

## **Risk Management and Insurance – Honors (RMIN 4000H)**

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Office hours: Tuesday, 2-5 p.m. and by appointment

Class Hours: Tuesday, 12:30-1:45 p.m.

Class Location: Moore 302

### **1 Course Description**

This course provides an introduction to the different types of non-speculative risks faced by individuals and businesses along with possible alternative methods of treating such risks. We will examine the specific application of these methods with regards to life, health, property, casualty and liability contracts. First, we will gain a clear understanding of risk and the risk management process. Next, we will investigate the insurance industry from both an economic and regulatory perspective. Then we will study property and liability insurance contracts including homeowners and auto insurance contracts. The ultimate section of the course will cover individual life and health insurance. Throughout the semester students will have the opportunity to demonstrate their understanding of current risk related topics through presentations and homework assignments. This course is designed for non-majors as well as a foundation for more advanced risk management and insurance courses. As an honors course, there will be a heavier emphasis on class participation and analysis of current events.

### **2 Course Objectives**

- Know the principles and terminology of insurance and risk management.
- Define and discuss the concepts of risk aversion and loss avoidance, as related to both individual and corporate decision making.
- Explain how individuals and corporations use the risk management process to control or finance their exposure to accidental loss.
- Illustrate the principles and theories of insurance law using three of the most widely purchased insurance policies: homeowners, personal automobile and life insurance.
- Discuss both ethical and global business issues as they relate to the insurance transaction.
- Describe the economic problems presented by the insurance transaction, and how the government regulates this transaction.
- Establish a foundation of understanding to permit intelligent analysis of important economic issues.
- Present your own risk analysis in a confident, organized and coherent manner.

## 3 Course Materials

### 3.1 Required

- Text: Trieschmann, Hoyt and Sommer, *Risk Management and Insurance*: 12th Edition, South-Western Publishing, 2005 (THS)
- Additional course materials posted on WebCT
- A financial calculator
- Access To A Major Business Publication: Suggestions include *Wall Street Journal*, *Wall Street Journal Interactive Edition*, *Business Week*, *Economist*, *Forbes*, *Fortune*, etc. It is important to keep abreast of business news as we will discuss it in class in the context of the material we are studying. It is also an important habit for business majors to begin and continue throughout their professional lives.

### 3.2 Recommended

Other resources that will aid in understanding and analyzing risk management issues:

- Insurance publications available through the library include: *National Underwriter*, *Risk Management*, *Best's Review*, *Business Insurance Magazine* and other business publications.
- Harrington and Niehaus, *Risk Management and Insurance*: 2nd edition, Irwin/McGraw-Hill, 2005
- Doherty, *Integrated Risk Management*: 1st edition, McGraw-Hill Professional, 2000
- Annual reports for insurance companies

## 4 Policies and Procedures

### 4.1 Classroom Dynamics

Class starts promptly at 12:30 p.m. Latecomers are encouraged to take their seats quietly to avoid distracting others. While you are encouraged to not use a computer in the classroom (except when computer applications are being demonstrated), if you do, please mute your speakers and refrain from excessive e-mail and instant messaging. Cell phones should be turned off or set to vibrate and should not be answered in the classroom. Exams will begin at 12:30 p.m. and latecomers will not be allotted extra time.

### 4.2 Academic Integrity

UGA's Student Honor Code:

I will be academically honest in all of my academic work and will not tolerate academic dishonesty of others.

Cheating in any form will not be tolerated and will result in a grade of F for the course. For details on the standards of honesty in academic work, please refer to the handbook *A Culture of Honesty*, available at [http://www.uga.edu/honesty/ahpd/culture\\_honesty.htm](http://www.uga.edu/honesty/ahpd/culture_honesty.htm).

### 4.3 Appeal Process

If you feel that an answer you provided deserved more points than it was awarded, you simply submit an e-mail to me within two class days of when the tests are returned. This appeal must include the following:

1. Note which item(s) you are concerned with and what you answered.
2. Justify why your answer warrants more points. This could include information from the book, notes, other classes, whatever. What is not acceptable, however, are reasons such as “I misread the question” or “my uncle Harry always believed xyz, etc.” I am willing to consider other interpretations of any given item, but they must be properly supported.
3. Finally, tell me how many points you think your answer deserves. Is it really worth full credit? Half? You tell me what you think is fair.

I will consider each appeal that is sent and let you know what I think is fair. We can talk in person if you are not satisfied with the outcome.

