CERA Global Association

# CERA Wider Fields

"...people in traditional industry roles sometimes overlook the contribution that a risk management specialist who looks across industries can bring."

**Brett Riley**
CRO Arch LMI, Australia, FIAI CERA (2012)

## A CERA working in wider fields

### Can you tell us a little bit more about your work in risk management?

My current position is Chief Risk Officer for Arch LMI, which is a start-up mortgage insurer in Australia. I have all second line responsibility for risk management and, also, compliance.

### Do you have any other risk management credentials?

I was the Convenor of the Actuaries Institute's risk management practice committee in Australia for two and a half years, which I stepped down from recently. Around about five years prior to that I was also a member of that committee. Furthermore, I'm a Fellow of FINSIA, which is an investment management and securities industry body in Australia and I gained that qualification in my first job when I worked in investment management.

### What are the main technical challenges of the work where your CERA credential helps you the most?

Working in mortgage insurance, it's understanding the claims distribution. It's a very hard distribution to understand and it can change over time. It's a very skewed distribution, so most of the time losses or claims levels are relatively low but occasionally, normally in an economic downturn or a recession, those claims can be a lot higher. Understanding how frequently that can happen and how severe it can be is important. I think that understanding that distribution but also understanding the drivers of the claims. Key drivers of mortgage insurance are macroeconomic factors, things such as property prices and unemployment rates - those tend to drive both claim frequency and claim severity. Generally, falling property prices lead to more and larger claims and, obviously, unemployment leads to people not being able to service their mortgages, getting into trouble and leading to claims. Understanding how those factors interact is important and both the actuarial and the risk management training help with that.

### Can you tell us whether the CERA credential helps you facing non-technical challenges?

I think it does. The CERA qualification is a mixture of both quantitative and qualitative factors and how those support risk management. One thing I found useful is dealing with a range of stakeholders: our Prudential regulator here, APRA, is quite demanding in terms of governance and risk management structures so having a solid underpinning there is helpful but also dealing with the range of stakeholders, helping communication plans and understanding different points of view. Sometimes when those aren't in alignment that can be very helpful as well.

### Can you tell us what you see the biggest challenge is over the next five to ten years?

I think in risk management there'll be common factors that drive other areas where actuaries practise. Things such as disruption and changes in industries, new competitors, emerging risks from things like technology, cyber and

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operational risks will continue to be important. I think, specifically to risk management, one of the challenges will be understanding dependencies between risks. One thing that came out in the financial crisis around ten years ago was that some of the weaker relationships between different types of risks in normal conditions don't necessarily hold in a stressed environment and better understanding those conditions, I think, will be a focus.

**Overall, are you happy with your CERA credential and do you use it in the office?**

Yes and yes. I'm happy I did the course. I didn't need to do it as part of my Fellowship exams. I'd already finished that many years before but I was interested in risk management, it was the credential that I wanted to support so I'm glad I hit the books again and took the exam in 2011. It does get some recognition. I think risk management's difficult because there are a lot of competing qualifications out there, there's no single body that owns the post-nominals/the credentials for risk management but, even though the actuarial profession is relatively small, it does have clout with a lot of people in industry, so I think it is appreciated.

**Where do you see the added value from the CERA credential?**

I think the understanding of the actuarial tradition, having people in extension of what actuaries offer so what the profession brings in terms of independence, professionalism, technical rigour and I think increasingly, but maybe we're not quite there yet, people are understanding that it brings more of the business, commercial and softer skills that a good risk manager needs.

**What do you see as being missing or what needs to be improved within this CERA syllabus to make it sustainable in this changing future?**

I think one of the things I mentioned before about risk dependencies, it might have changed since I studied it several years ago but there's a strong focus on statistical approaches to modelling dependencies things like copulas. I think continuing to emphasize or consider other approaches like scenarios or factor based measures of dependency is worth considering as well, not just for non-technically minded people but also supporting communication to non-technical audiences.

**How do you see your interaction when you're doing your work with the more traditional actuarial practitioners in the more traditional roles in your company?**

I think it's generally been pretty good, certainly within our company, we have an appointed actuary, which, for those people outside Australia, is a statutory role that is prescribed by APRA, so there's pretty clear defined boundaries and roles and responsibilities for the CRO, who's firmly a second line of defence person, and appointed actuary, so we tend to work together quite well. I find interaction with people in more traditional actuarial roles within the group works well. We hope that they understand what they need from me and vice versa. The one challenge I have sometimes found is maybe within the profession more broadly, people in traditional industry roles sometimes overlook the contribution that a risk management specialist who looks across industries can bring.

**Looking across to other non-insurance fields in the finance industry or beyond, where could they benefit from a greater use of actuarial skills?**

I think a lot of the areas actuaries are already starting to make inroads (maybe it's a case of just increasing that penetration) like investment management, project finance, data analytics (obviously that's a hot topic at the moment) but the one for me that I think has great potential is credit risk analysis. A lot of the credit risk analysts within banks tend to be non-actuarial and it plays perfectly to our skill set in the analysis of loss frequency, loss severity and I think they'll become very important with the introduction of the new accounting standard on provisioning, IFRS9, where it's very much akin to our being our being provisioning within insurance.