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International ORSA Regulatory Requirements Chart, September 2015

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International Actuarial Association

Note: This is an abbreviated version of a larger chart produced by the International Actuarial Association. For the full chart, more information, legal disclaimer and potential updates, please see http://www.actuaries.org/index.cfm?lang=EN&DSP=CTTEES_ORSA&ACT=DOCUMENTS or contact Amali Seneviratne, Director, Technical Activities at the International Actuarial Association.

ORSA means the Own Risk and Solvency Assessment insurers are required to perform in their respective jurisdictions. An

ORSA concept is described in Insurance Core Principle 16 of the International Association of Insurance Supervisors.

DISCLAIMER: The content of the International ORSA Regulatory Requirements Chart (the Chart) has been provided by individuals at the request of the Joint ORSA Subcommittee of the Insurance Regulation Committee and the Enterprise and Financial Risk Committee of the IAA. This information has been collated and presented for educational and informational purposes to the members of the IAA and interested parties.

| ORSA Regulatory Requirements | Bermuda | Canada | EEA | United States |
|---|---|--|--|--|
| 1 Reporting requirement | CISSA | ORSA | ORSA | ORSA |
| 2 Effective date | 1-Jan-11 | 1-Jan-14 | 1-Jan-16 | 1-Jan-15 (will vary by state) |
| 3 Basis for requirement | CISSA 2011 Instructions Handbook | Guideline E-19 ORSA | Solvency II Directive (2009/138/EC), COMMISSION DELEGATED REGULATION (EU) 2015/35 EIPOA Guideline Small insurers not covering risky business are excluded from the scope of the Solvency II Directive and hence they are not required to do ORSA | Individual state laws (NAIC model law "Risk Management and Own Risk and Solvency Assessment Model Act") |
| 4 Applicability threshold | Class E, 3A, Class 3B, and Class 4 insurers | All federally regulated insurers including Canadian operations of foreign life and property and casualty companies operating in Canada on a branch basis, as well as fraternal benefit societies operating in Canada, except for regulated insurance holding companies and non-operating insurance companies | All Insurers and Insurance Groups subject to the Solvency II directive (individual Member State implementations may vary in respect of entities not falling under the scope of the Solvency II directive still applying some or all of those rules) | Insurers with gross premium over US\$500 million (excluding affiliate reinsurance assumed) or Insurance Groups with gross premium over US\$1 billion |
| 5 Sufficiency of filing another country's ORSA report | Yes | No | No, unless based on an established equivalence decision that applies to ORSA as well | Yes, if it covers requirements in US ORSA Guidance Manual |

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| 6 Requirement for group reporting with type of group if required | Yes | ORSA can be prepared either on individual insurer basis or on group basis. Group ORSA should give adequate consideration to business and risk profile of individual insurers in group and the particular circumstances of the markets in which it operates. The components of the Group ORSA that are used to support an individual insurer's ORSA should be consistent with expectations of E-19. | ORSA can be prepared either on individual insurer basis or on group basis. If the individual ORSA is not carried out then Group ORSA should give adequate consideration to the reason for the choice of the Group; a description of how the governance requirements are met at the level of these undertakings and in particular how the administrative, management or supervisory bodies (AMSB: the body that, under SolvencyII, has ultimate responsibility for running the entity) of the subsidiaries are involved in the assessment process and approval of the outcome; and a description of how the single ORSA document is organised in order to allow the group supervisor to separate individual assessments for the other supervisors | Yes |
| 7 Requirement applicability to branches | Yes, given that branches roll up into legal entity | Required for all insurers licenced in Canada (including branches) | Branches are not required to provide ORSA on their own Based on proportionality, branches may/should be covered in the solo/group ORSA | Depends on state law for the branch's state of "entry" into the U.S. Most states treat branches using their state as the state of entry as if the branch were a domestic insurer in their state. |
| 8 Basis of regulatory guidance: ORSA process or regulatory reporting of ORSA | ORSA Summary Report needs to be filed (some specific (minimal) content is prescribed) | OSFI expects an insurer to have processes in place to conduct an ORSA | Primary focus: helping decision making by the AMSB The ORSA also should be reported to the supervisor | Report |
| 9 Recipient of ORSA report as per regulatory guidance | ORSA must be presented to the board and a copy submitted to the Bermuda Monetary Authority | ORSA report to the Board, Key Metrics Report to OSFI | Report to AMSB Report to Local and Group Supervisor Summary information of certain aspects to the Public | Lead state regulator |
| 10 Purpose of the ORSA report | The Commercial Insurer's Solvency Self-Assessment (CISSA) is a regime that requires insurers to perform an assessment of their own risk and solvency requirements. This provides the BMA with the insurer's perspective of the capital resources (referred to as CISSA capital) necessary to achieve its business strategies and remain solvent given its risk profile, as well as insight into the risk management and governance procedures surrounding this process. Risk profile considers all reasonably foreseeable material risks arising from its operations or operational environment. | In conducting its ORSA, an insurer should determine its own capital needs and establish its Internal Targets based on an internal assessment of all material risks, including the results of the enterprise risk management process | Document the ORSA process and help decision making by the Board Provide information to the Supervisor on the ORSA process and results The undertaking should take into account the results of the ORSA and the insights gained during the process of this assessment in at least: a) its capital management; b) its business planning; c) its product development and design | To inform the regulator about the insurer's risks and solvency position. "The Commissioner will utilize the ORSA Summary Report to gain a high-level understanding of the insurer's ORSA." |

