

APPENDIX 2

Comments on the Exposure Draft and Committee Responses

The exposure draft of this revision of ASOP No. 23, *Data Quality*, was issued in October 2003 with a comment deadline of March 31, 2004. Twenty-eight comment letters were received, some of which were submitted on behalf of multiple commentators, such as by firms or committees. For purposes of this appendix, the term “commentator” may refer to more than one person associated with a particular comment letter. The General Committee carefully considered all comments received. Summarized below are the significant issues and questions contained in the comment letters and the committee’s responses. Unless otherwise noted, the section numbers and titles used below refer to those in the exposure draft.

GENERAL COMMENTS	
Several commentators suggested various editorial changes in addition to those addressed specifically below. The committee implemented such suggestions if they enhanced clarity and did not alter the intent of the section.	
In the transmittal memorandum of the exposure draft, the committee asked readers to comment on whether the exposure draft clarified the previous standard. Most commentators believed that the revisions did clarify the standard, and others had suggestions that are addressed in the following responses.	
Comment	One commentator suggested that the standard should address issues concerning how results vary when using data with different time horizons.
Response	The committee believed that issue was more about credibility than data quality and made no change in the standard.
Comment	A commentator believed that the standard should also provide guidance on privacy, confidentiality, and distribution of the actuarial report.
Response	The committee believed such issues were beyond the scope of this standard. ASOP No. 41, <i>Actuarial Communications</i> , provides guidance with respect to actuarial reports.
Comment	One commentator recommended expanding the title of the standard to add “Actuaries’ Responsibilities in Selecting, Reviewing, and Using Data.”
Response	The committee believed that this was unnecessary, because section 1.1, Purpose, identifies the specific professional services discussed in the standard.
Comment	A commentator suggested that, since it is common for actuaries to extract their own data for use in their analyses, the standard should more clearly indicate the actuary’s responsibility to review data that the actuary has independently created.
Response	The committee agreed and revised section 3.5, Review of Data, in response.
Comment	One commentator thought that the actuary should be required to disclose and resolve material differences between prior and current period data.
Response	The committee believed that the actuary should be satisfied that the current data are appropriate and should disclose other concerns related to data quality in accordance with section 4.1(g) (now 4.1(f)). The reconciliation of data from one period to the next is beyond the scope of this standard.

SECTION 1. PURPOSE, SCOPE, CROSS REFERENCES, AND EFFECTIVE DATE	
Section 1.2, Scope	
Comment	One commentator objected to not requiring the actuary to audit the data, while several others supported the statement in the standard that audits are not required.
Response	The committee believed that the actuary should generally be required to review, but not audit the data, and left this scope limitation unchanged.
Comment	Several commentators recognized that the actuary must comply with law, regulation, or other binding authority, but disagreed that the actuary should disclose such a conflict.
Response	The committee disagreed and retained the disclosure requirement, consistent with other standards. In response to another comment, the committee also added a sentence clarifying that the actuary must comply with both the standard and the law when the standard has more extensive requirements than the law. Finally, the wording of this section was modified to clarify that the standard applied only to professional “actuarial” services.
Section 1.4, Effective Date	
Comment	A commentator pointed out that it is common in some practice areas to use a significant amount of data collected in prior years and then perform the current analysis after the latest data have been added to the database or using relevant current data. The commentator believed that the prior data should be subject only to requirements in effect when the data were originally collected and not be subject to any new requirements in the standard.
Response	The committee discussed this point and made no change to this section, because it believed that other sections of the standard gave sufficient guidance to the actuary regarding the extent to which the actuary should review the data, including consideration of practicality and materiality.
SECTION 2. DEFINITIONS	
Some commentators suggested adding definitions of other terms. In most cases, the committee did not believe that was necessary. However, it did add a definition of “review,” as suggested by one commentator, to clarify that a review is less formal than an audit and does not verify the accuracy of data, but merely consists of observing its obvious characteristics and abnormalities.	
Section 2.1, Appropriate (now Appropriate Data)	
Comment	Several commentators suggested adding the word “data” to the title of this section.
Response	The committee agreed and added “data” here and in the title of section 2.3.
Comment	One commentator suggested deleting the phrase “relevant to the system or process being analyzed.”
Response	The committee thought the existing language was necessary and sufficiently clear and made no change.
Section 2.2, Audit	
Comment	Some editorial suggestions were made to improve the definition.
Response	The committee adopted some of the suggestions, adding “for the purpose of testing its accuracy” and removing “or review,” because that latter term is now defined and differentiated from an audit.
Section 2.3, Comprehensive (now Comprehensive Data)	
Comment	A commentator recommended that “sufficient data elements” be used in this definition in place of “each data element.”
Response	The committee agreed that this was more appropriate wording and made the change.
Comment	One commentator suggested adding a discussion of inventory or sampling methods.
Response	The committee did not see the need for such a discussion.

