Towards an understanding approach of the Insurance Linked Securities Market

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Abstract: The paper aims to present the insurance linked securities market behaviour, that has changed a lot the past three years, both in terms of structure and in terms of ceded risks. After having introduced some stylized facts characterizing the insurance linked securities we capture their market price of risk, following the methodologies of Wang (2004), Lane (2000) and Fermat Capital Management (2005). A dynamical study of the insurance linked securities is also provided in order to understand the elements driving the spreads: the consequences of the catastrophic events, the seasonality and the diversification effects between some different risks are highlighted.

Keywords: insurance linked securities, cat. bonds, market price of risk.

JEL classification: G10, G12, G14

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