Syllabus: Finance 443
Property and Liability Risk Management
Spring Semester, 2015

Required Text
Principles of Risk Management and Insurance
Twelfth Edition, by George E. Rejda
2014 Pearson

Additional materials on Blackboard will include:
- Sample Property and Casualty insurance contracts
- Lecture notes related to the contracts

Course Description
This course examines the identification and management of risks arising from property and legal liability. The primary focus is on the treatment of commercial loss exposures. Commercial exposures will be examined broadly to apply not only to business risks, but also to the treatment of risk in non-profit organizations, governmental organizations and other organizations.

The course has three interrelated objectives. The first is to strengthen the student’s ability to make effective risk decisions, guided by the risk management methodology. The second task is to deepen understanding of commercial loss exposures. The third is to develop stronger working knowledge of the major commercial insurance contracts and their use in covering property and liability exposures.

This course will start with the framework provided by fundamental principles of risk management and insurance. This will be a refresher of concepts covered in Finance 341. However, in contrast to the full spectrum of risk addressed in 341, the focus of this course will be on pure risks that are insurable. Our strategy will be to move quickly from the principles into the practical applications particularly as illustrated in insurance policies and coverage forms.

Course Objectives

1. Deepen understanding of the risk management methodology and risk management concepts and tools. Build skill in applying these to solve increasingly more challenging risk problems.

2. Learn how to identify, analyze and evaluate property and liability risks faced by commercial firms. Apply the risk management process to select among the alternative techniques for treating commercial risks.

3. Develop an understanding of the customary ways in which insurance policies provide coverage for loss exposures. Learn how to analyze coverage within the various parts of an insurance contract. Develop skill in using the insurance contract as a tool to identify and classify loss exposures.

4. Become familiar with the coverages of specific commercial insurance contracts. Build skill and confidence in applying the appropriate commercial insurance contract(s) to cover given loss exposures.

Instructor
George D. Krempley
Office 456D

Office Hours
Tuesday 2:30-4:00 PM
Thursday: 2:30-4:00 PM
Course Requirements

Course requirements will include four components:

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midterm examination</td>
<td>25%</td>
</tr>
<tr>
<td>Final examination</td>
<td>35%</td>
</tr>
<tr>
<td>Homework assignments</td>
<td>25%</td>
</tr>
<tr>
<td>Class participation</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Mid-term and Final Examinations

The mid-term and final exam will each cover roughly half of the course material. Examination questions will be principally short answer essays, although some multiple choice questions may be used. Exams will be based both on the text and on material posted on Blackboard and covered in class.

Homework

Homework will account for 25% of the course grade. Homework assignments will include questions and cases designed to:

- Evaluate your ability to use the risk management methodology to handle progressively more complex risk situations
- Evaluate your ability to identify and classify commercial loss exposures and treat them with the appropriate commercial insurance policy or policies.

Class Participation

Student participation in class discussion will be an important part of their overall grade. I will use the following criteria to evaluate class participation:

1. Preparation: Did you read the textbook and other material assigned for the class prior to coming to class?
2. Participation: Did you contribute to the class discussion in a positive manner? Were you able to respond to questions asked in class appropriately? Did you raise new questions that helped the class learn? Were you able to connect the course material to the discussion at hand?
3. Attendance: Did you attend class? Did you arrive on time? Did you stay for the full class?
4. Cell phone and texting courtesy: Using a cell phone or texting during class disrupts the learning experience. Therefore, cell phones must be turned off in class, and texting is strictly prohibited.

COURSE OUTLINE

(Readings are listed in parenthesis)

The following course outline is ambitious. It is intended to be challenging. The schedule is subject to change at the instructor’s discretion. Students will be given prior notice.

Insurance and Risk (Rejda, Chapters 1 & 2)

- Definitions of Risk
- Key Terms: Loss Exposure, Chance of Loss, Peril and Hazard
- Classifications of Risk
- Major Personal and Commercial Risk Exposures
- Definition of Insurance; Characteristics of Insurable Risk
- Adverse Selection
Insurance Compared to Gambling and Hedging
Types of Insurance

Risk Management (Rejda, Chapter 3)
  Meaning of Risk Management
  Objectives of Risk Management
  Steps in the Risk Management Process
  Risk Control Techniques
  Risk Financing Techniques
  Risk Management Decision Matrix

Financial Operations of Insurers (Rejda, Chapter 8, pages 124-135)
  P & C Insurer Financial Statements
  Measuring P & C Profit and Loss
  Recent P & C Insurer Underwriting Results
  Property and Casualty Rate Making

