THE UNIVERSITY OF HONG KONG,
FACULTY OF BUSINESS AND ECONOMICS

FINA0106/FINA2342 Insurance: Theory and Practice (Section B)

Class time & Venue: Monday 09:30 – 12:20pm in KK201 (by default the course will be delivered face to face. Any change in the delivery mode will be announced in advance)
Zoom class for weeks 1-3:
https://hku.zoom.us/j/98955256281?pwd=YUVvVHAxRlJBeVBFWi9 4ZXBESlozdz09
Meeting ID: 989 5525 6281   Password: 497287

Instructor: Prof. Zou, Joe Hong (鄒宏), Professor of Finance, CPA, Investment Analyst

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Email: hongzou@hku.hk
Office Hours: Tuesday 11am-12pm or by prior appointment
(https://hku.zoom.us/j/98200894856?pwd=MlVRQ0FuRUVON05CVG1MVVNkVUdWQT09
          Meeting ID: 982 0089 4856   Password: 822032)
Teaching assistant: Ms Grace Tsang
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Course description
Insurance is the study of risk financing through risk pooling. The use of insurance to reduce the adverse financial impact in case of a loss is an important element of financial and risk management in our society. This course will cover the theories underlying each major type of insurance products; the characteristics of the contractual agreements pertaining to insurance products; the structure of the insurance industry and its impact on the pricing of insurance products; the operation of insurers and the need for government regulations of the industry. The theories and principles discussed in this course apply globally.

Prerequisite: ECON1001/ ECON1210 Introductory Microeconomics

Course Aims
This course aims to:
1 *Introduce* you to the concepts of risk and risk management that are essential for the identification of risk and the effective assessment of the exposures to loss of properties, human lives, and business operations.
2 *Introduce* you to various risk handling alternatives and tools available for formulating an effective risk management program compatible with the objectives of risk management function.
3 *Introduce* you to the techniques of analyzing the costs and benefits of different insurance coverage with respect to the specific need for insurance.
4 *Introduce* you to the current structure of the insurance industry and the functions and operations of insurance institutions.

Learning Outcomes
Upon completion of this course, you should be able to:

CLO1	*Assess* the loss exposures of properties, human lives, business operations, and

	the financial consequences as a result of the occurrence of a loss.	
CLO2	*Formulate* an effective risk management program to reduce the potential loss.	
CLO3	*Incorporate* the use of life & health and property-liability insurance and employee benefits in managing a business & financial planning process	
CLO4	*Analyze* the unique features of the insurance industry and regulations.	

Aligned Faculty Goals	Course Learning Outcome
1. Acquisition and internalization of knowledge of the programme discipline	CLO1-4
2. Application and integration of knowledge	CLO2-3
3. Inculcating professionalism and leadership	CLO2
4. Developing global outlook	CLO4
5. Mastering communication skills	CLO1-2

Teaching and Learning Activities

The course will consist of lectures covering the theories and concepts of the different kinds of risk and risk management tools and case discussion and/or group presentation requiring students to apply the tools and concepts to managing risks.

Course Teaching and Learning Activities	Expected contact hour	Study Load (% of study)
T&L1. Lectures	36 hours	27.27%
T&L2. Projects/assignments	36 hours	27.27%
T&L3. Tutorials	12 hours	9.09%
T&L4. Self-study	48 hours	36.36%
Total	132 hours	100%

Textbook and Reading Materials
- · The textbook is "Principles of Risk Management & Insurance", Rejda & McNamara, 13th Edition (Global), Pearson, 2017.
- · (The publisher provides an e-copy for purchase) (early version e.g., 12th Edition is also similar but has some minor differences)
- · We will focus on general topics but leave out US-specific contents, and roughly cover 60% of the book.

Reading materials:

(1) Lecture notes: Lecture notes will be posted in Moodle. You are responsible for downloading and printing the notes before coming to the class. The answers to some in-class discussion questions are *deliberately* omitted from the lecture notes so that you need to come to class and take some notes. We will print the handout for the first week if it is face to face, and it is your responsibility to download and print handout before the corresponding class meeting.

(2) Others:
- · Journal articles listed in handouts (optional)
- · Industry sources: the international insurance society (http://www.iisonline.org/), Swiss Re Sigma research reports (http://www.swissre.com/sigma/)

Required Tools

· A standard financial calculator SUCH AS Texas Instruments, Casio, and HP 12C.

· There may be some in-class multiple-choice-questions at the beginning of the class and students need to participate via Mentimeter on mobile phone

Grading Policy

The point distribution is as follows:

Assessment Methods	Weights	Aligned Course Learning Outcomes
A1. Assignments/Projects	40%	CLO 1-3
A2. Year-End Final Exam	60%	CLO 1-4
Total	100%	

Please see a **separate sheet** for the typewritten assignments/group projects.

Bonus scheme

· In addition to the above 100%, we intend to award up to 3% to individual students who speak up in class (not counting presentations on behalf one's group). At the end of the course, the students with the highest count of accumulated participations receive a 3% bonus mark, and others will get a mark in proportionate to the number of participation point accumulated. This serves as a token incentive for you to participate in class discussions. Points are only counted from week 3 after the add/drop period.

· If you want to claim your bonus points for face-to-face classes, you need to inform us after the corresponding class because we may not be able to put down each student speaker's name on the spot. How you should inform us will be announced in Moodle later. For Zoom classes, you do not need to inform us to claim your bonus points.

· Each student can cumulate up to 3 participation points in each class. Students who did not speak up but attempted to claim the participation point are subject to a penalty in mark.

