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Parametric insurance can help cushion climate-linked blows

A RECENT REPORT highlights that India experienced extreme weather on nearly every day of the first nine months of 2025, heatwaves, storms, floods, and landslides left a deep human and economic impact. Nearly 4,000 lives were lost, 9.5 million hectares of crops destroyed, and almost 100,000 homes ruined. Each statistic reflects a story of hardship and uncertainty.

Government relief plays a role but cannot fully address the massive gaps left by large-scale disasters. Insurance, especially parametric insurance, emerges as a critical lifeline, supporting recovery in such cases.

Parametric insurance

Unlike traditional insurance, which requires a detailed assessment of losses, parametric insurance relies on measurable data triggers such as rainfall levels and temperature. Credible data sources like the Indian Meteorological Department, Era5, etc., provide the necessary information.

This approach simplifies the claims process and ensures quicker payouts. For instance, if a policy is set to pay out when rainfall exceeds a certain level, the payout is automatically triggered once that level is reached, regardless of the actual damage.

Typically, the payout is made in two ways: Strike and Exit. Under strike, when the weather parameter (rainfall or temperature) exceeds the predefined threshold, a proportionate percentage of the sum insured is paid. Under exit, when the weather parameter exceeds the predefined maximum threshold, the full sum insured is paid to the policyholder.



AMARNATH SAXENA

States like Nagaland have pioneered government-backed parametric insurance, while insurers now also offer products for common people covering heavy rainfall and heatwaves. These are especially valuable for gig workers who lose income when extreme weather prevents them from working. Parametric insurance provides immediate financial relief, ensuring vulnerable

workers receive timely support during weather-related disruptions.

Property insurance

Along with parametric insurance, the ubiquitous property insurance can be a big help in case of such events. The Insurance Regulatory and Development Authority of India's standardised policies like Bharat Griha Raksha, Bharat Sookshma Udyam Suraksha, and Bharat Laghu Udyam Suraksha make insurance clearer and more accessible for homeowners and small businesses.

These policies protect against natural perils, fire, earthquakes, tsunamis, floods, and landslides, as well as non-natural risks like riots, terrorism, and accidental damage. Coverage also extends to theft following disasters and protects stocks for businesses.

The events of 2025 and the economic losses that followed have underscored a simple truth: India needs to build resilience against such events. Insurance is central to this effort. It protects our homes, our crops, our vehicles, our health, and ultimately, our livelihoods.

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