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THE IMMINENCE OF CATASTROPHE **INSURANCE IN INDIA : THE JOSHIMATH** **DEBACLE AND ASSOCIATED CONCERNS**

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Abstract:

The subsidence of land at Uttarakhand's Joshimath has manifested the alarming effects of rapid environmental degradation. A historical analysis of the government schemes facilitating the repatriation of the victims and refurbishment of the structures reveal to us the inadequacy of government sponsored relief programs that suffer from various inherent infrastructural and legislative flaws. Insurance thus, emerges as an undeniable remedial measure for restitutio ad integrum. The lack of catastrophic insurance cover in a disaster prone India is of detriment to the people and the economy, the lack being attributable to the nature of the catastrophic risk involved. Further existing statutory frameworks comprising IRDAI guidelines, the Public Liability Insurance Act, 1991, the Disaster Management Act, 2002 are incompetent to deal with risks of a catastrophic nature with umpteen instances pointing at the same. Therefore, the authors have drawn lessons from the disaster hit Joshimath and on that note, deliberated upon the need for catastrophe insurance in India. A parallel has been drawn with the catastrophe insurance covers available internationally and a blueprint of the catastrophe insurance model has also been posed.

Keywords : Catastrophe Insurance, Insurance, Catastrophe, Risk, Joshimath

INTRODUCTION

The Himalayan belt has become susceptible to natural calamities over the last few years owing to its over exploitation triggered by frequent earthquakes, floods and landslides. The Kedarnath floods of 2013 which took more than 5000 lives or the Uttarakhand floods of 2021, where a portion of the Nanda Devi glacier caused an avalanche failed to warn the government against preservation of the environment against such economic exploitation. In fact, the harrowing turn of events at Joshimath in Uttarakhand has made insurance all the more relevant in India. However, the existing insurance businesses in India comprising life insurance, health insurance, home insurance, marine insurance, fire insurance, etc. have proved to be futile to cover the risks that nature has thrown at us. India as a country has witnessed several catastrophes that has not only destroyed the lives of people and the geology of the place, its negative impacts on the economy of the nation is also notable. Hence, it is important for the policy makers to bring about necessary laws pertaining to catastrophic insurance in the country.

Insurance is a contract of indemnity. In a contract of insurance, one party, the insurer, in consideration of a price called premium which is payable to him, protects the other party, the insured from any financial loss or damage. Insurance in other words, protects the insured against unforeseen events which may put him to any disadvantage. Section 124 of the Indian Contract Act, 1872 defines a contract of indemnity. It states that, one party (promisor) promises to indemnify the other party (promisee) from any loss suffered.

The need for insurance is growing gradually with the economic growth of the country. In fact, insurance penetration is directly proportional to per capita GDP of the country. When there is a rise in income structure, the insurance penetration increases as well.

In India, the Insurance Act of 1938 is the main statute that regulates the insurance industry in the country. The objective of this act is to safeguard the interests of the policyholders against the mismanagement of the insurance businesses. But it still fails to recognize catastrophic insurance as an independent insurance policy. This leads to persons who are affected by natural disasters to rely solely on government compensation schemes.

Globally, various developed nations have incorporated catastrophic insurances into their insurance policies. India, as a country which is vulnerable to such calamities must adopt this idea and frame a catastrophic insurance policy covering major calamities in India.

THE JOSHIMATH LESSON

The quaint little town of Joshimath situated in the Chamoli district of Uttarakhand subsided under the pressure of unrestrained exploitation that had been meted out to it for the past several decades. As the future of 350-400 families faces a looming uncertainty, the role of the government in trying to balance progress and preservation is being questioned¹. The Mishra Committee Report of 1976 had cautioned people of the impending calamity but the warning fell on deaf ears. The National Thermal Power Corporation's Tapovan Vishnugad Hydro Power Project is being criticized as the immediate cause of the disaster but environmentalists have traced the roots of it to the haphazard construction activities, lackadaisical attitude of the public authorities towards ecological conservation and failure to carry out EIA (Environmental Impact Assessment) programs. Government compensation comprising repatriation and relief was quick to be announced but it is not adequate to*restitutio ad integrum*....i.e., restore to the original condition, the lives of the affected and the lacunae in the same is undeniable and has been discussed by the authors subsequently in the paper.

