



A M7.2 Earthquake hits Mexico

February 19, 2018

On 16th of February 2018, a powerful earthquake stroke the Oaxaca state in southern Mexico, an area located in a convergent boundary zone. The earthquake featured a thrust fault, and the United States Geological Survey (USGS) reported a magnitude of 7.2mw and depth of c 25km.

Mexico has suffered significantly from earthquakes in 2017, with a strong M 8.1 earthquake hitting Central Mexico in September 2017 causing hundreds of casualties, economic loss and the total loss of a USD150mm Cat Bond issued by the World Bank only a month earlier. IBI did not participate in that issuance.



Figure 1: The Epicenter of the earthquake, source: USGS

No direct fatalities were reported and the resulting economic and insured damage is estimated to be low. A Cat Bond has been issued by the World Bank which is exposed to the event: the transaction splits Mexico (and its surroundings) into a grid consisting of boxes and is triggered if the magnitude parameter exceeds a pre-defined threshold depending on the box. For the current event, the earthquake magnitude would have to be at least M 7.8 to impair the bond, hence no impact is anticipated. In summary, we anticipate **only a marginal impact on IBI's portfolio.**



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