claims activity in 2021, even though 53% of insurers reported lower medical claims than pre-pandemic levels.

In India, nearly 5.8 million die from non-communicable diseases (NCDs) every year. The report reveals that cancer (55%), diseases of the circulatory system (43%), and COVID-19 (36%) were the top cost drivers of medical claims in Asia in 2021, while respiratory diseases (47%),

gastrointestinal diseases (36%) and COVID-19 (34%) are healthcare conditions that experienced the most frequent claims.

Joan Collar, Asia Regional Leader, Mercer Marsh Benefits, commented: "Costs have soared despite lower levels of medical treatment than before the pandemic, a trend exacerbated by deferred healthcare treatments that for many have resulted in more adverse outcomes, leading to higher costs. Reducing NCDs remains a key priority for employers for the health of their employees and their business. More than ever, employer-sponsored medical benefits should be viewed as an investment in employees' wellbeing. Employees who feel their employer cares about their health and well-being are more motivated, productive, committed, and loyal."

Prawal Kalita, Mercer Marsh Benefits Leader, Marsh India, added: "Rising insurance claims could potentially lead to higher premiums, tighter underwriting practices, or policy exclusions. To address the root cause of rising medical claims and the impact of non-communicable diseases on employees in India, benefit plans need to integrate outpatient department treatments, critical illness coverage, and wellness programs, in order to support colleagues in a more holistic manner."

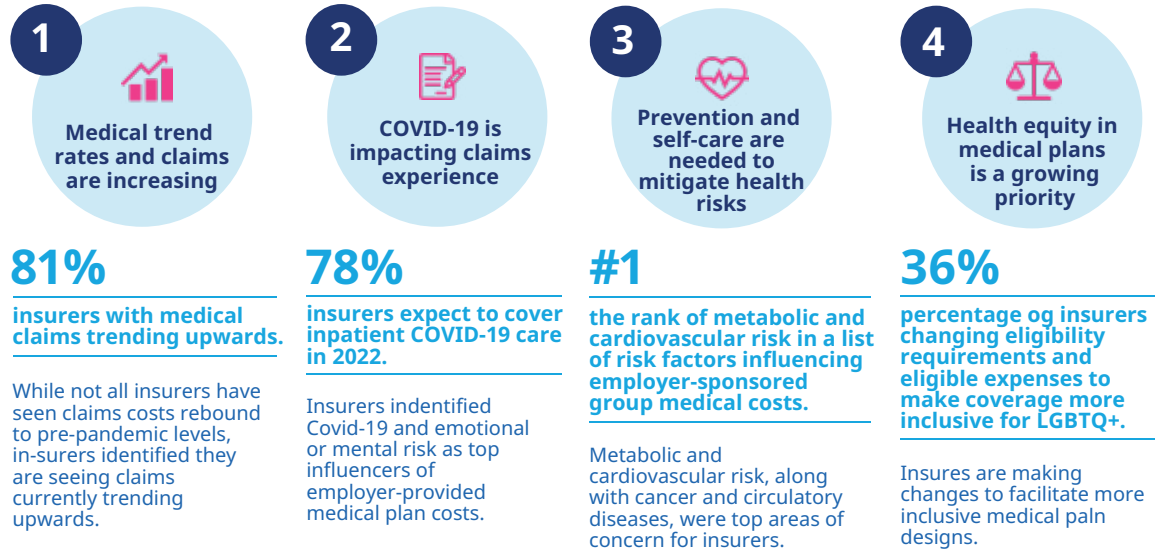
2018-2022 Medical Trend - Global vs. Asia

	2018	2019	2020	2021	2022
Global	9.7%	9.7%	5.7%	9.6%	9.5%
Asia	10.4%	10.2%	3.5%	8.8%	10.0%

Insurers in Asia saw 2021 trend rates close to pre-pandemic levels, and it is anticipated that 2022 rates will further rise to double digits over the course of the year as the pandemic and the health risk/care evolves.

