Swiss Re

Insurance Linked Securities market update

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Introduction

Cue the marching band and release the confetti, the Insurance Linked Securities (ILS) market has finally broken the record for new issuance achieved back in 2007. Powered by a monumental first half of issuance, which itself was larger than all but three full years of issuance, 2014 saw USD 8.29bn of new issuance, just clearing the record level of USD 8.24bn set in 2007. It was a tight finish, one which saw the last offering of the year upsized just enough to clear the previous record issuance mark. Once again new issuance outpaced maturing bonds leading to strong growth of the market. After contracting for four straight years beginning in 2008 the market has seen three consecutive years of approximately 20% yearly growth, growing to a record USD 24.1 bn outstanding.

Though the year started off with a flurry of issuance, the pace was not sustained. It was a tale of two halves with the first half of the year shattering many records, including total issuance, largest issuance and largest average deal size. Meanwhile the second half, in contrast to last year, didn't kick into full gear until late November. Likewise in the first half of the year cat bond spreads continued the tightening trend being driven by a combination of factors including the absence of large catastrophic events and the influx of alternative capital, though spreads finally appeared to stabilize towards the start of the wind season. Spreads maintained their relative stability through the second half of the year even as other markets were widening and experiencing increased volatility. We take a closer look at cat bond spreads and relative value on page 7 of this report.

Additionally, we continue to see favorable market conditions which should lead to further interest from existing and potential ILS sponsors. The elevated demand and sophistication level of the investor base have enabled sponsors to issue cat bonds which provide them with coverage that more closely resembles their traditional reinsurance programs. Though we did not see any new sponsors in the second half of 2014, we did welcome eight new sponsors in the first half of the year and recent placements have progressed to include new as well as unmodeled coverage and perils. On page 12 of this report we will take a closer look at the Tradewynd Re 2014-1 issuance which highlights this aspect and shows how far the market has developed.

Volume XXII
January 2015

Figure 1:
New Issuance 1 January 2014 – 31 December 2014

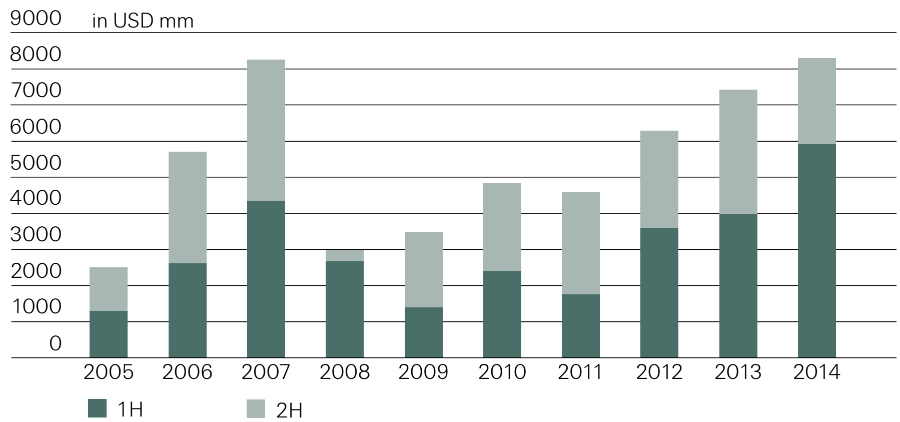
Deal Name	Settlement Date	Notional (m)	Peril
Vitality Re V 2014 A	Jan 24, 2014	USD 140.0	Extreme Morbidity
Vitality Re V 2014 B	Jan 24, 2014	USD 60.0	Extreme Morbidity
Queen Street IX	Feb 26, 2014	USD 100.0	US WS; AU WS
Kizuna Re II 2014-1 A	Mar 14, 2014	USD 200.0	JP EQ
Kizuna Re II 2014-1 B	Mar 14, 2014	USD 45.0	JP EQ
Gator Re 2014-1 A	Mar 10, 2014	USD 200.0	US WS, CS
East Lane Re VI 2014-1 A	Mar 7, 2014	USD 270.0	NE WS, EQ, CS, WT
Merna Re V	Mar 31, 2014	USD 300.0	NM EQ
Riverfront Re	Mar 31, 2014	USD 95.0	NA WS, EQ, CS, WT
Citrus Re 2014-1 A	Apr 24, 2014	USD 150.0	FL WS
Lion I Re	Apr 24, 2014	EUR 190.0	EU WS
Everglades Re 2014-1 A	May 2, 2014	USD 1 500.0	FL WS
Kilimanjaro Re 2014-1 A	Apr 24, 2014	USD 250.0	US WS
Kilimanjaro Re 2014-1 B	Apr 24, 2014	USD 200.0	US WS, EQ
Citrus Re 2014-2 1	Apr 24, 2014	USD 50.0	FL WS
Armor Re 2014-1 A	May 7, 2014	USD 200.0	FL WS
Sanders Re 2014-1 B	May 22, 2014	USD 330.0	US WS, EQ
Sanders Re 2014-1 C	May 22, 2014	USD 115.0	US WS, EQ
Sanders Re 2014-1 D	May 22, 2014	USD 305.0	US WS, EQ
Sanders Re 2014-2 A	May 30, 2014	USD 200.0	FL WS, EQ, CS
Residential Re 2014-1 10	May 30, 2014	USD 80.0	US WS, EQ, CS, WF, WT, VE, MI
Residential Re 2014-1 13	May 30, 2014	USD 50.0	US WS, EQ, CS, WF, WT, VE, MI
Nakama Re 2014-1 1	May 30, 2014	USD 150.0	JP EQ
Nakama Re 2014-1 2	May 30, 2014	USD 150.0	JP EQ
Aozora Re 2014-1 B	May 29, 2014	YEN 10 125.0	JP TY
Alamo Re 2014-1 A	Jun 26, 2014	USD 400.0	TX WS
Hoplon II Insurance Ltd. A[3]	Aug 22, 2014	EUR 25.0	Lottery Jackpot Risk
Hoplon II Insurance Ltd. B[3]	Aug 22, 2014	EUR 25.0	Lottery Jackpot Risk
Golden State Re II Ltd.	Sep 10, 2014	USD 250.0	USEQ
Kilimanjaro Re 2014-2 C	Nov 18, 2014	USD 500.0	USEQ CAN EQ
Ursa Re Ltd. 2014-1 A	Dec 1, 2014	USD 200.0	CAEQ
Ursa Re Ltd. 2014-1 B	Dec 1, 2014	USD 200.0	CAEQ
Residential Re 2014-II 4	Dec 3, 2014	USD 100.0	US WS, EQ, CS, WF, WT, VE, MI
Tramline Re II Ltd. 2014-1	Dec 22, 2014	USD 200.0	USWS USEQ EUWS
Tradewynd Re Ltd. 2014-1 3A	Dec 18, 2014	USD 100.0	US WD, US EQ, CAN WD, CAN EQ, MX WD, MX EQ, CAR WD, CAR EQ, GLF WD
Tradewynd Re Ltd. 2014-1 1B	Dec 18, 2014	USD 100.0	US WD, US EQ, CAN WD, CAN EQ, MX WD, MX EQ, CAR WD, CAR EQ, GLF WD
Tradewynd Re Ltd. 2014-1 3B	Dec 18, 2014	USD 300.0	US WD, US EQ, CAN WD, CAN EQ, MX WD, MX EQ, CAR WD, CAR EQ, GLF WD
Nakama Re Ltd 2014-2 1	Dec 19, 2014	USD 175.0	JPEQ
Nakama Re Ltd 2014-2 2	Dec 19, 2014	USD 200.0	JPEQ

