



# Broward Community College

## Course Outline

STATUS:   A  

COMMON COURSE NUMBER:   RMI 1001  

COURSE TITLE:   Introduction to Risk and Insurance  

CREDIT HOURS:       3      

**CONTACT HOURS BREAKDOWN:**

Lecture/Discussion       48      

Lab                                   

Other                                   

Contact Hours/Week       3      

**CATALOG COURSE DESCRIPTION:**

Prerequisite: None

Corequisite: None

This course is an introduction to the study of risk and insurance. The evolution, types of insurers, coverages, and the relationship of insurance to business activity and the national economy are studied. To give students (as consumers) a knowledge of basic insurance contracts, the coverages and provisions of life, health, property, and liability policies for individuals are emphasized. Commercial property and casualty insurance is surveyed as are the functional areas of underwriting, rating, and adjusting. Current topics such as Florida's "no fault" auto law, flood insurance, and recent changes by judicial decision or legislation are also considered.

General Education Requirements - Associate of Arts Degree, meets Area(s):  
 General Education Requirements - Associate in Science Degree, meets Area(s):

**UNIT TITLES:**

1. The Nature of Risk and Risk Management
2. The Insurance Institution
3. The Legal Environment of Insurance
4. Personal Risk Management—Life, Health, Income
5. Personal Risk Management—Property Liability
6. Business Risk Management
7. Government and Insurance
8. International Issues in Risk Management

## **I. Course Overview:**

Upon successful completion of this course, the students should be able to describe the function of risk management and describe life, health, income, and property liability insurance products.

## **II. Units:**

### **Unit 1. The Nature of Risk and Risk Management**

#### General Outcome:

- 1.0 The students should be able to distinguish between insurance and risk management, describe risk management including its functions and responsibilities, and define terms/concepts used in risk management.

#### Specific Learning Outcomes:

Upon successful completion of this unit, the students should be able to:

- 1.1 Distinguish between risk and probability of a loss.
- 1.2 Differentiate between objective and subjective risk.
- 1.3 Compare the various degrees of risk.
- 1.4 Identify the differences between hazards and perils.
- 1.5 Describe how subjective risk attitudes can affect making a risk management decision.
- 1.6 Discuss the economic and social values of insurance.
- 1.7 Define risk management and explain how it differs from insurance.
- 1.8 Define general insurance terms and concepts.
- 1.9 Discuss risk management as it relates to the risk manager versus the insurance agent.
- 1.10 Enumerate the functions of risk management.
- 1.11 Define insurance.
- 1.12 Distinguish between insurance and gambling.
- 1.13 Describe the central economic and social values of insurance.

- 1.14 List some of the costs of insurance to society.
- 1.15 Describe how to choose risk-handling methods.
- 1.16 List conditions required for effective use of self-insurance.
- 1.17 Identify methods of choosing deductible levels.

## Unit 2. The Insurance Institution

### General Outcome:

- 2.0 The students should be able to discuss the insurance industry, the different sources of insurance, types of insurers, premiums, and ratings.

### Specific Learning Outcomes:

Upon successful completion of this unit, the students should be able to:

- 2.1 Describe how the insurance business is divided between private and public sectors.
- 2.2 Explain why personal insurance is larger than property insurance.
- 2.3 Identify and explain the differences between stock, mutual, Lloyds, and reciprocal insurers.
- 2.4 Indicate the types of insurance that have the largest volume.
- 2.5 Explain the differences between insurance agents and brokers.
- 2.6 Discuss the true meaning of underwriting.
- 2.7 Demonstrate how insurance premiums are calculated and adjusted.
- 2.8 List the criteria a proper insurance rate must meet.
- 2.9 Differentiate between experience and retrospective rating.
- 2.10 Explain why "insurance exchanges" were founded in the United States.

### Unit 3. The Legal Environment of Insurance

#### General Outcome:

- 3.0 The students should be able to discuss the legal principles of insurance contracts, and distinguish between criminal and civil law as it pertains to liability.

