

Checklist: How to Design a Parametric Construction Policy

1. Risk Assessment

- ☐ Identify geographic/weather risks relevant to your site.
- ☐ Analyze historical data on rainfall, heat, or seismic activity.
- ☐ Determine cost impact of each risk (e.g., delay, labor, equipment idle).

2. Trigger Criteria

- ☐ Select objective, measurable parameters (e.g., mm rain/day, °C heat).
- ☐ Set thresholds that are frequent enough to protect but rare enough to manage cost.
- ☐ Validate data availability and accuracy from reliable sources (e.g., weather stations, satellites).

3. Payout Structure

- ☐ Define fixed payout tiers (e.g., \$X for 3 rainy days, \$Y for 5 days).
- ☐ Align payout to business interruption costs, not physical damage.
- ☐ Ensure payout curve reflects risk severity properly.

4. Monitoring and Data

- ☐ Use third-party verified data sources (NOAA, IMD, private weather firms).
- ☐ Establish redundant monitoring channels (satellite + IoT sensors).
- ☐ Review data collection frequency and latency.

5. Policy Structure

- ☐ Choose between standalone or hybrid policy with traditional indemnity insurance.
- ☐ Ensure clear documentation of trigger, payout, and exclusions.

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- ☐ Coordinate with brokers to handle multi-project or enterprise-wide needs.

6. Contractual Alignment

- ☐ Align with lender and contractor requirements.
- ☐ Integrate policy into financial risk planning models.
- ☐ Include parametric clause in project contracts and schedules.

7. Review and Update

- ☐ Reassess thresholds and risk data every 6-12 months.
- ☐ Adjust policy as construction stages or climate patterns shift.
- ☐ Ensure compliance with regional regulatory requirements.