

EXAM 6 – CANADA, FALL 2014

29. (1.5 points)

Identify and briefly describe three key elements of the Own Risk and Solvency Assessment (ORSA).

CONTINUED ON NEXT PAGE

EXAM 6C FALL 2014 SAMPLE ANSWERS AND EXAMINER'S REPORT

QUESTION: 29

TOTAL POINT VALUE: 1.5

LEARNING OBJECTIVE(S): C3

SAMPLE/ACCEPTED ANSWERS:

Sample 1 :

- Comprehensive identification and assessment of risk
 - o Should be able to understand and evaluate all possible sources of risk (use of individual and aggregate data)
- Relate risk to capital
 - o Would help to better manage capital. If assets are backed by capital indirectly risk should also be.
- Monitor and reporting
 - o Frequent report should be sent to the board in a manner that eases their comprehension of risk.
 - o Will help to assess and identify risk.
 - o Should monitor standards and be periodically reviewed.

Sample 2 :

- Relating risk to capital
 - o Need to consider the adequacy of capital to support the risk that is tailed specifically to company
- Monitoring and reporting
 - o Need to include risk appetites statement and risk management.
 - o Consider tolerance of the company and risk level willing to undertake.
- Responsibilities of Board and Management
 - o Board needs to have the ultimate responsibility and Senior Management helps the Board to implement the decision and objectivity.

EXAMINER'S REPORT:

General Commentary

EXAM 6C FALL 2014 SAMPLE ANSWERS AND EXAMINER'S REPORT

- We expected candidates to understand what ORSA is and be able to discuss key elements.
- In general, candidates performed very well on this question.
- Candidates lost partial credits for not providing a proper brief description of key elements. For example, the following descriptions were not given credit as they were only repeating the listed item:
 - Related risk to capital (credit for identifying 1 item)
 - The capital must be related to risks (no credit for briefly describe)
 - Monitoring and reporting (credit for identifying 1 item)
 - ORSA requires frequent monitoring and reporting (no credit for briefly describe)