#### Specific Learning Outcomes:

Upon successful completion of this unit, the students should be able to:

- 3.1 Explain how the principle of indemnity operates.
- 3.2 Identify situations that give rise to insurable interest.
- 3.3 Describe how the principle of insurable interest supports the principle of indemnity.
- 3.4 State how the subrogation process works and why it is desirable.
- 3.5 List the legal requirements of a contract.
- 3.6 Identify the distinguishing legal characteristics of insurance contracts.
- 3.7 Describe the legal powers and limitations of insurance agents and brokers.
- 3.8 Identify and describe the basic parts of an insurance policy.
- 3.9 Explain the difference between named peril and all-risk property insurance coverage.
- 3.10 Explain why exclusions are used in insurance contracts and identify the major types of exclusions.
- 3.11 Describe how the interests of mortgagees are protected in insurance policies and why the mortgagee clause gives the best protection to the mortgagee.
- 3.12 Explain how the cancellation and assignment provisions in insurance contracts operate.
- 3.13 Distinguish between the actual cash value basis of recovery and replacement cost.

- 3.14 Describe the following types of deductibles:
  - 3.14.1 Flat
  - 3.14.2 Disappearing
  - 3.14.3 Franchise
  - 3.14.4 Participating
- 3.15 Describe why deductibles are used in insurance policies.
- 3.16 Indicate why insurance companies use insurance to value provisions.
- 3.17 Describe how the co-insurance clause operates.
- 3.18 Explain what apportionment clauses are and how the pro rata clause operates.
- 3.19 Distinguish between criminal law and civil law.
- 3.20 List examples of torts and describe negligence and the characteristics of a negligent act.
- 3.21 Explain some of the defenses against a claim of negligence.
- 3.22 Discuss factors causing individuals and businesses to maintain higher standards of care.
- 3.23 Identify and explain the basic types of liability exposures.
- 3.24 Explain what is meant by "no fault" insurance.
- 3.25 Define the basic payments made by liability insurance contracts.
- 3.26 Identify recent developments in the legal system that affect one's ability to collect under a tort action.

## Unit 4. Personal Risk Management—Life, Health, Income

### General Outcome:

- 4.0 The students should be able to discuss all areas of personal insurance and explain how it relates to them as individuals, their families, and financial planning.

### Specific Learning Outcomes:

Upon successful completion of this unit, the students should be able to:

- 4.1 State the difference between non-forfeiture options and settlement options.
- 4.2 For life insurance, indicate the conditions under which using the settlement options may not be advisable.
- 4.3 Describe why it may be more advantageous to borrow on a policy rather than surrender it for its cash value.
- 4.4 State how the incontestable clause works.
- 4.5 Explain why the suicide clause is inoperative after two years.
- 4.6 Identify the spendthrift trust clause and whom it benefits.
- 4.7 List ways dividends can best be used in life insurance.
- 4.8 Differentiate between group life provisions and individual life provisions.
- 4.9 State the basic purpose of life insurance and annuities.
- 4.10 Analyze the question of how much life insurance to buy.
- 4.11 Differentiate between protection and savings needs.
- 4.12 Describe the importance of the "level premium" concept.

- 4.13 Explain why term insurance is popular when compared to whole life contracts.
- 4.14 Identify the characteristics of newer policies such as universal and variable life.
- 4.15 List the characteristics of most life insurance buyers.
- 4.16 Demonstrate how the life insurance premium is calculated.
- 4.17 Indicate why insurers are called "legal reserve" companies.
- 4.18 Differentiate between life insurance and annuities.
- 4.19 Explain how and when to use the annuity product.
- 4.20 Explain why human life value is important and how it is measured.
- 4.21 Describe how loss of human life value can hurt business firms.
- 4.22 Identify the extent and trends in mortality.
- 4.23 Indicate who pays for health care costs in the United States.
- 4.24 Identify losses from sickness and accident.
- 4.25 Explain why loss due to old age is increasing.
- 4.26 Describe how people manage to save for their old age.
- 4.27 Indicate how insurance techniques can be of value in off-setting life and health losses.
- 4.28 Explain how and why employee benefits have grown in size and scope.
- 4.29 Describe the major structure of group life and health insurance.
- 4.30 Identify major laws affecting employee benefit design.
- 4.31 List the features which distinguish among group plans, individual plans of life insurance, and health insurance.

