



ICAAP – One Year On

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Agenda

- ICAAP Ownership
- Sophistication of ICAAP
- Has it been a value-add?



Details of the Australian Survey

- 14 companies: mix of size, reinsurer and direct offices.
- Conducted by Interview

Thank-you to all companies who participated.



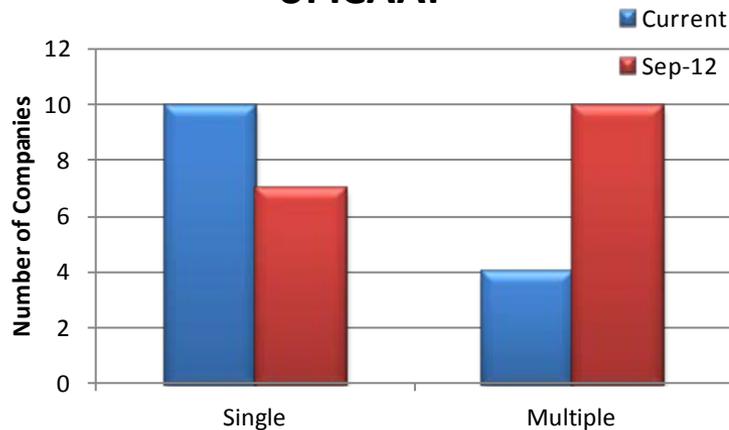
Details of the UK ORSA Survey

- 14 companies: mix of size, reinsurer and direct offices.
- Conducted by Interview
- Purpose of survey was to ascertain the maturity of the ongoing ORSA and wider risk management framework of Solvency 2.

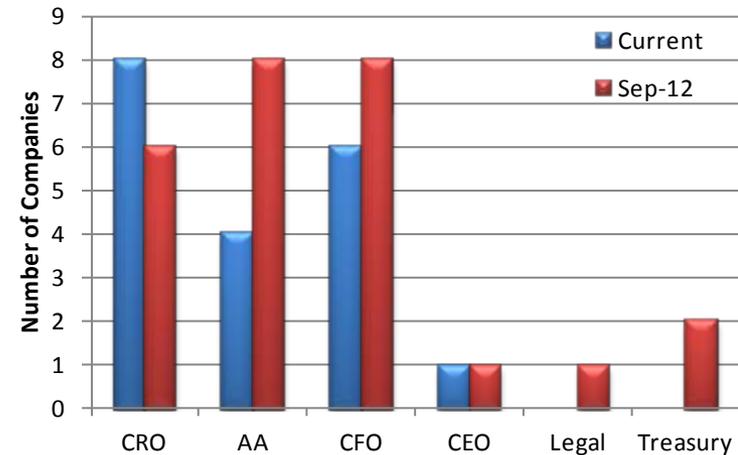


Ownership of ICAAP

Number of "Business Owners" of ICAAP



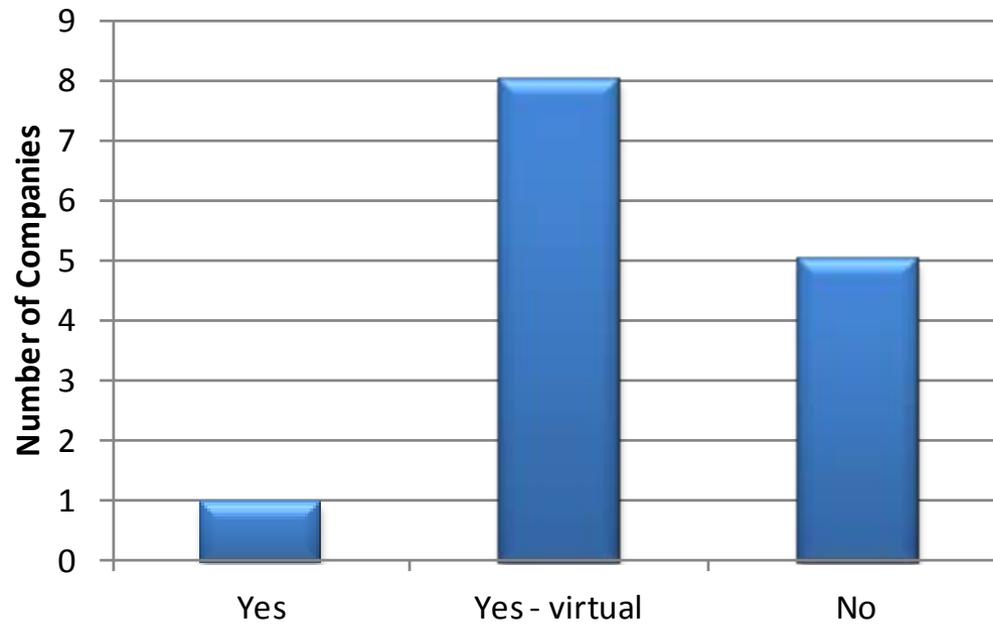
"Business Owners" of ICAAP





ICAAP Team

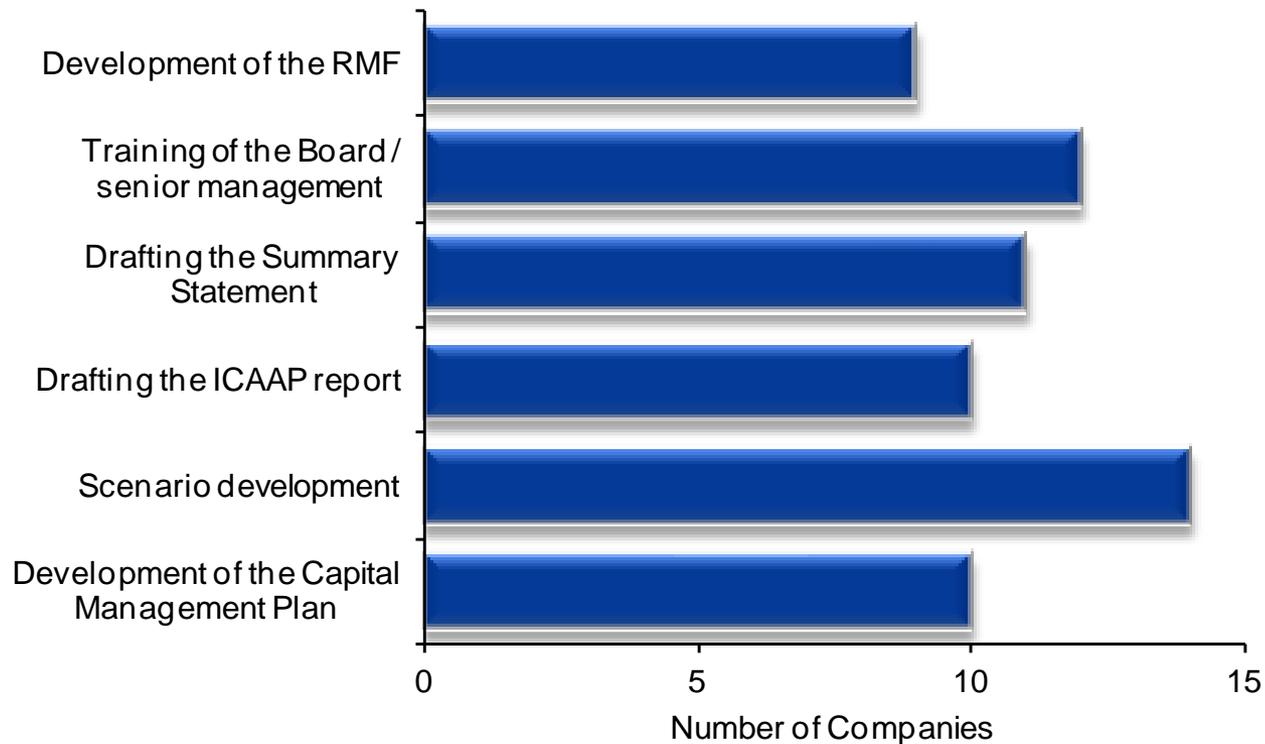
ICAAP Team





Integration of Risk and Capital

Actuarial and Risk Functions Worked Together





ICAAP Sophistication

Siloed

Compliance

Integrated

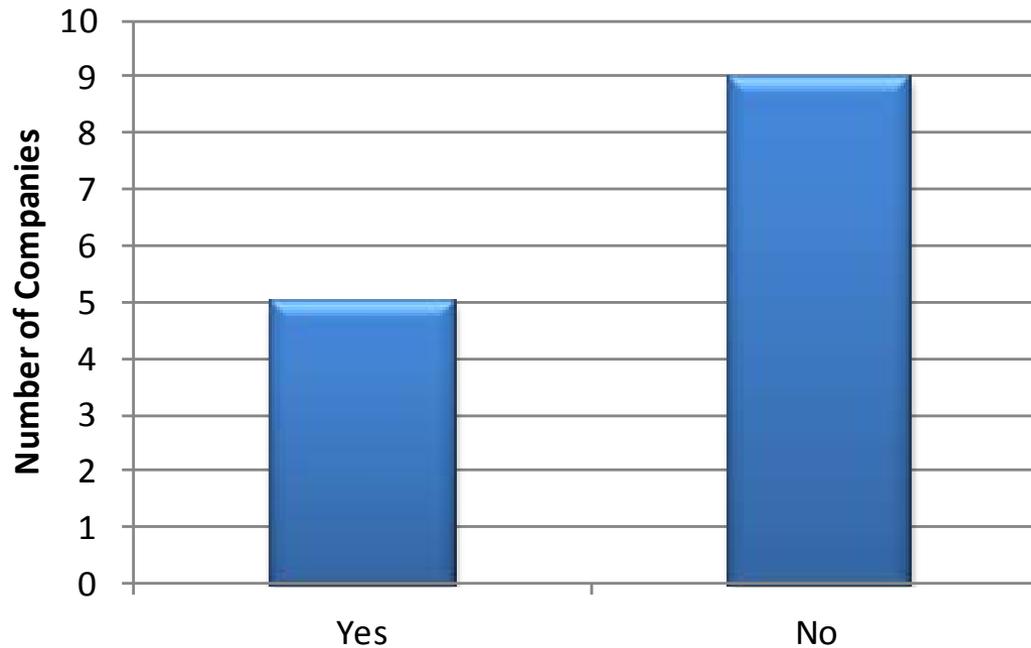
Strategic Tool

Value-Add



Current State: Adequate and Effective?

