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EnergyRisk Awards 2025

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Weather house of the year

Parameter Climate

Energy Risk Awards 2025 WINNER

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Weather markets veteran Marty Malinow has long been frustrated, and baffled, as to why the weather market isn't 10 or 20 times bigger. His conclusion, reached during his previous position at Japanese insurer Sompo, was that the market needed better advisory, intermediation and analytics.

"Energy, which accounts for most weather-protection buyers, has seen primarily direct execution since the market began in the late 1990s," he says. Given the highly structured nature of most weather hedges, the commodity brokers that energy firms use for much of their flow trading, were not well-suited to provide analytics-driven advisory support. Equally, working for a protection seller meant Malinow and his team were unable to provide that service, prompting five of the team to create Parameter Climate in 2021.

"What has been lacking are the analytical rails that allow weather risk to move digitally around the market. We're laying those tracks with ClimateDelta"

Marty Malinow, Parameter Climate

The firm, winner of *Energy Risk*'s 2025 *Weather house of the year* award, strives to enable more effective intermediation between buyer and seller of weather risk protection, spreading it across a broader market.

It began its underwriting advisory business in 2021, working for two reinsurance firms, one of which was its seed investor. Last year, it struck a deal with a third reinsurer to provide additional risk-underwriting capacity. It also expanded its business into structuring and brokerage advisory, working with protection buyers to place weather risk more widely throughout the market. In its first year of offering the service, Malinow's team advised on the placement of more than $100 million of risk for energy companies globally, he says.

That placement business is built on Parameter's response to the need for improved analytics. "The market has been lacking widescale adoption of a platform that puts both buyers and sellers on a consistent analytical footing," he says.

The problem, Malinow explains, is that when a protection buyer seeks quotes to lay off weather risk, sellers will typically use their own models, indexes and analytics to structure and price the transaction, meaning the buyer will typically receive different proposals that are difficult to compare. "One package might seem cheaper, but the buyer won't know if it offers the most value."

Parameter Climate's ClimateDelta platform enables buyers and sellers to structure and price a consistent product, using the same underlying data and market-accepted value metrics, resulting in a range of comparable prices. "What has been lacking are the analytical rails that allow weather risk to move digitally around the market. We're laying those tracks with ClimateDelta," Malinow says.

The platform can also generate term sheets and contracts (whether Isdas or re/insurance contracts) to streamline trade authorisation, as well as audit functionality to manage compliance. "The time compression on execution is palpable," says Malinow. "We believe this will increase the conversion rate and help the market to scale."

A broader market, however, poses challenges around dealing with new and unfamiliar counterparties. A global energy firm, for example, might need complex trust agreements to transact with an offshore fund they might deal with only sparingly.

Parameter Climate's solution was to create Parameter Capital, a first-of-its-kind, Bermuda-based 'transformer' facility, which will stand between protection buyers and alternative capacity providers. "Once buyers set up Parameter Capital as a counterparty and gain comfort with the multi-party trust agreements that govern how collateral is held and released, if there's a claim, we can plug and play multiple funds behind the vehicle to provide buyers with broader access to risk capacity," Malinow says. The company is working on the first deals that will use the facility, he adds.

Another key to scaling the market is enabling large-scale, strategic weather risk transfer. Most firms manage weather risk tactically, Malinow notes, with individual desks putting on their own hedges. However, he says consolidating these often-diversifying trades into a captive, or other similar vehicle at the holding company level, which then goes to market with a portfolio, could unlock valuable cost-efficiencies.

Here, too, Malinow believes ClimateDelta can help, as it can handle portfolios of trades and then tranche them up. This gives the buyer the choice of self-insuring or transferring the risk through standard reinsurance structures, for example a quota share or excess loss. "This could be a game-changer in getting to that 10 or 20 times scale factor we always believed was possible," he says. ■