



News

Hurricane Michael – October 2018

Seventh hurricane and second major hurricane (following hurricane Florence) of the 2018 Atlantic hurricane season, hurricane Michael made landfall as a high-end category 4 hurricane, in the early afternoon of October 10, near Mexico Beach (north west Florida). Michael had intensified very rapidly and somewhat unexpectedly from a tropical storm to a Category 4 hurricane in just about 40 hours shortly before making landfall. With maximum sustained winds of 155 mph (250 km/h) and a central pressure of 919 mbar at landfall, Michael is the most intense continental U.S. landfalling hurricane by central pressure since Camille in 1969, and the strongest by wind speed since Andrew in 1992. Michael is also the first category 4 hurricane to hit the Florida Panhandle since reliable records began in 1851.

Based on post landfall information, modeling firms are currently estimating industry losses in the range of USD 3 billion to USD 12 billion. Based on currently available information, the portfolio manager expects the industry losses to range from USD 3 billion to USD 9 billion.

The main rationales why the industry losses are estimated to be relatively low despite the high intensity and low central pressure is that the heaviest affected area of the Panhandle has a population of about 700'000, compared to a population of close to 7 million for southern Florida (hurricane Irma last year). In addition, the diameter of the system with highest wind speeds was relatively small. Still, the devastation is enormous in parts of Panama City (especially beachfront and east), Mexico Beach and Apalachicola, which took the full hit at landfall. Tallahassee, the largest city in the region, was luckily spared from the worst winds.

Based on the portfolio manager's currently estimated industry loss levels and based on the exposure of CSA ILS / CSA ILS Fixed to hurricane risk in the US South-East region, a significant impact from this event on the performance of CSA ILS / CSA ILS Fixed is not expected. The portfolio manager will review in more detail in particular aggregate structures which were already exposed to hurricane Florence last month and we will keep you updated of any significant developments.

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12 October 2018

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