

**First-year 199 Seminar-
Business as Unusual: Post-crisis Insurance Products, Market, and Regulation
(Winter 2015)**

Instructor:

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Seminars: Tuesdays, 4-6 pm

Seminar location: January - SS 1080; February and March – SS 6027A (Statistics department meeting room)

Office Hours: TBD

Coursebook:

Zhang, V. & Ewener, J. (2014). *Uncalculated Risks: The transformation of insurance, the erosion of regulation, and the economic and social consequences*. Toronto: Canadian Scholar Press

Available for purchase at UofT bookstore.

On course reserve at Robarts Library.

If there is any other supplementary reading, it will be posted on portal. Supplementary reading may be used to assist your understanding of the coursebook material and you do not need to write comments based on supplementary reading (see “student evaluation” below).

Student Evaluation:

1- Six 1-page (single spaced) reading comments/reflections (30%) – **Due Sundays noon**

The class will be divided into 2 groups (**Group A: Last name A to La, and Group B: Last name Le to Z**) for purposes of the comments (see week-to-week topics below). The comments are an opportunity to reflect upon the readings in a way that will provide a stimulus and focus for class discussion. You should not summarize the readings. Instead you should take a position or sketch an argument or indicate what you find interesting or puzzling or problematic about some part of the readings, which can be further discussed during the seminar. Every week I will provide a few topics you may want to reflect upon as you read. However, your comments need not cover every topic. You need not try to work out a detailed argument and indeed will not have the space to do so.

You must post your comments on Blackboard by **noon on the Sunday before the class in which the material is to be discussed. Late papers will not be accepted.** I will make all papers available from that Sunday afternoon and you should scan all your colleagues’ posted paper before coming to the seminar, so you can form an opinion or counterargument for the posted comments. You are welcome to research and consult other sources to help form your opinions but please quote your source.

2- Class participation, discussions/debates (15%, up to 5% bonus points)

Active and informed participation in class discussions: You will be expected to display familiarity with the assigned readings and with your colleagues’ comments.

3- Individual in-class presentation of one technical topic (15%)

By every Wednesday, I will assign two to three key technical topics from the week's reading materials to the students who will be presenting next Tuesday (each student will get one topic). The individual presentation will be less than 10 minutes. The presenter should strive to explain the topic to the rest of the class, not merely reading or summarizing the coursebook material. Students are welcome to consult other sources to make their presentation more understandable to the class. The presenters should also expect the class to ask follow-up questions (time permitted).

4- Final paper (40%): 7-10 pages (single spaced), **Due April 8th 6pm**. Submit electronically in word format.

You should include two parts in this final paper:

In Part I (3-4 pages), you should write a letter to your future self. Please pick from only one of your future positions: insurance actuary/financial engineer, insurance executive, insurance agent/financial advisor, insurance regulator, and write a letter from that position on what you'd like to achieve in light of the readings, discussions and debates you have had in this course.

In Part II (4-6 pages), you should elaborate on a topic of your choice. The topic should be closely related to one of the seminar topics. You can reflect perspectives of multiple stakeholders but you should emphasize your own personal perspective. Any tentative proposal for a future market and regulatory system is welcome. You can include any changes in your attitude and opinions on the matter before and after the course, concrete steps you plan to go forward, and further questions you would like to explore in your future studies.

Late Penalties: late papers will be penalized two points per day including weekends. No paper will be accepted after April 15th.

Schedule of Topics:

- 1) January 6: Welcome and Introduction
 - Some questions to discuss:
 - How has your personal life (yours, your family's, or your close friends') been affected by the recent financial crisis?
 - What do you think had led to the crisis?
 - Personal stories related to the insurance industry – what do you know about the industry/product/market/regulation? Any experience to share as a consumer/policyholder, the child of someone working in the industry, an intern working for the industry, etc?
 - If you have no direct contact with the industry, what do you think is the role of the industry in our economy and society?
 - How do you imagine the relationship between the industry and its regulators – “is vs. ought to be”?
 - Other business:
 - Name tags
 - Each student picks an in-class presentation date
 - Pedagogical study

- 2) January 13: Chapter 1. **Group A**
 - 2 students' presentations
 - A brief and general history of financial deregulation (1970s-80s)
- 3) January 20: Chapter 2. **Group B**
 - 2 students' presentations
 - Implications of new economic environment and financial deregulation on the insurance industry and the industry's responses
- 4) January 27: Chapter 3. **Group A**
 - 2 students' presentations
 - Insurance regulators' reactions to the industry changes in product offering and asset investments
- 5) February 3: Chapters 4 & 6. **Group B**
 - 2 students' presentations
 - Enterprise risk management (ERM) incentives and disincentives
 - ERM technique 1: Reinsurance and "shadow (re)insurance"
- 6) February 10: Chapters 8 & 7 (please read in this order). **Group A**
 - 3 students' presentations
 - Common use of derivatives by the insurance industry, derivatives regulation
 - ERM technique 2: Derivative hedging
- 7) February 17: Reading week. No Class.
- 8) February 24: Chapters 10 & 11. **Group B**
 - 3 students' presentations
 - General modeling challenges in insurance industry
 - Market risk modeling of variable products
- 9) March 3: Chapter 9. **Group A**
 - 2 students' presentations
 - ERM technique 3: Insurance Securitization

March 8 – Last day to drop courses without academic penalties

- 10) March 10: Chapters 14 & 15 & 16. **Group B**
 - 2 students' presentations
 - Introduction on insurance regulation now and then
 - The current "rules-based" model and "principles-based" model; implication of the regulatory paradigm shift
- 11) March 17: Chapters 17 & 18. **Group A**
 - 2 students' presentations
 - Two case studies on challenges insurance regulators face in the process of regulatory

paradigm shift: (1) asset reporting standard (“look-through reporting”) (2) liability valuation

12) March 24: Chapter 21. **Group B**

- 2 students’ presentations
- Two categories of limitations of technocrat-centric self-regulation

13) March 31: Chapter 22. **Group A&B**

- 2 students’ presentations
- Tentative proposals of change – sectoral and geographic regulation convergence? Re-establishing the sectoral “Chinese Wall”?
- Private vs. public provision of retirement protection
- Exit discussions