



Society of Actuaries in Ireland

ORSAs: the Good, the Bad and the Ugly

Aaron Kenny, Chris Gibney

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Disclaimer

The views expressed in this presentation are those of the presenter(s) and not necessarily of the Society of Actuaries in Ireland

Overview

- Introduction
- Board Involvement
- ORSA Log
- Scenarios
- Metrics and Risk Appetite
- Business as a whole
- Projections
- New Risks



Introduction

- 3 x NBA Champion
- 14 x NBA All Star
- 4 x MVPs
- 2 x Olympic Gold Medals
- Widely considered one of the greatest
- Renowned for recalling details about specific plays
- Joined LA Lakers in 2018
- USD 154m contract

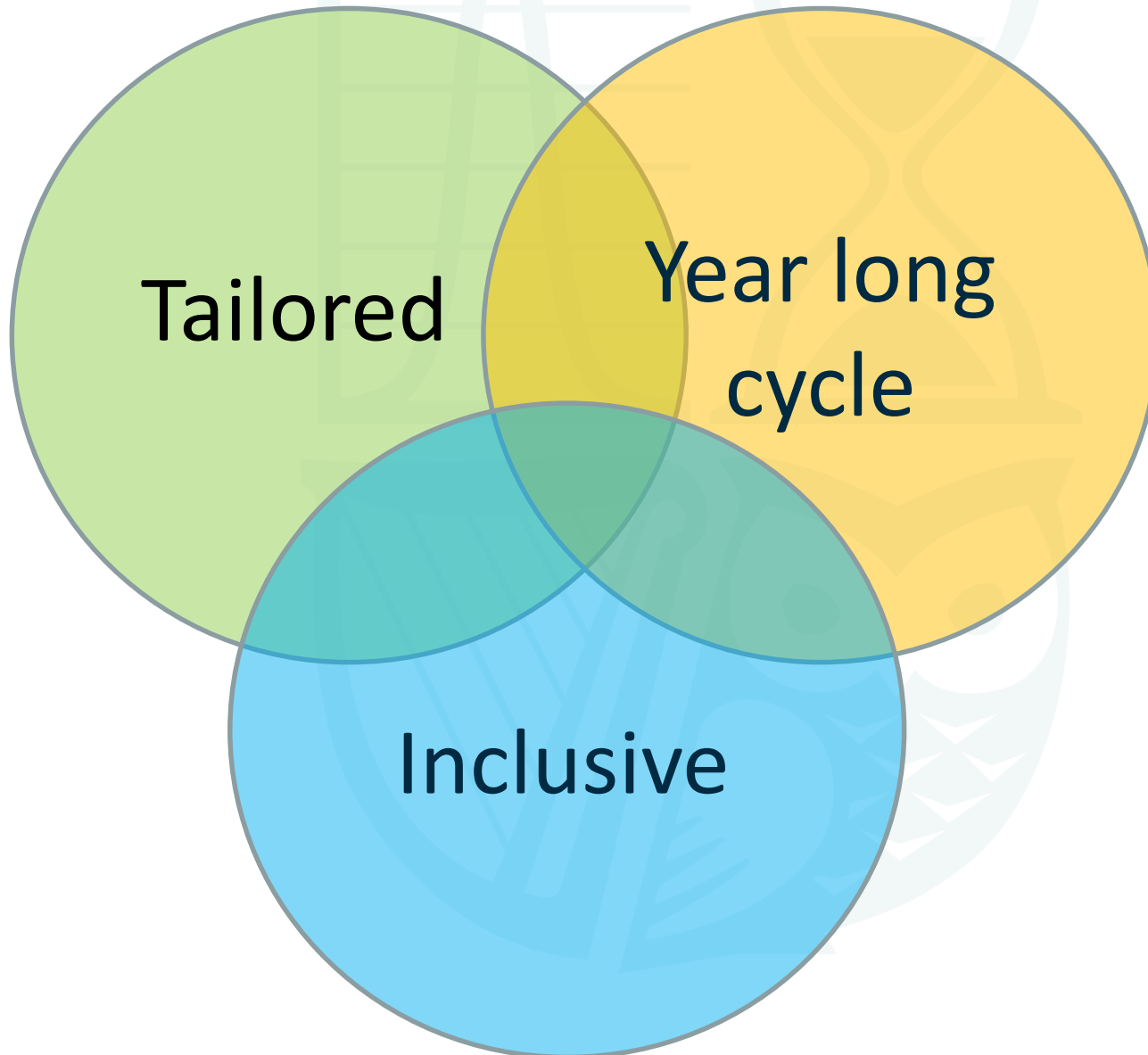


Introduction

- Look at others
 - What do they do well that you can replicate
 - All aspects of work
-
- Magpie Principle



