

Bowles Symposium 2016: Systemic Risk

Time: November 3, 2016 (Thursday)

Place: Manner's Room (7th floor), Robinson College of Business at Georgia State University

Schedule:

08 : 00am – 09 : 00am :	Breakfast in Manner's seminar room (7th floor)
09 : 00am – 10 : 30am :	Dr. Mary Weiss (mweiss@temple.edu) Temple University Chaired by Dr. Martin Grace
10 : 30am – 12 : 00am :	Dr. Stefan Weber (weber@leibniz-lab.de) Leibniz Universität Hanover Chaired by Dr. Enrico Biffis
12 : 10am – 13 : 30pm :	Lunch (7th floor)
13 : 40pm – 15 : 10pm :	Dr. Scott Harrington (harring@wharton.upenn.edu) University of Pennsylvania Chaired by Dr. George Zanjani
15 : 10pm – 16 : 40pm :	Dr. Xin Huang (xin.huang@frb.gov) Board of Governors of the Federal Reserve System Chaired by Dr. Liang Peng
18 : 30pm – 21 : 00pm :	Dinner at Ellis Hotel Speech by Dr. Conrad Ciccotello

Talks:

- *Speaker:* Dr. Mary Weiss, Temple University

Title: The Reinsurance Network Among U.S. Property-Casualty Insurers: Microstructure, Insolvency Risk, and Contagion

Abstract: Reinsurance is the primary source of interconnectedness in the insurance industry. As such, reinsurance connectivity provides a transmission mechanism for financial shocks and exposes insurers to contagion and potential systemic risk. In this paper, connectivity within the U.S. property-casualty (P/C) reinsurance market is modeled as a network. We extend the prior insurance network literature by modeling the network of all insurers in the market (primary insurers and reinsurers) not just primary insurers. We analyze all bilateral reinsurance counterparty relationships (domestic and foreign) of U.S. P/C insurers, and we model both intra and inter-group transactions. Our analysis of contagion and insolvency risk reveals that even the failure of the top 10 in-degree or in-strength reinsurers with 100 percent loss given default would not lead to widespread insolvencies in the U.S. P/C insurance industry.

- *Speaker:* Dr. Stefan Weber, Leibniz Universität Hanover

Title: Models and Measures of Systemic Risk

Abstract: Systemic risk refers to the risk that a financial system is susceptible to failures due to the characteristics of the system itself. The tremendous cost of this type of risk requires the design and

implementation of tools for the efficient macroprudential regulation of financial institutions. The first part of the talk presents a comprehensive model of a financial system that integrates network effects, bankruptcy costs, cross-holdings, and fire sales. The second part discusses a novel approach to measuring systemic risk. The talk is based on joint work with Kerstin Awiszus, Zachary G. Feinstein and Birgit Rudloff.

- *Speaker:* Dr. Scott Harrington, University of Pennsylvania

Title: Systemic Risk and Regulation: The Misguided Case of Insurance SIFIs

Abstract: This paper provides an overview of research and debate over whether insurance poses systemic risk, with a focus on U.S. life insurance. It considers the Financial Stability Oversight Council (FSOC) process for designating nonbank financial institutions as systemically important and subject to enhanced supervision by the Federal Reserve under Section 113 of the Dodd-Frank Act, the FSOC's rationales for designating AIG, Prudential, and MetLife, and MetLife's challenge. The paper highlights the adverse consequences of designating individual insurance entities for enhanced supervision, which favor an alternative activities-based approach to addressing potential systemic risk. The principal conclusions are: (1) there is no compelling evidence that any life insurer poses a threat to the financial stability of the United States, (2) the Section 113 and FSOC regime of designating individual insurance organizations as subject to enhanced supervision is flawed in concept and execution, and (3) it would be preferable to move towards an activities-based approach to systemic risk monitoring and supervision.

