

COURSE SYLLABUS

YEAR COURSE OFFERED:

SEMESTER COURSE OFFERED: Fall Semesters Only

DEPARTMENT: Finance

COURSE NUMBER: 4397-05 Section

NAME OF COURSE: Selected Topics in Finance (Risk Financing)

NAME OF INSTRUCTOR: Mack Rogers Jr.

Contact Information: All contact with Professor Rogers must be through e-mail . (mrogers@uh.edu) or Cell 713-240-1014. Unless specifically directed, do not use Blackboard Messages as a means to contact the professor as this address is not regularly monitored.

Office

Hours: 2:00 – 4:00 PM Mondays. Room 302N UCBB or by individual appointment

LOCATION: Classroom

Class Days/Time:

***** This syllabus, as posted in Blackboard Learn for the current semester, is the only official version of same for this course. The information contained in this class syllabus will not substantially change once the semester has begun. However, corrections may be made regarding clerical error, incorrect data and/or additional language to clarify the meaning of the original document. All such revisions will be accompanied by an announcement in Blackboard Learn with immediate e-mail notice to the student.

Learning Objectives

This course provides a comprehensive overview of the techniques that risk management professionals use to finance or pay for, the negative consequences of risk events. The techniques usually incorporate a blend of risk retention and risk transfer.

The first part of the course provides a broad overview of risk financing by explaining how it is one of many risk treatment techniques. It also explains how risk financing alternatives should be examined in light of all of an organizations risks, including both pure and speculative risks. Techniques for estimating losses arising from hazard (insurable) risk are examined in detail.

The middle part of the course concentrates on alternative risk financing techniques for hazard risk, including insurance, self-insurance, retrospective rating, reinsurance, captives and contractual risk transfer. The mechanics, advantages and disadvantages of each technique are discussed in detail.

The last part of the course covers financial risk and capital markets. Various methods of transferring financial risk and hazard risk to the financial markets are discussed.

The course concludes with a discussion of how to allocate the cost of hazard risk associated to various divisions within an organization.

This course is highly interactive. Students must come to class prepared to discuss “real world” application of the principles and techniques contained in the text.

At the end of the course, students will participate in a group exercise which is designed to replicate the risk financing decisions and situations facing a modern day risk manager to a mid-size oil & gas exploration company.

Grading Scheme

1. Two major exams will determine 60% of grade
2. Final exam will determine 10% of grade
3. Daily Work will determine 15% of grade (class participation, pop quizzes, and homework/in-class assignments)
4. Group Presentation will determine 15% of grade
5. Term paper is optional for extra credit added to final average. Paper must be a minimum of 8 pages, original work not submitted in any other course, (double spaced) excluding cover and bibliography. Topic, to be selected by the student, must be approved by the Professor before October 4th and a rough outline of paper approved by October 13th. The paper will be submitted as a “Turn-It-In” assignment and is due by midnight, December 1st. **Missing any of these deadlines will disqualify a student from submitting a paper – no exceptions.** Points will be added to final course grade as follows:
A = +5 B = +3 C = +1 D = +0

Note: Do not attempt to use the “total points accumulated” indicator in Blackboard Learn to calculate your course standing. Instead, use the percentages shown above.

The course is designed around “Learning Modules” which correspond generally the chapter in the textbook. Homework will be assigned prior to each lecture. The purpose of this homework is to familiarize you with textbook material needed for meaningful classroom discussion. As such, students must bring their assignments to class in printed form or be able to access them through personal electronic devices. These assignments must be

completed and submitted using **Blackboard Learn** prior to the stated expiration date. You will have multiple opportunities to resubmit assignments prior to the cut-off date, however, late homework submissions will not be accepted. Problems with your computer or with your Blackboard Learn account will not constitute a valid excuse. You are expected to maintain your Blackboard account in working order at all times. Waiting until the last minute to submit homework and then encountering computer problems which prevents your submission will result in a missed assignment. Only a system wide failure of the Blackboard Program will be considered as an acceptable reason to extend a submission deadline. This is consistent with the business principle that, a business proposal will not be accepted beyond the stated submission deadline.

