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Editor's Note

By Florian Richard



They say that all good things eventually come to an end. This couldn't be truer than when it comes to our very own *Risk Management* newsletter, as we recently learned Cheryl Liu is leaving her role of newsletter editor after three years. I believe that I speak on behalf of most readers when I say that I am grateful for all the hard work that Cheryl has put into this newsletter to bring it to where it is today. As a reader of the newsletter during that span, I have thoroughly enjoyed the high standard of the editing as well as the variety of the articles featured. These are key reasons why I decided to volunteer earlier this year to help in any capacity. In fact, this first Editor's Note is a great opportunity for me to remind you that we always welcome new volunteers to help with the various aspects of managing a newsletter. If you are interested in volunteering for the newsletter, please contact David Schraub (dschraub@soa.org) or me.

The September issue of *Risk Management* inevitably draws inspiration from the annual Enterprise Risk Management Symposium that took place in Orlando on May 2 and 3. The ERM Symposium is a unique forum for industry professionals to come together and share their thoughts on a variety of enterprise risk management topics.

One topic that has now become a staple at the ERM Symposium is Max Rudolph's Annual Survey of Emerging Risks. The survey, which is sponsored by the Joint Risk Management Section, has now reached its 12th edition. The executive summary is included in this issue. I will avoid sharing any spoilers and I will simply mention that the order of the top emerging risks has changed this year and that new trends seem to be developing. Please note that the full report is now available on the Joint Risk Management Section pages of the Society of Actuaries (SOA) website.

The ERM Symposium is also an opportunity to encourage and celebrate research. This year, two prizes were given out for papers that promote "the practice of enterprise risk management by opening new perspectives and strengthening available insights, methods and tools."

The first prize, the Actuarial Foundation's ERM Research Excellence Award in Memory of Hubert Mueller for Best Overall Paper, was awarded to Kailan Shang for his paper on the estimation of wavelet-based equity VaR. An adapted version

of his paper is featured as our second article in this issue. Estimating economic risk often means assuming that risk is time invariant. However, this is not necessarily true. This is where wavelet analysis can help address the time-horizon component of the risk analysis.

The second prize, the Joint CAS/CIA/SOA Risk Management Section Award for Practical Risk Management Applications, went to Dariush Akhtari for his paper on the valuation of economic surplus. After listing the deficiencies associated with the common practice of valuing market value of surplus by first valuing market value of liabilities, the article suggests a new way to directly calculate the market value of surplus that is "stable and reasonably immune to market noise." The paper has been adapted for inclusion in the newsletter.

"Introduction to the Research on Developing a Liability-Driven Investment (LDI) Benchmark Framework" is our fourth article of the September newsletter. This short article sets the stage for the full report and Excel tool that can be found on the SOA website.

Finally, our fifth article analyzes the methodologies used by industry professionals to value liability cash flows that extend beyond the maximum observable portion of the yield curve. The article looks into key assumptions, benefits, drawbacks and practical challenges associated with the various sample methods.

As usual, the newsletter concludes with 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 Cheryl Liu, David Schraub, Julia Anderson Bauer and Katherine Pickett for their help in pulling together this September issue.

Hope you enjoy the reading! ■



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