International Labour Organization

Impact Insurance

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

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Risk management and insurance for Ghanaian MSMEs

Supporting MSMEs in understanding and managing their risks

Session 1

Introduction

Objectives

- By the end of this training, you will:

1. Understand the four types of risks – hazard, financial, operational and strategic – facing your business sector
2. Understand the various mechanisms and strategies available to manage these risks, including risk avoidance, risk reduction, risk transfer and risk retention
3. Understand when insurance is an appropriate financial tool to manage residual risks, when other solutions are required and how to choose an insurance product based on the options available in Ghana
4. Acquire an enterprise risk management framework to conduct a risk assessment of your own business

How has an unexpected event (that is NOT the COVID-19 pandemic) impacted your business in recent years?

Introduction to Enterprise Risk Management (ERM)

Framework adapted from the Casualty Actuarial Society

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Session 2

Identify risks

What is the first thing that comes to your mind when you hear the word “risk”?

Definition of risk

- Risk is the exposure to the possibility of loss, injury, or any other unwelcome circumstance
- In other words, risk is the possibility of something bad/negative happening

Small group exercise

- Choose somebody to act as group leader
- Discuss the risks that your businesses face (think about the entire supply chain) and come up with a list of at least ten risks
- Write these risks down, one on each post-it note
- The group leader should report one risk to the main group
- Time: 20 minutes

Types of risk

Hazard risks: Risks that pose a level of threat to life, health, property or the environment. Most hazards are dormant or potential with only a theoretical risk of harm. However, once a hazard becomes active, it can create

- Fire and other property damage
- Windstorm, flood, drought and other natural perils
- Theft and other crimes
- Disease, accident and disability
- Acts of terrorism
- Cyber-attack
- Liability claims
- Business interruption
- Epidemics and pandemics

Framework adapted from the Casualty Actuarial Society

Types of risk

Financial risks: Risks that affect a business' ability to manage its debt and fulfill its financial obligations. This type of risk can arise due to instabilities, losses in the financial market or movements in stock prices, currencies, interest rates, among others

- Commodity price risk
- Liquidity risk
- Credit risk
- Inflation risk
- Foreign exchange risk
- Interest rate risk
- Capital availability

Framework adapted from the Casualty Actuarial Society

Types of risk

Operational risks: Risks related to a business ongoing, everyday operations (i.e. the execution of an institution's business functions). This type of risk arises from inadequate or failed internal processes, people and systems

- Human resources risk
- Product development risk
- Supply chain disruptions
- Budgeting and planning
- Accounting and taxation
- Information technology risks
- Knowledge capital risk
- Compliance risks

Framework adapted from the Casualty Actuarial Society

Types of risk

Strategic risks: Risks that threaten to disrupt the assumptions at the core of an organization’s strategy. They can appear as sources of disruption to a whole industry, and that makes them very powerful. However, they can also be seen as opportunities to innovate. Often hard to spot and hard to manage

- Competition
- Customer preferences
- Demographic, social and cultural trends
- Technological innovation
- Regulatory and political trends
- Obsolescence
- Reputational damage

Framework adapted from the Casualty Actuarial Society

Small group exercise

- In your groups, decide which of the risks you identified on the post-it notes belongs under which heading: hazard, financial, operational or strategic
- Stick them up under the relevant heading
- Where another group has put up the same risk, stick your post-it note on top of theirs
- Time: 20 mins

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