

WEATHER PRODUCTS

CME Hurricane Index Futures and Options

Three types of contracts for Hurricane futures and options – covering specific regional locations and actual named hurricanes.

Overview

Following the devastating 2005 hurricane season that caused an estimated \$79 billion in damage, it became apparent there was not unlimited capacity in the insurance industry to insure customer claims. CME Group listened to the marketplace and developed three types of contracts for Hurricane futures and options. The underlying indexes for Hurricane futures and options on futures are calculated by MDA Information Systems, Inc., the leading authority on extreme-risk modeling.

Market Participants

- Insurance and reinsurance companies
- Hedge funds
- Energy companies
- Pension funds
- State governments
- Utility companies

Contract Types

- Hurricane futures and options
- Hurricane Seasonal futures and options
- Hurricane Seasonal Maximum futures and options

Benefits

- An additional way to help insurers and others transfer risk to the capital markets
- Mitigate exposures for actual named hurricanes and specific regional locations
- Increase insurance capacity in order to insure customers or hedge businesses

About the Index

CME Hurricane Index™ (CHI™) determines a numerical measure of the potential for damage from a hurricane, using publicly available data from the National Hurricane Center of the National Weather Service. The CHI incorporates sustained wind speed and the radius of hurricane force winds and is a continuous measurement.

The commonly used Saffir-Simpson Hurricane Scale (SSHS) classifies hurricanes in categories from 1 to 5; however there are a number of features which make the scale less than optimal for use by the insurance community and the public at large. For example, meteorologists have had to quantify SSHS categories as either 'strong' or 'weak' in order to make a proper distinction of a storm. As a case in point, Katrina was described as a weak category 4 storm at the time of its landfall but this did not provide a real estimate to the actual physical impact. And Hurricane Wilma in 2005 was at one point in its life the strongest storm on record. However, the CHI highlights that at its strongest, Hurricane Katrina had more potential for damage than Wilma, despite its lower wind speed, since Katrina was a far wider storm. The Saffir-Simpson scale would be unable to make this distinction clear.

CME HURRICANE INDEX FUTURES AND OPTIONS CONTRACTS

| | HURRICANE INDEX FUTURES | OPTIONS ON HURRICANE INDEX FUTURES |
|------------------------|---|--|
| Contract Size | \$1,000 times the respective CHI | |
| Quotation | CHI Index Points | |
| Tick Size | 0.1 CHI Index Point | |
| Tick Value | 0.1 CHI Index Point = \$100 x 10 = 1 tick/\$1,000 | |
| Contracts Traded | At the beginning of each season storm names are used from a list, starting with A and ending with Z, maintained by the World Meteorological Organization. In the event that more than 21 named events occur in a season, additional storms will take names from the Greek alphabet: Alpha, Beta, Gamma, Delta, and so on | |
| Locations | Named hurricanes making landfall in the Eastern U.S. (Brownsville, TX to Eastport, ME) Named hurricanes occurring within the CHI-Cat-In-A-Box – Galveston-Mobile (area bounded by 95°30'0"W on the West, 87°30'0"W on the East, 27°30'0"N on the South, and the corresponding segment of the U.S. coastline on the North) | |
| Ticker Symbols | Events begin with a one and ends with a zero (0 represents 10) HX1-HX0 = CHI Hurricane Index storms beginning with the letters A-J HG1-HG0 = CHI Hurricane Index storms beginning with the letters K-V HF1-HF0 = CHI Hurricane Index storms beginning with the letters W-Iota HP1-HP0 = CHI Cat-In-A-Box – Galveston-Mobile storms A-J HS1-HS0 = CHI Cat-In-A-Box – Galveston-Mobile storms K-V HN1-HN0 = CHI Cat-In-A-Box – Galveston-Mobile storms W-Iota | |
| Termination of Trading | Futures trading shall terminate at 9:00 A.M. on the first Exchange business day that is at least five calendar days following the last forecast/advisory issued by the National Hurricane Center (NHC) for the named storm, provided that both the NHC and the Hydrometeorological Prediction Center have stopped issuing advisories for that named storm, but in no event shall trading terminate prior to the first Exchange business day that is at least five calendar days following January 1, or later than the first business day that is at least five calendar days following December 31. If a particular named storm is unused (i.e. that storm has not formed), trading shall terminate at 9:00 A.M. on the first Exchange business day that is at least five calendar days following December 31. Futures trading shall terminate at 9:00 A.M. on the first Exchange business day that is at least five calendar days following the dissipation or exit from the designated area of a named storm, provided that both the NHC and the Hydrometeorological Prediction Center have stopped issuing advisories for that named storm, but in no event shall trading terminate prior to the first Exchange business day that is at least five calendar days following January 1, or later than the first business day that is at least five calendar days following December 31. If a particular named storm is unused (i.e. that storm has not formed), trading shall terminate at 9:00 A.M. on the first Exchange business day that is at least five calendar days following December 31. | |
| Strike Price Interval | N/A | 1 Index Point (e.g., 10, 11, 12, etc.) |
| Exercise | N/A | American-style (exercised any time up to and including last trading day (LTD)) |
| Settlement | All futures contracts remaining open at the termination of trading shall be settled using the respective CHI final value reported by MDA Information Systems, Inc. for that named event All futures contracts remaining open at the termination of trading shall be settled using the respective CHI-Cat-In-A-Box final value reported by MDA Information Systems, Inc. for that named event, using the maximum calculated CHI value while the hurricane is within the designated area | N/A |
| Position Limits | Position accountability for positions exceeding 10,000 contracts in any contract month | Position accountability for positions exceeding 10,000 futures-equivalent contracts net on the same side of the market in any contract month |
| Trading Hours | Offered exclusively on the CME Globex electronic trading platform on Sundays through Thursdays, 5:00 p.m. – 3:15 p.m. CT the following day (9:00 a.m. CT LTD) | Traded via open outcry in the NASDAQ-100 pit on Mondays through Fridays, 8:30 a.m. – 3:15 p.m. CT (9:00 a.m. CT LTD) |

