

Comment #3 – 4/15/16 – 10:42 a.m.

3: Is it clear that this ASOP does not provide any guidance on the use of what is generally referred to as “price optimization,” which relates to the company’s decisions in determining price?

4: The task force eliminated the reference to “expected” value of all future costs to eliminate the possible confusion that the only appropriate estimate of all future costs was a mean value without any consideration of potential variability. Is this change appropriate? Does this change lead to confusion about what is being estimated?

By removing the term “expected” from the definition of “Rate”, the ASOP is now unclear regarding whether this guidance applies to “Price Optimization”. Some practitioners of Price Optimization have explained the process (in the US) as selecting an estimate (or multiple estimates) from the analysis that best fits their business needs. If the “Rate” is only an estimate (emphasis added), then the decision regarding which estimate to use may be included under some definitions of Price Optimization (ex. using elasticity of demand), and would still be covered by this ASOP (as a “Rate” – An estimate of all future costs). If the term “expected” were to be reinstated, then it would be clear that the “Rate” is measuring the expected value or mean point estimate, and the selection of an estimate other than the expected value would be market driven and not guided by this ASOP.

Thank you for your consideration,

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