

# WRMA's 10<sup>th</sup> Annual Meeting Celebrates the Past, Looks to the Future

WRMA's Annual Meeting, held this year on June 2-4 at The Shore Club in Miami, celebrated a milestone. It was the 10<sup>th</sup> such meeting since the Association began.

Appropriately, the meeting looked at WRMA's many achievements over the years. Past presidents Lynda Clemmons, John Polasek and Brian O'Hearne were on hand to discuss the early years of WRMA and how the Association has flourished across the globe. Attendees reflected the growth of WRMA from original members to our newest members from India, Poland and the US.

The scope of the weather risk market has grown vastly over the last decade, Clemmons pointed out. In the beginning, there were just a handful of companies active in the market. Now, many firms participate. In addition, Polasek noted that by standardizing documentation for weather risk trades, WRMA helped to broaden the market.

The rising importance of the weather market was reflected by the tremendous growth seen in the past several years, said O'Hearne, adding that banks discovered that weather was a risk that needed to be managed.

Weather risk has evolved beyond the board room, too. Even the halls of university are filled with conversation about weather risk. Clemmons pointed out that students at The Pennsylvania State University can take courses in weather risk at the college.

## Weather and academia

Indeed, academia is very interested in weather risk. The 10<sup>th</sup> Annual Meeting saw presentations by three eminent scholars. Keynote speaker Robert Shiller, the Arthur M. Okun professor of economics at Yale University, discussed the importance of weather risk within a long-term risk management program. In a special video presenta-

tion, Jeffrey Sachs, director of the Earth Institute at Columbia University, encouraged attendees to see the broader picture of how weather risk could make a difference in emerging economies. Finally, Arthur A. Small III, an associate professor in the meteorology department at Penn State, discussed the weather risk management options available to meteorology students at the university.

## Weather market evolution

Universities aren't the only arenas where weather risk is expanding. It's happening on a country basis, too. In India, weather risk markets are evolving from insurance-based products, according to Kolli N. Rao of the Agriculture Insurance Co. of India Ltd. (AIC). AIC launched a pilot weather insurance project in 2004 to cover a deficit in rainfall. The pilot was expanded in 2005 to insure about 125,000 farmers. Since then, the scope of weather insurance widened to cover excess rainfall, frost and temperature. However, data remains an issue since there's a lack of widespread historical weather data and there are delays in disseminating current weather data, Rao says.

Weather data plays a big role in the newest weather risk tools. For instance, the Carvill Hurricane Index is a new parametric index, which incorporates wind speed and radius to hurricane force winds. This index is a collaboration between the Chicago Mercantile Exchange (CME), Carvill and TFS Energy and is based on publicly available data from the National Hurricane Center, explained John Cavanaugh, CEO of Carvill.

Another hurricane related weather risk tool is the industry loss warranty (ILWs), said Mariagiovanna Guatteri of Swiss Re ILS Trading. An ILW is a reinsurance contract (continued below, starting in the left column)

where the payouts are linked to a predetermined trigger of estimated industry losses. Further, an ILW can be used to hedge cat bond portfolio exposure, Guatteri said.

The weather market is ready to build on its

many successes. Education remains a key goal in the near term. A recent study by the CME and Storm Exchange found that there's a real awareness gap among companies about weather risk. It's time to bridge that gap. ●