



GENERALI PPF
HOLDING

ORSA IMPLEMENTATION GENERALI GROUP

PSZÁF SEMINAR,
Budapest, 18.11.2011

FIVE (EASY) STEPS FOR ORSA

STEP 1 – Understanding ORSA

STEP 2 – ORSA Vision

STEP 3 – ORSA Guidelines and Tools

STEP 4 – Implementation

STEP 5 – Ongoing development

FIVE (EASY) STEPS FOR ORSA

STEP 1 – Understanding ORSA

STEP 2 – ORSA Vision

STEP 3 – ORSA Guidelines and Tools

STEP 4 – Implementation

STEP 5 – Ongoing development

OWN RISK AND SOLVENCY ASSESSMENT

- Directives, Article 45
 - As part of its risk-management system every insurance undertaking and reinsurance undertaking shall conduct its own risk and solvency assessment.
 - That assessment shall include at least the following:
 - a) the overall solvency needs taking into account the specific risk profile, approved risk tolerance limits and the business strategy of the undertaking;
 - b) the compliance, on a continuous basis, with the capital requirements, and with the requirements regarding technical provisions;
 - c) the significance with which the risk profile of the undertaking concerned deviates from the assumptions underlying the Solvency Capital Requirement
 - + other six paragraphs

RESOURCES

■ ICAAP

- Internal Capital Adequacy Assessment Process
- Basel II, 2004

FSA:
BIPRU, Chapter 2.2

■ ICA

- Individual Capital Assessment
- FSA, 2005

FSA: INSPRU
ABI: A guide to the ICA
process for insurers

■ Guidelines on ORSA

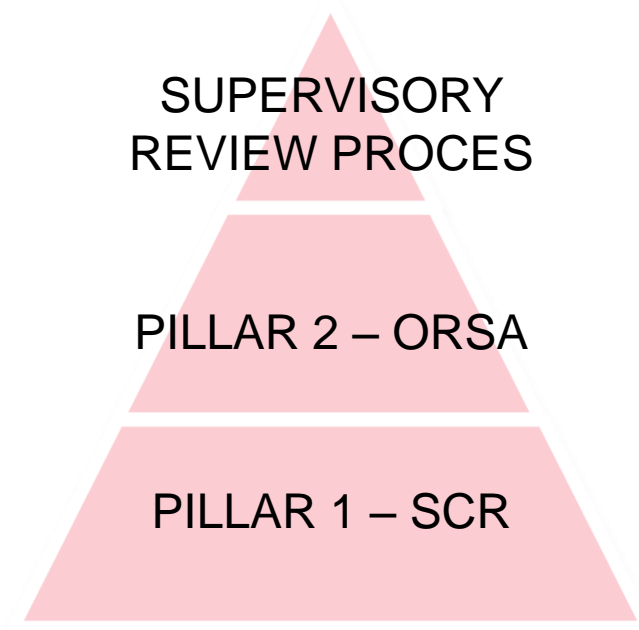
- Consultation Paper
- EIOPA, 7.11.2011

ORSA DEFINITION

- ORSA is not an ad hoc report but **a process**
 - INSURANCE COMPANY
 - Part of system of governance
 - Tool for strategic decision making
 - SUPERVISORY AUTHORITY
 - Tool for information about solvency position and functionality of risk management function
- Responsibility of risk management
 - Possible to be outsourced

ORSA AND PILLAR 1 REQUIREMENTS

- ORSA and Pillar 1 requirements are independent
 - Pillar 1 – specific risks, calibration to „average“ insurer
 - ORSA – evaluation of standard model applicability, consideration of company specific risks, risk mitigation effect
- All risks in the scope of ORSA and the horizon is longer than one year
 - Capital management planning
 - Inclusion of new business



ORSA – CAPITAL REQUIREMENT

- ORSA capital requirement can be lower, higher or equal
- Regulatory capital requirement = Pillar 1 (not ORSA)
- Differences are to be explained

