

Special Topics: Risk Management in Insurance Firms

MBAD 7090-U92

Spring 2017

Class Meetings

Tuesdays, 5:30pm-8:15pm, Center City 902

Instructor: Faith R. Neale, Ph.D.

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Office Hours: Tuesdays

Wednesdays

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10 –11:30am UNCC; Center City by appointment

10:00 – 11:30am and by appointment upon request

Course Description

The overall goal of this course is for the student to understand the operations and risks of an insurance firm and how to evaluate and manage those operations and risks in a dynamic business environment. To facilitate this understanding the following topics are covered: 1. The role of insurance firms within the financial services industry, 2. The functions of insurance firms with emphasis on operations unique to insurers, 3. Insurer financial and risk management in the complex regulatory environment and 4. Financial and strategic analysis of insurance firms.

Student Conduct

All students must be familiar with and abide by **University Policy 406, The Code of Student Responsibility** at <http://legal.uncc.edu/policies/up-406>.

All students must be familiar with and abide by **University Policy 407, The Code of Student Academic Integrity** at <http://legal.uncc.edu/policies/up-407>.

Course Objectives

1. Understand the financial industry and regulatory environment within which insurers operate.
2. Understand the management of the main functions and risks of insurance firms.
3. Interpret information contained in insurer financial statements and assess insurer strategy.
4. Analyze an insurance firm including their diversification strategy, pricing, marketing and distribution, underwriting, claims handling and liability and liquidity management.

Required Texts

Risk Management in Insurance Firms, 1st Edition, Developed for Faith R. Neale, Ph.D., The Institutes, 2013
ISBN# 978-0-89463-713-1 (RMIF)

Recommended Text

Life Insurance, 14th Edition, Kenneth Black, Jr. and Harold D. Skipper and Kenneth Black, III (BSB)
ISBN# 978-0-9858765-0-0

Required Resources

1. Additional readings as assigned.
2. *SNL Financial* data subscription located at www.snl.com. Students may sign up for this service at no cost using their UNCC e-mail address and a university computer.

Grading

The course grade will be based on two examinations – a midterm and final exam (65% of the course grade) and assignments (35%). Each of these will be graded on a scale of 1 through 100. The midterm will be worth 30% and the final exam constitutes 35% of your final course grade. The final exam will be administered according to the schedule outlined in the UNCC Final Exam Schedule. Your final grade will be based on the following scale:

90 and above = A, 80 to 89.99 = B, 70 to 79.99 = C, 60 to 69.99 = D, less than 60 = F

Exams

Exams are to be taken when scheduled. If the mid-term exam is missed and the absence is excused based on university guidelines, then you may reschedule to take the midterm before the next class period or the final exam will account for 65% of your final course grade. If the absence is unexcused then you will be given a zero for that exam. Excluding emergencies, an absence is automatically considered unexcused if advance notice, at least 24 hours prior to the exam, of the absence is not provided to the instructor.

Assignments

Students will be responsible for assignments during the course of the semester that will constitute 35% of your final course grade. Assignments may include, but are not limited to, the following topics: investments, pricing, risk transfer, claims handling, and analysis of insurer strategy, operations and financial condition. Assignments must be legible, organized, presented and written at a level consistent with graduate level work and display a high degree of knowledge and quality.

Guest Speakers and Student Presentations

Class attendance is highly recommended and required when a speaker is present. Penalties will be assessed if a student arrives late or misses a class when a guest speaker or students are presenting. Advance notification will be given when a speaker is scheduled or students are presenting. If you are **absent** during one of these classes, **3 points** will be **deducted** from your **final course grade**. If you **arrive late** for one of these classes or after a mandatory class break, then **2 points** will be **deducted** from your **final course grade**.

Class Participation

Participation in class discussion is a necessary element of this course. All students are expected to participate and respect each others' opinions.

Project

Each student is encouraged to work with one to two other students on a semester long study of an active insurance firm. Assignments relating to this insurer will be given throughout the semester and questions included in the exams. Assignments will vary from conceptual to quantitative analysis utilizing a variety of resources.

Writing Assistance

Students needing assistance with writing from the Writing Resources Center can make appointments at <https://uncc.mywconline.com/>, or stop by the **Center City satellite location in room 718**, Mondays-Thursdays 3:30-5:30. You are also welcome to utilize the WRC's online tutoring resources as well as their main campus tutoring locations. For more information, please visit <http://writing.uncc.edu/writing-resources-center>. The instructor also will also refer you to the Writing Resource Center if needed.

