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COMMERCIAL LINES NOTICE NO. 134

Calendar Year 2020 Interim Commercial Expense Allowance

For policies effective January 1, 2020 – December 31, 2020, commercial Servicing Carriers will be provided an expense allowance of \$420 per exposure. On an interim basis, this allowance is converted to a percentage of premium using an estimated average premium using policy year 2019 statistical data.

While awaiting approval of a 2020 rate change, the premium tax and commission rate components underlying the approved 2019 CAR rate filing are used for the interim expense allowance. The resulting interim expense ratios are as follows:

	<u>Interim Allowance</u>
Expense per Exposure	\$420
Expense Per Exposure %	10.66%
Premium Tax	2.30%
Commission	8.75%
Total	21.71%

Upon approval of the new rates, the interim expense allowance will be updated to reflect the approved 2020 rate components for premium tax and commission and will be included in the next monthly accounting shipment after the approval. CAR will inform the industry of the new estimated expense allowance prior to the updated month of the statistical submission due date.

Ceding expenses will be trued-up after the close of each calendar year, 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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