Kevin Gatzlaff
Assistant Professor of Insurance
Department of Finance and Insurance
Miller College of Business, Ball State University
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Qualifications

Ph.D in Risk Management and Insurance (Support: Finance)
Florida State University (2009)

B.B.A degree with majors in Finance and Management—Entrepreneurship
University of Wisconsin-Eau Claire (1998)

Academic Experience

Assistant Professor of Insurance at Ball State University (January 2009 to present)

Research Experience

Refereed Articles

Goebel, Joe, Kevin Gatzlaff, and Kris Kemper. "COVID-19 and Credit Watch List as an Economic Indicator." *Journal of Insurance Regulation* (2023).

ABSTRACT: The global pandemic attributable to COVID-19 interrupted a decade-long U.S. expansionary cycle. While governments intervened to manage the health crisis, the economy stalled, and equity markets crashed. However, equity markets quickly recovered and moved to positive territory a few months later. We examine the actions of credit rating agencies (CRAs) and the signals that are sent through S&P Global Ratings (S&P) Watch List activity. After creating a significant indicator based on CreditWatch activity reflecting private firm information, we find that the swift recovery may have been foreseeable for non-insurance firms. The indicator provides less potential predictive power for insurance firms, either because the greater regulatory activity surrounding insurance firms yields less private information to be discovered by CRAs or the insurance industry is more resilient to economic shock than other sectors of the economy.

Gatzlaff, Kevin, Subramanian Rama Iyer, Kristopher J. Kemper, and Betty J. Simkins. "Director Networks and Credit Ratings of Insurance Companies." *Journal of Insurance Regulation* 38, no. 2 (2019).

ABSTRACT: Previous finance literature has found that a firm's credit rating is influenced by the connectedness of its board members. Due to the subjective nature of credit ratings, qualitative information like a board's connections can influence a rating agency's decision making. We investigate the impact of four dimensions of board connectedness on credit ratings in the highly-regulated insurance industry. We find mixed evidence regarding the relationship between board connectedness and credit ratings in the insurance industry. As is the case for non-financial companies, we find some evidence that board connectedness is positively related to credit ratings for property/casualty (P/C) insurers, in line with social capital theory. However, for life insurers,

we find that board connectedness is negatively associated with credit ratings, which supports the "board-busyness" theory. We suggest that the differing relationships between board connectedness and credit ratings among insurers are due to the short-term and riskier nature of property insurers, and that the disconnect between life insurers and non-financial companies is explained by life insurers' greater size, lower liquidity and higher leverage.

Avila, Stephen M., Manoj Athavale, and Kevin Gatzlaff. "The Impact of Premium Conversion on Social Security Benefits." *Journal of Financial Service Professionals* 73, no. 2 (2019).

ABSTRACT: Through premium conversion, employees have the option of choosing to pay insurance premiums on a pretax basis, meaning that their contributions are exempt from federal, state, and local income tax as well as Social Security and Medicare taxes. Electing premium conversion reduces Social Security benefits. This paper analyzes the impact of premium conversion on Social Security benefits. Based on several different scenarios, the authors conclude that the value of the tax savings from premium conversion outweighs the loss of Social Security retirement benefits, but the loss of Social Security survivor benefits and Social Security disability benefits outweighs the value of the tax savings for an employee and family members who would qualify for them.

Zboja, James J., Ronald E. Goldsmith, Ronald A. Clark, and Kevin M. Gatzlaff. "Extreme couponing: An exploratory study." *Marketing Management Journal* 28, no. 2 (2018).

ABSTRACT: The marketing literature devotes little coverage to the topic of extreme couponing, even though the consumer minority of heavy coupon users accounts for the bulk of coupon redemption. The present research seeks to close this gap by examining the attitudes of coupon users toward the practice of extreme couponing. The research uses a qualitative study plus an additional quantitative analysis of survey data from an online coupon user community (n = 309). The results indicate that most coupon users hold negative opinions of the practice of extreme couponing and there are only minor differences between couponing behaviors of those who self-identify and are positive toward extreme couponing compared with those who do or are not. A typology of coupon users is also introduced.