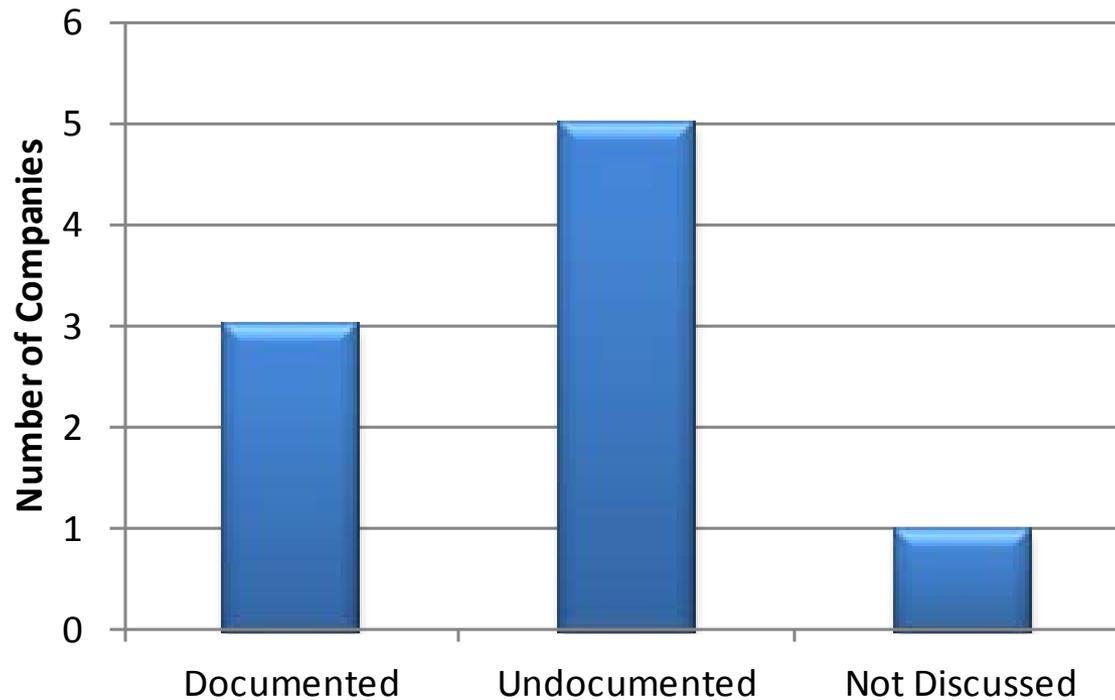
Current State





Understanding of Target State

Target State



Survey Comparison

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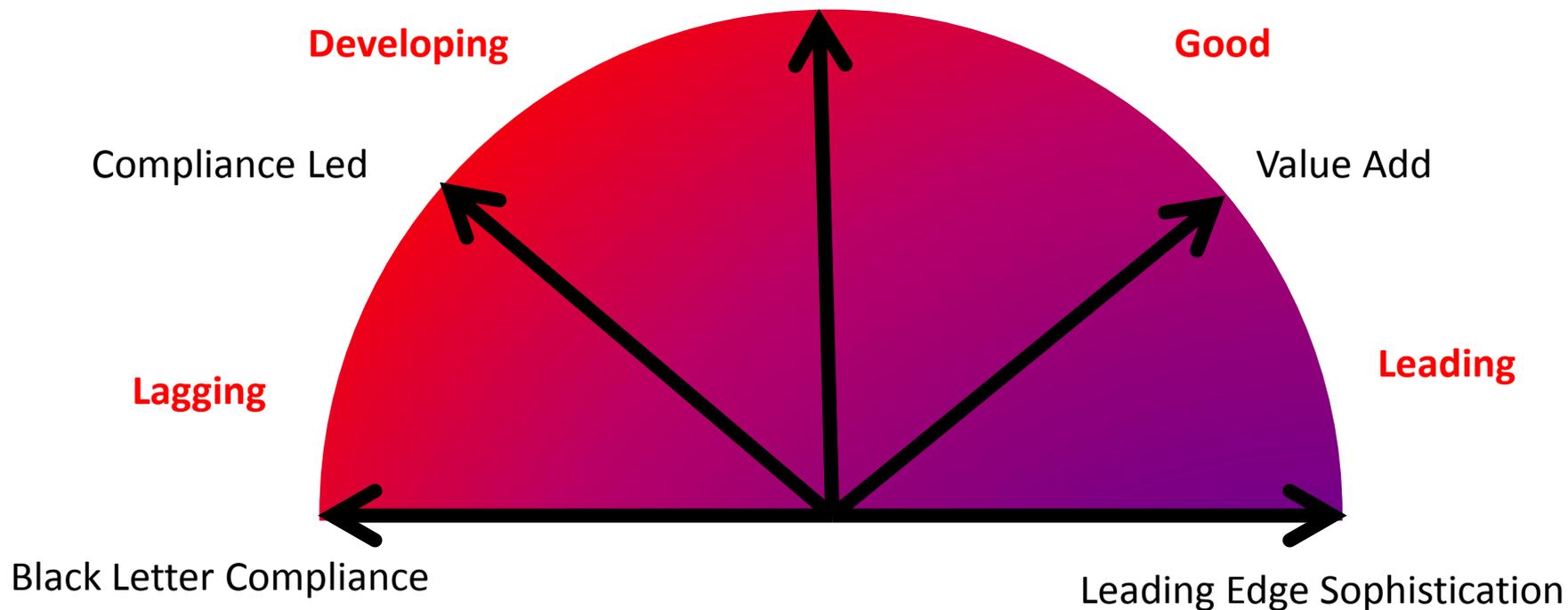


Australia	UK	
Governance	Roles and Responsibilities	Documentation
	Process	Alignment to Business Planning
Risk Assessment	Risk Management System	Material Risk Assessment
	Risk Appetite	Emerging Risk Assessment
Capital Plan and Management	ER/SCR Assessment	Capital Projection
Stress and Scenario Testing	SST/RST	
Capital Recovery and Restoration		
Embedding	Use in Decision Making	



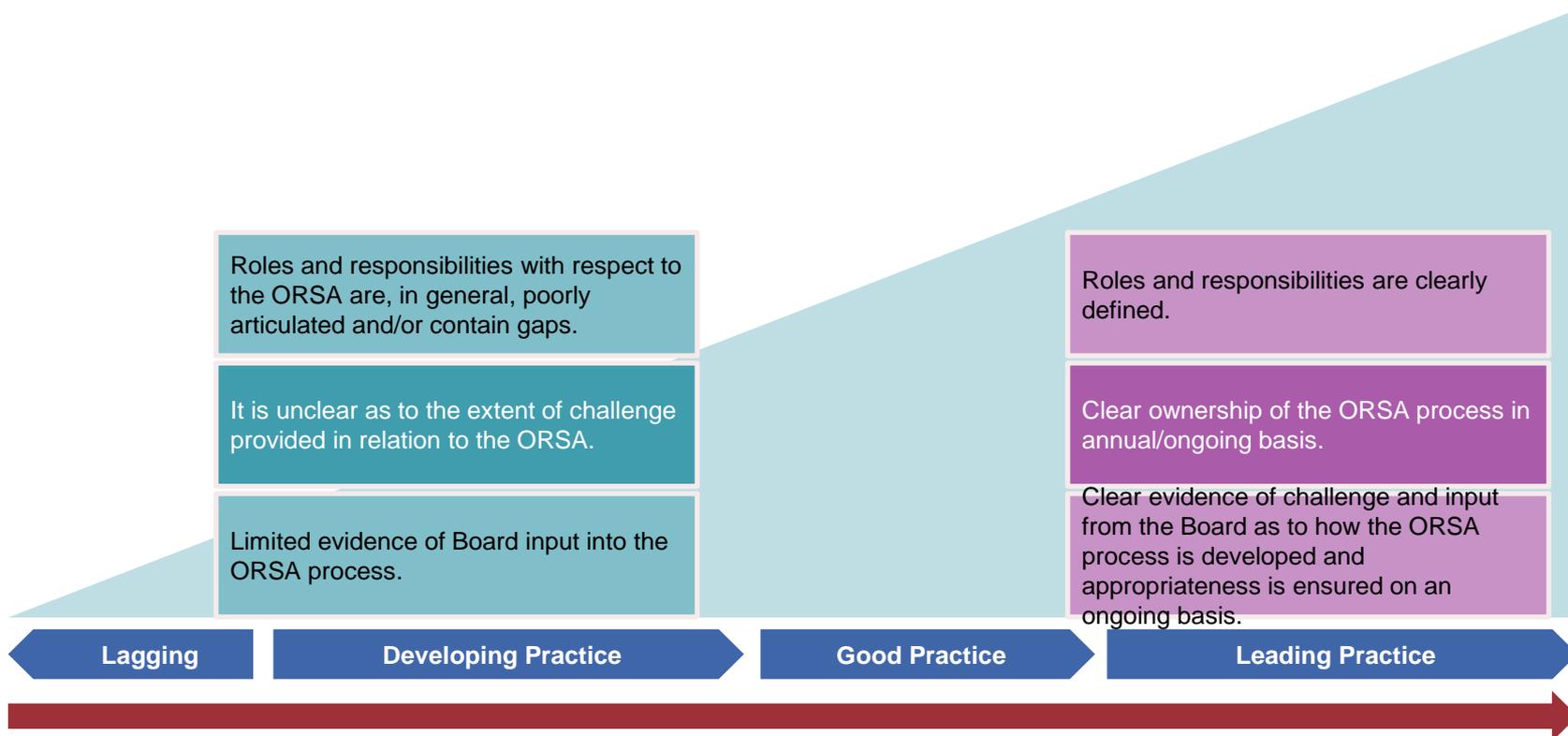
ICAAP Sophistication Spectrum

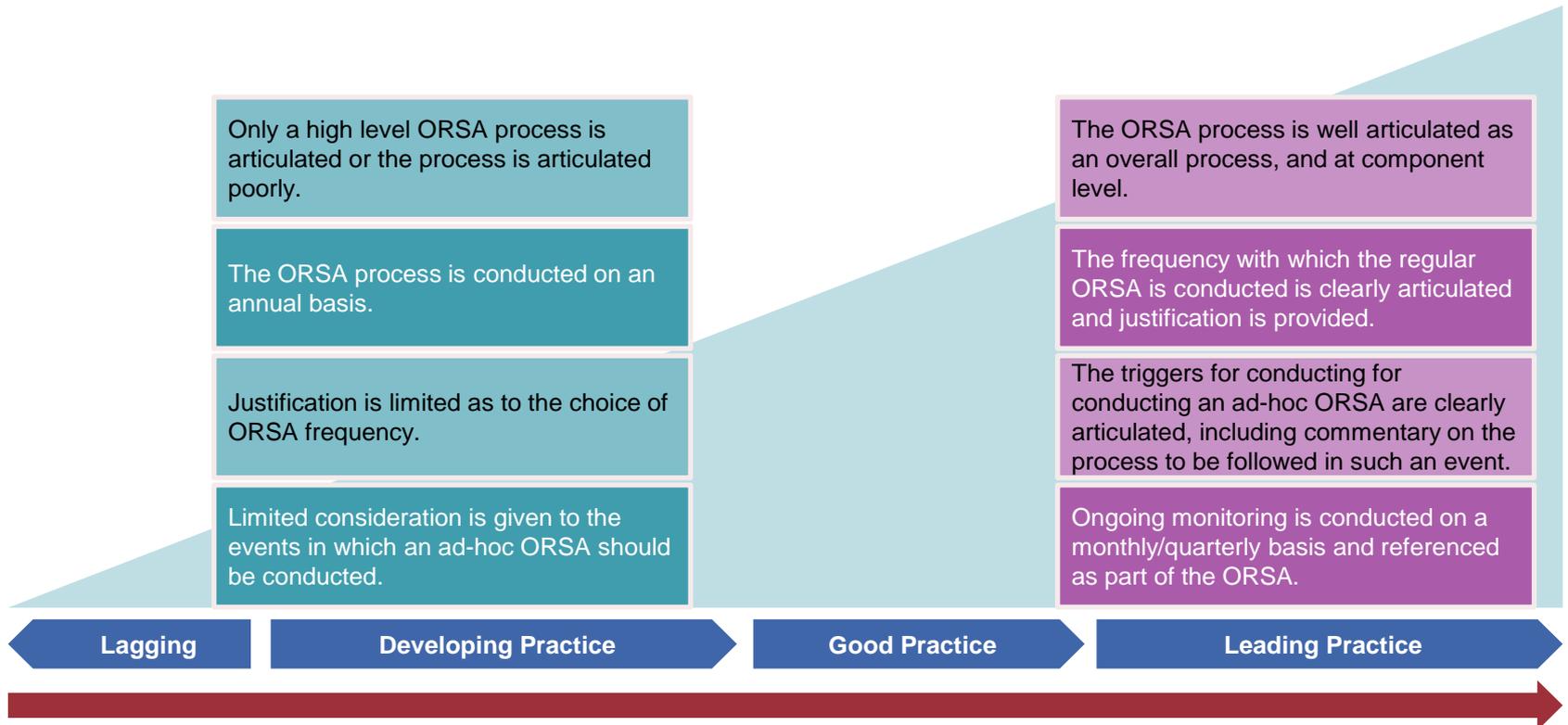
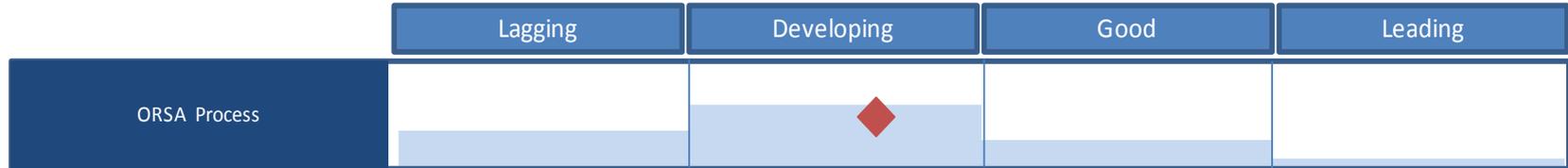
Moving towards Value Add





