

Comment #6 – 2/6/15 – 8:00 a.m.

I offer the following comments on the exposure draft for the proposed "Modeling" ASOP. My comments are limited to the questions listed in the "Request for Comments" section:

1. Section 3.1.1 discusses situations when the actuary judges whether full guidance is or is not warranted. Is this section clear and appropriate? If not what changes would you suggest?

Remove "heavily" from the first two paragraphs: Unlike materiality, there is no guidance as to what constitute "heavy" reliance.

In the second paragraph, second sentence substitute "In such cases" for "for example" at the beginning of the sentence.

In the second paragraph, second sentence "data validation" is a poor example as this is critical to any and all models and is covered by an existing ASOP.

My suggested second sentence is:

In such cases, efforts related to tasks such as sensitivity testing may not need to be as rigorous as stated in this ASOP.

2. Section 3.1.3 discusses the actuary's responsibility when the actuary is part of a modeling team. Is this section clear and appropriate? If not what changes would you suggest?

I suggest that the actuary's responsibility should differ depending on whether he/she is the "owner" of the entire model or just a component of a larger model. I suggest that the actuary's responsibility described in this section be limited to those models or component models for which he/she is the "owner." It is not reasonable to expect the actuary to verify compliance for a larger model that is owned by non-actuaries (the CFO, for example) in cases where the actuary provides a component of the larger model.

3. Section 3.3.1(a)(2) describes the degree of checking as being dependent on a list of possible factors, and this list includes both the "intended application" and the "project objective," which apply in different stages of modeling, rather than just referring to the "intended purpose," which encompasses either. Is this separate mention of the two possible stages of purpose helpful? Would the guidance be clearer if only the term "intended purpose" was used?

The requirements of this section seem overly descriptive ("checking formulas" in particular). I suggest replacing "checking formulas, logic, and table references. The degree of checking ..." with "validating model results. The degree of validation ..."

I have no comments on Question #4.