



Betting against disaster

Presentation to the Finnish Actuarial Association

Robert Lindblom

The logo for ENTROPICS Asset Management AB features the company name in a bold, black, sans-serif font. The word 'ENTROPICS' is on the top line, and 'Asset Management AB' is on the bottom line. The letter 'O' in 'ENTROPICS' is replaced by a green circular icon containing a white, stylized, curved shape that resembles a comma or a drop. The background of the slide consists of two large, overlapping light green circles.

ENTROPICS

Asset Management AB

Established 2013

Fully owned by eight partners

SEF Entropics Cat Bond Fund launch 2015

First Scandinavian, first responsible ILS manager



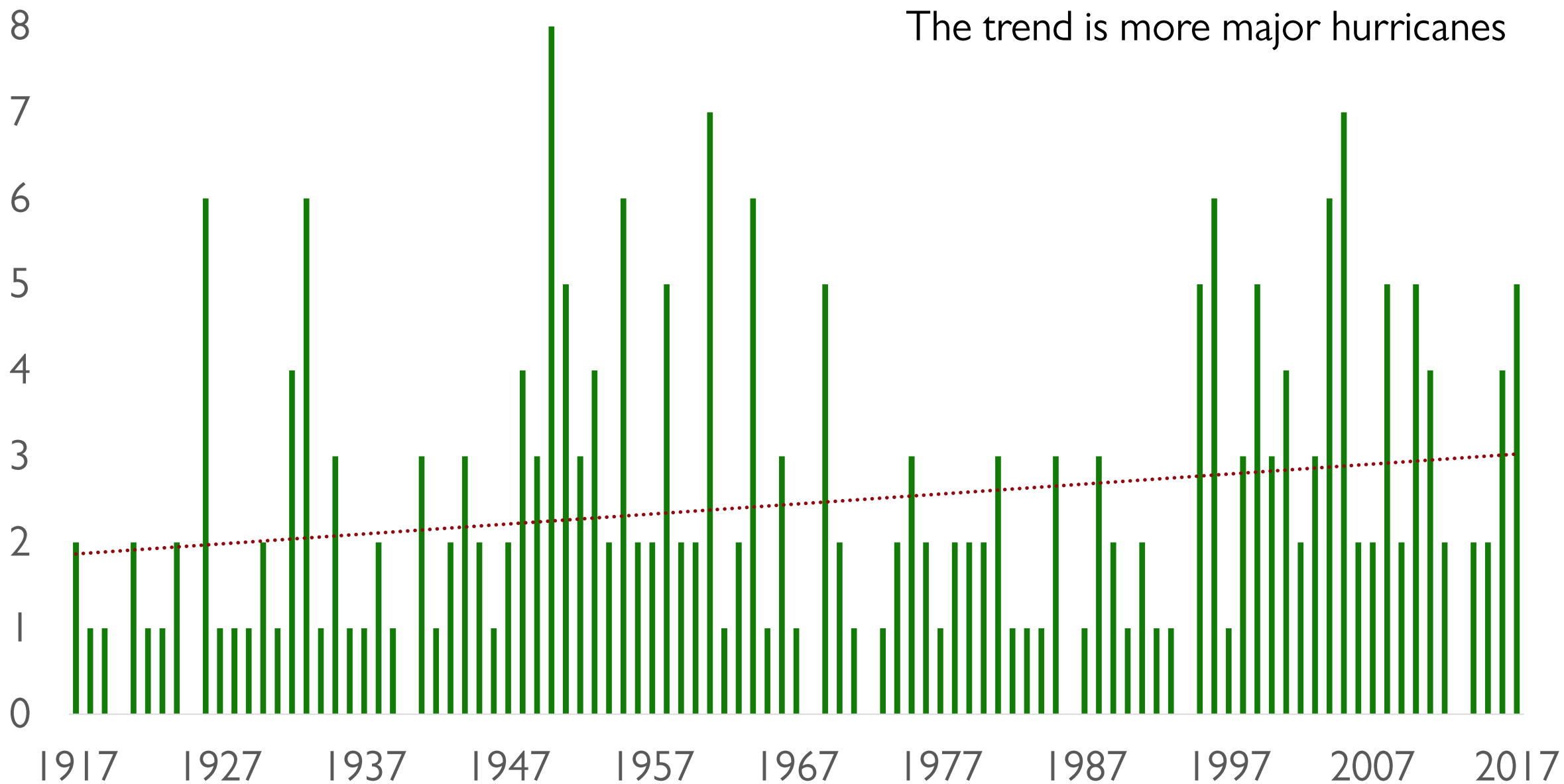
Hurricane Andrew 1992

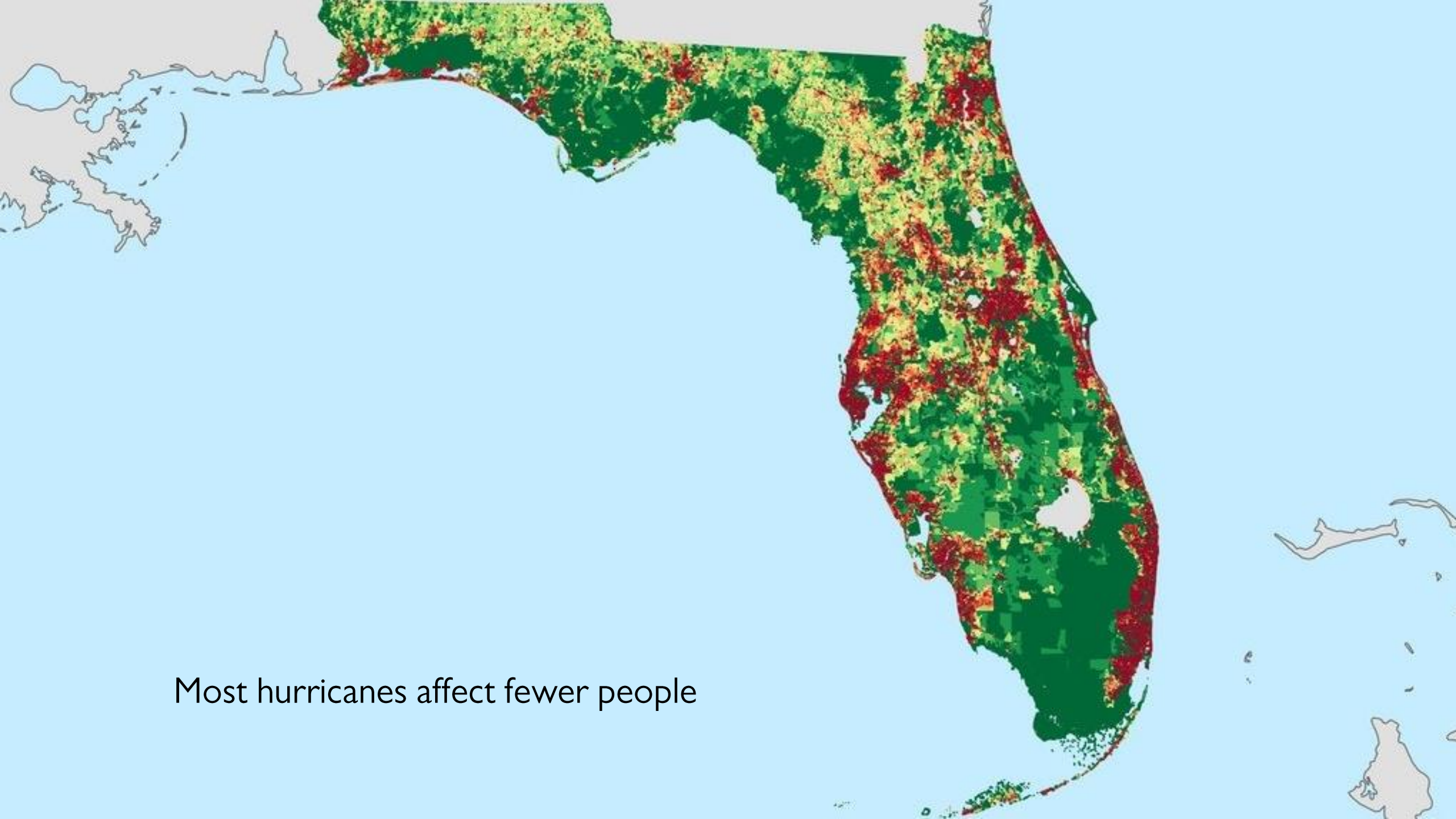
26 deaths

9 of 1,176 homes in Homestead left standing

\$38.8 billion damages in today's currency

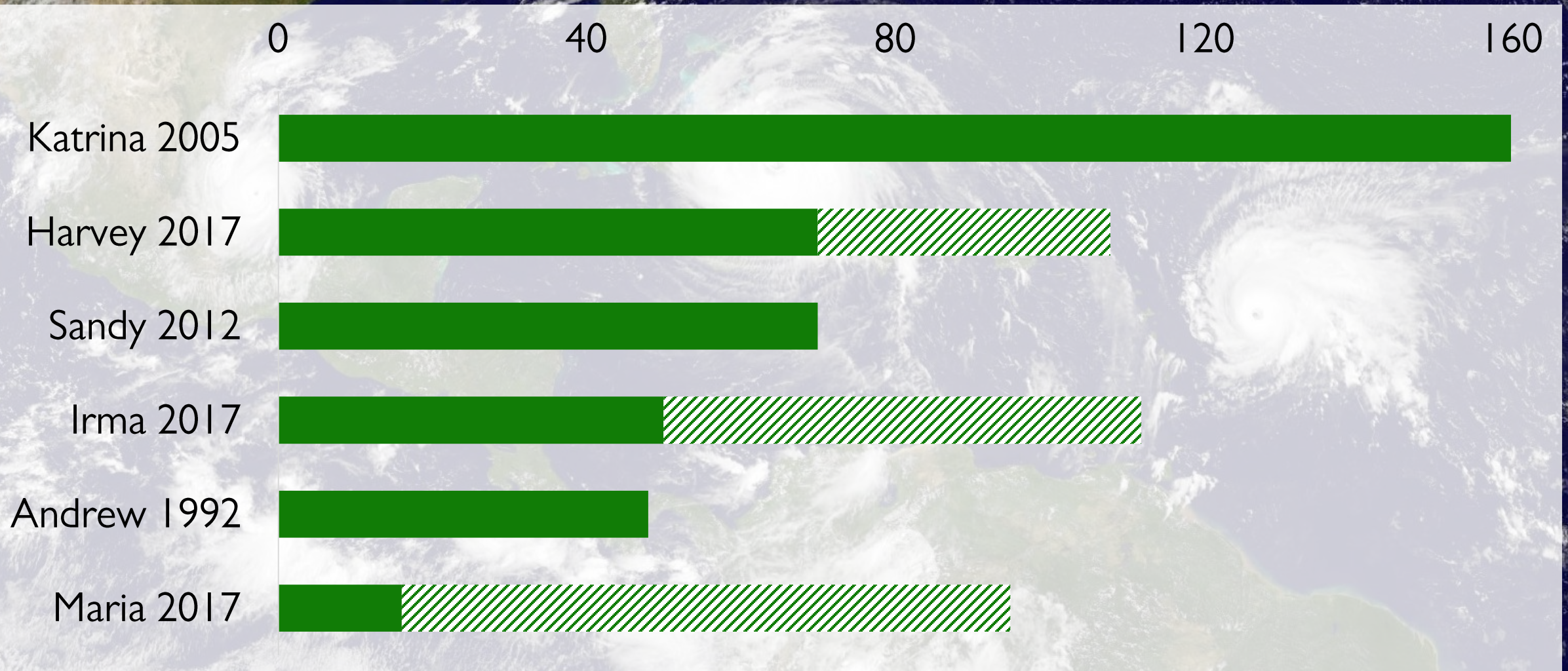
11 insurance companies went bankrupt – 930 000 lost coverage