Final Examination will be comprehensive, close-book but you are allowed to bring a personal note of one A4-page (up to 2 sides) (handwritten or typed).

Course Grade Descriptors

Grade	Descriptors
A+ A A-	· All aspects were addressed and researched in great depth. · Demonstrates a clear understanding of and the ability to apply and theory, concepts and issues relating to the topic. · Able to clearly identify the most critical aspects of the task and adopt a critical perspective. · Excellent development of argument and offers a logically consistent and well-articulated analysis and insight into the subject. · Draws widely from the academic literature and elsewhere whilst maintaining relevance. · All aspects conform to a high academic / professional standard
B+ B B-	· Most aspects were addressed and researched in depth. · Demonstrates a good understanding and some application of the theory and issues relating to the topic. · Able to identify critical aspects of the task and adopt a critical

	perspective. · Some evidence of analysis, supported by logical argument and insight into the subject. · Draws on relevant academic and other material. · Most aspects conform to a high academic / professional standard.
C+ C C-	· Most aspects were addressed and researched adequately. · Demonstrates a good understanding of the theory, concepts and issues relating to the topic but limited application relating to the topic. · Some argument presented showing some insight but not always consistent and logical. · Draws upon an adequate range of academic and other material · Most aspects conform to an acceptable academic / professional standard.
D	· Basic aspects were addressed and researched adequately. · Demonstrates mainly description, showing basic understanding of the topic but no application. · Little evidence of analysis but no clear and logical argument relating to the subject. · Draws primarily upon course materials. · Limited aspects conform to academic/professional standards.
F	· Basic aspects were superficial, inadequate or absent. · Demonstrates limited understanding of the topic and draws conclusions unrelated to the topic. · The written work is not of an academic/professional standard.

Assessment Rubrics for Each Assessment (same as Course Grade Descriptors)

Course Contents
This course will cover and discuss the following topics.
· Conceptual Framework of Risk
· Framework of Insurance and Risk Management
· Insurance Pricing
· Functions of Insurers & Regulations
· Legal Framework of Insurance
· Property & Casualty Insurance
· Life Insurance
· Selected Cases on Insurance and Risk Management

Academic Honesty and Integrity
The University Regulations on academic dishonesty will be strictly enforced. Please check the University Statement on plagiarism on http://www.hku.hk/plagiarism/.

Cheating or plagiarism of any kind would result in an automatic F grade for the course plus strict enforcement of all Faculty and/or University regulations regarding such behavior. Incident(s) of academic dishonesty will NOT be tolerated.

Important Grounding Rules
1. Class Attendance
Attendance at <u>ALL</u> meetings of the course is expected due to (1) the technical nature of some

contents; and (2) answers to some in-class questions are not provided in the lecture notes. It is important to attend all class meetings to stay current with the progress.

2. No Make-Up Tests

No early Final Examination will be given. A make-up Final Examination will only be given under exceptional circumstance with the University's special written permission.

3. Mobile Phones or Pagers

Referring to university policy, the use of mobile phones or pagers is not allowed in lecture theatres or classrooms.

TENTATIVE SCHEDULE (MONDAY)

Class	Handout	Date	Contents and Chapters for Reference Reading
1	1	Jan. 17	**Course Introduction** **Part 1 Conceptual Framework of Risk & Risk Management** Chapter 1: Risk and Its Management Chapter 3: Introduction to risk management Chapter 4: Enterprise risk management
2	1	Jan. 24	Part 1 Cont'd
3	2	Jan. 31	**Part 2 Risk Measurement and Pooling** Chapter 2: Insurance and risk Chapter 4: Enterprise risk management
		Feb. 7	*Chinese New Year Break (no class)* Group list is due on **Feb 8, 2022** (Please select you and your group members into the same Group No. in Moodle by the midnight of Feb 8)
4	3	Feb. 14	**Part 3 Legal Framework of Insurance** Chapter 9: Legal principles Chapter 10: Analysis of insurance contracts
5	4	Feb. 21	**Part 4 Insurance Pricing & Rationales for Insurance Purchase** Chapter 4: Enterprise risk management See Handout and supplementary finance journal articles Topic selection starts from **9am Feb 22, 2022** until **Feb 26** in Moodle
6	5	Feb. 28	**Part 5 Life Insurance and Annuities** Chapter 11: Life insurance Chapter 12: Life insurance contract provisions Chapter 13: Buying life insurance Chapter 14: Annuities
		Mar. 7	*Reading week (no class)*
7	5	Mar. 14	**Part 5 Life Insurance and Annuities Cont'd**
8	6	Mar. 21	**Part 6 Functions of Insurers & Insurance Regulation** Chapter 5: Types of insurers and marketing system Chapter 6: Insurance company operations Chapter 7: Financial operations of insurance companies Chapter 8: Insurance Regulation
9	7	Mar. 28	**Part 7 Legal Liability for Injuries and Insurance** Chapter 19: The liability risk Chapter 23: the part on personal liability of Homeowners insurance Chapter 26: Commercial liability insurance
10	8	Apr. 4	**Part 8 Special Topics in Insurance and Risk Management** Handout; p.71-74; p.96 & 138 of Rejda *Revision, Q&As*
11		Apr. 11	Group presentations I*
		Apr. 18	*Public holiday (no class)*
12		Apr. 25	Group presentations II*
			Final report is due on **May 2, 2022** in Moodle

* Group presentations are not recorded unless people elect to be recorded. If the pandemic does not allow face-to-face presentations in class, the two presentation weeks will change to Moodle presentations. Details will be announced in due course if necessary.