



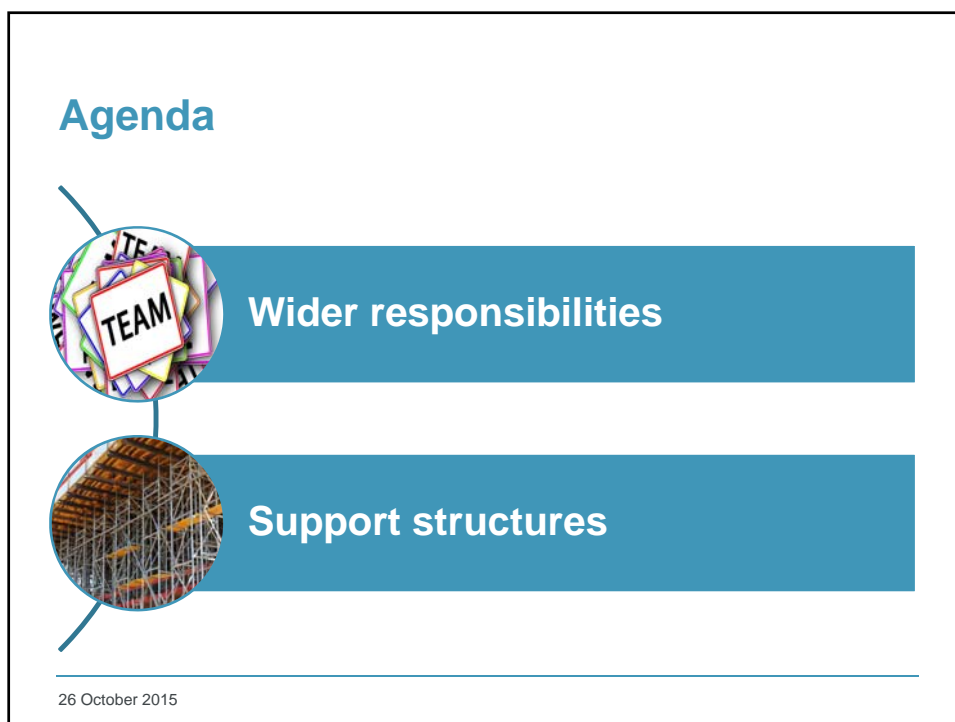
 Institute and Faculty of Actuaries

# The ORSA



## Wider Business responsibilities

Eamonn Phelan  
Billy Galavan

26 October 2015



## Agenda

-  Wider responsibilities
-  Support structures

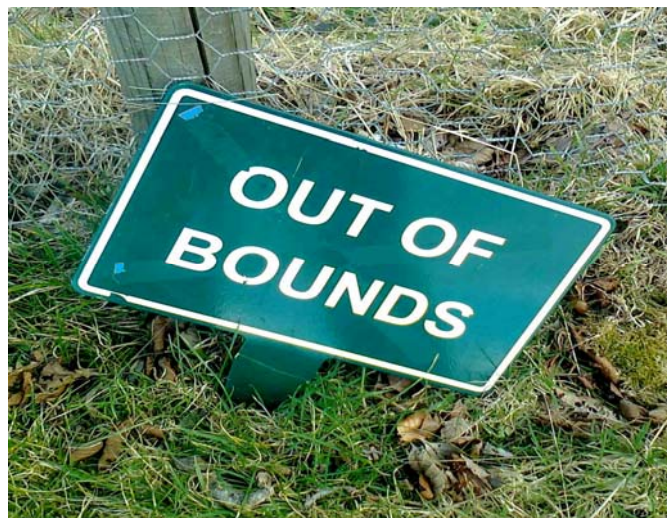
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## Waiting....



