

VOR: Climate Waterway

Get ahead of the storm.

You are four days into your quarterly stress testing cycle and nearly done when the National Weather Service announces a 100-year hurricane, Alberto. It will make landfall in Texas and move eastward from there.

You know that both your retail and commercial real estate portfolios have concentration along the storm path and that it will be important to know how much Hurricane Alberto will affect expected loss in the quarters to come.

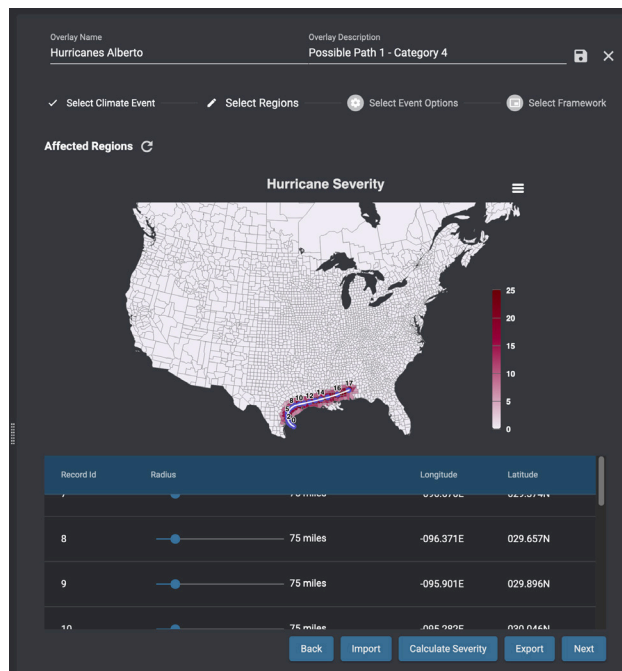
It used to be that you would have to scramble with a one-off calculation to assess the impact of an extreme weather event, pulling disparate data, using models less fitted to your unique situation, and run the risk of delaying, even jeopardizing all the stress test results.

Now with VOR Climate Waterway you have advanced tools and strategies within reach, and you can get ahead of the storm.

You start by checking that the PD and LGD results from your existing credit risk models are available to VOR. VOR Climate Waterway overlays these intermediate metrics with the climate impact for measurement of expected credit loss. If PD and LGD come from another platform other than VOR they are automatically loaded into the Climate Waterway. If already generated in VOR they are seamlessly integrated.

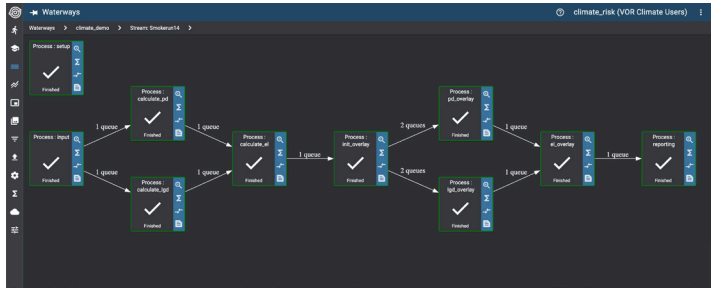
Then you tell VOR Climate Waterway what is known about Alberto. You choose “hurricane” from the configured climate events. You enter the approximate geolocations and the radiuses of its path. You specify hurricane Alberto’s forecasted severity, duration, and how many stress test periods you want it to be included in your results.

You choose between out-of-the box effects or including your own models for climate impact. You might have developed your models yourself, or we at FRG might have helped you or done it for you.



Hurricane path speculation from VOR Climate Waterway

As the overlay runs you can follow it in the graphical process viewer but more likely than not VOR will already have delivered the results to your preferred BI platform.



Process viewer graph

The results will, in addition to the aggregated effect on expected credit loss of both the climate event and the macroeconomic stresses, also show you maps of where and how your portfolio will be impacted at the level of granularity that suits you.

You will have incorporated Hurricane Alberto into your quarterly stress test before it hits.

VOR Climate Waterway Details

- FRG leverages your existing credit risk models.
- Your regular stress testing does not have to be in VOR. We can integrate your climate models. We can also help you develop them or develop them for you.
- The granularity of the climate analysis is up to you. More granularity, of course, yields more accurate results and VOR is known for its performance-efficient processing.
- As always, VOR is current on regulatory standards, whether they be guidelines or requirements.
- VOR Climate Waterway is flexible and built to keep up with reality. Compounding climate events and physics-based simulations are areas of expansion.
- If you want to leverage one of our many climate partners to extend the VOR solution we are ready to help.

The images below are results maps showing expected credit loss at different drill down levels:

