Course information:
Copy and paste current course information from Class Search/Course Catalog.

College/School: College of Liberal Arts and Sciences
Department: School of Mathematical and Statistical Sciences
Prefix ACT Number Title: 301 Risk Management and Insurance Units: 3

Is this a cross-listed course? No
If yes, please identify course(s)

Is this a shared course? No
If so, list all academic units offering this course

Note - For courses that are crosslisted and/or shared, a letter of support from the chair/director of each department that offers the course is required for each designation requested. By submitting this letter of support, the chair/director agrees to ensure that all faculty teaching the course are aware of the General Studies designation(s) and will teach the course in a manner that meets the criteria for each approved designation.

Is this a permanent numbered course with topics? No

If yes, all topics under this permanent numbered course must be taught in a manner that meets the criteria for the approved designation(s). It is the responsibility of the chair/director to ensure that all faculty teaching the course are aware of the General Studies designation(s) and adhere to the above guidelines.

Course description: Provides an introduction to the different types of risks faced by individuals, businesses and society along with ways in which they make an assessment of, control and transfer of different types of risks including property risk, liability risk, personal risks and speculative risks such as financial risks. Covers risk management techniques including risk control and risk financing with a focus on insurance policies, and also presents other major topics in personal financial planning, social insurance, insurance operations and regulations, and reinsurance. Also gives attention to contemporary issues and challenges in risk management and insurance.

Requested designation: Mandatory Review: No
Social-Behavioral Sciences-SB
Note - a separate proposal is required for each designation.

Eligibility:
Permanent numbered courses must have completed the university's review and approval process. For the rules governing approval of omnibus courses, contact Phyllis.Lucie@asu.edu.

Submission deadlines dates are as follow:
For Fall 2016 Effective Date: October 1, 2015
For Spring 2017 Effective Date: March 10, 2016

Area(s) proposed course will serve:
A single course may be proposed for more than one core or awareness area. A course may satisfy a core area requirement and more than one awareness area requirements concurrently, but may not satisfy requirements in two core areas simultaneously, even if approved for those areas. With departmental consent, an approved General Studies course may be counted toward both the General Studies requirement and the major program of study.

Checklists for general studies designations:
Complete and attach the appropriate checklist
- Literacy and Critical Inquiry core courses (L)
- Mathematics core courses (MA)
- Computer/statistics/quantitative applications core courses (CS)
- Humanities, Arts and Design core courses (HU)
- Social Behavioral Sciences core courses (SB)
- Natural Sciences core courses (NS/SG)
- Cultural Diversity in the United States courses (C)
- Global Awareness courses (G)
- Historical Awareness courses (H)

A complete proposal should include:
- Signed course proposal cover form
- Criteria checklist for General Studies designation(s) being requested
- Course catalog description
- Sample syllabus for the course
- Copy of table of contents from the textbook and list of required readings/books

It is respectfully requested that proposals are submitted electronically with all files compiled into one PDF.

Contact information:
Name: Jelena Milovanovic
E-mail: jinmi@asu.edu
Phone: 480-965-5892

Department Chair/Director approval: (Required)

Rev. 4/2015
Arizona State University Criteria Checklist for

SOCIAL-BEHAVIORAL SCIENCES [SB]

Rationale and Objectives

Social-behavioral sciences use distinctive scientific methods of inquiry and generate empirical knowledge about human behavior, within society and across cultural groups. Courses in this area address the challenge of understanding the diverse natures of individuals and cultural groups who live together in a complex and evolving world.

In both private and public sectors, people rely on social scientific findings to consider and assess the social consequences of both large-scale and group economic, technological, scientific, political, ecological and cultural change. Social scientists' observations about human interactions with the broader society and their unique perspectives on human events make an important contribution to civic dialogue.

Courses proposed for a General Studies designation in the Social-Behavioral Sciences area must demonstrate emphases on: (1) social scientific theories, perspectives and principles, (2) the use of social-behavioral methods to acquire knowledge about cultural or social events and processes, and (3) the impact of social scientific understanding on the world.

Revised April 2014
Proposer: Please complete the following section and attach appropriate documentation.

### ASU--[SB] CRITERIA

A SOCIAL-BEHAVIORAL SCIENCES [SB] course should meet all of the following criteria. If not, a rationale for exclusion should be provided.

<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
<th>Identify Documentation Submitted</th>
</tr>
</thead>
<tbody>
<tr>
<td>☒</td>
<td>☐</td>
<td>Course is designed to advance basic understanding and knowledge about human interaction.</td>
</tr>
<tr>
<td>☒</td>
<td>☐</td>
<td>Course content emphasizes the study of social behavior such as that found in:</td>
</tr>
<tr>
<td>☒</td>
<td>☐</td>
<td>• ANTHROPOLOGY</td>
</tr>
<tr>
<td>☒</td>
<td>☐</td>
<td>• ECONOMICS</td>
</tr>
<tr>
<td>☒</td>
<td>☐</td>
<td>• CULTURAL GEOGRAPHY</td>
</tr>
<tr>
<td>☒</td>
<td>☐</td>
<td>• HISTORY</td>
</tr>
<tr>
<td>☒</td>
<td>☐</td>
<td>Risk Management Insurance</td>
</tr>
<tr>
<td>☒</td>
<td>☐</td>
<td>Discussion Board topics on current social issues (Appendix F)</td>
</tr>
<tr>
<td>☒</td>
<td>☐</td>
<td>Course emphasizes:</td>
</tr>
<tr>
<td>☒</td>
<td>☐</td>
<td>a. the distinct knowledge base of the social and behavioral sciences (e.g., sociological anthropological).</td>
</tr>
<tr>
<td>☒</td>
<td>☐</td>
<td>b. the distinct methods of inquiry of the social and behavioral sciences (e.g., ethnography, historical analysis).</td>
</tr>
<tr>
<td>☒</td>
<td>☐</td>
<td>Course illustrates use of social and behavioral science perspectives and data.</td>
</tr>
<tr>
<td>☒</td>
<td>☐</td>
<td>THE FOLLOWING TYPES OF COURSES ARE EXCLUDED FROM THE [SB] AREA EVEN THOUGH THEY MIGHT GIVE SOME CONSIDERATION TO SOCIAL AND BEHAVIORAL SCIENCE CONCERNS:</td>
</tr>
<tr>
<td>☒</td>
<td>☐</td>
<td>• Courses with primarily arts, humanities, literary or philosophical content.</td>
</tr>
<tr>
<td>☒</td>
<td>☐</td>
<td>• Courses with primarily natural or physical science content.</td>
</tr>
<tr>
<td>☒</td>
<td>☐</td>
<td>• Courses with predominantly applied orientation for professional skills or training purposes.</td>
</tr>
<tr>
<td>☒</td>
<td>☐</td>
<td>• Courses emphasizing primarily oral, quantitative, or written skills.</td>
</tr>
</tbody>
</table>

Highlighted course description (appendix A).
Highlighted student learning outcomes (Appendix B).
Highlighted Course Outline (Appendix C).
Highlighted chapter coverings: 1, 2, 4, 5, 8, 11, 15, & 18, (Appendix C).
Highlighted Chapter coverings: Chapter 1, 2, 4, 8, 15, & 18. (Appendix D)
Highlighted Chapter Coverings: Chapter 1, 2, 8, 11, 15, 18 (Appendix E)
### Explain in detail which student activities correspond to the specific designation criteria. Please use the following organizer to explain how the criteria are being met.

