INSURANCE
DEPARTMENT OF BANKING AND INSURANCE
DIVISION OF INSURANCE

Reporting Financial Disclosure and Excess Profit

Proposed Amendments: N.J.A.C. 11:3-20.3, 20.5, 20.6, 20.7, 20.8, 20.9, and 11:3-20 Appendix

Authorized by: Holly C. Bakke, Acting Commissioner, Department of Banking and Insurance

Authority: N.J.S.A. 17:1-8.1, and 17:29A-5.6 through 5.16

Calendar Reference: See Summary below for explanation of exception to the calendar requirement.

Proposal Number: PRN 2002-103

Submit comments by May 17, 2002 to:

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Regulatory Affairs
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20 West State Street
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The agency proposal follows:

Summary

N.J.S.A. 17:29A-5.6 et seq. requires insurers authorized to transact private passenger automobile insurance in this State to file an excess profit report on or before July 1 each year. N.J.A.C. 11:3-20 contains the rules and exhibits used in filing this report with the Department of Banking and Insurance ("Department").

The Department has conducted a review of the effectiveness and adequacy of the excess profit reports. As a result, the Department is proposing amendments to these rules which adjust how an excess profit is calculated. These proposed amendments should result in more consistent calculations. The proposed amendments should provide for less fluctuation in results in determining whether an insurer has an excess profit.

Several definitions in N.J.A.C. 11:3-20.3 are being added or deleted. Definitions are being added for the following terms: "AIRE Allocation," "AIRE Investment Income," "AIRE Assessment," "ALAE" (Allocated Loss Adjustment Expense), "AY" (Accident Year), "CY" (Calendar Year), “Direct Business,” "IBNR" (Incurred but not Reported), “Page 15,” “UCJF” (Unsatisfied Claim and Judgement Fund) and “ULAE” (Unallocated Loss Adjustment Expense). The Department is deleting "AIRE charges," "Anticipated Investment Income," "Excess Investment Income," "NCIC pool losses" and “MTF” references because they are no longer necessary.

The Department is also amending the definition of “actuarial gain” to provide an allowance for profit and contingencies as determined by the Clifford Formula as 3.5 percent of earned premium or 5.38 percent on a pre-tax basis.

Additionally, the Department is amending the definition of “exempted types” to include “motor homes” and “excess liability.”

The Department is amending the definition of insurer to delete the portion of the definition that requires each individual insurer of an insurance holding company to file an excess profits report. The Department currently receives one report from the group.

The Department is amending N.J.A.C. 11:3-20.4, General reporting requirements, to change data submissions from MS DOS formatted disks to CD-ROM or email. Additionally, instead of requiring that the information be presented in a Lotus 123 format, it is being changed to Microsoft Excel.

In N.J.A.C. 11:3-20.5, the content of excess profit reports is also being amended to revise which losses are used in the excess profit calculation. The Department is amending these rules to require that an insurer's excess profit calculation is based on case incurred losses, rather than paid losses. This amendment is necessary because paid losses are very erratic from year to year and the use of case incurred losses should provide more stable results.

The Department is amending N.J.A.C. 11:3-20.5(b)5 and 6 by adding "allocation and investment income" and deleting the term "compensation." Additionally, paragraphs (b)7 and 8 are being amended by adding the term "assessment" and deleting the term "charges." These additions reflect precisely what these provisions are called on the excess profit report that is submitted to the Department by insurers.

The Department is deleting N.J.A.C. 11:3-20.5(c)5. This provision is no longer necessary based on the Department's amendment to the definition of "actuarial gain." The Department is deleting (c)6 because anticipated investment income is no longer part of the excess profits calculation.

In N.J.A.C. 11:3-20.5(d)3, the Department is deleting the term "excess" and replacing it with "actual." This change is necessary since "excess" investment income is no longer reflected as part of the excess profits calculation, instead it is an insurer's actual investment income that is part of the calculation.

The Department is deleting N.J.A.C. 11:3-20.5(g) because it is no longer applicable in an excess profits calculation since the MTF is no longer is existence.

N.J.A.C. 11:3-20.6, Reporting requirements for insurance holding company systems, is being amended to clarify that insurers file one combined excess profit report.

N.J.A.C. 11:3-20.7, Determination of an excess profit, is being amended to delete reference to the effect of negative excess investment income. The Department amended N.J.A.C. 11:3-20.7(a) in order to clarify this calculation provision for insurers. Under the Clifford Formula, insurers are permitted a 3.5 percent profit after taxes. For excess profits purposes, companies are also allowed to earn an additional 2.5 percent profit before it is considered to be an excess profit. Both the 3.5 percent and 2.5 percent are on an after tax basis and must be converted to a pre-tax basis. This is how the Department has intended for this provision to operate. Some insurers recognized that they had to convert that to a pre-tax rate , by using the 35 percent Federal corporate tax rate, while other insurers were penalizing themselves by using a 2.5 percent as opposed to 3.85 percent. Therefore, the Department is amending this provision by adding the appropriate conversions.

N.J.A.C. 11:3-20.8 is being amended to provide that the Commissioner’s notification of his or her determination regarding the refund or credit constitutes an initial agency decision.

N.J.A.C. 11:3-20.9, Excess profit carry forward, is being amended to clarify how excess profit refunds may be carried forward. The Department is amending subsection (6) by adding more detailed instructions on how the excess profit carry forward should be applied as part of this calculation. The additional language is consistent with what the Department has expected and required insurers to do under the current provisions. The Department recognized from past excess profits submissions that insurers were having trouble correctly applying the carry forward provision as written in its current form. Therefore, the Department’s language provides a more specific explanation on how the provision should be applied.

N.J.A.C. 11:3-20.9(c) is being deleted by the Department because this subsection is no longer necessary, since the Department already has copies of this information.

N.J.A.C. 11:3-20.10 is amended to eliminate an unnecessary reference to Commissioner’s order being in writing. As a matter of Department policy, all Commissioner’s orders are in writing.

The Department is deleting and replacing the current input pages and the Appendix Exhibits. The Appendix is being amended to reflect the change from “paid” to “incurred” losses, and “anticipated” to “actual” investment income. The new Exhibits incorporate changes to reflect the excess profits calculations that need to be added or deleted as a result of this change.

A 60-day comment period is provided for this notice of proposal and, therefore, pursuant to N.J.A.C. 1:30-3.3(a)5, the proposal is not subject to the provisions of N.J.A.C. 1:30-3.1 and 3.2 governing rulemaking calendars.

Social Impact

The Department is adjusting the calculations found in these rules so that they more accurately reflect the economic status of the filer. The Department believes that the disclosure process initially may be more time consuming. The Department believes that these amendments will better fulfill its obligation to require accurate reports. The Department and filers will benefit from these proposed amendments because insurers will have a clearer understanding of their reporting requirements. These proposed amendments should result in the submission of more complete and accurate reports in a standardized format. In addition, the public should benefit from these proposed amendments because insurers continue to be required to refund or credit any excess profit.

The Department recognizes that these amendments may initially require insurers to allow additional time for the completion of the new input pages and Exhibits based on insurers' need to familiarize themselves with the methodology. The Department also believes that the new methodology will benefit insurers with accurate and more stables excess profits reports from year to year.

Additionally by deleting the reference to Lotus 12.3 Version 3.1 from N.J.A.C. 11:3-20.4, the Department is reducing insurers' costs because this provision currently requires insurers to maintain a system (Lotus 12.3 Version 3.1) for the submission of excess profits reports when insurers, as well as the Department, operate with Excel.

Economic Impact

The Department does not anticipate any economic impact on the Department as a result of these proposed amendments. The Department does not believe that insurers will incur any additional expense relating to the filing of these forms outside of what they already incur. The Department notes that these amendments may require insurers' to initially allow additional time to complete the new exhibits and appendices, but the Department does not believe that it will result in additional expenses being incurred by insurers.

Additionally by deleting the reference to Lotus 12.3 Version 3.1 from N.J.A.C. 11:3-20.4, the Department is reducing insurers' costs because this provision currently requires insurers to maintain a system (Lotus 12.3 Version 3.1) for the submission of excess profits reports when insurers, as well as the Department, operate with Excel.

The public should benefit from these proposed amendments because insurers continue to be required to refund or credit any excess profits.

Federal Standards Statement

A Federal standards analysis is not required because these rules regulate the business of automobile insurance, which is governed by Tile 17 of the New Jersey Statutes, and is not subject to any Federal requirements or standards.

Jobs Impact

The Department does not believe that the proposed new rules will cause any jobs to be generated or lost. However, to the extent that the rules in this subchapter help promote a healthy insurance marketplace in New Jersey, the climate for business and job growth is improved.

The Department invites interested parties to submit any data or studies concerning the job impact of the proposed new rules together with their written comments on other aspects of the proposal.

Agricultural Industry Impact

Pursuant to P.L. 1998, c. 48, the Right to Farm Act, and N.J.S.A 52:14B-4(a) of the Administrative Procedure Act, the Department does not expect any agriculture industry impact from these proposed amendments.

Regulatory Flexibility Analysis

Pursuant to N.J.A.C 52:14B-17, a "small business" is any business resident in this State which employs fewer than 100 employees; is independently owned and operated; and is not dominant in its field. A few New Jersey automobile insurers meet this definition. These proposed amendments will continue to impose compliance reporting and recordkeeping requirements on these insurers.

The Department has determined that these proposed amendments are reasonable and necessary for the purposes expressed herein. These rules will apply to all voluntary private passenger automobile insurers, except those that only write the “exempted types" of coverage. These amendments impose a regulatory requirement that is even-handedly applied without regard to business size. These rules continue to set forth the regulatory structure for mandatory automobile insurance reporting of financial disclosure and excess profit. Thus, this kind of information must be assembled with uniformity and reported with consistency in order to promote a stable and healthy marketplace. The Department also notes that these proposed amendments impose new recordkeeping, reporting or compliance obligations, as described in the Summary above. For the reasons set forth, these proposed amendments provide no differing reporting, recordkeeping or compliance requirements based on business size.

