

**Comment #5 – 10/13/16 – 3:52 p.m.**

I have read the third exposure draft of the proposed Modeling ASOP and have a few comments.

Paragraph 3.3 discusses an actuary's responsibility when part of a team of other actuaries. Many modeling teams include other experts, such as those familiar with catastrophe models, investments or economic scenarios. Rather than just refer to ASOPs 23 and 41 (in Paragraph 3.7), I think the actuary should have much greater ability to rely on experts who are not actuaries.

I have serious concerns about including margins discussed in Paragraph 3.4.7(b). If an actuary chooses to include margins in a model, I think it is critical that the actuary explicitly quantify the impact of the margin(s). I have seen actuarial analyses in which each assumption or input has a seemingly small margin with the end result being extremely conservative due the compounding of the amounts in each assumption. Further, I have seen actuarial analyses in which the principal (not an actuary) was unaware that there was conservatism in the assumptions so was unable to evaluate the reasonableness of the analysis for the intended purpose.

Paragraph 3.5.1(a3) seems to address output. You might want to include it in section (b) of that paragraph.

Otherwise, I found the proposed standard reasonable and clear.

Susan

Susan E. Witcraft, FCAS, CERA Financial Analysis Director  
OneBeacon Insurance Group