

Risk-Linked Securities

What's Shaking?

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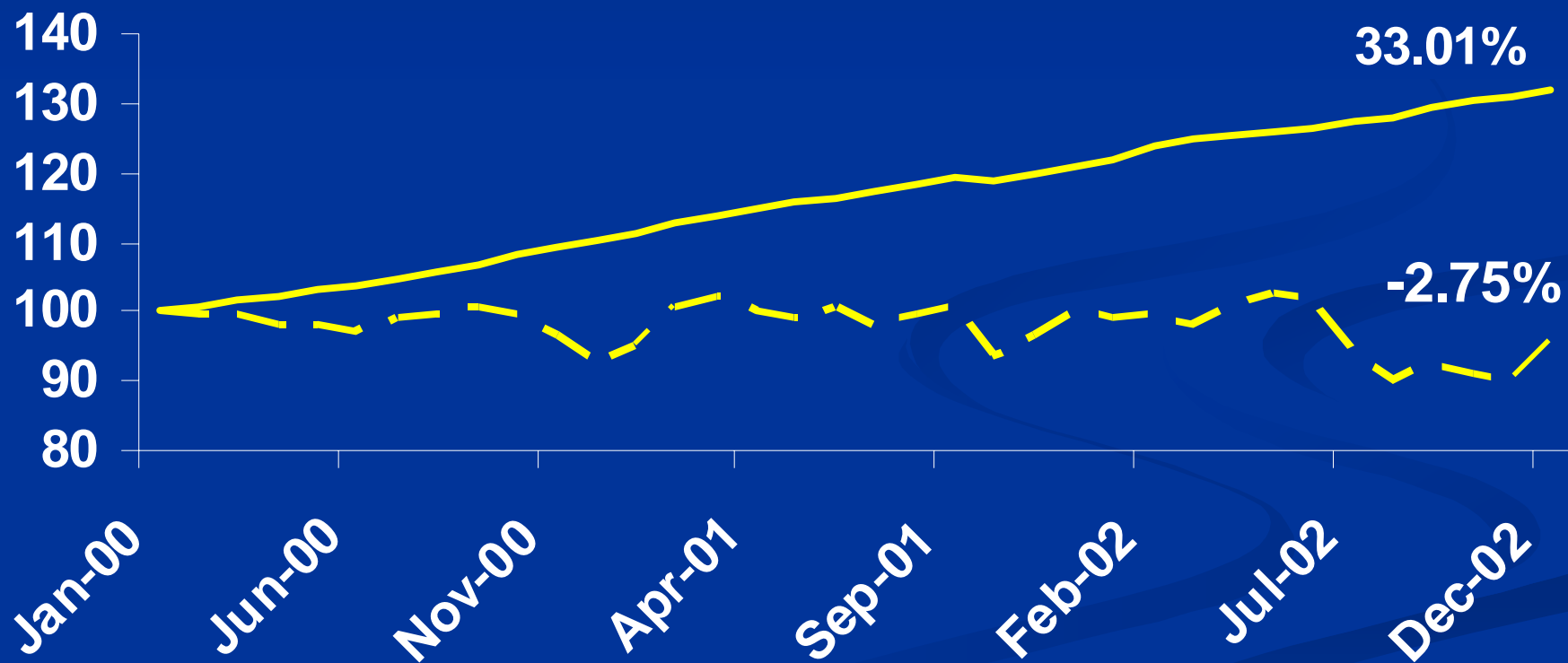
Topics

- History of the RLS Market
- Why Do Investors Buy RLS
- Current State of the RLS Market
- Pricing Risk – The Capital Markets View
- Conclusions

