

INSURANCE

DEPARTMENT OF BANKING AND INSURANCE

DIVISION OF PROPERTY CASUALTY

Reporting Financial Disclosure and Excess Profits

Proposed Amendments: N.J.A.C. 11:3-20.3, 20.4 and 20.5, and 11:3-20 Appendix

Authorized By: Thomas B. Considine, Commissioner, Department of Banking and Insurance.

Authority: N.J.S.A. 17:1-8.1, 17:1-15e and 17:29A-5.6 through 5.14.

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

Proposal Number: PRN 2010-292.

Submit comments by January 14, 2011 to:

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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 identifies the exhibits to be used in filing this report with the Department of Banking and Insurance (Department). The Department is proposing amendments to its Excess Profits rules in order to clarify the data reporting requirements while not materially impacting the calculation. Thus, the proposed amendments will not affect the prohibition upon insurers retaining excess profits.

The Department is amending the definition of “actual investment income” found in N.J.A.C. 11:3-20.3 to be consistent with the statutory definition found in N.J.S.A. 17:29A-5.6, by adding the latter definition’s language defining “policyholder-supplied funds.”

The Department is amending N.J.A.C. 11:3-20.4(b) by removing the Department’s mailing address. This is no longer necessary since reports are submitted via e-mail.

N.J.A.C. 11:3-20.4(c) is being amended by deleting the references to CD Rom and the Microsoft Excel Spreadsheet. The proposed amendment adds language that states that the Exhibits found in the Appendix are to be provided in the format posted on the Department’s website, and that the spreadsheet with data requirements and formulas will also be posted on the Department’s website by April 1 of each year.

N.J.A.C. 11:3-20.4(e) is being amended to clarify that any insurer having fewer than 150 “combined” earned car years of exposure in this State in the last three calendar accident years shall file a certification to that effect that shall include the total earned car years. Additionally, the Department is amending this provision to state that insurers who were previously eligible to file such a certification and who did not have an active rating system as of December 31 of the previous year need not submit anything to the Department. The Department is deleting

subsection (f) because based on the definition of “exempted types” as defined in N.J.A.C. 11:3-20.3, this provision is not necessary.

N.J.A.C.11:3-20.5(a) is being amended by adding the language “using the spreadsheet posted on the Department’s website.” Subsection (b) is being amended to reduce the information required to be reported from the 12 most recent calendar-accident years to the nine most recent calendar-accident years, as the Department has concluded that the data for the most recent nine calendar accident years is sufficient for the purposes of this requirement.

The Department is amending the Appendix Exhibits and the corresponding references on the Input Sheets as follows:

The Input Sheet is being amended to reflect that it will consist of “three” sections “as defined by the State Page Exhibit of the Annual Statement.”

- All of the Exhibits are being amended to reflect the combination of data for Bodily Injury and Property Damage coverages.
- Exhibit One is being revised to eliminate Paid/Incurred Loss/ALAE data not used in the calculation.
- Exhibit Two is being deleted because it is no longer necessary because it included duplicative data that is in current Exhibit Three. Exhibit Two is being amended to add language which reflects “develop losses and loss adjustment expenses.”
- Exhibits Four and Five are being recodified as Exhibits Three and Four.
- New Exhibit Five adds language which updates the instructions.
- Exhibit Six is being deleted to eliminate unnecessary development of AIRE charges/reimbursements and Exhibits Seven and Eight are being recodified as Six and Seven.

- Exhibit Nine adds language relating to AIRE.
- The Investment income is recodified as Exhibit 4 and is being amended to eliminate references to “purchase year,” in order to reflect the current statutory definition of “actual investment income.”
- Investment income is recodified as Exhibit 4 and is being amended to remove investment income from derivative instruments.

The Department is deleting the Appendix for Input Forms and Exhibits in N.J.A.C. 11:3-20 because it is no longer necessary to include this information as part of the rule because these forms and exhibits are updated regularly and insurers have been accessing these forms and exhibits via the Departments website for several years.

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 provisions of N.J.A.C. 1:30-3.1 and 3.2 governing rulemaking calendars.

Social Impact

The Department believes that the proposed amendments will benefit the public by maintaining the Department’s ability to monitor the financial performance of insurers while furthering the Department’s efforts to streamline its regulatory requirements. The proposed amendments reduce some of the filing requirements for insurers. These proposed amendments also make compliance with the remaining data reporting requirements easier for insurers and do

not impact the Excess Profit calculation, thereby ensuring that insurers will not be permitted to retain Excess Profits.

Economic Impact

The Department does not believe that insurers will incur any additional expense related to the filing of excess profit reports beyond what they currently incur. The Department notes that these proposed amendments may require insurers to initially spend time familiarizing themselves with the amendments, but the Department does not believe that doing so will result in an additional expense being incurred by insurers or the Department. Thus, with little or no cost to insurers, the proposed amendments will benefit insurers by eliminating some filing and data submission requirements the Department has concluded are unnecessary.

Federal Standards Statement

A Federal standards analysis is not required because these proposed amendments regulate the business of automobile insurance and are not subject to any Federal requirements or standards.

Jobs Impact

The Department does not believe that these proposed amendments will cause any jobs to be generated or lost.

Agriculture Industry Impact

The Department does not expect any impact on the agriculture industry as a result of the proposed amendments.

