

**NATIONAL UNIVERSITY OF SINGAPORE
NUS BUSINESS SCHOOL**

FIN3119: RISK AND INSURANCE

LECTURE NOTES

by

A/P CHEN RENBAO

2014/2015 SEMESTER I

**NATIONAL UNIVERSITY OF SINGAPORE
NUS BUSINESS SCHOOL**

Course: FIN3119: Risk and Insurance 2014/2015 Semester I

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Class Hours: Monday 8:00-11:00 (Group 1) Room: BIZ1 02-06
Monday 14:00-17:00 (Group 2) Room: BIZ1 02-06

You are appreciated if you come to class on time.

Consultation Hours: Wednesday: 10:00-16:00; Other time by appointment

Course Description:

Business entities and individuals are exposed to substantial risk associated with losses to property, income, and wealth because of damage to assets, legal liability, disability, retirement, and death. Costs associated with legal liability and employee benefit programs, particularly Central Provident Fund (CPF) and health care, have become matters of deep concern to company management. Individuals seeking coverage of their professional and personal risks have similar concerns. This survey course analyses the nature and impact of these risks and discusses appropriate risk management techniques. The emphasis is on the analysis and management of these problems for business entities, but these are substantial implications for the problems faced by individuals and society. Specific topics include risk identification and measurement; risk control and transfer, risk financing with commercial insurance, self-insurance, and captive insurance programs; insurance markets and regulation; employee benefits and CPF; life and health insurance; personal financial planning; international risk management and insurance for multi-national corporations.

This course will introduce Singapore experiences in solving problems related to Medicare, Housing, aging population and retirement, transportation, and using effective tax system to encourage people to work harder as well as to help the poor.

Course Objective:

It is an introductory course to insurance. No pre-requirement is needed for this course. After completion of this course, the students are expected to understand the basics of risk management and insurance, and importantly to explain the risk management and insurance decision made by individual and household, company, and the government.

Basic Reference Text:

Rejda, Geroge E., and Michael J. McNamara, *Principles of Risk Management and Insurance* (12th edition, 2014).

Assessment Methods:

Final Examination	40%
Mid-term	30%
Project Report	20%
Class participation	10%

Requirements of Project: This is a group project with 4 to 6 students per group. You can choose any topic related to this course. The length is between 15 to 20 pages without including references, tables and graphs.

Course Outline

Group 1: Monday 8:00-11:00, Room BIZ1 02-06; Group 2: Monday 14:00-17:00, Room BIZ1 02-06,

Topic #	Week	Topic Title	Assignments
		Part I: Risk Management & Insurance Basics	
1	11/08	Orientation and Course Overview; Risk and Risk Management I	Ch. 1, Ch. 2 R 1
2	18/08	Risk and Risk Management II, Risk Pooling and Law of Large Numbers	Ch. 3, Ch. 4 Ch 2 Appendix
3	25/08	The Insurance Mechanism; Risk and Utility	Ch. 2 R 2
4	1/09	Corporate Demand for Insurance Cases 1, 2;	R 3
5	8/09	Organisational Structure in the Insurance Firm; Insurance Company Operations, Reinsurance	Ch. 5-6; R 4 R 5
6	15/09	Insurance Pricing Recess Week 21/9-28/9	Ch. 7; Ch 13 Appendix
7	29/09	Insurance Contract and Insurance Regulations	Ch. 8-10, R 6
		Part II: Insurance Market	
8	6/10	Motor Insurance and COE	Ch 22-23; R 7
9	13/10	Mid-term Exam (Topics: 1-7); Other General Insurance; Liability Insurance	Ch 19, 20, 24, 25-27; R 8, R 9, R 9a
10	20/10	Life Insurance; Health Insurance	Ch.11-15; R 10, R 11, R 12
11	27/10	Employee Benefit Planning and Retirement Planning Hand in Project Report	Ch. 16-18; R 13, R 14, R 15,
12	3/11	Overview of Personal Financial Planning	R 16, R 17
13	10/11	Risk Management and Insurance for Multi-national Corporation	
14	TBC	Final Exam	

Note: Ch. 1 means Chapter 1 in the textbook; R 1 stands for reading material 1 which is uploaded in the IVLE, please download them by yourself.