

Earthquake in Mexico & Hurricane Maria

Event Update – Wednesday, 20 September 2017

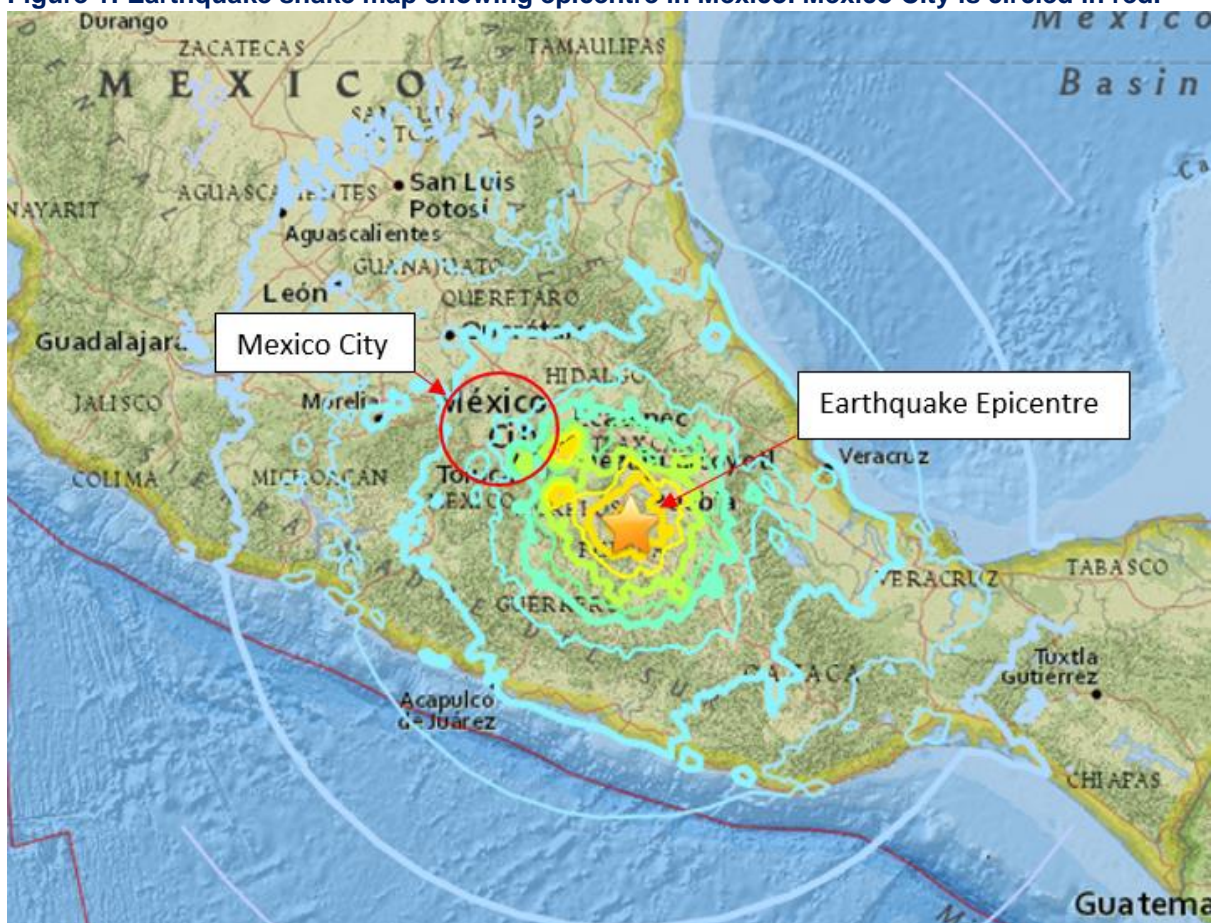
Earthquake in Mexico

A major magnitude 7.1 earthquake struck central Mexico at 06:14 UTC on Tuesday, 19 September 2017. The earthquake epicentre was 115 km from Mexico City, which lay within the “Strong” shaking zone felt by 12 million people. There have been reports of collapsed buildings, hundreds of deaths, and multiple aftershocks.

While economic losses are predicted to be in single digit billions, Twelve Capital has no further cat bonds exposures in this context post the recent earthquake, which has caused the only outstanding cat bond covering Mexican earthquake risk to trigger a full writedown. The damage assessment for private ILS transactions is under way and will be conducted as soon as the relevant information becomes available. However, the implication on portfolios managed by Twelve Capital is expected as minimal – if at all.

Mexico City is built on a dried lakebed, which amplifies seismic effects. Coincidentally, earthquake drills had been held shortly before this earthquake, as 19 September is the anniversary of the devastating 1985 “Mexico City earthquake” which killed at least 5’000 people.

Figure 1: Earthquake shake map showing epicentre in Mexico. Mexico City is circled in red.