Summary

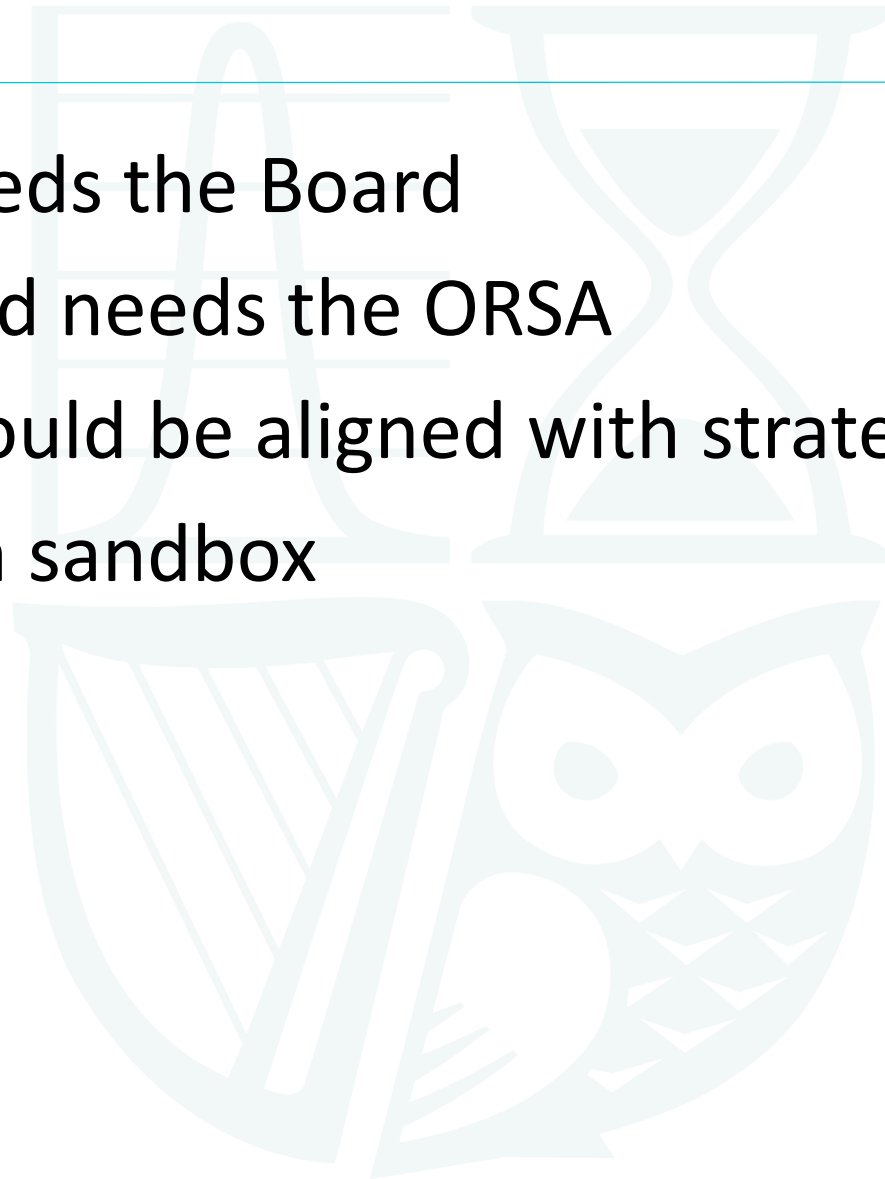


Our Experience

- Performed or reviewed over 50 ORSAs
- Irish, UK and Mainland Europe
- Insurers, Reinsurers, Lloyds Syndicates, Captives
- Group and Local Entities
- Standard Formula and Internal Models

