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PERSPECTIVES ON THE USE OF PARAMETRIC INSURANCE FOR DISASTERS IN THE
UNITED STATES

Parametric insurance is increasingly cited by disaster risk experts as a promising tool for reducing the financial impacts of disasters. Yet despite growing interest, its adoption remains limited. This study explores the benefits of parametric insurance, identifies barriers to its broader use, and outlines strategies to support its expansion. Using qualitative analysis of secondary sources and expert interviews, the research finds that parametric disaster insurance is most beneficial for businesses and municipalities, with some potential for individuals and homeowners. Advantages include rapid payouts, flexible fund use, coverage of hard-to-insure or non-physical losses, affordability, increased resilience, and support for vulnerable populations. However, major barriers include basis risk, regulatory constraints, and low awareness or understanding of how parametric products work. To promote greater adoption, recommended strategies include public-private partnerships, education campaigns, regulatory reform, product innovation (e.g., hybrid policies), and pilot programs. Key policy recommendations are to accept and manage the basis risk-speed tradeoff, support hybrid and embedded products, convene working groups, and invest in pilot initiatives. Future research should focus

on consumer willingness-to-pay, insurance preferences, and differences in state-level insurance regulations.

Presentation Theme: Research and Findings.

Collaborators, Advisor(s) and Department(s) that assisted with this

research: Georgetown University- School of Continuing Studies-

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