



Australian Government

Department of Education, Employment and Workplace Relations

FNSRSK602A Determine and manage risk exposure strategies

Revision Number: 1

FNSRSK602A Determine and manage risk exposure strategies

Modification History

Not applicable.

Unit Descriptor

Unit descriptor	This unit describes the performance outcomes, skills and knowledge required to analyse risk factors for financial investment and insurance products, determine appropriate risk exposure management strategies and communicate these to relevant staff and intermediaries and personally manage the risk assessment strategies. It is aimed at setting the strategy for portfolio managers, including what types of business will be targeted and not targeted. This unit may apply to job roles subject to licensing, legislative, regulatory or certification requirements so Commonwealth, State or Territory requirements should be confirmed with the relevant body.
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Application of the Unit

Application of the unit	It may be applied within financial product development and marketing, insurance underwriting and other contexts within the financial services industry.
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Licensing/Regulatory Information

Not applicable.

Pre-Requisites

Prerequisite units		

Prerequisite units		

Employability Skills Information

Employability skills	This unit contains employability skills.
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Elements and Performance Criteria Pre-Content

Elements describe the essential outcomes of a unit of competency.	Performance criteria describe the performance needed to demonstrate achievement of the element. Where bold italicised text is used, further information is detailed in the required skills and knowledge section and the range statement. Assessment of performance is to be consistent with the evidence guide.
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Elements and Performance Criteria

ELEMENT	PERFORMANCE CRITERIA
1. Determine appropriate risk assessment strategies	1.1. Appropriate criteria for acceptance or rejection of risks are identified and evaluated 1.2. Performance targets for the organisation's capacity to assess and accept risk are determined 1.3. Organisation's business risk elements and control risk elements are identified
2. Evaluate risk and compliance factors	2.1. Accurate, reliable and up-to-date information on these elements is identified and collated in a form suitable for analysis with relevant data accessed and comprehensively investigated and reviewed 2.2. Risk elements are evaluated against known exposure factors and compliance with relevant legislation and organisation policy is considered 2.3. Risk acceptability factors are evaluated within the context of organisation's mitigating capabilities 2.4. Risk acceptability factors are evaluated within the context of organisation requirements
3. Establish risk acceptance criteria	3.1. Terms and conditions of risk acceptance criteria for low hazard risk areas are established that meet market conditions and are within organisation accepted levels of exposure 3.2. Terms and conditions of risk acceptance for high hazard risk areas are established that meet market conditions and are within organisation accepted levels of exposure 3.3. Risk acceptance strategies, criteria and guidelines are clearly documented, and meet the requirements of relevant guidelines and are determined within delegated authorities 3.4. Relevant feedback is obtained and reviewed and the risk acceptance criteria, and associated authority limitations, conditions and guidelines finalised
4. Develop risk management strategies	4.1. Risk management for each risk is selected and an implementation plan developed 4.2. Procedures that staff should follow in operationalising strategy are identified and developed
5. Implement risk assessment strategies	5.1. Risk assessment strategies, criteria and guidelines are communicated to relevant staff and intermediaries 5.2. Risk acceptance strategy implementation is

ELEMENT	PERFORMANCE CRITERIA
	monitored
6. Evaluate and review risk assessment strategies	6.1. Risk assessment strategies are evaluated to determine effectiveness in achieving risk management objectives and reviewed as required 6.2. Results are documented and communicated to relevant staff

Required Skills and Knowledge

REQUIRED SKILLS AND KNOWLEDGE

This section describes the skills and knowledge required for this unit.

