

Chapter 33 The Basics of Risk Management

Section 33.1 Types of Risk

Section Summary with Key Terms and Academic Vocabulary

Types of Risk Every person and business risks loss. Risk may be controllable or uncontrollable and insurable or uninsurable. Economic risk includes personal risk, property risk, and liability risk. Human risk caused by human mistakes or dishonesty is a particular problem for businesses. Natural risk caused by the weather can result in financial loss and damage.

Key Terms

risk The possibility of loss or injury

risk management The systemic process of managing risk to achieve your objectives

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

insurance Paid protection against loss due to injury or property damage

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

controllable risk Risk that can be controlled to minimize the chance of harm

uncontrollable risk Risk that cannot be controlled to minimize the chance of harm

pure risk The threat of a loss with no opportunity for gain

economic risk Risk that involves the likelihood of economic loss

human risk The risk of harm caused by human mistakes, dishonesty, or another risk that is attributable to people

natural risk The possibility of a catastrophe such as a flood, tornado, hurricane, fire, lightning, drought, or earthquake

Academic Vocabulary

criteria Standards on which a judgement or decision may be based

minimize To reduce or keep to a minimum

decade A period of 10 years

occurrence Something that occurs; an event