Weather affects most companies’ financial performance, but while companies cannot control the weather, they can now control its financial impact.

Allianz’s Alternative Risk Transfer (ART) Climate Solutions complement traditional risk management programs and can be structured as insurance or financial products such as options, futures, and other swaps. Solutions are typically based on weather indices, with no physical damage required for a payment to be made, which have the advantage of simplicity, lack of ambiguity, and speed of settlement. Using commercially available data from meteorological offices around the world, ART has created programs to help clients respond to the impacts of wind, snow, and sunshine, as well as rainfall and temperature.

In utilizing ART solutions, customers can benefit in the following ways:

- Improve cash flow stability and allow for more accurate budget management
- Improve financing and creditworthiness by lowering cost of capital
- Provide downside protection to preserve capital and ensure liquidity

ART’s Climate Solutions can be used to mitigate supply, demand and operational impacts from weather, as well as supporting client promotional efforts, as outlined below.

**SUPPLY RISK**
Lack of wind impairs power production and, potentially, the ability to fulfill financing commitments. Annual wind power generation can deviate by more than 20 percent from the long-term average. ART’s weather solutions help to manage short- and long-term risks at a single location or over a portfolio of assets, planned and operating, for up to 10 years. We offer lack of wind insurance, mitigation of volatility, and proxy revenue swaps, which combine wind and price risks. These weather solutions protect clients from revenue deterioration and volatility while improving creditworthiness.

**DEMAND RISK**
Mild winter impacts car battery sales. Sales of many retail products are highly sensitive to the weather. By analyzing the correlations between sales and weather, ART can provide coverage tailored to specific locations and risk periods. For clients with a national footprint, total sales could be weighted by actual sales data per market, customer traffic, or population, with risk periods corresponding to seasonality. This protection helps companies guard against revenue deterioration and promote better budgeting.
OPERATIONAL RISK
An array of weather issues causes travel disruptions.
Many transportation sectors are vulnerable to weather perils. For example, airport and airline operations rely heavily on punctuality, particularly during rush hour and holiday periods. Increasingly, shareholders and analysts have challenged traditional explanations for financial effects related to delays and cancellations. ART builds indexes and designs effective covers around no-flight temperatures using high-quality historical weather data to minimize basis risk.

PROMOTIONS
Use weather to boost product sales.
Weather promotions can be a powerful marketing tool to drive sales of any product, from snowmobiles to sandwiches. ART has designed creative weather covers to help clients in many industries finance and structure marketing campaigns. For example, a car company may entice potential buyers of convertibles with a “sunshine guarantee,” protecting the consumer against too few sunny days to enjoy driving. A customer may receive a set amount as compensation for every rainy day after a defined threshold. Payouts would be triggered using data from a local weather station in the state where the car is registered. The cost of the cover could be subsidized in full or in part by the car company, or offered to the customer as an option.

WHY ALLIANZ
Allianz has one of the strongest financial ratings of the leading global property and casualty insurers and is solidly positioned to partner with investment managers to address their financial liability exposures. And unlike many of its competitors, Allianz has a global network of professionals to respond to international exposures in more than 200 countries and territories worldwide.