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ORSA – Status and Challenges

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Approach

- Regulation free
- Status update – as at mid 2014
- The way ahead – to end 2015 and possibly beyond

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2

Heard it all before, have you?

“...ORSA should be at the heart of your organisation...”

“...the most important part of the most important Pillar of Solvency 2 ...”

“...the customer should be at the heart of your ORSA...”

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3

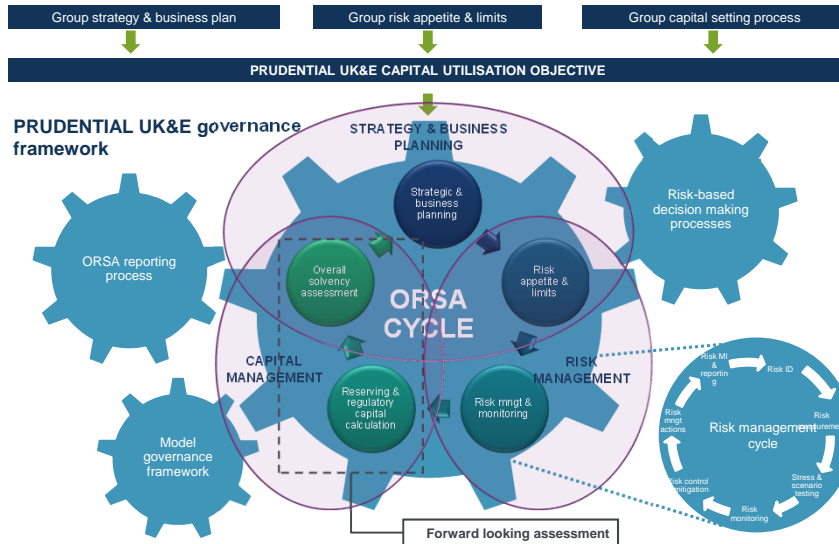
ORSA – Status Report

- Framework designed
- ORSA policy approved
- ORSA metrics defined
- ORSA processes identified and reportable
- ORSA reporting taking place

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4

ORSA framework



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5

ORSA – Framework and Policy

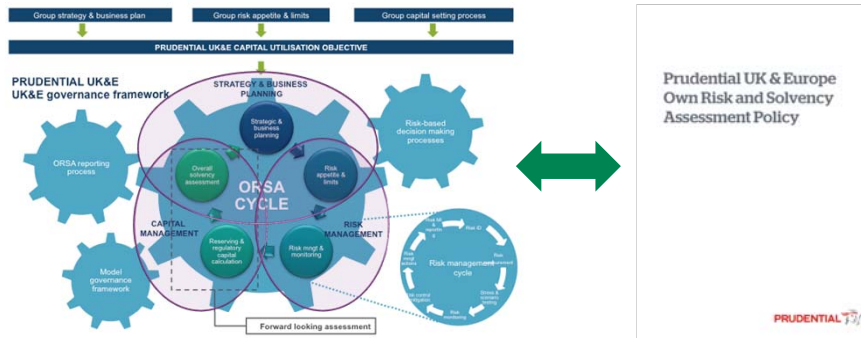
- Capital
 - Underpins the framework
 - Common metric and currency
- Series of Processes
 - Capital management, Business planning, Reserving, Risk appetite
 - Undertaken within the framework
 - Recorded as evidence
- Governance Framework
 - Supports the approval and execution
 - ORSA records are evidence of effectiveness of governance processes
- Reporting
 - Reports of Individual ORSA processes
 - Overall ORSA reporting to Board and Regulator
- Control Cycle
 - At the heart of the ORSA framework

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6

ORSA Integration

Prudential UK ORSA framework



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7

ORSA – The challenges so far

- Capital Metric – Ecap
- Series of Processes
- Government Framework
- Report
- Control Cycle

“...as part of your ORSA...”

“...But it's your OWN Risk and Solvency Assessment...”

All of the above

ORSA Framework Definition

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8

ORSA Reporting – Benefits and Challenges



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9

ORSA Reporting – Benefits

- Full linkage of Internal Model Processes
- Testing and attestation of Policy and Regulatory requirements
- Alternative lens to processes and metrics
- Embedding and Appropriateness of Risk Appetite
- Link between strategy, current position and outlook
- Platform for non-modelled risks and emerging risks
- Evidence of oversight and challenge
- ORSA recommendations
- Track enhancements
- Voice for CRO Opinion

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10



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ORSA – The Way Ahead

2014-2015

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11

Engagement, Demand, Opportunities, Further Enhancement

- Business Functions
- Risk Function
- AMSB
- Group Function
- Board
- Regulator

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12

Engagement – As is

- Business Functions – “please tell us what your ORSA requirements are”
- Risk Function – “can we see your ORSA evidence and outputs”
- AMSB – “there’s a lot going on, but don’t we see all this already”
- Group Function – “we also would like you to look at”
- Board – “do we need to be more engaged given our...”
- Regulator – “we would like to have seen a lot more on...”

