

Comment #20 – 2/29/16 – 8:01 a.m.

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The opinions contained in this document are my own and do not necessarily represent the opinions of Modern Woodmen of America or its employees.

First, I want to say that I really appreciate the efforts of the Data Quality Task Force in reviewing this ASOP. The revision and renewal of the standards of practice keeps our profession fresh and viable. Thank you for the hard work.

1. Does this proposed revision provide appropriate guidance for an actuary preparing data for another actuary's use (for example legislatively-mandated data submissions)?

No, I respectfully disagree. The guidance is not clear enough. The actuary providing data should only be held responsible to this ASOP if the actuary is working in the capacity of an actuary. In this light, I would like to suggest a change to the phrase in Section 1.1.e:

Preparing data to be used by other actuaries in an actuarial work product

Change it to:

Performing actuarial services by preparing data to be used by other actuaries in an actuarial work product

Here is my rationale:

The AAA Code of Professional Conduct defines the following:

*Actuarial Services – Professional services provided to a principal by an individual acting in the **capacity of an actuary** (emphasis mine). Such services include the rendering of advice, recommendations, findings, or opinions based upon actuarial considerations.*

It is not clear to me that an actuary who writes a simple query against a database is acting any differently than a computer technician who performs the same query. I do not believe that simply gathering data is acting in the capacity of an actuary because it does not involve advice, recommendations, findings, or opinions. While there is much discussion within the actuarial community upon how to work and model with broken data, incomplete data, etc., to my knowledge there is no single, approved method/language for the gathering of the data. I suggest that if there are no actuarial services per se regarding the data, the actuary who simply gathers data should not be held to an Actuarial Standard of Practice. Instead, these responsibilities should fall back to the actuary who will be using the data.

For the ease of further discussion, allow me to define the following:

- working-actuary: The actuary who will be ultimately using the data
- data-actuary: The actuary who gathers the data for someone else (possibly a working-actuary)

Data gathering often involves the “art-side” of Actuarial Science. It is unclear how the data-actuary will be informed on the considerations of “what data to use” (see section 3.2 Selection of Data). Depending on the intentions of the working-actuary, it is possible that the data provided could be different.

Also, it appears as if the proposed ASOP has put additional strain on the data-actuary which may be impossible to comply with. Section 3.5 and Section 3.6 indicate that the “accuracy and completeness” and the “validity and completeness” of the data “are the responsibility of those who supply” the data/information. In other words, this responsibility falls to the data-actuary. However, this is in contradiction with Section 3.1 which indicates that “Appropriate data that are accurate and complete may not be available.”

Further, by section 3.2.b.3 the data-actuary is responsible for whether the data is appropriate and comprehensive (suitable and sufficient for the analysis). Depending on the working relationship/connection of the data-actuary with the working-actuary, it is quite possible that the data-actuary cannot possibly opine upon whether the data is appropriate or comprehensive for the work product.

This leads me to question: From the working-actuary’s perspective, is there a difference between data received from another actuary (because it must be appropriate and comprehensive by the proposed ASOP) and data received from a non-actuary? Are the responsibilities for the working-actuary different based upon who it comes from? This should not be the case.

Therefore, this ASOP should not bind a qualified actuary who is acting in the capacity of a computer technician to gather data. Instead, if the data-actuary is also connected with the decisions or opinions of the work and is working in the capacity of an actuary (i.e. providing actuarial services) – then and only then should the ASOP be binding upon the data-actuary. It is in this case, where my proposed questions are easily clarified. This is because the data-actuary is also performing some of the actuarial-consideration work and therefore must have assumed some of the actuarial professional responsibility.

2. Does this proposed revision provide appropriate guidance for working with nontraditional data sources (for example, predictive models)?

No comment here.

3. Considering the guidance in section 3.6, which discussed the quality of other information relevant to data, is the title of the standard “Data Quality” appropriate?

The title “Data Quality” seems sufficient for the purposes of this ASOP.

4. Other general comments

Numbering error

Please note that the numbering schematic inside section 3.2.b has skipped over number 4.

“Practical”

The definition for the word “practical” was removed from the ASOP Definitions. However, the use of the word “practical” was retained in section 3.3.

“Practical” was previously defined as “realistic in approach...given the purpose...including cost and time considerations.” As a possibility, if the definition for the word “practical” was retained, Section 3.2.b.6 might be simplified with something like:

*“6. The availability of additional or alternative data and the benefit to be gained from such additional or alternative data, balanced against what is **practical**.”*

“Material”

Section 4.1 f and g the word “material” was changed to “significant” in the proposed ASOP. I’m curious why this was done. The word “material” was retained in items h, i, and j. While this might seem like I’m “splitting-hairs,” the word “material” has a certain professional connotation which may not necessarily be interchangeable with the word “significant.”