

MACQUARIE
UNIVERSITY



FACULTY OF
BUSINESS AND ECONOMICS

ACST 833
The Business of Insurance

Semester 2, 2011

Department of Applied Finance and Actuarial Studies

**MACQUARIE UNIVERSITY
FACULTY OF BUSINESS AND ECONOMICS
UNIT GUIDE**

Year and Semester: 2011, S2
Unit convenor: Bruce Edwards
Prerequisite: None
Credit points: 4

Students in this unit should read this unit guide carefully at the start of semester. It contains important information about the unit. If anything in it is unclear, please consult the unit convenor.

ABOUT THIS UNIT

This unit aims to look at insurance from the perspectives of the different participants in the insurance market; namely the producer, consumer and regulator. It starts from the principle that insurance is the business of the management of risk, and examines how that business impinges on the economy and on society as a whole.

It is intended to be a generalist course, not specifically linked to any other course of study. The intention is to link a range of academic studies with pragmatic approaches to management of insurance business.

TEACHING STAFF

- Bruce Edwards is the unit convenor and is an external lecturer. Please contact him via private mail on Blackboard or face-to-face before or after the lectures or by phone (02) 92223444.
- **Hong Xie** is the teaching administrator for this unit. For all administrative enquiries, please contact him via private mail on Blackboard. Contact email: Hong.Xie@mq.edu.au

CONSULTATION TIMES

You are encouraged to seek help at a time that is convenient to you from the unit convenor during his regular consultation hours. In special circumstances, an appointment may be made outside regular consultation hours.

Students experiencing significant difficulties with any topic in the unit must seek assistance immediately.

CLASSES

A 3 hour lecture and/or class discussion will be held at 18:00 (that is 6 pm to 9 pm) each Thursday for 12 weeks commencing 4 August.

For the first 11 weeks the lecture room is W6B 286. The final lecture and exam will be held in computer lab E4B 102.

Class attendance is an assessment requirement for this unit.

Any alterations to the class times or locations will be advised in class and on Blackboard.

REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

The required textbook (referred to here and elsewhere in this unit as Teale) is:

“Insurance and Risk Management” by John Teale, published by John Wiley and Sons Australia Ltd, 2008.

This textbook is available from the Macquarie University Co-op Bookshop.

Recommended readings will be provided throughout the course in hardcopy form and/or on Blackboard.

These include:

- Extracts from APRA Prudential Standards on Governance, Risk Management and Liability Valuation
- Australian Accounting Standards on Life Insurance & General Insurance
- Extract from “Actuarial Practice of General Insurance” (Hart, Buchanan and Howe) – Philosophy of Reserving
- Notes on Reinsurance
- Note on Merger/Acquisition by Ryan & Larner
- PHIAC Health Insurance Regulations
- Roadmap to Life Insurance Products by Jim Farmer

The following web sites are recommended for more information:

- apra.gov.au
- hihroyalcom.gov.au

UNIT WEB PAGE & TECHNOLOGY USED AND REQUIRED

The web page for this unit can be found at: learn.mq.edu.au

Consult the web page frequently. You will find administrative updates, lecture notes, tutorials and assignments posted there.

We encourage active participation in the Discussions on the Blackboard. You can ask questions about anything you don't understand, and share your ideas about topics raised in class.

Before using the ACST833 website, please read the document called Security Policy and Rules Governing the Use of Computing and Communications Facilities at Macquarie University, which is available at <http://www.ocs.mq.edu.au/POLICIES/mqrules.html>

LEARNING OUTCOMES

The learning outcomes of this unit are an understanding of practical management aspects and outcomes of insurance business.

Topics to be covered include:

- social issues relating to approaches to risk management
- corporate governance of insurers
- the structure of an insurance company
- insurance products
- the underwriting process
- the claim process
- measurement of profit and financial condition
- investment
- reinsurance
- the savings aspect of life insurance
- health insurance idiosyncrasies
- sales and marketing
- regulation and legislation

In addition to the discipline-based learning objectives, all academic programs at Macquarie seek to develop students' generic skills in a range of areas. One of the aims of this unit is that students develop their skills in the following:

- Self-awareness and interpersonal skills;
- Communication skills;
- Critical analysis skills;
- Problem-solving skills; and
- Creative thinking skills.

LEARNING AND TEACHING STRATEGY

The unit will be taught in workshop style. The convenor will provide subject material for each class, which will be discussed during the class. Students will be asked to undertake assignments and will be expected to present their findings at the class.

Students will be expected to participate individually and in groups. Students are expected to be able to apply the lessons of the lectures (reflected in the lecture

notes) to the assignments; respond to questions raised during lectures; demonstrate enthusiasm for the subject; challenge the lecturer's assumptions during lectures and explore opposing points of view.

UNIT ASSESSMENT

Task	Weighting	Due Dates
30 minute class test	5%	In class August 25
Class presentations (2 per student)	15%	Various dates as agreed
Assignment 1	15%	Handed out August 18 Due September 15
Assignment 2	15%	Handed out September 15 Due October 13
Final exam	50%	
Total	100%	

In order to pass this unit, students must have satisfactory performance in both the assignment and the final exam.

Assignments must be handed in on the due dates unless the unit convenor agrees to an extension on the grounds of serious and unusual personal circumstances.

Attendance: Students will be expected to attend at least 10 of the 12 classes for the course. Those students who attend fewer than 10 classes will be failed unless they can provide an alternative means of learning the required material that is acceptable to the unit convenor.