- Better approach to risk valuation than Pillar 1
- Internal model
- Tools – sensitivity analyses, scenarios, comparison to internal models, both quantitative and qualitative assessment

FIVE (EASY) STEPS FOR ORSA

STEP 1 – Understanding ORSA

STEP 2 – ORSA Vision

STEP 3 – ORSA Guidelines and Tools

STEP 4 – Implementation

STEP 5 – Ongoing development

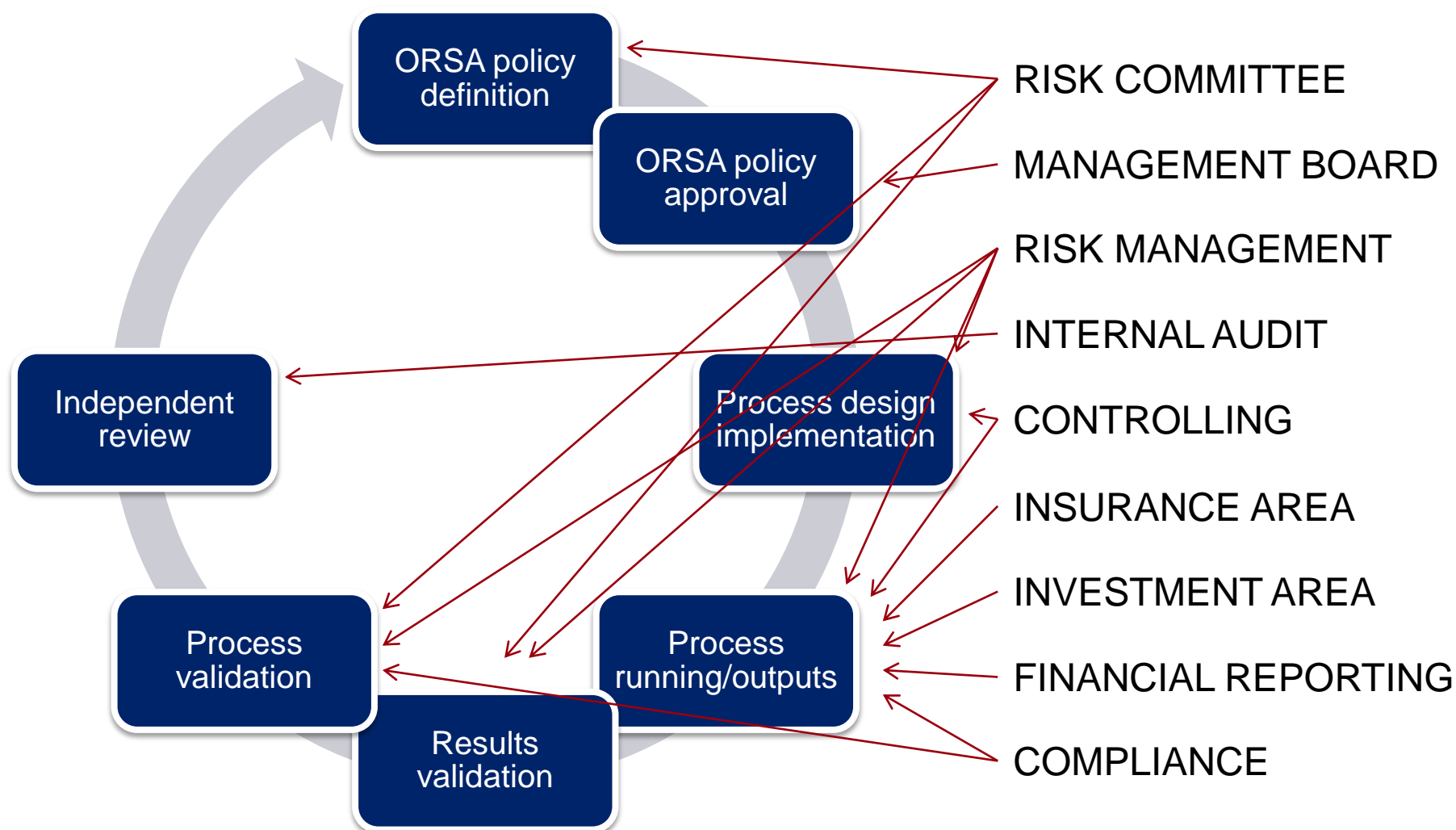
PREPARATION OF ORSA VISION



■ Main feedbacks

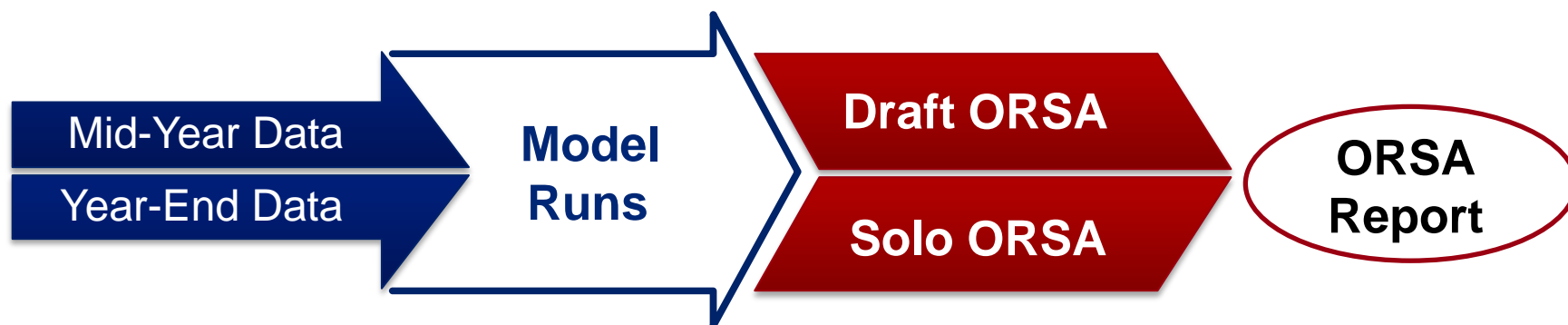
- Need for a more detailed definition of the involvements of each organisational unit
- Avoid potential conflicts of interest
- Suggestion to link ORSA to Strategic Planning and Strategic Asset Allocation process
- Development of quantitative tools

ORSA – ROLES AND RESPONSIBILITIES



ORSA PLANNING

- The Group wants to perform the ORSA **once a year**.
- A **Draft ORSA** is prepared **alongside the Strategic Planning process** of the Group,
- while the **final ORSA** is prepared **alongside the yearly regulatory reporting** and should take into account the final decisions made on the strategic plan, on one hand, and the year-end Solvency position on the other hand.



ORSA CONTENT

- Executive Summary
- Risk Management System
- Overview of ORSA methodology and process
- Current Risk and Solvency Position
- Forecast Risk and Solvency Position
- Summary of changes compared with the last ORSA
- Independent Review

