

CATASTROPHE DATA QUALITY AUDIT

Catastrophe models are used extensively by reinsurers in the underwriting of catastrophe treaties. Modeling companies have consistently cited the lack of quality data as one reason for “model misses”. Reinsurance underwriters have more confidence in the model when they have confidence that the underlying data is complete and accurate. For the insurer the process of gathering, scrubbing, and mapping catastrophe data is complex.

Modelers, recognizing that poor quality data impacts loss projections, are now licensing data quality tools to reinsurers. These portfolio level tools use heuristics to query the dataset and identify potential problems such as bulk coding, geo-coding levels, mismatches between construction and number of stories. These tools can be used to identify the portfolios that have lower data quality metrics but the tools do not identify the differences between the original data and the EDM, the underlying causes of the problem, nor offer recommendations for improvement.

Lighthouse’s Catastrophe Data Quality Audit fills that need. The audit is conducted at the reinsured’s offices and begins with a review of the reinsured’s data quality standards and workflow. A file review is then conducted, and the original data is examined. In this context original catastrophe data means policy level information such as catastrophe limits, sub-limits and deductibles, and location level data such as values, construction, occupancy, year built, number of stories and secondary modifiers. The original data is compared to the data in the EDM and is scored for accuracy. We will also review the insurer’s and broker’s workflow related to cat data, the mapping assumptions made by the insurer and/or broker, and review various underwriting practices related to catastrophe underwriting in general.

Please contact us for a sample Cat Data Quality report.