



## *Premium Rates Charged to Customers*



## *How Insurance Companies Establish Rates*

- *NCCI (National Council on Compensation Insurance) files loss-costs by class code*
- *Insurance Commissioner has 30 days to disapprove (file and use)*
- *Insurers file Loss Cost Multiplier (LCM)*



## Loss-Costs vs. Manual Rates

*Loss Costs = claim benefits + claim administrative expense*

*Loss Cost Multiplier (LCM) =*

*+ general/production expense*

*+/- underwriting offsets*

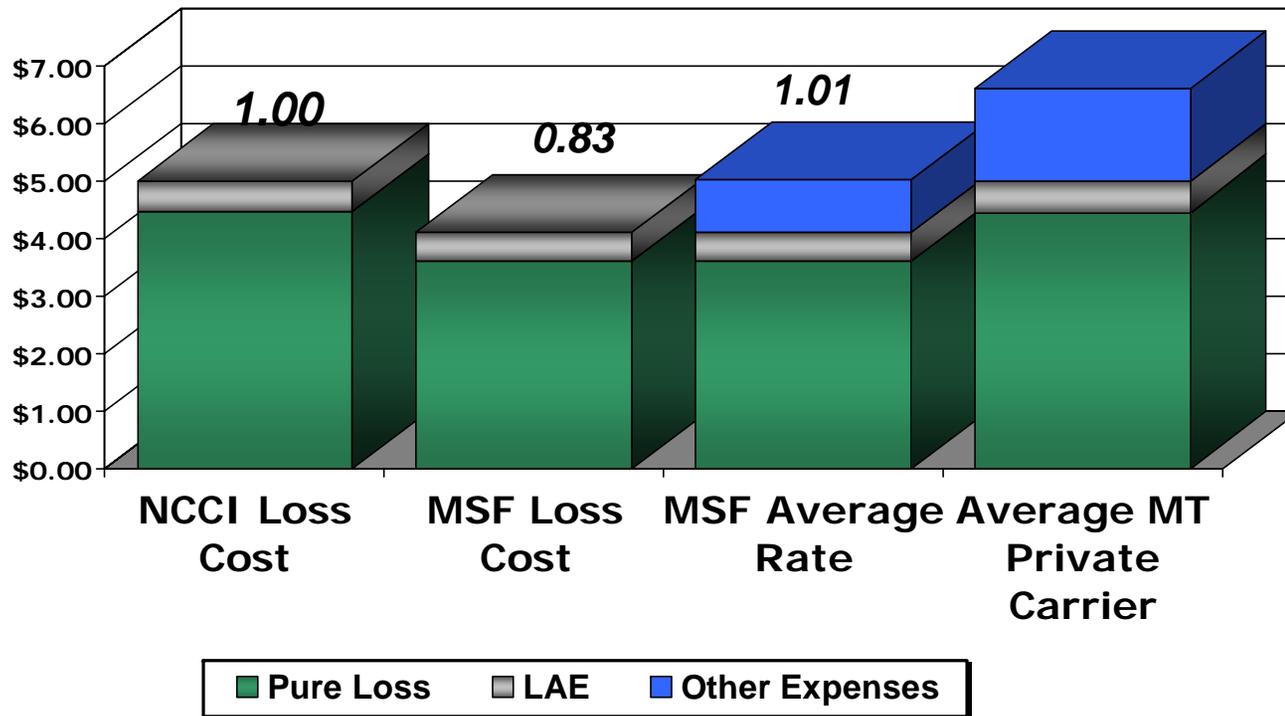
*+ taxes and assessments*

*+ contingencies, profit, & investment offsets*

*Rates = Loss Costs x Loss Cost Multiplier (LCM)*



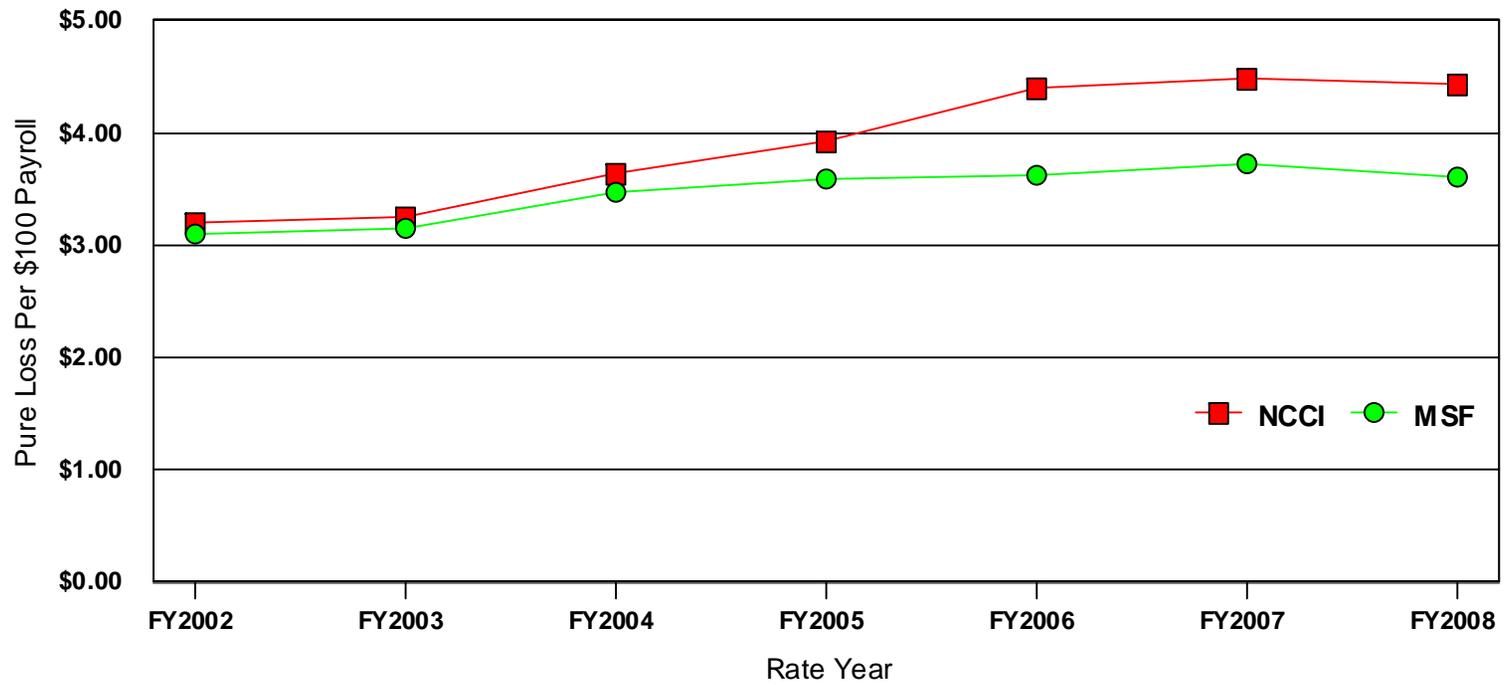
## NCCI Loss Costs Compared to MSF Rate





## NCCI vs MSF Pure Premiums

Assumes MSF AY2007 Payroll Distribution



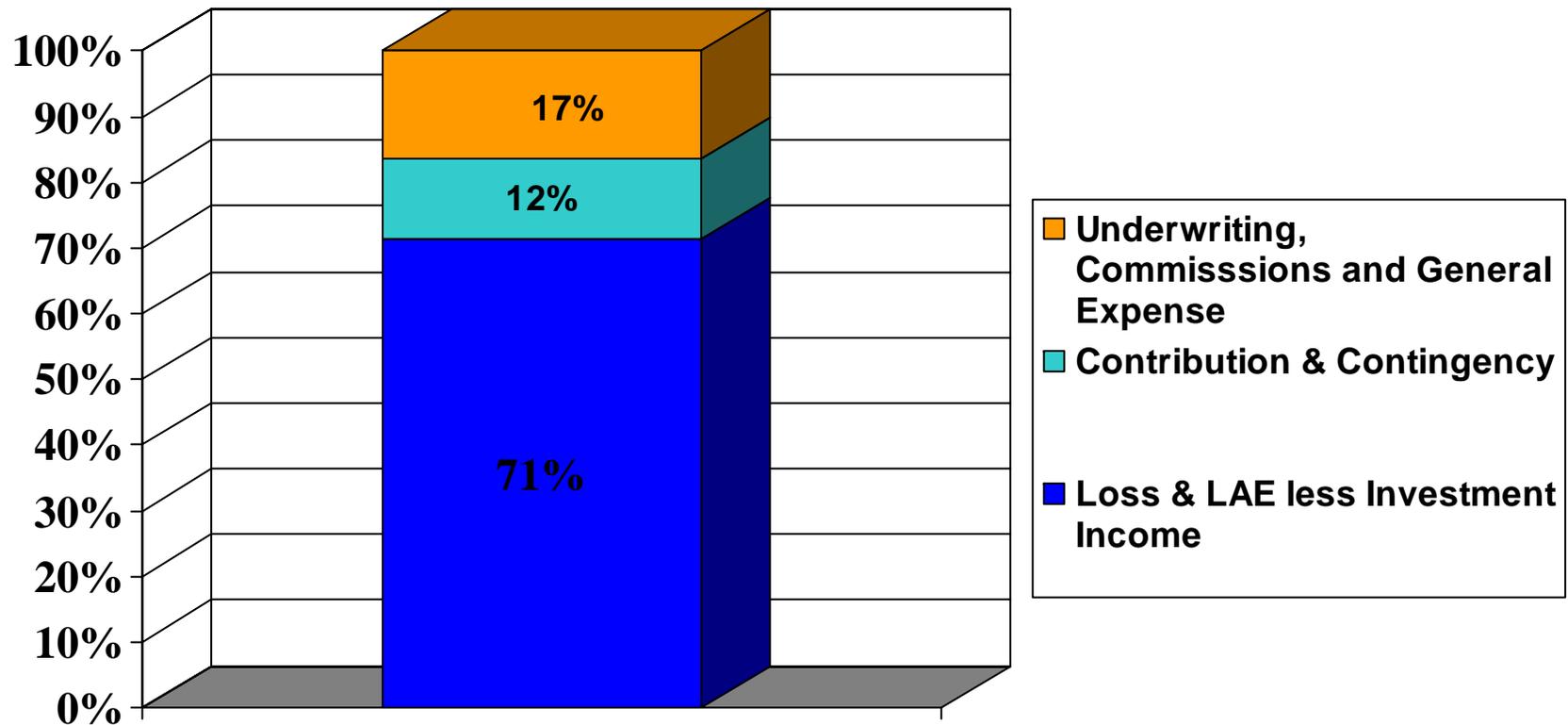


# MSF Rate Actions As Compared to NCCI Loss Cost Filing

<u>July 1st of:</u>	<u>MSF Rates</u>	<u>NCCI Loss Cost</u>
1996	-15.4%	-14.6%