The Department anticipates that the future annual cost of compliance with these rules should be consistent with the current annual cost. The use of professional services currently required by these rules (for example, actuaries, claim professionals, underwriter professionals, etc.) will continue to be necessary, at costs which vary with the individual professional.

Finally, the Department notes that although no exemptions or different compliance requirements are specifically provided based on business size, the rules continue to reflect the exemption from the filing requirements set forth in N.J.S.A. 17:229A-5.11, which exempts insurers with fewer than 150 car years of exposure in New Jersey over the prior three calendar years combined. Moreover, as noted above, private passenger automobile insurers are required to file excess profit reports pursuant to N.J.S.A. 17:29A-5.6. This statute provides no differentiation in compliance requirements specifically based on insurer size. Accordingly, and for all of the reasons set forth above, these proposed amendments provide no differentiation in compliance requirements based on insurer size.

Smart Growth Impact Statement

The proposed amendments have no impact on the achievement of smart growth and implementation of the State Development and Redevelopment Plan.

Full text of the proposal follows (additions indicated in boldface **thus**; deletions indicated in brackets [thus]):

11:3-20.3 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise.

. . .

"Actuarial gain" means the remainder obtained by subtracting the allowance for profit and contingencies from underwriting income which remainder may be positive or negative. **The allowance for profit and contingencies is determined by the Clifford formula as 3.5 percent of Earned Premium or 5.38 percent on a pre-tax basis, using the Federal corporate tax rate**

<u>of 35 percent.</u>

["AIRE charges" and "AIRE compensation" mean, respectively, amounts paid to or received (including share of investment income) from the New Jersey automobile Insurance Risk Exchange pursuant to N.J.S.A. 39:6A-22.]

<u>"AIRE Allocation" means the amount received exclusive of the company's share of Investment Income from the New Jersey Automobile Insurance Risk Exchange pursuant to N.J.S.A. 39:6A-22.</u>

<u>"AIRE Investment Income" means the company's share of Investment Income received from the New Jersey Automobile Insurance Risk Exchange pursuant to N.J.S.A. 39:6A-22.</u>

<u>"AIRE Assessment" means the amount paid to the Automobile Insurance Risk Exchange pursuant to N.J.S.A. 39:6A-22.</u>

<u>"ALAE" means Defense & Cost Containment Expense as stated on the statutory annual statement, formerly identified as Allocated Loss Adjustment Expense.</u>

["Anticipated investment income" means the amount obtained by multiplying earned premium by the percentage of premium representing investment income used in the insurer's approved rate filings to calculate the allowance for profit and contingencies.]

<u>"AY" means Accident Year.</u>

<u>"CY" means Calendar Year.</u>

. . .

<u>"Direct business" means policies written by the insurer as the primary carrier, and does not reflect premiums ceded to or losses recovered from other carriers on account of</u>

<u>reinsurance ceded, premiums received from or losses paid to other carriers on account of reinsurance assumed, or any expenses paid or incurred as a result of a reinsurance transaction.</u>

["Excess investment income" means the remainder obtained by subtracting the anticipated investment income from the actual investment income earned by the insurer, which remainder may be positive or negative.]

"Exempted types" are those kinds of coverage arising out of a specialty program which uses its own rates, rules, and policy forms which have been filed with and approved by the Department and does not include private passenger automobile insurance coverage. "Exempted types" include, but are not limited to, motorcycles, "off-road" vehicles, **<u>motor homes,</u>** [policies sold through the New Jersey automobile Full Insurance Underwriting Association, and] antique automobiles **<u>and excess liability</u>**.

<u>"IBNR" means Incurred but Not Reported.</u>

"Insurer" means an entity authorized or admitted to transact private passenger automobile insurance [business] in New Jersey. [Where an insurer is part of an insurance holding company, system, insurer means each individual insurer within the insurance holding company system as defined in N.J.S.A. 17:27A-1 et seq.] Insurer does not include any residual market mechanism for automobile insurance for the purposes of this subchapter.

. . .

["NCIC pool losses" means the percentage of participation in the National Consumer Insurance Company ("NCIC") pool multiplied with the NCIC operating loss. The NCIC pool reinsurers may reflect their participating share of any operating loss of the NCIC pool in their profits report. The operating loss of the NCIC pool for purposes of the excess profits report is defined as the result obtained from the total of earned premium and actual investment income of the NCIC pool, less the total of all losses, loss adjustment expenses and underwriting expenses incurred by the NCIC pool on a direct basis. Underwriting expenses do not include any service fees assumed by the various reinsurers of the NCIC pool nor cash calls paid to NCIC. Each participating reinsurer must include in the profits report the percentage of participation for each year and calculation showing the NCIC operating loss used in arriving at its share of the NCIC pool losses."]

. . .

“Page 15" means Page 15 of the New Jersey statutory annual statement for CY 1995 and later, and Page 14 of the New Jersey statutory annual statement for CY 1994 and earlier.

. . .

"UCJF" means the Unsatisfied Claim and Judgment Fund.

. . .

"ULAE" means Adjusting & Other Expense as stated on the statutory annual statement, formerly identified as Unallocated Loss Adjustment Expense.

11:3-20.4 General reporting requirements

(a) (No change.)

(b) Each private passenger automobile insurer, except as provided in (e) and (f) below, shall annually file with the Commissioner the data and information required by this subchapter on or before July 1 of each year. Filings shall be sent to the following address:

ATTENTION: Excess Profit Report
New Jersey Department of Banking and Insurance
[Division] **Office** of Property and Casualty
20 West State Street
PO Box 325
Trenton, New Jersey 08625**-0325**
[Attention: Excess Profits]

(c) The data required by this subchapter shall be submitted **either** on [an MS DOS formatted disk(s)] **a CD-ROM or e-mailed to the Department at the address identified either on the Department's website (www.dobi.state.nj.us) or by telephone call to the Department's main number, (609) 292-5360**, and the Exhibits shall be submitted in written copy using the forms and record layouts contained in the Appendix to this subchapter. [The disk(s) shall be 3 1/2 inch high density.] The information shall be presented in a [Lotus 123 version 3.1] **Microsoft Excel 97** or compatible spreadsheet. The written copy of the Exhibits shall include in the left and top margins the row and column location respectively of all the data in the worksheets. Each page shall also display in the bottom right corner the name of the computer file [and disk] on which it is contained. All calculated values shall be given as a formula in the spreadsheet. Data shall be submitted in the format set forth in Exhibits found in the Appendix to this subchapter, incorporated herein by reference. Companies may **download from the Department web site or** submit a [3 1/2 inch high density diskette] **blank CD-ROM** and a self-addressed, stamped mailer to receive copies of the [Lotus 123] **Microsoft Excel** spreadsheets for current and future use in the excess profit reports required pursuant to this subchapter. [Insurers shall not submit written copies of the input screens.]

(d) - (f) (No change.)

11:3-20.5 [Profits] **Excess profit** report

(a) (No change.)

(b) The **excess** profit[s] report shall contain the following information for each of the eight most recent calendar-accident years, with an evaluation date as of March 31 of the year in which the **excess** profit[s] report is due:

1. [Losses paid] **Paid, unpaid and incurred Loss;**
2. **Case incurred loss** [Losses]developed to an ultimate basis;
3. [Allocated loss adjustment expenses paid] **Paid, unpaid and incurred ALAE;**
4. [Allocated loss adjustment expenses] **Case incurred ALAE** developed to an ultimate basis;
5. AIRE [compensation] **Allocation and investment income** received;
6. AIRE [compensation] **Allocation and investment income** developed to an ultimate basis;
7. AIRE [charges] **Assessment**; and
8. AIRE [charges] **Assessment** developed to an ultimate basis.

(c) In addition to the requirements in (b) above, each insurer shall file in the format of the exhibits appended to this subchapter, the following information of the calendar-accident year ending December 31 immediately preceding the date the **excess** profit[s] report is due:

1. - 4. (No change.)

[5. Allowance for profit and contingencies (obtained by multiplying premiums earned by the profit and contingency factors authorized for use with the insurer's approved rate fillings);

6. Anticipated investment income;]

Recodify existing 7. and 8. as **5. and 6.** (No change in text.)

(d) The **excess** profit[s] report shall include a calculation of each of the following items in the format of the exhibits appended to this subchapter:

1. - 2. (No change.)

3. [Excess] **Actual** investment income for each of the three calendar-accident years immediately preceding the date of the **excess** profit[s] report;

4. - 6. (No change.)

(e) - (f) (No change.)

[(g) An insurer may reflect as an expense the amounts paid to the MTF in calculating its excess profits. The expense shall be reported in the B1 “Liability and the Uninsured/ Underinsured Motorist Coverages" of Exhibit Eight in the Appendix.

1. The amounts paid to the MTF includes only payments actually made by the insurer to the MTF, which are to be credited as all or part of the insurer's apportionment share of MTF losses pursuant to N.J.S.A. 17:33B-11d and the MTF Plan of Operation, including any payment made on account of the insurer's liability or in response to an Order of the Commissioner directing that payment be made.

2. If an insurer makes a payment to the MTF pursuant to Article XIV, section 5 of the MTF Plan of Operation prior to the issuance of an Order of the Commissioner directing payment, the insurer may reflect the payment either in the year when paid or in the year when

payment is due pursuant to the Order of the Commissioner. Once an insurer selects a year to report the MTF payment, the payment must be reported in that year in all future reports.]

11:3-20.6 Reporting requirements for insurance holding company systems

(a) All private passenger automobile insurers **that are part of an insurance company holding system** shall file [a separate] **one combined excess** profit report under N.J.S.A. 17:29A-5.7 and N.J.A.C. 11:3-20.5. In compliance with this obligation, [a] separate certification**s** and individual excess profit[s] report**s** [(Exhibit Ten)] may be filed for each insurer in an insurance holding company system[. The certification and individual excess profit reports shall be filed by each company within the insurance company holding system and shall be attached to and accompanied by] **and included with** the **combined** excess profit report filed by the insurance company holding system.

(b) - (c) (No change.)

