



Insurance-Linked Securities (ILS) Market Update Q1 2015

7th ILS Round Table in Monte Carlo hosted by Munich Re



Save the Date

To discuss the state and future of the ILS market

14 September 2015
10.00 a.m.-11.00 a.m.
The Fairmont Hotel
Room Sale D'Or II
Rendez-Vous de Septembre,
Monte Carlo

Join us on this exciting and informative event, with a mixed panel of major representatives from the ILS community sharing their individual views on issuance activity, key developments in ILS structures, pricing, cat modeling and ILS portfolio management, and specific topics raised by the audience.

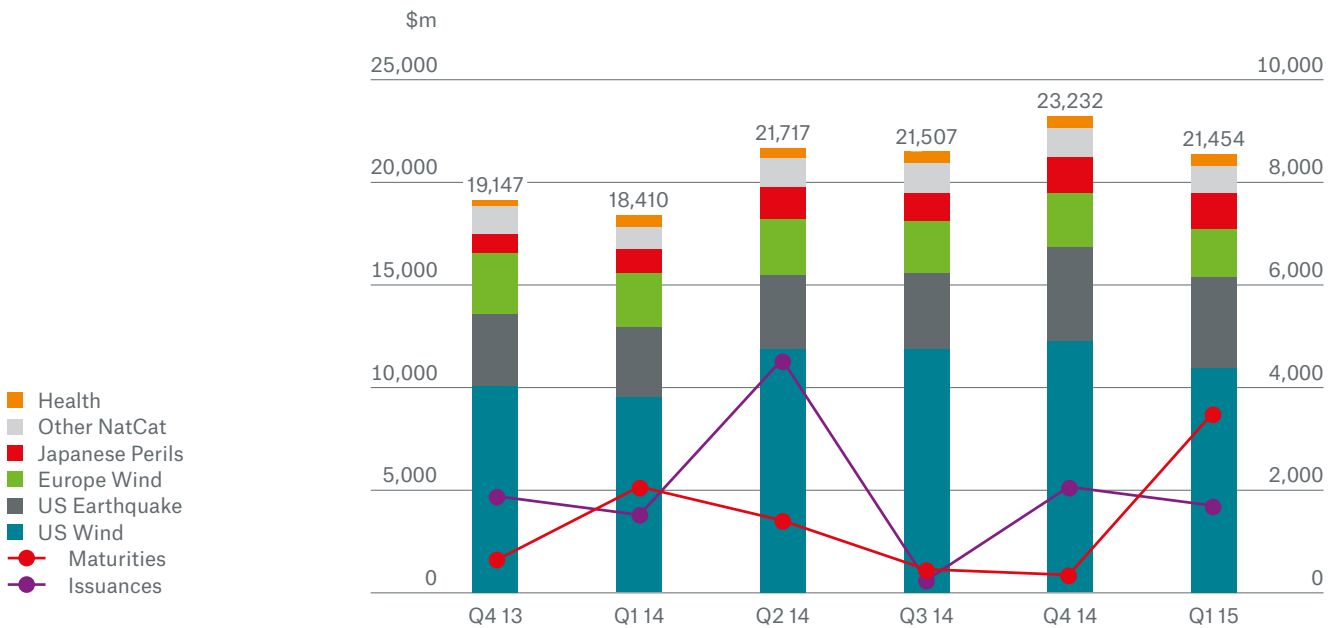
Please visit also our website for more information:
www.munichre.com/rtu

Market Review

Overhang of maturities leads to capital outflow

In the first quarter, \$3.5bn cat bonds matured, mostly from bonds issued as part of the strong activity pick-up in the ILS market in late 2011 and early 2012. From a total of 15 expired bonds, only 7 have been replaced through new issuance activity so far, with four of the respective transactions taking place in the first quarter and three in Q4 last year. First quarter issuance activity reached \$1.7bn, while total market size declined to \$21.4bn (private placements and Mortality transactions are not considered). A large portion of the re-issuance backlog is likely to come to the market in the second quarter, which traditionally has the strongest placement activity.

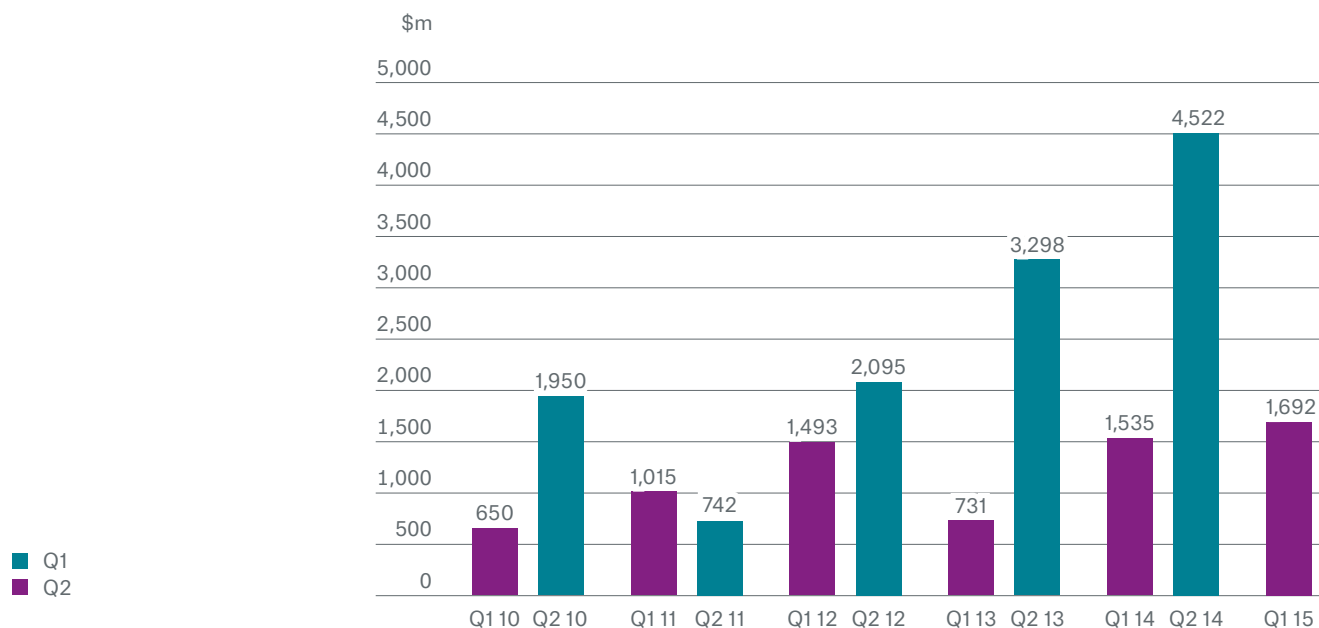
ILS Market - Outstanding, Issued and Maturing Volume*



* Excluding Mortality transactions; cat bonds with Euro-denomination were converted into \$-amounts using the exchange rate on the respective day of issuance
Multi-peril cat bonds were split into single perils based on their contribution to expected loss

Market Review

Q1/Q2 ILS Issuance Volume*



* Excluding Mortality transactions; cat bonds with Euro-denomination were converted into \$-amounts using the exchange rate on the respective day of issuance

In Q1 Catlin's Galileo Re Ltd. (Series 2015-1) showed investor appetite for higher-yielding cat bonds. The bond yields a coupon of 13.5% and was upsized from \$200mn to \$300mn. For this type of risk the multiple of 1.6 is quite low which underlines investor demand.

On the other end of the risk spectrum, remote risk transactions attract rather generalist investors who do not follow specific ILS investment strategies but instead are seeking cash substitutes. Kizuna Re II Ltd. (Series 2015-1) with an expected loss of 0.018% was particularly attractive for this group of investors, since the bond was rated investment grade by S&P. The notes were marketed with a coupon of 2%, which indicates a minimum return requirement for investors. Also for Merna Re Ltd. (Series 2015-1) investors demanded at least 2%. The transaction was marketed within the spread range between 1.75% and 2%. The transaction was not upsized and it priced at upper end of price guidance.

A new trend in the cat bond market has been the inclusion of new and non-modeled perils. East Lane VI Ltd. (Series 2015-1) includes volcanic eruption, meteorite impact and wildfire losses. Kizuna Re covers losses arising from tsunamis, floods or volcanic eruptions related to earthquakes.

