Introduction to WIS

- WIS is an Authorised Representative of Weather Risk Management Solutions (WRMS)
- WRMS is a specialist insurance & derivative broker with 30+ years experience – formerly as AgriRisk
- AgriRisk acquired by Arthur J Gallagher on 1 May 2020, new name reflects broader focus
- One of few brokers in Australia permitted to advise and arrange general insurance and weather derivative contracts
Introduction to Norm

- Did my first ‘weather deal’ from Aon Re in Sydney in 1999...with Integral Energy (now Origin) and AXA
- Since worked with an Underwriter and Brokers of weather business in Australia, the UK & USA
- Devised a multi-year, risk-sharing rainfall protection for a hydro-electric generator (now AGL) in 2002
- Helped protect the $10bn Roy Hill iron-ore project in the Pilbara from cyclone and flooding in 2013
- Enhanced crop production volume protection for a major grain handler and exporter
- Working with farmers and agribusiness to adapt weather risk transfer concepts for Australian agriculture
- Creating alternative indices to reduce basis risk for Irrigators and Growers
Australian Agriculture

• Over 88,000 agricultural business - 31m ha of land used for crops; 341m ha for grazing
• Agriculture, fisheries and forestry aiming to be a $100bn industry by 2030
• Harsh climate conditions and less public support than most countries
• Burgeoning demand in our hemisphere from changing diets
• Increasing corporate investment less tolerant of income volatility
• Uptake by large agribusinesses of yield protection stimulates interest
• Current drought has increased industry focus
• Drought, heat stress, frost, wet harvest, windstorm, hail
Global Parametric Market

- Increased competition and capacity creating appetite for smaller deals
- Climate Change focus on weather products and other alternatives
- Innovation from energy sector accelerating agribusiness adaptation
- Technology and resources improving turnaround times
- weatherXchange platform streamlines structuring
- BOM, CSIRO, ABARES all willing and able to help
- Government subsidy not required in energy or elsewhere
Good news for Buyers, BUT

- Insurance vs Derivative quandary
- Government regulation inhibits understanding
- Insurance premium stamp duty
- ‘Know your client’ tests not consistent
- Prices and basis risk still high
- Data access still complicated
- Unreliable MPCI offerings detract from confidence
More Tailored Product?

- Agribusiness vs Farmer focus
- Multi-year swaps and collars
- Dual-trigger contracts
- On-farm weather data
- Yield hedges by region
- Bespoke indices and contract structures
  - Day Degrees used by cotton sector
  - Combination of heat stress and low rainfall
  - Both germination and finishing rains low
  - Bespoke windspeed indices
  - Minimum rainfall amounts (>5mm) contributing to aggregate