1997	-5.6%	-8.4%
1998	-3.0%	-12.8%
1999	-2.0%	-7.4%
2000	0.0%	-2.4%
2001	2.7%	1.5%
2002	2.8%	-0.4%
2003	11.6%	13.2%
2004	9.5%	7.5%
2005	3.0%	12.1%
2006	2.4%	2.4%
2007	-1.0%	-1.3%



# What Makes up the MSF Rate



MSF FY2008 Rate Structure



**Statutory Expense Ratio Excluding Dividends - MSF**

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Target	26.20%	25.80%	26.4%	29.0%	28.4%
Actual		27.3%	25.4%	22.1%	25.6%

**Average Expense Ratio - Top 10 Carriers - Excluding Dividends**

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Actual	n/a	n/a	40.0%	39.2%	38.9%

*Note 2: 2006 is most current year for which data is available on 8 of the Top 10 carriers ratios for MT Workers Comp carriers. 2005 is most current data on 2 of the carriers.*

*Note 3: Top 10 Carriers high expense ratio was 43.9% and low expense ratio was 31.9%.*

## Policyholder Pricing Programs

- Pricing Programs "tailor" the final premium to better match the characteristics of each insured
  - Experience rating ("E. Mod.")
  - Contractors Premium Credit Program
  - Schedule Rating
  - Premium discounts by size of policy
  - Retrospective Rating

## Montana WC Rates Comparison

### **Dirt Diggers, Inc.**

**Payroll:**

**6217**

**8810**

**Loss Costs:**

**\$100,473 \$17.56**

**\$ 25,716 \$ .79**

**Largest MT Private Carrier:**

**Loss Cost:**

**6217**

**8810**

**17.56**

**.79**

**Loss Cost Multiplier**

**1.195**

**Rates:**

**Class 6217**

**Class 8810**

**\$20.98 /\$100**

**\$ 0.94/\$100**

**Montana WC Rates Comparison**  
**Dirt Diggers, Inc.**

**Payroll:**

**6217**

**8810**

**Loss Cost:**

**\$100,473 \$17.56**

**\$ 25,716 \$ .79**

<b>Loss Cost:</b>	<b>Largest MT Private Carrier:</b>	<b>MSF:</b>
<b>6217</b>	<b>17.56</b>	<b>17.56</b>
<b>8810</b>	<b>.79</b>	<b>.79</b>
<b>Loss Cost Multiplier</b>	<b>1.195</b>	<b>.946</b>
<b>Rates:</b>		
<b>Class 6217</b>	<b>\$20.98 /\$100</b>	<b>\$16.61 /\$100</b>
<b>Class 8810</b>	<b>\$ 0.94/\$100</b>	<b>\$ 0.75/\$100</b>