Source: Swiss Re Capital Markets
See the Risk Factors at the end of this document
(1) US = United States, Can = Canada, EU = Europe, JP = Japan, AU = Australia, NE = Northeast United States, MX = Mexico, CAR = Caribbean, GLF = Gulf of Mexico;, NM = New Madrid, NA = North America, FL = Florida, TX = Texas, CA = California;
(2) WS = Wind Storm, EQ = Earthquake, CS = Convective Storm, WT = Winter Storm, WF = Wildfire, VE = Volcanic Eruption, MI = Meteor Impact, TY = Typhoon
(3) This transaction was issued under Regulation S in permitted jurisdictions

New Issuance

Once again the ILS market experienced robust growth in issuance. After two years of falling a little shy of the record USD 8.24bn issued in 2007, new issuance for 2014 grew to USD 8.29bn across 27 transactions, eking out a new high-water mark. With a first half of USD 5.90bn that eclipsed any previous half year, it appeared that 2014 would greatly surpass the previous record. However, issuance slowed down significantly in the second half and it wasn't until the final deal of the year was upsized that the ILS market was able to declare a new record.

Figure 2:
Historical 1H and 2H Issuance chart



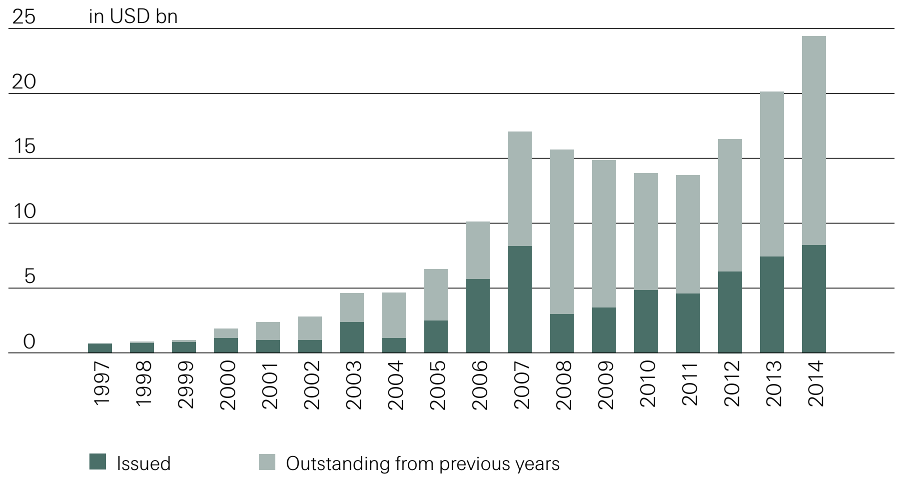
Source: Swiss Re Capital Markets; As of December 31 2014

2H 2014 saw USD 2.39bn of issuance across 8 transactions and 13 tranches, a sharp drop from 1H 2014 issuance but more in line with average second half issuance. Of the 2H 2014 issuance, US wind accounted for only 33%, (far below the average of nearly 50% since 2H 2005) complemented by non-peak perils including US, Canada, Japan, Mexico and Caribbean earthquake, Mexico Pacific and Europe wind, US wildfire, US meteor impact, US volcanic eruption, and Europe lottery jackpot risk. For the full year however US wind accounted for approximately 64% of issuance.

Second half issuance in the ILS market was comprised exclusively of repeat sponsors eager to embrace the favorable market conditions. These familiar faces returned to the market to renew and/or supplement their outstanding ILS program reflecting their value for multi-year, collateralized protection provided by the diversified capital source in the broader markets. Though no new sponsors came to market in 2H 2014, the first half of the year saw eight new entrants purchase protection for a total of approximately USD 2.0bn which accounted for close to a quarter of the total yearly issuance. 2H 2014 also saw continued growth in average deal size bringing the yearly average deal size to approximately USD 307mm up from USD 245mm a year earlier.

