



**INSURANCE & RISK MANAGEMENT
BENCHMARKING REPORT FOR THE
PHARMA INDUSTRY**

An initiative by India Insure

TABLE OF CONTENTS

Pg.No

1. EXECUTIVE SUMMARY 04

2. RISK MANAGEMENT 05

3. INSURANCE 14

3.1. PROPERTY 17

3.2. MARINE 22

3.3. LIABILITY 24

3.4. CLAIMS 30

4. REGULATORY ENVIRONMENT 35

5. WISH LIST 37

6. CONCLUSION 39

Dear Readers

We are pleased to share with you the findings of India Insure's first risk management & insurance benchmarking study for the Pharma industry. This study is designed to provide an analysis of the range of critical risk management & insurance issues facing pharmaceutical companies today.

We would like to extend our appreciation to all of the participating companies for their time. We look to making this an annual feature and that would help you analyze trends in the market as in comparison with the previous year. For this survey, we had approached around 100 companies across the country and finally received responses from around 45 companies. The annual sales turnover of these companies range from Rs. 2 crores to Rs.3600 crores. This being the first survey of its kind, we believe that the data would keep growing in the years to come and based on the theory of large numbers, the larger the database, the clearer the picture. For this, we look to you readers to be more participative in the years to come.

We sincerely hope this report provides you with thought-provoking information that you can use to benchmark your insurance limits & risk management practices against those used by other pharma companies to help identify limits, practices and approaches that may improve the effectiveness and performance of your own risk management programs.

Truly,

V Ramakrishna

Chairman

India Insure Risk Management & Insurance Broking Services Pvt. Ltd.



EXECUTIVE SUMMARY

This benchmarking report basically deals with the risk management and insurance trends in the Pharmaceutical industry. The study shows insurance information for major lines of coverage including property insurance, marine insurance & liability insurance and also the related claims.

The sample sizes differ throughout the report because companies may not have purchased all lines of coverage or information about those placements may not have been revealed.

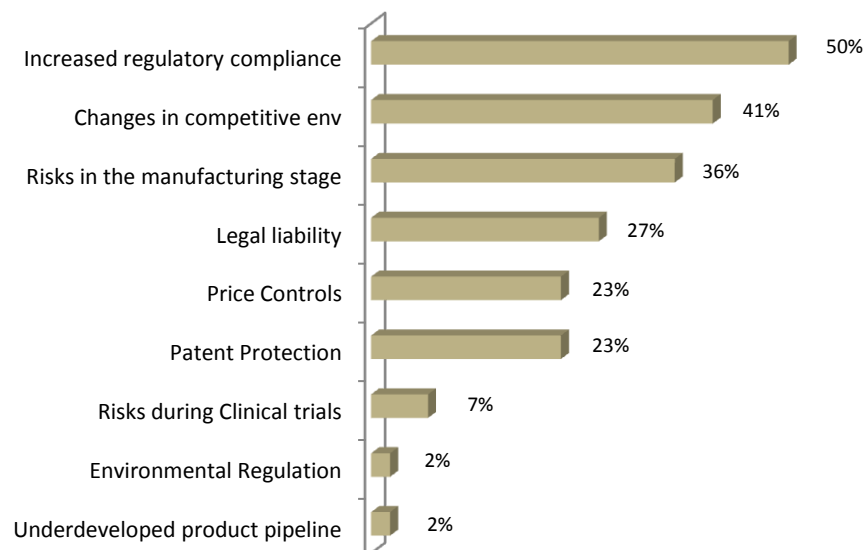
The major findings of the study are

RISK MANAGEMENT:

- 57% of the survey respondents feel that the pharma business is a fairly risky one.
- The 3 most important risks affecting the pharma sector, as highlighted by survey respondents are increased regulatory compliance, changes in competitive environment & risks in the manufacturing stage.



