



SOCIETY OF ACTUARIES

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Letter from the Editors

By Jared Forman and Heather Adams

INSURANCE RISK MANAGEMENT IS undergoing a rapid and exciting evolution which makes practicing insurance risk management both challenging and fulfilling. Sources of this dynamic risk atmosphere include regulatory requirements, advances in risk modeling and the state of economies across the globe.

As new co-editors of the JRMS Newsletter, we would like to express our gratitude to the JRMS council and our readers for the opportunity to present a provocative publication which is intended to provide powerful insights, practical solutions and timely information related to risk management subject matter. We believe that combining perspectives from diverse backgrounds and experiences most often leads to the best view of a topic and our goal is to present articles across different geographies, experience levels, and industries. As this is our first newsletter, we feel it is important to introduce ourselves to you, our readers.

Jared Forman is an Associate of the Society of Actuaries and a Chartered Enterprise Risk Analyst. He also holds his Financial Risk Manager credential with the Global Association of Risk Professionals. Jared started his career as a retirement actuary prior to transitioning to risk management consulting. In his role as a Director in PwC's Financial Services Risk Advisory practice, his focus is in the areas of risk and capital management, ERM framework development and risk and capital regulation compliance.

Heather Adams is an Associate of the Society of Actuaries. She has worked in Reinsurance Pricing at ING Re, Corporate Actuarial at OneAmerica, and Valuation at Employer's Reassurance Corporation ("ERAC"). Heather currently works as a Risk Manager at ERAC with a focus on model governance and validation. She is also working to attain the CERA and FSA designations from the Society of Actuaries.

In this issue, Aaron Sarfatti and David Jaffe describe some of the challenges in modeling variable annuity behavioral dynamics in their paper "The VA Behavior System: Coping with Complex Interaction in Annuity Policyholder Behavior." They outline several approaches in existence for coping with these difficulties and offer a suggested modeling approach to assist actuaries in their efforts.

In "Emerging Risks: Peering Around the Bend," Max Rudolph summarizes the results of the sixth Survey of Emerging Risks, sponsored by the Joint

Risk Management Section and completed in Fall 2012. He highlights some of the top emerging risks and trends across the six years of survey data.

In the Chairperson's Corner, JRMS Vice-Chairperson, Barry Franklin tells us about some of the current research underway by the section and reveals some of the proposed research topics that we can expect in the near future.

In "An Overview of the GPS Framework for Comprehensive Strategic Risk Management," Damon Levine introduces a Strategic Risk Management system called the Goals-Progress-Strategy (GPS) approach.

April Xuemei Hou discusses some of the risks inherent in doing business across borders in "Risk Management in International Business." She describes several risk types that international companies should look out for and offers some techniques for managing these risks.

The winning essays from the "Incentive Compensation – The Critical Blind Spot in ERM Today" Call for Essays are also included in this issue. These four essays provide insights related to incentive compensation from a variety of perspectives and backgrounds.

We also provide a listing of recent articles and papers that may be of interest to the inquiring mind. These pieces span across many areas of risk management and offer additional content to those seeking further reading.

We would like to give a special thank you to David Schraub and Kathryn Baker for helping us pull together this newsletter. ■



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