

News Release

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GC Securities Report Shows Catastrophe Bond Market Continues to Hold Steady

New York, December 14, 2015 - GC Securities, a division of MMC Securities Corp., a U.S. registered broker-dealer and member FINRA/NFA/SIPC, today released a briefing and analysis of catastrophe bond activity for the third quarter of 2015, which shows healthy activity across the market and marks the fourth highest third quarter catastrophe bond issuance on record.

The briefing, *Catastrophe Bond Update: Third Quarter 2015*, reports that execution of catastrophe bonds in Q3 2015 totaled USD 650 million, bringing the total for 2015 through September 30, 2015 to USD 4.492 billion. Although activity in this time period has been robust, the total outstanding catastrophe bonds for Q3 2015 was marked at USD 21.709 billion, down 4.65 percent from 2014 year-end, which was the highest on record. Pricing generally held steady with investors spending time on portfolio management. Ample capital remains available and conversations with managers indicate most are continuing to grow pragmatically, grow assets under management or hold at constant levels.

“As we progress through the fourth quarter, over 70 percent of outstanding catastrophe bonds are exposed to U.S. tropical cyclones and earthquakes. Although these perils in particular continue to drive the ILS market, we expect that 2016 will see new perils, new geographies, new types of protection structures and new sponsors emerge,” said Cory Anger, Global Head of ILS Structuring, GC Securities.

To this end, the third quarter saw the successful execution of Acorn Re Ltd., the first parametric trigger 144A catastrophe bond to be completed in 2015 and the first “cat-in-a-box” trigger developed by Guy Carpenter’s CAT Risk Studio (CRS). The Series 2105-1 Notes provide three years of earthquake protection across California, Oregon, Washington, Idaho, Utah, Nevada and Arizona in the United States; the province of British Columbia in Canada and the states of Baja California, Baja California Sur and Sonora in Mexico.

Another notable transaction in the third quarter of 2015 was the Bosphorus Ltd. Series 2015-1 Notes that benefitted the Turkish Catastrophe Insurance Pool (TCIP). This transaction marked the second time that TCIP has utilized the capital markets to obtain earthquake protection. The Series 2015-1 bonds provide USD 100 million of protection for three years of per occurrence protection for earthquakes affecting the Istanbul region. Finally, the third quarter of 2015 saw the transaction of Ursa Re Ltd. Series 2015-1 Notes that benefitted the California Earthquake Authority (CEA). The CEA returned to the insurance-linked securities market to access USD 250 million of protection.

Pricing conditions seen in the third quarter held steady from the previous quarter and led to a shift in forward outlooks. On balance, the market continued to show slightly more robust demand for transactions carrying higher risk spreads. GC Securities forecasts a trend toward continued use of catastrophe bonds as a source of stable risk transfer capacity, if current conditions persist. Over the past 5 years, GC Securities has seen roughly 15 to 20 percent of 144A P&C cat bond market growth across the ILS marketplace and expects alternative capital to continue to serve as a consistent source of risk capital for (re)insurance companies and corporates in the year to come.

The full briefing is available at www.GCCapitalIdeas.com.

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