

Index

- 401(k) plan, 74, 76
- AAA, *see* American Academy of Actuaries or American Accounting Association
- AADB, *see* Accountancy and Actuarial Discipline Board
- AASB, *see* Auditing and Assurance Standards Board or Australian Accounting Standards Board
- AASOC, *see* Auditing and Assurance Standards Oversight Council
- ABCD, *see* Actuarial Board for Counselling and Discipline
- ABI, *see* Association of British Insurers
- ABS, *see* asset-backed security
- ACA, *see* Association of Consulting Actuaries
- ACCA, *see* Association of Chartered Certified Accountants
- account holders
 - accounting standards, 43
- Accountancy and Actuarial Discipline Board, 90
- accounting standards, 31, 43
- Accounting Standards Board, 89, 91
- Accounting Standards Board, Canada, 91
- Accounting Standards Oversight Council, 91
- AcSB, *see* Accounting Standards Board, Canada
- AcSOC, *see* Accounting Standards Oversight Council
- actuarial advisers, *see* advisers
- Actuarial Board for Counselling and Discipline, 90
- actuarial function holder, *see* Prudential Regulation Authority
- Actuarial Governance Board, 91
- Actuarial Society of South Africa, 88, 91
- Actuarial Standard of Practice, 90
- Actuarial Standards Board, 90, 91
- Actuarial Standards Oversight Council, 91
- Actuaries' Code, 89
- adverse selection, 114, 119, 120, 469
- advisers
 - actuarial, 48, 87
 - financial, 49, 87, 94
 - investment, 49, 87
 - legal, 49
- advisory risk frameworks, *see* risk frameworks
- advisory stakeholders, *see* stakeholders
- AGB, *see* Actuarial Governance Board
- agency costs, 32, 35, 121
- agency risk, 35
 - definition, 121
 - responses to, 470
- AICPA, *see* American Institute of Certified Public Accountants
- Akaike information criterion, 240
- Akerlof, George, 120
- algorithmic trading, 69
- Allied Steel and Wire Pension Scheme, 74
- Altman's Z-score, 255, 355
- American Academy of Actuaries, 88
- American Accounting Association, 508
- American Institute of Certified Public Accountants, 88, 508
- American Society of Pension Professionals and Actuaries, 88
- anchoring, 122
- annuity, 16, 18, 73, 76
 - bulk, 460
 - with-profits, 16
- APB, *see* Auditing Practices Board
- appointed actuary, *see* insurance companies
- appointment committee, *see* committees
- APRA, *see* Australian Prudential Regulation Authority
- ARCH models, *see* heteroskedasticity
- Archimedean copulas, *see* copulas
- ARIMA processes, *see* time series processes
- ARMA processes, *see* time series processes
- AS/NZS 4360:2004, 518
- ASB, *see* Accounting Standards Board
- ASIC, *see* Australian Securities and Investments Commission
- ASOC, *see* Actuarial Standards Oversight Council
- ASOP, *see* Actuarial Standard of Practice

- ASPPA, *see* American Society of Pension Professionals and Actuaries
 ASSA, *see* Actuarial Society of South Africa
 asset managers, *see* investment managers
 asset-backed security, 13
 asset-liability modelling
 stochastic, 433
 Association of British Insurers, 81, 92
 Association of Chartered Certified Accountants, 88
 Association of Consulting Actuaries, 89
 Association of Insurance and Risk Managers, 511
 AUASB, *see* Auditing and Assurance Standards Board
 audit, 8, 43
 external, 40
 internal, 39, 95, 97
 risk management process, 479
 audit committee, *see* committees
 Auditing and Assurance Standards Board, 90, 91
 Auditing and Assurance Standards Oversight Council, 91
 Auditing Practices Board, 82, 89
 auditors, 40
 ERM framework, 4
 external, 86
 Australian Accounting Standards Board, 90
 Australian Prudential Regulation Authority, 45, 91
 Australian Securities and Investments Commission, 91
 autoregressive processes, *see* time series processes
 bancassurers, *see* banks
 Bank of England, 13, 93
 Banking Act 1987, 70
 Banking Act of 1933, *see* Glass–Steagall Act
 bankruptcy, *see* insolvency
 banks, 25
 adverse selection, 120
 agency risk, 121
 bancassurers, 14
 capital structure, 450
 clearing, 13
 commercial, 12, 14
 culture, 55
 customers, 25, 69
 economic sensitivity, 64
 financial strength ratings, 50
 goldsmith, 12
 high street, 12
 history, 12
 investment, 13
 Lombard, 12
 merchant, 12, 13
 mutual, 13
 private, 13
 regulation, 45
 Barings Bank, 534
 BAS, *see* Board for Actuarial Standards
 Basel Accords, 44, 67, 93, 492
 advanced measurement approach, 495
 background, 492
 bail-in requirements, 500
 Basel I, 453, 492, 504
 Basel II, 93, 453, 493, 504
 Basel III, 24, 95, 458, 498, 504
 basic indicator approach, 392, 494, 495
 capital conservation buffer, 500
 credit risk, 492, 494
 criticisms of Basel II, 497
 high quality liquid assets, 502
 internal capital adequacy assessment process, 496
 internal models approach, 501
 internal ratings based approach, 494
 level 1 assets, 502
 level 2 assets, 502
 leverage ratio, 501
 liquidity coverage ratio, 502
 liquidity requirements under Basel III, 502
 market discipline under Basel II, 497
 market discipline under Basel III, 503
 market risk, 493, 494
 minimum capital requirements under Basel II, 494
 minimum capital requirements under Basel III, 498
 net stable funding ratio, 502
 operational risk, 113, 494
 operational risk, advanced measurement approach, 392
 standardised approach, 392, 494, 501
 supervisory review under Basel II, 496
 systemically important financial institutions, 500
 three pillars, 493
 tier 1 capital, 493, 499, 501
 tier 2 capital, 493, 499
 tier 3 capital, 493, 500
 total net cash outflows, 502
 Basel Committee for Banking Supervision, 492
 basic life assurance and general annuity business, 75
 basis risk, 125, 432, *see also* future
 basis splines, *see* splines
 Bayesian credibility, *see* credibility
 Bayesian information criterion, 240
 Bayesian networks, 275, 391
 BBA, *see* British Bankers' Association
 benchmarks, 334
 peer group, 31
 beta distribution, 180, 273
 bias
 definition, 121
 responses to, 470
 binomial distribution, 146, 273
 Bishopsgate Investment Management, 546
 bivariate normal distribution, *see* normal distribution
 Black model, 350
 Black–Karasinski model, 344
 Black–Litterman, 423
 Black–Scholes model, 335, 357, 445
 BLAGAB, *see* basic life assurance and general annuity business