Kemper, Kristopher J., Erik Nesson, and Kevin Gatzlaff. "Stock prices and inflation hedged firms." *Applied Economics Letters* 25, no. 20 (2018): 1454-1457.

ABSTRACT: As the Federal Reserve continues its near-zero rate policy, the threat of inflation remains a concern among both policymakers and businesses. This article uses over 30 years of accounting data and stock returns to examine how publicly traded firms respond to increasing inflation expectations. We first examine whether firms make balance sheet adjustments in response to expected inflation. We then examine whether these activities have a positive effect on stock prices. We find that firms increase inventory, increase capital expenditures and reduce long-term debt when there is an increased expectation of inflation. We then find that firms that increase inventory in this economic regime are rewarded in the market. Markets also reward firms that increase their cash positions and reduce long-term debt possibly suggesting investor flight to safety.

Gatzlaff, Kevin, Stephen Avila, and John Fitzgerald, 2015, “Material Misrepresentations in Insurance Litigation: An Analysis of Insureds’ Arguments and Court Decisions”, *Journal of Insurance Regulation,* 34(3): 1-21.

ABSTRACT: In an insurance contract, a material misrepresentation occurs when the insured makes an untrue statement that: 1) is material to the acceptance of the risk; and 2) would have changed the rate at which insurance would have been provided or would have changed the insurer’s decision to issue the contract. The insurer’s remedy upon discovery of a material misrepresentation is rescission of the policy. The circumstances under which the insurer may exercise this rescission remedy are governed by differing state standards, which have been tested in litigation in various state and federal courts. In this paper, we explore some of the court decisions involving an insured's material misrepresentations that featured summary judgment motions by the insurer. We analyze the arguments against the rescission remedy made by insureds and find that they tend to prevail only in very specific circumstances. We also find that, overall, insurers appear to be proficient at determining in which cases they are likely to prevail on summary judgment, due to their high degree of success in our sample. We theorize that this result is explained partly by selection bias in the sample and partly due to variance in state laws governing the insurer's remedy of policy rescission. Insureds, insurers, agents and brokers, regulators, and litigators could all potentially benefit from this broad review of litigation involving material misrepresentations and the remedy of insurer rescission.

Fier, Stephen G., Kevin M. Gatzlaff, and David M. Pooser, 2014, "The State of the National Flood Insurance Program: Treading Water or Sinking Fast?", *Journal of Insurance Regulation,* 33(5).

ABSTRACT: The primary source of flood insurance for property owners in the United States since the 1960s has been the National Flood Insurance Program (NFIP). The program has been a valuable resource to those in need of flood coverage while the private insurance market largely avoided the flood peril. Although the federal program currently fills an important void that exists within the insurance market, the NFIP has not been without its critics. Over the past decade, the NFIP has received constant criticism directed at its subsidized rate structure, its debt to the U.S. Treasury, and its long-term viability. In this paper, we discuss the history of the NFIP and flood insurance in the U.S., the perceived weaknesses of the NFIP, recent legislation related to the NFIP, and recommendations that have been offered to improve the current flood insurance market in the U.S.

Avila, Stephen A., Dana Kerr, Kevin Gatzlaff, and C. Gary Dean, 2014, "The Process of Implementing an Insurance Company Simulation Game", *Journal of Applied Risk Management and Insurance,* 2(1): 69-84.

ABSTRACT: The paper provides a step-by-step approach to implementing an insurance company simulation game in risk management and insurance or a financial institutions course. The simulation involves two major decision areas: underwriting and investments. Underwriting decisions are made regarding pricing, advertising, risk assumption through underwriting, and reinsurance usage. Management of the investment portfolio allows the students to choose an asset allocation based on risk versus return considerations and regulatory constraints.

