

FLORIDA ATLANTIC UNIVERSITY™

Graduate Programs—NEW COURSE PROPOSAL

UGPC APPROVAL _____
 UFS APPROVAL _____
 SCNS SUBMITTAL _____
 CONFIRMED _____
 BANNER POSTED _____
 CATALOG POSTED _____
 WEB POSTED _____

DEPARTMENT NAME: FINANCE AND INSURANCE	COLLEGE OF: BUSINESS	
RECOMMENDED COURSE IDENTIFICATION: PREFIX <u> RMI </u> COURSE NUMBER <u> 6356 </u> LAB CODE (L or C) _____ <i>(TO OBTAIN A COURSE NUMBER, GO TO www.fau.edu/academic/registrar/UJPCinfo/)</i> COMPLETE COURSE TITLE : RISK MANAGEMENT: THE ROLES OF REINSURANCE AND CAPITAL MARKET SOLUTIONS		EFFECTIVE DATE (first term course will be offered): <u> SPRING </u> <u> 2009 </u>
CREDITS: 3	TEXTBOOK INFORMATION: INTEGRATED RISK MANAGEMENT: TECHNIQUES AND STRATEGIES FOR MANAGING CORPORATE RISK, MCGRAW HILL, 1ST ED. (OR LATEST EDITION); REINSURANCE PRINCIPLES AND PRACTICES, AICPCU (2004) 4TH ED. (OR LATEST EDITION); RISK FINANCING, AICPCU (2006) 4TH ED. (OR LATEST EDITION)	
GRADING (SELECT ONLY ONE GRADING OPTION): REGULAR <u> X </u> PASS/FAIL _____ SATISFACTORY/UNSATISFACTORY _____		
COURSE DESCRIPTION, NO MORE THAN 3 LINES: AN ADVANCED COURSE IN RISK MANAGEMENT WITH A FOCUS ON THE DYNAMIC TREND TOWARD CONVERGENCE OF INSURANCE AND CAPITAL MARKETS FOR STUDENTS INTERESTED IN FINANCIAL SERVICES IN THE CONTEXT OF REGIONAL AND GLOBAL RISK MANAGEMENT. THIS COURSE COVERS BASIC AND COMPLEX TECHNIQUES FOR DEVELOPING ILS (INSURANCE LINKED SECURITIES) STRUCTURES AND EXPLORES ENTERPRISE/INTEGRATED RISK MANAGEMENT ENCOMPASSING INSURANCE RISKS AND FINANCIAL RISKS INHERENT IN ILS. ILS STRUCTURES ARE FUNDAMENTAL TO ENTERPRISE RISK MANAGEMENT, AN ESSENTIAL COMPONENT OF CREDIT RATINGS AND REGULATORY OVERSIGHT TODAY. THE COURSE PRESENTS A GLOBAL MARKET PERSPECTIVE NECESSARY FOR BUSINESSES TO MEET THOSE CHALLENGES AND OPPORTUNITIES PRESENTED BY GLOBALIZATION OF MATURE AND EMERGING COMMERCIAL ECONOMICS.		
PREREQUISITES:	COREQUISITES:	OTHER REGISTRATION CONTROLS (MAJOR, COLLEGE, LEVEL):
<i>PREREQUISITES, COREQUISITES & REGISTRATION CONTROLS SHOWN ABOVE WILL BE ENFORCED FOR ALL COURSE SECTIONS</i>		
MINIMUM QUALIFICATIONS NEEDED TO TEACH THIS COURSE: PHD		
Other departments, colleges that might be affected by the new course must be consulted. List entities that have been consulted and attach written comments from each. Finance Dept.		
Emilio Zarruk, Professor & Chair, Finance & Insurance Department, email: zarruke@fau.edu, Tel: 561-297-3995 Cecelia Kempler, Director, Barry Kaye School of Finance, Insurance & Economics, email: ckempler@fau.edu Tel: 561-297-4180 Faculty Contact, Email, Complete Phone Number		

SIGNATURES

SUPPORTING MATERIALS

Approved by: Department Chair: <u> E Zarruk </u> College Curriculum Chair: <u> Dennis Coates </u> College Dean: _____ UGPC Chair: _____ Dean of the Graduate College: _____	Date: <u> 08/26/08 </u> <u> 8/29/8 </u>	Syllabus —must include all details as shown in the UGPC Guidelines. Written Consent —required from all departments affected. Go to: www.fau.edu/graduate/gpc/index.php to download this form and guidelines to fill out the form.
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Email this form and syllabus to sfulks@fau.edu and egirjo@fau.edu one week **before** the University Graduate Programs Committee meeting so that materials may be viewed on the UGPC website by committee members prior to the meeting.

Eileen Chaya Schneider

From: Zarruk Emilio [zarruke@fau.edu]
Sent: Tuesday, August 26, 2008 9:38 AM
To: 'Eileen Chaya Schneider'
Subject: RMI 4353/RMI 6356

To Whom It May Concern:

The members of the Finance/Insurance Department have given their unanimous approval for the new RMI 4353/RMI 6356 course.

Emilio

Risk Management: the Roles of Reinsurance and Capital Market Solutions

Syllabus

Required Texts:

1. *Integrated Risk Management: Techniques and Strategies for Managing Corporate Risk*, published by McGraw-Hill, 2000, 1st edition, or the latest edition.
2. *Reinsurance Principles and Practices*, published by AICPCU, 2004, 4th edition, or the latest edition.
3. *Risk Financing*, published by AICPCU, 2006, 4th edition, or the latest edition.

