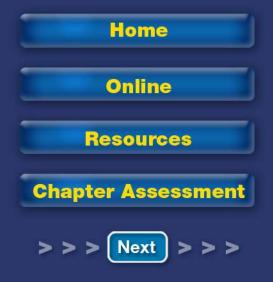
# GLENCOE Introduction to BUSINESS

In partnership with **STANDARD** BusinessWeek &POOR'S Glencoe: **Building the Future** of Business

Chapter 33 The Basics of Risk Management

Section 33.1 Types of Risk



#### **Types of Risk**

#### **Reading Guide**

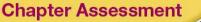
#### **Read to Learn**

Discuss risk and risk management.

Describe different types of risk.

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Chapter 33 The Basics of Risk Management

#### **Types of Risk**

**Reading Guide** 

#### The Main Idea

Everybody faces risk that can lead to loss, injury, or even death. Individuals and businesses can use strategies to manage risk as ways to reduce or avoid loss.

**Chapter Assessment** 

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#### **Types of Risk**

#### **Reading Guide**

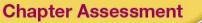
#### **Key Concepts**

**Risk Management** 

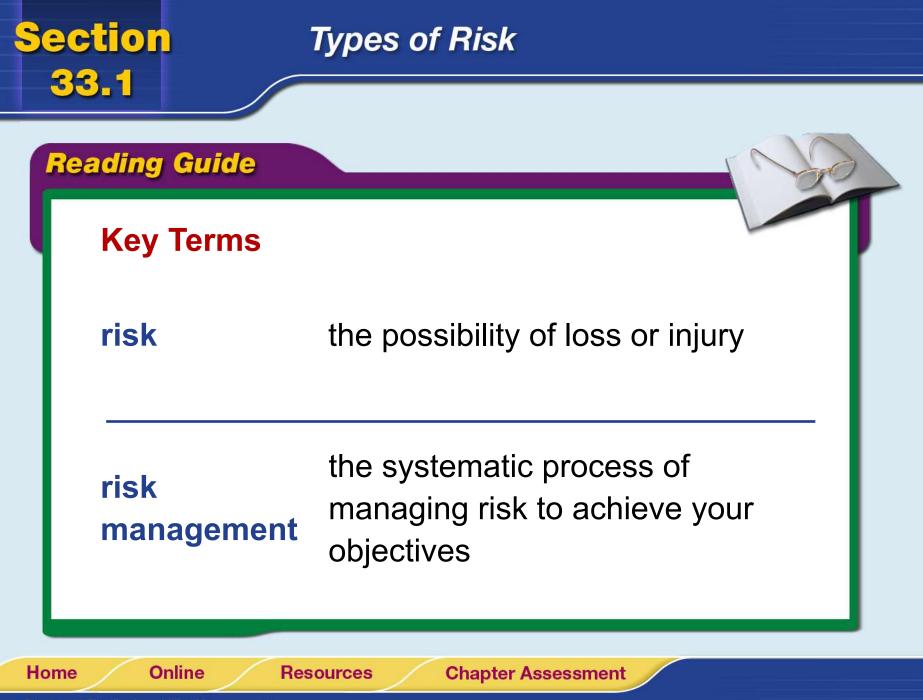
Types of Risk

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Chapter 33 The Basics of Risk Management



#### **Types of Risk**

#### **Reading Guide**

#### **Key Terms**

insurable risk a risk that meets an insurance company's criteria for insurance coverage

#### insurance

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paid protection against loss due to injury or property damage.