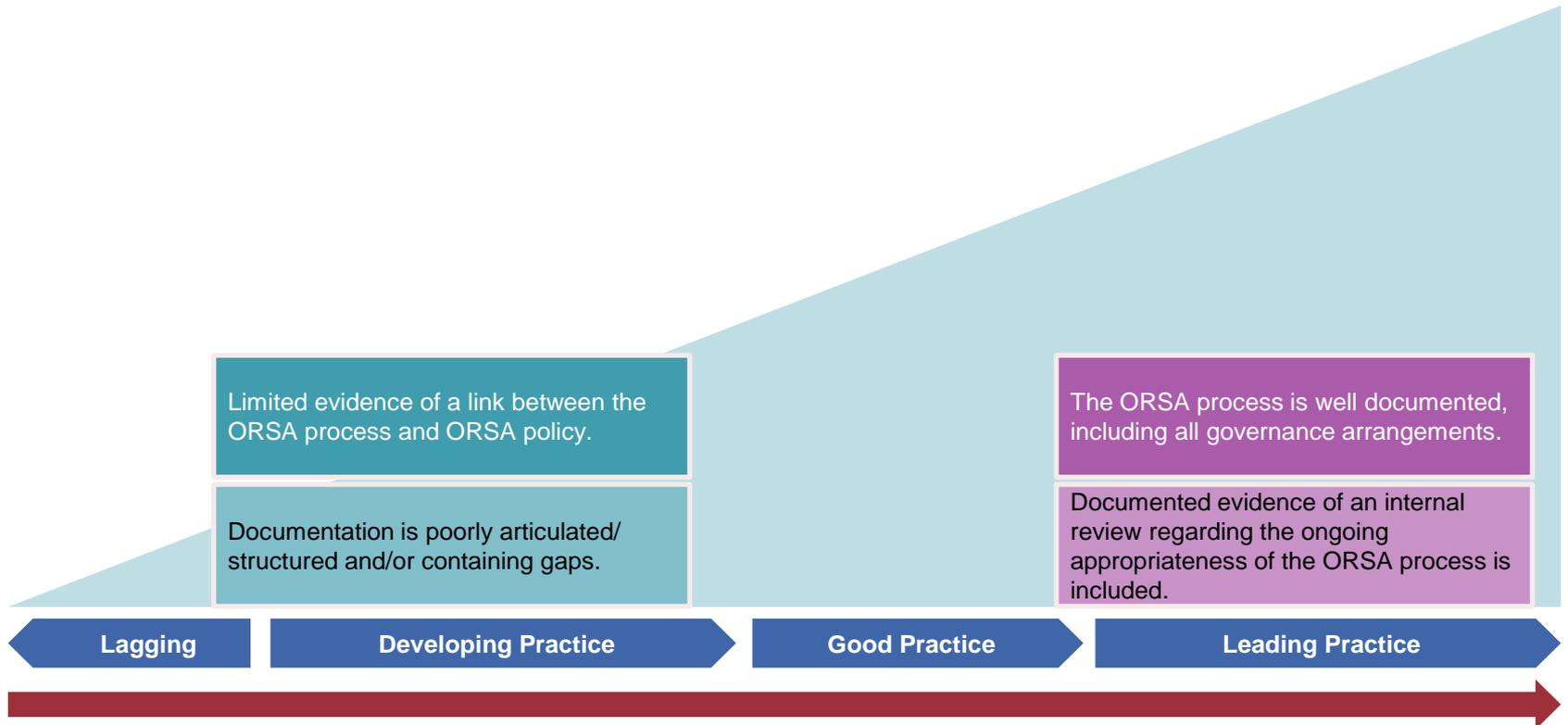
	Lagging	Developing	Good	Leading
ORSA Roles and responsibilities		◆		







	Lagging	Developing	Good	Leading
Documentation		♦		



UK Study findings Alignment to Business Planning

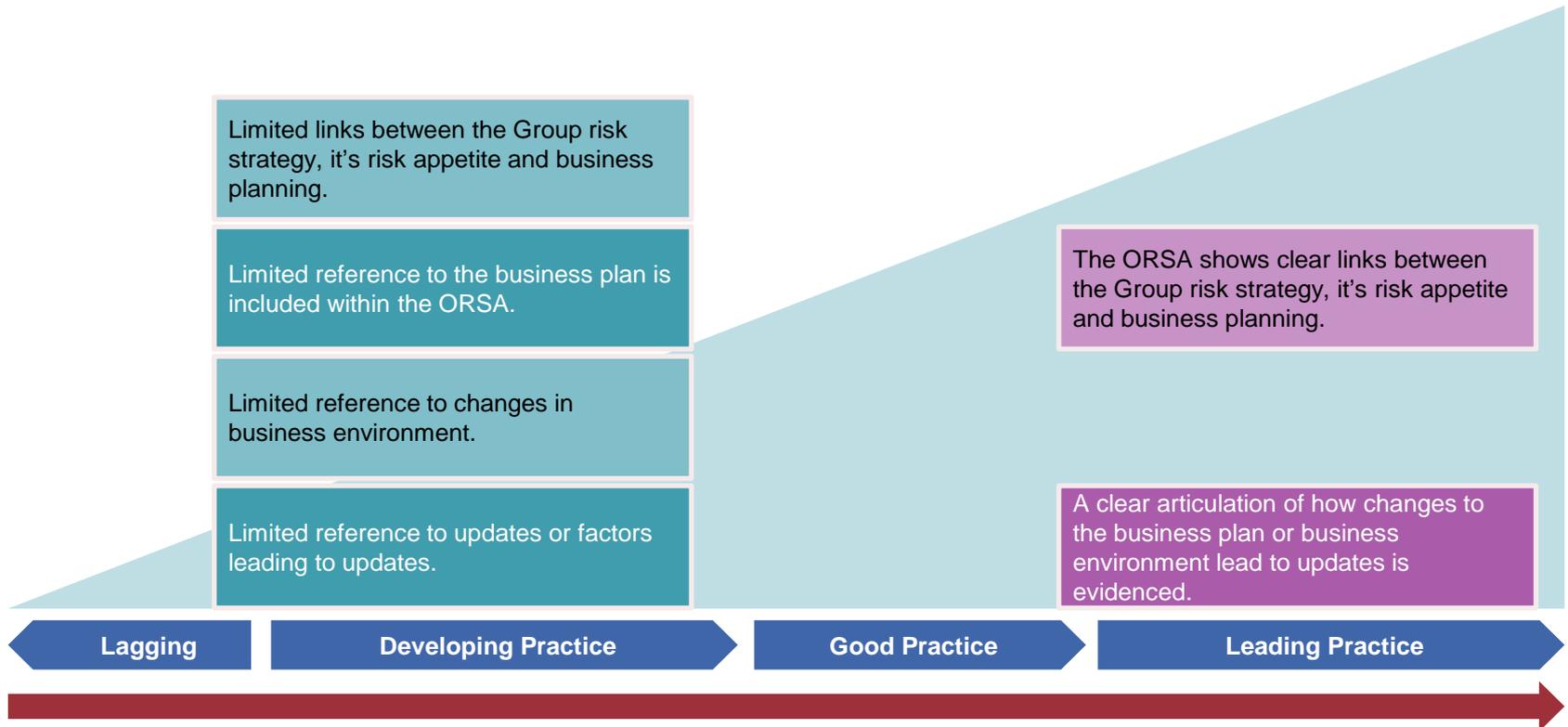
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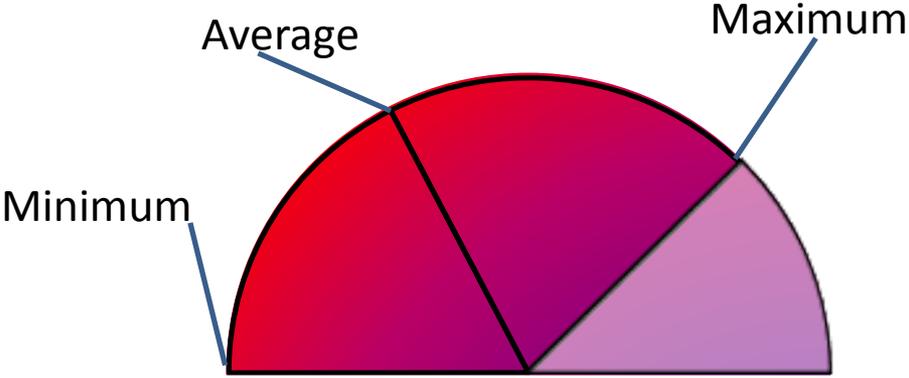
	Lagging	Developing	Good	Leading
Alignment to Business Planning		♦		



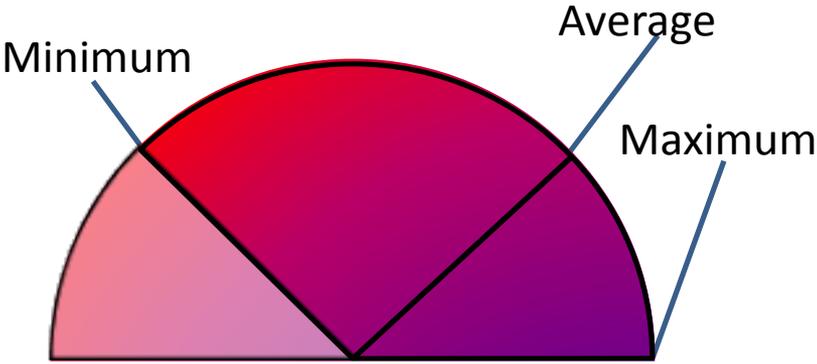


Governance

Current State



Target State



UK Study findings Risk Management System

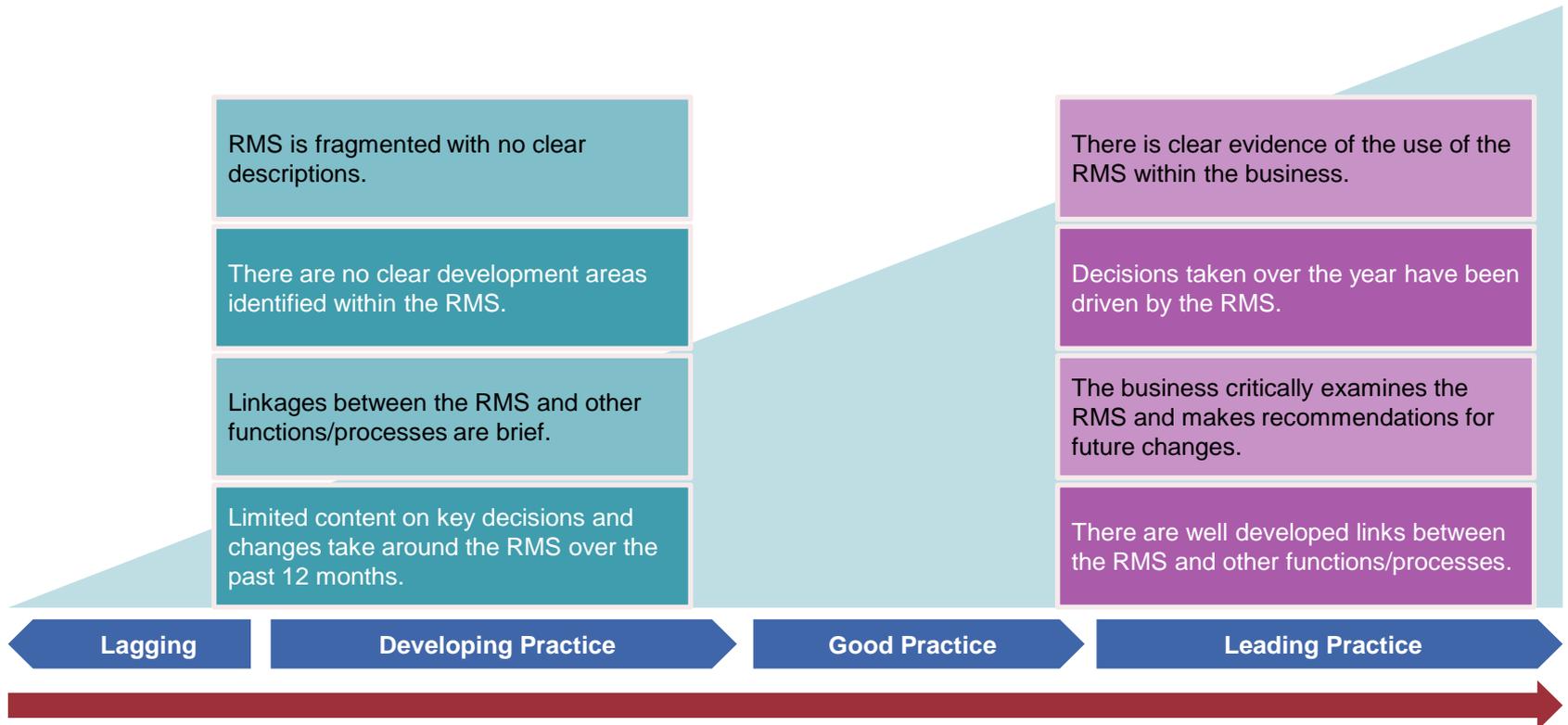
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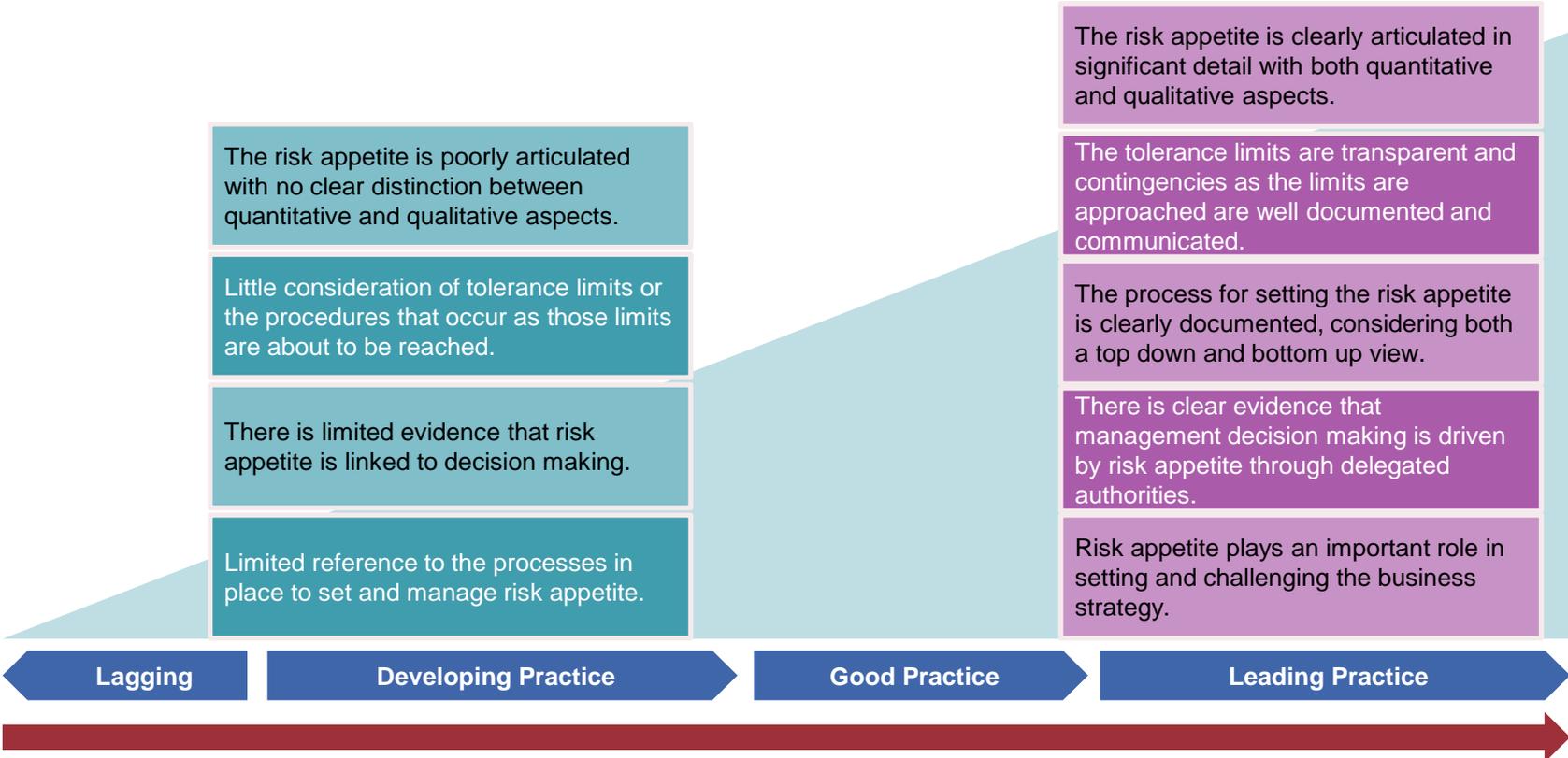


