

# Parametric Earthquake Coverage

## Fast Facts

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### At a Glance

Parametric earthquake coverage is a fast-paying layer that works alongside JPIA's traditional earthquake insurance. Rather than waiting months for damage assessments, payouts are triggered by measured ground shaking using independent USGS data. This allows members to receive funds within days to cover immediate needs such as emergency response, business interruption, or other costs not always addressed by traditional coverage. By including all Property Program members, JPIA strengthens the pool, stabilizes pricing, and makes this added protection affordable for most agencies while meaningfully increasing overall earthquake coverage.

### What Is Parametric Coverage?

- **Event-based insurance:** Payouts are triggered by predefined parameters such as earthquake magnitude and ground shaking, not by documented physical damage.
- **Independent verification:** Triggers are confirmed using third-party data from USGS ShakeMap.
- **No claims adjustment:** Payments are formula-driven and designed to be fast, predictable, and transparent.

#### *Talking Points:*

- Coverage isn't about replacing traditional insurance. It's about getting money to the members quickly, when time and cash flow matter most.
- If the ground shakes hard enough, the policy pays – no damage inspection required.

### How JPIA Will Use Parametric Earthquake Coverage

- **Universal Participation:** All Property Program members participate as part of the pooled structure.
- **Coverage Scope:** Applies to all locations with Total Insured Value over \$1 million, using a grid-based model of 932 cells, each approximately 9.5 square miles.
- **Trigger:** Earthquake of magnitude 5.5 or greater, with ground shaking above a defined threshold.
- **Payout Structure:** Based on Peak Ground Acceleration (PGA) at each grid cell, paying 20% to 100% of the assigned value.
- **Program Limits:** \$10 million per occurrence and in the aggregate.

*Talking Points:*

- Structure ensures fairness. Payments reflect where shaking actually occurs, not just where an earthquake is centered.
- Approach spreads risk across the pool and ensures payouts reflect where shaking actually occurs.
- Universal participation strengthens the pool, stabilizes pricing, and benefits every member.

## Why Parametric is a Strong Companion to Existing Coverage

JPIA's current earthquake coverage includes a \$2.5 million aggregate limit. Parametric coverage layers on top of that to address gaps that traditional insurance cannot fill.

*Key advantages:*

- Speed: Payments typically issued within 4 to 10 business days.
- Flexible use of funds: Can be used for any financial impact, including costs not covered by traditional policies.
- No deductibles or exclusions.
- Covers hard-to-insure losses: Business interruption, supply chain disruption, emergency response costs.
- Proven design: The proposed structure would have triggered 36 payouts between 1906 and 2025.

*Talking Points:*

- Allows members fast cash to stabilize operations, even when there's little visible damage.
- Traditional insurance rebuilds; parametric coverage helps members keep operating.

## How Aggregate Coverage Works Across 292 Members

- Aggregate Limit: The total amount paid across all members in a program year cannot exceed the stated aggregate.
  - Existing coverage: \$2.5 million
  - Parametric coverage: \$10 million
- Distribution: Payouts are determined by measured shaking at each member's location and their assigned sub-limit.
- Proration: If total payouts exceed the aggregate cap, payments are prorated among affected members.

*Talking Points:*

- Aggregate works like a shared safety net – fair, predictable, and transparent.
- Payouts are shared across the membership based on measured shaking at each location, with an annual program-wide aggregate cap that is fairly prorated if total payments exceed the limit.

## Pricing Methodology & What Members Can Expect

- Equitable allocation: Premiums are based on each member's proportional share of the Property Program contribution.
- Premium range: Approximately \$13,000 to \$22,000 annually, depending on relative exposure.
- Affordability for most members:
  - 65% of participating agencies will pay less than \$1,000 per year while receiving three times their existing earthquake coverage.
- Limited higher-cost exposure:
  - Only 11 of 292 agencies have a pure premium exceeding \$10,000, driven by larger asset bases and higher exposure.

*Talking Points:*

- For most members, there is significant additional coverage at a very manageable cost.
- Higher costs affect a small group of members with the largest exposures.
- Parametric coverage delivers rapid payouts without the traditional claims adjustment process.

## Quick Comparison: Traditional vs. Parametric Coverage

Feature	Traditional Earthquake Coverage	Parametric Earthquake Coverage
<b>Trigger</b>	Physical damage or loss	Measured event parameters
<b>Claims Process</b>	Adjustment and documentation	Formula-based payout
<b>Speed of Payment</b>	Months to years	Days
<b>Use of Funds</b>	Restricted by coverage terms	Any financial loss
<b>Deductibles / Exclusions</b>	Yes	None
<b>Aggregate Limit</b>	\$2.5 million	\$10 million