



SUPERINTENDENCIA
DE BANCA, SEGUROS Y AFP

República del Perú

Towards Risk-Based Solvency (RBS) – Implications of ORSA and IFRS 17 for the adoption of RBS in Latin America and Caribbean

ASSAL-FSI-IAIS high-level Conference on Insurance Supervision

15–16 April 2026 | San José, Costa Rica | Session 3

Luis André Sánchez-Lagomarcino Loayza

Two thematic notes developed by the RBSIF



The **Risk-based Solvency Implementation Forum (RBSIF)** was established in March 2022 to support Emerging Markets and Developing Economies (**EMDEs**) in enhancing their observance of IAIS supervisory material and strengthening risk-based solvency (RBS) frameworks. These two draft thematic notes deepen key aspects of that transition.

Building an RBS Regime using ORSA

How to leverage the Own Risk and Solvency Assessment (ORSA) framework as a building block to develop and strengthen an RBS regime

ICP 16: Enterprise Risk Management for Solvency Purposes

ORSA "can be viewed as the bridge between the quantitative and qualitative components of an RBS regime"

Implications of IFRS for RBS Implementation

Implications of IFRS 17 and IFRS 9 for valuation and solvency reporting within the RBS framework.

ICP 14: Valuation | ICP 17: Capital Adequacy

GPFR methodologies should be "substantially consistent with the methodologies used for regulatory reporting purposes" — ICP 14

How to Build an RBS Regime using an ORSA



Common Definition

A forward-looking, internal process through which an insurer identifies, assesses, monitors, manages and reports its risk exposures, and determines the own funds required to ensure that its overall solvency needs are met at all times.

ORSA as a Building Block for RBS

Risk identification: Guide for risks the supervisor should address in the standard formula

Risk assessment: ORSAs reveal which risks have the greatest impact — informing where capital requirements should be largest.

Risk mitigation: Identify mitigation techniques (reinsurance, ALM, hedging) and determine their regulatory acceptability.

Stress & scenario testing: Serve as input for calibrating capital factors of the standard formula.

Capital model, governance & ORSA report: Identify common/diverging trends and emerging risks.

Practical Steps for Implementing an ORSA Regime

1. Preliminary planning & awareness

2. Pilot Exercises: Case study — Peru (2024)

3. Gradual implementation: qualitative components first, then quantitative (solvency projections, stress testing)

4. Review & feedback Industry-wide communications to share best practices.

5. Full integration into the RBS regime: Use insights from ORSA reports to inform supervisory priorities and calibrate solvency requirements.

Lessons Learned

- Engagement & Ownership
- Iterative improvement
- Valuable insights for Supervisors

Challenges

- Initial Resource Intensity
- Lack of Standardisation
- Staff Training Needs
- Trust & Disclosure

Implications of IFRS for RBS Implementation

IFRS adoption by insurers

140+ jurisdictions require or permit IFRS for publicly listed companies — but application to ALL insurers varies significantly by region.

IFRS 17 – Insurance Contracts

Provides consistent, current-value measurement of insurance contracts replacing IFRS 4.

IFRS 9 – Financial Instruments

Addresses classification & measurement, impairment, and hedge accounting — covering the most significant assets on an insurer's balance sheet (bonds, shares).

Benefits for Supervisors

Rigorous external audit already embedded in the framework — auditors are allies in supervisory oversight (ICP 9.4).

Resource Efficiency for EMDEs

Maintaining two reporting systems is a resource-intensive requirement demanding a highly skilled staff of accounting and actuarial experts.

Supervisors may specify inputs

e.g. discount curves, risk adjustment confidence levels

Alignment with ICP 14 Requirements

IFRS 17 and IFRS 9 reporting can be considered aligned with ICP 14 requirements.

Key Concerns & Challenges

Accounting policy choices (discounting, risk adjustment, CSM) reduce comparability across insurers — supervisors should narrow the range.

Complexity and Knowledge Gap

IFRS 17 introduces a significantly more complex framework compared to IFRS 4, due to its new measurement philosophy.

Legal Uncertainty from Terminology Changes

Solvency requirements linked to IFRS 4 terminology (e.g. 'premium income', 'claims reserves') no longer exist under IFRS 17.

Differing Purposes: GPFR vs. Solvency Reporting

GPFR focuses on profit distribution in a reporting period; solvency reporting focuses on the economic solvency position at a point in time.

Recommendations for EMDEs

Urgently update legislative and regulatory references to align with IFRS 17 terminology to maintain legal enforceability.

Specify Key Accounting Policy Choices

To address comparability concerns, supervisors should provide discount curves for solvency reporting or specify risk adjustment techniques.

Gain Experience Through Phased Assessment

Gain experience with IFRS-based reporting, conduct industry-wide assessments and monitor international developments.

Recalibrate or Redefine FHSIs

Reconsider Financial Health and Stability Indicators in the context of IFRS 17.