Towers Watson Issued U.S. Patents for Insurance Industry ‘Smart Modeling’ Technique

Patented replicated stratified sampling reduces run time to help executives better understand risk

NEW YORK, March 15, 2012 — Global professional services company Towers Watson (NYSE, NASDAQ: TW) announced today that the United States Patent and Trademark Office (USPTO) has issued two key patents for its innovative Replicated Stratified Sampling (RSS) financial modeling technique for the insurance industry. Both patents (U.S. Patent No. 8,126,747, issued February 28, 2012, and U.S. Patent No. 8,131,571, issued March 6, 2012) cover Towers Watson’s RSS smart modeling technique that is intended to dramatically speed up run times for complex insurance calculations and help industry executives better understand risk.

“The insurance industry has been struggling with how to accurately understand all risk exposures in real time while offering products that serve consumers’ needs. A lack of robust, real-time modeling tools has contributed to management’s struggle to fully understand and measure risk exposure,” said Steve Bochanski, a senior consultant in Towers Watson's Risk and Financial Services consulting group. “We believe our proprietary RSS modeling technique will provide insurers and other financial services companies with a faster and smarter approach.”

The Towers Watson RSS modeling technique uses statistical sampling to accurately measure changes in risk metrics while producing dramatic reductions in run time. Sampling has long been used in other industries, in applications as familiar as television ratings and consumer polls. But in the insurance industry, where access to the full population of contracts is not a barrier, sampling has not been commonly used in the past.

Bochanski notes that the RSS technique offers key benefits over other methods that make it the best option available. “The fact that sampling is already widely used makes this approach easy to understand and explain to users, senior management and external constituencies,” said Bochanski. “In addition, with RSS, the user has full control over the balance of speed and precision, and it works with insurers’ existing models and actuarial software.”
“The RSS technique is truly a new and innovative approach to a classic problem,” said Dr. Jay Vadiveloo, a senior consultant at Towers Watson and professor at the University of Connecticut, who invented the RSS method. “I am very proud to have pioneered this development and to have secured these patents. We believe RSS is part of the next generation of modeling techniques, one that will ultimately simplify the financial modeling process for users.”

**About Towers Watson**

Towers Watson (NYSE, NASDAQ: TW) is a leading global professional services company that helps organizations improve performance through effective people, risk and financial management. The company offers solutions in the areas of employee benefits, talent management, rewards, and risk and capital management. Towers Watson has 14,000 associates around the world and is located on the web at [towerswatson.com](http://towerswatson.com).

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