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Engaging the Business through ORSA

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Introduction

- Own Risk and Solvency Assessment (ORSA) is the most valuable tool available to a CRO
- Regulatory requirement in both Basel and Solvency 2
- How can CRO's best use the ORSA to engage the business?

Enterprise
Sponsorship
Thought leadership
Progress
Community
Sessional Meetings
Education
Working parties
Volunteering
Research
Shaping the future
Networking
Professional support
Enterprise and risk
Learned society
Opportunity
International profile
Journals
Support

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- The objectives of the ORSA
- Components of ORSA
 - ORSA Process
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- Summary

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What is good risk management?

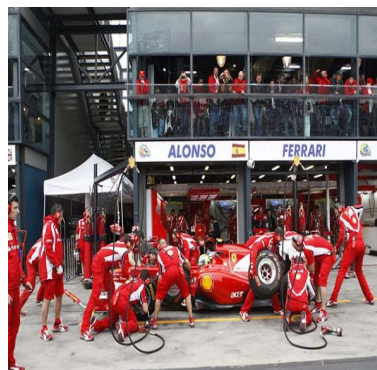


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What is good risk management?

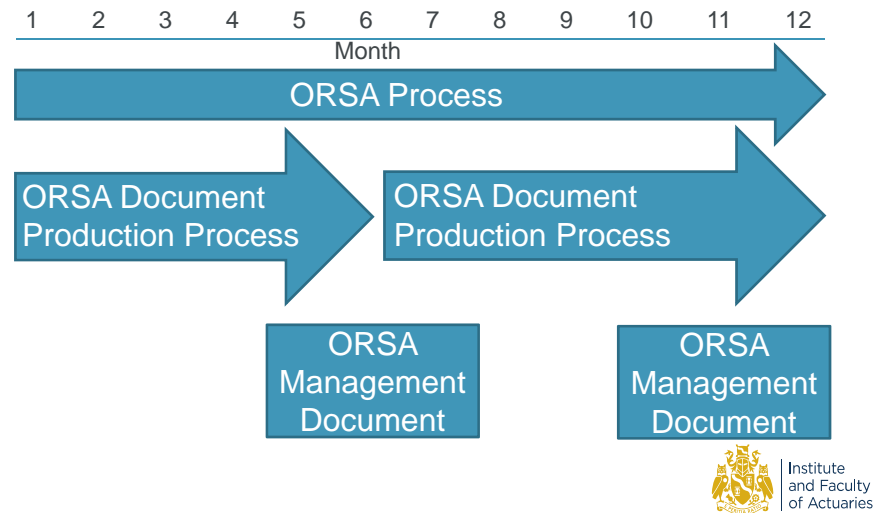


Objectives of the ORSA

- Provide a comprehensive picture of the risks to which the business is or could be exposed – continuously
- Enable senior management to understand these risks and how they translate into solvency needs
- Inform decision making, particularly in respect of strategy setting and business planning
- Drive management and aim to mitigate or transfer risks to ensure the business stays within Risk Appetite

• Benefit: maximise the creation of shareholder value within the risk appetite of the business

Components of ORSA



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ORSA Process

- Process to allow the management and the Board to have a continuous view of the risk and solvency priorities of the company
- Regular and consistent reporting with an appropriate level of detail
- Management and Risk Management working closely together

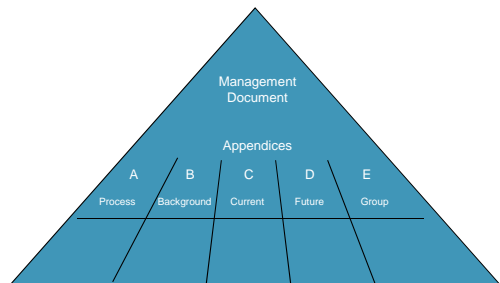


- Business benefit: Value protection or enhancement in the 'current' world

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ORSA Document Production Process



- Risk manages the process
- Multiple stakeholders contribute
- Dialogue and challenge
- Appendices provide supporting details and a documentary record
- Production of appendices are an opportunity to drive value in the business

- Business benefit: an agreed and thoroughly documented summary of the risk and solvency position of the company at a point in time



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Scenario Analysis (1)

- Forward looking story about the way the world might turn out
- Non-threatening method to “face fears”
- Can be supported by empirical evidence but not a requirement, and not sufficient.....
- Allows for many variations of the outcome
- “Holistic” approach
- Multi-purpose

- Business benefit: multidimensional views of risk to inform decision making

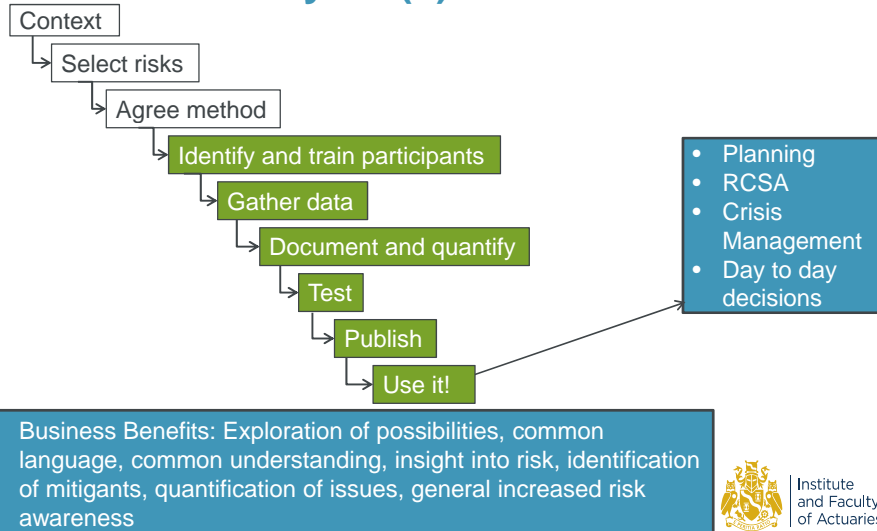


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Scenario Analysis (2)



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ORSA Management Document

- Goldilocks principle
- Give an informed layman a comprehensive understanding of the material risks facing the company
- Objective, discursive document
- Basis of a strategic risk discussion at Board level
- Aligned with strategy process and business planning cycle
- Linked with management actions

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Summary

- ORSA is the most valuable tool available to a CRO because it engages the business at multiple levels to create a single unifying understanding of risk
- ORSA process ensures management have a continuous understanding of the risks and solvency position of the company
- ORSA document production process assists in embedding risk thinking (both “near world” and “other world”) widely in the organisation
- ORSA management document is a platform for a strategic conversation at Board
- The ORSA creates value by giving management the best chance of success in identify and responding to emerging risk

