

APPENDIX

EXCESS PROFIT EXHIBITS--INSTRUCTIONS

In all Exhibits, dollars are stated as whole numbers, and ratios are expressed as decimals to the third decimal place. Where a [three-year] sum is expressed as a ratio, the ratio required is the ratio of [three] **the** years' dollar figures and not the sum of the [three] **individual years'** ratios. The Exhibits attached are [2002] **2004** exhibits. Where exhibits for later years must be reported, the filer is required to submit Exhibits which are substantially similar to the attached Exhibits to report the 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 [, Medical Payments coverages and Uninsured/Underinsured Motorist coverages] **coverage [(BI/UM)] (BI)**.

Section B is for the **other Liability coverages, including** Property Damage Liability coverage **and uninsured and underinsured motorist coverages** (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.

In this appendix, "Year 0" refers to the year in which the report is filed, "Year -1" refers to the first year prior to the year the report is filed, "Year -2" refers to the second year prior to the year the report is filed, and so on. For example, for reports filed in 2004, "Year -1" is 2003 and "Year -2" is 2002.

Exhibit One

All data in Exhibit One is from statutory Page [15]14 for CY [2001]Year -1 through [1994] Year -9.

- Col (1): Direct Written Premium

Item 1: Written Premium.

Items 2a through 2f: 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.

Item [2]4: 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.

Items 2a through 2f: same definition as in Col (1).

Item [2]4: 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]2a through [3e]2e: Data for Motorcycles, Off-Road Vehicles, Motor Homes, Antique Autos 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]2a through [3e]2e: same definition as in Col (3A).

- Col (4): Direct Unearned Premium Reserve

Item 1: Unearned Premium Reserve.

Items [3a]**2a** through [3e]**2e**: same definition as in Col (3A).

- Col (5): Direct Paid Loss

Item 1: Paid Loss.

Items 2a through 2e: same definition as in Col (3A).

Item [2]**4**: 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).

Items 2a through 2e: same definition as in Col (3A).

Item [2]**4**: 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).

Items 2a through 2e: same definition as in Col (3A).

Item [2]**4**: 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]**2a** through [3e]**2e**: same definition as in Col (3A).

- Col (9): Direct Incurred ALAE

Item 1: Incurred ALAE (Case plus Bulk/IBNR).

Items [3a]**2a** through [3e]**2e**: same definition as in Col (3A).

- Col (10): Direct Unpaid ALAE

Item 1: Unpaid ALAE (Case plus Bulk/IBNR).

Items [3a]**2a** through [3e]**2e**: same definition as in Col (3A).

Exhibit Two, Part One

All data in Exhibit Two, Part One is the allocation of CY data from statutory Page [15]**14** to AYs [2001]**Year -1** through [1994] **Year -9**.

- 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]**2a-2e** 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]**2a-2e** 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]**2a-2e** 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]**2a-2e** 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]**Year 0** through [1995]**Year -8**.

- 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]**Year -1** through [1997]**Year -9** 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] **BI** and PIP coverages only. If the tail factor is greater than 1.000, provide documentation.

Enter the development adjustment for Year -8 to Year -11. If the adjustment is greater than zero, justification must be provided.

Exhibit Four

All data in Exhibit Four, Col (1) except for Net Catastrophe Reinsurance Expense is from Part III of the countrywide Insurance Expense Exhibit (IEE) for CYs [2001]**Year -1** through [1999]**Year -7** 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]7: Direct Taxes, Licenses & Fees
- **Col (1), Item 9: Net Catastrophe Reinsurance Expense (provide an exhibit to substantiate the expense)**

State the insurer's marketing method, "D" for a direct writer, "C" for a captive agency, and "I" for an independent agency. If multiple marketing methods are used within a group, use the method of the largest company within the group.

All data in Exhibit Four, Col (3) is from statutory Page [15]**14** for CYs [2001]**Year -1** through [1999]**Year -7**. 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)](3), Item 5: Direct Commission & Brokerage Expense
- Col [(2)](3), Item [6]7: Direct Taxes, Licenses & Fees
- **Col (3), Item 9: Net Catastrophe Reinsurance Expense**
- Col [(2)] (3), Item [8]10: LAD Fees Paid

For filings made in 2004, only the most recent four (2001-2004) years of expense information shall be required. For filings made in 2005, only the most recent five years (2001-2005) of expense information shall be required. For filings made in 2006, only the most recent six years (2001-2006) of expense information shall be required. For calendar-accident years for which expense information is not submitted in accordance with this clause, the expense provisions shall be calculated as the average of the years submitted.

