

## Risk Classification Exercise – Answer Sheet

For the following examples, please answer:

- Does this represent a *risk* (event), a contributory factor or an impact/consequence?
- If the condition represents a risk factor or controllable factor, in which event risk class (or classes) do the losses manifest themselves (e.g., underwriting risk, operational risk, market risk)?

<b>Sample Risk Issue</b>	<b>Risk (event), contributory factor, or impact /consequence?</b>
1. <i>Concentration (of employees) risk</i>	Controllable Factor (drives Operational Risk)
2. <i>Business continuity planning risk</i>	Controllable Factor (drives Operational Risk)
3. <i>Hurricane risk</i>	Event (Operational Risk)
4. <i>Incentive risk</i>	Controllable Factor (generally drives Operational Risk and Business/Strategic Risk)
5. <i>Mortality risk</i>	Risk Factor (drives Underwriting Risk)
6. <i>Liquidity risk</i>	Risk or Controllable Factor (generally drives Market Risk)
7. <i>Human risk</i>	Too Vague (could be anything)
8. <i>Legal risk</i>	Impact (follows Operational Risk Event)
9. <i>Loss reserving risk</i>	Controllable Factor (drives Operational Risk and Underwriting Risk)
10. <i>Interest rate risk</i>	Risk Factor (drives Market and Credit Risk)
11. <i>Sales practices risk</i>	Event (Operational Risk)
12. <i>Competition risk</i>	Risk Factor (drives Business/Strategic Risk)
13. <i>Compliance risk</i>	Event (Operational Risk)
14. <i>Supply chain risk</i>	Risk or Controllable Factor (generally drives Operational Risk)
15. <i>Reputation risk</i>	Impact (generally follows Operational Risk Event)
16. <i>Terrorism risk</i>	Event (Operational Risk)
17. <i>Governance risk</i>	Controllable Factor (drives Operational Risk)
18. <i>IT system failure risk</i>	Event (Operational Risk)