



## 43 - Confessions of a Model Steward

[SOA Antitrust Disclaimer](#)  
[SOA Presentation Disclaimer](#)

# 2019 Valuation Actuary Symposium

**DOUG ADAMS, JHONATTAN SANCHEZ, DAVID KARO**

**43 – Confessions of a model steward**

August 27, 2019



# SOCIETY OF ACTUARIES

## Antitrust Compliance Guidelines

Active participation in the Society of Actuaries is an important aspect of membership. While the positive contributions of professional societies and associations are well-recognized and encouraged, association activities are vulnerable to close antitrust scrutiny. By their very nature, associations bring together industry competitors and other market participants.

The United States antitrust laws aim to protect consumers by preserving the free economy and prohibiting anti-competitive business practices; they promote competition. There are both state and federal antitrust laws, although state antitrust laws closely follow federal law. The Sherman Act, is the primary U.S. antitrust law pertaining to association activities. The Sherman Act prohibits every contract, combination or conspiracy that places an unreasonable restraint on trade. There are, however, some activities that are illegal under all circumstances, such as price fixing, market allocation and collusive bidding.

There is no safe harbor under the antitrust law for professional association activities. Therefore, association meeting participants should refrain from discussing any activity that could potentially be construed as having an anti-competitive effect. Discussions relating to product or service pricing, market allocations, membership restrictions, product standardization or other conditions on trade could arguably be perceived as a restraint on trade and may expose the SOA and its members to antitrust enforcement procedures.

While participating in all SOA in person meetings, webinars, teleconferences or side discussions, you should avoid discussing competitively sensitive information with competitors and follow these guidelines:

- **Do not** discuss prices for services or products or anything else that might affect prices
- **Do not** discuss what you or other entities plan to do in a particular geographic or product markets or with particular customers.
- **Do not** speak on behalf of the SOA or any of its committees unless specifically authorized to do so.
- **Do** leave a meeting where any anticompetitive pricing or market allocation discussion occurs.
- **Do** alert SOA staff and/or legal counsel to any concerning discussions
- **Do** consult with legal counsel before raising any matter or making a statement that may involve competitively sensitive information.

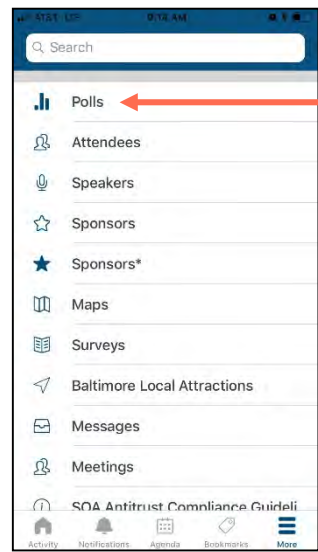
Adherence to these guidelines involves not only avoidance of antitrust violations, but avoidance of behavior which might be so construed. These guidelines only provide an overview of prohibited activities. SOA legal counsel reviews meeting agenda and materials as deemed appropriate and any discussion that departs from the formal agenda should be scrutinized carefully. Antitrust compliance is everyone's responsibility; however, please seek legal counsel if you have any questions or concerns.

# Presentation Disclaimer

*Presentations are intended for educational purposes only and do not replace independent professional judgment. Statements of fact and opinions expressed are those of the participants individually and, unless expressly stated to the contrary, are not the opinion or position of the Society of Actuaries, its cosponsors or its committees. The Society of Actuaries does not endorse or approve, and assumes no responsibility for, the content, accuracy or completeness of the information presented. Attendees should note that the sessions are audio-recorded and may be published in various media, including print, audio and video formats without further notice.*

