



Institute
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of Actuaries

Recent developments in the ICA+ regime

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November 2013



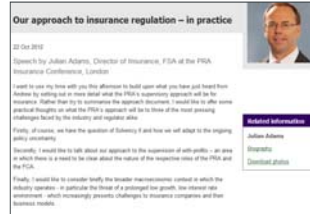
Agenda

- ICA+: a brief history
- How does this affect the S2 journey
- Requirements
- Practical Example – Standard Life's experience
- Impact on firms outside ICA+ now
- Conclusion



ICA+: a brief history

- ICA+ allows firms to use their SII models as part of their ICA submission
- ICA+ is optional
- ICA+ comprises two phases:
 - Phase 1 – allows use of SII model (or components of) to set ICA
 - Phase 2 – allows use of SII balance sheet and model to set capital
- ICA+ allows the PRA to combine ICA and IMAP reviews



PRA launch event for insurers on 22 October 2012

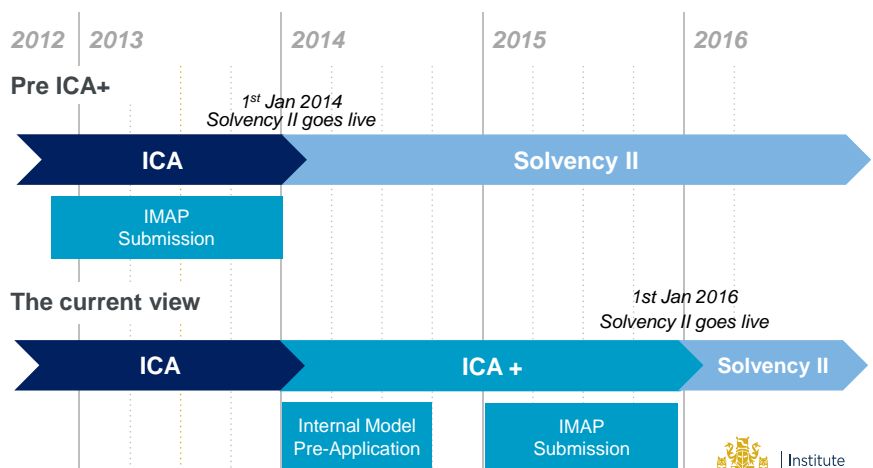


Letter to companies on 29 January 2013



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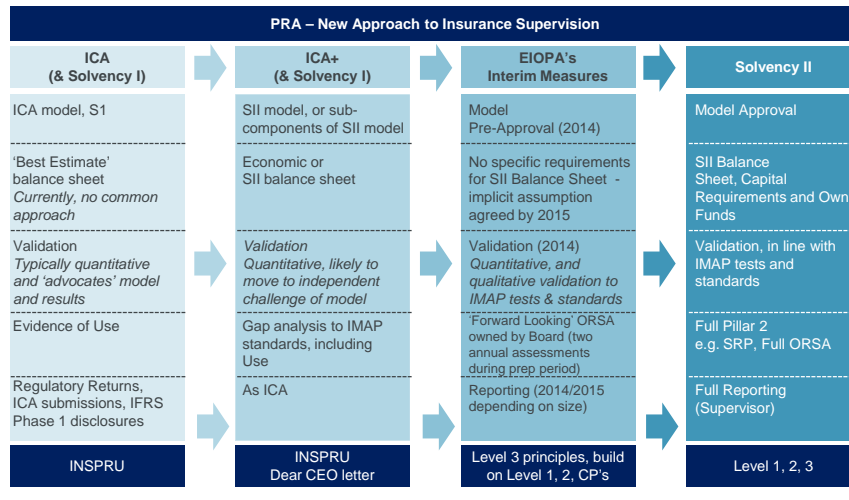
SII & ICA+: Where are we on the journey?



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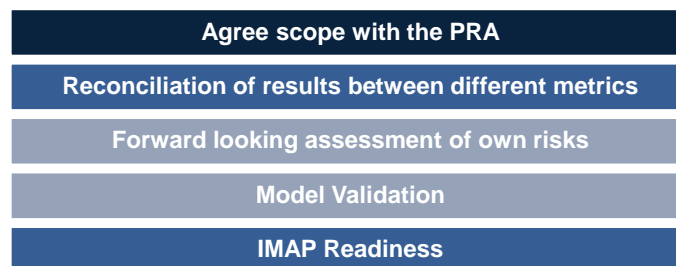
SII & ICA+: How will we get there?



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Requirements of ICA+

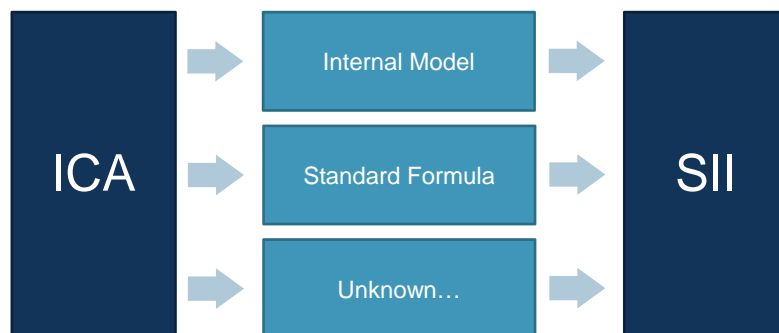
Firms opting in to ICA+ will be required to:



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What are insurers doing to get there?



