Aon Securities structures record-breaking earthquake catastrophe bond for World Bank

2/7/2018

Largest ever sovereign risk transfer protects World Bank against natural hazard exposure in four countries

CHICAGO, Feb. 7, 2018 /PRNewswire/ -- Aon Securities, the investment banking division of global reinsurance intermediary and capital advisor Aon Benfield, has assisted the World Bank in structuring the largest ever catastrophe bond covering earthquake, providing the organization with USD1.36 billion of capital markets protection.

The bond, which mitigates balance sheet risk for the World Bank in Chile, Colombia, Mexico and Peru by offering protection against earthquake risk on a parametric basis, is the second largest catastrophe bond on record, and represents the largest sovereign risk transfer in the history of the insurance-linked securities sector.

The issuance was made across five tranches of notes – one for each of Chile, Colombia and Peru, and two for Mexico. Under the issuance, Chile will receive USD500 million, Colombia USD400 million, Mexico USD260 million and Peru USD200 million in earthquake risk protection.

The bond's parametric trigger is based on U.S. Geological Survey data. Coverage is provided on a three-year basis for the Chile, Colombia and Peru notes, and on a two-year basis for the Mexico notes.

The transaction brings the total amount of risk transfer facilitated by the World Bank to USD3.6 billion, and is part of the organization's broader work to support Chile, Colombia, Mexico and Peru – all member countries of the Pacific Alliance – in managing risk from natural disasters.

Paul Schultz, CEO of Aon Securities, said: "We are honored to support the Pacific Alliance members and World Bank in bringing this pioneering transaction to the market. This record-breaking issuance highlights the strategic partnership between nations seeking efficient sources of capital to fund emergency costs and investors seeking to invest in diversifying risks and support sustainable development initiatives. We are optimistic that this transaction
will pave the way for other governments to develop more resilient risk management programs for their uninsured exposures."

Further information

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About Aon Securities
Aon Securities Inc. and Aon Securities Limited (collectively, "Aon Securities") provide insurance and reinsurance clients with a full suite of insurance-linked securities products, including catastrophe bonds, contingent capital, sidecars, collateralized reinsurance, industry loss warranties, and derivative products.

As one of the most experienced investment banking firms in this market, Aon Securities offers expert underwriting and placement of new debt and equity issues, financial and strategic advisory services, as well as a leading secondary trading desk. Aon Securities' integration with Aon Benfield's reinsurance operation expands its capability to provide distinctive analytics, modeling, rating agency, and other consultative services.

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