

CATASTROPHE BONDS

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Evolving Frontiers, Exciting Prospects

16th Global Conference of Actuaries & 2014 AGFA

17th – 18th Feb, 2014 Mumbai - India

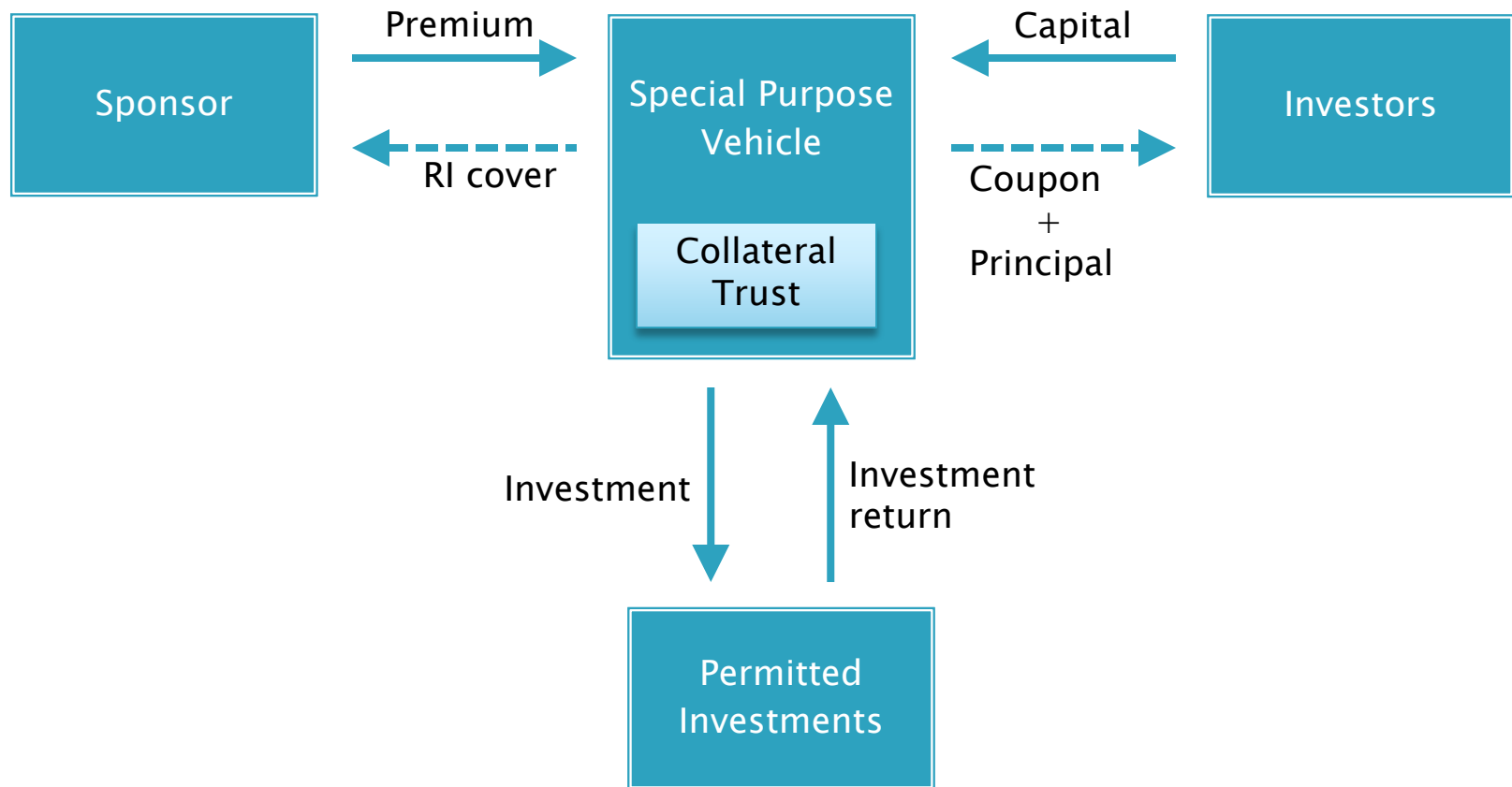
Agenda