The influx of first time sponsors in the first half coupled with the return of seasoned issuers has for the second year in a row pushed the size of the ILS market to record highs. As of December 31, 2014 the overall outstanding ILS market had grown to USD 24.1bn, approximately 20% larger than the market size at year end 2013. After experiencing four consecutive years of contraction, the market has now seen three consecutive years of 20% yearly growth as it continues to expand to new highs.

Figure 3:
Yearly Issuance and outstanding ILS Bonds



Source: Swiss Re Capital Markets; As of December 31 2014

With approximately USD 2.7bn scheduled to mature in January, we expect an initial contraction in the size of the market. Though, early indications suggest a healthy new issue pipeline which should hopefully lead to continued market expansion as returning sponsors look to renew and expand their programs and new sponsors diversify their platforms.

Figure 4:
January 2015 Cat Bond Maturities

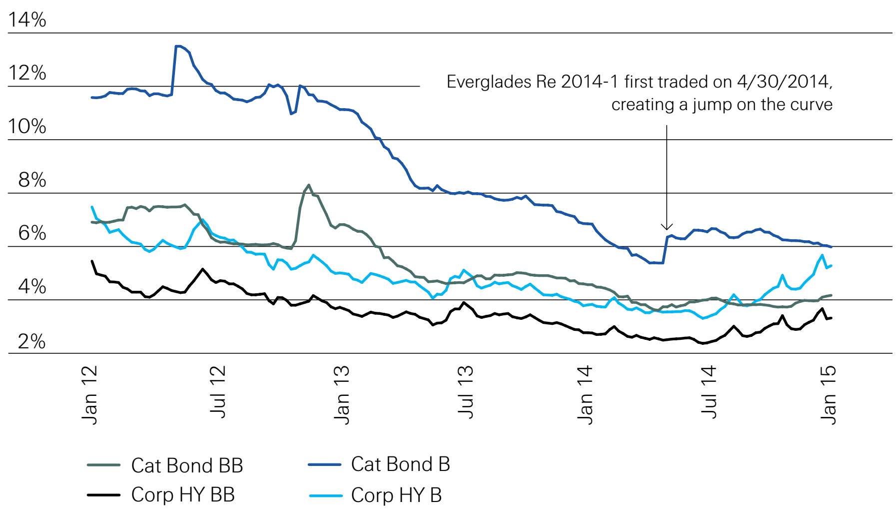
Issuer	Maturity	Size ($mm)	Peril
Combine Re A	7-Jan-15	USD 100	US All Natural Perils
Vitality Re III 2012-1 A	7-Jan-15	USD 105	Extreme Morbidity
Vitality Re III 2012-1 B	7-Jan-15	USD 45	Extreme Morbidity
Combine Re B	7-Jan-15	USD 50	US All Natural Perils
Combine Re C	7-Jan-15	USD 50	US All Natural Perils
Tradewynd Re Ltd. 2013-2 1-A	8-Jan-15	USD 100	US/Carib. Wind, US/Can. Earthquake
Atlas VI 2011-1 A	8-Jan-15	USD 125	US Wind, US Earthquake
Atlas VI 2011-1 B	8-Jan-15	USD 145	US Wind, US Earthquake
Tramline Re 2011-1 A	8-Jan-15	USD 150	US/Europe Wind, US Earthquake
Golden State Re 2011-1	8-Jan-15	USD 200	US Earthquake(workers comp.)
Compass Re 2011-1 2	8-Jan-15	USD 250	US Wind, US Earthquake
Compass Re 2011-1 3	8-Jan-15	USD 250	US Wind, US Earthquake
Compass Re 2012-1 1	8-Jan-15	USD 400	CT/FL/NJ/NY Wind, CA Earthquake
Compass Re 2011-1 1	8-Jan-15	USD 75	US Wind, US Earthquake
Calypso Capital Ltd 2011-1	9-Jan-15	EUR 180	Europe Wind
Green Fields Capital 2011-1 A	9-Jan-15	EUR 75	France Wind
Kortis Capital 2010-1 E	15-Jan-15	USD 50	Longevity Divergence
Vita IV Series V Class D	15-Jan-15	USD 100	Extreme Mortality
Vita IV Series VI Class E	15-Jan-15	USD 80	Extreme Mortality
Successor X 2012-1 V-AA3	27-Jan-15	USD 23	US/Europe Wind
Successor X 2012-1 V-D3	27-Jan-15	USD 40	US Wind
	Total:	**USD 2685**	

Source: Swiss Re Capital Markets

Relative Value and Catastrophe Bond Spread Compression

Over the last three years, since the influx of alternative capital into the ILS sector we have witnessed a steady tightening in spreads of comparably rated catastrophe bonds to high yield (HY) corporate bonds. The chart below illustrates the spread compression for BB and B-rated catastrophe and HY corporate bonds (Includes all bonds with U.S. wind component and at least one year left to maturity). At the start of 2012, the spread between B-rated catastrophe and corporate bonds stood at approximately 450 bps. However, interest rates continued to hover near all-time lows and money managers broadened their search for uncorrelated yield. This additional demand coupled with the absence of large catastrophic events has narrowed this spread to less than 100 bps.