Most hurricanes affect fewer people

Two or three 2017 hurricanes among top 5 losses

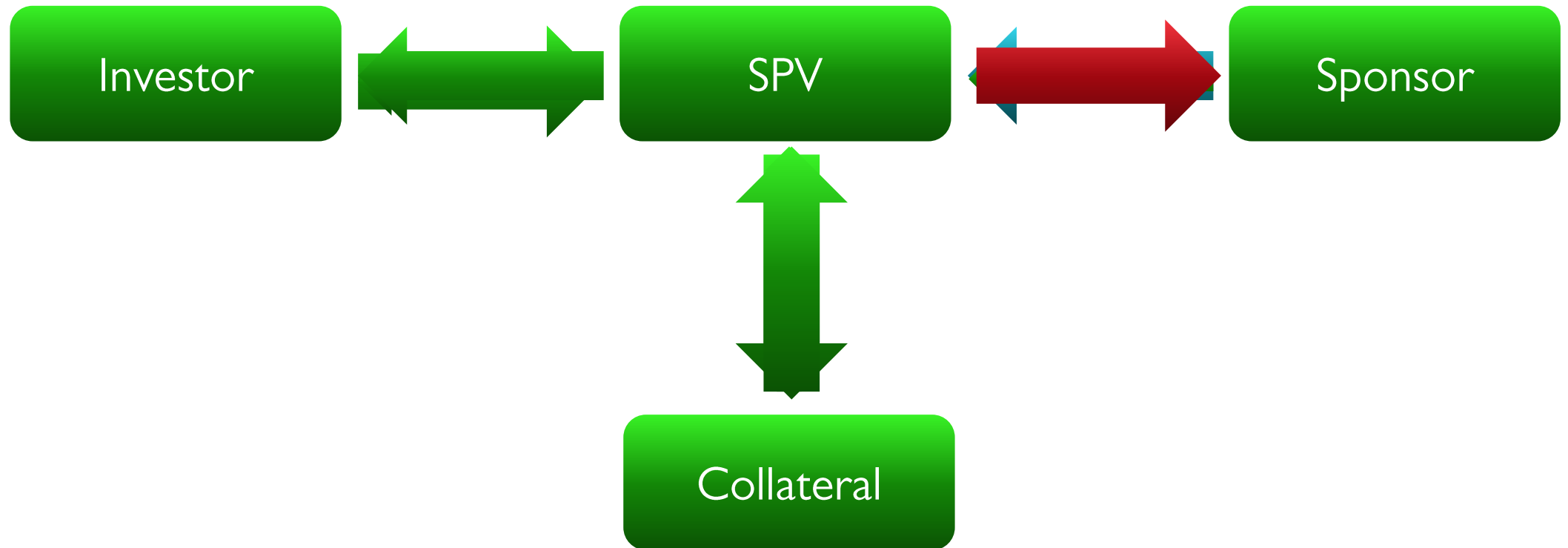