- ▶ Introduction
 - ▶ Structure & Triggers
 - ▶ Characteristics
 - ▶ Comparison with Corporate bonds
 - ▶ Market trends
 - ▶ Scope in India
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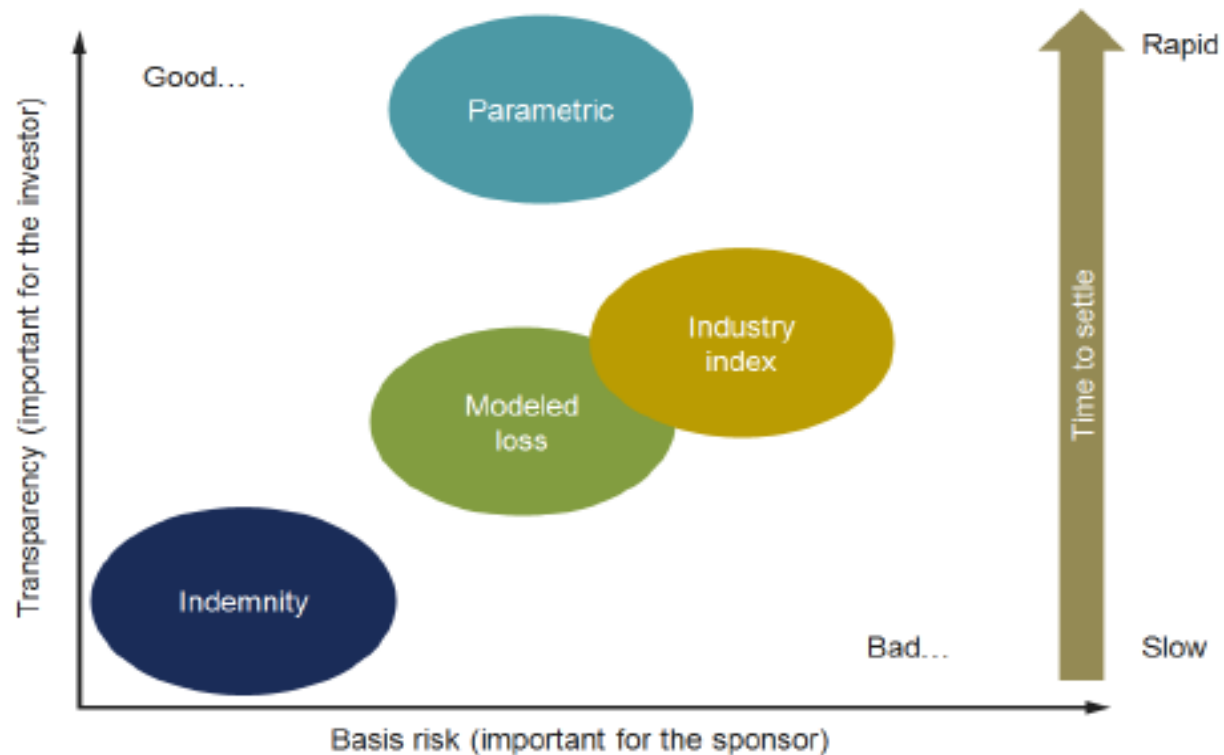
Introduction