588

Board for Actuarial Standards, 89
 boards, 96
 committees, 33
 compensation, 7
 constitution, 6, 33
 culture, 55
 development reviews, 79
 education, 7
 performance, 7
 structure, 57
 transparency, 7
 bond prices
 bootstrapping, 340
 dirty, 340
 bondholders, *see* debt-holders
 bonus (with-profits), 16
 bootstrapping, *see* time series modelling, *see also*
 bond prices
 Bornhuetter–Ferguson method, 389
 brainstorming, *see* risk identification techniques
 Brennan–Schwartz model, 345
 British Bankers' Association, 92
 broker dealers, 94
 brokerage firms, 94
 Bühlmann credibility, *see* credibility
 building societies, 13, 25
 regulation, 45
 Building Societies Act 1987, 70
 Building Societies Investor Protection Scheme, 70
 Burr distribution, 170
 business cycle, 63
 business disruption and system failure risk, *see*
 operational risks
 Cadbury Report, 78, 81, 82
 Cairns–Blake–Dowd model, 382
 CALDB, *see* Companies Auditors and Liquidators
 Disciplinary Board
 Canada Business Corporations Act 1985, 85
 Canada Deposit Insurance Corporation, 70
 Canadian Institute of Actuaries, 88, 91
 Canadian Institute of Chartered Accountants, 88, 91
 capital, *see also* economic capital
 capital asset pricing model, 333, 392
 capital market risk transfer, *see* risk transfer
 capital structure, 24, 450
 agency costs, 24
 debt term, 25
 insolvency, 24
 irrelevance, 24
 pecking order, 25
 tax, 24
 CAPM, *see* capital asset pricing model
 captive insurance companies, *see* insurance companies
 CAS, *see* Casualty Actuarial Society
 cascade models, *see* time series modelling
 case studies, *see also* risk identification tools
 Casualty Actuarial Society, 88
 Cauchy distribution, 157

Index

CBI, *see* Confederation of British Industry
 CCA, *see* Conference of Consulting Actuaries
 CDO, *see* collateralised debt obligation
 central counter-parties, 501
 central risk function, 2, 8, 9, 36, 57
 culture, 55
 CEO, *see* chief executive
 Certification Regime, *see* Prudential Regulation
 Authority
 Certified Public Accountants, 88
 CFA Institute, 41, 88
 Code of Ethics and Standards of Professional
 Conduct, 41, 43, 89
 CFO, *see* chief financial officer
 chain ladder method, 388
 chairman, 6, 54, 95, 97, 98
 board constitution, 6
 performance, 7
 characteristics of financial time series, *see* financial
 time series
 charities
 investment, 41
 Chartered Institute for Securities and Investment, 88
 chi-squared distribution, 156, 165, 172
 simulation, 166
 chi-squared test, 166
 Chicago Mercantile Exchange, 436
 chief actuary, *see* Prudential Regulation Authority
 chief executive, 6, 95, 97
 board constitution, 6
 chief executive officer, *see* chief executive
 chief finance, *see* chief financial officer
 chief financial officer, 36, 83, 97
 chief risk, *see* chief risk officer
 chief risk officer, 36, 57
 board constitution, 7
 risk committee, 58
 chief underwriting officer, *see* Prudential Regulation
 Authority
 Cholesky decomposition, 190, 195
 modelling market risk, 329
 Chow test, 170, 311
 CIA, *see* Canadian Institute of Actuaries
 CICA, *see* Canadian Institute of Chartered
 Accountants
 CISI, *see* Chartered Institute for Securities and
 Investment
 classical credibility, *see* credibility
 classifying data, 249
 Clayton copula, *see* copulas
 clearing banks, *see* banks
 client, product and business practice risk, *see*
 operational risks
 co-monotonicity copula, *see* minimum copula
 Code of Ethics and Standards of Professional
 Conduct, *see* CFA Institute
 coefficient of determination (R^2), 237
 coefficient of tail dependence, *see* tail dependence

- coherent risk measures, 414
 COLA, *see* cost of living adjustment
 collateral, 23, 25, 65, 106, 353
 management of, 116
 role of pension assets, 27
 collateralisation, 436
 collateralised debt obligation, 38, 453, 455
 commercial banks, *see* banks
 committees
 appointments, 7, 58
 audit, 7, 58, 82
 remuneration, 7, 58, 80, 96
 risk, 58, 96
 commodities traders, 94
 commodity, 423
 future, 438
 option, 335
 common shock models, *see* credit portfolio models
 communication, 477
 external, 479
 formal, 478
 informal, 478
 internal, 478
 Companies Act 1980, 68
 Companies Act 2006, 83
 Companies Auditors and Liquidators Disciplinary Board, 91
 company directors, *see* directors
 company employees, *see* employees
 company managers, *see* managers
 Company Securities (Insider Dealing) Act 1985, 68
 competitive environment, *see* environment
 concordance, 208
 concordance and discordance, 141
 Scarsini's axioms, 208
 Conduct Rules, *see* Prudential Regulation Authority
 Conduct Standards, *see* Prudential Regulation Authority
 Confederation of British Industry, 80, 81
 Conference of Consulting Actuaries, 90
 conjugate distributions, *see* credibility
 Consumer Prices Index, 72
 contango, 438
 continuing professional development, 42, 89
 continuous considerations, 476
 continuous distributions, *see* statistical distributions
 controlling stakeholders, *see* stakeholders
 convenience yield, 438
 convex risk measures, 415
 convexity, 349
 copulas, 204
 Archimedean, 213, 231
 Archimedean, bivariate, 213
 Archimedean, generator function, 213
 Archimedean, multivariate, 214
 Archimedean, pseudo-inverse, 213
 bivariate, 205
 Clayton, 214, 218, 219
 Clayton, bivariate, 218
 Clayton, generator function, 218
 Clayton, Kendall's tau, 215
 Clayton, multivariate, 218
 Clayton, Spearman's rho, 215
 Clayton, tail dependence, 218
 discrete, 206
 empirical, 206
 Frank, 214, 217
 Frank, bivariate, 217
 Frank, generator function, 217
 Frank, Kendall's tau, 215
 Frank, multivariate, 217
 Frank, Spearman's rho, 215
 Frank, tail dependence, 218
 Fréchet–Höfding, 210, 212
 generalised Clayton, 215, 218
 generalised Clayton, bivariate, 218
 generalised Clayton, generator function, 218
 generalised Clayton, Kendall's tau, 215
 generalised Clayton, multivariate, 219
 generalised Clayton, Spearman's rho, 215
 generalised Clayton, tail dependence, 219
 Gumbel, 214, 216
 Gumbel, bivariate, 216
 Gumbel, generator function, 216
 Gumbel, Kendall's tau, 215
 Gumbel, minimum, 217
 Gumbel, multivariate, 217
 Gumbel, Spearman's rho, 215
 Gumbel, tail dependence, 217
 independence, 217, 223
 independence, bivariate, 210
 independence, multivariate, 212
 Marshall–Olkin, 219, 369
 Marshall–Olkin, bivariate, 219
 Marshall–Olkin, Kendall's tau, 220
 Marshall–Olkin, multivariate, 221
 Marshall–Olkin, Spearman's rho, 220
 maximum, 210, 217, 218, 223
 minimum, 218, 223, 225
 minimum, bivariate, 210
 minimum, multivariate, 212
 mixture, 212
 modelling market risk, 330
 normal, 222
 normal, bivariate, 222
 normal, multivariate, 223
 normal, tail dependence, 223
 properties, 204
 Sklar's theorem, 205
 Student's t , 223
 Student's t , bivariate, 224
 Student's t , multivariate, 225
 survival, 207, 219
 survival, bivariate, 207
 Corley Inquiry, 539
 corporate governance, 6, 32, 77

