

Draft date: 05/29/2026

Virtual Meeting

OWN RISK AND SOLVENCY ASSESSMENT (ORSA) IMPLEMENTATION (E) SUBGROUP

Thursday, June 11, 2026

11:00 a.m. – 12:00 p.m. ET / 10:00 a.m. – 11:00 a.m. CT / 9:00 – 10:00 a.m. MT / 8:00 – 9:00 a.m. PT

ROLL CALL

Mike Yanacheak, Co-Chair	Iowa	Victor Agbu	New York
Jack Broccoli/ Bill Arfanis, Co-Chairs	Connecticut	David Cook / Richard Morris	Ohio
Laura Clements / Michelle Lo	California	Diana Sherman	Pennsylvania
Shalice Rivers / Carolina Herrera Wagoner	Florida	Glorimar Santiago / Maria S. Morcelo	Puerto Rico
Cindy Andersen / Susan Berry	Illinois	Amy Garcia	Texas
Sara McNeely / Danielle Smith	Missouri	Amy Malm	Wisconsin
Jennifer Rose	Nebraska		
Ned Cataldo	New Hampshire		

NAIC Support Staff: Sherry Flippo/Eli Russo/ Bruce Jenson

AGENDA

1. Consider Exposure of the Changes to ORSA Guidance Manual — *Mike Yanacheak (IA)*
 - a. Survey Results Attachment A
 - b. Proposed Guidance Manual Revisions Attachment B
2. Consider referral to the Financial Analyst Handbook of revision to the ORSA Review Template – *Jack Broccoli (CT)* Attachments C, D, & E
3. Consider posting ORSA/Group Capital Comparison slides — Jack Broccoli (CT) Attachment F
4. Discuss Any Other Matters Brought Before the Subgroup Group – *Jack Broccoli (CT)*
5. Adjournment

Responses to the NAIC 2025 ORSA Survey – Closed on November 21, 2025

1. Introduction			
#	Response Submitted	Staff Recommendation	Proposed Action/Edits
1.1	No additional feedback on the Introduction section. The section appropriately describes the purpose and applicability of the Manual. However, we note the Manual does not currently include a section on filing deadlines; feedback on that potential enhancement is provided under Question 17 (Any Other Comments).	Have NAIC Legal research state ORSA filing dates. Then add document outlining results to ORSA sub-group site. Discussion about mandatory filing date See 7.2 below.	<i>Develop and post document on ORSA sub-group page detailing filing date by state.</i>
1.2	Guidance needs to consider the Governance Checklist recently published by the American Academy of Actuaries.	The referenced checklist is for model governance of PBR reserves, not for ORSA guidance to insurers.	<i>None</i>
A. Exemption			
1.A.1	A flowchart or other illustration with a decision tree could be helpful in determining the applicability of an exemption	Consider flowchart or rewriting the exemption portion of the GM.	Drafting Group Discussion
1.A.2	It may be helpful to add a summary chart for the premium exemption requirements and timeline for when no longer qualifying for the exemption.	Timeline was added in prior ORSA GM revisions See Page 3 2 nd paragraph.	<i>Already addressed.</i>
B. Application for Waiver			
1.B.1	No Feedback Received		
C. General Guidance			
1.C.1	Pertaining to the following section, what would constitute as a sufficient explanation of the global ERM framework in the U.S. ORSA Summary Report? If the insurer files an ORSA Summary Report encompassing only the U.S. insurance operations, and in it, the insurer states that the U.S. ERM framework is based on the insurers' global ERM framework, then the global ERM framework should be explained either within the U.S. ORSA Summary Report or in an ORSA Summary Report	Consider re-writing general guidance section to clarify requirements if the US is not group-wide supervisor.	Drafting Group Discussion

	encompassing the non-U.S. insurance operations and be provided to the lead state at a time agreed upon by the insurer and the lead state.		
1.C.2	In the ORSA Procedures Manual, we noted there are references to a “summary” or “high-level summary”. Given the number of newer ORSA filers in state, we have seen some filings come in that are a little bit light on the amount of detail and information we are looking for. We have also had some ORSA filers remove significant amounts of information from the report as they thought it should be a high-level summary of their ERM framework. However, we are often asking ORSA filers to include more detail and information in the report. We believe removing the discussion and title of “Summary” and “high-level summary” from the ORSA Procedures Manual may clear up some of this confusion.	Suggest that individual state to discuss detail needed with the insurer in insurer feedback. Suggest explaining that detail may be required. Same as 1.C.3 and 2.1. Discuss in conjunction with 3.5	<i>Proposed edits to GM to say it is a summary, however details to explain risks, controls, and capital may be required Page 2</i>
1.C.3	Current guidance indicates that the ORSA Summary Report should align with ERM information reported to senior management or the Board, though its format and detail may be tailored for regulators. Our concern is that recent ORSA requests seem inconsistent with this principle. We are being asked for granular data breakdowns that are not part of our standard risk management process and upcoming updates suggest even greater detail will be required. These breakdowns are labor-intensive and are not used as part of the company’s overall risk management strategy. Over time, this trend appears to move away from the “Own” meaning of ORSA, reducing flexibility in how companies manage and report risk.	Capital allocated to key risk classifications should be presented in the ORSA in order to understand exposures and align with the key risks presented in section 1.	<i>Proposed edits to GM to clarify expectations around presentation of capital assessment. Pages 11 & 13</i>
1.C.4	What entities in the group need to be included in the report? Does this differ by section? It might be helpful if this information were laid out in a table. • We believe that this sentence in the Section III guidance says that all insurance entities need to be contemplated in Section III: “The group risk capital assessment should be performed as part of the ORSA, regardless of the basis (e.g., group, legal entity, or another subset basis) and in a manner that encompasses the entire insurance group.” • We believe that this sentence on page 2 of the manual says that Sections I and II do not always need to contemplate all insurance entities: “If an insurer does not qualify for an exemption pursuant to paragraph 1 but the insurance group of which it is a member qualifies for an exemption under paragraph 2, then the only ORSA Summary Report that may be required is the report of that insurer. However, such an exemption does not eliminate the requirement for any insurer that is subject to the Risk Management and Own Risk and Solvency Assessment Model Act (#505) to complete Section III – Group Assessment of Risk Capital and Prospective Solvency Assessment.”	To be discussed by the sub-group.	Drafting Group Discussion
1.C.5	As of date of the ORSA filing July 1 to incorporate into the holding company analysis.	Date of filing requires further discussion (also mentioned in 7.2).	Drafting Group Discussion

1.C.6	Some ORSA filers identified their updates and revisions to the prior year's ORSA in a separate "track change" copy, in addition to required short Summary of Material Changes. Analysts found the tracked changes helped to improve their review efficiency.	Consider adding track changes version to GM	<i>Proposed edits to GM to say some insurers provide a tracked changes version to the regulator to identify changes from prior years. Page 8</i>
1.C.7	1. Is the level of detail expected from companies appropriate (scalable expectations for small vs. large insurers)? 2. Guidance on how group-level ORSA reports interact with legal entity-level expectations.	1. See response to 1.C.2 above. 2. Consider guidance in GM	Drafting Group Discussion
1.C.8	More clarification around reporting period and considerations.	See 7.2	
1.C.9	It may be helpful to add more guidance on what could be added to the summary or executive summary of the ORSA Summary Report in addition to just the changes from the prior report. Examples could include: Key Findings (from performing their assessment), Capital Position, Assessment of each section, Overall Assessment. Most companies/groups provide a summary, but not all do good job of providing an overview of what is in the report and their overall assessment.	Consider adding guidance about the Overall report. Additionally, See Referral and example to FAH ORSA Template	<i>Proposed edits to GM to describe overarching issues and gave 2 examples Page 8</i> <i>Proposed referral to FAH</i>
D. Maintenance Process			
1.D.1	"The purpose of this manual is to provide guidance to an insurer with regard to reporting on its Own Risk and Solvency Assessment (ORSA)." I wonder if this wouldn't be a better item to include in an appendix or attachment that explains Group Solvency Issues (E) Working Group mandates and procedures as it's not fully within the purpose of this document	Discuss GM purpose with the Sub-group	Drafting Group Discussion
2. Section 1 - Description of the Insurer's Enterprise Risk Management Framework			
#	Response Submitted	Staff Recommendation	Proposed Action/Edits
2.1	The phrase "high-level summary" could be clarified to specify what regulators expect as a minimum when describing ERM framework principles.	See recommendations for 1.C.2, 1.C.3 & 3.5	<i>Proposed edits to be addressed at 1.C.2, 1.C.3 & 3.5</i>
2.2	It is appropriate to mention a general shareholder dividend philosophy in this section, which is frequently ignored, or it is assumed any assumed dividends are never at risk no matter what the stress results show later in the report. In reality, a company under stress will limit or omit a shareholder dividend, which may have other implications (see comment in item 13). An Issue Brief was published related to companies that can take shareholder dividends in such a way as to ratchet down their capital by, in years when there is a positive Net Gain take the maximum dividend allowed, and when there is a negative gain	Suggest further discussion of dividend philosophy and stresses to include updated guidance in GM. Discuss in conjunction with 3.6	Drafting Group Discussion

	there is no dividend and no memory of the loss the next time there is a gain (this is a flaw in the dividend formula that has been used for a long time). This can cause a company to move itself closer and closer to a poor capital position while, under current ORSA guidance, little or nothing about this is ever disclosed.		
2.3	Please clarify whether risk-specific, detailed mitigations or controls should be included in the ORSA Summary Report, with examples of the level of detail expected.	Suggest edits to clarify expectations around control information in ORSA.	<i>Proposed edits to GM : Section 1 part 5- generally describes control policies related to risks. Pages 8 & 9 Section 2: Provide information on specific controls in place for individual key risks. Page 10</i>
2.4	It would be beneficial to provide additional guidance with respect to the applicability of the ORSA Guidance Manual to (1) the U.S. Branch of an alien insurer or (2) an insurer subsidiary of an international group, neither of which has a designated Lead State or Group Code in the U.S. or exceeds the ORSA premium threshold at the legal entity level, in particular, when the content/substance of the ORSA filing submitted to the foreign jurisdiction is not comparable to the information described in the U.S. ORSA Guidance Manual. The foreign jurisdiction may or may not be a U.S. recognized Reciprocal Jurisdiction.	Suggest additional discussion of expectations in this area.	Drafting Group Discussion
2.5	Provide additional guidance on requirements for companies that operate in multiple jurisdictions - align ORSA with other regulatory solvency assessment report requirements.	Suggest additional discussion and development of examples of operating in multiple jurisdictions.	Drafting Group Discussion
2.6	This is not a clarification but I would like to see a self-assessment from the insurers regarding the maturity and effectiveness of their frameworks. I am often curious to hear about their views on this.	Suggest additional discussion about effectiveness/maturity assessments	Drafting Group Discussion
3. Section 2 - Insurer's Assessment of Risk Exposures			
#	Response Submitted	Staff Recommendation	Proposed Action/Edits
3.1	We would want to see companies model all key risks identified in Section 2 of the ORSA in Section 3. Also, for them to include a "worst case" scenario of several of these risks occurring simultaneously.	Suggest additional discussion about interaction between sections 2 and 3 of the ORSA.	Drafting Group Discussion
3.2	Overall, we support the current focus on qualitative and quantitative risk assessments.	Suggest additional discussion of expectations related to quantitative risk assessments.	Drafting Group Discussion

3.3	We think the paragraph beginning with, "Because the risk profile..." could be improved. First, we believe it makes sense for the company to determine the initial assumptions. Second, we recommend making the language around assumptions consistent with Insurance Core Principle (ICP) 14.6. Below is a paragraph with our suggested edits: Because the risk profile of each insurer is unique, each insurer should utilize assessment techniques (e.g., stress tests, etc.) appropriate for its risk profile. U.S. state insurance regulators do not believe there is a standard set of stress conditions that each insurer should test. If a model-based quantitative assessment is employed, the ORSA Summary Report should provide a general description of the insurer's process for model validation, including factors considered and model calibration. Insurers should use unbiased current assumptions derived from a combination of relevant and credible experience as well as judgment about expected future development.	Suggest additional discussion around replacing sentences on page 8 with this narrative.	Drafting Group Discussion
3.4	Could more guidance be provided on the "assessments of risk exposure in both normal and stressed environments" required in Section II? Examples would be very helpful.	Suggest development of additional guidance to clarify expectations around normal and stressed environments in section 2 with examples. Suggest edits to define normal.	Drafting Group Discussion <i>Proposed edits to GM to say that normal is baseline or budgeted amount for risk Page 9</i>
3.5	As mentioned above, more clarity to specify the level of detail required when using the term "high-level summary". - Define general expectations for what information should be included. - Clarify the intended depth and scope of content. - Provide broad examples to ensure consistency in interpretation.	See recommendations for 1.C.2 and 1.C.3 above. Suggest additional discussions around clarifying the depth and scope of information to be provided.	Drafting Group Discussion
3.6	In section 2 a company should show explicitly whether shareholder dividends are or are not being paid under the various stresses, based on the general shareholder dividend mentioned in item 10.	Suggest additional discussion on adding dividend payment information into stresses. Discuss in conjunction with 1.C.9 (example of dividend as an overarching issue) & 2.2	Drafting Group Discussion
3.7	I see the most variation in Section 2 from our domestics. I think the industry struggles with this one or does not want to put the effort into preparing it. Clearer expectations/definitions or maybe an example may be helpful. For "detailed descriptions" I have seen responses ranging from very short risk statements like "interest rate risk" to risk dashboards to full narratives. I am not sure the industry has a good handle on what we be useful to their regulators. Alternately I am not really sure what a "best practice" level response would look like since see the ORSAs that are filed by our domestics not the entire industry.	Suggest additional discussion of expectations for section 2, including interactions with section 3.	Drafting Group Discussion
3.8	Overall, it would be helpful to include a chart or checklist for each section of what should be included in the ORSA Summary Report. Section 1 of the Guidance manual does a good job of highlighting the minimum areas that should be covered but Sections 2 and 3 could benefit from	Suggest additional discussion on adding minimum expectations or template guidance into GM.	Drafting Group Discussion

	adding a checklist or summary of the “should” items. There are a lot of “should provide” sentences but I think these get lost in the narrative for some companies. For example, in Section 2 “The ORSA Summary Report should provide a general description of the insurer’s process for model validation, including factors considered and model calibration.” Many companies/groups fail to include possibly due to being lost in the narrative.	Propose moving sentence noted in comment regarding model validation to section 3.	
4. Section 3 - Group Assessment of Risk Capital and Prospective Solvency Assessment			
#	Response Submitted	Staff Recommendation	Proposed Action/Edits
4.1	The guidance allows flexibility in how stress testing is conducted, ensuring it meets our company’s risk management needs and the expectations of senior management and the Board. However, over time, the expectations (though not explicitly stated in the guidance) have become increasingly prescriptive from State regulators, requesting detailed data breakdowns and formulas that are time-consuming to extract and due not serve a purpose to the organization beyond ORSA reporting itself. We recommend limiting these highly detailed data requests and modeled result expectations as they may not align with the diverse stress testing approaches used by ERM departments across the industry.	Capital allocated to key risk classifications should be presented in the ORSA in order to understand exposures and align with the key risks presented in section 1. See recommendation for 1.C.3 above.	<i>Proposed edits to GM to clarify expectations around presentation of capital assessment Page 11 & 13</i>
4.2	Overall guidance is sound. Please clarify that assessments of group capital that consider the ability to service existing debt may continue to rely on existing capital frameworks or liquidity analyses without requiring new quantitative ratios.	Suggest additional discussion on this topic.	Drafting Group Discussion
4.3	"A. Group Assessment of Risk Capital- This component of section 3 describes the group capital assessment to provide an overall determination of risk capital needs. Additionally, the liquidity risk, risk appetite and/or limits, contingency funding and current position should be discussed. •Clarification of the link between Section 1 material risks and Section 2 & 3 assessment of material risks. Regulatory expectations that all material risk categories are assessed or explain why they are missing from the assessment. •quantification of risk by material risk categories compared to estimated/actual available capital under different metrics as preferred by the insurer(i.e. RBC, BCAR, Economic Capital Model, etc.) •Add clarification for Liquidity: appetite and/or limits, management, policies and processes, current position, contingency funding and stresses. B. Prospective Solvency Assessment- This component of section 3 links the insurer’s prospective capital assessment process to the business plan which is typically 3-5 years. •Clarification that quantitative assessment is expected, not just simply a general description of prospective solvency . •Prospective quantification of risk by material risk categories compared to estimated/actual available capital under different metrics (i.e. RBC, BCAR, Economic Capital Model, etc.) projected •Available capital/ regulatory capital should be projected.	Suggest additional discussion on this topic.	Drafting Group Discussion

	•Clarification that projections should reflect the changes in the risk profile over the life of the business plan. •Clarification that projections are by dollars amount by material risk categories linked to the material risks in section 1 in addition to RBC ratios, BCAR ratios, or coverage ratios. •Clarification for global insurer's ORSA that have an ECM capital model/ solvency reporting that only has a 12-month time horizon on capital projections (example: Bermuda, Canada and the UK), how does that align with the US position of 3-5 year projections over the life of the business plan. "		
4.4	Are there specific risk scenarios that the regulators would like to see?	Suggest additional discussion on expectations for specific stress tests.	Drafting Group Discussion
4.5	We see RBC and BCAR used a lot. A discussion of why these metrics were used and are appropriate for decision-making or strategic planning may be helpful as these metrics don't always do a great job quantifying or reconciling back to certain non-financial risk exposures and stresses.	Suggest additional discussion on this topic.	Drafting Group Discussion
4.6	"We recommend that NAIC consider whether there is some way to also incorporate into Section 3 of the ORSA Guidance Manual another alternative for the Group Assessment of Capital. The alternative would recognize that some filers may utilize their Group Capital Calculation (GCC) in making or at least aiding in the assessment. There could be synergies between the two since the GCC is an explicit quantitative calculation of group capital whereas ORSA leans more into the qualitative assessment and how risks could adversely impact the group. If a filer incorporates its GCC in its ORSA's group capital assessment in such a manner to strengthen an understanding (or at least a soundness) between qualitative risk assessments and quantitative solvency metrics, that should be recognized as a viable approach by regulators in reviewing the ORSA. Referencing GCC outputs, as it relates to group capital adequacy, could help inform ORSA themes and reinforce risk-informed capital planning by assessing how risks impact group solvency. Findings identified in the GCC might also relate to risk appetite thresholds in the ORSA. We emphasize, however, that the above suggested alternative is just that – an alternative. Insurance groups will certainly vary as to how they perform their ORSAs and group capital assessments. The GCC may provide a quantitative foundation for the assessment, but various internal model approaches, economic capital models may be preferred by groups as well. The above suggestion should not be taken to preclude insurance groups from utilizing such other means that they have chosen as appropriate for their own circumstances."	Suggest additional discussion on this topic. See 4.A.1	Drafting Group Discussion
A. Group Assessment of Risk Capital			
4.A.1	Respondent recommends that NAIC consider whether there is some way to incorporate how filers are approaching the Group Capital Calculation (GCC) within Section 3 of the ORSA (Group Assessment of Risk Capital). There are synergies between both assessments since the GCC is an explicit quantitative assessment of group capital and ORSA leans more into the qualitative and how risks could adversely impact the group. Incorporating filers' approach to the GCC could strengthen an understanding (or at least a soundness) between qualitative risk assessments and quantitative	Suggest discussion on GCC language in Section 3 See 4.6	Drafting Group Discussion

	solvency metrics, especially when prepping future filings. Referencing GCC outputs, as it relates to group capital adequacy, would help inform ORSA themes and reinforce risk-informed capital planning by assessing how risks impact group solvency. Findings identified in the GCC might also relate to risk appetite thresholds in the ORSA. Overall, this could simplify the compliance process and ease of review by regulators.		
4.A.2	Frequently, we see companies use regulatory action triggers, such as individual entity RBC thresholds, to determine capital needs. And although the existing guidance does state that companies should instead consider the capital needed within the holding company system to achieve business objectives, I think additional guidance or examples should be provided in this area for clarity.	Suggest additional discussion on this topic. Capital level would be above CAL due to GM sentence on page 11 end of 2nd paragraph, “Group assessment of risk capital should NOT be perceived as minimum amount of capital before regulatory action.....” Discuss if Group wants to edit this sentence. See 4.A.4 & 4.B.2	Drafting Group Discussion
4.A.3	The addition of ‘ability to service debt’ language is constructive. Please clarify the assessment can be addressed qualitatively using existing liquidity and capital-planning processes, not mandatory ratios. Including an illustrative example would promote consistent interpretation.	Suggest edit to define “debt service” Suggest additional discussion to consider an example.	<i>Proposed edits to GM to define “debt service” Page 17 See 6.1</i> Drafting Group Discussion concerning Illustrative example
4.A.4	What levels of capital adequacy should be shown- 200%, 375%, and 500% RBC or something different?	Suggest additional discussion on this topic. Capital level would be above CAL due to GM sentence on page 11 end of 2nd paragraph, “Group assessment of risk capital should NOT be perceived as minimum amount of capital before regulatory action.....” See 4.A.2 & 4.B.2	Drafting Group Discussion
4.A.5	The current language related to debt held at the holding company level where likely shareholder dividends are required out of the operating entities only references "leverage". The total effect of the holding company debt is much more profound than mere leverage, as the required shareholder dividends are no longer zero if such dividends are required to service the debt. In addition, a wide variety of practice is used to describe holding company debt, frequently including that the debt can be constantly rolled over with no repayment of the principal. The company should assume some repayment of the debt during the time period of an ORSA run, even if some of the debt will be refinanced later. In other words, the ORSA should show a declining balance of debt over time instead of a constant or increasing balance. This is one aspect of holding company risk, where the	Suggest additional discussion on this topic.	Drafting Group Discussion

	operating entities are managed conservatively, yet the holding company, being overextended, can cause issues that should be addressed in an ORSA.		
4.A.6	Recognizing the annual Group Capital Calculation (GCC) is a valuable tool for group capital assessment, it would be helpful for the ORSA filers to disclose whether or not the GCC is being considered, incorporated or integrated into Section 3 of the ORSA. If so, a narrative explaining the process and the outcome would be productive.	Suggest additional discussion on this topic. See 4.A.1	Drafting Group Discussion
4.A.7	Clarification in the NAIC Guidance manual for global insurer's ORSA that have an ECM capital model/ solvency reporting that only has a 12-month time horizon on capital projections (example: Bermuda, Canada and the UK), how does that align with the US position of 3–5-year capital projections over the life of the business plan?	Suggest discussion of expectations around prospective solvency assessment in more detail to address comment.	Drafting Group Discussion
B. Prospective Solvency Assessment			
4.B.1	It has been suggested that, in the future, a breakdown of RBC components by risk category (H0–H4) may be required for each scenario tested. This process would be extremely labor-intensive and provide minimal additional value beyond meeting ORSA reporting requirements. Our current approach already defines the key risk drivers for each scenario and we believe that this, in addition to the overall RBC ratio, offers sufficient insight to manage organizational risk without requiring a detailed breakdown of its individual components.	Suggest discussion concerning Capital Risk components expected by regulators	<i>Proposed edits to GM to clarify expectations around presentation of capital assessment. Pages 11 & 13</i>
4.B.2	At what detail should we show the stress testing impacts? Currently we show it at the surplus, ACL, and RBC levels but there was discussion about wanting to see the ACL at the specific H factor level of detail.	Suggest the H factor components addressed in 1.C.3 & 4.1 RBC Levels address in 4.A.2 & 4.A.4	<i>None addressed above</i>
5. Additional Expectations for International Active Insurance Groups			
#	Response Submitted	Staff Recommendation	Proposed Action/Edits
5.1	"We recommend reorganizing this section as follows: Risk Management Framework (including Strategy and investment policies) ORSA Liquidity Risk Management Recovery Planning Below is a re-write of this section using the subcategories above: Additional ERM Expectations for IAIGs in the ORSA Summary Report This section outlines Enterprise Risk Management (ERM) expectations applicable to Internationally Active Insurance Groups (IAIGs) that should be addressed in the ORSA Summary Report. These expectations align with the IAIS Common Framework for the Supervision of IAIGs (ComFrame) and have been incorporated into this manual as deemed appropriate by state insurance regulators. Risk Management Framework The IAIG Board must approve the risk management strategy. Regular risk management reporting should be provided to the IAIG Board or one of its committees. The framework should be integrated with the	Suggest additional discussion on this topic.	Drafting Group Discussion