Structure



Triggers

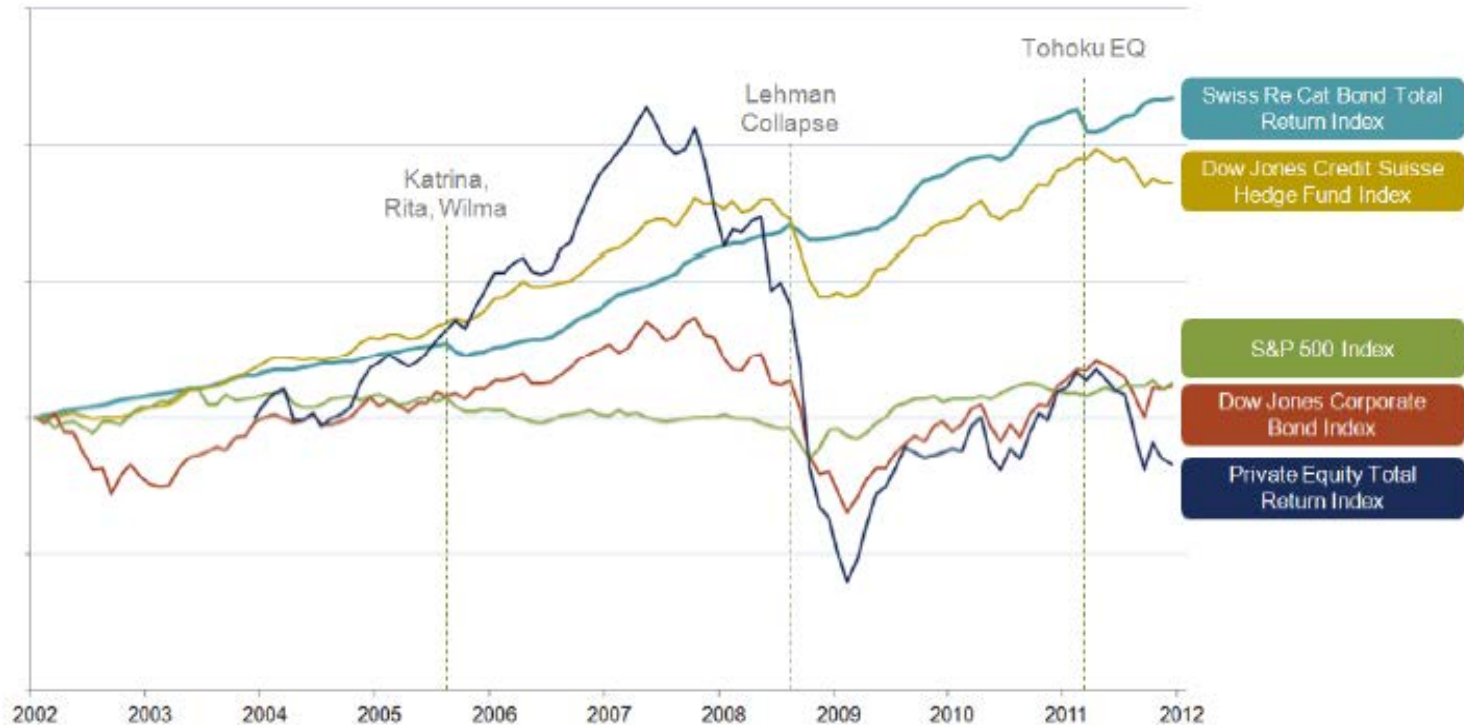


Characteristics

	Global Cat Bond	Equities	Corporate Bonds	High Yield Bonds	Commodities	Hedge Funds
Annualized Return	8.5%	5.6%	5.8%	9.2%	5.0%	1.5%
Volatility (p.a.)	2.7%	15.3%	5.2%	10.5%	24.1%	5.7%
Date of worst month	Mar 2011	Oct 2008	Sep 2008	Oct 2008	Oct 2008	Oct 2008

Source: Data from January 2002 to September 2013. Cat bonds: Swiss Re Global Cat Bond Index, equities: S&P500 Total Return Index, corporate bonds: ML Sterling non-gilts index, commodities: S&P Goldman Sachs Commodity Index, hedge funds: HFRX Index, high yield bonds ML Global High Yield Index.

