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COMMERCIAL LINES NOTICE NO. 125

Calendar Year 2019 Interim Commercial Expense Allowance

For policies effective January 1, 2019 – December 31, 2019, commercial Servicing Carriers will be provided an expense allowance of \$412 per exposure. On an interim basis, the exposures are estimated using 2018 statistical data and the expense allowance is converted to a percentage of premium.

The premium tax and commission rate components underlying the approved 2018 rates (for policies effective January – February) and the 2019 CAR rates (for policies effective March – December) are used for the January 2019 – December 2019 accounting shipments. The resulting interim expense ratios are as follows:

	<u>Jan-Feb Allowance</u>	<u>Mar-Dec Allowance</u>	<u>Weighted Allowance</u>
Expense Per Exposure	\$412	\$412	\$412
Expense Per Exposure %	12.89%	11.06%	11.29%
Premium Tax	2.30%	2.30%	2.30%
Commission	<u>9.39%</u>	<u>8.75%</u>	<u>8.83%</u>
Premium Tax/Commission	11.69%	11.05%	11.13%
Total	24.58%	22.11%	22.42%

The S016 Confirmation reports will reflect the 22.42% ceding expense allowance for accounting months January, 2019 – December, 2019. After the close of the calendar year, ceding expenses will be true-up based on actual reported exposures and will reflect premium tax and commission provisions included in the underlying rates.

Questions may be directed to the undersigned at tgalligan@commauto.com.

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