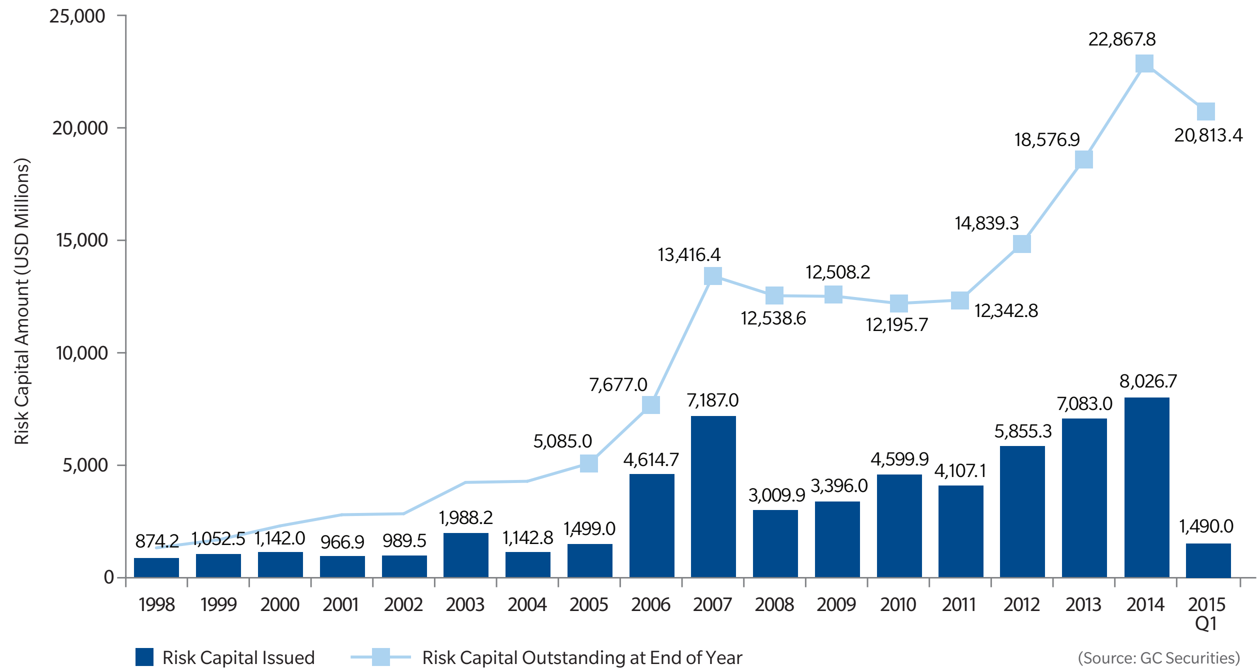
Catastrophe Bond Update: First Quarter 2015

FIRST QUARTER ISSUANCE REACHES HISTORIC VOLUME

A high volume of maturities coupled with a diverse and steady stream of new issuances created a dynamic catastrophe bond market in the first quarter of 2015. The first quarter of each year is particularly active in terms of issuance for the property/casualty (P&C) catastrophe bond market and this characteristic continued into 2015 as USD1.49 billion of 144A P&C catastrophe bond limit was successfully placed with investors, the highest first quarter volume in history. Furthermore, the highest quarterly volume of 144A P&C catastrophe bonds matured in the first quarter, returning USD3.544 billion of principal to investors.

F-1 | 144A P&C CATASTROPHE BOND RISK CAPITAL ISSUED AND OUTSTANDING – 1998 TO 2015 Q1



NEW ISSUANCES IN REVIEW — REPEAT ISSUERS

Six repeat sponsors re-entered the market in the three months ending March 31, each issuing either replacement coverage or additional limit in advance of the North Atlantic wind season. Many of the repeat sponsors sought to continue to take advantage of attractive pricing as demonstrated by Catlin's Galileo Re Ltd. Series 2015-1 Notes. This particular transaction was Catlin's second catastrophe bond issuance through the Galileo Re Ltd. catastrophe bond facility and fifth overall 144A catastrophe bond issuance, with the 2015-1 tranche sitting below the outstanding Series 2013-1 layer. The 2015-1 Notes demonstrate that investors continue to show an interest in high risk/higher yielding products as the initial risk interest spread on the Galileo Re Series 2015-1 Notes is 13.50 percent with a modeled annual expected loss of 8.60 percent on a sensitivity basis — based on AIR risk analysis.

The market continued to show acceptance of structural innovation evidenced by Chubb's East Lane Re VI Series 2015-1 transaction. Chubb's seventh catastrophe bond issuance provided the insurer with five years of protection, a duration that is considered higher than average in the 144A P&C catastrophe bond market. This feature is becoming increasingly prevalent as it allows sponsors to lock in multi-year rates, amortize transaction expenses over a longer term and investors to diversify their own maturity schedules. The East Lane VI Series 2015-1 Notes provide coverage for several non-modeled perils for the first time, including meteorite impact, volcanic impact and wildfire, in addition to previously covered perils of Named Storm, earthquake, severe thunderstorm and winter storm. The bond upsized from USD225 million to USD250 million and priced at the midpoint of the expected range.

