

## Parametric solutions

### Pushing the boundaries of insurability: Our solutions for Latin America, the Caribbean and Iberia

#### How do parametric solutions work?

Parametric solutions settle claims based on pre-defined triggers and payout schemes. Independent institutions provide parameter values, for example the magnitude in case of earthquakes, that determine a pre-agreed pay-out amount. The concept protects customers not only from property damage but also business interruptions and further risks that are otherwise hard to insure. Since the payout is supported by independently verifiable and unambiguous parametric components, the previously agreed payment is made quickly, simply and without lengthy adjustments.

#### Key advantages of parametric solutions at a glance

 Rapid recovery with a simple and quick pay-out process

 Immediate liquidity when it is needed most

 Reduction of coverage gaps that can occur outside of traditional insurance

 Transparency through trigger verification by independent third-parties

 Flexibility of the concept to tailor-made solutions for specific clients' needs

 Loss adjustment process is kept at a minimum

## For whom do parametric solutions make sense?

Acting fast in the face of severe catastrophes requires a customised solution. Parametric products bring a simplistic and transparent coverage concept for insurers, corporate clients and the public sector alike. When being confronted with risks such as natural disasters or extreme weather events, industries ranging from tourism and trade to renewable energies and agriculture to government agencies can avoid liquidity shortages by integrating parametric solutions into their coverage ecosystem.

Pre-defined parameters guarantee automatic pay-out when triggered by a major loss event, resulting in a seamless and fast claims settlement process. Parametric solutions are the perfect complement to traditional insurance for policy holders aiming to reduce their risk exposure and bridge the gap between insurable and so far uninsurable risks.

## Why Munich Re is your perfect partner

We have combined our in-depth expertise of local markets with a scalable solution that provides fast pay-outs, flexible trigger designs and lean administrative processes. Our parametric solutions are designed to support and encourage growth as well as developing new business models across industries.

## Typical applications for parametric solutions

Our case studies highlight scalable parametric solutions for successfully adding value to the customer's coverage ecosystem, both for portfolios and single risks.

### Case Study

Earthquake Parametric Solution  
Financial Institution in Latin America

#### The situation:

The building insurance is based on the residual value of mortgages, accompanied by deductibles.

#### The challenge:

When a major loss event such as an earthquake occurs, financial resources are needed by mortgage holders for additional expenses (e.g. living expenses), not just mortgage and insurance payments. Financial constraints increase tremendously for mortgage holders accompanied by an increased mortgage default rate for the financial institution.

#### The solution:

A parametric coverage for natural disasters will enable the financial institution to provide immediate financial relief to its clients while at the same time minimising the risk of having to account for defaulted clients.

### Case Study

Hurricane Parametric Solution  
Tourism Sector in the Caribbean

#### The situation:

The hospitality industry often finds it difficult to obtain traditional coverage for an increase in cancellations due to the results of an approaching major event.

#### The challenge:

When a major loss event such as a hurricane occurs, hotel chains also want to insure themselves against the lack of guests who cancel their trips. A loss of attraction may arise due to severe weather that limits the ability for potential guests to take advantage of the hotel offerings.

#### The solution:

A parametric cover can be an adequate solution by covering usually hard to insure exposures. By designing a parametric coverage that automatically pays out once a hurricane with pre-determined wind speeds tracks into the covered region, previously uninsured risks are made insurable. The protection gap can then be closed, and the client will have more financial protection in the case of adverse events.

## Get in touch with a Munich Re expert

### Regional Lead

Christoph Aschenbrenner  
Senior Underwriter  
Tel.: +49 89 3891-2005  
caschenbrenner@munichre.com

Carmen Biek  
Client Manager  
Tel.: +49 89 3891-3864  
cbiek@munichre.com

### Contact for Latin America North

Luis Miranda  
Client Manager  
Tel.: +54 011 45154111  
lmiranda@munichre.com

### Contact for Latin America South

Sebastian Lemke  
Client Manager  
Tel.: +57 1 3269600  
slemke@munichre.com

### Contact for the Caribbean

Carmen Biek  
Client Manager  
Tel.: +49 89 3891-3864  
cbiek@munichre.com

### Contact for Iberia

Arias Serrano Pablo  
Senior Business Originator  
Tel.: +34 91 431-9633  
pariasserrano@munichre.com

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Münchener Rückversicherungs-Gesellschaft  
Königinstrasse 107, 80802 München, Germany

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