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## AN ANALYSIS OF THE RISK CALIBRATION IN ADVENTURE INSURANCE

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### ABSTRACT

Today, adventure insurance is one among the most popular type of travel insurance that covers the risks associated while participating in activities such as bungee jumping, mountaineering, scuba diving, skydiving, etc. Whereby, it offers benefits such as emergency medical expenses, medical evacuation, search and rescue, accidental death, etc. Different plans may have different exclusions, limitations, and conditions for covering adventure sports requiring the buyer to read the policy carefully. One of the challenges that adventure insurer faces is how to calibrate the risk and price of covering different adventure sports. Since adventure sports are diverse and dynamic, it is difficult to assess the probability and severity of potential accidents or injuries for each sport. Additionally, some travelers may engage in multiple sports during their trip, increasing the complexity and uncertainty of risk assessment. Adventure insurance is a growing market that caters to thrill-seekers, offering protection and peace of mind, enhancing travel experiences, and promoting the development of the adventure tourism industry by catering to their needs. Hereby, the paper will critically evaluate the aspects of the uncertainty in the risk covered by the present insurance regime in India.

**Keywords:** Adventure insurance, Adventure sports, Innovative methods, Pricing models, Risk calibration.

## INTRODUCTION

The insurance sector when it was in its initial stages started out with marine insurance, general insurance, and life insurance<sup>1</sup>. Later, several insurances arose because of varying perils and hazards in different Industries. Likewise, the travel industry has been in existence for a long time in fact since ancient times of Vasco da Gama, there has been a recent identification for the adventure cover during the adventure travels<sup>2</sup>. Adventure as a cover is needed and appreciated by travelers. The relevance of Adventure being the subject matter is that all adventure trips include huge expenses and take place in different jurisdictions. For example, a person can take adventure insurance from India for his trip to the U.S. In case of any emergencies or other uncertainties, the trip is canceled, or a sudden medical emergency is required then the adventure insurance comes into the picture wherein they pay the bills. Different kinds of trips include different perils and hazards and adventure insurance promises to cover all those. People desire different ways to celebrate their holidays, some like to unwind on the beaches, while others want to discover new locations by engaging in adventurous sports. Many adventure sports are more appealing to younger generations because they want to keep up their exercise regimen. These people strive to explore numerous adventurous sports like mountaineering, scuba diving, paragliding, bungee jumping, parasailing, and snorkeling throughout their holidays or vacations to experience the greatest adrenaline rush. The number is seen growing in India today. These hazards were not previously covered by personal insurance or travel insurance. Insurance firms see a new market since many Indians are drawn to these kinds of daring activities.

Insurance firms now often cover risks that are clear-cut and quantifiable. A healthy consumer is a delight to the insurer because they are less likely to file claims for illness and death. Bajaj Allianz General Insurance is the first insurance provider in India to offer additional adventure sports protection as part of its Global Personal Accident Plan<sup>3</sup> and for all the needs of adventure seekers are met by this additional sports insurance protection. For vacationers who enjoy a variety of exciting activities, this type of coverage is appropriate. Customers of Bajaj Allianz

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<sup>1</sup>KRISHNAMURTHY, S., INSURANCE INDUSTRY IN INDIA: STRUCTURE, PERFORMANCE, AND FUTURE CHALLENGES 93–120 (Vikalpa 2005).

<sup>2</sup>NIGEL CLIFF, THE LAST CRUSADE: THE EPIC VOYAGES OF VASCO DA GAMA 25 (Harper Collins publishers 2011).

<sup>3</sup> DIGIT, <https://www.godigit.com/health-insurance/gmc-and-gpainsurance#:~:text=A%20Group%20Personal%20Accident%20Insurance,can%20have%20unexpected%20health%20consequences>. (last visited Sept. 24, 2023).

can choose from a range of coverage options, including air ambulance evacuation and accident hospitalization. While many other insurance firms in India only provide air ambulance evacuation, the company also provides its customers with additional uncommon add-ons including fracture treatment, loan protector cover, and EMI payment cover. Most traditional insurance policies are over 40 years old and rarely serve the needs of modern consumers<sup>4</sup>. This new personal accident insurance plan's main goal is to provide something different from customary goods. However here though the subject matter is adventuring the insurable interest<sup>5</sup> arises in case of health or refunds as required therefore, it shall be definite and pecuniary in nature. In India, there have been proper guidelines for Insurance as given by the Insurance Regulatory and Development Authority<sup>6</sup> while enforcing the Insurance Act of 1938<sup>7</sup>. However, the areas or subject matters so far and insurable interest arising have been covered against specific risks and here during adventure travel the risks are countless and there can be any combination of risks. It is therefore a need of the hour to provide a comprehensive guideline regulating this type of insurance.

