



Q1 2015 Catastrophe Bond & ILS Market Report

The biggest first-quarter ever

ARTEMIS

Focused on insurance-linked securities (ILS), catastrophe bonds, alternative reinsurance capital and related risk transfer markets.

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INTRO

This report reviews the catastrophe bond and insurance-linked securities (ILS) market at the end of the first-quarter of 2015, looking at new risk capital issued and the composition of transactions completed during Q1.

The first-quarter of 2015 has set a new record for the level of risk capital issued in new cat bonds and ILS, reaching \$2.062 billion, according to the Artemis Deal Directory. Q1 can often be a busy period of the year, as renewal deals come to market, but in 2015 the bulk of the activity occurred in March.

Artemis recorded \$2.062 billion of new risk capital issued from 15 transactions during Q1. That is the highest number of transactions Artemis has ever recorded in a first-quarter for any year on record. Six of the deals that completed in Q1 would be considered 'cat bond lite' transactions which brought down the average deal size a little, but a range of both U.S. and international perils brought some diversification for investors.

The record level of issuance during Q1 2015 was not sufficient to match the very high levels of maturities, leaving the outstanding catastrophe bond and ILS market at \$23.066 billion at the end of March. However the exceptional start to 2015 sets the year up for another high level of total issuance which should assure the market achieves outright growth this year once again.

Artemis is the leading, freely accessible source of timely, relevant and authoritative news, analysis, insight and data on the insurance-linked securities, catastrophe bond, alternative reinsurance capital and related risk transfer markets. The Artemis Deal Directory is the leading, freely available source of information, data and analysis on issued catastrophe bond and insurance-linked securitization transactions.

Transaction Recap

15 deals were issued during the first-quarter of 2015, making it the most active Q1 ever recorded in the Artemis Deal Directory, Q1 2014 saw the previous record of \$1.585 billion. 16 tranches of ILS and catastrophe bond notes were issued, including a variety of perils from returning as well as new sponsors and several smaller, private placements.

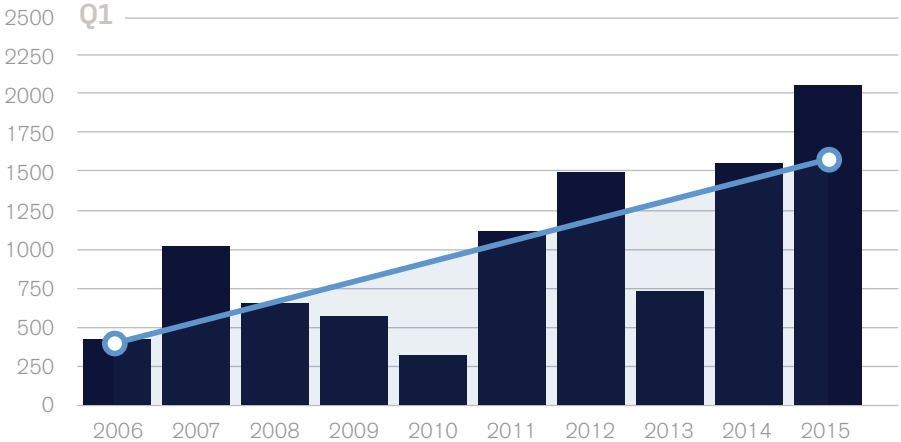
Six private cat bonds were issued, totalling almost \$200 million of the risk capital issued. First-time sponsor Safepoint brought \$100 million of Florida named storm risks to the market. Tokio Marine returned with another issuance under its Kizuna Re platform, the second largest for Q1 after State Farm's U.S. earthquake, sixth Merna Re deal.

SCOR, Chubb, Catlin and Munich Re brought some diverse property risks to ILS investors, while Aurigen Reinsurance entered the space for the second time with an embedded value securitization of life insurance risks.

