Risk Management at the University of Wisconsin-Madison

The Risk Management and Insurance (RMI) program at the University of Wisconsin-Madison began in 1938. It is the second oldest program in the United States. Some sources suggest that the first insurance courses in the U.S. were taught at UW-Madison in the early 1900s. Erwin A. Gaumnitz was the guiding force in establishing the program. Professor Gaumnitz would go on to establish the Actuarial Science program some 10 years later, and also would serve as the dean of the School of Business from 1954 to 1972.

The first RMI class included Leslie "Les" P. Schultz and John Bickley. Les received both his BBA and MBA degrees from the University of Wisconsin–Madison and would go on to become president, CEO, and chairman of the board for Bankers Security Life Insurance Company and United Services Life Insurance Company and their succeeding group, the USLICO Corporation. Through Les and USLICO’s generosity, the first RMI professorship at UW-Madison—the Leslie P. Schultz Professorship of Risk Management and Insurance—was established in 1990.

John S. Bickley received his BBA, MBA, and Ph.D. degrees at UW-Madison. John would go on to become a distinguished professor of risk and insurance. John established the Insurance Hall of Fame and the International Insurance Society, which today, as the leading international organization in risk and insurance, hosts meetings of insurance company executives and professors around the world.

Professor Gaumnitz hired Charles C. Center in the late 1940s to lead the Risk Management and Insurance program. Professor Center had masters (1938) and Ph.D. degrees (1941) from UW-Madison. Among his many accomplishments was establishing the Risk Management and Insurance Society (then the Insurance Society) pre-professional fraternity in 1948. This is the oldest student organization in risk and insurance in the United States. A noted president of the Insurance Society in 1954 was RMI major Jerry Stephens. Stephens would go on to found the hugely successful RLI Corporation. Through his generosity in 2003, the Gerald D. Stephens Chair in Risk Management and Insurance was established.

One of Professor Center’s noted students was Richard M. Heins from Platteville, Wisconsin. Between 1949 and 1957, Heins would earn four degrees at the UW-Madison: BBA, MBA, Ph.D., and JD. He joined the faculty near the end of this period. Professor Heins,
along with C. Arthur Williams, authored the first text on risk management and insurance in 1964. All texts before that had just dealt with insurance. Professors Center and Heins led the RMI program through the 1950s and 1960s, a period of high student growth. Pictures of the Insurance Society in those days show groups of over 100 students. Stewart Struck, who would go on to form Dairyland Insurance Company and join Lloyd’s of London, and John Cowee also taught courses during this period.

As Charles Center was approaching his planned retirement in 1972, Dan Anderson was hired in 1970 to eventually take his place. Anderson graduated from Yale University (1965) and came to graduate school at UW-Madison to obtain his MBA (1967) and Ph.D. (1970) degrees. After Professor Center retired, Professors Heins and Anderson anchored the department with ample help from Assistant Professor Bill Scheel, Insurance Commissioner Bob Haase, and State Risk Manager Gordon Gronert.

In the late 1970s, Professor Heins took a reduced appointment to fulfill his increasing responsibilities at CUNA Mutual Insurance Companies. Dr. Anderson took over as departmental chair, a position that he would fill for the next 17 years. Among Professor Anderson’s notable accomplishments was his direct involvement in raising funds for four endowed professorships or chairs in risk management and insurance and actuarial science.

Roger Formisano, who earned his doctoral degree at the University of North Carolina-Chapel Hill, was hired in 1978 to replace Professor Scheel. In 1986, Dr. Heinz resigned to take the helm at CUNA Mutual as COO. He was named president and CEO in 1988. The departures of Professor Heinz and several adjunct instructors left the risk management and insurance faculty understaffed during the 1980s. Professors Anderson and Formisano continued offering a full curriculum during these years by teaching additional courses on an uncompensated basis.

