

Comment #28 – 10/31/-16 – 8:37 p.m.

ASB Modeling Standard of Practice – 3rd Exposure Draft

Comments submitted by Camilo Echanique on behalf of a group of actuaries with modeling responsibilities currently employed by Unum

1. In our opinion, the proposed standard provides sufficient guidance overall. Some of us feel that section 3.8 (Documentation) provides limited guidance despite the practice being such an integral part of the modeler's responsibility. Section 3.8 does refer to ASOP 41 (specifically, actuarial reports), which is appropriate, but that alone does not cover the scope of documentation that a modeler should produce. For example, a model document should include documentation around testing that was performed (and perhaps also what testing was not performed). Additionally, the standard should include guidance that the actuary should make a reasonable attempt to describe the methodology, and if possible, to include diagrams or sample results that speak to the intended functionality of the model (a key risk inherent in the modeling practice is that models end up being used for unintended purposes).
2. We believe that the standard provides appropriate and sufficient models for actuaries using financial projection models.
3. There was some disagreement among our peers with regards to this question. Several of our peers believe that the definition of a simple model is appropriate and sufficiently clear. Others would like to see examples of simple models included in the ASOP as a way to further clarify the definition. And others believe that while the definition appears to be appropriate and clear, the actuary should aim to perform sufficient due diligence, review, and documentation regardless of whether a model is deemed simple or not. As such, the standard should not relieve an actuary of his or her duty and responsibility to be thorough in cases where a model falls in the category of "simple".
4. In our opinion, section 3.2 is appropriate and clear. The actuary responsible for designing or building a model should make reasonable attempts to create documentation which satisfies the requirements in section 3.2 so that the actuary that is using the model can rely on it.
5. Our area of practice falls outside of the realm of ASOP 38; as such, we do not have familiarity with the standard.