

ORSA: The Next Step in Prudential Regulation in the U.S.



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ORSA-Requirements

Risk Management and ORSA Model Act - adopted by NAIC in September 2012

- Imposes 3 core requirements on a state's domestic insurers (unless exempt)
 1. Maintain a risk management framework (§ 3)
 2. Complete an Own Risk and Solvency Assessment (ORSA) (§ 4)
 3. File an ORSA Summary Report with the insurance commissioner (§ 5)

- Effective January 1, 2015

- Exempts insurers <\$500 million premium, groups<\$1 billion premium

- Current Status

- The ORSA Model Law is available for states to adopt as law.

- 4 states have passed legislation to-date – IA, ME, NH, RI

- The NAIC is considering certain sections of the Model as Accreditation requirements.

ORSA-Requirements

- **ORSA Guidance Manual** - Adopted by NAIC in March 2012
- Guidance Manual provides the following:
 - Summary Report, at a minimum, should discuss:
 - Section 1 – Description of Insurer’s Risk Management Framework
 - Section 2 – Insurer’s Assessment of Risk Exposure
 - Section 3 – Group Risk Capital and Prospective Solvency Assessment
 - Regulators will use the ORSA Summary Report to gain a high-level understanding of the group’s process for assessing risk
 - Will be used in conjunction with Enterprise Risk Report, current regulatory processes including holding company analysis, and coordinated exams, to do more in depth group supervision
 - ORSA Summary Report may be provided in any combination as long as all insurance legal entities within the group are represented

U.S. ORSA Section 1

Description: Risk Management Framework

Risk Culture and
Governance

Risk
Identification
and Prioritization

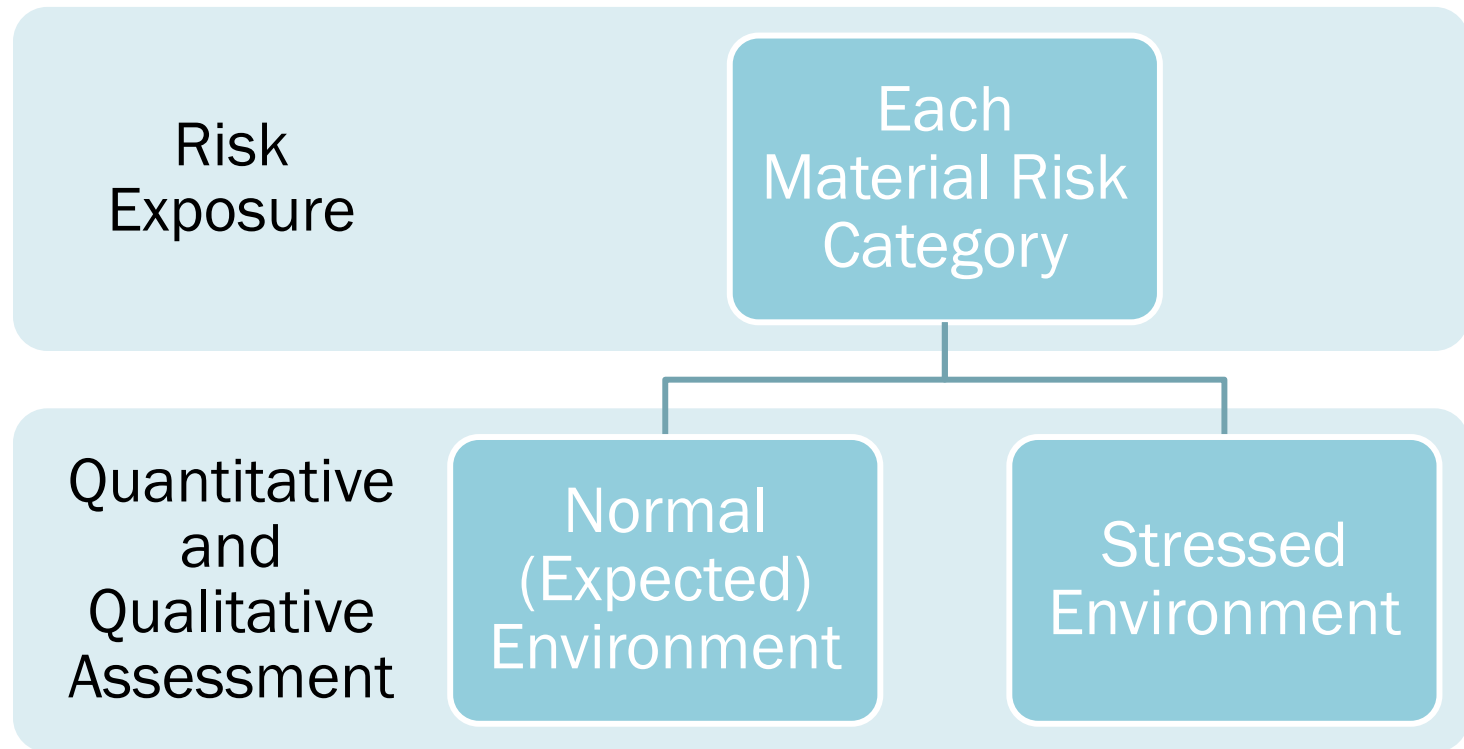
Risk Appetite,
Tolerances and
Limits

Risk
Management
and Controls

Risk Reporting
and
Communication

U.S. ORSA Section 2

Insurer Assessment of Risk Exposures



U.S. ORSA Section 3

Group Risk Capital and Prospective Solvency Assessment



Section 3 combines the qualitative elements of risk management policy with the quantitative measures of risk exposure to determine the level of financial resource needs.

ORSA Feedback Pilot Project

- 2012 ORSA Pilot Project
 - Results – Feedback to Volunteers & Industry, Revisions to *ORSA Guidance Manual*, Recommendations for Analysis and Exams
- 2013 ORSA Pilot Project
 - November 2013
 - Expectations: 1) Provide Feedback to Volunteers & Industry; and 2) Focus on Development of Regulatory Guidance
- Regulatory Guidance
 - High Level Initially
 - Evolving Process
- State Implementation Experience

Questions?