

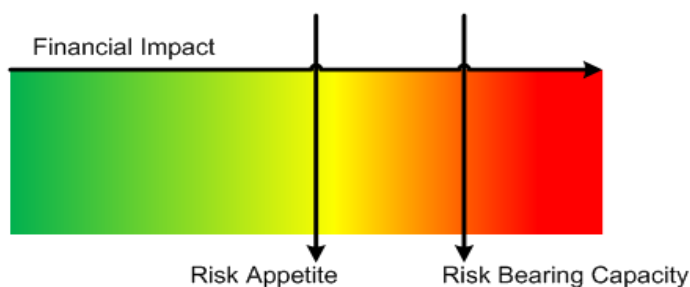


Risk appetite and risk-bearing capacity

Determining willingness and ability to take risks

In order to optimise your company's level of risk retention, you need to determine how much risk you are able and willing to take. But risk appetite also differs between group level and local operating company level. Aon helps you assess your company's risk appetite and risk-bearing capacity, both on group and local level.

Your financial and strategic objectives are key in determining how risk-averse or risk-seeking your company is. This also involves how much insurable risk you want to transfer. To control risk retention for your insurable and other risks you need to know how much risk you are willing and able to take. Aon can help you by applying proven methods to determine your risk appetite and risk-bearing capacity.



What is risk-bearing capacity?

Risk-bearing capacity identifies and quantifies the impact that your organisation can absorb while remaining compliant with externally imposed objectives, such as bank covenants. Breaching the risk-bearing capacity can lead to significant repercussions and may even jeopardise business continuity.

What is risk appetite?

Risk appetite is the maximum amount of risk an organisation is willing to accept in order to achieve its strategic objectives. Breaching this amount will not cause immediate continuity risks, but will lead to distress.

Aon's vision on risk retention

Both risk appetite and risk-bearing capacity are important decision-making indicators, so a clear understanding of both is required. Aon has developed a methodology that identifies, defines and assesses a comprehensive and pragmatic risk appetite framework.

How it works

To obtain a clear and reliable view of your risk appetite and risk-bearing capacity, Aon takes care of the following:

- data gathering with interviews and financial statement analysis;
- identifying and verifying objectives and potential impact;
- financial analysis to determine headroom;
- drawing conclusions on current situation.

Benefits

- improved decision making on risk retention;
- risk retention decisions can be explained to stakeholders;
- explicit link to financial figures aligns risk management with ultimate business objectives;
- important indicator for future risk evaluation.

Aon

Aon Global Risk Consulting (AGRC) is the world's leading risk consultancy firm. Our global network gives us unparalleled knowledge of the challenges and opportunities in your sector. AGRC provides comprehensive and tailored solutions through a consistent approach applied by a panel of experts, specialising in a wide range of disciplines.

Additional information

If you would like to find out more about your risk appetite, please contact us:

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