

ORSA SWITZERLAND

INSIGHT INTO THE STATUS QUO OF SWISS INSURERS AND REINSURERS

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Zürcher Hochschule
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zhaw School of
Management and Law

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MANAGEMENT SUMMARY

The present study examines the implementation progress of the ORSA at Swiss direct-, re- and health insurance companies. The findings from expert interviews and anonymized questionnaires show that ORSA has been established as a planning tool and is used as a reporting tool for the management and the Board of Directors.

Many participants expect a stronger practical orientation from the supervisor FINMA. The strong influence FINMA exerts is seen as a contrast to the principle of an „Own Risk and Solvency Assessment“, many study participants criticize. Smaller companies would welcome clearer rules.

The benefits the surveyed companies see in the implementation of ORSA are a strengthening of the company-wide risk perspective, development and calculation of scenarios, and an increasing risk awareness. Two thirds of the respondents see ORSA as real benefit. However, the effort in regards to coordinating the various inputs at different points in time is perceived as very high. Almost three quarters of the companies surveyed have expanded their existing processes in the process of implementing ORSA. In particular, health insurers have made strategic adjustments in terms of risk tolerance as well as investment mix and strategy.

Compared to the ORSA study 2017, the priority of the challenges has shifted. As in the previous year's study, the definition of a life-threatening scenario represents the central challenge for direct and health insurers. Study participants indicate to struggle with the determination of realistic existence-threatening scenarios. Furthermore, coping with organizational complexity and internal timing are challenging for many companies. Compared to the previous year, the preparation of the report for different recipients, the formalization of the processes and for health insurers, dedicating the necessary resources seem to have become less problematic.

With regard to the number of scenarios considered, the survey indicates that direct insurers and health insurers took into account more scenarios than in the previous year, whereas reinsurers included fewer scenarios. Several respondents have integrated additional perspectives. The planning horizon used has not changed and is usually three years. The SST ratio after three years is between 150% and 300% for the majority of respondents.

Most of the surveyed companies completed the current ORSA report between November 2017 and January 2018. The report is typically communicated to the Board of Directors and the Executive Board. The size of the ORSA report measured by the number of pages remained the same for one-half of the direct- and reinsurance companies and increased for the other half. The reports of the vast majority of health insurers have not changed in size.

The scope of the ORSA report is related to the size of the companies. From the supervisory category, it can also be deduced that smaller companies estimate the technical challenges greater than bigger companies do. Overall, the results suggest that large companies have made further progress with the implementation of the ORSA than smaller companies.

Looking ahead, there are no urgent actions to recommend. Rather, two questions arise: Can the benefits of ORSA as a steering tool be increased? Can the effectiveness and efficiency of the process be improved?

Illustration 1: Methodic approach

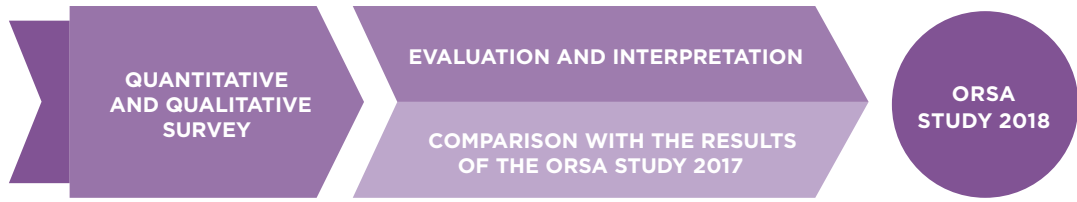


Illustration 2: Which line of business is your company in? (N=36)

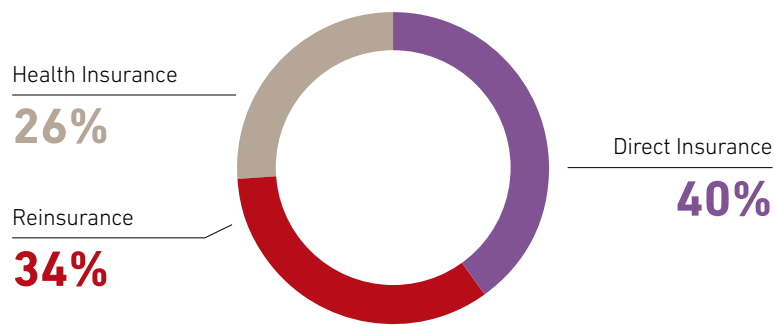


Illustration 3: Please select the supervisory category to which your company is assigned (N=36)

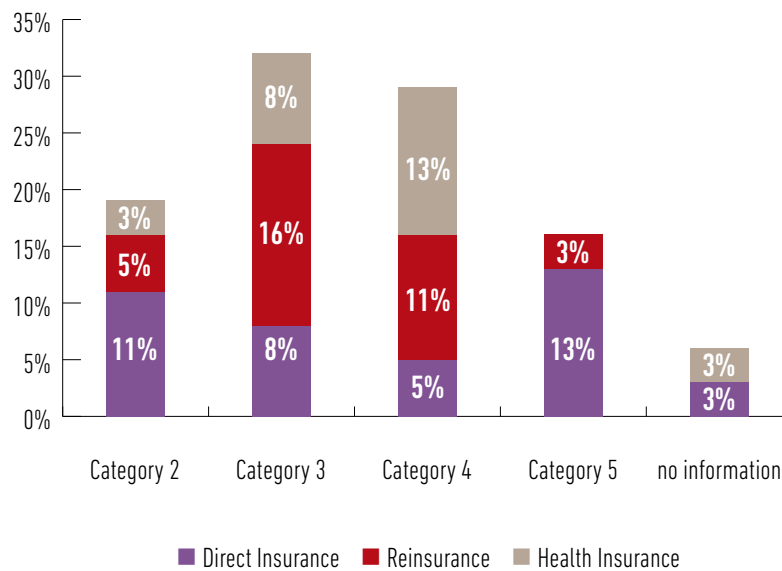


Illustration 4: How do you assess the level of implementation of ORSA within your company? (N=36)

