

## Swiss Re sells weather derivatives online

25 May 2000 CET Press Release

Today, Swiss Re has launched the sale of weather derivatives via its ELRiX platform at [www.swissre.com](http://www.swissre.com). The possibility of buying weather derivatives online will make it much easier and far more efficient for companies to hedge against temperature-related business risks.

Swiss Re's newly launched weather derivatives are put and call options aimed primarily at power utilities, gas distribution companies, heating oil distributors and other companies that need to protect their sales against fluctuating temperatures in Europe and North America. Many of these businesses suffer financial losses due to cool summers, when use of air-conditioning declines, or due to mild winters, when demand for heating drops off.

Swiss Re believes that there is a large potential market for these derivatives sold via ELRiX. The web-based distribution channel will enable the reinsurer to carry out business more rapidly, transparently and efficiently, and it will allow access to the small-enterprise market which was previously almost impossible to service. Also, the liberalisation of the electricity market in Europe is likely to expand interest in hedging techniques.

The weather derivatives are based on heating degree-days (HDD) or cooling degree-days (CDD). Aggregated over a certain period, these indices measure how much daily average temperatures deviate from the threshold of 65° Fahrenheit (in the US) or 18° Celsius (in Canada and Europe). They serve to indicate the amount of energy needed to heat (or cool) a room to a comfortable level. For example, in exchange for a premium, a HDD put provides payment for each degree-day the underlying index is below the strike. The fact that the weather derivatives are based on indices from third parties facilitates the settlement of claims. The contracts offered apply to winter and summer seasons.

ELRiX stands for Electronic Risk Exchange and forms the basis for Swiss Re's electronic trading of standardised risk transfer products. ELRiX was developed last summer in response to the growing importance of e-business and marks a first in the reinsurance industry. CatXL covers were auctioned from November 1999 to January 2000, and since the beginning of this year, Swiss Re offers quotation of general aviation risks online.

Swiss Re is one of the world's leading reinsurers with over 70 offices in more than 30 countries. In the 1999 financial year, gross premium volume amounted to CHF 22.4 billion and the result after tax reached CHF 2.8 billion. Swiss Re is rated "Aaa" by Moody's and "AAA" by Standard & Poor's.

### Direct acces to ELRiX

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