# "Super Cat" funds claims market first with 1/1 launch

**The Bermuda market and the London Stock Exchange have recently seen the simultaneous launch of two fully collateralised funds aimed at providing broad retrocessional cover for "super catastrophe risks".**

The funds, one a Bermuda private fund and the other a public investment fund listed on the London Stock Exchange, have been launched by Catco Investment Management and offer fully collateralised cover at the highest retrocessional levels.

Such has been the industry interest, that within a week of targeting the top 35 reinsurers as prospective clients, the funds had committed 100% of their capital. Catco said it is now seeking new investors to meet the additional retro demand in the first quarter of this year.

The firm's Chief Executive Tony Belisle said: "We successfully raised several hundred million dollars and we now have an open end private fund in Bermuda coupled with the London listed public fund, both of which launched on 20 December 2010.

"The aim was to have the two funds ready for the 1 January renewal session and as a result we were able to utilise our entire capital within a week. The process was significantly over subscribed.

"Working with our broker, Guy Carpenter, the ongoing demand for our structured product continues to exceed the investment capital of the two funds."

With the market continuing to show strong demand, Catco said a number of reinsurers have incentivised the firm to raise additional capital so that they can access its structured product.

Both the funds are fully cash collateralised and the risks they assume are targeted on the 5% expected loss sector. Catco said its target returns are in excess of LIBOR plus 15%.

"We only offer fully collateralised capital to support all our reinsurance contracts, with the collateral being invested in AAA Money Market Funds or short dated US Treasury Bills. By doing this we have removed the unwillingness to pay risk as well as asset risk and provide a pure play in retrocessional reinsurance," added Mr Belisle.

The company claims its funds offer an entirely different proposition to the Cat bond market, as they compose a global portfolio of retrocessional risks whereas Cat bonds, in general, only focus on US wind and earthquakes.

"While Cat bonds will focus on a single risk, our funds will assume a geographical diversification of risks across many different reinsurance perils. We understand the buyers of our protections are placing the coverage at the centre of the retrocessional programmes. Catco's aim, year in and year out, is to continue to provide the best core protections for our client, while at the same time cover their entire book of business," explained Mr Belisle.

He added: "Because we have such a diversified portfolio, if another catastrophic event of the same magnitude as Katrina were to occur, we would still make investment returns for our investors. Even if there were two significant events in the same year, our investors would still make money."

Mr Belisle said there is expectation that there will, in years to come, be a major catastrophic insured event, albeit no-one can predict when this might occur.

"Even if such an event were to occur, such exposure should really sit with capital markets. If investor exposure to such an event through an investment fund is only 1%, there is downside protection in place. However with a significant exposure residing on the balance sheet of a reinsurer, there could be a significant hit on that company's reserves. Consequently we are of the view that super CAT risk belongs with capital market investors.

Catco was incorporated and is based in Bermuda. Jason Bibb, Chief Operating Officer and Chief Financial Officer said that both he and Mr Belisle were well versed with what Bermuda offered as the reinsurance capital of the world.

"In our minds Bermuda is the world's reinsurance centre. Given the proximity of our reinsurance buyers, brokers, and strong service community, being based on the island was an obvious choice" he added. "The Bermudan regulator and government were extremely accommodating as we needed to move quickly to set up the structures and operations. They could not have done any more to help us."

Mr Bibb added: "Being able to offer institutional investors around the world investment opportunities, via our funds, to gain exposure to retrocessional reinsurance has been extremely well received. We have some of the best known names in investment management participating in our funds." **re**

**NET PREMINUMS EARNED $M**

| | Q3 2010 | Q32009 | Q32008 |
|---|---|---|---|
| ACE | 3,422 | 3,393 | 3,609 |
| Alterra | 342 | 208 | 142 |
| Arch | 627 | 734 | 733 |
| Aspen | 452 | 471 | 434 |
| Allied World | 339 | 329 | 272 |
| Axis | 759 | 706 | 690 |
| Endurance | 470 | 427 | 510 |
| Everest Re | 997 | 975 | 932 |
| Flagstone Re | 199 | 196 | 189 |
| Montpelier | 156 | 144 | 134 |
| PartnerRe | 1,313 | 1,091 | 1,078 |
| Platinum | 183 | 230 | 281 |
| Renaissance Re | 309 | 296 | 379 |
| Validus | 433 | 375 | 339 |
| White Mtn | 733 | 902 | 936 |
| XL Capital | 1,365 | 1,446 | 1,695 |

*Source: PricewaterhouseCoopers*