

# News Release

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## **GC Securities\* Report Shows Moderated Catastrophe Bond Activity, Mixed Pricing Levels at Year-End 2015**

**New York, January 27, 2016** - GC Securities\*, a division of MMC Securities LLC, a U.S. registered broker-dealer and member FINRA/NFA/SIPC, today released a briefing of catastrophe bond activity for the fourth quarter and full year analysis of 2015. According to GC Securities, although 144A property and casualty (P&C) catastrophe bond primary issuance levels were charted as uncharacteristically low in the fourth quarter, totals at year-end were only slightly lower than the all-time high levels seen in 2014, with 2015 issuance totaling USD 5.917 billion, and outstanding risk capital totaling USD 22.640 billion, as of December 31, 2015.

2015, which began with record issuance levels in the first quarter, experienced a dramatically different fourth quarter, marking the second biggest dip in the market since 2005, according to the briefing *Catastrophe Bond Update: Fourth Quarter and Full Year 2015*. The relatively low issuance levels of completed 144A P&C catastrophe bonds benefitted five sponsors and totaled USD 1.425 billion.

“Overall, 2015 proved to be a strong issuance year for the cat bond market,” said Cory Anger, Global Head of ILS Structuring, GC Securities. “The relatively low levels of activity we saw at year-end may be due to the fact that sponsors, who might ordinarily issue in the fourth quarter, had the flexibility to delay issuance to Q1 2016 in an effort to either obtain better execution, or to avoid transaction crowding. We view this shift in sponsors’ willingness to prioritize execution over specific renewal dates as a further sign of the maturity of the insurance-linked securities space.”

Despite a somewhat limited amount of capital placed, one new sponsor and four repeat sponsors accessed the 144A catastrophe bond market during the fourth quarter. The new sponsor, Amtrak’s captive Passenger Railroad Insurance Ltd., marked the most significant transaction with successful placement of USD 275 million of Principal At-Risk Variable Rate Notes issued from the newly formed PennUnion Re Ltd. The Series 2015-1 Notes provide per occurrence, parametric triggered protection from storm surge and wind resulting from Named Storms as well as earthquakes affecting the Northeast region of the United States.

Pricing dynamics in the fourth quarter were also mixed, with bonds trading in different directions based on the risk level, peril exposure and relative market size. As was the case throughout 2015, and particularly in the second half of the year, this time period was marked by continuing rate compression as well as the trend of sponsors and investors rotating their investment portfolios toward higher risk, higher return positions. The willingness and interest of the 144A catastrophe bond investor base to add risk in exchange for more yield is worth noting, as it presents an interesting value proposition to sponsors.

Anger added: “In today’s compressed rate environment, where the margin for error is low, investors will likely look towards higher quality risks. Overall, we view these patterns as long-term net positives for the stability and reliability of the 144A and private cat bond marketplaces. Looking forward to 2016, absent of a major market disruption, we expect that risk spreads in the 144A P&C and private cat bond market will remain flat to slightly down. Especially as new sponsors continue to incorporate alternative capital into their strategies, we expect issuance to be similar to the last several years with further growth in the private cat bond market.”

## GC Securities\* Reports Moderated Catastrophe Bond Activity, Mixed Pricing Levels at Year-end 2015

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The full briefing is available at [www.GCCapitalIdeas.com](http://www.GCCapitalIdeas.com).

### TAGS/KEYWORDS

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