

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 EQECAT, 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	Trading shall terminate at 9:00 a.m. Central Time (CT) on the first Exchange business day that is at least two calendar days following the last forecast/advisory issued by the NHC for the named storm, but in no event shall trading terminate prior to the first Exchange business day that is at least two calendar days following the beginning of the hurricane season on January 1. If a particular named storm is unused (i.e., that storm has not formed), trading shall terminate at 9:00 a.m. CT on the first Exchange business day that is at least two calendar days following the end of the hurricane season on December 31. Trading shall terminate at 9:00 a.m. CT on the first Exchange business day that is at least two calendar days following the dissipation or exit from the designated area of a named hurricane, but in no event shall trading terminate prior to the First Exchange business day that is at least two calendar days following the beginning of the hurricane season on January 1 or later than the first business day that is at least two calendar days following December 31. If a particular named storm is unused (i.e., that storm had not formed), trading shall terminate at 9:00 a.m. CT on the first Exchange business day that is at least two calendar days following the end of the hurricane season on 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 EQECAT 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 EQECAT 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 any one trade because they cannot expect to profit on every trade.

All references to options refer to options on futures.

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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>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>HPA = CHI-Cat-In-A-Box – Galveston-Mobile</p>	
Termination of Trading	Trading shall terminate at 9:00 a.m. CT on the first Exchange business day that is at least two calendar days following the end of the hurricane season on 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 EQECAT 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 EQECAT 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	<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>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>HGM = Gulf Coast</p> <p>HFM = Florida</p> <p>HSS = Southern Atlantic Coast</p> <p>HNM = Northern Atlantic Coast</p> <p>HXM = Eastern U.S.</p> <p>HPM = CHI-Cat-In-A-Box – Galveston-Mobile</p>	
Termination of Trading	Trading shall terminate at 9:00 a.m. CT on the first Exchange business day that is at least two calendar days following the end of the hurricane season on 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 seasonal maximum final value reported by EQECAT</p> <p>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 EQECAT</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 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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