

## Event Report: Hurricane Idalia

On August 30, at 7:45 local time, Idalia made landfall as a Category 3 hurricane in Florida's sparsely populated 'Big Bend' region near Keaton Beach. The storm continued to track in a northeasterly direction, quickly weakening over land, and passed over Georgia and South Carolina, where it came offshore again on 31 August with tropical storm wind strength. The storm has now undergone a transition to an extra-tropical system and is heading into the open Atlantic towards Bermuda, forecasted to gradually weakening over the next few days.

Even if Idalia was a major hurricane with correspondingly strong winds at the time of landfall, and also causing storm surges in extensive coastal areas of Florida, the impact on the reinsurance market will not be dramatic. **No negative impact is expected for the portfolios of the Solidum Funds.**

### Meteorological Development

Idalia developed from a low pressure area off the coast of Central America. On August 26, the American National Oceanic and Atmospheric Administration NOAA released the first forecast for the system. After Idalia remained stationary for several days in the Yucatan Channel between Mexico and Cuba, battling dry air and shear winds from the north, the storm began to drift into the Gulf of Mexico on August 29. North of Cuba, the disruptive effect on the storm diminished, and Idalia was able to establish a closed circulation around its center and reach hurricane strength. Between a trough over Texas and an area of high pressure over the Bahamas, Idalia was pushed northward, intensifying rapidly over the warm waters of the eastern Gulf of Mexico. Shortly before landfall, Idalia began an eyewall replacement cycle, which weakened its intensity and compromised the structural stability of the storm over land.



*Hurricane Idalia's path through the Gulf of Mexico and over the US mainland. Credit: Wikipedia*

During this entire period, the dynamic forecast models of the weather agencies performed remarkably well, both in terms of the track and the intensity forecast of the storm. Especially the dynamics of rapid intensification, which hurricanes can undergo if they track over warm water above 30°C while atmospheric disturbances are low, is increasingly better captured by the latest generation of specialized hurricane models such as the American HAFS.

### **Impact on the Reinsurance and ILS Markets**

As the stable forecast of the landfall region gave confidence that Idalia was not likely to hit any major agglomerations directly, the development was followed with a certain calmness by the market. The first estimates of the insured market loss confirmed this picture. Figures from catastrophe modelling firms RMS and AIR/Verisk, as well as statements from various reinsurance brokers, range from \$5 to \$9 billion. Idalia will certainly be one of the major insurance events of 2023, but will remain within the range of annual risk budgets in terms of financial impact.

For the ILS and Cat Bond markets, this means that direct capital losses are highly unlikely. As always with events of some magnitude, there will be some erosion of deductibles of aggregating structures, which may lead to mark-to-market movements of bond valuations, but again we do not currently expect significant market reactions. The valuation prices of cat bonds at the end of the month did not show any conspicuous reactions.

For these reasons, we do not expect any negative impact by Idalia on the ILS and cat bond portfolios of the Solidum Funds.

For further questions, the Portfolio Management Team is at your disposal at any time.

With kind regards

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