

Business Finance 640
Insurance and Risk
Syllabus
Autumn Quarter, 2007
Mondays and Wednesdays, 3:30 – 5:18 pm
Schoenbaum 220

Required Text Principles of Risk Management and Insurance
Tenth Edition, by George E. Rejda
2007 Pearson Addison Wesley
ISBN 0-321-41493-4

Course Description

This course examines the principles of risk, insurance and the risk management process. The overall assumption of the course is that risks can only be managed if they are identified and treated prior to the loss. Insurance is an important tool, but not the only tool, available for that purpose.

The course begins with an examination of risk and its meaning, and an overview of risk management process. The key terms used to differentiate among various kinds of risk are discussed. A framework is developed for identifying, analyzing and managing all types of risk. The evolving concept of enterprise risk management is introduced.

The distinction between pure risk and other types of risk is clarified. Insurance is introduced as one of the options available to manage pure risk. Other options for treating pure risk are also reviewed, including loss control, risk retention and non-insurance risk transfer. A decision framework for selecting among these various tools is established.

The essential characteristics of insurance contracts are reviewed. Life insurance types and life insurance contractual provisions are reviewed in this context. Next, annuities and individual retirement accounts are examined. Group life and group health insurance plans are also discussed.

The course shifts to a discussion of the sources of liability risk. The law of negligence, the elements of a negligent act, and the application of the law of negligence to specific liability situations are all reviewed. This leads to an examination of two property and liability insurance contracts: homeowners and personal automobile insurance. The goal is for students to attain sufficient mastery of these contracts to analyze specific loss situations and determine whether coverage applies.

The personal auto contract is reviewed first, because auto insurance ties in more directly with the discussion of liability. Various approaches for compensating the victims of auto accidents are next discussed, including financial responsibility laws, compulsory insurance and no-fault.

An overview of the various kinds of homeowners policies is provided. This leads to a fairly detailed review of the Homeowners 3 policy. The discussion of the HO 3 includes separate classes on Section I (Property) and Section II (Personal Liability) of the HO 3. The course concludes with a discussion of other property and liability insurance coverages and social insurance.

The course is structured to serve both as a survey course for students, who intend to take only one course in the risk management and insurance, and also as a foundation course for students wishing to pursue further studies in the field.

Course Objectives

The goals of the course are to:

1. Introduce the unique language of risk and insurance. Help students master the basic vocabulary of risk and insurance.
2. Define and explain the meaning of risk. Distinguish between pure, speculative risk and other kinds of risk. Learn how to identify, analyze and evaluate various kinds of risks.
3. Learn the risk management methodology. Understand the alternative techniques for treating risk. Apply the risk management methodology to solve risk management problems.
4. Develop an understanding of the essential details of insurance contracts and the institutional features of the insurance industry.
5. Help students become more knowledgeable and efficient consumers of both personal and business insurance.

Undergraduate Course Requirements

Undergraduate course requirements will include three components:

Cumulative Quiz Scores	20%
Midterm examination	40%
Final examination	<u>40%</u>
Total	100%

There will be three quizzes during the course. Each quiz will be based on a specific set of chapters noted in the class schedule. The mid-term and final exam will each cover roughly half of the course material. The final exam will not be cumulative. The date of the Mid-term exam will be Monday, October 22nd. The Final Exam is scheduled for Monday, December 3rd.

Quiz and examination questions will consist of multiple choice questions and short answers. Questions will be based both on reading assignments from the text, and on material covered during class lectures and in class discussion. Students may be required to perform basic financial and statistical calculations as part of class discussion and in response to quiz, mid-term and final examination questions.

Students are expected to read the textbook chapters assigned for the class **prior** to coming to class. Reference to the text will be regularly made during class lectures and discussion. **Therefore, students should bring their text books with them to every class.**

Reading the text book is essential to learning the material. Lectures and class discussion can enhance the student's understanding of the material, but these cannot substitute for the student's personal reading and study of the text.

As a general rule, no make-up quizzes or exams will be given in this course. However, if special or extenuating circumstances force a student to miss a regularly scheduled quiz or exam, the instructor **may** offer a make-up opportunity. Should none be offered, the grade on the quiz or exam will be zero. No student will be excused from a quiz or an exam.

Approximate Course Schedule

The following course schedule is subject to change with appropriate prior notice.

Class Date	Topics	Reading Assignment	Quiz/Exam/Guest Speaker
Sep 19 Wed	Overview of the Course, Introduction to Risk and Insurance	Chapter 1	
Sep 24 Mon	Basic Concepts in Risk Management and Insurance	Chapters 2, 3	
Sep 26 Wed	Basic Fundamental Legal Principles	Chapter 9	Quiz # 1 – Chapters 1, 2 & 3
Oct 1 Mon	Analysis of Insurance Contracts	Chapter 10	
Oct 3 Wed	Life Insurance	Chapters 11	
Oct 8 Mon	Life Insurance Contractual Provisions	Chapter 12	
Oct 10 Wed	Taxation of Life Insurance, Calculation of Life Insurance Premiums	Chapter 13, p.275-277, p.284-289	Quiz # 2 – Chapters 9, 10, 11
Oct 15 Mon	Annuities and Individual Retirement Accounts	Chapter 14	
Oct 17 Wed	Employee Benefits: Group Life and Health	Chapter 16	
Oct 22 Mon	Social Insurance	Chapter 18	
Oct 24 Wed	Mid-term Examination		Mid Term Exam: Chapters 1-3, 9-12, 13 (p.275-277, 284-289), 14,16 & 18
Oct 29 Mon	Types of Insurers & Marketing Systems	Chapter 5	Guest Speaker: Charles A. Byran, President, CAB Consulting, LLC
Oct 31 Wed	Property Casualty Rate-making Government Regulation of Insurance	Chapter 7, p. 140-143, Chapter 8	Guest Speaker: Charles A. Byran, President, CAB Consulting, LLC
Nov 5 Mon	The Liability Risk	Chapter 19	
Nov 7 Wed	Automobile Insurance	Chapter 22	
Nov 12 Mon	Veteran's Day Holiday. No class		
Nov 14 Wed	Automobile Insurance and Society	Chapter 23	
Nov 19 Mon	Homeowners Insurance, Section I	Chapter 20	Quiz # 3 – Chapters 19, 22 & 23
Nov 21 Wed	Thanksgiving holiday. No class		
Nov 26 Mon	Homeowners Insurance, Section II	Chapter 21	
Nov 28 Wed	Other Property and Liability Insurance Coverages	Chapter 24	
Dec 3 Mon	Final Exam		Final Exam: Chapters 5, 7 (p. 140-143), 19-24

Academic Honesty

It is expected that students will conduct themselves according to the highest standards of academic honesty. The giving or receiving of assistance during quizzes, the mid-term exam, or the final exam will be considered a violation of those standards.

In keeping with University Faculty Rule 3333-5-487, all instances of academic misconduct will be reported to the University's Committee on Academic Misconduct, which recommends appropriate sanctions to the Office of Academic Affairs.

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Office Hours Mon. & Wed.
5:30 – 6:30 p. m
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Reminder: Mid-term exam will be Wednesday, October 24th, 5:30 to 7:18 pm. The Final Exam will be Monday, December 3rd, 5:30 to 7:18 pm.