

Comment #6 – 11/1/14 – 6:50 p.m.

Section 1 Comments:

From 1.2: "This standard is limited to the estimation of future costs and does not address other considerations that may affect the price charged to the policyholder, such as marketing goals, competition, and legal restrictions."

Is Price Optimization considered out of scope as well? If not, what judgment does this standard make about price optimization in light of the discrepancy between price optimization and setting rates to be the expected value of future costs? What about non-expected value pricing (e.g., setting rates as the VaR at some percentile)?

Section 3 Comments:

In 3.7.1, I don't think it is necessary to state " This adjustment can be completed either by on-level factors or by means of extension of exposure." Perhaps in the future, actuaries will come up with other methods to bring historical data to a consistent rate and exposure level. As well, this statement could make for the inference that on-level factors and EOE will yield equally accurate results.

Thank you,

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