

a gasoline dispensing facility installed **after** (the operative date of the amendment)” (49 N.J.R. 1777 (emphasis added)). As a result, the rule exempts new facilities, instead of existing facilities, from the requirements concerning unihose, CARB-certified Phase I EVR pressure/vacuum valve and system, and CARB-certified ECO nozzles and low permeation hoses. This is both logically inconsistent and the opposite of the Department’s stated intention. This administrative correction to replace the word “after” with the word “before” is necessary to achieve the Department’s express intention to exempt existing facilities from the new requirements unless the existing equipment is being replaced.

This notice of administrative correction is published pursuant to N.J.A.C. 1:30-2.7.

Full text of the corrected rule follows (addition indicated in boldface **thus**; deletion indicated in brackets [thus]):

SUBCHAPTER 16. CONTROL AND PROHIBITION OF AIR POLLUTION BY VOLATILE ORGANIC COMPOUNDS

7:27-16.3 Gasoline transfer operations

(a)-(h) (No change.)

(i) The provisions of (d)3 and 4 and (g)2, 3, and 4 above do not apply to a gasoline dispensing facility installed [after] **before** December 23, 2017, if:

- 1.-2. (No change.)
- (j)-(u) (No change.)

HUMAN SERVICES

(a)

DIVISION OF DEVELOPMENTAL DISABILITIES

**Notice of Administrative Changes
Contribution to Care and Maintenance
Requirements**

**Notice of Family Maintenance Standard, Medical
Cost Standard, Tuition Deduction, and the Cost
of Care and Maintenance Rates**

N.J.A.C. 10:46D-3.2

Take notice that, in accordance with N.J.A.C. 10:46D-3.2, the Department of Human Services announces that the following family maintenance standard (N.J.A.C. 10:46D-3.2(a)), medical cost standard (N.J.A.C. 10:46D-3.2(a)), tuition deduction standard (N.J.A.C. 10:46D-3.2(a) and (f)), and the cost of care and maintenance rates shall be utilized in the determination of eligibility and the contribution to care and maintenance of individuals residentially placed by the Division of Developmental Disabilities and their legally responsible relatives for the period beginning January 1, 2018. The approved calendar year 2018 patient payment per diem rate for State developmental centers is \$843.00. The approved calendar year 2018 patient payment per diem rate for residential functional services is \$293.00. These changes are effective January 1, 2018. This notice of administrative changes is published pursuant to N.J.A.C. 1:30-2.7.

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

SUBCHAPTER 3. TREASURY FORMULA-DDD

10:46D-3.2 DDD Formula B-DDD(B) for individuals under age 18

(a) This section shall apply to the individual under age 18 being served, LRR(s), or any other person responsible for the estate of such individual and/or LRR(s). The family maintenance standard for a family of four, for calendar year [2017] **2018**, is [\$32,296] **\$32,777**, the medical cost standard [(for a family of four is [\$8,482])] **\$8,543**, and the tuition deduction shall be revised annually, using the Consumer Price Index

figures then applicable and the cost for in-State tuition at Rutgers, the State University, ([\$11,408] **\$11,619** for school year [2016-17] **2017-18**). These revisions shall be published annually by the Department as public notices in the New Jersey Register. Additionally, the Department shall publish in the New Jersey Register, the cost of care and maintenance rates as established by the Commissioner.

(b)-(e) (No change.)

(f) The deduction for college tuition shall be the actual college tuition cost paid, but shall not exceed the maximum of the annual in-State tuition expenses for Rutgers University. The deduction shall be the net of any scholarships, awards, or grants, and shall cover tuition paid, but shall not cover such items as room, board, books, and lab fees. The maximum college tuition deduction for school year [2016-2017] **2017-2018** is [\$11,408] **\$11,619**. This shall be revised annually as required by (a) above.

(g)-(j) (No change.)

