

ICIEC Staff Retreat and 30th Anniversary Celebration

19 - 20 December 2023

Risk Management Division

Enabling. Balancing. Safeguarding.

Role Of RMD



Not only
gatekeeper
but also
enabler



One size
doesn't
fit all



Enabling

CRA and RMPs with risk appetite
and cover attitude guidelines-
UOD

Risk Perceptions quarterly and risk
alert- BDD

Specialized risk event reporting-
UOD, BDD, RI

Daily Risk Watch- CRCG

Provide risk opinion on insurance
and investment transactions

TUC, IIPG and ALCO submissions

Focal Point of ICIEC rating

Balancing

2nd line of defense

Portfolio monitoring

Exposure and limit Management

Custodian of risk capacity

Overseeing counterparty limits
and treasury mid office

Risk based Pricing

Internal Country rating

Operational sustainability
through corporation KPI
monitoring and reporting

Safeguarding

Capital allocation and
preservation

Maintenance of Capital adequacy
metrics

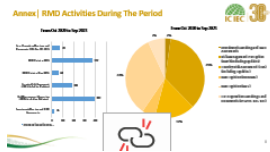
Custodian of Risk Appetite
Statement

Risk monitoring dashboard

Stress Testing

Portfolio Reserving-IFRS-9

Quarterly reporting to ARC



Outline

1 | Alignment With 10 Years Strategy

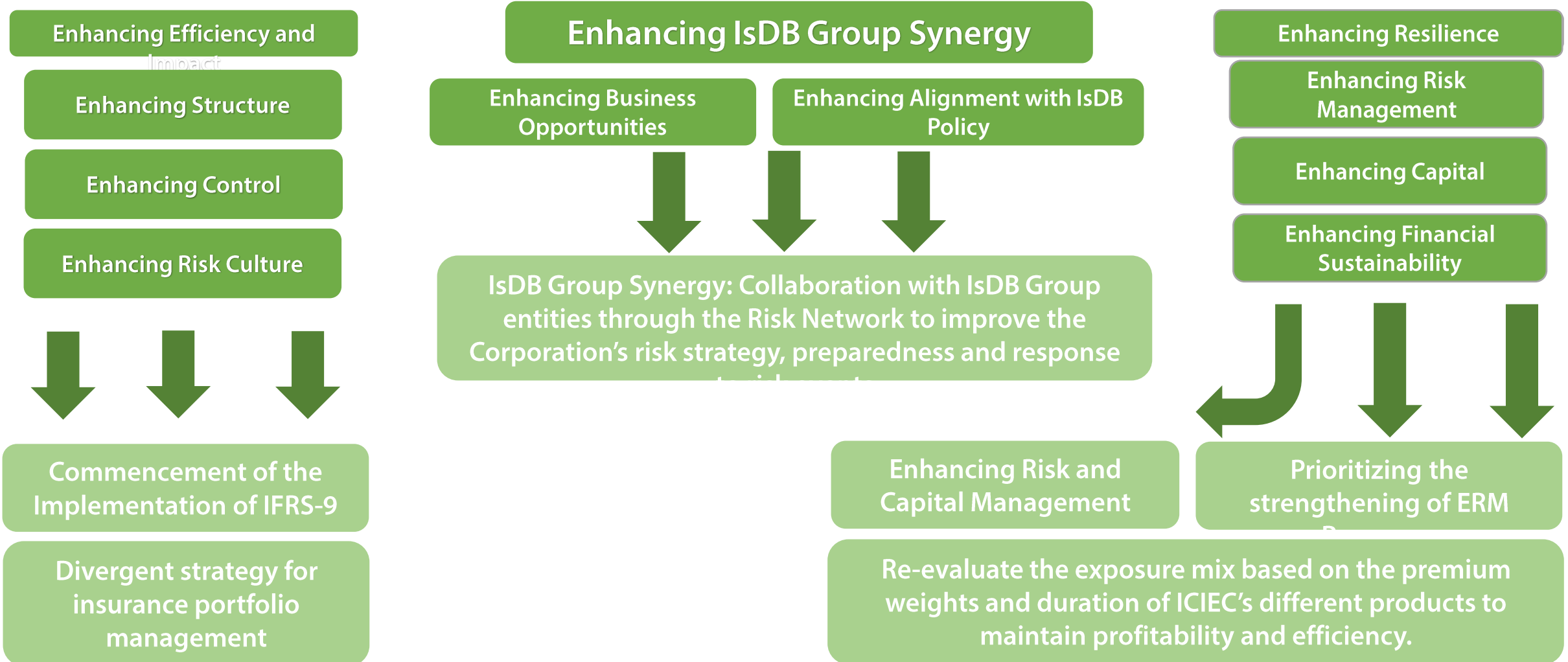
2 | Departmental / Strategic Plan

3 | Projects / KPIs

4 | Portfolio And Quality Control

5 | Challenges / Recommendations

1| Alignment With 10 Years Strategy



2| Departmental / Strategic Plan

Optimize capital utilization through Risk Appetite Statement, Risk Based Pricing and Exposure Management Frameworks

Realign risk perception and architecture with revised strategy and 3rd GCI

Implement a fully-fledged ERM and bringing in sustainability risk practices

Assign S&P and Fitch for greater market acceptability

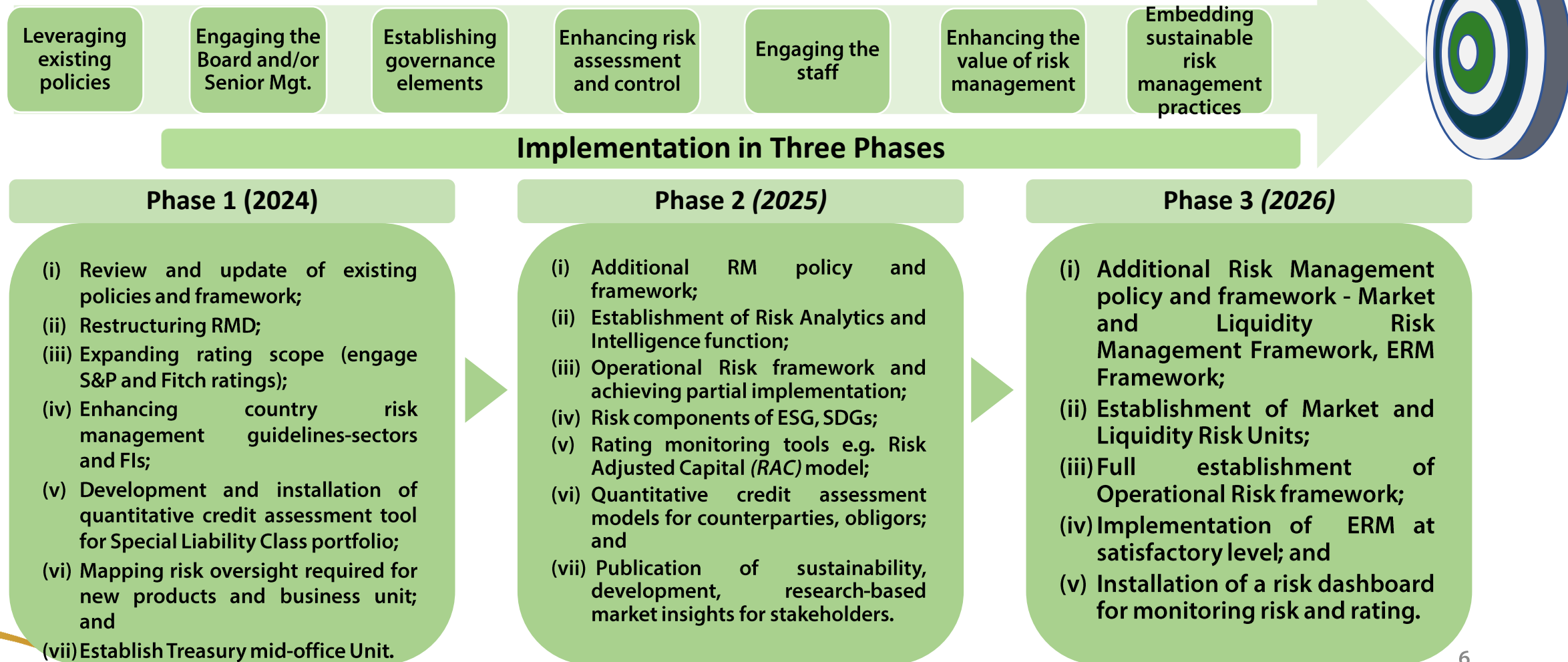
Implement quantitative models
e.g. RAC dashboard, stress testing and IFRS-9

Enhance risk management scope

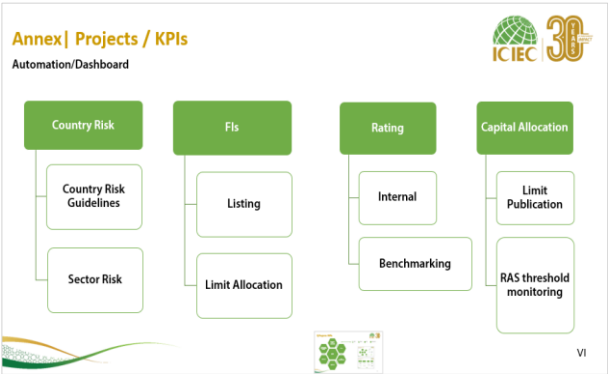
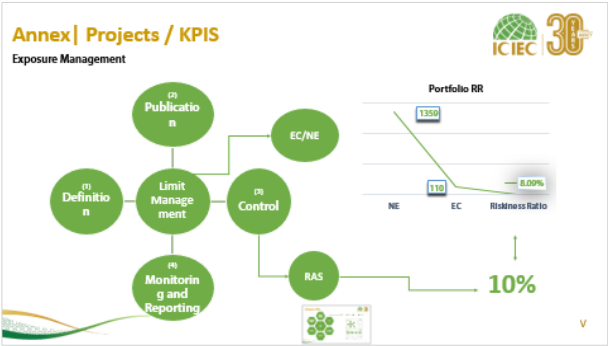
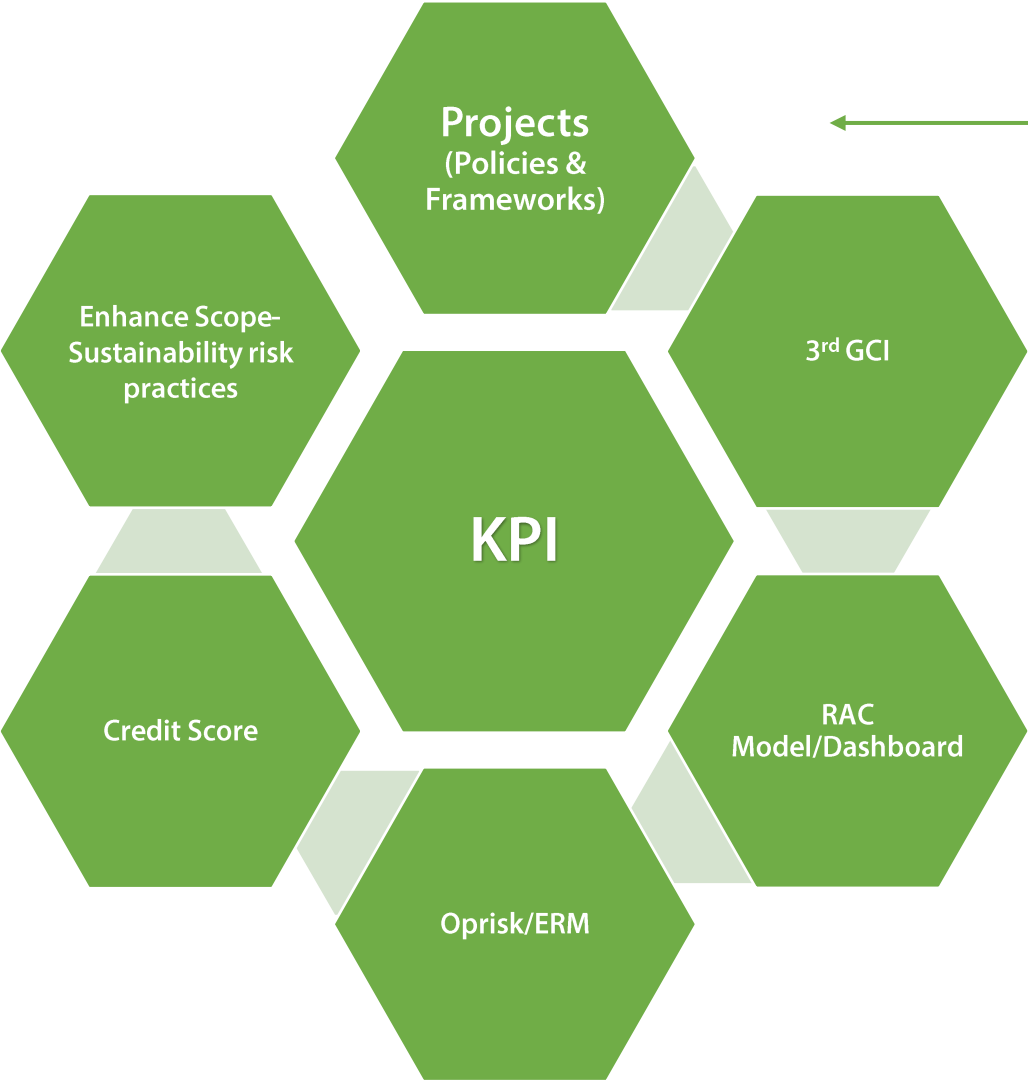
2| Departmental / Strategic Plan

