

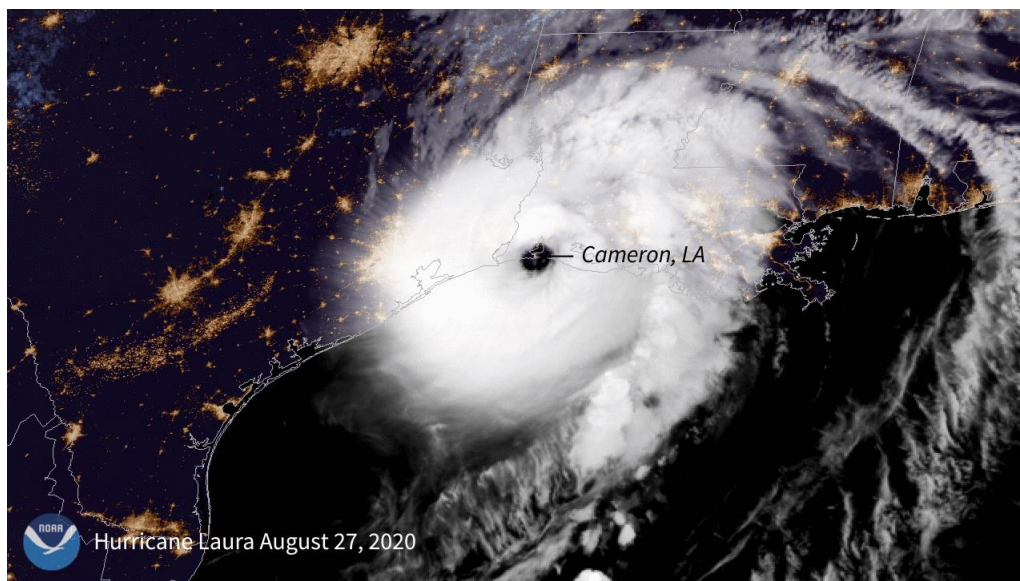
August 28, 2020

Event Report: Hurricane Laura

Storm history

Laura was the first major hurricane of the 2020 Atlantic hurricane season. It formed from a tropical wave that moved off the West African coast mid-August and developed tropical storm characteristics on August 20 while approaching the Lesser Antilles. It travelled south of Puerto Rico as tropical storm and later moved across the islands of Hispaniola and Cuba, causing modest damage.

Early on August 25, Laura entered the Gulf of Mexico and began organizing into a category 1 hurricane. Though moderate wind shear and dry air delayed significant intensification at first, Laura's pressure began dropping quickly later that day as more favourable atmospheric conditions and warm sea surface temperatures allowed it to rapidly strengthen. Laura became a category 4 major hurricane the next day. On August 27, major hurricane Laura made landfall at 01:00 CDT near Cameron, Louisiana, close to the Texas/Louisiana border.



Hurricane Laura exhibiting a well-defined eye during landfall near the Texas Louisiana border shortly after midnight local time on August 27, as captured by NOAA's GOES-16 satellite. Credit: NOAA

Market impact

As the event is still unfolding with the storm currently moving over the Mid-West towards Washington D.C., any prediction about ultimate insured losses is premature. Modelling firms have not yet issued public estimates of the insured market loss for Laura's whole track, but comparable events from the AIR stochastic set indicate insured (on-shore) losses of USD 5-10bn. RMS issued a preliminary figure of USD 6bn. We regard Hurricane Rita, a famous hurricane of 2005, as a good proxy, an event that would cause approx. 10bn of insured losses for today's exposure. It should be mentioned that the energy industry offshore in the Gulf of Mexico is expected to incur additional losses.

Portfolio impact

Based on this numbers, **the impact on Solidum's portfolios is expected to be minimal.**

It is unlikely that cat bonds will suffer principal loss from this storm. One cat bond in the market, structured as a second event coverage, will potentially be activated. This bond was considered too risky and is not included in the portfolios. Aggregating cat bonds will incur a modest erosion of their retentions.

Albeit it is too early to provide a final judgment on the private transactions in the portfolios of the Solidum ELS SAC2 and SAC3, as there is more time required to gain information and fully assess the impacts, reinsurance and retrocession contracts in these funds appear to be safe, too. Especially the private transactions covering energy risks are not affected by Laura due to explicit exclusion clauses.

It is likely that Laura will introduce price volatility in the weekly / month end cat bond prices through a widening of bid /ask spreads, as exact information is still quite sparse. However, we expect these effects to normalize quickly.

The portfolio management team remains at your disposal for any additional questions.

With kind regards

The Solidum Management Team