

**Comment #10 – 2/26/15 – 12:40 p.m.**

Thank you for the opportunity to provide comments on the Second Exposure Draft of Proposed ASOP on Modeling.

- Overall my reaction to the proposal for an ASOP on Modeling that applies to all practice areas and all forms of models is that it is too broad to provide constructive guidance. Some could interpret the definition of model in this ASOP to include nearly any kind of actuarial analysis. Using mathematics, statistics, equations, etc. to study the effects of different components and to derive estimates and guide decisions seems fundamental to most actuarial work. In which case all ASOPs apply to models in this broad definition. I am in agreement with some previous commenters that this standard is not necessary.
- Other specific comments on the ASOP are as follows:
- Intended application, project objective, and intended purpose – It is clear the intent is to differentiate between the building of the model and the using of the model with the different terminology. However the usage of the different phrases and sometimes both, sometimes one, sometimes another made it difficult to follow in several places when these terms were used. Each time I read one of the terms I found myself stopping to think through what it meant, what was included in that statement, and what was not included in that statement. I worry a reader with less background in actuarial issues may struggle to understand the meaning of the sections that use these terms. It may be better to keep it simpler and clearer and just use intended purpose throughout or explain more clearly when guidance applies only to building, when guidance only applies to using, and when it applies to both with different terminology or even with defining each time what is meant.
- Definition of Model – as mentioned above, this definition is very broad. If the decision is made to continue to implement this standard, then I would suggest a narrower definition of model. What is meant by model that makes it a subpart of actuarial work rather than all-encompassing?
- Model run – definition and usage of the phrase are not consistent. I don't agree that the model run is the output. The model run is the act of running the data through and getting a result. That result itself is not the run. Perhaps sticking with the term output or result when that is meant is best, or defining model run differently. In later sections when model run is used, it is used more in the way of the running of the data through and getting a result. Also "result" is sometimes used, "output" is sometimes used. Might be best to stick with one term. ("Run" used 3.2.7.c, 3.2.7.e, 3.3.1.a, 3.3.1.b, "Output used 2.12, 2.15, 3.2.3, 3.3.1.b)
- Role of the Actuary on a Modeling Team – I'm not sure this section is serving the intent. I also would question the necessity of the section. Actuaries work with teams of people in much of their work. What is unique about this situation that requires a section to explain what the actuary should do in that case?
- 3.2.7.b Margins – a definition of margin may be helpful. Is margin used in financial modeling to be similar to contingency in insurance modeling? This term may be more familiar to some practice areas than others.

- 3.2.7.b and 3.4.4 – The use of the terms conservatism, conservative, and optimistic is unclear. What conservative and optimistic means is in the eye of the beholder, it seems. More clear terms should be considered.
- 3.4.1.b – suggest including the word “known” between “material” and “limitations”. The actuary can only include explanations of known limitations and should not be expected to include explanations of limitations that are not known.

Thank you again for the opportunity to comment.

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