DLE 2083: INTRODUCTION TO SECURITY MANAGEMENT

CHAPTER 3: RISK

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Chapter 3: Learning Outcomes

- At the end of the topic, students should be able to:
  - Defines risk in general.
  - Identify the risk.
  - Explains how risks are categorized.
  - Describe on how to analyze and assess risks.

What is Risk?

Risk Management? No, never heard of it. Can you pass me that wrench.

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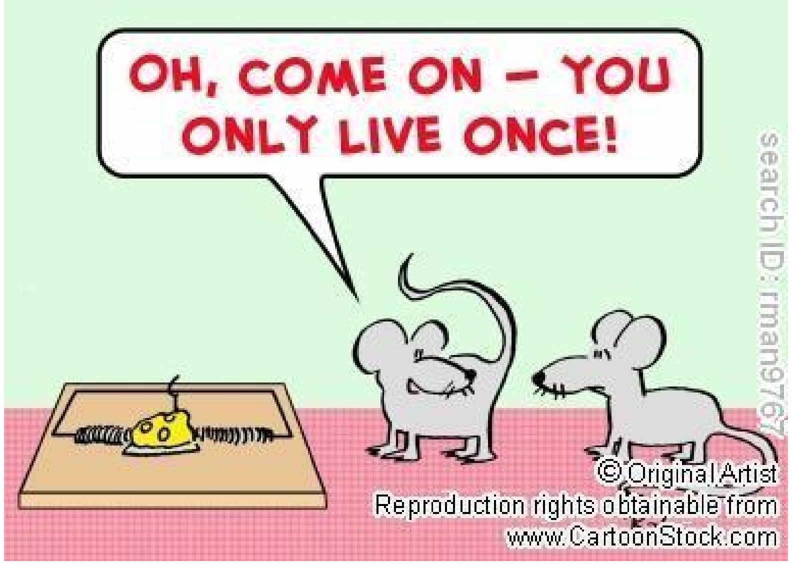
Definitions of Risk

- Risk is the possibility of losing something of value. Values (such as physical health, social status, emotional well-being, or financial wealth) can be gained or lost when taking risk resulting from a given action or inaction, foreseen or unforeseen (planned or not planned).



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Definitions of Risk…cont.

- Risk can also be defined as the intentional interaction with **uncertainty**.
- Uncertainty is a potential, unpredictable, and uncontrollable outcome; risk is a consequence of action taken in spite of uncertainty.

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Let’s do this

SITUATION	UNCERTAINTY	RISK
Absent in class	??	??
Went to the event by car	Stuck in traffic jammed	??
Covid-19	??	??
Smoking a ciggarette	??	??
Eating non healthy food	??	??

Exercise

CAN YOU IDENTIFY WHAT IS THE EXAMPLE OF RISK SURROUND YOU?

Describing a Risk

- It is not only important to understand the definition of risk, but it is equally important to know how best to describe risk.
- A badly described risk can result in false assumptions being made about the risk and, at worst, result in the wrong actions being taken to control the risk which turn out to be completely ineffective.

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Categorizing Risks

- Risks are usually categorized by type.
- Categories help to communicate the scope of the risk, to assign the responsible authority to handle the risk, to understand the causes of the risk, and to suggest strategies for controlling the risk.

Categorizing Risks

- Risks can be categorized as:
  - negative and positive risks
  - pure and speculative risks
  - standard and nonstandard risks
  - organizational categories
  - external levels
  - and higher functional categories

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Negative and Positive Risks

- The easiest but most neglected categorization of risk is to distinguish between negative risks (uncertain harm) and positive risks (uncertain benefit).

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Pure and Speculative Risks

- Pure risks are always negative (they offer no benefits) and often unavoidable, such as natural risks and terrorism.
- Speculative risks include both positive and negative risks and are voluntary or avoidable, such as financial investments.
- This distinction is useful strategically because the dominant responses to pure risks are to avoid it, while speculative risks should be either pursued if positive or avoided if negative.

Standard and Nonstandard Risks

- Standard risks are risks against which insurers offer insurance at standard rates.
- Most standard risks derive from predictable causes, such as unhealthy behaviours, or frequent events, such as road traffic accidents, that give the insurer confidence in their assessments of the risks.

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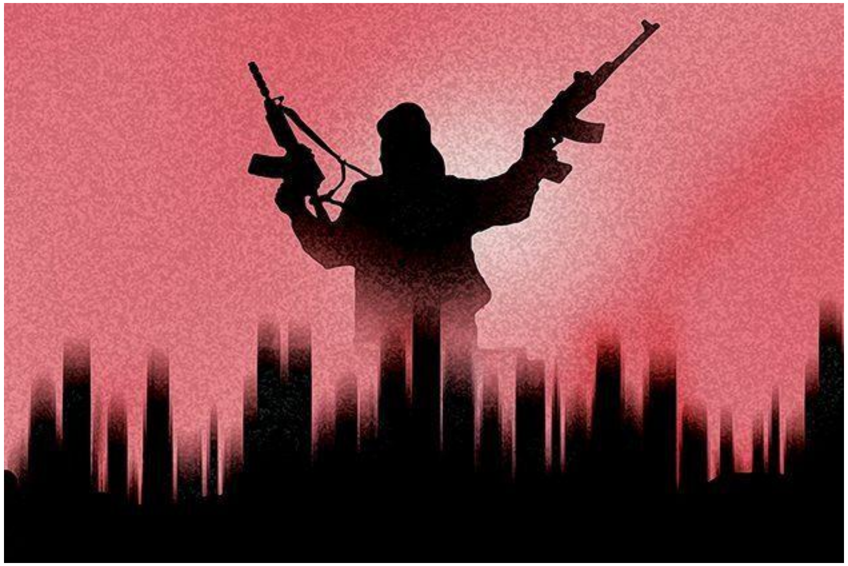
Standard and Nonstandard Risks

- Nonstandard risks tend to be risks with great uncertainty or great potential for negative returns, like those associated with war, terrorism, and natural catastrophes.
- To insure against a nonstandard risk, the consumer could negotiate a particular policy but might fail to find any insurer, in which case the consumer is left to retain or avoid the risk.



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Overview of Risk Management

Strategies to Control Risk

1. Reduction (optimize – mitigate)
2. Redistribution (establish several branches)
3. Transfer (sharing – insurance or outsource)
4. Avoidance (eliminate, withdraw from or not become involved)
5. Acceptance (residual risk)

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