

Finance 3200: Risk & Insurance **Fall 2014**

PROFESSOR: L. Lee Colquitt
OFFICE: Room 303D - Lowder Hall
CLASS HOURS: MWF 9:00 - 9:50 and MWF 11:00 - 11:50
OFFICE HOURS: TTh 9:00 - 10:00 or by appointment
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Generous support for the teaching of risk and insurance at Auburn University has been provided by J. Smith Lanier & Co., the State Farm Insurance Companies, and McGriff, Seibels & Williams, Inc.

Text: 1) Rejda and McNamara, Principles of Risk Management and Insurance, 12th Ed.

Other Resource: Notes and some slides are posted on my Canvas link. Also, check the calendar regularly for information posted throughout the semester. You will be responsible for any information posted here.

Course Pre-requisites: Junior class standing is required for enrollment in any Business Course at the 3000-level and above. This rule applies to both Business and Non-Business students.

Course Objective: This course is an introduction to the principles of risk management and insurance, designed to provide the student with a fundamental knowledge of risk, the management of pure risks, and the insurance mechanism and its operation. A secondary objective is to allow the student to become a more informed user of insurance products he/she may need in life or business.

Students with Disabilities: Students who need accommodations are asked to electronically submit their approved accommodations through AU Access and to arrange a meeting during office hours the first week of classes, or as soon as possible if accommodations are needed immediately. If you have a conflict with my office hours, an alternate time can be arranged. To set up this meeting, please contact me by e-mail. If you have not established accommodations through the Office of Accessibility, but need accommodations, make an appointment with the Office of Accessibility, 1228 Haley Center, 844-2096 (V/TT).

Attendance Policy: Class attendance is important and students are expected to attend class regularly. While there is no attendance requirement for normal class lectures, it is a common practice of mine to make any additional points I give a function of your attendance (not necessarily a linear relationship). **Under no circumstances will I be able to provide class notes for students who miss lecture. It is advised that you make acquaintances or friends with those in class in order to have access to missed notes or lecture information. Anything said during class time is assumed to have been communicated to the entire class.** Attendance is mandatory for days on which a "guest speaker" contributes his/her time to the lecture material. Any student who fails to attend any guest speaker will receive a three (3) point "participation deduction" from their final class average per absence. Dates on which guest speakers will appear will be announced in advance.

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Academic Honesty: It is expected that students will conduct themselves according to the highest standards defined in the University Academic Honesty Code (cited in the TIGER CUB). The giving or receiving of unauthorized assistance on any coursework will result in no credit for the work for any/everyone observed engaging in said activities. Also, no student is allowed to keep the tests taken during the semester. Any situation involving academic dishonesty will be referred to Student Affairs for appropriate action.

Grading: There are two ways in which your final course grade (subject to any "participation deduction" - see Attendance Policy above) can be determined:

| | Option 1 | Option 2 |
|----------------------------|----------|------------|
| Midterm Exam #1 | 30% | 25% |
| Midterm Exam #2 | 30% | 25% |
| Auto Insurance Project | 10% | 10% |
| Final Exam | | |
| Part A (non-comprehensive) | 30% | 25% |
| Part B (comprehensive) | — | <u>15%</u> |
| Total | 100% | 100% |

After each exam, I likely will add some points to your grade **which can/probably will change after each exam**. The final points to be awarded will not be determined until the end of the semester.

Exams: The exam dates and times are posted on Canvas and are NOT optional!!! Everyone will take the exam on those dates and at those times (unless you have made arrangements with me in advance). If you are more than 5 minutes late to an exam, you will lose a point for every two minutes you are late after 5 minutes (e.g. if you are 15 minutes late, you will lose 5 points).

If you have a university excused conflict and know of it in advance, then you must let me know via email AT LEAST THREE BUSINESS DAYS in advance, and I will arrange an alternate test time. Documentation will need to be provided. Failure to provide documentation or AT LEAST THREE BUSINESS DAYS notice will result in you having to take the exam at the scheduled time.

If you miss an exam due to illness, you should contact me AS SOON AS you know you will miss the exam and are able to do so. Documentation will need to be provided and must state that you are unable to attend work/school on the day of the exam. You will be expected to take the exam on the first day that you do not have an excused absence. It is your responsibility to contact me and make arrangements for the makeup exam. I will not try to hunt you down.

VERY IMPORTANT: The make-up exam will likely not be the same format as that given during the regular exam time.

