Record of the ORSA
Setting the ORSA Record Straight

With all insurers working on submitting their ORSA Reports to the PRA, we consider the supporting documents which will be required to complement the ORSA submission once Solvency II is in force. The focus of this article is on the "Record of the ORSA" requirements and process.

As part of EIOPA's final report on the Guidelines on Own Risk and Solvency Assessment[1], Guideline 5 states that each insurer is required to produce a Record of the ORSA, defined as a document which evidences each ORSA and its outcome.

Isn't it just another way of saying we need the "ORSA Report"?

The Record of the ORSA is a standalone document which needs to serve not only as an audit trail of the ORSA Process, but also as evidence of the outcomes of the ORSA Process. In particular, the ambitious intention is that the Record of the ORSA allows a third party to reach the same conclusions as those drawn in the ORSA Report.

Therefore, the expectation is that it covers more ground than the ORSA Report itself, so that the reader has the necessary background in order to evaluate the assessments and conclusions within the report.

Initial industry feedback on the Record of the ORSA, as part of EIOPA's consultations on the ORSA Guidelines, strongly questioned the need for this additional document, in light of the ORSA Report itself. EIOPA were very clear in their response, stating that: "The record [of the ORSA] contains a lot more information than what is included in the internal or supervisory [ORSA] report"[2].

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Notes:
1. Point 2.18, Page 96, Consultation Paper on the proposal for Guidelines on system of governance and own risks and solvency assessment, EIOPA-CP-14/017
2. Point 356, pg 211, EIOPA Final Report on Public Consultation No. 13/009 on the Proposal for Guidelines on Forward Looking Assessment of Own Risks (based on ORSA Principles)

What should the Record of the ORSA contain?

The Record of the ORSA serves to both document how the ORSA process was carried out as well as to enable the Board and senior management to evaluate the ORSA conclusions and management actions. Therefore, the Record of the ORSA should be approached from two separate angles.

Firstly, the Record should be used to capture the sources of information used in producing the ORSA Report. Typically, a significant part of an ongoing ORSA Process involves collating and referencing risk management activities and decisions which have taken place throughout the year. While the ORSA Report may contain references to key internal documents, the Record of the ORSA should capture a complete set of references which will enable a third party to understand from where each item within the ORSA report has originated. This section can also be used as an opportunity to assess compliance of the process with EIOPA's Guidelines on the ORSA and identify any gaps or development areas which should be addressed in future ORSAs.

Secondly, the Record should contain a section which documents the ORSA Process conclusions and management actions, both at a high level and also within each section of the ORSA Report. The intention here is to summarise the ORSA outcomes from one ORSA to the next, and to enable the reader to compare how the conclusions arising from the company's risk and solvency assessment have evolved over time. Aside from allowing a third party to understand the evolution of ORSA outcomes, this section could help the insurer with the further embedding of the ORSA Process and could be used as the key focus of Board review and challenge as part of the ORSA sign-off.

EIOPA Guidelines for Record of the ORSA contents

While the extent of documentation of the ORSA Process follows general proportionality guidelines, EIOPA have provided specific guidance on items to include or reference in the Record of the ORSA in order to facilitate a third party review of ORSA outcomes.

Various content from the ORSA Report and ORSA Policy may be relevant for inclusion in the Record of the ORSA itself. In these instances it is practical to reference the relevant items within the Report and/or Policy, rather than duplicating work.

Example mapping of ORSA contents to EIOPA Guidelines

	EIOPA expected content for Record of the ORSA	Potential Source of Information
1	The individual risk analysis, including a description and explanation of the risks considered;	ORSA Report Risk policies Risk Universe document Risk Strategy document Economic Capital / Internal Model / Partial Internal Model / ICA documentation
5	An amount or range of values for the overall solvency needs over a one-year-period, as well as for a longer period and a description of how the undertaking expects to address the needs;	ORSA Report Supplemented by Stress and Scenario Testing / Reverse Stress Testing and management actions
9	The identification and explanation of the differences between the undertaking's risk profile and the assumptions underlying the calculation of the SCR;	Appropriateness of Standard Formula documentation Management Actions document Existing ICA methodology documents ORSA Report
10	A description of what internal and external factors were taken into consideration in the forward-looking perspective;	New Business Plans ORSA Report Emerging Risks Report CRO Statement CRO Report

