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Practical Guide

The Internal Audit Function and the
Own Risk and Solvency Assessment (ORSA)



The Institute of
Internal Auditors
Netherlands

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1 Introduction

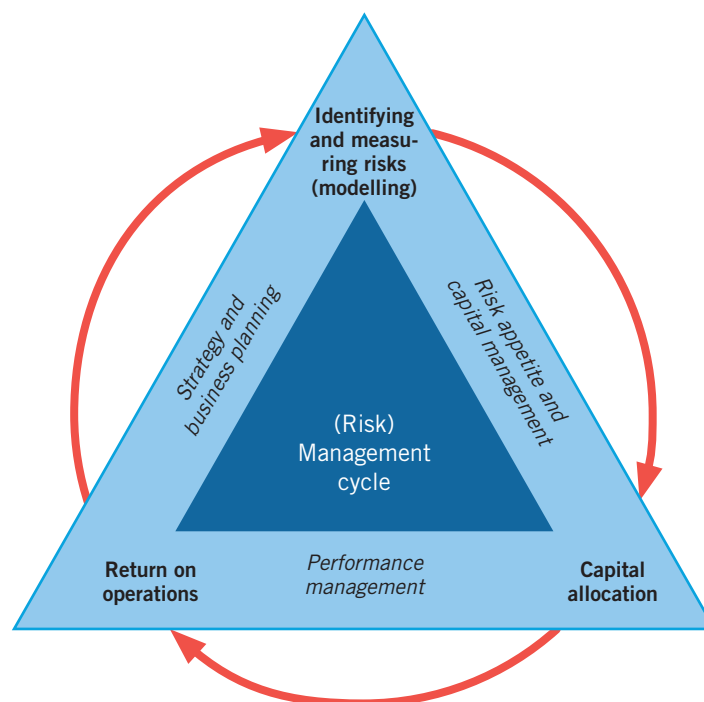
The EU Solvency II Directive lays down explicit governance requirements, including for the risk management system of insurers and reinsurers. Solvency II is the new risk-based regulatory framework for insurers taking effect on 1 January 2016. This framework consists of the Solvency II Directive (2009/138/EC), the Delegated Acts containing implementing rules for Solvency II, and the associated technical standards.

The Solvency II structure is based on three pillars:

- Pillar I, the quantitative requirements, consisting of the principles for the valuation of assets and liabilities on the economic balance sheet, and the rules for the assessment of the required capital (solvency capital requirement (SCR)) and available capital (own funds). These requirements are based on market value and risk sensitivity.
- Pillar II, the qualitative requirements for the system of governance.
- Pillar III, the reporting requirements, relating to regulatory reporting as well as public disclosure.

The Own Risk and Solvency Assessment (ORSA) is regarded as the heart of the Solvency II framework. The regularly performed ORSA integrates business planning, risk management and capital management activities. By means of the ORSA, insurers conduct a forward-looking assessment of whether they will have sufficient available capital (solvency assessment). This assessment takes into account the insurer's own risk profile, risk tolerance limits and business strategy. This is represented schematically in figure 1.

Figure 1: ORSA integrates the management cycle

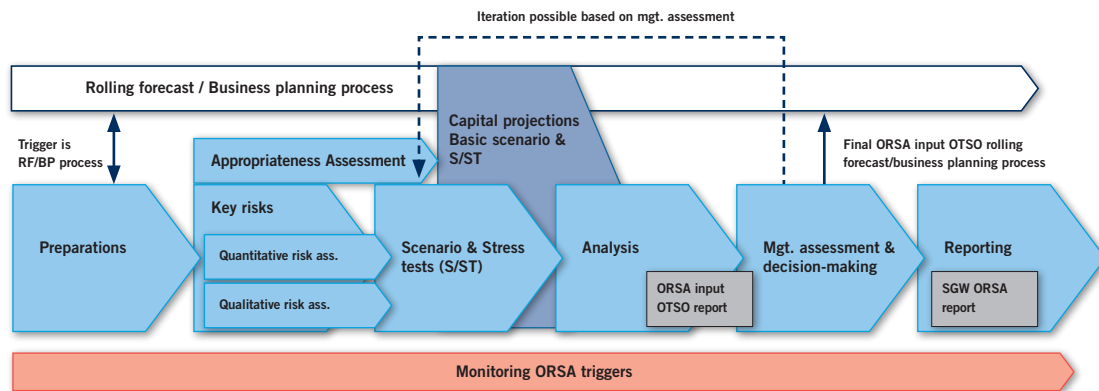


The ORSA enables management to responsibly weigh up risks, capital and returns against each other and look forward to the medium to long term based on the current situation. The ORSA is a regular process that must be performed at least once a year. An ORSA must also be performed in the event of any significant change in the risk profile.

The outcomes and findings of each ORSA must be submitted to the insurer's executive management for approval and then communicated to all relevant departments and to the regulatory authority. Provided that certain conditions are met, insurance groups have the option to do this in a group report.

The ORSA process is illustrated schematically below (figure 2).

Figure 2: Example of process framework for ORSA



The current regulations no longer explicitly mention the independent ORSA review. Instead, the regulations include the general¹ obligation to perform an independent evaluation of the system of governance, including the ORSA carried out in this system. In addition, a need for comfort regarding the ORSA has emerged in practice on the part of executive and supervisory directors as well as DNB. In this respect, there is an important role for Internal Audit, as its core task is to give assurance about governance, the risk management system and internal control. Through this practical guide, we explain how Internal Audit can take up this role. However, the implementation of this guide must always be tailored to the individual insurance firm. We also set out the prerequisites that apply to this practical guide.

¹ Article 47(2) of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)

2 Internal Audit and the ORSA process

The procedures to be performed by Internal Audit regarding the ORSA depend on the nature of the engagement agreed with the Executive Board and/or Supervisory Board.

This may involve the following types of engagements:

- a. Performing an operational audit in order to express an opinion on the management of the ORSA process or specific parts of the ORSA process. This type of audit focuses on the management cycle set up by the insurer for the ORSA.
- b. Performing a compliance audit in order to express an opinion on the extent to which the ORSA or specific parts thereof comply with the requirements laid down in the relevant laws and regulations. This type of audit reviews the compliance with the provisions in Solvency II and the Delegated Acts containing implementing rules for Solvency II, as well as the guidelines of the European Insurance and Occupational Pensions Authority (EIOPA). As the guidelines of EIOPA largely relate to internal control, a compliance audit has a great deal of overlap with an operational audit.
- c. Performing an audit in order to express an opinion on the plausibility² of the outcomes of the ORSA process or specific parts thereof. Given the forward-looking nature of the ORSA process, its outcomes are inherently subjective, and weighing up various factors is an important part of the process. Internal Audit can audit the forward-looking information and report on it, in order to increase the credibility of the information. We should point out, however, that Internal Audit is unable to express an opinion on whether the outcomes presented in the ORSA can actually be achieved. Therefore, only a limited extent of assurance is given (negative assurance).
- d. Performing specific agreed-upon procedures. This type of engagement involves Internal Audit performing only procedures that have been agreed with the engagement client, and reporting its factual findings based on those procedures. As Internal Audit only reports factual findings based on the agreed-upon procedures, no assurance is given. It is up to the users of the report to form their own opinion on the procedures and findings as presented by Internal Audit in the report.
- e. Other procedures, including giving advice on the ORSA process or parts thereof, or facilitating the appropriateness assessment. With this type of engagement, Internal Audit should always safeguard its objectivity against any bias regarding the ORSA.

