

Comments Template on CEIOPS-CP 43 Consultation Paper on the Draft L2 Advice on TP – Standards for data quality		Deadline 11.09.2009 4 p.m. CET
Name of Company:	PricewaterhouseCoopers LLP	
Disclosure of comments:	CEIOPS will make all comments available on its website, except where respondents specifically request that their comments remain confidential. Please indicate if your comments should be treated as confidential:	No
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ <u>Do not change the numbering</u> in the column “reference”. ⇒ 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>. ⇒ 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"> ○ 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. ○ If your comment refers to sub bullets/subparagraphs, please indicate this in the comment itself. <p>Please send the completed template, <u>in Word Format</u>, to secretariat@ceiops.eu. Our IT tool does not allow processing of any other formats.</p> <p>The numbering of the paragraphs refers to Consultation Paper No. 43 (CEIOPS-CP-43/09).</p>		
Reference	Comment	
General Comment	We welcome the emphasis being placed on the appropriateness, completeness and accuracy of data, which is key both to the setting of appropriate assumptions and to the ultimate calculation of the technical provisions. However, we question whether it would be more logical to develop a single set of data standards applying across the whole of Pillar 1 rather than to consider technical provisions and the	

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	SCR separately. We believe it would be useful to include further guidance on how the principle of proportionality should be applied in relation to data quality, in order to avoid overburdening certain insurers.	
1.		
1.1.		
1.2.		
1.3.	The example given in this first discussion of data quality is relatively narrow, and implies that quality may be assessed by reconciliation with other data, rather than first ensuring that the required quality of the data is fully understood before determining how to test that data quality.	
1.4.		
1.5.	The appropriateness (or validity) of data will also impact on the accuracy of final estimates.	
1.6.	Some of the information used to develop assumptions may be qualitative; in particular, where quantitative data is deficient, qualitative information may be used to improve quantitative data, or to enable decision making or assumption setting in the event of deficient data. Although it would not make sense to apply the full range of guidelines to qualitative data, certain guidelines such as the reliability of the qualitative information would be useful.	
1.7.	We agree that a consistent approach to data quality issues should be taken across Pillar 1 and thus question whether it would be more logical to develop a single set of data quality standards, rather than considering those relevant to the calculation of technical provisions separately from those applicable to the SCR assessment.	
2.		
2.1.		
2.2.		
3.		
3.1.	Although there is some discussion of who might validate the quality of data, there is limited discussion	

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	<p>in this paper around how this might be done, as indicated by the 3rd bullet point in this paragraph</p> <p><i>The purpose of this paper is to consider: how the quality of the data used in the calculation of technical provisions could be reviewed and validated and by whom such review should be carried out;</i></p> <p>Additionally, the later discussion appears to limit the assessment of data to audit (external and internal) and actuarial functions, whereas a number of functions might assess different aspects of quality, including finance and technology functions.</p>	
3.2.	Although data deletion might be considered to be part of storage or processing of data, consideration might be given to whether deletion, or removal from consideration, of data no longer relevant to the calculation of technical provisions may be appropriate.	
3.3.		
3.4.	In the context of a London Market in particular, completeness may need to be considered with a view to data availability – focus should be given to the implications of the level of completeness.	
3.5.	Appropriateness and completeness of the data should potentially be considered at a more granular level than at the total portfolio level to allow for consideration of the potential differences between different segments and the possible implications of this.	
3.6.	As noted for 1.6, assumption setting may be based on both quantitative and qualitative information. Guidance on the appropriate use of or quality criteria for qualitative data may be appropriate (for example consideration of the information by appropriately experienced and/or qualified individuals).	
3.7.		
3.8.	Data might further be considered appropriate if data that is no longer relevant (i.e. out of date) is excluded from the data set.	
3.9.		
3.10.		
3.11.		

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3.12.		
3.13.	As well as ensuring no relevant items are omitted, consideration might be given to ensuring that no irrelevant items are included (see 3.8). Additionally, it would be helpful here to indicate the extent to which firms would be expected to show that data is complete, as whilst this is an important consideration, it can be challenging to prove that no data is omitted (as this is akin to proving a negative).	
3.14.	'Loose' should read "lose".	
3.15.	Some consideration should potentially be given to the timeliness of the recording of the data.	
3.16.	Data should be used throughout the undertaking's operations and decision-making processes <i>where appropriate</i> .	
3.17.	Data deficiencies may also occur due to deficiencies in the collecting, storage and validation processes of relevant third party providers/processors of data. This might include data from contracted or uncontracted third parties (e.g. market data).	
3.18.		
3.19.	Although the examples given are valid examples of sources of data deficiencies, the most common example is manual input errors.	
3.20.		
3.21.		
3.22.	Some measures to remedy insufficient internal processes may take some time to implement depending on the nature of the deficiency. Measures should be identified immediately and implemented in an appropriate timescale to address the deficiency. Where appropriate measures cannot be taken within an appropriate timescale, consideration should be given to mitigating or temporary measures.	
3.23.		
3.24.	The extent of such changes should be carefully considered such that the overall integrity of the data remains.	