## **RESEARCH PROBLEM**

The idea of risk coverage during travel has attracted many travelers, especially adventure travelers and that is becoming one of the fast-growing issues in the insurance market. The problem that arises here is that adventure insurance does not specifically cover some of the areas like in Insurance Regulatory and Development Authority (IRDA) and the general definition of adventure insurance, the legality of the insurance, and how well can it be seen according to adventure insurance. It is also not covered and defined under the Insurance Act 1938. The sports activities like kayaking or mountaineering insurance as adventure insurance, has specified and restricted itself to one adventure sport or activity, wherein the risks and uncertainties could be measured to an extent but keeping general adventure insurance to cover all adventure travels and any risk arising out of it is too broad and combinations of risks therein and insurable interest calculation is too difficult, however, one can see the prevalence of general

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<sup>4</sup>GARY S. CROSS, *AN ALL-CONSUMING CENTURY: WHY COMMERCIALISM WON IN MODERN AMERICA* 45 (Columbia University press 2000).

<sup>5</sup>KENNETH S. ABRAHAM, *JUDGE-MADE LAW AND JUDGE-MADE INSURANCE*, VOL. 67, NO. 6 VA LAW REV. 49, 1151-1199 (1981).

<sup>6</sup> CLEAR TAX, <https://cleartax.in/g/terms/irda-insurance-regulatory-and-development-authority> (last visited Sept. 22, 2023).

<sup>7</sup> INDIA CODE, <https://www.indiacode.nic.in/handle/123456789/2304?locale=en> (last visited Sept. 23, 2023).

adventure insurance whereby the problem emerge herein, is that the legality of the adventure insurance being in general and the risks being uncertain.

### ASCERTAINING THE RISK IN INSURANCE

Risk is the potential of loss or an undesirable outcome resulting from a given action, activity, and/or inaction.<sup>8</sup> In addition, potential losses themselves may be called risks. In the case of insurance, the risk depends on probability which is merely a calculation based on possibilities and numbers. Risk is merely a measurable uncertainty and as for insurance risk is the probability of an accident resulting in monetary loss to the insured<sup>9</sup>. Since the concept of monetary losses is involved the risk not only depends on the probability but also the extent of damage the said probable accident could cause for example, if there is a probability that there would be a tsunami or earthquake then the said incident would be classified as a high-risk event cause if the accident occurs the resultant damage would be catastrophic.<sup>10</sup> When calculating the risk mainly the financial aspect of it is to be assessed as the coverage is given as compensation in monetary terms, therefore when the probability is looked at only the probability of occurrence of any negative event which is likely to cause damage resulting in monetary loss is looked at.

As for the case of adventure insurance risk must be measured in terms of monetary values and the monetary values differ cause adventure insurance covers different kinds of activities with different monetary values involved in this on the key factors considered by insurance companies while calibrating the risk factor. Firstly, before calibration begins the sources of Risk are to be identified and then the risk has to be classified, once that is done a clear picture of the assessed risk would appear. This evaluation considers factors including the type of activity, the level of expertise necessary, the amount of physical effort required, the equipment utilized, and the past safety records. Adventure activity-related accidents and injuries in the past might offer important insights regarding the level of risk involved with each activity. Insurance firms to determine the likelihood and gravity of prospective claims use these statistics. Along with participant age and expertise level, they might also consider any safety

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<sup>8</sup> LOS RIOS COMMUNITY COLLEGE DISTRICT, <https://employees.losrios.edu/our-organization/departments-andoffices/risk-management> (last visited Sept. 10, 2023).

