Building an RBS using ORSA as a basis

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Agenda

1. **Welcome and introductions**
   5 min
   13:00 – 13:05
2. **Presentation**
   40 min
   13:05 – 13:45
3. **Q&A**
   10 min
   13:45 – 13:55
4. **Concluding remarks**
   5 min
   13:55 – 14:00

Background

Jooste Steynberg, Chair, RBSIF – Actuary, Prudential Authority, South Africa Reserve Bank

- About the IAIS
- About the RBSIF
- What an ORSA is – and what it's for

IAIS – the global insurance standard setter

The mission of the IAIS is to:

- Promote effective and globally consistent supervision of the insurance industry in order to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders
- Contribute to global financial stability

More than **200** jurisdictions,

constituting **97%** of global insurance premiums,

represented by **38** members of our Executive Committee

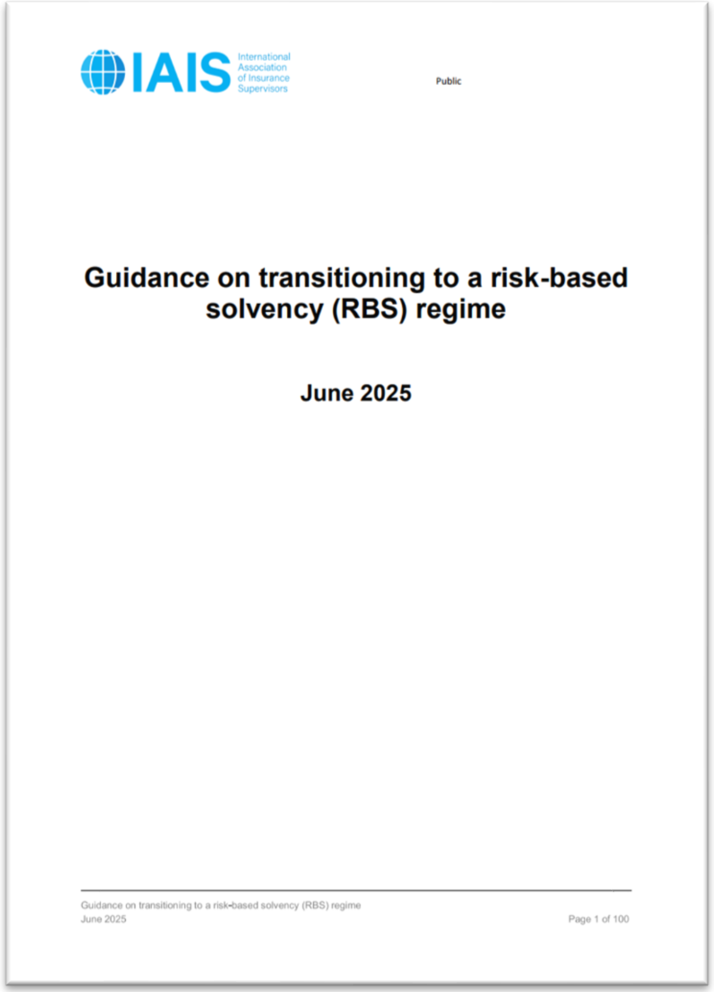
Risk-based Solvency Implementation Forum

The RBSIF aims **to support EMDE jurisdictions to advance their observance of the IAIS supervisory material and strengthening Members’ supervisory frameworks by fostering the transition towards Risk-based Solvency (RBS) regimes**. The forum shall provide an ongoing and flexible peer-exchange platform for insurance supervisors to discuss and exchange experiences on issues and challenges as well as on technical topics for implementing RBS.

