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Own Risk and Solvency Assessment (ORSA) - Perspective on an International Practice

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Manulife Financial – a global presence

Manulife Financial

Canada

- Individual Insurance
- Affinity Markets
- Individual Wealth Management
- Bank
- Group Benefits
- Group Pensions

John Hancock

United States

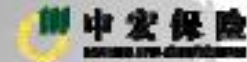
- Life Insurance
- Long-Term Care
- Variable Annuities
- Fixed Products
- Retirement Plan Services
- Mutual Funds

Manulife Asset Management

Global Asset Management

- United States
- Canada
- Hong Kong
- Japan
- Southeast Asia
- United Kingdom
- Australia

Manulife



Asia

- Japan, Hong Kong, Philippines, Singapore, Indonesia, Vietnam, Malaysia, Thailand, China, and entering Cambodia
- Individual Life Insurance
 - Group Life & Health Insurance
 - Pension Products
 - Mutual Funds

ORSA Guideline – Canada

- Principles-based approach
 - Identification and assessment of risks
 - Relating risk to capital
 - Board oversight and senior management responsibility
 - Monitoring and reporting
 - Internal controls and objective review
- Allows either individual insurer basis or Group basis
 - But need to remember OSFI supervises on a group basis
- Approval lies with Board, not regulator



Why is ORSA an important development?

- Institution-specific assessments are becoming more relevant
 - Regulatory capital is calibrated to an “average” insurer
- Enables reconciliation of regulatory view with broad management view
 - Can inspire confidence in management strategies
- Enables optimizing of competing interests



Key considerations for a useful assessment

- Identify and explain the unique business drivers behind economic capital and the differences with regulatory capital
- Recognize benefits of global diversification and determine appropriate link to local entities
 - Local units by definition cannot be as diversified but receive benefits from being part of a global group
- Demonstrate consistent risk management framework across company
- Understand ORSA interpretation by local regulators



Practical points for an ORSA framework

- Expect new perspectives when risk practices, risks, strategies, and capital are explicitly integrated
- Keep concise, and Board-legible
- Streamline and leverage global practices
 - Consistent global approach, practices and format
 - Reflects global input and perspectives at all levels



Thank you

