

Parametric Insurance

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First-ever Climate Insurance Report

2021

The report focused on extreme heat, wildfires, flood and sea-level rise risks

Recommendations on:

Risk Assessment

Risk Communication

Risk Mitigation

Nature-based Solutions

And Innovative Products

Regular insurance is about restoring property to its pre-damage state – known as “indemnity insurance”



With parametric insurance, the payout is determined by measuring the disaster:

- Extreme heat wave duration or intensity
- Earthquake Richter scale
- Height of a river above flood stage

Parametric insurance can be flexible

1

Covers non-property losses such as health impacts from heat waves or floods or business interruption

2

Helps businesses or governments prepare and respond

3

Immediate payouts can assist with pre-disaster preparation and rapid recovery

Making insurance more inclusive

1

In western India, temperatures create deadly hot working conditions for many workers.

2

Extreme heat income insurance was launched in 2023 to help women in India recover lost wages due to climate-driven extreme heat events.

3

The program is activated at a threshold of extreme heat conditions, aligned with temperatures expected to impact health outcomes

4

This past June, more than 46,000 women received income insurance payments, providing important stability and protection.



Nonprofit offers Indian women cash, insurance to deal with extreme heat

 CBS NEWS

June 12, 2024

Insurance helped 46,000 Indian women avoid deadly work during heat waves

 Bloomberg

June 12, 2024



Heat insurance offers climate change lifeline to poor workers

 Reuters

May 22, 2023

Insurance for financial risk to drought

Kenya to insure livestock farmers against drought in \$140 million plan



April 11, 2023

- Partnership between the World Bank and Djibouti, Ethiopia, Somalia, and Kenya
- Focuses on protecting herders in drought prone regions
- Drought can cause billions of dollars of losses from cattle deaths



Inclusive Insurance Pilot in New York: Improved flood resilience for low and moderate income households

- Funds designed for low and moderate income households
- Rapid infusion of funds helps address gaps in assistance and increase equity in recovery.
- When severe flooding triggers the policy, payment will quickly be sent to the Center for NYC Neighborhoods.
- The Center will use those funds to activate an assistance program of emergency cash grants to cover immediate post-flood needs while households wait for other forms of assistance that take longer.



Reference: <https://www.edf.org/inclusive-insurance>

Caribbean Catastrophic Risk Insurance Facility

- Multiple countries facing hurricane risk in the Caribbean
- Parametric policy based on hurricane severity
- Program has been triggered multiple times, providing more financial security to risk prone areas

Insurance with Nature



In 2018, the local businesses in Quintana Roo, Mexico invested in an insurance policy for the local coral reefs. This policy was triggered by high wind-speed storms in 2019.

Coral reefs reduce storm surge

Hawaii



Goal is to be able to restore corals quickly after large storms



Reefs are economically important and protect the coast from waves



In 2022, the Hawaii government insured substantial portions of their coral reefs

Opportunities to close protection gaps in California

Protecting farm workers from extreme heat

Improving resilience in vulnerable communities facing atmospheric river flooding

Protecting coastal areas from storm surge

Local governments planning for the financial risks of urban flooding