	IAIG's organizational structure and legal entities to support decision-making, business operations, and risk culture. In addition, the framework should enable ongoing measurement of risk exposures against established limits to identify potential concerns early. At a minimum, the framework should address: •Diversity and geographical reach of IAIG activities. •Nature and degree of risks in individual entities and business lines. •Aggregation of risks across entities. •Interconnectedness of legal entities. •Sophistication and functionality of information and reporting systems. •Applicable laws and regulations in all jurisdictions where the IAIG operates. The framework should also foster a robust risk culture across all IAIG entities through policies and processes that: -----Comment Trimmed to Conserve Space-----		
5.2	NAIC (Aggregation Method Implementation Working Group -- AMIWG) "Would appreciate clarification on how the adoption of the Group Capital Calculation and implementation of the Aggregation Method impact this section. For example— • The manual states that ComFrame "has been incorporated into this manual to the extent deemed appropriate by state insurance regulators". The ICS is the quantitative part of ComFrame and the IAIS assessed the Aggregation Method as providing a "basis of implementation" of the ICS. •The paper references the ""economic and regulatory capital at the head of the IAIG level". Is this ""regulatory capital"" the same as the Group Capital Calculation?"	Suggest addition of GCC language to the Internationally Active Insurance Groups (IAIG) Section ."	<i>Proposed edits to GM to add GCC in IAIG section Pages 15 & 16.</i>
6. Appendix - Glossary			
#	Response Submitted	Staff Recommendation	Proposed Action/Edits
6.1	The Glossary is clear and helpful. Please add definitions for 'debt-servicing capacity' and 'captives,' consistent with 2025 terminology.	Suggest defining debt servicing capacity and captive insurance company	<i>Proposed edits to GM pages to add definitions Page 17</i>
6.2	Either add to the existing Glossary List or add a small section of ASOPs particularly applicable to ORSA mention of the following: ASOP 55 Capital Adequacy Assessment, ASOP 58 Enterprise Risk Management. ASOP 58 is most useful for Section 1, while ASOP 55 is most useful for Sections 2 and 3.	Suggest discussion on this topic.	Drafting Group Discussion
6.3	Appendices - I imagine the industry would find the best practices or examples section helpful as well though I understand that this could be limiting in a way as they may be expand the scope of their disclosures beyond the "safe harbor" examples.	Suggest addition of Appendix II – Example.	<i>Proposed edits to GM to add Appendix II – Example Pages 19.</i>

7. Any Other Comments			
#	Response Submitted	Staff Recommendation	Proposed Action/Edits
7.1	Discussions with other health insurers reveal a wide variation in ORSA report size and detail, ranging from just a handful of pages to over five hundred. These differences do not always correlate to the size or complexity of the companies' operations or risk management structures. Instead, they often reflect the scope of prior submissions, as once data is included, it is rarely allowed by regulators to be removed, regardless of its ongoing relevancy. This leads to reports growing in size and complexity over time, regardless of actual risk management activities. While we recognize the ORSA's value to both our organization and the industry, the ever-expanding expectations make the report increasingly costly to produce, while its incremental value remains relatively static. Anecdotally, we have been told that organizations that have tried to streamline their ORSA reports have faced resistance from regulators, even when their streamlined reports contain far more detail than the reports of other similar organizations. We would welcome more consistent and streamlined reporting requirements to maximize the value of the report to the organization and regulators.	Suggest discussion on this topic.	Drafting Group Discussion
7.2	While we support the concept of a unified national filing date, we recommend December 1 rather than the speculated July 1 timeline. The compilation of the ORSA filing, scenario modeling, control execution and an enterprise's governance calendar, including Board of Director review of the ORSA results, stress testing outcomes, and attestation, require significant time to execute and ensure appropriate outcomes. A July 1 deadline would precede these established governance checkpoints, limiting the ability of Management and Board of Directors to complete its oversight consistent with expectations. If a unified national filing date is to be promulgated, we encourage the NAIC to align the final language with this timing, or alternatively, continue to allow state lead regulator's discretion to set filing dates aligned with their domestic insurer's established governance cycles. We appreciate NAIC's efforts to modernize the ORSA Manual while maintaining a principles-based framework. We encourage continued transparency and reasonable lead time for future updates.	Suggest consideration of a national filing date before the Holding Company Analysis in Oct. See 1.1 & 1.C.8 Suggest language for domiciliary state that has a specific date. Additionally, convey benefit of receiving ORSA before Holding Company Analysis.	Drafting Group Discussion <i>Proposed edit to GM Page 5</i>
7.3	Add the attestation with the required language and sign off as an appendix. In recent years, companies have not sent in the attestation with the ORSA, and it causes unnecessary questions.	Suggest addition of attestation definition and example.	<i>Proposed edit to GM Appendix I – Glossary Pages 16 & 17: Appendix II – Examples Pages 19</i>



NATIONAL ASSOCIATION OF
INSURANCE COMMISSIONERS

NAIC OWN RISK AND SOLVENCY ASSESSMENT (ORSA) GUIDANCE MANUAL

**Maintained by the
Group Solvency Issues (E) Working Group
of the Financial Condition (E) Committee**

As of December 2025

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Date: August 12, 2025

To: Users of the *NAIC Own Risk and Solvency Assessment (ORSA) Guidance Manual*

From: Group Solvency Issues (E) Working Group

This edition of the ORSA Guidance Manual has been revised from the previous edition. The following summarizes the most significant changes since the December 2022 edition:

1. Added guidance to clarify that the lead state may request and review information on international premium volume to assess the applicability of the insurance group exemption outlined in the *Risk Management and Own Risk and Solvency Assessment Model Act* (#505).
2. Added guidance to clarify that captives should be included in the scope of the ORSA Summary Report.
3. Added guidance to clarify expectations for when insurers/groups should file their first ORSA Summary Report after exceeding the premium thresholds outlined in Model #505.
4. Added guidance to clarify that the ability of the group to service existing debt, not just the level of debt, should also be considered when assessing the group-wide capital adequacy.

TABLE OF CONTENTS

	PAGE
INTRODUCTION	1
A. EXEMPTION	3
B. APPLICATION FOR WAIVER	4
C. GENERAL GUIDANCE	4
D. MAINTENANCE PROCESS	7
SECTION 1—DESCRIPTION OF THE INSURER’S ENTERPRISE RISK MANAGEMENT FRAMEWORK	8
SECTION 2—INSURER’S ASSESSMENT OF RISK EXPOSURES	9
SECTION 3—GROUP ASSESSMENT OF RISK CAPITAL AND PROSPECTIVE SOLVENCY ASSESSMENT	10
A. GROUP ASSESSMENT OF RISK CAPITAL	11
B. PROSPECTIVE SOLVENCY ASSESSMENT	13
ADDITIONAL EXPECTATIONS FOR INTERNATIONALLY ACTIVE INSURANCE GROUPS	14
APPENDIX—GLOSSARY	16

The requirements outlined in this manual are based on the requirements of the *Risk Management and Own Risk and Solvency Assessment Model Act* (#505). An insurer using this manual should refer to the laws adopted by its state of domicile when determining its requirements for risk management, determining its Own Risk and Solvency Assessment (ORSA), and preparing its ORSA Summary Report.

INTRODUCTION

The purpose of this manual is to provide guidance to an insurer and/or an insurance group of which the insurer is a member, hereinafter referred to as “insurer” or “insurers,” with regard to reporting on its Own Risk and Solvency Assessment (ORSA), as required by the domestic state’s version of the *Risk Management and Own Risk and Solvency Assessment Model Act* (#505).

The ORSA, which is a component of an insurer’s enterprise risk management (ERM) framework, is a confidential internal assessment appropriate to the nature, scale, and complexity of an insurer conducted by that insurer of the material and relevant risks identified by the insurer associated with an insurer’s current business plan and the sufficiency of capital resources to support those risks. As described below, an insurer that is subject to the ORSA requirements will be expected to:

1. Regularly (i.e., no less than annually) conduct an ORSA to assess the adequacy of its risk management framework, as well as its current and estimated projected future solvency position.
2. Internally document the process and results of the assessment.
3. Provide a confidential high-level ORSA Summary Report annually to the lead state commissioner if the insurer is a member of an insurance group and, upon request, to the domiciliary state insurance regulator.

The ORSA has two primary goals:

1. To foster an effective level of ERM at all insurers, through which each insurer identifies, assesses, monitors, prioritizes, and reports on its material and relevant risks identified by the insurer using techniques that are appropriate to the nature, scale, and complexity of the insurer’s risks in a manner that is adequate to support risk and capital decisions.
2. To provide a group-level perspective on risk and capital as a supplement to the existing legal entity view.

In support of these objectives, the ORSA is structured around a set of core questions designed to organize and communicate key elements of the insurer’s ERM and capital assessment:

- What are the insurer’s key risks, and what ERM framework governs those risks? (Section 1)
- What is the magnitude of the insurer’s key risks, under both normal (budgeted) and stress conditions? (Section 2)
- What controls are in place to manage those key risks? (Sections 1 and 2)
- How much risk capital is required to support the key risks currently and prospectively over the business planning time horizon, and how does that compare to available capital current and projected? (Section 3)

These questions are intentionally aligned with the objectives of the ORSA and provide a structured framework for addressing complex ERM and capital considerations. By framing the ORSA around these core questions, the insurer can present a coherent and accessible view of its risk profile, risk management practices, and capital adequacy, thereby facilitating understanding by senior management, the board of directors, and regulators.

An insurer that is subject to the ORSA requirement should consider the guidance provided in this manual when conducting its ORSA and compiling its ORSA Summary Report. While designated as an ORSA Summary Report and not expected to fully address all risk management activities, sufficient details to present the insurer's enterprise risk management framework, risk exposures, controls, and capital adequacy are expected. –As the process and results are likely to include proprietary and forward-looking information, any ORSA Summary Report submitted to the commissioner shall be confidential under state law.

A. EXEMPTION

An insurer shall be exempt from maintaining a risk management framework, conducting ORSA, and filing an ORSA Summary Report if:

1. The individual insurer's annual direct written and unaffiliated assumed premium, including international direct and assumed premium but excluding premiums reinsured with the Federal Crop Insurance Corporation (FCIC) and the National Flood Insurance Program (NFIP), is less than \$500 million.
2. If the insurer is a member of an insurance group and the insurance group's (i.e., all insurance legal entities within the group) annual direct written and unaffiliated assumed premium, including international direct and assumed premium but excluding premiums reinsured with the FCIC and the NFIP, is less than \$1 billion.

To determine the applicability of exemption No. 2 above, the U.S. lead state of an insurance group with international operations may request and verify group-wide premium volume on a regular basis, if not otherwise reported through holding company filings (i.e., Form B financial statements).

If the insurer does not qualify for an exemption, upon the commissioner's request, and no more than once each year, an insurer shall submit to the commissioner an ORSA Summary Report that contains the information described in this manual. If the group is an internationally active insurance group (IAIG) with a U.S. global group-wide supervisor, a group ORSA Summary Report should be filed; otherwise, a single or combination of reports may be used by the insurer to represent the group perspective.

For example, the property/casualty (P/C) insurers within a group could be included in one ORSA Summary Report or a combination of reports, and the life insurers within the same group could be included in another ORSA Summary Report or a combination of reports if those groups operate under different ERM frameworks. Notwithstanding any request from the commissioner, if the insurer is a member of an insurance group, the insurer shall submit the ORSA Summary Report(s) required by this manual to the lead state commissioner of the insurance group. The lead state is determined by the procedures within the *Financial Analysis Handbook*.

If an insurer qualifies for exemption No. 1 but the insurance group of which the insurer is a member does not qualify for exemption No. 2, then the insurer may supply an ORSA Summary Report in any combination, as long as every insurer within the group (including captives) is covered by the ORSA Summary Report(s).

If an insurer does not qualify for exemption No. 1 but the insurance group of which it is a member qualifies for exemption No. 2, then the only ORSA Summary Report that may be required is the report of that insurer. However, such an exemption does not eliminate the requirement for any insurer that is subject to the Model #505 to complete Section III—Group Assessment of Risk Capital and Prospective Solvency Assessment.

Notwithstanding the above exemptions, the commissioner may require the insurer to maintain a risk management framework, conduct an ORSA, and file an ORSA Summary Report based on unique circumstances, including, but not limited to, the type of business written, ownership and organizational structure, federal agency requests, international supervisor requests, and regulatory concerns about the rapidly growing concentration of risk or risk exposure.

A commissioner may also require the insurer to maintain a risk management framework, conduct an ORSA, and file an ORSA Summary Report if the insurer has triggered a risk-based capital (RBC) company-action-level event, meets one or more of the standards of an insurer deemed to be in hazardous financial condition, or otherwise exhibits qualities of a troubled insurer, as determined by the commissioner.

If an insurer that qualifies for an exemption subsequently no longer qualifies for that exemption due to changes in premium, as reflected in the insurer's most recent annual financial statement or in the most recent annual financial statements of the insurers within the insurance group of which the insurer is a member, the insurer shall have one year following the year the threshold is exceeded to comply with the ORSA requirements. For example, if Company A exceeded the premium threshold on 12/31/202X, they would prepare an ORSA Summary Report for the year ended 12/31/202X+1, which would be filed no later than 12/31/202X+2 (or at the state's specified filing date in 202X+2).

B. APPLICATION FOR WAIVER

An insurer that does not qualify for an exemption may apply to the commissioner for a waiver from the requirements of the ORSA based upon unique circumstances. The commissioner may consider various factors, including, but not limited to, the type of business entity, volume of business written, and material reduction in risk or risk exposures. If the insurer is part of a nonexempted insurance group, the commissioner shall coordinate with the lead state commissioner and the other domiciliary commissioners in considering the request for a waiver.

C. GENERAL GUIDANCE

The ORSA should be one element of an insurer's ERM framework. The ORSA and the ORSA Summary Report link the insurer's risk identification, assessment, monitoring, prioritization, and reporting processes with capital management and strategic planning. Each insurer's ORSA and ORSA Summary Report will be unique, reflecting the insurer's business, strategic planning, and approach to ERM. The commissioner will utilize the ORSA Summary Report to gain a high-level understanding of the insurer's ORSA. The ORSA Summary Report will be supported by the insurer's internal risk management materials.

To allow the commissioner to achieve a high-level understanding of the insurer's ORSA, the ORSA Summary Report should discuss three major areas, which will be referred to as the following sections:

- **Section 1**—Description of the Insurer's Risk Management Framework
- **Section 2**—Insurer's Assessment of Risk Exposures
- **Section 3**—Group Assessment of Risk Capital and Prospective Solvency Assessment

When developing an ORSA Summary Report, the content should be consistent with the ERM information that is reported to senior management, and/or the board of directors, or the appropriate committee. While some of the format, structure, and content of the ORSA Summary Report may be tailored for the state insurance regulator, the content should be based on the insurer's internal reporting of its ERM information. The ORSA Summary Report itself does not need to be the medium of reporting its ERM to the board of directors or the appropriate committee, and the report

to the board of directors or the appropriate committee may not be at the same level of detail as the ORSA Summary Report.

In order to aid the commissioner's understanding of the information provided in the ORSA Summary Report, it should include certain key information. The ORSA Summary Report should identify the basis(es) of accounting for the report (e.g., generally accepted accounting principles [GAAP], statutory accounting principles [SAPs], or international financial reporting standards) and the date or time period that the numerical information represents. The ORSA Summary Report should also explain the scope of the ORSA conducted, such that the report identifies which insurer(s) are included in the report. This may be accomplished by including an organizational chart. In subsequent years, the ORSA Summary Report should also include a short summary of material changes to the ORSA from the prior year, including supporting rationale, as well as updates to the sections listed above, if applicable.

The commissioner may develop a deeper understanding of the insurer's ERM framework upon examination or an annual risk-focused update. Additionally, as part of the risk-focused analysis and/or examination process, the commissioner may also request and review confidential supporting materials to supplement their understanding of the information contained in the ORSA Summary Report. These materials may include risk management policies or programs, such as the insurer's underwriting, investment, claims, asset and liability management (ALM), reinsurance counterparty, and operational risk policies.

This manual is intended to provide guidance for completing each section of the ORSA Summary Report. The depth and detail of information are likely to be influenced by the nature and complexity of the insurer and should be updated at least annually for the insurer. The insurer is permitted discretion to determine how best to communicate its ERM processes. An insurer may avoid duplicative information and supporting documents by referencing other documents, provided that those documents are available to the state insurance regulator upon examination or request. In order to ensure that the commissioner is receiving the most current information from an insurer, the timing for filing the ORSA Summary Report during the calendar year may vary from insurer to insurer, depending on when an insurer conducts its internal strategic planning process, unless the domiciliary state has adopted a specific filing date. In general, regulatory oversight is enhanced when the ORSA Summary Report is received early enough in the calendar year to allow the report to be reviewed in conjunction with Holding Company Analysis. In all cases, the ORSA Summary Report shall be filed annually, with the insurer informing the commissioner of the anticipated filing timeframe. ~~In any event, the ORSA Summary Report shall be filed once each year, with the insurer apprising the commissioner as to the anticipated time of filing.~~

The ORSA Summary Report shall include a signature of the insurer's chief risk officer or other executive having responsibility for the oversight of the insurer's ERM process attesting to the best of their belief and knowledge that the insurer applies the ERM process described in the ORSA Summary Report and that a copy of the ORSA Summary Report has been provided to the insurer's board of directors or the appropriate committee.

An insurer may comply with the ORSA requirement by providing the most recent report(s)¹ filed by the insurer or another member of an insurance group of which the insurer is a member to the commissioner of another state or a supervisor or regulator of a foreign jurisdiction if that report

¹ Reports filed to foreign jurisdictions that are a report on an insurer's ORSA shall henceforth for the purposes of this manual be referred to as an ORSA Summary Report.

provides information that is comparable to the information described in this manual. If a U.S. state insurance commissioner is the global group-wide supervisor of an IAIG, the U.S. state insurance commissioner should receive the ORSA Summary Report covering all material group-wide insurance operations. In addition, the insurer should work with a U.S. global group-wide supervisor to identify the scope of the group, whether the group is an IAIG or not, identify the head of the IAIG using the guidance contained in the *Financial Analysis Handbook*, and determine which noninsurance operations, if any, within the group should be included within the scope of the group and, therefore, the ORSA Summary Report. However, for all ORSA filers, the noninsurance operations that present material and relevant risks to the insurer should be included in the scope of the ORSA Summary Report.

If the U.S. is not the global group-wide supervisor, the insurer may file ORSA Summary Reports encompassing, at a minimum, the U.S. insurance operations, as long as the lead state receives ORSA Summary Reports encompassing the non-U.S. insurance operations from the global group-wide supervisor. If an ORSA Summary Report encompassing the non-U.S. insurance operations is not provided by the global group-wide supervisor, it should be provided by the insurer. If the insurer files an ORSA Summary Report encompassing only the U.S. insurance operations, and in it, the insurer states that the U.S. ERM framework is based on the insurers' global ERM framework, then the global ERM framework should be explained either within the U.S. ORSA Summary Report or in an ORSA Summary Report encompassing the non-U.S. insurance operations and be provided to the lead state at a time agreed upon by the insurer and the lead state.

