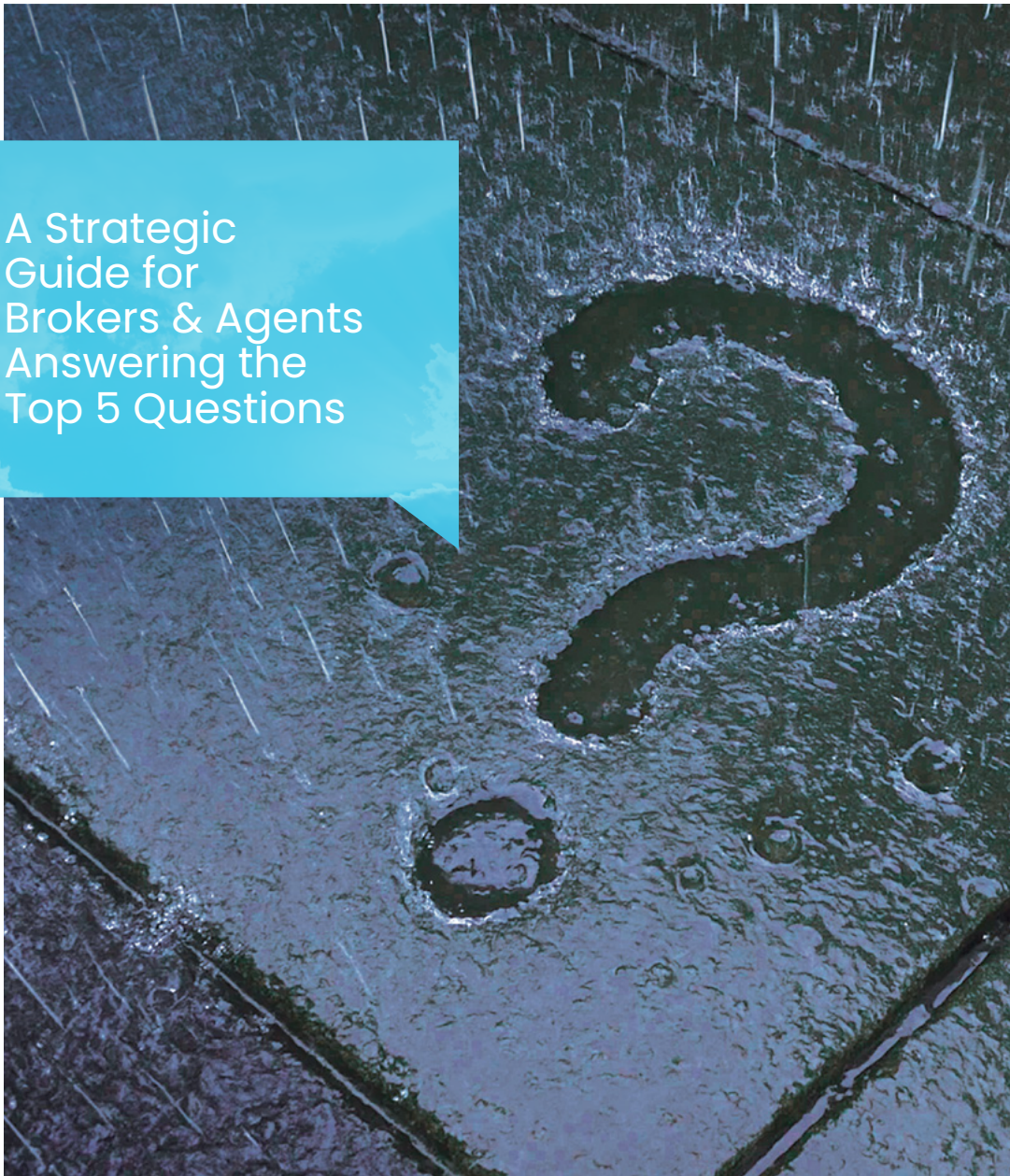


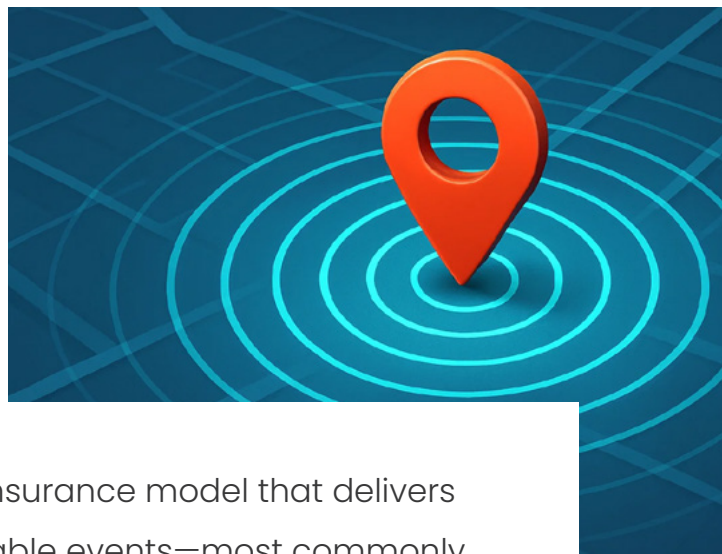


Unlocking the Potential of Parametric Insurance

An aerial photograph of a flooded agricultural field. The water is dark and reflects the sky. A large, dark, swirling pattern resembling a question mark is visible in the center of the field. Several smaller, circular ripples are scattered throughout the water.

A Strategic
Guide for
Brokers & Agents
Answering the
Top 5 Questions

Introduction: What Is Parametric Insurance?



Parametric insurance is an innovative insurance model that delivers pre-agreed payouts based on measurable events—most commonly weather-related—rather than reimbursing for actual losses after a claim assessment. Unlike traditional Property & Casualty (P&C) insurance, which requires damage verification and claim adjustment, parametric policies are *triggered by data*, not destruction.

How it's different:



TRIGGER-BASED PAYOUT

instead of damage-based reimbursement



OBJECTIVE DATA SOURCES

– like radar rainfall or NOAA storm tracking



FASTER DISBURSEMENT –

often within days or weeks, not months or years



NO ADJUSTERS OR LOSS DOCUMENTATION NEEDED

This approach fills critical coverage *gaps* in traditional policies—such as high deductibles, business interruption without physical damage, or weather events excluded from coverage, like storm surge or flood. Parametric insurance is particularly relevant for clients exposed to environmental volatility, such as those in outdoor entertainment and events, property management, retail, tourism and sports.