	Lagging	Developing	Good	Leading
Risk Management System		♦		



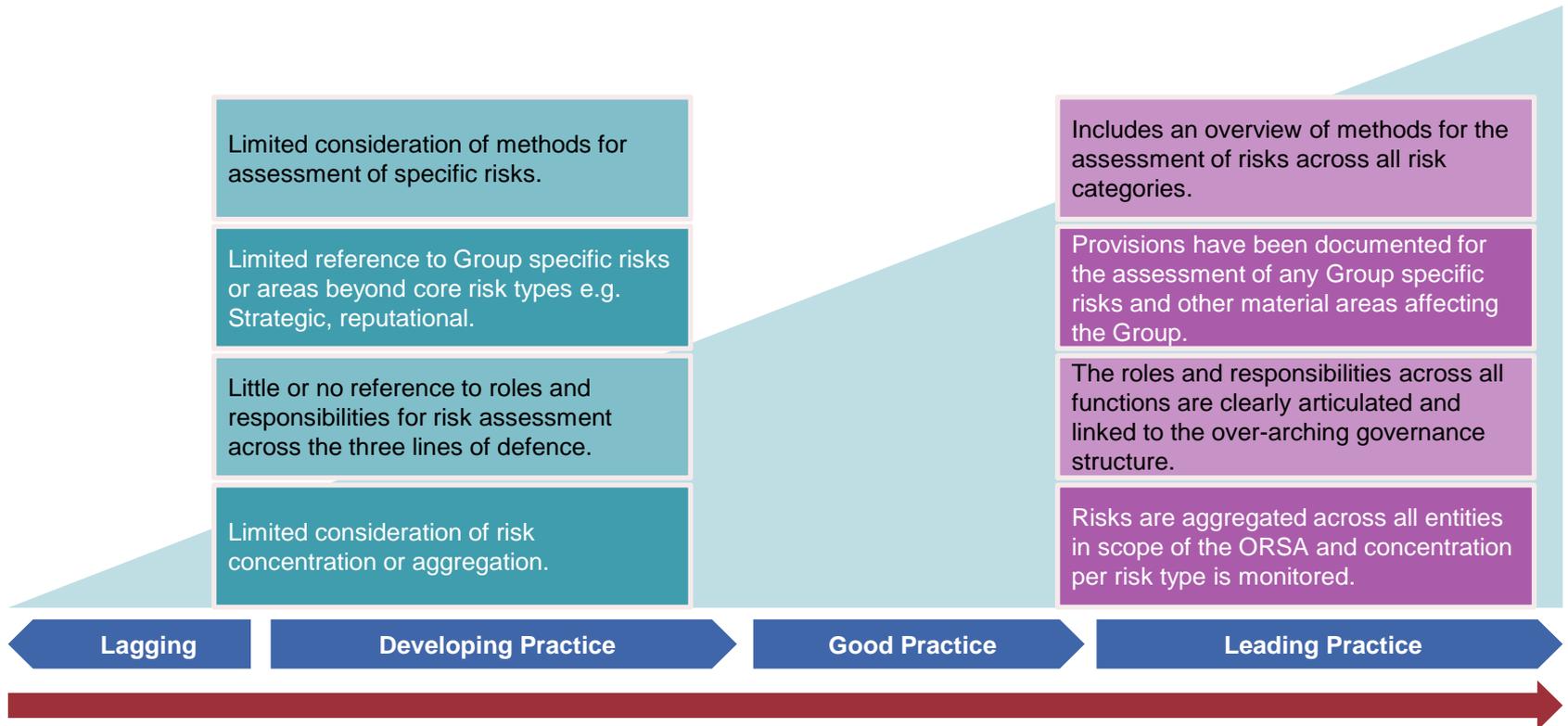


	Lagging	Developing	Good	Leading
Risk Appetite		◆		





	Lagging	Developing	Good	Leading
Material Risk Assessment		♦		



UK Study findings Emerging Risk Assessment

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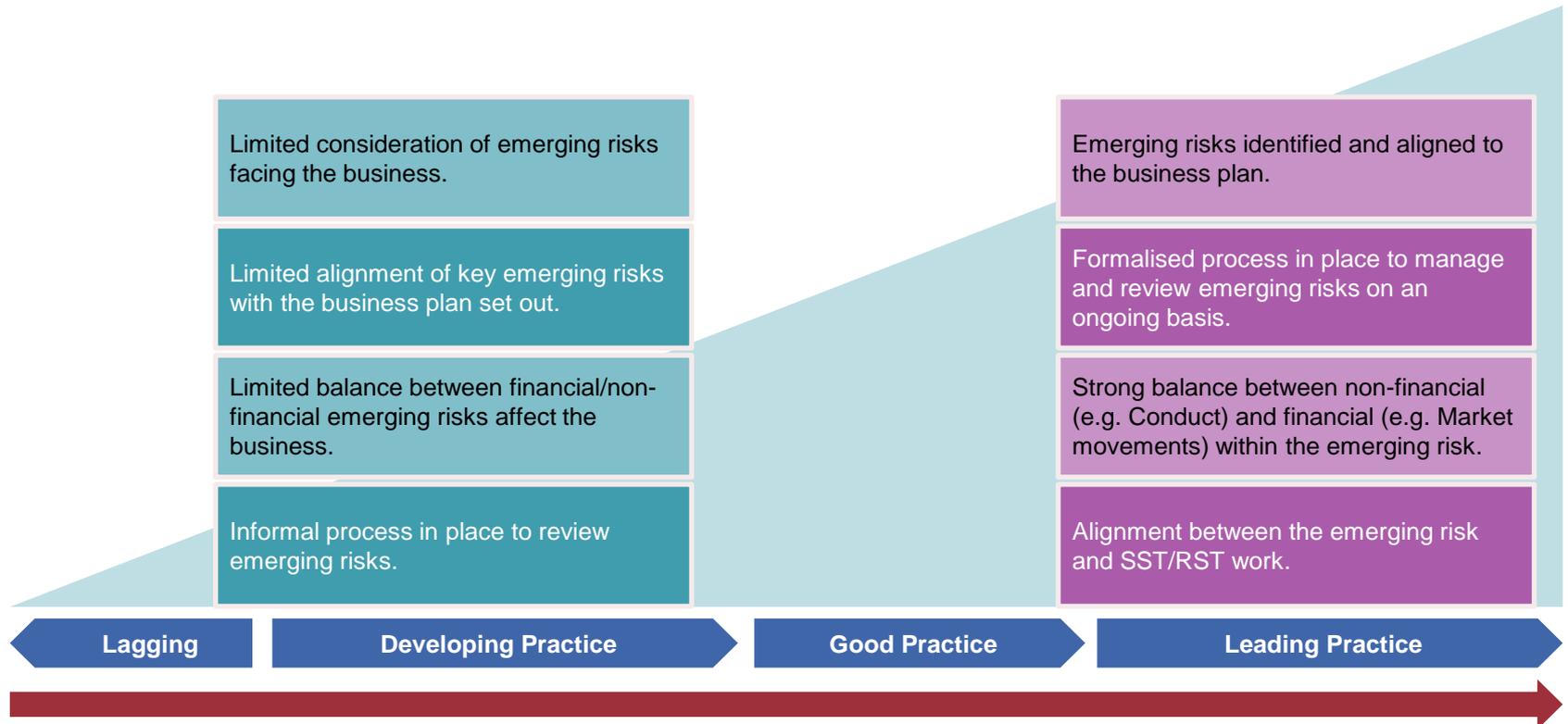


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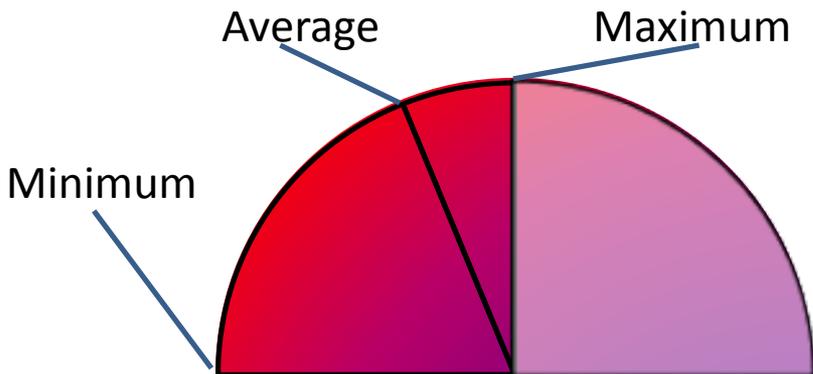
	Lagging	Developing	Good	Leading
Emerging Risk Assessment		◆		



