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CURRICULUM PROPOSAL COVER SHEET
University-Wide Undergraduate Curriculum Committee

I. CONTACT

Contact Person Alan Eastman Phone 5738
Department Finance and Legal Studies

II. PROPOSAL TYPE (Check All Appropriate Lines)

COURSE Insurance & Risk Mgt
Suggested 20 character title
 New Course * FI360 - Insurance & Risk Management
Course Number and Full Title
 Course Revision _____
Course Number and Full Title
 Liberal Studies Approval + _____
for new or existing course Course Number and Full Title
 Course Deletion _____
Course Number and Full Title
 Number and/or Title Change _____
Old Number and/or Full Old Title
_____ New Number and/or Full New Title
 Course or Catalog Description Change _____
Course Number and Full Title

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Rev.

PROGRAM: _____ Major _____ Minor _____ Track _____
 New Program * _____
Program Name
 Program Revision * _____
Program Name
 Program Deletion * _____
Program Name
 Title Change _____
Old Program Name
_____ New Program Name

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III. Approvals (signatures and date)

[Signature] Department Curriculum Committee
[Signature] Department Chair
[Signature] College Curriculum Committee
[Signature] College Dean

+ Director of Liberal Studies (where applicable) * Provost (where applicable)

COURSE SYLLABUS
FIN 360 Insurance and Risk Management

I. CATALOG DESCRIPTION

FIN 360 Insurance and Risk Management

(3c-0l-3sh)
3 class hours
0 lab hours
3 semester hours

Prerequisites: FIN 310, FIN 355

This course covers the nature of risk, the application of the risk management process to business risk management problems, and the essentials of insurance contracts and insurance markets. Appropriate methods of risk control and risk financing are discussed. The primary focus is on accidental losses resulting from situations involving pure risks, although financial risk management techniques for dealing with speculative risks are introduced.

II. COURSE OBJECTIVES

Students will:

- A. Identify and evaluate the risk management processes used by businesses to minimize the adverse effects of accidental losses at a reasonable cost.
- B. Identify and analyze exposures to loss, and be able to evaluate alternative risk management techniques.
- C. Analyze insurance contracts.
- D. Evaluate insurance markets.
- E. Formulate appropriate insurance programs depending on the unique circumstances of individuals and businesses.
- F. Integrate and apply knowledge of probability, statistics, and capital budgeting to the risk management problems faced by business firms.
- G. Demonstrate their knowledge and understanding of the risk management process by providing written analyses of hypothetical risk management cases.

III. COURSE OUTLINE

- A. The nature of Risk and Insurance and an Overview of the Risk Management Process (6 hours)
 - 1. Pure vs. Speculative Risk
 - 2. Individual vs. Insurance Company Risk
 - a. Risk Pooling and Insurance Institutions
 - b. Insurer Operations and Reinsurance
 - 3. Risk Management as a Managerial Process
 - 4. Risk Management as a Decision Making Process
- B. Identifying and Analyzing Exposures to Loss (6 hours)
 - 1. Property Exposures
 - 2. Liability Exposures
 - 3. Personnel Exposures
 - 4. Net Income Exposures
 - 5. Ethical Considerations
- C. Forecasting: The Basis for Risk Management Decisions (6 hours)
 - 1. Terminology, Loss Development, Loss Trending
 - 2. Estimation of Frequency, Severity, and Total Loss Distributions
 - 3. Project Review

- D. Exam 1 (1 hour)
- E. Selection of Risk Management Methods (2 hours)
 - 1. Cash Flow Analysis: Net Present Value and Internal Rate of Return
- F. Risk Transfer and Risk Retention (3 hours)
 - 1. Advantages and Disadvantages
 - 2. Techniques
- G. Loss Financing Methods (14 hours)
 - 1. Traditional Insurance Contracts
 - a. Insurability of Risk
 - b. Contractual Provisions
 - c. Legal Doctrines
 - 2. Ratemaking and Loss Sensitive Contracts
 - 3. Ethical Considerations (Insurance Availability and Ratemaking)
 - 4. Introduction to Personal Lines of Insurance
 - a. Auto Insurance
 - b. Homeowners' Insurance
 - c. Life and Health Insurance
 - 5. Commercial Insurance
- H. Exam 2 (1 hour)
- I. Business Risk (3 hours)
 - 1. Introduction to Financial Risk Management
 - 2. Hedging and the Use of Derivatives
- J. Final Exam (2 hours)

IV. EVALUATION METHODS

The course grade will be the weighted average of the grades received by the student on course assignments, which are as follows:

25%	Midterm Exam 1
25%	Midterm Exam 2
15%	Risk Management Case Analysis. Presented with a business risk situation in class, students will identify loss exposures, estimate their severity, and suggest appropriate risk management techniques to deal with the potential losses.
10%	Forecasting Project. Students will develop and interpret reasonable estimates of total losses based on hypothetical loss frequency and severity distributions, utilizing electronic spreadsheet applications.
25%	Comprehensive Final Exam

Grading Scale:	90 – 100	A
	80 – 89	B
	70 – 79	C
	60 – 69	D
	< 60	F

V. REQUIRED TEXTBOOKS, SUPPLEMENTAL BOOKS AND READINGS

Textbook: Harrington, Scott E. and Gregory R. Niehaus, Risk Management and Insurance, Irwin/McGraw-Hill, New York, NY, 1999.