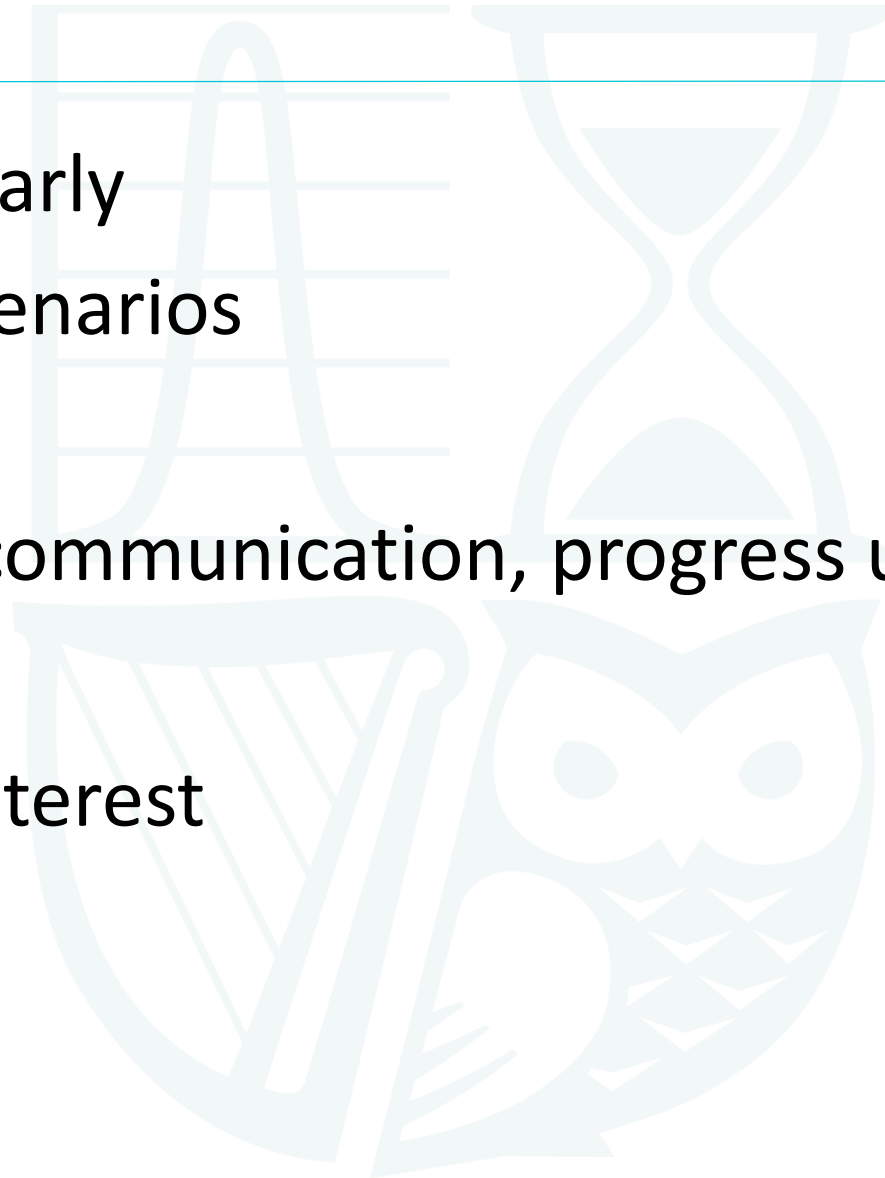
The Board

- ORSA needs the Board
- The Board needs the ORSA
- ORSA should be aligned with strategy
- ORSA is a sandbox



The Board

- Engage early
- Shape scenarios
- Regular communication, progress updates
- Vested interest



