



Actuarial IQ

(Information Quality)



CAS Ratemaking Seminar 2009

Raising Your Actuarial IQ

- Moderator:

- ***TBD***,

- Panelists:

- ***Robert Campbell***,

- Director, Commercial Lines Actuarial

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Raising Your Actuarial IQ

1. Problem: unbearable **COST** of Data Quality.

(real life horror stories)

- *by Alex Popelyukhin,*

2. Investigation: **why ACTUARIES?**

(the case for Data Quality)

- *by Alex Popelyukhin,*

3. Research: **Actuarial IQ paper**

(Working Party product)

- *by Robert Campbell,*

Real-life example 1

data transfer

- Situation:
 - \$150,000,000.00 loss gets reported by TPA
 - Insurer's system accepts only 8 digits numbers for Incurred amounts
 - 150M is recorded as 50M
- Result:
 - Severe under-reserving
 - Company in run-off is now

Real-life example 2

duplicates

- Situation:
 - TPA pays losses, client receives Recoveries
 - Incorrectly performed join
 - Every claim with multiple recoveries was accounted for several times
- Result:
 - Severe overpayment by Insurer
 - Company is in run-off now

Real-life example 3

absent fields

■ Situation:

- A construction damaged foundations of quite a few houses
- Multiple GL claims constituted the same occurrence – subject to a limit
- TPA bordereaux didn't have "Location" field

■ Result:

- Severe overpayment by Insurer
- Company is in run-off now

Real-life example 4

“statistical” payments

■ Situation:

- Claim files moved to new TPA
- New TPA tracks only new payments on open claims (and adds to a total of closed before)
- Old payments on reopened claims are double-counted

■ Result:

- Severe overpayment by Insurer
- Company is in run-off now

Real-life example 5

classification

- Situation:
 - Treaty has a deductible on Med-only claims
 - TPA doesn't support Med-only indicator
 - TPA lumps Med and Ind payments into single NetLoss field
- Result:
 - Severe overpayment by Insurer
 - Company is in run-off now

Real-life example 6

perfect data

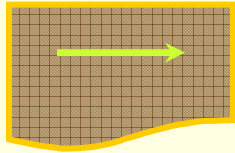
- Situation:

- TPA data do not contain any errors
- Except...
- ...their accounting department continues to bill a Carrier for a non-renewed account

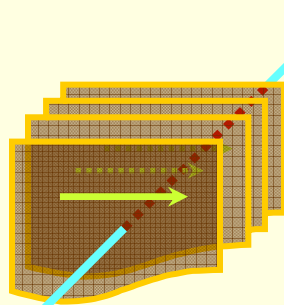
- Result:

- Severe overpayment by Insurer
- Company is in run-off now

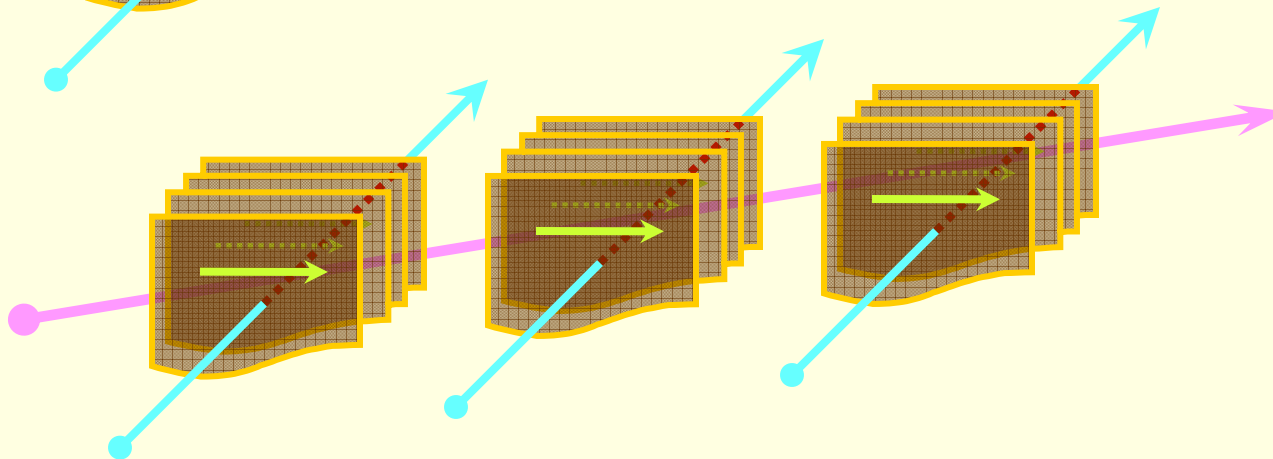
Avalanche of **ERRORS**



Within Loss Run



Across Multiple Loss Runs



Across Multiple Loss Runs
for Multiple Policies