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Dear Reader,

Since the publication of our first newsletter in April of this year, there have been numerous new and positive developments at PERILS.

Firstly, based on a very robust market coverage (>50%), we have been able to successfully complete the third loss report for windstorm Xynthia. Following our standard reporting schedule, the third loss report is the first which is in full resolution, per CRESTA zone and Property Lines of Business. 100% of the data providers in the six countries affected by the storm provided us with their loss data. The overall event loss estimate amounts to EUR 1.30bn of insured property damage. This is only 2% above the initial estimate from 12 April 2010, and proves the stability and robustness of the PERILS methodology.

Secondly, using PERILS 2010 exposure data we have calculated gross cat scenarios losses of the Fifth Quantitative Impact Study (QIS5) for property for European windstorm as used in Solvency II. The overall gross property scenario loss for all markets combined is EUR 36.7bn. With this, we would like to contribute to an enhanced understanding of the potential quantitative implications of the upcoming Solvency II regime.

And finally, we can report that so far in 2010, USD 525m of PERILS-triggered reinsurance / retrocession capacity has been placed. We are very satisfied with this amount and it is strong proof that our industry loss index service is now widely accepted. Further details are provided in the 'business update' section of this newsletter.

In our view, all these developments confirm that PERILS is successfully achieving its mission of contributing to the transparency and liquidity of the European storm market.

I hope you will find this newsletter useful and remain with my very best regards,

Luzi Hitz
CEO PERILS AG

Figures & Facts

> 60	number of data providing companies
> 50%	total market coverage in countries covered by PERILS
9	number of countries covered by PERILS : B, DK, F, D, IRL, L, NL, CH, UK
> 50 years	combined industry experience of the PERILS team
476 / 2 to 4	number of CRESTA zones / property LOBs covered by PERILS market data
28	number of data quality tests performed in PERILS
EUR 38.9 tn	PERILS' estimate of market windstorm property TIV in all nine markets
EUR 1.30 bn	Storm Xynthia – third property loss estimate
EUR 1.57 bn	Storm Klaus – final property loss estimate
USD 525 m	cat capacity placed January to September 2010 based on PERILS triggers

Windstorm Events

In this section, we focus on recent and historic windstorm events captured by PERILS.

Since the establishment of PERILS in January 2009, there have been two windstorm events which exceeded the PERILS reporting threshold of EUR 200m: Klaus and Xynthia.

Figure 1 shows the very stable development of PERILS' loss estimates for Klaus and Xynthia with the latest reports deviating only by 5% and 2% respectively from the initial loss report. This stability is mainly the result of a very robust methodology for grossing-up the loss figures and the fact that we allow data providing insurance companies sufficient time to come up with a reliable loss estimate for their own portfolio.

The final loss estimate for Xynthia is scheduled for 28 February 2011, 12 months after the event occurred.

While Klaus only affected France (Figure 2), Xynthia is the first pan-European event captured by PERILS, affecting several countries (Figure 3). We have been extremely satisfied with the way in which our data collection and analysis processes have performed. All data providing insurance companies from all markets followed our data call and provided their company loss information on time, thereby allowing us to make available detailed market loss data per CRESTA zone and Line of Business.

