



SOCIETY OF ACTUARIES

Article from:

News Direct

September 2005 – Issue 51

INTERVIEW WITH PRAKASH SHIMPI



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Webster defines a pioneer as “one who ventures into the unknown or unclaimed territory to settle.” Lewis and Clark define a pioneer as “one who opens up new areas of thought, research and development.” Our featured actuarial pioneer knows something about innovation. Let’s go behind the scenes with Prakash Shimpi.

How has your involvement in the field of enterprise risk management (ERM) changed you?

When you work in a field a long time, the change is evolutionary not revolutionary. You don’t wake up one morning and suddenly everything’s changed. I wish it were that easy and observable. If I had to pick one word to describe how I’ve changed, it would be patience. I’ve had to develop a lot of patience along the way because when you’re working with people across different disciplines, everyone has legitimate, but different backgrounds and professional experiences. When you’re trying to develop a new direction, you want to bring these experiences together. And sometimes something that is intuitive or blindingly obvious to you is not necessarily blindingly obvious to everyone else because they’re coming at it from a different perspective. So, in effect, you have to help them along the journey you had to take.

I’ve had the benefit of working in different fields, and I have a background both in finance and in actuarial science. When I got to the position where I could be of influence and direct some of the activities that were going on, it wasn’t a matter of waving a magic wand. I had to get people to buy into the idea and feel enthusiastic enough to want to do something about it. So I developed patience. The phrase I used to use when I was working with Swiss Re was, “We don’t have to do everything all at once; all we have to do is climb one mountain a day.”

What first drew you to the field of ERM?

I never thought about it as ERM. I think the world has evolved to this thing called ERM. I think about it as normal business to which we are applying a little more analytic discipline. ERM may be revolutionary for non-financial institutions, but anyone who studies insurance, for example, or even basic finance, understands that it’s entirely about managing risks. In the insurance world, for instance, asset-liability management is part of

ERM—we look at a specific set of assets and a specific set of liabilities and we manage these. Later we started doing cash flow testing and scenario analysis, and then moved into multi-scenario, multi-horizon simulations. Still later, the property/casualty insurance world started developing a variety of techniques to look more broadly at risks, including dynamic financial analysis. Now, here we are at ERM. It has the same building blocks, it’s another three-letter acronym. I think it’s a good one, it’s inclusive, but in terms of the fundamental thinking, it’s actually quite elementary. It’s not as if I got up one day and said, “Ah-ha, ERM that’s where I’m going.” I’ve been fortunate to be on the evolutionary path as this area has been developing—with the opportunity to participate and make a difference.

Is there a side of yourself that you didn’t know existed until you started working in ERM?

It’s not so much when I started working in ERM, it’s when I started working period. I never thought I’d be a business person. I enjoy problem solving. Ever since I was a child I’ve been very involved in the analytical stuff, and I always saw myself as a problem solver. I thought I’d be an academic or an advisor of sorts. Something more like I’m doing now—consulting. I never thought of myself going to an office and doing transactions or having an executive position, so it was quite interesting to see myself moving into executive positions as my career developed. Of course I was using problem-solving skills there, but I was always looking in the mirror and saying, “Am I really doing this?”

Who has had the biggest influence on your career?

In my career and in life, my father. He was an actuary as well, so it’s in my blood. And, perhaps the interesting thing about him was the fact that he was never limited by convention. People used to say about him, “Is he really an actuary?” He’s not the typical actuary. So, perhaps a little bit of that has rubbed off.

Who has been your biggest influence outside the actuarial world?

Parents always have a big influence. But, if I think about my earliest experiences, who inspired me very early on and it was inventors. I voraciously read the biographies of inventors—Edison, Curie, Stephenson, Ramanujan, Galileo, etc. I was very interested in what drove them to develop something new, what gave them the power of concentration. Even today I love reading biographies of people who created ideas that have withstood the test of time.