

EC 3324

DEREE COLLEGE SYLLABUS FOR:

EC 3324 INSURANCE - LEVEL 5
(Updated Spring 2015)

UK CREDITS: 15

PREREQUISITES: EC 1000 Principles of Microeconomics
MA 1108 College Algebra
MA 2010 Statistics I

CATALOG

DESCRIPTION:

Insurance principles. Risk management. Adverse selection & moral hazard. Analysis of insurance contracts. Life & non-life insurance. Insurance company functions & operations. Buying insurance. Re-insurance. Determinants of insurance demand and supply. Insurance distribution. The agency network. The life insurance market globally and in Greece. Bancassurance.

RATIONALE:

This course offers a thorough introduction to the fundamental concepts, tools and types of insurance, and an insight into aspects of the insurance market in Greece and internationally. The course enables students to appreciate more accurately the scope of employment opportunities in the insurance sector, and to consider employment in the fields of insurance and pension fund management, as well as post-graduate studies in same.

LEARNING OUTCOMES: As a result of taking this course students should be able to:

1. Demonstrate understanding of the nature of insurance as a risk transfer mechanism, of the problems posed by asymmetric information, of the difference between peril and hazard, and of basic insurance principles.
2. Demonstrate knowledge of the difference between general and life insurance, and of the main characteristics of typical insurance products in either category. Also, describe what Lloyd's of London does.
3. Define the main functions and operations of an insurance company, describe each, and evaluate its contribution in an insurance company.
4. Describe the product distribution channels of modern insurance (including bancassurance), and evaluate the problem posed by agents' contingent commissions.
5. Describe and evaluate the most important demand and supply aspects of the insurance industry.
6. Describe and evaluate main structural issues of the industry, like globalisation, consolidation, convergence of financial services, and the challenge posed by Internet.
7. Describe and evaluate main risks faced by insurance companies to-day.
8. Show understanding of the structure of, and terms in, a typical life, health, car liability, and home contents insurance contract.
9. Describe, and show awareness of the magnitudes involved in, the Greek insurance market.
10. Provide an elementary assessment of the future of the insurance industry.

METHOD OF TEACHING AND LEARNING:

In congruence with the learning and teaching strategy of the college, the following tools are used:

- Classes consist of lectures and class discussions of recent articles in economic journals assigned by the instructor.
- Office hours: students are encouraged to make full use of the office hours of their instructor, where they can ask questions and go over lecture material.
- Use of a blackboard site, where instructors post lecture notes, assignment instructions, timely announcements, as well as additional resources.

ASSESSMENT:

In-class, 1-hour, "diagnostic" test - formative	0	problems/essay questions combination (choice: 3 out of 5)
In-class midterm examination (1-hour) - summative	40	problems/essay questions combination (choice: 3 out of 5)
Final examination (2-hour, comprehensive) - summative	60	problems/essay questions combination (choice: 4 out of 6)

The formative test aims to prepare students for the final examination.

The midterm examination tests Learning Outcomes 1, 2, 3.

The final examination tests Learning Outcomes 1-10.

READING LIST:

(A) Textbook(s):

Either (1) Atkins, D. & Bates, I. (2008): *Insurance* (Global Professional Publishing Ltd). 400 pages. ISBN 978-1906403232;

or (2) Thoyts, R. (2010): *Insurance Theory and Practice* (Routledge). 344 pages. ISBN-13: 978-0415559058.

(B) Other:

(1) Beck, T. & Webb, I. (2002): "Determinants of life insurance consumption across countries", in *World Bank Policy Research Working Paper Series*, n. 2792.

(2) Enz, R. (2000): "The S-curve relation between per-capita income and insurance penetration", in *The Geneva Papers on Risk and Insurance*, v. 25, issue 3, pp. 396-406.

(3) Sigma (Swiss Re) (2007): *Bancassurance: emerging trends, opportunities and challenges*. No. 5.

(4) Dumm, R. E. & Hoyt, R. E. (2002): *Insurance Distribution Channels: Markets in Transition*. Presented at the 38th Annual Seminar of the Int'l Insurance Society, Singapore, July 17. In <http://www.google.gr/search?hl=el&source=hp&q=Insurance+distribution+channels%3A+markets+in+transition>.

(5) Cummins, J. D. & Doherty, N. A. (2006): "The Economics of Insurance Intermediaries", in *Journal of Risk & Insurance*, v. 73, n. 3, pp. 359-396.

- (6) IAIS [Int'l Association of Insurance Supervisors] (2007): *Glossary of terms*. In http://www.iaisweb.org/temp/IAIS_Website_Glossary.pdf.
- (7) Saccocia, C. (2003): "Improving Insurance Distribution Profit Margins with Modern Technology", in *TowerGroup Viewpoint*, n. 63, Nov.
- (8) Holton, G. A. (2004): "Defining Risk", in *Financial Analysts Journal*, v. 60, n. 6, pp. 19-25.
- (9) Curak, M. & Loncar, S. (2009): "Insurance sector development and economic growth in transition countries", in *International Research Journal of Finance and Economics*, issue 34. In http://www.eurojournals.com/irjfe_34_03.pdf.

RECOMMENDED MATERIAL:

- (1) Vaughan, E. J. & Vaughan, T. (2008): *Fundamentals of risk and insurance*. Published by John Wiley & Sons. ISBN: 978-0-470-08753-4
- (2) Rejda, G. E. (2007): *Principles of Risk Management and Insurance*. Pearson 10th international edition. ISBN-10: 0321468570 & 978-0321468574.
- (3) AIRMIC, ALARM, IRM (2002): *A Risk Management Standard*. In http://www.theirm.org/publications/documents/Risk_Management_Standard_030820.pdf.
- (4) Glaser, K. L. (2010): *Inside the Insurance Industry* (lulu.com). 108 pages. ISBN-13: 978-0557300297.

WWW RESOURCES:

1. <http://www.swissre.com/>
2. <http://www.munichre.com/>
3. <http://eace.gr/web/>
4. <http://www.cii.co.uk/cii.aspx>
5. http://ec.europa.eu/internal_market/insurance/solvency/index_en.htm#sol1

SOFTWARE REQUIREMENTS: Internet, Word, Excel

INDICATIVE CONTENT:

1. Definition of risk; risk management; insurance as risk transfer.
2. Insurable risks; insurance classes.
3. Basic principles of insurance.
4. General vs life insurance; insurance products.
5. Lloyd's of London.

EC 3324

6. The insurance contract.
7. Overview of insurance company operations.
8. Reinsurance.
9. Underwriting.
10. The actuary.
11. Agents & brokers; premium-based & contingent commissions; distribution & marketing; bancassurance.
12. Demand & supply issues.
13. Structural & risk issues.
14. The Greek insurance market.
15. The future of insurance.