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# Chairperson's Corner

By Mark Yu

Finally, summer is here! Growing up in South East Asia, I did not particularly look forward to summer there since the weather could be excruciatingly hot and humid. But having lived in the U.S. for almost 20 years, mostly in the Northeast, the long and sometimes brutal winter definitely changed my perspective of summer! Let me share some of the “hot” topics with you during summer time!

- **Brexit.** First things first, at the time of this writing, the U.K. is preparing to vote to stay or leave the EU. Working in the investment field, I experience first-hand how daily news, sentiments or polls can swing the capital markets. The Brexit undoubtedly has significant impact on not just global capital markets but also on insurance markets. One major insurer just announced last week (mid-June) that it would relocate its European headquarters from London to a different European city should Brexit occur. As a risk manager, I can foresee this “Brexit scenario” being included as a potential scenario for insurers’ stress tests and scenario planning. By the time you read this article, hopefully, things will have turned out for the better rather than for the worst.
- **Negative interest rate environment.** As of Q2 of 2016, the countries with negative interest rates represented about a quarter of the global GDP. Although U.S. interest rates remained positive, the Federal Reserve Bank didn’t rule out the possibility of making interest rates negative. Given the continuing low rate environment across the globe, it will be prudent for risk managers to incorporate negative interest rate scenarios in their cash flow testing and economic capital modeling. There has been enough interest on this topic that the JRMS is planning to conduct a research project on the implications of the negative interest rates for the insurance industry; stay tuned!
- **Cyber security.** Another most talked about topic is cyber security. Since the NAIC adopted the “Principle for Effective Cyber security Insurance Regulatory Guidance” in April 2015, the insurance industry has raised awareness of cyber risk management. The JRMS has issued calls for papers on this topic and received several papers and I encourage you to



read the papers published on our website to learn more about cyber security and best practices. From a risk mitigation perspective, PC insurers are getting requests to provide cyber liability coverage. Given the infancy and emerging nature of cyber security, the PC industry needs to continue to define and clarify this emerging liability coverage. This is where PC underwriters and actuaries need to be disciplined and creative so they can develop a reasonable approach to underwrite and price the coverage.

- **JRMS Elections.** By the time this issue is published, we will be right in the midst of the SOA election cycle, which includes the JRMS Council elections. This year we have a record breaking 11 candidates running for the JRMS Council. It’s encouraging to see this many candidates interested to support and serve the JRMS and I wish them the best of luck. I’m a firm believer that volunteering for professional organizations is a win-win-win scenario for the individual, the professional organization and the individual’s employer. I’ve been involved with the SOA and American Academy of Actuaries for the last 15 years and it’s been a fruitful experience for me personally and professionally. I would encourage you to do the same. The election is open from Aug. 22–Sept. 9. Don’t forget to vote!

Have an enjoyable summer regardless of where you are! ■



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