INSURANCE

(b)

**DEPARTMENT OF BANKING AND INSURANCE
OFFICE OF PROPERTY AND CASUALTY**

**Homeowners Insurance: Standard Hurricane
Deductibles and Expedited Process for
Homeowners Insurance Rate Changes**

**Adopted Repeals and New Rules: N.J.A.C. 11:2-42.4
and Appendix**

**Adopted Amendments: N.J.A.C. 11:2-42.1, 42.2, and
42.3**

Proposed: April 3, 2017, at 49 N.J.R. 624(a).

Adopted: January 11, 2018, by Richard J. Badolato, Commissioner, Department of Banking and Insurance.

Filed: January 11, 2018, as R.2018 d.081, **without change**.

Authority: N.J.S.A. 17:1-8.1, 17:1-15.e, and 17:36-5.35.

Effective Date: February 20, 2018.

Expiration Date: July 5, 2018.

Summary of Public Comments and Agency Responses:

The Department of Banking and Insurance (Department) timely received written comments from the following:

- 1. The Insurance Council of New Jersey;
- 2. The American Insurance Association; and
- 3. The Property Casualty Insurers Association of America.

1. COMMENT: Two of the commenters expressed concern with N.J.A.C. 11:2-42.1(c). The commenters noted that this rule currently states that it applies to “other factors and credits,” which has been proposed to be deleted. The commenters believed that the exclusion of “other factors and credits” greatly limits the flexibility of filers and the types of changes allowed under an expedited rate filing. One commenter further stated that the current flexibility contributes to greater accuracy, more efficient information flow, and greater reliability, which is in line with the Department’s efforts to improve efficiency and streamline the existing process.

The commenters also believed that the elimination of this language could impact the timely changes to predictive modeling, advance quotes, employee discounts, and other consumer friendly discounts.

RESPONSE: Upon review, the Department has determined that no change is required. Rating systems have become more sophisticated. The number and variety of “other factors and credits” has increased significantly, which impacts the ability of the Department to review proposed changes to homeowners insurer rating systems within the required timeframes. The Department also notes that filers may make filings affecting “other factors and credits” pursuant to N.J.S.A. 17:29A-1 et seq., and N.J.A.C. 11:1-2.1. Further, the exclusion of “other factors and credits” is consistent with the provision for review of limited rate

filings for private passenger automobile insurance under N.J.A.C. 11:3-16B.1(c). The Department does not believe that this exclusion will impact filers' opportunities to make timely changes to predictive modeling, advance quotes, employee discounts, and other consumer friendly discounts because prior approval filings also are expeditiously reviewed by the Department and are subject to a maximum review period of 90 days under N.J.A.C. 11:1-2A.4(i)1.

2. COMMENT: Two commenters expressed concern with N.J.A.C. 11:2-42.3(a). The commenters supported the removal of some redundant requirements in the subsection, but expressed concern over the requirement that all filing exhibits displaying calculations shall also be provided in Microsoft Excel. The commenters believed that this requirement will impose significant additional burdens on filers. One commenter additionally stated that the requirement appears to be unnecessarily duplicative, and further stated that many companies' filing exhibits are not based in Excel, since the vast majority of states do not require this format. The commenter stated that company exhibits typically are provided in PDF format and are properly explained and documented, including relevant calculations. This commenter stated that requiring the filing of exhibits in an Excel spreadsheet format would create a new level of costly manual entry that companies would have to "create from scratch," making the filing vulnerable to data entry errors, and eliminating most, if not all, of the cost benefits. This commenter also stated that some companies' information technology systems cannot accept files exceeding three MB and this requirement may cause the companies' systems to reject the current versions of all of their filing packages.

Another commenter specifically stated that the additional burden may, in time, limit market participation of some companies. This commenter stated that if the Department adopts this requirement, a reasonable time period for adoption of the new format should be given to insurers.

