

INSTITUT DES SCIENCES ACTUARIELLES

UNIVERSITE CATHOLIQUE DE LOUVAIN

ACTUARIAL SEMINAR

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*"ERM in life insurance : looking at mortality
and longevity risks "*

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Abstract

Advantages provided by "large" portfolio sizes in respect of the risk of random fluctuations justify, to some extent, the traditional deterministic approach to mortality in life insurance calculations. However, the presence of other mortality risk components should be recognized. In particular, risks due to uncertainty in level as well as in trend of future mortality may heavily affect portfolio results. Special attention should be placed when addressing long-term insurance products, for example life annuities.

Enterprise Risk Management (ERM) can provide sound guidelines when dealing with mortality and longevity risks. Various steps constitute the risk management process, ranging from risk identification and risk assessment to portfolio strategies, such as product design, appropriate pricing, natural hedging, risk transfers and capital allocation.

A special emphasis is placed on modelling issues aiming at risk assessment. Further, a unifying point of view will be proposed, which can help in interpreting and comparing various risk management actions.