This practical guide document includes detailed information on the audits listed above under (a), (b) and (c). The engagements listed under (d) and (e), however, are so specific that they fall beyond the scope of this document.

² The term 'plausibility' is used to indicate that the audit does not concern the exact accuracy, but only the probability or plausibility of the outcomes.

3 Procedures performed by Internal Audit

In the introduction, we included a diagram outlining the steps to be taken as part of an ORSA. We will describe these steps in more detail below. We will also give examples of the role that Internal Audit can play in each of the various types of audits.

To be able to reliably perform the ORSA, a number of prerequisites has to be in place. This guide assumes that Internal Audit will consider these prerequisites, but also that separate audits will have been performed regarding these matters. The prerequisites particularly relate to the following:

- The insurer has implemented a strategy process. Not only is the strategy the basis for the ORSA, the ORSA can also lead to a change in the strategy. The two are inextricably linked.
- The insurer has in place an adequate governance system that complies with the requirements laid down in the relevant laws and regulations, including the key functions and the three lines of defence model. For all insurance firms, a good governance system is a prerequisite for ethical and controlled operational management. The aim of the governance system is to ensure that the insurer is properly managed, with risks being timely and adequately identified and controlled. The requirements for the governance system are part of Pillar II of Solvency II and relate to the internal organisation, including key functions, risk management and internal control, the reliability and expertise of senior management, internal supervisors, outsourcing and remuneration.
- The insurer has an appropriate risk culture, in which senior management sets the right example (tone at the top).
- The insurer's risk appetite framework sets clear limits in terms of the risks the insurer is prepared to take as part of its regular business processes.
- If the insurer uses a (partial) internal model, it has in place an adequate process for the development and validation of the model, including a procedure for changing it.
- The models used in the ORSA are also used in practice in the operational management (use test).
- The insurer's processes safeguard the accuracy and completeness of the data used for the ORSA. The Solvency II regulations impose strict criteria for the governance and quality of data. Insurers must put in place clear roles and responsibilities regarding data. They must also have insight into the data flows relevant to the calculation of the technical provisions and risk capital ratios, as well as the data flows for reporting purposes.
- The insurer has established, for example as part of the model validation, the appropriateness of the data to be used.

Below, no further details are provided on the audit procedures to be performed regarding the aforementioned prerequisites. For a small insurer with a risk profile that is not overly complex, the Internal Audit function may also perform second-line tasks, based on the principle of proportionality. In this guide document, however, will only look at the purely third-line procedures.

3.1 Preparations for ORSA

3.1.1 Principles

The performance of the ORSA starts with good preparations. This may include aspects such as the availability of an up-to-date ORSA policy, including a clear division of roles, tasks and responsibilities. It also

includes insight into the key changes in the business strategy, any changes in the risk appetite and/or risk capacity, key developments in the internal and external environment, and key points for improvement from the previous ORSA.

In this phase, the Internal Audit function focuses on the risk of a lack of proper preparations before performing the ORSA, which can be detrimental to the reliability of the outcomes.

3.1.2 Potential procedures for Internal Audit

a. In an audit of the internal management of the ORSA process

As part of its review of the preparations for the ORSA process, the Internal Audit function performs at least the following procedures:

- Establishing that the insurer has in place an ORSA policy that has been approved by the administrative, management or supervisory body (AMSB).
- Establishing whether the ownership of and responsibilities for the ORSA have been documented in the ORSA policy.
- Establishing whether the ORSA process contains at least the following parts as listed in the guidelines of EIPOA:
 - (a) description of the implemented processes and procedures for the performance of the forward-looking assessment of the own risks;
 - (b) consideration of the link between the risk profile, the approved risk tolerance limits and the overall solvency needs;
 - (c) information on:
 - (i) how and how often stress tests, sensitivity analyses, reverse stress tests and other relevant analyses must be performed;
 - (ii) data quality standards;
 - (iii) the frequency of the assessment itself and the justification of its adequacy, particularly taking into account the insurer's risk profile and the volatility of its overall solvency needs in relation to its capital position;
 - (iv) the timing of the performance of the forward-looking assessment of the own risks and the circumstances which would trigger the performance of a forward-looking assessment of the own risks outside of the documented frequency of this assessment.
- Establishing whether the ORSA policy is up-to-date and reconfirmed annually, including with respect to any changes necessary made by management.
- Establishing whether any changes in the ORSA process have been substantiated and documented.
- Establishing whether the key changes in the business strategy, changes in the risk appetite and/or risk capacity and key developments in the internal and external environment have been identified.
- Establishing whether the key points for attention and improvement (lessons learned) from the previous ORSA have been observed. When points for improvement or planned management actions have not been initiated, this should be based on conscious decisions.

The ORSA process is closed by an evaluation to establish any points for attention and improvement for the next ORSA.

b. In an audit of the compliance with the EIOPRA guidelines and ORSA policy, or a substantive review of the ORSA or parts thereof

When a compliance audit is performed, and in a substantive review, this phase includes the same

procedures as mentioned under (a), as the EIOPA guidelines for the ORSA essentially relate to the design of risk management (or a part thereof).

3.2 Appropriateness assessment

3.2.1 Principles

An appropriateness assessment involves an assessment of whether the model used to calculate the solvency capital requirement (SCR) is appropriate to the insurer's risk profile. It doesn't matter whether the insurer uses the standard formula developed by EIOPA or developed its own (partial) internal model for this calculation. In both cases, the appropriateness of the model is assessed as part of the ORSA. As such, this assessment provides input for the management's decision-making regarding the ORSA.

This assessment must involve at least representatives of risk management (methodology) and of the business (knowledge owners). The appropriateness assessment focuses on³:

- An analysis of the insurer's risk profile, an assessment of the reasons why the standard formula or (partial) internal model used is appropriate and a ranking of the (material) risks.
- An analysis of the sensitivity of the standard formula or (partial) internal model for changes in the risk profile, including the influence of reinsurance arrangements, diversification effects and the effects of other risk mitigation techniques.
- An assessment of the sensitivities of the SCR for the key parameters, including, when the standard formula is used, any parameters specific to the insurer (undertaking-specific parameters: USPs).
- When the standard formula is used, an assessment of the appropriateness of the standard parameters or undertaking-specific parameters included in the standard formula.
- An explanation why the nature, scale and complexity of the risks justify any simplifications used;
- An analysis of how the results of the standard formula are used in the decision-making process.

