

# FIN 254: Insurance and Risk Management

Full Marks: 100  
Pass Marks: 35

Lecture Hours: 150

## Course Objectives

The objective of this course is to familiarize students with the basic nature of risk and provide detail knowledge of insurance. The course also aims at providing necessary skills to analyze and shop appropriate life and non-life policies.

## Course Description

This course deals with basic nature of risk and the way it is managed by different types of insurance businesses. In this course, students will learn fundamental aspects of risk management along with general principles of insurance. Besides, they will also have an opportunity to learn the principles and processes of effecting life, health, and property and liability insurances. Students will also develop the necessary skills to evaluate and shop appropriate insurance policies. This course includes a total of 12 units, they are: Introduction to Risk and Insurance, Risk management, Risk Identification and Measurement, Fundamental Legal Principles and Insurance Contract, Life Insurance, Health Insurance, Automobile Insurance, Homeowners Insurance, Commercial Property Insurance, Commercial Liability Insurance, Social Insurance and Government Regulation of Insurance.

## Course Details

### Unit 1: Introduction to Risk and Insurance

LH 10

Meaning of risk; Peril and hazard; Basic categories of risk; Burden of risk on society; Methods of handling risk; Definition of insurance; Basic characteristics of insurance; Requirements of insurable risk; Types of insurance; and Benefits and costs of insurance to society.

### Unit 2: Risk Management

LH 10

Meaning of risk management; Objective of risk management; Steps in risk management process; Benefits of risk management; Personal risk management; The changing scope of risk management; Financial analysis in risk management decision making; and Other risk management tools.

### Unit 3: Risk Identification and Measurement

LH 10

Risk identification; Concept and use of probability in risk measurement; and Evaluating the frequency and severity of losses.

### Unit 4: Fundamental Legal Principles and Insurance Contract

LH 10

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

### Unit 5: 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; and Life insurance in Nepal: evolution, current status, and major policies.

**Unit 6: Health Insurance****LH15**

Meaning and importance of health care insurance; Types: individual and group; Individual health care insurance coverage; Individual medical expense contractual provisions; Shopping for individual health insurance; Group medical expense insurance and plans: traditional indemnity plan, anaged care plan, consumer-driven health plan; Group medical expense contractual provisions; Group-disability income insurance; and Health insurance in Nepal: current status and major challenges.

**Unit 7: 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; and Automobile insurance in Nepal: current status, process of effecting automobile insurance and major issues.

**Unit 8: Homeowners Insurance****LH 7**

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

**Unit 9: Commercial Property Insurance****LH 6**

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

**Unit 10: 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 11: Social Insurance****LH 15**

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

**Unit 12: Government Regulations of Insurance****LH 15**

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****LH10**

After the completion of fourth year concentration classes the students shall have to prepare and submit a project work in the area they have specialized. 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 and Reference Books**

Rejda, G. E. *Principles of risk management and insurance*. New Delhi: Pearson Education. Harrington, S. E., & Niehaus, G. R. *Risk management and insurance*. New Delhi: Tata McGraw-hill. Vaughan, E. J. & Vaughan, 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, Annual Reports of Beema Samiti