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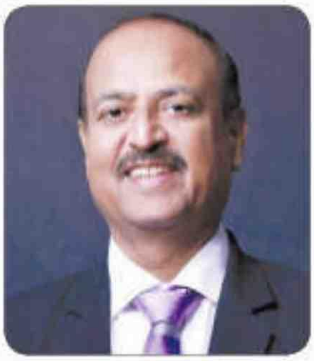
# How Insurance Can Help Address the Economic Impact of El Niño

El Niño is a recurrent phenomenon marked by the warming of sea surface temperatures in the Pacific Ocean, significantly influencing global weather patterns and economic conditions. While it originates far from India, it critically affects the country's climate, especially the southwest monsoon. El Niño often results in disrupted rainfall patterns, leading to inconsistent rainfall, prolonged droughts, heatwaves, and extreme weather. Such weather anomalies can have cascading effects on economic activity, impacting agricultural output, supply chains, infrastructure, workforce productivity and business operations across sectors.

The implications of such disruptions extend beyond immediate weather-related losses. Delayed production, interrupted logistics, income losses and operational downtime are emerging as equally significant concerns. This is where insurance plays an important role in helping individuals and businesses manage the financial impact of weather-related disruptions.

Crop and parametric insurance plays a crucial role in mitigating the financial risks in agriculture, particularly in India, where 42% of the population relies on farming, contributing over 18% to GDP. These insurance solutions address losses from adverse weather events like insufficient or excessive rainfall, as well as other climatic uncertainties. El Niño also impacts manufacturing and logistics, where marine cargo and business interruption insurance help maintain continuity and financial stability. Additionally, the MSME sector, accounting for over 30% of GDP, benefits from integrated insurance solutions to manage physical and operational risks. With increased weather stress, engineering insurance is vital for infrastructure projects, while specialized products for renewable energy are becoming essential. Moreover, personal accident insurance aids outdoor and gig economy workers affected by weather disruptions.



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The broader lesson from El Niño is that climate volatility is creating new forms of financial exposure across sectors of the economy. From agriculture and logistics to MSMEs and the gig workforce, weather-related disruptions can affect livelihoods, operations and economic activity. At the same time, heatwaves, waterborne illnesses and other climate-related health concerns can place an unexpected financial burden on families, while flooding, landslides and severe weather events can cause damage to homes and personal assets. Alongside specialised solutions health and home insurance continue to play an important role in helping individuals and businesses manage these risks.