



Advisory No.:	RS-2022-036
Classification:	Regulatory and Supervisory Advisory
Date:	26 August 2022

INSURANCE COMMISSION ADVISORY

TO : All Life Insurance Companies, Non-Life Insurance Companies, and Professional Reinsurers

SUBJECT : Adoption of Own Risk and Solvency Assessment Framework

As a member of the International Association of Insurance Supervisors (“IAIS”), the Insurance Commission adopts the Insurance Core Principles (“ICPs”) including the establishment by insurance companies within their respective risk management systems of an Enterprise Risk Management (“ERM”) Framework for solvency purposes to identify, measure, report and manage insurers’ risks in an ongoing and integrated manner. Relative thereto, the Commission has issued Circular Letter No. 2022- 41 dated 25 August 2022 on the **“Adoption of Own Risk and Solvency Assessment Framework”**.

Under CL No. 2022- 41, the conduct of Own Risk and Solvency Assessment (ORSA) shall be mandatory for the following regulated entities (“Covered Entities”):

- (a) Life insurance companies with premium income exceeding PHP10 Billion;
- (b) Non-life insurance companies with gross premiums written income exceeding PHP2 Billion; and
- (c) Professional reinsurers with gross premiums written income exceeding PHP2 Billion.

An insurance company or professional reinsurer whose premium income or gross premiums written based on its latest available Audited Financial Statements (AFS) does not meet the above-enumerated thresholds may still be required to conduct an ORSA as determined by the Commission when circumstances warrant.

Following the close of Fiscal Year (FY) 2023, Covered Entities shall be required to conduct their respective ORSAs as part of their risk-management systems. The ORSA shall be conducted at least once every year and at any time when there are significant changes to the Covered Entity’s risk profile, or where applicable, of the insurance group of which the Covered Entity is a member.

The ORSA shall not serve as a replacement for regulatory capital requirements and, as such, shall not be used to calculate the following:

- (a) The required net worth requirement as provided in Section 194 of the Insurance Code, as amended and
- (b) The required Risk-Based Capital (RBC) as provided in Circular Letter no. 2016-68.

Prior to the conduct of the ORSA, Covered Entities shall adopt their respective ORSA Policies. **Covered Entities per their 2022 AFS shall be required to submit their ORSA Policies to the Commission no later than 30 June 2023.** Entities who meet the criteria for mandatory ORSA after FY 2023 shall be required to submit their respective ORSA policies no later than 30 June of the year after meeting the criteria for mandatory ORSA. Any subsequent change in the ORSA Policy shall require the Covered Entity to submit to the Commission the amended ORSA Policy within one (1) month from adoption of the amendments.

Covered Entities shall be required to submit their respective ORSA Reports covering FY 2023 on or before the fourth quarter of 2024. For entities who meet the criteria for mandatory ORSA after FY 2023, their respective ORSA Reports shall be submitted no later than the fourth quarter following the subject FY.

For your information and strict compliance.



DENNIS B. FUNA
Insurance Commissioner

