



## **Growing Business with Weather Coverage**

New Solutions for Weather-Sensitive Businesses

In an increasingly volatile economy and changing climate, brokers and agents need new ways to grow their business and provide clients with additional financial protection. Weather coverage represents an enormous new opportunity. This white paper covers how weather coverage works - highlighting sample coverage options as well as client case studies.

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## INTRODUCTION

The United States is the most weather sensitive economy in the world (in terms of total dollars impacted), with an estimated \$2.5 trillion (23% of the national economy) at stake. Eighty percent of U.S. businesses are economically impacted by weather each year, according to the Weather Risk Management Association (WRMA). Images of hurricanes, tornadoes, and massive droughts may come to mind when weather risk is estimated to cost trillions of dollars. However, 60% of weather-related losses are caused by small weather events as opposed to headline-catching catastrophes, according to Evan Mills, a scientist with Berkeley Lab's Environmental Energy Technologies Division. "There are more economic losses to frost damage than any other natural hazard including earthquakes, floods, droughts, hurricanes and tornados," writes Professor R.L. Snyder of the University of California at Davis in *World-wide Frost Problems and Frost Protection*.

As business owners confront new economic and climate challenges, they require new financial solutions. Weather coverage addresses unseasonable, severe or simply undesirable weather that impacts revenue and costs. Weather coverage is now standard in the energy industry and is quickly spreading to new weather-sensitive industries, like agriculture, outdoor leisure, events, retail, and construction.

As Insurance providers look for new ways to sustain and grow their businesses, they are beginning to offer weather coverage alongside traditional risk management and insurance products. Weather coverage can also be used to fund unique weather promotions, creating opportunities for agents and brokers to help clients with sales growth in addition to risk management.

This report is written for brokers, agents, and financial advisors who cater to businesses with weather-sensitive products, services, supply chains, or distribution. The objective is to provide examples of new ways to protect revenue and profit from the weather in an increasingly volatile economy and changing climate. Promotional opportunity examples are also provided. It is our hope that this report will help those selling insurance, especially property and casualty insurance, to grow sales and improve customer satisfaction with new weather coverage.

## **(A VERY SHORT) HISTORY OF WEATHER COVERAGE**

Weather coverage traces its roots to electric companies trying to make their profits more predictable, even when the weather wasn't. The first weather coverage contract was created in Milwaukee for the winter of 1997-1998. Electric companies found large financial risk takers who, in exchange for a premium, would pay for “bad” weather – either mild winters when consumers weren't turning up their heat or cool summers when they weren't using their air conditioning. When weather stations indicated mild temperatures, the energy companies were paid by the financial risk takers and met their profit expectations. If the “bad” weather didn't happen, the financial risk takers kept the premium, and the energy companies had the peace of mind they would meet their profit expectations.

These weather risk management contracts have traded on the Chicago Mercantile Exchange (CME) since 1999, but offer very limited customization and are available only in major metropolitan areas like Atlanta, New York and Philadelphia. These standardized CME contracts can't help a small business owner in a more regional area protect against the weather events that are important to him.

Today, weather coverage is increasingly flexible and more widely available, thanks to innovations by new companies and a growing Weather Risk Management industry. The market experienced robust growth for 2007-2008, with the number of contracts traded increasing 35% compared to the previous year, according to the Weather Risk Management Association (WRMA). Weather coverage is now utilized by weather-sensitive businesses large and small, in urban and rural locations, for all kinds of weather. Municipalities, outdoor concerts, professional sports teams, ski resorts, golf tournaments, car washes, agricultural producers and more rely on weather coverage to protect profits.

## WEATHER COVERAGE VERSUS INSURANCE

Weather coverage is not insurance. It is an important addition to traditional risk management tools, designed to cover unprotected weather risk and fill gaps left by traditional insurance. However, like insurance, weather coverage pays for an anticipated loss and can be purchased from insurance agents and brokers. There are two main ways weather coverage differs from insurance:

### **Payout is Based on Weather; Not Loss.**

While insurance pays out based on demonstrated loss and human assessment of damages, weather coverage pays based on a measurable weather event, such as an inch of rain, which eliminates claims and waiting for payment. Weather coverage can be created for rain, drought, heat, cold, or snow. Weather measurements are taken at the nearest secure weather station to the business's desired coverage location (or locations). These stations are typically operated by the government and the results are audited by 3<sup>rd</sup> party, independent observers. If the bad weather stipulated in the coverage contract happens, the business gets paid – it's that simple.

