

# How to Build Simulated ORSA

## Simulation Company Profile

Name	
Size	
Business Objectives	
ERM Maturity Description	

## How to Build Simulated ORSA

### STRATEGY AND BUSINESS CONCEPT:

Including your organizational strategy and business concept in the ORSA gives context to those who review your ORSA. Your risk management efforts should support the mission, vision, values, and corporate strategy of the organization.

Include a narrative about your company's:

- Mission
- Vision
- Values
- Strategy

*Provide a narrative description of your simulated company:*

Mission	
Vision	

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Values	
Strategy	

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### RISK MANAGEMENT POLICY RISK CULTURE AND RISK GOVERNANCE

#### Roles and Responsibilities:

Your risk management policy should include clearly defined roles, responsibilities, and accountabilities.

Following are examples of roles, but you should describe the roles and responsibilities as they exist in your organization:

- Board of Directors
- Chief Executive Officer
- Senior Management
- Enterprise Risk Management Committee (ERMC)
- Chief Risk Officer
- Risk Owners
- All Personnel

*Provide a narrative description of your simulated company:*

Who is responsible for the effective management of risk?	
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<p>Describe roles and responsibilities that are designed to create an effective system of communication and risk response throughout the organization.</p>	
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### RISK CULTURE AND RISK GOVERNANCE

#### Example Roles and Responsibilities Organizational Chart

Following is a mockup of a risk management organizational chart for illustration, you might describe the reporting of the roles and responsibilities at your organization. It gives the reader a perception of the hierarchy and flow of information and processes.



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*Provide the organization chart of your simulated company:*

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### RISK MANAGEMENT POLICY RISK CULTURE ACCOUNTABILITY

How does your company culture support accountability in risk-based decision making?

*Provide a narrative description of your simulated company:*

<p>Describe processes and guidelines that support accountability.</p> <p>Include compensation and incentives.</p>	
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Describe methods used by your company to ensure that compensation is aligned with long-term objectives and profitable performance.

Include incentives and bonus programs.

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### **RISK MANAGEMENT POLICY CORPORATE GOVERNANCE**

*Provide a narrative description of your simulated company: corporate governance:*

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### **RISK MANAGEMENT POLICY RISK IDENTIFICATION/PRIORITIZATION**

#### **Risk Management Framework**

*Provide a narrative description of your simulated company Risk Management Framework:*

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### Risk Identification & Prioritization

*Provide a narrative description of your simulated company:*

Are all relevant and material risk categories identified?

Describe how.

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<p>Describe how risk categories are managed on a day-to-day basis as strategy is executed.</p>	
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Identification and prioritization process examples might include:

- Establish Context
- Risk identification methods and process
- Prioritization methods and process
  - How risks are assessed
  - Focus of those assessments
  - How risks are quantified and prioritized
- Development of appropriate key risk indicators and risk responses
- Control activities
- Alignment with mission, strategy, and risk tolerance
- Objective setting that supports mission and are consistent with risk tolerance

*Provide a narrative description of your simulated company identification and prioritization process:*

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*Provide a narrative description of your simulated company ownership of steps in the identification and prioritization process:*

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### RISK MANAGEMENT POLICY RISK APPETITE, TOLERANCES, AND LIMITS

Example considerations for appetite and tolerances:

- Existing risk profile
- Capacity to bear risk and remain an ongoing concern
- Risk tolerance in developing acceptable levels of variation company is willing to accept around specific objectives
- Desired level of risk /return

*Provide a narrative description of your simulated company:*

Provide risk appetite statements and tolerances.	
Describe how these measures are used in your organization.	



