Ultimate Risk Solutions
The Right Technology, The Right Answers

ASSET MODELING FUNCTIONALITY STREAMLINED IN NEW VERSION OF RISK EXPLORER™

The new, leading-edge Version 11.3 of Risk Explorer™ has just been released for users worldwide, **Alex Bushel**, URS CEO, reported. Version 11.3 contains new asset management functionality enabling users to estimate asset risk on a single-year and multi-year basis along with other user-friendly features.

The new functionality allows asset risk to be estimated accurately at the individual security level without potentially harmful approximations in the environment where assets and liabilities are impacted by the same macroeconomic volatility. With other platforms, such approximations have to be made when assets are grouped into classes or buckets. This makes it harder to estimate risks to a given portfolio accurately.

New features related to modeling and management of asset portfolios include: Dynamic asset grouping by sector, maturity, credit ratings or other characteristics; Dynamic migration of individual securities due to credit rating or maturity changes; Dynamic portfolio rebalancing based on asset allocation percentages specified by the company; Dynamic asset purchasing and selling during portfolio rebalancing.
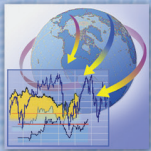
UTICA NATIONAL INSURANCE GROUP LICENSES URS PRODUCTS

Utica National, one of the top 100 property/casualty insurance companies in the United States, recently licensed URS products Risk Explorer™ and Predictable Dynamics (Economic Scenario Generator), **Tom Byrnes**, Managing Director-North America, reported. Utica will use URS software for financial analysis and economic capital modeling. Founded in 1914, the Company has grown into a major insurer offering a wide range of personal lines and specialty commercial insurance to the graphic arts industries, educational institutions, volunteer fire departments, religious institutions and libraries, among others.

BERMUDA CAPITAL MANAGEMENT COMPANY SELECTS RISK EXPLORER™

Sirius Capital Markets (Bermuda) Ltd., (SCM) a recently formed capital management company that focuses on Insurance linked securities (ILS) signed up for Risk Explorer™. **Tom Byrnes**, Managing Director-North America, and **Charles Carwin**, Technical Director-North America, worked with Sirius on the project. The URS Dynamic Financial Analysis model is being deployed by SCM to track and manage CAT-exposed contracts. SCM, is a third-party reinsurance asset management arm of the White Mountains Insurance Group, which recently launched its first ILS fund.

MAJOR RUSSIAN INSURER ADOPTS URS LOSS RESERVING SOFTWARE

Renaissance Insurance Company, Ltd., a leading multi-line insurer in the Russian Federation, has licensed URS reserving software. "We're especially pleased that this major insurer selected *Res-Solver™* after a rigorous review of competing products, and we look forward to working with the Company on a package of URS software," **Alex Bushel**, CEO of URS said. Renaissance provides insurance products and services to individuals and companies throughout Russia and internationally. Known for innovation, Renaissance introduced online insurance in Russia when it opened the country's first virtual insurance sales center in 1999. The Company operates from headquarters in Moscow and maintains offices in most major Russian cities.

URS A FINALIST IN GLOBAL AWARD FOR BEST TECHNOLOGY PROVIDER

Ultimate Risk Solutions was one of five finalists honored as Best Technology Provider in the *Intelligent Insurer Magazine* 2013 Global Awards survey of insurance and reinsurance leaders and providers worldwide.

Finalists were recognized at the awards dinner held during the annual conclave of reinsurance executives in Monte Carlo recently. URS was selected from a broad list of industry leaders who responded to the survey.

Here's what some of them had to say about URS:

"Best in the market"...

"The company offers by far the best DFA modeling -- they are very innovative."...

"The DFA model is easy to use, and if you have a question, they are always available to assist."

URS has been nominated for the 2014 award to be presented September 14, 2014, as reinsurance execs from around the world gather for their annual session in Monte Carlo.