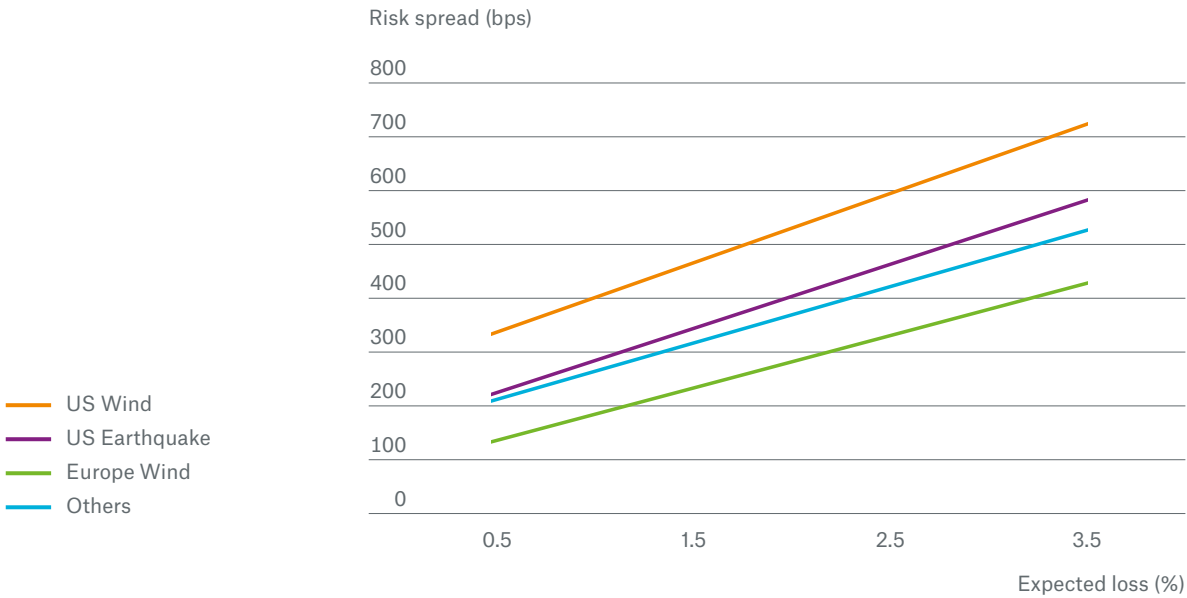
With regard to aggregate covers Atlas IX Capital Ltd. (Series 2015-1) demonstrated that investors will accept long aggregate periods: losses are to be aggregated over four consecutive years.

Q1 saw only one newcomer entering the cat bond market: Florida depopulation insurer Safepoint tapped the ILS market for the first time, seeking to cover named storms in Florida through Manatee Re Ltd. As a special feature Safepoint can expand the coverage to other states in the USA prior to the applicable reset calculation date. This provides the flexibility to expand business activities into other states without the need to buy additional reinsurance. However, this flexibility comes with a high multiple, exceeding 4 times the expected loss.

Market Review

Overall Q1 saw a reversal of cat bond spread tightening, with seasonal adjusted rates increasing slightly. We do not expect this to indicate a move away from the general market environment in the cat bond space, but rather a cyclical development ahead of the major issuance season in Q2.

Cat Bond Pricing Forecast*



* Regressed Curves based on secondary market risk spreads as of end of March 2015; seasonality-adjusted for US wind and Europe wind