RLS vs. High Yield Bonds

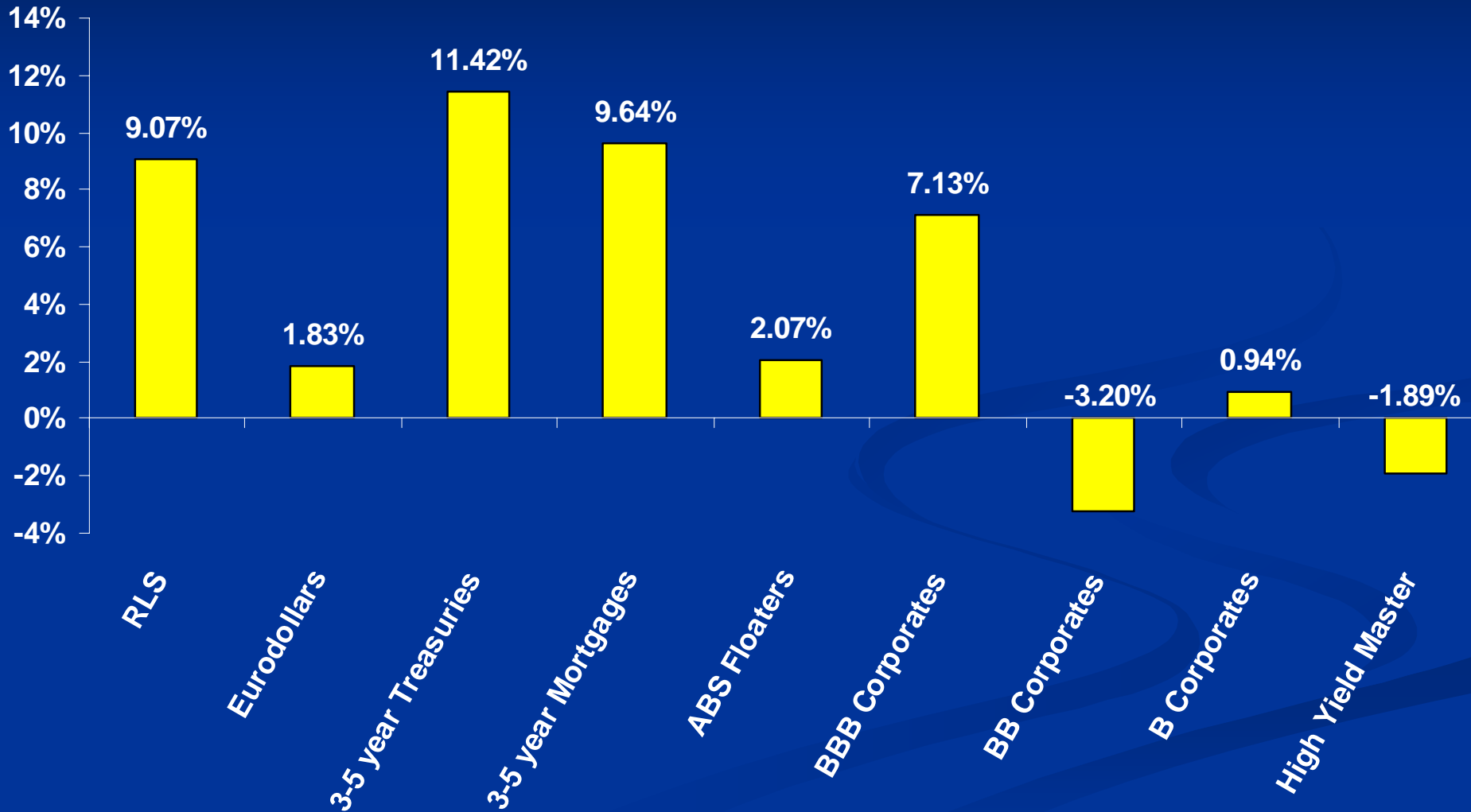
Cumulative Returns for 2000 - 2002

— Risk-Linked Securities — Merrill High Yield Master



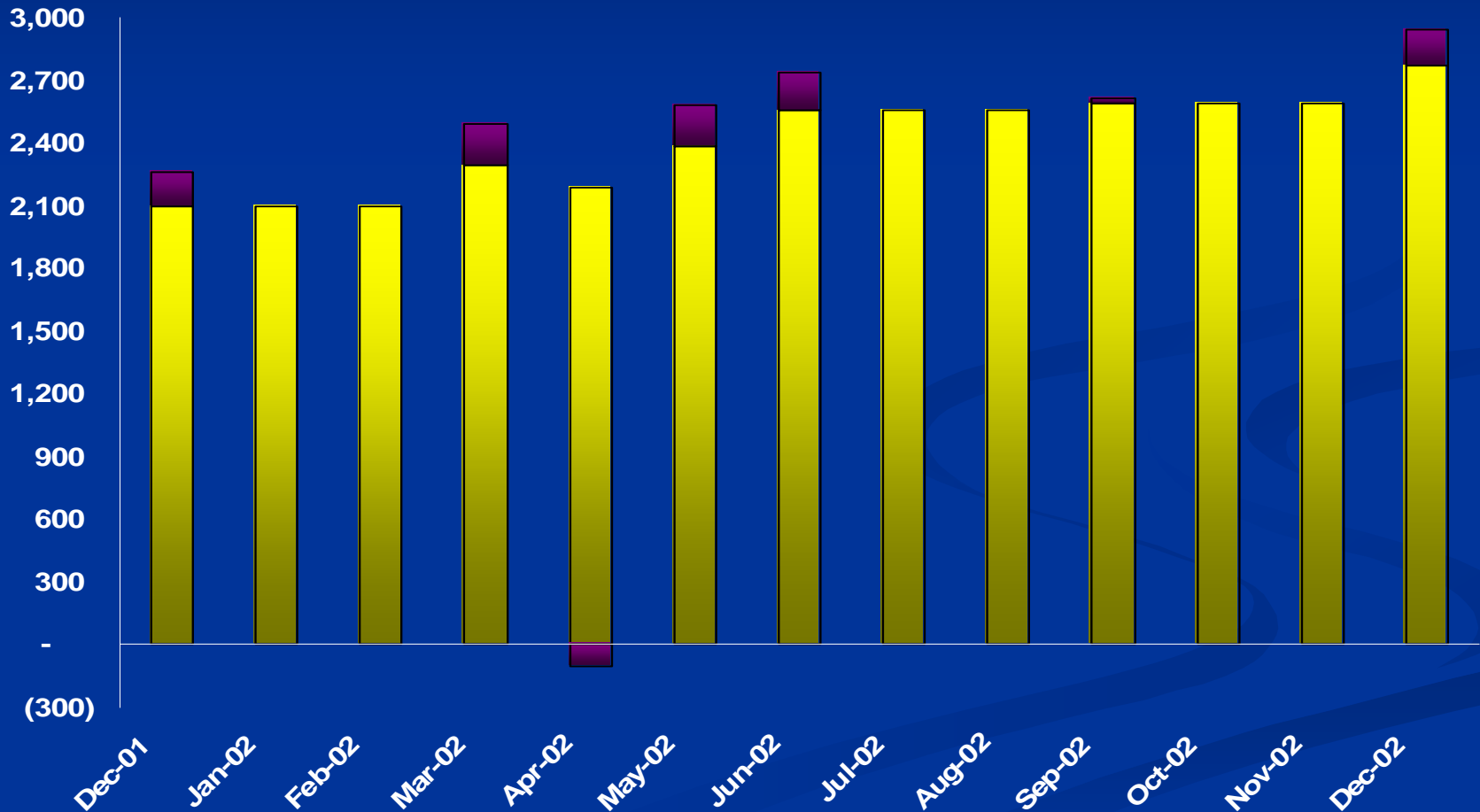
Fixed Income Returns By Sector

2002



Monthly Issuance vs. Total Supply (\$ in millions)