If the report is in a language other than English, it must be accompanied by a translation into the English language. The commissioner should discuss with the global group-wide supervisor from the relevant foreign jurisdiction(s) the report received to inquire about any concerns and either confirm that the report was compliant with the foreign jurisdiction's requirements or consistent with the applicable principles outlined in the International Association of Insurance Supervisors (IAIS) Insurance Core Principle (ICP) 16 (Enterprise Risk Management) to the extent included in this manual, as well as this manual to determine if additional information is needed. The commissioner will, where possible, avoid creating duplicative regulatory requirements for internationally active insurers.

In analyzing an ORSA Summary Report, the commissioner will expect that the report represents a work product of the ERM framework that includes all of the material risks identified by the insurer to which an insurer(s), if applicable, is exposed.

The ORSA Summary Report may assist the commissioner in determining the scope, depth, and minimum timing of risk-focused analysis and examination procedures. For example, insurers may have varying ERM frameworks, ranging from a business plan to a combination of investment plans and underwriting policies to more complex risk management processes and sophisticated modeling. Insurers with ERM frameworks appropriate to their risk profile may not require the same scope or depth of review upon examination and analysis as those with less comprehensive ERM frameworks. Therefore, the insurer should consider whether the ORSA Summary Report demonstrates the strengths of its framework, including how it meets the guidelines within this manual for the relative risk of the insurer.

In addition to the ORSA Summary Report, the insurer should internally document the ORSA results to facilitate a more in-depth review by the commissioner through analysis and examination processes. Such a review may depend on several factors, such as the nature, complexity, financial position, and/or prioritization of the insurer, as well as external considerations such as the

economic environment. These factors may result in the commissioner requesting additional information about the insurer's ERM framework through the financial analysis or examination processes. The information requested may include, but is not limited to, risk management policies and programs, such as the insurer's underwriting, investment, claims, duration, or ALM, as well as reinsurance counterparty or operational risk policies.

D. MAINTENANCE PROCESS

The following establishes procedures of the Group Solvency Issues (E) Working Group or its designated subgroup for proposed changes, amendments, and/or modifications to the manual:

1. The Working Group may consider relevant proposals to change the manual at any conference call, interim, or national meeting throughout the year as scheduled by the Working Group.
2. If a proposal for suggested changes, amendments, and/or modifications is submitted to or filed with NAIC staff support, it may be considered at the next regularly scheduled meeting of the Working Group.
3. The Working Group publishes a formal submission form and instructions that can be used to submit proposals, which are available on the Working Group's web page. However, proposals may also be submitted in an alternate format provided that they are stated in a concise and complete format. In addition, if another NAIC committee, task force, or working group is known to have considered this proposal, that committee, task force, or working group should provide any relevant information.
4. Any proposal to change the manual will take effect on Jan. 1 following the NAIC Summer National Meeting in which it was adopted by the Working Group and the Fall National Meeting in which it was adopted by the NAIC. For example, a change proposed to be effective on Jan. 1, 2018, must be adopted by the Working Group no later than the 2017 Summer National Meeting.
5. Upon receipt of a proposal, the Working Group will review the proposal at the next scheduled meeting and determine whether to consider the proposal for adoption. If the proposal is to be considered by the Working Group, it will be exposed for public comment. The public comment period shall be no less than 30 days and may be extended by the Working Group. The Working Group will consider comments received on each proposal at its next meeting and take action to revise, adopt, reject, refer, or continue the consideration of the proposal and comments thereto. Proposals under consideration may be deferred by the Working Group until the following scheduled meeting. The Working Group may form an ad hoc group to study the proposal, if needed. The Working Group may also refer proposals to other NAIC committees for technical expertise or review. If a proposal has been referred to another NAIC committee, the proposal will temporarily be removed from the Working Group's agenda until a response has been received. At that time, it will be added back to the Working Group's agenda.
6. NAIC support staff will prepare an agenda that includes all proposed changes. The agenda and relevant materials shall be emailed to each member of the Working Group, interested state insurance regulators, and interested parties and posted to the Working Group's web page approximately five to 10 business days prior to the next regularly scheduled meeting during which the proposal would be considered.
7. In rare instances, or where emergency action may be required, suggested changes and amendments can be considered as an exception to the above-stated process and timeline based on a two-thirds majority consent of the Working Group members present.

Notwithstanding the foregoing, a proposal may not be adopted without an exposure for public comment.

8. NAIC staff support will publish the manual on or about Dec. 15 of each year. NAIC staff will post the current versions to the Working Group and NAIC Publications web pages and any subsequent corrections to these publications.

SECTION 1—DESCRIPTION OF THE INSURER’S ENTERPRISE RISK MANAGEMENT (ERM) FRAMEWORK

It may be useful to cover general background information before providing a description of the insurer ERM framework. Some potential background items include: the attestation, a discussion of the entities in scope, a discussion of the accounting basis used in the report, an overview of the insurer’s key goals and strategic initiatives, and a discussion of changes from prior filings (some insurers issue a track changes version for the regulator to identify changes from prior years particularly to the ERM in Section 1)

Additionally, if there are overarching issues that affect the entire ORSA filing, the insurer is encouraged to discuss those up front, before proceeding with a description of the ERM framework. One example of an overarching issue might include the fact that the insurer is a Solvency II framework filer and that much of the information presented in the ORSA (i.e., risk presentation, stress testing performed, model used for quantification) is based on Solvency II standards and capital structure. Another example could be an insurance group’s structure and expectations to pay dividends. In this case, dividend-paying capacity could represent a key risk, with stress testing used to evaluate scenarios that could constrain or prohibit dividend payments and corresponding capital projections prepared under varying dividend assumptions. The final example would be an insurer that is in a RBC recovery plan with the department of insurance and the monthly reporting which is the only quantitative part of the ORSA and the mention of the RBC level is a company action level at year end is in the final appendix.

Presenting this background information upfront—particularly any overarching issues that influence risk categorization, stress testing, or capital assessment across the ORSA—helps frame the filing, enhances transparency, and enables regulators to more efficiently understand and evaluate the insurer’s ERM framework and capital analysis.

An effective ERM framework should, at a minimum, incorporate the following key principles:

- **Risk Culture and Governance**—A governance structure that clearly defines and articulates roles, responsibilities, and accountabilities; a risk culture that supports accountability in risk-based decision making.
- **Risk Identification and Prioritization**—A risk identification and prioritization process that is key to the organization; responsibility for this activity is clear; the risk management function is responsible for ensuring that the process is appropriate and functioning properly at all organizational levels; key risks of the insurer are identified, prioritized, and clearly presented.
- **Risk Appetite, Tolerances, and Limits**—A formal risk appetite statement and associated risk tolerances and limits are foundational elements of risk management for an insurer; an

understanding of the risk appetite statement ensures alignment with risk strategy by the board of directors.

- **Risk Management and Controls**—Managing risk is an ongoing ERM activity, operating at many levels within the organization. The insurer’s overall control framework/policies should be discussed in this section (e.g., lines of accountability, general control processes), with information on any individual controls associated with specific key risks discussed in Section 2.
- **Risk Reporting and Communication**—Provides key constituents with transparency into the risk management processes and facilitates active, informal decisions on risk-taking and management.

Section 1 of the ORSA Summary Report should ~~describe~~ ~~provide a high-level summary of the aforementioned~~ the aforementioned ERM framework principles, if present. The ORSA Summary Report should describe the main goals and objectives of the insurer’s business strategy (i.e., for all insurance and noninsurance operations in scope) and how the insurer identifies and categorizes relevant and material risks and manages those risks as it executes its business strategy. The ORSA Summary Report should also describe risk monitoring processes and methods, provide risk appetite statements, and explain the relationship between risk tolerances and the amount and quality of risk capital. The ORSA Summary Report should identify assessment tools (e.g., feedback loops) used to monitor and respond to any changes in the insurer’s risk profile due to economic changes, operational changes, or changes in business strategy. Finally, the ORSA Summary Report should describe how the insurer incorporates new risk information in order to monitor and respond to changes in its risk profile due to economic and/or operational changes and changes in strategy.

The manner and depth in which the insurer addresses these principles depend on its own risk management processes. Any strengths or weaknesses noted by the commissioner in evaluating this section of the ORSA Summary Report will have relevance to the commissioner’s ongoing supervision of the insurer, and the commissioner will consider the entirety of the risk management program and its appropriateness for the risks of the insurer.

SECTION 2—INSURER’S ASSESSMENT OF RISK EXPOSURES

Section 2 of the ORSA Summary Report should provide a ~~high-level summary of the~~ quantitative and/or qualitative assessments of the key/material risk exposures in both normal is considered to be a baseline or budgeted amount for a risk and stressed environments for each material risk category in Section 1. This assessment process should consider a range of outcomes using risk assessment techniques that are appropriate to the nature, scale, and complexity of the risks. Examples of relevant material risk categories may include, but are not limited to, credit, market, liquidity, underwriting, and operational risks.

Section 2 may include detailed descriptions and explanations of the material and relevant risks identified by the insurer, the assessment methods used, key assumptions made, risk-mitigation activities, and outcomes of any plausible adverse scenarios assessed. The assessment of each risk will depend on its specific characteristics. For some risks, quantitative methods may not be well established, and in these cases, a qualitative assessment may be appropriate. Examples of these risks may include certain operational and reputational risks. In addition, each insurer’s quantitative methods for assessing risk may vary; however, insurers generally consider the likelihood and impact that each material and relevant risk identified by the insurer will have on the firm’s balance

sheet, income statement, and future cash flows. Methods for determining the impact on a future financial position may include simple stress tests or more complex stochastic analyses. When evaluating a risk, the insurer should analyze the results under both normal and stressed environments. Lastly, the insurer's risk assessment should consider the impact of stresses on capital, which may include the consideration of risk capital requirements; available capital; and regulatory, economic, rating agency, and/or other views of capital requirements.

The analysis should be conducted in a manner that is consistent with the way in which the business is managed, whether on a group, legal entity, or another basis. Stress tests for certain risks may be performed at the group level. Where relevant to the management of the business, some group-level stresses may be mapped into legal entities. The commissioner may request additional information to map the results to an individual insurance legal entity.

Any risk tolerance statements should include material quantitative and qualitative risk tolerance limits and how the tolerance statements and limits are determined, taking into account relevant and material categories of risk and the risk relationships that are identified. In addition to risk limits, the insurer should discuss other relevant controls in place to limit exposure to, or the impact from material risks discussed in this section. For example, the maintenance of cyber insurance coverage to reduce the impact of a cyber event, or reinsurance coverage in place to limit the impact of a catastrophic event.

Because the risk profile of each insurer is unique, each insurer should utilize assessment techniques (e.g., stress tests, etc.) applicable to its risk profile. U.S. state insurance regulators do not believe there is a standard set of stress conditions that each insurer should test. The commissioner may provide input regarding the level of stress that the insurer's management should consider for each risk category. The ORSA Summary Report should provide a general description of the insurer's process for model validation, including factors considered and model calibration. Unless a particular assumption is stochastically modeled, the group's management should set assumptions regarding the expected values based on its current anticipated experience, what it expects to occur during the next year or multiple future years, and consideration of expert judgment. The commissioner may provide input to an insurer's management on the assumptions and scenarios to be used in its assessment techniques. For assumptions that are stochastically modeled, the commissioner may provide input on the level of the measurement metric to use in the stressed condition or specify particular parameters used in the economic scenario generator (ESG). Commissioner input will likely occur during the financial analysis process and/or the financial examination process.

By identifying each material risk category independently and reporting results in both normal and stressed conditions, insurer management and the commissioner are better placed to evaluate certain risk combinations that could cause an insurer to fail. One of the most difficult exercises in modeling insurer results is determining the relationships, if any, between risk categories. History may provide some empirical evidence of relationships, but the future is not always best estimated by historical data.

SECTION 3—GROUP ASSESSMENT OF RISK CAPITAL AND PROSPECTIVE SOLVENCY ASSESSMENT

Section 3 of the ORSA Summary Report should describe how the insurer combines the qualitative elements of its risk management policy with the quantitative measures of risk exposure in determining the level of financial resources needed to manage its current business and over a longer-term business cycle (e.g., the next one to three years). The group risk capital assessment should be performed as part of the ORSA, regardless of the basis (e.g., group, legal entity, or another subset basis) and in a manner that encompasses the entire insurance group. The information provided in Section 3 is intended to assist the commissioner in assessing the quality of the insurer's risk and capital management.

A. GROUP ASSESSMENT OF RISK CAPITAL

Within the group assessment of risk capital, aggregate available capital is compared against the various risks that may adversely affect the enterprise. The insurer should consider how the group capital assessment is integrated into the insurer's management and decision-making culture, how the insurer evaluates its available capital, and how risk capital is integrated into its capital-management activities.

The insurer should have sound processes for assessing capital adequacy in relation to its risk profile, and those processes should be integrated into the insurer's management and decision-making culture. These processes may assess risk capital through myriad metrics and future forecasting periods, reflecting varying time horizons, valuation approaches, and capital-management strategies (e.g., the mix of capital). While a single internal risk capital measure may play a primary role in internal capital adequacy assessment, insurers may evaluate how risk and capital interrelate over various time horizons or through the lens of alternative risk capital or accounting frameworks, i.e., economic, rating agency, and/or regulatory frameworks. Regardless of the approach taken to quantify risk capital, the insurer should present a summary of the capital allocated to each material risk classification or category. This section is intended to assist the commissioner in understanding the insurer's capital adequacy in relation to its aggregate risk profiles.

The group capital assessment should include a comparative view of risk capital from the prior year, including an explanation of the changes, if not already explained in another section of the ORSA Summary Report. This information may also be requested by the commissioner throughout the year, if needed (e.g., if material changes in the macroeconomic environment and/or microeconomic facts and circumstances suggest that the information is needed for the ongoing supervisory plan).

The analysis of an insurer's group assessment of risk capital requirements and associated capital adequacy description should be accompanied by a description of the approach used in conducting the analysis. This should include key methodologies, assumptions, and considerations used in quantifying available capital and risk capital. Examples might include:

Considerations	Description of Methodologies and Assumptions	Examples (not exhaustive)
Definition of Solvency	Describe how the insurer defines solvency for the purpose of determining risk capital and liquidity requirements.	Cash flow basis; balance sheet basis
Accounting or Valuation Regime	Describe the accounting or valuation basis for the measurement of risk	GAAP; statutory; economic or market

Considerations	Description of Methodologies and Assumptions	Examples (not exhaustive)
	capital requirements and/or available capital.	consistent; International Financial Reporting Standards (IFRS); rating agency model
Business Included	Describe the subset of business included in the analysis of capital.	Positions as of a given valuation date; new business assumptions
Time Horizon	Describe the time horizon over which risks were modeled and measured.	One-year, multi-year; lifetime; run-off. <u>Note: The time horizon used in ORSA projections is generally expected to align with insurer's business planning horizon and strategic objectives.</u>
Risks Modeled	Describe the risks included in the measurement of risk capital, including whether all relevant and material risks identified by the insurer have been considered.	Credit; market; liquidity; insurance; operational
Quantification Method	Describe the method used to quantify the risk exposure.	Deterministic stress tests; stochastic modeling; factor-based analysis
Risk Capital Metric	Describe the measurement metric utilized in the determination of aggregate risk capital.	Value at risk (VaR), which quantifies the capital needed to withstand a loss at a certain probability; tail value at risk (TVaR), which quantifies the capital needed to withstand average losses above a certain probability; probability of ruin, which quantifies the probability of ruin given the capital held
Defined Security Standard	Describe the defined security standard utilized in the determination of risk capital requirements, including linkage to business strategy and objectives.	AA solvency; 99.X% one-year VaR; Y% TVaR or conditional tail expectation (CTE); X% of RBC
Aggregation and Diversification	Describe the method of aggregation of risks and any diversification benefits	Correlation matrix; dependency structure;

Considerations	Description of Methodologies and Assumptions	Examples (not exhaustive)
	considered or calculated in the group risk capital determination.	sum; full/partial/no diversification

The approach and assessment of group-wide capital adequacy should also consider the following:

- Elimination of intra-group transactions and double gearing, where the same capital is used simultaneously as a buffer against risk in two or more entities.
- The level of leverage, if any, resulting from holding company debt and the ability of the group to service the existing debt.
- Diversification credits and restrictions on the fungibility of capital within the holding company system, including the availability and transferability of surplus resources created by holding company system-level diversification benefits.
- The effects of contagion risk, concentration risk, and complexity risk in the group assessment of risk capital.

The goal of the group capital assessment is to provide an overall determination of risk capital needs for the insurer based on the nature, scale, and complexity of risk within the group and its risk appetite; and compare that risk capital to available capital to assess capital adequacy. Group assessment of risk capital should not be perceived as the minimum amount of capital before regulatory action will result (e.g., the triggers in the *Risk-Based Capital (RBC) Model Act* [#312]); rather, it should be recognized that this is the capital needed within a holding company system to achieve its business objectives. As the goal of the group capital assessment is to determine risk capital needs, the insurer should present its group capital assessment by summarizing the capital allocated to each material risk classification or category-. This should serve to align the group capital assessment in Section 3 with the Key Risks identified in Sections 1 & 2 of the ORSA.

The insurer should also monitor the effect of liquidity risk, including calls on the insurer's cash position due to microeconomic factors (i.e., internal operational) and/or macroeconomic factors, i.e., economic shifts. The insurer should assess its resilience against severe but plausible liquidity stresses and whether the current liquidity position is within any liquidity risk appetite and/or limits. In the ORSA, the insurer should describe the policies and processes in place to manage liquidity risk, as well as contingency funding or other plans to mitigate potential liquidity stresses.

B. PROSPECTIVE SOLVENCY ASSESSMENT

The insurer's capital assessment process should be closely tied to business planning. To this end, the insurer should have a robust capital forecasting capability that supports its management of risk over the planning time horizon in line with its stated risk appetite. The forecasting process should consider material and relevant changes identified by the insurer to the insurer's internal operations and the external business environment. It should also consider the prospect of operating in both normal and stressed environments.

The insurer's prospective solvency assessment should demonstrate that it has the financial resources necessary to execute its multi-year business plan in accordance with its stated risk appetite. If the insurer does not have the necessary available capital in terms of quantity and/or quality to meet its current and projected risk capital requirements, then it should describe the

management actions it has taken or will take to remedy any capital adequacy concerns. These management actions may include or describe any modifications to the business plan or identification of additional capital resources.

The prospective solvency assessment is, in effect, a feedback loop. The insurer should project its future financial position, including its projected economic and regulatory capital, to assess its ability to meet the regulatory capital requirements. Factors to be considered are the insurer's current risk profile, its risk management policy, and its quality and level of capital, including any changes to its current risk profile caused by executing the multi-year business plan. The prospective solvency assessment should also consider both normal and stressed environments.

While the prospective solvency assessment includes capital projections, the prospective solvency assessment should also include a discussion of prospective risks impacting the capital projections. This discussion should address whether risk exposures are expected to increase or decrease in the future and what steps the insurer plans to take that may change its risk exposures. The term "prospective" should pertain to both existing risks likely to intensify and emerging risks with the potential to impact the insurer in the future. The prospective solvency assessment should also present a summary of the capital allocated to each material risk classification or category (i.e. RBC components, Economic Capital risks, BCAR risks, Solvency II components, etc.) projected out across the current business plan of the insurer. This breakdown by risk classification allows the insurer to demonstrate how those risks are expected to change over the life of the business plan. Additionally, the presentation of prospective solvency assessment by key risk classification facilitates alignment with the Key Risks identified in Sections 1 & 2 of the ORSA.

If the prospective solvency assessment is performed for each individual insurer, the assessment should take into account any risks associated with group membership. Such an assessment may involve a review of any group solvency assessment and the methodology used to allocate group capital across insurance legal entities, as well as consideration of capital fungibility, i.e., any constraints on risk capital or the movement of risk capital to legal entities.

ADDITIONAL EXPECTATIONS FOR INTERNATIONALLY ACTIVE INSURANCE GROUPS

This section identifies additional ERM expectations that are applicable to IAIGs and should be discussed in the ORSA Summary Report. These expectations are generally consistent with elements outlined in the IAIS Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame), and they have been incorporated into this manual to the extent deemed appropriate by state insurance regulators.

As stated earlier in this document, an aggregated ORSA Summary Report should be filed at the head of the IAIG level. The head of the IAIG should ensure that the risk management strategy and framework described in the ORSA, whether located at the head of the IAIG or within another legal entity of the IAIG, encompass both the head of the IAIG and the legal entities within the IAIG to promote a sound risk culture across the group.

The risk management strategy should be approved by the IAIG Board, with regular risk management reporting provided to the IAIG Board or one of its committees.

The risk management framework should be integrated with the organizational structure of the IAIG and within its legal entities, as appropriate, to ensure that the decision-making processes, business operations, and risk culture of the IAIG are implemented. In addition, the framework should allow for the measurement of risk exposures of the IAIG against established risk limits on an ongoing basis in order to identify potential concerns as early as possible. This framework should cover, at a minimum:

- The diversity and the geographical reach of IAIG activities.
- The nature and degree of risks in individual legal entities and business lines.
- The aggregation of risks across entities within the IAIG.
- The interconnectedness of legal entities within the IAIG.
- The level of sophistication and functionality of information and reporting systems in addressing key risks.
- The applicable laws and regulations of the jurisdictions where the IAIG operates.

The risk management framework should promote a sound risk culture across all legal entities of the IAIG by having policies and processes that include risk management training, address independence, create appropriate incentives for staff involved in risk management, and encourage timely evaluation and open communication of emerging risks that may be significant to the IAIG and its legal entities.

The risk management framework of the IAIG should be reviewed at least annually to ensure that existing and emerging risks, as well as changes in structure and business strategy, are taken into account. Necessary modifications and improvements to the risk management framework should be made in a timely manner.