<sup>9</sup> ASURANSIPANFIC, <https://www.panfic.com/insurance-knowledge/pengertian-asuransi-dan-risiko/> (last visited Sept. 12, 2023).

<sup>10</sup> Starr, C., Rudman, R. and Whipple, C. 'Philosophical basis for risk analysis', *Annual Review of Energy*, 1(1), pp. 629–662 (1976).

laws or certifications that are in place. The terms and conditions of coverage for adventure activities are determined by underwriting standards created by insurance companies. When determining premium rates, coverage limitations, and exclusions, these regulations consider statistical data and risk assessments. Insurers may charge higher rates or enforce stricter coverage requirements for activities with higher risk.

Generally, there are 2 types of sources of risk, which are Perils and Hazards<sup>11</sup>. Fundamental to risk analysis and insurance underwriting are perils and hazards. When setting premiums and coverage limits, insurance firms evaluate the sorts of risks that are covered by their policies and take into account the existence of hazards.<sup>12</sup> In order to lessen the likelihood or impact of hazards, risk mitigation measures<sup>13</sup> frequently involve detecting and reducing hazards. An insurance provider for a house in a flood zone, for instance, might take into account the potential physical risk posed by a poorly maintained drainage system surrounding the building. They might demand that the homeowner upgrade the drainage system to lower the risk or charge a higher premium to reflect the higher risk that the hazard presents.

Compared to routine activities, adventure activities by their very nature carry a higher level of risk. Extreme physical activity, exposure to unpredictably changing conditions, and dependence on specialist equipment are all risk factors. For instance, skydiving involves the risk of parachute failure or mid-air crashes, whereas mountaineering entails the risk of falls, avalanches, and severe weather. A major source of risk is inherent in the activity itself. The effectiveness of risk management and safety procedures, including emergency response plans, guides' knowledge, and safety briefings, is crucial. Participants' ability to participate in adventure activities safely may be impacted by pre-existing medical issues.

## INSURANCE PERILS

**Natural Perils:** Natural perils<sup>14</sup> mean and include all the naturally occurring events that cause damages or monetary loss like torrential downpours, hurricanes, floods, and any natural calamity which are also called acts of God perils.

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<sup>11</sup> EMMETT J.VAUGHAN,ET. AL.,FUNDAMENTALSOF RISK AND INSURANCE23-27(John Wiley2003).

<sup>12</sup> MARK V.PAULY, UNCERTAINTY IN ECONOMICS 331 (Academic Press 1978).

<sup>13</sup> READY, <https://www.ready.gov/business/planning/risk-mitigation>(last visited Sept. 15, 2023).

<sup>14</sup> CHAUCER, <https://www.chaucergroup.com/chaucer-interviews/natural-perils> (last visited Sept. 14, 2023).

In the case of adventure insurance, these play a critical role as adventure activities are done mainly outdoors which includes travelling in dangerous weather in dicey areas. Here is the adventure cover of Bajaj FinServ<sup>12</sup> taken for reference as adventure insurance. In the policy cover, they mentioned that this policy is to make the outdoors secure for individuals who love adrenaline-pumping adventure activities<sup>15</sup>. Now that they have mentioned outdoor adventure activities and have given examples such as water sports, mountain sports, and racing sports, etc. now that they have given such examples of sports in areas prone to dangerous<sup>16</sup> weather and naturally occurring calamities such natural perils are to be considered while calibrating risk for the specific insurance. Water sports are prone to floods, whirlpools, rains, and other water-related accidents. Whereas mountain areas will have, different kinds of perils therefore natural perils are not the same for all adventure activities.

Volcanic eruptions, fire due to lightning, landslides, cyclones, hurricanes, storms, floods, the vagaries of weather, unseasonal rainfall and prolonged dry spells, hailstorms are some examples of natural risks that can cause losses.

**Man-Made Perils:** These are events occurring as a result of human actions<sup>17</sup> such as theft, riots, etc. Now these are actions of humans and humans are fickle so these can't exactly be accounted for but with historical data can be collected from the target location of the adventure activity for such activities of manmade perils and a forecast can be computed in order calculate the occurrence of such event and then calibrate the risk. Now since the areas of the adventure activities are different the loss occurring will be different in terms of monetary value. Theft, Riots, strikes and malicious damage as well as accidents are some of the examples of man-made perils.