Risk Management Strategy and Plan 2024 - 2026

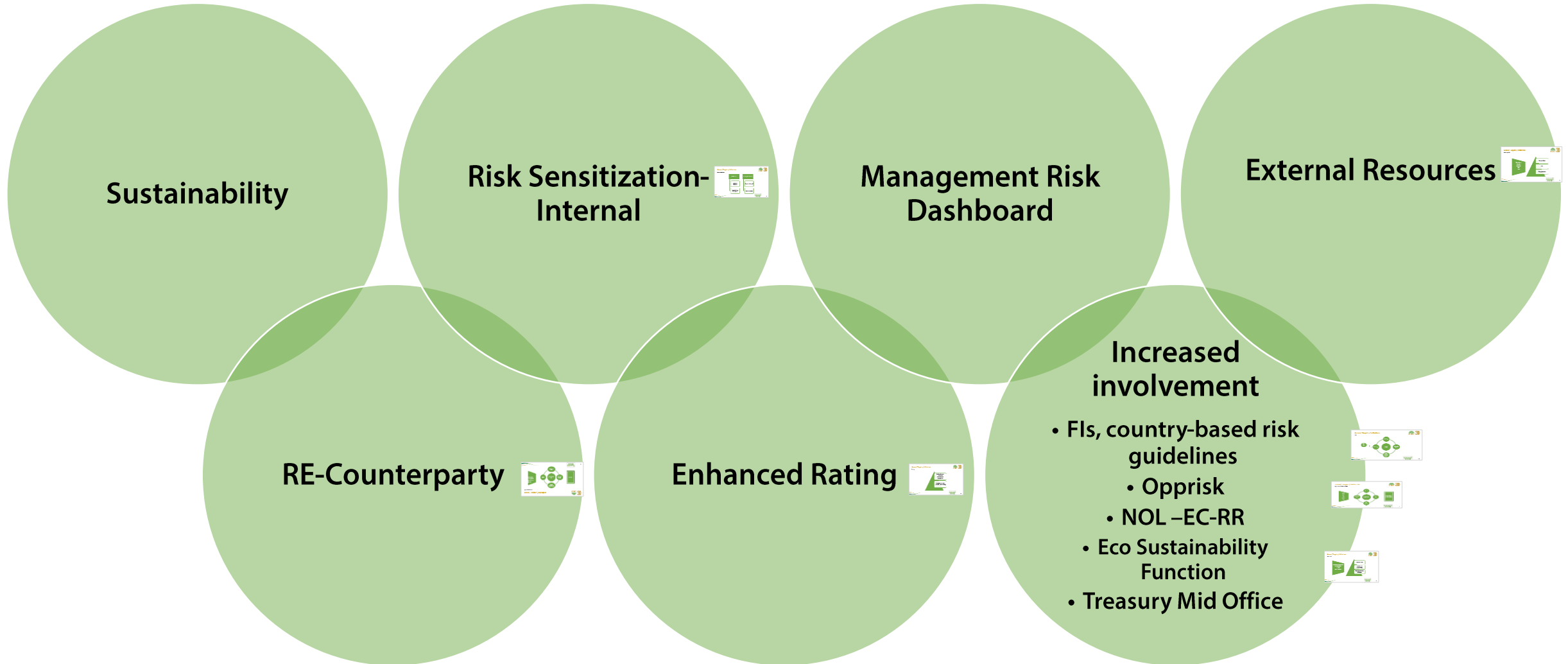
Structured approach to RMSP design



3| Projects / KPIs



4| Portfolio And Quality Control

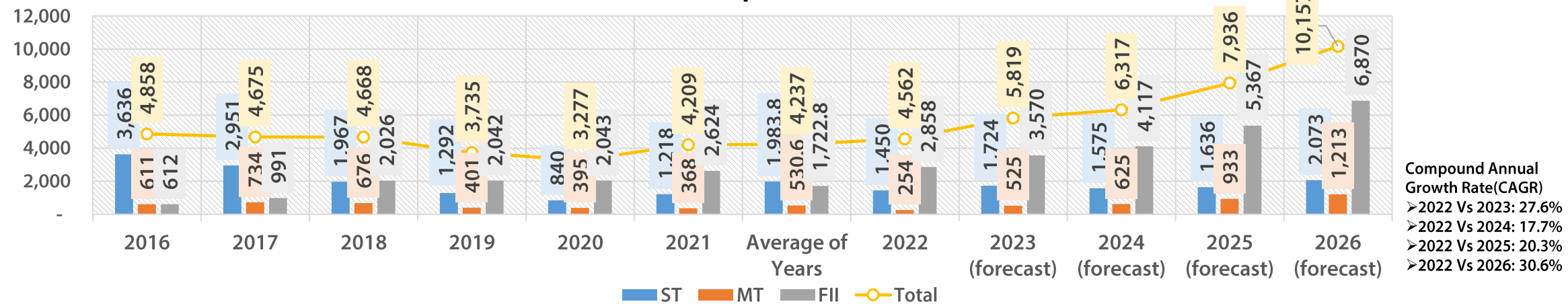


4| Portfolio And Quality Control

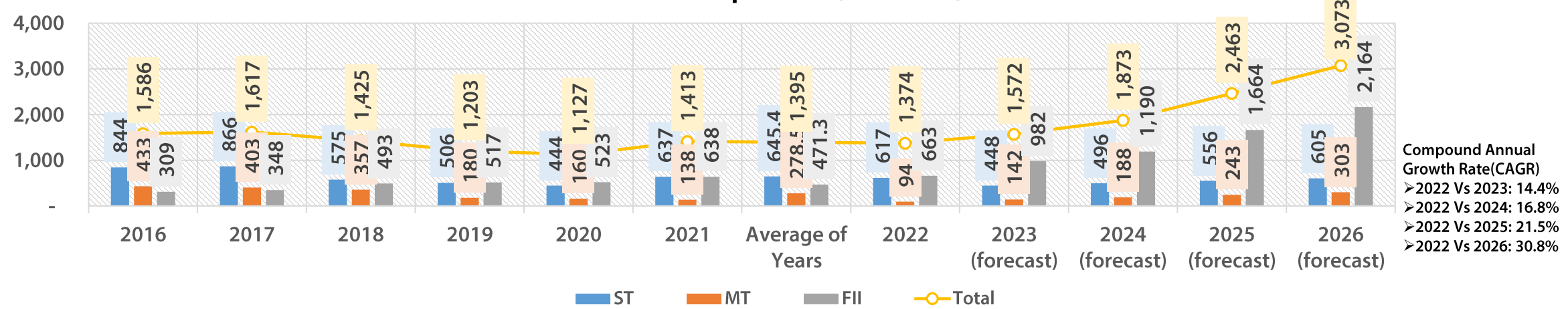


Expectations 2024 To 2026

Gross Exposure (USD Mn)



Net Exposure (USD Mn)

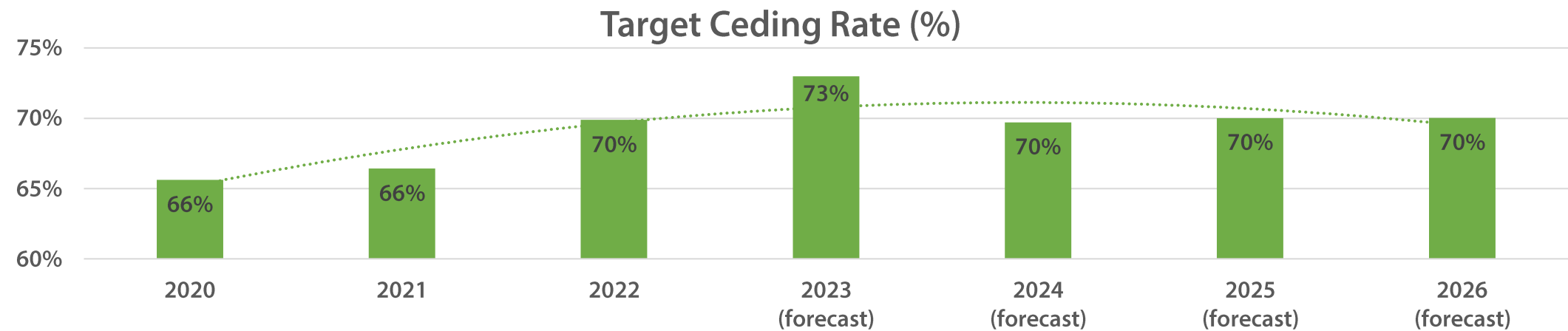


4| Portfolio And Quality Control

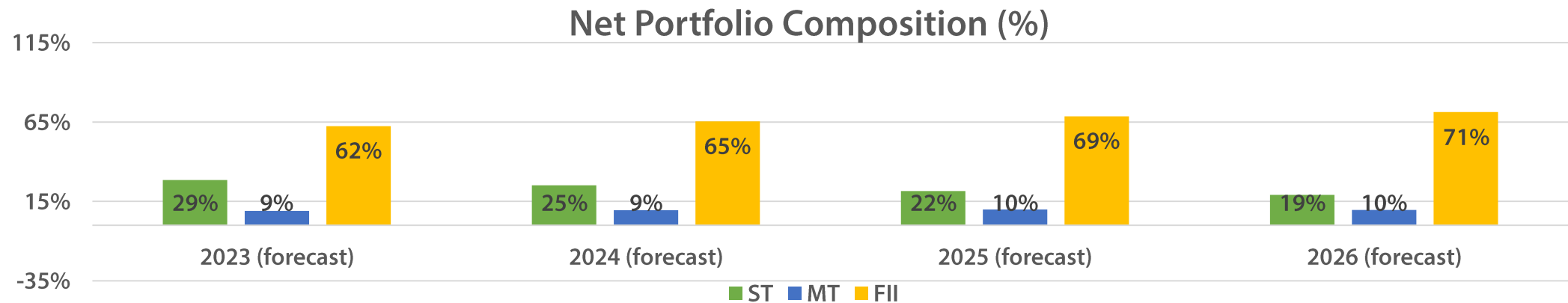


Expectations 2024 To 2026

Targeted Ceding Rate (%)

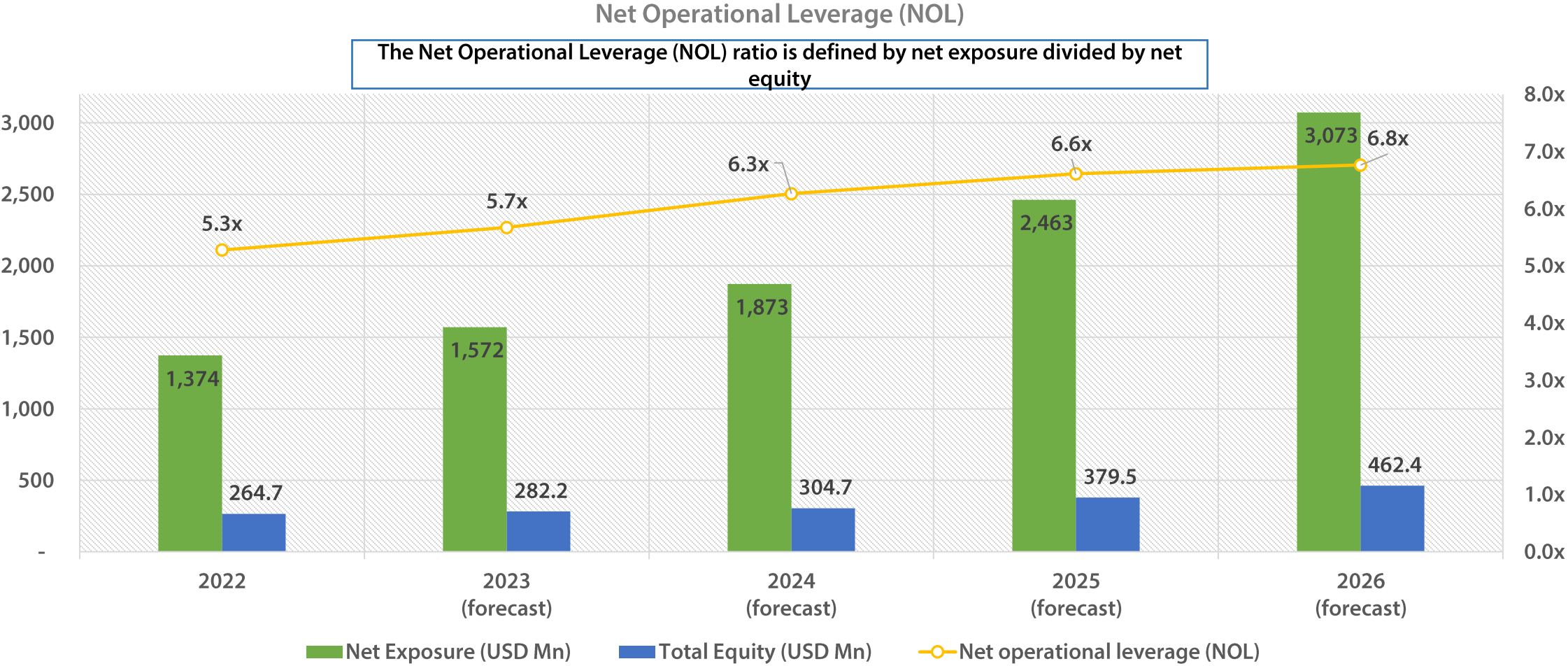


Targeted Composition of Net exposure (%)



