6.6.3123 RECOUPING PAST LOSSES

(1) In reviewing loss ratio and premium rate schedule increases, the commissioner will ensure that any issuer does not recoup past losses.

(2) For premium rate increases, to ensure that issuers do not recoup past losses, premium deficiencies prior to a requested rate increase should not be included in the premium rate increase calculation. This is determined by comparing the originally filed lifetime loss ratio with the corrected lifetime loss ratio.

(a) The corrected lifetime loss ratio is found by recalculating the original premiums given the actual historical experience of that block of business combined with the company's revised projected assumptions.

(b) The originally filed lifetime loss ratio is found by:

(i) for blocks of business issued in Montana prior to January 1, 2009, following ARM 6.6.3112; or

(ii) for blocks of business issued in Montana on or after January 1, 2009, following ARM 6.6.3124.

(3) In order to review for past losses, insurers shall provide the following information in an actuarial memorandum accompanying any premium rate increase request:

(a) lifetime projections of earned premiums and incurred claims with the original pricing assumptions, including the originally filed discount rates;

(b) lifetime projections of earned premiums and incurred claims with actual experience;

(c) lifetime projections of earned premiums and incurred claims as required by (b), but with future premiums restated to reflect previously approved premium increases in Montana;

(d) lifetime projections of earned premiums and incurred claims as required by (c), but including persistency assumptions in the projected experience;

(e) lifetime projections of earned premiums and incurred claims as required by (d), but with revised claim assumptions (the lifetime loss ratio should reflect the expected lifetime loss ratio using best estimate assumptions besides the original discount rates);

(f) lifetime projections of earned premiums and incurred claims as required by (e), but including results both with and without the requested premium rate increase; and

(g) lifetime projections of earned premiums and incurred claims as required by (f), but including results with all past premium rate increases in Montana assumed to be implemented at policy issue.

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

Implementing statute(s): 33-18-206, 33-18-1003, 33-22-1102, 33-22-1121, MCA

History: NEW, 2019 MAR p. 126, Eff. 1/26/19.