Professor Joan Schmit, who earned her BBA (1978) and MBA (1979) degrees at UW-Madison, a Ph.D. (1984) at Indiana University, and served on the faculty of the University of South Carolina following completion of her doctoral degree, joined the RMI faculty in 1988. Following Roger Formisano’s departure from the faculty to assume a leadership position with Blue Cross and Blue Shield of Wisconsin, Mark Browne, a Ph.D. (1989) graduate from the University of Pennsylvania’s Wharton School and faculty member at the University of Georgia beginning in 1988, joined the RMI faculty in 1992. In January of 2008, Martin
Halek, who earned a masters degree from the University of Wisconsin–Madison and a Ph.D. from the University of Pennsylvania’s Wharton School, joined the RMI program and teaches Principles of Risk Management as well as several actuarial science courses.

Since the 1990s, the RMI program has averaged about 60 BBA graduates per year. In addition, the program typically graduates three to five MBAs and one to two Ph.D.s annually. Recruiting and industry interaction, including support for student scholarships and internships, has steadily increased. Industry support with instruction has also increased over time, allowing for an increasing diversity in courses offered. Courses have been taught by Greg Krohm, CPCU, Ph.D., former deputy insurance commissioner and head of Wisconsin’s Workers Compensation department on Management of the Insurance Enterprise and Government Insurance Programs. Joy Gander, CPCU, ARM, who heads up her own risk management consulting firm, has taught Property Risk Management. Ron Smith, CLU, ChFC, CPCU, for many years a retirement consultant with the Wisconsin Education Association Trust, has taught Principles of Risk Management and Employee Benefits Management. Tom Eggert, JD, a policy lawyer at the Wisconsin Department of Natural Resources, worked with Dan Anderson to develop sustainability courses and programs in the School of Business. John Brancamp, CPCU, AIT, ARC, AIS, American Family Insurance, has taught both Property Risk Management and Liability Risk Management courses. In our evening MBA, Dan Kaiser, senior vice president for sales and marketing at CUNA Mutual Group, has been teaching the introductory risk management course for several years and recently added Management of the Insurance Enterprise to his busy schedule. The past few years, Kay Millonzi has worked with our MBAs in a variety of capacities, including running an exercise for the state on Owner Controlled Insurance Programs (OCIPS) related to several large road projects. Kay also helped launch the Actuarial Science, Risk Management, and Insurance Co-Curricular Board, and continues to function as our representative at a variety of industry functions. We are fortunate as well to have Christy Kaufman, an ERM consultant with Marsh, provide and lead a variety of outstanding opportunities for hands-on class projects with our students, undertaken as part of the MBA curriculum. The list continues to grow as Melissa Leuck, risk manager at Takeda Pharmaceuticals North America, Inc. will join us in the spring 2009 semester as a lecturer teaching Risk Financing.

Dan Anderson, who became the Leslie P. Schultz Professor in Risk Management and Insurance in 1990, expanded his lifelong interests in environmental, social, and sustainability risk issues. He brought many of his ideas together in a recent published book,
Corporate Survival: The Critical Importance of Sustainability Risk Management. He teaches a course on Sustainability, Environmental, and Social Risk Management, as well as other risk management courses. Along with his colleague, Tom Eggert, he has led the development of environmental and social stewardship courses and programs in the Wisconsin School of Business. To date, seven courses on environmental strategy and sustainability, including the one he teaches, are currently being taught. Anderson also led the development of a new graduate certificate in Business, Environment, and Social Responsibility, which will be available to business, environmental, and other non-business students.

Joan Schmit became the American Family Professor in Risk Management and Insurance in 1993, and the American Family Chair in Risk Management and Insurance in 2005. Besides leading the RMI program for over a decade, she has played a critical role in the overall development of the Wisconsin School of Business. As associate dean of the masters program, she led the highly successful restructuring of the MBA program. In 2008, she became senior associate dean of the school. Schmit has always carried out a rigorous research agenda across such areas as litigation strategies, insurance law and economics, risk perception, and insurance capitalization and solvency. Schmit’s teaching efforts were recognized when she received the All University William H. Kiekhofer Excellence in Teaching Award in 1995.