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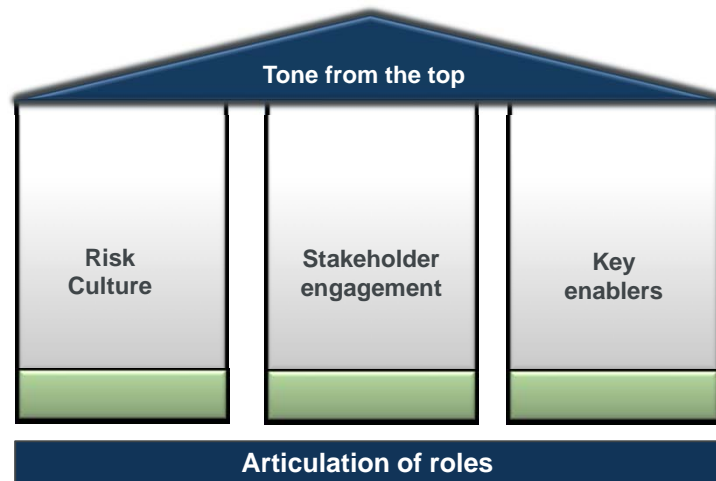
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## Three pillars of ORSA



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## Wider responsibilities

Board ownership

Who else should care....

....And why?

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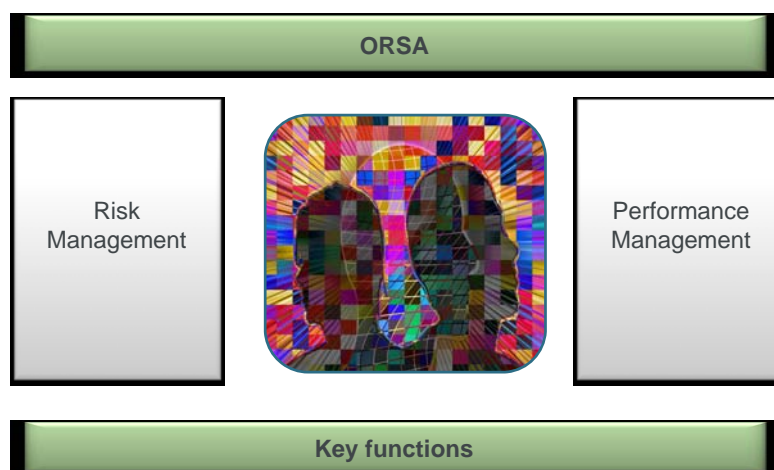
## The Benefits of ORSA

- Effective risk management
  - Key element of risk management framework
- Identifying opportunity
  - Optimise risk-return trade-off
- Helping to ensure that best estimates become reality
  - Risk profile
- Being ready to act
  - No surprises
- Greater understanding
  - Clear articulation of roles

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## Different perspectives?



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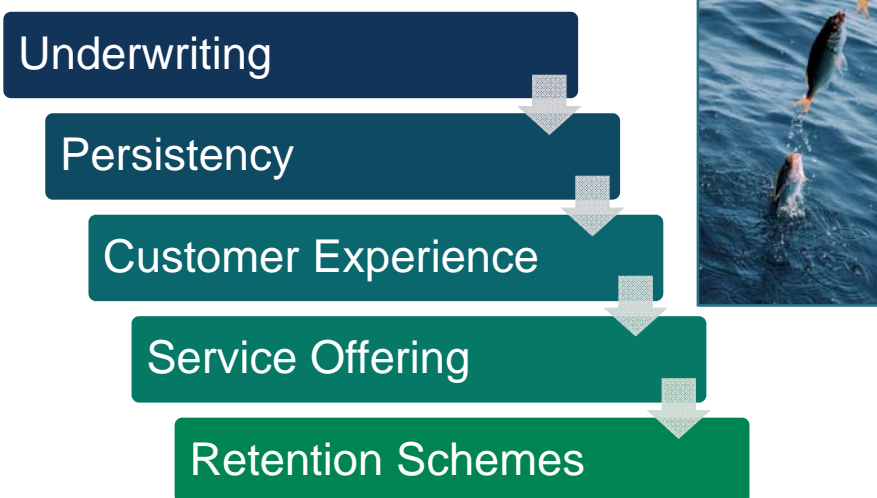
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## Different perspectives



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## Underwriting – who's on the hook?



