

**GOVERNMENT EMPLOYEES INSURANCE COMPANY (GE)
GEICO INDEMNITY COMPANY (GI)**

Voluntary Private Passenger Automobile and Recreational Vehicle Insurance

New Jersey

Filing Memorandum

We propose overall rate changes of 6.9% in GE and 6.9% in GI as shown on each Exhibit 1.

Experience Indications

The experience indications are developed on each Exhibit 2 using accident years of data ending June 30, 2024, evaluated as of September 30, 2024.

Current Level Premium

Earned premiums are adjusted to current rate level using the on-level factors shown on each Exhibit 3 which also shows the rate history used to develop the factors. Current level premiums are on an uncapped basis.

Weather-Related Loss Adjustments

Comprehensive and Rental Reimbursement incurred losses are adjusted by excluding weather losses and loading back in the expected weather losses based on a long-term weather. The long-term weather factor is calculated and selected based on a history of ratios of weather to non-weather incurred losses and is shown on each Exhibit 2.

Loss Development

Incurred losses are developed to an ultimate settlement basis using the chain-ladder method, as displayed on each Exhibit 4.

Trend

Losses are trended from the midpoint of each accident year to the average accident date anticipated under the proposed rates. Trend selections are based on the underlying frequency, severity, and premium drift data displayed on each Exhibit 5. Current trend selections reflect inflationary pressures on our costs.

Unallocated Loss Adjustment Expenses

The factors used to adjust the incurred losses and allocated loss adjustment expenses to include unallocated loss adjustment expenses are developed on each Exhibit 6.

PLR and Expenses

Exhibit 7 presents the calculation of the permissible loss and loss adjustment expense ratio. The permissible loss ratio is calculated as our target underwriting ratio less expenses. Our target underwriting ratio is consistent with the plans submitted and approved for the GEICO Companies. The profit provision is consistent with the provision allowed in our annual excess profit report submissions. The general expense and other acquisition ratios are based on the latest three-year average of data. The commission and tax, licenses and fees ratios used in this calculation are based on the latest three-year

average Page 14 data. Our expenses exclude any of the expenses in N.J.A.C. 11:3-16.9(d) and are below the capped Historic Expense Provision pursuant to N.J.A.C. 11:3-16.9(c).

Credibility

The standard credibility method (square root rule) is used to calculate our experience credibility, assuming 3,000 claims as the standard for full credibility. To the extent that the experience data lacks credibility, the experience indication is weighted with the trended permissible loss and loss adjustment expense ratio. The trend period is limited to one year. The credibility-weighted loss and loss adjustment expense ratio is compared to the permissible loss and loss adjustment expense ratio to calculate the indicated change.

Average Premium

Our current and proposed average premium by coverage can be seen on each Exhibit 8.

Increased Limit and Deductible Factors

We propose to adopt Increased Limit Factors for Bodily Injury and Property Damage, and to our Deductible Factors for Collision and Comprehensive approved for use in GEICO Secure Insurance Company and GEICO Choice Insurance Company in SERFF filing #GECC-134148967. For the 100/200 and 300/500 Bodily Injury limits which are not offered in those companies, factors have been selected to maintain consistency. Current and proposed factors are shown on each Exhibit 9.

Impact on Age 65+ Rates

Each Exhibit 10 shows the effect of our proposed base rate changes on the age 65+ rates. This exhibit shows that the proposed rates do comply with the N.J.S.A. 17:29A-36 requirement that the rate for any principal operator 65 years of age or older does not exceed a rate relativity of 1.25 of the average rate for a driver 65 or older. We are updating the Senior Driver to keep the rate relativity within regulatory provisions.

Proposed Rates by Territory

Each Exhibit 11 shows the current and proposed rates by territory and coverage. Please note that the base rate shown is the statewide base rate multiplied by the territorial rating factor. Sheet 12 shows the calculation of updated statewide base rates by coverage.

Expense Fee Indications

Expense fee indications are shown on each Exhibit 12. This exhibit shows that 90% of general and other acquisition expenses (excluding commissions), and 100% of miscellaneous taxes, licenses, and fees are reflected in the expense fee as required by N.J.S.A 17:29A-37.

Policyholder Displacement

Histograms of the percent changes by individual policyholder can be seen on each Exhibit 13.