It is important to note that since weather coverage payouts are based on weather measurements, the amount of payout may be less than or exceed actual losses. Typically, the weather station providing the settlement data is not located directly on the business property. This may result in weather measurements that are different than the weather experienced on site.

### **No Underwriting, Limitations, or Exclusions. Deductibles are Optional.**

Since weather coverage pays out based on weather measurements, it requires no underwriting. This expedites the quote process, allowing fully customized quotes to be completed and bound in minutes. There are no limitations for types of weather, locations, amounts of coverage, or time periods. There are also no exclusions. Weather-sensitive businesses of any size and income level can participate.

The following pages provide specific weather coverage examples available to businesses and insurance agents and brokers. We will start with general weather coverage solutions, then go into weather promotions, and end with some industry-specific solutions.

## WEATHER COVERAGE RISK MANAGEMENT SOLUTIONS

Weather coverage provides financial strategies *to stabilize* income when weather slows demand, *to control* weather-driven costs for a balanced budget, and *to protect* event profits from weather.

### Profit Protection Solutions

Weather can disrupt demand and income, reducing cash flow and limiting a company's ability to expand. Whether a business is outdoors or seasonal, driven by sale events that perform better in good weather or dependent on foot traffic and sunshine, weather coverage can be easily customized for any need and budget and protect a day, a weekend, a month or season from rain, snow, heat or cold.

#### EXAMPLE: Restaurant Chain

**Problem:** A Dallas-based chain with hundreds of restaurants depends on good weather to bring in patrons. The chain is especially sensitive during storm season, when unpredictable rain keeps everyone indoors. Too much rain keeps patrons away in general, even during peak meal hours.

**Solution:** Hourly Precipitation from April 6<sup>th</sup> – 12<sup>th</sup>, 2007 in Dallas, Texas. The restaurant will get paid the full amount of their rain risk, \$150,000, if there are 2 or more hours of .25”+ precipitation daily between 6am and 6pm. The restaurant specified a two hour deductible, knowing that less than two hours of rain would not affect their business.

#### EXAMPLE: Theme Park

**Problem:** Rain often keeps away locals, and some rides and shows will close temporarily during heavy rains at theme parks. Very few theme parks will issue rain checks or refunds, impacting demand. In 2006 Six Flags Inc. reported first-quarter attendance was down 23% from prior year and revenue had fallen 14% because of bad weather.

**Solution:** Rainy season coverage from Nov 1, 2008 – Mar 31<sup>st</sup>, 2009 in Los Angeles, California. The Theme Park will be paid \$50,000, to cover the full value of daily ticket receipts, when rain exceeds 0.5” on any given day during the season.

## Cost Control Solutions

Snow, rain, cold, heat or drought can dramatically raise the cost of doing business. Weather coverage helps keep the bottom line intact.

### EXAMPLE: Film Producer

**Problem:** A film crew is shooting a scene on location in Toronto, Canada. The entire production must wrap in three days to stay on budget. More than 0.5 inches of rainfall any day between February 27<sup>th</sup> and 29<sup>th</sup> will prevent shooting. Three days of rain would cost production \$150,000 in rented equipment and wages.

**Solution:** The film producer will be paid \$50,000 for every day when the level of precipitation is above 0.5", for a maximum payout of \$150,000. The cost of the coverage is \$6,000.

**Outcome:** It rained one of the days of the shoot, but the crew was still paid, without going over budget, because of the \$50,000 payout.

### EXAMPLE: Commercial Snow Remover

**Problem:** Commercial snow removal contracts require salt when weather conditions fall below a temperature threshold and precipitation is imminent, greatly increasing the cost of plowing. If salting events exceed what's typical in a season, commercial contracts can become much less profitable.

**Solution:** Weather coverage can protect against both precipitation and cold perils to cover the cost of salting events. Deductible days can also be used to tailor coverage to protect against higher than average salting event days. For example, if three salting events per season are typical, payments begin on the 4<sup>th</sup> event, making coverage more affordable.

## Event Coverage Solutions

Events don't have to lose money when bad weather lowers turnout or forces cancellation.