ISSUER / TRANCHE	SPONSOR	PERILS	SIZE (\$M)	DATE
Queen Street X Re Ltd. (2015)	Munich Re	International multi-peril	100	Mar
Merna Re Ltd. (Series 2015-1)	State Farm	U.S. earthquake (New Madrid region)	300	Mar
Manatee Re Ltd. (Series 2015-1)	Safepoint Insurance Company	U.S. named storm (Florida initially)	100	Mar
Kizuna Re II Ltd. (Series 2015-1)	Tokio Marine & Nichoda Fire Insurance Co. Ltd	Japan earthquake	290	Mar
East Lane Re VI Ltd. (Series 2015-1)	Chubb Group	U.S. multi-peril	250	Mar
Atlas IX Capital Limited (Series 2015-1)	SCOR Global P&C SE	International multi-peril	150	Feb
Dodeka I - 2015	Unknown	?	20.695	Feb
Kane SAC Limited (Series 2015-1)	Unknown	?	50.2	Feb
Galileo Re Ltd. (Series 2015-1)	Catlin	International multi-peril	300	Feb
Vitality Re VI Ltd. (Series 2015-1)	Aetna	Medical Benefit Claims Level	200	Jan
Valins I Limited	Aurigen Reinsurance	Life embedded value	175	Jan
Kane SAC Limited - Hereford	Unknown	U.S. Property Catastrophe Risks	16.82	Jan
Kane SAC Limited - Muirfield	Unknown	U.S. Property Catastrophe Risks	26.68	Jan
Kane SAC Limited - Troon	Unknown	U.S. Property Catastrophe Risks	27.53	Jan
Kane SAC Limited - Exeter	Unknown	U.S. Property Catastrophe Risks	54.81	Jan

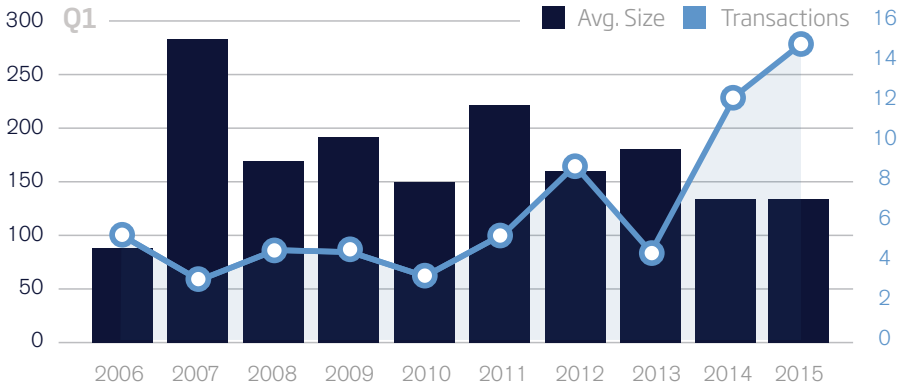
Q1 ILS issuance by year (\$M)

The first-quarter of 2015 saw a record level of new risk capital issued in catastrophe bond and ILS, as 2015 got off to a very strong start. The chart below shows first-quarter issuance levels over the last ten years. The \$2.062 billion of new risk capital issued during the quarter surpasses the previous busiest first-quarter in 2014, by almost \$500m.



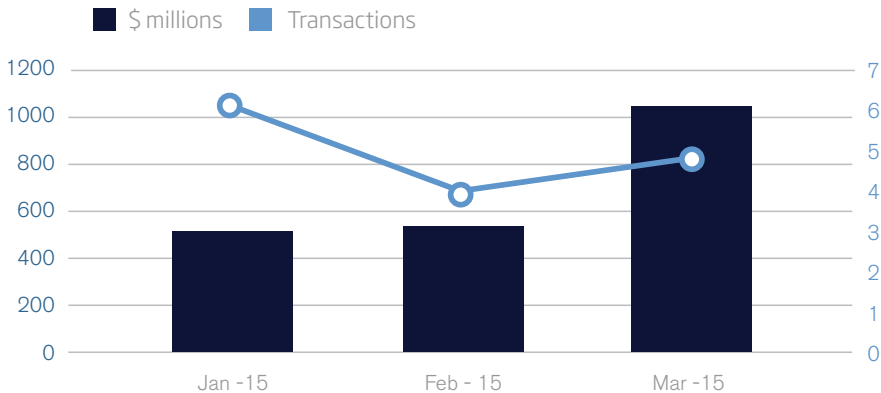
ILS average transaction size & number of transactions by year (\$M)

