Course Description

This course provides an introduction to the different types of risks faced by businesses and individuals along with alternative methods of treating such risks. We will examine applications of these methods with regards to life, health, property, casualty and liability exposures. First, we will gain a clear understanding of risk, the risk management process and risk analysis. Next, we will investigate noninsurance risk management techniques followed by a discussion of insurance. We will also examine contemporary issues and challenges in risk management and insurance. Time permitting, the ultimate section of the course will cover individual and corporate risk management decision making. This course is designed for non-majors as well as a foundation for more advanced risk management and insurance courses. The course syllabus is a general plan for the course; deviations announced to the class by the instructor may be necessary.

Course Objectives

- Teach the principles and terminology of risk management and insurance.
- Explain how corporations and individuals use the risk management process to control or finance their exposure to accidental loss.
- Describe the job opportunities available in the insurance and financial services industry.
- Illustrate the principles and theories of insurance law with a focus on a standard insurance policy.
- Discuss both ethical and global business issues as they relate to the insurance transaction.
- Explain how life insurance, annuities and health insurance form an integral part of the tripod of economic security.
- Describe the economic problems presented by the insurance transaction, and how the government regulates this transaction.
- Build a foundation of understanding so that some of our society’s most important economic problems can be viewed intelligently.
- Encourage students to present their own analysis in a confident, organized and coherent manner.

Course Materials

- There are several copies of this text available in the School of Business library.
- Required: Supplemental readings and documents available from the class web page (CW)
**Academic Integrity**

You are responsible for maintaining the highest standards of honesty and integrity in every phase of your academic career. The penalties for academic dishonesty are severe and ignorance is not an acceptable defense. All students must abide by the code of academic honesty of the University of Wisconsin – Madison which is available from the Office of the Dean of Students or the following website: http://www.wisc.edu/students/saja/misconduct/academic_misconduct.html. You are responsible for informing yourself about these standards before performing any academic work. It is my responsibility to uphold the University’s academic honest policy and report my suspicions of dishonesty to the Office of the Dean of Students.

**Attendance**

Lecture attendance is strongly advised. Exams will be based primarily on material covered in class. Should you miss class for any reason, it is your responsibility to obtain lecture notes from another student. Class attendance is mandatory when guest speakers are scheduled. Guest speakers will be announced in advance. Failure to attend any guest speaker class session will result in a discretionary reduction of your course grade. Further, you are expected to be courteous and respectful to guest speakers. This includes arriving on time, being attentive, and demonstrating interest by participating and asking appropriate questions.

**Exam Policy**

There will be three exams during the semester, two midterms and one final exam. The final exam will be comprehensive, but with an emphasis on the most recent material. Exam topics will be announced the week prior to the exam. All exams will be closed book and closed notes. For all exams, you are also expected to have a small electronic calculator capable of taking a logarithm, exponential and square roots. Exams will consist of multiple choice questions, quantitative problems and short answer questions. Exam material will come from lectures, text, and any material distributed in class or through the course web page (see below).

Please do not miss an exam. Conflicts with any scheduled exam (including the final) must be communicated by February 4, 2010 on the attached sheet. No other mechanism for make-up exams is available. If you should miss a midterm exam because of a University approved excuse (e.g. written medical excuse), your final exam score will be used as the score for the missed exam.

**Discussion Sections and Grade Composition**

Since lectures are scheduled for 75 minutes each, discussions may appear redundant; therefore, you have the option to include discussion in your grade or not. The decision to include discussion in your grade, however, must be communicated by February 4, 2010 on the attached sheet. The default option is not to include discussion in your grade. If you choose not to include discussion as part of your grade, your grade composition will be as follows:

- Exam #1: 30%
- Exam #2: 30%
- Final Exam: 40%

If you choose to include discussion in your grade, your grade composition will be as follows:

- Discussion: 15%
- Exam #1: 25%
- Exam #2: 25%
- Final Exam: 35%

You cannot change your mind after February 4, 2010. The intention of discussion is to offer more individual attention, an opportunity to ask and answer questions, and to practice the material through quizzes and assignments. You are not assured a high grade in discussion; however, you may find yourself better prepared for exams by using the discussion option.
Grade Scale
Lower bounds for AB, BC, C, and D final grades will be no higher than 90, 80, 70, and 60 percent of the total available points, respectively. All other grades (A, B and F) will be determined at the end of the semester based upon the performance of the class. Grades will be curved if necessary.

WEB Resources
A course page has been established as a means for me to efficiently administer this class. The web page allows you to obtain a copy of the syllabus, obtain lecture notes, link to other important web pages, etc. You are responsible for accessing the course web page on a regular basis. You may log on to the web page through the following address: http://courses.bus.wisc.edu.

Email
Announcements regarding the class may be sent from me to you via email. Any announcement sent via email is assumed to be communicated to the entire class. Thus, it is imperative you check your email regularly.

