

The Working Group on Risk, with the support of the group BFA (SFdS) & Institut des Actuaire (IA), has the pleasure to invite you to the Seminar by:

Alexandre LE MAISTRE
Risk Manager, MACSF

Thursday, March 27, 2014 at 12:30 pm
EEE - ESSEC La Défense – room 103

**A proposal of interest rate dampener for Solvency II:
Framework introducing a three factors mean reversion model**

The standard approach used by Solvency II for interest rate risk assessment is a simplification of the RiskMetrics approach, designed in 1989 by JPMorgan. Based on this approach, we demonstrate that the Solvency II directive, in its current state, leads to a biased assessment of risk but especially to a pro cyclical effect caused by a negative correlation between SCR and Net Assets. We introduce a proposal of correction, so called interest rate dampener, where the stress is time dependent through mean reversion modeling. To illustrate the counter cyclical property of our method we apply it on two fictive life and non-life insurance undertakings and we show that our proposal allows a stabilization of the Solvency ratio without affecting the level of prudence.

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<http://crear.essec.edu/working-group-on-risk/meeting-schedule-2013-2014>

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Alexandre Le Maistre (Ms in Mathematical Engineering, EISTI) was an Associate Research Engineer at EDHEC Business School for 2 years, before joining MACSF in 2012 as Risk Manager. He is currently a doctoral student at ISFA and MACSF (Cifre).