[(d) If an individual insurer within an insurance holding company system does not file a certification and individual profits report (Exhibit Ten), as provided for in (a) above, the insurer and all other individual insurers within the holding company system shall file a complete excess profits report (Exhibits One through Nine) in addition to the combined excess profits report filed by the insurance holding company system.

(e) If an insurer chooses to comply with N.J..S.A. 17:29A-5.7 and (a) above by filing Exhibit Ten as permitted under (a) above, the insurer shall continue to file in this fashion until such time as the insurer requests and the Department permits such insurer to file in an alternative manner consistent with this subchapter.]

11:3-20.7 Determination of an excess profit[s]

[(a)] [Excess] **<u>An excess</u>** profit[s] shall exist if for the three calendar-accident years immediately preceding the date the **<u>excess</u>** profit[s] report is due, [the sum of] an insurer's total actuarial gain [and excess investment income] for all private passenger automobile coverages combined exceeds 2.5 percent of earned premium, **<u>or 3.85 percent on a pre-tax basis, using the Federal corporate tax rate of 35 percent</u>**.

[(b) The effect of negative excess investment income shall be limited in the computation of excess profits. Negative excess investment income shall be limited pursuant to a standard on the investment of policyholder supplied funds. The standard shall be a simple six-month average of the Moody's seasoned AAA corporate bond rate as published in the Federal Reserve statistical release "Selected Interest Rates" as of April 1 for each year.]

11:3-20.8 Refund or credit of **<u>an</u>** excess profit[s]

(a) (No change.)

(b) An insurer may request a reevaluation of the determination that it is required to refund **<u>an</u>** excess profit[s] by submitting a written request to the Department within 30 days of the receipt of the notice in (a) above.

1. - 2. (No change.)

3. The Commissioner shall notify the insurer in writing of his or her determination within 60 days, which shall constitute [a final] **<u>an initial</u>** agency decision. If no written request for a reevaluation is made as set forth in (b)1 and 2 above, the original notice of

determination shall constitute a final agency decision.

(c) - (f) (No change.)

11:3-20.9 Excess profit[s] carry forward

(a) In the event an excess profit is returned by an insurer in accordance with this subchapter and subsequent [development] **reports** demonstrate[s] that [an excess profit did not exist or was overstated] **additional excess profits are indicated,** an excess profit carry forward [in the amount of the excess profit refunded or the amount overstated, whichever is less,] shall be established.

(b) This excess profit carry forward shall be applied by such insurer as a credit against future determinations of excess profits**. The credit shall only be applied in the filing year that generates an excess profit. In such filing year, the insurer shall assign the carry forward or a portion thereof to the latest three AYs of that filing. Once a carry forward is assigned to an AY, it shall remain with that AY until it is no longer displayed in subsequent filings. Once a carry forward or a portion thereof is assigned to a particular AY, that portion of the carry forward amount is exhausted and shall not be applied as a credit against any other AY. The carry forward may be used** until such credit is exhausted or the end of a 15 year period from the date the excess profit [carry forward] was [established] **paid,** whichever occurs first.

[(c) In order to take credit in the form of an excess profit carry forward in any filing of an excess profits report, the filer shall file the following which shall be attached to the excess profits report in which the carry forward is to be taken:

1. A copy of the excess profit report which originally showed the existence of an excess profit; and

2. Excess Profits Exhibits One through Six (for excess profits determined prior to 1996) or Exhibits One through Four (for excess profits determined in 1996 or later) containing the data that shows the adverse development of the pertinent accident year or years.]

11:3-20.10 Order for further information

(a) If, after examination of the insurer's excess profit[s] report, the Commissioner finds that any information or calculation [contained] in such report contains, results in, or is based upon aberrant, unusual or irregular data, the Commissioner shall issue[, in writing,] an order to such insurer, directing that the information or calculation be altered in a manner necessary to eliminate the effect of the aberrant, unusual or irregular data.

(c) (No change.)

APPENDIX

EXCESS PROFIT EXHIBITS--INSTRUCTIONS

In all Exhibits, dollars are stated as whole numbers, **and** ratios are expressed as decimals [and] rounded to the third decimal place. Where a three-year sum is expressed as a ratio, the ratio required is the ratio of three years' dollar figures and not the sum of **the** three ratios.

The Exhibits attached are [1996] **2002** exhibits. Where exhibits for [prior years or] later years must be reported, the filer is required to submit Exhibits which are substantially similar to the attached Exhibits to report the [prior years' or] later years' data[,] and which contain all information, including dates, adjusted accordingly.

INPUT SHEET

The Input Sheet consists of four sections:
Section A is for the Bodily Injury Liability and Uninsured/Underinsured Motorist coverages (BI/UM).
Section B is for the Property Damage Liability coverage (PD).
Section C is for the Personal Injury Protection and Medical Payments coverages (PIP).
Section D is for Comprehensive, Collision and other miscellaneous Physical Damage coverages (Phys Dam).

Enter the data in the appropriate sections as described below. The instructions apply uniformly to each of the four sections except where noted.

Exhibit One

All data in Exhibit One is from Page 15 for CY 2001 through 1994.

- **Col (1): Direct Written Premium**

Item 1: Written Premium.

Item 2: That portion of assessments paid by the company to the UCJF relating to private passenger automobile insurance (applicable for PIP only).

Items 3a through 3f: Data for Motorcycles, Off-Road Vehicles, Motor Homes, Antique Autos, Excess Liability and Finance & Service Charges, respectively. This data shall be listed only if it is included as part of Item 1 above.

- **Col (2): Direct Earned Premium**
  Item 1: Earned Premium.
  Item 2: same definition as Col (1).
  Items 3a through 3f: same definition as in Col (1).
- **Col (3A): Paid Dividends**
  Item 1: Paid Dividends, including Excess Profit Refunds.
  Items 3a through 3e: Data for Motorcycles, Off-Road Vehicles, Motor Homes, Antique Auto and Excess Liability, respectively. This data shall be listed only if it is included as part of Item 1 above.
- **Col (3B): Declared, but Unpaid Dividends**
  Item 1: Declared, but Unpaid Dividends, including Excess Profit Refunds.
  Items 3a through 3e: same definition as in Col (3A).
- **Col (4): Direct Unearned Premium Reserve**
  Item 1: Unearned Premium Reserve.
  Items 3a through 3e: same definition as in Col (3A).
- **Col (5): Direct Paid Loss**
  Item 1: Paid Loss.
  Item 2: Excess Medical Benefits reimbursed to the company from the UCJF relating to private passenger automobile insurance (applicable for PIP only).
  Items 3a through 3e: same definition as in Col (3A).
- **Col (6): Direct Incurred Loss**
  Item 1: Incurred Loss (Case plus Bulk/IBNR).
  Item 2: Excess Medical Benefits reimbursed to the company from the UCJF relating to private passenger automobile insurance (applicable for PIP only).
  Items 3a through 3e: same definition as in Col (3A).
- **Col (7): Direct Unpaid Loss**
  Item 1: Unpaid Loss (Case plus Bulk/IBNR).
  Item 2: Excess Medical Benefits reimbursed to the company from the UCJF relating to private passenger automobile insurance (applicable for PIP only).
  Items 3a through 3e: same definition as in Col (3A).
- **Col (8): Direct Paid ALAE**
  Item 1: Paid ALAE
  Items 3a through 3e: same definition as in Col (3A).
- **Col (9): Direct Incurred ALAE**
  Item 1: Incurred ALAE (Case plus Bulk/IBNR).
  Items 3a through 3e: same definition as in Col (3A).
- **Col (10): Direct Unpaid ALAE**
  Item 1: Unpaid ALAE (Case plus Bulk/IBNR).

Items 3a through 3e: same definition as in Col (3A).

Exhibit Two, Part One

All data in Exhibit Two, Part One is the allocation of CY data from Page 15 to AYs 2001 through 1994.

- **Col (1): Incremental Direct Paid Loss, by AY paid during each CY. The total of each column must equal Exhibit 1, Col (5), Item 1 less the sum of Items 3a-3e for each corresponding CY.**
- **Col (3A): Direct Unpaid Case Loss by AY as of each CY end.**
  Col (3B): Direct Unpaid Bulk/IBNR Loss by AY as of each CY end. The total of each column for Col (3A) and Col (3B) combined must equal Exhibit 1, Col (7), Item 1 less the sum of Items 3a-3e for each corresponding CY.
- **Col (5): Incremental Direct Paid ALAE by AY paid during each CY. The total of each column must equal Exhibit 1, Col (8), Item 1 less the sum of Items 3a-3e for each corresponding CY.**
- **Col (7A): Direct Unpaid Case ALAE by AY as of each CY end.**
  Col (7B): Direct Unpaid Bulk/IBNR ALAE by AY as of each CY end. The total of each column for Col (7A) and Col (7B) combined must equal Exhibit 1, Col (10), Item 1 less the sum of Items 3a-3e for each corresponding CY.

Exhibit Two, Part Two

All data in Exhibit Two, Part Two is the allocation of data from the first calendar quarter to AY 2002 through 1995.

- **Col (10): Incremental Direct Paid Loss by AY paid during the first calendar quarter of each year**.
- **Col (12A): Direct Unpaid Case Loss by AY as of the end of the first calendar quarter of each year.**
  Col (12B): Direct Unpaid Bulk/IBNR Loss by AY as of the end of the first calendar quarter of each year.
- **Col (14): Incremental Direct Paid ALAE by AY paid during the first calendar quarter of each year.**
- **Col (16A): Direct Unpaid Case ALAE by AY as of the end of the first calendar quarter of each year.**
  Col (16B): Direct Unpaid Bulk/IBNR ALAE by AY as of the end of the first calendar quarter of each year.

Exhibit Two, Part Three

All data in Exhibit Two, Part Three is from Part III of the countrywide Insurance Expense Exhibit (IEE) for CYs 2001 through 1997 and is for BI/UM/PD/PIP and Phys Dam coverages only.

- **Col (19): Direct Incurred Loss**
- **Col (20): Direct Incurred ALAE**
- **Col (22): Direct Incurred ULAE**

Exhibit Three

Enter the tail factor for Incurred Loss and ALAE @ 99 months to ultimate, for BI/UM and PIP coverages only. If the tail factor is greater than 1.000, provide documentation.