Q1 2015 average transaction size recorded in the Artemis Deal Directory was \$137.5m, which is below average. The number of transactions recorded, at 15, is a record for the quarter and was considerably higher than the long-term average, as a significant number of smaller, private deals were issued which brought down the average. Removing the private deals takes the average transaction size up to \$207m from the 9 transactions, resulting in an above average deal size for the quarter.



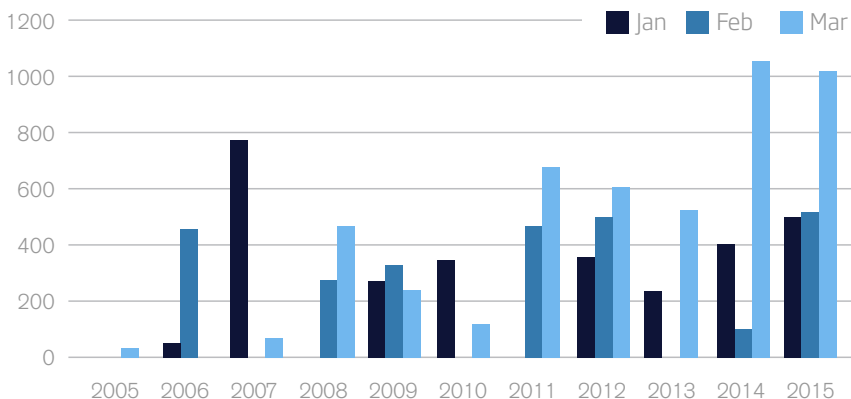
Number of transactions and volume issued by month (\$M)

As in 2014 the month of March saw the highest level of issuance for the quarter at over \$1 billion, making it the second highest level of catastrophe bond issuance ever recorded for the month. This strong level of issuance was achieved with the help of regular sponsors like Chubb, State Farm and Tokio Marine.



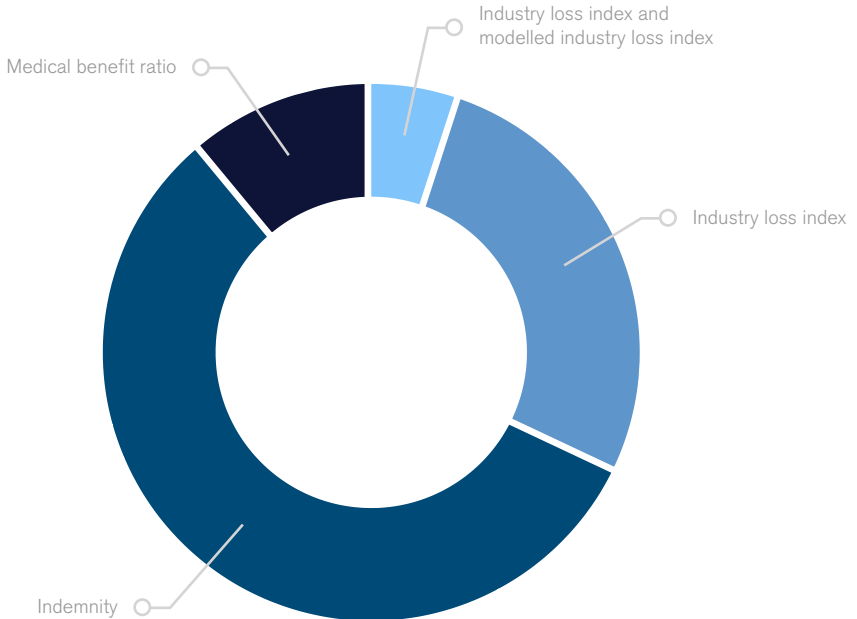
Q1 issuance by month & year

Examining Q1 ILS issuance by month and year shows just how active the start of 2015 has been. January and February issuance levels surpassed last year's totals by quite a margin, with March once again exceeding the \$1 billion mark.