### EXAMPLE: NASCAR Concession

**Problem:** When the rain starts, the action stops at motorsports events. Souvenirs aren't purchased, beverages aren't consumed, and food isn't sold; but employees, taxes, insurance and the venue must all be paid. Weather coverage is an ideal supplement to property and business disruption insurance. In this case, the concessionaire loses money during every hour that it rains 0.10", after a few hours of rain. Loses can total up to \$100,000 a race.

**Solution:** Hourly rain coverage, from 8:00 a.m. to 6:00pm, for the Dayton 500 on February 15th, 2009. If there are more than three rainy hours (a rainy hour is defined as 0.01" of rain or more during an hour), the payout is \$100,000. The cost of the coverage would be \$7,021.

### CASE STUDY: PGA Golf Tournament

**Problem:** The Greater Hickory Classic at Rock Barn is the only PGA Champions Tour event in western North Carolina and attracts thousands of spectators and important high profile sponsors. The tournament organizers spend almost 12 months getting ready for the event and a few days of rain can ruin all that work. They need protection for a day when no one is eating, parking or buying tickets and merchandise.

**Solution:** Rainy Day coverage from September 10<sup>th</sup> - 16<sup>th</sup>, 2007 in Hickory, North Carolina. The tournament will get paid for any rain accumulation after the first ¾ inch of rain that falls during the tournament. It rained three inches on the first day and the first round of the tournament was rained out. The tournament still made its profit goals with weather coverage.

## WEATHER PROMOTIONS SOLUTIONS

Custom weather promotions increase sales of all products and services, whether they are weather-sensitive or not, by offering weather-based refunds. The refund payout is covered by weather coverage that costs a small percentage of total sales.

The coverage for the refund is purchased only after customers have made their purchases. There are typically no set up costs or advance purchase requirements. Since the process is based on weather measurements, there is no redemption burden for the customers or the companies offering the refund.

### Good Weather Guarantees

Good Weather Guarantees provide refunds when bad weather reduces the use and enjoyment of products or services. By offering compensation for a bad experience due to poor weather, Good Weather Guarantees can significantly enhance consumer confidence, customer loyalty, seasonal and advance sales.

#### CASE STUDY: Guaranteed Season Passes

**Problem:** For the past 14 years, Arizona winters have been extremely dry. The conditions destroyed season pass sales and early purchases at Flagstaff Nordic Center. The ski area's owner used weather coverage to create a snow guarantee that would overcome his customers' fears of buying season passes for another dry winter.

**Solution:** The snow guarantee was simple. If Flagstaff's airport received less than two feet of snow (which equals four feet of snow at the ski area's elevation) between November 23 and March 23, pass holders would be refunded the full purchase price of the pass.

**Outcome:** The resort sold more preseason passes than in the past two years, attracting new customers and people who were sitting on the fence.

## Weather Refund Promotions

Mark Twain once said that everyone talks about the weather, yet no one does anything about it. Now businesses can *do* something with the weather and have everyone talking about it. Weather refund promotions have universal and viral appeal. In some cases these promotions have increased sales by more than 40% and attracted media attention. Promotions can be created around any kind of weather, any product and during any time of year. They provide differentiation, improved customer loyalty, and positive brand identity.

### CASE STUDY: Crowley's Jewelers Holiday Event

**Problem:** A jeweler wanted to stand out in a very crowded field during the holidays.

**Solution:** Crowley's created a custom weather promotion that would refund 4,000 customers making jewelry purchases in Alberta, Canada if it snowed three inches on New Year's Day.

Customers qualified by making purchases in the six weeks before December 26th.

**Outcome:** Store sales increased 30% over prior year. Press went crazy, even the BBC and Italian radio hosts called the store for interviews. Plus, on New Year's Day a storm hit and 4,000 customers were refunded \$500,000 CDN. The following first quarter revenues increased 40% over prior year, as nearly 1/3 of the refunded customers immediately spent their refund.

## INDUSTRY-SPECIFIC SOLUTIONS

Nearly every industry is vulnerable to unseasonable or bad weather, from retail and travel to agriculture and municipalities. Now agents can protect those clients by securing profits, protecting events and growing sales.

We've already covered numerous examples of how different industries can use weather coverage. Here are some additional examples from agriculture, travel, energy, municipalities, manufacturing, construction and car washes.

