

2760.0090 PREMIUM RATE DEVIATION.**Subpart 1. Use of deviated rates.**

A. If the loss ratio of the insurer is 55 percent or more based on the most recent one to three calendar years' experience using the prima facie rates currently in use for any plan of coverage, the insurer may file for approval and use rates that are higher than those prima facie rates, reflecting the anticipated difference in claim cost.

B. If the loss ratio of the insurer is less than 42.5 percent based on the most recent three calendar years' experience using the prima facie rates currently in use for any plan of coverage, the insurer shall file for approval and use rates for that plan of coverage that are lower than prima facie rates, reflecting the anticipated difference in claim cost.

C. If deviated rates are to be filed under item A or B, the insurer may file rates for approval that will be:

- (1) applied uniformly to all accounts of the insurer; or
- (2) applied on an equitable basis approved by the commissioner to only one or more accounts of the insurer for which the experience has been more favorable or less favorable than expected.

For purposes of determining deviated rates under this subpart, rates for monthly premium plans may be determined separately for open-end and closed-end credit accounts.

Subp. 2. Use of rates for accounts. An insurer, by written notice to the commissioner of its election to do so, may file and use premium rates to be used to rate one or more of its accounts in this state.

A. An insurer may use a rate for an account not greater than the account rate as follows.

(1) The actual loss ratio (ALR) is the prima facie loss ratio of the account being filed for any plan of coverage. It is the ratio of the actual incurred claims to the premiums based on current prima facie rates.

(2) The credibility factor (Z) is determined from the table in item D.

(3) The credibility adjusted loss ratio (CLR) is calculated using the following formula where PFLR is the loss ratio from part 2760.0040:

$$\text{CLR} = [\text{ALR} * \text{Z}] + [\text{PFLR} * (1-\text{Z})]$$

(4) The account rate (AR) is calculated according to the following formula, where PFR is the prima facie rate, and the result is rounded to two decimal places:

$$\text{AR} = \text{PFR} * [1 - \text{PFLR} * (1-(\text{CLR}/\text{PFLR}))]$$

(5) The requested rate will be equal to the previous account rate if the new account rate calculated by the formula in subitem (4) is within five percent of the previous account rate. Otherwise, the requested rate will be equal to the new account rate calculated by the formula in subitem (4).

B. An account rate will be in effect for a period of time not longer than five years. An insurer may file for a new account rate before the end of an account rate period, but not more often than once during any 12-month period.

C. If a creditor changes insurers, the account rate established under this part in effect for the account on the date of the change will continue to be in effect for the account with the succeeding insurer for the remainder of the account rate period or until a new account rate for this account is established.

D. Credibility table based on life years or incurred claim count:

CREDIBILITY TABLE

| Credit Life Plan | Average Number of Life Years | | | Incurred Claim Count | Credibility Factor Z |
|---------------------|----------------------------------|----------------|--------|----------------------------|-------------------------|
| | Credit Accident and Health Plans | | | | |
| | Retroactive and Non-Retroactive | Waiting Period | | | |
| | 7-Day | 14-Day | 30-Day | | |
| 1 | 1 | 1 | 1 | 1 | 0.00 |
| 1,800 | 95 | 141 | 209 | 9 | 0.25 |
| 2,400 | 126 | 188 | 279 | 12 | 0.30 |
| 3,000 | 158 | 234 | 349 | 15 | 0.35 |
| 3,600 | 189 | 281 | 419 | 18 | 0.40 |
| 4,600 | 242 | 359 | 535 | 23 | 0.45 |
| 5,600 | 295 | 438 | 651 | 28 | 0.50 |
| 6,600 | 347 | 516 | 767 | 33 | 0.55 |
| 7,600 | 400 | 594 | 884 | 38 | 0.60 |
| 9,600 | 505 | 750 | 1,116 | 48 | 0.65 |
| 11,600 | 611 | 906 | 1,349 | 58 | 0.70 |
| 14,600 | 768 | 1,141 | 1,698 | 73 | 0.75 |
| 17,600 | 926 | 1,375 | 2,047 | 88 | 0.80 |
| 20,600 | 1,084 | 1,609 | 2,395 | 103 | 0.85 |
| 25,600 | 1,347 | 2,000 | 2,977 | 128 | 0.90 |

| | | | | | |
|--------|-------|-------|-------|-----|------|
| 30,600 | 1,611 | 2,391 | 3,558 | 153 | 0.95 |
| 40,000 | 2,106 | 3,125 | 4,651 | 200 | 1.00 |

The integral numbers in this item represent the lower end of the bracket for each Z factor. The upper end is one less than the lower end for the next higher Z factor.

Statutory Authority: *MS s 62B.12*

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