Q1 2015 ILS issuance by trigger type

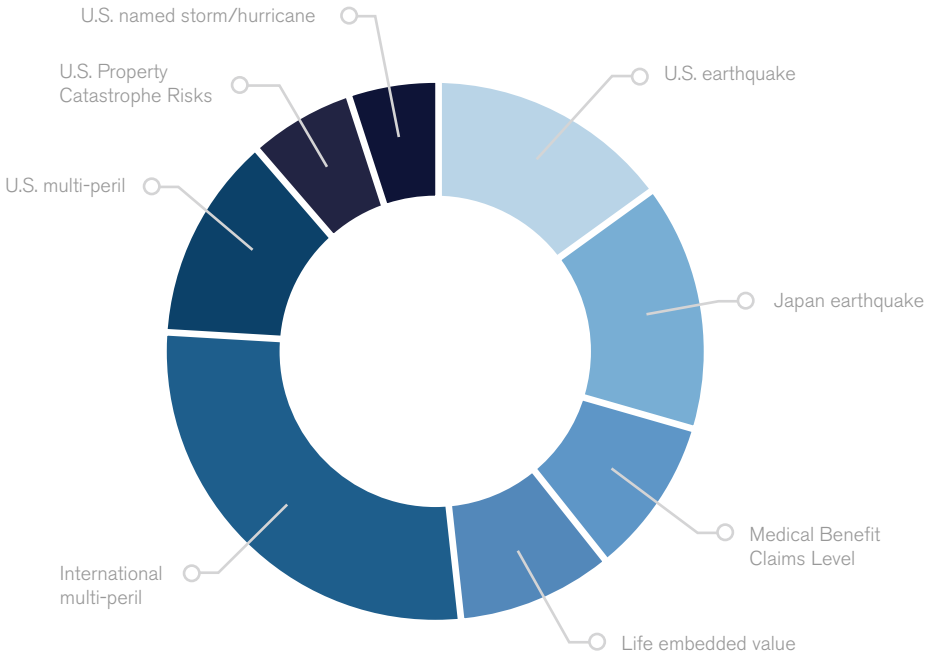
Q1 2015 saw almost \$1 billion of indemnity protection secured by sponsors, with the indemnity trigger accounting for 52% of the total risk capital issued in the quarter.



Industry loss triggers were again popular in the first-quarter, in particular due to cat bond lite or private placements, resulting in 31.7% of total risk capital issued being based on the trigger. While Munich Re's latest Queen Street X Re deal brought \$100 million, or 5.5% of total risk capital issued of combined Industry loss and modelled loss triggers to investors. As in Q1 2014, Aetna returned to the cat bond market with its latest Vitality Re deal, which again used Medical benefit ratio as its trigger. Out of the 15 transactions placed during the quarter none used a parametric trigger, as was the case in Q1 2014.

Q1 2015 ILS issuance by peril

A varied mix of perils featured in Q1 2015 ILS issuance, enabling investors to add some diversification to their portfolios.

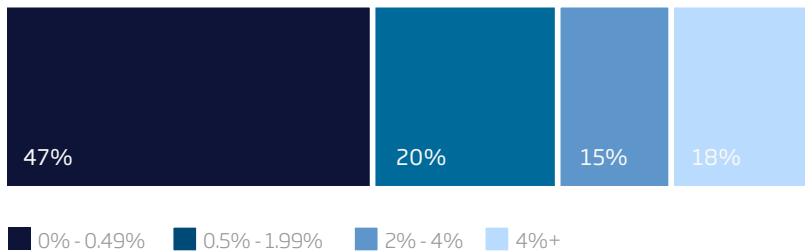


International multi-peril deals dominated the quarter with 27.6% of risk capital issued covering the peril. This was almost double the volume of the second most covered peril, U.S. earthquake, which accounted for 15.1% of issuance, or \$300 million.

