

ENABLE BEFORE THE DISASTER

More than two-thirds of disasters are predicted, but only 2 per cent are financed in advance

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IN APRIL 2024, Climate Resilience for All (CRA), a women-focused climate adaptation non-profit, piloted a \$600,000 parametric insurance programme for 50,000 women of the Self-Employed Women's Association working in the informal sector across 23 districts in Rajasthan, Maharashtra and Gujarat. The sweltering heat from April to June triggered the insurance and 92 per cent women (46,242) in 16 districts of Rajasthan and Gujarat received payouts — highest being \$19.80 per member in Dungarpur district and an average of \$7.38 in other districts. The insurance was underwritten by global reinsurer, Swiss Re and provided locally by ICICI Lombard.

The concept we have is that when it's too hot to work, we can support the income of climate-vulnerable groups by protecting health; that is the goal. So, the parametric insurance is triggered by a certain temperature and the beauty of parametrics is that it

is very flexible. So, that's an important aspect when people need money. You can set any trigger and parametric insurance pays quickly. The temperature range in these 23 districts is between 42-43.5°C and women will get a one-time payment if the temperature hits this threshold for two continuous days. The premium for this insurance is \$6 and the workers contribute approximately one-third of the premium and the rest is raised through philanthropy by CRA.

Our mission is to support the health and livelihoods of women working across the informal sector because they are profoundly and disproportionately impacted by extreme heat, whether it is physiologically, culturally, socially or economically. Women are the backbone of the communities and are often the solution to the problem but their work leads to chronic rashes, blisters, headaches, urinary tract infections and even miscarriage. In cases where the work is shifted to the cooler parts of day like nights, men can work but women have to work during the day because they have to take care of the kids at night. And in many parts of the world, they have to go collect water and they go further and further, domestic and gender based violence goes up during heat.

For this product, we focused on informal workers based in trades like construction, street vendors, farmers, head loaders, ship breakers, waste recyclers, and home-based workers. We believe and we have learnt that insurance alone for low-income informal workers is not a good solution and it has to be combined with other interventions, financial and non-financial. So, you need a bundle of things and that is why we developed a multi-intervention system that combines insurance, a cash layer for lost income and an early warning system. Insurance is based on the probability of something happening and it may or may not pay out but we want to acknowledge that there is value to work, and that the hotter it gets the more income people lose.

So, there is insurance at the top with a higher trigger, which is followed by a cash or a social protection layer. This indicates that there will be direct cash payment to support income loss when temperatures hit 40°C. This is \$6 (two days wage, average \$3 a day). All 50,000 women under the programme got this cash component when their districts hit 40°C for two days. Apart from this, while we work at transferring the risk, we need to reduce the risk also through other components like an early warning system or a micro-cooling station and cool roofs, which lots of organisations are adopting.

Our aspiration is to shift to forecast-based products or financing. There could be avenues for paying out not when the thermometer hits a certain temperature but when the forecast says the thermometer is going to hit a certain temperature, so that it is a forecast-based trigger. We are working towards that so that damage can be reduced and people can plan ahead for preventing the worst of what happens. Some of the focus groups with the grassroots leader said that it would be life changing for them to get the money before the damage comes.

There are some experiments of forecast based disaster financing like the Kenyan livestock insurance programme. Initially under the programme, farmers would send photos of their dead cattle due to drought for proof and then they would get insurance but the Kenyan government said there should be a better way so now they use remote sensing that senses the diminished vegetation hydration and they use that as a trigger. This means when the vegetation is starting to dry, it is indicative of insufficient food and water for the cattle. The insurance pays so that farmers can buy food for the cattle and save their lives. It is a good example of what money in front can do.

While 67 per cent of disasters are predicted, only 2 per cent are financed in advance. So, our aspiration is to move money before the disaster and we would have a much better outcome for the economy as well as health. But there is a regulatory component to it and the insurance regulator of any country will need to participate and have to approve it. ■

(Kathy Baughman McLeod is the chief executive of Climate Resilience for All. This piece is based on a conversation she had with Down To Earth magazine)

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