

Please note that the views expressed in this letter do not necessarily reflect those of my employer.

I have serious concerns with the proposed Actuarial Standard of Practice on Modeling, third exposure draft.

The origin of this proposed standard in a 2012 discussion draft entitled *Modeling in Life Insurance and Annuities* is unfortunately still fairly obvious, as may be gleaned from the comments that have been sent on this exposure draft and on the previous one, showing how use of terminology does not cohere with the ways in which many terms of art are used in the predictive modeling world, which this proposed standard would also govern. I will not detail these concerns here as they have also been expressed in the comments of the CAS Professionalism Policy Review Council on this exposure draft and in the comments of a CAS Task Force on the prior exposure draft, as well as in the comments of many other readers. A time when actuarial organizations are embracing predictive modeling and even creating designations so that individuals can demonstrate expertise in predictive modeling seems to be entirely the wrong time to issue a standard that tries to shoehorn predictive modeling into a financial modeling framework that is alien to the practice of predictive modeling.

This standard is not written in such a way as to meet the needs of an interdisciplinary team. For example, section 3.3 only discusses reliance on other actuaries rather than reliance on non-actuarial professionals, but the latter would be the normal practice today in the leading predictive modeling teams, where many if not most of the modelers would not be actuaries. The actuarial profession does not own predictive modeling, which is primarily practiced by non-actuaries who may be experienced statistical or machine-learning practitioners, and which has scope far beyond insurance. On the other hand, there are also many actuaries who undertake predictive modeling work. I do not necessarily think a standard of practice governing predictive analytics work would be inappropriate, but it would need to be written with sensitivity to the cross-disciplinary nature of the work, just as would an actuarial standard of practice for underwriting, if the Actuarial Standards Board should elect to issue one. The current exposure draft reads a bit as would a proposed ASOP for completing an NAIC Annual Statement that didn't acknowledge that the work discussed was performed primarily by accountants.

The actuarial profession has an opportunity to be an important part of how the transformation of the world by analytics plays out in the insurance space.

Instead of seizing that opportunity, this standard would tend to foreclose it.

I respectfully recommend that the scope of this standard be limited to financial models, such as those used in life insurance, annuities, capital management, and enterprise risk management.

If it is considered desirable to create an ASOP on predictive modeling, I suggest beginning with a task force composed of actuarial and non-actuarial stakeholders, including among others people involved in the creation of examinations and professional designations in predictive modeling.

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