Regulatory Flexibility Analysis

Pursuant to N.J.S.A. 52:14B-17, a “small business” means any business resident in this State, which employs fewer than 100 full-time employees; is independently owned and operated; and is not dominant in its field. Some insurers affected by these proposed amendments meet this definition. The proposed amendments will continue to impose reporting, recordkeeping and other compliance requirements on these insurers.

The proposed amendments will apply to all voluntary private passenger automobile insurers, except those that only write the “exempted types” of coverage but to not write private passenger automobile insurance coverage. These amendments impose a regulatory requirement that is consistently applied without regard to business size. These rules continue to prescribe the regulatory requirements for the reporting of the financial status, including any excess profit, of companies writing mandatory private passenger automobile insurance. 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 no new recordkeeping, reporting and compliance obligations, as described in the Summary above.

The Department believes that as a result of the proposed amendments the time and resources insurers will need to devote to the completion of the amended Exhibits will be reduced. 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. Such costs will vary with the individual professional.

As noted above, private passenger automobile insurers are required to file excess profit reports pursuant to N.J.S.A. 17:29A-5.6, as recently amended. This statute provides no differentiation in compliance requirements specifically based on insurer size. As a result, these proposed amendments provide no differentiation in compliance requirements based on business size.

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. 17:29A-5.11, which exempts insurers with fewer than 150 car years of exposure in New Jersey over the prior three calendar-accident years combined. In addition, the proposed amendments to N.J.A.C. 11:3-20.4(e) provide that certain insurers eligible for the exemption need not file the certification that other exempt insurers are required to file in lieu of filing an excess profits report.

Smart Growth Impact

The proposed amendments will not have an impact on the achievement of smart growth or the implementation of the State Development and Redevelopment Plan.

Housing Affordability Impact

The proposed amendments will not have an impact on the housing affordability because the proposed amendments relate to financial disclosure and excess profits reporting.

Smart Growth Development Impact

The Department believes that there is an extreme unlikelihood that these proposed amendments would evoke change in housing production Planning Areas 1 and 2 or within the designated centers under the State Development and Redevelopment Plan in New Jersey because the proposed amendments address financial disclosure and excess profits reporting.

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.

“Actual investment income” means that portion of income generated by investment of policyholder-supplied funds. **Policyholder-supplied funds are the assets that offset the insurer’s total New Jersey private passenger automobile insurance unearned premium and loss reserves without regard to whether those funds came from private passenger automobile insurance policyholders or other policyholders or were from policyholder funds from the last seven calendar years or earlier years.**

...

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

Office of Property and Casualty

20 West State Street

PO Box 325

Trenton, New Jersey 08625-0325

E-Mail: reports@dobi.state.nj.us]

(c) The data required by this subchapter shall be [submitted either on a CD-ROM or] e-mailed to the Department at the address identified either on the Department's website (www.state.nj.us/dobi) or by telephone call to the Department's main number, (609) 292-5360. [The information shall be presented in a Microsoft Excel spreadsheet. 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, **and provided in the format posted on the Department's website. The spreadsheet with data requirements and formulas will be posted by the Department by April 1 of each year, along with a list of differences from the previous year.** Companies may download from the Department [web site] **website** or submit a blank CD-ROM and self-addressed, stamped mailer to receive copies of the Microsoft Excel spreadsheets for current and future use in the excess profit reports required pursuant to this subchapter.

(d) (No change.)

(e) Any insurer having fewer than 150 **combined** earned car years of exposure in New Jersey during the three calendar-accident years immediately preceding the date the **excess** profit report is due shall file a certification to that effect **that shall include the total earned car years**, in lieu of all other requirements of this subchapter. **Insurers that were eligible to file such a certification and who did not have an active rating system as of December 31 of the previous year need not submit anything to the Department.**

[(f) If an insurer's sole activity in New Jersey is exempted types of insurance, as defined in N.J.A.C. 11:3-20.3, and does not include any private passenger automobile insurance, such insurer shall file a certification to that effect, in lieu of all other requirements of this subchapter.]

11:3-20.5 Excess profit report

(a) Each insurer shall submit a complete and accurate **excess** profit report in the format of the exhibits appended to this subchapter, which exhibits are hereby incorporated by reference as part of these rules, **using the spreadsheet posted on the Department's website.**

(b) The excess profit report shall contain the following information for each of the [12] **nine** most recent calendar-accident years, with an evaluation date as of March 31 of the year in which the excess profit report is due.

1. - 8. (No change.)

(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 report is due:

1. - 6. (No change.)

(d) - (e) (No change.)

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 sum is expressed as a ratio, the ratio required is the ratio of the years' dollar figures and not the sum of the individual years' ratios. [The Exhibits attached are 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] **three** sections **as defined by the State Page Exhibit of the Annual Statement:**

Section A is for the Personal Injury Protection and Medical Payments coverages (PIP), as reported in line 19.1.

Section [A] **B** is for the Bodily Injury Liability coverage (BI) **and** [.

Section B is for] the other Liability coverages, including Property Damage Liability coverage and uninsured and underinsured motorist coverages (PD), **as reported in line 19.2.**

[Section C is for the Personal Injury Protection and Medical Payments coverages (PIP).]