**Economic Perils:** These include inflation and instability of industries as such. In case adventures it may so happen that the adventurers have made bookings in resorts or adventure clubs for any event and due to the instability<sup>18</sup> of the industry the institution closes before the event happens and the adventurers could lose money spent on bookings travelling expenses

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<sup>15</sup> BAJAJFINSERV, <https://www.bajajfinserv.in/insurance/adventure-cover> (last visited Sept. 12, 2023).

<sup>16</sup> MINT, <https://www.livemint.com/Money/DvPLUjk01HwSNO5DaJweIK/Love-adventure-trips-Your-travel-insurance-policy-may-not-c.html.com> (last visited Nov. 5, 2023).

<sup>17</sup> CAIRN.INFO, <https://www.cairn.info/> (last visited Sept. 13, 2023).

<sup>18</sup> ROSEN&COMPANY, [https://rosen-co.com/inswords/eee/e009.htm?~:text=economic%20perils&text=One%20of%20the%20three%20common,or%20obsolescence%20of%20an%](https://rosen-co.com/inswords/eee/e009.htm?~:text=economic%20perils&text=One%20of%20the%20three%20common,or%20obsolescence%20of%20an%20)

etc. Here the adventure insurance would cover the costs to an extent. Hazards do not directly cause the loss like perils, but they are likely to increase the effectiveness or degree of loss. Consideration of Hazards while calibrating and assessing risk is very important as a degree or the coverage of loss is determined by the hazards, the money spent on premium payment, and the insurance amount depends on the hazards involved. Depression, Inflation, Local fluctuations and the instability of industrial firms are some of the examples of economic perils.

**Physical Hazard:** This is one of the relevant hazards as it directly relates to the degree of loss and may even contribute to the occurrence of loss. Physical hazards relate to the physical characteristics as to the application of risk, such as the proximity to risk, physical characteristics, which enhance the probability of the risk for example, security of a store to prevent theft or the proximity of cotton clothes to fire as such.<sup>19</sup> In the case of adventure insurance, this physical hazard would include the gear used by the adventurers and the insurance policy mandates that the adventurers use the gear prescribed by the experts in the field to minimize the risk of injury/death. For example, if a person owns an older building with defective wiring, the defective wiring will be the physical hazard that increases the chance of a fire. Another example of a physical hazard is a slippery road after the rain.

**Moral Hazard:** Dishonesty is the key factor here and is justified by the wealth of the insurer. In the case of adventure insurance<sup>20</sup>, the loss if occurred will be too much for the insured to be dishonest about and the coverage is less compared to life insurance. Even refers to the fault on the part of the insured because of the existence of the insurance. In the case of Adventure insurance Morale Hazard plays the least amount of role because the nature of the activity is such that the adventurer cannot afford to be careless as the adventure's life may depend on it. For example, many motorists know their cars are insured and, consequently, they are not too concerned about the possibility of laws through theft. Their lack of concern will often lead them to lift their cars unlocked. The chance of a loss by theft is thereby increased because of the existence of insurance.

## ASSESSMENT OF RISK IN ADVENTURE INSURANCE

Now, that the different types of perils and hazards in case adventure insurance is identified we

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<sup>19</sup>STEADILY, <https://www.steadily.com/glossary/human-perils>(last visited Sept.13,2023).

<sup>20</sup>PLUM, <https://www.plumhq.com/blog/moral-hazard-in-insurance>(last visited Sept.15,2023).

can look at how the risk can be assessed. In the case of adventure insurance, not all customers go for all kinds of adventure activities, each customer will want adventure cover for a specific adventure activity,<sup>21</sup> and as discussed above each activity will have different perils and hazards attached to it and the monetary values involved in those will also differ.

Bajaj Finserv has kept a cover of Rs.100000/- in case of permanent disability and Rs.200000/-<sup>22</sup>for medical coverage in case of accidents. Now, this is general and is applicable to all kinds of adventures as mentioned in the policy document. In order to Assess and calibrate the risk the specific activity must be identified.

