

Extreme weather events rise, insurers try to bell Nat Cat

GIC Records Loss For 2nd Time In 48 Yrs

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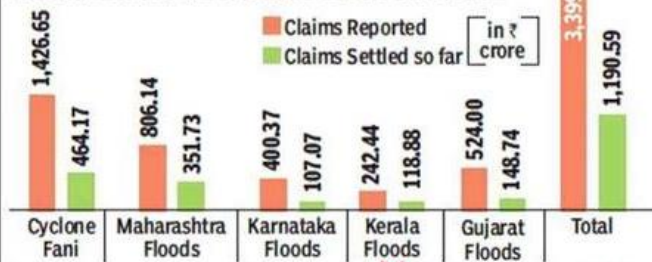
Hyderabad: If there is one sector that has borne the impact of the rise in frequency of extreme weather events due to climate change, it is the insurance sector.

While natural catastrophes (referred to as Nat Cat in insurance parlance) cannot be predicted or reined in, reinsurance as well as insurance players feel that the adoption of parametric solutions by states, higher penetration of insurance as well as specialised underwriting practices can help the sector weather this recurring crisis.

During 2019-2020, national reinsurer General Insurance Corporation of India, which provides reinsurance to direct general insurance companies, reported a loss of ₹360 crore as compared to a profit of ₹2,224 crore in 2018-19. This was the third year in succession where the globe was faced with major natural catastrophes, pushing the company into an overall loss for the second time in its 48-year history.

Aatur Thakkar, co-founder and director, Alliance Insurance Brokers, pointed out that if one looks at insurance companies' reinsurance programmes, a chunk of the reinsurance premiums is paid for protecting the balance sheet from Nat Cat perils. "In 2020, we had Nisarga, Nivar, Boveri cyclones. There were floods in Kerala, Assam and Hyderabad. Now, we have Uttarakhand," he said. He said companies are facing massive losses on crop insurance due to climate change, leading to reinsurers walking away from protecting agricultural capacities.

STATUS OF CLAIMS DUE TO NATURAL CATASTROPHES



• Nagaland became the first state in India to opt for a parametric insurance solution

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• Parametric covers are insurance products where a pre-determined sum is released by the insurer in case of a natural calamity, depending on the specific conditions in the policy



Climate change is here to stay and it is impacting insurance companies also in a big way...As an industry, we are trying to see if parametric solutions can be worked out – TA Ramalingam | CHIEF TECHNICAL OFFICER, BAJAJ ALLIANZ GENERAL INSURANCE