Section [D] **C** is for Comprehensive, Collision and other miscellaneous Physical Damage coverages (Phys Dam) **as reported in line 21.1.**

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] **2011**, "Year -1" is [2003] **2010** and "Year -2" is [2002] **2009**.

Exhibit One

All data in Exhibit One is from [statutory Page 14] **the State Page Exhibit of the Annual Statement** for CY Year -1 through Year -9.

- Col (1): Direct Written Premium

Item 1: Written Premium **as stated on the Annual Statement**.

Item[s] 2[a 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] **that** is included as part of Item 1 above.

Item 4: That portion of UCJF/PLIGA assessments paid by the insurer (less any reimbursements to the insurer) to the UCJF/PLIGA relating to private passenger automobile insurance (applicable for [BI/UM and] **PIP and Other Liability** only).

- Col (2): Direct Earned Premium

Item 1: Earned Premium **as stated on the Annual Statement**.

Item[s] 2[a through 2f]: same definition as in Col (1).

Item 4: same definition as in Col (1).

- Col (3A): Paid Dividends

Item 1: Paid Dividends, including Excess Profit Refunds **as stated on the Annual Statement.**

Item[s] 2[a through 2e]: Data for Motorcycles, Off-Road Vehicles, Motor Homes, Antique Autos and Excess Liability, [respectively. This data shall be listed only if it] **that** is included as part of Item 1 above.

- Col (3B): Declared, but Unpaid Dividends

Item 1: Declared, but Unpaid Dividends, including Excess Profit Refunds **(this item is not included on the State Page Exhibit).**

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

- Col (4): Direct Unearned Premium Reserve

Item 1: Unearned Premium Reserve **as stated on the Annual Statement.**

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

Item 4: same definition as in Col (1).

- [• Col (5): Direct Paid Loss

Item 1: Paid Loss.

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

Item 4: Excess Medical Benefits reimbursed to the company from the UCJF relating to private passenger automobile insurance (applicable for PIP and for 2003 and prior only).

- Col (6): Direct Incurred Loss

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

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

Item 4: Excess Medical Benefits reimbursed to the company from the UCJF relating to private passenger automobile insurance (applicable for PIP and for 2003 and prior only).]

- Col ([7] 5): Direct Unpaid Loss

Item 1: Unpaid Loss (Case plus Bulk/IBNR) **as stated on the Annual Statement.**

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

Item 4: Excess Medical Benefits reimbursed to the company from the UCJF relating to private passenger automobile insurance (applicable for PIP and for 2003 and prior only).

- [• Col (8): Direct Paid ALAE

Item 1: Paid ALAE

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

- Col (9): Direct Incurred ALAE

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

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

- Col ([10] 6): Direct Unpaid **Defense & Cost Containment Expense** [ALAE]

Item 1: Unpaid **Defense & Cost Containment Expense** [ALAE] (Case plus Bulk/IBNR) **as stated on the Annual Statement.**

Item[s 2a through 2e] 2: 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 14 to AYs Year -1 through 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 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 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 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 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 Year 0 through 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 Year -1 through 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 development adjustment for Year -8 to Year -11. If the adjustment is greater than zero, justification must be provided. This item is optional.]

Exhibit Two

Exhibit Two develops losses and loss adjustment expenses.

Exhibit Two, Part One

Enter Cumulative Case Incurred Loss+D&CCE information as of 15 months through as of 99 months (51 months for Property Damage and Physical Damage) in the space provided in the required spreadsheet for each section. On the Other Liability section, enter Bodily Injury and Property Damage losses separately. Uninsured Motorist may be included with BI or split between BI and PD.

Exhibit Two, Part Two

Enter the tail factor for development beyond 99 or 51 months. If the tail factor is greater than one, provide support for the factor.

Exhibit Two, Part Three

Data for this section come from the countrywide Insurance Expense Exhibit, Part III for CYs Year -1 to Year -9. Use line 19.1 for both PIP and Other Liability and line 21.1 for Physical Damage.

- **Col (1): Direct Incurred Loss**
- **Col (2): Direct Incurred Defense & Cost Containment Expense**
- **Col (4): Direct Incurred Adjusting & Other Expenses**

Exhibit Two, Part Four

All items in Part Four are calculated from Parts One through Three

Exhibit [Four] Three

All data in Exhibit [Four] **Three**, Col (1) except for Net Catastrophe Reinsurance Expense is from Part III of the countrywide Insurance Expense Exhibit (IEE) for CYs Year -1 through Year -7 and is for **Liability** (BI/UM/PD/PIP) and **Physical Damage** 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 7: Direct Taxes, Licenses & Fees
- Col (1), Item 9: Net Catastrophe Reinsurance Expense (provide an exhibit to substantiate the expense) (this item is optional)

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] **Three**, Col (3), except for Items 9 and 10, is from [statutory Page 14] **the State Page Exhibit** for CYs Year -1 through Year -7. [For the BI and PD coverages, data reported on Line 19.2 is to be split and listed under the appropriate section.]

