Data Governance for Solvency II

Implement Data Directory and Policy requirements

Solvency II aims to codify and harmonize European Union (EU) insurance regulations, primarily from the perspective of reducing the risk of insolvency of insurance companies. Many of the new and higher standards are targeted to data management. Insurers will have to strengthen and deepen their existing data management practices, as well as extend them to new areas.

Collibra's Business Semantics Glossary provides innovative capabilities that insurers can quickly deploy to meet the new world of Solvency II requirements: a business-facing, enterprise-wide, collaborative and fully governed information management repository. **Collibra's platform** also provides a general Data Governance solution that will drive company revenue and growth.

Data Directory in Solvency II

Solvency II mandates the establishment of a Data Directory to comprehensively cover all data used in any model for Solvency II reporting.

Collibra provides in-depth support for Data Directories. The Business Semantics Glossary provides a truly collaborative environment for managing definitions at both a business-centric level and data-centric level. This enables data to be defined and linked between source and model. A rich array of metadata, including taxonomic classifications, provides the capability to capture additional information about the data, adding to its usefulness. With Collibra's easily accessible, business-facing orientation all this can be managed by subject matter experts in the business. Without the functionality provided by the Collibra environment, insurers may be forced to employ legions of individuals who are not subject matter experts in the data to try to get the needed answers. Definitions created in this manner are ofter of poor quality, and cannot be relied on.

The Business Semantics Glossary goes beyond regulatory needs and provides true business value. Actuaries and risk managers can access the Collibra environment to find answers to questions about what data is available, what it means, where it is produced, what it covers, who is responsible for it, and so on. Collibra permits clients to configure appropriate governance models, including workflow, configurable roles & responsibilities, and RACI matrices. Not only does this directly provide what the regulators are seeking in Solvency II, but can also be leveraged into an infrastructure for meeting enterprise information and data in general.

"Undertakings shall compile a directory of any data used to operate, validate and develop their internal model. In doing so, they shall specify in detail the data source, its characteristics and usage" CEIOPS-CP-56

Data Policy in Solvency II

Solvency II mandates the establishment of a Data Policy. This is a specific set of Data Governance requirements. An example of one of these requirements is that the assumptions made in the collecting, processing and application of data must be documented.

Collibra provides an environment in which this can be implemented, so that details of assumptions can be assigned to individual data elements. The collaborative environment of Collibra, along with the ability to govern the updating of metadata are key in this regard. Details of e.g. assumptions can be entered by various stakeholders, but will be reviewed by subject matter experts prior to promotion to an official level within the repository.

Capturing and governing all the details needed for the Data Policy into a central, collaboritve repository ensures that all necessary information is systematized and harmonized rather than simply being aggregated with possible inconsistencies, contradictions, and varying levels of quality.

"... undertakings shall establish their own policy on data quality and data update approved by senior management. The data policy shall be agreed with the supervisory authorities as part of thte inital model approval process and will then form the basis for supervisory analysis of data quality standards. Major changes to the data policy shall always be subject to prior supervisory approval. A review of the data policy shall be part of the model validation process." CEIOPS-CP-56

Collibra provides a single repository for the Data Policy that can easily be reviewed in conjunction with the regulators if necessary. This is much more satisfactory than trying to document the Data Policy on a model-by-model basis, and much more satisfactory than trying to implement the Data Policy in a myriad of spreadsheets. Documenting Data Policy on a model-by-model basis is likely to lead to inconsistent policies that the regulators will pick up on. Using a myriad of spreadsheets to document policies will likely lead to inconsistencies too, as well as being very difficult to update in the future.

Data Quality

With Solvency II, much greater rigour will be required in terms of assessing and reporting on data quality than has been common in the insurance market. Collibra provides a solution in this area too. Solvency II states that data must be "accurate, complete, and appropriate". These three major dimensions are broken down further into a number of components, and Solvency II requires that each of these components are addressed in a very specific manner.