The IAIG's ORSA should explain how the risk management function, actuarial function, and internal audit function are involved in the risk management of the IAIG. The ORSA should explain the main activities of each of these functions. Furthermore, the ORSA should describe how the risk management function remains independent from risk-taking activities. The ORSA should describe how the actuarial function is involved in the risk assessment and management of the risks emanating from the legal entities in determining the IAIG's solvency position, in any actuarial-related modeling in the ORSA, and in the annual reporting to the IAIG Board of Directors on the risks posed to the IAIG. Finally, the ORSA should describe how the audit function provides an independent assessment and assurance to the IAIG Board of Directors of the operational effectiveness of the internal controls incorporated into the risk management framework.

The risk management strategy and framework of an IAIG should generally be consistent, and any material differences should be described in the ORSA strategic risk. The investment policies should ensure that assets are properly diversified and asset concentration risk is mitigated across the IAIG:

- Mechanisms to keep track of intra-group transactions that have a significant impact on the IAIG, the risks arising from these transactions, and the qualitative and quantitative restrictions on these risks. These intra-group transactions may include loans, guarantees, dividend payments, reinsurance, transactions across different financial services entities within the IAIG, and any activity undertaken by individual legal entities that may change the risk profile of the IAIG.
- An economic capital model to measure all relevant and material risks that the IAIG faces in different sectors, jurisdictions, and economic environments. The model should estimate

the amount of capital needed in reasonably foreseeable adverse situations. The results of the model, how the risks were aggregated in the model, how the diversification benefit was estimated, and the underlying assumptions used in the model should be presented in the ORSA. The ORSA should show both the economic capital with capital breakdown by risk and the regulatory capital at the head of the IAIG level. Use of the Group Capital Calculation (GCC) is an appropriate choice for reporting the regulatory capital at the head of the IAIG level for US groups that use the GCC. A discussion of the fungibility of capital and the transferability of assets within the group should also be included.

- Risk measurements that include stress and reverse stress testing and scenario analysis deemed relevant to the risk profile of the IAIG.
- Risk measurements of the resilience of its total balance sheet against plausible macroeconomic stresses.
- Risk measurements that assess the aggregate investment counterparty exposures and the effect of severe but plausible stress events on those exposures. In addition, the IAIG should have an investment counterparty risk appetite statement to determine if the current exposures are within the risk appetite, and this should be presented in the ORSA.

The risk management framework should include a series of mechanisms to manage the IAIG's liquidity risk and demonstrate the IAIG's resilience against severe but plausible liquidity stresses. These mechanisms include:

- A liquidity risk appetite statement and liquidity risk limits to determine if the current liquidity position of the IAIG is within the risk appetite and the limits.
- Strategies, policies, and processes to manage liquidity risk.
- Liquidity stress testing.
- An adequate level of unencumbered highly liquid assets.
- Contingency funding to mitigate potential liquidity stresses.

The IAIG may be asked by the group-wide supervisor to develop a recovery plan, if warranted. A recovery plan identifies in advance options to restore the financial position and viability of the group if it comes under severe stress. The full recovery plan is not expected to be included in the ORSA Summary Report; however, the ORSA Summary Report should discuss at a high level the severe stresses that could trigger a recovery plan, and it should summarize the recovery options available.

The risk management framework should be reviewed by the insurer at least once every three years in order to ascertain that it remains fit for purpose based on the risk profile, structure, and business strategy of the IAIG. The review may be carried out by an internal or external body as long as it is neither responsible nor involved in the risk management framework that it reviews.

APPENDIX I—GLOSSARY

Term	Definition
<u>Attestation</u>	<u>A signed statement included in the ORSA Summary Report by the insurer's chief risk officer or other responsible executive, attesting, to the best of their knowledge and belief, that the enterprise risk management (ERM) process described in the report has been applied and that the report has been provided to the insurer's board of directors or the appropriate committee.</u>

Term	Definition
	<u>See Appendix II - Examples.</u>
Available Capital	The amount of resources that an enterprise has at a given point in time under a defined valuation or accounting basis (e.g., economic, statutory, generally accepted accounting principles [GAAP], or a combination) to support its business and under the defined valuation represents the insurer's assessment of the types of capital required to support its business.
<u>Captive Insurance Company</u>	<u>An insurance company that is owned and controlled by its insureds, typically formed to insure the risks of its parent company or affiliated entities, and licensed and regulated under specific captive insurance legislation.</u>
Conditional Tail Expectation (CTE) (also known as Tail Value at Risk [TVaR])	A measure of the amount of risk that exists in the tail of a distribution of outcomes, expressed as the probability-weighted average of the outcomes beyond a chosen point in the distribution. Typically expressed as CTE (1-x), which would be calculated as the probability-weighted average of the worst x% of outcomes. For example, CTE 95 is calculated as the probability-weighted average of the worst 5% of outcomes, CTE 97 is the probability-weighted average of the worst 3% of outcomes, etc. CTE can be used as a way of defining a particular <i>security standard</i> .
Correlation Matrix	A symmetric matrix specifying pairwise interactions between a set of variables or data. A correlation matrix is commonly applied to risks or capital amounts and is an important determinant of calculated <i>risk capital</i> , including levels of <i>diversification</i> .
Deficit Capital	If the amount of <i>available capital</i> is less than the determined <i>risk capital</i> of an enterprise, then the enterprise is said to have <i>deficit capital</i> .
Defined Security Standard	The minimum threshold of <i>available capital</i> that a company wishes to achieve or maintain, consistent with the company's business strategy, <i>risk appetite</i> , and <i>risk tolerance</i> .
Dependency Structure	Specification of the relationship between different variables. Commonly specified in a <i>correlation matrix</i> .
<u>Debt Servicing Capacity</u>	<u>A metric or indicator of an organization's ability to meet its debt obligations by comparing current and projected cash flows against scheduled debt payments.</u>
Diversification	The extent to which the combined impact of risks inherent to assets and liabilities is less than the sum of the impacts of each risk considered in isolation.
Double Gearing	Used to describe situations where multiple companies, typically parent and subsidiary, are using shared capital to buffer against risk occurring in separate entities.
Economic Capital	The amount of capital that an insurer is required to absorb in unexpected losses based on its risk profile and risk appetite.
Excess Capital	If the amount of <i>available capital</i> is greater than the determined <i>risk capital</i> of an enterprise, the enterprise is said to have <i>excess capital</i> .

Term	Definition
Fungibility	Within a group context, the ability to redeploy <i>available capital</i> from one entity to another. Fungibility is reduced where the movement of <i>available capital</i> within the group is constrained or regulation prohibits it.
Group Capital	Group capital represents the aggregate <i>available capital</i> or <i>risk capital</i> for the entire group. <u>Insurers should utilize an appropriate metric to assess group capital, which could include: economic capital models, foreign jurisdiction risk capital requirements, or other capital metrics. The group risk capital metric selected should summarize the capital allocated to each material risk classification or category the group is exposed to.</u> It will be impacted by the interaction of the risks and capital of the individual entities within the group, with properties such as <i>diversification</i> , <i>fungibility</i> , and the quality and form of capital being important drivers.
Internationally Active Insurance Group (IAIG)	An insurance holding company system meeting the following criteria: 1. Premiums written in at least three countries. 2. The percentage of gross premiums written outside the home country is at least 10% of the insurance holding company system's total gross written premiums. 3. Based on a three-year rolling average, the total assets of the insurance holding company system are at least \$50 billion, or the total gross written premiums of the insurance holding company system are at least \$10 billion.
Probability of Ruin	The likelihood of liabilities exceeding assets for a given time horizon.
Reverse Stress Test	An analysis of those scenarios that would render the insurer insolvent.
Risk Appetite	Documents the overall principles that a company follows with respect to risk-taking, given its business strategy, financial soundness objectives, and capital resources. Often stated in qualitative terms, a risk appetite defines how an organization weighs strategic decisions and communicates its strategy to key stakeholders with respect to risk-taking. It is designed to enhance management's ability to make informed and effective business decisions while keeping risk exposures within acceptable boundaries.
Risk Capital	An amount of capital calculated to be sufficient to withstand adverse outcomes associated with various risks of an enterprise, up to a pre-defined <i>security standard</i> .
Risk Capital Metric	A quantitative variable used to gauge risk.
Risk Exposure	For each risk listed in the company's <i>risk profile</i> , the amount the company stands to lose due to that particular risk at a particular time, as indicated by a chosen metric.
Risk Limit	Typically, quantitative boundaries that control the amount of risk that a company takes. Risk limits are typically more granular than <i>risk tolerances</i> and may be expressed at various levels of aggregation, i.e., by type of risk, category within a type of risk,

Term	Definition
	product or line of business, or some other level of aggregation. Risk limits should be consistent with the company's overall <i>risk tolerance</i> .
Risk Profile	A delineation and description of the material risks to which an organization is exposed.
Risk Tolerance	The company's qualitative and quantitative boundaries around risk-taking, consistent with its <i>risk appetite</i> . Qualitative risk tolerances are useful to describe the company's preference for, or aversion to, particular types of risk, particularly for those risks that are difficult to measure. Quantitative risk tolerances are useful to set numerical limits for the amount of risk that a company is willing to take.
Security Standard	The level of a <i>measurement metric</i> used to determine <i>risk capital</i> . It signifies the strength of capital and, in practice, should be chosen to be consistent with the <i>risk appetite</i> and <i>risk tolerance</i> .
Solvency	For a given accounting basis, the state where, and extent to which, assets exceed liabilities.
Stochastic Analysis	A methodology designed to attribute a probability distribution to a range of possible outcomes. May use closed form solutions, or large numbers of scenarios in order to reflect the shape of the distribution.
Scenario Analysis	An analysis of the impact of possible future outcomes based on alternative projected assumptions. This can include changes to a single assumption or a combination of assumptions.
Stress Test	A type of scenario analysis in which the change in parameters is considered significantly adverse or even extreme.
Time Horizon	In the context of risk capital calculations, the period over which the impact of changes to risks is tested.
Value at Risk (VaR)	An estimate of the maximum loss over a certain period of time at a given confidence level.

Appendix II — Example Attestation

The ORSA Summary Report must include an attestation signed by the chief risk officer or other executive with responsibility for oversight of the ERM framework, as described in Section D—General Guidance.

Illustrative Attestation Language

ABC Insurance Company

To the best of my knowledge and belief, ABC Insurance Company applies the enterprise risk management framework described in this ORSA Summary Report. A copy of this ORSA Summary Report has been provided to the Company's Board of Directors or an appropriate committee thereof.

John M. Smith

John M. Smith

Vice President and Chief Risk Officer

Date: May 1, 20XX_____

This example includes all elements required by this manual. Insurers may adapt the wording, provided the required elements are retained.

**EXAMINATION OVERSIGHT (E) TASK FORCE
FINANCIAL ANALYSIS SOLVENCY TOOLS (E) WORKING GROUP**

**SUBMIT TO
NAIC – KC
By June 1, 2026**

Financial Analysis Handbook Proposed Revision Form

<u>INSTRUCTIONS</u>	<u>FOR NAIC USE ONLY</u>
- Complete this form for EACH Handbook proposal. Under "Identification of Item(s) to be Changed," include section & page number, line or item identifier. - All attachments should be presented in a format wherein new language is underscored and deletions struck through. - Please consider whether this revision proposal is also addressed elsewhere in the Handbook. - CAUTION: before completing this form, please read additional instructions on reverse side of this form.	<u>DISPOSITION</u> [] ADOPTED [] REJECTED [] DEFERRED [] OTHER (SPECIFY) _____ [] _____
DATE: <u>6/11/2026</u> NAME: <u>ORSA Subgroup -Sherry Flipppo, NAIC staff</u> TITLE: _____ STATE: _____ ADDRESS: _____ TELEPHONE: _____ CONTACT PERSON : <u>sflipppo@naic.org</u>	<u>NOTES</u>

HANDBOOK SECTION NAME AND NUMBER TO WHICH PROPOSAL APPLIES

IF STATEMENT TYPE SPECIFIC, ALSO IDENTIFY THE TYPE:

[] Life/A&H [] Property & Casualty [] Title [] Health

All statement types

IDENTIFICATION OF ITEM(S) TO BE CHANGED

- The ORSA Lead State Review Template
- Narrative guidance related to the ORSA Lead State Review Template
- Illustrative examples of situations that might *warrant* disclosure of an overarching issue affecting the entire ORSA
- See attached proposed wording and placement

REASON OR JUSTIFICATION FOR CHANGE **

(STATE, IN SPECIFIC TERMS, THE BENEFIT TO BE DERIVED FROM THIS PROPOSAL)

**** This section must be completed on all forms.**

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The ORSA and the ORSA Lead State Review Template may identify broad, overarching issues that, when clearly summarized, help convey key themes to readers of the Lead State ORSA Review Template. While this section may not be necessary for every ORSA filing, its inclusion—when appropriate—provides important context and supports a more effective understanding of the ORSA and the associated review. Illustrative examples of such overarching issues may include the use of a group-wide risk management or capital framework (e.g., a Solvency II–based framework) that drives risk identification, stress testing, and capital assessment across jurisdictions, or other enterprise-level considerations that influence multiple components of the ORSA.

Additional Instructions and Information

The Financial Analysis Solvency Tools (E) Working Group meets via conference call throughout the year to consider proposed changes to the NAIC *Financial Analysis Handbook* (Handbook). Suggestions to the Handbook should be submitted by **June 1, 2026**. Send proposals via email to Ralph Villegas, Life/Health Financial Analysis Manager, rvillegas@naic.org, or send to Rodney Good, Property/Casualty Financial Analysis Manager, rgood@naic.org. Original copies may be sent to:

National Association of Insurance Commissioners
Financial Analysis & Examination Unit
Financial Regulatory Services Department
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

For questions, call the Financial Analysis & Examination Unit at (816) 842-3600.

Proposed Revisions

- During the Working Group’s review, changes proposed via this form will be considered along with an analysis conducted by the NAIC Financial Analysis & Examination Unit of the effectiveness and usefulness of procedures, ratio limits and language.
- The NAIC Financial Analysis & Examination Unit also studies adopted changes to the Annual Statements and provides revision proposals to the Working Group. The NAIC Financial Analysis & Examination Unit automatically makes changes to the Handbook for minor changes, such as for page and line numbers.
- The Handbooks are automated on i-Site+. The Handbook is intended to be a dynamic tool. The Working Group is interested in feedback on both analytical and software features. Please contact the NAIC Help Desk at (816) 842-3600 before submitting a form. Many enhancements have been proposed which could not be implemented. Also, some proposals may relate to existing features that the Help Desk may be able to explain.

**** This section must be completed on all forms.**

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INTRODUCTION

The process for assessing enterprise risk management (ERM) within the group will vary depending upon its structure and scale. Approximately 90 percent of the U.S. premium is subject to reporting an annual Own Risk Solvency Assessment (ORSA) Summary Report. However, all insurers are subject to an assessment of risk management during the risk-focused analysis and examination, and this review is a responsibility of the lead state. In addition, all groups are required to submit the Form F - Enterprise Risk Report under the requirements of the NAIC *Insurance Holding Company System Regulatory Act* (#440) unless they have been granted an exemption by the state. In addition, both the ORSA Summary Report and the Form F are subject to the supervisory review process, which contemplates both off-site and on-site examination of such information proportionate to the nature, scale and complexity of the insurer/group's risks. Those procedures are discussed in the following two sections. In addition, any risks identified throughout the entire supervisory review process are subject to further review by the lead state in either the periodic meeting with the insurer/group and/or any targeted examination work. When reviewing the ORSA and Form F, the lead state analyst should consider consistency between the documents, as well as information provided in the Corporate Governance Annual Disclosure (CGAD).

ORSA SUMMARY REPORT

The NAIC *Risk Management and Own Risk and Solvency Assessment Model Act* (#505) requires insurers above a specified premium threshold, and subject to further discretion, to submit a confidential annual ORSA Summary Report. Model #505 gives the individual insurer and the insurance group discretion as to whether the report is submitted by each individual insurer within the group or by the insurance group as a whole. Regardless of whether the ORSA is filed on an individual or group basis, any noninsurance operations that present material and relevant risks to the insurer should be included in the scope of the ORSA Summary Report. (See the NAIC *Own Risk Solvency Assessment Guidance Manual* (ORSA Guidance Manual) for further discussion).

- **Lead State:** In the case where the insurance group chooses to submit one ORSA Summary Report for the group, it must be reviewed by the lead state. The lead state is to perform a detailed and thorough review of the information and initiate any communications about the ORSA with the group. The suggestions below set forth some possible considerations for such a review. At the completion of this review, the lead state should prepare a thorough summary of its review, which would include an initial assessment of each of the three sections. The lead state should also consider and include key information to share with other domestic states that are expected to place significant reliance on the lead state's review. The lead state should share the analysis of ORSA with other states that have domestic insurers in the group. The group ORSA review and sharing with other domestic states should occur within 120 days of receipt of the ORSA filing.
- **Non-Lead State:** Non-lead states are not expected to perform an in-depth review of the ORSA, but instead rely on the review completed by the lead state. The non-lead states' review of the lead state's ORSA review should be performed only for the purpose of having a general understanding of the work performed by the lead state, and to understand the risks identified and monitored at the group-level so the non-lead state may better monitor and communicate to the lead state when its legal entity could affect the group. Any concerns or questions related to information in the ORSA or group risks should be directed to the lead state.
- **Single Insurer ORSA:** In the case where there is only one insurer within the insurance group, or the group decides to submit separate ORSA Summary Reports for each legal entity, the domestic state is to perform a detailed and thorough review of the information, which would include an initial assessment of each of the three sections and initiate any communications about the ORSA directly with the legal entity. Such a review should also be shared with the lead state (if applicable) so it can develop an understanding of the risks within the entire insurance group. Single insurer ORSA reviews should be completed within 180 days of receipt of the ORSA filing.

VI.E. Group-Wide Supervision – Enterprise Risk Management Process Risks Guidance

Throughout a significant portion of the remainder of this document, the term “insurer” is used to refer to both a single insurer for those situations where the report is prepared by the legal entity, as well as to refer to an insurance group. However, in some cases, the term group is used to reinforce the importance of the group-wide view. Similarly, throughout the remainder of this document, the term “lead state” is used before the term “analyst” with the understanding that in most situations, the ORSA Summary Report will be prepared on a group basis and therefore reviewed by the lead state.

Background Information

To understand the appropriate steps for reviewing the ORSA Summary Report, regulators must first understand the purpose of the ORSA. As noted in the ORSA Guidance Manual, the ORSA has two primary goals:

1. To foster an effective level of ERM at all insurers, through which each insurer identifies, assesses, monitors, prioritizes and reports on its material and relevant risks identified by the insurer, using techniques that are appropriate to the nature, scale and complexity of the insurer’s risks, in a manner that is adequate to support risk and capital decisions.
2. To provide a group-level perspective on risk and capital, as a supplement to the existing legal entity view.

In addition, separately, the ORSA Guidance Manual discusses the regulator obtaining a high-level understanding of the insurer’s ORSA and discusses how the ORSA Summary Report may assist the commissioner in determining the scope, depth and minimum timing of risk-focused analysis and examination procedures.

There is no expectation with respect to specific information or specific action that the lead state regulator is to take as a result of reviewing the ORSA Summary Report. Rather, each situation is expected to result in a unique ongoing dialogue between the insurer and the lead state regulator focused on the key risks of the group. For this reason, as well as others, the lead state analyst may want to consider additional support in the form of a broader review team as necessary in reviewing the ORSA Summary Report, subject to the confidentiality requirements outlined in statute. In reviewing the final ORSA filing prior to the next scheduled financial examination, the analyst should consider inviting the lead state examiner to participate on the review team. Regardless of which individuals are involved on a review team, the 120-day or 180-day timeliness standards are applicable to the review. Additionally, the lead state analyst and examiner may want to include the review team in ongoing dialogues with the insurer since the same team will be part of the ongoing monitoring of the insurer and an ORSA Summary Report is expected to be at the center of the regulatory processes.

These determinations can be documented as part of each insurer’s ongoing supervisory plan. However, the ORSA Guidance Manual also states that each insurer’s ORSA will be unique, reflecting the insurer’s business model, strategic planning and overall approach to ERM. As regulators review ORSA Summary Reports, they should understand that the level of sophistication for each group’s ERM program will vary depending upon size, scope and nature of business operations. Understandably, less complex insurers may not require intricate processes to possess a sound ERM program. Therefore, regulators should use caution before using the results of an ORSA review to modify ongoing supervisory plans, as a variety of practices may be appropriate depending upon the nature, scale and complexity of each insurer.

General Summary of Guidance for Each Section

The guidance that follows is designed to assist the lead state analyst in the review of the ORSA and to allow for effective communication of analysis results with the non-lead states. It is worth noting that this guidance is expected to evolve over the years, with the first couple of years focused on developing a general understanding of ORSA and ERM. It should be noted that each of the sections can be informative to the other sections. As an example, Section II affords an insurer the opportunity to demonstrate the robustness of its process through its assessment of risk exposure. In some cases, it’s possible the lead state analyst may conclude the insurer did not summarize and include information about its framework and risk management tools in Section I in a way that

VI.E. Group-Wide Supervision – Enterprise Risk Management Process Risks Guidance

allowed the lead state analyst to conclude its effectiveness, but in practice by review of Section II, such a conclusion was able to be reached. Likewise, the lead state analyst may assess Section II as effective but may be unable to see through Section III how the totality of the insurer's system is effective because of a lack of demonstrated rigor documented in Section III. Therefore, the assessment of each section requires the lead state analyst to consider other aspects of the ORSA Summary Report. This is particularly true of Section I, because as discussed in the following paragraphs, the other two sections have very distinct objectives, whereas the assessment of Section I is broader.

Overarching Comments on the ORSA Review Template provides a place for analysts to document broad issues affecting the overall ORSA.

