

Blaise BOURGEOIS
Head of Life Product Risks AXA
Group Risk Management

Risk neutral valuation in insurance

Insurance markets have traditionally been presented as incomplete markets, using statistical approaches based on real-world measures to price & evaluate risks, rather than market-consistent valuation methods (aka risk-neutral framework). Whilst this may continue to hold to some extent for Property & Casualty business, the Life & Savings sector has progressively adapted its valuation & risk measurement methodologies and tools to a world more akin to modern financial markets than traditional actuarial reserving methods. This paper presents the building blocks of these risk-neutral valuation methods / tools now commonly applied by most major L&S insurance companies in Europe. This framework will form from 2013 onwards the backbone of the new Solvency II regulation. Key words: Market-Consistent Embedded Value, Replicating Portfolio, Economic Capital, Dynamic Hedging, Completing Insurance markets.

ESSEC
BUSINESS SCHOOL

YOU HAVE THE ANSWER

*For any information, please contact
Frédérique JEAN-LOUIS
(01 34 43 32 49 / jeanlouis@essec.fr)*

<http://crear.essec.edu/working-group-on-risk/past-meetings>