

School of Economics and Finance

**FINM 471 FURTHER
RISK MANAGEMENT AND INSURANCE**

Trimester 2, 2007

COURSE OUTLINE

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Lecture times Wednesday 9.30 - 11.20, RWW 129

Course Objectives

To gain an idea of the extent and scope of risk management, and of its manifold interpretations.

To establish a clear framework and methodology for dealing with risk; and to apply the principles of risk management to problems arising in the real world.

To become familiar with elementary aspects of theories of risk and uncertainty.

To gain an appreciation of insurance theory and practice, and in particular the use of insurance, both as a means of transferring risk, and more generally as providing a framework for the consideration of risk.

To explore recent developments in risk management, in particular the use of the capital markets; and the blurring of boundaries in the financial sector.

To realise the potential of, as well as the limitations of, quantitative models and methodologies in dealing with risk.

Course Content

The course is divided into 3 parts, viz.:

- Generic risk management (2 weeks);
- Financial risk management (6-7 weeks); and
- Insurance (3-4 weeks)

There is substantial overlap between the three parts. The teaching sequence does not necessarily follow this order; and the timing shown is only approximate.

Expected Workload

It is expected that the course will require approximately 150 hours of work, including class time.

Readings

Notes and readings will be made available, generally on Blackboard although sometimes in class; in addition to which some basic readings may be provided to the class in a booklet.

It is *not* recommended that you purchase any text books for this course. Books which may be useful for parts of the course, however, include:

- C. L. Culp (2002), *The ART of Risk Management*. Wiley.
- P. J. Schönbucher (2003), *Credit derivatives pricing models*. Wiley.

You can find Blackboard at <http://www.blackboard.vuw.ac.nz/>

The VUW library has a web page that contains detailed information about available library resources and has links to several other sites. Its URL is <http://www.vuw.ac.nz/library>

Assessment

- 30% Two hour final examination, in the examination period 15 October - 10 November 2007
- 60% Two essays, each worth 30%
- 10% Average mark for either 2 or 3 assignments

The topics for the essays may be chosen freely, provided that they are broadly consonant with the course objectives, and are subject to the prior approval of the course coordinator *before* work is started on the essay. Topics must be approved by email no later than the end of week 6 for the first essay, and no later than the end of week 9 for the second essay. Due dates for the essays are the end of week 8 and the end of week 11 of the 12 week course. Essays are to be submitted electronically, by email. Hard copies of essays will not normally be acceptable.

The length of each essay should normally be between 3,500 and 4,500 words. It is a good idea to let the course coordinator know if you look like exceeding the word limit by a substantial margin.

Students need to think out what they expect to achieve in essays, and the sources which they intend to use. All sources must be listed at the end of the essay, and normally all of those sources listed should be available to the marker should he ask for them. It is further expected that all readings listed in the references be cited in the essay; otherwise a note should be made. If the computer gives the number of words, it should be given at the beginning of the essay; and page numbers should be given. Essays should be submitted electronically unless permission is obtained from the coordinator. Further information about the requirements for essays is given on blackboard.

Provided the student has good reason (for instance a medical certificate), and obtains permission *before* the due date from the course coordinator, there will be no penalty for handing in an essay late. In other cases the essay will first be graded on a basis comparable with those essays handed in on time, and then have 5% of that grade subtracted for each day or part-day for which the essay is late.

The essay is expected to be written *entirely* by the student. In cases where there is any doubt in the marker's mind as to whether the essay is entirely the student's own work, the coordinator reserves the right to withhold the mark until the situation has been clarified. In particular the coordinator reserves the right to submit an essay to software designed to detect copying from the internet.

Two assignments will be set early in the course, within the first 2 or 3 weeks, on specified topics. These provide an opportunity to practise English writing skills, with detailed comments by the coordinator. A further assignment may be set later in the course. Due dates for assignments are normally two weeks after being set. Assignments are expected to be submitted electronically by email.

Written Report

Towards the end of a lecture early in the course (usually the first lecture), students will be requested to write a short report on a topic to be announced at that time, to be written individually and submitted to the lecturer before leaving the class room. The length of the report is expected to be between 100 and 200 words.

Those students not in the class room when the report is asked for will be asked to submit such a report on a later occasion, with a different topic being announced just prior to the report being written. Such a report must be written in the coordinator's presence.

This report is to indicate to the coordinator which students need help with their English expression, and will not be used for assessment; nor will the reports be shown to anyone other than the coordinator. Should the standard of English in this report differ markedly from that in work handed in for assessment, the coordinator will discuss the

matter with the student before a mark is given.

A student who has not submitted such a report may not be allowed to hand in assessable course work.

Mandatory course requirements

In order to pass the course, it is compulsory to submit both essays and obtain at least 40% in the two hour final examination.

Communication

Additional information or information on changes will be posted on Blackboard. Some information may be emailed to you via your SCS address, so check this regularly.

SUPPLEMENTARY INFORMATION

Faculty of Commerce and Administration Offices

Railway West Wing (RWW) - FCA Student and Academic Services Office

The Faculty's Student and Academic Services Office is located on the ground and first floors of the Railway West Wing. The ground floor counter is the first point of contact for general enquiries and FCA forms. Student Administration Advisers are available to discuss course status and give further advice about FCA qualifications. To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

Easterfield (EA) - FCA/Education/Law Kelburn Office

The Kelburn Campus Office for the Faculties of Commerce and Administration, Education and Law is situated in the Easterfield Building - it includes the ground floor reception desk (EA005) and offices 125a to 131 (Level 1). The office is available for the following:

- Duty tutors for student contact and advice.
- Information concerning administrative and academic matters.
- Forms for FCA Student and Academic Services (e.g. application for academic transcripts, requests for degree audit, COP requests).
- Examinations-related information during the examination period.

To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

General University Policies and Statutes

Students should familiarise themselves with the University's policies and statutes, particularly the Assessment Statute, the Personal Courses of Study Statute, the Statute on Student Conduct and any statutes relating to the particular qualifications being studied; see the Victoria University Calendar or go to <http://www.vuw.ac.nz/policy>.

For information on the following topics, go to the Faculty's website <http://www.vuw.ac.nz/fca>

- Academic Grievances
- Academic Integrity and Plagiarism
- Student and Staff Conduct
- Meeting the Needs of Students with Impairments
- Student Support

Manaaki Pihipihinga Programme

Manaaki Pihipihinga is an academic mentoring programme for undergraduate Māori and Pacific students in the Faculties of Commerce and Administration, and Humanities and Social Sciences. Sessions are held at the Kelburn and Pipitea Campuses in the Mentoring Rooms, 14 Kelburn Parade (back courtyard), Room 109D, and Room 210, Level 2, Railway West Wing. There is also a Pacific Support Coordinator who assists Pacific students by linking them to the services and support they need while studying at Victoria. Another feature of the programme is a support network for Postgraduate students with links to Postgraduate workshops and activities around Campus.

For further information, or to register with the programme, phone (04) 463 5233 ext. 8977 or email manaaki-pihipihinga-programme@vuw.ac.nz. To contact the Pacific Support Coordinator, phone (04) 463 5842 or email pacific-support-coord@vuw.ac.nz.