



## PROJECT DESCRIPTION

# SMART CONTRACTS AND DECENTRALIZED FINANCE PARAMETRIC WEATHER INSURANCE

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## **List of abbreviations**

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## **1 Introduction**

## 2 Main part

### 2.1 What is parametric insurance?

Thinking about nonlife insurance the intuitive idea is that a predefined risk is covered by an insurance company, which, in occurrence of a loss or damage, would pay out a certain amount to the claimant. This amount would have a direct relation to the insured loss. In the world of nonlife insurance solutions there are far more classes of contracts than this classical kind of indemnity insurance. The figure below is showing the different kinds of indemnity and non-indemnity insurance contracts:

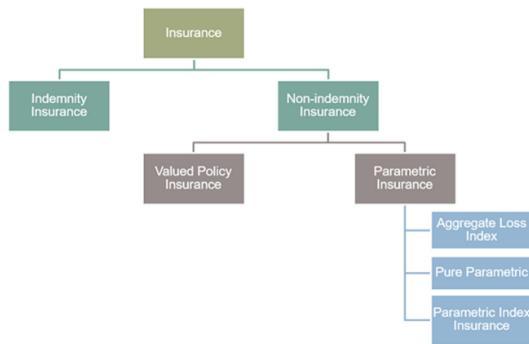


Figure 1: Classification of nonlife contracts [2]

In the following we will refer to "Pure Parametric Contracts" using the term "Parametric Insurance". This is the class of contracts, where a predefined amount is paid to the insured, if a specific trigger is hit, regardless of the loss amount. Examples for such triggers could be the magnitude of an earthquake, wind speed or the delay of a plane. The following table should highlight the difference between traditional indemnity insurance and parametric solutions:

	Traditional insurance	Parametric insurance
Recovery	Reimbursement of adjusted loss	Pre-agreed payment structure based on a event parameter (often binary)
Trigger	Payment triggered by actual loss or damage	Payment triggered by an event occurrence exceeding the parametric threshold
Loss assessment and payment	Complex and based on loss adjuster assessment	Transparent, predictable, based on a parameter, quick settlement
Structure	Standard product and contract wordings	Tailored product with high structuring flexibility

Table 1: Traditional versus parametric insurance [3]

Those differences in the structure mentioned in Table 1 makes parametric solutions attractive for different Lines of Businesses such as Agriculture, Nature Catastrophe or Travel Insurance [3]. In recent years it is one of the fastest growing areas in the world of insurance solutions expecting to triple in premium income within the 2020s to almost 30 billion USD [4]. Still a niche product compared to the seven trillion USD insurance premium income worldwide [5].

## **2.2 Second Section**

### **3 Second chapter of the main part**

#### **3.1 First Section**

#### **3.2 Second Section**

## 4 Conclusion

## Appendix

## References

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- [2] LIN, X., KWON, W.J. (2020): *Application of parametric insurance in principle-compliant and innovative ways.* Risk Manag Insur Rev 23, p. 121-150.
- [3] Swiss Re Corporate Solutions, *Comprehensive guide to Parametric Insurance,* <https://corporatesolutions.swissre.com/dam/jcr:0cd24f12-ebfb-425a-ab42-0187c241bf4a/2023-01-corso-guide-of-parametric-insurance.pdf>. Accessed, November 8, 2025.
- [4] Swiss Re Insights, *Parametric insurance – a long history, a bright future,* <https://corporatesolutions.swissre.com/insights/knowledge/evolution-of-parametric-insurance.html>. Accessed, November 8, 2025.
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