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Editor's Note

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"No nation was ever ruined by trade, even seemingly the most disadvantageous." Benjamin Franklin quoted this in 1774. Almost 250 years later, with the G20 pledge, Paris climate agreement, and more to name, some can argue that we may see a return to protectionism on U.S. policy. For decades, the U.S. has provided leadership to the global economy; a neomercantilism approach runs the great risk of impacting both the U.S. and worldwide economy. And what does it mean for us? I think of risk management—closely monitor the actual policy steps to minimize the potential sell-offs.

By the time you read this newsletter, we will be more than half way into 2017. In this issue, we'd like to share with readers articles from various aspects of risk management.

"Is Credibility Still Credible?" by Mark Griffin might remind most of our readers of their study on Statistics 101 and the later course C Credibility. With the advent of Principles Based analysis, IFRS, Solvency II, and Embedded Value, Credibility Theory is gaining increasing spot light. Together with tightened requirements on assumption governance in financial reporting, it is timely to ask if Credibility Theory is still "fit for purpose," and to explore if computing power now enables a better approach.

In the past several issues, we have published articles on the risk culture topic. In this issue, we'd like to share with readers "Culture War: Embedding Corporate Risk-Intelligence" by Damon Levine. In this article, the author discusses how any strategy for building a robust risk culture must reflect an organization's unique overall corporate culture, capabilities, resources, and risk profile. Risk practitioners are often equipped with a large number of tools and are backed by the necessary ones, but few companies have truly embedded a risk-reward view in the company culture. By citing several research papers, the author discusses the root causes and how to arm the risk managers with risk management weapons, to have a fighting chance in the quest for robust risk culture.

"Insurance Regulation: The 1-Year 99.5% VaR Fallacy" discusses the insurance regulation in Europe. Since 2016, the European insurance regulation, consumer protection, and strategic choices are based on one key benchmark: a 1/200 annual probability of bankruptcy. Is the insurance regulation in Europe based on science and on appropriate risk measurement? The author explains why this is wrong from four disciplines: Physics, Mathematics, Economic, and Epistemology.

As the flagship risk event, ERM Symposium took place April 20–21, in New Orleans. The symposium chairperson Mark Griffin provides a recap of the event for our readers. While the keynote and concurrent sessions offered current hot topics discussion, two new types of sessions were introduced to allow attendees to tailor their experience to a larger degree: off-the-record discussion forum and RED (risk education) talks.

Last, we have an update on the recent JRMS research projects. Producing relevant research for its members is a priority of the Joint Risk Management Section Council. The section and the Joint Risk Management Research Committee have recently released a new study on parameter uncertainty. In addition, another recently posted risk management study "Mitigating Extreme Risks through Securitization" introduces readers to insurance-linked securities (ILSs) emphasizing catastrophe bonds (CAT) and industry loss warranties (ILWs). Reports can be found on the SOA website. And as usual, we provide a list of recent articles and papers that may be of interest to our members. These pieces can provide further information on a broad range of topics.

I would like to give a special thank you to Robert He, David Schraub and Kathryn Baker for helping me pull together this August newsletter. And enjoy reading!

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