FI Supervision

Insurance Undertakings’ Own Risk and Solvency Assessments

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FI supervision

Finansinspektionen frequently publishes supervision reports in a numbered series. These supervision reports are part of FI's communication. The reports describe the investigations and other supervision carried out by FI. Through these reports, FI presents its observations and assessments as well as its expectations in various matters. This information can support undertakings in their operations.

Summary

Finansinspektionen (FI) has conducted a survey of how insurance undertakings are performing their own risk and solvency assessments. FI is of the opinion that many undertakings' assessments can be improved. For example, the assessment of the overall solvency needs should be based on the undertaking's own risk profile rather than on the standard formula. The fact that the assessments are not based on the undertakings' own risk profiles may indicate that many undertakings do not have sufficient knowledge of their risks and that boards of directors should become more involved.

The own risk and solvency assessment (ORSA) is the insurance undertaking's own analysis of its risks and how much capital it requires in order to pursue its business in the short and the long term.

The ORSA has to be an integral part of the undertaking's business strategy. This means that the results of the ORSA are taken into account when making strategic decisions and in the undertaking's business planning. FI would also like to stress that an important aim of the ORSA is to improve the undertaking's risk management.

The ORSA has to include an assessment of the overall solvency needs, with consideration being given to the undertaking's specific risk profile, risk tolerance and business strategy. From undertakings' ORSA reports, FI can see that many undertakings are basing their assessments on the standard formula for calculating the Solvency Capital Requirement, rather than on their own risk profile. FI is therefore of the opinion that the requirement for the assessment to take into account the undertaking's own risk profile is often not fulfilled.

Every undertaking needs to be aware of how its risk profile deviates from the assumptions in the formula used to calculate the Solvency Capital Requirement. It is therefore necessary to conduct an assessment of the differences. FI is of the opinion that there are many undertakings that should make this assessment more far-reaching and also expects undertakings to demonstrate more clearly that they are aware of which differences are significant.

The majority of undertakings are conducting the assessment of continuous compliance with the Solvency Capital Requirement, the Minimum Capital Requirement and technical provisions. However, there are several undertakings that need to ensure that the actuarial function is submitting observations regarding the calculation of the technical provisions.

In light of the above shortcomings, FI questions whether the ORSA is a sufficiently integrated aspect of all undertakings' business strategies and business planning, and whether all undertakings have sufficient knowledge of their risks. These shortcomings may indicate that many boards of directors are not sufficiently involved in the ORSA process. This is because it is unclear whether the methods and analyses used in the ORSA are designed in line with the specific undertaking's operations and what the board of directors believes is relevant to the

way it governs the business. The board of directors should ensure that the ORSA reflects the undertaking's business plan and takes into account established risk appetites and risk tolerances. The board of directors should also decide how stress tests and scenario analyses are designed and critically review the results of the ORSA.

Introduction

Insurance undertakings' own risk and solvency assessments (ORSAs) are an important aspect of corporate governance and risk management. In this report, Finansinspektionen (FI) presents its observations and assessments of undertakings' work with ORSAs.

WHAT IS AN ORSA?

The Solvency II framework[1] is more risk-based than was the case for the previous regulatory framework. For example, undertakings have to calculate a risk-based Solvency Capital Requirement on the basis of a standard formula or an internal model. The standard formula, which is used by the majority of undertakings, is designed on the basis of a fictitious average European insurance undertaking and is thus not adapted on the basis of each undertaking's own risk profile. In the own risk and solvency assessment (ORSA), the undertaking has to use its own risk profile, risk tolerance and business strategy as a basis in order to assess its overall solvency needs, which is the capital required in order to pursue its business in the short and the long term. The ORSA is therefore an important aspect of corporate governance and risk management and requires the undertaking to have both knowledge of all its risks and the ability to assess these.

Chapter 10, Section 11 of the Insurance Business Act (2010:2043) states that an insurance undertaking shall conduct an ORSA. The provision in the Insurance Business Act states that an insurance undertaking shall conduct three assessments in its ORSA:

- an assessment of the undertaking's overall solvency needs that takes into account its specific risk profile, risk tolerance and business strategy
- an assessment of the undertaking's continuous compliance with the provisions concerning the Solvency Capital Requirement, the Minimum Capital Requirement and technical provisions
- an assessment of how significant the differences are between the undertaking's risk profile and the assumptions concerning risks that have formed the basis of the calculation of the Solvency Capital Requirement.

The ORSA is an important report for the board of directors and is a tool to use when making decisions that pertain to business strategy, risk appetite and other matters linked to corporate governance and risk management. In FI's opinion, an ORSA that is well integrated into the undertaking's business processes and decision-making processes

1 'Solvency II framework' refers here to the implementation of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (the Solvency II Directive) into law and regulations (the Insurance Business Act [2010:2042] and Finansinspektionen's regulations [FFFS 2015:8] regarding insurance business), Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (the Solvency II Regulation) and EIOPA's accompanying guidelines.

contributes to stronger corporate governance and greater knowledge of the undertaking's risks. The results of each ORSA have to be reported to FI.[2]

The requirements concerning the ORSA are contained in various parts of the Solvency II framework: the Insurance Business Act, the Solvency II Regulation[3] and the European Insurance and Occupational Pension Authority's (EIOPA's) guidelines on own risk and solvency assessment[4]. The guidelines are comparable to Finansinspektionen's general guidelines and provide guidance on how the requirements stipulated in the Insurance Business Act and the regulation can be interpreted.

FI'S WORK WITH ORSAS

From the time the Solvency II framework entered into force, until now, FI has communicated its views on the content of ORSA reports within the scope of the dialogue conducted with undertakings through supervision. However, FI has not communicated its views on the methods and processes included in ORSAs.

In its audit of ORSA reports, FI has found a number of shortcomings, including the fact that many undertakings' assessments of their overall solvency needs are largely based on the same calculations as the Solvency Capital Requirement, rather than on the undertaking's own risk profile. In light of the shortcomings found by FI in its audit of the undertakings' ORSA reports, FI has conducted a survey of how undertakings are carrying out ORSAs.

The survey was conducted using a questionnaire that was sent to 31 undertakings. The sample included non-life and life insurance undertakings of varying sizes. The questions covered the processes and methods the undertakings use to carry out ORSAs. The survey was followed up with site visits at three undertakings for more detailed discussions.