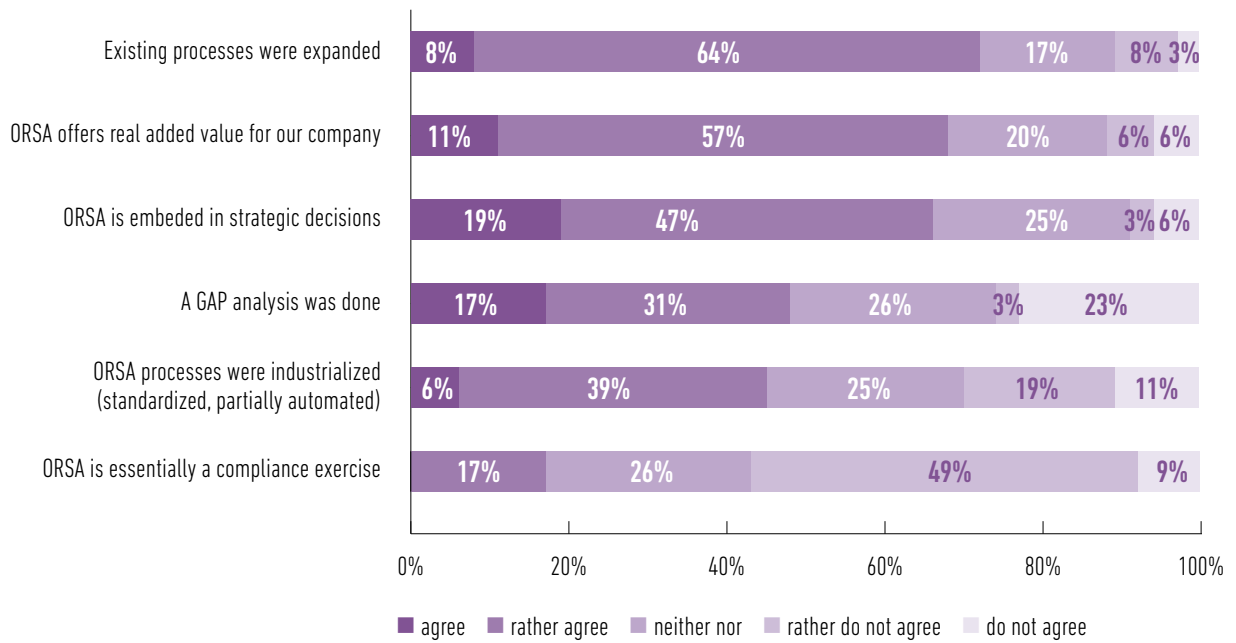


Illustration 5: How do you assess the following implementation challenges? (N=36)

