

December 2011

By Max J. Rudolph, FSA CFA CERA MAAA

Tweets in 2011

My twitter “handle” is maxrudolph (pretty original!). I am still learning how I want to use twitter, but you won’t find out what I had for breakfast. I think of it as a place where I keep track of ideas for the newsletters, and I also use it to let you know when I have been quoted by the media. Here are my tweets.



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With hackers proliferating, is it now safer to remember passwords using post-it notes? It's a tried and true approach!

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Another failed attempt to merge banking and insurance. Met Life gives up on banking operation, selling to GE Capital.

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The FSOC should be looking at large foundations as #systemicrisk candidates. Think of the unintended consequences from health "solutions".

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Will a tax hike in March (Social Security) wait until after the Nov election to slow economy? Politicians think so! Clear case of #CYA!

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ACLI is in a tough spot. FSOC looks backwards but next systemic risk will be something new. Egg on face is almost guaranteed. #transparency

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Listening to the new Daniel Kahneman book - the psychologists have nothing on the marketing guys regarding persuasion without us knowing it!

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Financial institutions should consider negative diversification benefits in the tail, with higher economic capital than adding the silos.

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US insurance reg #ORSA excludes small firms based on prem. Watch unintended consequences like sale of closed block deferred annuities.

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Local school bond issue failed via mail-in vote. According to Daniel Kahneman's new book, school based polling stations encourage yes votes.

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The Occupy Wall Street groups would get the politicians notice much quicker if they called their encampments Hoovervilles.

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I was a late add to next week's ERM Global Webinar - Emerging Risks session. The advance slides are impressive!

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Watch for US subs of European financial services firms to look for ways to bring money home by selling entire book or dividending cash.

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Stress tests should include an inflationary spike. Beware the risks that seem small.

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Why does #wsj allow Phil Gramm to author an Op-Ed? His family's role in the crisis deserves an exposé!

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Rating agencies have so little credibility they are ignored even when rating is dropped. What if they are right?

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Nebraska CFA club brought in economist from Raymond James today. Interesting talk but a tad optimistic in my view.

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New experience - coupon said \$3 off for \$15 purchase but had to buy enough to pay for the tax too! Love those checkout M&Ms :)

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SOActuaries SOA

Margin Call risks overshadowing reality <http://bit.ly/tCHwLa> - on the SOA blog #margincall

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Retweeted by @maxrudolph

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Back home from Winnipeg. What a great actuarial program. Their students will go far. Thanks for the hospitality University of Manitoba!

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Looking forward to speaking with Univ of Manitoba students tomorrow. Enjoyed dinner with some of their leadership this evening. #actuary

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Will negotiated pension benefits drive American cities back to volunteer fire departments?

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MF Global shows how politicians block regulators trying to do their job. Now we'll see them blame the regulators. They are quite consistent.

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Nice surprise - ordered study material for UK CERA exam (ST-9) and got them within a week. #ERM

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Report says NAIC has capital losses on assets counted on for budget. Huh? Stocks backing daily activities? Do they need a financial planner?

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Style of Michael Lewis' new Boomerang book reminds me of a Bill Bryson travelogue. I'm listening to it this week.

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Great working with Dave Ingram on piece for Reuters - Mitigating “Margin Call” risks | Financial Regulatory Forum <http://blogs.reuters.com/financial-regulatory-forum/2011/10/26/mitigating-margin-call-risks/>

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Enjoyed presenting at Nebraska Actuaries Club yesterday with Marc Tourville of Cardinal. Topic - How Insurers Invested during the Crisis.

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#SOAAnnual awards given to deserving volunteers - great addition to the program!

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Lots of requests to talk about #ERM lately. Session today at #SOAAnnual with upcoming talks in Omaha and Univ of Manitoba. Should be fun!

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Suggestion: add a penny per share transaction tax to all trades. Arbitrage greater than that still adds value. 7.5 billion shares daily.

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Share your ERM implementation war stories at #SOAAnnual session 31 Monday in Chicago. Workshop format. All company sizes welcome!

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Even I use an Apple iPhone now. Jobs' vision will be missed. Should be interesting to see the impact on AAPL 378 tonight.

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Should we be worried about the concentration of consulting firms? More consolidation announced this week. Getting value for your money?