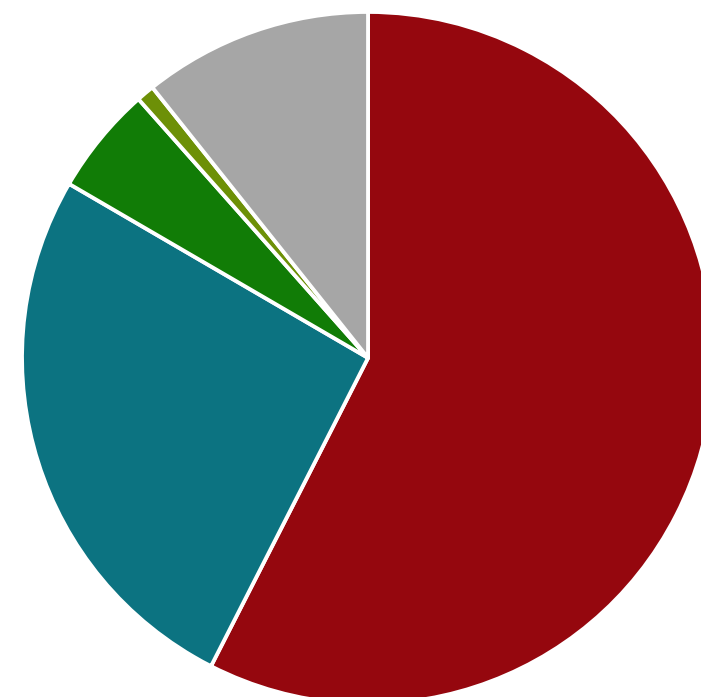
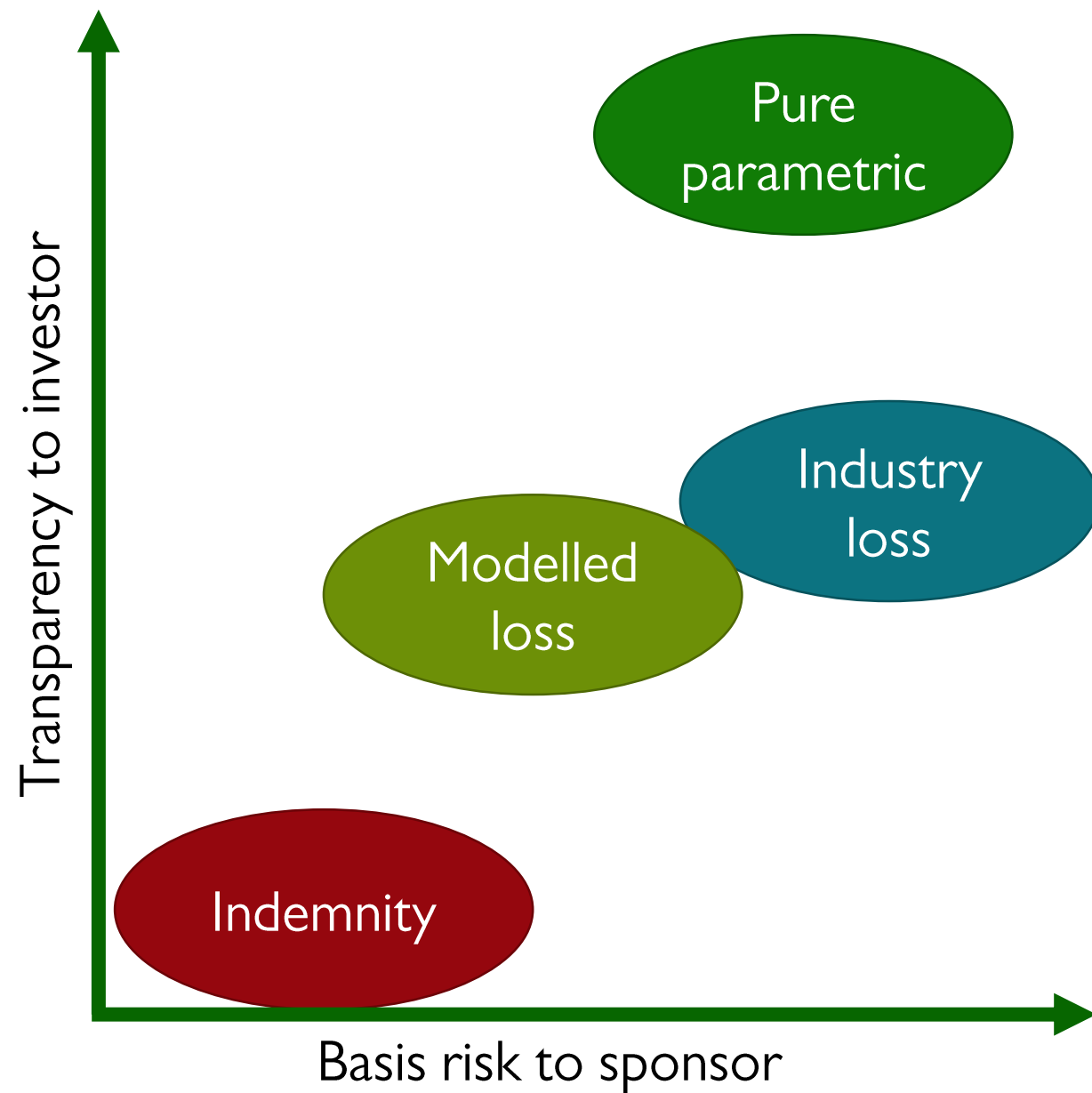
“The Big One” could cost \$200 Bn