4| Portfolio And Quality Control

Expectations 2024 To 2026

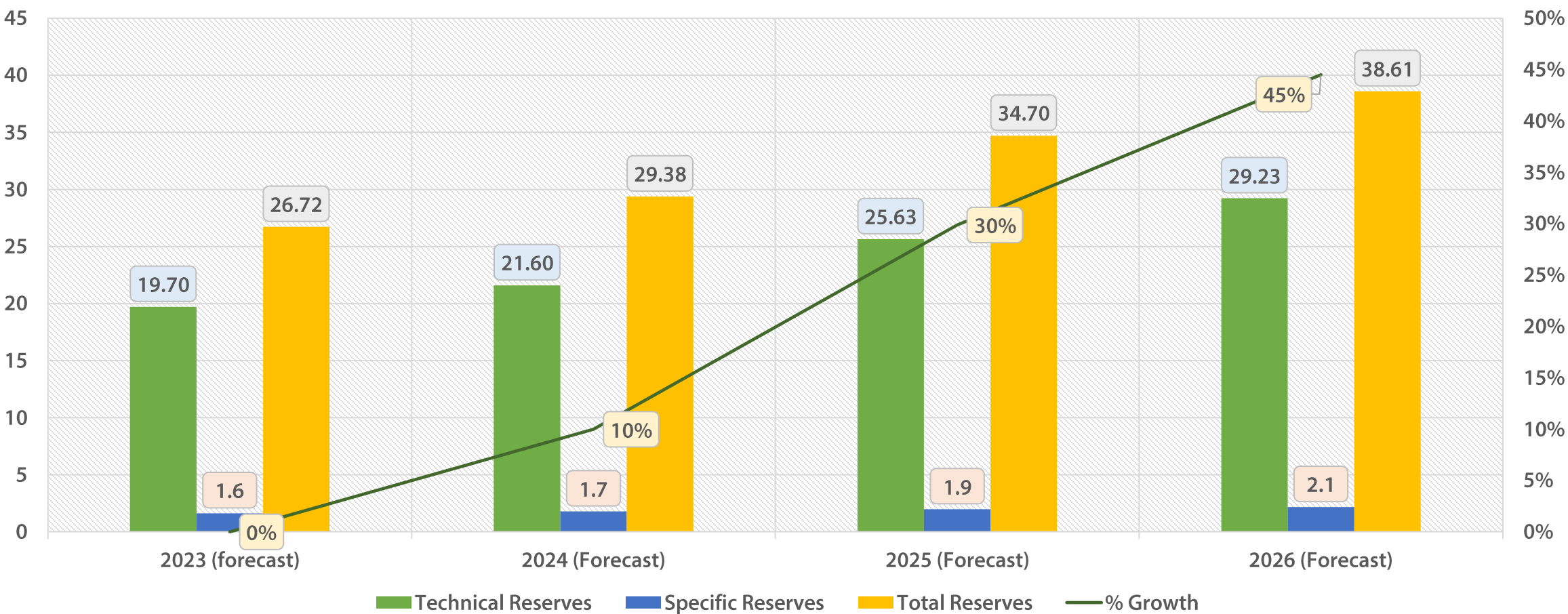


4| Portfolio And Quality Control

Expectations 2024 To 2026



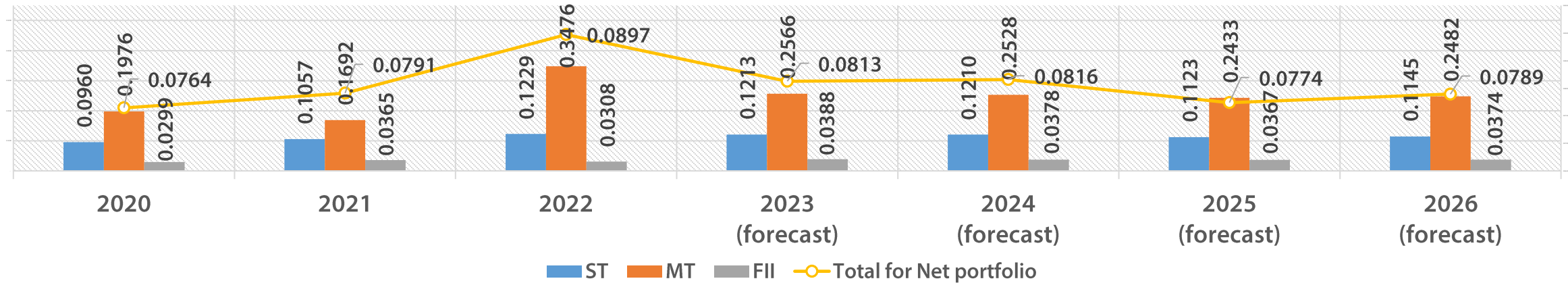
Projected Total Reserves for the Insurance Portfolio (USD Mn)



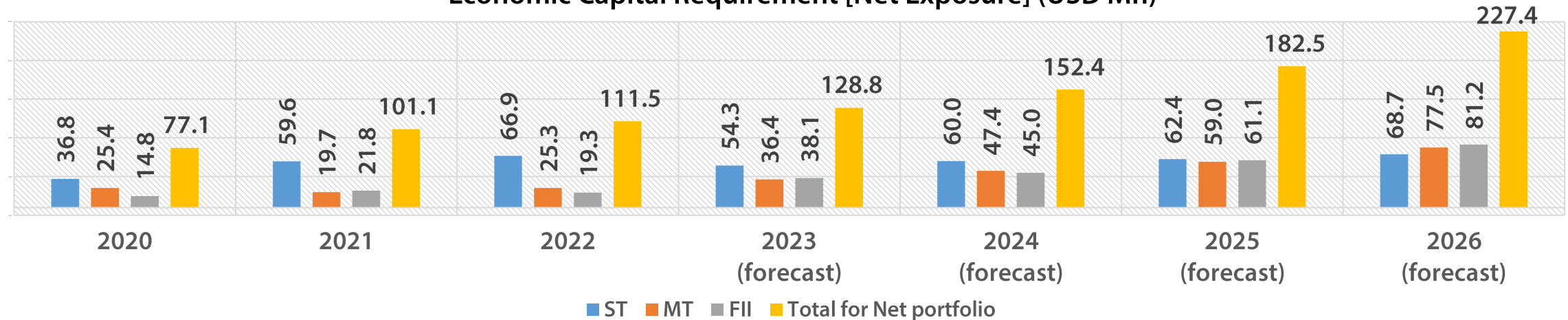
4| Portfolio And Quality Control

Expectations 2024 To 2026

Per dollar Economic Capital Requirement (USD Mn)



Economic Capital Requirement [Net Exposure] (USD Mn)



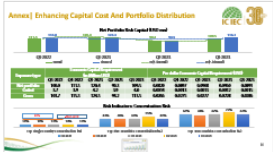
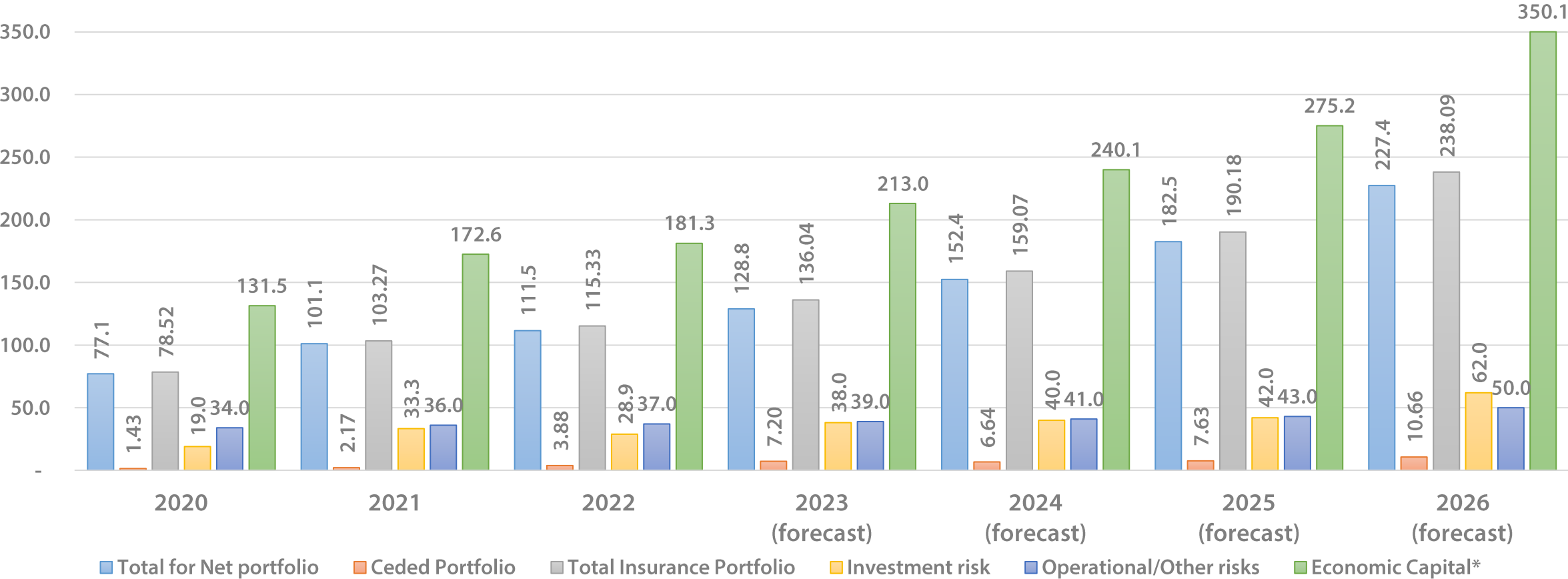
4| Portfolio And Quality Control

Expectations 2024 To 2026



Total Economic Capital Requirement (USD Mn)

**Total Economic Capital (EC) equals capital consumption from the Insurance portfolio, plus capital required for investment risk and operational risk.*



