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## Graduate Programs—NEW COURSE PROPOSAL

DEPARTMENT NAME: SCHOOL OF ACCOUNTING

COLLEGE OF: BUSINESS

**RECOMMENDED COURSE IDENTIFICATION:**

PREFIX ACG COURSE NUMBER 5253 LAB CODE (L or C) \_\_\_\_\_

(TO OBTAIN A COURSE NUMBER, CONTACT ERUDOLPH@FAU.EDU)

COMPLETE COURSE TITLE GLOBAL INSURANCE ACCOUNTING

**EFFECTIVE DATE**

(first term course will be offered)

SPRING 2010

CREDITS: 3

**TEXTBOOK INFORMATION:**

AICPA ACCOUNTING AND AUDITING GUIDE – PROPERTY & CASUALTY INSURANCE COMPANIES

AICPA ACCOUNTING AND AUDITING GUIDE – LIFE INSURANCE COMPANIES

GRADING (SELECT ONLY ONE GRADING OPTION): REGULAR X PASS/FAIL \_\_\_\_\_ SATISFACTORY/UNSATISFACTORY \_\_\_\_\_

**COURSE DESCRIPTION, NO MORE THAN 3 LINES:**

This course introduces students to insurance accounting, which is based on regulatory requirements (Statutory Accounting Principles - STAT), as well as elements of International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles (GAAP) applicable to insurers based on the jurisdiction in which the insurer is organized.

**PREREQUISITES W/MINIMUM GRADE:\***

ACG 2071 OR ACG 6027 WITH C OR BETTER

RMI 3011 OR RMI 6016 WITH C OR BETTER

**COREQUISITES:**

**OTHER REGISTRATION CONTROLS (MAJOR, COLLEGE, LEVEL):**

MAY NOT RECEIVE CREDIT FOR BOTH ACG 5253 AND RMI 4723 / RMI 6727

PREREQUISITES, COREQUISITES & REGISTRATION CONTROLS SHOWN ABOVE WILL BE ENFORCED FOR ALL COURSE SECTIONS.

\*DEFAULT MINIMUM GRADE IS D-.

MINIMUM QUALIFICATIONS NEEDED TO TEACH THIS COURSE: PHD

Other departments, colleges that might be affected by the new course must be consulted. List entities that have been consulted and attach written comments from each.

School of Finance and Insurance

\_\_Mark Kohlbeck, [mkohlbeck@fau.edu](mailto:mkohlbeck@fau.edu), 561-297-1363\_\_\_\_\_

Faculty Contact, Email, Complete Phone Number

**SIGNATURES**

**SUPPORTING MATERIALS**

<p><b>Approved by:</b></p> <p>Department Chair: _____</p> <p>College Curriculum Chair: _____</p> <p>College Dean: _____</p> <p>UGPC Chair: _____</p> <p>Dean of the Graduate College: _____</p>	<p><b>Date:</b></p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p><b>Syllabus</b>—must include all details as shown in the UGPC Guidelines.</p> <p><b>Written Consent</b>—required from all departments affected.</p> <p>Go to: <a href="http://graduate.fau.edu/gpc/">http://graduate.fau.edu/gpc/</a> to download this form and guidelines to fill out the form.</p>
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Email this form and syllabus to [sfulks@fau.edu](mailto:sfulks@fau.edu) and [eqirjo@fau.edu](mailto:eqirjo@fau.edu) one week **before** the University Graduate Programs Committee meeting so that materials may be viewed on the UGPC website by committee members prior to the meeting.

## **Global Insurance Accounting Syllabus ACG 5253**

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### **Class:**

Prerequisite	Principles of Insurance (RMI 3011, RMI 6016, or equivalent) Principles of Accounting (ACG 2071, ACG 6027, or equivalent)
Professor:	Mark Kohlbeck
E-mail:	<a href="mailto:mkohlbec@fau.edu">mkohlbec@fau.edu</a>
Website	eCollege
Office:	KH 122 (Barry Kaye Hall)
Phone:	(561) 297-1363
Office Hours:	

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### **Course Description and Objectives**

This course introduces students to insurance accounting, which is based on regulatory requirements (Statutory Accounting Principles (STAT), as well as elements of International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles (GAAP) applicable to insurers based on the jurisdiction in which the insurer is organized.

