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 may be proscribed.

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. As a higher degree of granularity is achieved a lower degree of credibility may result.

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:

   d. Consider documenting that test used in the model produces expected results.

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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