This assessment is made at various levels:

- An assessment per (sub) risk type of the methodology, completeness of the modelling and accuracy of the calibration.
- An assessment at the level of the regulated insurance firm, which considers the risk types in relation to each other, taking into account correlations.
- For an insurance group, an assessment at group level, which considers the regulated insurance firms and any other companies in relation to each other, taking into account any correlations.

The expected outcomes of the assessment are:

- An overview per (sub) risk type of management's judgement of the appropriateness of the standard formula or internal model and the actual risk profile. This will always include a qualitative analysis of the significance of any material deviations on the basis of methodology, variables and correlations. If this analysis shows that the deviation is not significant, it is not necessary to perform a quantitative assessment. Otherwise, the potential deviation will also have to be quantified.

The standard formula is considered to be inappropriate when the solvency capital requirement (SCR) calculated for a (sub) risk type deviates significantly from the actual capital needs. The regulations do not explicitly specify when a deviation is significant.

³ EIOPA Final Report on Public Consultation No. 13/009 on the Proposal for Guidelines on Forward Looking Assessment of Own Risks, d.d.27 September 2013

Dutch Central Bank (DNB)⁴ currently applies the rule that deviation amounting to 10% or more of the total SCR is a significant. The inappropriateness of a deviation of between 10% and 15% can be refuted, if supported by strong evidence.

- Substantiated management decisions on who the insurer will address any significant deviations. This may include reducing the risk, applying undertaking-specific parameters or developing an internal model.
- Clear choices on how the insurer will use the SCR for the purposes of capital projections.

The method used to perform the assessment and the (sub) conclusions from the assessment is documented and provides input for the rest of the ORSA. If the model proves not to be entirely appropriate, it is established whether this is a material deviation and what action is needed: changing the model or holding additional capital, for example. As part of the ORSA, the insurer must assess not only whether the applied model is appropriate to its risks; it must also take into account risks that are not included in the standard formula or internal model. This includes strategic risks, for example.

In this phase, the Internal Audit function focuses on the risk that the insurer has not performed an adequate appropriateness assessment, meaning that the model used in the capital projections is not sufficiently appropriate to the insurer's risk profile.

3.2.2 Potential procedures for Internal Audit

a/b. In an audit of the internal management of the ORSA process, including compliance with laws and regulations

As part of its review of the appropriateness assessment, the Internal Audit function performs at least the following procedures:

- Reviewing how tasks, responsibilities and authorisations are set up (design) and implemented (operating effectiveness) in the appropriateness assessment. Points for attention in this review include the implementation of the managerial role; the involvement of the methodology owners for the various risk types; and the involvement of staff members from the business with a thorough knowledge of products, risk exposures and how risks have been modelled.
- For an insurance group, reviewing whether the appropriateness assessment has sufficiently taken into account the risk profile of each individual regulated entity.
- Establishing whether an up-to-date process description is available for the appropriateness assessment.
- Establishing whether tasks, authorisations and responsibilities for the appropriateness assessment have been clearly described. Explicit attention should be given to the involvement of senior management and the actuarial and risk management function.
- Reviewing how the risk profile has been prepared. This includes aspects such as the process that was followed and the independent input from key functions.
- Reviewing the rating system: this concerns the question when is a model deemed to be 'appropriate' (for example, if there is a deviation in the outcome for the SCR) and what constitutes a significant overestimate or underestimate requiring corrective actions. When the standard formula is used, this includes reviewing whether the insurer has taken into account the fact that this formula is based on averages for European insurers and that its risk profile may differ from these averages. The insurer also needs to take into account that the standard formula has a number of known deficiencies. These include the lack of volatility for the equity risk and interest rate risk, the lack of spread risk on government bonds, the fact that shocks in the property risk are based on the UK market, and the sensitivity of outcomes to currency risks.

4 DNB Solvency II update session, topic of ERB/ORSA, 8 April 2015

- Establishing whether the outcomes of the assessment have been sufficiently substantiated and documented.
- Establishing whether the outcomes have been subjected to a second-line review by the risk management function (or similar second-line function), with a thorough knowledge of how the model and risk profile used by the insurer works.
- Establishing whether (appropriate/logical) corrective actions have been taken in the event of significant deviations for certain components (risk types).

c. In a substantive review of the ORSA (or parts thereof)

In a substantive review of the ORSA report, this phase includes the same procedures as mentioned under (a). However, the review of the conclusions drawn from the assessment will involve a greater degree of independent judgement.

3.3 Risk profile

3.3.1 Principles

The ORSA is based on the insurer's risk profile. Gaining an integral view of the material risks based on the chosen strategy is essential for management and for its ORSA. This view partly determines the composition and depth of the scenarios and stress tests and the resulting capital projections and risk appetite. It also provides the basis for management's challenge and risk-based decision-making regarding the future (capital) adequacy of the chosen strategy.

Material risks are risks that may have a material impact on the risk profile and capital position in the business planning period. These are risks to which the insurer is or might be exposed, taking into account potential future changes in the insurer's risk profile due to its business strategy or economic or financial conditions, including operational risks. The risk classification therefore includes risk types for which capital is held to cover them (non-life insurance risk, life insurance risk, healthcare insurance risk, market risk, counterparty risk, operational risk) as well as risk types that cannot be quantified in advance in the standard formula or internal model (such as strategic risks and liquidity risk).

The identification of material risks starts with a qualitative risk assessment, for which many sources can be used. The qualitative risk assessment requires the involvement of staff members with thorough knowledge of the insurer's strategy, relevant internal developments, market developments, economic developments and other external developments. In addition, a qualitative risk assessment is performed, including the accrual of the SCR, the development of the size and composition of this capital in the recent period, and the drivers for the required capital and for its development.

The identified risks are then ranked. A commonly used methodology for this is to estimate (a) the likelihood and impact of the inherent (gross) risks; (b) the risk-mitigating effect of controls; and (c) the resulting net risk profile. The net risk profile is then compared to the insurer's risk appetite. For risks exceeding the risk appetite, the insurer develops an additional risk response, namely:

- accepting the risk and holding additional capital to cover it;
- transferring the risk to third parties, for example through reinsurance;
- putting in place additional controls to mitigate the risk; or
- ceasing the activities that give rise to the risk.

The ORSA is a forward-looking assessment of the own risks and capital needs. In the forward-looking assessment, the insurer takes into account the effect of the planned controls for risks exceeding the risk appetite. In the ORSA, the insurer assesses the effectiveness of the risk response and establishes the effect of the risk response on the required capital buffers. In the scenario analyses, the insurer takes into account any ineffectiveness of (additional) controls.

Figure 3: Schematic representation of the different risk levels



In this phase, the Internal Audit function focuses on the risk that the material risks are not adequately identified, meaning that the input for the risk identification in the ORSA is incomplete and/or not up-to-date.

