



ICICI Lombard
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**CORPORATE INDIA
RISK INDEX**

2022

Intelligence partner

FROST & SULLIVAN



**SECTOR REPORT 2022
TOURISM & HOSPITALITY**





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Preface

Corporate India Risk Index is primarily an academic exercise to understand the level of risk that companies are facing and also assist in developing a successful risk aversion plan, CIRI is a first-of-its-kind risk measurement tool to gauge the level of a company's risk exposure and preparedness.

This Corporate risk comprises of various aspects of the business—spanning customer, competition, regulatory environment, business operations, technology finances, environmental factors etc. The impact of unprecedented events is significantly higher now.

This Index is a comprehensive framework that draws upon global risk management best practices and comprises of 32 risk elements across 6 broad dimensions. The Risk Index is based on the principles of Lean and Six Sigma that qualify business processes by measuring effectiveness and efficiency.

ICICI Lombard's Corporate India Risk Index provides a crucial tool for assessing and addressing risks, fostering resilience and adaptability in the ever-evolving global landscape. In the current climate of increasing macroeconomic uncertainties, it is essential for corporates to prioritize robust risk management. We believe that a proactive approach to risk management not only fortifies individual businesses but also contributes significantly to India's overall economic growth and stability.

Executive Summary

India's tourism and hospitality sector is recovering faster despite the major blow of the pandemic situation but is still threatened by factors like rising inflation, geo-political tensions because of the Russia-Ukraine conflict, and the subsequent supply chain problems. Overseas packages became more expensive because of the tax collections at source mandate increasing from 5% to 10%.

Despite challenges, the Indian tourism and hospitality sector is expected to earn 50 billion USD by 2028 as segments like Eco-tourism, Pilgrimage tourism, Heritage tourism, Adventure, and medical tourism seem to be on a steady rise. The presidency of G20 by India also enhances the vision of Indian tourism in global presence, having more than 50 Indian cities hosting 300 meetings around the country.

The Indian tourism and hospitality sector also faces competitive threats from micro un-organized players, financial credit risk for new entrants due to higher NPA industry post-COVID, less interest among investors, and public sentiment issues because of recent natural disasters like landslide, flash flooding, and others.

- **Regulatory Risks:** Regulatory risk is the risk of changes in regulations and laws that might affect an industry or businesses. The regulatory changes can pertain to tariffs and trade policies, business laws pertaining to employment, minimum wage laws, financial regulation, Foreign Direct Investment etc.
- **Foreign Exchange Risk:** The exchange rate plays an important role for firms who export goods and import raw materials. The fluctuations in foreign exchange will have great impacts on the prices of traded goods. For example, if the currency depreciates (devaluation), the exporting firms will benefit. However, the firms importing raw materials will face higher costs on imports. The firms need to hedge their exposure to foreign exchange risks to insulate themselves from the impact from forex changes.
- **Geo-political Tension:** Geopolitical risk means the political and economic risks that are a potential threat to the financial and operational stability of companies.
- **Competitive risk:** Competitive risk is the risk associated with the fact that there are multiple companies competing in the market, each seeking to obtain the highest position and consumer ratings, to gain maximum benefits for themselves. The companies devise different strategies to garner a higher market share and acquire customers from competitors. Any failure in managing the competitive stand could lead to losses in business, thereby making marketing and competition a major risk in market.



Technology Risk

Technology risks are also identified as information technology related risks which may arise due to failure of any installed hardware or software system, spam, viruses or any malicious attack. Also delay/over/under adoption of trending disruptive technologies can lead to technology related risks. We have classified the risks in below mentioned categories.

- **Innovation Risk / Obsolete Technology:** Innovation is the key to success in all the industries. Risk of redundancy and losing out to competition on account of poor R&D is a major concern.
- **Intellectual Property risk:** Dependence on trade secrets and unpatented proprietary know-how.
- **Disruptive Technologies:** These will fundamentally alter the financial prospects of the industry.

Data Compromise: Hardware failure refers to malfunctions within the electronic circuits or electromechanical components (disks, tapes) of a computer system; Software failure refers to an operating system crash. Such failures lead to stoppage of entire computer or operating systems creating substantial losses to business.

Operational and Physical Risk

Risk of losses caused due to faulty or failed processes, systems or human resource related inefficiencies are classified as operational and physical risks. We have classified Operational & Physical risks in below mentioned categories.

- **Critical Infrastructure Failure / Machine Breakdown:** Industries with a heavy dependence on machinery consider any rise in machinery breakdowns a hindrance to their businesses operations. An untimely equipment breakdown can bring businesses to a standstill or be the root cause for fires and explosions. Mostly, human errors and deferred maintenances are the major reasons for such breakdowns. The companies should actively invest in timely maintenance of all machineries.
- **Business Continuity / Sustainability:** Non adoption of Business Continuity/ Sustainability Plans and Lack of Internal Control tools would result in: Failure of businesses, Brand Equity / Loss of reputation, Financial Loss, Business model Failure, Ineffective engagement/communication with stakeholders, Losses in productivity, Lack of opportunity monitoring.
- **Supply chain risk:** Raw Material unavailability and Heavy Dependence on Global Supply Chains / Supplier concentration risk. Unavailability of raw materials owing to disruption in the supply chain or heavy dependency on one source (company/country) which is unable to supply owing to some geo-political tensions, fires, or any other incidents. Transportation is one of the key activities for companies making it an important risk to mitigate. The loss of goods in transit and spillage is one of the major concerns as it accounts for a sizeable loss of revenue to companies.
- **Commodity Price Risk - Volatility in prices of raw materials:** The fluctuations in raw material prices creating a margin pressure / top-line pressure in the scenario of rising input costs.
- **Portfolio Risk:** Loss of key customers, Customer concentration - Key customers accounting for a larger share of revenue, Over-dependence on suppliers, Business Model Risk: Transformative changes in business model, Tail Risks: Ability to overcome or manage extreme worst-case scenarios.
- **Environmental Hazard Risk:** Any environmental hazard having the potential to affect the surrounding environment.
- **Workplace Accident:** Fire and Explosion Hazards, Containment Incidents, Workplace Injuries
- **Human Resource: Key person risk:** This risk occurs when a business or business unit becomes heavily reliant on a key individual. Talent acquisition and retention - The companies require a highly skilled labor force for R&D as well as continuous production. Accessing skilled resources and expertise on an on-going basis is one of the major challenges; moreover, retention of trained staff is imperative. Labor shortages, Union Strikes & Industrial Actions, Employee health, safety, and security (SHE/Sustainability risk).

