

BUSINESS FINANCE 3300 – Section 0010 – Class 3829

INSURANCE AND RISK

Course Syllabus

Spring Semester 2020
Tues/Thurs, 2:20-3:40 PM
Schoenbaum Hall 215

Instructor: George D. Krempsey, CIC, CRM
E-Mail: krempsey.1@osu.edu
Office Phone (614) 292-0160
Mobile Phone (614) 937-8964
Office Location: 301 B, Fisher Hall
Office Hours: TTH 9:45 AM to 11:15 AM (Also available by appointment)

COURSE DESCRIPTION

This is the foundational course in risk management and insurance. The objective is to provide students with a rational framework for evaluating risk, along with conceptual tools for making risk management decisions rationally and consistently. The course also examines the cognitive factors which impact decision-making under uncertainty.

This course examines the principles of risk and insurance, the risk management process, and the language used in these areas. 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 a discussion of risk and its meaning. Key terms used to differentiate among various kinds of risk are discussed. The focus of the course is on the management of pure risk. 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.

Risk management is defined as a rational method for identifying and treating all types of risk. The steps in the risk management process are discussed, and a decision framework for selecting among various risk management tools is introduced.

As the course unfolds, the statistical and legal foundations of insurance are examined. Common insurance contracts, and the essential characteristics of all insurance contracts are discussed.

Personal automobile, homeowners, dwelling property, umbrella, life and health insurance are all reviewed. Employee benefit plans and government regulation of insurance are also examined.

The course is structured to serve as core element of business literacy. It is intended for business students from all disciplines, including those who intend to take only one course in risk management and insurance.

It also serves as the introductory course for students wishing to pursue further studies in the field. Students learn to apply concepts from finance, probability and statistics to measure risk objectively and to make specific risk decisions.

COURSE MATERIALS

Required Course Text

George Rejda, Michael McNamara, William Rabel

Principles of Risk Management and Insurance, 14th edition

Pearson Education, 2020

Chapter 1: An Excellent Decision-Making Process

Decision Traps: The Ten Barriers to Brilliant Decision-Making

J. Edward Russo and Paul J.H. Schoemaker

Simon and Schuster, 1990

Textbook

The 3300 course text is Rejda, McNamara & Rabel, ***Principles of Risk Management and Insurance, 14th edition***, Pearson, 2020. We do not support earlier editions, which may differ significantly from the current 14th edition.

The textbook is being provided via CarmenBooks. Through CarmenBooks, students obtain publisher materials electronically through CarmenCanvas, saving them up to 80% per title.

The fee for this material is included as part of tuition and is listed as CarmenBooks fee on your Statement of Account. In addition to cost-savings, materials provided through CarmenBooks are available immediately on or before the first day of class. There is no need to wait for financial aid or scholarship money to purchase your textbook.

Unless you choose to opt-out of the program, you do NOT need to purchase any course materials at the bookstore. For more information on the program or information on how to opt out, please visit the CarmenBooks website. Access the courseware for this title through the Pearson courseware label link in the course navigation.

Students are not required to purchase the ***Decision Traps*** book. A PDF of Chapter 1, "An Excellent Decision-Making Process", has been posted to the Canvas class website.

Required Calculator

You will need a calculator for this course capable of performing basic time-value-of-money (TVM) calculations. Financial calculators enable you to perform these calculations using pre-programmed functions and are preferred.

If you already own a scientific (statistical) calculator, there is no need to purchase a financial calculator unless you prefer the convenience of pre-programmed TVM functions. You will not be at a disadvantage without a financial calculator.

Lecture Materials

Most class sessions will begin in a lecture format, organized around key topics covered in the text. However, we will shift into a discussion mode revolving around questions, problems, practical exercises, and small-case situations. Both the lecture and class discussions will be designed to engage students and promote an environment in which active learning is taking place.

Lectures may be presented with PowerPoint slides. The PowerPoint slides will be posted to the course website. Other materials may be posted to the website. Please be sure to check the website frequently for new postings.

Course Objectives

The goals of the course are to:

1. Define and explain the meaning of risk. Distinguish between pure, speculative risk and other kinds of risk.
2. Introduce the risk management methodology. Learn how to identify, analyze and evaluate various kinds of risks faced by business firms and individuals. Apply the risk management process to select among the alternative techniques for treating these risks.
3. Develop an understanding of the essential details of insurance contracts and the institutional features of the insurance industry. Become familiar with the unique language of risk and insurance.
4. Integrate and apply knowledge from other business courses to solve risk management problems.
5. Help students become more knowledgeable and efficient consumers of both personal and business insurance.