In this case, of adventure, insurance risks are identified and for each customer and the specific adventure activity a plan to control the risk should be formulated and the strategy best suitable for adventure insurance is risk retention and risk control<sup>23</sup>. Now adventurers are taking insurance because they are aware that risks are inevitable in those activities and that they want to protect themselves, therefore, they are retaining the risks now that they are aware of the risks and have retained and fact that their lives may depend on it they will try their best to control the application of the risk by using the gear suggested or prescribed for the specific activity and they will take precaution to minimize the risk as much as possible not only is it advisable but the insurance company mandates it as if enough precaution is not taken or nothing is done to minimize damage then the intention of the insured can be questioned and the insurance company may refrain from compensating the insured.

Ultimately, the Risk calibration and Assessment must be done for specific sports based on the natural, man-made, and economic perils for the purpose of which all the adventure insurance policy documents have specific clauses pertaining to each adventure activity such as for example, under 18 and above 70 are not covered, self-inflicted injury is not covered, accidents due to intoxication is not covered. Unlike the Bajaj Insurance<sup>24</sup>, which provide specific general amount for all, there must be another insurance specific to each activity, which provides different monetary compensation for different activities.

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<sup>21</sup> POLICY BAZAAR, <https://www.policybazaar.com/health-insurance/general-info/adventure-sports-insurance>(last visited Sept.12,2023).

<sup>22</sup> PERSONAL ACCIDENT INSURANCE, <https://www.bajajfinserv.in/insurance/health-insurance-personal-accidentcovers> (last visited Sept. 14, 2023).

<sup>23</sup> TUTORIALS POINT,<https://www.tutorialspoint.com/what-is-risk-retention-and-is-it-a-good-risk-managementpolicy>(last visited Sept.16,2023).

<sup>24</sup> POLICY BAZAAR, <https://www.policybazaar.com/general-insurance/>(last visited Sept. 21, 2023).



Risk is the possibility of suffering a loss or an unfavorable consequence because of a particular action.<sup>25</sup> In an adventure insurance contract, potential losses include covered or insured risks, uninsured risks, and excluded risks. A Change in Risk is a major modification to the type of risk insured. According to conventional law, an insurer may treat the adventure insurance contract as automatically terminating if changed events throughout the period of the policy materially modify the insured risk. The insurance contract liability of the insurer is limited to the specific risk covered by the policy.<sup>26</sup> Even though the loss was not caused by the adjustment, the insurance company can avoid the policy after it occurs and will not be held responsible. The impact of a change on any policy depends on whether the policy expressly forbids change.

The adventure altered in the risk is the event that is insured against it, mainly depends on the insurance's subject matter and the surrounding circumstances, and insurers base their decisions on how the subject matter and surrounding circumstances stood at the time the policy was issued. The subject matter and its circumstances are therefore described in the policy, which serves to define the risk assumed by the insurers. Any changes made during the policy's validity that have an impact on the subject matter or its circumstances as described constitute an alteration of the risk because the insurers' original state of knowledge is no longer entirely true.

No risk change if the change, despite first seeming to be a risk change, is not a risk change at all but rather one that, based on the accurate interpretation of the policy, might be assumed to have been in the parties' minds when they joined the contract. Likewise, no risk change where the change does not affect the description in the policy, even if it increases the risk. The Risk alteration in adventure Insurance is the changes in the insurance's subject matter, including changes in circumstances and the way the insured uses the insurance's subject matter.

Sometimes a change is a result of making the policy no longer applicable. When the subject matter's identity is obscured<sup>27</sup>, something happens. In some circumstances, the consequence is just a suspension of the policy's action. Where the policy no longer applies-

When a change renders the subject matter no longer resembles what is specified in the policy,

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<sup>25</sup>SIMPLILEARN, <https://www.simplilearn.com> (last visited Nov. 05, 2023).

<sup>26</sup>MCMINN LAW FIRM, <https://www.mcminnlaw.com>(last visited Nov. 05, 2023).

