

Circular 2016/3

ORSA - insurers

Basic principles for conducting an own risk and solvency assessment (ORSA) and for reporting to FINMA

Reference: FINMA-Circ. 16/3 "ORSA"
 Date: 3 December 2015
 Entry into force: 1 January 2016
 Last amendment: 26 June 2024 [Modifications are indicated by an asterisk * and are listed at the end of the document.]
 Legal framework: FINMASA Article 7 para. 1 let. b, Article 29
 ISA Article 22
 ISO Articles 96a, 195

Addressees						
BankA	ISA	FinIA	FinMA	CISA	AMLA	Other
Banks						
Financial groups and congl.						
Persons under Article 1b BA						
Other intermediaries						
Insurers	X					
Insurance groups and congl. intermediaries	X					
Portfolio managers						
Trustees						
Managers of collective assets						
Fund management companies						
Investment firms (proprietary trading)						
Investment firms (non propriety trading)						
Trading venues						
Central counterparties						
Central securities depositories						
Trade repositories						
Payment systems						
Participants						
SICAVs						
Limited partnerships for CISs						
SICAFs						
Custodian banks						
Representatives of foreign CISs						
Other intermediaries						
SRO						
SRO-supervised institutions						
Audit firms						
Rating agencies						

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I. Purpose

Abrogated 1*

This circular expands on Article 96a of the Insurance Supervision Ordinance (ISO; SR 961.011) concerning the self-assessment of the risk situation and capital requirements (*Own Risk and Solvency Assessment, ORSA*). 2*

II. Scope of application

This circular applies to all insurance companies under Article 2 para. 1 lets. a and b ISA and groups and conglomerates subject to group and conglomerate supervision under Article 2 para. 1 let. d in conjunction with Articles 65 and 73 ISA (insurers). 3*

Abrogated 4*

III. General principles

When applying the principles set out in this circular, the insurers' specificities, size and complexity are taken into account, as is the principle of proportionality. 5

Abrogated 6*

ORSA covers all the processes and procedures undertaken by insurers to: 7

- identify, evaluate, monitor and manage risks during the planning period, as well as those for reporting; and 8
- determine capital adequacy (i.e. comparing capital requirements and capital available) during the planning period. 9

Abrogated 10*

The business strategy takes account of ORSA, which is also part of the business planning. The board of directors and the executive board include the ORSA results in their decision-making processes, assessing regularly its appropriateness for business steering. 11

ORSA is subject to the rules and requirements for a business-appropriate and effective internal control system: insurers define and document the relevant key controls. 12

Insurers record the principles governing their ORSA in a written policy (ORSA policy), as well as writing up those relevant to the ORSA process design. 13*

IV. Elements of the ORSA

From a risk perspective the ORSA covers all material activities of the insurer. Materiality has to be defined by the insurer.	14
Abrogated	15-16*
A. Forward-looking perspective	
Abrogated	17*
ORSA's forward-looking perspective is expressed through various scenarios covering the entire planning period. The causal progression of events as well as measures within the planning period for those scenarios are taken into account.	18
The insurers select, specify, assess and document the scenarios, which must take account of the insurers' individual risk situation.	19*
Abrogated	20*
B. Overall risk profile	
The insurer determines its overall risk profile by drawing up a comprehensive description and assessment of its risk situation. The overall risk profile covers all risks during the planning period, irrespective of whether the risks are assessed quantitatively or qualitatively.	21
The scenarios used for the ORSA represent the overall risk profile and cover all material aspects of the overall risk profile.	22
Insurers use a method to determine material risks which takes account of their specificities and enables risk comparison extending beyond the risk categories. The insurer defines the risk categories to be used. Highlighting interdependencies between various types of risk is a key aspect of determining the overall risk profile.	23
Every material risk concentration defined in accordance with margin no. 23 above — in particular those linked to risk categories, risk drivers, business types, geographical locations and counterparties — must be listed and analysed, and reflected in the assessment of the risk situation.	24
In addition, particular reference must be made to risks resulting from insurers' participation structure and intra-group transactions (IGTs), as well as those emanating from the location of the insurers' liquidity and capital resources in various jurisdictions.	25

