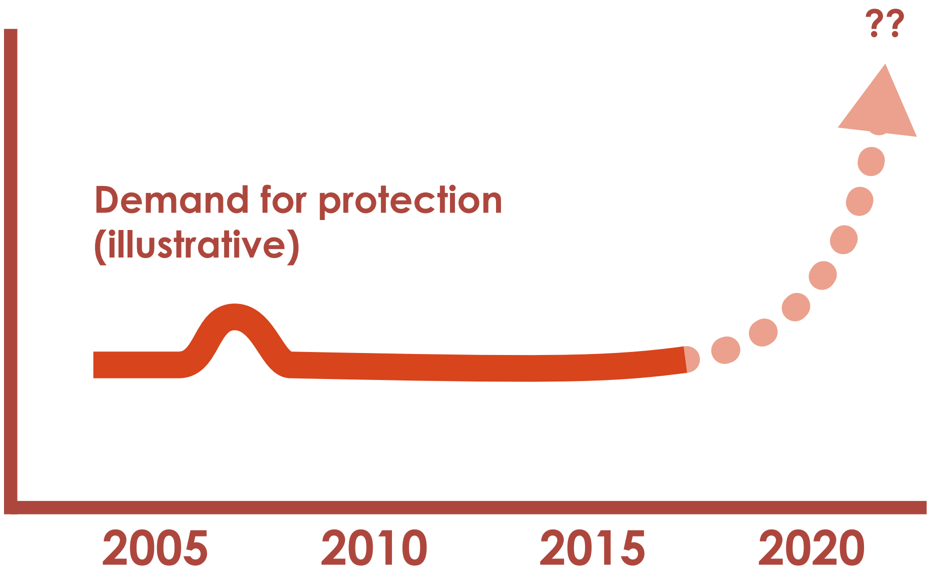
Kramer Levin

Interval Alts and Insurance-Linked Securities

With the recent natural catastrophes, insurer demand for reinsurance protection is **expected to rise**, hardening prices



A catastrophe, or CAT, bond is a typical example of an insurance-linked security (ILS) that provides protection to an insurer similar to reinsurance

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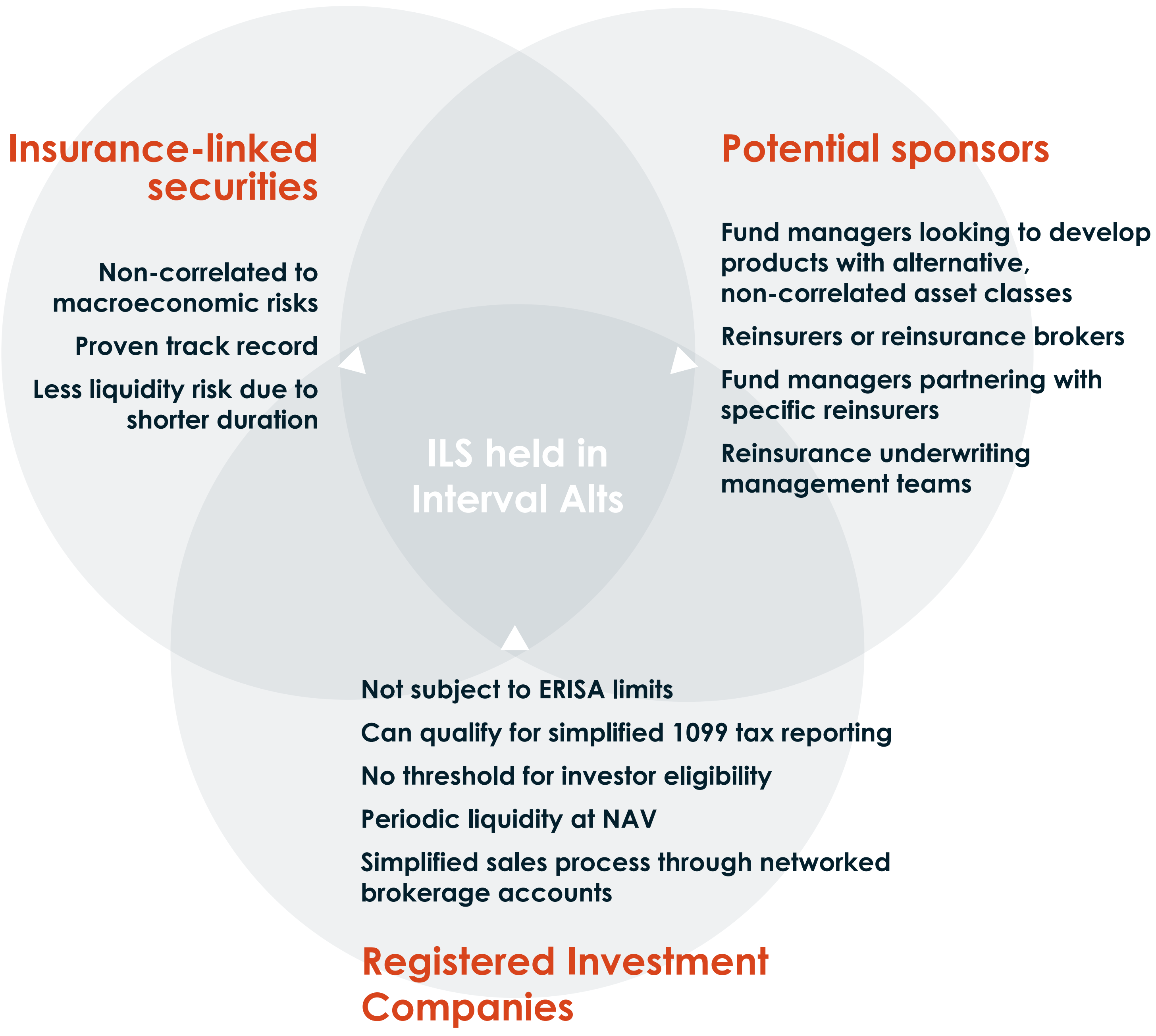
- Short duration (usually 3-5 years)
- Proceeds are held as collateral & can be used by sponsoring insurer upon defined event triggers
- If triggers are not met, investors receive full principal at maturity

- Other examples include Industry Loss Warranties, or ILWs, which are based on sector-wide losses, and quota-share instruments in a defined risk covered by a single insurer.

Although more prevalent among private funds, **reinsurance or ILS fund strategies** effectively provide risk-protection capacity to insurance markets for a variety of risks, offer diversification, and can benefit from reset and other variable features of ILS that respond to market conditions.



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