

## ICP 14 related glossary terms

Terms	Definition as proposed
<p><b>Current estimate</b> [ICP <u>14.7, 14.8, 14.9, 14.11, 17.8.8</u>, 20.5.4 CF 16.7.e.2]</p>	<p>Reflects the present value of projected future cash flows that arise in fulfilling insurance obligations, using unbiased, current assumptions.</p>
<p><b>Margin over current estimate (MOCE)</b> [ICP <u>14.7, 14.9, 14.11.1-2</u> CF 16.7.e.2]</p>	<p>A margin that reflects the inherent uncertainty in the current estimate.</p>
<p><b>Market-consistent valuation</b> [ICP <u>14.0.4, 14.3.5, 14.5.4, 14.5.5, 14.5.6, 14.5.8, 14.5.10</u>]</p>	<p>An economic valuation of an insurer's assets and liabilities that is consistent with the assessment of their risk and value by market participants (mark-to-market valuation) or, in the absence of a direct market valuation, consistent with the valuation principles, methodologies and risk parameters that market participants would be expected to use (mark-to-model valuation).</p>
<p><b>Technical provisions</b> [ICP 8.6, 9.4.5-6 and Annex D), 12.6.1, 12.9.2, <u>14.0.2, 14.0.9, 14.1.2, 14.1.4-5, 14.3.11, 14.5.10, 14.6, 14.7, 14.8.8-11, 14.10, 14.11</u>, 15.1.1, 15.3.3, 17.1.2-5, 17.3.7, 17.4, 17.7, 17.8.6-8, 17.9.1, 17.10.5, 17.10.7-8, 17.10.21, 17.14.8, 20.2, 20.5, 20.6.7, 20.12.15-16 CF 16.8.6.a, 16.7.d, 16.7.e]</p>	<p>Assets or liabilities that represent the economic value of the insurer fulfilling its insurance obligations to policyholders. The technical provision corresponds to the current estimate and a margin (MOCE).</p>

## ICP 17 related glossary terms

Terms	Definition
<b>Calibration test</b>	A test to demonstrate that the regulatory capital requirement determined by an internal model satisfies the specified modelling criteria.
<b>Capital</b>	The financial resources of an insurer. Different variations/calculations of capital may be referred to as equity capital (ie paid-up, share, subscribed), economic capital or regulatory capital.
<b>Capital requirements add-on</b>	An additional regulatory capital requirement imposed by the supervisor to address any identified weaknesses in an internal model or in another more tailored approach.
<b>Capital adequacy</b>	The adequacy of regulatory capital resources relative to regulatory capital requirements.
<b>Capital resources</b>	Financial resources that are capable of absorbing losses; broadly given as excess of assets over liabilities.
<b>Tiering approach</b>	An approach that uses criteria to determine the category of regulatory capital resources in which a capital instrument is included.
<b>Continuum-based approach</b>	Involves the setting of characteristics against which individual capital elements can be assessed as to their quality; instruments are ranked against other instruments to determine whether they are included as regulatory capital resources.
<b>Control level</b>	A threshold solvency level that requires intervention by the supervisor or imposes certain restrictions on the insurer if the actual solvency level falls below this level.
<b>Double gearing</b>	Occurs whenever one entity holds regulatory capital issued by another entity within the same group and the issuer is allowed to count the capital in its own balance sheet.
<b>Regulatory capital resources</b>	The amount of capital resources that were subject to a quality and suitability test that can be used to meet regulatory capital requirements.

<b>Run-off</b>	<p>A process under which an insurer ceases to write new business but continues to administer existing contractual obligations. A ‘solvent run-off’ is a run-off in which the insurer is expected to be able to pay all of its debts when due. An ‘insolvent run-off’ is a run-off in which the insurer is no longer expected to be able to pay all of its debts when due.</p>
<b>Statistical quality test</b>	<p>A test to assess the base quantitative methodology of an internal model, which demonstrates the appropriateness of the model inputs and parameters and justifies the assumptions underlying the model.</p>
<b>Total balance sheet approach</b>	<p>An overall concept which recognises the interdependence between all assets, all liabilities, all regulatory capital requirements and all regulatory capital resources. Under a total balance sheet approach the impacts of all relevant material risks on an insurer’s overall financial position should be appropriately and adequately recognised.</p>
<b>Use test</b>	<p>A test to assess whether an internal model, its methodologies and results, are appropriately embedded into the insurer’s risk strategy, risk management, and operational processes.</p>