Risk Management and Insurance

ECON 439

Prerequisite: Grades of C or better in ECON 360; also grade of C or better in college level statistics (A- required from 2-year school). This course provides basic tools to analyze and manage risk. The focus is given to identification and measurement of risk, insurance, insurance regulation, pricing, insurance demand theory, loss control, as well as personal insurance issues.

Course Information¹:
Instructor:
Prof. Hwan-sik Choi (hwansik@binghamton.edu, Office Hours: TBA, LT903).

Classroom/time:
2:20-3:20pm, M/W/F, SW 214.

Course Web Site: http://mycourses.binghamton.edu/

TA: Huayan Geng (hgeng1@binghamton.edu, Office Hours: M 3:30-5:35, W 5:05-6:00, LT1010)

Textbooks (optional):

Grading: grades are on the curve. Your final grade will be determined by the overall score distribution.

1. Attendance (30 points). In addition to attendance credit, you will get extra credits for class participation, homework, and in-class activities.
   
   If you miss more than 25% of attendance checks that will occur at random times during classes, you will be penalized by one full letter grade. If you miss more than 50% of attendance checks, you will be penalized by two full letter grades. If you miss more than 75% of attendance checks, you will receive the failing grade. If you miss a class for a university-approved reason, you must submit a proof within 2 days of the missing class.

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If there is a reason that you could not submit it within 2 days, you must submit a proof, within 7 days after the missing class, that you could not submit it within 2 days as well as a proof of a university-approved reason. All attendance checks will be final after 7 days of each attendance check.

2. Seven quizzes (70 points): There will be 9 quizzes (10 points for each) and the best 7 scores will be counted. There will be no make-up.

3. Two midterms (50+50 points): No makeup examinations will be given without a formal approval from the university. To report absence, contact Division of Student Affairs.

4. Two term papers (50+50 points): You will submit a proposal and a final report for each term paper.

   **Format** - Handwritten proposals/reports are not acceptable. Use 11pts font/1.5 line spacing. If you use MS Word, use the Cambria font. Do not include irrelevant pictures to decorate the paper.

   **IMPORTANT:** You must cite all references properly in the main text and attach the list of references. Follow the APA citation format. ([http://www.binghamton.edu/libraries/research/documents/apa.pdf](http://www.binghamton.edu/libraries/research/documents/apa.pdf))

   (a) Term paper 1: Two people can work together for one paper. You will write a short guide book or a reference on a topic related to one of the areas shown below. It is also acceptable if the paper is written in the encyclopedia or wikipedia article style. Slight modifications of the given topics are allowed. If you have another specific topic you want, you need to get an approval for the topic from the instructor at least 2 weeks before the proposal deadline. If the report is very good, you will have a chance to give a presentation in class for extra credits.

   **Proposal:** You should submit a one-page proposal giving the list of things you will cover in the topic of your choice from the list below. Please find the attached example of the proposal style. It should look like the table of contents of textbooks.

   **Final report:** The proposal will be the cover page of the final report. Put section titles in each section following the proposal. Max 15 pages (or 30 pages max if it is a co-work) including tables and figures. The paper is evaluated by the usefulness of the topic to your classmates and the depth of the material.

   - History of large insurance companies.
   - Personal taxation (history and current issues).
   - Financial system, roles of financial markets and institutions such as FRB, OCC, FDIC, etc.
   - Financial crisis.
• Libor scandal, tax haven, money laundering, and other issues in the modern financial system.
• Biography of an important person in the financial history of US.
• Steps on buying a new home.
• Secondary mortgage market or Mortgage 101.
• How to estimate the value of life?
• Book review of “The Signal and the Noise: Why Most Predictions Fail – But Some Don’t” by Nate Silver (check also NY Times FiveThirtyEight Blog).

(b) Term paper 2: You will create an imaginary person (or future yourself), and you will work as a personal financial counselor for the person. The final paper will be a professional-quality brochure to your client. You must use tables and figures effectively to show supporting evidence (data) of your recommendations. Co-work is not allowed.

Proposal: You should submit a two-page proposal. On the first page, put the title, name, email address, then describe the profile of the fictional person you created in a table format. On the second page, state the financial problems that you are helping with using tables and bullet points to present them clearly. You must list at least 3 problems to solve. Examples are personal/corporate tax problems, real estate, small business financing, auto insurance, home owners/renters insurance, life insurance, retirement planning, health insurance, and annuity, etc. State each problem in detail in a table format relating it with the person’s situation.