- **Financial Risk:** Financial Reporting Risk: Material misstatement of Financial Statements, whether due to fraud or error. Interest rates and equity prices: Interest rate risk arising out of working capital borrowings at variable rates. Equity price fluctuations affect the Company's income or the value of its holdings of financial instruments. Liquidity Risk (Credit Risk / Receivables).
- **Breaches of law (local/ international):** Voluntary/ involuntary breaches of law can lead to costly lawsuits.



Crime & Security Risk

Cybersecurity risks relate to the loss of confidentiality, integrity, or availability of information, data, or information (or control) systems and reflect the potential adverse impacts to organizational operations. These attacks can cause major financial losses, reputational harm, and a loss of client trust. Regarding cybersecurity, the BFSI industry in India has several difficulties, including difficult-to-secure legacy systems, a shortage of qualified cybersecurity personnel, and the requirement for ongoing system and network monitoring. There is a significant investment in cybersecurity tools like network monitoring, endpoint security, access control, and threat intelligence. Many organizations are also implementing cutting-edge technology like artificial intelligence and machine learning to strengthen their security posture. Around 7.4% of the attacks in the Asian region were targeted at India in 2022.

We have classified Crime & Security risks in below mentioned categories.

- **Cyber Crimes:** Data Theft, Spam, scams and phishing, Hacking, Malwares and Viruses, Piracy, Fraud, Corruption, Malicious attacks
- **Counterfeiting:** Counterfeiting of goods/services leads to loss of revenues, profits and ultimately affects the brand equity
- Threat to Women Security
- **Terrorism:** Un-lawful use of violence and intimidation, especially against civilians, in the pursuit of political aims.



Natural Hazard Risk

A natural hazard is the threat of an event that will likely have a negative impact. A natural disaster is the negative impact following an actual occurrence of natural hazard if it significantly harms a community. Due to India's geographical structure, it is one of the most disaster-prone countries in the world. Natural hazards like floods, earthquakes, landslides, and cyclones are common risks faced by India. The situation has worsened due to rise in GHG emissions, loss of biodiversity, deforestation, and degradation of environment. From Surat Gas leak to landslides in the north and cyclones in Bay of Bengal, the year 2022 was no exception. Such natural disasters hamper the day-to-day operations of corporates, and it is important for them to understand that such risks cannot go unheeded. Over the years, Indian corporates have learnt to mitigate such risks by diversifying their supply chains, having multiple logistics partners, diversified geographical presence and multiple vendors.

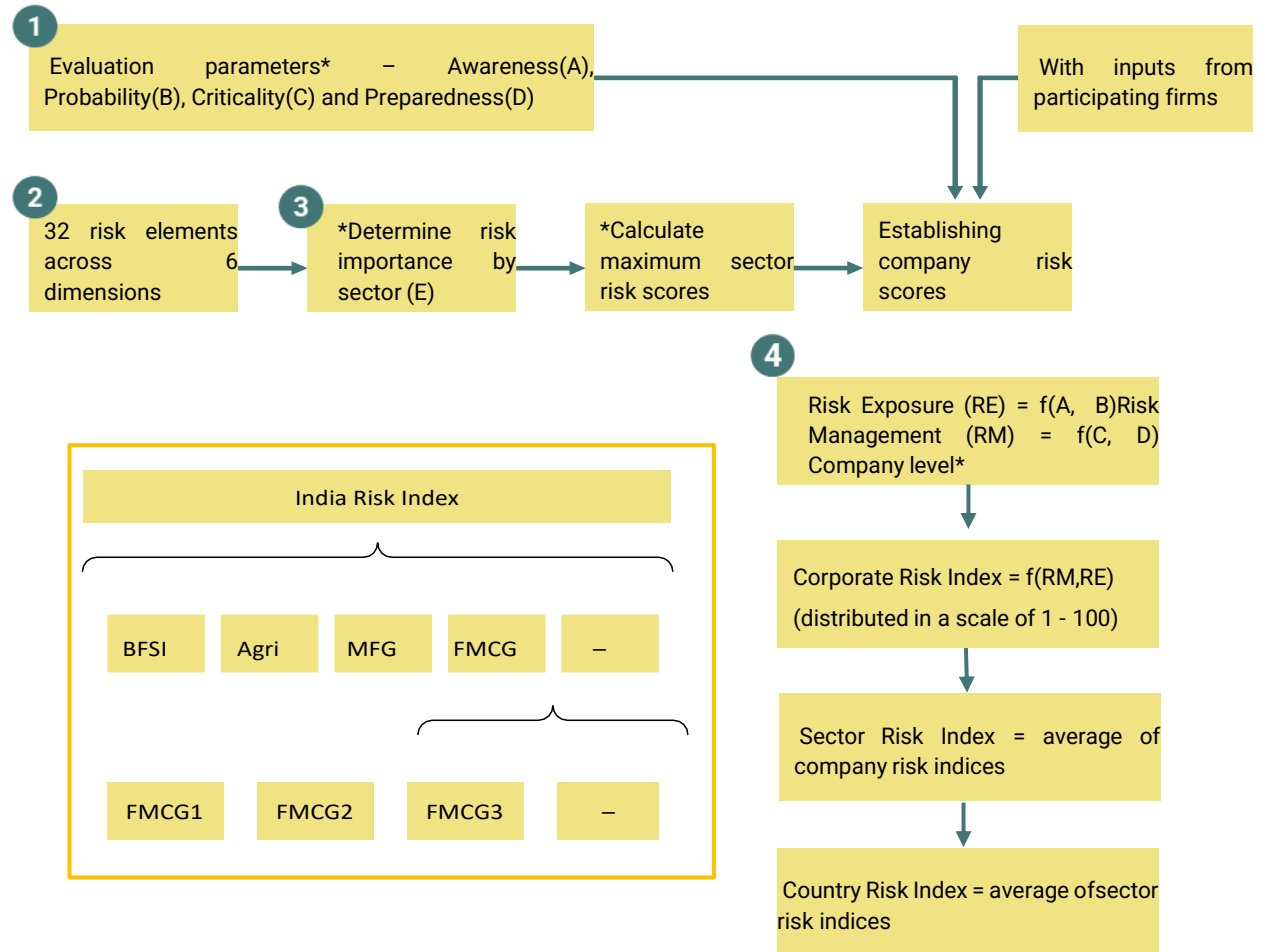
- **Pandemic and other global epidemic diseases:** Risk to business owing to disruptions caused by COVID-19 pandemic and similar another global epidemic.



