

How does risk affect business?

Situation: You run a business from an office that provides financial advice to other businesses. Complete the following risk assessment.

Risk description	Likelihood of risk (1-5)	Consequence of risk (1-5)	Level of risk (1-25)	Risk rating (Low - Extreme)	Type of insurance that could be used to mitigate the risk	What else could be used to mitigate this risk? (e.g., employee training, equipment maintenance)
A client claims there is a fault with a service you delivered.						
Your employee becomes seriously injured as a result of work.						
Electrical equipment causes a fire damaging a piece of machinery that needs replacing.						
An email containing confidential client financial information is sent to the wrong recipient.						

Risk Matrix:

		Consequence				
		Negligible 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
Likelihood	Almost certain 5	Moderate 5	High 10	Extreme 15	Extreme 20	Extreme 25
	Likely 4	Moderate 4	High 8	High 12	Extreme 16	Extreme 20
	Possible 3	Low 3	Moderate 6	High 9	High 12	Extreme 15
	Unlikely 2	Low 2	Moderate 4	Moderate 6	High 8	High 10
	Rare 1	Low 1	Low 2	Low 3	Moderate 4	Moderate 5

*Multiply the likelihood and consequence to determine the level of risk/risk rating.

Types of Insurance:

- **Public liability insurance** - This covers if a person claims they have been injured, or had property damaged, due to the activities of the business.
- **Professional indemnity insurance** - This covers businesses that offer knowledge, skills or advice as part of their work. If the work leads to a client's loss of sales or damaged reputation.
- **Cyber and data insurance** - This covers the losses relating to damage to, or loss of information from, IT systems and networks.
- **Commercial building insurance** - This covers the business if the property where the business operates becomes damaged; this only protects the building itself.
- **Business contents insurance** - This covers all the contents in case vital instruments become damaged that the business requires for day-to-day running.
- **Trade credit insurance** - This covers if customers who owe money do not pay their debts or pay them later than the payment terms dictate.
- **Employers' liability insurance** - This covers the cost of compensating employees who are injured at or become ill through work.