Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Chapter 14: Risk Management**

**Risk** is the possibility of incurring a loss, like the risk of a serious illness, a tornado, or even the risk of being late if you are caught in traffic.

|  |  |  |
| --- | --- | --- |
| **Risk** –   * Three Categories:   + **Risk** –   + **Risk** –   + **Risk** – | vs. | **Risk** –   * Example: |
| **Risk** –   * Example: | vs. | **Risk** –   * Example: |
| **Risk** –   * Example: | vs. | **Risk** –   * Example: |
| **Risk** –   * Example: | vs. | **Risk** –   * Example: |

**Four Possible Ways to Deal with Risk**

*Describe of method for dealing with risk listed below and give a few examples of each.*

1. **Avoid** -
2. **Transfer** -
3. **Insure** -
4. **Assume** -

**Insurable Risks**

**Insurance** -

* Since most individuals and businesses cannot pay for \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, they \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ with other individuals and businesses through \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
* They buy \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to provide the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ they need in the event they \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

*Insurance Basics*

* - the company taking on certain economic risks and paying for the losses if they occur
* - the person or business for which the insurer assumes the risk
* - the person or company buying the policy
* - states the conditions to which the insurance company and the policyholder have agreed
* - amount the policyholder must pay for insurance coverage
* - a policyholder’s request for payment for a loss that the insurance policy covers

*Insurance Companies*

* Insurance can be bought directly from the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, provided by an \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ or professional organization, or offered by a company to its \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
  + Examples:
* Insurance Agent -   
  + Agents help each client choose the proper \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of protection from possible economic losses.
* When selecting an insurance company, compare the \_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_ of insurance policies available, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ provided during a loss, and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ process.

*Business Insurance*

**Insuring Personnel**  
Sick and injured employees are unable to work, so the health   
and well-being of employees is important to a business.

* **Health Insurance** –   
  + It covers \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ medical care and costs of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ or other needed medical treatments.
  + **Group Insurance** –   
    - Since the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ are paid by or for all members of the group, the \_\_\_\_\_\_\_\_\_\_\_\_\_ of insurance is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ than if each person bought separate policies.
* **Disability Insurance** –   
  + Amount of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is usually a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of the employee’s income.
  + It is based on the number of \_\_\_\_\_\_\_\_\_\_\_\_ worked and the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of the disability.
  + **Workers’ Compensation** –   
    - Every business makes payments to this insurance fund based its number of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
* **Life Insurance** –   
  + The payment is made to the people names in the policy as \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. These are usually \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, but can also be business \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ or key \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ in a corporation.

**Insuring Property**  
Businesses obtain protection for buildings, equipment,   
and building contents, like inventory.

* **Commercial Property Insurance** –
* **Vehicle Insurance** –   
  + Damages to the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ resulting from accidents are covered. It also pays the costs of damage to the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of others and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ costs of those injured if the accident is caused by the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**Insuring Business Operations**  
Employee’s actions or business operations may result in   
accidents, injuries, property damage, or other losses.

* **Business Interruption Insurance** –
* **Liability Insurance** –   
  + This covers a business’ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ liability in the event of injury, illness, or death from the use of its \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, harm to another cause by an employee’s \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ or \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, or \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ that occur during a customer’s \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, for example.

**Uninsurable Risks**

Businesses cannot insure many of the risks they face because either the chance that a risk will occur cannot be reasonably predicted or the possible financial loss to the business cannot be calculated. Also, some risks are just too expensive to insure. There are six major types of uninsurable risks:

1. Economic Conditions
2. Consumer Demand
3. Competitors’ Actions
4. Technology Changes
5. Local Factors
6. Business Operations

**Risks in International Business**

As an international business manager, would you…

* be willing to ship automobiles to a company in another country before receiving the payment?
* agree to take a country’s currency for payment instead of U.S. dollars?
* feel comfortable working with a company located in a country you have never visited?

*Strategies for Reducing International Business Risk*

To reduce international business risk, management experts advise the use of four strategies:

1. Carry out business in many countries.
2. Offer a range of products.
3. Involve local business partners.
4. Employ local management.

*International Property Rights*

Although many countries have similar laws regarding **property rights** (*the exclusive rights to possess and use property and its profits*), there are some differences in definition and the type of protection. Also, some countries do little to enforce those laws. Therefore, when working internationally, businesses should be aware of issues related the following:

* Intellectual Property
  + Protection for intellectual property such a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ may be overlooked or difficult to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ in other countries.
    - Examples:
* Counterfeiting
  + **Counterfeiting** is the   
    - Examples: