Securitisation Working Party Papers

- History
  - GIRO 1996-1998 revisited
    - How have the forecasts held-up?
- Zero Beta
  - Atlantic Hurricanes and the Dow Jones
    - 100 years of correlation, but no causation?
- Basis Risk
  - A new wide ranging definition
    - What does basis risk really mean and how do you measure it?
    - Approach adopted by Rating Agency

Securitisation Working Party Papers

- Regulatory Regimes
  - Solvency II
    - A supply side boost?
- Lessons from Sub-Prime
  - Learning from the bankers’ mistakes
    - Institute Press Release
    - Could it happen in insurance?
- Other risks
  - The rest of the balance sheet
    - Future employment prospects for actuaries?

The Time: 1760BC
The Place: Babylon

- Code of Hammurabi
- Loan secured on ship
  - Able to make repayment contingent on ship successfully completing the voyage
- Insurance developed as an add-on to lending

Source: Wiki Commons
The Time: 1241AD
The Place: Rome

- Pope Gregory IX condemns usury in 1234 but later says "He who loans a sum of money to one sailing or going to market, since he has assumed upon himself a risk, is not to be considered a usurer who will receive something beyond his lot"
- Development of pure insurance, separated from lending

Source: Wiki Commons

The Time: 1370
The Place: Genoa

- First known reinsurance contract
- Facultative marine war risk
- Placement of hazardous part of a journey from Genoa to Sluys
- Insurance as a private transaction carried out by individuals
- Reinsurance as arbitrage

Source: Wiki Commons

The Time: 1720
The Place: London

- South Sea Bubble
- Resulting duopoly of marine insurance companies boosted development of Lloyd's
- On Continent and US insurance companies developed more freely
- Risk mitigation via:
  - Syndication (UK)
  - Reciprocity (elsewhere)

Source: Garber, P.M., "Famous first bubbles"
The Time: 1842/1861
The Place: Hamburg/Glarus

- Showed flaws in mutual risk sharing between primary insurers
- Accumulations
- Lack of expertise
- Commercial constraints
- Cologne Re – first independent, professional reinsurer
- In turn Swiss Re founded after 1861 Great Fire of Glarus
- Risk spreading via proportional reinsurance

Source: Wiki Commons

The Time: 1906
The Place: San Francisco

- Cuthbert Heath
- Risk sharing innovations
  - Earthquake and hurricane insurance
  - Non-proportional reinsurance
  - Per risk XL
  - Event XL
- Possible originating cause of Panic of 1907

Source: Wiki Commons

The Time: 1992
The Place: Florida

- Hurricane Andrew
- First understanding of potential exposures
- Realisation that insurance industry under-capitalised and unable to internally diversify mega catastrophes
- Birth of catastrophe modelling
- Impetus for Catastrophe bonds

Source: Wiki Commons
The Time: 2005-8
The Place: New Orleans/Wall Street

- Katrina a supply side boost for catastrophe bonds
- Credit crunch a demand side boost
- Pure insurance risk as a desirable diversified asset class for the finance industry

Source: Wiki Commons