3.3.2 Potential procedures for Internal Audit

a/b. In an audit of the internal management of the ORSA process, including compliance with laws and regulations

As part of its review of the risk profile, the Internal Audit function performs at least the following procedures:

- Establishing whether the insurer's ORSA policy documents the link between the risk profile, risk appetite and capital needs.
- Establishing whether the key risks that have been identified in the risk management system have been included in the gross risk profile in the ORSA.
- Establishing whether back-testing has been performed of the risks identified in the previous ORSA; i.e. whether the insurer has assessed if any risks have occurred outside of the risk profile developed in the previous ORSA.
- When there have been changes in the risk profile compared to the previous ORSA, the Internal Audit function establishes whether the causes for this have been documented.
- Reviewing whether the risk identification sufficiently takes into account the risk profile of each individual regulated entity.
- Establishing whether the gross risk profile incorporates both the specific risks of the regulated entity and the group risks (e.g. concentration risk) that may influence the risk profile of the regulated entity.
- Establishing whether an up-to-date process description is available for the risk identification.

- Establishing whether the relevant key personnel has been present during the risk identification; these are the staff members with the relevant expertise, experience and responsibilities for the applied methodology and business knowledge.
- Establishing whether in the risk identification, the insurer has taken into account not only the current risks, but also risks that may develop in the projected period.
- Establishing whether the completeness and up-to-datedness of the risks identified by the risk management function have been challenged by the risk management function (or other similar second-line function).
- Establishing whether, in order to prioritise the risks, the likelihood and impact of the risks have been estimated in a consistent way and this has been clearly documented in the ORSA file.
- Establishing whether the AMSB has determined the key risks and risk tolerances for each risk (category).
- Establishing whether the determination of the net risk profile is substantiated by an assessment of the demonstrable operating effectiveness of the current controls.
- Establishing whether the AMSB has prepared an additional risk response for the net risks exceeding the risk limit.
- Establishing whether the effectiveness and impact of the additional risk response have been assessed by the risk management function (or similar second-line function) as part of the ORSA and documented in the ORSA file.
- Establishing whether the AMSB has made a qualitative assessment of the non-quantifiable risks in the standard formula or internal model for the calculation of the SCR.
- Establishing whether the ORSA file documents the process and outcomes of the risk identification and assessment, as well as the operating effectiveness of the (additional) controls.

c. In a substantive review of the ORSA (or parts thereof)

In a substantive review of the ORSA report, this phase includes the same procedures as mentioned under (a). However, the review of the conclusions drawn from the assessment will involve a greater degree of independent judgement.

3.4 Scenario tests and stress tests

3.4.1 Principles

This phase involves developing the scenario tests and stress tests to be performed for the capital projections. The primary aim of the scenario and stress tests is to assess whether even under circumstances that are far worse than expected, sufficient capital and liquidity will be available to implement the (medium-term) business plan and to continuously comply with the solvency requirements. This is effectively a check on the insurer's financial robustness. It also enables the identification of any weak spots for which additional actions need to be taken.

While the scenario and stress tests relate to the insurer's material risks, they can also affect multiple related risks simultaneously (for example: the interest rate also influences the valuation of shares and property, and major catastrophes influence the price of insurance premiums and the solvency of reinsurers). Material risks may include risks that have not been quantified in the SCR, but have been qualitatively incorporated in the solvency assessment (such as reputation risk or liquidity risk). This is based on the principle that all material risks that haven't been quantified yet should be quantified through the scenario and stress tests. The quantification method can range from expert judgement to modelled calculations.

The insurer's ORSA policy should include specific rules⁵ on the performance of stress tests, sensitivity analyses, reverse stress tests and other relevant analyses. This policy should describe how the scenario tests and stress tests are to be performed. In addition to a quantitative description of the specific characteristics and considerations for a scenario or stress test, it should include specific information on the assumptions to be applied and parameters to be adjusted for the calculations of the scenario or stress test in the capital projection method.

As the ORSA is an integral part of the strategic decision-making, it is to be expected that the baseline scenario for the ORSA will match the insurer's multi-annual budget. The preparation of the multi-annual forecast can be based on a neutral, optimistic or pessimistic bias. This bias cannot always be objectively determined. Proper documentation of these underlying principles can give users insight into how they should interpret the baseline scenario. That having been said, a neutral bias is preferable.

In addition to the baseline scenario, several other scenarios should be elaborated, which may include:

- generic scenarios, such as those developed by EIOPA or DNB;
- business-specific scenarios, based on the insurer's material risks, including:
 - scenarios for slowly emerging risks (such as a gradual fall in interest rates);
 - scenarios for rapidly emerging risks (catastrophes).

The scenarios should be sufficiently severe and give insight into the insurer's individual and combined risks and the impact of potential management actions. In addition, a detailed reverse stress test or near default scenario should be developed⁶.

The scenario and stress tests to be performed should be adequately documented and approved by the responsible governance body.

Developing good stress scenarios demands a certain level of expert judgement on the part of individual insurance firms. This expert judgement can be influenced by social behaviour, for example by factors triggered by cognitive dissonance, framing, overestimation, group-thinking and variants thereof. This can lead to scenarios that are too pessimistic or too optimistic. As the calculated outcomes of the scenarios ultimately determine the view of the extent to which the insurer has sufficient capital available, it is advisable to focus on mitigating these risks in the scenario policy.

Future management actions

Management actions are steps taken by the insurer under particular circumstances to control risks. Management actions often involve mitigating risks or increasing the available capital.

If risk tolerance limits have been set in order to control risks, and concrete actions have been specified if these limits are exceeded, these management actions can be taken into account in the scenario modelling by including them in the models as risk-mitigating measures. Management actions that are not concrete, which have been formulated in relatively non-committal terms, or for which the trigger is too high (the SCR falling below a certain limit, for example), are less appropriate in this respect.

The identification of management actions can take place at various stages of the ORSA process. It can be an integral part of the formulation of stress scenarios, or it can be an outcome of the management assessment phase (see section 3.7).

⁵ EIOPA Final Report on Public Consultation No. 14/017 on Guidelines on own risk and solvency assessment, 28 January 2015

⁶ DNB, letter on own risk assessment 2015, 28 July 2015

In this phase, the Internal Audit function focuses on the risk that in the aggregate the developed scenarios and stress tests do not give a good view of material risks to which the reinsurer is exposed. This can be due to a number of reasons: no scenario and stress tests have been developed for some of the identified material risks; the developed scenarios and stress tests are not severe enough; or future management actions have not been sufficiently taken into account. As a result, the capital projections made on the basis of the scenarios and stress test may not be sufficiently reliable.

