



## A study on measuring the level of terrorism insurance in Guwahati City

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### ABSTRACT

*Terrorism insurance is an insurance purchased by property owners to cover their potential losses and liabilities that might occur due to terrorist activities. It is a combination of uncertainty and potentially huge losses which makes the setting of premiums a difficult aspect. The market for terrorism insurance is slowly raising its head in the current Indian scenario. The present study intends to find the level of awareness of people about terrorism insurance in Guwahati city.*

**KEYWORDS : Awareness, Insurance, Risk, Terrorism.**

### Introduction

Terrorism insurance is insurance purchased by property owners to cover their potential losses and liabilities that might occur due to terrorist activities. Terrorism coverage is provided as an additional cover to all risks underwritten under fire, engineering and property damage.

Terror insurance comes as an inbuilt cover for personal accident policies, and most health and life insurance policies though some home insurance policies do offer a cover for it, some don't include it as part of the package. It may need to be bought at an additional cost.

It is considered to be a difficult product for insurance companies, as the odds of terrorist attacks are very difficult to predict and the potential liability enormous. This combination of uncertainty and potentially huge losses makes the setting of premiums a difficult aspect.

Most insurance companies therefore exclude terrorism from the insurance coverage.

In India, the General Insurance Company manages a pool of fund for terrorism insurance of Rs 1,200 crore (Rs 12 billion) as mandated by the Insurance Regulatory and Development Authority. In fact, the India Market Terrorism Pool was set up in 2002 with a sum of Rs 200 crore (Rs 2 billion) after the 9/11 attack on the World Trade Centre in New York. Whatever amount is left with the non-life insurance companies in the country — both public and private sectors — is deposited in the pool.

The pool actually covers companies/institutions for a liability of Rs 750 crore (Rs 7.50 billion), including material or property loss or damage. However, the pool actually covers major companies/institutions for a liability of Rs 750 crore, including material or property loss or damage. So if an individual wants such a cover, he would need to ask for it as an add-on to the existing insurance cover.

The terrorism pool covers only the property damage and consequential loss arising out of any terror strike. Under the Pool arrangement, an act of Terrorism is an act that involves the use of force or violence by any person(s), whether acting alone or on behalf of any organization, committed for political, religious, ideological or similar purpose. However, any loss or damage resulting from the action taken in controlling, preventing or suppressing any act of terrorism is not covered under the policy. When considered in the light of the recent attacks in Mumbai, it indicates that, the damage caused by the commandos or the police while trying to rescue people or flush out the terrorists is not payable. However in this particular case, there were reports that Insurers of the three hotels that were ravaged in the terrorist attacks have decided to cover all the losses, irrespective of whether they were caused by the attackers or by the security agencies that battled them.

Assam is counted in one amongst the terror prone areas in India. The

rate of deaths, kidnappings, bomb blasts, grenade blasts, etc. are on the rise in Assam. The number of terror militant groups is on the rise. In such a scenario the developmental activities undertaken by the civilians are not seen to be full-fledged in operation in spite of having the potential to do so. Terrorism insurance to some extent provides support to such enthusiasts who want to bring change in the society through their unique works and ideas.

### Objective:

The present study intends to find the level of awareness of people about terrorism insurance in Guwahati city.

### Research Methodology:

Sample size-50

Sampling method- Random sampling.

Research tools- Questionnaire and interview methods are used for data collection. For data analysis tables and charts are used.

### Analysis and findings

**Table 1: Table showing composition of sex**

Gender	No. of respondents	Percentage
Male	30	60
Female	20	40

Interpretation: The study consists of 50 samples out of which 30 are male and 20 are female.

**Table 2: Table showing composition of age group**

Age	No. of respondents	Percentage
0 – 20	14	28
20 – 40	20	40
40 – 60	11	22
60 & above	5	10

Interpretation: The age group of (20 -40) years consists 40% of the population which implies that the student group, newly joined working class and the relative stable income group segment had been the respondents of the study.

**Table 3: Table showing awareness of Terrorism insurance**

Response	No. of respondents	Percentage
Yes	18	36
No	32	64

Interpretation: The level of awareness about the presence of such type of insurance is just 36%. Thus it gives a wide scope to the insurance companies to extend their services in such policies. As Assam is counted in one amongst the terror prone areas the launch of aware-

ness scheme about such policies will be beneficial for the companies. Moreover the terrorist activities also pose a threat to the establishment of new company's in Assam.

**Table 4: Table showing the insured under Terrorism Insurance**

Response	No. of respondents	Percentage
Yes	1	2
No	49	98

Interpretation: The number of people insured under this scheme is holding a negligible percentage of 2. It means that the need creation is the need of the hour for the civilians of Guwahati city. The growing crime rate is an alarming signal for the need of such types of insurance schemes.

**Table 6: Table showing reasons for not availing Terrorism Insurance**

Reasons	No. of respondents
A –Don't feel the need	4
B- Have taken fire insurance	3
C-Have taken water insurance	2
D-Did not know about it	38
E-Others	3

Interpretation: As people do not know about the presence of such a policy which covers all terror struck events they did not take it. The respondents were holding such policies which were individually protecting them from fire, water, etc. But putting forth such a policy which covers all such risks in case of terror struck events is more worthy to be availed. The respondents and the mass in general should be made aware of such benefits of taking the policy.

**Types**

In India Insurance companies provide Terrorism coverage only up to Rs.200 crores at any one location from the Market Terrorism Pool as per Terrorism Pool rules and terms. If a client wants coverage for terrorism risks above Rs.200 crores, New India Assurance can arrange the same and issue a Stand Alone Terrorism Coverage policy. Terrorism cover is generally taken as an add -on cover by payment of additional premium at the option of the insured.

Terrorism Claims arising from other lines of insurance like personal accident, life insurance, health insurance, public liability etc are not covered by the terrorism pool.

The impact of any claims arising in these classes of insurance would be direct i.e. it would be billed to respective companies who covered it.

When it comes to life / personal accident / health insurance, one has to study the fine print carefully to know whether terrorism cover is provided in it or not since it varies between policies of different insurers - some specifically exclude it, while some are silent on it and some cover them by payment of additional premium.

**Conclusion and suggestions:**

The study shows that the level of awareness amongst the people of Guwahati about the terrorism insurance and the percentage of purchase of such policy is almost negligible. The present scenario demands the need inducement of such policies amongst the civilians. It is so because each life is valuable. Each asset is priceless. The civilians should be made aware of the increasing rates of crime and misdeed and its impact on their lives and properties, which will raise interest amongst them to avail such policies which can guarantee protection against loss. Thus, at the present stage the companies should work on demand creation of the service followed by its sale in the coming years. As such schemes have gained popularity in India only after experiencing a series of terror attacks in major sites of India. Such events were also experienced in Guwahati too. Thus there is a scope for the companies to launch terrorism policies scheme in a mass way. Although humans at best can try to prevent such events but at all cannot change the event which has already taken place. In this scene the smart ones can protect themselves by taking shelter under the terrorism insurance policy offered by the companies. The rate of happening of an event is unpredictable but the rate of security if at all such event occurs is guaranteed by the insurance scheme.

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