



7th Insurance Linked Securities Summit

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The largest and only
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Securities conference



An interview with Luca Albertini, CEO Leadenhall Capital Partners

Luca Albertini is Chief Executive officer of Leadenhall Capital Partners LLP, an asset management company active in managing insurance linked strategies. Luca has over 16 years of securitisation experience, having worked in the securitisation departments at Citibank, GE Capital, Credit

Suisse First Boston and Swiss Re Capital Markets. Within his career Luca gained 7 years of insurance securitisation experience, first at GE Frankona Re and then becoming responsible for the European Insurance Linked Securities team at Swiss Re Capital Markets, where he originated and structured a number of transactions in the P&C, Life, Cat Mortality, and Credit Reinsurance sectors, before founding Leadenhall in 2008.

Luca, the ILS market appears to be back on track following the collapse of Lehman Brothers last year. What are the prospects for the ILS market going into 2010? What would you identify as the major growth drivers of this market?

I am very optimistic of the growth potentials for the ILS market in 2010. The signs for a renewed issuance interest are clear:

- There is a robust pipeline of issuance, which is discussed for year-end 2009
- Most of the recent transactions have been oversubscribed, thus showing a sustained investor interest
- The pricing at which most recent transactions closed have been at or below the low end of the initial pricing indication
- The reduced cost of buying protection via cat bond is a very important factor, which will lead even more players to offer risk to the capital markets
- The closing of the gap between capital markets pricing and traditional reinsurance pricing, which was created by the recent market turmoil, is also reassuring investors against volatility of their own returns

How is Leadenhall adapting to changes in the ILS space?

Leadenhall has the benefit of being a new entity (we obtained licenses in November 2008) and therefore we have been able to shape our offering in light of the changes, which the recent market turmoil has forced onto the ILS market participants. One of the features is that Leadenhall will be acting in insurance-linked investments, which is broader than just ILS, so that the funds will be able to achieve diversification and portfolio optimization targets even when such diversification is not available in the ILS market.

Going forward, how do you see the investor landscape changing? What needs to happen before more institutional capital seeks out the asset class?

The last couple of years have shown the dangers of investing in an asset class which is not understood by the manager. Insurance-linked portfolio management requires dedicated expertise, and specialized software, which is economical for portfolios of more than \$100/150m. Large institutional investors willing to do this will be able to make such investments, but I believe that dedicated managers (such as Leadenhall) will be the preferred route to insurance-linked investments from small-ticket investors and those institutional clients who sub-contract asset management.

If the sector continues to prove its lack of correlation with the rest of the capital markets and no more accidents such as the losses associated with Lehman's default occur, then more institutional investors will see the merit of an allocation to insurance linked strategies.

What are the major threats facing the ILS market going into 2010?

The main threat to the ILS market is that a transaction has another loss which is not the consequence of a natural disaster. We cannot afford any more structural weaknesses in our collateral structure. Another minor threat is that pricing for diversifying perils is kept by market participants above the level, which is economical for a protection buyer to pay. This would further reduce the opportunities for portfolio diversification whilst the ability to control the losses associated with a single large event is a key comfort factors for investors into the ILS sector.

What are your growth forecasts for the next 2-5 years? Do you foresee a lot of growth in the marketplace next year?

The ILS market was on a steep growth path. Year 2008 was the first decline in issuance post Katrina, but that is attributable to the financial turmoil and Lehman's bankruptcy, which clocked issuance in the second half of the year. With the recovery in 2009 consolidating in 2010, I expect a sustained growth starting from next year and continuing in the near future, particularly when adding up all forms of capital markets participations to include ILS, cat swaps, transformed reinsurance and ILW contracts.

Why should investors attend the 7th ILS Summit?

In absence of an official industry body or forum for ILS professionals, quality conferences and events are important forums for all market participants to discuss various hot topics about our markets. With the market transformations we are witnessing, there is a lot to discuss, and all layers, more than ever before, will find it useful to be able to participate and attend the debate.

What part of the conference are you looking forward to most?

I am very interested to hear everyone's views about how we changed the market, and of what is still there to be changed to underpin a growing and reliable market.

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