

### WHAT



Hurricane Milton is the 13<sup>th</sup> named storm and the ninth hurricane of the 2024 Atlantic Hurricane Season. It was named a Tropical Storm on 5 October when it formed in the Bay of Campeche. It went through rapid intensification, becoming the second Category 5 storm of the season, at one point having a central pressure below 900mbar.

### WHERE



Milton made landfall as a Category 3 Storm overnight from 9 into 10 October just south of Tampa into Sarasota. Compared to earlier estimates, this meant that Tampa escaped what could have been a much more devastating loss. Milton made landfall ca. 100km further up the coast than Hurricane Ian in 2022.

### PATH



Milton formed in the west of Gulf of Mexico, becoming a hurricane only 24 hours after being named Tropical Storm. It rapidly intensified as it traversed the Gulf of Mexico, skimming the Yucatan Peninsular before aiming at central Florida. Milton weakened from Category 5 to 3 at landfall, and due to areas of wind shear also tracked further south than early predictions.

### Impact

Milton's landfall into Florida as a Category 3 hurricane brought with it not only damaging winds, but also coastal storm surge to western central Florida, and large volumes of rainfall to the northern half of Florida. Milton was the second Category 5 storm of the season, in addition to being the fifth most intense storm on record (by central pressure).

Initial forecasts had Milton as a direct hit into Tampa as a Category 4, which would have brought with it devastating winds and particularly storm surge. The move south reduced the impact on Tampa, and also enabled the market to use Hurricane Ian in 2022 as a comparative event given the landfall locations were only approximately 100km apart. Initial reports suggest that some coastal communities in Sarasota experienced storm surge heights of over 2.4m.



Hurricane Milton Track and Surge inundation (10 October)

### Industry Loss Estimate

Analysis from Twelve Capital, and initial market estimates, peg industry losses in the USD 20 - 50bn range, with potential for material uninsured losses. One area of uncertainty on this will be the losses to the US National Flood Insurance Program (NFIP) sponsored Cat Bonds, which are already under pressure on the back on Hurricane Helene which was a heavy rainfall event.

### Impact on the Cat Bond Market

Current analysis estimates there to be a 0% - 4% principal loss to the Cat Bond Market. In the coming weeks there is likely to be price fluctuation, especially on bonds heavily exposed to the Tampa Region and with coastal policies. We are monitoring the NFIP bonds that cover hurricane induced flooding, however it is too early to tell the exact impact, but Tampa is a key exposure zone for the NFIP (see map below).

There is also the potential to see spread widening across many Cat Bonds as prior to Milton, the market had priced in rate softening for the upcoming renewals, which is now less certain given the pressure Milton may apply to the reinsurance market.

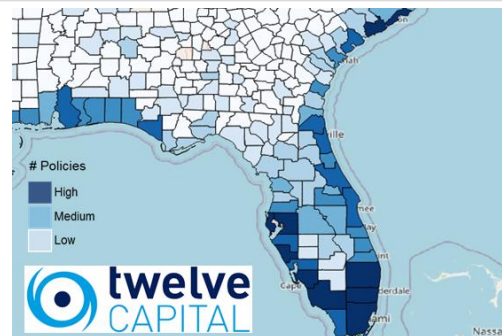
*Please note, that the figures above are based on current market estimates and Twelve Capital will continue to monitor how the losses develop.*

### Twelve Capital Event Assessment

Twelve Capital has monitored the development of Milton and evaluated the potential impact since its formation.

We highlight some key takeaways from the storm development:

- The event underscores the ongoing protection gap in flood insurance, with many affected areas having minimal coverage, likely leading to significant uninsured losses
- Conditions in the Northern Atlantic (specifically in the Gulf of Mexico), supported the rapid intensification of Milton
- Weakening and a southerly move just prior to landfall meant Tampa avoided much higher losses



NFIP Exposure Map

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