Exhibit Five

All data in Exhibit Five is countrywide for CYs [2001]**Year -1** through [1998]**Year -7** 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

For filings made in 2004, only the most recent four (2001-2004) years of information shall be required. For filings made in 2005, only the most recent five years (2001-2005) of information shall be required. For filings made in 2006, only the most recent six years (2001-2006) of information shall be required. For calendar-accident years for which information is not submitted in accordance with this clause, the provisions shall be calculated as the average of the years submitted.

Exhibit Six

All data in Exhibit Six is for the New Jersey Automobile Insurance Risk Exchange (NJ AIRE) and is AYs [2000]**Year -1** through [1994]**Year -7**, evaluated @ 15 months and an estimate for AY [2001]**Year 0** (applicable for [BI/UM] **BI** 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]Year 0 through [1986]Year -16.

Item 1: List any excess profit refund paid in the applicable CYs

Item 2: List any **excess profit** carry forward used in the applicable AYs.

Exhibit Eight

All data in Exhibit 8 is for New Jersey business only and is for the CYs Year 0 through Year -16 and is for all coverages combined.

Item 1: List any extraordinary loss paid in the applicable CYs

Item 2: List any excess profit carry forward used in the applicable AYs.

Item 4: List any funds reinvested into New Jersey in the applicable CYs

Item 5: List any reinvestment carry forward used in the applicable AYs.

Exhibit [Eight]Nine

All data on Exhibit [8]9, except for [Item]Items 19 and 23, is generated from other exhibits.

- **Item 19: State the profit and contingencies provision on a pre-tax basis from the insurer's last approved New Jersey rate filing.**
- Item 23: State whether or not the insurer is part of an insurance company holding system.

EXHIBIT ONE

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]36 sheets, one for each coverage for each of [8]9 CYs, beginning the year immediately prior to the year of submission and is uniform across all coverages.

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

For Col (3), Item 5A is the sum of the excess profit refund paid extraordinary loss incurred, and reinvestment into New Jersey listed in the Exhibits Seven and Eight portion of the Input Sheet. Item 5B = Item [4] 3 - Item 5A.

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]7 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.

EXHIBIT THREE

Exhibit Three shows the "development triangles" of Case Incurred Loss and ALAE for each 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 loss development factors.

Part 1

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

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

- AY [2001]**Year -1** @ 15 months = Sheet 1, AY [2001]**Year -1**.
- AY [2000]**Year -2** @ 15 months = Sheet 2, AY [2000]**Year -2**.
- AY [2000]**Year -2** @ 27 months = Sheet 1, AY [2000]**Year -2**.
- AY [1999]**Year -3** @ 15 months = Sheet 3, AY [1999]**Year -3**.
- AY [1999]**Year -3** @ 27 months = Sheet 2, AY [1999]**Year -3**.
- AY [1999]**Year -3** @ 39 months = Sheet 1, AY [1999]**Year -3**.
- And so on through AY [1994]**Year -8** @ 99 months for [BI/UM] **BI** and PIP coverages and through AY [1994]**Year -8** @ 51 months for PD and Phys Dam coverages.

Part 2

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

- AY [2000]**Year -2** @ 15-27 months = Part 1, AY [2000]**Year -2** @ 27 months \div [(Part 1, AY [2000]**Year -2** @ 15 months.
- AY [1999]**Year -3** @ 15-27 months = Part 1, AY [1999]**Year -3** @ 27 months \div [(Part 1, AY [1999]**Year -3** @ 15 months.
- AY [1999]**Year -3** @ 27-39 months = Part 1, AY [1999]**Year -3** @ 39 months \div [(Part 1, AY [1999]**Year -3** @ 27 months.
- And so on through AY [1994]**Year -8** @ 87-99 months for BI/[UM] coverages and through AY [1994]**Year -8** @ 39-51 months for PD and Phys Dam coverages.