The purpose of the course is to identify those aspects of accounting unique to the insurance industry. In this course, students need to develop and demonstrate the following skills:

#### **Insurance Accounting Skills**

- Read and critically evaluate annual statements filed with insurance regulators in the United States and European Union by insurance organizations, e.g., property / casualty, life and annuity, captive insurers and reinsurers, reciprocal exchanges and fraternal societies
- Learn and evaluate current financial accounting rules applicable to insurance companies, including key differences between GAAP, STAT and IFRS
- Understand embedded value approach to reporting, risk-based capital, and solvency II
- Understand the roles of the National Association of Insurance Commissioners, the International Association of Insurance Supervisors and the major accounting standards boards in the United States and Europe in establishing insurance accounting rules, and how these organizations interact to effect change
- Understand and appreciate of the role of professional judgment in the financial reporting process, and of the ethical issues involved in financial reporting decisions through lecture and classroom discussions

#### **Critical Thinking, Research and Communication Skills**

- Develop critical thinking skills by completing research tasks.

## Global Insurance Accounting Syllabus

- Critical thinking is a rational response to questions that cannot be answered definitively and for which all the relevant information may not be available.
- Critical thinking is an investigation whose purpose is to 1) analyze a problem, 2) arrive at a conclusion that integrates all available information, and 3) justify the conclusion convincingly to others.
- Develop research skills required for practice as a professional accountant through cases.
- Develop communication skills through case analysis and in-class participation.

### Professor Information

Professor Kohlbeck's area of expertise is financial accounting and reporting. He is currently teaching financial accounting courses at the University. Mark previously taught at the University of Wisconsin – Madison, The University of Texas at Austin and Southern Methodist University. His primary research interests concern banking and financial institutions in the areas of intangible assets, regulation, accounting choice, and accounting disclosures. Previously, Mark was an auditor and management consultant for Deloitte & Touche in Dallas and Milwaukee. His professional experience includes restructuring troubled financial institutions, mergers and acquisitions, and litigation support. Mark is also a member of Beta Alpha Psi, Beta Gamma Sigma, the AICPA, and the American Accounting Association.

### Text Books and Course Materials

#### Required

- Access to U.S. accounting standards (such as <http://asc.fasb.org>)
- Access to international accounting standards (such as Accounting Research Manager available under Indexes/Databases at the FAU Library)
- Accounting and Auditing Guides for Property & Casualty and Life Insurance Companies available on eCollege)

Supplemental readings will be distributed in class or through eCollege. You are also encouraged (but not required) to subscribe to the *Wall Street Journal* (or similar periodical).

### Grading and Learning Activities

The following table summarizes each component of your grade for this course.

<u>Component</u>	<u>Points</u>	<u>Percent</u>
Exams (3)	275	69%
Assignments	75	19%
Participation	<u>50</u>	<u>12%</u>
Total	400	100%

Students may view their total points-to-date using eCollege. Letter grades are only relevant to final point totals and will be assigned based on the following distribution of

## Global Insurance Accounting Syllabus

the percentages of total possible points. A minimum of 68% on the final exam is required to receive a passing grade (C or above) for the course.

<u>Percentage Range</u>	<u>Letter Grade</u>	<u>Percentage Range</u>	<u>Letter Grade</u>	<u>Percentage Range</u>	<u>Letter Grade</u>
$90 \leq \text{Your } \%$	A	$88 \leq \text{Your } \% < 90$	A-	$85 \leq \text{Your } \% < 88$	B+
$80 \leq \text{Your } \% < 85$	B	$78 \leq \text{Your } \% < 80$	B-	$75 \leq \text{Your } \% < 78$	C+
$68 \leq \text{Your } \% < 75$	C	$60 \leq \text{Your } \% < 68$	D	$\text{Your } \% < 60$	F

Exams. Exam questions focus on accounting concepts illustrated through classroom discussions, assignments, and homework exercises. The exams are designed to extend your thinking through analysis and applications of these concepts in new or unique situations. The exam format may include multiple choice, problems, and short answer. The last exam may be comprehensive.

Assignments. There will be a number of assignments to be completed on a group or individual basis as instructed. Specific requirements for these assignments will be distributed in class.

Participation. The ability to interact in a meaningful manner and convey relevant information efficiently with colleagues is a critical component of success, regardless of your particular career objectives. Communication is a skill, and may therefore be learned and improved with practice. In an effort to provide you with a relatively low-cost venue and high-benefit incentive for developing these skills a portion of your grade in this class is based on participation points. **You are in control of when, why, and how you participate.**

All participation is assessed based on the quality (and quantity) of participation in the learning community. You don't have to be *right*; you just have to be *relevant*. You may ask questions / make comments in class or on the course Discussion Boards. You may have questions about application of the material, or extensions of the course material to other areas. You may offer the benefit of your personal work experience. You may discuss issues of pertinent interest to the accounting profession or the business environment as a whole, or to your general professional development. You will find that many of the topics covered in class are very hot in the business press and for the regulators, and may wish to provide comments on articles you have read or news shows that you have seen. During the course of the semester, I may also post questions and / or commentary on the discussion boards within each topic. You are expected to promptly post replies. Failure to do so could negatively affect your participation grade.

