

Course Title	:	Principles of Insurance
Course Code	:	RIM2201
Recommended Study Year	:	2
No. of Credits/Term	:	3
Mode of Tuition	:	Sectional Approach
Class Contact Hours	:	3 hours per week
Category in Major Programme	:	Required course – BBA (Hons) Risk and Insurance Management Programme
Prerequisite	:	Nil

Brief Course Description

This is the first introductory course in Insurance. It aims to provide students with the fundamental knowledge of insurance, including the economic theory of insurance, insurance classification scheme, the insurance environment of insurance in Hong Kong, insurance in risk management, the legal framework of insurance in Hong Kong, the functions of insurance companies, and the social insurance programs in Hong Kong with comparison to those of the U.S. All BBA as well as non-BBA students should be eligible to take this course! At the same time, this course serves as a pre-requisite for other advanced insurance courses and prepares RIM majors and minors to take them in the future.

Aims

To provide introductory and fundamental knowledge and basic understanding of insurance and the insurance market in Hong Kong.

Learning Outcomes (LOs)

On completion of this course, students are expected to:

1. Understand the basic functions and the underlining economic and legal principles of insurance, understand the basic operations of an insurance company and the insurance industry, understand the basic structure and related issues of a generic insurance contract, understand the responsibilities and code of conduct of agents and brokers, be aware of insurance classification schemes, insurance-related qualifications and regulations, be aware of the information problems of insurance provision and hence the need for social insurance programs.

2. Be able to apply their knowledge on the insurance-related legal principles to simple cases.
3. Understand the important implications of cost-control provisions in an insurance contract, namely, deductibles, coinsurance, and limits, and other simple insurance clauses.

Indicative Contents

Functions of Insurance

Definition of insurance. Basic characteristics of insurance. Insurable and uninsurable risks. Social costs and benefits of insurance. Law of Large Numbers and nature of insurance.

Economic Theory of Insurance

Expected utility and decision making under uncertainty. Information economics. Insurance demand under adverse selection and moral hazard. Insurance supply.

Legal Principles of Insurance

Principle of indemnity. Principle of insurable interest. Principle of utmost good faith. Principle of Subrogation.

Elements in an insurance contract

Basic parts of an insurance contract. Endorsements and riders. Deductibles, coinsurance, and limits. Warranties, exclusions and cancellation. Other-insurance provisions and clauses.

Types of Insurance and Marketing Systems

Insurance classification scheme in Hong Kong. General and casualty insurance. Liability insurance. Life insurance. Pension and annuity insurance. Reinsurance. Insurance agency and marketing systems.

Insurance Company Operations

Mutual vs. stock insurers. Overview of insurance organization (rate making, underwriting, claim, adjusting, actuary, accounting, information technology). Factors affecting rating premium rates. Reserves and solvency margin.

Insurance Regulation and Code of Conduct

Overview of insurance regulations in Hong Kong. Basics of contract law and insurance. Insurance authorities and insurer associations. Agents vs. brokers. Regulations of insurance brokers and agents. Hong Kong Federation of Insurers code of conduct and related regulations

Social Insurance and Social Welfare

Social Insurance vs. Private Insurance. Social security programs in Hong Kong and in the U.S. compared.

Teaching Method/Class Activities

Class activities include lectures, in-class short quizzes for refreshing lecture contents, Q & A and short discussion sessions on material taught, in-class internet assess to important insurance-related websites (such as www.justice.gov.hk (insurance regulations), www.speedinsure.com (insurance brokerage, sample insurance contracts, insurance application), www.hkfi.org (code of conduct for insurers, brokers, and agents), www.oci.gov.hk (facts and new development in the insurance market, money laundering and other ethical issues)), open discussion on current news and issues related to insurance products and contemporary development in the insurance industry in Hong Kong and around the world. Class participation and the answering of questions raised in class are highly encouraged.

Measurement of Learning Outcomes

1. In-class quizzes and/or mid-term examination will be used to constantly test whether the materials taught in lectures are fully understood by students. Answers to the quizzes and mid-term examination will be delivered to students in a timely fashion to make sure that they learn from their mistakes. The final examination is cumulative and covers all the materials taught during the entire term. It may include multiple choice questions that allow a broad coverage of the materials taught in class and comprehensive questions, possibly conceptual or in case format, that test how much of the materials taught are learned and appreciated by students. (LO1, LO3)
2. Q & A and discussion sessions will be used to check whether students are able to analyze some real world cases using their knowledge of insurance-related legal principles learned in class. Comprehensive questions may be asked in the final examination requiring students to apply their knowledge to some simple cases. (LO2)
3. Computational questions will be asked in quizzes and the final examination on these provisions and how the insured's out-of-pocket expenses and how the insurer's indemnities are affected by the provisions on deductibles, coinsurance, and limits and other clauses. (LO1, LO2, LO3)

Assessment

Continuous Assessment	30%
Presentation	20
Examination	50%
Total	100%

Required/Essential Reading

George E. Rejda, Michael J. McNamara, *Principles of Risk Management and Insurance*, latest edition, Person Edition.

Recommended/Supplementary Readings

Hansell D.S., *Introduction to Insurance 2nd ed.*, LLP, 1999. (Chapters 16-19, 22, 30)

Insurance Companies Ordinance Chapter 41 Sections 2, 13, 16, 18, 69, 70 and other relevant sections, and Schedule 1. (www.oci.gov.hk)

IIQAS Examination Study Note for Paper 1 (Vocational Training Council) – particularly useful for students wishing to take the examination.

Insurance Agent's Handbook (pp.1-17), HKFI (<http://www.fstb.gov.hk>)

Code of Conduct for Insurers, HKFI (www.hkfi.org.hk)

P05 Insurance Law, 2014 Study Text, Diploma in Insurance, CII.

P80 Underwriting Practice, 2014 Study Text, Diploma in Insurance, CII.

P85 Claims Practice, 2014 Study Text, Diploma in Insurance, CII.

Important Notes

- (1) Students are expected to spend a total of 9 hours (i.e. 3 hours of class contact and 3 hours of personal study) per week to achieve the course learning outcomes.
- (2) Students shall be aware of the University regulations about dishonest practice in course work, tests and examinations, and the possible consequences as stipulated in the Regulations Governing University Examinations. In particular, plagiarism, being a kind of dishonest practice, is “the presentation of another person’s work without proper acknowledgement of the source, including exact phrases, or summarised ideas, or even footnotes/citations, whether protected by copyright or not, as the student’s own work”. Students are required to strictly follow university regulations governing academic integrity and honesty.
- (3) Students are required to submit writing assignment(s) using Turnitin.
- (4) To enhance students’ understanding of plagiarism, a mini-course “Online Tutorial on Plagiarism Awareness” is available on <https://pla.ln.edu.hk/>.