BPHD 8650
Advanced Seminar in Finance: Risk Management and Insurance
Fall 2019

Instructor: Gene C. Lai, James J. Harris Chair of Risk Management and Insurance
Office: 249A Friday
Telephone: 704-687-7013
Email: glai@uncc.edu
Office Hours: Thursday 10:00 pm—11:30 pm, 3:34 – 5:15 and by appointment
Class Time: Thursday 1:00 pm—3:45 pm
Class Location: Friday 207

Course Description

- The goal of this course is to apply finance and economics theories and methodologies into risk management and insurance research. Specifically, we will cover corporate finance and risk management and insurance literature and then show how the literature is applied into the insurance industry.

- Prerequisites
  - Previous coursework: As this course is for doctoral students interested in risk management and insurances, prior exposure to graduate level corporate finance, economics, mathematics, and econometrics is assumed.

Materials

- Articles from various journal (see below).

Assessment

- Graded Components
  1. Your Project (20%): For the project, each student should prepare a write-up with
     (1) An introduction: including the potential contribution to the literature (be specific)
     (2) Hypothesis Development
     (3) A description of the data used in the analysis
     (4) A description of the empirical model

Students are encouraged to participate in study groups to discuss the projects, but coding, writing, and analysis should be performed by each student individually.

Final project: a research proposal, due on the final exam date (Dec. 1st).
2. Presentations (20%): From Session 3 on, each student will take turns presenting research articles. Normally, two assigned journal articles will be presented and discussed in each class session.

3. Critiques/Participation (20%): From Session 3 on, each non-presenting student should perform critique on (one of) the paper(s) presented. The critiques are due before the class. The non-presenting students are also expected to participate discussions.

4. Mid-term (20%) and Final exams (20%)

5. Grading Policies
   • The above graded components are equally weighted.
   • A penalty will be applied to late assignments. Extension might be given to students with a legitimate reason.
   • Grading scale: your overall numerical grade will be rounded to the nearest integer and then converted to a letter grade based on the following scale: A (90+), B (80-89), C (70-79), and U (0-69).

Presentation/Critique Guidelines

General Guidelines

Here are some questions that you should think about when you read, discuss, and referee a paper:

• What is the nature of the paper? Is it theory, methodology, or empirical? Is it normative or positive?
• What is the research question? Is it an interesting question? Does the paper motivate the question well?
• What are the major contributions of the paper?
• How does the paper answer the research question? If it is a theory paper, do the readers learn something new from the theory? If it is an empirical paper, what is its empirical strategy (data and methodology)?
• What are the main results? Are they convincing and clearly presented? Do they cause confusion or raise further questions?
• Are there biases in the estimates or inferences? Carefully examine the existence of: irrelevance of hypothesis, sample selection bias, misspecification, omitted variables, reverse causality, etc.
• What other tests might you want to see done?

Specific Presentation Guidelines

• View the presentations as formal academic finance seminar presentations.
• Each presentation is allotted roughly 75 minutes, including questions. Please plan accordingly. Typically you need at least 2-3 minutes for each slide.
• Tables are more effective than text; and diagrams are more effective than tables. Arrive the main results as soon as possible.
• Structure your slides around the items in the “General Guidelines” section. Your slides should contain the following components:

(1) Research question
(2) Motivation
(3) Related literature
(4) Summary of main results and contributions
(5) Methodology
(6) Data and results
(7) Comments, suggestions, extensions, and recent developments

Specific Critique Guidelines

• View the critiques as short version referee reports, although you do not have to prepare a cover letter suggesting editorial decision to the editor.
• Each critique should be at least 1.5 pages in length.
• Structure your critiques around the items in the “General Guidelines” section. Your critiques should contain the following components:

(1) Summary of the paper
(2) Evaluation of the contribution
(3) Strength and weakness
(4) Ways to improve the paper

Additional Information

• Email: Much out-of-class communication is done by email. Please make sure you are able to be reached via your UNC Charlotte email account.
• Disability services: UNC Charlotte is committed to access to education. If you have a disability and need academic accommodations, please provide a letter of accommodation from Disability Services early in the semester. For more information on accommodations, contact the Office of Disability Services at 704687-0040 or visit their office at Fretwell 230.
• Student conduct: All students are required to read and abide by the UNC Charlotte Code of Student Academic Integrity and the UNC Charlotte Code of Student Responsibility. Violations of the Codes will result in disciplinary action as provided in the Codes.
• Statement on diversity: 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.
Tentative Schedule

Reading List and Schedule

**How to Write and Publish Papers in International Journals**

- “How to Write and Publish Papers in International Journals” Gene Lai

**Portfolio Theories and Risk Reduction**


**Ownership Structure and Firm Performance**


**Ownership Structure, Corp. Gov. and Risk Taking**

- Theory of the firm: Managerial behavior, agency costs, and ownership structure, Jensen, Michael C., and Meckling, William H., 1976, JFE
- The market for corporate control: The scientific evidence, Jensen, Michael C., and Ruback, Richard S., 1983, JFE
Behavior Finance and Insurance

- “CEO Overconfidence or Insider Information? Evidence from U.S. Property-Liability Insurance Companies,” (Sangyong Han, Gene Lai, and Chia-Ling Ho).

Executive Compensation, Corporate Governance and Various Issues

Reserve/Earning Management


Systemic Risk


Acknowledgement: I thank Dr. Ethan Chiang for sharing many sections of his syllabus. I copy many sections from his syllabus.