

GARRISON  
CALIFORNIA  
FILING MEMORANDUM

Based on a review of our latest automobile experience in California, we hereby file an overall rate level change of 8.5% for Garrison to become effective June 12, 2025, for new and renewal business.

Included in this filing are the state required forms and exhibits, as well as the Rules and Underwriting Manual.

Exhibit 1      Three-Year Filing History

This exhibit lists all rate, rule and form filings previously approved by the California Department of Insurance (CDI) within the last three years and our last approved rate filing.

Exhibit 2      Seven-Year Rate Level History

This exhibit lists the rate level changes of the last seven years.

Exhibit 3      Policy Term Distribution

This exhibit defines available policy term options.

Exhibit 4      Premium Adjustment Factor

This exhibit explains the process of calculating the premium adjustment factor to reflect the overall rate level revision of the company as provided on Exhibit 2.

**Trend Selection Justification (Exhibits 5 and 8)**

Exhibit 5      Premium Trend

Standard Exhibit 5 displays our by-coverage premium trends selections. Written premiums are trended from March 30 of the accident year, the average earned date during the experience period. Premiums are trended to August 30, 2025, the average earned date for policies written under the proposed rate level, assuming an effective date of November 30, 2024. Written premium at present rates is determined using the same methodology outlined for earned premium in Exhibit 4.

Exhibit 8      Loss and DCCE Trend

Standard Exhibit 8 displays our by-coverage Loss and DCCE trends selections. Losses and DCCE are trended from March 30 of the accident year, the average date of loss. Losses and DCCE are trended to August 30, 2025, the average date of loss for policies written under the proposed rate level, assuming an effective date of November 30, 2024.

We selected closed claims per exposure for frequency and paid loss per closed claim for severity.

We chose to use total paid claims since it was readily available and commonly used. Closed claims were

selected because they are most closely related to paid claims.

We used California FastTrack as the complement for coverages with less than full credibility. We used California FastTrack Bodily Injury data for Uninsured Motorist, Medical Payments, and Extended Benefits. We used California FastTrack Collision as the complement for Miscellaneous Physical Damage (Waiver of Collision deductible).

The exposure base for both premium trend and loss trend is earned car years.

We made our trend selections by considering both loss trends and premium trends. We divided the pure premium per exposure by premium per exposure for each quarter resulting in a loss ratio for each quarter. We then used these to select the most appropriate of the five point fits (8, 12, 16, 20, and 24) allowed by Regulation 2644.7.

Exhibit 6      Miscellaneous Fees and Other Charges

SR-22 fees and Late Fees are the only fees relevant to this exhibit.

**Development of Ultimate Losses Justification (Exhibits 7 and 9)**

Exhibit 7      Loss and Defense and Cost Containment Expense (DCCE) Development Factors

Annual non-Catastrophe Incurred losses & DCCE Development and the resulting development triangle were selected (rather than paid) to project ultimate losses. We used the incurred development approach because they develop faster and have less variation than the paid data. Therefore, we can get an appropriate estimate of ultimate claims at an earlier evaluation point. We have looked at paid loss development and see no reason to change our standard method.

Exhibit 9      Catastrophe Adjustment

USAA defines catastrophe losses using the industry standard of \$25 Million in damage to insured losses for the industry. A PCS Cat code is assigned to each such event. For events that do not meet PCS guidelines, a catastrophe may also be declared internally if USAA incurs more than 1,000 claims or more than \$5,000,000 in loss. These Cat codes are tracked on USAA's database for claims occurring due to such events.

The procedure consists of initially recording both the new paid catastrophe losses plus paid DCCE and the developed paid losses excluding catastrophe plus paid DCCE. The cat losses are then ratioed to the adjusted non-cat losses to arrive at a catastrophe adjustment factor. This procedure is done by accident year with the average cat adjustment factor being the mean of the yearly factors.

The data used and calculations are shown on Exhibit 9.

Exhibit 10      Credibility Adjustment

The exhibit provides data used to calculate experience period credibility, number of experience years to be used by coverage, and loss trend credibility. A credibility standard of 3000 claims for the data in the experience period was used for each coverage. A loss trend credibility standard of 6000 claims was used for each coverage. Credibility was calculated using the square-root rule.

Exhibit 11 Ancillary Income

Non-sufficient funds fees are the only fees relevant to this exhibit.

Exhibit 12 Reinsurance Premium and Recoverables

Reinsurance premium and recoverables are not being used in this filing.

Exhibit 14 Rate Distribution

Exhibit 14 displays the proposed rate impact by coverage, along with current and proposed base rates. Exhibit 14b shows how the proposed base rates result in the proposed rate impact for coverages with expense fees.

Exhibit 15 Rate Classifications

Not Applicable

Exhibit 20 Customer Dislocation

This exhibit displays customer dislocation by coverage, in increments of 5%.

**Models:**

No models were used in the preparation of this filing. There are two models that were used to develop rates for USAA's personal auto program in California, the sequential analysis model and the symbol assignment model. The model review checklist for the sequential analysis model was approved with filing 16-5293 effective 12/27/2017. This model is used in class plan filings to calculate relativity indications. The model review checklist for the symbol assignment model was approved with filing 20-1868 effective 7/25/2022. This model is used to assign vehicles to symbols.