



Weather Index Solutions

WRMA

Melbourne, March 2020



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



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WEATHER INDEX SOLUTIONS PTY LTD (ABN 35 003 714 118) IS AN AUTHORISED REPRESENTATIVE, AR NO. 1275436
OF WEATHER RISK MANAGEMENT SOLUTIONS PTY LIMITED (ABN 60 003 720 705) AFS LIC 233798

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 MPCl 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