Firstly, the process of granting compensation to the disaster affected is convoluted and replete with administrative complexities and delays². Document verification of individuals with report from technical institutes to assess the extent of damage to the structures on the basis of which the quantum of compensation is to be decided by the government is a factor responsible for the same. The compensation rates for commercial and residential buildings are different, the rates being fixed by the Central Public Works Department (CPWD)³. In the aftermath of a disaster, paperwork should be the

¹ CNBCTV18, 'Joshimath disaster: Measures yet to be taken to address land subsidence issue' (*CNBCTV18*, 28 Apr 2023) <<https://www.cnbctv18.com/environment/uttarakhand-joshimath-families-to-be-relocated-from-subsidence-hit-area-ndma-united-nations-16525291.htm>> accessed 1 April 2023

² Sreelakhsmi B, 'Joshimath disaster: Measures yet to be taken to address land subsidence issue' (*Hindustan Times*, 23 Apr 2023) <<https://www.hindustantimes.com/cities/dehradun-news/joshimath-sinking-disaster-land-subsidence-issue-himalayan-region-updates-101682230813308.html>> accessed 1 April 2023

³ Narendra Sethi, 'Joshimath: Government releases compensation policy for disaster-hit people, damaged buildings' (*The New Indian Express*, 24 Feb, 2023) <<https://www.newindianexpress.com/nation/2023/feb/24/joshimath-government-releases-compensation-policy-for-disaster-hit-people-damaged-buildings-2550319.html>> accessed 1 April 2023

least of the victim's worries and the successive compensation schemes formulated by the government heavily relying on it are apathetic, to say the least. Rehabilitating means using up more land of the already over exploited land of Joshimath and its surrounding areas which could perhaps have been utilized for hotels, shops, etc. commercial activities earning revenue for the government. The interim measures of arranging for shelter homes, relief camps, food and other safety requirements are also an added expenditure for the government. Even with the involvement of civil society organizations or the local people, economic contingencies can mostly be handled either with self-financing strategies or with government financed relief packages and needless, to say in the aftermath of a disaster the hope of the former is grim. So, loss of revenue coupled with incurring of more costs by the government in granting compensation to the families is of significant burden on the state treasury with Rs. 45 crore having already been released from the state contingency fund⁴.

Secondly, the town of Joshimath being situated on the mountains of Uttarakhand and being a gateway to major pilgrimage sites, residents of it are highly dependant on hotel/ home stay business or commercial activities mainly conducted from their houses, treating their houses as an asset for sustenance of their livelihood. A sizeable amount of Joshimath's population had borrowed money from banks to construct their houses in the hilly terrain, the average cost of which is higher than that of on the plains⁵. With the limited amount of compensation that the government is granting should the money be utilized for reconstructing the houses or for repayment of the loans is an issue that requires legislative deliberation.

Thirdly, the plight of the pet animals and livestock like cattle have been sidetracked from the Joshimath relief narrative. The authorities have announced a Rs. 15000 compensation for livestock, Rs. 80 for fodder large cattle and Rs. 45 for fodder small animals⁶. Still, the animals languish in crack laden abandoned homes of their owners or have been crammed into small hotels or shelters with

⁴ Neeraj Santoshi, 'Joshimath crisis: Cabinet okays 45-crore relief for displaced locals' (*Hindustan Times*, 14 Jan, 2023) <<https://www.hindustantimes.com/india-news/joshimath-crisis-cabinet-okays-45-crore-relief-for-displaced-locals-101673636040379.html>>accessed 3 April 2023

⁵ Prakash Bhotiyal, 'We Took Loan to Build This House': Cracks in Joshimath Force Family to Evacuate' (*The Quint*, 16 Jan, 2023) <<https://www.thequint.com/climate-change/we-took-loan-to-build-this-house-cracks-in-joshimath-force-family-to-evacuate#read-more#read-more>>accessed 4 April 2023