This report contains an account of FI's views on the ORSA process, the methods used and the content of the ORSA report. The conclusions are based on what FI has found in the survey and in its audit of the undertakings' ORSA reports.

STRUCTURE AND LIMITATIONS OF THE REPORT

This report deals with the ORSA process and the three assessments that are to be implemented pursuant to Chapter 10, Section 11 of the Insurance Business Act. The report contains a section on the ORSA process and a section on each of the three assessments. The applicable rules, FI's observations and FI's assessments are presented in each section. There is a glossary at the end of the report that contains explanations of terms used.

Those undertakings that have been granted exemptions pursuant to Chapter 1, Section 19 or 19b of the Insurance Business Act are subject

2 Chapter 10, Section 13 of the Insurance Business Act.

3 Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

4 Guidelines from the European Insurance and Occupational Pensions Authority.

to the ORSA requirements. However, this report does not deal with the specific requirements that apply to these undertakings or the circumstances resulting from these requirements, for example that they are to have a specially adapted capital requirement and guarantee amount. Nor does it address the specific requirements that apply to insurance groups.

The ORSA Process

If the ORSA is to be well integrated into the undertaking's business strategy and taken into account when making strategic decisions, the board of directors need to make active use of it. The ORSA also requires the involvement of staff from various parts of the business and for the process to be adapted to the circumstances of the individual undertaking.

THE ORSA PROCESS

Applicable rules

Chapter 10, Section 11, first paragraph of the Insurance Business Act states that "an insurance undertaking shall conduct an own risk and solvency assessment".

The third paragraph of the same provision states that, for an ORSA, "the insurance undertaking shall have processes to ensure that the risks the undertaking is or may be exposed to in both the short and the long term are identified and evaluated. The undertaking shall have the ability to describe the methods used in the assessment".

The fifth paragraph of the same provision states that "the own risk and solvency assessment shall be an integral part of the insurance undertaking's business strategy and shall be taken into account in the undertaking's strategic decisions".

FI's comments in summary

Having an ORSA that is well integrated into the undertaking's business strategy means that the results of the ORSA influence the direction of the undertaking's business planning and that it is taken into account in important business processes. It also means that the business plan has an impact on how the assessments in the ORSA are designed and implemented. The ORSA process should be designed on the basis of the undertaking's specific business and the risks that are relevant to the undertaking. This requires the board to take responsibility for the process and to participate actively in it through means including deciding on suitable methods for the ORSA and critically reviewing the results of the assessments. The ORSA shall encompass that which the board deems relevant to the governance of the business and the undertaking's strategy, shall reflect the business plan and shall take into account the established risk appetite and risk tolerance.

INTERNAL ORGANISATION FOR THE ORSA

Applicable rules

Guideline 1 of EIOPA's guidelines on own risk and solvency assessment states that "The undertaking should develop for the ORSA its own processes with appropriate and adequate techniques, tailored to fit into its organisational structure and risk-management system and taking into consideration the nature, scale and complexity of the risks inherent to the business".

FI's observations

The majority of the undertakings in the survey state that the undertaking's risk-management function is responsible for coordinating the ORSA. 11 of 31 undertakings state that they have completely or partially outsourced their work with the ORSA. There is variation in terms of which parts have been outsourced and also in terms of whether or not they have been outsourced within the same group[5].

27 of 31 undertakings state that a central function[6] has audited the ORSA process. Most often, this is the internal audit function, but it can also be the compliance function. Several undertakings have stated that the audits encompass coordination of the process, development of a business plan and the relevance of various stress tests.

FI's assessment

According to FI, it is appropriate for there to be a function that is tasked with responsibility for coordinating the process. This is because the guideline specifies that the undertaking should develop its own processes with appropriate techniques for the ORSA. It is also important to point out how the fact that a specific function is responsible for coordination does not mean that this function is solely responsible for implementation of the ORSA process. The production of an ORSA requires the involvement of employees from many parts of the organisation.

The Solvency II framework contains no explicit barriers to prevent the ORSA process being outsourced externally. Nevertheless, FI would like to emphasise that, by virtue of both the Insurance Business Act and the guidelines, an ORSA shall always be designed on the basis of the undertaking's business and the risks inherent to this. This applies regardless of whether parts of the process have been outsourced. In addition, the Insurance Business Act states that the undertaking is always responsible for the work that is outsourced.[7] This also applies in the case of an ORSA.

Because the ORSA is an important aspect of an undertaking's corporate governance system, FI is of the opinion that the central functions should conduct audits of the ORSA on the basis of these functions' respective areas of responsibility and what is appropriate in view of the business. These audits can be conducted on the basis of the regulatory requirements, but can also be more far-reaching, for example with regard to risk analyses that have been conducted and whether the methods the undertaking uses are adapted to its business and risk management.

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5 Also denotes insurance groups and conglomerates.

6 The central functions denote the functions for risk management, regulatory compliance, internal audit and the actuarial function (see Chapter 10, Section 4 of the Insurance Business Act).

7 See Chapter 10, Section 19 of the Insurance Business Act.

THE BOARD OF DIRECTORS IS RESPONSIBLE FOR THE PROCESS

Applicable rules

Guideline 2 of EIOPA's guidelines on own risk and solvency assessment states that "The AMSB[8] should take an active part in the ORSA, including steering, how the assessment is to be performed and challenging the results".

FI's observations

FI has noted several shortcomings in its audit of the undertakings' ORSA reports and within the scope of its survey of the undertakings' work with ORSAs. These shortcomings may indicate that the board is not sufficiently involved in the ORSA process because it is often unclear whether the methods and analyses have been designed on the basis of that which the board deems is relevant to the governance of the business. It is often difficult to determine from the undertakings' ORSA reports and from minutes of board meetings in what way the board has been involved in the process and in what way the ORSA is being used in the business and when making strategic decisions.

FI's assessment

An undertaking's board of directors is ultimately responsible for the ORSA and should take an active part in the process. Aside from the fact that this is expressed in Guideline 2, it is, in FI's opinion, also necessary that the ORSA form an integral part of the undertaking's business planning and that it be possible to take the ORSA into consideration in the undertaking's strategic decisions (Chapter 10, Section 11 of the Insurance Business Act). In light of the shortcomings observed by FI, including that there is often no assessment of the overall solvency needs on the basis of the undertaking's own risk profile, it can be questioned whether the boards of all undertakings are sufficiently involved in the ORSA process and have sufficient knowledge of the undertaking's risks.