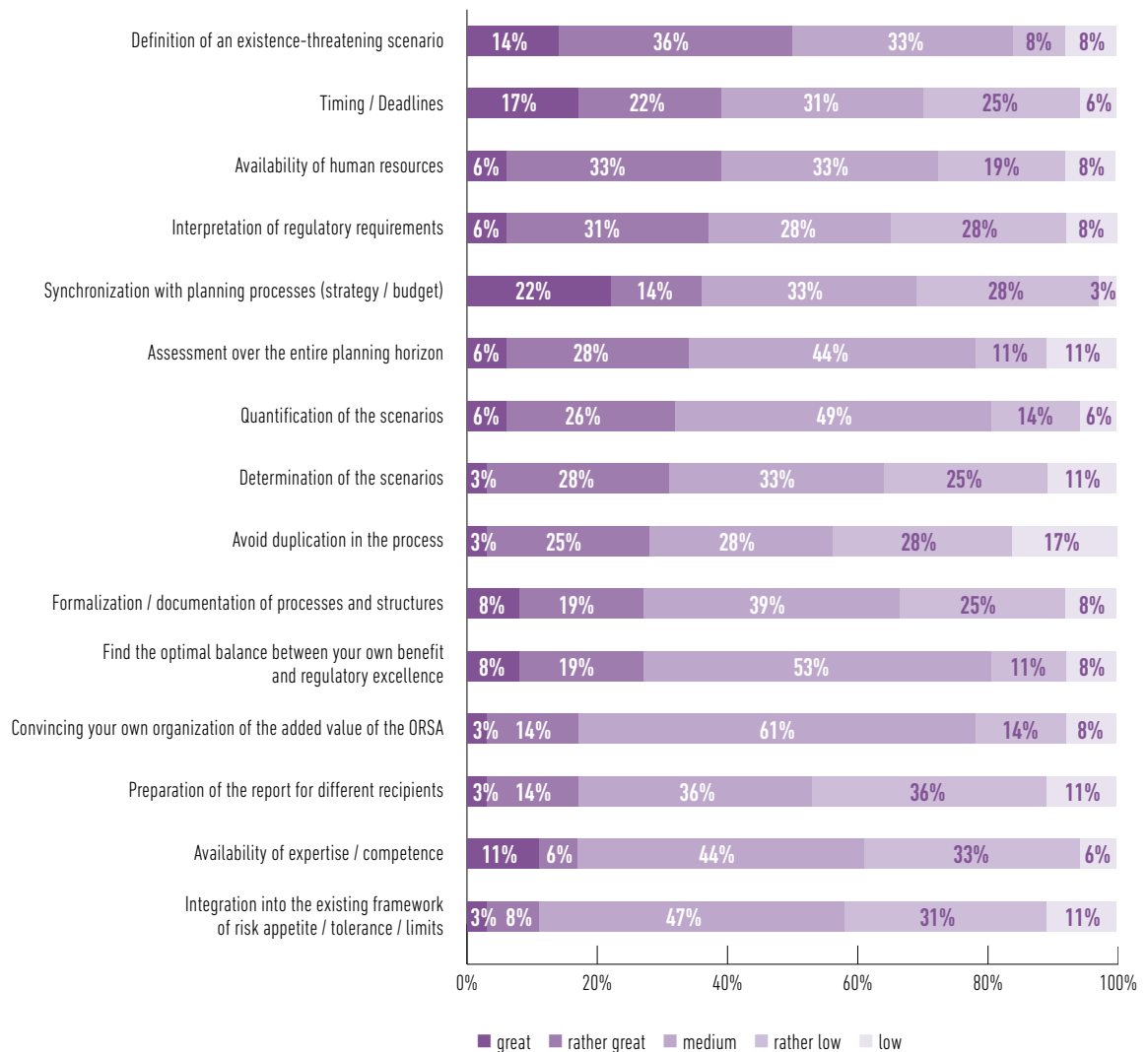


Illustration 6: The five biggest challenges by line of business in descending order (by mean)

Direct Insurance	Reinsurance	Health Insurance
1. Definition of an existence-threatening scenario	1. Synchronization with planning processes (strategy / budget)	1. Definition of an existence-threatening scenario
2. Timing / Deadlines	2. Consideration over the entire planning horizon	2. Convincing your own organization of the added value of the ORSA
3. Find the optimal balance between your own benefit and regulatory excellence	3. Definition of an existence-threatening scenario	3. Quantification of the scenarios
4. Synchronization with planning processes (strategy / budget)	4. Timing / Deadlines	4. Integration into the existing framework of risk appetite / tolerance / limits
5. Quantification of the scenarios	5. Determination of the scenarios	5. Avoid duplication in the process

Illustration 7: Have there been changes because of the ORSA since its introduction concerning ... ? (N=36)

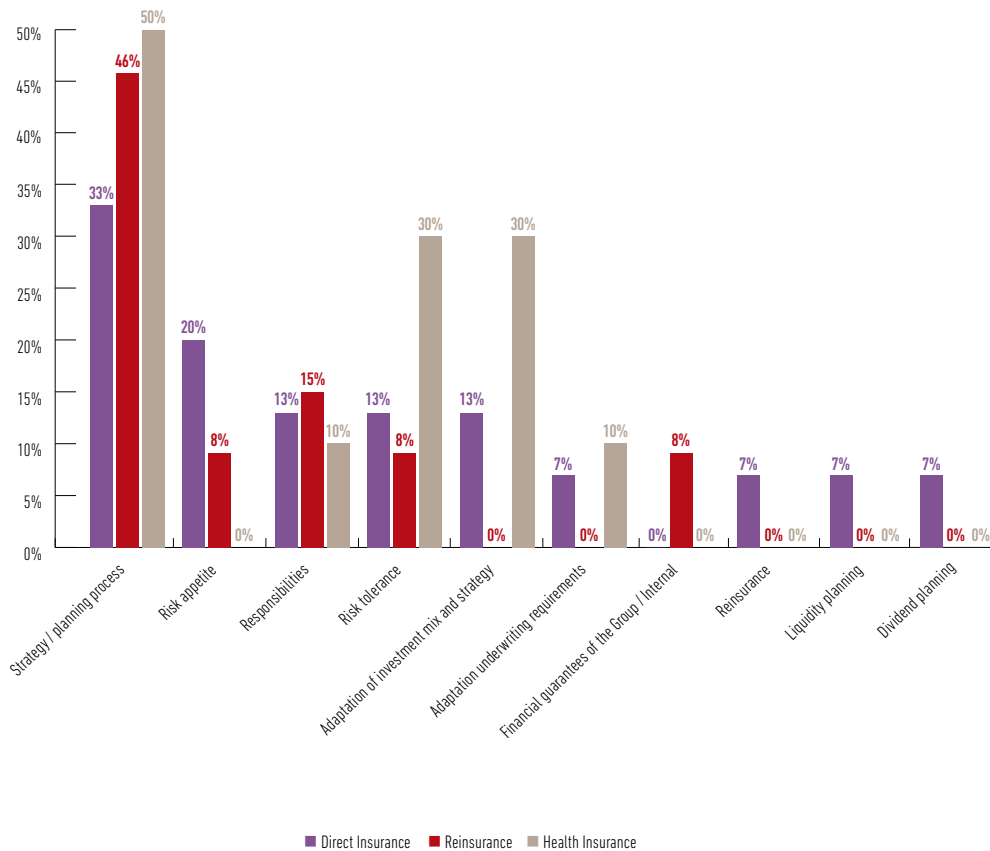


Illustration 8: Planning horizon of the ORSA for direct insurers (N=15), reinsurers (N=13) and health insurers (N=10)