Top trends shaping employer-provided health and benefits

MMB's Health trends survey identified four key findings driving the future of employer-sponsored healthcare in Asia.



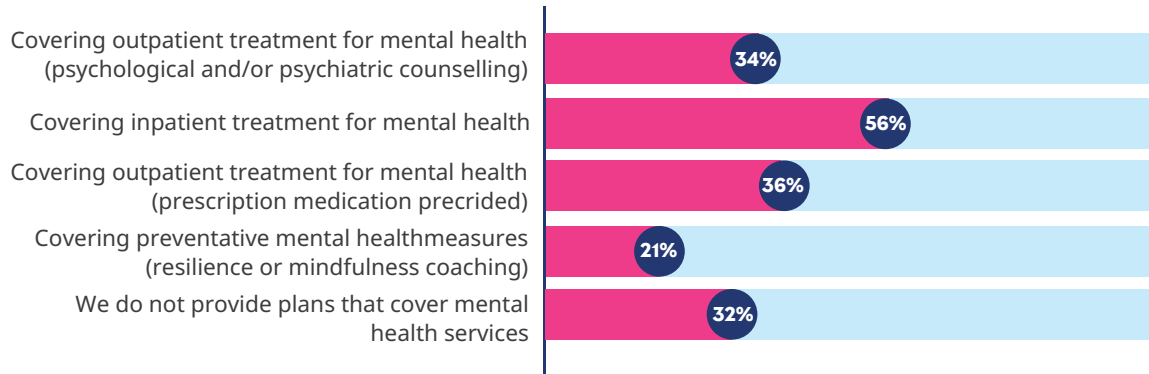
Of all global regions, the report identified Asia as having the most inadequate coverage in relation to mental health with only 34% of insurers providing coverage for outpatient treatments in mental health, and just 21% providing coverage for preventive mental health measures. Moreover, 32% do not offer any coverage for mental health services, reflecting a huge protection gap between access to benefits against the burden of mental health risks.

However, the study shows that 33% of insurers are making changes to facilitate more inclusive medical plan designs by allowing coverage for the non-permanent or full-time workforce with 54% either adding or considering extending eligible expenses that are more inclusive for women.



Coverage for mental health services is valued by employees but may not be provided or covered in Asia.

What are you (insurers) doing to provide access to mental health prevention, management and treatment as part of your insured medical plans?



18% of insurers in Asia provide or cover virtual mental health counselling, **but** **50%** of employees in Asia rate this “highly” or “extremely” valuable².

According to this year’s MMB Health Trend survey results. MMB Health on Demand 2021

“Employers need to develop a mental health strategy to enhance the overall wellbeing of their employees and refine their benefits strategy accordingly to align it to their diversity, equity, and inclusion goals and the different needs of their employees. With a sharp rise in the number of employees experiencing burnout and fatigue, this has become a workplace imperative. Employers need to deploy investments and resources to ensure they maintain a mentally resilient workforce,” Ms. Collar added.



News and Insights

MARSH MCLENNAN CHARTS A PATH TO NET-ZERO ACROSS ITS OPERATIONS BY 2050 ISSUES SECOND ANNUAL ESG REPORT: ACCELERATING IMPACT

Marsh McLennan (NYSE: MMC), the world's leading professional services firm in the areas of risk, strategy and people, announced its commitment to set and execute low-carbon transition strategies that chart a path to net-zero across its operations by 2050 and reduce its emissions by 50 percent by 2030. The company will also set an emission reduction target aligned with the Science Based Targets initiative's criteria.

The commitment is detailed in the company's 2021 Environmental, Social and Governance (ESG) report, Accelerating Impact, which was released on March 31, 2022.

"We are proud to be part of the global movement to develop solutions needed to keep global temperature rise below 1.5°C and prepare for a warmer world," said Dan Glaser, President and CEO, Marsh McLennan. "Just as we advise our clients on how to execute the profound transformations required, we are committing to chart our own path to net-zero at Marsh McLennan."