<sup>27</sup> FUTURE GENERALI,<https://general.futuregenerali.in/lifestyle-insurance/cover-for-sports> (last visited Sept. 12, 2023).

the risk is not so much changed as a new risk is substituted, and the policy no longer applies because the insurers have never taken on the new risk. If the change only prevents the policy from being in effect in some circumstances, the modification only suspends the policy's operation while it is being made, without impairing its validity. Whenever the policy specifically states such a condition, the parties want for the policy to only be suspended and not avoided. A policy that is only meant to apply in certain situations automatically expires when those situations change, depending on the situation.<sup>28</sup> If the original position is later restored, the issue of whether the modification terminated the policy or just suspended it during the modification may come up if an accident occurs in the original location or under the original conditions. The answer to the query depends on the interpretation to be made of the specific policy's language. The policy is avoided and does not reattach when the original position is restored if the language used amounts to a condition adjustment<sup>29</sup>. However, in other circumstances, it is obvious from the nature of the subject matter that the modification must have been within the parties' comprehension, and the policy attaches as a result. The statements in the description define the risk assumed by the insurers and provide the standard by which any subsequent alterations are to be measured in Adventure Insurance.

In cases where there are no stated condition changes -A statement in the description's impact relies on whether it should be interpreted as a further representation or as a contract that the circumstances will continue as described for the length of the policy when there is no clear constraint against alteration. If interpreted as a mere representation, a statement in terms of the future only represents an intention that was honestly entertained at the time the policy was written. It does not prevent the assured from changing his intention and, as a result, causing a change in the circumstances described<sup>30</sup>.

The assurance that the circumstances would remain as specified is interpreted as a contractual commitment, and any alteration is forbidden. If taken as a representation, a statement that is not in terms of the future is fulfilled as of the policy's effective date and is unaffected by any subsequent changes; however, if the statement is contractual, it must be taken as co-extensive

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<sup>28</sup> FISCAL POLICY: TAKING AND GIVING AWAY, IMF, <https://www.imf.org/en/Publications/fandd/issues/Series/Back-to-Basics/Fiscal-Policy>(last visited Sept. 13, 2023).

<sup>29</sup> JURGEN HABERMAS, RECONCILIATION THROUGH THE PUBLIC USE OF REASON: REMARKS ON JOHN RAWLS'S POLITICAL LIBERALISM, Vol. 92, No. 3 J Philos 23, 109-131 (1995).

<sup>30</sup> WORLD NOMADS, <https://www.worldnomads.com/row/help/insurance/buying-travel-insurance/cover-foractivities-sports-and-adventures> (last visited Sept. 16, 2023).

with the risk, unless there is something to limit its duration, and any change in the circumstances added during the policy's validity is prohibited. Injury coverage from ICICI Prudential is only offered to customers who participate no more than twice per year. According to Bajaj's standards, qualified personnel must supervise each participant. The firm is adamant that only winter sports and mountaineering activities that often involve ropes or guides are permitted for policyholder participation. Gorakhnath Agarwal, the chief actuary of Future Generali Life Insurance, claims that the company does not provide a personalized policy. The premium is higher since there is a higher chance of injury or unintentional death. A 30-year-old traveling for 15 days outside the US and Canada gets charged Rs. 711 under Cholamandalam's silver plan for \$100,000 insurance.<sup>31</sup> The cost rises to Rs. 2,133 when adventure sports coverage is added.

After collecting an additional premium, Future Generali provides standard insurance. Extreme sports fans are required to declare their interest while requesting life insurance. Insurance might be refused or priced more in accordance with the risks associated with the insurer. A claim might be turned down if an insurer learns during an investigation that you enjoy taking risks. To protect against the possibility of losses, financial protection measures like insurance and reinsurance are both used. Losses are avoided by shifting the risk to a third party who will then pay an insurance premium as compensation for taking on the risk. Though they are employed somewhat differently from one another, the concepts of insurance and reinsurance are similar. The reinsurance contract<sup>32</sup> is a detailed document with numerous terms. Each provision of a reinsurance agreement has a distinct history and function. It is not surprising to learn that the courts have carefully defined the meaning of a certain contractual clause in a reinsurance contract within a vast historical body of case law.<sup>33</sup>

Because the amount for which a reinsurer may be required to reimburse the reinsured is inextricably linked to the type of risk that has been reinsured, the delineation of each specific risk is<sup>34</sup> a vital component of a reinsurance agreement. In insurance terminology,<sup>35</sup> "hazardous

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<sup>31</sup>THE ECONOMIC TIMES, <https://economictimes.indiatimes.com/wealth/insure/an-adventure-sports-personsguide-to-insurance/articleshow/7211267.cms?from=mdr> (last visited Sept. 22, 2023).