Strategic risk

- Strategic risk is the risk that failed business decisions may pose to a company. Strategic risk is often a major factor in determining a company's worth, particularly observable if the company experiences a sharp decline in a short period of time. Several factors, such as unethical or unlawful activities, poor customer service, product recalls, data breaches, or unfavorable media coverage, can lead to strategic risk. An organization's reputation can be severely harmed by a single negative incident, such as a high-profile data breach or fraud scandal, resulting in a loss of clients, income, and market share.
- **Resource scarcity / Misutilization / Overall Utilization:** Difficulties in acquisition of land, water, fuel, or other resources for operations of business.
- **Public Sentiment:** Current events playing out in the public scene can change the public sentiment.
- **Delay in execution of projects:** Delays in execution of projects can surge in the capex.
- **Increased number of recalls and quality audits:** Impacts both the brand equity and increased operational expenses.
- **Failed / Hostile Mergers & Acquisitions:** High dependence on inorganic growth.

Bottom-Up Risk Assessment Approach



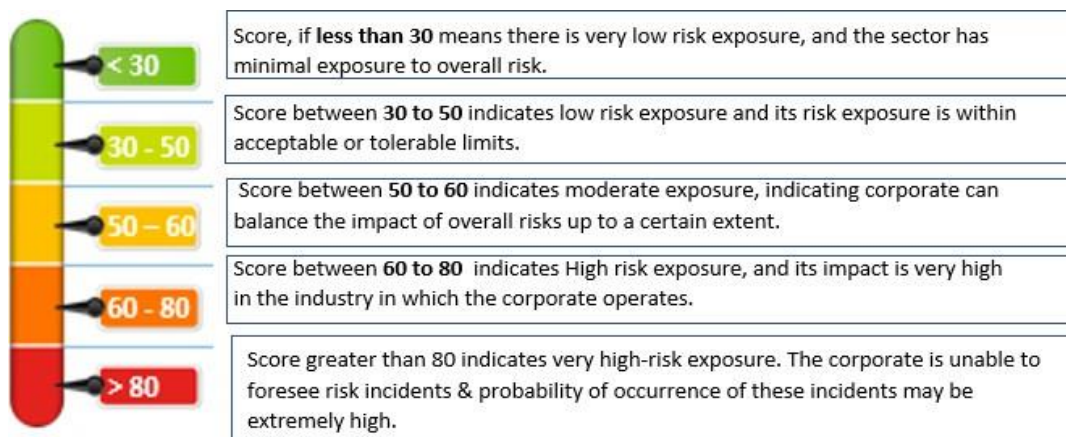
- 1. Evaluation Parameters*:** The index maps the risks faced by any enterprise basis of Awareness, Probability, Criticality and Preparedness against the defined Risk elements. The evaluation Parameters are defined as: Awareness - Level of awareness of potential risk affecting the firm. - Likelihood of risk to affect the business goals of the firm adversely. Criticality - Level of impact of the identified risk on the success of business goals. Preparedness - Risk handling practices/mechanisms already in place to handle the risk.
- 2. Determining Risk Importance*:** Importance/Impact of individual risk element is established against individual sector based on the published corporate risk reports, in depth sector understanding by F&S and SMEs.
- 3. Calculating Maximum Sector Risk Score:** Weighted Sum of all risk elements based on their importance to the respective sector.
- 4. Company Level*:** All the Risk Index scores for companies in a sector are averaged to represent the sector; and sectors average to India. Risk Exposure is defined as the function of corporate's Risk Awareness and Probability of risk occurrence. Risk Management is defined as the function of an enterprise risk preparedness and criticality risk impact assessment.

Defining the Risk Scale

We have selected 20 sectors to understand the current stand of our country today in terms of risk. Risk for various sectors is measured on the risk exposure scale and risk management scale.

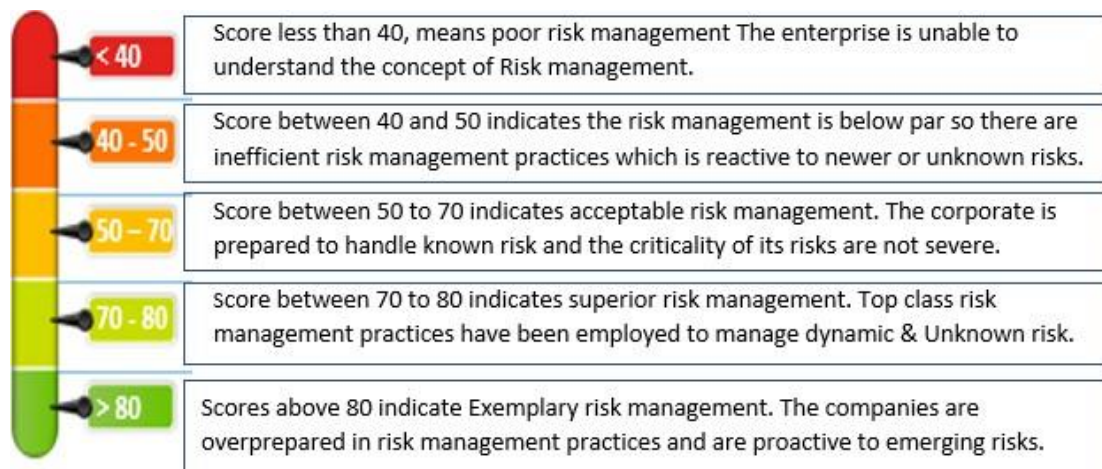
A. ICICI Lombard Corporate Risk Exposure – Scale

Risk Exposure: The impact of any internal, external or strategic occurrence on the financial performance of an organization is defined as the corporate risk exposure. Risk has traditionally been seen as something to be avoided – with the belief that if behavior is risky, it’s not something a business should pursue. But the very nature of business is to take risks to attain growth. Risk can be a creator of value and can play a unique role in driving business performance. Let’s look at the risk exposure scale.



B. ICICI Lombard Corporate Risk Management – Scale

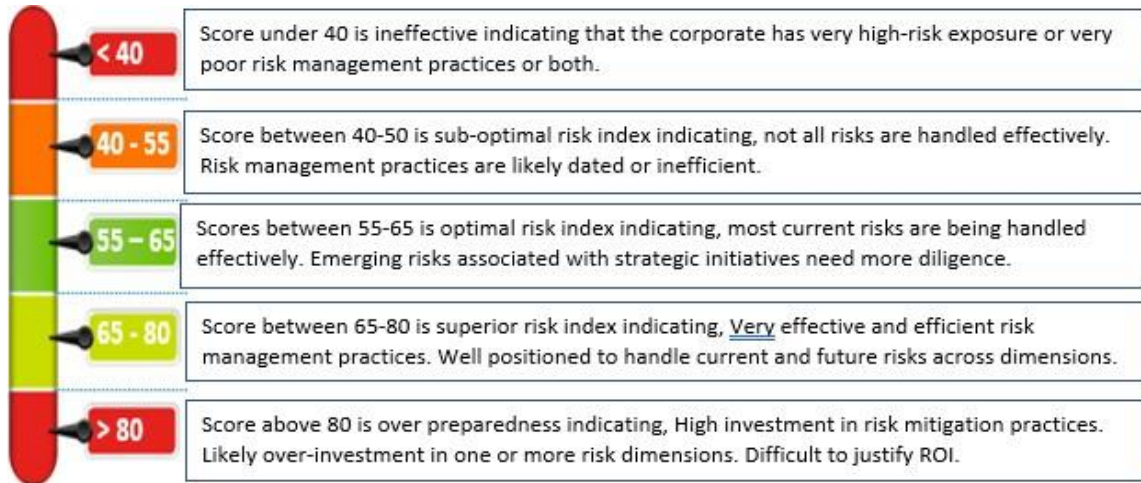
Risk Management: Identification, Evaluation and Prioritization of corporate risks followed by well-coordinated steps to minimize the occurrence of uncertainties in the foreseeable future is defined as the Corporate Risk Management. The risk management scale works in the opposite to that of the risk exposure scale. Let’s look at the risk management scale.