Aurigen Reinsurance brought some added diversification to the market with its Valins I Limited transaction, featuring life embedded value risks. Interestingly, and perhaps in part due to reduced reinsurance pricing in the traditional reinsurance market, only Catlin's Galileo Re cat bond offered protection for European perils. This ILS transaction covers European wind as well as U.S. earthquake, U.S. named storms and Canadian earthquakes, and therefore falls under the international multi-peril class.

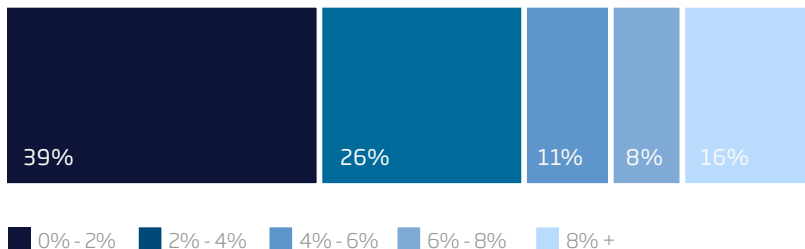
Q1 2015 ILS issuance by expected loss

Continuing the trend seen in 2014 almost half of catastrophe bond and ILS issuance during Q1 2015, that we have expected loss figures for (which equals \$1.69 billion of the risk capital issued), has an expected loss of below 0.49%. Of particular note is the extremely low risk Vitality Re Class A notes and Tokio Marine's Kizuna Re II deal, which have expected losses of 0.01% and 0.018% respectively. The only deal with an expected loss of above 4% was Catlin's single tranche of notes issued through its Galileo Re platform, which offered investors a riskier 7.93% expected loss. The average expected loss for the first-quarter of 2015 was 1.87%.



Q1 2015 ILS issuance by coupon pricing

With almost half of Q1 2015 ILS issuance expected losses being low, it's no surprise that 65% of risk capital issued that we have pricing data for (this amounts to \$1.87 billion of total risk capital issued), pays investors a coupon of below 4%. Of the remaining issuance roughly 24%, or \$450 million of risk capital issued paid investors a coupon of above 6%, which is a more common target level for ILS and cat bond investors. The most popular price range was the lowest at 0% to 2%, while the average coupon paid to investors for the first-quarter of 2015 was 4.65%.