Other repeat issuers in the first quarter included SCOR via Atlas IX Capital Ltd. Series 2015-1; State Farm via Merna Re Ltd. Series 2015-1; Munich Re via Queen Street X Ltd. Series 2015-1 and Tokio Marine via Kizuna Re II Ltd. Series 2015-1.

T-1 | CLOSED DEAL SUMMARY

Deal	Sponsor	Closing Date	Trigger	Peril(s)/ Region(s)	Expected Loss	Risk Period	Notional $M [Initial] => Final	Risk Spread [Initial] => Final	Risk Spread Tightening (Final/Initial Mid-Point)
Galileo Re 2015-1	Catlin	2/4/15	Annual aggregate: Weighted Industry Loss Index	U.S. HU, US/Canada EQ, Europe Windstorm	8.60% (AIR WSST)	~3 years	$[200] => 300	[13.50-14.00%] => 13.50%	-1.80%
Atlas IX Capital Limited	SCOR	2/9/15	PCS Index	U.S. HU U.S./Canada EQ	3.76% (AIR WSST)	~4 years	$[150] => 150	[7.00-7.75%] => 7.00%	-5.10%
East Lane Re VI 2015-1	Chubb	3/6/15	Indemnity; Annual Aggregate	Northeast Named Storm, EQ, ST, WS, WF, VE, MI	1.34% (RMS WSST)	~5 years	$[225] => 250	[3.50%-4.00%] => 3.75%	0.00%
Merna Re Ltd. 2015-1	State Farm	3/31/15	Indemnity; Per Occurrence	New Madrid Earthquake	0.41% (RMS)	~3 years	$[300] => 300	[1.75% - 2.00%] => 2.00%	6.70%
Kizuna Re II Ltd.	Tokio Marine	3/26/15	Indemnity; Per Occurrence	Japan Earthquake	0.02% (AIR)	~4 years	¥[25B] => 35B $[200] => 290	[2.00%] => 2.00%	0.00%
Manatee Re Ltd.	SafePoint	3/27/15	Indemnity; Per Occurrence	Florida Named Storm	1.15% (AIR WSST)	~2.72 years	$[75] => 100	[4.25% - 5.00%] => 5.00%	8%
Queen Street X Limited	Munich Re	3/30/15	PCS Index (HU) Weighted Modeled Loss (AU HU)	U.S. HU Australia Tropical Cyclone	2.72% (AIR WSST)	~3 years (HU) ~4 years (TC)	$[100] => 100	[5.50% - 6.00%] => 5.75%	0.00%

(Source: GC Securities)

NEW ISSUANCES IN REVIEW — FIRST TIME ISSUERS

In a promising sign for the 144A P&C catastrophe bond market, one new issuer successfully obtained capital markets protection during the first quarter. Safepoint Insurance Company, seeking to establish long-term relationships with alternative capital providers, issued USD100 million of Principal At-Risk Variable Rate Notes via a newly established catastrophe bond shelf program, Manatee Re Ltd. Series 2015-1. As the deal upsized from USD75 million, the insurance-linked securities investor base accommodated the growing Florida insurer, clearly demonstrating investors' willingness to assume risk from start-up and/or growing insurance companies seeking protection in 144A bond format.