The board is responsible for the ORSA and FI is of the opinion that Guideline 2 means that the board should take an active part in more ways than simply approving policies for ORSA and the ORSA report. The board can take an active part by:

- Ensuring that the ORSA reflects the undertaking's business plan.
- Taking into account the established risk appetite and risk tolerance.
- Critically reviewing the risk analysis underlying the assessments in the ORSA.
- Deciding on the design of stress tests and scenario analyses.
- Deciding on methods and approaches.
- Critically reviewing and questioning the results of the ORSA.

8 administrative, management or supervisory body

As the board is responsible for the ORSA process, FI is of the opinion that it is beneficial if the board's involvement in the ORSA is documented, for example in the minutes of board meetings.

POLICIES AND DOCUMENTATION

Applicable rules

Guideline 4 of EIOPA's guidelines on own risk and solvency assessment states that "The AMSB of the undertaking should approve the policy for the ORSA".

This guideline also specifies what the policy should contain.

FI's observations

All undertakings in the survey have developed policies for their ORSA. These policies have also been approved by the board.

FI's assessment

Good corporate governance is dependent on well-thought-out policies. In light of what is stated in Guideline 4 regarding the content of policies, FI would like to stress that policies should describe, in the form of processes, decision-making processes and schedules, how the undertaking works with the ORSA, rather than primarily covering the requirements as set out in the regulatory framework.

INTEGRATION OF RESULTS AND INSIGHTS

Applicable rules

Guideline 6 of EIOPA's guidelines on own risk and solvency assessment states that "The undertaking should communicate to all relevant staff at least the results and conclusions of the ORSA, once the process and the results have been approved by the AMSB".

Guideline 13 of EIOPA's guidelines on own risk and solvency assessment states that "The undertaking should take into account the results of the ORSA and the insights gained during the process of this assessment in at least:

a) its capital management;

b) its business planning;

c) its product development and design".

FI's observations

All undertakings in the survey state that they have communicated the results and conclusions of their most recently completed ORSA to all relevant staff. How and to whom the undertakings are communicating these vary, but the majority are communicating widely, for example to central functions, capital management, business managers, product managers and claims adjustment managers.

The majority of undertakings state that they have taken into account the results of the ORSA in their capital management, business planning and product development and design. The undertakings list several good examples of applications (see Good Examples 1).

Good Examples 1: Use of the results of the ORSA

Risk-management system:

- design of risk management, risk appetites and risk tolerances
- level of reinsurance cover or other risk-mitigation measures
- evaluation of the suitability of the risk-management system.

In asset management, when making decisions concerning:

- strategic allocation
- risk tolerances.

In capital management, when making decisions concerning:

- capital plan
- dividends and bonuses.

In business planning, in order to decide:

- growth targets
- profit requirements
- risk-mitigation measures.

In the development of new products:

- effects on solvency need, Solvency Capital Requirement and risk profile in accordance with the ORSA.

FI's assessment

It is by virtue of the regulatory framework that the ORSA has to be an integral part of an undertaking's business strategy and has to be taken into account when making strategic decisions. This highlights how important it is for the ORSA to be seen not only as an activity that is conducted in order to comply with the requirement to produce an annual ORSA report. In terms of time, the ORSA should be implemented in such a way that the results can be taken into consideration in the business planning process and in strategic planning.

ORSA OUTSIDE OF THE NORMAL TIMESCALE

Applicable rules

Chapter 10, Section 12 of the Insurance Business Act states that "an insurance undertaking shall conduct an own risk and solvency assessment at least once per year. If a material change has taken place in the risks to which the insurance undertaking is exposed, a new such assessment shall be conducted as soon as possible".

FI's observations

The majority of the undertakings in the survey state that they have defined what is meant by the term a material change in the risks to which the undertaking is exposed so that an ORSA will also be conducted outside of the normal timescale ("new assessment"). FI has also seen several good definitions of what gives rise to a new

assessment in undertakings' responses (see Good Examples 2). Some undertakings have quantified what it is that can be regarded as material on the basis of, for example, the size of solvency ratio, premiums and costs.

The majority of the undertakings have stated that definitions of what constitutes a material change are described in their ORSA policy. The majority of undertakings also state that they have defined decision-making pathways for making decisions concerning new assessments.

Good Examples 2: Definition of what gives rise to a new assessment

- A change that amounts to more than X per cent of the overall solvency needs.
- A change that amounts to more than X per cent of an individual risk.
- The level of risk exceeds the determined risk appetite or risk tolerance.
- If the solvency ratio falls below X per cent.
- A net change in premium income of +/- X per cent.
- Decisions that result in expected costs that amount to more than X per cent of the undertaking's total costs.
- An increase in the cost of claims to a level in excess of X per cent.
- The introduction of new lines of insurance or a substantial development of existing lines.

FI's assessment

FI is of the opinion that it is appropriate to define what is meant by the term a material change in the risks to which the undertaking is exposed. This makes it easier for the undertaking to define when it is that a new assessment is to be conducted. FI is also of the opinion that it is appropriate for undertakings, when assessing whether a material change has taken place, to use both quantitative approaches and qualitative reasoning, for example with regard to which events can give rise to a new assessment. FI is also of the opinion that the ORSA policy should indicate who it is that makes the decision to conduct a new assessment.

Which circumstances can give rise to a new assessment?

There are several events that may cause a material change in the risks to which an insurance undertaking is exposed. Examples of these are mergers or acquisitions, portfolio transfers, decisions concerning the winding-up of operations and external events such as stock market downturns, fraud, natural disasters, falling interest rates or reputational damage. In addition to this, FI is of the opinion that other events that have an impact on the undertaking's ability to confront the risks to which it is exposed should also lead to a new assessment. These can be events that the undertaking deems to have a material impact on its own funds, for example an extra distribution of profits or a substantial revaluation of technical provisions.