Route 1: Internal Model

Practical example: Standard Life's experience

- Why ICA+
- Our experience of the ICA+ process
- Challenges
- What's gone well



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Why ICA+

- Maintain momentum towards internal model approval and Solvency 2 preparation
- Close off potentially open ended IMAF issues
- Define a stable basis for decision making in the absence of clarity over Solvency 2
- Glidepath to Solvency 2
- Start getting benefits of investment in aggregation tools in risk management and monitoring



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Defining ICA+

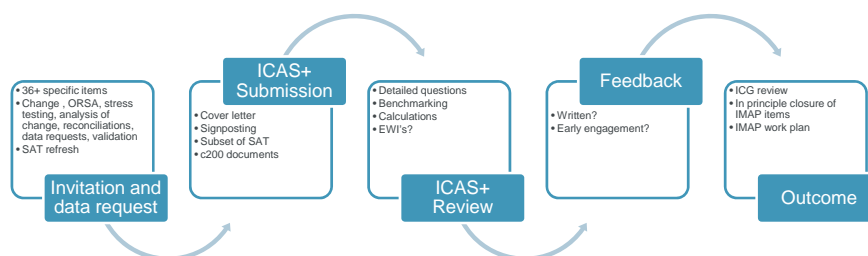
- ICA and Solvency 2 Internal Model had been evolving in parallel over the last few years
- Methodology to calibrate risk distributions largely aligned
- Documentation enhanced to meet Statistical Quality Standards
- ICA+ focus on introducing simulation approach to aggregation of risk
- Remaining differences to Solvency 2 relate to the calculation of technical provisions
- Defined basis for Solvency 2 calculations



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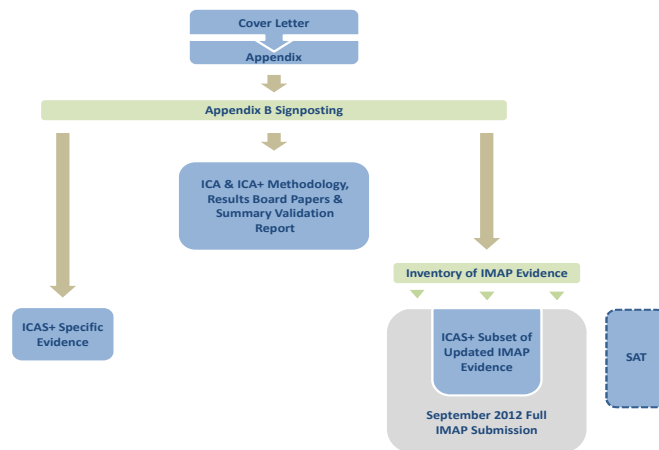
ICAS+ Process



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Structure of ICA+ Application



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Challenges

- Responding to the volume and detail of questions and actions arising
- Avoiding more granularity than necessary in order to respond to challenge
- Demonstrating consistency of approach to models for different risks
- Getting perspective – this is a model, it is necessarily subjective and subject to uncertainty

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Gone well

- Early and regular engagement with the PRA
- Focusing on the high level rationale and how decisions will be affected rather than details
- Senior stakeholder support
- Strong links between solvency 2 project and business as usual teams and integration back into go-forward teams
- Defining bases in advance to limit the volume of calculations

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Route 2: Standard Formula

For those firms on standard formula, there is no requirement for ICA+ submission.

However...

ORSA will still be required. They will face similar implementation challenges to Internal Model firms.

Pillar 3 requirements remain onerous for both IM and SF firms.

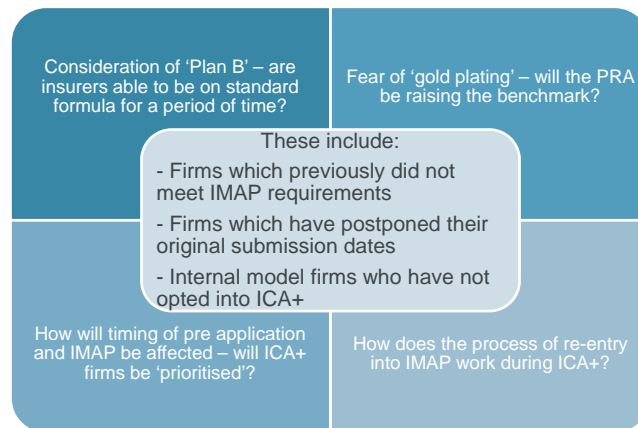
Consideration of whether to use undertaking-specific parameters.

Concerns around PRA bandwidth to confirm decisions

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Route 3: The unknown...



Conclusion

- ICA+ looks to be an essential part of IMAP
- There are real benefits of opting into ICA+, for example, approval on aspects of your internal model which will bring certainty
- Standard formula firms should be mindful of requirements and feedback coming out of ICA+ review
- Need to ensure that there is no gold plating

Questions

Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenter.

