

# Parametric (Index-Based) Insurance

## Traditional Insurance

- 1. Event occurs
- 2. File claim
- 3. Adjuster inspection
- 4. Loss assessment
- 5. Negotiation
- 6. Payout (weeks/months)

Common Triggers:

- Weather: rainfall, temperature, wind speed
- Seismic: earthquake magnitude
- Financial: index levels, commodity prices
- Event: flight delays, pandemic cases

## Parametric Insurance

- 1. Event occurs
- 2. Index triggered

3. Automatic verification

Key Innovation:

No loss adjustment!

Payout based on trigger  
not actual loss

Benefits: Transparency, speed (hours not months), lower costs, no moral hazard