Participation may also include activities that are assigned primarily in a group setting that will refine your team-working, communication, and presentation skills (as requested by your future employers). While most of these activities will be in-class, I may ask you to prepare a problem or case in advance for class. These activities will likely comprise analysis / discussion of cases, or completion of exercises. You will be assigned to a group at the beginning of a term and will sit and work with that group throughout the

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semester. For work assigned to groups, you will not need to turn in a write-up, but you will need to be prepared to share your work and conclusions with the other members of the class and to lead discussions of the case or problem with the rest of the class. It is also expected that all group members will share in the presentation/public speaking aspects of the group work.

The effectiveness of these group activities depends on student preparation, when possible, and contribution to group discussions by all members. The group's performance therefore requires its members to come prepared and actively contribute. To counter the effect of free loading, peer evaluations (including that related to the term project) may be completed and scores adjusted accordingly.

Please note that not only will high quality participation make the class much more interesting for everyone, it has the potential to provide a relatively cheap yet significant boost to your final grade. Unlike exam performance, which is subject to the slings and arrows of outrageous fortune, breakups, family problems, test anxiety, interview schedules, and illnesses, the participation aspect of the course is completely within your control. **Seize the opportunity.**

Readings. *You must read the assigned material at least once before class meets.* In addition to the assigned readings, I will make selected readings from the business press and professional journals available to you on occasion. I strongly encourage you to take advantage of this opportunity to become familiar with the practitioner viewpoint on the issues. The overall emphasis will be firmly on the “real world” – current issues, ethical dilemmas that you may well face at some point, etc.

Homework. Homework, if assigned, may be reviewed in class, but will not be collected. The homework focuses on the basic concepts or involves analysis of accounting situations. Homework designed to help you master the technical material and to provide you with an instant and painless feedback mechanism with respect to your grasp of the technical material. I have selected a number of end-of-chapter exercises that are designed to satisfy this function. Students are reminded that their preparation and completion of homework assignments directly affects their ability to participate in class discussions and perform on exams. If you have questions about the problems, feel free to ask me about them.

### **Policies**

Honor Code. Students at Florida Atlantic University are expected to maintain the highest ethical standards. Academic dishonesty, including cheating and plagiarism, is considered a serious breach of these ethical standards, because it interferes with the University mission to provide a high quality education in which no student enjoys an unfair advantage over any other. Academic dishonesty is also destructive of the University community, which is grounded in a system of mutual trust and places high value on personal integrity and individual responsibility. Harsh penalties are associated with academic dishonesty. For more information, see [http://www.fau.edu/regulations/chapter4/4.001\\_Honor\\_Code.pdf](http://www.fau.edu/regulations/chapter4/4.001_Honor_Code.pdf).

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School of Accounting Uniform Policies. <http://www.soa.fau.edu/policies.html>

Professional Conduct. To foster a more professional learning environment and to develop habits that lead to success in the business work, all participants must engage in professional behavior, including:

1. Taking responsibility for individual actions.
2. Attending each class session, including arriving promptly and leaving at the designated time. Attendance sign-in sheets may therefore be used and excess absences may impact the participation grade.
3. Being attentive and an active participant in group activities and class discussions.
4. Respecting diversity in the classroom and treating everyone involved in the class in a civil manner.
5. Planning outside activities to avoid conflicts with the activities outlined in the syllabus.
6. Meeting all deadlines in the course for assignments, projects, etc.
7. Acknowledging the importance of clarity of expression in written and oral communication and understanding that the course grade will be affected by your ability to communicate.

ADA. In compliance with the American with Disabilities Act (ADA), students who require special accommodations due to a disability to properly execute coursework must register with the Office for Students with Disabilities (OSD) located in Boca Raton – SU 133 (561-297-3880), in Davie – MOD I (954-236-1222), in Jupiter – SR 117 (561-799-8585), in the Treasure Coast – CO 128 (772-873-3305), and follow all OSD procedures.

Turnitin®. Written components of any assignment or project may be submitted to Turnitin® to evaluate the originality of the work. Any students found to be submitting work that is not their own will be deemed in violation of the University's honor code discussed above.

Missing Exams. Make-up exams will be given for valid reasons (medical emergency, family emergency, university-scheduled events, religious observation, or class conflicts) consistent with University policy and the professor's discretion. If you do not have a valid reason for missing an exam, a zero grade may be assigned. The professor also has the option of not providing a make-up exam and re-weighting the remaining exam(s) accordingly.

Incompletes. There are no incompletes for this course except in the case of extraordinary circumstances (for example, excessive absences due to severe illness). The professor determines when an incomplete is appropriate.

