

Basis for Legal and Regulatory Risk

Activity 1 — Describing the Basis for Legal and Regulatory Risk

Questions	Answers
1. A wrongful act or an omission, other than a crime or a breach of contract that invades a legally protected right.	A. Civil law
2. A major crime involving long-term punishment.	B. Regulations
3. Governments authorize certain agencies to create these to provide the details necessary for an individual or an organization to abide by the law.	C. Misdemeanor
4. A classification of law that applies to legal matters not governed by criminal law and that protects rights and provides remedies for breaches of duties owed to others.	D. Intentional torts
5. An unintentional tort, where the tortfeasor did not intend the action or the consequences. Instead, the tortfeasor exposed others to unreasonable danger by failing to exercise the duty of care the law requires under the circumstances.	E. Felony
6. These are created by federal, state, provincial, or territorial governments and often modify the duties owed to others.	F. Statutes
7. Actions or omissions that the tortfeasor intended, although the consequences of such actions may not necessarily be intended.	G. Contracts
8. A classification of law that applies to acts that society deems so harmful to the public welfare that government is responsible for prosecuting and punishing the perpetrators.	H. Negligence
9. These typically arise when an organization engages in certain activities that are considered ultra-hazardous or that involve product liability cases.	I. Strict liability torts
10. A minor crime punishable by a monetary fine or short-term imprisonment.	J. Tort
11. Legally enforceable agreements between two or more parties and establishes the responsibilities of each party involved.	K. Criminal law

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Activity 1— Describing Commercial Liability Loss Exposures

Questions	Liability			
	Premises and Operations	Products and Completed Operations	Automobile	Workers Compensation and Employers
1. These type of liability lawsuits may be based on a variety of recovery theories, including negligence, misrepresentation, fraud, deceit, and breach of warranty.				
2. In the United States, nearly half the states have some form of no-fault system in operation.				
3. This type of liability is the legal responsibility for bodily injury or property damage arising out of the ownership, maintenance, or use of automobiles.				
4. Under the common law, owners and occupiers of land owe different duties of care to others on the premises, depending on their reasons for being on the premises.				
5. This typical statute is intended to provide an “exclusive remedy” for occupational illness to all employees subject to the law				
6. This type of liability loss can also arise from negligent maintenance of a commercial auto.				
7. Liability arising from bodily injury or property damage caused either by an accident that occurs on an organization’s owned, leased, or rented premises or by an accident that arises out of the organization’s ongoing operations but occurs away from the premises.				
8. In addition to payments required by this type of statute, an employer may				

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also be held liable for illnesses of its employees as a result of either tort suits or hold-harmless agreements to which the employer is a party.				
9. A person who negligently entrusts an auto to a person who is unskilled in its operation or otherwise incompetent to operate it may be held directly liable for resulting injuries.				
10. This is an example of what type of liability? After a repair shop overhauled a production machine and returned it to the manufacturer, the machine malfunctioned and injured an employee.				

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Questions	Liability			
	Premises and Operations	Products and Completed Operations	Automobile	Workers Compensation and Employers
1. These type of liability lawsuits may be based on a variety of recovery theories, including negligence, misrepresentation, fraud, deceit, and breach of warranty.		X		
2. In the United States, nearly half the states have some form of no-fault system in operation.			X	
3. This type of liability is the legal responsibility for bodily injury or property damage arising out of the ownership, maintenance, or use of automobiles.			X	
4. Under the common law, owners and occupiers of land owe different duties of care to others on the premises, depending on their reasons for being on the premises.	X			
5. This typical statute is intended to provide an “exclusive remedy” for occupational illness to all employees subject to the law				X
6. This type of liability loss can also arise from negligent maintenance of a commercial auto.			X	
7. Liability arising from bodily injury or property damage caused either by an accident that occurs on an organization’s owned, leased, or rented premises or by an accident that arises out of the organization’s ongoing operations but occurs away from the premises.	X			
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9. A person who negligently entrusts an auto to a person who is unskilled in its operation or otherwise incompetent to operate it may be held directly liable for resulting injuries.			X	
10. This is an example of what type of liability? After a repair shop overhauled a production machine and returned it to the manufacturer, the machine malfunctioned and injured an employee.		X		

Assessing and Treating Legal and Regulatory Risk

Case Study—Bickford Foods

Bickford Foods operates a chain of family restaurants in the southeastern coastal area of the United States. The restaurants specialize in local seafood, health foods, organically grown fruits and vegetables purchased from local farmers, and special vegetarian dishes. Bickford's menu also features homemade ice cream and fruit smoothies produced on the premises of each restaurant from natural ingredients. Each restaurant also serves beer and wine for consumption in the dining area.

Each restaurant employs 30-50 individuals, mostly in food preparation and table service. Many of the part-time workers are high school students, ages 16-18, who work evenings and weekends.

Bickford's exposure to legal and liability risk exposures include, but are not limited to, the following:

1. Customers come to Bickford for the healthy food, the vegetarian menu, and the all-natural ingredients used to prepare the meals, which exposes Bickford to quality control issues that could lead to lawsuits.
2. Disgruntled employees could deliberately tamper with a customer's food and cause intentional injuries.
3. Several of the restaurants have play areas (swings, slides, ball pits, etc.) where children could be injured by faulty or improperly installed equipment.
4. Local ordinances require many of the buildings to be handicapped-accessible.
5. Patrons could be injured in the parking lots or in the dining areas through poor maintenance or sloppy housekeeping.
6. Each restaurant must comply with federal, state, and local licensing requirements as well as federal, state and local employment practices rules.
7. In certain Bickford locations, state or local laws require alcohol servers to be at least 18 years old, but Bickford employs students as young as age 16.
8. Employees could be injured on the job, leading to lost productivity and workers compensation claims expenses.
9. A patron might sue the company, alleging that they were injured on the premises or that they became sick from eating poorly prepared food.
10. There is high turnover in the line employees (servers and cooks), and the replacement employees take several months to fully train up to Bickford's standards.