RESPONSE: Upon review, the Department has determined that no change is required. The Department does not believe that the requirement to provide information in Microsoft Excel compatible format should create significant additional burdens for filers. The requirement is limited to filing exhibits displaying calculations and, therefore, does not apply to exhibits such as manual pages or explanatory memos that may be created using other software. There should be no duplication of effort or costly manual entry since these exhibits are initially created in a Microsoft Excel compatible format and printed as a PDF file.

In fact, the Department believes that this requirement should reduce the amount of duplicative effort and shorten the time required to review filings. Providing the worksheets with the formulas intact eliminates the need for the Department to request or recreate them during its review process.

With respect to the concerns regarding limits on the size of files that may be created, large files may be compressed into zip files before being uploaded into the System for Electronic Rate and Form Filing (SERFF).

Finally, since the files are being required in a common software program, the Department does not believe that there should be any impact on market participation or that there is any need to delay adoption of this requirement. The Department notes that many filers are currently submitting information in this format and that the same requirement currently exists in N.J.A.C. 11:3-16B.4(1) for filing private passenger automobile insurance limited rate changes.

3. COMMENT: Two commenters expressed concern with N.J.A.C. 11:2-42.2, which modified the definition of "earned premium" to include all associated fee income collected under the insurer's approved rating system. The commenters believed that associated fee income should not be included in the definition of "earned premium," and that such inclusion could cause confusion and disruption, especially for smaller insurers, who would need to change their processes to accommodate the new definition. One commenter specifically stated that fees and premiums are distinct and separate from each other, asserting that premiums directly relate to the coverage of a customer, while fees relate to the administrative functions of insurance writing. The commenter believed that inclusion of fees under the umbrella of "earned premiums" could potentially distort assessments of how much benefit customers are receiving relative to premiums paid, when fees, which can be raised or

lowered independent of the amount of coverage, are included in the definition.

RESPONSE: Upon review of the commenters' concerns, the Department has determined not to change this provision. The inclusion of fees in "earned premiums" is intended to eliminate, not cause, potential distortions in the calculations. The accurate matching of revenue and expenses is essential when evaluating the adequacy of rate levels. Filers typically include all general administrative expenses in their rate indications, including those associated with processing payments, cancellations, reinstatements, etc. However, if an insurer does not include all fee income generated from these transactions along with premiums, then rate indications would be improperly overstated.

The Department disagrees that fees and premiums are distinct and separate from each other; both are revenue resulting from the transaction of risk transfer. Premiums collected from insureds relate to both the coverage provided and the administrative functions of insurance writing, as premiums include not only loss costs but also all underwriting expenses such as commission, general, other acquisition, and taxes, licenses, and fees.

4. COMMENT: One commenter expressed concern with N.J.A.C. 11:2-42.3(b)4, which requires as part of an expedited rate filing, a discussion of the characteristics of policies proposed to receive significant rate impacts (greater than plus/minus 10 percent), and the proposed maximum and minimum rate impacts. The commenter stated that this range is very narrow, and often there could be many policyholders receiving changes greater than this amount. The commenter requested that the Department elaborate on the level of discussion required under the rule, and questioned whether the Department expected a risk profile discussion of each policy or a discussion that summarizes the risk profile for all policies with a plus/minus 10 percent change.

RESPONSE: The intent of this provision is to require filers to provide a general discussion of the risk profiles receiving the most significant impacts; not detailed information about each policy. Further, the Department believes that this information will assist it in identifying the revisions with the most significant policyholder impact and in complying with the shortened review timeframe.

The level of discussion required would depend on the complexity of the filing. For example, if the filing revised only the base rates and territorial relativity factors, the filer could simply state that policyholders in territory "X" are receiving increases in excess of 10 percent and policyholders in territory "Y" are receiving decreases in excess of 10 percent. If more factors are changed, the discussion provided by the filer would have to be more detailed. For example, if amount of insurance and deductible relativities were also changed, the minimum and maximum increases should be described as policyholders in territory "X" with amounts of insurance above "\$y" and a deductible of "\$z." The Department notes that a similar requirement currently exists in N.J.A.C. 11:3-16B.3(a)7 for filing private passenger automobile insurance limited rate changes.

