

Risk Exposure Management Made Easy For Novae Terrorism Underwriters

Customer

Managed by Novae Syndicates Limited, a wholly-owned subsidiary of the Novae Group plc, Lloyd's Syndicate 2007 is a dynamic international (re)insurer in the market with an underwriting capacity of £360-million for 2008. The syndicate's property treaty, energy and terrorism classes use ROOM's *Exact Advantage* solution to manage risk. This case study shows how the terrorism book of business uses the solution, with its mapping functionality, to manage its exposure across 169 countries.

About Exact Advantage

Exact Advantage comprises a powerful multi-line risk aggregation engine and mapping tools for assessing and monitoring onshore and offshore risk exposure. With *Exact Advantage* insurers and reinsurers can assess their total exposure (aggregates) to risk by line of business rapidly and with precision, using detailed policy information. Assessment of Realistic Disaster Scenarios (RDS) and losses from particular events can be produced quickly. The software is of considerable value in optimising the geographic spread of the risk portfolio and for purchasing reinsurance.

About ROOM

ROOM Solutions Limited is a leading supplier of solutions and services to the non-life insurance markets. The breadth and depth of our product and service offerings, combined with our vision and commitment, enables risk carriers to optimise the management and control of their operational efficiency, business line profitability, and respond to major upcoming market-level changes. ROOM is part of NIIT Technologies, a global IT solutions organisation with revenue of \$208.5-million for the financial year ending March 2007.

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Business Challenge

The increasing uncertainty and intensity of man-made disasters has created unprecedented risk in the underwriting market. High risk regions present business possibilities to terrorism underwriters that cannot always be accepted due to limited availability of reinsurance cover, and the nature of terrorism risk makes managing exposure and pricing a difficult task. With this in mind, when Novae's Syndicate 2007 began its new book of terrorism business, it knew that finding an effective and accurate way of managing its risk exposure and aggregation would be of the utmost importance. 'We realised that the only way for us to confidently manage our coverage would be to find a way to get the best idea of our exposure and aggregated risk,' says Robert Preston, Novae's Terrorism Underwriter who has headed up the terrorism book of business from inception.

Outdated methods of assessing risk accumulation through pinning risk locations on a map and using postcode-based spreadsheets did not offer the accuracy of location and policy cover detail, nor the processing efficiencies demanded by Novae, and much of today's insurance market. 'The more traditional methods simply wouldn't work for us if we wanted to have easily accessible and accurate views of our clash risks and overall exposure. We take our responsibility to our reinsurers very seriously, so we needed to have precise evidence to prove that we are always managing our risks responsibly,' comments Robert.

In trying to satisfy its risk exposure management needs, Novae considered both catastrophe modelling systems and risk aggregation tools. Based on an existing relationship with ROOM Solutions, Novae chose *Exact Advantage*, ROOM's risk aggregation solution. It was the most cost-effective option that captured full policy and schedule details. The mapping functionality was also a determining factor for Novae.

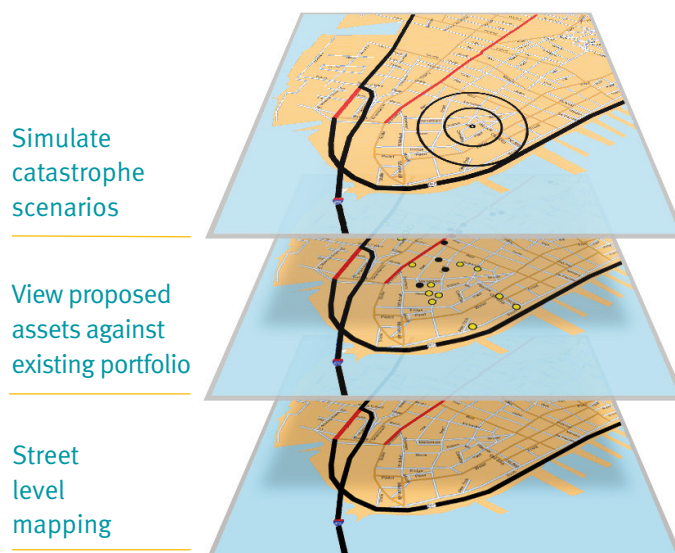
Solution in Action

Since the implementation of *Exact Advantage* in January 2007, Novae's terrorism underwriters have been using the system for daily routine procedures, as well as for detailed reporting and analysing. The most common ways in which the syndicate's terrorism class uses *Exact Advantage* are:

- Ensuring there are no clash risks in high profile areas:**
The terrorism underwriting team is able to make quick pre-bind checks as a result of *Exact Advantage's* GIS mapping interface which generates precise geographical (X, Y) coordinates. They use the map to pinpoint risk locations at street level, which shows if there are any clashes within the existing book of business or if there are opportunities to underwrite risk in the zip code. The ability to get this exact location allows the team to generate accurate risk assessments, clashes and aggregations in a matter of minutes.
- Reporting to the business on risk exposure management:**
Featuring the capability of exporting data directly to Excel spreadsheets, *Exact Advantage* makes it possible for Robert to create concise and useful reports used to update syndicate management of his team's exposure. He currently presents a variety of reports at a monthly unit meeting, analysing the syndicate's risk aggregation at various different levels. Starting at the highest level by looking at the sum of all lines, he then works through a breakdown ranking countries in order of aggregates including zip code aggregates for the 'top 10 countries' and lastly he shows what percentage of the book sits in each country.
- Generating Lloyd's RDS reports easily:**
The syndicate's Lloyd's RDS reports are completely automated through *Exact Advantage* and, providing all the schedule data has been loaded, the reports can be produced with little effort by the underwriting team.
- Demonstrating responsible risk exposure management to reinsurers:**
The underwriters keep reinsurers up to date on their aggregates every quarter, presenting reports detailing exposure breakdown by country and risk type.

- Managing risk exposure in high profile areas:**
In high profile areas, such as Manhattan and Brussels, the terrorism underwriters conduct Across the Grid Scenarios in *Exact Advantage* in which a grid containing multiple 250-metre radius circles, placed 50 metres apart, is used to analyse risk cover in the area. Through running this scenario the underwriters are able to see if there are any locations in which they have exceeded the syndicate-defined exposure limit within a 250-metre radius circle.

Exact Advantage's Multi-Layered Architecture



'Exact Advantage has definitely allowed us to be ahead of the game, specifically in making sure that we're managing our exposure responsibly and not accumulating too much risk in one place,' says Robert. 'It's an ongoing process of knowing where all our coverage is and monitoring it effectively, and I don't think any of it would be possible without a sophisticated piece of software such as Exact Advantage.'