- 4.32 Explain how to maintain insurance coverage even when changing employers.
- 4.33 State the main differences in the coverage of various kinds of health insurance.
- 4.34 Identify what is excluded from health insurance.
- 4.35 Explain how major medical coverage works.
- 4.36 State what to look for in selecting health insurance coverage.
- 4.37 List the advantages and disadvantages of HMOs and PPOs.
- 4.38 Describe efforts to restrict health care costs.
- 4.39 Describe the role of employer-sponsored retirement plans.
- 4.40 Identify the requirements for tax-qualification of group pension.
- 4.41 State the differences between defined contribution and defined benefit plans.
- 4.42 List the advantages of trustee and insured pension plans.
- 4.43 Explain how insurers compete with banks for pension business.
- 4.44 Discuss how inflation may be overcome in retirement planning.
- 4.45 State the limitations and strengths of the variable annuity.
- 4.46 Describe the value of a tax shelter in long-term savings.
- 4.47 Explain how dollar cost averaging can be used.
- 4.48 Explain the use of 401(k), Keogh, and IRAs in retirement planning.
- 4.49 Describe the meaning and methods of estate planning.
- 4.50 Explain what constitutes estate transfer costs.
- 4.51 Indicate ways to minimize estate taxes and other transfer costs.

- 4.52 State how the two-trust plan can help distribute estates efficiently.
- 4.53 Describe what happens to property if a person does not leave a will.
- 4.54 List the disadvantages of joint ownership of property.
- 4.55 Explain how to maximize the value of an estate through life insurance.
- 4.56 Identify business applications of life insurance.
- 4.57 List factors which should be considered in buying life insurance.
- 4.58 Compare life insurance contract provisions.
- 4.59 Identify the factors that influence the cost of life insurance.
- 4.60 State and explain the fallacy of making "net cost" comparisons.
- 4.61 Discuss factors considered in evaluating the financial strength of a life insurer.
- 4.62 Analyze the "buy term and invest the difference" strategy.
- 4.63 Explain how life insurance programming works.

## Unit 5. Personal Risk Management—Property Liability

### General Outcome:

- 5.0 The students should be able to discuss the types of homeowners policies, automobile coverage, and other liability coverage available.

### Specific Learning Outcomes:

Upon successful completion of this unit, the students should be able to:

- 5.1 List the six basic coverages in a homeowners policy and the limits of liability for each coverage.
- 5.2 Explain how the six different forms in the homeowners program differ.
- 5.3 Identify property excluded from the homeowners policy and the special limits of liability for certain types of property.
- 5.4 Describe how additional living expense losses are determined and how the settlement clause in the homeowners policy operates.
- 5.5 Differentiate between all-risk coverage and named-peril coverage.
- 5.6 Explain the doctrine of concurrent causation and its role in property insurance policies.
- 5.7 List the coverages in the comprehensive personal liability policy (CPL) and identify the major exclusions in the CPL.
- 5.8 Discuss procedures to reduce property losses around the home.
- 5.9 Define key terms in the personal automobile policy (PAP).
- 5.10 Identify the major parts of the personal automobile policy.
- 5.11 State four major exclusions of the personal automobile policy.
- 5.12 Distinguish between collision and non-collision list coverage.

- 5.13 State limitations on the insurance company's right to cancel an automobile insurance policy.
- 5.14 Explain the significance of "no fault" automobile insurance.
- 5.15 Describe how automobile rating classes are determined and how prices compare.
- 5.16 Explain why policies other than the homeowners are needed for some dwellings.
- 5.17 Describe how mobile homes are insured.
- 5.18 Discuss the use and content of the standard fire policy.
- 5.19 Explain how watercraft should be insured and why the homeowners policy is not an appropriate way to insure watercraft.
- 5.20 Explain how to insure expensive personal items such as jewelry, paintings, antiques, and cameras.
- 5.21 Describe an umbrella liability policy and its purpose.
- 5.22 List the factors examined in determining the financial stability of an insurance company.
- 5.23 Discuss the importance of cost comparisons in buying property liability insurance.
- 5.24 Describe the role that availability of coverage plays in the decision to purchase.
- 5.25 Identify problems associated with insurance company solvency.
- 5.26 Explain the relationship between the level of underwriting profits and the underwriting cycle.
- 5.27 Discuss how the quantity and quality of insurer services may affect the decision to purchase.
- 5.28 List factors considered in selecting an insurance agent.