- Col (3), Item 5: Direct Commission & Brokerage Expense
- Col (3), Item 7: Direct Taxes, Licenses & Fees
- Col (3), Item 9: Net Catastrophe Reinsurance Expense (**provide an exhibit to substantiate the expense**) (this item is optional)
- Col (3), Item 10: LAD Fees Paid

Exhibit [Five] **Four**

All data in Exhibit [Five] **Four** is countrywide for CYs Year -1 through Year [-7] **-8** and is [not split by coverage] **for all lines of insurance written by the insurer.**

[• Part 1, Item 1: Agents Balance

• Part 1, Item 2: Unearned Premium Reserve]

Items in this section come from the Exhibit of Net Investment Income, Earned During Year column

- [Part 2,] Item 1: Interest, Dividends and Real Estate Income, **line 10**
- Part [2] **1**, Item 2.1: Investment Expense Incurred, **line 11**
- Part [2] **1**, Item 2.2: Depreciation on Real Estate, **line 14**
- Part [2] **1**, Item 2.3: Unaffiliated Preferred Stock, **line 2.1**
- Part [2] **1**, Item 2.4: Affiliated Preferred Stock, **line 2.11**
- Part [2] **1**, Item 2.5: Unaffiliated Common Stock, **line 2.2**
- Part [2] **1**, Item 2.6: Affiliated Common Stock, **line 2.21**
- **Item 2.7, Derivative Instruments, line 7**
- Part [2] **1**, Item 2.7: Other Invested Assets, **line 8**
- Part [2] **1**, Item 2.8: Real Estate for Company's Own Occupancy, **the portion of line 4 that is for the company's own occupancy**
- **Items in Part 2, Item 4 come from the Assets Page, Assets Current Year column**
- Part 2, Item [4.1]**1.1**: Bonds [Acquired], **line 1**

- Part 2, Item [4.2]**1.2**: Mortgage Loans on Real Estate, **line 3.1 plus 3.2**
- Part 2, Item [4.3]**1.3**: [Real Estate Acquired] **Properties Held** (except that portion [acquired for the insurer's own occupancy] **occupied by the company**), **line 4.2 plus line 4.3**
- Part 2, Item [4.4]**1.4**: [Collateral] **Contract Loans**, **line 6**
- Part 2, Item [4.5]**1.5**: Cash, **Cash Equivalents, and Short Term Deposits** [on Hand and on Deposit], **line 5**
- [• Part 2, Item 4.6: Short Term Investments
- Part 2, Item 4.7: Derivative Investments]

Exhibit Five

All data in Exhibit Five is countrywide for CYs Year -1 through Year -7 and is for all lines of insurance written by the insurer.

Part 1, Item 1: Agents Balance is Item 13.1, Uncollected Premiums and Agents' Balances in the Course of Collection (Premiums and Considerations), from the Assets Page, Assets Current Year column.

Part 1, Item 2: Unearned Premium Reserve is Item 9, Unearned Premiums, from the Liabilities, Surplus, and Other Funds Page.

[Exhibit Six

All data in Exhibit Six is for the New Jersey Automobile Insurance Risk Exchange (NJ AIRE) and is AYs Year -1 through Year 7, evaluated @ 15 months and an estimate for AY Year 0 (applicable for 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] **Six**

All data in Exhibit [7] **6** 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 excess profit refund paid in the applicable CYs.

Item 2: List any excess profit carry forward used in the applicable AYs. **Any initial allocation made to a particular AY shall not exceed the amount of excess profit generated by that AY as calculated in the report.**

Exhibit [Eight] **Seven**

All data in Exhibit [8] **7** 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. The amount to be listed is the latest available development (i.e. for Year -1 to Year -7, the current evaluation, and for Year -8 to Year -16, the evaluation at 7 years).

Item 2: List any extraordinary loss carry forward used in the applicable AYs. Any initial allocation made to a particular AY shall not exceed the amount of excess profit generated by that AY as calculated in the report.

Exhibit Eight

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

Item [4] 1: List any funds reinvested into New Jersey in the applicable CYs.

Item [5] 2: List any reinvestment carry forward used in the applicable AYs. **Any initial allocation made to a particular AY shall not exceed the amount of excess profit generated by that AY as calculated in the report.**

Exhibit Nine

All data on Exhibit 9, except for **the** Item[s 20 and 26] **below**, is generated [from] **by** other exhibits. **Item 4 applies only to the Other Liability section.**

Item 4: Enter the AIRE Code(s) for all companies that are assigned to the insurer.

Item 4A: Enter the AIRE Assessment Allocation for each Accident Year as reported on the NJ AIRE Annual Cash Settlement Report. Data for AY Year 0 shall be the company's best

estimate. Data for AY Year -1 shall be the amount for Company Share. Data for AY Year -2 and subsequent shall be the amount for the later evaluation.

Item 4B: Enter Investment Income for each Accident Year as reported on the NJ AIRE Annual Cash Settlement True-Up Report. Data for AY Year 0 shall be the company's best estimate.

Item 4C: Enter Projected Ultimate Assessment as reported on the NJ AIRE Cash Settlement Report. Data for AY Year 0 shall be the company's best estimate.

