Enterprise Risk Management
ERM
Symposium
Where Cutting Edge Theory Meets State of the Art Practice

Cross-pollination of Modeling Techniques

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Moderator:
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Panelists:
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Common Foundation

Property/casualty and life actuaries share common philosophical beliefs and have many personal qualities in common:

Beliefs	Personal Qualities
Laws of mathematics	Quantitative abilities
Statistics	High level of education/training
Finance theory	Analytical orientation
Theory of risk	Charm and good looks

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Common Functions

Property/casualty and life actuaries perform common functions in today's industry environment:

- Asset/Liability Management
- Reserving
- Pricing
- Risk mitigation/hedging

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Different Products

Property/casualty and life actuaries apply common beliefs and qualities in pursuing common challenges with respect to products with very different characteristics:

	Property/Casualty	Life
Termination Rights	Broad	Restricted
Insurer Re-pricing	Frequent	Rare/Never
Reserving principle	Best estimate	Policyholder protection
Linkage to economics	Inflation	Interest rates/Equity
Hedging mechanism	Reinsurance	Derivatives
Key source of risk	Policyholder	Markets
Nature of tail risk	Natural catastrophe	Economic

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Different Approaches

Two groups with a common perspective address the same challenges in very different ways for products with very different characteristics.

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New Challenges

In the insurance industry today, management is facing new challenges that require a common decision-making framework across the Property/Casualty and life businesses:

- Enterprise Risk Management
- Economic Capital and Capital Adequacy
- Risk-Adjusted Returns
- Risk Optimization
- Model Governance

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New Roles

Actuarial professionals are exceptionally well equipped to help management address these challenges. Doing so will require reconciliation of the different approaches to common functions taken by Property/Casualty and life actuaries, and development of a comprehensive approach that can accommodate different insurance products.

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Key Issues

Do the product differences described above explain the different approaches taken to the same functions?

Is there an opportunity to build a common foundation to develop consistent practices and common metrics?

Can we use this foundation to address the challenges of Enterprise risk Management?

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Discussion Items

- Asset/Liability Management
- Capital Allocation
- Product Modeling
- Reserving

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