Developing Member-only guidance for EMDE supervisors on practical aspects of implementing an RBS

Facilitating the exchange of experiences amongst supervisors on the transition to, and technical aspects of, RBS regimes

Building on the Guidance on transitioning to RBS


IAIS International Association of Insurance Supervisors

Public

Guidance on transitioning to a risk-based solvency (RBS) regime

June 2025

Guidance on transitioning to a risk-based solvency (RBS) regime
June 2025
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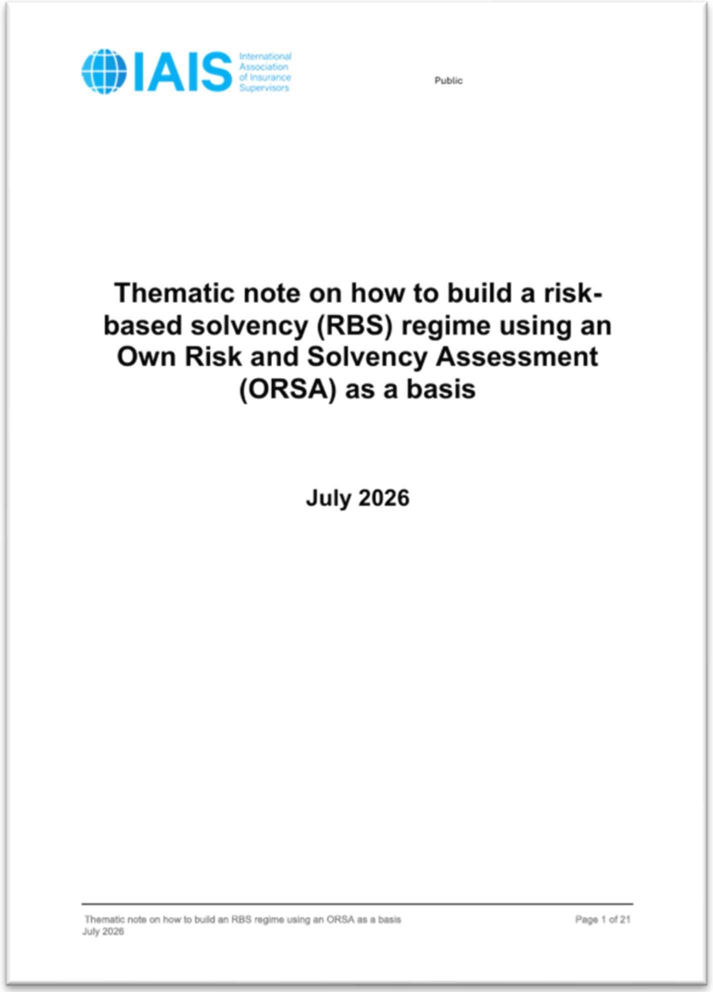
IAIS International Association of Insurance Supervisors

Public

Thematic note on how to build a risk-based solvency (RBS) regime using an Own Risk and Solvency Assessment (ORSA) as a basis

July 2026

Thematic note on how to build an RBS regime using an ORSA as a basis
July 2026
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Guidance on transitioning to an RBS regime – Provides guidance on the practical and technical aspects of implementing RBS.

The **thematic note deepens the ORSA piece of the guidance.**

Focus Areas:

- Role of ORSA in risk management and solvency assessment
- Practical steps for implementing an ORSA regime
- Lessons learned and challenges in leveraging ORSA for RBS

ORSA: a bridge to RBS

"An ORSA can be viewed as the bridge between the quantitative and qualitative components of an RBS regime"

Qualitative first

A jurisdiction can use the ORSA to build sophistication in risk management and governance — creating the conditions for more sophisticated quantitative requirements later.

Quantitative outcome

A full RBS regime needs sophisticated quantitative solvency requirements — built on sophisticated risk management, data collection and analysis.

What is an ORSA

- ICP 16 describes an ORSA for solvency purposes, focusing on identifying, measuring, reporting and managing an insurer's risks in a continuous and integrated way.

- An ORSA is the process by which insurers assess their long-term business viability, risk management and financial resources beyond regulatory capital timelines.

- Generally, jurisdictions converge on the same core idea, even if the wording differs. A few examples:

EU(EIOPA)/South Africa (PA)/Bermuda (BMA)/Zimbabwe (IPEC)[1]	ORSA means the entirety of the process and procedures employed to identify, assess, monitor, manage and report the risks an insurer faces or may face, and to determine the own funds necessary to ensure that the insurer's overall solvency needs are met at all times.
US (NAIC)	ORSA shall mean a confidential internal assessment, appropriate to the nature, scale and complexity of an insurer or insurance group, conducted by that insurer or insurance group, of the material and relevant risks associated with the insurer's or insurance group's current business plan, and the sufficiency of capital resources to support those risks.
Peru (SBS)	ORSA is the exercise that allows insurers to identify, assess, manage and report the material risks to which they are or could be exposed in the short and long term, as well as, on a forward-looking basis, to determine eligible own funds under their own considerations and assumptions, the required solvency capital and the economic capital, taking into account their specific risk profile, approved risk tolerance limits and business strategy, with the aim of implementing improvements in their risk and capital management.