### Agriculture

Although Agriculture revenues are partially protected by crop insurance, a large percentage of annual production remains underinsured or ineligible, leaving billions of dollars vulnerable to weather risk. U.S. crop production in 2008 was valued at more than \$188 billion dollars and less than 50% of that value was protected by crop insurance.<sup>1</sup>

Weather coverage provides insurance agents and brokers the ability to create specialized 'named peril' products during any point in the growing season to meet the needs of clients that may have been underserved, or not served at all, by crop or other insurance. Weather coverage provides a foundation on which virtually any named weather peril product can be created. Coverage can be customized to protect any portion of the crop cycle, anywhere in the country, at any time.

#### Case Study: Late Harvest Freeze Coverage

**Problem:** Corn can survive brief exposures to adverse temperatures, ranging from 32 to 112 degrees Fahrenheit; however the entire plant can be killed if the temperature drops below 30 degrees Fahrenheit for four to five hours. In 2008, heavy spring rains in the Midwest delayed planting and development, heightening the risk of crops being hit by a killing freeze. While crop insurance would offset some early freeze losses, many growers worried about protecting uncovered deductibles or protecting late replanted acres that had no insurance at all.

**Solution:** Early freeze weather coverage using a declining liability structure pays more if the first hard freeze happens early (and more crops in the field are susceptible to damage) and less if the first hard freeze happens late. Coverage can be purchased as late as August 15<sup>th</sup>.

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<sup>1</sup> U.S. Risk Management Agency. <http://www.rma.usda.gov/data/sob.html>

## Travel

You can buy trip or event cancellation insurance, but until now there was nothing to compensate for a bad experience due to poor weather during your trip. Now travel companies can offer their customers a refund when bad weather happens after they've arrived. They can also use weather promotions to increase advance purchases, improve sales and enhance customer satisfaction.

### CASE STUDY: itravel2000.com "Let it Snow!" Weather Promotion

**Problem:** Online travel retailer iTravel2000 wanted to differentiate in a crowded market.

**Solution:** The "Let it Snow!" promotion customized for itravel2000.com became the largest weather promotion in Canadian history with financial backing of up to \$100 million CDN that would refund customers if it snowed five inches or more at Calgary, Halifax, Montreal or Toronto airports on New Year's Day, January 1, 2008. To be eligible, Canadians booked their vacations by October 31<sup>st</sup> for departures between November 1, 2007 and April 30, 2008. If it snowed, travelers would be reimbursed for the retail price of their packaged vacation, cruise or flight. The promotion did not require upfront set-up costs from itravel2000. Instead, the company simply purchased coverage in increments to mirror sales.

**Outcome:** When it snowed the requisite five inches at the Montreal airport on New Year's Day 2008, travelers and media alike started the New Year off right. Excited customers were eager to speak with interested press. iTravel2000 said the awareness benefit of the media buzz was worth years of advertising. Additionally, the positive word of mouth led to press and consumers saying "why would you buy your vacation travel anywhere else". The 2009 season's "Let it Snow" promotion performed even better.

## Energy

The energy industry has used price hedging for decades, however volume hedging has been difficult since it is highly influenced by the weather. Weather coverage changes that, allowing energy providers to protect revenue from weather fluctuations like warm winters or extreme cold snaps. Weather coverage can also help businesses in the industry grow sales.

### EXAMPLE: Stabilize Volume & Income from Mild Winters

**Problem:** A heating fuel retailer provides services for residential customers and worries that a warm winter will hurt revenue.

**Solution:** The heating fuel retailer purchases weather coverage for the November to March season. If the total heating degree days fall below a typical seasonal level, 4500 in this case, the retailer will be paid \$1,000 for every degree day shortfall. If it was a warm winter and the heating degree days only totaled 4200, the coverage would pay out \$300,000 dollars. Cost will depend on where in the country coverage is based, but is typically bought at level equivalent to 5-15% of the maximum potential payout.

### EXAMPLE: Control Costs Seasonally

**Problem:** A heating fuel retailer is concerned that extremely cold weather will cause a sharp increase in demand and necessitate expensive wholesale spot purchases at any given point during the winter.

**Solution:** The retailer purchases coverage for the November to March season. The retailer wants to be paid \$100,000 for every consecutive day the temperature falls below 20°F after the first three days. The maximum payout is \$1 million dollars. This coverage typically costs between 1-5% of the maximum potential payout, depending on location.

