

**University of Houston**  
College of Business Administration  
Department of Finance

**COURSE OUTLINE**

**Spring 2005**

Finance 4388 "Risk Management and Insurance"

Section 00496 1:00 p.m. – 2:30 p.m. Mon/Wed 118 MH

**Mr. Dan C. Jones, 240D MH**

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**Office Hours:** 11:30 a.m. – 1:00 p.m. Monday/Wednesday  
and by appointment

**Required Text:** Risk Management and Insurance 2nd Edition  
Scott E. Harrington  
Gregory R. Niehaus  
ISBN# 0-07-233970-5

**Prerequisites:** Junior or Senior standing, FINA 3332 and DISC 3331

**Course  
Requirements:**

1. Attendance, homework, and class participation will be weighted determining 10% of the grade.
2. Tests and Term Paper – 60%
3. Final Examination – 30% (Note: final examinations may be less than three hours)
4. Term paper required.

To be entitled to make-up final examinations, a written excused absence from a doctor is required. Make up final exam will be more difficult and more extensive than the scheduled final exam.

Grading:	92-100 = A	80-81 = B-	60-69 = D
	90-91 = A-	77-79 = C+	
	87-89 = B+	72-76 = C	
	82-86 = B	70-71 = C-	

**Final Exam: Friday, May 6, 2005 2:00pm – 5:00 pm**

## **Cellular Telephones**

**Any audible ringer must be turned off and no calls answered while class is in session.** Answering a call in class will result in a grade of W for this course. Exceptions of this rule apply in certain circumstances of urgent importance.

## **Academic Dishonesty**

All students are required to comply with the University of Houston policies covering academic honesty, as listed in the student handbook. Any student caught in violation of these policies will likely be assigned a grade of "F" for this course. Please note the following:

1. It is also a violation to knowingly provide information to other students during exams. this includes knowingly placing your exam in a location where the adjacent student can read answers.
2. Passing a calculator (or anything else) to another student during an exam may be considered an act of cheating. No communication of any kind will be allowed between any two students during an exam.
3. During an exam, any student caught looking at another student's exam will be considered as cheating.

## **Guest Speaker**

Attendance is mandatory. Failure to attend results in a full letter grade reduction in next test.

**NOTE:** The date for guest speaker is subject to change. You will be notified of any.

## **Power Point**

Notes are posted on website.

**Spring 2005  
Risk Management Insurance  
Finance 4388  
Tentative Schedule**

<b>Date</b>	<b>Subject</b>	<b>Chapter</b>
Jan 19	Risk and It's Management	1
24	Objectives of Risk Management	2
26	Risk Identification and Management	3
31	Pooling Arrangements & Diversification	4
Feb 02	Insurance Ownership	5
07	Insurer Regulations	6
09	Insolvencies	7
14	Insurance Pricing	8
16	<b>Test I</b>	
21	Risk Aversion	9
23	Insurability of Risk, Contractual, Legal	10
28	Legal Liability for Injuries	12
Mar 02	Employee Benefits	16
07	Retirement Plans	17
09	Workman's Compensation	18
14	Spring Holidays	-
16	Spring Holidays	-
21	Social Security	19
23	Risk Management & Shareholder Wealth	20
28	Tax. Accounting, Regulatory	21
30	<b>Test II</b>	
Apr 04	Risk Retention/Reduction	22
06	Commercial Insurance Contracts	23
11	Hedging with Derivative Contracts	24
13	Alternate Risk Transfer	25
18	Analysis Tools	26
20	*Guest Speaker	
25	Enterprise Risk Management	27
27	Corporate Liability to Customer	28
May 02	Issues in Risk Management	29

Final Exam Friday May 6, 2005 2:00 pm – 5:00 Pm  
\*Tentative

**Finance 4388**  
**Risk Management and Insurance**  
**Key Terms & Review Questions**

<b>Chapter</b>	<b>Key Terms</b>	<b>Question #s</b>
1	Pure risk, Retention, Loss financing	3,4,
2	Cost of risk, Risk Averse, Expected cost of losses	1,7
3	Expected value, Standard Deviation, Maximum probable loss	3,4
4	Law of large numbers, Underwriting, Distribution Costs	2
5	Economic Capital, Unlimited liability, Underwriting risk	1,5
6	NAIC, model laws, SEUA, Paul V. Virginia	1,3
7	Risk based capital, Guaranty funds	2,3
8	Fair premium, Expected claim cost, Residual market	1,8,10
9	Risk averse, Non monetary losses	6,8
10	All	3
12	All	1
16	Medical savings account, Qualified plan	10, 11
17	Vesting, Cash balance plan	9
18	Exclusive remedy, Experience rating, OSHA,	6
19	Medicare, Means test, Privatization	6, 9
20	Opportunity coast of capital, Risk minimum	6
21	Tax shield, Admitted Insurer, Fronting	5
22	Risk Retention, Risk reduction	1
23	All	11
24	Derivative, Exercise price, Cost of Carry	7
25	Alternate risk transfer, Captive	2
26	Net present value	4
28	All	4
29	Corporate veil, Hold harmless, Indemnity agreement	1