



On **R**e**Q**uest

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Kus forms new ILS venture

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Anchor Risk Advisors will specialise in managing portfolios of catastrophe risk, using various products including cat bonds, collateralised reinsurance and derivative instruments.

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CEA axes cat bond layer

Instead, the CEA has partly replaced the capital markets capacity – spread over two layers of the reinsurance programme in 2009 – with increased lines for transformer vehicles fronting placements for hedge funds and banks.

Swiss Re Zurich warehoused the \$650mn capacity for the firm's investment banking subsidiary SRCM in 2009, with the express intention of extending the Redwood series of cat bonds.

However, to date the 2009 bonds have not made it to market, although Trading Risk understands that the firm attempted to hedge its exposure via private placements

and derivative transactions. The latest Redwood X notes matured in September 2009, releasing \$500mn of Californian quake capacity into the market.

Markus Schmutz, managing director of SRCM, told Trading Risk: "We have offered and arranged risk wa rehousing for sponsors in the past and we expect to do so in the future, as this capability distinguishes SRCM from other dealers in the ILS space."

"Swiss Re's dedication to the ILS market is unchanged and our risk appetite is as strong as in the past," he continued, adding that SRCM is "currently working on some opportunities" **Continued on page 2**

R&Q latest news...



NEWS IN BRIEF

- The underlying rationale and the economic logic for ILS remain valid and very convincing. Cat bonds performed remarkably well during the crisis and secondary liquidity continued to be strong when other asset classes completely dried up. Today, sponsors with increased awareness of credit exposure are keen to benefit from collateralised, multi-year capacity from an alternative source, while investors continue to value diversification and have enjoyed superior returns relative to other sectors – despite the difficult market environment.

- The market has quickly rebounded with a robust deal flow and spreads are gradually tightening due to strong demand, which clearly outweighs the supply available. On average, the pricing for 2009 cat bonds is down by around 15 percent since they have been issued, and we expect further tightening, which hopefully encourages existing and new sponsors to issue more cat bonds. The convergence in price levels between capital markets and reinsurance, as well as the structural changes towards greater transparency and higher collateral security, have been well received by the investors and sponsors and will accelerate the deal pipeline further.

- Obviously, predictions about what the market will look like in five years time are difficult to make, but we are quite optimistic about the long-term market prospects.

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"Swiss Re's dedication to the ILS market is unchanged and our risk appetite is as strong as in the past," he continued, adding that SRCM is "currently working on some opportunities" to transform risk in this way.

In an August governing board meeting agenda, the CEA – which has placed \$2.3bn of US earthquake risk into the ILS market since 2000 – reiterated its commitment to using the capital markets, but noted that it had "difficulty in obtaining desired capacity at prices the CEA would pay" for its programme as a whole.

In a placement brokered by Aon Benfield with the support of Guy Carpenter and Willis, the CEA will buy \$2.9bn of reinsurance at 1 January 2010, for a total

R&Q in the media...

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STAFF PROFILES

Craig Hupper

Is vice president and director of risk management at Transatlantic Reinsurance Company (TRC), where his responsibilities include development and implementation of the company's enterprise risk management framework. Hupper joined TRC in 1998 and served in underwriting and ceded retrocession roles before establishing the risk management group in 2005.

New York-based reinsurer TRC offers both treaty and facultative reinsurance – structuring programmes for a full range of property and casualty products, with an emphasis on specialty risks.

Barney Schauble

Is a principal of leading convergence investment manager Nephila Capital, which won the Investor of the Year category at the 2009 Trading Risk Awards.

Schauble joined the Bermuda-based firm in 2004 from XL Capital Waether & Energy where he was head of marketing for the weather risk trading business.

Schauble's broad convergence experience comes from seven years as vice president of risk markets at investment bank Goldman Sachs, preceded by a term at (re)insurance broking conglomerate Marsh & McLennan.

Schauble has a BA in Economics from Harvard College.

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Events and conference attendance...

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NEW APPOINTMENTS

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Update from the US and Bermuda...

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