Figure 5:
Comparative Catastrophe Bond and High Yield Corporate Bond Spreads



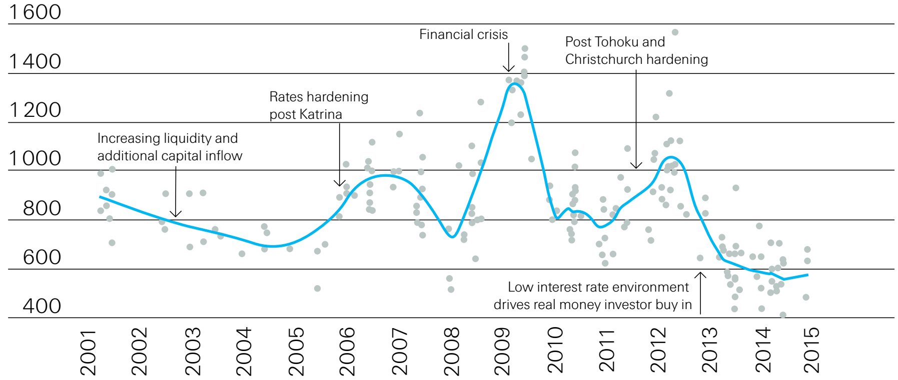
Rating	BofA Merrill Lynch US High Yield Avg. OAS	Insurance Linked Securities Weighted Avg. Spread
BB	3.32	4.17
B	5.28	5.98

Source: Swiss Re Capital Markets and BofA Merrill Lynch US High Yield Option Adjusted Spread via the Federal Reserve Bank of Saint Louis website; As of December 31, 2014
Swiss Re Capital Markets pricing indications only; Weighted average seasonally adjusted spread of all ILS bonds with a US wind component and at least one year left to maturity

Throughout this period it had been debated how these investors would react once rates or other asset classes began to widen out. Many believed that this investor base would pull out from the ILS sector in favor of their more traditional investments. However, at least for the time being, this does not appear to be the case. Over the last six months, B-rated corporate bond spreads have become increasingly volatile and have widened by approximately 60% while B-rated catastrophe bond spreads have remained relatively flat. This has further strengthened our view that money managers appreciate the uncorrelated returns offered by this asset class, making it a staple of their overall portfolios and therefore leading to them demanding less of a spread premium over other assets as the ILS sector becomes more main-stream.

The continued effect of the low interest rate environment can also be seen in Figure 6 below which illustrates a normalization of new issue US wind transactions over time.

Figure 6:
Illustrative Historical Primary Issue Spreads 2001 – 31 December 2014



(1) Swiss Re Capital Markets pricing indications only; estimated primary issuance spread of US wind related bonds computed for an expected loss of 2% using regression analysis

Source: Swiss Re Capital Markets; As of December 31, 2014

While new issue spreads have continued to tighten, it does appear that the market might have found its floor (chart above shows approximately 3.5% tightening year-over-year). Further, many of the new issue transactions from the second half of the year were upsized from their original announcement sizes while pricing within or below their initial price guidance thus providing additional support to the opinion that the alternative investor will continue to support the asset class.

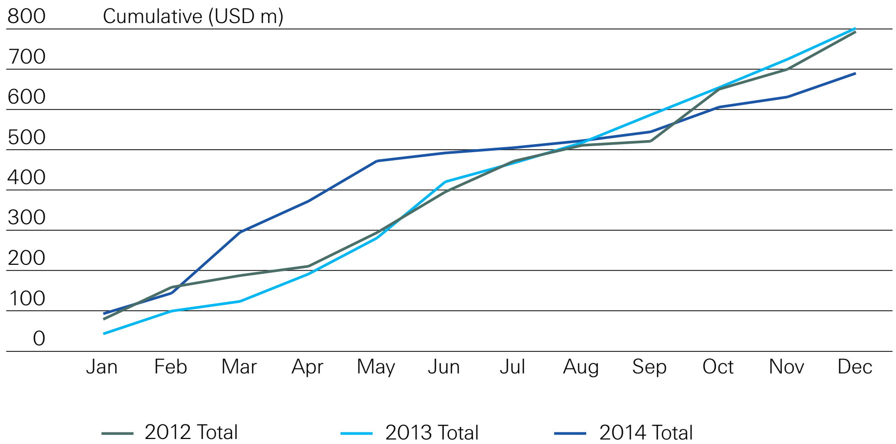
Hurricane Odile's impact on MultiCat 2012-1C

This past September Hurricane Odile caused widespread damage as it struck the Baja Peninsula of Mexico. The National Hurricane Center (NHC) initially estimated the central pressure of the hurricane at landfall as 930 mb. This preliminary report lead to speculation that the MultiCat 2012-1 C bonds (MultiCat C) would trigger a partial loss and caused a significant drop in price into the low 50's (though we are not aware of any bonds trading at those levels). MultiCat C has a two part binary trigger which would call for a 50% principal reduction for a hurricane that passes through the Pacific Zone with a central pressure between 932mb and 920mb and a full 100% principal reduction for a hurricane with a central pressure of 920mb or lower.

Based on the preliminary best track from the NHC, it did appear that Odile could trigger a partial loss and led to an Event Notice. Following the cat bond market standard, the calculation agent always uses the Tropical Cyclone Report ("TCR") which contains the final best track and is made available by NHC several months after the event, incorporating all information NHC has available. The TCR is only used if it is available within 120 days of an Event Notice. if an event noticed is not available, the fallback methodology specified in the Post Event Loss Calculation methodology is applied. On December 19th 2014, the NHC published the TCR for Hurricane Odile, reporting a central pressure of 941mb at the time of landfall, leading to the calculation agent's assessment that the bonds in fact will not be triggered. Investors were informed via the final Event Report in a timely manner.

