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Administration and Economics
Dep: Finance and Banking
Risk management
Stage 2
Chorus I
Chapter 2.... Risk Divisions
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Chapter 2

Agenda

Risk Divisions

Chapter 2

Risk Divisions

There are several divisions of risk, and we will try to address these divisions in order in the light of the above analysis of the risk concept. Perhaps the most prominent and most well-known divisions of risk are classified into two groups:

First: Moral and Economic Risks

1. Moral risks:

Which reflects the social and moral aspects of the people and thus does not affect their economic and financial positions .

What are the moral risk :

1. Moral risks:

- They are risks that do not directly cause profit or loss,

-but only cause moral loss,

What are the moral risk ?

- and usually these risks are not subject to the principle of measurement and division,

-and therefore insurance companies do not insure against them,

Do insurance companies insure moral hazards?

1. Moral risks:

- such as psychological risks resulting from trauma, pain, emotion or fear,
- so they are not the subject of our study and may be Studied by psychology or sociology.
- **The only exception is the risk of death, provided that the beneficiary has an insurance interest in the insured's survival**

What is the exception at risk of death?

2. Economic Risks

- It affects the economic and financial aspects of people, and thus directly affects their economic positions.
- They are those risks whose causes result in financial or economic loss,
 - such as the risk of fire or the risk of death.
 - The risk of the father's death involves a moral risk of losing affection towards family members,
 - and it also includes a material risk of loss of income.

economic risk are Divided in to Two parts

What are the economic risks?

Economic Risks Are Divide in to Two Parts

A. Risks of speculation: B. (pure) Risks:

A. Risks of speculation:

The risks of speculation are defined as: “the situation in which profit or loss is possible.”

For example, if you buy 100 shares of public shares, then you will profit if the price of shares rises, but you will lose if the price falls. Another example of speculation risks is betting on Horse racing, real estate investment, and your entry into a business »

Economic risks are divided into sections: What are the sections? Explain one of them

A. Risks of speculation:

It is also known as:

- “Those risks that arise by the act of the person itself for itself and aims to achieve financial or economic benefits,
- taking into account that the results of these actions are not known to it in advance,
- as a result of the prevalence of the uncertainty phenomenon in the speculative markets

What is the meaning of speculative risk?

A. Risks of speculation:

- The basic principle with regard to this kind of risk is not that they are present in a person's life,
- but rather that which man himself creates in search of profit.
- **But at the same time human suffers from its presence in the form of its uncertainty about the final outcome of the speculation process;**

Is there certainty in the speculation process?

- therefore, this type of risk is also known as the risk of expected profits or the risk of estimated earnings.
- It should be noted that speculative risks are called commercial risks

B: (pure) Risks:

- Research Risk is defined as a situation that includes only possibilities of loss or non-occurrence of the loss.
- The only possible outcomes are the occurrence of loss or no loss.

What are the pure risks?

- Examples of pure risks include: premature death, work-related accidents,
- major medical expenses, and property damage due to fire, lightning, and flood ... etc.

B: (pure) Risks:

- The definition of a pure risk also includes the following:
- Its production is from natural phenomena that no human being has involved in,
- and it cannot be avoided,
- and there is no doubt that the final outcome of these risks is the occurrence of a certain financial loss to man,
- and no one expects any profit from it.
- It has no involvement in its occurrence and it can only be avoided by following certain procedures and policies:

How do you explain the pure danger

B: (pure) Risks:

- Among the prominent examples of the existence of these risks are:
- The risk of death,
- which results in loss or depreciation of the asset.
- It is worth noting that speculative risks may benefit society,
- unlike net risks,

Is speculative risk benefit society?

B: (pure) Risks:

as losing an investor as a result of lower securities prices may mean a profit for another investor,

and losing a company due to lower prices for its products may mean a profit for the consumer,

while losing a factory due to fire means loss for the owner and is also a loss to society.

ACTUALLY, NET RISKS CAN BE DIVIDED INTO THREE GROUPS OF RISKS:

Risks can be Divided in to three Groups of Risks:

- Personal Risks
- Property Risks
- Risks of Civil Liability

What are the types of pure dangers?

1 Personal Risks:

- - It includes a group of sources of risks that affect people directly, and they affect a person in its personality.
- - Among these risks: the risk of premature death that results in the death of the head of the family without completing financial obligations towards its family,
- - such as the expenses of raising children, educating and providing them with housing.
- What do personal risks include?

1 - Personal Risks:

- The risk of insufficient income during the retirement period
- Disease risk
- Unemployment risk

What do personal risks include?

1 - Personal Risks:

- The loss of income here is a material and moral "psychological" loss,
- as the head of the family provides protection and health care for the family,
- so this family will lose income and that protection, in exchange for that is not considered an early death of a ten-year-old child,
- because this child does not have a family and does not have financial obligations towards it;
Also

What does personal risk mean?

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1 - Personal Risks:

- aging is the lack of sufficient income for a person when it retires,
- and as for the risk of illness,
- it means the loss of income due to the latter as a result of the inability to work, and it also means a large volume of expenses for treatment,
- and by analogy with this, the risk of unemployment poses a great threat to society
- -What do personal risks include?

2- Property Risks:

Those risks that,

- if the causes of them are realized in the form of an accident,
- the object of the impact is the property,
- whether in its fixed or movable form,
- including fire, theft, loss, etc.
- Property owners are also subject to direct loss as a result of exposing their property to danger.
- **-What is it Property Risk**

- **2- Property Risks:**

For example,

- if a car crashes in a collision, the direct loss is a repair expenses,
- and indirect losses come as a result of not using the car during the repair period and the resulting breakdown.

2- Property Risks:

From this it can be said that property risks afflict the individual itself with a material loss as a result of the loss of the asset or the lack of ability to use the asset with high efficiency.

How does an individual suffer from property loss? -

3- Risks of Civil Liability:

- The risks of civil liability are the risks caused by a certain person and these results in material damage to another person or to its property or both.
- The loss resulting from its occurrence does not directly affect the person itself,
- but rather falls on its wealth in general,
- knowing that there are some risks affecting the person itself and its wealth,
- including the professional errors of doctors, pharmacists,

-What are the risks of civil liability?

3- Risks of Civil Liability:

lawyers and engineers and the losses that these risks cause towards others;

There are other risks that affect a person's wealth. An example is the responsibility of the owner of the car or ship for injuries and losses that occur to others in a collision or sinking as a result of its mistake or the mistake of one of its followers.

What wealth?are other risks that affect a person's