Section 2.4, Data	
Comment	A commentator pointed out that actuaries often use data contained in reports prepared by other professionals and suggested that such data be covered by this definition.
Response	The committee made no change to this definition, because sections 3.3 and 3.4 address reliance on data and other information supplied by others.
Comment	One commentator suggested expanding the definition to indicate that sometimes assumptions are used to develop certain data elements.
Response	The committee did not believe such an expansion was necessary. The use of assumptions to perform such analyses is referenced in section 3.7(c).
Section 2.6, Practical	
Comment	A number of comments were received on the inclusion of the defined term “practical” in response to the committee’s request in the transmittal letter of the exposure draft. Some commentators thought the definition was unnecessary, and some offered suggestions for further improvement.
Response	Because the concept of practicality is an important consideration in this standard in aiding an actuary to make professional judgments regarding selection of data, and whether and to what extent to review the data, among other things, the committee strongly believed that a definition of this term should be included.
Comment	One commentator pointed out that use of hindsight would be inappropriate in determining what was practical.
Response	The committee agreed and added “during the time of the assignment” to the definition.
Comment	One commentator wanted to add guidance on considerations for evaluating materiality.
Response	The committee believed that materiality is a subjective concept that depends on the actuary’s professional judgment, and that it was beyond the scope of this standard to define or provide guidance on materiality.
SECTION 3. ANALYSIS OF ISSUES AND RECOMMENDED PRACTICES	
Section 3.1, Overview	
Comment	One commentator pointed out that some assignments do, in fact, require perfect data, and that the standard should recognize this.
Response	The committee disagreed that the standard should be written to address specific situations that would require more diligent treatment. Sections 3.2 and 3.5 state that consideration should be given to the purpose and nature of the assignment.
Section 3.2, Selection of Data	
Comment	One commentator wanted to clarify the language relating to “review.”
Response	The committee decided to delete reference to “review” in this section as it is thoroughly covered in section 3.5.

Comment	One commentator believed that section 3.2(b)(5) should be eliminated or at least restricted to alternate data sources reasonably known to the actuary.
Response	The committee believed this guidance is important and, in view of the comment, carefully considered the wording again and revised the wording to clarify that the actuary is provided adequate leeway to consider the benefits of seeking alternative data sources versus the effort necessary to get them.
Comment	One commentator suggested that the terms “data sets” and “data sources” should be consistent here and in section 3.2(b)(5).
Response	The committee agreed and made changes to accomplish this.
Comment	One commentator believed “subject to the limitations presented by the actuary’s reliance on others...” should be added to clarify how this section relates to sections 3.3 and 3.4.
Response	The committee believed that the guidance for selection of data should not depend on whether or not the actuary needs to rely on others to supply the data and did not believe such an addition was necessary or appropriate.
Comment	One commentator suggested deleting “relative availability” and adding “time and” in front of the word “cost” in section 3.2(b)(5).
Response	The committee did drop “relative” and did add “time and.”
Section 3.3, Reliance on Data Supplied by Others	
Comment	One commentator supported the concept of what was labeled “blind reliance.” A couple of commentators were uncertain as to whether the implication of such reliance was appropriate and consistent with sections 3.1 or 3.5. Several others commented that such reliance was inappropriate.
Response	After much discussion and careful consideration, the committee ultimately agreed that additional clarity was needed. Accordingly, the committee added the phrase “subject to the guidance in section 3.5,” and that section provides that the actuary should review the data for reasonableness and consistency unless, in the actuary’s professional judgment, it is not practical or not necessary to do so.
Section 3.4, Reliance on Other Information Relevant to the Use of Data	
Comment	Two commentators were uncomfortable with the implication of absolute reliance in this section, believing that it could conflict with the guidance in other sections of the ASOP by setting a different standard.
Response	The committee believed a lower standard was appropriate but agreed that the actuary should not proceed with the analysis based on information that is known by the actuary to be suspect. Accordingly, the committee added the phrase “unless it is or becomes apparent to the actuary during the time of the assignment that the information contains material errors or is otherwise unreliable.”
Comment	Two commentators thought that “or summaries of such documents” should be specifically added to the list.
Response	Because the list provides examples only, the committee believed that this added language was not needed.
Section 3.5, Review of Data	
Comment	Several commentators questioned the meaning of the word “appropriate.”
Response	The committee deleted the word “appropriate” where it might be confusing.
Comment	Several commentators questioned whether it was always necessary to review prior data and suggested adding the word “consider” in section 3.5(a) regarding review of prior data.
Response	The committee agreed and incorporated this wording change in what is now section 3.5(c).