- correlation, 139
- COSO ERM Integrated Framework, 508
- cost of living adjustment, 72
- Council of US Presidents, 90
- counter-monotonicity copula, *see* maximum copula
- counter-party risk, 9, 64, 105, 116, 124, 352, 430, 432, 435
- covariance, 140
- Cox–Ingersoll–Ross model, 344
- CPD, *see* continuing professional development
- CPI, *see* Consumer Prices Index
- CR, *see* Certification Regime
- CRD IV, 95
 - board constitution, 6
- credibility, 267, 377
 - Bayesian, 271
 - Bühlmann, 271, 275
 - classical, 267
 - conjugate distributions, 273
 - conjugate distributions, beta-binomial, 273
 - conjugate distributions, gamma-Poisson, 274
- credit default swaps, 444, 453
- credit insurance, 453
- credit migration models, 360
 - multivariate, 369
- credit models
 - qualitative, 353
 - quantitative, 354
- credit portfolio models, 367
 - common shock, 369
 - multivariate credit migration, 369
 - multivariate structural, 367
 - time-until-default, 370
- credit rating agencies, 50
- credit ratings
 - issue, 50
 - issuer, 50
- credit risk
 - connection with market risk, 372
 - definition, 105
 - definition, banks, 105
 - definition, life insurance companies, 105
 - definition, non-life insurance companies, 105
 - definition, pension schemes, 105
 - extent of loss, 371
 - quantifying, 351
 - responses to, 450
- credit spread
 - nominal, 331
 - option adjusted, 332
 - static, 331
- credit support annexes, *see* ISDA agreements
- credit unions
 - regulation, 45
- credit-linked notes, 457
- CreditMetrics, 360
- creditors
 - trade, 51
- CRF, *see* central risk function
- crime risk, *see* operational risks
- CRO, *see* chief risk officer
- cubic splines, *see* splines
- culture, 55
- CUSP, *see* Council of US Presidents
- cyber risk, *see* operational risks
- damage to physical assets risk, *see* operational risks
- data frequency, 318
- data risk, *see* operational risks
- data theft, 118
- debt
 - collateralisation, 50
- debt-holders
 - accounting standards, 43
 - private, 23
 - public, 23
- Debye functions, 215
- definitions and concepts of risk, *see* risk
- Delphi technique, *see* risk identification techniques
- demographic risk
 - definition, 109
 - quantifying, 375
 - responses to, 459
- denial-of-service attack, 118
- dependence, 208
- Deposit Guarantee Schemes Directive 1994, 71
- Deposit Guarantee Schemes Directive 2009, 71
- Deposit Guarantee Schemes Directive 2014, 71
- Deposit Insurance and Credit Guarantee Corporation, 70
- Deposit Protection Scheme, 70
- Depository Institutions Deregulation and Monetary Control Act of 1980, 69
- derivatives, 434
 - exchange traded, 435
 - over-the-counter, 65, 430, 432, 434, 435
- Dey Report, 79, 82
- Dickey–Fuller test, 305
- directors, 32, 33, 49, 54, 77
 - executive, 54, 58
 - independent, 6, 33, 58, 78, 82
 - non-executive, 6, 33, 57, 58, 81, 82, 96, 98
 - senior independent, 96, 98
- discordance, *see* concordance
- discounting, 319
- discrete distributions, *see* statistical distributions
- discriminant analysis, 254, 355
 - Fisher’s linear discriminant, 255
 - linear, 255, 258, 355
 - multiple, 259
- distributed denial-of-service attack, 118
- diversification, 433, 461, 462
- diversity and discrimination, 114
- documentation, 476
- downside risk, *see* risk
- due diligence, 452
- duration

- Macauley, 349
- modified, 349
- Durbin–Watson test, 306
- economic capital, 481
 - calculating, 485
 - definition, 481
 - practical approach, 486
 - theoretical approach, 485
- economic capital allocation, 487
 - allocating benefits of diversification, 488
 - Euler capital allocation principle, 489
- economic capital models, 482
 - designing, 483
 - deterministic, 483
 - factor tables, 483
 - generic, 483
 - internal, 482
 - running, 484
 - stochastic, 483
- economic capital optimisation, 486
 - economic income created, 487
 - return on capital, 486
 - shareholder value, 487
- economic environment, *see* environment
- economic risk, *see also* market risk
 - definition, 103
- eigenvalues, 193
- eigenvectors, 192, 242
- EITF, *see* Emerging Issues Task Force
- elliptical distributions, 140, *see* spherical and elliptical distributions
- Emerging Issues Task Force, 90
- empirical mean excess loss function, *see* generalised Pareto distribution
- employees, 35, 54, 86
- employer liability insurance, 29, 111
- employer-nominated trustees, *see* pension schemes
- employment practice and workplace safety risk, *see* operational risks
- Employment Rights Act 1996, 86
- employment-related risks, *see* operational risks
- endowments, *see* foundations and endowments
- endowments and foundations
 - beneficiaries, 28
 - trustees, 55
- enrolled actuary, *see* pension schemes
- Enron, 74, 77, 82, 86
- enterprise risk management, 32
 - frameworks, 5
 - process overview, 101
- environment
 - competitive, 66
 - economic, 63
 - industry, 92
 - political, 63
 - professional, 88
 - regulatory, 67
 - social and cultural, 65
- environmental risk
 - description, 112
 - quantifying, 391
 - responses to, 463
- Equitable Life, 537
- equity risk premium, *see* risk premium
- ERISA, 72–74, 84, 85, 87
- exchange-traded derivatives, *see* derivatives
- exchanges, 435
- execution, delivery and process management risk, *see* operational risks
- executive chairman
 - board constitution, 6
- exercise price
 - Merton model, 357
 - option, 335–337
- expected returns, 330
 - corporate bonds, 331
 - government bonds, 330
- expected shortfall, *see also* VaR, 413
- expected tail loss, *see* tail VaR
- experience rating, 375
- exponential distribution, 172, 175
- external environment, 62
- external fraud risk, *see* operational risks
- extreme value theory, 286
- F*-distribution, 169
- FAS, *see* Financial Accounting Standard
- FASB, *see* Financial Accounting Standards Board
- fat tails, *see* kurtosis
- FCA, *see* Financial Conduct Authority
- FCA Handbook, 87, 94
- Federal Deposit Insurance Corporation, 69
- Feynman, Richard, 546
- fiduciary management, 41
- FIMBRA, *see* Financial Intermediaries, Managers and Brokers Regulatory Association
- Finance Act 2004, 76
- Financial Accounting Standard, 90
- Financial Accounting Standards Board, 90
- financial advisers, *see* advisers
- Financial Compensation Scheme, 72
- Financial Compensation Scheme (FCS), Australia, 71
- Financial Conduct Authority, 51, 92, 93
- Financial Executives International, 508
- financial institutions
 - types, 11
- Financial Intermediaries, Managers and Brokers Regulatory Association, 44, 93
- financial markets, 31, 77
- Financial Policy Committee, 93
- Financial Reporting Council, 78, 82, 89, 90
- Financial Reporting Standard, 89
- Financial Services Act 1986, 44, 67, 68, 71, 75, 92
- Financial Services Act 2012, 93
- Financial Services and Markets Act 2000, 47, 68, 70, 87
- Financial Services Authority, 92, 93