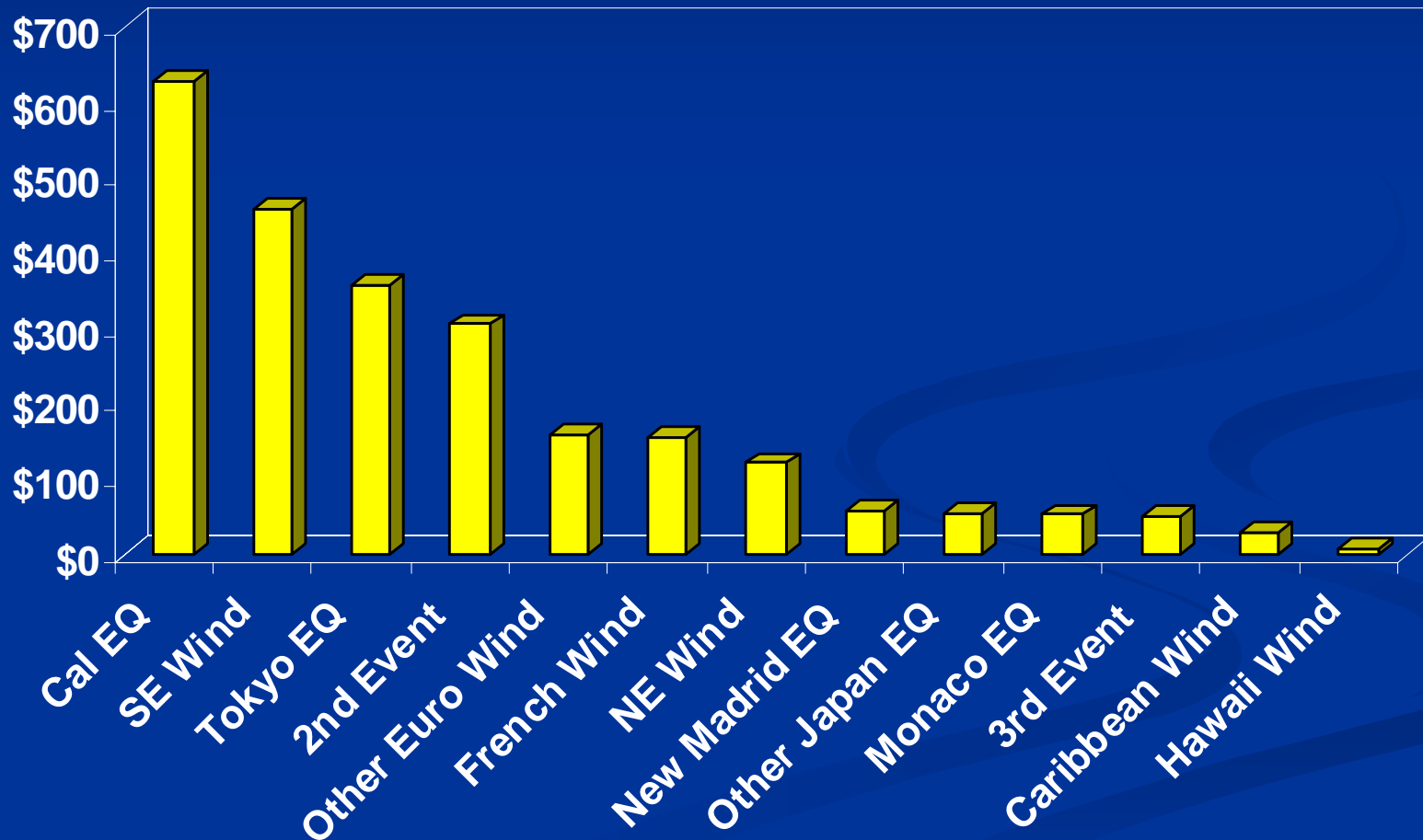
Existing Net Issuance



Market Exposure per Risk Bucket

Expected Loss Contribution by Peril

(\$ in millions)