COURSE REQUIREMENTS

Quizzes

There will be 3 quizzes in the course. Each quiz will be worth 20 points. Points earned on the individual quizzes will be summed to develop your composite quiz score.

No make-up quizzes will be given in this course.

Course Exams

Three examinations will be given during the course: two exams during semester and the final exam. Each exam will cover roughly one third of the course material. The final exam will not be cumulative.

Exams will evaluate the student's understanding of key concepts, and the ability to apply basic tools to common problems. Questions will be chosen to provide reasonably even coverage of the text chapters assigned for the relevant segment of the course. Material may also be drawn from lecture materials and class discussion.

Grading

Quizzes (3 quizzes)	60 points
Exam 1	100 points
Exam 2	100 points
Final exam	100 points
<u>Class Participation</u>	<u>60 points</u>
Total	420 points

No make-up exams will be given in this course.

Exam Ground Rules

- The exam must be taken in class on the assigned date.
- Under no circumstances will a student be excused from an exam.
- No calculator that is part of a cell phone may be used on an exam.

Grade Scale

If you achieve an overall percentage in the ranges below, you will receive the letter grade associated with that range.

Letter	Percentage
A	93-100
A-	90-92.9
B+	87-89.9
B	83-86.9
B-	80-82.9
C+	77-79.9
C	73-76.9
C-	70-72.9
D+	67-69.9
D	60-66.9
E	0-59

Class Participation

My expectation is that everyone in this class will attend every class and be on time. You can miss four classes without affecting your participation grade. Each additional class that you miss will result in a 10% reduction to your participation grade. Attendance will be taken at the start of class. I will circulate a class sign-in sheet for each student to sign personally. The class sign-in sheet will serve as the official record of attendance.

You are expected to come to class having read the required textbook assignments prior to class. In general, students who respond to questions with answers that demonstrate that they have read the material, have reflected on it, and can apply their understanding to the situation at hand should receive close to 100% in class participation.

The following behaviors will be considered out of bounds and will result in the deduction of class participation points:

- In class, but surfing the internet, texting, playing electronic games, reading the paper, doing assignments for other classes, or sleeping etc.
- In class, but showed disdain to the instructor's question and/or lack of preparation pertaining to the day's assigned reading.

Student Responsibilities

Students are expected to:

- spend a minimum of two hours outside of class studying for each hour of classroom time;
- exhibit classroom behavior that is respectful to faculty and fellow students;
- refrain from the use of phones and other electronic equipment during class, unless permitted by the instructor;
- arrive at class on time, actively participate in class, and not leave class early;
- keep up with assigned readings and complete assignments on time;
- abide by the University standards on academic conduct.

ACADEMIC MISCONDUCT

In accordance with University Faculty Rule No. 3333-5-487, all instances of alleged academic misconduct must be reported to the Committee on Academic Misconduct, which recommends appropriate sanctions to the Office of Academic Affairs. We aggressively pursue violations of University standards on academic conduct.

WAIT-LISTED STUDENTS (undergraduate courses only)

Wait-listed students who seek to enroll in a course must attend class for that course through the first class session of the second week of the semester. After that date, any student who has not been added to the course will not be enrolled and may not continue attending the class. Wait-listed students should contact either the Fisher Undergraduate Program Office or the Department of Finance if they have questions about the wait-list process.

DISENROLLMENT

The Fisher College of Business aggressively enforces University attendance rules. Pursuant to University Rule 3335-8-33, a student may be "disenrolled" from a course for failure to attend by the first Friday of the term, by the third instructional day of the term, or by the second class meeting, **whichever occurs first**.

POLICY ON EXTRA CREDIT

Extra credit will not be offered unless it is available to the entire class. For example, if an individual student wishes to improve his or her grade at the end of the course, extra credit will not be available for this purpose, as it unfairly penalizes students who have consistently worked hard throughout the course. *This policy will be strictly enforced.*

POLICY ON THE USE OF ELECTRONIC DEVICES IN CLASS

- Cell phones may not be used in class at any time.
- During class, your cell phone must be set to SILENT (not vibrate) or turned OFF.
- Laptops and tablets may be used in class only with the instructor's permission.
- Lectures and other presentations may not be recorded (audio or video).
- Any electronic device not mentioned elsewhere in this section may be used in class only with the instructor's permission.
- This policy does not apply to electronic devices used for medical reasons.
- The instructor may amend this policy at any time, should circumstances warrant

COURSE SCHEDULE

All **chapter** reading assignments refer to the Rejda, McNamara, and McNamara Principles of Risk Management and Insurance, 14th edition, course text. The course schedule is subject to change at the instructor's discretion.