## Municipalities

Public Works Departments across the country are frequently impacted by bad weather. The volatility of snowfall from year to year creates significant snow removal budget risks, while heavy rain can lead to flooded roads, overwhelmed storm water systems and construction delays. Lastly, drought can force expensive water purchases from nearby cities. Weather coverage is ideal for controlling unpredictable public works costs.

### EXAMPLE: Snow Removal Cost Protection

**Problem:** Snowfall variation from year to year is significant for most cities, making snow removal budgeting quite challenging. South Bend, Indiana is no exception with snowfall ranging from 43 to 99 inches each year.

**Solution:** Weather coverage lets public entities plan for average levels of snowfall without the risk of funding shortfalls during years of heavy snow. South Bend can budget for 70 inches of snow and cover snow removal costs for heavier snow with weather coverage that pays \$10,000 for each inch of snow above the 70" average. The cost of coverage is \$19,000, which would have paid two out of the last five years.

### EXAMPLE: Drought Coverage for Water Departments

**Problem:** Drought has hit large areas of the country and it is a persistent, major drain on public works budgets for water buying and purification. Although Memphis, Tennessee averages 20 inches of rain each year, the last several years have been much drier.

**Solution:** Memphis can purchase weather coverage that pays \$100,000 when rainfall is 11" or less between May 1<sup>st</sup> and September 30<sup>th</sup> for a cost of \$13,000. This coverage would have paid \$72,820 in 2007.

## Manufacturing

Manufacturers (and their wholesalers and retailers), especially those producing seasonal goods, often experience sudden shifts in demand as a result of weather. Weather coverage can stabilize revenue regardless of weather. More importantly, weather guarantees and promotions can help improve sales, accelerate the timing of purchases and increase customer satisfaction.

### CASE STUDY: Seasonal Retail Promotion

**Problem:** Bombardier, a Canadian transportation and recreational equipment giant, wanted to increase sales on its Ski-Doo snowmobiles after a series of mild winters caused a drop in consumer confidence.

**Solution:** During the winter of 1996, Bombardier offered a \$1,000 rebate on its Ski-Dos to Midwestern customers in 16 cities. If the customer's local snowfall was less than half the average of the past three years, they would be refunded \$1,000. That winter, Ski-Doo sales increased 38% compared to the previous year. Customers also purchased snowmobiles months earlier than normal, breaking traditional sales patterns.

### EXAMPLE: "Free Car if it Rains" Dealer Incentive

**Problem:** Drastic declines in auto sales have an American auto maker holding excess inventories. Typical cash back and financing dealer incentives are not enough to solve the problem; dealers want breakthrough marketing support that will drive traffic to their sales floor.

**Solution:** If there is more than 1" of rain on Father's Day, June 17<sup>th</sup> (as measured at the nearest local weather station), all April and May car buyers will get their vehicle for free. The promotion costs a small percentage of sales at the end of the promotional period (the cost is directly correlated to the success of the promotion).

## Construction

Materials, equipment, personnel and the quality and quantity of construction work can be adversely affected by rain, heat and cold. The result is schedule delays and added costs which are significant problems for companies with fixed price or completion contracts.

### EXAMPLE: Cold Day Cost Control

**Problem:** Concrete cannot be poured during a freeze, potentially delaying project completion and increasing costs. A Dallas contractor must continue working during winter to meet contract schedules.

**Solution:** The Dallas contractor wants to be paid \$50,000 every day the maximum temperature is 32F or lower between February 23<sup>rd</sup> and 25<sup>th</sup> to cover the cost of potential schedule delays and overtime required to stay on track. Weather coverage to covers freezing weather for the three day period would cost of \$3,100.

### EXAMPLE: Rainy Season Road Work Delays

**Problem:** Rainfall is regarded as a major uncertainty factor adversely impacting productivity and duration of highway projects. A San Francisco contractor has to repair a major roadway for a fixed price and within 60 days to avoid \$100,000 in contract penalties. Work must take place between Mar 1<sup>st</sup> and April 30<sup>th</sup>, during the tail end of the rainy season.

**Solution:** The daily cost of rain exceeding 0.25" is \$10,000. His bid includes a contingency for 6 days of rain, the average for that time of year (rainfall ranges from 1.4 to 10.3 days). The contractor also purchases weather coverage to protect against more than 6 days of rain. The coverage will pay \$10,000 starting on the 7<sup>th</sup> day of 0.25" or more rain for a cost of \$22,000. Coverage would have paid 11 out of the last 30 years.

