

Peer Review Techniques to Optimize Quality

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Deloitte.¹



Sunset in Charleston

I am very happy to be here!

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Agenda

- Overview/relevance
- Example of process
- Reviewee perspective
- Reviewer perspective
- Closing thoughts
- Questions

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“The actuarial profession is achieving increasing visibility. The debate on health care reform, recent problems in the life insurance industry, and catastrophic losses in the property/casualty industry have focused more attention on actuaries and the work that they do...Peer review is seen as another possible method to enhance our professionalism.”

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Peer Review, Concepts on Improving Professionalism
American Academy of Actuaries, Council on Professionalism ,
Discussion Paper, 1997, No. 1

*Note: Much of this presentation draws heavily from this discussion paper.

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Overview/Relevance

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What's in a Name?

- Peer review focuses on the “who”
- Quality review (QR) shifts focus to “what”
- A definition...”Evaluation by a qualified professional of a professional work product (or portions thereof)”

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Why is QR Important?

- Improving quality of the QR subject
- Meeting the needs and expectations of the users of our work
- Expanding future opportunities
- Both parties gain knowledge and experience
- Continuous improvement in quality
- Compliance with standards and other requirements
- Risk/cost management

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Relevant Guidance

- Academy Discussion Paper on Peer Review, 2005
- Code of Professional Conduct
- Qualification Standards
- Actuarial Standards of Practice

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Subjects of Quality Review

- Proposals
- Engagement letters/contracts
- Technical work
- Reports/memoranda/etc.
- Significant correspondence
- Presentations
- System implementation
- Model conversion
- Quarterly financial reporting production
- Product launch/repricing
- Feasibility studies
- Other?

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Who Should Do the Reviewing?

- Key-Requisite skills and experience
- “Independent”
- May be more than one person
 - Risk profile may warrant
 - Multi-disciplines involved?
 - Different aspects of review

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When Should QR Happen?

- Pre-release vs. post-release
- Step approach vs. draft work product approach
- Appropriate to the targeted phase(s) of work
 - “Contracting”
 - Planning
 - Technical work
 - Work products
 - Documentation

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Other Considerations

- Consistency
- “Big picture” and detail
- Planning for QR
- Documentation of QR
- Feedback loops/confidentiality
- Cost/benefit and QR alternatives
- Standardization/support
- Resolution of differences

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Example of Process

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Pre-Release Quality Review Example of Process

Level of Complexity	Nature of Assignment		Level of Review		Level of Intensity of Review
	Simple letter with commentary (no conclusion)	1	Proofreading		
	Straightforward calculation result to client	2	Checking arithmetic		
	Analysis, commentary, simple recommendation, or conclusion	3	Second opinion and read-over		
	Substantial analysis or numerous calculation of routine nature - significant financial implications	4	Pre-release peer review of procedures and report		
	Report including analysis and conclusions of uncertain or non-routine nature that has substantial financial implications	5	Substantial concurrent peer review or parallel calculations and analysis		

[Peer Review Concepts on Improving Professionalism](#), AAA Discussion Paper, 1997

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Pre-Release Quality Review Example of Process

Establish the process for getting peer review done

- Allow time in the work plan for peer review
- Make peer review a priority
- Make peer review a habit
- Make sure that all staff understand that peer review is an important step to be completed before a project is finished
- The use of forms and checklists may be helpful

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Post-Release Procedural Review Example of Process

The emphasis is not so much on the quality of a specific work product, but rather on the work procedures that are used by the practitioner to produce and ensure a quality work product.

1. Final Reports	Clarity, completeness, applicability of analysis to client issues, compliance with laws and professional standards, use of appropriate caveats, all reports signed by qualified professional
2. Files	Ability to track work and to find all necessary items
3. Work Procedures	Work flow and monitoring, adequate checking recording of client communications, appropriate supervision, pre-release peer review
4. Client/Business Issues	Avoidance of conflict of interest, clear understanding of scope of assignment and authority to proceed, consideration of associated business risk

Peer Review, Concepts on Improving Professionalism, AAA Discussion Paper, 1997

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Post-Release Procedural Review Example of Process

Suggested approaches to the review

- Determine the frequency and intensity of post-release procedural reviews
- Prepare in advance for the on-site visit
- Identify projects in advance that will be reviewed
- Interview staff to understand how large projects are coordinated
- Reference project documentation and files during discussion with staff
- Reviewer's report should summarize findings and include a section on opportunities for improvement
- An exit interview should be conducted to discuss findings

