

"Form" means:

1. Owners forms, including, but not limited to, HO-1, HO-2, HO-3, HO-3 w/15, HO-5, and HO-8;
2. Tenants forms, including, but not limited to, HO-4;
3. Condominium forms, including, but not limited to, HO-6;
4. Dwelling;
5. Extended Coverage; and
6. Mobile Home Owners.

"ISO" means the Insurance Services Office, Inc.

"NAIC" means the National Association of Insurance Commissioners.

"Qualified actuary" is as defined in N.J.A.C. 11:1-21.1(a)2.

"Rate change" means a rate increase of no more than five percent overall. Rate change also means any decrease in rates or a change in rates that is revenue neutral.

"Written premium (WP)" means direct written premium net of dividends paid or incurred.

11:2-42.3 Expedited rate filings; general requirements

(a) All filings shall meet the following requirements and shall be submitted to the Department at the following address:

1. New Jersey Department of Banking and Insurance

Office of Property and Casualty
PO Box 325
Trenton, New Jersey 08625-0325;

2. All filings shall be accompanied by a Filing Source Document MARS001, in Exhibit A in the Appendix of N.J.A.C. 11:1-2, incorporated herein by reference, signed by an officer of the filer and a qualified actuary;
3. The margin at the top of each page shall show the filer's name, filer's identifying number for this filing, NAIC company number(s) and NAIC group number. The right hand side of the page shall show the section, exhibit and sheet number;
4. All data shall be reported on a direct basis exclusive of business ceded to reinsurers or reinsurance assumed from other companies;
5. Data submitted in any prior approval rate or loss cost filing shall report only voluntary market experience and shall not include experience derived from risks insured through any assigned risk plan, except for filings submitted by the FAIR Plan;

6. The most recent accident year data used in the filing shall end no more than 15 months prior to the date of submission of the filing. An accident year need not coincide with a calendar year; and

7. Three copies of the filing shall be submitted.

(b) An insurer and/or rating organization, pursuant to N.J.S.A. 17:36-5.35, may file for a rate change in accordance with this subchapter. The filer shall provide the following information in support of its filing:

1. A cover letter notifying the Department of its intention to make a rate change according to the provisions of this subchapter; a completed Exhibit C in the subchapter Appendix incorporated herein by reference; a statement containing the effective date of the change; and the name, telephone number and mailing address of the company officer familiar with the filing to whom further inquiries regarding the filing may be directed;

2. A checklist that sets forth the information in Exhibit A in the subchapter Appendix incorporated herein by reference;

3. The manual rating pages containing the territorial base rates by form to be implemented, accompanied by an explanatory memorandum showing the calculation of the new rates by form, using the existing rates by form as the starting point in the calculation. The memorandum shall also include the company's file number and effective dates for new and renewal policyholders;

4. Completed rating examples using the examples set forth in Exhibits A, B and C in the Appendix to N.J.A.C. 11:4-29, which shows the proposed premium amounts;

5. A completed Exhibit B in the subchapter Appendix incorporated herein by reference;

6. By form on a percentage basis, the maximum increase (or smallest decrease if no insured would receive an increase) and maximum decrease (or smallest increase if no insured would receive a decrease), along with a profile of the insured and the number of insureds that would receive each;

7. A list of territorial definitions. If the filer uses the territorial definitions from the latest approved ISO filing, a statement to that effect may be provided in lieu of a list;

8. A completed Justification for Minimum Premium if a change is being proposed. This form can be found on the Department website at <http://www.nj.gov/dobi/prop-cas.htm#FORMS>, or will be provided by the Department upon request of the filer;

9. Exhibit(s) showing the effects of each proposed change separately and the overall impact of all changes combined. The exhibit shall include an exposure or premium distribution by item changed (such as, by territory, amount of insurance, protection/construction classification, etc.), with current and proposed factors and calculat-

ed changes, if revisions to these factors are being proposed; and

10. A seven-year rate history with effective dates by form.

(c) The filer may supplement a complete filing in response to questions from the Department about matters that require clarification or additional explanation, provided that the prompt review of the filing within the time frames set forth in this subchapter is not adversely affected.

11:2-42.4 Expedited process calculations for homeowner's insurance rates

(a) General requirements for expedited rate filings are as follows:

1. Filers shall provide form indications for all forms for which changes are proposed based on five accident years of data; and

2. Form indications shall be calculated as follows:

- i. All Owners forms combined;
- ii. Tenants and Condominiums forms, either combined or separately;
- iii. Dwelling Fire;
- iv. Extended Coverage; and
- v. Mobile Home Owners.