Futures trading is not suitable for all investors, and involves the risk of loss. Futures are a leveraged investment, and because only a percentage of a contract's value is required to trade, it is possible to lose more than the amount of money deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyles. And only a portion of those funds should be devoted to anyone trade because they cannot expect to profit on every trade. All references to options refer to options on futures.

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All contracts herein are listed with, and subject to the rules and regulations of, Chicago Mercantile Exchange, Inc.

All matters pertaining to rules and specifications herein are made subject to and are superseded by official CME, CBOT and NYMEX rules. Current rules should be consulted in all cases concerning contract specifications.

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CME HURRICANE INDEX SEASONAL FUTURES AND OPTIONS CONTRACTS

| | HURRICANE SEASONAL FUTURES | OPTIONS ON HURRICANE SEASONAL FUTURES |
|------------------------|--|--|
| Contract Size | \$1,000 times the seasonal total for the respective CHI | |
| Quotation | CHI Index Points | |
| Tick Size | 0.1 CHI Index Point | |
| Tick Value | 0.1 CHI Index Point = \$100 | |
| Contracts Traded | Expressed in terms of the accumulated CHI for all hurricanes that occur within a specific location between January 1 and December 31 inclusive of a calendar year Expressed in terms of the accumulated CHI-Cat-In-A-Box values for all hurricanes that occur within a specific geographic area between January 1 and December 31 inclusive of a calendar year | |
| Locations | <p>Gulf Coast (Brownsville, TX to AL/FL Border)</p> <p>Florida (AL/FL Border to Fernandina Beach, FL)</p> <p>Southern Atlantic Coast (Fernandina Beach, FL to NC/VA Border)</p> <p>Northern Atlantic Coast (NC/VA Border to Eastport, ME)</p> <p>Eastern U.S. (Brownsville, TX to Eastport, ME)</p> | <p>Gulf Coast and Florida (Brownsville, TX to Fernandina Beach, FL)</p> <p>Florida Gold Coast (Card Sound Bridge, FL to Jupiter Inlet, FL)</p> <p>Florida + Southern Atlantic + Northern Atlantic (AL/FL Border to Eastport, ME)</p> <p>CHI-Cat-In-A-Box – Galveston-Mobile (area bounded by 95°30'0"W on the West, 87°30'0"W on the East, 27°30'0"N on the South, and the corresponding segment of the U.S. coastline on the North)</p> |
| Ticker Symbols | <p>HGA = Gulf Coast</p> <p>HFA = Florida</p> <p>HSA = Southern Atlantic Coast</p> <p>HNA = Northern Atlantic Coast</p> <p>HXA = Eastern U.S.</p> <p>FGM = Gulf Coast and Florida</p> <p>HDA = Florida Gold Coast</p> <p>HAA = Florida + Southern Atlantic + Northern Atlantic</p> <p>HPA = CHI-Cat-In-A-Box – Galveston-Mobile</p> | <p>OGA = Gulf Coast</p> <p>OFA = Florida</p> <p>OSA = Southern Atlantic Coast</p> <p>ONA = Northern Atlantic Coast</p> <p>OXA = Eastern U.S.</p> <p>FGM = Gulf Coast and Florida</p> <p>HDA = Florida Gold Coast</p> <p>AHA = Florida + Southern Atlantic + Northern Atlantic</p> <p>OPA = CHI-Cat-In-A-Box – Galveston-Mobile</p> |
| Termination of Trading | Futures trading shall terminate at 9:00 A.M. on the first Exchange business day that is at least five calendar days following December 31. | |
| Strike Price Interval | N/A | 1 Index Point (e.g., 10, 11, 12, etc.) |
| Exercise | N/A | American-style (exercised any time up to and including LTD) |
| Settlement | <p>All futures contracts remaining open at the termination of trading shall be settled using the respective CHI final value reported by MDA Information Systems, Inc. for that numbered event</p> <p>All futures contracts remaining open at the termination of trading shall be settled using the respective CHI-Cat-In-A-Box final value reported by MDA Information Systems, Inc. for that numbered event, using the maximum calculated CHI value while the hurricane is within the designated area</p> | N/A |
| Position Limits | Position accountability for positions exceeding 10,000 contracts in any contract month | Position accountability for positions exceeding 10,000 futures-equivalent contracts net on the same side of the market in any contract month |
| Trading Hours | Offered exclusively on the CME Globex electronic trading platform on Sundays through Thursdays, 5:00 p.m. – 3:15 p.m. CT the following day (9:00 a.m. CT LTD) | Traded via open outcry in the NASDAQ-100 pit on Mondays through Fridays, 8:30 a.m. – 3:15 p.m. CT (9:00 a.m. CT LTD) |