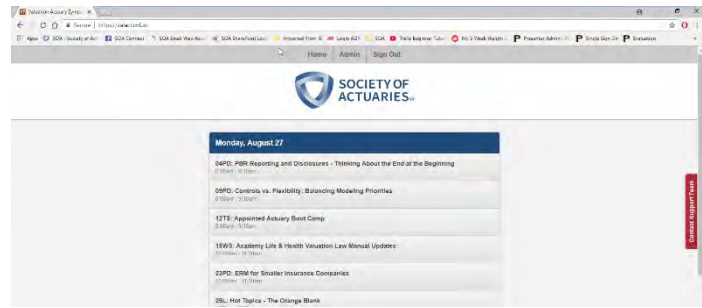
# To Participate, look for Polls in the SOA Event App or visit [valact.cnf.io](http://valact.cnf.io) in your browser

Find The Polls Feature Under **More** In The Event App



or

Type [valact.cnf.io](http://valact.cnf.io) In Your Browser



Choose your session



Respond to Polls when they appear

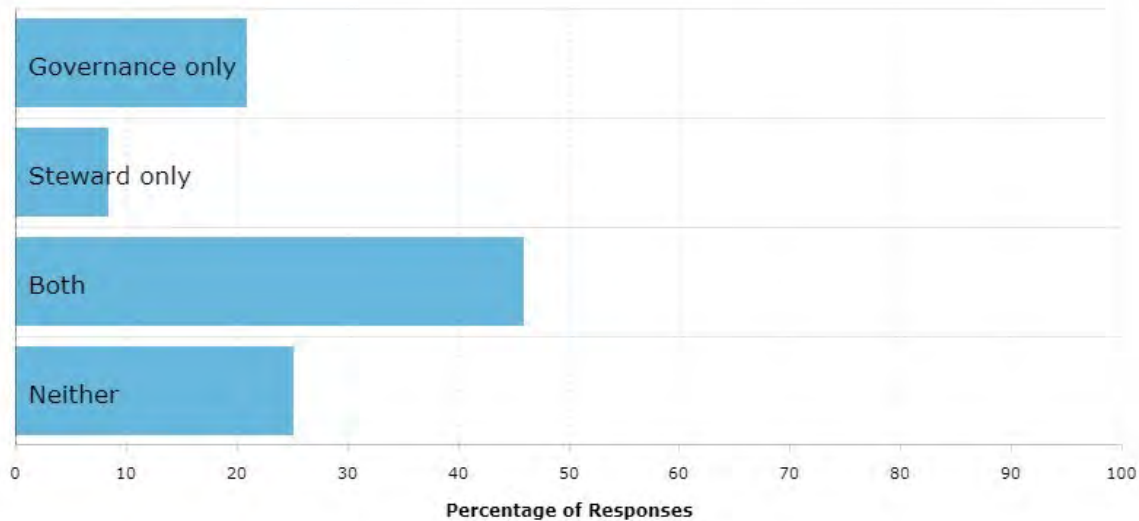
# Agenda

## 1. Prepared questions

1. Background
2. Model governance: big picture
3. Model governance: detailed
4. Emerging regulatory and capital changes

## 2. Audience Q&A

# Poll: Does your company have a formal model governance and a formal model steward role?



When and how was the current model governance process rolled out at your company?

