Comment #2 – 7/3/13 – 8:11 a.m.

Good job. I have some suggestions. I typed the text below as I read, so later in the draft text you may have implemented my comments on earlier draft text. Since there is not an exact match, I have made only minor edits before pressing Send. I have not read ASOP 38. Take a less serious moment and note my slogan below my footer. I added it last year. (**Smoothness** and **Fit** are trade offs in graduating a mortality table.)

I thought it would take longer to comment, but the first definition needs to be edited. The maximum non-forfeiture interest rate is an assumption, but it does not rely on judgment. I use underlining to indicate my suggestions.

2.1 Assumptions—A type of **input** to a **model** that represents expectations or possibilities based on professional judgment or <u>may be proscribed</u>.

2.3 Granularity—The extent to which a **model** contains separate components such as cells, or **assumptions** that vary by cell or time intervals. **Models** with a higher degree of **granularity** (more cells or assumption variations) may provide more **model** precision or flexibility, but may also require greater effort and expense to design, maintain, assemble and run. <u>As a higher degree of **granularity** is achieved a lower degree of credibility may result</u>.

2.5 Input—**Assumptions**, **data**, or **parameters** used in a **model**. (I assume if you call the maximum non-forfeiture interest rate a "parameter" you could so indicate here and ignore my 2.1 suggestion. I consider 2.1 the better choice.)

3.2.4 Understanding the Model … I would add:
<u>d. Consider documenting that test used in the model produces expected results.</u>

3.3 Mitigation of Model Risk… A comment such as my 3.2.4 d may work here. 3.3.1a. 3 and b. may be similar to my comments.

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