



The University of Mississippi
School of Business Administration
FIN 542 – Section 01
CORPORATE RISK MANAGEMENT

Class Days T/TH
Class Hours T/TH 11:00 am – 12:15 pm
Class Location Conner 111

Spring 2005

Instructor Dr. Karen Epermanis

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Office Hours Tuesday/Thursday 8:30 am to 10:30 am
And by Appointment

Text: Harrington, Scott E. and Gregory Niehaus, 2004, Risk Management and Insurance, 2nd edition, McGraw-Hill/Irwin, New York, NY.

Course Description:

This course examines how corporations approach the problem of dealing with risks in today's complex marketplace. Emphasis is given to the economic impact of losses on the firm, and alternative methods of dealing with managing and financing risk. Methods include loss prevention, risk retention, self-insurance, insurance purchasing, and risk financing techniques available through the capital markets. We also discuss today's global marketplace and the risks faced by multinational firms.

Course Objectives:

Topical areas examined and course objectives include:

- Understand the function and nature of risk management from a financial standpoint
- Understand how risk management is incorporated into the corporation decision-making process
- Discuss current trends in international markets and their future ramifications on risk management.
- Examine ethical issues with regard to product pricing, coverage and claim practices.
- Work both independently and as part of a group on class assignments.

Testing:

There will be three tests and a final exam. The three regularly scheduled exams are mandatory, and there will be no makeup exams. In addition, there will be an optional comprehensive final. I will count the highest three exam grades (of the four total exams) in calculating your final average. Examinations will be a combination of multiple choice and essay format. Bring Scantron Form #882-ES (4 1/4" X 11") and a #2 pencil. You may also bring a pen and your own pocket calculator for exams, but you may not share it with another student during the exam. Hand-held computers (Palm Pilots, etc.) are not permitted.

Rebuttals:

Although I encourage you to raise any questions you have about the exam during the class discussion period, I do find lengthy debate over exam questions to be rather wasteful of valuable class time. I am happy to explain what I had in mind when I wrote the question. If you disagree, please prepare a rebuttal and I will give it open-minded consideration.

Rebuttals must be typed. You should specify (1) why the question was incorrect or unduly ambiguous and (2) why your answer is better what was corrected by me. I am glad to adjust your grade if there is a valid reason. Please note that a two-line rebuttal scribbled down while we are going over the tests is rarely sufficient. Rebuttals should be well thought out and well written. The burden of proof is upon you! All rebuttals are due during the class following the day on which graded exams are discussed. So you need to act immediately after the exams are discussed in class. Please don't wait until you are a borderline case at the end of the semester and then try to argue that adjustments to earlier exam scores are warranted!

Grading:

Students are responsible for all material presented in class, assigned in the textbook or through additional readings, and/or posted on Blackboard.

Tests: Highest 3 Exams @ 150 Points Each	450 Points
Risk Management Project	
Paper	200 Points
Group Presentation	75 Points
Overall Attendance/Participation	50 Points
Homework Assignments	<u>25 Points</u>
TOTAL:	<u>800 Points</u>

The following percentages of total points from all graded material will be used in determining final grades:

90% - 100% = A
80% - 89.9% = B

70% - 79.9% = C
60% - 69.9% = D

Below 60% = F

Extra Credit:

A maximum of 30 extra credit points per student are possible and allocated as follows:

Up to 10 for Insurance Careers Day – ½ point per signature

Up to 10 for Insurance Symposium – 5 points per *fully* attended session, excluding lunch.

Up to 10 for approved Guest Speakers during the semester.

Class Attendance and Participation:

I fully expect you to attend class, and a portion of your grade reflects class attendance. I will take roll each day. Note, missing more than 25% of lecture days (regardless of the reason) will result in 0 points assigned for overall attendance/participation...no exceptions.

Course Project:

In this class you will be responsible for a full-scale risk assessment project. The project involves two separate and distinct pieces: ❶ Group presentation to our industry representatives concerning your risk assessment for the assigned company, and ❷ Individual/partnered paper outlining your independent review of the project. The written project will be due **at the beginning of class on Thursday, April 14, 2005**. I will provide you with written guidelines for the project. For the group portion of the analysis, you are to form your own groups of 5-6 team members. You may write the paper either alone, in pairs, or with a maximum of 3 persons. More specific information on this is provided in the case instructions. Because I have a very limited time to read and grade the projects, late submissions automatically will be assessed a penalty of five points per hour up to a maximum of 15 points per day. **NOTE: Practice good risk management. Backup your information on alternate formats at very regular intervals.**

A Special Note on Guest Speakers:

At Ole Miss, the Insurance and Risk Management program takes great pride in attracting industry speakers to update us on current developments, including career opportunities. These speakers are giving up at least one full day of their valuable time and traveling here at their expense. The information they convey usually is as important as that which I deliver, if not more so. I am currently contemplating 2 guest speakers for this class; more than likely, you will be attending another speaking session rather than our class time.

Use of Blackboard/Communication:

This class will utilize Blackboard as the primary mechanism to disseminate handouts and information. I will perform a batch enrollment for the class. It is *your responsibility* to know your account number and password, and make sure you can access this site.

All e-mail will be sent to your Sunset (olemiss.edu) account. If you want to receive it on another server, such as "Hotmail" or "Yahoo", please go to www.bus.olemiss.edu/it, then "student information" to learn how to forward Sunset mail to your preferred mail server.

Topics Covered and Tentative Class Schedule (Subject to revision) – Additional Readings may be assigned.

- | <u>Unit</u> | <u>Title</u> |
|-------------|--|
| 1 | An Overview of Risk and Risk Management
Assigned Readings: Chapters 1, 2, 9, & 20
Purpose: Introduces the subjects of risk and risk management through a discussion of the concepts and theory of risk as well as the institutional practice of risk management
An introduction to risk and uncertainty
An introduction to the risk management process
A rationale for risk management in organizations
Understanding the cost of risk
Firm value maximization |

EXAM 1 – Tuesday, February 8th

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| 2 | Risk Measurement and Financing
Assigned Readings: Chapters 3, 4, 11, 22, & 25
Purpose: To introduce from a corporate risk perspective the complex avenues available measure risk and the potential impact on the corporation for use in the RM process;
Continue on with other steps in the RM process
Risk measurement
Forecasting
Risk pooling and diversification
Loss control
Risk retention/reduction decisions
Alternative Risk Transfer (ART); Captives |
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EXAM 2 – Tuesday, March 8th

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| 3 | Contracts, Work Related Injuries, and Legal Liability
Assigned Readings: Chapters 12, 29, 23, 18, & 28
Purpose: To assess how contracts transfer liability to a third party.
To discuss in detail legal liability and work related injury issues and their effect on the CRM program
Legal liability for injuries
Issues in liability risk and its management
Commercial insurance contracts
Workers' Compensation and employee injuries
Corporate liability to third parties (Products/EIL/D&O) |
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EXAM 3 – Tuesday, April 26th

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| 4 | Wrap up and prepare for group presentations to industry |
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FINAL EXAMINATION – Optional Cumulative Exam
Tuesday, May 10th at 4:00 pm – or as subsequently published by the Univ.