

Temple University  
Executive MBA Program-TUJ Campus  
BA 806:Corporate Risk Management  
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#### Course Objectives

The efficient management of risk confers competitive advantages to firms. The enterprise risk management paradigm has been adopted by firms seeking to integrate the management of all risks facing the firm. The process 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 enterprise risk management paradigm in the context of general corporate management. Each step in the enterprise risk management 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.

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 exposures in an international context
- 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. Williams, C. Arthur, Michael L. Smith, and Peter C. Young, *Risk Management and Insurance*, 1998, Irwin/McGraw-Hill
2. Course Packet of readings drawn from industry, public, and risk management consulting sources.
3. Case Book containing cases for class material and discussion.

#### Course Requirements

Blackboard: You are required to access Blackboard for information on assignments and case questions for the following week. Course presentation slides will also be available here for you to pick up before class. I've 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 discuss assigned cases or other work. 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. If you must miss class, please call ahead, and also inform the other members of your team.

## Team projects

Teams will consist of between 4 and 5 people. You can form your own teams, keeping in mind that all team members will share a grade on most team projects. Team projects include informal discussion of cases, a formal presentation, and a written report. These are detailed below.

### 1. In-class case analysis and discussion:

Cases /projects will be assigned in advance, and all students must be prepared to discuss them. Each team will have an opportunity in class to present an analysis of selected case issues. Several teams will address different issues involving a particular case. This is an informal discussion. Other teams are expected to participate in the discussion. Each team will have at least two opportunities to participate in this exercise during the term of the course.

2. Each team is required to prepare a detailed risk mapping project for presentation to the class. This project involves the identification and assessment of a spectrum of risks faced by a multi-national firm. Risk mapping will be discussed in class on day 2. This is a formal presentation, and all teams will present on the last day of class. Presentations should be professional and polished, as well as interesting, and should use Powerpoint presentation software. The team will be judged on creativity, depth and breadth of analysis, ability to generate class discussion, and presentation quality.

The details of the project will be explained in class on the first day.

3. In conjunction with the risk map, each team must submit a written report that is due on the last day of class. The report should identify the firm and its environment, sources of information, the reason for choosing the risks identified, and suggested risk management techniques, including loss control and financing options. A broad classification of risks should first be undertaken, and then the focus should be narrowed to firm level analysis. For example, why were these particular risks important? Do other firms in this industry face similar risks? What information is used in mapping frequency and severity?

## Individual Assignments

There will also be two homework assignments that focus more on the objective and quantitative aspects of risk management. These will be drawn from lectures and reading assignments, and should be carefully done. More details on these will be forthcoming.

### Grading:

Formal Presentation	25%
Risk Mapping Report	20%
Informal Case analysis in class	15%
Homework	30%
Individual participation	10%

Note: Extra credit will not be given under any circumstances.

The course reading list and schedule is below. Note that readings marked FYI are not required, but you may find them interesting. These are not included in the course packet, but you can access them through the live links, or by typing the URL into your web browser.

## BA 806: Corporate Risk Management

### Topic 1. What is risk and why does it matter?

I. Overview: Risk defined, goals of risk management, risk aversion as a motive.  
Profiles in Leadership, Stephen Nickson and Laura Sullivan, *Risk Management*, September, 2000

Williams Smith & Young Ch 1, 2, 3.

II. Evolution: From Insurance Purchasing to Enterprise Risk Management  
Protecting and Enhancing Enterprise Value, MMC Enterprise Risk.

Taking a Strategic Look at Risk, James M. Connolly, *Viewpoint*, Winter, 1996, MMC

Chief Risk Officer Stepping Up, Charles R. Lee, *Risk Management*, September, 2000

FYI:

Total Cost of Risk: A Forward Thinking Approach  
[http://www.mmc.com/views/98sum.total\\_cost.shtml](http://www.mmc.com/views/98sum.total_cost.shtml)

Enterprise Risk Management: Old Knowledge with a New Name  
<http://www.deholdings.com/pdf/ERMpaper1000.pdf>

### Topic 2. The Risk Management Process

#### I. Overview

*Rethinking Risk Financing*, Carolyn Helbling, Georg Fallegger, and Donna Hill, 1996, Swiss Re.  
p. 12-15

The New Paradigm for Risk Managers, *Aon Insights*, Investigating Enterprise Risk Management:  
Part 1, 2000, Edition 1. NOTE: The full article can be found at  
[http://www.aon.com/intelligence/pdf/insight/Insights\\_1\\_2000.pdf](http://www.aon.com/intelligence/pdf/insight/Insights_1_2000.pdf)

II. Step 1: Set the Context and Goals, Develop the RM Policy Statement  
WSY Ch 15, p 349-357

III. Step 2: Identify Exposures: Choose the team and level of analysis  
WSY Ch p 64-70

### Topic 3. Specific Exposures

I. Financial Assets  
WSY Ch 6 (Browse)

Financial Risk Management Terms, Contingency Analysis Glossary,  
(See <http://www.contingencyanalysis.com/> for a comprehensive glossary)

FYI: <http://newrisk.ifci.ch/134800.htm> Analyzing Sumitomo : Discusses the Effects of Rogue Trading at Sumitomo

II. Property Exposures:  
A: Classes, Perils, and consequences.  
WSY Ch 5

B: Global Catastrophe Losses

The First 55 Hours: The Great Hanshin Earthquake: January 17, 1995

(For more details and photos, go to [http://incede.iis.u-tokyo.ac.jp/Newsletter/hanshin/Hanshin\\_new/hyogo\\_ken\\_nanbu\\_earthquake.htm](http://incede.iis.u-tokyo.ac.jp/Newsletter/hanshin/Hanshin_new/hyogo_ken_nanbu_earthquake.htm))