C. ICICI Lombard Corporate Risk Index – Scale

Risk Index: Risk Index is a measurement tool to gauge the level of Risk Exposure against Risk Preparedness. The score intends to give companies/Sector/Country access to an extensive and quantifiable metrics of risk management.

Let’s look at the risk Index scale.



India - Emerging Superpower with Optimized Corporate Risk Handling

Manufacturing sector contribution to India’s GDP in 2022 stands at 17% and is expected to grow to 25% by 2025, the expected growth is attributed to various favorable schemes initiated by Government of India like ‘Make in India’, ‘Digital India’, Improved Road Infrastructure, implementation of modern technologies of manufacturing resulting in optimized and effective production, Also the pandemic has made business realize that they cannot just rely on a single manufacturing hub; hence notion of “China+1” is making the world realize the significance of India. China is in a trade war with the USA, which is positively shaping the role India will play in the global arena.

The below chart showcases the gradual increase in India’s manufacturing exports.

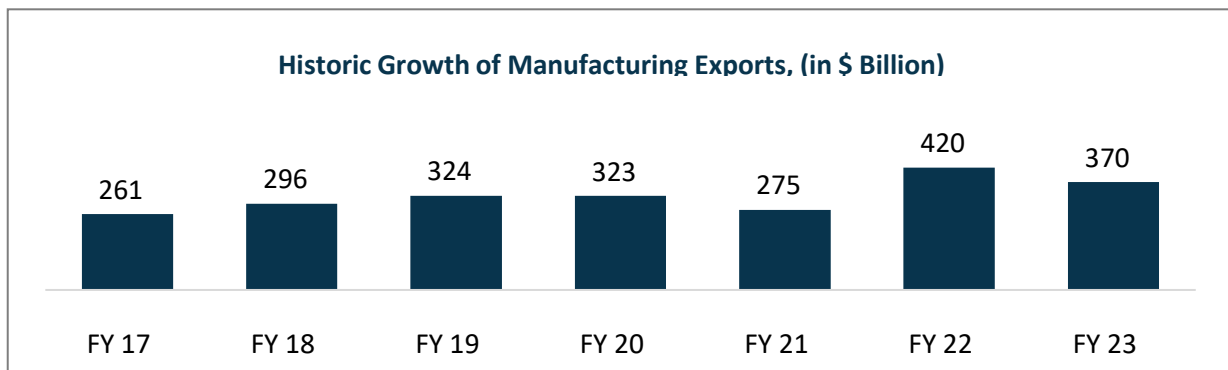


Figure 1: India’s Growth of manufacturing exports. (Source: Redseer)

Indian manufacturing sector is also focusing on electronics manufacturing like mobile phones, industrial electronics consumer electronics, etc. due to government initiatives the production has doubled since 2015.

Aerospace and defense sector in India have evolved significantly, Govt. of India have identified A&D as area of focus due to the belligerent neighborhood, steps like Make in India (Atmanirbhar Bharat) is helping the overall defense sector, however India still remains the largest importer of arms and ammunition, favorable policies and ease in regulations is helping the drone industry in India and many new start-ups and big players are entering in this space.

Urbanization is another phenomenon evolving in India and it is estimated that by 2030 more than 400 million people will be living in cities, due to this megatrend huge push towards realty and infra sector is observed which is also the growth of ancillary industries like metals, cement, water availability, sanitation, mobility etc., the government along with the private sector is working on multiple initiatives to manage the huge inflow.

India has observed a steady adoption towards EVs in recent years, though India adoption still remains very low in comparison to Europe, Canada, China, however all big auto players are coming with new lines of EVs, and significant strategic investment have been made. The adoption is primarily due to lower running

costs, lower maintenance, zero tailpipe emissions, tax and financial benefits by the government, convenience of charging.

BFSI sector in India is showcasing a significant robustness in the time of global crisis, there is a growing demand for financial services as there is a gradual rise in income across income brackets, with a rapid increase in mobile penetration and internet availability more than 2100 fintech companies have emerged in India, the traditional banks are also adopting the digital technologies at a required pace, investment on making the systems secured from cyber threats is utmost priority. Policy support by the government in the union budget 2021-22 is taking up shape and is helping the BFSI sector in 2022 and coming years, like government approval of 100% FDI for insurance intermediaries have increased the FDI limit to 74% from 49%.

Healthcare sector is also continuously growing healthcare has become the one of the India's largest employers, employing around 4.7 million people, though in 2021-22 India only spends 2.1% of its GDP in healthcare, in the union budget 2022-23, US\$ 11.28 billion was allocated to the Ministry of Health and Family Welfare (MoHFW). there is still huge room for improvement in the overall healthcare system in India. Efforts towards having well trained medical professionals in India is top priority. There were exemplary development in the vaccine manufacturing by India, Bharat Biotech Covaxin and Oxford AstraZeneca's Covishield manufactured by SII, helped India get a protection shield against Covid. There is a plan by the government of India to infuse US \$ 6 billion to boost the healthcare infrastructure in India.

The IT/ITes sector is a key engine for fueling India's economic growth and contributing to 7.5% of India's GDP in 2021-22, the Big four IT firms in India have recruited over 1 million employees, As the world is moving towards era of digital economy Indian IT-sector will be contributing significantly towards this journey, the rollout of 5G communication technologies and adoption of new age technologies across industries; like AI, Robotics, Internet of Things will further increase the size of Indian IT sector.

Indian enterprises are also concerned about the risks emerging out of the growing economy and the globalization India is heading towards, its observed that Indian enterprises are taking significant steps towards risk management and keeping budget allocated to implement best in class risk mitigation practices.

