



ADMINISTRATIVE RULES OF MONTANA



6.6.3112 LOSS RATIO

- (1) Benefits under individual long-term care insurance policies shall be deemed reasonable in relation to premiums provided the expected loss ratio is at least 60%, calculated in a manner which provides for adequate reserving of the long-term insurance risk. In evaluating the expected loss ratio, due consideration shall be given to all relevant factors, including:
 - (a) statistical credibility of incurred claims experience and earned premiums;
 - (b) the period for which rates are computed to provide coverage;
 - (c) experienced and projected trends;
 - (d) concentration of experience within early policy duration;
 - (e) expected claim fluctuation;
 - (f) experience refunds, adjustments or dividends;
 - (g) renewability features;
 - (h) all appropriate expense factors;
 - (i) interest;
 - (j) experimental nature of the coverage;
 - (k) policy reserves;
 - (l) mix of business by risk classification; and
 - (m) product features such as long elimination periods, high deductibles and high maximum limits.
- (2) This rule shall not apply to life insurance policies that accelerate benefits for long-term care. A life insurance policy or certificate that funds long-term care benefits entirely by accelerating the death benefit is considered to provide reasonable benefits in relation to premiums paid, if the policy or certificate complies with all of the following provisions:
 - (a) the interest credited internally to determine cash value accumulations, including long-term care, if any, are guaranteed not to be less than the minimum guaranteed interest rate for cash value accumulations without long-term care set forth in the policy or certificate;
 - (b) the portion of the policy or certificate that provides life insurance benefits meets the nonforfeiture requirements of 33-20-201, et seq., MCA;

- (c) the policy or certificate meets the disclosure requirements of 33-20-127, 33-20-128, and 33-22-1123, MCA;
- (d) any policy illustration that meets the applicable requirements of ARM 6.6.701 through 6.6.718; and
- (e) an actuarial memorandum is filed with and reviewed by the Insurance Department of the State Auditor's Office that includes:
 - (i) a description of the basis on which the long-term care rates were determined;
 - (ii) a description of the basis for the reserves;
 - (iii) a summary of the type of policy, benefits, renewability, general marketing method, and limits on ages of issuance;
 - (iv) a description and a table of each actuarial assumption used. For expenses, an issuer must include percent of premium dollars per policy and dollars per unit of benefits, if any;
 - (v) a description and a table of the anticipated policy reserves and additional reserves to be held in each future year for active lives;
 - (vi) the estimated average annual premium per policy or certificate and the average issue age;
 - (vii) a statement as to whether underwriting is performed at the time of application. The statement shall indicate whether underwriting is used and, if used, the statement shall include a description of the type or types of underwriting used, such as medical underwriting or functional assessment underwriting. Concerning a group policy or certificate, the statement shall indicate whether the enrollee or any dependent will be underwritten and when underwriting occurs; and
 - (viii) a description of the effect of the long-term care policy provision on the required premiums, nonforfeiture values and reserves on the underlying life insurance policy or certificate, both for active lives and those in long-term care claim status.

Authorizing statute(s): 33-1-313, 33-22-1121, MCA

Implementing statute(s): 33-22-1101, 33-22-1102, 33-22-1103, 33-22-1107, 33-22-1108, 33-22-1111, 33-22-1112, 33-22-1113, 33-22-1114, 33-22-1115, 33-22-1116, 33-22-1117, 33-22-1119, 33-22-1120, 33-22-1121, MCA

History: NEW, 1991 MAR p. 119, Eff. 2/1/91; AMD, 1998 MAR p. 3271, Eff. 12/18/98; AMD, 2008 MAR p. 615, Eff. 10/1/08.