3.4.2 Potential procedures for Internal Audit

a/b. In an audit of the internal management of the ORSA process, including compliance with laws and regulations

As part of its review of the risk profile, the Internal Audit function performs at least the following procedures:

- Establishing whether an up-to-date process description is available for determining scenarios and stress tests.
- Establishing whether tasks, authorisations and responsibilities for the development and approval of scenarios and stress tests have been clearly described. Explicit attention should be paid to the involvement of senior management, the actuarial and the risk management function.
- Reviewing how the scenarios and stress tests have been drawn up. This includes aspects such as the process that has been followed, the independent input from key functions and the objective substantiation of the severity of stress scenarios. Back-testing may be used for the substantiation.
- Establishing whether the scenarios and stress tests have been clearly documented, both in terms of the qualitative description and the quantitative factors.
- When simplifications (such as upscaling) have been used in scenarios and stress tests, establishing whether these have been sufficiently substantiated.
- When the scenarios and stress tests that have been determined differ from those in the previous ORSA, establishing whether there is a sound reason for this and whether this has been sufficiently documented.
- When the reverse stress tests that have been determined differ from those in the previous ORSA, establishing whether there is a sound reason for this and whether this has been sufficiently documented.
- Reviewing whether the scenario and stress tests that have been determined sufficiently affect all the insurer's material risks, including both the individual risks and combined risks.
- Reviewing whether the scenarios and stress tests that have been determined sufficiently take into account the risk profile of each individual regulated entity.
- Establishing whether implicit and explicit management actions have been included in elaborating the stress scenarios and whether these management actions:
 - are sufficiently concrete and feasible;
 - seem realistic if the scenario were to actually occur;
 - are consistent with existing policy (in terms of investments, reinsurance, etc.);
 - are based the commitment of executive management to actually perform the expected management action.

c. In a substantive review of the ORSA (or parts thereof)

In a substantive review of the ORSA report, this phase includes the same procedures as mentioned under (a). In addition, the following procedures are performed:

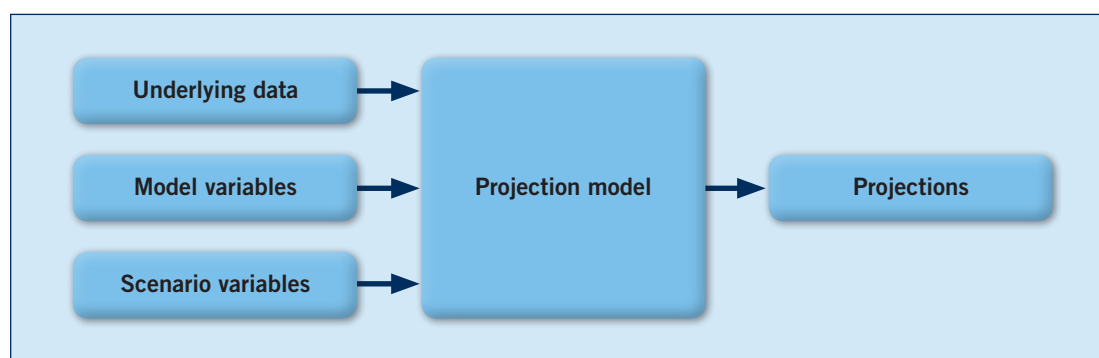
- Establishing whether the basic scenario is aligned to the approved business plan or the multi-annual budget and whether it has been sufficiently documented in the ORSA reporting.
- Establishing whether the chosen stress scenarios are in line with the insurer's (strategic) risk analyses. The scenarios that have been developed should be appropriate to the insurer's risk profile.
- Establishing whether sufficient objective substantiation has been provided, using internal source data and/or external sources (such as the Macroeconomic Forecast published by Statistics Netherlands) for scenarios and stress tests and, where possible, for the chosen severity of the stress scenario.
- Establishing whether sufficient care has been taken to ensure that scenarios and stress tests and, where possible, the chosen severity of the stress scenario, have not been influenced by or back-calculated from the insurer's available capital.
- Autonomously consulting internal and external sources to independently review the chosen severity.
- Back-testing previously formulated scenarios against the actual outcome.
- Establishing whether sufficient stress tests have been performed, including reverse stress tests, sensitivity analyses, and individual and combined scenarios.
- Establishing whether the consecutive ORSAs have been consistent, where necessary, in the choice of scenarios and the chosen severity of scenarios.
- Establishing whether information from previous ORSAs (own evaluation, regulator feedback, internal or external audit) has been adequately included.

3.5 Capital projections

3.5.1 Principles

The aim of this step is to enter the baseline scenario and the determined scenarios and stress tests into the capital projection model in order to calculate capital projections, based on underlying data, model variables and calculation rules. A projection model can generate outcomes per scenario or for multiple scenarios simultaneously. Below is a schematic representation of the use of the model (figure 4):

Figure 4: Capital projection model



As the outcomes of the capital projections may have a significant influence on the strategic decision-making, sufficient safeguards should be in place around this part of the ORSA process. As the models used for these projections are usually complex, attention should be paid to safeguarding the data quality of the input (underlying data, model variables and data variables) and controlling the projection model itself. If the reliability of the input variables, the projection model and the data environment in which the modelling

calculations are performed is safeguarded, the capital projections will also be reliable. Key outcomes of the capital projection model are the development over several years of:

- economic profit (loss) and economic balance sheet;
- solvency capital requirement (SCR) and available capital (own funds);
- solvency ratios.

1. Data quality of the underlying data

The underlying data used for the calculations in the projection model are effectively the baseline situation on which the extrapolation is based. These data are made up of the latest and usable 'actuals'. The projection model should in any case use the following underlying data:

- Balance sheet at market value, particularly:
 - composition of the investments;
 - composition of the technical provisions;
- composition of the available capital (own funds).
- Profit and loss account at market value.

The market value principles are those applying to Solvency II reporting.

As mentioned in discussing the prerequisites, establishing the accuracy and completeness of the underlying data used in the ORSA falls beyond the scope of this practical guide. This is based on the consideration that these underlying data are used not only in the ORSA but also in the organisation's wider operational management. The Internal Audit function can establish the reliability of the underlying data with the aid of regular process audits or specific data quality audits. Establishing whether the underlying data has been correctly entered into the projection model, however, is part of the audit of the ORSA.

2. Data quality and model variables

To be able to project the future solvency needs, a number of model variables have to be available that can be used in the projection model. The model variables include underlying principles that reflect the expected future developments and that can in principle apply to all scenarios. These include assumptions such as expected yield curves and inflation rates, parameters (standard deviation) for the calculation of the premium and reserve risk, parameters for the calculation of the market risks, run-off of the technical provisions and the risk margin, and reinvestment of any gains.

3. Data quality of scenario variables

The scenario variables are the specific variables that are entered into the projection model to model the predefined scenarios. These variables include assumptions about the development of premiums (and allocation to sectors), the development of the claims ratio (per sector, where applicable), the development of costs (expense ratio, fixed costs), development of investment returns, extent of reinsurance (and type of reinsurance), etc.

4. Reliability of the projection model

Projections are usually based on deterministic projections, involving calculations that are based on predefined scenarios. It is also possible to use more stochastic models, but in practice they are less frequently used due to the large number of variables.

