Structured Finance Issuance Including Terrorism Risk

A Presentation for the Advisory Committee on Risk-Sharing Mechanisms

July 28, 2017

Transactions With Terror as a Key Risk

Year(s)	Transaction(s)	Sponsor	Size	Description
1996-2001	**Georgetown Re**	St. Paul Re	$68.5 Million	First Rule 144A Securitization completed in the capital markets. Surplus share of both elemental and non-elemental property risk originated by St. Paul Re. The Preferred tranche experienced partial losses in 9-11. The cedant and investors reached a mutually agreed commutation shortly thereafter.
2002	**Special Risk Insurance and Reinsurance of Luxembourg**	Allianz, XL, Hannover, Swiss Re, Zurich (all 18.2%), SCOR (9.1%)	274 Million Euros ($323.7 Million)	Set up in April 2002 to offer European companies and their worldwide operations insurance for property damage, physical loss and business interruption caused by terrorist attacks. Aimed to fill a gap in the market following the Sept. 11 terrorist attacks & provided limits of 275 million euros ($323.7 million). Premiums fell below plan and the company was wound up by the partners thereafter.
2012-	**Saltire and Kinesis**	Lancashire	Approx. $1.4 Billion	Collateralized reinsurance sidecar writing both elemental and non-elemental property reinsurance, including terrorism in the latter category
2003	**Golden Goal**	Fédération Internationale de Football Association (FIFA)	$262 Million	The special purpose reinsurer that raised capital via this issuance would pay FIFA upon cancellation of the Final Match of the 2006 World Cup or delay past August 2007. While War and Boycott were generally excluded as causes, terror was specifically included and modeled.

Transactions with Terror as an Incidental Risk

Year(s)	Transaction(s)	Sponsor	Size	Description
1988-2008	**XXX, AXXX and Embedded Value Securitizations (Numerous)**	Numerous US and European Carriers	~$29 Billion	These transactions either securitized future revenues arising from blocks of life insurance policies ("embedded value") or else invested proceeds in a collateral account from which US carriers purchased high layer reserve protection ("XXX," "AXXX"). In general adverse mortality and hence terrorism-driven mortality could generate losses to these notes.
2001-	**Extreme Mortality Securitizations (Vita, Nathan, Tartan, Atlas, Osiris & Benu)**	Swiss Re, Munich, Scottish, SCOR, Axa	$3.56 Billion	Allowed cedants to collect if mortality rates in specified countries including the US, France, Japan, Australia, Canada, the UK exceeded certain levels on an indexed basis. While the key risk for these transactions was generally identified as pandemic, terror was also defined and often modeled as a potential trigger.
2010-	**Vitality Re**	Aetna	~$1.4 Billion	Excess of loss coverage for Aetna to the extent its Medical Benefit Ratio exceeds certain levels. This could be driven by variation in claims or pricing, by pandemic or in extreme cases by terrorism or other causes
2016	**Operational Re**	Credit Suisse via Zurich	CHF220 ($223 Million)	Cover for Operational Risks including some cyber exposures (IT system failure / business interruption), fraudulent behavior of external parties and bank employees, fiduciary issues, losses due to improper business practices or unauthorized activity, accounting errors, documentation errors, regulatory compliance issues, HR issues, discrimination in the workplace or personal injury. The key risk for these transactions was generally identified as pandemic; terror also defined and often modeled as a potential trigger.

Notes

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Contact Detail

Michael J. Millette
203-975-4852
michael.millette@hscm.com
www.hscm.com

One Dock Street
Suite 404
Stamford, CT 06902