[•] Item 20: Enter the insurer's After-Tax Target Return on Surplus, After-Tax Investment Income on Surplus, and Premium to Surplus Ratio. If using the same formula as in the latest approved New Jersey rate filing, then list the filing number and page reference in the space provided (or attach a copy of the referenced pages). If using the same formula as in the latest approved New Jersey rate filing but with updated values, then list the filing number and page reference in the space provided (or attach a copy of the referenced pages) and provide support for the updated values. If using a different formula, based on an approved rate filing, than used in this spreadsheet, provide the filing's profit loading (list the final result in the After-Tax Target Return on Surplus, show zero in After-Tax Investment Income on Surplus, and show one for the Premium to Surplus Ratio), and list the filing number and page reference in the space provided (or attach a copy of the referenced pages).

Item 23: Enter the development adjustment for Year -8 to Year -11. If the adjustment is greater than zero, justification must be provided. This item is optional.

[● Item 26: State whether or not the insurer is part of an insurance company holding system.]

EXHIBIT ONE

Exhibit One removes UCJF and PLIGA Assessments, Excess Medical Benefit Reimbursements and other exclusions from Statewide premiums, losses and allocated loss adjustment expenses.

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

For all columns **as defined in the Input Sheet, Exhibit One,**

Item 1 is from the Input Sheet

Item 2 is [the sum of Items 2a-2f for premiums and Items 2a-2e for loss and ALAE] from the Input Sheet.

Item 3 is Item 1-Item 2.

Item 4 is from the Input Sheet

Item 5 is from the Input Sheet, Exhibit 7, Item 1 (Column 3 only)

[For Col (3), Item 6A is the excess profit listed in the Exhibit Seven portion of the Input Sheet.]

Item 6[B]=Item 3-Item [6A] **5**.

[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 the CY only, taken from the Input Sheet.

Col (2) is the cumulative Paid Loss for each AY up to and including the 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 the CY.

Col (7) is the Case Unpaid ALAE for each AY as 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 7 for each coverage.

Col (20) is the countrywide Direct Incurred Loss for that CY, taken from the Input Sheet.

Col (21) = Col (19) + Col (20).

Col (22) is the countrywide Direct Incurred ULAE for the 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] **TWO**

Exhibit [Three shows the "development triangles" of] **Two calculates development factors for Case Incurred Loss and [ALAE] D&CCE for each coverage.**

For each Part 2, 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 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)] **from the Input Sheet.**

[• AY Year -1 @ 15 months = Sheet 1, AY Year -1.

- AY Year -2 @ 15 months = Sheet 2, AY Year -2.
- AY Year -2 @ 27 months = Sheet 1, AY Year -2.
- AY Year -3 @ 15 months = Sheet 3, AY Year -3.
- AY Year -3 @ 27 months = Sheet 2, AY Year -3.
- AY Year -3 @ 39 months = Sheet 1, AY Year -3.
- And so on through AY Year -8 @ 99 months for BI and PIP coverages and through AY Year -8 @ 51 months for PD and Phys Dam coverages.]

Part 2

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

- AY Year -2 @ 15-27 months = Part 1, AY Year -2 @ 27 months ÷ Part 1, AY Year -2 @ 15 months.
- AY Year -3 @ 15-27 months = Part 1, AY Year -3 @ 27 months ÷ Part 1, AY Year -3 @ 15 months.
- AY Year -3 @ 27-39 months = Part 1, AY Year -3 @ 39 months ÷ Part 1, AY Year -3 @ 27 months.
- And so on through AY Year -8 @ 87-99 months for BI coverages and through AY Year -8 @ 39-51 months for PD and Phys Dam coverages.

For BI and PIP coverages:

- Col (A), is the straight average of all development factors, excluding the maximum and minimum for 15-27, 27-39, 39-51 and 51-63 months and the straight average of all 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: Insurers with less than 99 months of data cannot use a tail factor that is unreasonable, relative to the development factors provided for the available months. After 99 months, tail factors greater than 1.00 must be justified.
- 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 (A), Tail Factor @ 51 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) @ 27-39 months and Col (A) @ 39-51 months.**

- **Col (B) Tail Factor: Insurers with less than 51 months of data cannot use a tail factor that is unreasonable, relative to the development factors provided for the available months. After 51 months, tail factors greater than 1.00 must be justified.**
- 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

- **Col (1) is Incurred Loss from the Input Sheet.**
- **Col (2) is Incurred Defense & Cost Containment Expense (D&CCE) from the Input Sheet.**
- **Col (3) = Col (1) + Col (2).**
- **Col (4) is Incurred Adjusting & Other Expense from the Input Sheet.**
- **Col (5) = Col (4) / Col (3).**

Part [3] 4

Development is for AYs Year -1 through Year -7 for BI and PIP coverages and for AYs Year -1 through Year -4 for PD and Phys Dam coverages.

- Col (1), AY Year -1 = Part 1, AY Year -1 @ 15 months.
- Col (1), AY Year -2 = Part 1, AY Year -2 @ 27 months.
- And so on through AY Year -7 for BI and PIP coverages and through AY Year -4 for PD and Phys Dam coverages.

- Col (2), AY Year -1 = Part 2, Col (B) @ 15 months to ultimate.
- Col (2), AY Year -2 = Part 2, Col (B) @ 27 months to ultimate.
- And so on through AY Year -7 for BI and PIP coverages and through AY Year -4 for PD and Phys Dam coverages.
- **Col (3) = the straight average of the corresponding year and each of the previous two years plus one, subject to a minimum of 1.050 and a maximum of 1.300.**
- Col ([3] 4) = Col (1) x Col (2) x Col (3).

