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IRDAI relaxes solvency margin requirement for crop insurance, reduces compliance burden

Insurance Regulatory and Development Authority of India (IRDAI) has got a breakthrough update for general insurers, writing crop insurance business.

Since FY18, IRDAI has been relaxing the period of admissibility of premium due from the states for solvency calculation from 180 days to 365 days. The Insurance Regulatory and Development Authority of India (IRDAI), in its latest series of reforms, announced that it will reduce the solvency margin requirement for general insurers doing crop business, thereby freeing up capital worth INR 14 Bn. IRDAI's this move is expected to increase the capacity of General Insurers to underwrite more business.

It is expected that the effect of this relaxation will be positive on the industry as it will free up the capital, which can be utilised for underwriting more business. It is estimated that approximately INR 14 Bn will be unlocked, and general insurers may use this opportunity to optimise this freed-up capital in a way which leads to increased insurance penetration in India.

From now the insurance regulator has decided to extend this relaxation from FY23 onwards till further orders. This move will improve the solvency status of the general insurance industry as a whole.

It is also to be noted that the premium receivables related to state/central government-sponsored schemes for FY23's all quarters and onward to the extent that they are not realised within 365 days will be placed with a value of zero.

In addition to this, the insurance regulator in its continuous endeavour to promote ease of doing business for insurance companies in the country, has also reviewed and rationalised the regulatory returns to be filed by the Insurance Companies.

IRDAI had also discontinued the submission of hard copies of any reports, returns or other documents related to actuarial valuation or reinsurance.

IRDAI expects that a reduced compliance burden would enable insurers to better focus their efforts and time on reaching out to every Indian to improve coverage and penetration.

Source: IRDAI

East Africa gains the upper hand on locusts

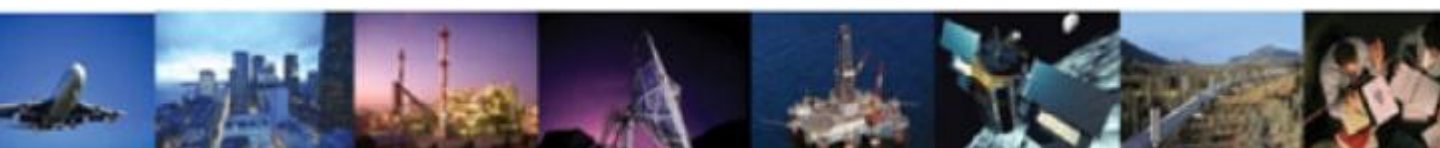
East Africa's years long battle against destructive swarms of locusts appears to be nearing an end with an encouraging assessment from the United Nations. The world body's Food and Agriculture Organization has declared that the swarms which fanned out across the region in 2020—are now under control.

The upsurge is over following a massive and aggressive locust campaign in close cooperation with the governments in the region and the region is facing a severe drought situation, which means that conditions are no longer favourable for the desert locusts to breed.

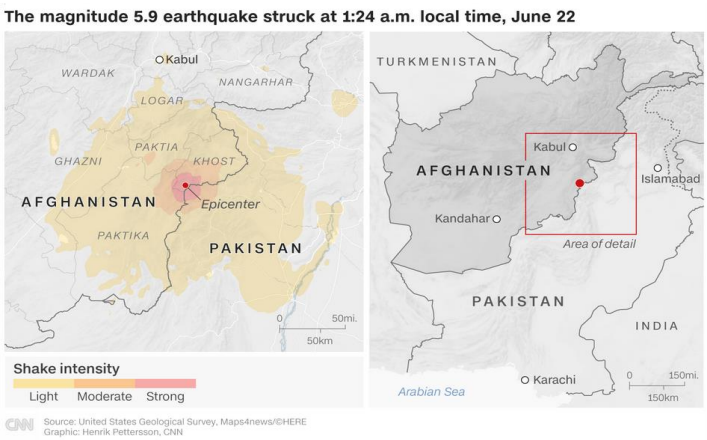
The agency is still monitoring the pests, which have caused crop losses in the region. The condition is back to what we call the recession of desert locust, which means they are still present but they are under control and do not pose any threat to the region including Kenya, Somalia and Ethiopia.