<table>
<thead>
<tr>
<th>Criteria (from checksheet)</th>
<th>How course meets spirit (contextualize specific examples in next column)</th>
<th>Please provide detailed evidence of how course meets criteria (i.e., where in syllabus)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Course is designed to advance basic understanding and knowledge about human interaction</td>
<td>This course is designed to define and explain the nature of risk in society and the need of insurance. The nature of risk involves human decision making and can include social aspects of decision making and management.</td>
<td>The course description in the syllabus indicates the focus and nature of risk (Appendix A). The student learning outcomes emphasize the nature of risk and proper risk management tools (Appendix B). Appendix C highlights course content in the syllabus that focuses on the understanding of risk and management.</td>
</tr>
<tr>
<td>2. Course content emphasizes study of behavior such as Economics, Risk Management and Insurance</td>
<td>Risk management and insurance does deal in the realm of economics, but is not the soul focus of the course. This course emphasizes the nature and management of risk, which is best understood by understanding human behavior.</td>
<td>Appendix C highlights topics from the syllabus that emphasizes the role of human behavior in risk and risk management. The historical background of risk is emphasized. The discussion board homework will focus on social issues that are related to the content.</td>
</tr>
<tr>
<td>3. Course Emphasizes the distinct knowledge base/ analysis methods</td>
<td>This course emphasizes the historical context of risk and risk management. It includes methods for analyzing the impact of risk in the modern world along with best practices for risk management</td>
<td>The highlighted chapter coverings in Appendix D focus on the historical context of risk, the cost to society, and the impacts on the modern family.</td>
</tr>
<tr>
<td>4 Course illustrates the use of Social Behavioral Methods and Data</td>
<td>This course emphasizes data collected on the need and cost of insurance and the risk to society and focuses on methods of risk management to reduce the cost.</td>
<td>The highlighted chapter coverings in Appendix E focus on the burden of risk to society, the history of regulation, the role of law in insurance, and the impact of risk and risk management to families.</td>
</tr>
</tbody>
</table>
Course description: This course provides an overview to the different types of risks faced by individuals, businesses, and society along with ways in which they make an assessment of, control, and transfer of different types of risks including property risk, liability risk, personal risks, and speculative risks such as financial risks. It covers risk management techniques including risk control and risk financing with a focus on insurance policies, and also presents other major topics in personal financial planning, social insurance, insurance operations and regulations, and reinsurance. Attention will also be given to contemporary issues and challenges in risk management and insurance and how they are applied in society at large.
CONTENTS

Preface xv

PART ONE BASIC CONCEPTS IN RISK MANAGEMENT AND INSURANCE

CHAPTER 1 RISK AND ITS TREATMENT 1
Definitions of Risk 2
Chance of Loss 4
Peril and Hazard 4
Classification of Risk 5
Major Personal Risks and Commercial Risks 7
Burden of Risk on Society 13
Techniques for Managing Risk 13
Summary 17 = Key Concepts and Terms 18 = Review Questions 18 = Application Questions 18 = Internet Resources 19 = Selected References 20 = Notes 20
Case Application 16
INSIGHT 1.1: WHAT ARE YOUR CHANCES OF NOT BEING ABLE TO EARN AN INCOME? CALCULATE YOUR PERSONAL DISABILITY QUOTIENT 10

CHAPTER 2 INSURANCE AND RISK 21
Definition of Insurance 22
Basic Characteristics of Insurance 22
Characteristics of an Ideally Insurable Risk 24
Two Applications: The Risks of Fire and Unemployment 26
Adverse Selection and Insurance 28
Insurance and Gambling Compared 28
Insurance and Hedging Compared 28
Types of Insurance 29
Benefits of Insurance to Society 33
Costs of Insurance to Society 34
Summary 38 = Key Concepts and Terms 39 = Review Questions 39 = Application Questions 39 = Internet Resources 40 = Selected References 40 = Notes 41
Case Application 38
INSIGHT 2.1: INSURANCE FRAUD HALL OF SHAME—SHOCKING EXAMPLES OF INSURANCE FRAUD 35
INSIGHT 2.2: HAVE YOU EVER COMMITTED INSURANCE FRAUD? THINK AGAIN 37
Appendix: Basic Statistics and the Law of Large Numbers 42

CHAPTER 3 INTRODUCTION TO RISK MANAGEMENT 46
Meaning of Risk Management 48
Objectives of Risk Management 48
Steps in the Risk Management Process 48
Benefits of Risk Management 59
Personal Risk Management 59
Summary 62 • Key Concepts and Terms 63 • Review Questions 63 • Application Questions 63 • Internet Resources 64 • Selected References 65 • Notes 65
Case Application 61
INSIGHT 3.1: VERMONT LEADS U.S. CAPTIVE DOMICILES 53
INSIGHT 3.2: ADVANTAGES OF SELF-INSURANCE 54

CHAPTER 4 ENTERPRISE RISK MANAGEMENT AND RELATED TOPICS 67
Enterprise Risk Management 68
Insurance Market Dynamics 74
Loss Forecasting 80
Financial Analysis in Risk Management Decision Making 82
Other Risk Management Tools 84
Summary 87 • Key Concepts and Terms 87 • Review Questions 88 • Application Questions 88 • Internet Resources 88 • Selected References 89 • Notes 89
Case Application 86
INSIGHT 4.1: WEATHER FUTURES AND OPTIONS: FINANCIAL TOOLS THAT PROVIDE A MEANS OF TRANSFERRING RISK ASSOCIATED WITH ADVERSE WEATHER EVENTS 79

PART TWO THE PRIVATE INSURANCE INDUSTRY

CHAPTER 5 TYPES OF INSURERS AND MARKETING SYSTEMS 91
Overview of Private Insurance in the Financial Services Industry 92
Types of Private Insurers 93
Agents and Brokers 98
Types of Marketing Systems 99
Group Insurance Marketing 102
Summary 103 • Key Concepts and Terms 103 • Review Questions 104 • Application Questions 104 • Internet Resources 105 • Selected References 106 • Notes 106
Case Application 103
INSIGHT 5.1: SHOW ME THE MONEY—HOW MUCH CAN I EARN AS AN INSURANCE SALES AGENT? 99

CHAPTER 6 INSURANCE COMPANY OPERATIONS 107
Insurance Company Operations 108
Rating and Rate Making 108
Underwriting 109
Production 112
Claims Settlement 113
Reinsurance 115
Investments 120
Other Insurance Company Functions 122
Summary 124 • Key Concepts and Terms 124 • Review Questions 125 • Application Questions 125 • Internet Resources 126 • Selected References 126 • Notes 127
CHAPTER 7  FINANCIAL OPERATIONS OF INSURERS  128  
Property and Casualty Insurers  129  
Life Insurance Companies  134  
Rate Making in Property and Casualty Insurance  136  
Rate Making in Life Insurance  140  
Summary  141  * Key Concepts and Terms  142  * Review Questions  142  * Application Questions  143  * Internet Resources  144  * Selected References  144  * Notes  144  
Case Application  141  
INSIGHT 7.1: HOW PROFITABLE IS THE PROPERTY AND CASUALTY INSURANCE INDUSTRY?  135  

CHAPTER 8  GOVERNMENT REGULATION OF INSURANCE  146  
Reasons for Insurance Regulation  147  
Historical Development of Insurance Regulation  148  
Methods for Regulating Insurers  150  
What Areas Are Regulated?  150  
State versus Federal Regulation  156  
Current Issues in Insurance Regulation  159  
Modernizing Insurance Regulation  159  
Insolvency of Insurers  162  
Market Conduct Regulation  163  
Summary  166  * Key Concepts and Terms  167  * Review Questions  167  * Application Questions  167  * Internet Resources  168  * Selected References  168  * Notes  169  
Case Application  165  
INSIGHT 8.1: THE PROS AND CONS OF CREDIT-BASED INSURANCE SCORES  164  

