

# Pandemic risk pool

October 28, 2020

In news

Working group chaired by Mr. Suresh Mathur submitted the report on Pandemic Risk Pool to IRDAI

## What is a risk pool?

- Risk pool is a form of risk management for insurers where participating entities pool their resources and claims against insurers are paid out of the pool
- A risk pool provides a risk sharing mechanism for insurers to enable them to offer a low-cost product

## What are the key recommendations?

- The Group recommended formation of an Indian Pandemic Risk Pool to address losses caused by a pandemic to low-income groups and MSMEs.
- The pandemic pool in its first phase may provide protection to cover salary of employees of MSMEs.
- Such protection will cover payment of Rs 6,500 per month (extendable to Rs 7,000) for maximum of 10 employees (extendable to 15), for up to three months or the end of a pandemic induced lockdown, whichever is earlier.
- It may later be expanded to cover health insurance and life insurance.
- **Government guarantee:** The Group estimated that the pool will require government guarantee of between Rs 75,000 crore to Rs 1.23 lakh crore for claims in excess of the size of the pool. The pool is expected to become self sufficient in 20 to 25 years
- **General Insurance Company to administer the pool:** The

risk pool would be administered by the General Insurance Company (GIC) which also administers the terrorism risk pool and the nuclear risk pool.

- The Group recommended **mandatory participation of general insurers, reinsurance companies and insurers in all sectors** covered by the pool