

AIR Solutions for ILS Investors

High issuance of insurance-linked securities (ILS) continues to highlight their growing importance as an investment tool. Now more than ever, investors need a way to evaluate the risks associated with these instruments from the time they are marketed until they reach maturity.

In the expanding ILS investor space, AIR Worldwide (AIR) maintains its dominant position by providing a complete solution—one that combines the highest quality information and analysis with the industry-standard software for analyzing the widest range of financial instruments.

CONTROL ACCUMULATIONS OF RISK

Investment guidelines typically require investors to respect certain risk accumulation metrics by regions and peril. Without the ability to analyze all cat bonds within a single platform using the same set of simulated events, investors may resort to controlling their risk accumulations by adding up the total value of their bond investments exposed to a given area or peril—regardless of the relative riskiness of such investments. This limits the total capital that investors can commit. CATRADER eliminates this problem and allows investors to consider more bonds exposed to a given region or peril, while still meeting their investment guidelines.

“The AIR catastrophe models that underlie the software enable us to generate loss estimates for a wide range of our potential investments.”

Nelson Seo
Co-founder and Managing Principal
Fermat Capital Management, LLC

AIR'S COMPREHENSIVE SOLUTION FOR THE ILS INVESTOR CONSISTS OF THREE COMPONENTS:

- CATRADER® software allows investors to model the risk associated with the widest range of financial instruments
- AIR's Remodeling Service provides timely and accurate information on current issuances
- AIR Loss Estimates in Real Time (ALERT™) provides information about loss potential as catastrophes unfold

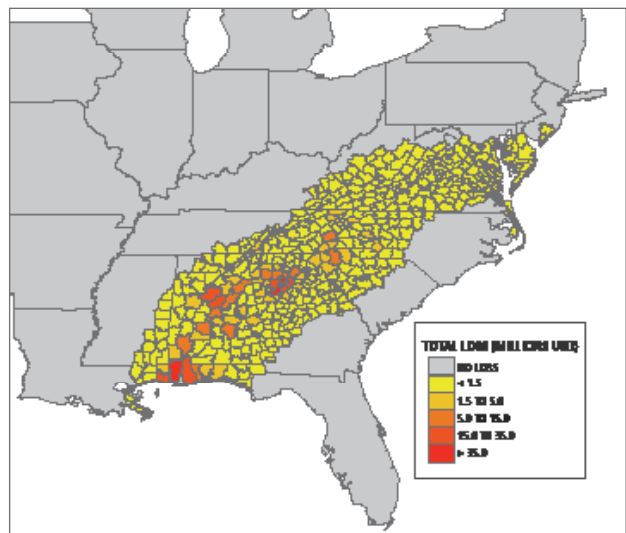
CATRADER: THE INDUSTRY-STANDARD SOFTWARE PLATFORM

CATRADER—the same platform used by reinsurers to assess their exposure to catastrophe risk—is also used by ILS investors to build portfolios that minimize risk while maximizing return.

By modeling all of a company's insurance-linked securities and reinsurance contracts in the same software—a critical strategy as ILS and reinsurance markets converge—portfolio managers can assess

the risk associated with each instrument, whether a catastrophe (cat) bond, industry loss warranty (ILW) or collateralized reinsurance contract.

CATRADER equips investors with the ability to analyze catastrophe-exposed investments, quickly perform sensitivity testing, conduct marginal impact analyses, and provide breakdowns of loss by region and peril. Results of these analyses give investors key insights into their investment decisions—including, for example, whether to limit the geographic aggregation of risk in a portfolio.



CATRADER users can assess the geographic aggregation of risk to individual holdings or to their entire portfolio. When an actual event unfolds, ALERT scenarios provide users with the ability to assess losses to their portfolios in real time.

CATRADER gives fast access to data vital to robust risk evaluation, including AIR's comprehensive industry exposure database, which is used to provide the market's most reliable assessment of industry losses. CATRADER also provides access to the industry's most scientifically advanced catastrophe models, which cover perils in more than 100 countries.

HIGHLIGHTS INCLUDE

- CATRADER's Portfolio Manager organizes every type of ILS investment in a single interface, making assessing the marginal impact of new investments on existing portfolios easy. So, too, is identifying new trading opportunities. CATRADER comes pre-

loaded with all outstanding cat bonds in the market, allowing investors to simply add selected securities into Portfolio Manager to construct “what if” portfolios—and then analyze them with a click of a button.

