CERA Global Association

Wider Fields

"I expect Enterprise Risk Management practices to be incorporated within most non-financial organisations over the next 10 years."

Minaz Lalani

Executive Chairman, Besurance Corporation, FSA FCIA CERA (2008)

A CERA working in wider fields

What was it like when you started work?

I started my actuarial career with Cannon Life in the UK as an actuarial student in life insurance. Subsequently, I worked with Bupa/Pride Healthcare insurance. After three years of my actuarial career in the UK, I emigrated to Calgary, Alberta, in Canada to continue my actuarial career in pensions with Towers Perrin now Willis Towers Watson. During my time, about 30 years, with Towers Perrin, my primary field of expertise was pension consulting. However, I had secondary interests in other fields such as executive compensation, human resource technology, workforce planning, mergers and acquisitions, and organisation risk management. I left Towers Perrin in 2010 and founded my own firm, Lalani Consulting Group, which was primarily involved in pension risk management and enterprise risk management. I continue to undertake selective enterprise risk management projects however, my primary focus is on my Insuretech start-up Besurance Corporation.

When did you receive your CERA qualification?

I qualified as an actuary, receiving my Fellowship from the Society of Actuaries and the Canadian Institute of Actuaries in 1985. In 2002, the Society of Actuaries set up a working group on ERM. I volunteered to be on that working group. Unfortunately, after a year, I left the working group since the primary focus of that working group was risk management in the life insurance space. The positive outcome of my participation in that working group was that I validated my understanding of the core risk management concepts. From 2003 to 2008 I started utilizing these general risk management concepts in my pension work and developed robust pension processes. Also, my secondary interests in other fields, specifically organisation risk management and human resources, gave me the additional insights into risk management. I applied these risk learnings to my client work, this culminated in several white papers on managing pension plan risks. For example, for defined contribution plans I used stochastic methods to determine inherent risks in pension adequacy and replacement ratios. The realisation that ERM could be applied to pension and other non-traditional areas resulted in me presenting my thoughts on ERM at the CI meeting in 2008 on the topic 'ERM not for insurance companies'. Over the last ten years, I've applied risk concepts to a broad array of risk problems ranging from executive pensions to weather derivatives to environmental liabilities. In 2008, the SOA awarded me the CERA designation as an experienced practitioner.

What work challenges do you face?

The primary challenge is that there's significant competition in the risk management marketplace. Many professionals believe in their expertise in risk management by virtue of the professional education. One such profession is the accountants with the CPA designation in my work. I tend to compete with

> "At university I studied pure maths, I did a PhD in statistics and now I call myself an actuary (most of the time) so I sort of characterized that as a slow descent into usefulness."

accounting firms and managing consulting firms who bring audit and consulting services. These firms tend to have a dominant footprint in the risk management space. Additionally, credentials from other risk associations such a GARP and PRMIA dominate the banking and investment management industries.

There are a few approaches to overcoming these challenges. First you need to identify the type of scope of work where you can make a difference and add value. For example, there's no point in competing with accounting firms where the scope of risk management is undertaken as part of the audit reckoning process. There's also no point in competing with management consulting firms where risk management is combined with a complete risk review of the organisation.

Having said this, there are many areas within their work where actuaries can bring significant value. Actuaries, through their designations, have significant expertise in quantification of risk, stochastic and predictive modelling, assessing and managing catastrophic risk. We as CERA, should be exploring these niche opportunities and complementing the work of these providers. We should be attempting to be part of the team to provide more complete solutions to our clients and stakeholders. There are several risk management subjects or topics which lend themselves to CERA involvement. As mentioned, our expertise in quantitative risk management, stochastic and predictive modelling and big data analysis provides opportunity to work in many non-traditional areas. For example, determination of environmental liability or working on financial industries such as construction, energy, life science, mining, transportation, utilities.

Unfortunately, CERAs have lacked productivity and involvement. They lack understanding of industry insights and have a lack of education materials and practices. I mentioned a key challenge that we tend to overlook. Currently, we don't have adequate educational materials relevant to specific topics they can help CERAs work in non-traditional industries. Our CERA examination syllabus and materials provide us with good foundational material on ERM. However, there's a lack of available practical and usable material for actuaries that can be used to apply these actual practices to specific problems or pursue what we call the wider fields.

