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Editor's Note

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When this newsletter reaches you, it is holiday season already. I wish you very merry holidays and a prosperous new year!

Recently I read some posts on a fashionable risk management term “Grey Rhino.” The term refers to a big, yet neglected threat, which when it charges, can cause severe damage. This term was coined by Michele Wucker in “The Gray Rhino: How to Recognize and Act on the Obvious Dangers We Ignore.”

This year we are at the 10th anniversary of the global financial crisis. From time to time, we like to revisit the story of the financial crisis. The 2008 global financial crisis is well-described as a black swan—a low-probability but high-impact event. Before it became a black swan, it was preceded by a few early warning signs. So, wasn't it also a grey rhino? While most risk managers can recognize the grey rhino, how to control grey rhino risks is a real challenge. Wucker's advice is to not ignore the rhinos, but to tackle the issues head on.

Before the introduction of articles in this issue, I'm excited to introduce our new column, “Staff Corner,” by David Schraub. This sheds some light on the support role provided by the SOA and shares some reflections on where risk management roles are going.

In this issue, we have a nice collection of articles from corporate risk management schemes to emerging risk of infectious human disease globally.

After the 2008 financial crisis, most regulators are in favor of incorporating effective ERM schemes and determining minimum capital requirements based on the risk profile of financial institutions. Instead of discussing the technical aspects of the capital requirements, this issue's feature article “Strategic Portfolio and Capital Management” focuses on their implications on business strategies, as the solvency requirements affect product design and in-force management in addition to risk management strategy.

Effective ERM can be a lengthy discussion. Can we simplify it into five words? Dave Ingram will show us how in a series of two articles, “ERM in Five Words.” Most companies want to do much better than “just surviving.” Surviving requires resilience. In order to achieve resilience, the ERM process draws its power from

transparency and discipline, its direction from alignment, and maintains its effectiveness over the long term with adaptability. In this issue, part 1 describes resilience, transparency and discipline. Stay tuned for part 2 (coming in the March 2018 issue) which will illustrate the importance of alignment and adaptability.

I'm glad to share with our readers the continued risk culture discussion in this December issue. An “inappropriate culture” often takes the blame for all kinds of corporate misdemeanors, but judging the culture and correcting the failings can challenge the best of firms. It feels like there is convenient circular logic at play: poor outcomes are the result of the wrong culture; what is the wrong culture? One that results in poor outcomes. The starting point is the question “what action can management take that affects culture?” Paul Harwood suggests a strategy to help management get it right in his article, “Defining Company Culture in Five Questions.”

Pandemic and epidemic risks appear in the headlines every day. “Zoonotic Diseases: Heightened Risks to Industry and Government” highlights the significant economic loss caused by the over 400 high priority human disease outbreaks, globally, within the past 10 years. Through analyzing the data on hundreds of pathogens that threaten human health, the authors discuss that how (re)insurance companies monitor their own exposure to infectious disease risk and thereby gauge their potential mortality shock from epidemic diseases of various types and sizes.

Rate-making is one of the fundamental areas in property and casualty insurance. The author of “General Insurance Actuarial Risk Assessment Overview” provides an overview of the rate-making process and the common errors encountered during its operation. As the author summarizes in the article, ensuring that adequate premiums are charged for the commensurate risk is a part of this overall risk management.

We have an update on the latest in a series of surveys from The Society of Actuaries. The SOA has published a new report summarizing the results of its most recent assumption survey for Universal Life Insurance with Secondary Guarantees. Frank Reynolds provides an update on the JRMS e-Library 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 David Schraub and Kathryn Baker for helping me pull together this December issue of *Risk Management*. Happy Holidays and enjoy reading! ■



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