Students will be given prior notice of any changes to the schedule. The instructor also reserves the right to correct any content or administrative errors in this syllabus at any time, with appropriate notice.

Class Dates	Activities – Topics – Requirements
January 7	Course Overview; Basic Concepts In Risk Management Introductory Comments, Chapter 1:Definition of Risk, Peril and Hazard, Risk Classifications; Article: “Excellent Decision Making Process”
January 9	Basic Concepts in Risk Management Chapter 2: Basic Characteristics of Insurance, Characteristics of an Insurable Risk, Adverse Selection, Types of Insurance
January 14	Basic Concepts in Risk Management Chapter 2 Appendix: Basic Statistics and Law of Large Numbers, Probability, Additional Power Point Material – Pooling Examples
January 16	Introduction to Risk Management Chapter 3:Definition of Risk Management, Objectives of Risk Management, Steps in the Risk Management Process

Class Dates	Activities – Topics – Requirements
January 21	Quiz 1 (Covers Chapters 1, 2, 3) Liability Risks – Legal Bases of Liability Chapter 19 – The Liability Risk
January 23	Personal Auto Policy: Liability Coverages Chapter 20 – Auto Insurance
January 28	Personal Auto Policy: Damage to Your Auto Coverage, Loss Duties, and Other Provisions Chapter 20 – Auto Insurance
January 30	Auto Insurance: Societal Problems and Attempts at Resolution Chapter 21 – Approaches to Compensating Auto Victims, Auto Insurance for High Risk Drivers, Cost of Auto Insurance
February 4	Guest Speaker: Casaundra Parker, Adjuster Auto Damage Claims, GEICO
February 6	Review Session 1: Chapters 1, 2, 2A, 3, 19, 20, 21
February 11	Exam 1 Covers Chapters 1, 2, 2A, 3, 19, 20, 21 *Bring a calculator for the exam
February 13	Types of Insurers and Marketing Systems Chapter 5 – Major Types of Insurers, Life Insurance Distribution Systems, Property and Casualty Distribution Systems
February 18	Insurance Regulatory Structure and Issues Chapter 8 – Government Regulation of Insurance
February 20	Legal Principles in Risk and Insurance Chapter 9 - Fundamental Legal Principles
February 25	Quiz 2 (Covers Chapters 5, 8, and 9) Insurance Contracts and their Legal Principles Chapter 10 – Analysis of Insurance Contracts
February 27	Guest Speaker: Mark Bures, Global Enterprise Risk Leader, Valvoline, Inc.
March 3	Life Risks Chapter 11 – Life Insurance
March 5	Life Risks Chapter 12 – Life Insurance Contractual Provisions

Class Dates	Activities – Topics – Requirements
March 10	Spring Break
March 12	No Class
March 17	Calculation of Life Insurance Premiums Chapter 13 Appendix
March 19	Review Session 2: Practice Questions from Chapters 5, 8, 9, 10, 11, 12, and 13A
March 24	Exam 2 Covers Chapters 5, 8, 9, 10, 11, 12, and 13A, *Bring a calculator for the exam
March 26	Guest Speaker: Michelle Rafeld, Assistant Director, Fraud and Enforcement, Ohio Department of Insurance
March 31	Homeowners Risks: Property Chapter 22 – Homeowners Insurance, Section I
April 2	Homeowners Risks: Liability Chapter 23 – Homeowners Insurance, Section II
April 7	Personal Property and Liability Risks: Specific Kinds of Insureds Chapter 24 – Other Property and Liability Coverages
April 9	Quiz 3 (Covers Chapters 22, 23 and 24) Health Risks Chapter 15 – Individual Health Insurance: Affordable Care Act, Individual Medical Expense Insurance
April 14	Employee Benefit- Life and Health Coverages Chapter 16 – Employee Benefits – Group Life and Health Insurance
April 16	Review for Final Exam: Chapters 15, 16, 22, 23 and 24
To Be Determined	Final Exam (Exam 3): Covers Chapters 15, 16, 22, 23, and 24 Common final exam for all sections. Date/time/ location will be posted during the first week of the semester.

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