MODEL CONSULTING:

CUSTOMIZING YOUR VIEW OF RISK

Building an advanced understanding of a model and adjusting it to reflect clients' experience and view of risk is an advanced undertaking, requiring detailed analysis of exposures, claims, and loss development.

RMS Consulting provides options to improve understanding of models and implement a client's own view of risk.

MODEL CONSULTING CAN FIT INTO ANY STAGE OF MODELING EVOLUTION

- Initial Practice – assist with analyzing a model and understanding how the model performs for a portfolio

- Standard Practices – assist in validating models, and how to manage changes to portfolio and models

- Growth Practices – assist with modeling tools to build efficiency in underwriting and portfolio management

- Differentiate Practices – assist in implementing a custom view of risk into the model workflow

RMS MODEL CONSULTING SERVICES

Model Validation and Implementation
Understand requirements for adopting a model into a workflow

Claims and Exposure Analysis
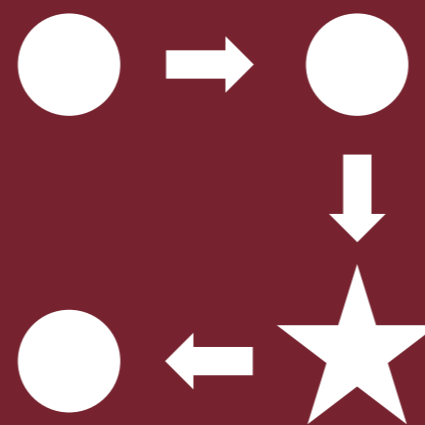In-depth study of loss experience over time and comparison with model results

Model / Portfolio Understanding
In-depth view into portfolio and modeled losses

Own View of Risk
Improve and implement own view of risk into the model workflow

MODEL & PORTFOLIO UNDERSTANDING

- In-depth view into portfolio and modeled losses

- Get a deeper understanding of a peril and the RMS model

  - Education on an RMS peril model, including model methodology and model validation

  - A review of exposure composition and quality and how it relates to the peril of interest

  - Explanation of model results using specific portfolio exposure data

Concern: I am starting a new model practice and want to understand the model and how it behaves with my portfolio

Outcome: Following a workshop with RMS experts to understand model methodology and results, the client brought the model in house and implemented the model into their portfolio management workflow
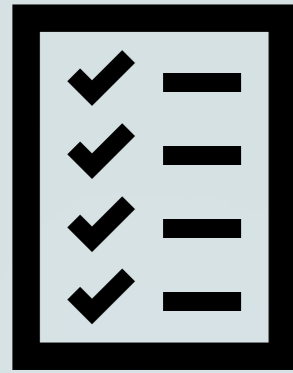
MODEL VALIDATION AND IMPLEMENTATION

- Tailor needs for adopting a model into a workflow

  – Establish a best practice model validation process

  – Identify the appropriate focus and priorities of model validation work

  – Develop a custom validation plan that leverages the learnings from a claims analysis project and targets the appropriate level of breadth and depth to meet business objectives

Concern: Limited time and resource means I need to prioritize the focus of my model validation / adoption work, but not sure where to start

Outcome: Following RMS' recommendation, the client targeted areas of the model to focus validation efforts and was able to incorporate modeled losses into their workflow in time for the renewal season

CLAIMS AND EXPOSURE ANALYSIS

- In depth study of exposure and claims trends over time
  - Confirm the model performs well with a client's loss experience or demonstrate where the model differs
  - Especially useful for books that are not homogeneous

