

Dealing with ORSA in Latin America

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Introduction

addactis® Expertises' program gathers news from every business unit of addactis®. Each consultant gives his point of view on a trend which is influencing his job.

Discover today **ADDACTIS® Latina**, led by Javier Aparicio in Bogota, Colombia, thinking about ORSA for Latam's market.



Could you please summarize how ORSA can improve the risk management's understanding inside insurance companies?

Our point is that ORSA is not a mandatory exercise to produce economic information for Supervisors. ORSA is the new way to project dynamically the whole activity inside the insurance company, properly measuring the ensemble of undertaking risks and projecting values that allow the company management to take accurate measures to keep (profitable) the own capital looking forward. ORSA is like a "video projection" of the business, while QIS is a simple photography. We try to help companies by showing how the use of standardized tools, modules and models -all of them tested in more developed markets- could make their job much easier and safer. A huge work. We are now able to show how ORSA looks like

depending on the insurance branch activity (life, pensions, health, non-life, workers comp) or country: each one feels totally different from the others and wants to have their regulation and singularities reflected in each of our presentations.

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Did the markets fully understand the ORSA issue or do they just answer a regulatory request for risk management?

ORSA is firstly “a new and tedious obligation” for many undertakers. Only large multinational and regional companies are really sensitive with the meaning of ORSA. But this is plausible in markets generally focused on critical issues like producing new business. Supervisors are usually putting pressure on aspects that in EU have disappeared along the last couple of decades. Just to give you an idea, the submission of Technical Notes is still far more important than the submission of Solvency information. We rapidly became software providers and consultants of several supervisors in the region within our eight months of real market activity. All of them are primarily concerned about non-life insufficiency reserving, which is a crucial point for all of them, but just a piece of the picture.

We really look forward to work closer with supervisors, showing our European experience and our growing involvement with some of them in Latin America. And not only with Insurance Supervisors: keep in mind that the health insurance activity and workers compensation insurance here are also supervised by Health and Labour supervising bodies. The supervisor is the one whose mission is to convince insurance actors to use ORSA tools. This is, more than the best, the only new way to manage insurance business nowadays. Reporting is just a fair transparency exercise resulting from a previous modelling, monitoring and managing process carried out by more professional teams.

“ *The supervisor is the one whose mission is to convince insurance actors to use ORSA tools.* ”

What is your feedback about the implementation of ORSA in the insurance companies of Latin America?

Latin American Markets are moving with different perspectives and speediness. This is not the EU and the Insurance Supervisor in each country is fully autonomous to move on new Risk-based supervision, despite the effect (i.e. pressure exerted by large multinationals seeking uniform rules and fair competition).

All supervisors are tied under ASSAL Cooperation Association. They hold meetings twice a year to share experience and information. ADDACTIS® has been invited to participate, which brings us a valuable vision of the regional Solvency picture.

So, the vision of ORSA varies from country to country and we must adapt our know-how and visualisation. While countries like Chile have determined ORSA as a mandatory exercise whose starting point is “the risk appetite”, ORSA is still not considered in other jurisdictions.

Upon our arrival to Bogotá, we quickly found

out that we were in the right place at the right time. At second glance we perceived a lower density of high-tech actuarial consultants (here are rather focused on product development, pension plans management, technical notes and reserving certifications). But we cannot fall asleep! Time goes by and most countries in the region already have tight Solvency implementation calendars. 2017-18 are going to be hectic. Supervisors are mostly favourable to simpler ORSA and reporting structures than those in EU. It is also a matter of market sizes and, keeping both feet on the ground, it makes a lot of sense to consider that most companies are small and have no resources to add a new sophisticated range of actuarial activities to their life.

We have targeted about a thousand risk undertakers in the region. To be successful, the key is to quickly adapt risk-based management rules to their real possibilities and needs, and to remain close to them.

“ *2017-18 are going to be hectic.* ”

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