Background information procedures are provided to assist the regulator in gaining an overall understanding of the ORSA Summary Report and assessing compliance with ORSA Guidance Manual reporting requirements (i.e., attestation, and entities in scope).

Section I procedures are focused on assessing the insurer's overall risk management framework. The procedures are presented as considerations to be taken into account when reviewing and assessing an insurer's implementation of each of the risk management principles highlighted in the NAIC's ORSA Guidance Manual. In assessing implementation, regulators should consider whether the design of ERM/ORSA practices appropriately reflects the nature, scale and complexity of the insurer.

Section II takes a much different approach. It provides guidance to allow the lead state analyst to better understand the range of practices they may see in ORSA Summary Reports. However, such practices are not intended to be requirements, as that would eliminate the "Own" aspect of the ORSA and defeat its purpose. As such, analysts should not expect or require insurers to organize or present their risks in a particular manner (i.e., by branded risk classification). Rather, the guidance can be used in a way to allow the lead state analyst to better understand the information in this section. Section II guidance has been developed around reviewing key risks assessed by the insurer, evaluating information provided on the assessment and mitigation of those risks and classifying them within the nine branded risk classifications outlined in the Handbook, which are used as a common language in the risk-focused surveillance process for ongoing tracking and communication. As such, the analyst should attempt to classify each key risk assessed by the insurer into a branded risk classification(s) for incorporation into general analysis documentation Insurer Profile Summary (IPS) or Group Profile (GPS) as appropriate. The branded risk classifications are intentionally broad in order to allow almost any risk of an insurer to be tracked within one or more categories, but the analyst may also use an "Other" classification as necessary to track exposures.

Section III is also unique in that it provides a specific means for assisting the lead state analyst in evaluating the insurer's determinations of the reasonableness of its group capital and its prospective solvency position on an ongoing basis. Section III of the ORSA Summary Report is intended to be more informative regarding capital than other traditional methods of capital assessment since it sets forth the amount of capital the group determines is reasonable to sustain its current business model rather than setting a minimum floor to meet regulatory or rating agency capital requirements.

Overarching Comments Concerning the ORSA on the Review Template

The ORSA and ORSA Review Template may include broad, overarching issues that, when clearly summarized, help convey the key themes to readers of the Lead State ORSA Review Template. Although this section may not be necessary for every ORSA filing, its inclusion—when appropriate—provides important context that supports a more effective understanding of the ORSA and the associated review. The following examples illustrate how such overarching issues may be presented:

VI.E. Group-Wide Supervision – Enterprise Risk Management Process Risks Guidance

- ABC International Group operates across the UK, and the United States. Because most of its premiums and enterprise risk management activities are based in Europe, the risk profile and risk appetite discussed in Section 1 are dictated by the Solvency II framework. Accordingly, the group capital methodology, stress testing, coverage ratio, and projected three-year coverage ratios presented in Section 3 are also aligned with Solvency II principles and capital structure. The Solvency Capital Requirement (SCR) presented in Section 3 is the regulatory capital.
- DEF Insurance group’s structure and expectations to pay dividends. In this case, dividend-paying capacity could represent a key risk, with stress testing used to evaluate scenarios that could constrain or prohibit dividend payments and corresponding capital projections prepared under varying dividend assumptions.
- HIJ Health is currently operating under an RBC recovery plan with the All-State Department of Insurance due to a prior year-end RBC ratio in company action level. The ORSA filing identifies only operational risks in Section 1, and these are assessed qualitatively in Sections 2 and 3. The filing does not address liquidity or financial risks (e.g., pricing/underwriting, reserving, market, etc.). The analyst considers liquidity to be the company’s primary risk and will request that liquidity and financial risks be incorporated into the next ORSA. Because Sections 2 and 3 contain no quantitative assessments of risk exposure or capital, the analyst did not prepare detailed documentation for those sections. The insurer did, however, include its most recent monthly report to the department—containing capital levels and projections—in Appendix. This monthly report, which appears at the end of Section 3 in the template, is the most quantitative component of the submission and therefore the most helpful to that analyst.

As demonstrated by these examples, a summary of overarching issues upfront helps direct the reader’s attention to the most relevant aspects of the ORSA and therefore the ORSA Review Template rather than following the documentation strictly in sequence. It also communicates the rationale behind the level of detail included in each section of the template.

Background Information

The ORSA Guidance Manual encourages discussion and disclosure of key pieces of information to assist regulators in reviewing and understanding the ORSA Summary Report. As such, the following considerations are provided to assist the regulator in reviewing and assessing the information provided in these areas.

- **Attestation** – The report includes an attestation signed by the chief risk officer (CRO) (or other executive responsible for ERM oversight) indicating that the information presented is accurate and consistent with ERM reporting shared with the board of directors (or committee thereof).
- **Entities in Scope** – The scope of the report is clearly explained and identifies all insurers covered. The scope of a group report also indicates whether material non-insurance operations have been covered. The lead state analyst could utilize Schedule Y, the Lead State report and other related tools/filings to review which entities are accounted for in the filing.
- **Accounting Basis** – The report clearly indicates the accounting basis used to present financial information in the report, as well as the primary valuation date(s).
- **Key Business Goals** – The report provides an overview of the insurer’s/group’s key business goals in order to demonstrate alignment with the relevant and material risks presented within the report.

VI.E. Group-Wide Supervision – Enterprise Risk Management Process Risks Guidance

- **Changes From Prior Filing(s)** – The report clearly discusses significant changes from the prior year filing(s) to highlight areas of focus in the current year review including significant changes to the ERM framework, risks assessed, stress scenarios, overall capital position, modeling assumptions, etc.

Review of Section I - Description of the Insurer's Risk Management Framework

The ORSA Guidance Manual requires the insurer to discuss the key principles below in Section I of the ORSA Summary Report. For purposes of evaluating the ORSA Summary Report, and moreover, the lead state analyst's responsibility to assess the insurer's risk management framework, the lead state analyst should review the ORSA Summary Report to ascertain if the framework meets the principles. Additional guidance is included to provide further information on what may be contemplated in assessing such principles.

Key Principles:

- A. Risk Culture and Governance
- B. Risk Identification and Prioritization
- C. Risk Appetite, Tolerances and Limits
- D. Risk Management and Controls
- E. Risk Reporting and Communication

Documentation for Section I

When reviewing the ORSA Summary Report, the lead state analyst should consider the extent to which the above principles are present within the insurer. In reviewing these principles, examples of various considerations are provided for each principle in the following sections. The intent in providing these considerations is to assist the lead state analyst in assessing the risk management framework. However, these considerations only highlight certain elements associated with the key principles and practices of individual insurers that may vary significantly. The lead state analyst should document a summary of the review of Section I by outlining key information and developing an assessment of each of the five principles set forth in the ORSA Guidance Manual using the template located in the next section of this Handbook.

A. Risk Culture and Governance

It is important to note some insurers view risk culture and governance as the cornerstone to managing risk. The ORSA Guidance Manual defines this item to include a structure that clearly defines and articulates roles, responsibilities, and accountabilities, as well as a risk culture that supports accountability in risk-based decision making. Therefore, the objective is to have a structure in place within the insurer that manages reasonably foreseeable and relevant material risk in a way that is continuously improved. Key considerations in reviewing and assessing risk culture and governance might include, but are not limited to:

- **Roles and Responsibilities** - Roles and responsibilities of key stakeholders in risk and capital management are clearly defined and documented in writing, including members of the board (or committee thereof), officers and senior executives, risk owners, etc.
- **Board or Committee Involvement** – The board of directors or appropriate committee thereof demonstrates active involvement in the oversight of ERM activities through receiving regular updates from management on ERM monitoring, reporting and recommendations.
- **Strategic Decisions** – Directors, officers and other members of senior management utilize information generated through ERM processes in making strategic decisions.
- **Staff Availability and Education** – The insurer maintains suitable staffing (e.g., sufficient number, educational background, and experience) to support its ERM framework and deliver on its risk strategy. Staff is kept current in its risk education in accordance with changes to the risk profile of the insurer.
- **Leadership** – The chief risk officer (CRO), or equivalent position, possesses an appropriate level of knowledge and experience related to ERM and receives an appropriate level of authority to effectively fulfill responsibilities. This includes clear and direct communication channels between the CRO and the BOD or appropriate committee thereof.
- **Compensation** – The insurer demonstrates that incentives, compensation and performance management

VI.E. Group-Wide Supervision – Enterprise Risk Management Process Risks Guidance

criteria have been appropriately aligned with ERM processes and do not encourage excessive risk taking given the capital position of the insurer.

- **Integration** – The insurer integrates and coordinates ERM processes across functional areas of the insurer including human resources, information technology, internal audit, compliance, business units, etc.
- **Assessment** – The insurer’s ERM framework is subject to regular review and assessment, with updates made to the framework as deemed necessary.

B. Risk Identification and Prioritization

The ORSA Guidance Manual defines this as key to the insurer. Responsibility for this activity should be clear, and the risk management function is responsible for ensuring the processes are appropriate and functioning properly. Therefore, an approach for risk identification and prioritization may be to have a process in place that identifies risk and prioritizes such risks in a way that potential reasonably foreseeable and relevant material risks are addressed in the framework. Key considerations in reviewing and assessing risk identification and prioritization might include, but are not limited to:

- **Resources** – The insurer utilizes appropriate resources and tools (e.g., questionnaires, external risk listings, brainstorming meetings, conference calls with regulators, etc.) to assist in the risk identification process that are appropriate for its nature, size and structure.
- **Stakeholder Involvement** – All key stakeholders (i.e., directors, officers, senior management, business unit leaders, risk owners, etc.) are involved in risk identification and prioritization at an appropriate level.
- **Prioritization Factors** – Appropriate factors and considerations are utilized to assess and prioritize risks (e.g., likelihood of occurrence, magnitude of impact, controllability, speed of onset, etc.).
- **Process Output** – Risk registers, key risk listings and risk ratings are maintained, reviewed and updated on a regular basis.
- **Emerging Risks** – The insurer has developed and maintained a formalized process for the identification and tracking of emerging risks.

C. Risk Appetite, Tolerances and Limits

The ORSA Guidance Manual states that a formal risk appetite statement, and associated risk tolerances and limits are foundational elements of a risk management framework for an insurer. While risk appetites, tolerances and limits can be defined and used in different ways across different insurers, this guidance is provided to assist the regulator in understanding and evaluating the insurer’s practices in this area.

Risk appetite can be defined as the amount of specific and aggregate risk that an insurer chooses to take during a defined time period in pursuit of its business objectives. Articulation of the risk appetite statement ensures alignment of the risk strategy with the business strategy set by senior management and reviewed and evaluated by the board. Not included in the ORSA Guidance Manual, but widely considered, is that risk appetite statements should be easy to communicate, be understood, and be closely tied to the insurer’s strategy.

After the overall risk appetite for the insurer is determined, the underlying risk tolerances and limits can be selected and applied to business units and specific key risks identified by the insurer. “Risk tolerance” can be defined as the aggregate risk-taking capacity of an insurer. “Risk limits” can be defined as thresholds used to monitor the actual exposure of a specific risk or activity unit of the insurer to ensure that the level of actual risk remains within the risk tolerance. The insurer may apply appropriate quantitative limits and qualitative statements to help establish boundaries and expectations for risks that are hard to measure. These boundaries may be expressed in terms of earnings, capital, or other metrics (growth, volatility, etc.). The risk tolerances/limits provide direction outlining the insurer’s tolerance for taking on certain risks, which may be established and communicated in the form of the maximum amount of such risk the entity is willing to take. However, in many cases these will be coupled with more specific and detailed limits or guidelines the insurer uses.

Due to the varying level of detail and specificity that different insurers incorporate into their risk appetites, tolerances and limits, lead state regulators should consider these elements collectively to reach an overall assessment in this area and should seek to understand the insurer’s approach through follow-up discussions and

VI.E. Group-Wide Supervision – Enterprise Risk Management Process Risks Guidance

dialogue. Key considerations in reviewing and assessing risk appetites, tolerances and limits might include, but are not limited to:

- **Risk Appetite Statement** – The insurer has developed an overall risk appetite statement consistent with its business plans and operations that is updated on a regular basis and subject to appropriate governance oversight.
- **Risk Tolerances/Limits** – Tolerances and limits are developed for key risks in accordance with the overall risk appetite statement.
- **Risk Owners** – Key risks are assigned to risk owners with responsibility for risk tolerances and limits, including actions to address any breaches.

D. Risk Management and Controls

The ORSA Guidance Manual stresses managing risk as an ongoing ERM activity, operating at many levels within the insurer. This principle is discussed within the governance section above from the standpoint that a key aspect of managing and controlling the reasonably foreseeable and relevant material risks of the insurer is the risk governance process put in place. For many companies, the day-to-day governance starts with the relevant business units. Those units put mechanisms in place to identify, quantify and monitor risks, which are reported up to the next level based upon the risk reporting triggers and risk limits put in place. In addition, controls are also put in place on the backend, by either the ERM function or the internal audit team, which are designed to ensure compliance and a continual enhancement approach. Therefore, one approach may be to put controls in place to ensure the insurer is abiding by its limits. Key considerations in reviewing and assessing risk management and controls might include, but not limited to:

- **Lines of Accountability** – Multiple lines of accountability (i.e., business unit or risk owners, ERM function, internal audit) are put in place to ensure that control processes are effectively implemented and maintained.
- **Control Processes** – Specific control activities and processes are put in place to manage, mitigate and monitor all key risks.
- **Implementation of Tolerances/Limits** – Risk tolerances and limits are translated into operational guidance and policies around key risks through all levels of the insurer.
- **Indicators/Metrics** – Key risk indicators or performance metrics are put in place to monitor exposures, provide early warnings and measure adherence to risk tolerances/limits.

E. Risk Reporting and Communication

The ORSA Guidance Manual indicates risk reporting and communication provides key constituents with transparency into the risk-management processes as well as facilitates active, informal decisions on risk-taking and management. Transparency is generally available because of reporting that can be made available to management, the board, or compliance departments, as appropriate. However, the most important is how the reports are being utilized to identify and manage reasonably foreseeable and relevant material risks at either the group, business unit or other level within the insurer where decisions are made. Therefore, one approach may be to have reporting in place that allows decisions to be made throughout the insurer by appropriately authorized people, with ultimate ownership by senior management or the board. Key considerations in reviewing and assessing risk reporting and communication might include, but not limited to:

- **Training** – The importance of ERM processes and changes to the risk strategy are clearly communicated to all impacted areas and business units through ongoing training.
- **Key Risk Indicator Reporting** – Summary reports on risk exposures (i.e., key risk indicators) and compliance with tolerances/limits are maintained and updated on a regular basis.
- **Oversight** – Summary reports are reviewed and discussed on a regular basis by the appropriate members of management, and when appropriate, directors.

VI.E. Group-Wide Supervision – Enterprise Risk Management Process Risks Guidance

- **Breach Management** – Breaches of limits and dashboard warning indicators are addressed in a timely manner through required action by management and, when appropriate, directors.
- **Feedback** – A feedback loop is embedded into ERM processes to ensure that results of monitoring and review discussions on key risks by senior management and the board are incorporated by business unit leaders and risk owners into ongoing risk-taking activities and risk management processes.

Overall Section 1 Assessment

After summarizing the information reviewed for each of the key principles individually, the lead state analyst should provide an overall assessment of the insurer's ERM framework, including any concerns or areas requiring follow-up investigation or communication. In preparing the assessment, the lead state analyst should understand that ORSA summary reports may not always align with each of these specific principles. Therefore, the lead state analyst must use judgment and critical thinking in accumulating information to support their evaluation of each of these principles. The overall evaluation should focus on critical concerns associated with any of the individual principles and should also address any other ERM framework concerns that may not be captured within these principles.

The lead state analyst should also be aware that the lead state examiner is tasked with supplementing the lead state analyst's assessment with additional onsite verification and testing. The lead state analyst should direct the lead state examiner to those areas where such additional verification and testing is appropriate and could not be performed by the lead state analyst. Where available from prior full scope or targeted examinations, information from the lead state examiner should be used as a starting point for the lead state analyst to update. Consequently, on an ongoing basis, the lead state analyst's update may focus on changes to ERM processes and the ORSA Summary Report since the prior exam in directing targeted onsite verification and testing.

The lead state analyst, after completing a summary of Section I, should consider if the overall assessment, or any specific conclusions, should be used to update either the ERM section of the GPS (if the ORSA Summary Report is prepared on a group basis) or information in the IPS (if the ORSA Summary Report is prepared on a legal entity basis). In addition, key information from the review should be incorporated into or referenced in the Risk Assessment Worksheet (RAW) during the next full analysis (quarterly or annual) of the insurer where relevant.

Review of Section II - Insurer's Assessment of Risk Exposure

Section II of the ORSA Summary Report is required to provide a high-level summary of the quantitative and/or qualitative assessments of risk exposure in both normal and stressed environments. The ORSA Guidance Manual provides examples of reasonably foreseeable and relevant material risk categories (e.g., credit, market, liquidity, underwriting, and operational risks). In reviewing the information provided in this section of the ORSA, lead state analysts may need to pay particular attention to risks and exposures that may be emerging or significantly increasing over time. To assist in identifying and understanding the changes in risk exposures, the lead state analyst may consider comparing the insurer's risk exposures and/or results of stress scenarios to those provided in prior years.

Section II provides risk information on the entire insurance group, which may be grouped in categories similar to the NAIC's nine branded risk classifications. However, this is not to suggest the lead state analyst or lead state examiner should expect the insurer to address each of the nine branded risk classifications. In fact, in most cases, they will not align, but it is not uncommon to see some similarities for credit, market, liquidity, underwriting and operational risks. A fair number of insurer risks may not be easily quantified or are grouped differently than these nine classifications. Therefore, it is possible the insurer does not view them as significant or relevant. The important point is not the format, but for the lead state analyst or lead state examiner to understand how the insurer categorizes its own risks and contemplate whether there may be material gaps in identified risks or categories of risks.

Documentation for Section II

VI.E. Group-Wide Supervision – Enterprise Risk Management Process Risks Guidance

Prepare a summary and assessment of Section II by identifying and outlining key information associated with the significant reasonably foreseeable and material relevant (key) risks of the insurer per the ORSA Summary Report. Following the documentation on each key risk per the report, the lead state analysts should include an analysis of such risk. In developing such analysis, the lead state analyst is encouraged to use judgment and critical thinking in evaluating if the risks and quantification of such risks under normal and stressed conditions are reasonable and generally consistent with expectations. The lead state analyst should be aware that the lead state examiner is tasked to update the assessment by supplementing the lead state analyst's assessment with additional on-site verification and testing. The lead state analyst should direct the lead state examiner to those areas where such additional verification and testing is appropriate and could not be performed by the lead state analyst. Suggested information to be documented on each key risk, including supporting considerations, is outlined below:

- **Risk Title and Description** – Provide the title for each key risk as identified/labeled by the insurer as well as a basic description.
- **Branded Risk** – Provide information on the primary branded risk classification(s) that apply to the key risk and briefly discuss how they apply/relate.
- **Controls/Mitigation** – Summarize information known about the controls and mitigation strategies put in place by the insurer to address the key risk.
- **Risk Limits** – Provide information on any specific risk tolerances or limits associated with the key risk and how they are monitored and enforced.
- **Assessment** – Discuss how the key risk is assessed by the insurer, including whether the assessment is performed on a quantitative or qualitative basis. Describe the methodology used, the key underlying assumptions and the process utilized to set these assumptions.
- **Normal Exposure** – Summarize the insurer's normal exposure to this key risk based on budget information or historical experience.
- **Stress Scenario(s)** – Discuss the stress scenario(s) identified and applied to the key risk and how they were determined and validated by the insurer.
- **Stressed Exposure** – Provide information on the impact of the stress scenario(s) on the key risk and potential impact on the insurer's surplus position and business strategy/operations.
- **Inclusion on IPS/GPS** – Discuss whether the key risk will be recognized on the IPS/GPS of the insurer, including the risk component it will be incorporated into.
- **Regulator Review and Assessment** – Assess the adequacy of the risk assessment performed by the insurer on each key risk (including the appropriateness of controls/limits and reasonableness of methodology, assumptions and stress scenarios used) and whether any specific issues or concerns are identified that would require further investigation or follow-up communication.

After completing a summary and assessment for each key risk addressed in Section II, the lead state analyst should use the information to update the risk assessment in either the GPS (if the ORSA is prepared on a group basis) or the IPS (if the ORSA is prepared on a legal entity basis) and supporting documentation if deemed necessary. In addition, key information from the review should be incorporated into or referenced in the RAW during the next full analysis (quarterly or annual) of the insurer where relevant.

Overall Section II Assessment

The lead state analyst should complete an overall assessment of the information provided in Section II, including an evaluation of the insurer's risk assessment processes and whether all material and relevant risks were assessed and presented at an appropriate level of detail. This should include consideration of whether there is consistency between the insurer's risk identification and prioritization process discussed in Section I and risks that are assessed and reported on in Section II (i.e., have all key risks been addressed). In addition, this should focus on critical concerns associated with the assessment of individual key risks as well as whether the insurer's overall assessment process (i.e., methodology, assumptions and stress scenarios) is adequate and well-supported.

VI.E. Group-Wide Supervision – Enterprise Risk Management Process Risks Guidance

Review of Section III - Group Assessment of Risk Capital

In reviewing Section III of the ORSA Summary Report, the lead state analyst should recognize this section is generally presented in a summarized form. Although this section requires disclosure of aggregate available capital compared against the enterprise's risk capital (i.e., the amount deemed necessary to withstand unexpected losses arising from key risks), the report may not provide sufficient detail to fully evaluate the group capital position. As such, the lead state analyst may need to request the assistance of staff actuaries when available in evaluating the reasonableness and adequacy of the stress tests selected, request additional detail from the insurer in order to understand and evaluate the group capital position and/or refer additional investigation to the financial examination function.