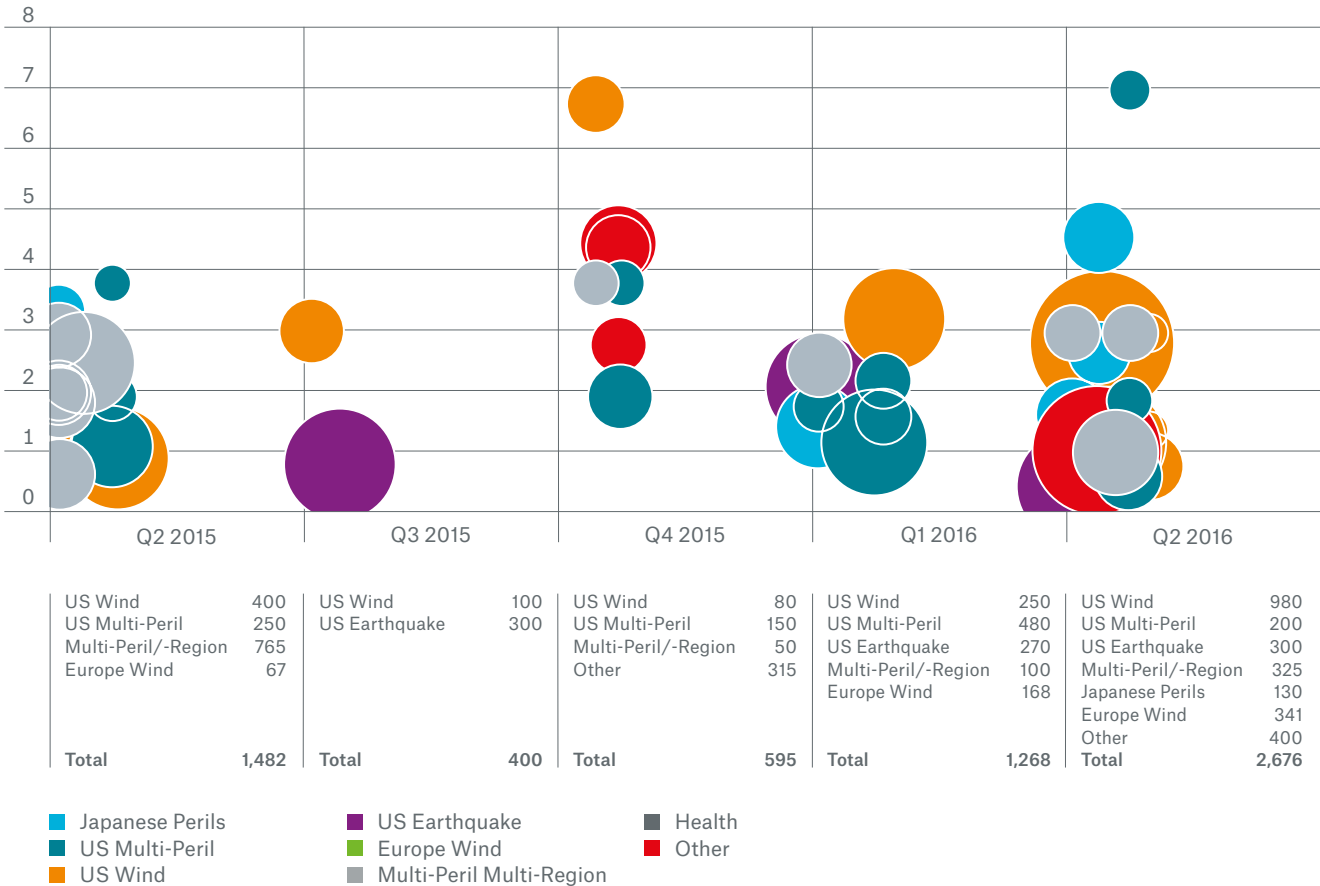
Market Outlook

Sponsors expected to catch up on issuances in the second quarter

Maturities of \$1.5bn during the second quarter point to a strong deal pipeline during the coming months. Furthermore, Munich Re expects some sponsors with non-renewed first quarter maturities to catch up on their cat bond issuance during the second quarter. This could result in a total Q2 issuance volume north of \$3bn.

Upcoming Maturities (\$m)*

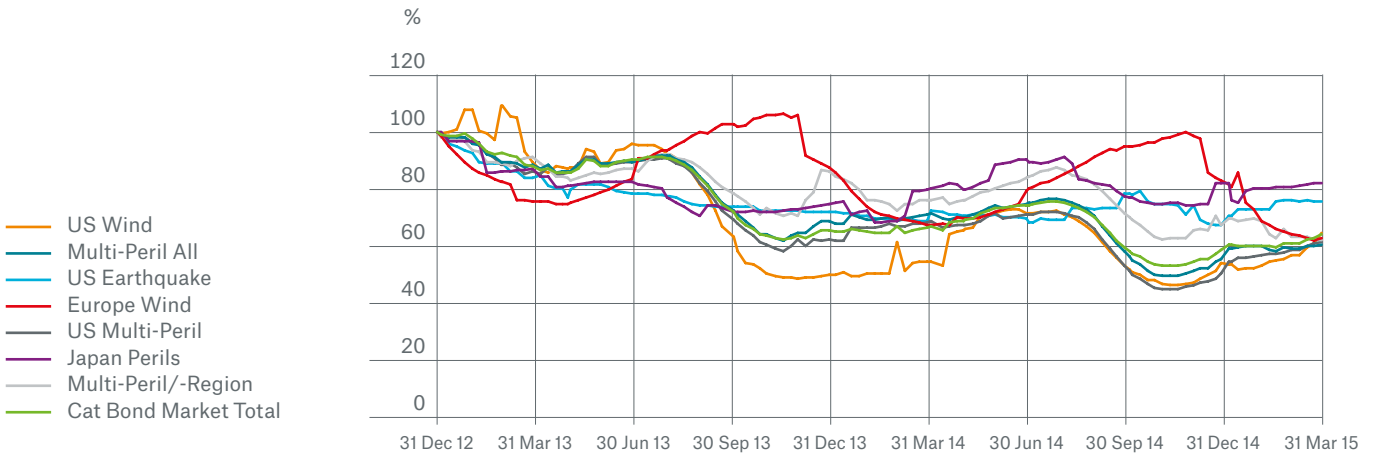
Expected Loss (%)



