What does SAS® Capital Planning and Management do?

SAS Capital Planning and Management creates an integrated environment to assess and project capital for insurance companies. It summarizes data and offers custom reports to different capital planning users to align business planning processes and capital projections with income statements and balance sheets.

Why is SAS® Capital Planning and Management important?

With SAS Capital Planning and Management, you can integrate your balance sheet and income statement into your capital projection functions. Quickly consolidate data for iterative scenario analysis and stress testing, and automatically generate ORSA statements.

For whom is SAS® Capital Planning and Management designed?

SAS Capital Planning and Management is designed for an insurer's finance and compliance department, with participation, contribution and reviews from actuarial, risk and underwriting.

SAS® Capital Planning and Management

Enabling more efficient capital planning and easier compliance

Insurance companies face a host of new regulations, including Solvency II and the NAIC's Solvency Modernization Initiative (SMI). At the base of many of these new regulations is the requirement that insurance companies perform an Own Risk and Solvency Assessment (ORSA) – a self-assessment of their current and future risk. This requires an annual, forward-looking assessment that reports all material risks to which the insurer is exposed or may be exposed to in the future (emerging risks) and must be managed to arrive at its appropriate risk profile and risk appetite.

SAS provides the quantitative aspects of an ORSA, taking into account projected balance sheets, income statements and risk appetite involved in your strategic planning activities. The solution enables:

- Projection of Capital Requirements and Own Funds over a defined (three- to five-year) period.
- Regular stress tests and scenario analysis to assess capital requirements and capital owned.
- Risk-adjusted performance monitoring.

Key Benefits

- **Ensure regulatory compliance**. Fully comply with ORSA requirements using business model and narrative reporting capabilities.
- **Align strategies and goals across finance, risk, actuarial and regulatory compliance functions**. Develop strategic plans at the entity level involving appropriate insurance business units.
- **Integrate your balance sheet and income statement into your capital projection functions**. Quickly consolidate data for iterative scenario analysis and stress testing, and automatically generate ORSA projections.
- **Ensure ongoing consistency, transparency and auditability**. Reports can be updated dynamically to ensure their ongoing accuracy and compliance.
- **Improve staff efficiency for capital planning and management**. A preconfigured capital planning framework includes predefined dimensions, form sets, formulas and templates. This enables your staff to produce reports for executives much more quickly.
- **Meet Solvency II requirements**. Easily integrate with native SAS solutions or third-party tools for Solvency II's Pillar 1 and Pillar 3 requirements.
- **Lower total cost of ownership**. The solution is flexible and can be extended to meet the evolving risk analysis needs of insurance companies.

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Solution Overview

SAS Capital Planning and Management provides everything you need to engage in proactive capital planning by assessing and understanding the impact of your business portfolios on a wide range of measures.

The solution also enables you to change your portfolio risk profiles at an aggregated level. For example, changes made at a rating grade level can reveal what effect a lower-risk portfolio would have on capital and profitability.

Business process management

You can easily track and monitor all your capital planning business processes to identify bottlenecks that you can address immediately in order to reduce cycle times. As a result, you can boost efficiency throughout the organization and save valuable staff time.

The solution also facilitates communication among different functions, which enables better enterprise collaboration, while providing all necessary documentation for regulators.

To ensure enterprisewide consistency, form set templates for collecting inputs from various lines of business are designed centrally and then locked to prevent users from altering the layout, content or calculations.

Dynamic consolidation

Capital planning processes typically require several iterations involving alternative strategies – which takes time. SAS Capital Planning and Management enables these iterations to happen more quickly. The solution's dynamic environment lets you see the impact of changes instantly; no need to run a consolidation in batch mode to see the effect of any data or business rule changes.

In addition, when data is entered from any source systems or data entry forms, it is automatically classified and tracked, providing complete transparency between source data and the final consolidated results.

Data entry validation rules

Data validation capabilities let you establish business rules to ensure that capital planning inputs are in line with management direction and your organization's risk appetite. The rules can be configured to fit your firm's needs. For example, you can customize specific warning messages.

When validation fails, specified users can receive alerts, or submissions can be automatically halted. And supporting comments can be made optional or mandatory.

