



News

Update on Wildfires California – November 2018

This is an update on the previous event report regarding the wildfires in California which had been published on November 13, 2018. The extensive wildfires mentioned then have been contained by now allowing a better assessment of the scope of damages.

The Camp Fire in Northern California had started on November 8, 2018, and was only fully contained on November 25. The fires had been spreading following our previous event report and burned more than 150'000 acres (620 km²). The fire destroyed more than 18'800 structures – more than all wildfires of 2017 combined. It also caused 85 fatalities with many more still missing. The Camp Fire has surpassed previous records to become both the deadliest and the most destructive single wildfire in California's history.

The Woolsey Fire in Southern California had also continued to spread after our initial event report burning almost 100'000 acres (400 km²). This fire destroyed 1'500 structures and caused 3 fatalities. Since November 21, 2018, the fire has been 100% contained. Although this wildfire destroyed only approx. 10% as many buildings compared to the Camp Fire, it affected the Malibu area in the north of Los Angeles where the average value of homes is significantly higher compared to the area where the Camp Fire raged.

The Hill Fire, mentioned in the previous event report, in the end, was relatively quickly contained and only burnt 4'500 acres (18 km²) with correspondingly limited damages reported.

In aggregate, the insurance industry expects the 2018 wildfires to be even more expensive than the 2017 fires mainly driven by the Camp Fire and the Woolsey Fire. The portfolio manager currently estimates insured losses for these events at approx. USD 12 billion and USD 4 billion respectively. Overall, the expected insured losses from US wildfires in 2018 will likely end up above USD 16 billion.

The severity of the fires and large loss contribution from the two events will mean that a number of cat bond positions as well as ILS private transactions may be impacted. In the cat bond market, a number of bonds exposed to wildfire risk have experienced mark-to-market losses over the course of November, especially those covering "aggregate losses" where losses from several catastrophe events contribute to the trigger. One cat bond, covering purely California wildfire risk, may experience up to a full loss due to the Camp Fire and the market price on this bond has decreased substantially. However, uncertainty at this stage is high. Several ILS private transactions will likely also be impacted by the wildfires. This affects both "aggregate transactions", where previous losses such as hurricane Michael or typhoon Jebi had already contributed; as well as some reserves due to the wildfires on a standalone basis.

The weekly estimated performance update takes into account the latest assessment of the expected impact from these events. This includes the mark-to-market developments of the cat bond portfolio and reserves on private transactions based on the current information available. The current loss estimates for the November wildfires, both those published by market sources and those used for the assessment of the portfolio manager, are mostly based on experience and approximation with the wildfires in Northern California last year.

The portfolio manager will continue to monitor the events and we will keep you updated of any significant developments. Given the severity and frequency of catastrophe events and the associated impact on CSA ILS / CSA ILS Fixed in the second half of 2018, the portfolio

manager will prepare a detailed presentation to include event reviews and how they impacted CSA ILS / CSA ILS Fixed as well as an update and market outlook. This update & review presentation should be available latest towards mid-December. If you would like to receive this presentation, please contact your relationship manager at Credit Suisse.

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

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