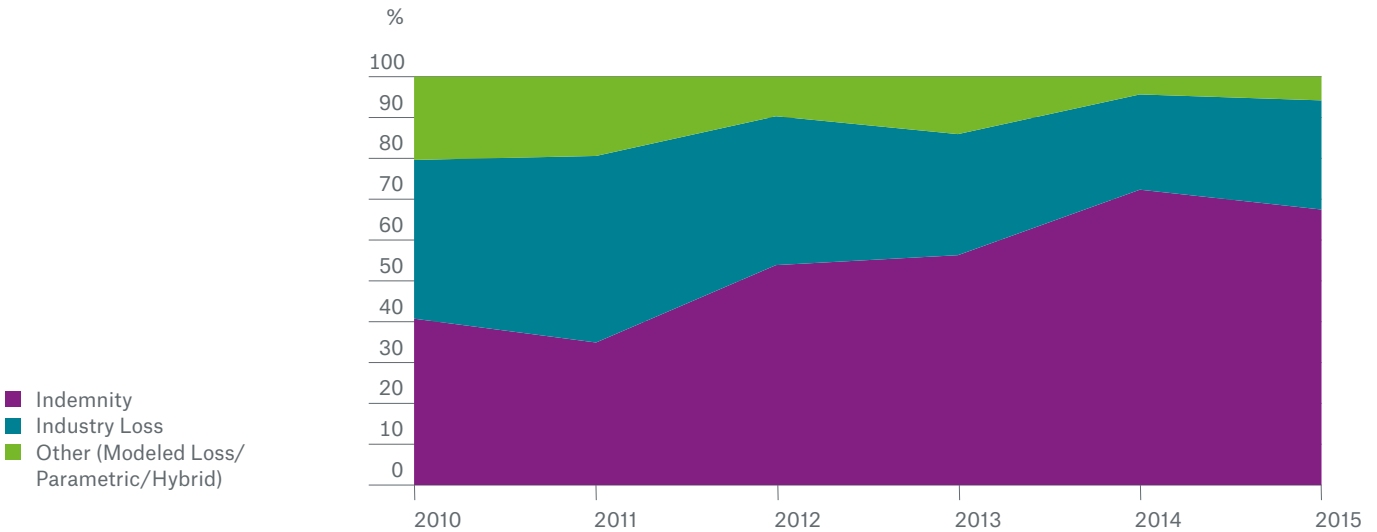
* Excluding mortality transactions; cat bonds with Euro-denomination were converted into \$-amounts using the exchange rate on the respective day of issuance