The Board

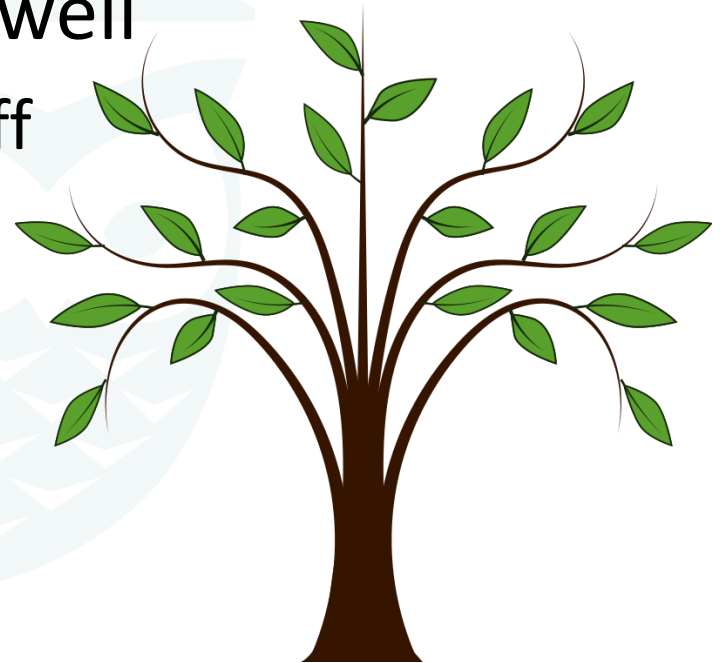
- The ORSA vs the ORSA Report
- When we write a report, we want to show that we did a great job
- Ask yourself: what is the objective of the report?
- Executive Summary v imp – it's like the news
- Balancing Act – concise while explaining key issues

ORSA Log

- Everyone likes to see progress
- ORSA a continuous process – not ‘once-a-year’
- Measurable progress
- Start an ORSA log
- List issues identified and how they are addressed
- Starting point for next ORSA cycle
- Useful post-loss reference

