



Article from

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Letter from the Editor

By Phil Schechter

We are up to our third newsletter as a section and are gathering steam. I think that anyone who works with models will find something interesting and useful in these pages; the articles in this issue span from the philosophical to the immediate and from hands-on modeling to governance.

We all know that documentation is important; Bob Crompton offers ideas on how to make documentation effective.

Many of our members have expressed interest in model efficiency, and we feel that this will be a key area for sharing ideas and encouraging research. I anticipate a fair amount of ink devoted to this topic in future issues. Tony Dardis sets the stage with a historic overview and survey of techniques currently in use. Our chairperson, Trevor Howes, also explores this topic, offering thoughts on the governance challenges presented by alterations made to the model or the modeling environment in search of faster run times.

Appropriate assumptions are key to effective modeling, and policyholder behavior can be tricky to capture realistically. Ying Zhao and Nick Komissarov give a concrete example of how to set a meaningful assumption for premium persistency.

It seems that no matter how sophisticated our modeling environments, spreadsheets continue to find a place in our reporting and analysis; their flexibility and power make them ubiquitous, but can lead to poorly governed processes and results. Mary Pat Campbell reports on a session from the 2015 SOA Annual Meeting & Exhibit, with advice on how to give spreadsheets the level of professionalism and reliability we demand from our other modeling tools.



The role of stochastic models continues to expand. These models allow for robust analysis, but the selection of the scenarios can have a subtle or not-so-subtle impact on model outcomes. Bruce Rosner discusses how to review a scenario set to see that it is reasonable and appropriate to the purpose for which it is being used.

Models, no matter how well constructed, do not fully reflect reality, and model users and developers would do best to periodically reflect on appropriate uses and limitations of their models. Frank Grossman provides a framework for this introspection.

I am very pleased with the range of articles, and I thank the authors for their contributions. If there are any topics you would like to see covered in this newsletter, or articles you would be interested in writing, I would be glad to hear from you. ■



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