

December 13, 2004

MEMORANDUM

To: Peter Englert
Chancellor
University of Hawaii at Manoa

From: James R. Wills, Jr.
Interim Dean

Subject: The Asia-Pacific Risk Management and Insurance Program

With reference to Senate Concurrent Resolution No. 136 (2004), we are pleased to report that the preparatory work is in progress for the establishment of the Asia-Pacific Risk Management and Insurance Program (APRMIP) within the College of Business Administration at the University of Hawaii at Manoa (see attachment).

The College of Business Administration fully supports the State of Hawaii's vision of serving as the bridge between East and West in financial services activities including insurance business. The APRMIP is consistent with the College's strategic goal of providing quality business education with the financial services industries locally, nationally, and regionally in the Asia-Pacific region. The College's international business program is highly ranked nationally and internationally. The College is home to the Asia-Pacific Financial Markets (FIMA) Research Center, a globally recognized research institute for its excellence in academic and policy research, conference programs, and executive training activities focusing on financial markets in the United States and Asia-Pacific countries. The addition of the APRMIP to the FIMA Research Center's programs will create significant synergy to allow the College of Business Administration to serve the securities, banking, and insurance industries, academia, and government sectors of the United States and Asia-Pacific countries.

In view of the fact that the insurance industry contributes to approximately 15% of Hawaii's Gross Domestic Product and provides more than 20,000 jobs in the State, the College will work closely with the local insurance industry as well as the Insurance Division of the State Department of Commerce and Consumer Affairs in implementing the APRMIP. The insurance industry, in particular, has expressed its concerns in identifying university graduates with at least some insurance training. There are only a handful of universities with an academic program like APRMIP, mostly on the East Coast, a couple in the Midwest and none in the West Coast. The existing programs have seen tremendous growth and all of their graduates have received excellent job offers in the industry. This program and related courses would provide valued training for Hawaii's youth for jobs with good salaries and an excellent career track. The College also shares the State's vision of further promoting Hawaii's leadership as the fifth largest captive insurance center in the world and the second largest in the United States on the basis of total assets through the APRMIP.

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Five major activities under the APRMIP will be undertaken by the College's FIMA Research Center to take advantage of its infrastructure in place:

- education programs which include an undergraduate track in risk management and insurance and a master of science program in finance;
- academic and policy research programs on insurance industry and financial services industries in the State of Hawaii, the United States, and the Asia-Pacific region;
- outreach programs to serve National Association of Insurance Commissioners, Chartered Property and Casualty Underwriter Society, International Association of Insurance Supervisors, Risk and Insurance Management Society (RIMS), and Captives Forum at the national as well as local level;
- serving as a clearinghouse for risk management and insurance matters and provide advice and counseling to the State Insurance Commissioner and the local insurance industry on issues relating to the insurance regulation and industry best practices; and
- training and internship programs for insurance regulators and insurance industry executives of the Asia-Pacific region.

In preparation for the launching of the APRMIP, the College's Department of Financial Economics and Institutions interviewed 10 candidates for a tenure-track assistant professor position at the U.S. Financial Management Association Annual Meeting held in New Orleans, LA, in October, 2004. Once the funding issue is resolved, in addition to the assistant professor, a senior faculty will be recruited along with a full-time program coordinator and two graduate assistants.

The State of Hawaii Insurance Commissioner's Office and the FIMA Research Center will collaborate to submit a joint proposal for special sessions to the Risk and Insurance Management Society. These special sessions will be organized at the RIMS Annual Meeting to be held in Honolulu, April 2006, marking the first meeting of selected insurance commissioners from the Asia-Pacific region and the United States. We also plan to have the inaugural meeting of the Advisory Board to APRMIP comprising selected insurance commissioners and industry executives from the United States and the Asia-Pacific countries.

On December 8, 2004, the College and the State Insurance Commissioner's Office co-organized an information session to brief local insurance executives on the FIMA Research Center's activities and work-in-progress for the APRMIP. A total of 15 insurance industry executives, Chancellor Peter Englert, CBA Dean-Designate V. Vance Roley, and senior members of the College participated in the information session. The participants agreed on the merits of the APRMIP and more discussions will be needed to formulate the funding arrangements for the APRMIP.

JRW:wg
Attachment
xc: Heather Crislip
Neal Smatresk

ACTION PLAN FOR ASIA-PACIFIC RISK MANAGEMENT & INSURANCE PROGRAM

A. Background Information

At the request of Mr. Jeffrey P. Schmidt, Insurance Commissioner, the State of Hawaii, the College of Business Administration at the University of Hawaii-Manoa is proposing to develop the Asia-Pacific Risk Management & Insurance Program which will serve the needs of the insurance industries in the State of Hawaii, the United States, and the Asia-Pacific region.