Performance Comparison

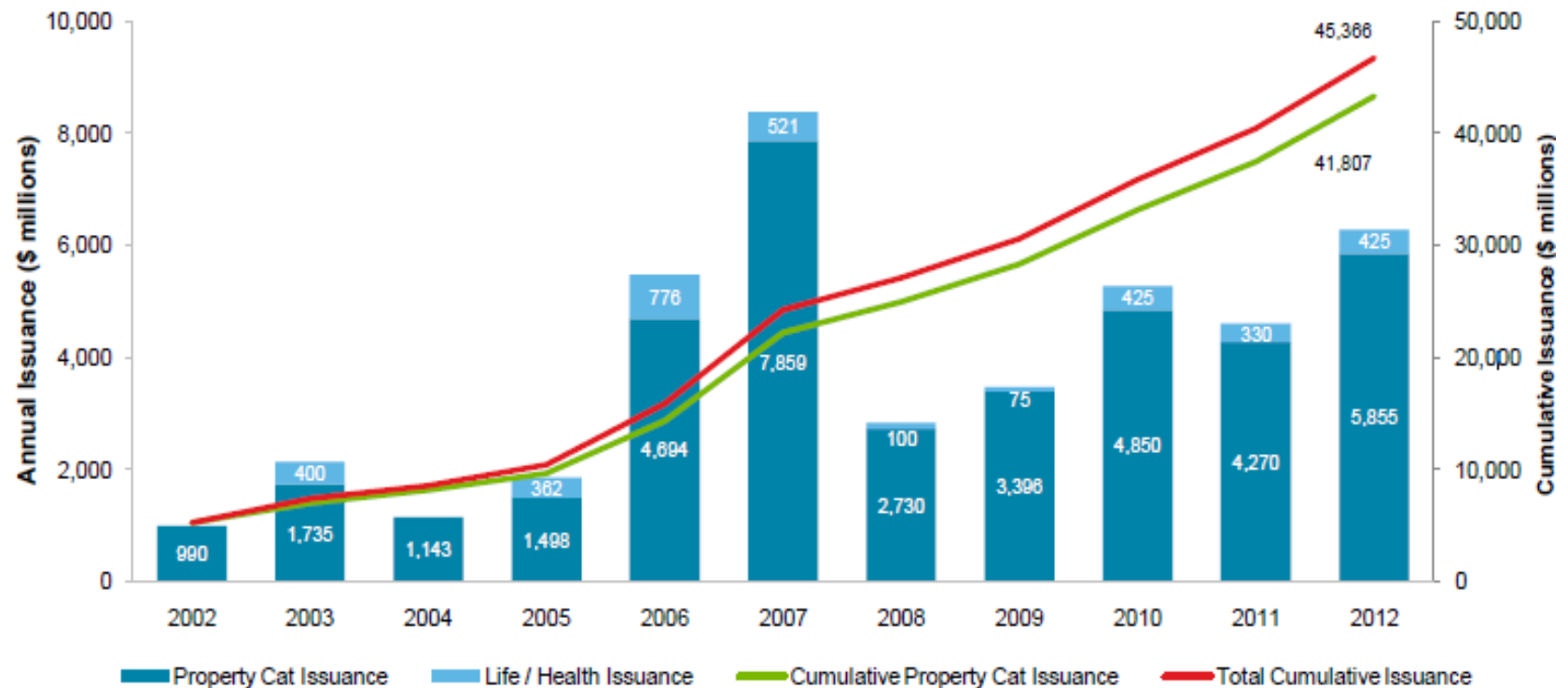


Source: Cat Bonds Demystified – RMS Guide to Asset Class, RMS, 2012

Cat Bond vs. Corporate Bond

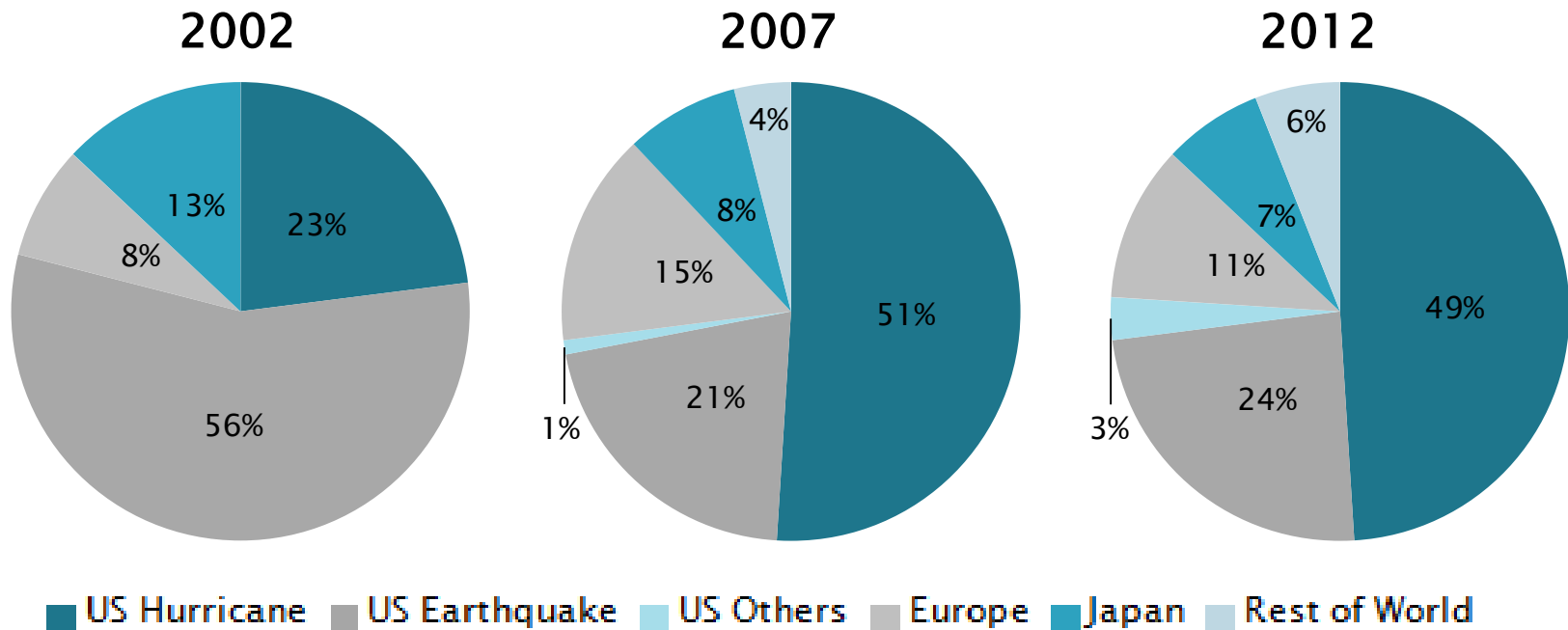
Features	Cat Bonds	Corporate Bonds
Aim	Transfer risk	Raise capital
Term	~3 years	Short, medium & long
Rating	Non-investment grade (BB and B)	Investment grade (AAA to BBB)
Cause of Default	Cat event	Bankruptcy
