

Temple University
BA 512: Managing Risk
Fall, 2002

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Office Hours: Monday and Wednesday, 1:40 - 3:00, or by appointment.

Course Objectives

The efficient management of risk confers competitive advantages to firms. Risk management occurs at every level of the firm, from strategic decision making to functions such as marketing, finance, and accounting. This course is designed to introduce the risk management process in the context of general corporate management. Each step in the process will be reviewed in detail, including identification of risk, measurement and analysis of potential impact, and appropriate treatment techniques. Risk financing options will be discussed in the context of global insurance and alternative capital markets.

The course presumes no knowledge of risk management or insurance. However, while the tools discussed are applicable to all types of risks facing a firm, we will concentrate on the class of risks known as “pure” risk events; those that pose the threat of a loss if they happen, but no possibility of a gain.

At the end of the course, you will:

- Understand the process, purpose, and role of risk management in a firm
- Understand the scope of risks facing firms
- Understand the tools used to treat risk
- Understand the role of insurance and capital markets in risk management
- Be able to apply your knowledge.

Required Readings:

1. *Risk Financing*, by Michael Elliott. The text must be ordered directly from the publisher (Insurance Institute of America), by calling 800-644-2101 and ordering item # 5602. The cost of the book is \$44.00 plus shipping.

2. Additional readings drawn from industry, public, and risk management consulting sources are also required. I have made these available electronically. These appear on the syllabus as either live links or as posts to a Blackboard folder. I reserve the right to revise the required electronic readings to reflect changes in the environment as they arise.

Course Requirements

Blackboard: You are required to access Blackboard for information on assignments and readings for the following week. The Powerpoint slides for each week will be posted here before class. I've also included links to some sites that you might find useful, and I'll post additional readings here for your information.

Class participation: The course relies on lecture, class discussion and case analysis. Therefore, class participation is very important. You are expected to come to class on time and prepared to answer questions and offer insight into the issues under discussion. Cases /projects will be assigned in advance, and all students must be prepared to discuss them. You will be working in teams for some parts of the class. Therefore, your preparation level and participation can also affect other members of your team.

Your grade will be determined by your performance on 2 homework assignments, class participation, and a final exam.

Course Grading:

Class Participation	35 points
Homework Assignments	100 points
Final Exam	65 points

Miscellaneous:

Come to class on time, and stay for the whole period. I understand that sometimes this is not possible, but those instances should be rare.

Please be considerate of your colleagues. Do not hold personal conversations when someone is speaking. If you have a question or comments about something, ask for clarification. Turn off your cell phones. As is customary in business meetings, it is acceptable to drink beverages, but eating in the classroom is not permitted at any time.

There will be no extra credit. It is not fair to the rest of the students who perform acceptably within the defined course constraints.

There will be no make-up work. Please note due dates for assignments, and make sure you meet them. Late submissions are not accepted. All assignments must be typed, of course.

Do your own work. I frown upon cheating of any sort, including cutting and pasting from websites or from other students' assignments. If I detect cheating, I will fail you for this course. No excuses accepted. Note: this has happened in the past.

Please sit in the same seat for every class. For the first few weeks, attendance will be taken by roll call so I can get to know you. Thereafter, attendance will be taken by verifying that you're in your seat.

Course Schedule and Readings

Note: Articles in **Red** are posted in the **Course Documents** section of Blackboard, those in **Blue** are live links.

Make sure you have all readings done before class.

October 30: Intro and Overview

What is risk and why does it matter?

Risk defined, goals of risk management, risk aversion as a motive.

Steps in the Process

The Role of the CRO

RF Chapter 1, pages 1-1 to 1-11.

Australia Standards Guidelines, p 1-14. Stop at "Step 3"

Profiles in Leadership

Chief Risk Officer Stepping Up

Enterprise-wide Risk Management in the Netherlands

November 6: The Process

Step 1: Set the Context

Step 2: Identify Exposures

Australia Standards Guidelines, pages 20-25

Terrorism, Dealing with the New Spectre

No Terror Coverage, No Dice

Liability Insurance Issues

<http://www.iii.org/media/hottopics/insurance/liability>

Risk Mapping: Financing Risk and Reinsurance p 3-7

Case: Internet Medical Services Exposure Identification

Assignment 1

November 13: Step 3: Measurement

Operational Risk Measurement

Enhanced Risk Mapping

Step 4: Treatment ==> Loss Control Methods

RF Chapter 1, pages 1-12 through 1-27

Are You Ready for Total Recall? <http://www.irmi.com/expert/articles/torpey002.asp>

Risk Management for your website, Jean C. Miller, IRMI
<http://www.irmi.com/expert/articles/schoenfeld003.asp>

Case : TBA

Step 4: Non-insurance Financing

RF Chapter 2 and 3

November 20: Financing: Commercial Insurance and Reinsurance

RF Chapter 4, pages 4-1 - 4-10, skim the rest of the chapter.

RF Chapter 5

RF Chapter 6. Skip pages 6-9 to 6-14

Insurance Industry Year End Results, 2001
<http://www.iii.org/media/financials/2001/yearend/>

Case: Dan's Discount

November 27, NO CLASS
Happy Thanksgiving!

December 4: Alternative Risk Transfer

RF Chapters 7 and 9

Captives: Captives 101: What Are They, and Why Do I Want One?
<http://www.irmi.com/expert/articles/mead001.asp>

Starting a captive insurance operation in Bermuda, KPMG Bermuda, 2000.
http://www.kpmg.bm/capt_ins.htm

Case: Captive Feasibility Study

Assignment 2

December 11: Finite and Integrated Financing, Securitization, and International Risk Management

RF Chapter 10, pages 10-1 - 10-10, 10-13 to 10-14, 10-20 to 10-29.

RF Chapter 11, pages 11-1 to 11-13, 11-23 to 11-32

House Subcommittee Explores Use of Capital Markets to Spread Catastrophe Risk

<http://www.insurancejournal.com/news/newswire/national/2002/10/11/23652.htm>

Political Risk:

New Risks in International Business by Ambassador L. Paul Bremer III, Viewpoint, Autumn, 2001, MMC

http://www.mmc.com/views/autumn_01_bremer.shtml

December 18: Final Exam Due

