COLLEGE OF CHARLESTON
SCHOOL OF BUSINESS
COURSE SYLLABUS

FINC 385, Spring 2017
Principles of Risk Management and Insurance
Mondays & Wednesdays 5:30 to 6:45 p.m., Room 320-Beatty
Prerequisites: Junior or Senior standing & Business Statistics

Instructor: Prof. Peter Alan Smith

Home Office telephone: 843 577 9707
Email: smithpa@cofc.edu Or psmith05@post.harvard.edu
Office Hours: by appointment
As a full-time working professional, and With the varied work schedules of most students and faculty, fixed office hours are generally inconvenient for all. As a result, I have provided my home telephone number. If you would like to meet with me, let me know and we will arrange a mutually satisfactory time. For some students, telephone "meetings" are easier. To this end, you may call me at home during reasonable hours (i.e., before 9:00 p.m.).

Emails: I regularly send emails to convey assignments, important dates and messages. It is important to regularly check your email account for such messages.

Textbooks:
The following Textbooks must be purchased:

ISBN-10: 0538450150

Hubbard, Douglas W., “The Failure of Risk Management”: Why It's Broken and How to Fix It, John Wiley & Sons, 2009,

ISBN: 978-1-118-53927-9


Ariely, Dan, “Predictably Irrational”: The Hidden Forces That Shape Our Decisions, Harper Collins publishers
ISBN: 006135323X

The daily reading of the Wall Street Journal is required. It is accessible via the school’s library network or for a deeply discounted student rate. Student subscriptions can be found at: www.wsj.com/studentoffer
Students will be asked to bring a Wall Street Journal article of interest on a particular class related topic for presentation and discussion. **An oral presentation** of 5 to 7 minutes will be required of each student expanding on the articles premises. Topics will be discussed in class, but I would prefer that you bring insights from your own career interests to the presentation.

**Reading assignments:** The "Fundamentals of Insurance" textbook is basic and straightforward. Each assigned chapter constitutes a subject that we will discuss at length in class. I will highlight important terms within the book as we go along. "The Failure of Risk Management" is a brilliantly written book on a subject that has come under strong and well deserved scrutiny in the past few years. I believe its contents will be a resource for all business students and graduates for years to come. Some of the math might seem rather complex for some students. But since this is a "principles" course, I expect students to learn the underlying concepts pertaining to risk management. I want students to come away with a broad understanding of how risk management works and how to avoid its pitfalls. Douglas Hubbard’s other master-work, "How To Measure Anything", still the #1 best seller in Amazon’s Business Math ranking, will be studied concurrently with his risk management book. There is no finer authority on risk, uncertainty, and applied metrics available today. Great news! Douglas Hubbard has agreed to respond to emailed questions regarding topics on his two books. They must be very pertinent and well thought out and cc'd to me. **Extra credit** will be given to any student who receives a response from Mr. Hubbard. His email address is: dwhubbard@hubbardresearch.com

"The Logic of Collective Action” by Mancur Olsen remains one of the great works on group behavior whether for business, government, or social dynamics. I will cite it throughout the course and weave it into most themes. Students who can bring Olsen’s work into their own efforts will be accordingly rewarded.

Dan Ariely, author of “Predictably Irrational,” has made the growing field of Behavioral Economics more easily understood for the average business person. This work has challenged many conventions about rational behavior, especially within the business, economics and risk management realms. I hope that some students will find the book so compelling that they will read the remaining chapters on their own.

