



SIFMA IRLS Conference
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Opening Remarks
As prepared for delivery
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Good morning. I'm pleased to welcome you to SIFMA's annual Insurance and Risk-Linked Securities Conference. This is our second year in Miami and we appreciate your continued support of this event.

2017 was an unprecedented year in the insurance-linked markets. By mid-year the market had set a new issuance record, at \$8.4 billion, but through the summer and fall the market was beset by a number of large scale catastrophes. Harvey, Irma and Maria made the September hurricane season one of the costliest.

Those three events, combined with the earthquakes in Mexico and the wildfires in California, led to increased volatility and large price swings in the market. New issuance slowed in the second half of 2017, with only \$2.1 billion, the lowest since 2009.

Despite the eventful year, full year issuance of ILS exceeded \$10 billion. 2017 ended with a record \$27 billion outstanding, exceeding the prior annual issuance record of \$8.38 billion set in 2007. If anything, robust issuance forecasts for this year reiterate the strength of this market.

Throughout the unrelenting disasters last fall – a time which many point to as the insurance and risk linked market's first real test – this market proved itself to be, without a doubt, resilient. Secondary market trading seems to continue without indications of forced sales. The extraordinary string of other natural disasters in 2017 is said to have saddled insurers and reinsurers globally with more than \$135 billion in losses. Pricing power and the impact of ILS and other alternative capital is a growing topic and one that will be discussed over the next two days.

Dr. Phil Klotzbach, an Atmospheric Scientist at Colorado State University, has released five potential weather scenarios for 2018. Two of those five outline scenarios include the prediction of an above-normal year for hurricanes. The one scenario out of these five which he currently gives the greatest odds of occurring, at 35%, calls for above-average hurricane activity, in the range of two to five over the course of the year. If this rings a bell with you, you likely remember Dr. Klotzbach as a speaker at last year's conference. His leading forecast for



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2017 predicted the occurrence of two to five major hurricanes. While we may see some active hurricane seasons in the next few years, I know this group is confident that the resilience of the ILS market will continue, reflecting a commitment to the asset class and a focus on long-term returns.

At SIFMA, our role is to serve the industry in the capital formation process in the securities market. We support the issuance and purchase of ILS, so that issuers can manage risk and investors can get their desired risk exposure. We are committed to making the markets more efficient and deeper. We know this conference provides a useful focus on the key drivers that are shaping the insurance and ILS markets. To that end, we are pleased to have a diverse audience and large number of new panelists to provide different perspectives.

The agenda covers the full range of strategic topics but also some insightful deep dives into particular segments and markets, including flood risk, Latin American and Caribbean ILS markets, the use of ILS for infrastructure and public finance, and how Insurtech may offer new opportunities for this market.

We all continue to want to see greater opportunities for a broadening of the market generally to new risks and regions. This, of course, includes flood risk. Both the 2017 storms and the more recent and continued drenching rain that has pummeled the central U.S. makes this especially topical. In November, the House passed the 21st Century Flood Reform Act, which would reform and reauthorize the National Flood Insurance Program, or NFIP.

While the NFIP is the largest insurer of flood risk in the United States, the private reinsurance and ILS markets have continued to express an interest in bringing more capital to help close the protection gap. Notably, this legislation would require the Federal Emergency Management Agency to transfer part of the NFIP's risk to the private sector through insurance-linked securities. It would also include lowering barriers to flood risk insurance privatization and modifying flood mapping tools to enable better pricing of risk. We will hear more about the NFIP and flood risk from our keynote speaker, Roy Wright, Deputy Associate Administrator for Insurance and Mitigation at FEMA, and we look forward to his insights.

With that overview, I would like to thank our sponsors {show slide}. SIFMA has received very consistent support from a number of industry participants, for which we are grateful. I want to give a special welcome to those who are joining us for the first time. And, I want to be sure to thank all of our speakers. In addition, I would like to thank my SIFMA colleague Sean Davy for all his hard work and leadership in putting this event together.

And now, last but not least, it is my pleasure to introduce Jay Green, vice president at Goldman Sachs, and to thank Goldman Sachs for chairing this year's conference. Please join me in welcoming Jay.