

Comment #10 - 1-25-16 – 10:51 a.m.

January 25 2016

ASOP No. 23 Revision
Actuarial Standards Board
1850 M Street, NW, Suite 300
Washington, DC 20036

To the Task Force to Revise ASOP No. 23,

Thank you for the opportunity to comment on the exposure draft of the proposed revision to ASOP 23, Data Quality developed by the Data Quality Task Force of the Actuarial Standards Board. After the standard is revised, we recommend the Academy's Life Practice Council consider developing a practice note on this topic. We will contact them at that time.

We will respond first to the exposure draft questions and provide additional comments.

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

The sentence in section 1.2 (*"If an actuary prepares data to be used by other actuaries in an actuarial work product or assumes responsibility for preparing data, the actuary should apply the relevant portions of the standard as though the actuary were using the data."*) sets an appropriate expectation for the actuary's behavior. It is critical that the preparer follow the requirements for documentation in 3.8 and communication in 4.1 and ASOP 41.

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

The exposure draft does not provide much specific guidance for working with nontraditional sources, though much of the exposure draft text applies to nontraditional sources.

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

We recommend changing the title to *Data Reliability* since actuaries seek reliable data for analysis. Quality data may not be reliable if it's not current or indicative of the trend being analyzed.

Additional Comments on Section 2

The exposure draft uses terms like suitable, relevant, current, consistent, comprehensive, accurate, valid, and reasonable in different places. We recommend adding or restoring three definitions to the standard.

Reliable Data - This could be done by either expanding definitions "appropriate data" or "comprehensive" and/or merge those definitions.

Authoritative Data - which indicates a data source of record used for situations when, in the absence of any completely reliable data, an actuary decides on the single best source of data.

Practical – Although this is a commonly understood term, the definition in the current standard conveys useful ideas regarding concurrent evaluation and cost/benefit considerations which should remain in the revised standard.

Additional Comments on Section 3

In §3.4.e, an actuary should be allowed to complete their analysis if they limit findings to areas where the data is reliable. The exposure draft is silent on the common practice that an actuary completes analysis. We believe it is appropriate to limit scope to areas where the data is valid.

In §3.5 and §3.7, the standard should encourage positive assurance and discourage negative assurance and blind reliance. Positive assurance can be achieved by performing the validity tests listed above. Positive assurance is akin to an opt-in concept: data is used only if it meets specific criteria. Negative assurance is less comprehensive: data is rejected only if it fails specific criteria, else it is used. Blind reliance means no validity testing was performed on the data before use. §3.3b and §3.4d should address this expectation.

In §3.8c, while limiting documentation to items “*that are expected to have a significant effect on the analysis*” may be a noble goal to reduce documentation effort, it will only increase the time required to review or update the work. If time is taken to make a modification or adjustment, time should be taken to document that effort regardless of the impact on the analysis.

In §3.2.b, the numbering of items is incorrect.

In §3.3, we propose restoring the section names *Data Definitions*, *Identify Questionable Data Values*, and *Review of Prior Data* to improve readability.

Sincerely,

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