RISK MANAGEMENT COMMON TERMS.

Risk Assessment: involves identifying and analyzing an organization’s loss exposures as well as examining the feasibility of the risk management techniques that might be used to treat them and selecting the appropriate risk management techniques.

Risk Avoidance: A risk control technique that involves ceasing or never undertaking an activity so that the possibility of a future loss occurring from that activity is eliminated.

Risk Control: A conscious act or decision not to act that reduces the frequency and severity of losses or makes losses more predictable.

Risk Management Program: A system for planning, organizing, leading, and controlling the resources and activities that an organization needs to protect itself from the adverse effects of accidental losses.

Risk Management: A process of making and implementing decisions that will minimize the adverse effects of accidental losses on an organization. There should be a balance between the cost of managing risk and the benefits you expect from taking that risk.

Risk: A risk is the chance of something happening as a result of a hazard or threat which will impact on your business activity or planned event. Risk arises out of uncertainty. It is measured in terms of the likelihood of it happening and the consequences if it does happen.

Risk: Business Risk: Risk that is inherent in the operation of a particular organization, including the possibility of loss, no loss, or gain.

Risk: Cost of Risk: The total cost incurred by an organization because of the possibility of accidental loss.

Risk: Hazard Risk: Risk from accidental loss, including the possibility of loss and no loss.

Risk: Loss Exposure: Any condition that presents a possibility of loss, whether or not an actual loss occurs.

Risk: Loss Frequency: The number of losses that occur within a specified period.

Risk: Loss Prevention: A risk control technique that reduces the frequency of a particular loss.

Risk: Loss Reduction: A risk control technique that reduces the severity of a particular loss.

Risk: Loss Severity: The amount of loss, typically measured in dollars, for a loss that has occurred.

Risk: Net Income Loss Exposure: A condition that presents the possibility of loss caused by a reduction in net income.
**Risk: Personnel Loss Exposure**: A condition that presents the possibility of loss caused by a person’s death, disability, retirement, or resignation that deprives the organization of the person’s special skill or knowledge that the organization cannot readily replace.

**Risk: Post-loss Goals**: Risk management goals that should be in place in the event of a significant loss.

**Risk: Pre-loss Goals**: Risk management goals that should be in place event if no significant losses occur.

**Risk: Property Loss Exposure**: A condition that presents the possibility that a person or organization will sustain a loss resulting from the damage, including the destruction, taking, or loss of use, of property in which that person or organization has a financial interest.

**Risk: Retention**: A risk financing technique that involves assumption of risk in which losses are retained by generating funds within the organization to pay for the losses.

**Risk: Assumption of Risk Release**: The participant that has signed the release had a sufficient understanding of the risk and as a reasonably prudent person voluntarily accepted the risk.

**Disaster**: In the context of disaster recovery, an event that is so significant it triggers implementation of an organization’s disaster recovery plan.

**Enterprise Risk Management (ERM)**: An approach to managing all of an organization’s key business risks and opportunities with the intent of maximizing shareholder value.

**ERM Financial Risk**: Those uncertainties associated with the organization’s financial activities.

**ERM Hazard Risk**: Those uncertainties associated with the organization’s reduction in value resulting from the effects of accidental losses.

**ERM Operational Risk**: Those uncertainties associated with the organization’s operations

**ERM Strategic Risk**: Those uncertainties associated with the organization’s overall long-term goals and management.

**Insurance**: A risk financing technique that transfers the potential financial consequences of certain specified loss exposures form the insured to the insurer.

**Insurance: Liability Loss Exposure**: A condition that presents the possibility that a person or organization will sustain a loss resulting from a claim alleging a person’s or an organization’s legal responsibility for property damage or bodily injury suffered by another party.

**Intellectual Property**: The product of human intelligence that has economic value, e.g., copyright, trademark, patent, trade secret.

**Intellectual: Infringement**: The unauthorized use of an individual’s intellectual property.
**Contract**: A legally enforceable promise between 2 or more parties. Elements of a contract are: Agreement (includes offer and acceptance), consideration, capacity to contract, and legal purpose.

**Contract: Hold Harmless Agreement**: A contractual provision by which one party (the indemnitor) agrees to assume the liability of a second party (the indemnitee).

**Contract: Legal Liability**: The responsibility imposed by law for an act or the failure to act. Main bases of legal liability are torts, contracts, or statutes.

**Contract: Negligence**: An unintentional wrongful act or omission. The failure to exercise the degree of care that a reasonably prudent person would have exercised under similar circumstances to avoid harming another person or legal entity.

**Contract: Tort**: A wrongful act or omission, other than a crime or a breach of contract for which the remedy is usually monetary damages.