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#### **Types of Risk**

**Reading Guide** 

**Key Terms** 

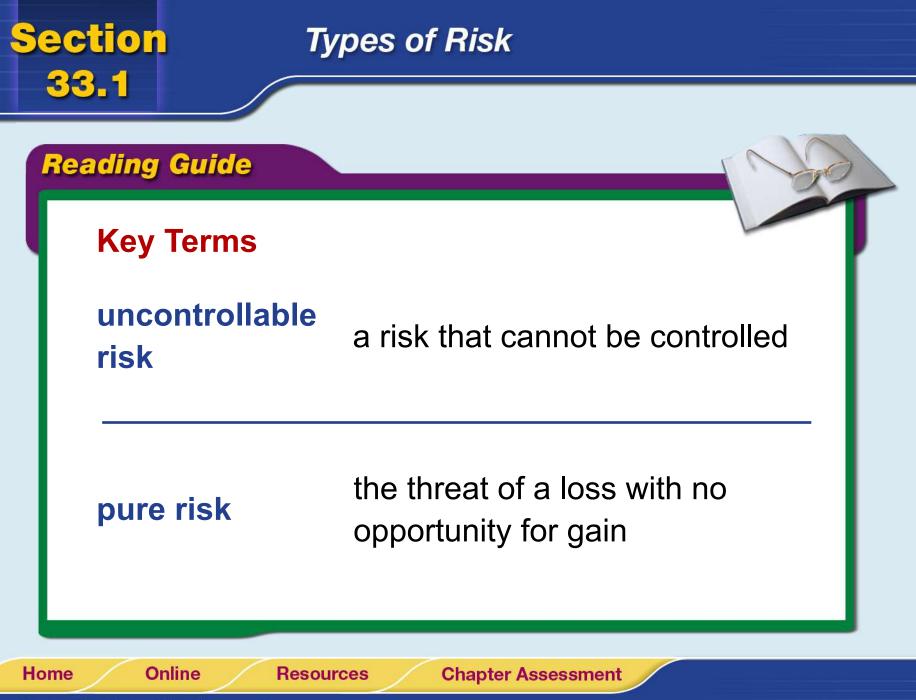
uninsurable risk a risk that is unacceptable to insurance carriers because the likelihood of loss is too high

controllablewhen conditions can be controlled toriskminimize the chance of harm

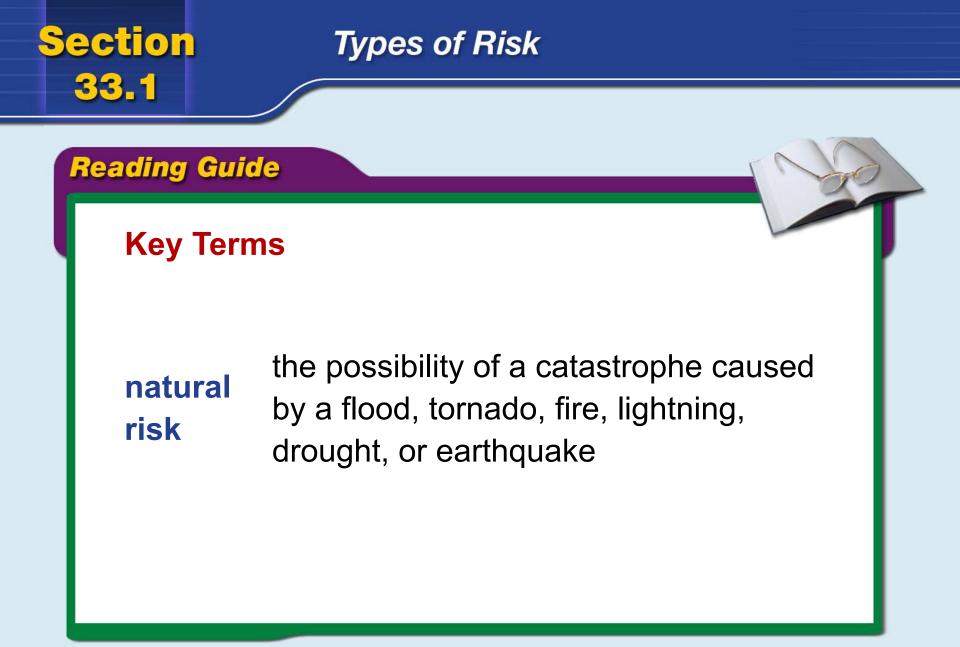
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Chapter Assessment



Section 33.1	Types of Risk
Reading Guide	
Key Terms	
economic risk	the likelihood of economic loss
human risk	the risk of harm caused by human mistakes, dishonesty, or another risk that is attributed to people
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**Chapter Assessment** 

Chapter 33 The Basics of Risk Management

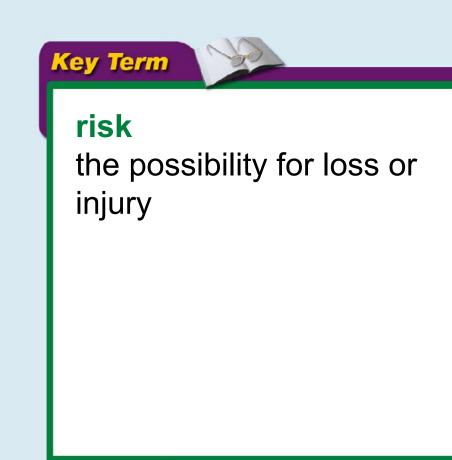
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# **Risk Management**

All people and businesses make decisions that create **risk**.