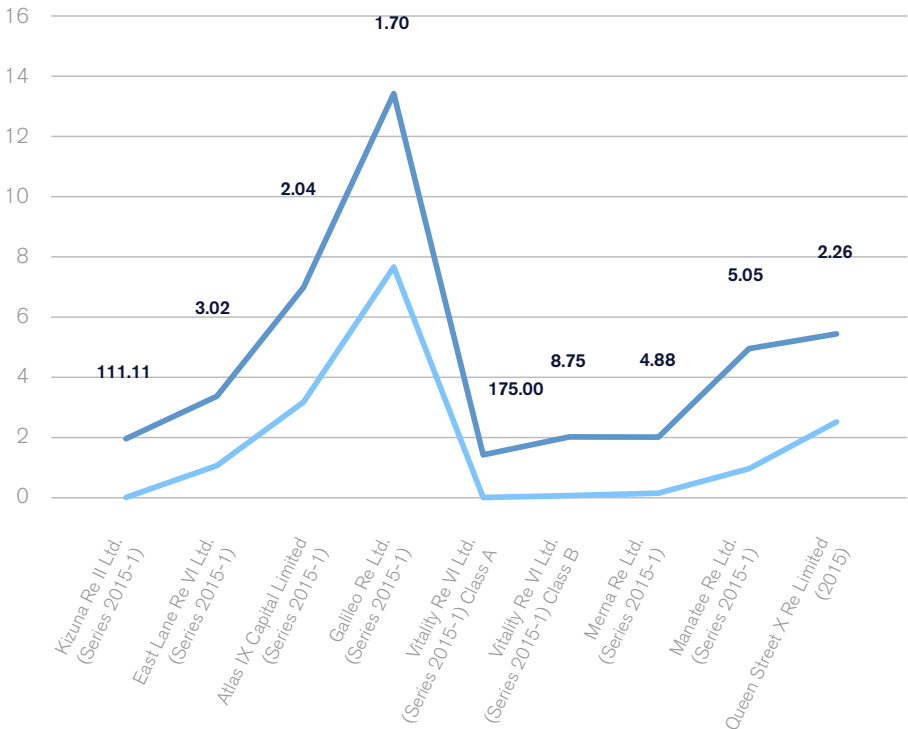


Pricing Multiples

The average multiple of Q1's ILS and catastrophe bond issuance was 2.55. This is slightly below the average multiple seen in Q4 2014 and almost half of that seen in Q3 2014. Extremely low expected losses seen with Kizuna Re II and a tranche of Vitality Re VI notes resulted in very high multiples (price coupon divided by expected loss) for those deals. However, as the majority of deals priced at or below the mid-point of guidance this didn't result in a higher average multiple for Q1 than seen in previous quarters.

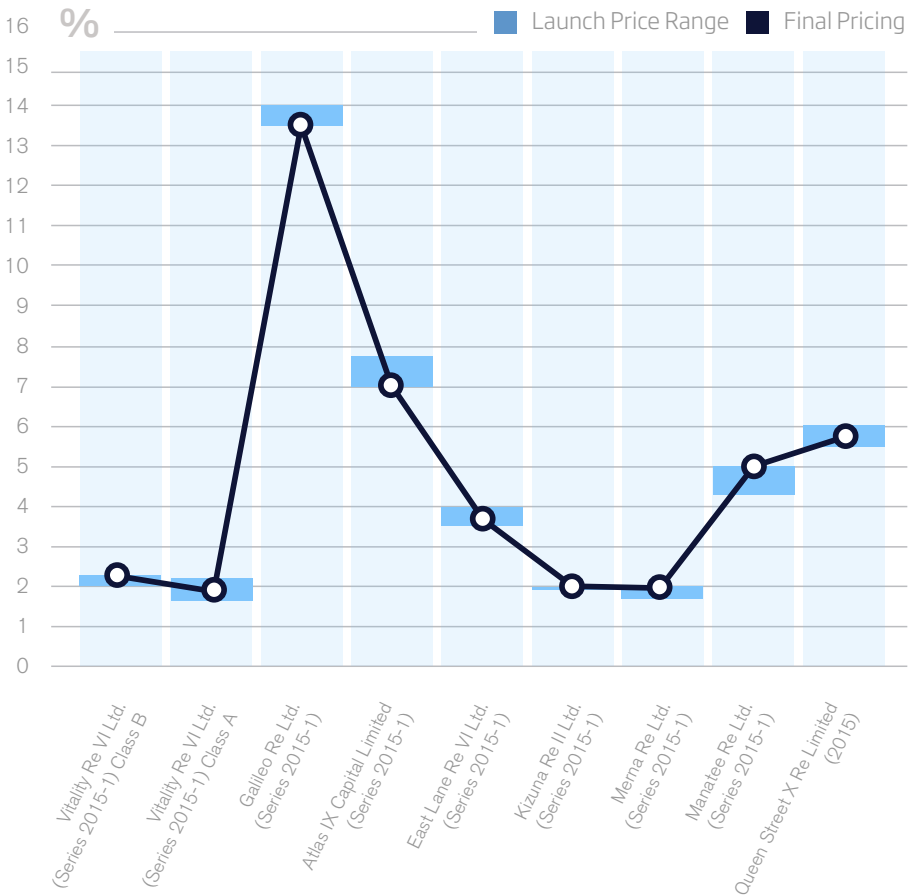
It appears that investors are still establishing a pricing floor as several deals saw multiples fall close to 2. Catlin's Galileo Re shows that as in Q4 2014 with Amlin's Tramline Re deal, investors appear willing to accept a lower multiple in return for a higher coupon.