Exhibit Four

All data in Exhibit Four, Col (1) is from Part III of the countrywide Insurance Expense Exhibit (IEE) for CYs 2001 through 1999 and is for BI/UM/PD/PIP and Phys Dam coverages only.

- **Col (1), Item 1: Direct Written Premium**
- **Col (1), Item 2: Direct Earned Premium**
- **Col (1), Item 3: Direct Other Acquisition Expense**
- **Col (1), Item 4: Direct General Expense**
- **Col (1), Item 5: Direct Commission & Brokerage Expense**
- **Col (1), Item 6: Direct Taxes, Licenses & Fees**

All data in Exhibit Four, Col (3) is from Page 15 for CYs 2001 through 1999. For the BI/UM and PD coverages, data reported on Line 19.2 is to be split and listed under the appropriate section.

- **Col (2), Item 5: Direct Commission & Brokerage Expense**
- **Col (2), Item 6: Direct Taxes, Licenses & Fees**
- **Col (2), Item 8: LAD Fees Paid**

Exhibit Five

All data in Exhibit Five is countrywide for CYs 2001 through 1998 and is not split by coverage.

- **Part 1, Item 1: Agents Balance**

- **Part 1, Item 2: Unearned Premium Reserve**
- **Part 2, Item 1: Interest, Dividends and Real Estate Income**
- **Part 2, Item 2.1: Investment Expense Incurred**
- **Part 2, Item 2.2: Depreciation on Real Estate**
- **Part 2, Item 2.3: Unaffiliated Preferred Stock**
- **Part 2, Item 2.4: Affiliated Preferred Stock**
- **Part 2, Item 2.5: Unaffiliated Common Stock**
- **Part 2, Item 2.6: Affiliated Common Stock**
- **Part 2, Item 2.7: Other Invested Assets**
- **Part 2, Item 2.8: Real Estate for Company's Own Occupancy**
- **Part 2, Item 4.1: Bonds Acquired**
- **Part 2, Item 4.2: Mortgage Loans on Real Estate**
- **Part 2, Item 4.3: Real Estate Acquired**
- **Part 2, Item 4.4: Collateral Loans**
- **Part 2, Item 4.5: Cash on Hand and on Deposit**
- **Part 2, Item 4.6: Short-Term Investments**
- **Part 2, Item 4.7: Derivative Investments**

Exhibit Six

All data in Exhibit Six is for the New Jersey Automobile Insurance Risk Exchange (NJ AIRE) and is AYs 2000 through 1994, evaluated @ 15 months and an estimate for AY 2001 (applicable for BI/UM only).

- **Part 1: AIRE Allocation by AY received during the CY, as reported on the NJ AIRE Form 3 Reimbursement Report. Data for the latest AY shall be the company's best estimate; plus AIRE Investment Income by AY received during the CY, as reported on the NJ AIRE Annual Cash Settlement True-Up Report. Data for the latest AY shall be the company's best estimate.**
- **Part 4: AIRE Assessment by AY paid during the CY, as reported on the NJ AIRE Form 3 Reimbursement Report. Data for the current AY shall be the company's best estimate.**

Exhibit Seven

All data in Exhibit 7 is for New Jersey business only and is for the CYs 2002 through 1986.

Item 1: List any excess profit refund paid in the applicable CYs
Item 2: List any carry forward used in the applicable AYs.

Exhibit Eight

All data on Exhibit 8, except for Item 23, is generated from other exhibits.

- **Item 23: State whether or not the insurer is part of an insurance company holding system.**

EXHIBIT ONE

[Exhibit One is to be completed using data for calendar year 1995. Exhibits substantially similar to Exhibit One are to be completed for each of the years 1988 through 1994.]

<u>Exhibit One removes UCJF Assessments, Excess Medical Benefit Reimbursements and other exclusions from statewide premiums, losses and allocated loss adjustment expenses. Exhibit One consists of 32 sheets, one for each coverage for each of 8 CYs, beginning the year immediately prior to the year of submission and is uniform across all coverages.</u>

<u>For all columns, Item 3 is the sum of Items 3a-3f for premiums and Items 3a-3e for loss and ALAE from the Input Sheet. Item 4 is Item 1 - Item 2 - Item 3.</u>

<u>For Col (3), Item 5A is the excess profit refund paid listed in the Exhibit Seven portion of the Input Sheet. Item 5B = Item 4 - Item 5A.</u>

[The filer is completing and submitting four Exhibits One (i.e. one for each of four coverages for each of eight calendar years, i.e. 1988 through 1995, inclusive) for a total of 32 Exhibits One.

Item 1 is the premium and loss data as shown on Page 14 for 1994 and prior and Page 15 for 1995 and subsequent years for New Jersey of the statutory annual statement for the various calendar years. For the various private passenger auto coverages, for 1995, use the data shown on Page 15 of the 1995 annual statement as follows:

1. B1 Liability and Uninsured/Underinsured Coverage included in	Page 15 Line 19.2
2. PD Liability included in	Page 15 Line 19.2
3. PIP included in	Page 15 Line 19.1
4. Physical Damage in	Page 15 Line 21.1

For years prior to 1995, use corresponding Page 14 data for those years. In Item 1, fill in the Page 14 data for those years. Item 1A is the UCJF Assessment for the year. Items 2 through 10 are deductions from Item 1 for loss data (see Col (3), Col (4), or Col (7)) or Item 1B for premium data (see Col (1) or Col (2)), as described below. Items 2 through 10 are to be completed ONLY IF PREMIUM, LOSS OR DIVIDEND DATA FOR ITEMS 2 THROUGH 10 ARE INCLUDED IN ITEM 1.

In listing the exclusions in Item 2 through 10, note that where a premium, loss or dividend amount is contained in an Item, it is not to be contained in another Item.

For example, all excess medical benefits are to be contained in Item 2 (see below), and not contained in any of the other Items 3 through 10. Therefore, any excess medical benefits paid on a motorcycle policy are to be included in Item 2, and not in Item 3. Item 3 is to contain motorcycle premiums, losses and dividends not included in Item 2.

As another example, premiums, losses and dividends contained in Item 6, Excess and Umbrella Policies are premiums, losses and dividends on Excess/Umbrella policies that are not contained in Items 2 through 5.

Item 2 is the dollars of losses included in Item 1 which are excess medical benefits, and for which the insurer may be reimbursed by the UCJF per N.J.S.A. 39:6-61 et seq.

With regard to Item 5, please note that the New Jersey Automobile Full Insurance Availability Act (N.J.S.A. 17:30E-1 et seq.), which established the "JUA," was effective 01 January 1984, and the Market Transition Facility established pursuant to the Fair automobile Insurance Reform Act of 1990 which was operative as of October 1, 1990.

Item 7 is antique auto and may be included or excluded from the filingin the discretion of the filer.

Premiums, losses and dividends for private passenger type commercial vehicles are to be listed in Item 8 as a "write in," but only if they are contained in Item 1 for loss data, or Item 1B, for premium data, and then only the dollars of premiums and losses not contained in Items 2 through 7.

Provision is made for another "write in" exclusion in Item 9. A filer may modify the form if two lines are not sufficient.

Where any "write in" exclusion is used, a written explanation as to what is listed as an exclusion, and why it is appropriate to list the exclusion, is to be provided on a piece of paper attached to Exhibit One.

Premiums and losses for private passenger motor homes are NOT to be listed as exclusions.

Item 12 states the premiums, losses and dividends which are to be used for the excess profits calculation. For premium data, Item 12 = Item 1B - Item 11. For loss data, Item 12 = Item 1 - item 11.

Item 13, Col (3) states the claim settlement costs paid during 1995 that are directly assignable to specific claims for which loss data is included in Item 12. Item 13, Col (4) states the claim settlement costs incurred during 1995 that are directly assignable to specific claims for which loss data is included in Item 12.

Item 14, Col (3) states the costs associated with the claim settlement function that were paid during 1995, which are not directly assignable to specific claims, but which are assignable to claims for which loss data is included in Item 12. Item 14, Col (4) shows the costs associated with the claim settlement function that were incurred during 1995, which are not directly assignable to specific claims, but which are assignable to claims for which loss data is included in Item 12.

Item 15 states unpaid claim settlement costs as of 31 December 1995, which are assignable to unpaid losses shown in Item 12, Col (7).]

EXHIBIT TWO

Exhibit Two allocates CY Case Incurred Loss and ALAE to AYs and is uniform across all coverages.

Col (1) is the incremental Paid Loss for each AY in that CY only, taken from the Input Sheet.
Col (2) is the cumulative Paid Loss for each AY up to and including that CY.
Col (3) is the Case Unpaid Loss for each AY as of the end of that CY, taken from the Input Sheet.
Col (4) = Col (2) + Col (3).
Col (5) is the incremental Paid ALAE for each AY in that CY only, taken from the Input Sheet.
Col (6) is the cumulative Paid ALAE for each AY up to and including that CY.
Col (7) is the Case Unpaid ALAE for each AY as of the end of that CY, taken from the Input Sheet.
Col (8) = Col (6) + Col (7).
Col (9) = Col (4) + Col (8).
Col (10) is the incremental Paid Loss for each AY in the first quarter of that CY only, taken from the Input Sheet.
Col (11) = Col (2) + Col (10). For the most recent accident quarter, it is simply Col (10).
Col (12) is the Case Unpaid Loss for each AY as of the end of the first calendar quarter, taken from the Input Sheet.
Col (13) = Col (11) + Col (12).
Col (14) is the incremental Paid ALAE for each AY in the first quarter of that CY only, taken from the Input Sheet.
Col (15) = Col (6) + Col (14). For the most recent accident quarter, it is simply Col (14).
Col (16) is the Case Unpaid ALAE for each AY as of the end of the first calendar quarter, taken from the Input Sheet.
Col (17) = Col (15) + Col (16).
Col (18) = Col (13) + Col (17).

Col (19) through Col (23) are applicable only for Sheets 1 through 3 for each coverage.

