



Article from

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Letter from the Editor

By Baoyan Liu (Cheryl)

In this first 2016 issue of *Risk Management*, the editor is pleased to offer readers articles from around the globe, from the northern division of the Western Hemisphere, to the other side of the Pacific Ocean, or more adventure to battle against the time to the space.

On the Asia risk side, the newly introduced China's Risk Orientated Solvency System (C-ROSS) has created discussions within the insurance industry. Paul Sandhu from Conning Asia Pacific takes a special look into the longer-term investment implications of the C-ROSS regime.

Continuing with our CRO talk series, we are delighted to invite Questor Ng from Hong Kong to discuss currency risk management within the Hong Kong insurance industry. After the shock of the Swiss franc sudden removal of its currency peg, currency volatility and FX risk management have been on top of the international insurers' agenda. One of the heated discussions is the 32-year old Hong Kong linked exchange rate regime. Questor discusses the HKD currency peg impact on insurance companies and the risk management practice under this system.

Before we flip the pages to North America, let's have a talk on worldwide ORSA. With the advent of ORSA, clear communication between insurers and regulators is increasingly important. But there might be lack of a common language, fundamental confusion exists about the nature of the ORSA. In his article, "Talking about Capital and Stress," Dave Ingram uses a common language to explain the ORSA Guidance Manual, and what ORSA really asks for on risk assessment, capital and stress testing.

ORSA is one year old in Canada. "ORSA—A Regulator's Point of View" shares some feedback from this one year experience from the perspective of OSFI. Emilie Bouchard helped articu-

late Steve Manly's thoughts in this Canadian article. The article highlights some of OSFI's expectations regarding the ORSA process, and provides general feedback and observations from OSFI's reading of 2014 ORSA reports (including KMR) and discussions with insurers.

Having a robust risk appetite is key to the ORSA implementation. Though risk appetite has been widely discussed in recent years, Jim Toole and Matt Stahl from FTI Consulting were still surprised by their recent ORSA webinar survey on risk appetite statement development. In "Developing a Robust Risk Appetite Statement," Jim and Matt map out the steps insurers can use to develop and apply risk appetite effectively. They also share some tips for successful risk appetite implementation.

Next, we share an article on preparing for the unthinkable—"Black Swans and Risk Management" by Brenda Boulwood. Today, most companies realize the often catastrophic impacts from those unpredictable events, and started the Black Swan evaluation as part of their emerging risk management. Brenda Boulwood goes a layer deeper and discusses how companies can both address the unknown and, at the same time, ensure they are agile enough to react when the seemingly unthinkable occurs.

Last, here is the fun trip to space. Tom Hettinger borrows Matthew McConaughey's endurance and brings us on a time travel voyage to the black holes. Tom describes the risks that we see daily as the black holes—difficult to diversify across time. While gravity is the management discipline, it is important to have intra- and inter-year risk management over a multi-year time horizon.

Finally, 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.

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



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