Legal Principles Fundamental to Insurance Contracts (Rejda, Chapter 9)
  Principle of Indemnity
  Principle of Insurable Interest
  Principle of Subrogation
  Principle of Utmost Good Faith
  Requirements of an Insurance Contract
  Distinct Legal Characteristics of a Legal Contract
  Law and the Insurance Agent

Analysis of Insurance Contracts (Rejda, Chapter 10)
  Basic Parts of an Insurance Contract
  Definition of Insured
  Endorsements and Riders
  Deductibles
  Coinsurance
  Coinsurance in Health Insurance
  Other Insurance Provisions

The Liability Risk (Rejda, Chapter 19)
  Basis of Legal Liability
  Law of Negligence
  Imputed Negligence
  Res Ipsa Loquitur
  Specific Applications of the Law of Negligence
  Current Tort Liability Problems

Auto Insurance (Rejda, Chapter 22, Sample Personal Auto Policy)
  Overview of Personal Auto Policy (PAP)
  Part A: Liability Coverage
  Part B: Medical Payments Coverage
  Part C: Uninsured Motorists coverage
  Part D: Damage to Your Auto
  Part E: Duties After an Accident or Loss
  Part F: General Provisions
Commercial Property Insurance (Rejda, Chapter 25, Instructor Lecture Notes, Sample BPP and Cause of Loss Forms)

- ISO Commercial Property Program (Self-Contained Vs. Modular Policies)
- Commercial Package Policy
- Building and Personal Property Form (BPP)
- Causes-of-Loss Forms
- Reporting Forms
- Business Income Insurance
- Other Commercial Property Coverages
- Inland Marine
- Business Owners

Commercial Liability Insurance (Rejda, Chapter 26, Instructor Lecture Notes, Sample Commercial General Liability Policy)

- General Liability Exposures
- Commercial General Liability Policy (CGL)
- History of Workers Compensation
- Workers Compensation and Employers Liability Policy
- Business Auto Policy
- Commercial Umbrella Policy
- Professional Liability Insurance (Errors & Omissions, Directors & Officers)

Crime Insurance and Surety (Rejda, Chapter 27, Instructor Lecture Notes, Sample Commercial Crime Form)

- ISO Commercial Crime Insurance Program
- Commercial Crime Coverage Form (Loss-Sustained Form)
- Employee Theft Coverage
- Forgery or Alteration Coverage
- Inside the Premises – Theft of Money and Securities
- Inside the Premises – Robbery or Safe Burglary of Other Property
- Outside the Premises
- Computer Fraud
- Overview of Surety Bonds
- Contract Surety
- Non-contract Surety

Advanced Topics in Risk Management; (Rejda, Chapter 4)

- The Changing Scope of Risk Management
- Loss Forecasting
- Financial Analysis in Risk Management Decision Making
- Other Risk Management Tools

University of South Carolina Honor Code

It is the responsibility of every student at the University of South Carolina Columbia to adhere steadfastly to truthfulness and to avoid dishonesty, fraud, or deceit of any type in connection with any academic program. Any student who violates this Honor Code or who knowingly assists another to violate this Honor Code shall be subject to discipline.
This Honor Code is intended to prohibit all forms of academic dishonesty and should be interpreted broadly to carry out that purpose. The following examples illustrate conduct that violates this Honor Code, but this list is not intended to be an exhaustive compilation of conduct prohibited by the Honor Code:

1. Giving or receiving unauthorized assistance, or attempting to give or receive such assistance, in connection with the performance of any academic work.
2. Unauthorized use of materials or information of any type or the unauthorized use of any electronic or mechanical device in connection with the completion of any academic work.
3. Access to the contents of any test or examination or the purchase, sale, or theft of any test or examination prior to its administration.
4. Use of another person’s work or ideas without proper acknowledgment of source.
5. Intentional misrepresentation by word or action of any situation of fact, or intentional omission of material fact, so as to mislead any person in connection with any academic work (including, without limitation, the scheduling, completion, performance, or submission of any such work).
6. Offering or giving any favor or thing of value for the purpose of influencing improperly a grade or other evaluation of a student in an academic program.
7. Conduct intended to interfere with an instructor’s ability to evaluate accurately a student’s competency or performance in an academic program.

Whenever a student is uncertain as to whether conduct would violate this Honor Code, it is the responsibility of the student to seek clarification from the appropriate faculty member or instructor of record prior to engaging in such conduct.

Suspected violations of the honor code will be reported to the Office of Academic Integrity. Violations of the honor code will result in disciplinary measures.