

Parametric Insurance Market is Booming and Predicted to Hit \$29.3 Billion by 2031, at 9.9% CAGR

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/EINPresswire.com/ -- Parametric insurance coverage differs from traditional insurance as it is not claims driven, with payouts made to customers after a loss. Instead, parametric insurance uses triggers or indexes (not claims) to payout after a specific event has occurred.

Policyholders, therefore, are insured against a specific event with payments based on a predefined parameter, rather than the amount of a specific

claim or loss. Parametric triggers can be applied to a range of loss types, from hotel occupancy rates to flight delays to the depth of a flood. Generally, a parametric contract includes the client, a specific parameter or index (the trigger), the contract or output (a payment amount), a third party or analytical agent responsible for verifying the trigger (i.e., a government agency), and the capital provider. Thus, these factors can be concluded as parametric insurance definition.



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In recent years, insurtech entrants have helped incumbents recognize the need for innovation and flexibility when it comes to underwriting risk and creating new product solutions. Parametric insurance, which is powered by sophisticated analytics, new data sets, and innovative technologies, provides an opportunity for incumbents looking to supplement and evolve their approach to loss prevention/mitigation and disaster financing.

Allied Market Research recently published a report, titled, '[Parametric Insurance Market](#) by Type (Natural Catastrophes Insurance, Specialty Insurance, Others), by Industry Vertical (Agriculture, Aerospace & Defense, Mining, Construction, Energy & Utilities, Manufacturing, Others): Global Opportunity Analysis and Industry Forecast, 2021-2031.' According to the report, the global

parametric insurance industry generated \$11.7 billion in 2021, and is expected to reach \$29.3 billion by 2031, witnessing a CAGR of 9.9% from 2022 to 2031.

Drivers, Restraints, and Opportunities

Rapid claim adjustment process, technological advancements, and improved user experience drive the growth of the global parametric insurance market. However, high prices of parametric insurance limit the market growth. On the other hand, new and exciting applications of parametric insurance principles present new opportunities in the coming years.

The natural catastrophes insurance segment to maintain its lead status throughout the forecast period

Based on type, the natural catastrophes insurance segment accounted for the highest market share in 2021, contributing to nearly half of the global parametric insurance market, and is estimated to maintain its lead status throughout the forecast period. This is attributed to continuous rise in commercial insurance pricing and widening risk spectrum. However, the specialty insurance segment is expected to manifest the fastest CAGR of 13.1% from 2022 to 2031, owing to rise in demand for specialized expertise and implementation of advanced technologies.

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The agriculture segment to maintain its leadership status by 2031

Based on industry vertical, the agriculture segment held the highest share in 2021, accounting for more than one-fourth of the global parametric insurance market, and is projected to maintain its leadership status by 2031. This is due to emergence of coverage regulations that include situations that were previously uninsurable and assist in reducing protection gaps. However, the construction segment is projected to witness the highest CAGR of 15.2% from 2022 to 2031. This is owing to assistance to contractors in mitigating weather-related perils during construction and operations.

North America to continue its lead position by 2031

Based on region, North America contributed to the highest market share in terms of revenue in 2021, accounting for more than two-fifths of the global parametric insurance market, and is projected to continue its lead position by 2031. This is attributed to feasible alternative presented by parametric insurance for organizations to create climate resilience and boost catastrophe response & recovery and expansion by market players. However, Asia-Pacific is estimated to witness the largest CAGR of 13.2% during the forecast period. This is due to continuous market hardening, natural catastrophe (Nat CAT) exposures, and climate change in

the region.

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Leading Market Players

- Allianz
- AXA XL
- Chubb
- FloodFlash
- Jumpstart Insurance Solutions, Inc.
- Berkshire Hathaway Specialty Insurance
- Munich Re
- Global Parametrics
- Swiss Re
- Zurich American Insurance Company

Parametric Insurance Market Report Highlights

By Type

- Natural Catastrophes Insurance
- Specialty Insurance
- Others

By Industry Vertical

- Agriculture
- Aerospace & Defense
- Mining
- Construction
- Energy & Utilities
- Manufacturing
- Others

By Region

- North America (U.S., Canada)
- Europe (United Kingdom, Germany, France, Italy, Spain, Rest of Europe)
- Asia-Pacific (China, Japan, India, Australia, South Korea, Rest of Asia-Pacific)
- LAMEA (Latin America, Middle East, Africa)

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