

**Comment #15 – 9/12/13 – 12:30 p.m.**

I am not sure the form submission work so this is being submitted by email. I apologize if I have sent this twice.

Thank you for the opportunity to comment on the Modeling exposure draft. This is important work for the actuarial profession. The exposure draft contains a good definition of models and provides guidance regarding the mitigation of model risk and vetting of models in actuarial practice. I have a few suggestions for improvement.

Sections 1.2, 3.1.1 and 3.1.2 are similar in suggesting that full guidance of the ASOP may not be appropriate, practical or necessary. There is good guidance in the proposed ASOP but it is weakened by the continued suggestion that the guidance may be disregarded if following it would be inconvenient. I question whether the draft should state the guidance is unnecessary when using a model designed or built by someone else that is difficult to understand. A black box model often requires greater scrutiny rather than a “walk away” mentality. The best direction is found in section 3.3.1: “The nature and degree of validation, checking, and analysis selected by the actuary should be consistent with the complexity of the model and the intended purpose.”

This type of language should be used throughout rather than the suggestion that the guidance is inappropriate, impractical or unnecessary.

Section 3.1.1 states, “Full application of this guidance is appropriate when intended model users rely heavily on the results and the model has a material financial effect.” I recommend the following wording change, “...when the intended model users rely heavily on the results or the actions taken as a result of the reliance are likely to have a material financial effect on the organization.”

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