

The Allianz ORSA Experience

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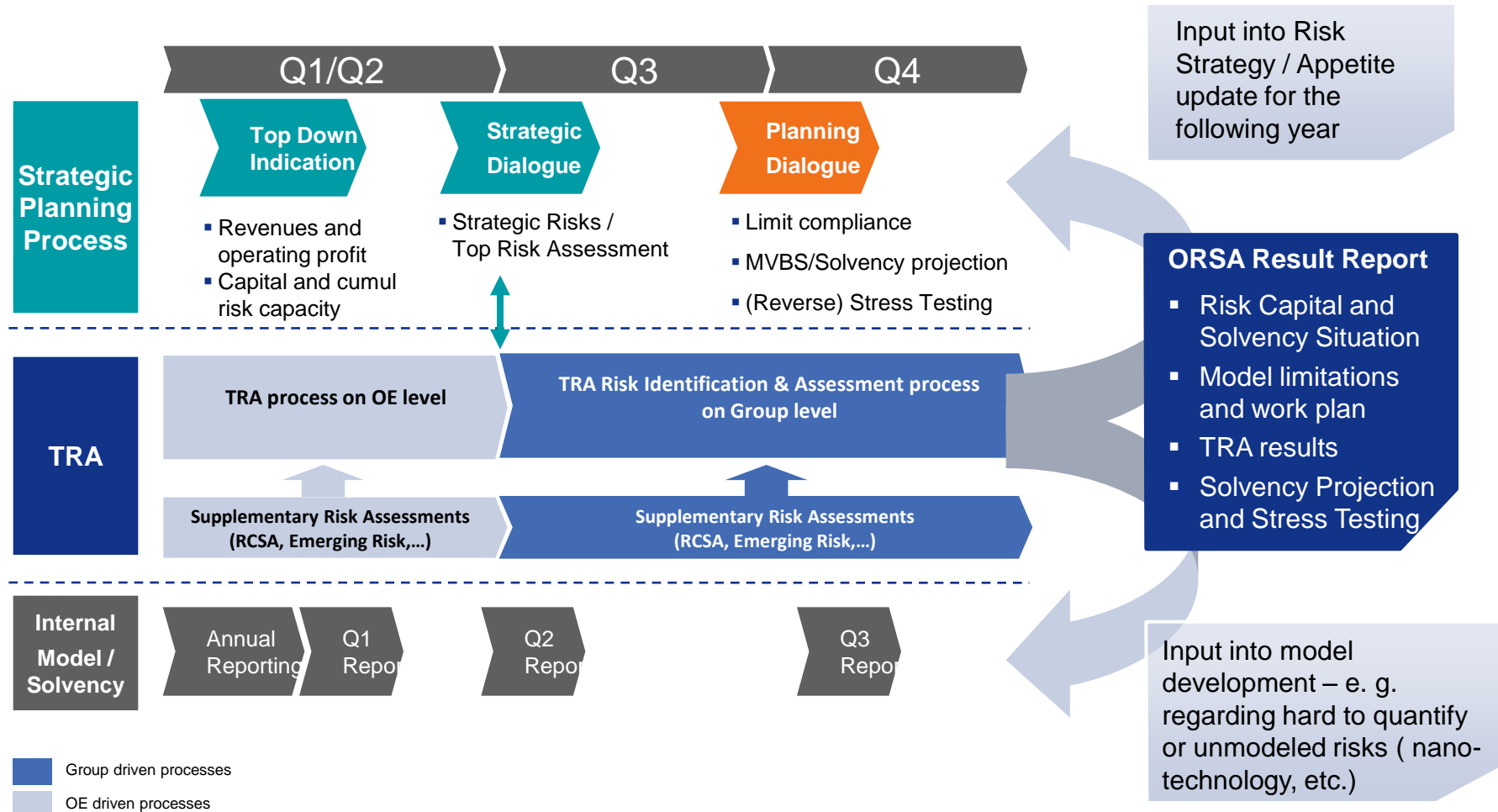
ORSA objectives and principles

Own Risk and Solvency Assessment: A set of processes to continuously and prospectively assess and manage the overall solvency needs of an insurance undertaking.