Points Awarded. It is the responsibility of the student to monitor the points awarded to-date in eCollege. The student has up to two weeks following the posting of any points to contest the number of points, after which the points are considered final.

Electronic Communication. eCollege and FAU email will be used in this course for content delivery, assignments, and other communications. Accordingly, **it is the**

## Global Insurance Accounting Syllabus

**student's responsibility** to check the eCollege course site and their FAU email account for announcements, etc.

Religious Holidays. It is the responsibility of the student to promptly notify the professor of any conflicts due to religious observance so that accommodations can be arranged.

Pictures. Photographs of each student may be taken / used in connection with the course.



Global Insurance Accounting Syllabus

**Global Insurance Accounting  
Tentative Course Calendar**

Wk	Mod	Topic	Relevant GAAP	Homework Handouts
1	1	Introduction / Insurance overview		
2	2	P&C – Investments / Premiums / Reinsurance	FAS 60, 113, 115 EITF 93-6, SOP 98-7	PC AAG – ch. 1, 3, 5, 6
3	3	P&C – Claims / Reserves / Actuarial data	FAS 60, 113 EITF 93-6, SOP 98-7	PC AAG – ch. 4
4	3	P&C – Actuarial Estimation / Stat vs. GAAP		PC AAG – ch. 1 Problem set Handout
5		<b>Exam 1</b>		
6	4	Life – Premiums / Pricing & Profitability	FAS 60 97 120	Life AAG – ch. 7, 8, 9, 10, 11
7	4	Life –GAAP vs. STAT vs. Tax	FAS 60 97 120	Life AAG – ch. 10
8	5	Life - Reporting		Handout
9		<b>Exam 2</b>		
10	6	IFRS – Phase I / II	IFRS 4	IASB DP
11	7	IFRS Differences		
12	7 / 8	IFRS Trends / EEV		Reading Packet IFRS v. US Project
13	8	MCEV		EV Case
14	9	RBC / Solvency II		Reading Packet
15		<b>Final Exam</b>		

AAG – AICPA Industry Accounting and Auditing Guide (Property & Casualty and Life)

FAS – Statement of Financial Accounting Standard

IFRS – International Financial Reporting Standard

EITF – Emerging Issue Task Force

IASB DP – International Accounting Standards Board Discussion Paper

**Contents of Reading Packets:**

***IFRS***

IASB Discussion Paper

***Embedded Value***

Horbart, W., 2004, European CFO Embedded Value Guidelines, *The Financial Reporter* 59 (December)

Risk Management Metrics Subgroup, 2001, Embedded Value Definition, Draft 2

***Rick-based Capital***

Booth, P. and A. Morrison, Regulatory Competition and Life Insurance Solvency Regulation in the European Union and United States, *North American Actuarial Journal* 11 (4)

Ernst & Young, Grasping the Reins of Fundamental Change - Ernst & Young's Comments on Solvency II Draft Directive

Ernst & Young, Raising the Bar

Ernst & Young, Shifting the Focus from Consultation to Implementation

Ernst & Young, Solvency II - Interpreting Key Principles I

European Commission, Solvency II Draft Directive, Introduction to and overview of Solvency II, Pages 1 - 16

European Commission, Solvency II FAQ, Answers to frequently asked questions,

Goggin, T. and N. Chisholm, 2008, Solvency II - What it Means for Reinsurers, *Society of Actuaries Reinsurance News* 63 (August)

Hele, J. and H. van Broekhoven, 2005, The Chief Risk Officer Forum: A Framework for Incorporating Diversifications in the Solvency Assessment of Insurers, *Society of Actuaries Risk Management* (November, Issue 6)

National Association of Insurance Commissioners, Risk-Based Capital - General Overview,

Trainar, P. 2006, The Challenge of Solvency Reform for European Insurers, *The International Association for the Study of Insurance Economics Geneva Papers* ( 31)



**Department of Finance**  
**College of Business**  
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September 17, 2009

Dr. Somnath Bhattacharya  
Director/Professor  
College of Business  
School of Accounting  
Barry Kaye Hall 119A  
777 Glades Road  
Boca Raton, FL 33431

Dear Som:

I fully support the insurance accounting course, ACG 5253. This letter represents the Finance Department's agreement that the new insurance accounting course ACG 5253 will replace RMI 4723 and RMI 6727.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Emilio Zarruk'.

Emilio Zarruk  
Chair/Associate Professor

EZ:js

ACG 5253, Global Insurance Accounting, is proposed to replace RMI 4723 / RMI 6727. An ACG course is required in order to make the class CPA-eligible (that is for the course to count as an accounting course under State of Florida licensing requirements) and therefore open to accounting students. The proposed course will continue to serve RMI students.