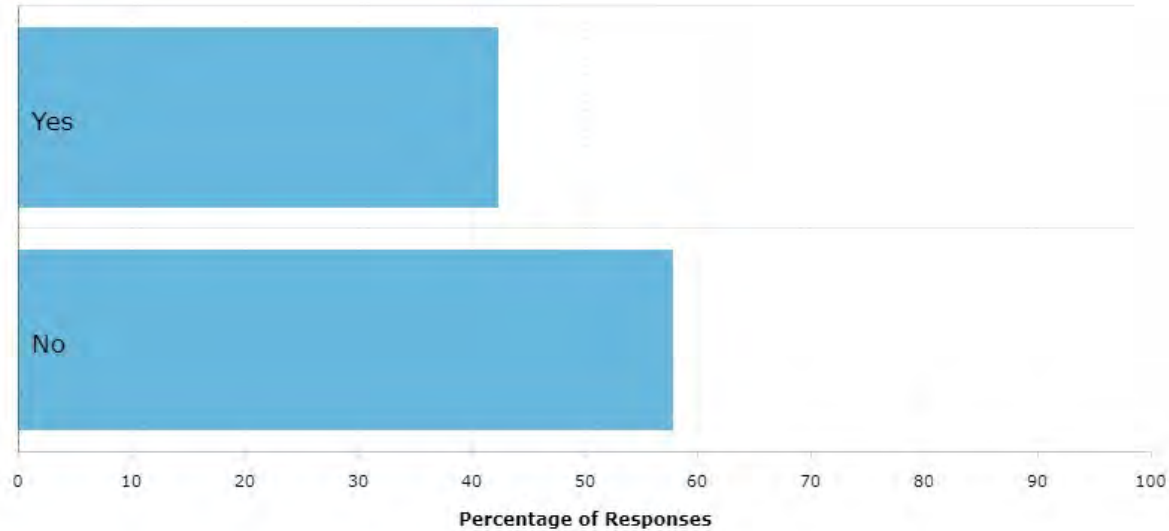


What percentage of your time do you spend in the model steward role and how does that relate to other roles?

Describe some successes or failures you have seen as a result of model governance practices?

Describe the different lines of defense, e.g. model governance, model risk management, and internal audit?

# Poll: Have you read the proposed ASOP on modeling?



Which do you struggle with more:  
documentation or testing?

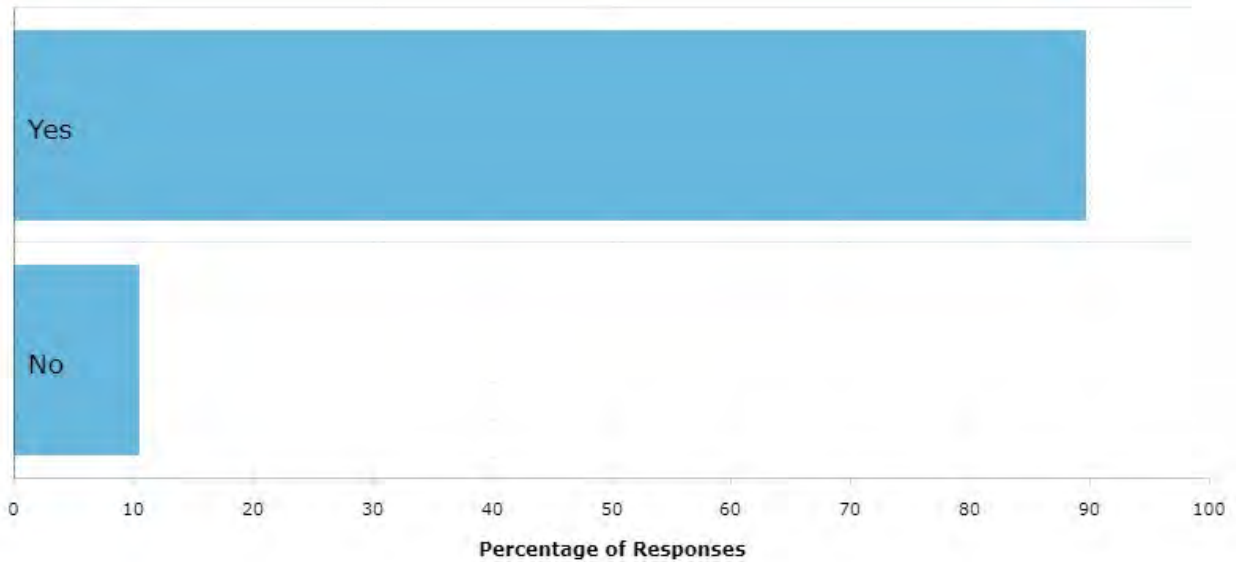
What are some best practices for ensuring that documentation and testing get done on time?

Is assumptions governance a part of model governance or a separate topic?

How often do you make model releases does this differ between valuation and pricing?



