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AMERICAN ACADEMY of ACTUARIES

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May 15, 2019

Actuarial Standards Board  
1850 M Street, Suite 300  
Washington, DC 20036-5805  
Via email: [comments@actuary.org](mailto:comments@actuary.org)

Re: Proposed Actuarial Standard of Practice (ASOP), *Modeling* (fourth exposure draft)

To Whom It May Concern:

The Life Practice Council of the American Academy of Actuaries<sup>1</sup> has formed a Task Force to Review ASOP *Modeling* (4<sup>th</sup> exposure draft). The task force is pleased to provide the following comments.

1. At the end of Section 2.7, consider changing “to predict the behavior of a system, or to derive estimates and guide decisions” to “to predict the behavior of a system, to derive estimates of a system, or to guide decisions,” because the former could imply “guiding decisions” and “deriving estimates” should always be considered together.
2. In Section 3.1.4.b., consider using “structure” instead of “form” for consistency with the title of 3.1.4, “Model Structure.”
3. Consider changing the title of Section 3.1.6.a. from “Setting Assumptions and Parameters” to “Setting Assumptions or Parameters” because the former could imply both are required.
4. In Section 3.1.6.a., consider adding reasonableness of individual assumptions or parameters that could have a material impact on model results. Reasonableness in aggregate is mentioned in 3.1.6.f., but reasonableness of individual assumptions and parameters should be addressed, too.
5. In Section 3.4, consider removing the last sentence, “The actuary should disclose the extent of any such reliance,” because Section 4.1.f. already lists the disclosure requirement for 3.4.
6. Consider changing the title of Section 3.5 from “Mitigation of Model Risk” to “Evaluation and Mitigation of Model Risk.” The section says the actuary should always evaluate model risk but should only take reasonable steps to mitigate model risk “if appropriate.”

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<sup>1</sup> The American Academy of Actuaries is a 19,500-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

7. In Sections 3.5.c. and 3.5.d., if there is no difference between model environment and operating environment, then consider changing 3.5.d. to read “whether there have been any changes to the model or its operating environment” for consistency. If there is a difference, then consider clarifying.
8. In Section 3.5.2 consider changing “The actuary should take appropriate steps to validate” to “The actuary should validate” for greater clarity.
9. The reference in Section 3.5.5 refers to Sections 3.4.1 and 3.7 in ASOP No. 41, but there is no 3.4.1 in ASOP No. 41. ASOP No. 41 does have a 3.1.4 (Identification of Responsible Actuary), 3.4 (Reconciliation of Material Differences) and 3.7 (Responsibility to Other Users).
10. In Section 4.1.b, consider changing “material limitations” to “material limitations, important aspects and weaknesses” to ensure disclosures cover all related items discussed in Section 3.1.3.

We hope these comments are helpful. Please contact Ian Trepanier, the Academy’s life policy analyst ([trepanier@actuary.org](mailto:trepanier@actuary.org)), if you have any questions.

Sincerely,

Task Force to Review ASOP *Modeling (4<sup>th</sup> exposure draft)*

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