PART THREE  法律原则在风险和保险中的应用  

CHAPTER 9  FUNDAMENTAL LEGAL PRINCIPLES  170  
Principle of Indemnity  171  
Principle of Insurable Interest  174  
Principle of Subrogation  175  
Principle of Utmost Good Faith  176  
Requirements of an Insurance Contract  179  
Distinct Legal Characteristics of Insurance Contracts  180  
Law and the Insurance Agent  181  
Summary  184  * Key Concepts and Terms  185  * Review Questions  185  * Application Questions  185  * Internet Resources  186  * Selected References  186  * Notes  186  
Case Application  183  
INSIGHT 9.1: CORPORATION LACKING INSURABLE INTEREST AT TIME OF DEATH CAN RECEIVE LIFE INSURANCE PROCEEDS  176
Chapter 10  Analysis of Insurance Contracts 188
Basic Parts of an Insurance Contract 189
Definition of "Insured" 191
Endorsements and Riders 193
Deductibles 193
Coinsurance 195
Coinsurance in Health Insurance 196
Other-Insurance Provisions 196
Summary 199  Key Concepts and Terms 199  Review Questions 200  Application
Questions 200  Internet Resources 201  Selected References 201  Notes 201
Case Application 198
Insight 10.1: When You Drive Your Roommate's Car, Are You Covered Under Your Policy? 192

Part Four  Life and Health Risks

Chapter 11  Life Insurance 202
Premature Death 203
Financial Impact of Premature Death on Different Types of Families 204
Amount of Life Insurance to Own 205
Types of Life Insurance 210
Variations of Whole Life Insurance 216
Other Types of Life Insurance 224
Summary 228  Key Concepts and Terms 229  Review Questions 230  Application
Questions 230  Internet Resources 232  Selected References 233  Notes 233
Case Application 227
Insight 11.1: Cash-Value Life Insurance as an Investment—Don't Ignore Two Points 215
Insight 11.2: Be a Savvy Consumer—Four Life Insurance Policies to Avoid 226

Chapter 12  Life Insurance Contractual Provisions 234
Life Insurance Contractual Provisions 235
Dividend Options 241
Nonforfeiture Options 243
Settlement Options 245
Additional Life Insurance Benefits 249
Summary 254  Key Concepts and Terms 255  Review Questions 256  Application
Questions 256  Internet Resources 257  Selected References 258  Notes 258
Case Application 254
Insight 12.1: Is This Death a Suicide? 237
Insight 12.2: Selection of the Best Dividend Option in a Participating Whole Life Policy 242
Insight 12.3: Accelerated Death Benefits—A Real-Life Example 252
Insight 12.4: What Is a Life Settlement? Examples of Actual Cases 253
CHAPTER 13 BUYING LIFE INSURANCE 259
Determining the Cost of Life Insurance 260
Rate of Return on Saving Component 263
Taxation of Life Insurance 265
Shopping for Life Insurance 267

Summary 270 = Key Concepts and Terms 270 = Review Questions 270 = Application
Questions 271 = Internet Resources 271 = Selected References 272 = Notes 272

Case Application 269
INSIGHT 13.1: BE CAREFUL IN REPLACING AN EXISTING LIFE INSURANCE POLICY 263
Appendix: Calculation of Life Insurance Premiums 273

CHAPTER 14 ANNUITIES AND INDIVIDUAL RETIREMENT ACCOUNTS 278
Individual Annuities 279
Types of Annuities 280
Taxation of Individual Annuities 287
Individual Retirement Accounts 288
Adequacy of IRA Funds 291

Summary 294 = Key Concepts and Terms 295 = Review Questions 295 = Application
Questions 296 = Internet Resources 296 = Selected References 297 = Notes 297

Case Application 1 293
Case Application 2 294

INSIGHT 14.1: ADVANTAGES OF AN IMMEDIATE ANNUITY TO RETIRED WORKERS 281
INSIGHT 14.2: BELLS AND WHISTLES OF VARIABLE ANNUITIES 284
INSIGHT 14.3: TEN QUESTIONS TO ANSWER BEFORE YOU BUY A VARIABLE ANNUITY 288
INSIGHT 14.4: WILL YOU HAVE ENOUGH MONEY AT RETIREMENT? MONTE CARLO SIMULATIONS CAN
BE HELPFUL 292

CHAPTER 15 HEALTHCARE REFORM: INDIVIDUAL HEALTH INSURANCE
COVERAGES 298
Defects in the Healthcare System in the United States 299
Basic Provisions of the Affordable Care Act 304
Individual Medical Expense Insurance 310
Individual Medical Expense Plans and Managed Care 312
Health Savings Accounts 313
Long-Term Care Insurance 314
Disability-Income Insurance 318
Individual Health Insurance Contractual Provisions 321

Summary 323 = Key Concepts and Terms 324 = Review Questions 324 = Application
Questions 325 = Internet Resources 325 = Selected References 326 = Notes 327

Case Application 323
INSIGHT 15.1: HEALTH INSURANCE OPTIONS FOR COLLEGE STUDENTS UNDER THE AFFORDABLE
CARE ACT 307
PART FIVE

PERSONAL PROPERTY AND LIABILITY RISKS

CHAPTER 19
THE LIABILITY RISK 403
Basis of Legal Liability 404
Law of Negligence 405
Imputed Negligence 407
Res Ipsi Loquitur 408
Specific Applications of the Law of Negligence 408
Current Tort Liability Problems 410
Summary 420 ✦ Key Concepts and Terms 420 ✦ Review Questions 421 ✦ Application
Questions 421 ✦ Internet Resources 422 ✦ Selected References 423 ✦ Notes 423
Case Application 419
INSIGHT 19.1: JUDICIAL HELLHOLES 2014–2015 413

CHAPTER 20
AUTO INSURANCE 425
Overview of Personal Auto Policy 426
Part A: Liability Coverage 427
Part B: Medical Payments Coverage 433
Part C: Uninsured Motorists Coverage 434
Part D: Coverage for Damage to Your Auto 438
Part E: Duties after an Accident or Loss 445
Part F: General Provisions 446
Insuring Motorcycles and Other Vehicles 447
Summary 448 ✦ Key Concepts and Terms 448 ✦ Review Questions 448 ✦ Application
Questions 449 ✦ Internet Resources 451 ✦ Selected References 451 ✦ Notes 451
Case Application 447
INSIGHT 20.1: WHAT DO RIDE SHARING AND CAR SHARING MEAN FOR PERSONAL AUTO
INSURANCE? 430
INSIGHT 20.2: NEW STUDY REVEALS A DECLINING TREND IN THE PERCENTAGE OF UNINSURED
MOTORISTS 435
INSIGHT 20.3: USING ELECTRONIC DEVICES WHILE DRIVING IS A SERIOUS PROBLEM 442

CHAPTER 21
AUTO INSURANCE (CONTINUED) 453
Approaches for Compensating Auto Accident Victims 454
Auto Insurance for High-Risk Drivers 464
Cost of Auto Insurance 465
Shopping for Auto Insurance 469
Summary 473 ✦ Key Concepts and Terms 473 ✦ Review Questions 474 ✦ Application
Questions 474 ✦ Internet Resources 474 ✦ Selected References 475 ✦ Notes 475
CHAPTER 22  HOMEOWNERS INSURANCE, SECTION I  477
Homeowners Insurance  478
Analysis of Homeowners 3 Policy (Special Form)  482
Section I Coverages  483
Section I Perils Insured Against  489
Section I Exclusions  492
Section I Conditions  493
Section I and II Conditions  498
Summary  500 = Key Concepts and Terms  500 = Review Questions  500 = Application Questions  501 = Internet Resources  502 = Selected References  503 = Notes  503
Case Application  499
INSIGHT 22.1: RENTERS INSURANCE CHECKLIST  481
INSIGHT 22.2: HOW DO I TAKE A HOME INVENTORY AND WHY?  494
INSIGHT 22.3: THE BIG GAP BETWEEN REPLACEMENT COST AND ACTUAL CASH VALUE CAN EMPTY YOUR WALLET  495

