

PARAMETRIC INSURANCE

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SEGUROS MÚLTIPLES

COOPERATIVA DE SEGUROS MÚLTIPLES DE PUERTO RICO

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INTRODUCTION

As of 2018, by virtue of Law No. 246, which amended the Insurance Code of Puerto Rico, the microinsurance business in the country was authorized, defined and regulated, as well as other products with related purposes.

This change in regulation allowed us to enter the field of parametric insurance.



**NEW PRODUCTS AND
UNDERWRITING INNOVATION**

PARAMETRIC INSURANCE



INTRODUCTION

Our primary intent with this product is to protect the low-income sectors, who are always the most vulnerable to losses caused by natural disasters.

PARAMETRIC INSURANCE



- Sets the protection based on a certain criterion in a specific way (parameter).
- In addition, an economic benefit is established if the parameter is met, without the need to enter into a verification process of loss.

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HOW DOES IT WORK?



Coverage is triggered by the occurrence of a natural event depending on severity (e.g. hurricane category).

Event severity is determined by objective information published by an independent third party (e.g. NOAA).

Payout is made according to the intensity of the event covered.

Parametric products and protection components



WHY PARAMETRIC INSURANCE? / PARAMETRIC vs. TRADITIONAL

TOPIC	TRADITIONAL COVERAGE	PARAMETRIC COVERAGE
Payment use	Specific to cover damage caused by the event.	At customer's discretion.
Payment speed	Subject to investigation development and adjustment complexity (can be slow).	Time-specific. Fast: 1-2 weeks max.
Adjustment/ Administrative processes	Process regulated by insurance code. In certain cases, the insured might need to hire their own adjuster.	Minimal administrative tasks and payout.
Transparency	Payment of losses is subject to policy coverage, often unknown to the insured, which makes explaining difficult.	The elements that trigger parametric coverage are easier to explain – pragmatic.

WHY PARAMETRIC INSURANCE?

PARAMETRIC vs. TRADITIONAL

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TOPIC	TRADITIONAL COVERAGE	PARAMETRIC COVERAGE
Price flexibility	Changes depend on coverage, deductibles, and limits chosen.	Its simple structure establishes a relationship between danger, category, and limit chosen. Can be easily adjusted.
Payment amount	Loss occurred.	Pre-arranged amount, pre-selected limit.
Deductibles	Yes – Insured responsibility.	No – full payment of pre-selected limit.
Coverage for uninsurable risks	No, by definition.	Yes– can cover risks usually excluded.



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STEP-UP PAYMENT

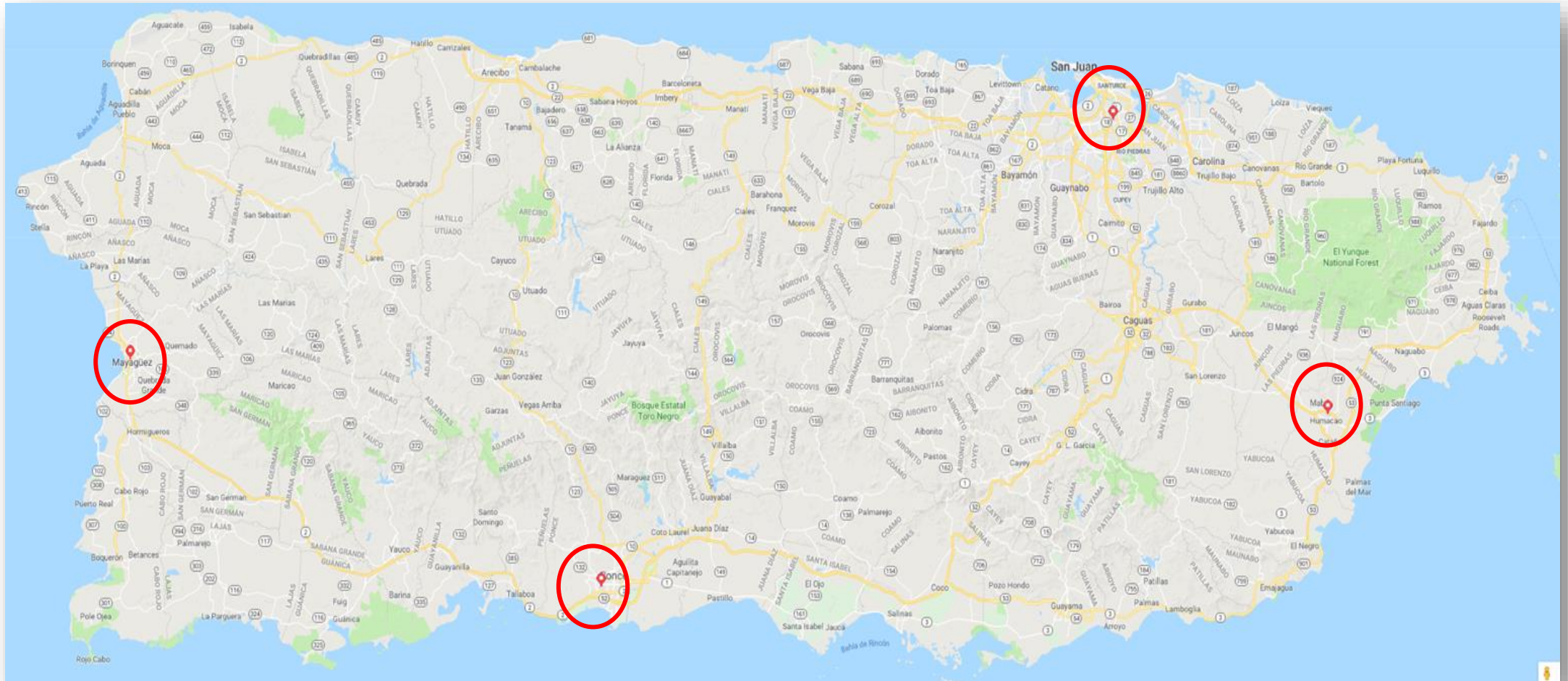
Categoría del Huracán	Líneas Personales	Líneas Comerciales
3	500	2,500
4	1,000	5,000
5	1,000	5,000
Radio en Millas	40	40