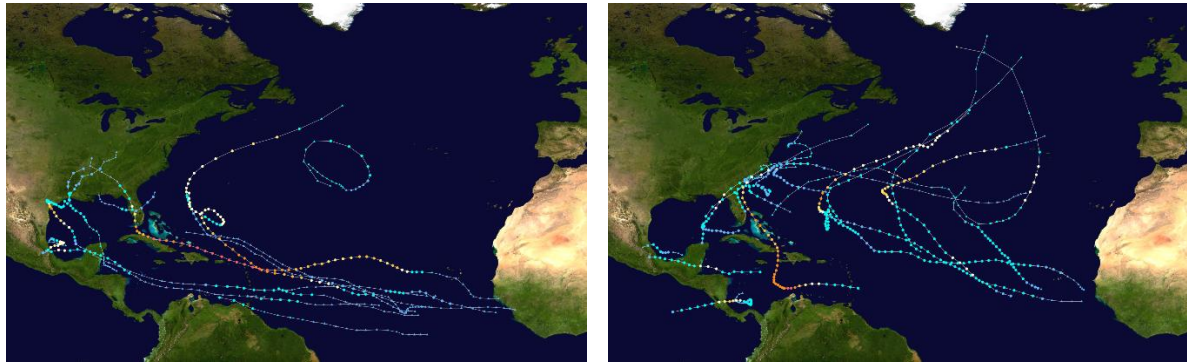


Source: USGS, Twelve Capital.

Hurricane Maria

Maria is the third Major Hurricane to hit the Lesser Antilles (following Irma and Jose), and along with Harvey, to impact the wider Caribbean and Gulf this season. Whereas a typical hurricane season, like in 2016, see tracks much more distributed across the Atlantic Ocean (Figure 2, right image), the 2017 season has seen many parallel tracks affecting the Caribbean and Gulf (Figure 2, left image).

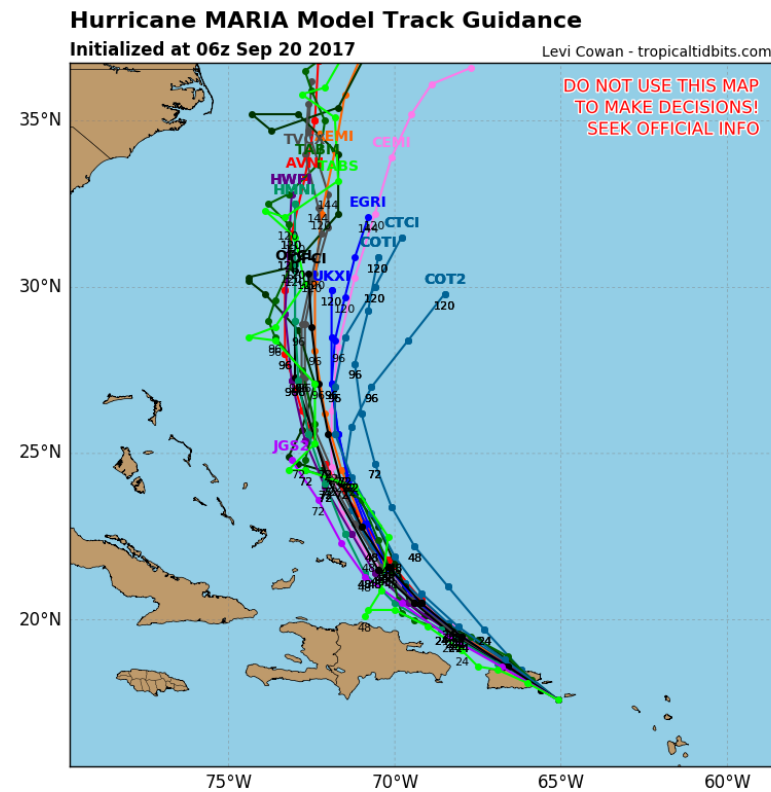
Figure 2: Left: 2017 Atlantic Hurricane Season tracks. Right: 2016 Atlantic Hurricane Season tracks.



Source: NASA, NHC, Wikipedia.

On 19 September 2017 1015 UTC, Maria made landfall at Yabucoa, Puerto Rico as a Category 4 Major Hurricane with winds of 250 km/h. A storm surge of 1.8-2.7m and rainfall of 30-45cm is expected. Maria is forecasted to remain a Category 4 hurricane for the next two days, but to turn northwards into the Atlantic Ocean. Based on current forecasts, there is no U.S. mainland landfall expected.

Figure 3: Hurricane Maria forecasted track over the next few days for various models.



Source: Tropical Tidbits.

It is still too early to confidently estimate losses. Should hurricane Maria proceed on its track towards the open ocean, we expect little impact on ILS beyond the damage that is done on Puerto Rico and other affected Caribbean islands.

Twelve Capital continues to monitor the situation closely and will inform upon major developments.

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