In 2021, Marsh McLennan made measurable strides across every aspect of ESG. It became certified as a CarbonNeutral® company, established its Inclusion and Diversity Center of Excellence, and appointed its eighth director meeting the company's diversity criteria to the Board in the last 10 years.

"The idea that companies must benefit all of their stakeholders - shareholders, colleagues, clients and the communities in which they operate - has long spurred Marsh McLennan's actions in the areas we now refer to as ESG," said Katherine Brennan, head of Marsh McLennan's ESG Management Committee. "These stakeholders have come to expect transparency through ESG reporting, and it is our hope that through this report they gain a greater understanding of our impact."

To read Marsh McLennan's 2021 ESG report, please visit [marshmclennan.com](https://www.marshmclennan.com).

[Read More](#)

Debasish Panda takes charge as the new IRDAI chairman for a three-year period:

Debasish Panda on Monday took charge as the chairman of Insurance Regulatory Development of India (IRDAI), following his appointment last week. Panda has been appointed for a period of three years. The position of IRDAI chairman was vacant since Subhash Chandra Khuntia demitted office in May 2021.

Prior to joining IRDAI, Panda, an officer of Indian Administrative Service of 1987 batch of Uttar Pradesh cadre, served as secretary, Department of Financial Services, Ministry of Finance, Government of India where he superannuated in January this year. He was also on the board of the Reserve Bank of India (RBI).

[Read More](#)

IRDAI releases final guidelines on Surety Insurance:

The Insurance Regulatory and Development Authority of India (IRDAI) has released the final guidelines on the surety insurance business in India. The guidelines, IRDAI (Surety Insurance Contracts) Guidelines, 2022, will be effective from April 1, 2022.

[Read More](#)

India Expands COVID-19 Vaccinations to 15-Year-Olds:

The Indian government extended the COVID-19 vaccination drive for 15 to 18-year-olds from early January as the impact of the third wave of the virus became more pronounced in the country. About 10 million got a shot since the start of the Jan 1st week.

[Read More](#)

IRDAI extends timeline for sale, renewal of COVID-specific policies till 30 Sept:

The Insurance Regulatory and Development Authority of India (IRDAI) has permitted insurers to offer short-term COVID-specific products, including Corona Kavach and Corona Rakshak, till 30 September.

A circular by the regulator on 28 March said, "Corona Kavach policies have to be offered as per guidelines issued for Covid Standard Indemnity based Health Policy, and Corona Rakshak policies have to be offered as per guidelines issued for Covid Standard benefit-based Health Policy on 26 June 2020. Further, insurers can offer and renew policies by up to 30 September 2022. All other terms and conditions remain valid as specified under the respective guidelines."

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IRDAI proposes lifelong renewability of personal accident insurance, time-bound porting of policy:

The Insurance Regulatory and Development Authority of India (Irdai) recently proposed amendments to regulations to allow lifelong renewability of personal accident (PA) policies. According to the proposed amendment, an insurer will not be able to deny lifelong renewal of a personal accident insurance policy on the grounds of age of policyholder. Similarly, if a policyholder wishes to port his insurance policy from one insurer to another then, once the portability form is received, then within 5 days the insurance company shall seek necessary details from the existing insurance company.

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Marsh in the Media

Companies buying higher sum insured, wider covers despite big rise in premium

The Financial Express, January 6, 2022

The Financial Express quoted Sanjay Kedia, Country Head and CEO Marsh India on how despite a large increase in premiums companies are not shying away from getting better cyber insurance plans.

“The Indian cyber market has seen a big upswing in the last 24 months. Some well-publicized data breach events in the US and the Western world and recent laws like EU General Data Protection Rules (GDPR) that are extraterritorial in scope with onerous provisions like fines of up to 4% of a firm’s annual global turnover, have been driving uptake of cyber insurance by Indian firms with global exposures,” Sanjay said.