5. COMMENT: Two commenters expressed concern with N.J.A.C. 11:2-42.4(d). One commenter expressed concern with the requirement that filers exclude catastrophic (CAT) losses and individual large losses, which was previously optional. The commenter stated that modeling used by insurance companies utilize catastrophic risk modeling from AIR Worldwide, which represents a long-term perspective. The commenter believed that a surge in material costs post large events are possible, so companies use "demand surge" as defined by AIR. The commenter stated that, in this circumstance, there are only two options for the model, "on" or "off." This commenter stated that this means that performing a sensitivity analysis on many of an insurer's models would not change the opinion of the best estimate of expected losses since it would be most appropriate to run the model with the AIR settings, and not to make assumptions on the exposure data.

The commenter also stated that, with respect to the requirement for individual large losses as set forth in that subsection, a large loss for one insurer may not be a large loss for another insurer. The commenter questioned whether the Department intended to allow insurers flexibility and judgment when determining adjustments applied for large losses. The commenter stated that several carriers already exclude CATs, while some do not, while others exclude some variables regardless of whether it is a CAT (with the commenter citing "wind" as an example of such

losses). In addition, the commenter stated that sensitivity analysis is both a resource and data intensive process to perform, without adding significant value to the process. The commenter thus requested that this provision be deleted in its entirety. The commenter further stated that if the Department adopted the rule in some form, it suggested defining “long-term experience” as a minimum of 15 years of experience, or the longest amount of data available if less than 15 years.

Another commenter reiterated concerns that creation of additional requirements that would force companies to alter their modeling practices would create an additional and significant burden. This commenter also suggested that a definition of “large losses” be provided.

RESPONSE: Upon review of the commenters’ concerns, the Department has determined that no change is required. The commenters have apparently misconstrued the rule. The rule does not make adjustments for catastrophes and large losses mandatory, only provides that they should be included “when appropriate.” This is intended to improve the predictive value of rate level indications that are provided by filers and to conform them to basic actuarial ratemaking principles. The Actuarial Standards Board (ASB) establishes and improves standards of actuarial practice, which identify what the actuary should consider, document, and disclose when performing an actuarial assignment. Section 3.4, Using a Provision for Catastrophe Losses, of Actuarial Standard of Practice No. 39 requires actuaries to give consideration to catastrophes, including large losses:

In ratemaking, actuaries generally use historical data or modeled losses to form the basis for determining future cost estimates. The presence or absence of catastrophes in any historical data used to form future cost estimates can create biases that diminish the appropriateness of using that data as the basis for future cost estimates. The actuary should address such biases by adjusting the historical data used to form future cost estimates and determining a provision for catastrophe losses

The inclusion of a sensitivity analysis does not necessarily require additional work on the part of insurers as this would normally be done as part of the modeling process. A sensitivity analysis could be as simple as including the results of two or three different models and demonstrating how the indicated catastrophe loads from the various models compare to the selected provision, or, using the commenter’s example, providing the difference in results if the “on/off switch” were turned “off,” which should be included in the model’s general output.

Further, the Department notes that the rule does not specify a dollar threshold for a large loss to provide flexibility for filers that may use different methodologies in their internal ratemaking depending on the size and stability of their experience. The intent of these changes is to allow more flexibility in the ratemaking methodology instead of specifying particular requirements.

In addition, flexibility is given to filers regarding adjustments for catastrophe losses. The rule does not specify certain perils that can or cannot be considered when making this adjustment. The Department’s intent is to allow insurers to submit filings utilizing the same actuarial methodology that is used for their internal ratemaking procedures. The amendments to the rule remove the current modeling restrictions and the additional burden that currently exists related thereto.