The component of credibility of data, for example, is established in part by proving that the data used for Solvency II reporting is used in the normal operational and decision-making processes of the enterprise (CEIOPS 433 Para 3.66). This means, for example, that data would not be credible if it were gathered and used solely for Solvency II purposes. To meet the criterion of credibility, a company must show where its data is being used. Information concepts can be defined in Collibra and associated with metadata about the databases where these concepts are implemented as actual data columns. Additionally, the databases can be categorized within Collibra with respect to their purpose(s). When this has been done, it is simple to produce a report from Collibra showing where each concept needed for Solvency II is used in the enterprise, and what it is used for, thereby demonstrating credibility of data.
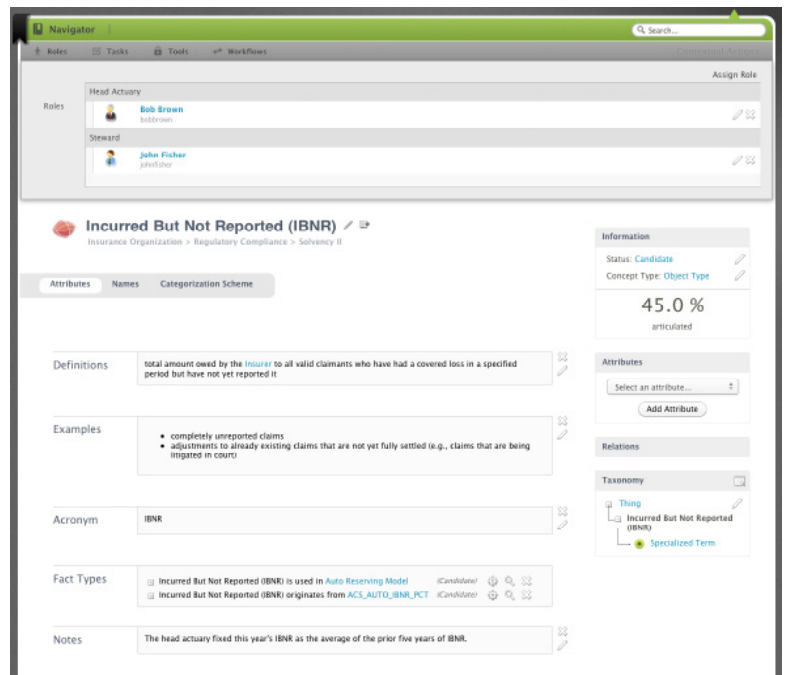
Manage your organizational complexity, reconcile different data definitions between various business unites.
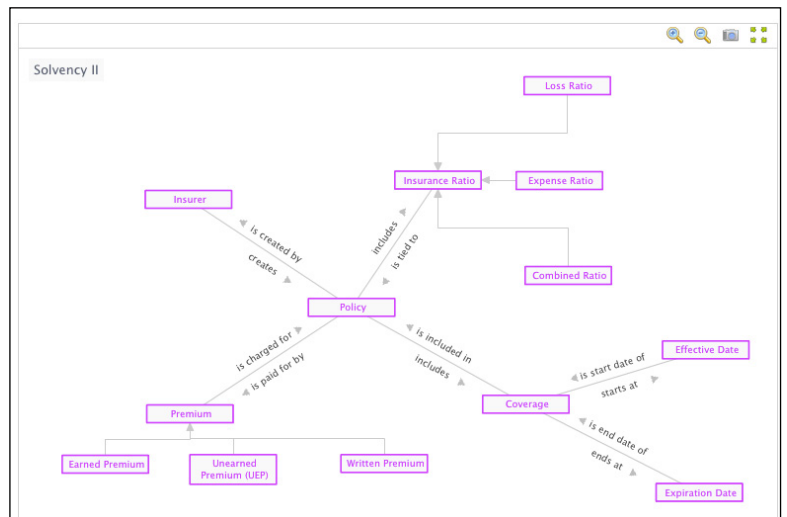
Easily undertstand complex domains using rich visual representation. Visual business traceability is only a click away.

Making sense of the Regulatory Environment

Treating Solvency II as a one-time project is not advisable. Regulations are likely to change over time, and not necessarily only in regard to solvency. New insurance products, new markets, and new technologies are all likely to emerge in the coming years - and they will inevitably lead to a regulatory response. Insurers must be able to relate regulations to the data they manage to keep up to date in an effective manner. Regulation must be traceable to data, and data traceable to regulation.

For instance, a paragraph in CEIOPS-CP-43 might have a clarification in CEIOPS-SEC-106/09, which might be further elucidated by the FSA, and result in specific guidance by Lloyds to its Managing Partners. If any of this changes, how will the enterprise know what data is affected? Conversely, the enterprise might want to change, or elimitate, a particular data element. But how can the enterprise know if this data element is being used by Solvency II, and what its role is ?

Traditionally, these kind of questions have been answered by "brute force analysis", which involves tasking analysts to discover the relevant linkages. Such an approach is time-consuming, expensive, inherently inaccurate, and wasteful since no prior knowledge is reused. Collibra provides an alternative. It is a knowledge repository in which the relationships between regulation and data can be captured via the governance processes involved.

About Collibra

Collibra is a Data Governance software company bringing Business and IT together to govern data as an enterprise asset.

Collibra's Business Semantics Glossary supports you in launching or maturing your Data Governance program.

Collibra provides a unique platform that allows the business to take charge of the data in their organization.

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