

15th CILA

Hotel Sea Princess
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Economic Scenario Generators – Introduction by Co-Author/Mentor

Krithika Verma /Heerak Basu



Motivation for the Study



- Opportunity to study an essential and highly relevant topic for the life insurance industry
 - With the adoption of IEV as the market standard in India understanding risk – neutral ESG's has become more important.
- Helps continue the learning post qualification by way of a structured and objective-driven project
 - Having a deliverable focuses the mind and enhances one's understanding – otherwise there may be a tendency to keep deferring this.
- Challenges oneself to look at the Indian industry vis-à-vis other markets and learn from best practices
- Enables one to contribute constructively to the profession
- Facilitates interaction with fellow members in the fraternity and enables interaction with a senior actuary who mentors the team and helps achieve the project vision
 - Learnt from my interactions with my co-author (Anuj) and mentor (Heerak)

Experiences – lessons learnt (1/2)



- The project gave the exposure and flexibility in line with our motivation to join the program
 - Working in the treasury risk management team and working on internal solvency models in Netherlands, gave me an exposure to ESGs in developed markets and motivated me to apply for the project. IAI's project enhanced our understanding of ESGs and helped in appreciating the challenges in modelling ESGs for Indian insurers.
- While the topic was 'Validating ESGs', the learning focused on ESGs itself thereby understanding the control measures that can be used to validate the simulated outcomes
- Enhanced the learning of the topic by way of documenting the learnings and findings and demonstrating them by way of examples.
 - Carrying out a martingale test for the 2F HW model aided our learning.
 - Also the technical appendix reinforced our understanding of the wide variety of interest rate models available.

Experiences – lessons learnt (2/2)



- Pushed the team to dedicate time despite the pressures in the regular job
- Benefitted from a supportive mentor – received technical support and time extensions when we were pressed for time
- Co-ordination and catch ups were difficult given we were in different continents and different time zones
- The experience was invaluable and the benefit of retrospection has brought into light areas we can improve for the future
 - Adequate allowance for regular work and its contingencies
 - Schedule regular calls/catch-ups to share progress updates and hiccups
 - Meet regularly with the mentor to align expectations and get clarity on the vision
 - Dedicate time to the project as strictly as one would for exams!

Volunteers - profiles



➤ **Krithika Verma**

A fellow member of IAI with 9+ years of life insurance experience. After working for 6 years in Aegon Life Insurance company in various valuation roles including statutory and market consistent valuation, reinsurance and business planning, she moved to Aegon Group in Netherlands where she worked for 2 years in treasury risk management and is currently focusing on internal model solvency capital requirement for Aegon Group.

➤ **Anuj Budhia**

A fellow member of IAI with 9+ years of experience in life insurance and investments. He is currently working with HDFC Life where he is primarily responsible for development of ALM strategies. Before moving to HDFC Life, he has worked with a hedge fund for 4 years on quantitative equity trading strategies. Prior to that he was employed with ICICI Prudential for a brief period of around a year.