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**Date:** February 4, 2026

**Bill # / Title:** Senate Bill 95 - Property and Casualty Insurance - Parametric Insurance - Regulation

**Committee:** Senate Finance Committee

**Position:** Letter of Information

The Maryland Insurance Administration (MIA) appreciates the opportunity to share this Letter of Information relating to Senate Bill 95.

Senate Bill 95 would add a new subtitle (“Parametric Insurance”) to Title 19 (“Property and Casualty Insurance”) of the Insurance Article. This new subtitle would set forth requirements and prohibitions relating to parametric insurance products and authorize the MIA to establish a pilot program that offers participating insurers “additional opportunities to provide parametric insurance products” to certain underserved and vulnerable populations.

Parametric insurance is a type of insurance that pays out a predetermined amount upon the occurrence of a covered event that meets or exceeds a pre-defined threshold of severity, as measured by an objective index. For example, the terms of a parametric insurance policy may provide for a \$40,000 pay out if a Category 4 or higher hurricane occurs in a specified geographical region. If the pre-defined trigger event (a Category 4 hurricane) occurs, the policy will pay out \$40,000, regardless of the actual physical loss incurred from the event. Parametric insurance avoids the oftentimes lengthy damage assessment process that must be completed before a claim is settled under traditional indemnity-based insurance. By providing immediate liquidity for extreme weather events (such as hurricanes, floods, and snowstorms), parametric insurance may hasten recovery from climate-related disasters and bridge coverage gaps in traditional insurance that are exacerbated by climate change. Although parametric insurance is not as common as traditional indemnity insurance, it is increasingly being used to fill gaps in coverage (i.e., purchased along with a traditional policy) or address unique risks that standard insurers are unwilling to write. Only one state, New York, has passed a law to establish requirements and mandate disclosures that specifically apply to parametric insurance products.<sup>1</sup>

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<sup>1</sup> The New York legislation can be accessed at <https://www.nysenate.gov/legislation/bills/2023/A10344>.

It is important to note that parametric insurance is likely already being sold in Maryland, either as an approved product or on the surplus lines market. It is viewed as a product that is supplemental to other types of comprehensive insurance products for homeowners, businesses, and government.

Senate Bill 95 would establish a framework for further regulation of parametric insurance products offered in the State, and encourage insurers to expand their offering of such products to help Maryland households, businesses, and municipalities manage risks from natural disasters. Given the innovative and unique nature of parametric insurance products, as well as the increasing frequency of severe weather events due to climate change, this is timely and beneficial legislation in concept.

The bill also authorizes the MIA to establish a pilot program with separate regulations to provide insurers additional opportunities to provide parametric insurance products that meet certain public needs and protect vulnerable populations. The MIA does not currently have staff to support such a program, and would need to hire staff to implement these provisions of the bill. As such, the MIA is unable to offer support for the bill in its current posture.

The MIA also notes that, should the Committee wish to move this legislation forward, several amendments would be needed to: (1) make technical changes to certain provisions of the bill; (2) give the MIA reasonable flexibility in setting standards for parametric insurance through regulation; and (3) give the MIA reasonable flexibility in implementing the pilot program in order to minimize any fiscal impact. The MIA looks forward to discussing with the sponsor and stakeholders potential amendments in further detail.

The MIA thanks the Committee for the opportunity to share this information concerning SB 95.