

Types of Contractual Risk Transfer

Activity 1 — Describing Types of Contractual Risk Transfer

Matching Activity

Questions	Answers
1. A contractual provision purporting to excuse a party from liability resulting from negligence or an otherwise wrongful act.	A. Additional insured endorsement
2. Protects the obligee by providing a second source of performance.	B. Hold-harmless agreement
3. The intentional relinquishment of a known right.	C. Noninsurance risk control transfer
4. A noninsurance transfer in which the transferor transfers a loss exposure to the transferee, thereby eliminating the possibility that the transferor will suffer a loss from the transferred exposure.	D. Limitation of liability
5. A contract under which one party agrees to assume the liability of a second party.	E. Guarantor
6. A transaction through which an organization that owns property transfers its risk by selling the property while retaining the right to occupy or use it under a lease with the new owner.	F. Principal
7. An endorsement that, similar to an additional insured endorsement, adds coverage for one or more persons or organizations to the named insured's policy and elevates the new insured to the status of a named insured, giving it special rights and obligations.	G. Sale-and-leaseback
8. The party to a surety bond that receives the surety's guarantee that the principal will fulfill an obligation or perform as promised.	H. Named insured endorsement

Questions	Answers
9. An organization that performs a particular activity is generally held primarily responsible for any losses caused by that activity. An organization that wants to avoid such risk can contract with another organization to perform the activity.	I. Surety agreement
10. The party (usually an insurer) to a surety bond that guarantees to the obligee that the principal will fulfill an obligation or perform as required by the underlying contract, permit, or law.	J. Contracting for services
11. A person or organization that has promised to perform a duty in the event the party whose duty it was initially (the principal) fails to perform it.	K. Obligee
12. A noninsurance transfer in which the transferor transfers to the transferee the financial burden of losses by obligating the transferee to pay money to (or on behalf of) the transferor after the transferor or some third party suffers a loss.	L. Surety
13. When the transferor and transferee have equal bargaining power, the transferor may agree by contract to cap or limit the amount or type of its liability instead of waiving its liability entirely.	M. Waiver
14. The party to a surety bond whose obligation or performance the surety guarantees.	N. Exculpatory clause
15. An endorsement that adds coverage for one or more persons or organizations to the named insured's policy.	O. Noninsurance risk financing transfer

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2. Protects the obligee by providing a second source of performance.	I. Surety agreement
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4. A noninsurance transfer in which the transferor transfers a loss exposure to the transferee, thereby eliminating the possibility that the transferor will suffer a loss from the transferred exposure.	C. Noninsurance risk control transfer
5. A contract under which one party agrees to assume the liability of a second party.	B. Hold-harmless agreement
6. A transaction through which an organization that owns property transfers its risk by selling the property while retaining the right to occupy or use it under a lease with the new owner.	G. Sale-and-leaseback
7. An endorsement that, similar to an additional insured endorsement, adds coverage for one or more persons or organizations to the named insured's policy and elevates the new insured to the status of a named insured, giving it special rights and obligations.	H. Named insured endorsement
8. The party to a surety bond that receives the surety's guarantee that the principal will fulfill an obligation or perform as promised.	K. Obligee
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10. The party (usually an insurer) to a surety bond that guarantees to the obligee that the principal will fulfill an obligation or perform as required by the underlying contract, permit, or law.	L. Surety
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12. A noninsurance transfer in which the transferor transfers to the transferee the financial burden of losses by obligating the transferee to pay money to (or on behalf of) the transferor after the transferor or some third party suffers a loss.	O. Noninsurance risk financing transfer
13. When the transferor and transferee have equal bargaining power, the transferor may agree by contract to cap or limit the amount or type of its liability instead of waiving its liability entirely.	D. Limitation of liability
14. The party to a surety bond whose obligation or performance the surety guarantees.	F. Principal
15. An endorsement that adds coverage for one or more persons or organizations to the named insured's policy.	A. Additional insured endorsement