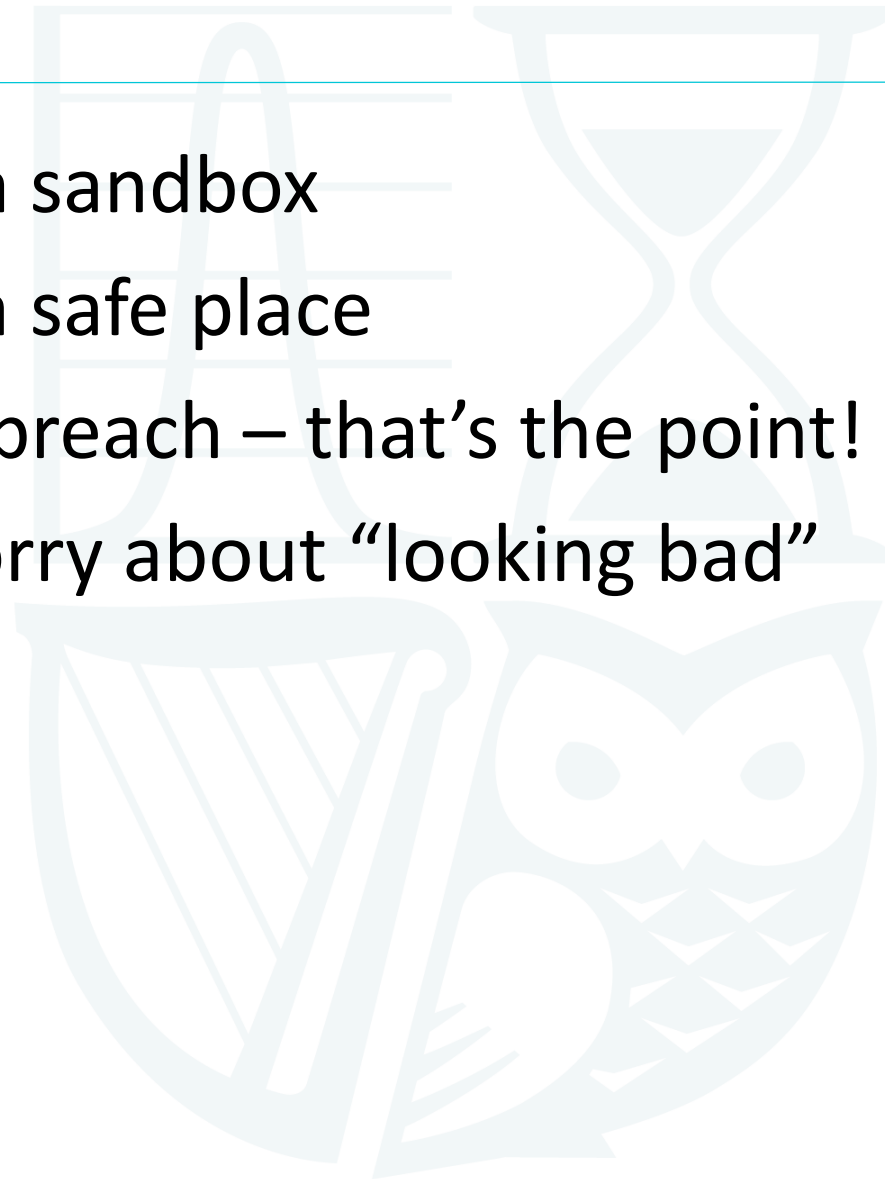
Scenarios

- One of the most important parts of ORSA
- Quality > quantity
- Tangible and specific
- Nested scenarios can work well
 - Explore a scenario, branch off
 - Sub scenarios



Scenarios

- ORSA is a sandbox
- ORSA is a safe place
- Its ok to breach – that’s the point!
- Don’t worry about “looking bad”



ORSA Metrics

- What is the *right* metric?
- Often, too much focus on SCR
- What about the short to medium term?
 - Profitability
 - Lower return periods
 - Credit Rating
 - Risk Appetites



Risk Appetites

- A really useful metric, sometimes wasted
- Combine with ORSA
- Two way
 - Metric for ORSA
 - Review post ORSA
- A positive feedback loop

Leveraging the rest of the business

- Actuaries and Risk don't know everything
- Leverage off other business functions
 - Expertise and understanding
 - Analysis during the year
- How?
 - ORSA workshops
 - Clear Communication
 - Referral process
- Buy in

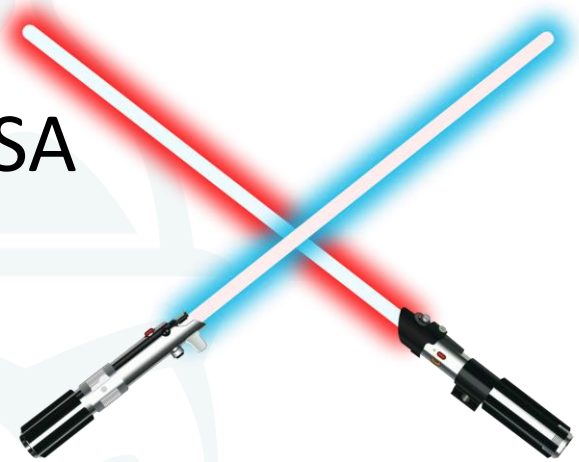


HoAf Opinion

- An Irish standard
- HoAF opines on ORSA
- This is great
 - Valuable input
 - Understanding of liabilities
 - Challenge and peer review
- From HoAF's pov – an additional resource

Group vs Local Entity

- The light vs the dark side
- An ORSA must be an **Own** RSA
- Must be specific



Projections

- An ORSA is only as good as the projections
- Two aspects:
 - The future business plan
 - The TP and SCR calculation
- Business plan
 - Realistic?
 - Challenge
 - Leverage any previous challenge
 - Discuss in report

Projections

- TPs and SCR
 - Do it right and properly
 - Set it up once and then usable
- For example, a big loss, reserve risk?



New Risks

- Sand box – a chance to look at these risks
- Keep up to date
 - Market
 - Emerging Risks Working Group
- Examples
 - Cyber Risk
 - Regulatory, IFRS 17

Conclusions

- ORSA is a fantastic tool
- Best ORSAs are specific to Company
- Best ORSAs are a year long cycle
- Best ORSAs are inclusive and get buy in

Questions



Contact Us

Aaron Kenny

E: aaron.kenny@alliedrisk.ie

T: +353 (1) 632 1922

Chris Gibney

E: chris.gibney@alliedrisk.ie

T: +353 (1) 632 1912

