

**Peking University HSBC School of Business**  
**Department of Finance**  
**Spring 2012-Module 2**

**Principles of Risk Management and Insurance**

(M/R 3:30-5:20)

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<b>Office Hours:</b>	M/R 2:30-3:30 pm or by appointment		
<b>TA:</b>	Chuanxu Zheng		

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**Text:**

Scott E. Harrington and Gregory R. Niehaus, *Risk Management and Insurance*, 2<sup>nd</sup> edition, 2003, McGraw-Hill Companies, NY.

**Readings:** Recommended

Business Insurance: [www.businessinsurance.com](http://www.businessinsurance.com)

**Other Materials:**

Lecture notes, extra readings and exercises are to be posted on the course website.  
[http://finpeople.phbs.pku.edu.cn:8080/ex-more.php?product\\_id=155&type\\_id=133](http://finpeople.phbs.pku.edu.cn:8080/ex-more.php?product_id=155&type_id=133)

Students should check this site on a regular basis for updates.

**Course Objective:**

Today's business managers must operate in an increasingly complex, global environment that generates many risks which are often associated with property losses, legal liability, workplace injury and employee benefits, currency exchange, interest rate fluctuations and political risks. These risks can threaten not only operational goals such as profitability and growth, but also the organization's very survival.

This course explores the areas of general risk management process, property and liability insurance, life and health insurance, annuities and employee benefits, etc. We will learn to identify and measure risks, and select appropriate risk management tools to reduce and finance risks. The purpose of the course is to equip students to develop a conceptual framework for making risk management decisions that increase business value and individual welfare and get familiar with the insurance industry. Furthermore, the topics related to the Chinese insurance industry will be discussed.

### **Grading Policy:**

We will have 2 quizzes, 4 assignments\* and 2 exams. The determination of your final grade is as follows:

Quizzes	10%
Homework	25%
(Presentation)	(10%)
Lower Exam	30%
Higher Exam	35%
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	100%

\*: The 4<sup>th</sup> assignment is going to be a presentation based upon one of the research papers distributed in the class. **The list of the research papers is posted on**  
[http://finpeople.phbs.pku.edu.cn:8080/ex-more.php?product\\_id=155&type\\_id=133](http://finpeople.phbs.pku.edu.cn:8080/ex-more.php?product_id=155&type_id=133)

### **Class Participation**

I firmly believe that we learn by actively participating in the learning process. Please note that quizzes will be given without prior notice. Thus, you are strongly encouraged to read course materials before coming to the class. Also, please remember your active participation in the class discussion may affect your grades at the margin.

### **Academic Honesty**

Academic dishonesty discourages learning. Therefore all students are expected to abide by the code of academic honesty of PKUHBS, and to interact with one another respectfully, fairly, and honestly. Known instances of academic dishonesty will be prosecuted through the University's judiciary system.

### **Tentative Schedule**

<b>Week</b>	<b>Topic</b>	<b>Readings (Ch.)</b>
1	Introduction to Risk and Risk Management(RM)	1
	Objective of RM	2
	Risk Identification	3.1, HW 1
	Property Exposures	3.1
2	Liability RM problems (I)	12.1-12.2
	Liability RM problems (II)	12.3
	Liability RM problems (III)	12.4, 12A
	Human Resource Exposure (I)	18
3	Human Resource Exposure (II)	16.1-16.2, 17.1-17.2

	Risk Measurement (I)	3.2, HW 2
	Risk Measurement (II)	3.3, 4.1-4.2
	RM Tools I-Loss Control	11.1-11.3
4	RM Tools II-Retention and Non-insurance Transfer	22.1, 29.3
	RM Tools III-Insurance Transfer	4.1-4.3
	Review Session	-
	<b>Midterm</b>	-
5	Exam Returned	
	RM and Shareholder Wealth	20
	Cash Flow Analysis	11.3
	Captives	11.3
6	Selection and Monitoring, and Case Study	-
	<b>Guest Speaker series*</b>	-
		22
		-
7	Financial Price RM-Hedging	24
	Case Study-Enterprise Risk Management	27
	Insurance Pricing	8.1-8.5, HW 3
	Insurability of Risk	10.1
8	Contractual Provisions and Legal Doctrines	10.2-10.3
	Auto Insurance (I)	13
	Auto Insurance (II)	13
	Life & Health Insurance (I)	15, 16.3-16.6
9	Life & Health Insurance (II)	19
	Social Insurance and Insurance Regulation	19
	<b>Presentation</b>	-
	Review Session	-

**Final Exam: TBD**

**\*: Guest speakers from the senior management of China's insurance companies will be invited occasionally. The schedule is subject to change.**