1. Note that while the definitions of the ORSA used by these jurisdictions are similar, they are not identical. They have been grouped for brevity.

The objectives of an ORSA

A

Understand risk profile

Gain a comprehensive understanding of all material risks that could impact financial soundness.

ICP 16.10, 16.12

B

Assess solvency needs

Evaluate current and future solvency positions under normal and stressed conditions.

ICP 16.12

C

Enhance risk management

Improve risk management practices by identifying, assessing and mitigating risks effectively.

ICP 16.10

D

Support strategic decisions

Provide insights that support informed strategic and capital-management decisions.

ICP 16.13

E

Ensure regulatory compliance

Demonstrate to regulators that robust risk management and solvency assessment are in place.

ICP 16.10, 16.14

Four questions ORSA helps answer

1

What are the key risks?
The key risks of the insurer or group, based on its business strategy.

2

How big are the key risks?
How large are those key risks under normal and stressed conditions?

3

What controls exist?
What controls or mitigation strategies limit exposure to key risks?

4

How much capital is at risk?
Currently and prospectively, if unexpected losses tied to key risks occur.

From ORSA to RBS

Suzette Vogelsang, Vice Chair, RBSIF – Senior Financial Sector Expert, IMF

- ORSA as a building block of an RBS
- ORSA elements
- Reviewing an ORSA report

ORSA as a building block of an RBS regime

ORSA has many uses for insurers and supervisors alike – Supervisors can use an ORSA report as a building block to develop an RBS regime's standard formula (Quantitative regulatory requirement)

- Where phased implementation makes sense, early ORSAs from participating insurers show the supervisor what the industry considers appropriate.
- Every insurer bases its ORSA on its own business and risk profile — but in aggregate, that information helps calibrate jurisdiction-wide standards.

Insurers' ORSAs → Supervisors' view of industry → RBS standard formula

ORSA elements as building blocks of an RBS

Risk identification › Assessment of risk › Risk mitigation › Stress & scenario testing › Capital model › Governance › ORSA Report

Each element of the ORSA, from how risks are identified through to the final report, gives the supervisor a direct line of sight into what the industry considers material, and how it manages that materiality.

Risk identification & assessment

Risk identification

Risks insurers flag as relevant for solvency guide what the supervisor should address — not just typical categories (insurance, market, credit, operational) but sub-categories too, eg life vs non-life.

Assessment of risk

Insurers' own quantitative and qualitative assessments show which risks would have the greatest impact — pointing the supervisor to where capital requirements should be largest, and revealing common risks across the industry.

Examples of risk appetite statements

Quantitative

- Regulatory capital ratios greater than X%
- Earnings volatility capped over a Y-year horizon
- A defined 1-in-X stress buffer, ≥100% covered

Qualitative

- Very low appetite for reputational risk
- Prompt action on complaints and regulatory concerns
- No appetite for internal fraud

Risk appetite = the risk insurers are prepared to take to meet strategic goals.

Mitigation, stress testing & capital model

1

Risk mitigation

Reinsurance, diversification, hedging and ALM all show up in ORSAs. Comparing techniques across peer cohorts (grouped by size, complexity and nature) helps a supervisor decide what's acceptable for regulatory purposes.

2

Stress & scenario testing

How insurance risk varies by line of business helps calibrate the standard formula's stress scenarios. Not every insurer test is fit for this — only those matching the targeted severity should be used.

3

Capital model

Insurers reflect their own view of solvency and capital needs — data sets, confidence levels, time horizons, valuation methods. Supervisors build their own solvency levels and capital targets on top of this.

Governance and the ORSA report

Governance

An insurer's policies and procedures — its internal control structures — are needed for effective governance, and should be discussed in the ORSA. Supervisors can use this as the base for what to require under their own RBS regime.