Capital planning framework

The solution's framework includes sample inputs, outputs and process management workflows – in short, a complete, self-contained example of the various interactions required for proactive capital management, including:
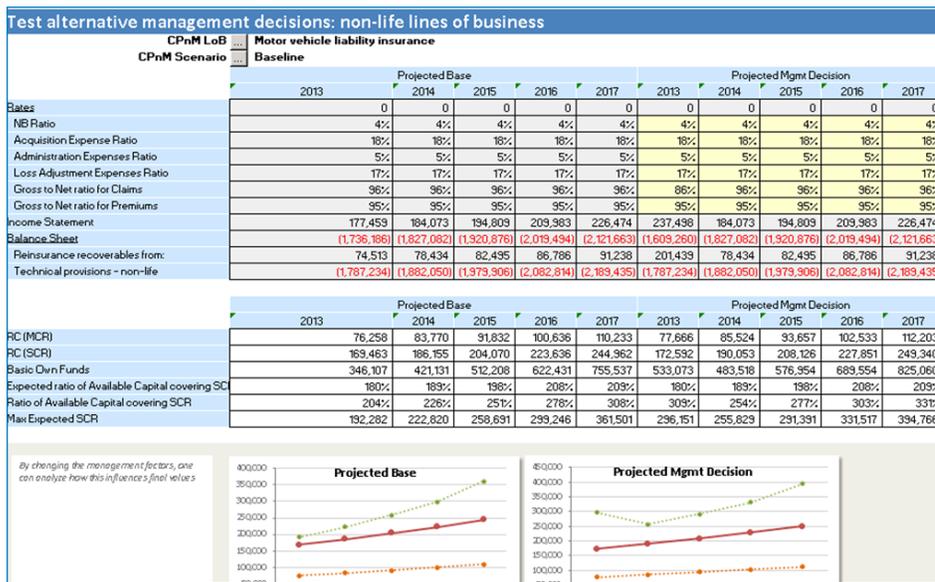

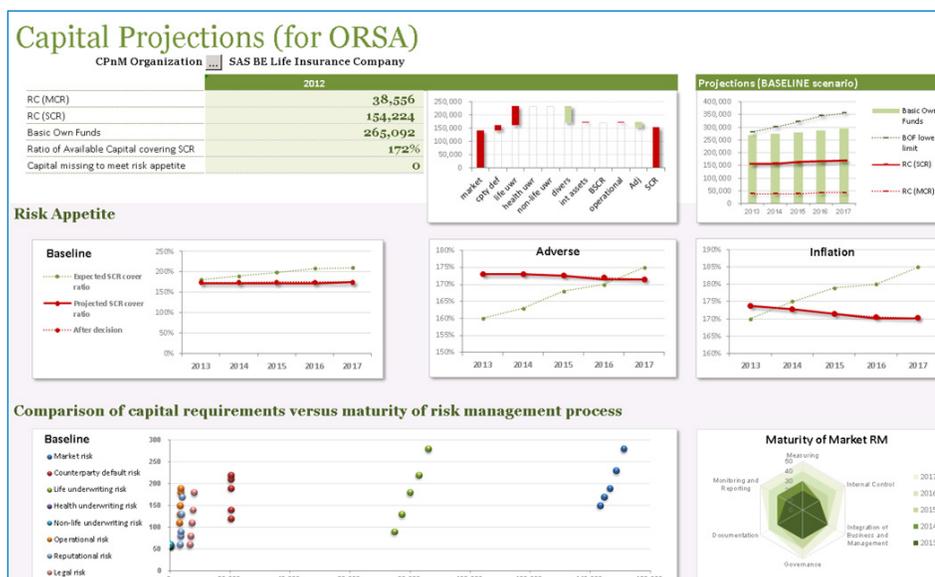
Figure 1. Testing Alternative Management Decisions

Figure 2. ORSA Reporting Dashboard

- An extensive model of dimensions and formulas that describe the interactions among various elements.
- Predefined reports for reviewing balance sheets, income statements and various capital measures.
- Various data collection and form sets for reviewing, overriding and collecting input from the many constituents involved in the process.

Embedded business forecasting

Business users can access SAS High-Performance Forecasting from within a data entry form. Using a process wizard, users can easily identify which items to forecast, as well as which items to test as predictor variables, such as macroeconomic factors. The SAS High-Performance Forecasting engine determines the best model, forecasts the results, and surfaces results within the data entry form to allow for overrides or further commentary.

Interoperability with SAS® analytical modeling

SAS Capital Planning and Management acts as a central point for combining and consolidating all external analytical models. This tight interoperability and integration with existing models enables greater efficiency and agility.

Many of the models rely on SAS routines for modeling, forecasting and optimizing particular areas of responsibility. And SAS provides an analytical framework for extending capital planning and management to include these necessary modeling functions. You can easily integrate models not derived from SAS using a defined set of staging (loading) tables and built-in integration routines.

Key Features

Business process management
- Process creation – creating and sequencing tasks.
- Responsibility and deadline assignment.
- Mobile access to visualize and monitor status of tasks and also track progress.

Dynamic planning and consolidation
- Dynamic environment with on-demand calculation.
- Source dimension feature for tracking and classifying data, whether from a supported data system or manual data entry form.
- Central repository for capturing comments to document and support regulatory communication.
- Centrally designed form set templates for consistent collection of inputs from lines of business.
- Data validation rules to ensure data is within acceptable business parameters.
- Ability to use SAS High-Performance Forecasting from within a data entry form.

Capital planning framework
- A self-contained example of the various interactions needed to proactively manage capital, incorporating the following elements:
  - An extensive model of dimensions and formulas describing interaction between various elements.
  - A set of predefined reports for reviewing balance sheets, income statements, cash flow and various capital measures.
  - Various data collection and form sets to review, override and collect input from the many constituents involved in the process.

Interoperability
- Integration with existing SAS models and processes.
- Data integration from virtually any data source, including ERP systems, third-party risk engines, RDBMS and Microsoft Excel.

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