Risk Management
2014 *EABH* Annual Conference

—Call for Papers—

jointly organised by
Swiss Re
and
The European Association for Banking and Financial History (EABH) e.V

13 June 2014

Zurich, Switzerland

The term 'risk' has experienced inflationary use over the last years, resulting in a multitude of linguistic combinations. While everyday notions of risk are closely associated with danger and uncertainty, financial services, banking and insurance take what they see as a more pragmatic approach to risk definitions, associating the term mainly with deviations from the expected. Such attempts aim at separating economic risk from uncertainty (Knight 1921) and at making risks insurable. They imply that risk can be quantified or measured and thus managed. Risk management in financial services is, however, a relatively new concept.

The **2014 *EABH* conference** would like to investigate how today's corporate risk management approaches came about. Banking and insurance have both developed individual ways of dealing with risk which, to some degree, show signs of parallel evolution. A distinct feature of modern finance since Markowitz (1952) is the use of mathematics to analyse risk. The same is true for non-life insurance which only developed actuarial methods after WWII, drawing to some degree on the much older life actuarial methods. Besides actuarial methods, both insurance and modern finance have applied portfolio selection or diversification as a guiding principle. Both industries were exposed to major challenges after the demise of the Bretton Woods System and had to develop instruments to hedge against inflation and fluctuating interest rates. Capital markets developed options and futures and, later, swaps. Reinsurance futures were suggested for the insurance industry (Goshay & Sandor 1973). These products were slow to develop. In the wake of the 1987 equity market crash they became more popular and the capital markets (and later insurance) started applying Sharpe's CAPM and the Black-Scholes model more widely to tackle increasingly mathematical problems. JP Morgan finally developed the 'Value-at-Risk' (VaR) concept to take into account what later was called 'Black Swans', a concept which had been known and applied in insurance for much longer. The Basle Committee then adopted the VaR approach to set minimum capital requirements for banks. Enterprise-wide risk management gradually developed in conjunction with regulatory requirements to include operational and other risks.

We welcome papers from financial and business historians, but also from historians of social sciences, especially actuarial historians. Papers should cover aspects of the emergence of modern risk management in insurane and banking from the 1950s until today. Special focus can be put, respectively, on:

- the role of actuaries, regulators and practitioners;
- the emergence of program trading and the impact of computerisation;
- comparative studies of modern risk management in insurance and banking;
- normative and positivist financial theories and their impact on risk behaviour;
- the convergence of underwriting risk and capital management in insurance and simulations such as Dynamic Financial Analysis (DFA);
- insufficiencies in modelling techniques.

Paper proposals (not exceeding one page) and a recent CV should be sent until **1 September 2013** to: info@bankinghistory.de

Project outline by

- Hugo Bänziger (*Eurex*)
- Niels Viggo Haueter (*Swiss Re*)
- Roger Nougaret (*BNP Paribas*)
- Ezra Suleiman (*Princeton University*)
- Tobias Straumann(*University of Zurich*)