

Internal/Process

Data

Could there be any data issues?

- Is it clearly understood what the data represents? Could it have been misinterpreted?
- Is the terminology clear? Don't make assumptions!
- What reconciliations and high level checks have been undertaken, e.g. reserving against the general ledger? Are there key risk Indicators to monitor data quality?
- If the data is not correct, how wrong is it? Can this be quantified? Monitor the impact over time. Can it be improved going forward?
- Is the data complete; could anything have been missed off?
- Has anything changed that could have affected the data since the last review?
- Could better data be available?

Take care to understand:

- Bordereau data, especially if sourced from a third party. How do you know it is correct?
- Data shown at different levels of granularity, perhaps from different sources. Is the mapping between these sources understood? Does the data reconcile? How appropriate are any corrections?
- Timing and consistency. For example gross vs RI data, this may be produced at different times and so not necessarily available at a given time on a consistent basis

Inwards Communication

Is there anything I am not aware of? Feedback loops are important

Maintain communication with all relevant areas:

- Claims - changes in process, delegated authority levels, new loss adjusters, suppliers, repair networks, staff turnover
- Case reserving changes and practice, for example, are factor reserves being used (keep the incurred constant until the case settles or payments exceed it)?
- Changes in consumer behaviour, new types of claim or faster / slower reporting
- Changes in claims mix - more claims of a particular type, geographical factors
- Changes of supplier providing items and services for the claim
- Backlogs impacting time taken to assess claims
- Loss adjusters - what is happening on the ground?
- Underwriters - changes in mix of business by distribution channel, geography, cover level or industry, etc
- Legal rulings impacting liability
- Wider environment - market trends, economic factors, etc
- Fraud monitoring - more claims or tighter controls?
- IT teams - changes in systems, recording of claims etc
- What is considered "inside" the reserve and what is outside
- External actuaries and auditors, internal audit and other financial considerations, reinsurers and market trends

Process Changes

Have there been any changes in the process?

- Have any internal processes changed?
- Is there a backlog?
- Have there been any changes to the way claims administer policy terms and conditions?
- Has the way processes are recorded into the data changed?
- Have any suppliers changed and what are the cost and handling speed implications?
- Have loss adjusters changed?
- Do you know the claims handling philosophy for the line of business and has it remained constant?
- Have initial reserve amounts changed over time?
- How are currency conversions recognised in the data and has this remained constant?
- What IT legacy features affect your patterns and have you taken them into account?
- Have intermediaries or outsourced elements changed their procedures?
- For automated claims systems has the programming being changed?
- Are any process changes planned for the future?
- Are the origin periods granular enough to spot a change in development patterns?
- Do claims and actuarial have the same understanding of what process changes are important or relevant? It is not always clear what will impact actuarial projections. Has enough been done to mitigate this by working together and communicating to each other, as well as setting up more formal logs or procedures for notifying changes.

Control Risk

Are there sufficient controls around the reserving process?

- Is there an audit trail?
- Is the level of checking sufficient?
- Who has undertaken the data manipulation? Is it a third party?
- Are the controls around spreadsheet change sufficient? If a change is made by one person, will it be adequately understood by the next person to use the spreadsheet (for example if a row as been inserted that could have knock on effects)?
- Are there any potential areas of risk, for example changes in personnel?
- If the results have been aggregated, have any risks been picked up?

We have chosen to describe what we mean by each element very simply - by just listing examples of the kinds of uncertainty that may be encountered. This is not intended to be an exhaustive list and **we actively discourage use of the framework as a checklist.**