Col (19) is the countrywide Direct Incurred Loss for that CY, taken from the Input Sheet.
Col (20) is the countrywide Direct Incurred ALAE for that CY, taken from the Input Sheet.
Col (21) = Col (19) + Col (20).
Col (22) is the countrywide Direct Incurred ULAE for that CY, taken from the Input Sheet.
Col (23) = Col (22) ÷ Col (21). The ULAE factor is the sum of one and the straight three-year average of the ratios, limited by a minimum of 1.05 and a maximum of 1.30.

[A corresponding Exhibit Two is to be completed for each calendar year and coverage for which an Exhibit One is to be completed. Therefore, the filer is completing and submitting 32 Exhibits Two. Exhibit Two completed for each calendar year "X" should start with accident year "X" going successively back to accident year 1988, and end with accident years prior to 1988 in aggregate. For example, the calendar year 1995 exhibit would include accident years 1995, 1994, 1993, 1992, 1991, 1990, 1989, 1988, and "prior to 1988." The calendar year 1994 exhibit would include the same accident years except for 1995. Parts One and Two of Exhibit Two show paid losses and allocated expenses by calendar - accident year during each calendar year for which data is reported in an Exhibit One, and also during the first three months of 1996. Part Three calculates a three year average of Unallocated Loss Adjustment expense to Loss and Allocated Loss Adjustment Expense Ratio. This part is to be completed for the three most recent calendar year exhibits.

For example, for the Exhibit Two that corresponds to Exhibit One for 1995, Exhibit Two - Part One shows:

(a) payments for losses that occurred during calendar - accident year 1995, and were paid during 1995, and during the first three months of 1996.

(b) payments for losses that occurred during the calendar - accident year 1994, and were paid during 1995, and during the first three months of 1996.

(c) etc.

For example, for the Exhibit Two that corresponds to Exhibit One for 1994, Exhibit Two - Part One shows:

(a) payments for losses that occurred during calendar - accident year 1994, and were paid during 1994, and during the first three months of 1995.

(b) payments for losses that occurred during calendar - accident year 1993, and were paid during 1994, and during the first three months of 1995.

(c) etc.

A description of each part of Exhibit Two follows.

Exhibit Two- Part One states the calendar year losses paid, as stated in Exhibit One, Item 12, Col (3) according to calendar - accident year. Col (1) shows losses paid during 1995, and Col (2) shows further losses paid during the first three months of 1996.

Exhibit Two - Part Two states the calendar year allocated loss adjustment expenses paid in Exhibit One, Item 13, Col (3), according to calendar - accident year. Col (1) states the allocated loss adjustment expenses paid during 1995, and Col (2) shows further allocated loss adjustment expenses paid during the first three months of 1996.

Exhibit Two - Part Three shows the calendar year losses, allocated loss adjustment expense and unallocated loss adjustment expense corresponding to the three most recent years of Exhibit One, Items 12, Col (4), Item 13, Col (4) and Item 14, Col (4). Ratios of unallocated loss adjustment expense to loss and allocated loss adjustment expense are derived. One plus the three year average ratio is the unallocated loss adjustment expense factor to be applied in Exhibit Eight.]

EXHIBIT THREE

Exhibit Three [states] **shows** the "development triangles" of [paid loss] **Case Incurred Loss** and ALAE for [BI/UM and PIP] **each coverage**. [This exhibit is derived from Exhibit Two.]

For each Part 2 and 5, any development factor that results in a division by zero shall instead not be considered in the calculation of loss development factors.

Part 1

Evaluations are 15, 27, 39, 51, 63, 75, 87 and 99 months for BI/UM and PIP coverages and 15, 27, 39 and 51 months for PD and Phys Dam coverages.

This part is derived from Exhibit 2, Col (18).

- **AY 2001 @ 15 months = Sheet 1, AY 2001.**
- **AY 2000 @ 15 months = Sheet 2, AY 2000.**
- **AY 2000 @ 27 months = Sheet 1, AY 2000.**
- **AY 1999 @ 15 months = Sheet 3, AY 1999.**
- **AY 1999 @ 27 months = Sheet 2, AY 1999.**
- **AY 1999 @ 39 months = Sheet 1, AY 1999.**
- **And so on through AY 1994 @ 99 months for BI/UM and PIP coverages and through AY 1994 @ 51 months for PD and Phys Dam coverages.**

Part 2

Development factors are through 87-99 months for BI/UM and PIP coverages and through 39-51 months for PD and Phys Dam coverages.

- **AY 2000 @ 15-27 months = Part 1, AY 2000 @ 27 months ÷ Part 1, AY 2000 @ 15 months.**
- **AY 1999 @ 15-27 months = Part 1, AY 1999 @ 27 months ÷ Part 1, AY 1999 @ 15 months.**
- **AY 1999 @ 27-39 months = Part 1, AY 1999 @ 39 months ÷ Part 1, AY 1999 @ 27 months.**
- **And so on through AY 1994 @ 87-99 months for BI/UM coverages and through AY 1994 @ 39-51 months for PD and Phys Dam coverages.**

For BI/UM and PIP coverages:

- **Col (A), is the straight average of all non-zero development factors, excluding the**

maximum and minimum for 15-27, 27-39, 39-51 and 51-63 months and the straight average of all non-zero development factors for 63-75, 75-87 and 87-99 months.

- **Col (A), Tail Factor @ 99 months to ultimate factor entered in the Input Sheet, if greater than one, otherwise it is the greater of one and the square root of the product of Col (A) @ 75-87 months and Col (A) @ 87-99 months.**
- **Col (B) Tail Factor = Col (A), Tail Factor.**
- **Col (B) @ 87 months to ultimate = Col (B), Tail Factor x Col (A) @ 87-99 months.**
- **Col (B) @ 75 months to ultimate = Col (B) @ 87 months to ultimate x Col (A) @ 75-87 months.**
- **Col (B) @ 63 months to ultimate = Col (B) @ 75 months to ultimate x Col (A) @ 63-75 months.**
- **And so on through 15 months to ultimate.**

For PD and Phys Dam coverages:

- **Col (A) is the straight average of all non-zero development factors, excluding the maximum and minimum.**
- **Col (B) @ 39 months to ultimate = Col (A) @ 39-51 months.**
- **Col (B) @ 27 months to ultimate = Col (B) @ 39 months to ultimate x Col (A) @ 27-39 months.**
- **Col (B) @ 15 months to ultimate = Col (B) @ 27 months to ultimate x Col (A) @ 15-27 months.**

Part 3

Development is for AYs 2001 through 1995 for BI/UM and PIP coverages and for AYs 2001 through 1998 for PD and Phys Dam coverages.

- **Col (1), AY 2001 = Part 1, AY 2001 @ 15 months.**
- **Col (1), AY 2000 = Part 1, AY 2000 @ 27 months.**
- **And so on through AY 1995 for BI/UM and PIP coverages and through AY 1998 for PD and Phys Dam coverages.**
- **Col (2), AY 2001 = Part 2, Col (B) @ 15 months to ultimate.**
- **Col (2), AY 2000 = Part 2, Col (B) @ 27 months to ultimate.**
- **And so on through AY 1995 for BI/UM and PIP coverages and through AY 1998 for PD and Phys Dam coverages.**
- **Col (3) = Col (1) x Col (2).**

Part 4

Evaluations are 15, 27, 39, 51, 63, 75 and 87 months for BI/UM and PIP coverages and 15, 27 and 51 months for PD and Phys Dam coverages.

- **AY 2000 @ 15 months = Part 1, AY 2000 @ 15 months.**

- **AY 1999 @ 15 months = Part 1, AY 1999 @ 15 months.**
- **AY 1999 @ 27 months = Part 1, AY 1999 @ 27 months.**
- **And so on through AY 1994 @ 87 months for BI/UM and PIP coverages and through AY 1994 @ 51 months for PD and Phys Dam coverages.**

Part 5

Development factors are through 75-87 months for BI/UM and PIP coverages and through 39-51 months for PD and Phys Dam coverages.

- **AY 1999 @ 15-27 months = Part 4, AY 1999 @ 27 months ÷ Part 4, AY 1999 @ 15 months.**
- **AY 1998 @ 15-27 months = Part 4, AY 1998 @ 27 months ÷ Part 4, AY 1998 @ 15 months.**
- **AY 1998 @ 27-39 months = Part 4, AY 1998 @ 39 months ÷ Part 4, AY 1998 @ 27 months.**
- **And so on through AY 1994 @ 75-87 months for BI/UM coverages and through AY 1994 @ 39-51 months for PD and Phys Dam coverages.**

For BI/UM and PIP coverages:

- **Col (A) is the straight average of all non-zero development factors, excluding the maximum and minimum for 15-27, 27-39 and 39-51 months and the straight average of all non-zero development factors for 51-63, 63-75 and 75-87 months.**
- **Col (A), Tail Factor = 99 months to ultimate factor entered in the Input Sheet x Part 2, Col (A) @ 87-99 months, if the Tail Factor is greater than one, otherwise it is the larger of one and the square root of the product of Col (A) @ 63-75 months and Col (A) @ 75-87 months otherwise.**
- **Col (B), Tail Factor = Col (A), Tail Factor.**
- **Col (B) @ 75 months to ultimate = Col (B), Tail Factor x Col (A) @ 75-87 months.**
- **Col (B) @ 63 months to ultimate = Col (B) @ 75 months to ultimate x Col (A) @ 63-75 months.**
- **Col (B) @ 51 months to ultimate = Col (B) @ 63 months to ultimate x Col (A) @ 51-63 months.**
- **And so on through 15 months to ultimate.**

For PD and Phys Dam coverages:

- **Col (A) is the straight average of all non-zero development factors, excluding the maximum and minimum.**
- **Col (B) @ 39 months to ultimate = Col (A), 39-51 months.**

- **Col (B) @ 27 months to ultimate = Col (B) @ 39 months to ultimate x Col (A) @ 27-39 months.**
- **Col (B) @ 15 months to ultimate = Col (B) @ 27 months to ultimate x Col (A) @ 15-27 months.**

Part 6

Development of AYs 1998 through 1995 for BI/UM and PIP coverages and AYs 1998 for PD and Phys Dam coverages.

