Solvency Assessment & Management (SAM)

- Strategic Risk
- Compliance Risk
- Market Risk
- Credit Risk
- Operational Risk
- Insurance Risk
- Liquidity Risk

Pillar 1
- Capital Requirements
- Valuation of Assets and Liabilities
- Own Funds
- SAM Technical Specifications

Pillar 2
- Own Risk and Solvency Assessment (ORSA)
- Risk Management
- Internal Controls
- Board Notice 158

Pillar 3
- Regulatory Reporting
- Quantitative and Qualitative Reporting Templates

Quantification
Governance
Disclosure
Technical provisions
- best estimate liability + risk margin
  (replaces current policyholder liability)

- Own funds
  - market value of assets - technical provisions
    (replaces current equity)

- SCR (Solvency Capital Requirement)
  (replaces current CAR)

- Solvency ratio
  (SCR/Own funds)

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Risk policies
Governance
Controls
Own solvency projection
Stress and scenario testing

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Sign-off on ORSA, after having considered Head of Actuarial, Risk, Internal Audit and Compliance Control functions recommendations.

Understand all current and future material risks. This includes an internal view of risks quantified in Pillar 1 plus strategic, compliance and liquidity risks.

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Active engagement, steer and challenge of ORSA process and solvency projections.

Oversee the risk management process and approve and monitor policies and relevant management actions.
Board responsibilities under SAM

The Board of an insurer must:

• Determine and oversee business objectives and strategies.

• Ensure clearly defined roles and responsibilities for Board, senior management, control functions.

• Provide adequate oversight of senior management.

• Ensure fit and proper criteria are met by directors, senior management and key persons in control functions at all times.

• Provide oversight in design and implementation of risk management and internal control systems and functions.

• Adopt and oversee effective implementation of policies and procedures.

• Ensure reliable and transparent financial reporting for public and supervisory purposes.

• Have systems and controls to ensure the promotion of appropriate, timely and effective communications with the Registrar and relevant stakeholders on the governance of insurer.

• Have appropriate policies and procedures to ensure that senior management:
  - Carries out the day-to-day operations of the insurer effectively and in accordance with the insurer’s strategies, policies and procedures.
  - Promotes a culture of sound risk management, compliance and policyholder protection.
  - Provide timely information to enable the Board to carry out its duties and functions.
  - Provides information required to satisfy the legal and other obligations applicable to the insurer or senior management.

• Monitor that policies and processes are properly implemented.

• Monitor and evaluate the insurer’s governance framework.

General governance framework

• Insurer must adopt, implement and document an effective governance framework.

• Framework must be proportionate to the nature, scale and complexity of the business.

Composition and governance of board of directors

• Board should consist of a sufficient number of non-executive directors and independent directors, to promote objectivity in decision making of the Board.

• Should be an appropriate number and mix of individuals to ensure an overall spread and level of knowledge, skills and expertise at board level commensurate with nature, skill and complexity of business and risks.

• Chairman must be an independent director (independent of any Group Company), should this not be the case the Board should appoint a lead independent director and notify the Registrar.