



100 Years of Expertise,  
Insight & Solutions

G. Chris Nyce, Chair  
Professionalism Policy Review Committee

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February 22, 2016

Actuarial Standards Board (ASB)  
1850 M Street NW  
Suite 300  
Washington, DC 20036

Re: Comments on Proposed Actuarial Standard of Practice No. 23

Dear Colleagues;

This comment letter is on behalf of the Professionalism Policy Review Council (we), a committee of the Casualty Actuarial Society, to provide our comments on the Exposure Draft “Proposed Revision of Actuarial Standard of Practice No. 23: Data Quality”.

To start, we would like to thank the members of the drafting committee for the high quality work in drafting the revisions. The work is thoughtful and complete, as we have come to expect.

We have provided our thoughts in the attachment to the three questions for which comments were requested in the exposure draft. We also present several other thoughts for updates to the standard that may also be responsive to the current environment and emerging issues.

We noticed there is no reference to data reconciliations in the requirements related to review of the data. Perhaps this is covered in part by 3.3, (c), consistency with prior data. We ask the drafting committee to consider whether 3.3 (c) should be accompanied by a new 3.3 (d), that if a data source is made available to the actuary to which the current data should be consistent with that the actuary perform a review of the current data for consistency with that data source.

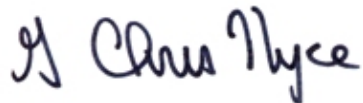
The definition of “audit” contrasts with “review” based on wording around “formal and systematic” compared to “informal”. While this seems true, we note another perhaps more significant difference is that an audit is generally conducted by audit professionals under professional audit standards. We think the definition 2.2 would be strengthened by mentioning this key difference.

We note that confidentiality of personal information, an emerging issue, is not mentioned in the standard. Personal information is often provided in predictive modeling projects, sometimes being present in data files even if not requested or required. Perhaps the committee feels this is

best covered by law and regulation, and the standard should be silent. However, this is such an important issue with data that we wanted to be sure the drafting committee was making this decision explicitly. Alternatively, a provision in section three might provide that the actuary should comply with data confidentiality requirements which apply to the data.

We thank the drafters again for their efforts.

Sincerely;

A handwritten signature in blue ink that reads "Chris Nyce". The signature is written in a cursive, slightly slanted style.

Chris Nyce, Chair  
CAS Professionalism Policy Review Council

Attachment

## Request for Comments

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

We suggest this guidance could be more explicit. We note that the Purpose section 1.1, item (e), explicitly scopes it in, and section 1.2 limits this to "relevant portions", which seems to leave the determination of "relevant portions" to the practitioner. If this is indeed the intent, perhaps it should be more explicit. The concern is there are sections of the standard that invoke the word "should", which under ASOP 1 is a very high standard. Some items, such as use of the data, may not be knowable if an actuary is preparing data for another actuary, perhaps with the end use unclear.

A supporting point to this is that each of section 1.1, (a)-(d), and (f) have a corresponding section expanding on the point in 3.2, 3.5, 3.3, 3.4, and 4.1 respectively, but no corresponding section expanding on 1.1 (e).

We suggest an expansion on 1.1 (e) perhaps in section 3, which may be as simple as explaining that when preparing data for another, a requirement of the standard would not be "relevant" if it requires knowledge that would not be knowable to the actuary. This way, an actuary would not need to treat this situation as a deviation from the standard.

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

We think that by being silent on this topic, it does not provide a great deal of guidance. Perhaps it would make sense to define non-traditional data. Absent a definition, we interpret the term "non-traditional data" to be data not fitting the definition 2.4. An example of non-traditional data might be information used in text mining, for example. It seems much of the standard would still be relevant to non-traditional data; that is, not meeting definition 2.4. Perhaps a treatment such as we suggest in question 1 might be appropriate, that is applying the "relevant portions" of the standard, with what is relevant left to the professional judgment of the actuary.

### 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 think elements of the standard go further than Data Quality, and suggest a name such as "Data Quality and Disclosure" might be a more descriptive name.