



ADMINISTRATIVE RULES OF MONTANA



2.55.319 CALCULATION OF MANUAL RATES

- (1) The board of directors shall approve one or more loss-cost multipliers that, when applied to loss-costs as filed by the advisory or rating organization as provided for in (2) or loss-costs as provided for in (3) and (4), results in the State Fund's manual rates effective for new and renewal policies as of July 1 of each year or other effective date as determined by the board. In determining the loss-cost multipliers, the board shall take into consideration the following factors such as, but not limited to:
 - (a) the aggregate adequacy of advisory organization loss-costs;
 - (b) State Fund loss adjustment expense;
 - (c) production and acquisition expense;
 - (d) investment yield on underwriting cash flow;
 - (e) net credits or debits attributable to underwriting programs;
 - (f) the desired target level of contribution to surplus; and
 - (g) the risk characteristics of policyholders assigned to each applicable rate tier as provided for in ARM 2.55.311. This subsection is to be effective July 1, 2002.
- (2) The advisory or rating organization loss-costs used by the board shall be the latest filed or prior filed loss-costs, as determined by the board, at the time the board determines the loss-cost multiplier.
- (3) Using processes, procedures, formulas, and factors certified by the consulting actuary as being consistent with generally accepted actuarial principles, State Fund staff shall conduct an analysis of the adequacy of the advisory or rating organization's filed loss-costs, by classification. State Fund staff shall present the conclusions of this analysis to the board along with recommendations, if any, to establish loss-costs for classifications which differ from the advisory or rating organization loss-costs as provided for in (2). The determination whether to establish loss-costs for a classification which differ from the advisory or rating organization loss-costs shall consider factors such as, but not limited to:
 - (a) indications based on State Fund loss experience;
 - (b) indications based on other rating sources;
 - (c) the ability of the State Fund to appropriately underwrite affected policies;
 - (d) the amount of payroll written or potentially written by the State Fund in the affected classification;

- (e) administrative convenience;
 - (f) volatility of rates;
 - (g) differences in State Fund classifications or their usage; and
 - (h) other relevant underwriting and actuarial judgments.
- (4) For classifications in use by the State Fund which are not part of the advisory or rating organization loss-cost filing and for classifications identified in (3) , State Fund staff shall develop a loss-cost using the processes, procedures, formulas, and factors provided for in (3) and other factors consistent with generally accepted actuarial principles. Upon certification of the consulting actuary, State Fund staff shall present the results of this analysis to the board along with recommendations if any, for approval of the board. The consulting actuary shall certify that such loss-cost rates are neither excessive, inadequate, nor unfairly discriminatory. The board shall act to accept or not accept the consulting actuary's certification.
- (5) NCCI classifications not in the State Fund's inventory at the time rates are adopted under this rule for the following fiscal year, may be adopted during a fiscal year in accordance with ARM 2.55.320 and attendant NCCI loss-costs and the previously approved loss-cost multiplier shall be applied for new and renewal policies during the fiscal year.

Authorizing statute(s): 39-71-2315, 39-71-2316, MCA

Implementing statute(s): 39-71-2311, 39-71-2316, 39-71-2330, MCA

History: NEW, 2001 MAR p. 657, Eff. 4/27/01; AMD, 2002 MAR p. 164, Eff. 2/1/02.