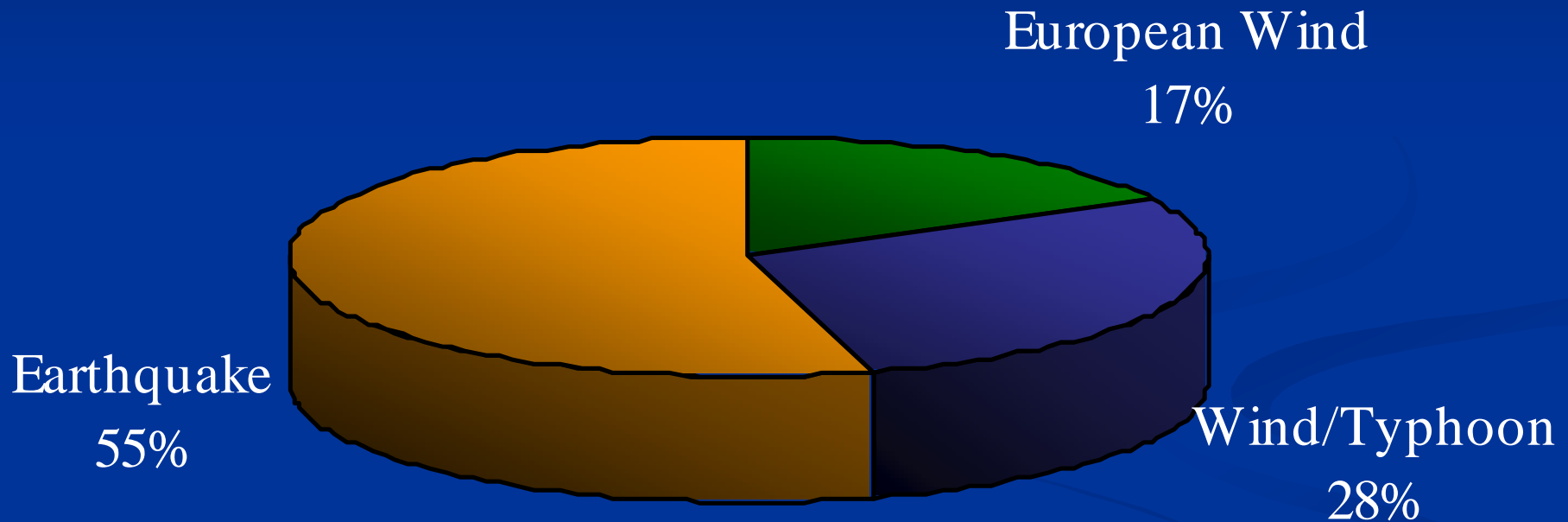


RLS Market Share by Issuer

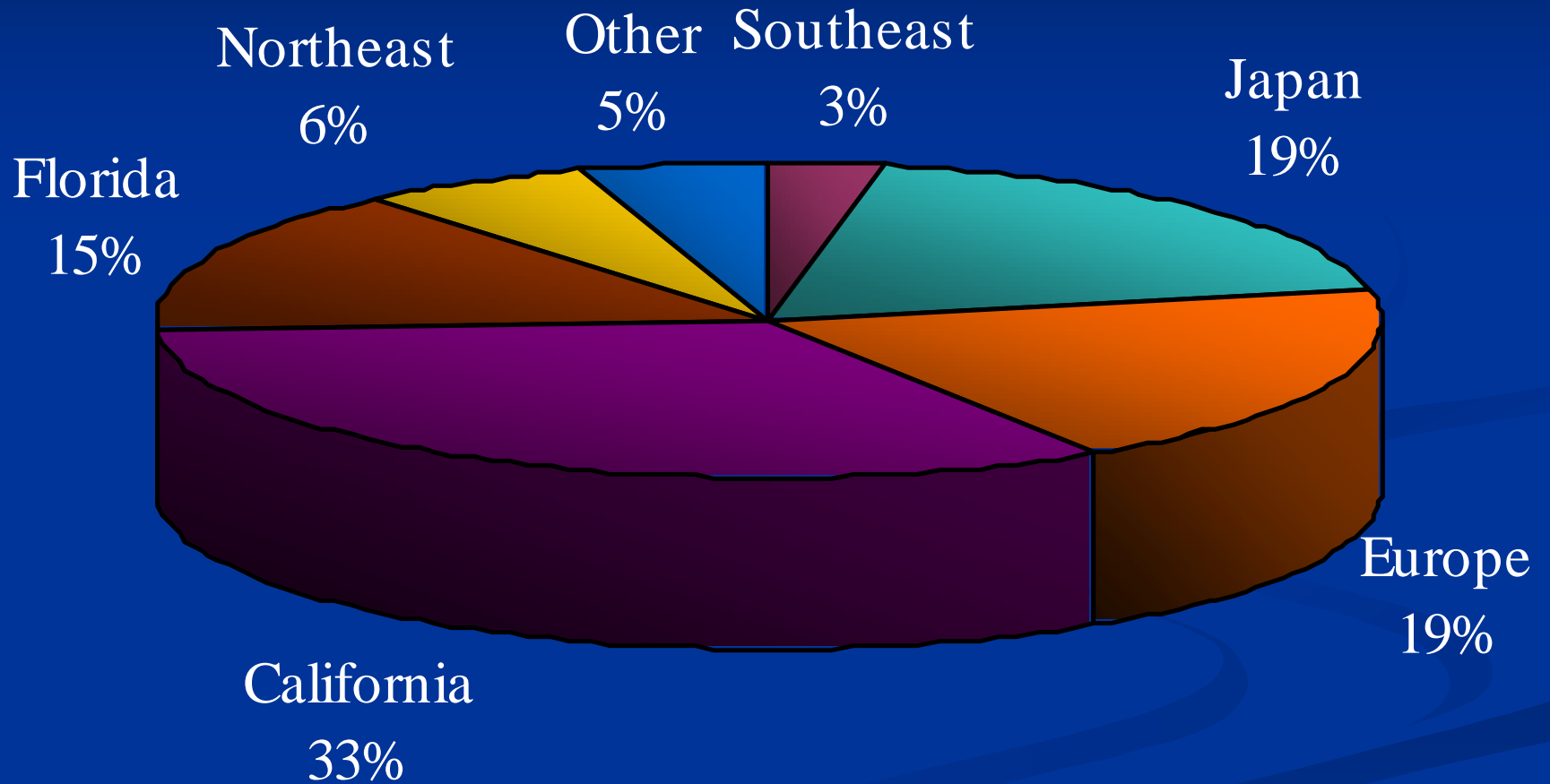
<u>Transaction</u>	<u>Nature of</u>	<u>Amount</u>	<u>Issues</u>	<u>Market</u>
<u>Sponsor</u>	<u>Sponsor</u>	<u>Outstanding</u>	<u>Outstanding</u>	<u>Share</u>
Swiss Re	Reinsurer	\$ 806,500,000	4	29.1%
SCOR	Reinsurer	350,000,000	2	12.6%
Munich Re	Reinsurer	300,000,000	2	10.8%
USAA	Insurer	275,000,000	2	9.9%
Vivendi Universal	Corporate	175,000,000	1	6.3%
Lehman Re	Reinsurer	165,000,000	1	6.0%
Zurich Insurance	Insurer	161,856,000	1	5.8%
AGF IART	Insurer	129,000,000	1	4.7%
Oriental Land Company	Corporate	100,000,000	1	3.6%
Yasuda Fire & Marine	Insurer	80,000,000	1	2.9%
Tokio Marine & Fire	Insurer	80,000,000	1	2.9%
Nissay Dowa General Insurance	Insurer	70,000,000	1	2.5%
Vesta Fire Insurance	Insurer	41,500,000	1	1.5%
Hiscox	Reinsurer	33,000,000	1	1.2%
Totals		\$2,766,856,000	20	100%

