



**Actuaries
Institute**

ICAAP – Cross Industry Panel Discussion

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Paul Nuttall - Banking

Jennifer Lang - Life Insurance

Stephen Britt - General Insurance

Michelle Cater - Chair

ICAAP – Banking Perspective

Paul Nuttall

ICAAP Journey

- What is ICAAP?
- Document or Process?
- One or two documents?
- Now relatively mature in banking (7 years old)
- Component parts continue to develop
- Heavy involvement from Finance, Risk & Treasury
- Source of truth on capital



ICAAP Value Add

- ICAAP makes banks consider (amongst other things):
 - Different views of capital requirements (RC, EC etc.)
 - Link between capital and risk
 - Target setting and the use of stress testing
 - Trigger points and capital mitigants
 - Capital management process and controls
 - Control cycle in capital forecasting



ICAAP Challenges & Opportunities

- How to provide a clear message in a lengthy document?
- How to handle the current rate of regulatory change?
- How to manage a matrix of capital measures?
- How to avoid double counting?
- How to link the component parts?
- How to drive a consistent approach across an international Group?

- What role can actuaries play in this?



ICAAP – Life Insurance Perspective

Jennifer Lang

ICAAP Challenges - Life

- Who should run it?
- Date of the report?
- Gaps in capital, risk mgmnt
- FCR vs ICAAP report
- Relationship to other parts of group (especially non APRA regulated entities)
- Independent review

Role of the Appointed Actuary

- Generally not independent
- Often the main accountable executive
- Advising or doing?

Relationship with FCR

- Significant overlap
- Which report is the key one?



Value of the ICAAP

- Consider risk management and capital management together
- Bring together the key people
- Force consideration of the gaps

ICAAP – General Insurance Perspective

Stephen Britt

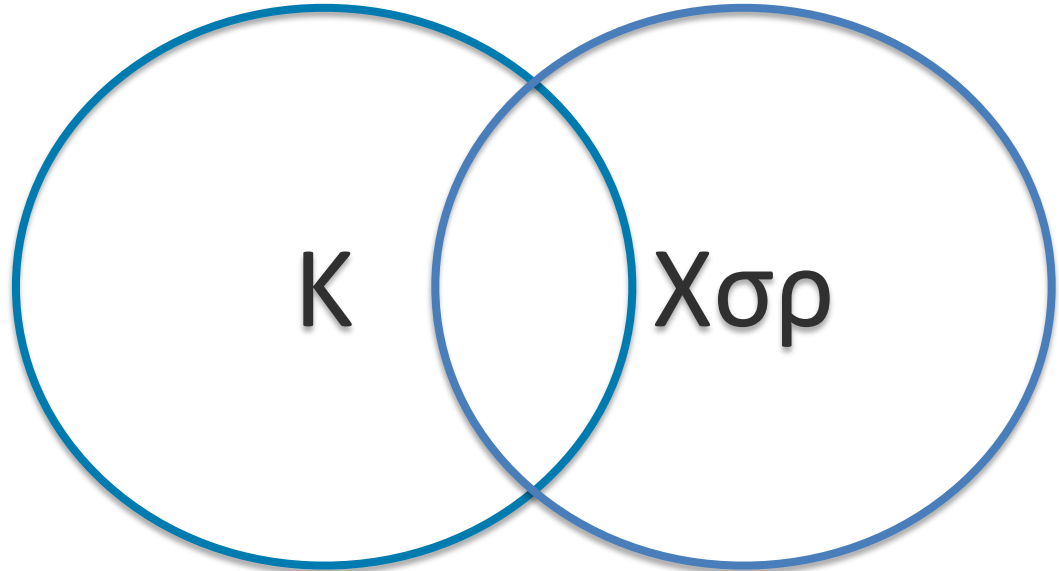
ICAAP relates to Individual instos



ICAAP is a lot about risk based **capital**....

But there are some risks for which capital is not a mitigant.

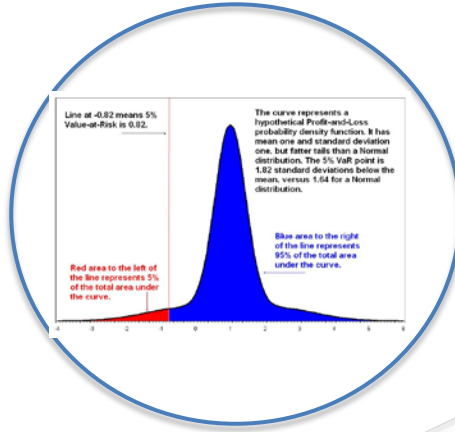
And there are many, many uses for capital other than risk mitigation.



ICAAP has a calculation element



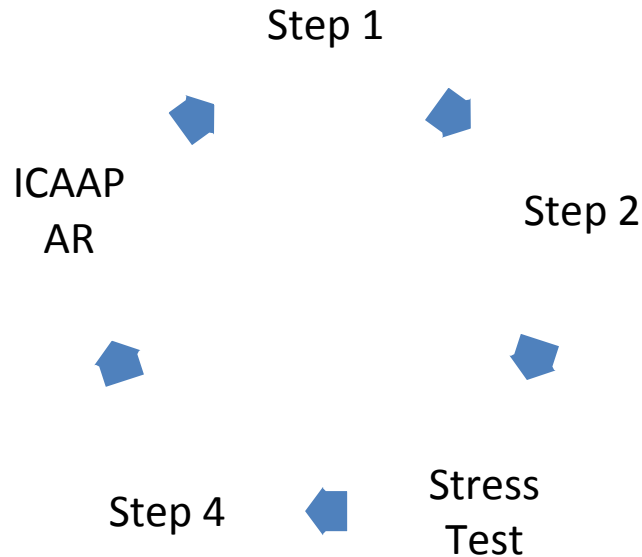
$$ORC + [IRC \quad ARC] \Sigma \begin{bmatrix} IRC \\ ARC \end{bmatrix}$$



$$C1 + \sqrt{C2^2 + C3^2 + C4^2}$$



ICAAP is a *Process*



ICAAP Summary Statement would be useful if it **summarised the process**

ICAAP Annual Report would be useful if it **summarised what the institution did on this front.**

But the bulk of the documentation would be outside these two documents:

- Forecasting revenue
- Capital and income budgeting
- Review of Strategic Asset Allocation
- Review of reinsurance arrangements

How does your ICAAP fit in?

