



## Economic Capital: Maximizing Value

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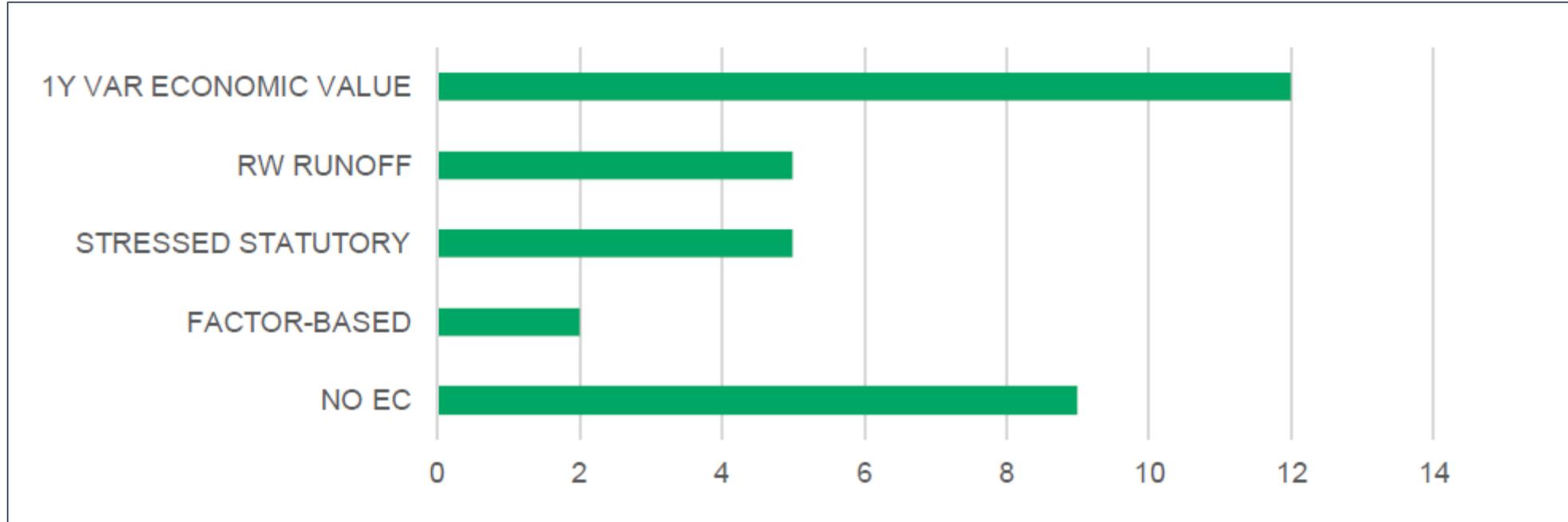
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# Survey Question 1: What is your Economic Capital methodology?

1. One Year VaR on MC Value of Balance Sheet
2. One Year VaR on Embedded Value
3. Real World Runoff
4. Stressed Statutory
5. Factor-based
6. Something else
7. No Economic Capital

