

FIN 690: Insurance: Theory and Practice

Finance Specialization

*Credits: 3
Lecture Hours: 48*

COURSE OBJECTIVES

This course has been designed with the objective of enabling students to understand the theory and practice of insurance and apply them to manage risk in life and businesses. Upon completion of this course the students will have through knowledge of fundamentals of risk and insurance, principles of insurance and insurance contract. They will also learn important aspects of life and non-life insurance and how they are managed and regulated.

COURSE DESCRIPTION

Risk accompanies life and business. Insurance evolved to ward off the risk. Over the period, insurance has grown as a mature business practice and developed into a separate subject of study. This course embodies this knowledge and begins with an introduction to risk and insurance and describes the fundamental principles of insurance. Then it describes the regulatory environment in which the insurance business operates. The course also deals with life and non-life insurance business. The topics covered are: risk and insurance, principles of insurance, insurance regulation, insurance contract, functions of an insurance company, automobile insurance, property and liability insurance, and life and health insurance.

COURSE DETAILS

Unit 1: Overview of Risk and Insurance

LH 6

Risk and its classification; Techniques for risk management; Characteristics of insurance; Principles of insurance; Types of insurance: life insurance, health insurance, property and liability insurance, social insurance; Benefits and costs of insurance to society; Overview of insurance industry in Nepal.

Unit 2: Insurance Regulation

LH 6

Reasons for insurance regulation; Methods for regulating insurers; Areas of regulation; State versus federal regulation; Regulation of insurance industry in Nepal; Major regulations; and the role of regulatory authority in Nepal.

Unit 4: Insurance Contract

LH 5

Requirements of insurance contract; Distinct legal characteristics of insurance contract; Basic parts of insurance contract; Endorsement and riders; Deductibles; Coinsurance; Other insurance provisions.

Unit 5: Insurance Company Operation

LH 7

Insurance company functions: Product development and pricing; Underwriting; Claims settlement; Reinsurance; Investments.

Unit 6: Life and Health Insurance

LH 12

Impact of premature death; Features of life insurance; Amount of life insurance to own; Types of life insurance; Life insurance contractual provisions; Life insurance in Nepal: current status of life insurance companies, their policies and underwriting practices; Objective of health insurance; Individual medical expense insurance; Long-term care insurance; Disability-income

insurance; Individual health expense contractual provisions; Group health insurance; Health insurance in Nepal.

Unit 7: Property and Liability Insurance

LH 8

Introduction to property insurance; Types of property insurance; Liability risk; Types of liability insurance; Property insurance in Nepal; Liability insurance in Nepal.

Unit 8: Auto Insurance

LH 4

Introduction to auto insurance; Types of auto insurance policies; Shopping for auto insurance policies; Auto insurance in Nepal: Status and trend.

BASIC READINGS

1. Regda, G. E. & McNamara, M. (2017). *Principles of risk management and insurance*. Delhi: Pearson.
2. Harrington, S. E. and Niehaus, G. R. (2004). *Risk management and insurance*. Delhi: Tata McGraw-Hill.

REFERENCES

1. Vaughan, E. J. & Vaughan, T. M. (2018). *Fundamentals of risk management*. Delhi: John Willey and Sons.
2. Insurance Act and Byelaws of the Government of Nepal.
3. Publications of Insurance Board of Nepal (Beema Samiti).