Source: Cochran Caronia Securities

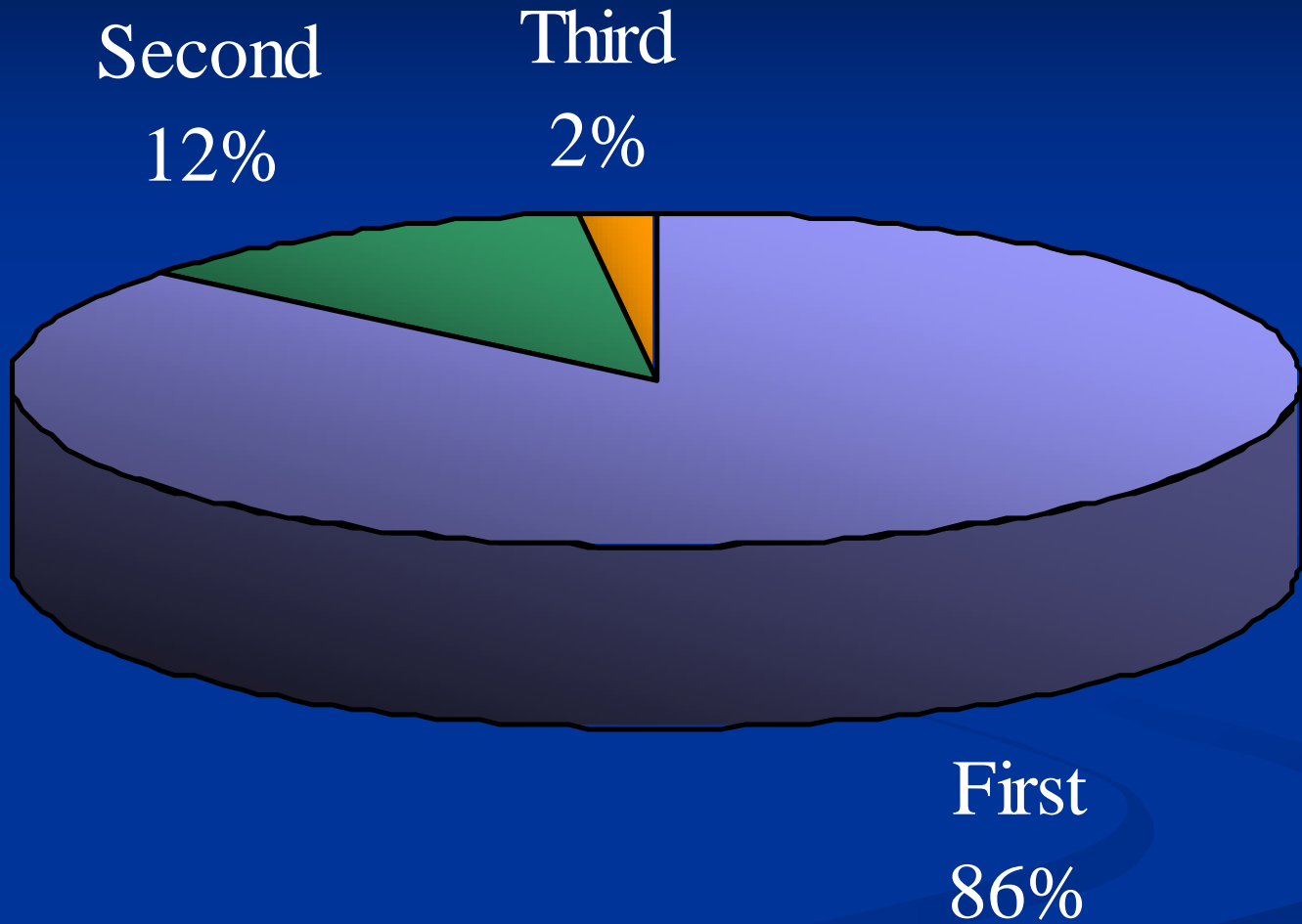
Risk Exposure by Peril Type



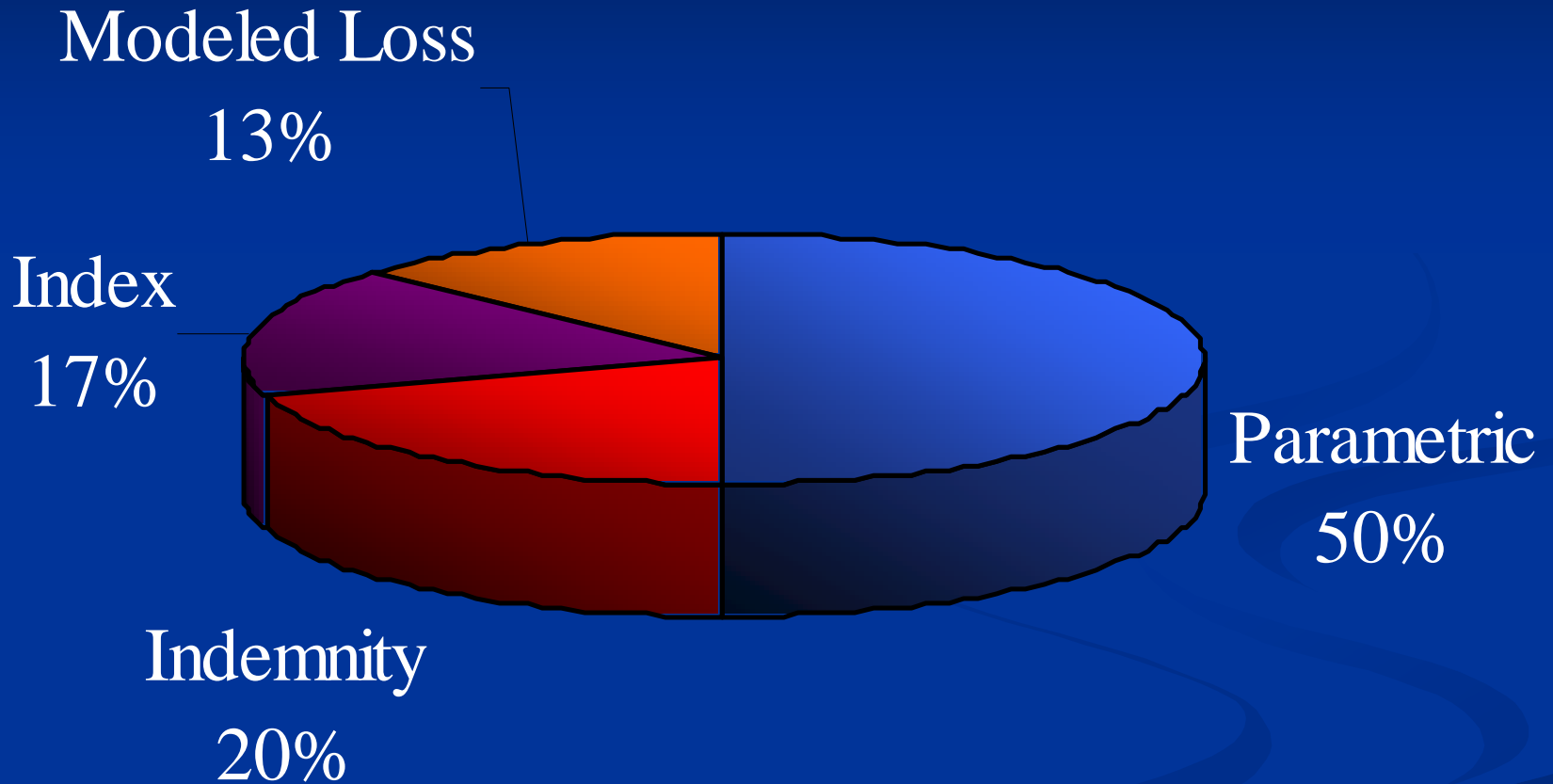
Geographic Exposure of Risk



Risk Exposure by Event Trigger

