



The University of Texas at Austin
McCombs School of Business

RM 377: PROPERTY AND CASUALTY RISK MANAGEMENT AND PLANNING

Professor: Dr. Patrick L. Brockett.
Gus Wortham Chaired Professor of Risk Management
Director of Risk Management Program
Director of the Center for Risk Management and Insurance
Professor of IROM, Finance, and Mathematics

Office: GSB 6.428
Class Hours: T Th 8-9:30
Classroom: UTC 4.122
Office Hours: T Th 10-11

E-mail: brockett@mail.utexas.edu
Phone: 293-1009 (my cell)

Teaching Assistant: Shuo-Li Chuang (E-mail: Shuo-Li.Chuang@phd.mcombs.utexas.edu)
Please copy her on all correspondence. She will record all scores so if an assignment does not get to her you do not get credit.

Texts

	<p>Book: Risk Management for Enterprises and Individuals, v1.0 Authors: Etti Baranoff, Patrick Lee Brockett, and Yehuda Kahane ISBN: 978-0-9823618-0-1 Flatworld Publishers</p> <p>You may read the book for free online at the following link: http://www.flatworldknowledge.com/node/340209 Alternatively, you can search for your course right from http://www.flatworldstudents.com You can find your class using your name, your course name or Institution, and you can also order a printed or electronic copy here. You can also get your book in the bookstore if you want This following URL is unique for the class: http://www.flatworldstudents.com/course?cid=340209&bid=29698</p>
--	--

COURSE OBJECTIVES

The ability to transfer risk from corporations and individuals who do not desire to handle such risks to those who are better capable to handle the financial consequences of the risks is a primary reason that has allowed for the growth of the capitalistic market system of enterprise. Without this ability, banks would not loan money to corporations (or individuals) and firms would run the risk of insolvency due to random accidents, fires, lawsuits, and other vagaries beyond their control such as the differences between cash flow into and out of the corporation. One need only look to the economic repercussions of the financial liquidity (and credit) crisis of 2008-2009 to see the effects of not controlling for such risks ahead of time. Similarly, the 9-11-

01 terrorism tragedy has impacted the real estate and large office space developing industry, and the ability of the aviation industry to continue in light of the reluctance of the insurance industry to accept such risks without governmental assistance. Medical malpractice lawsuits have had a profound impact on the cost and availability of health care, and liability lawsuits have created a loss of insurance in some industries which has affected the availability of products (e.g., asbestosis, certain pharmaceuticals, even hot coffee to go in a drive through), and processes (e.g., environmental liabilities for underground storage tanks).

The control and management of risks using techniques other than the insurance vehicle is also very important. For example, hedging, hold harmless contracts, and capital market solutions to risk transfer. Among the risks considered in this class will be automobile liability, workers' compensation, physical damage indemnification, builder's risk policies, punitive damage lawsuits, employment liability lawsuits, and environmental pollution liability. The course also addresses a number of other important public policy issues, such as regulation, international competition, and the concept of a "fair price" for consumers (a topic of substantial interest to the Texas legislature as issues associated with the cost and availability of homeowners insurance policies and the cost of hurricane loss coverage, as well as the "fairness" of using credit scoring to set an individual's insurance rates are top priority).

The course is designed to be accessible to students with no previous course work in *RM*.

In addition to the class readings, guest speakers will bring a "real world" perspective to the class.

EVALUATION

Your final grade will be determined as follows:

<u>COMPONENT</u>	<u>PERCENT</u>
Homework and class participation	10%
Three Examinations worth 25% each	75%
Research Paper	15%

Homework will include a written summary of any guest speakers' presentations as well as assigned homework. The examinations will be administered in class at times announced in advance, The first test will be on Tuesday February 22, 2011, the second on March 31, 2011, and the third will be on April 26. A brief description of their research paper will be presented in class by the students (part of homework/class participation grade) at the end of the semester. The research paper is due on April 7, 2011. Further information on the research paper, potential topics, and examples of previous "A" papers will be given class. There will be no final exam.

Actual letter grades for the course will be determined on the basis of (1) the performance of

the student relative to the class, and (2) certain minimum standards.

Term Paper Description

The term paper will be on a topic of your choice related to managing property or liability risk for individuals or enterprises (including not-for-profit enterprises). The paper topic is not to be merely an “overview” or “encyclopedia” paper, but rather should address some issue of current interest or controversy (e.g., products liability exposure differences across the world and its impact on outsourcing viability, comparison of privatization of social security versus governmental based pension systems in developed countries, ethical issues associated with insurance, the effect of intellectual property rights differences among countries and their impact on the competitiveness of the USA industries, etc.). I will hand out a list of potential topics and will distribute examples of “A” papers from previous classes. You may, however, choose any topic aligned with your own interests (e.g., you might choose kidnapping and ransom insurance if you have a particular interest in this, or the transition to international accounting standards (and the corresponding impact of this on risk disclosure) if interested in this, or supply chain risk management, or exchange traded basis risk handling, etc.)