# Poll: Do your models have to go through an approval process before being used?

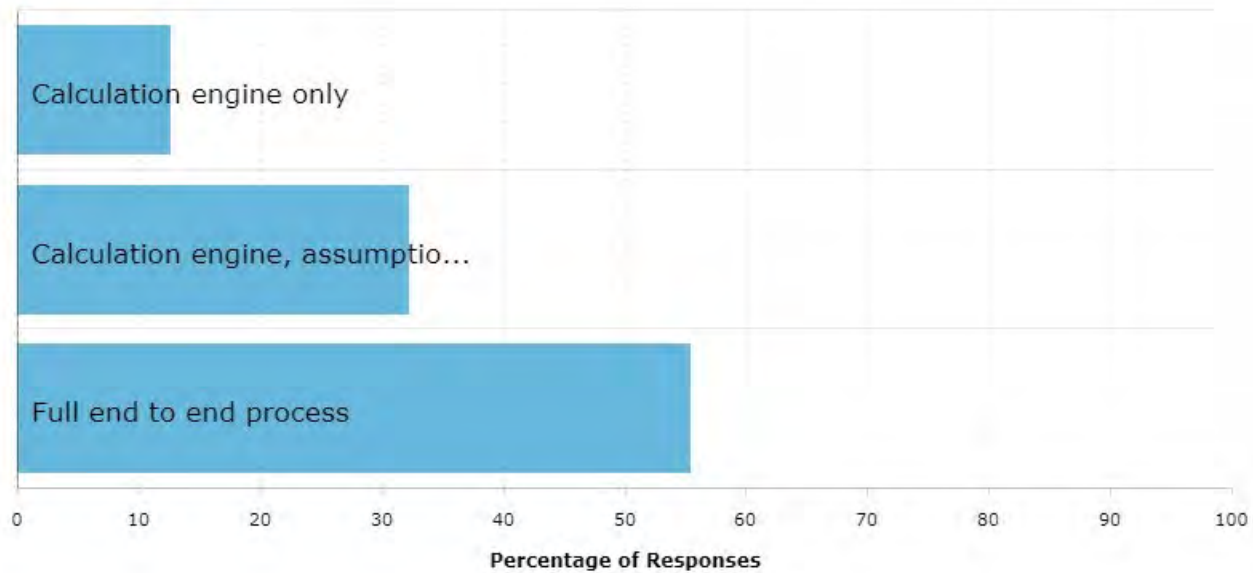


Describe the approval process, if any, your models go through before being used?

What are your thoughts on open (user coded) vs. vendor-maintained systems and how that distinction impacts the model steward?

How does the model steward get involved in development: e.g. creating requirements, reviewing development, etc.?

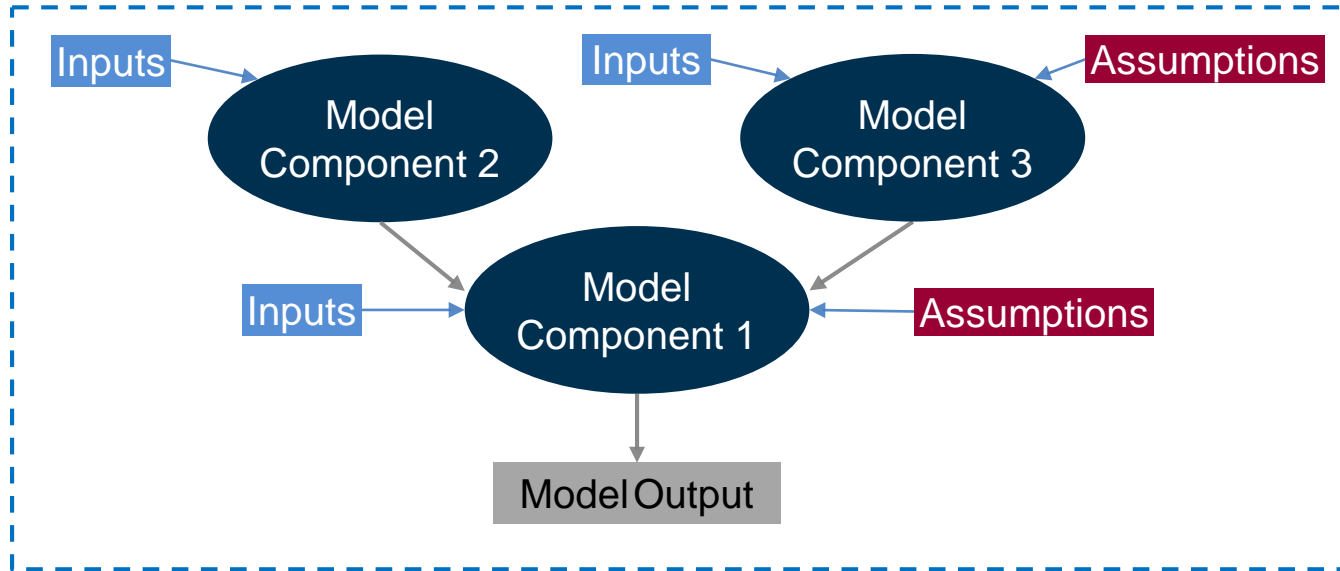
# Poll: What is your definition of a model?