VI. BIBLIOGRAPHY

Harrington, Scott E. and Gregory R. Niehaus, Risk Management and Insurance, Irwin/McGraw-Hill, New York, NY, 1999.

Head, George L. and Stephen Horn, II, Essentials of Risk Management, Volumes 1 and 2, 3rd Edition, Insurance Institute of America, Malvern, PA, 1997.

Fite, David and Paul Pfeleiderer, "Should Firms Use Derivatives to Manage Risk?," in Risk Management: Problems and Solutions, editors William H. Beaver and George Parker, McGraw Hill, San Francisco, CA, 1995.
Hull, John C., Introduction to Futures and Options Markets, 3rd Edition, Prentice Hall, Inc., Upper Saddle River, NJ, 1998.

Lilly, Claude C., Frances S. Lilly, and Bernard L. Webb, The Risk Funding and Self-Insurance Bulletins, Volumes 1 and 2, The National Underwriting Company, Cincinnati, OH, 1996.

Redja, George E., Principles of Risk Management and Insurance, 6th Edition, Addison-Wesley Educational Publishers, Inc., Reading, MA, 1998.

Sharpe, William F., "Nuclear Financial Economics," in Risk Management: Problems and Solutions, editors William H. Beaver and George Parker, McGraw Hill, San Francisco, CA, 1995.

Tiller, Margaret Wilkinson, James D. Blinn, and John J. Kelly, Essentials of Risk Financing, Volumes 1 and 2, 1st Edition, Insurance Institute of America, 1998.

COURSE ANALYSIS QUESTIONNAIRE

A: DETAILS OF THE COURSE

A1 What academic need does this course fulfill?

Virtually all business activities involve the assumption of risk. The process of identifying and analyzing the potential impact of such risks, and the ability to manage the risks at a reasonable cost, are crucial to the success of any organization. Risk is a very broad term and our students are exposed to certain aspects of risk, such as investment risk or interest rate risk in our finance classes. A comprehensive and systematic approach for dealing with risk provides a valuable skill that students can call upon in their future roles as employees, small business owners, or corporate managers. Risk management requires knowledge, imagination, and critical thinking, and this course will help develop these attributes in our students.

In addition, business students need to be exposed to the basics of insurance contracts and markets.

Does this course fit into the programs of the department?

Yes, risk is fundamental to the study of finance. Specific measures of risk are discussed in a number of finance courses, and the concept of a risk/return tradeoff is central to investment and financial management. Broadening the definition of risk and the types of situations that place business firms at risk is a natural extension of the courses already offered in the department. Introducing the concept of hedging and the use of derivatives for risk management purposes may provide a lead in for a more comprehensive course on the valuation and use of derivative securities, FIN 425 – Derivatives (to replace FIN 385). In addition, many of the techniques for risk control and risk financing involve contractual arrangements that are more easily understood with a good foundation in legal principles. Such a foundation is provided by the law courses offered in this department.

For what clientele is the course designed?

This course is designed for students who have completed FIN 310 – Finance I, or who are taking it concurrently, and who have Junior standing. This course is not intended as a Liberal Studies course.

A2 Does this course require changes in content of existing courses?

No. None of our department's present courses teach risk management in a comprehensive manner or focus on the types of loss exposures covered in this course. According to the catalog of course descriptions, no other course outside our department teaches risk management in a general business context. The Department of Management teaches MGMT 325 – Small Business Management, a survey course that includes the topic of risk management and insurance. The topic is limited to concerns of small business and is one of sixteen topics listed in the course description. The Department of Safety Sciences teaches SAFE 412 – Evaluation of Safety Program Effectiveness. The Safety Sciences courses are focused on occupational health and safety concerns of manufacturers, not the broad array of loss exposures facing all businesses. Thus, no catalog course need be changed to accommodate the proposed course.

A3 Has this course ever been offered at IUP on a trial basis (e.g., as a Special Topic). If so, explain the details of the offering.

Yes. The course is currently being taught by the present proposer as a Special Topics course. Although a Special Topics course titled "Risk Management" was taught for two semesters prior to the Fall 1998, the course content was different than is currently proposed.

A4 Is this course to be a dual-level course? If so, what is the approval status at the graduate level?

No, this course is not a dual-level course.

