

Industry Loss Index Service

Excellence in Insurance Industry Benchmarks

PERILS is an insurance industry initiative aimed at improving the availability of catastrophe insurance market data.

PERILS offers two solutions:

- ◆ **PERILS Industry Exposure & Loss Database**
- ◆ **PERILS Industry Loss Index Service**

Both the exposure and loss data are based on the same sources and are generated using the same methodology, thereby ensuring consistency.

This brochure provides an overview of the **PERILS Industry Loss Index Service**.

The use of the PERILS Industry Loss Index as a trigger in insurance risk transactions is subject to a trading license which serves as a continuous master agreement. For each transaction a simple term sheet is added defining territorial scope, line of business, limit, risk period and reporting currency.

Only one party involved in the transaction needs to be a licensee.

Further information is available at **www.perils.org**

If you are interested in obtaining a trading license or have any inquiries or comments please contact us at **contact@perils.org** or call **+41 44 256 8100**

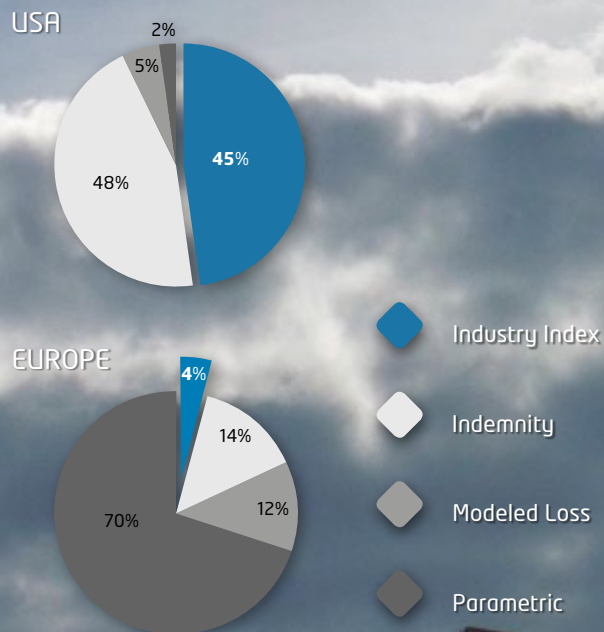
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- ◆ independent and specialized
- ◆ industry exposure and loss information
- ◆ based on data supplied by insurance companies
- ◆ pre-determined, guaranteed loss-reporting schedule
- ◆ systematic and transparent methodology



PERILS





Benefits

The **PERILS Industry Loss Index Service** (Loss Indices) allows the use of PERILS industry loss estimates as triggers in Insurance Linked Securities (ILS), Industry Loss Warranty contracts (ILW) or insurance risk derivatives exposed to European windstorm and ensuing perils.

The Loss Indices are based on actual insured loss information collected directly from insurance companies writing property business in the affected territories.

The Loss Indices differ from other available industry loss triggers in that they are based upon a bottom-up approach, where factual post-event loss information supplied by insurers is aggregated by the PERILS system and extrapolated to 100% industry level.

PERILS' independence ensures that the Loss Indices are objective and free from any inherent conflict of interest. Transaction-specific Loss Indices are provided to licensees following a fixed reporting schedule of 1½, 3, 6, and 12 months after the event. The final event loss estimate is generally declared 12 months after the event.

The PERILS Loss Indices incorporate all incurred losses following a storm, including "surprise losses". PERILS triggers therefore lower basis risk to protection buyer compared to alternative triggers. At the same time, transparency remains high.

For maximum consistency (alignment of source and methodology), the risk assessment of PERILS-triggered transactions is ideally performed with the PERILS Industry Exposure and Loss Database.

Minimizing Basis Risk

The resolution of the PERILS loss data enables custom-made, geo- and occupancy-weighted indices. This can significantly reduce the basis risk of PERILS-triggered insurance risk transactions.

A high correlation between the actual loss in the covered portfolio and the PERILS index is beneficial both from an earnings protection perspective as well as for capital relief considerations in risk-based capital models and regulations (e.g. Solvency II).

The PERILS Loss Indices are available for B, CH, D, DK, F, GB, IRL, L, and NL. Within a market, loss data are available per CRESTA zone and per property line of business. Triggers can be designed accordingly.

countries covered

- ◆ Belgium
- ◆ Denmark
- ◆ France
- ◆ Germany
- ◆ Ireland
- ◆ Luxembourg
- ◆ Netherlands
- ◆ Switzerland
- ◆ United Kingdom

occupancy types

- ◆ Residential
- ◆ Commercial
- ◆ Industrial
- ◆ Agricultural

advantages

- ◆ objective and independent
- ◆ clear definition of loss index (LOB, territories)
- ◆ assured and fixed reporting schedule
- ◆ breakdown into national and regional losses
- ◆ custom-made triggers to reduce basis risk

