

**Comment #16 – 2/27/15 – 12:54 p.m.****Actuarial Standards Board**

Second Exposure Draft  
 Proposed ASOP: Modeling  
 Compiled Unum Comments

Thank you for the opportunity to comment on this proposed Modeling ASOP. We generally feel the standard is well written and captures the more significant considerations for broadly applicable modeling guidance. Below are some suggestions we feel would clarify the content and result in a stronger standard of practice.

**1. Sections 2.4, 2.8, 2.11, 2.15:**

These definitions are intended to collectively define a model, but the definitions seem to reference each other in a circular way and add confusion. For example, the proposed standard defines a model as “consisting of: specification, implementation, and model runs”. However, a specification is defined as “a description of a model...”

**2. ASB Question 1 - Section 3.1.1:**

The second paragraph highlights examples when full application of the guidance may not be needed:

For example, efforts related to tasks such as data validation or sensitivity testing may not need to be as rigorous as stated in this ASOP.

We believe this could be misinterpreted as examples where full application is not needed.

**3. ASB Question 2 - Section 3.1.3:**

We believe this guidance would be clearer if the following were added:

- i. Definition of modeling team
- ii. Clarification around reliance on non-actuaries

**4. Section 3.2.5(e):**

The wording in this section is unclear. Is the intent to ensure models are appropriately structured to accommodate dynamic behavior on the part of the insurer and/or insured? Perhaps the guidance would be clearer if “entity” were defined.

**5. Section 3.2.7(d):**

The proposed standard contains language around assumption and parameter consistency, however there seems to be an absence of guidance around consistency between the way assumptions are derived from experience studies and how the assumptions are used in the model. For example, the timing of decrements in the model should align with the way the assumption is set from the experience study.