Recovery basis	Trigger mechanism	Remaining assets & seniority of bonds

Historical Growth



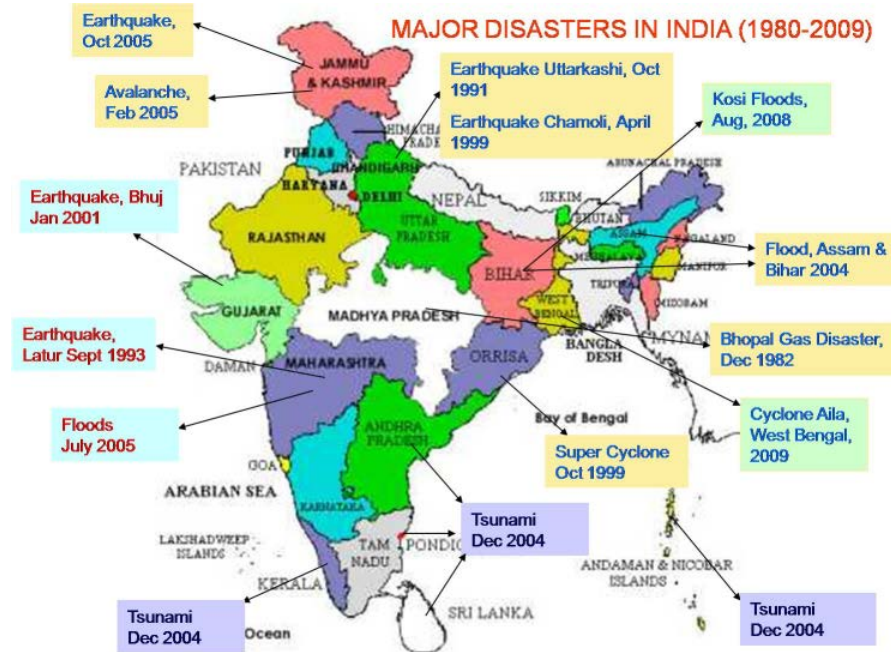
Source: Aon Benfield Securities, Inc.

Market Trends



Source: Aon Benfield Securities, Inc.
Based on contribution to expected loss

Scope in India



Need

Challenges

Untapped
Market

Innovative
Instruments



Thank you!



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