When should a new assessment be conducted?
In those cases where a change in the undertaking's risk profile takes place as a result of an internal decision, FI is of the opinion that a new assessment should be conducted ahead of the decision so that the assessment can form the basis of the decision. The reason for this is that the ORSA shall be taken into account in the undertaking's strategic decision-making.[9]

What form and scope are a new assessment required to have?
FI is of the opinion that a new assessment does not necessarily entail the need to conduct a complete ORSA in order to facilitate the integration of the ORSA into the undertaking's governance and decision-making processes. However, as the new assessment is to be taken into account in strategic decision-making, FI is of the opinion that the assessment needs to contain that which is required in order to make it usable as grounds for decisions and to describe the change and its effects in a clear and explicit way.

9 Chapter 10, Section 11 of the Insurance Business Act.

Assessment of Overall Solvency Needs

The purpose of the assessment of overall solvency needs is to provide the undertaking with a view of how much capital the business requires given its own risks and business plan. The undertaking decides itself how this assessment will be conducted. FI is of the opinion that many more undertakings should be conducting an independent assessment that is not based on the calculation used for the Solvency Capital Requirement.

THE ASSESSMENT

Applicable rules

Chapter 10, Section 11, second paragraph, point 1 of the Insurance Business Act states that "in its own risk and solvency assessment, the insurance undertaking shall conduct an assessment of the undertaking's overall solvency needs that takes into account its specific risk profile, risk tolerance and business strategy".

Article 262(1) of the Solvency II Regulation states that the assessment of the overall solvency needs "shall be forward-looking and include all of the following elements:
(a) risks the undertaking is or could be exposed to, taking into account potential future changes in its risk profile due to the undertaking's business strategy or the economic and financial environment, including operational risks;
(b) the nature and quality of own funds items or other resources appropriate to cover the risks identified in point (a) of this paragraph".

What is the purpose of the assessment?

The overall solvency needs is the capital that the undertaking assesses it requires in order to run its business, taking into consideration its risk profile, risk tolerance and business strategy. The purpose of the assessment is to ensure that the undertaking is aware of how much capital is required in order to run the business in the short and the long term, taking material risks into consideration. The assessment contributes to stronger corporate governance, increased risk awareness and makes it possible for the undertaking to make well-thought-out strategic decisions.

FI's comments in summary

In its audit of the undertakings' ORSA reports, FI found that the majority of the undertakings' assessments of overall solvency needs were based on the calculation of the Solvency Capital Requirement rather than on the undertaking's own risk profile, risk tolerance and business strategy.

The assessment of the overall solvency needs should not be confused with the calculation of the Solvency Capital Requirement based on the standard formula or an internal model approved by FI. The Solvency Capital Requirement is the capital required on the basis of the prerequisites specified in the regulations for the standard formula or an internal model. However, the purpose of the overall solvency needs is to calculate the capital that is required on the basis of the undertaking's own risk profile, risk tolerance and business plan. Nor

should the requirements concerning how the assessment of the overall solvency needs is to be conducted be confused with the requirements placed on an internal model that is used to calculate the Solvency Capital Requirement.

Important differences between the overall solvency needs and the Solvency Capital Requirement are:

- The overall solvency needs encompass all the undertaking's material risks.
- The overall solvency needs capture the undertaking's risk profile, which does not need to be captured by the standard formula, which is based on a fictitious average European insurance undertaking.
- The overall solvency needs are calibrated on the basis of the undertaking's risk tolerance, which may differ from the risk measure with a 99.5 per cent confidence interval that is used to calculate the Solvency Capital Requirement.
- The overall solvency needs capture a period of time that is appropriate in light of the undertaking's business plan and strategy and may therefore be longer than 12 months.
- Overall solvency needs can be based on different valuation grounds to those specified in the Solvency II framework, for example those for contractual limits and discounting curve.

By virtue of the above, the overall solvency needs may be both over and under the Solvency Capital Requirement.

According to Article 262(1) of the Solvency II Regulation, undertakings shall determine the amount of capital required in order to cover the solvency needs for a period of time chosen by the undertaking. Because different rules for valuation of assets and liabilities can be used, the amount of capital that is used to cover the overall solvency needs does not need to be consistent with the capital base that is to be used to cover the Solvency Capital Requirement in accordance with the Solvency II framework.

Areas for improvement
FI has identified the following general areas for improvement for the assessment of the overall solvency needs:

- The overall solvency needs shall be based on an independent assessment on the basis of the undertaking's own risk profile that is not based on the calculation of the Solvency Capital Requirement.
- The assessment should encompass all of the undertaking's material risks.
- The assessment should be based to a greater extent on the undertaking's own methods and assumptions.

WHAT IS THE BASIS OF THE ASSESSMENT?

Applicable rules

Chapter 10, Section 11, second paragraph, point 1 of the Insurance Business Act states that "in its own risk and solvency assessment, the

insurance undertaking shall conduct an assessment of the undertaking's overall solvency needs that takes into account its specific risk profile, risk tolerance and business strategy".

FI's observations

All of the undertakings in FI's survey state that they have assessed their overall solvency needs on the basis of the undertaking's risk profile, risk tolerance and business strategy. However, when auditing the undertakings' ORSA reports, FI found them to suggest that many of the undertakings did not use their own risk profile as a basis. It is also not common for the undertakings to have quantified their overall solvency needs.

7 of the 31 undertakings in the survey state that their overall solvency needs correspond to the same amount as the Solvency Capital Requirement calculated using the standard formula.

FI's assessment

FI is of the opinion that undertakings should not equate their solvency needs with the Solvency Capital Requirement calculated using the standard formula. FI is of the opinion that if an undertaking comes to the conclusion that the solvency needs and the Solvency Capital Requirement are largely consistent, this conclusion has to be substantiated with a well-implemented analysis of the undertaking's own risk profile, risk tolerance and business strategy. In light of this, FI also does not believe that it is sufficient for the undertaking to simply conclude that the Solvency Capital Requirement does not underestimate the overall solvency needs.

If the calculation of the Solvency Capital Requirement is used as a basis, rather than the undertaking's own risk profile, there is a risk that the undertaking will not have knowledge of its risks and that the undertaking's solvency assessment will not correspond to the undertaking's actual solvency needs. The assessment should instead be based on the undertaking's own analysis of all material risks to which the undertaking is or may be exposed.

HOW IS A FORWARD-LOOKING PERSPECTIVE CAPTURED?

Applicable rules

Guideline 8 of EIOPA's guidelines on own risk and solvency assessment states that "The undertaking should ensure that its assessment of the overall solvency needs is forward-looking, including a medium term or long term perspective as appropriate".