The areas of regulation, insurance operations, investments, profit determination, and company evaluation are explained as to the impact that these decisions have on insurance company performance. The insurance simulation game provides an avenue for students to experience the decisions made by insurance company management and the impact those decisions have on the firm. The initial implementation of the game requires significant faculty effort, which we hope will be attenuated by this paper. We believe the enhanced student learning that results from this hands-on simulation exercise is worth the costs of implementation.

Avila, Stephen A. and Kevin M. Gatzlaff, 2013, "Speculative Risk Assignments for an Introductory Risk and Insurance Course", *Journal of Risk Education,* 4(1): 70-83

ABSTRACT: This paper summarizes the implementation of three assignments that examine speculative risk in a Principles of Risk Management and Insurance course. The first assignment examines financial markets and investments. Students follow stocks and mutual funds throughout the semester. A second assignment consists of examining a 401(k) plan, and making investment decisions and selecting appropriate asset allocation within the plan. The last assignment examines additional mutual funds, asset allocation recommendations for given ages, and target retirement date funds. Experience has shown us that students benefit from this approach in understanding the general concept of speculative risk and the specific concepts of investments and retirement planning.

Gatzlaff, Kevin M., 2013, "Three Practical Expandable Assignments for the Introductory Risk Management Student", *Risk Management and Insurance Review,* 16(2): 281-294.

ABSTRACT: I have developed, used, and refined an auto quote assignment, a life quote assignment, and a retirement analysis assignment that seem to communicate certain concepts well to the typical student enrolled in an RMI principles course. These assignments consist of worksheets requiring internet research and a series of questions based on the answers discovered. Additionally, a short class discussion follows each of the three assignments to further ensure that students have achieved the primary learning objectives of each assignment. In their current form, these assignments are practical and require relatively minimal student and instructor time. Each could easily be expanded to accommodate students with advanced understanding and capability.

Gatzlaff, Kevin M. and Kathleen A. McCullough, 2012, "Implications of Privacy Breaches for Insurers", *Journal of Insurance Regulation*, 31(1): 197-226.

ABSTRACT: The protection of data is a major concern for insurers. This concern has continued to grow due to an increase in the number of data breaches across all industries. The passage of federal laws such as the Gramm-Leach Bliley Act, the Health Insurance Portability and Accountability Act, and the Sarbanes-Oxley Act, as well as the passage of a variety of state legislation related to privacy breaches has changed the way in which firms deal with these issues. Currently, there also are several pending federal pieces of legislation that could impact insurers and others that maintain databases containing personal information susceptible to breaches. In 2000, the National Association of Insurance Commissioners formed a Privacy Issues Working Group to study the problem to focus on consumer privacy protection efforts in the insurance industry. This article outlines the privacy breach implications for insurers. Specifically, we focus on examples of recent breaches in the insurance industry and the cost of breaches to firms and individuals. We review the state legislation related to privacy breaches, the implications of several major federal acts on the issues, as well as current proposed federal legislation. We also look at the insurer responses to these issues.

Gatzlaff, Kevin M., Stephen M. Avila, and Alisha Etzler, 2011, "Accidental Death Disputes: Factors that Influence Court Decisions", *Journal of Insurance Regulation,* 30(2): 297-318.

ABSTRACT: Accidental death policies pay death benefits to a beneficiary only when the cause of death is "accidental." Because the class of deaths intended to be covered is smaller than that of traditional life insurance policies, a determination must be made as to which deaths qualify for a death benefit payment. Disputes over whether a death is properly classified as "accidental" are inevitable. This article examines the factors that tend to influence whether courts decide in favor of the insurer or the policyholder in accidental death disputes. In our sample of 49 recent cases involving accidental death disputes, we find 34 decided in favor of the insurer, and 15 decided in favor of the policyholder. We find mixed evidence for cases where the definition of accident in the policy is at the center of the dispute. We find that where explicit exclusions are used to deny accidental death benefits, insurers tend to prevail. Where implicit exclusions are relied upon by insurers, policyholders are more likely to recover. Similarly, where policy exclusions are overruled by statutory language, policyholders tend to be favored. Where a policy falls under the jurisdiction of the Employee Retirement Income Security Act of 1974 (ERISA), the insurer usually has an advantage in the form of a deferential standard of review. In contrast, where a court uses a de novo standard of review, the policyholder is more likely to recover accidental death benefits. Finally, we examine situations where one party has failed to follow the terms of the contract. In these cases, the other party is likely to prevail. We further note that uniform adoption of the Interstate Insurance Product Regulation Commission's 2007 Standards for Accidental Death Benefits would provide clarity to both policyholders and insurers, and would likely substantially reduce future summary judgment disputes similar to those that comprise our sample. Our analysis and results should be interesting and useful to drafters of accidental death insurance policies, to regulators, and to consumers who are covered by accidental death policies.

