



Ultimate Risk Solutions

Powerful,
Flexible,
User Friendly



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RISK EXPLORER VERSION 9 NOW AVAILABLE

URS has just brought out Version 9 of **Risk Explorer™**, the latest update of the industry's leading Dynamic Financial Analysis (DFA) software. All users receive e-mail alerts and can download Version 9 from the URS web site, www.ultirisk.com.

Special features of Version 9 include:

- Ability to model large portfolios of property catastrophe reinsurance contracts: Property cat reinsurers can easily create and run portfolios of several thousands of property cat contracts. The contract data and event-loss tables from RMS, AIR or EQE can seamlessly flow into RiskExplorer™ from other systems.
- New product, **URS Admin**, helps administer large Risk Explorer™ models. URS Admin provides the ability to assign specific user access rights to restrict possible user actions to a particular Risk Explorer™ project file. It also provides auditing capabilities that enable project managers to track changes made to a project file.
- Ability to estimate conveniently company losses due to default of its reinsurers.
- Multiple enhancements to standard reinsurance contract models.
- Distributed simulations available on computers connected to different types of network (domains, workgroups).
- Enhanced reporting and graphing capabilities.
- Added convenience in entering starting balance sheet items.
- Ability to fit distributions in Excel using the engine from **UltiFit™** – a distribution fitting product from **URS Application Studio**.

If your company does not have DFA software, send an email to **Anya Kutsina**, head of marketing (akutsina@ultirisk.com) or **Berend Alberts** (balberts@ultirisk.com). They will be pleased to arrange a demonstration.

ALBERTS JOINS ULTIMATE RISK SOLUTIONS SENIOR MARKETING TEAM

Berend Alberts, an executive with more than 20 years of experience in diverse financial services and reinsurance has rejoined the senior marketing team at Ultimate Risk Solutions. "We're pleased to have Berend back. He's an effective sales executive with deep knowledge of URS products," said CEO **Alex Bushel**. Alberts will cover the European, US, and other markets worldwide. He left URS in 2007 to pursue private business interests.

A native of the Netherlands, Alberts speaks Dutch, French, German, Spanish, and English. Among other assignments prior to joining URS, Alberts held general managerial and marketing posts at Tryg Baltica International BV, SCOR Nederland BV, Blaak Captive Managers NV, AEGON Reinsurance NV, and Aachener Ruckversicherungs Gesellschaft AG.

Alberts is available to explain URS products and discuss financial software needs with clients and prospects. He can be reached at balberts@ultirisk.com.

URS GLOBAL ECONOMIC MODEL - A PRODUCT FOR PERILOUS TIMES

In these perilous times, with world economies still reeling from turmoil in the US credit markets, informed business decisions are more important than ever. Companies doing business abroad need to know the risks they face. The new Global Economic Model, **URS Real World™** enables corporate executives to measure the impact of macro-economic volatilities on financial results of their companies in all countries where they operate.

With URS RealWorld™, companies can quickly and easily model consistent macro-economic scenarios in multiple economies. Those scenarios include the simulated values of GDP growth, inflation, unemployment, and wage growth rates, along with investment rate, interest rate curves, stock market indexes, and exchange rates. Each scenario can include any number of future years.

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ENTERPRISE RISK MANAGEMENT AND FINANCIAL MODELING Q & A WITH ULTIMATE RISK SOLUTIONS CEO ALEX BUSHEL

Q: Insurers and reinsurers are being encouraged, and in some cases pressured by rating agencies and regulators to adopt Enterprise Risk Management as a planning and decision making tool. How do you assess the value and future use of ERM?

Bushel: I believe it will be even more relevant in the future. Rating agencies and regulators will become more sophisticated in assessing the quality of a company's ERM framework. Companies will start seeing the benefits of ERM. I believe companies that take ERM seriously will become better managed and more profitable in the future.

Q: Where does **Risk Explorer™** fit into Enterprise Risk Management, and why is Dynamic Financial Analysis (DFA) an essential component of a useful ERM program?

Bushel: A good DFA model can answer the most essential questions related to ERM: What amount of capital does a company need to cover its risks? What is the best strategy to maximize profitability while properly managing risk? Clearly, an ERM program would not be effective without a solid DFA model.

Q: How can a company use **URS Real World™**, the Global Economic Model, in creating an ERM program?

Bushel: One of the important risks for an insurance company is the market risk which is the risk of decrease in the value of a company's assets. The market value of the assets depends heavily on the performance of the global economy. For example, the market value of bonds depends on the behavior of interest rates. The market value of a company's stock portfolios depends on the behavior of the major stock indexes. URS Real World™ provides stochastic scenarios for modeling the economic variables including growth of GDP, rate of inflation, interest rate yield curves, and stock market indexes. Such stochastic economic scenarios allow companies to properly evaluate their market risk.

Q: Financial modeling has been criticized recently for failing to identify and warn of the conditions that led to the economic meltdown in the

US and worldwide. Do you agree, or is this not the proper function of economic modeling?

