

Product of the year

# ARC Logics for Financial Services

## Wolters Kluwer Financial Services

Insurance firms in Europe are now busily preparing to meet the looming deadline for implementation of the risk-based capital rules for the insurance industry, the Solvency II directive. Under the directive, insurers are tasked with creating an enterprise-wide risk management (ERM) framework as well as generating timely and accurate reports of risk and capital information, and integrating risk management into day-to-day decision-making. Such all-encompassing regulation needs an efficient tool to help firms organise and track their risk and controls. The ARC Logics for Financial Services enterprise risk management (ERM) offering from Wolters Kluwer Financial Services (WKFS), previously marketed under the Sword brand, is leading the charge in the Solvency II software space.

A recent adopter, Jeremy Goodger, group chief risk officer at Legal & General Group, says: "There are considerable challenges involved with the implementation of Solvency II, but it also offers the opportunity for insurers to manage and price risk more effectively. The ARC Logics solution is helping us to meet efficiently the ERM requirements of the directive. It has helped us develop a comprehensive risk management structure that will cover the entire organisation in a Solvency II world and effectively link our products and decision-making to risk factors."

Mike MacDonagh, ERM content strategist for WKFS's Enterprise Risk Compliance business, highlights the value to insurers of using an existing ERM framework. "What we have learned by working with leading insurers such as Legal & General has been configured in ARC Logics for Financial Services and provides new customers with a framework that encapsulates best practices and gives them a great starting point in addressing the requirements of Pillar II and

the 'own risk and solvency assessments' (Orsa)," he says.

Sword was acquired two years ago by Wolters Kluwer. The product, which consistently ranked highly in the annual *Operational Risk & Regulation* op risk software rankings, has been incorporated into WKFS's ARC Logics for Financial Services offering.

But the transformation does not stop there. Todd Cooper, vice-president and general manager of WKFS's Enterprise Risk Compliance business, explains: "In October 2010 Wolters Kluwer Financial Services acquired FRSGlobal and we are now pulling the ARC Logics for Financial Services product capabilities together with the FRSGlobal risk calculation and financial reporting capabilities to present a combined solution to the market that covers in a robust way the three pillars of Solvency II."

In addition to supporting Pillar 1, the solution helps insurers and reinsurers thoroughly address Pillars II and III of Solvency II. Under Pillar II, insurance companies must demonstrate their ability to manage risk, subject to supervisory review. The product can play a critical role in helping insurers conduct their Orsa to accomplish this.

By pulling together the capabilities of both Sword and FRSGlobal, Cooper says, the product will supply the policies and procedures necessary for an insurer to ensure it is covering its Solvency II obligation, while also implementing the risks and controls around Solvency II into all of its various operational units and including the financial risk calculations from a quantitative standpoint. "Putting all of those capabilities together and having a strong enterprise risk management programme," Cooper says, "means we are addressing not only the letter of the law but also the spirit of what Solvency II is trying to do." ■

ERM product helps insurance firms meet the coming challenge of Solvency II



From top: Todd Cooper and Mike MacDonagh