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https://www.100test.com/kao_ti2020/84/2021_2022_SOA_E7_9C_9F_E9_A2_98C_c50_84126.htm COURSE 8: Fall 2005 - 1 - GO TO NEXT PAGE Finance and Enterprise Risk Management. Core Segment Morning Session **BEGINNING OF EXAMINATION** FINANCE AND ENTERPRISE RISK MANAGEMENT. CORE SEGMENT MORNING SESSION Questions 1-2 pertain to the Case Study. Each question should be answered independently. 1. (13 points) Kelly Ratings recently completed their review of Zoolander and sent you the results, which recommend a downgrade in the rating. Tomas Lyon has asked you to provide a report about this situation. You have gathered the following information as of December 31, 2004: Term net amount at risk is $3,000 million. Whole Life net amount at risk is $1,500 million. The general account annuity business is 100% GICs. Prepare a report that addresses the following points. (a) (2 points) Describe the roles of rating agencies and how they serve the securities markets and the public. (b) (1 point) Describe how rating agencies develop and use liquidity ratios in assessing a firm ’ s financial strength. (c) (4 points) Calculate Zoolander ’ s capital adequacy ratio as of December 31, 2004, based on Kelly ’ s rating methodology. (d) (4 points) Describe aspects of Kelly ’ s ratings process and models that could be considered inferior to those used by Standard &. Poors, Moody ’ s and Fitch Ratings. (e) (2 points) List the requirements to become a nationally recognized statistical ratings organization, as defined in the

SEC ’ s proposed rule, and determine whether Kelly meets those requirements. COURSE 8: Fall 2005 - 2 - GO TO NEXT PAGE Finance and Enterprise Risk Management. Core Segment Morning Session Questions 1 - 2 pertain to the Case Study. Each question should be answered independently. 2. (10 points) Tomas Lyon, Zoolander ’ s CEO, has asked to speak with you about two concerns: liquidity risk and credit risk. (a) (2 points) Describe the forms of liquidity risk faced by insurance companies and the importance of maintaining adequate liquidity. (b) (1 point) Comment on Zoolander ’ s current liquidity position. (c) (4 points) Lyon is concerned with a 0drop in the quality of the bond portfolio. He asks you to build a model to quantify the potential exposure over the next year due to credit risk. Lyon wants an expectation as well as a “ worst case scenario ” based on a confidence interval of 99%. You have recently become familiar with the CreditMetrics approach to modeling credit risk. Outline a plan to develop a model for Zoolander, including the major calculations and assumptions needed. (d) (3 points) Lyon wants to consider securitization as a means of reducing credit and liquidity risks and as a management tool. Explain the advantages to Zoolander of securitizing: i. Private Placement Bonds ii. A Closed Block of Insurance Liabilities COURSE 8: Fall 2005 - 3 - GO TO NEXT PAGE Finance and Enterprise Risk Management. Core Segment Morning Session 3. (12 points) Your company, New West Life, has been seeking expansion into the Asian market. New West ’ s CEO has negotiated a joint venture opportunity with a Chinese firm, Orient Life. The joint

venture will sell investment products to the expanding Chinese middle class. Each of the two partners will have 50% ownership of the venture. New West will invest $600 million, and Orient Life will invest $400 million. Neither partner will be able to exit the venture during the first five years. In addition, New West will have the option, at the end of five years, to buy Orient Life ' s share of the partnership, for $550 million. You have assessed that the joint venture has a 50% probability of increasing in value to $2,150 million at the end of five years and a 50% probability of decreasing in value to $600 million at the end of five years. There are no interim cash flows expected in the five year period. You are given the following data: New West Life weighted average cost of capital (WACC): k = 10% New West Life fe Beta: β NW = 1.2 Joint Venture Beta: β JV = 0.8 Market Return: rm = 9% Risk-free Rate: rf = 4% The CEO of New West has asked you to review the joint venture opportunity. (a) Determine the appropriate risk-adjusted discount rate to use to assess this opportunity. (b) Assess the opportunity using a net present value (NPV) approach. (c) Re-evaluate the joint venture using a contingent claims analysis (CCA) approach. (d) Explain to the CEO why the NPV and CCA results are different. (e) Recommend to the CEO whether or not New West should pursue this opportunity. Justify your response. COURSE 8: Fall 2005 - 4 - GO TO NEXT PAGE Finance and Enterprise Risk Management. Core Segment Morning Session 100Test 下载频道开通，各类考试题目直接下载。详细请访问 www.100test.com