

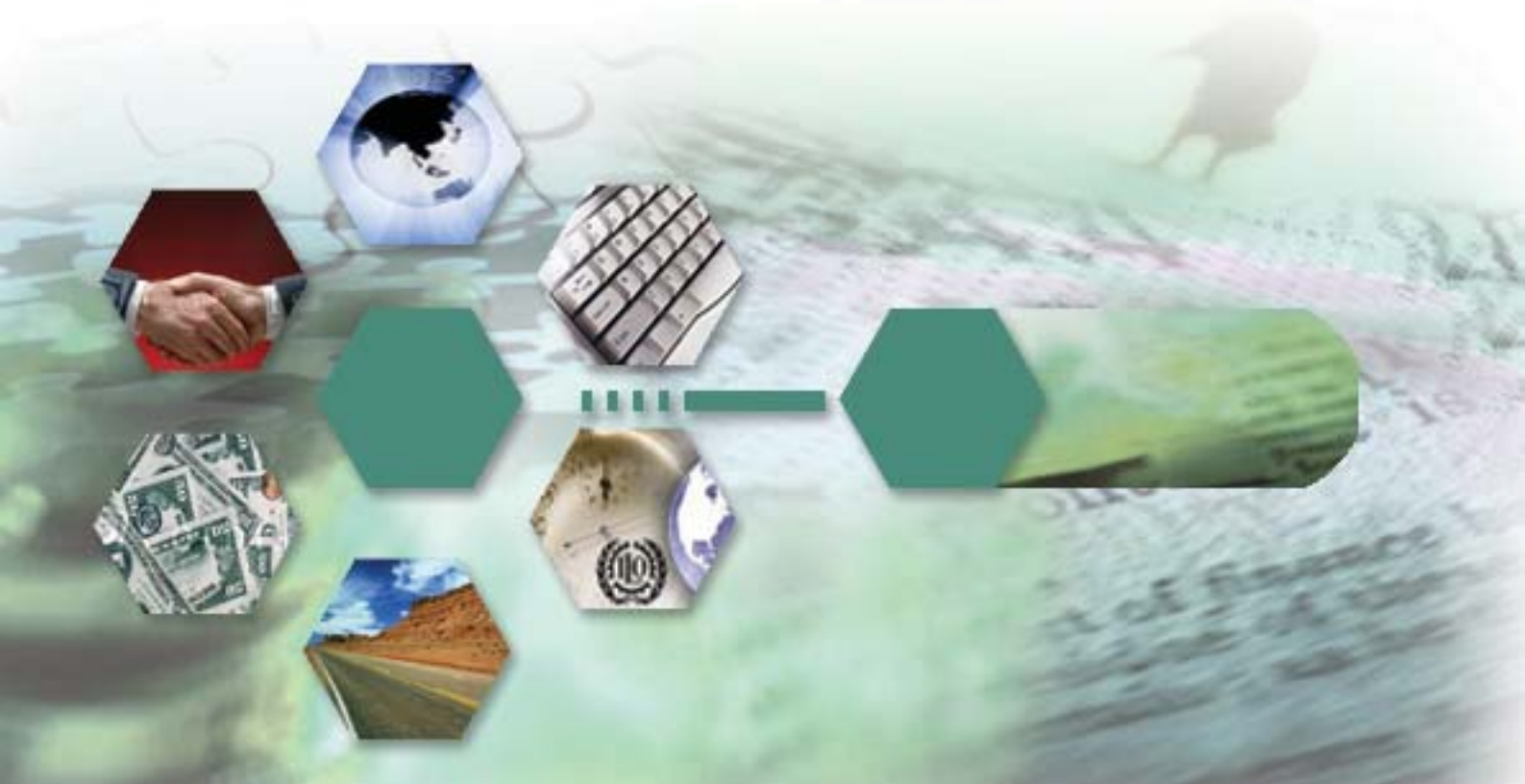
e-learning and reference solutions for the global finance professional

Asset Liability Management for Insurance Companies

A comprehensive e-learning product covering Global Best Practices,
Strategic, Operational and Analytical aspects

After completing this course, you will be able to:

