

## Weather Insurance: Is It Right For You?

Mark Twain once said, “Everybody talks about the weather, but nobody does anything about it.”

Much has changed since Mr. Twain made this observation. Today, it is actually possible to do something about the weather. No, you can’t alter the jet stream or adjust the global thermostat to a perfect 72 degrees, but event organizers can consider weather insurance as a way to protect their events from the effects of bad weather.

To a considerable extent, the financial success of most fairs, festivals, outdoor concerts, sporting events, parades and many other types of outdoor events depends on having good weather. Rain and cold temperatures can substantially reduce the revenue from parking, concessions, and ticket sales. Event organizers can use weather insurance to protect against the effects of practically any measurable weather condition such as rainfall, snowfall, temperature (low or high) and even wind; whatever conditions organizers feel might keep the crowds away. It is also affordable and can cost just a few pennies for every dollar of coverage.

### Weather Insurance Protects Event Income

For example, a few times a year a casino in Las Vegas brings in a national musical act to perform in their outdoor concert venue. The casino is responsible for the performer’s full fee and marketing costs for the event, rain or shine. The performer’s fees are substantial and adverse weather could result in a huge financial loss should no one show up due to rain.

The casino purchases a rain insurance policy through HCC Specialty, stating that if it rains more than 1/5 inches between the hours of 5:00 and 9:00 PM the policy would respond.

The concert starts at 7:00 but they assume that most people will decide not to come if it is raining hard a few hours before the concert. In this case it rained almost double what they insured that evening and HCC Specialty paid 100% of the loss suffered by the casino.

The type of weather insurance normally used to protect these types of events is called Event Weather insurance, but there are several other additional types of weather insurance.

### Weather Insurance Drives Sales Revenue

Weather insurance can also be used as the basis of a consumer promotion. Auto dealers, jewelers, and electronics retailers can use the coverage as a marketing strategy to entice consumers to purchase their products during the promotion period based on the promise that some or all of the purchase price will be refunded if a weather event happens on a particular date. Frequently the promotion offers take the form of “Buy your car from us during January and if it snows on Valentine’s Day, you will receive a \$5,000 rebate,” or “Buy your big screen television in December and if it snows on New Year’s Eve, you get it for free.”

For example, when a local electronics store in Massachusetts wanted an exciting promotion to kick off its holiday season, they turned to HCC Specialty to insure their creative idea. The offer was that if the consumer made a purchase over the Thanksgiving weekend and then it snowed 6 inches or more on

Christmas Day at their store location, then everyone would get a full refund on their purchase. With a Weather Insurance policy from HCC Specialty, the electronics store protected their financial exposure and put them in a position to cheer for the snow on Christmas Day rather than dreading it! Sure enough, in what was one of the largest December storms in years, Mother Nature dumped more than 10 inches of snow that day making it a very Merry Christmas for some local electronics store consumers!

#### Weather Insurance Stabilizes Budgets

Entities such as municipalities, cities/town, property managers and private schools or hospitals can use weather insurance to help contain the costs created by certain types of weather. Say for example, a private hospital normally budgets \$X to cover the costs of snow plowing parking lots during the winter. This type of weather insurance can protect the hospital from exceeding his/her budget if the number of storms that require having the parking lot(s) plowed exceeds a predetermined number.

Weather insurance policies are written as “stated value” policies, which means that the insured does not need to prove a financial loss due to the poor weather. The basic premise is as simple as “if the agreed upon weather event happens, you collect the amount stated in the policy.”

The measurement of the actual weather conditions during the event is critical in determining whether or not the pre-determined claim criteria have been met. The weather insurance buyer has several measurement options from which to choose. One option is to simply rely on the data recorded at the nearest official weather reporting station. This method is inexpensive, but the station may be located miles from the event site. A local downpour that affects the event may not be recorded at the weather station.

A second option is to hire an on-site independent weather observer. Observers are accurate, but are also paid by the hour. If they are required to observe an all-day event, then the total bill may be quite high.

A third measurement option, offered exclusively through weather insurance provider HCC Specialty, is called Weather Command. Weather Command analyzes data from National Weather Service observation sites, smaller cooperative weather stations, and Doppler radar to produce a highly accurate picture of what is occurring on the ground at the event. With Weather Command, an actual meteorologist will use these methods to observe the actual weather conditions to determine if they meet the claim criteria in the weather insurance policy. Weather Command is paid a \$65 fee per day.

In a perfect world, event organizers could be assured of bright, beautiful sunny days and clear, comfortable nights. The turnstiles would never stop spinning.

Fortunately, weather insurance can drive consumer sales, stabilize budgets and help keep fairs, festivals, concerts, sporting events, and other outdoor events from feeling the pinch if less-than-ideal conditions keep the crowds away.

For further information please visit the weather insurance page on our website at: [www.hcc.com/specialty/events/weather.aspx](http://www.hcc.com/specialty/events/weather.aspx) or contact us:

Melissa Matheson  
(781) 994 6150  
mmatheson@hcc.com

Robin Lang  
(781) 994 6025  
rlang@hcc.com