Corporate floating rate note
with different risk







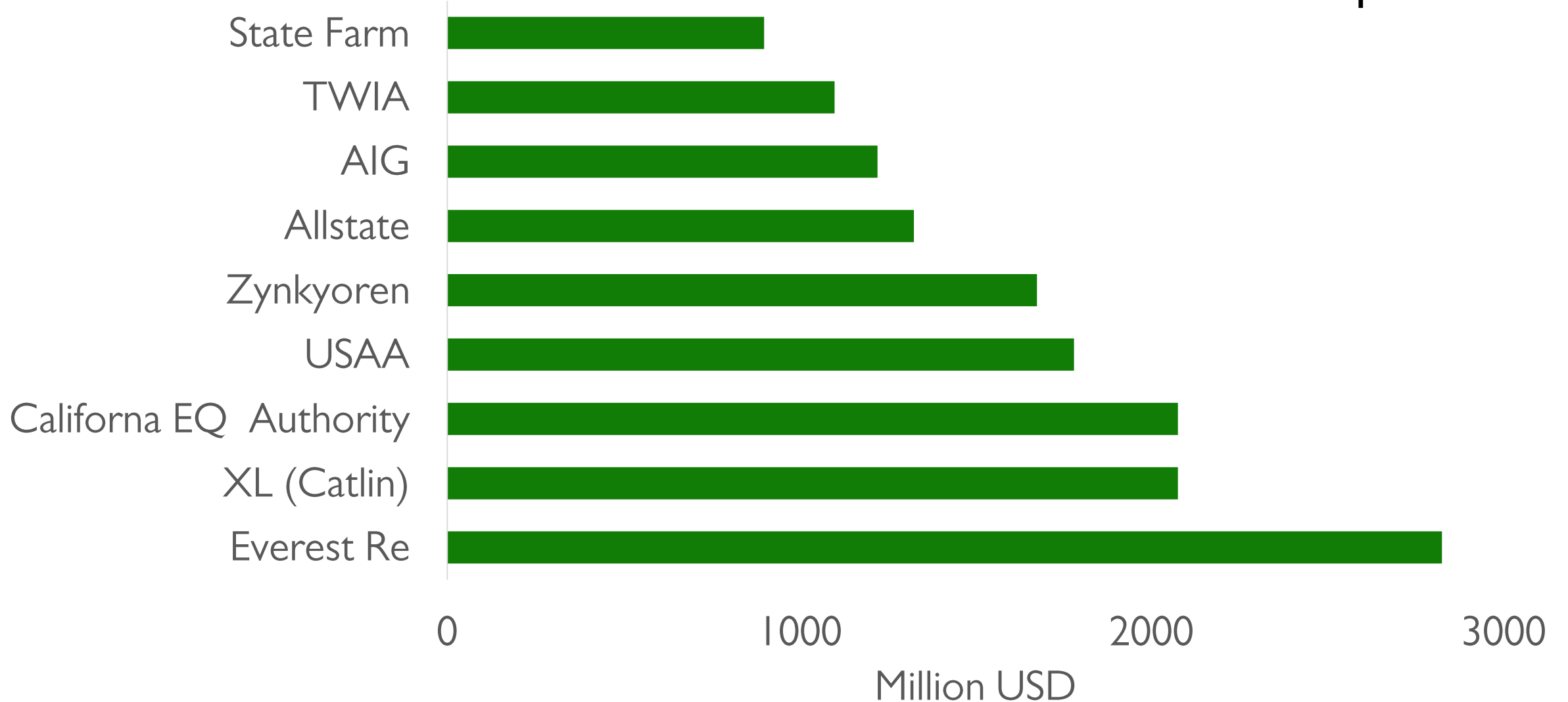
Volume per trigger type