EXHIBIT [FOUR] **THREE**

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

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

- Part 1, Col (1), Items 1 through 5 are Direct Written Premium, Direct Earned Premium, Direct Other Acquisition Expense, Direct General Expense, and Direct Commission & Brokerage 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 8 = $1/2 \times (\text{Item 3} + \text{Item 4}) + \text{Item 6} \times (\text{Item 3} + \text{Item 4}) / (\text{Item 3} + \text{Item 4} + \text{Item 5}) + \text{Item 5} + \text{Item 7}$.
- 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 7 = Col (1), Item 7 ÷ Col (1), Item 1.
- Part 1, Col (2), Item 8 = Col (1), Item 8 ÷ Col (1), Item 2.
- Part 1, Col (2), Item 9 = Col (1), Item 9 ÷ Col (1), Item 1.
- Part 2, Col (3), Item 1 = Exhibit 1, Col (1), Item 3.
- Part 2, Col (3), Item 2 = Exhibit 1, Col (2), Item 3.
- 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 [Exhibit E].
- Part 2, Col (3), Item 6 = Item 6b-Item 6a if positive, and zero otherwise.
- Part 2, Col (3), Item 7 is from the Input Sheet.
- Part 2, Col (3), Item 8 = $\frac{1}{2} \times (\text{Item 3} + \text{Item 4}) + \text{Item 6} \times (\text{Item 3} + \text{Item 4}) \div (\text{Item 3} + \text{Item 4} + \text{Item 5}) + \text{Item 5} + \text{Item 7}$.
- Part 2, Col (3), Item 9 = Col (2), Item 9 x Col (1), Item 1.
- Part 2, Col (3), Item 10 is from the Input Sheet.
- Part 2, Col (4), Item 3 = Part 1, Col (2), Item 3.
- Part 2, Col (4), Item 4 = Part 1, Col (2), Item 4.
- Part 2, Col (4), Item 5 = Col (3), Item 5 ÷ Col (3), Item 1.
- Part 2, Col (4), Item 6a = Part 2, Col (4), Sum of Items 3-5.

- Part 2, Col (4), Item 6b is the expense cap based on the insurer's marketing method calculated in accordance with N.J.A.C. 11:3-16 [Exhibit E].
- Part 2, Col (4), Item 6 = The larger of Item 6a and Item 6b.
- Part 2, Col (4), Item 7 = Col (3), Item 7 ÷ Col (3), Item 1.
- Part 2, Col (4), Item 8 = Col (3), Item 8 ÷ Col (3), Item 2.

Part 2, Col (4), Item 9 = Part 1, Col (2), Item 9.

Part 2, Col (4), Item 10 = Col (3), Item 10 ÷ Col (3), Item 1.

EXHIBIT FOUR

Exhibit Four is based on data from the countrywide statutory annual statement for each of the eight calendar years covered by this report for all lines written by the insurer.

Items 1 and 2.1 through 2.9 are from the Input Sheet.

Item 2 = the sum of Items 2.1 through 2.9.

Item 3 = Item 1 – Item 2.

Items 4.1 through 4.5 are from the Input Sheet.

Item 4 = the sum of Items 4.1 through 4.5.

Item 5 = the average of Item 4 for the current year and the previous year.

Item 6 = Item 3.

Item 7 = Item 5.

Item 8 = Item 6 / Item 7.

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 seven calendar years covered by this report **for all lines written by the insurer. All items are the sum of each section of the corresponding items.**

- 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]3, Col (3), Item 7.
- Item 5 = Exhibit [4]3, Col (3), Item 1.
- Item 6 = Item 4 ÷ Item 5, with a maximum of 1.0.
- Item 7a for Year -1 = Exhibit 1, CY Year -2, Col (4), Item 3.
- Item 7a for Year -2 = Exhibit 1, CY Year -3, Col (4), Item 3.
- Item 7a for Year -3 = Exhibit 1, CY Year -4, Col (4), Item 3.
- And so on for Item 7a for Year -4 to Year -7.
- Item 7b for Year -1 = Exhibit 1, CY Year -1, Col (4), Item 3.
- Item 7b for Year -2 = Exhibit 1, CY Year -2, Col (4), Item 3.
- Item 7b for Year -3 = Exhibit 1, CY Year -3, Col (4), Item 3.
- And so on for Item 7b for Year -4 to Year -7.
- 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 Year -1 = Exhibit 1, CY Year -2, Col (7), Item 3 - Exhibit 1, CY Year -2, Col (7), Item 4.

