Comment #14 – 5/15/19 – 10:18 a.m.

May 15, 2019

I would first like to extend my sincerest appreciation to the task force for continuing to work with and refine this ASOP over the past six years. Significant progress has been made from the first iteration to now. This latest draft included significant improvements over the third draft and in my eyes is very close to being final. I do offer a few recommendations for the task force to consider:

- Section 2 – Definitions

  2.3 – Governance and Controls: Having two words in a single definition can cause confusion. Does the definition apply to Governance and Controls when used individually or only when used in combination as Governance and Controls? To me, Governance has a different definition than Controls and would recommend defining each separately.

  2.11 – Overfitting: It is expected that model performance deteriorates from the data used to build the model to a separate hold out dataset the model has not been exposed to previously. Simply having a reduction in accuracy does not in and of itself mean the model is overfitting as long as the model still performs well on the holdout. A small change in model accuracy is a good thing and implies the model has not been overfit. A large change in model accuracy would imply overfitting. I recommend changing the definition to say, "…that prediction accuracy *materially* decreases when…"

- Section 3 – Analysis of Issues and Recommended Practices

  3.6 – Documentation: This section feels weak given the significance of documentation in actuarial practice. I recommend removing "should consider" and strengthen to "should."

  Thanks once again to the task force for all the work put into this ASOP and providing me the opportunity to review and provide input.

Jeffrey G. Kinsey FCAS, MAAA, CSPA, CPCU, ChFC, CLU
P&C Actuarial Director
State Farm Insurance Companies