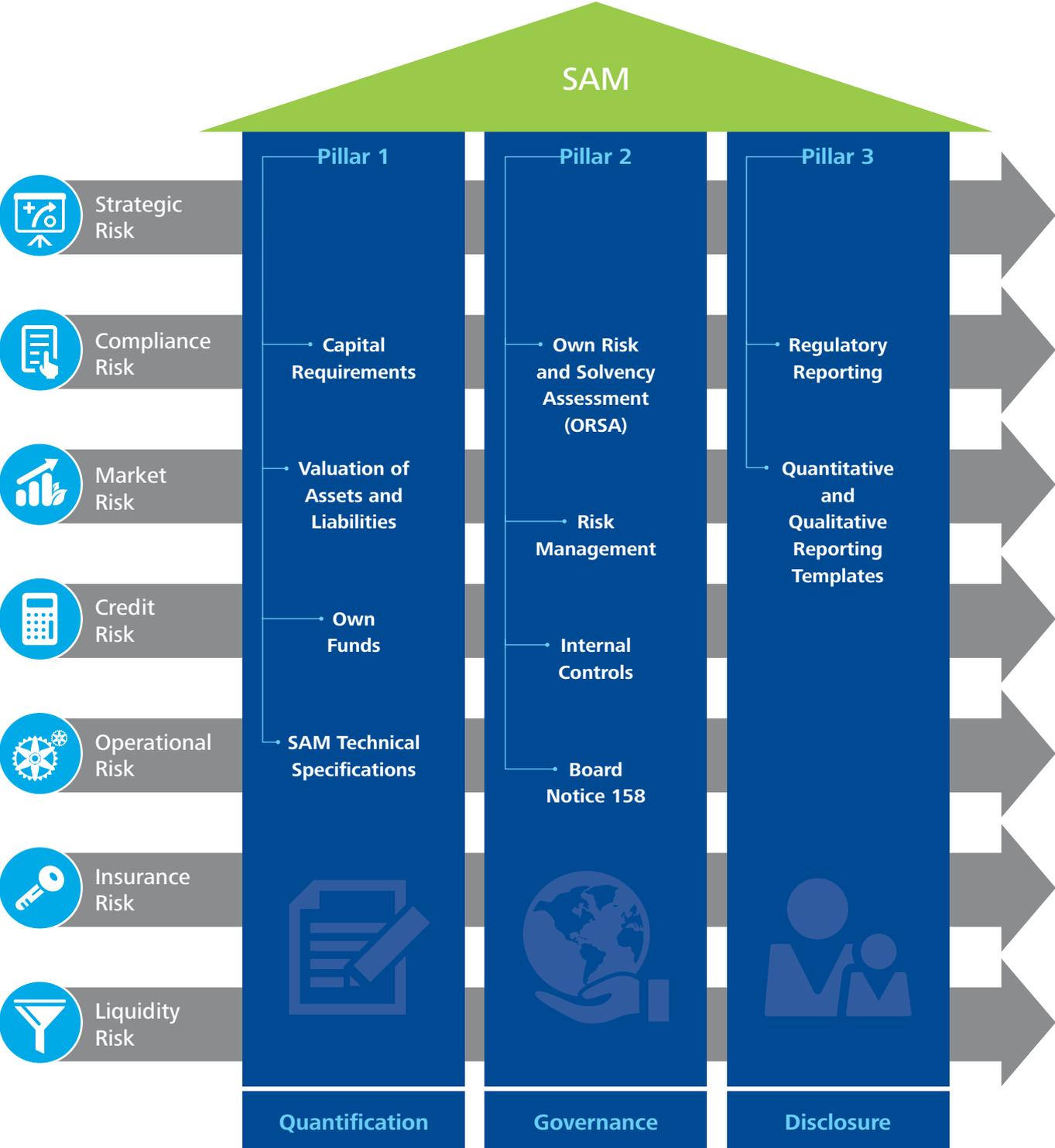


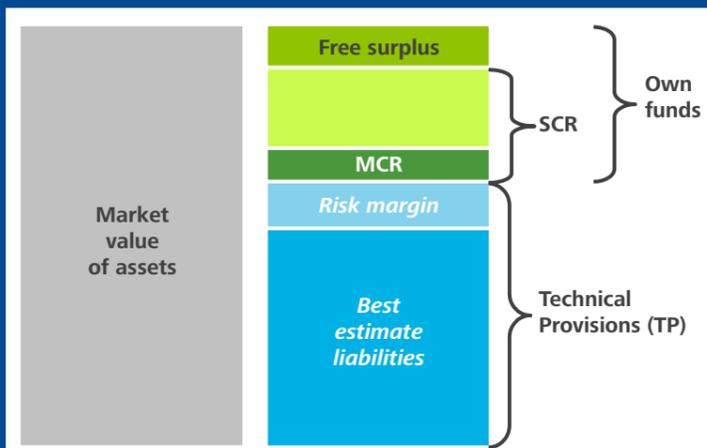
Solvency Assessment & Management (SAM)