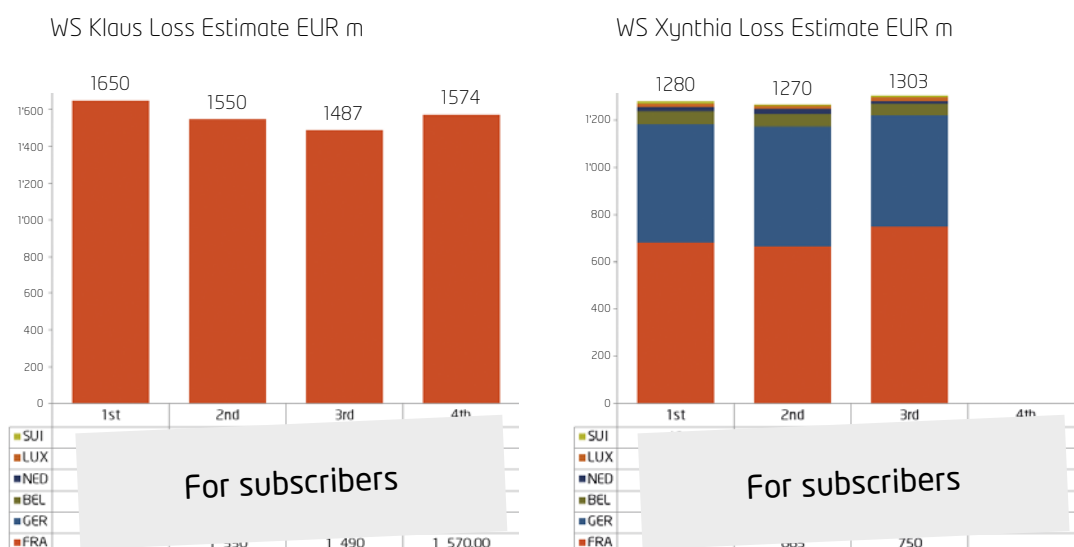
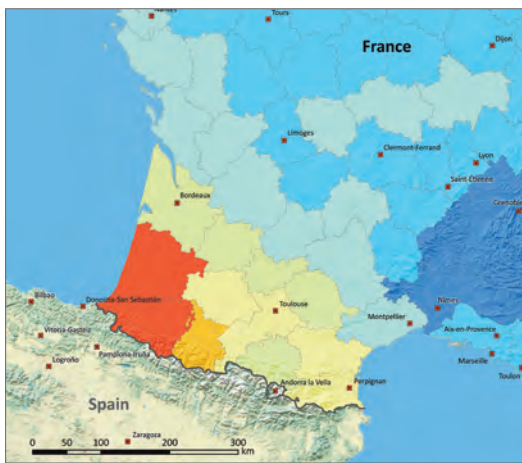
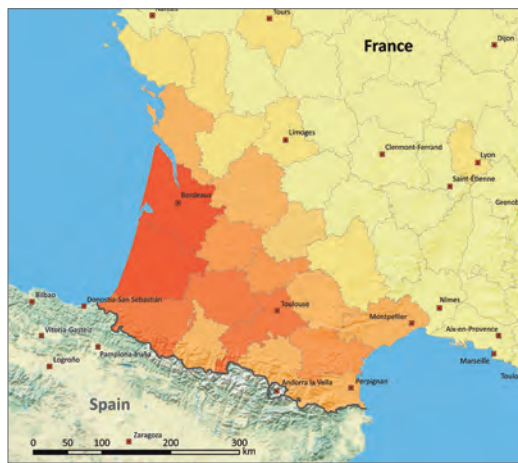
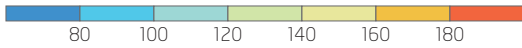


Figure 1: PERILS property event loss estimates for windstorms Klaus and Xynthia. Event loss estimates show a remarkable degree of stability due to the PERILS methodology and loss reporting schedule.



KLAUS – Population Weighted Wind Speed in km/h



KLAUS – Market Losses per CRESTA Zone in EUR m

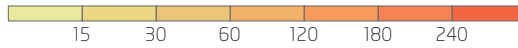
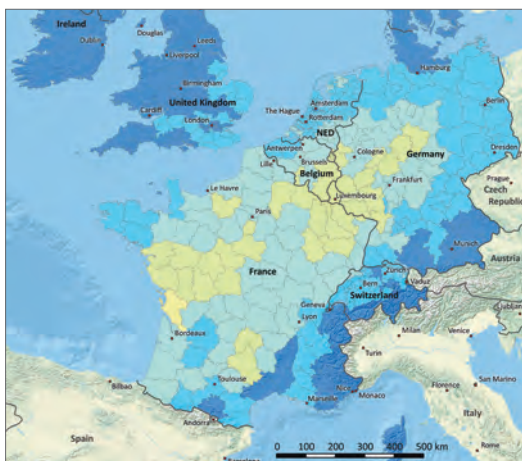
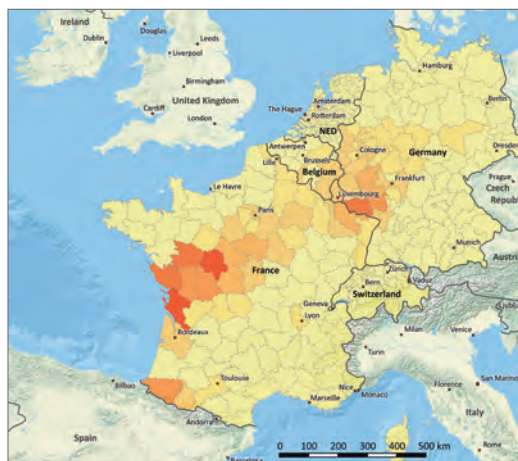
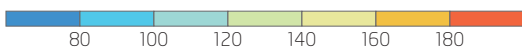


Figure 2: Klaus
(24 January 2009). Gust speed (left map) and market event loss per CRESTA (right map). PERILS' final loss estimate for this event is EUR 1.57 bn.



XYNTHIA – Population Weighted Wind Speed in km/h



XYNTHIA – Market Losses per CRESTA Zone in EUR m



Figure 3: Xynthia
(28 February 2010). Gust speed (left map) and market event loss per CRESTA (right map). PERILS' 3rd loss estimate for this event is EUR 1.30 bn. The 4th loss estimate is scheduled for 28th February 2011, one year after the event.