4| Portfolio And Quality Control

Expectations 2024 To 2026

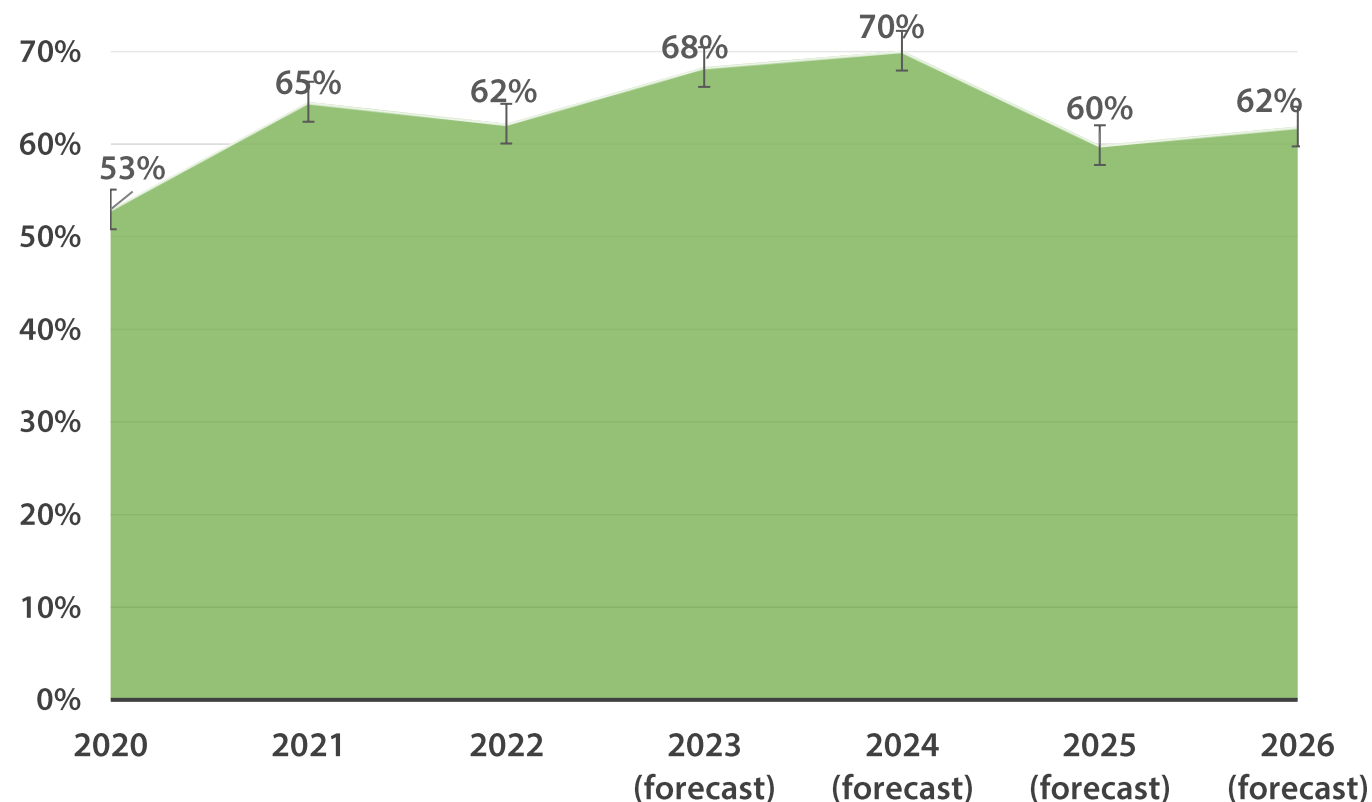
Expected Capital Adequacy of ICIEC YE-2023

- Primary measure of ICIEC's capital adequacy: EC/OC*

Based on current portfolio and risk assessments, ICIEC is well capitalized

- BI: \$11.2 billion
- Gross Exposure: \$5.8 billion
- Net Exposure: \$1.6 billion
- Operating Capital (OC) : \$298.9 million
- Economic Capital (EC) Utilized: \$204.2 million, of which \$127.3 million for insurance portfolio
- Total EC/OC stood at 68% at the end of 2023 (expected)

Economic Capital/Operating Capital (EC/OC) Ratio



*Capital Adequacy ratio is defined by available Economic Capital -EC is divided by Operating Capital-OC (Net equity+ reserves+ comprehensive income)

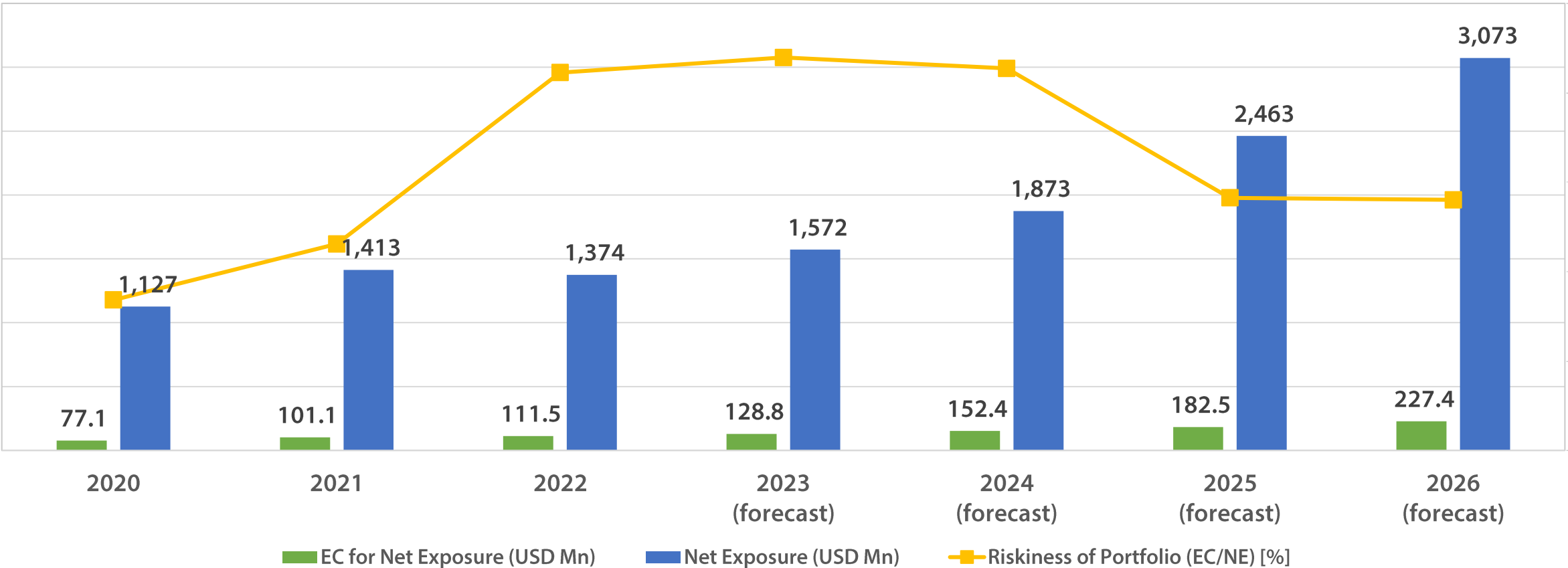
4| Portfolio And Quality Control

Expectations 2024 To 2026



Riskiness of Insurance Portfolio (EC/NE) [%]

The ratio is defined by available Economic Capital (EC) divided by Net Exposure (NE)



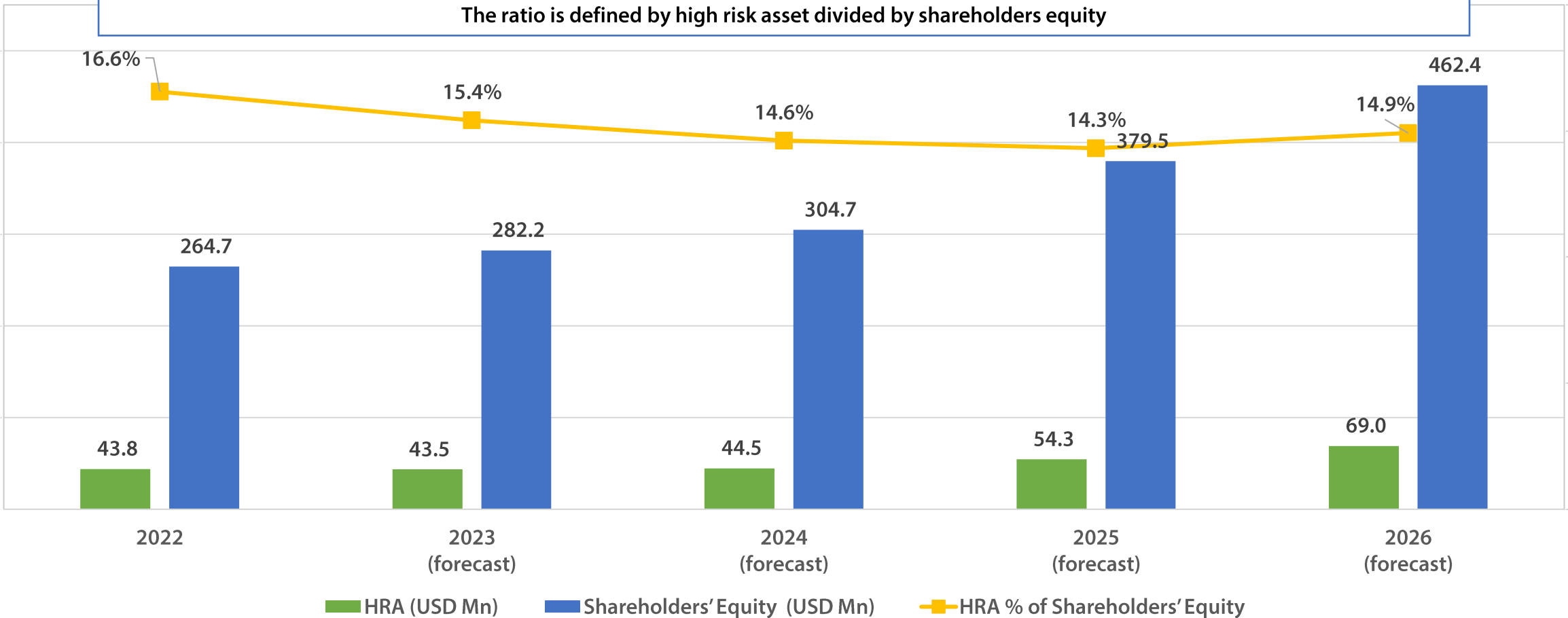
4| Portfolio And Quality Control

Expectations 2024 To 2026



Riskiness of Investment Portfolio (HRA/SE) [%]

The ratio is defined by high risk asset divided by shareholders equity



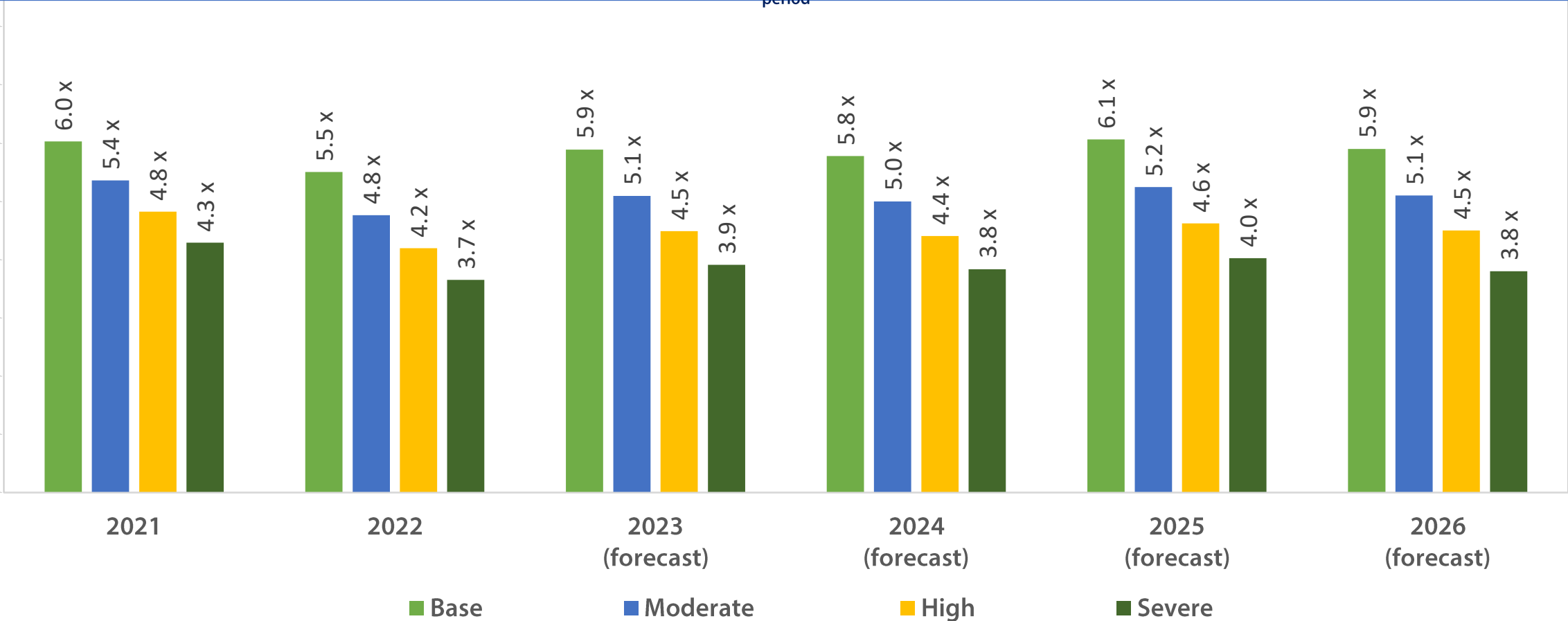
4| Portfolio And Quality Control

Expectations 2024 To 2026



Initial Liquidity Assessment (ILA) [6M LCR] (times)

The liquidity coverage ratio is the requirement for ICIEC to hold an amount of high-quality liquid assets that's enough to fund cash outflows including payment of claims- Initial Liquidity Assessment is meant for 6 months period