CHAPTER 23  HOMEOWNERS INSURANCE, SECTION II  504
Personal Liability Insurance  505
Section II Exclusions  507
Section II Additional Coverages  511
Section II Conditions  512
Endorsements to a Homeowners Policy  513
Cost of Homeowners Insurance  516
Summary  520 = Key Concepts and Terms  521 = Review Questions  521 = Application Questions  522 = Internet Resources  523 = Selected References  523 = Notes  523
Case Application  520
INSIGHT 23.1: DOG BITES HURT, SO DO LAWSUITS  506
INSIGHT 23.2: TRYING TO SAVE MONEY? AVOID THE FIVE BIGGEST INSURANCE MISTAKES!  519

CHAPTER 24  OTHER PROPERTY AND LIABILITY INSURANCE COVERAGES  525
ISO Dwelling Program  526
Mobile Home Insurance  528
Inland Marine Floaters  529
Watercraft Insurance  530
Government Property Insurance Programs  531
Title Insurance  536
Personal Umbrella Policy  539
PART SIX

COMMERCIAL PROPERTY AND LIABILITY RISKS

CHAPTER 25

COMMERCIAL PROPERTY INSURANCE 548

- Commercial Package Policy 549
- Building and Personal Property Coverage Form 551
- Causes-of-Loss Forms 554
- Endorsements 554
- Reporting Forms 556
- Business Income Insurance 557
- Other Commercial Property Coverages 560
- Transportation Insurance 563
- Businessowners Policy (BOP) 568

Summary 570 • Key Concepts and Terms 571 • Review Questions 571 • Application Questions 572 • Internet Resources 573 • Selected References 574 • Notes 574

Case Application 569

INSIGHT 25.1: THREE COMMERCIAL PROPERTY ENDORSEMENTS THAT EVERY CLIENT SHOULD HAVE 555
INSIGHT 25.2: EXAMPLES OF EQUIPMENT BREAKDOWN CLAIMS: RECENT PAID CLAIMS 562

CHAPTER 26

COMMERCIAL LIABILITY INSURANCE 576

- General Liability Loss Exposures 577
- Commercial General Liability Policy 578
- Employment-Related Practices Liability Insurance 586
- Workers Compensation Insurance 587
- Commercial Auto Insurance 589
- Aircraft Insurance 591
- Commercial Umbrella Policy 593
- Cyber Liability Insurance 594
- Businessowners Policy 595
- Professional Liability Insurance 595
- Directors and Officers Liability Insurance 597

Summary 599 • Key Concepts and Terms 600 • Review Questions 600 • Application Questions 601 • Internet Resources 602 • Selected References 602 • Notes 602

Case Application 598

INSIGHT 26.1: CYBER LOSS EXPOSURE—NO LONGER BREACHING THE CGL 581
INSIGHT 26.2: BASIC FACTS ABOUT WORKERS COMPENSATION 588
This text deals with risk and its management. Since the last edition of the text appeared, several tragedies have occurred that clearly demonstrate the deadly presence of risk in our society. A suicide bomber entered a market near Baghdad, detonated a bomb, and killed 11 people. Malaysia Flight 360 mysteriously disappeared with 239 passengers aboard, causing an enormous amount of pain and suffering to the surviving families. A deadly earthquake struck Nepal, a low-income country in Asia, which killed more than 8,600 people and destroyed or damaged tens of thousands of houses. Meanwhile, in the United States, a gunman killed nine members of a Bible study group in an historical African American church in Charleston, South Carolina, and a student enrolled at Umpqua Community College in Oregon killed nine people and himself in a tragic and senseless shooting.

In addition to reporting events making national headlines, the media routinely report on tragic events at the local level that clearly show the destructive presence of risk. A runner is hit by a car while jogging; a tornado touches down and destroys most of a small town; a house fire leaves a family homeless; a drunk driver fails to stop at a red light and smashes into another motorist; a plant explosion kills two people and injures several employees; and a blinding snowstorm and ice-packed interstate highway cause a chain-like accident and collision damage to 10 cars. To say that we live in a risky and dangerous world is an enormous understatement.

This thirteenth edition of *Principles of Risk Management and Insurance* discusses these issues and other insurance issues as well. As in previous editions, the text is designed for a beginning undergraduate course in risk management and insurance with no prerequisites. This edition provides an in-depth treatment of major risk management and insurance topics. Topics discussed include basic concepts of risk and insurance, introductory and advanced topics in traditional risk management and enterprise risk management, functional and financial operations of insurers, legal principles, life and health insurance, property and liability insurance, employee benefits, and social insurance. In addition, the Affordable Care Act is discussed in depth. Once again, *Principles of Risk Management and Insurance* places primary emphasis on insurance consumers and blends basic risk management and insurance principles with consumer considerations. With this user-friendly text, students can apply basic concepts immediately to their own personal risk management and insurance programs.

**KEY CONTENT CHANGES IN THE THIRTEENTH EDITION**

Thoroughly revised and updated, this edition provides an in-depth analysis of current insurance industry issues and practices, which readers have come to expect from *Principles of Risk Management and Insurance*. Key content changes in this edition include the following:

- **Capital retention approach eliminated.** In Chapter 11, the capital retention approach for determining the amount of life insurance has been eliminated. This method generally is not discussed in the online websites of life insurers. In contrast, the needs approach is heavily stressed in the available online calculators.

- **Healthcare reform.** Chapter 15 has an in-depth discussion and update of the broken healthcare delivery system in the United States, which led to enactment of the Affordable Care Act.

- **Update on the Affordable Care Act.** Chapters 15 and 16 provide an update on the Affordable Care Act (ACA) and its impact on individual and group health insurance coverages. Primary attention is devoted to provisions that have a major financial impact on individuals, families, and employers. Chapter 18 summarizes the possible desirable and
undesirable effects of the ACA on both workers compensation programs and employers.

- **Current developments in employer-sponsored group health insurance plans.** Employers continue to grapple with the rapid increase in group health insurance premiums and to seek new solutions for holding down costs. Chapter 16 discusses current trends in group health insurance to contain higher healthcare costs and premiums.

- **Change in sequence of homeowners and auto insurance chapters.** In previous editions, homeowners insurance was discussed prior to auto insurance. This thirteenth edition reverses the sequence of homeowners and auto insurance chapters. Auto insurance is discussed first because it is more relevant and interesting to students than homeowners insurance. In addition, discussion of liability coverage in the Personal Auto Policy (now Chapter 20) logically follows the general discussion of the liability risk treated in the previous chapter (Chapter 19).

- **Legalization of medical marijuana and opiate overdose in workers compensation.** The medical use of marijuana has been legalized in at least 20 states and the District of Columbia. The increased use of medical marijuana and opiate overdose, and their impact on workers compensation programs, are important issues discussed in Chapter 18.

- **Cyber-liability insurance.** Computer hackers have been successful in accessing the credit card records and other personal information of millions of customers of major retail firms. Cyber-liability insurance covers damages arising from the failure of a data holder to protect private information from being accessed by an unauthorized party. Chapter 26 discusses some basic concepts in cyber-liability insurance.

- **New Insurance Services Office (ISO) Forms.** The latest revisions of the ISO Commercial Property form, the Commercial General Liability form, and the Commercial/Government Crime Forms are discussed in these pages. The text also covers the new Auto Dealers Coverage form.

- **New Insight boxes.** A number of new and timely Insight boxes appear. Insights are valuable learning tools that provide real-world applications of a concept or principle discussed in the text.

- **Technical accuracy.** As in previous editions, numerous experts have reviewed the text for technical accuracy, especially in areas where changes occur rapidly. This new edition presents technically accurate and up-to-date material.