Since the infestation erupted in 2020, the FAO (Food and Agriculture Organization) has been monitoring the pests and providing forecasts of their movements. The affected countries have been sending data on the locusts to the FAO, which analyses the information in conjunction with weather and habitat data and satellite imagery in order to assess the prevailing locust conditions. Throughout the outbreaks, it has been providing forecasts up to six weeks in advance.

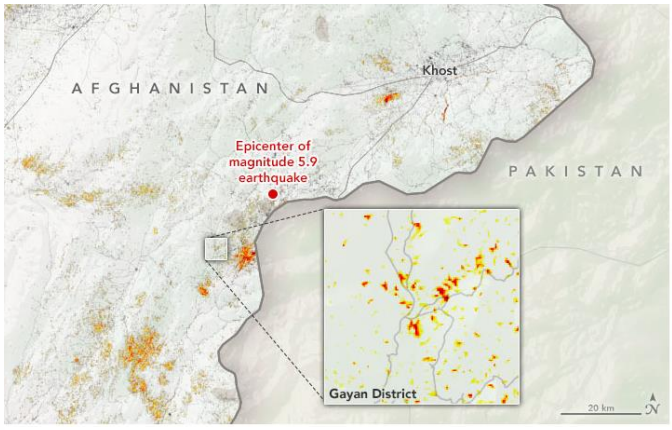
Source: IRDAI



Earthquake M 5.9 - 46 km SW of Khost, Afghanistan



Source: USGS



Source: NASA

Disaster description

At 01.24 a.m. local time on 22nd June (08:54 p.m. UTC, 21st June) , an earthquake of 5.9 moment magnitude Mw struck the Central Region of Afghanistan impacting Paktika and Khost provinces.

At least 10,331 homes (93% of those assessed) were damaged (fully or partially) in Paktika & Khost provinces with many more are at risk of collapse, 36% of the assessed villages have either severely or completely damaged school buildings, 18% of villages reported damaged clinics, & 60% of water points are reportedly damaged.

After the 5.9 Mw earthquake occurred on 21st June, on 24th June, an aftershock of 4.3 M hit the affected area, and at least five persons died while 11 others were injured.

Source: reliefweb.int

Deadly Afghanistan quake challenges scientists trying to study it

Researchers find devastation is unusual for a M 5.9 earthquake. It was probably caused by the large number of vulnerable buildings in the area, along with the quake's shallow depth, which is estimated at less than 10 km and the timing of the event.

With few seismic stations in the region, estimates of where the earthquake started underground are less precise. The closest seismic station is in Kabul, some 160 km away, followed by one 350 km away near Islamabad, Pakistan, and the rest are all more than 500 km distant.

An earthquake in Afghanistan in late June killed more than 1,000 people. Credit: Ali Khara/Reuters/Alamy