From time to time, a module may also have “Discussion Questions” announced in advance. The purpose of the discussion questions is to illustrate actual application of the textbook material in a business setting. While it is not necessary to respond to the discussion questions in written form. It is expected that you will review the questions prior to class and be prepared to participate in a meaningful exchange of ideas.

To be entitled to make up major examinations or quizzes, a written request must be submitted to the instructor. The request will state the reason for missing the original exam/quiz date and provide the name and contact information of at least one individual who can verify the circumstances. For absence due to medical reasons, a note from the attending physician is recommended. Permission to make up an examination will be granted only if the circumstances involved constitute an “excused absence” as described earlier. In fairness, makeup exams will be more difficult and more extensive than the regularly scheduled exams.

The “Daily Participation Grade” (15% of course grade)will be based on the Homework assignments , pop quizzes plus in-class assignments. No grades will be dropped prior to calculation of the “daily average”.

To be entitled to make up major examinations, pop quizzes or homework/in-class assignments, a written request must be submitted to the instructor. Since homework assignments are posted well in advance, only very unusual circumstances will constitute grounds for a make-up. The request will state the reason for missing the original exam/quiz date and provide the name and contact information of at least one individual who can verify the circumstances. Permission to make up graded work will be granted only if the circumstances involved constitute an “excused absence” as described below. In fairness, makeup exams will be more difficult and more extensive than the regularly scheduled exams.

| | | | |
|-----------------------|------------|------------|-----------|
| Grading Scale: | 93-100 = A | 80-82 = B- | 60-69 = D |
| | 90-92 = A- | 77-79 = C+ | |
| | 87-89 = B+ | 73-76 = C | |
| | 83-86 = B | 70-72 = C- | |
| | | | |

Note: Request to enter the designation for “Incomplete” after the drop course without grade deadline must be in writing and will not be honored without the presence of very unusual circumstances accompanied by a written recommendation from your curriculum advisor.

Textbook: This is a required text. (Having the text is absolutely essential to success in the course)

Risk Financing (6th edition, 1st printing)
Edited by Michael W Elliott, CPCU, AIAF, MBA The
Institutes
ISBN 978-0-89463-620-2

Recommended Reading

Business Insurance Magazine www.businessinsurance.com and Risk Management Magazine (both periodicals are available electronically by using the “Library Connection” link in Blackboard Learn for this course.

Prerequisites: Junior or Senior standing

Attendance and Participation:

Attendance and in-person class participation are essential. Active class participation will increase your learning experience and will benefit others. Additionally, the explanations and illustrations offered in class are vital to successful performance on the major exams and equivalent understanding cannot be achieved by simply “reading the book”.

You are expected to come to class, on time, prepared to participate. This means that you have completed the assigned readings before class, plan to contribute, and will share your ideas when appropriate. Do your best!

Attendance Policy:

Students will be allowed to accumulate 4 attendance deduction points without penalty. Beyond that, deductions will be made from the final course grade on the basis of 2 points for an unexcused absence and 1 point for being late as follows:

1. Sign In: Beginning with the third class meeting, students will sign in prior to the start of each class. The sign in sheet will be removed prior to class beginning. Students arriving after the sign in sheets have been picked up will be considered “absent” and a deduction of 2 points will be awarded. If the student wishes to have that deduction reduced to 1 point (for being late as opposed to actually being absent) then a personal visit with the Professor is required within 7 days of the class period in question.
2. A complete record of all late and absent point assessments will appear in Blackboard. Prior to calculating the final course grade the total points displayed in this column will be reduced by 4 (allowing for the 2 “free” absences”) and the remaining points will be deducted from the student’s **FINAL COURSE GRADE**.
3. Excused absences include such things as personal illness (sufficient to warrant a doctor visit), immediate family emergencies and legal issues beyond the control of the student. Excused absences also include participation in varsity athletics or intercollegiate academic competition so long as the absence is cleared in advance. Excused absences require the submission of written documentation (doctor’s note, court date, request from U of H coach or faculty member with contact information for verification purposes).
4. Excused absences do not include missing class to study for other exams or issues related to traffic or parking. Excused absences also do not include participating in fraternity or club activities, working on special projects or events scheduled by other professors during the regular class period for this course. It is recognized that there are circumstances which will necessitate your absence from class and therefore highly recommended that you that you use you two “free absences” carefully to respond to unforeseen urgent personal issues
5. Falsifying the attendance roster in any fashion will constitute a violation of the U of H Honor Policy and will be dealt with in accordance with established enforcement procedures.