Article 262(2)(a) of the Solvency II Regulation states that the elements specified in point (1) (see p. 12) shall take into account "the time periods that are relevant for taking into account the risks the undertaking faces in the long-term".

FI's observations

The majority of the undertakings in the survey conduct their assessment of the overall solvency needs on the basis of a time period of 3–5 years. However, there are undertakings that make this assessment for both a shorter and a longer period.

FI's assessment

FI is of the opinion that the statement in the guideline that the time period should be appropriate means that consideration needs to be given to the undertaking's business planning and strategy. FI's basic premise is that a time period of at least three years is required in order for the assessment to be regarded as sufficiently forward-looking. For undertakings that have a more long-range business, for example life insurance undertakings with traditional insurance, it is FI's assessment that the assessment should be based on a time period of at least five years. Longer time periods may also be relevant; however, this is dependent on the undertaking being clear about the uncertainty that this entails.

In order to encompass a forward-looking perspective, as specified in Guideline 8, the assessment should also take into account how the undertaking's risks are developing as well as relevant new and emerging risks.

IDENTIFICATION AND MANAGEMENT OF RISKS

Applicable rules

Guideline 7 of EIOPA's guidelines on own risk and solvency assessment states that "The undertaking should provide a quantification of the capital needs and a description of other means needed to address all material risks irrespective of whether the risks are quantifiable or not".

FI's observations

20 of the 31 undertakings in the survey state that, in the assessment of overall solvency needs, they have identified risks that are different to those included in the calculation of the Solvency Capital Requirement. Examples of such risks are liquidity risk, business risk, model risk and risks that arise due to the undertaking being part of a group.[10] In most cases, the undertakings state that these risks are assessed using qualitative reasoning and that they are managed by means other than by calculating solvency needs. It is also common for undertakings to take these risks into account in stress tests.

In accordance with the Guideline 7, the majority of the undertakings in the survey have stated that they have identified other means – in addition to assessing quantified solvency needs – by which to address these risks (see Good Examples 3). Several undertakings' ORSA reports also contain discussion about the effect of these means and the time period in which they have an impact.

10 Also denotes insurance groups and conglomerates.

Good Examples 3: Reasoning regarding means for addressing material risks can involve:

- reinvestment of assets
- change in reinsurance cover
- change in product range
- adjustment of planned dividends
- injection of capital from owners.

FI's assessment

In order to adhere to the guideline that the assessment should encompass all material risks, FI expects undertakings to be able to describe how they manage the risks that are not quantified in the assessment of their overall solvency needs. FI also expects undertakings to have ensured that the means specified are realistic and actually possible to use in a stressed situation.

FI is also of the opinion that undertakings should ensure that, in their risk analyses, they are taking into account relevant risks that various sustainability-related aspects may entail, for example physical risks and transition risks[11] associated with climate change. Although sustainability-related risks[12] are, to some extent, new factors that impact financial risk, they do not create new types of risk for insurance undertakings. Instead, they affect the risks that an undertaking is exposed to in other ways, for example market risks, insurance risks and counterparty risks.

WHICH METHOD AND ASSUMPTIONS ARE TO BE USED?

Applicable rules

Guideline 1 of EIOPA's guidelines on own risk and solvency assessment states that "The undertaking should develop for the ORSA its own processes with appropriate and adequate techniques, tailored to fit into its organisational structure and risk-management system and taking into consideration the nature, scale and complexity of the risks inherent to the business".

Guideline 7 of EIOPA's guidelines on own risk and solvency assessment states that "Where appropriate, the undertaking should subject the identified material risks to a sufficiently wide range of

11 'Physical risks' denotes physical damage that is driven by climate change, for example damage to property as a result of flooding. Transition risks denotes risks that are linked to the transition to a low-carbon society. Transition risks may be driven by, for example, new laws and regulations, tax changes or changes in the behaviour of consumers and undertakings.

12 Risks that are associated with environmental issues, social issues and corporate governance issues (ESG: environment, social governance). The relevance of sustainability-related risks to the ORSA may vary between different insurance undertakings, depending on their business model. For life insurance undertakings, this may relate to, for example, the risk of reduction in the value of invested assets, while for non-life insurance undertakings, this may relate to damage attributable to climate change and natural disasters.

stress tests or scenario analyses in order to provide an adequate basis for the assessment of the overall solvency needs".

FI's observations

18 undertakings in the survey state that, in the assessment of the overall solvency needs, they have used methods and assumptions that are different to those included in the calculation of the Solvency Capital Requirement. For example, the undertakings state that they use their own methods and assumptions for assessing operational risk and quantifying further solvency needs on the basis of a certain proportion of the Solvency Capital Requirement. All undertakings in the survey state that they use stress tests or scenario analyses in order to assess their overall solvency needs.

A smaller number of undertakings state that they have developed their own models for calculating their overall solvency needs. Only two undertakings state that they use calibration techniques or time periods that are different to those used in the standard formula. A few undertakings state that they use valuation methods that are different to those specified in the Solvency II framework.

FI's assessment

In light of the fact that undertakings shall take into account their own risk profile, risk tolerance and business strategy when assessing their overall solvency needs (Chapter 10, Section 11, second paragraph of the Insurance Business Act), FI encourages the use of own methods and assumptions. These are to be based on the undertaking's risk profile (see Good Examples 4).

Good Examples 4: Own methods for assessing overall solvency needs

- Use qualitative and quantitative assessments as a basis in order to determine how much capital is required to cover the undertaking's risks.
- On the basis of the undertaking's risk profile, risk tolerance and business strategy, modify the assumptions and methods underlying the Solvency Capital Requirement.
- Design the undertaking's own model for its risks.

FI is of the opinion that the assessment does not necessarily require complex methods or models. The first step can involve the undertaking basing its assessment on qualitative reasoning, before using its own calculation methods for at least the most material risks.

Every undertaking should use its own risk profile and the proportionality principle as a basis on which to assess which methods are appropriate for quantifying its overall solvency needs. This means that the methods should be adapted to the nature, scale and complexity of the business. For example, an undertaking with a more complex risk profile can use more advanced methods.

FI has observed in several ORSA reports that many undertakings state that their overall solvency needs amount to a certain percentage of the Solvency Capital Requirement, e.g. 120 per cent. However, it is rarely

shown how this is calculated and FI's assessment is that this is rather an expression of the undertaking's risk tolerance.

