

Comment #6 – 7/12/13 – 5:18 p.m.

To whom it may concern:

The exposure draft is a thoughtful discussion of a topic that has a wide range of applicability. It does a good job covering the issues to be considered by actuaries in using models. I offer the following suggestions:

2.11 Model Risk: This is not necessarily generated only by models that are flawed or inappropriately applied. It can also result from models that are appropriately designed and used, but simply don't have enough granularity to capture every possible circumstance. The actuary should consider this when making decisions about the appropriate level on granularity for a model.

3.1.2 Models Developed by Others: In addition to the steps noted here, the actuary should also attempt to gain comfort by reproducing at least some model results by other independent means, e.g. calculations in a spreadsheet.

3.3.2 Appropriate Governance and Controls: If using stochastic models, the actuary should consider storing all input scenarios to ensure that results are fully reproducible.

Regards,

Bob Leach FSA, MAAA