Course Description*

This is an advanced course in risk management with a focus on the dynamic trend toward convergence of insurance and capital markets. The course is for upper level undergraduate and MBA students interested in financial services in the context of regional and global risk management.

Reinsurance and alternative coverages available through innovative capital market structures protect commercial and societal infrastructures against those catastrophic loss exposures which have the potential to eviscerate local, regional and/or global economies. These exposures include natural and man made catastrophes.

Capital market participation in creating catastrophic insurance linked securities (ILS) offer insurers and consumers financing vehicles to transfer such risks to global capital markets. Investment banks, hedge funds, sovereign wealth funds, private equity funds and the insurance (including reinsurance) industry provide capital to support ILS structures, which offer substantial investment returns when the risks covered do not occur. These returns are not correlated with more traditional investments, thereby enhancing investment diversification. The course will explore how ILS can satisfy return and diversification objectives to improve investors' risk/return profile. At the same time, ILS increase needed insurance and reinsurance industry capacity, improve insurers' return on equity, and reduce the volatility of their earnings.

This course covers basic and complex techniques for developing ILS structures and explores Enterprise/Integrated Risk Management encompassing insurance risks and financial risks inherent in ILS. The course presents a global market perspective necessary for businesses to meet those challenges and opportunities presented by globalization of mature and emerging commercial economies. These techniques involve traditional and ILS reinsurance, self-insurance, retrospective rating structures, captive insurance structures, finite and integrated risk insurance structures, and other risk financing structures, including catastrophe bonds, catastrophe swaps, exchange-traded options, industry loss warranties, side cars, and contingent capital, and other alternative risk transfer techniques. All of the foregoing can protect against nearly any form of weather risk, pandemic risk or catastrophic mortality risk.

In sum ILS structures are fundamental to enterprise risk management, which today is an essential component of credit ratings and regulatory oversight.

*This course does not conflict with FIN 6537, Financial Risk Management and Derivatives. Its focus is on insurance and reinsurance financing techniques, including utilization of hedging for those purposes. Enterprise Risk Management structures are also taught in Risk Management: The Roles of Reinsurance and Capital Market Solutions (RMI 4353 / RMI 6356), which is not a subject covered in FIN 6537, Financial Risk Management and Derivatives.

Topics Covered

1. Risk and insurance overview
2. The convergence of insurance and financial risk management
3. Portfolio theory and enterprise risk management
4. Risk management strategy: duality and globality
5. Hedging and insurance
6. Overview of reinsurance markets
7. Principles of reinsurance
8. Types of reinsurance and reinsurance program design
9. Reinsurance operations and strategies
10. Reinsurance audits and regulation
11. Overview of alternative risk financing markets
12. Self-insurance
13. Retrospective rating structures
14. Captive insurance
15. Finite and integrated insurance
16. Capital market innovations and insurance linked securities
 - a. Catastrophe bonds
 - b. Insurance derivatives
 - c. Industry loss warranties
 - d. Side cars
 - e. Contingent capital
17. Other alternative risk transfer techniques
18. Investment in insurance linked securities

Evaluation

Exam I	28% of total grade
Exam II	28% of total grade
Final	30% of total grade
Assignments	11% of total grade
Attendance	See "Class Participation"

A	A-	B+	B	B-	C+	C	C-	D+	D	D-	F
95-100	90-94	87-89	83-86	80-82	77-79	73-76	70-72	67-69	63-66	60-62	0-59

Your letter grade for the course will be based on your final average and on your efforts that I consider reasonable.

Class Participation

Attendance is required. Students are expected to attend class regularly. Failure to do so will affect your course grade. Each student is permitted three absences for any reason. Students missing three classes or less will get 3 points. Any absences above the permitted four will result in a 1-point deduction for each such absence. Students shall keep track of their own number of absences.

Exams

There will be three exams consisting of 2 midterms and one final. The final may not be comprehensive. However, your instructor reserves the right to administer a comprehensive final exam if he deems it appropriate. All three exams are mandatory. Students will be tested on materials from lectures, assigned readings from the text, and any hand-outs distributed in class or electronically. Make-up exams are not permitted and will only be offered at the discretion of the instructor if the student advised the instructor of the need to miss a scheduled exam far in advance and as soon as possible for the student. The offering of a make-up exam will only be considered where the exam was missed because of extreme and serious circumstances.

Assignments

There will be nine article comments/critiques. The articles will be handed out in class. Your comments/critiques are to be turned in as a team. The entire team is assigned a grade for each article. Each group will turn in one copy. You select your own group, and each group can have up to 3 students.

The comments/critiques are designed for you to find and solve the problems on your own. Generally, they should include three parts as follows:

- 1) Summary,
- 2) Problems/Challenges,
- 3) Critiques/Comments.

Blackboard

This class will make use of a web-based web site using Blackboard. Syllabi, handouts, assignments and other sources are types of information that may be available within this site. Site activities could include exchanging email, engaging in class discussions, and exchanging files. In addition, class email rosters will be a component of the site. Students who do not want their names included in this electronic class roster should consult with the university to restrict their directory information.

Academic Dishonesty

If academic dishonesty does become a problem, I will follow standard university procedures without exceptions.

Students with Disabilities

Any student who feels that he or she may need an accommodation for any sort of disability should consult with the university so that arrangements can be made.