C. Overall capital requirements

For each year of the planning period, insurers define and assess their capital adequacy for each scenario from every relevant perspective. 26

The relevant perspectives must take account of the regulatory perspectives; all other perspectives must also be included where insurers use them for business steering. 27

Available capital is quantified on the basis of its business planning, particularly its earnings targets, capital management measures and dividend policy. The quality, multiple use and fungibility of available capital must also be assessed. 28

Insurers' overall capital requirements are quantified on the basis of its overall risk profile, risk tolerance, business planning and risk mitigation measures. 29

D. Risk-mitigating measures

Insurers examine existing and potential preventive and situation-specific risk mitigation measures based on the overall risk profile and overall capital requirements, taking into account the insurers' specific risk appetite and risk tolerance. 30

The ORSA provides information on the effectiveness of, in particular, the existing risk mitigation measures and of the measures adopted. The way in which this information feeds back into the selection and implementation of the insurers' risk mitigation measures must be shown. 31

V. Conducting ORSA

Abrogated 32*

Significant changes in an insurer's risk situation may result in a partial or full re-conducting of the ORSA at more frequent intervals. 33

VI. Internal documentation

The individual process steps followed when conducting the ORSA must be documented. 34

Insurers record the ORSA results appropriately. 35

The insurer must ensure that the reporting on the ORSA and the results are provided to the relevant members of top management and committees. 36*

VII. Reporting to FINMA

Abrogated	37*
Supervised insurance groups/conglomerates provide FINMA with separate reports for the supervised insurance companies and a report for the insurance group or the insurance conglomerate that both shows the aggregate perspective and adequately takes into account the material entities.	38*
Abrogated	39*
The report submitted to FINMA is a stand-alone document and should comprise at least the following documents:	40*
<ul style="list-style-type: none"> • <i>management summary</i>; 	41
<ul style="list-style-type: none"> • abrogated 	42*-44*
<ul style="list-style-type: none"> • qualitative and quantitative results for the scenarios, capital adequacy perspectives and risk-mitigating measures; 	45*
<ul style="list-style-type: none"> • conclusions based on the results and an assessment of the ORSA's effectiveness as a tool for business steering; 	46
<ul style="list-style-type: none"> • term definitions. 	47
Abrogated	48*

VIII. Submission requirements and deadlines

Abrogated	49*
The report prepared annually is submitted to FINMA once the business planning process has been completed, but no later than 31 January of the first planning year.	50
The reasoned application regarding the exemption from the reporting obligation must be submitted to FINMA in good time, allowing for an adequate processing period. The exemption granted applies from the date of FINMA's decision.	51*
An exemption from the reporting obligation may be limited in particular to the type, scope or frequency of reporting. An exemption may be revoked or adjusted by FINMA with a reasonable period of grace.	52*

Reporting may be ordered in the event of a change in the risk situation or the intensity of supervision. 53*

Insurance companies in supervisory categories 4 and 5 must submit a report for the first time by 31 January 2026 at the latest. 54*

List of modifications



The Circular has been modified as follows:

These modifications were adopted on 23 August 2018 and will enter into force on 1 January 2019.

modified	margin nos. 38, 40, 45, 48
abrogated	margin nos. 42, 43, 44, 52
other changes	abrogation of the title after margin no. 51

These modifications were adopted on 26 June 2024 and will enter into force on 1 September 2024.

new	margin nos. 52, 53, 54
modified	margin nos. 2, 3, 13, 19, 36, 38, 48, 51
abrogated	margin nos. 1, 4, 6, 10, 15, 16, 17, 20, 32, 37, 39, 48, 49