

Climate change and insurance

Low insurance penetration in India is the main reason why loss of life and property in disasters linked to climate change remain unmitigated. BY **S. GOPIKRISHNA WARRIER**

INDIA is vulnerable to a climate change double whammy. While death and destruction due to extreme weather events could rise, compensation in the form of insurance paybacks will be low. The figures computed by Natcatservice of Munich Re, a reinsurance major, show how India's insured losses are low even though India is high on the number of climate-related events, fatalities and loss.

In 2013, India was third on the list of countries affected most by climate-related happenings such as meteorological events, hydrological events and climatological events.

India had the highest recorded fatalities, with over 7,000 deaths. In terms of economic losses, it came seventh but was nowhere in the top 10 when it came to insured loss.

The floods in June 2013, which affected Uttarakhand mainly, and Himachal Pradesh, Jammu and Kashmir and Uttar Pradesh to a great extent, caused 5,500 deaths. It recorded an overall loss of \$1.5 billion with an insured loss of \$600 million.

This is the only event in which insured losses have been recorded. Two other extreme weather events resulted in deaths but no insurance

payback. These are the mid-summer heat wave in Andhra Pradesh, Odisha and Assam, and the monsoonal floods in Bihar. The heat wave resulted in 557 deaths and the floods took 218 lives, according to Munich Re.

LOW ON INSURED LOSS

Despite huge devastation and number of deaths the Uttarakhand flood caused, it does not get listed in the top 10 events with the highest insured loss.

Five events in the United States were recorded on the list of top 10 insured losses. They included droughts, storms, tornadoes and a

Insurance markets 2013: U.S. and India

	Ranking by premium volume	Life premiums (\$ billion)	Non-life premiums (\$ billion)	Total premiums (\$ billion)	Insurance density (\$)	Insurance penetration (per cent)
The U.S.	1	533	726	1,259	3,979	7.5
India	15	52	13	65	52	3.9

Insurance penetration = Premiums as a % of GDP; Insurance density = Premiums per capita

winter storm. Together, they cost the insurers \$8.22 billion. These events left 50 dead.

The global insurance industry has been playing an important role on the sidelines of the international climate change negotiations. Its interest is two-fold. One, insurance products can be designed and marketed to deal with climate-related risks. Two, it wants to ensure that governments do not slacken on climate change mitigation action, for a serious climate-related event resulting in large payouts could result in financial trouble for insurers.

While the insurers come off lightly when a climate-related event strikes India, it is the common citizen who bears the brunt of it. Many families find it difficult to recover when the financial shock gets added to the emotional trauma. On the other hand, in countries such as the U.S., the insurance payout is high. Of course, so is the cost of buying and maintaining the cover.

INSURANCE PREMIUM

The annual study on world insurance in 2013 by Swiss Re, another reinsurance major, compares the insurance density (per capita

premium payment) in the U.S. and India. While an average American paid \$3,979 as premium during the year, an average Indian paid only \$52.

This is where intervention from the government can help so that the risk is assessed and covered judiciously. There is a need for a safety net from climate-related risks. This could be through insurance by private or public institutions or a combination of both, after ensuring that the cost of buying insurance stays within limits.

The author is regional environment manager with Panos South Asia. The views expressed here are personal.

LOSS EVENTS WORLDWIDE 2013

