

The Actuarial Profession
making financial sense of the future

Risk and investment conference 2010
Investing for success – balancing risk and reward

Sovereign Credit Risk

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European Defaults: 1300 - 1799

Country	Years of Default	Number of Defaults
Austria	1796	1
England	1340, 1472, 1594	3
France	1558, 1624, 1648, 1661, 1701, 1715, 1770, 1788	8
Germany (Prussia)	1683	1
Portugal	1560	1
Spain	1557, 1575, 1596, 1607, 1627, 1647	6

Source for this slide and the following 2 slides: Reinhart & Rogoff (2009)

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European Defaults: 1800-1899

Country	1800-1824	1825-1849	1850-1874	1875-1899
Austria-Hungary	1802, 1805, 1811, 1816		1868	
France	1812			
Germany (Hesse)	1814			
Germany (Prussia)	1807, 1813			
Germany (Schleswig-Holstein)			1850	
Germany (Westphalia)	1812			
Greece		1826, 1843	1860	1893
Netherlands	1814			
Portugal		1828, 1837, 1841, 1845	1952	1890
Russia		1839		1885
Spain	1809, 1820	1831, 1834	1851, 1867, 1872	1882
Sweden	1812			

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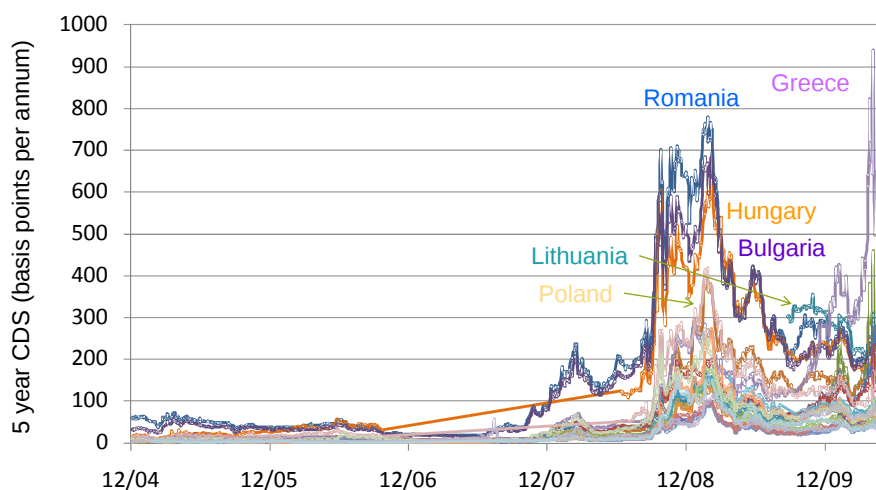
European Defaults: 1900-2008

Country	1900-1924	1925-1949	1950-1974	1975-2008
Austria		1938, 1940		
Germany		1932, 1939		
Greece		1932		
Hungary		1932, 1941		
Poland		1936, 1940		1981
Romania		1933		1981, 1986
Russia	1918			1991, 1998

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Sovereign Credit Default Swaps



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What do you think?

Issues for Discussion

- Relation between default risks on corporations compared to sovereign states
- Restructuring negotiations and the role of investment managers
- New default options for euro zone countries (for example ejection from euro and debt re-denomination)
- How should sovereign risk be treated in capital calculations?
- Implications for liability valuation, eg annuity benefits

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