THE CAUSES AND SOLUTIONS OF U.S. FINANCIAL CRISIS: A RISK MANAGEMENT AND PERSPECTIVE

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ABSTRACT

This paper first provides the background of the U.S. financial crisis and summarizes the causes of the crisis. We also show the solution used to stimulate the economies by various countries and steps taken to prevent another crisis from happening. A new contribution of this paper is that it provides the comparisons between Credit Default Swaps and insurance policies. Based on our analysis, this paper proposes that Credit Default Swaps should be regulated as insurance products. We also suggest that insurance companies should not bear investment risk and should let policyholders bear the investment risk. Finally, we then propose some the solutions to the crisis from risk management and insurance perspective.

KEYWORDS: Financial Crisis, Credit Default Swaps, Insurance Policies, Risk Management.