Swiss Re
Corporate Solutions

HazeShield

The first ever standalone haze insurance solution for businesses operating in Singapore

South East Asia has been struck by severe haze outbreaks over the past two decades – the source of which has stemmed from the burning of peat forests in the region. Here man-made fires are used to clear land for agricultural purposes, the effect of which is worsened by the resulting environmental consequences of changing weather patterns.

What could this mean for your business? Industries vulnerable to haze may need to suspend operations and experience decreased productivity due to health or safety concerns. Ask yourself, does your existing property and business interruption insurance protect against the potential loss of income, cash flow volatility and ultimate financial impact to your business?

We developed HazeShield, the first-ever standalone haze insurance solution for businesses operating in Singapore. This new solution indemnifies local businesses in Singapore against earnings volatility caused by reduced traffic, forced shut-downs, and additional operating costs stemming from a severe haze event.

Pollutant Standard Index (PSI)

For businesses which rely on customers or employees to spend significant time outdoors, a prolonged haze event reported by the Singapore National Environment Agency (NEA) and measured using the Pollutant Standard Index (PSI) can result in:

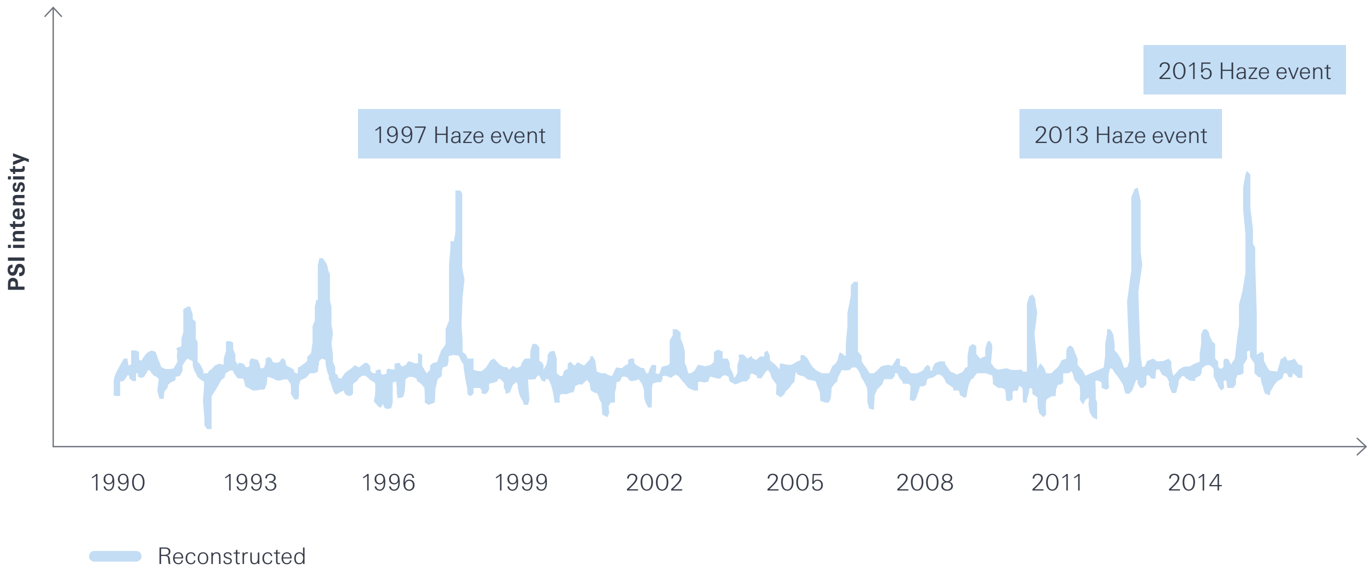
Loss of revenues/earnings:
From customers choosing to stay indoors due to an unhealthy environment.
Reimbursement costs:
From an event being cancelled or postponed.
Reduced productivity:
Particularly for industries with employees required to be outdoors.

This could mean decreased traffic, event cancellations, reduced outdoor construction activity, a decline in tourism and more. That's why Swiss Re Corporate Solutions created HazeShield, protecting local Singapore businesses in the case of an unforeseen haze event.

Historic haze events

What is the exposure and likelihood of an extreme haze event?

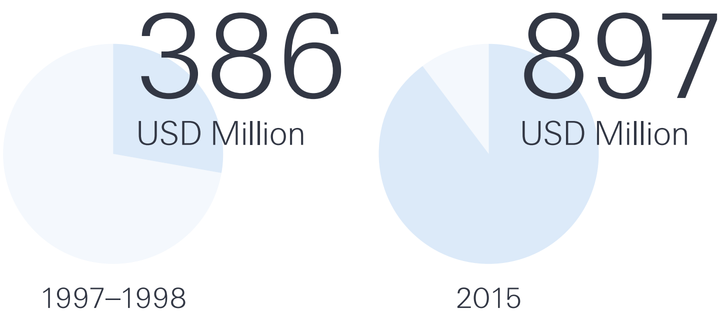
Since 1997, there have been three severe occurrences recorded and characterized by either extreme values or prolonged period with high PSI associated.



What have been the economic losses stemming from past haze events?

According to the Swiss Re Institute, total economic losses sustained in Singapore as a result of the 1997–1998 and 2015 haze events were USD 386 million and USD 897 million respectively, broken down by industry below*

Economic loss due to haze (Singapore)



Losses per industry for the 1997–1998 and 2015 haze events (Singapore)

41%
Transportation
Airport & Seaport

2%
Education

37%
Tourism

20%
Health

* Economic losses of fire and haze (USD million)

Why your organisation should consider HazeShield

Severe and prolonged haze events can potentially disrupt many businesses in Singapore due to decreased traffic, closure or suspended operations.

Such haze events have the potential to create financial burden for companies especially in the hospitality and entertainment, educational institutions, retail and real estate, construction, transportation and tourism industries.

Existing property and business interruption insurance products leave gaps in coverage and can result in substantial economic losses remaining uninsured.

HazeShield provides an opportunity to use loss payouts in a way that differentiates your organization to create a competitive advantage. Our solution offers the following benefits:

- Improved liquidity and cash flow management
- Simplified and transparent claims process as no loss investigation and adjudication is required
- Broad coverage based on a pre-agreed payout which can be used to cater for non-damage business interruption losses
- Flexible and customizable features to meet specific business needs
- Growthsurance TM: leverage insurance as a means of enabling revenue growth. For example, a hotel which during a severe haze event, provides guests with a free night's stay or a refund.

How does it work?

Once the trigger is breached and NEA data is validated against the index, a Notice of Loss must be presented in order to activate the pre-agreed payout. No claims investigation is required. At present we offer two standard structures:

Cumulative unhealthy days*
PSI > 100

No. "Bad Haze Days"	Cumulative payout %
0–19	0%
20	20%
25	40%
30	60%
35	80%
40+	100%

Extreme days*
PSI > 200

PSI	Cumulative payout %
100	0%
200	50%
300	100%

What is a parametric solution?
Parametric or index-based solutions are structures which pay out pre-arranged sums when predefined conditions are met. Pay-outs are based on exceeding the threshold values of one or several pre-defined metrics (ie, the "trigger") and not on the actual losses experienced. A parametric solution avoids cumbersome loss adjustment, and can provide quicker liquidity to the protection buyer.

* Although the above are examples of the standard covers available, we can discuss tailored solutions depending on a client's needs.

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