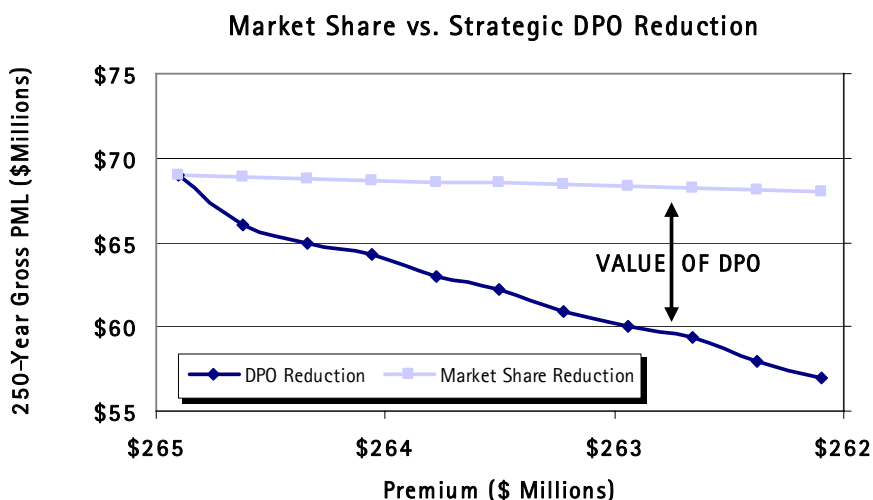


Aon Benfield Analytics

Dynamic Portfolio Optimization™

Dynamic Portfolio Optimization (DPO) brings clients to the next level of strategic exposure management. This proprietary tool, first introduced in 2000, quantifies the specific impact each policy has on the company's probable maximum loss (PML). The results can be used to identify areas for growth or develop a non-renewal strategy that can decrease the amount of reinsurance needed. Aon Benfield's DPO software provides an exact roadmap for effecting significant PML reductions with minimal loss of premium or growing their portfolio with minimal increase in reinsurance costs.



NOTE: This graph demonstrates the significant decline in PML vs. the decline in premium for policies removed based on DPO output.

The Dynamic Portfolio Optimization Advantage

- **Correlation between each risk.** DPO considers not only the expected loss to a policy, but also the correlation of losses between policies. Because the concentration of risks affected by a catastrophic event drives the PML curve, consideration of correlation is a critical factor to determine optimal growth and reduction strategies.
- **Truly dynamic.** PML optimization is complex. Modifying clients' starting portfolio by adding or removing policies affects the entire PML curve. That is, the problem itself changes during the process of solving it. Aon Benfield's sophisticated algorithms and computational efficiencies overcome this challenge.
- **Multi model and multi peril.** DPO produces impressive results in almost every portfolio, regardless of geographic scope or peril exposure. Multiple perils or cat models—RMS, AIR, or a customized blend—can be included in the analysis.
- **Reduces ceded premium ratio.** As a company's portfolio is optimized based on DPO output, the percentage of written premium required for reinsurance purchases is reduced.

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expertise and technology that optimize your
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