Blackboard: The University of Houston’s Blackboard system will be an important communication link for students in this class. Announcements are posted and reflect schedule changes, articles and other resources needed to fully understand the topics discussed. Please review carefully the guidelines I have prepared called “Navigating Blackboard Learn”, found under the “Course Information” section.

The course is basically structured around “Learning Modules”. You will see this section under “Course Content”. Everything you need to properly prepare for and participate in class is contained in the Learning Module, thus is it vital that you become thoroughly familiar with each module.

If your account has become inactive due to non-use, you can activate it by calling 713-743-1411. If you have questions about Blackboard Learn or need technical assistance, you can click on the “get help” link on the Blackboard website, or call the help-line at 713-743-1411 (M-F 8am-8pm). It is your responsibility to maintain an active Blackboard account and resolve problems immediately with the Blackboard Design Group should they develop. The Blackboard Learn program is used extensively throughout this course and technical failures will not constitute an excuse for missed homework assignments.

Academic Honesty:

The University of Houston Academic Honesty Policy is strictly enforced by the C. T. Bauer College of Business. No violations of this policy, such as plagiarism or cheating, will be tolerated in this course. A discussion of the policy is included in the University of Houston Student Handbook which can be found at: <http://www.uh.edu/dos/hdbk/acad/achonpol.html>.

Students are expected to be familiar with this policy. Students are expected to produce original work in the course. Previous course-work from other classes cannot be submitted for credit in this course for any class assignment or project. At the instructor’s discretion, work will be submitted to Turn It In.

Accommodations for Students with Disabilities:

The C. T. Bauer College of Business would like to help students who have disabilities achieve their highest potential. To this end, in order to receive academic accommodations, students must register with the Center for Students with Disabilities (CSD) (telephone 713-743-5400), and present approved accommodation documentation to their instructors in a timely manner.

Course Schedule:

| Date | Module | Subject | Reference |
|------|----------|--|------------|
| | Intro | Course Overview | Syllabus |
| | 1 | Intro to Risk Financing | Ch. 1 |
| | 2 | Estimating hazard risks | Ch. 2 |
| | 2 Cont. | " | " |
| | 3 | Transferring risk using insurance | Ch. 3 |
| | 3 Cont. | " | " |
| | 4 | Self-insurance plans | Ch. 4 |
| | 4 Cont. | " | " |
| | 5 | Retrospective rating plans | Ch.5 |
| | 5 Cont. | " | " |
| | 6 | Reinsurance | Ch. 6 |
| | 6 Cont. | " | " |
| | 6 Cont. | Review, Exam # 1 | Ch. 1-6 |
| | N/A | Exam # 1 | Ch. 1-6 |
| | 7 | Captive Insurance | Ch. 7 |
| | 7 Cont. | " | " |
| | 8 | Contractual risk transfer | Ch. 8 |
| | 8 Cont. | " | " |
| | 9 | Transferring financial risks | Ch. 9 |
| | 9 Cont. | " | " |
| | 10 | Transferring risk to the capital markets | Ch. 10 |
| | 10 Cont. | " | " |
| | 11 | Allocating cost of risks | Ch. 11 |
| | N/A | Review, Exam # 2 | Ch. 7-11 |
| | N/A | Exam # 2 | Ch. 7-11 |
| | N/A | Group presentation workshop | Blackboard |
| | N/A | " " " | " |
| | N/A | No class – Thanksgiving Holiday | N/A |
| | N/A | Group Presentations | Blackboard |
| | N/A | " " | " |
| | N/A | Final Exam 11:00 am - 2:00 pm | Ch. 1-11 |
| | | | |