The market loss data for windstorms Klaus and Xynthia are now available in the identical granularity as the PERILS market exposure data. This data pool provides new ways for analyzing the storms. For example, by dividing the loss in a given CRESTA zone by the sums insured in this zone, a damage degree (loss in % of TIV) can be derived.

Further, by correlating for each CRESTA zone the damage degree with the representative peak gust windspeed, which are included in the PERILS DB, the relationship

between damageability and windspeed can be established (Figure 4). This new insight can be used for reality testing of damageability functions applied in Europe storm risk models (probabilistic or scenario loss models).

With this added transparency, our aim is to make a contribution to more robust and reliable risk modelling for European windstorms, something which is of ever increasing importance from a regulatory and rating agency point of view.

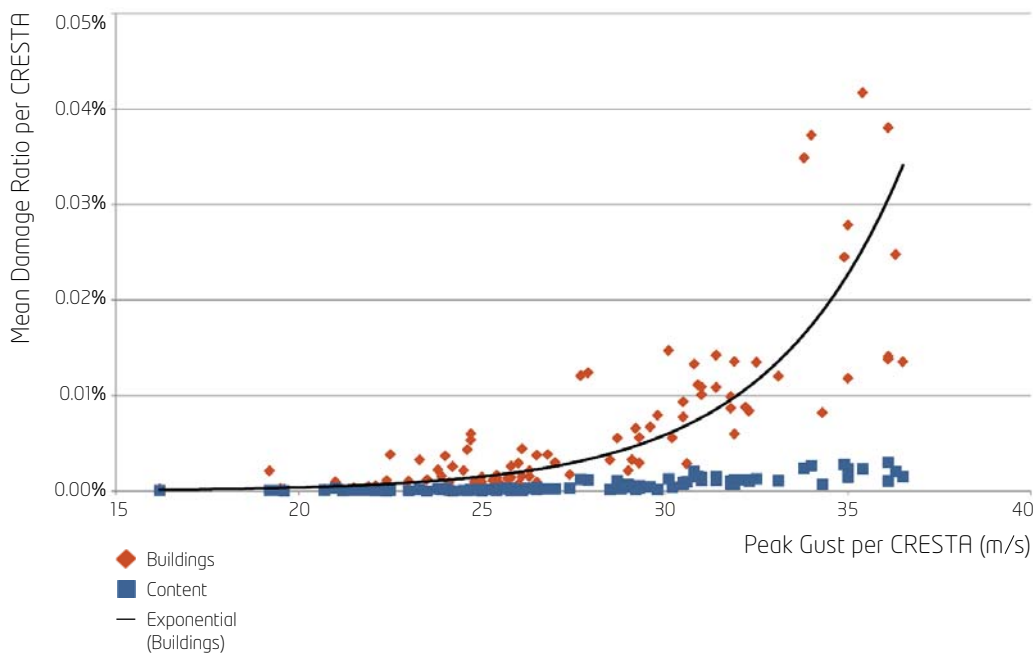


Figure 4: Property Residential - MDR.
 Event loss damage in % of sums insured versus peak gust windspeeds. PERILS market data allow to derive damageability functions which in turn can be used for scenario loss modelling.

Solvency II and Windstorm Europe

PERILS estimates industry losses for QIS5 wind scenarios.

PERILS has estimated the gross property cat scenario losses of the Fifth Quantitative Impact Study (QIS5) for European windstorm.

The calculation is based on PERILS' Industry Exposure Database 2010 with market property TSI available per CRESTA zone. All of the markets covered by PERILS were analysed (B, CH, D, DK, F, IRL, L, NL, UK). These markets represent the main contributors to a large, PML-type Storm Europe event.

Figure 5 shows single country scenario losses ranging from the low hundreds of millions of euros to multi-billion euro events. The overall occurrence loss for all markets combined is EUR 36.7bn, a windstorm market loss level expected to be incurred or exceeded once every 200 years, according to the QIS5 definition.

While the single country losses are of interest to national regulators and nationally operating insurance and reinsurance companies, the overall occurrence loss for all nine markets combined is of interest from a pan-European perspective. It also gives an indication of the implications of Solvency II on future reinsurance requirements. However, it is important to note that the calculated QIS5 windstorm occurrence losses are indications only. Final technical specifications under Solvency II for non-life natural catastrophe risk may differ from the current QIS5 parameters.

With this calculation, PERILS aims to provide additional transparency regarding European windstorm risk in general, and to contribute to a better understanding of the quantitative impact of the upcoming Solvency II regime in particular.

