

# RMI 330: Health, Life & Disability Insurance

School of Business  
Spring 2023

## Instructor Info

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appointment

## Course Meetings

524 Luther Bonney

Tu & Th 5:30-6:45 PM



[Academic Services & Policies](#)<sup>1</sup>

## Education:

- PhD, Actuarial Science, Risk Management & Insurance – University of Wisconsin
- MBA – Temple University
- BS, Economics – University of Pennsylvania (Wharton School of Business)
- Chartered Property & Casualty Underwriter (CPCU) designation
- Associate in Risk Management (ARM) designation

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<sup>1</sup> <https://mycampus.maine.edu/group/usm/common-syllabus>



## 1. Course Information

### 1A. Course Description

This course covers health, life, and disability insurance from the perspective of insurance providers, employers, and consumers. Individual and group health insurance product management and the relationship between product characteristics and insurance company investments, financing, and marketing decisions are discussed. Managed care techniques, benefit package design, and cost sharing mechanisms are assessed in the context of resolving incentive conflicts and meeting cost-containment objectives. The basic principles underlying life insurance are covered as well as the various types and policy provisions for life insurance. Short-term and long-term disability insurance, definitions of disability, and various policy provisions for individual and employer provided group disability insurance are discussed. **Note: This course has been approved by the Maine Bureau of Insurance for continuing education credits for the Maine insurance producer's license. See Dr. Kerr for details.**

### 1B. Course Materials & Books

#### *Required*

- Principles of Risk Management and Insurance, George E. Rejda, Michael J. McNamara, and William Rabel, 14th edition. For about \$40, this book can be rented or purchased through VitalSource at the following link: <https://www.vitalsource.com/>. Or, purchasing the book through the USM bookstore is done through this e-campus bookstore link: <https://usm.ecampus.com/>.
- For Brightspace tech requirements, see the [Academic Services & Policies page](#)<sup>2</sup>.

### 1C. Course Format

The course material will be delivered through live, in-person class lectures supplemented by a combination of readings, online quizzes, online exams, and other assignments posted throughout the semester. Class attendance is generally not a course requirement, but there might be a class that is mandatory when we have a guest speaker. There will be a sign-in sheet on those particular days and failure to attend will result in a point deduction from your total course points at the end of the semester.

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<sup>2</sup> <https://mycampus.maine.edu/group/usm/common-syllabus#treq>



## 1D. Course Learning Outcomes

Students will achieve a fundamental understanding of how individuals and businesses manage the risks that could present obstacles to achieving their respective goals. The following are the specific learning objectives for the course.

- 1) Students will be able to identify personal risks facing individuals and personnel risks facing businesses that are associated with premature death, sickness, illness, and longevity as indicated by exams given throughout the semester.
- 2) Students will understand the social and economic importance of life, health, and disability insurance and annuities as indicated by exams given throughout the semester.
- 3) Students will be able to identify and explain the different types of life, health, and disability insurance and annuity products available in the marketplace as indicated by exams given throughout the semester.
- 4) Students will be able to identify and explain typical contractual terms found in life, health, and disability insurance and annuity contracts as indicated by exams given throughout the semester.
- 5) Students will understand the operations of life and health insurance companies as indicated by exams given throughout the semester.
- 6) Students will be able to analyze circumstances in a personal financial planning context and propose solutions as indicated by exams and multiple case study assignments given throughout the semester.
- 7) Students will understand the tax and accounting implications associated with life, health, and disability insurance and annuities as indicated by exams given throughout the semester.

### *CFP Board Learning Objectives*

These are the Certified Financial Planning Board of Standards learning objectives intended to be achieved by this course.

#### **D. Risk Management and Insurance Planning**

##### **D.25. Disability income insurance (individual)**

- a. Describe differences between short-term and long-term disability plans and identify the policy provisions that should be included in privately-purchased disability policies.
- b. Create a plan for meeting individual disability income needs, in consideration of



household financial resources, and existing coverage under employer plans, Social Security, and disability income insurance options.

c. Calculate the tax implications of paying for and receiving disability benefits.