Athavale, Manoj, Stephen M. Avila, and Kevin M. Gatzlaff, 2010, "An Empirical Comparison of a Low-Deductible Health Plan With an HSA Qualified Plan", *Compensation and Benefits Review,* 42(2): 102-108.

ABSTRACT: The desire to control health care expenses has led to the increasing adoption of consumer-driven health plans. One such choice is between traditional low-deductible and health savings account (HSA)-qualified high-deductible health plans. In this analysis the authors forecast medical expenses over a 40-year period to compare financial outcomes associated with each plan. Using realistic plan parameters and assumptions, the authors find that the HSA-qualified plan outperformed the traditional plan in 21 of 24 simulations. The framework provided in this article will assist employee benefits professionals in structuring appropriate plans and will assist employees in making appropriate health plan choices.

Carson, James, Cassandra R. Cole, Kevin M. Gatzlaff, Patrick F. Maroney, and Kathleen A. McCullough, 2010, "A Hybrid Course in Risk Management and Insurance", *Risk Management and Insurance Review,* 13(2): 303-322.

ABSTRACT: Universities and colleges continue to face constraints related to classroom space and faculty time, thus increasing the need to consider options such as hybrid courses that can leverage available resources. This article discusses the benefits of a hybrid course, as well as its design and implementation at a large, public university. In addition, for universities that use the introduction to risk and insurance course as a significant course for attracting majors, we identify the benefits for students from the use of hybrid courses, such as the variety of materials and activities utilized, as well as the flexibility in scheduling. This information may be useful in marketing the course so that it will be immediately attractive to students.

Gatzlaff, Kevin M. and Kathleen A. McCullough, 2010, "The Effect of Data Breaches On Shareholder Wealth", *Risk Management and Insurance Review,* 13(1): 61-83.

ABSTRACT: Many companies face the risk of a data breach exposing stored personal information of customers and employees. The frequency of such incidents has been increasing over time and can result in significant costs for the affected firm. This paper examines the stock market's assessment of the cost of data breaches at publicly traded companies in which personal information such as customer and/or employee data is exposed. Using event study methodology on a sample of 77 events between the beginning of 2004 and the end of 2006, we find that the overall effect of a data breach on shareholder wealth is negative and statistically significant. Based on a cross-sectional analysis of the cumulative abnormal returns, we find a negative association between market reaction and firms that are less forthcoming about the details of the breach. We also find that firms with higher market-to-book ratios experience greater negative abnormal returns associated with a data breach. Further, we find that firm size and subsidiary status mitigate the negative effect of a data breach on the firm's stock price and that the negative market reaction to a data breach is more significant in the most recent time periods of the sample.

Maroney, Patrick F., Cassandra R. Cole, Kevin M. Gatzlaff, Kathleen A. McCullough, and James W. (Jay) Newman, Jr., 2005, "An Examination of Issues Pertinent to Establishing a Single Peril Facility" *Journal of Insurance Regulation,* 24: 3-29.

