

# Risk management and insuranc

Finance



Risk Management and Insurance Question One Risk is the uncertainty towards an outcome or probability of an occurrence in the future.

Organizations and companies strive to manage the risks that may occur within the entity by use of risk management processes. Risk managers often engage themselves in six steps of handling the uncertainty within the entity. It becomes hard for them to manage risk effectively without necessarily undergoing the six steps respectively. Risk managers begin by identifying the potential risks that are within and outside the business environment (Outreville, 2014). That is primarily detecting what can go wrong in an organization resulting in an adverse effect towards the proper functioning of the company. Secondly, the risk discovered is then measured in terms of the impact it can cause if it was to occur. That is done by estimating the frequency and severity of the risk.

Alternative solutions are then examined to come up with the best way of solving the risk. The step puts more emphasis on how to deal with the risk and the most affordable alternative as well as choosing the most effective method to deal with the risk. The fourth step involves making a decision on which alternative to apply in order to manage the risk entirely. Risk managers come up with a conclusion of which method to use and, as a result, implement it. Potential methods are applied to either control or prevent the occurrence of a risk. After applying the solution, managers monitor the results of the activity performed to ensure quality work and fair progress of the risk management process. Managers also find the needed resources to fund the process (Outreville, 2014). Finally, the process ends up with an evaluation step. After implementing the alternative, an analysis is undertaken to evaluate the effectiveness of the method towards managing

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risk.

#### Question 2

When it comes to comparing social security programs in different countries, one would be referring to the systems used by various countries to maintain the social security benefits programs. Comparing Australia and Mexico, both have employed new strategies of increasing the revenue they generate to support the programs. Australia has indeed increased the retirement age of women from 60 to 65 (Zavora, & Chepurny, 2014). The country has also strengthened the ways of determining whether an individual qualifies for age pension as well as instituting asset-based tests to help in the process. In Mexico, things seem to change a bit since the government has increased the year earnings as well as the contribution rates to reconcile revenues and expenses. It has also made it mandatory for all workers to have retirement benefits accounts at a lower administrative cost compared to other countries (U. S. Social Security Administration, 2013).

#### Question 3

To receive social security, the management has to consider certain factors so as to recommend a person for the program. One is entitled to social security if he or she is beyond 65 years since that is the retirement age. He or she has to be a citizen of that country, may be disabled, has a limited source of income or resources, and finally applies for cash benefits or payments, for example, pensions (Beland, 2009). Those who do not qualify for this category are not guaranteed a chance of being beneficiaries of the social security funds.

#### Question 4

The differentiating factor between health and disability insurance is the field  
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in which each of the insurances will cover when insuring an individual. Health insurance covers all forms of health insurance and, in addition, it provides cover for disabilities (Janemarie, 2009). Disability insurance covers only the monthly income or earnings of permanently disabled people who are unable to work. However, both can be acquired by the organization for their employees and the employers.

#### Question 5

Financial planning plays a significant role in life insurance for individuals as well as families. It helps one to calculate the total amount needed for life insurance and that is essential to one's family. The life cover is payable to the dependents once the person dies so as to facilitate the maintenance (Katt, 1997). If an individual gets a salary of \$500,000 per year, and he or she has a sizable mortgage and pays enormous school fees, then he or she needs about \$0.5 million in coverage.

#### Question 6

There exists a difference between life insurance, property and casualty insurance which many people tend to confuse. Life insurance provides cover for items that portray the continuity in character in them. They include estate planning, investments, family continuations as well as business continuations. While, property and casualty are for agents who tend to deal with tangible assets such as autos, homes or even businesses (Murray, 1993). It also covers liabilities protecting people against lawsuits that may come their way.

#### References

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