**Guest lecturers**
I have lined up many guest lecturers to speak on topics of their expertise. Their availability might vary; therefore, dates are subject to change. Speaker topics to be covered include:

- Life
- Property and Casualty
- Lloyd’s of London
- Captive and Reinsurance Markets
- Maritime
- Establishing an Agency
- IT/Social Media Risk
- Insurance Fraud
- Insurance Careers
FORMAT FOR YOUR ESSAY:

An essay on the Calibration Exercises of Chapter 5 in “How to Measure Anything” is due in late April. It should be around 5 pages (not including bibliography). I do not need a paper hard-copy. Electronic media, Microsoft Word documents (*.doc/docx) or (*.txt for non-MS products) can be emailed to me, or Transmitted to me via a portable drive. Double space, with a 12 point font, and cite your sources. When in doubt about whether to acknowledge the work of others, always opt to cite it! Occasionally, I will print out a paper for my colleagues.

COURSE DESCRIPTION:

Risks and uncertainty are pervasive in every aspect of business and life. The field of insurance is as wide ranging as life itself. We are going to make the concept of Risk more tangible. We are going to examine many diverse types of insurance products and Risk Management procedures. Some of these are very worthwhile, while others are marginally beneficial, and others are unethical or useless. Some are even worse than useless. We will learn about many of these products and procedures from the Corporate, Agent or client perspective.

Professionals in the insurance and risk management arenas have developed their own terminologies. There are many unique words used to describe insurance contracts, coverage and risk management techniques. Acronyms are widespread. Use of insurance and risk management terminology will be encouraged in class, on exams and assignments. Much of your grade will develop from your mastering this vocabulary! Between the basic study of insurance products and the steady absorption of risk management dynamics, you will be thoroughly immersed in the fascinating world of Risk Management and Insurance!

COURSE Goals:

By the completion of this course, You will:
- Gain knowledge of a wide range of insurance products and terminologies
- Become more calibrated in making estimations and predictions
- Understand The psychology of risk with regard to statistics and behavioral economics
- Determine the inherent risks present in your academic field of study or interest
- Learn how to properly measure and model risks
- Understand the use of lobbying and pressure groups to mitigate risk or attain benefits
- Be exposed to a wide range of insurance and risk management careers
- Learn to avoid the pervasive range of risk management misconceptions and traps
METHOD OF EVALUATION AND GRADING SCALE:

Your grade will be determined by the following.

- Mid-term Examination 20%
- Final Examination 30%
- In-class Oral Presentation 20%
- Essay 20%
- Class Participation 10%

I take attendance. Absences will be excused by providing the required documentation. If you are ill, obtain the verification from the Student Health Services. If you are representing our school athletically or academically, have the related college authority contact me at least one week before the event. I will make “reasonable accommodations.” Examples of reasonable accommodations might include: rescheduling an exam, altering presentation times, or flexibility in assignment submission dates. Regardless of any accommodation granted, students are responsible for satisfying all academic objectives, requirements, and prerequisites. I will ascertain whether both excused and unexcused absences count in determining the basis for a grade of “WA,” which stands for “withdrawn excessive absences” and is equivalent to a failing grade. Attendance will be factored into your class participation grade along with take home quizzes and class interactions.

OUTLINE OF COURSE CONTENT:

This course outline provides a general plan for the course; deviation may be necessary. Any schedule change will be announced in class and emailed to you. You are responsible for the announced change regardless of whether you are in class at the time of the announcement. This includes announcements made the first night of class. Not having received the emails in time is not an excuse!
Spring, 2017 Tentative Course Calendar

Wednesday, January 11
Lecture #1 Introduction, Take home quiz Assignment #1 will be given, due on Wednesday, January 18.

Wednesday, January 18
Lecture #2 The Basics - We will begin a discussion on important terminologies.
  Chapter 1 in “Fundamentals of Insurance”
  Chapter 1 in “Failure of Risk Management”
Take home quiz Assignment #2, on Auto Insurance web sites, given, due on Wednesday, January 25.

Monday, January 23
Lecture #3 More basic terms & Auto Insurance
  Chapter 2 in “Fundamentals of Insurance”
  Chapter 1 in “How to Measure Anything”
Take home quiz Assignment #1 is Due

Wednesday, January 25
Lecture #4 Automobile & Homeowners Insurance
  Chapters 2 & 6 in “Fundamentals of Insurance”
  Chapter 2 in “Failure of Risk Management”
Take home quiz Assignment #2 on Auto Insurance web sites is due. Take home quiz Assignment #3 given on Group Think, due Monday, February 6.