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<p>Describe board's role in risk appetite statements</p>	
<p>Describe alignment with strategy</p>	
<p>Describe Board review and approval process.</p> <p>Describe how changes to risk appetite are evaluated and implemented.</p>	

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### RISK MANAGEMENT POLICY RISK MANAGEMENT TIMELINE

Consider cadence of processes that support the ERM process and when reports such as the ORSA are due. Examples might include:

- The strategic planning process
- Alignment of the enterprise risk management process with strategy
- Modeling

*Provide a narrative description of your simulated company:*

Describe how strategic planning, ERM and capital models are integrated into your organization.	
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<p>Describe how specifically strategic planning and enterprise risk management are integrated.</p>	
<p>Describe benefits of this process to your company.</p>	

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### RISK MANAGEMENT POLICY RISK MANAGEMENT AND CONTROLS

*Provide a narrative description of how your simulated company: risk management is an ongoing activity that operates at many levels in the organization.*

#### **Organizational Controls**

Describe systems of systems of risk management and internal control to address the key risks and for legal and regulatory obligations.	
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<p>Responsibilities and communication for these controls.</p>	
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### Internal Audit and Reporting

<p>Describe internal audit process and how it provides assurance that specific risk management strategies are practiced and effective.</p>	
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### RISK MANAGEMENT POLICY RISK REPORTING AND COMMUNICATION

*Provide a narrative description of your simulated company:*

<p>Describe how communication flows both from the top down and from the bottom up. Include description of periodic reports that are provided across different levels of the organization.</p>	
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<p>How are risks reported and how often? Consider all levels in the organization, including the board.</p>	
<p>Describe what happens when tolerances are exceeded.</p>	



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### RISK MANAGEMENT POLICY MONITORING AND ESCALATION

How do you monitor and respond to changes in the risk profile due to economic changes, operational changes, or any changes in business strategy?

*Provide a narrative description of your simulated company:*

Describe processes and methods used to monitor risk including any risk tolerance statements.	
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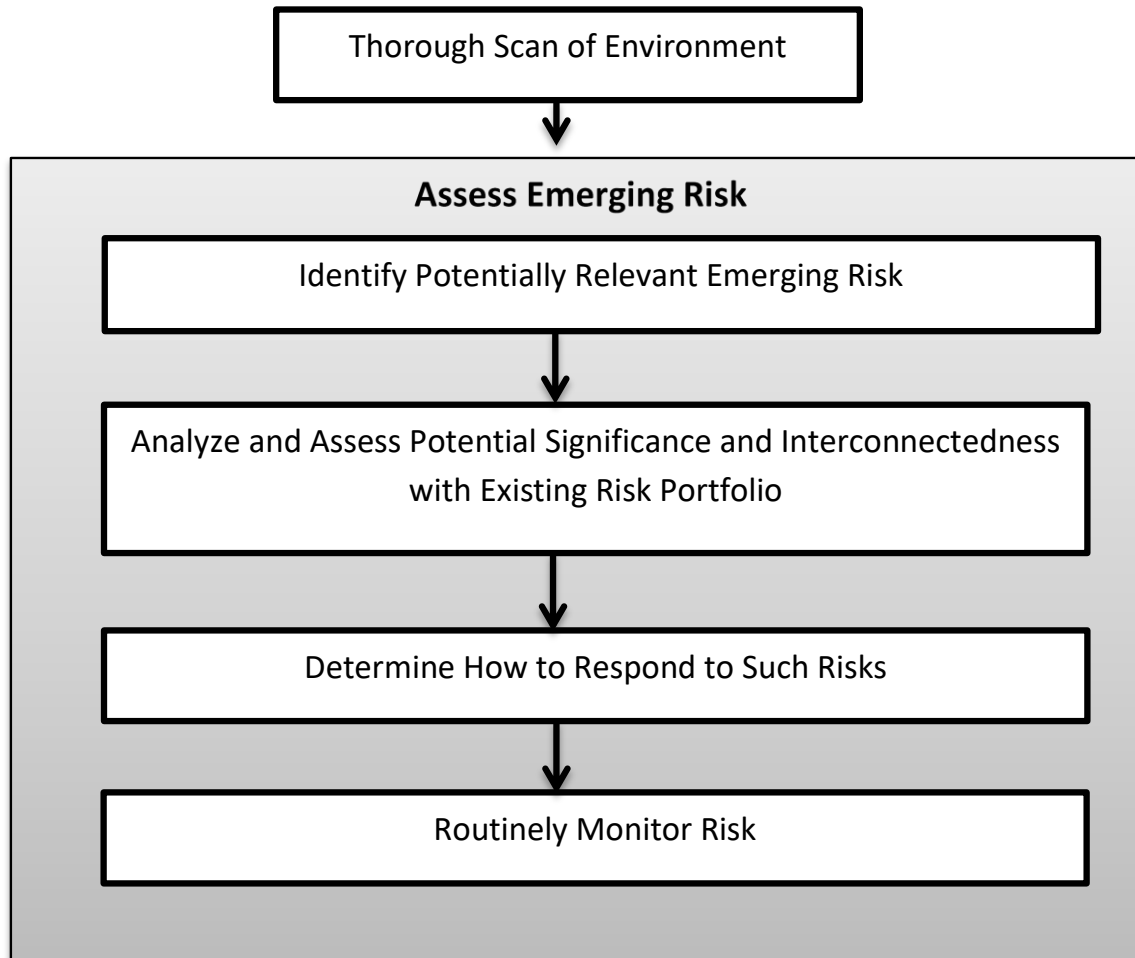
<p>Describe how risks are escalated when tolerances are exceeded.</p>	
<p>Describe relationship between any risk tolerance statements and capital requirements (both regulatory and economic).</p>	

