

**BIRLA INSTITUTE OF TECHNOLOGY AND SCIENCE, PILANI**  
**INSTRUCTION DIVISION**  
**FIRST SEMESTER 2016-2017**  
**Course Handout (Part-II)**

DATE: 02/08/16

In addition to part-I (General Handout for all courses appended to the time table) this portion gives further specific details regarding the course.

**Course No.** : MBAG 532  
**Course Title** : Risk Management & Insurance  
**Instructor-in-Charge:** ANIL BHAT

**1.Scopes and Objective:**

The objective of the course is to provide students with

- *A conceptual framework for making risk management decisions to increase business value and individual welfare*
- *An understanding of risk transfer through pooling and key features of insurance market*
- *An understanding of the effects of and rationale for public policies that affect risk and its allocation and finally*
- *Knowledge about insurance markets and essential details of an insurance contract as a risk management tool.*

The course will be also anchored around specific issues of relevance to Indian context. Students are expected and encouraged to bring to the class and initiate discussions regarding issues of contemporary concern in the relevant domain. A number of journal articles used in this course give the course its academic rigor. The course pedagogy lays special emphasis on “*learning by doing*” and three assignments in this course characterize this orientation. The course is partly descriptive and partly analytical in nature.

**2. Text Book:**

TB1 : Rejda, G.E., “Principles of Risk Management and Insurance”, Pearson Education, 2009  
10<sup>th</sup> ed (or Latest ed. Available in India.)

\*TB2: Harrington scott E.& Niehaus Gregory “Risk Management and Insurance” Tata McGraw-Hill,  
Second ed.2004

**3. Reference Books:**

Vaughan E.J & T. Vaughan : “Fundamentals of Risk & Insurance” John Wiley & Sons(Asia) Ninth  
ed.2003

Williams, Jr, M.L.Smith & Peter G. Young “Risk Management and Insurance” Mc Graw-Hill  
International, Eighth ed.1998

**4 Reference Websites:**

[www.irdaindia.org](http://www.irdaindia.org) ; [www.tac.org.in](http://www.tac.org.in) ; [www.rims.org](http://www.rims.org)

**5. Some Representative Reference articles:**

- “A Framework for risk management” Froot Kenneth et al. Harvard Business review, Nov-Dec 1994, pp 91-104
- “How risky is your company” Robert Simons Harvard Business Review May-June 1999, pp 85-94
- “Contemporary Financial Risk Management: Discussion” Malay Bhattacharyya IIMB Management Review, September 2008, pp297-310

- “*The new Arsenal of Risk Management*” Kevin Buchler, Andrew Freeman, and Ron Hulme, Harvard Business review, March-April 2008, pp93-100
- “*Health Insurance & Third Party Administrators- Issues and Challenges*” Ramesh Bhat & Sumesh .K. Sahu , Economic and Political Weekly, July10,2004, pp3149-3159
- “*Insurance Industry in India: Structure, Performance and Future Challenges*”. S Krishnamurthy et al,Vikalpa (The Journal of Decision Makers), July-September 2005, pp 93-119.

## 6.Course Plan :

Lec. No.	Learning Objectives	Topics	Reference
1-3	Introduction of risk, Meaning of risk, Distinguish between pure and speculative risk, Types of pure risk.	<b>Risk in Our Society</b>	Chap.1 *Chap1
4-6	Define insurance, requirement of an insurable risk, Identify insurable and insurable risks, Describe major types of insurance.	<b>Insurance and Risk</b>	Chap.2
7-10	Define risk management, Explain objectives of risk management, describe steps in risk management process, Discuss various techniques of risk management.	<b>Introduction to Risk Management</b>	Chap.3 *Chap.2
11-15	Explain the expanding scope of risk management, Financial risk management; Options and futures, Risk management Forecasting techniques, Application of Financial analysis to risk management decision-making.	<b>Advanced Topics in Risk Management.</b>  <i>Commencement of Assignment:1</i>	Chap.4 *Chap 3
16-19	Explain Fundamental legal Principles of Insurance contracts, Basic requirements of a valid insurance contract. Differentiate insurance contracts from other contracts, Explain the laws of agency.	<b>Fundamental legal Principles</b>	Chap. 5
20-22	Identify basic parts of insurance contracts; Explain the meaning & purpose of Deductibles and Coinsurance.	<b>Analysis of Insurance and contracts</b>	Chap. 6
23-25	Identify several legal defenses of Liability risk, homeowner's insurance, and Automobile insurance.	<b>Personal Property and Liability Risk.</b>	Chap. 7,8,10
26-28	Automobile insurance., Fire insurance and Marine insurance	<b>General Insurance.</b>	Class Notes

29-31	Meaning of premature death, financial impact of premature death, needs approach of estimating amount of life insurance, Explosion renewable-term method, level-premium method of life insurance.	<b>Fundamentals of Life Insurance.</b> <i>Commencement of assignment2</i>	Chap.16,
32-34	Characteristics of term insurance, major feature of ordinary life insurance, variable life insurance and universal life insurance.	<b>Types of Life Insurance</b>	Chap. 17 *Ch 15
35-37	Explain rate making, steps in under writing process, reasons of reinsurance and types of reinsurance treaties, various types of investment of insurance..	<b>. Insurance Company Operations</b>	Chap.26 *Chap.5
38-39	Explain basic methods of determining rates in property and liability insurance. Explain basic concepts used in life insurance.	<b>Insurance Pricing</b>	Chap. 27 *Chap 8
40-41	Major reasons of regulations. Identify key legal cases. Identify the areas of regulation. Explain major arguments for against state regulation of insurance.	<b>Government Regulation of Insurance.</b>	Chap. 28 *Chap 6

**Note:** Highest level of Intellectual integrity is expected of students while they work on term papers/projects in terms of giving proper acknowledgement and avoiding plagiarism. Students are also expected to submit their assignments on time failing which these may not be evaluated.

**7. Special topics** like *Agriculture insurance, Health insurance, Bancassurance, Reinsurance, IRDA, TAC , Disaster Management etc.* which are relevant from Indian context will be discussed using journal articles/web based articles etc through the pedagogy of interactive group discussions and presentations.

#### **8. Evaluation Schedule:**

EC No.	Evaluation Component	Duration	Weight	Date & Time	Nature of Component
1.	<b>MidtermTest</b>	<b>50 mts.</b>	<b>20</b>	5/10 4:00 – 5:30 PM	<b>CB/OB</b>
2	<b>Surprise quizzes/Class Participation/term papers</b>		<b>10</b>		
3.	<b>Assignment 1, 2 &amp; 3</b>	-	<b>20</b>		<b>Group Work -</b>
4.	<b>Project</b>		<b>20</b>		<b>Group-Work</b>
5.	<b>Compre. Exam.</b>	<b>3 hrs</b>	<b>30</b>	7/12 AN	<b>CB</b>

**9.Chamber Consultation Hour:** To be announced in the class.

**10.Notices:** All notices will be displayed on Economics & Finance Notice Board.

**11.Make-up:** Make-up may be given only on genuine grounds. Prior permission has to be obtained.

**Instructor-in-charge**