The teaching assistants and I will answer simple, factual questions via email; however, more thoughtful questions need to be asked during class, office hours, or review sessions. Email is useful for simple communication but is limited in the ability to develop firm understanding of material. Should you need to email me or a teaching assistant, please type RMI 300 in the subject line. Otherwise, your email may be filtered into junk mail. We will respond to individual emails in a reasonable amount of time.

Actuarial Science, Risk Management and Insurance (ASRMI) Homepage
The address for the ASRMI homepage is http://www.bus.wisc.edu/asrmi/. For those interested in the major, you should familiarize yourself with this site. Important dates, events, and announcements related to the ASRMI program appear here, as well as information regarding Career Opportunities, Scholarships, Career Fair, and other important topics.

Special Needs
Any student who feels that he or she may need an accommodation for a disability of any sort should consult with me as soon as possible so that appropriate arrangements may be made.
All material, such as handouts, notes, announcements, etc., should be retrieved from the course web page prior to class. Please come prepared.
*The schedule is subject to change. Actual depth of coverage will depend on available time.

**Risk and Risk Management Problems**

<table>
<thead>
<tr>
<th>Topic</th>
<th>Chapter(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction to Risk</td>
<td>1, 2 (HN)</td>
</tr>
<tr>
<td>Risk Identification and Evaluation</td>
<td>3, 26.1-26.3 (HN)</td>
</tr>
<tr>
<td>Property and Liability Loss Exposures</td>
<td>12 (HN)</td>
</tr>
</tbody>
</table>

**Risk Management Techniques: Noninsurance and Insurance Methods**

<table>
<thead>
<tr>
<th>Topic</th>
<th>Chapter(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Management Techniques: Noninsurance Methods</td>
<td>11, 22.1, 25.4 (HN)</td>
</tr>
<tr>
<td>Risk Pooling</td>
<td>4 (HN)</td>
</tr>
<tr>
<td>Insurance as a Risk Management Technique</td>
<td>10 (HN)</td>
</tr>
<tr>
<td>Functions and Organization of Insurers</td>
<td>5 (HN)</td>
</tr>
</tbody>
</table>

**Individual and Corporate Risk Management Decision Making**

<table>
<thead>
<tr>
<th>Topic</th>
<th>Chapter(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Aversion and Risk Management by Individuals and Corporations</td>
<td>9, Appendix 9A (HN)</td>
</tr>
<tr>
<td>Hedging with Derivative Contracts</td>
<td>24 (HN)</td>
</tr>
<tr>
<td>Adverse Selection and Asymmetric Information</td>
<td>Akerlof, 1970 (HO), Lemons Market</td>
</tr>
</tbody>
</table>

**Important Dates**

<table>
<thead>
<tr>
<th>Event</th>
<th>Date/Time/Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>RMIS Club Kick-Off Event</td>
<td>Wed, Jan. 27, 5pm (1295 Grainger)</td>
</tr>
<tr>
<td>Submit Discussion Option Choice &amp; Exam Conflict Forms</td>
<td>Thurs, February 4</td>
</tr>
<tr>
<td>Exam #1:</td>
<td>Thurs, February 25 (in class)</td>
</tr>
<tr>
<td>No Class (Spring Recess):</td>
<td>Tues, March 30 &amp; Thurs, April 1</td>
</tr>
<tr>
<td>Exam #2:</td>
<td>Tues, April 13 (in class)</td>
</tr>
<tr>
<td>Guest Speaker:</td>
<td>TBD</td>
</tr>
<tr>
<td>ASRMI Spring Banquet:</td>
<td>Fri, April 23</td>
</tr>
<tr>
<td>Last Day of Class:</td>
<td>Thurs, May 6</td>
</tr>
<tr>
<td>Final Exam:</td>
<td>Tuesday, May 11, 10:05am–12:05pm</td>
</tr>
</tbody>
</table>
BY FEBRUARY 4, 2010, SUBMIT THIS FORM TO YOUR RMI 300 TEACHING ASSISTANT

Name: ________________________________

Discussion section for which you have registered: ________________________________

Discussion time and day you attend: ________________________________

I select the following grading scheme: (1) to include discussion in my grade ______

(2) not to include discussion in my grade ______

Signature: ________________________________

***Note: The default option will be to not include discussion in your grade.***
BY FEBRUARY 4, 2010, SUBMIT THIS FORM TO YOUR RMI 300 TEACHING ASSISTANT

If you have a conflict with any exam (including the final), complete the following. No other option for alternate exams is available.

With which exam do you have a conflict (1st, 2nd, final)? _________________________

What is the nature of the conflict? Please provide supporting information and documentation:

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

For purposes of possibly scheduling an alternative time, you must provide your schedule for the week of and following the exam. We must have this information for rescheduling.

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

Your Name and e-mail: _______________________________________________________

Your discussion section: _____________________________________________________