[Read More](#)

Budget 2022 must boost insurance penetration and cut tax anomalies

Moneycontrol.com, February 1, 2022

Online news portal, moneycontrol.com published an article authored by Sanjay Kedia, Country Head, CEO, Marsh India, on the pre-budget expectations. In the article, Sanjay shared his views on how in the forthcoming Budget, the government should explore correcting several long-standing tax anomalies in the insurance sector and consider making insurance more affordable.

[Read More](#)

IRDAI Proposes Health Insurance Amendments

BloombergQuint, February 25, 2022

Prawal Kalita, Managing Director, MMB Leader, Marsh India was quoted by BloombergQuint in an article based on the draft guidelines issued by the Insurance Regulatory Development Authority of India, which proposed amendments to health insurance regulations to benefit policyholders, like extending lifelong renewability of personal accident covers, discount on renewal premiums, and time-bound porting of policies.

“Over the past two years, the Indian regulator is consistently issuing guidelines in regards to incentivizing good health.

These guidelines reinforce that by encouraging insurers to offer discounts on the improvement of risk profiles. With the growth and development of the micro, small and medium enterprise sector and the emergence of start-ups in India, the regulator has taken a positive step towards this by removing hard-coding of norms on the minimum number of lives,” Prawal said.

[Read More](#)

Who comes after the Spiderman takes off

PC Quest Magazine, March 20, 2022

Anup Dhingra, MD FINPRO and PEMA, Marsh India was quoted by the PC Quest Magazine in an article titled “Who comes after the Spiderman takes off”, which talks about the evolving cyber risks and insurance solutions. The article appeared in the March issue of the magazine.

[Read More](#)

Marsh India Client Webinars

As the COVID-19 situations intensified across India and the measures such as lockdown led to remote work and isolation, Marsh India initiated client webinars as one of the ways to engage our clients to address the social, emotional and physical wellbeing of the employees during this stressful period.

Marsh India continued its webinar initiatives to help clients with emerging risk solutions and policy implications post COVID-19 pandemic. We have tried to engage with our clients with a series of webinar sessions which involved Marsh global colleagues. During the January-March period 8 webinar sessions on various topics including, which were attended by more than 2400 participants.

Date	Webinar Title	Attendees	Global Colleagues	Clients/ Insurers/ Experts
18 Jan	Bridging the Protection Gap in India: Role of Reinsurance' Rendezvous 2022	186	1	5
19 Jan	India Reinsurance Market Update: Property & Crop Webinar 2022	120		
25 Jan	Omicron & Evolving COVID situation in India	1276		3
04 Feb	Life Sciences Industry - Risk Perception vs Preparedness	158	2	4
17 Feb	Global Risk Report 2022: Prioritizing your risk strategies	266	3	1
25 Feb	Reimagining Benefits and Rewards: A digital-first approach	273	1	3
04 Mar	Renewable Energy - Emerging Risks & Opportunities	133	4	3
16 Mar	Construction Sector Webinar	69	2	1

Webcast Links: To watch the replay of the Marsh India Webinars please visit our YouTube channel: <https://www.youtube.com/user/TheMarshChannel>







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About Marsh

A global leader in insurance broking and innovative risk management solutions, Marsh's 35,000 colleagues advise individual and commercial clients of all sizes in over 130 countries. Marsh is a wholly owned subsidiary of Marsh & McLennan Companies (NYSE: MMC), the leading global professional services firm in the areas of risk, strategy and people. With annual revenue over US\$15 billion and nearly 75,000 colleagues worldwide, MMC helps clients navigate an increasingly dynamic and complex environment through four market-leading firms. In addition to Marsh, MMC is the parent company of Guy Carpenter, Mercer, and Oliver Wyman. Follow Marsh on Twitter @MarshGlobal; LinkedIn; Facebook; and YouTube, or subscribe to BRINK.

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