

Chapter 33 The Basics of Risk Management

Section 33.2 Handling Business Risk

Reading Activity—Create a Table

Directions Read the excerpt from the textbook. Then fill in the table to define and give examples of the words *risk*, *peril*, and *hazard*. The first example is provided for you.

Risk, **peril**, and **hazard** are important terms in insurance. In everyday life, these terms have almost the same meanings. In the insurance business, however, each word has a distinct and special meaning. While risk is the chance of loss or injury, peril is anything that may possibly cause a loss. It is the reason someone takes out insurance. People buy insurance against a wide range of perils, including fire, windstorms, explosions, robbery, and accidents. Hazard is anything that increases the likelihood of loss through peril. For example, defective electrical wiring in a house is a hazard that increases the chance that a fire will start.

Understanding the Meaning of Risk, Peril, and Hazard			
	Risk	Peril	Hazard
Definitions			
Example 1	Chance of injuries such as burns, lung damage, or death Chance that fire will damage or destroy the structure	Fire	Defective electrical wiring
Example 2			
Example 3			