Swiss Re

News release

Swiss Re Capital Markets structures and places USD 775 million catastrophe bond for California Earthquake Authority, further protecting Californians against earthquakes

New York, 23 October 2020 — Swiss Re Capital Markets successfully structured and placed the issuance of USD 775 million of insurance-linked securities (ILS) by Ursa Re II Ltd, to be used for the protection of the California Earthquake Authority (CEA).

CEA protects more than one million policyholders in California against earthquakes and this transaction, the largest catastrophe bond issuance of 2020 and the largest transformer structure in the history of the ILS market, helps underpin its claims paying ability.

Policyholders of CEA include homeowners, mobilehome owners, condo-unit owners and renters, and this transaction demonstrates CEA's status as one of the most prolific users of the capital markets, now with over USD 2.5 billion in outstanding bonds.

"Swiss Re's mission as a company is to make the world more resilient. We're delighted to partner with CEA which has been helping to protect Californians from the financial consequences of earthquakes for almost 25 years," said Jonathan Isherwood, Swiss Re's CEO Reinsurance Americas and Regional President.

"Only around 13% of Californians who purchase residential insurance also have earthquake protection. It's not a matter of if, but when, the next one strikes. This transaction supports CEA's ability to extend financial protection to a greater number of California residents who are highly exposed to earthquakes."

CEA entered into two reinsurance agreements with Swiss Re, who, as a transformer, ultimately transferred the risk via two retrocession agreements to Ursa Re II Ltd to receive protection on an annual aggregate, indemnity basis, against residential home earthquake damage in California.

Swiss Re Capital Markets underwrote the transaction through two classes of principal-at-risk variable rate notes issued by Ursa Re II Ltd, a Bermuda exempted company licensed and registered as a special purpose insurer under the Bermuda Insurance Act 1978 and related regulations, each as amended.

Ursa Re II Ltd collateralised its liabilities under the retrocession agreements via the issuance of USD 425 million Class AA Notes and

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USD 350 million Class D Notes to investors. Both classes of notes have three loss occurrence periods starting 17 October 2020 and ending 30 November 2023.

"Swiss Re is pleased to provide continued support to CEA. Despite uncertainty around COVID-19, the transaction was well received by investors, ultimately allowing the issuance size to more than triple from the initial guidance," said Jean-Louis Monnier, Head of Retro & ILS Structuring at Swiss Re Capital Markets. "This was the largest catastrophe bond issuance in 2020 thus far and its success clearly displays the health of the ILS market and investors' commitment to providing efficient collateralized capacity where most required."

Swiss Re Capital Markets acted as the sole structuring agent and sole bookrunner.

The Ursa Re II Ltd notes were sold pursuant to Rule 144A of the US Securities Act of 1933, as amended (the "Securities Act") and have not been registered under the Securities Act or any state securities laws; they may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

Notes to editors

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Swiss Re
The Swiss Re Group is one of the world's leading providers of reinsurance, insurance and other forms of insurance-based risk transfer, working to make the world more resilient. It anticipates and manages risk – from natural catastrophes to climate change, from ageing populations to cybercrime. The aim of the Swiss Re Group is to enable society to thrive and progress, creating new opportunities and solutions for its clients. Headquartered in Zurich, Switzerland, where it was founded in 1863, the Swiss Re Group operates through a network of around 80 offices globally. It is organised into three Business Units, each with a distinct strategy and set of objectives contributing to the Group's overall mission.

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Certain statements and illustrations contained herein are forward-looking. These statements (including as to plans, objectives, targets, and trends) and illustrations provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact.

Forward-looking statements typically are identified by words or phrases such as "anticipate", "assume", "believe", "continue", "estimate", "expect", "foresee", "intend", "may increase", "may fluctuate" and similar expressions, or by future or conditional verbs such as "will", "should", "would" and "could". These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Group's actual results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects to be materially different from any future results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects expressed or implied by such statements or cause Swiss Re to not achieve its published targets. Such factors include, among others:

- further instability affecting the global financial system and developments related thereto;
- further deterioration in global economic conditions;
- the Group's ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of the Group's financial strength or otherwise;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on the Group's investment assets;
- changes in the Group's investment result as a result of changes in its investment policy or the changed composition of its investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- uncertainties in valuing credit default swaps and other credit-related instruments;
- possible inability to realise amounts on sales of securities on the Group's balance sheet equivalent to their mark-to-market values recorded for accounting purposes;
- the outcome of tax audits, the ability to realise tax loss carryforwards and the ability to realise deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings;
- the possibility that the Group's hedging arrangements may not be effective;
- the lowering or loss of one of the financial strength or other ratings of one or more Swiss Re companies, and developments adversely affecting the Group's ability to achieve improved ratings;
- the cyclicality of the reinsurance industry;
- uncertainties in estimating reserves;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- the frequency, severity and development of insured claim events;
- acts of terrorism and acts of war;
- mortality, morbidity and longevity experience;

- policy renewal and lapse rates;
- extraordinary events affecting the Group's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- current, pending and future legislation and regulation affecting the Group or its ceding companies and the interpretation of legislation or regulations;
- legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;
- changes in accounting standards;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions;
- changing levels of competition; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks.

These factors are not exhaustive. The Group operates in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. Swiss Re undertakes no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

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