- Financial Services Compensation Scheme, 68, 71
- Financial Services Modernization Act of 1999, *see* Gramm–Leach–Bliley Act
- Financial System Legislation Amendment 2008, 71
- financial time series
 - characteristics, 326
- First Life Directive 1979, 16, 47, 459, 503
- First Non-Life Directive 1973, 47, 503
- Fisher's linear discriminant, *see* discriminant analysis
- Fitch Ratings, 522
- fitting data
 - to a distribution, 230
 - to a model, 235
- force of mortality, 253, 376, 381
- foreign exchange risk
 - definition, 104
 - quantifying, 351
 - responses to, 450
- Försäkringsbolaget Pensionsgaranti, 74
- forward, 434
- forward rate, *see* interest rates
- forward rate agreements, 446
- foundations and endowment
 - culture, 55
- foundations and endowments, 18
 - taxation, 77
- FPC, *see* Financial Policy Committee
- FPG, *see* Försäkringsbolaget Pensionsgaranti
- Frank copula, *see* copulas
- fraud risk, *see* operational risks
- FRC, *see* Financial Reporting Council
- Fréchet distribution, 176
- Fréchet–Höfdding copulas, *see* copulas
- friendly societies, 15, 25
 - members, 71
 - regulation, 45
- Friendly Societies Protection Scheme, 71
- FRS, *see* Financial Reporting Standard
- FSA, *see* Financial Services Authority
- funding liquidity risk, *see* liquidity risk
- future, 38, 434
 - basis risk, 439, 441
 - hedging, 442
 - pricing, 437
- gamma distribution, 156, 171, 175, 273
- gap analysis, *see* risk identification techniques
- GARCH models, *see* heteroskedasticity
- Gaussian copula, *see* normal copula
- Gaussian distribution, *see* normal distribution
- general insurance companies, *see* non-life insurance companies
- general public, 52
- generalised Clayton copula, *see* copulas
- generalised extreme value distribution, 286
 - fitting, 287
 - Fréchet-type, 287
 - Gumbel-type, 287
 - return level approach, 288
 - return period approach, 288
 - standard, 287
 - Weibull-type, 287
- generalised hyperbolic distribution, 156, 195
- generalised inverse Gaussian distribution, 156, 175, 195
- generalised least squares regression, *see* regression
- generalised linear models, 251
- generalised Pareto distribution, 176, 290
 - empirical mean excess loss function, 292
- generator function, *see* Archimedean copulas
- Glass–Steagall Act, 14, 69, 86, 459
- global financial crisis, 528
- GMP, *see* Guaranteed Minimum Pension
- GN, *see* Guidance Note
- goldsmiths, 12
- Gompertz model, 254
- Goode Report, 84, 546
- governments
 - controlling relationships, 46
 - financial relationships, 28, 75
- Gramm–Leach–Bliley Act, 14, 459
- Greenbury Report, 80, 81
- gross redemption yield, *see* interest rates
- group entity senior insurance manager, *see* Prudential Regulation Authority
- Guaranteed Minimum Pension, 72
- Guidance Note, 89
- Gumbel copula, *see* copulas, *see* copulas
- Gumbel distribution, 162
- hacking, 118
- Hampel Report, 81, 82
- head of third country branch, *see* Prudential Regulation Authority
- Health and Social Security Act 1984, 72
- Heartland Payment Systems, 548
- hedging, 434, *see also* future
 - against loss, 444
 - cross-hedging, 441
 - exposure to options, 444
 - optimal hedge ratio, 442
 - using model points, 449
- Herstatt banking crisis, 492
- heteroskedasticity, 237, 312
 - ARCH models, 312, 327, 328
 - GARCH models, 315, 327, 328
 - GARCH models, fitting, 316
 - GARCH models, forecasting, 318
- Higge Report, 81
- high claim frequency classes
 - pricing, 385
 - reserving, 387
- high frequency trading, 69
- high street banks, *see* banks
- Ho–Lee model, 343
- Hull–White model, 343
- IAA, *see* Institute of Actuaries of Australia or International Actuarial Association

