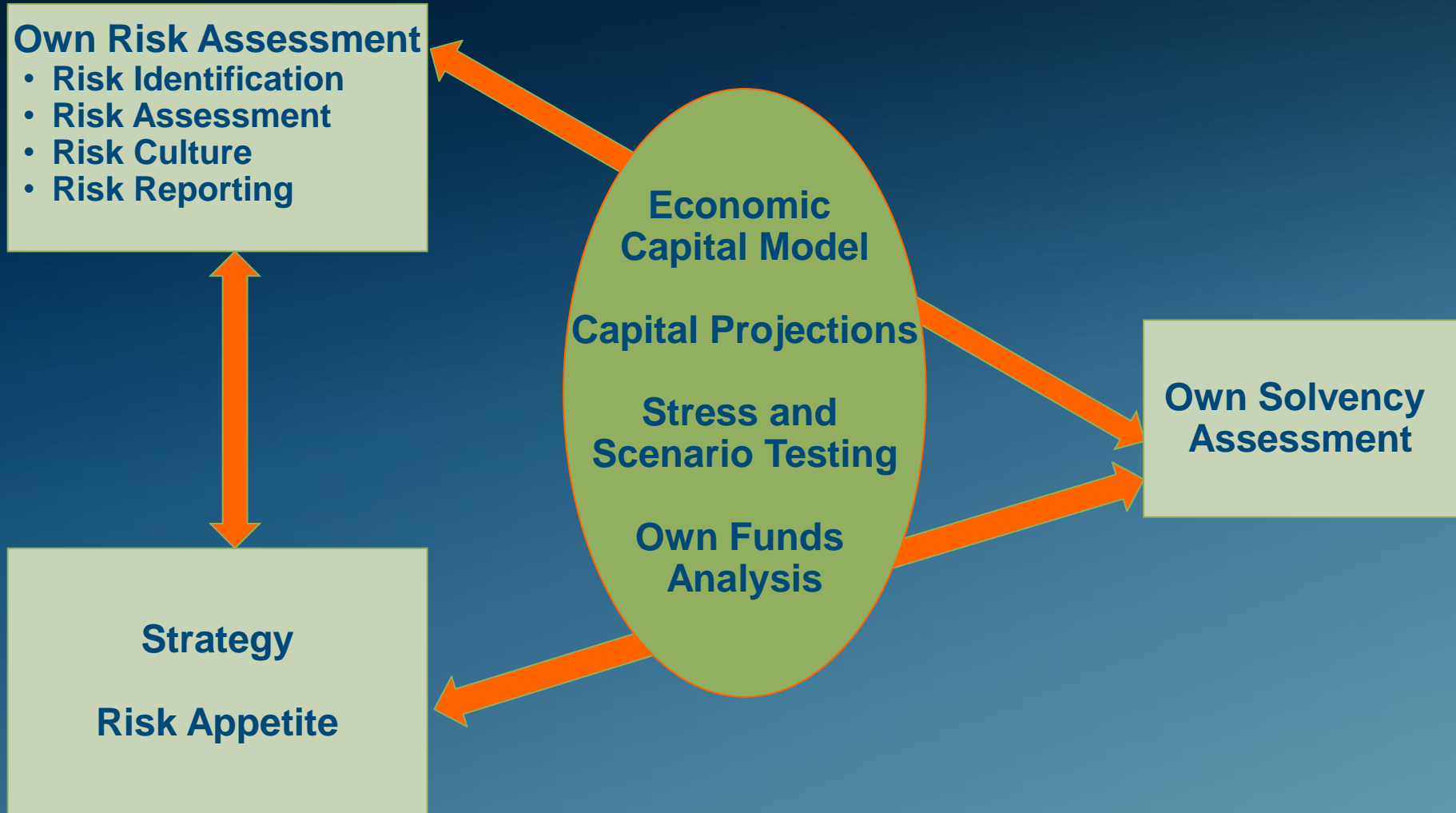


# ORSA

Padraic O'Malley  
Milliman Breakfast Briefing  
22 May 2015

# ORSA – back to basics



# CBI's attitude to progress

- Key Points

1. Board ownership – “so-called use test”
2. Process as important as the document
3. Address capital needs – own view

- Issues Noted

1. Ignore risks that are difficult to quantify
2. Inadequately tailored to local entities
3. Stress tests too benign
4. Fundamental assumptions – business plans and time horizon
5. Deviation from assumptions – not appropriately addressed