Comment	One commentator believed that a new section on the time period of the data should be added.
Response	The committee believed this was sufficiently covered in section 3.2(b)(1).
Comment	Two commentators were unclear if this section applied to data received from others.
Response	The committee clarified that it does apply and that the actuary should review for reasonableness and consistency “unless, in the actuary’s professional judgment, such review is not necessary or not practical.”
Comment	One commentator suggested adding a new consideration: “Data Definitions—The actuary should make a reasonable effort to determine the definition of each data element provided.”
Response	The committee agreed and added what is now section 3.5(a).
Comment	One commentator interpreted section 3.5(b) as requiring a datum-by-datum review and a datum-by-datum correction process, thereby precluding any type of sampling procedure.
Response	The committee disagreed with this interpretation. Section 3.2 specifically allows for sampling procedures. Based on the definition of “review,” the committee believed guidance for the actuary to look for obvious errors or inconsistencies that may materially affect the analysis was appropriate.
Section 3.6, Limitation of the Actuary’s Responsibility	
Comment	Several commentators responded to a question requesting comments about whether it was appropriate to delete the following language from section 5.3(a) of the previous ASOP No. 23: “The actuary is not required to develop additional data compilations solely for the purpose of searching for questionable or inconsistent data.” While a couple of commentators believed the deletion was appropriate, most believed that the language should be put back into the revision.
Response	The committee agreed with the majority and reinserted what is now section 3.6(b).
Comment	Several comments suggested eliminating the word “intentionally” inaccurate.
Response	The committee disagreed and left this wording, because just removing the word “intentionally” would weaken the standard by implying that the actuary is relieved of any responsibility for inaccurate data, whether intentional or not. However, after lengthy discussions the committee revised the section by amending the wording of what is now section 3.6(a), in addition to reinserting section 3.6(b).
Section 3.7, Use of Data	
Comment	One commentator suggested clarifying section (d) to apply when material defects are likely, not just possibilities.
Response	The committee agreed and added the words “are likely to” to this subsection.
Comment	One commentator suggested changing the word “should” to “must,” eliminating the words “when practical,” and specifying that this disclosure should be in the summary level presentation of the results.
Response	The committee disagreed and left the wording as is.
Comment	Two commentators suggested changing the wording in the opening paragraph to clarify that data are rarely completely accurate, appropriate, and comprehensive.
Response	The committee agreed and changed the wording in the opening paragraph.

Comment	One commentator suggested that section 3.7 could be viewed to be in conflict with section 4.1, Disclosure.
Response	The committee disagreed that there would be a conflict. If the actuary believes there is a material defect in the data, the actuary can still perform the assignment and make the disclosures in section 4.1.
Comment	One commentator suggested removing the words “if practical” from section (d).
Response	The committee disagreed and left this wording.
Comment	One commentator suggested defining a process for what to do if material defects have been found or are known to exist in the data.
Response	The committee prepared this section to provide guidance to the actuary in discriminating between different types of situations. The committee believed that sections (d) and (e) provided adequate guidance in this respect.
Comment	One commentator suggested removing the first sentence of this section since all items in this section are based on the premise that the actuary is aware of data deficiencies.
Response	The committee revised the first paragraph of section 3.7 to clarify that the actuary should decide which of the circumstances in sections (a)–(e) apply, even if the actuary is not necessarily aware of material defects in the data.
Comment	One commentator suggested removing the first sentence from section (d).
Response	The committee disagreed and left the first sentence.
Comment	One commentator suggested that this section provides only two alternatives for inadequate data.
Response	The committee disagrees and refers the commentator to the four alternatives contained in sections (b)–(e). The committee also added a consideration in section (c) to address results that may be highly uncertain.
Section 3.8, Documentation	
Comment	One commentator suggested adding a section requiring a description of any material defects the actuary believes are in the data and the review conducted by the actuary on this data.
Response	The committee agreed in respect of material defects and added appropriate wording to section 3.8(b).
Comment	Two commentators suggested eliminating the first sentence since it was confusing.
Response	The committee agreed with this commentator and eliminated the first sentence of this section.
Comment	One commentator suggested changing the wording of section (b) by replacing it with “whether the actuary reviewed the data as contemplated by section 3.5 and, if so, the scope of the review.”
Response	The committee agreed that additional clarity was needed and revised the entire section 3.8.
Comment	One commentator suggested changing the wording of section (c) by inserting the words “if reasonably estimable, the” before “effect.”
Response	The committee agreed that this language could be too burdensome and revised the language in section (c).

