Comment #7 – 2/24/15 – 9:43 a.m.

Section 2.8: Why not use the definition from the Fed's letter SR 11-7 (relevant sections pasted below for your convenience)? In particular, I prefer their definition of the 3 components of a model.

Section 2.10: Again, why not use the same definition as in SR 11-7?

Below is text from SR 11 - 7

... the term model refers to a quantitative method, system, or approach that applies statistical, economic, financial, or mathematical theories, techniques, and assumptions to process input data into quantitative estimates. A model consists of three components: an information input component, which delivers assumptions and data to the model; a processing component, which transforms inputs into estimates; and a reporting component, which translates the estimates into useful business information.

... model risk, which is the potential for adverse consequences from decisions based on incorrect or misused model outputs and reports.

Regarding section 3.3.1(a)(2): I suggest replacing "intended application: the project objective for which the model is being used" with "model's intended purpose". On a more general note, I didn't see the need to break out "intended purpose" between "intended application" and "project objective". When combined, the actuary may be involved in some or all of the "phases" listed (ie, designing, building, developing, modifying, selecting, using, reviewing and/or evaluating a model). I guess I thought it was common sense that the actuary would apply the standard only to those "phases" in which they were involved. My sense is that the split between "intended purpose" and "project objective" was made in an effort to make it more obvious that the actuary did not need to worry about applying the standard to a "phase" they were not involved in.

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