



Come Rain, Come Shine?



By Rosanne Vandeweerd

Unless you're a James Bond villain, nobody can control the weather. We all know that the success of many events, especially if outdoors, highly depends on favorable weather conditions. It seems that organizers can only hope for the best, but aren't there more professional solutions to control weather risk than keeping your fingers crossed and praying for some sun?

In recent years, weather certificates, also known as weather derivatives, have started receiving more attention. These highly effective hedging instruments have a wide range of use - from the World Bank hedging against drought in developing nations, to wind energy companies insuring against low wind speeds, and to theme parks hedging against rain.

A number of event organizers have already discovered the advantages of weather certificates. Whilst the certificates are available for various weather parameters (rain, cold, heat, sun hours, snow...), most organizers purchase protection against rain. One of the leading companies in weather risk management, CelsiusPro from Zürich, Switzerland, notices a strong increase in demand for weather certificates in the leisure industry. "Weather certificates are a great tool to eliminate your downside risk and earnings volatility caused by adverse weather conditions," says CEO Mark Rueegg. "They are easy to customize to fit both your needs and your budget."

The procedure is simple: The client selects a weather station close to the event location, picks the event dates, then defines a "rain day" by deciding which amount of rain per day is critical (for example 5mm or 0.2"), and lastly determines the payout they would like to receive per rain day. The weather measurements are taken from official national weather stations, and if the defined parameters occur, the client will be paid out automatically. One of the main advantages

over regular insurance: there's no need to submit a claim or prove financial losses.

The Street Parade in Zurich, one of the main techno-music events in Europe with close to a million people attending, got a lot of press last summer when the organizers disclosed they no longer wanted to gamble on the weather. In the two previous years, heavy rainfall had dampened many party-goers enthusiasm to consume food and drinks, if they showed up at all. The Parade's funds wouldn't be able to afford another washout and the organizers opted for a weather certificate to secure revenue. Although on this occasion the weather turned out to be sunny, they don't regret purchasing a weather certificate, despite not receiving a payout. The profits easily covered the cost of the premium paid.

Certificates are indeed a great tool if an event relies heavily on spontaneous visitors. Good examples include the largest freestyle sports event in Europe, "Freestyle.ch", or the International Film Festival of Locarno, an important festival welcoming world-renowned guests such as Harrison Ford, Daniel Craig and Claudia Cardinale. Both events included a weather certificate in their budget planning. Locarno Film Festival COO Marco Cacciamognaga tells us: "The heart of the Festival is the Piazza Grande - one of the biggest and most charming open air cinemas in Europe. However, the greatest location just doesn't do when the weather is not right. A weather certificate won't change the weather itself but at least it helps with the financials." Music festival Open Air in Hüttwil, Switzerland, is an interesting case. Last summer, not only did they opt to cover against rain, they also implemented a weather-based marketing campaign to attract higher pre event sales. Had it rained during the 3-day festival, visitors who had purchased a multi-day pass would have gotten money back per rain day. Indeed, the weather Gods proved

unreliable and opened heaven's gates. Yet people kept smiling, knowing their money wasn't wasted.

As well as the events industry, weather certificates are also gaining popularity with zoos and leisure parks. Most of them choose to cover the entire summer season. Others, like Freizeitland Geiselwind in the south of Germany, focus on protecting certain events, weekends or vacations. Mark Rueegg, explains further: "Zoo New England specifically wanted to secure its financials during the Christmas and Easter holidays when the Zoo usually sees a lot of visitors. Unfortunately in winter and spring the weather is also quite unstable. When it rains, people tend to stay at home or go to the movies instead. For the Zoo, a customized weather certificate offered the perfect solution."

Yes, it is (still) impossible to control the weather, but it's good to know that the weather doesn't necessarily have to control one's financials.

Rosanne Vandeweerd works for CelsiusPro AG, a Swiss company that specializes in weather risk management. Using a proprietary platform, CelsiusPro enables online price calculation, execution and position reporting as well as weather statistics and analysis, collecting data from weather stations across Australia, Europe and North America. CelsiusPro has a strategic partnership with SwissRe and won the Swiss Insurance Industry Award for Innovation in 2009.

For event organizers who are interested but not quite ready to take the plunge, CelsiusPro now offers Test Accounts. Rosanne can be reached at rosanne.vandeweerd@celsiuspro.com or for more information, go to www.celsiuspro.com,