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## ***News release***

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## ***PwC: Recent series of catastrophes first significant test to ILS market***

### **'Demand for new and innovative risk-transfer solutions presents growth opportunities for ILS'**

**Hamilton, Bermuda** - The recent series of catastrophes is the first serious test to the insurance linked securities (ILS) market. The 2017 third quarter disasters also highlight significant growth opportunities for the alternative capital industry, including in the area of under-insurance.

“The third quarter is a milestone for the ILS market,” said **Arthur Wightman, PwC Bermuda and Insurance leader**. “There have been substantial ILS exposures to the recent Atlantic hurricanes. Owing to the significance and magnitude of these events, these financial instruments are being tested in a way not yet seen by the ILS market. Consequently questions over performance, stickiness of capital and market hardening will be answered over the coming months, providing insight into the future direction of ILS.”

**David Gibbons, PwC Bermuda Insurance partner**, commented: “The recent fires, storms and earthquakes represent the first significant test of the ILS market. These events have caused the erosion and/or lock up of existing ILS capital on current deals. There is, however, considerable capital on the sidelines. The willingness of investors to deploy this capital and the risk premiums they require in the aftermath of these events will evidence truly the robustness and longevity of the ILS market.”

Some reports suggest there could be up to \$12.5 billion of ILS capital trapped or lost in the aftermath of the recent catastrophes. With predictions of some \$100 billion in insured catastrophe losses in the third-quarter of 2017, the reinsurance pricing cycle finally may have reached an inflection point.

“The demand for new and innovative risk-transfer solutions and operating models persists,” **Mr Wightman said**. “The recent catastrophes highlight the need to close the insurance gap for developed as well as developing economies. Simply put, more risk needs to come to the market and governments have a significant role to play in making this happen.

“In spite of the tests on the market this quarter, the signs are good for the sustainability of the ILS market, which has the potential to even leapfrog the traditional markets as new risks are required to be covered.”

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