

Event Report



CSA Insurance Linked Strategies

CSA Insurance Linked Strategies Fixed

Australia Bushfires – Update - January 2020

We would like to provide an update on Australia bushfires following our previous event report.

As of 16 January, bushfires in Australia are still ongoing across the country, most severely in New South Wales (NSW) and Victoria. Over the past days, favorable weather conditions in NSW have improved firefighting conditions, bringing some relief. The number of hot spots have reduced by about 80% over the last 5 days but still some fires are uncontained.

The scale of the bushfires are of a significant magnitude in relation to other fires, with an area of 46 million acres nation-wide burnt this season. This compares to the 1.3 and 1.8 million of acres burnt in 2017 and 2018 respectively in California, which resulted in record insurance losses in both years. The vast size and remoteness of the areas affected by bushfires in Australia add to the difficulty of containment in comparison to California wildfires, where fire containment is better managed due to the smaller geographic scale and advanced resources of firefighting units. Comparing historical Australian fires, The Black Saturday bushfires in Victoria in 2007, which resulted in the worst insurance losses to date of USD 1 billion, destroyed 1.1 million acres and 3'500 structures.

As the containment of bushfires in NSW and Victoria has advanced over the past days, residents have increasingly been able to return to their properties, assess initial damages and file claims. As a result, we have observed a steep increase of insurance claims reported to over 13.7 thousand to date with an estimated insurance value of USD 930 million. Within the last 10 days, the amount of insurance losses has tripled. The increase in claims has resulted in several reinsurance structures in the ILS market expected to be affected, consequently also affecting CSA ILS / CSA ILS Fixed.

However, as the event is still ongoing, we expect the next couple of days will bring clarity. Firstly because more people can return to their homes and secondly because more partial losses will be reported, which have not been detected before. Lastly, there are still fires burning and we expect more rainfall over the next two weeks to move in over the affected regions.

We expect to update the Weekly Performance Estimates reflecting this development earliest next week.

In the meantime, please do not hesitate to contact us if you have any questions.

Kind regards,
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