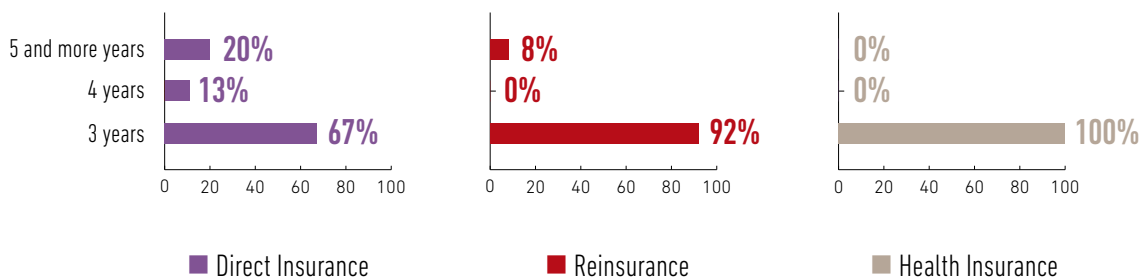


Illustration 9: What is the impact of the following areas on the development and selection of scenarios? (N=34)

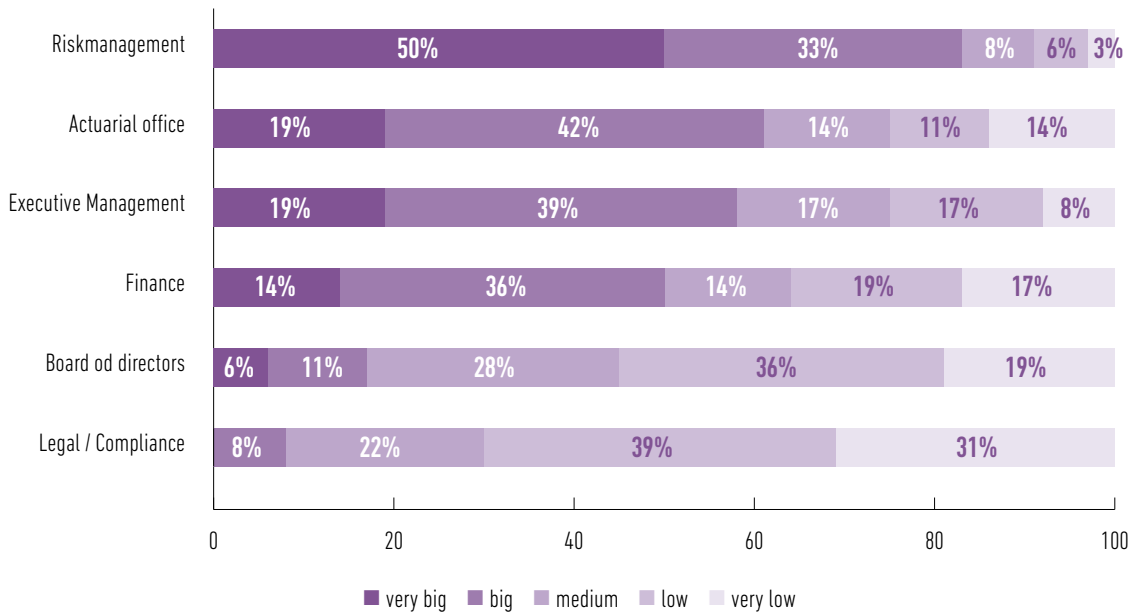


Illustration 10: Number of assessed scenarios of direct insurers (N=15), reinsurers (N=13) and health insurers (N=10)

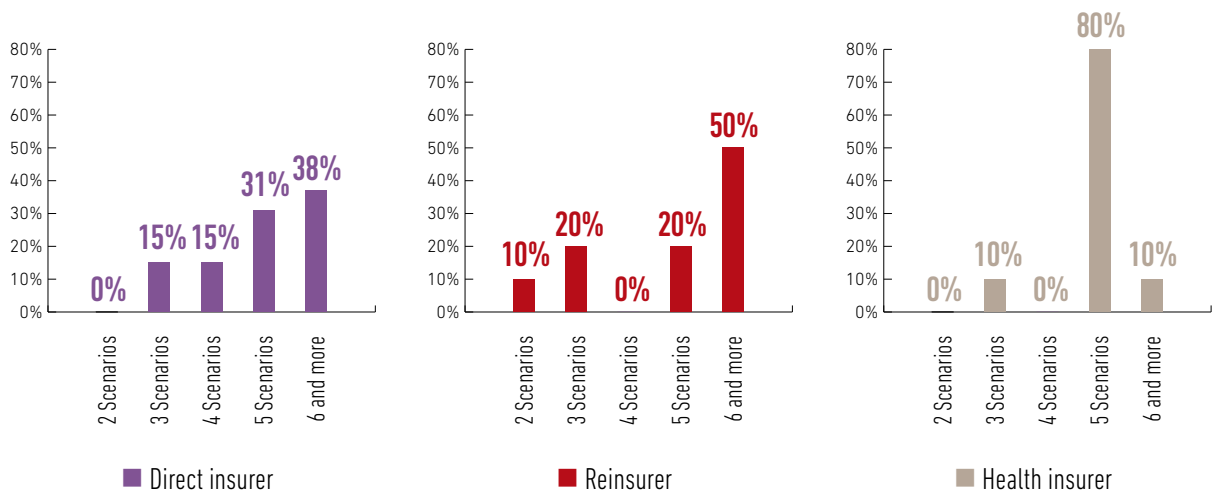


Illustration 11: Which perspectives were used / are planned to be used in addition to the regulatory perspective? (N=36)

