

# Parametric Solutions

Predictable pay-outs for unpredictable risks



*Miller*

In a world where weather unpredictability and unexpected disruptions can cause significant financial losses, Miller's parametric insurance products offer a modern solution.

Our innovative insurance programmes are designed to provide swift and precise pay-outs, ensuring our clients remain resilient and continue to thrive, regardless of external challenges.

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## How does parametric insurance work?

Parametric insurance policies are designed to provide pay-outs based on predefined parameters, rather than indemnifying an incurred loss.

These policies utilise a pre-agreed parameter, such as a hurricane's wind speed or the magnitude of an earthquake, to activate payouts.

A pre-agreed claims payment is then made once the parameters have been met or exceeded. Based on definitive and objective information, such as previous loss events and independently verified data, cover does not require physical loss or damage to an insured asset. This adds certainty and efficiency, with claims settled swiftly.

With their rapid payouts, transparent terms, and customisable coverage options, parametric policies offer invaluable peace of mind and financial security when disaster strikes.

### INDEX

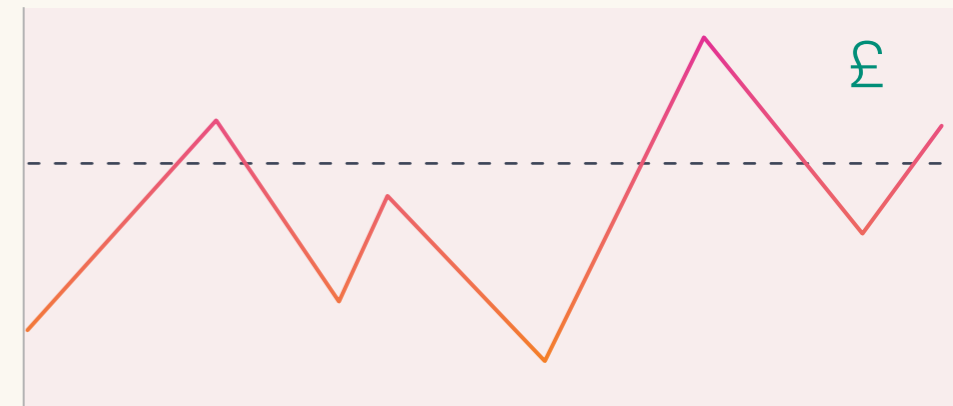
A measure of the event which the policy offers protection for.

### TRIGGER

The condition or threshold which an index must meet for a pay-out to be made.

### PAY-OUT STRUCTURE

The mechanism by which the pay-out is calculated.



## Benefits of parametric insurance

### Speed of claims payment

As there's no need for traditional loss adjustment processes, claims can be paid quickly and without friction once the trigger has been met or exceeded.

### Transparency and certainty

The payout amount is pre-determined based on specific, independent third-party data. The client knows exactly how much they will be paid when the event occurs. Shorter contracts and far fewer exclusions reduce any ambiguities.

### Coverage for uninsurable risks

Parametric insurance can cover those risks that were previously deemed too difficult or complex to insure, such as weather-related events that result in financial losses, but do not cause any form of physical damage.

### Customisable

Policies can be tailored to meet specific needs of the client, allowing them to cover precise risks to help stabilise their financial position when the negative event occurs.



## Where does parametric insurance work best?

Parametric insurance is a critical component to any holistic risk management strategy.

Miller's coverages help our clients protect their assets and mitigate risks in an ever-changing world.



Parametric insurance works best when:

- deductibles are increased, premium rates raised, when sublimits are applied, or when classes become excluded. Parametric insurance can step in to help close the protection gap.
- there is no physical damage post-loss event. The insurance can provide fast access to funds should the policy trigger. Proceeds can be spent to cover any form of financial loss, including loss of attraction, loss of productivity, extra expenses, and loss of revenue.
- there are risks which were previously deemed too difficult or complex in nature to insure. This allows clients to find an insurance solution for a risk they previously funded through self-insured retentions. Such examples include lack of wind for wind farms, and heat-stress products for dairy farmers
- a rapid response is needed following a natural catastrophe. Parametric insurance is the perfect way to build resiliency and is an extremely useful tool for governments, councils, and city officials as it's often hard to quantify losses at a national scale under traditional insurance policies. Such bodies can purchase a parametric insurance policy to cover wide-scale events such as hurricanes, earthquakes, and floods to provide rapid access to vital funds should their community be impacted by the pre-defined event.

## Sector examples



### Sectors and territories that benefit most from parametric solutions.

#### REAL ESTATE

Parametric insurance can provide swift and transparent payouts in the aftermath of a natural disaster. With no need for on-site loss adjustments, claims can be paid objectively, remotely, and within weeks, providing property investors, developers and owners with much needed liquidity. With the ability to design a “deductible buy-down” policies, parametric insurance can help clients find insurance solutions for previously funded self-insured retentions, helping to close the global protection gap.

