



GLENCOE

Introduction to Business

In partnership with

BusinessWeek

**STANDARD
& POOR'S**

Glencoe:
Building the Future
of Business

Chapter 33 The Basics of Risk Management

Section 33.1 Types of Risk

Home

Online

Resources

Chapter Assessment

> > >

Next

> > >

Section 33.1

Types of Risk

Reading Guide



Read to Learn

Discuss risk and risk management.

Describe different types of risk.

Section 33.1

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.

Section 33.1

Types of Risk

Reading Guide



Key Concepts

Risk Management

Types of Risk

Section 33.1

Types of Risk

Reading Guide



Key Terms

risk

the possibility of loss or injury

**risk
management**

the systematic process of
managing risk to achieve your
objectives

Section 33.1

Types of Risk

Reading Guide



Key Terms

insurable risk

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

insurance

paid protection against loss due to injury or property damage.

Section 33.1

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

controllable risk

when conditions can be controlled to minimize the chance of harm

Section 33.1

Types of Risk

Reading Guide



Key Terms

**uncontrollable
risk**

a risk that cannot be controlled

pure risk

the threat of a loss with no
opportunity for gain

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

Section 33.1

Types of Risk

Reading Guide



Key Terms

natural risk

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

Risk Management

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

Key Term

risk

the possibility for loss or injury

Risk Management

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

Risk Management

Individuals and businesses should learn about **risk management**.

Key Term



risk management

the systematic process of managing risk to achieve your objectives

Section 33.1

Types of Risk

Graphic Organizer



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

Types of Risk

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

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**.

Key Term



controllable risk

when conditions can be controlled to minimize the chance of harm

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

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

Pure Risk

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

Economic Risk

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

Key Term



economic risk

the likelihood of economic loss

Economic Risk

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

Graphic Organizer

Categories of Economic Risk

Personal Risk

Risk associated with illness, disability, loss of income, unemployment, aging, and premature death.

Property Risk

The risk of damage to or loss of property due to theft, wind, fire, flood, or some other hazard.

Liability Risk

The potential for losses to others that occur as a result of injury or damage that you may have caused.

Human Risk

For businesses, **human risk** ranges from the financial impact of theft or embezzlement to job-related injury or illness.

Key Term



human risk

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

Human Risk

Types of human risk include:

Customer dishonesty

Employee risk

Computer-related crime

ETHICS *in Business*

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.

ETHICS in Business

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.

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

Natural Risk

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

Power outages

Terrorism

Oil spills

War

Arson

Section 33.1

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.

Section 33.1

Types of Risk

Figure 33.1

Planning to Manage Risk



Section 33.1

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.

Section 33.1

Types of Risk

Section 33.1



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

insurable, uninsurable, controllable, and uncontrollable

Section 33.1

Types of Risk

Section 33.1



3. Describe some types of human risk.

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

GLENCOE

Introduction to Business

In partnership with

BusinessWeek

STANDARD
& POOR'S



End of
Chapter 33

The Basics of Risk Management

Section 33.1 Types of Risk

[Home](#)

[Online](#)

[Resources](#)

[Chapter Assessment](#)

[<](#) [<](#) [<](#) [Back](#) [<](#) [<](#) [<](#)