Monday, January 30
Lecture #5 Homeowners Insurance
  Chapter 6 on Homeowner's Insurance, “Fundamentals of Insurance”
  Chapter 2 in “Failure of Risk Management”

Wednesday, February 1
Randy Beaver, Health, Safety and Emergency Manager for the College of Charleston will be a guest speaker
  Chapter 6 on Homeowner's Insurance, “Fundamentals of Insurance”
  Chapter 2 in “How to Measure Anything”

Monday, February 6
Lecture #6 Workers Compensation & Disability Insurance
  Chapter 4 in “Fundamentals of Insurance” on Worker’s Compensation.
  Chapter 8 in “Fundamentals of Insurance” on Disability
  Chapter 3 in “Failure of Risk Management”
  Chapter 3 in “How to Measure Anything”
Take home quiz #3 on Schiller “Group Think” article is due. Take home quiz #4, providing your presentation topic and article url, is announced, due Monday, February 22.

Wednesday, February 8
Paul Steadman, C of C School of Business Board member and Commercial Lines Insurance agent/broker will discuss his work.
  Chapter 3 in “Failure of Risk Management”
  Chapter 3 in “How to Measure Anything”
Monday February 13
Lecture #7 Collective Action & Health Care
Pages 1 - 21, & 148 - 159 in Olsen’s “Logic of Collective Action”
Chapter 3 in “The Fundamentals of Insurance” on Health Care.
Chapter 4 in “The Failure of Risk Management”
Chapter 3 in “How to Measure Anything”

Wednesday, February 15
Mid-Term Examination, 5:30 – 6:45 p.m.*
Bring #2 pencil for Scantron sheets!

*Please note that no one can leave the room until they hand in their exam!

Monday, February 20
Billy Mills, Director of Wells Fargo Property & Casualty Southeast Region will discuss Commercial Lines Insurance.

Wednesday, February 22
Jenny Hilton from Roanoke Trade will talk with us on Maritime Risks and Insurance.
Take home quiz #4, providing your presentation topic and article url, is due.
Presentation Schedule announced shortly thereafter.

Monday, February 27
Jamey Mellis from Computer Solutions will discuss Information Technology risks

Wednesday, March 1
Margaret Fleming and Bryan Beason, Special Claims Investigators for Farm Bureau Insurance, will discuss Insurance Fraud.

Monday, March 13
Oral Presentations Round 1
Chapter 5 in “The Failure of Risk Management”
Chapter 4 in “How To Measure Anything”

Wednesday, March 15
Oral Presentations – Round 2
Chapter 5 in “The Failure of Risk Management”
Chapter 4 in “How To Measure Anything”

Monday, March 20
Oral Presentations - Round 3
Chapter 5 in “The Failure of Risk Management”
Chapter 4 in “How To Measure Anything”

Wednesday, March 22
Oral Presentations Round 4
Take Home Quiz#5 Persi Mathematician given, due on April 3.

Monday, March 27
Oral Presentations – Round 5
Wednesday, March 29
Oral Presentations – Round 6

Monday, April 3
Lecture #8, Life Insurance
Chapter 7 on Life Insurance in “Fundamentals of Insurance”
Chapter 6 in “The Failure of Risk Management”
Chapter 5 “How to Measure Anything”

Wednesday, April 5
Lecture #9, Life Insurance
Chapter 7 on Life Insurance in “Fundamentals of Insurance”
Chapter 7 in “The Failure of Risk Management”

Monday, April 10
Fran Johnson from Johnson & Johnson will discuss their Surplus Lines Business, Lloyd’s of London, and corporate hiring practices.
Chapter 8 The Failure of Risk Management