#### **D.27. Annuities**

a. Explain the characteristics of an annuity including contribution and distribution options and differentiating between immediate and deferred annuities.

b. Compare and contrast annuities (fixed and variable) with other investment alternatives, including an analysis of costs, contract terms, and taxation.

#### **D.28. Life insurance (individual)**

a. Explain the underwriting factors commonly used in the life underwriting process.

b. Differentiate between term, whole life, variable, universal, and VUL policies and select the most appropriate type of coverage to match a client's specific circumstances.

c. Calculate a client's insurance needs using alternative approaches, including the capital needs, human life value, capital retention, income retention, and income multiplier methods.

d. Recommend whether a policy should be replaced based upon quantitative and qualitative factors.

e. Describe common life insurance termination options.

f. Recommend life insurance purchase and benefits distribution options based upon needs, financial resources, and cost.

#### **D.29. Business uses of insurance**

a. Recognize the complications of closely owned and/or family owned businesses.

b. Distinguish the difference between the three types of buy/sell agreements and their appropriate uses.

i. The Cross Purchase Agreement

ii. The Entity Purchase Agreement

iii. The Wait and See Agreement

c. Explain the potential financial risk to the company due to the loss of a key employee.

d. Identify the opportunity to provide non-qualified benefits for business owners and key executives.

i. Section 162 Executive Bonus Plan



ii. Non-Qualified Deferred Compensation

**D.30. Insurance needs analysis**

a. Perform an insurance needs analysis for a client, including disability, life, health, long-term care, property, and liability.

**G. Retirement Savings and Income Planning**

**G.62. Business succession planning**

c. Describe the purpose of a buy-sell agreement as a business succession planning tool.

d. Illustrate how a buy-sell agreement can be designed and implemented.

**2. Coursework & Grading**

**2A. Grade Scale**

100-93%	=	A	79-77%	=	C+
92-90%	=	A-	76-73%	=	C
89-87%	=	B+	72-70%	=	C-
86-83%	=	B	69-60%	=	D
82-80%	=	B-	59% or lower	=	F

**2B. Course Grade Breakdown**

Your final course percentage and therefore your grade will be determined by dividing the Total Points you earn by the Total Points Possible, or  $(\frac{\text{Total Points Earned}}{\text{Total Points Possible}})$ .

Assessment Name	Value
Comprehension Quizzes	25 points
Activity Assignments	50 points
Three Highest Exams (60 points each)	180 points
<b>Total Points Possible:</b>	<b>255 points</b>



## 2C. Assessment Descriptions & Requirements

### *Comprehension Quizzes*

Comprehension Quizzes will be given regularly in an online format through Brightspace. The quizzes will be open-book/open-note, but they are not group projects so please do not contact others for answers. It is your responsibility to know when these quizzes will be made available and the deadlines for completing them. You will be allowed two attempts for each quiz with the highest score of those two attempts used as the final score. Each quiz will consist of multiple choice questions.

### *Assignments*

Graded activities will be assigned at times throughout the semester and posted in Brightspace. These assignments will usually be handed out and discussed in class on a Tuesday and due by 11:59 PM the following Tuesday unless otherwise noted.

### *Exams*

There will be four non-cumulative exams throughout the semester, with the highest three exam scores used when calculating your overall course grade. These will be online exams and each exam will be open-book/open-note. As with the quizzes, they are not intended to be group projects and so you are not to receive help from other people. Unlike the quizzes, you will only have one attempt at each exam and your access to the exam will be for a much more limited amount of time. These online exams will be given during the time that our regular in-person class meets. Once you open and begin an exam, you will have one hour to complete it. Each exam will be a mix of True/False and Multiple Choice questions. There might also be several short answer questions appearing on the exams.