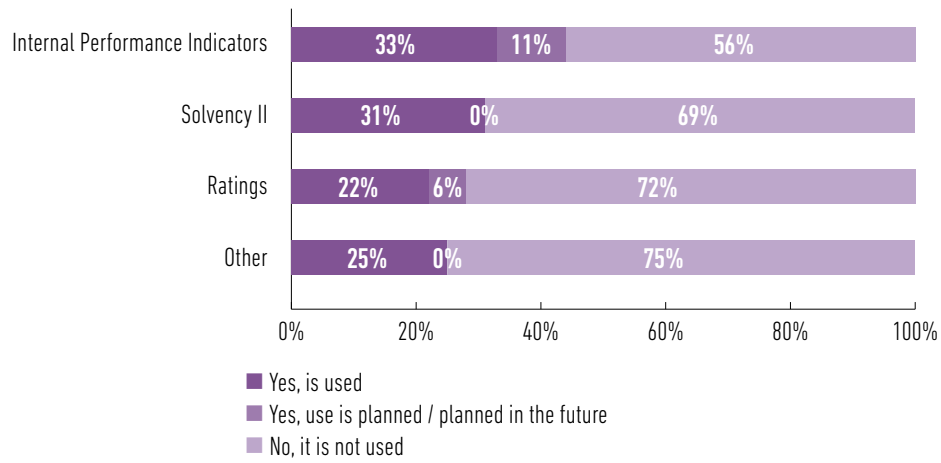


Illustration 12: What is the SST ratio after three years in the plan scenario? (N=31)

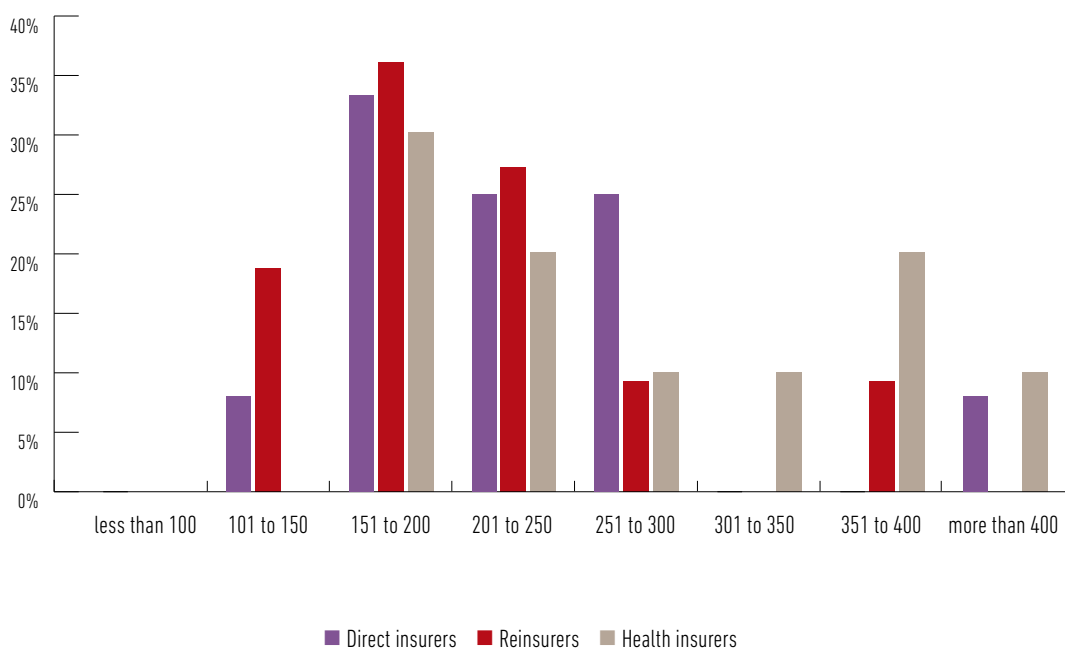


Illustration 13: Which risk-reducing measures were taken into account in the scenarios? (N=33)