- IAS, *see* International Accounting Standard
- IASB, *see* International Accounting Standards Board
- ICAA, *see* Institute of Chartered Accountants in Australia
- ICAEW, *see* Institute of Chartered Accountants in England and Wales
- ICAI, *see* Institute of Chartered Accountants in Ireland
- ICAS, *see* Institute of Chartered Accountants in Scotland
- Icesave, 70
- IFRS, *see* International Financial Reporting Standard
- illiquidity, *see* liquidity risk
- immunisation, *see* Redington's immunisation
- IMRO, *see* Investment Management Regulatory Organisation
- incidental stakeholders, *see* stakeholders
- Income and Corporation Taxes Act 1988, 75
- independence copula, *see* copulas
- independent group analysis, *see* risk identification techniques
- independent trustees, *see* pension schemes
- index-tracking, 31
- Individual Savings Account, 76
 - Lifetime ISA, 76
- industry bodies, 44, 92
- industry environment, *see* environment
- industry regulators, *see* regulators
- information technology, 60
- insider trading, 68
- Insider Trading and Securities Fraud Enforcement Act of 1988, 68
- Insider Trading Securities Act of 1984, 68
- insolvency, 30
- Institute and Faculty of Actuaries, 88, 91
- Institute of Actuaries of Australia, 88, 91
- Institute of Chartered Accountants in Australia, 88, 91
- Institute of Chartered Accountants in England and Wales, 88
- Institute of Chartered Accountants in Ireland, 88
- Institute of Chartered Accountants in Scotland, 88
- Institute of Internal Auditors, 508
- Institute of Management Accountants, 508
- Institute of Risk Management, 511
- insurance, 29, 430
 - history, 14
 - life, 15
 - non-life, 14
 - statutory, 29
- insurance companies, 14
 - adverse selection, 120
 - agency risk, 121
 - appointed actuary, 87
 - capital structure, 451
 - captive, 430
 - culture, 55
 - economic sensitivity, 65
 - financial strength ratings, 50
 - interest rate risk, 448, 449
 - investment, 41
 - lapses, 110
 - life, 14
 - life, advisers, 49
 - life, regulation, 45
 - mutual, 15, 39
 - non-life, 14
 - non-life, regulation, 45
 - policyholders, 25, 71
 - proprietary, 15
 - taxation, 75
- insurance special purpose vehicle, 97
- integrated processes, *see* time series processes
- Integrated Prudential Sourcebook, 87
- inter-quartile range, *see* range
- inter-temporal links, *see* time series processes
- interest rate caps and floors, 447
- interest rate models
 - multi-factor, 345
 - PCA-based approaches, 346
 - single factor, 343
- interest rate risk
 - definition, 104, 339
 - quantifying, 339
 - responses to, 446
- interest rates
 - forward rate, 342
 - gross redemption yield, 340
 - gross redemption yield., 349
 - nominal, 446
 - real, 446
 - spot rate, 340
- internal environment, 54
- internal fraud risk, *see* operational risks
- International Accounting Standard, 91
- International Accounting Standards Board, 91
- International Actuarial Association, 88
- International Financial Reporting Standard, 91
- International Swaps and Derivatives Association, *see also* ISDA agreements
- interviews, *see* risk identification techniques
- inverse gamma distribution, 156, 171, 175
- inverse Gaussian distribution, *see* Wald distribution
- inverse normal distribution, *see* Wald distribution
- inverted market, 438
- investment advisers, *see* advisers
- investment banks, *see* banks
- Investment Management Regulatory Organisation, 44, 93
- investment managers, 24, 41, 94
- investment strategy, 433
- investors
 - ERM framework, 4
- Investors Compensation Scheme, 67
- IORP Directive, 84
- IRM/AIRMIC/Alarm Risk Management Standard, 511

594

ISA, *see* Individual Savings Account
 ISDA agreements, 435, 436
 credit support annexes, 436, 452
 ISO 31000:2009, 520
 ISPV, *see* insurance special purpose vehicle
 jump diffusion model, 311
k-nearest neighbour, 259, 357
 Kendall's tau, 139, 141, 208
 Archimedean copulas, 214
 kernels
 Epanechnikov, 249
 normal, 249
 smoothing, 247
 triangular, 249
 uniform, 248
 King I, 79, 80
 King II, 79, 80, 82
 King III, 79, 80, 82
 King IV, 79
 Kirby Report, 85
 KMV model, 359
 Knightian uncertainty, *see* uncertainty
 Kobe earthquake, 116
 Korean Air, 540
 Kumar Mangalam Birla (KMB) Report, 80, 82
 kurtosis, 137
 leptokurtosis, 138, 157, 327
 mesokurtosis, 138
 platykurtosis, 138
 LAUTRO, *see* Life Assurance and Unit Trust
 Regulatory Organisation
 Law on Occupational Benefits 1982, 74
 Law on Occupational Benefits Guarantee Fund, 74
 LDI, *see* liability-driven investment
 least squares regression, *see* regression
 Lee–Carter model, 381
 Leeson, Nick, 534
 legal advisers, *see* advisers
 legal risk, *see* operational risks
 leptokurtosis, *see* kurtosis
 Lévy distribution, 171, 173
 liability-driven investment, 31
 Life Assurance and Unit Trust Regulatory
 Organisation, 44
 life assurance companies, *see* insurance companies
 Life Directive 2002, 503
 life insurance companies, *see* insurance companies
 Lifetime ISA, *see* Individual Savings Account
 likelihood ratio test, 239
 Limited Liability Partnerships Act 2000, 23
 limited price indexation, 72
 linear correlation coefficient, *see* Pearson's rho
 linear discriminant analysis, *see* discriminant analysis
 liquidity risk
 definition, 106
 definition, banks, 106
 definition, life insurance companies, 107

Index

definition, non-life insurance companies, 107
 definition, pension schemes, 107
 funding, 106
 global financial crisis, 502
 market, 106
 quantifying, 372
 responses to, 457
 listing rules, 119
 Lloyd's of London, 14, 97
 location, measures of, 134
 logistic function, 253
 logit model, 253, 355, 377
 lognormal distribution, 163
 simulation, 164
 Lombard banks, *see* banks
 London Stock Exchange, 78, 81
 Long Term Capital Management, 542
 longevity risk
 definition, 110
 level, 375
 trend, 380
 volatility, 377
 low claim frequency classes
 quantifying, 390
 LPI, *see* limited price indexation
 LSE, *see* London Stock Exchange
 Madoff, Bernard, 544
 Mahalanobis angle, 189
 Mahalanobis distance, 189
 malware, 118
 managers, 35, 86
 mandatory risk frameworks, *see* risk frameworks
 Mardia's tests, 189
 margin
 initial, 435
 maintenance, 436
 variation, 436
 Market Abuse Directive 2003, 68
 market consistency, 298
 market liquidity risk, *see* liquidity risk
 market risk
 definition, 103
 definition, banks, 103
 definition, life insurance companies, 104
 definition, non-life insurance companies, 104
 definition, pension schemes, 104
 modelling, 328
 quantifying, 326
 responses to, 432
 Marshall–Olkin copula, *see* copulas
 matching
 cash flow, 447
 matrix algebra, 181
 maximum copula, *see* copulas
 Maxwell, Robert, 73, 84, 545
 MBS, *see* mortgage-backed security
 mean, 134, 140
 media, 52