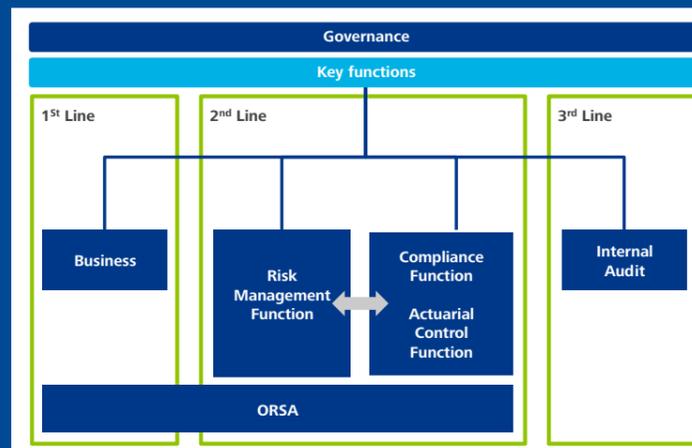
SAM

Components

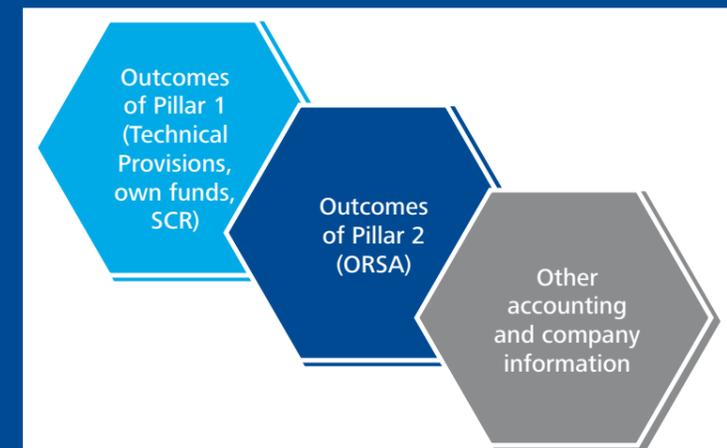
Pillar 1



Pillar 2



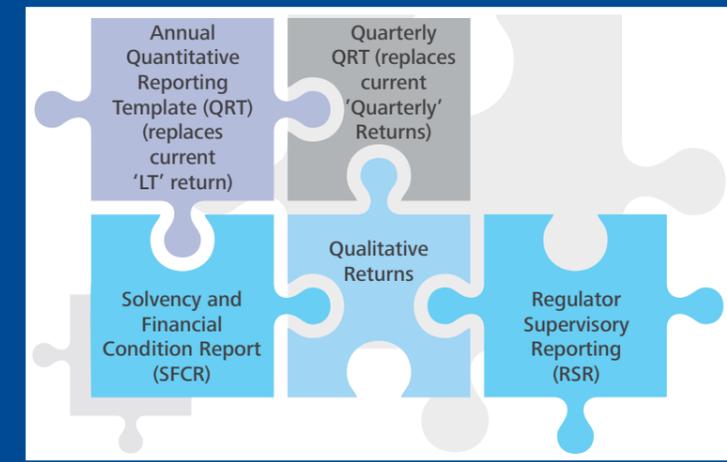
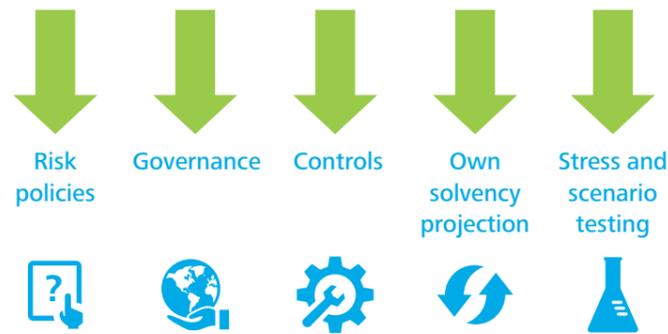
Pillar 3



Outcomes

- 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)

ORSA report and process



Board Impact



Sign-off on technical provisions, capital and solvency, after having considered Head of Actuarial Control recommendations



Understand the risk drivers of the solvency position, notably insurance, market, credit and operational risks



Quantification

Governance

Disclosure

Proportionality

Board ultimately responsible for solvency

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.