Comment	One commentator suggested adding words to this section similar to those in the disclosure section pertaining to a description of the insufficiencies or issues with the data that may have an impact on the results.
Response	The committee revised section 3.8, adding sections (b) and (d) to deal with this issue.
Comment	One commentator suggested that this section is not needed as long as the disclosure section exists.
Response	The committee believed there is a need for this section, because this section applies to the work papers of the actuary and not the disclosure that goes along with a work product. In addition, some items that should be documented need not be disclosed.
Comment	Numerous commentators suggested changes to section (b).
Response	The committee agreed with these commentators and reworded section (b) with consequential changes to section (a).
SECTION 4. COMMUNICATIONS AND DISCLOSURES	
Section 4.1, Disclosure	
Comment	One commentator suggested that the standard does not appear to require disclosure of the actuary's unresolved concerns, particularly in the case of an actuarial opinion, regarding data that could have a material effect on the actuarial work product.
Response	Section (g) (now (f)) requires the actuary to disclose any unresolved concerns the actuary may have about the data. That disclosure is required in an appropriate actuarial communication, regardless of whether it is an actuarial opinion.
Comment	One commentator suggested adding the words "to the principal" after "following items" to clarify to whom the disclosure is to be made and also wanted to add the words "if other than the principal" to item (a).
Response	The committee did not concur with this commentator.
Comment	Several commentators believed that section (b) was unclear or unnecessary.
Response	The committee deleted section (b).
Comment	One commentator suggested changing the wording in section (c) (now (b)) to reflect the fact that the standard seems to mandate that actuaries almost always review data. Another commentator believed that section (c) (now (b)) should read, "the extent of the actuary's review of the data" rather than "whether the actuary reviewed the data."
Response	The committee very carefully considered this issue and revised what is now section (b) to require, where no review was performed, disclosure of any resulting limitations on the use of the actuarial work product.
Comment	Two commentators suggested adding "material" before "judgmental adjustments" in section (e) (now section (d)).
Response	The committee agreed and made this change.

Comment	One commentator believed that section (f) (now (e)) would be clearer if it ended after the phrase “work product.”
Response	The committee revised the language to omit reference to “not sufficiently reviewed,” thereby including situations where the actuary did not review the data as well as situations where the actuary did review the data but is uncertain about the data.
Comment	One commentator believed that section (g) (now (f)) was unnecessary because it was covered by section (h) (now (g)). The commentator believed it was burdensome for the actuary to disclose concerns that would not have a material effect.
Response	The committee disagreed and believed that both sections are needed to fully describe required disclosure because they cover different situations. However, the committee did agree that only “unresolved concerns the actuary may have about the data that could have a material effect...” are required to be disclosed, and the wording of these two sections incorporates the word “material” to support this.
Comment	One commentator believed that section (g) (now (f)) could conflict with section 3.7, which does not contain an option for producing a work product with adequate disclosure if there is a material effect in the data.
Response	The committee did not believe there was a conflict, but revised section 3.7(c) to clarify that the actuary may produce a work product even if the data (after judgmental adjustments or assumptions have been applied) may produce results that “are highly uncertain or contain a material bias” as long as this is disclosed.
APPENDIX (now Appendix 1)	
Current Practices	
Comment	One commentator suggested inserting the words “important aspects of data utilization include such” in the last paragraph of this section as well as deleting the words “of such items” after the word “disclosure” in this same section. The commentator also suggested deleting the word “the” after “reliance on” and deleting the words “are important aspects of utilization of data” in the last paragraph of this section.
Response	The committee agreed with the general thrust of these comments and made appropriate changes.
Comment	One commentator suggested removing the words “complete and independent verification of the data” in the second paragraph of this section. The commentator went on to suggest that actuaries deal with the quality of data in a variety of ways and “with varying levels of review or checking.”
Response	The committee agreed with this commentator and changed the wording as suggested.