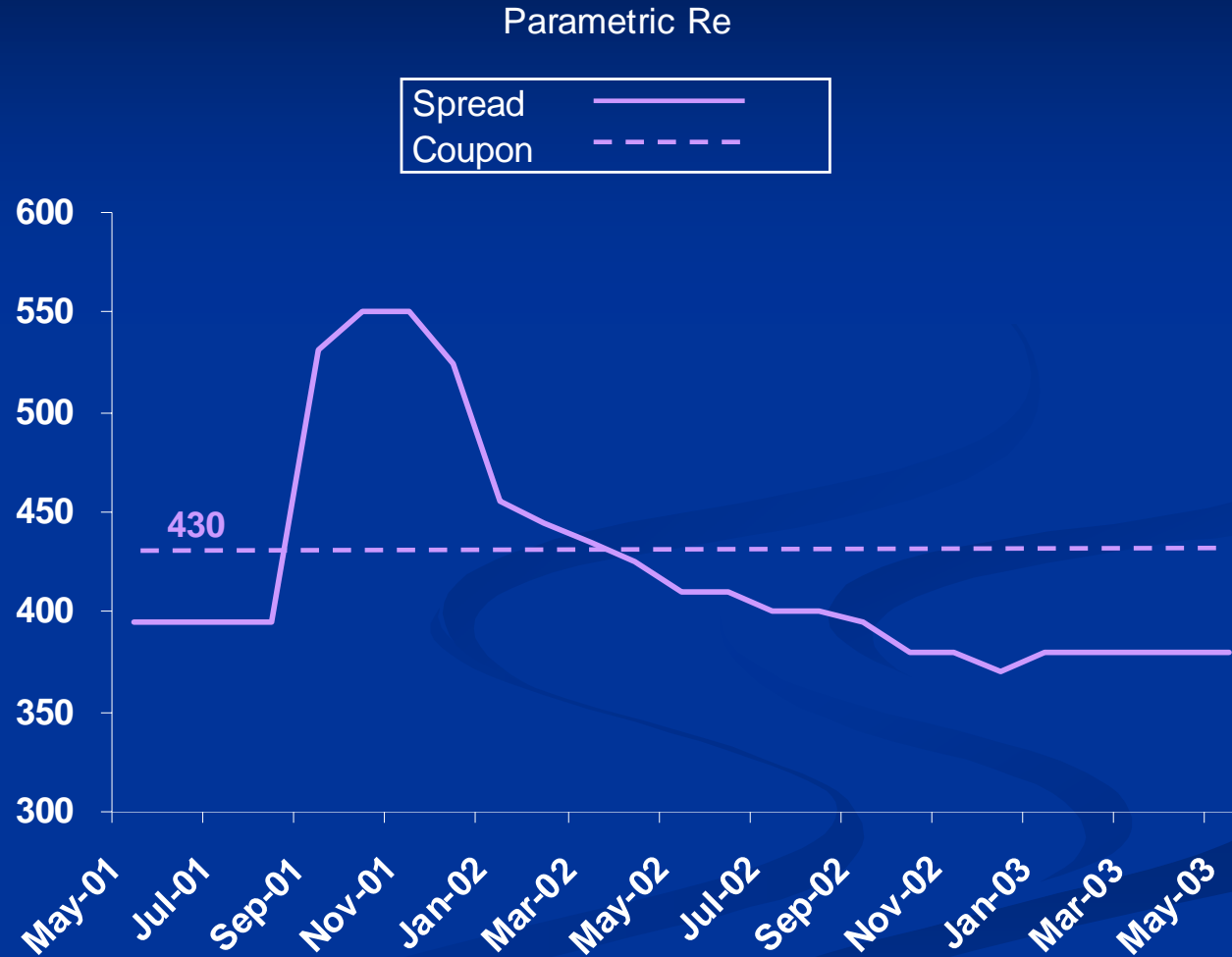


Type of Loss Trigger



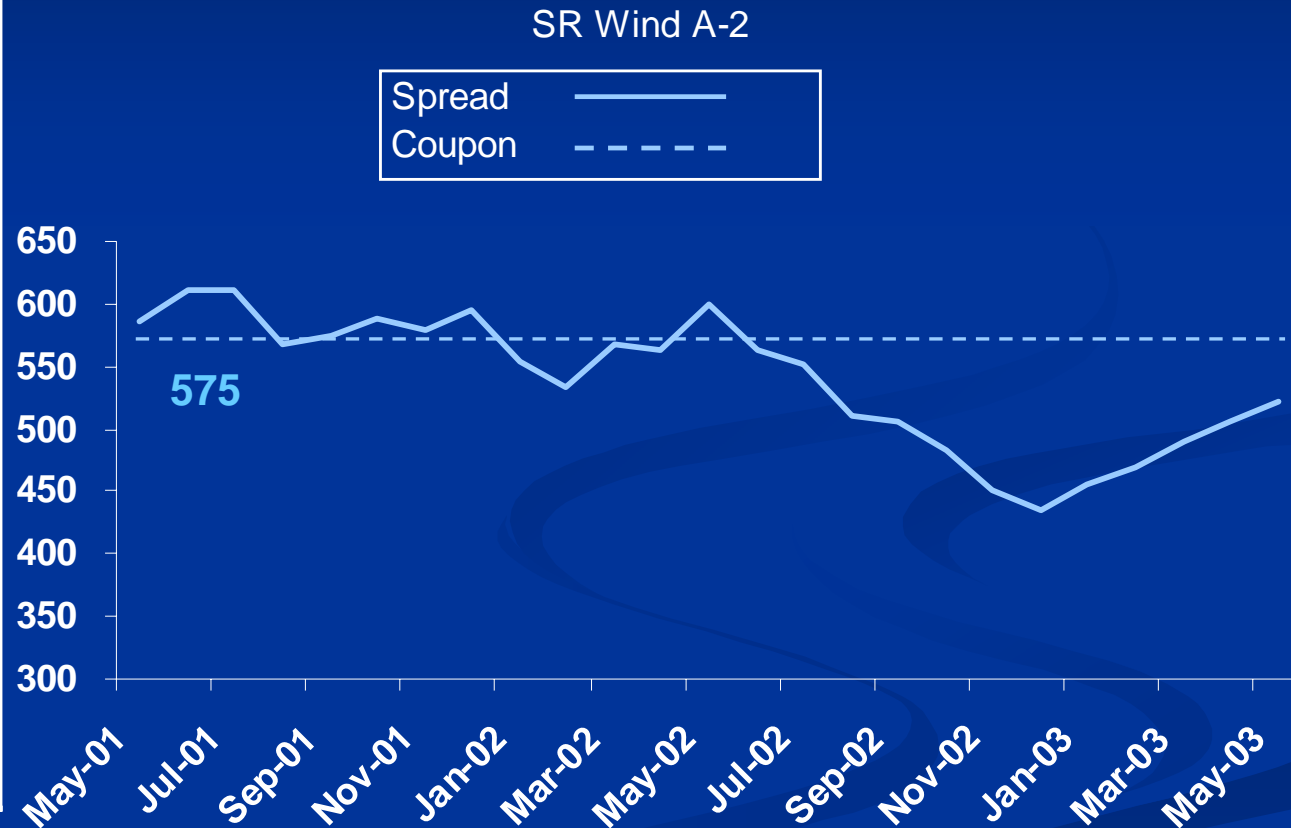
Single Peril Quake RLS

Issuer:	Parametric Re, Ltd.
Transaction Sponsor:	Tokyo Marine & Fire
Initial Principal Amount:	\$80,000,000
Issuance Date:	November 19, 1997
Maturity Date:	November 19, 2007
Coverage Type:	Parametric
Covered Perils:	Japanese Earthquake
Expected Loss:	0.70%
Ratings:	Ba2 -Moody's BB -Fitch



