



SOCIETY OF ACTUARIES

Article from:

The Independent Consultant

June 2003 – Issue No. 2

Peer Review

by Ken Hartwell

In putting down my thoughts for this article I have deliberately been a tad provocative, hoping to evoke some reactions (both for and against) by way of letters to this newsletter. Yet peer review seems in itself to be a controversial subject, particularly for actuaries in small or one-person firms, and it is therefore important for me to emphasize that the views expressed here are entirely my personal ones. It is also no coincidence that I have made numerous references to the *Code of Professional Conduct* and to the new Actuarial Standard of Practice, *Actuarial Communications* (referred to hereafter as ASOP No. 41). This is because, in my experience, many actuaries are not entirely familiar with these documents.

Why should actuaries seek peer review?

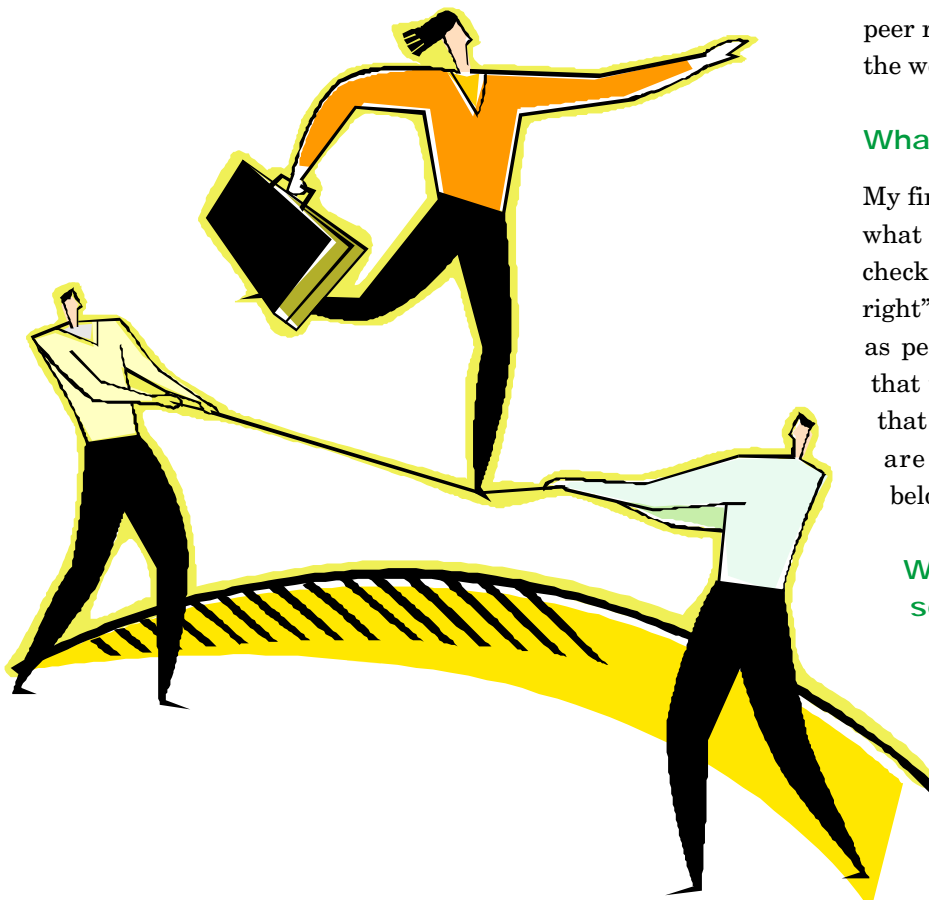
Annotation 1-1 of the uniform *Code of Professional Conduct* adopted recently by all the US actuarial organizations states “An Actuary shall perform Actuarial Services with skill and care.” In my view, the words “and care” require that the actuary should at least consider peer review in respect of every work product given to her or his principal. Some have stated that their clients are “not prepared to pay for the work to be done twice” but as will be seen below, that is not what I mean by peer review. And I go further and say that it is inappropriate for the actuary to offer the client the option of peer review. Instead, the actuary should make that determination, and where necessary allowance (in both time and money) for peer review should be made at the start of the work by the responsible actuary.

What is peer review?

My first response to this question is to say what peer review is NOT. It is not detailed checking to see that the work “was done right” in every respect. I see peer review as perusal by another actuary to ensure that the work product “makes sense” and that the message or messages conveyed are clear (see also “Who is a peer?” below).

When should peer review be sought?