Bushel: The current financial crisis was, in large part, caused by fraud in lending, lax underwriting of mortgages, and inaccurate estimates of the risk of asset-backed securities sold on the market. No model can anticipate or predict that. Another point is that stochastic models cannot predict crises or recoveries. A good model estimates the probability of various events including those that create crises so the companies can be prepared in case they happen.

Q: In your opinion, what role should financial modeling play in the future regulation and rating of insurance and reinsurance companies?

Bushel: In recent years, we have seen that role significantly increased around the world. I believe that in the future financial modeling will become a necessity for regulators and rating agencies to assess the performance of insurance and reinsurance companies.

WHAT IS ENTERPRISE RISK MANAGEMENT? THE ROLE OF ERM IN THE INDUSTRY TODAY

The Casualty Actuarial Society (CAS) issued what may be the most concise definition of ERM in 2003, a definition that has stood the test of time as more companies, regulatory authorities, and rating agencies expect companies to adopt ERM as a management tool.

The CAS definition: "ERM is the discipline, by which an organization in any industry assesses, controls, exploits, finances, and monitors risks from all sources for the purpose of increasing the organization's short and long-term value to its stakeholders." CAS specified the broad spectrum of risks to be analyzed in the ERM process: **hazard risks** such as fire or storm-related risks leading to business interruption and work-related injury risks; **financial risks** such as credit, foreign exchange, liquidity, price, inflation, and hedging risks; **operational risks** such as information technology, product service failure, supply

PRICE WATERHOUSE REPORTS PROGRESS IN ERM

Insurers have taken significant strides in implementing Enterprise Risk Management programs since 2004, but further progress is needed in a number of areas, according to a recent study of ERM in the insurance industry by Price Waterhouse.

The study reports progress in recognizing the status and mandate of the Chief Risk Officer (CRO) to develop an effective ERM structure and to define risk appetite. Progress also is being made, the study found, in linking ERM with decision making; the

ability to define a portfolio view of risk; and the enhancement of modeling capabilities, especially economic capital models.

More work needs to be done in companies, Price Waterhouse reported, to define the roles and responsibilities relating to ERM; to establish companywide standards for risk management; to link risk appetite with risk limits; and to make full use of risk early warning systems.

The survey found a lack of clarity

concerning the mission, terminology, and roles/responsibilities involved in ERM. Only some 20 percent of insurers have a risk management training program, and only about 40 percent report a close working relationship between the risk and business teams, according to the study. However, the survey showed a strong commitment to further development of ERM programs, along with appreciation of the benefits of ERM in the allocation of capital and decisions on strategic direction by using economic capital modeling to inform decision making.

chain management, business cycles, and leadership change risks; and **strategic risks** such as competition, technological innovation, capital availability, and regulatory risks.

Dynamic Financial Analysis (DFA) modeling, as provided by Risk Explorer™ from Ultimate Risk Solutions, is widely recognized as an essential, component of any ERM program.

Standard & Poor's put ERM into its company evaluation process two years ago for financial companies and recently announced that it will begin including ERM programs in its ratings for non-financial companies. **A.M Best** and **Demotech** also are focusing on ERM as they evaluate insurance and reinsurance companies. The **New York Stock Exchange** requires Audit Committees of listed companies to discuss policies concerning risk assessment and management.

Clearly, ERM is becoming established as a necessary tool for companies to be competitive in today's challenging global economy.

WHAT THEY'RE SAYING ABOUT RISK EXPLORER™

Maiden Re

"Maiden Re has found **RiskExplorer™** to be very useful for a number of risk modeling needs. Reserve ranges and estimating capital are examples. The benefits of the tool, that we've not been able to address previous to purchasing Risk Explorer™, are modeling many contracts with different reinsurance terms, ease in uploading a sizeable amount of modeling inputs, and the ability to combine unlike businesses as modeled by different areas of Maiden Re into one analysis. In addition, the service that URS offers in enhancing the tool to meet our specific modeling needs is outstanding."

Lesley Bosniack

Maiden Re

U.S. RE Corporation

Having used Guy Carpenter's MetaRisk and Benfield's ReMetrica, I found Ultimate Risk Solutions' **Risk Explorer™** to be noticeably faster and much more user-friendly. Evaluating complex reinsurance structures has never been easier for me. The user does not have to be VBA proficient – only reinsurance savvy. Mixing multiple currencies and US/UK accounting standards are not a problem for Risk Explorer™.

Martin Kelly

Senior Actuary

HOW BROKERS USE RISK EXPLORER™

Reinsurance intermediaries rely on **Risk Explorer™** to advise clients on corporate financial risk management. Brokers find Risk Explorer™ the most effective Dynamic Financial Analysis tool to provide stochastic simulation modeling to evaluate alternative reinsurance solutions.

URS broker clients say Risk Explorer™ is the most user-friendly modeling platform and cite these benefits:

- Really good performance software for building and running models with much-appreciated Microsoft Office compatibility.
- Intuitive, well-thought-out project structure and interface that make the model builder's job a lot easier.
- All the built-in functions that are needed to parameterize the model, including some special features to test and check the parameterization.
- A complete selection of output options to produce the results.