Market Factsheet

Cat Bond Risk Spreads (Indexed)*

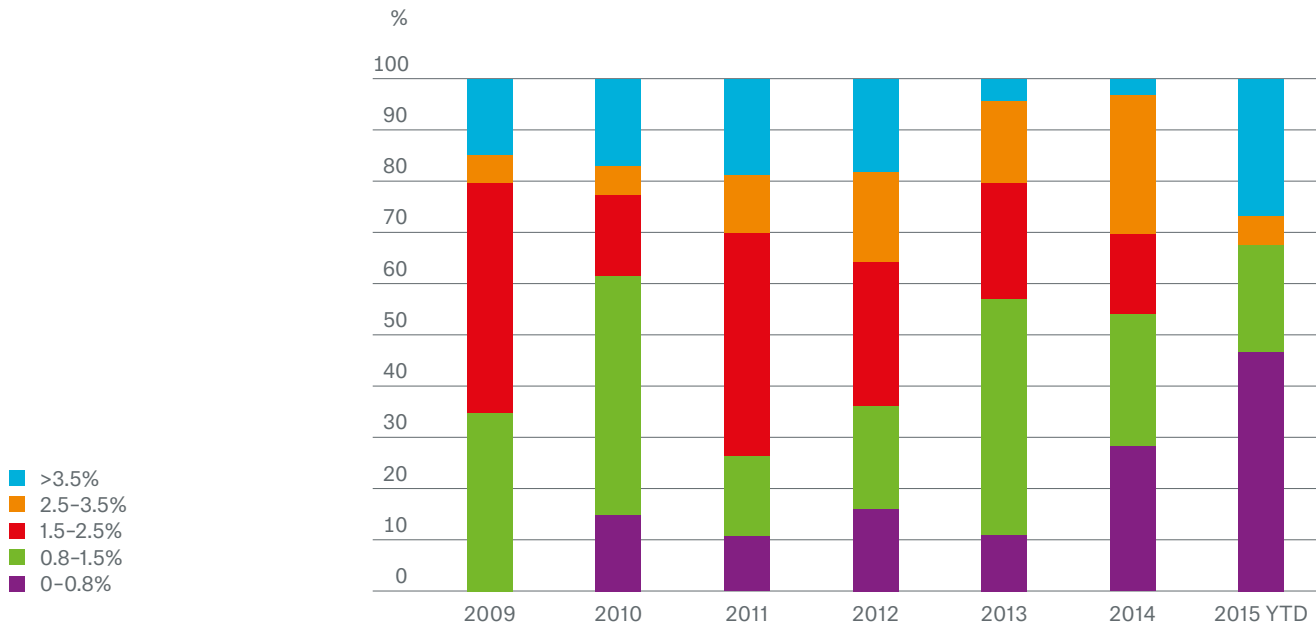


Trigger Types (in % of Issuance Volume)

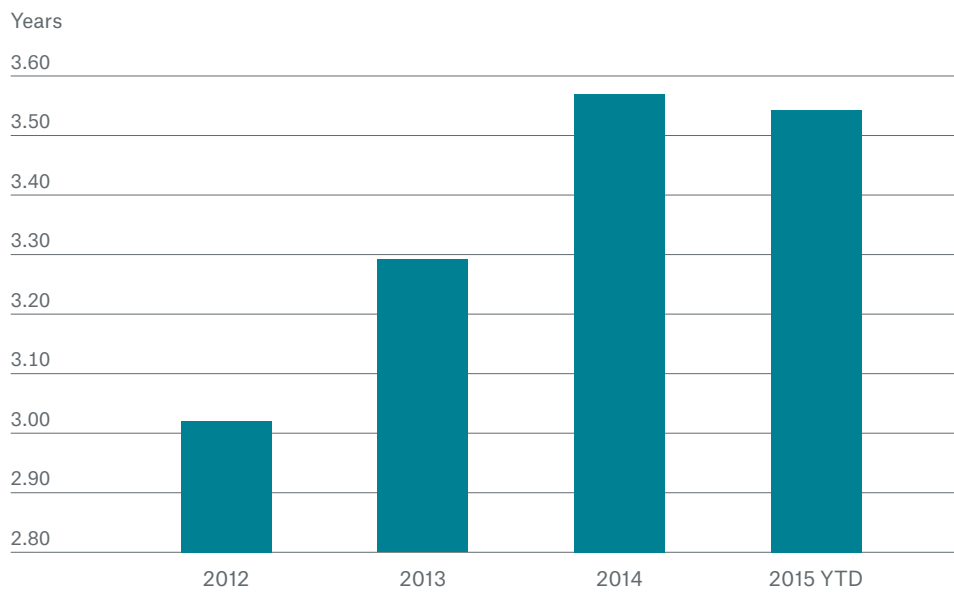


Market Factsheet

Expected Loss Ranges (in % of Issuance Volume)