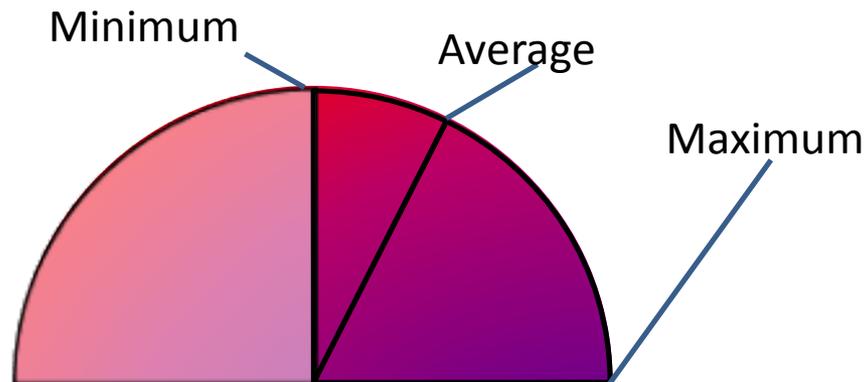


Risk Assessment

Current State

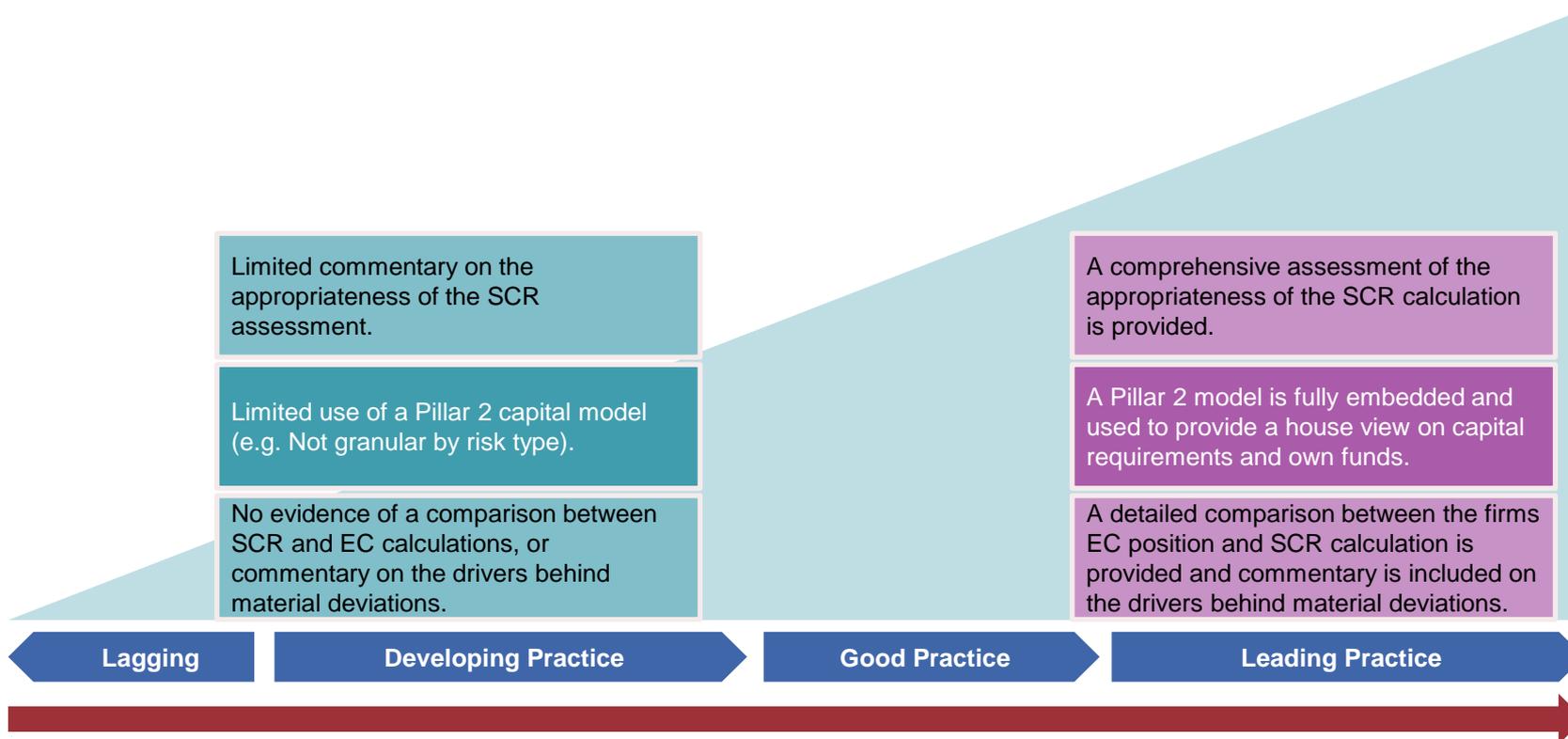


Target State



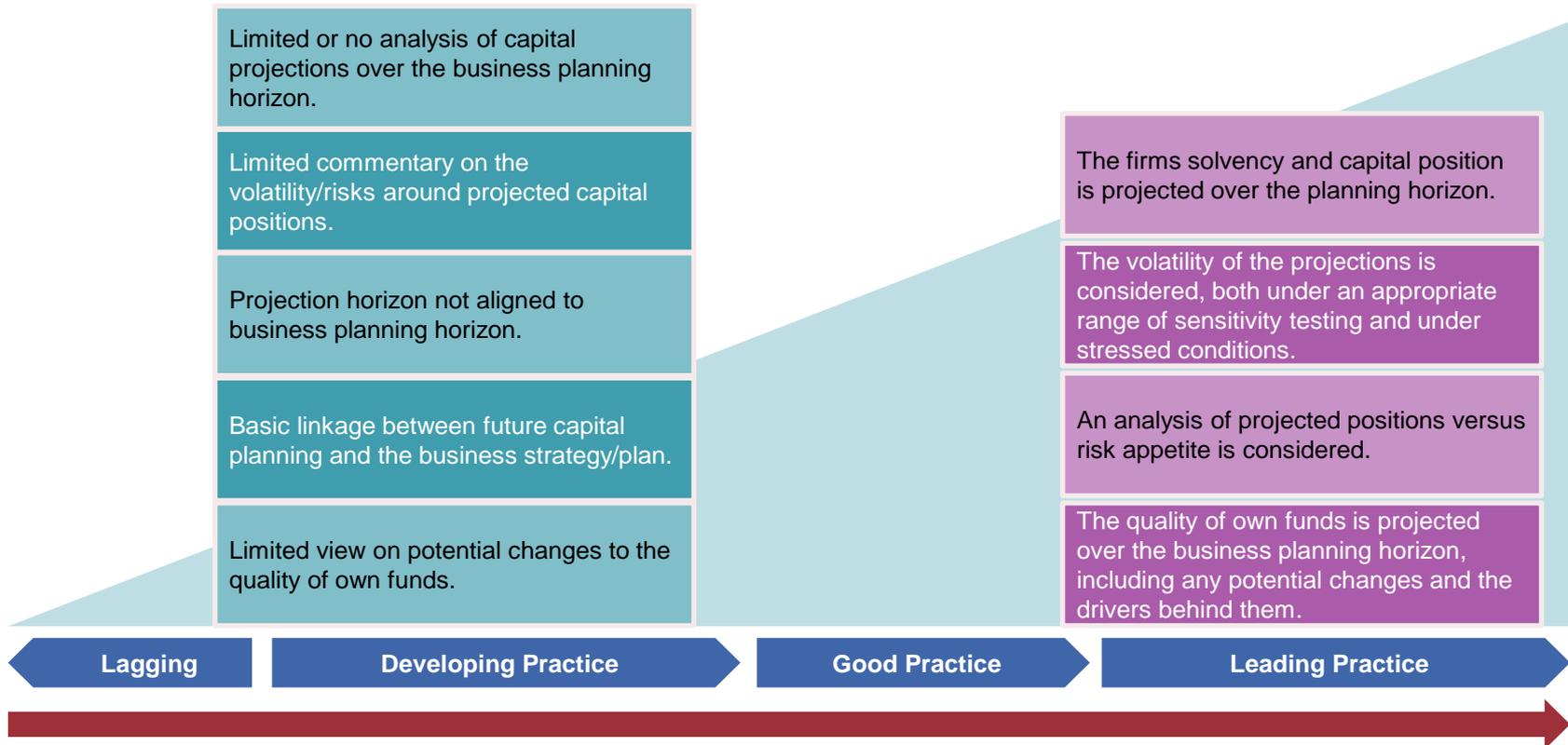


	Lagging	Developing	Good	Leading
EC/SCR Assessment		♦		





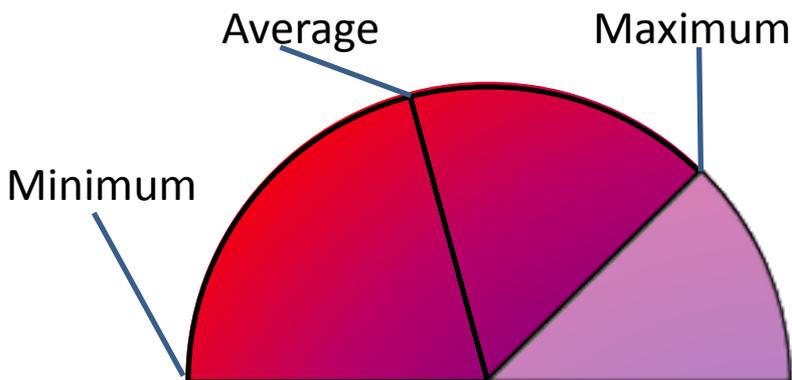
	Lagging	Developing	Good	Leading
Projection of capital		♦		



