

CRM Practice of Risk Management

Sample Exam Questions

1. Total Cost of Risk (TCOR) is an important metric in risk management programs and is often allocated across an organization. There are benefits of allocating TCOR, such as improving accountability. However, there may be negative implications from allocating TCOR. Identify four potential negative implications that might result from a TCOR allocation program. (8 points)

Answer: any four; 2 points each

Middle management pushback
Circumventing accident reporting procedures
Late reporting or non-reporting
Poor morale at individual locations
Distorted goals and objectives
Disparate financial consequences
Can damage team approach to risk management

2. Executive liability risk exposure can arise from different types of law. Civil law, which generally protects the interests of individuals, falls into three primary legal categories, each with its own characteristics.

- A. Identify and briefly describe one of the three types of civil law (4 points)

Answer: Any one of the following; 1 point for type, 3 points for description

Tort – a private or civil wrong, other than a breach of contract, for which the courts will allow an action for damages

Contracts – the law of contracts governs the performance of a promise between parties

Statutes – rules enacted by legislative and administrative bodies that impose responsibility for certain actions or omissions

B. A finding of negligence requires the presence of four elements, each of which must be present to establish that finding. List the four elements of negligence that must be present to support a claim of negligence. (8 points)

Answer: all four; 2 points each

A duty owed by the defendant

A breach of that duty

Causation – the breach of duty must be the proximate cause of injury or damages

Damages resulting from the breach