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3.25.		
3.26.		
3.27.		
3.28.	We welcome the application of proportionality to data quality considerations and recommend that further guidance be developed to indicate how proportionality might be applied in different circumstances. As it stands, this guidance is limited to stating that proportionality should be applied but that it shouldn't impact on data quality.	
3.29.		
3.30.		
3.31.	Further clarity might be provided on how documentation is a key aspect for this subject	
3.32.		
3.33.		
3.34.	The identification of the needs in terms of data should include both the required content as well as definitions of the required quality in terms of the standard quality criteria.	
3.35.		
3.36.		
3.37.	As well as monitoring data quality, it should be clear that appropriate action should be taken where quality does not meet the required criteria and responsibility for addressing data quality issues should be formally assigned.	
3.38.		
3.39.		
3.40.	Audit procedures will tend to focus on completeness of data and accuracy between sources and from year to year, potentially focusing on high level reconciliations and sense checks. External auditors often place considerable reliance on internal management's own controls over the completeness and	

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	accuracy of data, subject to an appropriate assessment of the design and operating effectiveness of those controls.	
3.41.	Although it is clear in this paragraph that the review would not be conducted to the standard of an audit, it is not clear why this would be an 'informal' review. We suggest that the word 'informally' be removed.	
3.42.		
3.43.		
3.44.		
3.45.		
3.46.		
3.47.		
3.48.		
3.49.	This paragraph is relatively unclear. Documentation should be made regarding the justification for the definition of and treatment of outliers.	
3.50.	This list could also include changes to the external environment, such as propensity to claim.	
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3.59.		
3.60.		
3.61.	<p>It is not clear why the use of data throughout the undertaking's operations and decision-making processes impacts on the accuracy of data – accuracy is typically an objective assessment not linked to the use or otherwise of data.</p> <p>Recognition of data set credibility through use might be considered to be more aligned to the appropriateness of data, which is a more subjective measure.</p>	
3.62.	<p>It is not clear how the application of proportionality to data quality would vary the degree of appropriateness, completeness and accuracy of data in any way other than the lowering of the general standards and efforts to ensure the appropriateness, completeness and accuracy of data. It may help to give examples of how proportionality might be applied, for example to accuracy of data, in such a way that standards of the collection of data procedures are not lowered.</p> <p>Alternatively, or additionally, it may be helpful in the first sentence of this paragraph to make some reference to proportionality by line of business rather than by insurer. While the general data standards are maintained at a high level for the majority of an insurer's business, it may be reasonable for them to be lower for certain minor lines of business, in line with the principle of proportionality.</p>	
3.63.	<p>It may be helpful to include further reference to the principle of proportionality here. Where this principle can be used to support more approximate provisioning methodologies, it is likely also to reduce the standards required of the data.</p>	
3.64.		
3.65.		
3.66.	<p>Some measures to remedy insufficient internal processes may take some time to implement depending on the nature of the deficiency. Measures should be identified immediately and implemented in an appropriate timescale to address the deficiency. Where appropriate measures cannot be taken within an appropriate timescale, consideration should be given to mitigating or temporary measures, for example the establishment of a temporary additional provision.</p>	
3.67.		

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3.68.		
3.69.		
3.70.	Needs in terms of data should comprise both the content of the data and the required quality of the data. Without the identification of required quality, the assessment of the quality of available data cannot be undertaken, as data quality is a relative measure (to need) and not an absolute one.	
3.71.		
3.72.		
3.73.	Further guidance on the expectations for monitoring of data quality and how the appropriateness of such monitoring should be evaluated would be helpful.	
3.74.	It is unclear what is meant by either a comprehensive or transparent basis in regard to registering and maintaining data. What is the definition, for example, of 'transparently maintained data'?	
3.75.		
3.76.	Is it the availability of historical data that increases over time, or the volume of the data? While the availability / volume of data increases over time, it is important to note that its appropriateness may decrease for a wide variety of reasons, e.g. changing economic environment, medical improvements leading to increased life expectancy. Further guidance would be useful on the trade-off between volume (and hence statistical credibility) and relevance of data in this respect.	
3.77.	How should the period of the data quality assessments be judged?	
3.78.		
3.79.		
3.80.		
3.81.		