In practice, various solutions can be used for the technical design of the ORSA projections. A wide range of solutions is available, ranging from Excel solutions to projection models that are integrated into actuarial calculation tools. The choice of solution influences the control environment of the models (particularly the change management and access security).

Given the large number of variables and complexity of projection models, there is an inherent model risk. If the model has been designed by the professionals involved, there is a risk that this will automatically be considered the projection method, without critically assessing the outcomes of the model.

The development and validation of the projection model fall beyond the scope of this practical guide. This process can be subjected to a separate audit, the outcome of which can be used in the ORSA audit.

5. Reliability of the capital projections

The capital projections result from the input variables and the projection model. If the variables and the model are reliable, the resulting capital projections should also be reliable. However, it is advisable not have blind faith in this. A good analysis of the outcomes of the capital projections can bring to light information that can lead to further improvement of the process underlying the input variables and the projection model.

3.5.2 Potential procedures for Internal Audit

a/b. In an audit of the internal management of the ORSA process, including compliance with laws and regulations

As part of its review of the internal management of the ORSA process with respect to the capital projection, the Internal Audit function reviews at least the following:

General

- Establishing whether an up-to-date process description is available of the process underlying the capital projection.
- Establishing whether tasks, authorisations and responsibilities regarding the capital projections have been clearly described. Explicit attention should be paid to the involvement of senior management and the actuarial and risk management function.
- Reviewing how the capital projections have been drawn up. This includes aspects such as the process that was followed and the independent input from key functions.
- Establishing whether the insurer's risk management system takes into consideration the risks relating to the use of complex models, including the ORSA projection model, and whether appropriate control measures have been put in place to control these risks.
- Establishing whether the measures put in place to control risks when using ORSA projection models are adequately and effectively complied with.
- Establishing whether documentation is available showing that the models used for the ORSA are also used in the operational management (in product development, premium pricing and performance management, for example).
- When simplifications (such as upscaling) have been used in capital projections, establishing whether these have been sufficiently substantiated.
- Establishing whether the period for which the projections have been made matches the business planning period (usually three to five years).
- Reviewing whether the capital projections and solvency assessment sufficiently take into account the risk profile of each individual regulated entity.

Model variables

- Establishing whether future model variables are identical to the existing variables. It must be possible to objectively determine these variables, such as yield curves, parameters, alignment to strategic choices and the insurer's risk profile, by using bases such as the technical specifications of the regulator as well as the variables in the baseline situation. Any alternative choices made in the

model, for example in terms of including in the calculations the impact of certain developments in yield curves, in the parameters, or in the run-off of the technical provisions, should be carefully substantiated and explained. This substantiation should be validated and documented by the responsible governance body.

- Establishing whether sensitivity analyses have been performed on model variables/assumptions.
- Establishing whether the actuarial function has taken into consideration uncertainties in model variables and their potential impact on the reliability of outcomes, and has clearly explained this.

Scenario variables

- Compared to the underlying data and model variables, determining the scenario variables is far more subjective. The scenario variables reflect expectations about future developments. Establishing whether the translation of the chosen scenarios into scenario variables is consistent with the chosen scenarios and the chosen management actions (where applicable).
- Establishing whether sensitivity analyses have been performed on model variables/assumptions.
- Establishing whether the actuarial function has taken into consideration uncertainties in scenario variables and their potential impact on the reliability of outcomes, and has clearly explained this.

Projection model

- Establishing whether an adequate control process has been put in place around the use, maintenance and validation of complex calculation models such as the ORSA projection model, including segregation between the development, test, acceptance and production environment.
- Establishing whether the responsibilities regarding the capital projection process have been adequately documented (=design) and implemented (=operating effectiveness) and include at least the following elements:
 - validation of the input variables (quality of underlying data, model variables and scenario variables)
 - validation of the use of the correct version of the ORSA projection model;
 - validation of the correctness and completeness of the input in the ORSA projection model;
 - validation of the correctness and completeness of the input in the ORSA projection model;
 - segregation between the calculation and the verification and analysis of the outcomes;
 - validation of the outcomes of the ORSA capital projections;
 - documentation of the underlying principles for and outcomes of each ORSA.
- Establishing whether personnel of second-line functions have been sufficiently involved in the capital projections:
 - the risk management function should test the risk control around the use of the ORSA projection;
 - the actuarial function should test whether calculations have been performed in accordance with the relevant framework set by it.
- Establishing whether the projection model includes the following elements:
 - The models (based on the input) ensure a reliable projection of:
 - o the future profit or loss;
 - o the future financial position;
 - o the future solvency capital requirement.
 - The models are maintainable and flexible:
 - o suitable for changes in technical specifications;
 - o suitable for multiple and complex scenarios;
 - o suitable for changes in assumptions;
 - o scalable and reusable.

- The models are robust, reliable and controllable:
 - o segregation between development, test, acceptance and production environment;
 - o appropriate for a control environment, attention paid to version management;
 - o audit trail, auditable calculations.
- The models provide clear output:
 - o documentation of chosen principles, input variables;
 - o documentation of outcomes.
- The models have been validated:
 - o validation after each change;
 - o independent and regular review (including testing and back-testing);
 - o adequate version management;
 - o adequate documentation.

Capital projections

- Reflecting on the outcomes of the capital projections, for example by performing the following analyses:
 - Analysis and technical validation of the outcomes:
 - o analysis (and documentation) of the outcomes;
 - o technical reconciliation of the outcomes to the underlying principles.
 - Process test to establish whether:
 - o the process has been carefully followed;
 - o the approved input variables have been used;
 - o a validated project model has been used.
 - Holistic test to establish whether:
 - o the outcomes are understandable in light of the chosen scenarios;
 - o the outcomes of the capital projection are logically explicable on the basis of the chosen input variables.
- Establishing whether the capital projections have taken into account foreseeable changes in business strategy and/or relevant external factors.
- Establishing whether a separate data quality audit has been performed to ensure the completeness and correctness of the underlying data used in the capital projections, and establishing whether these audited underlying data can be reconciled to the input in the capital projection model.

c. In a substantive review of the ORSA (or parts thereof)

In a substantive review of the ORSA report, this phase includes the same procedures as mentioned under (a). In addition, the following procedures are performed:

- Audit by means of verification of input variables:
 - Reviewing the probability of the model variables, based on the technical specifications of the regulatory authority and other sources, if available, as well as the internal documentation of any deviation compared to the general model variables.
 - Reviewing the scenario variables by means of verification based on the determined scenarios.
- Establishing whether the calculations are correct. This audit can be performed by means of audit samples. It includes the following components:
 - performing audit calculations on the projection of the profit and loss accounts based on the input variables;
 - performing audit calculations on the projection of the financial position based on input variables;
 - performing audit calculations on the projection of the expected solvency capital requirement based on the input variables.