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Chapter 33 The Basics of Risk Management



# **Risk Management**

Business risk is risk that businesses specifically face, such as the potential for financial loss.

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# **Risk Management**

Individuals and businesses should learn about risk management.



#### risk management

the systematic process of managing risk to achieve your objectives

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Chapter 33 The Basics of Risk Management

**Types of Risk** 

### **Graphic Organizer**



**Chapter Assessment** 

Chapter 33 The Basics of Risk Management

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# **Types of Risk**

# A person can purchase **insurance** for an **insurable risk**.

#### Key Terms

#### insurance

paid protection against loss due to injury or property

#### insurable risk

a risk that meets and insurance company's criteria for insurance coverage

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# **Types of Risk**

Property in a flood zone might be considered an **uninsurable risk** by insurance companies.

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Chapter 33 The Basics of Risk Management

#### Key Term

#### uninsurable risk

a risk that is unacceptable to insurance carriers because the likelihood of loss is too high



# **Types of Risk**

# Environmental damage is a **controllable risk**.



#### controllable risk

when conditions can be controlled to minimize the chance of harm

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Chapter 33 The Basics of Risk Management

# **Types of Risk**

The risk of doing business in the global marketplace is an example of uncontrollable risk. Key Term uncontrollable risk a risk that cannot be controlled

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Chapter 33 The Basics of Risk Management



## **Pure Risk**

The risk of being in an accident while driving your car is an example of a **pure** risk.

Key Term

#### pure risk

the threat of a loss with no opportunity for gain

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Chapter 33 The Basics of Risk Management



Types of Risk

**Pure Risk** 

# The purpose of insurance is to hedge against the risk of potential financial loss.

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## **Economic Risk**

Economic risk can be unavoidable, but you can take steps to protect yourself from loss.



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## **Economic Risk**

If businesses fail to change their products when competitors offer more features, they may face economic harm.

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**Types of Risk** 

## **Graphic Organizer**



# Human Risk

For businesses, human risk ranges from the financial impact of theft or embezzlement to jobrelated injury or illness.

#### Key Term

**Chapter Assessment** 

#### human risk

the risk of harm caused by human mistakes, dishonesty, or another risk that is attributed to people

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Types of Risk

## Human Risk

Types of human risk include:

**Customer dishonesty** 

Employee risk

Computer-related crime

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Chapter 33 The Basics of Risk Management





Your company has experienced a rash of thefts. Some employees have mentioned their suspicions about one particular employee. No one has come forward with evidence against this employee.

**Decision Making** Should you confront this employee or conduct a search of his or her work area? What should you tell the police? Explain your answer.

Resources



**Types of Risk** 



#### Answer

False accusations can have a negative impact on a company. However, employing someone suspected of a crime might threaten everyone's safety and expose the company to legal risks. Investigation may be necessary, provided it is done discretely.

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# **Natural Risk**

It can be difficult to buy insurance for certain types of **natural risk**.

#### Key Term

#### natural risk

the possibility of a catastrophe caused by a flood, tornado, fire, lightening, drought, or earthquake

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Chapter 33 The Basics of Risk Management



Types of Risk

## **Natural Risk**

Some risk is caused by people and is also called natural risk. Examples include:

Power outages Oil spills Arson Terrorism

War

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Types of Risk

#### **Weather Disasters**

The United States sustained 67 weather disasters between 1980 and 2005, in which overall damages and costs reached or exceeded \$1 billion at the time of each event, according to the National Climatic Data Center.

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Chapter 33 The Basics of Risk Management

#### **Types of Risk**



Planning to Manage Risk

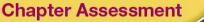


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#### **Types of Risk**

Section 33.1

- 1. Why do businesses and individuals practice risk management?
- Both individuals and businesses face risk and use risk management strategies to prevent and reduce losses.

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Chapter 33 The Basics of Risk Management

#### **Types of Risk**



2. What are the four main types of risk discussed in the chapter?

insurable, uninsurable, controllable, and uncontrollable

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Chapter 33 The Basics of Risk Management



#### Types of Risk



3. Describe some types of human risk.

customer dishonesty such as theft, fraudulent payment, or nonpayment, employee dishonesty, and computer-related crimes

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Chapter 33 The Basics of Risk Management

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End of Chapter 33 The Basics of Risk Management

Section 33.1 Types of Risk

