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| **PROGRAM** | **Master of Business Administration** |
| **SEMESTER** | **IV** |
| **COURSE TITLE** | **Economics Of Insurance** |
| **COURSE CODE** | **04MB0424** |
| **COURSE CREDITS** | **3** |
| **COURSE DURATION** | **42 Hrs (42 sessions of 60 minutes each)** |

**COURSE OUTCOMES:**

* Demonstrate a working knowledge of the procedure associated with various aspects of the risk evaluation .
* Ability to apply theories of risk and insurance to perform risk management review for individuals and organizations.
* Ability to comprehend the shift in risk perceptions and risk management, across cultures.
* Identify and translate the high degree of ethical responsibility which accompanies insurance management.
* Listen, interpret and communicate ideas and solutions in a logical and professional manner.
* Learn collaboration for need assessment and for providing solutions.

**Course Contents:**

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| **Unit No** | **Unit / Sub Unit** | **Sessions** |
| I | **Economic Foundations**  Expected utility, St. Petersburg paradox, Bernoulli's solution, Von Neumann Morgenstern Expected utility theorem, Risk preference, Demand for full insurance, maximum premium, Insurance at Fair Odds, Partial Insurance, Insurance Market-State Space Approach, contingent commodities, zero profit constraint, odd price ratio, | 7 |
| II | **Asymmetric Information and Insurance**  Moral Hazard and Insurance, Insurance and Selection Problems, single Crossing Property; Imperfect information: pooling, contract, separate insurance, self selection constraint, separating equilibrium, | 7 |
| III | **Experience Rating and Credibility Theory**  Experience or merit rating, risk classification, Bonus Malus System; Credibility theorem-Empirical Bayes approach to credibility theory, credibility premium formulae and standard elementary models, credibility premiums, full and partial credibility; the aggregate claim distribution for short term insurance contracts, aggregate claim distribution and application of binomial, Poisson, negative binomial distribution and normal distribution | 8 |
| IV | **Insurance Pricing**  Fundamentals – fair premium; fair profit loading; Actuarial Science pricing techniques-individual risk theory and collective risk theory; financial pricing of Insurance-insurance capital asset pricing model; present value model and option pricing model; | 8 |
| V | **Estimating Unpaid Claims Using Basic Techniques**  Development Techniques- Expected claims Techniques-Bornhuetter Ferguson Techniques- Cape Cod Techniques – Frequency Severity Techniques- Case Outstanding Development Techniques – Berquist Sherman TechniquesRecoveries: Salvage and subrogation and Reinsurance- Evaluation of Techniques. | 12 |

**Evaluation:**

The students will be evaluated on a continuous basis and broadly follow the scheme given below:

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|  | **Component** | **Weight age** |
| A | Continuous Evaluation Component (Assignments / Presentations/ Quizzes / Class Participation/ etc.) | 20% (C.S.E.) |
| B | Internal Assessment | 30% (I.A.) |
| C | End-Semester Examination | 50% (External Assessment) |

**SUGGESTED READINGS:**

**Text Books:**

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| **Sr. No** | **Author/s** | **Name of the Book** | **Publisher** | **Edition & Year of**  **Publication** |
| **T-01** | George E. Rejda & Michael McNamara | Principles of Risk Management & Insurance | Pearson | 13th Edition |
| **T-02** | Harrington and G. Niehaus | Risk Management and Risk | Tata McGraw-Hill | 2nd Edition |

**Reference Books:**

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| --- | --- | --- | --- | --- |
| **Sr. No** | **Author/s** | **Name of the Book** | **Publisher** | **Edition and Year of**  **Publication** |
| **R-01** | Brian Hiller | Economics of Asymmetric Information | Palgrave Macmillian | 1997 |
| **R-02** | Hun Seog S. | Economics of Risk and Insurance | Wiley-Blackwell | 1st Edition |
| **R-03** | Walter Nicholson & Cheistopher Snyder | Microeconomic Theory (8th Edition) | CENGAGE Learning | 11th Edition |
| **R-04** | Hans U. Gerber | Life Insurance Mathematics, | Springer | 3rd Edition |
| **R-05** | Black, K. and H. Skipper | Life and Health Insurance, | Pearson Education | 13th edition, 2004 |