<sup>32</sup>IRMI, <https://www.irmi.com/articles/expert-commentary/adventures-in-contract-wording-jury-still-out-onmeaning-of-sole-judge> (last visited Sept. 29, 2023).

<sup>33</sup> IRMI, <https://www.irmi.com/term/insurance-definitions/insurance> (last visited Sept. 25, 2023).

<sup>34</sup> IRMI, <https://www.irmi.com/glossary> (last visited Sept. 19, 2023).

<sup>35</sup> Definition of Hazardous Avocations – is the risk activity or hobby that is considered a risk for Insurance purposes.

avocations” have so far fallen short for the same reason. Due to the lack of reinsurance covers for these risks, most private general insurers do not provide coverage for professionals or amateurs.<sup>36</sup>

As a result of the country’s robust economic growth, more and more Indians are becoming avid participants in adventure sports. The trend is aided by the topography and demography of the nation. Rock climbers can choose from a variety of mountains, rafters from a variety of rivers, and divers from a variety of coastlines. The growing popularity of adventure tourism among India’s youth is being fuelled by their rising affluence. Although their business practices are irregular, public sector general insurers also provide coverage for professionals and hobbyists. According to Mr. Agarwal of Optima Insurance Broking, “Some branches of a particular company may provide the cover because the person selling it understands the risks of such sports, while other branch officials may deny customers.”<sup>37</sup>“Such sports are not covered by us as a hobby”. The chief of operations at Future Generali India Life Insurance, Balaram Sarma, claims that if a person participates in such sports, say once or twice a year, and an unfortunate incident (loss of life) occurs, we compensate. Large insurers have a better understanding of the hazards associated with extreme sports because this market is still in its infancy. We still don’t yet have enough information in India to determine a premium or include these sports in our coverage for people who participate in them professionally or as a hobby.<sup>3839</sup>

According to Bajaj’s standards, each participant must be supervised by qualified personnel.

The firm is adamant that only winter sports and mountaineering activities that often involve ropes or guides are permitted for policyholder participation. Adventure sports can be routinely engaged in by policyholders of the company, but they must notify the company<sup>40</sup>.”We will charge an additional premium for the life cover. “In addition to being more expensive than standard coverage, premium expenses are also greater due to the nature of adventure sports.

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<sup>36</sup> THE ECONOMIC TIMES, <https://economictimes.indiatimes.com/topic/reinsurance-rates> ( last visited Sept. 21, 2023).

<sup>37</sup> THE ECONOMIC TIMES,<https://economictimes.indiatimes.com/topic/reinsurance-market>( last visited Sept. 17, 2023).

<sup>38</sup> THE ECONOMIC TIMES, <https://economictimes.indiatimes.com/marketstats/pid-1007,industryid->

<sup>39</sup>,[;industryname=Insurance%20-%20Reinsurance,exchange-NSE,sortorder-desc,sortby-percentChange.cms](https://economictimes.indiatimes.com/marketstats/pid-1007,industryid-;industryname=Insurance%20-%20Reinsurance,exchange-NSE,sortorder-desc,sortby-percentChange.cms) ( last visited Sept. 22, 2023).

<sup>40</sup> BAJAJ ALLIANZ,<https://www.bajajallianzlife.com/>( last visited 29 Sept. 28, 2023).

For instance, bungee leaping commands a greater price than scuba diving. Adventurers pay 30–40% more than those with standard plans, according to Oriental Insurance.<sup>41</sup>

*Adventure Motorsports Reinsurance, Ltd., et al. v. Interstate National Dealer Services Against*<sup>42</sup> (“INDS”), in favor of Southern Mountain Adventures, LLC (“Dealer”) and Adventure Motorsports Reinsurance Ltd. (“Reinsurer”), an arbitration award was made. The Georgia Supreme Court granted certiorari review to determine whether the Court of Appeals erred in overturning the trial court’s decision to confirm the arbitration award. The dispute originated from the parties’ contractual arrangement, under which the Reinsurer held monies in reserve to cover covered repair claims while the Dealer marketed motorsports car service contracts to Dealer’s retail customers. These contracts were underwritten and handled by INDS. Because the arbitrator blatantly ignored the law when making the judgment, the Supreme Court determined the Court of Appeals erred in overturning the confirmation of the award.

