

## **COURSE SYLLABUS**

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**YEAR COURSE OFFERED: 2022**

**SEMESTER COURSE OFFERED: Fall**

**DEPARTMENT: Finance**

**COURSE NUMBER: 4397-04 (28713)**

**NAME OF COURSE: Selected Topics in Finance - Successfully Treating Risk**

**NAME OF INSTRUCTOR: James (Jim) F. Hughes III**

Contact Information: All contact with Professor Hughes must be through e-mail. (jfhughes@bauer.uh.edu), or if incredibly urgent, cell/text (832-876-2164). Unless specifically directed, do not use Blackboard Messages to contact the Professor as that address is not monitored.

Office Hours: by appointment. "Communication is the key to success" so please contact me and we can set up an in-person or zoom meeting. The Professor is typically only on campus just for this class so the best time to meet in person is before or immediately after class, but the Professor is happy to meet via zoom or talk on the phone at other times.

**LOCATION: Classroom: CBB 416** (Note there may be several classes conducted by zoom as the Professor may be out of town on business and the zoom link will be provided in due course).

**CLASS DAYS/TIMES: Tue. & Thur. 10:00 AM – 11:30 AM CST**

This syllabus, as posted in Blackboard Learn for the current semester, is the only official version for this course. The information contained in this class syllabus will not substantially change once the semester has begun. However, corrections will be made to address clerical errors or incorrect data or to clarify the meaning of the original document. All such revisions will be accompanied by an announcement in Blackboard Learn with a prompt e-mail to the class.

### **Learning Objectives**

This course is based on The Institutes' Associate in Risk Management (ARM) 402 course and the two major tests and homework will use the multiple-choice questions from that course's national exam. Upon completion of this course, you may feel inspired to take The Institutes national examination or apply for a waiver; successfully passing the ARM 400-402 exams will earn you the ARM designation and give you a big boost in your risk management and insurance career. Insurance companies and brokers strongly encourage their employees to

obtain professional designations, akin to the CPA, like the ARM, and several of my former students have told me they wish they had taken the national examinations (or sought a waiver) after they took this and other classes.

This course provides a comprehensive overview of the techniques that finance and risk management professionals use to successfully treat risk and manage the negative consequences of risk events. The techniques usually incorporate a blend of risk assumption or retention (e.g., an insurance deductible) and risk transfer (to insurers or other counterparties).

The first part of the course provides a broad overview of risk treatment techniques. It also explains how risk financing alternatives should be examined given an organization's risks, including both pure and speculative risks, and its risk appetite. Techniques for estimating losses ("law of large numbers") arising from hazard (insurable) risk are touched upon and alternative risk financing techniques for hazard risk, including insurance, self-insurance, retrospective rating, reinsurance, captive insurance companies, and contractual risk transfer are discussed along with the advantages and disadvantages of each technique. The middle portion of the course discusses Intellectual Property, Fleet, and Legal and Regulatory Risk whilst the last part of the course covers operational, financial, and strategic risk. Various methods of transferring financial risk and hazard risk to the financial markets are discussed. The Institute recently revised their course material and the latter two-thirds of the material is new reflecting more of an enterprise risk perspective and highlight risks that have particularly evolved over the years.

Upon completion of this course, you should be able to:

1. Define "risk" and how it applies to businesses and other organizations.
2. Identify significant business risks.
3. Demonstrate a basic understanding of key risk management tools and techniques used to manage risk and
4. Develop and deliver a professional presentation to communicate key risk information to organization stakeholders.

This course will be interactive. I have arranged for a series of guest speakers, all leading professionals, most here in Houston and others located in Texas as well as elsewhere in the US, to complement my lectures. I am hoping you will be active participants in class and ask the guests and me questions. Come prepared to discuss "real world" applications of the principles and techniques contained in the text. At the end of the course, you will participate in a group exercise culminating in a team presentation to the class.

### **Grading:**

1. Two multiple choice major exams, each covering half of the units will be 20% apiece of the final grade.
2. The final exam, an essay, will determine 15% of the final grade.
3. Daily Work will determine 25% of grade (class participation, pop quizzes, if any, and homework/in-class assignments).
4. The group presentation will determine the remaining 20% of grade

Note the Attendance policy below and its impact on the final grade.