DESSON JOINS URS LONDON OFFICE

Herbert G. (Herb) Desson, a senior actuary with broad experience in the London, Asian and U.S. markets, has joined the London office of URS as Technical Director, CEO **Alex Bushel**, announced. Desson is an Associate, Casualty Actuarial Society; a former President, Casualty Actuaries in Europe; and currently a member of the CAS International Issues and Asia Regional Committees.

In recent years, Desson held senior positions in Asia including Chief Actuary for Ace Insurance Group in Thailand and Executive Director, Thailand Actuarial Services for KPMG.

Earlier, Desson was Chief Actuary, Aon Risk Consultants Europe; Alternative Risk Transfer Underwriter, Liberty Re, London; and Chief Actuary, Jardine Lloyd Thompson. In the U.S. he held actuarial posts at SAFECO, Industrial Indemnity and Great American.

"Herb brings a wealth of actuarial and business experience to our London office where he will be responsible for the UK market as well as other regions," Bushel said.

TAIPING RE -- FIRST ASIAN COMPANY TO LICENSE URS ESG SOFTWARE

Taiping Re recently renewed Risk Explorer™ and became the first Asian company to purchase the URS Economic Scenario Generator Predictable Dynamics and the loss reserving software Res-Solver™, **David Piesse**, Managing Director-Asia Pacific, reported.

Taiping Re is a subsidiary of China Taiping Group and is the largest professional reinsurance company incorporated in Hong Kong where it has operated for 33 years. It is also a major provider of reinsurance in China from its office in Beijing, and throughout Southeast Asia from its office in Labuan, Malaysia. **Asia Reinsurance Brokers Pte. Ltd.** (ARB), based in Singapore, and the **Asia Capital Reinsurance Group Pte. Ltd.**, one of the world's top 50 reinsurers, also renewed their licenses for URS software.

OUTLOOK FOR FINANCIAL RISK SOFTWARE IN ASIA

David Piesse, Managing Director-Asia Pacific, reports that the demand for Dynamic Financial Analysis software will grow significantly over the next few years in the region as regulatory agencies set standards for risk based capital. "In Asia, risk management is driven primarily by regulator approval and rating requirements. With insurance supervisors in most Asian countries moving toward risk-based capital regulation over the next three years, insurers will need sophisticated financial risk software to comply," Piesse predicts.

URS is gearing up to serve this burgeoning market. "In China, we have completed successful training in Dynamic Financial Analysis and risk management at Peking University working with Professor Sun, Dean of Economics. The training will be repeated later this year. We also have teaming agreements with **Catalytics Pte. Ltd.**, the first wholly Asian catastrophe modeling company, and **EY-Singapore** (Ernst & Young), provider of risk management, regulatory advisory and actuarial services to the banking and insurance sectors, among others," Piesse notes.

FINANCIAL RISK SOFTWARE TODAY

An interview with Anya Kutsina
Executive Director-Global Business Development
Ultimate Risk Solutions, LLC

You've been involved in the development of financial risk modeling for the insurance and reinsurance industry over many years. Large insurers generally have incorporated financial risk models into the business planning process, but smaller companies have been slow to adopt this sophisticated software. Do you see the vast number of smaller companies as a growing market for URS products?

Anya: Yes. There's no doubt, smaller companies are beginning to recognize the importance of modeling to assess the risks they face and plan for the future. More small companies are gearing up to use models effectively as the insurance industry matures. The truth is it doesn't really matter how small or how large the company is. In order to operate efficiently both large and small companies -- especially multi-line property/casualty insurers -- need to address the same questions and issues.

Stochastically or deterministically the small companies should come up with a process of modeling a scenario of future balance sheets and income statements, from one to five years into the future, reflecting possible outcomes contingent on various strategies. In general the assumptions would include the following:

To what extent do rates need to be increased? All at once or every six months?

How many policyholders would flee to other carriers causing a liquidity problem given the rate increases?