## Practical example of Record of the ORSA contents

In practice, the Record of the ORSA is a document which collates various items of information in a user-friendly format and organised into distinct categories. A practical example of the Record of the ORSA is shown below:

Mapping to EIOPA Guidelines

- **Assess compliance of ORSA Process in the context of EIOPA's ORSA Guidelines**
- **Identify potential gaps which need to be addressed in future ORSAs**

Sources of information for ORSA Report

- **List all sources and owners**
- **Allows the Board and senior management to understand which documents are sources of input to the ORSA**
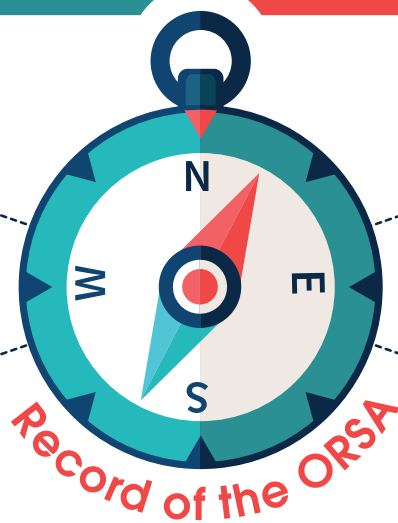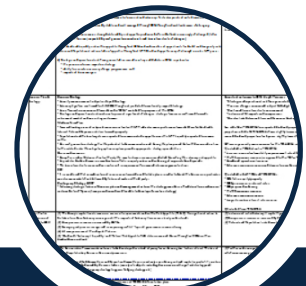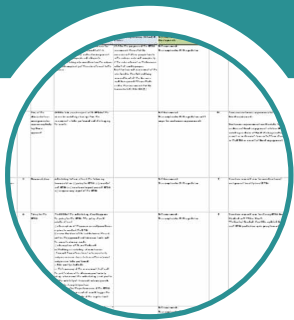
Record of the ORSA

ORSA Process diagram

- **Captures the end-state view of how the ORSA Process fits into the decision making process of the company**
- **Can be used to assess where the current gaps are in terms of ORSA embedding**

Record of ORSA Outcomes

- **Provides an overview of the outcomes from the ORSA Process and changes from one ORSA to the next**
- **Evidences decision making within the context of the wider Enterprise Risk Management Framework**

How BaxterBruce can help:

BaxterBruce has assisted a number of companies with their ORSAs, and can assist you in setting up your Record of the ORSA to further embed the ORSA Process within your organisation, including:

- Designing the end-state ORSA Process

- Facilitating the repetition of the ORSA Process and removing key staff risk

- Assessing the ORSA Process in the context of EIOPA Guidance

- Evaluating ORSA Outcomes and facilitating the understanding of the evolution of ORSA Outcomes from one ORSA Process to the next

- Evaluating decision-making capabilities within the context of the Enterprise Risk Management Framework.

About BaxterBruce:

We offer insurance companies a broad range of services across the areas of Risk & Capital Management, Regulatory Change, Programme Delivery and Change Management. We combine industry insight and deep functional knowledge with extensive delivery expertise to help our clients meet their strategic goals.

Our Services

1. Risk & Capital Management
designing and implementing practical frameworks and tools focused on optimising risk and capital related business decisions

2. Programme Mobilisation & Delivery
applying the experience and structure necessary to setup and execute complex programmes of change and provide independent project assurance

3. Organisation & Change Management
building a comprehensive approach to supporting people through the change journey so that they are ready, willing and able to embed new ways of working

4. Insurance Operating Model Design
combining best practice insight to help design and deliver the end-to-end capabilities required to achieve an organisation's vision for the future

Our Clients

Our clients are those that seek an alternative to typical business consulting firms: a genuine business partner that can provide industry leading expertise, who remains focused on the project brief and who concentrates on providing services in the areas in which they are strongest.

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AEGON   simplyhealth   Guardian Financial Services

Canada Life   justretirement   PENSION CORPORATION

Bupa   OLD MUTUAL   ROYAL LONDON

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