T-2 | DEAL TERMS

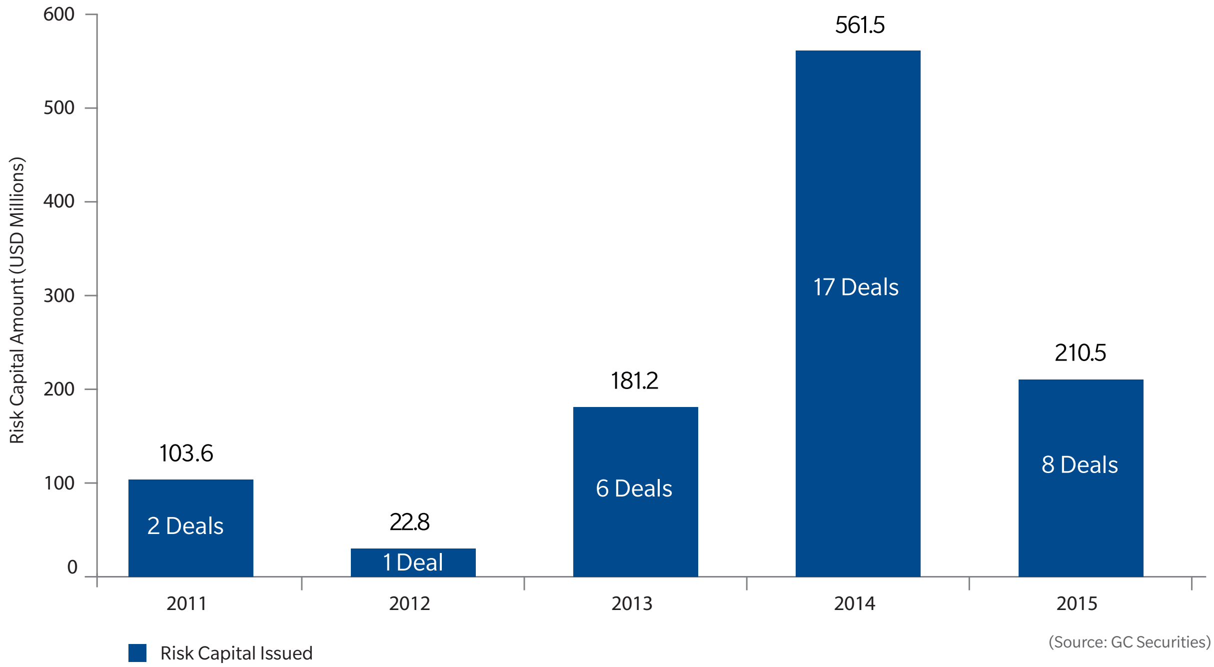
Series 2015 – I Notes	
Issuer	Manatee Re Ltd.
Peril	Named Storm
Covered Areas	Florida
Trigger	Indemnity; per Occurrence
Risk Period	2.72 years
Modeling Firm	AIR Worldwide Corporation
Collateral	U.S. Treasury Money Market Funds
Expected Loss	0.99% (base) / 1.15% (sensitivity)
Attachment Point	$120,000,000; P(attach) = 1.36% (base) / 1.59% (sensitivity)
Exhaustion Point	$320,000,000; P(exhaust) = 0.68% (base) / 0.79% (sensitivity)
Issuance Amount	$100M
Initial Spread	5.00%

(Source: GC Securities)

PRIVATE CATASTROPHE BOND MARKET

The private catastrophe bond market continues to grow steadily in 2015, with USD196.7 million of limit placed in rule 4(2) private placement format via six transactions through March 31, 2015. The 2015 year-to-date volume (through March 31, 2015) has exceeded the total full-year issuance in the individual years 2011, 2012 and 2013. Total year-end issuance in 2014 was USD561.5 million across 17 transactions. As the industry continues to develop and enhance platforms to facilitate issuance of smaller catastrophe bonds, it is likely the market will continue to see further issuance in such a format over 2015.

F-2 | PRIVATE CATASTROPHE BONDS RISK CAPITAL ISSUED 2011 – 2015 YTD



Note: P&C catastrophe bonds as of May 15, 2015 excluding deals currently being marketed.