Expected Loss Pricing Multiple



Cat bond and ILS price changes during Q1 2015 issuance

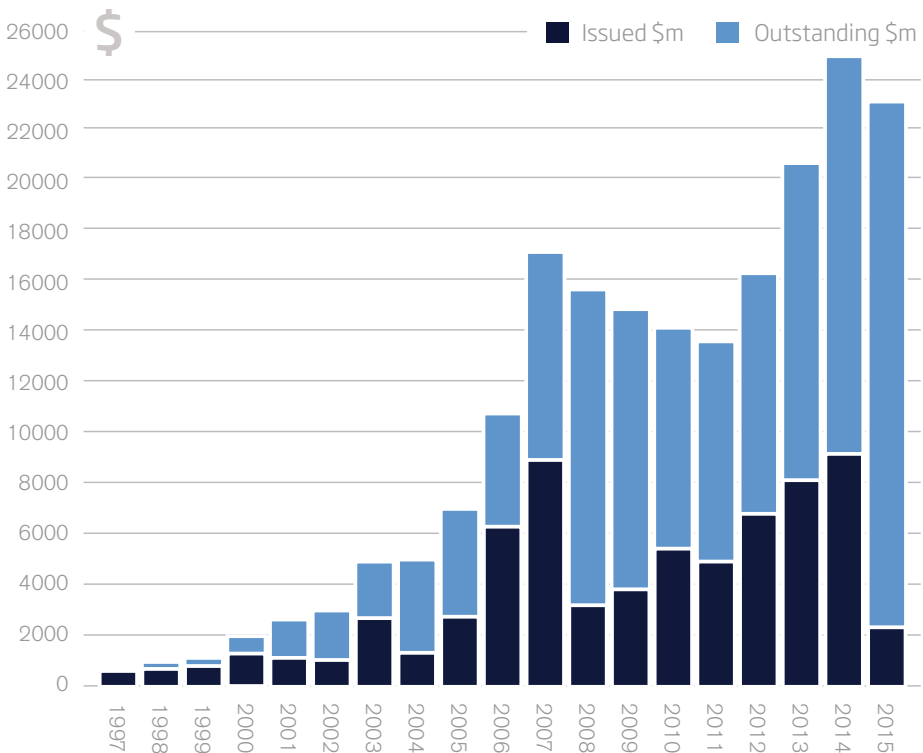
All but two catastrophe bond and ILS transaction issued during the first-quarter, that we have full pricing data for, priced right at the mid-point of guidance, or below it. Safepoint Insurance Company's Manatee Re and State Farm's Merna Re were the only deals to price above the launch price mid-point, giving the transactions a positive price change from mid-point of 8.11% and 6.66%, respectively. Despite several deals pricing exactly at the mid-point of guidance, more witnessed price declines while marketing, although the average price change was just -2% for the quarter, lower than many previous periods.



Issued Outstanding

Following a record-breaking year for catastrophe bond and ILS issuance in 2014, 2015 continues the trend by getting off to a very strong start. A total \$2.067 billion of issuance completed in Q1, beating the previous busiest Q1 (Q1 2014 at \$1.585b) by almost \$500 million. As well as strong issuance levels the first-quarter of the year also saw a significant volume of deals mature, totalling \$4.12 billion. Meaning that the outstanding catastrophe bond and ILS market has shrunk from the end of Q4 2014, to close Q1 with an outstanding market size of \$23.066 billion.

Despite the decrease in size the current outstanding catastrophe bond and ILS market is still roughly \$3 billion larger than it was at the end of Q1 2014, showing that investor demand and appetite for the asset class remains strong and stimulates market growth even in a period of high maturities.



If you want to see full details of every catastrophe bond and ILS transaction included in the data in this report please visit www.artemis.bm/deal_directory/



All catastrophe bond and ILS issuance data sourced from the Artemis Deal Directory.

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