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Prudent management of financial resources of insurers in the context of Covid-19 pandemic	
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To	
All the Insurers	
Prudent management of financial resources of insurers in the context of Covid-19 pandemic	
<p>1. The global macroeconomic outlook for current financial year 2020-21 has been adversely affected by COVID-19 pandemic which has impacted majority of countries in the world across the continents. The pandemic has cast its shadow across various economic activities with massive dislocation in global production, supply chains and trade. Financial markets across the world are also experiencing extreme volatility and commodity prices have declined sharply. Against this backdrop, the Reserve Bank of India (RBI) in its Press Release dated 9th April, 2020 has drawn attention to the following projection of IMF / OECD <i>“the IMF expects that the contraction in global output in 2020 could be as bad as or worse than in 2009. The depth of the recession and the pace of recovery in 2021 would depend on the speed of containment of the pandemic and the efficacy of monetary and fiscal policy actions by various countries. The slowdown could be more protracted in dire scenarios in which the duration of COVID-19 extends longer. The Organisation for Economic Cooperation and Development (OECD) estimates suggest that annual global gross domestic product (GDP) growth could be lower by up to 2 percentage points for each month in which strict containment measures continue. If the shutdown continues for three months with no offsetting factors, annual GDP growth could be between 4- 6 percentage points lower than it otherwise might have been”</i>. The emerging scenario is likely to leave an impact on both liquidity, sufficiency and availability of capital.</p> <p>2. With the spread of Covid-19 in the country and 21-day nationwide lockdown from 25 March 2020 to 14 April 2020 and further extension of lockdown by several State Governments, there is likely to be a significant impact across various sectors of the economy. Indian insurers need to prepare strategies and action plans for business continuity to ensure enhanced protection to the policyholders. Due to the stress experienced by the economy, sufficiency of capital and liquidity position of the</p>	

insurers may be adversely impacted and all the insurers need to guard against the same.

3. While the Central Government has taken steps to support the financial sector in its activities, IRDAI has already announced several need based relaxations to prevent any disruption to the activities of the insurance industry. It is critical in these difficult times for all the Indian insurers to ensure that at all times they protect the interests of policyholders and provide necessary financial security to them.
4. In the light of the above, the Authority advises all insurers to take following steps:
 - (i) Board of insurers are advised to critically examine their capital availability and solvency margin as required in the current financial year 2020-21 and devise strategies to ensure that they have adequate capital and resources available with them;
 - (ii) To align the dividend pay-out for the FY 2019-20 so as to be in conformity with the strategy at (i) above; and
 - (iii) Rationalize the expenses of management for the FY 2020-21 so as to be in line with the strategy at (i) above.
5. All insurers are advised to place this communication before their respective Boards at the ensuing meeting.

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