The Court of Appeals’ decision to revoke the order confirming the arbitration judgment was overturned by the Supreme Court on that ground, and the case was returned for consideration of INDIS’s claim that the arbitrator exceeded his power by issuing the award. The Court of Appeals’ ruling in the Case dismissing the Dealer and Reinsurer’s appeal of the trial court’s refusal to impose a delayed-payment penalty stipulated in the arbitration judgment as moot was overturned by the Supreme Court, and the case was remanded for further consideration of that matter.

## **CONCLUSION AND SUGGESTIONS**

A thorough understanding of the sources of risk connected with adventure activities is necessary for the complex task of analyzing the risk calibration in adventure insurance. The overall risk profile is influenced by the nature of adventure activities, participant factors, equipment and gear, environmental factors, safety standards, human factors, and the possibility of medical emergencies. Each adventure activity should be thoroughly analyzed for risk by insurance providers. As far as insurance is concerned, the term risk is associated with the

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<sup>41</sup> ORIENTAL INSURANCE, <https://orientalinsurance.org.in/sports-insurance-policy> ( last visited Sept. 28, 2023).

<sup>42</sup> JUSTIA LAW, <https://law.justia.com/cases/georgia/court-of-appeals/2022/a20a0037.html> ( last visited Sept. 29, 2023).

monetary value behind the subject matter and anything, which can be measured in terms of monetary value, can be considered for insurance. In the case of adventure insurance, there are many different variables involved with the subject matter as different customers ask for insurance for different adventure activities and not all are the same as we have seen each adventure activity will have risks that may be altered. Firstly, in order to insure, the risk must be calibrated and assessed based on the different perils and hazards applicable to that specific sport for which the insurance is being sought by the customers and then account for alteration of risk for which the insurance companies may provide for warranties in case of alteration of risk i.e., there may be certain promissory warranties offered in place of the doctrine of alteration of risk which can be an effective risk control measure.

The Following Suggestions can be given -

- I. By completely assessing the risk -The specifics of the activity, historical information on accidents and injuries, participant experience levels, and environmental factors should be considered in this evaluation. The basis for precise risk calibration is a thorough risk assessment.
- II. Risk Mitigation measures -In order to lessen the likelihood and severity of accidents or injuries, promote and enforce risk mitigation measures. This may involve the need for safety training, the use of approved tools, adherence to industry norms, and observance of safety laws. The establishment and promotion of best practices for risk mitigation can be assisted by cooperation with adventure companies and industry associations. By encouraging participants in adventure activities to learn about the dangers involved and the value of having adequate insurance coverage and encouraging them to consider safety first, weigh options carefully, and comprehend the details of their insurance policies.
- III. By monitoring ongoing risk factors -To establish uniform safety standards and practices, encourage cooperation between insurance companies, adventure companies, industry associations, and regulatory bodies. The adventure insurance sector can benefit from better risk calibration through the exchange of information, best practices, and safety guidelines. Insurance companies can improve their capacity to precisely gauge

and assess the risks connected with adventure activities by putting these recommendations into practice.

- IV. By creating awareness - This will enable them to provide adequate coverage, effectively manage risk, and offer participants the necessary security in the event of mishaps or injuries. In this case, there is another method of coverage, which is reinsurance. Now in cases where the insured dies or gets severely injured and is hospitalized and if that person has health insurance and life insurance as well then, the subject matter and risk which were assessed and calibrated for both the life insurance and adventure insurance becomes the same therefore it may act as a reinsurance.

In India currently, there are no laws existing that could properly govern adventure insurance as it is a fairly new insurance and throughout the times when new insurance has approached the insurance market the government has taken measures to govern it as well therefore this insurance also has scope to be governed by the laws of the country through creation of the adventure insurance rules by the insurance regulatory authority of India.