- Item 9a for Year -2 = Exhibit 1, CY Year -3, Col (7), Item 3 - Exhibit 1, CY Year -3, Col (7), Item 4.
- Item 9a for Year -3 = Exhibit 1, CY Year -4, Col (7), Item 3 - Exhibit 1, CY Year -4, Col (7), Item 4.
- And so on for Item 9a for Year -4 to Year -7.
- Item 9b for Year -1 = Exhibit 1, CY Year -1, Col (7), Item 3 - Exhibit 1, CY Year -1, Col (7), Item 4.
- Item 9b for Year -2 = Exhibit 1, CY Year -2, Col (7), Item 3 - Exhibit 1, CY Year -2, Col (7), Item 4.
- Item 9b for Year -3 = Exhibit 1, CY Year -3, Col (7), Item 3 - Exhibit 1, CY Year -3, Col (7), Item 4.
- And so on for Item 9b for Year -4 to Year -7.
- $\text{Item 9} = (\text{Item 9a} + \text{Item 9b}) / 2$.
- Item 10a for Year -1 = Exhibit 1, CY Year -2, Col (10), Item 4.
- Item 10a for Year -2 = Exhibit 1, CY Year -3, Col (10), Item 4.
- Item 10a for Year -3 = Exhibit 1, CY Year -4, Col (10), Item 4.
- And so on for Item 10a for Year -4 to Year -7.
- Item 10b for Year -1 = Exhibit 1, CY Year -1, Col (10), Item 3.
- Item 10b for Year -2 = Exhibit 1, CY Year -2, Col (10), Item 3.
- Item 10b for Year -3 = Exhibit 1, CY Year -3, Col (10), Item 3.
- And so on for Item 10b for Year -4 to Year -7.
- $\text{Item 10} = (\text{Item 10a} + \text{Item 10b}) / 2$.
- Item 11 = Exhibit 2, Part 3, [ULAE] **A&OE** Factor.

- Item 12 = (Item 9 + Item 10) x Item 11.
- Item 13 = Item 8 + Item 12.
- Item 14 = [Part 2C] **Exhibit 4**, Item 8, 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 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 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 are the cumulative of the Allocation and Investment Income received for the appropriate AYs.

Part 2

Evaluations are through 75-87 months.

- AY Year -2 @ 15-27 months = Part 1, AY Year -2 @ 27 months ÷ Part 1, AY Year -2 @ 15 months.
- AY Year -3 @ 15-27 months = Part 1, AY Year -3 @ 27 months ÷ Part 1, AY Year -3 @ 15 months.
- AY Year -3 @ 27-39 months = Part 1, AY Year -3 @ 39 months ÷ Part 1, AY Year -3 @ 27 months.
- And so on through AY 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 Year -1, Year -2 and Year -3.

- Col (1), AY Year -1 is the sum of the estimated AIRE Allocation and Investment Income @ 15 months as entered on the Input Sheet.
- Col (1), AY Year -2 = Part 1 AY Year -2 @ 15 months.
- Col (1), AY Year -3 = Part 1 AY Year -3 @ 27 months.
- Col (1), AY Year -4 = Part 1 AY Year -4 @ 39 months.
- Col (1), AY Year -5 = Part 1 AY Year -5 @ 51 months.
- Col (1), AY Year -6 = Part 1 AY Year -6 @ 63 months.
- Col (1), AY Year -7 = Part 1 AY Year -7 @ 75 months.
- Col (2), AY Year -1 and AY Year -2 = Part 2, Col (B) @ 15 months to ultimate.
- Col (2), AY Year -3 = Part 2, Col (B) @ 27 months to ultimate.
- Col (2), AY Year -4 = Part 2, Col (B) @ 39 months to ultimate.
- Col (2), AY Year -5 = Part 2, Col (B) @ 51 months to ultimate.
- Col (2), AY Year -6 = Part 2, Col (B) @ 63 months to ultimate.
- Col (2), AY Year -7 = Part 2, Col (B) @ 75 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] **SIX**

Exhibit [Seven] **Six** shows the excess profits paid in each of the last 17 CYs and carry forward used in each of the last 23 AYs by coverage along with the total.

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

Item 2.1 through 2.3 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 2.23.

Item 3 = Item 1 - Item 2.

EXHIBIT [EIGHT] SEVEN

Exhibit [Eight] **Seven** 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 23 AYs by coverage along with the total.

- Item 1 is the extraordinary loss incurred by the company as stated in the Input Sheet. For Year -1 through Year -7, the values shall be those values calculated in the previous year's report. For Year -8 through Year -15, the value shall be that value calculated when that year was last used in the excess profit calculation.
- Items 2.1 through 2.23 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 2.23.
- Item 3 = Item 1 – Item 2.

EXHIBIT EIGHT

Exhibit Eight shows the amount reinvested into New Jersey in each of the last 17 CYs and carry forward used in each of the last 23 AYs by coverage along with the total.

- Item [4] **1** is the amount reinvested into New Jersey by the company as stated in the Input Sheet.
- Items [5.1] **2.1** through [5.23] **2.23** are the reinvestment carry forwards used in the applicable AYs as stated in the Input Sheet.
- Item [5] **2** is the total of Items [5.1] **2.1** through [5.23] **2.23**.

- Item [6] 3 = Item [4] 1 – Item [5] 2.

EXHIBIT NINE

Exhibit Nine uses the data developed in Exhibits One through Eight to calculate excess profit and any extraordinary loss for AYs Year -7 through Year -1, as well as a seven-year total. **This exhibit is on all coverage combined basis. All items in Exhibits 1-3 are the sum of the corresponding sections for each item.**

[The sources of data for Exhibit Nine follow.]

- Item 1 = **Direct CY Written Premium Net of UCJF**, Exhibit 1, Col (1), Item 3 – **Exhibit 1, Col (1), Item 4.**
- Item 2 = **Direct CY Earned Premium Net of UCJF**, Exhibit 1, Col (2), Item 3 – **Exhibit 1, Col (2), Item 4.**

[• Item 3 = Exhibit 1, Col (2), Item 4.]