Secondary Market

Figure 7:
Secondary Trading Volume



Source: Swiss Re Capital Markets; as of December 31, 2014

Trading volume for SRCM trading desk came close to $700mm for 2014 – in line with previous years, although lower than 2013. At year-end 2014, spreads dropped compared to year-end 2013 (on average for most bonds we estimate around between 10%-15%), but stabilized or widened compared to Q3 2014. More interestingly, depending on peril and risk profile, spreads followed different trends. Low yielding bonds across all perils were the most penalized in the secondary market. In 2014 the overwhelming large issuance of bonds paying sub-400bps coupons potentially weighed down on funds' returns. As portfolios were rebalanced and funds were seeking to raise some cash for year-end new issuance the low coupon bonds were among the first offered. In contrast, higher yielding bonds were still in demand, although not at the same aggressive levels we witnessed earlier in the year. We also observed that the large issuance of U.S. earthquake bonds in the last four months of 2014 contributed to temporarily overweigh portfolios' exposure to the peril and therefore put upward pressure on spreads in the secondary market where newly issued U.S. earthquake bonds traded below par.

Short dated bonds also saw a surge in trading in 2H 2014. With approximately $2.7 billion of bonds rolling off in January 2015 (and over $5 billion expected to mature overall by June 2015), an abundance of short dated paper (bonds completely off risk or with some residual earthquake or EU wind risk) changed hands toward the end of the year. The motivation on the seller side ranged from raising cash for deployment in the new issuance market and/or collateralized reinsurance market, to opportunistically cleaning up residual risk in the portfolios and realizing returns by year end. The buyers' motivations were mostly driven by the opportunity to boost portfolio returns at year end with coupon earned on perceived riskless or almost off risk holdings.

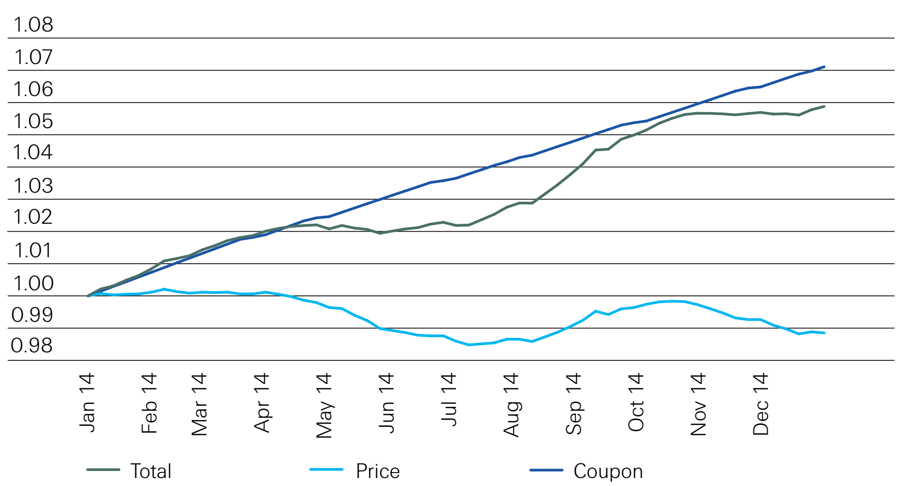
In 2H 2014 we also saw two bonds quoted at distressed levels, MultiCat 2012-1 C (discussed in previous section) and Gator Re. MultiCat C, the $100mm tranche of the MultiCat 2012 issuance exposed to Pacific Hurricane suffered about 50% mark-to-market loss for a few months after Hurricane Odile made landfall in Baja California on September 15. The preliminary NHC report implied a 50% payout based on the estimate of the central pressure inside the predefined region, but the final report issued at the end of December revised the central pressure estimate pulling the bond's marks above par value (for more details see page 8 section on Hurricane Odile). As far as we know, the bond did not trade in the secondary market while marked at distressed levels. The binary nature of the trigger (payout can be 0, 50% or 100% depending on the value of the central pressure along the track inside a given area) discouraged potential sellers from offering the bond around the marks, and potential buyers were not willing to pay much above marks in spite of the preliminary index value being just enough to trigger a payout.

Gator Re, the $200mm bond issued in March 2014 was trading as low as 79 in December after preliminary aggregate losses (due mostly to tornado/hail events) were reported to be close to eroding the aggregate deductible. The structural features of this bond lacking a franchise deductible for an annual aggregate trigger are conducive to mounting aggregate losses from small events.

In spite of a temporary year-end "liquidity crunch", many funds have plenty of capital available or expect additional fund inflows for 2015 which coupled with the great maturity of about $2.7bn bonds in January 2015 and more to come within the first half of 2015, has tempered (selectively) the supply of bonds in the secondary market. We expect the supply of bonds in the secondary market to follow this trend as more clarity on the new issuance pipeline emerges in Q1. With January 1 renewals wrapped up, 2015 has started strong in the secondary market with strong demand for bonds across the board and enough motivated sellers to fill most bids. In general, especially for the higher yielding bonds, demand is still outpacing supply, although most investors are being very selective and we observe a rather disciplined approach to portfolio construction

Swiss Re Global Cat Bond Total Return Index

Figure 8:
Swiss Re Global Cat Bond Total Return By Component



Source: Swiss Re Capital Markets; As of December 31, 2014

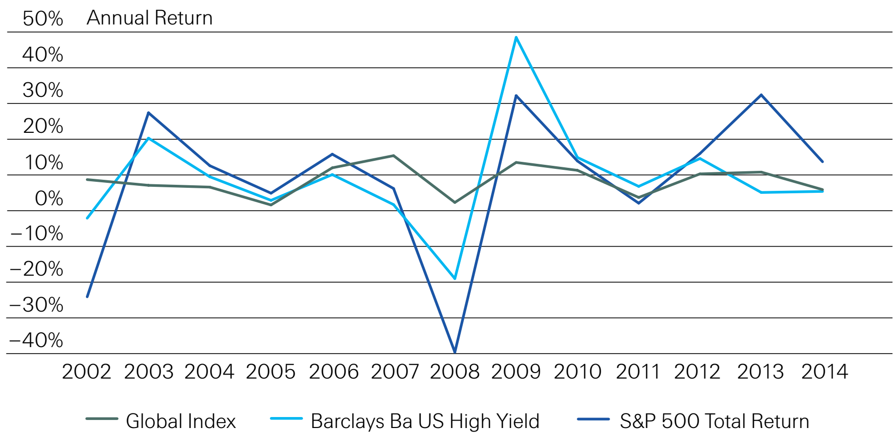
1 Swiss Re Capital Markets pricing indications only

