

22.03.2022

Event Report



CSA Insurance Linked Strategies CSA Insurance Linked Strategies Fixed

Fukushima, Japan Earthquake – March 2022

Dear Investor,

On Wednesday night, 16 March local time, an earthquake with magnitude of M7.3 was registered off the coast of Fukushima prefecture, Japan. The earthquake shook large parts of eastern Japan, including Tokyo at some 275km (170 miles) from its epicenter, where strong shocks were felt with buildings shaking violently. A tsunami warning has been issued, which was cancelled a few hours later.

Initial damage assessment indicates a moderate level of damage across a wide area, which is estimated to be of similar magnitude to the damage from the M7.1 earthquake that occurred nearby in February 2021. The buildings and infrastructure in this region are considered to be well equipped to withstand earthquakes due to the strict building codes. However, the earthquake caused widespread power outages with more than 2.2 million homes temporarily without electricity in various prefectures, including the Tokyo region, but power was restored in most places within hours.

There were no abnormalities reported at the Daiichi nuclear power plant in Fukushima, where in March 2011 the devastating M9.1 Tohoku earthquake and ensuing tsunami caused widespread destruction including a meltdown of several reactors at the nuclear plant.

Japan earthquake risk is one of the major risk classes in the reinsurance industry and likewise the ILS market has exposure through both the cat bond and private transactions market. Based on the initial estimates, loss levels are expected to be too insignificant to trigger losses on exposed bonds on a standalone basis. The private transactions market is more likely to be affected, however, no impact on the portfolio is expected due to generally higher-attaching transactions.

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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 3bn. Based on this estimate, we do not expect this event to have an impact on the Investment Group on a standalone basis. However, the losses from this event are expected to contribute to aggregate risk structures under which cumulative losses from multiple events during the contractual risk period determine whether the loss trigger is reached.

Please do not hesitate to contact us if you have any questions.

Kind regards,

Credit Suisse Insurance Linked Strategies Ltd

Sources: Credit Suisse, Japan Meteorological Agency, Reuters, US Geological Survey, AON

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