Having scrutinised the undertakings' ORSA reports, FI is able to conclude that many undertakings use stress tests or scenario analyses in order to test the resilience of their overall solvency needs. However, in several cases, it has been difficult to determine the way in which the undertakings are using these stress tests to assess their overall solvency needs. In order to produce and provide an adequate basis for the assessment of the overall solvency needs, the undertaking should determine which variables are to be included in stress tests and scenario analyses, the way in which these are to be performed and how the impact on the tests or analyses is to be measured. Stress tests and scenario analyses can be applied to, for example, the undertaking' own funds, profit margin or claims ratio. The impact that stress tests or scenario analyses have can be used to assess the overall solvency needs.

Stress tests and scenario analyses should reflect the complexity of the risk profile and may therefore vary between different undertakings. FI is of the opinion that stress tests and scenario analyses should take into consideration unexpected, but possible, events, and that the undertaking's most relevant risks should be stressed. The undertaking can use stress tests and scenario analyses to ensure that its business plan is within the scope of its established risk appetite and risk tolerance.

Internal model

When it comes to companies that use an internal model, FI is of the opinion that the internal model should be used to calculate the overall solvency needs. However, FI would like to emphasise that it is not necessarily the case that the Solvency Capital Requirement calculated using an internal model and the overall solvency needs will amount to the same figure. This can be due to the differences between the assessment of the overall solvency needs and the Solvency Capital Requirement mentioned in FI's comments in summary in the paragraph "The assessment" on pages 15–16.

Differences between risk profile and the assumptions for the Solvency Capital Requirement

It is important for the undertaking to be aware of the way in which the undertaking's risk profile deviates from the assumptions concerning risks underlying the calculation of the Solvency Capital Requirement. The undertaking's own risk profile shall be the basis on which these differences are assessed.

THE ASSESSMENT

Applicable rules

Chapter 10, Section 11, second paragraph, point 3 of the Insurance Business Act states that in "the own risk and solvency assessment, the insurance undertaking shall conduct an assessment of how significant the differences are between the undertaking's risk profile and the assumptions concerning risks that have formed the basis of the calculation of the Solvency Capital Requirement".

What is the purpose of the assessment?

The purpose of the assessment of differences between the undertaking's own risk profile and the assumptions concerning risks underlying the calculation of the Solvency Capital Requirement through either the standard formula or an internal model is to improve the undertaking's risk awareness.

The assessment also aims to investigate whether the standard formula or the internal model is appropriate for calculating the Solvency Capital Requirement on the basis of the undertaking's own risk profile. It is important that the undertaking's own risk profile form the basis of the assessment of the differences in order to ensure that the undertaking has knowledge of its own risks and is not relying on these being captured by the calculation of the Solvency Capital Requirement.

FI's comments in summary

In the survey, the majority of the undertakings, but not all, state that they have conducted an assessment of the differences between the undertaking's risk profile and the assumptions underlying the calculation of the Solvency Capital Requirement.

FI's audit of the undertakings' ORSA reports reveals that it is common to provide only brief and poorly supported reasoning regarding the appropriateness of the standard formula. Undertakings often focus on describing why the standard formula is appropriate, instead of discussing what differences there are between the undertaking's risk profile and the assumptions underlying the calculation of the Solvency Capital Requirement.

FI expects undertakings to demonstrate that they are aware of these differences by providing a discussion about them. The fact that an

undertaking identifies differences, does not necessarily mean that FI will take further action against the undertaking.[13]

Areas for improvement
FI has identified the following general areas for improvement for the assessment of how significant the differences are between the undertaking's risk profile and the assumptions concerning risks underlying the calculation of the Solvency Capital Requirement.

- The assessment of what differences there are between the undertaking's own risk profile and the assumptions underlying the Solvency Capital Requirement should be more in-depth. The conclusions of the assessment should be presented in a clear manner.
- If there are significant differences between the risk profile and the assumptions concerning risks underlying the calculation of the Solvency Capital Requirement, a qualitative analysis of these differences should be conducted to a greater extent.

WHAT IS THE BASIS OF THE ASSESSMENT?

Applicable rules
Article 306(d) of the Solvency II Regulation states that "The ORSA supervisory report shall present […] qualitative information on, and where significant deviations have been identified a quantification of the extent to which quantifiable risks of the undertakings are not reflected in the calculation of the Solvency Capital Requirement".

FI's observations
EIOPA has published a document that describes the underlying assumptions for each risk module in the standard formula.[14] 27of the 31 undertakings in the survey state that they have used this document in their assessment.

FI would like to draw attention to

EIOPA's ongoing review of the standard formula, which is currently being processed by the European Commission. Please refer to "SCR Standard Formula Review" on the EIOPA website.

https://eiopa.europa.eu/regulation-supervision/insurance/scr-standard-formula-review

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FI's assessment
In order to enable an undertaking to provide qualitative information about significant deviations, its assessment of the assumptions should include a comparison between the undertaking's own analysis of its risk profile and the risk modules specified in the standard formula.[15] It should also include a comparison of the methods used in the standard

13 Article 279 of the Solvency II Regulation lists the circumstances under which a capital add-on that relates to deviations from the assumptions underlying the Solvency Capital Requirement is pertinent.

14 https://eiopa.europa.eu/Publications/Standards/EIOPA-14-322_Underlying_Assumptions.pdf

15 Applies to those undertakings that use the standard formula.

formula and the methods deemed appropriate on the basis of the undertaking's own risk profile. For example, undertakings can analyse deviations from the standard formula's portfolio assumptions, assumptions concerning risk distributions and correlations between risk modules.

If the undertaking does not know which assumptions there are underlying the standard formula, it is also unable to quantify any differences between these assumptions and the undertaking's own risk profile. FI is of the opinion that, for undertakings that use the standard formula to calculate the Solvency Capital Requirement, EIOPA's document about the underlying assumptions in the standard formula should form the basis on which they assess the appropriateness of the formula.

The majority of the insurance undertakings use the standard formula to calculate the Solvency Capital Requirement. Because the standard formula is a standardised model based on assumptions that are appropriate for a fictitious average European insurance undertaking, it is likely that there are differences between this and the risk profiles of the majority of Swedish undertakings. These differences can either be significant or not. In light of the requirement in Article 306(d) of the Solvency II Regulation, significant differences shall be presented in the undertaking's ORSA report.