Final report: The 2-page proposal will be the cover page of the final report. Max 15 pages including tables, figures, and references. Write a full report for the person for the various financial needs you described in the proposal. For each financial problem, your report must include (1) a table that describes the details of possible solutions, (2) a table to compare several solutions for each financial problem, and (3) supporting arguments with tables or graphs for the best solution you chose. It must be personalized advise rather than a general guide. The report should be based on associated data and actual quotes from real companies wherever possible using the exact characteristics of the client. It must clearly show the estimated monetary benefit of the recommended solution over the other options. This may require you to do some research into likely career and life paths of the fictional character and related financial earnings and risk. The evaluation will assess completeness of data, reasonableness of recommendations, effectiveness of presentation, and professionalism of the final document. You may not use financial planning software packages or commercially-marketed planning software for your report. It needs to be your own unique document. Submitting a report using a commercial product will render the
Course Policies and Expectations

You are expected to abide by the University’s anti-discrimination and academic honesty policies.

You are expected to behave in class in a way which is respectful of other participants, including the Instructor. This includes making sure your cell phones are turned off, not using laptop computers for purposes not related to the class, and not talking other than to make contributions to the class. I reserve the right to reject you from class after one warning.

There will be an honor code in effect for the class. You will refrain from cheating on any quiz, exam, attendance, or the project, and will do your best to ensure nobody cheats from you. Use of calculators without explicit approval during any quiz or exam will be considered as cheating. If any irregularities are detected, students will receive zero for that assignment and the matter will be referred to the Dean of Students. You will receive the failing grade if there is academic dishonesty or any cheating related to the credit in the course.

No homework, papers or any material past due will be accepted. You have one week to report and correct any errors in grades after each score is posted. After one week, the grades will be final. If you miss a class for a university-approved reason, you must provide the supporting documentation within 2 days after missing the class. After 2 days, the attendance grade will be final. If there is a reason that you could not provide the supporting documentation within 2 days, you must provide within 7 days after missing the class the supporting documentation and the proof that you could not submit it within 2 days. The attendance grade cannot be changed after 7 days of the missing class.

In addition to the scheduled meeting times, students are expected to do at least 9.5 hours of course-related work outside of class each week during the semester. This includes time spent completing assigned readings, studying for tests and examinations, preparing written assignments, and other course-related tasks.

Academic Integrity Statement

At the core of a university education is mutual integrity and trust. Binghamton’s Student Academic Honesty Code, adopted by the Faculty Senate in 2002, establishes guidelines for
academic integrity on our campus. Additional information concerning Academic Integrity may be found in the online brochure, from the Office of the Provost. Students in this course are expected to observe the Student Academic Honesty Code and should make sure they become familiar with its provisions. Violations of the code, for example, cheating on exams, will be prosecuted as specified in the Code.
The goal of the project is the preparation of an Insurance Needs Assessment and Plan for yourself. The plan will comprise of a report on perceived future needs for managing risks such as automobile, homeowners, and life insurance, or retirement planning. You may also review options for health-risk management.

Project Phase 1: Develop a profile of risk management needs. This will require that you make predictions regarding how your future career and lifestyle might develop, and prepare a related risk management needs assessment. The needs assessment should be shown on your proposal.

Project Phase 2: Develop a plan for yourself recommending the kinds and amounts of insurance coverage or risk management methods, and justify your recommendations.
Tentative Course Outline

1. Chap 1
2. Chap 2: Quiz (1) - 1/26
3. Chap 3: Quiz (2) - 2/2
4. Chap 4: Quiz (3) and term paper (1) proposal due - 2/9
5. Chap 5: Midterm (1) - 2/16
6. Chap 5: Term paper (2) proposal due - 2/23
7. Chap 6: Quiz (4) - 3/2
8. Chap 7: Quiz (5) - 3/16
9. Chap 8: Quiz (6) and term paper (1) due - 3/23
10. Chap 9: Midterm (2) - 3/28
11. Spring Break (3/30-4/8)
12. Chap 10: Quiz (7) - 4/13
13. Chap 11: Quiz (8) - 4/20
15. Student presentations: Term paper (2) due - 5/7