

Dr. Som Majumdar – Director International Business, Kaden Borris Lawyers

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Areas of Practice

- International Business Development
- Insurance and Reinsurance Recoveries
- Commutation of Reinsurance contracts
- Reinsurance Treaty Underwriting

Relevant Experience

- Som has over 25 years of experience within the Insurance and Reinsurance industry, both in Australia and overseas.
- Prior to his role as the practicing Underwriter in Australia, he was the Managing Director of the West African Subsidiary to New India Assurance Co Ltd - an undertaking of the government of India.
- Trained in the United Kingdom with the Mercantile and General Re, Som has been the leading Underwriter within Asia Pacific for GIO Re Australia for 10 years as their General Manager & Senior Underwriter, Emerging Nations.
- After leaving GIO in 2000, Som took up an assignment with Hunt & Hunt Lawyers Sydney for 7 years as their Director Asia within their Insurance Cell with a primary responsibility of developing business from Asia Pacific for the firm.
- He has extensively contributed to the development of insurance knowledge and training across the Indian sub continent and Africa by delivering training sessions and in-house seminars to various Insurance Institutes within Singapore, Zambia, Jordan, Zimbabwe and Sri Lanka including the Insurance Academy of India in Pune on a range of topics, spanning Insurance and Reinsurance Risk management and Catastrophe risk including claims recoveries. He has also been admitted to the Academic Council as a Board Member of a reputed under-graduate college in Calcutta India in assisting them to develop insurance syllabus.
- Som presented a submission during 2007 to the Joint Parliamentary Committee of Ministry of Foreign Affairs Canberra on the issue of Australia's future involvement with India on bilateral business promotion and was invited to offer his evidence before the Privilege Committee in Sydney NSW.
- As a former Lecturer in Insurance and Reinsurance risk with the Graduate School of Business at the University Technology of Sydney, Som was responsible for the development of Study Materials of the Post Graduate Course on property Insurance and Reinsurance.
- Som has authored a number of articles in various Insurance Journals in UK, India and South Africa and frequently participated in international conferences where he was invited to make presentations.
- As former Vice-Chairman of the Australia India Business Council of NSW Chapter, and former Secretary-General of the Australia-India Chamber of Commerce in NSW, Som has always been at the forefront of supporting development of insurance business.

Professional Memberships

- Fellow of Australia and New Zealand Institute of Insurance and Finance (ANZIIF) & Certified Insurance Practitioner(CIP)
- Fellow of Insurance Institute of India (FII)
- Fellow of Chartered Institute of Management London (FIM)

Education

- Masters Degree in Commerce – Major in Economics & Accounting
- PH.D. in Commerce – Business Administration

Sydney, 18 July 2011

Natural Disaster Insurance Review
The Treasury
Canberra . . . ACT 2600

Dear Sirs

My name is Dr Som Majumdar and I am an ANZIIF Fellow CIP possessing work experience with the insurance industry in Australia and overseas for well over 25 years. I worked with GIO Re Sydney as Senior Underwriter from 2000 - 2009 and also as Director Asia of a premier law firm, Hunt & Hunt Lawyers in Sydney working within insurance environment.

My specialty of work related experience is catastrophe risk management and risk transfer. Within that capacity, I worked for many years as a reinsurer and extensively participated in risk transfer and pricing mechanism.

I personally do not favour the dictum of 'compulsory flood insurance that, I believe, will tend to compare apples with oranges and adopt a policy of "Pay Paul, Rob Peter" approach. Such a system may aggravate the essence of pricing formula of insurance products across the board.

By default, Flood risk produces economic losses; many of it is not insured losses though. This is due mainly to 'Non-insurance or Under-insurance'. The perception of Flood in terms of insurance parlance is different. There is a distinct difference between 'Flash Flood' and 'Inundation'. Where 'Inundation' is restricted to rivers and creeks overflowing their banks due to long duration rainfall over large catchment areas, the 'Flash Flood' is produced by high intensity but short duration storms resulting in localised flooding conditions.

The degree of economic loss caused by 'inundation and flash flood' is highly influenced by 'under-insurance'. The study commissioned by the Insurance Council of Australia on the 1974 Brisbane City flood showed the "economic impact of \$980M being experienced with insured having a cover to a mere \$68M. In 2007 dollar terms, should such a flood ever be repeated, that would have produced a loss of \$1.8Bn - a staggering uninsured loss both for Government and the affected community".

The 'mandatory cover' like a spoon feeding is not a panacea for non-insurance or under-insurance. The decision should be left open to the consumers if they are willing to have an informed decision to protect themselves against potential loss and in that process, must be prepared to have full insurance in one hand and be the 'co-insurer' on the other by adopting an available mitigation process. The principle of risk management must be ensured from within.

Personal line insurance like home and contents should pre-determine the risk to individual homes by gaining access to 'Flood Mapping Data' available from the local councils and other government agencies. History shows approximately 80 per cent of all flood loss occurs within the areas reflected in zone mapping of "flood zones" or "flood overlays". By contrast, commercial insurance of small businesses must adopt a policy of extensive risk management whereby they should identify the risk beforehand and after quantifying its possible impacts in dollar terms, should take a preventive measure to mitigate the loss if not avoid all together. That burden must be taken by the consumers beforehand as it does not seem prudent to pass on to the insurers to force them to charge prohibitive premium to defray the cost.

The solution to address this problem may lie in the following segments:-

- a. to make sure that there is an in-built process to determine the correct level of insured value of risk at periodic intervals during the tenure of insurance.

- b. to allow the consumers to take an informed decision on the rationale of taking a flood cover by making available all the relevant data.
- c. to allow the insurer to create a "Disaster Fund" from the flood premium so collected as Tax Free that will be solely used for mitigating a defined catastrophe.
- d. to create a special agency by the government through a special mechanism of National Disaster Insurance Program and provide disaster insurance through reinsuring the risk from the private sector. Once again, the interest earning from the Fund should be reinvested to the Fund itself whereby the entire fund remains in a tax free environment. An appropriate audit mechanism must underpin the overall fund management to check its propriety and efficacy.
- e. to establish a separate 'national disaster fund' within the above 'national disaster insurance program' that will support the rebuilding of public infrastructure in the aftermath of events such as recent floods.

I thank you for giving me an opportunity to submit my contributions to the panel review.

Kind regards.

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