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A global NGO and its Indian peer are giving women workers in India a parametric cover against heatwave, the first of its kind in the world.

It all started with a meeting last year between two social-sector Samaritans working in two different parts of the world. Kathy Baughman McLeod, CEO of Climate Resilience for All (CRA) was introduced to Reema Nanavaty, director of SEWA (Self Employed Women's Association) by one of the funders of the former.

As it turned out, the global NGO and its Indian peer had a common interest. At that time, CRA was delving deeply into the disproportionate effects of heatwaves on women's health and income, while SEWA, with its 50 years of service to informal women workers, was trying to figure out how it can safeguard its members from the impacts of extreme heatwaves.

Some serious brainstorming and long meetings later, the two organisations came up with a unique solution – a parametric cover against heatwaves, the first of its kind in the world.

“The devastating and deadly effects of extreme heat need solutions right now – especially for women who are disproportionately impacted. When women are the backbone of the families and invest most of their earnings in their communities – solutions must focus on supporting their health and income during extreme heat events,” says McLeod, the architect of the unique initiative.

Last year, 21,000 female workers of SEWA were provided with the innovative heat cover out of its total of 2.9 million members. This year the number has gone up to 50,000. CRA and SEWA jointly pay the premium on behalf of these women.

SEWA did have insurance for health, medication and accidents for its members. But with the rising temperature, providing some cover against scorching heat was necessary.

Women labourers are particularly vulnerable to extreme heat during the intense summer months, which can adversely affect their health. While avoiding exposure to high temperatures can prevent health issues, it also results in a loss of daily wages. Therefore, the parametric-based weather Insurance provides a critical risk solution by compensating for the loss of income due to extreme heat events.

“We have been experiencing heat waves for the past three-four years. When temperature rises, it reduces the working hours of our members by two-three hours. It reduces their income by 30%-50%. Finally, it leads to several health issues and worsening health outcomes. As a result, it affects education of their kids since members are forced to pull their children out of schools,” says Nanavaty.

While SEWA and CRA are now aiming to reach more women, the initial job of finding out an underwriter for the parametric insurance wasn't easy. Finally, the help came from ICICI Lombard with Swiss Re as reinsurer. SEWA's reputation, trust from its members, best-in-class medical team, and the sophisticated operation meant that it could move into implementation quickly in time for the coming heat season.

On the other hand, CRA brought its extreme heat insurance and finance expertise, strategic communications and early-warnings experience, fundraising, and a global network of scientists, on-the-ground practitioners, policymakers, and community leaders to the partnership.

CRA took the conversation from there, as it was already working to relieve the crushing effects of heat on the salt-pan workers in the Rann of Kutch. Its CEO had several calls and quickly put a plan together to identify the other trades within SEWA that are most heat exposed.

Swiss Re, which has been building parametric solutions for vulnerable populations and communities for decades in partnership with governments and civil society, and ICICI Lombard, which is a longstanding Indian insurer familiar with parametric cover, came along for this innovative product.

In May 2023, ICICI Lombard, in collaboration with Swiss Re, first launched a parametric-based Weather Insurance Policy covering high-heat events for 50,000 women labourers associated with SEWA across 22 districts in Gujarat, Rajasthan, and Maharashtra. This time, the policy period is from April 2024 to March 2025.

How the heat insurance works

Generally, the insurance protection is available in an indemnity form for which both survey and assessment are mandatory before settlement of a claim. In contrast, there is no need of conducting a survey or even assessment in case of a parametric or index-based cover and the claim is settled instantly.

As per the parametric cover, the beneficiary gets a cash layer of INR400 when the day's temperature goes as high as 40 degrees Celsius. Once the temperature crosses 43 degree Celsius, the women beneficiaries get payout in the range between INR535 and INR1,800 depending on the severity of the heat.

For instance, in Ahmedabad, the temperature trigger is set at 43.6 degrees Celsius. As of May 31, the policy has triggered claims amounting to approximately INR2.90 crore, against a total premium of INR1.89 crore, benefiting around 46,000 labourers (with about 45,000 from Gujarat and the rest from Rajasthan). Last year, ICICI Lombard implemented a similar policy with a total premium of INR1.76 crore, covering 21,000 women labourers from May 2023 to June 2023. However, no claims were triggered under the previous policy.

“We had provided the parametric cover against the heat waves to the workers hailing from a particular community in 22 districts in Gujarat, Rajasthan and Maharashtra. Swiss Re is the reinsurer for this cover. If the heat wave crosses the threshold for two specific days, you will get 50% of the sum assured. However, in case it crosses for three days and more, you get 100% of the sum assured in the form of a claim. But the variation may happen multiple times during a policy period, when the threshold is breached. So, there is a per-day limit of the claim that too the number of days is restricted to a certain period,” says Gaurav Arora, chief-underwriting, claims property & casualty, ICICI Lombard.

As the insurance cover gathers steam, Nanavaty hopes the coverage will increase, too.

“Our intent is that this insurance programme, plus cash support – combined with women-focused early warnings, protective equipment, and other cooling actions – can be scaled quickly to millions of women and their families. Women need opportunity and choice, and this initiative shows the promise of offering both”, McLeod says.

Rupaben Vahiya, a head-loader from Ahmedabad and a beneficiary of the scheme, swears by the cover she gets during extreme heat days.

“The money received from the payout will be used to buy lentils, grains, and wheat flour, so that I can at least ensure that our children have something to eat”, she says.

Munniben, a home-based worker in Ajmer says the recent extreme heat heavily affected her health but she didn’t seek treatment due to high medical costs. “We usually cannot afford the necessary treatments due to our nominal earnings and livelihood losses. Also, the indoor heat makes it difficult for us to work. But with this payout, I could seek on-time medical care without out-of-pocket expenses,” says Munniben.

Parametric risk-financing solutions-across the globe@2x A bigger cover in the making

Besides NGOs, the government is initiating parametric and hydroelectric insurance pools for enhanced disaster protection.

The National Disaster Management Authority (NDMA) is working on one such initiative. The reason is simple. The biggest impact of any natural calamity is on the poor who are unable to pay premium for such insurance policies. National reinsurer GIC Re has done due diligence for the project. Other insurers are also joining the bandwagon. The important thing being looked into is the interplay between premium payout and durability.

The process for pricing parametric products@2x

“As a national reinsurer, we will be supporting and fully involved in the parametric cover whenever it comes into being. If the traditional capacities are not available, then it could take the shape of a pool or even a CAT (catastrophe) bond,” says GIC Re chairman and managing director, N Ramaswamy who is a member of one of such NDMA panels.

The only problem is that even CAT bonds are losing their charm in the international markets due to the ever-increasing climate change-related risks.

Tata AIG GI has done a pioneer job by providing parametric cover for the people of Nagaland against the excessive rainfall during 2018-2021.

Yet another non-life insurer, SBI General, is also mulling to have a parametric cover in its bouquet of offerings. Bajaj Allianz General Insurance Company is providing parametric cover for weather-based crop insurance in states like Maharashtra in the current year and Andhra Pradesh and Chhattisgarh in the last financial year.

“This year so far, we haven’t received any claims under the segment,” TA Ramalingam, chief technical officer, Bajaj Allianz General Insurance says.

India has faced several natural calamities and there are possibilities of the same calamities in future too.

“Considering that less than 1% homes in the country are insured as on date, it is important to develop parametric insurance products to substantially increase the coverage of homes in India,” says CR Vijayan, former deputy secretary general of General Insurance Council.