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Event Report

CSA Insurance Linked Strategies CSA Insurance Linked Strategies Fixed

Hurricane Ian Update October 2022

Dear Investor,

Following a second landfall of Hurricane Ian in the U.S. and after new information on the full extent of destruction from its first landfall has become available, we would like to provide an update on the estimated insurance market loss.

After weakening along its track over central Florida, Hurricane Ian moved further northeast off the Florida east coast, subsequently intensifying again over the warm surface water of the Atlantic Ocean. On 30 September, Hurricane Ian made a second landfall as a category 1 hurricane near Georgetown, South Carolina and rapidly dissipated over southern Virginia the next day.

At the time of writing, the death toll from Hurricane Ian is at least 125 according to officials, mostly in the Lee and Charlotte counties in Florida, two of the hardest-hit areas, though rescue teams continue to search for survivors.

Insured property damage is widespread with impacts on buildings and cars as wind speeds far exceeded minimum building standards to withstand against wind damage, extending far away from the center of the storm. Particularly upon its landfall in Florida, the Category 4 windspeeds of 240 km/h extended out with a diameter of 80 km and the hurricane wind forces about 120 km.

Initial damage assessment in Florida, however, indicates that a large part of the damage is related to coastal flooding. As Ian moved slowly across the impacted areas it dropped a significant amount of rain, contributing to extensive flooding. Central Florida experienced the most severe rainfall with 50 cm (20 inches) over the course of 72 hours including populated areas from Tampa through Orlando.

The ILS market has a high exposure to U.S. wind related insurance losses, in particular the cat bond market with approximately 70% of the outstanding market volume exposed to such risk. The market experienced mark-to-market losses, while spreads widened significantly at September month-end due to uncertainty on the severity of the impact from Hurricane Ian. Pricing volatility in the cat bond market will likely remain high in the coming weeks as the market continues to evaluate the industry losses related to this event.

Damage resulting from flooding is generally not covered under standard private property insurance policies. However, the ILS and reinsurance market has some exposure, for example through several cat bonds issued by the government administered National Flood Insurance Program (NFIP), and hence is exposed to flood risk.

As Ian has caused more damage and severe destruction than anticipated before landfall last Thursday and as information has gradually become available, the recent industry-wide insured loss numbers have increased significantly since last week. Our current assumption is that insured losses from Hurricane Ian range from USD 45 billion to USD 65 billion, including losses from the NFIP, with a best estimate at USD 54 billion.

An impact assessment on private ILS transaction is pending the valuation by the actuary. Therefore, we have not published the Weekly Estimated Performance Update report yesterday.

As damage assessment is still ongoing, estimates on insurance losses are subject to substantial uncertainty and could change as further information becomes available.

We are continuing to monitor this event and remain in contact with our counterparties and market experts to assess a further development of insurance losses on our transactions. Please contact us if you have any questions.

Kind regards,
Credit Suisse Insurance Linked Strategies Ltd

Source: Credit Suisse, AIR, Guy Carpenter, Reuters, National Weather Service, Swiss Re

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