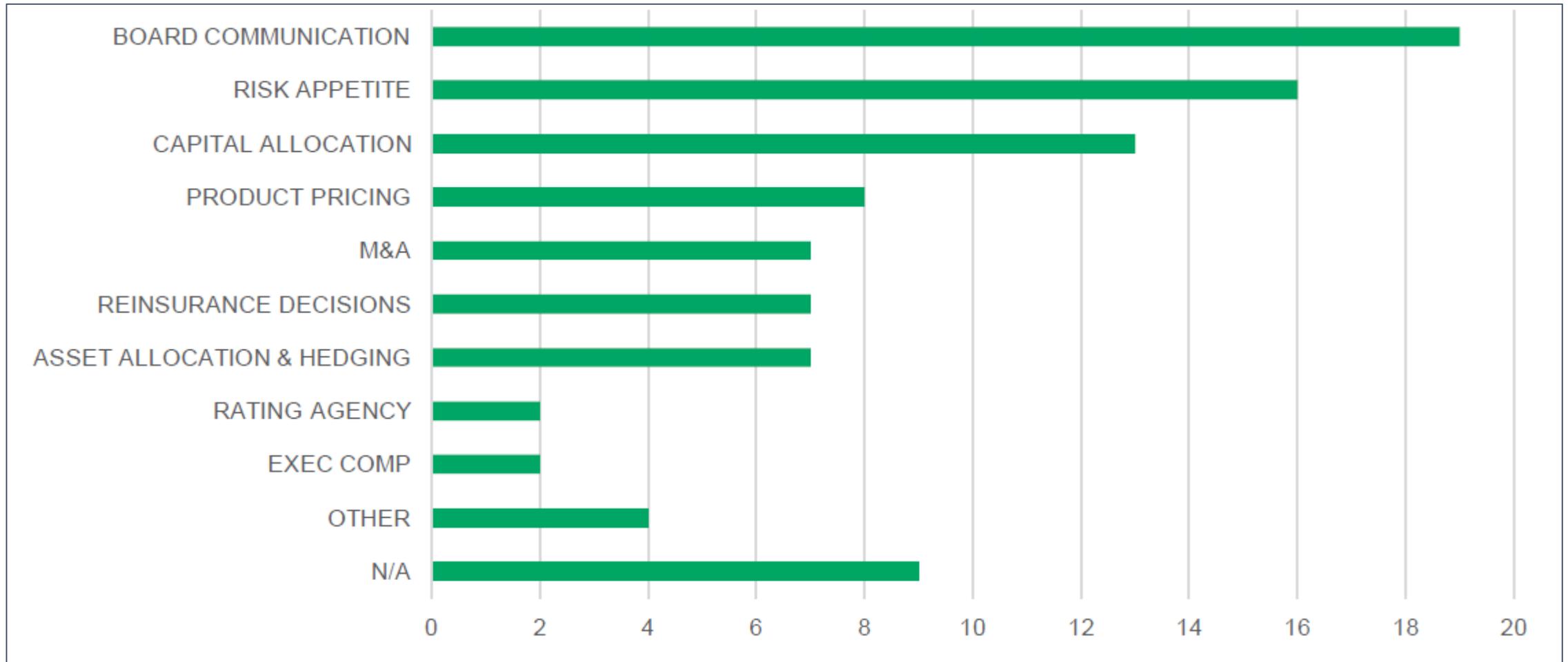
# Panel Topic 1: What is your EC methodology?



# Survey Question 2: What is the purpose of economic capital?

1. Board communication
2. Risk Appetite
3. Capital allocation
4. Product pricing
5. M&A
6. Reinsurance decisions
7. Asset allocation & hedging
8. Rating agency
9. Executive compensation
10. Other
11. N/A

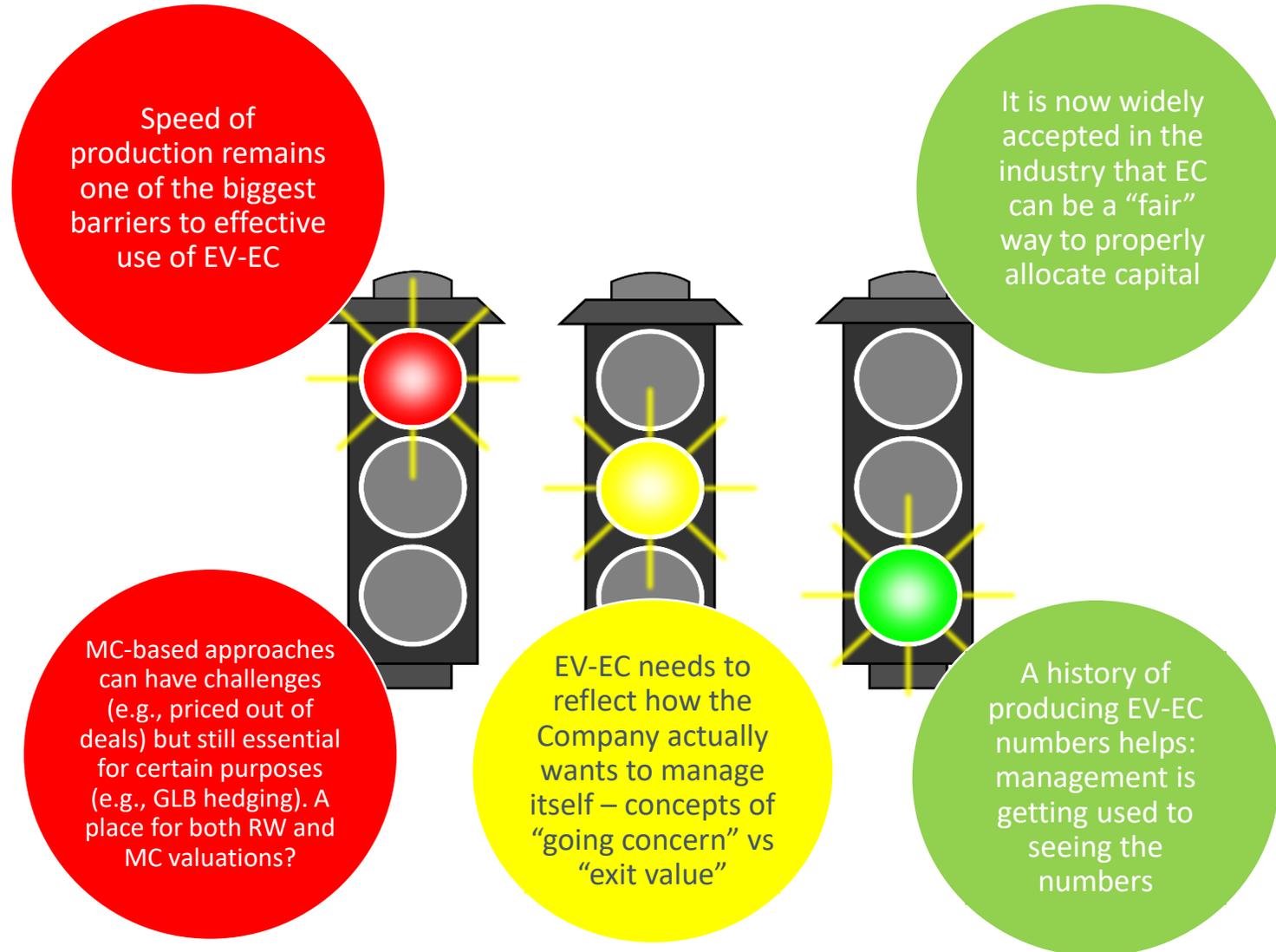
# What is the purpose of EC?



