

1096-00-2762

Eoin J Elliffe* (eoin.elliffe@lfg.com). *Risk management of volatility controlled variable annuity contracts.*

Traditionally there has been little activity in the reinsurance market for the multiple trillion dollar variable annuity, VA, industry. The academic literature explains that the risks in VA contracts have been under-priced and therefore leave little room for prudent risk management practices. With the introduction volatility controlled funds we show that this is no longer the case. Specifically we show that a dramatic reduction in hedge cost can be achieved with the appropriate volatility control mechanisms applied to both asset allocation and pure equity funds. (Received September 18, 2013)