FIVE (EASY) STEPS FOR ORSA

STEP 1 – Understanding ORSA

STEP 2 – ORSA Vision

STEP 3 – ORSA Guidelines and Tools

STEP 4 – Implementation

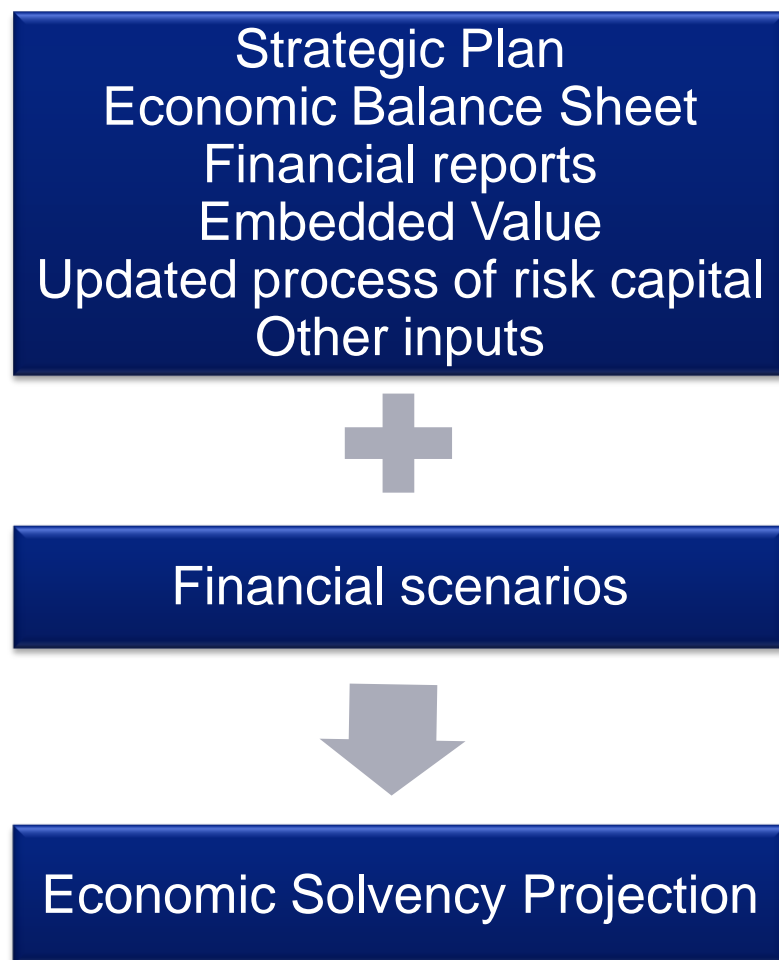
STEP 5 – Ongoing development

ORSA REPORT GUIDELINES

- **Guidelines** provides a description of:
 - A. Inputs
 - B. Information to be provided
 - C. Units involved
 - Approximate length of the paragraph

- **ORSA Mock-up**
 - is an example of the ORSA report considering the existing documentation and reporting within the Generali Group

ECONOMIC SOLVENCY RATIO PROJECTION



- The Tool requires inputs mainly from the three-year Strategic Plan and the Economic Balance Sheet on current solvency position and some additional inputs.
- Outputs are simplified projection of the Available Capital and Risk Adjusted Capital, based on Strategic Plan hypothesis and risk drivers.

KEY EXPECTATIONS OF LOCAL COMPANIES

- A clear, documented process for assessing solvency needs
- Link between business strategy, risk appetite, capital and solvency
- Output and key decisions within report
- Evidence of outcomes documented

ORSA should be tailored to each company
Intention to allow flexibility ...
... whilst maintaining consistent standards
across the group

