

PRICING THE RISKS OF DEPOSIT INSURANCE
A Conference Sponsored by the Federal Deposit Insurance Corporation
and the
Journal of Financial Services Research
September 13, 2002

L. William Seidman Center Auditorium
3501 N. Fairfax Drive
Arlington, VA 22226-3500

8:45 – 9:00

Greetings
Art Murton, FDIC
Haluk Unal, *JFSR* and University of Maryland

9:00 – 10:30

Session I: Invited Address

Session Chair, Dilip Madan, University of Maryland

Pricing FDIC Insurance Using Reduced Form Credit Risk Models
Darrell Duffie, Stanford University and **Robert Jarrow**, Cornell
University

10:30 – 11:00 Coffee Break

11:00 – 12:30 **Session II: Insurance Fund Design**

Session Chair, Fred Carns, FDIC

*Deposit Insurance and Risk Management of the U.S. Banking
System: How Much? How safe? Who Pays?*

Andrew Kuritzkes, Oliver, Wyman & Company, **Til
Schuermann**, Federal Reserve Bank of New York, and **Scott
Weiner**, Oliver, Wyman & Company

Discussant: George Pennacchi, University of Illinois

*Evaluating the Adequacy of the Deposit Insurance Fund: A Credit-
Risk Modeling Approach*

Rosalind Bennett, FDIC

Discussants: Anthony Saunders, New York University

12:30 – 1:45 Lunch

1:45 – 3:15

Session III: Use of Subordinated-Debt Data in Pricing Deposit Insurance

Session Chair: **George Hanc**, FDIC

Getting the Most out of a Mandatory Subordinated Debt Requirement

Rong Fan Case Western Reserve University, **Joseph Haubrich** Federal Reserve Bank of Cleveland, **Peter Ritchken** Case Western Reserve University, and **James Thomson** Federal Reserve Bank of Cleveland

Discussant: Gary Gorton, University of Pennsylvania

Forbearance Expectations and the Subordinated Debt Signal of Bank Insolvency **Gerald Hanweck** George Mason University and **Lewis Spellman** University of Texas, Austin

Discussant: Mark Flannery, University of Florida

3:15 – 3:30 Coffee Break

3:30-5:00

Session IV: Use of Supervisory Data in Pricing Deposit Insurance

Session Chair: **George French**, FDIC

Using Loan Rates to Measure and Regulate Bank Risk: Findings and an Immodest Proposal

Don Morgan, Federal Reserve Bank of New York and **Adam Ashcraft**, Federal Reserve Bank of New York

Discussant: Greg Udell, Indiana University

The Cost of Deposit Insurance for Privately Held Banks: A Market Comparable Approach

Michael Falkenheim, Office of Management and Budget and **George Pennacchi**, University of Illinois

Discussant: Allen Berger, Federal Reserve Board