

Dynamic Financial Analysis – Essential In Today's High-Risk Economy

IN THESE PERILOUS TIMES, with world economies reeling from turmoil in the U.S. credit markets, informed business decisions are more important than ever before.

If your company does business in different parts of the world, it's essential that you know the risks – not only in your home country – but in the other national and regional economies where you operate. Today's advanced technology enables executives and their planning staffs to model different scenarios taking into account variables that impact results. The outcomes are decisions informed by computing all the potential risks inherent in any proposed course of action.

Quantification and evaluation of risk factors are equally important for insurance and reinsurance companies doing business exclusively in the United States. The daunting list of risks facing any insurer or reinsurer requires more than traditional risk assessment tools for senior managers to know the range of outcomes produced by different scenarios. Advanced Dynamic Financial Analysis (DFA) software simulates hundreds of thousands of random scenarios for large corporate portfolios – evaluates reinsurance, investment, and underwriting strategies – helps

manage catastrophe portfolios – analyzes business strategy options – identifies key risk factors and quantifies the cost of risk – among other uses.

Most important, DFA software can help CEO's and their senior advisors sleep nights knowing they've considered and quantified the impact of risks involved in any critical business decision.



The value of DFA software as a component of Enterprise Risk Management (ERM) is also recognized increasingly by regulators around the world. In Europe, the Solvency II regulation will by 2012 require

insurers to maintain capital based on models that take into account risks affecting the company. In the U.S., ERM and DFA are beginning to be considered in financial stability ratings. Standard & Poor's and A. M. Best are expecting companies to show they have an ERM program to guide their business plans. DFA quantifies the risks in business planning and gives credibility to the evaluation of risk in any ERM program.

A number of DFA models are available on the market. **Risk Explorer™** from Ultimate Risk Solutions is the only DFA offered by an independent company devoted exclusively to research, development, and production of financial risk modeling software. It is acknowledged by many in the industry to be the most powerful, flexible, user-friendly dynamic



financial analysis software available. That's why it's used by industry leaders Munich Re, Willis Re, GMAC Re, CNA Insurance, U.S. RE, and others.

Companies doing business abroad need to know the risks they face. The new Global Economic Model, **URS Real World™** from Ultimate Risk Solutions, enables corporate executives to measure the impact of macro-economic volatilities on financial results of their companies in all countries where they do business. With **URS Real World™** 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 yield curves, stock market indexes, and exchange rates. Each scenario can include any number of future years.

Financial risk modeling has become an essential management and business planning tool for insurers and reinsurers today. At Ultimate Risk Solutions, we're dedicated to producing the most sophisticated, easy-to-use software in the industry to help managers make informed decisions. In these times of financial uncertainty, quantifying the risks before making decisions can spell the difference between success and failure.

By Alex Bushel
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