Wednesday, April 12
Lecture #10 Captives 101
Chapter 6 How to Measure Anything

Monday, April 17
Guest speaker, Douglas Hubbard, author of our 2 textbooks will discuss Decision Research, Risk Management and life’s unlimited possibilities.
Chapters 1-6 How to Measure Anything
Chapters 1-8 The Failure of Risk Management

Wednesday, April 19
Captive Guest Lecturer
Chapters 1 & 2 of Ariely’s “Predictably Irrational”

Monday, April 24
Mike Veeck, Owner of the Charleston Riverdogs will tell us Why he hates Insurance!
Confidence Interval essay is due! There are severe late penalties!!

Wednesday, April 26
Lecture #11 Bringing It All Together
Chapters 1 & 2 of Ariely’s “Predictably Irrational” must be completed.
Chapter 8 in “The Failure of Risk Management”
Chapter 6 in “How to Measure Anything”
Wednesday, May 3  
Final Examination, 4:00 to 7:00 p.m.  
Room 320  

*Please note that no one can leave the classroom during an exam, for any reason, until they have finished their work and handed in the exam. This also applies for the Mid-Term Exam*

**Academic Honesty:**

Lying, cheating, attempted cheating, and plagiarism are violations of our Honor Code that, when identified, are investigated. Each incident will be examined to determine the degree of deception involved.

If an infraction is based upon a student’s misunderstanding, a written intervention designed to help prevent the student from repeating the error will be given to the student. The intervention, submitted by form and signed both by myself and the student, will be forwarded to the Dean of Students and placed in the student’s file. Cases of suspected academic dishonesty will be reported directly by myself and/or others having knowledge of the incident to the Dean of Students. A student found responsible by the Honor Board for academic dishonesty will receive a XF in the course, indicating failure of the course due to academic dishonesty. This grade will appear on the student’s transcript for two years after which the student may petition for the X to be expunged. The student may also be placed on disciplinary probation, suspended (temporary removal) or expelled (permanent removal) from the College by the Honor Board.

Students should be aware that unauthorized collaboration--working together without permission--is a form of cheating. Unless I specify that students can work together on an assignment, quiz and/or test, no collaboration during the completion of the assignment is permitted. Other forms of cheating include possessing or using an unauthorized study aid (which could include accessing information via a cell phone or computer), copying from others’ exams, fabricating data, and giving unauthorized assistance.

**Research** conducted and/or papers written for other classes cannot be used in whole or in part for any assignment in this class without obtaining prior permission from me.

Students can find the complete Honor Code and all related processes in the *Student Handbook* at http://studentaffairs.cofc.edu/honor-system/studenthandbook/index.php

**Academic Assistance:**

Assistance offered in the College Skills Writing Lab and Speaking/Presentation Lab located in the Center for Student Learning (Addlestone Library, first floor). Trained writing consultants can help with writing for all courses; they offer one-to-one consultations that address everything from brainstorming and developing ideas to crafting strong sentences and documenting sources. For more information, please call 843.953.5635 or visit http://csl.cofc.edu/labs/writing-lab/.

**Disabilities:**

Suffice it to say that I am very aware of disability issues. Students approved for SNAP Services are instructed to meet with each of their professors during the first two weeks of classes or as soon as they are approved for services to discuss accommodations and present a copy of their SNAP-issued Professor Notification Letter (PNL). It is the student’s responsibility to initiate discussion regarding accommodations that may be needed.
Your First Take home quiz Assignment: Due: 
Wednesday, January 20

Please email me at
smithpa@cofc.edu

The following information about yourself: (it will remain strictly confidential!)

Name: First, Middle Initial, Last

How you would like to be called.

Preferred email address

Phone #(s)

Major(s)

Junior, Senior, etc.

Any employment during semester?

Hometown(s): Where you have lived or traveled?

Interests (inside or outside of academia)

Your career goals?

Other pertinent information

Thank you,
Professor Peter Smith