Hyderabad Flash Floods, 2020 - Some Lessons for Future

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When Covid-19 pandemic appeared to be showing signs of slowing down in many parts of the country, Hyderabad, among some other cities, was facing another challenge - Flash Floods. Debris consisting of cars , motorcycles, households and other items accumulated at random, along with the washed -away newly- built sections of highways and bridges over railways, all caused by accumulated flood waters presented a pitiful sight. The city and the suburbs were battered by unexpected spell of heavy downpour that lasted quite a long time, a phenomenon that meteorologists called an unusual weather event. The rain and resultant flooding left a trail of destruction and human misery. In the wake of the ravaging floods, settling and disposing of the insurance claims speedily and in an orderly manner had become a herculean task. This article attempts to summarize the Hyderabad floods and its consequences. It also attempts to present the views expressed by different stakeholders - the insurers, the insured, insurance officials and insurance surveyors on issues of claim settlement. This paper is divided into three parts. In part one, an attempt is made to analyse the possible reasons and circumstances that caused the floods which ravaged the city of Hyderabad. This is followed by part two that attempts to assess the havoc wrought by these floods on the citizens of Hyderabad and the huge losses thereby incurred by the insurance industry drawing parallel to the floods that ravaged the city of Chennai. Since the floods were unprecedented, stakeholders' views are elicited and analyzed. In part three an attempt is made to summarize the conclusions wherein useful/practical inferences from the study are drawn.

Keywords: Floods, Covid-19, Insurance Sector, Claims, Stakeholders.

Introduction

Hyderabad is the capital of Telangana state in the southern Indian peninsula. The state has taken giant strides in economic development. In less than a century, the city has expanded geographically from 55 sq. kms. to 625 sq. kms under the Greater Hyderabad Municipal Corporation (GHMC). The jurisdiction of the Hyderabad Metropolitan Development Authority

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Acknowledgement: I am thankful to the insurance officials, surveyors and the insured for providing valuable inputs. I am equally indebted to different researchers in the domain of insurance.

(HMDA) extends over 7,257 sq. kms encompassing several areas of a few neighbouring districts as well. It had, as per an estimate of 2017, 2,800 lakes. It is an interior city situated at a distance of more than 300 kms inland from the Bay of Bengal in the eastern coast of India.

Though occasional severe flooding is not an uncommon phenomenon, urban floods have emerged as a major menace to life and property across the world during the last two decades. Several major Indian cities, like Mumbai, Chennai, Ahmedabad, Kochi, Vadodara, Vishakapatnam, Hyderabad etc. are adversely affected by yearly monsoon floods, causing not only enormous economic losses but also by the loss of precious human lives. But some of the recent floods have been beyond the imagination of even the weather gods!

Hyderabad experienced floods in the years 2000, 2008, 2016 and 2017. However, Floods 2020 was unique in fury and unmatched in intensity, leaving in its trail untold misery on the people and consequent financial distress. Many localities in Hyderabad witnessed heavy inundation and water rose to 10 feet and above at many places.

The increasing frequency and fury of such floods seem to reflect a meteorological trend. During first six months of 2020, 207 natural disasters have been recorded globally— this is above the 21st century's (between 2000-2020) average of 185 disasters. There was an increase of 27 per cent in natural disasters recorded during the same period. Therefore, it cannot be casually brushed aside as one of those ordinary events.

I - Analysis of Possible Reasons for the Hyderabad Floods

Multiple factors seem to have contributed to the unprecedented floods like human encroachments, blocking the natural system of rain water drainage, changes in rainfall pattern, deficiencies in urban planning, narrow roads and lanes, inadequate drainage system etc.

Urban flooding occurs when the quantum of water flows into areas faster in momentum and in excess- that can be absorbed into the soil or flow into a lake or reservoir. It can be caused by flash floods or cloud bursts.

Topography of Hyderabad Prone to Precipitate the Floods

The city of Hyderabad is situated in a vast catchment areas with its western edge in the Godavari River basin (from Kukatpally, Ramchandrapuram, to Gachibowli) and eastern edge in the Krishna River basin.

The Deccan region of which Hyderabad is a part has a chaotic drainage pattern. Water in this vast basin does not flow in a single direction as on a slope but in multiple directions, often towards dead ends.

Role of Lakes

Several tanks were developed over decades primarily to cater to the agrarian needs of the area. The areas surrounding them were 'protected local catchment areas'. During the last 40 years, a

vast metropolitan city has been built on top of this agrarian imprint. Roads have been laid out on rigid boundaries, around the 'fluid' water bodies, without any buffer areas. The 'Necklace Road' amply sheds much light on the sad state of urban planning (if there was one) and a haphazard development pattern (which is a fact).

Senior hydrologist BV Subba Rao while sharing his views with Times of India said that lakes were built in the past based on the natural topography and rainfall trends. "These were not created for flood control mitigation but as drought mitigation structures. Every 2 sq.km of habitation has a lake to ensure water for drinking and irrigation purposes. Flood regulation was only one of the purposes". While the topography has undergone a sea change, the changing climate has further distorted and confounded the rainfall trends. The consequences are inevitable!