1 How Is Parametric Insurance Priced?

Parametric insurance pricing is based on actuarial models that analyze:

- ✓ **HISTORICAL WEATHER DATA** (e.g., rainfall or hurricane tracks in a given location)
- ✓ **PROBABILITY** of the triggering event (it is statistically more likely for rain to fall on a given day vs a homeowner or vehicle owner experiencing an insured loss)
- ✓ **SEVERITY THRESHOLDS** (e.g., 0.25" of rain in a 5-hour time period or a Category 4 hurricane track within 30 miles of the risk location)
- ✓ **DESIRED COVERAGE** limits and frequency

Customization drives cost: For example, a client with a lower rain threshold or greater hurricane radius will pay more, as the likelihood of a trigger increases. The premium reflects the *risk probability* of the event and the payout amount selected. It is important that clients understand the likelihood of an adverse weather event is sometimes far greater than an event reported to their homeowners or auto insurance company. The greater the likelihood of an event means a higher premium amount.

2 How Do Triggers Work?

Triggers are **predefined conditions** agreed upon at policy inception. When the trigger occurs, the policy automatically initiates a payout.

Examples include:

- ✓ **HOURLY RAIN INSURANCE:** A policy triggers if 0.25" or more rainfall is radar-measured within a selected time frame at the insured location.
- ✓ **HURRICANE INSURANCE:** A payout is triggered when a hurricane track of a certain category enters a 30- or 60-mile radius of the insured business.