Annual Review of Natural Catastrophes 1997, Munich Re,  
from <http://www.riskcommunity.org/munichre/annrev.html>

FYI:

Natural catastrophes and man-made Disasters in 1999, Swiss Re, *Sigma* 2, 2000  
<http://www.swissre.com/e/publications/publications/sigma1/sigma060300.html>

III. Liability Exposures:

A. Liability Rules, and Potential Consequences in International Markets  
WSY Ch 8

Tort Reform and Mass Torts: Tobacco as an Example, Joan T. Schmit, *Risk Management and Insurance Review*, Summer, 1998. 64-75.

B. Product Defect

Product Liability Claims in Europe, Susan Narita, 1996, Swiss Re p 4-27.

Are You Ready for Total Recall? A Guide to Product Recalls and the Insurance That Covers Them, Daniel Torpey, IRMI

<http://www.irmi.com/expert/articles/torpey002.asp>

C. Environmental:

Taking a broad view when managing environmental risks, William Kronenberg III, ECS, 2000.

Case: Environmental Risk Management at Chevron, HBS, 799-062, pages 1-6, and Exhibits 1-9

D. Employment Practices

New opportunities and the development of European employment practices exposures, James J. Low, Swiss Re, 1999. p 7-20.

FYI:

Employment Practices liability: Practical Risk Management  
<http://pracrisk.com/visitor/G-19.html>

E. Worker Injuries

WSY Ch 9

Topic 4. Identification tools

I. Overview

WSY Ch 4, p 70-87

II. Risk Mapping

Risk Mapping: A Visual Experience, M. Michael Zuckerman

Invaders From Cyberspace, *Best's Safety and Security Directory*, Chapter 14, 2000 edition

E-merging Risks: Operational Issues and Solutions in a Cyberage: By Emily Q. Freeman, *Risk Management*, July, 2000

FYI:

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

#### Topic 5. Measurement of Exposures

I. Data and Estimation  
WSY Ch 10

II. Risk Management Information Systems  
Compare Risk Simulators

FYI: Other approaches  
Value at Risk Resources

<http://www.gloriamundi.org/var/FAQ.html>

FYI: Quantifying Event Risk: The Next Convergence

[http://www.netrisk.com/downloads/publishedarticles/Journal of Risk Finance Article - Spring 2000.pdf](http://www.netrisk.com/downloads/publishedarticles/Journal%20of%20Risk%20Finance%20Article%20-%20Spring%202000.pdf)

#### Topic 6. Treatment: Loss Control Methods

WSY Ch 11

A Safe Business is a Better Business, Spencer Toomey, *Best' Safety and Security Directory*, Chapter 2, 2000 edition

Case: Environmental Risk Management at Chevron, HBS 9-799-062, p 7-11, Exhibits 10-12

#### Topic 7. Financing: Non-insurance

WSY Ch 12, Retention, Securitization, and Hedging

#### Topic 8. Financing: Insurance

I. Overview: The mechanism and contract terms  
WSY Ch 16, 19, 20

II. Global Markets

The Global Property and Casualty Insurance Industry: HBS, 9-296-033

Deregulation of the Japanese Insurance Market: Part 1 and 2 by James Nash, *Guy Carpenter Views*, 2000.

III. Reinsurance

1. The mechanism
2. Global markets

A.M. Best Special Report, Reinsurance: A Time for a Change

FYI

Restoration Operation, Best's Review, November, 2000  
[http://www.bestreview.com/2000-11/is\\_restoration.html](http://www.bestreview.com/2000-11/is_restoration.html)

IV. Captives and Alternative Risk Transfer (ART)

Starting a captive insurance operation in Bermuda, KPMG Bermuda, 2000.  
(The complete article can be found at [http://www.kpmg.bm/capt\\_ins.htm](http://www.kpmg.bm/capt_ins.htm))

State of the ART: New Trends in Risk Financing, Brent Clark, IRMI 2000.

FYI

The Art of the Deal at <http://www.bestweek.com/reports/global/theart.pdf>

#### Topic 9: Convergence: Catastrophe Options

Capital Market Instruments for Financing Catastrophe Risk: New Directions, 1998, Christopher M. Lewis and Peter O. Davis, *Journal of Insurance Regulation*, 17: 110-133.

The Insurance Link to Securities: Securitization, Part I, J. David Cummins, *Risk Management*, August, 1999.

Making the Most of Capital Markets: Securitization, Part II, John J. Kollar, *Risk Management*, August, 1999.

Case: USAA: Catastrophe Risk Financing, HBS, 9-298-007

FYI

*PCS Options, A User's Guide*, 1999 published by the Chicago Board of Trade

#### Topic 10: Crisis Management

Introduction to Crisis Management, Laurence Barton, 1993, *Crisis in Organizations: Managing and Communicating in the Heat of Crisis*, Southwestern Publishing: Cincinnati OH.

The Ten Steps of Crisis Communications, Jonathan Bernstein, Bernstein Communications, 2000.

The Biggest Mistakes in Crisis Communications, Jonathan Bernstein, Bernstein Communications, 2000.

Case: Crisis Management: The Way Out of the Catastrophe, 1997, Christian Brauner

#### Topic 11: Integration

Case: Honeywell, Inc. and Integrated Risk Management, HBS, 9-200-036.