

Weather Insurance – Part One

In general, weather insurance protects the sponsor of an event, a manufacturer of a product or a provider of a service that is heavily dependent on or is vulnerable to weather activity. It covers financial loss such as reduced revenue, increased expenses or inventory loss, as well as increased product promotion expense. A weather insurance policy is most useful for protection against the cancellation of, or reduced revenue from, events such as:

- outdoor concerts,
- outdoor stage productions
- fairs,
- farming
- parades
- carnivals,
- weddings and
- sporting events.

Weather insurance coverage can also be used as a marketing device.

Example: Acme Hardware has accumulated a large inventory of snow blowers. The store's ad department develops a promotional campaign to boost sales. It guarantees partial refunds on snow blower purchases if snow accumulation from November 20th through March 20th is less than 60 inches.

Weather insurance can also help to stabilize an entity's cash flow.

Example: Painterville has experienced low snowfall for the last dozen winters. As a result, they have reduced the amount they annually budget for snow removal. Painterville's council purchased snowfall insurance to protect it in the event they suffer a substantial increase in snowfall. Now, the town's finances won't be devastated by the need to increase the times that crews are sent out to remove snow and/or to treat icy roads.

Rainfall Coverage

There are four basic types of coverage against excessive rainfall for any covered event:

Cumulative Rainfall - Example: A policy provides that, between the hours of 7:00 p.m. and 2:00 a.m. on August 15 and 16, 20XX, no more than 1/10 inch of rainfall will accumulate at the National Weather Service station based at the Indianapolis International Airport.

Consecutive Dry Hours - A specific amount of rainfall that is not to occur each hour for a portion or for all hours of an event is insured. The rainfall amount is generally smaller than the cumulative rainfall coverage (1/100 or 2/100 inch of rain). This coverage is also known as Rain-free hours.

Non Consecutive Dry Hours - A specific amount of rainfall that is not to occur each hour for a portion or all of the hours of the event is insured. The insured dry hours may occur at any time during the covered event.

Extended Period - This term is used when the coverage period is for more than one day. Extended period coverage is a combination of Cumulative Rainfall, Consecutive Dry Hours and Non Consecutive Dry Hours coverage.

Rain coverage is often combined with other weather conditions such as temperature. Please see part two for more information on weather insurance.

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