The Allianz ORSA Experience

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Conference on Global Insurance Supervision
Frankfurt, September 5th, 2013
**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…

**Group driven processes**
- Internal Model / Solvency
  - Annual Reporting
  - Q1 Report
  - Q2 Report
  - Q3 Report

**OE driven processes**
- TRA process on OE level
- Supplementary Risk Assessments (RCSA, Emerging Risk,...)
- Strategic Risks / Top Risk Assessment
- Limit compliance
- MVBS/Solvency projection
- (Reverse) Stress Testing

**TRA Risk Identification & Assessment process on Group level**
- Input into Risk Strategy / Appetite update for the following year

**ORSA Result Report**
- Risk Capital and Solvency Situation
- Model limitations and work plan
- TRA results
- Solvency Projection and Stress Testing

**Input into model development – e.g. regarding hard to quantify or unmodeled risks (nano-technology, etc.)**
...requiring development of projection and stress testing tool integrated into the planning process

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

Standardized planning templates are fully integrated into regular Planning process discussions
Results summarized in ORSA Report

Solvency assessment and planning projections

- Projected SCR* based on plan figures
- Potential need for capital add-ons due to
  - Model Limitations
  - Non-Modeled Risks
- Management’s assessment of Overall Solvency Adequacy

* Solvency Capital Requirement

Risk governance and internal control

- Risk governance setup (e.g. committee structure, policy framework)
- Risk management framework and system of internal control
- Establishes foundation for performance of ORSA and describes how it is done

Documented in...

- Allianz Group Risk: ORSA Result Report of Allianz Group
- Static
- Dynamic

Own Risk and Solvency Assessment
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Consistency through comprehensive guidance, facilitated by globally consistent governance policies

### ORSA Policy

Relevant ORSA principles are reflected in

**Group Minimum Standards ORSA**

### Group ORSA Solution

**Group ORSA Approach**

- Strategic Planning Process
- TRA (supported by additional risk assessments)
- Internal Model

**Group ORSA Results Report**

- Internal Risk Capital and Solvency
- TRA Results
- Model Limitations

### OE ORSA

**OE ORSA Approach**

Adaption to local implementation

**OE Result Report**

Local Results

Allianz 2012 ORSA is second „dry-run“
<table>
<thead>
<tr>
<th>Key Issues and Challenges</th>
<th>Allianz Comment</th>
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<tbody>
<tr>
<td>Flexibility of ORSA</td>
<td>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.</td>
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<td>Implications of solvency ratios</td>
<td>Prior to Solvency II implementation any ORSA based on „best estimate“ SCR calculations and solvency ratios must not result in supervisory action</td>
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<td>Model limitations highlighted in the ORSA should not endanger the IMAP process or result in preliminary capital add-ons</td>
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<td>Interpretation of foreign, non-EU supervisors</td>
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