⁶ Neeraj Santoshi, 'Joshimath crisis: Cabinet okays 45-crore relief for displaced locals' (*Hindustan Times*, 14 Jan, 2023) <<https://www.hindustantimes.com/india-news/joshimath-crisis-cabinet-okays-45-crore-relief-for-displaced-locals-101673636040379.html>>accessed 4 April 2023

families. Either way their condition is dismal. Due to the undulating hilly terrain, agriculture is not predominant in the district of Chamoli but the organic farming produce, products derived from aromatic and medicinal plants is of significance here because agro based industries employ about 750 people in the district⁷. However, given the predominance of tourism and commercial establishments, no separate compensation scheme has been released for agricultural lands in the village of Joshimath. Under such circumstances, the need for livestock and agricultural insurance is felt.

CATASTROPHE INSURANCE: DEFINITION AND LEGAL POSITION

Risk is an indispensable part of human life : some risks more dreadful than others. Insurance, thus, provides protection against such risks. In India, the Union government can legislate on matters relating to insurance under the 47th entry of the Union list as per the Seventh Schedule of the Constitution of India. Although Entries 23 and 34 of the Concurrent list empower the State governments to legislate on matters relating to social insurance, the Union still holds a superior position over the same. Although, no particular provision under the Constitution deals with insurance; the essence lies in the Preamble to the Constitution, which aims at economic and social justice.

Catastrophes are unforeseen and sudden phenomenon causing severe damage or destruction. Natural catastrophes may include fire, cyclone, floods, earthquakes, cyclones whereas man-made disasters include explosions, gas leaks, oil leaks etc. Catastrophic risks are less probability but high risk event⁸. This can pose as a serious threat not only to individuals or the community but the economy of the country at large. The disaster affects the poor harder than the rich in terms of assets. Catastrophes affect the country as a whole, but it is the rural population who suffer the worst. Thus, it is necessary to insure against the same. In *Lucena vs Craufurd*, the stance of the court was clear, that insurance is meant to protect men against uncertain events which may otherwise be of some disadvantage to them⁹. Thus, catastrophic insurances indemnify the affected person or businesses against natural or human

⁷Ministry of MSME, 'Brief Industrial Profile of District Chamoli'(Ministry of MSME, 14 Jan, 2023) <<https://www.hindustantimes.com/india-news/joshimath-crisis-cabinet-okays-45-crore-relief-for-displaced-locals-101673636040379.html>>accessed 4 April 2023

⁸ Jacob Goldstein, 'The Challenges of Low Probability, High Impact Risks', (NPR, 3 June 2010) <https://www.npr.org/sections/money/2010/06/bp_and_the_challenge_of_low_pr.html> accessed on 25 April 2023

⁹ 127 ER 42 (HL)

made disasters.

India is a disaster prone country, with 58.6% chances of earthquake, 12% of floods and 76% of tsunami and cyclone in the coastal regions and its surroundings¹⁰. In a report by United Nations Office for Disaster Risk Reduction (UNDRR), India is in the third position among the worst hit catastrophic nations in 2020¹¹.

The Insurance Act of 1938 defines 'general insurance business' under Section 2(6B) of the Act as fire, marine and miscellaneous insurances. But none of these insurances distinctly cover 'catastrophe insurance'¹².

In India, catastrophic risks are more of a political- economic issue rather than a socio - economic matter¹³. Till date, there is no specific catastrophic insurance in India. Internationally, many countries have adopted the policy where the citizens are mandated to purchase catastrophic peril insurances. And India, as well, must adopt this policy.

Insurance Regulatory and Development Authority of India (IRDAI) established in 1999 is a statutory body regulating the insurance sector in India. IRDAI may request insurance companies to offer a simple 'Indian Natural Catastrophe Insurance Policy (INCIP)' which covers all injuries to life and property¹⁴. It may also encourage all citizens above the BPL line to purchase such policies. This policy is still in preliminary stages in the General Insurance Council. The objective of this policy is to cover loss of property and its contents and death or injury. This policy would provide certain amount of relief to the families which are affected by such calamities. This policy would also spread awareness amongst the general public against such calamities; considering a large number of the population is still under the misconception that 'nothing bad can ever happen to us'.

