

**4 March 2020**

**MSI Australia (MSIA)**

## **Weather Insurance FAQ**

### **Frequently Asked Questions**

#### **What is weather risk?**

Weather risk can be defined as financial loss due to a change in weather conditions over a period of time. In the past, periods of unpredictable weather were accepted as a part of doing business, however, blaming poor financial results on adverse weather is no longer an excuse accepted by stakeholders.

#### **What is weather insurance?**

Weather insurance is a risk management product which helps protect businesses from lost revenue or increased expenses caused by adverse or abnormal weather, e.g., excessive rain, snow, heat. Policies are written explicitly for a business' weather risk. Duration of coverage and limits are tailored to a business' individual needs.

#### **What is a distinction between weather derivative and weather insurance?**

These are the two most popular risk mitigation tools for weather related risks and the rating mechanism for both are very similar.

When you enter in derivative contract, the cost is typically booked as an asset on the balance sheet.

For weather insurance, the cost (premium) is typically booked as business expense like other insurance policies.

In the event of a recovery (claim), such amounts are usually treated differently as well, depending upon whether a derivative or insurance policy is purchased.

#### **How much does weather insurance cost?**

Weather insurance premiums are based on the probability of occurrence which is determined using historical weather data. Variances in limits of cover, geography, time of day, time of year, and amount of historical data available all play a role in determining the premium amount under any weather insurance policy.

#### **I am an individual. Can I buy weather insurance?**

This product is only available for purchase by businesses, government entities, or non-profit organizations and is not available to individuals at this stage.

**How do I estimate the loss or damage caused by unexpected weather conditions?**

You will need to estimate the loss or damage based on statistics of past financial impact from adverse weather conditions, current financial projection, contractual obligation and so on.

For example, excessive rain caused reduced attendance and revenue drops for outdoor event, or heat stress caused reduction in productivity and quality for cattle industry.

**How do I purchase weather insurance?**

Please consult with your existing insurance broker or contact directly with us on 02-9222-7600 or email [uw@ms-ins.com.au](mailto:uw@ms-ins.com.au).

**How is weather measured?**

Weather is measured using data from a third-party reporting agency such as the Bureau of Meteorology Australia (BOM). Typically, a weather station/instrument is selected that is nearest to your risk location. Additionally, measurements can be made by an approved independent observer and through satellite data sensing technology.

**When will weather settlement data be available?**

Weather data is typically available soon (typically less than a week) after the risk period ends. You will receive an 'Expiration Report' from us via email that will allow you to check the data after policy expiration.

**What if weather data is missing at the Reporting Agency for my event location during the risk period?**

In the event that any part of the weather data at the Reporting Agency is missing, incorrect or incomplete, the pertinent data will be obtained from the Secondary Reporting Agency listed in the Policy Schedule.

**When do I make a claim?**

When the policy expires, MSIA will produce an 'Expiration Report' for the policy, which clearly indicates whether a weather event has triggered your policy or not. If it has triggered, a Loss Confirmation Form will need to be completed and sent to MSIA to begin the claims payment process. If you believe your policy has been triggered by another reason, please contact us by email within 30 days of policy expiry.

**How soon will I receive payment if there is a claim?**

When the conditions of the policy are met, and a claim is made, payments are typically made within two weeks. All claim payments will be made no later than 30 days after the Loss Confirmation Form is received by MSIA.

**Can catastrophic events like tornados or hurricanes be insured?**

We do not insure tornadoes, hurricanes, or other catastrophic weather events at this stage.

**What types of weather can be insured?**

We can insure for: excessive rain, insufficient rain, excessive snow, insufficient snow, excessive temperatures, moderate temperatures, or a combination of these.

**How far in advance do I have to purchase weather insurance?**

Weather insurance must be purchased at least 15 days before the first day of the coverage period for the policy.

**Can more than one weather peril be insured in a policy?**

Yes, policies can include a combination of measurable weather perils. For instance, a race director for a marathon may purchase a single policy to insure rainfall AND/OR excessive heat. For more information regarding multiple peril policies, please contact us by email [uw@ms-ins.com.au](mailto:uw@ms-ins.com.au).

**How do I decide the length of the policy?**

A business will want to determine the time period when adverse weather will most negatively affect sales or expenses. For example, too much rain or too high a temperature reduces the number of attendees to an outdoor event - this could be for just a couple hours, for the entire day, or for multiple days. The insured period should correspond to the event/business most financially vulnerable time.

**How long can my weather insurance policy last?**

The policy period can be for as little as two hours or several months.

**What are some examples of businesses who use weather insurance?**

Weather insurance is frequently used to insure events like fairs and festivals, concerts, races, and other sporting events, as well as outdoor venues. Additionally, weather insurance is used to help protect the financial interests of restaurants, retailers, and other hospitality businesses against the adverse effects of weather.

**How can I contact someone about a quote or policy?**

For any other questions or additional assistance, please email [uw@ms-ins.com.au](mailto:uw@ms-ins.com.au)

**Who is MSI Australia (MSIA)?**

MSIA is a branch of Mitsui Sumitomo Insurance Co., Ltd. which is a commercial insurance company of MSI Group. MSI Group currently operate in 42 countries and regions. In Oceania region, we offer various insurance policies through our branch offices in Sydney, Melbourne and Auckland NZ.

Should you require further information about MSIA, please visit [www.msi-oceania.com](http://www.msi-oceania.com) .

**Who is MSI GuaranteedWeather (GW)?**

GW is a wholly owned subsidiary of MSI Group. GW risk management team began working in the industry in 1999 and is now internationally known as a market leader. GW offers weather-based risk management products such as derivatives and insurance-based products that mitigate the adverse effects of weather on business revenues and expenses. MSIA and GW will provide index-based weather insurance products in Oceania Region. For the detailed information about GW, please visit <https://www.guaranteedweather.com/>