



2006



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Financial Services Forum

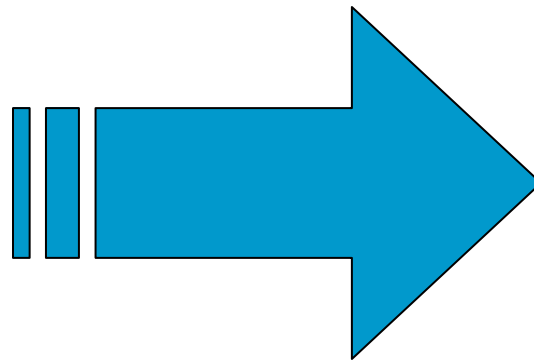
Expanding Our Horizons

Corporate Risk Management in Practice

Pauline Blight – May 2006

Types of Risk

Financial
Market
Credit
Operational
Insurance



Financial
↓ profit
↓ capital
failure

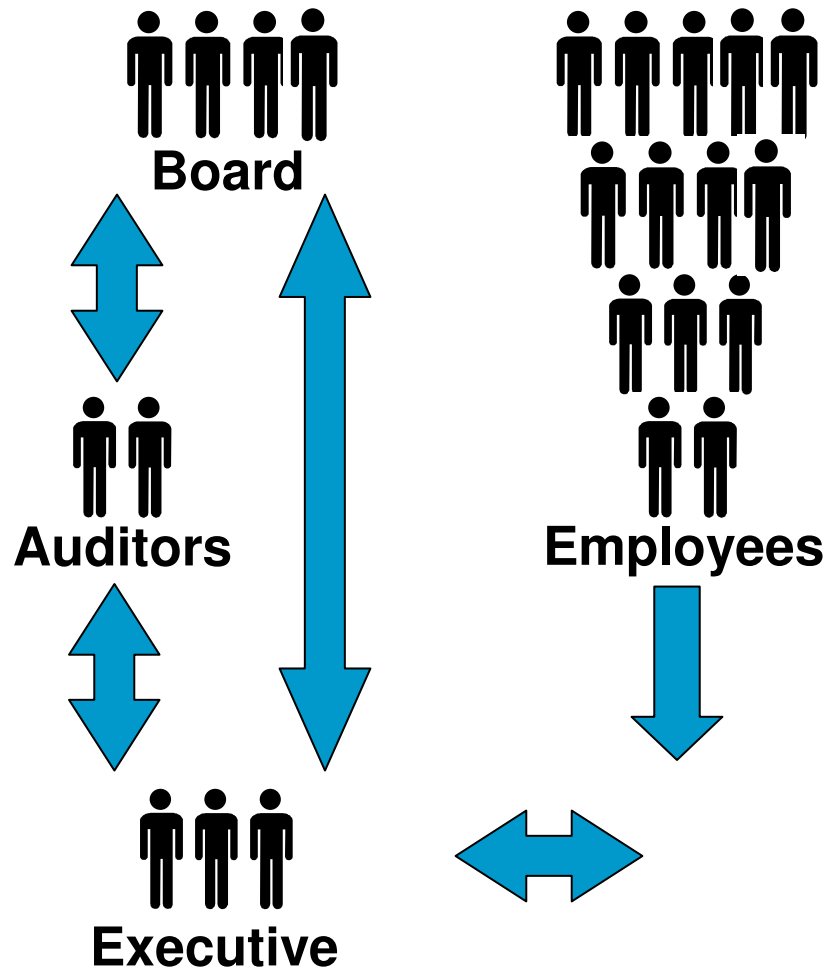


The Growing Importance of Risk Management

\$
Shareholders
and other
Beneficiaries



Regulators



Challenges for Board & Management

Full responsibility

Partial information

➡ How much to ask for?

➡ In what format?



Challenges for Board & Management

Inherent Risk



Bankruptcy

Risk Treatment

Process

- Sprinklers

Offset

- Insurance

Capital

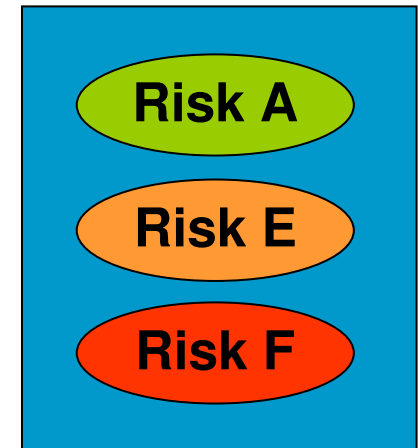
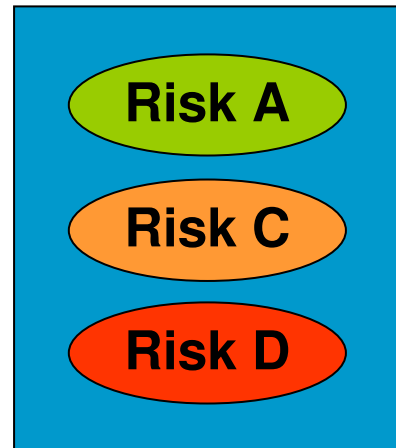
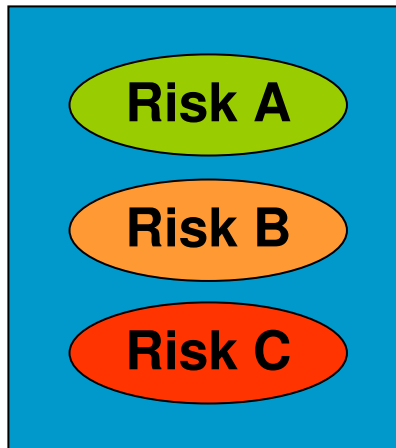
- Savings