- **Col (1), AY 1998 = Part 1, AY 1998 @ 51 months.**
- **Col (1), AY 1997 = Part 1, AY 1997 @ 63 months, for BI/UM and PIP coverages only.**
- **Col (1), AY 1996 = Part 1, AY 1996 @ 75 months, for BI/UM and PIP coverages only.**
- **Col (1), AY 1995 = Part 1, AY 1995 @ 87 months, for BI/UM and PIP coverages only.**
- **Col (2), AY 1998 = Part 2, Col (B) @ 51 months to ultimate.**
- **Col (2), AY 1997 = Part 2, Col (B) @ 63 months to ultimate.**
- **Col (2), AY 1996 = Part 2, Col (B) @ 75 months to ultimate.**
- **Col (2), AY 1995 = Part 2, Col (B) @ 87 months to ultimate.**
- **Col (3) = Col (1) * Col (2).**
- **Col (4), AY 1998 = Part 4, AY 1998 @ 39 months.**
- **Col (4), AY 1997 = Part 4, AY 1997 @ 51 months, for BI/UM and PIP coverages only.**
- **Col (4), AY 1996 = Part 4, AY 1996 @ 63 months, for BI/UM and PIP coverages only.**
- **Col (4), AY 1995 = Part 4, AY 1995 @ 75 months, for BI/UM and PIP coverages only.**
- **Col (5), AY 1998 = Part 5, Col (B) @ 39 months to ultimate.**
- **Col (5), AY 1997 = Part 5, Col (B) @ 51 months to ultimate, for BI/UM and PIP coverages only.**
- **Col (5), AY 1996 = Part 5, Col (B) @ 63 months to ultimate, for BI/UM and PIP coverages only.**
- **Col (5), AY 1995 = Part 5, Col (B) @ 75 months to ultimate, for BI/UM and PIP coverages only.**
- **Col (6) = Col (4) x Col (5).**
- **Col (7) = Col (3) - Col (6). Total Development Adjustment is the sum of Col (7), AYs 1998-1995 for BI/UM and PIP coverages, and Col (7), AY 1998 for PD and Phys Dam coverages.**

[Exhibit Three - Parts One and Four state the incremental paid losses and ALAE for the various calendar – accident years during various intervals. The losses and ALAE are calculated from the paid losses and ALAE contained in Exhibit Two - Parts One and Two, Exhibit Three - Part One is to be completed using calendar –accident years 1989 through 1995. Exhibit Three - Part Four is to be completed using calendar – accident years 1988 through 1994.

Exhibit Three - Parts Two and Five state the accumulated losses and ALAE for each calendar-accident year as of the various stages of development based on Exhibit Three - Parts One and Four, respectively.

Exhibit Three - Parts Three and Six state the historical development factors based on the accumulated losses and ALAE shown in Exhibit Three - Parts Two and Five, respectively.

In Exhibit Three-Parts Three and Six the "selected factor" stated in Col (5A) is determined as follows. Of the various historical factors for each development interval a simple mean is determined with the high and low values omitted. Where there are three or fewer factors, the low and high values are not to be omitted from the calculation. The "Projection Factor" stated in Col (6A) is the group of factors from Col (5A) accumulated to project losses at each stage of development to ultimate. The projection factor for 87 months to ultimate is the square root of the 63 to 87 months factor subject to a minimum of 1,000. Insurers may submit an alternative 87 months to ultimate factor with supporting documentation in written copy and in a Lotus 123 spreadsheet.

In Exhibit Three - Parts Three and Six the "Ultimate Incurred" stated in Col (3) are determined by multiplying the calendar-accident years losses and ALAE evaluated as of 31 March 1996 (Part Three) or 31 March 1995 (Part Six) by the Projection Factor from Col (6A). Each "Projection Factor to Ultimate" in Col (2) of Exhibit Three - Parts Three and Six are identical to the "Projection Factor" stated in Col (6A).

Exhibit Three - Part Seven compares the Ultimate Incurred Losses and ALAE calculated in Exhibit Three - Parts Three and Six.

EXHIBIT FOUR

Exhibit Four summarizes data from Exhibit Two to derive the development triangles of paid losses and ALAE, for Property Damage Liability and Physical Damage. The various parts of Exhibit Four analyze paid losses and ALAE in the same way that Exhibit Three analyzes paid losses and ALAE. The only difference is that, for Physical Damage, ultimate paid is deemed to be reached at 51 months of development.]

EXHIBIT [FIVE] **FOUR**

Exhibit [Five] **Four**, [Part One] **Part 1**, [states] **shows** countrywide direct premiums and expenses from Part [II] **III** of the statutory Insurance Expense Exhibit. [An] Exhibit [Five] **Four** [is to] include**s** each of the **three** years [1993, 1994 and 1995] **immediately preceeding the year of submission**. [Other Acquisition and General Expenses are to be stated, in Col (2) and Col (4) as ratio to Direct Earned Premium. Commission and Brokerage and Taxes, Licenses and Fees are to be stated, in Col (2) and Col (4) as ratios to Direct Written Premium.]

Exhibit [Five] **Four**, [Part Two] **Part 2** [states] **shows** New Jersey **direct premiums and** expense**s** **from Page 15** for each **of the three years immediately preceeding the year of submission** .[coverage with ratios in Col (2) and Col (4), to earned premium or written premium as described for Exhibit Five - Part One above. Exhibit Five - Part Two, Prepaid Expenses, Item 7, Cols (1) and (3) = 1/2 x (Item 2 +Item3) + Item 5 + Item 6. Prepaid expenses are to be stated as ratios to earned premium in Col (2) and Col (3). Exhibit Five - Part Two, Item 8, LAD Fees, Columns (2) and (14) are to be stated as ratios to written premium.

Exhibit Five - Part Two is to include each of the calendar years 1993, 1994 and 1995.]

- **Part 1, Col (1), Items 1 through 6 are Direct Written Premium, Direct Earned Premium, Direct Other Acquisition Expense, Direct General Expense, Direct Commission & Brokerage and Direct Taxes, Licenses, and Fees, respectively, from the Input Sheet.**
- **Part 1, Col (1), Item 7 = ½ x [(Col (1), Item 3 + Col (1), Item 4)].**
- **Part 1, Col (2), Item 3 = Col (1), Item 3 ÷ Col (1), Item 2.**
- **Part 1, Col (2), Item 4 = Col (1), Item 4 ÷ Col (1), Item 2.**
- **Part 1, Col (2), Item 5 = Col (1), Item 5 ÷ Col (1), Item 1.**
- **Part 1, Col (2), Item 6 = Col (1), Item 6 ÷ Col (1), Item 1.**
- **Part 1, Col (2), Item 7 = Col (1), Item 7 ÷ Col (1), Item 2.**
- **Part 2, Col (3), Item 1 = Exhibit 1, Col (1), Item 4.**
- **Part 2, Col (3), Item 2 = Exhibit 1, Col (2), Item 4.**
- **Part 2, Col (3), Item 3 = Col (3), Item 2 x Col (2), Item 3.**
- **Part 2, Col (3), Item 4 = Col (3), Item 2 x Col (2), Item 4.**
- **Part 2, Col (3), Item 5 is from the Input Sheet**
- **Part 2, Col (3), Item 6 is from the Input Sheet**
- **Part 2, Col (3), Item 7 = ½ x [Col (3), Item 3 + Col (3), Item 4].**
- **Part 2, Col (3), Item 8 is from the Input Sheet**
- **Part 2, Col (4), Item 3 = Col (3), Item 3 ÷ Col (3), Item 2.**
- **Part 2, Col (4), Item 4 = Col (3), Item 4 ÷ Col (3), Item 2.**
- **Part 2, Col (4), Item 5 = Col (3), Item 5 ÷ Col (3), Item 1.**
- **Part 2, Col (4), Item 6 = Col (3), Item 6 ÷ Col (3), Item 1.**
- **Part 2, Col (4), Item 7 = Col (3), Item 7 ÷ Col (3), Item 2.**
- **Part 2, Col (4), Item 8 = Col (3), Item 8 ÷ Col (3), Item 1.**

EXHIBIT [SIX] **FIVE**

Exhibit [Six] **Five**--Part One shows **actual** investment income attributable to New Jersey private passenger auto for the purpose of completing excess profit[s] reports in each of the three calendar years covered by this report.

[The following is an example of the entries using data for calendar year 1995. Data substantially similar to this example are to be completed for calendar years 1993 and 1994.

Item 1 is countrywide data from the 1995 statutory annual statement, page 2, column 1, the sum of lines 9.1, 9.2, 9.3, 10 and 11.

Item 2 is countrywide data from the statutory annual statement, page 3, column 1, line 9.

NOTE: Limit Item 3 to a maximum of 1.000.

Item 4 is Exhibit Five – Part Two, Columns (1) and (3), Item 7

Item 5 is Exhibit One, Col. (1), and Item 12.

NOTE: Limit item 6 to a maximum of 1.000.

Item 7 is Exhibit One, Col. (6), Item 12 for 1995.

Item 8 is Exhibit One, Col. (6), Item 12 for 1994.

Item 9A = Item 9 x(1 – Item 3 – Item 6).

NOTE: Limit Item 9A to a minimum of 0.

Item 10 is Exhibit One, Col. (7), Item 12 for 1995.

Item 11 is Exhibit One, Col. (7), Item 12 for 1994.

Item 13 is Exhibit One, Col. (7), Item 12 for 1995.

Item 14 is Exhibit One, Col. (7), Item 12 for 1994

Item 16G is the expected loss and loss adjustment expense ratio which is used to determine the investment income offset in the filer's filed and approved rate filings. The filer must submit a copy of the portion of the filing showing this figure, and show how it was used to determine the investment income offset in Exhibit 9.

Item 18 is Exhibit Six – Part Four, Item 3.

