

HOMEOWNERS INSURANCE RATE CONSIDERATIONS









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PREMIUM RATE COMPONENTS

Insurance premium rates must account for the following expenses:



Claim costs



Investment earnings



Administrative expenses



Contribution to surplus



Risk exposure



Profit



CREDIBILITY

Credibility considers how much of an insurer's Montana loss experience can be relied upon

- Actuarial standards consider two broad components:
 - 1. Montana experience (full, partial, zero)
 - 2. Non-Montana (relevant) experience
- What happens when Montana credibility is less than 100%?
 - Other relevant data is considered
 - Common sources are industry-wide experience in MT, competitor experience in MT, relevant company experience, Montana homeowners' trends



REINSURANCE

Reinsurance is insurance for insurers

- ✓ Risk management tool
- ✓ Protects insurers financial stability
- ✓ Increase underwriting capacity
- √ Frees up capital

Reinsurance basics

- √ Governance through treaties
- ✓ Multiple possibilities
- √ Complex structures
- √ Global
- √ Scant state regulation



RATE REVIEW PROCESS

1

Filing the Rate

The filing includes:

- Financial data
- Historical claims experience
- Other actuarial analyses that explain why the company believes the rate change is necessary

2

Review Process

- Determine whether the rate change is justified
- Ensure proposed rates are not inadequate, excessive, or unfairly discriminatory
- Ensure the Company complies with applicable statutes and regulations

3

Final Decision

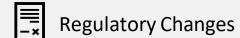
After reviewing all submitted data, we assess whether the proposed rates are justified and compliant with applicable regulations.



WHY DO INSURANCE RATES INCREASE?

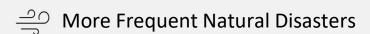




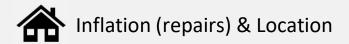


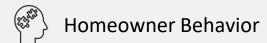
1 Increase in Claims













WHAT IS THE CSI DOING?

1

Rate Reviews

If a rate increase is not justified, we work to bring it in line with what is supported



2

Insurance Marketplace

Encourage new insurers to enter the market



3

Innovation Waivers

Can help to increase coverage options and competition