Residual Risk

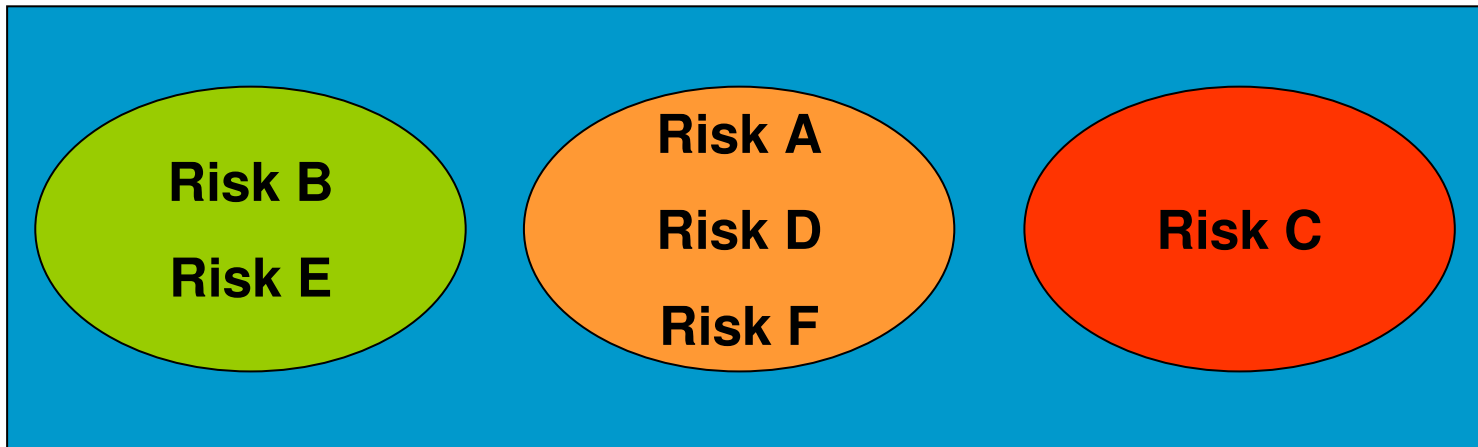
**Manageable
reduction in
one year's
profits**

Materiality

**Business
Units**



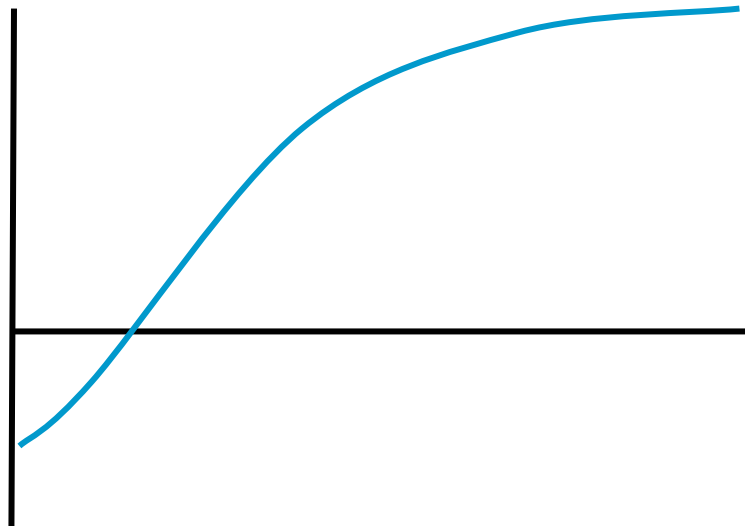
Company





Risk Tolerance

- Board responsibility on management advice
- Communication techniques



**Probability
Distributions**

What if:

- target surplus?
- profit shock?
- regulatory capital?
- default?

**Scenario
Discussion**

Essential Elements in Risk Management

- All staff
 - frontline to senior management
- Controls
 - tested regularly
- Incorporate into management objectives
 - avoid tick-box
- Culture
 - can't have a procedure for everything

Additional Benefits

- Framework for audit
 - internal / external
- Platform for skills exchange
 - actuaries good at insurance market risks
 - bankers good at credit risks
 - engineers good at operational risks
- Essential for long term success



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