As long as hurricane path passes at least 40 miles/ 64 Km from the location declared in the policy

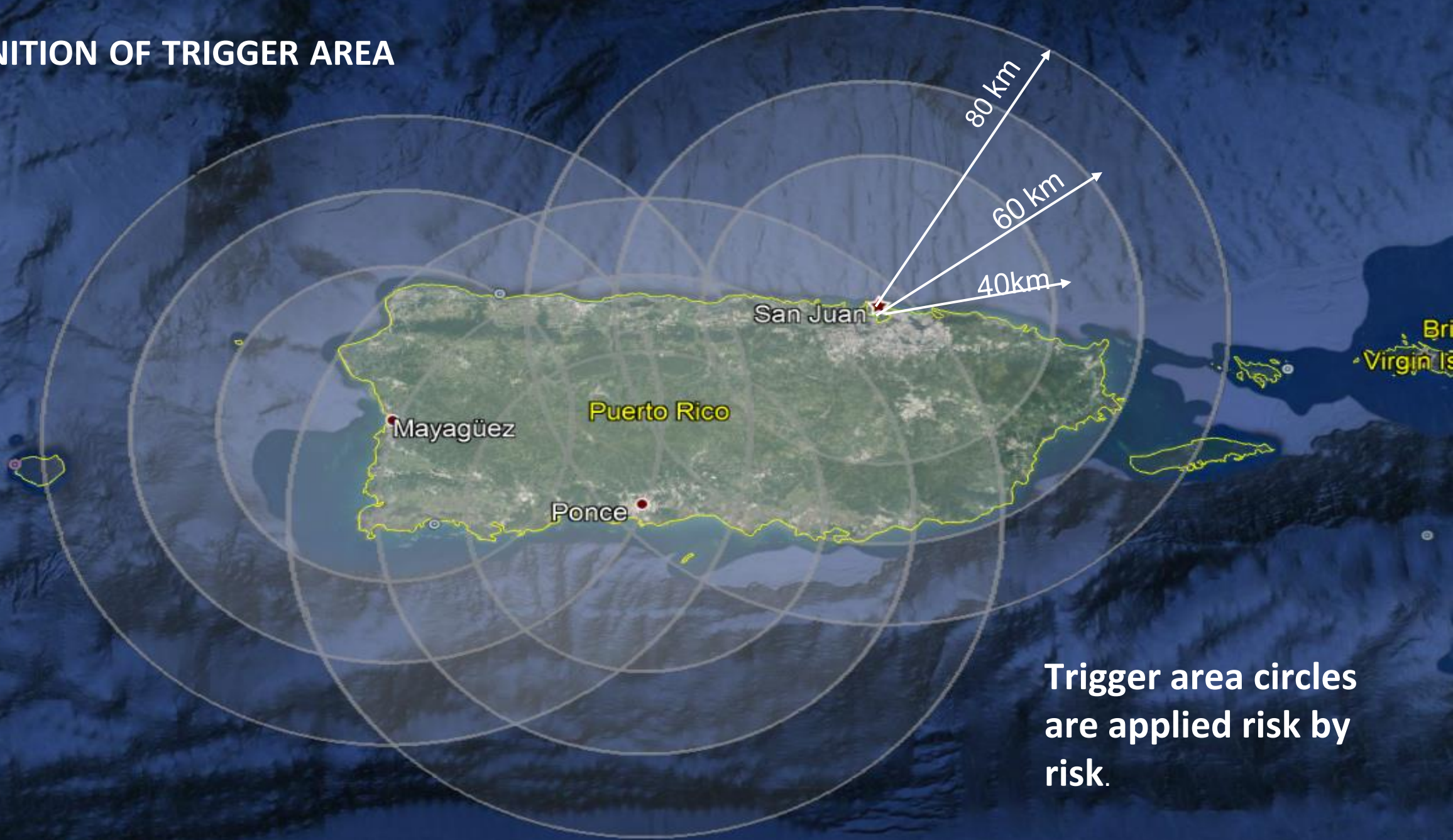
CALCULATION POINTS

110 mi. (180 km)