The State of Hawaii is the leading captive insurance center in the United States and the insurance industry is a major contributor to the State economy. The University of Hawaii would like to support the State of Hawaii's vision to serve as the bridge between East and West in promoting a variety of economic and financial activities including insurance business. The mission of the proposed program is to establish itself as the premier research institution that serves academia, governments, and insurance industry. Under this mission, four major activities will be undertaken: (a) education programs which include an undergraduate track in risk management and insurance and a master of science program in finance and risk management (MSF); (b) research programs on insurance industry and financial services industries in the Asia-Pacific region; (c) outreach programs; and (d) training programs for Asia-Pacific insurance regulators and executives.

B. Programs

- Addition of an undergraduate track in risk management and insurance to existing five tracks in the finance area (corporate finance; Asian finance; investment management; financial services and planning; real estate) offered by the UH College of Business Administration
- Expanding the Master of Science in Finance Program (MSF) currently under review by the University to include a specialization in risk management given the explosive growth of the insurance industries in Asia
- Specialized research programs in the insurance area focusing on: (i) best practices; (ii) policy issues; and (iii) regionalization and harmonization of insurance regulations
- Creation of Advisory Board which will oversee the University of Hawaii's proposed programs and provide guidance. The Board will be composed of insurance commissioners and market regulators from the Asia-Pacific region and the members of U.S. National Association of Insurance Commissioners, senior executives from the local and international insurance industries, and internationally renowned scholars
- Launching an Annual Asia-Pacific Insurance Symposium to discuss insurance policy issues relevant to the U.S. and the Asia-Pacific region and to disseminate research findings and policy dialogues.

- Offering training and internship programs for Asia-Pacific insurance commissions and insurance company representatives
- Providing continuing education programs geared to meet the needs of local insurance industry participants

C. Benefits to the State of Hawaii

- Promote the State of Hawaii as the global center for insurance research activities and as the meeting place for insurance market regulators and industry leaders for policy dialogues
- Train and educate qualified professionals for the local insurance industry as well as in the Asia-Pacific region
- Enhance the reputation of the State of Hawaii as a leading captive insurance center in the world
- Promote the State of Hawaii as the insurance education leader in Asia-Pacific region
- Contribute to diversification of the State of Hawaii economic and labor force

D. Benefits to University of Hawaii and College of Business Administration (CBA)

- Enhance the reputation of CBA as the leading business school focusing on Asia-Pacific region
- Increase research productivity in the fast growing financial services industry in the Asia-Pacific region
- Serve as the leading educational institution in risk management and insurance businesses
- Complement CBA's strategic plan for becoming the best business school in the world with Asia-Pacific focus

E. Budget Summary

- Endowment of \$2 million for an endowed chair who is a renowned scholar in the insurance & risk management area.

- An annual operating funding of \$1 million:

I. Personnel		\$ 467,950
• Senior faculty (9-month base salary + fringe)	\$186,200	
• Junior faculty (9-months salary + fringe)	\$159,600	
• Program coordinator (11-months salary + fringe)	\$ 86,450	
• Graduate assistant (11-months, master level)	\$ 17,200	
• Graduate research assistant (11 months, Ph.D. level)	\$ 18,500	
II. Operating Expenses		\$ 530,000
• Research databases & education materials	\$ 22,000	
• Training & continuing education programs	\$ 40,000	
• Faculty research grants	\$110,000	
• Teaching and course development grants	\$110,000	
• Annual Symposium	\$ 50,000	
• Facilities & infrastructure upgrades for CBA	\$200,000	
TOTAL ANNUAL OPERATING BUDGET		\$1,000,000
III. UH Contribution to the Program		\$ 200,000

Given the scope of the Program and assuming the training and symposium programs become self-sustaining, it is expected that the Program will be self supporting within 5 years. The revenue generated from the Program will be able to support the annual non-personnel operating expenses. This time frame will also allow the University and the College to have sufficient time to either reallocate or create two faculty positions for the Program. Once the Program is in full operation, it is expected that several sources of revenues will be generated to partially offset annual operating expenses:

1. Tuition income from the Master of Science in Finance Program, Risk Management & Insurance Track	\$ 35,000
2. Income generated from the training and continuing education programs	\$ 110,000
3. Conference registration generated from the annual symposium	\$ 55,000

Note:

In addition to offset operating expenses, the Program will also generate funding to support scholarships to Hawaii and developing Asian countries' students both at the undergraduate and graduate levels.