Shrinking Open Spaces and Neglect of Lakes

Over the years, owing to the uncontrolled expansion of the city, green spaces and open areas have severely shrunk or disappeared. The very idea of a lake driven life has become obsolete, as many of them have become breeding centres for mosquitoes. Open spaces and existing lakes were encroached upon making way for new settlements and a few bear testimony to the stark dereliction of duty by the people at the helm of governance. The utility of the lakes in terms of storage of water and flood management has been conveniently ignored.

Disappearance of Rivers

Along with the development of these small lakes, in the aftermath of the 1908 floods in Hyderabad, the then Nizam government had commissioned two large reservoirs, Osman Sagar and Himayat Sagar, on the margins of the city to channelize and regulate the flow of water from the Musi river and its tributary Esa. But these rivers have since vanished with its own consequences on the water drainage system.

Urban Planning Deficiencies

Storm water drains get easily clogged, reflecting the scant attention paid by the development authorities to witness the consequences of their own skewed developmental plans. Also compulsions of the political masters over the years, cutting across parties of all hues, in permitting relaxations under building regulations and schemes to please the populace have greatly contribute to the current sad state of affairs.

Climatic Conditions and Global Warming

It goes without saying that floods are the result of extreme changes in weather patterns precipitated by the long-term global climatic change already forecast by scientists and environmentalists decades ago, but ignored by those seeking fame and fortune. Relentless construction of concrete jungles brings about phenomenal changes not only in the land cover but also in the wanton destruction of natural greenery. Cities are flooded due to the blocking of the natural paths for rainwater to flow into drains and rivers. Thus, it is apparent that climate change combined with corporate greed have over the years left their consequences now beyond control.

II - Magnitude of the Hyderabad Flood Tragedy

Though the severe flash flood in Chennai in 2015 was the largest disaster causing an estimated economic losses of $2.2 billion, the insured losses were estimated at around $755 million - making this disaster the second costliest insurance event in India.

In 2015-16, the insurance sector received over 50,000 claims amounting to over Rs 5,000 crores for losses incurred during the Chennai flood, being the first.

The Hyderabad flooding was not far behind. Motor insurance claims added to compound further loss to the insurance industry.

Motor Insurance Claims add to the fury of flood

Telangana Chief Minister, K. Chandrasekhar Rao estimated the overall loss due to the recent Hyderabad floods to be at Rs. 5,000 crore. Insurance companies rightly assessed the motor insurance claims to escalate. As the water levels receded, the magnitude of their assessment turned into harsh reality. In addition to vehicle damages, goods in factories and godowns were severely affected causing huge losses. During Hudhud cyclone that was unleashed in Vizag and parts of Andhra Pradesh in October 2014, the insurance industry had settled claims worth Rs. 2,700 crore. As insurance penetration in Telangana in the commercial domain is higher, the insurance companies had to cough up higher amounts for settling claims. Sanjay Datta, (Chief, Underwriting, Claims and Reinsurance) of ICICI Lombard General Insurance opined that there would be claims worth Rs 500 crore on the commercial property damage front alone for the insurance industry.

Comparative Statement showing the Claim Analysis of Hyderabad and Chennai Floods

Name of the City	Value of claims reported (in crores)	Total number of claims received	Motor claims (in crores)	Property/goods claims (in crores)
Hyderabad	290	6400	5500	900
Chennai	4800	50000	5000	4500

Source: Business Standards January 22, 2016 Times of India, Dec 17, 2020

The gravity of the problem is evident not only in the extent of losses but also in the challenges ahead in providing relief as well as in settling claims. During the last two decades after the government introduced the insurance reforms in the wake of liberalization, privatization and globalization, the Indian Insurance Industry has grown phenomenally. The number of companies doing business in non-life insurance segment has grown from four before 2000 to 33, and, the premium collection has increased from 9,450 crore to 22,774 crore. A really creditable performance, though the ratios of penetration and density still remain low. Surely the story of Hyderabad floods will be a repetition of the story of huge insurance gap in terms of uninsured/underinsured losses as is usually observed universally. The Hyderabad flood is no exception. The number of claims settled is far lower compared to the Chennai flood because of the low insurance penetration in the region in the wake of a rise in the number of extreme weather conditions in recent years. The overall claims were also lower in Hyderabad because the extent of damages was also much less when compared to Chennai flooding. Due to the lack of comprehensive motor insurance and home insurance covers, many people had to bear the repairs and renovation expenses from their pockets.

Though several new insurance service providers like Agents (individual and corporate), Brokers (direct, composite and reinsurance), Insurance web aggregators, Surveyors, Insurance repositories, Insurance marketing firms, Third party administrators, etc. have emerged, yet, very often, they are ill-prepared for catastrophes of such magnitude, now striking regularly and with intense fury at anytime and anywhere in the country.

