

Business Insurance

New ERM software programs offer increased speed and usability

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In light of evolving demands from customers, makers of enterprise risk management software programs are reworking their offerings with an emphasis on increased speed and usability.

John Winter, director of product management for iWorks risk solutions for Wayne, Pa.-based SunGard Data Systems Inc., said the company was working to improve the ease of inputting data to and extracting from Prophet, a risk management platform used by the financial services industry.



“Some end users of risk management software are looking for a dashboard that enables them to see all of their risk information on one page,” Mr. Winter said. “In other cases, they want tools that serve to automate a large part of the effort of getting risk numbers to the right places.”

In addition to easing data integration for users, the company is working to ease integration and interoperability of its offering on the back end. “There are not that many green fields out there. Most companies have something in place, even if it is just a collection of spreadsheets.” Mr. Winter said. “We are very cognizant that we will likely have to coexist with other parts of the infrastructure in the ERM space.”

Randy Heffernan, vice president of Ithaca, N.Y.-based Palisade Corp., said Palisade focused on simplifying its modeling and reporting offering when it launched version 6.0 of its DecisionTools Suite, a risk and decision analysis software package made to bolt on to Microsoft Excel, in September.

Mr. Heffernan said that by utilizing Excel as the user interface, the developers can focus on improving the product, which is anchored by the company's @RISK software and includes Monte Carlo simulations, decision trees, and statistical and neural network analysis.

“Excel is a platform that everybody already uses every day,” he said. “This just adds new toolbars and functions.”

Mr. Heffernan said the interface enhancements in the new version of DecisionTools were intended to make it more accessible to a wider range of users.

“We try to encourage use of this across different silos or functional areas,” he said. “We want to expand use of this technology.”

Enhanced functionality was a primary goal for version 6 of ReMetrica, a dynamic financial analysis tool made by Aon Benfield, a unit of London-based Aon P.L.C. “Our focus has been how to make this very sophisticated tool easier,” said Mike McClane, head of ReMetrica for the Americas at Aon Benfield Analytics, of the new version of the software, which was released in September. “The capabilities have always been there.”

In response to the ongoing concerns about the economy and counterparty credit risk, the capital models included in ReMetrica 6 impart a more granular assessment of the default likelihood of a given counterparty by assigning each a dynamically evolving rating, Mr. McClane said.

Another consideration for the new version of ReMetrica was improving the speed at which models run, Mr. McClane said.

“While even large capital models can be run on a modern laptop with sufficient patience, version 6 includes support for high-performance computing, which enables a model's computations to be split over a cluster of servers in a company's data center or in a third-party cloud, thereby reducing overall compute time. Of course, faster is always better,” Mr. McClane said.

Given the trend toward the use of increasingly complex models in ERM, risk management tool providers are marrying their offerings with cloud computing.

Mr. Winter said that SunGard offers a hosted version of its ERM platform. However, he said that many benefits of running ERM in the cloud vary according to the specifics for each company.

For example, while a smaller company may avoid an up-front capital outlay by opting for a hosted ERM solution, those benefits may erode as data volumes increase, he said.

“There are people that have parts of their model that are so computer- or data-intensive that they wouldn't benefit, considering the transfer time it would take to put the data out in the cloud and get it back down again,” he said.

“A lot of companies are dealing with terabytes of data. Transferring those volumes around can be a challenge.”

Robert Cartwright Jr., a risk manager for Nashville, Tenn.-based Bridgestone Americas Inc. and board member of the Risk & Insurance Management Society

Inc., said tools available to risk managers have evolved markedly in the past five to six years and now do a better job of assessing risk at the enterprise and strategic level.

“The toolkit is evolving and expanding,” he said.

Mr. Cartwright said well-designed risk management tools should afford a risk manager the ability to speak a common language about risk with other stakeholders in the enterprise in areas such as information technology and human resources, as well as at the C-level. “The most important thing is the communication of risk tolerance,” he said.

Moreover, risk management tools need to be adaptable enough to address the constantly changing array of risks that risk managers contend with.

While five years ago, risk managers were working to get their arms around financial risk, now many are contending with new challenges such as IT-related risk and reputational risk, Mr. Cartwright said.

“We don’t know what the next emerging risk is going to be,” he said. “As the underlying technology and risks change, the tools will catch up.”
