

## Event Report



### CSA Insurance Linked Strategies CSA Insurance Linked Strategies Fixed

#### **Latest developments around COVID-19 – June 2020**

We would like to update you on the status of the ongoing novel coronavirus (COVID-19) outbreak as well as the impact COVID-19 has had on the portfolios we manage. Since our last event report, the virus has spread to numerous countries, but several of these countries with significant outbreaks managed to reduce the spread and to contain it by implementing lockdown measures.

#### *Developed countries with high insurance densities – Current Pandemic Stages*

Most of the countries with high insurance densities have either (1) seen a reduction in case numbers, to significantly below 50 new cases, per 100'000 population, every week with a stable trend and eased or are about to ease lockdown measures or (2) started to see local growth in the number of cases again after easing the lockdown measures. We would consider the latter as an “intermediate wave” rather than a second wave. However, the growth in number of cases could also develop into a second wave. We currently believe that Sweden and a couple of states in the US and one province in China are at risk to enter into such a phase of rapidly increasing hospitalization numbers due to COVID-19.

Currently, we cannot observe a systematic second wave. It might be that the mode of controlled containing efforts and relaxing modes are going to be the new normal for the time being. We believe that developed economies will need to find a balance between the health of the population (i.e. the protection of life) and economic interests over the next quarters. There is a chance that we all need to get used to living with some augmented severe infection risk like generations before us did or as people do so today in the less developed parts of the world.

#### *Non-Life Insurance Market COVID-19 Impact Categories*

As the COVID-19 pandemic is still ongoing, there is a high uncertainty about the general COVID-19 impact on the (re-)insurance market as a whole and it is difficult to accurately determine the ultimate insured losses caused by COVID-19 and the magnitude of insurance and reinsurance claims.

We have grouped the (potential) impact from COVID-19 on the non-life insurance market into five broad categories:

1. **Direct and specific pandemic insurance exposures** (such as pandemic cat bonds and other forms of pandemic insurance)
2. Second degree pandemic exposure in **specialty lines** of business such as event cancelation, trade credit, mortgage insurance, workers compensation, Directors & Officers liability and travel insurance
3. Traditional property policies with **ongoing litigation**
4. Traditional property policies subject to **potential change of law** with retroactive effect, where business interruption claims would be covered even if not considered within contractual rights
5. Traditional property policies with **affirmative pandemic cover**, where pandemic risk is included

#### Uncertainty Scoring

With the aim to continue providing you with regular updates on the latest developments, we are introducing a relative “uncertainty–scoring” in the table attached. This scoring enables us to track how the relative valuation uncertainty is evolving across all the five categories mentioned above and provide respective reference in our future COVID-19 event reports. For this assessment, we have included in the appendix a compilation of public quotes, which we have besides other elements, considered relevant to form our basic assessment of the pandemic’s impact on the non-life insurance market.

#### Timing and Outlook

We expect to see further developments around the uncertainty of impact category 3 (ongoing litigation) during July and August. These developments would bring clarity and dissipate some of the existing valuation uncertainties. Regarding impact category 4 (the potential change of law), we have seen some of the bills stalling over the recent weeks and we will continue to actively monitor the situation.

The COVID-19 pandemic as well as the related potential impacts are still developing and are subject to unexpected changes.

Kind regards,

**Credit Suisse Insurance Linked Strategies Ltd**  
(Portfoliomanager)

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**Contact**      Credit Suisse Anlagestiftungen  
Tel. +41 44 333 48 48  
E-Mail [csa.info@credit-suisse.com](mailto:csa.info@credit-suisse.com)  
Internet [www.credit-suisse.com/anlagestiftung](http://www.credit-suisse.com/anlagestiftung)

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