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# India's extreme heat spell giving parametric insurance a longer season

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Rising temperatures and climate change are driving demand for parametric insurance cover, as heatwaves and erratic weather increasingly affect livelihoods, productivity and health, according to insurance industry experts.

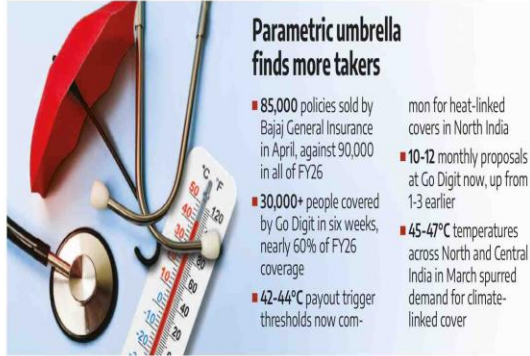
Forecasts by weather agencies pointing to El Niño conditions this year, along with expectations of lower rainfall in some regions, are also lifting awareness around climate risk preparedness.

Demand for such policies is coming from both retail customers and institutional partners. Several non-governmental organisations, groups, and companies are using corporate social responsibility funds to purchase parametric insurance cover for rural workers,

farmers, daily wage labourers, and construction workers in metro cities.

Parametric insurance provides financial protection against specific weather-related events such as heatwaves, excessive rainfall, earthquakes, and floods. Unlike traditional insurance products, payouts are linked to predefined weather triggers rather than assessment of actual losses, allowing claims to be processed more quickly and automatically.

Bajaj General Insurance, the country's third-largest general insurer, told *Business Standard* it sold 85,000 parametric insurance policies from April to early May in this calendar year, compared with 90,000 policies during 2025-26 (FY26). The policies cover heat, excessive rainfall, and other weather-related events.



IMAGING: AJAYA MOHANTY

## Parametric umbrella finds more takers

- 85,000 policies sold by Bajaj General Insurance in April, against 90,000 in all of FY26
- 30,000+ people covered by Go Digit in six weeks, nearly 60% of FY26 coverage
- 42-44°C payout trigger thresholds now com-

mon for heat-linked covers in North India

■ 10-12 monthly proposals at Go Digit now, up from 1-3 earlier

■ 45-47°C temperatures across North and Central India in March spurred demand for climate-linked cover

"The growing adoption is being driven by multiple factors. Climate change is now directly impacting livelihoods, productivity, health, and local economies, making weather-linked financial protection

more relevant than ever. Weather forecasts issued by the India Meteorological Department and other weather agencies indicating El Niño conditions and below-normal rainfall in certain regions

are further increasing awareness around climate-risk preparedness," said Ashish Agrawal, head of agribusiness and common service centre, Bajaj General Insurance. Go Digit General Insurance said

it had covered more than 30,000 individuals between April and mid-May this calendar year, compared with 50,000 in FY26. That means around 60 per cent of the total number covered last year were insured in the first six weeks of the new financial year (2026-27). These policies cover both heat-related and excessive rainfall risks.

The average sum insured under such policies ranges from ₹2,000 to ₹5,000-7,000, although policyholders can also opt for cover of up to ₹10,000, according to industry experts. Claims under heat-related policies are triggered when temperatures in a given area breach a predefined threshold based on local climatic conditions.

Trigger levels vary by region. In Mumbai, for example, the trigger temperature is lower than in Delhi. In Rajasthan, thresholds differ

between places such as Churu and Jaipur. In North India, trigger temperatures for heat-related parametric cover are generally 42-44°C. Although still considered a niche rather than a mass-market product, Adarsh Agarwal, appointed actuary at Go Digit General Insurance, said demand for parametric insurance had been rising steadily. "Compared to last year, there has been a considerable jump in proposals. Earlier, we used to receive around one to three proposals a month, but now we are seeing 10-12 proposals monthly."

He added: "Heat-related demand has increased this year because summer temperatures have been extreme and monsoon forecasts are weak. Earlier, most proposals were for single-peril parametric cover, such as only heat or only rainfall. Turn to Page 6 ▶

## India's weather extremes giving parametric insurance a longer season

Now, there is a growing demand for multi-peril parametric covers, where policies combine risks like heat and rainfall. The advantage is that if one trigger does not activate — for example, heat — another weather event like sudden rainfall may still trigger a payout."

Reports have shown that extreme heat arrived early in March this calendar year, pushing temperatures to 45-47°C across North and Central India.

With the frequency of extreme weather events rising and more policies being sold this year, insurers are also expecting higher claims than last year. However, they do not expect a major increase in premiums for parametric insurance products, which remain relatively low-cost. Instead of sharply raising premiums, insurers said they would retain similar levels of cover next year while revising claims parameters in line with weather forecasts.