International ORSA Regulatory Requirements Chart

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|--|--|--|--|---|
| 11 Frequency of the ORSA report | Annual | Annual | Annual or upon significant change in risk profile | Annual report, although update of group capital assessment can be requested in the interim if material changes occur. |
| 12 Role of the Board with respect to ORSA. | Review CISSA | Insurer's Board should review and discuss ORSA as well as any changes to ORSA. Board should understand decisions, plans and policies being undertaken by Senior Management with respect to ORSA and its potential impacts on the insurer. It should probe, question and seek assurances from Senior Management that these are consistent with Board's own decisions and Board-approved business and risk strategy of the insurer, and that corresponding internal controls are sound and being implemented in an effective manner. | The AMSB should take active part in the ORSA, use ORSA results in decision making and approve the ORSA | Receive a copy of the ORSA report |
| 13 Required quantitative assessment of risk and solvency | Yes | Yes | Yes | Yes |
| 14 Linkage to required regulatory capital | No (BSCR capital is the actual requirement) | Yes | Yes | No |
| 15 Required stress/ scenario testing | Yes, for all material risks | Yes | EIOPA Guidelines (see Point 3) require stress/scenario testing where appropriate | Yes, for all material risks. |
| 16 Horizon for forward looking assessment | Planning horizon | Planning horizon | The undertaking should ensure that its assessment of the overall solvency needs is forward-looking, including a medium term or long term perspective as appropriate (EIOPA 1.21). As the ORSA should pass the use test, i.e. it should also be used by the company in its planning, the horizon probably usually is consistent with the business planning period | Business planning horizon |
| 17 Valuation basis | Economic Balance Sheet | IFRS (same basis of reporting for public and statutory purposes) | Solvency II basis can be used, or any basis that the AMSB considers more appropriate than the Solvency II basis | Insurer's choice, but must disclose |
| 18 Capital assessment basis (time horizon, risk metric) | Regulatory (1 Year, 99 TVaR) and Own Risk Assessment | Insurers' capital assessments will reflect their own choice of data sets, distributions, measures, confidence levels, time horizons, valuation approaches, financial tools and methodologies, appropriate to their own unique profile | Solvency II basis can be used, or any basis that the AMSB considers more appropriate than the Solvency II basis | Insurer's choice, but must disclose |

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| 19 Required documentation of ORSA process | Yes | Yes - ORSA processes and results | ORSA Policy; a proper record of each ORSA; and internal report and a possibly different report to the supervisor of each ORSA | Must document the ORSA process and results internally (for possible supervisory review) |
| 20 Relevant guidance | CISSA 2011 Instructions Handbook | OSFI Guideline E-19 | EIOPA_Guidelines_on_ORSA_EN.pdf | NAIC ORSA Guidance Manual - July, 2014. Also the applicable state law(s). |
| 21 Regulatory website with guidance links | http://www.bma.bm/document-centre/reporting-forms-and-guidelines/Insurance/Forms/DispForm.aspx?ID=17 | http://www.osfi-bsif.gc.ca/Eng/Docs/e19.pdf , http://www.osfi-bsif.gc.ca/Eng/Docs/13-1663_ORSA_ins.pdf | https://eiopa.europa.eu/GuidelinesSII/EIOPA_Guidelines_on_ORSA_EN.pdf | http://www.naic.org/documents/committees_e_isftf_group_solvency_related_orisa_feedback_pilot_project.pdf |
| 22 Other relevant information. | | | The Solvency II directive is transposed into the legislation of each Member State, thus local implementations may vary | All groups must also submit a Form F - Enterprise Risk Report, which may be partially satisfied by referencing Form F material already supplied via an ORSA report (for those subject to an ORSA requirement). http://www.naic.org/documents/committees_e_isftf_group_solvency_related_form_f_orisa_comp.pdf (Latest status of ORSA adoption and Form F are found on pages 7 and 4 respectively of the following link http://www.naic.org/documents/committees_e_related_smi_dashboard.pdf) |
| 23 Last updated by respondent/reviewer | 8th of November, 2016 | 8th of November, 2016 | 10th of November, 2016 | 10th of November, 2016 |