

Insurance/Reinsurance- The Law and its Impact on the Business in a Global Market
RMI 4423 / RMI 6426
Fall 2008

Instructor: Cecelia Kempler

Class Time: Friday - 9:00-11:50 am
Office Hours: Friday – 8:00-8:45 am
and by Appointment
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Course Description and Purpose

This course will introduce undergraduate and graduate students to insurance and reinsurance in global markets. Insurers are subject to numerous laws and regulations in jurisdictions where they are organized and where they do business. These laws and regulations have a material impact on the industry's businesses and influence many strategic decisions. The dynamics of such laws, as adopted by U.S., E.U. members and other governments, have a significant impact on mergers and acquisitions, insurance products and costs, availability and the financial viability of insurers and reinsurers.

Course Objectives and Summary

Undergraduate students will be expected to leave the course with a general understanding of (1) how insurers are generally structured and organized, (2) an overview of regulatory regimes in the U.S., E.U. and certain other jurisdictions, (3) an overview of global reinsurance products and alternative markets , and their significance to commercial enterprise and consumers, (4) overview of accounting concepts applicable to U.S. and E.U. insurers and reinsurers , (5) asset purchases and sales, mergers, acquisitions, and restructurings, including cross border transactions, (6) insurer insolvencies and impairments, (7) a brief overview of insurance products (other than health insurance), and (8) marketing of insurance and reinsurance products sold to commercial entities with U.S. operations (property, casualty, liability, workers compensation, special coverages, and employer pensions).

Graduate students will be expected to complete the course with knowledge of the above, but will also work with the Instructor to apply that knowledge to a case study. Instructor Kempler and each graduate student will agree upon an appropriate case study on which the student will draft a paper.

Throughout the semester students will also be made aware of the vast employment opportunities for finance, economics and accounting majors who have an interest in

insurance and/or reinsurance. Students will have an opportunity to meet guest speakers from major financial institutions.

Course Requirements and Rules

- **Students will be required to have completed Fin 3011 or secure a waiver from Ms. Kempler. Waivers will be based on relevant work or academic standing.**
- **Advance notice of required reading from various sources will be provided in class or published on “Blackboard”.**
- Class preparation and participation in discussion will account for 20% of the final course grade. Class participation will include quizzes.

There will be two Exams (mid-term and final), each accounting for 40% of the final course grade. Exams will require essay responses to issues covered in class. Substantive knowledge of topics covered, analytical and problem solving skills will be critical to receipt of a high grade. There may be a limited number of questions offering multiple choice responses. Graduate students will be given more challenging essay questions. A paper may be required as a substitute for the mid-term exam.

Grading

- Final grades will be assigned according to the following scale:

92-100	A
90-91.9	A-
88-89.9	B+
82-87.9	B
80-81.9	B-
78-79.9	C+
72-77.9	C
70-71.9	C-
68-69.9	D+
62-67.9	D
60-61.9	D-
60 or lower	F

- There will be a sign in sheet to confirm attendance
- Food and beverages in class are discouraged
- Professional conduct in class will be expected. **“A fundamental principle of academic, business, and community life is honesty. Violation of this ethical concept will result in penalties ranging from a grade of F in the course to dismissal from the University. In all penalties, a letter of fact will be included in the student’s file.”**

- **Note re ADA: Students may seek accommodations in accordance with the Americans with Disabilities Act of 1990. Students with disabilities needing academic accommodations should review FAU's ADA Policy and work with FAU Office for Students with disabilities.**
- **The last "drop date" for class will be August 29th.**

Appendix I

RMI 4423/6426: Insurance / Reinsurance: The Law and its Impact on the Business in a Global Market

CORE READINGS

Core reading assignments will be supplied in a binder, distributed in the first session with supplementary material distributed during the semester. The material will also be available on Blackboard.

Segment 1

Glossary – provides definitions of the main term, with which students should be familiar.

