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Risk. Reinsurance. People.

HOW TO SIMPLIFY CATASTROPHIC RECOVERY THROUGH INNOVATION

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Increased uncertainty and rapidly evolving risk events, including the effects of global pandemics, supply chain disruptions, extreme weather events, geopolitical shifts, ESG concerns, and cyber threat landscape, are some of the challenges individuals and organizations continue to face. The current and traditional approach to risk oversight and management may be insufficient in this fluid risk environment. Risk management does not appear to be

getting easier.

The focus of any risk manager today is to bring innovative solutions and help clients or organizations to improve resilience. Today our corporate clients need a partner that approaches risk holistically and can combine expertise with intelligent technology, risk insights, capacity, and data-driven analytics to deliver relevant solutions and services.

The traditional methods of managing risk such as conventional insurance are not doing enough to cover the 21st-century risks. The major challenge of traditional indemnity-based insurance is that organizations have unmet needs when matching capital to tail risk events such as natural catastrophes. Some of the key issues include the protection gap, increasing frequency and severity of losses, and the inherent traditional solutions limitations.

In response to these challenges, Minet has designed Parametric Solutions with simple trigger and compensation (payout) mechanisms. Our innovative parametric solutions use a customized formula so that once we hit a pre-defined threshold, the policy pays you; it is as simple as that.

What is a Parametric Solution

Sometimes known as event-based coverage or index insurance, a parametric solution pays



out benefits based upon a pre-determined index for the loss of assets and investments caused by extreme weather or other catastrophic events, whereas conventional insurance relies upon assessments of the actual damage (indemnity-based insurance). A parametric insurance solution is a conventional insurance supplement or complement.

Three main factors characterize Parametric Solutions: 1) An index or metric that is intrinsically related to the costs or revenues of the insured but that is independently measured and recorded. 2) A deductible or threshold by which the index must exceed before the policy is triggered. 3) The amount to be paid.

How does it work

Parametric Solutions may be utilized to offer transaction volume protection for retailers and the hospitality industry. The Covid-19 crisis exposed the failure of conventional business interruption insurance to adequately protect retailers and the hospitality industry from novel restrictions on movement. The traditional policies did not respond to the dramatic and sustained drop in economic activity. Many Covid-19-induced business interruption losses are still the subject of ongoing court battles. Minet has designed the Parametric Solutions to cover these losses. The policies pay claims based on a sustained and severe drop in key operational data such as credit card transactions, nearby footfall, and industry sales.

In the above example, the key index / triggering conditions could be:

- Covid-19 resurges, or another infectious disease arrives with crowds dissuaded or prohibited from accessing venues
- Significant terror attack deters customers
- Interrupted transport networks limit the arrival of customers
- Sustained extreme weather keeps customers at home
- Natural catastrophes like hurricanes, windstorms, wildfires, or floods prevent the commercial zone from receiving customers
- A systemic cyber-attack cripples a key payment network used across your industry
- Economic fallouts hit customers' wallets in a major and sudden way (gradual declines are not covered)

Some of the advantages of a Parametric Solution include:

- An objective solution using an independent source to define the mechanics of any payment - this provides a true and unbiased fortuitous method of assessing the policy.
- Immediate payment after a loss - the policy pays out upon confirmation of the index threshold being breached.
- A flexible and bespoke solution tailored to the insured's needs and requirements.
- Global ability to respond to a loss event irrespective of location.
- It's a very cost-efficient solution, where the insured can buy coverage only for what is required.

Conclusion

The Parametric Solutions are a panacea for all the inadequacies in the existing insurance and risk management marketplace. The policies are flexible and help simplify the cumbersome administrative processes associated with arranging a conventional insurance solution. The programs may be arranged on a multi-year running period, allowing the insured the comfort of long-term stability in coverage. The claims administration and handling are simplified. Parametric Solutions simplify disputes over coverage intentions and settle payments within hours.



Parametric Solutions play a critical role in complementing conventional insurance solutions as they cover the gaps and exposures which arise in restrictive terms and conditions within the reinsurance programs. They also address the market's failure to cover some of the uninsurable risks and important self-insured retentions or prohibitive pricing.

Parametric Solutions are growing in popularity and Minet seeks to use the advantages of event-based insurance coverage to give consumers a quicker and more efficient claims process, and a more flexible and straightforward attitude to policy terms and conditions. Minet works with consumers to find triggers that generate the risk to be protected against.

In futurism, science fiction, and the explosion of the metaverse, it would be interesting to imagine how the risk management landscape will evolve. Naturally, this leads to the conclusion that the application of event-based insurance coverage will be more prevalent and will inevitably be so for a greater array of triggers than those related to extreme weather conditions and natural events.

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