



Record Q3 ILS issuance as trigger preferences evolve

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LONDON, Nov. 06, 2018 (GLOBE NEWSWIRE) -- A record-high \$1.6 billion of non-life Insurance-Linked Securities (ILS) capacity was issued in Q3, 2018, highlighting the continued enthusiasm for ILS amongst issuers and investors. The total exceeds the former Q3 record of \$1.4 billion achieved in 2013, and is well ahead of the five-year average of \$800 million, according to the new [ILS Market Update](#) from Willis Re, the reinsurance division of Willis Towers Watson, the leading global advisory, broking and solutions company (NASDAQ:WLTW).

The activity puts this year's total issuance – already at \$8.7 billion by 31 September – on track to meet or even exceed last year's \$9.7 billion full-year record. Notable during the quarter was cover for new perils: \$500 million for flood resulting from U.S. wind, and \$200 million for California wildfire liability.

Meanwhile, the market continues its move away from index triggers (including parametric triggers), preferring indemnity-based structures. Of outstanding issuance on a 2018 year-to-date basis, 60% of bonds by capacity are triggered by issuers' own losses, compared to just 40% in 2008.

The available premium or risk-spread discount for index triggered instruments has typically declined relative to indemnity triggers, and the share of index-triggered transactions has fallen in step. This good-news story reflects improved data, transparency, and understanding of indemnity risk, rather than any inherent discomfort with index triggers.

However, index triggers remain important. Based on a proxy for actual loss, they remain common for retrocession cat bonds and ILWs. In addition, when underlying data quality is poor or the coverage is exceptionally difficult to model, index-trigger discounts often rise considerably, making the structures more attractive, as seen with recent sovereign natural catastrophe and extreme mortality ILS deals.

William Dubinsky, Managing Director & Head of ILS at Willis Re, says the trend away from non-indemnity triggers is likely to continue, but notes their importance for some transactions. "As the insurance, reinsurance, and ILS markets work together to solve new problems for insureds, index triggers are a very useful tool to consider. They may not, on their own, close the global protection gap, dramatically grow the ILS market, or solve all cedant problems, but with creativity, unbiased advice, and sustained effort, they can still have a meaningful impact."

Willis Re Deputy Chairman Mark Hvidsten says the newly integrated team at Willis Re is now even better positioned to support cedants considering or entering ILS transactions, following the combination of Willis Towers Watson's ILS business with Willis Re. "The amalgamation of the reinsurance and ILS teams into a cohesive business unit allows us to offer integrated solutions that serve clients' long-term needs.

Our capital markets professionals now work alongside reinsurance brokers to ensure that our brokers are best placed to offer integrated strategic advice to our clients across the full spectrum of capital solutions."

About Willis Re

One of the world's leading reinsurance brokers, Willis Re is known for its world-class analytics capabilities, which it combines with its reinsurance expertise in a seamless, integrated offering that can help clients increase the value of their businesses. Willis Re serves the risk management and risk transfer needs of a diverse, global client base that includes all of the world's top insurance and reinsurance carriers as well as national catastrophe schemes in many countries around the world. The broker's global team of experts offers services and advice that can help clients make better reinsurance decisions and negotiate optimum terms. For more information, visit willisre.com.

About Willis Towers Watson

Willis Towers Watson (NASDAQ:WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has over 40,000 employees serving more than 140 countries. We design and deliver solutions that manage risk, optimize benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas – the dynamic formula that drives business performance. Together, we unlock potential. Learn more at willistowerswatson.com

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