



SOCIETY OF ACTUARIES

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Letter from the Editors

Robert He and Ben Neff

AS THE INDUSTRY AND THE PROFESSION evolve, so does this newsletter. As the flagship publication of the Joint Risk Management Section, the newsletter needs to have new elements added from time to time. In this issue, the new editorial team tries to bring more risk management articles focused on capital market risks. This thought has the origin in market development in recent years. As insurance companies sell more complex products, their financial results are increasingly impacted by how well companies manage their capital market related risks. Employers respond to the development by deploying more actuaries in ALM and Hedging functions. Today, a large number of actuaries work on capital market related issues. We hope to provide thought-provoking and timely articles to this growing group of members. The initiatives we are trying in this issue are two new series. The first one is called “Talk with a risk management guru.” The article is based on an interview with a highly respected risk management expert on a broad range of risk management topics. A young FSA will conduct the interview and put the discussions on paper. This way the expert can share his/her insights with the readers and we can involve young actuaries in volunteer work for the JRMS. The second series is called “Insights from Wall Street.” We’ll work with major banks to present articles on capital market risk management. We hope this series will serve another way to bridge the capital markets and the insurance industry. Obviously, it takes time and a lot of work to make the new initiative work, but we think the efforts are worthwhile. We will continue these efforts as long as the articles are well received and we can get continued supports from our partners. If your organization is interested in participating in these two new series or if you have any comments on the new initiatives, please contact Robert He at robert.he@guggenheiminsurance.com.

For this December issue, we are very pleased to have Ken Mungan from Milliman as our first “guru” and Citi bank as the first bank to present “Insights from Wall Street.” Ken is the founder of Milliman’s Financial Risk Management practice and did a lot of pioneer work in the ALM and Hedging areas. In this issue, Ken will share his insights on multiple topics that are of great interests to many members. We want to thank Ken for his willingness to participate and Jenny Jin, an FSA at Milliman, for her hard work to put the article together

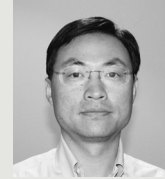
among her busy schedule—even while she was on vacation in Greece! Oliver Sarfati and Huy Nguyen Trieu from Citi share their insights on credit risk management and interest rate risk management. Citi, with approximately 200 million customer accounts in more than 160 countries, provides a broad range of financial products and services to consumers and institutions. This background enables the authors to provide analysis based on real life examples instead of doing a theoretical exercise.

Moreover, we should not forget the other three interesting articles in this issue on broader risk management topics. Caroline Paulhan’s article “Risk Management and Crisis Management: from Integration to Resiliency” provides a unique perspective on crisis management. Quantitative Modeling of Operational Risk, (written by Leyla Korkut, Mengxue Wang, Raymond T. Perkins III, Siyi Lou, and Vincent Hong Chen), provides a quantitative approach to model operational risk. Last but not the least, Katie Clouser, another young actuary, shares us her thoughts on U.S. flood insurance.

As usual, we provided a list of recent articles and papers that may be of interest to the members. These pieces can provide further information on a broad range of topics.

We would like to give a special thank you to David Schraub, Kathryn Baker, and Jamie Zuo for helping us pull together this December newsletter. Also we want to thank Naveed Choudri at Citi for his help to coordinate Citi articles for our initiative.

Enjoy reading! ■



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