

SEATTLE UNIVERSITY

FINC 440 RISK ASSESSMENT AND ANALYSIS FALL, 2000

PROF. RICHARD CORBETT

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OFFICE HOURS: Tues. & Thurs., 2-5, Fri. AM Drop-ins

COURSE DESCRIPTION: An introduction to the evolution, theory, and economics of risk. Develops emerging concept of enterprise risk management, exploring identification, analysis, prioritization, and impact of operational legal, political and financial/market risks, including next generation risk in a rapidly changing global environment. Application of analytical tools from value-at-risk models to information systems for risk analysis.

INSTRUCTOR'S COURSE DESCRIPTION: Every business decision has a risk management implication. Better-managed firms incorporate risk management criteria into the decision-making process, rather than attempting to retrofit risk management at the time decisions are implemented. The key is risk assessment, identifying and assessing the potential financial impact of exposures to loss. The focus of this course is in three areas, the nature and types of risk, typical loss exposures of firms, and estimating loss potential associated with various exposures.

TEXT: *Risk Management and Insurance*, 8th edition, Williams, Smith, and Young. For perspective on "real world" issues, peruse *Business Insurance*, a weekly devoted to risk management, or *Risk Management*, the monthly magazine of the Risk and Insurance Management Society, Inc.

COURSE OBJECTIVE:

- To provide an overview of the nature and types of risk and the alternatives for the treatment of risk;
- To provide the logical framework for the risk management process and its continued application in "enterprise risk management;"
- To integrate knowledge from other courses to demonstrate the prevalence of risk management issues in various business functional areas;
- To understand and apply value-at-risk methodologies for estimating loss potential;
- To provide an opportunity to develop and improve writing skills.

COURSE PROCEDURE: Course sessions will involve a combination of lectures, discussions, and application exercises. Questions are always welcome, *and the Professor may ask questions of students*. Lectures are generally based on the assumption that you have completed the reading assignment in advance.

GRADES: Grades are based on a mid-term exam (30%), a final exam (30%), an individual paper (20%) and a team paper (20%). The grade scale is 93 = A/ 90 = A-/ 87 = B+/ 83 = B/ 80 = B-/ 77 = C+/ 73 = C/ 70 = C-. (There will be handouts about the papers.)

ADA STATEMENT: Compliance with the Americans with Disabilities Act (ADA) and cooperation with the Disabilities Services/Learning Center are assured. Please inform the professor of any special needs as soon as possible and provide the necessary documentation.

HONOR CODE: *Seattle University is committed to the principle that academic honesty and integrity are important values in the educational process and that violations in this area should be dealt with in an appropriate manner.*

EXPECTATIONS FOR CLASSROOM DECORUM:

- You are expected to come to class on time and to stay the full time;
- You are expected to forego private conversation during class time;
- You are expected to forego the use of alarm watches, pagers (beepers), or cellular phones during class time.

[I include this section because of my thirty years as a professor and because of the legalistic society we have become.]

TOPICS AND TEXT READING ASSIGNMENTS:

Sept.	19	Introduction and Course Orientation
	21	The Nature and Types of Risk/The Relationship of Risk and Uncertainty (Ch. 1)
	26	Risk Management as a Business Function/The Risk Management Process (Ch. 2)
	27	Identification of Exposures to Loss (Ch. 4)
Oct.	3	Some Risk Management “Wisdom” (or at least the professor’s version)
	5	Exposures Related to Physical Assets and “Going Concern” Assets (Ch. 5)
	10	Exposures Related to Financial Assets (Ch. 6)
	12	Exposures Related to Potential Legal Liability (Ch. 8)
	17	Exposures Related to Potential Legal Liability
	19	Exposures Related to Potential Employer’s Liability (Ch. 9)
	24	NO CLASS - University In Service Day
	26	MID-TERM EXAM (May be a take-home exercise)

	31	Risk Measurement (Ch. 10)
Nov.	2	Risk Management Decision Methods (Ch. 14)
	7	Risk Management Decision Methods
	9	Risk Management Administration (Ch. 15)
	13	Insurance as a Risk Treatment Method (Ch. 16)
	16	Emerging Exposures/"Next Generation" Risk
	21	NO CLASS
	23	NO CLASS - Thanksgiving Holiday
	27	Ethical Issues in Risk Management
	30	Ethical Issues in Risk Management
Dec.	5	FINAL EXAM 6-7:50

A COMMENT FROM THE PROFESSOR. When a new major is implemented (today we would say it "comes online"), some courses are taught for the first time. This is one such course. I appreciate your understanding when or if it becomes necessary to make revisions. That may include course topics or the grading scale. I will try to provide you with sufficient notice on those revisions. *In no case will revision involve additional course requirements.*

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INDIVIDUAL PAPER

FALL 2000

One of the rapidly developing areas of business is e-commerce. This is defined as the use of Internet technology to automate business transactions. An example is to increase the speed of service delivery while cutting costs. This new area of commercial enterprise brings with it new exposures for risk managers.

You are to prepare a paper on the new exposures which have arisen with the advent of e-commerce. Please specify the following in your paper:

- What are the new exposures?
- How are those exposures similar to and different from current property and net income exposures? Describe any new liability exposures which have arisen.
- What risk control strategies are being used with regard to these exposures? (You may need to cover the risk control strategies which *should* be used.)
- How are insurance companies adapting contracts or coverage to these new exposures? You may need to suggest *what* adaptations they might make.)

Although there is no minimum or maximum required length for this paper, it is expected that most of you will be able to cover the topic in 3-5 pages with one added page for your list of

references. The reference list and the parenthetical citations are to follow the style of Turabian's *A Manual for Writers...*, 6th ed.

You are to have at least five references, exclusive of Web sites. A useful Web site for your research may be *www.ultimateinsurancelinks.com*. Many of the insurance companies maintain Web sites. Sample reference list entries are at the bottom of this page.

Style and composition are as important as content. There are always penalties for errors, proofreading lapses, failure to follow directions, and late work. Your paper is to be typed, stapled, and submitted in a clean, letter-size file folder with your name printed on the tab. *Please do not use binders or report covers.* (As an alternative, you may submit this paper via email. If you do that, then you will need to add a cover page.)

Due date for this paper is Thursday, November 16 by class time.

Sample Reference List Entries

Allianz Insurance Company. Web site. *www.allianz.com*.

Freeman, Emily Q. 2000. Operational issues and solutions in a cyberage. *Risk Management*, July, 12+.

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TEAM PAPER

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You are to group yourselves in teams of three persons and prepare a paper entitled "The Combination of [A Risk Control Method] and [A Risk Financing Method] for [A General Liability Exposure] at [A Local Business Firm.] For example your paper might be titled "The Combination of Loss Control and Insurance for the Premises Liability Exposure at REI, Inc." *Due date for this paper is Thursday, November 30 by class time.*

Style and composition are as important as content. For any style questions, refer to Turabian's *A Manual for Writers ...*, 6th ed. There are always penalties for errors, proofreading lapses, failure to follow directions, and late work. Your paper is to be typed, stapled, and submitted in a clean, letter-size file folder with the names of the team members printed on the tab. *Please do not use binders or report covers.*

You may choose any business firm, *but you will obviously need to find one where you can get the required information and visit conveniently.* Each paper must include:

- A brief description of the business firm including name(s) of the owner(s).