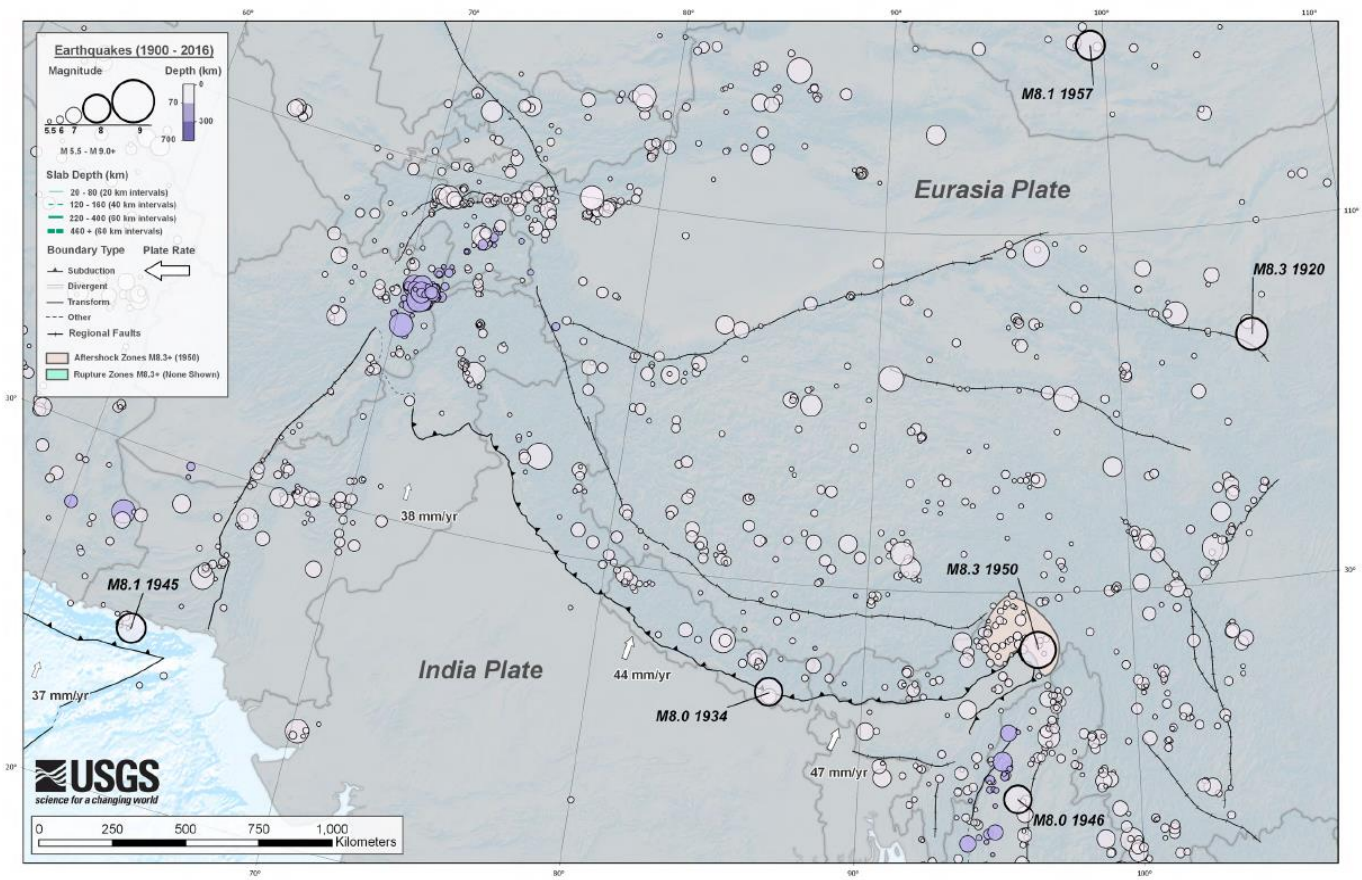
The earthquake hit in a poorly understood tectonic area, at the boundary between the Indian and Eurasian plates. This region has so many sub-faults and small, unmapped fault traces that it is difficult to identify the exact fault line. It could take months to get detailed geological reports from the ground.

Source: nature.com

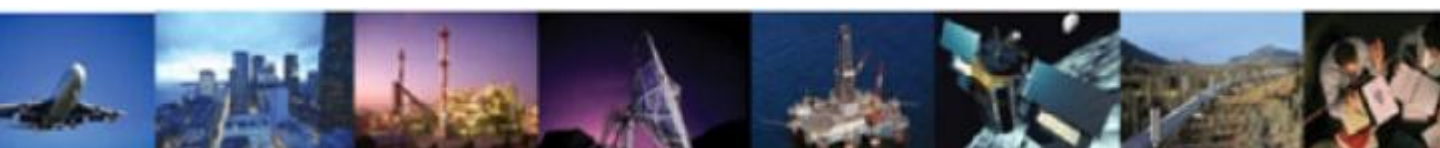
Tectonic Summary: Seismotectonic of the Himalaya and Vicinity

Along the western margin of the Tibetan Plateau, in the vicinity of south-eastern Afghanistan and western Pakistan, the India plate translates obliquely relative to the Eurasia plate, resulting in a complex fold-and-thrust belt known as the Sulaiman Range. Faulting in this region includes strike-slip, reverse-slip and oblique-slip motion and often results in shallow, destructive earthquakes.