Mark Browne became the Gerald D. Stephens Chair of Risk Management and Insurance in 2005. Besides his many responsibilities in the RMI program, including chairing the Department of Actuarial Science, Risk Management, and Insurance from 2001 to 2006, he also served as associate dean of undergraduate programs. Through his leadership, the School of Business moved to sophomore admissions. He also was on the UW Faculty Athletic Board, a particularly important position in UW-Madison administration. Browne has an active research agenda in such areas as insurance economics, adverse selection issues, no-fault automobile insurance, and flood insurance.

As we move toward the second decade of the 21st century, the RMI program at UW-Madison celebrated its 70th anniversary in 2008. Our long tradition of maintaining excellence in teaching, research, and service was given a boost this year with the formation of the Risk Management and Insurance Alumni Association. Our alums have always been
great supporters of the RMI program at UW-Madison. The RMI Alumni Association will take this support to a new and expanded level.

1. Can you give me a bit of information about the history of the RMI program, such as how it was started and who formed it, etc?

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The first RMI class included two special people: Leslie P. Schultz and John Bickley. Les received both his BBA and MBA degrees at the University of Wisconsin-Madison, and would go on to become president, CEO, and chairman of the board for Bankers Security Life Insurance Company and United Services Life Insurance Company, and their succeeding group, the USLICO Corporation. John S. Bickley received his BBA, MBA, and Ph.D. degrees at the University of Wisconsin-Madison and would go on to become a distinguished professor of risk and insurance. John also established the Insurance Hall of Fame and the International Insurance Society.

2. How does your RMI program go beyond normal class lectures on risk management and insurance to provide students with such things as internships, guest speakers, career days, and trips to RIMS, student organizations, etc.?

Career Fair
Each fall, the ASRMI department hosts a career fair that attracts nearly 50 companies and more than 200 bachelors’ and masters students interested in insurance- and risk management-related careers. Both full-time and internship opportunities are made available to students through the fair. Email uwasrmi@bus.wisc.edu to obtain more information.

Student Organizations
The University of Wisconsin-Madison’s Risk Management and Insurance Society (RMIS) is the oldest risk management and insurance collegiate society in the country. The group, which includes both undergraduate and graduate students, fosters educational opportunities outside the classroom and promotes relationship-building between students, faculty, and industry professionals. To achieve its goals, RMIS sponsors a number of different programs throughout the academic year. These include a speaker series, spring banquet, and social events.

Speakers visit on a bi-weekly basis to discuss current issues and the industry in general. Speakers vary greatly and may include claims adjusters, risk managers, underwriters, reinsurance brokers, wholesale brokers, retail brokers, actuaries, and more.

Trips to RIMS/REBEX
Each year we send at least one student to the national RIMS meeting, the president of our student club. We also nominate at least one student for the Anita Benedetti Scholarship,
and have been quite successful over the years in those nominations. One objective of fundraising initiatives is to send more students to the national meeting.

We have been quite fortunate to have the support of local RIMS members in sending students to the regional REBEX conference each October. Typically at least 10 students attend this meeting in Chicago, all supported by the industry. Students also participate in at least one local RIMS meeting, and various CPCU meetings throughout the years.

**Co-Curricular Learning Board**
The Co-Curricular Learning Board (CCLB) is comprised of individuals who represent member companies supporting our program. The intention of the CCLB is to encourage dialogue between our students and industry in a focused and consistent manner. The CCLB hosts social events, bi-weekly lunches with a handful of students to encourage discussion, major speaker meetings with nationally recognized individuals, and a variety of educational activities such as an insurance company simulation conducted by GenRe.

