

Assignment 3

The Nature of Hazard Risk

Educational Objective (EO)

Describe hazard risk and its treatment.

Instructions

Activity 1 —Describing the Nature of Hazard Risk

Group Activity Followed by Large Group Discussion

Divide participants into three groups. Assign each group one of the following topics:

- Definition of Hazard Risk
- Measuring and Managing Hazard Risk
- The Role of Insurance

Ask participants to create a short summary for their company's blog or newsletter, that describes the key features of their assigned hazard risk topic.

Debrief:

Review each group's memo with the class. Engage participants in discussion using these questions:

- What is the risk classification for hazard risk?
- How does the Basel Committee define operational risks?
- After risk management professionals have classified the types of hazard risks in their organizations, what should they do next?

Loss Exposures

Educational Objective (EO)

Describe the following elements of property, liability, personnel, and net income loss exposures:

- Assets exposed to loss
- Causes of loss, including associated hazards
- Financial consequences of loss

Instructions

Activity 1—Describing Loss Exposures

Large Group Activity—Tic-Tac-Toe Game

Using a flipchart or whiteboard, draw a table with nine squares. Divide participants into two teams—Team X and Team O. Ask each team to select a leader who will provide the final answer. Select a team to begin the game.

The facilitator reads a description. The team then needs to provide the correct answer. Team members can “briefly” discuss their answer, answer is provided by team leader. If correct, they get to select a square. If the answer is incorrect, the question goes to the other team. If the team correctly answers, they get the square.

Continue playing the game until the team gets three in a row, or five squares, and wins the round. The team must win two rounds to be the winner of the game.

Debrief:

Review the answers with the group.

Alternative: Individual Activity followed by Large Group Discussion

Ask participants to complete the questions in **Activity 1—Describing Loss Exposures**.

Debrief:

Review the answers with the group.

Activity 1—Describing Loss Exposures

Questions	Answers
1. Property that has no physical form.	
2. Any condition or situation that presents the possibility of a claim alleging legal responsibility of a person or business for injury or damage suffered by another party.	
3. Any condition or situation that presents a possibility of loss, whether or not an actual loss occurs.	
4. Tangible property consisting of land, all structures permanently attached to the land, and whatever is growing on the land.	
5. Any condition or situation that presents the possibility of a financial loss to an individual or a family by such causes as death, sickness, injury, or unemployment.	
6. A condition of carelessness or indifference that increases the frequency or severity of loss.	
7. A tangible characteristic of property, persons, or operations that tends to increase the frequency or severity of loss.	
8. A condition of the legal environment that increases loss frequency or severity.	
9. A condition that increases the frequency or severity of a loss.	
10. All tangible or intangible property that is not real property.	

11. A condition that presents the possibility of loss caused by a person's death, disability, retirement, or resignation that deprives an organization of the person's special skill or knowledge that the organization cannot readily replace.	
12. A condition that increases the likelihood that a person will intentionally cause or exaggerate a loss.	
13. A condition that presents the possibility of loss caused by a reduction in net income.	
14. Property that has a physical form.	
15. A condition that presents the possibility that a person or an organization will sustain a loss resulting from damage (including destruction, taking, or loss of use) to property in which that person or organization has a financial interest.	

Activity 1—Describing Loss Exposures

ANSWERS

Questions	Answers
1. Property that has no physical form.	Intangible property
2. Any condition or situation that presents the possibility of a claim alleging legal responsibility of a person or business for injury or damage suffered by another party.	Liability loss exposure
3. Any condition or situation that presents a possibility of loss, whether or not an actual loss occurs.	Loss Exposures
4. Tangible property consisting of land, all structures permanently attached to the land, and whatever is growing on the land.	Real property (realty)
5. Any condition or situation that presents the possibility of a financial loss to an individual or a family by such causes as death, sickness, injury, or unemployment.	Personal loss exposure
6. A condition of carelessness or indifference that increases the frequency or severity of loss.	Morale hazard (attitudinal hazard)
7. A tangible characteristic of property, persons, or operations that tends to increase the frequency or severity of loss.	Physical hazard
8. A condition of the legal environment that increases loss frequency or severity.	Legal hazard
9. A condition that increases the frequency or severity of a loss.	Hazard
10. All tangible or intangible property that is not real property.	Personal property

11. A condition that presents the possibility of loss caused by a person's death, disability, retirement, or resignation that deprives an organization of the person's special skill or knowledge that the organization cannot readily replace.	Personnel loss exposure
12. A condition that increases the likelihood that a person will intentionally cause or exaggerate a loss.	Moral hazard
13. A condition that presents the possibility of loss caused by a reduction in net income.	Net income loss exposure
14. Property that has a physical form.	Tangible property
15. A condition that presents the possibility that a person or an organization will sustain a loss resulting from damage (including destruction, taking, or loss of use) to property in which that person or organization has a financial interest.	Property loss exposure

Commercial Insurance Policies

Educational Objective (EO)

Summarize the loss exposures addressed by each of the various commercial insurance policies.

Instructions

Activity 1—Critiquing Statement Taking

Group Activity Followed by Large Group Discussion

Divide participants into small groups. Assign one or more of these topics to each group:

- Property insurance
- Business income insurance
- Industrial all-risk (special risk) insurance
- Builders' all-risk insurance
- Equipment breakdown insurance
- Surety bonds
- General liability insurance
- Auto insurance
- Workers compensation and employers liability insurance
- Professional liability or E&O insurance
- Directors and officers liability insurance
- Employment practices liability
- Fiduciary liability
- Aircraft insurance
- Ocean marine insurance
- Environmental insurance

Direct the groups to choose a leader. Ask participants to work together on a brief summary of their assigned insurance types.

Note: You may want to time this activity to allow for each group to present their summaries.

Debrief:

When the groups have summarized the types of insurance, call on each group leader to present their group's summary to the class.