



CSA Insurance Linked Strategies
CSA Insurance Linked Strategies Fixed

Hurricane Delta, West Coast Wildfires, Storm Alex – October 2020

We would like to update you on the ongoing Wildfires in the US West Coast and on the recent storm activity in the Atlantic and Europe.

Hurricane Delta

Hurricane Delta formed over the Caribbean Sea in early October. While moving in a westerly direction it reached its peak intensity of category 4-strength storm before making landfall on the tip of the Yucatán Peninsula, Mexico as a category 2-strength storm. Continuing north over the Gulf of Mexico, it reached a second peak in intensity as a category 3-strength storm. Delta weakened to a category 2-strength storm before making landfall on 9 October near Creole as the fourth named storm hitting the Louisiana coast this season, only 21 kilometers east of the position where Hurricane Laura had made landfall in August. After landfall, the storm weakened to a depression and dissipated further inland.

In Mexico, the storm caused flooding and damage from severe wind gusts with power outages reported mostly in the area of Cancún.

In the US, although the hurricane avoided the densely populated areas along the US Gulf coast, the high storm intensity is expected to have brought severe damage to both residential and industrial exposures in the area, as well as potential damage to off- and on-shore energy industry in the Gulf coast area.

Hurricane Delta made landfall in an area already severely affected by Hurricane Laura, but with lower storm intensity (category 2-strength vs. high category 4-strength). Delta is therefore currently estimated at an industry loss level of 1.5bn to 3.0bn for all insured losses from Mexico and the US. However, this assessment is preliminary and subject to uncertainty.

Based on currently available information and estimated insurance loss levels, the portfolio manager does not expect a performance impact on a standalone basis, given that the portfolios have been positioned this year higher up in the reinsurance structure, therefore increasing risk retention at the cedant level.

However, for aggregate structures, Hurricane Delta will add to the total industry losses from a year with high event activity of small to mid-size losses and it cannot be ruled out that some Cat Bonds based on aggregate structures will experience some mark to market impacts.

West Coast Wildfires

Since our last event report on the California wildfire situation, additional fires have started to spread in the nearby states of Oregon and Washington, supported by severe drought conditions as well as strong winds.

At the time of writing, the California fires have burnt more than 4.04 million acres (up from 3.15 million at the time of our last event report) making 2020 the largest wildfire season recorded in the state's history. While the initially alarming LNU & SCU Lightning Complex fires have been contained, several individual fires in the Coast Range of Northern California have since merged into the August Complex, which has already burnt more than 1'000'000 acres and is 74% contained (up from 30%). There are currently 8'320 separate incidents, with 31 fatalities and 9'247 structures damaged or destroyed, according to the latest official reports.

Based on currently available information and estimated insurance loss levels, the portfolio manager does not expect a significant impact on CSA ILS/ CSA ILS Fixed performance from this event on a standalone basis.

European Storm Alex

Starting on 1 October, Storm Alex has brought extreme precipitation and strong winds of up to 186 km/h (116 mph) to the Mediterranean regions in France and Italy, causing flash floods and triggering landslides over the following weekend. Although rescue operations are ongoing, Alex has caused at least 15 fatalities with 21 still missing. The storm could turn out to be the most expensive catastrophe event in Europe during 2020, with an estimated USD 3 billion of economic and hundreds of millions in insurance losses, according to Aon. Please note that these estimates are still preliminary and therefore will likely change in the future.

Based on currently available information and estimated insurance loss levels, the portfolio manager does not expect an impact on CSA ILS/ CSA ILS Fixed performance from this event on a standalone basis.

Sources: Credit Suisse, National Hurricane Center, Cal Fire, Aon, PCS

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