<http://www.iaisweb.org/index.cfm?pageID=47&requesttimeout=500##>

Rating European Mutual Insurers, Best's Rating Methodology, September 3, 2007

www.amest.com/ratings/methodology

Strategy – Competitive Environment and Future Outlook, Lloyds, 2007 (20-21)

www.lloyds.com/2006results

Management, Chart 9: Governance Structure of Lloyd's and Reinsurance, Chart 10: Reinsurance Debtors, Lloyd's Special Report, September 2006 (16-17).

Segment 2

NAIC Committee Structure diagram; National Association of Insurance Commissioners (NAIC), web site. 2007 www.naic.org/index_committees.htm

NAIC's Procedures for Model Law Development. www.naic.org/index_committees.htm

E.U. Lamfalussy – Model (utilized for Basel II) from the Perspective of CEIOPS, flow chart, levels 1 – 4.

The Institutions of the EU, Overview of the EU's four main institutions: Council of Ministers, European Commission, European Parliament and European Court of Justice, as well as relevant copies of Directives adopted by the E.U. Committee. Last updated June 22nd, 2007

www.europarl.org.uk/EU/EUinstitutionsprincip.htm

Guidance paper on the Structure of Regulatory Capital Requirements, International Association of Insurance Supervisors (IAIS), October 2007. www.iaisweb.org

Arne Sandstrom, *EU Solvency II – a life perspective*, Solvency, Models, Assessment and Regulation, June 11, 2007

Arne.sandstrom@forsakringsforbundet.se

Risk-Based Capital – Overview, including attachment A and internet references as of July 23, 2002.

Martin Eling and Hato Schmeiser. *Developing New Risk-Based Capital Standards Across Europe*. Forschungsplattform , 2007

Thomas E. Hampton, *Principles-Based Valuation System*, National Association of Insurance Commissioners (NAIC), NAIC Financial Summit, 2007

Kris DeFrain, *International Hot Topics*, National Association of Insurance Commissioners (NAIC), NAIC Financial Summit, 2007

Kris DeFrain, *Introduction to European Solvency II*, National Association of Insurance Commissioners (NAIC), NAIC Financial Summit, 2007

The FSA's Risk-Based Approach, A Guide for non-Executive Directors, FSA, November 2006

<http://www.fsa.gov.uk/pubs/other/arrowguide.pdf>

Insurance Regulation in the EU, Freshfields Bruckhaus Deringer, June 2005
www.freshfields.com

Segment 3

Bryan Fuller, *Framework Memorandum*, Attachment One, Reinsurance (E) Task Force, National Association of Insurance Commissioners (NAIC), December 2, 2007

NAIC Reinsurance Supervision Review Department. *Draft Proposal to Grant Recognition of Regulatory Equivalence to Non-U.S. Insurance Supervisors*, September 7, 2007

Brian Fuller. *NAIC Reinsurance Collateral Update*, National Association of Insurance Commissioners (NAIC)

http://www.naic.org/documents/committees_e_reinsurance_070927_TF.pdf

Alistair M. Evans. *The EU Reinsurance Directive*. The Geneva Papers, 2007, 32 (95-104), The International Association for the Study of Insurance Economics .

www.palgrave-journals.com/gpp

Christopher McGhee, Ryan Clarke and Joseph Collura. *The Catastrophe Bond Market at Year-End 2006, Ripples Into Waves*. Cosponsored by Guy Carpenter and Company, LLC and MMC Securities Corporation, 2007
www.guycarp.com

Segment 4

Doug French. *Insurance Accounting Standards, Going Global – Dream or Reality?* Slide presentation.

Ernst & Young, October 5, 2007.

Selected readings from NAIC Accounting Practices & Procedures Manual, as of March 2007 (“APPM”).

Segment 5

Form A, Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer, and Form B, Insurance Holding Company System Annual Registration Statement, Insurance Holding Company Model Regulation with Reporting Forms
http://www.ksinsurance.org/legal/regulations/Model_Laws/Ref%2040-1-28%20-%20Holding%20Co.htm

Selected readings from the APPM.

Segment 6

Failed Promises, Insurance Company Insolvencies, A Report by the Subcommittee on Oversight and Investigations of the Committee on Energy and Commerce, U.S. House of Representative, 101st Congress, 2nd Session. February 1990.