FINC 385-01, Spring 2022
Individual Risk Management and Insurance
Mondays & Wednesdays 5:30 to 6:45 p.m., Room 320-Beatty

Instructor: Prof. Peter Alan Smith
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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 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 or Zoom meetings are easier. To this end, you may call me 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.

Prerequisite: Junior/Senior standing. DSCI 232 is also strongly suggested.

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, 1st edition 2009 *
* there is a 2nd edition, but we will stay with the 1st for now.

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 a business newspaper such as the Wall Street Journal or Barron’s is suggested. They are accessible via the College’s library network.
Course Syllabus

Students will be asked to bring an 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 article’s premises. Topics will be discussed in class, but I would prefer that you bring insights from your 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:

- Insurance Careers
- Property and Casualty
- Lloyd’s of London
- Captive and Reinsurance Markets
- Maritime
- Establishing an Agency
- IT/Social Media Risk
- Insurance Fraud
FORMAT FOR optional ESSAY:
An optional 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 an 11 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!

From the Catalog: This course creates an awareness of individual risk and the importance of insurance and related products as risk management techniques. Course content focuses primarily on life and health insurance, with a lesser focus on retirement and estate planning. Students develop an understanding of the basic characteristics of risk management tools and strategies, as well as practical competencies in application.

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
Insurance Scholarship:

The following is extracted from the college’s web site concerning an insurance related scholarship:

“Independent Insurance Agents of SC Scholarship

Rising sophomore, junior or senior declared School of Business major. Demonstrated interest in pursuing a career in the property and casualty insurance industry agency system. Minimum cumulative GPA of 2.5.”

The link is:


Please note that I am not the arbiter of who wins this scholarship! But also note that it is easy to apply and a mention of insurance experience or classwork might help your cause.

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 to verify your compliance with Federal student loan regulations. Regardless of any accommodation granted, students are responsible for satisfying all academic objectives, requirements, and prerequisites. This class will be held in-person with students present and wearing masks in the classroom.

College of Charleston Honor Code and Academic Integrity

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.

Incidents where the instructor determines the student’s actions are related more to a misunderstanding will be handled by the instructor. 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 the instructor 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 the instructor 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 XXF 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 XX to be expunged. The F is permanent. 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 the instructor specifies 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 the instructor.

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

Disability Statements

1. Any student eligible for and needing accommodations because of a disability is requested to speak with the professor during the first two weeks of class or as soon as the student has been approved for services so that reasonable accommodations can be arranged.

2. The College will make reasonable accommodations for persons with documented disabilities. Students should apply for services at the Center for Disability Services/SNAP located on the first floor of the Lightsey Center, Suite 104. Students approved for accommodations are responsible for notifying me as soon as possible and for contacting me one week before accommodation is needed.

3. This College abides by Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act. If you have a documented disability that may have some impact on your work in this class and for which you may require accommodations, please see an administrator at the Center of Disability Services/SNAP, (843) 953-1431) or me so that such accommodation may be arranged.

For more information, you may visit the disability services website: http://disabilityservices.cofc.edu/

Inclement Weather, Pandemic or Substantial Interruption of Instruction

If in-person classes are suspended, faculty will announce to their students a detailed plan for a change in modality to ensure the continuity of learning. All students must have access to a computer equipped with a web camera, microphone, and Internet access. Resources are available to provide students with these essential tools.
Center for Student Learning:
The Center for Student Learning’s (CSL) academic support services provide assistance in study strategies, speaking & writing skills, and course content. Services include tutoring, Supplemental Instruction, study skills appointments, and workshops. Students of all abilities have become more successful using these programs throughout their academic career and the services are available to you at no additional cost. For more information regarding these services please visit the CSL website at http://csl.cofc.edu or call (843) 953-5635.

Mental & Physical Wellbeing:
At the college, we take every students’ mental and physical wellbeing seriously. If you find yourself experiencing physical illnesses, please reach out to student health services (843.953.5520). And if you find yourself experiencing any mental health challenges (for example, anxiety, depression, stressful life events, sleep deprivation, and/or loneliness/homesickness) please consider contacting either the Counseling Center (professional counselors at http://counseling.cofc.edu or 843.953.5640 3rd Robert Scott Small Building) or the Students 4 Support (certified volunteers through texting "4support" to 839863, visit http://counseling.cofc.edu/cct/index.php, or meet with them in person 3rd Floor Stern Center). These services are there for you to help you cope with difficulties you may be experiencing and to maintain optimal physical and mental health.

Food & Housing Resources:
Many CofC students report experiencing food and housing insecurity. If you are facing challenges in securing food (such as not being able to afford groceries or get sufficient food to eat every day) and housing (such as lacking a safe and stable place to live), please contact the Dean of Students for support (http://studentaffairs.cofc.edu/about/salt.php). Also, you can go to http://studentaffairs.cofc.edu/student-food-housing-insecurity/index.php to learn about food and housing assistance that is available to you. In addition, there are several resources on and off campus to help. You can visit the Cougar Pantry in the Stern Center (2nd floor), a student-run food pantry that provides dry-goods and hygiene products at no charge to any student in need. Please also consider reaching out to me if you are comfortable in doing so.

