



## Newsletter December 2011

### New High for Total Return Index Strong Pipeline of New Issuances



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The cat bond market finished the year 2011 on a positive note with the Swiss Re Cat Bond Total Return index reaching a new all time high. At the same time the Swiss Re Cat Bond Price Index continued its downtrend as prices in the secondary cat bond market continued to reflect investors' preference for new issuances. The reasons for this are twofold: On one hand there is a high level of new cat bonds issued at comparatively attractive spreads and on the other hand the upcoming maturity of a number of cat bond issuances that have been trading at elevated spread levels but will be redeemed at par.

The outlook for the insurance-linked security market is very promising. This positive outlook is highly welcomed after the slowdown experienced in 2011 due to a number of large catastrophe events, triggered cat bonds and changes to risk models.

The new issue pipeline will bring along a strong emphasis on USA and especially US windstorm risks. Furthermore increasing ILS issuances are expected for Japanese risks as a result of last year's event and from European sponsors in anticipation of Solvency II requirements.