



Project example: Cat Bond for protection of Mexico

Protecting Public Sector with parametric Cat Bond Issuance

Enabling a quick pay-out when disaster strikes



Initial situation

- Government of Mexico wanted to have quick/er pay-out for disaster financing after earthquake and hurricane events
- Munich Re was mandated, together with two broker firms, to structure and arrange parametric risk transfer for earthquakes and hurricanes to the capital market
- Munich Re acted as fronting reinsurer between Mexico and World bank (IBRD)



Project approach

- Analysis, modelling and back-testing of alternative data set from National Hurricane Center (NHC) for hurricane reporting
- Close collaboration amongst all arrangers to achieve best result for the benefit of the Mexican government
- Initial concerns regarding investor reception of new data were overcome



Results

- New data set allows for quicker hurricane loss reporting and thus enables quicker pay-out for Mexico
- Successful placement of 4 classes of Notes (two earthquake and two hurricane tranches)
- Multi-year protection of nearly USD 600m in place for Mexican government

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