FOUR MAJOR INSURERS SELECT RISK EXPLORER™

Four major insurers that do business worldwide recently selected **Risk Explorer™** from Ultimate Risk Solutions as their Dynamic Financial Analysis software. "We're pleased to welcome these important companies to the growing list of insurers and reinsurers who use our DFA, and we encourage any company to compare Risk Explorer™ to other DFA products in the market. They will find that our DFA outperforms any of the competing products," said **Alex Bushel**, URS CEO.

The new URS clients are: **CNA Insurance; Liberty Mutual; Endurance Specialty Holdings, Ltd.; and Patria Re.**

- **CNA** provides commercial insurance products, including standard and specialty lines, surety, marine, and other coverages, nationally and internationally. The Company is the seventh largest commercial insurer in the US and has been in business for more than 100 years.
- **Liberty Mutual** is the fifth largest property/casualty insurance company in the US and has been in business since 1912. The Company offers a full line of personal insurance products and business insurance including commercial property, specialty risk, and workers compensation.
- **Endurance Specialty Holdings, Ltd.** writes property/casualty insurance and reinsurance. Launched in 2001, the Company recently reported gross written premiums of \$783 million on a capital base of \$2.2 billion and is positioned to be a global leader in specialty reinsurance and insurance.
- **Patria Re (Reaseguradora Patria, S.A.)** writes life, surety, and property/casualty reinsurance in Mexico, Central and South America, and the Caribbean. Patria Re has a strong niche in Mexico and Latin America with a diversified product portfolio tailored to those markets.

MEET URS EXECS AT 2009 INDUSTRY CONFERENCES

Ultimate Risk Solutions executives are available at major industry conferences to meet companies interested in exploring the latest risk and financial modeling technology.

Recently, URS was represented at the “**Enterprise Risk Management for the Re/Insurance Industry**” conference in London on integrating internal capital modeling and strategic risk management for an effective ERM process; the **AIR Worldwide Corporation** conference in Orlando; and the **Enterprise Risk Management Symposium** in Chicago where URS was one of the industry sponsors.

Anya Kutsina, URS Head of Marketing, joined with **Joseph Petrelli**, President of the rating agency Demotech, in a presentation to the **New York Insurance Association** on May 29 in Lake George, NY. They presented a case study to demonstrate the value of Enterprise Risk Management in today's business environment and how ERM can be implemented successfully by regional companies. Kutsina spoke on behalf of URS and U.S. RE Analytics, the analytical services and modeling subsidiary of U.S. RE Companies. **Tal Piccione**, Chairman/CEO of U.S. RE serves as Non-Executive Chairman of Ultimate Risk Solutions.

URS execs will be available at the annual reinsurance industry meeting in **Monte Carlo**, September 4-10, to meet with clients and prospects; and at the **Enterprise Risk Management for Insurance conference** in London October 13-15, organized by Hanson & Wade.

If you are planning to attend the Monte Carlo or ERM London conference and would like to discuss risk and financial modeling, please contact us. We will be pleased to meet with you at these conferences or others that we'll be attending through the year. Our senior marketing execs, **Anya Kutsina** and **Berend Alberts** will be pleased to schedule appointments (akustina@ultirisk.com / balberts@ultirisk.com).

ULTIMATE RISK SOLUTIONS FAMILY OF PRODUCTS

As independent, financial software developers, we are committed to research and develop the most advanced software based on the most sophisticated technology and to provide our products to clients with training and support services. The URS Family of Products includes:

Risk Explorer™

-- the most powerful, flexible, user-friendly DFA on the market today. Risk Explorer™ outperforms other DFA software and is used by some of the industry's largest insurance and reinsurance companies.

URS Real World™

-- a global economic model that uses a revolutionary new modeling approach to simulate consistent, macro-economic scenarios in major economic zones

UltiFit™

-- a sophisticated, easy-to-use tool for fitting statistical distributions to actual data in financial modeling and risk management applications.

Res-Solver™

-- a powerful software package that helps companies introduce stochastic loss reserve analysis into the reserving process.

URS Translator™

-- a unique spreadsheet compiler that converts Excel models into fast-running, executable programs.

Check our web site, www.ultirisk.com, for more information.

SOLVENCY II – FOCUS ON RISK

Solvency II, the new framework for European insurance regulation, took another step toward implementation with the recent formal approval of the Framework Directive by the European Union's Economic and Financial Affairs Council.

“The new regulation's focus on more sophisticated risk management is great news for the insurance industry and consumers,” said **Michaela Koller**,

Director of CEA, the European Insurance and Reinsurance Federation. **Alberto Corinti**, Deputy Director General, said “Solvency II represents a huge leap forward, creating a harmonized, risk-based regulatory regime for Europe.”

“With risk management high on the Solvency II priority list, there will be a growing need for insurers and reinsurers to implement Enterprise Risk Management programs with Dynamic

Financial Analysis software as a major component,” said **Alex Bushel**, URS CEO.

Solvency II has been under development since July 2007. The Framework Directive was approved by the European Parliament in late April and is due to be activated in 2012.