

Swiss Re applies collateralised debt obligation technology to pool, tranche and transfer a diversified pool of insurance risks

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New York (May 1, 2002) - Swiss Re Capital Markets Corporation (SRCMC) has executed an innovative USD\$40 million transaction applying collateralised debt obligation (CDO) technology to efficiently pool, tranche and transfer a diversified pool of insurance risks. The transaction includes four tranches of varying levels of catastrophe risk.

As structurer of the transaction, SRCMC was able to create and place synthetic equity and mezzanine risk tranches in a portfolio of insurance risks. Investors in the two junior tranches accepted a higher risk profile to obtain a more attractive yield than is generally available to investors in the insurance-linked securities sector.

"The transaction represents another important example of the convergence between the insurance and financial markets, allowing institutional investors to access catastrophic insurance exposures with risk and leverage profiles that are different from existing insurance-linked securities," said Judith Klugman, senior vice president at SRCMC. "SRCMC is working with certain institutional investors to create similar structures, and can work with others to customize the structure to meet their needs for various perils and risk-return levels."

The underlying exposures were accessed, in part, through the execution of industry loss warranties (ILW), facilitated by Willis Re, and covering a range of perils. ILW's are an index-linked form of insurance for catastrophic insurance risks.

Swiss Re is one of the world's leading reinsurers with over 70 offices in more than 30 countries. Gross premiums in 2001 amounted to CHF 28.5 billion (USD 16.9 billion). Swiss Re has a strong track record of earnings growth only interrupted in 2001 with a net loss of CHF 165 million (USD 97.8 million), largely due to the 11 September 2001 event. At the end of 2001, Swiss Re's shareholders' equity amounted to CHF 22.6 billion (USD 13.6 billion) and the total balance sheet stood at CHF 170 billion (USD 102.4 billion). Swiss Re is rated "AAA" by Standard & Poor's, "Aaa" by Moody's and "A++" by A.M. Best.

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