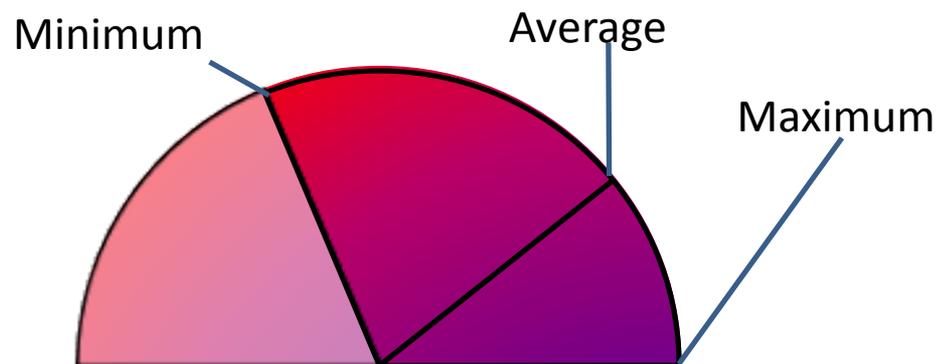


Capital Plan and Management

Current State

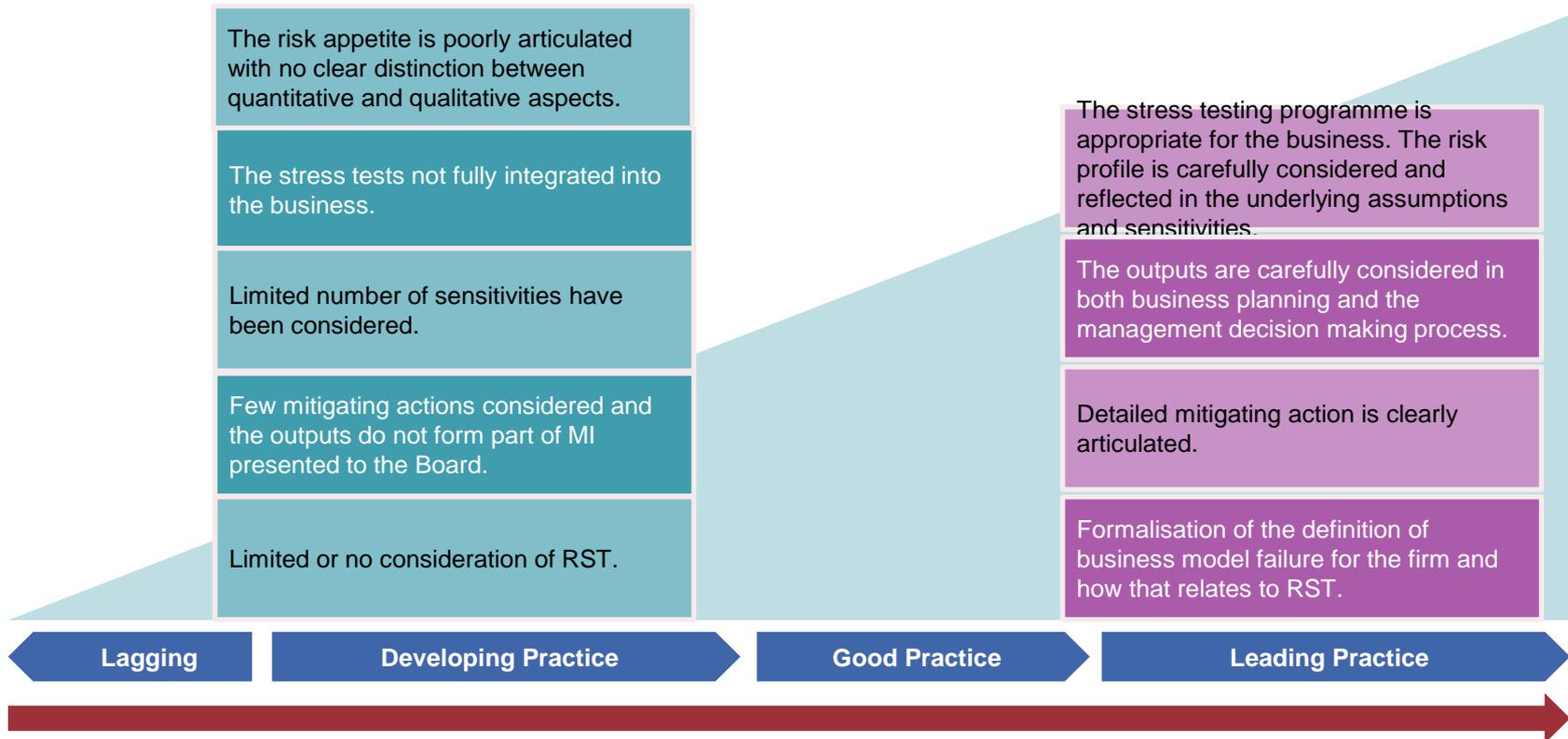


Target State





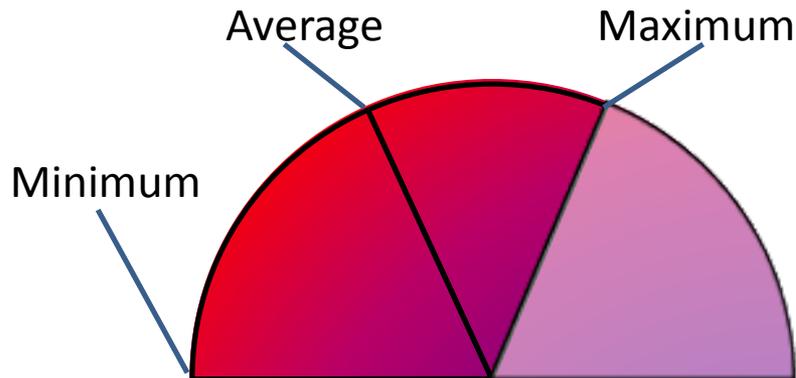
	Lagging	Developing	Good	Leading
SST / RST		◆		



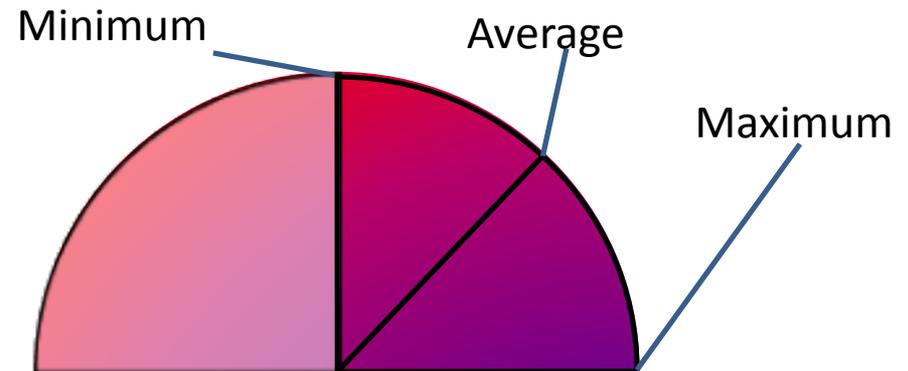


Stress and Scenario Testing

Current State



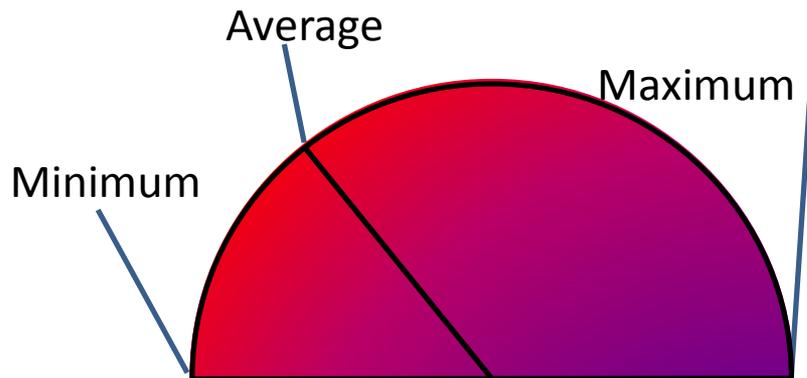
Target State



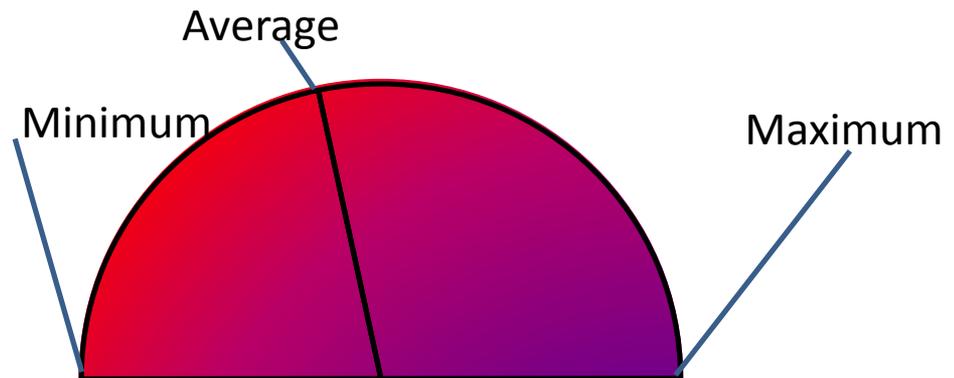


Capital Recovery and Restoration

Current State

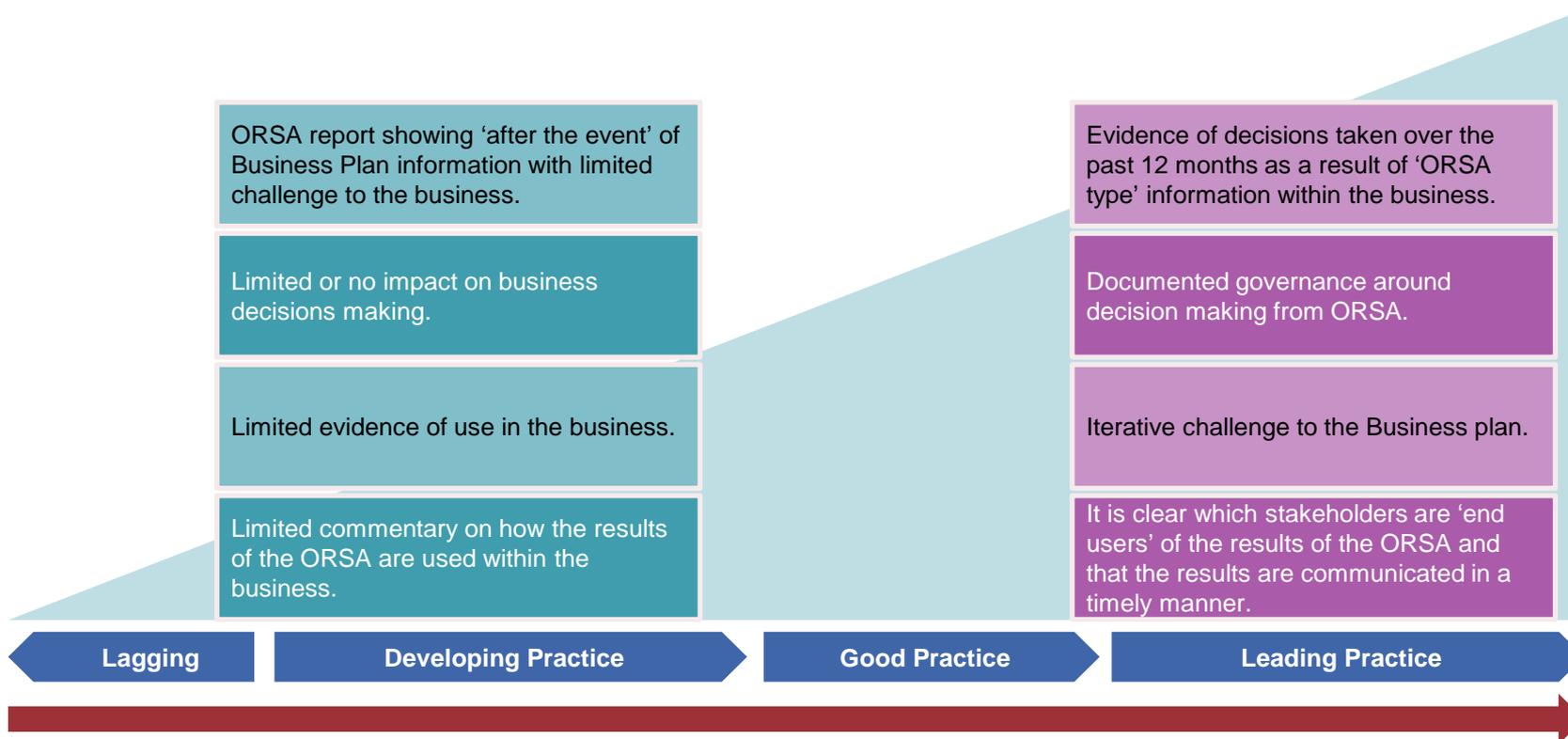


Target State





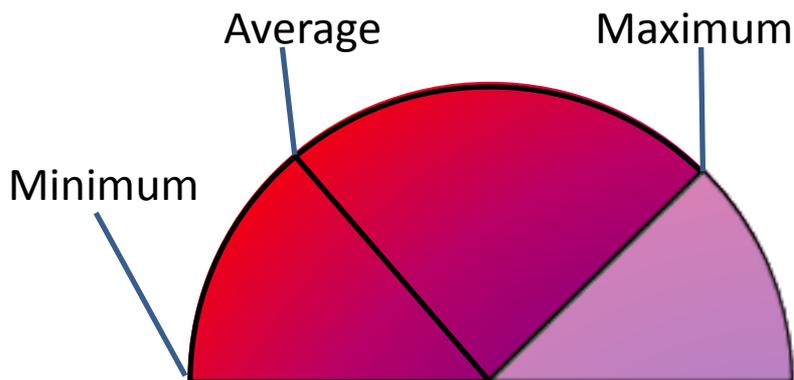
	Lagging	Developing	Good	Leading
Use in Decision making		♦		



