



INSURANCE MANAGEMENT
(VERSICHERUNGSÖKONOMIE)

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Sprechstunde: Mi. 9.00 – 10.00 Uhr

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This course develops some fundamental concepts in insurance economics and insurance management. The goal is to create a solid foundation for understanding the basics of the theory and practice of insurance. We will start with basic theoretical insurance models and then discuss some financial and economic issues in dealing with risk management and insurance.

Reading Materials:

There is no required text for this course. The exam (Klausur) will be based upon class notes. The following readings for the course can be downloaded (pdf) from my website:

(S1) Schlesinger, H. (2000), “The Theory of Insurance Demand,” in G. Dionne, ed., *The Handbook of Insurance*, Kluwer.

(S2) Schlesinger, H. (1997), “Insurance Demand without the Expected Utility Paradigm,” *Journal of Risk & Insurance*.

The books below provide helpful additional reading materials. They are on reserve in the library.

(EGS) Eeckhoudt, L., C. Gollier and H. Schlesinger (2005), *Economic and Financial Decisions under Risk*, Princeton University Press, ISBN 0-691-09655-4

(HN) Harrington, S. and G. Niehaus (2004), *Risk Management and Insurance*, McGraw-Hill, ISBN 0-07-233970-5.

(O) Outreville, J.-F. (1998), *Theory and Practice of Insurance*, Kluwer, ISBN 0-7923-9996-X

(RW) Rees, R. and A. Wambach (2008), *The Microeconomics of Insurance*, in *Foundations and Trends in Microeconomics* 4, ISSN 1547-9846

(SHS) Seog, S. H. (2010), *The Economics of Risk and Insurance*, Wiley-Blackwell, ISBN 978-1-4051-8552-3

Zweifel, P. and R. Eisen (2003), *Versicherungsökonomie* (2nd Edition), Springer, ISBN 3-540-44106-9

NOTE: The Klausur will be based upon class notes. It is thus imperative that you attend the lectures. You should obtain the class notes from a fellow student if you cannot attend a lecture. The readings above are only to aid you in understanding the class lectures.

TENTATIVE OUTLINE

<u>Topic</u>	<u>Suggested Reading Chapters</u> (Recommended reading in bold)
0. Probability Spaces and Random Variables (Not directly tested on the Klausur)	web links
1. Expected Utility, Risk and Risk Aversion Expected Utility Risk Aversion Stochastic Dominance	EGS 1, 2 SHS 1, 2
2. Insurance Demand Mossin's Theorem Comparative Statics Background Risk and Default Risk	S1 SHS 4, RW 2
3. Deductible Insurance Contracts Optimal Levels of Coverage Optimality of the Deductible Contract	S1 RW 2
4. Nonexpected Utility Models Prospect Theory Rank Dependent Expected Utility	S2
5. Asymmetric Information Adverse Selection Moral Hazard	EGS 12 SHS 7, 8 , RW 4, 5
6. Reinsurance and Alternative Risk Transfer Reinsurance Basics ART Catastrophic Risks	Sigma download, O 14 HN 25
7. The Insurance Product Insurance Pricing Basics Insurance Contracts	O8, O9, HN8, HN15 SHS 15
8. Insurance Supply (as time allows) Insurer Operations Accounting Basics Regulation of Insurers	O11, O15, O16, HN 6 SHS 11, 14