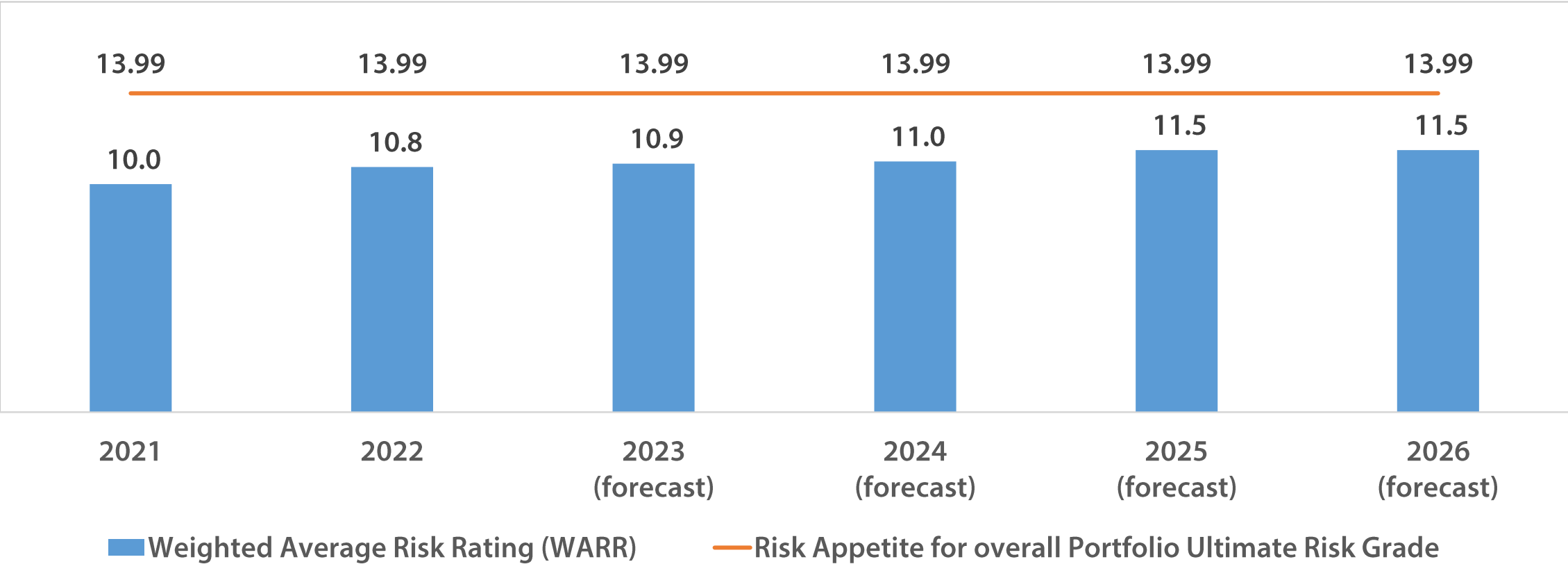
4| Portfolio And Quality Control

Expectations 2024 To 2026



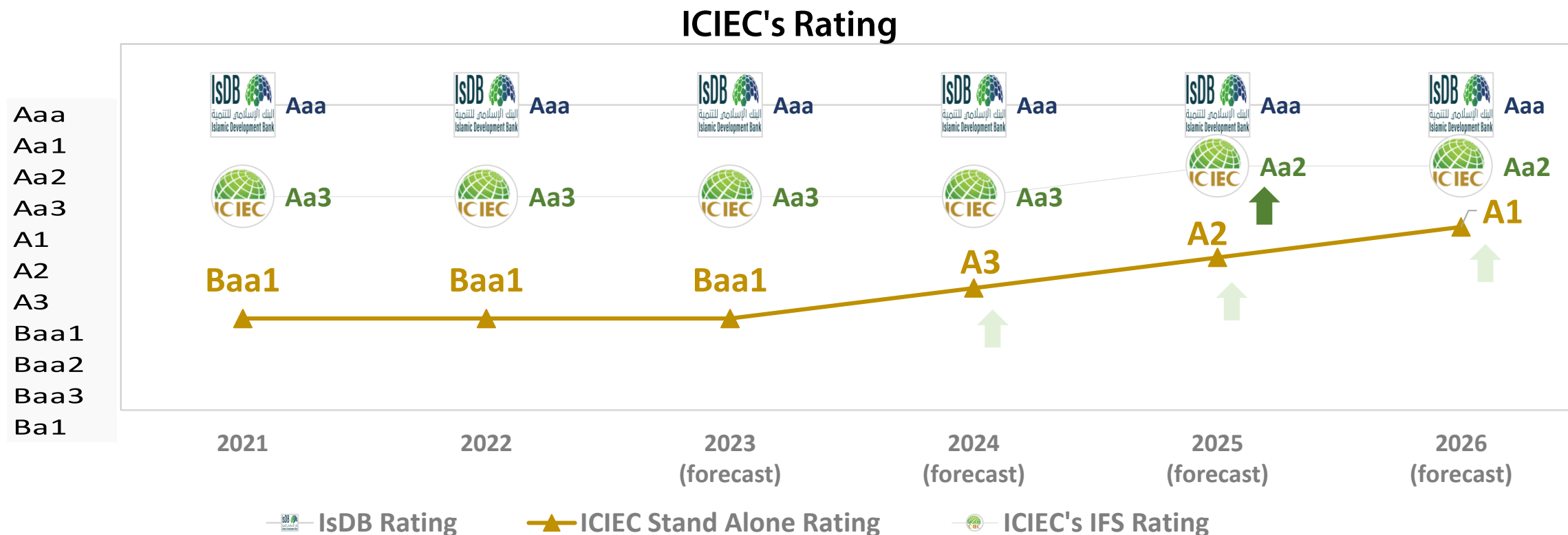
Weighted Average Risk Rating (WARR)

Weighted Average Risk Rating (WARR) is the median rating of insurance portfolio is used to measure the overall credit quality of exposure



4| Portfolio And Quality Control

Expectations 2024 To 2026



- Stand-alone rating was upgraded by two notches in 2021
- With Capital Increase and other improvements Stand-alone rating is expected to improve more
- In 2025, it's expected to get one notch upgrade in ICIEC rating

4| Portfolio And Quality Control

RMD Achievement (Up To Q3 2023) Of Open Observation From KPMG Review

- RMD achieved a completion percentage as 96% in average of the Total 24 Observations assigned to it.
- The outstanding observations are planned to be completed during 2024.

S/n	Subject	Progress of Implementation
1	Enhancements in the existing IBNR model	100%
2	Inadequate documentation on Notification of Probable Loss	100%
3	Enhancements in the capital adequacy computation	100%
4	Absence of stress testing framework	100%
5	Enhancements in mitigation of Double Default Risk (DDR)	100%
6	Absence of automated tool/ solution for capital adequacy computation	100%
7	Lack of validation capital adequacy framework	100%
8	Enhancements in assessment of concentration risk	100%
9	Enhancements in preparation of business projections	100%
10	Enhancements in existing Governance framework	100%
11	Absence of detailed risk appetite framework	100%
12	Enhancements in country risk assessment	100%

S/n	Subject	Progress of Implementation
13	Absence of a defined role the risk department in insurance policy pricing	85%
14	Enhancements required in the Terms of reference various Management Committees	100%
15	Enhancements required in the Terms of reference for approvals on underwriting decisions	100%
16	Enhancements required in the Terms of reference for decisions on annual reporting	100%
17	Absence of a robust mechanism to monitor the progress and revise timelines risk management road	100%
18	Absence of a risk management policy	100%
19	Absence of a well defined ERM framework	100%
20	Absence of a model risk management framework	100%
21	Absence of a market and liquidity risk framework	100%
22	Absence of an Operational Risk framework	40%
23	Absence of Information Systems	85%
24	Inadequate reporting mechanism	100%

5| Challenges / Recommendations

Operational

CHALLENGE	RECOMMENDATION
Meeting tailored Underwriter requirements for specific sectors has sometimes proved difficult due to the limited sources of information for CRA and RMP reports.	Strengthen country risk and enhancing scope to bring economic sustainability
Capacity challenges for Member States amid increasing demands for ICIEC's risk coverage support.	- Implement MLE - Leveraging on the capital increase to boost the capacity limits.
Increasing demand for Country Risk Report and assessment handled by RMD and adding the middle office function of treasury to its future workload.	- An additional Country Risk Specialist staff to assist in handling the Country Risk Updates. - An additional Market Risk Specialist staff to handle the Implementation of Treasury Middle Office.
Accommodating Risk Management Requirements in the new ITS	Integrating existing and new Risk Management Models to enable the Corporation reach ERM level.



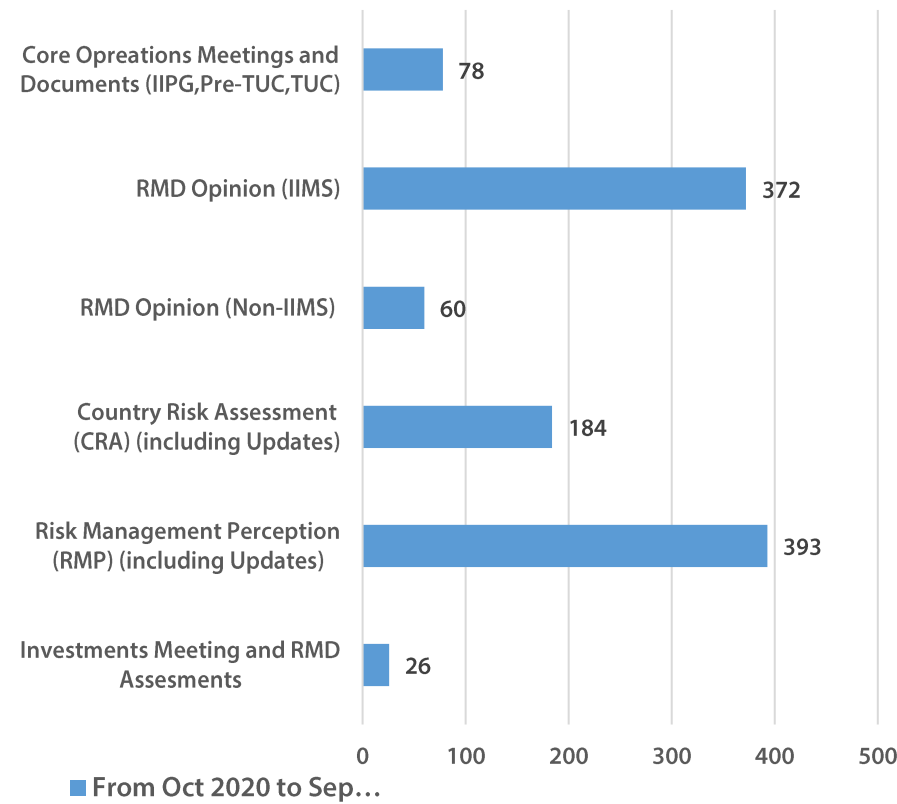
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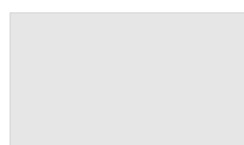
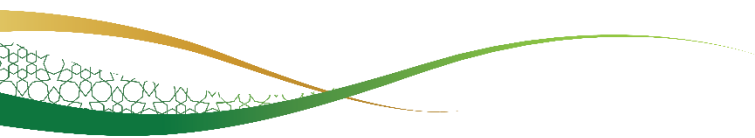
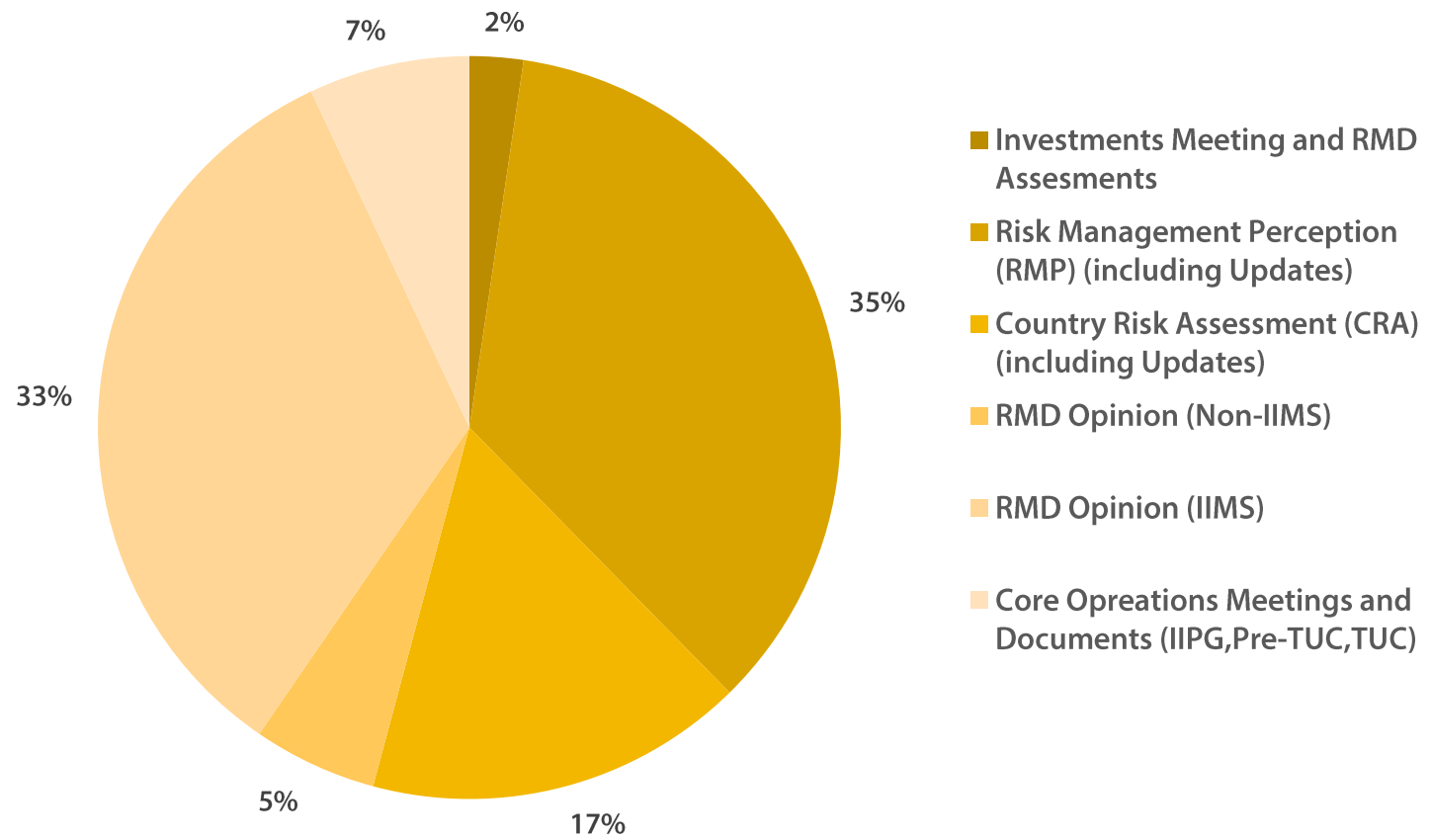
<https://iciiec.isdb.org>