Principles:

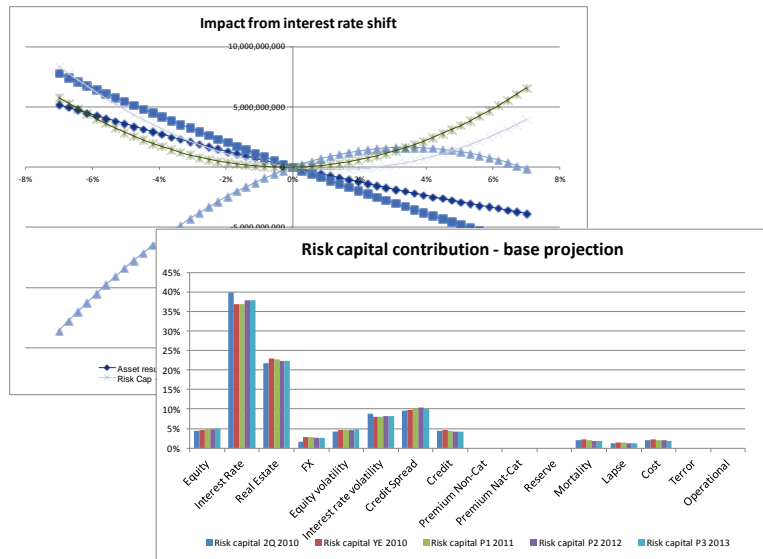
1. ORSA is the **responsibility of the undertaking** and should be regularly reviewed and **approved by the undertaking's administrative or management body**
2. It shall encompass **all material risks** that may have an impact on the undertaking's ability to meet its obligations under insurance contracts
3. It shall be based on adequate measurement and assessment processes and form an **integral part of the management process and decision-making framework** of the undertaking
4. It shall be **forward-looking**, taking into account the undertaking's business plans and projections
5. The related process and outcome should be appropriately evidenced and internally **documented**
6. It is required to develop an **ORSA policy** as part of the risk management policy

Allianz ORSA process built on well established components...



...requiring development of projection and stress testing tool integrated into the planning process

Analysis/Output from MVBS and Risk Capital projection tool



MVBS and Risk Capital planning based on business plan assumptions in combination with delta/gamma approach and sensitivity analysis for projection

Standard Planning Templates

Illustrative



(Euro, mn)

Capital management analysis (page 4)

OE economic risk capital and market value balance sheet (MVBS) projection

Market value balance sheet (MVBS)	2Q 2011	2011 FC	2012 P	2013 P	2014 P
Total assets	2,254.8	2,308.8	2,365.0	2,441.0	2,508.8
Total technical provisions	1,305.5	1,329.6	1,350.4	1,372.1	1,394.5
Total own funds	949.3	979.2	1,015.5	1,068.9	1,114.3

Stand-alone risk capital	2Q 2011	2011 FC	2012 P	2013 P	2014 P
Market risk	149.6	154.6	160.8	168.7	176.8
Credit risk	50.7	55.1	56.7	58.3	59.9
P&C risk	274.2	276.4	286.8	294.1	301.4
Life risk	0.4	0.4	0.5	0.5	0.6
Business risk	18.1	18.5	19.2	19.8	20.6
Operational risk	32.1	32.1	32.7	33.4	34.1
Total stand-alone risk capital (before tax)	525.0	537.1	556.7	574.9	593.4