EXAMINATIONS:

The Examination for the subject, which will form 50% of the total marks, will take place on the 13th week of the Semester at the normal class time and location on Thursday 10 November. You are expected to present yourself for examination.

The exam duration is a 2 hour exam plus 10 minutes reading time. The format will be essay style questions, and students must answer all questions. The exam will be "open book" format – students may bring the text book and other course reading to the exam, but nothing else.

The University examination timetable will be available in draft form approximately eight weeks before the commencement of the examinations and in Final form

approximately four weeks before the commencement of the examinations.
<http://www.timetables.mq.edu.au/exam>

The only exception to not sitting an examination at the designated time is because of documented illness or unavoidable disruption. In these circumstances you may wish to consider applying for Special Consideration. Information about unavoidable disruption and the special consideration process is available at:
<http://www.reg.mq.edu.au/Forms/APSCon.pdf>

If a Supplementary Examination is granted as a result of the Special Consideration process, the examination will be scheduled after the conclusion of the official examination period.

You are advised that it is Macquarie University policy not to set early examinations for individuals or groups of students. All students are expected to ensure that they are available until the end of the teaching semester, that is, the final day of the official examination period.

No communication or electronic devices may be taken into the exam room. The following are expressly forbidden: mobile phones, calculators, computers, I-pods, PDAs, MP3s and any other electronic aid.

The Macquarie university examination policy details the principles and conduct of examinations at the University. The policy is available at:
<http://www.mq.edu.au/policy/docs/examination/policy.htm>

ACADEMIC HONESTY

The nature of scholarly endeavour, dependent as it is on the work of others, binds all members of the University community to abide by the principles of academic honesty. Its fundamental principle is that all staff and students act with integrity in the creation, development, application and use of ideas and information. This means that:

- all academic work claimed as original is the work of the author making the claim
- all academic collaborations are acknowledged
- academic work is not falsified in any way
- When the ideas of others are used, these ideas are acknowledged appropriately.

Further information on the academic honesty can be found in the Macquarie University Academic Honesty Policy at
http://www.mq.edu.au/policy/docs/academic_honesty/policy.html

WEEKLY TABLE OF TOPICS

Week	Subject	Reading
Week1 August 4	Overview of insurance	Teale Ch 1, 2 & 9
Week 2 August 11	The insurance industry in society Corporate governance	Teale Ch 3 & 12 APRA Standards
Week 3 August 18	Insurance company structure Insurance products	Teale Ch 11
Week 4 August 25	Underwriting process Claims process	TBA
Week 5 September 1	Insurance accounting Valuation of insurance businesses M&A, investments & operational risk	AASB standards Ryan Larner paper HBH Extract
Week 6 September 8	Sales and marketing Legislation and regulation	Teale Ch 4, 5 & 7
Week 7 September 15	Capital and risk	TBA
Mid-term break		
Week 8 October 6	Health insurance	Teale Ch 12 PHIAC Rules
Week 9 October 13	Life insurance risk management Life insurance sales remuneration	Teale Ch 6
Week 10 October 20	Life insurance products and reinsurance	Teale Ch 10 Farmer Paper
Week 11 October 27	Reinsurance for general insurers	Swiss Re paper
Week 12 November 3	Project feedback Test of lab for exam Case studies	

GRADES

Macquarie University uses the following grades in coursework units of study:

HD - High Distinction
D - Distinction
CR - Credit
P - Pass
F - Fail

Grade descriptors and other information concerning grading are contained in the Macquarie University Grading Policy which is available at:

<http://www.mq.edu.au/policy/docs/grading/policy.html>

GRADING APPEALS AND FINAL EXAMINATION SCRIPT VIEWING

If, at the conclusion of the unit, you have performed below expectations, and are considering lodging an appeal of grade and/or viewing your final exam script please refer to the following website which provides information about these processes and

the cut off dates in the first instance. Please read the instructions provided concerning what constitutes a valid grounds for appeal before appealing your grade.

http://www.businessandconomics.mq.edu.au/new_and_current_students/undergraduate_current_students/how_do_i/grade_appeals

SPECIAL CONSIDERATION

The University is committed to equity and fairness in all aspects of its learning and teaching. In stating this commitment, the University recognises that there may be circumstances where a student is prevented by unavoidable disruption from performing in accordance with their ability. A special consideration policy exists to support students who experience serious and unavoidable disruption such that they do not reach their usual demonstrated performance level. The policy is available at: http://www.mq.edu.au/policy/docs/special_consideration/procedure.html

STUDENT SUPPORT SERVICES

Macquarie University provides a range of Academic Student Support Services. Details of these services can be accessed at <http://www.student.mq.edu.au>.

IT CONDITIONS OF USE

Access to all student computing facilities within the Faculty of Business and Economics is restricted to authorised coursework for approved units. Student ID cards must be displayed in the locations provided at all times.

Students are expected to act responsibly when utilising University IT facilities. The following regulations apply to the use of computing facilities and online services:

- Accessing inappropriate web sites or downloading inappropriate material is not permitted. Material that is not related to coursework for approved unit is deemed inappropriate.
- Downloading copyright material without permission from the copyright owner is illegal, and strictly prohibited. Students detected undertaking such activities will face disciplinary action, which may result in criminal proceedings.

Non-compliance with these conditions may result in disciplinary action without further notice.

Students must use their Macquarie University email addresses to communicate with staff as it is University policy that the University issued email account is used for official University communication.