- median, 135
- member-nominated trustees, *see* pension schemes
- merchant banks, *see* banks
- Mersenne twister, 298
- Merton model, 357
- mesokurtosis, *see* kurtosis
- method of maximum likelihood
 - continuous distributions, 233
 - copulas, 234
 - discrete distributions, 232
 - fitting a model to data, 239
 - fitting data to a distribution, 231
- method of moments, 230
 - copulas, 231
 - univariate distributions, 230
- MFR, *see* Minimum Funding Requirement
- MiFID, 77
 - board constitution, 6
- MiFID 2004, 68
- MiFID II, 68, 77
- minimum copula, *see* copulas
- Minimum Funding Requirement, 73, 84
- Minimum Funding Standards, 73
- mix of business, 451
- mixture copula, *see* copulas
- mixture distributions, *see* normal mean-variance mixture distributions
- mode, 135
- model risk, *see* operational risks
- model uncertainty, *see* uncertainty
- model validation, 280
 - cross-sectional, 281
 - time series, 281
- modelling techniques, 228
- models
 - complexity, 228
 - dimensionality, 229
 - limitations, 228
- Moody's Investor Services, 359, 361, 363, 524
- moral hazard, 29, 114, 120, 469
- mortality models
 - all-cause, 380
 - cause-of-death, 380
 - parametric, 380
- mortality risk
 - catastrophe, 110, 379
 - definition, 110
 - level, 110, 375
 - trend, 110, 380
 - volatility, 110, 377
- mortgage-backed security, 13
- moving average processes, *see* time series processes
- multilateral trading facility, 69
- multiple discriminant analysis, *see* discriminant analysis
- multivariate distributions, *see* statistical distributions
- multivariate normal distribution, *see* normal distribution
- mutual banks, *see* banks
- Myners Report, 41, 85
- NAPF, *see* National Association of Pension Funds
- National Association of Pension Funds, 81, 86, 92
- National Forum for Risk Management in the Public Sector, 511
- NCD, *see* no claims discount
- negative binomial distribution, 146
- no claims discount, 462
- nominal spread, *see* credit spread
- non-capital market risk transfer, *see* risk transfer
- Non-Life Directive 2002, 503
- non-life insurance
 - long-tail classes, 111
- non-life insurance companies, *see* insurance companies
- non-life insurance risk
 - catastrophe, 111
 - definition, 111
 - incidence, 111
 - intensity, 111
 - quantifying, 384
 - reserving, 112
 - responses to, 461
 - trend, 111
 - underwriting, 111
 - volatility, 111
- non-participating policy, *see* non-profit policy
- non-profit policy, 15
- normal backwardation, 438
- normal copula, *see* copulas
- normal distribution
 - bivariate, 186
 - bivariate, simulation, 190
 - multivariate, 186
 - multivariate, simulation, 190
 - multivariate, standard, 188
 - univariate, 150
 - univariate, standard, 152
- normal market, 438
- normal mean-variance mixture distributions
 - multivariate, 195
 - univariate, 156, 159, 161
 - univariate, simulation, 156
- Northern Rock, 70
- OAS, *see* option adjusted spread
- occupational pension schemes, *see* pension schemes
- Occupational Pension Schemes Regulation 2005, 84
- Occupational Pensions Board, 99
- Occupational Pensions Regulatory Authority, 99
- offence and defence model, *see* risk management models
- OPB, *see* Occupational Pensions Board
- operational risks
 - business disruption and system failures, 116, 465
 - clients, products and business practices, 115, 464
 - crime, 117, 465

- cyber, 118, 466
- damage to physical assets, 116, 464
- data, 123, 471
- definitions, 113
- definitions, alternative, 117
- employment practices and workplace safety, 114, 463
- employment-related, 119, 468
- execution, delivery and process management, 116, 465
- external fraud, 114, 463
- internal fraud, 113, 463
- legal, 122, 471
- model, 123, 471
- people, 119, 468
- project, 124, 473
- quantifying, 391
- regulatory, 119, 467
- reputational, 123, 472
- responses to, 463
- strategic, 124, 473
- technology, 117, 466
- OPRA, *see* Occupational Pensions Regulatory Authority
- optimisation, 418
 - mean-variance, 418
- option, 38, 335, *see also* Black–Scholes model
 - American, 335
 - Bermudan, 335
 - call, 335–337, 350
 - delta, 445
 - European, 335
 - gamma, 445
 - put, 335–337
 - theta, 445
 - vega, 445
- option adjusted spread, *see* credit spread
- Orange Book, 516
- ordinary least squares regression, *see* regression
- organisational capabilities, 60
- organisational structure, 57
- organised trading facility, 68
- outside directors, *see* non-executive directors
- outsourced CIO, *see* fiduciary management
- over-the-counter derivatives, *see* derivatives
- overconfidence, 122
- P-splines, *see* penalised splines
- parameter uncertainty, *see* uncertainty
- Pareto distribution, 176
- participating policy, *see* with-profits policy
- partnership model, *see* risk management models
- pay-as-you-go pensions, *see* pension schemes
- PBGC, *see* Pension Benefit Guaranty Corporation
- PBGF, *see* Pension Benefit Guaranty Fund
- Pearson's rho, 139, 140, 208
- pecking order, *see* capital structure
- penalised splines, *see* splines
- Pension Benefit Guaranty Corporation, 29, 33, 74
- Pension Benefit Guaranty Fund, 74
- Pension Compensation Board, 73
- Pension Guarantee Programme, 74
- Pension Law Review Committee, 84
- Pension Protection Act of 2006, 30
- Pension Protection Fund, 30, 33, 74
 - risk-based levy, 354
- pension scheme members, 72
- pension scheme sponsors, 72
- pension schemes, 48
 - accounts, 40
 - administrators, 40
 - adverse selection, 120
 - advisers, 49
 - advising actuary, 39
 - agency risk, 121
 - auditors, 40
 - buyout valuations, 34
 - culture, 55
 - defined benefit, 16
 - defined contribution, 17, 27
 - early retirements, 110
 - economic sensitivity, 65
 - enrolled actuary, 87
 - final salary, 17
 - funded, 17
 - funding, 48
 - funding valuations, 34
 - history, 16
 - interest rate risk, 448, 449
 - investment, 41
 - members, 27
 - modification, 48
 - moral hazard, 120
 - new entrants, 110
 - occupational, 16
 - pay-as-you-go, 17
 - redundancy, 110
 - regulation, 17, 45, 99
 - run-off valuations, 34
 - scheme actuary, 39, 84, 87
 - scheme auditor, 84
 - scheme-specific funding requirement, 84
 - sponsors, 17, 26, 39, 48, 55, 99
 - taxation, 75
 - trustees, 33, 39, 48, 55, 59, 83, 87, 99
 - trustees, employer-nominated, 55
 - trustees, independent, 55
 - trustees, member-nominated, 55
 - valuation, 48
 - withdrawals, 110
- Pension Schemes Act 2004, 87
- Pensions Act 1995, 72, 73, 84, 99
- Pensions Act 2004, 47, 72, 73, 84, 99
- Pensions and Investment Research Consultants Ltd, 81
- Pensions and Lifetime Savings Association, 92
- Pensions Management Institute, 89