Managing Contractual Risk Transfer

Activity 1 — Describing How to Manage Contractual Risk Transfer

Questions	Answers
1. This is one factor that determines the appropriate use of a contract—or whether it can be used at all.	
2. This is required of an organization for a defensive approach to contractual risk transfer.	
3. The most efficient contractual risk transfer lowers this for each contracting organization.	
4. This strategy ensures that the organization transfers or accepts the transfer of risk only when this role serves both the organization and the general economy.	
5. The acronym RMIS.	
6. Attempts by this party to rid themselves of the same or related loss exposures or financial consequences could make it difficult to enforce the contract.	
7. For loss exposures to be covered by insurance, the risk management professional must be as certain as possible about this coverage.	
8. Another consideration relating to contractual risk transfer is the parties' ability to manage risk, particularly the transferee's ability to do this.	
9. As part of contractual risk transfer management, an organization should keep these detailed, current records of all written contracts it has entered into.	
10. An organization's risk management efforts should concentrate on establishing an effective program for managing this.	

Questions	Answers
11. The first and most important element of a sound contractual risk transfer control program is to do this.	
12. This is a type of approach that entails taking advantage of other organizations by wielding economic power to impose transfers.	
13. Even the best use of risk control and risk financing can fail to control contractual transfers. Rather than avoid such contracts completely, management can do this.	
14. This is not enforceable if it is unconscionable or in violation of public policy or statutes.	
15. Having identified and evaluated the loss exposures in the contractual transfers, the risk management professional must take this action.	
16. The ability to impose restrictions on the types of risks to transfer in a contractual risk transfer agreement depends on these.	
17. The initial goal of this program should be to help all contract-related personnel clearly understand the loss exposures that could be hidden in even the simplest contracts and the need to have such documents reviewed by experienced personnel.	

Answers to Activity 1 — Describing How to Manage Contractual Risk Transfer

Questions	Answers
1. This is one factor that determines the appropriate use of a contract—or whether it can be used at all.	What is legal enforceability?
2. This is required of an organization for a defensive approach to contractual risk transfer.	What is avoid inadvertently becoming a transferee?
3. The most efficient contractual risk transfer lowers this for each contracting organization.	What is cost of risk?
4. This strategy ensures that the organization transfers or accepts the transfer of risk only when this role serves both the organization and the general economy.	What is a consistent transfer strategy?
5. The acronym RMIS.	What is risk management information system?
6. Attempts by this party to rid themselves of the same or related loss exposures or financial consequences could make it difficult to enforce the contract.	Who are the contracting parties?
7. For loss exposures to be covered by insurance, the risk management professional must be as certain as possible about this coverage.	What is coverage is available either under the organization’s current coverages or for purchase?
8. Another consideration relating to contractual risk transfer is the parties’ ability to manage risk, particularly the transferee’s ability to do this.	What is pay major losses when they occur?
9. As part of contractual risk transfer management, an organization should keep these detailed, current records of all written contracts it has entered into.	What are: <ul style="list-style-type: none"> • contracts themselves, • the identities of the parties to whom and from whom risk has been transferred, and • the legal bases for the enforceability of any contractual risk transfers?
10. An organization’s risk management efforts should concentrate on establishing an effective program for managing this.	What are contractual risk transfers?

Questions	Answers
11. The first and most important element of a sound contractual risk transfer control program is to do this.	What is developing a consistent transfer strategy?
12. This is a type of approach that entails taking advantage of other organizations by wielding economic power to impose transfers.	What is offensive approach?
13. Even the best use of risk control and risk financing can fail to control contractual transfers. Rather than avoid such contracts completely, management can do this.	What is can restrict the types of risks it will transfer?
14. This is not enforceable if it is unconscionable or in violation of public policy or statutes.	What is a contract?
15. Having identified and evaluated the loss exposures in the contractual transfers, the risk management professional must take this action.	What is decide how to treat loss exposures or must present recommendations to management?
16. The ability to impose restrictions on the types of risks to transfer in a contractual risk transfer agreement depends on these.	What are the bargaining strengths of the parties and the importance of their contractual relationship?
17. The initial goal of this program should be to help all contract-related personnel clearly understand the loss exposures that could be hidden in even the simplest contracts and the need to have such documents reviewed by experienced personnel.	What is administrative control program?