

RISK FINANCING GUIDELINES



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Risk financing guidelines

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Preface

These guidelines were prepared by the Joint Standards Australia/Standards New Zealand Committee on Risk Management as an Australian guideline.

Applying a generic standard such as the Australian/New Zealand Standard AS/NZS 4360:2004 often requires additional guidance. These guidelines are intended to provide that guidance in a practical form to those people who are charged with arranging risk financing for their organisation, regardless of the size or nature of the organisation. Specific comment is included, where appropriate, on the application of the guidelines to smaller organisations.

Whilst the guidelines concentrate on the risk financing process itself, they follow the steps in the risk management process outlined in AS/NZS 4360:2004 because all the steps are interrelated. They particularly amplify section 3, risk management process. It has been assumed that readers will have already read AS/NZS 4360:2004, and will be familiar with the risk management process itself.

Risk may be financed in many different ways, each of which may be used singularly or in combination. For example, by way of the retention or use of reserves, transfer, credit or insurance.

A case study of an organisation's approach to its risk financing strategy is provided in Appendix C of these guidelines by way of illustration.

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