

EXPLANATORY MEMORANDUM

Since the end of the Pandemic related state emergency, Progressive has made several filings to achieve and maintain rate adequacy in both of our companies to address the frequency recovery in the aftermath of the pandemic and the steep severity trends observed since 2021.

Progressive seeks to offer broad acceptability to New Jersey drivers, and maintaining adequate rate levels is essential to this strategy. We appreciated the Department's engagement on our rate filings in 2024 as we sought to resume a growth appetite in the state. Due to the persistence of steep net future trends, and our desire to continue an open stance to a wide spectrum of risks in the state through 2025, we are filing for the rate that will maintain rate adequacy.

In accordance with the requirements of this filing format, the indication presented includes our latest approved Profit and Contingency filing with a Return on Surplus of 23%. However, to address the profit load concerns that arose during the review of PRGS-133835347, we tested all indications internally at a Return of Surplus of 15% and can corroborate that all rate requests are supported at the corresponding profit load level.

Following discussions with the Department, we have adjusted our rate increase request to +1.1% for Drive New Jersey Insurance Company and +4.9% for Progressive Garden State Insurance Company. We are eager to collaborate with the Department's actuarial staff to gain insights into the rationale behind the difference between the DOBI recommended rate and our initial filing request.

Please don't hesitate to reach out to see the results of this pro-forma analysis.