

LGT's ILS team receives award for innovative initiative

Pfaeffikon/Zurich, August 2018 – **LGT's insurance-linked strategies team (LGT ILS) has won the "initiative of the year award" by Trading Risk for the innovation of setting up the first collateralized rated reinsurer, Lumen Re Ltd. This step is expected to have a significant impact on the entire ILS industry.**

Over the past decade, LGT ILS has continuously worked towards improving the way insurance risks are transferred to capital markets investors. As such, LGT ILS was responsible for a series of innovative approaches to risk transfer, such as the first open-ended Cat Bond fund (2001), the first UCITS Cat Bond fund (2010), the first "Cat Bond Lite" structured note issuance (2010; USD 200m volume) – and now the first collateralized rated reinsurer "Lumen Re Ltd."

In order to transact reinsurance contracts as financial market investments, ILS managers rely on a structuring form referred to as a "transformer". After using reinsurance companies as transformer service providers in the early years, LGT ILS has launched a transformer structure back in 2012 – one of the first ILS managers to take such a step. Since then, LGT ILS has transacted over USD 14bn in collateralized reinsurance limit on behalf of LGT ILS Funds. But insurance companies who wished to access capital market capacity often requested a rated reinsurer to ease the transaction process - yet engaging with a rated reinsurer for this purpose adds significant costs and dependencies.

To resolve this conundrum, LGT ILS has over a period of two years engaged with relevant stakeholders to present an innovative solution to the market. The goal was to combine the best of both reinsurance forms – the ease and speed of transacting traditional reinsurance with the superior credit quality of the collateralized (ILS) markets. To achieve this, the transformer entity upgraded the license to a fully-fledged commercial reinsurer "Lumen Re Ltd.". AM Best has assessed Lumen Re Ltd. and assigned an "A/excellent" rating, which confirms the entity's superior credit quality.

The benefits are significant: Insurers who have no desire to manage the collateral process traditionally associated with ILS managers simply face Lumen Re Ltd. as a rated reinsurer. Capacity remains largely collateralized, thus providing insurers with the highest possible security. Investors benefit from lower structuring costs, a mitigation of cash drags ('trapped collateral') and most importantly improved access to transactions.

The judges of the Trading Risk Award 2018 have recognized this innovation which is expected to have a significant impact on the entire ILS industry and we are proud to announce that LGT ILS was awarded with the 'Initiative of the Year award' in New York a few months ago.

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**LGT Capital Partners**

LGT Capital Partners is a leading alternative investment specialist, managing over USD 60 billion for more than 500 institutional clients in 37 countries. An international team of over 370 professionals is responsible for a wide range of investment solutions. LGT is also one of the world's largest investors in insurance-linked investments, offering funds and mandates with a range of risk and return characteristics to optimally meet the investor' appetite. Headquartered in Pfaeffikon (SZ), Switzerland, the firm has offices in New York, Dublin, London, Vaduz, Dubai, Beijing, Hong Kong, Tokyo and Sydney.

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