

16.12.2021

## Event Report



# CSA Insurance Linked Strategies CSA Insurance Linked Strategies Fixed

## Tornadoes U.S. – December 2021

Dear Investor,

On 10 and 11 December, a series of powerful tornadoes broke out across parts of the Mississippi Valley and Midwest in the U.S., which caused widespread catastrophic property damage to several communities from excessive wind force. Some tornadoes reached sustained wind intensity levels of EF3 (Enhanced Fujita scale), with reported estimated peak wind speeds of up to 320 km/h (200 mph). More than a hundred people are feared dead and many are still unaccounted for.

A convective storm, which formed from a cluster of thunderstorms, developed around eastern Arkansas and moved northeastwards over Kentucky producing multiple severe tornadoes along its track. Most of the damage was caused by a powerful tornado that moved through several rural areas in Arkansas, Missouri and Kentucky, leaving a path of destruction across several communities. In the town of Mayfield (KY), the tornado caused extensive damage as it reached its peak intensity, with some buildings entirely leveled by high wind force and causing numerous fatalities, mainly as a factory incurred a direct hit from the tornado while people were working.

Further tornadoes caused damage in Illinois, Missouri, Arkansas, Mississippi, Ohio and Tennessee with widespread property damage to buildings and infrastructure from high wind force. The thunderstorm has reportedly caused further damage from large hail in several areas. At the time of writing, over 800,000 power outages have been reported across the affected areas.

Although tornadoes generally occur year-round in the U.S., tornadoes of such strength and extensive track across multiple states are unusual for December and more common during the peak of the tornado season in spring and early summer. The unusual warm weather with high humidity, combined with a cold front moving through the region, provided a catalyst for the storms to form. The current La Niña pattern further compounds to the favorable atmospheric conditions for tornadoes in the area.

The extensive track and intensity of the tornadoes are of historical proportion and the magnitude of damage is expected to drive industry losses to high-end levels compared to severe convective storm events in the U.S. in the past. It is expected that this event will affect the reinsurance and ILS market to some extent, depending on the attachment levels and trigger structures and may at least contribute to an erosion of deductibles for aggregate loss trigger instruments and/or cause mark-to-market volatility on cat bonds with aggregate trigger structures.

Based on preliminary data, we expect the aggregate industry loss from the combined U.S. tornadoes to range between USD 3.5 and USD 7.5 billion with a median of USD 4.75 billion. Based on the median estimated loss scenario, we do not expect this event to have a significant impact on the Investment Group on a standalone basis. However, insurance losses are likely to erode exposed private ILS transactions, in particular with aggregate trigger structures.

The damage assessment for this event is still at an early stage, which creates substantial uncertainty and the estimates are based on the information available at the time of writing this report and are subject to a considerable amount of uncertainty.

As damage assessment is progressing, we will continue to evaluate any potential changes in insurance losses and impact on the Investment Group and will keep you up to date on any significant changes. In the meantime, please do not hesitate to contact us if you have any questions.

Kind regards,

**Credit Suisse Insurance Linked Strategies Ltd**

Sources: Credit Suisse, National Weather Service, Reuters



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