

Editor's Note

By Baoyan Liu (Cheryl)

The modern insurance industry started in the 17th century, with the first fire insurance company officially established. The industry expanded into property lines, life insurance, accident, and health insurance, while its business model became more and more sophisticated over the last 400 years against waves of attacks by risk demand incurred from social development. Nowadays in 2018, the insurance industry is facing a new wave of disruption from technology evolution as disruptive newcomers and digital transformation redefine the marketplace.

Technology disruptions on insurance product pricing, underwriting, operations, business conduct, and customer expectations have become the top concerns of the industry. And associated with the digital platform transformation, cyber landscape has also been at the forefront of risk management discussions. In this first issue of *Risk Management* in 2018, I'd like to share articles with a focus on the top risks in our industry.

First, the Joint Risk Management Section is pleased to announce the start of a new feature series, "Conversation with a CRO," where the top risk practitioners in the insurance industry offer insights into the major issues facing the industry, through interviews with our experienced partner actuaries. Our first guest in the CRO conversation is Nick Silitch from Prudential Financial. He shared his perspectives with Tony Dardis and Awa Kone on the topics of risk culture, the use of economic capital, and the role of actuaries in risk management.

Good risk management requires striking a balance between following the wisdom of the market and relying on your own insight. Dave Ingram from Willis Towers Watson provides a summary of "2018's Most Dangerous Risks for Insurers" in the survey they performed. As insurers become more digitized, cybersecurity & cybercrime is constantly rated a top risk and it has by no means finished evolving. Traditional risk concerns

such as off-track strategic direction, natural catastrophe claims, competition and pricing/product risk, also have their places in the Top 10 risk list.

For several years, EY's Insurance CRO Survey has tracked the development of risk management and the changing priorities of the CRO. In this issue, Chad Runchey and David Paul highlight the key findings in "EY Insurance CRO Survey—Shifting from Defense to Offense."

Cyber risk and cybersecurity has been ranked as the number one risk two consecutive years in the most dangerous risks survey by Willis Towers Watson, and as the top concern rated in EY's insurance industry CRO survey. As insurers are more susceptible to cybercrime, heightened cybersecurity requires more efficient IT system investment. Globally, firms have spent billions of dollars on advancing their internal system defense against cybercrime. Dr. Shaun Wang from Nanyang Technological University presented his research on "Modeling Optimal Level and Allocation of Cybersecurity Spending" at the 2017 Actuarial Research Conference (ARC). We're pleased to invite Dr. Wang to share a summary of his presentation with our readers in this issue of *Risk Management*.

Effective ERM can be a lengthy discussion. Dave Ingram shows us this in a series of two articles, "ERM in Five Words." Part 1 was published in our December 2017 issue of *Risk Management*. And it describes resilience, transparency and discipline. Continued in this issue, Part 2 will illustrate the importance of alignment and adaptability.

As always, 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 March issue of the newsletter. Enjoy reading! ■



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