

The University of Georgia
Terry College of Business
Department of Insurance, Legal Studies and Real Estate
Fall 2009
RMIN 7100 – Fundamentals of Risk Management

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Office Hours: Wednesdays 1:30 p.m. – 4:30 p.m. and by appointment

Class Hours: Tuesdays, Thursdays 9:30 p.m. – 10:45 p.m.

Class Location: Sanford Hall, Room 312

The course syllabus below is a general plan for the course; deviations announced to the class by the instructor may be necessary.

Course Description

This course introduces the fundamentals of risk management by exploring the sources of risk, the costs of risk, and the methods available to individuals and corporations to mitigate the cost of risk. Throughout the course, the emphasis will be applying modern finance and economic theory to fundamentally important issues in risk management and insurance. However the principles and techniques covered apply more generally to all aspects of corporate behavior and decision making. The course a working knowledge of simple finance, basic probability, and statistics. However, all mathematical requirements will be reviewed as needed.

Course Materials

- Harrington and Niehaus, 2004, *Risk Management and Insurance* (HN)
- Supplemental readings and documents available from the class Blackboard page (BB)

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."*

You are responsible for maintaining the highest standards of honesty and integrity in every phase of your academic career. The penalties for academic dishonesty are severe and ignorance is **not** an acceptable defense. All academic work must meet the standards contained in *A Culture of Honesty*. Students are responsible for informing themselves about those standards before performing any academic work. You are obligated to be familiar with and adhere to the University's policy regarding academic honesty as outlined in the handbook, *A Culture of Honesty*, which is available from the *Office of the Vice-President for Instruction* or the following website: http://www.uga.edu/ovpi/academic_honesty/culture_honesty.htm. It is my responsibility to uphold the University's academic honest policy and report my suspicions of dishonesty to the *Office of the Vice-President for Instruction*.

Attendance

Class attendance is expected. Exams will be based primarily on material covered in class. Active class participation will improve your grade in borderline cases. Should you miss a day of class for any reason, please obtain lecture notes from another student.

Homework

There will be several homework assignments distributed throughout the semester. These assignments will not be graded but will serve as the best preparation for the exams.

Exam Policy

There will be two exams during the semester. Exams will consist of multiple choice questions, quantitative problems, and “essay” type questions. Exam material will come from lectures, text, current events, and any material distributed in class or through Blackboard (see below). Please do not miss an exam. If you miss an exam for an excused reason, the weight of the final will be adjusted to include the missed exam. Under no circumstances will I give an exam early.

Grade Composition

Midterm Exam	35%	Article Reviews	15%
Final Exam	45%	Class Participation	5%

eLearning Commons

An eLearning Commons (eLC) page has been established as a means to efficiently administer this class. The eLC page allows you to obtain a copy of the syllabus, obtain lecture notes, link to other important web pages, etc. You are responsible for accessing eLC on a regular basis.

Special Needs

Any student who feels that he or she may need an accommodation for a disability of any sort should consult with me as soon as possible so that appropriate arrangements may be made.

Important Dates

Midterm Exam:	Tuesday, September 8 (in class)
Article Review #1:	Tuesday, September 15
Article Review #2:	Tuesday, October 6
Final Exam:	Tuesday, October 6

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Schedule of Topics*

All readings are to be done *prior* to class. Additional material, such as handouts, notes, announcements, homework problems, etc., should be retrieved from the Blackboard homepage *prior* to class. Please come prepared.

*The schedule is subject to change. Actual depth of coverage will depend on available time.

Principles of Risk Management

August 18, 20

Introduction/Syllabus

Introduction to Risk

HN – 1

Risk Management Process

HN – 2, 3.1

Quantitative Foundations

August 25 – September 3

Applications of Probability and Statistics

HN – 3.2, 3.3, 4, 4A

Risk Aversion

HN – 9.1

Expected Utility Theory

HN – 9A

September 8

Mid Term Exam (in class)

Insurance Issues

September 10

Moral Hazard

HN – 10 (pages 183-186)

Adverse Selection

HN – 10 (pages 186-188)

Corporate Risk Management

September 15 – October 1

Corporate Finance And Risk Management

HN – 9.2, 20, 20A

Taxes and Regulation

HN – 21.1, 21.2, 21.3

Financial Risk Management

HN – 24

Alternative Risk Transfer

HN - 25

October 7

Final Exam (in class)

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Article Reviews

Purpose

This assignment has two primary objectives. First, it is designed to help you realize the pervasiveness of risk management issues in the modern business world. Second, it will expose you to the risk management and insurance trade literature and to some of the latest "hot topics" in the field. In addition, as is the case with any written assignment, it provides you with the opportunity to develop your written communication skills.

Details

You will be required to perform the following assignment two times during the course:

Find an article that interests you and that is clearly related to the subject matter of this course. The articles may come from any source, although at least one of your articles should come from the risk management and insurance trade literature. You should *not* use any article linked from the class web page. Prepare a brief review (about 2 pages) of the article. The review should include a synopsis and discussion/analysis of the article. The primary emphasis should be on the discussion and analysis rather than the synopsis. Examples of issues you may wish to address include: What interested you about the article? What important insights does the article provide? How does it relate to what we have discussed in class? What did you learn from the article? Did anything in the article surprise you? Do you have an opinion on the issue(s) mentioned in the article?

The reviews should be typed and double-spaced. Pay attention to grammar and spelling, as errors may lower your grade. Also, use your own words; avoid taking phrases or sentences directly from the article, or simply paraphrasing. If you pick an interesting article with some substance, you should have no trouble writing a couple of pages about it without simply reproducing excerpts from the article.

On the due date, you should turn in your review as well as a photocopy of the article. Make sure the source of the article is clearly indicated. Late submissions will be penalized, so please plan ahead.

Grading

The reviews will be graded based on quality of content, quality of writing, and how well you have followed the guidelines provided above.

Due Dates (Reviews are due at the beginning of class on the dates indicated below)

Article review #1: Tuesday, September 15

Article review #2: Tuesday, October 6

Suggested Risk Management and Insurance Periodicals (You are not limited to this list)

Treasury and Risk Management, Risk Management, Best's Review, Business Insurance, National Underwriter