I believe peer review should be standard practice for all work products of firms of say five or more actuaries. Peer review is often seen as difficult (some would go further and say



impossible) for the one-person firm and I devote some time to such situations. I have deliberately chosen not to draw fine distinctions between firms of two to four actuaries and one-person firms. Clearly, circumstances will dictate what is most appropriate for those “in between” firms.

Precept 2 of the *Code of Professional Conduct*, dealing with qualification standards, is sometimes referred to colloquially as “the look in the mirror.” I think this is often a more difficult decision for a sole practitioner than the matter of peer review, particularly when he or she is really keen to secure a particular piece of work. And it is not easy sometimes to say in response to an inquiry, or even an offer of work, that one is not qualified to do the work. After all, actuaries are versatile, are they not?

I like to think that having survived the first “look in the mirror”, and having decided that what the actuary saw there allowed the work to proceed in terms of qualification standards, the actuary operating as a one-person shop should take a deep breath and then have a second look in that mirror. This time it is not a matter of “Mirror, mirror on the wall” but rather “Am I absolutely sure that this project would not benefit by being subjected to peer review?” There are certainly situations in which the one-person actuary, possibly through long experience in a particular type of work, will answer “Yes”; but I urge that the second look in the mirror become automatic.

Pre- or post-release peer review

There are clearly circumstances in which pre-release peer review is not possible, one



example being a telephone request for a very quick answer.

Nevertheless, those circumstances almost demand post-release peer review as a routine practice (excluding of course work products subjected to pre-release peer review) for all firms of two or more actuaries. Oral communications are covered by the *Code of Professional Conduct* as well as by ASOP No. 41, and the documentation requirements of that ASOP in section 3.6 clearly extend to oral communications, making post-release peer review of on oral communication an easy matter.

Where possible, pre-release peer review is preferable, not least because it avoids the possibility that the result of the review means that the responsible actuary has to go back to the client and say “Oops.....”. That can be embarrassing but I contend it is preferable to the alternative. This also places a time constraint on post-release review, which needs to be done quickly (such as the next day at latest) and not weeks after the work product was given to the client.

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I think it is more important for the actuary doing the review to be able to put her/himself in the shoes of the intended audience.

Who is a peer?

Obviously the peer review needs to be done by an actuary, but I believe the reviewer does not need to be equally expert, or more expert than the actuary seeking the peer review in terms of the work in question. I think it is more important for the actuary doing the review to be able to put her/himself in the shoes of the intended audience (which is defined in 2.5 of ASOP No. 41 and usually includes the principal). Note that section 3.1.2 of ASOP No. 41 begins “The actuary should take appropriate steps to ensure that the form and content of the actuarial communication are clear and appropriate to the particular circumstances, taking into account the intended audience.”

I maintain that peer review can be of immeasurable assistance to the actuary in complying with section 3.1.2 as quoted above. Moreover, the phrase “appropriate steps” could be interpreted as almost requiring peer review. Certainly the phrase demands at the very least my second look in the mirror.

Furthermore, Precept 4 of the *Code of Professional Conduct* bears re-reading in this context.

Who is responsible for the work?

Some in the profession have apparently said that after peer review has taken place, there may be some doubt as to who is actually responsible for the work—the actuary who sought the review, or the reviewer? I disagree strongly with any such notion. Precept 4 as quoted in the preceding paragraph speaks of the “Actuary who issues an Actuarial Communication” and Annotation 4-1 goes on to say “An Actuary who issues an Actuarial Communication shall ensure that the Actuarial Communication *clearly identifies the Actuary as being responsible for it*” (emphasis added by me).



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It is also worth looking at ASOP No. 41, remembering that one of the purposes of ASOPs is to amplify the *Code*. Section 3.1.4 makes a few points relevant to the argument I am making, including communications issued jointly and an organization with which an actuary is affiliated. Then section 3.1.6 begins “An actuary who makes an actuarial communication assumes responsibility for it except to the extent the actuary disclaims responsibility by stating reliance on other sources.”

Benefits of Peer Review

Quite apart from promoting a feeling of satisfaction in a job better done than without peer review, and thereby acting in the interests of the client, the actuary who seeks peer review demonstrates compliance with the *Code of Professional Conduct* and with ASOP No. 41

Conclusion

Well, I hope I have stirred up a hornets' nest! Again I reiterate that the views stated here are entirely personal and do not in any way reflect the views of the Council of the Smaller Consulting Firm Section of the SOA. For those who would like to read more about peer review, I commend to you a white paper on the subject issued in 1997 by the Council on Professionalism of the American Academy of Actuaries. You can find this publication on the Academy Web site at www.actuary.org, or alternatively by contacting the Academy office in Washington DC at (202) 223-8196. 📧