ALLSTATE NEW JERSEY PROPERTY & CASUALTY INSURANCE COMPANY
PRIVATE PASSENGER AUTOMOBILE

FILING MEMORANDUM

Actuarial Standards of Practice

This document confirms compliance with Actuarial Standards of Practice that are applicable to the preparation of statewide rate filings performed by casualty actuaries as stated in "Applicability Guidelines for Actuarial Standards of Practice" (American Academy of Actuaries, December 2024).

Narrative Overview

With this filing, Allstate New Jersey Property and Casualty Insurance Company (ANJPC) is proposing an overall +4.5% prior approval rate change as shown in **Indication Exhibit 1**. In developing the indication for this proposed change, Allstate followed the methodology detailed in N.J.A.C 11:3-16B, which is summarized in **Indication Exhibit 2**. Additional details regarding this methodology can be found below.

<u>Base Data Used</u>

ANJPC total limits data was used for all coverages. A renewal business effective date of 8/28/2025 has been used throughout the indication. Fiscal accident years ending 6/30/2022, 6/30/2023, and 6/30/2024 were evaluated as of 9/30/2024. Credibility for each coverage was calculated as outlined in N.J.A.C. 11:3-16B.4. In accordance with this statute and as shown in **Indication Exhibit 3**, Allstate chose to use the two most recent years of data to develop the indications for fully credible coverages. **Indication Exhibit 4** derives the Expected Loss & LAE Ratio by applying the adjustments described below.

<u>Loss Development</u>

As shown in **Indication Exhibit 5**, losses were developed out to 123 months for all coverages. This utilizes more data than mentioned in N.J.A.C. 11:3-16B.4(c)2; Allstate chose to do this to follow its typical loss development procedure and to provide additional transparency. The selected link ratios were based on the latest 5-year excluding high/low average.

<u>Loss Trend Factors</u>

Indication Exhibit 6 shows the frequency trend factors and **Indication Exhibit 7** shows the severity trend factors. The historical trend adjusts the older accident years to the most recent year, and the prospective trend projects to the prospective policy period. Consideration was given to both recent and long-term trends when selecting a prospective trend. Note that these exhibits utilize ANJPC data rather than NJ Fast Track data. This change from the statute is appropriate as ANJPC data is highly credible and Allstate wanted to use the most recent data available (Fast Track lags).

Premium Adjustments

Please refer to **Indication Exhibit 8** for the complete development of the adjusted earned premium by coverage. Adjustments made to earned premiums are described below.

All premiums in the experience period were adjusted to current rate level. Allstate uses the "Miller-Davis-Karlinski" method to do this since it more accurately calculates factors to current rate level in instances when exposures are changing throughout the year, whether through growth, shrinkage, or seasonality. When exposures are, in fact, written uniformly throughout the year, this method produces approximately the same answers as the parallelogram method. The Miller-Davis-Karlinski method is also used to bring premiums to current rate level prior to calculating the changes in average premium used in the premium trends. The current rate level factors by coverage are shown in **Indication Exhibit 9**.

Premium trends as well as selected historical and prospective annual changes for all coverages are shown in **Indication Exhibit 10**. The historical trend is projected for the period covering the average date of earning for each of the experience periods to the average date of earning for the latest experience period. The prospective trend is projected for the period covering the average date of earning for the latest experience to the average date of earning of the prospective policy effective period.

Catastrophe Loss Adjustment

All catastrophe losses during the experience periods are removed from the underlying data and are instead accounted for via the catastrophe provision. Please see **Indication Exhibit 11** for the development of this provision.

Loss Adjustment Expenses

Losses in the experience period for each coverage have been adjusted to account for unallocated loss adjustment expenses. The derivation of this provision is found in **Indication Exhibit 12**.

Expenses and Profit

The expense related exhibits can be found in **Indication Exhibits 13-17**. The profit provision is derived in the **Confidential Memorandum**. These amounts are subtracted from 100% to derive the Permissible Loss & LAE Ratio as shown in **Indication Exhibit 18**. Expense fee calculations are shown in **Indication Exhibit 19**.

Summary of Manual Changes

Rate Adjustment Factors

Allstate used extension of exposures to revise the Rate Adjustment Factors (RAFs) to achieve the proposed changes shown in **Indication Exhibit 1**.

Changes to Rates

RP-2A	Revised Rate Adjustment Factors
RP-MW-1	Revised Rate Adjustment Factors
RP-4A	Revised Territorial Base Rates
RP-65A	Revised Rate Adjustment Factors