



Article from

Reinsurance News

November 2016

Issue 86

Knowledge + Data is Power

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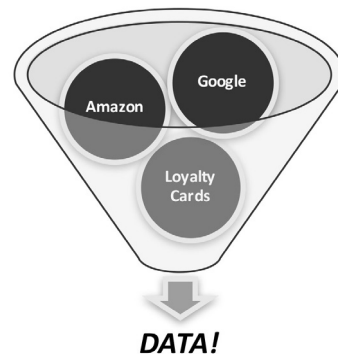
“Data really powers everything that we do.” — Jeff Weiner, chief executive of LinkedIn.

It's apparent that companies are rapidly becoming more innovative with their investments in technology not only for their company to survive the immediate term but to thrive over the long term. In doing so many companies are willing to invest in and give away “free” products and services to its customers. Take Google for example, it has a number of “free” products such as email, maps, and apps that we can access at no cost. Many more retail stores are now offering loyalty points at no cost where you simply obtain points on your purchases and subsequently turn those around to access their products at no cost.

The one thing these companies all have in common is the aspiration to know their customer better by obtaining the crown jewel ... Data! Every customer is different but once connected

to that individual, a company can strategically market directly to them versus applying a strategy on a large cohort of the population. Another example is Amazon, they are one of the early innovators to cross sell their products “Thanks for purchasing the book *The 40-Year-Old Actuary*, customers who bought this also bought these other books and movies you may enjoy.” Data is essential—obtaining, mining, and strategically utilizing it will be the difference between industry laggards and leaders no matter what the product is.

FIGURE 1



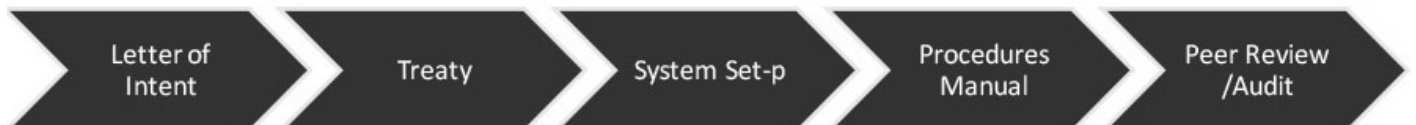
When it comes to data, (re)insurance has an abundance of it, and, if we can unlock its potential, the possibilities are endless.

While data might hold the key to our success, the accuracy, timeliness, and reliability is of paramount importance. In some instances contracts can include warranties on the quality and accuracy of data where if material errors are found in the data, the company/reinsurer may have the right to retroactively adjust the price, up to and including the termination of a contract if certain thresholds are breached. Essentially, data is to be relied on and therefore must be airtight.

Achieving data integrity in (re)insurance requires in-depth knowledge of products, treaties, concepts, and systems as well as unwavering dedication to the timeliness of administration. There are many challenges which can make it difficult not only to achieve but maintain data quality. Evolving products such as Post-Level Term, policy conversions/exchanges, retention management, and system upgrades (to name a few) increase the complexity of the administration which is further amplified as the data flows from cedant to reinsurer to retrocessionaire.

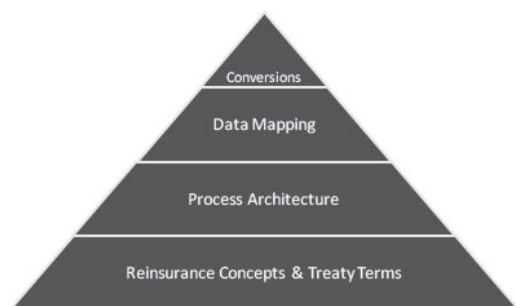
When it comes to (re)insurance data, the Reinsurance Administration Professionals Association (RAPA) has developed ro-

FIGURE 3



but training material from terminology to process, controls, and audits to assist with and ultimately improve the integrity of company's data. At a high-level here are some of the main areas (additional detailed documentation can be found online at RAPA's website):

FIGURE 2

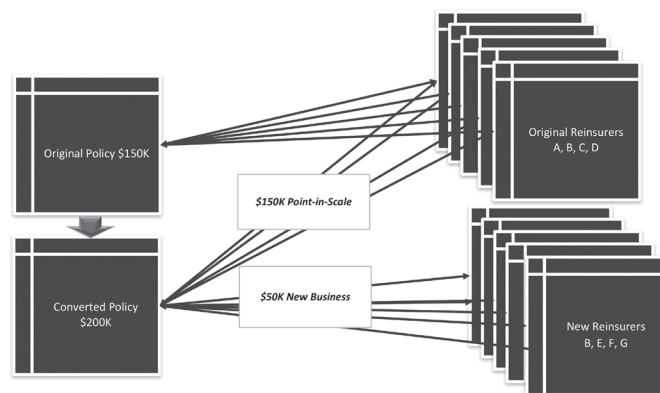


- Reinsurance Treaty Fundamentals:** For those new to reinsurance, building up your base knowledge and understanding the key terms and concepts is of the utmost importance. Differentiating between first dollar quota share and excess agreements, Coinsurance & YRT, Auto & Jumbo Limits, etc., are critical to know upfront before data handling/set-up.
- Process Architecture:** Implementing treaties from “cradle to grave” can be a daunting task. However, mapping the process out by breaking down the various steps helps to ensure completeness and accuracy. A simplified process is mapped out below with a much more detailed version, including details on key touch points, available on-line.
- Data Mapping:** There is a plethora of data gathered from insurers when a policy is issued. The amount of data needed for reinsurers and retrocessionaires can differ materially. The demand for additional information has increased over time as the underlying value within the data is being discovered. On-going communication between the cedant, reinsurers, and retrocessionaire plays a vital role. RAPA has developed a best practices document on “Communicating System, Data, or Administration Changes to Business Partners” which helps to understand the impacts and key changes to expect and plan for. Additionally, there is a “Reinsurance Reporting Guidelines and Best Practices” document. Primary focus includes:

TREATY IMPLEMENTATION	INFORCE & TRANSACTIONS
NEW SYSTEMS	CONVERSIONS
CHANGES TO SYSTEMS	REPORTING ISSUES
DATA QUALITY	<ul style="list-style-type: none"> • Late Report Transactions • Missing Fields • Partial Reporting • Policy Number Changes
JOINT LIFE CLAIM PROCESSING	
FLAT EXTRAS	
ZERO RISK AMOUNTS	

- Conversions:** This category could also be referred to as exceptions or special. But for all the administrators out there who have had to follow these through the years, conversions are extremely complex and will label it as such given the time/process involved. Essentially, once you think you have it all figured out, then conversions/exceptions come along and all the logic that you meticulously programmed for and mapped goes out the window. Is it a partial conversion, policy split, increased face amount with underwriting, originally facultative, etc.? RAPA developed “Conversion Guideline Matrix” to help with the 88 (yes, that many!) different scenarios that can exist and the process in which they are typically handled.

FIGURE 4



As companies are working to quickly innovate and implement new products, automate processes, and manage very large reinsurance portfolios, the need for up-to-date and accurate data has never been greater. Organizations should never lose sight of the fact that data quality and management can directly impact the bottom line. RAPA can assist by providing tools and techniques that reduce the learning curve, streamline the process and build controls through quality check points and audits. ■



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