



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY

# IMO day March 2018

## Feedback on data quality & expectations for YE2017

5 March 2018

# Introduction

- Given the role of IMO in monitoring the evolution of the internal models, it is important that we can trust the underlying data.
- At year end 2016, we received 127 IMO submissions
  - not including iterations for resubmissions, IMAP and model change submissions.
- Each submission involves up to 200,000 data points
  - over 25 million data points each year.
  - Impossible to manually check!



# Checks performed by the PRA

- Two forms:
  - Internal consistency checks – run on each submission but not blindly applied:
    - Summation – do individual items sum to aggregate?
    - Equality – are repeated items the same?
    - Relative – is item smaller than another?
    - Positivity – is item positive?
    - Completion – are key items filled in?
    - Range – is item within certain range?
  - Sense checks – compare key parameters against the previous year and against the market – detect extremes or large movements
- Reviewed by actuaries – do we already know the reason?
- Ask firms query or to resubmit → Data we can trust and use



# Internal Consistency Checks – examples

- Summation: do mean reserves, premiums, allocated expenses for each line of business sum to the aggregate.
  - Why not? ENIDs, PPOs?
- Equality: are the means the same between one year and ultimate for each line?
- Relative: is one year  $CoV \leq$  ultimate  $CoV$ ?
  - Why not? Model item in one year not in ultimate?
- Relative: are distributions increasing?
- Range: are correlations between -100% and 100%?



# General Data Feedback

- If information not available, please do not fill in. E.g. submitting net undiscounted information into both the net discounted and net undiscounted fields.
- We expect the quality of the submission to be similar to that of other regulatory reporting submissions (e.g. QRTs and NSTs), including data checks and sign-off processes.
- Please read the instruction logs for information about how to fill in the template – if there is any ambiguity please ask us.
  - We will be reviewing the instruction logs for the YE 2018 submission.
- Comment on anything which would not be obvious.



# Commentary

- Our checks test for consistency between the spreadsheets.
  - Where this is not the case, Firms can anticipate this by commenting, e.g. ENIDs in aggregate.
- Areas we check for consistency within threshold:
  - Own line and SII line
  - One year and ultimate – means
  - Individual risk and total risk tab
  - Total risk on one year and QRT submission
  - Assets in IMO vs in QRT submission



# Expectations for YE 2017

- For YE 2017 the template and log will remain unchanged from YE 2016.
- Submission date – consistent with Solvency II Annual QRTs – 6 May 2018 for solo, 17 June 2018 for group.
- Firms should anticipate queries and resubmission requests from the PRA. Can avoid some by commenting.
- Similar to last year, we aim to give firms two weeks turnaround time for resubmissions and queries.
- Submit through BEEDs.



# Key Messages

IMO is an important element in assessing the appropriateness of IMs and their continuous credibility

The effort that Firms put into preparing IMO is appreciated and worthwhile

Large volume of data is submitted - PRA performs data checks to ensure quality of data is sufficient

Firms can provide sufficient commentary to explain consistency issues

Firms can anticipate queries and resubmission requests from the PRA

