

OWN RISK AND SOLVENCY ASSESSMENT ("ORSA") AND OWN SOLVENCY CAPITAL ASSESSMENT ("OSCA") FOR GUERNSEY INSURANCE COMPANIES



INTRODUCTION

Under the Insurance Business (Solvency) Rules 2015 (the "Rules"), insurance and reinsurance companies licensed in Guernsey are required to assess and monitor their regulatory solvency requirements under a risk-based framework.

The Rules require licensed insurers to hold sufficient capital resources to meet both a Minimum Capital Requirement and a Prescribed Capital Requirement, the latter being calculated using principles similar to the Solvency II standard formula for determining the Solvency Capital Requirement.

The directors of Guernsey insurance companies are also required to determine, with justification, their own view of the appropriate level of capital resources for solvency purposes. For this purpose, each company must undertake a periodic review of the risks to which it is exposed by carrying out an Own Risk and Solvency Assessment ("ORSA").

This approach is similar to requirements for insurers located within the European Union who must comply with requirements to meet both a Minimum Capital Requirement and a Solvency Capital Requirement, and also prepare an ORSA in line with Solvency II requirements.

OWN RISK & SOLVENCY ASSESSMENT (ORSA)

Guernsey insurance undertakings are required to conduct an ORSA at least annually and whenever a change to the company's business plan has had a material impact on the company's solvency position. An ORSA report must also be submitted to the Guernsey Financial Services Commission ("the Commission").

The ORSA must include the directors' assessment of the company's current and projected solvency positions. It must also include a quantitative and qualitative assessment of the company's risk exposure along with stress and reverse stress tests of its solvency position.

OWN SOLVENCY CAPITAL ASSESSMENT (OSCA)

For certain classes of insurer, including PCCs and commercial reinsurers, the Rules permit a company to limit its ORSA to an assessment of its current solvency position, known as an Own Solvency Capital Assessment ("OSCA").

As for a full ORSA, an OSCA must be prepared at least annually and an OSCA report submitted to the Commission.

The OSCA must address the risks considered within the regulatory solvency calculation, as well as other risks which may be material to the insurer, including liquidity and operational risk.

BWCI EXPERIENCE

BWCI has substantial experience and expertise in undertaking ORSA and OSCA work for a range of Guernsey clients, and this experience is complemented by our ORSA work for clients regulated under Solvency II.

We have a thorough technical understanding of the risks involved and the skills needed to assess an appropriate level of capital for the risks identified. The range of our support for companies completing ORSAs and OSCAs can extend to:

- Providing solvency calculations for the OSCA and projections for the ORSA,
- Assistance with designing the company's ORSA framework and drafting an ORSA policy,
- The creation of the ORSA report.

BWCI can provide a full report that will include a recommendation of the OSCA required and give the justifications required for the directors to discharge their obligations under the Rules.

Alternatively, we can undertake an independent review of an OSCA that has already been carried out. This would provide comfort to the directors that the OSCA was properly calculated and appropriately justified.

OTHER ACTUARIAL SERVICES

We can also provide a full range of actuarial services including strategic advice on investment strategy and asset-liability management, and reinsurance structures.

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FURTHER INFORMATION

Established in 1979 the BWCI Group is the largest group of actuaries and consultants in the Channel Islands with over 120 staff encompassing a wide range of disciplines.

The BWCI Group is a member of Abelica Global, the international network of leading independent actuarial firms.

For further information on these and other insurance services provided by the BWCI Group, please contact insurance@bwcigroup.com or visit our website at www.bwcigroup.com.



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because we are focused on our clients' needs and provide a service to suit their individual requirements.

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