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First-Ever Cloud Outage Catastrophe Bond Issued

Parametrix cooperates with Hannover Re to structure and place innovative cyber risk transfer tool

NEW YORK — 15 April 2024: [Parametrix](#), the leading cloud monitoring, modeling, and insurance services company and Hannover Re, one of the world’s leading reinsurers, and have launched and issued Cumulus Re, the first-ever catastrophe bond to cover losses arising from sustained cloud outage risk. Cumulus Re protects the reinsurer against cloud outage loss accumulation within its large cyber reinsurance portfolio. Parametrix acts as modeling and calculation agent on the annual bonds.

Cumulus Re cat bonds with a value of \$13.75 million have been issued by Hannover Re’s wholly owned Bermuda-based Kaith Re Ltd. The issue provides Hannover Re with incremental retrocession protection in the event that the delivery of specific cloud services in certain U.S. cloud regions by one or more named cloud service providers are interrupted in excess of a specified waiting period. The privately issued, parametric, Reg 4(a)(2) “cat bond lite” has been placed with multiple investors, and begins to meet the rapidly growing demand for this type of reinsurance coverage.

Portfolio risk modeling and ongoing cloud performance monitoring by Parametrix have enabled the transaction. Parametrix created the first-of-its-kind cloud model based on historical cloud outage data, collected by the Parametrix Cloud Monitoring System (PCMS). Leveraging its comprehensive data, sophisticated models, and intellectual property, Parametrix is poised to help the market effectively manage and analyze cloud risk, thereby enhancing transparency and clarity regarding cloud systemic risk.

“Businesses are increasingly reliant on cloud services for storage and computing power, which has driven exposure to cloud outage” said Henning Ludolphs, Managing Director, Retrocession and Capital Markets at Hannover Re. “Cloud outage can lead to significant business interruption losses for the insured, and subsequently for the (re)insurance market. Therefore, we are very pleased to have arranged a parametric cloud outage cover in bond format in cooperation with Parametrix. Cloud outage is one of the main risks within cyber (re)insurance and the involvement of capital markets is crucial to satisfy capacity needs in the mid- to long-term. This cover is a first step towards getting investors involved, and we envisage to grow the cover over time together with our investors.”

Parametrix Chief Commercial Officer, Sharon Haran, said: “To ensure the stability and sustainability of the fast-growing cyber insurance market, it is important to manage systemic risk effectively, which demands large capital resources. This is essential for both (re)insurers and investors as Cloud Outage is a major concern and therefore constitutes the primary coverage trigger.”

Jonathan Hatzor, Parametrix Co-Founder and CEO said “The confidence Hannover Re and the investors have placed in us to provide the data analysis and modeling for this bond is a great endorsement of the technology we’ve developed at Parametrix to collect, analyze, and monitor data on cloud performance. It is a critical business risk in the new age of the digital supply-chain and we are working hard to expand our services to support all businesses, particularly those in the risk transfer arena, to manage this serious new risk to commerce.

“Modeling this transaction was one of the first projects of our newly launched Parametrix Analytics, a stand-alone risk consultancy that provides comprehensive outage loss modeling for the cyber insurance sector. I’m proud of our team and efforts and committed to supporting the sustainable growth of the cyber insurance market by using our expertise and resources.”

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Notes for Editors

For more information, contact:

Dr Adrian Leonard, Strategic Insurance Communications

adrian@canadrian.co.uk

+44 (0)7977130093 (call or WhatsApp)

About Parametrix

Parametrix, the leading provider of cloud monitoring, modeling, and insurance services, is a Managing General Agent and Lloyd’s Coverholder based out of New York that underwrites parametric insurance against digital supply chain interruption. Parametrix uses proprietary technology to continuously monitor the performance of a variety of third-party IT services across the globe, and to collect granular data on service interruptions. It uses that data to assess risk, provide instant insurance quotations, and to streamline claims payments, which are delivered within days. Parametrix policies are backed by major A-rated global insurers. Parametrixinsurance.com

About Hannover Re

Hannover Re is one of the world’s leading reinsurers. It transacts all lines of property & casualty and life & health reinsurance and is present worldwide with more than 3,500 staff. German business of the Hannover Re Group is written by the subsidiary E+S Rück. Established in 1966, Hannover Re is recognized as a reliable partner for innovative risk solutions, exceptional customer intimacy and financial soundness. The rating agencies most relevant to the insurance industry have awarded both Hannover Re and E+S Rück outstanding financial strength ratings: Standard & Poor’s AA- “Very Strong” and A.M. Best A+ “Superior”. hannover-re.com