## Car Washes

There were an estimated 54,030 car washes in the United States by the end of 2007, according to IBIS World, with \$8.16 billion in annual revenue. The business does come with one very big unknown – the weather. Rain coverage is an important tool for ensuring predictable revenue.

### CASE STUDY: Peak Season, Peak Time Rain Coverage

**Problem:** Too much rain on prime car wash business days (Thursdays through Sundays and days before major holidays) can mean no cars and no profits – on days when it rains there is still rent, utilities, and employees to pay.

**Solution:** Historic weather data showed 0.2 inches was bad for business, and rain coverage was purchased. The car was enjoyed predictable revenue despite unpredictably rainy weather.

## INSURANCE AGENTS AND BROKERS: GROWING BUSINESS

You're looking for ways to sustain and grow your business. Your clients are looking for ways to protect their business from weather. Insurance agents, brokers and financial planners are ideally suited to address the emerging weather coverage market as a complement to their existing insurance offerings. Weather coverage can stand alone or become an add-on or bundle with commercial property and casualty insurance for "complete" business protection. Weather coverage provides insurance or risk management experts with numerous benefits:

- **New Commissions:** Commission structures are comparable to those of insurance and include volume incentives.
- **Quick Start-up:** Weather coverage is straightforward and easy to learn – you can start selling right away with minimal training. Since weather coverage is not insurance, there are no new licensing requirements. Coverage can be customized and priced in minutes.
- **Competitive Differentiation:** Stand out from the crowd with weather coverage that not only protects profits, but also provides the opportunity for unique promotions that grow sales.
- **Customer Satisfaction:** Weatherproofed profits offer business owners the peace of mind and coverage they require

## CONCLUSION

Weather's impact on businesses represents an enormous new risk management opportunity. Insurance agents, brokers and financial planners can tap into this emerging market by providing weather coverage as a complement to their existing insurance offerings. The opportunity to increase commissions from existing clients, attract new clients and satisfy customers with valuable new coverage is immense.

Now you can protect your client's bottom line by securing profits when weather slows demand, by protecting events from weather disruption and by growing sales with weather based refunds. Weather coverage is easy, fast and affordable. If bad weather happens, your clients get paid. It's that simple.

We encourage you to consider becoming a WeatherBill Pro agent or broker to access our coverage customization and pricing platform as well as partner support. Weather is unpredictable. Your clients' profit doesn't have to be.

## ABOUT WEATHERBILL

WeatherBill is the first service to provide affordable and easy-to-use weather coverage, to protect revenue and control costs, for the millions of businesses impacted by the weather. We distribute our weather coverage through insurance agents and brokers, industry specialists, such as agribusiness vendors servicing growers, and direct to businesses of all types and sizes.

WeatherBill's unique platform makes weather coverage accessible, affordable, and transparent. Users can customize, price, and buy coverage online or by phone in a matter of minutes at [www.weatherbill.com](http://www.weatherbill.com). By streamlining customization and pricing, WeatherBill can cost-effectively provide coverage from \$1.00 to millions of dollars. WeatherBill also provides historic payout charts so buyers can find the best value for the best price.

WeatherBill coverage can be created for snow and rain, drought, heat or cold. Coverage is easily customized based on four elements outlined in a weather contract:

- Location – Over 6,000 weather stations in seven countries (more locations available by phone)
- Coverage Period – Hourly, day, weekend, season, year, etc.
- Type of Weather that Triggers Payment – Rain, drought, heat, cold, snow
- Payout Amount - \$1 to \$100 million or more

Unlike insurance, WeatherBill payout is based on weather measurements, not human assessment of loss. Once the defined weather happens, customers automatically receive a check for the payout amount in a few business days. There's no proof of loss, claims process, or waiting for payment. Deductibles are optional.

Coverage can be created online or over the phone in a matter of minutes and implemented as few as four days before the desired coverage period. WeatherBill's financial risk partner, Nephila Capital Ltd., is one of the world's largest and most respected weather risk and catastrophe reinsurance fund managers, with over \$2 billion in capital. In order to make sure that any payment due to our clients is available, in full, at any time, Nephila fully collateralizes each contract WeatherBill sells with cash held in trust at the Bank of New York.