¹⁰ Yashobanta Parida, Prarthna Agarwal, 'India is not prepared for natural disasters' (*The Hindu Business*, 3 January 2020) <<https://www.thehindubusinessline.com/opinion/india-is-not-prepared-for-natural-disasters/article30463153.ece>> accessed on 28 April 2023

¹¹ Pradeep Thakur, 'India at No. 3 in disaster ranking; worldwide losses at \$3 trillion' *The Times of India* (India 13 October 2020) <<https://timesofindia.indiatimes.com/india/india-at-no-3-in-disaster-ranking-worldwide-losses-at-3-trillion/articleshow/78643086.cms>> accessed on 24 April 2023

¹² Shri Hari Narayan, Shri T.S. Vijayan, Shri T. Nandakumar and Others, 'Disaster Relief and Risk Transfer Through Insurance: Discussion Paper by IRDAI' July 2013 pg 26.

¹³ Vasudeva Sakshi, 'Catastrophic risk and insurance', (2009) *Management and Avenir*, <<https://www.cairn.info/revue-management-et-avenir-2009-7-page-225.htm>> accessed on 21 April 2023

¹⁴ Shri Hari Narayan, Shri T.S. Vijayan, Shri T. Nandakumar, Smt. Archana Gulati, Shri r. Chandrasekaran, Shri M. Ramprasad, 'Disaster Relief and Risk Transfer Through Insurance: Discussion Paper by IRDAI' July 2013 pg 39

Catastrophes as aforementioned, not only include natural calamities but man-made disasters as well. Subsequent to the Bhopal Gas Tragedy of 1984, the Public Liability Insurance Act was enacted in the year of 1991 which covers all risks and hazards and offers third party insurance against all injury or death caused by any disaster or accident in any chemical manufacturing company, public place including hospitals, hotels, malls, restaurants, multiplexes, schools etc¹⁵. This insurance policy is not mandatory for all businesses and industries. But industries operating with hazardous substances or environment must compulsorily purchase this policy.

CATASTROPHE INSURANCE: THE ANOMALY

The existent void in the catastrophic insurance market in India can be attributed to the distinct nature of the catastrophic risk concerned. Catastrophic events are low probability events as distinguished from other insurable events like a disease in case of a health insurance or an accident or any damage in case of general insurance whose frequency of occurrence is comparatively higher. Thus, it becomes easier for the insurance company to ascertain the quantum of premium to be charged from the insurance buyer. The uncertainty regarding the quantum of premium is also because of the varied nature of the damages that can be caused due to a catastrophic event. For example, natural disasters like earthquakes or floods could lead to breakdown of houses for one and loss of agricultural property for another, in yet another it could lead to damage to vehicles. Hence, there is no parity in the scale of damages that might be inflicted due to a catastrophic event.

Catastrophic events are high intensity events that have the capacity to completely dissolve structures to rubble and lead to havoc destruction of property. The cost of the damages can reasonably soar up to lakhs and crores of rupees given that homes and lands are the insurable assets. Plus, these events affect communities at large comprising hundreds and thousands of individuals and, hypothetically, even if only half of the population in the disaster affected area has bought the insurance policy then also the claims can go up to crores of rupees just by a single event at one point of time. Thus, the insurance company can very well go bankrupt just by the happening of a single disaster with claims worth crores or more at one point of time. The *law of large numbers*, i.e., when the number of events

¹⁵ Vikram Raghavan, 'Public Liability Insurance Act: Breaking New Ground For Indian Environmental Law'(1997) 39(1) Journal of the Indian Law Institute, <<https://www.jstor.org/stable/43951681>> accessed on 22 April 2023

are more, the probability of the desired outcome is also more, on which the insurance business is premised is rendered ineffective¹⁶. This is so because a large number of people are affected by the happening of a single event and that too at the same time. If the insurance company is able to manage its solvency even then given the high value of the assets involved, the premium charged would be very high. Considering the insurance penetration in India is 4.2% for 2020-2021 as compared to countries like the UK and the USA where it is around 11-12% for 2020-2021¹⁷, high amount of premium would further discourage the already reluctant Indian masses to buy insurance policies.

