

Parametric Solutions Provide Liquidity Following Earthquake

Extreme events can cause economic hardship at a time when many businesses are already financially fragile. Parametric solutions can help organizations fill any gaps left by traditional insurance coverage that can leave businesses vulnerable.

Many of the world's most populous cities lie on fault lines, which puts them at risk for potentially powerful earthquakes. Earthquakes can strike with little or no notice, causing extensive damage to properties and displacing individuals. In addition, the shaking of the earth can lead to landslides, avalanches, fires, tsunamis, and other risks. Losses from earthquakes are estimated to cost the US a staggering \$6.1 billion a year.

While traditional insurance can respond to the damage caused by an earthquake, businesses can face additional complications following such a loss, including:

- Difficulty quantifying the cost of non-property damage.
- A lengthy claim settlement process.
- Uninsured losses associated with operational disruptions not directly resulting from property damage.

Parametric solutions typically include a tiered formula where the payout amount is determined by the shake intensity/ground motions at a specific location, as illustrated in the example

160+ earthquakes with a magnitude of **7 or above** between 2010 and 2020.



Source: [United States Geological Survey](#)

below. Other parametric models measure the magnitude of an earthquake and the location of its epicenter, with the payout increasing according to the magnitude and proximity of its epicenter to a predefined location.

Modified Mercalli Intensity Scale	Payout amount
6 or below	Zero
7	15% limit
8	35% limit
9	65% limit
10 or above	100% limit

How Can Marsh Help?

Our parametric and weather experts and industry specialists will conduct a comprehensive analysis of your specific risk and help you build a program that correlates with your exposures. Our broad access to insurance markets positions us to help you select the insurer, terms, and pricing that best meet your needs.



For more information on parametric solutions for earthquake exposures, contact your Marsh representative or:

TOM MARKOVIC, PH.D
Head of Financial Risk Products
+1 212 345 5457
Mobile +1 347 843 9194
tom.markovic@mmc.com

CHAD M. WRIGHT
Head of North American Alternative Risk Transfer
+1 404 216-4353
chad.m.wright@marsh.com

Marsh is one of the Marsh & McLennan Companies, together with Guy Carpenter, Mercer, and Oliver Wyman.

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