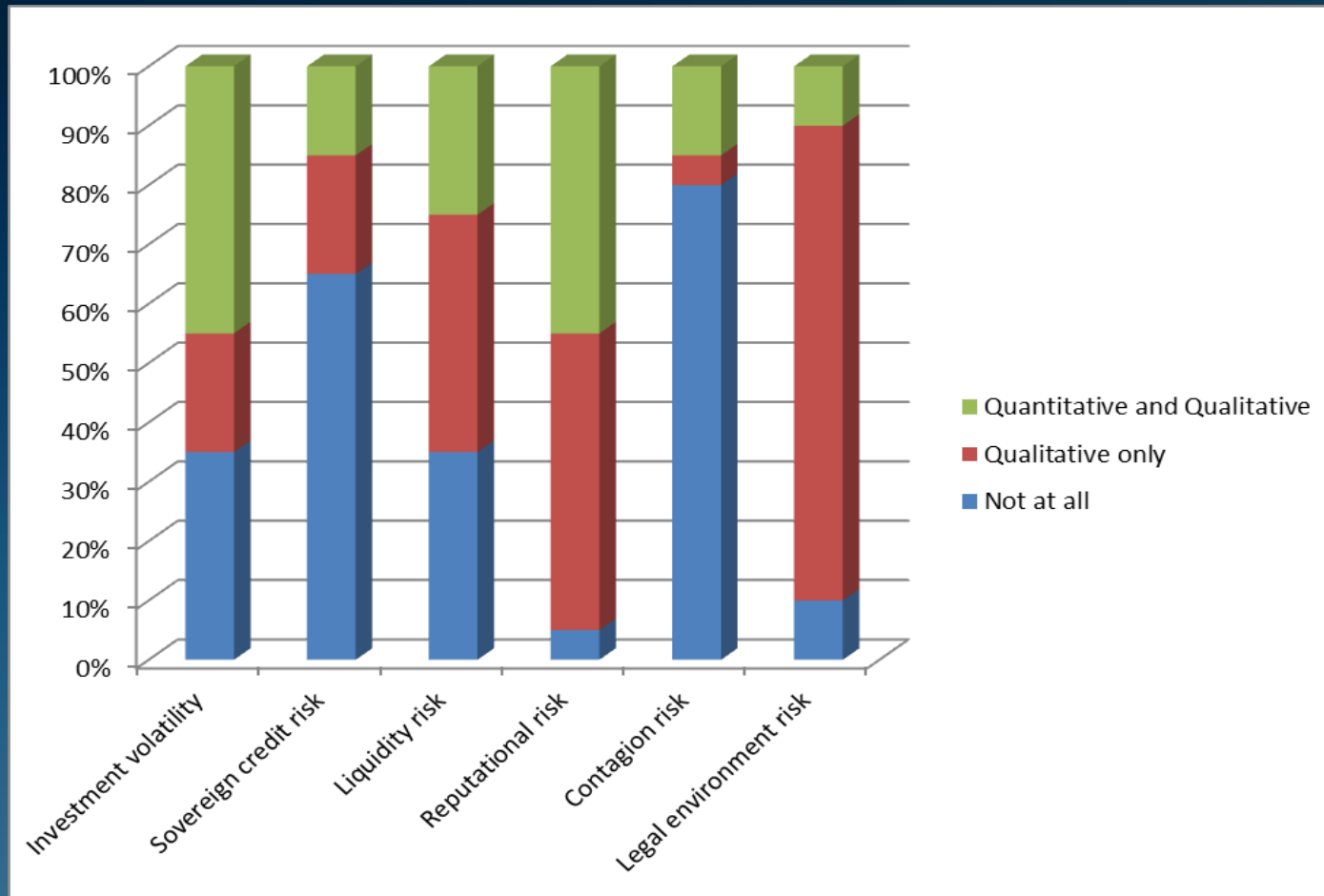
# Pillar I Issues

- Pillar 1 is not perfect
  - will be slow to change
  
- ORSA is opportunity to explore relevant issues
  - Long term yield curve
  - Sovereign bonds
  - Contract Boundaries