The ORSA Guidance Manual requires the insurer to estimate its prospective solvency under stressed conditions by identifying stress scenarios that would give rise to significant losses that have not been accounted for in reserves. Furthermore, the Manual requires the insurer to estimate its prospective solvency in Section III by projecting the aggregate capital available and comparing it against the enterprise's risk capital. Insurers may include information in the ORSA Summary Report developed as part of their strategic planning and may include pro forma financial information that displays anticipated changes to key risks as well as projected capital adequacy in those future periods based on the insurer's defined capital adequacy standard. In reviewing information on prospective solvency, the lead state analyst should carefully consider projected changes to the group capital position as well as significant shifts in the amount of capital allocated to different risks, which could signal changes in business strategy and risk exposures.

In addition to evaluating the adequacy of capital, the insurer should also discuss the effect of liquidity risk on its overall solvency, including calls on the insurer's cash position due to microeconomic factors—i.e., internal operational—and/or macro-economic factors; i.e., economic shifts. The insurer should assess its resilience against severe but plausible liquidity stresses and whether the current liquidity position is within any liquidity risk appetite and/or limits. The insurer should describe in the ORSA the policies and processes in place to manage liquidity risk, as well as contingency funding or other plans to mitigate potential liquidity stresses.

Documentation for Section III

Insurance groups will use different means to manage capital and they will use different accounting and valuation frameworks. For example, they may determine the amount of capital they need to fulfil regulatory and rating agencies' requirements, but also determine the amount of capital (risk capital) they need to absorb unexpected losses that are not accounted for in the reserves. The lead state analyst may need to request management to discuss their overall approach to capital management and the reasons and details for each approach so that they can be considered in the evaluation of estimated risk capital.

Many insurers use internally developed capital models to quantify the risk capital. In these cases, the ORSA Summary Report should summarize the insurer's process for model validation to support the quantification methodology and assumptions chosen to determine risk capital. The lead state analyst should use the model validation information to assess the reasonableness of the quantification methodology and assumptions used. If the ORSA Summary Report does not provide a summary of the model validation process, the lead state analyst should request copy of the validation report prepared by the insurer. With regard to the determination of the risk capital under stressed conditions, because the risk profile of each insurer is unique, there is no standard set of stress conditions that each insurer should run. However, the lead state regulator should be prepared to dialogue with management about the selected stress scenarios if there is concern with the rigor of the scenario. In discussions with management, the lead state analyst should gain an understanding of the modeling methods used to project available and risk capital over the duration of the insurer's business plan as well as the potential changes to the risk profile of the insurer over this time horizon (i.e., changes to the list of key risks) based on the business plan. The aforementioned dialogue may occur during either the financial analysis process and/or the financial examination process.

The lead state analyst, after completing a summary of Section III, should assess the overall reasonableness of the

VI.E. Group-Wide Supervision – Enterprise Risk Management Process Risks Guidance

capital position compared to the group's estimated risk capital. Additionally, the lead state analyst should also consider if any of the information, or any specific conclusions, should be used to update either the GPS or IPS.

An assessment of the reasonableness of group risk capital and the process to measure it should be provided by developing a narrative that provides the following for each individual element of the insurer's assessment of risk capital:

- **Discussion of Capital Metric(s) Used** – Discuss the method(s) used by the group in assessing group risk capital and their basis for such a decision. Identify the capital metric(s) used to estimate group risk capital, as well as the level of calibration selected. Consider whether the capital metric(s) utilized to assess the group's overall capital target are clearly presented and described. Metrics may consist of internally developed economic capital models (deterministic or stochastic) and/or externally developed models, such as regulatory capital requirements for risk-based capital (RBC) or A.M. Best's Capital Adequacy Ratio (BCAR). In discussing calibration, consider both the method used (e.g., Value at Risk, Tail Value at Risk) and its level to evaluate whether the results are calibrated to an appropriate confidence level. Discuss whether the capital metric(s) selected address all key risks of the group. Of particular importance is considering whether the metric used fits the approach used to determine the group's risk appetite. Document the extent to which the lead state analyst believes the approach used by the insurer is reasonable for the nature, scale and complexity of the group and if this has any impact on the lead state analyst's assessment of the insurer's overall risk management.
- **Group Risk Capital - By Risk and in Aggregate** – Provide information on the amount of risk capital determined for each individual key risk and in aggregate. In reviewing the results for each individual risk, evaluate whether all key risks are adequately accounted for in the metric by assessing the amount of capital allocated to each risk. Consider significant changes in group risk capital from the prior filing, the drivers of such change, and any decisions made as a result of such movement.
- **Impact of Diversification Benefit** – Discuss the impact of any diversification benefit calculated by the group in aggregating its group risk capital. Diversification benefit is typically calculated by aggregating individually modeled risk capital and then accounting for potential dependencies among those risks to allow for an offset or reduction in the total amount of required capital (group risk capital). In evaluating the group's diversification benefit, consider whether the benefit is calculated based on dependencies/correlations in key risk components that are reasonable/appropriate.
- **Available Capital** – Provide information on and discuss the amount of capital available to absorb losses across the group, recognizing that there may be fungibility issues relating to capital trapped within various legal entities and jurisdictions for which regulatory restrictions and supervisory oversight constrain the extent and timing of capital movement across the group. Describe management's strategy to obtain/deploy additional capital across the group should the need arise. Determine if there is any double counting of capital through the stacking of legal entities.
- **Excess Capital** – Discuss the extent to which the group available capital amount exceeds the group risk capital amount per the ORSA Summary Report. In evaluating the overall adequacy of excess capital, consider any concerns outlined above relating to the capital metric(s), group risk capital, impact of diversification and available capital. If the level of excess capital or its availability/liquidity is of concern, evaluate the group's ability to remediate capital deficiencies by obtaining additional capital or reducing risk where required. If further concerns exist, contact the group to discuss and communicate with department senior management to determine whether additional investigation or regulatory action is necessary.
- **Impact of Stresses on Group Risk Capital** – Discuss whether additional stress scenarios have been applied to the model results to demonstrate the group's resiliency to absorb extreme unexpected losses, including severe by plausible liquidity stresses. This step is particularly important when reviewing the use of external capital models that may not be tailored to address the enterprise's specific exposures. Evaluate the range and adequacy of any stress scenarios applied and the resulting impact on the group's ability to accomplish its business strategy, provide sufficient liquidity and meet the capital expectations of rating agencies and regulators.

VI.E. Group-Wide Supervision – Enterprise Risk Management Process Risks Guidance

- **Governance and Validation** – Discuss and evaluate the group’s model governance process and the means by which changes to models are overseen and approved. Consider whether members of senior management are adequately involved. Discuss the extent to which the group uses model validation (including validation of data inputs) and independent review to provide additional controls over the estimation of group capital.
- **Prospective Solvency Assessment** – Discuss the information provided by the group on its prospective solvency position, including any capital projections and liquidity considerations. Consider whether the business goals of the insurer and its strategic direction are adequately discussed and incorporated into the prospective solvency assessment. For example, are expected changes in risk profile presented and discussed? Also consider whether prospective solvency is projected across the duration of the current business plan. To the extent the prospective assessment suggests that the group capital or liquidity position will weaken, or recent trends may result in certain internal limits being breached, the lead state analyst should understand and discuss what actions the insurer expects to take as a result of such an assessment (e.g., reduce certain risk exposure, raise additional capital, implement contingency funding plans, etc.).

Overall Section III Assessment

In addition, after summarizing the assessment of each individual element above, the lead state analyst should provide an overall assessment of the insurer’s risk capital assessment process, including any concerns or areas requiring follow-up investigation or communication. The overall evaluation should focus on critical concerns associated with any of the individual elements noted above and should also address any other risk capital assessment concerns that may not be captured within these principles.

The lead state analyst, after completing a summary of Section 3, should consider if the overall assessment, or any specific conclusions, should be used to update either the ERM section of the GPS (if the ORSA Summary Report is prepared on a group basis) or information in the IPS (if the ORSA Summary Report is prepared on a legal entity basis). In addition, key information from the review should be incorporated into or referenced in the RAW during the next full analysis (quarterly or annual) of the insurer if relevant.

Feedback to the Insurer

After completing a review of the ORSA Summary Report, the lead state should provide practical and constructive feedback to the insurer related to the review. Feedback plays a critical role in ensuring the compliance and effectiveness of future filings. Feedback also provides a means for asking follow-up questions or requesting additional information to facilitate the review and incorporation of ORSA information into ongoing solvency monitoring processes.

During the review, topics for feedback communication to the insurer can be accumulated on **Appendix A** of the template. The appendix encourages the lead state to accumulate positive attributes to reinforce the effectiveness of certain practices and information in the summary report. In addition, the appendix encourages the lead state to identify areas for constructive feedback to encourage the insurer to provide additional information or clarify the presentation of certain items in future filings. Finally, the appendix encourages the lead state to list requests for additional information that may be necessary to complete a review and evaluation of the insurer’s ORSA/ERM processes.

Suggested Follow-up by the Examination Team

After completing a review of the ORSA Summary Report, the lead state analyst should direct the lead state examiner to those areas that could benefit from focused inquiries and interviews during an on-site risk-focused examination. In some instances, the analyst may want the examiner to determine, through limited testing, if the data provided and processes described in the ORSA Summary Report are consistent with the insurer’s ERM/ORSA operations. These items can be accumulated on **Appendix B** of the template for follow-up and communication. If there are specific reports, information and/or control processes addressed in the ORSA Summary Report that the

VI.E. Group-Wide Supervision – Enterprise Risk Management Process Risks Guidance

lead state analyst feels should be subject to additional review and verification by the examination team, the lead state analyst is expected to provide direction as to its findings of specific items and/or recommended testing and such amounts should be listed in the template by the lead state analyst. During planning for a financial examination, the lead state examiner and lead state analyst should work together to develop a plan for additional testing and follow-up where necessary. The plan should consider that the lead state examiner may need to expand work to address areas of inquiry that may not be identifiable by the lead state analyst.

In addition to this specific expectation, during each coordinated financial condition examination, the exam team as directed by the lead state examiner and with input from the lead state analyst will be expected to review and assess the insurer's risk management function through utilization of the most current ORSA Summary Report received from the insurer. Also, the lead state analyst will ask the examination team to address the unresolved questions and concerns arising from the analyst's review of the ORSA documented in the template (see Appendix B), through focused inquiries and interviews and testing during an on-site risk-focused examination. Information included in the report and the operating effectiveness of various risk management processes can be supported/tested on a sample basis (e.g., reviewing certain supporting documentation from Section I; assessing the reasonableness of certain inputs into stress testing from Section II; and reviewing certain inputs, assumptions and outputs from internal capital models).

U.S.-BASED INTERNATIONALLY ACTIVE INSURANCE GROUP RISK MANAGEMENT ASSESSMENT CONSIDERATIONS

While the considerations covered in this chapter are generally applicable to all insurers/insurance groups filing an ORSA Summary Report, there are additional risk management assessment considerations for the supervision of internationally active insurance groups (IAIGs) that are outlined in the ORSA Guidance Manual. As such, U.S. lead states functioning as group-wide supervisors should document their assessment of the specific IAIG risk management practices, as highlighted in **Appendix C** of the template. If such practices are already assessed and documented in the general review template, the documentation provided in this appendix can state and cross-reference to where those practices are covered.

To complete the IAIG assessment, the group-wide supervisor may need to request and review additional information from the head of the IAIG, which could include an ORSA Summary Report, CGAD, and/or additional information on risk management practices at the head of the IAIG level. The group-wide supervisor should utilize other filings and resources already available to the department, including holding company filings—i.e., Form B, Form F—and public information sources, before requesting additional information to complete the assessment.

In completing the assessment, the group-wide supervisor should consider whether certain elements are more appropriately assessed and addressed, as necessary, during an on-site examination and coordinate with the examination function. In addition, the analysis function should follow up on findings from the previous examination, as well as identify and assess significant changes in operations and risk management functions at the head of the IAIG since the last examination, as appropriate.

FORM F - ENTERPRISE RISK REPORT

The 2010 revisions to Model #440 and *Insurance Holding Company System Model Regulation with Reporting Forms and Instructions* (#450) introduced a new filing requirement for a Form F. The Form F requires the ultimate controlling person to identify the material risks within the insurance holding company system that could pose enterprise risk to the insurer. The Form F may be completed using information contained in the financial statement, annual report, proxy statement, statement filed with a governmental authority, or other documents

VI.E. Group-Wide Supervision – Enterprise Risk Management Process Risks Guidance

if such information meets the disclosure requirements. Form F is focused on disclosing the enterprise risk associated with the entire insurance holding company system including non-regulated entities. The Form F is filed with the lead state commissioner of the insurance holding company system for every insurer subject to registration under Model #440. Adoption of the applicable Form F and related confidentiality provisions outlined in the 2010 revisions to Model #440 is required for a state to be designated the lead state for Form F filings. Lead states and other domestic states receiving and sharing the Form F must have in place confidentiality agreements as prescribed in Model #440.

Lead State Responsibility for Analysis of Form F

The Lead State should take primary responsibility for reviewing the Form F filing and should incorporate any takeaways, risks or concerns into the GPS. Takeaways, risks and concerns should be incorporated into the ERM summary in the GPS and/or the discussion of various branded risks, as deemed appropriate. There is no requirement or expectation to create a separate Form F checklist or create additional review documentation for sharing with another state or for internal documentation purposes.

If the Form F highlights any issues or risks that are only relevant to a particular insurance entity in the group, the Lead State should notify the domestic state of the issue and share the relevant information from the Form F with that state in a timely manner.

Non-Lead State Reliance on the Lead State Analysis of Form F

The Form F must be reviewed by the lead state and significant findings incorporated into the GPS. The non-lead state is encouraged to review the ERM summary and other information provided by the lead state in the GPS to access relevant information shared through Form F. There is no expectation of additional information shared by the lead state in this area, unless Form F highlights issues or risks that are only relevant to a particular insurance entity in the group. In that case, the non-lead state(s) should rely on the Lead State to proactively provide this information in a timely manner.

If there are material concerns noted in the GPS and additional information is needed, the non-lead state should request additional information from the lead state or company, if available. Such information could include additional information from the Form F filing, if relevant.

Upon the receipt of any additional information, the non-lead state should document any material concerns regarding enterprise risk that could impact the financial condition of the domestic insurer and conclude whether any of the risks identified pose an immediate material risk to the insurer's policyholder surplus or risk-based capital position, insurance operations (e.g., changes in writings, licensure, and organizational structure), balance sheet, leverage, or liquidity.

NAIC Enterprise Risk Report (Form F) Implementation Guide

In March 2018, the Group Solvency Issues (E) Working Group adopted *the NAIC Enterprise Risk Report (Form F) Implementation Guide*, which is located at:

https://content.naic.org/sites/default/files/inline-files/committees_e_isftf_group_solvency_related_form_f_guide.pdf

As outlined in the Guide, it is intended to assist insurers and regulators in maximizing the usefulness of the Form F by proposing best practices for consideration in preparing and reviewing filings. Therefore, while the Guide does not constitute authoritative guidance for information to be included in a Form F filing, filers are requested to consider the best practices outlined within the Guide when preparing their Form F filing. By adhering to the best practices outlined within the Guide, registrants will be able to reduce the extent of regulator follow-up and correspondence necessary to utilize the information provided, which should lead to a more effective and efficient process. The regulators' goal in developing this document was to provide some consistency and uniformity across states in reviewing and utilizing information obtained through the Form F. Therefore, it is recommended that states utilize the best practices outlined in the Guide to support their review and feedback process.

VI.E. Group-Wide Supervision – Enterprise Risk Management Process Risks Guidance

Insurance holding company systems are expected to provide a Form F filing to the appropriate regulator on an annual basis, unless they have been granted an individual exemption from the reporting provisions. Situations where it might be appropriate to consider granting an exemption could include the following:

- An ORSA Summary Report has been filed with the commissioner at the ultimate controlling person (UCP) level and addresses all enterprise risk exposures that would be disclosed in a Form F filing.
- Based on the very limited size, structure and nature of an insurance holding company system, the Form F filing would not provide additional valuable information to the commissioner.

PROCEDURES #1 - 2 provides a guide to assist analysts in reviewing the Form F filing for completeness and help guide analysts through each of the major items of information required by Form F. Analysts should review Form F in conjunction with a review of Form B and should document any nondisclosure of information. As noted above, concerns should be documented in the GPS, as there is no requirement or expectation for the analyst to create a separate Form F checklist or create additional review documentation.

PROCEDURES #3 - 7 provides a guide to assist analysts in evaluating the risks described within Form F. Analysts should consider whether any enterprise risks not reported in Form F exist, and for all risks identified both within Form F and by analysts, analysts should review information available and document any concerns. Analysts should also evaluate whether the risks identified result in an impact to the insurer's financial condition (e.g., surplus, RBC, insurance operations, balance sheet, leverage, and liquidity). Risks and concerns should be documented in the GPS.

ORSA Review Template

Group/Insurer: _____
Group Code/CoCode: _____
State _____
Valuation Date: _____
Submission Date: _____

General Instructions:

This template is intended to be used to document a review and assessment of the ORSA Summary Report by the lead/domestic state. Regulators should document the results of their annual review of the ORSA and utilize the appendixes to track and communicate feedback to the insurer and procedures for regulatory follow-up. See VI.E. Group-Wide Supervision – Enterprise Risk Management Process Risks Guidance for additional guidance in completing this template.

Prepared/Reviewed By:	Date:

Date of Last Exam:	
Date of Next Exam:	

Analyst Overarching Comments Concerning the ORSA/Review Template

Summarize any issues that dominate in the ORSA/ Review Template.

Background Information

Summarize and assess background information provided in the report, where available. Key documentation elements are presented below.

1. **Attestation:**
2. **Entities in Scope:**
3. **Accounting Basis:**
4. **Key Business Goals:**
5. **Changes from Prior Filing(s):**

Section I – Description of the Insurer’s Enterprise Risk Management (ERM) Framework

Summarize and assess key information from Section I of the ORSA Summary Report for each of the five principles of a risk management framework.

1. **Risk Culture and Governance:**

2. **Risk Identification and Prioritization:**

3. **Risk Appetite, Tolerances and Limits:**

4. **Risk Management and Controls:**

5. **Risk Reporting and Communication:**

Overall Section 1 Assessment—After reviewing and considering each principle individually, develop an overall assessment of the group’s/insurer’s risk management framework including any concerns or areas requiring follow-up investigation or communication:

Section II – Insurer Assessment of Risk Exposures

Prepare documentation summarizing a review and assessment of information provided on the reasonably foreseeable future and relevant material risks of the insurer/group.

THE FOLLOWING TABLE SHOULD BE COMPLETED FOR EACH KEY RISK

Risk Title/Description	
Branded Risk(s)	
Controls/Mitigation	
Risk Limits	
Assessment (QT/QL)	
Normal Exposure	
Stress Scenario(s)	
Stressed Exposure	
Inclusion on GPS/IPS	
<u>Regulator Review & Assessment:</u>	

Overall Section 2 Assessment—After reviewing and considering each key risk individually, develop an overall conclusion regarding the group’s/insurer’s process to assess key risk exposures including any concerns or areas requiring follow-up investigation or communication:

Section III – Assessment of Risk Capital and Prospective Solvency

Prepare documentation summarizing a review and assessment of key elements of the risk capital and prospective solvency process as follows.

1. **Discussion of Capital Metric(s) Used:**
2. **Group Risk Capital (GRC) – By Risk and In Aggregate:**
3. **Impact of Diversification Benefit:**
4. **Available Capital:**
5. **Excess Capital:**
6. **Impact of Stresses on GRC:**
7. **Governance and Validation:**
8. **Prospective Solvency Assessment:**

Overall Section III Assessment—After reviewing and considering each of the key elements individually, develop an overall assessment of the risk capital and prospective solvency of the insurer/group including any concerns or areas requiring follow-up investigation or communication:

Appendix A – Feedback to Insurer

Feedback to the insurer on the ORSA Summary Report is critical for the compliance and effectiveness of future filings. The purpose of this form is to help the lead/domestic state gather and provide constructive and practical feedback to the insurer.

Positive Attributes:

- 1.
- 2.
- 3.

Constructive Feedback:

- 1.
- 2.
- 3.

Requests for Additional Information:

- 1.
- 2.
- 3.

Appendix B – Recommended Exam Procedures/Areas for Follow-Up Investigation

In completing a review of the ORSA Summary Report, the lead state/domestic regulator should consider whether certain elements could benefit from focused inquiries and review during an on-site risk-focused examination. In some instances, the analyst may want the examiner to determine through limited testing, if the data provided and processes described in the ORSA Summary Report are consistent with the insurer's actual ERM/ORSA operations. Such procedures and issues can be accumulated here for communication and tracking.

Background Information

- 1.
- 2.
- 3.

Section I - ERM Framework

- 1.
- 2.
- 3.

Section II - Risk Assessment

- 1.
- 2.
- 3.

Section III - Risk Capital and Prospective Solvency

- 1.
- 2.