Annex| RMD Activities During The Period

From Oct 2020 to Sep 2023



From Oct 2020 to Sep 2023



Annex| Demand Vs Supply In 2024

Indicator

Detail

Working Hours (Monthly)

CRA

48 MSs (Monthly Updates)

240

RMP

48 MSs (Bi-Weekly Updates)

288

Updating Risk Perception for the Quarter and Sector Risk Strategy

50 NMSs (Bi-Weekly Updates)

300

Monthly

20

Transaction Assessment

15 Transactions (Average)

52.5

Strategic Initiatives (Capital Increase)

16 Queries and Reports (Average)

48

Strategic Initiatives (Other Corporate Subjects/Meetings)

20 involvements (Average)

60

RMD Submissions/Policies/Board Documents to ARC and BoD

5 Reports (3 ARC- 2 BoD {Quarterly})

12

Risk Capital Model

Monthly

16

Limit setting in Exposure Management

Monthly

14

Running Stress Testing Model

Monthly

20

IFRS 9

Monthly

12

Liquidity Assessment

Monthly

5

Technical Reserves

Monthly

4

RAC Model and Rating Activities

Monthly

48

Middle Office

Monthly

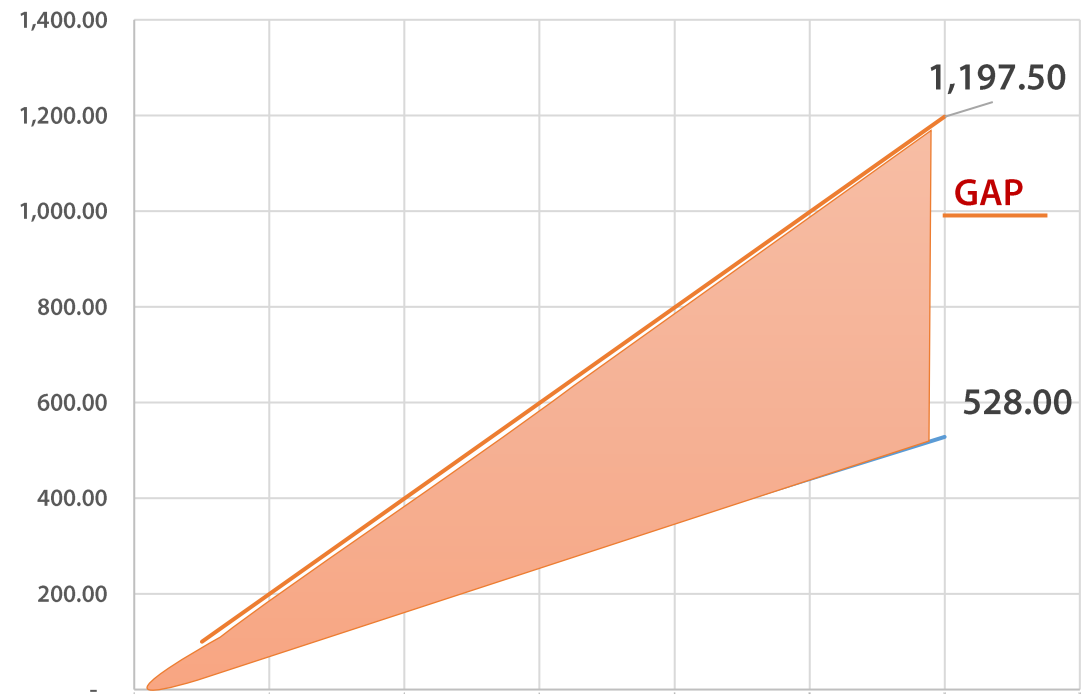
58

Total Working Hours (Monthly) 1,197.5

Annex| Demand Vs Supply In 2024

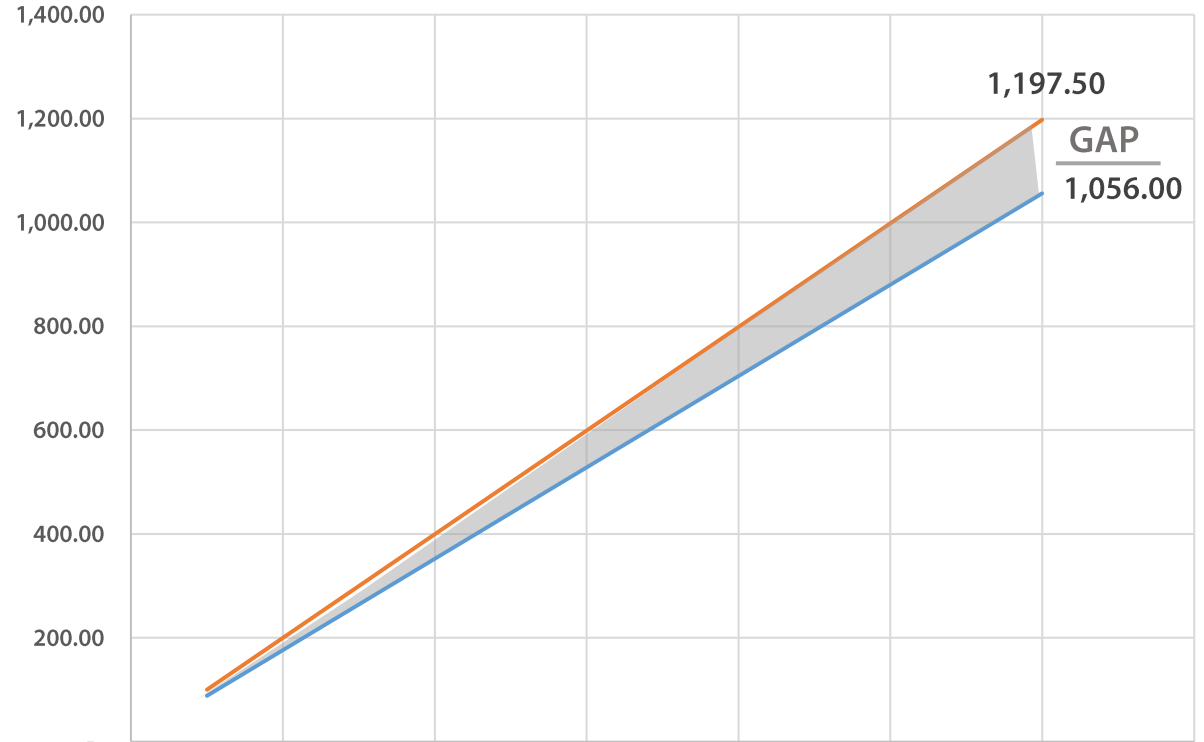
Increasing the Supply to meet the Demand

Current

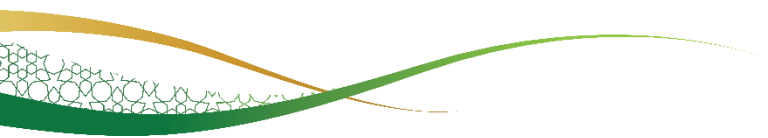


— Total Working Hours (4 Staff)
— Required Working Hours (as per RMD plan 2024)

With the addition of 4 Staff

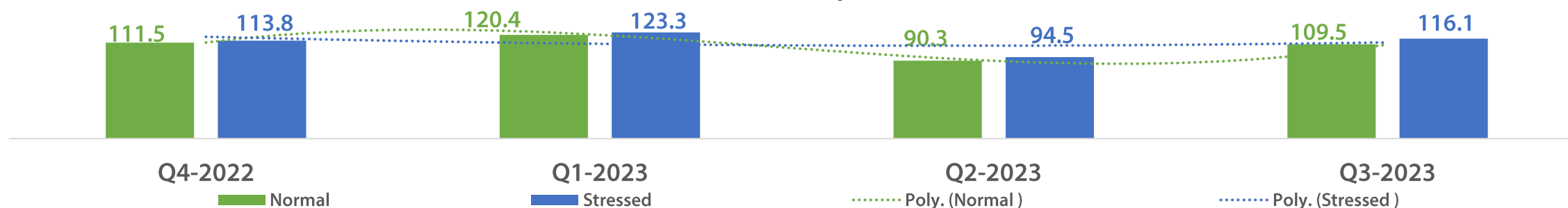


— Total Working Hours (8 Staff) — Required Working Hours (as per RMD plan 2024)



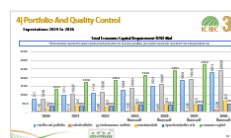
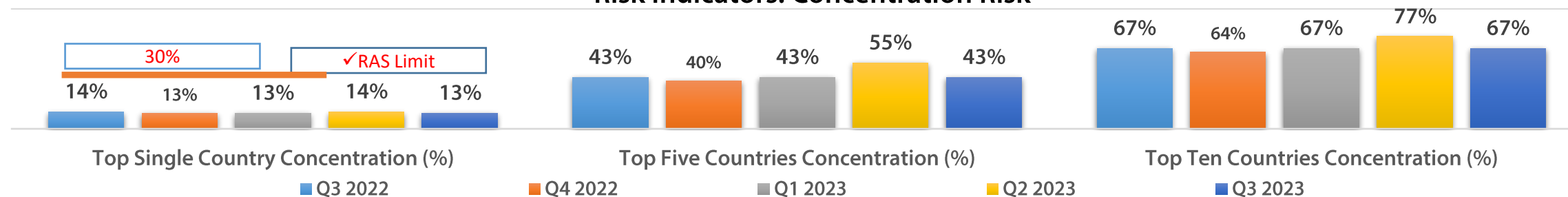
Annex| Enhancing Capital Cost And Portfolio Distribution

Net Portfolio Risk Capital (USD mn)



