

“Miu allows us to keep ahead of the game in this fast-paced market and quickly produce sophisticated portfolio analytics when time is of the essence.”

Luca Albertini, Chief Executive Officer, Leadenhall Capital Partners



#### Business Challenge

- Conduct business as a fully operational fund from day one
- Efficiently maneuver through primary and secondary market issuance to ensure the best possible portfolio returns and minimize time spent building analytical capability
- Create streamlined risk-return assessment processes and develop effective investor communications for a diverse range of assets

#### Key Benefits

- Time required to analyze the information when a deal comes to market has been reduced from one day to one hour
- Advanced analytics provided by one analyst instead of a large team
- Streamlined portfolio information is provided to investors without delay

RMS<sup>®</sup> Miu platform allows Leadenhall Capital Partners to apply sophisticated portfolio management practices and achieve significant time and cost efficiencies

Luca Albertini, chief executive officer of Leadenhall Capital Partners, says, “Our priority is to provide a superior risk profile to our investors by applying underwriting rigor and outstanding risk analysis. We chose Miu because we value RMS’ modeling opinion, as well as its innovative science and financial analysis methods.”

To ensure a successful and cost-efficient start to its new venture as a fund specializing in insurance-linked securities, Leadenhall needed the data and analytical capability to make investment decisions fast, but not without having a deep understanding of the underlying risks and the market dynamics. Another important objective was to set up efficient reporting processes that would keep investors informed of the risks of their investment positions.

Leadenhall needed to quickly access transaction analysis tools and utilize sophisticated portfolio management capabilities. To help achieve this it licensed RMS’ Miu portfolio management platform. With Miu, Leadenhall was able to not only swiftly analyze insurance-linked securities (ILS) as soon as they came to market, but explore the risk associated with a selection of securities taking into account the correlation between the assets. Additionally Miu enabled Leadenhall to run sensitivity scenarios and analyze the potential impact of historical events on its portfolio. The engagement proved very successful, delivering impressive cost and time efficiencies, as well as helping to keep investors informed.

“Whenever we are considering investing in a transaction, Miu allows us get all the answers we need almost instantaneously.”

Luca Albertini,  
Chief Executive Officer,  
Leadenhall Capital Partners

Class Correlation Matrix	Cat Bond A	Cat Bond B	Cat Bond C	Cat Bond D	Cat Bond E	Cat Bond F
Cat Bond A	1.0	0.1	0.0	0.0	0.0	0.0
Cat Bond B	0.1	1.0	0.0	0.0	0.0	0.0
Cat Bond C	0.0	0.0	1.0	0.5	0.3	0.3
Cat Bond D	0.0	0.0	0.5	1.0	0.4	0.3
Cat Bond E	0.0	0.0	0.3	0.4	1.0	0.5
Cat Bond F	0.0	0.0	0.3	0.3	0.5	1.0

The class correlation report provides a simple and intuitive way to describe the correlation between pairs of insurance linked securities (ILS). When a new ILS enters the market it can be quickly included in a portfolio and its impact on other securities quickly analyzed.

## The Challenge

Leadenhall was formed as a joint venture between the Amlin Group, an FTSE-listed international insurance/reinsurance company, and John Wells and Luca Albertini, both of whom have significant experience in insurance-linked capital markets.

As a start-up fund, it was vital for Leadenhall to efficiently maneuver through both primary and secondary market issuance from day one to ensure the best possible portfolio returns and minimize time spent building analytical capability. The diversity of opportunities within this asset class required Leadenhall to create streamlined risk-return assessment processes and develop effective investor communications.

## The Solution

Realizing the importance of having full analytical capabilities from the outset, Leadenhall decided to license the RMS Miu portfolio management platform. The information provided through Miu includes portfolio and position expected loss, probability of attachment, return period losses, tail value at risk, peril region contributions, and how the new transaction correlates with the rest of the portfolio. Miu allows investors to rapidly analyze each catastrophe bond in the market and determine how it would impact their portfolio. Investors can also conduct stress tests and structure “what if” scenarios to analyze the effects of a particular catastrophe on their portfolio.