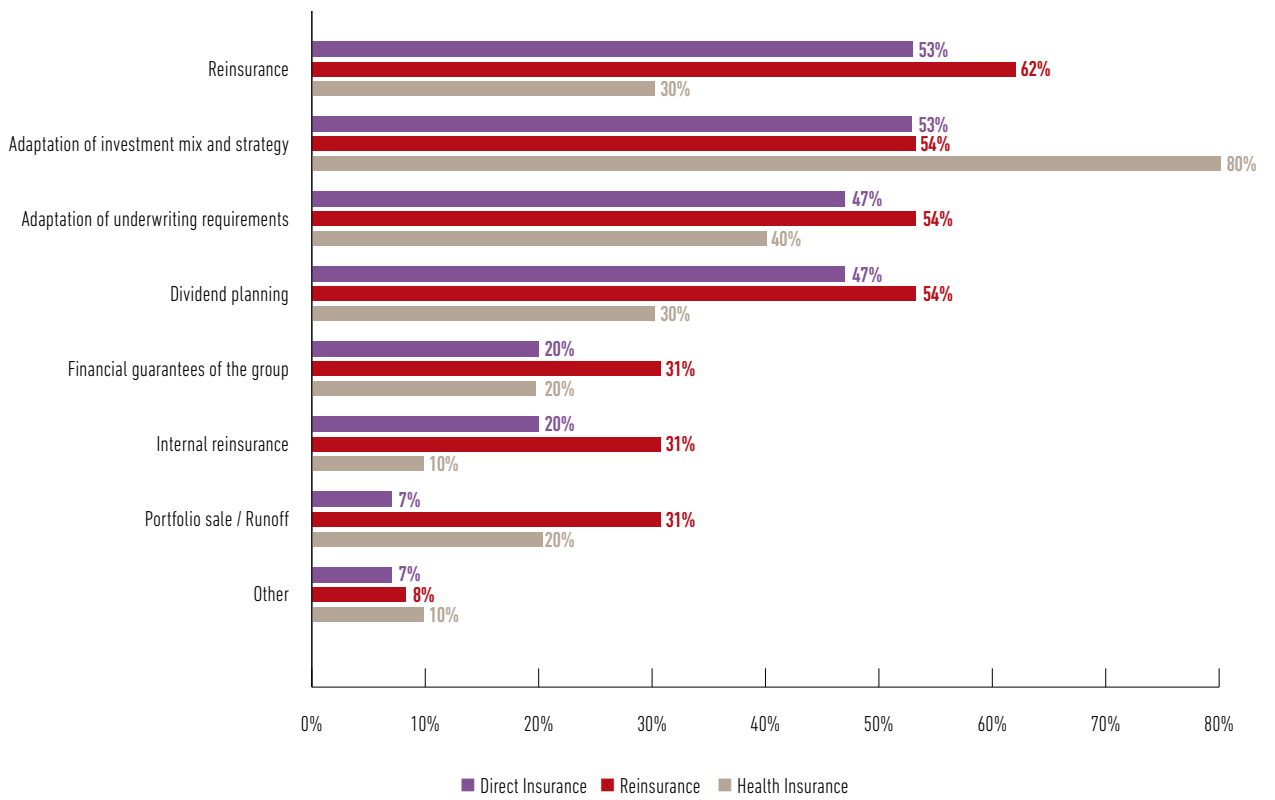


Illustration 14: When was the ORSA report completed? (N=36)

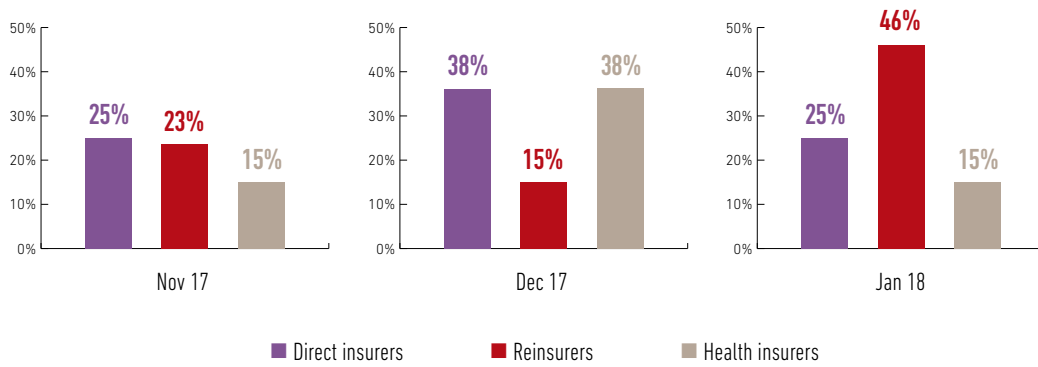


Illustration 15: To whom are the results and findings from the ORSA process regularly communicated (N=36)?