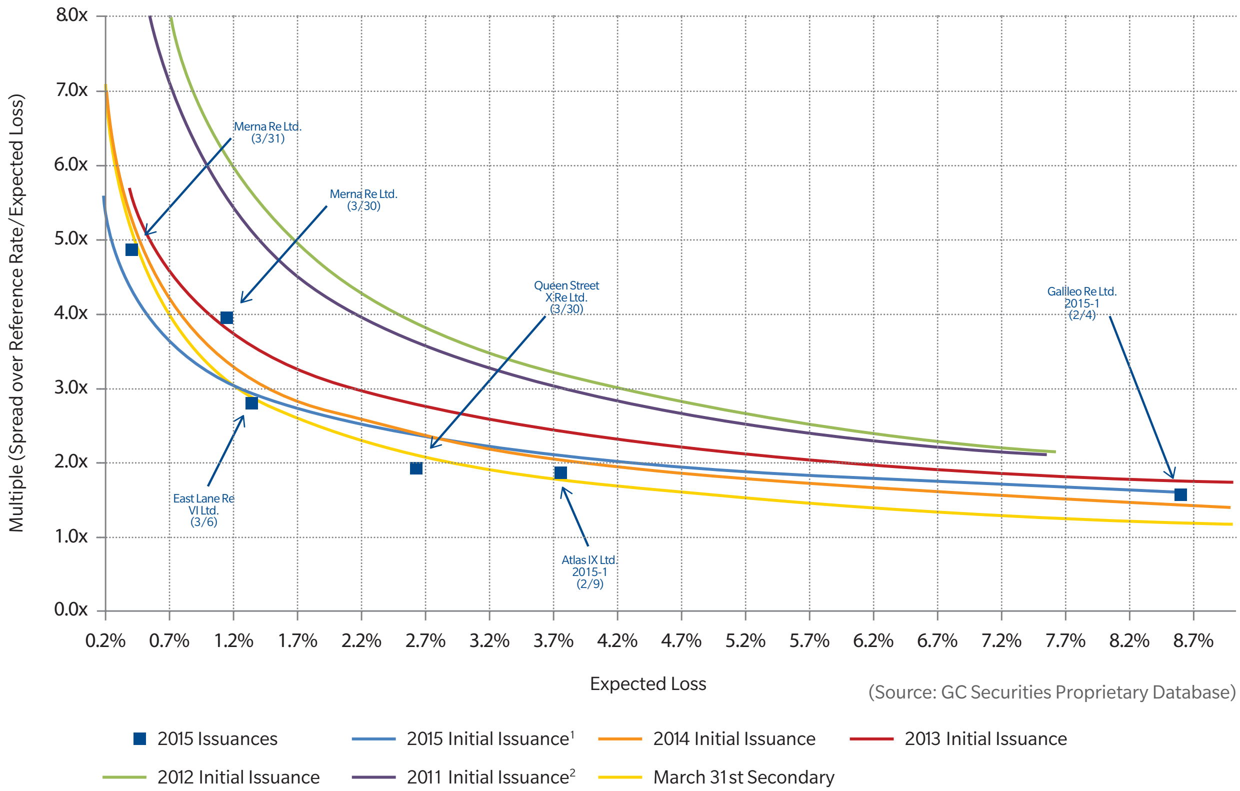
KEY DEVELOPMENTS IN THE FIRST QUARTER

Investors' pricing discipline that emerged in the fourth quarter of 2014 persisted into the first quarter of 2015 as recent deal pricing and investor feedback suggested that further catastrophe bond pricing reductions in the near-term would be unlikely.

There appear to be two driving forces behind the pricing stabilization:

(1) Pricing fell dramatically from 2012 to 2014 year end as seen in figure 3 on the next page and as a result, the market began to stabilize in 2014 and has remained at such a level.

F-3 | PRICING CURVE



1. Kizuna Re II Ltd. not displayed (EL 0.018%, 11.1x).
2. Excludes Combine Re Class A
Note: P&C catastrophe bonds as of May 15, 2015 excluding private transactions.

(2) As a result of price decreases in previous years, the spread of P&C catastrophe risk over traditional "risk-free" fixed income products has declined. As a consequence, investors are questioning if further price reductions will leave them adequately compensated for the risk they bear. Table 3 provides a summary of current market yields. The market exhibited characteristics of a pricing floor in the first quarter through the pricing of two remote risk earthquake transactions — Kizuna II Re Ltd Series 2015-1 and Merna Re Ltd. Series 2015-1. Kizuna II Re Ltd., covering Japanese earthquake, had an expected loss of 1.8 basis points and priced at 2 percent. Merna Re Ltd. had nearly 20 times more risk, albeit still remote, with an expected loss of 41 basis points and was also priced at 2 percent.

T-3 | CURRENT MARKET YIELD

Bond	Expected Loss	Yield
US Treasuries	0.00%	0.89%[1]
Kizuna II Re Ltd. Series 2015-1	0.02%	2.00%
Merna Re Ltd. Series 2015-1	0.41%	2.00%

(Source: GC Securities)

(1) Source: 3 Yr Daily Treasury Yield Curve Rate as of 3/31/2015 (www.treasury.gov))

Evidence of price discipline and thoughtful conversations between protection buyers and sellers about adequate compensation for risk should be welcomed by all market participants. It is clear that catastrophe/insurance risk still provides an attractive risk/return profile and that the asset class will continue to occupy an important strategic role in the investment portfolios of institutional investors. Despite considerable spread reductions over the past 24 months, there are more investors participating in the asset class than ever before. The case remains that there is significant additional capital available in the global financial markets eligible to participate in this asset class. Critically, however, it is just as important to recognize that this capital is seeking to bear risk at a fair and justifiable rate of return. Innovation and new product features are acceptable but protection buyers and intermediaries should be prepared to substantiate their rationale for adding new features and be willing to discuss the value that new additional features provide. Marketing experience during 2015 year-to-date suggests that the investor base is more than willing — and, in fact, is actively seeking — to engage on these frontiers to continue to explore how capital markets products can continue to deliver mutual value to both protection buyers and sellers.

Participation from so called "hot money" investors has never been lower. Although some investors continue to use financial leverage, they were far more the exception than the rule and if financial leverage was used, it tended to be in small amounts. Current price levels, though down from previous years, could represent a "golden compromise" in which protection buyers perceive good value for a multi-year fixed-price protection and capital providers remain inclined to continue to build out their participation in the context of additional investment opportunities. Trading within this mutual value zone while issuance costs and time to market requirements continue to decline, could provide the substantial issuance boost that market participants have long been awaiting. The all-time record issuance activity for the first quarter of 2015 could portend big things to come for the remainder of the year.

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