### INSTRUCTOR RESOURCES

At the Instructor Resource Center, www.pearsonhighered.com/irc, instructors can easily register to gain access to a variety of instructor resources available with this text in downloadable format. If assistance is needed, our dedicated technical support team is ready to help with the media supplements that accompany this text. Visit http://247.pearsoned.com for answers to frequently asked questions and toll-free user support phone numbers.

The following supplements are available with this text:

- Companion Website
  - Internet exercises
  - A multiple choice practice quiz for each chapter
- Instructor’s Resource Manual & Test Bank
- TestGen® Computerized Test Bank
- PowerPoint Presentations
- Student Study Guide

### ACKNOWLEDGMENTS

A market-leading text is never written alone. We owe an enormous intellectual debt to numerous risk management and insurance professors, risk management experts, insurance industry personnel, and other professionals for their kind and gracious assistance. These experts provided supplementary materials, made valuable comments, answered technical questions, or provided other help. As a result, this new edition is a substantially improved educational product. Our experts include the following:

- Steve Avila, Ball State University
- Burton T. Beam, Jr., The American College (retired)
- Patricia Born, Florida State University
- Nick Brown, Chief Executive Officer, Global Aerospace
- Leon Chen, Minnesota State University, Mankato
- Ann Costello, University of Hartford
- Edward Graves, The American College (retired)
- Jane Henderson, LIMRA
- Robert Klein, Georgia State University
Yu-Luen Ma, Illinois State University
Rebecca A. McQuade, Director of Risk Management, PACCAR, Inc.
William H. Rabel, The University of Alabama
Bill Rives, The Ohio State University
Fred Travis, University of Missouri-Columbia
Johnny Vestal, Texas Tech University
Eric Wiening, Insurance and Risk Management Author/Educator/Consultant
Millicent W. Workman, Research Analyst, International Risk Management Institute, Inc. (IRMI), and Editor, Practical Risk Management

The views expressed in the text are those solely of the authors and do not necessarily reflect the viewpoints or positions of the reviewers whose assistance we gratefully acknowledge.

Finally, the fundamental objective underlying this thirteenth edition remains the same as in the first edition: We have attempted to write an intellectually stimulating and visually attractive textbook from which students can learn and professors can teach.

George E. Rejda, Ph.D., CLU
Emeritus Professor of Finance, University of Nebraska—Lincoln

Michael J. McNamara, Ph.D., CPCU, CLU, ARM
Mutual of Enumclaw/Field Distinguished Professor of Insurance, Washington State University
Course description: This course provides an overview to the different types of risks faced by individuals, businesses, and society along with ways in which they make an assessment of, control, and transfer of different types of risks including property risk, liability risk, personal risks, and speculative risks such as financial risks. It covers risk management techniques including risk control and risk financing with a focus on insurance policies, and also presents other major topics in personal financial planning, social insurance, insurance operations and regulations, and reinsurance. Attention will also be given to contemporary issues and challenges in risk management and insurance and how they are applied in society at large.

Student learning outcomes: Students successfully completing this course will be able to:

- Demonstrate an understanding of the scope, application and definition of risk.
- Explain the risk management requirements needed by various entities in the 21st century.
- Define and match risk management methods with the appropriate risk.
- Identify and classify insurance and uninsurable risks.
- Explain the role private insurance market and how it functions.
- Identify and calculate insurance finance.
- Explain the role of regulation.
- Explain how insurance law and contract function.
- Define and explain: life, health, and personal property and casualty insurance, retirement plans, commercial insurance, and social insurance.

Prerequisites: MAT 270, 265 or 210 with C or better; STP 420, STP 226 or ECN 221; ECN211 or ECN212 recommended.

Required Textbooks: Principles of Risk Management and Insurance (13th edition) by G. Rejda and M. McNamara

Optional Textbooks: CAS Online Course 1 (CA 1) – Risk Management and Insurance Operations
Risk Management and Insurance (2nd edition) by S. Harrington and G. Niehaus

Calculator: TI-30XS Multiview.

Attendance: For classes that meet two days a week, the maximum number of allowed absences is four (4). Students who exceed the number of allowed absences will receive a grade of EN.
## Course Outline:

<table>
<thead>
<tr>
<th>Week</th>
<th>Topics</th>
<th>Due Dates</th>
</tr>
</thead>
</table>
| 1    | Intro to class  
      Ch. 1: Risk in our society  
      • Definitions of Risk  
      • Chance of Loss  
      • Peril and Hazard  
      • Classification of Risk  
      • Major Personal Risks and Commercial Risks  
      • Burden of Risk on Society  
      • Techniques for Managing Risk | QUIZ_1 (Ch. 1) |
| 2    | Ch. 2: Insurance and Risk  
      • Definition and Basic Characteristics of Insurance  
      • Characteristics of An Ideally Insurable Risk  
      • Adverse Selection and Insurance  
      • Insurance and Gambling Compared  
      • Insurance and Hedging Compared  
      • Types of Insurance  
      • Benefits and Costs of Insurance to Society | QUIZ_2 (Ch. 2) |
| 3    | Ch. 3: Intro to Risk Management  
      • Meaning of Risk Management  
      • Objectives of Risk Management  
      • Steps in the Risk Management Process  
      • Benefits of Risk Management  
      • Personal Risk Management | HW_1 (Ch. 1 and 2)  
QUIZ_3 (Ch. 3) |
| 4    | Ch. 4: Cont. | QUIZ_4 (Ch. 4) |
| 5    | Ch. 5: Types of Insurers and Marketing Systems  
      • Overview of Private Insurance in the Financial Services Industry  
      • Types of Private Insurers  
      • Agents and Brokers  
      • Types of Marketing Systems  
      • Group Insurance Marketing | HW_2 (Ch. 3 and 4)  
QUIZ_5 (Ch. 5) |
| 6    | Ch. 6: Insurance Company Operations  
      • Rating and Ratemaking  
      • Underwriting  
      • Production  
      • Claims settlement  
      • Reinsurance  
      • Alternatives to Traditional Reinsurance  
      • Investments  
      • Other Insurance Company Functions | QUIZ_6 (Ch. 6) |
| 7    | Ch. 7: Financial Operations of Insurers  
      • Property and Casualty Insurers | HW_3 (Ch. 5 and 6)  
QUIZ_6 (Ch. 6) |
<table>
<thead>
<tr>
<th>Chapter</th>
<th>Topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>Review for the midterm exam</td>
</tr>
<tr>
<td>9</td>
<td>Spring Break</td>
</tr>
</tbody>
</table>
| 10      | **Ch. 9: Fundamental Legal Principals**  
  - Principle of Indemnity  
  - Principle of Insurable Interest  
  - Principle of Subrogation  
  - Principle of Utmost Good Faith  
  - Requirements of an Insurance Contract  
  - Distinct Legal Characteristics of Insurance Contracts  
  - Law and the Insurance Agent |
| 11      | **Ch. 10: Analysis of Insurance Contracts**  
  - Basic parts of an insurance contract  
  - Definition of “Insured”  
  - Endorsements and Riders  
  - Deductibles  
  - Coinsurance  
  - Other-insurance provisions |
| 12      | **Ch. 15: Health Care Reform; Individual Health Insurance Coverages**  
  - Health-Care Problems in the US  
  - Health-Care Reform  
  - Basic Provisions of the Affordable Care Act  
  - Individual Medical Expense Insurance  
  - Individual Medical Expense Insurance and Managed Care Plans  
  - Health Savings Accounts  
  - Long-term Care Insurance  
  - Disability-Income Insurance  
  - Individual Health Insurance Contractual Provisions |
| 13      | **Ch. 18: Social Insurance**  
  - Social Insurance |

### Additional Notes
- QUIZ_7 (Ch. 7 and 8)  
- MIDTERM (Ch. 1-8) in class  
- HW_4 (7 and 8)  
- QUIZ_8 (Ch. 9 and 10)  
- HW_5 (Ch. 9 and 10)  
- QUIZ_9 (Ch. 11)  
- HW_6 (Ch. 11)  
- QUIZ_10 (Ch. 15)
Homework: Homework will be written and will contain a mixture of problems from the textbooks, in class instructor-led discussions, and other resources and due before class on the due date. Homework assignments will be posted on Blackboard after relevant material is covered in class.