CATASTROPHIC INSURANCE: THE NEED

Reparation, restitution and rehabilitation lies at the core of India's victim compensation jurisprudence and in the aftermath of a catastrophic event, given the lack of catastrophic insurance coverage, the government is the primary entity that enables the same. However, the effect of the government compensation is often inadequate or misdirected due to preponderating circumstances.

The inordinate delay in government funded revival and restoration programs often stem from factors like - identification of genuine beneficiaries, verification of documents, political factors, centre-state fund tussle among others. For example, cyclone Fani which ravaged the Odisha coast in 2019 and wreaked havoc on thousands of families residing thereat, is a case worthy of mention. Even after a period of six months of the disaster, no compensation had reached many affected families¹⁸. Government officials had conducted surveys to assess the extent of damage but the names of the beneficiaries had conveniently been scrapped out of the final list and compensation was avoided, either totally or partially. Further, political affiliations also shaped the amount of compensation and many families received the compensation twice while others did not at all. Often the worst hit of these disasters are the poor and marginalized communities whose documents are often not well preserved

¹⁶ Deepti Bhaskaran, 'De-jarjoned : Law of Large Numbers in Insurance'(Live Mint, 18 September, 2016) <<https://www.livemint.com/Money/6NV5LdTGTEdiiMsuuP7iWL/Dejargoned-Law-of-large-numbers-in-insurance.html>>accessed 5 April 2023

¹⁷ Jennifer Rudden, 'Life and non-life insurance penetration in selected countries and territories worldwide in 2020 and 2021'(Statista, 25 November, 2022) <<https://www.statista.com/statistics/381174/insurance-penetration-in-selected-countries-worldwide/>>accessed 5 April 2023

¹⁸ Express News Service, 'Waiting for compensation of Cyclone Fani, villagers of Odisha's Jagulaipadar approach Lokayukta'(The New Indian Express, 16 November, 2019) <<https://www.newindianexpress.com/states/odisha/2019/nov/16/waiting-for-compensation-of-cyclone-fani-villagers-of-odishas-jagulaipadar-approach-lokayukta-2062378.html>>accessed 5 April 2023

in the aftermath of a disaster or sometimes, even before it. Almost all government funded schemes require the beneficiaries to physically report to the concerned offices of the local administration with the required documents which is strenuous and time consuming. This was the case of the Kerala rains of 2021¹⁹. In contrary to this, private insurance claims can only be received by the one who has purchased the policy after submitting the relevant documents and the transfer of money is completed within a period of ten days which can extend up to two months in the face of gross irregularities.

The Disaster Management Act (DMA), 2005 is the legislation regulating disaster management funds in India. In the case of *Gaurav Kumar Bansal v. Union of India*, the court applied the provisions of the Disaster Management Act of 2005 in the case Uttarakhand floods of 2013 and observed that the severe effects of the calamity could be mitigated if the State Government took adequate measures²⁰. Section 2(d) of the Act defines ‘disaster’ as a natural or man-made catastrophic event beyond the control of man which leads to significant loss of life and property while section 2(e) of the Act defines ‘disaster management’ as coordinated and integrated processes comprising prevention, preparation, assessment, etc measures aimed at an effective management and mitigation of disaster . Under the Act, two funds namely the NDRF (National Disaster Response Fund under section 46 of the Act) and the SDRF (State Disaster Response Fund under section 48(1) of the Act) have been constituted. The Union Government is solely responsible to transfer funds to the NDRF while the funds to the SDRF are shared between the States and the Union in a 75:25 ratio²¹. In the event of insufficiency of the funds in the SDRF, funds can be transferred from the NDRF to the States. These structure of release of these funds are based on the recommendations of the Finance Commissions set up under article 280 of the Constitution. The fund transfer from the NDRF are based on the twin factors of the need of the states and the severity of the disaster, there being lack of clarity on the premises to measure the latter²². States, therefore, sometimes have insufficient funds to spend on disaster relief. Such is the

