

Case Study G5 : Data Quality

Background

Consulting actuary who is not an employee of the company is required to give actuarial certificate confirming the claim reserve adequacy of the client and the certificate will be part of published reports and accounts

Additional Information

- Client is medium sized
- Growing rapidly in recent years
- Exceptionally high staff turnover ratio in claim department
- Concerns with the data quality since past 2-3 years
- Founder CEO resigned recently citing personal reasons

Additional Information

- Market rumors is client is under estimating case reserves
- Written confirmation on accuracy of data from company and auditors
- Incurred claim projection confirms reserves
- Requirement for the certificate in less than a week

Flow

Discussion on additional information

Considerations before actuary

Investigations

What actuary can do

Whether actuary's concern is relevant?

Considerations before Actuary

- Professionalism?
- Expectation from users of the certificate?
- Who is responsible for the data accuracy?

Need of the situation

- Actuary should assure himself of the quality of data
- No commitment to Finance Director

Data Validation

- Project ultimate claim amount
 - Paid Claims Vs Incurred Claims
- Yearly trend in Paid/Incurred claim ratio for each AY
- Premium growth Vs Claim growth

Data Validation

- O/S Provision at the beginning of the year Vs Settled amount
- Average claim size
 - Settled Claims Vs O/S Claims
 - Industry Benchmark

Further to Data Validation

- Policyholder complaints ratio
- Repudiation ratio
- Fines imposed by Regulator
- Court Cases

Further to Data Validation

- Refer published reports
 - Reasons of founder CEO's resignation
 - Exceptionally high turnover of claim staff

- Discuss the results of investigation
 - With Chief Actuary/CFO
 - Senior Actuaries

Options with Actuary

- Provide actuarial certificate
- Provide actuarial certificate with qualification
- Refuse to provide certificate
 - Double check the facts
 - Official letter to client