

**Comment #10 – 1/16/12 – 12:01 p.m.**

To: [comments@actuary.org](mailto:comments@actuary.org)

From: Pinnacle Actuarial Resources, Inc.

Re: Comments on the Exposure Draft of a proposed revision to ASOP No. 38, *Using Models Outside the Actuary's Expertise (Property and Casualty)*

Pinnacle Actuarial Resources, Inc. ("Pinnacle") is pleased to have the opportunity to provide the following comments in regards to the Exposure Draft of a revision to ASOP No. 38, *Using Models Outside the Actuary's Expertise (Property and Casualty)*.

Responses to the specific questions posed

- 1. This exposure draft does not require the actuary to use the latest version of a model if the previous version is appropriate for its intended use. Is this sufficiently clear?**

Section 3.2.2 requires that the actuary use professional judgment to determine which model is appropriate. It does not clearly allow the use of the previous version.

- 2. This exposure draft maintains similar language as the existing standard regarding documentation (see section 3.7). Is this appropriate in light of the adoption of revised ASOP No. 41, Actuarial Communications?**

The language is appropriate.

- 3. Is section 1.2, Scope, clear in identifying that it is a user of the model itself that is subject to this proposed revision and not an actuary who uses the work product prepared by another actuary or other expert who used the model?**

The difference between using the model and work product is not clearly defined.

- 4. Since June 2000, when this standard was originally adopted, property and casualty actuaries have made use of a wider variety of models. Is this proposed revision still appropriate for all models used outside the actuary's expertise that are related to property and casualty insurance coverages and products?**

The new standard clearly applies to applications involving earthquake and hurricane risks. But it is not clear whether the standard applies to economic capital models. While economic capital models may be within the area of expertise of some actuaries, they clearly are not

within the expertise of many that will use or rely on them. How will this standard apply with “known significant differences of opinion among such experts” (see Section 3.3.3). There are going to be models of every shape, size and color out there when Solvency II / ORSA is required in the United States. Practitioners will pick & choose models to their liking not dissimilar from the manner in which actuarial methods are chosen based on which apply best in certain situations.

## Other Comments

### 3.4 Actuaries Relying on Model Review by Another Actuary

We find it very interesting that ASOP 38 allows an actuary to state reliance on a model review by another actuary and, thereby, disclaim responsibility for the underlying assumptions or method(s) used. The rewrite of ASOP 36 removed any ability to rely on another actuary’s work. Why not in ASOP 36 when it’s OK with ASOP 38 (and 41 and ...)?

There is not definition of the term “actuary” so it could be a pension, life, health or casualty actuary whose work we may be reviewing. Would there be different requirements if we wanted to rely on someone other than a casualty actuary?

The comments above are the collected comments of the consultants employed or affiliated with Pinnacle Actuarial Resources, Inc. If you have any questions regarding the above, please contact Laura Maxwell at [lmaxwell@pinnacleactuaries.com](mailto:lmaxwell@pinnacleactuaries.com).

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