ANALYSE WHETHER THE DIFFERENCES ARE SIGNIFICANT

Applicable rules

Guideline 12 of EIOPA's guidelines on own risk and solvency assessment states that "The undertaking should assess whether its risk profile deviates from the assumptions underlying the SCR[16] calculation and whether these deviations are significant. The undertaking may as a first step perform a qualitative analysis and if that indicates that the deviation is not significant, a quantitative assessment is not required".

FI's observations

9 of the 31 undertakings in the survey state that they have defined what constitutes a significant difference between the undertaking's risk profile and the assumptions underlying the Solvency Capital Requirement calculation. The majority of these 9 undertakings describe this as being defined in qualitative terms. Only two undertakings state that they have defined quantitative thresholds for what is to be regarded as a significant difference, expressed as a proportion of the Solvency Capital Requirement.

The undertakings have used both qualitative and quantitative analyses to assess the differences between the risk profile and the assumptions underlying the Solvency Capital Requirement calculation. The method that has been chosen varies between the different risk sub-modules.

In those cases where undertakings have judged there to be a significant difference between the undertaking's risk profile and the assumptions underlying the Solvency Capital Requirement calculation

16 Solvency Capital Requirement

for a risk sub-module, the undertaking has, in many case, but not all, conducted a quantitative assessment of the difference.

FI concludes that it is most common for the undertakings in the survey to have conducted a quantitative assessment of the risks that are included in the market risk module.

FI's assessment

If an undertaking is to be able to determine when a quantitative assessment is necessary pursuant to Guideline 12, it is, according to FI, appropriate for the undertaking to have defined what constitutes a significant difference. This can be done by, for example, establishing a limit that takes the form of an amount or a certain proportion of the Solvency Capital Requirement or capital requirement for an individual risk.

The fact that the undertakings have conducted quantitative assessment of insurance risks to only a limited extent may be due to them having primarily identified significant differences in the market risk module. However, FI is of the opinion that it is reasonable to assume that an undertaking's own risk profile for insurance risk may, in many cases, be more difficult to reflect accurately in a standard formula than is the case for market risks. The reasons for this are, on the one hand, that the data used in the standard formula represents an fictitious average European undertaking – which may differ from the circumstances in Sweden – and on the other, that the undertaking's insurance portfolio may have a different character from the portfolio that forms the basis of the assumptions in the standard formula. It may therefore also be appropriate to develop the qualitative and quantitative analyses of insurance risks.

IF THE UNDERTAKING HAS AN INTERNAL MODEL

For those undertakings that use an internal model, the same requirements apply to the assessment of the differences as for undertakings that use the standard formula. These undertakings also have to continually assess whether the formula used to calculate the Solvency Capital Requirement is appropriate. This is because there may be variations from year to year in the undertaking's risk profile that are different from the more static assumptions used in the internal model, for example because of changes to the business plan. The purpose of this assessment is to shine light on what these differences are and whether they are so significant that they should result in an adjustment of the assumptions in the internal model. FI is of the opinion that is it appropriate to use as a basis relevant conclusions of the results of model validation conducted annually by undertakings with an internal model[17].

17 In accordance with Article 242 of the Solvency II Regulation.

Compliance with the Capital Requirements and Technical Provisions

In order to analyse whether it is feasible for the undertaking to comply with the Solvency Capital Requirement, Minimum Capital Requirement and the requirements placed on the calculation of technical provisions, the insurance undertaking shall conduct an assessment of continuous compliance. The assessment should reflect the undertaking's business plan.

THE ASSESSMENT

Applicable rules

Chapter 10, Section 11, second paragraph, point 2 of the Insurance Business Act states that "in its own risk and solvency assessment, the insurance undertaking shall conduct an assessment of the undertaking's continuous compliance with the requirements concerning the Solvency Capital Requirement, Minimum Capital Requirement and technical provisions".

What is the purpose of the assessment?

The purpose of the assessment is to ensure that the undertaking is continually able to comply with the Solvency Capital Requirement, Minimum Capital Requirement and the requirements concerning technical provisions. This assessment provides the undertaking with a picture of how its compliance with the Solvency Capital Requirement is evolving. The assessment also aims to shine light on potential risks caused by uncertainties in connection with the calculation of technical provisions.

FI's comments in summary

FI is of the opinion that the requirement to conduct an assessment of continuous compliance means that the undertaking needs to produce a forecast of future development of the Solvency Capital Requirement, Minimum Capital Requirement and technical provisions. This forecast should contain a base-line scenario based on the business plan, but also unfavourable scenarios and a description of potential future administrative measures. FI's assessment is that the majority of undertakings are living up to this. According to the EIOPA guidelines, undertakings should also describe the composition of own funds and how the own funds items' quality and quantity may change in the long term.

Areas for improvement

FI has identified the following general areas for improvement for the assessment of undertakings' continuous compliance with the Solvency Capital Requirement, Minimum Capital Requirement and technical provisions:

- Several undertakings should improve their analysis of continuous compliance by taking into account all future events that may have an impact on the solvency situation. Examples of such events are expected dividends, forthcoming procurements or regulatory changes.

- Undertakings should ensure that the actuarial function assesses whether the requirements for calculating the technical provisions will be complied with.
- Undertakings should ensure that the actuarial function assesses which potential risks are caused in connection with the calculation of technical provisions.

WHICH TIME PERIOD IS TO BE USED?

Applicable rules

Guideline 10 of EIOPA's guidelines on own risk and solvency assessment states that "The undertaking should analyse whether it complies on a continuous basis with the Solvency II regulatory capital requirements and as part of this assessment it should include at least:

a) the potential future material changes in its risk profile;

b) the quantity and quality of its own funds over the whole of its business planning period;

c) the composition of own funds across tiers and how this composition may change as a result of redemption, repayment and maturity dates during its business planning period".

FI's observations

The majority of the undertakings that participated in FI's survey assess their compliance with the Solvency Capital Requirement and Minimum Capital Requirement using the same time period as for the overall solvency needs, i.e. 3–5 years.

The undertakings' responses to the survey and FI's audit of the undertakings' ORSA reports show that the majority of undertakings are analysing the development of the Solvency Capital Requirement, the Minimum Capital Requirement, own funds and technical provisions over this period.

