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# Peer Review

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# Table of Contents

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- Introduction
- Background information and Peer review overview
- Why peer review?
- Peer review process
- Small firm issues

# Quality measures and audits

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- Assures that methodology is appropriate and reasonable for task at hand
- Helps to deliver more consistent products and services
- Quickly addresses any problems that occur and will often reduce potential damage

# Background information

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- Conference of Consulting Actuaries- Committee on Professionalism- On CCA website (<http://www.ccactuaries.org>)
  - Peer review guidelines
- AAA Peer Review discussion paper----On Academy website (<http://www.actuary.org>)
  - 2005 edition replaced 1997 publication
- Basic need to follow Code, ASOPs, Qualification Standards

# Peer review

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- Not a required measure
- Large firms typically have peer review policies in place
- Some smaller firms have peer review policies while others are looking into it

# What is peer review?

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- Evaluation of a work product or advice by an independent qualified professional
- Exchanging ideas, results, and answers to improve work product
- Generating ideas to ensure information communicated is reasonable and appropriate with respect to the assignment

# Peer review vs. checking

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- Checking is more detailed than peer review
- Peer review is done to ensure results are reasonable and the process used by the author is appropriate
- Peer review may include confirming that the scope of the assignment has been addressed, and that the communications are clear

# Types of peer review

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- Peer review (pre-release)
- Audit/post-release review



# Why peer review?

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- Could improve compliance with Code, ASOPs, law/regulation and applicable actuarial practice & standards
- Could improve compliance with business and professional standards, thereby enhancing the quality of work
- Can get an additional perspective into the problem or assignment
- Will help to satisfy Professional responsibilities
- Can develop expertise and improve skills

# Why peer review? *(cont.)*

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- Could enhance the overall quality of the final work product
- May result in better advice in many cases
- May catch embedded errors before they become big
- May help to minimize errors and omissions exposure
- May help to write document clearly that can be understood by broader audience

# Why peer review? *(cont.)*

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- Client/supervisor will have more confidence when the work products and advice they receive are peer reviewed
- Can demonstrate that extra care was taken
- Can improve methodology and assumptions
- Can help to deliver creative and effective solutions to our clients' business problems

# Steps involved in Peer review

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- Technical
- Process

# Technical peer review

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- Have applicable laws, regulations and guidance been appropriately reflected?
- Are applicable Actuarial Standards of Practice appropriately reflected?
- Have uncertainties been appropriately addressed?

# Technical peer review *(cont.)*

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- Are actuarial methods and assumptions appropriately described and supportable?
- Does data seem reasonable?
- Does the advice seem appropriate?
- Do the results fall within reasonable expectations?

# Technical peer review *(cont.)*

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- Have appropriate caveats and limitations been communicated?
- Does the work deviate from standards? If so, disclose and ensure that that the work can be supported

# Process peer review

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- Is the assignment well defined?
- What question did the client ask?
- Does the question solve client's problem?
- Does the work performed appear to be consistent with the assignment?
- Does the actuarial analysis appear to be logical?
- Do proposed solutions appear to be appropriate?



# Process peer review *(cont.)*

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- Are proposed solutions of value to the end user?
- Do recommendations appear to be consistent with professional and ethical standards?
- Have alternative solutions and approaches been explored?
- Do written communications appear to be clear?

# When to peer review?

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- Peer review should start in early stages of the project, and should end with the review of the final product
- If peer review is not complete before the release, the document should be marked:

**DRAFT -- SUBJECT TO  
CHANGE UPON PEER REVIEW**

- Follow-up with final document after the review is completed

# Qualification for peer reviewer

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- Proper education
- Technical knowledge
- Skills and experience
- Independent status
- As knowledgeable as the original actuary

# Scheduling and process

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- Agree on what type of peer review needed
- Agree well in advance on a schedule
- Provide supporting documentation to peer reviewers
- Document peer review

# When peer review could be most helpful?

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- Assignments with significant financial implications, such as mergers & acquisitions
- Non-routine projects
- Advice based on assumptions and methods
- High risk assignments- labor negotiations
- Innovative or uncommon solutions

# Documenting a Peer Review

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- Peer review documentation is always a good idea
- Peer review documentation may include:
  - Identification of type of peer review;
  - Initials of reviewer and date review
  - Reviewer's comments and the resolution of any professional disagreements

# Peer reviewer's role

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- Gain knowledge of the project
- Ensure what is expected from reviewer
- Provide feedback in a timely manner

# Reconciling Differences of Opinion

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Peer reviewer advice should not be ignored

- Don't leave issues unresolved
- Identify alternatives to resolve disagreement
- Engage third party
- ABCD for counseling
- Ultimate responsibility for work product



# Implementing a Peer Review program

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- Small Firm (Company) vs. Large Firm (Company) considerations
- Costs
- Availability of Peer Reviewer

# Small Firm Issues---Overview

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- Small firm needs review as much as larger firm
- Organized peer review process --- very valuable, not always feasible
- Integrate peer review into broader quality control
  - Screening of assignments
  - Organized processes
  - Selection of team

# Small Firm Issues---Overview

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- Resources are a particular challenge
- Situations vary depending on the assignment
- Consider in context of broader quality control issues: peer review is optional and part of a portfolio of quality control possibilities

# Thinking about quality control

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- Incorrect work can harm user in some cases and in others not, degree of harm can vary greatly
  - Example of potential major harm --- valuing company too highly in potential acquisition
  - Example of very limited harm --- statement that is not correct in magazine article
- Some people specialize in specific areas
  - Examples: small pension plan advisors, expert witness, divorce calculations, personal actuaries, etc.

# Finding resources for quality control

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- Some reviewers are big picture thinkers, some are very focused on the details and calculations, others on communication
- Firm with multiple professionals --- can train everyone and exchange work
  - Issues similar to larger firms

# Finding resources for quality control

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- One person firm/department
  - Peer review is not mandatory – decide when needed
  - Work with outside persons
  - Maintain a list of possible reviewers/their qualifications
  - Make an agreement with someone who you exchange with
  - In some cases, client may provide reviewer

# Different kinds of assignments

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- Well defined and repeating assignments ---  
e.g. reserve calculations, rate indications, etc.
- Assignments needing framing and definition ---  
e.g. predictive modeling, Enterprise Risk  
Management

# Working as a sub-contractor

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- Client may provide peer review
- Quite common to work as independent contractor for former employer
- In some cases, there is no separate work product --- contractor simply becomes member of team
- Important to define who is responsible for work product



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# Questions?