Abstract

The aim of the thesis is to provide a comprehensive analysis of catastrophe (CAT) bonds. Topics covered include the definition and classes of CAT bonds and related insurance linked securities, the structure and workflow of a CAT bond transaction and the types of trigger. Supply and demand, pricing and hedging as well as risk analysis and regulation are also covered.

As a complement to the described descriptive work, the historical returns of CAT bonds from January 2006 until October 2019 are analyzed by applying standard financial metrics such as CAPM, Sharpe Ratio and Beta. These results are compared with the performance of other investment products such as bonds and equities. In addition, empirical evidence is collected to show that, over the measurement period, CAT bonds are largely uncorrelated with the broader financial markets and exhibit a beta close to zero.