- Performing an independent analysis of the outcomes:
 - The Internal Audit function can independently analyse the outcomes of the ORSA capital projections and compare the outcomes of this analysis to the analysis drawn up by the staff member responsible for the capital projections.
 - The Internal Audit function can perform its own analysis of the outcomes, independent of the operational function responsible for the calculation and/or analysis of the outcomes of the capital projection. This analysis can look at various aspects, including whether:
 - o the scenarios have been translated into scenario variables in a logically explicable way;
 - o the outcomes are logically explicable in light of the used scenarios, even when considered outside of the model (holistic analysis);
 - o the differences between the outcomes of the various scenarios are logically explicable;
 - o there have been relevant developments outside the model that may have a significant influence on the interpretation of the outcomes (unknown unknowns).
 - The Internal Audit function can compare the outcomes of the capital projections to those of capital projections from previous years.

3.6 Analyses

3.6.1 Principles

- The outcomes of the three previous analyses (appropriateness assessment, capital projections and stress and scenario analysis) should be assessed not only individually but also in relation to each other. This includes comparing the risk appetite to the capital adequacy policy. This phase therefore has the following outcomes:
 - an integral analysis of risk, return and capital, as part of the insurer's business plan;
 - the preliminary conclusion and decision-making for the management challenge (in the next phase);
 - input for the ORSA report.

Based on the analysis the following types of decisions can be proposed to management:

- decisions relating to capital management (including contingency planning)
- qualitative decisions relating to risk management;
- decisions relating to strategy, and therefore impacting the business plan;
- decisions relating to the risk management framework, and which may have an impact on the risk appetite or risk models.

In this phase, the Internal Audit function focuses on the risk that the outcomes of the analysis performed in previous stages of the ORSA process are not assessed in relation to each other. Such an integral assessment is necessary to facilitate the correct final conclusions and be able to make well-considered decisions on the business plan and capital management.

3.6.2 Potential procedures for Internal Audit

a/b. In an audit of the internal management of the ORSA process, including compliance with laws and regulations

As part of its review of the integral analysis, the Internal Audit function performs at least the following procedures:

- Establishing whether the outcomes of the aforementioned individual analyses have been fully incorporated in the integral analysis.
- Establishing whether the assumptions, scenarios and projections from the business plan and the ORSA have been aligned to each other.
- Establishing whether, based on the integral analysis of the preliminary conclusions, there are any visible elements that are inexplicable and/or undocumented. For example, a multi-year projection of the SCR and own funds must be included, and this must be visibly reconciled to the business plan. In addition, the Internal Audit function will have to establish whether any decisions associated with the integral analysis have been properly prepared:
- reviewing the allocation (design) and implementation (operating effectiveness) of tasks, responsibilities and authorisations in the integral analysis. Points for attention in this respect include the implementation of the managerial role and the involvement of business personnel with thorough knowledge of products and the associated risks, experts from risk management and personnel with good knowledge of capital management.
- Establishing whether a systematic approach has been used to determine the capital needs for each risk.
- Establishing whether in determining the capital needs, appropriate use has been made of performed projections, stress tests and scenario analyses. This includes establishing whether the insurer has taken into account risks that do not have to be covered by capital, as well as additional capital needs associated with the business strategy and not relating to risks.

c. In a substantive review of the ORSA (or parts thereof)

In a substantive review of the ORSA report, this phase includes the same procedures as mentioned under (a). However, there will be a stronger focus on the review of the preliminary outcomes of the integral analysis.

3.7 Management assessment

3.7.1 Principles

The aim of this phase is to challenge management on the preliminary integral analysis so as to arrive at an integral conclusion and decision-making. The management assessment can then result in an iteration if it turns out that certain risk and capital analysis have to be reconsidered in order to obtain a better view.

Ultimately, the process results in an integral conclusion on the appropriateness of the capital position and business strategy. The outcome of this phase includes:

- management insight into the integrated and separate assessments: appropriateness, capital adequacy and stress and scenario tests in which the material risks have been included;
- an integral conclusion on the future capital adequacy of the strategy elaborated in the business plan;
- decision-making on the ORSA and the business plan with respect to capital management (including contingency planning), qualitative risk management, strategy and risk management framework.

In this phase, the Internal Audit function focuses on the risk of (a) insufficient involvement of responsible management, (b) insufficient challenge to the preliminary conclusions from the previous phase, leading to (c) inadequate decision-making on the business plan and capital management.

3.7.2 Potential procedures for Internal Audit

a/b. In an audit of the internal management of the ORSA process, including compliance with laws and regulations

As part of its review of the management assessment, the Internal Audit function performs at least the following procedures:

- Reviewing the manner in which tasks, responsibilities and authorisations have been allocated (design) and implemented (operating effectiveness) in the management assessment. Points for attention in this respect include the implementation of the managerial role, the involvement of the responsible senior management from the business, responsible executive management (executive directors or Executive Board), experts from risk management, and personnel with good knowledge of capital management.
- Reviewing the nature and depths of the discussions in the assessment phase. A point for attention in this respect is whether decision-makers have demonstrated professional scepticism, and whether this has contributed to the quality of the decision-making.
- Establishing whether sufficient attention has been paid in the assessment to aligning the outcomes of the ORSA to the capital funding plan and liquidity plan.

c. In a substantive review of the ORSA (or parts thereof)

In a substantive review of the management assessment, this phase includes the same procedures as mentioned under (a). However, there will be a stronger focus on the review of the conclusions from the assessment and the related decisions.

3.8 Reporting

3.8.1 Principles

At the end of the ORSA process, the insurer must draw up an ORSA report that can be read on its own and that presents a realistic and dynamic view of the (future) risks. In this report, the considerations regarding capital, risk and strategy must be integrated with a forward-looking approach that is based on the information available at the time.

The ORSA report must be drawn up at least once a year. If necessary, for example if significant changes occur in the insurer's risk profile or risk appetite, it can be issued more frequently.

The report should include the outcomes of the combined previous steps, and should include both static elements (description of current ERM information, such as general information on insurer and its governance structure) and dynamic elements (on-going solvency assessment, such as strategy, solvency requirements and specific risks). (NB: insurers also have the option to distinguish between a static and a dynamic ORSA.)

The ORSA report must include sufficient information on:

- the qualitative and quantitative outcomes of the forward-looking assessment and the conclusions drawn by the insurer based on these outcomes;
- the methods and key assumptions used; and,
- where applicable, a comparison of the general solvency needs, the statutory capital requirements and the insurer's own funds.

The ORSA report must be approved by the insurer's executive management. The relevant personnel must at least be informed about the outcomes and conclusions of the forward-looking assessment of the own

risks. After the ORSA report has been approved, the insurer must submit the ORSA report to the regulatory authority within two weeks.

In addition, senior and executive management must design an adequate monitoring and reporting process to enable timely intervention, if necessary. It is also important for the ORSA to be an integral part of the strategic management of operations, and therefore not a standalone activity.