40 mi. (65 km)

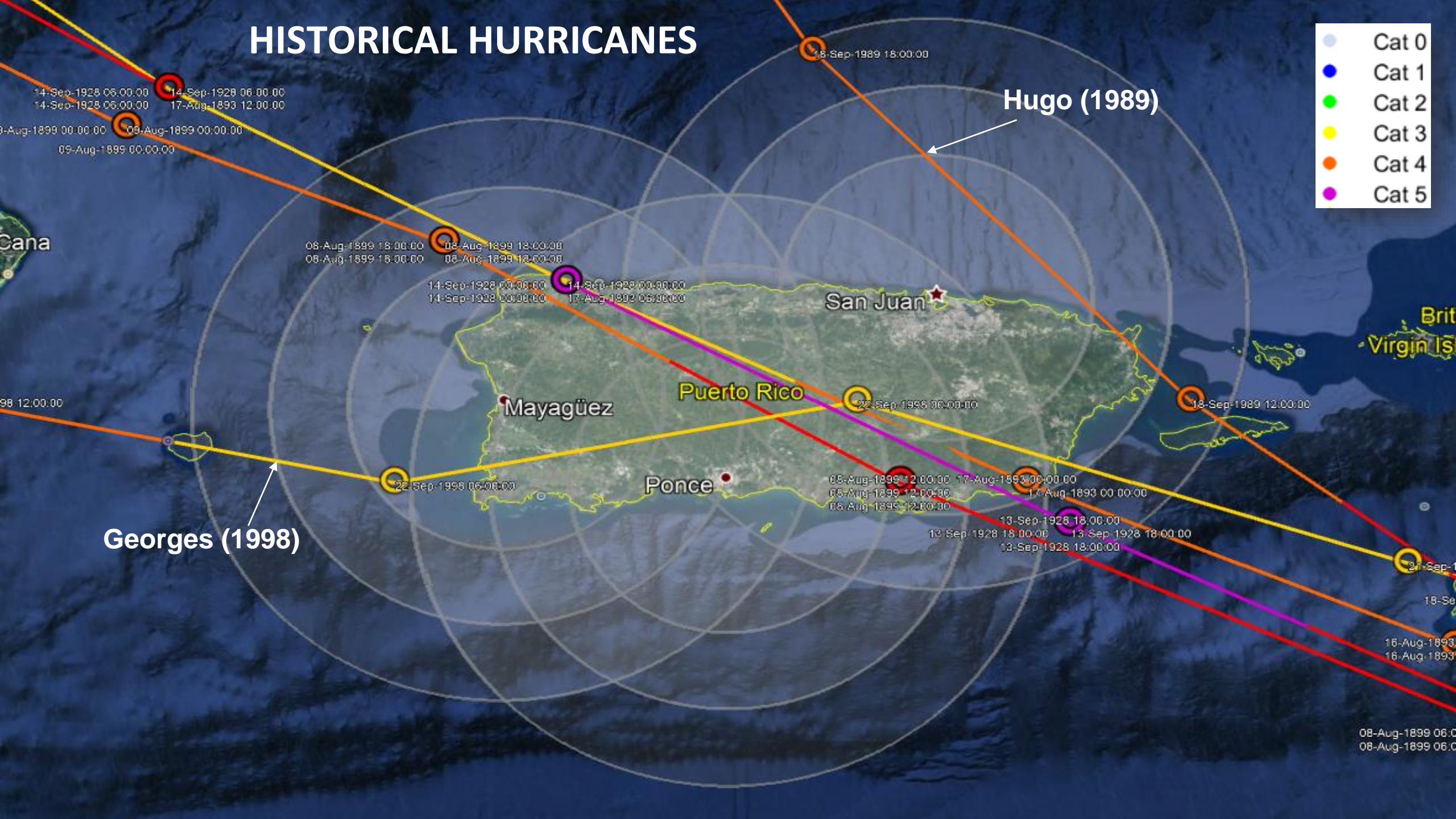


DEFINITION OF TRIGGER AREA



Trigger area circles are applied risk by risk.

HISTORICAL HURRICANES



CONCLUSION



Parametric insurance represents an additional tool to facilitate access to the benefits of limited coverage against specific risks for low-income sectors, to help them cope with the financial losses caused by catastrophic events.

This product speeds up the compensation process and makes the distribution channel more flexible so as to reach the target population.

In this way, we help the communities to recover more quickly from the occurrence of a loss, fulfilling our social responsibility effectively.

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