Appendix C – U.S. Based IAIG Risk Management Assessment Considerations

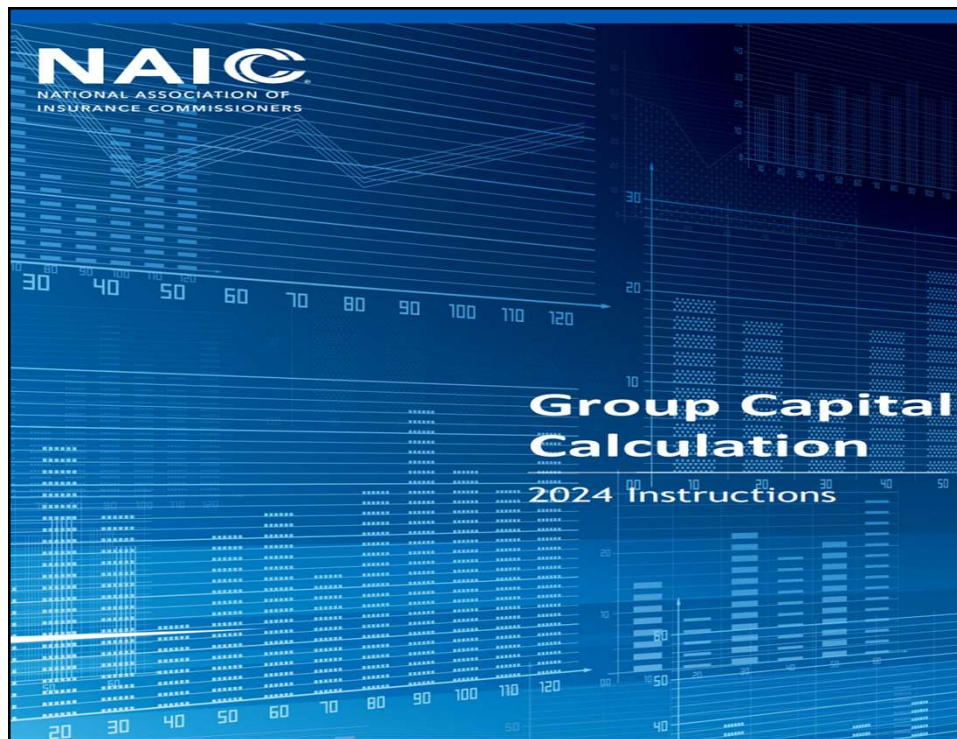
While the considerations provided in this template are generally applicable to all insurers/insurance groups filing an ORSA Summary Report, there are additional risk management assessment considerations for the supervision of Internationally Active Insurance Groups (IAIGs) that have been incorporated into this template. As such, U.S. lead states functioning as group-wide supervisors should document their assessment of specific IAIG risk management practices here, if not already addressed above.

1. Based on the analyst's review of the ORSA Summary Report and any additional information received, assess whether the head of the IAIG ensures that the risk management strategy and framework (whether located at the Head of the IAIG or within another legal entity of the IAIG) encompasses the levels of the head of the IAIG and legal entities within the IAIG, promotes a sound risk culture, and covers:
 - diversity and geographical reach of activities;
 - nature and degree of risks in entities/business lines;
 - aggregation of risks across entities within the IAIG;
 - interconnectedness of entities within the IAIG; level of sophistication and functionality of IT/reporting systems at the group level; and
 - applicable laws and regulations.
2. Assess whether the risk management strategy is approved by the IAIG Board and implemented at the group level; with regular risk management reporting provided to the IAIG Board or one of its committees.
3. Assess whether the risk management function, the actuarial function and the internal audit function are involved in the risk management of the IAIG and which activities they perform.
4. Assess whether the risk management function coordinates and promotes consistent implementation, with any material differences in practices across the group being clearly documented and explained.
5. Assess whether the risk management function is adequately independent from risk taking activities.
6. Assess whether the head of the IAIG reviews, at least annually, the risk management framework to ensure that existing and emerging risks as well as changes in structure and business strategy are taken into account.
 - Assess whether the group-wide risk assessment framework, or components thereof, is independently reviewed¹ at least once every three years, in order to ascertain that it remains fit for the risk profile, structure and business strategy of the IAIG.
 - Assess whether necessary modifications and improvements are made to risk management framework in a timely manner.
7. Assess whether the following key elements are appropriately incorporated and addressed within the IAIG's ORSA framework:
 - The ORSA should describe how risks are managed in a cross-border context across the IAIG. These risks should include at least: insurance risk, market risk, credit risk, liquidity risk, concentration

¹ Independent review could be performed by internal audit function, if deemed independent from risk management functions of the group

VI.F. Group-Wide Supervision – Own Risk and Solvency Assessment (ORSA) Review Template

- risk, operational risk, group risk and strategic risk. The ORSA should also explain how assets are properly diversified and asset concentration risk is mitigated across the IAIG.
- Mechanisms to keep track of intra-group transactions that have a significant impact on the IAIG, the risks arising from these transactions and the qualitative and quantitative restrictions on these risks.
 - The ORSA framework measures risks using an economic capital model that takes into account the risks faced in different sectors, jurisdictions and economic environments
 - The ORSA shows both the economic and the regulatory capital at the Head of the IAIG level and it includes a discussion of the fungibility of capital and the transferability of asset within the group
 - Risk measurement includes stress testing, including reverse stress testing and scenario analysis, as appropriate for its risk profile
 - Risk measurement demonstrates resilience of the total balance sheet against plausible macroeconomic stresses
 - Risk measurement also includes an assessment of aggregate investment counterparty exposures and analyzes the effect of stress events on those exposures through scenario analysis or stress testing
 - The ORSA reports on the IAIG's management of liquidity risks and assesses its resilience against severe but plausible liquidity stresses to determine whether current exposures are within the liquidity risk appetite and limits
 - The ORSA demonstrates that the IAIG maintains an adequate level of unencumbered highly liquid assets in appropriate locations, as well as a contingency funding plan to mitigate potential stresses
 - The ORSA discusses at a high-level the severe stresses that could trigger a recovery plan and should summarize the recovery options available. The ORSA should also discuss how the management information systems are able to produce information relevant to the recovery plan on a timely basis.



Group Capital Calculation (GCC) Compared to ORSA Capital

Jane Ren
Group Capital and Macroprudential Policy
Advisor

Ned Tyrrell
Senior Advisor, International Solvency Policy

Eli Russo
NAIC ERM Advisor

Sherry "Cyranna" Flippo
NAIC Sr Policy Advisor
ERM/Receivership



NAIC OWN RISK AND SOLVENCY ASSESSMENT (ORSA) GUIDANCE MANUAL

Maintained by the
Group Solvency Issues (E) Working Group
of the Financial Condition (E) Committee

As of December 2025



Learning Objectives

- **Why present Capital at a Group Level?**
- **Understand the NAIC Group Capital Calculation (GCC)**
- **Understand ORSA Capital Requirements and methods that insurer use to present Capital in the ORSA Report**
- **Compare GCC and ORSA capital**
- **Example of using GCC and ORSA to produce a holistic view of group capital and populate the GPS**



Why present capital at a group level?

Why present capital at a group level?

- The US regulatory financial reporting presents surplus on a legal entity level.
- After the 2008 financial crisis, the need for the regulator to look at group capital and non-insurance entities that affected the insurer became vital.

Two regulatory tools were developed to provide regulators with a **view of capital at the group level**:

Group Capital Calculation (GCC) NAIC Model Law (#440) and Model Regulation (#450) - 2020:

- Builds on existing Statutory/RBC entity-level capital
- Provides uniformity across groups
- Gives regulators a clear, standardized view of group capital
- Emphasizes transparency and identification of non-insurance capital

Risk Management Own Risk Solvency Assessment (ORSA) NAIC Model Law (#505) - 2012:

- Principle-based, risk-focused capital view
- Varies by insurer, based on risk profile
- Evaluates capital through the lens of enterprise risk management
- Provides insight into material risks, risk appetite, and forward-looking capital needs

How does a different views of group capital benefit the regulator?

- The regulator can
 - Look at capital on a group basis rather than just a legal entity level presented by RBC
 - Gain a perspective on other affiliates within the group
 - Better understand the risks to insurance groups and their policyholders

What is the difference between the GCC and the capital in an ORSA?

Group Capital Calculation (GCC)

Background - Purpose & Benefits

Purpose

- Better understand the group
- NOT to be used to take regulatory action, nor meant to be used to compare one group to the next

Benefits

- Transparency into the group
- Help identify potential pressure from non-insurance entities or non-U.S. insurers
 - Provide early warning signals
 - Trending of financial information
 - Analytics tab of the GCC

Bottom-up approach

The GCC aggregation approach is intended to build on existing legal entity capital requirements where they exist rather than developing replacement/additional standards. In selecting this approach, it was recognized as satisfying regulatory needs while at the same time having the advantages of being less burdensome and costly to regulators and industry and respecting other jurisdictions' existing capital regimes.

To capture the risks associated with the entire group, including the insurance holding company, GCC calculations would need to be developed in those instances where no RBC calculations currently

The Group Capital Calculation Ratio

For each entity within the group, two amounts must be provided: available capital and calculated* capital

$$\begin{aligned} &\text{Available Capital} \\ &\div \text{Calculated Capital} \\ &= \text{Group Capital Ratio} \end{aligned}$$

**Represents the local required capital for insurers and other regulated entities (e.g. banks) and a calculation for non-regulated entities*

GCC Methodology (Aggregation)

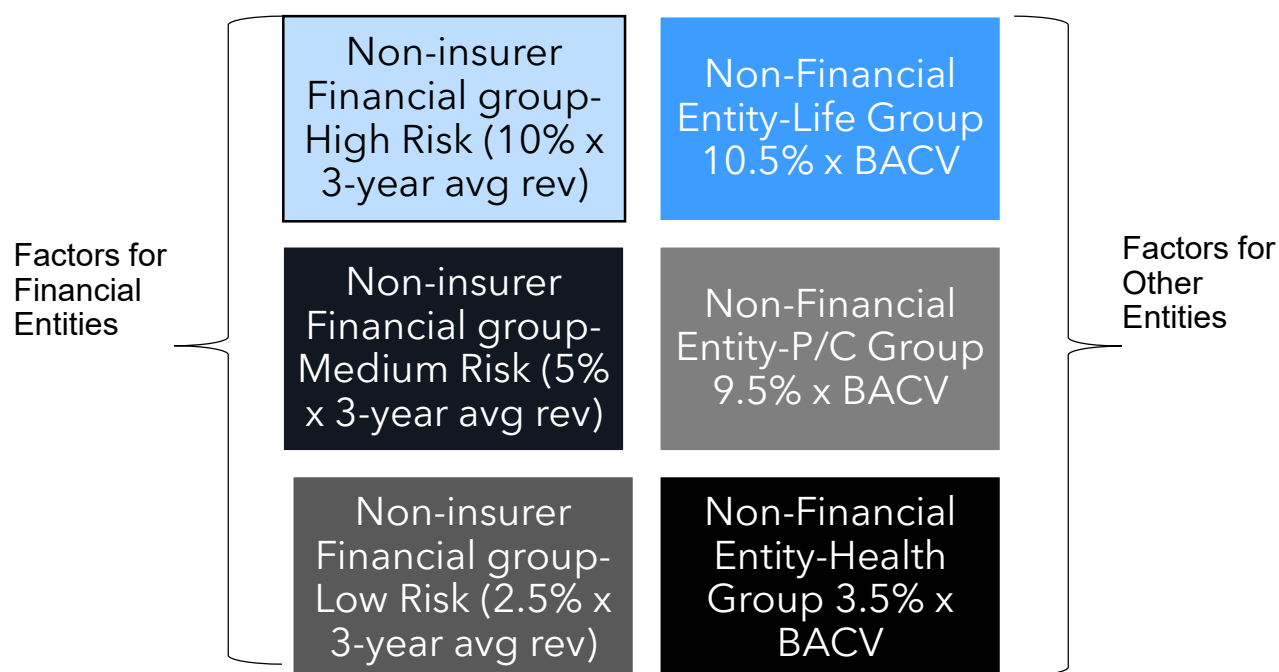
Step 1: Accumulate entity-level data, including available capital and calculated capital, using RBC amounts where available, and apply a factor to other non-insurance entities

Step 2: Eliminate amounts for double-counting (available capital and calculated capital) for all entities (where applicable)

Step 3: Aggregate the results for all entities, thereby calculating total available capital and total required capital after eliminations (scaling for entities in non-US jurisdictions)

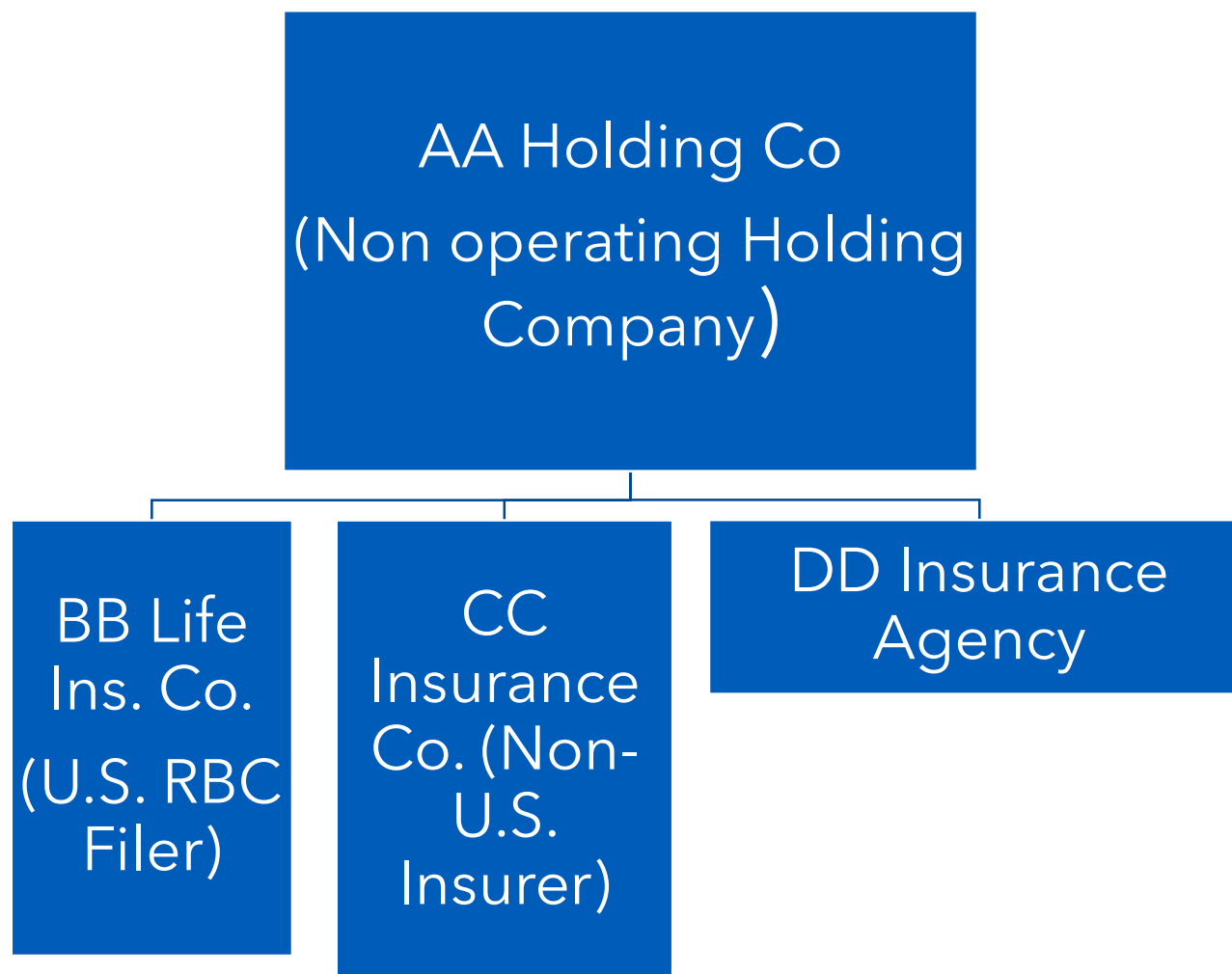
Step 4: Analyze the results—the group capital ratio

GCC Factors For Non-Insurance Entities



Note: BACV stands for book/adjusted carrying value

EE Insurance Group (EEIG)



EEIG Financial Info

Entity	Total Available Capital (TAC)	Calculated Capital
AA Holding Company	\$50.0M ¹	\$1.26M ³
BB Life Ins. Company	\$30.0M	\$6.0M ²
CC Insurance Company	\$6.0M ¹	\$1.6M ²
DD Insurance Agency	\$2.0M ¹	\$0.21M ³

¹ For non-RBC reporting entities, this is the available regulatory capital or stockholder's equity

² Minimum required capital (first level of intervention (200% RBC) or equivalent amount in foreign jurisdiction)

³ **Calculated using a factor (see following pages)**

(Calculations herein have been simplified for demonstration purposes.)

Eliminations of the Available Capital

Entity	TAC	Less Subs' TAC	Adjusted TAC
AA Holding Company	\$50.0M	(\$38.0M) ¹	\$12.0M
BB Life Ins. Company	\$30.0M	0	\$30.0M
CC Insurance Company	\$6.0M	0	\$6.0M
DD Insurance Agency	\$2.0M	0	\$2.0M
Available Capital (EEIG Total)			\$50.0M

¹ \$30.0M + \$6.0M + \$2.0M = \$38.0M

Calculations of Non-Insurance Calculated Capital

Entity	Value	Factor	Calculated Capital
AA Holding Company	\$12.0M	10.5%	\$1.26M
DD Insurance Agency	\$2.0M	10.5%	\$0.21M

Calculation of the Group Capital Ratio

- Available capital = \$50.0M
- Calculated capital = \$9.07M
- Ratio = $\$50.0\text{M} \div \$9.07\text{M} = 5.51$

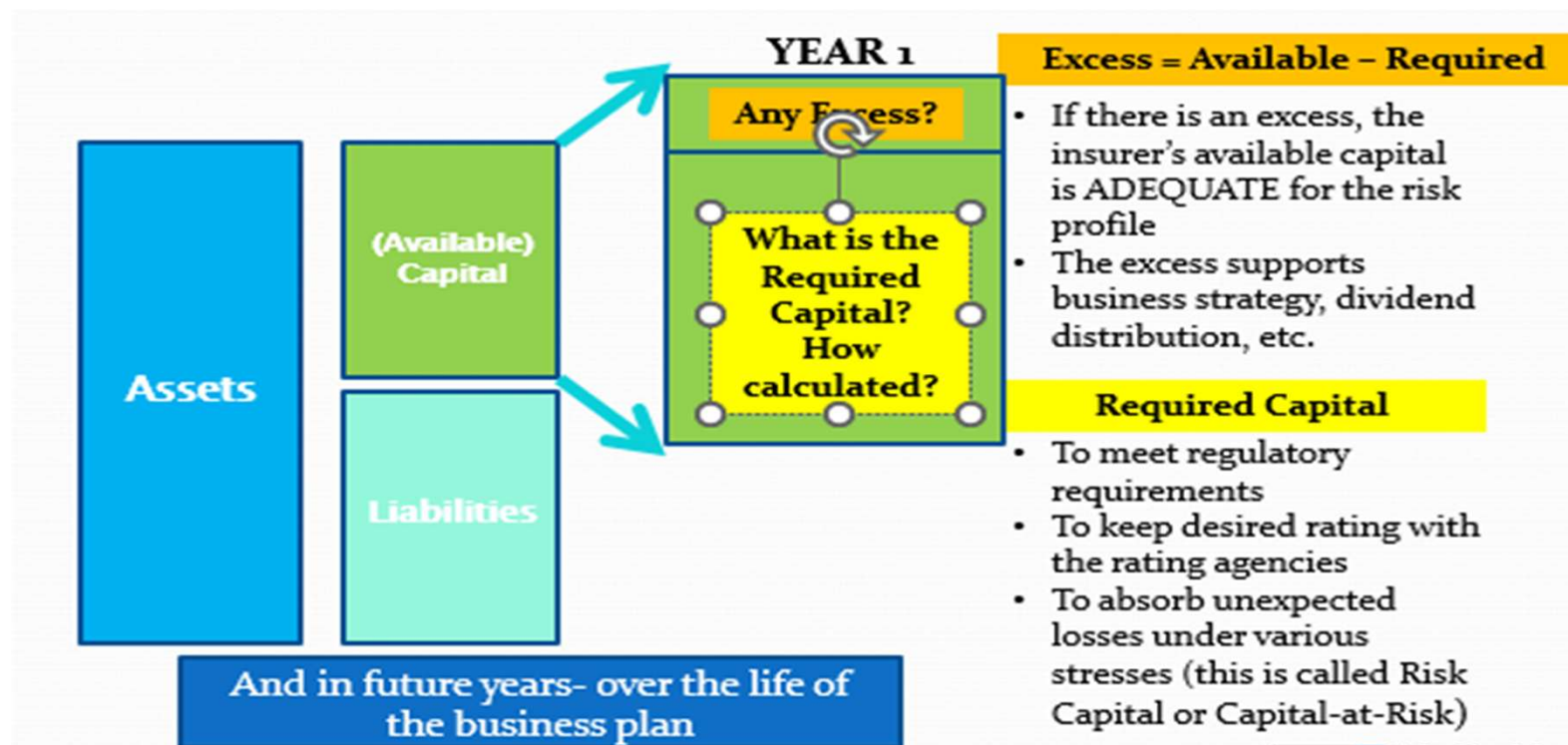
(A ratio of 1.0 is the equivalent of an RBC of 200%; 5.51 is well above 1.0)