The paper itself will be ten to twelve pages long (excluding the works cited page) with a minimum of eight references used and cited in the text. References must have majority of references which are from either academic journals or books, or from reputable newspaper magazines (Newsweek, Time, Business Week, etc., although these may be taken from the online versions), although these may be gathered electronically. Unauthenticated internet sources are acceptable in some circumstances, but cannot constitute the bulk of your references, and it is your responsibility to check the truth of the statements found if not using a reviewed web-site. **Format, grammar and structure will count.** There must be sectioning, paragraphs, etc. See a style manual such as MLA if you are uncertain as to style. The undergraduate writing center in the Flawn Center will be useful to you in completing this and I strongly urge you to use this resource.

Further Specifics on the Research Paper.

The paper should be written as an academic research paper, with titles, section headings, appropriate paragraphing, an introduction (stating your thesis), and a conclusion section. Margins should be reasonable (1 inch), and a 10-12 point font used. Look to your cited references for a format template. The *Journal of Risk and Insurance* format is a very appropriate format to emulate.

Plagiarism will not be tolerated. Any borrowed ideas, quotes or figures used in the paper must be referenced by authors’ last names and year of publication. For example, “RIDITs represent a very old idea and are closely related to distribution free methods” (Bross 1958, p19). If you turn in a paper without proper referencing, you will be severely marked down (at least one letter grade e.g., an A to an A-). The references in the reference section are to be listed alphabetically by last name of the first author. Examples are given below.

- **Books**

One author:

Koerner, Joseph Leo. 1993. *The Moment of Self-Portraiture in German Renaissance Art*. Chicago: University of Chicago Press.

More than one author:

Cowlshaw, Guy, and Robin Dunbar. 2000. *Primate conservation biology*. Chicago: University of Chicago Press.

Editor(s) or compiler(s):

Panjer, Harry H., eds. 1998. *Financial Economics: With Applications to Investments, Insurance, and Pensions*. Schaumburg, Ill: The Actuarial Foundation.

Company or organization as author:

Blue Cross and Blue Shield of Michigan (BCBSM). 1987. "Participating Hospital Agreement." Detroit: BCBSM. [Citation in text would read: (BCBSM 1987)]

U.S. Prospective Payment Review Commission (ProPAC). 1991. *Annual Report to Congress*. Washington, DC: U.S. Government Printing Office. [Citation would read: (ProPAC 1991)]

Parts of books (articles in an anthology, chapters, introduction, etc.):

Twaddell, W. Freeman. 1957. A note on Old High German umlaut. In *Readings in linguistics I: The development of descriptive linguistics in America, 1925-56*. 4th ed. Edited by Martin Joos. Chicago: University of Chicago Press.

- **Journals**

Brown, Robert L., Robin Damm, and Ishmael Sharara. 2001. "A Macro-economic Indicator of Age at Retirement," *North American Actuarial Journal* 5(2): 1-10.

- **Magazines and Newspapers**

With an author:

Cynthia Schreiber, "Overture, EarthLink Decline in New-Stock Selloff," *The Wall Street Journal*, 11 July 2003, Money and Investing section.

Without an author:

Euroweek. 1997. "CSFB, Winterthur Storm Swiss CB Sector with First Catastrophe-Linked Bonds," (Jan. 17): 5.

- **Working Papers, Technical Reports, and Ph.D. Dissertations:**

Amundin, M. 1991. Click repetition rate patterns in communicative sounds from the harbour porpoise, *Phocoena phocoena*. Ph.D. diss., Stockholm University.

- **Personal Communications:**

Rich, Colonel William. Interview by author. Tape recording. Boston, Mass., 3 March 2001.

- **Online References (use date citation was found):**

Individual Life Insurance Experience Committee (ILFEC). 2001. "Report of the ILFEC: Mortality Under Standard Individually Underwritten Life Insurance between 1990 and 1991 Anniversaries," *Transactions of the Society of Actuaries*. Online at <http://www.soa.org/research/91ilreport.html>.

Note: When quoting material from another publication, you must include the page number(s) of the quote in the citation (Smith 2001, p. 20). **You must have references in the body of the paper.** Every paper in the references should appear in the text, and vice versa.

I will check for plagiarism!!!

Academic Dishonesty

The McCombs School of Business has no tolerance for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the Policy Statement on Scholastic Dishonesty for the McCombs School of Business:

By teaching this course, I have agreed to observe all of the faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe all of the student responsibilities described in that document. If the application of that Policy Statement to this class and its assignments is unclear in any way, it is your responsibility to ask me for clarification. Policy on Scholastic Dishonesty: Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course and/or dismissal from the University. Since dishonesty harms the individual, all students, and the integrity of the University, policies on scholastic dishonesty will be strictly enforced. You should refer to the Student Judicial Services website at <http://deanofstudents.utexas.edu/sjs/> or the General Information Catalog to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty. If you use words or ideas that are not your own you must cite your sources. Otherwise you will be guilty of plagiarism. Plagiarism is considered to be academic dishonesty. Examples will be given in class.