6. COMMENT: Two commenters expressed concern with N.J.A.C. 11:2-42.4(e), which requires that for each rating factor change, all filers must provide all data used, judgments made, and a description of the methodology used to change the factors. One commenter stated that, while much of this information is provided in filings, providing all data and other detailed information is excessive and would not expedite the filing process.

Another commenter stated that providing all data and judgments made is overly broad in terms of the information requested. This commenter suggested that the Department provide an outline of the types of data and examples of judgments that are not currently being collected through the required filings. This commenter believed that narrowing the scope of the information requested would help prevent the Department from having to sift through excessive information that is not necessary for it to make a proper evaluation, and would provide a more efficient filing process for insurers.

RESPONSE: Upon review, the Department has determined that no change is required. Filers must provide support for all proposed changes in order for the Department to ensure that the rates are adequate, not excessive, and not unfairly discriminatory. Having the filer provide this supporting information with the initial filing, as opposed to waiting for the Department to request it during the review, will assist the Department in reviewing the filing within the required timeframe.

The Department notes that it routinely asks this question in non-expedited filings and that filers respond to the best of their ability. In addition, Section 3.2, Actuarial Report, of the ASB’s Actuarial Standard of Practice No. 41 requires that “[i]n the actuarial report, the actuary should state the actuarial findings, and identify the methods, procedures, assumptions, and data used by the actuary with sufficient clarity that another actuary qualified in the same practice area could make an objective appraisal of the reasonableness of the actuary’s work as presented in the actuarial report.”

Documentation of the analysis done should be provided for each revision being proposed. For example, if the overall rate level change is based on the filer’s experience, an indication and accompanying documentation should be provided. If the changes by territory are also based on the filer’s experience, an analysis of loss experience by territory should be provided and sufficiently documented. Changes based on a competitive analysis should be supported by including the name of the competitor, the SERFF file number, and the information used from that filing. In all cases, the documentation should address how factors were selected and the actuarial judgments were made, given the indications. For example, filers should state if proposed factors were selected based on an average of those used by competitors or based on a review of Statewide and/or countrywide experience.

7. COMMENT: Two commenters expressed concern with N.J.A.C. 11:2-42.4(h), which requires a reconciliation of significant changes between the indicated rate need of the filing with the indicated rate need of the most recent filing. One commenter stated that developed rate needs from two different filings stand on their own and are based on numerous differences, including experiences, assumptions (projected trends, expenses, etc.), and projected effective dates. This commenter believed that attempting to reconcile these items would be burdensome and would not provide any relevant information to the Department pertinent to the review of the filing. Another commenter questioned what it means to “provide a reconciliation of any significant changes to the indicated rate compared to the most recent filing[.]” The commenter also questioned the meaning of “significant” and whether the filing should stand on its own as far as an indication is concerned.

RESPONSE: The Department does not agree that rate needs for two different filings stand on their own. Rate filings typically incorporate several years of loss/expense experience; therefore, filing indications calculated 12 months apart will incorporate much of the same experience and should not be significantly different unless the filer has been recently subjected to unusual loss/expense experience or the filer has altered its calculation methodology. In either situation, providing a reconciliation of changes in the indication from the prior filing provides the Department with relevant information that is pertinent to its review of the filing and will assist the Department in reviewing the filing within the required timeframe.

The Department does not believe that summarizing this information should be burdensome for the insurer because it will have already reviewed and identified any unusual trends in experience during the process of producing its rate indications, and it also would be aware of changes it may have made to its calculation methodology. In addition, Section 3.5, Explanation of Material Differences, of the ASB’s Actuarial Standard of Practice No. 41 requires that, “[i]f a later actuarial communication produced by the same actuary, which opines on the same issue, includes materially different results or expresses a different opinion from the former communication, then the later communication should make it clear that the earlier results or opinion are no longer valid and explain why they have changed.” While this standard refers to the “same actuary,” the spirit of the standard is that actuaries—or actuarial departments—should document and explain significant changes in the results of their analyses.