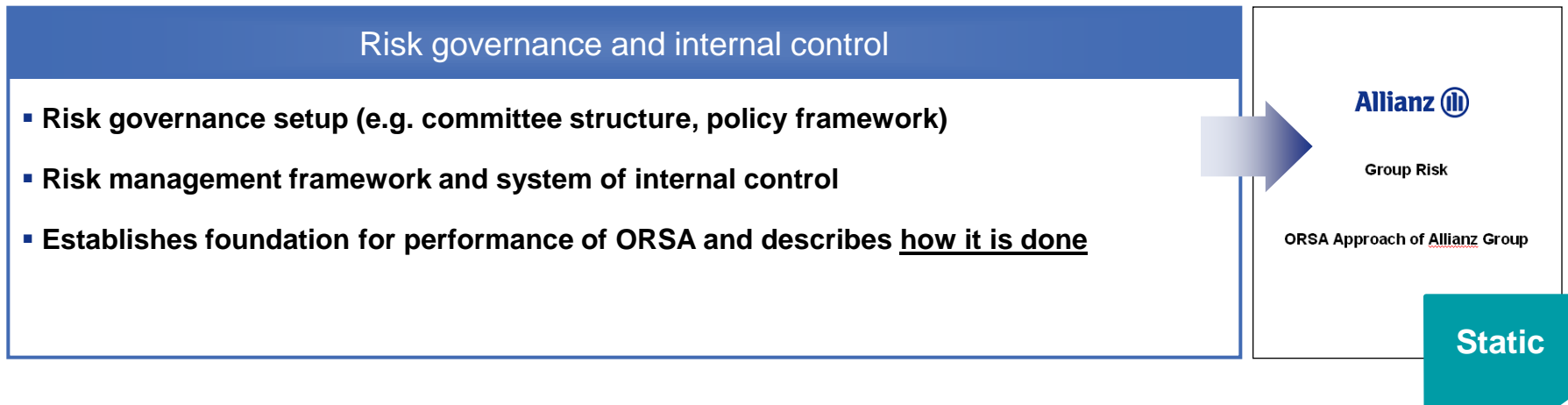
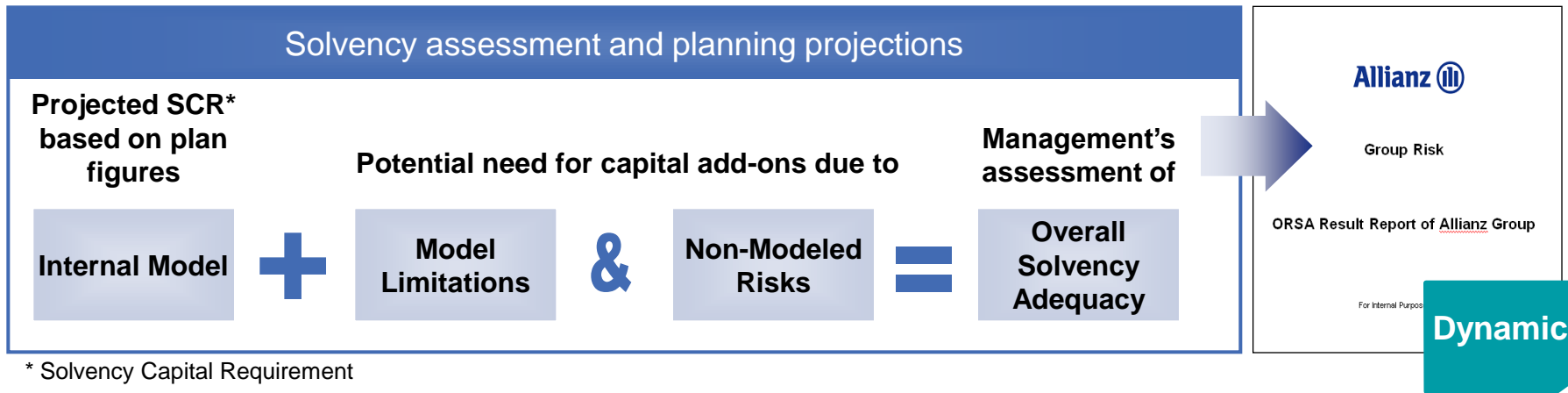
Diversified risk capital	2Q 2011	2011 FC	2012 P	2013 P	2014 P
Market risk	61.8	64.4	67.1	70.8	74.6
Credit risk	24.6	27.1	27.8	28.5	29.3
P&C risk	137.0	136.8	142.0	145.0	149.5
Life risk	0.0	0.0	0.0	0.0	0.0
Business risk	3.1	3.2	3.2	3.4	3.5
Operational risk	27.0	27.0	27.5	28.1	28.7
Tax	-56.6	-57.9	-60.0	-62.1	-64.2
Total diversified risk capital (after tax)	195.8	200.6	207.7	214.5	221.4

Stress scenarios	2Q 2011	2011 FC	2012 P	2013 P	2014 P
Base	482%	488%	489%	488%	503%
Scenario: EQ-30%	482%	488%	489%	488%	504%
Scenario: IR+100bp	482%	488%	449%	461%	465%
Scenario: IR-100bp	482%	488%	525%	531%	539%
Scenario: CS+50bp	482%	488%	477%	487%	492%
Scenario: EQ-30% & IR-100bp	482%	488%	525%	531%	537%
Optional scenario: <OE definition>					