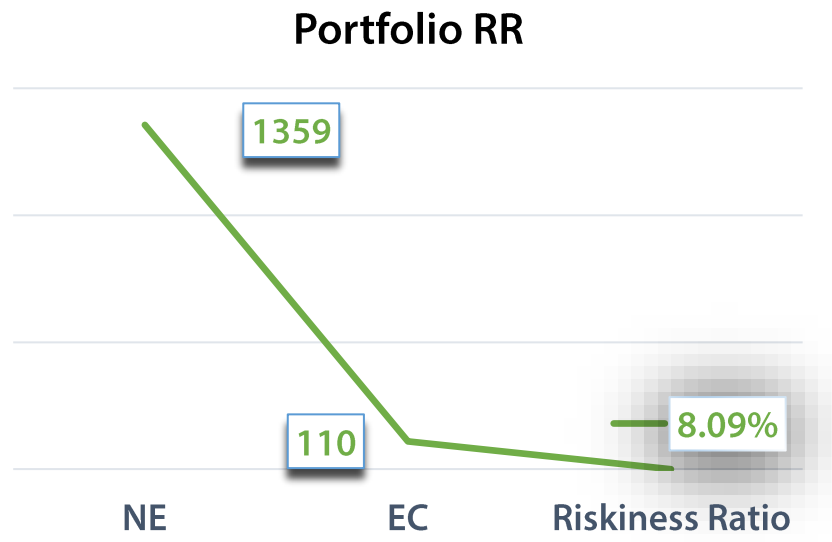
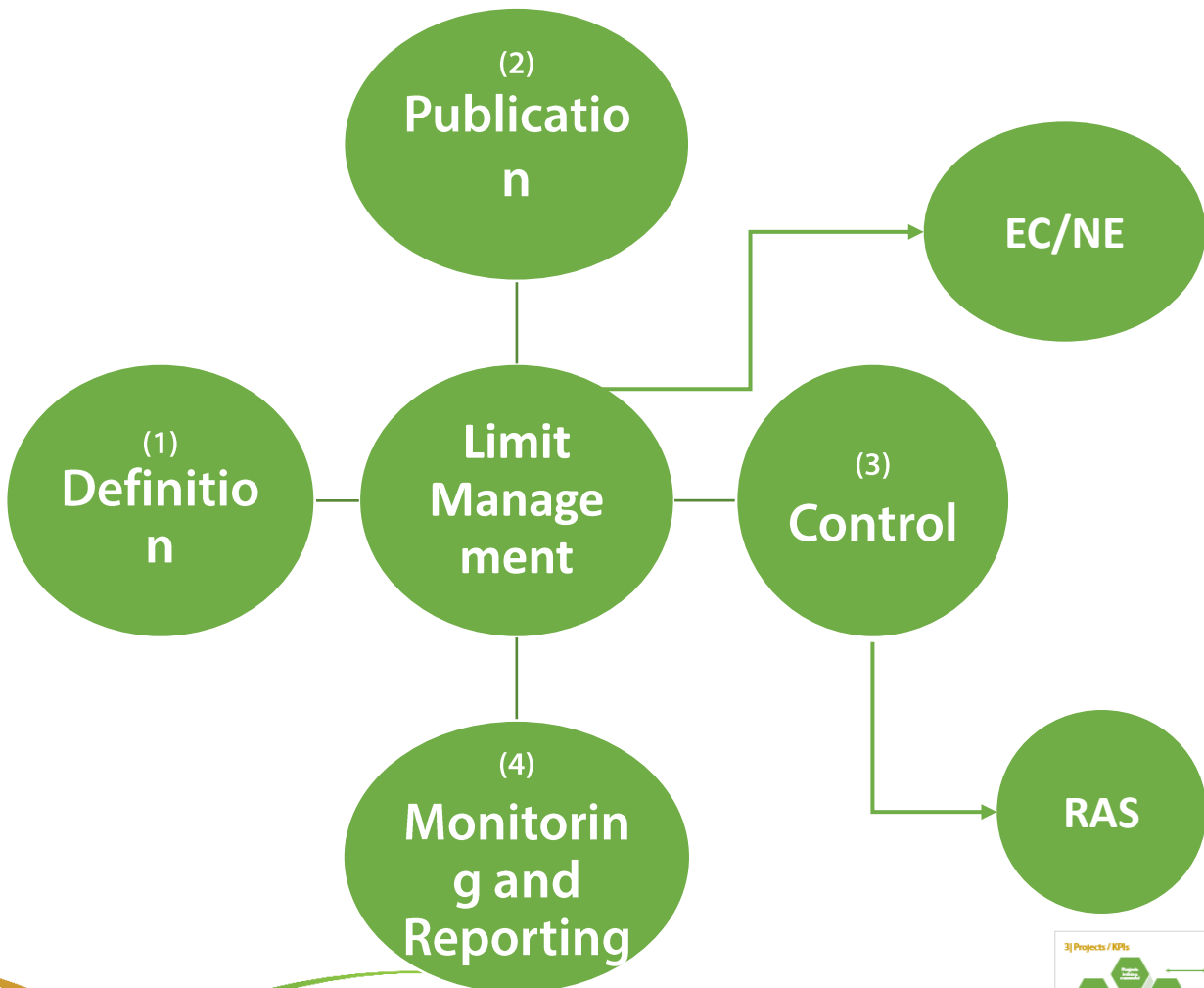
Exposure type	Economic Capital Requirement (in Million USD)					Per dollar Economic Capital Requirement (USD)				
	Q3-2022	Q4-2022	Q1-2023	Q2-2023	Q3-2023	Q3-2022	Q4-2022	Q1-2023	Q2-2023	Q3-2023
Net portfolio	100.0	111.5	120.4	90.3	109.5	0.0820	0.0897	0.0908	0.0960	0.0891
Ceded	3.7	3.9	4.2	3.9	4.0	0.0014	0.0013	0.0013	0.0012	0.0015
Gross	103.7	115.3	124.5	94.2	113.5	0.0266	0.0275	0.0277	0.0228	0.0286

Risk Indicators: Concentration Risk



Annex | Projects / KPIS

Exposure Management

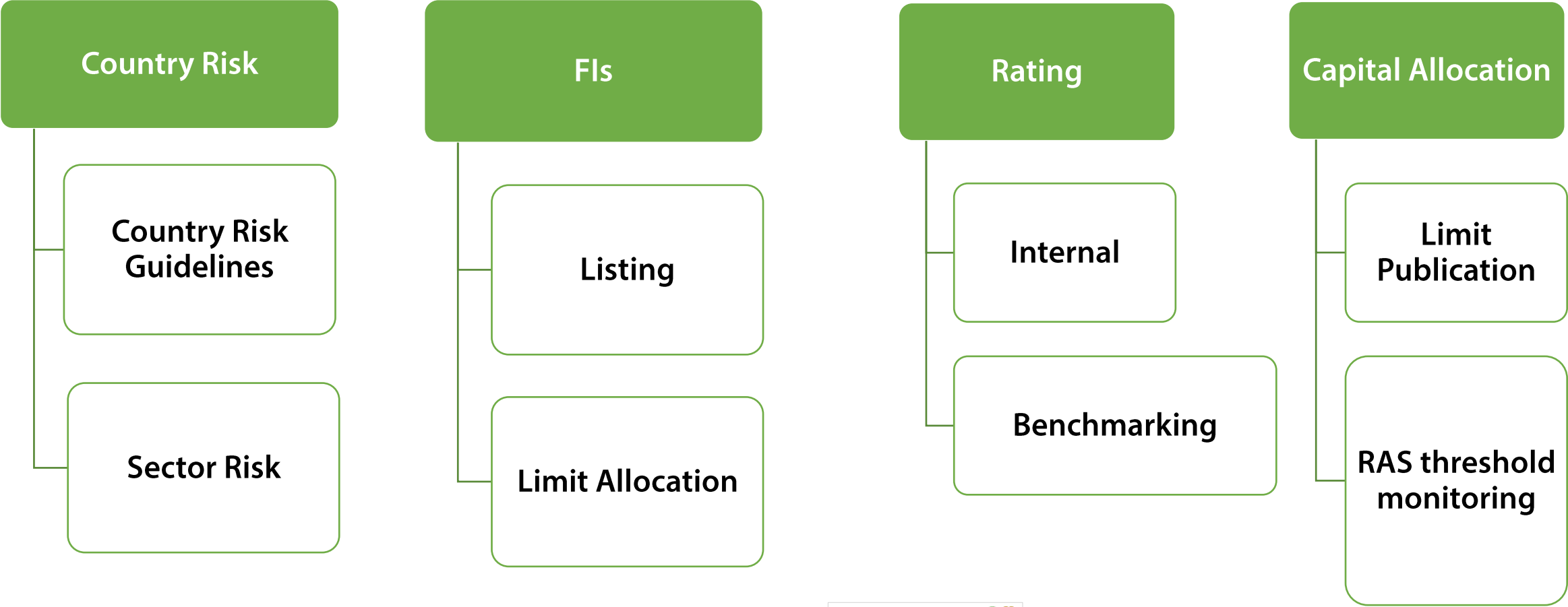


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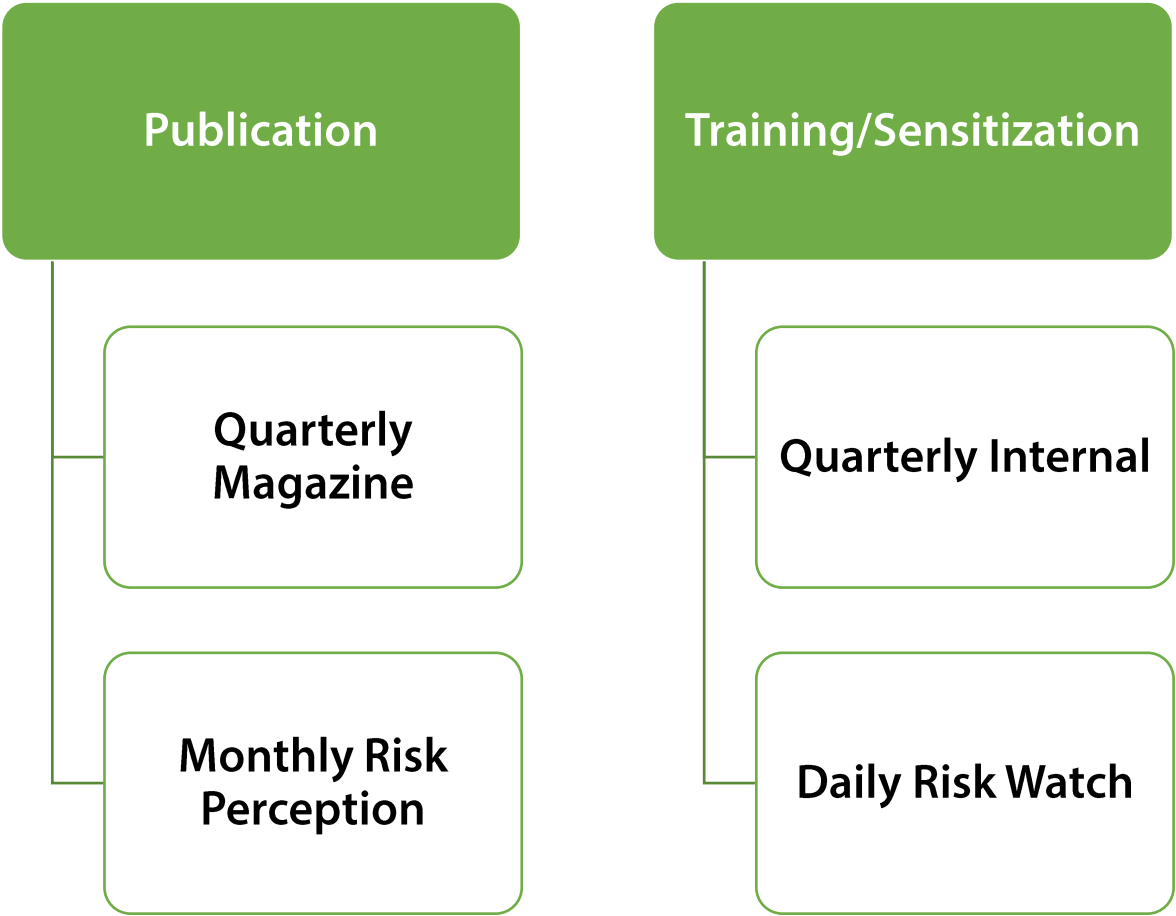
Annex | Projects / KPIs