The active, left-lateral, strike-slip Chaman fault is the fastest moving fault in the region. In 1505, a segment of the Chaman fault near Kabul, Afghanistan, ruptured causing widespread destruction. In the same region the more recent 30 May 1935, M7.6 Quetta earthquake, which occurred in the Sulaiman Range in Pakistan, killed between 30,000 and 60,000 people.



Source: USGS

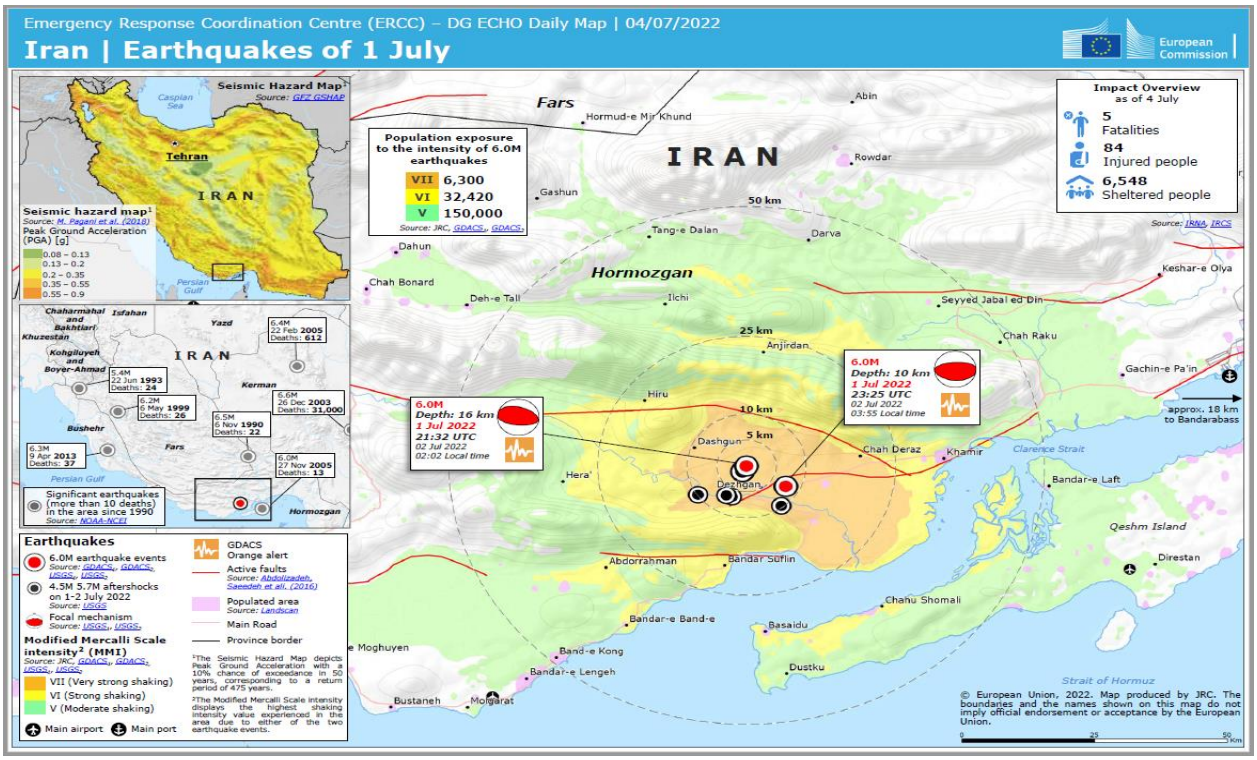


Earthquake M 6.1 - Sayeh Khosh village, Iran

According to the Iranian Seismological Center, a 6.1 magnitude earthquake hit Sayeh Khosh village near Khamir port in Hormozgan province of South Iran on 2nd July 2022 at 02:02 am local time (09:32 pm UTC). 81 aftershocks (the biggest one with 6.1 Richter at 03:55 local time has hit the region).