**Montana WC Rates Comparison**  
**Dirt Diggers, Inc.**

**Largest MT Private Carrier**

<b>Manual Premium</b>	<b>= \$21,320.97</b>
<b>Experience Mod</b>	<b>x .90</b>
<b>MCCPAP</b>	<b>x .95</b>
<b>Standard Premium</b>	<b>= \$18,229.43</b>
<b><u>Volume Discount</u></b>	<b><u>x .964</u></b>

**Estimated Annual Premium**                      **\$17,573.17**

**Montana WC Rates Comparison**  
**Dirt Diggers, Inc.**

	<b>Largest MT Private Carrier</b>	<b>MSF</b>
<b>Manual Premium</b>	= <b>\$21,320.97</b>	= <b>\$16,881.44</b>
<b>Experience Mod</b>	<b>x</b> <b>.90</b>	<b>x</b> <b>.90</b>
<b>MCCPAP</b>	<b>x</b> <b>.95</b>	<b>x</b> <b>.95</b>
<b>Standard Premium</b>	= <b>\$18,229.43</b>	= <b>\$14,443.63</b>
<b><u>Volume Discount</u></b>	<b>x</b> <b>.964</b>	<b>x</b> <b>.987</b>
<b>Estimated Annual Premium</b>	<b>\$17,573.17</b>	<b>\$14,245.99</b>

## Montana WC Rates Comparison

### **Dig & Go, Inc.**

<b>Payroll:</b>	<b>Loss Cost Rates:</b>	
<b>6217</b>	<b>\$100,473</b>	<b>\$17.56</b>
<b>8810</b>	<b>\$ 25,716</b>	<b>\$ .79</b>

<b>Loss Cost:</b>	<b>Largest MT Private Carrier:</b>
<b>6217</b>	<b>17.56</b>
<b>8810</b>	<b>.79</b>

**Loss Cost Multiplier**                      **1.195**

**MMIC Rates:**

<b>Class 6217</b>	<b>\$20.98 /\$100</b>
<b>Class 8810</b>	<b>\$ 0.94/\$100</b>

## Montana WC Rates Comparison **Dig & Go, Inc.**

<b>Payroll:</b>	<b>Loss Cost Rates:</b>	
<b>6217</b>	<b>\$100,473</b>	<b>\$17.56</b>
<b>8810</b>	<b>\$ 25,716</b>	<b>\$ .79</b>

<b>Loss Cost:</b>	<b>Largest MT Private Carrier:</b>	<b>MSF:</b>
<b>6217</b>	<b>17.56</b>	<b>17.56</b>
<b>8810</b>	<b>.79</b>	<b>.79</b>
<b>Loss Cost Multiplier</b>	<b>1.195</b>	<b>1.214</b>
<b>MMIC Rates:</b>		
<b>Class 6217</b>	<b>\$20.98 /\$100</b>	<b>\$21.32/\$100</b>
<b>Class 8810</b>	<b>\$ 0.94/\$100</b>	<b>\$ 0.96/\$100</b>

**Montana WC Rates Comparison**  
**Dig & Go, Inc.**

**Largest MT Private Carrier**

<b>Manual Premium</b>	=	<b>\$21,320.97</b>
<b>Experience Mod</b>	x	<b>1.25</b>
<b>MCCPAP</b>	x	<b>.95</b>
<b>Standard Premium</b>	=	<b>\$25,318.65</b>
<b><u>Volume Discount</u></b>	x	<b><u>.964</u></b>

**Estimated Annual Premium**      **\$24,407.18**

**Montana WC Rates Comparison**  
**Dig & Go, Inc.**

	<b>Largest MT Private Carrier</b>	<b>MSF</b>
<b>Manual Premium</b>	<b>= \$21,320.97</b>	<b>= \$21,667.72</b>
<b>Experience Mod</b>	<b>x 1.25</b>	<b>x 1.25</b>
<b>MCCPAP</b>	<b>x .95</b>	<b>x .95</b>
<b>Standard Premium</b>	<b>= \$25,318.65</b>	<b>= \$25,730.41</b>
<b><u>Volume Discount</u></b>	<b><u>x .964</u></b>	<b><u>x .973</u></b>
<b>Estimated Annual Premium</b>	<b>\$24,407.18</b>	<b>\$25,035.69</b>