

# Chapter 14

## Risk Management

### Answer Key

#### Part 1: Content Review

##### Matching

1. A
2. E
3. G
4. J
5. H
6. C
7. F
8. I
9. B
10. D

##### Multiple Choice

1. D
2. B
3. C
4. A
5. B
6. D
7. A
8. C
9. D
10. B

##### Completion

1. economic
2. human
3. speculative
4. uninsurable
5. Avoidance
6. independent
7. contract
8. Liability
9. fidelity bond
10. Unemployment

## Part 2: Concept Review

### Open Response

1. The four basic risk management strategies are avoid, reduce, transfer, and assume. Avoidance is taking steps to eliminate risk. Reducing a risk is a strategy of minimizing risks that cannot be avoided. Some risks can be transferred so that the owner shares the risk with others. Insurance is the most common way of transferring risk. When businesses assume risk, they are responsible for losses associated with risks that cannot be avoided or insured.
2. Yes. She should have professional liability insurance for malpractice. She might also need insurance for employees and other types of liability insurance, such for business interruption or employee theft.
3. Employees could be injured on the job, cause losses through theft or embezzlement, or cause injury to customers or others. These risks can be transferred through workers' compensation, fidelity bonds, and liability insurance. Good hiring practices, training, and safety procedures can help avoid and reduce these risks. Students may have other examples of employee risks.
4. Data breach insurance covers the legal fees and other financial losses sustained when a company's data files are accessed without permission. Typically, this type of coverage applies to both electronic data and paper files.
5. Student responses will vary.

## Part 3: Math Skills

### Basic Math

1.  $\$117 \times 12 = \$1,404$
2.  $\$1,950,000 + \$175,000 + \$20,000 = \$2,145,000$
3.  $\$500,000 - \$335,000 = \$165,000$
4.  $\$28,000 \times .90 = \$25,200 = \text{insurance coverage}$   
 $\$28,000 - \$25,200 = \$2,800$
5.  $\$14,200 - \$7,500 = \$6,700$

## Part 4: Communication Skills

### Reading Questions

1. No. Safety is a part of every employee's job responsibility.
2. It should be immediately reported to a supervisor, the Human Resources Director, or other member of the management team.
3. It is intended to provide guidelines on how the Company can and will fulfill its responsibilities for the protection of its employees and premises. It does not address every possible safety situation.