

ICICI Lombard Weather Insurance Scheme

Weather Insurance for Gujarat Heavy Chemicals

General insurer ICICI Lombard has structured the first ever weather insurance cover for a maximum sum insured of Rs 1.5 crore (Rs 15 million) for Gujarat Heavy Chemicals in the event of loss of salt production due to unseasonal rainfall at its Nagapattinam salt production fields in Tamil Nadu.

ICICI Lombard would pay Gujarat Heavy Chemicals an insured compensation of Rs six lakh, Rs 10 lakh and Rs 25 lakh per non-Production day, depending on the frequency of interruption through the number of rainy days and severity

by further classifying the rainy days into three categories based on the rainfall received, the insurer said in a statement.

The weather insurance solution, ICICI Lombard said, was a call option on NPD, which is defined as a day during the cover period on which any rainfall is received at Nagapattinam reference station.

Smita Aggarwal, ICICI Lombard, Head Rural and Agriculture Business, said in the statement that an un-insurable risk had been "painstakingly" analysed taking into account historical production data in conjunction with rainfall incidence and converted into an insurable proposition.

The premium rates were arrived at by ascertaining various components like expected loss, volatility of loss, capital costs and transaction-related frictional costs and robust distribution analysis of loss, she said.