

# **FIN 254: Insurance and Risk Management**

Nature of Course: Concentration

Full Marks: 100

Lecture Hours: 150

Pass Marks: 35

## **Course Objectives**

The purpose of this course is to impart students about the knowledge of the nature of risk, identification of insurable risk, management of risk, and basic insurance policies. The course aims at developing the necessary skills to analyze and evaluate appropriate life, non-life, and reinsurance policies. The course also intends to familiarize the student with different laws and regulations relating to insurance activities and products.

## **Course Description**

This course deals with the basic nature of risk and the way it is managed by different types of insurance policies. This course includes the introduction to risk and insurance, risk identification and management, fundamental legal principles and insurance contract, life insurance, health insurance, auto insurance, homeowners insurance, commercial property insurance, commercial liability insurance, social insurance, and government regulation of insurance.

### **Unit 1: Introduction to Risk and Insurance**

**LH 10**

Meaning of risk, chance of loss, peril and hazard; Basic categories of risk; Major risk facing businesses and individuals; Burden of risk on society; Methods of handling risk; Insurance: meaning, purpose, and characteristics; Requirements of an insurable risk; Types of insurance; Benefit and cost of insurance to society.

### **Unit 2: Risk Identification and Management**

**LH 12**

Risk identification; Use of probability in risk measurement; Evaluating the frequency and severity of losses; Risk management: Meaning and objectives; Steps in the risk management process; Benefits of risk management; The changing scope of risk management; Loss forecasting; Financial analysis in risk management decision making; Other risk management tools.

### **Unit 3: Fundamental Legal Principles and Insurance Contract**

**LH 10**

Legal principles; Requirements of an insurance contract; Distinct legal characteristics of insurance contract; Basic elements of an insurance contract.

**Unit 4: Life Insurance**

**LH 15**

Meaning and importance of life insurance; Types of life insurance; Life insurance contract; Procedure of life insurance contract; Determining the premium of life insurance; Principles of investment of life fund; Distribution channels for life insurance; Group life insurance: concept, group life underwriting principles, group life insurance plans; Life insurance in Nepal: evolution, current status, and major policies.

**Unit 5: Health Insurance**

**LH 15**

Health care insurance: Meaning, importance and types; Individual health care insurance coverage; Individual medical expense contractual provisions; Shopping for individual health insurance; Group medical expense insurance; Traditional indemnity plans; Managed care plans; Consumer-driven health plan; Expense insurance, Group medical expense contractual provisions; Group-disability income insurance; Health insurance in Nepal: current status and major challenges.

**Unit 6: Auto Insurance**

**LH 12**

Overview of automobile insurance; Liability coverage; Medical payment coverage; Uninsured and insured motorists coverage; Auto insurance pricing and underwriting: rating factors, underwriting, residual markets; Arguments for and against compulsory auto third party insurance; Tort liability and no-fault law; Automobile insurance in Nepal: current status, process of effecting automobile insurance and major issues.

**Unit 7: Homeowners Insurance**

**LH 8**

Types of policies; Major coverage; Property loss settlement; Pricing homeowners policies; Personal umbrella policies; Coverage of high risk/ catastrophic perils; Impact of catastrophes on property insurance.

**Unit 8: Commercial Property Insurance**

**LH 8**

Commercial package policy; Important forms: Property coverage form, causes-of-loss form, reporting form; Business income insurance; Transportation insurance: ocean marine insurance and inland marine insurance.

**Unit 9: Commercial Liability Insurance**

**LH 15**

General liability loss exposure; Commercial general liability policy; Workers' compensation insurance; Commercial motor vehicle liability insurance; Aviation liability insurance; Professional liability insurance; Directors and officers liability insurance.

**Unit 10: Social Insurance**

**LH 15**

Concept of social security scheme; Need of social insurance; Old-age survivors and disability insurance; Types of benefits; Medicare; Unemployment insurance; Workers compensation; Social security schemes in Nepal: current status and major issues.

**Unit 11: Insurance Company Operations and Regulation**

**LH 20**

Insurance company operations: Rate making, underwriting, production, claims settlement, reinsurance, alternative to traditional reinsurance, investments; Financial operations of insurers: Financial statements and performance analysis of life and non-life insurance companies in Nepal; Government regulation of insurance; Rationale for insurance regulation; Methods of regulating insurers; Areas of regulation; Problems and issues in regulation; Features and coverage of existing Insurance Act and insurance regulation; Role and functions of Beema Samiti (Insurance Board) in regulating insurance in Nepal.

**Project Work**

**LH 10**

The students shall have to prepare and submit a project work in the area studied in the course. The subject teachers have to discuss with students on possible topics of the project work, availability and sources of literature, availability of data, data collection methods, appropriate tools of data analysis, etc relevant to the subject within 10 lecture hours.

**Text Book**

Rejda, G.E. *Principles of risk management and insurance*. Noida(U.P): Pearson India Education Services Pvt Ltd.

## References

- Harrington, S.E. & Niehaus, G.R. *Risk management and insurance*. New Delhi: McGraw Hill Education (India) Pvt Ltd.
- Vaughan, E.J. & Vaugan, T.M. *Fundamentals of risk and insurance*. New Delhi: Willey India.
- Williams, C.A., Smith, M.L. & Young, P.C. *Risk management and insurance*. Ohio: McGraw Hill.
- Dorfman, M.S. *Introduction to risk management and insurance*. New Delhi: Pearson Education.
- Government of Nepal, Insurance Act.
- Beema Samiti: Directives and Annual Reports