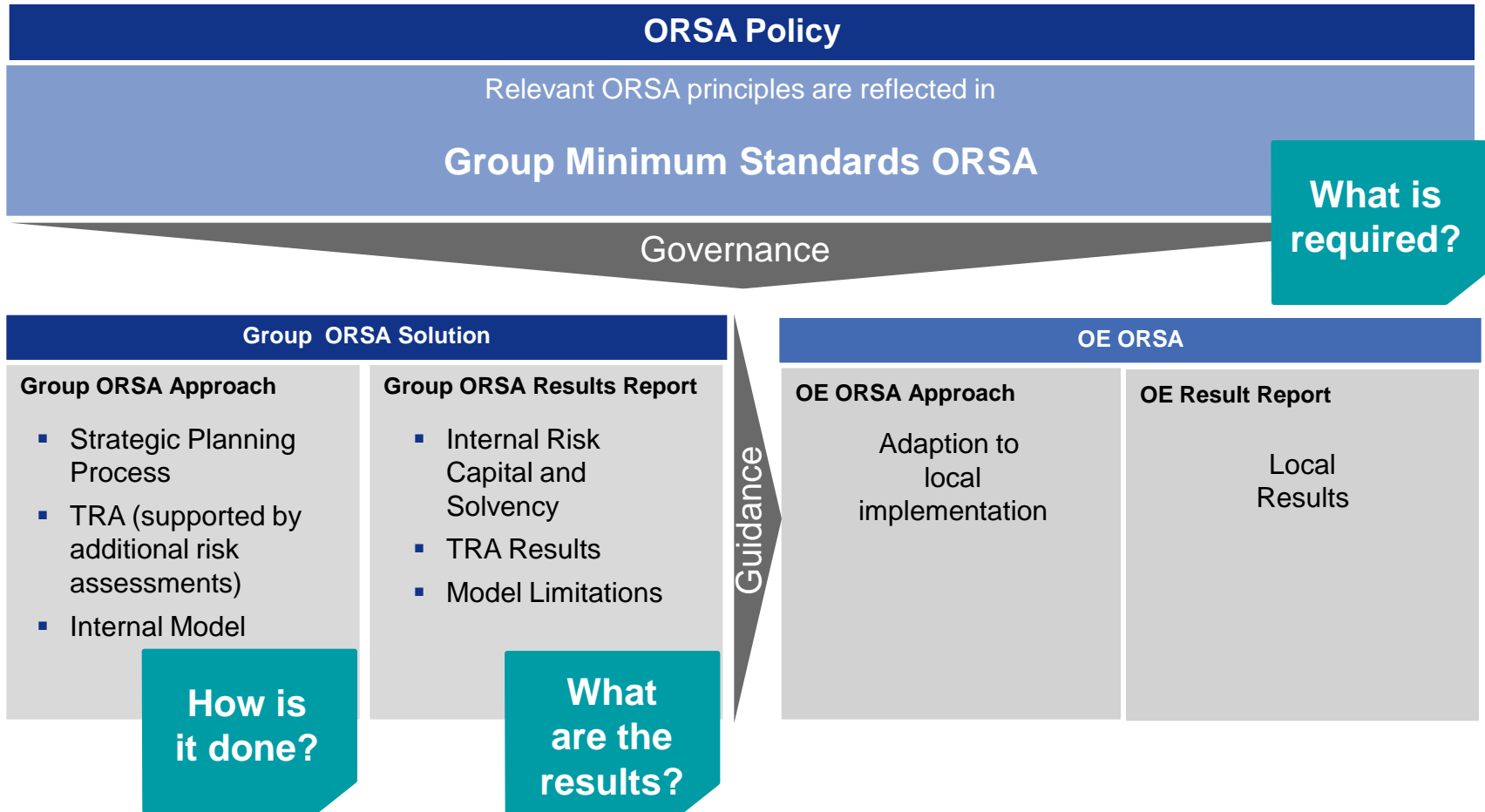
Standardized planning templates are fully integrated into regular Planning process discussions

Results summarized in ORSA Report

Documented in...



Consistency through comprehensive guidance, facilitated by globally consistent governance policies



Allianz 2012 ORSA is second „dry-run“

Key Issues and Challenges

Allianz Comment

- Flexibility of ORSA
 - The ORSA is an „OWN“ assessment of the company – as such scope, timing and level of detail of the ORSA need to be tailored to the company and should not prescribed by supervisors. This is especially true for small legal entities for which materiality thresholds should be considered.

- Implications of solvency ratios
 - Prior to Solvency II implementation any ORSA based on „best estimate“ SCR calculations and solvency ratios must not result in supervisory action
 - Model limitations highlighted in the ORSA should not endanger the IMAP process or result in preliminary capital add-ons
 - Interpretation of foreign, non-EU supervisors