

CHAPTER 2 : RISK MANAGEMENT AND DISASTER PLANNING

Risk

- Risk involves uncertainty and is based on chance happenings of things going wrong or uncertainty regarding how long something will take or how much it will cost.
- Also can be described as “ an uncertainty regarding loss”.
- There are two concepts related to risk and loss, i.e., hazard and perils.

Types of Risk

1. Fundamental
2. Particular
3. Pure
4. Speculative

Risk Management Process

- The risk management process involves a systematic approach to dealing with risks that threaten assets and earnings of a business or enterprise. It comprises the following steps:

Risk Handling Methods

1. Risk avoidance
2. Loss Control
3. Risk Retention
4. Risk transfer

Risk Assessment

- Risk assessment may be defined as the application of any technique/ technology that deals with probability in some technically sound manner.
- The overall process of risk analysis and risk evaluation.
- It is a process and may be applied at any level of decision-making.

Risk Analysis

- A systematic use of available information to determine how often specified events may occur and the magnitude of their consequences.

Business Continuity Glossary (BCM)

- BCM provides the strategic and operational framework to review the way an organization provides its products and services whilst increasing its resilience to disruption, interruption or loss.
- It covers disaster recovery, crisis management, risk management control or technology recovery.

Important Terms in BCM

1. Business Continuity Planning (BCP)
2. Business Continuity Program
3. Business Impact Analysis (BIA)
4. Business Interruption
5. Contingency Planning
6. Contingency Plan
7. Crisis
8. Crisis Management
9. Data Backup
10. Disaster
11. Disaster Recovery
12. Risk Assessment/Analysis
13. Risk Mitigation
14. Simulation Exercise

Disaster Recovery Planning (DRP)

- Disaster is defined as a sudden, unplanned calamitous event causing great damage or loss.
- DRP refers to the advance planning and preparations that are necessary to minimize loss and ensure continuity of the critical business functions of an organization in the event of disaster.