ABSTRACT: Insurance markets often experience problems with affordability and availability of coverage due to claims stemming from a single peril. One option to stabilize the private insurance market is to establish a government or quasi-government facility. This study examines the key issues surrounding the establishment of a single peril facility, drawing on the experience of existing facilities created to finance losses

caused by perils such as mine subsidence, flood, hurricane and earthquake. Policymakers must make important decisions concerning these issues in the establishment of a facility, such as those related to the nature of the peril and financing of the facility, as well as those related to the structure, placement, governance and tax-exempt status of the facility. Further, policymakers also must consider the type of coverage to be offered, pricing structure and claims adjustment procedures. The creation and management issues inherent in the establishment of a facility are of heightened concern given the current exposures faced by various states to perils capable of causing large catastrophic losses, such as major hurricanes, as well as other perils, including sinkholes, ground water depletion and mold.

Maroney, Patrick F., Cassandra R. Cole, Richard B. Corbett, Kevin M. Gatzlaff, Kathleen A. McCullough, and James W. (Jay) Newman, Jr., 2005, "Potential Solutions to the Sinkhole Problem in Florida, *eCPCU Journal*, December 2005: 1-9.

ABSTRACT: Insurers in the state of Florida are required to make coverage available for the peril of sinkhole. Over the past 15 years, several studies have indicated a continual increase in the scope of the problem in terms of both frequency and severity. In a 2005 report to the state of Florida, a variety of solutions were proposed to mitigate the impact of the sinkhole problem in Florida. This article summarizes those recommendations and the subsequent action taken by the 2005 Florida legislature. These findings can be applied to other states exposed to similar perils, both subsidence- and nonsubsidence-related.

Work-in-progress

Gatzlaff, Kevin M. and McCullough, Kathleen M., Regulation of Drones and Insurance Implications

Gatzlaff, Kevin M., Kemper, Kristopher, and Nesson, Erik, Sports Betting: Advantage to the Player?, accepted for presentation at the November 2022 Southern Risk and Insurance Association annual meeting in New Orleans, LA.

""Are NFL Players Risk Averse? Evidence From Kickoff Return Decisions and Optimal Strategy" with Kris Kemper and Erik Nesson, presented at the November 2018 Southern Risk and Insurance Association annual meeting.

"Anatomy of a Water Claim: Theory vs. Practice", presented at the November 2017 Southern Risk and Insurance Association annual meeting in Nashville, TN.

"Optimizing Philanthropic Reach: Evidence from Best Practices", accepted for presentation at the November 2016 Southern Risk and Insurance Association annual meeting in Savannah, GA.

Grants

"Extreme Couponing for Charity: An Introduction to Leveraged Philanthropy" – Provost's Initiative for Immersive Learning, Ball State University, Summer 2011

"The Professional Liability Implications of Data Breaches" (with Kathleen A. McCullough), 2007-08 Grant -- Professional Liability Underwriting Society.

"Insurance Study of Sinkholes", (with Patrick F. Maroney, Cassandra R. Cole, Richard B. Corbett, Randy E. Dumm, Kevin L. Eastman, Kathleen A. McCullough, Mark Browne, James W. (Jay) Newman, Jr., and Martin Simons), 2004 State of Florida Grant.

Presentations

“‘Are NFL Players Rational Risk-Seekers?" with Kris Kemper and Erik Nesson, Southern Risk and Insurance Association, 2018.

"Anatomy of a Water Claim: Theory vs. Practice", presented at the November 2017 Southern Risk and Insurance Association annual meeting in Nashville, TN.

"Optimizing Philanthropic Reach: Evidence from Best Practices", accepted for presentation at the November 2016 Southern Risk and Insurance Association annual meeting in Savannah, GA.

“‘Are NFL Players Risk Averse? Evidence From Kickoff Return Decisions and Optimal Strategy" with Kris Kemper and Erik Nesson, 2015.

"The Stock Market's Response to the Health Care Reforms of the PPACA" (with Kris Kemper), Southern Risk and Insurance Association, Charleston, South Carolina, 2014.

"Considerations Regarding Online Delivery of RMI Courses and Programs" (with Steve Avila), Southern Risk and Insurance Association, Orlando, Florida, 2013.

"Insurer/Policyholder Disputes Involving Material Misrepresentations", Southern Risk and Insurance Association, Savannah, Georgia, 2012.

"Three Practical Assignments for the Introductory Risk Management and Insurance Student", American Risk and Insurance Association, Minneapolis, Minnesota, 2012.