¹⁹ OnManorama, ‘Prompt compensation often eludes people worst-hit by natural disasters’

(OnManorama, 21 october 2021) <<https://www.onmanorama.com/news/kerala/2021/10/21/late-compensation-natural-disaster-rains.amp.html>>accessed 8 April 2023

²⁰ (2017) 6 SCC 730

²¹ Mohammed Akhef, ‘Expense rates for SDRF, NDRF being revised: Rajenimbalkar’ (*The Times of India*, 02 December 2021) <<https://timesofindia.indiatimes.com/city/aurangabad/expense-rates-for-sdrf-ndrf-being-revised-rajenimbalkar/articleshow/88036173.cms>>accessed 8 April 2023

²² Sai Krishna Muthyanolla, ‘Explainer: What are the disaster relief funds SDRF & NDRF?’ (*Factly*, 26 July, 2022) <<https://factly.in/explainer-what-are-the-disaster-relief-funds-sdrf-ndrf/>>accessed 8 April 2023

case for Telangana. In reply to a parliamentary question from an MP, the matter surfaced that no funds have been released from NDRF to Telangana during 2018-19 to 2021-22 even though the state had been reeling under the effects of major floods in 2020 and 2022²³. If a part of the fund comes from private insurance sector, then the the problem arising from the above tussle can have a lesser impact on the people.

It is stipulated that home insurance policies cover the risk of a catastrophic event. However, there is lack of truth in the statement. Currently, home insurance policies cover damages to structures of homes like walls, roofs, etc. in the event of happening of any catastrophic event, be it natural like earthquakes, floods, storms or man-made like riots, terrorism, fire, etc. Under the IRDAI mandate Bharat Griha Raksha Policy effective from April, 2022, most insurance companies also insure belongings along with the house like HDFC Ergo, ICICI Lombard, Bajaj Allianz among others²⁴. However, none of these top players of the insurance market insure lives of the insurer or their families in the event of happening of a catastrophe. The insured has to buy it separately as an add-on to the home insurance policy. Further, agricultural property is also left out of the purview of home insurance. Agricultural crops can be insured under government sponsored insurance schemes like Pradhan Mantri Fasal Bima Yojana (PMFBY), National Agriculture Insurance Scheme (NAIS), Pilot Weather Based Crop Insurance Scheme (WBCIS) and Pilot Coconut Palm Insurance Scheme (CPIS). Apart from Agriculture Insurance Company of India Ltd., a few private insurance companies like ICICI-Lombard, IFFCO-TOKIO, etc. have also been allowed to roll out these schemes²⁵. Private players cover losses to shops, hotels, restaurants, godowns, warehouses, etc. under general insurance policies. Livestock insurance is offered by both the centrally sponsored Livestock Insurance Scheme under the arena of Rural Insurance and private players like HDFC Ergo, ICICI Lombard, TATA AIG among others.

²³ Express News Service, 'No disaster relief funds released to Telangana in four years, Centre informs LS' (*The New Indian Express*, 20 July, 2022) <<https://www.newindianexpress.com/states/telangana/2022/jul/20/no-disaster-relief-funds-released-to-telangana-in-four-years-centre-informs-ls-2478543.html>>accessed 9 April 2023

²⁴ 'Bharat Griha Raksha – Here's Everything about Standard Home Insurance Cover' (*HDFC ERGO*, 4 March, 2022) <<https://www.hdfcergo.com/blogs/home-insurance/bharat-griha-raksha-heres-everything-need-to-know-about-standard-home-insurance-cover>>accessed 5 April 2023