- *Speaker:* Dr. Xin Huang, Board of Governors of the Federal Reserve System

Title: Macroeconomic News Announcements, Systemic Risk, Financial Market Volatility and Jumps

Abstract: We study financial market volatility and jump responses to macroeconomic news announcements, incorporating the effect of financial systemic risk for the recent global financial crisis. Using high-frequency data, we find that there are more jumps on news days than on no-news days, with the bond market being more responsive than the equity market, and nonfarm payroll employment (NFPAY) being the most influential news. Uncertainty about news has stronger impact than disagreement. Equity market jumps and bond market volatility respond to NFPAY surprise, disagreement, and their interactions with financial systemic risk. The zero-lower-bound policy constrains bond market responses. Financial systemic risk reduces bond market jump occurrences.

Participants: Dr. Enrico Biffis (GSU), Dr. Yichen Cheng (GSU), Dr. Conrad Ciccotello (GSU), Dr. Sam Cox (GSU), Dr. David Cummins (Temple University), Dr. Martin Grace (GSU), Dr. Scott Harrington (University of Pennsylvania), Dr. Glenn Harrison (GSU), Dr. Xin Huang (Board of Governors of the Federal Reserve System), Dr. Robert Klein (GSU), Dr. Liang Peng (GSU), Dr. Jeff Qin (GSU), Dr. Stefan Weber (Leibniz Universität Hanover), Dr. Mary Weiss (Temple University), Dr. Ramsi Woodcock (GSU), Dr. Yusen Xia (GSU), Dr. George Zanjani (GSU), Dr. Yichuan Zhao (GSU), Ling Chen (GSU), Joseph Engelhard (Metlife),

Qiheng Guo (GSU), Haitao Huang (GSU), Bing Liu (GSU), Qianlong Liu (GSU), Boheng Su (GSU), Isariya Suttakulpiboon (GSU), Xing Wang (GSU).

Location: The workshop will be held in the Manner's Room, which is located on the 7th floor of the J. Mack Robinson College of Business at Georgia State University. The physical address is 35 Broad Street NW, 7th Floor, Atlanta, GA 30303. Please use the street level entrance on Broad Street.

Directions: i) MARTA Subway: 35 Broad Street is located 1 block northwest of the Five Points Marta Rail Station in Downtown Atlanta; the station is located at the intersection of all metro lines. One-way Rail Ride costs \$2.50, and multiple-day passes are also available for purchase. Tickets can be easily purchased from vending machines at all MARTA stations. This is by far the easiest method, and is on a direct line to Atlanta International Airport.

ii) Driving: From Interstate 75/85 (the connector) going NORTH take exit 248B for Edgewood Ave toward Auburn Ave / J W Dobbs Ave. Turn left at Edgewood Ave SE and proceed 0.6 miles. Turn left onto Park Pl. SE / Pryor St. SE. At the FIRST cross street, turn right onto Decatur St. SE. Continue onto Marietta St. NW. The next intersection is Broad St. and is where our facility is located. There is no street parking available nearby; however, there are pay lots and garages nearby. Costs range from \$5 to \$10 depending on the lot/garage used.

From Interstate 75/85 (the connector) going SOUTH take exit 248D for J W Dobbs Ave toward Jesse Hill Dr. Use the right lane to keep right at the fork and stay on Exit 248D. Turn right onto John Wesley Dobbs Ave NE, and proceed for 0.2 miles. Turn left onto Courtland St. NE, and continue for 0.2 miles. Turn right onto Edgewood Ave SE and proceed 0.3 miles. Turn left onto Park Pl. SE / Pryor St. SE. At the FIRST cross street, turn right onto Decatur St. SE. Continue onto Marietta St. NW. The next intersection is Broad St. and where our facility is located. There is no street parking available nearby; however, there are pay lots and garages nearby. Costs range from \$5 to \$10 depending on the lot/garage used.

Parking (one option): There is covered, pay for parking at Lanier Public Parking lot located at 150 Carnegie Way; Atlanta, GA 30303. The lot is about 5 blocks away from the workshop site at 35 Broad Street.

Lodging: The Ellis Hotel is walking distance to workshop. The Ellis's information: 176 Peachtree Street Northwest, Atlanta, GA 30303; Phone: (404) 523-5155; Website: www.ellishotel.com