



News Hurricane Dorian, Pre-Landfall Update – August 2019

Hurricane Dorian had formed as a tropical depression on 24 August far out in the Atlantic Ocean and has since developed into a category 2 hurricane. Initially, Dorian was forecast to pass over or near the Dominican Republic or Puerto Rico and this move over land would have weakened the storm or prevent it from further strengthening. However, Dorian took a more northerly track allowing the storm to continuously strengthen over the last few days.

Although significant uncertainty exists around the forecast for the future path and development of hurricane Dorian until landfall – expected on Monday, 2 September – it is very likely that it will further strengthen as it will move over very warm sea waters over the next days. The factors that would have prevented Dorian from developing into a powerful and well-organized hurricane have all faded over the last 24 to 36 hours – namely dry air and wind shear, both of which are inhibitive to storm strengthening. Currently, Dorian is forecast to become a powerful category 3 hurricane, potentially even reaching category 4 on Saturday. However, the forecast is very complex and depends on sensitive factors such as the exact timing and intensity of the interaction with the so-called Bermuda High Pressure System. So far, the hurricane has a small wind field with a relatively small diameter of the strongest wind forces.

Most of the current forecasts agree that hurricane Dorian will make landfall in Florida. However, very high uncertainty and differences in forecasts exist regarding the exact timing of when the storm will turn northwards, and thereby the exact location of landfall (if any) on the US coast. To illustrate the scale of the uncertainty: Florida's Atlantic coastline measures approx. 580 miles (933 km); this is a distance like Zurich to Copenhagen. Currently, Dorian's hurricane-force winds only extend up to 25 miles (35 km) from the center and Dorian is forecasted to have a wind field which is significantly smaller than for example Hurricane Katrina's in 2005. Based on current forecasts, we still believe both scenarios to be possible: a landfall in Florida as well as a turn northwards tracking along Florida's east coast without actually making landfall. Apart from the track forecast, another factor is that the storm's movement will slow down as it approaches Florida which is why the timing of the landfall has been continuously delayed over the last days.

The blue "uncertainty cone" shown in the attached illustration is the track forecast from the National Hurricane Centre (NHC) of the National Oceanic and Atmospheric Administration. This "uncertainty cone" is constructed in a way that gives a 66% probability that the actual hurricane track will be within this cone. The "average" track scenario is in the middle of the cone and indicated by the black line. The portfolio manager added a number of possible tracks within this cone, given by the colored lines, together with a potential insurance industry loss estimate for these storm tracks assuming a category 4 hurricane at landfall. These industry losses range from USD 0 billion to USD 120 billion which emphasizes the still very high uncertainty regarding the potential impact from hurricane Dorian. This also means a very wide range of potential impacts on CSA ILS/ILS Fixed, ranging from no impact to a very significant impact. For details, we refer investors to the latest

available "Monthly Investor Report". The "Industry Loss Table" included in the Risk Analysis section of the report illustrates the estimated exposure of CSA ILS/ILS Fixed at different industry loss levels (see also the attached illustration)*.

Ultimately, the impact from Dorian will strongly depend on the strength of the storm at landfall, the size of the wind field, the location of landfall (e.g. population density) and other factors. The portfolio manager has been closely monitoring the storm over the last few days and will continue to monitor it throughout the weekend and until landfall. We will provide our investors with another update and an initial impact assessment, after Dorian has made landfall, if at all, and when first information is available, likely towards early/mid next week.

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

Sources: Credit Suisse, National Hurricane Center

* Note that the "Industry Loss Table" shown in the Monthly Investor Report provides a view as of the reporting date. Subsequent changes in the portfolio, including new positions added after the reporting date, can significantly change the exposure to specific risk classes and industry loss levels. For a more detailed assessment on any potential impact on CSA ILS/ILS Fixed from this event, please await our update after landfall (if any).

Contact Credit Suisse Anlagestiftungen
Tel. +41 44 333 48 48
E-Mail csa.info@credit-suisse.com
Internet www.credit-suisse.com/anlagestiftung

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