

# Nexus Risk Management

Managing risk with a clear focus on financial objectives to create value

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Sharpen  
Your  
Focus

Companies succeed or fail based on the decisions they make. All too often these decisions – to eliminate or minimize profitable risk, or to take risks outside of the stated risk appetite – lack clear focus. We believe risk management should be the front and centre focus of all strategic decisions enabling companies to achieve their financial goals subject to their risk tolerances and constraints.

The recent global financial crisis exposed deficiencies in the risk management approaches of many financial institutions. Insurance companies and pension plans that did not implement effective risk management strategies found themselves exposed to interest rate risk that could have been immunized at no cost. Some Variable Annuity writers learned the lessons painfully from not implementing effective dynamic hedging strategies.

But it is not enough to be able to effectively minimize or eliminate risk. Risk management needs focus. In today's competitive landscape, executing risk management at a tactical level to control risk is no longer sufficient. Best practices have emerged that provide the opportunity to fully integrate Asset Liability Management within Enterprise Risk Management enabling ERM to be executed as a strategic decision-making framework to run the business, maximize stakeholder value, optimize capital and better control risk.

This can mean the difference between gaining competitive advantage and lost opportunity.

## Our Company

Nexus Risk Management provides a clear focus for managing risk to maximize value. As a company, we focus exclusively on risk. We deliver tools, training, expertise and execution to enable our clients to have the sharp focus needed to achieve their financial objectives.

Worldwide we work closely with insurance companies and pension plans, rating agencies and regulators, leading experts from academia and the investment industry as well as reinsurers and other counterparties to bring together deep industry knowledge,

leading edge techniques and best practices from around the world.

Through our offices in Toronto and Seoul we provide highly specialized risk management products and services to our clients globally.

*Expert Risk Advice*

*A Better Approach to Asset Management*

*Powerful Tools to Manage Risk*

*Internationally Acclaimed Courses*

*Research and Industry Surveys*

Consulting  
Asset  
Management  
Software  
Training

## Risk Advisory

By keeping a clear focus on the overall financial objectives and making informed risk decisions, companies can maximize stakeholder value and gain competitive advantage. Many companies today are not being fairly compensated for risks they are assuming. Nexus Risk Management works with insurance and reinsurance companies globally to implement best practice ALM, ERM and LDI frameworks, formulate effective ALM strategies and execute asset management within an ALM framework. We perform a wide range of risk management services for dozens of life insurance companies worldwide. Our clients include some of the largest multinational insurance and reinsurance companies.

In response to the demand from companies who are not able to allocate sufficient resources to the ALM function or stay on top of industry best practices in the area of ALM and Enterprise Risk Management, Nexus Risk Management launched our ALM Service Package. The ALM Service Package is a complete solution that allows companies to retain control of the risk management of their business by providing sophisticated tools, expertise, training and assistance needed to perform ALM on an on-going basis.

### Our Services

- ✓ ALM Strategies to Achieve Financial Objectives
- ✓ Benchmarking ALM / ERM to Observed Industry Best Practices
- ✓ Investment Strategies and Strategic Asset Allocation
- ✓ GMXB Product De-Risking
- ✓ Dynamic Hedging
- ✓ ALM / ERM Framework Implementation
- ✓ Portfolio Optimization
- ✓ Economic Capital and Risk Budgeting

## Asset Management Risk Framework

For insurance companies and pension plans, the traditional asset management model can fail to achieve the overall financial objectives even when the investment objectives have been met. Under this approach insurance companies and pension plans are required to translate their financial objectives as best they can into investment objectives then specify a liability benchmark with appropriate risk targets that approximate the actual liabilities. Oftentimes the risk limits are specified using metrics that do not fully describe the actual risk exposure. Using this model, even if an asset manager beats the benchmark and achieves the investment objectives, this does not ensure that the financial objectives will be achieved. Insurance companies can simultaneously realize an increase in portfolio yield and poorer financial results due to higher actuarial reserves and/or economic capital required.

By executing asset management within a risk framework the true risk exposure can be reduced and substantial value can be added. Through strategic partnerships we

### Our Services

- ✓ Implement a sound ALM framework integrated within Enterprise Risk Management
- ✓ Perform all ALM services including measuring, monitoring and reporting of risk exposure
- ✓ Perform a risk optimization on a default free basis
- ✓ Determine strategic asset allocation

provide integrated asset management and ALM services for a competitive fee. By managing the assets directly against the liability cash flows and focusing on the financial objectives of our clients we add significant value over the traditional asset management approach.

Our services allow our clients to free up resources devoted to ALM while ensuring that ALM best practices are being performed.

## Risk Management Software

Nexus Risk Platform is a flexible software platform on which to manage asset and liability risks. Comprised of a suite of modules and utilities that enable companies to apply risk management as a strategic-decision making framework, Nexus Risk Platform incorporates the specific financial goals, risk appetite and risk tolerances of the organization. Utilities available include a series of financial modules, interest rate models and economic scenario generators.

### Key Benefits

- ✓ Cost Effective – Do more with less
- ✓ Aggregate risk
- ✓ Execute sophisticated ALM strategies
- ✓ Apply risk optimization
- ✓ Gain deeper insights
- ✓ Separate interest rate and credit risk
- ✓ Deliver comprehensive reports

Nexus Risk Platform is fully automated to allow seamless integration with our clients' existing systems. Nexus Risk Platform brings together the security of a .NET platform, the flexibility and transparency of Excel, and the robust power of a SQL-Server database.

Through the ALM Module, Nexus Risk Platform delivers a complete system for asset liability management, with the power and functionality needed to enhance productivity and achieve greater results – cost effectively.

## Training

Nexus Risk Management is a leading industry provider of risk management courses and training internationally. The world acclaimed Asset Liability Management Techniques and Practices for Insurance and Pensions course has been conducted globally with the Society of Actuaries since 2003.

Courses are conducted in a classroom setting taught by faculty comprised of top industry experts in the risk field along with internationally recognized professors. Master Classes offer advanced training on specialized topics such as dynamic hedging and interest rate models. Both our courses and master classes consist of interactive lectures as well as application exercises and case studies designed to give participants hands-on practice.

In addition to the knowledge gained, participants also receive an enriching on-site course experience set apart by the quality and enthusiasm of our participants creating unique networking opportunities with participants from around the world. Participants also gain access to faculty at receptions, meal functions and coffee breaks.

As part of the course fee, each participant receives a set of content rich course materials with valuable utilities, templates, reference material, exercises and solution sets along with all lecture notes. A five week e-learning course, ALM Essentials is also provided to early registrants of Asset Liability Management Techniques and Practices.

Nexus Risk Management has trained over 1,000 risk professionals, regulators, analysts and senior management in small classroom setting.

In addition to our public courses, we frequently customize in-house training programs on a wide variety of risk management related topics.

### ASSET LIABILITY MANAGEMENT

*Techniques and Practices for Insurance Companies*

## Our Vision

We continuously strive to be a global leader in risk management. Our promise is to help companies sharpen their focus by delivering sound and innovative risk management solutions. We strictly adhere to the highest levels of integrity, professionalism and applied thought leadership. We are committed to generating significant value for our clients and key stakeholders.



Nexus Risk Management works with insurance and reinsurance companies globally to implement best practice ALM, ERM and LDI frameworks, formulate effective ALM strategies, execute asset management within a risk framework and perform risk optimizations.

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