

Comment #2 – 11/23/15 – 1:22 p.m.

Thank you for the revisions of ASOP 23. I have reviewed them and believe they are a substantial improvement and almost address the key problems I have experienced with reviews of results that used excessive reliance on data quality. They also include a documentation of actuarial controls on data quality, which will help with financial examinations.

Section 3.3

I agree with the direction of the requirement at the end of paragraph 3.3 that requires an actuary to disclose if he or she did not review the data and disclose the “reason” the actuary has not performed such a review. However, in the interest of professionalism, please consider replacing the word “reason” with “justification”. There is a subtle difference in “reason” and “justification”. A reason is not always justifiable, for example: “The company did not pay me enough to include a review of the data,” is a reason, but not a justification for not reviewing the data. On the other hand, “The company did not pay me enough to include a detailed review of the data and the results produced from the data were consistent with prior trends,” is a justification. In my experience, time constraints and monetary considerations are the most common reasons actuaries do not perform data reviews at appropriate levels.

On a more general note, I would suggest some level of consideration be allowed in paragraph 3.3 on the reasonableness of the results of the data. For example if the data for an insurance company produced premiums, policy counts and reserves which were reasonably consistent with what should be expected from other sources, then there is justification for not reviewing the data. However, it appears in the ASOP the data quality is expected to be considered prior to the use of the data. There are times when data quality could be presumed to be good until the results of the data are found to be outside reasonable expectations. In this case, not reviewing the data is more difficult to justify. Some statement to the effect of “The actuary may include the consistency of results of the data to expectation or to other sources in his review or justification for the level of data review performed.”

Section 3.8

Section 3.8, does not include a practice I have seen, which I think is appropriate at times. Sometimes actuaries state the data was not reliable and therefore established additional reserves which they state they believed were adequate to conservatively address the data errors. I recommend that this practice be included in section 3.8 as an alternative to adjusting the data, i.e. adjustment or modifications to results and disclosure of them as compared to adjusting or modifying the data only.

Thank you for a substantial improvement and for considering these suggestions.

Yours truly,
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P.S. The comments contained herein represent the comments of the author and may not reflect the opinions of his employer or any affiliated organization.