## Catastrophes & Risks

Every balance sheet contains exposure to Catastrophes of one type or another. The most well-known are hurricanes, tornadoes and related wind storms. Floods and weather related water damage are also risks that can cause wide spread damage with at times surprising financial and social consequences. These events are infrequent but with significant costs and uncertainties. Therefore they are difficult to anticipate, both in timing and cost, and not subject to the usual projection/analytic skills of the actuaries. Once the event occurs, the liability projections tend to be claims counting and estimation exercises, rather than actuarial in nature.

Mitigating the financial risk is always a balance between the range of expected losses, the maximum probable loss and the balance sheet implications of such an event. The strategy always requires a balance between pricing of risk mitigating products and the perceived value of management of the resulting balance sheet and perceptions of owners, regulators and shareholders.

**In addition to using the balance sheets priced by the ever-changing bull-pen of reinsurers who participate in these covers we note the following capital markets related products:**

- Cat Bonds
- Hedge Fund related reinsurance companies
- ILS/ILW products
- Side Cars
- Self-insurance of Underlying Balance Sheets of higher catastrophe layers
- Innovative access to Capital markets (See !Re at the website: !Re )

**Issues:**

- Capital Markets acceptance
- Balance Sheet risk assessment
- Pricing environment for higher layers from limited players
- Regulatory demands in aftermath of an event
- Cost implications of the Limited construction supplies and repair services and high costs due to high demand
- Extent and limitations of current Hurricane/Windstorm models

- Public expectations

**Services:**

- Catastrophe exposure assessment
- Risk Assessment
- Pricing

Related Resources:

Artemis - http://www.artemis.bm