

Checklist for model change

DO YOU KNOW WHAT IS NEEDED FOR A SUCCESSFUL MODEL CHANGE?

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Below are some tips to ensure your model change process is flexible enough to support your business and sufficiently robust to withstand regulatory challenge.

Policy

✓	Clear definitions for major and specific minor changes help you categorise changes quickly
✓	Major change should consider <ul style="list-style-type: none"> ▪ updates to areas of the model that are subject to material uncertainty or expert judgement ▪ changes in results at all return periods relevant for model use (not just 1-in-200) ▪ qualitative and quantitative changes ▪ how major change could occur through the accumulation of minor changes ▪ changes to individual risk components, allowance for diversification and total SCR separately
✓	Policies should not be too prescriptive and should allow a qualitative overlay , to ensure you can categorise change appropriately
✓	A well-articulated framework for identifying and prioritising model change can help you identify where to focus effort

Process

✓	Thinking ahead when scheduling model changes and management sign-offs can help reduce model change lead times
✓	Regular debriefs and process reviews help you minimise the risk of repeating mistakes
✓	Management training enables appropriate robust challenge
✓	Streamlining reporting lines makes your end-to-end process more efficient
✓	Good discipline, consistency and version control is critical to keep control where models are running in parallel

Communications

✓	A model change template can provide a structured and an easy-to-understand framework for model change reporting
✓	Your ORSA helps bridge the gap between your regulatory capital and capital that is calculated by an updated unapproved model
✓	Investing in better reporting ensures your key messages are communicated clearly
✓	Early engagement with the Board and regulators helps you manage expectations and reduces the risk of last minute issues

CONTACT US

If you would like to discuss how we can help you improve your approach to model change please contact Cat Drummond or Charl Cronje.



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