

Press

Allianz successfully closes new catastrophe bond covering US hurricane and earthquake risks

- Allianz continues to tap capital markets as a strategic source of catastrophe protection
- Third take down under the Blue Fin program with an issuance size of \$150 million in two tranches

The new catastrophe bond (“cat bond”) transfers to investors the risk of losses from hurricane and earthquake events in the US, based on a modeled loss trigger mechanism. The securities issued by Blue Fin Ltd. are denominated in US dollars and offer investors a coupon of 14 percent (Class A) and 9.25 percent (Class B) above the yield of US Treasury money market funds. The two tranches are scheduled to be redeemed in May 2013 and have received a rating of B- and BB, respectively, by Standard & Poor’s. As with Blue Fin 1 and 2, Allianz Re, the reinsurance division of Allianz SE, is responsible for structuring these transactions for the Allianz Group.

Capital market pricing levels have tightened substantially compared to early 2009 and are now comparable with traditional reinsurance, although providing different types of coverage. “Converging pricing levels support a sustainable development of the cat bond market. Allianz is dedicated to integrating non-traditional instruments in the Group risk management strategy as long as the economic rationale holds over an entire market cycle”, explains Clemens von Weichs, CEO of Allianz Re.

The new Blue Fin Series 3 cat bond provides multi-year protection at similar rates as traditional reinsurance from a diversifying source on a fully collateralized basis. The Class B tranche is structured to provide protection against combinations of medium-sized and large events. “This type of aggregate protection is a new mechanism in this form and continues to support Allianz’s aim to broaden and strengthen the Insurance Linked Securities (ILS) market. In the case of a number of mid-sized events we expect to benefit from locking in current pricing levels in a then-changing market environment”, says Amer Ahmed, the current CRO and future president of Allianz Re.

Since 2007 Allianz regularly returned to capital markets by sponsoring a total of five cat bond transactions with a total volume of approximately \$850 million: Blue Wings, Blue Fin Series 1, Blue Fin Series 2, Blue Fin Series 3, and Blue Coast. The current total volume of outstanding cat bonds in the market is estimated to be around \$13 billion.

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Allianz SE is one of the leaders of the insurance sector in the Dow Jones Sustainability Index, listed in FTSE4GOOD and in the Carbon Disclosure Leadership Index (Carbon Disclosure Project, CDP6).

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