



Natural disasters are increasing in frequency
and severity, bringing with them unprecedented

The buyer and seller of an event-based solution agree on a tiered payout formula (see Figure 1). Unlike traditional coverage, which often requires an extensive claims process, parametric payouts are typically made within days, as soon as third-party index data is available to calculate the formulaic payout. If the index is triggered, the agreed payment is made, which enables quick liquidity at a time of need. Coverage can be placed in an insurance or derivative format. If placed as insurance, a buyer is typically required to attest to having losses equal to or larger than the payout made — but only after receiving the payout. If the preference is to place protection in derivative format, our representatives from MMC Securities can assist and explain the coverage and settlement nuances.

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Filling insurance gaps

Parametric solutions are typically used to supplement your existing insurance

deductibles or exclusions, and non-damage business interruption. Quick payouts can enhance your company's liquidity, reduce revenue volatility, and enable investment in post-loss priorities, such as aiding affected employees.

Custom-built solutions

Marsh specialists have deep experience in developing index-based solutions, and can help you build a program that correlates with your exposures, leading to

extensive history that will allow for historical analysis.

Once we understand your challenges, our specialists can model the relationship/correlations between your historical losses, exposures, and available data, and

payout formulas, attachment points, and limits, enabling us to provide you with an estimate of the program's cost. We will then negotiate favorable pricing and terms with insurers on your behalf. The process typically takes between four and eight weeks.

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