ORSA Report

The output of the whole process. By reviewing ORSA reports and engaging directly with insurers, supervisors can identify common and diverging trends, and spot common — or emerging — risks across the industry

Supervisory practices: reviewing ORSA reports

Qualitative assessment

Evaluate governance frameworks, risk identification processes and the internal consistency of reporting.

Reviewing stress tests

Assess the relevance, design and application of stress tests and scenario analyses against strategy and risk appetite.

Structured checklists

A qualitative benchmark for evaluating the completeness and robustness of the ORSA process.

Consistency analysis

Align ORSA figures with regulatory and financial statements; the solvency ratio is the key resilience metric.

Key considerations when reviewing ORSA reports

Focus on material risks
Prioritise risks with the greatest impact on solvency; pay special attention to stress and forward-looking analyses.

Use a risk-based approach
Allocate supervisory resources by size, complexity and risk profile; use automated checklists to streamline review.

Provide feedback
Formal feedback letters plus sessions with Senior Management and Boards to discuss findings.

Monitor progress
Track progress across successive ORSA reports; require insurers to flag year-on-year changes.

Implementing ORSA

Luis Sánchez-Lagomarcino, Drafting Group Member · Head of Actuarial Supervision, Superintendencia de Banca, Seguros y AFP (SBS), Perú

- A phased implementation approach
- ORSA elements
- A real life example

Implementation takes time

Legal basis varies

Some jurisdictions need specific legal powers; others can rely on general provisions or moral suasion to require ORSA submission.

It takes years, not months

Implementation typically spans multiple years — and EMDE timeframes are often longer than in advanced economies.

Start with pilots

An ORSA framework is often built in stages, including pilot or mock reports.

A phased implementation approach

1

Preliminary planning & awareness

Assess the market, raise awareness, issue initial guidance emphasising proportionality.

2

Pilot exercises

Mock or simplified ORSAs help insurers familiarise themselves; feedback refines expectations.

3

Gradual implementation

Roll out qualitative components first, then more complex quantitative elements.

4

Review & feedback

Review submissions, provide constructive feedback, run workshops to share best practice.

5

Full integration

Integrate the ORSA framework into the broader RBS regime; use it to calibrate requirements.

Example of an insurer's governance, review and approval of the ORSA process

1. Risk management function leads the process (with compliance & actuarial)
2. Head of actuarial function independently validates results & capital adequacy
3. Risk Management Committee reviews and challenges the results
4. Risk Committee & Board approve the internal capital targets
5. Chief Risk Officer approves the final ORSA report
6. Internal audit opines on the processes and procedures followed

Lessons learnt

1

Engagement and ownership

Involvement from Senior Management and the Board embeds the ORSA in governance, rather than treating it as a compliance exercise.

2

Iterative improvement

Quality builds over time — early mock or simplified reports are a genuine learning opportunity for insurers and supervisors alike.

3

Supervisory dialogue

Direct conversations between supervisors and a Board about ORSA findings sharpen focus and deepen mutual understanding.

4

Transparency and strategic alignment

A well-run ORSA visibly links business strategy, risk appetite and solvency planning — keeping it a living document.

5

Valuable insights for supervisors

ORSA reports provide insight into insurers' operations and risk management that is invaluable for understanding the market.

Challenges & opportunities

Challenges

- Building the firs ORSA is resource-intensie, often driving outsourcing over in-house experts
- Lack of standardization makes reports lengthy and hard to compare
- Supervisory staff needed ongoing training to review consistently
- Trust matters – Insurers must feel sage disclosing forward-looking risk

Opportunities

- A window into insurer’s strategy, risk management and future plans
- Early warning on new and emerging risks
- A test of insurers’ crisis-preparedness and management actions
- Digital tools and standardized templated can streamline both reporting and review

Key takeaways

Flexibility

- An ORSA can be tailored to each insurer's **risk profile and business model.**

Supervisory insight

- ORSA reports give supervisors real insights into **risks, solvency positions and governance**

Capacity building

- Supervisors can support insurers through **training, workshops and clear guidance**, fostering continuous improvement

Forward-looking rigour

- Stress and scenario testing, combined **with forward-looking projections**, are critical to an effective ORSA report

Practical application

- ORSA findings can **calibrate solvency requirements** and support a robust RBS regime.

Q&A