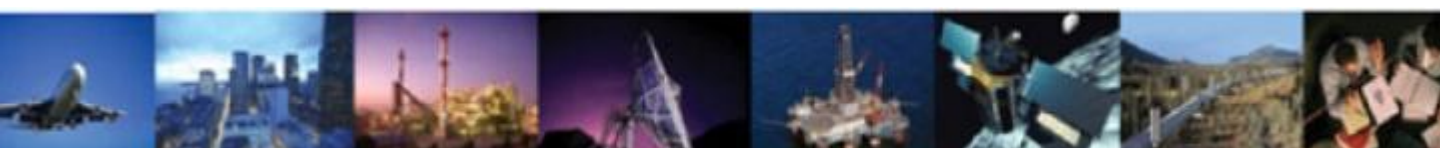
According to the Emergency Medical Services (EMS), 84 individuals were injured & 5 died because of the quake. Many buildings have been damaged, and some infrastructures destroyed. Cracks on the walls of buildings can be seen primarily in the villages near the epicenter and surrounding areas. The worst-affected villages are Kooshk, Konkh, Berke Seflin, Saye Khosh, Gavmiri, Chahderaz, Tang Sim, Doab, Basaeidoo, Chah Sahrghi, Gooran. (IFRC, 11 Jul 2022).

Tremors were also felt in the neighboring United Arab Emirates.



Iran | Earthquakes of 1 July - DG ECHO Daily Map | 04/07/2022

Source: reliefweb.int



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Seismic Activity in Iran

Major geological fault lines crisscross Iran, which has suffered several devastating earthquakes in recent years, some are listed below:

- In April 2021, a M 5.9 earthquake hit Bushehr, where a major nuclear power plant is located, but it did not cause much damage.
- In November 2021, two powerful quakes with M 6.4 & M 6.3 hit an area near the island of Qeshm, close to Bandar Abbas, leaving one person dead.
- In April 2013, a violent earthquake shook the border region between Iran and Pakistan.
- In 2003, in southeastern Iran's Kerman province, a M 6.6 earthquake killed more than 31,000 people and flattened the ancient city of Bam.
- Iran's deadliest quake was a M 7.4 tremor that struck in 1990, killing 40,000 people in the north of the country.

Information on Economic and Insured Losses:
Table 1 below shows the total earthquake losses to public and private properties due to some major recent earthquakes in Iran and recovery investments, which are the cost of covering respective losses. Unpaid losses are calculated by the ratio of the difference between the recovery investments and the economic losses.

Table 1 Past major earthquakes in Iran and related losses and financing capacities

Earthquake	*Magnitude*	*Date*	*Human loss*		*Recovery investment (m $)*	*Economic losses (m $)*	*Unpaid losses (%)*
			Deaths	*Injured*			
Manjil-Rudbar	7.1	1990	15,000	29,654	431	526.1	17.9
Bojnurd	6.1	1996	90	260	96	98.6	2.3
Ardebil	5.5	1996	980	2,600	152	145.3	0.0
Ghaen-Birjand	7.3	1997	1,567	3,500	151	280.3	45.9
Changoore (Avaj)	6.2	2002	230	1,466	301	79.1	60.9
Bam	6.5	2003	31,828	17,500	1,990	2,094.3	4.9
Azerbaijan	6.4 & 6.3	2012	300	3,000	652	822.1	20.6

Source of input data: Adopted and extended from Ghafory-Ashtiany (2010) and Statistical Center of Iran (2013).

Source: aljazeera & The Geneva Papers Journal – ISI2015

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References:

- The United States Geological Survey (USGS)
- International Federation of Red Cross And Red Crescent Societies (IFRC)
- reliefweb.net
- nature.com
- The Geneva Papers Journal – ISI2015