Regarding the comment as to what constitutes reconciliation, the Department notes that filers should list the reasons why rate indications are higher or lower than expected compared to the previous indications. For example, filers may list the difference in the underlying loss ratio between the experience periods or the difference in anticipated expense provisions. Examples of other common items are: the impact from a new version of a hurricane or convective storm model; the impact of a change in credibility standards; the impact of relying on industry trend data instead of company-based trend data; the impact of changing selected rate of return and associated profit targets, etc.

8. COMMENT: One commenter expressed concern with the changes to Exhibit B in the Appendix to show impacts at a policy level rather than at an exposure level. The commenter believed that this could negatively impact insurers with the ability to write multiple New Jersey residences on a single policy relative to insurers that write only one residence per policy. The commenter stated that, in addition to creating an additional data summary/analysis step to compile premium impacts at a policy level, which would not apply to single-residence insurers, the results of a policy-level summary would not be directly comparable to an exposure-level summary. The commenter requested that the Department permit impacts to be submitted on a policy or exposure level.

RESPONSE: Upon review, the Department has determined that no change is required. Exhibit B in the Appendix has been amended to display impacts by policy to more accurately demonstrate the impact that the proposed changes will have on consumers. The Department does not believe this is burdensome or would negatively impact insurers and is likely already being done by companies to evaluate market disruption to their customers. Filers may provide estimated impacts to the best of their ability based on samples of data if they are unable to calculate exact impacts for each individual policy.

9. COMMENT: One commenter generally noted that in the Summary to the proposed new rules, repeals, and amendments, the Department stated that the reason for the proposal is that the Department "has determined to make changes to the rules to streamline the existing process for expedited rate changes for homeowners insurance." The commenter believed that some of the standardization included in the proposal will increase filing difficulty.

RESPONSE: The Department notes that the commenter did not make reference to any specific "standardization" that can be addressed. However, the Department disagrees that the changes will increase the overall filing difficulty as they reduce the amount of standardization and give filers the flexibility to use their own methodology as long as it is actuarially sound.

Federal Standards Statement

The adopted amendments, repeals, and new rules are not subject to any Federal requirements or standards.

Full text of the adoption follows:

SUBCHAPTER 42. HOMEOWNERS INSURANCE: STANDARD HURRICANE DEDUCTIBLES AND EXPEDITED PROCESS FOR HOMEOWNERS INSURANCE RATE CHANGES

11:2-42.1 Purpose and scope

(a)-(b) (No change.)

(c) This subchapter shall apply only to base rate changes by form, territorial relativity factors, deductible relativity factors, protection/construction class relativity factors, amount of insurance relativity factors, liability rates and associated liability increased limit factors, and minimum premiums.

11:2-42.2 Definitions

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

...

"Earned premium" means direct earned premium, including all associated fee income collected under the insurer's approved rating system.

...
 "Form" means:
 1.-3. (No change.)
 4. Dwelling Fire;
 5. Dwelling Extended Coverage;
 6. Dwelling Liability; and
 7. (No change in text)

...

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

11:2-42.3 Expedited rate filings; general requirements

(a) All filings shall be submitted to the Department through the use of the NAIC electronic filing system SERFF (System for Electronic Rate and Form Filing). All data fields in SERFF shall be completed per the applicable General Instructions for New Jersey, and the SERFF Filing's General Information Filing Description Section shall be fully completed with a clear and precise description of the filing. All filing exhibits displaying calculations shall also be provided in Microsoft Excel-compatible format, with all applicable formulas displayed in the file.