For [BI/UM] **BI** 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]**Year -1** through [1995]**Year -7** for [BI/UM] **BI** and PIP coverages and for AYs [2000]**Year -1** through [1998]**Year -4** for PD and Phys Dam coverages.

- Col (1), AY [2001]**Year -1** = Part 1, AY [2001]**Year -1** @ 15 months.
- Col (1), AY [2000]**Year -2** = Part 1, AY [2000]**Year -2** @ 27 months.
- And so on through AY [1995]**Year -7** for [BI/UM] and PIP coverages and through AY [1998]**Year -4** for PD and Phys Dam coverages.
- Col (2), AY [2001]**Year -1** = Part 2, Col (B) @ 15 months to ultimate.
- Col (2), AY [2000]**Year -2** = Part 2, Col (B) @ 27 months to ultimate.
- And so on through AY [1995]**Year -7** for [BI/UM] **BI** and PIP coverages and through AY [1998]**Year -4** 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) x 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 FOUR

Exhibit Four, Part 1 shows countrywide direct premiums and expenses from Part III of the statutory Insurance Expense Exhibit. Exhibit Four includes each of the [three]seven years immediately preceding the year of submission.

Exhibit Four, Part 2 shows New Jersey direct premiums and expenses from statutory Page [15]14 for each of the [three]seven years immediately [preceeding] preceeding the year of submission.[.]

- Part 1, Col (1), Items 1 through [6]5 are Direct Written Premium, Direct Earned Premium, Direct Other Acquisition Expense, Direct General Expense, and Direct Commission & Brokerage [and Direct Taxes, Licenses, and Fees,] respectively, from the Input Sheet.
- **Part 1, Col (1), Item 7 is Direct Taxes, Licenses, & Fees from the Input Sheet.**
- Part 1, Col (1), Item [7]8 = $\frac{1}{2} \times \{(\text{Col (1), Item 3} + [\text{Col (1), Item 4}] + \text{Item 6}) \times (\text{Item 3} + \text{Item 4} + \text{Item 5} + \text{Item 7})\}$
- **Part 1, Col (1), Item 9 is Net Catastrophe Reinsurance Expense from the Input Sheet.**
- 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]7 = Col (1), Item 6 ÷ Col (1), Item 1.
- Part 1, Col (2), Item [7]8 = Col (1), Item 7 ÷ Col (1), Item 2.
- **Part, Col (2), Item 9 = Col (1), Item 9 ÷ Col (1), Item 1.**
- 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 6a = Part 2, Col (3), Sum of Items 3-5**
- **Part 2, Col (3), Item 6b is the expense cap based on the insurer's marketing method calculated in accordance with N.J.A.C. 11:3-16 Appendix H.**
- **Part 2, Col (3), Item 6 = Item 6b - Item 6a if positive, and zero otherwise.**
- Part 2, Col (3), Item [6]7 is from the Input Sheet
- Part 2, Col (3), Item [7]8 = $\frac{1}{2} \times \{(\text{Col (3), Item 3} + [\text{Col (3), Item 4}]) \times (\text{Item 3} + \text{Item 4} + \text{Item 5} + \text{Item 7})\}$
- **Part 2, Col (3), Item 9+Col (2), Item 9x Col (1), Item 1.**
- Part 2, Col (3), Item [8]10 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 2.**

- **Part 2, Col (4), Item 9=Col (3), Item 9 ÷ Col (3), Item 1.**
- Part 2, Col (4), Item [8] 10= Col (3), Item [8] 10 ÷ Col (3), Item 1.

