

Governance

Risk governance

Risk appetite/tolerance

Management oversight

Decision making

Documentation

Risk and solvency assessment

Risk management

Complete identification

Assessment

Stress-testing

Capital management

Capital planning

Allocation/limit setting

Contingency planning

9. Governance, Organisation & Policies

Group Board and Life Company Boards, Committee Structure, Management Fora etc.
Solvency assessment made and signed off by Management Body (e.g. Life Board, Group Board)
ORSA policy, Model Governance Policy, Risk policy suite etc in place setting out minimum standards

ORSA management information provided to key committees

Formal monthly, quarterly ORSA updates / annual ORSA Report

Key outputs:
• Documented risk strategy and risk appetite

Output from ORSA process informs review and update of risk strategy and appetite

1. Risk appetite

- Agreed risk appetite describes how much risk organisation Group is prepared to take on to meet objectives.
- Articulated via limits, statements & control objectives

2. Risk management strategy

- Types of risk organisation Group seek exposure to / are exposed to agreed, and rationale provided.
- Aims and objectives of risk management and the Risk Function described and communicated.

Key outputs:

- Stressed risk profile
- Risk appetite dashboard
- Documented stress tests, scenario tests and reverse stress tests

Key outputs:

- Risk capital requirements
- Capital policy updates

Key outputs:

- Base and projected solvency (Pillar 1&2)
- Risk capital requirements

Key Outputs:

- ORSA report(s)
- Cashflow Impacts
- Embedded Value Impacts
- Revised Business Plan targets
- Management actions defined and agreed

3. Risk Identification

- Risk to meeting strategic or policy objectives identified and categorised, aligned to the Group Risk Universe categories.
- External factors also taken account e.g. macro-economic conditions, competitive environment etc.

4. Risk Assessment

- Assess risk exposure, over next year, for each identified risk using organisation Group's risk framework criteria – update to reflect changes in business / external environment
- Risk exposures compared to appetite limits to produce view of status v. appetite
- Issues identified and actions defined to close or mitigate
- Risk assessments captured through the BRP process.
- Assess risk exposures over long term and feed into projections steps
- Perform ongoing review of risk profile

5. Stress testing

- Stress the risk profile produced from the previous step to determine stressed risk profile
- Range of tests performed – single factor stress tests, multi factor scenario tests and reverse stress tests

6. Capital Assessment

- Risk capital assessment performed and produced for Pillar 1 and Pillar 2 using Business Internal Model / Standard Formula
- Capital assessment based on risk exposures and produced over agreed timescales (including alignment to business plan timescales)
- Capital policies updated as required
- Response strategies determined

7. Solvency Projections

- Base and projected solvency positions (Pillar 1 and Pillar 2) produced to determine if future capital requirements will be met

8. Compliance monitoring

- Daily Solvency Monitoring
- Ongoing monitoring of the MCR, SCR and limits (risk tolerance and risk appetite)
- Assessment of the risk profile v. assumptions underlying the SCR calculation

Risk and capital assessment – iterative process step

Supported by enabling technology solutions (e.g. Models, technology capability)

10. Business use of ORSA process output – e.g. in the business planning process, informs key strategic decisions such as acquisitions / disposals, product development and pricing, etc.