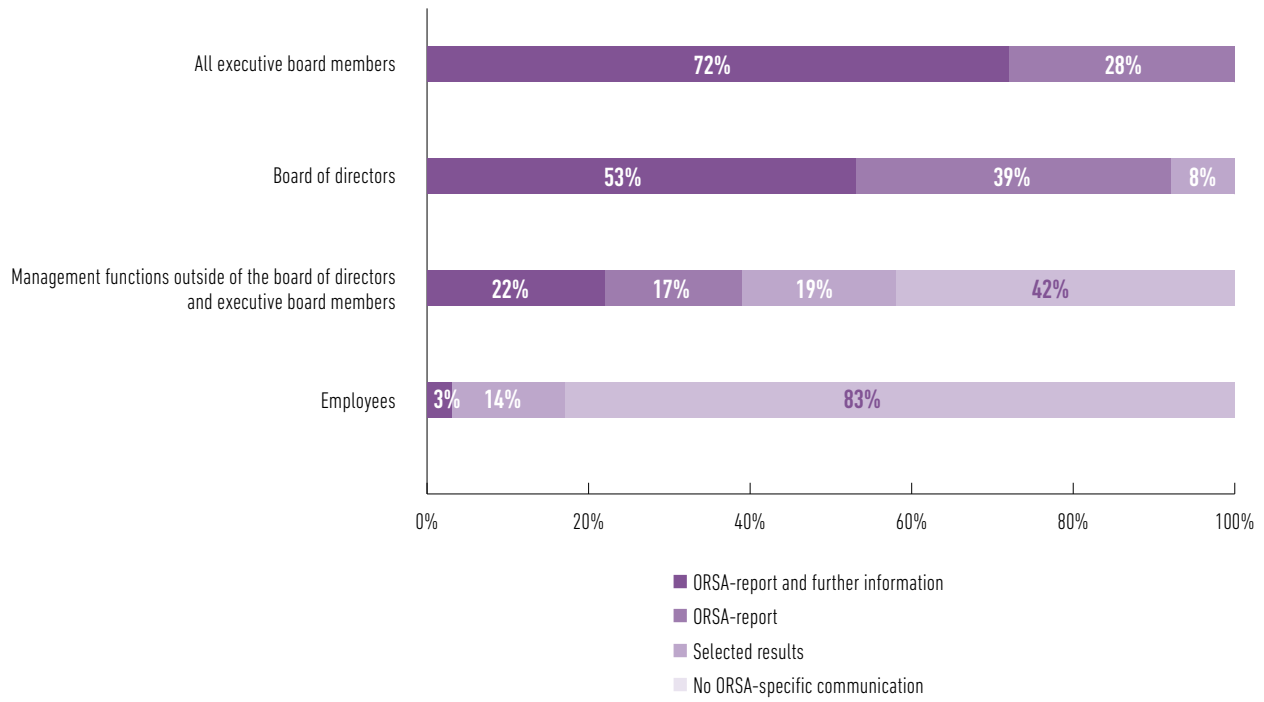


Illustration 16: Size of the ORSA report of direct insurers (N=15), reinsurers (N=13) and health insurers (N=10)

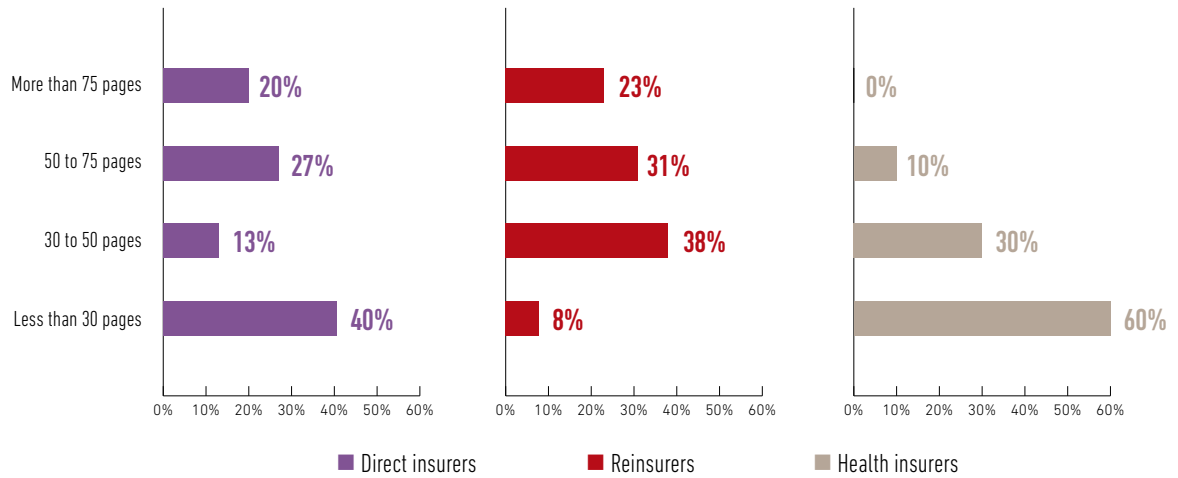


Illustration 17: Size of report compared to the previous year of direct insurers (N=13), reinsurers (N=13) and health insurers (N=10)

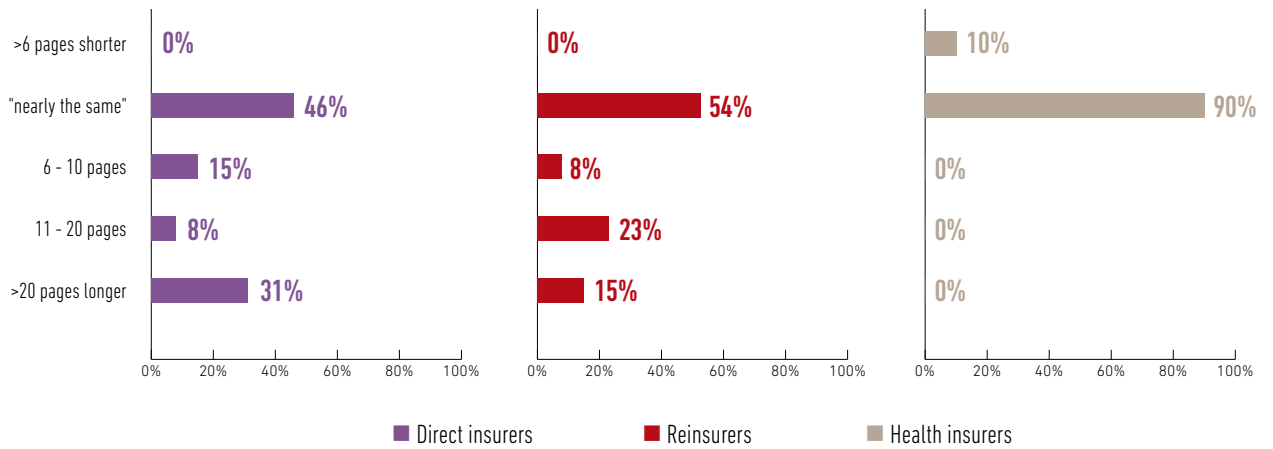


Illustration 18: How do you assess the following statements regarding the impact of ORSA? (N=36)