Class Web Sites and Student Privacy

In order to keep you apprised of all course information easily, and so you can monitor your test results quickly, this class will use a Blackboard Website. To access the site, go to <http://courses.utexas.edu>. The site is password-protected. You will be asked to enter your UTEID to enter. Alternatively, enter UTDirect and follow the links for Academic Services and Course Web sites. The syllabus and project information will be posted to Blackboard, <http://courses.utexas.edu/>, under "Assignments". In addition, test grades will be posted to Blackboard so that at any point in the semester you can access your current grade status. Other site activities could include exchanging e-mail, engaging in class discussions and chats, and exchanging files. Class e-mails will also be sent to you through Blackboard to update any class information, including guest speakers. Therefore, it is very important that you maintain correct, current email information with the University, as it is your University information that Blackboard uses. It is your responsibility to check your e-mails in a timely manner and check Blackboard for new postings. Your professors cannot update your UT e-mail. You must do that directly with UT, and if your e-mail is not current with UT centrally, you will not get updates and certain class handouts before class since class e-mail rosters are a component of the site. Students who do not want their names included in this electronic class roster must restrict their directory information in the Office of the Registrar, Main Building, Room 1. For information on FERPA related issues see <http://registrar.utexas.edu/students/records/ferpa/> The following link provides the complete University policy on the use of e-mail. <http://www.utexas.edu/its/policies/emailnotify.html>.

Students With Disabilities

The University of Texas at Austin provides upon request appropriate academic accommodations for qualified students with disabilities. For more information, contact the Office of the Dean of Students at 471-6259, 471-4641 TTY.

Cell Phones and Computers.

Cell phones must be put away during class and computers should be used only for note-taking.

Religious Holy Days

A student who will miss classes or other required activities, including examinations, for the observance of a religious holy day should inform me as far in advance of the absence as possible, so that arrangements can be made to complete any missing assignment within a reasonable time after the absence.

Day-by-Day Readings and Assignments (Specifics To Be Adapted to Class)

DATE	LECTURE TOPIC	ASSIGNMENT
Tuesday, January 18	Orientation to the class, what is risk?	Read Ch 1 <u>Risk Man.</u>
Thursday, January 20	Class Discussion of risk concepts & metrics	Read Ch 2 <u>Risk Man</u>
Tuesday, January 25	Discussion of risk metrics and measurement	Read Ch 3, <u>Risk Man</u>
Thursday, January 27	Continued discussion of risk, attitudes and measurement	Read Ch 4 <u>Risk Man</u>
Tuesday, February 1	Risk, attitudes and decision making under uncertainty	Read Ch 5 <u>Risk Man.</u>
Thursday, February 3	Enterprise Risk Management	
Tuesday, February 8	Enterprise Risk Management	Read Ch. 6 <u>Risk Man.</u>
Thursday, February 10	Insurance as a risk handling technique	Read Ch 9 <u>Risk Man.</u>
Tuesday, February 15	Fundamental concepts underlying insurance	Turn in Term Paper Topic, read ch 10 <u>Risk Man.</u>
Thursday, February 17	Structure of insurance	
Tuesday, February 22	EXAM 1	Read Ch 11 <u>Risk Man.</u>
Thursday, February 24	Managing Property risk	
Tuesday, March 1	Managing Property risk	Read Ch 12 <u>Risk Man.</u>
Thursday, March 3	Managing liability risk	
Tuesday, March 8	Managing liability risk	
Thursday, March 10	No formal class meeting- use time for research paper sources	Work on research paper
March 14-18	SPRING BREAK	<i>Have a great break</i>
Tuesday, March 22	5 sources for research paper due, Multi-risk contracts	Read Ch 13, Risk Man
Thursday, March 24	Multi-risk contracts-Automobile policies	Read Ch14, Risk Man
Tuesday, March 29	Multi-risk contracts- businesses	Read Ch 15, Risk Man
Thursday, March 31	EXAM 2	
Tuesday, April 5	Workers compensation issues	Read Ch16, Risk Man
Thursday, April 7	Group insurance- Research Paper due	Read Ch 20, Risk Man
Tuesday, April 12	Pension liability	Read Ch 21, Risk Man
Thursday, April 14	Managing Catastrophic risks	Read handouts
Tuesday, April 19	Risk Communication	Read handouts
Thursday, April 21	Crisis management	Read handouts
Tuesday, April 26	EXAM 3	
Thursday, April 28	Student presentations concerning their research papers	
Tuesday, May 3	Student presentations concerning their research papers	

Thursday, May 5	Topics on the future of risk-Environmental risk, sustainability and financial risk	
-----------------	--	--