Do **NOT** attempt to use the “total points accumulated” indicator in Blackboard Learn to calculate your final course standing. Instead, use the percentages shown above but keep in mind, there is a subjective element to the grading (see item no. 3 above) so your calculation of the final grade may not track exactly with the Professor’s.

An upper-level eight-page college term paper is optional for extra credit added to the final grade. The topic, to be selected by the student and related to the course, must be approved by the Professor before November 11 (after the second major test). The paper is due before 11 59 PM CST, November 27th. **Missing a deadline will disqualify a student from submitting a paper – no exceptions.** Points will be added to the final course grade as follows: A = +5, B = +3, C = +1, and D = +0. Further information can be found in the “Optional Term Paper” section under “Course Content” in Blackboard.

No grades will be dropped prior to the calculation of the final grade.

To be entitled to make up major examinations, pop quizzes or homework/in-class assignments, a written request must be submitted to and approved by the Professor. 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 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.

<b>Grading Scale:</b>	93-100 = A	83-86 = B	70-72 = C-
	90-92 = A-	77-79 = C+	60- 69 = D+-D-
	87-89 = B+	73-76 = 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.

### **Structure:**

The course will generally correspond with the textbook chapters. Homework is assigned for each chapter and may be due prior to the lectures for that chapter. The purpose of the homework is to familiarize you with textbook material needed for meaningful classroom discussion and to familiarize you with the format of the test questions for the course and The Institutes’ national exams. As such, you should have access to your homework as it may be reviewed and discussed during class. These assignments must be completed and submitted using **Blackboard** prior to the stated expiration date. You can resubmit assignments prior to the cut-off date and time, however, late homework submissions will not be accepted. Problems with your computer or with your Blackboard Learn account will not constitute a

valid excuse. **Do not wait to the last minute to submit homework (to avoid technical difficulties) and pay attention to the homework due dates.** 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 real-world 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 may not be required 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.

**Textbook: This is a required text.** Having the text is essential to success in the course. The text is an online book available for purchase via <https://web.theinstitutes.org/purchase-study-materials> (see University of Houston FINA 4397). It is optional whether you want to purchase the print supplement.

## **Prerequisites and Recommended Reading**

There are no formal pre-requisites for this course. However, regular reading of a general business periodical like the Wall Street Journal (The Wall Street Journal can be purchased at a discounted student rate at [www.wsjstudent.com](http://www.wsjstudent.com)) or other newspapers', like the Houston Chronicle, business section will aid in your business education. Business Insurance and Risk Management magazines are both useful too. **Note**, I will be posting additional reading on Blackboard which you should read.

In addition, you should consider joining UH's Gamma Iota Sigma chapter and risk management related groups online. Several good risk management groups can be found through LinkedIn (I trust you all have LinkedIn accounts) and the Insurance Thought Leadership group ([www.insurancethoughtleadership.com](http://www.insurancethoughtleadership.com)). An exceptionally good insurance and risk management organization is the Risk & Insurance Management Society (RIMS) ([www.rims.org](http://www.rims.org)). RIMS has a Houston chapter which has monthly luncheons to which students are invited to attend (the Professor would be happy to be your” wing person”). Reviewing daily posts relating to risk management can give you a good insight into the issues risk management professionals are confronting and solving daily.

## **Attendance and Participation:**

Attendance is important (see next section), and in-person class participation is **essential**. Active class participation will increase your learning experience and will benefit others as well

as you. 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, are ready to contribute, and share your ideas when appropriate. Do your best!

### **Attendance Policy:**

When you are in the business world, you are expected to show up for work, on time. This is a business class and thus, class attendance is **mandatory**. You will be allowed to accumulate four attendance deduction points without penalty. Beyond that, deductions will be made from the final course grade based on two points for an unexcused absence and one point for being late as follows:

1. Sign In: Attendance will be taken via a sign-in sheet beginning with the third class. Students arriving after 10 AM will sign a late sign-in sheet. It is highly recommended you get to class early to avoid a queue of folks signing in.

If class is conducted via zoom, the Professor will take attendance and it is highly recommended you sign in at least 5 minutes early to avoid any online congestion being admitted to the online classroom.