²⁵ Ministry of Agriculture and Farmers Welfare, 'Agriculture Insurance' (*Ministry of Agriculture and Farmers Welfare*, 19 April, 2013) <<https://agricoop.nic.in/sites/default/files/AGRICULTURE%20INSURANCE-Credits.pdf>>accessed 10 April 2023

When a disaster strikes, the loss of people and property is indiscriminate and along a wide range of materials - houses, lands, shops, people, animals including livestock, etc. To insure the aforementioned and more is to buy a plethora of insurance policies which most certainly exacerbates the situation given the lack of will and awareness of the masses regarding insurance policies. Thus, the multiplicity of policies and lack of coverage of various perils under one coherent and overarching insurance cover is a policy lacunae that needs to be swiftly addressed.

CATASTROPHE INSURANCE: AN INTERNATIONAL PERSPECTIVE

With each passing year, the earth is witnessing an acute climate change and global warming acting as a catalyst for a variety of natural disasters around the globe. Aon's 2023 Weather, Climate and Catastrophe Insight reports that in the year 2022 economic losses from natural disasters were estimated to be 313 billion dollars²⁶. Hurricane Ian²⁷ and Hurricane Katherine²⁸ owes at least 30% and 40% respectively to insured losses worldwide. Approximately 42% of these losses were covered by public and private insurance companies with a 58% of global protection gap around the world²⁹. Another report by Aon 2020, states that number of reinsurance covers against natural catastrophes have tripled over the last decade and still growing³⁰. Munich re in Germany is the world's largest reinsurance company serving more than 5000 clients spread across 160 countries around the world³¹.

²⁶ Erick Burgeono Salas, 'Global Economic Losses from Natural Disasters 2000-2022'(Statista, 17 April 2023), < <https://www.statista.com/statistics/510894/natural-disasters-globally-and-economic-losses/#:~:text=In%202022%2C%20the%20economic%20loss,hurricanes%2C%20earthquakes%2C%20and%20tsunamis> > accessed on 27 April 2023

²⁷ Rachel Ramirez, 'Insured losses from disasters will exceed \$100B for second year in a row, led by Hurricane Ian, new data shows' CNN(United States 1 December 2022) <https://www.cnn.com/2022/12/01/us/weather-disaster-costs-hurricane-ian-swissre-climate/index.html> accessed on 25th April 2023

²⁸ Marla Schwartz Pourrabani and others, '15 years after Katrina: The tale of a changing risk landscape'(Swiss Re August 2020) < <https://www.swissre.com/dam/jcr:a835acae-c433-4bdb-96d1-a154dd6b88ea/hurricane-katrina-brochure-usletter-web.pdf> > accessed on 25th April 2023

²⁹ 'Economic Losses from Natural Disasters were Estimated at \$313 Billion in 2022' Aon's 2023 Weather, Climate and Catastrophe Insight < https://www.aon.com/weather-climate-catastrophe/index.aspx?utm_source=media&utm_medium=org-digital&utm_campaign=0_ri_esg_ins_rin_global_r0&utm_content=engagement_climate-change_read-article > accessed on 27th April 2023

³⁰ Katherine R. Wagner, Why is reforming natural disaster insurance markets so hard?(2020) Stanford Institute for Economic Policy Research (SIEPR), <https://siepr.stanford.edu/publications/policy-brief/why-reforming-natural-disaster-insurance-markets-so-hard> accessed on 25 April 2023

³¹ Jeniffer Rudden, 'Largest reinsurers worldwide 2020-2021, by net premiums written' (Statista 29 September 2021) < <https://www.statista.com/statistics/273158/largest-reinsurers-worldwide-by-net-premiums/> > accessed on 26 April 2023

In the United States, many private insurance companies' do not cover catastrophic insurances, reasons being catastrophic insurances are firstly, expensive and secondly, states in the U.S. are vulnerable to a variety of natural disasters and the insurance companies fear of going bankrupt³². The federal government has come up with policies in states prone to specific disasters and provides insurance pools for example, storm/hail risks, floods etc. It covers only those residential and commercial clients who cannot obtain a catastrophic insurance from private insurers. The sole financial backup of these federal policies are from state funds.