In 2014 the Swiss Re Cat Bond Indices experienced modest growth with the Global Index returning 5.92% for the year, resulting in a growth reduction of almost 5 percentage points compared to last year's return of 10.85%.

The returns of the Global Index can be broken down into price and coupon components. The coupon component of the Global Index returned 7.18%, with the price component being negative and returning -1.18%. The negative price return was primarily driven by the large amount of bonds maturing in the first half of 2015 for which prices reverted back towards par.

Since 2002, the Swiss Re Cat Bond Total Return Index has returned 8.33% on a compound annual growth rate basis. Comparatively, the Barclays Ba US High Yield index has increased 8.24% annually, and the S&P 500 Total Return Index (SPXT) has increased 6.54% annually over the same period. The Global Index has produced these returns with considerably less volatility than the Barclays Ba High Yield index and the S&P 500 Total Return Index. Figure 9 below illustrates the annual returns of the three indices since 2002.

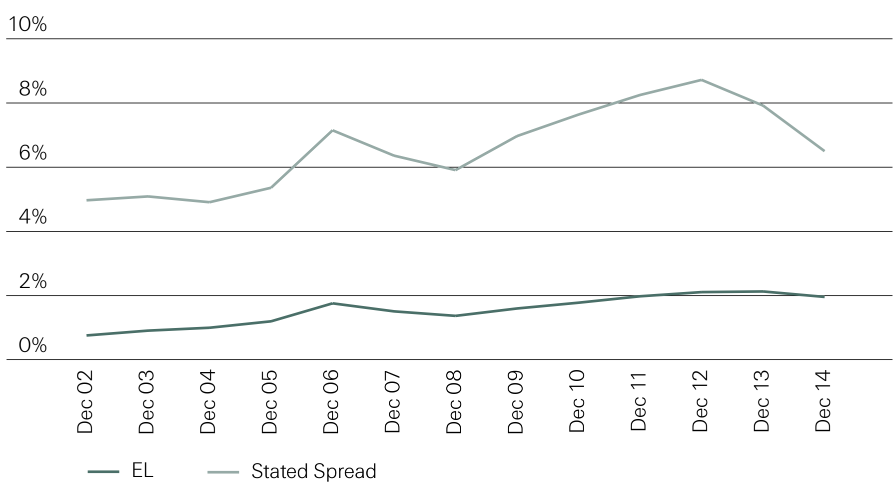
Figure 9:
Annual Return of Swiss Re Global Cat Bond Total Return Index with its Price and Coupon Components compared to Alternative Indices



Source: Swiss Re Capital Markets; as of December 31 2014
1. Swiss Re Capital Markets pricing indications only

Figure 10 depicts how the expected loss for new issuances has increased over the duration of the index, while average weighted spreads have begun to decline. However, while the stated spreads have continued to tighten in 2014, the expected loss shrunk slightly for the first time in 7 years. The reduction in expected loss is driven by the relatively low average weighted expected loss of the 2014 issuances as well as the maturity of notes issued in years exhibiting above average weighted expected losses.

Figure 10:
Average Weighted EL vs Stated Spread for Cat Bonds in Swiss Re Global Cat Bond Index



Source: Swiss Re Capital Markets; As of December 31, 2014
1. Swiss Re Capital Markets pricing indications only

Deal Focus: Tradewynd Re Limited*

Figure 11:
Tradewynd 2014-1 deal outline

Issuer:	**Tradewynd Re Ltd.**
Offering:	Series 2014 -1 Class 3A, Class 1B and Class 3B Principal At- Risk Variable Rate Notes
Ceding Insurer:	American International Group, Inc. ("AIG")
Format:	144A only
Covered Events:	Named Storm and Earthquake Events
Named Storm Covered Area:	48 contiguous states of the United States, the District of Columbia, Alaska, Hawaii, Canada, Mexico, Caribbean and the Gulf of Mexico
Earthquake Covered Area:	48 contiguous states of the United States, the District of Columbia, Alaska, Hawaii, Canada, Mexico and the Caribbean
Trigger:	Per Occurrence, Ultimate Net Loss
Modeling Firm:	Risk Management Solutions, Inc. ("RMS")
Total Size:	USD 500 mm
Joint Structuring Agent & Lead Bookrunner:	Swiss Re Capital Markets
Placement Agent:	AIG Global Capital Markets Securities

Source: Swiss Re Capital Markets

Tradewynd Re 2014-1, issued in December, was the third AIG issuance of notes from Tradewynd Re Ltd and the seventh catastrophe bond providing reinsurance protection to insurance company subsidiaries or affiliates of American International Group, Inc. ("AIG").

AIG's main objective was to more closely align the cat bond cover with its traditional reinsurance program and further broaden the investor base. Compared to the 2013 issuances, the Tradewynd 2014-1 expanded the covered regions to include Mexico and Canada for named storms, and for earthquakes, also the Caribbean. A detailed exposure analysis highlighted that non-modeled perils such as Mexico Pacific Windstorm are very unlikely to impact the bonds.