### 4.4 Announcements and Materials

You are responsible for knowing the material and homework assignments due on any given day, as well as changes in the schedule. Material and homework will be posted on WebCT and announcements will be sent via the course listserv.

From your e-mail account send a message to the following address: [listserv@listserv.uga.edu](mailto:listserv@listserv.uga.edu).

In the body of the message, type the following message ONLY:

SUBSCRIBE RMIN4000HJH-L firstname lastname

and send the message. (Note: If you have a signature that is normally attached to the end of your e-mail messages, turn off the signature before sending this particular message.) You will receive a confirmation message that you must reply to in order to complete the subscription process. After you reply to the confirmation message, you will receive a final confirmation message that verifies that you have been added to the listserv.

Additional information on subscribing to a listserv is available at: <http://www.listserv.uga.edu/>

## 5 Assessment

There are multiple opportunities to demonstrate understanding of course material. The primary method is through three exams, all not comprehensive. The secondary methods are the WebCT news diary, current events presentation and class participation. The allocation of credit to each assessment tool follows:

Exam 1	25%
Exam 2	25%
Exam 3	35%
News diary and class participation	10%
Current events presentation	5%

If the final exam grade is higher than either mid-term, then the weight of the final will increase to 30% and the lowest mid-term will drop to 20%.

## 5.1 News diary

At the beginning of the semester, you will be asked to choose one publicly traded company (from the S&P 500) and follow its press reports through the semester. You will post four short reviews on WebCT for your classmates to see real examples of how the tools studied in class are used (or ignored) by practitioners. Each post will be graded.

*First post* The first post should describe the major businesses that your company engages in, the major risks faced by the firm, and any major issues of the past year. This will give you experience in evaluating a company's risk profile based on its annual reports and press reports. This post will be graded and cannot be made up. This post is due before class on January 22.

*Subsequent posts* At least three additional posts should relate current press articles about or involving your firm to the content of class thus far. You should have at least one post before the first mid-term related to early-semester material, at least one more post before the second mid-term related to time value of money and valuation material and at least one more post before the final related to project selection material. These are intended to be very short assignments and should not require a significant amount of work, if you are reading the press on a daily basis.

The grade for the best four posts will be entered as part of the class participation grade.

## 5.2 Class Participation

The interactive nature of this class requires regular attendance. More than three absences without certified medical excuse will have a negative impact on your grade. Absence from classes when a guest speaker is scheduled will result in a 1/2 letter grade reduction (i.e. A to A-).

When a guest speaker is scheduled, students will be expected to participate by reading about the speaker's company, asking intelligent questions and interacting with the speaker in a courteous manner.

## 5.3 Current Events Presentation

Beginning on February 28, each class will begin with a ten-minute student presentation of a current events issue, related to the company they are following during the semester. The expectations and layout of this assignment will be provided after the first exam.

## 6 Tentative Course Outline

Date	Topic	Reading
Jan. 8	Introduction	THS 1
Jan. 10	Evaluation of Risk and Risk Aversion	THS 2 and WebCT reading
Jan. 15	Property Loss	THS 3
Jan. 17	Tort and Liability	THS 3 and WebCT reading
Jan. 22	Life and Health risks	THS 4
Jan. 24	Non-Insurance RM	THS 5 and WebCT reading
Jan. 29-31	Insurance Principles	THS 6 and WebCT reading
Feb. 5	Information Asymmetry	WebCT reading
	<b>Careers Day</b>	
Feb. 7	<b>Exam</b>	Chapters 1-6 and ancillary readings
Feb. 12	Insurance Policies	THS 7
Feb. 14	Insurance Pricing	THS 23
Feb. 19-21	Commercial Insurance	THS 9
Feb. 26	Commercial Liability	THS 11
Feb. 28	Workers' Comp	THS 12
March 4-6	Employee Benefits	THS 19-20
	<b>Drop Date</b>	
March 8-16	<b>Spring Break</b>	
March 18	Insurance Regulation	THS 24
March 20	<b>Exam</b>	THS 7,9,11,12,19,20,24
March 25-27	Auto Insurance	THS 13-14
April 1	Home	THS 15
April 3	Life	THS 16
April 8-10	Health	THS 17
April 15	Retirement	THS 18
April 17	Financial Planning	THS 21
April 22	Insurance Distribution	THS 22
April 24	Review	
May 6	<b>Exam</b> 12:00-3:00 p.m.	THS 13-18, 21-22