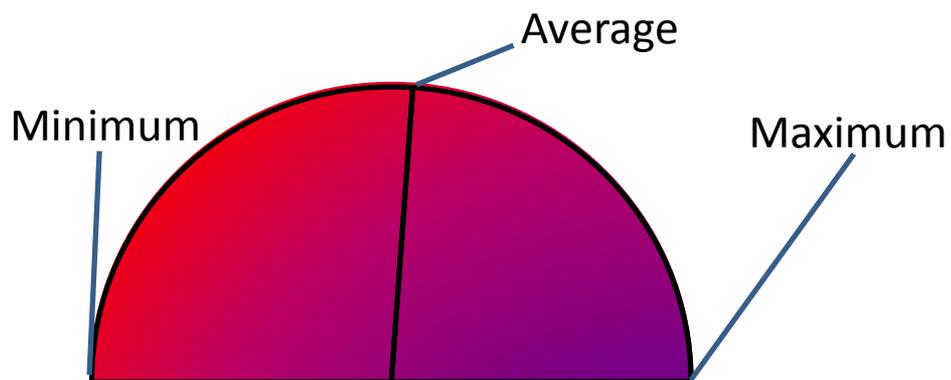


Embedding – All Companies

Current State



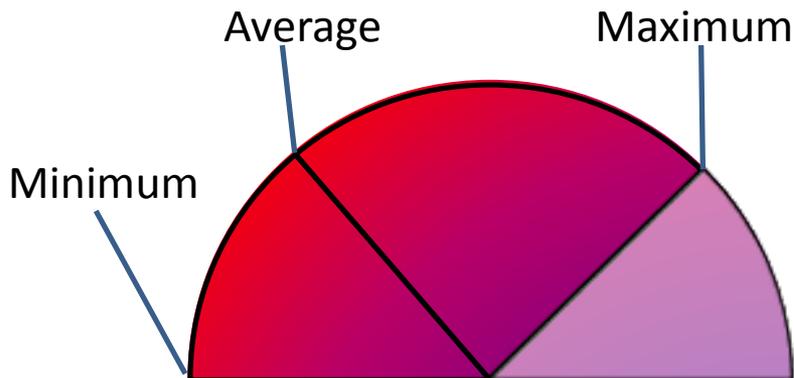
Target State



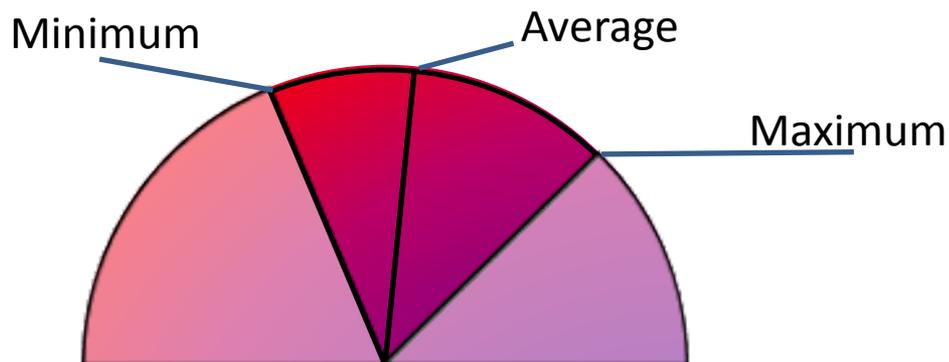


Embedding – 2 Companies Removed

Current State



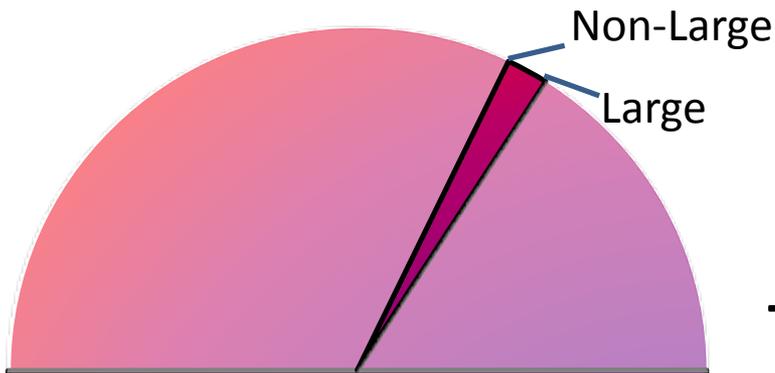
Target State



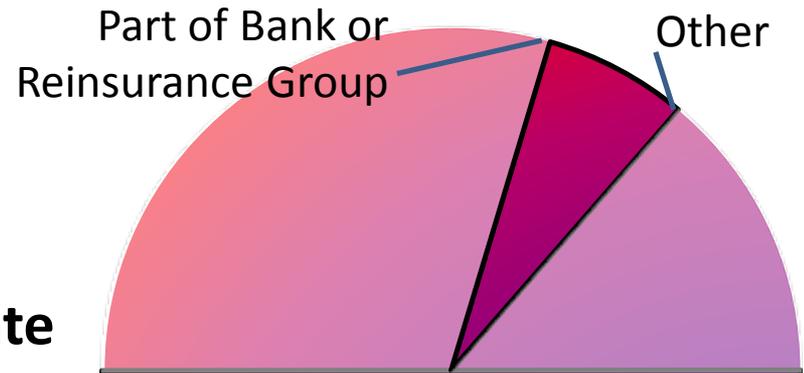


**“Appropriate to the life company’s size,
business mix and the complexity of its
operations”**

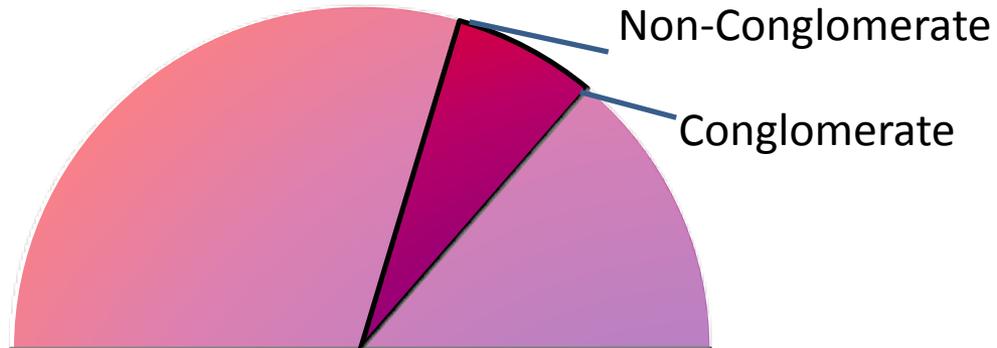
Target State



Target State

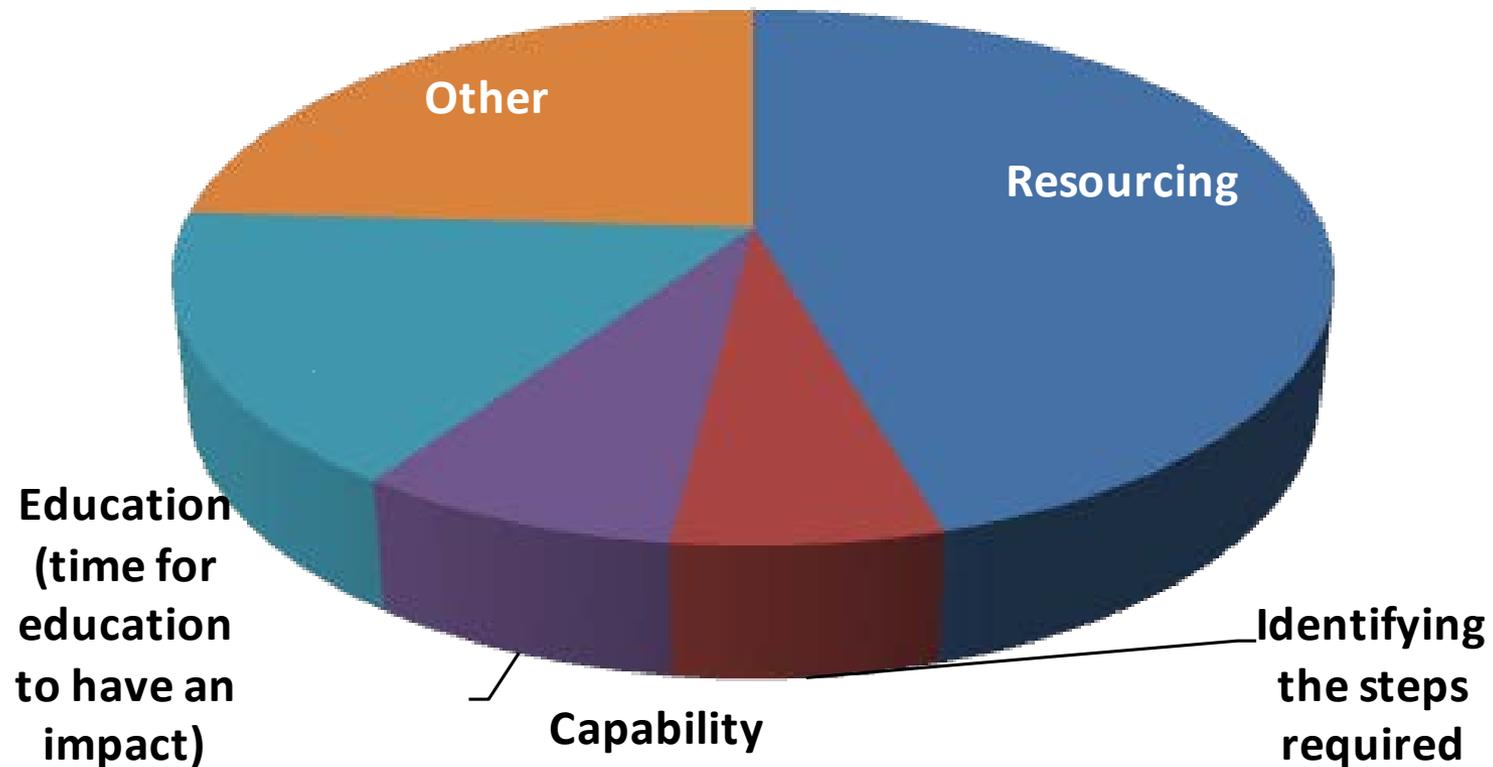


Target State





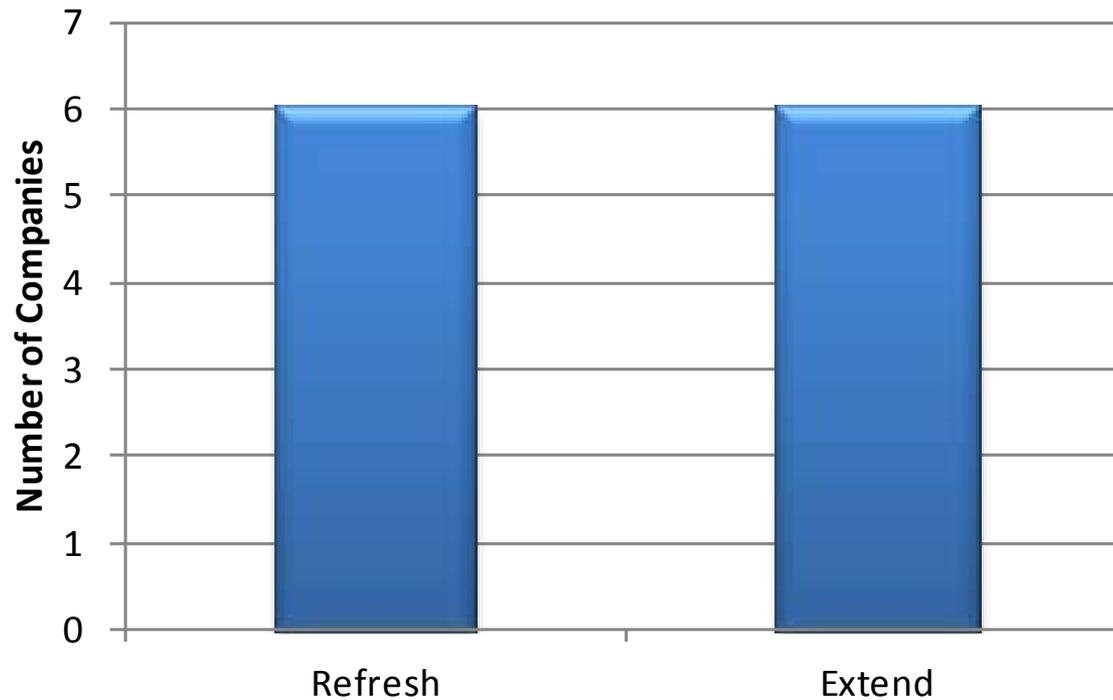
Challenges in Reaching Target State





Current Focus

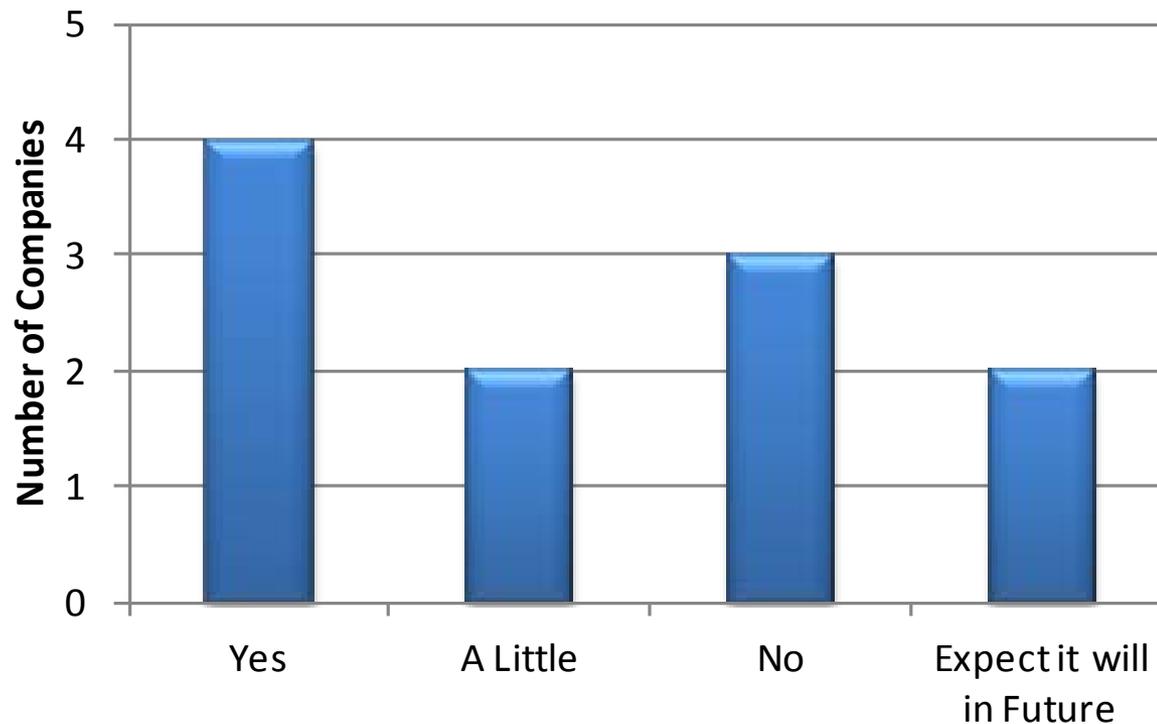
Priorities over next Year





Value of ICAAP

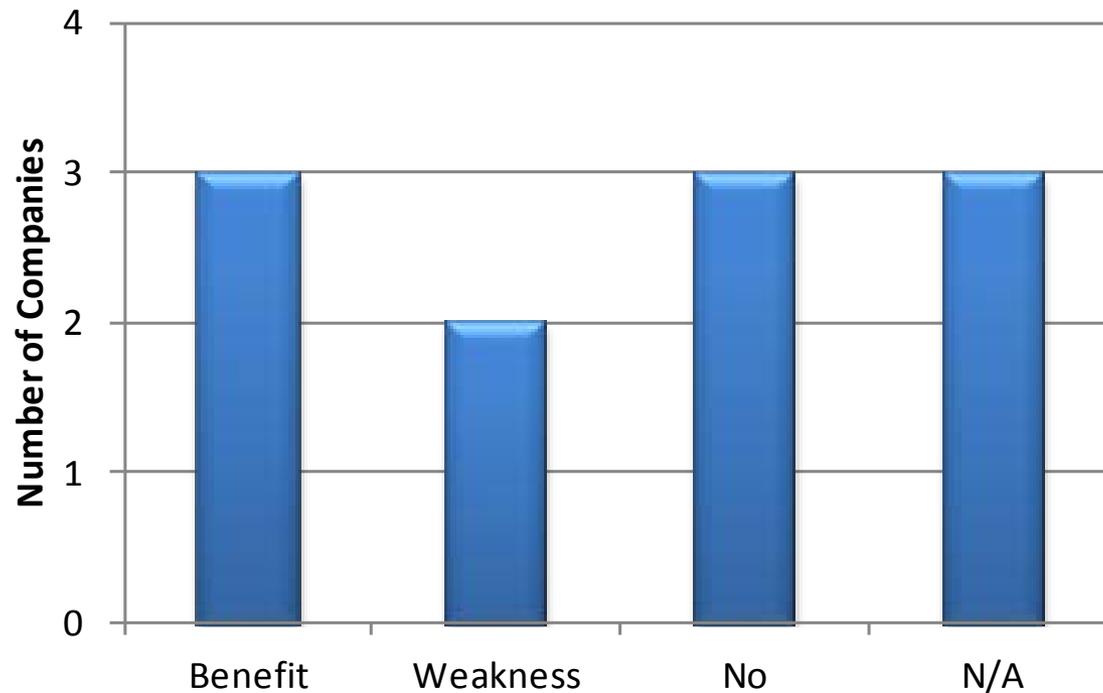
Has ICAAP added value?





Assisted in Managing a “Crisis”?

Has ICAAP assisted?



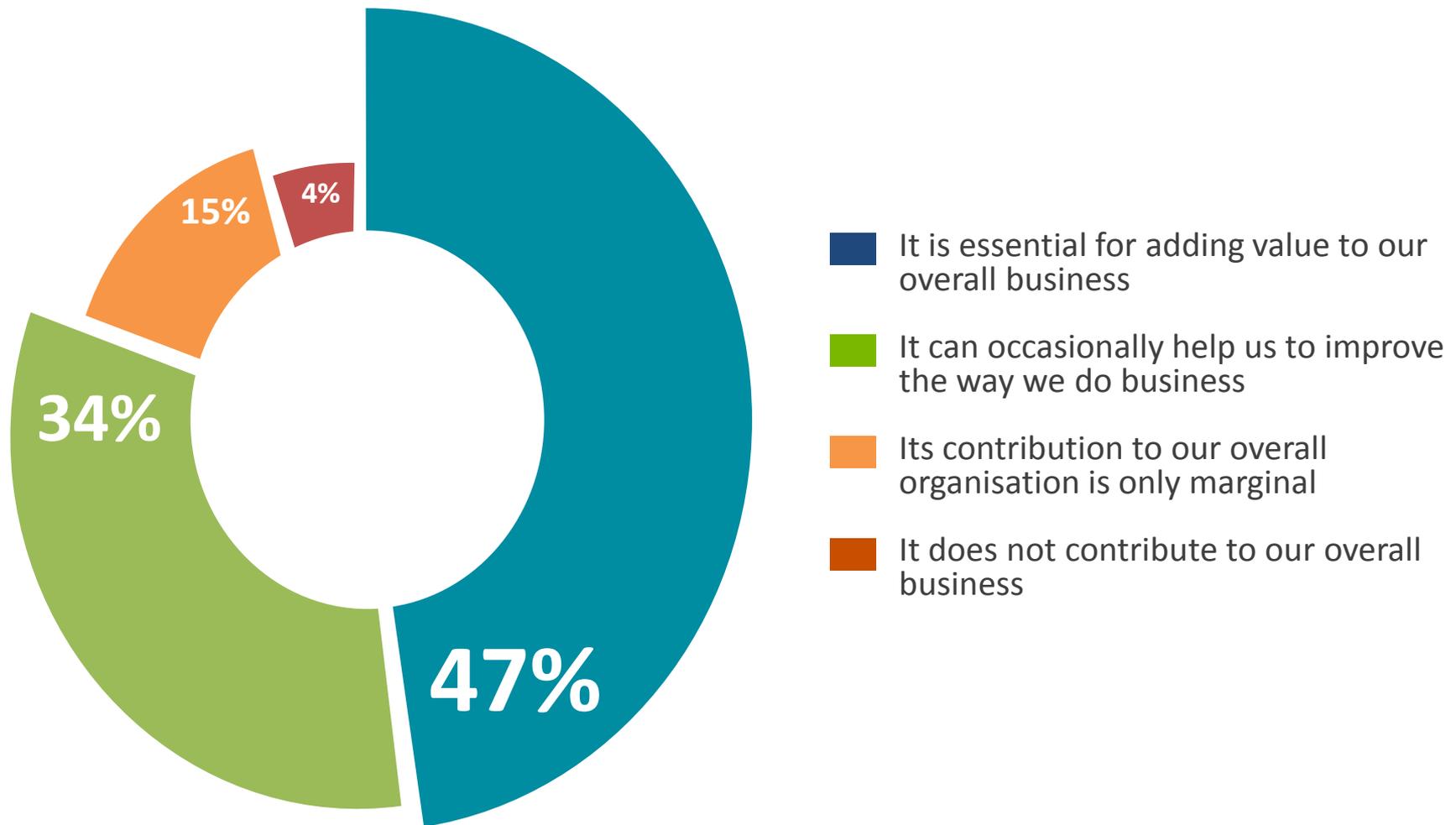
Survey overview – perceived value of RM