In an additional effort to align the cat bond cover to traditional reinsurance, the exclusions in coverage on the cat bond were amended and less stringent, with the transaction now also providing cover for AIG's exposure to assessments from residual pools. As a result of the detailed subject business description and analysis, investors were able to appreciate the operational ease for AIG associated with the new alignments.

With the Class 3-A notes the transaction also features a cascading top layer which allows for the various classes to act as "one layer" avoiding gaps in coverage within an annual risk period.

AIG also provided investors with two layers, with the junior layer being offered as a one and a three year tenor. The class 1-B notes priced 25bps tighter than the class 3-B notes, which have the same expected loss but a three year tenor.

Figure 12 shows a side by side comparison of Tradewynd Re series 2014-1 and 2013-2. Highlighted in red are Tradewynd Re 2013-2 class 3-A and Tradewynd Re 2014-1 class 3-A which exhibit almost identical expected losses. AIG was able to obtain broader coverage and still price this class 20% tighter than the initial Tradewynd priced the prior year.

Figure 12:
Comparison of Tradewynd 2014-1 to Tradewynd 2013-2

	2013-2 Class 1-A	**2013-2 Class 3-A**	**2013-2 Class 3-B**	**2014-1 Class 3-A**	**2014-1 Class 1-B**	**2014-1 Class 3-B**
Settlement:	December 2013	December 2013	December 2013	December 2014	December 2014	December 2014
Attachment Level:	USD 5.0bn	USD 5.0bn	USD 4.5bn	USD 4.5bn	USD 3.0bn	USD 3.0bn
Exhaustion Level:	USD 5.5bn	$5.5bn	USD 5.0bn	USD 5.5bn	USD 4.5bn	USD 4.5bn
Term:	1 year	3 years	3 years	3 years	1 year	3 years
Expected Loss:	1.28% (RMS)	1.28% (RMS)	1.62% (RMS)	1.25% (RMS)	2.41% (RMS)	2.41% (RMS)
Notional Size:	USD 100m	USD 160m	USD 140m	USD 100m	USD 100m	USD 300m
Coupon:	6.25%	6.25%	7.00%	5.00%	6.75%	7.00%

*See risk factors

More Information

Specialists throughout Swiss Re Capital Markets are available for consultation on bespoke ILS solutions, and they invite a dialogue on the subject with sponsors and investors alike. For more information, please contact any of the individuals listed below.

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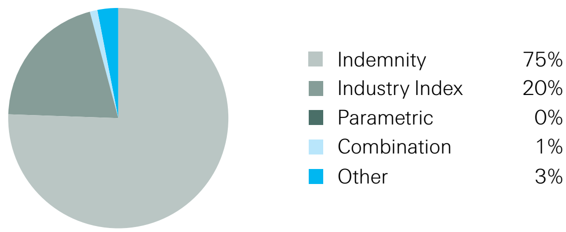
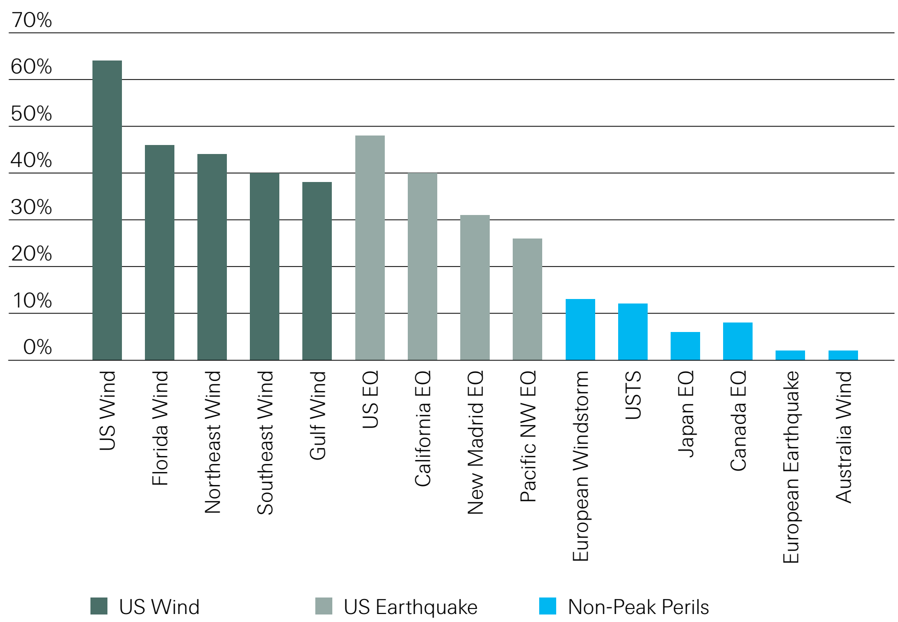
Sector Data as of 31 December 2014

Figure 13:
Current trigger breakdown (as of 31 December 2014)



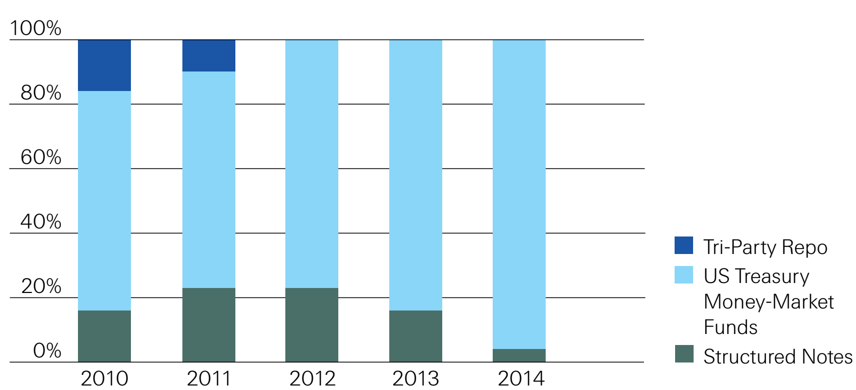
Source: Swiss Re Capital Markets

Figure 14:
Outstanding cat bonds by peril (as of 31 December 2014)