2. Attendance point assessments will appear in Blackboard prior to the calculation of the final course grade, the points displayed in this column will be deducted from the student's **FINAL COURSE GRADE**.
3. Excused absences include such things as personal illness (enough 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 (e.g., 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, participating in fraternity or club activities, working on special projects or events scheduled by other professors. It is recognized that there are circumstances which will necessitate your absence from class and therefore it is highly recommended that you use your two “free absences” carefully for unforeseen urgent personal issues.
5. Falsifying the attendance roster (e.g., stating a classmate is in attendance when they are not) 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. I trust you are Blackboard experts by now given you are juniors and seniors (otherwise the guidelines called "Navigating Blackboard Learn," found under the "Course Information" section in this course's Blackboard may be helpful).

The course is structured around "Learning Modules." You will see this section under "Course Content." Everything you need to 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 you have any Blackboard technical issues, you can contact Blackboard Support:

- [Blackboard Online Support Form](#)
- **By Phone:** - Call 713-743-1411
- **In Person at Main Campus** 58 MD Anderson Library - [Technology Commons](#)
- **By email** - [support@uh.edu](mailto:support@uh.edu)
- **By live chat** - <http://www.uh.edu/infotech/livechat>

### **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 coursework 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.

### **Technology Policy and Recordings**

Laptop and internet usage is permitted during class as is required to access Blackboard or information needed for the class or if utilized to take notes related to the class. Use of other personal communication devices, such as cell phones, is considered unprofessional and should not be used during class, except if you experience technical difficulties with your laptop (meaning any e-devices including cell phones, iPad, etc. must be turned off during class unless expressly permitted by the Professor).

No student is permitted to record (sound and visual) any lecture, class discussion or meeting with the Professor without the Professor's prior express written permission and the Professor reserves all rights, including copyright, to lectures, course syllabi, and related course material. Exceptions are made for students who have made prior arrangements with the CSD and the Professor.

**Accommodations for Students with Disabilities:**

The University of Houston System complies with Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990, pertaining to the provision of reasonable academic adjustments/auxiliary aids for students who have a disability. In accordance with Section 504 and ADA guidelines, the Student Accessibility Center strives to provide reasonable academic adjustments/auxiliary aids to students who request and require them. If you believe that you have a disability requiring an academic adjustments/auxiliary aid, please call the Justin Dart, Jr. Student Accessibility Center at [\(713\) 743-5400](tel:7137435400) or email them at [JDCenter@central.uh.edu](mailto:JDCenter@central.uh.edu).

The C. T. Bauer College of Business would like to help students who have disabilities achieve their highest potential. To this end, to receive academic accommodations, students must register with the Center, and present approved accommodation documentation to their instructors in a timely manner.

**Course Schedule: changes may occur as speakers' schedules are subject to change.**

Date	Subject
Aug. 23	Course Overview
Aug. 25	A Betts & R Johnson, Insurance Council of TX, & Errica Rivera, State Auto
Aug. 30	Unit 1 – Basics of Risk Treatment
Sept. 1	Guests: Jessica Harris & Shane Jones, Western Midstream's Risk Mgt. Dept.
Sept. 6	Unit 2: Risk Treatment: Insurance

Sep. 8	Guest: Jeff Lee, Aon
Sep. 13	Unit 3: Alternative Risk Treatment
Sep. 15	Bill Carey, Liberty Mutual: analytics
Sep. 20	Julie Patel, Marsh: captive insurance companies
Sep. 22	Unit 4: Intellectual Property Risk
Sep. 27	Guest: Kim Cauthorn, Willis Tower Watson
Sep. 29	Unit 5: Fleet Risk
Oct. 4	Guest: Pam Borgman-Floyd and Roger Adams, Sysco
Oct. 7	Exam # 1 covers units 1-5
Oct. 11	Unit 6: Legal & Regulatory Risk
Oct. 13	Vince Morgan, Bracewell
Oct. 18	Kevin Sisk, Lockton: contractual risk and indemnities/hold harmless
Oct. 20	Unit 7: Operational Risk
Oct. 25	Guest: Bob Heinrich, ConocoPhillips' Gen'l Auditor
Oct. 27	Unit 8: Financial Risk
Nov. 1	Guest: Colin Harper, Aon
Nov. 3	Unit 9: Strategic Risk
Nov. 8	Guests: Dustin Schuler and Brett Hartstein, Oil Casualty Insurance Ltd.
Nov. 10	Exam # 2 covering units 6-9
Nov. 15	Group presentations
Nov. 17	"
Nov. 22	"
Dec. TBD	Final exam: 11 AM- 2 PM (or may be a take home essay)