India Showcasing an Optimized Risk Handling



Figure 2: Corporate India Risk Index 2022

Corporate Risk Index Score of 63 implies that Indian enterprises are handling the risk in an optimal way but still there is scope of improvement to get into superior risk handling territory, Indian enterprises have a well-defined risk management practice in place for inherent risks, however risk management can be improved further as a potential buffer against potential risk events arising from market & economy, operational and technology related Risk events, openness towards adoption of technology and having a well-defined risk management team was observed across enterprises in India.

Sectorial categorization across above stated five categories, it was found that risk management is getting a paramount importance in the growth strategy of every organization and all the organization fell either into 'Superior Risk Management' or 'Optimal Risk Management' category.

From a risk exposure front the intensity of impact due to market and economy related risks increased due to the heightened inflation, global recession, and geopolitical tensions though from a regulation point the sector specific policies by the government helped the industries. Some of the inherent risks exposure due to the operational aspect did not see a significant change as compared to previous year, however companies are adopting diversification, technologically enabling the supply chain, and creating better hedging against financial related risks, whose results will be seen in coming years.

Below is a broader categorization of sectors in terms of risk index:

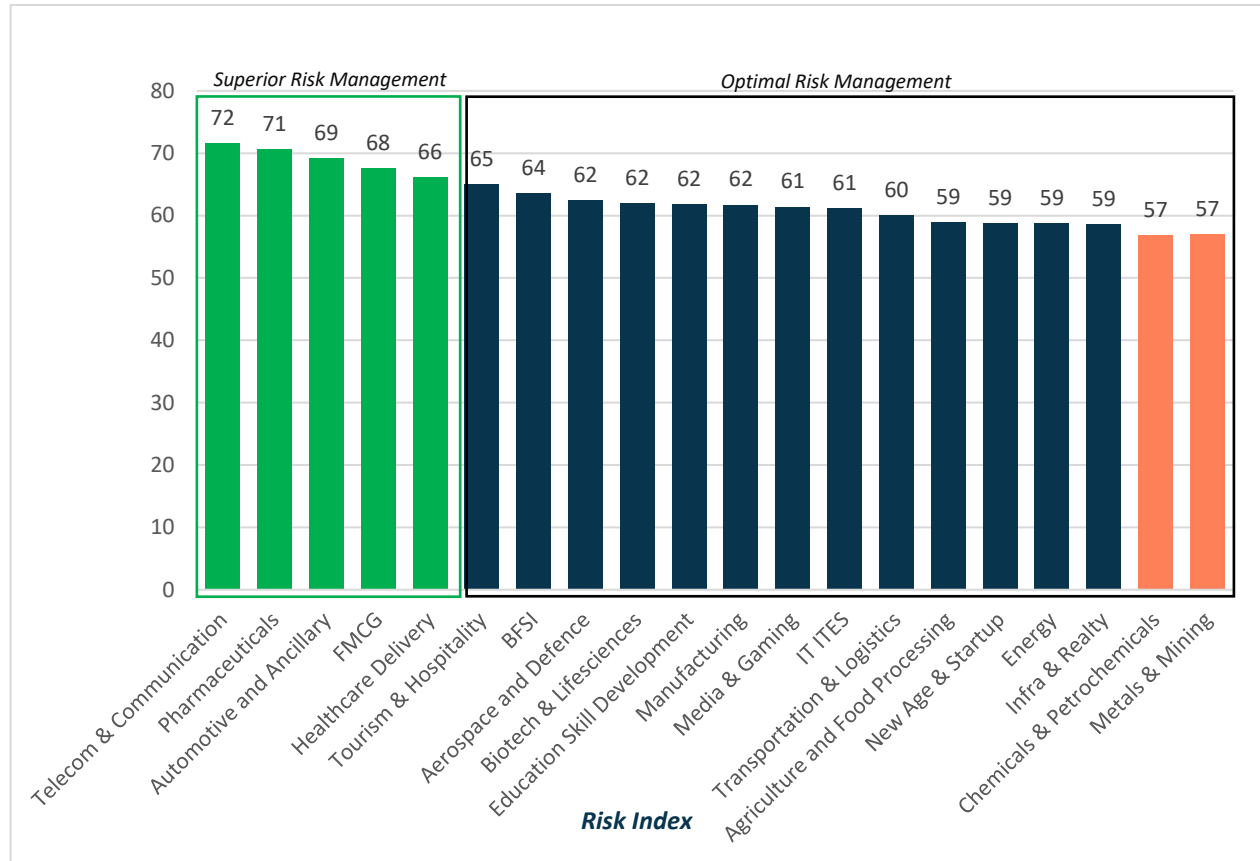


Figure 3: Corporate India Risk Index 2022 Sector Score

Superior Risk Index

Superior risk handling was found in five industrial sectors: Telecom & Communication, Pharmaceuticals, Automotive & Ancillary, FMCG, Healthcare Delivery.

Optimal Risk Index

Optimal risk handling was found in 15 industrial sectors: Tourism & Hospitality, BFSI, Aerospace & Defence, Biotech & Lifesciences, Education Skill Development, Manufacturing, Media and Gaming, IT & ITES, Transportation & Logistics, Agriculture and Food Processing, New Age & Startup, Energy, Infrastructure & Realty, Chemicals & Petrochemicals, Metals & Mining.

Tourism and Hospitality Sector Insights 2022

When it comes to India, the country is full of colours, cuisines, ethnicities, activities and more, making Indian hospitality attract people from around the globe. The country has seen significant growth in foreign visitors since the early 2000s. All these reasons have contributed to making India one of the top ten largest tourism economies globally. Before the COVID-19 pandemic, the tourism and hospitality industry in India was one of the fastest-growing industries in the country, contributing significantly to the country's economy. As of March 2022, India was ranked 6th in the world for the number of outbound tourists.

According to the Ministry of Tourism, Foreign Tourist Arrivals (FTAs) in August 2022 were 498,243, with a growth rate of 437.3% compared to 92,728 in August 2021. The top ten source countries for foreign tourists to India in 2022 were Bangladesh (24.89%), USA (16.93%), UK (10.74%), Canada, Australia, Sri Lanka, Malaysia, China, Germany, and France. In addition to foreign tourists, the domestic tourism market in India is also significant, with millions of people traveling within the country for both leisure and business purposes.

However, the COVID-19 pandemic severely impacted the tourism and hospitality industry in India, with travel restrictions and lockdowns leading to a significant decline in the number of tourists visiting the country. The sector was hit hard, with many hotels and restaurants shutting down and millions of people losing their jobs.

In September 2021, the Ministry of Tourism announced plans to allow international tourists to enter India, and formal protocols are under issue. As the pandemic continues to evolve, the industry is slowly recovering with the introduction of vaccines and the easing of travel restrictions. However, the recovery has been slow, with many challenges still ahead, including changing consumer behavior and preferences, increased competition, and the need for new and innovative business models. Emerging Segments in Tourism and Hospitality include: Eco-tourism , Pilgrimage Tourism , Heritage Tourism , Adventure Tourism , Medical Tourism , Luxury Tourism.