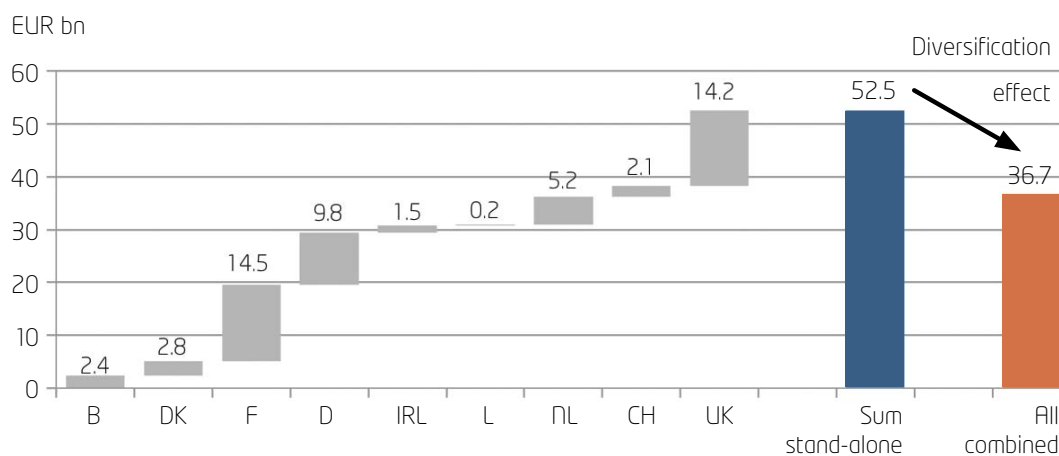


Figure 5: QIS5 scenario loss estimates per country. These figures are based on PERILS industry exposure 2010 data. The resulting market loss for all nine markets combined is EUR 36.7bn, reflecting a diversification impact of 30%.

Business Update

In this section, we highlight recent major business developments, including updates on PERILS products and their use in the market.

We are very proud to report that over the last months our overall coverage has passed the 50% mark. This further increases the robustness of PERILS' computations to gross up exposure and loss figures, and reflects the broad support we receive from the insurance industry in Europe.

PERILS' Industry Exposure & Loss Database now contains loss data in full granularity for two events. This makes it an excellent source for validating catastrophe risk models.

The use of PERILS' loss estimates as index values for triggers in insurance risk transactions has been constantly growing in the course of 2010.

During the first nine months of 2010, USD 525m of PERILS-based capacity has been placed in the market. The majority of this amount relates to Industry Loss Warranty (ILW) contracts, while Insurance-Linked Securities (ILS) contribute USD 120m out of the total limits of USD 525m (see Figure 6).

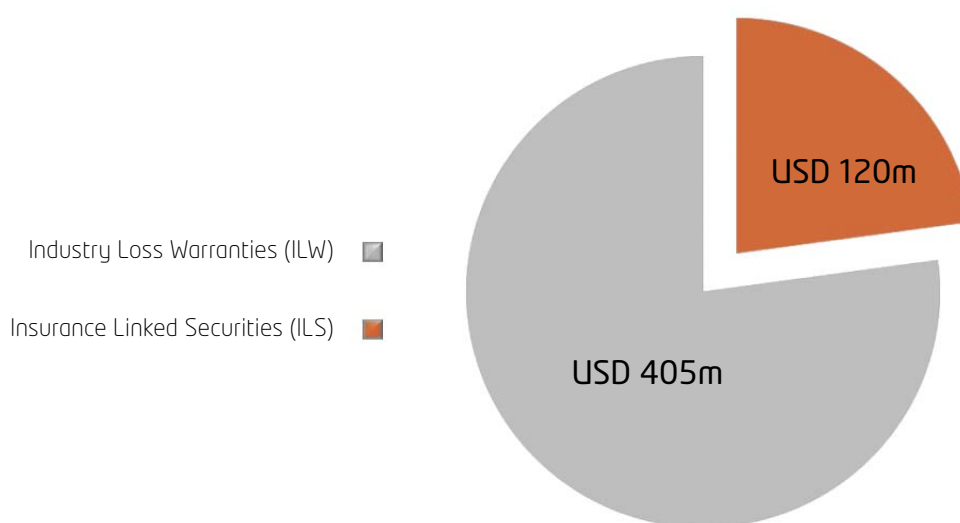


Figure 6: PERILS-triggered Windstorm Europe Cat capacity placed YTD (January to September 2010). The majority of the placements represent Industry Loss Warranty contracts.

Outlook

What is next?

We will continue to invest both our time and effort to further increase market coverage in all nine countries. We have also started considering expanding into other European geographies and perils.

PERILS is an industry initiative and as such our aim is to provide you with the data you need, so any feedback from your side is highly appreciated.

We would like you to help us shape the future of PERILS.

Your PERILS Team

Zurich, November 2010