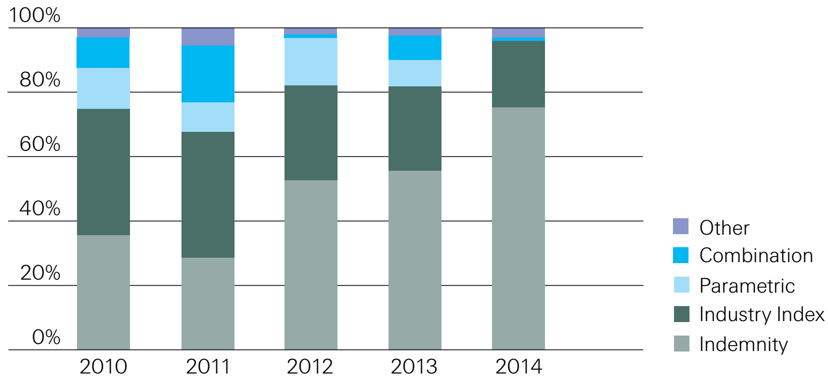
Source: Swiss Re Capital Markets

Figure 15:
Collateral solutions used by outstanding cat bond transactions (as of 31 December 2014)



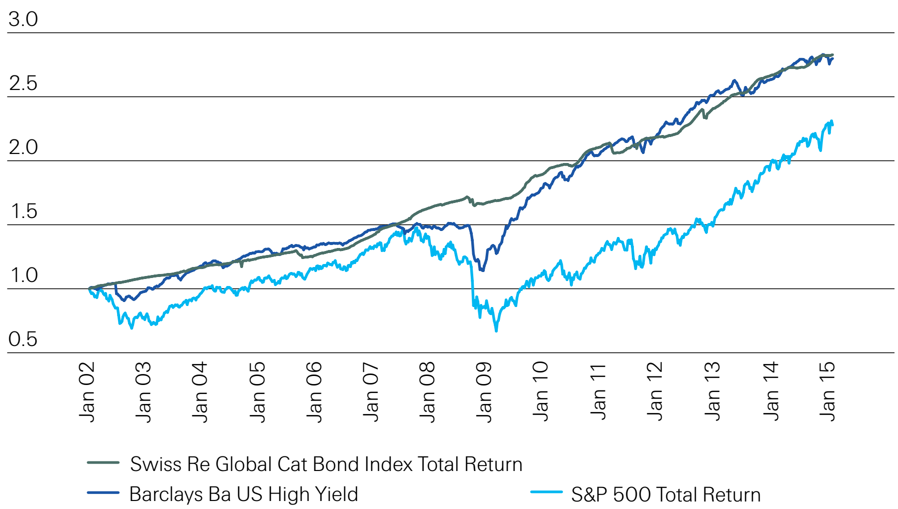
Source: Swiss Re Capital Markets

Figure 16:
Y-O-Y Indemnity Based Market Share (as of 31 December 2014)



Source: Swiss Re Capital Markets

Figure 17:
Comparative Index Returns (as of 31 December 2014)



Source: Swiss Re Capital Markets

1 Swiss Re Capital Markets pricing indications only

Risk Factors

An investment in Insurance Linked Securities involves potentially significant risks for an investor. In summary, these risks include (but are not limited to):

- Investors may lose all or a portion of their investment in Insurance Linked Securities if a natural catastrophe or other event triggers a payment by the issuer of the Insurance Linked Securities under the underlying risk-transfer agreement to which the Insurance Linked Securities relate.
- The maturity of the Insurance Linked Securities may be extended without the prior consent of the investor.
- The Insurance Linked Securities may be redeemed before their maturity date (including before any extension of such maturity date by the issuer).
- If the Insurance Linked Securities are redeemed before maturity, the interest rate payable to you under the Insurance Linked Securities will be reduced.
- Investors have limited recourse to assets of the issuer of the Insurance Linked Securities and no recourse to assets of the counterparties to the underlying risk-transfer agreements to which the Insurance Linked Securities relate.
- If the issuer of the Insurance Linked Securities becomes insolvent, investors may lose some or all of their investment.
- Investors may be required to consolidate the issuer for accounting purposes under certain circumstances.
- An investment in the Insurance Linked Securities may have adverse tax consequences for investors.
- Any claim you have against the issuer in the event of the issuer's insolvency will rank below any claim a counterparty to the underlying risk-transfer agreements, to which the Insurance Linked Securities relate, has against the issuer.
- Enforcement of security interest granted to a Trustee for the benefit of the investors may be limited.
- The Insurance Linked Securities may not have a secondary market or the secondary market for the Insurance Linked Securities may have limited liquidity and the market and market price of the Insurance Linked Securities in the secondary market may be highly volatile.
- The Rating Agenc(y)(ies) (if any) may change any rating assigned to the Insurance Linked Securities. Any credit rating given in respect of the Insurance Linked Securities may not reflect the potential impact of all risks related to the Insurance Linked Securities. A credit rating is not a recommendation to buy, sell or hold the Insurance Linked Securities and may be revised or withdrawn by the rating agency at any time.

The risk factors relating to an investment in Insurance Linked Securities are set out in detail in the offering circular for the relevant Insurance Linked Securities.

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