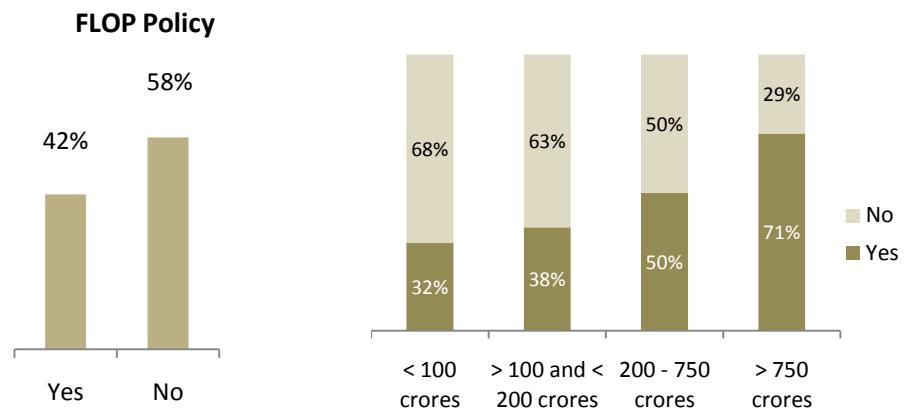
Key Risks affecting Pharma Sector



- (43%) of the respondent organizations are of the opinion that risk is highest in the manufacturing stage of the pharma product life cycle.
- When executives were asked about the Existence of a Business Continuity Plan (BCP) in their organizations, 40% of them confirmed having it in place while 13% are planning to have one soon. 19% of the respondents mentioned that they have still not thought about it while 4% are of the opinion that it is not relevant for them.

INSURANCE:

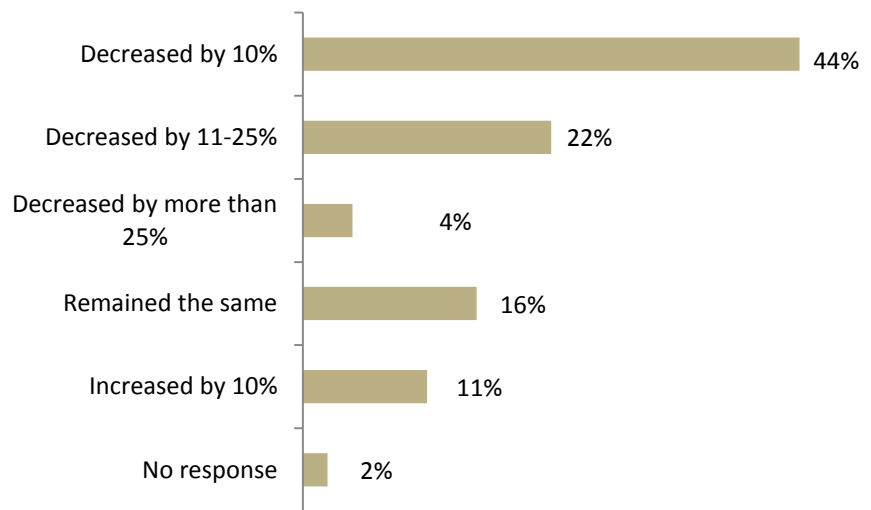
- 42% of the survey respondents have taken an FLOP insurance policy.



- 69% have opted for the Standard marine open policy while 24% have opted for the Sales Turnover policy (STOP) - a new product that provides seamless cover with all movement of goods automatically covered for the full year and the premium chargeable on a company's Sales Turnover only.

- Only 27% of the respondent organizations have taken insurance to cover the product liability risks as many pharma companies prefer taking the self insured route when it comes to product liability.
- 20% of the survey respondents have taken the Directors & Officers liability insurance.

Change in company's property premium rate since last year



"If we do not take change by the hand it will surely take us by the throat."

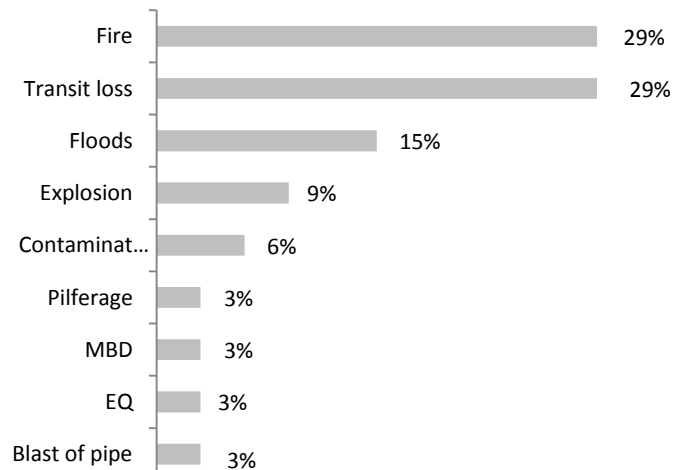
Winston Churchill

INSURANCE CLAIMS:

- Majority of the property insurance claims (44%) are from fire in production blocks/ warehouses while accidental losses during transit form the major chunk of claims under marine insurance.
- The largest reported claim among the survey respondents was for Rs. 9 crore due to a fire in the insured's godown that contained raw material stocks.




Cause of the largest claim



REGULATORY ENVIRONMENT:

- 58% of the respondents feel that the increasing regulatory compliance for pharma industry increases product development costs and time it takes to bring a new product to the market.

CONCLUSION

A hand wearing a blue nitrile glove holds a clear glass test tube containing a yellow liquid. The background is white with faint, light blue circular patterns. The test tube is held vertically, and the liquid is at the bottom. The hand is positioned on the left side of the frame, with the thumb and index finger gripping the tube.

Every product and process has an associated risk. Preventing a risk would be the obvious choice for any Risk manager, as Murphy's law states, "If anything can go wrong, it will". It is time for the Pharma industry to invest in a clearly laid down Risk management Plan which goes beyond the Board room and is a culture in the Company.

It is aptly said that "Risk varies inversely with knowledge" as the gamut of risks keep increasing with each passing year. For each risk, there is a solution and it is wiser to be forewarned than be taken by surprise.

While the insurance industry is soft today, predictions are that the market would start hardening in the year 2010 and companies will require to plan for an increased insurance spend. However, those companies having a clearly laid out Risk management plan and are seen implementing it will certainly benefit as the market hardens. Keeping pace with the regulatory changes and the litigations that may arise due to the increased awareness about the pollutions liability will be areas for the pharma companies to invest in.

For further information about this report, please email one of our SBU Heads

NORTHERN REGION

Mr. P. Srinivas Rao

Email: srinivas.rao@indiainsure.com

Cell No: 09818697208

WESTERN REGION

Mr. R. Chandrasekaran

Email: chandrasekaran.r@indiainsure.com

Cell No: 09987096413

SOUTHERN REGION

Mr. V.G. Dhanasekaran

Email: dhanasekaran.vg@indiainsure.com

Cell No: 09940118036

SPECIALTY LINES VERTICAL

Ms. Deepali. A. Rao

Email: deepali.rao@indiainsure.com

Cell No: 09000567480



About India Insure

As India's leading risk management & insurance broking firm, India Insure is committed to consistently deliver superior solutions that help in identifying, evaluating & managing the risks of our clients.

In the complex world of risk, opportunity must be unearthed through adept inquiry and a big-picture view. Combining a diverse mix of knowledge, expertise, experience and relationships, India Insure specializes in managing the complexity of risk by developing innovative and customized solutions through a consultative approach. Understanding the customer needs and viewing things from a client's perspective is what sets us apart. Our bespoke solutions for our clients are achieved through a rigorous study of customers' risks and their current risk management practices which are then benchmarked with the best practices in the industry to arrive at optimum solutions to suit their needs.

At, India Insure a dedicated team of over 100, trained and experienced personnel would be at your service in providing the unique tailor made insurance and risk consulting services. From handling a Health portfolio to a complex Project insurance, we currently serve 300 corporate customers operating from eight branches across the country handling premium volumes of Rs. 278 crores (USD 62 million).

INDIA INSURE RISK MANAGEMENT & INSURANCE BROKING SERVICES PVT LTD.

© 2009 India Insure
All Rights Reserved

This benchmarking report has been prepared based on a survey conducted by India Insure. It is designed to be a general guide only and does not constitute professional advice. The Company makes no representation or warranties, expressed or implied as to the accuracy; completeness or reliability of any information contained herein and hereby disclaim any liability with regard to the same.

This document or any portion of the information it contains may not be copied or reproduced in any form without the permission of India Insure.

www.indiainsure.com