

Zurich Construction Weather Parametric Insurance



Helping protect your profits
from extreme weather
and climate events



Weather and climate disasters are more frequent, severe and costly.

Planning schedules around extreme weather events has always been a challenge for the construction industry. But as climate patterns continue to change, there has been a rapidly increasing number of damaging events, both physically and financially.



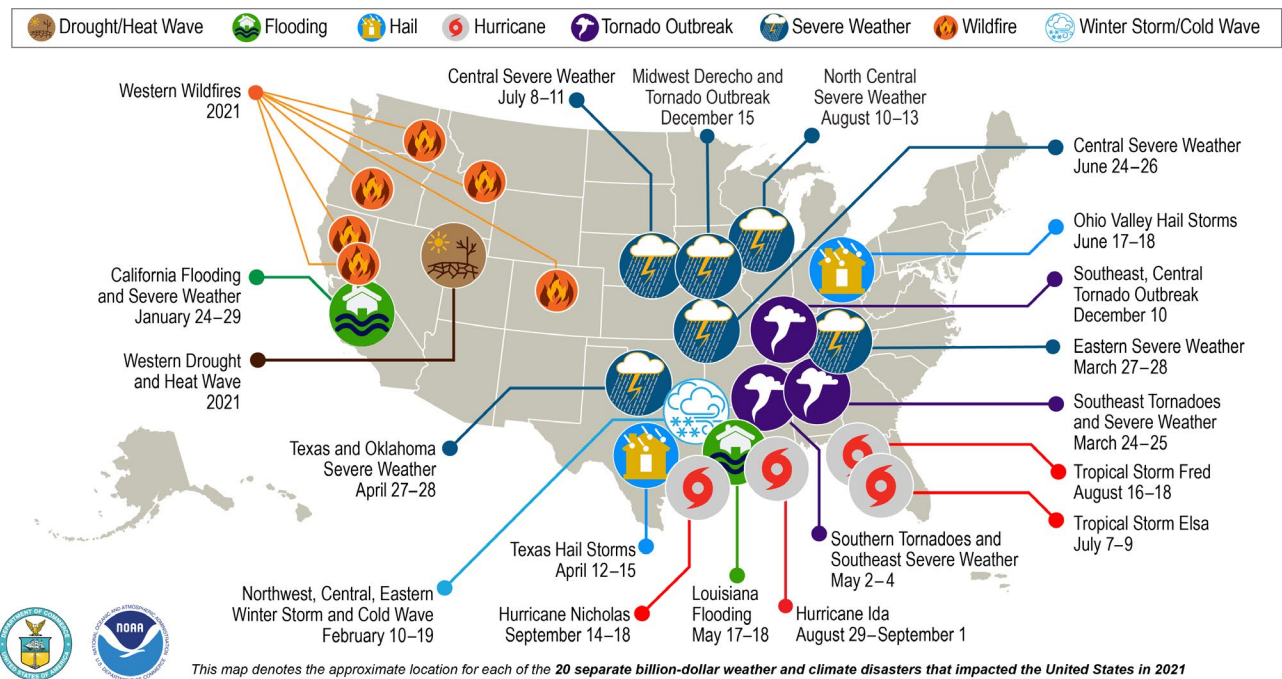
It doesn't take a billion-dollar disaster to jeopardize the financial profitability of one of your projects. Hurricanes and tornadoes grab the most media attention, but severe wind, heat or cold, rain and snow can also derail a project's schedule and result in costly delays.

For example, a period of extended rain recently caused a 55-day project delay, resulting in a \$1 million loss of income for the developer. Another contract that allowed for six weather days ended up with 15 days instead, and the impact was a \$524K loss to the contractor's bottom line.

To mitigate weather-related work stoppages, a specific number of delay days are usually included in the project contract. Most owners and general contractors rely on historical trends and local weather forecasts to estimate the number of delay days to include in their bids.

As the frequency and severity of volatile weather events continues to grow, both owners and contractors can no longer rely on past project experience or historical weather data alone to predict future conditions. New, innovative solutions, such as parametric insurance, are needed.

U.S. 2021 Billion-Dollar Weather and Climate Disasters



Parametric insurance covers specified events, regardless of physical damage.

Weather events such as rain, wind, snow accumulation, heat or cold do not always result in physical loss or damage to a project. Yet the economic losses that occur in terms of delay days can negatively impact an owner's and contractor's earnings and cash flow.



Parametric insurance is designed to cover losses that traditional insurance like Builders Risk may not, including loss of earnings, labor, equipment rental expenses, expediting expenses and liquidated damages.

