

# Risk Management and Insurance

## Department of Finance, Insurance and Real Estate

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The success of any firm depends on its ability not only to create value for stockholders but also to protect such value. While the field of finance has historically paid significant attention to value creation, less has been said about the protection of value. Risk Management and Insurance (RMI) specifically addresses the issue of value protection. The Risk Management and Insurance curriculum focuses on the financial and economic characteristics of potential exposures to loss faced by firms and individuals, and the techniques available to minimize the costs associated with such exposures.

### Required Courses for a BBA Major in Risk Management and Insurance

*12 Credit Hours*

#### **Required:**

#### **FIN 3305 - Principles of Risk Management and Insurance**

An examination of the techniques for managing pure risks in order to maximize the value of a firm. The course contrasts the risk preferences of corporations with that of individuals, and explores the implications of differing preferences on insurance purchase decisions. The characteristics of insurance as a tool in the process of managing both corporate and personal risk exposures are emphasized.

#### **Any three from:**

#### **FIN 4311 - Fundamentals of Life and Health Insurance (Spring only)**

A study of the financial implications of death, disability and retirement, as well as the corresponding forms of individual life insurance, health insurance and annuities. Elementary life and health insurance programming, taxation, legal aspects, business uses of individual life and health insurance, regulation, and insurer operations and functions are covered.

#### **FIN 4320 - Fundamentals of Property and Liability Insurance (Fall only)**

A study of the property-liability insurance industry, including the economic and financial issues inherent in property-liability contracting. Specific topics include automobile insurance costs and prices, tort reform effects on insurance markets, economics of distribution systems, corporate governance and organizational form, financial pricing models, solvency measurement, solvency regulation and market discipline, reinsurance and catastrophic risk, underwriting and risk selection, rate making techniques, and underwriting cycles.

#### **FIN 4332 - Employee Benefit Planning (Fall only)**

An examination of the rationale for, and basic details of, (1) employer provided group-life and group-health benefits, (2) private pension plans, and (3) government requirement required benefits including social security, Medicare and Medicaid, disability income, and unemployment benefits. The approach focuses on the economic theory and historical developments of each of these areas.

#### **FIN 4335 - Business Risk Management**

This course covers the new and emerging field of integrated, or enterprise risk management. Specifically, it examines the use of insurance as well as various financial instruments to control the costs of corporate risk. Emphasis is placed on the identification, evaluation, and management of corporate risks. Besides examining traditional hedging strategies, techniques such as leveraging, post-loss financing, contingent financing, and diversification are also considered.

### **What Is RMI and What Are the Career Opportunities?**

RMI has traditionally focused on strategies that might be adopted by a firm or individual to manage those risks that are insurable. Such strategies encompass the management of property and liability risks as well as financial risks related to mortality and morbidity. During recent years, however, increased volatility of interest rates, foreign exchange rates, and commodity prices have caused firms and individuals to adopt a more holistic, or integrated, view of risk management. Consequently, firms are increasingly pursuing integrated, or enterprise-wide, risk management strategies that seek to determine the full range of operational, strategic, financial, and hazard risks threatening shareholder value. From the capital markets side, the rapid growth of the derivatives and related markets, together with the emergence of financial engineering, have led to an emphasis on risk management as one of the key functions in finance. From the insurance side, insurance policies are being redesigned to bundle protection from a number of insurance risks and even financial risks. Thus, the field of Risk Management and Insurance has evolved to bridge the gap between finance and insurance studies.

Increasingly, companies are turning to colleges and universities for trained risk managers as they recognize the importance of the Risk Management and Insurance discipline in their operations. Thus, students interested in corporate finance should consider RMI as a second major. Likewise, students majoring in financial services and planning or economics may want to supplement those curricula with RMI courses. Besides career opportunities with non-financial corporations, students majoring in RMI may find employment in the various financial services industries such as insurance, banking, pensions, and investment management.

For further information about Baylor's RMI program and curriculum, as well as career opportunities in RMI, please contact Dr. James Garven, Professor of Finance and Insurance, at 254-710-6207 or by email at [James\\_Garven@baylor.edu](mailto:James_Garven@baylor.edu), or Dr. Allen Seward, Associate Professor of Finance and Insurance, at 254-710-4542 or by email at [Allen\\_Seward@baylor.edu](mailto:Allen_Seward@baylor.edu). More information is also available at the Baylor University RMI web site, located at <http://rmi.baylor.edu>.