EXHIBIT FIVE

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

- 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]Year -1 = Exhibit 1, CY [2000]Year -2, Col (4), Item 4.
- Item 7a for [2000]Year -2 = Exhibit 1, CY [1999]Year -3, Col (4), Item 4.
- Item 7a for [1999]Year -3 = Exhibit 1, CY [1998]Year -4, Col (4), Item 4.
- Item 7b for [2001]Year -1 = Exhibit 1, CY [2001]Year -1, Col (4), Item 4.
- Item 7b for [2000]Year -2 = Exhibit 1, CY [2000]Year -2, Col (4), Item 4.
- Item 7b for [1999]Year -3 = Exhibit 1, CY [1999]Year -3, 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]Year -1 = Exhibit 1, CY [2000]Year -2, Col (7), Item 4.
- Item 9a for [2000]Year -2 = Exhibit 1, CY [1999]Year -3, Col (7), Item 4.
- Item 9a for [1999]Year -3 = Exhibit 1, CY [1998]Year -4, Col (7), Item 4.
- Item 9b for [2001]Year -1 = Exhibit 1, CY [2001]Year -1, Col (7), Item 4.
- Item 9b for [2000]Year -2 = Exhibit 1, CY [2000]Year -2, Col (7), Item 4.
- Item 9b for [1999]Year -3 = Exhibit 1, CY [1999]Year -3, Col (7), Item 4.
- Item 9 = {Item 9a + Item 9b} / 2.
- Item 10a for [2001]Year -1 = Exhibit 1, CY [2000]Year -2, Col (10), Item 4.
- Item 10a for [2000]Year -2 = Exhibit 1, CY [1999]Year -3, Col (10), Item 4.
- Item 10a for [1999]Year -3 = Exhibit 1, CY [1998]Year -4, Col (10), Item 4.
- Item 10b for [2001]Year -1 = Exhibit 1, CY [2001]Year -1, Col (10), Item 4.
- Item 10b for [2000]Year -2 = Exhibit 1, CY [2000]Year -2, Col (10), Item 4.
- Item 10b for [1999]Year -3 = Exhibit 1, CY [1999]Year -3, 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]7 Year Total.
- Item 15 = Item 13 x Item 14.

Exhibit Five—Part Two. All data is from the countrywide statutory annual statement for investments purchased in each of the [three]seven 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 = $1/2 \times$ 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 [(\div) Part 2C, Item 7.

EXHIBIT SIX

Exhibit Six-Part One shows the accumulated AIRE 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] **BI** 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]**Year -2** @ 15-27 months = Part 1, AY [2000]**Year -2** @ 27 months [] ÷ Part 1, AY [2000]**Year -2** @ 15 months.
- AY [1999]**Year -3** @ 15-27 months = Part 1, AY [1999]**Year -3** @ 27 months [] ÷ Part 1, AY [1999]**Year -3** @ 15 months.
- AY [1999]**Year -3** @ 27-39 months = Part 1, AY [1999]**Year -3** @ 39 months [] ÷ Part 1, AY [1999] **Year -3** @ 27 months.
- And so on through AY [1995]**Year -7** @ 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.

Part 3

Evaluations are for AY [2001]**Year -1**, [2000]**Year -2** and [1999]**Year -3**.

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

- Col (2), AY [2001]Year -1 and AY [2000]Year -2 = Part 2, Col (B) @ 15 months to ultimate.
- Col (2), AY [1999]Year -3 = Part 2, Col (B) @ 27 months to ultimate.
- Col (3) = Col (1) x Col (2)

Exhibit Six-Part Four-shows the accumulated AIRE 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.

Parts 4-6

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

Part 7

- Col (1) = Part 3, Col (3)
- Col (2) = Part 6, Col (3)
- Col (3) = Col (1) - Col (2)

EXHIBIT SEVEN

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.

Item 1 is the excess profit paid by the company as stated in the Input Sheet.

Items 2.1 through 2.19 are the **excess profit** carry forwards used in the applicable AYs as stated in the Input Sheet.

Item 2 is the total of Items 2.1 through 2.19.

Item 3 = Item 1 - Item [3]2.

EXHIBIT EIGHT

Exhibit Eight shows the extraordinary loss incurred and amount reinvested into New Jersey in each of the last 17 CYs and carry forward used in each of the last 19 AYs by coverage along with the total.

Item 1 is the extraordinary loss incurred by the company as stated in the Input Sheet.

Items 2.1 through 2.19 are the extraordinary loss carry forwards used in the applicable AYs as stated in the Input Sheet.

Item 2 is the total of Items 2.1 through 2.19.

Item 3 = Item 1 – Item 2.

Item 4 is the amount reinvested into New Jersey by the company as stated in the Input Sheet.

Items 5.1 through 5.19 are the reinvestment carry forwards used in the applicable AYs as stated in the Input Sheet.

Item 5 is the total of Items 5.1 through 5.19.

Item 6 = Item 4 - Item 5.

EXHIBIT [EIGHT] NINE

Exhibit [Eight] Nine uses the data developed in Exhibits One through [Seven] Eight to calculate excess profit **and any extraordinary loss** for AYs [1999] Year -3, [2000] Year -2 and [2001] Year -1, as well as a [three-year] seven-year total.