Despite these challenges, By 2028, Indian tourism and hospitality is expected to earn US\$50.9 billion as visitor exports compared with US\$28.9 billion in 2018. Most domestic and foreign tourists visited for leisure holidays (58.21%). Recent notable trends in tourism include Cruises, Camping sites in hilly regions, Staycations and Workcations, and adventure outings.

In 2023, the domestic hospitality sector is expected to increase significantly due to India's G20 Presidency. According to estimates, 50 Indian cities will host more than 200 meetings with these nations' civil society and government representatives in 2023. The summit might host up to 30 state and government leaders from G20 countries and other invited countries.

According to Shri G. Kishan Reddy, the Union Minister for Culture and Tourism, FTA(Foreign Tourist Arrivals) have returned to 75 per cent of their pre-pandemic levels. He anticipated that by the end of the year 2023, the number of international visitors to India will return to its pre-pandemic levels.

Tourism & Hospitality Sector Risk Index 2022 Vs 2021



Figure 4: Detailed Comparative Analysis 2021 Vs. 2022

Tourism & Hospitality Sector Risk Index 2022 Vs 2021

India Risk Index (Optimal Risk Handling): The overall Risk Index for Indian Tourism & Hospitality slightly decreased to 64 from 65 in 2022, this was driven by significant increase in the Technology risk and followed by slight increase in Crime Risks and Strategic risks.

There was no significant change in Market and Economy Risk of Tourism Sector as the industry revived better and is stabilizing with factors of supportive foreign exchange, increased vaccination drives, and reduced pandemic spread. There was a slight decrease in Operation and Physical and decrease in Natural Hazards and Pandemic risk as the industry adapted to mitigate the pandemic situations.

Tourism & Hospitality sector Risk Management 2022 Vs 2021

There was a significant improvement in the Indian Tourism and Hospitality sector Risk Management, as it improved to 71 from 65 in 2022. All the aspects like Market & Economy Risk, Operations Risk, Technology Risk, Crime Risk, Natural Hazard Risk and Strategic risk saw overall increase attributed by innovative steps adapted by the industry and converting their business models to the pandemic situation and diversifying their customer solutions.

Tourism & Hospitality Sector Risk Exposure 2022 Vs 2021

Indian Tourism and Hospitality Sector Risk Exposure went up due to heightened geopolitical tensions due to Russia-Ukraine crisis, global slowdown in GDP growth, all-time low rupee valuation and high CPI inflation. The Risk exposure for India went up to 67 from 62 in 2022. The effect of supply chain issue, increase in oil prices increasing the commodities, increased public sentiment of fear of pandemic spread in developing countries also attributed to the change.

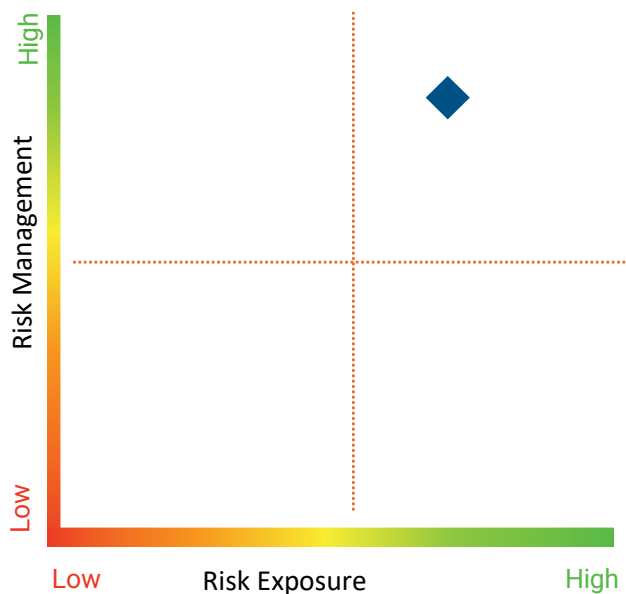
Key Highlights



Risk Dimension Analysis: Market and Economy

Risk Exposure Score: 64

Risk Management Score: 68



Inflation

- The tourism industry is back to pre-Covid growth witnessing higher operating metrics like RevPAR(revenue per available rooms), ARR(average room rate), and ORR (occupancy room rate).
- Second half of 2022 saw huge spike in tourism and hospitality business because of strong demand from wedding, corporate events, meetings, conferences and exhibitions (MICE).
- The sector is facing headwinds from increasing inflation coupled with high labour and borrowing costs and expected to be in similar situation till 2024.

Taxation

- Tax collection at source mandate increased from 5% to 20% negatively affects the overseas tour packages making overseas travel more expensive than before.

Regulatory Risks

- National tourism Policy 2022 is drafted to provide impetus to covid struck tourism department and regulate the fragmented market with local players and travel agent distributors.

Geopolitical Risks

- The G-20 presidency will provide an impetus to showcase India's tourism offerings on the global stage. Around 50 Indian cities will host more than 300 meetings with multi-national government representatives in 2023.

Competitive Risk

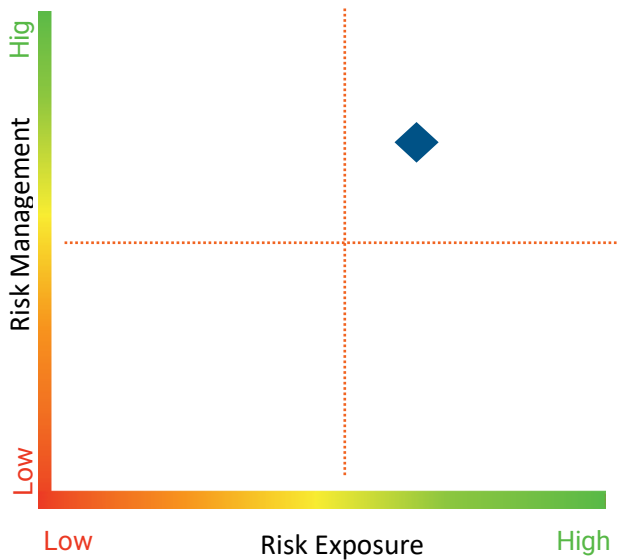
- Being an fragmented market in India, Tourism and Hospitality sector faces significant threat from local players, aggregators like AIRBNB leading to hotel cannibalization. Specifically overseas guests prefer to stay in the aforementioned because of the price sensitivity and local experiences.



Risk Dimension Analysis: Technology

Risk Exposure Score: 67

Risk Management Score: 72



Innovation Risk/ Obsolete Technology

- In terms of digital tools used for trip planning, booking and operations, India is one of the most tech-enabled countries in the world for both domestic and foreign travellers. From offering Tablet-based kiosks, mobile check-in, End-to-End Paperless process, tourism and hospitality companies are finding ways to incorporate latest technology to enhance guests' experiences.