Online Quizzes: Quizzes will be online and posted on Blackboard. They will contain a mixture of problems from the textbooks, in class instructor-led discussions, and other resources.

Exams: You will take two exams during the semester. Each will involve a mix of mechanical skills and conceptual reasoning. The best possible preparation for them is regular attendance and completion of assigned homework.

- Midterm – Will be taken in class during regular class time.
- Final exam – Prescribed by the standard university final exam schedule - see http://students.asu.edu/final-exam-schedule. The place of the final exam will be announced later in the semester.
- No test will be dropped!

Makeup tests: Makeup exams are given at the discretion of the instructor and only in the case of verified medical or other documented emergencies. Notify your instructor before the test is given if possible. Call your instructor or the Math Department Office (480-965-3951) and leave a message or directly notify your instructor by email ASAP. If the event is not an emergency, you must notify the instructor in advance to request a makeup.

Piazza discussion: During the semester each student is required to post two current issues relating to two different chapters covered in the course as well as to comment twice on their fellow peers post expressing your view/opinion.

Assignments and Grading Criteria:

<table>
<thead>
<tr>
<th>Point Allocation</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Midterm and Final Exam (each 35%)</td>
<td>70%</td>
</tr>
<tr>
<td>Homework (equally weighted)</td>
<td>10%</td>
</tr>
<tr>
<td>Online Quizzes (equally weighted)</td>
<td>10%</td>
</tr>
<tr>
<td>Piazza Discussion</td>
<td>10%</td>
</tr>
</tbody>
</table>
Grading Scale:
A+: 97-100%, A: 93-96.9%, A-: 90-92.9%, B+: 87-89.9%, B: 83-86.9%, B-: 80-82.9%,
C+: 76-79.9%, C: 70-75.9%, D: 60-69.9% E: 59.9% or less.

Classroom behavior: Make sure you arrive on time for class. Excessive tardiness will be subject to sanctions. Under no circumstances should you allow your cell phone to ring during class. Any disruptive behavior, which includes ringing cell phones, listening to your mp3/iPod player, text messaging, constant talking, eating food noisily, reading a newspaper will not be tolerated. The use of laptops (unless for lecture note taking), cell phones, MP3, IPOD, etc are strictly prohibited during class. Students who engage in disruptive classroom behavior may be subject to various sanctions. The procedures for initiating a disruptive behavior withdrawal can be found at http://clas.asu.edu/classroom/disruptive.

Academic Integrity: Academic honesty is expected of all students in all examinations, papers, and laboratory work, academic transactions and records. The possible sanctions include, but are not limited to, appropriate grade penalties, course failure (indicated on the transcript as a grade of E), course failure due to academic dishonesty (indicated on the transcript as a grade of XE), loss of registration privileges, disqualification and dismissal. For more information, see http://provost.asu.edu/academicintegrity

Attendance Policy: Attendance is mandatory! Your instructor reserves the right to take attendance and to incorporate your attendance as part of your overall grade. For classes that meet two days a week, the maximum number of absences is four. For classes that meet three days a week, the maximum number of absences is six. Students who exceed the number of allowed absences will receive a grade of EN. Your instructor reserves the right to take attendance and to incorporate your attendance as part of your overall grade.

Disability Accommodations: Qualified students with disabilities who will require disability accommodations in this class are encouraged to make their requests to me at the beginning of the semester either during office hours or by appointment. Note: Prior to receiving disability accommodations, verification of eligibility from the Disability Resource Center (DRC) is required. Disability information is confidential.

Establishing Eligibility for Disability Accommodations: Students who feel they will need disability accommodations in this class but have not registered with the Disability Resource Center (DRC) should contact DRC immediately. Their office is located on the first floor of the Matthews Center Building. DRC staff can also be reached at: 480-965-1234 (V), 480-965-9000 (TTY). For additional information, visit: www.asu.edu/studentaffairs/ed/drc. Their hours are 8:00 AM to 5:00 PM, Monday through Friday.

Policy against threatening behavior: All incidents and allegations of violent or threatening conduct by an ASU student (whether on-or off campus) must be reported to the ASU Police Department (ASU PD) and the Office of the Dean of Students. If either office determines that the behavior poses or has posed a serious threat to personal safety or to the welfare of the campus, the student will not be permitted to return to campus or reside in any ASU residence hall until an appropriate threat assessment has been completed and, if necessary, conditions for return are imposed. ASU PD, the Office of the Dean of Students, and other appropriate offices will coordinate the assessment in light of the relevant circumstances.

Agreement of Terms: By remaining registered in the course through drop/add period, you agree to all terms and policies set forth in the syllabus.
Appendix A

ACT 301:

**Course description:** This course provides an overview to the different types of risks faced by individuals, businesses, and society along with ways in which they make an assessment of, control, and transfer of different types of risks including property risk, liability risk, personal risks, and speculative risks such as financial risks. It covers risk management techniques including risk control and risk financing with a focus on insurance policies, and also presents other major topics in personal financial planning, social insurance, insurance operations and regulations, and reinsurance. Attention will also be given to contemporary issues and challenges in risk management and insurance and how they are applied in society at large.
Appendix B

Student Learning Outcomes

- Demonstrate an understanding of the scope, application and definition of risk.
- Explain the risk management requirements needed by various entities in the 21st century.
- Define and match risk management methods with the appropriate risk.
- Identify and classify insurance and uninsurable risks.
- Explain the role private insurance market and how it functions.
- Identify and calculate insurance finance.
- Explain the role of regulation.
- Explain how insurance law and contract function.
- Define and explain: life, health, and personal property and casualty insurance, retirement plans, commercial insurance, and social insurance.
### Appendix C

