**5.02 – Determine factors affecting business risks**

Students will review the following movie (or PowerPoint) to fill in the blanks to the following information.

**Identify Business Risks**

**Risk:**

**Risk Management:**

**Business Risk:**

**Speculative Risk:**

***Examples*:**

**Pure risk:**

**Economic risk:**

***Examples:***

**Natural risk:**

***Examples*:**

**Human risk:**

***Examples*:**

**Methods of dealing with business risks:**

**Risk reduction:**

* **Design areas to reduce the chance of accident or fire.**
* **Educate on safe use of equipment.**
* **Check and service safety on a regular basis.**
* **Stress the limits of your company’s .**
* **Implement ways to reduce .**
* **Control employee .**
* **Implement ways to reduce .**

**Risk Transfer:**

* **Property insurance –**

**Real property –**

**Personal property –**

**Business interruption insurance –**

* **Casualty insurance –**

**Errors-and-omission insurance –**

**Product liability insurance –**

**Fidelity bonds –**

**Performance bonds –**

* **Life insurance –**
* **Worker’s Compensation –**

**Risk Retention –**

**Emergency Planning –**

**Avoidance –**

Classify each of the following situations according to the risk it represents – **economic** **human**, or **natural**.

|  |  |
| --- | --- |
|  | 1. Basketball shoes endorsed by professional players are no longer trendy among teenagers |
|  | 1. A high unemployment rate causes a downturn in the retail sales for the year. |
|  | 1. Employees at a local restaurant improperly cook hamburger leading to customers being hospitalized. |
|  | 1. Hurricane Floyd led to increased losses for insurance companies. |
|  | 1. Because of a flu epidemic, a local school district must employee additional substitutes |
|  | 1. Faulty wiring done by an electrician leads to an apartment fire. |
|  | 1. Poor employee cash register training causes some customers to leave the store because of the long lines. |
|  | 1. The National Football League goes on strike causing the cancellation of several games. |
|  | 1. A local manufacturer has to pay higher wages because there is a lack of skilled apprentices in the community. |
|  | 1. High gasoline prices resulted in lower attendance on the South Carolina beaches. |

Each of the examples below fall into one of these categories. Assume that you are the entrepreneur in each instance, and decide which form of risk management is being used. Write your answers in the appropriate blanks. Determine whether the risk is **avoidance**, **reduction**, **transfer**, or **retention**.

|  |  |
| --- | --- |
|  | 1. You hold employee meetings to discuss ways of reducing accidents. |
|  | 1. You purchase fire insurance. |
|  | 1. You choose not to carry a line of products that appears to be especially easy to shoplift. |
|  | 1. You move your store from an isolated corner to a busy mall. |
|  | 1. You bond your employees who handle cash. |
|  | 1. When it rains, you place rubber mats in the entryways of your business. |
|  | 1. You provide your employees with safety gear and see that it is used routinely and properly. |
|  | 1. When it rains, you lace the nonskid floor mats in the entryways of your business. |
|  | 1. You put flood lamps at each exterior corner of the store. |
|  | 1. You have a silent alarm system installed that signals the nearest policy station. |
|  | 1. You decide to drop your property insurance and self-insure instead. |
|  | 1. You make regular payments to the state’s workers compensation plan. |
|  | 1. You install electronic sensors to discourage shoplifting. |
|  | 1. You teach your employees how to lift heavy boxes as to avoid back injuries. |
|  | 1. You elect not to make COD deliveries and advertise this fact by placing, “Driver carries no cash” stickers on the windows of your delivery vans. |