

# TRAVELERS GETTING REFUNDED FOR RAIN ... INSTANTLY



Many forms of travel insurance pay when your vacation doesn't happen. But what about those vacations that do take place – along with copious amounts of rain? Most insurance policies don't cover rain-wrecked vacations. You were, after all, still technically on vacation. But there's a new breed of weather coverage being offered in the travel industry, and it promises to pay when too much rain interferes with your time in the sun.

Businesses in the travel industry, ranging from hotels and airlines to destination marketing and tour operators, can now offer travelers a new type of weather coverage that pays for rain as soon as it happens, even if the vacation takes place. Sometimes called Good Weather Guarantees, this coverage does not require proof of loss, a claims process, or waiting for payment. This non-insurance based coverage was born a decade ago out of the energy industry. Energy companies developed a financial tool that would protect their profits from mild winters and cool summers when customers weren't turning up their heat or turning down their AC. The companies found financial institutions that were willing to take on that risk in exchange for a premium. They were, essentially, getting paid for bad weather.

The travel industry has begun adapting this same coverage to fit their weather risk needs. One of the first travel companies to use this coverage is Priceline.com, which began offering "Sunshine Guaranteed Vacations" in June of 2008. The coverage refunds customers if it rains at least a half inch or more on at least half their vacation days. Another online travel company, Canada's itravel2000.com, used the new weather coverage to create a weather promotion that would refund customers' summer vacations if it snowed five inches or more at their departure airport on New Year's Day.

Another company, WeatherBill, took-on the risk of rain and a snowy New Years Day for both Priceline and itravel. Founded in 2006 by former Googlers, it is the first company to allow business large and small the ability to customize, price and buy the weather coverage energy companies created in minutes online. To set the price of coverage, they use statistical models based on historic weather data to calculate the risk of bad weather. The company then pays businesses when it happens. Payouts are not based on human assessment. Instead payouts are based on measurements at government-affiliated weather stations (typically located at airports).

"Everyone seems to have a story about rain ruining a vacation," says WeatherBill founder and CEO David Friedberg. "Now, travelers will get the value they deserve out of their vacations rain or shine. This coverage is revolutionary and truly valuable for all travelers, especially those who save hard-earned cash for one big vacation each year."

The name of Friedberg's company, WeatherBill, was born out of a rainy vacation. Friedberg was visiting Hawaii when a sudden shower interrupted a tour of the island. "Looks like someone forgot to pay the WeatherBill," announced Friedberg's tour guide as the group ran for cover.

Right now it's primarily up to travel companies to provide this new form of weather coverage to their customers. In the United States, this new coverage is federally regulated by the Commodity Futures Trading Commission (CFTC) which mandates that individuals must have a net worth of \$5 million to purchase the coverage. Businesses only need \$1 million.

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