- Item [4] 3 = **Dividends excluding Refund of Excess Profit**, Exhibit 1, Col (3), Item [5b] 6.
- Item [5] 4 = [Exhibit 6, Part 7, Col (3) for BI and zero for all other coverages] **Net AIRE, Item 4A + Item 4B – Item 4C from the Input Sheet.**
- Item [6] 5 = **Direct CY Earned Premium**, Item 2-Item 3[-Item 4] + Item [5] 4.
- Item [7] 6 = **Direct AY Ultimate Loss & LAE**, Exhibit [3] 2, Part [3] 4, Col ([3]4).

[• Item 8 Exhibit 2, Part 3, ULAE Factor.

- Item 9 = Item 7 x Item 8.
- Item 10 = Item 9 ÷ Item 6.]
- Item [11] 7 = **Direct Commission & Brokerage Expense**, Exhibit 4, Col (3), Item 5.

- Item [12] **8** = **Direct Other Acquisition Expense**, Exhibit 4, Col (3), Item 3.
- Item [13] **9** = **Direct General Expense**, Exhibit 4, Col (3), Item 4.
- Item [14] **10** = **Additional Allowable Expense**, Exhibit 4, Col (3), Item 6.
- Item [15] **11** = **Direct Taxes, Licenses, & Fees**, Exhibit 4, Col (3), Item 7.
- Item [16] **12** = **Net Catastrophe Insurance**, Exhibit 4, Col (3), Item 9.
- Item [17] **13** = **LAD Fees Paid**, Exhibit 4, Col (3), Item 10.
- Item [18] **14** = **Total Expenses**, Sum of Items [11-17] **7-13**.
- Item [19] **15** = **Underwriting Income**, Item [6] **5**-Item [9] **6**-Item [18] **14**.
- Item [20] **16** = **Target After-Tax Operating Return on Surplus**, Item 2 x (After-Tax Target Return on Surplus - After-Tax Investment Income on Surplus) ÷ Premium to Surplus Ratio ÷ (100%-35%), **from the Input Sheet**.
- Item [21] **17** = **Actual Investment Income Earned on Policyholder Supplied Funds**, Exhibit 5, [Part 1,] Item 15.
- Item [22] **18** = **Actuarial Gain**, Item [19] **15** - Item [20] **16** + Item [21] **17**.
- Item [23] **19** = **Total Development Adjustment**. [for] **For** the seven-year total is from the Input Sheet. Item [23] **19** for each individual year is one-seventh of the seven-year total.
- Item [24] **20** = **Total Actuarial Gain**, Item [22] **18**-Item [23] **19**, for the seven-year total only.
- Item [25] **21** = **Additional Non-Excessive Profit Allowance**, Item 2 x Additional Non-Excessive Profit Allowance.
- [• Item 26 = Item 2 x Holding Company Non-Excessive Subsidization.]
- Item [27] **22** = **Gross Excess Profit (Loss)**, Item [24] **20**-Item [25] **19**[- Item 26], for the seven-year total only.

- Item [28] **23** = Exhibit [7] **6**, Excess Profit Total Column.
- Item [29] **24** = Exhibit [8] **7**, Extraordinary Loss Total Column.
- Item [30] **25** = Exhibit 8, Reinvestment Total Column.
- Item [31] **26** = **Amount to be Reinvested into New Jersey**, is the amount of qualified reinvestment into the New Jersey automobile insurance market on an all coverages combined basis only **to be committed as part of the filing of this report. Provide a plan for the funds that are to be spent.**
- Item [32] **27** = **Net Excess Profit (Loss)**, Item [27] **22** – Item [28] **23** – Item [29] **24** – Item [30] **25** – **Item 26**, for the seven-year total only.

[• Items 33-36 are on an all coverages combined basis only.]

- Item [33] **28** = (Item 27 x -1) – Item [31] **26** if Item 27 is less than zero, and zero otherwise.
- Item [34a] **29a** = Item [14] **10**.
- Item [34b] **29b** = Item [25] **21**.

[• Item 34c = Item 26.]

- Item [34] **29** = Item [34a] **29a** + Item [34b] **29b** [+ Item 34c.]
- Item [35] **30** = **Net Actual Loss**, Item [33] **28** – Item [34] **29** if positive, and zero otherwise.
- Item [36] **31**= **Extraordinary Loss**, Item [35] **30** - Item 2 x 5 percent for each calendar-accident year if positive, and zero otherwise.

[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, PD, PIP and physical damage.

The Appendix also contains copies of Exhibit One to Exhibit 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).]

OFFICE OF ADMINISTRATIVE LAW NOTE: As discussed in the Summary above, the Department of Banking and Insurance is proposing to delete the Input Forms and Exhibits One through Nine of the excess profits report constituting the Appendix to the N.J.A.C. 11:3-20 Appendix. Pursuant to N.J.S.A. 52:14B-7(c) and N.J.A.C. 1:30-5.2(a)2, the Input Forms and Exhibits proposed for deletion are not published herein, but may be found in the New Jersey Administrative Code at the Appendix to N.J.A.C. 11:30-20 Appendix.