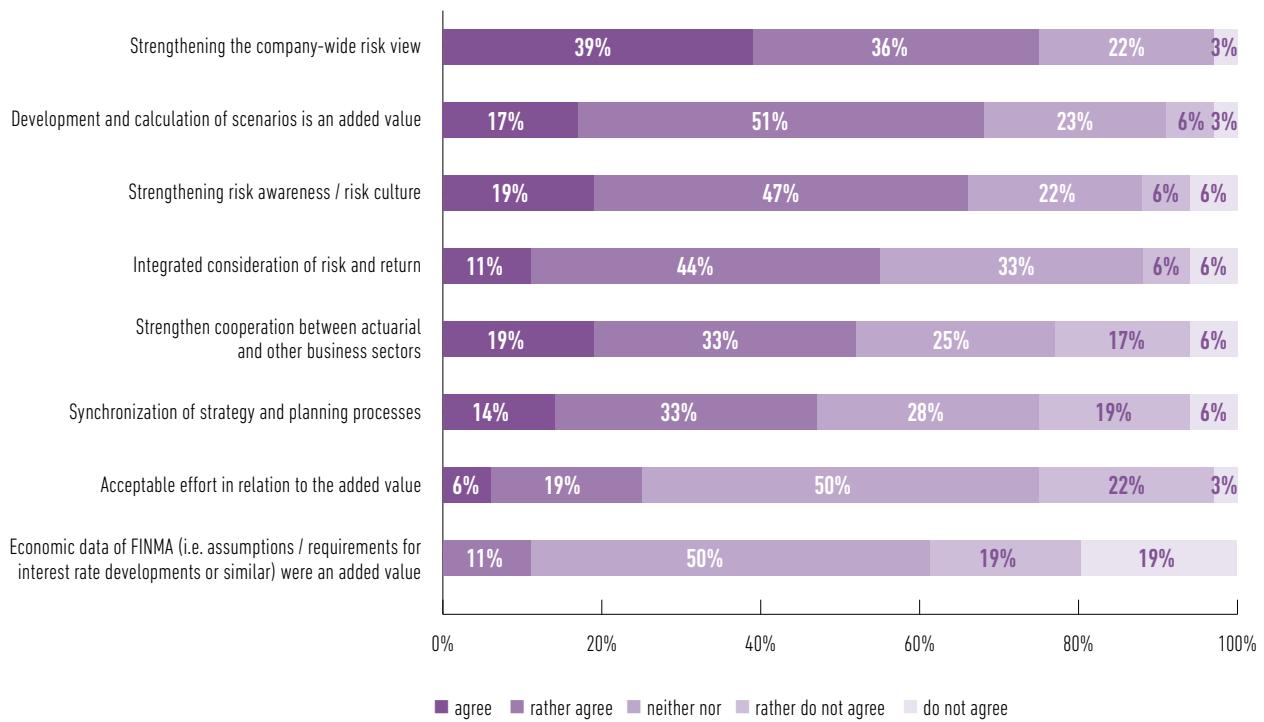
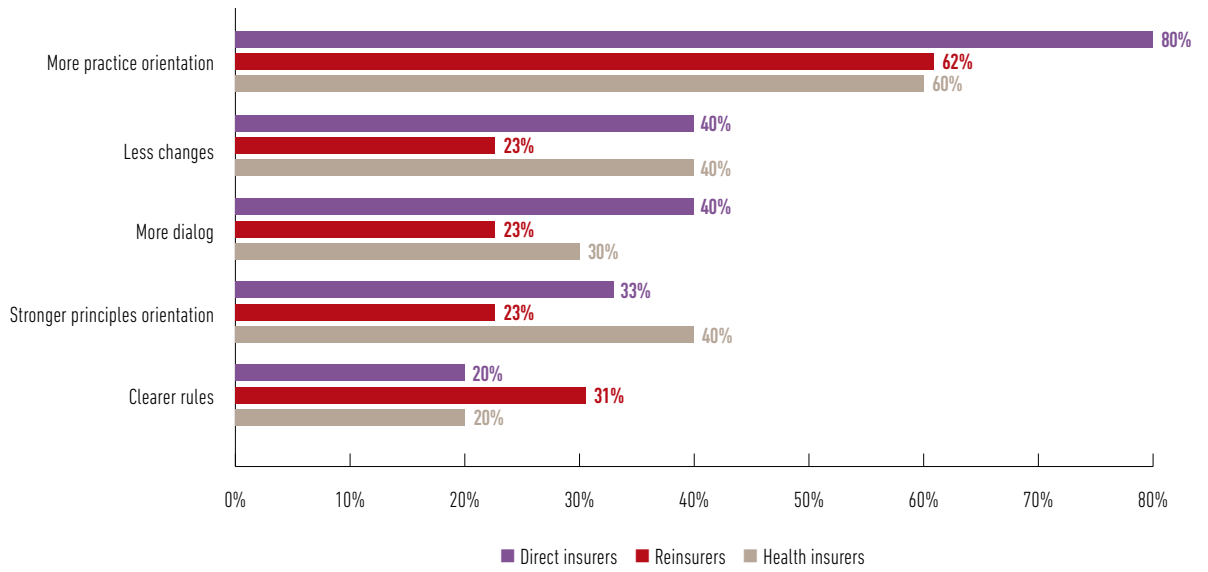


Illustration 19: What do you want / expect from politics and / or supervision? (N=34)





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