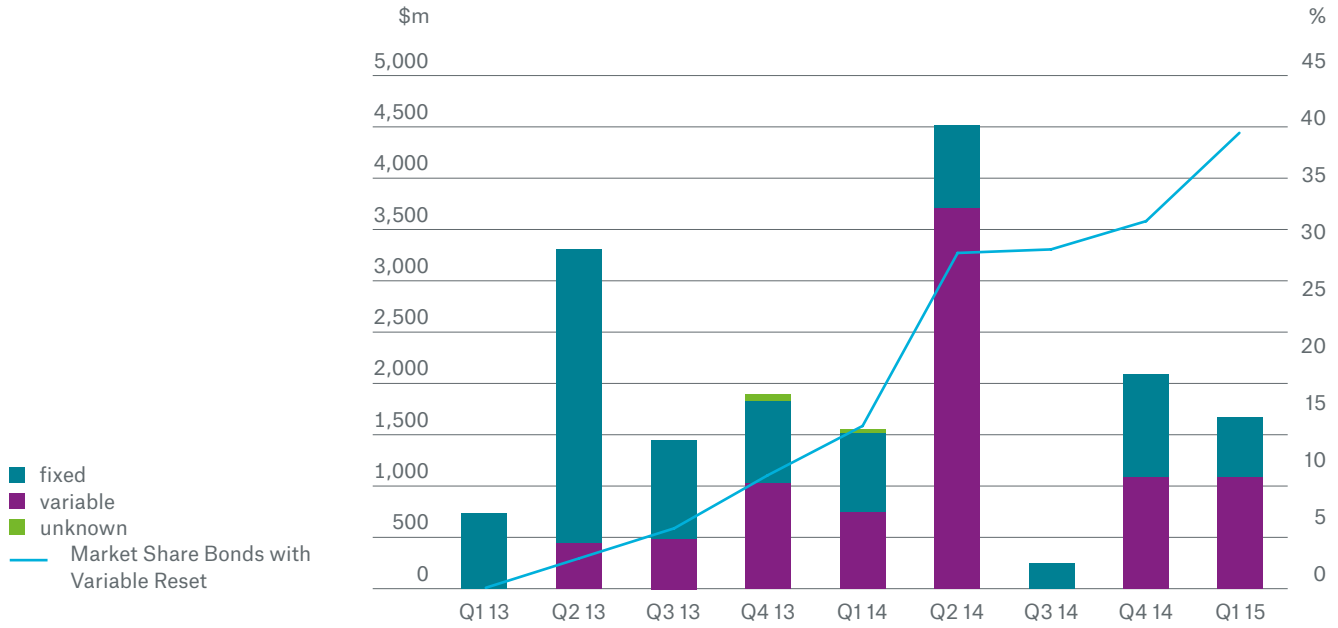


Average Risk Period



Market Factsheet

ILS Issuance Volume Split into Variable and Fixed Reset



Market Factsheet

ILS Issuances 2015 YTD

	Transaction		Cedent	Size (\$m)	Covered Perils	Trigger	Coverage Structure	Pricing (bps)	Issuance	Maturity
Q1 2015	Vitality Re VI Ltd.	Series 2015 Class A	Aetna	140	Health	Medical Benefit Ratio	Annual Aggregate	MMF + 175	January 27, 2015	January 8, 2018
		Series 2015 Class B		60				MMF + 210		
	Galileo Re Ltd.	Series 2015-1	Catlin Ins. Company	300	US Named Storm, US Earthquake, Europe Windstorm	Industry Loss	Annual Aggregate	MMF + 1,350	February 4, 2015	January 8, 2018
	Atlas IX Capital Ltd.	Series 2015-1	SCOR	150	US Named Storm, US Earthquake	Industry Loss	4 Year Aggregate	L + 700	February 10, 2015	January 7, 2019
	East Lane VI Ltd.	Series 2015-1	Chubb	250	US Named Storm, US Earthquake, Severe Thunderstorm, Winter Storm, Wildfire, Volcanic Eruption, Meteorite Impact	Indemnity	Per Occurrence	MMF + 375	March 6, 2015	March 13, 2020
	Kizuna Re II Ltd.	Series 2015-1 Class A	Tokio Marine & Nichido Fire	291.85*	Japan Earthquake	Indemnity	Per Occurrence	MMF + 200	March 26, 2015	April 5, 2019
	Manatee Re Ltd.	Series 2015-1	Safepoint	100	US Named Storm	Indemnity	Per Occurrence	MMF + 500	March 27, 2015	December 22, 2017
	Queen Street X Re Ltd.		Munich Re	100	US Named Storm, Australia Cyclone	PCS/Modeled Loss	Per Occurrence	MMF + 575	March 30, 2015	June 8, 2018
	Merna Re Ltd.	Series 2015-1	State Farm	300	US Earthquake	Indemnity	Per Occurrence	MMF + 200	March 31, 2015	April 9, 2018

* Japanese Yen-denominated transaction; Size in JPY is 35,000m



Contacts

Risk Trading Unit

Munich Reinsurance Company
Königinstrasse 107
80802 München
Germany

Dr. Andreas Müller
Head of Origination, Distribution,
ILS Investments
Tel.: +49 89 3891-9294
anmueller@munichre.com

Dr. Steffen Hinss
Manager Origination
Tel.: +49 89 3891-4919
shinss@munichre.com

Daniel Stadtmüller
Manager Origination
Tel.: +49 89 3891-4703
dstadtmueller@munichre.com

Dr. Christian Heigl
Chief Actuary
Tel.: +49 89 3891-9519
cheigl@munichre.com

Marius Müller
Manager ILS Investments
Tel.: +49 89 3891-3564
mmueller@munichre.com