**Course Outline:**

<table>
<thead>
<tr>
<th>Week</th>
<th>Topics</th>
<th>Due Dates</th>
</tr>
</thead>
</table>
| 1    | Intro to class  
**Ch. 1: Risk in our society**  
- Definitions of Risk  
- Chance of Loss  
- Peril and Hazard  
- Classification of Risk  
- Major Personal Risks and Commercial Risks  
  - Burden of Risk on Society  
- Techniques for Managing Risk |  |
| 2    | **Ch. 2: Insurance and Risk**  
- Definition and Basic Characteristics of Insurance  
- Characteristics of An Ideally Insurable Risk  
- Adverse Selection and Insurance  
- Insurance and Gambling Compared  
- Insurance and Hedging Compared  
- Types of Insurance  
  - Benefits and Costs of Insurance to Society | QUIZ_1 (Ch. 1) |
| 3    | **Ch. 3: Intro to Risk Management**  
- Meaning of Risk Management  
- Objectives of Risk Management  
- Steps in the Risk Management Process  
- Benefits of Risk Management  
- Personal Risk Management |  |
| 4    | **Ch. 4: Advanced Topics in Risk Management**  
- The Changing Scope of Risk Management  
  - Insurance Market Dynamics  
- Loss Forecasting  
- Financial Analysis in Risk Management Decision Making  
- Other Risk Management Tools | HW_1 (Ch. 1 and 2)  
QUIZ_2 (Ch. 2) |
| 5    | **Ch. 5: Types of Insurers and Marketing Systems**  
- Overview of Private Insurance in the Financial Services Industry  
- Types of Private Insurers  
- Agents and Brokers  
- Types of Marketing Systems  
- Group Insurance Marketing | HW_2 (Ch. 3 and 4)  
QUIZ_4 (Ch. 4) |
| 6    | **Ch. 6: Insurance Company Operations**  
- Rating and Ratemaking  
- Underwriting  
- Production  
- Claims settlement  
- Reinsurance  
- Alternatives to Traditional Reinsurance | QUIZ_5 (Ch. 5) |
<table>
<thead>
<tr>
<th>Week</th>
<th>Chapter/Section</th>
<th>Topics</th>
<th>Assignments</th>
</tr>
</thead>
</table>
| 7    | Ch. 7: Financial Operations of Insurers | - Property and Casualty Insurers  
- Life Insurance Companies  
- Ratemaking in Property and Casualty Insurance  
- Ratemaking in Life Insurance | HW_3 (Ch. 5 and 6)  
QUIZ_6 (Ch. 6) |
|     | Ch. 8: Government Regulation of Insurance | - Reasons for Insurance Regulation  
- Historical Development of Insurance Regulation  
- Methods for Regulating Insurers  
- What Areas are Regulated?  
- State versus Federal Regulation  
- Modernizing Insurance Regulation  
- Insolvency of Insurers  
- Credit-Based Insurance Scores | QUIZ_7 (Ch. 7 and 8)  
MIDTERM (Ch. 1-8) in class |
| 8    | Review for the midterm exam | | |
| 9    | Spring Break | | |
| 10   | Ch. 9: Fundamental Legal Principals | - Principle of Indemnity  
- Principle of Insurable Interest  
- Principle of Subrogation  
- Principle of Utmost Good Faith  
- Requirements of an Insurance Contract  
- Distinct Legal Characteristics of Insurance Contracts  
- Law and the Insurance Agent | HW_4 (7 and 8) |
|     | Ch. 10: Analysis of Insurance Contracts | - Basic parts of an insurance contract  
- Definition of “Insured”  
- Endorsements and Riders  
- Deductibles  
- Coinsurance  
- Other-insurance provisions | |
| 11   | Ch. 11: Life Insurance | - Premature Death  
- Financial Impact of Premature Death on Different Types of Families  
- Amount of Life Insurance to Own  
- Types of Life Insurance  
- Variations of Whole Life Insurance  
- Other Types of Life Insurance | HW_5 (Ch. 9 and 10)  
QUIZ_8 (Ch. 9 and 10) |
| 12   | Ch. 15: Health Care Reform; Individual Health Insurance Coverages | - Health-Care Problems in the US  
- Health-Care Reform  
- Basic Provisions of the Affordable Care Act | HW_6 (Ch. 11)  
QUIZ_9 (Ch. 11) |
| Ch. 13 | **Social Insurance**  
> **Part A:**  
> **Part B:**  
> **Part C:**  
> **Part D:**  
> **Part E:**  
> **Part F:**  
| Ch. 14 | **Auto Insurance**  
> **Part A:**  
> **Part B:**  
> **Part C:**  
> **Part D:**  
> **Part E:**  
> **Part F:**  

### Social Insurance
- Old-age, Survivors, and Disability Insurance
- Types of Benefits
- Medicare
- Problems and Issues
- Unemployment Insurance
- Workers Compensation

### Auto Insurance
- Personal Auto Policy
  - Part A: Liability Coverage
  - Part B: Medical Payments Coverage
  - Part C: Uninsured Motorists Coverage
  - Part D: Coverage for Damage to Your Auto
  - Part E: Duties After an Accident or Loss
  - Part F: General Provisions
- Insuring Motorcycles and Other Vehicles

### Additional Notes
- Review for the final exam (see final exam schedule)
- HW_7 (Ch. 15)
- QUIZ_10 (Ch. 15)
- HW_8 (Ch. 18)
- QUIZ_11 (Ch. 18)
- QUIZ_12 (Ch. 20)
- FINAL
Appendix D

Course Outline:

<table>
<thead>
<tr>
<th>Week</th>
<th>Topics</th>
<th>Due Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Intro to class</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Ch. 1: Risk in our society</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Definitions of Risk</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Chance of Loss</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Peril and Hazard</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Classification of Risk</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Major Personal Risks and Commercial Risks</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Burden of Risk on Society</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Techniques for Managing Risk</td>
<td></td>
</tr>
<tr>
<td></td>
<td>QUIZ_1 (Ch. 1)</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td><strong>Ch. 2: Insurance and Risk</strong></td>
<td>QUIZ_1 (Ch. 1)</td>
</tr>
<tr>
<td></td>
<td>• Definition and Basic Characteristics of Insurance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Characteristics of An Ideally Insurable Risk</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Adverse Selection and Insurance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Insurance and Gambling Compared</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Insurance and Hedging Compared</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Types of Insurance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Benefits and Costs of Insurance to Society</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CH. 3: Intro to Risk Management</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Meaning of Risk Management</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Objectives of Risk Management</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Steps in the Risk Management Process</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Benefits of Risk Management</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Personal Risk Management</td>
<td></td>
</tr>
<tr>
<td></td>
<td>HW_1 (Ch. 1 and 2)</td>
<td>QUIZ_2 (Ch. 2)</td>
</tr>
<tr>
<td>3</td>
<td><strong>Ch. 3: Intro to Risk Management</strong></td>
<td>QUIZ_3 (Ch. 3)</td>
</tr>
<tr>
<td></td>
<td><strong>Ch. 4: Advanced Topics in Risk Management</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• The Changing Scope of Risk Management</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Insurance Market Dynamics</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Loss Forecasting</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Financial Analysis in Risk Management</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Other Risk Management Tools</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td><strong>Ch. 4: Cont.</strong></td>
<td>QUIZ_3 (Ch. 3)</td>
</tr>
<tr>
<td>5</td>
<td><strong>Ch. 5: Types of Insurers and Marketing Systems</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Overview of Private Insurance in the Financial Services Industry</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Types of Private Insurers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Agents and Brokers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Types of Marketing Systems</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Group Insurance Marketing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>HW_2 (Ch. 3 and 4)</td>
<td>QUIZ_4 (Ch. 4)</td>
</tr>
<tr>
<td>6</td>
<td><strong>Ch. 6: Insurance Company Operations</strong></td>
<td>QUIZ_5 (Ch. 5)</td>
</tr>
<tr>
<td></td>
<td>• Rating and Ratemaking</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Underwriting</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Production</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Claims settlement</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Reinsurance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Alternatives to Traditional Reinsurance</td>
<td></td>
</tr>
<tr>
<td>Chapter</td>
<td>Title</td>
<td>Additional Info</td>
</tr>
<tr>
<td>---------</td>
<td>-------</td>
<td>-----------------</td>
</tr>
<tr>
<td>7</td>
<td>Ch. 7: Financial Operations of Insurers</td>
<td>HW_3 (Ch. 5 and 6), QUIZ_6 (Ch. 6)</td>
</tr>
<tr>
<td></td>
<td>• Investments</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Other Insurance Company Functions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ch. 8: Government Regulation of Insurance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Reasons for Insurance Regulation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Historical Development of Insurance Regulation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Methods for Regulating Insurers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• What Areas are Regulated?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• State versus Federal Regulation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Modernizing Insurance Regulation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Insolvency of Insurers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Credit-Based Insurance Scores</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Review for the midterm exam</td>
<td>QUIZ_7 (Ch. 7 and 8), MIDTERM (Ch. 1-8) in class</td>
</tr>
<tr>
<td>9</td>
<td>Spring Break</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Ch. 9: Fundamental Legal Principals</td>
<td>HW_4 (7 and 8)</td>
</tr>
<tr>
<td></td>
<td>• Principle of Indemnity</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Principle of Insurable Interest</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Principle of Subrogation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Principle of Utmost Good Faith</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Requirements of an Insurance Contract</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Distinct Legal Characteristics of Insurance Contracts</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Law and the Insurance Agent</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ch. 10: Analysis of Insurance Contracts</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Basic parts of an insurance contract</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Definition of “Insured”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Endorsements and Riders</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Deductibles</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Coinsurance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Other-insurance provisions</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Ch. 11: Life Insurance</td>
<td>HW_6 (Ch. 11), QUIZ_9 (Ch. 11)</td>
</tr>
<tr>
<td></td>
<td>• Premature Death</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Financial Impact of Premature Death on Different Types of Families</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Amount of Life Insurance to Own</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Types of Life Insurance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Variations of Whole Life Insurance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Other Types of Life Insurance</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Ch. 15: Health Care Reform; Individual Health Insurance Coverages</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Health-Care Problems in the US</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Health-Care Reform</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Basic Provisions of the Affordable Care Act</td>
<td></td>
</tr>
</tbody>
</table>
| 13 | **Ch. 18: Social Insurance**  
  