Item 19 is Actual Investment Income = Item 17 x Item 18]

- **Items 1 and 2 are from the Input Sheet.**
- **Item 3 = Item 1 ÷ Item 2, with a maximum of 1.0.**

- **Item 4 = Exhibit 4, Col (3), Item 7.**
- **Item 5 = Exhibit 4, Col (3), Item 1.**
- **Item 6 = Item 4 ÷ Item 5, with a maximum of 1.0.**
- **Item 7a for 2001 = Exhibit 1, CY 2000, Col (4), Item 4.**
- **Item 7a for 2000 = Exhibit 1, CY 1999, Col (4), Item 4.**
- **Item 7a for 1999 = Exhibit 1, CY 1998, Col (4), Item 4.**
- **Item 7b for 2001 = Exhibit 1, CY 2001, Col (4), Item 4.**
- **Item 7b for 2000 = Exhibit 1, CY 2000, Col (4), Item 4.**
- **Item 7b for 1999 = Exhibit 1, CY 1999, Col (4), Item 4.**

- **Item 7 = [Item 7a + Item 7b] / 2.**
- **Item 8 = Item 7 x [1 - Item 3 - Item 6] if positive, and zero otherwise.**
- **Item 9a for 2001 = Exhibit 1, CY 2000, Col (7), Item 4.**
- **Item 9a for 2000 = Exhibit 1, CY 1999, Col (7), Item 4.**
- **Item 9a for 1999 = Exhibit 1, CY 1998, Col (7), Item 4.**
- **Item 9b for 2001 = Exhibit 1, CY 2001, Col (7), Item 4.**
- **Item 9b for 2000 = Exhibit 1, CY 2000, Col (7), Item 4.**
- **Item 9b for 1999 = Exhibit 1, CY 1999, Col (7), Item 4.**
- **Item 9 = [Item 9a + Item 9b) / 2].**
- **Item 10a for 2001 = Exhibit 1, CY 2000, Col (10), Item 4.**
- **Item 10a for 2000 = Exhibit 1, CY 1999, Col (10), Item 4.**
- **Item 10a for 1999 = Exhibit 1, CY 1998, Col (10), Item 4.**
- **Item 10b for 2001 = Exhibit 1, CY 2001, Col (10), Item 4.**
- **Item 10b for 2000 = Exhibit 1, CY 2000, Col (10), Item 4.**
- **Item 10b for 1999 = Exhibit 1, CY 1999, Col (10), Item 4.**
- **Item 10 = [Item 10a + Item 10b] / 2.**
- **Item 11 = Exhibit 2, Part 3, ULAE Factor.**
- **Item 12 = [Item 9 + Item 10] x Item 11.**
- **Item 13 = Item 8 + Item 12.**
- **Item 14 = Part 2C, Item 8, 3 Year Total.**
- **Item 15 = Item 13 x Item 14.**

[Exhibit Six - Part Two shows Anticipated Investment Income and Excess Investment Income. Item 1 is Exhibit One, Col (2), Item 12.

Item 2 is the filed and approved pre-tax investment income offset expressed as a ratio to premiums that was on file with the department in each of the latest three calendar years. This is the percent used to reduce the Clifford pre-tax target rate of return (i.e. 3.5% divided by the complement of the corporate federal income tax rate) to premiums for the effect of investment income. A copy of the portion of the filing showing this calculation is be included as Exhibit Nine. If the filer submits no documentation of the investment income offset that has been approved by the Department, then Item 2 is the number zero.

Item 3 = Item 1 x Item 2.

Item 4 is Exhibit Six - Part One, Item 19.

Item 5 = (Item 4 = Item 3) if Item 4 > Item 3.

If Item 4 < Item 3 then Item 5 - (Exhibit Six - Part One, Item 17) x (six months average of the Moody's seasoned AAA corporate bond rate as of April 1 of each year) - Item 3, or zero which ever is less.]

Exhibit [Six] **Five**--Part [Three] **Two**. [The] **All** data [in items 1 to 9 is from] **is from the countrywide statutory annual statement for** investments purchased in each of the three calendar years covered by this report.

- **Part 2A, Items 1 through 2.8 are from the Input Sheet.**
- **Part 2A, Item 2 = the sum of Part 2A, Items 2.1 through 2.8.**
- **Part 2A, Item 3 = Part 2A, Item 1 - Part 2A, Item 2.**
- **Part 2B, Items 4.1 through 4.7 are from the Input Sheet.**
- **Part 2B, Item 4 = the sum of Part 2B, Items 4.1 through 4.7.**
- **Part 2B, Item 5 = 1/2 x Part 2B, Item 4.**
- **Part 2C, Item 6 = Part 2A, Item 3.**
- **Part 2C, Item 7 = Part 2B, Item 5.**
- **Part 2C, Item 8 = Part 2C, Item 6 ÷ Part 2C, Item 7.**

[Item 1 is interest, dividend and real estate income included in page 6, part 1, col, 8, line 10 that was earned on investments purchased in each of the three calendar years covered by this report.

Item 2 is the total investment expenses included in page 6, part 1, line 11 that were incurred from investments purchased in each of the three calendar years covered by this report.

Item 3 is the depreciation on real estate included in page 6, part 1, line 12 from investments purchased in each of the three calendar years covered by this report.

Item 4 is income on unaffiliated preferred stocks included in page 6, part 1, col. 8, line 2.1 that were purchased in each of the three calendar years covered by this report.

Item 5 is income on affiliated preferred stocks included in page 6, part 1, col. 8, line 2.2 that were purchased in each of the three calendar years covered by this report.

Item 6 is income on unaffiliated common stocks included in page 6, part 1, col. 8, line 2.21 that were purchased in each of the three calendar years covered by this report.

Item 7 is income on affiliated common stocks included in page 6, part 1, col. 8, line 2.21 that were purchased in each of the three calendar years covered by this report.

Item 8 is income on other invested assets included in page 6, part 1, col. 8, line 7 that were purchased in each of the three calendar years covered by this report.

Item 9 is the amount included in real estate for company's occupancy of its own buildings in Footnote (c) for 1994 and subsequent statements and Footnote S for 1993 and prior statements on real estate that was purchased during each of the three calendar years covered by this report.

Item 10 = Item 2 + 3 + 4 + 5 +6 + 7 + 8 + 9.

Item 11 = Item 1 - Item 10.

The data in Items 1.1 to 5.1 is the value of investments that were purchased in each of the three calendar years covered by this report.

Item 1.1 is Bonds Acquired in Schedule D, Part 3, Column 5 for each of the three calendar years covered by this report.

Item 2.1 is Mortgage Loans on Real Estate made or increased in Schedule B for each of the three calendar years covered by this report.

Item 2.2 is Real Estate acquired in Schedule A, Part 2 for each of the three calendar years covered by this report.

Item 3.1 is Collateral Loans made in Schedule C, Part 2 for each of the three calendar years covered by this report.

Item 4.1 Cash on Hand and on Deposit is the 12-month average of the depository balances on the last day of each month in Schedule N for each of the three calendar years covered by this report.

Item 4.2 is Short Term Investments in Schedule DA, Part 1 for each of the three calendar years covered by this report.

Item 5.1 for 1994 and subsequent is derivative instruments acquired, written and opened in Schedule DB, Parts A, B, C and D, Section 2 plus Schedule DC, Parts A, B and C, Section 2 and for 1993 and prior is financial options and futures acquired, written and opened in Schedule DB, Parts A, B and C, Section 2.

Item 6.1 = Item 1.1 + 2.1 + 2.2 + 3.1 + 4.1 + 4.2 + 5.1

Item 7 = Item 6.1/2

Exhibit Six - Part Four calculates the company rate of return for each accident year.

Item 1: Adjusted Investment Income = Item 11 summed over 1993, 1994 and 1995 for accident year 1993; Item 11 summed over 1994 and 1995 for accident year 1994; Item 11 1995 for Accident Year 1995.

Item 2: Adjusted Invested Assets = Item 7 summed over 1993, 1994 and 1995 for accident year 1993; Item 7 summed over 194 and 1995 for accident year 1994; Item 7 1995 for accident year 1995.

Item 3: Rate of Return on Assets Purchased during an accident year = Item 1/Item 2.]

EXHIBIT [SEVEN] **SIX**

Exhibit [Seven] **Six**-Part One [states] **shows** the accumulated AIRE [compensation] **Allocation and Investment Income** received **by the insurer** for each accident year as of the various stages of development, as derived from the Assessment Allocation column in the Statewide Company Annual Cash Settlement Report issued by ISO to AIRE member companies added to the Investment Income column in the Annual Cash Settlement True-Up Report issued by ISO to AIRE member companies. **This exhibit applies only to the BI/UM coverage.**

For each Part 2 and 5, any development factor that results in a division by zero shall instead not be considered in the calculation of AIRE development factors.

Part 1

Evaluations are 15, 27, 39, 51, 63, 75 and 87 months.

All values in Part 1 is the cumulative of the Allocation and Investment Income received for the appropriate AYs.

Part 2

Evaluations are through 75-87 months.

- **AY 2000 @ 15-27 months = Part 1, AY 2000 @ 27 months ÷ Part 1, AY 2000 @ 15 months.**
- **AY 1999 @ 15-27 months = Part 1, AY 1999 @ 27 months ÷ Part 1, AY 1999 @ 15 months.**
- **AY 1999 @ 27-39 months = Part 1, AY 1999 @ 39 months ÷ Part 1, AY 1999 @ 27 months.**
- **And so on through AY 1995 @ 75-87 months.**

- **Col (A) is the straight average of all non-zero development factors, excluding the maximum and minimum for 15-27, 27-39 and 39-51 and the straight average of all non-zero development factors for 51-63, 63-75 and 75-87 months.**
- **Col (B) @ 75 months to ultimate = Col (A) @ 75-87 months.**
- **Col (B) @ 63 months to ultimate = Col (B) @ 75 months to ultimate x Col (A) @ 63-75 months.**
- **And so on through 15 months to ultimate.**

[Exhibit Seven - Part Two states the historical development factors based on accumulated AIRE compensation in Exhibit Seven - Part One. These factors are used to calculate projection factors to ultimate as shown in Col (2).Col (1) is the estimated AIRE compensation received as of the latest valuation point.