How many lines of business should they target for growth or exit?

How does the company's reinsurance structure need to be revised, and how does that play out in the financials?

How do they re–strategize the asset side of the balance sheet to improve cash flow?

Can they get some additional capital? How much do they need and at what cost?

Using financial risk models, they can evaluate different scenarios, instead of relying on the old "what if" approach.

My point is that small insurance and reinsurance companies with portfolios consisting of multiple lines of business are pretty much in the same shoes as the large carriers when it comes to financial modeling needs. If my team were to start a small insurance company today, our priority would be to build a strong modeling team (it could be a small team) of professionals with a powerful modeling platform in order to create the right fundamentals for growing the company.

What are the major drivers of demand for Dynamic Financial Analysis — regulators, rating agencies or the bottom-line benefits from understanding and quantifying the risks companies face?

Anya: The situation varies widely from country to country, from region to region and even from state to the state in the US. It's difficult to generalize. There are a number of countries where the major driving force is regulatory agencies because overall, rates in these countries are too low, and it is extremely difficult to expand into the different lines of business or into different regions. However, In a number of countries the regulators are just a formality, and the insurance market is revenue driven. In mature markets like the US, UK and Germany there is tremendous pressure from both regulators and rating agencies to utilize financial risk models as part of Enterprise Risk Management. From our observation of mature markets, the most successful insurance and reinsurance companies are those that have the most advanced modeling tools and modeling experts.

What is URS doing to keep its flagship product, Risk Explorer™, as the preferred model for leading insurers, reinsurers, brokers, asset managers and governmental agencies worldwide?

Anya: Risk Explorer™ is constantly being updated by our research and development team to be at the forefront of modeling technology. The reality is most of our clients are companies that have had previous experience with other DFA software products. We have found that actuaries who compare their previous experience with models from competitors select URS products because they are more user friendly and state-of-the-art.

Sometimes, it's more difficult to impress new users because the functionally of all DFA tools available in the market is pretty much the same. However, when newcomers make product comparisons,

they see the technical and functional superiority of URS software. All I can say is that our "buyers" are the most knowledgeable and sophisticated actuaries when it relates to a stochastic modeling exercise. So, answering your question, we are dedicated to providing the best modeling solutions on the market and making sure that each and every one of our clients is completely satisfied.

What are companies looking for from their financial modeling software today?

Anya: In today's competitive marketplace, companies want financial modeling software that helps them plan for the future with full understanding of the risks they face under a wide range of scenarios. Companies that use leading edge software will be winners in the long run.

URS takes pride in being an independent developer of DFA software. Why is this important to users?

Anya: Our clients like the fact that we have no hidden agendas to sell other products and services. We provide objective advice based exclusively on your needs. Our sole commitment is to provide our clients the most advanced financial risk software in the market.

Anya Kutsina joined URS in 2002. She has been a leader in bringing the Company to its present position as a preeminent provider of financial risk software to the insurance and reinsurance industry. Prior to joining URS, she held actuarial posts at Guy Carpenter & Company, Aon Re and Swiss Re.

Kutsina holds a M. Sc. In mathematics and computer science from Kiev Pedagogical University in the Ukraine and an MBA in actuarial science and finance from the College of Insurance at St. John's University.

SOLVENCY II CERTAINTY REAWAKENS INTEREST IN FINANCIAL RISK SOFTWARE, O'GORMAN REPORTS

David O'Gorman, Managing Director for Iberia and Latin America, reports a surge of interest on the part of Spanish and Portuguese insurers in adopting Dynamic Financial Analysis (DFA) software now that Solvency II is scheduled to go into effect January 1, 2016.

"Certainty over the implementation date after lengthy delays has caused many companies to restart their plans to adopt DFA models, and we're engaged with a number in providing Risk Explorer™ along with other URS products."

"Many companies are also considering switching to URS after years of frustration with competitors' software, caused by a number of factors including difficulty of use, key-man dependencies, lack of ownership and consulting costs to name just a few," O'Gorman said.