  • Social Insurance  
  • Old-age, Survivors, and Disability Insurance  
  • Types of Benefits  
  • Medicare  
  • Problems and Issues  
  • Unemployment Insurance  
  • Workers Compensation | HW_7 (Ch. 15)  
QUIZ_10 (Ch. 15) |
|---|---|
| 14 | **Ch. 20: Auto Insurance**  
  
  • Personal Auto Policy  
  – Part A: Liability Coverage  
  – Part B: Medical Payments Coverage  
  – Part C: Uninsured Motorists Coverage  
  – Part D: Coverage for Damage to Your Auto  
  – Part E: Duties After an Accident or Loss  
  – Part F: General Provisions  
  • Insuring Motorcycles and Other Vehicles | HW_8 (Ch. 18)  
QUIZ_11 (Ch. 18) |
| 15 | Review for the final exam (see final exam schedule) | QUIZ_12 (Ch. 20)  
FINAL |
## Course Outline:

<table>
<thead>
<tr>
<th>Week</th>
<th>Topics</th>
<th>Due Dates</th>
</tr>
</thead>
</table>
| 1    | Intro to class  
  Ch. 1: Risk in our society  
  • Definitions of Risk  
  • Chance of Loss  
  • Peril and Hazard  
  • Classification of Risk  
  • Major Personal Risks and Commercial Risks  
  • Burden of Risk on Society  
  • Techniques for Managing Risk | QUIZ_1 (Ch. 1) |
| 2    | Ch. 2: Insurance and Risk  
  • Definition and Basic Characteristics of Insurance  
  • Characteristics of An Ideally Insurable Risk  
  • Adverse Selection and Insurance  
  • Insurance and Gambling Compared  
  • Insurance and Hedging Compared  
  • Types of Insurance  
  • Benefits and Costs of Insurance to Society | QUIZ_2 (Ch. 2) |
| 3    | Ch. 3: Intro to Risk Management  
  • Meaning of Risk Management  
  • Objectives of Risk Management  
  • Steps in the Risk Management Process  
  • Benefits of Risk Management  
  • Personal Risk Management | QUIZ_3 (Ch. 3) |
| 4    | Ch. 4: Cont. | QUIZ_4 (Ch. 4) |
| 5    | Ch. 5: Types of Insurers and Marketing Systems  
  • Overview of Private Insurance in the Financial Services Industry  
  • Types of Private Insurers  
  • Agents and Brokers  
  • Types of Marketing Systems  
  • Group Insurance Marketing | HW_2 (Ch. 3 and 4) |
| 6    | Ch. 6: Insurance Company Operations  
  • Rating and Ratemaking  
  • Underwriting  
  • Production  
  • Claims settlement  
  • Reinsurance  
  • Alternatives to Traditional Reinsurance | QUIZ_5 (Ch. 5) |
<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Subtopics</th>
<th>Assignments</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Ch. 7: Financial Operations of Insurers</td>
<td>- Investments&lt;br&gt;- Other Insurance Company Functions</td>
<td>HW_3 (Ch. 5 and 6)&lt;br&gt;QUIZ_6 (Ch. 6)</td>
</tr>
<tr>
<td></td>
<td>Ch. 8: Government Regulation of Insurance</td>
<td>- Reasons for Insurance Regulation&lt;br&gt;- Historical Development of Insurance Regulation&lt;br&gt;- Methods for Regulating Insurers&lt;br&gt;- What Areas are Regulated?&lt;br&gt;- State versus Federal Regulation&lt;br&gt;- Modernizing Insurance Regulation&lt;br&gt;- Insolvency of Insurers&lt;br&gt;- Credit-Based Insurance Scores</td>
<td>QUIZ_7 (Ch. 7 and 8)&lt;br&gt;MIDTERM (Ch. 1-8) in class</td>
</tr>
<tr>
<td>8</td>
<td>Review for the midterm exam</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Spring Break</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Ch. 9: Fundamental Legal Principals</td>
<td>- Principle of Indemnity&lt;br&gt;- Principle of Insurable Interest&lt;br&gt;- Principle of Subrogation&lt;br&gt;- Principle of Utmost Good Faith&lt;br&gt;- Requirements of an Insurance Contract&lt;br&gt;- Distinct Legal Characteristics of Insurance Contracts&lt;br&gt;- Law and the Insurance Agent</td>
<td>HW_4 (7 and 8)</td>
</tr>
<tr>
<td></td>
<td>Ch. 10: Analysis of Insurance Contracts</td>
<td>- Basic parts of an insurance contract&lt;br&gt;- Definition of “Insured”&lt;br&gt;- Endorsements and Riders&lt;br&gt;- Deductibles&lt;br&gt;- Coinsurance&lt;br&gt;- Other-insurance provisions</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Ch. 11: Life Insurance</td>
<td>- Premature Death&lt;br&gt;- Financial Impact of Premature Death on Different Types of Families&lt;br&gt;- Amount of Life Insurance to Own&lt;br&gt;- Types of Life Insurance&lt;br&gt;- Variations of Whole Life Insurance&lt;br&gt;- Other Types of Life Insurance</td>
<td>HW_5 (Ch. 9 and 10)&lt;br&gt;QUIZ_8 (Ch. 9 and 10)</td>
</tr>
<tr>
<td>12</td>
<td>Ch. 15: Health Care Reform; Individual Health Insurance Coverages</td>
<td>- Health-Care Problems in the US&lt;br&gt;- Health-Care Reform&lt;br&gt;- Basic Provisions of the Affordable Care Act</td>
<td>HW_6 (Ch. 11)&lt;br&gt;QUIZ_9 (Ch. 11)</td>
</tr>
</tbody>
</table>
| 13 | **Ch. 18: Social Insurance**  
|     | - Social Insurance  
|     |   - Old-age, Survivors, and Disability Insurance  
|     |   - Types of Benefits  
|     |   - Medicare  
|     |   - Problems and Issues  
|     |   - Unemployment Insurance  
|     |   - Workers Compensation  
|     | **HW_7 (Ch. 15)**  
|     | **QUIZ_10 (Ch. 15)** |
| 14 | **Ch. 20: Auto Insurance**  
|     | - Personal Auto Policy  
|     |   - Part A: Liability Coverage  
|     |   - Part B: Medical Payments Coverage  
|     |   - Part C: Uninsured Motorists Coverage  
|     |   - Part D: Coverage for Damage to Your Auto  
|     |   - Part E: Duties After an Accident or Loss  
|     |   - Part F: General Provisions  
|     | - Insuring Motorcycles and Other Vehicles  
|     | **HW_8 (Ch. 18)**  
|     | **QUIZ_11 (Ch. 18)** |
| 15 | Review for the final exam *(see final exam schedule)*  
|     | **QUIZ_12 (Ch. 20)**  
|     | **FINAL** |
Appendix F

**Piazza discussion:** During the semester each student is required to post two current issues relating to two different chapters covered in the course as well as to comment twice on their fellow peers post expressing your view/opinion.