3. **The economy and the risk management profession as a whole have changed drastically in the past several years. What is UW-Madison’s RMI program doing to tailor coursework to a changing and ever-evolving discipline?**

Risk management is an area that has undergone tremendous change, not just in the past several years, but over the past two decades. We can look to the influences of the World Trade Center bombings, implosion of Enron, effects of Hurricane Katrina, and global warming to recognize how risk has become a key concept in both business and personal activities. At Wisconsin, we incorporate change through discussion of current topics in all of our courses. We invite students to contemplate industry changes as they are happening. We use these current events as examples of fundamental risk concepts such as moral hazard (Enron), adverse selection (flood insurance), risk spreading (World Trade Center), and limitations of modeling (the current financial situation).

Furthermore, industry experts regularly visit the University of Wisconsin-Madison School of Business to provide insights on current events. Pat Thiele, CEO of PartnerRe and an alumnus of the University of Wisconsin-Madison School of Business, has visited Madison on several occasions to discuss some of these ideas. Similarly, John Oros, also an alumnus of the University of Wisconsin-Madison School of Business and managing director of JC Flowers, visited campus to share his experience working on the Bank of America-Merrill Lynch deal. Joan Lamm-Tennant, chief economist and global risk strategist, made a presentation on the implications of the current economy on the property/liability insurance industry.

4. **In your opinion, what sets your program apart from those of other schools?**

Being a part of the University of Wisconsin-Madison provides an environment that is difficult to match. Student quality is exceptionally high. Students are bright, energetic, well-informed, and already have taken on leadership positions. More than half of the incoming class in 2008 were ranked in the top 10 percent of their graduating high school class, and a large majority of them held leadership roles of some form during high school.

When we start with such outstanding students, it is inevitable that they will become outstanding alumni and leaders in the industry. University of Wisconsin-Madison’s RMI alumni network—more than 2,200 strong—gives our program an edge. Alumni stay
involved with the program in many ways, from mentoring students to supporting applied learning projects. In particular, alums play a significant role in placing students in internships and full-time positions.

In addition to the strength of our alumni, we rely heavily on providing an applied education. **Applied-learning projects** are a defining feature of the RMI MBA program. These projects match students with firms experiencing risk management needs, giving students an opportunity to apply what they learn in the classroom in a real-world setting.

Recent examples include:

- Conducting an enterprise risk-management assessment for a local medical devices company and offering recommendations regarding management of their top five risks
- Performing an overall risk audit for a large assisted-living facility, and providing advice regarding its insurance coverage, loss control techniques, and other important risk-management endeavors
- Evaluating e-commerce exposures for Land’s End, including possible negative implications for the organization's reputation
- Working with the UW-Madison campus in improving its student health insurance program

At the undergraduate level, we require students to conduct liability risk audits and property risk audits of local firms as part of the completion of courses on these topics. Students review insurance coverage and loss-control techniques for the firm and offer recommendations. It is not unusual for the firms to make major changes in their risk management programs as a result.

Our strong **partnerships with industry** have brought richness to our program. One important partnership is with Munich Re America. Together we offer an annual Casualty Claims Symposium for young claims adjusters with the intent of giving them a boost in knowledge and expertise that will help them develop more quickly as leaders. Over 150 adjusters have attended the program to date.

Importantly, we also have been on the forefront of intellectual endeavors in risk management and insurance. For nearly four decades, the University of Wisconsin-Madison has provided thought leadership in the area of **sustainability risk management**. Professor Dan Anderson has focused his research on environmental, social, and sustainability risk issues. He brought many of his ideas together in a recent published book, *Corporate Survival: The Critical Importance of Sustainability Risk Management*. Along with his colleague, Tom Eggert, Anderson led the development of environmental and social stewardship courses and programs at the University of Wisconsin-Madison School of Business. To date, seven courses on environmental strategy and sustainability are currently offered. Anderson also led the development of a new graduate certificate in Business, Environment, and Social Responsibility, which is available to business, environmental, and other non-business students.

**5. Can you tell me how many graduates your program had for the 2008-2009 school year?**
We graduated 58 students in the 2008-2009 academic year in risk management and insurance and another 22 in actuarial science, for a total of 80 students from our combined programs.