

Innovative weather coverage for all industry sectors

Over two-thirds of the world's economy is directly or indirectly dependent on meteorological conditions. As climate change progresses, extreme weather events like heavy rain or drought periods are becoming more frequent, exposing companies to ever greater uncertainties and losses.

Munich Re develops tailor-made risk transfer solutions for all industry sectors impacted by an increase in non-catastrophic weather variabilities.

Parametric weather products explained

Parametric weather products provide financial security for businesses that rely on stable weather conditions. These market-based solutions compensate weather-related losses of the counterparty if realized weather falls outside an established range. The operative weather index can be based on variables such as temperature, wind speed, precipitation, or irradiation. These products in the form of derivative contracts benefit companies operating in commodity-linked businesses can additionally protect against the contingent variability of commodity prices with our tailored dual-trigger solutions combining weather and contingency prices structures.

What is a weather derivative contract?

A weather derivative contract will be triggered if both the realized weather and the price of a related commodity fall outside an established range. A risk transfer solution designed to absorb the exact portion of exposure, leaving a residual risk that is commensurate with risk tolerance with strikes at or away from the mean. At Munich Re, your weather derivative contract is structured as a contract of differences rather than an indemnity contract. Choose from a wide variety of available structures - swaps, calls, puts, collars, baskets, etc.

Innovative weather coverage – what's in it for you?



Minimize weather-related basis risk

Eliminate over/under hedge volume risk inherent in traditional price hedges by opting for structured solutions.



Ease financial pain

Reduce the volatility in power production caused by weather events and optimize revenues.



Free up capital

Gain flexibility in your investment planning, securing profit and facilitating the financing of new projects.



Produce energy reliably

Ensure renewable asset volumetric and revenue stability with proxy-generation structures.



Attract investors

Render your projects more appealing by reducing your downside risk through a weather hedge.

Design your own protection and transfer your business risk



Is your business not yet protected against the financial consequences of adverse weather and climate risks?

Let's discuss how you may do so by implementing tailored weather derivatives and reinsurance solutions based on parametric triggers.



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Scan and learn more about your future weather derivative solution.

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