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Section Highlights

MODELING FOR FUN AND PROFIT

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DESIGNING, BUILDING AND RUNNING MODELS have always been instrumental to actuarial work. Yet recently there has been rapidly growing interest in discussing the appropriate design of models, how to control and manage them, and how to make them more efficient and more useful—just check the programs at many recent actuarial conferences. But would you know where else to look for expertise and guidance for this fundamental actuarial skill?

Look no further—the Society of Actuaries (SOA) Modeling Section is here! It will provide many opportunities for learning and interaction on modeling topics. Haven't heard of it? That's because it is the SOA's newest section. At the June board of directors meeting, a petition to form a new section—dedicated to the whole topic of modeling—was approved as the 20th section in the SOA and the first new one in five years. Less than three weeks after opening the door for memberships, we reached the minimum threshold of 200 members, and we are still growing. Ours is a fast-forming section—one for the SOA history book.

Why do we think you will be interested? The primary reason is that models used in the life insurance industry have been


getting more and more sophisticated, detailed, complex and demanding to run and maintain. Models capable of stochastic or multiple-scenario analysis are a core requirement for supporting various existing and pending regulatory demands, such as Actuarial Guideline (AG) 43, C3 Phase II and III, and the principle-based approach (PBA) for life and annuity products. International Financial Reporting Standards (IFRS) and U.S. GAAP valuation standards are also trending toward more and more complex model-based approaches.

New approaches to modeling are requiring enhancements to existing software or totally new software for many companies. The projected computation load implies significantly increased processing capacity, or new, more efficient modeling techniques, or both. The increased risk posed by these advanced models, with constantly changing assumptions and inputs, demands improvements in our model governance policies and in the tools to comply with them.

This heightened focus on models and modeling crosses product lines, actuarial functions and national borders. It will be of interest both to new students looking to land their first job, who will almost certainly start building and running models as their

first assignment, and to senior actuaries who must give opinions based on the results of running those models.

We plan to address all of these interests through sponsoring seminars, webinars, panel discussions and workshops at professional meetings; by launching our section newsletter with interesting and informative articles; and by sponsoring research, maybe jointly with other interested sections, on current modeling issues. We also hope to get interested members to volunteer to help this new section start off on the right track and contribute to the growth of our modeling skills everywhere they are needed.

If this interests you, check out our section Web page on the SOA website and think about joining us. We would love to have you! And if you want to take it to the next level, contact me at Trevor.Howes@ggy.com to volunteer for a more active role. 

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