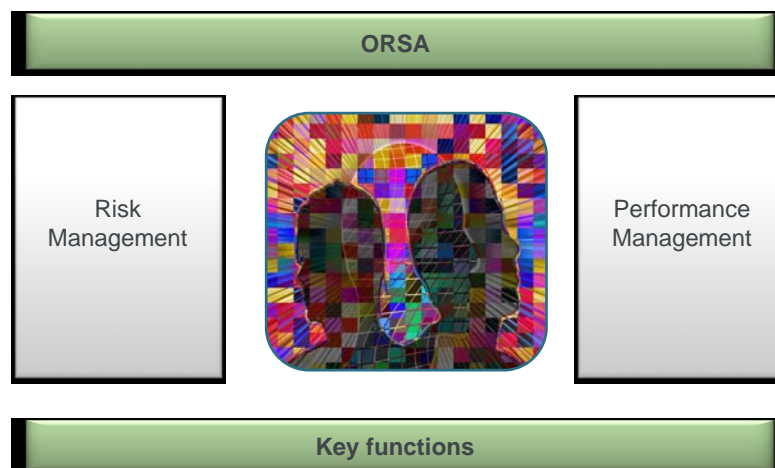
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## Underwriting – bottom up



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## Different perspectives?



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## Looking through the lens of performance management – some examples...

- Optimisation of return on capital
  - Reinsurance / VIF monetisation / under-funding of units / product offering
- Earnings predictability
  - Hedging / ALM / Other
- Continuous monitoring
  - Data warehousing / Proxy modelling
- Asset management
  - Own Funds

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## Key stakeholders



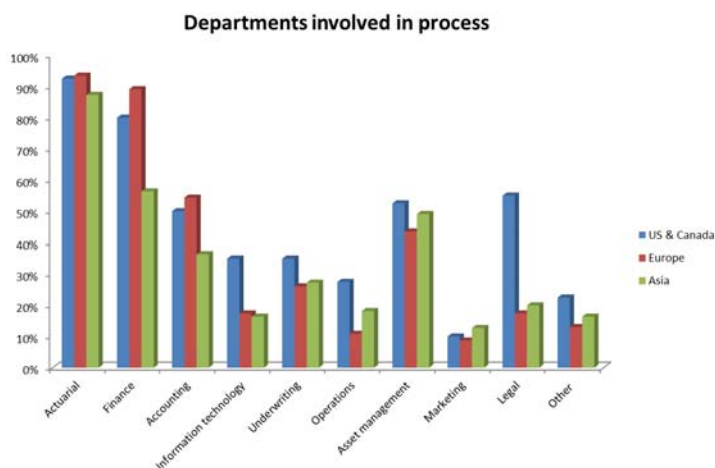
Everyone has a role to play...



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## Organisation-wide involvement in ORSA

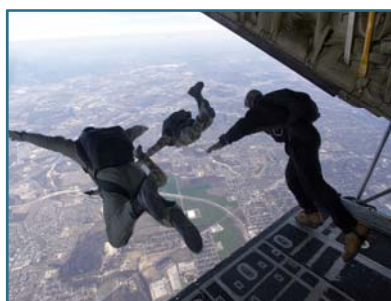


“ORSA Process Implementation for Internal Stakeholders” (Ger Bradley, Zohair Motiwalla, Padraic O'Malley, Eamonn Phelan) sponsored by the CAS/CIA/SOA Joint Risk Management Section

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## Think about opportunities

- ✓ Underutilised risk appetite
- ✓ New product developments
- ✓ New markets / territories
- ✓ Inwards reinsurance
- ✓ Dividends for shareholders
- ✓ Improved efficiency
- ✓ ...and so on...



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## Agenda



Wider responsibilities



Support structures

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## Board Support

Decision making

Adoption of policies

System of Governance

Integration into Business Planning



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## Board Decision making

- Stop the world and let me off!
- How explicit are policies (including ORSA) in terms of:
  - Triggers (When do we act)?
  - Options (How do we act)?
  - Consequences and practicalities (of various actions, including not acting)?

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## Policy support



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## Governance supports

- Committees (delegated authorities)
  - Risk & Audit
  - Product Approvals
  - ALM & Credit
  - Lapses & Expenses
  - Insurance risks (Claims & Underwriting / Pricing)
  
- 3 lines of defence (4 key functions)

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## Second and third lines of defence

- Risk & Compliance
  - Policies
  - Control Framework
  - Objective MI
  
- Actuarial opinion
  
- Audit function / Third-party assessment



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## MI (Quantified Risks)

- “What gets measured gets managed”
- Risk Profile / Appetite monitoring
  - Sensitivities to risk types
  - Regulatory capital monitoring (continuous compliance)
  - Breach reporting
- Imagination needed where holding capital is not an option
  - E.g. Liquidity, reputation



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**Questions**

**Comments**

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenters.

Any figures presented are for illustrative purposes only.

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