Total reinsurance market \$605 Bn

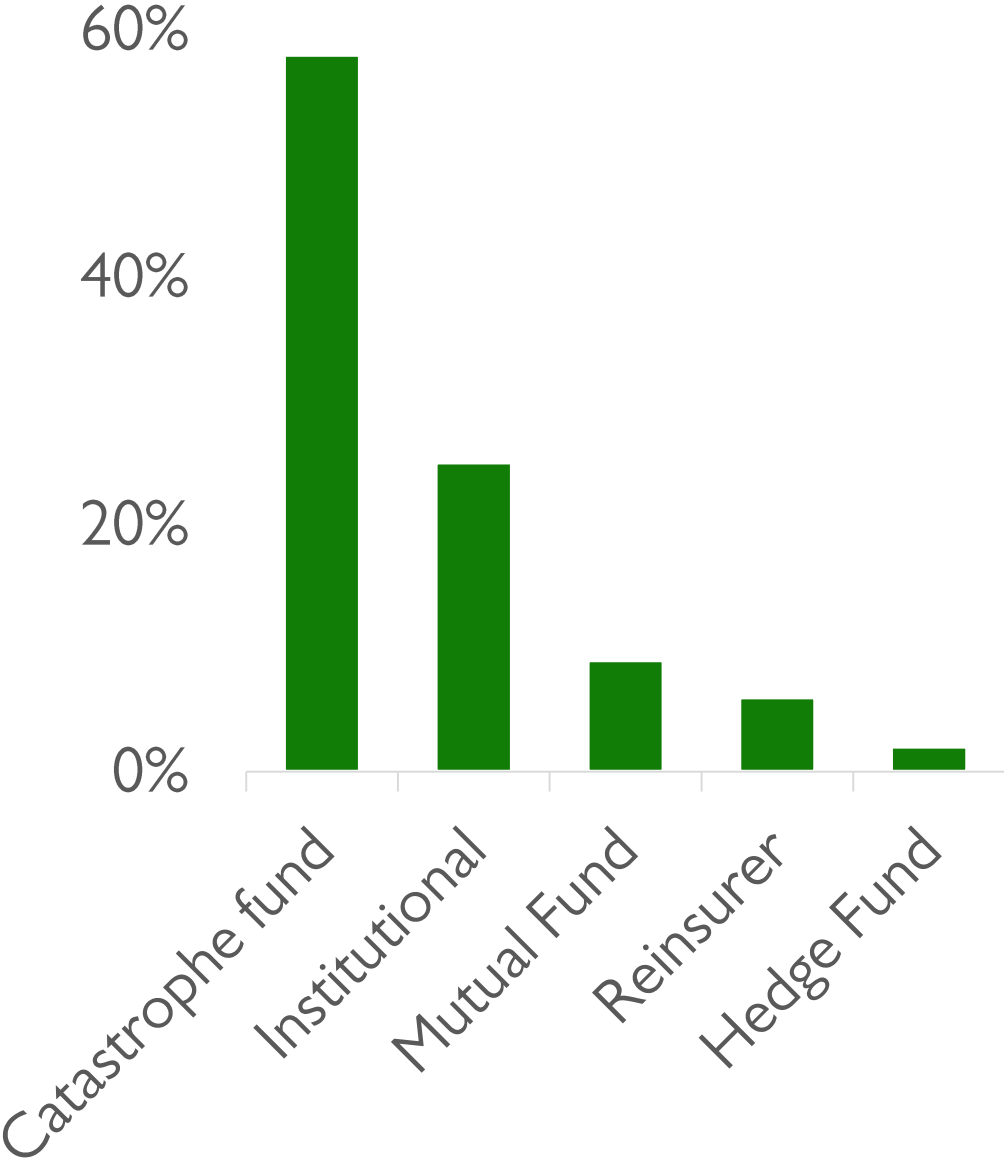
Alternative capital
\$95 Bn