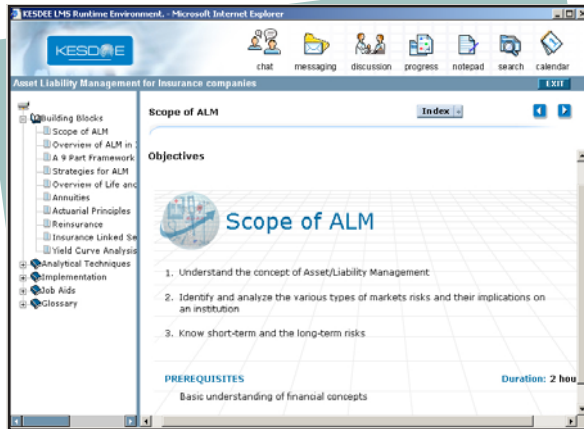
- Benchmark your institution by examining ALM success factors
- Understand key performance indicators for ALM and Risk Management
- Gain practical insights into how leading institutions are utilizing ALM for value creation
- Examine how cash flows and risks of insurance products affect ALM
- Discuss the global best practices in ALM followed by insurance companies worldwide
- Examine how to provide optimal oversight of the Risk Management function
- Study how to enhance the effectiveness of ALM Committees



ASSET LIABILITY MANAGEMENT FOR INSURANCE COMPANIES

Overview

The program has been designed to discuss concepts and case studies on Asset Liability Management for the insurance industry. The course discusses and reviews ALM concepts such as cash flows and risks of insurance products (assets and liabilities), applicable regulatory and capital guidelines, actual case studies and current trends and developments. The course has been designed to be conceptually sound and practical.



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Course Level & Number of Courses

Intermediate & Advanced Level

Library of 29 Courses

Instructional Method

Dynamic, Interactive e-learning

Recommended Background

Familiarity with basic financial concepts

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Time taken to complete each Course: Two - Three hours

1. Scope of ALM

- Objectives
- Introduction
- Interest Rate Risk
- Foreign Exchange Risk
- Commodity Risk
- Stock Market Risk
- Liquidity Risk
- Credit Risk
- Short-term Vs. Long-term

2. Overview of ALM in Insurance Companies

- Objective
- Introduction
- Applications
- Benefits and Limitations
- Types of Risks
- Managing Risks

3. A 9 part Framework of ALM

- Objectives
- Introduction
- Strategic Framework
- Organizational Framework
- Operational Framework
- Analytical Framework
- Technology Framework
- Information Reporting Framework
- Performance Measurement Framework
- Regulatory Compliance Framework
- Control Framework

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4. Strategies for ALM

- Objectives
- Introduction
- On Vs. Off Balance Sheet Strategy

5. Overview of Life and Property and Casualty Industry

- Objectives
- Introduction
- Players
- Life Insurance Products
- Property and Casualty Insurance Products
- Global Landscape and Future Trends

6. Annuities

- Objectives
- Introduction to Annuities
- Annuity Characteristics
- Types of Annuities
- Annuity Calculations
- Equity Indexed Annuities (EIA)
- Indexing Methodologies of EIA

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7. Actuarial Principles

- Objectives
- Introduction
- Statistical Framework
- Economic and Behavioral Framework
- Actuarial Modeling Principles
- Principles Underlying Financial Security Systems

8. Reinsurance

- Objectives
- Introduction
- Types and Methods of Reinsurance I
- Types and Methods of Reinsurance II
- Alternative Risk Transfer
- Functions of Reinsurance

9. Insurance- linked Securitization

- Objectives
- Introduction to Insurance-linked Securitization
- Instruments for Insurance-linked Securitization
- Insurance Risk Structures
- Analyzing Insurance- linked Securitization

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10. Yield Curve Analysis

- Objectives
- Introduction to Yield Curve Analysis
- Types of Yield Curves
- Analyzing Yield Curve
- Bond Arbitrage Strategies
- Application of Yield Curve

11. Interest Rate Gap I

- Objectives
- Introduction to Gap
- Gap Report
- Considerations in Slotting of Different Items