# Milliman Client Survey on ORSA

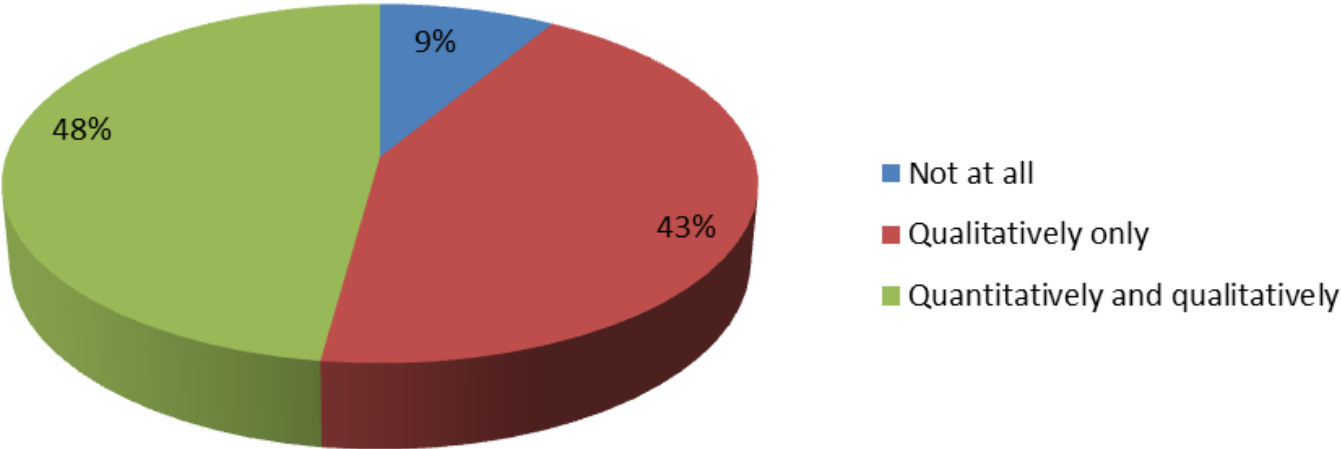
- 24 companies
  - 7 High / Medium High
  - 17 Low / Medium Low
- Split across life / non-life / reinsurers
- Standard formula users

# Extra risks not covered by standard formula



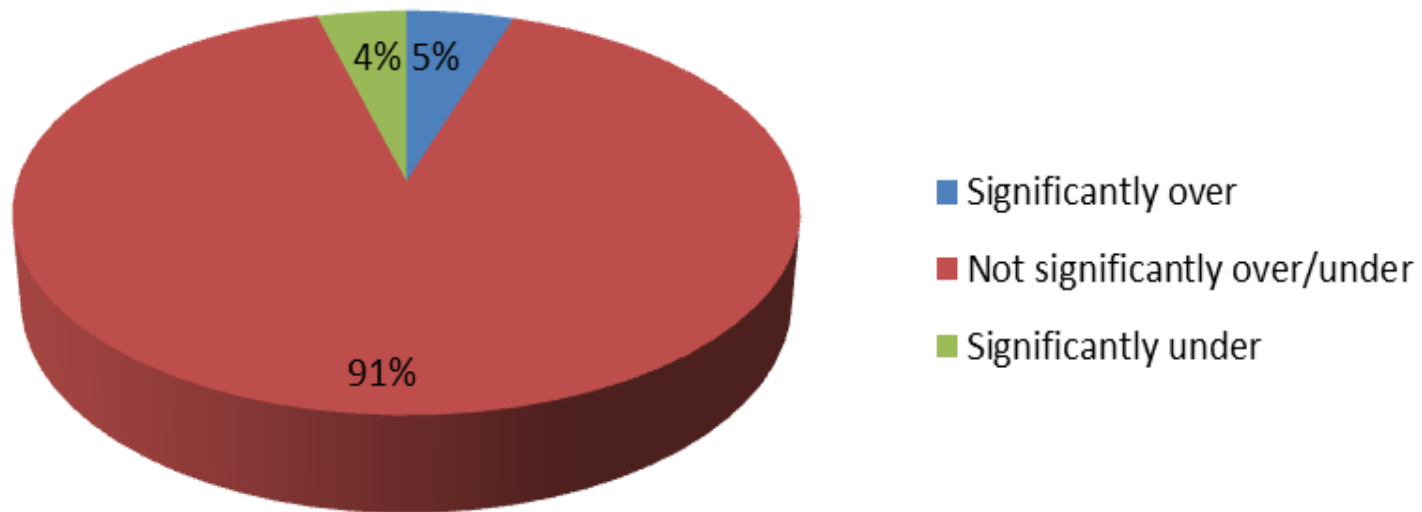
# Deviation from standard formula assumptions

Will 2015 FLAOR assess deviation from assumptions?



