

School of Economics and Finance
MMAF 522 RISK AND INSURANCE

Trimester One 2013
COURSE OUTLINE

Lecturer Leigh Roberts, RH 323, phone 463-5937 (coordinator)
 office hour: 13.40 - 14.30 Thursdays in RH 323
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Administrator Rachel Zhang, RH 307, phone 463-6148
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Lecture times Monday 10.30 - 12.20, RWW 413

Trimester dates

Teaching Period: Monday 4 March to Friday 7 June 2013

Study Period: Monday 10 June to Thursday 13 June 2013

Examination Period: Friday 14 June to Wednesday 3 July 2013 (inclusive)

Note: Students who enrol in courses with examinations should be able to attend an examination at the University at any time during the formal examination period.

Withdrawal from the course

Your fees will be refunded if you withdraw from this course on or before Friday 15 March 2013.

The standard last date for withdrawal from this course is Friday 17 May 2013. After this date, students forced to withdraw by circumstances beyond their control must apply for permission on the form 'Application for Associate Dean's permission to Withdraw Late', and include supporting documentation. This form is available from the Faculty's Student Customer Service Desks.

Course Content

The content and timing of the course, and the order of presentation, may differ slightly from the information given in the following table. Note that the two halves of week 4 of the course are separated by the Easter break.

Date, 2013	Week	Theme	Essay Assignments	
			set	submit
4 - 8 March	1	RM overview, template		
11 - 15 March	2	Perilous and Prudent	1	
18 - 22 March	3	Savings and Loan crisis		
25 - 27 March	4	Capital, exposure, losses	2	
<i>Easter break, 1 week: Thursday 28 March - Wednesday 3 April 2013</i>				
4 - 5 April	4			1
8 - 12 April	5	ART, cat bonds, captives	A1	
15 - 19 April	6	Enron		2
<i>Mid trimester break, 1 week: Monday 22 - Friday 26 April 2013</i>				
29 April - 3 May	7	Volatility, vol derivatives	A2	
6 - 10 May	8	Repos, swaps, CDSs, MBSs	E1	
13 - 17 May	9	LTCM		
20 - 24 May	10	Basel Accords		
27 - 31 May	11	Solvency Two	E2	
3 - 7 June	12	No Lecture: Queen's Birthday		

Under the essay column, 'A' denotes approval of the essay topic by the coordinator, and 'E' the due date.

Assignments are set during the week indicated above, to be handed in by the Friday two (course) weeks later. Mathematical assignments are due to be handed in by 5 pm to Box 40 on the Mezzanine floor, Rutherford House. Assignments not containing mathematics are to be submitted electronically to Blackboard, by midnight on the due date.

Essay topics will be chosen from a list to be circulated within the first two weeks of the course. Topics are subject to approval by the coordinator, by email, no later than the end of week 5 for the first essay and week 7 for the second essay.

The essays are due by the end of week 8, Friday 10 May, and the end of week 11, Friday 31 May. Essays are to be submitted electronically to Blackboard, by midnight on the due date. Notes on the requirements for essays in this course are available on Blackboard: <http://www.blackboard.vuw.ac.nz/>

Course Learning Objectives

By the end of this course, students should be able

1. To explain the extent and scope of risk management, and its manifold interpretations.
2. 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.
3. To investigate insurance theory and practice; and in particular to explore the use of insurance, both as a means of transferring risk, and more generally as providing a framework for the consideration of risk.
4. To interpret recent developments in risk management, in particular the use of the capital markets, and the blurring of boundaries in the financial sector.
5. To summarise elementary aspects of theories of risk and uncertainty, with special emphasis on risk management in the finance sector.
6. To recognise the potential of, as well as the limitations of, quantitative models and methodologies in dealing with risk.

Course Delivery

The course will be delivered by one two-hour lecture per week.

There are two assignments and two essays. Essay topics are to be chosen from a list to be circulated within the first two weeks of the course. Topics are subject to approval by the coordinator, by email, no later than the end of the weeks indicated in the Course Content. Students are however encouraged to think about essay topics from inception of the course, and may seek the coordinator's approval of their topic before the formally required deadlines for so doing.

There is a two hour final examination.