12. Interest Rate Gap II

- Objectives
- Income Impact
- Gap Limits
- Restructuring Strategies
- Strengths and Limitations

13. Simulation and Scenario Analysis –I

- Objectives
- Introduction to Simulation
- Measuring Risk Positions
- Scenarios and Results
- Simulation Modeling
- Backtesting

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14. Simulation and Scenario Analysis –II

- Objectives
- Business Strategies
- Monte Carlo Simulation
- Software Packages
- Simulation in Insurance
- Dynamic Financial Analysis
- Case Study
- Strengths and Limitations

15 . Duration I

- Objectives
- Introduction
- Duration Vs. Yield
- Duration Vs. Maturity
- Duration Vs. Coupon

16. Duration II

- Objectives
- Duration of a Perpetual Bond
- Duration of a Bond with Embedded Options
- Duration of Portfolio
- Duration of Off-Balance Sheet Items
- Approximation in Duration
- Gap Vs. Duration
- Payment Frequency
- Strategies for Risk Management

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17. Duration III

- Objectives
- Duration of Equity and Leverages
- Examples
- Duration of Complex Items
- Leveraged Inverse Floaters
- Zero Coupon Yield Curve
- Comparison

18. Convexity

- Objectives
- Introduction
- Definition of Convexity
- Convexity Calculation
- Convexity and Yield
- Convexity, Maturity, Coupon and Price Change
- Convexity of a Portfolio
- Positive and Negative Convexity

19. Basis Point Value

- Objectives
- Introduction
- Calculation of Basis Point Value for On-Balance Sheet Items
- Calculation of Basis Point Value for Off-Balance Sheet Items
- Basis Point Value of a Portfolio

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20. Value at Risk – I

- Objectives
- Introduction
- Measures of Risk Exposure
- Computation of VaR
- Strengths and Limitations of VaR

21. Value at Risk – II

- Objectives
- VaR for Foreign Currency Spot and Options
- VaR for Foreign Exchange Forward
- VaR for Common Shares
- VaR for Fixed Income Securities
- VaR of a Portfolio
- Applications of VaR

22. Application of Analytical Techniques

- Objectives
- Introduction
- Concepts and Assumptions
- Applications
- Practices

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23. AL Organization

- Objectives
- Introduction
- Composition of ALCO
- Scope of ALCO
- Properties

24. ALCO Meetings

- Objectives
- Introduction
- ALCO Meetings
- ALCO Data Requirements

25. ALM Policies and Procedures

- Objectives
- Introduction
- Policy Statement
- Procedure Manual
- ALCO Reports

26. Audit of ALM

- Objectives
- Introduction
- Overall Approach
- Audit

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27. Regulations in Insurance Industry

- Objectives
- Introduction to Insurance Regulation
- Regulatory Measures
- Capital Regulation
- Future Advances

28. Software Applications

- Objectives
- Introduction
- Prophet
- AVE
- Solcorp/Ingenium
- GGY and AXIS
- The Yield Book Inc
- PTS Solution
- Tillinghast/Moses

29. Case Study – Confederation Life Insurance

- Introduction
- Lessons to be Learnt

ASSET LIABILITY MANAGEMENT FOR INSURANCE COMPANIES

JOB AIDS

- Measurement Tools
- Disclosures
- Regulations
- Global Best Practices
- Policy Templates
- Crossword

Calculators in Asset Liability Management for Insurance Companies

1. Confidence Level for a given Standard Deviation
2. Standard Deviation for a given Confidence Level
3. Duration
4. Duration of a Portfolio
5. Duration using Zero Coupon Yield Curve
6. Duration of Amortizing Assets
7. Duration of uneven cash flows
8. Duration of Equity
9. Convexity
10. Convexity of uneven cash flow
11. BPV of a Bond
12. BPV of a Forward Rate Agreement (FRA)
13. BPV of a Portfolio
14. BPV of a Coupon Paying Bond
15. Value at Risk - Variance Covariance Method
16. Value at Risk for Different Weights
17. Gap Income Impact
18. Forward Rate Calculator
19. Zero Coupon Yield Calculator
20. VaR for required period and confidence level

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