(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. (No change in text.)
2. The manual rating pages containing all proposed changes in the rating system;
3. (No change in text.)
4. A discussion of the characteristics of policies proposed to receive significant rate impacts (greater than plus/minus 10 percent), and the proposed maximum and minimum rate impacts;
5. A completed Exhibit C in the subchapter Appendix, incorporated herein by reference; and

6. Exhibit(s) showing the effect 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 calculated changes.

(c) (No change.)

11:2-42.4 Expedited rate filings; data requirements

(a) All forms comprising an insurer's homeowners program shall be included, either in aggregate or separately if sufficient credibility of data exists.

(b) Premium, loss, and expense data shall be reported on a direct basis exclusive of business ceded to reinsurers or assumed from other insurers.

(c) Data items shall include:

1. Earned premium at present rates using either the extension of exposures or on-level factor method. Provide the relevant rate level history;
2. Premium trend factors, including all data and judgments made, and a description of the method used to select the factors;
3. Earned exposures measured in house years;
4. Paid and/or incurred losses with applicable loss development factors and formulas used;
5. Paid and/or incurred defense and cost containment expense with applicable development factors and formulas used;
6. Paid and/or incurred adjustings and other expenses;
7. Ultimate developed losses and loss adjustment expenses, including a description of the method used to select the ultimate amounts;
8. Paid and/or incurred claim counts with applicable development factors and formulas used;
9. Ultimate developed claim counts, including a description of the method used to select the ultimate amounts;
10. Loss trend factors, including all data and judgments made, and a description of the method used to select the factors;
11. Underwriting expense provisions, including all data and judgments made, and a description of the method used to select the amounts. Filers shall also provide at least a three-year history of expenses as reported in applicable NAIC Annual Statement exhibits;

12. Reinsurance costs, if applicable, including all data and judgments made, and an explanation of how the costs were determined;

13. Residual market load, if applicable, including all data and judgments made, and an explanation of how the costs were determined; and

14. Profit and contingency provision, including all data and judgments made, and an explanation of how the provision was determined.

(d) Filers shall, when appropriate, adjust loss and loss adjustment expense data to exclude catastrophic events, including individual large losses. Losses may include provisions for expected catastrophic events and expected large losses based on long-term experience or modeled forecasts. If models are used, filers shall provide information regarding all assumptions incorporated into the projections, a sensitivity analysis based on varying the assumptions, and a discussion as to why the specific projections were selected as the best estimate of expected losses.

(e) If there is a proposed change to rating factors, including those applicable to territories, deductible options, protection/construction classes, amount of insurance, or liability increased limit factors, filers shall provide all data used and judgments made, and also a description of the method used to derive the proposed factors.

(f) Regarding any applicable credibility procedures, filers shall provide all data used and judgments made, and a description of the method used to select credibility weights and complements.

(g) Filers shall account for impacts of significant changes to legislative, regulatory, social, economic, or operational factors that have an impact on loss frequency or severity, or on expenses.

(h) Filers shall provide a reconciliation of any significant changes to their indicated rate need compared to the indicated rate need from the filer's most recent filing to the Department. The reconciliation shall address underlying changes in experience as well as changes to any portion of the filer's selected methodology.

(i) Rating organizations shall be exempt from providing any premium or expense data required in (a) or (c) above.

(j) Where the application is by an insurer that is a member of a rating organization, the insurer may refer to the loss and loss adjustment expense data filed by the rating organization to comply with the requirements of this section.

Appendix	
Exhibit A - Expedited Homeowners Filing Checklist	
11:2-42.3 - General Requirements	
(a)	All data fields in SERFF completed per the applicable General Instructions for New Jersey; SERFF General Information Filing Description Section completed with a clear and precise description of the filing; filing exhibits displaying calculations provided in Microsoft Excel-compatible format, with all applicable formulas displayed in the file.
(b)1	Appendix Exhibit A (this checklist)
(b)2	The manual rating pages containing all proposed changes to the rating system.
(b)3	Appendix Exhibit B
(b)4	A discussion of the characteristics of policies proposed to receive significant rate impacts, and also the proposed maximum and minimum rate impacts for policies.
(b)5	Appendix Exhibit C