Expected Workload

You should expect to spend about 14-15 hours per week reading, studying and completing essays and assignments. Overall it is expected that you will spend approximately 200 hours on completing this course.

Readings

Lecture notes and readings will be available on Blackboard.

It is *not* recommended that you purchase any text books for this course.

Parts of the course will be based on Hull 2012 and Tuckman & Serrat 2012:

- J C Hull (2012), *Risk Management and Financial Institutions*. Third edn, Pearson.
- B Tuckman and A Serrat (2012), *Fixed Income Securities: Tools for Today's Markets*. Third edn, Wiley.

Both of the above books are available as e-books in the VUW library. If you are unfamiliar with the use of e-books in the library, either just follow the catalogue; or look up the Library's *Finding and using e-books* webpage.

Further books which may provide useful background for the course include:

- C L Culp (2002), *The ART of Risk Management*. Wiley.
- F X Diebold, N A Doherty and R J Herring (2010), *The Known, the Unknown and the Unknowable in Financial Risk Management*. Princeton.
- J C Hull (2007), *Risk Management and Financial Institutions*. First edn, Pearson.
- J Teale (2008), *Insurance and Risk Management*. Wiley.
- E J Vaughan and T Vaughan (2008), *Fundamentals of Risk and Insurance*. Tenth edn, Wiley.

The first edition of Hull's book is less suitable for the course, inasmuch as the third edition contains new material which is incorporated into the course.

Materials and Equipment

One assignment may involve the use of the computer package R, available to students in RWW 201. No previous knowledge of R is assumed, and assignments set involving R should not take longer to complete than non-mathematical assignments. If they wish, students may download R onto their own computers: it is open-source software, and free.

Assessment Requirements

- 10% Two assignments, each worth 5%;
to be submitted at the end of weeks 4 and 6,
Friday 5 April and Friday 19 April.
- 60% Two essays, each of length 3500-4500 words, each worth 30%;
to be submitted at the end of weeks 8 and 11,
Friday 10 May and Friday 31 May.
- 30% Two hour final examination; in the examination period,
Friday 14 June - Wednesday 3 July 2013.

Essays and assignments appearing to be copied will be marked as zero. Appeals on marking may be made to the coordinator.

Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning objectives as required for accreditation and audit purposes. The findings may be used to inform changes aimed at improving the quality of FCA programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.

Examinations

Students who enrol in courses with examinations are obliged to attend an examination at the university at the required time during the formal examination period.

The final examination for this course will be scheduled at some time during the period from Friday 14 June to Wednesday 3 July 2013 (inclusive).

Penalties

Essays and assignments are marked out of a maximum which diminishes by 5% for each day late. The final cut-off date for submission is the earlier of one week after the due date, and when answers are posted to Blackboard.

Non-mathematical assignments and essays are to be submitted electronically to Blackboard, no later than midnight on the due date; mathematical assignments may be submitted in hard copy, by 5 pm on the due date, to Box 40 on the Mezzanine floor, Rutherford House.

Submitted work should list the approximate number of words, and have page numbers inserted. Penalties may be imposed if the length of work submitted does not lie within the recommended range of the number of words.

Mandatory course requirements

Submission of the essays and attendance at the exam are compulsory.

Class representative

A class representative will be elected in the first class, whose name and contact details will be made available to VUWSA, the Course Coordinator and the class. The class representative provides a communication channel to liaise with the Course Coordinator on behalf of students.

Communication of additional information

Additional information will be conveyed to students via Blackboard and/or email.

Emails may be sent to the address that you supplied with your enrolment; but they may also be sent to your SCS email address, which is your official university email address. You should keep an eye on both email addresses.

Use of Turnitin

Student work provided for assessment in this course may be checked for academic integrity by the electronic search engine <http://www.turnitin.com>. Turnitin is an on-line plagiarism prevention tool which compares submitted work with a very large database of existing material. At the discretion of the Head of School, handwritten work may be copy-typed by the School and subject to checking by Turnitin. Turnitin will retain a copy of submitted materials on behalf of the University for detection of future plagiarism, but access to the full text of submissions will not be made available to any other party.

Link to general information

For general information about course-related matters, see <http://www.victoria.ac.nz/vbs/studenthelp/general-course-information>