



Peer Review – A Professional Tool –

**Southeastern Actuaries
Conference**

Spring Meeting

Thursday, June 21, 2007

9:00-9:30 AM

Hilton Head, South Carolina

Presenter

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Session Structure

- Framework is Professionalism
- Definition of Peer Review
- Benefits and Examples
- Considerations of Peer Review
- Large Company Approaches
- Small Company Approaches
- PBR Impact and Peer Review

Professionalism Framework

- Code of Professional Conduct
- Actuarial Standards of Practice (ASOP)
- Qualification Standards
- Other Guidance
 - Applicability Guidelines
 - Practice Notes
 - Discussion Papers
(e.g. Peer Review)

Peer Review Discussion Paper

http://www.actuary.org/pdf/prof/peer_sept05.pdf

- Basis for this session
- Paper updated by AAA Committee on Professional Responsibility in 2005
- On Academy website
- Provides non-binding guidance

What is Peer Review?

- ***Definition from Discussion Paper:*** “an evaluation of a professional work product (or portions of a professional work product) conducted by a second, qualified professional who is considered a peer of the preparing actuary.”
- **Level of Peer Review performed will vary by the situation**
- **Code of Professional Conduct and Actuarial Standards do not require peer review**
- **Non-binding guidance**

Why Do Peer Review

- Increasing complexity of work
- Limited Staff
- Turnover

Benefits of Peer Review

- Promote consistency and quality
- Avoid errors
- Compliance with appropriate actuarial practice & standards

Considerations in Establishing a Peer Review Program

- **Cost**
- **Availability of Reviewers**
- **Alternatives**
- **Benefits**
- **Appropriate Level of Review**
- **Reconciling Differences of Opinion**

Examples of Peer Review

- Evaluation of appropriate methodology
- Evaluating assumptions
- Checking (some or all) computations
- Checking for compliance with standards of practice
- Review of reasonableness and support for findings and conclusions
- Evaluating how work product communicated

General Issues to be Considered

- Who does peer review – Independence and Expertise
- Internal review/ External review
- Timing of peer review – during/ after
- Different types of review
 - Comprehensive
 - Review by several people
 - Cursory review
 - Focused review
- Legal implications

What Do Actuaries Really Do?

- Large Companies and Firms
- Small Companies and Firms and Sole Practitioners

Large Company/Firm Considerations

- Breadth of staff allowing for internal review
- Outside review (e.g. consultants) where needed
- Formal program vs. informal
- What to consider for peer review
 - Statutory/GAAP valuations
 - Pricing/product development
- Peer review can cover:
 - Methodology and assumptions
 - Testing method
 - Conclusions
 - Compliance with laws, regulations (ASOPs), accounting principles, FASB pronouncements, etc.

What To Do If You're Small

- ❑ Needed as much as for large company
- ❑ Not always feasible
- ❑ Integrate into broader quality control
- ❑ Act as sub-contractor
- ❑ Consulting client may provide peer review?
- ❑ Decline certain assignments (qualification standards)?
- ❑ Specialization

If You're Small (continued)

■ Small Consulting Firm

- Two is better than one! (Two person firm solves peer review problem)
- Informal network
- Can set up formal review processes

■ Sole Practitioner

- Who to call
- When to call
- Level of review – formal v. informal
- Trade peer reviews
- Charge to client

If You're Small (continued)

■ Small Company

- Student, other professional within company may review
- Can ask questions of other firms in area
- Ask questions at meetings
- SEAC Colleagues, SOA, ABCD, Academy
- Consultants

Some Real Life Examples of Peer Review in a Small Company/Firm

- Contacted author of table
- Talked approach with “networking” peer
- Got methodology review
- Formal, hired peer review
- Review with non-actuary client - facts, concepts, and communication

PBR Impact and Peer Review

- **New field**
- **In flux**
- **Rapid changes**
- **Uneven initial interpretation**
- **Do Peer Review – two heads are better than none!**

Thanks for your time!

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