October 22-25, 2026 I Sheraton Boston Hotel

MAIA'S BIG EVENT 2026
Conference & Trade Show
Celebrating Independence!

10/24/2026
11:15 am - 12:15 pm

Parametric Insurance – What Is It And How Can It Help Your Client?

Parametric Insurance – What Is It And How Can It Help Your Client?

Catherine Trischan, CPCU, CIC, CRM, ARM, AU, AAI, CRIS, MLIS, TRIP, CBIA
catherine.trischan@gmail.com

MAIA'S BIG EVENT 2026
Conference & Trade Show
Celebrating Independence!

2

Traditional Property Insurance

- Responds when there is direct damage or loss to property by a covered peril
- Based on the principle of indemnity
  - Insurance should restore insureds to the financial position they were in prior to the loss.
- The insured must quantify the loss and support the amount claimed.
- The claims process takes time and can be difficult for many policyholders.

MAIA'S BIG EVENT 2026
Conference & Trade Show
Celebrating Independence!

3

Traditional Coverage Trigger

Building and Personal Property Coverage Form (CP 00 10)

*We will pay for **direct physical loss of or damage** to Covered Property at the premises described in the Declarations caused by or resulting from any **Covered Cause of Loss**.*



4

Traditional Coverage Trigger

Business Income (and Extra Expense) Coverage Form (CP 00 30)

*We will pay for the actual loss of Business Income you sustain due to the necessary "suspension" of your "operations" during the "period of restoration". The "suspension" must be caused by **direct physical loss of or damage** to property at premises which are described in the Declarations and for which a Business Income Limit Of Insurance is shown in the Declarations. The loss or damage must be caused by or result from a **Covered Cause of Loss**.*



5

Traditional Coverage Trigger

Homeowners Policy (HO 00 05)

*We insure against **direct physical loss** to property described in Coverages **A, B** and **C.***

We do not insure, however, for loss:

A.** Under Coverages **A, B** and **C:

***1.** Excluded under Section **I** – Exclusions*

***2.** Caused by …*

6

Parametric Insurance – What Is It?

- Index-based insurance
  - Coverage is triggered by the occurrence of a specific event tied to an established index. (the parameter) (e.g. National Hurricane Center's Saffir-Simpson Scale)
- When the pre-determined threshold is reached, coverage is triggered.
- Coverage is often structured with different amounts payable at different thresholds.
  - e.g. A higher amount is paid for an earthquake with magnitude 8.0 than for one with magnitude 7.0.

7

Parametric Insurance – Coverage Example

Coverage Amount - $10,000,000

Trigger – Hurricane

Location – Within a 50 mile radius of Port Miami

25°46′27″N 80°10′16″W

Index – 90% of the coverage amount will be paid if the defined location experiences a hurricane with winds speeds between 130 and 156 miles per hour, as verified by National Oceanic and Atmospheric Administration. (Cat 4)

Index – 100% of the coverage amount will be paid if the defined location experiences a hurricane with winds speeds 157 or higher miles per hour, as verified by National Oceanic and Atmospheric Administration. (Cat 5)

8

Parametric Insurance – What Is It?

- Coverage is highly customizable to the needs of the client.
- No deductibles
- No lengthy coverage forms (deductibles, sublimits, exclusions)
- No complicated claims process

9

Parametric Insurance – The Insurable Trigger

- The trigger must be fortuitous.
- The trigger must be able to be modeled.
- The parameter/index must be objective.
- The parameter/index must be transparent and verifiable.
- Typically involves data available from an independent agency



10

Parametric Insurance - Triggers

Examples

- Hurricane - National Hurricane Center's Saffir-Simpson Scale
- Earthquake - US Geological Survey's (USGS) earthquake magnitude readings
- Rainfall amounts (too much, too little)
- Snowfall accumulation (too much, too little)
- Wildfire within a certain distance of a specific location
- Customer foot traffic reductions
- Supply chain disruptions
- Cloud and other service outages
- Pandemics – reported cases



11

Parametric Insurance – Premium Basis

- Premium is based on the likelihood of an event happening, rather than the characteristics of the insured's property.
- Traditional Property Insurance - **COPE**

  Construction

  Occupancy

  Protection

  Exposure



12

Parametric Insurance – Premium Basis

- Insurers use historical data and sophisticated modeling techniques to set the thresholds.
- As with traditional insurance products, premiums need to be sufficient to cover expected losses as well as insurer expenses and profits.
- Policies may be written annually or for multiple years.



13

Parametric Insurance – Claims

- Claims are paid quickly.
  - Days or weeks instead of months
- Once the index threshold is reached (e.g., hurricane of a certain minimum wind speed within a defined area), the client who has suffered financial loss receives payment without going through a lengthy claim adjustment process.
- The amount to be paid is established in the policy.