- Pensions Regulator, The, 51, 92, 99
 pensions-augmented balance sheet, 26
 Pensions-Sicherungs-Verein Versicherungsverein auf
 Gegenseitigkeit, 74
 people risk, *see* operational risks
 performance bonuses, 41
 Personal Investment Authority, 93
 personal pensions, 18
 PGP, *see* Pension Guarantee Programme
 Philby, Kim, 549
 phishing, 118, 467
 PIA, *see* Personal Investment Authority
 PIRC, *see* Pensions and Investment Research
 Consultants Ltd
 platykurtosis, *see* kurtosis
 PLSA, *see* Pensions and Lifetime Savings Association
 PMI, *see* Pensions Management Institute
 POB, *see* Professional Oversight Board
 Poisson distribution, 148, 175, 273
 policies, procedures and limits, 433
 policy and policing model, *see* risk management
 models
 Policyholder Protection Act of 2006, 73
 policyholders, 38
 accounting standards, 43
 Policyholders Protection Act 1975, 71
 Policyholders Protection Scheme, 71
 political environment, *see* environment
 postcode rating, 377
 PPF, *see* Pension Protection Fund
 PRA, *see* Prudential Regulation Authority
 preference function, *see* utility function
 premium rating
 life, 38, 459
 non-life, 38, 462
 pricing teams, 38
 principal component analysis
 fitting data to a model, 240
 generating multivariate random normal variables,
 191
 modelling interest rates, 346
 modelling market risk, 329
 principals, *see* stakeholders
 private banks, *see* banks
 private debt-holders, *see* debt-holders
 private shareholders, *see* shareholders
 pro-cyclicality, 458
 probability of ruin, 412
 probit model, 252, 355, 377
 professional bodies, 42, 88
 professional environment, *see* environment
 Professional Oversight Board, 90
 professional regulators, *see* regulators
 project risk, *see* operational risks
 property and casualty insurance companies, *see*
 non-life insurance companies
 Property and Casualty Insurance Compensation
 Corporation, 71
 proprietary risk frameworks, *see* risk frameworks
 prospect function, 400
 prudent expert, 84, 85
 prudent man, 84, 85
 Prudential Regulation Authority, 51, 92, 93, 95
 actuarial function holder, 87
 Certification Regime, 95, 96
 chief actuary, 97
 chief underwriting officer, 97
 Conduct Rules, 95
 Conduct Rules, Individual, 96
 Conduct Rules, Senior Manager, 97
 Conduct Standards, 97
 Conduct Standards, Individual, 98
 Conduct Standards, Senior Insurance Manager, 98
 group entity senior insurance manager, 97
 head of third country branch, 97
 Senior Insurance Management Function, 97
 Senior Insurance Managers Regime, 97
 Senior Management Function, 95
 Senior Managers Regime, 95
 underwriting risk oversight, 97
 with-profits actuary, 39, 87, 97
 pseudo-inverse, *see* Archimedean copulas
 PSVaG, *see* Pensions-Sicherungs-Verein
 Versicherungsverein auf Gegenseitigkeit
 Public Company Accounting Oversight Board, 87
 public debt-holders, *see* debt-holders
 public shareholders, *see* shareholders
 quantifiable risks, *see* risk nature
 quantifying particular risks, 326
 quantile-quantile plots, 154, 206
 R^2 , *see* coefficient of determination (R^2)
 RAMP, 508
 random numbers, 297
 range, 136
 inter-quartile, 137
 ransomware, 118
 rating agencies, *see* credit rating agencies
 Recognised Professional Body, 93
 Redington's immunisation, 448
 regression
 generalised least squares, 236
 least squares, 235
 ordinary least squares, 236
 testing the fit of coefficients, 238
 testing the fit of the regression, 238
 regulation
 functional, 44
 unified, 45
 regulators
 acting as agents, 99
 industry, 44, 92
 professional, 43, 89
 regulatory environment, *see* environment
 regulatory risk, *see* operational risks
 reinsurance, 29

598

reinsurance companies
 regulation, 45
 remuneration committee, *see* committees
 Renshaw–Haberman model, 382
 representativeness, 122
 reputational risk, *see* operational risks
 resampling, *see* bootstrapping, 423
 residual risks, 124
 responses to risk, 429
 Retail Prices Index, 72
 return measures, 417
 return on assets, 417
 return on capital, 417
 risk
 definitions and concepts of, 1, 103
 downside, 1, 30, 38, 122, 295, 401
 reasons to manage, 3
 upside, 1, 295, 401
 risk acceptance, 431
 risk appetite, 398
 risk assessment, 397
 risk aversion, 398
 constant absolute, 399
 constant relative, 399
 decreasing absolute, 399
 increasing, 399
 zero, 400
 risk capacity, 400
 risk check lists, *see* risk identification tools
 risk frameworks, 491
 advisory, 507
 mandatory, 491
 proprietary, 521
 risk identification, 126
 risk identification techniques, 129
 brainstorming, 129
 Delphi technique, 131
 gap analysis, 131
 independent group analysis, 130
 interviews, 132
 surveys, 130
 working groups, 132
 risk identification tools, 126
 case studies, 128
 risk check lists, 127
 risk prompt lists, 128
 risk taxonomy, 128
 risk trigger questions, 128
 risk-focussed process analysis, 128
 SWOT analysis, 126
 risk management
 time horizon, 9
 risk management models, 8
 offence and defence, 8
 partnership, 9
 policy and policing, 9
 three lines of defence, 8
 risk measures, 402

Index

deterministic, 402
 factor sensitivity, 403
 notional amount, 403
 probabilistic approaches, 404
 scenario sensitivity, 404
 risk modification, 462
 risk nature, 132
 quantifiable, 132
 unquantifiable, 132
 risk premium
 equity, 333
 historical, 333
 property, 333
 risk prompt lists, *see* risk identification tools
 risk rating, 376
 risk reduction, 429
 risk register, 133
 risk removal, 430
 risk responses
 good, 431
 risk taxonomy, *see* risk identification tools
 risk tolerance, 398
 risk transfer, 430, *see also* annuity
 capital market, 430, 451, 453, 461, 462
 credit risk, 453
 non-capital market, 430, 460, 462
 risk trigger questions, *see* risk identification tools
 risk-focussed process analysis, *see* risk identification tools
 Rogers Commission, 546
 Rogers, William, 546
 Roth 401(k), *see* 401 (k)
 RPB, *see* Recognised Professional Body
 RPI, *see* Retail Prices Index
 SAICA, *see* South African Institute of Chartered Accountants
 salary increases, 111
 Sarbanes–Oxley Act, 77, 83, 86
 Saucier Report, 82
 scenario analysis, *see* time series modelling
 scriveners, 12
 seasonality, *see* time series processes
 SEC, *see* Securities and Exchange Commission
 Securities Act of 1933, 68
 Securities and Exchange Commission, 92
 Securities and Futures Authority, 44, 93
 Securities and Investments Board, 92
 Securities Exchange Act of 1934, 68
 securitisation, *see* capital market risk transfer
 Self-Regulatory Organisation, 93
 Senior Insurance Management Function, *see* Prudential Regulation Authority
 Senior Insurance Managers Regime, *see* Prudential Regulation Authority
 Senior Management Function, *see* Prudential Regulation Authority
 Senior Managers Regime, *see* Prudential Regulation Authority

