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**News**

**Update on Hurricane Florence – September 2018**

On September 13, at the time of the first event report, Hurricane Florence was a category 2 hurricane located about 200 miles (322 km) off the coast of North Carolina. The storm was expected to make landfall as a category 2 hurricane with maximum sustained winds of 110 mph (176 km/h). However, Hurricane Florence further weakened and finally made landfall near Wilmington (North Carolina) on Friday, September 14, 7:30 a.m. (local time) as a category 1 hurricane with maximum sustained winds of 90 mph (150 km/h). Over the weekend, the storm continued its track westwards and further weakened over land. The slow movement of the storm brought a lot of rain to the affected areas and caused flooding along the rivers. At least 23 fatalities have been reported and almost half a million homes and businesses have been without power.

There are two main components to the insured loss to be expected from Hurricane Florence: wind damage and flood damage due to storm surge and heavy rain. In order to estimate the wind damage caused by the storm, the portfolio manager has used the vendor catastrophe risk models with proprietary adjustments. For the storm surge as well as the flooding due to the heavy rainfall, the portfolio manager has built on the experience from Hurricane Harvey in Texas last year by taking into account different insurance exposures in the counties affected by Florence as well as the lower precipitation amount. Based on those analyses, the portfolio manager currently expects the insured losses to range from USD 4 billion to USD 5 billion, which is below the initial loss estimates published last week. The portfolio manager believes that the majority of the losses will be borne by a very limited number of insurance companies which makes it more difficult to assess whether and to what degree any insured losses will affect reinsurance or ILS transactions.

Both wind and flood damages can be covered under ILS transactions, including cat bonds, and the current assessment is based on exposures across all instruments in CSA ILS/CSA ILS Fixed. Based on the current assessment and the exposure of CSA ILS/CSA ILS Fixed to US hurricane risk, the portfolio manager does not expect an impact from this event on the performance of CSA ILS/CSA ILS Fixed.

Please be aware that there are still uncertainties around the effective losses as well as the possible impact with regard to Hurricane Florence. We will keep you updated of any significant developments.

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