Automation/Dashboard



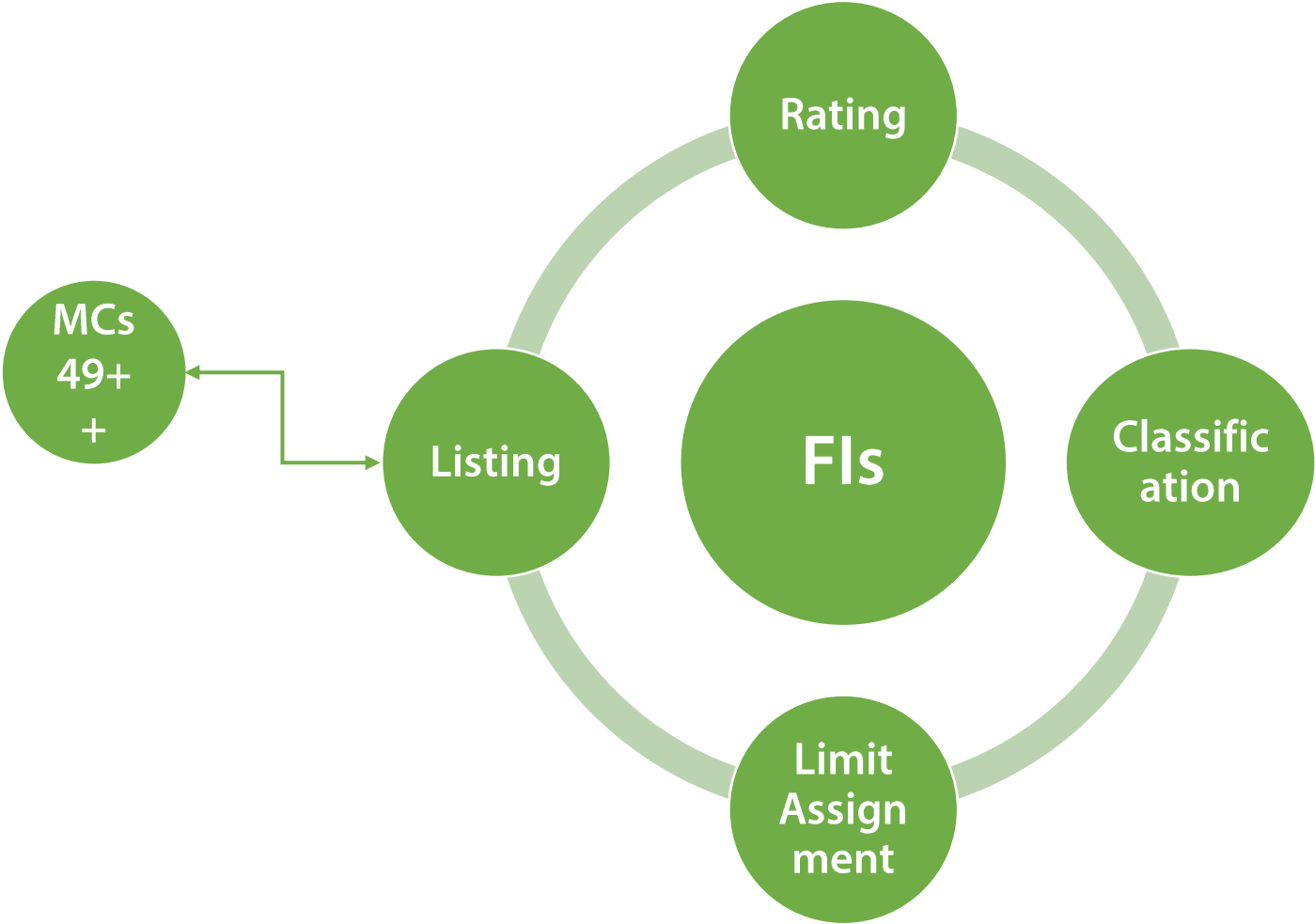
Annex | Targets / Initiatives

Risk Intelligence



Annex | Targets / Initiatives

FIs

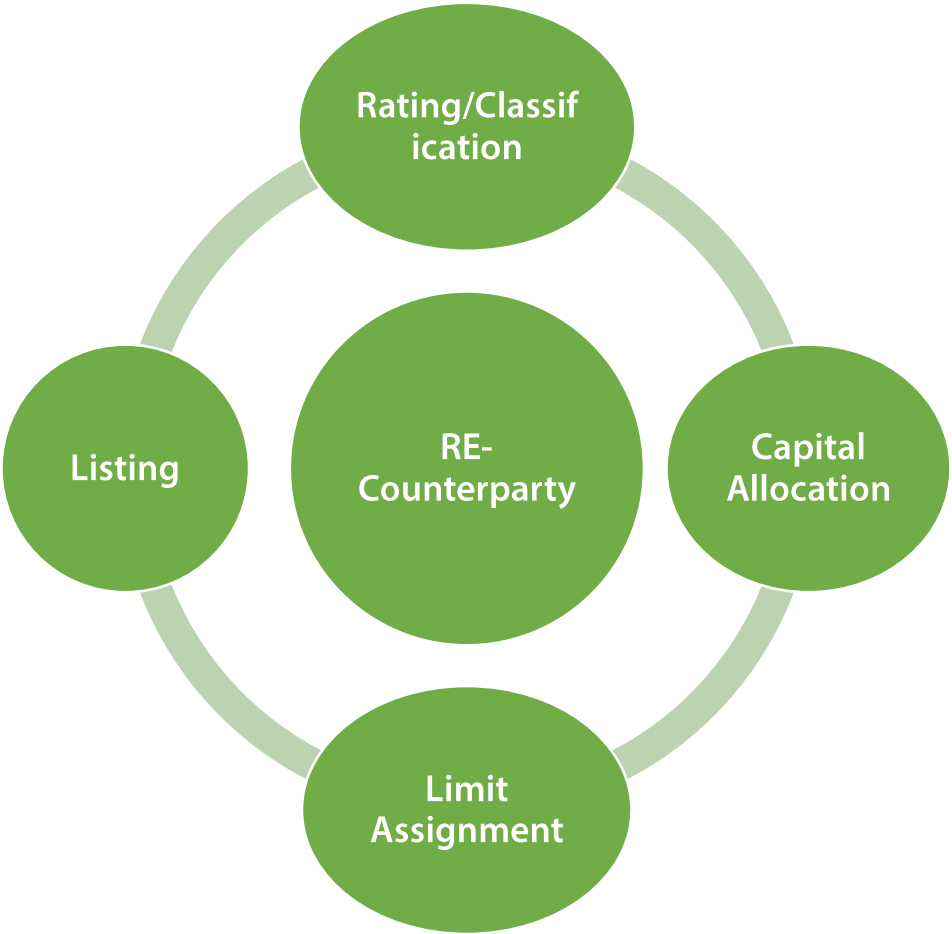


Annex | Targets / Initiatives

RE-Counterparty

RE-EU
RE-Llyoods

- RE-MDBs
- RE-ECAs

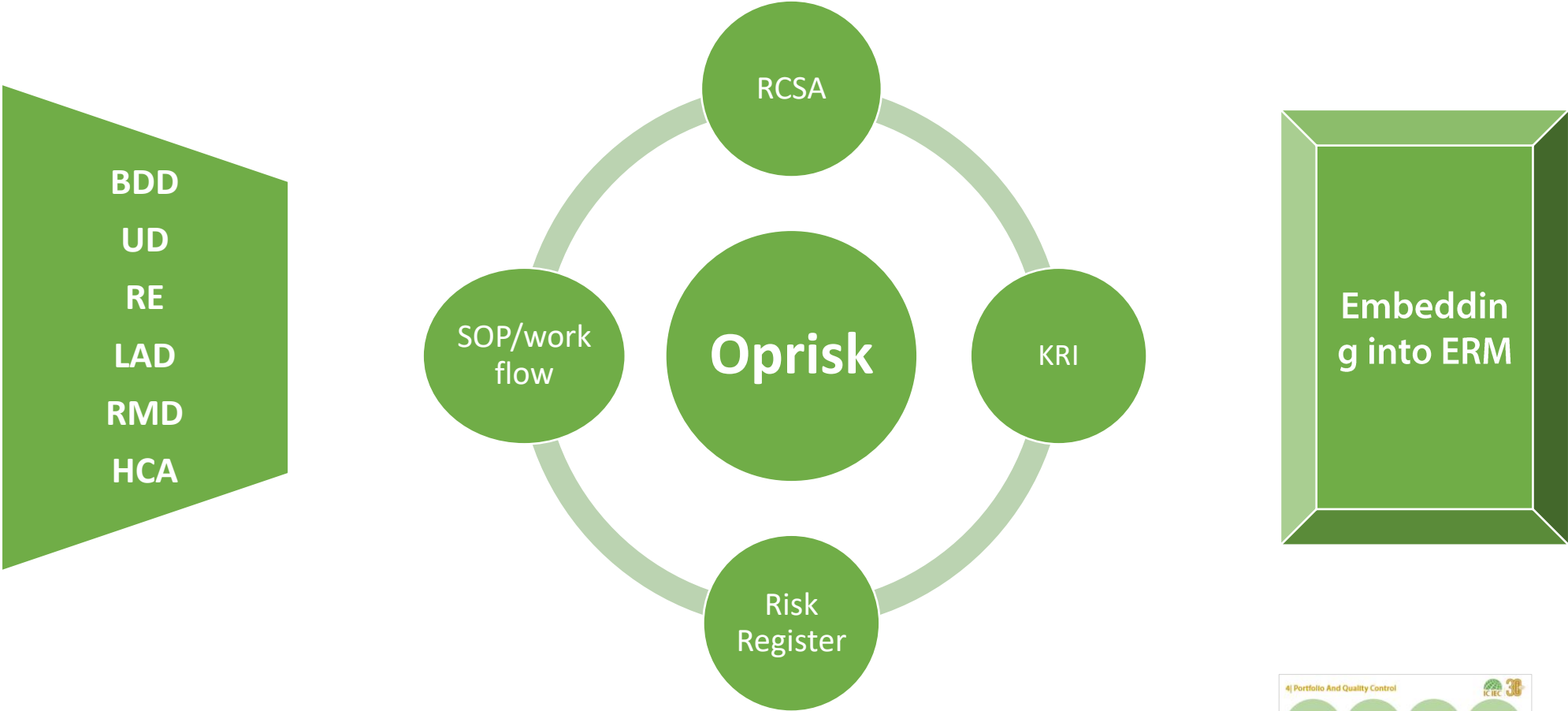


EC-CCR



Annex | Targets / Initiatives

Operational Risk /ERM



Annex | Targets / Initiatives

Subscription

Bloomberg
Moody's
AfricaRisk
S&P
Fitch

Stress Test

FIs

Corporates



Annex | Targets / Initiatives

Stress Tests

Confidence level driven
EC framework
EL-95%
UL/EC-99.97%

Scenario Test

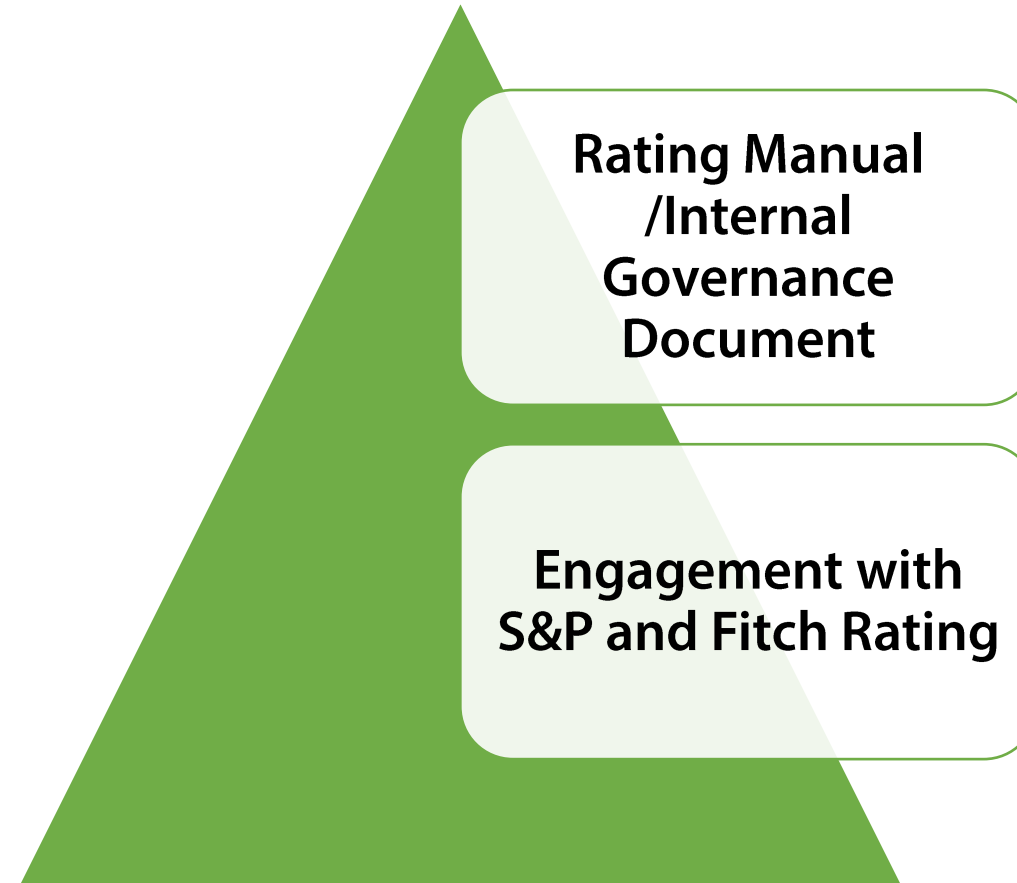
Claims/CCR
Sensitivity

Macroeconomic
changes



Annex | Targets / Initiatives

Rating



Annex | Challenges / Recommendations

Opportunities



1

Management's unwavering Support

2

Teamwork



3

Passionate Professionals

