

## INSURANCE

# India's extreme weather-resilient real estate sees insurance benefits

Properties built for a changing climate increasingly enjoy favorable premiums



Mahindra World City, an Indian Green Building Council-certified development, is located next to Lake Kolavai, and its master plan considers this a natural asset, as it can be leveraged for water management during calamities. (Photo by Mahindra Lifespace Developers)

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RAJASTHAN, India -- India's climate change-linked extreme weather events are having a greater impact on the country's real estate, and consequently the cost of insuring properties. That's opening the door to more resilient building designs as businesses and property owners seek to head off increases in premiums, which are set to only rise further as impacts intensify.

In 2023, natural catastrophes in the country caused \$12 billion in losses, according to Swiss Re, above the 10-year annual average of \$8 billion. Emerging risk hot spots susceptible to catastrophes such as floods and cyclones are located in Gujarat, Maharashtra, Tamil Nadu and Delhi, the reinsurance company said in a January report.

In the absence of industry-accepted certification for climate-resilient infrastructure that would enable them to roll out targeted structured policies and premium discounts, insurers are relying on case-by-case analyses of climate risk on real estate. Nonetheless, some standards are emerging.

Leadership in Energy and Environmental Design, the Indian Green Building Council (IGBC) and Green Rating for Integrated Habitat Assessment are the prominent certifying bodies of green buildings and townships in India. Growing awareness, stricter regulations and sustainability goals have helped to almost double the IGBC footprint across asset classes over the last five years to 13 billion sq. feet, or roughly 1.2 billion sq. meters, in 2024.

These buildings and townships are designed to be environmentally responsible throughout their life cycles by efficiently using land and other resources as well as preserving habitats. In addition, green township ratings protect against urban flooding by requiring developments to harvest rainwater and steer clear of low-lying sites identified as likely to experience flooding once every 100 years.

Saurav Choudhury, a counsellor, architect and urban planner with the Confederation of Indian Industry's IGBC, cited three of the five IGBC certified and operational townships across India as having performed well in the face of extreme weather events: Mahindra World City Chennai, Adani Shantigram Ahmedabad and Reliance Greens Jamnagar.

Sunita Purushottam, head of sustainability at Mahindra Lifespace Developers, said Mahindra World City Chennai didn't experience the flooding that devastated neighboring areas in 2015, despite seeing 494 millimeters of rain in 24 hours. She attributed this to climate-responsive design features such as an extensive network of storm drains and natural swales, the preservation of biodiversity and the use of sustainable materials. Mahindra World City is located next to Lake Kolavai, and its master plan considers this a natural asset, as it can be leveraged for water management during calamities.



Roadside stormwater drains help protect real estate during heavy rainfall, but about 50% of India's roadside storm drains aren't available or functional, according to the Indian Green Building Council. (Photo by Mahindra Lifespace Developers)

Such design considerations are increasingly on the radar of insurers, which take into account factors such as location, elevation, drainage systems and flood zones.

"Under the oversight of the regulatory authority, we are gradually aligning with global standards to factor in environmental and climate-related risks," Niharika Singh, executive director of marketing at IFFCO Tokio General Insurance, told Nikkei Asia.

Sanjay Kedia, CEO of the India office of U.S.-based risk, strategy and people services specialists Marsh McLennan, told Nikkei that several of its private equity real estate and large commercial real estate clients had consulted with it on ways to improve their risk profile by mitigating climate risks, and had used its expertise to negotiate favorable terms with reinsurance markets.

The Indian arm of real estate company JLL, meanwhile, uses artificial intelligence platforms to project the impact of rainfall, heat and climate variations at various points in the future -- for example in 2030, 2050 and 2100 -- when conducting physical climate risk assessments of buildings. While climate risks are seen to be more acute in industrial and warehouse assets, JLL India has also been called on to assess high-rise residential buildings.

"Besides assessing the likely losses, such models help evaluate mitigation measures to make the building more resilient and the associated return on such investments," said R Kumar, head of sustainability consulting at the company.

Meanwhile, those who haven't adapted to more frequent and intense extreme weather are sometimes having to pay for their inertia.

According to Motcha Pradha Ramagopal, a director at Jwala Risk Consulting, an environment and sustainability consultancy in Chennai, insurance premiums for buildings in low-lying or flood-prone areas are likely to be 15% to 20% higher.



In the past year, India has seen a 25% to 30% hike in the weightage to business risk, which captures losses from inundation and other factors, said Rohan Sharma, senior director of research and real estate intelligence services at JLL India. This has increased commercial insurance premiums by 10% to 15% for those with less negotiating power, he estimated.



Growing awareness, stricter regulations and sustainability goals have helped to almost double the Indian Green Building Council footprint across asset classes over the last five years. (Photo by Mahindra Lifespace Developers)

But even for those occupying green buildings, "the market has [still] not matured sufficiently to consistently offer lower premiums for green buildings compared to conventional properties," said Gaurav Arora, chief of reinsurance, underwriting and claims for property and casualty at ICICI Lombard.

In the absence of standardization, IFFCO Tokio is offering customizations and add-ons that allow policyholders to opt for specific climate-related coverage, especially in vulnerable regions, and is using internationally recognized natural catastrophe software solutions to assess climate risks.

But with Parthanil Ghosh, director and chief business officer at HDFC ERGO General Insurance, pointing out that the "premium variation [may] particularly [apply] to commercial or institutional buildings that demonstrate proven resilience through engineering reports," the onus is on real estate owners and occupiers to prove the merits of their case.

In the current climate, where Indian insurers are also increasingly conscious of insured companies' commitments to what is known as environmental, social and governance, "occupying sustainable real estate is a key ESG goal," concluded Ramagopal of Jwala Risk Consulting.



"We've seen an insurer impose a 40% hike in the property premium value of a company which had not disclosed their ESG commitments, which was dropped after they complied," she said.

*Charu Bahri is a contributing writer.*