## Unit 6. Business Risk Management

### General Outcome:

- 6.0 The students should be able to differentiate between personal and business insurance; discuss areas of risk and ways to cover losses while addressing employee requirements, bonding, etc.

### Specific Learning Outcomes:

Upon successful completion of this unit, the students should be able to:

- 6.1 Explain how the Simplified Commercial Lines Portfolio policy meets the property loss exposures of consumers.
- 6.2 Describe how insurance contracts can be designed to insure consumers' property that fluctuate in value.
- 6.3 List the different types of consequential loss exposures and types of insurance coverages available for such loss exposures.
- 6.4 Explain how floater insurance policies help meet the insurance needs of businesses whose property is moved from one location to another.
- 6.5 Identify the perils of transportation and the carrier's liability on land and sea.
- 6.6 List the major types of property insurance available for ocean and inland marine loss exposures.
- 6.7 State the differences between general and particular average losses.
- 6.8 Describe expressed and implied warranties as used in ocean marine insurance.
- 6.9 Describe the content of insuring clauses in commercial general liability policies.
- 6.10 Describe the supplementary benefits of commercial general liability policies.
- 6.11 Explain how limits of liability are determined in commercial general liability policies.

- 6.12 Differentiate between claims-made coverage and occurrence coverage.
- 6.13 Identify the parts of the commercial general liability policy, its exclusions, and endorsements.
- 6.14 State the differences between professional liability insurance and regular liability insurance.
- 6.15 Indicate how businesses use commercial umbrella policies.
- 6.16 Identify recent trends in the field of liability insurance.
- 6.17 State the alternatives available and their relative importance in funding workers compensation losses.
- 6.18 List coverages provided in a workers compensation policy.
- 6.19 Identify the different rating plans available for workers compensation.
- 6.20 List the kinds of credit insurance and explain why businesses use credit insurance.
- 6.21 Explain the need and use of title insurance.
- 6.22 Identify property and perils covered by boiler and machinery insurance.
- 6.23 Explain the differences between insurance and bonding.
- 6.24 Describe how individuals and businesses use bonds.
- 6.25 Identify the differences among burglary, robbery, and theft.
- 6.26 Explain the nature of crime insurance policies.
- 6.27 Explain the need for a federal crime insurance program and how it operates.
- 6.28 List ways in which crime losses can be reduced.
- 6.29 State the meaning of statistical terms used in making quantitative applications in risk management and insurance.
- 6.30 Explain how one can determine the number of observations necessary to have a given degree of accuracy in making predictions of losses.

- 6.31 Measure utility.
- 6.32 Use utility analysis to explain why people purchase insurance even though it has a negative expected value.
- 6.33 Use quantitative techniques to choose an insurance deductible.

## Unit 7. Government and Insurance

### General Outcome:

- 7.0 The students should be able to discuss social insurance and government regulations pertaining to the 1990s.

### Specific Learning Outcomes:

Upon successful completion of this unit, the students should be able to:

- 7.1 Explain the differences between how social insurance, public assistance, and private insurance principles.
- 7.2 Identify the essential features of OASDHI.
- 7.3 Describe the financial soundness of the OASDHI program.
- 7.4 State why and in what areas the government has entered the insurance business.
- 7.5 Explain why insurance needs to be regulated.
- 7.6 Identify what aspects of insurance are regulated.
- 7.7 Cite three examples of insurance abuse.
- 7.8 State the pros and cons of state versus federal regulation.
- 7.9 Indicate how regulation affects insurance rates.

## Unit 8. International Issues in Risk Management

### General Outcome:

- 8.0 The students should be able to contrast international with domestic insurance issues, risks, needs, and conditions.

### Specific Learning Outcomes:

Upon successful completion of this unit, the students should be able to:

- 8.1 Contrast international risk and insurance conditions with domestic risk and insurance conditions.
- 8.2 Explain how world trade and investment growth have made international insurance more important.
- 8.3 Describe the organization of international insurance companies and associations.
- 8.4 Identify the leading insurance countries of the world.
- 8.5 Indicate how risks are diffused in the world through re-insurance.
- 8.6 Define "non-admitted" insurance.
- 8.7 Describe how global insurance coverages are arranged.
- 8.8 Explain how political risk is managed.