



Institute
and Faculty
of Actuaries

Risk is Good

Feifei Zhang





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Risk is Good

(for lack of a better word)

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ponsorship
Thought leadership
Progress
Community
Sessional Meetings
Education
Working parties
Volunteering
Research
Shaping the future
Networking
Professional support
Enterprise and risk
Learned society
Opportunity
International profile
Journals
Support

About me

Current employer: Aviva

**Previous jobs: life insurance, investment banking,
actuarial consultancy <http://lnkd.in/djMEUum>**

Qualified in 2005

Council and Education Committee of IFoA

President of Chinese Actuarial Network UK (CANUK)



About this talk

My presentation title is borrowed from a famous character from a famous Hollywood movie



“the point is, ladies and gentleman, that greed -- for lack of a better word -- is good.

Greed is right.

Greed works.

Greed clarifies, cuts through, and captures the essence of the evolutionary spirit.

Greed, in all of its forms -- greed for life, for money, for love, knowledge -- has marked the upward surge of mankind.”

Financial Innovation - Insurance

Year	Innovation
2500BC	Babylonian goods transport insurance
14-15 th century	Early marine reinsurance
1688	Edward Lloyd's insurance brokerage
1744	Dr Robert Wallace's Scottish minister's insurance fund based on actuarial science
1992	Insurance-linked securities
1994	RiskMetrics VaR
1996	Weather derivatives
2004	Pay-as-you-drive car insurance
2004	Longevity bonds and swaps

From “Rethinking Financial Innovation” – a World Economic Forum report with Oliver Wyman

You are familiar with the following risk categories

- **Underwriting Risks** (mortality, catastrophe, lapse, expense, etc.)
- **Market Risks** (interest rate, equities, etc.)
- **Credit Risks**
- **Operational Risks**
- **Liquidity Risks**
- **Strategy Risks**

But looking at a different angle

Underwriting Business

- Underwriting risk

Matching Liabilities

- Liquidity risk

Reinsuring Tails

- Credit risk

Creating Alpha-overlay

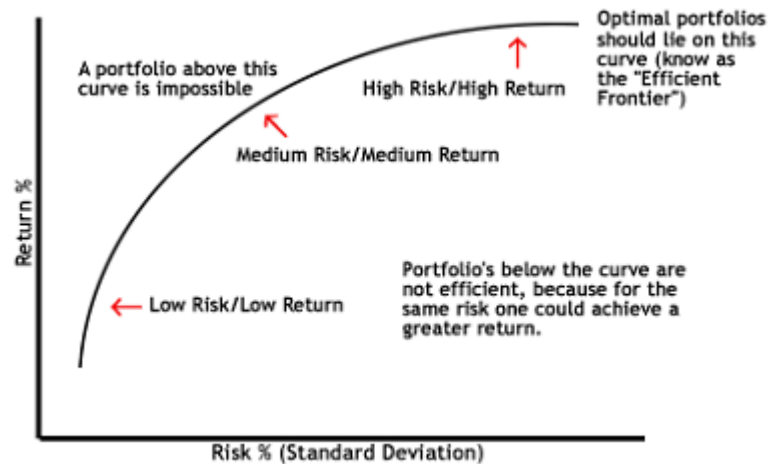
- Market risk

Building Wealth Management Platform

- Operational risk

You are familiar with the following graph

A classic CAPM view of the risk-return



But looking at a different angle

Key criteria when accepting/declining risk-taking activities

1. Compliance driven criteria

- Are the risks (comparatively) more predictable
- Are the risks manageable/transferable
- Are the risks downside-limited

2. Value driven criteria

- Do we have a competitive advantage in this risk area
- Do we believe there is an opportunity to make higher returns
- Do we have other risks within our business that can diversify, while being in line with our core strategy
- Do we have a downside risk that is somebody else's upside risk; and vice versa

Challenges for emerging markets

1. Changing environment

- Globalization
- Digitalization

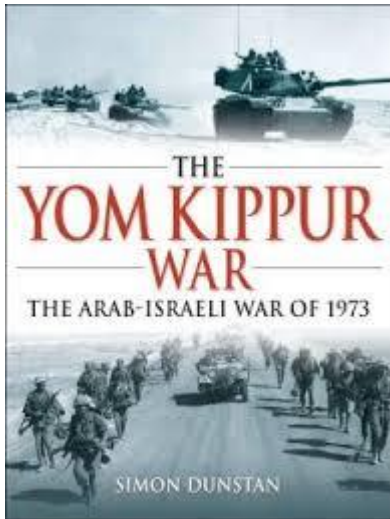
2. Balance between limiting negative outcomes and creating positive returns

3. Lack of credible data and models

4. Lack of risk expertise

Challenges for risk profession

How do Risk Management add value



The Tenth Man Principle:

When nine people on a committee agree on something, it's the tenth man's responsibility to disagree no matter how improbable the idea

There are better lines for Risk

by Janet Rand

To laugh is to risk appearing the fool.

To weep is to risk appearing sentimental.

To reach out for another is to risk involvement.

To expose feelings is to risk exposing your true self.

To place ideas and dreams before a crowd is to risk being called naive.

To love is to risk not being loved in return.

To live is to risk dying.

To hope is to risk despair.

To try is to risk failure.

But risk must be taken, because the greatest hazard in life is to risk nothing.

The person who risks nothing, does nothing, has nothing, is nothing, and becomes nothing.

They may avoid suffering and sorrow, but they cannot learn, feel, change, grow, love, live.

Chained by their certitude, they are slaves; they have forfeited their freedom.

Only a person who risks is truly free.



Questions?



Comments?