- CATRADER Excel® Data Cube enables investors to perform sophisticated portfolio analyses without intensive training. It automatically generates advanced analytics from CATRADER exposure and loss data, giving users a quick, comprehensive overview of compelling portfolio metrics (i.e., segmentation by area and by peril) and making it easy to see the correlations between individual transactions—a critically important capability as investors’ portfolios grow.
- CATRADER’s Reporting Module meets investors’ need to share information. Filtering by contract, peril, and region allows users to quickly generate reports that reflect multiple views of their portfolio from a single analysis. Reports can be customized to meet individual organizations’ needs.

AIR’S REMODELING SERVICE: INFORMATION WHEN YOU NEED IT

In today’s fast-paced ILS market, investors depend on catastrophe modeling software to quickly and accurately analyze potential investments as they are announced—and further, to analyze the impact of these new issuances on their existing portfolios. AIR was first in the industry to complement its best-in-class software with an investor-targeted Remodeling Service. When a new security is issued, AIR’s experienced ILS team provides the information necessary to analyze that bond in a timely fashion—typically within days of receiving the offering materials.

In addition to providing customized cuts of the risk, remodeling can be used to:

- better understand risk correlations and diversification effects
- assess the impact of various sensitivity scenarios on an investor’s risk profile
- quantify the uncertainty in the risk estimate of a particular bond.

PROVIDING THE TRANSPARENCY INVESTORS SEEK

Since the inception of the ILS market, the sophistication of investors and their understanding of catastrophe risk have grown enormously. As a result, investors are seeking increased disclosure with new issuances, including details about the underlying exposure, modeling assumptions, and results. CATRADER allows investors to examine the parameters of the simulated events that result in loss to their portfolios. Investors using CATRADER can also take advantage of AIR’s database of event and loss information to test and validate the underlying assumptions of bonds, including their triggers and attachment points.



CATRADER’s reporting module outputs loss distribution, expected value, exposed limit, and portfolio summary reports. Together, they add powerful, interactive capabilities for risk management and reporting.

AIR's Remodeling Service, available for both outstanding and new issuances, is continually being expanded to provide timely and comprehensive coverage of new instruments as they come to market.

“AIR's CATRADER is the only true option for quickly and accurately modeling the risk associated with insurance-linked securities.”

Niklaus Hilti
Director, Head of Insurance-Linked Strategies
Credit Suisse Asset Management

AIR LOSS ESTIMATES IN REAL TIME (ALERT)

At AIR, we recognize the growing importance of obtaining reliable loss information quickly—as an actual event unfolds. ALERT (AIR Loss Estimates in Real Time) is the industry-standard online service providing loss

estimates for major natural catastrophes. With ALERT, investors can assess the impact of actual events on individual holdings and entire portfolios, or evaluate Live Cat contracts.

AIR's flexible solutions let investors integrate AIR data and analytical tools with their own proprietary information to derive the insights most valuable to them. While many investors prefer to bring AIR's risk-modeling solutions in house, AIR also offers a variety of consulting services, which partner investors with modeling experts who provide analytical services in key areas such as marginal impact analyses and long-term hedging strategies.

HIGHLIGHTS OF THE MODELS

- AIR provides investors in insurance-linked securities with a complete solution.
- CATRADER is the industry-standard application for modeling insurance-linked securities and reinsurance contracts.
- CATRADER enables investors to assess the risk associated with a comprehensive range of financial instruments.
- Investors can use CATRADER to quickly assess the marginal impact of varying the terms of an individual security or the composition of a portfolio, making it easy to develop optimal hedging strategies.
- AIR's modeling approach provides complete transparency.
- AIR's Remodeling Service enables investors to quickly and easily evaluate new issuances, while ALERT offers timely estimates of loss potential for actual events as they unfold.

ABOUT AIR WORLDWIDE AIR Worldwide (AIR) provides catastrophe risk modeling solutions that make individuals, businesses, and society more resilient. AIR founded the catastrophe modeling industry in 1987, and today models the risk from natural catastrophes, terrorism, and pandemics globally. Insurance, reinsurance, financial, corporate, and government clients rely on AIR's advanced science, software, and consulting services for catastrophe risk management, insurance-linked securities, site-specific engineering analyses, and agricultural risk management. AIR Worldwide, a [Verisk Analytics \(Nasdaq:VRSK\)](#) business, is headquartered in Boston with additional offices in North America, Europe, and Asia. For more information, please visit www.air-worldwide.com.



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