"Derivatives and Internal Capital Markets" (with Stephen G. Fier, James M. Carson, and Kathleen A. McCullough), Southern Risk and Insurance Association, New Orleans, Louisiana, 2011.

"A Re-Examination of the Relation between Corporate Diversification and Performance in the Property/Liability Insurance Industry" (with James M. Carson and Kathleen A. McCullough) Southern Risk and Insurance Association, Charleston, South Carolina, 2010.

"Derivatives and Reinsurance: Substitutes or Complements?" (with James M. Carson), Southern Risk and Insurance Association, Bay St. Louis, Mississippi, 2008.

"Property/Liability Insurer Performance Assessment" (with James M. Carson), American Risk and Insurance Association, Portland, Oregon, 2008.

"Determinants and Dimensions of Property-Liability Insurer Performance" (with James M. Carson), Southern Risk and Insurance Association, San Antonio, Texas, 2007.

"An Examination of the Effect of Data Breaches on Shareholder Wealth" (with Kathleen A. McCullough), Risk and Insurance Association, Hilton Head, South Carolina, 2006.

"The Development and Use of Hybrid Courses in Risk Management and Insurance" (with Cassandra R. Cole, Patrick F. Maroney, and Kathleen A. McCullough), Southern Risk and Insurance Association, Orlando, Florida, 2005.

"An Analysis of Subsidence Insurance Facilities" (with Cassandra R. Cole, Patrick F. Maroney, and Kathleen A. McCullough), Southern Risk and Insurance Association, Charleston, South Carolina, 2004.

College and University Service

Member, University Special Leave Committee, 2021-present
Member, University Undergraduate Education Committee, 2012-2013
Department Liaison, University Academic Honors in Writing Program, 2011-present
Member, University Academic Freedom and Ethics Committee, 2011-2014
Member, Miller College of Business Dean's Search Committee, 2015
Secretary, Miller College of Business Undergraduate Curriculum Committee, 2014-2015
Member, Miller College of Business Undergraduate Curriculum Committee, 2011-2013
Member, Miller College of Business AOL Integration Subcommittee, 2014-2015
Miller College of Business Online Education Steering Committee, 2010-2013
Miller College of Business AOL Teamwork Subcommittee, 2011-2013
Miller College of Business Immersive Learning Award Committee, 2012-2013
AOL Coordinator, Department of Finance and Insurance, 2015-present
Faculty Co-Advisor, Gamma Iota Sigma/RMI Society, 2009-present
Director of 9 Honors Theses, 2010-present
Director of 5 Internships, 2010-2012

Professional Service

Associate Editor, Journal of Risk Education, 2013-present
Secretary/Treasurer, Southern Risk and Insurance Association, 2015.
Second Vice-President, Southern Risk and Insurance Association, 2016.
First Vice-President, Southern Risk and Insurance Assocation, 2017.
President, Southern Risk and Insurance Association, 2018.
Board Member, Southern Risk and Insurance Association, 2012-2019
Presenter, IN Secretary of State's Jump$tart Financial Literacy Program, 2011
    Highland, IN, Terre Haute, IN, and Indianapolis, IN
Reviewer for Journal of Insurance Regulation, 2014
Reviewer for Journal of Risk Education, 2013-2014
Reviewer for Journal of Insurance Issues, 2006-2008, 2010, 2013
Reviewer for eCPCU Journal, 2007

Professional Affiliations

American Risk and Insurance Association
Western Risk and Insurance Association
Southern Risk and Insurance Association

Recognitions

Miller College of Business Outstanding Teaching Award Nominee, 2014
Miller College of Business Outstanding Research Award Nominee, 2013
Miller College of Business Outstanding Teaching Award, 2012
Miller College of Business Outstanding Immersive Learning Project Award Nominee, 2011
Miller College of Business Outstanding Teaching Award, 2010
Outstanding Article Reviewer, Journal of Insurance Issues, 2008
State Farm Doctoral Dissertation Award, 2008