- sensitivity analysis, *see* time series modelling
 separation theorem, 420
 serial correlation, 237
 SFA, *see* Securities and Futures Authority
 shareholders, 32
 accounting standards, 43
 financial markets, 31
 private, 23
 public, 22, 67
 Sharpe ratio, 417
 SIB, *see* Securities and Investments Board
 SIMF, *see* Senior Insurance Management Function
 simple splines, *see* splines
 SIMR, *see* Senior Insurance Managers Regime
 Single Employer Pension Plan Amendments Act of 1986, 30
 singular value decomposition, 241, 381
 skew, 137
 negative, 137
 population, 137
 positive, 137
 sample, 137
 skewed *t*-distribution
 bivariate, 200
 multivariate, 196, 200
 multivariate, simulation, 201
 univariate, 161
 univariate, simulation, 161
 Sklar's theorem, *see* copulas
 SMF, *see* Senior Management Function
 Smith Report, 82, 86
 smoothing data, 243
 SMR, *see* Senior Managers Regime
 SoA, *see* Society of Actuaries
 social and cultural environment, *see* environment
 Social Security Act 1973, 72, 99
 Social Security Act 1985, 72
 Social Security Act 1986, 72
 Social Security Act 1990, 72
 Society of Actuaries, 88, 90
 soft commission, 41
 sole traders, 94
 Solvency I, 47, 503, 504
 Solvency II, 44, 47, 67, 93, 503, 504
 background, 503
 disclosure, 506
 internal model, 505
 minimum capital requirement, 504, 506
 qualitative requirements, 506
 quantitative requirements, 504
 solvency capital requirement, 504, 505
 standard formula, 504
 tier 1 capital, 506
 tier 2 capital, 506
 tier 3 capital, 506
 time horizon, 9
 SORP, *see* Statement of Recommended Practice
 South African Institute of Chartered Accountants, 88, 91
 Space Shuttle Challenger, 546
 Spearman's rank correlation coefficient, *see* Spearman's rho
 Spearman's rho, 139, 141, 208
 special purpose vehicle, 455
 spherical and elliptical distributions, 201
 splines, 243
 basis, 246
 cubic, 244
 knots, 243, 245, 246
 penalised, 247, 380
 simple, 243
 spot price
 future, 437, 438
 interest rates, 350
 option, 335
 spot rate, *see* interest rates
 spread, *see also* credit spread
 measures of, 135
 spread betters, 94
 SRO, *see* Self-Regulatory Organisation
 SSAP, *see* Statement of Standard Accounting Practice
 stakeholders, 20
 advisory, 48
 agents, 24, 31
 controlling, 42
 external, 62
 incidental, 51
 internal, 54
 principals, 20
 types, 20
 Standard & Poor's, 361, 363, 524
 standard deviation, 140
 as a risk measure, 404
 standard normal distribution, *see* normal distribution
 Statement of Recommended Practice, 89
 Statement of Standard Accounting Practice, 89
 static spread, *see* credit spread
 stationarity, *see* time series processes
 statistical distributions, 146
 multivariate, 180
 univariate, continuous, 149
 univariate, discrete, 146
 statistics, 134
 statutory insurance, *see* insurance
 stochastic uncertainty, *see* uncertainty
 stock exchanges
 listing requirements, 43
 strategic risk, *see* operational risks
 structural breaks, *see* time series processes
 Student's *t*-copula, *see* copulas
 Student's *t*-distribution
 bivariate, 196
 bivariate, standard, 196
 multivariate, 195, 196
 multivariate, simulation, 198

600

multivariate, standard, 198
 univariate, 157
 univariate, simulation, 159
 subcontractors, 52
 suppliers, 52
 support vector machines, 261, 357
 linear, 261
 non-linear, 263
 surveys, *see* risk identification techniques
 survival copulas, *see* copulas
 survival models, 253
 SWOT analysis, *see* risk identification tools
 systemic risk
 definition, 107
 definition, common market positions, 108
 definition, exposure to a common counter-party, 109
 definition, feedback risk, 108
 definition, financial infrastructure, 108
 definition, liquidity risk, 108
 responses to, 457
 systemic risks
 quantifying, 374
 quantifying, contagion risks, 375
 quantifying, feedback risks, 374
t-copula, *see* Student's *t*-copula
t-distribution, *see* Student's *t*-distribution
t-test, 159
 tail conditional expectation, *see* tail VaR
 tail correlation, 144
 tail dependence, 209
 coefficient of, 209
 tail VaR, 412
 TAS, *see* Technical Actuarial Standard
 tax-free cash lump sum, 18, 28, 76
 taxation, 28
 corporate, 28
 Technical Actuarial Standard, 90
 technology risk, *see* operational risks
 Tepper-Black tax arbitrage, 33
 three lines of defence model, *see* risk management models
 time series modelling, 294
 deterministic, 294
 deterministic, scenario analysis, 294
 deterministic, sensitivity analysis, 294
 stochastic, 295
 stochastic, bootstrapping, 295
 stochastic, cascade models, 297
 stochastic, data-based approaches, 296
 stochastic, factor-based approaches, 296
 stochastic, forward-looking approaches, 296
 time series processes, 298
 ARIMA, 307
 ARIMA, fitting, 307
 ARIMA, prediction, 310
 ARMA, 307
 autoregressive, 302

Index

fixed values, 300
 integrated, 305
 inter-temporal links, 302
 moving average, 305
 seasonality, 310
 stationarity, 299
 structural breaks, 311
 trends, 300
 white noise, 299
 time-until-default models, *see* credit portfolio models
 total loss ratio method, 387
 TPR, *see* Pensions Regulator, The
 trade creditors, *see* creditors
 trade unions, 35, 55, 86
 Treasury Board of Canada Framework for the Management of Risk, 516
 Treasury Board of Canada Guide to Integrated Risk Management, 516
 Treasury Board of Canada Integrated Risk Management Framework, 514
 triangular distribution, 177
 Trustee Investment Act 2000, 83
 trustees, 33, 83
 pension scheme, *see* pension schemes
 Turnbull Report, 81
 UITF, *see* Urgent Issues Task Force
 UK Corporate Governance Code, 78, 81, 82
 uncertainty, 264
 Knightian, 266
 model, 265
 parameter, 265
 stochastic, 264
 underwriting, 401, 452
 underwriting cycle, 66, 112
 underwriting risk, *see* non-life insurance risk
 underwriting risk oversight, *see* Prudential Regulation Authority
 uniform distribution, 177
 unions, *see* trade unions
 unit-linked policy, 16
 univariate distributions, *see* statistical distributions
 univariate normal distribution, *see* normal distribution
 unquantifiable risks, *see* risk nature, 415
 unrelated directors, *see* independent directors
 upside risk, *see* risk
 Urgent Issues Task Force, 89
 utility function, 398
 exponential, 399
 power, 399
 quadratic, 399
 Value at Risk, 406
 empirical approach, 406
 parametric approach, 408
 stochastic approach, 410
 variance, 135
 population, 136
 sample, 136

Vasicek model, 343
volume of business, 451
Wald distribution, 165, 175
 aggregation, 165
Weibull distribution, 170
white noise processes, *see* time series processes
with-profits actuary, *see* Prudential Regulation
 Authority
with-profits policy, 15, 16, 25
with-profits policyholders, 49
working groups, *see* risk identification techniques
WorldCom, 74, 77, 82, 86
XSE, 75
Z-score, *see* Altman’s Z-score
zone of ignorance, 257, 356
zone of uncertainty, *see* zone of ignorance