### 3. Class Schedule

#### *Tentative Course Outline*

Weekly Module	Dates	Chapter(s)	Topic(s)	Task(s)
1	1/17 & 1/19	Text: 11	The risk of premature death	
2	1/24 & 1/26	Text: 11	Types of life insurance	• Activity assignment
3	1/31 & 2/2	Text: 12	Life insurance contracts	• Comprehension Quiz
4	2/7 & 2/9	Text: 13	Life insurance costs, returns & taxes	• Comprehension Quiz
5	2/14 & 2/16	Text: 14	Annuity contracts	• <b>Exam 1 - Weeks 1-4 (Chs 11-13) on Thu</b>
6	2/21 & 2/23	Text: 11	Financial Planning Topic I: How much life insurance to buy	• Comprehension Quiz • Activity assignment
7	2/28 & 3/2	Text: NA	Financial Planning Topic II: Buy-sell agreements	
8	3/7 & 3/9	Text: 15	Begin individual medical insurance	• <b>Exam 2 - Weeks 5-7 (Ch 14 and Fin Plan I &amp; II) on Thu</b>
9	3/14 & 3/16		<b>Spring Break - No classes</b>	
10	3/21 & 3/23	Text: 15	Individual medical, long-term care, and disability insurance	
11	3/28 & 3/30	Text: 15	The Affordable Care Act <b>Deadline to drop course with automatic "W" is 3/31</b>	• Comprehension Quiz
12	4/4 & 4/6	Text: 15	More ACA	• <b>Exam 3 - Weeks 10-12 (Ch 15) on Thu</b>
13	4/11 & 4/13	Text: 16	Employee benefits: Basics of group insurance	• Activity assignment
14	4/18 & 4/20	Text: 16	Employee benefits: Group health, dental & disability insurance	• Comprehension Quiz
15	4/25 & 4/27	Text: 18	Social Security	• Activity assignment



16	5/4		Finals Week	• Exam 4 – Weeks 13-15 (Chs 16 & 18) on Thu 5:00 – 7:00 PM
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## 4. Course-Specific Policies

### 4A. Inclement Weather Contingencies

From time to time USM will close the University due to inclement weather. When the cancellation is for an entire day, the class content will be made up at another time or through additional, outside of class, assignments.

When the school opens late or closes early, and the closing time selected is during the middle of class, we will still hold the class unless you are otherwise notified by me. Two examples:

- If class starts at 1:00 PM, but the University is closing at 1:30 PM, we will still have class unless you hear from me.
- If class starts at 1:00 PM, but the University is opening at 1:30 PM, we will still have class unless you hear from me

### 4B. Course Evaluations

At the end of each semester every student has the opportunity to provide constructive feedback on the course. It is important to me that you take the time to let me know your thoughts about the course. I use your feedback to make improvements in the course materials, assignments, and outcomes.

## 5. Academic Services & Policies

Below you'll find information for our most crucial student services and supports. For USM's most





complete and current information on services available to students, as well as academic policies, see [The Academic Services & Policies Overview webpage](#).<sup>3</sup>

- **Request disability accommodations** | (207) 780-4706 | [dsc-usm@maine.edu](mailto:dsc-usm@maine.edu)
- **Report Interpersonal violence** | (207) 780-5767 | [usm.titleix@maine.edu](mailto:usm.titleix@maine.edu)
- **Report On-Campus Emergencies and Safety Concerns** | (207) 780-5211 or your local police agency.
- **Get academic help** | [mycampus.maine.edu/group/usm/learning-commons1](https://mycampus.maine.edu/group/usm/learning-commons1)
- **Get technology help** | [usm.maine.edu/computing/helpdesk](https://usm.maine.edu/computing/helpdesk)
- **Meet with an Advisor** | [usm.maine.edu/advising](https://usm.maine.edu/advising)



Scan the QR Code to go to the [Academic Services & Policies webpage](#)<sup>4</sup>

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