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Exams (cont.): In the event that the above procedures are not followed, the student's grading will automatically revert to Option 2 and he/she will be required to take the comprehensive final exam. The comprehensive final exam score (see Grading above) will count in lieu of the student's missed midterm.

In the event that you choose Option 2 (see Grading above) and your grade on Part B is higher than either of your midterm exams (including a 0 obtained for a missed exam) or Part A of your final exam, your Part B grade will be counted in lieu of the lowest score between the two midterms and Part A of the final exam. Part B of your final exam grade will count at least 15% of your grade and, at most, 40% of your final grade. The final exam is mandatory. MAKE PLANS TO TAKE THE FINAL ON THE SCHEDULED FINAL EXAM DATE.

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Course Outline

| <u>TOPIC</u> | <u>CHAPTER</u> |
|---|-----------------------|
| <u>BASIC CONCEPTS:</u> | |
| Risk in Our Society | 1 |
| Introduction to Risk Management | 3 |
| Insurance and Risk | 2 |
| Fundamental Legal Principles | 9 |
| Analysis of Insurance Contracts | 10 |
| Ins Company Operations/Financial Operations of Insurers | 6/7 |
| | |
| ** <u>EXAM # 1:</u> | |
| | |
| <u>PROPERTY AND LIABILITY INSURANCE:</u> | |
| Types of Insurers and Marketing Systems | 5 |
| The Liability Risk | 19 |
| Auto Insurance and Society | 23 |
| Auto Insurance | 22 |
| Homeowners Insurance – Section I | 20 |
| Homeowners Insurance – Section II | 21 |
| | |
| ** <u>EXAM # 2:</u> | |
| | |
| <u>LIFE AND HEALTH INSURANCE:</u> | |
| Life Insurance | 11 |
| Life Insurance Contractual Provisions | 12 |
| Annuities and Individual Retirement Accounts | 14 |
| Health-Care Reform; Individual Health Insurance Coverages | 15 |
| Employee Benefits: Group Life and Health Insurance | 16 |
| Employee Benefits: Retirement Plans | 17 |
| | |
| *** <u>FINAL EXAM:</u> | |

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Instructions for the Auto Insurance Assignment (10.0%)
DUE DATE: Friday, December 5, 2014 by 4:00 p.m. in my office

In 3 or 4 WELL ORGANIZED and CAREFULLY PREPARED, TYPED pages:

1. List the **coverage** [liability, medical expense, un(under)-insured motorists, collision/other than collision (damage to your auto), and any applicable no-fault/personal injury protection that exist in your automobile insurance policy. Be sure you state: a) the amount ("**limits**"), b) the premium (**cost**), and c) any applicable deductible for **each coverage for one auto** (either your auto or the one you most normally drive)]. Include the **total premium** per payment period and **how/when your premium is payable** (i.e. annual, semiannual, quarterly). This information is best presented in table format.
2. How does your insurer **classify** where a vehicle is **principally garaged** (where it is listed as being principally driven?)? Your agent/insurer will be able to provide this information if it is not found on the declarations page. Also, provide the **classification** of the **primary usage** of the vehicle (i.e. pleasure, commute to work/school ≤ 5 miles).
3. List any **discounts** that may be currently in effect in your policy. Are there any additional discounts for which you (your family) may be **eligible**? Why don't you have them now?
4. Describe the individuals who are "**covered persons**" under the policy (hint: it's normally not just the named insured!). Look in your notes if it's not mentioned on your declarations page. Most policies follow what we discuss in class.
5. **Discuss** the factors that are important in determining **your** particular premium (While you don't have to provide specific rating information directly from your insurer, I do want you to describe your own situation and how you suspect these factors affect your premium.).
6. **Discuss** whether or not you feel that your current policy provides the types and amounts of coverage appropriate to your present auto insurance needs. **Describe** any changes in deductibles or coverage that you feel might be appropriate when you start paying your own auto insurance premium - if you aren't already. **Be sure to support your conclusions**. Did you or your parents/spouse "shop around" for your best coverage package? If not, why not?
7. How is your company currently **rated**? Be sure to **identify your rating source(s)** (i.e. Best's Reports, D&B, S&P, etc.). See your insurer's website or try <http://www.insure.com/articles/interactivetools/sandp/newtool1.jsp> or <http://www.ambest.com/>. Provide a photocopy of your source.
8. **Include a photocopy of the "declarations" page(s) of your auto insurance policy with your assignment.**