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13

Engagement – To be

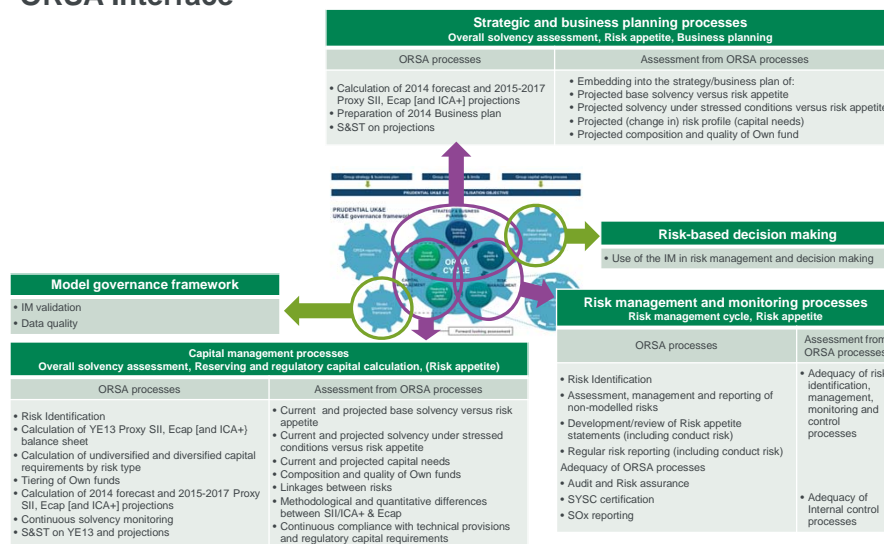
- Business Functions – “we intend to further enhance this ORSA process in order to explore ...”
- Risk Function – “we believe the ORSA processes to be suitably embedded and the ongoing developments are ...”
- AMSB – “we are comfortable with the integration of ..”
- Group Function – “we believe that this is in place from a BU and Group perspective”
- Board – “we found this really insightful, can we gain some more insight into...”
- Regulator – “well done, we believe you have this fully developed..”

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14

Business Function/Risk Function

ORSA Interface



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15

Senior Management and Board Engagement

- Risk Appetite
 - Defined
 - Managed to
 - Monitored
- Stress and Scenario Testing
 - Appropriate
 - Relevant
 - Timely
- Thematic Reviews
 - Focused
 - Risk based
 - Forward looking
- Risk Reporting
 - Timely
 - Relevant
 - Linked to other info
- Use Test demonstration

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16

ORSA – Wider fields

- Non-modelled Risk
- Emerging Risk
- Conduct Risk
- Regulatory Risk
- Business Environment Risk

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17

ORSA Reporting – Challenges

- Timeliness and timing
- Balance between current balance sheet, short term and medium term projections
- Repetition
- Audience
- Demonstrating Board Engagement
- Keeping it real
- Keeping it fresh

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18

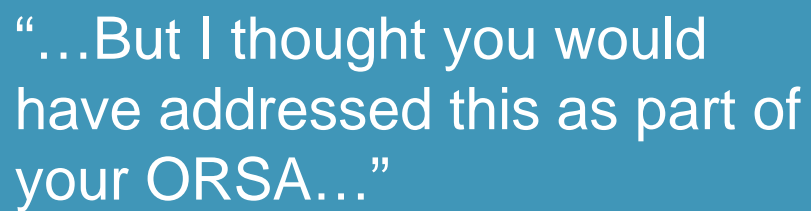
ORSA framework – Opportunities

- Effective and flexible management tool
- Thematic reviews across the Framework
 - Application of stress testing
 - Appropriateness of Risk Identification Recommendations
 - Impact of changing metrics
- Impact of changing processes
- Routemap for emerging risks and changing risk profile
- Reliance between processes
- Deep dive reviews within key ORSA themes

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19

ORSA – the ultimate challenge



“...But I thought you would have addressed this as part of your ORSA...”

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20