



News

Volcanic Eruption and Quake in Hawaii, May 2018

On May 3, 2018 late afternoon local time, the Kilauea Volcano erupted on Hawaii's "Big Island" with smaller lava flows along several fissures. Two days later, on May 5 at 12.32 pm local time the island was shook by a magnitude 6.9 earthquake – the strongest quake in Hawaii for more than four decades. It was followed by a number of aftershocks. The epicenter of the main shock was located approx. 16 km (10 miles) southwest of Leilani Estates, part of the volcano's East Rift Zone, at a depth of 5 km (3.1 miles). No tsunami warning was issued. Until today, the intermittent eruption of lava continues with still new fissures erupting. Hundreds of smaller aftershocks have been recorded.

So far, both the quake and lava flows seem to have caused only limited damages. Temporary power outages were reported and several hundred people evacuated. The lava flows have destroyed more than 30 homes and several roads. No injuries or deaths were reported.

US earthquake risk is one of the peak risks in the global property reinsurance market as well as the ILS market. "Volcanic eruption" can also be covered in ILS transactions both in cat bonds as well as ILS private transactions as it can be included as part of the earthquake risk. However, historically, insured losses from volcanic eruption events have been low.

The volcanic eruption and associated earthquake activity in Hawaii is still ongoing. The portfolio manager currently estimates insured losses to be only in the lower double digit millions but this could increase if lava flows spread and affect more properties. However, given the low property density in the area and limited spread of lava expected the portfolio manager currently does not expect significant insured losses from this event.

Based on the initial assessment and the exposure in CSA ILS / CSA ILS Fixed, the portfolio manager does not expect an impact from this event. We will monitor the event and will keep you updated of any significant developments.

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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