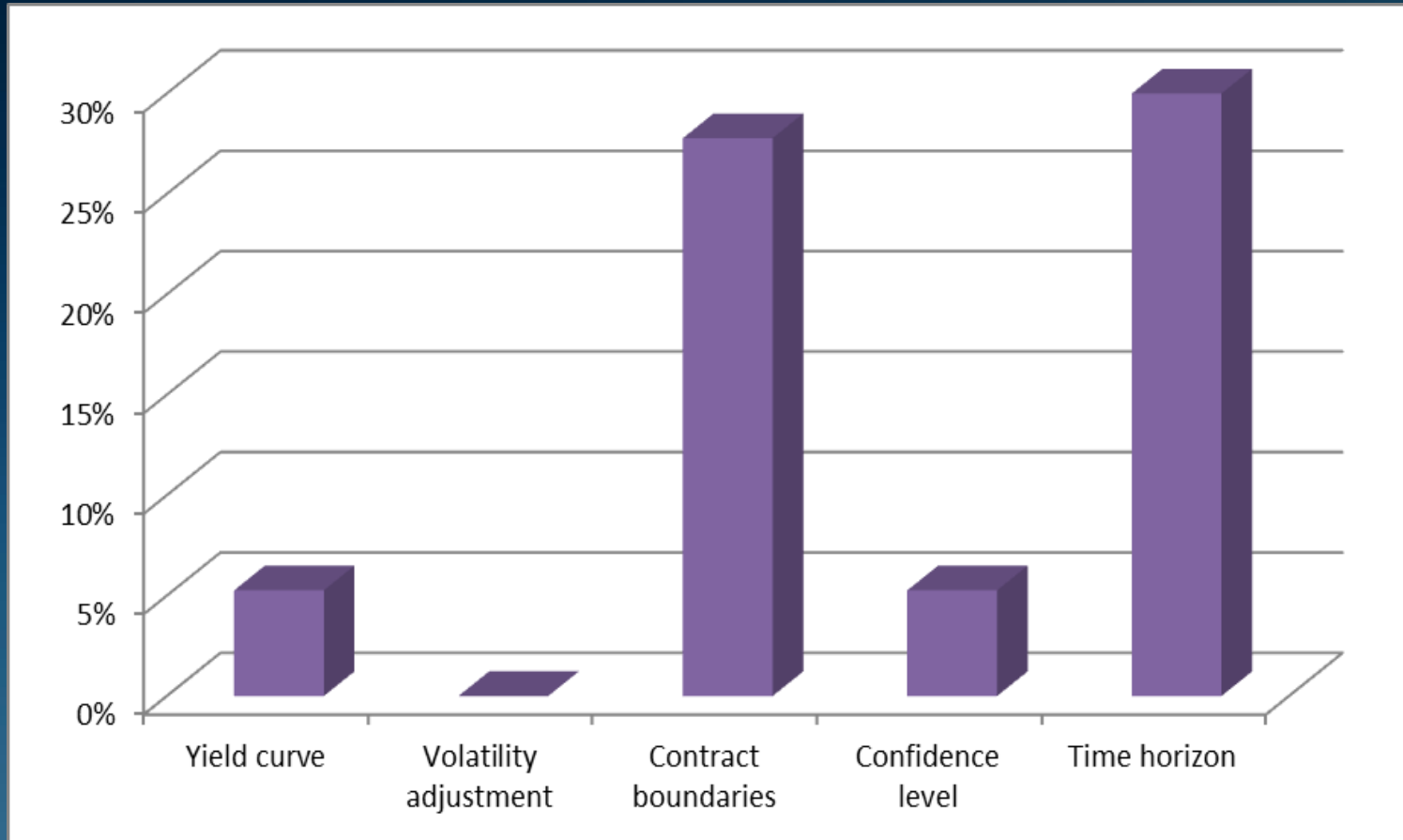
# Expectations regarding appropriateness

