



PARAMETRIC HAIL INSURANCE COVERAGE



SPECIALTY PARAMETRIC HAIL INSURANCE FOR AUTO DEALERSHIPS

Parametric insurance is a flexible, unique solution designed to protect the auto dealer's balance sheet.

Some traditional Dealers Open Lot policies may not address financial loss in the event of a major hailstorm. In certain situations, supplementing traditional Dealers Open Lot insurance with Parametric insurance can be beneficial for certain auto dealership clients.

OVERVIEW

- Parametric hail insurance is an innovative type of policy designed to protect auto dealerships against the serious financial impact of hailstorms
- Coverage under most Parametric insurance policies is "triggered" when a measurable event occurs which exceeds a set threshold; in this case, a significant hail event
- Hail size under this program is measured by an independent weather data provider through use of advanced 3D radar, an onsite hail station, and a series of weather algorithms
- The trigger for coverage and payout under this program is determined by the size of the largest hail that falls on the insured dealer's lot
- A Blanket option may be available to auto dealerships with multiple locations at a significantly lower rate

BENEFITS

- Easy integration into the dealer's existing coverage - claims payment can be applied to vehicle and building damage, deductible reimbursement, loss or revenue, and more
- Flexible terms (e.g., variable coverage limits, hail-size triggers)
- Fast claims (payment within 7-10 business days), without the requirement of traditional onsite claims adjustment



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SIMPLE PROCESS

- 1** Based on the dealership's specific hail history and risk, the dealership chooses an appropriate coverage limit and hail-size trigger for them.
- 2** The dealer or an independent third-party provider installs a compact onsite hail monitoring station at the dealership for monitoring and measurement.
- 3** In the event of a claim, payment is sent directly to the dealer—no need for onsite claims adjustment.



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FREQUENTLY ASKED QUESTIONS

WHAT IS PARAMETRIC INSURANCE?

Typically, it is an insurance policy where coverage is “triggered” when an event occurs. The event is something that can be measured. In this policy, hail size is measured.

WHAT IS THE “TRIGGER” IN THIS PARAMETRIC HAIL INSURANCE POLICY?

The trigger for coverage and payout is the “size” of hail that falls on the dealer’s lot. The property boundaries are geocoded. The largest measured hail that falls on the dealer property is the policy trigger.

HOW IS THE HAIL MEASURED IN THIS POLICY?

The hail is measured by use of 3D radar, an onsite hail station and a series of weather algorithms which utilize multiple data sources, including the National Weather Service.

CAN THE MEASUREMENT BE TRUSTED?

Under the traditional policy, the insurance company determines the payout. With the parametric policy, an independent weather data provider determines the hail size. The hail size determines the payout.

DOES A PARAMETRIC HAIL POLICY COVER THE SAME LOSSES AS A TRADITIONAL DOL OR BUILDING INSURANCE POLICY?

No. A traditional parametric policy typically insures against economic damage to the dealer. A traditional DOL or building policy typically insures against direct damage to the property.

WHAT IS THE DIFFERENCE BETWEEN ECONOMIC DAMAGE TO THE DEALER AND DAMAGE TO THE PROPERTY?

A simple example can be used to illustrate the difference. A DOL policy, with a \$2,000 per vehicle deductible for hail, would pay \$3,000 to repair a vehicle needing \$5,000 to repair.

The damage to the vehicle is \$5,000. The dealer’s economic loss is \$2,000. If there are 100 vehicles that are damaged by the hail event, the dealer’s economic loss for deductibles would be \$200,000. Is this \$200,000 deductible the only economic loss to the dealer? No, for example, consider the following questions:

- How long are the vehicles in the repair shop?
- Can they be shown with the damage?
- Can they be sold before they are repaired?
- Were sales lost because the inventory was unavailable?
- When the vehicles were available, did the dealer hold hail sale?
- How much did the vehicles have to be discounted due to the hail damage?
- Were employees paid while the vehicles were waiting to be repaired?

The economic losses described above would not be covered by the DOL, as it does not pay for Business Income and Extra Expense on the inventory.

The Parametric Policy can indemnify the dealership (up to the policy limit) for the per-vehicle deductible and the lost or reduced Business Income and Extra Expense on the inventory. Plus, it includes the deductibles on their buildings, signs and lights.

WHAT IS THE CLAIMS PROCESS?

As soon as practical (within 180 days), submit a notice to receive the payout based on the hail size reported.

This is the actual request from the claim form:

Estimated Number of Cars Damaged: _____
 Estimated Total Cost to Repair Damaged Cars: _____
 Estimated Miscellaneous Loss: _____

There are no claims adjusters, no need to provide estimates or bills, and no requests for financial information.

The coverage examples in this flyer illustrate issues that could be addressed through an insurance policy of the type offered hereunder. Insurance coverage depends on the specific facts of the claim in question and the language of the policy in question. The inclusion of an example here should not be interpreted as a guarantee of coverage. The description of this program is only a summary of available coverages. Actual policy language will dictate the scope of coverage in the event of a claim. Agents should read the full policy form and any applicable endorsements for full terms and conditions and should encourage their policyholders to do the same.

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