Col (2) is the development factors from above, accumulated to project AIRE compensation in Col (1) to ultimate. Col (3) - Col (1) x Col (2).]

Part 3

Evaluations are for AY 2001, 2000 and 1999.

- **Col (1), AY 2001 is the sum of the estimated AIRE Allocation and Investment Income @ 15 months as entered on the Input Sheet.**
- **Col (1), AY 2000 = Part 1 AY 2000 @ 15 months.**
- **Col (1), AY 1999 = Part 1 AY 1999 @ 27 months.**
- **Col (2), AY 2001 and AY 2000 = Part 2, Col (B) @ 15 months to ultimate.**
- **Col (2), AY 1999 = Part 2, Col (B) @ 27 months to ultimate.**
- **Col (3) = Col (1) x Col (2)**

Exhibit [Seven] **Six**-Part [Three] **Four** [states] **shows** the accumulated AIRE [charges] **Assessment** paid **by the insurer** for each accident year as of the various stages of development as derived from the Assessments at Present Rate column in the Annual Cash Settlement Report issued by ISO to AIRE member companies.

[Exhibit Seven - Part Four states the historical development factors based on accumulated AIRE charges in Exhibit Seven - Part Three. These factors are used to calculate projection factors to ultimate as shown in Col (2).

Col (1) is the estimated AIRE charges received as of the latest valuation point.

Col (2) is the development factors from above, accumulated to project AIRE charges in col (1) to ultimate. Col (3) - Col (1) X Col (2).]

Parts 4-6

<u>Parts 4-6 are substantially the same as Parts 1-3, with AIRE Assessment substituting for the sum of AIRE Allocation and Investment Income.</u>

[Exhibit Seven - Part Five states the Net AIRE for the three most recent years. Col (1) is the AIRE compensation from Exhibit Seven - Part Two, Col (3), Col (2) is the AIRE charges from Exhibit Seven - Part Four, Col (3). Col (3) - Col (1) - Col (2).]

<u>Part 7</u>

- **<u>Col (1) = Part 3, Col (3)</u>**
- **<u>Col (2) = Part 6, Col (3)</u>**
- **<u>Col (3) = Col (1) - Col (2)</u>**

<u>EXHIBIT SEVEN</u>

<u>Exhibit Seven shows the excess profit paid in each of the last 17 CYs and carry forward used in each of the last 19 AYs by coverage along with the total.</u>

<u>Item 1 is the excess profit paid by the company as stated in the Input Sheet.</u>
<u>Items 2.1 through 2.19 are the carry forwards used in the applicable AYs as stated in the Input Sheet.</u>
<u>Item 2 is the total of Items 2.1 through 2.19.</u>
<u>Item 3 = Item 1 - Item 3.</u>

EXHIBIT EIGHT

Exhibit Eight uses the data developed in Exhibits One through Seven to calculate excess profit[s] **<u>for AYs 1999, 2000 and 2001, as well as a three-year total</u>**.

The sources of data for Eligible Eight follow.

Item 1: Direct Calendar Year Written Premium, Exhibit One, Item 12.

Item 2: Direct Calendar Year Earned Premium, Exhibit One, Item 12

Item 3: Net AIRE from Exhibit Seven – Part Five, for the “BI Liability and Uninsured/Underinsured Motorists Coverages” and “Total” Exhibits only.

Item 4: Apportioned share of MTF operating loss paid (to be reported only on the “BI Liability and Uninsured/Underinsured Motorists Coverages” and “Total” Exhibits.

Item 5A: For BI Liability and Uninsured Motorists and PIP, “Ultimate Insured,” per Exhibit Three – Part Three, Col. (3). For Property Damage Liability and Physical Damage, “Ultimate Incurred”, per Exhibit Four – Part Three, Col. (3).

Item 5B: ULAE Factor from Exhibit Two – Part Three.

Item 5C: Item 5A x Item 5B.

Item 6: Ratio of Item 5C to Item 2.

Item 7: Commissions, Exhibit Five – Part Two, Item 5.

Item 8: Other acquisitions, Exhibit Five – Part Two, Item 2.

Item 9: General Expense, Exhibit Five – Part Two, Item 3.

Item 10: Taxes, Licenses & Fees, Exhibit Five – Part Two, Item 6.

Item 11A: LAD Fees, Exhibit Five – Part Two, Item 8.

Item 11B: Allowable percent of LAD fees in excess profits reports = 50%.

Item 11C: Item 11A x Item 11B.

Item 12: Dividends, Exhibit One, Item 12B.

Item 13: Excess Profits Refunds, exhibit One, Item 12A.

Item 14: Item 12 + Item 13.

Item 15: Ratio Item 14/Item 2.

Item 16: = Item 2 + Item 3 – Item 4- Item 5C – Item 7 – Item 8 – Item 9 – Item 10 – Item 11C – Item 14.

Item 17: Insurer's filed and approved allowance for profits and contingencies in the filer's approved rate filing, expressed as a ratio and multiplied by the earned premium stated in Item 2. Provide copy of filing showing approved allowance for profit and contingencies provision as part of Exhibit Nine. If the filer submits no documentation of the profits and contingencies ratio that has been approved by the Department, then the Profits and Contingencies ratio is 3.5% divided by the complement of the corporate federal income tax rate.

Item 18 + Item 16 – Item 17.

Item 19 = Exhibit Three – Part Seven, Total, Col. (3) for BI Liability and Uninsured/Underinsured Motorists and PIP; Exhibit Four – Part Seven, Col. (3), for Property Damage Liability and Physical Damage.

Item 20 + Item 18 – Item 19.

Item 21: Exhibit Six – Part Two, Item 5.

Item 23 = Item 20 + Item 21 – Item 22.

Item 24 is .005 x Item 2 for a filer that is a member of a holding company system, and 0 for all other filers.

Item 25A is the percent of NCIC pool participation .

Item 25B is the NCIC pool loss.

Item 25C = Item 25A x Item 25B

Item 26 – Item 23 – Item 24 – Item 25C]

- **Item 1 = Exhibit 1, Col (1), Item 4.**
- **Item 2 = Exhibit 1, Col (2), Item 4.**
- **Item 3 = Exhibit 1, Col (3), Item 5b.**
- **Item 4 = Exhibit 6, Part 7, Col (3) for BI/UM and zero for all other coverages.**
- **Item 5 = Item 2 - Item 3 + Item 4.**
- **Item 6 = Exhibit 3, Part 3, Col (3).**
- **Item 7 = Exhibit 2, Part 3, ULAE Factor.**
- **Item 8 = Item 6 x Item 7.**
- **Item 9 = Item 8 ÷ Item 5.**
- **Item 10 = Exhibit 4, Col (3), Item 5.**
- **Item 11 = Exhibit 4, Col (3), Item 3.**
- **Item 12 = Exhibit 4, Col (3), Item 4.**
- **Item 13 = Exhibit 4, Col (3), Item 6.**
- **Item 14a = Exhibit 4, Col (3), Item 8.**
- **Item 14b = 50 percent.**
- **Item 14 = Item 14a * Item 14b.**
- **Item 15 = Item 10 + Item 11 + Item 12 + Item 13 + Item 14.**
- **Item 16 = Item 5 - Item 8 - Item 15**
- **Item 17 = Item 2 x Clifford Formula [3.5 percent divided by 1 minus the Federal corporate tax rate of 35 percent]**
- **Item 18 = Exhibit 5, Part 1, Item 15**
- **Item 19 = Items 16 - Item 17 + Item 18**
- **Item 20 = Exhibit 3, Part 6, Col (7), for the three-year total only.**

- **<u>Item 21 = Item 19 - Item 20, for the three-year total only.</u>**
- **<u>Item 22 = Item 2 x Additional Non-Excessive Profit Allowance [2.5 percent divided by 1 minus the Federal corporate tax rate of 35 percent].</u>**
- **<u>Item 23 = Item 2 x Holding Company Non-Excessive Subsidization [0.5 percent]</u>**
- **<u>Item 24 = Item 21 - Item 22 - Item 23, for the three year total only</u>**

<u>Item 25 = Exhibit 7, Item 2.</u>
<u>Item 26 = Item 24 - Item 25, for the three year total only.</u>

[EXHIBIT NINE

Exhibit Nine is the derivation of the investment income offset and the portion of the filer's latest approved filing showing the approved expected loss ratio (applied in exhibit Six - Part One), pre-tax investment income offset (applied in Exhibit Six - Part Two) and profit and contingencies provision (applied in Exhibit Eight).

Item 1 is the approved expected loss ratio for each year.

Item 2 is the approved profit and contingencies provision for each year.

Item 3 is the Clifford After Tax Provision of 3.5%.

Item 4 is the tax rate applied in the latest approved filing.

Item 5 is the Clifford Pre Tax Provision - Item 3/[1 - Item 4]

Item 6 is the Pre-Tax Investment Income Offset - Item 5 - Item 2.]

N.J.A.C. 11:3-20 APPENDIX
INPUT FORMS AND EXHIBITS

Introduction

The appendix contains the Input Forms that must be used by insurers in the submission of data as part of the excess profit report. The exact format contained herein must be used. In accordance with <u>N.J.A.C. 11:3-20.4(a)</u>, insurers can receive a copy of these forms on a [computer diskette] **<u>CD-ROM</u>** together with the required formulas from the Department. These Input Forms are to be used for the following coverages: BI/UM, PD, [and] PIP coverage and physical damage.

The Appendix also contains copies of Exhibit One to Exhibit Eight of the excess profit[s] report. Once again, the format must be strictly followed. Copies can be obtained in accordance with <u>N.J.A.C. 11:3-20.4(c)</u>.

[Exhibit Ten is to be completed by individual insurers in an insurance company holding systems when they are complying with N.J.S.A. 17:29A-5.7a(4) by filing under N.J.A.C. 11:3-20.6(a).]

Agency Note: The Department proposed to repeal the current Appendix Input Screen and Exhibits One through Ten, which are not reproduced herein, with Input Sheets and Exhibits 1 through 8D, the text of which follows:

Dht02-01/inoregs