

What are Hurlos?

(Hurricane Risk Landfall Option)

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Hurlos will allow homeowners and businesses (among others) to manage their financial risk from hurricane damage. Hurlos are commodity options that will be traded on a Federally-regulated market. The term may sound complicated, but Hurlos are in fact simple.

Why were Hurlos created?

Hurricanes often inflict serious financial damage on homeowners and businesses in the coastal areas of the U.S. A good portion of this financial damage is not covered by insurance for the simple reason that many homeowners and business owners may not be able to afford or obtain insurance against the damage caused by hurricanes. Even if they are insured, many homeowners and business owners have policies with windstorm deductibles which will leave a five or six figure gap in coverage. Bottom line, many homeowners and businesses are at risk of financial harm from hurricane damage.

Are Hurlos insurance?

No. Hurlos are not insurance products and are not intended to be a replacement for insurance. Instead, Hurlos should help supplement insurance and fill the gap that now exists for many homeowners and businesses between hurricane-triggered financial harm that is covered by insurance and the hurricane-triggered financial harm that is not covered.

When can I buy Hurlos?

Currently, anyone can participate in demo Hurlo trading free. The simulation this hurricane season is intended to allow people to discover for themselves how accessible and easy-to-use this product is. Real trading for each year is expected to begin in late winter or early spring and end, at the latest, on December 15th of the same year.

Where can I buy Hurlos?

During demo Hurlo trading anyone can “buy” Hurlos using play money via www.hurlos.com, the same trading platform that will run during real market trading.

Who can buy Hurlos?

This year, the trading platform is being operated as a demonstration and demo accounts are available to anyone for free. Pending regulatory review by the U.S. Commodity Futures Trading Commission, we anticipate making Hurlos available on a real market for the 2011 hurricane season.

Where does the money come from?

WRS, or a third party such as a bank or other financial institution, provides initial funds prior to the start of Hurlo trading. This money goes into a mutualized risk pool. Each time a Hurlo is purchased, the premium is added to the mutualized risk pool. If a hurricane makes landfall, the options holders for that landfall area will share the money in the mutualized risk pool. If no hurricane makes landfall, the options holders for the “No Landfall” option will share the money in the mutualized risk pool.

What are landfall areas?

There are 74 different Hurlo landfall areas for each “series”. A landfall area can be comprised of one or more coastal counties along the Gulf of Mexico and East Coasts of the U.S. between the Mexican and Canadian borders. Our trading map provides a great overview of all the landfall areas. Hurlos will be made available in multiple “series”; each series corresponds to a different landfall event. For example, series one will settle when the first hurricane-strength storm makes landfall in a landfall area and series two will settle when the second hurricane-strength storm makes landfall in a landfall area.

What if there are no hurricanes?

In addition to the 74 landfall areas, there is a No Landfall option. Holders of the No Landfall options receive money if no hurricanes make landfall on the U.S. Coast by December 15th.

Who decides who gets paid and when?

Payouts happen when a hurricane makes landfall in one of our 74 landfall areas (or no hurricane makes landfall by December 15th). Weather Risk Solutions uses U.S. National Hurricane Center Forecast Advisories and Public Advisories to identify where the center of the hurricane-strength storm makes landfall. If you hold Hurlos in the “right” landfall area, you get paid a pro rata share of the mutualized risk pool. Your share is based on the number of options you hold and the total in the mutualized risk pool.

How much are Hurlos?

Participants determine the price of each option. At the beginning of the season, prices are set by historical hurricane landfall probability data for each of the Hurlo outcomes going back to 1851. Once trading begins, prices fluctuate based on participant purchases. Prices will increase for popular landfall areas which, in turn, will drive down the prices of less popular landfall areas. No single dealer or other person ever sets or controls Hurlo prices.

Still have questions?

We encourage you to sign up for a free demo account and experience buying Hurlos first hand. We are confident our website will provide a better understanding for how Hurlos really work.

Give us a call (1888 8 HURLOS = 1 888 848 7567) or send an email (info@hurlos.com). We are happy to further explain Hurlos or personally walk you through the site.