

Peking University HSBC Business School

Fall 2014-Module 1

Principles of Risk Management and Insurance

(M/R 3:30-5:20, Room 403)

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| Professor: | Lan Ju, Ph.D. | Office: | PHBS building 762 |
| Tel: | 86-755-26032653 | Email: | julan@phbs.pku.edu.cn |
| Office Hours: | M/R 2:00-3:00 pm or by appointment | | |

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| TA: | Shan Tan | Email: | 1301213905@sz.pku.edu.cn | Tel: | 18673725303 |
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Text:

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

Other Materials:

Lecture notes

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 two quizzes, three homework assignments, one presentation and one final exam. The determination of your final grades is as follows:

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| Quizzes | 10% |
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| Homework | 15% |
| Presentation* | 25% |
| Final exam | 50% |
| | 100% |

*: The presentation is based upon one of the hot industry topics. # of members in one group should be *no more than 5*.

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 PHBS, 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

| Week | Topic | Readings (Ch.) |
|-------------|--|-----------------------|
| 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 |
| | RM and Shareholder Wealth | 20 |
| | Cash Flow Analysis | 11.3 |
| 5 | Selection and Monitoring, and Case Study | - |
| | Financial Price RM-Hedging | 24 |
| | Enterprise Risk Management (Case study) | 27 |

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| | Insurance Pricing | 8.1-8.5, HW 3 |
| 6 | Insurability of Risk | 10.1 |
| | Contractual Provisions and Legal Doctrines (I) | 10.2-10.3 |
| | Contractual Provisions and Legal Doctrines (II) | 10.2-10.3 |
| | Auto Insurance (I) | 13 |
| 7 | Auto Insurance (II) | 13 |
| | Life & Health Insurance (I) | 15, 16.3-16.6 |
| | Life & Health Insurance (II) | 15, 16.3-16.6 |
| | Alternative Risk Transfer | 25 |
| 8 | Captive Insurers | 25.4 |
| | Social Insurance | 19 |
| | Insurance Regulation | 6 |
| | Review Session | - |
| 9 | Guest Speaker* OR Topic Discussion | - |
| | | - |
| | Presentation | - |
| | | - |

Final Exam: TBD

*: Guest speakers from the senior management of China's insurance companies may be invited to give talks. The schedule is subject to change.