

# News release

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## **Guy Carpenter advances research on the use of parametric solutions through community-based reciprocal exchanges**

New York, December 11, 2024 – Guy Carpenter, a leading global risk and reinsurance specialist and a business of Marsh McLennan (NYSE: MMC), today announced a new research project that will explore the use of parametric insurance solutions to help insure communities across California and Florida for wildfire and hurricane risks.

The research will be conducted in collaboration with Guy Carpenter’s Parametric Advisory and Public Sector teams, the Institute of Environment at Florida International University, the Climate Adaptation Center in Sarasota, the Center for Coastal Climate Resilience at UC Santa Cruz, and the University of Michigan. It will focus on the concept of a “community-based parametric reciprocal exchange” – an insurance model where a community of homeowners or small businesses come together to share natural catastrophe risks. Payouts are automatically triggered when specific, predefined measurable events or conditions, such as wind speeds or rainfall levels, have been met.

Together, the researchers will gain an in-depth understanding of the regulatory environment for parametric reciprocal exchanges, identify best practices in communicating the value of such a model, and engage with local communities to establish the foundations for larger scale research and pilot projects.

“Insurance plays a critical role in recovery from natural disasters, but many households and small businesses do not have sufficient coverage to fund repair and rebuilding due to affordability of products, limited risk awareness, or behavioral biases in decision making,” said Dr. Guillermo Franco, Global Head of Cat Risk Research, Guy Carpenter. “Community-based catastrophe insurance programs like parametric reciprocal exchanges, may constitute an innovative way to help close this protection gap in the US and speed up payments to aid recovery, which will enhance the financial resilience of communities.”

This research project dovetails with Guy Carpenter’s larger work in advocating for [community-based catastrophe insurance](#) (CBCI), a concept it developed in partnership with the Wharton Risk Management and Decision Processes Center and Marsh McLennan.

### **About Guy Carpenter**

[Guy Carpenter](#), a business of [Marsh McLennan](#) (NYSE: MMC), is a leading global risk advisory and reinsurance specialist and broker. Marsh McLennan is a global leader in risk, strategy and people, advising clients in 130 countries across four businesses: [Marsh](#), [Guy Carpenter](#), [Mercer](#) and [Oliver Wyman](#). With annual revenue of \$23 billion and more than 85,000 colleagues, Marsh McLennan helps build the confidence to thrive through the power of perspective. For more information, visit [guycarp.com](http://guycarp.com), or follow on [LinkedIn](#) and [X](#).