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**Factory Mutual International**

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THE RISK MANAGEMENT GAME

The Risk Management Game is an educational exercise which is intended to illustrate the importance of property loss control.

This workshop simulates the effect risk management decisions have on protecting a company's assets and earnings from property-related perils. Playing this game is an enjoyable way to present several risk management principles to plant and facility managers and others who must make loss prevention decisions, set budgets and operate within their budgets.

Through role-playing the participants assume the responsibilities of risk and plant managers for the five companies of the Easy Byte Corporation.

The decision-making process of the Risk Management game is based upon three steps

- recognizing the possibility of a loss
- measuring the size and severity of a potential loss
- decide whether to eliminate, minimize or retain the risk of a potential loss.

The game spans four years. For each year of the four-year game cycle there will be

- an improvement budget
- a decision on how to spend it to best protect the company
- and the possibility of three property losses

The participants must try to complete as many of the loss prevention recommendations as their budget will allow within the four-year time period. As in life, there are more recommendations to complete than funds will allow, and individual losses in the game are often unpredictable.

The score is based on how well the participants have done in each of the following areas:

- reduce the corporation's property losses by implementing loss prevention programs. Although in this game the number of losses experienced each year cannot be reduced, the severity and the amount of each loss can be reduced.
- reducing the insurance premium paid by the corporation over four years. If all major recommendations at an individual location are completed, that facility will qualify as an HPR (Highly Protected Risk) and receive a premium reduction.
- reducing the loss ratio which is an indication of the loss risk the corporation presents to the insurance industry.

This game is usually played in groups of 5 but for larger gatherings it can be presented as an individual workshop where each participant plays the game.