ERM Is The “Future” Train

Jump On The “Future” Train!

Warning: This talk may be thought-provocative. Please buckle up.

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ERM Is The “Future” Train

• There are many passengers on board
  – actuaries, accountants, financial engineers
  – Various institutions

• Actuarial professional organizations are pushing their way in …
  – However, they are carrying too large a baggage
What Is that Baggage?

- An institutional structure that is more concerned with existing than going forward
- In particular, outdated actuarial exam system hinders innovation in risk education
  - Too much focus on exam tricks rather than understanding concepts & hands-on skills
  - Too narrowly focused, strange notations
  - Interrupts regular university course work
  - A glaring example: Life contingencies
Consequences

- Actuarial teachers are not viewed highly by peers (eroded academic base)
- Some working actuaries are too specialized in doing one thing, without being able to see the big picture
- Many employers are frowning about long travel time, little value-added
Actuaries Have “Good Staff”
To Bring To The ERM “Train”
Actuaries Posses Valuable Skills

• Actuaries can model asset risks, liability risks, and perform integrated asset-liability management
• Some actuaries are actively interacting with capital markets for hedging
• Actuaries deal with products of short- and long- time horizons
Actuaries Can Become More Effective If Equipped With ERM Thinking
Future of Actuarial Education

• The actuarial profession must embrace broad-based risk management

• The best way going forward is university-profession partnership
  – One provides the basic education
  – The other focuses on professional training

• This vision was behind a major international initiative
ERMII had its first Board Meeting in NYC on Sept 25/26, 2005

24 participants from 5 countries (Australia, Canada, France, United Kingdom, and the U.S.)

8 major university programs in actuarial science and financial engineering
ERMII Objectives

• ERMII aims at overcoming these constraints through research driven university education
  – what is best practice now and what needs to change to adapt

• ERMII wishes to accredit 40+ university programs worldwide in quantitative risk management within 4 years
Core Skill Set?

- University education can provide a broad-based theoretical foundation
- Class-room or lab setting can facilitate hands-on learning
ERMII Accreditation of University Programs

- Extent of coverage of major areas in risk management and risk modelling
- Strong emphasis on quantitative modelling
- Academic staff and qualifications
- Program entry requirements and student backgrounds
- Research program in risk management and related areas
Fueling the ERM “Train” Engine

- Attract and educate future talents
- Conduct research and create knowledge base on ERM issues
- Actuarial bodies should be engaged with ERMII to jointly develop this broader education
The “Future” Train Is Leaving!

• Get Rid Of The Old Baggage,
• Keep the good stuff
• Jump On The “Future” Train!
The “Future” Is Exciting!

Enjoy the Ride!

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