In New Zealand, the economy is stable. Therefore, the income of the citizens allows a higher insurance penetration. The government provides catastrophic insurances such as earthquake insurances that help in expediting the recovery of claims after such major calamities without impacting the country's growth and economy adversely³³.

In Australia, the private insurance markets cover majority of the disasters and indemnify against such losses. The private insurers play a major role; in reducing the burden from the government by efficaciously manage the risk³⁴.

In Japan, certain taxes are deducted from the income of persons by the government to encourage them to purchase earthquake insurance policies³⁵.

Across the globe, we find countries opt for government or private insurance policies corresponding to their income and insurance penetration which is directly proportional to one another. A complete government funded insurance can become a burden on its taxpayers whereas a private insurance company can go bankrupt in a major catastrophe event. So, a public-private partnership may bolster the recovery and restoration of the lives of people.

³² Disaster Risk Financing: A global survey of practices and challenges,(2015) OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264234246-en> (pg 63) accessed on 25 April 2023

³³ Tim Grafton, 'New Zealand's natural disaster scheme'(Insurance Business 28 October 2021) <<https://www.insurancebusinessmag.com/nz/news/columns/new-zealands-natural-disaster-scheme-314622.aspx>>'accessed on 24 April 2023

³⁴ Disaster Risk Financing: A global survey of practices and challenges,(2015) OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264234246-en> (pg 59)accessed on 25 April 2023

³⁵ Katsura Saito, 'Catastrophe Risks and Reinsurance in Japan'(Financial Services Agency, Japan 29 October 2004) < <https://www.oecd.org/finance/insurance/35272239.pdf> > accessed on 25 April 2023

CONCLUSION AND RECOMMENDATIONS

That '*necessity is the mother of invention*' is a well settled social principle.

The catastrophe insurance cover in India is a major necessity the lack of which points its fingers at the authoritative inaction. Social and economic justice are the guiding forces of our Constitution and articles 39(b) and (c) enjoins the State to distribute the wealth to serve the common good. Given that the marginalized are often the most affected and the least served social class, insuring their lives against catastrophic disasters should be seen as a form of Constitutional protection. A welfare state can never truly progress unless the welfare of its people are ensured. Further, the concept of Sustainable Development emphasizes on the long term sustenance of the people and the planet. Disaster risk management saves lives as well improves the overall health of the planet.

A few suggestions that could be incorporated in a catastrophe insurance cover have been stated as under :

- ❖ Insurance premium of catastrophe insurance should be kept at a minimum so that the masses at large can purchase the policy. This could be ensured by a Private Public Partnership (PPP Model) of catastrophe insurance where the burden is shared by both the sectors. Government subsidies that currently operate in the Rural Insurance Sector can be used for designing the blueprint of catastrophe insurance.
- ❖ As has already been established, catastrophic events affect masses and materials at large. Separate policy covers for each risk should not be the case and domestic animals, livestock, agricultural land, vehicles, etc. should all be covered under catastrophe insurance so as to avoid multiplicity of policies. The effectiveness of the cover can, thus, be maintained.
- ❖ Catastrophe insurance is often restricted to the areas of material injury like lands, buildings, etc and the question of physical injury is often left unattended. Health insurance should, therefore, be included within the purview of catastrophe insurance. The health of the insured and his family members should be incorporated within the catastrophe insurance policy. In fact, in the aftermath of a disaster the psychological condition of the disaster hit are also affected - be it trauma, stress, PTSD, etc. Thus, both physical and mental health of the insured must be within policy coverage.

- ❖ The wide range of the effect of disaster should be of immense materiality. It should not be that one type of damage is measured in the yardstick of the other. For example, an earthquake might lead to a crack in one house and utter destruction of the other. The former should not be denied insurance claim by comparing it to the destruction caused to the latter. Thus, an appropriate catastrophe insurance should be one that takes into account the diverse range of impacts that a catastrophe is capable of causing.

Thus, it is imperative that governments take into consideration the urgency of the situation and act upon it with sincerity and vigour.