(b)6	Exhibit(s) showing the effect 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 calculated changes.
11:2-42.4 - Data Requirements	
(a)	All forms comprising an insurer's homeowners program shall be included, either in aggregate or separately if sufficient credibility of data exists.
(b)	Premium, loss, and expense data shall be reported on a direct basis exclusive of business ceded to reinsurers or assumed from other insurers.
(c)1	Earned premium at present rates using either the extension of exposures or on-level factor method. Provide the relevant rate level history.
(c)2	Premium trend factors, including all data and judgments made, and a description of the method used to select the factors.
(c)3	Earned exposures measured in house years.
(c)4	Paid and/or incurred losses with applicable loss development factors and formulas used.
(c)5	Paid and/or incurred defense and cost containment expense with applicable development factors and formulas used.
(c)6	Paid and/or incurred adjusting and other expenses.
(c)7	Ultimate developed losses and loss adjustment expenses, including a description of the method used to select the ultimate amounts.
(c)8	Paid and/or incurred claim counts with applicable development factors and formulas used.
(c)9	Ultimate developed claim counts, including a description of the method used to select the ultimate amounts.
(c)10	Loss trend factors, including all data and judgments made, and a description of the method used to select the factors.
(c)11	Underwriting expense provisions, including all data and judgments made, and a description of the method used to select the amounts. Filers shall also provide at least a 3-year history of expenses as reported in applicable NAIC Annual Statement exhibits.
(c)12	Reinsurance costs, if applicable, including all data and judgments made, and an explanation of how the costs were determined.
(c)13	Residual market load, if applicable, including all data and judgments made, and an explanation of how the costs were determined.
(c)14	Profit and contingency provision, including all data and judgments made, and an explanation of how the provision was determined.
(d)	Filers shall, when appropriate, adjust loss and loss adjustment expense data to exclude catastrophic events, including individual large losses. Losses may include provisions for expected catastrophic events and expected large losses based on long-term experience or modeled forecasts. If models are used, filers shall provide information regarding all assumptions incorporated into the projections, a sensitivity analysis based on varying the assumptions, and a discussion as to why the specific

	projections were selected as the best estimate of expected losses.
(e)	If there is a proposed change to rating factors, including those applicable to territories, deductible options, protection/ construction classes, amount of insurance, or liability increased limit factors, filers shall provide all data used and judgments made, and also a description of the method used to derive the proposed factors.
(f)	Regarding any applicable credibility procedures, filers shall provide all data used and judgments made, and a description of the method used to select credibility weights and complements.
(g)	Filers shall account for impacts of significant changes to legislative, regulatory, social, economic, or operational factors that have an impact on loss frequency or severity, or on expenses.
(h)	Filers shall provide a reconciliation of any significant changes to their indicated rate need compared to the indicated rate need from the filer's most recent filing to the Department. The reconciliation shall address underlying changes in experience as well as changes to any portion of the filer's selected methodology.

Exhibit B—Size of Rate Change Distribution

Policy Count As Of: _____

Overall Rate Change	# Policies	% Distribution
Above 40%		
+35 to 40%		
+30 to 35%		
+25 to 30%		
+20 to 25%		
+15 to 20%		
+10 to 15%		
+5 to 10%		
0% to 5%		
No change		
-5% to 0%		
-10% to -5%		
-15% to -10%		
-20% to -15%		
Less than -20%		
Total		

Exhibit C

Form	Indicated Change	# Policies	Annual On-Level Premium	Proposed Percentage Change	Proposed Dollar Effect	Current Average Premium	Proposed Average Premium
HO - Owners							
HO - Tenants							
HO - Condo							
HO Total							
Dwelling Fire							
Dwelling Ext. Cov.							
Dwelling Liability							
Dwelling Total							
Mobilehomeowners							