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Reviewee Perspective

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Reviewee Perspective

- Begin with the end in mind
- Think through overall QR process
- Recognize what you may not know-consult
- Manage as part of the project
 - Identify needs/roles
 - Line up resources
 - Manage execution
- Keep your eye on the prize: Quality

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Reviewer Perspective

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Reviewer Perspective

- The review should be conducted by a qualified (ideally independent) professional, i.e. someone who is a “peer” of the professional who is primarily responsible for the project
- Both the work product and the work file should be peer reviewed from:
 - The perspective of the reader
 - A professional standpoint
 - An actuary’s standpoint concerning the business risk issues

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Reviewer Perspective

- Review the work product from the perspective of the reader:
 - Is it clear? Is it right? Is it complete? Does it meet the needs of the user?
 - Do the conclusions flow logically from the data and numerical analysis performed?
 - Are all assumptions and methods specified?
- Review the work product from a professional standpoint:
 - Does it meet actuarial standards of practice or other applicable professional standards?
 - Does it satisfy pertinent laws and regulations?
 - Would another actuary reading this work product be inclined to disagree with methods used, assumptions employed, or conclusions reached?

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Reviewer Perspective

- Review the work product from a business risk standpoint:
 - Is the scope of the assignment clearly spelled out and adequately covered?
 - Are any limitations on the intended user of the work product clearly delineated?
 - Are the sources of data and extent of reliance identified?
 - Is potential variability of results adequately discussed?
 - Is there any statement that might be misinterpreted and lead to wrong conclusions?
- Review the work file:
 - Can work be tracked from input to conclusion?
 - Has appropriate checking occurred throughout?
 - Have key methods and assumptions been documented?
 - Has the work flow been appropriately monitored?
 - Has compliance with ASOPs been adequately documented?

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Technical Actuarial Review Framework

- Data
- Methodology
- Assumptions
- Process
- Results

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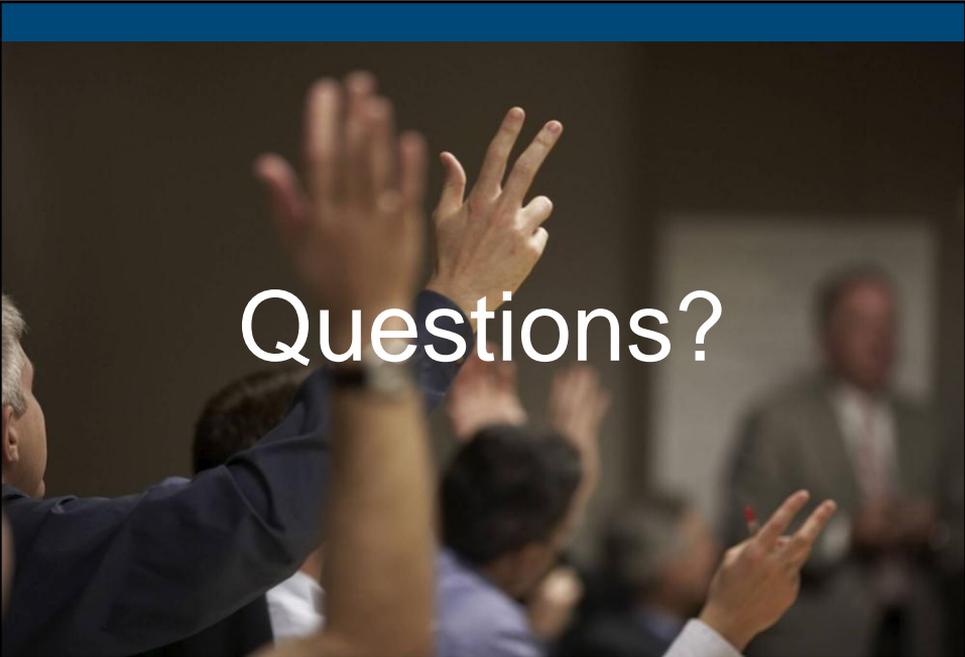
Closing Thoughts

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Closing Thoughts

- Innovation in process requires innovation in review
- Broadening actuarial roles includes quality review roles
- How can you and your organization get greater benefit from quality review?

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Questions?