

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

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

Communications	
✓	A <b>model change template</b> can provide a structured and an easy-to-understand framework for model change reporting
✓	<b>Your ORSA</b> helps bridge the gap between your regulatory capital and capital that is calculated by an updated unapproved model
✓	<b>Investing in better reporting</b> ensures your key messages are communicated clearly
✓	<b>Early engagement</b> 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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