FI's assessment

In light of the aim of the requirement being to assess continuous compliance, the time period used in the forward-looking assessment should be appropriate given the undertaking's existing business and business plan. FI is of the opinion that the ORSA report should clearly show how the Solvency Capital Requirement, the Minimum Capital Requirement, own funds and technical provisions are evolving.

HOW ARE CHANGES IN THE RISK PROFILE ANALYSED?

Applicable rules

Guideline 10 of EIOPA's guidelines on own risk and solvency assessment, see the section "Which time period is to be used?" above.

FI's observations

10 undertakings in the survey state that they have not taken into account potential changes in their risk profile in their analysis of the undertaking's continuous compliance.

30 of the 31 undertakings in the survey state that they use stress tests or scenario analyses to assess their continuous compliance. The majority of these undertakings state that these tests and analyses also

form part of the undertaking's business planning and capital planning process.

FI's assessment

By taking into account potential material changes in the risk profile, the undertaking demonstrates that it is sufficiently capitalised in a forward-looking perspective to cope with such events. The changes that the undertaking takes into account may pertain to both internal and external events. The undertaking can also use different methods such as scenario analyses, stress tests, sensitivity analyses and reverse stress tests[18] to test for both probable and stressed scenarios. FI is of the opinion that a well-developed risk-management system should include methods such as these and that the analyses and tests conducted continuously in the business should be used in the ORSA. This helps to integrate the ORSA into continuous risk management.

THE QUALITY AND COMPOSITION OF OWN FUNDS SHALL BE SPECIFIED

Applicable rules

Guideline 10 of EIOPA's guidelines on own risk and solvency assessment, see the section "Which time period is to be used?" on page 27.

FI's observations

In its audits of the undertakings' ORSA reports, FI has found that it is common that undertakings do not specify the quantity and quality of the undertaking's own funds over the business planning period. It is also common for undertakings not to specify the composition of own funds across tiers.[19]

FI's assessment

In light of Guideline 10, FI is of the opinion that the quantity and quality of own funds and their composition across tiers should be specified clearly in the ORSA report. FI is also of the opinion that the undertaking should take into account all events that have an impact on own funds (see Good Examples 5).

GOOD EXAMPLES 5: Analysis of continuous compliance

The analysis should, in applicable cases, take into account at least:

- expected dividends
- bonuses
- change in any subordinated loans
- other measures, e.g. discounted premiums.

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18 A reverse stress test involves testing for the event or events that would be required in order for the undertaking to become insolvent.

19 The tiers are listed in Chapter 7, Section 7 of the Insurance Business Act.

THE ACTUARIAL FUNCTION'S INPUT SHOULD BE PROVIDED

Applicable rules

Guideline 11 of EIOPA's guidelines on own risk and solvency assessment states that "The undertaking should require the actuarial function of the undertaking to:

a) provide input as to whether the undertaking would comply continuously with the requirements regarding the calculation of technical provisions;

b) identify potential risks arising from the uncertainties connected to this calculation.

FI's observations

All undertakings in the survey state that the actuarial function has assessed whether the undertaking would continually comply with the requirements regarding the calculation of technical provisions. However, ten undertakings state that the actuarial function has not identified potential risks arising from the uncertainties connected with the calculation. In its audit of the undertakings' ORSA reports, FI has also seen that it is often difficult to determine whether the actuarial function has provided its input.

FI's assessment

Compliance with Guideline 11 necessitates that the undertaking is able to demonstrate that the actuarial function has conducted an assessment of continuous compliance with the requirements concerning technical provisions and an assessment of potential risks in connection with the assessment. For example, the assessment can be based on the conclusions drawn from the validation of technical provisions that has to be conducted pursuant to Article 264 of the Solvency II Regulation. FI is of the opinion that the undertaking should be able to demonstrate that it has identified and assessed the principal assumptions and methods that have an impact on the validation of technical provisions.

Glossary

Administrative, management or supervisory body (AMSB) FI interprets this term in EIOPA's guidelines on own risk and solvency assessment as denoting the board of directors.

Capital needs This expression is used in EIOPA's guidelines on own risk and solvency assessment and denotes the overall solvency needs.

Minimum Capital Requirement The minimum size of the eligible own funds, calculated in accordance with Chapter 8 of the Insurance Business Act, required in order for the insurance undertaking to have, with an 85 per cent probability, over the forthcoming twelve months, assets that cover the value of its commitments to policyholders and other beneficiaries as a result of insurance policies.

ORSA (own risk and solvency assessment) The term ORSA encompasses assessments of the undertaking's overall solvency needs, continuous compliance with the requirements concerning the Solvency Capital Requirement, Minimum Capital Requirement, assessment of differences between the undertaking's risk profile and the assumptions underlying the Solvency Capital Requirement and processes used in the ORSA.

ORSA report In this report, the term denotes a supervision report concerning the insurance undertaking's own risk and solvency assessment that the undertaking submits to FI.

Overall solvency needs The capital the undertaking deems is required in order to run its business in both the short and the long term taking into account the undertaking's own risk profile, risk tolerance and business strategy. The overall solvency needs shall not be confused with the Solvency Capital Requirement.

Regulatory capital requirements The expression is used in the EIOPA guidelines and denotes the Solvency Capital Requirement and Minimum Capital Requirement.

Risk module, risk sub-module The Solvency Capital Requirement encompasses capital requirements for individual risk modules that are aggregated in accordance with a mathematical formula and a correlation matrix. Examples of risk modules are market risk and life underwriting risk. The majority of risk modules also have risk sub-modules such as equity risk and longevity risk.

Risk profile The risk profile is the undertaking's overall assessment of the risk to which it is exposed. The risk profile can be described both qualitatively and quantitatively.

Solvency Capital Requirement The minimum size of the eligible own funds, calculated in accordance with the standard formula (Chapter 8 of the Insurance Business Act) or using an internal model approved by FI (Chapter 9 of the Insurance Business Act), required in order for the insurance undertaking to have, with an 99.5 per cent probability, over the forthcoming twelve months, assets that cover the value of its commitments to policyholders and other beneficiaries as a result of insurance policies.

Standard formula The standard formula is used to calculate the Solvency Capital Requirement.

Technical provisions Technical provisions shall correspond to the actual amount that insurance and reinsurance undertakings would be obliged to pay if they were to immediately transfer their insurance and reinsurance obligations to another insurance or reinsurance undertaking.

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