Class Policies

Special accommodations:	Students needing special accommodations should inform the instructor of the type of accommodation needed during the first week of class.
E-mail:	A great deal of communication is done by e-mail. Students are responsible for checking their UNCC e-mail account throughout the semester.
Cell phones:	Please use cell phones in a respectful manner. Cell phones are not allowed to be on during exams. Specifically, during an exam cell phones may not be in view of, or in contact with, any student. Violations of this policy will result in a zero on the exam. In the case of family emergencies accommodations may be made with the instructor.
Class materials and notes:	Additional materials may be provided as needed by the instructor throughout the course. If a student misses a class when this material is provided it is the student's responsibility to arrange to obtain this material from another student or from the instructor during the instructor's office hours. If you miss a day of class, lecture notes and materials should be obtained from another student.
Course communications:	The outlines for the class lectures as well as other class materials including announcements will be posted on Canvas or e-mailed to the student. It is the student's responsibility to check the Canvas website and their e-mails frequently to keep updated on the class.
Exams:	Exams generally include short answer and essay.
Laptops:	Laptops may be used during class for class purposes only and are permitted at the instructor's discretion. If the laptop becomes a distraction the student will be required to turn it off and put it away immediately upon the instructor's request. Failure to do so will result in removal from class that day. If laptop use continues to be a distraction, the instructor may prohibit their use for the remainder of the class or semester.
Turnitin.com	As a condition of taking this course, assignments and papers may be subject to submission for textual similarity review to Turnitin.com for the detection of plagiarism. All submitted papers will be included as source documents in the Turnitin.com reference database solely for the purpose of detecting plagiarism of such papers. No student papers will be submitted to Turnitin.com without a student's written consent and permission. If a student does not provide such written consent and permission, the instructor may: (i) require a short reflection paper on research methodology; (ii) require a draft bibliography prior to submission of the final paper; or (iii) require the cover page and first cited page of each reference source to be photocopied and submitted with the final paper. Therefore, students should take care when choosing group members for the project.

COURSE SCHEDULE

Risk Management in Insurance Firms

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Semester Long Readings: [Annual Report on the Insurance Industry, 2016](#) (FIO Report),
[The Financial Crisis, Systemic Risk, and the Future of Insurance Regulation](#), by Scott Harrington, Ph.D.

Week	Date	Topic
1	Jan 10 th	Overview, Evolution and Disruption in Insurance, Emerging Issues FIO Report(pp.1-53)
2	Jan 17 th	Economics of Insurance; BSB(Ch1);BSB(Ch9, pp. 191-205)
3	Jan 24 th	Risks of Financial Institutions; Insurer Management (Structure & Functions) Reading: Risk Management and the Rating Process for Insurance Companies , BSB(Ch9, pp.209-214)
4	Jan 31 st	Insurance Products; Statutory Accounting Readings: The Basics of Life Insurance (Sections 1.2-1.22) ; RMIF(Ch1)
5	Feb 7 th	P&C Financial Statement Analysis & Investment Portfolio Management Readings: RMIF(Ch2,3)
6	Feb 14 th	Life Insurer Financial Management – Reading: BSB(Ch14)
7	Feb 21 nd	Liquidity, Liability and Off Balance Sheet Risk
8	Feb 28 th	Mid-Term Exam
	Mar 7 th	UNCC Spring Break
9	Mar 14 th	Risk Diversification and Transfer – RMIF(Ch9); BSB (Ch11pp.263-267)
10	Mar 21 st	Insurer Regulation – Readings: RMIF(Ch6) & BSB(Ch12)
11	Mar 28 th	Marketing and Distribution – Readings: RMIF(Ch11) & BSB(Ch10)
12	Apr 4 th	Risk Classification and Selection – RMIF(Ch10); BSB(Ch11, pp.241-263) Capital Sources, Needs and Management – Readings: RMIF (Ch4&5)
13	Apr 11 th	Speaker, M&A Update, (TBD) Catastrophe Modeling, Rodney Smith, Lloyd’s of London Actuarial Operations: Pricing and Reserving
14	Apr 18 th	Readings: RMIF(Ch8); BSB(Ch15&16)
15	Apr 25 th	Claims Administration, RMIF(Ch7)
16	May 2 nd	Material Continued
	May 9 th	Final Exam – 5-7:30pm

The Belk College of Business strives to create an inclusive academic climate in which the dignity of all individuals is respected and maintained. Therefore, we celebrate diversity that includes, but is not limited to ability/disability, age, culture, ethnicity, gender, language, race, religion, sexual orientation, and socio-economic status.

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