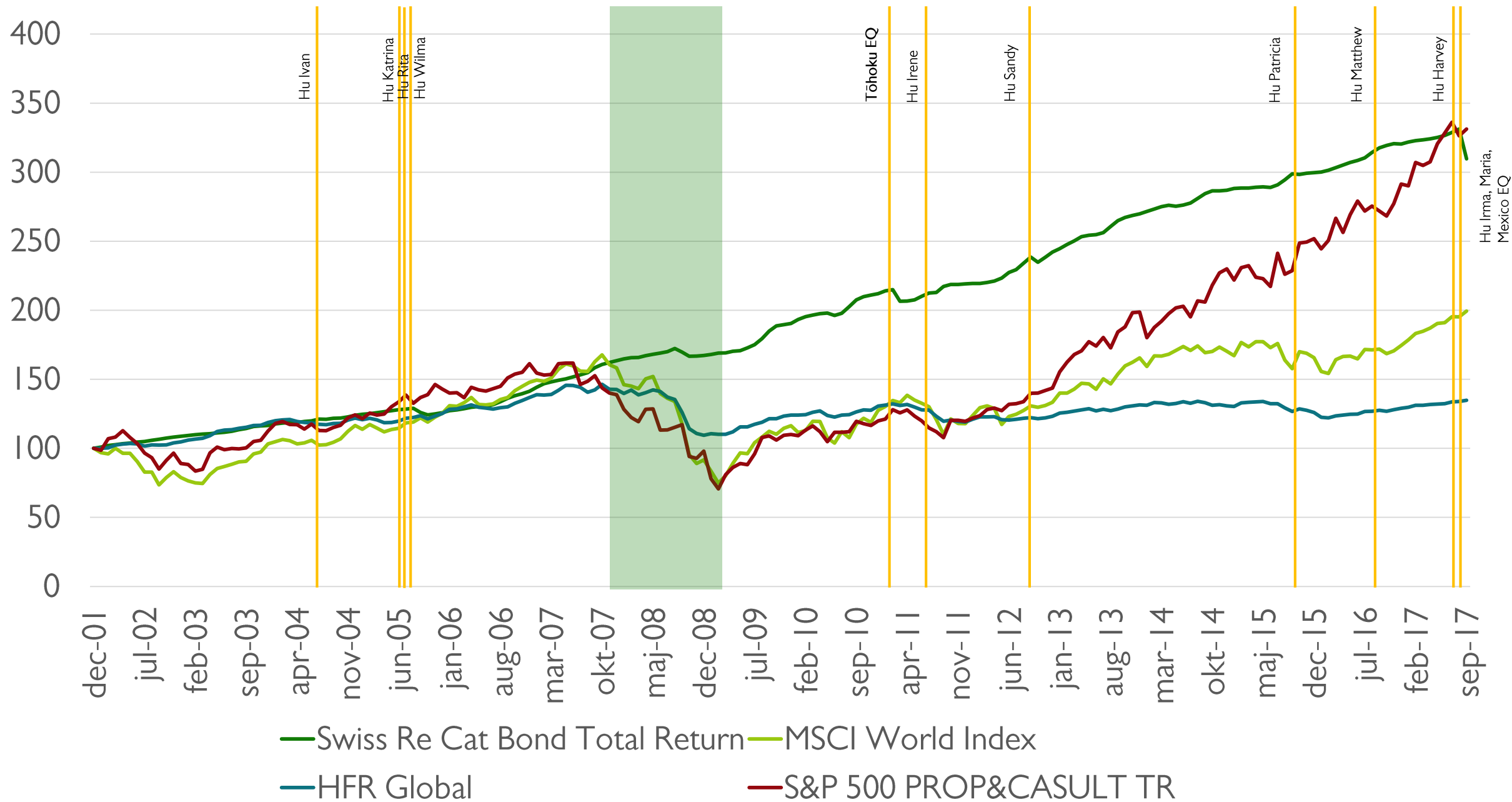


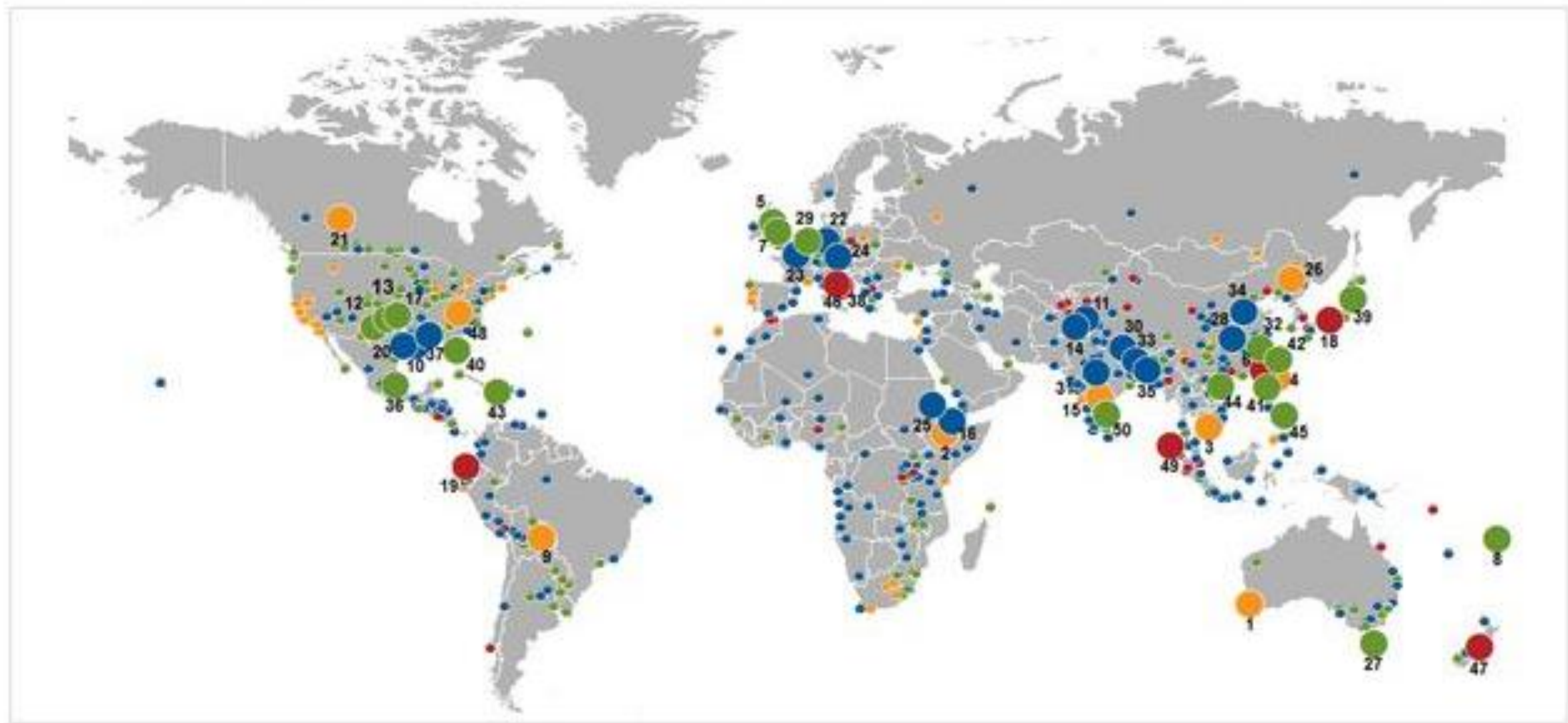
50 % of issued volume by
10 of 58 known sponsors