For more information on CME Hurricane Index futures and options, visit www.cmegroup.com/hurricane.

For real-time prices on CME Hurricane Index futures, visit www.cmegroup.com/weatherquotes.

CME HURRICANE INDEX SEASONAL MAXIMUM FUTURES AND OPTIONS CONTRACTS

| | HURRICANE SEASONAL MAXIMUM FUTURES | OPTIONS ON HURRICANE SEASONAL MAXIMUM FUTURES |
|------------------------|---|---|
| Contract Size | \$1,000 times the respective CHI | |
| Quotation | CHI Index Points | |
| Tick Size | 0.1 CHI Index Point | |
| Tick Value | 0.1 CHI Index Point = \$100 | |
| Contracts Traded | Expressed in terms of the CHI for the largest hurricane to make landfall within a specific location between January 1 and December 31 inclusive of a calendar year Expressed in terms of the largest CHI-Cat-In-A-Box value for all hurricanes that occur within a specific geographic area between January 1 and December 31 inclusive of a calendar year | |
| Locations | Gulf Coast (Brownsville, TX to AL/FL Border) Florida (AL/FL Border to Fernandina Beach, FL) Southern Atlantic Coast (Fernandina Beach, FL to NC/VA Border) Northern Atlantic Coast (NC/VA Border to Eastport, ME) Eastern U.S. (Brownsville, TX to Eastport, ME) | Gulf Coast and Florida (Brownsville, TX to Fernandina Beach, FL) Florida Gold Coast (Card Sound Bridge, FL to Jupiter Inlet, FL) Florida + Southern Atlantic + Northern Atlantic (AL/FL Border to Eastport, ME) CHI-Cat-In-A-Box – Galveston-Mobile (area bounded by 95°30'0"W on the West, 87°30'0"W on the East, 27°30'0"N on the South, and the corresponding segment of the U.S. coastline on the North) |
| Ticker Symbols | HGM = Gulf Coast HFM = Florida HSS = Southern Atlantic Coast HNM = Northern Atlantic Coast HXM = Eastern U.S. GFM = Gulf Coast and Florida HDM = Florida Gold Coast HAM = Florida + Southern Atlantic + Northern Atlantic HPM = CHI-Cat-In-A-Box – Galveston-Mobile | OGM = Gulf Coast OFM = Florida OSM = Southern Atlantic Coast ONM = Northern Atlantic Coast OXM = Eastern U.S. GFM = Gulf Coast and Florida HDM = Florida Gold Coast MHA = Florida + Southern Atlantic + Northern Atlantic OPM = CHI-Cat-In-A-Box – Galveston-Mobile |
| Termination of Trading | Futures trading shall terminate at 9:00 A.M. on the first Exchange business day that is at least five calendar days following December 31. | |
| Strike Price Interval | N/A | 1 Index Point (e.g. 10, 11, 12, etc.) |
| Exercise | N/A | American-style (exercised any time up to and including LTD) |
| Settlement | All futures contracts remaining open at the termination of trading shall be settled using the respective CHI seasonal maximum final value reported by MDA Information Systems, Inc. All futures contracts remaining open at the termination of trading shall be settled using the respective CHI seasonal maximum Cat-In-A-Box final value reported by MDA Information Systems, Inc. | N/A |
| Position Limits | Position accountability for positions exceeding 10,000 contracts in any contract month | Position accountability for positions exceeding 10,000 futures-equivalent contracts net on the same side of the market in any contract month |
| Trading Hours | Offered exclusively on the CME Globex electronic trading platform on Sundays through Thursdays, 5:00 p.m. – 3:15 p.m. CT the following day (9:00 a.m. CT LTD) | Traded via open outcry in the NASDAQ-100 pit on Mondays through Fridays, 8:30 a.m. – 3:15 p.m. CT the following day (9:00 a.m. CT LTD) |

For more information on Weather futures and options, visit www.cmegroup.com/weather.

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