



ACTUARIAL ASSOCIATION OF EUROPE

Webinar on ORSA and ESAP 3



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Experiences of performing the first ORSA

27th of April 2018, Elsa Renouf

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Agenda (from flyer):

Part 1 A: How can the ORSA be used to affect the perspective of the organisation on an ongoing basis?

Part 1 B: What is the potential of the ORSA to produce an outcome that can be used to challenge the organisation's view of itself and its strategies and policies?

Part 2: What governance for the ORSA process and how to involve Boards in designing and approving scenarios?

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Part 1A: How can the ORSA be used to affect the perspective of the organisation on an ongoing basis?

- ✓ Improved understanding of own risks *(current and forward looking)*
- ✓ Better communication of risks and solvency requirement, understanding of adequacy of the solvency requirement *(forward looking and on-going/stressed environment)*
- ✓ Informed decision making *(including further development of the link between ERM, Capital management and Strategic planning)*
- ✓ Improved Risk Culture
- ✓ Improved engagement with regulators

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Part 1B: What is the potential of the ORSA to produce an outcome that can be used to challenge the organisation's view of itself and its strategies and policies.

- ✓ Making strategic decisions (*new business line/product, investment...*)
- ✓ Refinements of risk mitigation strategies (*profit sharing, diversification, hedging, reinsurance...*)
- ✓ Changes to assessment of capital adequacy
- ✓ Internal capital allocation

- ✓ Feedback loop with policy updates and enhanced documentation of risk and capital assessment

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Part 2: What governance for the ORSA process and how to involve Boards in designing and approving scenarios.

ORSA governance encompasses many stakeholders...

Focusing on Board Involvement

- ✓ Risk Appetite setting
- ✓ Decision making on strategies and operational implementation in policies
- ✓ Validate the outcomes of the process through the report
- ✓ Challenge the process and its outcomes

- ✓ Involvement in stress tests and scenarios (see next slide)
- ✓ Organisation wise: Board risk committee / specific technical expertise skills identification / specific training

- ✓ Single Group ORSA including entities versus Entity specific

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Part 2: What governance for the ORSA process and how to involve Boards in designing and approving scenarios.

Considerations for Stress Tests and Scenarios

- ✓ Stress tests versus Scenarios
- ✓ Type of risks being tested
 - Market, UW, Credit, Spread, Catastrophic, Operational Risks, New business*
 - Other examples: Reputation, Digital transformation, Senior 65+, Climate change, Brexit,...*
- ✓ Ways to derive appropriate stress and scenarios
 - Risk Appetite framework / Risk exposures analysis, Consultation with Internal external experts, Regulatory guidance, Actual historical scenarios, Stochastic analysis...*
- ✓ Including management actions
- ✓ Reverse stress test / Recovery planning
- ✓ Number of scenarios?, when to apply? and modelling limitations

Discussion on board involvement options: suggest, review and challenge or approve?

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Conclusion:

What is today the primary motivation of the ORSA process:
embedded within the risk framework or seen as a regulatory
compliance exercise?

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Some References:

International:

SOA: ORSA Process Implementation for Internal Stakeholders – 2015

<https://www.soa.org/Files/Research/research-2015-orsa-survey-report.pdf>

AAI: Deriving Value from ORSA, Board Perspectives – 2015

http://www.actuaries.org/CTTEES_ORSA/Reports/PublishCopy_DerivingValuefromORSA_BoardPerspective_March%202015Final.pdf

Europe:

EIOPA's Supervisory Assessment of the ORSA, first experiences – June 2017

https://eiopa.europa.eu/Publications/Supervisory%20Statements/EIOPA-BoS-17-097_ORSA_Supervisory_Statement.pdf

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