Trigger events are binary: either the conditions are met, or they're not. This simplicity eliminates disputes and accelerates settlement.

3 How Are Claims Processed?

Claims processing with parametric insurance is typically very different from the traditional claims process:

- ✓ A verified third-party data source confirms that the trigger was met.
- ✓ The insurer automatically verifies the event.
- ✓ A payment is processed, often **within days**, without documentation of loss.

CASE EXAMPLE: *The Coyote Store*, an outdoor concert venue in Texas, received a payout within 7 days after recorded rainfall exceeded their policy threshold during their insured hours.

4 What Are the Coverage Parameters?

Coverage is **highly customizable** and defined by:

- ✓ **EVENT THRESHOLDS** (e.g., inches of rain, storm category)
- ✓ **GEOGRAPHIC SCOPE** (distance from the insured location)
- ✓ **TIME FRAME** (hourly, daily, or seasonal)
- ✓ **PAYOUT SCHEDULES** (fixed amounts or scaled percentages)

Hurricane Insurance Example:

Payouts range from **5% to 100%** of the policy limit depending on hurricane intensity and distance.

Rain Insurance Example:

Policies can be tailored to specific hours of business operation (e.g., noon–6 PM), with thresholds set to local weather norms.

5 How Is the Weather Measured?

Weather events are verified through **independent, objective sources**:

- ✓ **RADAR NETWORKS** (for rain accumulation by hour and location)
- ✓ **NATIONAL HURRICANE CENTER / NOAA** data (for hurricane intensity, storm track, and proximity)

These third-party data sources ensure transparency and eliminate the need for onsite adjusters. This method ensures that all parties—insured and insurer—work from the *same objective dataset*.

Product Spotlights

Hourly Rain Insurance

Supplemental Hurricane Insurance

Ideal for

Outdoor events, sports tournaments, racetracks

Retail, builder's risk, marinas, hospitality, real estate, property management

Trigger

Rainfall threshold (e.g., 0.25") in a defined window

Storm category + proximity (30- or 60-mile radius)

Measured by

Third-party radar, or another agreed-upon independent third-party source

NOAA, NHC

Payout

Speed: Often within 7 days

Scale: Up to 100% based on intensity and location

Use of funds

Operational costs, vendor payments, lost revenue

Cleanup, payroll, supply chain resilience

Why

Brokers Should Offer Parametric Products

1. BRIDGE COVERAGE GAPS

Complement P&C policies that exclude non-damage business interruption, flood or storm surge losses.

2. ENHANCE CLIENT SATISFACTION

Fast, data-driven payouts minimize financial stress and increase loyalty.

3. SERVE UNDERSERVED SECTORS

Introduce modern solutions to weather-exposed businesses overlooked by traditional carriers.

4. DIFFERENTIATE YOUR AGENCY

Stand out with cutting-edge tools that deliver certainty in uncertain conditions.

5. GROW YOUR BOOK

Open conversations with seasonal, event-based, and climate-sensitive clients.

Key Considerations for Brokers

When introducing parametric insurance to clients:

- **ANALYZE LOCALIZED WEATHER RISKS:** Use historical radar or storm data to calibrate thresholds.
- **ASSESS OPERATIONAL VULNERABILITIES:** Identify where business interruption hurts most.
- **EDUCATE CLIENTS ON SIMPLICITY AND SPEED:** Emphasize the non-traditional process.
- **PARTNER WITH EXPERTS:** Choose experienced providers like Vortex for credible, seamless execution.
- **COLLABORATE WITH SEASONED PROFESSIONALS:** Opt for trusted providers like Vortex to ensure reliable and smooth execution.

Final Thoughts

As climate volatility intensifies, parametric insurance offers brokers a powerful extension to traditional risk transfer. With real-world success as described in the rain and hurricane protection examples, this model delivers fast, flexible, and transparent support when it matters most. Now is the time to bring these forward-thinking solutions to your clients.

Let parametric insurance be the strategic advantage your agency brings to the table.

