

News Release

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First Singapore Catastrophe Bond Sets Stage for ILS Expansion in Asia-Pacific

Singapore, February 27, 2019 – The first catastrophe bond has been issued out of Singapore. This highlights the potential of the insurance linked securities (ILS) market in the region, and is aligned with the city-state’s efforts to establish itself as a global hub for Asian risk transfer. The bond is sponsored by Insurance Australia Group (IAG) as part of its 2019 catastrophe aggregate reinsurance cover and represents the first such transaction by the company.

GC Securities, a division of MMC Securities LLC, a U.S. registered broker-dealer and member FINRA/NFA/SIPC, acted as the sole structuring agent and sole placement agent for the catastrophe bond issued by Orchard ILS Pte. Ltd.

The bond provides IAG with AUD 75 million of annual aggregate catastrophe protection for three years and is part of its aggregate sideways cover, which in total provides protection of AUD 475 million excess of AUD 375 million. Orchard ILS Pte Ltd. adds a new element to the company’s risk transfer program and diversifies its suite of available reinsurance solutions.

As part of its broader effort to develop the ILS market in Singapore, the Monetary Authority of Singapore (MAS) introduced the ILS grant scheme in February 2018. The grant scheme, which was developed in consultation with industry experts including GC Securities and IAG, funds upfront ILS bond issuance costs. The scheme complements a progressive regulatory system that supports the incorporation of a purpose-built reinsurance entity¹ in Singapore to securitize risks, and a tax framework that provides tax neutrality to the reinsurance entity and ILS investors.

Ng Yao Loong, Assistant Managing Director, Development and International Group, MAS, said, “The IAG cat bond issuance is a significant milestone in the development of Singapore’s ILS market. It demonstrates the growing capabilities of the Singapore financial sector in delivering such innovative capital market solutions. The (re)insurance industry, multilateral organizations and sovereigns are now able to tap additional risk transfer mechanisms to better address Asia’s disaster protection needs.”

David Priebe, Vice Chairman at Guy Carpenter, added “Singapore’s ILS grant scheme is an excellent initiative that has played an important part in enabling this transaction to take place. We hope the pioneering work of IAG, MAS, and GC Securities provides a springboard for greater use of insurance linked securities to close the protection gap in Asia and promote sustainable economic development in one of the most dynamic regions of the world.”

¹ Under the Special Purpose Reinsurance Vehicle (SPRV) Regulations

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TAGS/KEYWORDS

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