A5 If this course may be taken for variable credit, what criteria will be used to relate the credits to the learning experience of each student? Who will make this determination and by what procedures?

This course cannot be taken for variable credit.

A6 Do other higher education institutions currently offer this course? If so, please list examples.

Yes, many colleges and universities offer courses in risk management and insurance. According to the American Risk and Insurance Association, at least 70 universities offer undergraduate majors and about 20 offer graduate majors in risk management and insurance, and many other universities have courses in risk management and/or insurance. Among the universities offering courses in risk management and insurance similar to the proposed course are the Pennsylvania State University, Clarion University, the University of Georgia, and the Wharton School of Business at the University of Pennsylvania.

A7 Is the content, or are the skills, of the proposed course recommended or required by a professional society, accrediting authority, law or other external agency? If so, please provide documentation.

The American Risk and Insurance Association, the premier professional association of insurance scholars and insurance and risk management professionals, describes the importance of studying risk management as follows:

Given the scope and magnitude of the pure risk exposures currently facing businesses and other organizations, students lacking knowledge in risk recognition and risk control techniques are unprepared to achieve basic organizational goals such as profit maximization, earnings stability, and/or growth. At best, these future managers may hastily implement sub-optimal risk management plans. More likely, risk management will only be implemented following a loss, which may prove to be too late to assure the survival of the organization. Haphazard management of potentially catastrophic risks can be disastrous in an environment in which management accountability is expected and demanded.

Risk management is crucial to effective financial, marketing, production, and human resource management and is integrated into the decisions in those areas in modern corporations. The marketing of a new product would not be considered apart from potential liability and distribution risks. Production planning must consider possible environmental pollution, worker injuries, business interruption and quality control. Business, legal, and societal pressures are all combining to require more sophisticated, integrated decision-making approaches in the future. Simply buying insurance has not solved risk management problems for decades.

The ability to manage risks effectively is increasingly crucial. Business schools must begin to provide at least the rudiments of risk management to their graduates. Increased accountability for prudent management of resources requires that future managers be able to integrate risk management techniques into their financial, marketing, human resource, and production management decision-making.

Professional designations in the insurance industry also require an understanding of risk management. The American Institute of Chartered Property Casualty Underwriters provides its designation to professionals who successfully complete nine national examinations, three of which relate to the risk management (Personal Insurance and Risk Management, Commercial Property Insurance and Risk Management, and Commercial Liability Insurance and Risk Management). The Insurance Institute of America confers its designation of Associate in Risk Management to those professionals completing the three-course sequence of the Essentials of Risk Management, the Essentials of Risk Control, and the Essentials of Risk Financing.

Why can't the content and skills be incorporated into an existing course?

Risk management is a very broad field. Many of the topics covered in a risk management course could be expanded into separate courses themselves. Certain aspects of risk and risk management are currently, and should be more fully, incorporated into existing courses. A separate course is necessary, however, to provide sufficient coverage of risk management topics and to allow students the time needed to practice and more fully develop their skills to an acceptable academic or practical level.

B. INTERDISCIPLINARY IMPLICATIONS

B1 Will this course be taught by one instructor or will there be team teaching?

This course will be taught by one instructor.

B2 What is the relationship between the content of this course and the content of courses offered by other departments?

The proposed course does not in any manner infringe upon or duplicate any course offerings described in the catalog of courses, thus there has been no reason for discussion with any other departments.

B3 Will seats in this course be made available to students in the School of Continuing Education?

Yes, providing they have met the prerequisites.

C. IMPLEMENTATION

C1 Are faculty resources adequate?

Yes, current faculty resources are adequate and the course is being taught currently as a Special Topics course. This is the third semester that a Special Topics course by this name has been offered, without negative impact upon the ability of the department to offer its traditional courses. In addition, this course replaces FIN 322 – Life Insurance as a required course for Finance majors.

C2 What other resources are needed to teach this course and how adequate are the current resources?

Space: There has been and is adequate space.

Equipment: The course requires no equipment beyond standard classroom furnishings.

Laboratory Supplies and Other Consumable Goods: None.

Library Materials: No new acquisitions would be necessitated.

Travel Funds: When available, for research and professional development. These funds have been adequate for the past year.

C3 Are any of the resources for this course funded by a grant?

No.

C4 How frequently do you expect this course to be offered?

Every semester.

C5 How many sections of this course do you anticipate offering in a single semester?

One section per semester initially, perhaps two if enrollment warrants the increase.

C6 How many students do you plan to accommodate in a section of this course?

Thirty to thirty-five students per section.

Is this planned number limited by the availability of any resources?

No. The class size limit is designed to maintain the integrity of the IUP experience to its students.

C7 Does any professional society recommend enrollment limits or parameters for a course of this nature?

No.

D. MISCELLANEOUS

No additional information is necessary.