14

Parametric Insurance – The Process

- What does the customer need?
- Policy is structured to define the triggering event and the settlement/payout amount.
- The selected index is monitored on a continuous basis – e.g.
  - Meteorological and seismic data
  - Satellite imagery
  - Internet of Things (IoT) devices
  - On site weather stations
- The event occurs and the threshold is met.
- The insurer makes payment.
  - The client may need to confirm they have suffered a financial loss.

15

Parametric Insurance – Structure

Insurance Contract (most common)

- Insured must verify insurable interest.
- Proof of loss is typically required.
- Treated as an insurance contract by state regulators
- Gets the accounting treatment of an insurance policy

Derivative

- May pay even if the client doesn't sustain an economic loss
- Gets the accounting treatment of a derivative

16

Parametric Insurance – Earthquake Example

- A department store with a $20,000,000 replacement cost is insured under a property policy. The policy includes coverage for earthquake damage, but the deductible for earthquake losses is 5% of the building limit ($1,000,000.)
- Parametric insurance can be written with a trigger tied to USGS's calculation of the magnitude of the earthquake within a specified distance of the store.
- If the trigger is met, parametric insurance pays the limit which the client can use to help offset the deductible. Because payment is not tied to direct damage to the property, the client is paid even if the store does not sustain significant damage.
  - The client can use the funds to replace some of the income lost due to reduced foot traffic after the earthquake.

17

Parametric Insurance – Construction Project

A large construction project in a coastal town is insured using a Builders Risk policy. A hurricane hits the area.

- If high winds cause damage to the project, Builders Risk responds.
  - Damage to the property
  - Lost income and additional expenses due to the delay in completion of the project



18

Parametric Insurance – Construction Project

- What if there is a delay in completion of the project due to the hurricane, but the delay is not related to damage to the project?
  - What if materials aren't available due to damage done by the storm to the local ports?
  - What if construction is delayed because workers are displaced or unavailable due to the hurricane?



19

Parametric Insurance – Construction Project

- Other than a hurricane, what else could go wrong?
  - What if construction is delayed due to excessive rainfall or extreme temperature? The trigger could be a number of critical weather days throughout the duration of the project.
  - What if construction is paused for ten days because cranes and other equipment cannot be operated in high winds?

MAIA'S BIG EVENT 2026 Conference & Trade Show Celebrating Independence!

20

Parametric Insurance – Tourism (example from Swiss Re)

Background
Our customer operates tourist boats on a river in Europe. If the water levels of the river drop below certain thresholds, boats cannot be operated, and the respective revenues are lost. At the same time, investors are asking for certainty of revenues as a factor in their decision to invest funds in this business. Therefore, the customer decided to buy insurance for situations where boats cannot be operated anymore due to drought resulting in low river water levels.

FLOW – Parametric Insurance solution
The customer receives a daily payment if the water level at a defined gauge drops below a defined level as measured at the gauge. The daily payment is a fixed amount, reflecting the pre-assumed loss of daily revenue.

MAIA'S BIG EVENT 2026 Conference & Trade Show Celebrating Independence!

21

Parametric Insurance – Additional Examples

- A hotel in a beachfront town is concerned about loss of income when extreme rainfall causes a decline in tourism.
- A retail store chain specializing in imported specialty foods is concerned about loss of income if its supply chain is disrupted due to specific weather events in another part of the world.
- A renewable energy company is concerned that it won't be able to generate sufficient energy from its wind farms if wind speeds aren't sufficient.

MAIA'S BIG EVENT 2026 Conference & Trade Show Celebrating Independence!

22

boston logan

- While this was not a true parametric policy, the concept is similar.
- Massachusetts Port Authority (Massport) bought a $2 million snow insurance policy in December 1995.
- The policy was to pay $50,000 for every inch of snow above 44 inches on runways, up to 84 inches. Payout was to be made in a lump sum on June 1.
- Total snowfall between December 1995 and the blizzard of January 7-8, 1996 was 51.8 inches.
- The policy provided a predetermined payout based on specific snow accumulation thresholds. The policy did not require any documentation of actual expenses incurred for snow removal.

MAIA'S BIG EVENT 2026 Conference & Trade Show Celebrating Independence!

Parametric Insurance – Helping The Client

- Parametric insurance is designed to complement, not replace, existing insurance policies
  - Cover certain causes of loss
  - Provide coverage for NDBI (non-damage business interruption)
  - Assist with sublimits and deductibles
  - Fund emergency response

MAIA'S BIG EVENT 2026 Conference & Trade Show Celebrating Independence!

Thank You For Attending!

Catherine Trischan, CPCU, CIC, CRM, ARM, AU, AAI, CRIS, MLIS, TRIP, CBIA
catherine.trischan@gmail.com

MAIA'S BIG EVENT 2026 Conference & Trade Show Celebrating Independence!