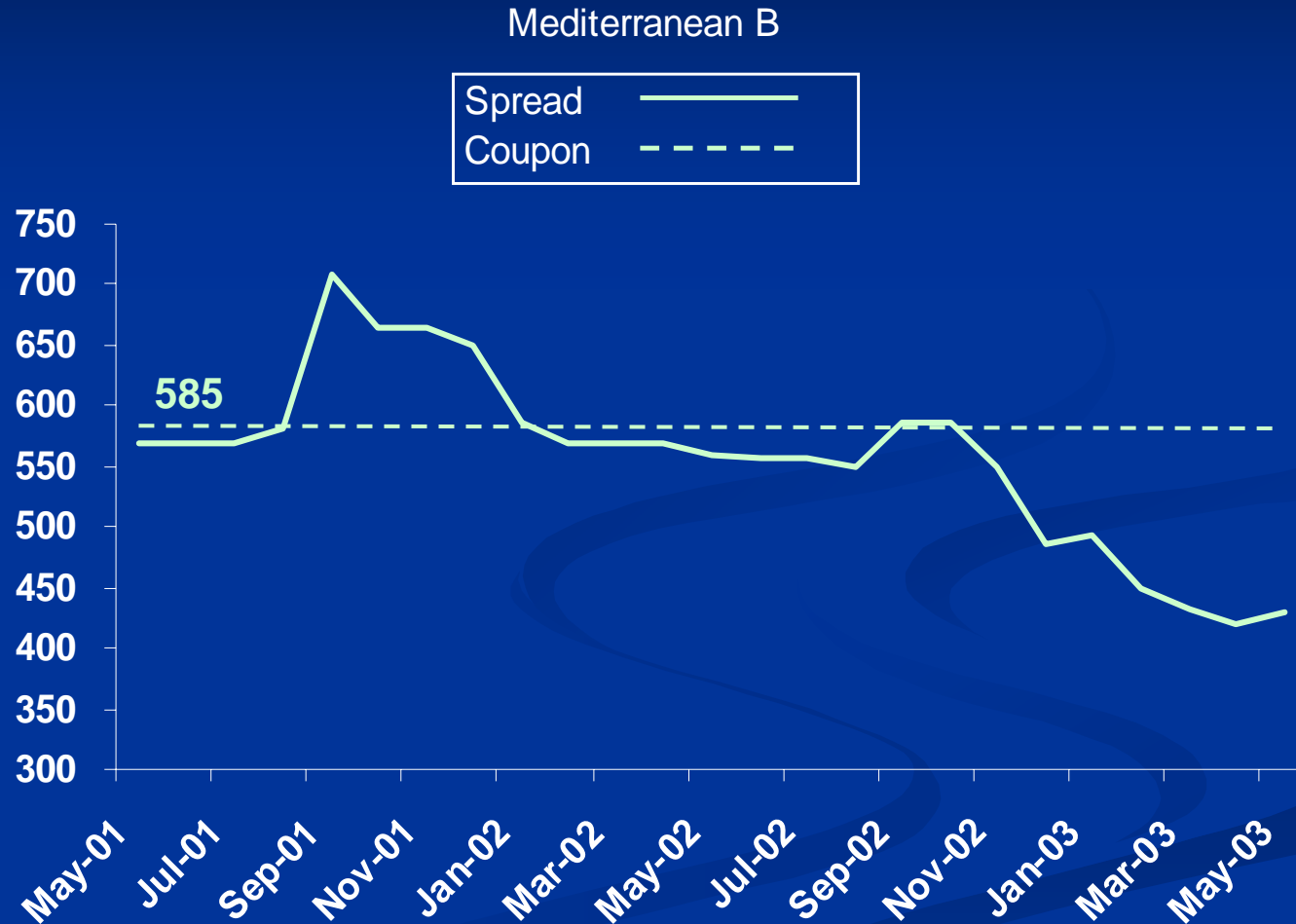
Single Peril Wind RLS

Issuer:	SR Wind Ltd.
Transaction Sponsor:	Swiss Re
Initial Principal Amount:	\$58,200,000
Issuance Date:	May 9, 2001
Maturity Date:	May 18, 2005
Coverage Type:	Parametric
Covered Perils:	French Windstorm, Florida/Puerto Rico Hurricane
Expected Loss:	0.76%
Ratings:	BB+ -S&P BB+ -Fitch



Multi – Peril RLS

Issuer:	Mediterranean Re, p.l.c.
Transaction Sponsor:	AGF IART
Initial Principal Amount:	\$88,000,000
Issuance Date:	November 21, 2000
Maturity Date:	November 18, 2005
Coverage Type:	Modeled Loss
Covered Perils:	French Wind/ Monaco Quake
Expected Loss:	1.16% Monaco Quake: 19% French Wind: 81%
Ratings:	BB+ -S&P Ba3 -Moody's BB+ -Fitch



Conclusion

- Market is growing in size and more risk buckets are being added as well as structural innovation.
- As transparency of underlying risks increases, diversification within regions/perils will increase.
- New structures will tap new investors.

Conclusion (cont'd)

- Demand for bonds easily exceeds supply.
- Rating agencies more focused on the strength of reinsurance and the size of recoverables.
- Premiums over corporate bonds shrinking.