Natalie Kraus
Manager Origination
Tel.: +49 89 3891-9497
nkraus@munichre.com

Marion von Achten
Manager Origination
Tel.: +49 89 3891-4956
machten@munichre.com

Dr. Robert Herde
Manager Distribution
Tel.: +49 89 3891-5119
rherde@munichre.com

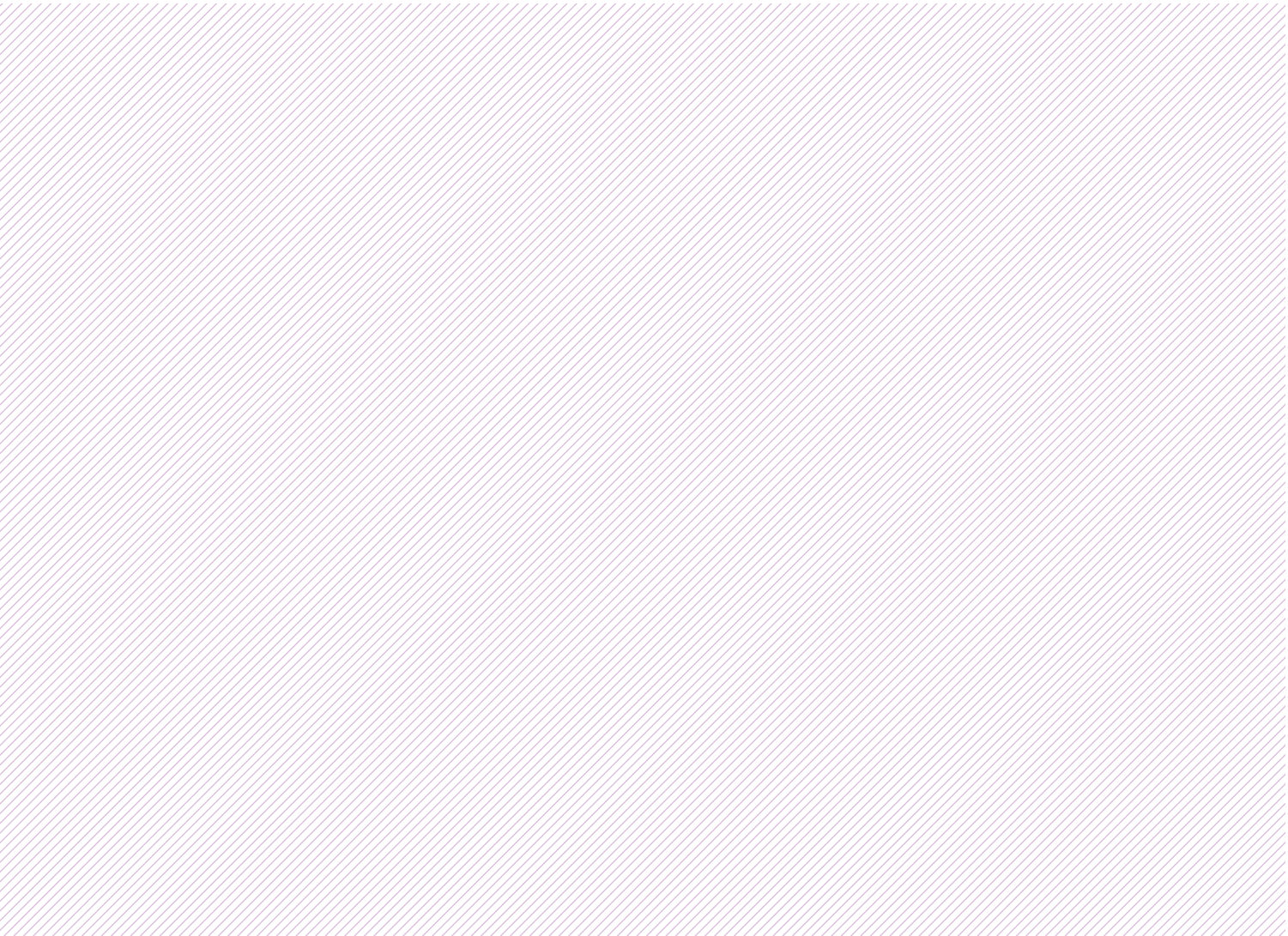
Bernd Günther
Actuary
Tel.: +49 89 3891-5224
bguenther@munichre.com

Sebastian Vogel
Actuary
Tel.: +49 89 3891-2983
sevogel@munichre.com

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Königinstrasse 107, 80802 München, Germany

NOT IF, BUT HOW