



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?



Rising Home Values



Insurers Exit Market



Regulatory Changes



Increase in Claims



Increases in Fraud/Theft/Vandalism



More Frequent Natural Disasters



Increases in Reinsurance Costs



Inflation (repairs) & Location



Homeowner Behavior

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