Inclusion:
The College of Charleston offers many resources for LGBTQ+ students, faculty and staff along with their allies.
- Preferred Name and Pronoun Information
- On Campus Gender Inclusive facilities
- Campus Resources
- College of Charleston Reporting Portals
- National Resources for Faculty & Staff
- GSEC Reports
- Documenting LGBTQ Life in the Lowcountry (CofC Addlestone Library Special Collections Project) College of Charleston Quality Enhancement Plan (QEP)
- Articles about CofC and LGBTQ+ Issues

Other items
1. For other matters not specified in this syllabus, we comply with the common policy of the College.
**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 2022 Tentative Course Calendar**

**Monday, January 10**

**Lecture #1** Introduction. Take home quiz Assignment #1 will be given, due Wednesday, January 19.

**Wednesday, January 12**

**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 Monday, January 24.

**Wednesday, January 19**

**Lecture #3** More basic terms & Auto Insurance

Chapter 2 in "Fundamentals of Insurance"

Chapter 1 in "How to Measure Anything"

Take home quiz #2 on Auto Insurance web sites is due. Take home quiz Assignment #3 given on Group Think, due Wednesday, February 2.

**Monday, January 24**

**Lecture #4** Automobile & Homeowners Insurance

Chapters 2 & 6 in "Fundamentals of Insurance"

Chapter 2 in "Failure of Risk Management"

Quiz 2 on auto-insurance is due. Quiz 3 on Groupthink given, due on Wednesday, February 2.

**Wednesday, January 26**

**Lecture #5** Homeowners Insurance

Chapter 6 on Homeowner's Insurance, "Fundamentals of Insurance"

Chapter 2 in "Failure of Risk Management"

**Monday, January 31**

Jamey Mellis from Computer Solutions will discuss Information Technology risks to businesses and individuals.

**Wednesday, February 2**

Cliff Hamilton, Director of Environmental Health & Safety for the College of Charleston, will discuss risks and procedures we all face.

Chapter 3 in "Failure of Risk Management"

Chapter 2 in "How to Measure Anything"

Take home quiz #3 on Schiller “Group Think” article is due. Take home quiz Assignment #4, providing your presentation topic and article URL, is announced, due by Wednesday February 24.
Monday, February 7
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”

Wednesday, February 9
Margaret Fleming, Special Claims Investigator for Farm Bureau Insurance, will discuss Insurance Fraud for Property & Casualty.
Chapter 4 Failure of Risk Management
Chapter 3 How to Measure Anything

Monday, February 14
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 Failure of Risk Management
Chapter 3 How to Measure Anything

Wednesday, February 16
Francis Johnson President, Johnson & Johnson will discuss their Excess & Surplus Lines Business and Lloyd’s of London. His assistant will discuss their corporate hiring practices. Bring your business card!

Monday February 21
Prof. Christina Rae Butler, CofC Art & Architectural History, will speak on the topography of Charleston and how it relates to its real estate markets over the centuries.

Wednesday, February 23
Lecture #8 Business Insurance
Chapter 4 in “The Failure of Risk Management”
Chapter 3 in “How to Measure Anything”
Hard Deadline for Take home quiz #4, providing your presentation topic and article URL Presentation Schedule announced thereafter. No late submissions!

Monday, February 28
Mid-Term Examination, 5:30 - 6:45 p.m.
Make certain you have visited the lavatory before the exam begins.
When you exit the exam room, you must turn in your exam.

Wednesday, March 2
Guest Speakers from Runey & Associates will talk about Fiduciary Financial Planning and careers in the field.
Monday, March 14
Oral Presentations Round 1

Wednesday, March 16
Oral Presentations Round 2
Chapter 5 in “The Failure of Risk Management”
Chapter 4 in “How to Measure Anything”

Monday, March 21
Oral Presentations - Round 3
Chapter 5 in “The Failure of Risk Management”
Chapter 4 in “How to Measure Anything”

Wednesday, March 23
Oral Presentations Round 4
Take Home Quiz#5 Persi Mathematician given, due on Wednesday, April 6.

Wednesday, March 28
Oral Presentations - Round 5

Wednesday, March 30
Lecture 9 Life Insurance Part 1
Chapter 7 on Life Insurance in “Fundamentals of Insurance”
Chapter 6 in “The Failure of Risk Management”
Chapter 5 “How to Measure Anything”

Monday, April 4
Lecture #10, Life Insurance Part 2
Chapter 7 on Life Insurance in “Fundamentals of Insurance”
Chapter 7 in “The Failure of Risk Management”

Wednesday, April 6
Captive Market Domiciles, Alternative Risk Markets
Take Home Quiz#5 Persi Mathematician, is due.

Monday, April 11
Michael Colter of Aon will talk about Captives in Charleston and the world.

Wednesday, April 13
Captive Manager Guest Speaker Michael Molony, Attorney for Young, Clement, and Rivers will speak on Captive Markets.
Chapter 8 The Failure of Risk Management

Monday, April 18
Guest speaker, Douglas Hubbard, author of our 2 textbooks will discuss Decision Research, Risk Management and life.
Hubbard Failure of Risk Management Chapter 8
Hubbard How to Measure Anything Chapter 6
Wednesday, April 20
Courtney Rossi from Roanoke Trading Partners will discuss Maritime Insurance.

Monday, April 25
Lecture 12 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”
Essay/Paper is due

Monday, May 2
Final Examination, 8:30-10:30pm

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 19

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 (I often use my personal 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

I use this information to try and help my students. Also, some have left things behind in the classroom. We might need to alert you. I will reply with an acknowledgement when I receive your emailed quiz response.

Thank you,

Professor Peter Alan Smith