The sources of data for Exhibit Nine follow.

- Item 1 = Exhibit 1, Col (1), Item [4]3.
- Item 2 = Exhibit 1, Col (2), Item [4]3.
- **Item 3 = Exhibit 1, Col (2), Item 4**
- Item [3]4 = Exhibit 1, Col (3), Item 5b.
- Item [4]5 = Exhibit 6, Part 7, Col (3) for [BI/UM] BI and zero for all other coverages.
- Item [5]6 = Item 2 - Item 3 [+]- Item 4 + **Item 5**.
- Item [6]7 = Exhibit 3, Part 3, Col (3).
- Item [7]8 = Exhibit 2, Part 3, ULAE Factor.
- Item [8]9 = Item [6]7 x Item [7]8.
- Item [9]10 = Item [8]9 [(1 \pm Item [5]6).
- Item [10]11 = Exhibit 4, Col (3), Item 5.
- Item [11]12 = Exhibit 4, Col (3), Item 3.
- Item [12]13 = Exhibit 4, Col (3), Item 4.
- **Item 14 = Exhibit 4, Col (3), Item 6**
- Item [13]15 = Exhibit 4, Col (3), Item [6]7.
- **Item 16 = Exhibit 4, Col (3), Item 9**.
- Item [14a]17 = Exhibit 4, Col (3), Item [8] 10.
- [Item 14b = 50 percent.
- Item 14 = Item 14a x Item 14b.]
- Item [15]18 = [Item 10 + Item 11 + Item 12 + Item 13 + Item 14]**Sum of Items 11-17**.
- Item [16]19 = Item [5]6 - Item [8]9 - Item [15]18
- Item [17]20 = Item 2 x [Clifford Formula [3.5 percent divided by 1 minus the Federal corporate tax rate of 35 percent]] (**Input Sheet, Item 19a - Exhibit 5, Part 2C, Item 8, 7-Year Total**)
- [Item 18 = Exhibit 5, Part 1, Item 15]
- **Item 20 = Exhibit 5, Part 1, Item 15**
- Item [19]22 = [Items] **Item** [16]19 - Item [17]20 + Item [18]21
- Item [20]23 = [Exhibit 3, Part 6, Col (7), for the three-year total only] **is from the Input Sheet**.
- Item [21]24 = Item [19]22 - Item [20]23, for the [three-year]**seven-year** total only.
- Item [22]25 = Item 2 x Additional Non-Excessive Profit Allowance [2.5 percent divided by 1 minus the Federal corporate tax rate of 35 percent].
- Item [23]26 = Item 2 x Holding Company Non-Excessive Subsidization [0.5 percent]
- Item [24]27 = [Item 21]Item [22]24 - Item [23]25 - **Item 26**, for the [three year] **seven-year** total only

- Item [25]~~28~~ = Exhibit 7, Item 2.
- **Items 29 - 33 are on an all coverages combined basis only.**
- **Item 29 = Exhibit 8, Item 2.**
- **Item 30 = Exhibit 8, Item 5.**
- **Item 31 is the amount of qualified reinvestment into the New Jersey automobile insurance market.**
- Item [26]~~32~~ = Item [24]~~27~~ - Item [25]~~28~~ - **Item 29 - Item 30**, for the [three year] **seven-year** total only.
- **Item 33 = Item 31 - Item 2x -5 percent for the seven-year total for all coverages combined if positive, and zero otherwise.**

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 N.J.A.C. 11:3-20.4(a), insurers can receive a copy of these forms on a CD-ROM together with the required formulas from the Department. These Input Forms are to be used for the following coverages: BI[UM], PD, PIP [coverage] and physical damage.

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

(Agency Note: The Department proposes to delete the input forms and exhibits currently in N.J.A.C. 11:3-20 Appendix in the New Jersey Administrative Code at pages 3-90.14 through 3-107 (Supp. 2-18-03). The input forms and exhibits are not reproduced herein, but may be found in the Code at the referenced pages. The proposed new input pages and exhibits follow.)

Additional spreadsheets can be viewed on the Department's webpage, at:

<http://www.njdoib.org/lrnurulz.htm>

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