

<b>Comments Template on CEIOPS-CP 43 Consultation Paper on the Draft L2 Advice on TP – Standards for data quality</b>		<b>Deadline 11.09.2009 4 p.m. CET</b>
Name of Company:	European Insurance CFO Forum	
Disclosure of comments:	<p>CEIOPS will make all comments available on its website, except where respondents specifically request that their comments remain confidential.</p> <p>Please indicate if your comments should be treated as confidential:</p>	No. The CFO Forum comments are not confidential.
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> <li>⇒ <b>Do not change the numbering</b> in the column “reference”.</li> <li>⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph, keep the row <u>empty</u>.</li> <li>⇒ Our IT tool does not allow processing of comments which do not refer to the specific paragraph numbers below. <ul style="list-style-type: none"> <li>○ If your comment refers to multiple paragraphs, please insert your comment at the first relevant paragraph and mention in your comment to which other paragraphs this also applies.</li> <li>○ If your comment refers to sub bullets/subparagraphs, please indicate this in the comment itself.</li> </ul> </li> </ul> <p><b>Please send the completed template, in Word Format, to <a href="mailto:secretariat@ceiops.eu">secretariat@ceiops.eu</a>. Our IT tool does not allow processing of any other formats.</b></p> <p>The numbering of the paragraphs refers to Consultation Paper No. 43 (CEIOPS-CP-43/09).</p>		
<b>Reference</b>	<b>Comment</b>	
General Comment	<p><b>The standards for data quality should acknowledge practical issues facing undertakings and take account of proportionality and materiality.</b></p> <p>In aggregate, the proposals for standards for data quality are idealistic and fail to recognise the</p>	

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practical issues facing insurers in achieving a balance between reliability and appropriateness of data compared with having a sufficient volume of data to be credible for analytical purposes. The need for this balance arises due to the constant evolution of insurance products and risks and impacts some lines of business more than others.

The CFO Forum is in broad agreement with the proposals in CP43 but would wish them to take into account the concepts of proportionality and materiality and also allow consideration of the need for a sufficient volume of credible data where it is practically difficult to obtain this data from a wholly reliable source. Companies need to be able to apply judgement as to the "best" data available when "ideal" data does not exist.

**Data quality in the level 2 implementation measures should be covered by a single set of guidance.**

CP43 and CP56 both cover validation of data. Although both CPs have separate purpose, we highlight that much of the underlying data used both to estimate the technical provisions and to parameterise the internal model will be the same and should be subject to consistent standards of quality.

The CFO Forum recommends only one set of guidance in the level 2 implementing measures on data quality that applies to both the internal model and the estimation of technical provisions.

**Requirements for internal data are too onerous. There will be practical issues in verifying external data.**

In some cases, the requirements for internal data are more onerous than for external data and market benchmarks. As both are used for the purpose of claims provisions, the level of data quality should be consistent.

In addition, the CFO Forum notes that there will be practical issues associated with verifying external data.

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3.2.	Comments in 3.40 are also relevant here.	
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3.10.		
3.11.	<p><b>Reinsurers may reflect the cedant’s payment date rather than their own in the run-off triangles due to reporting delays. Footnote 7 requires updating to reflect this.</b></p> <p>As a result of reporting delays, reinsurers build run-off triangles based on a cedant’s reporting date rather than the actual date of data receipt from the cedant. This should be reflected in the requirements of footnote 7.</p>	
3.12.	Comments in 3.40 are also relevant here.	
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3.39.	Comments in 3.40 are also relevant here.	
3.40.	<p><b>The role of internal and external auditors is vague. It should be management’s decision as to when to use internal or external experts to validate the quality of data.</b></p> <p>The roles of internal auditors, external auditors and the actuarial function are vague. The paragraphs are trying to explain the different roles ensuring the quality of data however this is not clear.</p> <p>In particular, the “review” by the audit function appears to require an onerous test of the appropriateness of the data.</p> <p>Whilst a principles based approach is appropriate, the CFO Forum highlights that it should be management’s decision as to when to use internal or external experts to verify the quality of data. Management needs to establish that the data is complete and accurate and also fit for the purpose for which it will be used. Actuaries typically assess data suitability as part of their analyses and having selected the best data available make adjustments for weaknesses in that data.</p>	
3.41.	Comments in 3.40 are also relevant here.	

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3.42.	Comments in 3.40 are also relevant here.	
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3.55.	<p><b>Standardisation of data is not necessarily a cost effective option.</b></p> <p>Companies that have grown through acquisitions and mergers may have a number of legacy systems and even where systems have been consolidated, the features of legacy data may differ due to the information recorded on prior systems.</p> <p>It is appropriate for Solvency II to set out requirements for good quality data; however, those requirements should not create precedents for extensive standardisation of data. Insurance is constantly changing and creating new demands for data that require flexibility and responsiveness not achieved by a standard approach.</p>	
3.56.	Comments in 3.55 are also relevant here.	
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3.58.	Comments in 3.55 are also relevant here.	
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3.64.	Comments in 3.55 are also relevant here.	
3.65.	<b>The CFO Forum recommends that undertakings should also assess the potential impact of the data deficiencies.</b> Comments in 3.55 are also relevant here.	
3.66.	Comments in 3.55 are also relevant here.	
3.67.	Comments in 3.55 are also relevant here.	
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3.71.	Comments in 3.55 are also relevant here.	
3.72.	Comments in 3.55 are also relevant here.	
3.73.	<b>Clarification is required as to whether performance indicator measurement is an explicit requirement. If not, then this paragraph is unnecessary as 3.77 covers quality assessment.</b> Comments in 3.55 are also relevant here.	
3.74.	Comments in 3.55 are also relevant here.	
3.75.	Comments in 3.55 are also relevant here.	

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3.76.	<p><b>The current requirements for historic data are onerous. Only relevant historical data should be required to be kept.</b></p> <p>Requirements for retaining historical data are onerous. Often historical data is inappropriate due to changes in contract design or changes in the underlying risk factors. It is unnecessary to store data that is unlikely to be useful in future.</p> <p>The proposals should be refined to say that “relevant historical data” should generally be kept and its availability should increase over time, however it is recognised that increasing sophistication in product pricing and design as well as changing risk characteristics may render older historical data inappropriate for future valuation exercises.</p> <p>Comments in 3.55 are also relevant here.</p>	
3.77.	Comments in 3.55 are also relevant here.	
3.78.	Comments in 3.55 are also relevant here.	
3.79.	Comments in 3.55 are also relevant here.	
3.80.	Comments in 3.55 are also relevant here.	
3.81.	Comments in 3.55 are also relevant here.	