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Last year's emerging risks survey is written up in this recent article. <http://lnkd.in/38EufY>

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The 5th annual survey of emerging risks is open until October 24. Looking for risk managers to share how they manage t...<http://lnkd.in/TWwZvA>

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1935 SocSec 65 was 4 years over expected lifetime - why not reform so non-poor don't get benefits until 4 years over today's exp life (85)?

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Insurer systemic risk - common trait like interest rate guarantees in a perpetual low rate environment. Why focus on individual companies?

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Berkshire Hathaway buyback would have added more value to shareholders if announcement of Weschler hire as asset manager had come later.

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Saw Moneyball yesterday - great reminder that buying value works in lots of places and arbitrage opportunities don't last long.

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Why is Buffett/secretary tax discussion so hard? Compare cap gains and FICA tax for wealthy against income and FICA tax. FICA cap is key.

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Story idea for Michael Lewis - role of power couple Wendy and Phil Gramm in the financial crisis. Their fingerprints are everywhere!

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Should Eurozone consider return to colonialism? The PIIGS could all become provinces of Germany. Bad idea, but I haven't heard a better one.

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I'll know there is a paradigm shift when investors cash their dividend checks from the sin stocks (e.g., MO PM). They put food on the table.

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Congrats to my friend @tbmanning for her election as SOA president elect. There were great choices this year. She'll do an awesome job!

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Risk appetite metrics should differ for core and satellite business lines. Satellite lines should not put ratings at risk/drive insolvency.

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No wonder it's so hard for individual investors when S&P meets with the big boys and talks about potential US downgrade in advance.

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It appears that Michael Lewis' new book, Boomerang (out Oct 4), is an expanded version of his recent Vanity Fair articles.

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Is anyone concerned about timeline perception? Buffett talks to Obama, few days later has an epiphany in bathtub and invests in shaky BAC.

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Shout out to #actuaries. Don't forget to vote - bylaws, great candidates. 25% have voted so far. Get off your rear and make a difference!

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was quoted in an Institutional Investor story this morning by Steve Rosenbush about the riskiness of banks. <http://lnkd.in/fAbV5a>

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Do we have enough examples yet where extra margins in assumptions result in exorbitant reserves or capital? It doesn't work!

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KC Fed is replacing its governor (Hoenig). Did you know that Bernanke gets to approve the choice? So much for independent thinking!

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Congress needs to make up its mind - do they want rating agencies to be independent or not? You can't have it both ways.

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Fixed income retirees with bonds and CDs maturing have no where to go. Get ready for a wave of Grandmas and Grandpas moving in with you.

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2 years of low rates from the Fed. Lots of unintended consequences. Bubbles forming as we speak.

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posted an article about the poor risk/return relationship in money market funds online.
http://lnkd.in/wtxa_F

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Does anyone know how far apart 2 recessions need to occur before it is not called a double dip?

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Where are money market funds going to get yield if they are exiting European exposures?

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is presenting at the Nexus ERM course next week in New York with Bob Mark and Charles Gilbert. There is still time to register!

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Government spending plans are so much easier to get through with one party in control. Too bad both waited until now to address the issue.

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Shout out to power companies along the Missouri River - floods, heat, balancing safety - doing a great job finding us continuous power!

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Study I would like to see: cost neutral health insurance plan for age 65 male/female given actual lifetime taxes paid for Medicare.

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If QE2 is over why are they purchasing Treasuries that roll over? That's providing the demand to keep rates low.

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Is there enough return for the risk in money market funds? Or is a run on the bank around the corner?

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Many Minnesotans count on tourists for their livelihood. Politicians in their brilliance shut down July 1. Hello! We'll be going elsewhere.

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Do we know who has indirect exposure to European sovereign debt by writing credit default swaps? Where is the transparency we were promised?

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Release of strategic petroleum reserves seems political as gas prices fall and QE2 ends. Coincidence, or a sign of desperation?

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Missouri flooding reminds of Perrow's comment in The Next Catastrophe - only thing we know about levees is that they will eventually fail.

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3 years after AIG imploded and we still don't have transparency - who owns the risk for sovereign debt? We'll find out when Greece defaults.

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was quoted in a Reuters blog following #emerging #risk research. #Unintended consequences abound. http://lnkd.in/S_WUgh

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Putting focus in retirement planning - need to convince children to let you live with them if you don't save. Now that's an incentive!

