

USAA, USAA-CIC, USAA-GIC, and GARRISON

HOMEOWNERS

NEW JERSEY

ADDITIONAL FILING CONTEXT

Please consider the following additional support of our proposed revisions. This information is provided considering previous Department objections.

- (1) *Please explain specifically what is driving the indicated rate need (e.g. type/category of losses, geographic locations, large losses, specific agencies or distribution channels, particular years/periods/events, etc.). Provide cause of loss distributions or other exhibits demonstrating any changes where appropriate.*

Inflation has remained high, causing increases to our projected non-catastrophe loss ratio. This can be seen on Exhibit – Indicated Rate Change in line 11 (Weighted Loss and LAE Ratio Excluding Catastrophes).

- (2) *Please describe the rationale for the proposed rate filing amount as it relates to the indicated need, as well as the strategic objective(s) with the overall filing (the % increase, other revisions, etc.).*

We are filing rate increases for USAA, USAA-CIC, USAA-GIC, and Garrison Owners program to ensure we are more appropriately matching price to risk and charging an adequate premium to continue our ability to pay out all covered claims for this program in the state of New Jersey. While our indications would support a higher selection, we are proposing an increase that is limited to at a group level due to the Department's rules for filings under the Prior Approval filing type.

- (3) *Please provide a discussion of the general type of risk profiles that will receive the larger and smaller premium changes as a result of this filing focusing particularly on the characteristics that are causing the premium changes. Please do not provide a description of only the individual policies that will receive the maximum and minimum premium change. Instead provide a description of the general characteristics of the group of policies that will receive the larger and smaller premium changes as well as the basis for targeting such risk types for the related rate changes.*

Because this is a base rate increase, members within the same companies should experience relatively similar rate changes.

- (4) *Please summarize other actions being taken by the company, in addition to rate revision filings, to address overall profitability and growth plans, if/as applicable.*

USAA uses a holistic approach of rate revisions and non-rate actions (via Underwriting Models) to achieve profitability and growth. Some of the actions taken on the underwriting side include

Property Inspection Models for Property conditions, Monitoring Coastal exposures for Wind and Storm Surge exposures, etc. Our plan is to monitor our strategic actions for favorable premium and loss trends and address the indications as it becomes necessary.

- (5) *Please identify and explain any material increase/decrease in the inforce policy count/exposures over the past several years, identifying the underlying reason(s) and if the directional shift (growing, retracting) is in line with the company objectives in the New Jersey market.*

The following material distributional shifts can be seen in our NJ Homeowners book of business:

- a. All Other Peril Deductibles: The inforce distribution is shifting away from \$500 / \$1,000 deductible options and towards the \$2,000 or higher deductible options. Two years ago (March 2023) the distribution of policies with \$500 or \$1,000 deductibles was 65.8%, and now (March 2025) it is 58.5%, as more members are electing to pay lower premium in exchange for higher deductibles. We believe our deductibles are appropriately priced at each level.
- b. Dwelling AOI Limits: The inforce distribution is shifting to noticeably higher average dwelling limits. This is driven by increasing rebuild costs over the past several years given material and labor cost surges and other related factors. Our NJ Homeowners average dwelling limit in March 2022 was \$530K, which rose to \$603K in March 2025, an increase of 13.7% (or 4.4% annualized over three years). It is USAA's mission to fully indemnify a member who incurs partial or total damage to their home, so insuring our membership to the right level of coverage is part of our company objectives.
- c. Auto-Home Bundling: The inforce distribution is slowly seeing a smaller share of members benefitting from our Auto/Home Combination discount. 92.2% of members took advantage of this discount in March 2023, while this dropped to 90.5% in March 2025. We believe the more competitive insurance marketplace is the reason for this trend. While we would prefer to write all offered lines of business for all our members, we understand that this is not realistic in a competitive marketplace and are not concerned with the trend of this metric.

- (6) *Please define the overall company strategy with writing business in New Jersey as well as what differentiates your product from other competitors in the marketplace such as niche/specialty markets, geographic focus (urban, coastal, etc.), enhanced coverages, preferred/standard/non-standard-type business, multi-line offerings, etc.*

USAA's mission in New Jersey is to provide premium Insurance products and services for our Military members and their eligible family members. We strive to achieve that mission by providing comprehensive product and coverage offerings as stipulated by state regulations at a competitive premium that is determined by individual risk characteristics. Our Property Insurance strategy also includes insuring the maximum number of risks across the state that complies with our approved rating and underwriting guidelines. Our Property coverage options are comprehensive and also provide multiple product offerings to our members to better serve their insurance needs. Lastly, our future strategy is to grow our Member and Policy footprint in the state of NJ and help address our member's insurance coverage needs.

Objection 2:

Please provide a reconciliation of the current indication between this filing and the most recently approved rate filing. Include a discussion of underwriting and loss adjustment expense provisions, profit provisions, and any other components that may have changed. Discuss any rate level impact resulting from the changes.

Response:

Component:	Prior Indication (Group):	Current Indication (Prem-Wtd):	Commentary:
Wtd L+LAE Ratio xCat	.517	.461	This change is due to the utilization of two-step historical loss trending in the current indication, where in our testing the two-step approach was statistically significant based on a T-test. The prior indication did not pass this test, and so used single step historical trending.
Historical Cat L+LAE Ratio	.003	.003	No change
Modeled Cat Provision	.166	.161	Minimal change here, movement is driven by a decrease in our ceded premium provision.
Proj. Fixed Expense Provision	.145	.130	Difference driven by increased projected EPPR (the denominator in this calculation) due to the prior accepted filing.
Variable PLR	.672	.696	Decrease in 'variable reinsurance expense cost ratio' drives improvement.
LAE (Non-Cat, Cat, ST/WS Cat)	.14, .05, .05	.14, .05, .05	No change
Profit Provision	.15	.15	No change
Sel Avg Proj General Expenses	41.61	41.84	Trending difference
Sel Avg Proj Other Acquisition Expenses	253.32	254.73	Trending difference

Note: The prior filing used a group-level indication rather than a company-level indication, as we are in the current filing.