Disruptive Technology

- The hotel industry is starting to make use of diverse data points and identify the patterns and behaviors of guests and get improved decisions in better revenue management, targeted advertising, enhanced customer service, customized features for tourists.
- Blockchain payments are being tested to reduce the complexity of currency conversion.
- Baggage traceability are being introduced with AI and ML systems in major airports.

Data Compromise

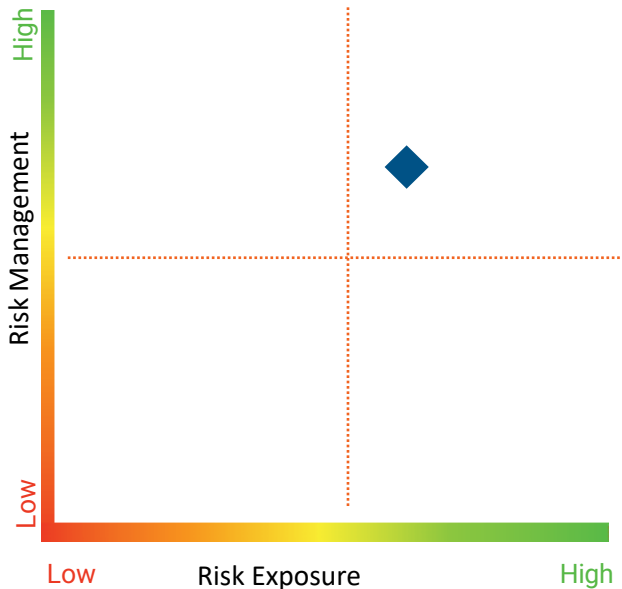
- Reliance on online booking, storing of huge database of guests, shifting to WFH based working model made system vulnerable than pre-COVID levels.



Risk Dimension Analysis: Operational and Physical

Risk Exposure Score: 69

Risk Management Score: 70



Business continuity and sustainability

- Majority of the small operators in the Tourism & Hospitality sector were out of business and only major players sustained in the business. The lockdown which extended till September 2021 still prevents more players entering the sector.

Supply chain risk

- Critical components like Food supply, equipments, Poultry, Liquor, Utensils were affected due to the Russia-Ukraine crisis and local sourcing has been followed by Major players.

- Managing third party contractors (tie-up with local operators) poses threat post-COVID. Majority of the small operators in the Tourism & Hospitality sector were out of business and only major players sustained in the business. The lockdown which extended till September 2021 still prevents more players entering the sector.

Environmental Risk and workplace accident

- Several incidents of polluting (in Himalayan regions) and damaging tourist places were observed and proper regulations need to be implemented to regulate.

Human Resource Risk

- After experiencing about 3 million job losses in 2020, Tourism and Hospitality industry experienced a healthy comeback of 47.6% boost in payroll In 2022 and this trend is expected to grow in 2023.

Financial Risk

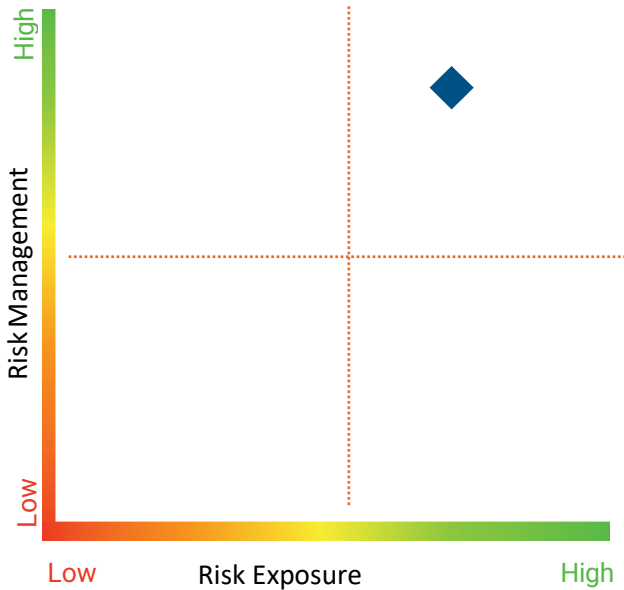
- Market risk from fluctuations in interest and exchange rates makes investments unclear in the tourism sector.
- Cost reduction by the firms considering the pandemic situation and decreased Working Capital.
- Maintenance further burdens the ecosystem.
- Increased NPAs in tourism sector makes credit difficult to upcoming startups.



Risk Dimension Analysis: Crime and Security

Risk Exposure Score: 64

Risk Management Score: 69



Cyber-crimes

- There was a rise of IoT and crypto jacking attacks in travel and tourism sector companies in 2022. Companies were advised to set separate budgets to keep themselves and customers cybersafe.

Counterfeiting

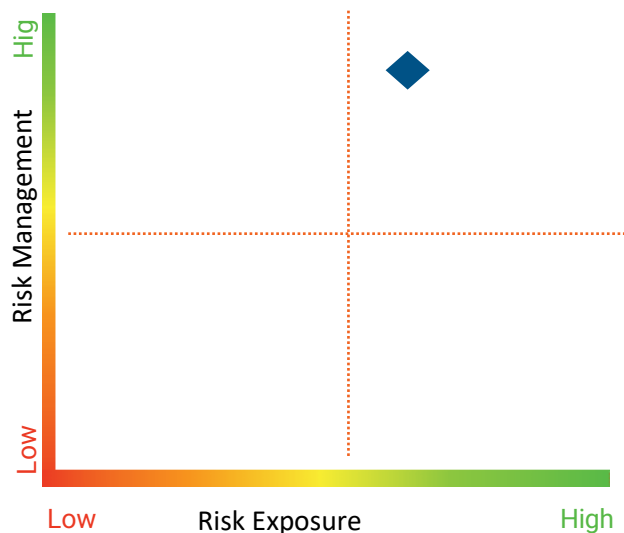
- Local players posing as major players to domestic and overseas tourists caused considerable damage to firms and this has increased post-COVID because of price-sensitivity.