“Miu is a uniquely intuitive application; we were up and running straight after deployment and a short training session,” says Jillian Williams, head of portfolio analysis at Leadenhall. “Our decision to license Miu coincided with a particularly active period in the capital markets, which created a lot of secondary market trading. Miu’s library of cat bonds made our job of reviewing them and advising investors much easier and faster. We were able to analyze each class and review the marginal impact to a portfolio in minutes.” She adds, “The commentary and opinions for each issuance are extremely helpful in understanding the underlying bond and model mechanics, as well as the level of disclosure provided.

“RMS offers advice and opinions throughout the issuance process, providing clear profiles and commentary documents in a timely fashion.”

## Business Benefits

The RMS Miu platform has become a fundamental part of Leadenhall’s operations.

### 1. Time savings

Miu has reduced the time required for Leadenhall to analyze a new investment opportunity to an absolute minimum. Williams explains, “It now takes around an hour to collect all the information we need when a new deal comes to market; without Miu it would take at least a day to just get the basics. We would miss out on deals, especially on the secondary market, if we weren’t able to get this level of insight in such a short time frame.

“When we receive a new bond profile from RMS we only need to run one analysis, from which we get a wealth of crucial risk measurements.” Williams says, “There are many statistics available in a short time period, which gives us more certainty and helps us in making decisions. Miu has been essential in testing various portfolios.”

## 2. Cost efficiencies

Employing Miu to improve cost efficiencies was also a factor. According to Luca Albertini, “Miu enables us to focus resources on managing our portfolio to the level of sophistication we require. This streamlined process provides less margin for error and enables us to operate with a much smaller team than is usually required for an intricate portfolio, saving significant resource costs.”

## 3. Investor education

Transparency and disclosure are key concerns for investors. Disclosure must be timely and frequent enough to reassure investors that the portfolio is well-managed, and that investment risk is maintained within agreed parameters.

Williams explains, “Our investors are the most demanding regulator. Miu plays a vital role in keeping investors informed, and facilitates and streamlines the process of preparing monthly portfolio reports. It allows us to create new reports and tailor existing templates to our needs, which saves formatting and editing time.

“I often rely on the simulation output from Miu databases when explaining technical concepts to investors—it helps to demonstrate the most complex ideas in an intuitive way.”

## About Leadenhall Capital Partners

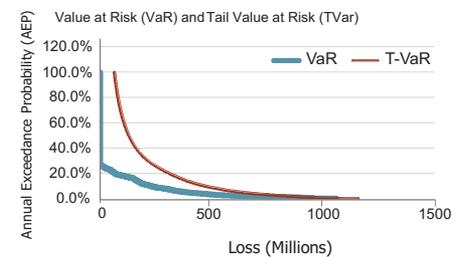
Leadenhall Capital Partners, a fund specializing in insurance-linked securities, was founded in 2008 as a joint venture between the Amlin Group, John Wells, and Luca Albertini. John Wells, Leadenhall’s chairman, has 20 years’ experience as an investment banker with the NatWest Group in London and Tokyo. Luca Albertini, chief executive officer, gained securitization experience at Citibank, GE Capital, and CSFB, and managed the European ILS team at Swiss Re Capital Markets. Amlin is a leading independent insurer and reinsurer operating in the Lloyd’s, U.K., Continental European, and Bermudian markets.

## About RMS

Risk Management Solutions is the world’s leading provider of products and services for catastrophe risk management. More than 400 leading insurers, reinsurers, trading companies, and other financial institutions rely on RMS models to quantify, manage, and transfer risk. Founded at Stanford University in 1988, RMS serves clients today from offices in the U.S., Bermuda, the U.K., France, Switzerland, India, China, and Japan. For more information, visit our website at [www.rms.com](http://www.rms.com).

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Jillian Williams,  
Head of Portfolio Analysis,  
Leadenhall Capital Partners



Key Threshold Annual Exceedance Probabilities		
AEP	VaR	TVaR
0.10%	1,061,205,25	1,158,233,986
1.00%	867,055,28	954,980,102
5.00%	393,127,82	639,665,837
10.00%	228,747,08	471,782,520

The VaR/TVaR report allows fund managers to understand the maximum potential risk levels associated with a portfolio. Value at risk (VaR) is commonly used as the basis for determining allowed position sizes. Tail value at risk (TVaR) can be used to determine realistic worst case losses and can provide the basis for limiting overall portfolio loss levels.

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