

Comment #13 – 10/28/16 – 9:34 a.m.

Actuarial Standards Board,

On behalf of myself and Robert DiRico, this comment letter contains feedback on the proposed ASOP on Modeling (3rd exposure).

General Comment:

- Use of the term “the actuary” throughout is vague and could lead to confusion regarding responsibilities in some cases. In §3.1 and §3.2, the specific role of “the actuary” is established nicely. However, in other sections (such as §3.4.7) there should be more definition as to what actuarial role is accountable for certain responsibilities (e.g., choosing a margin – is this the model owner? Developer? Both?).

§3.4.4:

- Documentation is key in any model (e.g., process documentation) for reduction in ‘key man’ and other operational risks, and we believe there should be a clearer requirement for model documentation than what is stated in this section. We do not feel that §3.8 covers this type of documentation either. Level of documentation should be proportional to the level of materiality and risk associated with a model.

§3.4.7.b:

- Consider adding guidance to the extent of: *“When considering inclusion of a margin within a model, the potential impact to the model results should be reviewed to ensure it has the intended impact in aggregate (e.g., more conservative).”* This could apply when adding a margin to a single assumption (results in aggregate may not move as anticipated), or when adding margins to multiple assumptions (results in aggregate may be too adverse compared to the intention).

§3.5.1:

- *“The degree of reconciliation, checking and testing that is appropriate...”* should also depend on the potential impact of model results.

Please don’t hesitate to reach out if you would like to discuss.

Thank you,
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