In this phase, the Internal Audit function focuses on the risk that the reporting is late, is unreliable, lacks sufficient depth, or (for a group report) doesn't pay sufficient attention to the separate entities, meaning that the reporting doesn't comply with the Solvency II requirements. In addition, there is the risk that insufficient action is taken in response to the risks identified in the ORSA, meaning that the outcomes of the ORSA are insufficiently taken into account in determining and implementing the insurer's strategy.

3.8.2 Potential procedures for Internal Audit

a/b. In an audit of the internal management of the ORSA process, including compliance with laws and regulations

As part of its review of the reporting, the Internal Audit function establishes whether sufficient attention has been paid to the following topics:

- The ORSA reporting should contain at least the following elements:
 - (More) static information:
 - o description of the insurer;
 - o risk and capital management framework;
 - o embedded/integrated risk management;
 - Strategy (business scenarios, risk strategy, risk appetite, risk profile, management considerations, business strategy);
 - Capital needs (analysis of adequacy of use of standard or internal model, analysis of current capital and quality of capital, calculated SCR, outcomes of the stress tests, capital projections);
 - Management actions.
- In the ORSA reporting, attention should be paid to:
 - providing insight and ensuring integration between the various components of risk management, including integration with the risk appetite;
 - the link between the key risks and the risk appetite;
 - the prioritisation of risks, where applicable at group level and at the underlying level;
 - the principles and assumptions for the baseline scenario in the capital projections;
 - giving a thorough explanation of the scenario and stress tests;
 - the translation of the outcomes of the ORSA into conclusions and potential actions;
 - giving a clear explanation of any capital restrictions for subsidiaries outside of the European Economic Area (EEA) and the impact thereof on the risk and the ORSA;
 - the insurer's solvency has been adequately assessed based on Solvency II;
 - the development of the own funds has been included;
 - the reporting is consistent with the previous ORSA reporting.

As part of its review of the ORSA reporting, the Internal Audit function also establishes whether:

- The quality of the input reports is sufficient, and they are uniform and complete:
 - each individual report is complete;
 - all required reports are included.

- The content of the ORSA reporting is consistent with the underlying calculations, analyses, etc.
- General points:
 - the underlying principles are consistent;
 - the reporting complies with the ORSA policy;
 - the reporting is consistent with the previous ORSA reporting and key changes and the progress made on management actions have been explained.
- It has been demonstrably determined that all Solvency II reporting requirements have been complied with and, where applicable, previous comments of DNB (and/or any foreign regulatory authority) on the ORSA have been followed up.
- The quality and documentation of the process for assessing the expert judgement is safeguarded (this concerns the reporting; the expert judgement in previous steps of the ORSA process is assessed in the previous steps).
- Coordination:
 - there has been a second-line review;
 - the report has been assessed and approved (by all designated responsible personnel) and comments, decisions and actions have been documented;
 - the ORSA has been/will be discussed and evaluated with supervisory directors or other internal supervisors.
- The ORSA report includes the management actions:
 - management actions based on the current situation;
 - management actions if worst-case scenarios occur;
 - management actions if the solvency ratio falls below the internal limit and/or below 100%.

For a group report, the following additional points must be reviewed:

- Whether the group ORSA has sufficient depth, based on appropriate and timely input, has been performed by the right of selection of people (knowledge, responsibilities, balanced), and has included management involvement.
- If only a single group-wide (SGW) ORSA has been drawn up, establishing whether:
 - the regulatory authority has given permission for this;
 - all group entities have been visibly involved in the SGW ORSA;
 - the management teams of these entities have been demonstrably involved in drawing up the SGW ORSA;
- consolidation/weighting/identification of correlation of risks between units has taken place and the impact at group level has been determined;
- the material risks of smaller business units have been included in the SGW report.

c. In a substantive review of the ORSA (or parts thereof)

In a substantive review of the ORSA report, this phase includes the same procedures as mentioned under (a).

4 Reporting by Internal Audit

The outcome of the audit performed by the Internal Audit function is reported to the responsible management. This generally takes the form of an assurance report drawn up according to the professional rules for the Internal Audit function and the associated audit rating. As described in section 2, the content of the report should be tailored to the nature of the engagement. The audit report will therefore express an opinion on the extent of internal control of the ORSA process (type a engagement), whether the process complies with the relevant laws and regulations (type b), and/or whether the outcomes are plausible (type c).

Issuing the ORSA report may give rise to a timing issue. The Executive Board, as well as the Supervisory Board or its Audit Committee, will want to know the outcome of the performed audit when they discuss the ORSA report in order to approve it. However, as it is the capstone of the ORSA process, the report may also be included in the scope of the audit. In that case, the reporting process will have to divide into (1) issuing the preliminary findings and conclusions and (2) issuing a final report. A pragmatic approach may be to use the draft report for the first step.

Although this is not mandatory, the engagement client has the option to ask for an assurance or audit report to be added to the ORSA report. This report of the Internal Audit function will then be available to all users of the ORSA report. Given that the auditor often needs to limit the use and distribution of its reporting, this requires careful consideration.

If it is decided to add the outcome of the audit to the ORSA report, this should preferably be done in a separate, concise but clear assurance or audit report. An example of such a report can be derived on various sources, including the standards and illustrative texts of the Netherlands Institute of Chartered Accountants (NBA)⁷. In such a situation, it is also worth to present a separate comprehensive audit report with more extensive findings and recommendations.

⁷ Guidance on Accountancy Regulations – Illustrative texts effective from 15 December 2010

5 Lastly

The ORSA is widely considered to be at the heart of Solvency II and therefore seen as an integral part of the business strategy and risk management system. By performing an independent review of the ORSA process and drawing up a final report on this review, the Internal Audit function makes an important contribution to this.

This practical guide offers the Internal Audit function a point of reference when performing an audit of the ORSA. We should also point out, however, that the regulations are still in a state of flux. As we near the implementation date for Solvency II, Internal Audit functions will gain more practical experience with the audit of the ORSA. This will lead to new insights, which may result in an update to this practical guide document.

We encourage users of this practical guide to submit any suggestions they may have for improvements or additions. Please send your suggestions to the Professional Practices Committee of IIA Netherlands via vaktechniek@iia.nl.

Appendix: Sources

This practical guide is based on the following regulations and guidelines:

- European Commission, *Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)*, 17 December 2009;
- European Commission, *Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and reinsurance (Solvency II)*, 17 January 2015;
- EIOPA, *Final Report on Public Consultation No. 13/009 on the Proposal for Guidelines on Forward Looking assessment of own risks (based on the ORSA principles)*, 27 September 2013;
- EIOPA, *Final Report on Public Consultation No. 14/017 on Guidelines on own risk and solvency assessment*, 28 January 2015;

We have also relied on the practical experiences of the internal audit functions of Achmea, Delta Lloyd, De Goudse Verzekeringen, Menzis, Univé Verzekeringen, and the publication “The role of Internal Audit under Solvency II” issued by ECIIA.