FIVE (EASY) STEPS FOR ORSA

STEP 1 – Understand ORSA

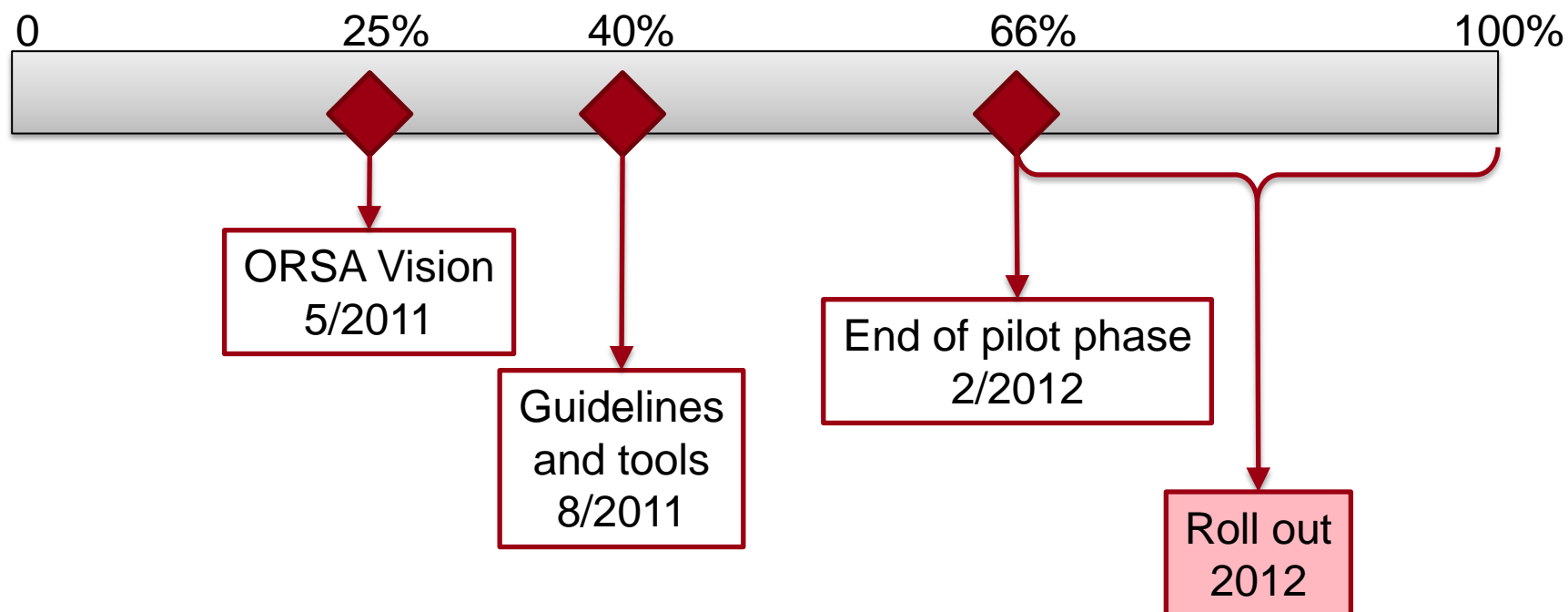
STEP 2 – ORSA Vision

STEP 3 – ORSA Guidelines and Tools

STEP 4 – Implementation

STEP 5 – Ongoing development

PROGRESS IN IMPLEMENTATION



PROCESS

OUTCOMES


DOCUMENTATION

ORGANISATION IN THE COMPANY

- Involvement of **different organisational units**
 - Risk management, Controlling, Financial reporting, Actuaries, Investment, Organisational, Compliance, Internal audit
- Involvement of **the Board and senior management**
 - Not necessarily signed off
 - Reported to the Risk Committee
- **Independent review**
 - Not necessarily full implementation
 - Involvement of holding company

OUTCOMES OF PILOT PHASE

- ORSA draft report

- 
- A large, solid red arrow pointing downwards, indicating a flow or continuation from the ORSA draft report to the objectives.
- Full description of the overall ORSA process
 - Assessment of Risk Profile and Risk Management System
 - Results of ORSA
 - Economic Capital
 - Economic solvency projection

- With the objectives

- To ensure the feasibility of ORSA process and calculations
- To identify any shortcomings
- To support prioritisation of 2012 work

FIVE (EASY) STEPS FOR ORSA

STEP 1 – Understanding ORSA

STEP 2 – ORSA Vision

STEP 3 – ORSA Guidelines and Tools

STEP 4 – Implementation

STEP 5 – Ongoing development

ISSUES FOR FURTHER DEVELOPMENT

FORWARD-LOOKING ASSESSMENT

- Is a multi-year solvency sufficiently quantified?

INDEPENDENT REVIEW

- How will the review be performed?

CONTINUOUS ASSESSMENT

- How do we ensure continuous compliance with solvency requirement?

GROUP CONSOLIDATION

- How the information from Solo ORSA reports can be easily consolidated?

PROPORTIONALITY

- How the proportionality principle is applied?

FIVE (EASY) STEPS FOR ORSA

STEP 1 – Understanding ORSA

STEP 2 – ORSA Vision

STEP 3 – ORSA Guidelines and Tools

STEP 4 – Implementation

STEP 5 – Ongoing development

Petr Bohumsky
Generali PPF Holding
bohumsky@generalippf.eu