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was picked up by the Huffington Post with an essay about skepticism.

<http://lnkd.in/k2CFpK>

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is presenting next week at the American Fraternal Alliance meeting. Sharing interesting
info from our insurance investment research project.
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Attended great #CFA seminar today with Richard Hokenson. Demographic trends and
how they impact #financial trends. Lots to think about.
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I was quoted this morning in a USA Today article on the front page of the Money section
about gas prices. Check it out...<http://lnkd.in/gQ7A4r>
20 May Favorite Reply Delete

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Consumers would be better served to plan for \$120 oil. Fear from uncertainty is causing
firms/individuals to freeze. Relax and take a risk.
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Check me out talking about sessions at the Investment Symposium!
<http://lnkd.in/E3Q7yS>
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We don't hear the term Perfect Storm anymore. It has been replaced by the term Black Swans. Negative investment events are now BS. :)

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What happened to all the reports of dissent among Berkshire shareholders? I sure didn't hear anyone ask Buffett to head into the sunset.

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Heard new term today: biflation. Some items have inflation (e.g., food/energy), some have deflation (e.g., houses).

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Informal poll at Investment Seminar showed actuaries are pretty good at getting low mortgage rates. Quite a few below 4% - lowest 3.05% ARM.

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Why talk about the Fed raising rates? The end of QE2 will be a big enough stress to the economy. Long term rates will rise for sure.

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The Berkshire Hathaway meeting is next week. Are any friends planning a trip to Omaha?

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When QE2 ends in June what bullets are left in the holster? The world is very susceptible to an economic event. Rates are sure to increase.

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Nice talk by Eric Dinallo at Inv Sym today. Perspective from the inside was great. Surprised he was not aware of Wendy Gramm's role at CFTC.

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Questions for David Sokol. Do you still own Lubrizol shares? No one has asked this yet. Also, why are you employed for 2 more weeks by BRK?

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will be speaking at the Investment Symposium in NYC next week. I hope to see some of you there!

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Berkshires's insider trading (front running) case is amazing in that David Sokol does not think that he did anything wrong. I don't agree.

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Interesting challenge for Japanese life insurers. Demand will increase after tragedy, but what is long term impact on mortality?

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The 4th Emerging Risks survey has been released. Thanks to all who participated! Media has been quite interested so fa...<http://lnkd.in/bQHipY>

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Why is CalPers arguing about returns that are over 7%? DB plans should be conservative, with 5% the highest I would use.

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Why don't we use drones to protect ships from Somali pirates?

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Japanese earthquake - strong building codes saved millions of lives but aren't perfect. Watching nuclear plant today for possible meltdown.

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ERM Questions for US Insurers from AM Best - my newsletter released on wordpress
<http://wp.me/pevO4-EB>

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Emerging risks research to be released soon. Get an early look at WSJ blog.
<http://preview.tinyurl.com/4n6ksfk>

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Serious discussion about creators of systemic risk should include the US government and mega foundations. Unintended consequences abound.

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Warren Luckner is excited about Nebraska joining all the actuarial programs in the Big 10. Maybe he can teach them how to count to 12! :)

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Thanks to Don Segal for visiting Nebraska this week and sharing his thoughts on the actuarial profession!

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I'm starting to see references to H5N1 in poultry and humans in SE Asia. Keep your eyes open and make sure your plans have been reviewed.

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Interesting white paper from OW about a disaster scenario that blows up the economy.

All should consider impact of uni...<http://lnkd.in/eKke5g>

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Somewhat surprising to me - the Financial Crisis Inquiry Report is quite readable, although almost 700 pages. :) <http://www.fcic.gov/report>

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I posted my 2011 financial predictions at www.rudolphfinancialconsulting.com . Enjoy!

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Life insurer risk would be reduced if they invested some money in dividend paying stocks, but capital requirements would go up.

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The second round of financial essays has been released. I'm pleased to say mine won one of the awards presented! <http://lnkd.in/pYZ47p>

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Recent SOA research talks about ways to make your investments last to age 100. Not listed: save more than your "number"!

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has released publicly all 2010 newsletters and prediction results at my website. 2011 predictions to follow soon! <http://lnkd.in/aamC9->

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Teachers wonder why people blame them for budget shortfalls - years of hearing how poor they are when numbers don't support it doesn't help!

3 Jan

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