# Economics of Insurance Companies

## Prof. Alberto Floreani; Prof. Lodovico Marazzi

Module I: Prof. Alberto Floreani

***COURSE AIMS AND INTENDED LEARNING OUTCOMES***

The course aims to introduce the student to the principles of running and managing insurance companies.

At the end of the course, students will be able to:

– to understand the concept of risk, pure risk and insurable risk;

– to be familiar with the fundamental elements and characteristics of the insurance contract;

– to understand the relationship between insurance premiums and the benefit promised;

– to understand the economic logic serving as the basis for the exercise of insurance activity and the reasons at the basis of the activity's regulation.

– be familiar with the structure of the insurance markets, the characteristics of the entities operating in insurance markets - in particular, the intermediaries (agents, brokers, banks), and the essential characteristics of the products that are marketed and sold in the insurance markets (life insurance, retirement plans and property-casualty insurance).

– be familiar with the fundamental principles for running insurance companies, the representation of the company through financial statements, and the regulation of insurance activity.

***COURSE CONTENT***

1. *Risk, insurance and insurance activity*

Pure risks and insurable risks. Insurance and the fundamentals of insurance activity. Insurance, information asymmetries and regulation.

1. *Introduction to insurance markets and products*

The insurance markets. Life insurance. Retirement plans. Property-casualty insurance. Co-insurance and re-insurance.

1. *The insurance company*

The management of insurance companies. The financial statements of insurance companies. The regulation of insurance companies and the introduction to Solvency 2.

***READING LIST***

A. Floreani, *Economia delle imprese di assicurazione,* Il Mulino, Bologna, 2011.

Additional teaching and updating material available on the Blackboard page of the course.

***TEACHING METHOD***

The course includes frontal lectures. During the course the following optional individual and group activities are also provided: Kahoot at the end of each of the topics covered (individual); Analysis of the pre-contractual explanatory notes for insurance products (individual); Insurance game aimed at stimulating the functioning of the insurance market, in which each group has to manage an insurance company in competition with the other groups.

***ASSESSMENT METHOD AND CRITERIA***

Written exam. The written test consists of open-ended questions (8 questions, worth 80%) and some numerical exercises (1 or 2, worth 20%) and is aimed at verifying the level of achievement of the learning outcomes.

Individual activities on insurance products and the Insurance Game contribute to the final evaluation in the form of additional score.

***NOTES AND PREREQUISITES***

A basic knowledge of business economics is required.

Further information can be found on the lecturer's webpage at http://docenti.unicatt.it/web/searchByName.do?language=ENG or on the Faculty notice board.

Module II: Prof. Ludovico Marazzi

***COURSE AIMS AND INTENDED LEARNING OUTCOMES***

The course introduces the student to the insurance markets, the different types of insurance products, the general laws of insurance distribution and insurance programmes for specific types of companies.

The course offers specific opportunities for theoretical and practical study for the drafting of an insurance program of a medium-sized Italian company (business game).

After analysing the different thematic areas, students will:

* Know operating logic, dimensions, main players and development outlook in the insurance markets;
* Know the supply and demand features of the main non-life insurance products used by companies, including their main technical features;
* Know the general characteristics of life insurance products;
* Know the insurance distribution’s legal and operational references;
* Understand the specific risk management needs of particular types of companies and the complex of insurance products (programmes) used.
* Communicate the effectiveness of the use of insurance products in the context of business management.

***COURSE CONTENT***

1. *The insurance and reinsurance markets*

International market. European market. Italian market. Asia-Pacific Markets. The development outlook of insurance markets following the Covid-19 pandemic.

2. *Insurance products for damage coverage*

Accident and illness. Fire. Direct and indirect damages. Other property damage. Land, air and maritime vehicles. Transported goods. Liability. Auto liability. Technological risk and Cyber risk. Credit and deposits. Legal protection. Assistance.

3. *Life insurance products*

Insurance investment products (with-profits and unit-linked) and personal pension products (open pension funds, individual pension plans). Protection products (term life insurance and long-term care insurance).

4. *Laws and aspects of insurance distribution*

Sources of Insurance Law. Private Insurance Code. Directive (EU) 2016//97 and the consequent IVASS Regulations.

5. *Corporate insurance programmes*

Banks and financial companies. Public entities. Healthcare companies. Airports. International programmes and multinational companies.

***READING LIST***

L. Marazzi (edited by), *Introduzione ai Mercati e ai prodotti assicurativi danni,* EDUCatt, 2017.

L. Marazzi , *Mercati assicurativi durante la pandemia Covid-19,* EDUCatt, 2021.

Instructional materials specified or made available during the course.

***TEACHING METHOD***

The course includes frontal lectures and the participation of field experts. During the course students will have the opportunity to take part in an optional business game, in which each group, with the support of an insurance consultant, will have to draw up an insurance plan for a company.

***ASSESSMENT METHOD AND CRITERIA***

Written test (assignment with open-ended questions). Possible supplementary oral exam on request or in case of score. Attending students may have to sit a final written test. The results of the business game (additional score) performed during the course also contribute to the final assessment.

In the written test, students must demonstrate their knowledge of the key notions and concepts of the topics described in the reading list material indicated or made available; during the oral interview they will have to demonstrate that they know how to orient themselves also among the general themes and problems useful for bringing out the value and peculiarities of the insurance markets and products. The open-ended questions of the written test will have equal weight, assessed with a score from 0 to 3 points.

***NOTES AND PREREQUISITES***

Knowledge of the fundamental principles of the economics of insurance companies is required.

Further information can be found on the lecturer's webpage at http://docenti.unicatt.it/web/searchByName.do?language=ENG, or on the Faculty notice board.