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## IDS473/Fin473: Risk Management

**Course Text:** Harrington, S. and Niehaus, G., *Risk Management & Insurance*, Second Edition, Irwin, 2004.

We are very fortunate to have John Sullivan of AON Risk Services of Illinois, Inc. the largest insurance and risk management broker in the U.S. as co-teacher of this class. John will from time present in class and/or participate in the class discussion. This will provide the class with the proper “mix” of theory and reality, and will assure that the class will address the risk management issues faced by business, industry, and government.

Business managers today must operate in a complex, global environment with many risks. These risks can threaten not only operational goals such as profitability and growth, but also the organization’s very survival. These risks are often associated with legal liability, property losses, political risks, currency exchange and interest rate fluctuations, workplace injury, and employee benefits. *Risk Management* is a systematic approach to dealing with business risks.

The purpose of this course is to provide a solid understanding of the basic principles of risk management and insurance. The course enables the students to develop a framework for making risk management decisions. The course should be valuable in both your professional and personal lives. The course begins by acquainting the students with the basic knowledge and vocabulary of insurance. We will discuss what risk is, how it can be measured and transferred, why individuals care about risk, and why corporations care about risk. This process, known as the risk management process, is becoming an increasingly important tool in the management of business and personal financial health. An effective and efficient corporate risk management program leads to knowledge and control of costs and an improved bottom line. The risk management process involves identification of risks and associated potential costs, analysis of the causes of risk of financial loss, determination of various strategies to treat risk, selection of strategies appropriate to the goals and objectives of the business, implementation of the selected strategies, management and monitoring of results. Making adjustments, adapting to external and internal forces, and crisis or disaster management are incorporated in the corporate risk management process. An effective risk management program will reduce losses, and improve financial performance and employee morale. By the end of the semester the student should have a good conceptual framework for analyzing risk and making decisions in a corporate setting as well as personal lives.

The grade you earn will be determined by your ranking in the class based on total points accumulated on midterms, and final exam. There will be a midterm exam for every 4

chapters covered in class. There is no predetermined percentage of the class that will get an A or that will fail. However, rest assured that if you all do exceptional work you will all get exceptional grades. The weights given to each part of the class work are as follows: midterms (60%), and a final examination (40%).