#### TOURISM

Many countries rely on tourism, making them vulnerable to disruptions caused by natural disasters. Parametric insurance can provide coverage for resorts, hotels, and other tourism-related businesses, including ports and airports, ensuring financial protection in the event of hurricanes or other catastrophic events.

#### AGRICULTURE AND FISHERIES

Agriculture and fisheries are vital industries, but they are susceptible to the impacts of extreme weather events. Parametric insurance can help farmers and fishers recover from losses due to hurricanes, droughts, or floods, providing a safety net for their livelihoods.

#### CONSTRUCTION

Parametric insurance can offer coverage for construction projects, protecting against delays and losses caused by natural disasters, therefore ensuring continuity in development effort.

#### RENEWABLE ENERGY

With a growing interest in renewable energy, many are investing in solar, wind, and hydroelectric projects. Parametric insurance can mitigate risks associated with these ventures, such as damage from hurricanes, hail or other weather-related events. With the ability to design ‘lack of inputs’ structures for wind farms and solar farms, parametric insurance can ensure the sustainability of energy initiatives across the globe.

# Territories

Main perils per region



Hurricane/TC <sup>HC</sup> SCS/Hail <sup>HA</sup> Earthquake <sup>EQ</sup> Extreme cold <sup>EC</sup>  
Wildfire <sup>WF</sup> Extreme heat <sup>EH</sup> Agriculture <sup>AG</sup> Flood <sup>FL</sup> Drought <sup>DR</sup>



## Why choose Miller for your parametric solutions?

Parametric insurance is rapidly growing due to advances in technology and data capabilities and Miller is leading the way in designing and securing parametric solutions for our clients.

As one of the only fully dedicated parametric teams in London market, we deliver innovative and tailored coverage solutions across all sectors and geographies. We bring extensive knowledge of parametric products and strong relationships with all key parametric markets.

By accessing specialist London parametric markets, Miller can ease the placement of both renewal and new business by incorporating a standalone parametric policy.

Miller acts as your entry point to London's specialised market for insurance against parametric perils, including Lloyd's. To create an insurance program that caters to your firm's precise risk profile, we will work with underwriters with decades of experience who specialise in security risk for businesses such as yours.

### How Miller's Parametric Solutions team has helped clients



Windstorm coverage – North American client

#### BACKGROUND

An existing energy client of Miller approached the Parametric Solutions team, looking to purchase non-standard hurricane coverage. Knowing their asset could withstand CAT 3 hurricanes, the client wanted an insurance policy that paid out once wind speeds exceeded a CAT 3 storm.

The client had an asset that was under construction, however, construction was put on hold, making it difficult for the construction markets to provide coverage for this niche risk.

Coverage placement including windstorm was proving challenging, as the hurricane season was fast approaching, and many markets had reduced capacity to deploy. Given the timeframe, it was decided to carve-out the windstorm coverage as a parametric layer to allow the indemnity markets to focus on the risk (excluding hurricane).

#### ACTIONS

Miller's parametric solutions specialists are the only dedicated parametric broking team in the London market. We work collaboratively with other business units across the company to design, create, and build fully bespoke parametric solutions.

Struggling to find capacity for this request on the traditional market, the team demonstrated how parametric insurance could compliment traditional insurance and step in to close this protection gap. Miller's Parametric Solutions team were keen to provide an innovative insurance solution that provided tailored coverage for the client, which other brokers may not have been able to deliver.

After some initial marketing from both teams, we were able to identify an approach which would provide the client with a bespoke, cost effective, and comprehensive solution.

### How Miller helped

The approach was clear - the Onshore Energy team would work on the traditional placement, excluding windstorm cover, whilst the Parametric Solutions team would look to achieve a parametric limit of between USD30m - 50m from their carriers.

The Parametric Solutions team designed four structures to demonstrate the flexible and customisable nature of parametric insurance. By changing the 'trigger' point of the policies, the client was able to select a payout option that worked best for them.

With the ability to provide coverage to address exact needs, as well as the added benefit of rapid and hassle-free claim payments, the client was extremely happy with the hybrid parametric and indemnity insurance policy that Miller proposed.

Having regular calls with the client to provide information on how the structure would work and getting them comfortable with the parametric policy was key in getting the account placed. In the end, the client ended up purchasing a USD30m parametric policy in conjunction with the Onshore Energy team's traditional policy.

## Contact us

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## About Miller

Miller is a leading specialist (re) insurance broking firm with a rich heritage of over 120 years. With our headquarters in London and a global reach spanning from Bermuda to Singapore, we are an international presence in the industry.

Our team of professionals harness their distinct expertise and knowledge to the benefit of our clients. It is our specialism, unparalleled service, and client-centric approach that sets us apart from the rest.

As a testament to our commitment to professional excellence and high ethical standards, Miller is proud to be a Chartered Insurance Broker, the industry's gold standard. This underscores our commitment to maintaining the highest professional standards in the industry.

For more information, please visit [www.miller-insurance.com](http://www.miller-insurance.com)

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