

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- In particular, outdated actuarial exam system hinders innovation in risk education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

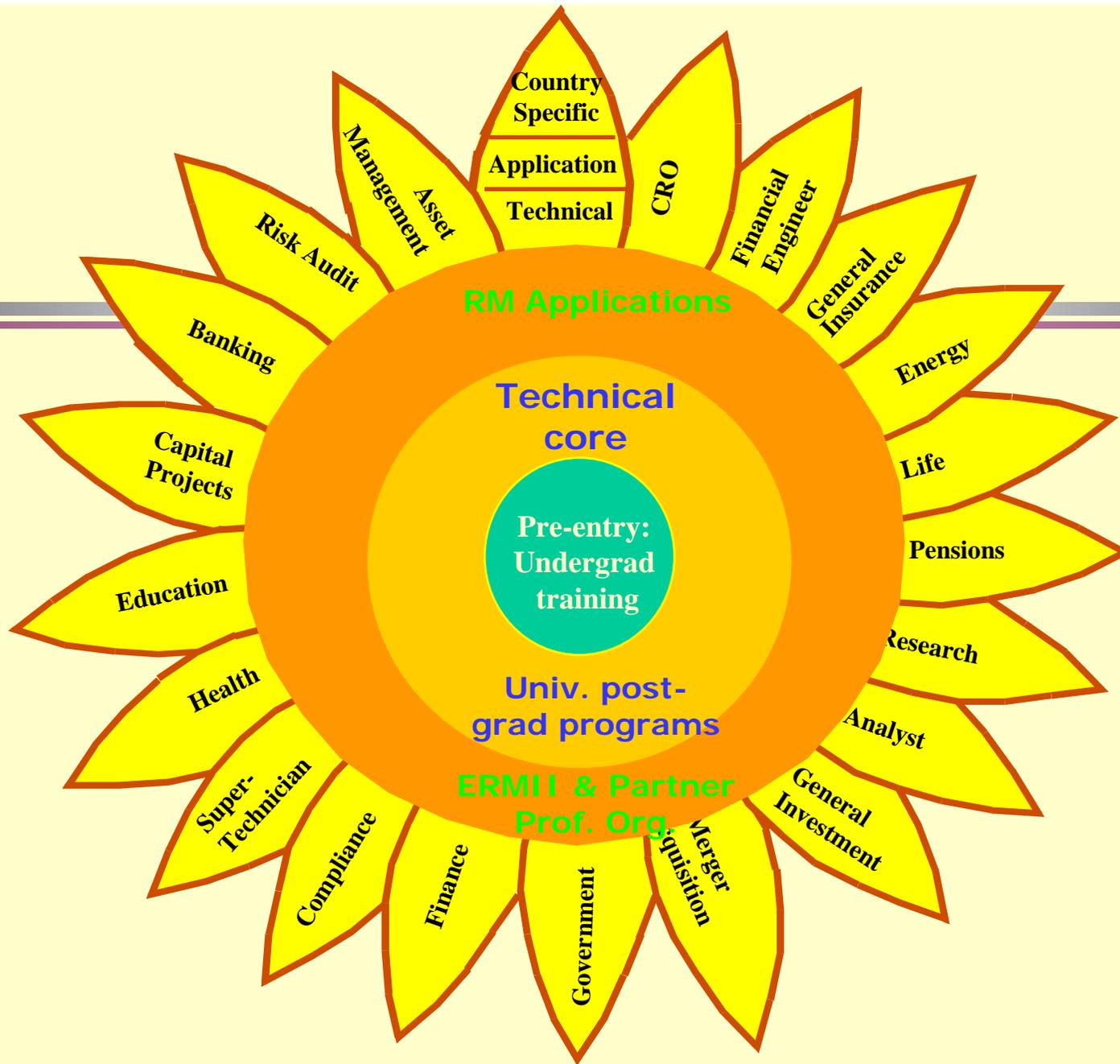
- The actuarial profession must embrace broad-based risk management
- The best way going forward is university-profession partnership
 - One provides the basic education
 - The other focuses on professional training
- This vision was behind a major international initiative



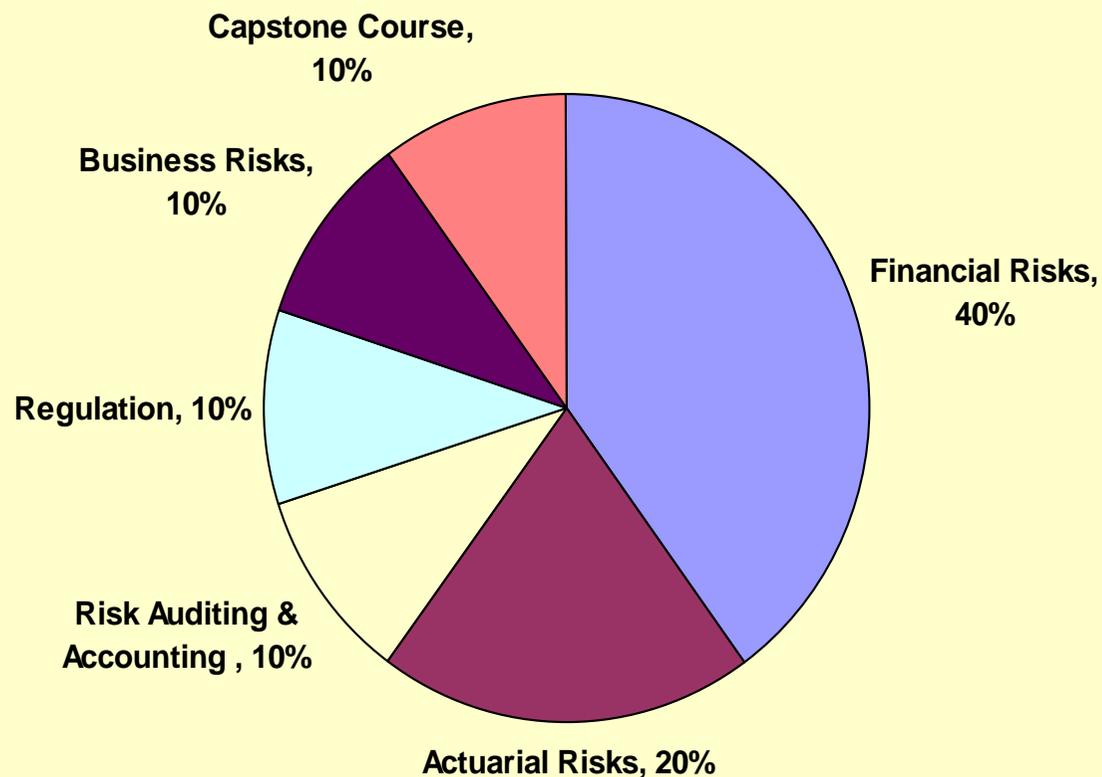
- ERMII had its first Board Meeting in NYC on Sept 25/26, 2005
- 24 participants from 5 countries (Australia, Canada, France, United Kingdom, and the U.S.)
- 8 major university programs in actuarial science and financial engineering

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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