

Comment #12 – 12/24/13 – 10:35 a.m.

Here are my comments on the key areas of the exposure draft to the revised ASOP 38 –

1. It is completely appropriate to include perils such as terrorist acts and pandemics, as such events are catastrophes with the potential to have a significant impact on businesses and society in general.
2. The scope and definition of catastrophe in the ASOP are clear.

However, I do not agree that such a restrictive definition is appropriate. The listed events of hyper-inflation and a stock market collapse have occurred in recent years across the globe. Such events are real catastrophes, with significant financial impact. In my opinion, in order to be perceived as qualified problem-solvers of international financial risk matters, actuaries need to address a wide array of issues. I would support including a wider range of economic problems within the scope of the ASOP. Inclusion would seem to go along with the last paragraph of the appendix, which refers to enterprise risk management and stress testing.

3. It is very clear to me that revised ASOP 38 does not apply when the actuary is only designing, building, modifying, or developing a catastrophe model. The second paragraph of Section 1.2 is very clear on this matter. I think the separation between using and developing models is very appropriate. I, like many actuaries, use models that I have not developed. Thus, a separate ASOP for the use of models is necessary and important.

However, I do have a question – after the revision of ASOP 38 and the addition of the new ASOP on the development of models, is there an ASOP that pertains to the use of non-catastrophe models?

4. The first sentence of Section 1.2 makes it very clear to me that the ASOP applies to all practice areas.
5. I believe the ASOP maintains the same level of guidance as the current ASOP 38, as the language is very similar between the two documents.
6. I believe the ASOP is sufficiently flexible to allow for new developments in practice, as I see nothing that would restrict its use.

Thank you for presenting this important standard to the actuarial community and for allowing our input.

Sincerely,

Kelly McKeethan, FCAS, MAAA, CERA