Risk Dimension Analysis: Natural Hazard and Event

Risk Exposure Score: 73

Risk Management Score: 77



Natural Hazards:

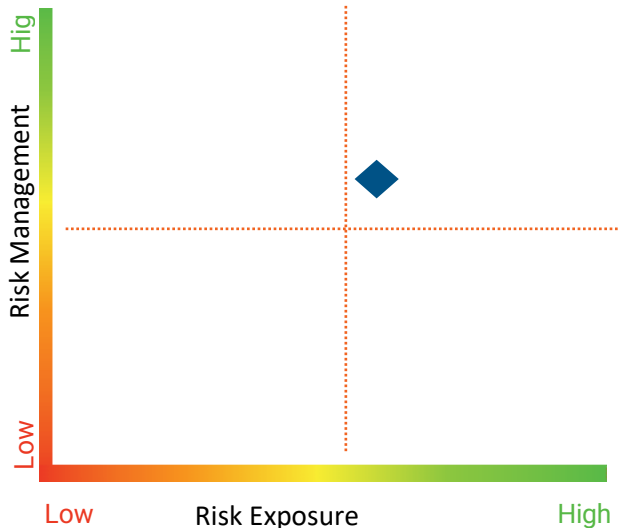
- Glacier slid down in March 2022 in Himalayan areas block the roadways and took days to clear.
- Flash floods in hilly regions caused serious damage to life and property in 2022.
- Pandemic has an adverse effect on the tourism sector and can take years to recover in core functionality aspects.



Risk Dimension Analysis: Strategic Risk

Risk Exposure Score: 67

Risk Management Score: 67



Resource scarcity/ Over Utilisation:

- In 2022, nearly 10 crore tourists, including pilgrims, visited Uttarakhand, which exceeded the region's carrying capacity and caused disastrous impacts in providing services.
- More than 15000 people were permitted to visit Badrinath and Kedarnath, which is almost 3 times the carrying capacity for that particular region.

Public sentiment:

- With mandating sanitization in most of the tourism and hospitality regions, and increased dependency of social media for tourist places reviews, a small hinderance can provide critical damage to firms in tourism and hospitality sector.

ICICI LOMBARD: Key Solution Offerings



Property

- a. Businesses are always prone to risks and fire eruption and fire insurance provides a comprehensive protection against damages caused due to fire explosion and other risks. Besides fire related perils, it also protect damages caused due to any natural calamity, bursting of water tanks, theft etc. The built in covers include alterations or extensions, stocks on floater basis, temporary removal of stock, cover for specific contents, start-up expenses, professional fees, costs for removal of debris etc
- b. **Solutions**
 - i. **Property Loss Prevention exercise** - We have developed the methodology of Property Value Added Services for corporate customers which focuses on technical engagement with detail risk visit, followed by benchmarking of the risk (Industry Risk Profiling).
 - ii. **Fire Hydrant IoT** - Fire hydrant online monitoring devices use IoT to monitor fire hydrants and assure their availability in emergencies. We've helped multiple corporate customers maintain and monitor this important fire safety component in real time.



Marine

- a. We offer specially curated plans for covering the risk of theft, malicious damage, shortage, and non-delivery of goods, damages during loading and unloading, and mishandling of goods/cargo
- b. Marine Cargo insurance primarily covers loss during transit caused due to fire, explosion, hijacks, accidents, collisions, and overturning
- c. **Solutions**
 - i. **GPS Device Tracking:** With the help of our advance GPS devices we can have bird eye view on the consignment and vehicle from anywhere in the world. OurSAAS allows us to track and get the visibility of the vehicle on the basis of our requirements which is fully customizable



Liability

a. **Comprehensive general liability:**

- i. This policy is important for every small and medium sized businesses to protect the insured entity against claims arising out of legal liability where they are held responsible for third party bodily injury or property damage due to insured's business, premises or products. It should be taken by every new business as it covers all risk a business may face.

- b. **Cyber** - With cyber risk steadily increasing, security/ data breaches affect millions of records a year. Cyber Risk insurance coverage is designed to help an organization mitigate its risk exposure by offsetting costs involved with recovery after a cyber-related security breach or similar event.

c. **Solutions**

- i. **Simulated phishing tests** - Simulated real looking phishing tests and record employee behavior to phishing attacks along with training collateral in form of co-brandable posters, infographics and videos
- ii. **Cyber maturity assessments** - Assess the security posture of your organization and identify the potential risks with our assessment based on ISO 27001 Control measures for Information security
- iii. **D&O** - The need of Directors & Officers Insurance is more than ever before. Any breach or non-performance in the duties can result in claims against directors, officers and employees by reason of wrongful act and need to incur various expenses like defense costs, damages or compensation and other incidental costs. This can affect company's growth and performance.



Group Health

- a. Employees are the backbone of an organization and the most valued asset. Our Group health insurance product is designed to offer health coverage to suit employees of all business types ranging from small & medium enterprises to large organizations.
- b. **Solutions:**
 - i. **IL Take Care** - AI enabled mobile app for employees
 - ii. **Health assistance services** - Health Assistance is a dedicated medical care service that assists you in all your health related queries for identifying specialist/hospital/fixing an appointment with doctors/nutritionist /facilitating 2nd opinion
 - iii. **Tele Consultation** – Hello Doctor
 - iv. The insured is eligible to avail unlimited General Physician consultations for routine health issues over the phone by a qualified doctor
 - v. **Diagnostics & pharmacy services** – Book a lab test or home delivery of medicines



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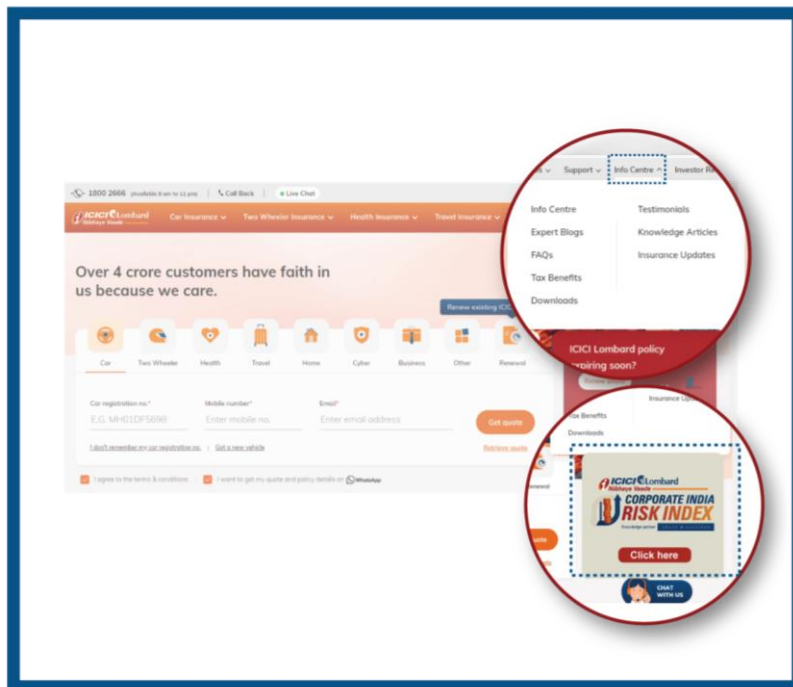


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