# What is your definition of a model?

# Prudential's Definition of a Model

A quantitative method, system, or approach used to calculate or estimate value or risk that impacts financial statements and/or assists in decision-making. A model consists of inputs and/or assumptions, calculation routines, and outputs and their adjustments. Models transform inputs and assumptions into outputs with some degree of complexity and uncertainty.

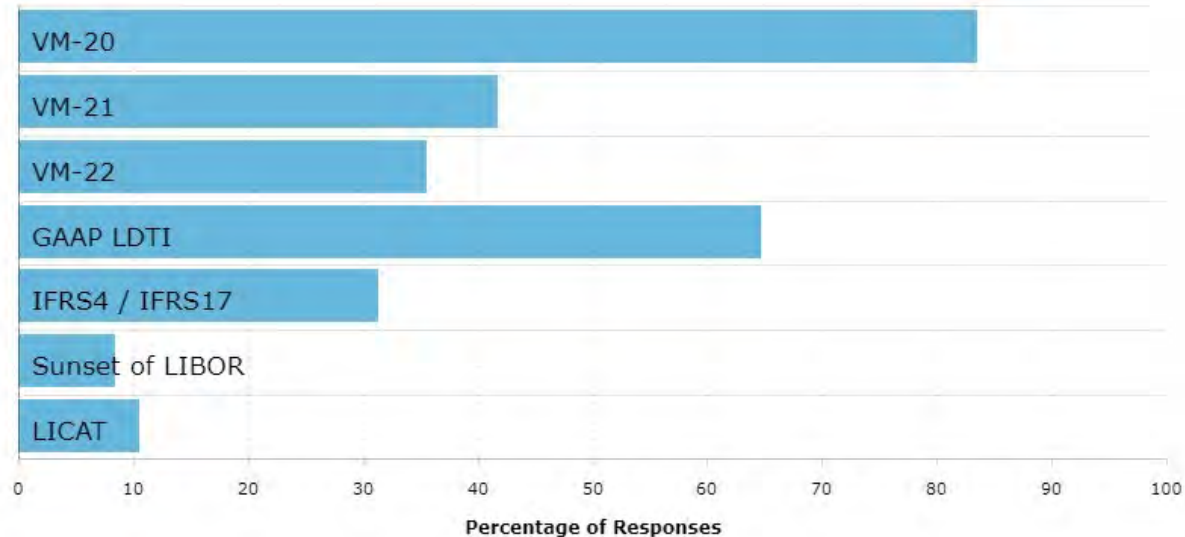


Who has permissions to run a model?



# What is the definition of production?

# Poll: Which of these emerging regulatory / capital changes is important to your company?



How will upcoming regulatory and capital regime changes impact model governance?

## *Live Content Slide*

*When playing as a slideshow, this slide will display live content*

# Social Q&A



SOCIETY OF  
ACTUARIES®