Capital in ORSA

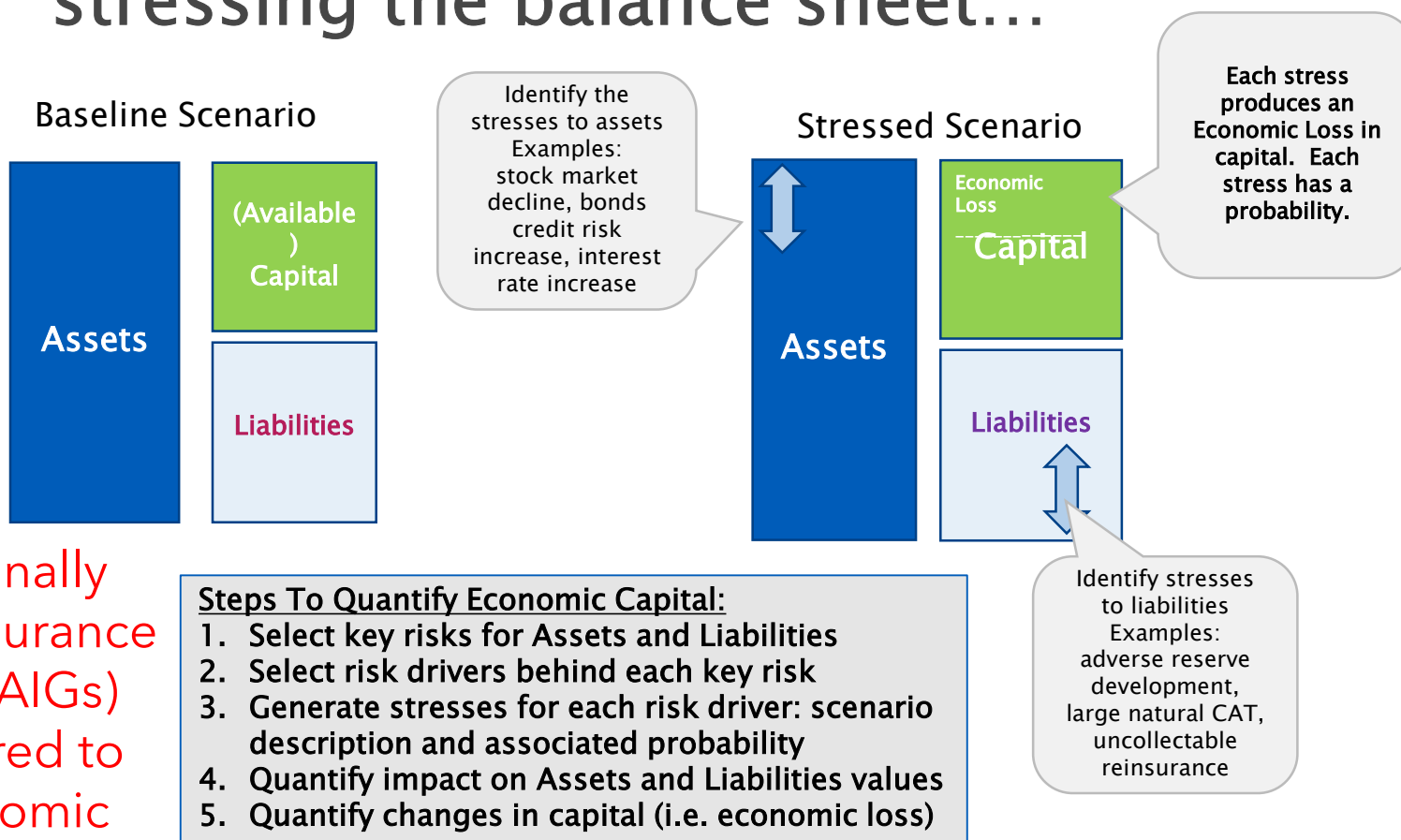
Capital Language from ORSA Guidance Manual

The goal of the group capital assessment is to provide an overall determination of risk capital needs for the insurer based on the nature, scale, and complexity of risk within the group and its risk appetite; and compare that risk capital to available capital to assess capital adequacy. Group assessment of risk capital should not be perceived as the minimum amount of capital before regulatory action will result (e.g., the triggers in the Risk-Based Capital (RBC) for Insurers Model Act [#312]); rather, it should be recognized that this is the capital needed within a holding company system to achieve its business objectives.

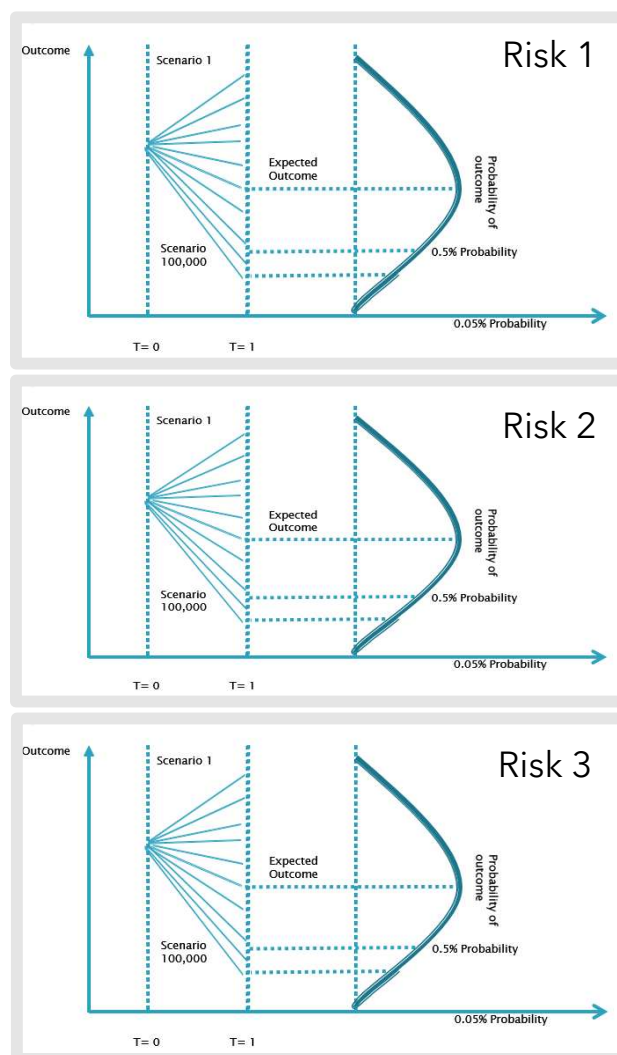
Building Block of Capital in ORSA



Economic Capital is measured by stressing the balance sheet...

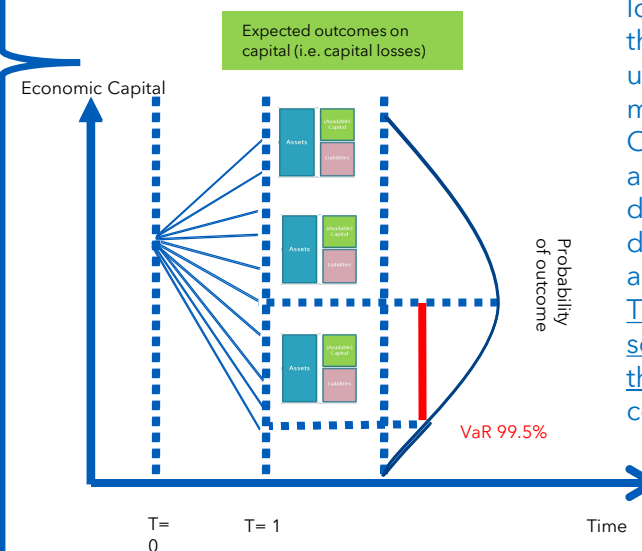


Internationally Active Insurance Groups (IAIGs) are required to Use Economic Capital Models



Scenario-based model (Stochastic - Thousands simulations)

Aggregation (Correlation Matrix or Copula)



After simulating each risk individually, I have lots of capital losses. I combine these simulations using a correlation matrix or a copula. Once I have the aggregate distribution, I can determine its mean and percentiles. The modeling software does all this, and this is why companies buy it.

Example of Capital Views

S&P HAS A CAPITAL MODEL

S&P Model Required Capital for "A" rating		
	Risk Type:	millions:
1	Premium Risk	1,000
2	Reserve Risk	2,000
3	Cat Risk	600
4	Asset Risk	1,500
5	Life Risk	500
6 = Sum(1thru5)	Undiversified Capital	5,600
7	Diversification Benefit	800
8=6-7	Diversified Required Capital	4,800
9	Available Capital	7,200
10=9-8	Cushion	2,400
11=9/8	Available/Required Capital	150%

A.M. BEST HAS A CAPITAL MODEL

AM Best BCAR for "A" rating		
	Risk Type:	millions:
1	Asset Risk	1,400
2	Reserve Risk	2,100
3	Premium Risk	800
4	Business Risk	600
5	Cat Risk	500
6 = Sum (1thru5)	Undiversified Capital	5,400
7	Diversification Benefit	1,000
8=6-7	Diversified Required Capital	4,400
9	Available Capital	7,500
10=9-8	Cushion	3,100
11=9/8	Available/Required Capital	170%
{(9)-(8)}/(9)	BCAR Ratio	41%

More Examples of Capital Views

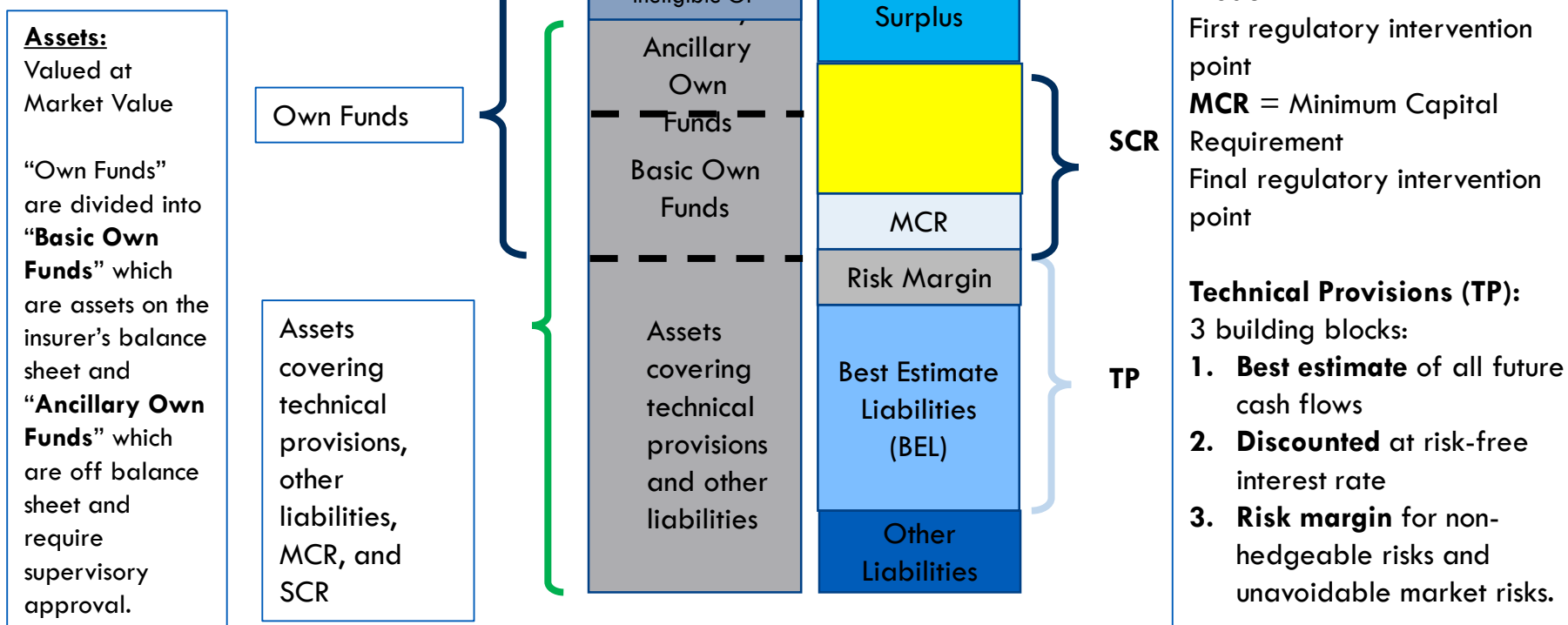
NAIC HAS THE RBC CAPITAL MODEL

	RBC	
	Risk Type:	millions:
1	R0 - Asset Risk-Affiliated	100
2	R1 - Asset Risk-Fixed Income	400
3	R2 - Asset Risk-Equity	200
4	R3 - Asset Risk-Credit	300
5	R4 - UW Risk-Reserve	400
6	R5 - UW Risk-NPW	700
7	Rcat - Catastrophe Risk	300
8 = Sum(1thru7)	Undiversified Capital	2,400
9	Covariance Adjustment	1,000
10=8-9	Authorized Control Level	1,400
11	Total Adjusted Capital	6,200
12=11-10	Cushion	4,800
13=11/10	RBC ratio	443%

SOME INSURERS HAVE THEIR OWN INTERNAL ECONOMIC CAPITAL MODEL

	Economic Capital Model @99VaR	
	Risk Type:	Year 1 millions:
1	Cat Risk	1,000
2	Reserve Risk	1,100
3	Market Risk	900
4	Credit Risk	1,500
5	Premium Risk	800
6	Life Risk	300
7 = Sum(1thru6)	Undiversified Capital	5,600
8	Diversification Benefit	2,500
9=7-8	Diversified Required Capital before load	3,100
10	Load for operational & non-modeled risk	10%
11= (1.0 + (10))*9	Diversified Required Capital	3,410
12	Available Capital	7,600
13=12-11	Cushion	4,190
14=12/11	Available/Required Capital	222%

ORSAs prepared under Solvency II – THE BALANCE SHEET



Example of Solvency II Capital in ORSA-

**Total Assets =
5,700**

**Total liab. &
Capital =
5,700**

**Basic Own
Funds =
1600**

**Free Surplus =
800**

SCR = 700

**Other
Assets =
4100**

**Liabilities
= 4200**

**Coverage
ratio
= BOF/SCR
= 228%**

Item	YE	YE +1	YE + 2
Assets	5700	5900	6100
Liabilities	4200	4445	4600
Basic Own Fund	1600	1800	1780
SCR	700	775	800
Surplus	800	680	700
Coverage Ratio	228%	232%	254%

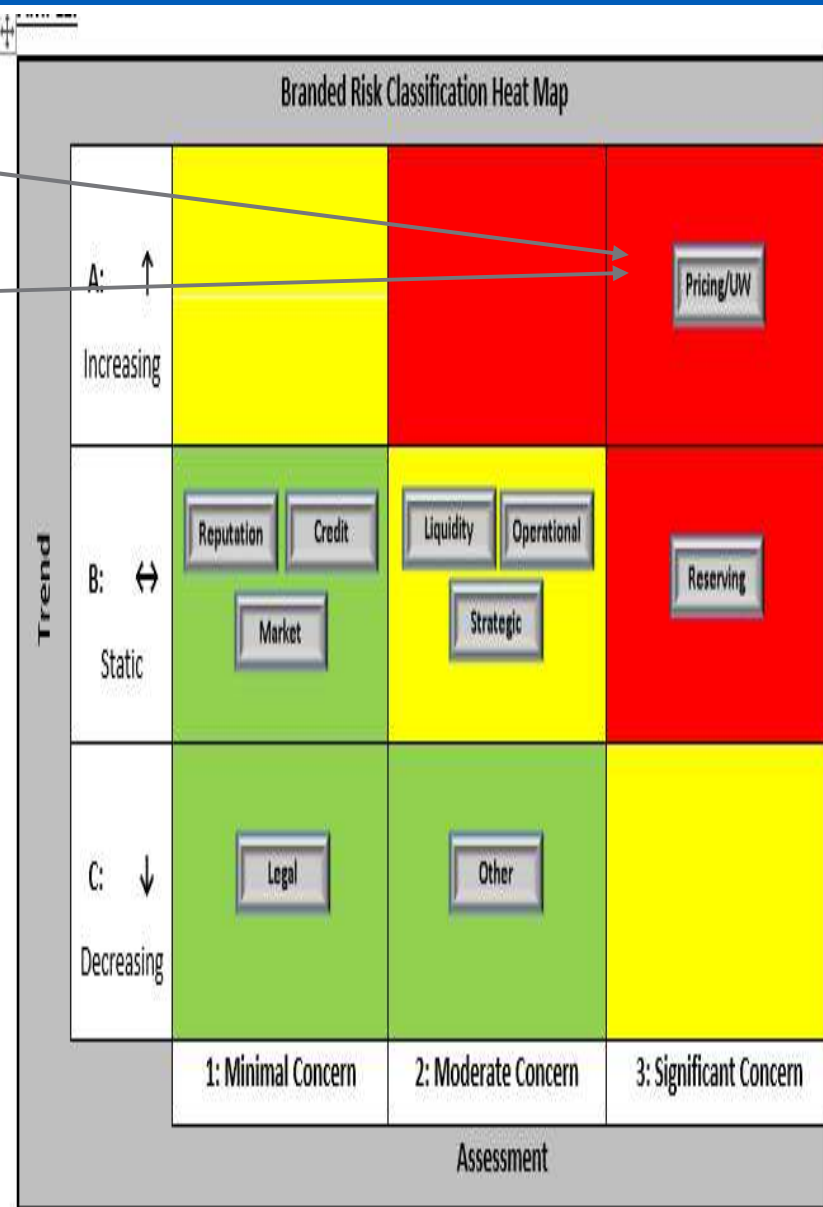
Capital Per Risk	YE
Insurance Risk	3,400
Financial Risk	2,400
Operation Risk	800
Diversification	-1,850
Internal Required Capital	4,750

Use of the Economic Capital Model to inform GPS

Risk	Risk Capital @ VAR 99	
	YEAR 1	YEAR 2
CAT	678	850
Market	468	455
Reserve	728	835
U/W	625	721
Credit	58	50
Total	2557	2911
Diversification	-895	-1164
Post-Div. Total	1662	1747
Operational	199	210
Required Capital	1861	1956
Available Capital	2777	2485
Excess Capital	916	529

Liquidity

2X liabilities at YE



CAT and U/W risks should be evaluated during exam

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Key Points Related to Capital in ORSA

- Insurer may use several capital metrics for different stakeholders
 - For Internationally Active Insurance Groups (IAIG's), the ORSA should show economic capital at the group -level
- Insurer can choose metrics, calibration, diversification, assumptions

BUT

- No US regulatory pre-approval but verification/control testing/walkthrough
- Insurer should support choices made
- Insurer should explain which key risks are included or add capital stresses for risks not included.

Summary

Compare the GCC and Economic Capital

GCC is a regulator defined methodology that looks at the RBC reporting entities as well as the non-insurance entities and those in other jurisdictions to arrive at the available capital and calculated capital.

ORSA is a principles-based company view of the ERM framework and the group capital and stresses currently and prospectively over the life of the business plan which is typically 3-5 year. ORSA should answer the question,

“What are the insurer’s key risks?”

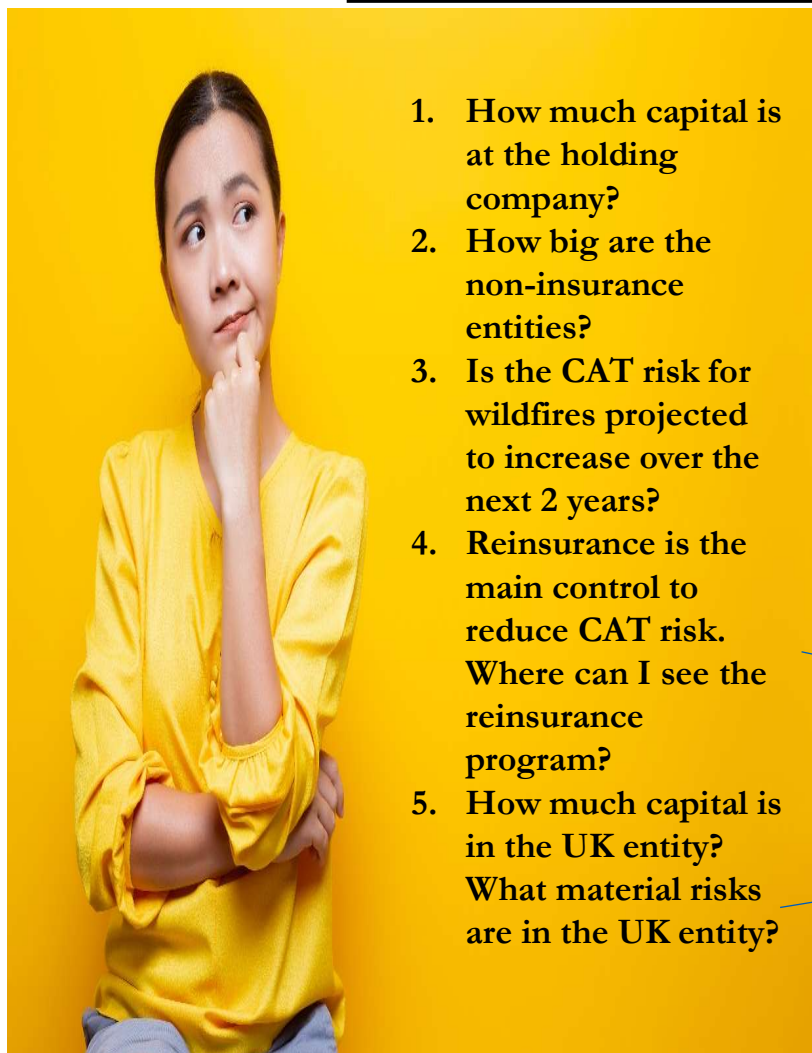
“ How much economic capital is needed to support those risks now and prospectively?”

How Issues are Addressed

Issue	GCC	ORSA
Affiliates, non-insurance entities and foreign jurisdictions	Systematic methodology for including in the calculation	Material affiliates, non-insurance and foreign jurisdictions to be presented
Prospective group capital projected	No	Yes- per instructions
Group Capital Allocated to Risk	No	Yes for IAIG (Economic Capital Model Required); Maybe on other insurers
Ratio of Calculated Capital (Risk Capital-ORSA) to Available Capital	Yes	Depends on Insurer; more prevalent in international insurers or Health Insurers using RBC multiples
Risks	Not presented by Risks	ORSA guidance manual instruction for all material risks, however insurer choose risks included in ORSA

Regulators can use both ORSA and GCC to obtain Company Group Capital and/or Group Risk View

This analyst is preparing the Group Profile Summary (GPS). Can the ORSA, GCC or RBC filing help answer her questions?



GCC



ORSA



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