## Expectations relative to standard formula

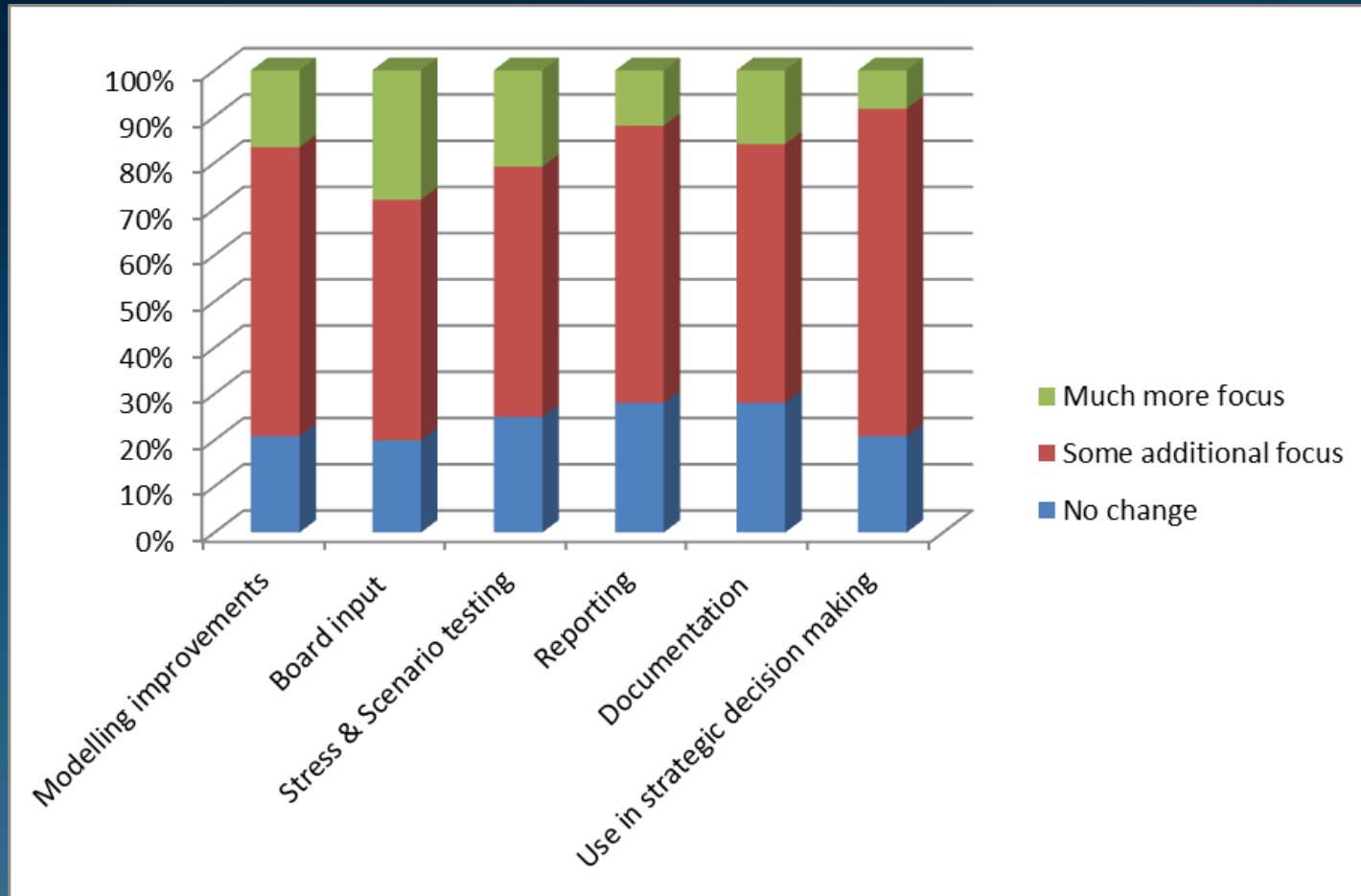




# FLAOR uses a different approach



# ORSA - 2015 Improvements



# 2015 Additional Requirements

- SII projections
  - Many companies opted to use SI projections in 2014
- High and Medium High
  - Compliance on continuous basis with SCR and technical provisions
  - Assess significance of deviations of risk profile from assumptions underlying standard formula

# Some Key Issues to focus on

- Board involvement
- Use Test
- Scenarios
- Group
- Appropriate level of target capital
  - What's the new 150%?
  - No off-the-shelf answer
  - Quality of available capital