What do you mean by Wider Fields?

Currently most actuaries work in life insurance, pensions, health, property and casualty, reinsurance and investment, which we term the traditional fields. All work not covered under traditional fields can be categorized as the wider fields. However, this definition has room to be further refined as we know CERAs primarily practise in life insurance, property casualty. Very limited number of CERAs practise and apply robust risk processes and methodology in pension, health, reinsurance and investment fields. The final and more effective definition of wider fields can be stated as 'fields or areas where actuaries do not practise ERM'.

To elaborate further, in 2015 I co-authored a paper with Leah Wong of the Terry Group for the Society of Actuaries titled 'Bridging the Gap between theory and practice in pension risk management'. The purpose of the paper was to demonstrate how we can practically apply risk management to pensions. We wanted to educate actuaries to be open minded and explore opportunities in applying risk processes and methodology to solving and quantifying risk in other traditional fields. As mentioned before, CERAs tend to concentrate in the financial industry: life, property casualty excluding banking.

There are significant opportunities for CERAs in a non-financial industry: construction, energy, life sciences, mining, transportation and utilities. For example, a limited number of actuaries are involved in managing project risk that is assessing and determining project costs and overrun costs due to delay in construction timelines for large projects in the transportation and energy fields. The UK actuarial body and the UK civil engineers work jointly and develop best practices and educational material on RAM, which stands for Risk Assessment for Managing projects. A limited number of actuaries currently work with petroleum engineers, lay men and other professionals in the energy and mining industry in assessing environmental liability with costs associated reclamation from abandoned wells or excavation of oil sands.

The overarching point here is that we should be working with other professionals to increase opportunities for CERA. I mentioned banking, banking is one key financial industry where there are few actuaries and insurers engaged. South African actuaries seem to have made some strides in engaging actuaries in the banking sector. The banking industry has significant potential for CERAs. This is because the risk models, processes and methodology show large similarities to insurance with similar or higher regulatory requirements. Currently, PRMIA and GARP professionals dominate the risk space in banking.

Where has your CERA education been most valuable?

The CERA education material provides a good foundation for risk practitioners. This educational material supplemented by self-development opportunities and learning of nuances and insights of industrial sectors has allowed me to apply this learning to my work in the traditional and wider fields. It has provided me with opportunities to explore and apply risk and actuarial methodology to many non-traditional problems. Having said this, I find that many CERAs find it difficult in applying this foundation material to their practical work. Fortunately, the Society of Actuaries has attempted to address this deficiency by incorporating a practical case study in the CERA educational examination material specific to pensions, life, property and casualty, health and investments. Hopefully the educational material like the case study will inspire CERAs to seek opportunities and apply this learning to their traditional work and get involved in the wider fields.

What work challenges do you face?

There's one that I believe is going to be a key challenge. I expect Enterprise Risk Management practices to be incorporated within most non-financial organisations over the next 10 years. The concepts of risk appetite, risk tolerance, risk register, risk measurement and risk reporting. This may mean that there will be significant regulatory oversight and risk issues from a securities exchange standpoint. This will put a significant requirement on risk professionals to demonstrate competence in working in the risk management area. It also increases the workload demands of risk practitioners, including CERAs. Our challenge, can CERAs rise to the occasion and meet the demand? Can CERAs participate and be involved in the formation or development of this regulatory framework, keeping in mind that there are several professional associations who like to be recognised as the preferred provider of risk services. Time will tell.

Are you happy with your CERA credential?

I use my CERA credential all the time. I use it on my business cards, business proposals, project deliverables and general communication to my clients. It demonstrates my expertise and knowledge in enterprise risk management. Unfortunately, the CERA designation currently has limited recognition in the risk marketplace. I do believe that with good marketing of the CERA credential to interested stakeholders by the CERA Global Association, CERA will become a widely accepted and recognised credential in the next years. I am proud to be a CERA.