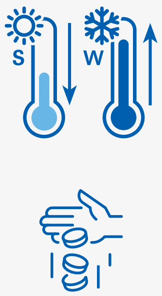
Swiss Re
Corporate Solutions

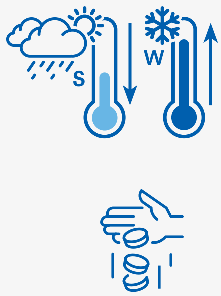
Managing Temperature Risk

Exposure
and application



Utilities lose revenues when **summers are cool and winters are warm**

Renewable power producers lose income if there is **less wind, rainfall** or **sunny radiation**



Warm winters or rainy summers hurt many businesses (travel, leisure parks, food and beverages)

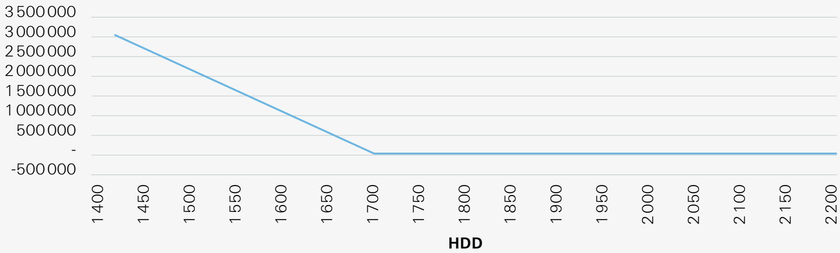
Construction costs increase when sites shut down because of **extreme weather** (freezing temperatures, high winds...)

Example of heating degree day protection

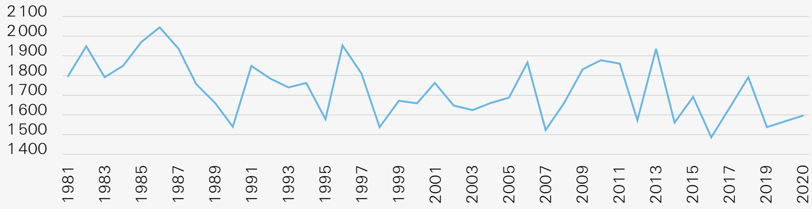
Temperature indices can be used to structure **derivatives** (put, calls, swaps) or **parametric insurance**

Broad variety of **indices available,** including **"Critical Day" count products**

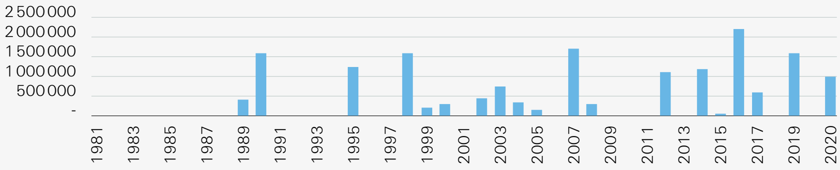
Product Payoff in EUR



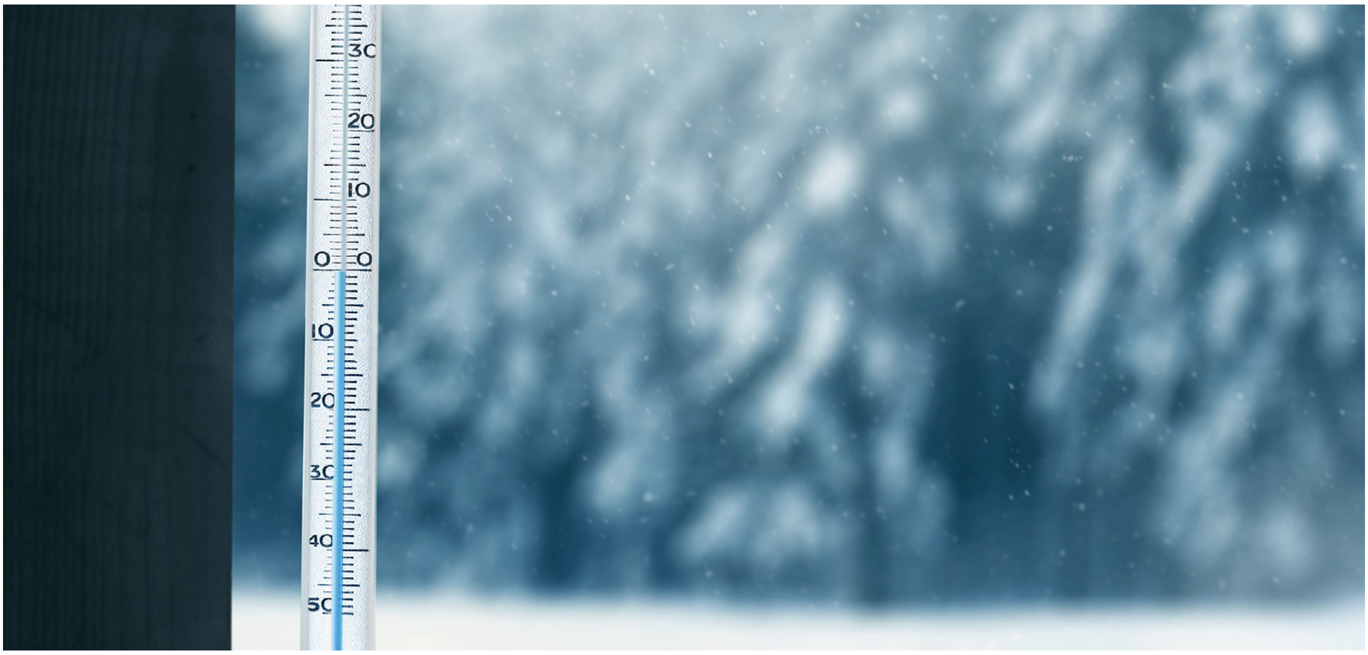
HDD London Heathrow NovY-1_MarY



Historical Compensation in EUR



Notional terms



Product	**Warm winter protection via HDD put**
Location	London Heathrow Airport (LHR)
Index	Heating Degree Days (HDDs): Difference between a day's average temperature and 18, if negative. Examples: If average temperature is superior or equal to 18° C, then HDD count for that day is 0. If average temperature is 11, then HDD count for that day is 7
Strike	1700 HDDs total during Term
Payout	MAX (0, (HDDStrike – HDDActual)) *Notional
Tick or notional	EUR 10 000 per HDD
Term	November to March

Case study

Client	**UK household gas retailer**
Problem	Demand destruction caused by mild winters can generate significant loss of revenue and profits
Solution	HDD Put compensates clients if average temperature over a season is warmer than normal, by more than one standard deviation
Location	12 locations weighted to match load and service area
Result	Revenues are protected

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Contact us today to learn more

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