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Source: KPMG International, Expectations of Risk Management Outpacing Capabilities – It's Time for Action, 2012/13.

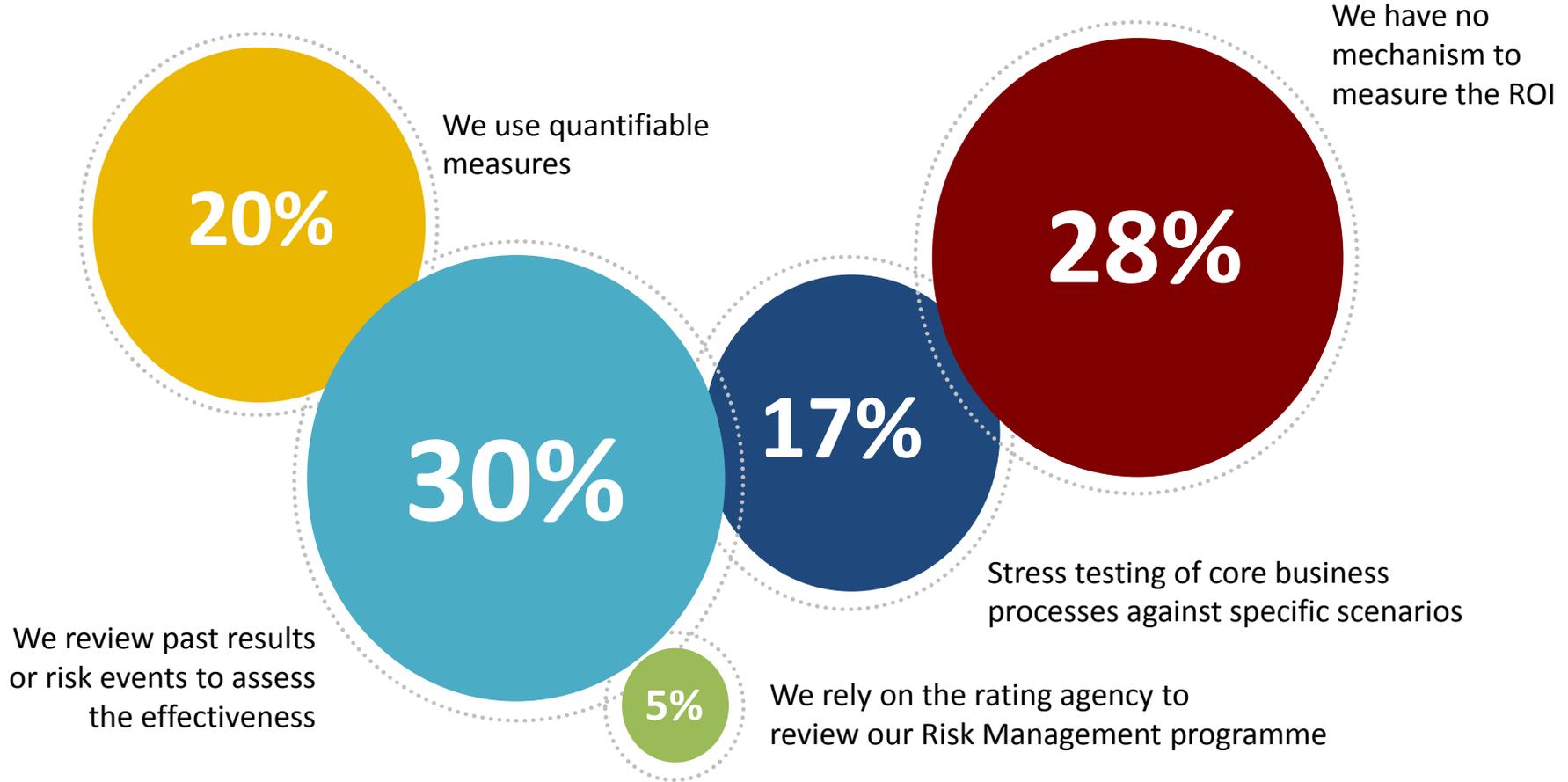
Survey overview – measuring value

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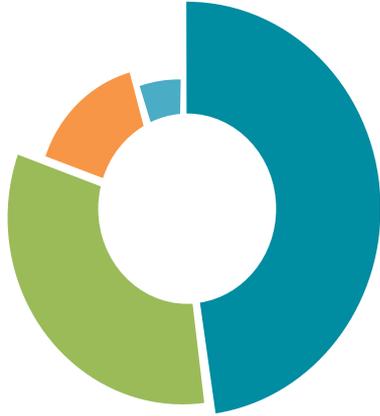


Survey overview – Some conclusions

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Value is **not often quantified**



Value is **hard to measure**

Based on our work and research in this area we feel that it is important for firm's to be clear on how they measure the value of risk management in their organisations. Similarly, that firms have clarity on which key risk management activities and metrics they include in measuring the 'value added'.



Conclusions

- Resourcing/priorities is a major challenge.
- Impact of parent companies.
- ICAAP/ORSA's require a holistic approach to risk management.
- Senior engagement and a non-compliance focus is a key ingredient to a successful program.



Questions

