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?
Contents

• What is good risk management?
• The objectives of the ORSA
• Components of ORSA
  o ORSA Process
  o ORSA document production process
  o ORSA management document
• Summary

What is good risk management?
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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

ORSA Process

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

• Business benefit: Value protection or enhancement in the ‘current’ world
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
Scenario Analysis (2)

Context
- Select risks
- Agree method
- Identify and train participants
- Gather data
- Document and quantify
- Test
- Publish
- Use it!

Business Benefits: Exploration of possibilities, common language, common understanding, insight into risk, identification of mitigants, quantification of issues, general increased risk awareness

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
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