Investor demographics





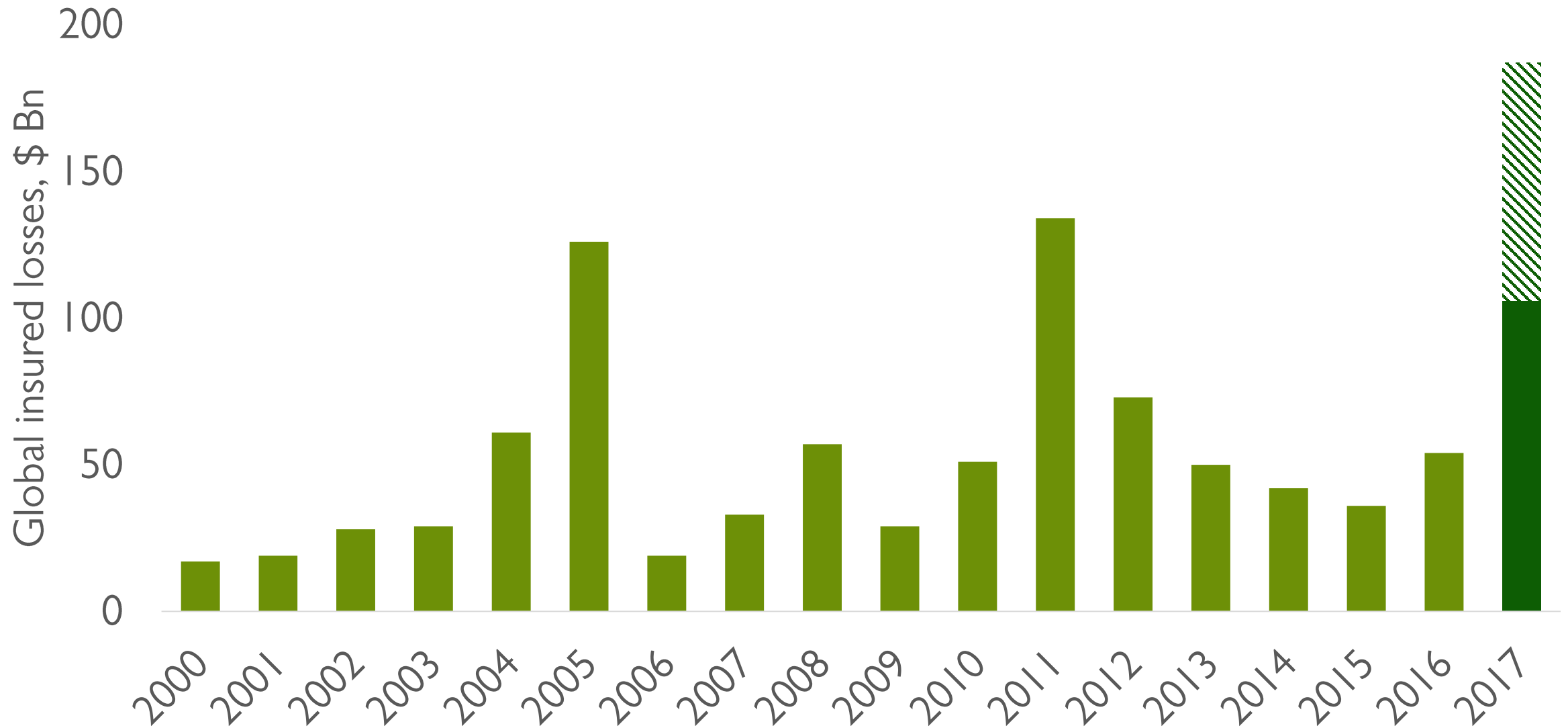


750 natural hazard events, thereof

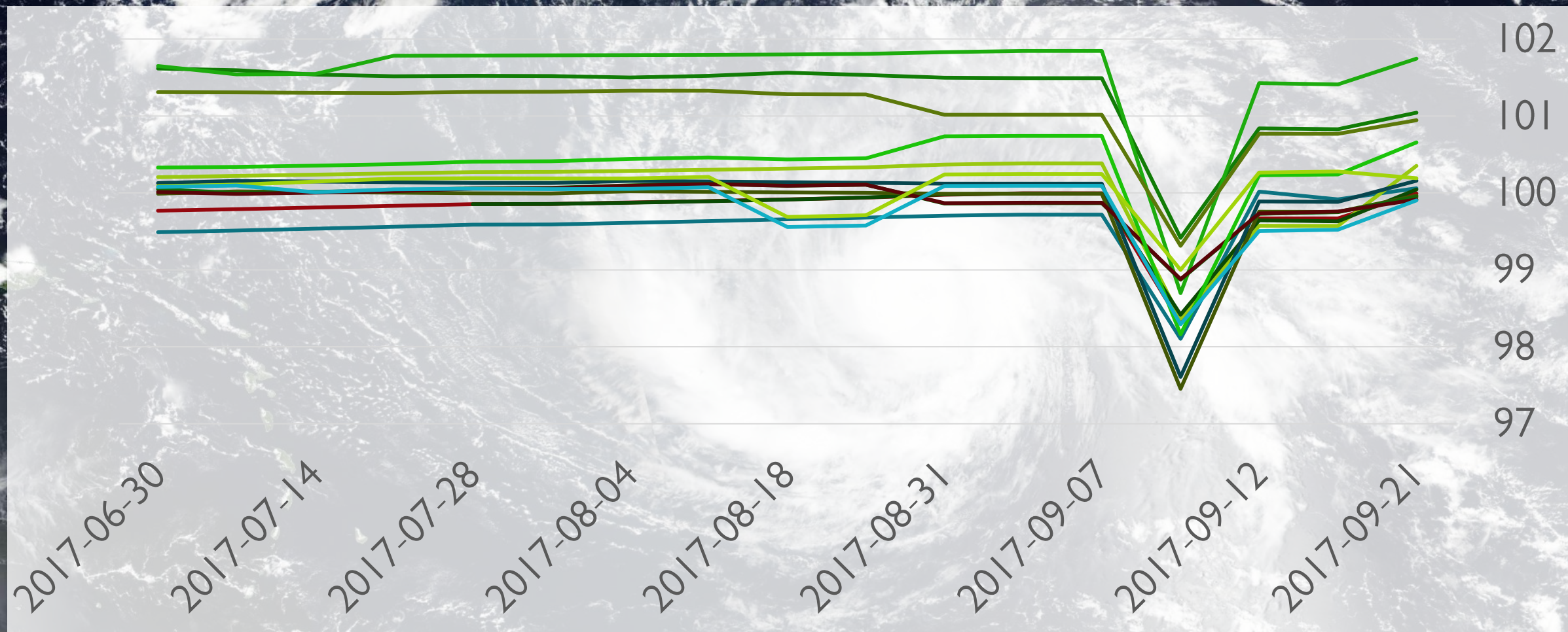
○ 50 major events (details overleaf)

- Geophysical events: Earthquake, tsunami, volcanic activity
- Meteorological events: Tropical storm, extratropical storm, convective storm, local storm
- Hydrological events: Flooding, mass movement
- Climatological events: Extreme temperatures, drought, wildfire

2017 is one of the costliest years ever



Evidence of a hardening market



In summary

The sponsor's perspective

Fully collateralized reinsurance, no concern of counterpart credit risk

Diversifying sources of capacity

Cat bond typically 3 – 5 years gives price stability

The investor's perspective

Uncorrelated to traditional asset classes

Historically good risk adjusted returns

Risk premium calculated above risk free rate give protection against raising interest rates



Thank you

Robert Lindblom
robert.lindblom@entropics.se