(b) Filers shall provide New Jersey (NJ) earned exposures by form and by accident year.

(c) Trended earned premium at present rates shall be the product of earned premium and the factors calculated below:

1. NJ earned premium by form, by accident year;

2. On-level factors by form, based on company specific historical New Jersey rate changes, along with the calculations thereof;

3. Current amount factors calculated from internal data and showing all calculations, including an amount of insurance distribution and the average relativity by year. The factors may be tempered by a factor of no less than 0.90. In lieu of the preceding, the filer may use selections from the latest approved ISO filing in New Jersey;

4. Premium trend factors calculated from internal data, based on average relativity by year, fitted and projected; factors may be tempered by a factor of no less than 0.90. The filer may choose to use selections from the latest approved ISO filing in New Jersey instead; and

5. The premium trend period, on a written basis for each year from the beginning of the accident year to six months after the proposed effective date, or on an earned basis from the midpoint of the accident year to one year past the proposed effective date.

(d) Ultimate loss and loss adjustment expense (LAE) shall be determined by the product of incurred loss and ALAE and the factors calculated below:

1. NJ incurred loss and defense/cost containment expense (ALAE), by form, by accident year either combined (loss and ALAE) or developed separately;

2. NJ loss development factors (LDFs) by form, either combined (loss and ALAE) or separately;

i. The selected age-to-age factors shall be based on the latest five-year X HI/LO average, that is, using a straight average of the latest five age-to-age factors, excluding the highest and the lowest; and

ii. If the filer is unable to calculate loss development factors for ALAE, either combined with loss or separately, the filer shall exclude ALAE from the LDF calculation and instead calculate an ALAE factor as a ratio of paid ALAE to paid loss or incurred ALAE to incurred loss based on the latest available three years of the Statutory page 14 of the insurer's latest annual statement filed with the Department;

3. Current cost factors shall be calculated in accordance with standard ISO methodology, calculated either using the Modified Consumer Price Index and Boeckh Residential Index, or using selections from the latest approved ISO filing in New Jersey;

4. Loss trend factors shall be based on annual selections from the latest approved ISO filing in New Jersey, the latest available NJ Fast Track data or the filer's internal trend data, shown separately for severity and frequency by form. If supplying NJ Fast Track trend factors or trend data developed by the company, the filer shall use the 12 quarter-rolling average and provide all data and calculations. NJ Fast Track data shall be calculated based on paid (not arising) claims excluding catastrophes;

5. Adjusting and other claims related expenses (ULAE) shall be determined as a ratio of incurred ULAE to incurred loss plus incurred ALAE from the latest three-year average based on Part 3 of the Countrywide Insurance Expense Exhibit (IEE) in the insurer's annual statement filed with the Department;

6. Filers may exclude wind and water losses and include the wind and water load calculated by ISO and included in its latest approved filing in New Jersey. If such a load is used, an exhibit must be provided detailing the incurred loss by year with and without wind and water losses;

1. The notice shall comply with the readability standards set forth in N.J.A.C. 11:2-18;
2. A notice shall accompany the issuance of each new policy to which a hurricane deductible applies and each subsequent renewal thereof;
3. Where the deductible that applied in the prior policy term is changed at renewal (for example, a new mandatory hurricane deductible program for the insurer has been approved by the Department during the prior policy term), the policyholder notice shall state that the terms of the policy have been changed. The insurer shall use boldface type or other means to draw the reader's attention to this statement. The policyholder notice shall explain the changes made to the policy;
4. The notice must be specific to the policy and identify whether the hurricane deductible applied to the policy is optional or mandatory. If the notice does not set forth the specific flat dollar or percentage deductible applied to the policy, it shall clearly state that this information can be found on the policy declarations page;
5. The notice shall identify the circumstances and conditions under which the hurricane deductible will apply to the policy as set forth in the policy or endorsement, and shall reference where the deductible provision may be found in the policy or endorsement;
6. The notice shall explain how application of the hurricane deductible will affect settlement of a claim, including the coverages to which the hurricane deductible will apply, and shall provide a specific example of such a claim settlement;

7. The notice shall explain the relationship between the hurricane deductible and any other deductible that may apply to the policy;

8. The notice shall reference the consumer information brochure required under N.J.S.A. 17:36-5.36 for more detailed information concerning the insurer's hurricane deductible programs; and

