

60 SECONDS WITH.... Matt Hodson



Why did you become an actuary?

The honest answer – I remember telling a careers advisor when I was 15 years old that I had an aptitude for maths, I liked problem solving and I really didn't want to be an accountant. He suggested I look into being an actuary and the more I found out about it the more I thought it was the right path for me.

Where have you worked and what have been some of the most interesting things you've worked on as an actuary?

I have worked for Ernst & Young in London and Sydney for the last ten years. Before that, I spent the early part of my career working in a corporate finance and M&A type role in pensions consulting.

I have worked on a few interesting projects that have pushed the boundaries of traditional actuarial work...

I worked with my Ernst & Young risk management colleagues to build a framework for assessing and finding risk in the tertiary education system. It was part of a large engagement for the newly formed tertiary education regulator in Australia. My task was essentially to put quantitative rigour behind where to start looking for risk across a system with almost 180 institutions, multi-billion dollar revenues and just over a million students. The work combined judgements from industry stakeholders, statistics and back-testing of cases where risk had emerged in the past.

I've also worked with a government agency to build models and operating frameworks which help to predict where risk will emerge in respect of non-payment of child support payments from parents.

Before the introduction of the new LAGIC regime I worked with a number of

financial services CROs and the regulator to assess the consistency of regulatory frameworks across banks and insurers. It was particularly satisfying to help to demystify some terminology and compare valuation methods used across the industries.

Some of the work I have done in the risk appetite space has been particularly innovative and it has been rewarding to help with the education and embedding process for boards and senior management.

I've also found it particularly exciting helping insurers decide on their strategic direction in the Asian market. This often starts with a risk-based conversation.

When did you start applying your skills to risk management?

I built and reviewed some of the first widely used economic capital models for insurers in Europe. The models are a key part of the risk management framework for insurers and help to manage, predict and monitor the emergence of risk. I also project managed some of the early Solvency 2 engagements for my firm in Europe, with a strong emphasis on best practice in risk management. I started to apply my risk management skills outside of financial services around 2009/10, when I observed a strong push from government bodies to back up their decisions with risk-based quantitative analysis.

How did this evolve to your current enterprise wide risk management role?

Non-financial services: The initial breakthrough was convincing my internal colleagues that some of the work that I had done in financial services could be applied in other industries. I have always found that our professional qualification and training is well respected beyond financial services. In my experience, actuaries are already seen as risk experts with strong analytical skills and the ability to solve problems. My client work with the broader risk team in my firm evolved into

a series of industry presentations regarding what an actuary could offer in the risk management space. Since then, I have delivered a number of projects with my risk management colleagues across the country, particularly in Canberra.

Financial services: My experience in Europe has been invaluable in working in risk and capital management in this market – especially with the new ICAAP regime getting underway. The global risk and regulatory landscape is converging quickly and I am well connected with global developments in risk and capital through my internal global working relationships. Indeed, part of my formal role at Ernst & Young is connecting with my global colleagues to share areas of global emerging best practice in capital and risk management.

What actuarial capabilities do you use in risk management?

Judgement - A key part of our skill is to blend the quantitative and the qualitative to make informed decisions. This is crucial in risk management.

Problem solving - Sometimes, especially with the regulator driving much of our workloads over the last 5-10 years, we forget that problem solving is a core part of our skillset. The broader risk management projects that I have worked on have been all about solving risk-based problems.

Communication skills - Of course, our skills are only useful to our stakeholders if we can explain the 'so what' as well as the 'how' and part of the actuarial training is about communicating apparently complex issues in a simple manner. Complementing some of the 'process' parts of risk management with robust analysis which is well communicated helps build actuaries credibility in this space.

Risk/Reward concepts - Finally, it's important to focus on the upside of risk – ie. the risk/reward trade-off. It's not all about protecting the downside.

What skills should actuaries enhance to be more effective in enterprise risk management?

I think our training has a strong emphasis on risk management. The most obvious initial value we can add is through the numbers ('quants') side of risk management, but don't lose sight of our ability to blend numbers and judgements into something meaningful. Communication, judgement and problem solving are the key areas.

What do you advise aspiring actuaries to do to attain wider risk management roles?

Push the boundaries and back yourself. Use your qualification as a door opener rather than something you have to defend and explain!



**Actuaries
Institute**