

24.09.2021

Event Report



CSA Insurance Linked Strategies CSA Insurance Linked Strategies Fixed

Melbourne Earthquake – September 2021

Dear Investor,

On Wednesday morning, 22 September local time, an earthquake with magnitude of M5.9 measured by Geoscience Australia, struck the mountainous region of Victoria, southeast Australia. The earthquake's epicenter was in a remote area in the Mount Skene scenic reserve at a depth of 10 km (6 miles) approximately 130 km (80 miles) northeast of Melbourne, the country's second largest metropolitan area with a population of nearly 5 million.

The earthquake was one of the most powerful in Australia's history and was followed by several smaller after-shocks. Unlike New Zealand, Australia is situated in the center of a tectonic plate and therefore rarely experiences major earthquake activity. Earthquake coverage is generally included in property insurance policies in Australia.

Initial damage reported in the Melbourne area is mostly limited to damage to buildings with some partly collapsing and power lines disrupted in the central business district of Melbourne. However, there are no reports of severe widespread structural property damage in the Melbourne metropolitan area.

In other populated areas further away from the epicenter throughout neighboring states as far as Adelaide and Sydney tremors were felt, but without any reported damage so far.

Based on initial counterparty information in the region and simulated event losses, we expect property damage to be limited with a median industry loss of USD 300 million, which could range up to USD 750 million. Based on this estimate, we expect a small impact from this event on the investment group on a standalone basis in the scenario of a USD 750 million industry loss. Further, insurance losses are likely to erode exposed private ILS transactions with aggregate trigger structures to some extent.

We will continue to monitor this event as potential significant aftershocks can be expected to occur in the area. Please do not hesitate to contact us if you have any questions.

Kind regards,

Credit Suisse Insurance Linked Strategies Ltd

Sources: Credit Suisse, Geoscience Australia, U.S. Geological Survey, Reuters



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