9. If applicable, the policyholder notice shall explain how the insured may qualify for a lower hurricane deductible or the elimination of the hurricane deductible. In this case the policyholder notice shall:

i. Identify the criteria that must be met in order to qualify for a lower deductible or elimination of the hurricane deductible (for example, through the payment of an additional premium and/or implementation of loss mitigation features);

ii. Where loss mitigation is a condition, provide a general description or summary of the types of loss mitigation measures included in the insurer's hurricane deductible program and any documentation requirements utilized by the insurer; and

iii. Instruct the insured as to the process that must be followed to pursue any change or elimination of a hurricane deductible for which the insured may qualify. The instructions shall prominently identify any time limitations that may apply to changing or eliminating the hurricane deductible.

APPENDIX

EXHIBIT A

Expedited Homeowners Filings

Company/Group: _____

Company File No.: _____

Section	Item	Page #
11:2-42.3 Filing Requirements		
(a)2	Filing Source Document MARS001 and accompanying certification	
(a)3	Information required on each page	Yes / No
(a)4	All data reported on direct basis exclusive of reinsurance	Yes / No
(a)5	All data from voluntary market only	Yes / No
(a)6	Most recent AY ends no more than 15 months prior to submission date	Yes / No
(a)7	Three copies of filing submitted	Yes / No
(b)1	<ul style="list-style-type: none"> • Cover letter notifying DOBI of intention to modify rates under expedited approval procedure • Exhibit C, Rate change information • Proposed effective date • Name/Telephone/Address of Company officer to whom inquiries about the filing may be directed 	_____ _____
(b)2	Exhibit A, this checklist	
(b)3	• Manual rating pages	_____

	• Explanatory memorandum	_____
	• Company File #	_____
	• New/Renewal Effective Dates	_____
(b)4	Rating Examples	
(b)5	Exhibit B, rate change distribution by interval	
(b)6	Maximum Increase/Decrease with profile	
(b)7	Territorial Definitions	
(b)8	Justification for Minimum Premium (if changing)	
(b)9	Effects of each change in detail	
(b)10	Seven year rate history	

11:2-42.4 Premium and Loss Data All data must be on a direct basis, and must be consistent throughout the filing. All data is to be provided by form by accident year for each of the latest five years.

(b)	NJ Earned Exposures by form and accident year	
(c)1	Earned Premium by form and accident year	
(c)2	On-Level factors	
(c)3	Current Amount factors	
(c)4	Premium Trend factors	
(c)5	Premium Trend period	
(d)1	Incurred Loss and ALAE (separately or combined)	
(d)2	Loss Development Factors—Incurred Loss and ALAE (separately or combined)	
(d)3	Current Cost Factors	
(d)4	Loss Trend Factors	
(d)5	ULAE factor (based on latest three year avg. from IEE Part 3)	
(d)6	Wind & Water Losses (if excluded)	
(d)7	Catastrophe Losses (if excluded)	
(d)8	Hurricane Losses (if excluded)	
(d)9	Excess Losses (if excluded)	
(d)10	Total of (d)6 through 8 does not exceed 20 percent	Yes / No
(d)11	Losses excluded in (d)6 through 9 also excluded from LDFs	Yes / No
(e)	Ultimate Loss + LAE ratio weighted 10/15/20/25/30	

11:2-42.4 Expense Data

(f)1	Commission & Brokerage Expense based on latest three years of NJ Page 14	
(f)2	General & Other Acquisition Expense based on latest three years of IEE Part 3	
(f)3	Taxes, Licenses, and Fees based on latest three years of NJ Page 14	
(f)4	Profit & Contingency Provision (with explanation if five percent)	
(f)5	Investment Income using Cash Flow or State X	
(f)6	Total Expenses are sum of (f)1 through 4 less (f)5	
(g)	Permissible Loss Ratio = 1 Total Expenses	

11:2-42.4 Indications

(h)	Credibility based on 240,000 exposures per form	
(i)	Complement of Credibility	
(j)	Indication by form and overall based on five accident years, separated by categories in 4(a).	
(k)	Territorial Indications (if non-uniform base rate changes proposed)	
(l)	Alternate Methodology (optional)	

11:2-42.5 Limitation on filer's rate request

	Requested increase overall is the lower of indication or five percent	Yes / No
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Amended by R.2005 d.350, effective October 17, 2005.
See: 37 N.J.R. 2285(a), 37 N.J.R. 4026(a).