

Contents

Introduction / vii

Part I: The Products / 1

1. Financial Innovation: Achievements and Prospects / 5
Merton H. Miller
2. The Evolution of Risk Management Products / 18
S. Waite Rawls III and Charles W. Smithson
3. The Revolution in Corporate Risk Management: A Decade of
Innovations in Process and Products / 32
Christopher L. Culp
4. A Senior Manager's Guide to Integrated Risk Management / 63
Lisa K. Meulbroek

Part II: Corporate Uses of the Products / 87

5. Rethinking Risk Management / 93
René M. Stulz
6. An Analysis of Trading Profits: How Most Trading Rooms
Really Make Money / 121
Albéric Braas and Charles N. Bralver
7. Theory of Risk Capital in Financial Firms / 131
Robert C. Merton and André F. Perold
8. Value At Risk: Uses and Abuses / 162
Christopher L. Culp, Merton H. Miller, and Andrea M. P. Neves

9. Allocating Shareholder Capital to Pension Plans / 184
Robert C. Merton
10. The Uses and Abuses of Finite Risk Reinsurance / 205
Christopher L. Culp and J. B. Heaton
11. Does Risk Management Add Value? A Survey of the Evidence / 235
Charles W. Smithson and Betty J. Simkins
- Part III: Practitioner Perspectives: Case Studies and Roundtables / 257**
12. Identifying, Measuring, and Hedging Currency Risk at Merck / 263
Judy C. Lewent and A. John Kearney
13. Corporate Insurance Strategy: The Case of British Petroleum / 279
Neil A. Doherty and Clifford W. Smith, Jr.
14. Hedging and Value in the U.S. Airline Industry / 299
David A. Carter, Daniel A. Rogers, and Betty J. Simkins
15. Enterprise Risk Management: Theory and Practice / 323
Brian W. Nocco and René M. Stulz
16. The Rise and Evolution of the Chief Risk Officer:
Enterprise Risk Management at Hydro One / 348
Tom Aabo, John R. S. Fraser, and Betty J. Simkins
17. University of Georgia Roundtable on Enterprise-Wide Risk Management,
Atlanta, Georgia, November 18, 2002 / 379
18. Morgan Stanley Roundtable on Enterprise Risk Management and Corporate
Strategy, New York City, June 21, 2005 / 413
- Index / 459*