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Dynamic Financial Analysis (DFA) and Portfolio Management at Recent Stress Scenario

- *CHITRO MAJUMDAR* *

Abstract: Current observations we can see source of uncorrelated returns (independent of financial markets). The strategic inclusion in a portfolio - could lower the portfolio's volatility, dampen its risk profile and our approaches towards an utilization of excess Capital for larger Profitability and Risk Reduction via: 1. *Stabilized Risk-Asset allocation:* DFA allows you to *assess* current health of Risks (liabilities) as well as Assets. Marginally and jointly the entire portfolio should be analyzed and have stabilized volatility (with respect to *Line of Business, geography, and deal variations*). So, ideally, a new entrant should be from a field, which is independent of the current set of insurance basket. 2. *Incremental Profit-Risk evaluation:* Lets you assess if new deal is suitable or not in view of incremental expected profits Vs. Incremental Risks. Also it lets user find 'Gaps" that can be filled to make overall portfolio better. Even a deal which appears to be lucrative initially gives rise to volatility to the overall portfolio is practically a bad choice as a new contract. 3. *Cautious Steps for Recession prone Market:* Given the market turmoil – where risk assessment has been in question (independence of different entities that gets used to increase diversity and decrease variance / risk). We allow user to modify those assumption as well as allow user to make changes. Sub-Prime bought zero-beta firmly into focus. Now considering the current market situation, where recession is rampant all over the world, surviving should be the prime objective. We suggest methods like trend fitting and exponential smoothing for price forecasting and GARCH/ FIGARCH techniques are also used. The findings suggest it would be wise idea to invest as it may give 3%-12% half yearly return.

* chitromajumdar@gmail.com ; Acknowledgement: Michael Smith