## Survey Question 3: What is the most common challenge to buy-in from the business?

1. Too technical; 'we don't understand'
2. Too far out in the tail; 'this will never happen'
3. Too ERM-centric; 'ERM is making our lives difficult'
4. Other

# What is the most common challenge to getting buy-in to EC?



## Survey Question 4: What is the best way to communicate economic capital?

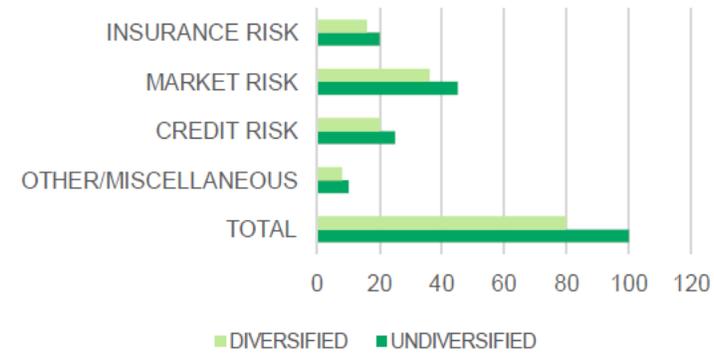
1. Show the mean and multiple points on the distribution
2. Use graphs; a picture is worth a thousand words
3. Never use the word 'model'
4. Other

# What is the best way to communicate Economic Capital?

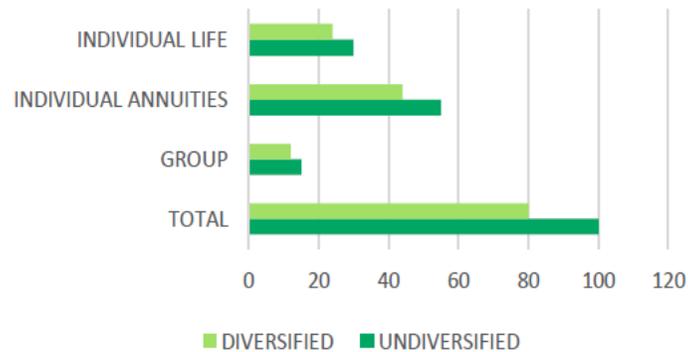
SUMMARY OF AVAILABLE AND REQUIRED ECONOMIC CAPITAL



RISK DECOMPOSITION ANALYSIS: CAPITAL REQUIREMENT BY RISK



REQUIRED CAPITAL BY LINE OF BUSINESS



ANALYSIS OF CHANGE IN CAPITAL



# Survey Question 5: Who is accountable for economic capital in your organization?

1. Actuarial
2. ERM
3. Finance
4. Other

Survey Question 6: What is the most practical consideration when producing the 'true' measure of company risk?

1. Getting the measure into the right ballpark / solar system
2. Making sure stakeholders understand the result
3. The size of the team working on the model
4. Other

## Survey Question 7: Where do you see economic capital modeling in 5 years?

1. Continues to play an important role
2. Plays an increasing role in the organization
3. Plays a diminished role in the organization
4. Other



Thank You