DEPARTMENT OF FINANCE, INSURANCE, & LAW
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FIL 250 – Introduction to Risk and Insurance
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Risk Management at WISU

Television station WISU is located in a normal city of 1 million people. The station is incorporated, with the majority of the stock owned by one family. The grandfather, age 68, who founded the station, has already begun to make gifts of the stock to other family members. His daughter, age 47, is currently the vice president and will manage the station after her father retires or dies. The station is affiliated with one of the three national television networks.

WISU has 78 employees. Of these, 12 appear on the air, 7 are managers or officers, and 59 are clerical, production, or marketing employees. The payroll for a recent year amounted to $6,550,000. WISU's assets include buildings and a transmission tower valued at $8.5 million on the books, but with a replacement value of $11 to $14 million. The station's equipment, including cameras, videotape machines, three autos, one truck, and sophisticated electronic equipment and computers, has a book value of $22.6 million and a replacement cost of $33.5 million.

In recent years, the station's earnings after taxes were as follows:

3 years ago	$28 million
2 years ago	$32 million
Last year	$23 million

The income was derived from selling commercials in the local market and from network revenue. Interestingly, in recent years one sales representative was responsible for almost one-quarter of the local advertising revenue. WISU is the second-ranked station in the market and has become aggressive in the past three years in trying to increase its market share. The station management has faced an uphill battle in gaining ground on the number-one station, and there is concern that both stations have lost earnings to cable television. The station's cash flow is seasonal, with maximum receipts occurring during December. Any losses before special events, such as sporting championships, would have a major impact on profitability.

Go through the risk management process for WISU. What are their loss exposures and what risk management techniques do you think are best to handle each of the loss exposures? Give at least one example of how the risk management techniques of avoidance, assumption, loss prevention, loss reduction, and insurance may be used, explaining why each technique is appropriate and why other techniques are less optimal