Weather the Markets with Eurex Hurricane Futures

A New Offering of Weather Derivatives to Facilitate the Needs of the OTC Market

Hurricanes are the most frequent cause of weather insurance damage in the U.S. The shortage of re-insurance capacity has led to alternative risk transfer mechanisms such as catastrophe bonds or catastrophe swaps. However, the current financial crisis has resulted in a re-evaluation of bilateral risk, creating demand for centrally cleared hurricane contracts to complement bilaterally executed catastrophe swaps. Eurex's new offering in Hurricane Futures accommodates this need by providing central clearing services, through Eurex Clearing, thereby mitigating counterparty risk. In addition, these contracts offer the traditional benefits of listed futures such as standardization and anonymity.

Hurricane Futures provide users, such as asset managers, hedge funds, banks and (re)-insurance companies, with a straightforward opportunity to trade or hedge insured losses related to specific storm events. Furthermore, hurricane insured losses are largely uncorrelated to financial market returns, providing a diversification tool.

About Eurex's Hurricane Futures

The USD-denominated futures are initially available for three regional areas:

- USA – all 50 states plus the District of Columbia, Puerto Rico and U.S. Virgin Islands
- Florida – State of Florida
- Gulf – States of Alabama, Louisiana, Mississippi and Texas

Additionally, the futures feature several trigger levels per region (in billion U.S. dollars): USA (10/20/30/40/50), Florida (30/40/50), Gulf (10/20). Initially Eurex is listing the contract risk periods 2009 and 2010. The contract risk period defines the time period in which a wind peril has to occur to be relevant for the determination of the final settlement price of the futures. Due to the nature of the underlying, the new binary contracts will either expire virtually worthless or at USD 10,000 per contract – depending on the estimated insurance loss caused by a single hurricane. For the determination of insured losses Eurex uses data provided by ISO's Property Claim Service®, the only internationally recognized estimation agent for catastrophe insurance claims in the U.S.

To facilitate market needs, the block trade size is set to one contract, allowing easy booking of bilaterally agreed transactions into the Eurex® clearing system.

Contract Specifications Eurex Hurricane Futures – Overview

Name	Hurricane Futures
Contract Size	100 points
Settlement Value	binary: • USD 10,000 if: - a final PCS® report states an industry loss amount for an **eligible event** equalling or exceeding the **trigger level**, - or the last available PCS® report on the last business day of the 30th month following the start of the **contract risk period** states an industry loss amount for an **eligible event** equalling or exceeding the **trigger level**, - or an interim PCS® report states an industry loss amount for one of the previously occurred **eligible events** that is equal to or greater than 110 percent of the **trigger level**. • Otherwise the future settles at USD 0.10
Currency	USD
Minimum Price Change	0.10, equivalent to a value of USD 10
Trading Hours	10:00–22:00 CET
Contract Risk Period	**2009:** January 1, 2009–December 31, 2009 **2010:** January 1, 2010–December 31, 2010 (In each case determined in the local time-zone where the event occurred.)
Region	USA/Florida/Gulf
Eligible Event	Event defined by PCS® as a natural catastrophe occurring in or affecting the respective region and where the perils identified in the PCS® report include the perils of wind.
Trigger Level (in billion U.S. dollars)	**USA** (10/20/30/40/50) **Florida** (30/40/50) **Gulf** (10/20)
First Trading Day	Listing day (June 29, 2009*)
Last Trading Day	The last exchange day of the 30th month following the start of the **contract risk period** (subject to modified following business day convention). The following events will trigger an early cessation of trading of the contract on the following business day: • Eurex receiving a final PCS® report stating an industry loss amount for an **eligible event** equalling or exceeding the **trigger level**, • Eurex determining on the first business day of the February following the end of the **contract risk period** that no **eligible event** has occurred, that has caused a loss equalling or exceeding 25% of the **trigger level** according to the latest available PCS® reports, • Eurex determining on the last business day of the 24th month following the start of the **contract risk period** that the most recently issued interim PCS® report with respect to each **eligible event** reflects an industry loss amount that is less than 75% of the **trigger level**, • Eurex receiving an interim PCS® report reflecting an industry loss amount for one of the previously occurred **eligible events** that is equal to or greater than 110% of the **trigger level**.
Block Trade Size	1 futures contract
Trading Fee	USD 5 per side (order book & block trade)

* Other contract risk periods will be listed as follows: The listing day will be the first business day of the year preceding the contract risk period, i.e. a contract covering the contract risk period of 2012 will be listed on January 3, 2011.

Product IDs & Vendor Codes

Contract Risk Period 2009

Product ID	Product Name	Bloomberg Code	Thomson Reuters Code
HF39	Hurricane Futures Florida 30bn 2009	HFCA Index	<0#HFF39:>
HF49	Hurricane Futures Florida 40bn 2009	HFDA Index	<0#HFF49:>
HF59	Hurricane Futures Florida 50bn 2009	HFTA Index	<0#HFF59:>
HG19	Hurricane Futures Gulf 10bn 2009	HGDA Index	<0#HFG19:>
HG29	Hurricane Futures Gulf 20bn 2009	HGLA Index	<0#HFG29:>
HU19	Hurricane Futures USA 10bn 2009	HUAA Index	<0#HFUS19:>
HU29	Hurricane Futures USA 20bn 2009	HUBA Index	<0#HFUS29:>
HU39	Hurricane Futures USA 30bn 2009	HUCA Index	<0#HFUS39:>
HU49	Hurricane Futures USA 40bn 2009	HUDA Index	<0#HFUS49:>
HU59	Hurricane Futures USA 50bn 2009	HUEA Index	<0#HFUS59:>

Contract Risk Period 2010

Product ID	Product Name	Bloomberg Code	Thomson Reuters Code
HF30	Hurricane Futures Florida 30bn 2010	HFWA Index	<0#HFF30:>
HF40	Hurricane Futures Florida 40bn 2010	HFYA Index	<0#HFF40:>
HF50	Hurricane Futures Florida 50bn 2010	HUSA Index	<0#HFF50:>
HG10	Hurricane Futures Gulf 10bn 2010	HGOA Index	<0#HFG10:>
HG20	Hurricane Futures Gulf 20bn 2010	HGRA Index	<0#HFG20:>
HU10	Hurricane Futures USA 10bn 2010	HUIA Index	<0#HFUS10:>
HU20	Hurricane Futures USA 20bn 2010	HULA Index	<0#HFUS20:>
HU30	Hurricane Futures USA 30bn 2010	HUOA Index	<0#HFUS30:>
HU40	Hurricane Futures USA 40bn 2010	HUPA Index	<0#HFUS40:>
HU50	Hurricane Futures USA 50bn 2010	HURA Index	<0#HFUS50:>

Each region, trigger level and contract risk period represent a separate futures contract. They are assigned a specific product code and product ISIN.

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