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### RISK MANAGEMENT POLICY EMERGING RISKS

Following illustrates an emerging risks framework.

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*Provide a narrative description of your simulated company:*

How does your company define emerging risks?	
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Do you have a different framework for emerging risks?

If yes, describe it.

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### RISK MANAGEMENT POLICY

*Provide a narrative description of your simulated company:*

<p><b>Emerging Risk Identification</b></p> <p>Describe how your company identifies emerging risks.</p>	
<p><b>Integration</b></p> <p>How are emerging risks integrated into your known risk portfolio?</p>	

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<p><b>Response</b></p> <p>How does your organization prepare for and respond to emerging risks</p>	
<p><b>Economic &amp; Regulatory Capital</b></p> <p>Describe how your risk management policy is related and tied to the determination of the amount and quality of your economic and regulatory capital.</p>	



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### ASSESSMENT OF RISK EXPOSURES QUANTITATIVE & QUALITATIVE ASSESSMENTS OF RISK EXPOSURE

*Provide a narrative description of your simulated company:*

<p>When are qualitative and quantitative risk assessments used in your organization?</p>	
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<p>Describe how your company considered a range of outcomes using risk assessment techniques that are appropriate to the nature, scale, and complexity of the risks.</p>	
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### ASSESSMENT OF RISK EXPOSURES RISK TOLERANCE AND ASSESSMENT OF RISKS

*Provide a narrative description of your simulated company:*

<p>Explain how the tolerance limits and statements are determined, taking into account the relative and material categories of risk and risk relationships.</p>	
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<p>Do your risk tolerance statements include material quantitative and qualitative risk tolerance limits?</p>	
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### GROUP RISK CAPITAL AND PROSPECTIVE SOLVENCY ASSESSMENT GROUP RISK CAPITAL ASSESSMENT

*Provide a narrative description of your simulated company:*

Describe annual capital plan.	
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### GROUP RISK CAPITAL AND PROSPECTIVE SOLVENCY ASSESSMENT BUSINESS PLANNING

*Provide a narrative description of your simulated company:*

Describe how your capital assessment process is closely tied to your business planning.	
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### GROUP RISK CAPITAL AND PROSPECTIVE SOLVENCY ASSESSMENT FEEDBACK LOOP

*Provide a narrative description of your simulated company:*

Is your prospective solvency assessment performed as a feedback loop (projecting future financial position including projected economic and regulatory capital to assess ability to meet requirements?)

Describe. How.