Regardless of whether a project sustains physical loss or damage, this forward-looking solution guarantees payment when a triggering event occurs, such as the amount of rainfall in a specific time period or winds reach a predetermined speed. The payment is based on an objective parameter related to a project's particular weather exposure. Specific parameters are established based on the probability of wind, rain and temperature (cold/heat) events. To establish the parameters, data is measured from the National Oceanic and Atmospheric Association (NOAA) and other objective sources.

In addition to filling a potential gap in coverage, one of the key benefits of parametric insurance is that there is no need to investigate and adjust losses.

Your claim can typically be paid within weeks instead of months with traditional coverage.

How does it work?

The contractor or owner agrees with the insurer on a predetermined amount to be paid if certain, predefined weather condition occurs.



Parametric insurance



Event



Payment

"I like that the weather triggers can be customized by project geography and that the daily loss value is agreed upon up front, so there is no claims adjustment. Plus, there is a full payout for each delay day versus some percentage based on an adjustment."

– Risk Manager, leading national construction company



A custom approach for your specific projects and financial goals

Zurich Construction Weather Parametric Insurance can be customized to meet your financial objectives. It solves the protection gap between insured losses and the total economic impact from weather events. Each policy covers a specific project site and the individual program structures – parametric triggers, coverage limits and deductibles – can be individually tailored to address your exposures and risk tolerance.

Looking to manage profit and cash-flow volatility that weather-related delays can cause? Consider the benefits of Zurich Construction Weather Parametric Insurance.

- **Smart:** Financial coverage for total economic loss
- **Transparent:** Coverage based on clear, objective parameters for an event
- **Fast:** Claims typically paid in a matter of weeks
- **Customized:** Policies tailored for your specific projects, financial goals and risk appetite



Snapshots: How custom project coverage can work

A Minneapolis contractor battling severe cold

This general contractor has over 20 years of experience building large-scale, four-wall construction projects. The healthcare space has been an area of growth for them in recent years, and they were recently awarded a \$300M contract to build a brand-new surgical wing of Twin Cities Hospital. The project involves four below-grade floors of MRI and related diagnostic rooms.

The hospital chose the contractor because of its history of completing jobs on time, and the contract includes a very strict date of completion, after which the general contractor is liable to pay significant liquidated damages. The project starts in October and the contractor has some concerns that the upcoming winter months may impact their ability to stay on schedule. Severe cold in recent years has limited the number of days they can work and pour concrete. The four below-grade floors on this job make that risk even greater.

The Zurich Construction Weather Parametric Insurance policy the contractor elects to purchase sets a coverage period of 20 working days, triggered each day that the average hourly temperature is 10 degrees Fahrenheit or less during work hours. Providing insurance protection for delays beyond those planned for in the construction schedule gives the contractor the opportunity to collect claim payment for lost days pouring the concrete due to severe cold, mitigating the negative financial effects of a delayed project.

A first-time Florida stadium builder facing severe wind

It's one thing to have extensive experience in building large sports stadiums in the Midwest, but this contractor was recently awarded a new football stadium project in Florida. This is new territory for the contractor and they are concerned about managing weather-related exposures that come with the storm season in the coastal Southeast.

One of the key components of this project is the coordination of four large crawler cranes the contractor is renting. These cranes are very expensive and can only operate if wind speeds stay below a certain threshold. The contractor has very thin margins on this job and is fearful the Florida storm season could result in several days where cranes can't be operated. This could add significant costs to the project.

The storm season generally runs from June through November, so the Zurich Construction Weather Parametric Insurance policy was written for that specific period – covering 12 total delay days when the maximum hourly average wind speed is 40 miles-per-hour or more during work hours. Protecting its crane rental costs was a smart way for this contractor to kick off the stadium project.

A SoCal road builder eyeing excess rains

Large scale street and road jobs are challenging in any geography and climate. This heavy civil contractor with extensive experience in Southern California knows all too well the impact that excess precipitation can present on jobs of this nature. The contractor is particularly worried about work on a 15-mile stretch of road where the rainy season in California makes it very difficult to grade and pave road over weeks at a time.

To protect its profit, the contractor's broker and Zurich recommended a Construction Weather Parametric Insurance policy written with a trigger for a total daily rainfall at or in excess of 1.5 inches during a 12-week period. This additional coverage helps address the uncertainty of weather-related delays in this part of California, while helping ensure the contractor can avoid liquidated damages and possible loss of earnings if faced with a significant rain delay.

To learn more about
Zurich Construction solutions,
contact your broker or Zurich
representative, or visit:
www.zurichna.com/construction.



References

1. "U.S. 2021 Billion-Dollar Weather and Climate Disasters" National Oceanic and Atmospheric Administration (NOAA) and National Centers for Environmental Information (NCEI). 2021. <https://www.climate.gov/media/13976>

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