"The fact that we are an independent provider with no agenda other than providing the best software is presenting a real and attractive alternative to their present solution," he added.

OUR PRODUCTS

Risk Explorer™ – A powerful, flexible, user-friendly Dynamic Financial Analysis tool used for:

- Portfolio risk management
- Maximizing efficiency of ceded reinsurance or retrocession programs
- Full financial statement modeling, evaluating volatility of financial results
- Determining economic capital requirements, capital allocation
- Asset-liability matching, cash flow analysis
- Ceded reinsurance cost allocation
- Measuring performance of various segments of a company
- Data interchange with other applications such as catastrophe models and Microsoft Excel
- Solvency II compliance
- Developing Enterprise Risk Management Programs

Risk Explorer™ Express Edition – A Dynamic Financial Analysis tool designed to meet the needs of regional, mid-size and smaller insurers and reinsurers:

- Incorporates many features of Risk Explorer™ simplified and tailored to serve the middle market
- Affordable tool for portfolio modeling, regulatory compliance, reinsurance analysis and other uses for companies that do not require the extensive functionality needed by large corporations to build much bigger and more complex models
- Fully specified, integrated asset-liability modeling platform
- Cost effective model to meet rating agency and regulatory standards

Predictable Dynamics – Global economic model that simulates the behavior of main economic variables in multiple economies.

- Allows planners to test strategic alternatives under many possible, future economic scenarios
- Reliable model of economic environment for design of risk mitigation and hedging strategies
- Invaluable for evaluating policy options in many different settings
- Useful tool for business decision makers, government agencies, regulatory bodies and financial institutions
- Simulates large numbers of stochastic economic scenarios for GDP growth rates, inflation, unemployment, wage growth, exchange rates, stock market indexes and other variables

UltiFit™ – Sophisticated distribution-fitting software that helps parameterize statistical models.

- Finds suitable distribution parameters that account for real world constraints and data limitations
- Short and long-tailed distributions for modeling
- Practical support for model calibration using available data
- Helps assess quality of fitted models by estimating uncertainty for each fitted distribution

Asset Portfolio Optimizer – New software to help companies analyze risk portfolios and decide on the most effective allocation of assets.

- Enables users to determine the optimal mix of assets to hold in order to meet future obligations and maximize return in accordance with their risk appetite during the modeled future period.
- Can be licensed as a separate payable service or combined with Risk Explorer™ or other URS products to determine the optimal asset mix for a company's portfolio of liabilities
- Users can specify various constraints within which the optimization takes place and the Optimizer will deliver a number of optimal portfolios, maximizing the return for a given risk or vice versa.
- Uses the standard output from a company's internal model to optimize its asset portfolio mix, taking into account the unique features of the company's insurance liabilities.

Translator++ for Excel – Unique spreadsheet compiler that converts Excel models into fast running-executable programs.

- Used to extend and customize the functionality of every part of Risk Explorer™ to meet the most exacting model requirements
- Ability to create new, custom risk models, reinsurance arrangements and other custom components using calculations contained in Excel spreadsheets
- Translates complex calculations from Excel to fast machine code that runs up to hundreds of times faster
- Can integrate own financial models, algorithms and third-party software into Risk Explorer™ models

Res-Solver™ – Advanced deterministic and stochastic loss-reserve estimation and modeling framework.

- Enables companies to improve loss reserve estimation and gain better understanding of the uncertainty in reserves
- Makes automatic triangle data adjustments for loss cost trends and exposure changes
- Stochastic Decay Model produces a predicted development path to ultimate values
- Quickly produces point estimates (expected values) or stochastic simulations of loss reserves and future cash flows from past losses.

Our Clients Include These Industry Leaders
Munich Re
General Reinsurance
Willis Re, Inc
Groupama
Fairfax Group
Sentry Insurance
And Many More Worldwide