Considering the magnitude of the problem objectively, the Insurance Regulatory and Development Authority of India (IRDAI), whose head office is located in Hyderabad city, had to rise to the occasion, and it promptly issued the following special guidelines to the insurers and surveyors.

1. Appoint a senior officer (as a designated officer) to be the focal point (Liaisoning Officer) for monitoring the claims settlement.
2. Install expeditiously electronic communication systems extensively and utilize it effectively for all matters related to claim settlement, including the submission of relevant documents.

3. Expedite settlement of claims with a human touch.

With all good intentions and special efforts made in the aftermath of the floods, the stakeholders seem to have been haunted by the following concerns:

Insurers

1. A large number of claims had to be settled quickly. The relaxed processing guidelines increased the possibilities of fraudulent claims also passing through the safety net. The use of data analytics and AI technology was a good counter measure to guard against possible frauds. However, insurers were highly concerned and had to be aware and proceed cautiously.
2. Non-availability of adequate number of qualified and experienced surveyors to cope with the flood of claims was another cause for concern.
3. Added to the above was the pressure from political leaders on insurers and surveyors to attend to the claims benevolently (not necessarily objectively, was yet another cause for concern.

Customers

1. Few customers felt that assessors from private insurers were much more stringent than the public sector insurers because they appeared to be demanding different documents with the sole intention of rejecting rather than settling the claims. The insured realized that assessors were very fastidious and less empathetic in settling even the genuine claims objectively and positively.
2. Ignorance of the "fine print" of policy coverage was a frustrating factor for many customers. Some of the terms of the policies taken by clients were very basic – for instance, for an insured car engine that got damaged during the floods, a basic comprehensive car insurance policy does not fetch much benefit. Add-on clauses needed to be studied. This increased their frustration and misery.
3. Due to lack or breakdown of communication, during the floods, the insured found it difficult to contact the insurers – assured 24/7 service. The mobile towers appeared to be playing hide and seek!

Surveyors and Loss Assessors

1. During natural calamities, attending to surveys is always problematic. Virulent Covid-19 made its unsuspected entry and made matters worse. Going to a place on a boat was certainly a pleasure and a novel experience but definitely uncomfortable. Getting all the pertinent information from inaccessible areas and piecing them together at lightning speed was not an easy task with the pandemic threat breezing all around.

2. In addition to the issues of conveyance, there was a pressing need to conduct surveys in uncongenial conditions and expedite submission of reports without due diligent scrutiny that would normally be required during normal times.

3. All stake- holders were not yet adequately familiar with the use of the new technology tools introduced to hasten the process of surveying and assessing. Moreover, during this period of transition and Covid-induced stress, it created more anxiety.

4. And, as usual, the political leaders were hyperactive fishing in troubled waters in their bid to garner political support for themselves while feigning sympathy for the flood affected and shedding crocodile tears over the flood situation.

III - Inferences and Conclusions

1. Catastrophic events all over the world in the recent past indicate that the occurrence of flash floods and similar disasters are most likely to recur with greater frequency. Hence, insurers have to be better prepared to face these events proactively.

2. Lessons from the past events recommend a re-look at the urban planning strategies for long-term solutions rather than applying ad hoc patchwork.

3. There are ample examples of disaster management to be learnt from the experiences of other countries. Hence, having recourse also to international co-operation, co-ordination and collaboration amongst states and various international agencies would be necessary for better preparedness.

4. To improve the quality of service, speed of delivery and strengthen the defence against frauds, conscious efforts must be made to quicken the adoption of the latest technology.

5. Awareness drives be regularly conducted, because, despite all the best efforts, people continue to be ignorant about the systems and mechanisms created for their convenience.

6. The calamity management mechanism of insurers, surveyors and other civic and regulatory bodies should get activated automatically without having to be prodded to get on to the act by any regulator or other authority.

7. With the hindsight of the painful events, the evolution of the insurance act itself, over a shorter period of time should ensure the special dispensations (applicable to calamities) to be a part of the regular claim settlement procedure.

8. The procedural mechanism put forward by Ms Monalisha Mohanti in her article “An Insight into Insurance Fraud and Its Prevention” may be implemented.

9. Is time ripe for the creation of a CAT Reserve? The insurance companies may need to come up with their own CAT reserve schemes/policies to mitigate the insurance losses incurred during calamitous times

10. "A chain is as strong as its weakest link". So such a link in the insurance value chain is the humble surveyor. This institution needs to be strengthened to be truly professional.

11. It is obvious that lack of comprehensive motor insurance and home insurance covers saw many of the flood-affected insured clients having to meet the expenses for repairs and renovation at their own expense 'in spite of being assured of help'. Hence, concerted insurance awareness drives in terms of sensitizing policy holders to take the right policies should be carried out more rigorously for the mutual benefit of the insurer and the insured.

12. The 'fine print' and ignorance of the insured should not be the criteria for shrewd interpretation and merciless application of hidden clauses in times of acute distress of the striken!

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