Concern: According to client, model was overestimating losses on their portfolio
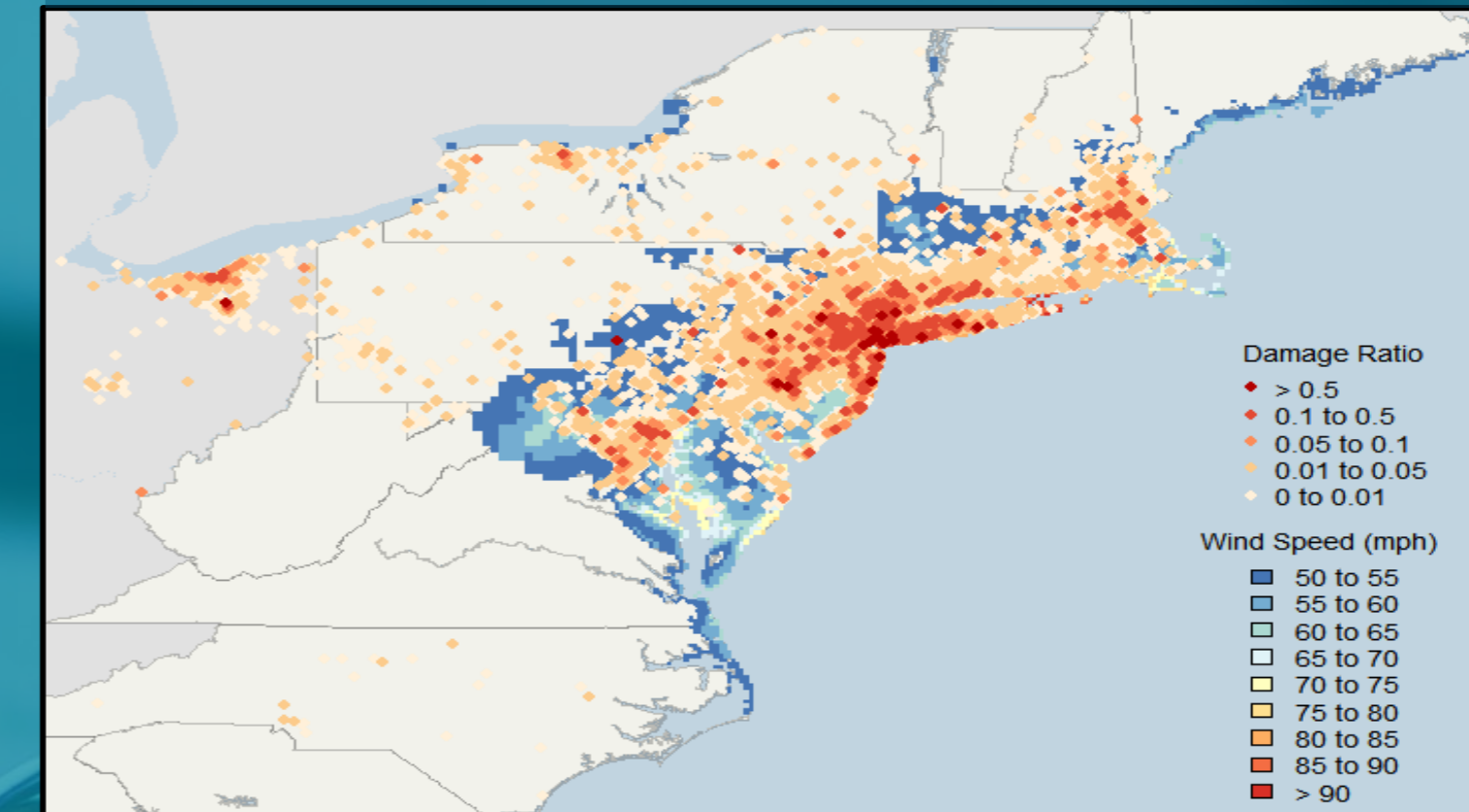
Outcome: RMS's in-depth study of my exposure and claims data provided me with recommendations to better represent location-level risks to improve the M/I ratio and provide more realistic model losses
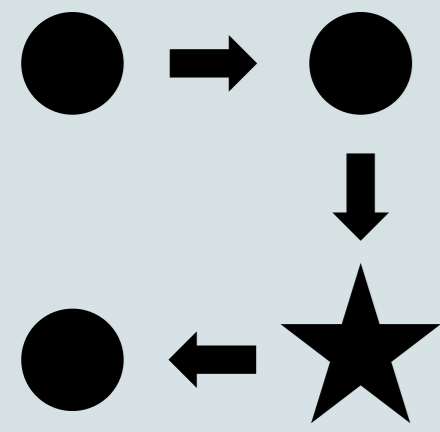
OWN VIEW OF RISK

- Improve and implement own view of risk into the model workflow

  - Understand how modeled results compare to a portfolio's loss history, and where adjustments should be made

  - Establish a documented, justifiable, and consistent view of risk

Concern: Modeled output does not accurately reflect my company's claims history

Outcome: Following an assessment of exposure and claims data compared to modeled output, client established a customized view of risk, had an excellent M/I ratio, and had better reinsurance pricing

MODEL CONSULTING

Further information:
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RMS is the world's leading catastrophe risk modeling company. From earthquakes, hurricanes, and flood to terrorism, agriculture, and infectious diseases, RMS helps financial institutions and public agencies understand, quantify, and manage risk.

RMS