



For public consultation – Proposed definitions of ERM-related terms to be added to the IAIS Glossary

Terms	Current definition in the IAIS Glossary	Proposed definition
ERM for Solvency Purposes	Currently not defined in the IAIS Glossary	The co-ordination of risk management, strategic planning, capital adequacy, and financial efficiency in order to enhance the sound operation of the insurer and ensure the adequate protection of policyholders (note: taking into account the revised ICP 16, in particular ICP 16.0.1)
ERM framework	Currently not defined in the IAIS Glossary	An integrated set of processes and activities established by an insurer for an effective implementation of ERM for solvency purposes
Risk Capacity	Currently not defined in the IAIS Glossary	The maximum level of risk an insurer can assume given its current level of resources taking account of regulatory capital requirement, liquidity needs, the operational environment (e.g. technical infrastructure, risk management capabilities, expertise) and obligations to policyholders, shareholders and other stakeholders.
Risk Limit	Currently not defined in the IAIS Glossary	Quantitative measure based on an insurer's risk appetite which gives clear guidance on the level of risk to which the insurer is prepared to be exposed and is set and applied in aggregate or individual units such as risk categories or business lines. To delete "Tolerance Limit" from the Glossary as it is no longer used in the updated ICP 16.
Risk Limits Structure	Currently not defined in the IAIS Glossary	Risk limits structure is the aggregate set of insurer's self-imposed limits on its material risks and their interdependencies, as part of its ERM framework. (Note: reference – ICP 16.0.6 in the revised ICP 16)

Risk Profile	Currently not defined in the IAIS Glossary	Point in time assessment of the insurer's gross and, as appropriate, net risk exposures aggregated within and across each relevant risk category based on forward looking assumptions.
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