



To: Superintendent Joseph Torti III (RI), Chair of Financial Condition (E) Committee
From: Danny Saenz (TX), Chair of Own Risk and Solvency Assessment (ORSA) (E) Subgroup
Date: November 6, 2013
Re: 2013 Own Risk and Solvency Assessment (ORSA) Feedback Pilot Project

Overview and Results of the Project

The ORSA Subgroup was charged with completing its second ORSA Feedback Pilot Project in 2013. The project involved the voluntary submission of a confidential ORSA Summary Report for regulatory review so that regulators could provide individual feedback to the insurer/group as well as high-level, non-group specific feedback to the industry prior to the ORSA requirement effective in 2015.

The Subgroup requested insurers and/or groups voluntarily provide an ORSA Summary Report for regulator review by September 20, 2013. The Subgroup held a regulator only interim meeting on November 4-5, 2013 in Kansas City, Missouri to review 22 reports.

The Subgroup concluded that year-over-year the quality of ORSA Summary Reports improved significantly for insurer/groups that had participated previously. Note that in 2013, ORSA Summary Reports were generally complete and did not include placeholders for redacted data as was noted in the prior year, which improved the quality of the 2013 reports and the reviews. The Subgroup also noted that first time participants’ ORSA Summary Reports generally met the expectations as outlined in the *ORSA Guidance Manual* and overall were better than the reports submitted in 2012. Based on each lead state’s understanding of its respective insurer/groups, the ORSA Summary Reports were generally reflective of the robustness of the insurer/group’s enterprise risk management. Of the 22 submissions in 2013, the participating regulators agreed that only three reports could greatly benefit from material improvements in the report to better reflect the insurer/groups’ enterprise risk management frameworks.

In both years, the participants covered a wide range of business types (Life, Property & Casualty, and Health), U.S. and international groups, and a range of large to medium size groups. Below is a comparison to the prior year project.

	2012	2013
Number of States Participating	12	16
Estimated Number of ORSA Reports Expected to be Filed to Participating States	134	167
% of Total Estimated ORSA Reports Expected to be Filed	50%	64%
Number of Insurer/Groups Participating	14	22

Feedback was provided directly to each participating insurer/group. Conference calls were held between the insurer/group, lead state, Subgroup member(s) and NAIC staff assigned to review the report. The goals of the conference calls were to have the insurer/group provide an overview of the report, ask questions to further the

regulators' understanding of the report, and to provide feedback. Follow-up discussions and additional feedback were provided by the lead states to the insurer/group, as necessary.

The participating insurer/groups' expressed their understanding of the importance of the project, their appreciation for the opportunity to participate and receive feedback, and the overall benefit the experience has provided them in helping prepare for their future ORSA filing. While confidentiality remains a concern for a few groups, the participants expressed an increased understanding of the project and comfort with the level of the confidentiality protection of the project.

Overall the Subgroup reaffirmed that the ORSA Summary Report will be a valuable tool within the regulators' solvency monitoring process to provide insight into the insurer's risk management framework and to help regulators better identify, understand and focus on key risks within the analysis and examination processes.

Recommendations

The Subgroup makes the following recommendations for the Financial Condition (E) Committee's consideration.

Feedback to the Insurance Industry. The Subgroup made observations and identified components of ORSA Summary Reports that were beneficial to the regulators' overall understanding of the Reports. Most of these observations do not warrant inclusion in the *ORSA Guidance Manual*; however, the Subgroup felt these components enhanced the Reports and concluded that insurer/groups may choose to consider these observations as they develop and prepare ORSA Summary Reports. The Subgroup also assessed the continued relevance of the 2012 Pilot Project industry feedback and re-emphasized that each insurer/group should consider these observations and comments. The Subgroup recommends the updated document summarizing the 2012-2013 observations be posted to the NAIC website for insurers' future reference. [See Attachment]

Conduct 2014 ORSA Feedback Pilot Project. The Subgroup concluded that both the 2012 and 2013 projects provided valuable experience to both the insurer/groups and regulators preparing for ORSA requirements. The Subgroup recommends conducting a third ORSA Pilot Project in 2014. The Subgroup anticipates including states and companies that have not previously participated; however the details of the timing, scope and structure of a 2014 project will be determined subsequent to the Committee's approval.

ORSA Guidance Manual. The Subgroup noted only a few minor edits may be appropriate for the *ORSA Guidance Manual* to clarify an insurer's understanding of the requirements. These changes will be considered in 2014.

Ongoing Regulatory Preparations for ORSA Filings. The Subgroup will continue to move forward with plans to begin development of regulatory guidance recommendations for the FAHWG and the FEHTG during 2014.

If you have any questions regarding this report, please feel free to contact me or NAIC support staff (Jane Koenigsman jkoenigsman@naic.org and Dan Daveline ddaveline@naic.org).