Required skills

- highly developed communication skills to:
 - determine and confirm organisation risk strategy requirements, using questioning and active listening as required
 - liaise with others, share information, listen and understand
 - use language and concepts appropriate to cultural differences
- highly developed research and analysis for accessing, interpreting and managing complex information
- well-developed risk assessment and management skills
- numeracy and IT skills for:
 - identifying and using statistical information
 - accessing and using appropriate software such as word processors, spreadsheets and databases and internet information
- well-developed literacy skills for analysing risk information and financial products to ensure appropriateness to the organisation
- well-developed problem solving skills to identify any issues that have the potential to impact on risk strategies and compliance and to develop options to resolve these issues when they arise
- organisational skills, including the ability to plan and sequence work

Required knowledge

- Australian Standard 4360 Risk Management
- actuarial and financial principles and processes
- industry sector compliance requirements such as the General Insurance Code of practice
- organisation products and services
- identification of liability loss exposures
- organisation policy, procedures guidelines and authorities
- relevant industry hazards and risk exposures
- relevant legislation, regulatory guidelines and industry sector compliance requirements, such as:
 - Insurance Contracts Act
 - Privacy Act
 - Trade Practices
 - Corporations Act
- risk assessment and prevention methods and application

Evidence Guide

EVIDENCE GUIDE	
The Evidence Guide provides advice on assessment and must be read in conjunction with the performance criteria, required skills and knowledge, range statement and the Assessment Guidelines for the Training Package.	
Overview of assessment	
Critical aspects for assessment and evidence required to demonstrate competency in this unit	Evidence of the ability to: - interpret and apply organisation policy and procedures and comply with legislation, regulations and industry codes of practice - effectively analyse, determine and manage financial risk exposure strategies.
Context of and specific resources for assessment	Assessment must ensure: - competency is demonstrated in the context of the financial services work environment and conditions specified in the range statement either in a relevant workplace or a closely simulated work environment - access to and the use of a range of common office equipment, technology, software and consumables - access to organisation and industry risk management documentation and information.
Method of assessment	A range of assessment methods should be used to assess practical skills and knowledge. The following examples, in combination, are appropriate for this unit: - evaluating an integrated activity which combines the elements of competency for the unit or a cluster of related units of competency - verbal or written questioning on underpinning knowledge and skills - setting and reviewing business simulations or scenarios - evaluating samples of work - accessing and validating third party reports.
Guidance information for assessment	

Range Statement

RANGE STATEMENT

The range statement relates to the unit of competency as a whole. It allows for different work environments and situations that may affect performance. Bold italicised wording, if used in the performance criteria, is detailed below. Essential operating conditions that may be present with training and assessment (depending on the work situation, needs of the candidate, accessibility of the item, and local industry and regional contexts) may also be included.

Business risk elements
may include:

- adequacy of capital
- credit risk
- earnings
- insurance underwriting risk
- liquidity
- litigation and other legal risk
- market efficiency
- market risk
- nature of business
- operational risk
- proper markets
- quality of strategy
- sources of business and distribution mechanisms
- type of customer, user or member
- types of products and services.

Control risk elements
may include:

- allocation and definition of management responsibilities
- business continuity
- clarity of legal ownership structure
- compliance
- corporate governance
- cultural issues and business ethics
- financial and regulatory reporting and accounting policies
- human resources
- IT systems
- internal audit
- jurisdictions and characteristics of controllers or group entities
- management information
- outsourcing to third party providers
- policies, procedures and controls
- professional advisers
- relationship with the rest of the group

RANGE STATEMENT	
	• risk management • treatment of customers or users.
Sources of information may include:	• actuaries • brokers • clients • financiers • intermediaries • lawyers and solicitors • managers or supervisors • marketing and sales personnel • medical practitioners • product developers • reinsurers • underwriters.
Risk is:	• a term used to designate a peril against an insured or against uncertainty of a financial loss.
Risk acceptability factors vary according to:	• potential impact on the organisation • value and type of product or portfolio.
Risk acceptance criteria refers to:	• criteria against which a risk may be measured for acceptability.
Risk management is:	• a procedure to minimise the adverse effects of a possible financial loss by identifying potential sources of loss • measuring the financial consequences and likelihood of a loss occurring • using controls to minimise actual losses or their financial consequences.

Unit Sector(s)

Unit sector	Risk management
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Competency field

Competency field	
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Co-requisite units

Co-requisite units		