ORSA – latest from FSA and EIOPA

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Key messages

- There are no excuses for not doing anything
- Most firms have a lot of the components in place already
- Respond to the EIOPA consultation

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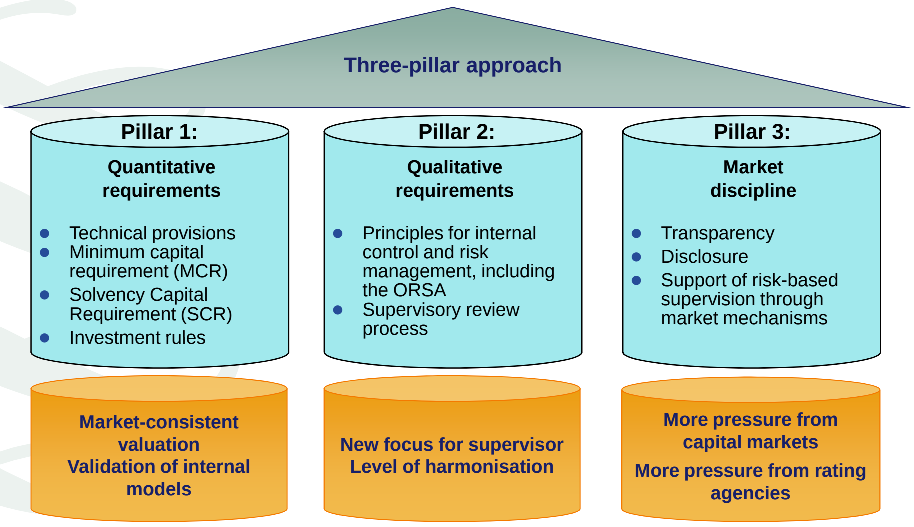
Solvency II Timeline

FSA

- **Omnibus II discussions ongoing**
  - European Commission text
  - European Parliament Rapporteur's comments
  - European Council comments awaited
  - Trilogue: Commission, Parliament and Council
  - Adoption of Omnibus II expected Q1 2012
- **Creates uncertainty, but still lots to do**
  - Continue preparations for implementation
  - Take part in consultations
    - FSA's first CP due this quarter
    - EIOPA level 3 formal consultations expected in November on reporting and the ORSA
- **Updates available at fsa.gov.uk/Solvency2**

Solvency II - Pillars 2 and 3

FSA



ORSA in the Directive

- **Overall solvency needs currently and over the term of the firm's business planning period**
- **Compliance with regulatory capital requirements**
- **Compliance with reserving requirements**
- **Assessment of the deviation of the regulatory capital assumptions from the risk profile**
- **Includes qualitative and quantitative risks**
- **Link between the own assessment of solvency needs and regulatory capital assessed using an internal model**
- **The ORSA must be used in decision making**
- **The ORSA process must be done when the risk profile changes significantly**
- **Results of the process must be reported to the supervisor**
- **The overall solvency need is NOT a capital requirement**

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ORSA things to think about

All firms

- Fit for purpose
- Ownership of the ORSA
- Reporting – in firm and to the supervisor
- Frequency of running through the ORSA process
- Actuarial function
- Prudent person principle for investments

Internal model firms

- Inclusion in the use test

Groups

- A group ORSA has to be performed, including all entities and risks in the group.
- As well as a group ORSA, an insurer must have an ORSA for each regulated entity in the group.

The principle of proportionality runs through the Directive

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Tricky issues in the ORSA

FSA

- Where are the rules?
- What will pass?
- Is it a process? Is it a report?
- What does “own” mean?
- How detailed does it have to be?
- What is a risk appetite?
- Who owns the ORSA?
- Link to IMAP
- Many more……

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We’ve heard the following excuses

FSA

- No EIOPA guidance
- No FSA rules
- It’s too hard
- No risk appetite
- There are lots of conflicting messages
- Not clear who the ORSA belongs to
- Too many people are involved

These are not valid excuses

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Key messages

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More information can be found on our dedicated web pages:
www.fsa.gov.uk/solvency2

Email us:
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