

NEW YORK UNIVERSITY STERN SCHOOL OF BUSINESS

FINC-UB.0081: Risk Management, the Insurance Industry and the Financial Services Sector

Fall 2014

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About the Instructors:

John H Biggs, PhD and Fellow in the Society of Actuaries, and Adjunct, NYU Stern, is the former Chairman, CEO and President of TIAA-CREF (the largest annuity insurance company in the U.S.) and has served on numerous non- profit and for- profit Boards, including Boeing and JP Morgan.

Samuel G. Liss, MBA (Stern) and Adjunct, NYU Stern, is the former Executive Vice President of Travelers Insurance (one of the largest business and personal lines insurance companies in the U.S.) and was Managing Director of Financial Institutions banking and Equity Research at Credit Suisse. He serves on three company Boards, including businesses involved in financial services data analytics, risk assessment and solutions, processing and insurance.

About the Course:

This course qualifies for the NYU Stern undergraduate Finance Concentration, and is an excellent supplement for those in the Actuarial Concentration.

The recent financial crisis served as a powerful demonstration of failure in risk management. The insurance industry suffered far less structural damage and business model challenges than the commercial, retail and investment banking sleeves of the financial services sector. How did insurance companies fare during these years, and what roles and functions do insurance carriers play as key participants in our financial services infrastructure?

Insurance companies carry out a significant role in providing risk mitigation capabilities across the financial landscape. This industry sector is a leader in managing global investment assets and risk exposures, and accounts for some 7% of GDP, while supporting employment exceeding 5 million.

This course will introduce risk identification and the risk management process across both financial and non- financial services, leading to examination of insurance as a systematic and strategic process to pool, transfer and finance risk. We will study the

private insurance industry, the underlying financial structure of insurance products, and explore the actuarial, financial, investment, underwriting, claims and technology issues in managing an insurance company. We will look at how the insurance industry is regulated, as well as include an introduction to some of the statutory and GAAP accounting concepts, operational performance (including during the recent financial crisis), public insurance company valuation, and the merger and acquisition process among insurance companies. We will also take a look at the various distribution channels and marketplace intermediaries who advise and sell insurance products. Given the richness of practitioners in the risk and insurance space in the greater NY area, terrific guest speakers from both the private and public sector will bring additional domain expertise to the class discussions, as well as specific insight on insurance sector career opportunities.

In a practical vein, all Stern graduates will immediately need to know how to be smart in buying health insurance, life insurance as they start families, auto and property insurance as soon as they rent, lease or own some property, and liability coverage against large risks. It is important for all to understand the risks they and their families have and how to mitigate those risks with insurance.

The insurance industry represents a major group of employers who would be interested in NYU graduates who have had a broad course in risk management and the insurance industry. Major insurance companies based in the New York area include Metlife, TIAA-CREF, AIG, Prudential, New York Life, Guardian, Chubb, Travelers and many others

The course will be beneficial for students interested in exploring possible work as insurance industry professionals or advisors to the financial services sector as potential investment banking and capital markets analysts, consultants, investment, financial product marketing, underwriters, actuaries, lawyers or general management professionals. It also is relevant to those aspiring to senior human resources, legal and senior management responsibilities in any company.

Prerequisites for this course are NYU Stern's *FINC-UB: Foundations of Finance*

The course is open to Junior/Senior undergraduates

How the Course Will Be Taught:

Lectures, discussions, and presentations by Guest Speakers

Readings:

The main text will be "Fundamentals of Risk and Insurance" by Vaughan and Vaughan, Eleventh Edition, 2014

Additional papers, journalistic reports and case studies will be used to generate discussions.

Grading will be based on:

- 1 Class attendance and active participation 20%
2. A mid- term exam- 25%
3. Several brief papers (no more than two pages, typed and double- spaced), giving your analysis and views on an issue raised in readings and in class-25%. (To receive credit, Papers must be uploaded to My Classes prior to midnight the night prior to class)
- .4. A final [take home] exam -30%

Class attendance and participation and professional behavior is mandatory. No late assignments will be accepted. No personal electronic devices (phones/ laptops/other) will be permitted as it creates distractions to all parties in the classroom.

At NYU Stern, we strive to create courses that challenge students intellectually and that meet the Stern standards of academic excellence. To ensure fairness and clarity of grading, the Stern faculty have adopted a grading guideline for core courses with enrollments of more than 25 students in which approximately 35% of students will receive an "A" or "A-" grade. In core classes of less than 25 students, the instructor is at liberty to give whatever grades they think the students deserve, while maintaining rigorous academic standards.

ACADEMIC INTEGRITY

Integrity is critical to the learning process and to all that we do here at NYU Stern. As members of our community, all students agree to abide by the NYU Stern Student Code of Conduct, which includes a commitment to:

Exercise integrity in all aspects of one's academic work including, but not limited to, the preparation and completion of exams, papers and all other course requirements by not engaging in any method or means that provides an unfair advantage.

Clearly acknowledge the work and efforts of others when submitting written work as one's own. Ideas, data, direct quotations (which should be designated with quotation marks), paraphrasing, creative expression, or any other incorporation of the work of others should be fully referenced.

Refrain from behaving in ways that knowingly support, assist, or in any way attempt to enable another person to engage in any violation of the Code of Conduct. Our support

also includes reporting any observed violations of this Code of Conduct or other School and University policies that are deemed to adversely affect the NYU Stern community.

The entire Stern Student Code of Conduct applies to all students enrolled in Stern courses and can be found here: www.stern.nyu.edu/uc/codeofconduct

To help ensure the integrity of our learning community, prose assignments you submit to Blackboard will be submitted to Turnitin. Turnitin will compare your submission to a database of prior submissions to Turnitin, current and archived Web pages, periodicals, journals, and publications. Additionally, your document will become part of the Turnitin database.

GENERAL CONDUCT & BEHAVIOR

Students are also expected to maintain and abide by the highest standards of professional conduct and behavior. Please familiarize yourself with Stern's Policy in Regard to In-Class Behavior & Expectations (<http://www.stern.nyu.edu/portal-partners/current-students/undergraduate/resources-policies/academic-policies/index.htm>) and the NYU Disruptive Behavior Policy (<http://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/bullying--threatening--and-other-disruptive-behavior-guidelines.html>).

STUDENTS WITH DISABILITIES

If you have a qualified disability and will require academic accommodation of any kind during this course, you must notify me at the beginning of the course and provide a letter from the Moses Center for Students with Disabilities (CSD, 998-4980, www.nyu.edu/csd) verifying your registration and outlining the accommodations they recommend. If you will need to take an exam at the CSD, you must submit a completed Exam Accommodations Form to them at least one week prior to the scheduled exam time to be guaranteed accommodation.

Tentative Schedule

Week 1 Issues and Challenges of Risk and Risk Management

Week 2 The Insurance ‘Device’

Week 3 The Private Insurance Industry

Week 4 The Regulatory Framework

Week 5 Financial and Legal Structure(s)

Week 6 Life Insurance, Annuities and Health – Industry overview

Week 7 Deeper dive on Life- Part I

Week 8 Deeper dive on Life -Part II

Week 9 Property Casualty—Industry overview

Week 10 Property Casualty- Deep dive Part I/II- Consumer /Commercial

Week 11 Valuation and Deal making in the insurance industry

Week 12 Enterprise Risk management revisited

Week 13 Working in the insurance industry broadly defined—weighing the opportunity set